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Avanti Feeds Ltd

2017 AR analysis and 1QFY18e preview

Regular Coverage

Absolute : LONG
Relative : Overweight
34% ATR in 14 Months

RM costs remain benign, strong performance to continue - retain LONG

Consumer Discretionary

We analyzed Avanti Feeds Limited's (AFL) annual report for FY17. Key takeaways: (a) The company has set up a new processing plant at Andhra Pradesh (AP), which however did not commence production till June'17. Accordingly, we trim our sales estimates for 1QFY18 by 8% (b) Raw material prices remain benign but feed prices have been steady. Amid this conducive environment, we expect AFL to deliver another quarter of solid margin performance. We maintain LONG and raise our FY18/FY19 EPS estimates by 28%/15% respectively. AFL is still trading at 23x/20x on our FY18e/FY19e EPS estimates and given the strong growth visibility (~53% yoy FY18e EPS), improved net cash balance and high ROE of 40%, AFL shall soon see a multiple re-rating. We revise our Sep'18 TP to Rs 2,270 based on 32x TTM EPS of Rs. 71 (Rs 1,560 set at 24x TTM EPS of Rs. 65 earlier).

Sales estimates pared on early harvesting, delay in plant commissioning: Many regions in AP and Tamil Nadu were hit by the White Spot Disease (viral infection) in June. Once infected, shrimp mortality may happen in next 2-3 days and the disease may spread to the entire pond in 5-7 days. To prevent loss of the entire crop, most farmers harvested their crops in early June (vs. second half of June typically). In view of this development, we have trimmed our feeds sales growth estimate to +17% yoy in 1QFY18 (vs. 20% yoy earlier). Also, we had earlier estimated commissioning of the new processing plant in April; however, as per management AR comments, the company still awaits some government approvals. Accordingly, we have pared our processing sales growth estimate to +15% yoy in 1QFY18 (vs. +70% yoy earlier).

Benign raw material prices, steady feed prices to shore up margins: Fishmeal and soymeal are the two key raw materials for shrimp feed manufacturing (Exhibit 1), and prices of both have been on a decline since 2HFY17. As per AR, average fishmeal prices dropped in FY17 to Rs 94/kg (-10% yoy) and declined further to Rs 80/kg in 4QFY17; recent data suggests that fishmeal prices have further corrected in 1QFY18 (Exhibit 2 & 3). Our channel checks indicate that despite a sharp fall in raw material prices, feed manufacturers have not cut their feed prices (stable at ~Rs 70/kg) (see Exhibit 4). Accordingly, we now estimate 31% gross margin in 1QFY18 - same as 4QFY17 and against 23.5% gross margin which we forecasted earlier. Since the company keeps raw material inventory of ~60 days, we estimate strong margin performance in 2QFY18 as well. It is to be noted that from 3QFY18 onwards, we are again penciling in 23.5% gross margin (last 10 yr average).

Maintain LONG with a Sep'18 TP of Rs 2,270: We have revised our Sep'18 TP to Rs 2,270 based on 32x TTM EPS of Rs 71 (Rs 1,560 set at 24x TTM EPS of Rs 65 earlier). Given the strong growth visibility, improved net cash balance and high ROE of 40%, AFL shall soon see a multiple re-rating, in our view.

Change in Estimates

Rs. mn	FY18E	Chg (%)	FY19E	Chg (%)
Sales	34,280	-1%	46,811	6%
EBITDA	4,985	22%	5,920	13%
EPS	72.0	28%	81.9	15%

Consolidated Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Sales	27,327	34,280	46,811	57,817
EBITDA	3,297	4,985	5,920	7,624
Depreciation	137	205	236	288
Interest Expense	27	13	13	13
Other Income	218	352	489	669
Reported PAT	2,143	3,271	3,720	4,809
Recurring PAT	2,143	3,271	3,720	4,809
Total Equity	6,405	8,888	11,713	15,364
Gross Debt	284	284	284	284
Cash	3,708	5,166	6,400	9,418
Rs Per Share	FY17A	FY18E	FY19E	FY20E
Earnings	47.2	72.0	81.9	105.9
Book Value	141	196	258	338
Dividends	9.0	14.4	16.4	21.2
FCFF	41.1	42.2	36.6	77.7
P/E (x)	34.7	22.7	20.0	15.4
P/B (x)	11.6	8.4	6.3	4.8
EV/EBITDA (x)	21.5	13.9	11.5	8.5
ROE (%)	40 %	43 %	36 %	36 %
Core ROIC (%)	52 %	64 %	56 %	56 %
EBITDA Margin (%)	12 %	15 %	13 %	13 %
Net Margin (%)	8 %	10 %	8 %	8 %

Rating Information	
Price (Rs)	1,636
Target Price (Rs)	2,270
Target Date	30th Sep'18
Target Set On	31st July'17
Implied yrs of growth (DCF)	15
Fair Value (DCF)	1,994
Fair Value (DDM)	675
Ind Benchmark	SPBSMIP
Model Portfolio Position	LONG

Stock Information	
Market Cap (Rs Mn)	74,288
Free Float (%)	56.11 %
52 Wk H/L (Rs)	1670/411
Avg Daily Volume (1yr)	67,338
Avg Daily Value (Rs Mn)	54
Equity Cap (Rs Mn)	91
Face Value (Rs)	2
Bloomberg Code	AVNT IN

Ownership	Recent	3M	12M
Promoters	43.9 %	0.0 %	-0.1 %
DII	4.0 %	0.0 %	1.0 %
FII	29.7 %	0.4 %	0.6 %
Public	22.4 %	-0.3 %	-1.6 %

Price %	1M	3M	12M
Absolute	9.4 %	87.1 %	169.3 %
Vs Industry	4.3 %	83.1 %	147.8 %
Waterbase Ltd	14.6 %	14.3 %	-0.1 %
-	-	-	-

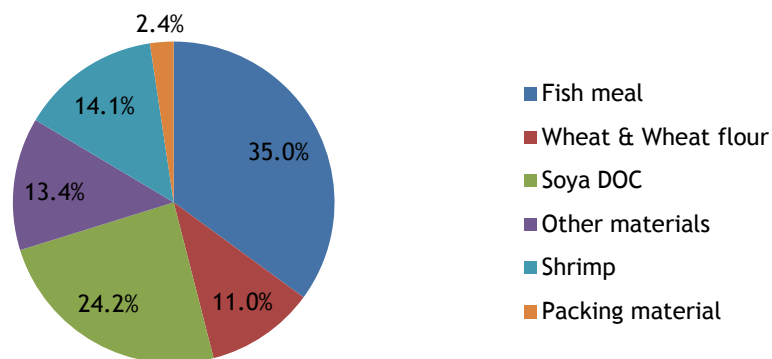
Consolidated Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	11.0	8.2	9.1	18.5
EPS (18E)	23.4	21.9	11.5	15.2

Avanti Feeds Limited (AFL) in a sweet spot as RM costs remain benign

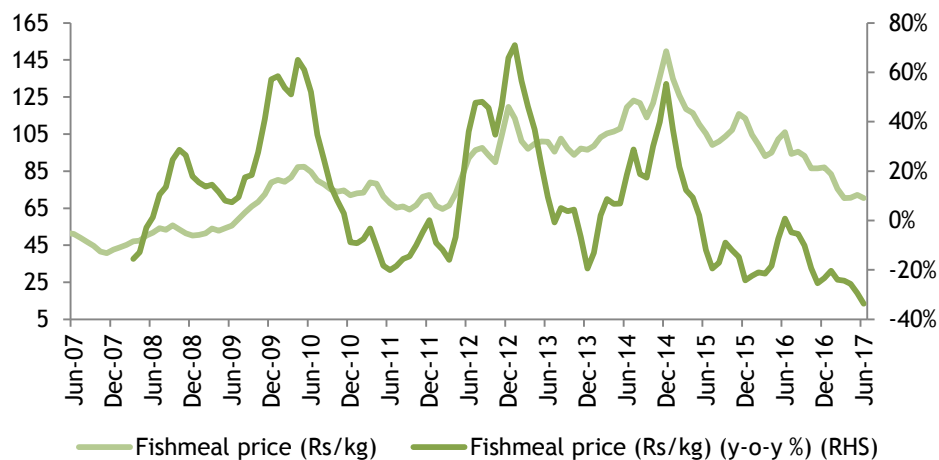
Exhibit 1: Fishmeal and soymeal contributed ~60% of total raw material cost in FY17

Details of materials consumed (Value terms)



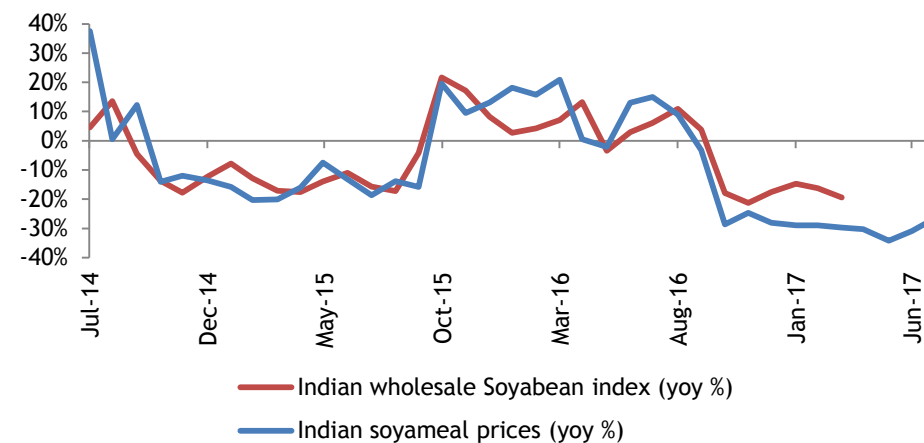
Source: Company, Equirus Research

Exhibit 2: Fishmeal prices have been on decline since 2HFY17...



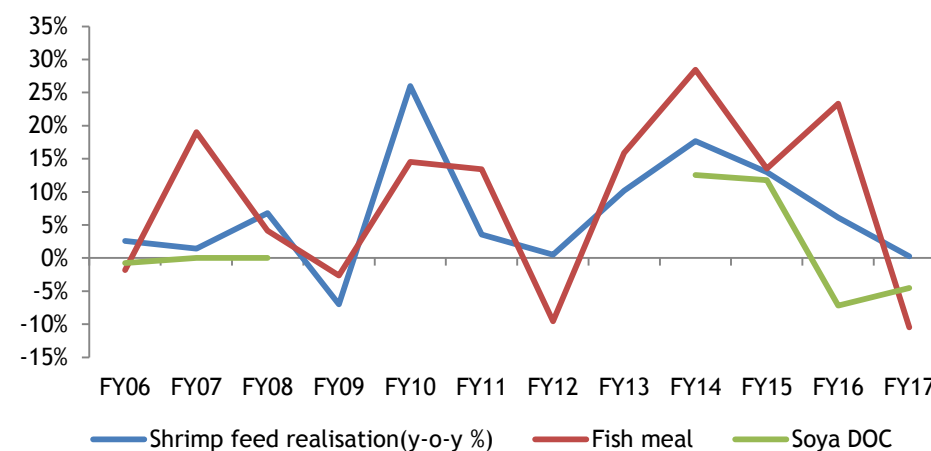
Source: Bloomberg, Equirus Research

Exhibit 3: Soyameal prices have also been on decline since 2HFY17...

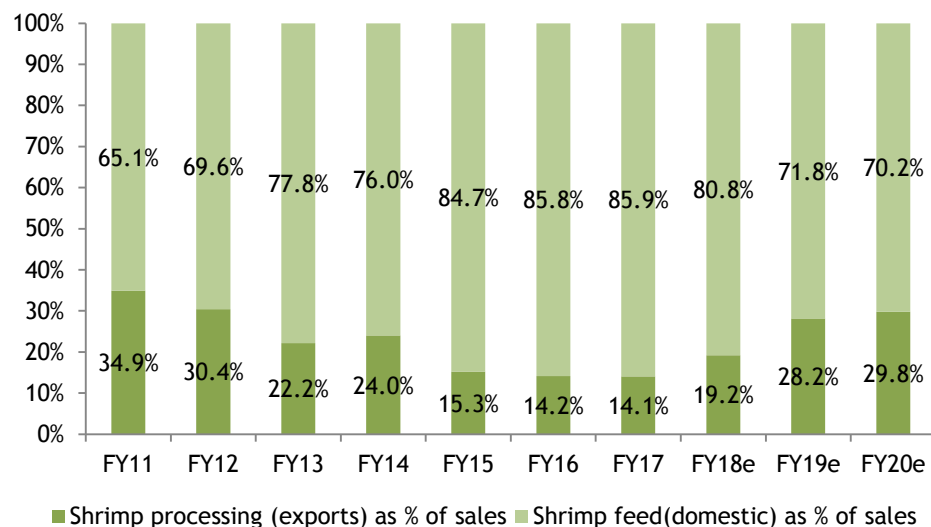


Source: Bloomberg, Equirus Research

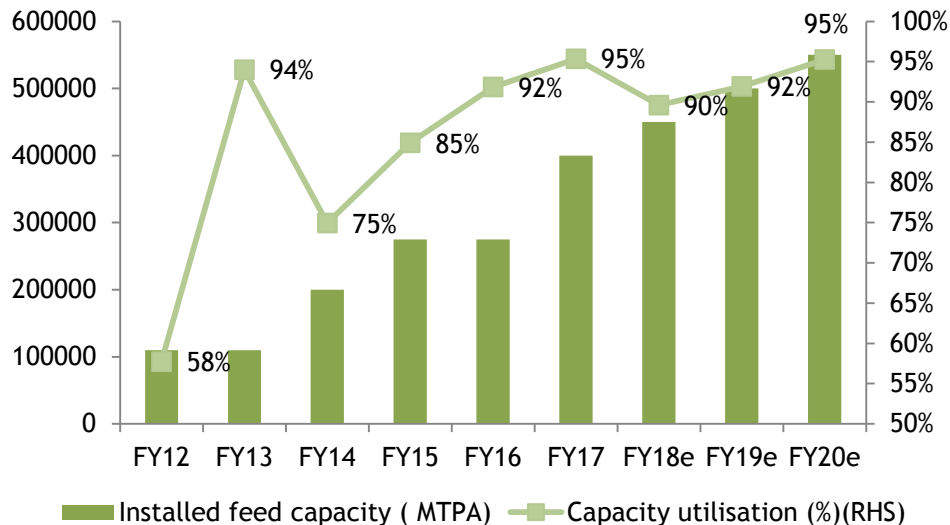
Exhibit 4: But feed prices rarely see any decline and currently are flattish



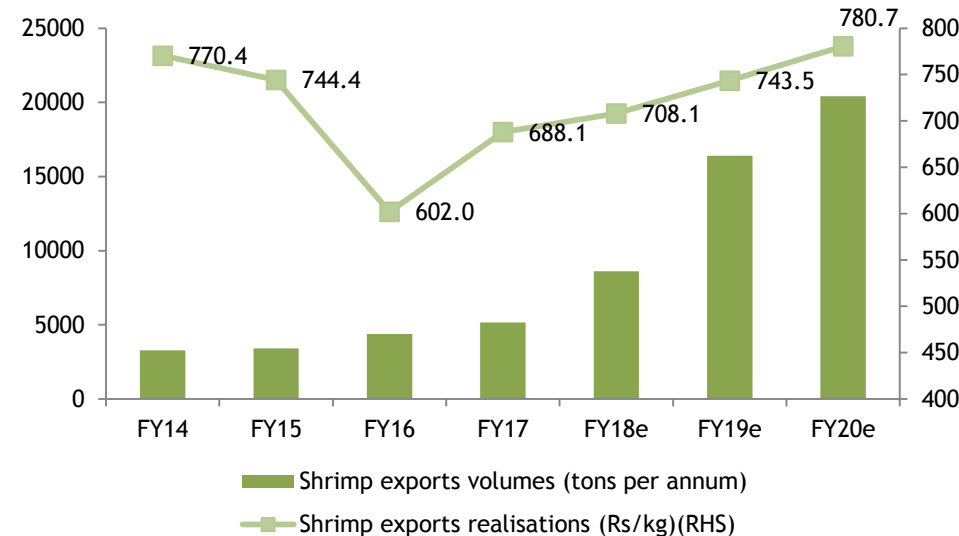
Source: Company Equirus Research

Exhibit 5: Company plans to increase share of shrimp processing from here on


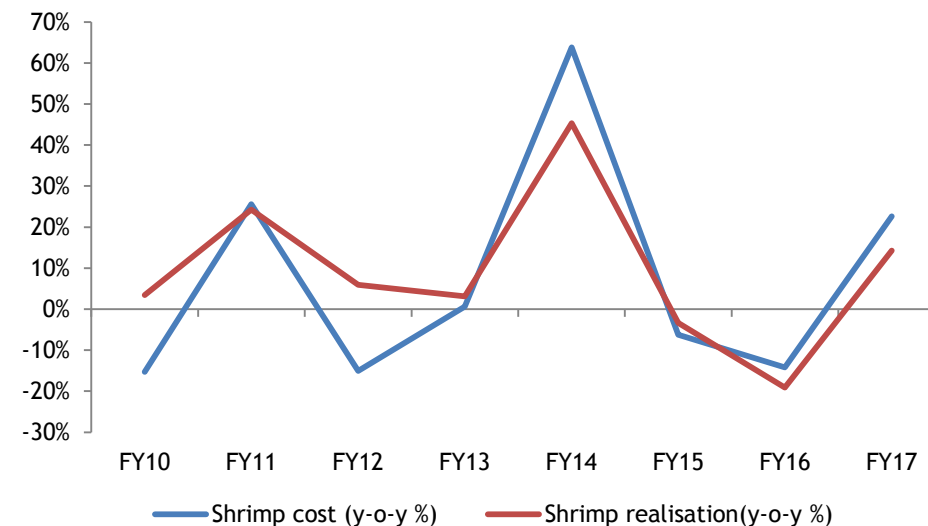
Source: Company, Equirus Research

Exhibit 6: Company has steadily improved feed capacity utilization to ~95% in FY17


Source: Company, Equirus Research

Exhibit 7: Shrimp prices have remained firm in the international market


Source: Company, Equirus Research

Exhibit 8: Avanti's shrimp realisation is closely correlated with raw shrimp prices


Source: Company, Equirus Research

Management Discussion & Analysis

Industry overview:

- Global seafood trade grew at a 4.1% CAGR over CY14-CY16 to reach US\$ 216bn in 2016.
- Seafood consumption per capita has reached 20.5 kg/year in 2016 (~1.5% CAGR over CY06-CY16) and is expected to touch 21.8 kg/year in 2025 as per FAO estimates.
- India is well poised to take advantage of this global trend due to its long coastline, and availability of idle land and raw materials. Note that in our initiating note, we argued that India's ~90% of brackish water area (1.08mn hectare) is unused which can be utilized for shrimp farming.
- Details on India's seafood exports:
 - India's seafood exports grew by 20% in FY17 (1.135mn MT in FY17 vs. 0.946mn MT in FY16) in volume terms and by 24% (Rs 378.71bn in FY17 vs. Rs 304.20bn in FY16) in value terms.
 - Shrimp exports accounted for 38% of total seafood exports and stood at 0.434mn MT/Rs 244.15bn in FY17.
 - Major export destinations for Indian shrimps are USA, Europe, Japan and South East Asia.
- India's shrimp culture has grown at a ~19% CAGR over FY11-FY17. It has been progressing well in FY18 is expected to grow at ~10% yoy due to good water availability. Culture has been increasing in East and West Godavari Districts in AP, Odisha and West Bengal.
- India's shrimp industry was stagnant in FY16, but came back strong in FY17 because of favorable shrimp prices and copious rainfall in shrimp culture areas.
- International shrimp prices have been stable and remunerative for farmers to take up shrimp culture.
- Industry concerns:
 - India's shrimp industry still faces inadequate infrastructure, especially in terms of power supply and cold storage facility for farmers.
 - The aquaculture sector is still awaiting government approval to be recognized on par with the agriculture sector, so as to avail benefits such as insurance.
 - Aquaculture is highly dependent on climatic conditions, with seasonal changes and natural calamities such as floods and cyclones having serious implications.
 - Although Specific Pathogen Free (SPF) seeds have been developed, the likelihood of shrimps getting affected by diseases cannot be ruled out.

Shrimp feed business:

- AFL registered shrimp feed sales of 341,660MT in FY17, a volume growth of 35%.
- The company's new feed plant (capacity 125,000MT/annum) at Bandapuram, AP, have started production from Aug'16. One more production line with a capacity of 50,000 MT/annum is being added to this plant; it should start production from May'17.

Shrimp processing business:

- AFL registered shrimp export sales of 5,155 MT during FY17 vs. 4,377 MT in FY16, a volume growth of 18%.
- The company has transferred its shrimp processing business to its newly-formed subsidiary, Avanti Frozen Foods Pvt. Ltd (AFFPL), in FY16. Thai Union Group (TUF) picked up a 40% stake in AFFPL in Jul'16.
- AFL's new processing plant which has been set up at Yerravaram, AP, is expected to commence production soon.
- International shrimp prices at FY18-beginning were stable just like in FY17. Also, demand for shrimps of all sizes is steady.



Exhibit 9: Consolidated P&L: Revenues have grown at a 54% CAGR over FY11-FY17

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Net Sales	2,077	3,934	6,480	11,316	17,807	20,183	27,327
y/y		89.4%	64.7%	74.6%	57.4%	13.3%	35.4%
Cost Items							
Cost of Materials	1,622	2,791	4,970	8,698	13,681	15,289	20,712
as a % of sales	78.1%	70.9%	76.7%	76.9%	76.8%	75.8%	75.8%
Employee Cost	75	158	216	352	476	581	734
as a % of sales	3.6%	4.0%	3.3%	3.1%	2.7%	2.9%	2.7%
Manufacturing expenses	162	196	328	467	633	603	790
as a % of sales	7.8%	5.0%	5.1%	4.1%	3.6%	3.0%	2.9%
Selling and distribution expenses	99	214	371	596	1,061	1,194	1,541
as a % of sales	4.8%	5.4%	5.7%	5.3%	6.0%	5.9%	5.6%
Other Expenses	42	131	85	98	146	223	254
as a % of sales	2.0%	3.3%	1.3%	0.9%	0.8%	1.1%	0.9%
EBITDA	78	443	510	1,105	1,810	2,293	3,297
EBITDA Margin (%)	3.7%	11.3%	7.9%	9.8%	10.2%	11.4%	12.1%
Depreciation	29	40	50	55	88	102	137
EBIT	49	403	460	1,050	1,722	2,191	3,160
EBIT Margin (%)	2.4%	10.3%	7.1%	9.3%	9.7%	10.9%	11.6%

Source: Company, Equirus Research

Exhibit 10: Consolidated balance sheet remains strong

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Equity Capital	80	91	91	91	91	91	91
Reserves and Surplus	615	856	1,160	1,705	2,562	4,137	6,314
Networth	695	947	1,251	1,796	2,653	4,228	6,405
Long Term and Short Term Debt	526	474	582	531	548	86	135
Other Long Term Liabilities	26	37	40	71	103	88	149
Minority Interest	40	0	0	0	0	0	987
Account Payables	101	122	198	1,211	912	1,429	2,496
Other Current Liabilities	116	244	410	375	561	395	393
Total Liabilities & Equity	1,504	1,825	2,481	3,983	4,776	6,226	10,565
Net Fixed Assets	268	431	508	775	896	1,040	1,605
Capital WIP	111	17	16	48	0	416	785
Others	309	300	405	404	382	653	473
Inventory	391	422	972	1,991	2,220	2,855	3,557
Account Receivables	228	155	397	450	336	350	235
Other Current Assets	82	108	94	136	116	176	203
Cash and Cash Equivalents	116	393	88	179	826	735	3,708
Total Assets	1,504	1,825	2,481	3,983	4,776	6,226	10,565
Non-cash Working Capital	484	317	855	991	1,199	1,557	1,106
WC Turnover		9.8	11.1	12.3	16.3	14.6	20.5
FA Turnover		9.5	13.3	16.8	20.7	17.2	14.2
Net D/E	0.6	0.1	0.4	0.2	-0.1	-0.2	-0.6

Source: Company, Equirus Research

Exhibit 11: Consolidated cash flow generation has been solid

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Operating profit before WC changes	97	511	515	1,113	1,833	2,339	3,312
Change in WC	-166	90	-615	-205	-337	-387	674
Tax Paid	8	97	105	352	603	732	1,069
Operating Cash flow	-77	504	-206	556	893	1,220	2,917
Capex	-128	-114	-128	-354	-163	-663	-1,071
Others	-48	-60	183	-37	-673	844	-3,212
Investing Cash Flow	-176	-174	54	-391	-835	181	-4,283
Financing Cash Flow	190	-141	8	-127	-120	-743	1,071
Net Change in Cash and Cash Equivalents	-63	188	-143	37	-61	659	-295

Source: Company, Equirus Research

Exhibit 12: Cash conversion cycle has seen continuous improvement

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Accounts Receivable	228	155	397	450	336	350	235
Days of Sales		18	16	14	8	6	4
Inventory	391	422	972	1,991	2,220	2,855	3,557
Days of RM		53	51	62	56	61	57
Loans and Advances	28	52	31	46	47	77	73
Days of Sales		4	2	1	1	1	1
Other Current Assets	55	55	63	89	69	99	130
Trade Payables	101	122	198	1,211	912	1,429	2,496
Days of RM		15	12	30	28	28	35
Other Current Liabilities	116	244	410	375	561	395	393
Working Capital Cycle (days)		56	55	46	36	39	26
Non-cash Working Capital	484	317	855	991	1,199	1,557	1,106
Days of Sales		37	33	30	22	25	18

Source: Company, Equirus Research

Exhibit 13: Segmental analysis suggest higher margins and asset turnover for shrimp feed business

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Revenue							
Shrimp Feed	1,331	2,715	5,018	8,571	15,075	17,301	23,462
Shrimp Processing	729	1,198	1,438	2,721	2,669	2,861	3,854
Wind Mills	17	22	24	24	19	21	11
Total	2,077	3,934	6,480	11,316	17,763	20,183	27,327
Operating Profit							
Shrimp Feed	44	254	258	722	1,506	1,949	2,846
Shrimp Processing	4	149	190	315	211	235	315
Wind Mills	7	11	13	13	9	11	-1
Total	56	414	461	1,050	1,726	2,196	3,160
Operating Profit Margin (%)							
Shrimp Feed	3.3%	9.3%	5.1%	8.4%	10.0%	11.3%	12.1%
Shrimp Processing	0.6%	12.4%	13.2%	11.6%	7.9%	8.2%	8.2%
Wind Mills	41.0%	52.4%	55.3%	52.4%	48.5%	52.5%	-5.4%
Total	2.7%	10.5%	7.1%	9.3%	9.7%	10.9%	11.6%
Asset Turnover (Including current assets)							
Shrimp Feed	2.8	4.2	4.6	4.5	6.0	5.1	5.5
Shrimp Processing	2.8	3.9	3.3	3.4	2.8	3.1	2.6
Wind Mills	0.2	0.2	0.2	0.3	0.2	0.3	0.0
Total	1.6	2.4	3.0	3.6	4.1	3.7	3.3

Source: Company, Equirus Research

Exhibit 14: Analysis of key operating parameters

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Volumes (MT/Annum)							
Shrimp Feed	26,642	59,838	1,02,988	1,49,891	2,33,489	2,52,590	3,41,660
y/y		124.6%	72.1%	45.5%	55.8%	8.2%	35.3%
Processed Shrimp	1,327	2,102	2,551	3,289	3,409	4,377	5,155
y/y		58.4%	21.4%	28.9%	3.6%	28.4%	17.8%
Realization (Rs/Kg)							
Shrimp Feed	43.8	44.1	48.5	57.1	64.5	68.5	68.7
y/y		0.5%	10.2%	17.7%	13.0%	6.1%	0.3%
Processed Shrimp	485.6	514.2	530.1	770.4	744.4	602.0	688.1
y/y		5.9%	3.1%	45.3%	-3.4%	-19.1%	14.3%
Installed Capacity (MT/annum)							
Shrimp Feed	42,000	1,10,000	1,10,000	2,00,000	2,75,000	2,75,000	4,00,000
Processed Shrimp	2,720	8,000	6,000	6,000	6,000	6,000	6,000
Capacity Utilization (%)							
Shrimp Feed	87%	58%	94%	75%	85%	92%	95%
Processed Shrimp	49%	26%	43%	55%	57%	73%	86%

Source: Company, Equirus Research

Exhibit 15: Salary of key management personnel has been on the higher side

Rs. Mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Net Profit	35	281	301	704	1,159	1,575	2,143
y/y		693.6%	7.1%	134.3%	64.6%	35.9%	36.1%
A Indra Kumar	5	22	22	56	96	125	154
y/y		388.6%	-0.5%	154.3%	71.7%	29.3%	23.9%
C Ramachandra Rao	4	13	21	45	71	91	111
y/y		245.7%	65.5%	112.9%	59.7%	27.9%	21.9%
Total salary as a % of net profit	23.2%	12.4%	14.3%	14.3%	14.5%	13.7%	12.4%

Source: Company, Equirus Research



Consolidated quarterly earnings forecast and key drivers

Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	7,566	7,131	5,586	7,044	8,830	9,337	7,272	8,840	11,959	13,512	10,237	11,103	27,327	34,280	46,811	57,817
Cost of materials consumed	6,180	6,162	4,037	4,626	6,111	6,663	5,618	6,819	9,138	10,372	7,854	8,476	21,005	25,211	35,840	44,285
Increase/Decrease in inventory of finished goods and WIP	-254	-350	122	189	0	0	0	0	0	0	0	0	-294	0	0	0
Employee benefits expense	186	157	172	218	224	230	203	215	268	266	242	262	734	872	1,038	1,224
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	690	598	566	731	904	907	637	763	1,029	1,171	906	908	2,584	3,211	4,013	4,684
EBITDA	764	564	689	1,281	1,591	1,538	814	1,043	1,525	1,704	1,235	1,456	3,297	4,985	5,920	7,624
Depreciation	27	32	39	38	51	51	51	51	59	59	59	59	137	205	236	288
EBIT	736	532	650	1,243	1,539	1,487	762	992	1,466	1,645	1,176	1,397	3,160	4,780	5,684	7,336
Interest	1	2	2	22	3	3	3	3	3	3	3	3	27	13	13	13
Other Income	33	69	36	80	88	88	88	88	122	122	122	122	218	352	489	669
PBT	768	599	683	1,301	1,624	1,571	847	1,077	1,585	1,764	1,295	1,516	3,351	5,118	6,160	7,992
Tax	264	198	218	404	536	518	279	355	523	582	427	500	1,084	1,689	2,033	2,637
PAT bef. MI & Assoc.	504	401	465	897	1,088	1,053	567	721	1,062	1,182	868	1,016	2,267	3,429	4,127	5,355
Minority Interest	0	34	42	35	20	54	40	25	72	157	103	50	111	138	383	514
Profit from Assoc.	-4	6	-12	-23	-7	-6	-3	-4	-6	-7	-5	-6	-13	-21	-25	-32
Recurring PAT	500	373	411	839	1,061	993	524	692	983	1,017	760	960	2,143	3,271	3,720	4,809
Extraordinaries	0	-1	0	0	0	0	0	0	0	0	0	0	-1	0	0	0
Reported PAT	500	373	411	839	1,061	993	524	692	983	1,017	760	960	2,143	3,271	3,720	4,809
EPS (Rs)	11.02	8.21	9.05	18.47	23.36	21.86	11.54	15.25	21.65	22.40	16.73	21.14	47.18	72.02	81.91	105.88
Key Drivers																
Shrimp feed revenue	6,634	5,837	4,602	6,389	7,763	6,889	5,429	7,603	9,509	8,373	6,553	9,186	23,457	27,695	33,467	40,442
Shrimp processing revenue	928	1,290	983	653	1,064	2,446	1,840	1,235	2,447	5,136	3,681	1,914	3,854	6,585	13,177	17,209
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Sequential Growth (%)																
Revenue	61 %	-6 %	-22 %	26 %	25 %	6 %	-22 %	22 %	35 %	13 %	-24 %	8 %	-	-	-	-
Cost of materials consumed	65 %	0 %	-34 %	15 %	32 %	9 %	-16 %	21 %	34 %	14 %	-24 %	8 %	-	-	-	-
EBITDA	61 %	-26 %	22 %	86 %	24 %	-3 %	-47 %	28 %	46 %	12 %	-28 %	18 %	-	-	-	-
EBIT	64 %	-28 %	22 %	91 %	24 %	-3 %	-49 %	30 %	48 %	12 %	-28 %	19 %	-	-	-	-
Recurring PAT	56 %	-26 %	10 %	104 %	27 %	-6 %	-47 %	32 %	42 %	4 %	-25 %	26 %	-	-	-	-
EPS	56 %	-26 %	10 %	104 %	27 %	-6 %	-47 %	32 %	42 %	4 %	-25 %	26 %	-	-	-	-
Yearly Growth (%)																
Revenue	25 %	34 %	35 %	50 %	17 %	31 %	30 %	25 %	35 %	45 %	41 %	26 %	35 %	25 %	37 %	24 %
EBITDA	19 %	-10 %	24 %	170 %	108 %	173 %	18 %	-19 %	-4 %	11 %	52 %	40 %	44 %	51 %	19 %	29 %
EBIT	20 %	-11 %	23 %	177 %	109 %	180 %	17 %	-20 %	-5 %	11 %	54 %	41 %	44 %	51 %	19 %	29 %
Recurring PAT	22 %	-15 %	12 %	162 %	112 %	166 %	28 %	-17 %	-7 %	2 %	45 %	39 %	40 %	53 %	14 %	29 %
EPS	22 %	-15 %	12 %	162 %	112 %	166 %	28 %	-17 %	-7 %	2 %	45 %	39 %	40 %	53 %	14 %	29 %
Margin (%)																
EBITDA	10 %	8 %	12 %	18 %	18 %	16 %	11 %	12 %	13 %	13 %	12 %	13 %	12 %	15 %	13 %	13 %
EBIT	10 %	7 %	12 %	18 %	17 %	16 %	10 %	11 %	12 %	12 %	11 %	13 %	12 %	14 %	12 %	13 %
PBT	10 %	8 %	12 %	18 %	18 %	17 %	12 %	12 %	13 %	13 %	13 %	14 %	12 %	15 %	13 %	14 %
PAT	7 %	5 %	7 %	12 %	12 %	11 %	7 %	8 %	8 %	8 %	7 %	9 %	8 %	10 %	8 %	8 %

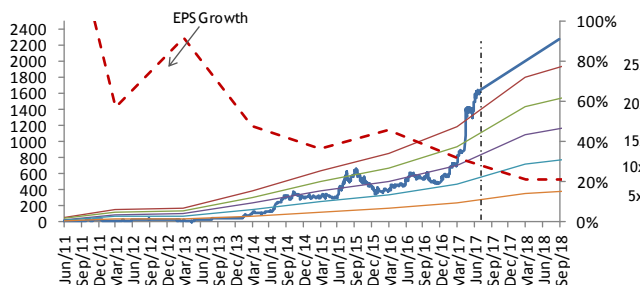
Consolidated financials

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	27,327	34,280	46,811	57,817
Op. Expenditure	24,030	29,295	40,891	50,193
EBITDA	3,297	4,985	5,920	7,624
Depreciation	137	205	236	288
EBIT	3,160	4,780	5,684	7,336
Interest Expense	27	13	13	13
Other Income	218	352	489	669
PBT	3,351	5,118	6,160	7,992
Tax	1,084	1,689	2,033	2,637
PAT bef. MI & Assoc.	2,267	3,429	4,127	5,355
Minority Interest	111	138	383	514
Profit from Assoc.	-13	-21	-25	-32
Recurring PAT	2,143	3,271	3,720	4,809
Extraordinaires	-1	0	0	0
Reported PAT	2,143	3,271	3,720	4,809
FDEPS (Rs)	47.2	72.0	81.9	105.9
DPS (Rs)	9.0	14.4	16.4	21.2
CEPS (Rs)	50.2	76.5	87.1	112.2
FCFPS (Rs)	41.1	42.2	36.6	77.7
BVPS (Rs)	141.0	195.7	257.9	338.3
EBITDAM (%)	12 %	15 %	13 %	13 %
PATM (%)	8 %	10 %	8 %	8 %
Tax Rate (%)	32 %	33 %	33 %	33 %
Sales Growth (%)	35 %	25 %	37 %	24 %
FDEPS Growth (%)	40 %	53 %	14 %	29 %

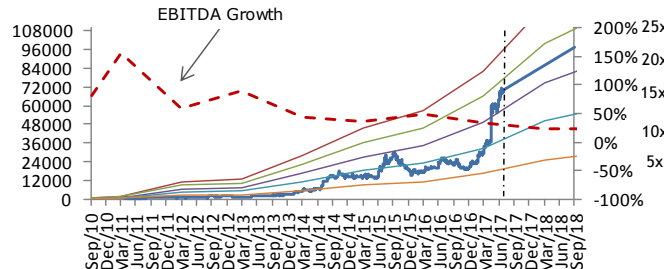
Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	91	91	91	91
Reserve	6,314	8,797	11,622	15,273
Networth	6,405	8,888	11,713	15,364
Long Term Debt	135	135	135	135
Def Tax Liability	149	149	149	149
Minority Interest	987	1,125	1,508	2,022
Account Payables	2,496	2,151	2,944	3,610
Other Curr Liabi	393	393	393	393
Total Liabilities & Equity	10,565	12,841	16,841	21,672
Net Fixed Assets	1,605	2,894	3,674	4,004
Capital WIP	785	0	0	0
Others	473	452	427	395
Inventory	3,557	3,524	5,050	6,250
Account Receivables	235	603	1,087	1,401
Other Current Assets	203	203	203	203
Cash	3,708	5,166	6,400	9,418
Total Assets	10,565	12,841	16,841	21,673
Non-cash Working Capital	1,106	1,786	3,003	3,852
Cash Conv Cycle	14.8	19.0	23.4	24.3
WC Turnover	24.7	19.2	15.6	15.0
FA Turnover	11.4	11.8	12.7	14.4
Net D/E	-0.6	-0.6	-0.5	-0.6
Revenue/Capital Employed	4.5	3.8	3.9	3.7
Capital Employed/Equity	1.1	1.2	1.2	1.2

Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	3,351	5,118	6,160	7,992
Depreciation	137	205	236	288
Others	-176	-338	-476	-656
Taxes Paid	1,069	1,689	2,033	2,637
Change in WC	674	-679	-1,218	-848
Operating C/F	2,917	2,617	2,669	4,139
Capex	-1,071	-709	-1,016	-618
Change in Invest	-3,250	0	0	0
Others	38	352	489	669
Investing C/F	-4,283	-358	-526	51
Change in Debt	87	0	0	0
Change in Equity	1,292	0	0	0
Others	-308	-801	-909	-1,171
Financing C/F	1,071	-801	-909	-1,171
Net change in cash	-295	1,458	1,234	3,018
RoE (%)	40 %	43 %	36 %	36 %
RoIC (%)	36 %	36 %	31 %	31 %
Core RoIC (%)	52 %	64 %	56 %	56 %
Div Payout (%)	23 %	24 %	24 %	24 %
P/E	34.7	22.7	20.0	15.4
P/B	11.6	8.4	6.3	4.8
P/FCFF	39.8	38.8	44.7	21.0
EV/EBITDA	21.5	13.9	11.5	8.5
EV/Sales	2.6	2.0	1.5	1.1
Dividend Yield (%)	0.6 %	0.9 %	1.0 %	1.3 %

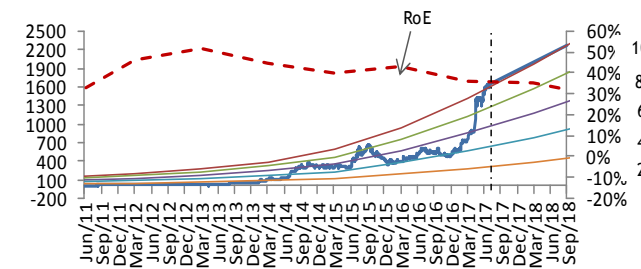
TTM P/E vs. 2 yr forward EPS growth



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
Revenue	11,316	17,807	20,183	27,327
Op. Expenditure	10,211	15,997	17,890	24,030
EBITDA	1,105	1,810	2,293	3,297
Depreciation	55	88	102	137
EBIT	1,050	1,722	2,191	3,160
Interest Expense	35	14	14	27
Other Income	37	80	166	218
PBT	1,052	1,788	2,343	3,351
Tax	354	633	792	1,084
PAT bef. MI & Assoc.	697	1,155	1,551	2,267
Minority Interest	0	0	0	111
Profit from Assoc.	7	-7	-15	-13
Recurring PAT	704	1,149	1,536	2,143
Extraordinares	0	-10	-39	-1
Reported PAT	704	1,159	1,575	2,143
EPS (Rs)	15.5	25.3	33.8	47.2
DPS (Rs)	15.0	27.5	7.0	9.0
CEPS (Rs)	83.6	136.2	60.1	50.2
FCFPS (Rs)	24.8	81.4	20.8	41.1
BVPS (Rs)	39.5	58.4	93.1	141.0
EBITDAM (%)	10 %	10 %	11 %	12 %
PATM (%)	6 %	6 %	8 %	8 %
Tax Rate (%)	34 %	35 %	34 %	32 %
Sales growth (%)	75 %	57 %	13 %	35 %
FDEPS growth (%)	126 %	63 %	34 %	40 %

Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Equity Capital	91	91	91	91
Reserve	1,705	2,562	4,137	6,314
Networth	1,796	2,653	4,228	6,405
Long Term Debt	531	548	86	135
Def Tax Liability	71	103	88	149
Minority Interest	0	0	0	987
Account Payables	1,211	912	1,429	2,496
Other Curr Liabi	375	561	395	393
Total Liabilities & Equity	3,983	4,776	6,226	10,565
Net Fixed Assets	775	896	1,040	1,605
Capital WIP	48	0	416	785
Others	404	382	653	473
Inventory	1,991	2,220	2,855	3,557
Account Receivables	450	336	350	235
Other Current Assets	136	116	176	203
Cash	179	826	735	3,708
Total Assets	3,983	4,776	6,226	10,565
Non-cash Working Capital	991	1,199	1,557	1,106
Cash Conv Cycle	32.0	24.6	28.2	14.8
WC Turnover	11.4	14.8	13.0	24.7
FA Turnover	13.7	19.9	13.9	11.4
Net D/E	0.2	-0.1	-0.2	-0.6
Revenue/Capital Employed	5.3	6.2	5.2	4.5
Capital Employed/Equity	1.4	1.3	1.1	1.1

Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
PBT	1,052	1,788	2,343	3,351
Depreciation	55	88	102	137
Others	6	-43	-106	-176
Taxes Paid	352	603	732	1,069
Change in WC	-205	-337	-387	674
Operating C/F	556	893	1,220	2,917
Capex	-354	-163	-663	-1,071
Change in Invest	-49	-686	789	-3,250
Others	12	13	55	38
Investing C/F	-391	-835	181	-4,283
Change in Debt	-41	23	-479	87
Change in Equity	0	0	0	1,292
Others	-87	-143	-263	-308
Financing C/F	-127	-120	-743	1,071
Net change in cash	37	-61	659	-295
RoE (%)	46 %	52 %	45 %	40 %
RoIC (%)	34 %	41 %	40 %	36 %
Core RoIC (%)	39 %	48 %	45 %	52 %
Div Payout (%)	23 %	26 %	24 %	23 %
P/E	105.5	64.7	48.4	34.7
P/B	41.4	28.0	17.6	11.6
P/FCFF	66.1	20.1	78.7	39.8
EV/EBITDA	67.6	40.9	32.2	21.5
EV/Sales	6.6	4.2	3.7	2.6
Dividend Yield (%)	0.9 %	1.7 %	0.4 %	0.6 %

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- 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
- 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

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Disclosure of Interest statement for the subject Company	Yes/No	If Yes, nature of such interest
Research Analyst' or Relatives' financial interest	Yes	Dhaval Dama has some holding in the stock
Research Analyst' or Relatives' actual/beneficial ownership of 1% or more	No	
Research Analyst' or Relatives' material conflict of interest	No	

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