

CMP (Rs) 65

Under Review

Key Figures

YoY Growth (%)

	Actuals	B&K Est	Consensus
Net Sales	21.8	2.5	14.3
EBITDA	12.6	-7.3	15.8
Adj PAT	11.4	-15.0	17.3
EPS	11.4	-15.0	17.3

Higher sales percolates to bottomline

Is an earnings upgrade / downgrade likely?

Stock Under Review.

- Sales were higher than our estimates due to higher sale of towel and rugs
- EBITDA margin was lower on YoY basis due to higher cotton and energy costs.
- Exceptional item of Rs 4.9 bn (not adjusted for tax payment) include Rs 5 bn provision taken for traceability issue and gain of Rs 110 mn on account of profit related to the fire accident in subsidiary.

Financial Highlights

(Rs mn)	2QFY16	2QFY17	YoY (%)	1QFY17	QoQ (%)	FY16	FY17E	FY18E
Net Sales	14,694	17,899	21.8	15,926	12.4	59,795	66,838	74,863
EBITDA	3,834	4,318	12.6	4,225	2.2	15,575	16,810	18,304
EBITDA Margin (%)	26.1	24.1		26.5		26.0	25.2	24.5
Other Income	206	251	22.0	189	33.0	915	800	750
Interest	515	320	-37.9	353	-9.3	2,362	2,264	2,007
Depreciation	909	1,264	39.1	1,121	12.8	3,750	3,997	4,275
PBT	2,616	2,985	14.1	2,940	1.5	10,378	11,350	12,772
Tax	785	1,021	30.1	853	19.7	3,224	3,552	4,074
Adjusted PAT	1,794	1,999	11.4	2,019	-1.0	6,977	7,797	8,698
NPM (%)	12.2	11.2		12.7		11.7	11.7	11.6
EPS (Rs)	1.8	2.0	11.4	2.0	-1.0	6.9	7.8	8.7

Year end FY16 FY17E FY18E

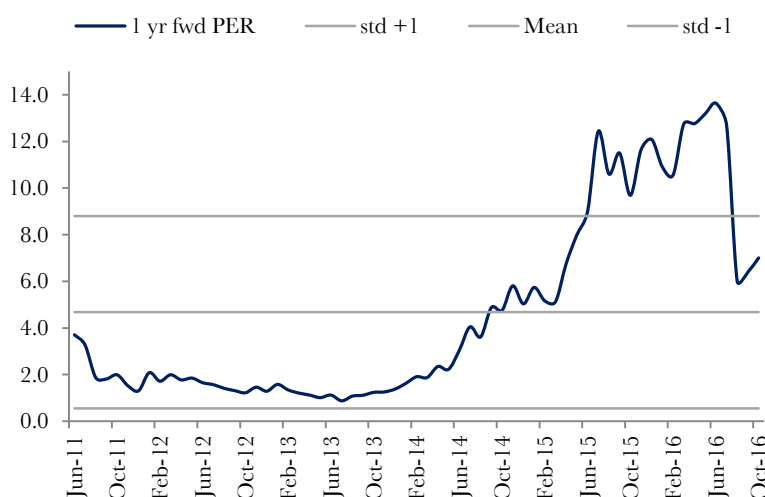
Valuations

PBV (x)	5.0	2.6	2.1
EV/EBITDA (x)	8.0	5.3	4.6
Div./Yield (%)	1.3	3.0	3.3

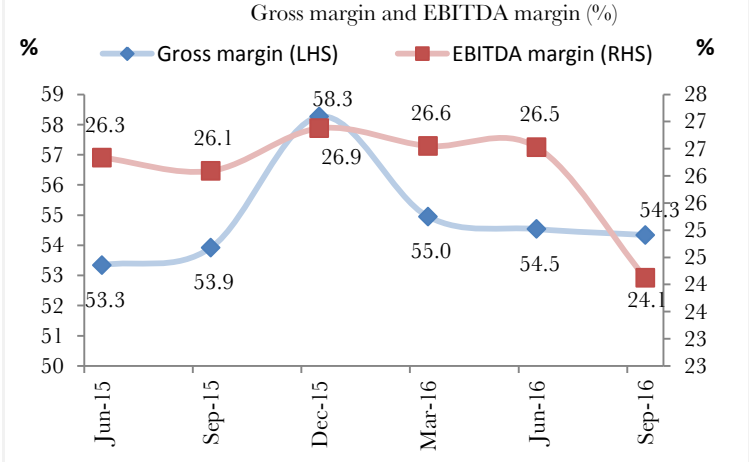
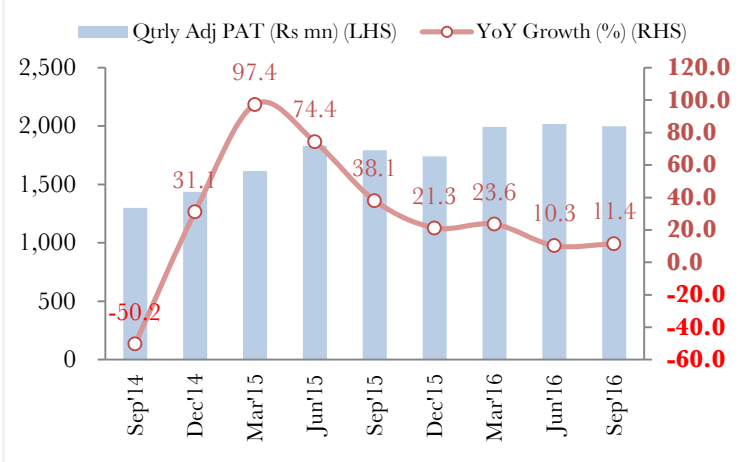
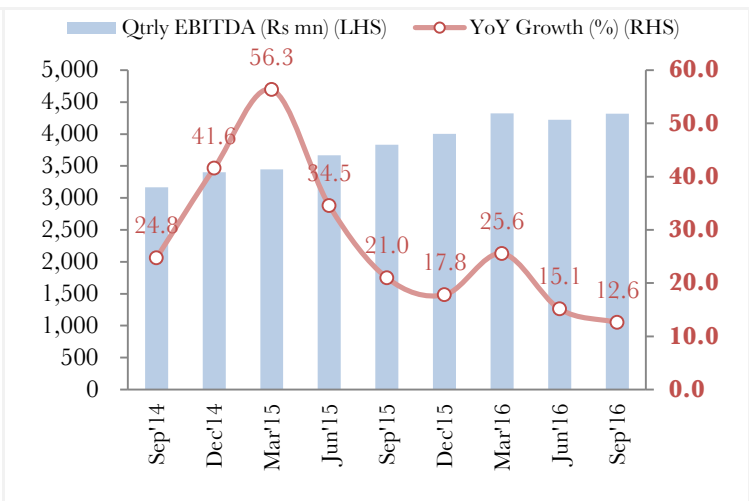
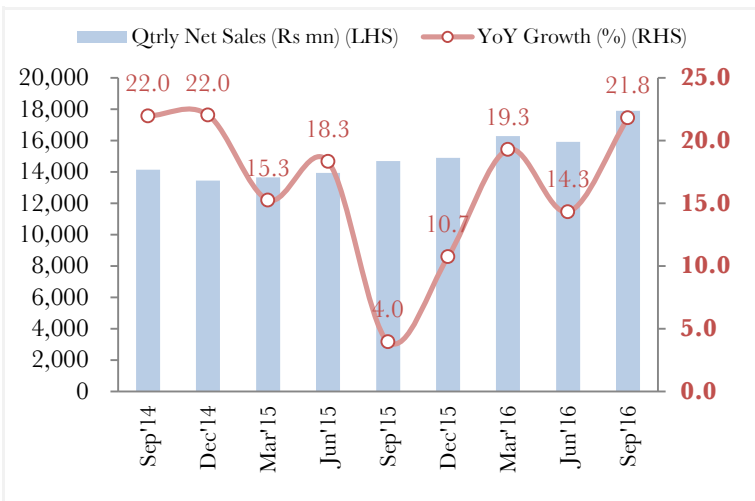
Key Ratios & FCF

ROE (%)	40.8	34.5	30.7
ROCE (%)	26.4	26.5	26.7
Net Debt/Equity (x)	1.2	0.9	0.6
Interest cover (x)	5.4	6.0	7.4
FCF (Rs mn)	6,026	6,737	8,864

Historic valuation chart



Prerna Jhunjunwala, Nishant Agrawal



Operating cost break-up (% of Sales)

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	YoY (bps)	QoQ (bps)
Cost items							
Raw Material Cost	46.1	41.7	45.0	45.5	45.7	-42	20
Power & Fuel Cost	1.8	2.0	2.7	2.1	2.9	117	84
Employee Expenses	9.0	9.5	8.5	9.7	8.5	-56	-121
Other Operating Expenses	17.0	19.8	17.2	16.2	18.8	178	259
Total Operating Cost	73.9	73.1	73.4	73.5	75.9	197	241

Welspun India

Income Statement

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
Net sales	53,025	59,795	66,838	74,863
<i>Growth (%)</i>	<i>18.0</i>	<i>12.8</i>	<i>11.8</i>	<i>12.0</i>
Operating expenses	(40,283)	(44,220)	(50,028)	(56,559)
Operating profit	12,742	15,575	16,810	18,304
Other operating income				
EBITDA	12,742	15,575	16,810	18,304
<i>Growth (%)</i>	<i>38.3</i>	<i>22.2</i>	<i>7.9</i>	<i>8.9</i>
Depreciation	(3,329)	(3,750)	(3,997)	(4,275)
Other income	949	915	800	750
EBIT	10,362	12,740	13,613	14,779
Finance cost	(2,829)	(2,362)	(2,264)	(2,007)
Exceptional & extraordinary				
Profit before tax	7,533	10,378	11,350	12,772
Tax (current + deferred)	(2,090)	(3,224)	(3,552)	(4,074)
P / L form discount. Op.				
Profit / (Loss) for period	5,443	7,153	7,797	8,698
P/L of Ass., Min Int, Pref Div	(45)	(176)		
Reported Profit / (Loss)	5,398	6,977	7,797	8,698
Adjusted net profit	5,398	6,977	7,797	8,698
<i>Growth (%)</i>	<i>-4.6</i>	<i>29.3</i>	<i>11.8</i>	<i>11.6</i>

Balance Sheet

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
Share capital	1,005	1,005	1,005	1,005
Reserves & surplus	13,314	18,872	24,324	30,406
Shareholders' funds	14,319	19,877	25,329	31,411
Minority Interests and others	378	503	503	503
Non-current liabilities	17,607	20,352	20,918	20,887
Long-term borrowings	15,946	17,877	18,377	18,277
Other non-current liabilities	1,661	2,475	2,540	2,610
Current liabilities	24,650	21,541	17,789	17,256
ST borrow, Curr maturity	14,905	8,755	6,560	4,796
Other current liabilities	9,745	12,786	11,229	12,460
Total (Equity and Liab)	56,953	62,272	64,539	70,057
Non-current assets	29,396	36,656	36,539	36,427
Fixed assets (Net block)	26,049	33,435	33,140	32,899
Non-current Investments	15	30	30	30
Long-term loans and adv	1,377	1,206	1,386	1,525
Other non-current assets	1,955	1,985	1,983	1,973
Current assets	27,557	25,616	28,000	33,630
Cash & Current investment	4,657	1,776	1,712	4,124
Other current assets	22,900	23,840	26,287	29,505
Total (Assets)	56,953	62,272	64,539	70,057
Total debt	30,851	26,632	24,937	23,073
Capital employed	47,208	49,487	53,310	57,596

Cash Flow Statement

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
Profit before tax	7,533	10,378	11,350	12,772
Depreciation	3,329	3,750	3,997	4,275
Change in working capital	(1,456)	2,542	(4,121)	(2,058)
Total tax paid	(1,884)	(2,687)	(3,552)	(4,074)
Others	2,829	2,362	2,264	2,007
Cash flow from oper. (a)	10,351	16,345	9,936	12,921
Capital expenditure	(5,608)	(11,136)	(3,702)	(4,034)
Change in investments	(305)	857	533	
Others	852	(40)	(31)	(24)
Cash flow from inv. (b)	(5,061)	(10,320)	(3,200)	(4,058)
Free cash flow (a+b)	5,290	6,026	6,737	8,864
Equity raised/(repaid)	3.5	0.4		
Debt raised/(repaid)	558	(4,219)	(1,695)	(1,864)
Dividend (incl. tax)	(1,268)	(1,558)	(2,345)	(2,616)
Others	(3,662)	(2,258)	(2,228)	(1,971)
Cash flow from fin. (c)	(4,370)	(8,035)	(6,268)	(6,451)
Net chg in cash (a+b+c)	920	(2,009)	469	2,412

Key ratios

Period end (%)	Mar 15	Mar 16	Mar 17E	Mar 18E
Adjusted EPS (Rs)	5.4	6.9	7.8	8.7
<i>Growth (%)</i>	<i>(4.7)</i>	<i>29.2</i>	<i>11.8</i>	<i>11.6</i>
CEPS (Rs)	8.7	10.7	11.7	12.9
Book NAV/share (Rs)	14.3	19.8	25.2	31.3
Dividend/share (Rs)	1.0	1.3	1.9	2.2
Dividend payout ratio	23.5	22.3	30.1	30.1
EBITDA margin	24.0	26.0	25.2	24.5
EBIT margin	19.5	21.3	20.4	19.7
Tax rate	27.7	31.1	31.3	31.9
RoCE	22.9	26.4	26.5	26.7
Total debt/Equity (x)	2.1	1.3	1.0	0.7
Net debt/Equity (x)	1.8	1.2	0.9	0.6
Du Pont Analysis - ROE				
Net margin	10.2	11.7	11.7	11.6
Asset turnover (x)	1.0	1.0	1.1	1.1
Leverage factor (x)	4.3	3.5	2.8	2.4
Return on equity	42.5	40.8	34.5	30.7

Valuations

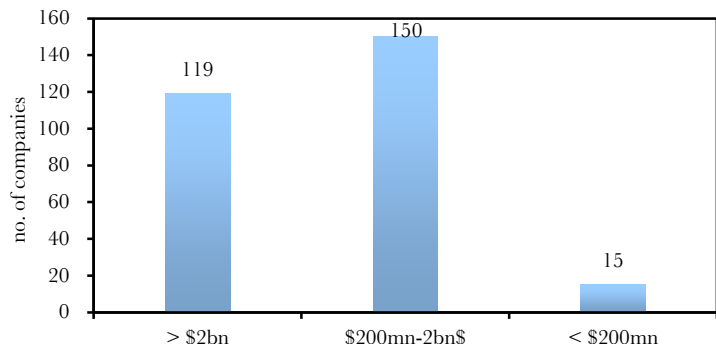
Period end (x)	Mar 15	Mar 16	Mar 17E	Mar 18E
PER	6.6	14.2	8.4	7.5
PCE	4.1	9.3	5.5	5.0
Price/Book	2.5	5.0	2.6	2.1
Yield (%)	3.0	1.3	3.0	3.3
EV/EBITDA	4.9	8.0	5.3	4.6

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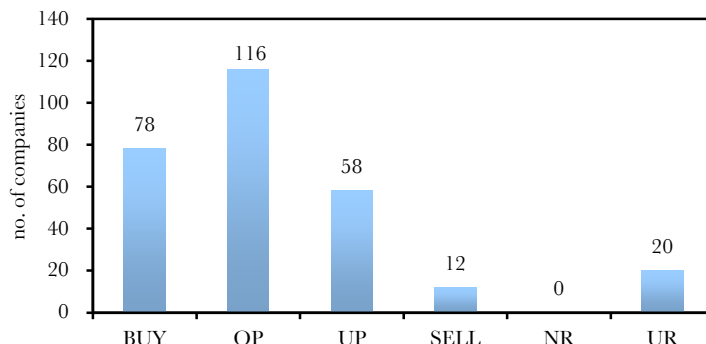
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



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	LARGE CAP (Market Cap > USD 2 bn)	MID CAP (Market Cap of USD 200 mn to USD 2 bn)	SMALL CAP (Market Cap <USD 200 mn)
BUY	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
OUTPERFORMER	+10% to +20%	+15% to +25%	+20% to +30%
UNDERPERFORMER	+10% to -10%	+15% to -15%	+20% to -20%
SELL	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

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