



## Skipper Ltd

Asian Markets Securities Pvt. Ltd.

### Institutional Research

|             |     |
|-------------|-----|
| CMP (Rs)    | 237 |
| Target (Rs) | 290 |

Nifty: 10,498; Sensex: 34,196

### Key Stock Data

|                       |           |
|-----------------------|-----------|
| BSE Code              | 538562    |
| NSE Code              | SKIPPER   |
| Bloomberg Code        | SKIPPERIN |
| Shares o/s mn (FVRs2) | 102.3     |
| Market Cap (Rs bn)    | 24.3      |
| 52-Week High / Low    | 293 / 140 |
| 3-M Daily Avg. Vol.   | 1,98,354  |

### Relative Performance

| (%)     | 1m     | 3m     | 12m  |
|---------|--------|--------|------|
| SKIPPER | (10.6) | (10.1) | 51.0 |
| NIFTY   | (0.6)  | 0.4    | 19.3 |
| Sensex  | 0.1    | 1.4    | 20.2 |

### Shareholding Pattern

| (%)      | June17 | Sept17 | Dec17 |
|----------|--------|--------|-------|
| Promoter | 70.4   | 70.4   | 70.4  |
| FII      | 2.0    | 2.4    | 6.2   |
| DII      | 8.7    | 9.4    | 8.1   |
| Others   | 18.9   | 17.9   | 15.4  |

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### Engineering segment, led to strong revenue growth....

**Skipper Limited (Skipper); reported strong 3QFY18 revenues with 33.2% yoy growth led by strong Engineering segment volume execution & rising commodity prices. Adjusted PAT grew strong by 31.5% due to higher sales & lower interest cost. EBITDAM dipped by 64bp to 13.1%, on account of RM/Sales cost increased by 203bp. The revenue in Engineering Products Business increased robust by 28.5% yoy on account of over 20% volume and ~8% higher commodity prices. PVC business segment reported muted revenue growth of 6.4%, owing to GST disruption no fully settled in. With new inflow of Rs5.3bn in 3QFY18 and Rs13.3bn YTD, Order book stands healthy at 25.35bn as on date with 1.7x book-to-bill. Further the bidding pipeline continues to be strong. Management expects revenue growth of 20% and EBITDAM of 13-14% for FY18. We kept our earnings estimates largely unchanged. Given the strong business model, healthy EBITDA margins, expansion in PVC segment, and excellent macro environment in power T&D space; we remain positive on the business. However due to recent price correction; we recommend BUY rating with a TP of Rs 290, based on 15x PER of FY20E EPS.**

**3QFY18 reported Strong revenue and PAT growth; EBITDAM declined:** Revenue grew by 33.2% yoy to Rs5.66bn, on the back of strong 28.5% yoy growth in Engineering Products segment. EBITDA increased by 27% yoy to Rs741mn, While EBITDAM decline by 64bp on account of RM/sales cost increased by 203bp. Adjusted PAT came in higher at Rs 292mn registering a growth of 31.5% yoy, due to higher sales & lower interest cost. Engineering Products segment reported revenue growth of 28.5% yoy to Rs4.86bn (Net of Excise grew by 38%) on account of strong volume growth on ~20%. EBIT increased by 32.7% yoy to Rs639mn, EBITM improved by 42bp to 13.1%. GST restricted polymer revenue growth, revenue up muted by 6.4% yoy to Rs 540mn and EBIT increased by 14.2% yoy and EBITM improved by 46bp. Infrastructure Projects revenue down by 1% yoy to Rs 261mn and EBIT down by -13% yoy to Rs32mn and EBITM decline by 173bp.

**In 9MFY18 results performance:** Sales increased by 34.6% yoy to Rs14.81bn, EBITDA increased by 13.3% yoy to Rs1.94bn and EBITDAM declined by 246bp to 13.1%, PAT increased by 3.6% yoy to Rs684mn and PATM declined by 138bp to 4.8%. Engineering Products segment reported growth of 31.7% to Rs13.14bn

**Strong Order book status:** Skipper has current order book of over Rs 25.35bn, amounting to a book-to-bill of 1.7x of FY17 revenue. Order inflow remained strong of Rs13.3bn in YTDFY18 and Rs5.25bn during Q3FY18 from PGCIL, Transmission Corporation of Telangana Ltd, The Tamil Nadu Transmission Corporation Ltd & Reliance Jio and for various supplies across South East Asia. PGCIL/SEB/Export order book stands at 52%/33%/15% of total order book respectively. Two large projects by power grid, the 800 kV HVDC corridor and the north east expansion program of Rs 200bn and Rs100bn respectively, both are currently under tendering. Order pipeline are strong from north east and East Indian like Jharkhand, Orissa & Bihar. We expect healthy order inflow from PGCIL, SEB tenders and from International region to provide a healthy growth visibility. Company also sees strong growth opportunity in export markets in African countries like Botswana, Kenya, Tanzania and in Southeast Asia.

**Outlook and Valuations:** We estimate the revenue and Adj PAT CAGR of 18.3% and 26.5% during FY17-20E. Return ratios to improve in FY20E with ROCE at 26% and ROE at 25.3%. At Current price stock is trading at 15.9x/12.3x in FY19/20 respectively. Given the positively placed business model to capture the high growth of TLT segment backed by public spending, opportunity in exports, benefits of backwards integration, expansion in capacities, strong return ratios, healthy growth and young management team; we believe SKIPPER has a strong business prospects. Given the recent price correction, we recommend BUY rating with a TP of Rs290, based on 15x PER of FY20E EPS.

### Exhibit 1: Key Financials

| Y/E Mar (Rs mn) | FY16   | FY17   | FY18E  | FY19E  | FY20E  |
|-----------------|--------|--------|--------|--------|--------|
| Sales           | 14,624 | 16,786 | 20,466 | 23,679 | 27,774 |
| yoy (%)         | 15.1   | 14.8   | 21.9   | 15.7   | 17.3   |
| EBITDA          | 2,011  | 2,267  | 2,691  | 3,197  | 3,736  |
| yoy (%)         | 16.2   | 12.7   | 18.7   | 18.8   | 16.9   |
| Adjusted PAT    | 831    | 977    | 1,129  | 1,521  | 1,978  |
| yoy (%)         | 34.6   | 17.6   | 15.6   | 34.7   | 30.1   |
| Equity          | 102    | 102    | 102    | 102    | 102    |
| EPS             | 8.1    | 9.6    | 11.0   | 14.9   | 19.3   |

Source: Company, AMSEC Research

### Exhibit 2: Key Ratios

| Y/E Mar        | FY16 | FY17 | FY18E | FY19E | FY20E |
|----------------|------|------|-------|-------|-------|
| EBITDAM (%)    | 13.5 | 13.5 | 13.2  | 13.5  | 13.5  |
| NPM (%)        | 5.6  | 5.8  | 5.5   | 6.4   | 7.1   |
| PER (x)        | 25.5 | 21.7 | 21.5  | 15.9  | 12.3  |
| P/BV (x)       | 6.4  | 4.9  | 4.2   | 3.5   | 2.8   |
| EV/Sales (x)   | 1.9  | 1.7  | 1.4   | 1.2   | 1.0   |
| EV/ EBITDA (x) | 14.1 | 12.5 | 10.7  | 9.0   | 7.5   |
| RoACE (%)      | 22.9 | 21.4 | 22.2  | 24.2  | 26.0  |
| RoANW (%)      | 27.8 | 25.5 | 21.0  | 23.7  | 25.3  |

**Exhibit 3: Skipper Ltd: 3Q FY18 quarterly results**

| Y/E March (Rs mn)           | 3QFY17      | 4QFY17      | 1QFY18      | 2QFY18      | 3QFY18      | yoY (%)     | qoq (%)     | 9MFY17       | 9MFY18       | yoY (%)     |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|
| Net Sales                   | 4251        | 5674        | 3988        | 5156        | 5664        | 33.2        | 9.9         | 11002        | 14809        | 34.6        |
| Other Operational Income    | 0           | 0           | 0           | 0           | 0           | -           | -           | 0            | 0            | -           |
| <b>Total Sales</b>          | <b>4251</b> | <b>5674</b> | <b>3988</b> | <b>5156</b> | <b>5664</b> | <b>33.2</b> | <b>9.9</b>  | <b>11002</b> | <b>14809</b> | <b>34.6</b> |
| Stock Adjustment            | -105        | -56         | -486        | -397        | 210         | -300.1      | -152.8      | -765         | -673         | -12.0       |
| Cons. of Raw Materials      | 2947        | 3823        | 2956        | 3855        | 3693        | 25.3        | -4.2        | 7906         | 10503        | 32.8        |
| Employee Cost               | 194         | 192         | 210         | 251         | 236         | 21.6        | -6.3        | 539          | 697          | 29.4        |
| Other Expenditure           | 632         | 966         | 792         | 765         | 786         | 24.4        | 2.8         | 1610         | 2342         | 45.5        |
| Total Expenditure           | 3668        | 4925        | 3472        | 4473        | 4923        | 34.2        | 10.1        | 9290         | 12869        | 38.5        |
| <b>EBITDA</b>               | <b>583</b>  | <b>749</b>  | <b>516</b>  | <b>683</b>  | <b>741</b>  | <b>27.0</b> | <b>8.5</b>  | <b>1712</b>  | <b>1940</b>  | <b>13.3</b> |
| Add: Other Income           | 8           | 8           | 8           | 3           | 3           | -59.0       | 1.2         | 23           | 14           | -39.5       |
| Interest                    | 190         | 124         | 169         | 200         | 176         | -7.3        | -12.0       | 535          | 545          | 1.9         |
| Depreciation                | 76          | 100         | 107         | 121         | 118         | 54.4        | -2.4        | 215          | 346          | 60.4        |
| Excp. Item                  | 0           | 164         | 0           | 0           | 0           | -           | -           | 0            | 0            | -           |
| <b>Profit Before Tax</b>    | <b>325</b>  | <b>697</b>  | <b>248</b>  | <b>365</b>  | <b>450</b>  | <b>38.5</b> | <b>23.2</b> | <b>985</b>   | <b>1063</b>  | <b>7.9</b>  |
| Provision for Taxation      | 103         | 169         | 88          | 133         | 158         | 53.5        | 19.0        | 324          | 379          | 16.8        |
| <b>PAT</b>                  | <b>222</b>  | <b>528</b>  | <b>160</b>  | <b>232</b>  | <b>292</b>  | <b>31.5</b> | <b>25.6</b> | <b>661</b>   | <b>684</b>   | <b>3.6</b>  |
| Extra Ordinary Income       | 0           | 124         | 0           | 0           | 0           | -           | 0.0         | 0            | 0            | -           |
| <b>Adj Net Profit</b>       | <b>222</b>  | <b>404</b>  | <b>160</b>  | <b>232</b>  | <b>292</b>  | <b>31.5</b> | <b>25.6</b> | <b>661</b>   | <b>684</b>   | <b>3.6</b>  |
| Equity Capital (FV Rs 1)    | 102         | 102         | 102         | 102         | 102         | -           | -           | 102          | 102          | -           |
| <b>Basic EPS (Rs)</b>       | <b>2.2</b>  | <b>5.2</b>  | <b>1.6</b>  | <b>2.3</b>  | <b>2.9</b>  | -           | -           | <b>6.5</b>   | <b>6.7</b>   | -           |
| <b>Adjusted EPS (In Rs)</b> | <b>2.2</b>  | <b>4.0</b>  | <b>1.6</b>  | <b>2.3</b>  | <b>2.9</b>  | -           | -           | <b>6.5</b>   | <b>6.7</b>   | -           |
| EBITDA (%)                  | 13.7        | 13.2        | 12.9        | 13.2        | 13.1        | (64bp)      | (17bp)      | 15.6         | 13.1         | (246bp)     |
| PAT (%)                     | 5.2         | 4.9         | 4.0         | 4.5         | 5.2         | (6bp)       | 65bp        | 6.0          | 4.6          | (138bp)     |
| Tax / PBT (%)               | 31.7        | 24.2        | 35.5        | 36.4        | 35.1        | 345bp       | (124bp)     | 32.9         | 35.6         | 271bp       |
| Raw Mat. / Net Sales (%)    | 66.9        | 66.4        | 61.9        | 67.1        | 68.9        | 203bp       | 184bp       | 64.9         | 66.4         | 147bp       |

Source: Company, AMSEC Research

**Exhibit 4: Skipper Ltd: 3Q FY18 Segmental finance**

| Y/E March(Rs mn)             | 3QFY17      | 4QFY17      | 1QFY18      | 2QFY18      | 3QFY18      | yoY (%)     | qoq (%)       | 9MFY17       | 9MFY18       | yoY%           |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|--------------|--------------|----------------|
| <b>Segment Revenue</b>       |             |             |             |             |             |             |               |              |              |                |
| Engineering Products         | 3784        | 4664        | 3651        | 4634        | 4863        | 28.5        | 5.0           | 9982         | 13148        | 31.7           |
| PVC products                 | 508         | 695         | 433         | 428         | 540         | 6.4         | 26.2          | 1387         | 1401         | 1.0            |
| Infrastructure Projects      | 263         | 315         | 243         | 95          | 261         | -0.7        | 175.7         | 496          | 599          | 20.6           |
| <b>Total Segment Revenue</b> | <b>4555</b> | <b>5674</b> | <b>4327</b> | <b>5156</b> | <b>5664</b> | <b>24.4</b> | <b>9.9</b>    | <b>11866</b> | <b>15148</b> | <b>27.7</b>    |
| <b>Segment Results</b>       |             |             |             |             |             |             |               |              |              |                |
| Engineering Products         | 481         | 609         | 439         | 606         | 639         | 32.7        | 5.4           | 1471         | 1684         | 14.5           |
| PVC products                 | 32          | 58          | 31          | 28          | 36          | 14.2        | 27.7          | 107          | 95           | -11.5          |
| Infrastructure Projects      | 37          | 45          | 29          | 11          | 32          | -13.0       | 184.5         | 70           | 73           | 3.4            |
| <b>Total</b>                 | <b>550</b>  | <b>711</b>  | <b>500</b>  | <b>645</b>  | <b>707</b>  | <b>28.6</b> | <b>9.5</b>    | <b>1648</b>  | <b>1852</b>  | <b>12.4</b>    |
| <b>Less: Interest (Net)</b>  | <b>183</b>  | <b>119</b>  | <b>164</b>  | <b>197</b>  | <b>173</b>  | <b>-5.2</b> | <b>-12.1</b>  | <b>513</b>   | <b>535</b>   | <b>4.3</b>     |
| Other Unallocable Exp.       | 42          | -104        | 88          | 83          | 83          | 99.8        | 0.3           | 151          | 254          | 68.9           |
| <b>Profit Before Tax</b>     | <b>325</b>  | <b>697</b>  | <b>248</b>  | <b>365</b>  | <b>450</b>  | <b>38.5</b> | <b>23.2</b>   | <b>985</b>   | <b>1063</b>  | <b>7.9</b>     |
| <b>EBIT Margin</b>           |             |             |             |             |             |             |               |              |              |                |
| Engineering Products         | 12.7        | 13.1        | 12.0        | 13.1        | 13.1        | 42bp        | 6bp           | 14.7         | 12.8         | (192bp)        |
| PVC products                 | 6.2         | 8.3         | 7.1         | 6.6         | 6.7         | 46bp        | 8bp           | 7.7          | 6.8          | (96bp)         |
| Infrastructure Projects      | 14.0        | 14.2        | 12.1        | 11.9        | 12.3        | (173bp)     | 38bp          | 14.2         | 12.1         | (201bp)        |
| <b>Total EBIT Margin</b>     | <b>12.1</b> | <b>12.5</b> | <b>11.6</b> | <b>12.5</b> | <b>12.5</b> | <b>41bp</b> | <b>(4bp)</b>  | <b>13.9</b>  | <b>12.2</b>  | <b>(167bp)</b> |
| <b>ROCE (%)</b>              |             |             |             |             |             |             |               |              |              |                |
| Engineering Products         | 5.6         | 9.1         | 5.4         | 6.9         | 6.3         | 73bp        | (52bp)        | 17.1         | 16.7         | (43bp)         |
| PVC products                 | 1.7         | 2.8         | 1.5         | 1.3         | 1.6         | (4bp)       | 28bp          | 5.7          | 4.3          | (138bp)        |
| Infrastructure Projects      | 6.6         | 7.8         | 4.9         | 1.8         | 4.6         | (201bp)     | 277bp         | 12.6         | 10.4         | (219bp)        |
| <b>Total ROCE</b>            | <b>5.0</b>  | <b>7.6</b>  | <b>4.7</b>  | <b>5.8</b>  | <b>5.6</b>  | <b>56bp</b> | <b>(16bp)</b> | <b>15.1</b>  | <b>14.7</b>  | <b>(43bp)</b>  |

Source: Company, AMSEC Research

**Exhibit 5: Segment Revenue (Net of Excise duty)**

| P&L (Rs mn)                  | 3QFY17      | 4QFY17 | 1QFY18      | 2QFY18      | 3QFY18      | yoY (%)     | qoq (%)    | 9MFY17       | 9MFY18       | yoY%        |
|------------------------------|-------------|--------|-------------|-------------|-------------|-------------|------------|--------------|--------------|-------------|
| <b>Segment Revenue</b>       |             |        |             |             |             |             |            |              |              |             |
| Engineering Products         | 3523        |        | 3361        | 4634        | 4863        | 38.1        | 5.0        | 9237         | 12858        | 39.2        |
| PVC products                 | 466         |        | 384         | 428         | 540         | 15.9        | 26.2       | 1269         | 1352         | 6.6         |
| Infrastructure Projects      | 263         |        | 243         | 95          | 261         | -0.7        | 175.7      | 496          | 599          | 20.6        |
| <b>Total Segment Revenue</b> | <b>4251</b> |        | <b>3988</b> | <b>5156</b> | <b>5664</b> | <b>33.2</b> | <b>9.9</b> | <b>11002</b> | <b>14809</b> | <b>34.6</b> |

Source: Company, AMSEC Research

### Concall Highlights

#### **Engineering Segment:**

- Engineering product grew by 28.5% yoy led by strong volume growth of over 20% and ~8-10% due to higher realization owing to strong commodity prices
- Management increased FY18E revenue guidance to 20% (earlier 15%) led by volume growth and expect EBITDAM to be stable at 13-14%
- Monopoles are gaining traction in the India market, and management is seeing a better demand for this product in the future. In Q3FY18, company tested its first 66 kV transmission monopole which will help getting qualified for more transmission monopole projects.
- In terms of distribution poles, the business is still led mostly by export. In domestic side, the demand has come but from certain regions only.
- Company is seeing increasing opportunity from Railways and Solar segment and is aiming 10-15% revenue contribution from these newer segments in FY19.

#### **PVC Business:**

- On PVC segment management expect muted revenue growth in FY18 and 35-40% growth in FY19 with EBITDAM of 8-9%
- In the Polymer segment, company has seen a slight de-growth in margins in 9MFY18, predominantly because of low capacity utilization, and particularly because of demonetization/GST were detrimental in demand pickup.

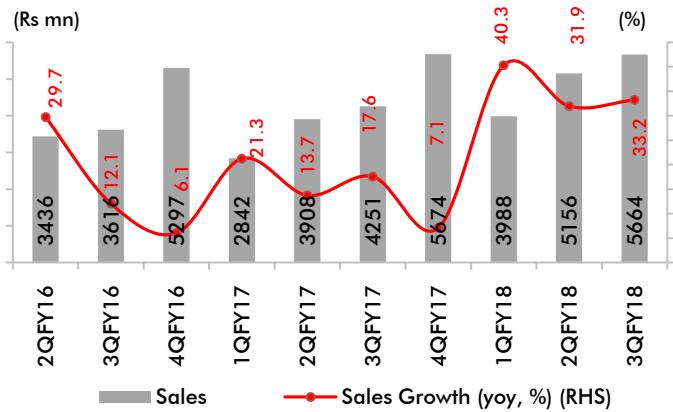
#### **JV with Metzerplas of Israel to make Drip Irrigation**

- JV with Metzerplas of Israel to make Drip Irrigation Systems expected to sign formal agreement by Feb'18 end.

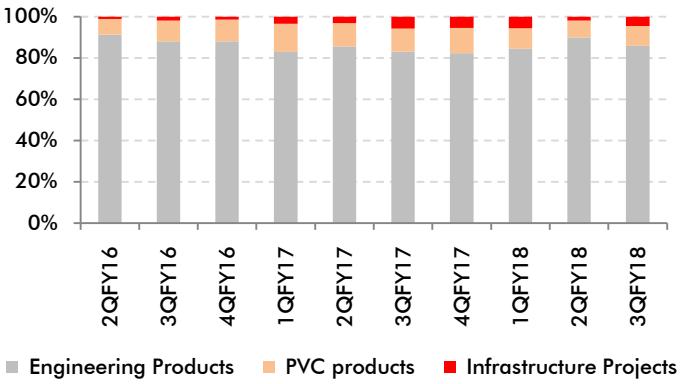
#### **Capex & Other highlights**

- Management expected Rs850mn of Capex for Brownfield expansion and tower testing facility
- Current engineering capacity stand at 2, 30,000 MTPL and company will add 15% capacity in next year.
- In Q3FY18, Receivable days stand at 90 days and debt stand at Rs4.5bn

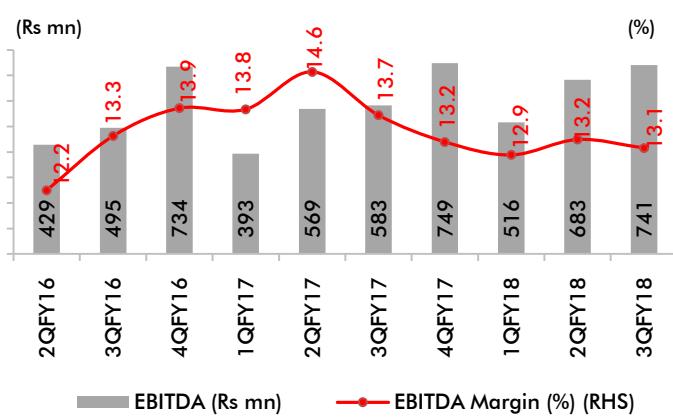
### Exhibit 6: Quarterly Revenue Trend



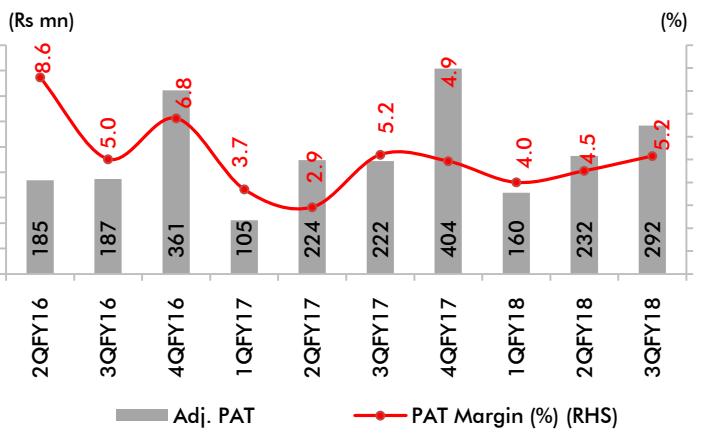
### Exhibit 7: Quarterly revenue breakdown (%)



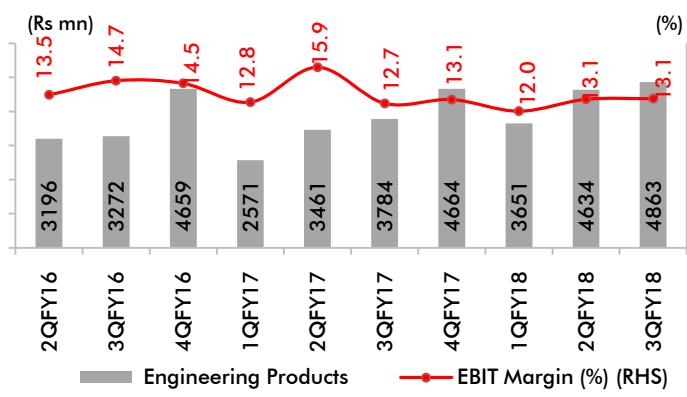
### Exhibit 8: Quarterly EBITDA Trend



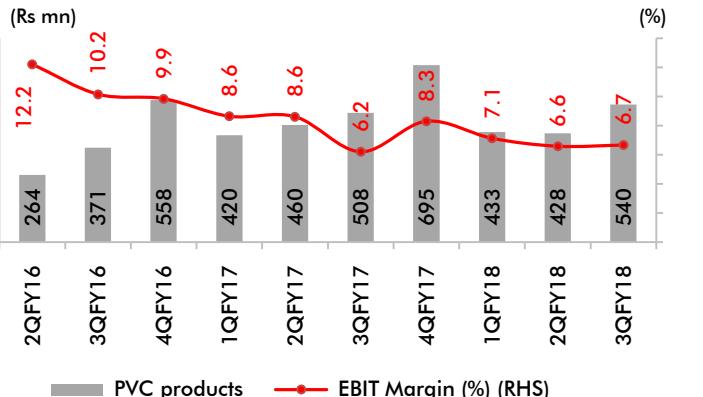
### Exhibit 9: Quarterly PAT Trend



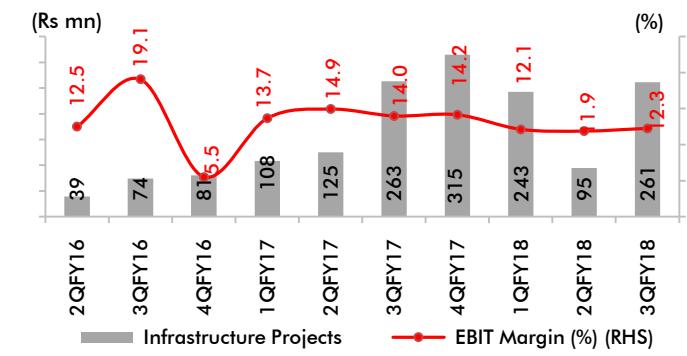
### Exhibit 10: Quarterly Engineering Products trend



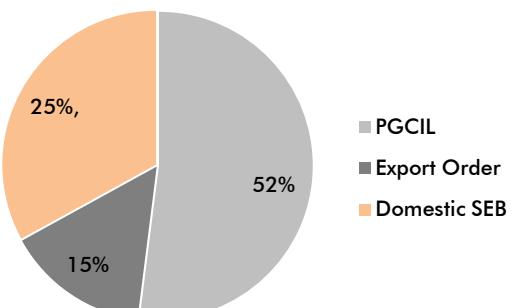
### Exhibit 11: Quarterly PVC products trend



### Exhibit 12: Quarterly Infrastructure project trend



### Exhibit 13: Order book Mix



Source: AMSEC Research

**Financials (Standalone)**
**(Rs mn)**

| Profit & Loss Account                  |               |               |               |               | Cash Flow Statement |                                     |              |                |              |              |                |       |
|--|---------------|---------------|---------------|---------------|---------------------|-------------------------------------|--------------|----------------|--------------|--------------|----------------|-------|
| Particulars                            | FY16          | FY17          | FY18E         | FY19E         | FY20E               | Particulars                         | FY16         | FY17           | FY18E        | FY19E        | FY20E          |       |
| Net sales                              | 14,624        | 16,786        | 20,466        | 23,679        | 27,774              | PBT                                 |              | 1,433          | 1,565        | 1,591        | 2,113          | 2,710 |
| Other operating income                 | 257           | 51            | -             | -             | -                   | Non-cash adjustments                |              | 189            | 284          | 416          | 445            | 477   |
| Consumption of material                | 9,485         | 10,908        | 13,978        | 16,149        | 18,942              | Changes in working capital          | (1,043)      | (498)          | (787)        | (782)        | (983)          |       |
| Staff Expenses                         | 500           | 732           | 860           | 971           | 1,139               | Interest Paid                       |              | 570            | 611          | 685          | 639            | 549   |
| Other operating expense:               | 2,885         | 2,930         | 2,937         | 3,362         | 3,958               | Tax Paid & Other Adj                | (439)        | (292)          | (461)        | (592)        | (732)          |       |
| Total Expenditure                      | 12,870        | 14,569        | 17,775        | 20,482        | 24,039              | <b>Cashflow from operations</b>     | <b>711</b>   | <b>1,670</b>   | <b>1,443</b> | <b>1,823</b> | <b>2,021</b>   |       |
| <b>EBITDA</b>                          | <b>2,011</b>  | <b>2,267</b>  | <b>2,691</b>  | <b>3,197</b>  | <b>3,736</b>        | Capital exp. & Advances             | (926)        | (847)          | (856)        | (850)        | (650)          |       |
| Depreciation                           | 241           | 315           | 436           | 475           | 507                 | Change in investments               | -            | -              | -            | -            | -              |       |
| <b>Operating profit</b>                | <b>1,770</b>  | <b>1,952</b>  | <b>2,256</b>  | <b>2,722</b>  | <b>3,229</b>        | Other investing cashflow            | 52           | 31             | 20           | 30           | 30             |       |
| Other income                           | 52            | 31            | 20            | 30            | 30                  | <b>Cashflow from investing</b>      | <b>(874)</b> | <b>(816)</b>   | <b>(836)</b> | <b>(820)</b> | <b>(620)</b>   |       |
| <b>EBIT</b>                            | <b>1,822</b>  | <b>1,983</b>  | <b>2,276</b>  | <b>2,752</b>  | <b>3,259</b>        | Issue of equity                     | -            | -              | -            | -            | -              |       |
| Interest                               | 570           | 611           | 685           | 639           | 549                 | Issue/repay debt                    | 838          | (300)          | 200          | (0)          | (500)          |       |
| Exceptional items                      | 181           | 193           | -             | -             | -                   | Interest Paid                       | (570)        | (611)          | (685)        | (639)        | (549)          |       |
| <b>Profit before tax</b>               | <b>1,433</b>  | <b>1,565</b>  | <b>1,591</b>  | <b>2,113</b>  | <b>2,710</b>        | Dividends paid                      | (168)        | (192)          | (263)        | (311)        | (359)          |       |
| Tax                                    | 482           | 450           | 461           | 592           | 732                 | Other financing cashflow            | -            | -              | -            | -            | -              |       |
| Minority interest                      | -             | -             | -             | -             | -                   | <b>Cashflow from financing</b>      | <b>100</b>   | <b>(1,103)</b> | <b>(748)</b> | <b>(951)</b> | <b>(1,408)</b> |       |
| <b>Reported net profit</b>             | <b>951</b>    | <b>1,115</b>  | <b>1,129</b>  | <b>1,521</b>  | <b>1,978</b>        | <b>Change in cash &amp; cash eq</b> | <b>(63)</b>  | <b>(249)</b>   | <b>(142)</b> | <b>52</b>    | <b>(8)</b>     |       |
| EO Items                               | 120           | 138           | -             | -             | -                   | <b>Opening cash &amp; cash eq</b>   | <b>561</b>   | <b>498</b>     | <b>249</b>   | <b>108</b>   | <b>160</b>     |       |
| <b>Adjusted net profit</b>             | <b>831</b>    | <b>977</b>    | <b>1,129</b>  | <b>1,521</b>  | <b>1,978</b>        | <b>Closing cash &amp; cash eq</b>   | <b>498</b>   | <b>249</b>     | <b>108</b>   | <b>160</b>   | <b>152</b>     |       |
| Share O/s mn                           | 102           | 102           | 102           | 102           | 102                 | <b>Free cash flow to firm</b>       | <b>(215)</b> | <b>823</b>     | <b>587</b>   | <b>973</b>   | <b>1,371</b>   |       |
| EPS Rs (adjusted)                      | 8.1           | 9.6           | 11.0          | 14.9          | 19.3                |                                     |              |                |              |              |                |       |
| Balance Sheet                          |               |               |               |               |                     | Ratios                              |              |                |              |              |                |       |
| Particulars                            | FY16          | FY17          | FY18E         | FY19E         | FY20E               | Particulars                         | FY16         | FY17           | FY18E        | FY19E        | FY20E          |       |
| <b>SOURCES OF FUNDS :</b>              |               |               |               |               |                     | <b>PER SHARE</b>                    |              |                |              |              |                |       |
| Share Capital                          | 102           | 102           | 102           | 102           | 102                 | EPS Rs (adjusted)                   | 8.1          | 9.6            | 11.0         | 14.9         | 19.3           |       |
| Reserves                               | 3,713         | 4,841         | 5,707         | 6,916         | 8,535               | CEPS Rs                             | 10.5         | 12.6           | 15.3         | 19.5         | 24.3           |       |
| Minority Interest                      | -             | -             | -             | -             | -                   | Book Value Rs                       | 37.3         | 48.3           | 56.8         | 68.6         | 84.4           |       |
| <b>Total Shareholders Fun</b>          | <b>3,815</b>  | <b>4,943</b>  | <b>5,809</b>  | <b>7,019</b>  | <b>8,638</b>        | <b>VALUATION</b>                    |              |                |              |              |                |       |
| <b>Non-Current Liabilities</b>         | <b>2,311</b>  | <b>2,171</b>  | <b>2,171</b>  | <b>2,171</b>  | <b>2,171</b>        | EV / Net Sales                      | 1.8          | 1.6            | 1.3          | 1.1          | 1.0            |       |
| Long term borrowings                   | 1,983         | 1,758         | 1,758         | 1,758         | 1,758               | EV / EBITDA                         | 13.4         | 11.8           | 10.1         | 8.5          | 7.1            |       |
| Deferred tax liability                 | 315           | 391           | 391           | 391           | 391                 | P / E Ratio                         | 23.8         | 20.3           | 20.1         | 14.9         | 11.5           |       |
| Other long term liabilities            | -             | -             | -             | -             | -                   | P / BV Ratio                        | 5.9          | 4.6            | 3.9          | 3.2          | 2.6            |       |
| Long-term provisions                   | 13            | 22            | 22            | 22            | 22                  | <b>GROWTH YO%</b>                   |              |                |              |              |                |       |
| <b>Current Liabilities</b>             | <b>5,776</b>  | <b>6,196</b>  | <b>7,465</b>  | <b>7,990</b>  | <b>8,230</b>        | Sales Growth                        | 15.1         | 14.8           | 21.9         | 15.7         | 17.3           |       |
| Short term borrowings                  | 2,521         | 2,400         | 2,600         | 2,600         | 2,100               | EBITDA Growth                       | 16.2         | 12.7           | 18.7         | 18.8         | 16.9           |       |
| Trade payables                         | 2,124         | 2,891         | 3,476         | 3,892         | 4,566               | Net Profit Growth                   | 34.6         | 17.6           | 15.6         | 34.7         | 30.1           |       |
| Other current liabilities              | 938           | 899           | 1,332         | 1,432         | 1,488               | Gross Fixed Asset Growth            | 13.1         | 22.7           | 14.3         | 12.5         | 8.5            |       |
| Short term provisions                  | 193           | 5             | 56            | 65            | 76                  | <b>PROFITABILITY (%)</b>            |              |                |              |              |                |       |
| <b>Total Equity &amp; Liabilitie</b>   | <b>11,903</b> | <b>13,310</b> | <b>15,445</b> | <b>17,180</b> | <b>19,039</b>       | Gross Profit/ Net sales             | 27.6         | 25.0           | 23.2         | 23.5         | 23.4           |       |
| <b>APPLICATION OF FUNDS :</b>          |               |               |               |               |                     | EBITDA / Net Sales                  | 13.5         | 13.5           | 13.2         | 13.5         | 13.5           |       |
| <b>Non Current Assets</b>              | <b>4,274</b>  | <b>4,936</b>  | <b>5,357</b>  | <b>5,732</b>  | <b>5,875</b>        | EBIT / Net sales                    | 12.1         | 11.6           | 11.0         | 11.5         | 11.6           |       |
| Gross block (Total)                    | 4,856         | 5,959         | 6,809         | 7,659         | 8,309               | NPM / Total income                  | 5.6          | 5.8            | 5.5          | 6.4          | 7.1            |       |
| Less : accumulated depre               | 1,004         | 1,317         | 1,752         | 2,227         | 2,734               | Raw Material/Net Sales              | 63.7         | 64.8           | 68.3         | 68.2         | 68.2           |       |
| Net block (Total)                      | 3,852         | 4,642         | 5,057         | 5,432         | 5,575               | Int/PBIT                            | 32.2         | 31.3           | 30.4         | 23.5         | 17.0           |       |
| Capital work in progress               | 399           | 144           | 150           | 150           | 150                 | RONW                                | 27.8         | 25.5           | 21.0         | 23.7         | 25.3           |       |
| Noncurrent investment                  | -             | -             | -             | -             | -                   | ROCE                                | 22.9         | 21.4           | 22.2         | 24.2         | 26.0           |       |
| Long term loans and adv                | -             | -             | -             | -             | -                   | Tax / PBT                           | 33.6         | 28.8           | 29.0         | 28.0         | 27.0           |       |
| Other non-current assets               | 22            | 150           | 150           | 150           | 150                 | <b>TOURNOVER</b>                    |              |                |              |              |                |       |
| <b>Current Assets</b>                  | <b>7,629</b>  | <b>8,374</b>  | <b>10,088</b> | <b>11,448</b> | <b>13,164</b>       | Net Working Cycle                   | 99           | 101            | 97           | 96           | 95             |       |
| Current investment                     | -             | -             | -             | -             | -                   | Debtors Velocity (Days)             | 91           | 81             | 82           | 78           | 75             |       |
| Inventories                            | 2,500         | 3,682         | 4,486         | 5,125         | 6,011               | Inventory (Days)                    | 71           | 92             | 92           | 91           | 91             |       |
| Sundry debtors                         | 3,724         | 3,730         | 4,598         | 5,060         | 5,707               | Creditors Velocity (Days)           | 82           | 97             | 91           | 88           | 88             |       |
| Cash and bank                          | 498           | 249           | 108           | 160           | 152                 | Current Ratio                       | 2.5          | 2.3            | 2.2          | 2.2          | 2.2            |       |
| Short loans and advances:              | 907           | 713           | 897           | 1,103         | 1,294               | Quick Ratio                         | 1.7          | 1.3            | 1.2          | 1.2          | 1.2            |       |
| Others current assets                  | -             | -             | -             | -             | -                   | <b>LIQUIDITY</b>                    |              |                |              |              |                |       |
| <b>Total Assets</b>                    | <b>11,903</b> | <b>13,310</b> | <b>15,445</b> | <b>17,180</b> | <b>19,039</b>       | Gross Asset Ratio                   | 3.3          | 3.1            | 3.2          | 3.3          | 3.5            |       |
| Net Working Capital*                   | 4,039         | 4,537         | 5,324         | 6,106         | 7,090               | Total Asset Ratio                   | 1.3          | 1.3            | 1.4          | 1.5          | 1.5            |       |
| Total Gross Debt*                      | 4,667         | 4,366         | 4,566         | 4,566         | 4,066               | Net Debt-Equity Ratio               | 1.1          | 0.8            | 0.8          | 0.6          | 0.5            |       |
| Total Net Debt                         | 4,169         | 4,117         | 4,459         | 4,407         | 3,914               | Interest Coverage (x)               | 3.2          | 3.2            | 3.3          | 4.3          | 5.9            |       |
| Capital Employed*                      | 8,797         | 9,700         | 10,766        | 11,976        | 13,095              | <b>PAYOUT</b>                       |              |                |              |              |                |       |
| <i>Source: Company, AMSEC Research</i> |               |               |               |               |                     | Payout %                            | 20           | 20             | 23           | 20           | 18             |       |
|  |               |               |               |               |                     | Dividend %                          | 140          | 160            | 220          | 260          | 300            |       |
|  |               |               |               |               |                     | Yield %                             | 0.6          | 0.7            | 1.0          | 1.2          | 1.4            |       |

**Recommendation rationale****Sector rating**

|                                 |                                    |
|---------------------------------|------------------------------------|
| <b>Buy:</b> Potential upside of | > +15% (absolute returns)          |
| <b>Accumulate:</b>              | > +5 to +15%                       |
| <b>Reduce:</b>                  | +5 to -5%                          |
| <b>Sell:</b>                    | < -5%                              |
| <b>Not Rated (NR):</b>          | No investment opinion on the stock |

|                     |  |
|---------------------|--|
| <b>Overweight:</b>  | The sector is expected to outperform relative to the Sensex.   |
| <b>Underweight:</b> | The sector is expected to underperform relative to the Sensex. |
| <b>Neutral:</b>     | The sector is expected to perform in line with the Sensex.     |

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