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India Research



Sector: Textiles

Welspun India Ltd. (WLSP.BO/WLSI.IN)

BUY Tgt Price- Rs132 (26% Upside)

CMP- Rs. 105 (July 29, 2016), Mkt Cap: Rs. 105 bn (\$1.6 bn)

Volume improved 11% Y-o-Y during Q1FY17 due to capacity ramp-up

Share of VAP and retail sales increased and likely to improve

Stock's valuation appears inexpensive with P/E trading 9.3x FY18 Earnings and EV/EBITDA of 6x FY18 EBITDA

July 29, 2016

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Financial Snapshot - Consolidated

Key Financials								
YE Mar 31 (Rs. mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Revenues	21,132	32,205	36,473	43,730	53,025	59,841	70,421	80,591
<i>Revenue Growth (Y-o-Y)</i>	<i>9.1%</i>	<i>52.4%</i>	<i>13.3%</i>	<i>19.9%</i>	<i>21.3%</i>	<i>12.9%</i>	<i>17.7%</i>	<i>14.4%</i>
EBIDTA	2,312	3,662	5,946	9,211	12,742	16,415	18,242	20,648
<i>EBIDTA Growth (Y-o-Y)</i>	<i>(18.7%)</i>	<i>58.4%</i>	<i>62.4%</i>	<i>54.9%</i>	<i>38.3%</i>	<i>28.8%</i>	<i>11.1%</i>	<i>13.2%</i>
Net Profit	14	(134)	2,248	921	5,398	7,996	9,353	11,296
<i>Net Profit Growth (Y-o-Y)</i>	<i>(99.1%)</i>	<i>(1053.8%)</i>	<i>(1781.3%)</i>	<i>(59.0%)</i>	<i>486.3%</i>	<i>48.1%</i>	<i>17.0%</i>	<i>20.8%</i>
Net Profit Excl. extra-ordinaries	14	(484)	2,272	921	5,398	7,996	9,353	11,296
<i>Net Profit Growth Excl. extra-ordinaries (Y-o-Y)</i>	<i>(99.1%)</i>	<i>(3549.8%)</i>	<i>(569.7%)</i>	<i>(59.5%)</i>	<i>486.3%</i>	<i>48.1%</i>	<i>17.0%</i>	<i>20.8%</i>
Shareholders Equity	6,690	7,428	9,902	11,097	14,318	19,877	27,336	35,812
Number of Diluted shares (mn)	886	995	1,001	1,002	1,005	1,005	1,005	1,005
Key Operating Ratios								
YE Mar 31	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Diluted EPS (Rs.)	0.0	(0.1)	2.2	0.9	5.4	8.0	9.3	11.2
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>-99.3%</i>	<i>-949.7%</i>	<i>-1770.8%</i>	<i>-59.3%</i>	<i>487.3%</i>	<i>48.1%</i>	<i>17.0%</i>	<i>20.8%</i>
Diluted EPS Excl. extra-ordinaries (Rs.)	0.0	(0.5)	2.3	0.9	5.4	8.0	9.3	11.2
<i>Diluted EPS Excl. extra-ordinaries Growth (Y-o-Y)</i>	<i>-99.3%</i>	<i>-3173.3%</i>	<i>-566.7%</i>	<i>-59.7%</i>	<i>487.3%</i>	<i>48.1%</i>	<i>17.0%</i>	<i>20.8%</i>
CEPS Excl. extra-ordinaries (Rs.)	1.4	0.9	3.7	7.8	8.7	11.7	13.4	15.5
EBIDTA (%)	10.9%	11.4%	16.3%	21.1%	24.0%	27.4%	25.9%	25.6%
NPM (%)	0.1%	-1.5%	6.2%	2.1%	10.2%	13.4%	13.3%	14.0%
Tax/PBT (%)	92.6%	638.3%	24.6%	19.2%	27.7%	27.7%	27.7%	27.7%
RoE (%)	0.2%	-6.9%	25.6%	8.6%	40.5%	44.2%	37.8%	34.2%
RoCE (%)	0.4%	-39.5%	12.2%	7.5%	16.5%	20.3%	21.0%	22.1%
Return on Operating Assets (%)	0.4%	5.6%	12.8%	5.8%	17.4%	21.5%	21.7%	23.2%
Book Value Per share (Rs.)	7.5	7.5	9.9	11.1	14.3	19.8	27.2	35.6
Debt/Equity (x)	2.6	2.6	2.0	2.7	2.2	1.3	0.9	0.6
Dividend Payout Ratio (%)	129.8%	0.0%	19.6%	38.8%	23.5%	25.0%	25.0%	25.0%
Free Cash Flow Analysis								
YE Mar 31 (Rs. mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Operating Cash Flow	1,463	1,888	2,193	5,565	9,385	16,331	11,392	13,522
Capex	1,640	2,243	1,295	13,772	5,608	11,127	6,067	4,500
Investments - Strategic	-24	-126	527	-527	0	0	0	0
Free Cash Flow to Firm	-1,611	-874	-452	-8,173	4,061	5,843	6,600	9,115
Free Cash flow to Equity	-2,690	-2,792	-2,429	-10,525	1,232	3,480	4,671	7,466
Market Cap. And Enterprise Value Data as on July 28, 2016								
Current Market Price (Rs.)							105	
No. of Basic Shares (mn)							1005	
							Rs. mn	US\$ mn
Market Cap							105,594	1,575
Total Debt*							25,609	382
Cash & Cash Equivalents*							1,243	19
Enterprise Value							129,960	1,939
<i>* Debt & Cash & Cash Equivalents as on FY16; Exchange Rate: US\$1 = INR 67.03</i>								
Valuation Ratios								
YE Mar 31	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
P/E (x)							11.3	9.3
P/BV (x)							3.9	2.9
P/CEPS (x)							7.8	6.8
EV/EBIDTA (x)							7.0	5.9
Market Cap./ Sales (x)							1.5	1.3
Net Cash/Market Cap (%)							NM	NM
Dividend Yield (%)							1.9%	2.3%

NM – Not Meaningful

DuPont Model								
YE Mar 31	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
EBIDTA/Sales (%)	10.9%	11.4%	16.3%	21.1%	24.0%	27.4%	25.9%	25.6%
Sales/Operating Assets (x)	0.9	1.3	1.4	1.3	1.4	1.4	1.5	1.6
EBIDTA/Operating Assets (%)	9.9%	15.1%	22.4%	28.1%	32.6%	38.5%	38.8%	40.6%
Operating Assets/ Net Assets(x)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Net Earnings/ EBIDTA (%)	0.6%	-13.2%	38.2%	10.0%	42.4%	48.7%	51.3%	54.7%
Net Assets/ Equity (x)	4.2	3.9	3.4	3.5	3.3	2.6	2.0	1.7
Return on Equity (%)	0.2%	-6.9%	25.6%	8.6%	40.5%	44.2%	37.8%	34.2%
Common Sized Profit & Loss Account								
YE Mar 31	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less:								
Net Raw Materials	54.7%	49.7%	48.5%	51.8%	48.0%	43.3%	44.5%	44.5%
Employee Benefits Expense	7.9%	9.5%	7.6%	7.8%	8.4%	9.0%	9.1%	9.4%
Stores and Spares Consumed	1.9%	1.5%	1.5%	1.6%	1.9%	0.0%	0.0%	0.0%
Dyes and Chemicals Consumed	6.3%	4.6%	4.9%	3.8%	4.1%	0.0%	0.0%	0.0%
Contract Labour Charges	1.9%	1.6%	1.8%	1.5%	1.3%	0.0%	0.0%	0.0%
Job Work Expenses	1.9%	1.3%	1.6%	0.9%	1.2%	0.0%	0.0%	0.0%
Power, Fuel and Water Charges	8.9%	7.5%	7.2%	2.7%	2.2%	2.2%	2.3%	2.3%
Repairs and Maintenance:	0.7%	0.7%	0.6%	0.8%	0.8%	0.0%	0.0%	0.0%
Claims, Discounts and Rebates	0.5%	0.7%	0.8%	0.8%	0.7%	0.0%	0.0%	0.0%
Brokerage and Commission	0.1%	1.1%	0.9%	1.0%	0.9%	0.0%	0.0%	0.0%
Freight, Forwarding and Coolie Charges	0.5%	1.9%	1.9%	2.0%	2.1%	0.0%	0.0%	0.0%
Rent	1.0%	1.5%	0.8%	0.7%	0.5%	0.0%	0.0%	0.0%
Travelling and Conveyance	0.5%	0.6%	0.6%	0.6%	0.5%	0.0%	0.0%	0.0%
Loss on Cancellation/ Settlement of Forward Contracts (Net)	0.0%	1.4%	0.6%	0.0%	0.4%	0.0%	0.0%	0.0%
Exchange Loss (Net)	0.3%	0.4%	1.2%	0.1%	0.1%	0.0%	0.0%	0.0%
Advertising and Sales Promotion	0.1%	0.8%	0.6%	0.6%	1.0%	0.0%	0.0%	0.0%
Other Operating Expenses	1.9%	3.9%	2.5%	2.1%	1.7%	18.1%	18.2%	18.2%
Total Operating Expenditure	89.1%	88.6%	83.7%	78.9%	76.0%	72.6%	74.1%	74.4%
EBIDTA	10.9%	11.4%	16.3%	21.1%	24.0%	27.4%	25.9%	25.6%
Depreciation	5.7%	4.3%	4.0%	15.7%	6.3%	6.3%	5.9%	5.3%
EBIT	5.2%	7.1%	12.3%	5.4%	17.8%	21.2%	20.0%	20.3%
Interest Paid	5.1%	6.0%	5.4%	5.4%	5.3%	3.9%	2.7%	2.0%
Non-Operating Income	1.9%	1.4%	1.3%	2.4%	1.8%	1.5%	1.3%	1.1%
Extraordinary Expense	0.0%	2.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit Before Tax	2.1%	0.1%	8.2%	2.4%	14.2%	18.8%	18.6%	19.4%
Tax	1.9%	0.6%	2.0%	0.5%	3.9%	5.2%	5.2%	5.4%
Minority Interest	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit	0.1%	-0.4%	6.2%	2.1%	10.2%	13.4%	13.3%	14.0%
Net Profit Excl. extra-ordinaries	0.1%	-1.5%	6.2%	2.1%	10.2%	13.4%	13.3%	14.0%

Key Ratios – Consolidated

YE Mar 31	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Net Raw Materials / Sales (%)	54.7%	49.7%	48.5%	51.8%	48.0%	43.3%	44.5%	44.5%
Employee Benefits Expense / Sales (%)	7.9%	9.5%	7.6%	7.8%	8.4%	9.0%	0.0%	0.0%
Stores and Spares Consumed / Sales (%)	1.9%	1.5%	1.5%	1.6%	1.9%	0.0%	0.0%	0.0%
Dyes and Chemicals Consumed / Sales (%)	6.3%	4.6%	4.9%	3.8%	4.1%	0.0%	0.0%	0.0%
Contract Labour Charges / Sales (%)	1.9%	1.6%	1.8%	1.5%	1.3%	0.0%	0.0%	0.0%
Job Work Expenses / Sales (%)	1.9%	1.3%	1.6%	0.9%	1.2%	0.0%	0.0%	0.0%
Power, Fuel and Water Charges / Sales (%)	8.9%	7.5%	7.2%	2.7%	2.2%	2.2%	0.0%	0.0%
Repairs and Maintenance: / Sales (%)	0.7%	0.7%	0.6%	0.8%	0.8%	0.0%	0.0%	0.0%
Claims, Discounts and Rebates / Sales (%)	0.5%	0.7%	0.8%	0.8%	0.7%	0.0%	0.0%	0.0%
Brokerage and Commission / Sales (%)	0.1%	1.1%	0.9%	1.0%	0.9%	0.0%	0.0%	0.0%
Freight, Forwarding and Coolie Charges / Sales (%)	0.5%	1.9%	1.9%	2.0%	2.1%	0.0%	0.0%	0.0%
Rent / Sales (%)	1.0%	1.5%	0.8%	0.7%	0.5%	0.0%	0.0%	0.0%
Travelling and Conveyance / Sales (%)	0.5%	0.6%	0.6%	0.6%	0.5%	0.0%	0.0%	0.0%
Loss on Cancellation/ Settlement of Forward Contracts (Net) / Sales (%)	0.0%	1.4%	0.6%	0.0%	0.4%	0.0%	0.0%	0.0%
Exchange Loss (Net) / Sales (%)	0.3%	0.4%	1.2%	0.1%	0.1%	0.0%	0.0%	0.0%
Advertising and Sales Promotion / Sales (%)	0.1%	0.8%	0.6%	0.6%	1.0%	0.0%	0.0%	0.0%
Other Operating Expenses / Sales (%)	1.9%	3.9%	2.5%	2.1%	1.7%	18.1%	0.0%	0.0%
Other Income/EBT (%)	93.1%	1523.2%	16.5%	100.4%	12.6%	8.2%	7.0%	5.9%
EBITDA Margin (%)	10.9%	11.4%	16.3%	21.1%	24.0%	27.4%	25.9%	25.6%
Tax / PBT (%)	92.6%	638.3%	24.6%	19.2%	27.7%	27.7%	27.7%	27.7%
Net Profit Margin (%)	0.1%	-0.4%	6.2%	2.1%	10.2%	13.4%	13.3%	14.0%
RoE (%)	0.2%	-6.9%	25.6%	8.6%	40.5%	44.2%	37.8%	34.2%
RoCE (%)	0.4%	-39.5%	12.2%	7.5%	16.5%	20.3%	21.0%	22.1%
Sales/Operating Assets (x)	0.9x	1.3x	1.4x	1.3x	1.4x	1.4x	1.5x	1.6x
Optg. Assets/Total Assets (x)	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x	0.9x
Debt/ Equity (X)	2.6x	2.6x	2.0x	2.7x	2.2x	1.3x	0.9x	0.6x
Interest Coverage (x)	2.1x	1.9x	3.0x	3.9x	4.5x	6.9x	9.5x	12.5x
Interest / Debt (%)	6.3%	10.4%	9.9%	9.3%	9.3%	8.4%	7.8%	7.4%
Growth in Gross Block (%)	5.5%	7.4%	7.9%	34.7%	27.4%	29.1%	9.4%	7.3%
Sales Growth (%)	(4.2%)	57.0%	12.0%	18.6%	22.0%	14.0%	18.9%	14.4%
Operating (EBITDA) Profit Growth (%)	(18.7%)	58.4%	62.4%	54.9%	38.3%	28.8%	11.1%	13.2%
Net Profit Growth (%)	(99.1%)	(1053.8%)	(1781.3%)	(59.0%)	486.3%	48.1%	17.0%	20.8%
Debtors (Days of net sales)	32	25	29	32	33	36	31	26
Creditors (Days of Raw Materials)	63	85	105	89	94	120	115	92
Inventory (Days of Optg. Costs)	129	136	160	147	151	155	143	140
Current Ratio (x)	3.5x	2.3x	2.8x	2.7x	2.6x	1.7x	1.9x	2.2x
Net Current Assets/Capital Employed (%)	27.4%	30.7%	35.4%	35.1%	36.3%	23.7%	25.9%	31.4%
Number of Diluted Shares (mn)	886	995	1,001	1,002	1,005	1,005	1,005	1,005
Fully Diluted EPS (Rs.)	0.0	(0.1)	2.2	0.9	5.4	8.0	9.3	11.2
Fully Diluted EPS Excl. extra-ordinaries (Rs.)	0.0	(0.5)	2.3	0.9	5.4	8.0	9.3	11.2
EPS Growth Excl. extra-ordinaries (%)	(99.3%)	(3173.3%)	(566.7%)	(59.7%)	487.3%	48.1%	17.0%	20.8%
Dividend Payout (%)	129.8%	0.0%	19.6%	38.8%	23.5%	25.0%	25.0%	25.0%
Fully Diluted CEPS (Rs.)	1.4	0.9	3.7	7.8	8.7	11.7	13.4	15.5
Book Value Per Share (Rs.)	7.5	7.5	9.9	11.1	14.3	19.8	27.2	35.6

Q1FY17 Result Highlights...

WIL reported better than expected 14% Y-o-Y topline growth for Q1FY17 largely driven by volume growth of 10% and currency depreciation impact of 4%. Contribution from value added products and retail sales increased to 35% and 14% of total sales respectively. Volume growth during the quarter has picked up as company has ramped up its 12mn mtrs bed linen capacity and 5000t of towel capacity reaching utilization level upto 90%.

Operating margin improved by 19bps Y-o-Y to 26.5%. **Operating margin is not impacted by rising cotton cost as company is holding sufficient cotton inventory.** EBITDA during the quarter improved by 15% Y-o-Y.

Interest cost during the quarter has gone down by 41% Y-o-Y as base interest rate has gone down due to Gujarat Govt. incentives. Depreciation has increased by 43% Y-o-Y during the quarter due to capitalisation of expansion projects and modernisation project.

As the company has incorporated Ind-As standards there has change in recognizing some line items like recognizing grants, deferred tax impact etc. therefore PAT during the year has gone up by 10% Y-o-Y. Excluding Ind-AS impact growth in PAT would be 15% y-o-Y.

Analyst Call Highlights

Expansion plans for FY17E

The company incurred capex of Rs1.4bn during Q1FY17. Further, WIL has announced capex of around Rs8bn during FY17E towards increasing towel capacity by 12000MT (Rs3bn), bed linen by 18mn mtrs (Rs2bn) and rugs & carpets by 2000sq. mtrs (Rs500mn). Total capex also includes Rs2.5bn towards remaining part of modernization of Vapi plant initiated in FY15.

FY17E Volume growth likely to be 13-15%

During the quarter volume growth is driven by past capacity addition wherein the company has reached utilization level of 90% for towel and sheets and 70% for rugs and carpets. In H2FY17E volume growth will be driven by new capacities. **We expect towel volume growth in FY17E is likely to be 9% in towels (62000MT), 12% (78 mn mtrs) in sheets and 21% (8500mn sq. mtrs) in rugs and carpets in FY17E.**

Anciliarisation in progress

Management is focused on increasing sales growth through asset-light anciliarisation model. The company is not investing further in spinning and weaving capacity and is confident of achieving the growth through debottlenecking.

WIL has proceeded with once anciliarisation unit with capacity of 45t/day yarn. The company will take trial for 3-4months. It is in talks with 11 anciliarisation units and see them materializing in near term.

However, although anciliarisation is path forwards the company would commence utilization of towel and a sheet capacity irrespective of this as there is ample yarn and fabric available in the region.

Capex funding unlikely to increase debt

The capex of Rs8bn is funded in debt:equity ratio of 70:30. The company is beneficiary of interest equalisation scheme and Gujarat Govt. textile policy. Therefore, cost of debt for short term debt is likely to be 9% and the same for long term debt is likely to be 6%. **We expect blended cost of debt for FY17E to be around 8%. Net debt of WIL stands at Rs25.7bn and debt:equity at 1.2x.** It expects

working capital debt to reduce as it has taken credit to buy cotton during the season. Its cash conversion cycle has improved from 55 days to 53 Y-o-Y.

Cotton price increase to have minimal impact

Management expects rise in cotton price is not likely to have major impact on margin. The company is having cotton inventory for 3-4 months. It expects cotton prices to go down to the level of Rs41000/candy as against current Rs46000/candy once new season starts from October. Although it will be 14% higher than its last year average price of Rs36000/candy it expects the impact to be passed on to clients.

Focus on New Products

Management is optimistic about India's competitiveness in the global market and is focusing on new categories like comforters, basic bedding and rugs and carpets. The company is trying to encash opportunities arising from burgeoning market segments like fashion bedding, utility bedding and institutional segment. *Top-of-the-bed is much larger opportunity than sheeting.*

The company foresees major opportunities in healthcare and hospitality sector in US. *Although current contribution from this sector is miniscule at \$10-15mn the company foresees the sector growing at faster rate going forward.* China dominates this sector and has market share more than 50%. However, WIL has made its in-roads in hospitality sector and that is growing at a faster rate.

Focus on new markets

US remains highest contributor to its business and the company expects the penetration in the US market to increase. It has increased its market share in towel segment from 18% to 20% Y-o-y and in sheeting segment from 10% to 11.3% over the same period in US.

Markets other than US are growing at a faster rate. *The company has every retailer in Europe as its customer and revenue from the region has increased by 25% Y-o-Y.*

Also it sees traction coming from Asian markets like Japan etc. It will take another two years for the company to penetrate into Japanese market.

Impact of GST

Implementation of GST will have 150bp negative impact on the margin as other incentives like Duty Drawback will be withdrawn. However, management is hopeful of receiving some government incentives for the sector as recently announced for garment industry.

Outlook

We expect the company to post topline of Rs70bn and Rs80bn over FY17E and FY18E respectively. We expect the company to post operating margin of 26% in FY17E and 26.6% in FY18E. Likewise we expect the company to post EPS of Rs9 earlier to Rs11 for FY17E and FY18E.

In FY16E the company earned free cash flow of Rs4.8bn inspite of increased capex. The increase in free cash flow (FCF) is on account of improved profitability through improved margin and reduced leverage and improved working capital cycle from 64 days to 59 days reducing its working capital requirement. We expect the company to generate post interest FCF of Rs4.6bn in FY17E and Rs7.4bn in FY18E. Expected FY17E FCF yield is around 5%. ROCE of the company is likely to improve further to 21% inFY17E and 23% in FY18E.

At current market price the stock is trading at 11xFY17E and 9xFY18E earnings. EV/EBITDA is at 7xFY17E and 6xFY18E EBITDA. The company's growing presence in the international market, well established relations with global retailers making it the largest exporter, its thrust in domestic market and asset-light model focus is likely to improve returns for the investors. We value the company on P/E of 12xFY18E which gives us price target of **Rs132** showing 29% upside to current market price. We recommend '**BUY**'.

Quarterly Result Analysis - Consolidated

YE Mar 31 (Rs. mn)	Q1 FY17	Q1 FY16	Y-o-Y change %	Q4 FY16	Q-o-Q change %	12M FY16	12M FY15	Y-o-Y % Change
Total Revenue	15,926	13,931	14.3%	16,284	(2.2%)	59,841	53,025	12.9%
Less:								
Net Raw Material consumed	7,240	6,500	11.4%	7,329	(1.2%)	26,686	25,443	4.9%
Employee benefits expense	1,539	1,239	24.2%	1,379	11.6%	5,364	4,460	20.3%
Power & Fuel	335	328	1.9%	443	(24.4%)	1,335	1,187	12.5%
Other expenses	2,587	2,195	17.9%	2,904	(10.9%)	10,810	9,193	17.6%
Total Expenditure	11,701	10,262	14.0%	12,055	(2.9%)	44,195	40,283	9.7%
EBIDTA	4,225	3,669	15.1%	4,229	(0.1%)	15,646	12,742	22.8%
Less: Depreciation & Amortization exp	1,121	785	42.9%	1,042	7.5%	3,742	3,329	12.4%
Less: Interest	353	593	(40.5%)	663	(46.8%)	2,363	2,829	(16.5%)
Add: Other income	189	286	(33.9%)	269	(29.6%)	924	949	(2.7%)
Profit Before Extra-ordinary items & Tax	2,940	2,577	14.1%	2,792	5.3%	10,466	7,533	38.9%
Less: Total Tax	853	729	17.1%	825	3.5%	3,114	2,090	49.0%
Less: Minority Share of Profit & Loss in certain Subsidiary Companies	69	18	272.8%	35	97.7%	125	45	177.1%
Profit After Tax	2,018	1,830	10.3%	1,933	4.4%	7,227	5,398	33.9%
Profit After Tax Excl. extra-ordinaries	2,018	1,830	10.3%	1,933	4.4%	7,227	5,398	33.9%
Diluted EPS (Rs.)	2.01	1.82	10.3%	1.92	4.4%	7.19	5.37	33.9%
Diluted Number of shares (mn)	1,005	1,005	0.0%	1,005		1,005	1,005	0.0%
Margin Analysis			Change BPS		Change BPS			Change BPS
EBIDTA Margin	26.5%	26.3%	19	26.0%	56	26.1%	24.0%	212
Proforma NPM	12.7%	13.1%	-46	11.9%	80	12.1%	10.2%	190
Effective Tax Rate	29.0%	28.3%	74	29.5%	-51	29.8%	27.7%	201
Cost Analysis								
RM/Total Revenue	45.5%	46.7%	-120	45.0%	45	44.6%	48.0%	-339
Personnel/Total Revenue	9.7%	8.9%	77	8.5%	120	9.0%	8.4%	55
Power & Fuel/Total Revenue	2.1%	2.4%	-26	2.7%	-62	2.2%	2.2%	-1
Other expenses/Total Revenue	16.2%	15.8%	49	17.8%	-159	18.1%	17.3%	73

NM – Not Meaningful

Financials - Consolidated

Profit & Loss A/c

YE Mar 31 (Rs. mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Revenue	21,132	32,205	36,473	43,730	53,025	59,841	70,421	80,591
Less:								
Net Raw Materials	11,564	15,999	17,684	22,673	25,443	26,686	31,337	35,863
Employee Benefits Expense	1,671	3,050	2,766	3,400	4,460	5,364	6,437	7,596
Stores and Spares Consumed	407	482	562	720	1,001	0	0	0
Dyes and Chemicals Consumed	1,323	1,472	1,785	1,663	2,155	0	0	0
Contract Labour Charges	396	527	652	670	692	0	0	0
Job Work Expenses	403	428	592	380	632	0	0	0
Power, Fuel and Water Charges	1,886	2,404	2,633	1,174	1,187	1,335	1,587	1,817
Repairs and Maintenance:	157	209	233	353	413	0	0	0
Claims, Discounts and Rebates	108	238	290	364	383	0	0	0
Brokerage and Commission	20	345	329	417	472	0	0	0
Freight, Forwarding and Coolie Charges	98	598	694	874	1,132	0	0	0
Rent	212	483	286	292	278	0	0	0
Travelling and Conveyance	95	196	204	276	290	0	0	0
Loss on Cancellation/ Settlement of Forward Contracts (Net)	0	454	232	21	208	0	0	0
Exchange Loss (Net)	58	127	445	45	75	0	0	0
Advertising and Sales Promotion	22	264	220	277	553	0	0	0
Other Operating Expenses	401	1,267	922	920	909	10,810	12,817	14,668
Total Operating Expenditure	18,821	28,544	30,527	34,519	40,283	44,195	52,178	59,943
EBIDTA	2,312	3,662	5,946	9,211	12,742	15,646	18,242	20,648
Less: Depreciation	1,203	1,378	1,449	6,863	3,329	3,742	4,126	4,295
EBIT	1,108	2,284	4,497	2,348	9,412	11,905	14,116	16,353
Interest Paid	1,078	1,918	1,977	2,352	2,829	2,363	1,929	1,649
Non-operating Income	405	460	492	1,042	949	924	924	924
Extraordinary Expense	0	795	31	0	0	0	0	0
Profit Before tax	435	30	2,982	1,037	7,533	10,466	13,111	15,628
Tax	403	193	733	199	2,090	3,114	3,901	4,650
Minority Interest	(18)	0	0	0	0	0	0	0
Net Profit	50	(134)	2,248	921	5,398	7,227	9,086	10,978
Net Profit Excl. extra-ordinaries	14	(484)	2,272	921	5,398	7,227	9,086	10,978

Common sized Profit & Loss A/c

YE Mar 31	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less:								
Net Raw Materials	54.7%	49.7%	48.5%	51.8%	48.0%	44.6%	44.5%	44.5%
Employee Benefits Expense	7.9%	9.5%	7.6%	7.8%	8.4%	9.0%	9.1%	9.4%
Stores and Spares Consumed	1.9%	1.5%	1.5%	1.6%	1.9%	0.0%	0.0%	0.0%
Dyes and Chemicals Consumed	6.3%	4.6%	4.9%	3.8%	4.1%	0.0%	0.0%	0.0%
Contract Labour Charges	1.9%	1.6%	1.8%	1.5%	1.3%	0.0%	0.0%	0.0%
Job Work Expenses	1.9%	1.3%	1.6%	0.9%	1.2%	0.0%	0.0%	0.0%
Power, Fuel and Water Charges	8.9%	7.5%	7.2%	2.7%	2.2%	2.2%	2.3%	2.3%
Repairs and Maintenance:	0.7%	0.7%	0.6%	0.8%	0.8%	0.0%	0.0%	0.0%
Claims, Discounts and Rebates	0.5%	0.7%	0.8%	0.8%	0.7%	0.0%	0.0%	0.0%
Brokerage and Commission	0.1%	1.1%	0.9%	1.0%	0.9%	0.0%	0.0%	0.0%
Freight, Forwarding and Coolie Charges	0.5%	1.9%	1.9%	2.0%	2.1%	0.0%	0.0%	0.0%
Rent	1.0%	1.5%	0.8%	0.7%	0.5%	0.0%	0.0%	0.0%
Travelling and Conveyance	0.5%	0.6%	0.6%	0.6%	0.5%	0.0%	0.0%	0.0%
Loss on Cancellation/ Settlement of Forward Contracts (Net)	0.0%	1.4%	0.6%	0.0%	0.4%	0.0%	0.0%	0.0%
Exchange Loss (Net)	0.3%	0.4%	1.2%	0.1%	0.1%	0.0%	0.0%	0.0%
Advertising and Sales Promotion	0.1%	0.8%	0.6%	0.6%	1.0%	0.0%	0.0%	0.0%
Total Operating Expenditure	89.1%	88.6%	83.7%	78.9%	76.0%	73.9%	74.1%	74.4%
EBIDTA	10.9%	11.4%	16.3%	21.1%	24.0%	26.1%	25.9%	25.6%
Less: Depreciation	5.7%	4.3%	4.0%	15.7%	6.3%	6.3%	5.9%	5.3%
EBIT	5.2%	7.1%	12.3%	5.4%	17.8%	19.9%	20.0%	20.3%
Interest Paid	5.1%	6.0%	5.4%	5.4%	5.3%	3.9%	2.7%	2.0%
Non-operating Income	1.9%	1.4%	1.3%	2.4%	1.8%	1.5%	1.3%	1.1%
Extraordinary Expense	0.0%	2.5%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit Before tax	2.1%	0.1%	8.2%	2.4%	14.2%	17.5%	18.6%	19.4%
Tax	1.9%	0.6%	2.0%	0.5%	3.9%	5.2%	5.5%	5.8%
Minority Interest	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit	0.2%	-0.4%	6.2%	2.1%	10.2%	12.1%	12.9%	13.6%
Net Profit Excl. extra-ordinaries	0.1%	-1.5%	6.2%	2.1%	10.2%	12.1%	12.9%	13.6%

Balance Sheet

YE Mar 31(Rs. mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Liabilities								
Equity Capital	940	890	1,000	1,003	1,005	1,005	1,005	1,005
Equity Share application money pending allotment	0	105	0	1	0	0	0	0
Reserves & Surplus	5,750	6,433	8,901	10,093	13,314	18,872	25,554	33,791
Equity	6,690	7,428	9,902	11,097	14,318	19,877	26,559	34,796
Preference Share Capital	0	0	0	0	0	0	0	0
Net Worth	6,690	7,428	9,902	11,097	14,318	19,877	26,559	34,796
Minority Interest	0	250	250	316	378	503	378	378
Net Deferred tax liability/(Asset)	1,878	1,502	1,917	434	641	1,178	850	850
Long Term Loans	10,077	9,812	10,011	16,795	15,946	17,877	12,109	0
Short Term Loans	7,321	9,730	10,233	13,498	14,905	7,732	12,000	0
Total Loans	17,398	19,542	20,244	30,293	30,851	25,609	24,109	20,609
Other Long-Term Liabilities	20	17	6	600	11	18	0	0
Capital Employed	25,985	28,739	32,319	42,740	46,199	47,184	51,896	56,633
Assets								
Gross Block	21,915	23,547	25,401	34,213	43,581	56,273	61,581	66,081
Less: Depreciation	6,315	7,765	9,082	15,767	19,096	22,838	26,705	31,000
Net Block	15,600	15,782	16,319	18,446	24,485	33,435	34,876	35,081
Capital WIP	550	1,233	542	5,324	1,564	0	500	500
Investments	1,007	1,205	931	1,115	1,420	563	1,420	1,420
Intangible Assets	0	979	1,754	1,839	1,785	1,775	1,921	2,198
Other Non-Current Assets	1,703	706	1,336	1,022	170	210	320	366
Current Assets								
Inventories	4,597	7,293	8,205	10,094	11,006	11,046	12,820	14,692
Sundry Debtors	1,453	2,492	2,750	4,117	4,467	6,114	4,847	5,591
Cash and Bank Balance	389	1,482	1,724	2,332	3,252	1,243	1,591	3,196
Loans and Advances	2,788	3,415	4,286	5,376	7,474	6,419	7,682	8,059
Other Current Assets	773	772	731	2,019	1,330	1,466	1,280	1,465
Total Current Assets	10,000	15,454	17,697	23,939	27,530	26,289	28,219	33,003
Less: Current Liabilities & Provisions								
Sundry Creditors	2,216	5,235	4,963	6,144	6,910	10,080	9,255	8,824
Provisions	146	448	341	1,390	1,941	1,355	4,185	4,914
Other Current Liabilities	513	938	956	1,410	1,903	3,653	1,921	2,198
Total Current Liabilities & Provisions	2,875	6,621	6,260	8,944	10,754	15,088	15,361	15,935
Miscellaneous Assets	0	0	0	0	0	0	0	0
Capital Applied	25,985	28,739	32,319	42,740	46,199	47,184	51,896	56,633

Cash Flow Statement

YE Mar 31 (Rs. mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Cash Inflow								
From Operations								
Profit Before Tax	435	30	2,982	1,037	7,533	10,466	13,111	15,628
Depreciation	1,203	1,378	1,449	6,863	3,329	3,742	4,126	4,295
Less:								
Dividend Payout	18	0	442	357	1,268	1,804	2,269	2,741
Tax Paid	403	193	733	199	2,090	3,114	3,901	4,650
Operating Cashflow	1,217	1,215	3,255	7,345	7,504	9,289	11,068	12,532
Changes in Capital Structure								
Increase in Equity Share capital	159	55	5	4	1	0	(0)	0
Increase in Share premium	1,324	1	14	8	3	0	0	0
Increase in Other reserves	(21)	845	648	702	(956)	11	(260)	0
Increase in Pref Capital	0	0	0	0	0	0	0	0
Increase in Others	336	(379)	404	(889)	(382)	544	(346)	0
Inc/(Dec) in Loans	589	2,144	702	10,049	558	(5,242)	(1,500)	(3,500)
Inc/(Dec) in Minority Interest	0	250	0	66	62	125	(125)	0
Inc/(Dec) in Equity/Loans/MI	2,386	2,916	1,774	9,939	(715)	(4,562)	(2,231)	(3,500)
Adjustments								
Prior Period Adjustments	0	0	0	0	0	0	0	0
Diff.in Depreciation	(220)	71	(131)	(178)	0	0	(259)	0
Total Inflow	3,384	4,203	4,898	17,106	6,789	4,727	8,578	9,032
Cash Outflow								
Working Capital Changes								
Inc/(Dec) in Provisions	(26)	302	(107)	1,049	551	(586)	2,830	729
Inc/(Dec) in Current Liabilities	798	3,444	(254)	1,635	1,259	4,920	(2,557)	(154)
Less:								
Inc/(Dec) in Inventory	989	2,697	912	1,889	912	40	1,773	1,872
Inc in Debtors	(345)	1,040	257	1,367	350	1,647	(1,267)	744
Inc/(Dec) in Loans & Advances	(155)	627	872	1,090	2,098	(1,055)	1,263	377
Inc/(Dec) in Other Current Assets	160	(1)	(41)	1,288	(689)	136	(186)	185
Inc/(Dec) in Working Capital	(122)	616	2,361	2,950	861	(3,565)	1,310	2,603
Capex/Investments								
Inc/(Dec) in Investments	857	198	(274)	184	305	(857)	857	0
Addition to Gross Block	1,141	1,632	1,854	8,812	9,368	12,692	5,308	4,500
Inc/(Dec) in Capital WIP	279	683	(691)	4,782	(3,760)	(1,564)	500	0
Inc/(Dec) in Other Assets	1,703	(18)	1,404	(230)	(906)	30	256	324
Inc. in Misc. Assets	0	0	0	0	0	0	0	0
Inc/(Dec) in Fixed Assets/ Investments	3,981	2,495	2,294	13,548	5,008	10,301	6,921	4,824
Inc/(Dec) in Cash/Bank Balance	(475)	1,092	243	608	920	(2,009)	347	1,605
Total Outflow	3,384	4,203	4,898	17,106	6,789	4,727	8,578	9,032

Free Cash Flow Statement

YE Mar 31 (Rs. mn)	FY11	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
EBITA	1,108	2,284	4,497	2,348	9,412	12,673	14,116	16,353
Less: Adjusted Taxes	1,026	937	1,106	450	2,612	3,513	3,913	4,532
NOPLAT	82	1,347	3,391	1,898	6,801	9,161	10,204	11,820
Plus: Depreciation	1,203	1,378	1,449	6,863	3,329	3,742	4,126	4,295
Gross Cashflow	1,285	2,725	4,840	8,761	10,130	12,902	14,330	16,116
Less: Increase in Working Capital	(177)	837	2,647	3,196	745	(3,429)	2,938	2,593
Operating Cashflow	1,463	1,888	2,193	5,565	9,385	16,331	11,392	13,522
Less: Net Capex	1,640	2,243	1,295	13,772	5,608	11,127	6,067	4,500
Less: Increase in Net Other Assets	1,458	111	800	493	(285)	(639)	(1,275)	(92)
FCF From Operation	(1,635)	(466)	99	(8,700)	4,061	5,843	6,600	9,115
Less: Inc./(Dec.) in Investment	(24)	(126)	527	(527)	(0)	0	0	0
FCF after Investment	(1,611)	(341)	(428)	(8,173)	4,061	5,843	6,600	9,115
Plus: Gain/(loss) on Extraordinary Items	0	(533)	(23)	0	0	0	0	0
Plus: Foreign currency Translation Effect	0	0	0	0	0	0	0	0
Total FCF	(1,611)	(874)	(452)	(8,173)	4,061	5,843	6,600	9,115

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