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Welspun India Ltd.

4QFY19 Results: Estimates (↓), TP (↔), Rating (↔)

Regular Coverage

Absolute: LONG
Relative: Overweight
24% ATR in 16 Months

Growth prospects strong for FY20 - Maintain LONG

Textiles

WLSI's 4QFY19 EBITDA declined 21% yoy to Rs 2.1bn, 24% below EE, mainly due to one-off expenses of (a) treasury write down of Rs 70mn (b) inventory write down of Rs 370mn; impacting the margins by -275bps. FY20E EBITDA margins are likely to expand driven by 1) exhaustion of lower rates hedges from FY20E & 2) additional 2% benefit from enhanced ROSTCL scheme. While revenues are set to grow at 13% CAGR over FY19-FY21E driven by strong growth in domestic market and niche products growing rapidly, EBITDA/PAT would grow at 18%/15% CAGR led by rise in efficiencies and repayment of debt. We maintain LONG with 7.5x Sep'20 EV/EBITDA, resulting in Sep'20 TP of Rs 77 (vs. Mar'20 PT of Rs 77).

Revenue growth to return with exhaustion of lower-rate hedges, strong domestic growth: 4Q19 revenues at Rs 15.6bn grew 3% yoy (1% above EE) largely driven by volume growth and strong growth seen in retail/advanced textile business, which grew 46%/48% resp. on smaller base. While the exhaustion of lower rate hedges from FY20 will cushion revenue growth, a 13% CAGR in revenues over FY19-21E will be driven by (a) strong growth in the domestic market with *WELSPUN* & *SPACES* brands gaining traction (b) flooring business contributing to revenues from 2QFY20 and (c) returning of volume growth in the US market.

Flooring revenue ramp up key growth driver: Flooring & bath rugs business will deliver strong growth over next few years as it falls in the list of products with 25% import duty levied by US on Chinese products. In domestic market also, WLSI has invested heavily in creating a distribution network with a target to have 35-40 distributors, 450-500 dealers and 150-200 shop-in-shop stores by end of FY20E. The production from the flooring plant is expected start from 3QFY20 and is expected to contribute -Rs 1.4/Rs 3bn in FY20E/21E.

One-time settlement agreement of class action suit removes a big overhang on stock: WLSI has entered into a settlement agreement towards resolving the pending claims against it in the US courts. It has also made a provision of -Rs 1.92bn towards the settlement charges of the case. Reaching an agreement is a right step towards resolving the long pending case and will provide some relief to margins while doing away with high legal charges and help management redirect its focus on core business.

Debt level maintained; Rs 3bn debt reduction guided for in FY20E: Net-debt at 4Q-end stood at Rs 30.3bn (incl. flooring debt of Rs 2.8bn) as a Rs2.87bn debt repayment was offset by same amount of flooring debt. Capex for FY19 stood at Rs 7.5bn (including flooring capex of Rs 5.6bn). In addition to completing the remaining flooring capex (~Rs 4bn), WLSI will reduce the net debt by -Rs 3bn in FY20 and thus bring total net debt to -Rs 27bn by FY20 end. Utilizing cash flows towards debt repayment post construction of the flooring plant will result in a 15% PAT CAGR over FY19-FY21E.

Estimate Revision

(Rs bn)	Forecasts		% Change	
	FY20E	FY21E	FY20E	FY21E
Revenue	73,098	83,332	-1%	-2%
EBITDA	12,532	14,786	-11%	-9%
PAT	4,954	6,350	-11%	-9%

Consolidated Financials

Rs. Mn YE Mar	FY19A	FY20E	FY21E	FY22E
Sales	65,266	73,098	83,332	95,832
EBITDA	10,649	12,532	14,786	18,251
Depreciation	4,358	4,745	5,268	5,268
Interest Expense	1,593	1,645	1,463	1,463
Other Income	818	935	1,015	1,090
Reported PAT	2,098	4,954	6,350	8,827
Recurring PAT	4,745	4,954	6,350	8,827
Total Equity	27,793	31,433	36,876	44,494
Gross Debt	33,117	29,917	25,417	19,917
Cash	2,728	2,112	2,434	4,499
Rs. Mn YE Mar	FY19A	FY20E	FY21E	FY22E
Earnings	4.7	4.9	6.3	8.8
Book Value	28	31	37	44
Dividends	0.3	0.5	0.8	1.0
FCFF	1.0	5.3	7.1	9.2
P/E (x)	12.3	11.8	9.2	6.6
P/B (x)	2.1	1.9	1.6	1.3
EV/EBITDA (x)	8.7	7.2	5.7	4.3
ROE (%)	18 %	17 %	19 %	22 %
Core ROIC (%)	9 %	9 %	11 %	14 %
EBITDA Margin (%)	16 %	17 %	18 %	19 %
Net Margin (%)	7 %	7 %	8 %	9 %

Rating Information	
Price (Rs)	58
Target Price (Rs)	77
Target Date	30th Sep' 20
Target Set On	26th May' 19
Implied yrs of growth (DCF)	15
Fair Value (DCF)	89
Fair Value (DDM)	21
Ind Benchmark	SPBSMIP
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	58,274
Free Float (%)	31.52 %
52 Wk H/L (Rs)	78.25/46.2
Avg Daily Volume (1yr)	14,96,859
Avg Daily Value (Rs Mn)	88
Equity Cap (Rs Mn)	1,005
Face Value (Rs)	1
Bloomberg Code	WLSI IN

Ownership	Recent	3M	12M
Promoters	68.5 %	0.0 %	0.0 %
DII	10.3 %	0.1 %	4.3 %
FII	8.3 %	0.3 %	-1.2 %
Public	12.9 %	-0.4 %	-3.1 %

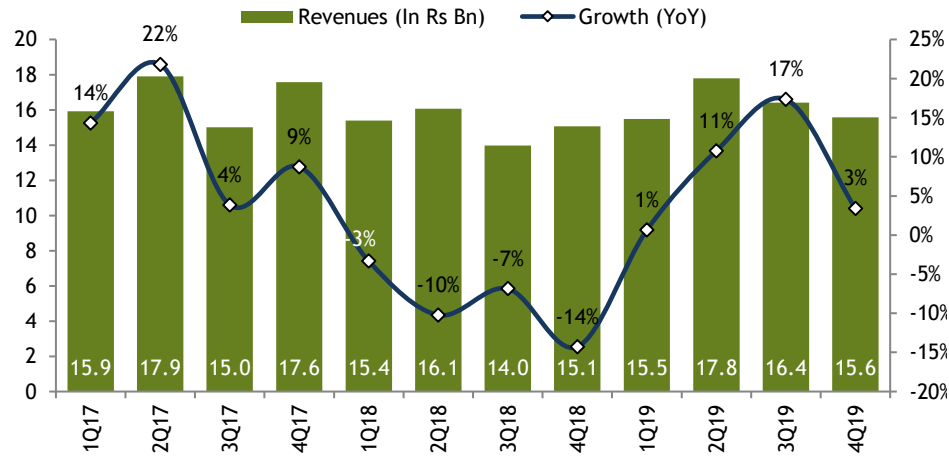
Price %	1M	3M	12M
Absolute	6.8 %	11.9 %	-5.8 %
Vs Industry	8.6 %	6.4 %	-1.2 %
Trident	-3.0 %	6.7 %	19.1 %
Indocount	1.6 %	17.9 %	-43.7 %

Consolidated Quarterly EPS forecast				
Rs/Share	1Q	2Q	3Q	4Q
EPS (19A)	1.3	1.3	0.8	1.3
EPS (20E)	1.3	1.6	1.5	0.5

Quarterly performance

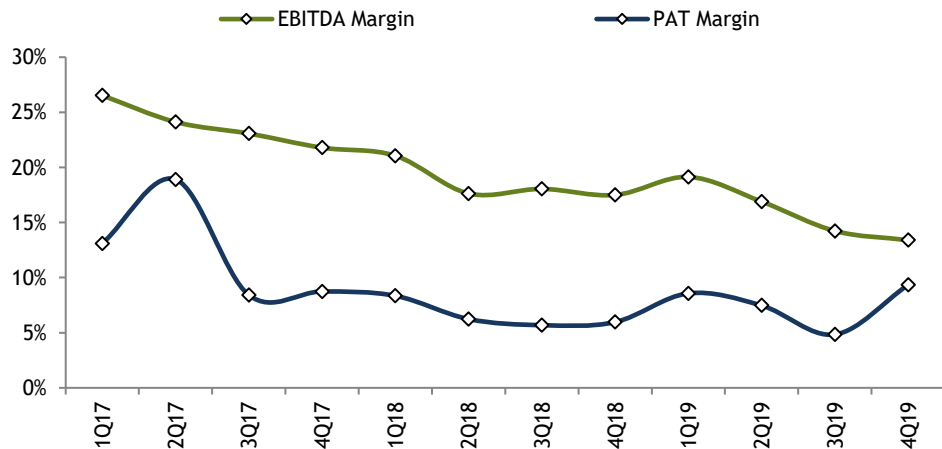
Rs Mn	4QFY19	4QFY19E	3QFY19	4QFY19	% Change			Comments
					4QFY19E	3QFY19	4QFY19	
Net Sales	15,572	15,470	16,403	15,062	1%	-5%	3%	In-line with EE
Raw Materials Consumed	8,179	7,523	8,528	7,339	9%	-4%	11%	
Employee Costs	1,751	1,739	1,823	1,690	1%	-4%	4%	
Other expenses	3,556	3,473	3,718	3,398	2%	-4%	5%	
Total Expenditures	13,486	12,735	14,068	12,427	6%	-4%	9%	
EBITDA	2,087	2,736	2,335	2,635	-24%	-11%	-21%	Lower gross margins led to EBITDA miss
Depreciation	1,098	1,212	1,118	1,301	-9%	-2%	-16%	
EBIT	988	1,523	1,218	1,335	-35%	-19%	-26%	
Interest	479	480	402	381	0%	19%	26%	Higher interest costs due to rising flooring debt
Other Income	437	320	170	287	37%	157%	52%	
PBT	946	1,363	986	1,241	-31%	-4%	-24%	
Tax	-509	420	192	342	NA	NA	NA	
Recurring PAT	1,456	943	794	899	54%	83%	62%	
Extraordinaries	2,240	1,400	294	0				US class action suit settlement for Rs 1.9bn.
Reported PAT	-784	-457	501	899	72%	-257%	-187%	
EPS (Rs)	1.4	0.9	0.8	0.9	68%	83%	62%	
Gross Margin	47.5%	51.4%	48.0%	51.3%	-389 bps	-53 bps	-380 bps	Lower gross margins due to higher cotton prices
EBITDA Margin	13.4%	17.7%	14.2%	17.5%	-428 bps	-84 bps	-410 bps	
EBIT Margin	6.3%	9.8%	7.4%	8.9%	-350 bps	-108 bps	-251 bps	
PBT Margin	6.1%	8.8%	6.0%	8.2%	-273 bps	7 bps	-216 bps	
PAT Margin	-5.0%	-3.0%	3.1%	6.0%	-208 bps	-809 bps	-1100 bps	
Tax Rate	-53.8%	30.8%	19.4%	27.6%	-8463 bps	-7326 bps	-8139 bps	

Exhibit 1: In-line revenue growth driven by volume growth & strong growth in retail business



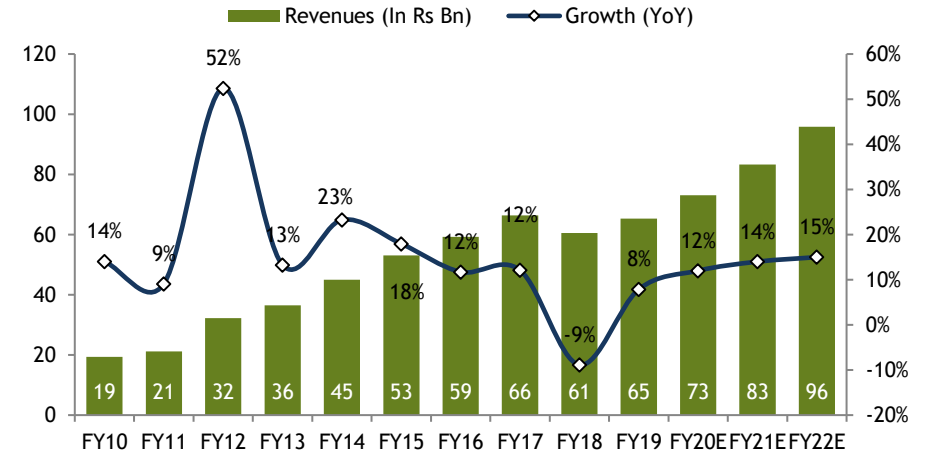
Source: Equirus Securities, Company

Exhibit 2: EBTIDA margins impacted by one-off costs, PAT margin increased on negative tax expenses arising from one-time settlement



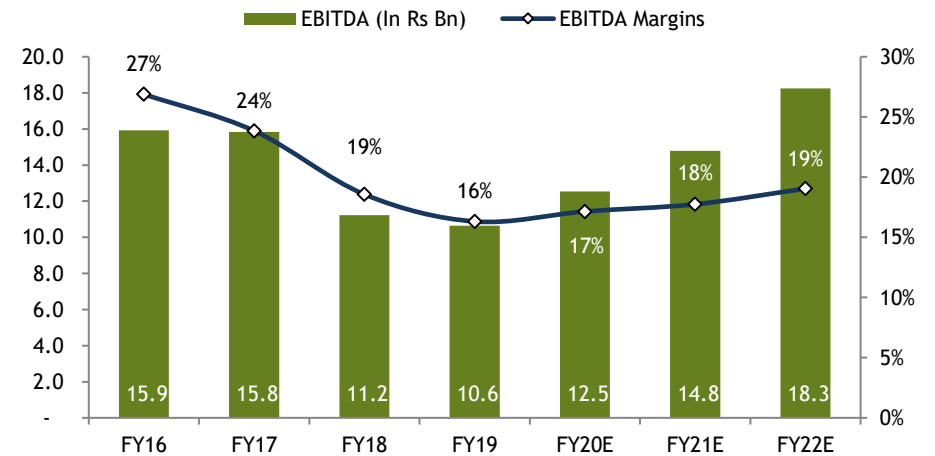
Source: Equirus Securities, Company

Exhibit 3: Revenue growth to be driven by growth in US market, and pickup in flooring business



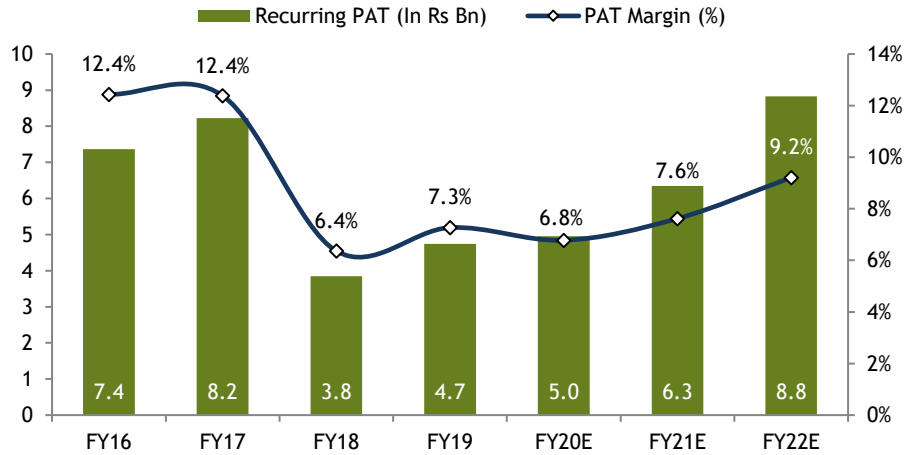
Source: Equirus Securities, Company

Exhibit 4: EBITDA margins to normalize on exhaustion of lower rate hedges.



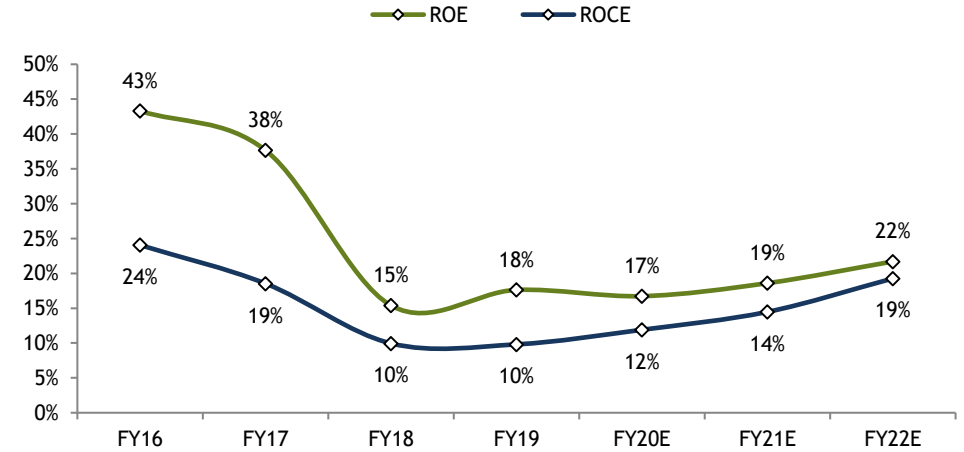
Source: Equirus Securities, Company

Exhibit 5: PAT to grow at 23% CAGR over FY19-FY21E on strong revenue growth, flattish depreciation & lower interest expenses



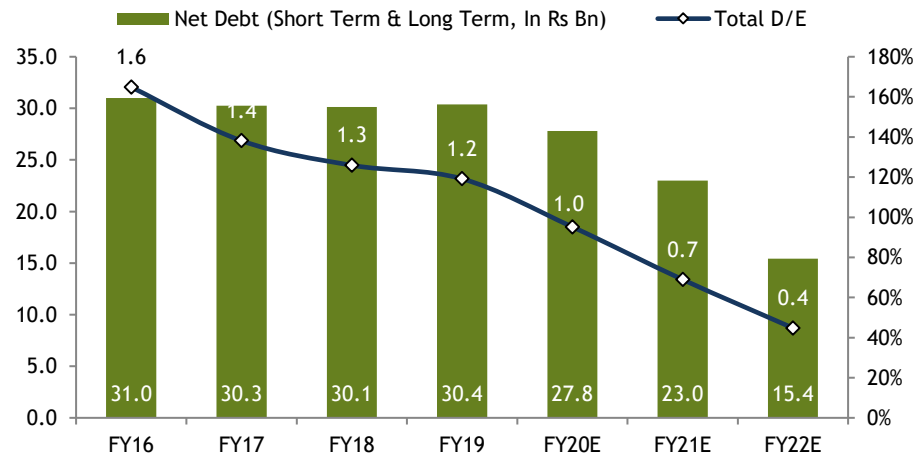
Source: Equirus Securities, Company

Exhibit 7: Return ratios to improve on rising profitability and debt reduction



Source: Equirus Securities, Company

Exhibit 6: Net Debt to fall with completion of flooring capex from FY20E



Source: Equirus Securities, Company

Earnings call takeaways

General highlights

- Revenues for 4Q grew 4.3% yoy with full year FY19 growth of 7.8% yoy.
- EBITDA margin for 4Q stood at 15.8% and full year FY19 margins of 19.6%.
- EBITDA margins for 4Q were lower due to some one-off provision 1) treasury write down of Rs 70mn and 2) inventory provisioning of Rs 370mn, a total of Rs 440mn thus having an impact of 2.75% on EBITDAM.
- Interest costs were higher yoy due to additional bank charges and processing fees towards flooring debt.
- Debt reduced by -Rs 2.87bn in FY19, optically not reduced due to borrowing related to flooring project. Incurred a capex of Rs 5.6bn for flooring plant in FY19.
- Capex for FY19 stood at Rs 7.5bn, much below guidance of Rs 11bn due to calibration of capex to cash flows.
- Retail business grew 46% yoy in 4Q and crossed annual revenue run rate of Rs 2bn. Advanced textiles business also crossed annual run rate of Rs 2bn, up 48% yoy.
- FY19 textile business grew over 8% yoy though it was challenging in terms of margins as losses were incurred on lower rate hedges. However, going ahead situation looks good with spot rates largely matching the hedge rates.
- Both domestic brands *SPACES* and *WELSPUN* performed well and strong visibility is seen going ahead. Significant traction was received in 21 cities and towns and 1000 MBO stores. The campaign for Welspun reached 108mn consumers.
- Currently holding hedges of 60% of receivables; in line with its policy; with avg. rate of Rs 73-73.5.
- Cotton outlook remains steady as international prices have remained steady on lower side. Currently, cotton requirements are covered for few months and in next 1 month, all the cotton requirements will be completely covered for season till Oct month.
- Advanced textiles business generated its first ever profit after tax post crossing of Rs 2bn in revenues; expect the growth momentum to continue in FY20 as well.
- Three areas to help achieve double digit volume growth a) sales of flooring business coming from H2FY20, advanced textiles business and domestic business growing at good rates b) Rugs business falling under the duty basket leading to higher volumes c) few pockets in towels and bed-sheets (hospitality, advanced textiles etc.) showing good growth.
- Restructuring of UK business includes store closure, optimization severance package and inventory write offs.
- Power plant purchased of 43 MW in addition of current captive capacity of 80 MW power plant at Anjar. Consolidating the plants will derive synergies.

- The margin guidance for FY20 includes the initial net loss coming from flooring business and high marketing expenses towards brand awareness.
- Domestic revenue share stood at 9% for FY19 and volume growth for full year is 11%.
- 50-50 share of domestic and exports for flooring products. Vs. earlier estimate of 2/3 rd domestic earlier.
- Current Incentive structure: ROSTCL is 8.2%, drawback rate is 2.1% and MEIS is 4%.
- Avg. realization rate for FY19 stood at Rs 68.11 per dollar of receivables. Currently the hedges for the next 12 months are at an average rate of Rs 73-73.5.
- Effective Tax rate guidance is 30% for FY20.

One offs - Claim settlement agreement & UK restructuring

- Welspun entered into a settlement agreement of US claim with provision of Rs 1.9bn made towards the settlement. Also made provision of Rs 325mn related to restructuring in Christy business.

Flooring business:

- Flooring business & bath rugs business should do very well in FY20 as this category falls in the list of products with 25% import duty levied by US on Chinese products.
- Project is on track and will commission in June-July. Commercial orders from this plant will be served by 3QFY20.
- Company is investing heavily in creating a distribution network with ~60% of team (70-80 people are on ground) in place. Goal in FY20 is to get into 42 cities and towns. Intent to have 35-40 distributors and 450-500 dealers with 150-200 SIS before end of FY20. Investing in IT systems, processes to facilitate the network and smooth execution.
- Initial years of flooring business might have operating losses but with gradual scale up and attaining of efficiencies, profitability will be achieved.

Guidance:

- FY20 to see a double-digit revenue growth with EBITDAM in range of 19-21%.
- Capex will be Rs 6bn and include remaining including of flooring capex of Rs 4bn.
- Net Debt to decline by Rs 3bn and stand at Rs 27bn by end of Mar'20.
- To achieve revenues of Rs 1.5-2bn from flooring business with commissioning of plant in June-July.

Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY20E	4.9	6.3	-22 %	Consensus yet to revise its earnings estimates.
	FY21E	6.3	7.1	-10 %	
Sales	FY20E	73,098	75,898	-4 %	
	FY21E	83,332	86,279	-3 %	
PAT	FY20E	4,954	6,297	-21 %	
	FY21E	6,350	7,074	-10 %	

Our Key Investment arguments:

- Leading home textile exporter to benefit the most from changing industry dynamics.
- The vision of Welspun 2.0 will enable the company to strategize its energies towards attaining the next phase of growth.
- Capex cycle would end by FY20E, and cash flows generated thereafter would significantly bring down debt levels.
- Expect RoE/RoIC to expand ~400/ 525bps over FY19-FY21E.
- At 6x EV/EBITDA and 9x P/E for FY21 EPS, valuations are attractive for a market leader.

Key Assumptions:

Particulars	FY18	FY19	FY20	FY21
Capacity Utilization				
Towels	88%	90%	88%	88%
Cotton Sheets	82%	85%	88%	92%
Rugs & Carpets	70%	80%	85%	90%
Flooring	-	10%	30%	40%
Gross Margin (%)	49%	49%	49%	50%
Capex (In Rs Mn)	6,870	6,000	3,000	2,000

Risk to Our View: Extended uncertainty related to customer shift towards the online platform, low acceptance of flooring products, sluggish cashflow generation & subsequent delay in debt reduction, INR appreciation & rise in cotton prices.

Comparable valuation		Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B		RoE		Div Yield	
Company	Reco.				CMP	FY19A	FY20E	FY21E	FY19A	FY20E	FY21E	FY19A	FY20E	FY19A	FY20E	FY21E	FY19A	FY20E
Welspun India	LONG	58	58,274	77	30 th Sep' 20	4.7	4.9	6.3	12.3	11.8	9.2	27.7	1.9	18 %	17 %	19 %	0.5 %	0.9 %
Trident	NA	66	33,429	NA	NA	7.3	8.8	9.5	9.0	7.5	6.9	59.7	1.0	13 %	13 %	14 %	0.9 %	2.1 %
Indocount	NA	42	8,380	NA	NA	3.1	5.8	7.4	13.9	7.4	5.8	48.4	0.8	14 %	9 %	11 %	1.9 %	1.6 %

Key Triggers

- Quick settlement of uncertainties, strong acceptance of flooring products, rise in penetration in Indian & European markets.

Sensitivity to Key Variables	% Change	% Impact on EPS
Revenue	1 %	2 %
EBITDAM	1 %	8 %
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.4 %	1.3	11.8 %	4.0 %	30.7 %

-	FY20E	FY21E	FY22-24E	FY25-29E	FY30-34E
Sales Growth	12 %	14 %	8 %	8 %	4 %
NOPAT Margin	7 %	8 %	9 %	9 %	9 %
IC Turnover	1.16	1.31	1.49	1.40	1.30
RoIC	8.6 %	10.5 %	14.7 %	13.9 %	12.5 %

Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	39	48	72	71	76
Valuation as of Sep'20	45	55	84	82	89

Based on DCF, assuming 15 years of 4% CAGR growth and 13% average ROIC, we derive our current fair value of Rs 76 and our 30th Sep'20 fair value of Rs 89.

Company Description:

Welspun is India's largest home textile company with a presence in cotton bedsheets, towels and rugs & carpets. It is Asia's largest and the world's 2nd largest terry towel producer. It exports more than 94% of its home textile products to >50 countries, with >68% of production to the US, 23% to Europe and the balance to Middle East, Australia & Japan. It supplies to 17 of the top-30 retail chains in the world.

Consolidated Quarterly Earnings Forecast and Key Drivers

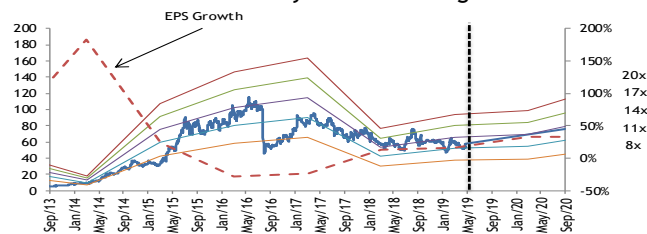
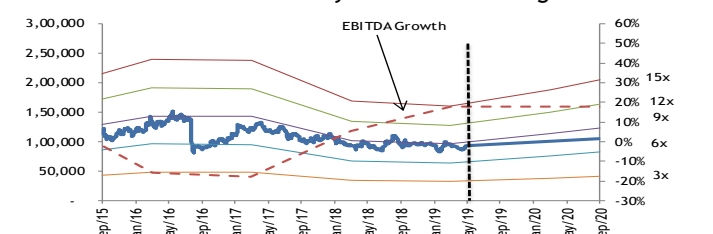
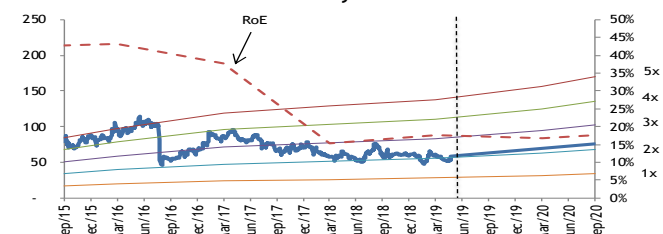
Rs in Mn	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	FY19A	FY20E	FY21E	FY22E
Revenue	15,492	17,799	16,403	15,572	17,323	19,546	18,485	17,743	20,219	21,665	20,681	20,767	65,266	73,098	83,332	95,832
Raw Materials Consumed	7,614	9,179	8,528	8,179	8,559	9,945	9,121	9,654	9,747	10,780	10,101	11,704	33,500	37,280	42,333	47,533
Employee Costs	1,742	1,799	1,823	1,751	1,829	1,907	2,041	2,191	2,012	2,098	2,245	2,478	7,114	7,968	8,834	10,062
Other expenses	3,171	3,813	3,718	3,556	3,674	4,069	3,754	3,820	4,011	4,283	4,148	4,937	14,003	15,318	17,379	19,986
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	2,965	3,008	2,335	2,087	3,261	3,625	3,569	2,078	4,449	4,503	4,187	1,648	10,649	12,532	14,786	18,251
Depreciation	1,059	1,083	1,118	1,098	1,162	1,162	1,210	1,210	1,422	1,370	1,317	1,159	4,358	4,745	5,268	5,268
EBIT	1,906	1,925	1,218	988	2,098	2,462	2,359	868	3,027	3,134	2,870	489	6,291	7,787	9,519	12,983
Interest	342	369	402	479	428	419	411	387	395	380	366	322	1,593	1,645	1,463	1,463
Other Income	286	179	170	437	234	234	234	234	254	254	254	254	818	935	1,015	1,090
PBT	1,850	1,734	986	946	1,904	2,276	2,181	715	2,885	3,007	2,758	421	5,516	7,077	9,071	12,610
Tax	522	404	192	(509)	571	683	654	215	866	902	827	126	608	2,123	2,721	3,783
PAT bef. MI & Assoc.	1,328	1,330	794	1,456	1,333	1,594	1,527	501	2,020	2,105	1,931	294	4,909	4,954	6,350	8,827
Minority Interest	0	0	0	163	0	0	0	0	0	0	0	0	163	0	0	0
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	1,328	1,330	794	1,292	1,333	1,594	1,527	501	2,020	2,105	1,931	294	4,745	4,954	6,350	8,827
Extraordinaries	0	113	294	2,240	0	0	0	0	0	0	0	0	2,647	0	0	0
Reported PAT	1,328	1,217	501	(948)	1,333	1,594	1,527	501	2,020	2,105	1,931	294	2,098	4,954	6,350	8,827
EPS (Rs)	1.32	1.32	0.79	1.29	1.33	1.59	1.52	0.50	2.01	2.10	1.92	0.29	4.72	4.93	6.32	8.79
Key Drivers																
Sheets capacity utilization	-	-	-	-	-	-	-	-	-	-	-	-	82 %	85 %	88 %	92 %
Terry capacity utilization	-	-	-	-	-	-	-	-	-	-	-	-	88 %	90%	88 %	88 %
Rugs capacity utilization	-	-	-	-	-	-	-	-	-	-	-	-	70 %	80 %	85 %	90 %
Flooring capacity utilization	-	-	-	-	-	-	-	-	-	-	-	-	0%	10%	30%	40%
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequential Growth (%)																
Revenue	3 %	15 %	-8 %	-5 %	11 %	13 %	-5 %	-4 %	14 %	7 %	-5 %	0 %	-	-	-	-
Raw Materials Consumed	4 %	21 %	-7 %	-4 %	5 %	16 %	-8 %	6 %	1 %	11 %	-6 %	16 %	-	-	-	-
EBITDA	12 %	1 %	-22 %	-11 %	56 %	11 %	-2 %	-42 %	114 %	1 %	-7 %	-61 %	-	-	-	-
EBIT	43 %	1 %	-37 %	-19 %	112 %	17 %	-4 %	-63 %	249 %	4 %	-8 %	-83 %	-	-	-	-
Recurring PAT	117 %	0 %	-40 %	63 %	3 %	20 %	-4 %	-67 %	303 %	4 %	-8 %	-85 %	-	-	-	-
EPS	48 %	0 %	-40 %	63 %	3 %	20 %	-4 %	-67 %	303 %	4 %	-8 %	-85 %	-	-	-	-
Yearly Growth (%)																
Revenue	1 %	11 %	17 %	3 %	12 %	10 %	13 %	14 %	17 %	11 %	12 %	17 %	8 %	12 %	14 %	15 %
EBITDA	-9 %	6 %	-7 %	-21 %	10 %	21 %	53 %	0 %	36 %	24 %	17 %	-21 %	-5 %	18 %	18 %	23 %
EBIT	-7 %	24 %	-3 %	-26 %	10 %	28 %	94 %	-12 %	44 %	27 %	22 %	-44 %	2 %	24 %	22 %	36 %
Recurring PAT	15 %	72 %	26 %	111 %	0 %	20 %	92 %	-61 %	52 %	32 %	26 %	-41 %	56 %	4 %	28 %	39 %
EPS	3 %	33 %	0 %	44 %	0 %	20 %	92 %	-61 %	52 %	32 %	26 %	-41 %	23 %	4 %	28 %	39 %
Margin (%)																
EBITDA	19 %	17 %	14 %	13 %	19 %	19 %	19 %	12 %	22 %	21 %	20 %	8 %	16 %	17 %	18 %	19 %
EBIT	12 %	11 %	7 %	6 %	12 %	13 %	13 %	5 %	15 %	14 %	14 %	2 %	10 %	11 %	11 %	14 %
PBT	12 %	10 %	6 %	6 %	11 %	12 %	12 %	4 %	14 %	14 %	13 %	2 %	8 %	10 %	11 %	13 %
PAT	9 %	7 %	5 %	8 %	8 %	8 %	8 %	3 %	10 %	10 %	9 %	1 %	7 %	7 %	8 %	9 %

Consolidated Financials

P&L (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Revenue	65,266	73,098	83,332	95,832
Op. Expenditure	54,618	60,566	68,545	77,581
EBITDA	10,649	12,532	14,786	18,251
Depreciation	4,358	4,745	5,268	5,268
EBIT	6,291	7,787	9,519	12,983
Interest Expense	1,593	1,645	1,463	1,463
Other Income	818	935	1,015	1,090
PBT	5,516	7,077	9,071	12,610
Tax	608	2,123	2,721	3,783
PAT bef. MI & Assoc.	4,909	4,954	6,350	8,827
Minority Interest	163	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	4,745	4,954	6,350	8,827
Extraordinaires	2,647	0	0	0
Reported PAT	2,098	4,954	6,350	8,827
FDEPS (Rs)	4.7	4.9	6.3	8.8
DPS (Rs)	0.3	0.5	0.8	1.0
CEPS (Rs)	9.1	9.7	11.6	14.0
FCFPS (Rs)	1.0	5.3	7.1	9.2
BVPS (Rs)	27.7	31.3	36.7	44.3
EBITDAM (%)	16 %	17 %	18 %	19 %
PATM (%)	7 %	7 %	8 %	9 %
Tax Rate (%)	11 %	30 %	30 %	30 %
Sales Growth (%)	8 %	12 %	14 %	15 %
FDEPS Growth (%)	23 %	4 %	28 %	39 %

Balance Sheet (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Equity Capital	1,005	1,005	1,005	1,005
Reserve	26,788	30,428	35,871	43,489
Networth	27,793	31,433	36,876	44,494
Total Debt	33,117	29,917	25,417	19,917
Def Tax Liability	4,449	4,149	3,749	4,349
Minority Interest	709	709	709	709
Account Payables	7,041	7,610	8,676	9,189
Other Curr Liabi	4,313	3,481	3,968	3,993
Total Liabilities & Equity	77,423	77,299	79,395	82,651
Net Fixed Assets	31,265	32,520	30,253	26,985
Capital WIP	4,889	500	500	500
Others	4,963	3,171	3,171	3,171
Inventory	13,342	15,020	17,123	19,691
Account Receivables	10,768	12,417	14,155	16,278
Other Current Assets	9,468	9,767	9,968	9,968
Cash	2,728	2,112	2,434	4,499
Total Assets	77,423	75,507	77,602	81,091
Non-cash Working Capital	22,223	26,113	28,602	32,755
Cash Conv Cycle	124.3	130.4	125.3	124.8
WC Turnover	2.9	2.8	2.9	2.9
FA Turnover	1.8	2.2	2.7	3.5
Net D/E	1.1	0.9	0.6	0.3
Revenue/Capital Employed	1.1	1.2	1.3	1.4
Capital Employed/Equity	2.7	2.5	2.4	2.2

Cash Flow (Rs Mn)	FY19A	FY20E	FY21E	FY22E
PBT	5,516	7,077	9,071	12,610
Depreciation	4,358	4,745	5,268	5,268
Others	(2,647)	0	0	0
Taxes Paid	608	2,123	2,721	3,783
Change in WC	1,316	(3,890)	(2,488)	(4,153)
Operating C/F	7,935	5,809	9,129	9,942
Capex	(7,498)	(1,611)	(3,000)	(2,000)
Change in Invest	(829)	0	0	0
Others	(6)	0	0	232
Investing C/F	(8,334)	(1,611)	(3,000)	(1,768)
Change in Debt	310	(3,200)	(4,500)	(5,500)
Change in Equity	1	(709)	0	0
Others	155	(905)	(1,307)	(609)
Financing C/F	465	(4,814)	(5,807)	(6,109)
Net change in cash	67	(616)	322	2,065
RoE (%)	18 %	17 %	19 %	22 %
RoIC (%)	10 %	9 %	11 %	14 %
Core RoIC (%)	9 %	9 %	11 %	14 %
Div Payout (%)	17 %	12 %	14 %	14 %
P/E	12.3	11.8	9.2	6.6
P/B	2.1	1.9	1.6	1.3
P/FCFF	57.2	10.9	8.1	6.3
EV/EBITDA	8.7	7.2	5.7	4.3
EV/Sales	1.4	1.2	1.0	0.8
Dividend Yield (%)	0.5 %	0.9 %	1.3 %	1.7 %

TTM P/E vs. 2 yr forward EPS growth

TTM EV/EBITDA vs. 2 yr forward EBITDA growth

TTM P/B vs. 2 yr forward RoE


Historical Consolidated Financials

P&L (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Balance Sheet (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Cash Flow (Rs Mn)	FY16A	FY17A	FY18A	FY19A
Revenue	59,238	66,405	60,506	65,266	Equity Capital	1,005	1,005	1,005	1,005	PBT	10,745	5,355	5,597	5,516
Op. Expenditure	43,312	50,571	49,272	54,618	Reserve	18,696	22,967	25,052	26,788	Depreciation	3,718	5,054	5,042	4,358
EBITDA	15,927	15,834	11,234	10,649	Networth	19,700	23,971	26,057	27,793	Others	1,740	501	617	(2,647)
Depreciation	3,718	5,054	5,042	4,358	Long Term Debt	32,478	33,114	32,807	33,117	Taxes Paid	2,393	1,067	1,343	608
EBIT	12,208	10,780	6,192	6,291	Def Tax Liability	2,529	4,521	4,010	4,449	Change in WC	(530)	(1,522)	(4,463)	1,316
Interest Expense	2,368	1,583	1,408	1,593	Minority Interest	412	355	467	709	Operating C/F	13,280	8,322	5,450	7,935
Other Income	904	806	812	818	Account Payables	6,652	7,517	6,447	7,041	Capex	(10,478)	(6,435)	(3,203)	(7,498)
PBT	10,745	10,003	5,597	5,516	Other Curr Liabi	2,989	3,804	2,461	4,313	Change in Invest	925	(984)	(64)	(829)
Tax	3,253	1,731	1,615	608	Total Liabilities & Equity	64,761	73,283	72,249	77,423	Others	430	294	252	(6)
PAT bef. MI & Assoc.	7,491	8,271	3,982	4,909	Net Fixed Assets	33,484	36,890	32,812	31,265	Investing C/F	(9,123)	(7,124)	(3,015)	(8,334)
Minority Interest	126	48	132	163	Capital WIP	1,832	564	829	4,889	Change in Debt	(2,294)	455	(303)	310
Profit from Assoc.	0	0	0	0	Others	1,469	1,537	3,500	4,963	Change in Equity	0	0	0	1
Recurring PAT	7,365	8,223	3,850	4,745	Inventory	11,046	12,810	13,054	13,342	Others	(5,017)	(1,445)	(2,197)	155
Extraordinaires	0	4,648	0	2,647	Account Receivables	8,499	9,601	9,310	10,768	Financing C/F	(7,310)	(990)	(2,500)	465
Reported PAT	7,365	3,576	3,850	2,098	Other Current Assets	6,941	9,025	10,083	9,468	Net change in cash	(3,153)	208	(64)	67
EPS (Rs)	7.3	8.2	3.8	4.7	Cash	1,490	2,857	2,661	2,728	RoE (%)	43 %	38 %	15 %	18 %
DPS (Rs)	1.3	0.7	0.7	0.3	Total Assets	64,761	73,283	72,249	77,423	RoIC (%)	18 %	16 %	8 %	10 %
CEPS (Rs)	11.0	13.2	8.8	9.1	Non-cash Working Capital	16,845	20,114	23,539	22,223	Core RoIC (%)	17 %	15 %	7 %	9 %
FCFPS (Rs)	4.4	3.2	3.2	1.0	Cash Conv Cycle	103.8	110.6	142.0	124.3	Div Payout (%)	21 %	22 %	20 %	17 %
BVPS (Rs)	19.6	23.9	25.9	27.7	WC Turnover	3.5	3.3	2.6	2.9	P/E	7.9	7.1	15.1	12.3
EBITDAM (%)	27 %	24 %	19 %	16 %	FA Turnover	1.7	1.8	1.8	1.8	P/B	3.0	2.4	2.2	2.1
PATM (%)	12 %	12 %	6 %	7 %	Net D/E	1.6	1.3	1.2	1.1	P/FCFF	13.1	18.2	17.9	57.2
Tax Rate (%)	30 %	17 %	29 %	11 %	Revenue/Capital Employed	1.6	1.5	1.2	1.1	EV/EBITDA	5.9	6.2	8.6	8.7
Sales growth (%)	12 %	12 %	-9 %	8 %	Capital Employed/Equity	3.5	3.5	3.0	2.7	EV/Sales	1.6	1.5	1.6	1.4
FDEPS growth (%)	36 %	12 %	-53 %	23 %						Dividend Yield (%)	2.2 %	1.1 %	1.1 %	0.5 %

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