



© 2017 Equirus All rights reserved

Rating Information	
Price (Rs)	280
Target Price (Rs)	318
Target Date	30th Sep'18
Target Set On	12th July 17
Implied yrs of growth (DCF)	15
Fair Value (DCF)	280
Fair Value (DDM)	117
Ind Benchmark	SPBSMIP
Model Portfolio Position	NA

Stock Information	
Market Cap (RsMn)	37,361
Free Float (%)	55.22 %
52 Wk H/L (Rs)	372/229
Avg Daily Volume (1yr)	118,827
Avg Daily Value (RsMn)	34
Equity Cap (RsMn)	266
Face Value (Rs)	2
Bloomberg Code	CCLP IN

Ownership	Recent	3M	12M
Promoters	44.8 %	0.0 %	0.1 %
DII	3.6 %	0.1 %	1.1 %
FII	22.2 %	-0.9 %	2.5 %
Public	29.4 %	0.8 %	-3.6 %

Price %	1M	3M	12M
Absolute	-0.5 %	-17.6 %	13.2 %
Vs Industry	-2.4 %	-22.8 %	-11.2 %
Tata Coffee	14.7 %	15.1 %	27.1 %
Nestle India	2.6 %	4.8 %	6.3 %

Consolidated Quarterly EPS forecast				
Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	3.0	1.0	3.4	2.7
EPS (18E)	2.0	2.3	3.1	4.0

# CCL Products Ltd.

1QFY18 Results: TP(↓), Estimate(↓), Rating(↔)

Regular Coverage

Absolute : LONG

Relative : Overweight

12% ATR in 15 months

Focus on volume growth unlikely to hamper long-term trajectory, Reiterate LONG

Beverages

CCL reported sales/EBIDTA of Rs. 2,454mn/457mn during 1QFY18, down 2%/27% yoy and significantly below EE. EBIDTAM stood at 18.6% (-628/-292bps yoy/qoq). We expected higher volumes for FY18E/FY19E which was above earlier guidance which management has revised upwards during 1QFY18 call. We expected incremental volumes at similar profitability levels which did not happen. Management indicated that the incremental volumes from new clients are at significantly lower margins. Accordingly we lower EBIDTA estimates by 11%/11% for FY18E/19E. Despite the change in strategy by the company, we expect PAT CAGR of 19% during FY17-FY20E period and reiterate LONG rating with a Sep'18 TP of Rs. 318 (prev. Sep'18 TP Rs. 352) based on 24x of TTM EPS of Rs. 13.25.

**Lower than expected sales and margin contraction resulted in disappointing operational performance during the quarter:** CCL registered negative sales growth of 2% yoy during 1QFY18, 11% below EE. Sharp decline in EBIDTAM (-628/-292bps yoy/qoq) was a major disappointment which was led by sharp contraction in gross margin (-580/-230bps yoy/qoq). This resulted in PAT decline of 33% yoy, significantly lower than EE. Majority of the orders executed during 1QFY18 were from the new clients which were at highly competitive prices leading to lower profitability.

**Management's focus has been shifted towards higher volumes; highly competitive prices will weigh on margins:** CCL has changed its strategy at company level and going forward CCL is targeting new client acquisition, which will drive higher volumes for spray dried coffee. These incremental volumes are at highly competitive prices which have impacted the margins during 1QFY18 and will continue for the rest of FY18E. Management expects inflow of better margin orders from these new clients in FY19E which is likely to result in margin improvement in FY19E on yoy basis. Accordingly, to factor in these low margin orders, we lower FY18E/FY19E EBIDTAM estimates by 311/270bps vs. our earlier estimates which has translated to cut in EBIDTA by 11%/11% for FY18E/FY19E.

**New client acquisition to drive healthy volumes for CCL in the coming years:** Despite negative sales growth during 1QFY18, CCL has order book from existing and new clients for ~80% of production capacity, which is likely to result in ~20% volume growth during FY18E. CCL has order book for its entire freeze dried capacity and has started to take orders for FY19E. Despite positive outlook on topline, the quarterly numbers could vary depending on timing of order execution and client requirements. **Key Risks:** Delayed execution of order book; inability to book better margin order in FY19E.

## Change in Estimates - Consolidated

Rs. Mn	FY18E	Chg (%)	FY19E	Chg (%)
Sales	11,726	3%	13,656	0%
EBITDA	2,458	-11%	2,963	-11%
EPS	11	-10%	14	-10%

## Consolidated Financials

Rs. Mn	YE Mar	FY17A	FY18E	FY19E	FY20E
Sales		9,765	11,726	13,656	15,089
EBITDA		2,320	2,458	2,963	3,500
Depreciation		333	343	354	378
Interest Expense		112	86	191	176
Other Income		12	51	74	119
Reported PAT		1,343	1,522	1,911	2,253
Recurring PAT		1,343	1,522	1,911	2,253
Total Equity		6,363	7,404	8,675	10,127
Gross Debt		1,010	2,340	2,250	1,980
Cash		165	446	1,001	1,645
Rs Per Share		FY17A	FY18E	FY19E	FY20E
Earnings		10.1	11.4	14.4	16.9
Book Value		48	56	65	76
Dividends		2.5	3.0	4.0	5.0
FCFF		7.0	-3.4	10.8	14.1
P/E (x)		27.7	24.5	19.5	16.5
P/B (x)		5.9	5.0	4.3	3.7
EV/EBITDA (x)		16.6	16.1	13.1	10.8
ROE (%)		23 %	22 %	24 %	24 %
Core ROIC (%)		19 %	18 %	20 %	21 %
EBITDA Margin (%)		24 %	21 %	22 %	23 %
Net Margin (%)		14 %	13 %	14 %	15 %

**Key Takeaways from the Con-call:**

1. Management has indicated that in FY18 it will focus on volume growth by acquiring new customers. Management has also indicated that it will achieve growth of ~10-15% in bottom-line.
2. For FY18, management has revised its previous sales growth of 10% to ~15-20%. Management has indicated that the proportion of premium products will go up during 2HFY18.
3. During 1QFY18 the overall volumes came down by ~5% yoy.
4. Management has indicated that it has sold ~80% of its production capacity for FY18.
5. CCL remains on track for completion of expansion and operation of its 5000 ton Freeze dried capacity plant at Chittoor by 2QFY19. The plant could operate at 50% utilization rate during the first year of its operation but depending upon the demand, response of products and competition management will modify its strategy.
6. Management has indicated that it has been aggressive in acquiring new customers across all geographies. Business from existing clients will continue to deliver same margins whereas products are being supplied at lower margins to the new customers in order to build customer loyalty.
7. Management expects to do overall sales of ~Rs. 850mn-Rs. 1000mn for FY18 of continental coffee which includes private label sales, institutional sales and branded sales in the domestic market.
8. Management has indicated that the branded sales in B2C segment would be around Rs. 350mn in FY18 vs. Rs. 120mn/40mn in FY17/FY16.
9. Management has indicated that the private labels will grow by ~5-10%, tender business will grow by ~5% with significant growth coming from B2C segment.
10. The agglomeration unit in Vietnam will see increased volumes in 2QFY18 on the back of newly acquired customers and shift of Vietnam clients' production whose demand has been catered from India.
11. During 1QFY18, the continental coffee brand products were being sold in the existing regions in India and no new regions were added during the quarter. Due

to uncertainty of GST rates, substantial orders of continental branded coffee were postponed from 1QFY18 till first week Jul'17.

12. Management has indicated that going forward, they could introduce new coffee segment products at more effective price points and they could face little or no competition.
13. The B2C segment in India has market size of ~10,000 tons for instant coffee.



## Quarterly Result Table (Consolidated)

RsMn	1QFY18	1QFY18E	4QFY17	1QFY17	% Change			Comments
					1QFY18E	4QFY17	1QFY17	
Net Sales	2,454	2,763	2,970	2,506	-11%	-17%	-2%	Sales below EE largely on account of negative sales growth in subsidiary business and marginal growth in standalone business
Cost of Materials Consumed	1,665	1,464	1,472	1,587	14%	13%	5%	
Changes in inventories	-127	52	321	-162	-347%	-140%	-21%	
Employee benefit expenses	100	123	109	87	-18%	-8%	16%	
Other expenses	359	438	428	370	-18%	-16%	-3%	
Total Expenditures	1,997	2,077	2,330	1,882	-4%	-14%	6%	
EBITDA	457	687	640	624	-33%	-29%	-27%	EBITDA below EE on account of lower than expected sales and decline in gross margins
Depreciation	83	84	76	84	-1%	9%	-1%	
EBIT	374	603	563	540	-38%	-34%	-31%	
Interest	18	21	37	29	-16%	-52%	-39%	
Other Income	26	5	3	4	466%	888%	523%	
PBT	382	586	529	515	-35%	-28%	-26%	
Tax	111	164	177	112	-32%	-37%	-1%	
PAT before MI & Associates	270	422	353	403	-36%	-23%	-33%	
Minority Interest	0	0	0	0	-	-	-	
Profit from Assoc.	0	0	0	0	-	-	-	
Recurring PAT	270	422	353	403	-36%	-23%	-33%	Lower than expected sales and sharp decline in gross margins impacted the profitability for the company
Extraordinaries	0	0	0	0	-	-	-	
Reported PAT	270	422	353	403	-36%	-23%	-33%	
EPS (Rs)	2.0	3.2	2.7	3.0	-36%	-23%	-33%	
EBITDA Margin	18.6%	24.9%	21.5%	24.9%	-624	-292	-628	
EBIT Margin	15.2%	21.8%	19.0%	21.5%	-659	-374	-631	
PBT Margin	15.6%	21.2%	17.8%	20.6%	-567	-227	-500	
PAT Margin	11.0%	15.3%	11.9%	16.1%	-425	-86	-507	
Tax Rate	29.2%	28.0%	33.4%	21.8%	113	-421	740	

## Company Snapshot

### How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY18E	11.4	12.4	-8 %	We expect subdued operating performance vs. consensus due to delayed margin recovery
	FY19E	14.4	15.1	-5 %	
Sales	FY18E	11,726	11,014	6 %	
	FY19E	13,656	12,842	6 %	
PAT	FY18E	1,522	1,648	-8 %	
	FY19E	1,911	2,005	-5 %	

### Our Key Investment arguments:

- Strong momentum gained in Vietnam operations to continue in the coming years. Volumes are expected to grow at a CAGR of ~13% over FY16-19E
- Strong profitability in India business is likely to be driven by better product mix (largely driven by premium blends + freeze dried coffee) and smaller packs.
- Retail + Institutional sales likely to be a long term catalyst for CCL which commands significantly higher margins as compared to Bulk sales

### Key Estimates:

Rs. mn	FY15	FY16	FY17	FY18E	FY19E	FY20E
Standalone Sales	6,720	6,772	7,074	8,497	9,868	11,112
Subsidiary Sales	2,086	2,549	2,691	3,229	3,788	3,977
<b>Total Sales</b>	<b>8,806</b>	<b>9,321</b>	<b>9,765</b>	<b>11,726</b>	<b>13,656</b>	<b>15,089</b>
EBIDTA	1,712	2,047	2,320	2,458	2,963	3,500
<b>EBIDTA Margin</b>	<b>19.4%</b>	<b>22.0%</b>	<b>23.8%</b>	<b>21.0%</b>	<b>21.7%</b>	<b>23.2%</b>
PAT	940	1,221	1,343	1,522	1,911	2,253
<b>PAT Margin</b>	<b>10.7%</b>	<b>13.1%</b>	<b>13.8%</b>	<b>13.0%</b>	<b>14.0%</b>	<b>14.9%</b>

Comparable valuation		Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS			P/B			RoE			Div Yield	
Company	Reco.				CMP	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A
CCL Products	LONG	280	37,361	318	30th Sep'18	10.1	11.4	14.4	27.7	24.5	19.5	47.8	5.0	23 %	22 %	24 %	0.9 %	1.1 %			
TCO IN Equity	NR	145	27,091	NR	NR	8.1	9.3	10.5	17.9	15.5	13.8	56.6	4.4	15 %	24 %	18 %	0.0 %	-			
NEST IN Equity	NR	6,830	658,519	NR	NR	128.7	151.9	171.6	53.1	45.0	39.8	346.7	17.7	39 %	42 %	45 %	1.2 %	1.5 %			

### Risk to Our View

- Global slowdown could be a big risk for the coffee business
- Failure in new client acquisition, rising competition
- Inability to scale up sales of high margin products.

### Key Triggers

- Increased presence in U.S. market leading to strong volumes.
- Increase in contribution from the value added products and premium blends

Sensitivity to Key Variables	% Change	% Impact on EPS
EBIDTA Margin	1 %	5 %
-	-	-

### DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth			Debt/IC in Term. Yr
6.8 %	0.7	10.9 %	3.0 %			17.9 %
		FY18E	FY19E	FY20-22E	FY23-27E	FY28-32E
Sales Growth		20 %	16 %	12 %	11 %	9 %
NOPAT Margin		13 %	15 %	15 %	15 %	15 %
IC Turnover		1.19	1.30	1.37	1.37	1.37
RoIC		17.7 %	19.7 %	21.8 %	21.9 %	21.7 %
Years of strong growth		1	2	5	10	15
Valuation as on date (Rs)		121	145	180	217	247
Valuation as of Sep'18		137	164	204	247	280

Based on DCF, assuming 15 years of 11% CAGR growth and 21.4% average ROIC, we derive current fair value of Rs. 247 and 30<sup>th</sup> Sep'18 fair value of Rs. 280.

### Company Description:

CCL Products (India) Limited is one of the largest instant coffee company in world. CCL exports its products to more than 60 countries. CCL has a state-of-the-art soluble instant coffee manufacturing plant (Export-Oriented Unit) in Guntur district of A.P. with a capacity of 20,000mt and 10,000mt plant in Vietnam. CCL is among the only companies in the world to produce all 4 types of pure soluble coffee from a single location.



## Consolidated Quarterly Earnings Forecast and Key Drivers

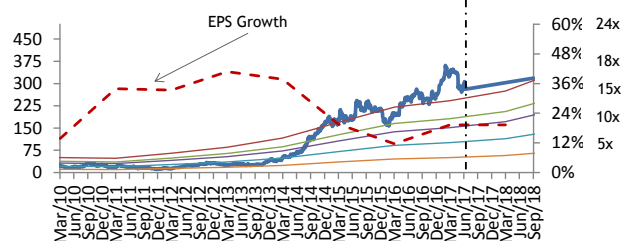
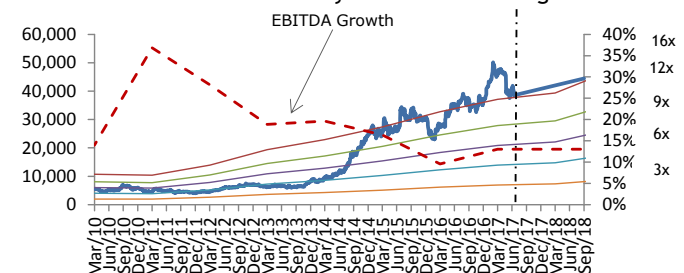
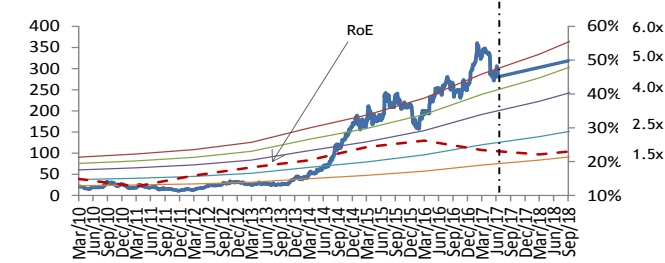
Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	2,506	1,423	2,866	2,970	2,454	2,612	3,164	3,495	2,941	3,467	3,232	4,015	9,765	11,726	13,656	15,089
Cost of Materials Consumed	1,425	816	1,485	1,793	1,538	1,569	1,868	2,070	1,838	2,001	1,856	2,293	5,519	7,045	7,987	8,560
Packaging Materials Consumed	0	55	125	0	0	108	108	108	133	133	133	133	0	325	533	600
Stores, Power & Fuel Consumed	0	69	124	0	0	93	131	109	101	127	141	130	0	332	500	561
Employee benefit expenses	87	68	140	109	100	117	147	150	141	150	161	183	404	515	635	747
Other expenses	370	129	221	428	359	209	230	253	226	260	241	310	1,521	1,050	1,037	1,121
EBITDA	624	286	771	640	457	516	680	805	502	795	700	967	2,320	2,458	2,963	3,500
Depreciation	84	86	87	76	83	86	87	87	89	89	89	89	333	343	354	378
EBIT	540	200	685	563	374	430	593	718	414	707	611	878	1,988	2,115	2,609	3,122
Interest	29	21	25	37	18	21	22	25	47	48	48	48	112	86	191	176
Other Income	4	4	2	3	26	8	8	8	18	18	18	18	12	51	74	119
PBT	515	183	662	529	382	417	580	701	385	677	581	848	1,888	2,079	2,492	3,064
Tax	112	53	203	177	111	111	163	172	78	167	143	192	545	558	581	812
PAT bef. MI & Assoc.	403	130	458	353	270	306	417	529	307	510	438	656	1,343	1,522	1,911	2,253
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	403	130	458	353	270	306	417	529	307	510	438	656	1,343	1,522	1,911	2,253
Extraordinaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	403	130	458	353	270	306	417	529	307	510	438	656	1,343	1,522	1,911	2,253
EPS (Rs)	3.03	0.97	3.44	2.65	2.03	2.30	3.13	3.98	2.31	3.83	3.30	4.93	10.10	11.44	14.37	16.93
<b>Key Drivers</b>																
Volumes - in mt	-	-	-	-	-	-	-	-	-	-	-	-	20,575	23,985	25,042	26,149
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sequential Growth (%)</b>																
Revenue	-5 %	-43 %	101 %	4 %	-17 %	6 %	21 %	10 %	-16 %	18 %	-7 %	24 %	-	-	-	-
Cost of Materials Consumed	-8 %	-43 %	82 %	21 %	-14 %	2 %	19 %	11 %	-11 %	9 %	-7 %	24 %	-	-	-	-
EBITDA	2 %	-54 %	170 %	-17 %	-29 %	13 %	32 %	18 %	-38 %	58 %	-12 %	38 %	-	-	-	-
EBIT	1 %	-63 %	242 %	-18 %	-34 %	15 %	38 %	21 %	-42 %	71 %	-14 %	44 %	-	-	-	-
Recurring PAT	10 %	-68 %	254 %	-23 %	-23 %	13 %	36 %	27 %	-42 %	66 %	-14 %	50 %	-	-	-	-
EPS	10 %	-68 %	254 %	-23 %	-23 %	13 %	36 %	27 %	-42 %	66 %	-14 %	50 %	-	-	-	-
<b>Yearly Growth (%)</b>																
Revenue	14 %	-39 %	35 %	12 %	-2 %	84 %	10 %	18 %	20 %	33 %	2 %	15 %	5 %	20 %	16 %	10 %
EBITDA	28 %	-41 %	69 %	5 %	-27 %	80 %	-12 %	26 %	10 %	54 %	3 %	20 %	-12 %	6 %	21 %	18 %
EBIT	29 %	-52 %	77 %	6 %	-31 %	115 %	-13 %	27 %	11 %	65 %	3 %	22 %	-16 %	6 %	23 %	20 %
Recurring PAT	33 %	-56 %	76 %	-4 %	-33 %	136 %	-9 %	50 %	14 %	67 %	5 %	24 %	-26 %	13 %	26 %	18 %
EPS	33 %	-56 %	76 %	-4 %	-33 %	136 %	-9 %	50 %	14 %	67 %	5 %	24 %	10 %	13 %	26 %	18 %
<b>Margin (%)</b>																
EBITDA	25 %	20 %	27 %	22 %	19 %	20 %	22 %	23 %	17 %	23 %	22 %	24 %	24 %	21 %	22 %	23 %
EBIT	22 %	14 %	24 %	19 %	15 %	16 %	19 %	21 %	14 %	20 %	19 %	22 %	20 %	18 %	19 %	21 %
PBT	21 %	13 %	23 %	18 %	16 %	16 %	18 %	20 %	13 %	20 %	18 %	21 %	19 %	18 %	18 %	20 %
PAT	16 %	9 %	16 %	12 %	11 %	12 %	13 %	15 %	10 %	15 %	14 %	16 %	14 %	13 %	14 %	15 %

## Consolidated Financials

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	9,765	11,726	13,656	15,089
Op. Expenditure	7,445	9,268	10,692	11,589
EBITDA	2,320	2,458	2,963	3,500
Depreciation	333	343	354	378
EBIT	1,988	2,115	2,609	3,122
Interest Expense	112	86	191	176
Other Income	12	51	74	119
PBT	1,888	2,079	2,492	3,064
Tax	545	558	581	812
PAT bef. MI & Assoc.	1,343	1,522	1,911	2,253
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	1,343	1,522	1,911	2,253
Extraordinaires	0	0	0	0
Reported PAT	1,343	1,522	1,911	2,253
FDEPS (Rs)	10.1	11.4	14.4	16.9
DPS (Rs)	2.5	3.0	4.0	5.0
CEPS (Rs)	12.6	14.0	17.0	19.8
FCFPS (Rs)	7.0	-3.4	10.8	14.1
BVPS (Rs)	47.8	55.7	65.2	76.1
EBITDAM (%)	24 %	21 %	22 %	23 %
PATM (%)	14 %	13 %	14 %	15 %
Tax Rate (%)	29 %	27 %	23 %	26 %
Sales Growth (%)	5 %	20 %	16 %	10 %
FDEPS Growth (%)	10 %	13 %	26 %	18 %

Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	266	266	266	266
Reserve	6,097	7,138	8,409	9,861
Networth	6,363	7,404	8,675	10,127
Long Term Debt	1,010	2,340	2,250	1,980
Def Tax Liability	310	260	250	220
Minority Interest	0	0	0	0
Account Payables	122	163	180	193
Other Curr Liabi	681	1,173	1,366	1,509
Total Liabilities & Equity	8,487	11,340	12,721	14,029
Net Fixed Assets	3,933	6,170	6,316	6,438
Capital WIP	2	0	0	0
Others	510	511	511	511
Inventory	1,828	1,863	2,095	2,315
Account Receivables	1,632	1,638	1,871	2,026
Other Current Assets	416	711	926	1,094
Cash	165	446	1,001	1,645
Total Assets	8,486	11,340	12,720	14,029
Non-cash Working Capital	3,073	2,877	3,347	3,732
Cash Conv Cycle	114.9	89.5	89.5	90.3
WC Turnover	3.2	4.1	4.1	4.0
FA Turnover	2.5	1.9	2.2	2.3
Net D/E	0.1	0.3	0.1	0.0
Revenue/Capital Employed	1.5	1.6	1.5	1.4
Capital Employed/Equity	1.4	1.3	1.3	1.3

Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	1,888	2,079	2,492	3,064
Depreciation	333	343	354	378
Others	37	0	0	0
Taxes Paid	533	558	581	812
Change in WC	-674	196	-470	-386
Operating C/F	1,050	2,061	1,795	2,245
Capex	-199	-2,573	-500	-500
Change in Invest	0	-7	0	0
Others	2	0	0	0
Investing C/F	-197	-2,580	-500	-500
Change in Debt	-675	1,330	-90	-270
Change in Equity	0	0	0	0
Others	-199	-531	-650	-831
Financing C/F	-874	800	-740	-1,101
Net change in cash	-21	281	555	644
RoE (%)	23 %	22 %	24 %	24 %
RoIC (%)	19 %	18 %	19 %	20 %
Core RoIC (%)	19 %	18 %	20 %	21 %
Div Payout (%)	30 %	32 %	34 %	36 %
P/E	27.7	24.5	19.5	16.5
P/B	5.9	5.0	4.3	3.7
P/FCFF	39.9	-81.7	25.8	19.9
EV/EBITDA	16.6	16.1	13.1	10.8
EV/Sales	3.9	3.4	2.8	2.5
Dividend Yield (%)	0.9 %	1.1 %	1.4 %	1.8 %

**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)	FY14A	FY15A	FY16A	FY17A	Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	7,168	8,806	9,321	9,765	Equity Capital	266	266	266	266	PBT	996	1,338	1,668	1,888
Op. Expenditure	5,737	7,093	7,274	7,445	Reserve	3,262	3,950	4,832	6,097	Depreciation	291	268	284	333
EBITDA	1,431	1,712	2,047	2,320	Networth	3,528	4,216	5,098	6,363	Others	420	1	-804	37
Depreciation	291	268	284	333	Long Term Debt	2,404	1,837	1,588	1,010	Taxes Paid	320	420	-380	533
EBIT	1,140	1,444	1,763	1,988	Def Tax Liability	233	243	290	310	Change in WC	-139	-140	83	-674
Interest Expense	171	136	108	112	Minority Interest	0	0	0	0	Operating C/F	1,248	1,047	1,610	1,050
Other Income	26	30	12	12	Account Payables	205	445	115	122	Capex	-596	-206	-872	-199
PBT	996	1,338	1,668	1,888	Other Curr Liabi	880	876	921	681	Change in Invest	0	0	0	0
Tax	351	398	446	545	Total Liabilities & Equity	7,250	7,617	8,013	8,487	Others	14	15	2	2
PAT bef. MI & Assoc.	644	940	1,221	1,343	Net Fixed Assets	3,611	3,400	4,173	3,933	Investing C/F	-583	-192	-870	-197
Minority Interest	0	0	0	0	Capital WIP	389	534	0	2	Change in Debt	-245	-693	-253	-675
Profit from Assoc.	0	0	0	0	Others	56	83	527	510	Change in Equity	0	0	0	0
Recurring PAT	644	940	1,221	1,343	Inventory	1,379	1,735	1,486	1,828	Others	-170	-240	-567	-199
Extraordinaires	0	0	0	0	Account Receivables	1,068	1,132	1,281	1,632	Financing C/F	-415	-933	-820	-874
Reported PAT	644	940	1,221	1,343	Other Current Assets	404	466	358	416	Net change in cash	250	-78	-80	-21
EPS (Rs)	4.8	7.1	9.2	10.1	Cash	344	266	187	165	RoE (%)	20 %	24 %	26 %	23 %
DPS (Rs)	0.0	1.5	2.5	2.5	Total Assets	7,250	7,617	8,013	8,486	RoIC (%)	13 %	17 %	20 %	19 %
CEPS (Rs)	7.0	9.1	11.3	12.6	Non-cash Working Capital	1,765	2,013	2,089	3,073	Core RoIC (%)	13 %	17 %	20 %	19 %
FCFPS (Rs)	5.8	7.1	6.2	7.0	Cash Conv Cycle	89.9	83.4	81.8	114.9	Div Payout (%)	0 %	25 %	32 %	30 %
BVPS (Rs)	26.5	31.7	38.3	47.8	WC Turnover	4.1	4.4	4.5	3.2	P/E	57.8	39.6	30.5	0.0
EBITDAM (%)	20 %	19 %	22 %	24 %	FA Turnover	1.8	2.2	2.2	2.5	P/B	10.6	8.8	7.3	0.0
PATM (%)	9 %	11 %	13 %	14 %	Net D/E	0.6	0.4	0.3	0.1	P/FCFF	48.0	48.0	48.0	48.0
Tax Rate (%)	35 %	30 %	27 %	29 %	Revenue/Capital Employed	1.3	1.5	1.5	1.5	EV/EBITDA	27.9	23.0	19.2	0.0
Sales growth (%)	10 %	23 %	6 %	5 %	Capital Employed/Equity	2.1	1.9	1.6	1.4	EV/Sales	5.6	5.6	5.6	5.6
FDEPS growth (%)	36 %	46 %	30 %	10 %						Dividend Yield (%)	0.0 %	0.5 %	0.9 %	0.9 %



## Equirus Securities

Research Analysts	Sector/Industry	Email		Equity Sales	E-mail	
Abhishek Shindadkar	IT Services	<a href="mailto:abhishek.shindadkar@equirus.com">abhishek.shindadkar@equirus.com</a>	91-22-43320643	Vishad Turakhia	<a href="mailto:vishad.turakhia@equirus.com">vishad.turakhia@equirus.com</a>	91-22-43320633
Ashutosh Tiwari	Auto, Metals & Mining	<a href="mailto:ashutosh@equirus.com">ashutosh@equirus.com</a>	91-79-61909517	Subham Sinha	<a href="mailto:subham.sinha@equirus.com">subham.sinha@equirus.com</a>	91-22-43320631
Depesh Kashyap	Mid-Caps	<a href="mailto:depesh.kashyap@equirus.com">depesh.kashyap@equirus.com</a>	91-79-61909528	Sweta Sheth	<a href="mailto:sweta.sheth@equirus.com">sweta.sheth@equirus.com</a>	91-22-43320634
Devam Modi	Power & Infrastructure	<a href="mailto:devam@equirus.com">devam@equirus.com</a>	91-79-61909516	Viral Desai	<a href="mailto:viral.desai@equirus.com">viral.desai@equirus.com</a>	91-22-43320635
Dhaval Dama	FMCG, Mid-Caps	<a href="mailto:dhaval.dama@equirus.com">dhaval.dama@equirus.com</a>	91-79-61909518	Binoy Dharia	<a href="mailto:Binoy.dharia@equirus.com">Binoy.dharia@equirus.com</a>	91-22-43320632
Manoj Gori	Consumer Durables	<a href="mailto:manoj.gori@equirus.com">manoj.gori@equirus.com</a>	91-79-61909523	<b>Dealing Room</b>		<b>E-mail</b>
Maulik Patel	Oil and Gas	<a href="mailto:maulik@equirus.com">maulik@equirus.com</a>	91-79-61909519	Ashish Shah	<a href="mailto:ashishshah@equirus.com">ashishshah@equirus.com</a>	91-22-43320662
Praful Bohra	Pharmaceuticals	<a href="mailto:praful.bohra@equirus.com">praful.bohra@equirus.com</a>	91-79-61909532	Ilesh Savla	<a href="mailto:ilesh.savla@equirus.com">ilesh.savla@equirus.com</a>	91-22-43320666
Rohan Mandora	Banking & Financial Services	<a href="mailto:rohan.mandora@equirus.com">rohan.mandora@equirus.com</a>	91-79-61909529	Manoj Kejriwal	<a href="mailto:manoj.kejriwal@equirus.com">manoj.kejriwal@equirus.com</a>	91-22-43320663
<b>Associates</b>		<b>E-mail</b>		Dharmesh Mehta	<a href="mailto:dharmesh.mehta@equirus.com">dharmesh.mehta@equirus.com</a>	91-22-43320661
Ankit Choudhary		<a href="mailto:ankit.choudhary@equirus.com">ankit.choudhary@equirus.com</a>	91-79-61909533	Sandip Amrutiya	<a href="mailto:sandipamrutiya@equirus.com">sandipamrutiya@equirus.com</a>	91-22-43320660
Bharat Celly		<a href="mailto:bharat.celly@equirus.com">bharat.celly@equirus.com</a>	91-79-61909524	<b>Compliance Officer</b>		<b>E-mail</b>
Harshit Patel		<a href="mailto:harshit.patel@equirus.com">harshit.patel@equirus.com</a>	91-79-61909522	Jay Soni	<a href="mailto:jay.soni@equirus.com">jay.soni@equirus.com</a>	91-79-61909561
Meet Chande		<a href="mailto:meet.chande@equirus.com">meet.chande@equirus.com</a>	91-79-61909513			
Parva Soni		<a href="mailto:parva.soni@equirus.com">parva.soni@equirus.com</a>	91-79-61909521			
Pranav Mehta		<a href="mailto:pranav.mehta@equirus.com">pranav.mehta@equirus.com</a>	91-79-61909514			
Ronak Soni		<a href="mailto:Ronak.soni@equirus.com">Ronak.soni@equirus.com</a>	91-79-61909525			
Samkit Shah		<a href="mailto:samkit.shah@equirus.com">samkit.shah@equirus.com</a>	91-79-61909520			
Shreepal Doshi		<a href="mailto:shreepal.doshi@equirus.com">shreepal.doshi@equirus.com</a>	91-79-61909541			
Vikas Jain		<a href="mailto:vikas.jain@equirus.com">vikas.jain@equirus.com</a>	91-79-61909531			

**Rating & Coverage Definitions:****Absolute Rating**

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

**Relative Rating**

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark

**Registered Office:**

Equirus Securities Private Limited  
Unit No. 1201, 12th Floor, C Wing, Marathon Futurex,  
N M Joshi Marg, Lower Parel,  
Mumbai-400013.  
Tel. No: +91 - (0)22 - 4332 0600  
Fax No: +91- (0)22 - 4332 0601





• **UNDERWEIGHT:** likely to under-perform the benchmark by at least 5% over investment horizon

**Investment Horizon**

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

**Lite vs. Regular Coverage vs. Spot Coverage**

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

**Corporate Office:**

3rd floor, House No. 9,  
Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge,  
S.G. Highway Ahmedabad-380054  
Gujarat  
Tel. No: +91 (0)79 - 6190 9550  
Fax No: +91 (0)79 - 6190 9560

**© 2017 Equirus Securities Private Limited. All rights reserved. For Private Circulation only. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Equirus Securities Private Limited**

**Analyst Certification**

We, Manoj Gori/Dhaval Dama, author to this report, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

**Disclosures**

Equirus Securities Private Limited (ESPL) having Corporate Identification Number U65993MH2007PTC176044 is registered in India with Securities and Exchange Board of India (SEBI) as a trading member on the Capital Market (Reg. No. INB231301731), Futures & Options Segment (Reg. No. INF231301731) of the National Stock Exchange of India Ltd. (NSE) and on Cash Segment (Reg. No. INB011301737) of Bombay Stock Exchange Limited (BSE). ESPL is also registered with SEBI as Research Analyst under SEBI (Research Analyst) Regulations, 2014 (Reg. No. INH000001154), as a Portfolio Manager under SEBI (Portfolio Managers Regulations, 1993 (Reg. No. INP000005216) and as a Depository Participant of the Central Depository Services (India) Limited (Reg. No. IN-DP-324-2017). There are no disciplinary actions taken by any regulatory authority against ESPL. ESPL is a subsidiary of Equirus Capital Pvt. Ltd. (ECPL) which is registered with SEBI as Category I Merchant Banker and provides investment banking services including but not limited to merchant banking services, private equity, mergers & acquisitions and structured finance.

As ESPL and its associates are engaged in various financial services business, it might have: - (a) received compensation (except in connection with the preparation of this report) from the subject company for investment banking or merchant banking or brokerage services in the past twelve months; (b) managed or co-managed public offering of securities for the subject company in the past twelve months; or (c) have received a mandate from the subject company; or (d) might have other financial, business or other interests in entities including the subject company (ies) mentioned in this Report. ESPL & its associates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company (ies) mentioned herein. ESPL and its associates collectively do not own (in their proprietary position) 1% or more of the equity securities of the subject company mentioned in the report as the last day of the month preceding the publication of the research report. ESPL or its Analyst or Associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ESPL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ESPL has not been engaged in market making activity for the subject company.

The Research Analyst engaged in preparation of this Report:-

(a) has not received any compensation from the subject company in the past twelve months; (b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (f) might have served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession of this document are required to inform themselves of, and to observe, such applicable



restrictions. Please delete this document if you are not authorized to view the same. By reading this document you represent and warrant that you have full authority and all rights necessary to view and read this document without subjecting ESPL and affiliates to any registration or licensing requirement within such jurisdiction.

This document has been prepared solely for information purpose and does not constitute a solicitation to any person to buy, sell or subscribe any security. ESPL or its affiliates are not soliciting any action based on this report. The information and opinions contained herein is from publicly available data or based on information obtained in good faith from sources believed to be reliable but ESPL provides no guarantee as to its accuracy or completeness. The information contained herein is as on date of this report, and is subject to change or modification and any such changes could impact our interpretation of relevant information contained herein. While we would endeavour to update the information herein on reasonable basis, ESPL and its affiliates, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent ESPL and its group companies from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document including the merits and risks involved. This document is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. ESPL and its group companies, employees, directors and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. ESPL/its affiliates do and seek to do business with companies covered in its research report. Thus, investors should be aware that the firm may have conflict of interest.

A graph of daily closing prices of securities is available at <http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and [www.bseindia.com](http://www.bseindia.com) (Choose a company from the list on the browser and select the “three years” period in the price chart).

Disclosure of Interest statement for the subject Company	Yes/No	If Yes, nature of such interest
Research Analyst’ or Relatives’ financial interest	No	
Research Analyst’ or Relatives’ actual/beneficial ownership of 1% or more	No	
Research Analyst’ or Relatives’ material conflict of interest	No	

**Disclaimer for U.S. Persons**

ESPL/its affiliates are not a registered broker-dealer under the U.S. Securities Exchange Act of 1934, as amended (the“1934 act”) and under applicable state laws in the United States. In addition Equirus is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act” and together with the 1934 Act, the “Acts”), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Equirus, including the products and services described herein are not available to or intended for U.S. persons. The information contained in this Report is not intended for any person who is a resident of the United States of America or a resident of any jurisdiction, the laws of which imposes prohibition on soliciting the securities business in that jurisdiction without going through the registration requirements and/ or prohibit the use of any information contained in this report. This Report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.