

GHCL Ltd

Bloomberg Code: GHCL IN

India Research - Stock Broking

BUY

Capex Addition to Drive Growth across All Segments

The company has capex plan of Rs. 1430 Mn and Rs.370 Mn respectively for Soda Ash and Textile for FY17E and has plan to allocate Rs. 800 Mn & Rs.673 Mn for soda ash & textile divisions, respectively by FY18E to increase their production capacity. Thus, capacity expansion and maintaining of capacity utilization in the range of 85-90% in forthcoming years will enhance topline growth.

Diversified Business portfolio supports overall growth: The company has posted consolidated revenue of Rs. 25590 Mn in FY16 as against Rs. 23736 Mn of FY15, marking 7.8% YoY growth on the back of increased capacity utilization rate of 88% & 83% in inorganic chemical & Textile segments, respectively. EBITDA margin rose by 250 bps to 24.9% as a result of focus on operational efficiency and softness in raw material prices during FY16. The net profit registered a healthy growth of 41.0% YoY basis. We believe that its diversified, yet synergetic business verticals, along with capacity expansion plan will help further improve its topline and bottom line, going forward.

High entry barrier business model - an advantage: High fixed cost, high transportation cost, healthy competition, need of strong R&D setup and long gestation period (4-5 years) provide for entry barriers which put the company into advantageous position in terms of enhancing market share.

Robust Balance sheet and Return ratios: GHCL has registered average RoE of 22.1% in past 4 years and has of late improved to 29.2% in FY16. RoCE too has improved from average 20.7% to 26.8% over said period of time. On the back of sound financials, the company has maintained dividend payout ratio in the range of 15%-20% and the Net D/E ratio too has reduced to 1.1x in FY16.

Valuation and Outlook

The company is poised for exponential growth in the forthcoming years on the back of continued profitability growth, capacity utilization, debt reduction, healthy balance sheet and return ratios. We initiate coverage on GHCL Ltd assigning P/E multiple of 8.0x to FY18E EPS which gives the target price of Rs.304 reflecting to 27% upside with "BUY" recommendation for the period of 12-15 months.

Key Risks

- Stiff competition, Fx-Fluctuations, Non-availability of Anti-Dumping duty after Jul 2017E.

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	22476	23736	25590	27383	29528
EBITDA	4370	5328	6385	7100	7965
EBITDA Margin (%)	19.4	22.4	24.9	25.9	27.0
Net Profit	1085	1819	2565	3205	3869
EPS (Rs.)	10.8	18.3	25.8	32.0	38.7
RoE (%)	18.8	26.8	29.2	28.6	27.4
PE (x)	3.1	3.4	4.5	7.5	6.2

Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price

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Recommendation (Rs.)

CMP (as on Dec 26, 2016)	240
Target Price	304
Upside (%)	27

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	24015 / 354
52-wk High/Low (Rs.)	299 / 95
3M Avg. daily volume (mn)	0.4
Beta (x)	1.2
Sensex/Nifty	25807 / 7908
O/S Shares(mn)	100.0
Face Value (Rs.)	10.0

Shareholding Pattern (%)

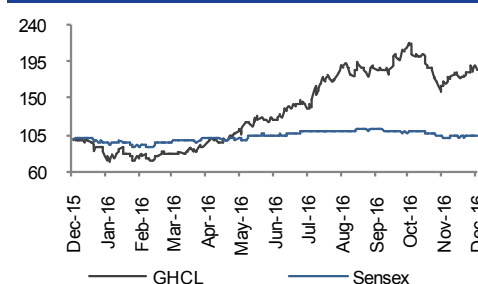
Promoters	18.5
FII	17.6
DII	6.6
Others	57.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(1)	(5)	39	80
Relative to Sensex	1	4	42	80

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Analyst Contact

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Company Financial Snapshot (Y/E Mar)
Profit & Loss (Rs. Mn)

	FY16	FY17E	FY18E
Net sales	25590	27383	29528
Optg. Exp (Adj for OI)	19205	20283	21562
EBITDA	6385	7100	7965
Depreciation	817	869	970
Interest	1644	1484	1387
Other Income	54	83	79
PBT	3926	4767	5631
Tax	1226	1532	1762
Adj. PAT	2565	3205	3869
Profit & Loss Ratios			
EBITDA Margin (%)	24.9	25.9	27.0
Net Margin (%)	10.0	11.7	13.1
P/E (x)	4.5	7.5	6.2
EV/EBITDA (x)	3.6	4.9	4.3
Dividend yield (%)	3.0	1.9	2.3

Source: Company, Karvy Research

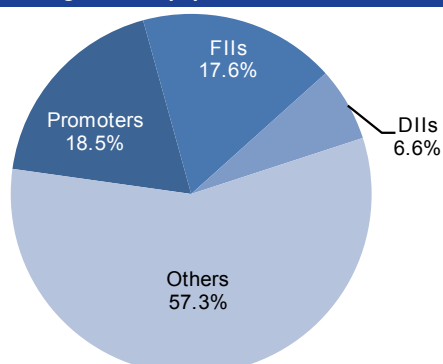
Balance sheet (Rs. Mn)

	FY16	FY17E	FY18E
Total Assets	29507	32839	36286
Net Fixed assets	20861	23752	27450
Current assets	8642	9083	8831
Other assets	4	4	5
Total Liabilities	29507	32839	36286
Networth	9857	12520	15727
Debt	11665	11160	10856
Current Liabilities	3785	4802	5157
Other Liabilities	4200	4358	4546

Balance Sheet Ratios

RoE (%)	29.2	28.6	27.4
RoCE (%)	26.8	27.7	27.9
Net Debt/Equity (x)	1.1	0.9	0.7
Equity/Total Assets	33.4	38.1	43.3
P/BV (x)	1.2	1.9	1.5

Source: Company, Karvy Research

Exhibit 2: Shareholding Pattern (%)


Source: BSE, Karvy Research

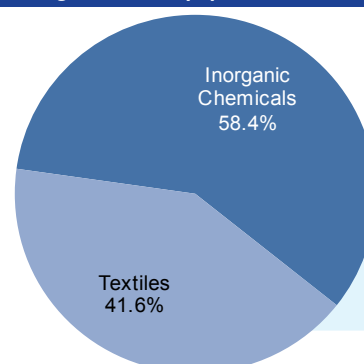
Company Background

GHCL Ltd was incorporated in 1983, headquartered in Noida and is being currently headed by Mr. Sanjay Dalmia- the Chairman. It is one of the leading manufacturers of soda ash with 23.0% domestic market share. There are two main business verticals, i.e., Inorganic Chemicals and Textiles. Inorganic chemicals mainly produce soda ash which caters to demand from detergent & glass industries whereas Textile vertical is well integrated vertical which covers right from spinning of fiber, weaving, dyeing and printing till the finished products take shape for exporting. The company also has footprints in FMCG sector. It manufactures & sells salt variants, honey & spices. The company exports its product mix portfolio to US, Europe, Australia, etc. GHCL has one soda ash plant in Gujarat and one salt refinery in Tamil Nadu. It has three textile manufacturing plants- two in Tamil Nadu and one in Gujarat. The inorganic chemicals contributed 58.4% of the total revenues while home textile contributes 41.6% during FY16.

Cash Flow (Rs. Mn)

	FY16	FY17E	FY18E
PBT	3926	4767	5631
Depreciation	817	869	970
Finance Costs	1664	1484	1387
Tax Paid	(986)	(1532)	(1762)
Changes in WC	(93)	514	962
Others	(104)	(113)	(79)
CF from Operations	5225	5989	7108
Capex	(2499)	(3761)	(4667)
Others	8	82	78
CF from Investing	(2491)	(3679)	(4589)
Change in Debt	(714)	(504)	(304)
Interest Paid	(1664)	(1484)	(1387)
Dividends & Others	(268)	(542)	(662)
CF from Financing	(2647)	(2530)	(2353)
Change in Cash	87	(220)	166

Source: Company, Karvy Research

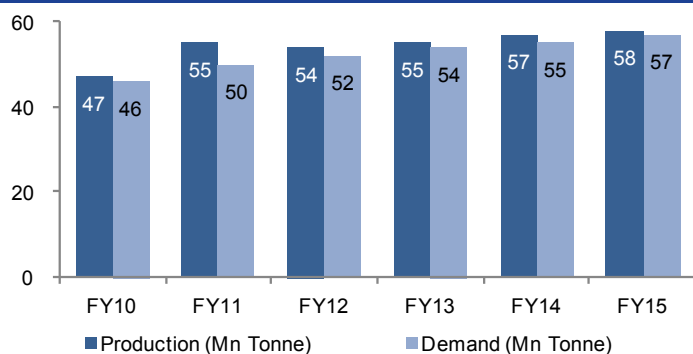
Exhibit 3: Revenue Segmentation (%)


Source: Company, Karvy Research

Industry Outlook and Growth

Soda Ash Industry:

Exhibit 4: Global market -Soda Ash industry trend



Source: Company Investor Presentation, Karvy Research

Global demand of soda ash was around 57 Mn tons in FY15 which grew at 2% over the last year on the back of gradual improvement in glass and detergent industries. Globally, there is no major mismatch expected between Demand and Supply in soda ash industry which may provide reasonable stability soda ash business. Of the total global capacity of soda ash, approximately 75% is derived from synthetic processes, while 25% is produced natural soda ash.

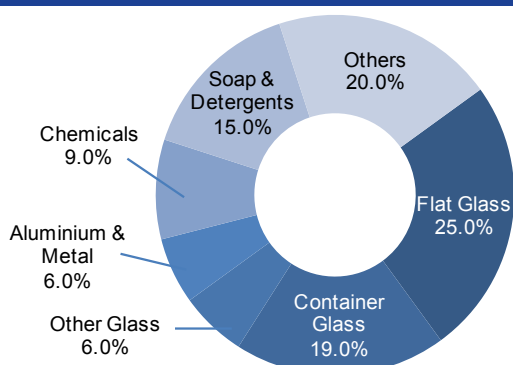
Exhibit 5: Global Market: Capacity Vs Production Vs Demand (Mn Tonne)

Country	Capacity	Production	Demand	Capacity Utilization Rate (%)
China	32.0	26.0	24.0	81
North America	12.5	12.0	5.3	96
Europe	12.0	11.0	10.5	92
CIS (Russia & Ukraine)	4.7	4.0	3.5	85
India	3.1	2.7	3.3	87
Africa	1.2	0.8	1.2	69
Middle East	0.7	0.5	1.7	71
Australia	0.4	0.0	0.5	0
South America	0.2	0.2	2.7	75
Total	67	57	53	86

Source: Company Investor Presentation, Karvy Research

As per domestic industry historical trends, the Indian soda ash demand is expected to grow at around 4% to 5% annually. It is expected that detergent and glass industries should be much more stable in forthcoming years and economic improvement would brighten soda ash business outlook with the rise in personal disposable income.

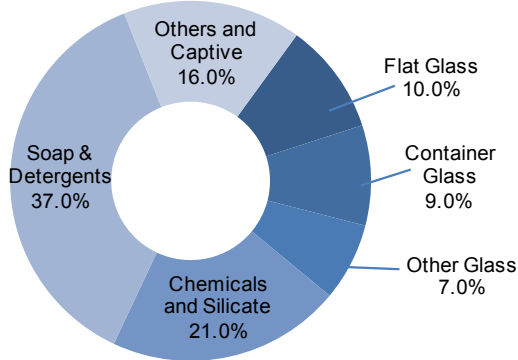
Exhibit 6: Global demand: Segment-wise



Source: Company Investor Presentation, Karvy Research

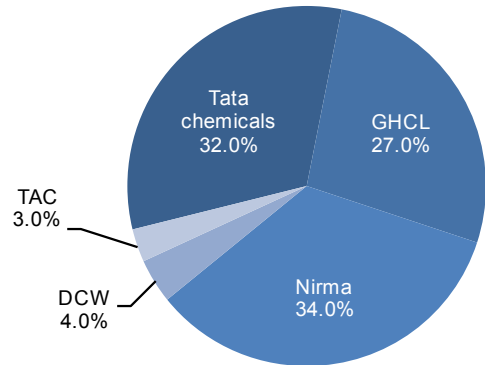
The total size of the Indian soda ash market is about 3.4 Mn MT including internal consumption. The company is likely to get benefited with the ready availability of main raw materials like limestone and salt in Gujarat. Total soda ash installed capacity in India is 3.1 Mn MT, with an estimated production of about 2.7 Mn MT in last financial year (FY15). The current capacity utilization rate of the country is around 87% which could increase on the back of addition of capacity utilization by 150 thousands tone (Nirma), 500 thousands tone (Ghari group) and 125 thousands tone by GHCL in forthcoming years.

Exhibit 7: Domestic demand: Segment-wise



Source: Company Investor Presentation, Karvy Research

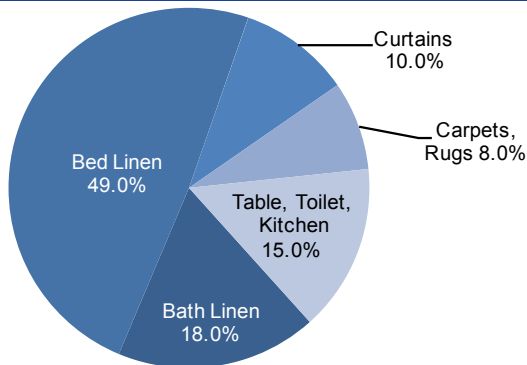
Exhibit 8: Total Capacity in India (3.1 Mn MT)



Source: Company Investor Presentation, Karvy Research

Textile Industry:

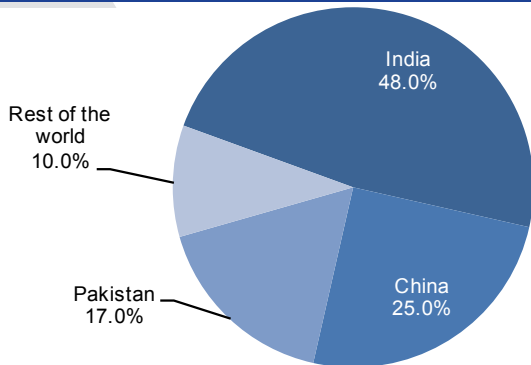
Exhibit 9: Indian Home Textiles Industry



Source: Industry, Karvy Research

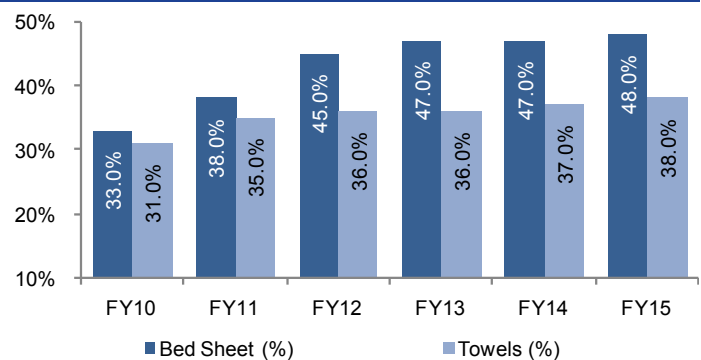
The Indian textile industry is the 2nd largest in the world, and has been growing at 10.0% over the last several years. It contributes around 4.0% to India's GDP and 14.0% in overall Index for Industrial Production (IIP). India is the biggest exporter of Home textiles capturing approximately 48% market share in USA. Further, Textile industry contributes about 17.0% of the country's total export earnings. There are total 2500 weaving factories and 4125 textile finishing factories across the country.

Exhibit 10: Global home textile market totals \$45 Bn: Major Exporters to US Market



Source: <http://otexa.trade.gov>, Karvy Research

Exhibit 11: US Home Textile Market - Increasing Share of India



Source: <http://otexa.trade.gov>, Karvy Research

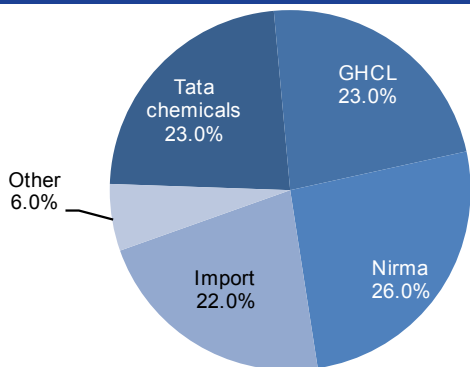
Diversified Business portfolio support overall growth

GHCL- Cost leader in Soda Ash Industry:

GHCL is one of the leaders in soda ash industry, enjoying 23% market share. During FY16, soda ash posted revenue of Rs. 14956 Mn as against Rs. 14164 Mn in FY15, thereby registering a growth of 5.6%. It contributes to 58.4% in overall revenue of the company and is expected to improve further going forward, due to increased capacity utilization of more than 88%. In H1FY17, the company recorded capacity utilization rate at 91% and is expected to continue with the same in upcoming years. The company will get benefit from fully integrated plant and various cost advantages, which ensure highest EBITDA margin in the industry i.e., nearly 30.1%.

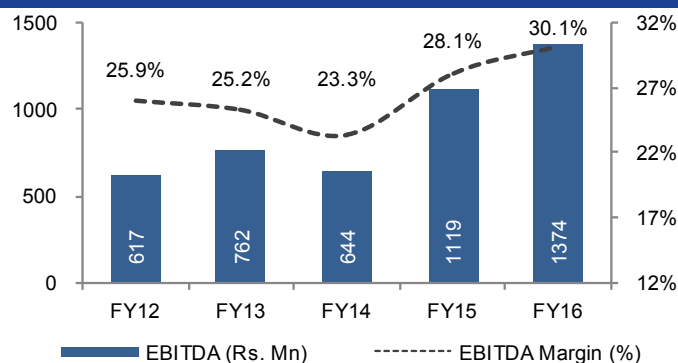
Furthermore, the company has sodium bicarbonate (baking soda) facility which grown at 2.7% YoY. It produced 24541 tons in FY16 against 23894 tons in FY15, while sales achieved 24265 tons in FY16 against 23622 tons in FY15. Bi-carbonate has got applications in Cooking, Fire Extinguishers, Pest control, Paint & Corrosion removal, Pharmaceutical, etc. At present, market share of bicarbonate is nearly 15%.

Exhibit 12: Market Shares in India (Total Demand 3.3 MMT)



Source: Company Investor Presentation, Karvy Research

Exhibit 13: Better Margin Performance



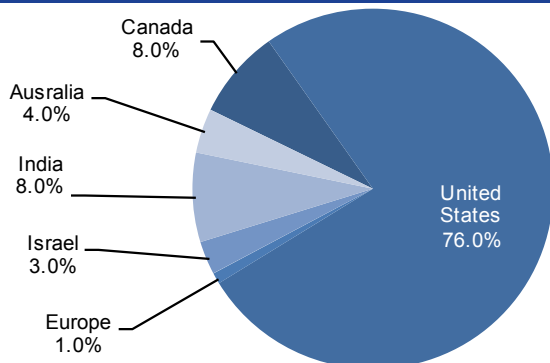
Source: Company, Karvy Research

Textile Segment- Making big leap:

GHCL is one of the largest integrated textile manufacturers in India with installed spinning capacity of around 175 thousands spindles, 3320 rotors manufacturing, 100% cotton and polyester cotton blend yarns, 162 Air jet looms, 36 Mn meter of wide width processing capacity and 600 stitching machines for manufacturing world class quality merchandise.

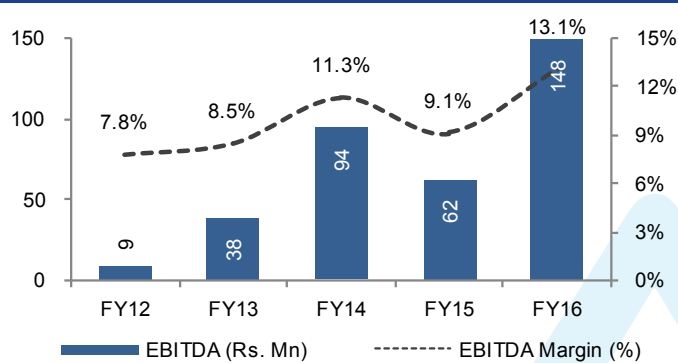
Despite tough time for spinning industry in FY15, the company recorded revenue of Rs. 10634 Mn from Rs. 9572 Mn resulting into 11.1% YoY growth from textile division on the back of large replenishment orders from the big global retailers in USA and Europe. Bagging of orders was possible on account of strong customer relationship, product mix portfolio and consistent supply quality material across the region. The company has improved its EBITDA margin by ~400 bps to 13% in FY16 due to increased capacity utilization level from 70.0% in FY15 to 83.0% during FY16. And, we believe that increased capacity utilization will improve margin and topline further as there has been expansion in home textile and spinning divisions, continuing focus on realignment along with innovative designs, enhanced product basket backed by tie-ups with private labels across the globe, will ramp up topline growth and expansion in spinning capacity, add 400 stitching machines and windmill capacity (25.2 MW) - will likely to improve margin going forward.

Exhibit 14: GHCL Home textile: Geographical spread in sheeting business (Exports)



Source: Company Investor Presentation, Karvy Research, *Based on H1FY17 sales mix

Exhibit 15: Textile: Improving Margin trend (%)



Source: Company, Karvy Research

GHCL - Presence across the textile value chain



Source: Company, Karvy Research

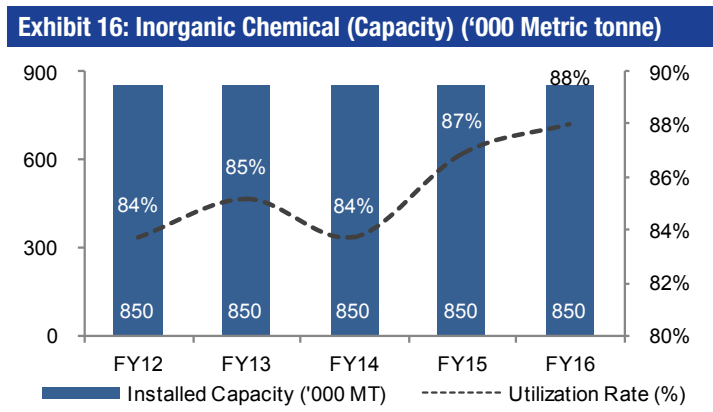
Management eyeing on growing consumer product segment:

Having focused on inorganic chemicals and textile business segments, management has also started focusing on consumer products with enhance editable plant capacity of 100000 MT (Metric tonne) done by end of January FY17E from 70000 MT in FY16. The well known brand "IFLO" which is famous in southern market of India will support topline growth. Recently, the company has introduced edible salt variants, honey and spices under the same brand. The company is looking to expand its distribution channels and market its products through the modern trade. It plans to incur an expenditure of Rs. 50-70 Mn during FY17E towards plant expansion, marketing and brand building. It expects to generate revenue of Rs. 1000 Mn in next 3-4 years from consumer products.

High entry barrier business model, an advantage:

High fixed cost, high transportation cost, healthy competition, need of strong R&D setup and long gestation period (4-5 years) provide for entry barriers which put the company into advantageous position in terms of enhancing market share.

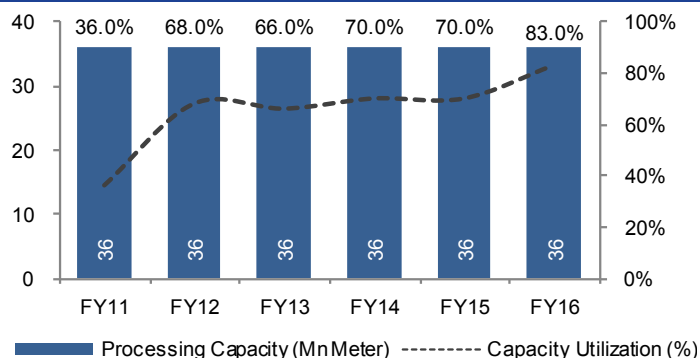
Capex expansion to fuel growth:



Source: Company, Karvy Research

The company has capex plan of Rs. 1430 Mn for soda ash expansion with the objective of increasing production capacity from 850 to 950 thousands mt in FY17E and Rs. 370 mn for textile division during FY17E. It also plans to further allocate Rs. 800 Mn capex in FY18E to add production capacity of Soda Ash by 25 thousands mt to bring it to the level of 975 thousands mt. The company also plans to add production capacity of Bi-carbonate of 30,000 metric tonne to existing 27,000 MT, which will lead to rise in production capacity upto 57,000 MT. All these capex plans and maintaining of capacity utilization between 85-90% will support topline growth in forthcoming years.

Exhibit 17: Home textiles - increasing capacity utilization; 83% in FY16



Source: Company, Karvy Research

Besides, the company has planned to invest Rs. 672.5Mn capex in textile division towards increasing production capacity from 36 Mn meters to 45 Mn meters and add 24 TFO (Two-For-One) Twisting machines for production of value added yarn to expand weaving capacity in upcoming years. With same capex, the company would be installing wind turbine generators upto 2.1 MW (Mega Watt) to be used improving operational cost of textile division.

Anti-Dumping Duty (ADD) Impact:

At present, soda ash industry is protected and industry as a whole enjoys higher sales volume and margins due to anti-dumping duty which in force since July FY12 and will continue there till July 2017E. With imposing of ADD, there has been decline in import of soda ash product by 16.1% and this is benefiting domestic players.

However, with the withdrawal of ADD effective from July 2017E, margin may get adversely impacted of ADD-outgo. But, there is expected to be consolidation in industry wherein bigger players could only resist competition from imported goods. GHCL, being one of the biggest players in domestic market, may capitalize on market consolidation by way of expanding its domestic manufacturing facilities.

Exhibit 18: Anti-dumping Duty list

Countries	\$ per tonne
US	38.8
China	36.3
Iran	28.9
Kenya	28.9
Ukraine	16.6
Europe	9.2
Pakistan	2.4

Source: <http://www.cbec.gov.in>, Karvy Research

Marquee customer base:

GHCL has strong client portfolio for both business segments and strong credibility in the market which enables large replenishment orders from its big global retailers in US and Europe like Bed Bath & Beyond, Target, HBC Canada, Sears Canada, K-Mart, Ross Store, TJX group, QVC, House of Fraser and Miles Home fashions, etc for textile division and HUL, P&G, Ghadi, Fena, Gold plus glass, Piramal glass ltd and Patanjali Ayurveda Ltd, etc for inorganic chemical division.



Source: Company, Karvy Research

Exhibit 19: Business Assumptions

Y/E Mar (Rs. Mn)	FY15	FY16	FY17E	FY18E	Comments
Revenue	23736	25590	27383	29528	Increased profitability across the segments will drive topline growth.
Revenue Growth (%)	5.6	7.8	7.0	7.8	
EBITDA	5328	6385	7100	7965	Operational efficiencies leading to margin improvement.
EBITDA Margins (%)	22.4	24.9	25.9	27.0	
Adjusted PAT	1819	2565	3205	3869	Higher EBITDA margin and reduced interest will support PAT and EPS growth.
EPS (Rs.)	18.3	25.8	32.0	38.7	
EPS Growth (%)	69.8	40.6	24.4	20.7	
Capex (ex. Acquisition) - cash capex	(1324)	(2499)	(3761)	(4667)	Inorganic and textile division capex made in Q2FY17, which is set to be operationalized by end of FY17E.
Net CFO	4160	5225	5989	7108	High revenue growth and better margins to drive cash flow from operation.
Net Debt	12040	11238	10954	10483	Continuing repayment of debt to reduce cost of interest burden.
Free Cash Flow	2836	2726	2228	2441	Improvement in overall business sentiments & generation of profitability will increase the free cash flow from operation.

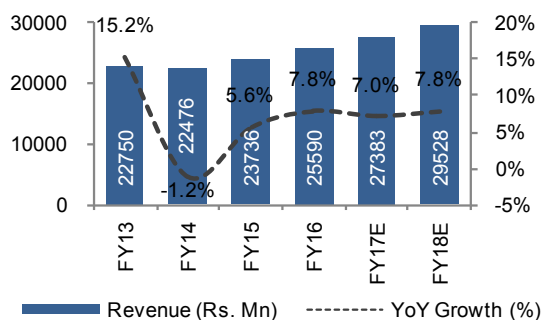
Source: Company, Karvy Research

Exhibit 20: Karvy vs Consensus

	Karvy	Consensus	Divergence (%)	Comments
Revenues (Rs. Mn)				
FY17E	27383	27385	0.0	We expect the company to post higher sales on account of the capacity expansion, enjoy pricing power by its brand "Lion" in soda ash division, focus on textile division, spread geographic wings, improve customer mix for higher volumes and management eye on consumer products.
FY18E	29528	29224	1.0	
EBITDA (Rs. Mn)				
FY17E	3205	3528	(9.2)	We expect that bottomline will likely to grow 20.7% to 24.9% during FY17E-FY18E due to reduced finance cost and maintain high capacity utilization rate, going forward.
FY18E	3869	3981	(2.8)	
EPS (Rs.)				
FY17E	32.0	35.3	(9.2)	
FY18E	38.7	39.8	(2.8)	

Source: Bloomberg, Karvy Research

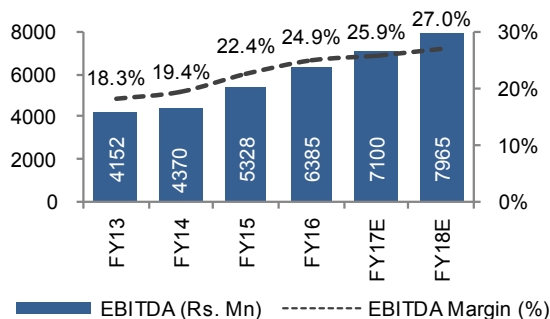
Exhibit 21: Revenue Trend



Source: Company, Karvy Research

The company's revenue for FY16 has risen by 7.8% to Rs. 25590 Mn as compared to Rs. 23736 Mn in FY15 on the back of maintaining highest capacity utilization rate for inorganic chemical business within the industry and increased capacity utilization rate in textile division. The introduction of new products in FMCG segment start strong growth path and it may grow at CAGR of 7.4% during FY16-18E.

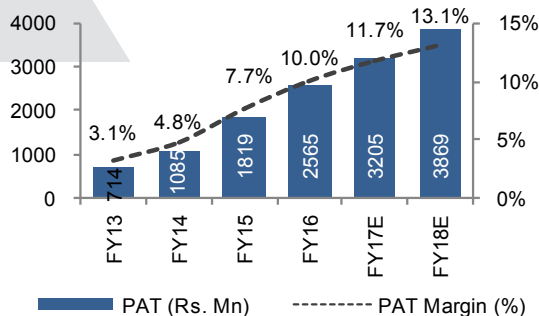
Exhibit 22: EBITDA vs EBITDA Margin



Source: Company, Karvy Research

The company has recorded strong EBITDA growth of 19.8% YoY to Rs. 6385 Mn and has been able to improve its EBITDA margin to 250 bps in FY16. The company has been maintaining higher margin among its peer group by bringing higher operating efficiency and supported by soft raw material prices. We believe that journey of improvement in consolidated EBITDA margin will continue at nearly 27.0% by FY18E on the back of maintaining tight control on cost of soda ash due to having own lignite mines with significant command on captive source on some raw material i.e., salt and limestone and increase capacity utilization in textile division to get benefit from windmill project in the form of low utility cost which will be commissioned by FY17E.

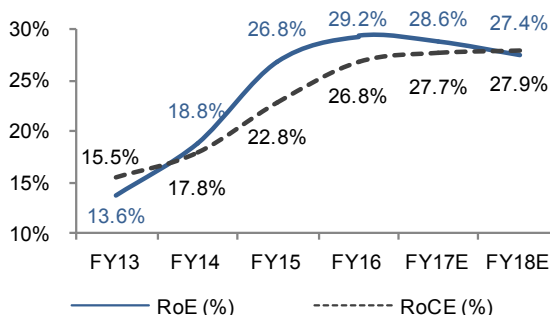
Exhibit 23: PAT vs PAT Margin



Source: Company, Karvy Research

PAT has shown a robust growth of 41.0% to Rs. 2565 Mn in FY16 from Rs. 1819 Mn in FY15 supported by remarkable performance done by both segments. We believe that it will grow at CAGR of 22.8% during FY16-18E.

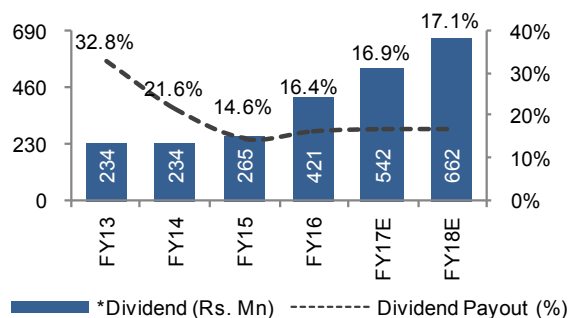
Exhibit 24: RoE Vs RoCE (%)



Source: Company, Karvy Research

GHCL has delivered healthy return on capital employed in last two years. The company reported 26.8% RoCE and 29.2% RoE, due to large capex on capacity expansion in FY16, we expect that RoCE to improve from 26.8% in FY16 to 27.9% in FY18E aided by 22.8% CAGR in net profit during FY18E and management is aiming at reducing its debt which will ultimately be resulted into improvement in RoE & RoCE.

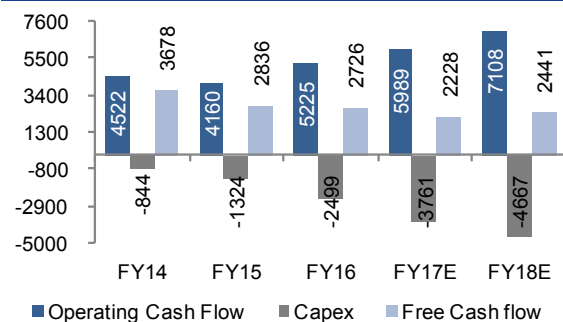
Exhibit 25: Dividend & Dividend payout



Source: Company, Karvy Research, * Includes Dividend Distribution Tax

The company has consistently been paying dividend to its shareholders and dividend payout has been in the range of 15% to 20% for last five years and is expected to maintain in the same range going forward. The company has good track record of regularly paying dividends to its shareholders and dividend yield works out at 3.0% in FY16.

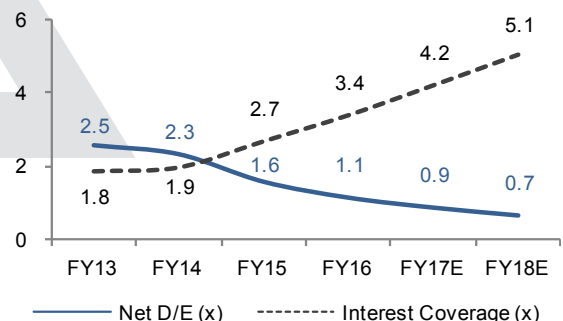
Exhibit 26: Operating Cash Flow & Free Cash Flow (Rs. Mn)



Source: Company, Karvy Research

Operating Cash Flow & Free Cash Flow have been volatile during last five years on account of incurring capex in the past. Expansion of profitability has led to consistent growth of CFO & FCF during FY12-16. We expect the same trend to continue in forthcoming years wherein CFO & FCF may grow to Rs. 7108 Mn & Rs. 2441 Mn levels respectively in FY18E.

Exhibit 27: Net Debt / Equity and Interest Coverage



Source: Company, Karvy Research

The expansion activities were largely done through debt funding. The present net debt/equity stands at 1.1x in FY16. The company, with the help of its consistent internal accruals, is expected to keep its net debt to equity ratio at levels below 1x in upcoming years from existing levels.

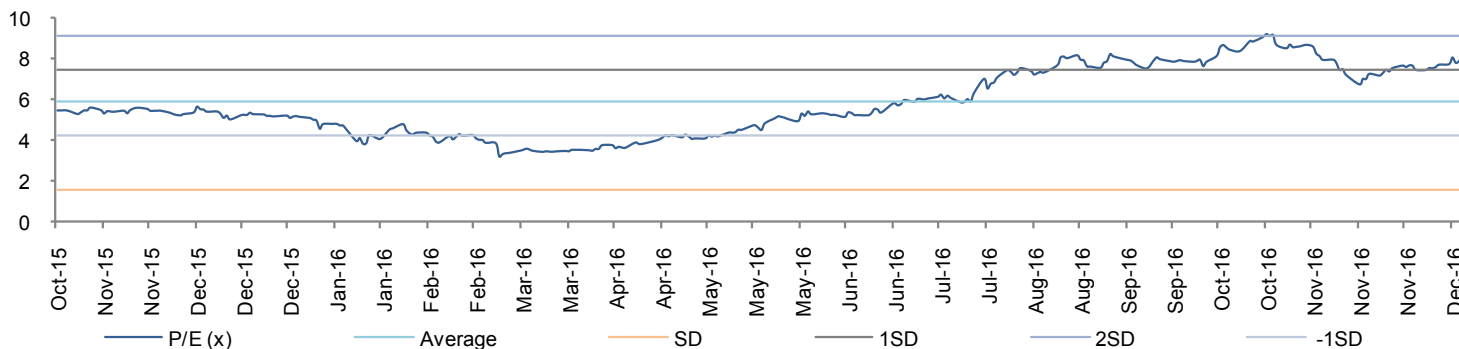
Exhibit 28: Company Snapshot (Ratings)

	Low	1	2	3	4	High
Quality of Earnings					✓	
Domestic Sales				✓		
Exports				✓		
Net Debt/Equity				✓		
Working Capital Requirement				✓		
Quality of Management					✓	
Depth of Management					✓	
Promoter				✓		
Corporate Governance					✓	

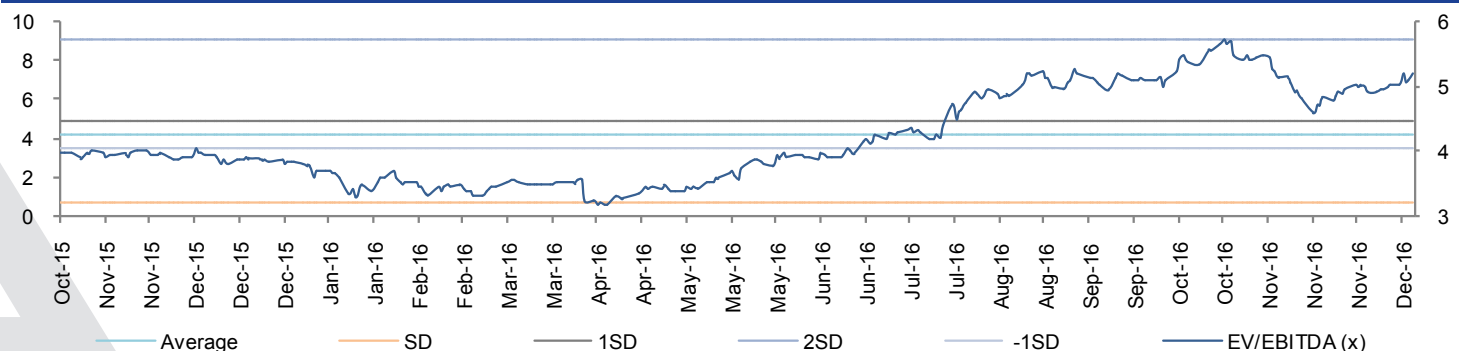
Source: Company, Karvy Research

Valuation & Outlook

The company is poised for exponential growth in the forthcoming years on the back of continued profitability growth, capacity utilization, debt reduction, healthy balance sheet and return ratios. We initiate coverage on GHCL Ltd assigning P/E multiple of 8.0x to FY18E EPS which gives the target price of Rs.304 reflecting to 27% upside with **“BUY”** recommendation for the period of 12-15 months.

Exhibit 29: PE Band


Source: BSE, Karvy Research

Exhibit 30: EV/EBITDA


Source: BSE, Karvy Research

Exhibit 31(a): Comparative Valuation Summary

	CMP (Rs.)	Mcap (Rs. Mn)	EV/EBITDA (x)				P/E (x)				EPS (Rs.)			
			FY15	FY16	FY17E	FY18E	FY15	FY16	FY17E	FY18E	FY15	FY16	FY17E	FY18E
GHCL LTD	240	24015	3.4	3.6	4.9	4.3	3.4	4.5	7.5	6.2	18.3	25.8	32.0	38.7
Tata Chemical Ltd	487	124117	7.4	7.9	9.1	8.6	19.0	12.2	12.6	10.6	23.4	30.6	37.9	45.0

Source: Bloomberg, Karvy Research

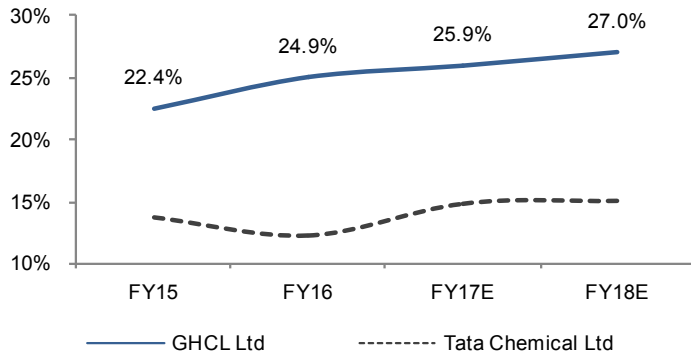
Exhibit 31(b): Comparative Operational Metrics Summary

	CAGR % (FY15-17E)			RoE (%)				Price Perf (%)			Net Sales (Rs. Mn)			
	Sales	EBITDA	EPS	FY15	FY16	FY17E	FY18E	3m	6m	12m	FY15	FY16	FY17E	FY18E
GHCL LTD	7.4	11.7	22.5	26.8	29.2	28.6	27.4	(5.1)	39.1	79.9	23736	25590	27383	29528
Tata Chemical Ltd	(4.1)	6.3	21.3	10.7	13.2	14.1	14.7	(12.0)	14.1	24.5	172045	177081	156357	162918

Source: Bloomberg, Karvy Research

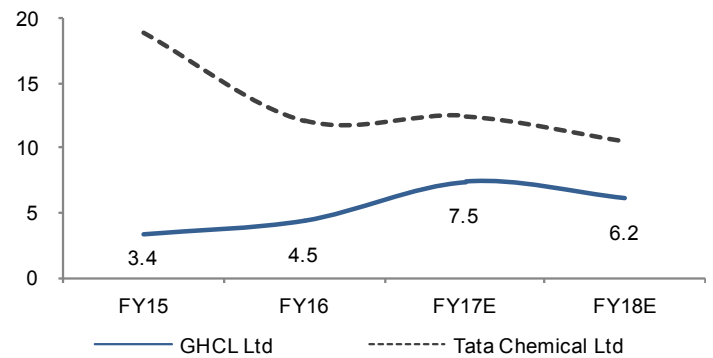
Peer Comparison

Exhibit 32: EBITDA Margin (%)



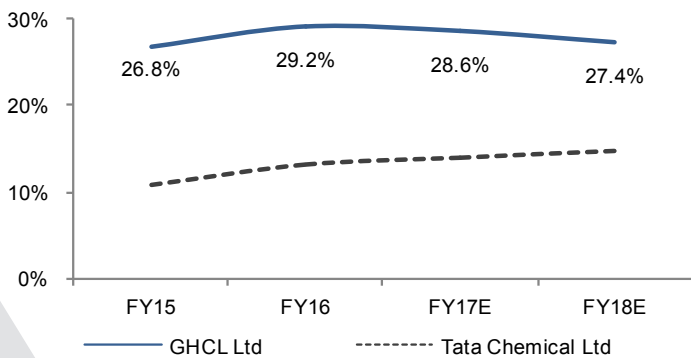
Source: Bloomberg, Karvy Research

Exhibit 33: P/E (x)



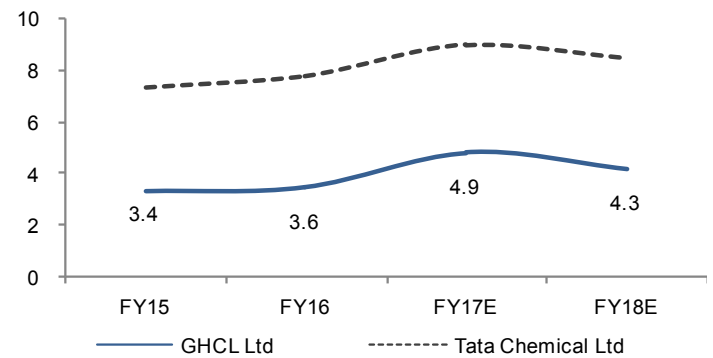
Source: Bloomberg, Karvy Research

Exhibit 34: RoE (%)



Source: Bloomberg, Karvy Research

Exhibit 35: EV/EBITDA (x)



Source: Bloomberg, Karvy Research

Key Risks

- Stiff competition.
- Fx-fluctuations.
- Non-availability of anti-dumping duty after July 2017E.

Financials

Exhibit 36: Income Statement

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Revenues	22476	23736	25590	27383	29528
Growth (%)	(1.2)	5.6	7.8	7.0	7.8
Operating Expenses	18106	18408	19205	20283	21562
EBITDA	4370	5328	6385	7100	7965
Growth (%)	5.2	21.9	19.8	11.2	12.2
Depreciation & Amortization	817	849	817	869	970
Other Income	50	113	54	83	79
EBIT	3567	4547	5570	6251	7018
Interest Expenses	1832	1704	1644	1484	1387
PBT	1735	2842	3926	4767	5631
Tax	340	749	1226	1532	1762
Adjusted PAT	1085	1819	2565	3205	3869
Growth (%)	52.1	67.6	41.0	24.9	20.7

Source: Company, Karvy Research

Exhibit 37: Balance Sheet

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Cash & Cash Equivalents	417	339	427	207	373
Trade Receivables	3812	2443	1924	2277	2253
Inventories	5439	4874	5033	5463	4975
Loans & Advances	1574	1429	1242	1120	1212
Investments	75	15	16	17	18
Net Block	18818	19409	20861	23752	27450
Other Asset	5	5	4	4	5
Total Assets	30141	28514	29507	32839	36286
Current Liabilities & Provisions	5977	4370	3785	4802	5157
Debt	13902	12379	11665	11160	10856
Other Liabilities	4389	4064	4200	4358	4546
Total Liabilities	24268	20813	19650	20320	20559
Shareholders Equity	1000	1000	1000	1000	1000
Reserves & Surplus	4873	6701	8857	11519	14727
Total Networth	5873	7702	9857	12520	15727
Total Networth & Liabilities	30141	28514	29507	32839	36286

Source: Company, Karvy Research

Exhibit 38: Cash Flow Statement

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
PBT	1735	2842	3926	4767	5631
Depreciation	817	849	817	869	970
Finance Costs	1834	1713	1664	1484	1387
Tax Paid	(374)	(624)	(986)	(1532)	(1762)
Inc/dec in Net WC	243	(580)	(93)	514	962
Other Income	265	(41)	31	(83)	(79)
Other non cash items	2	1	(135)	(31)	(0)
Cash flow from operating activities	4522	4160	5225	5989	7108
Inc/dec in capital expenditure	(844)	(1324)	(2499)	(3761)	(4667)
Inc/dec in investments	(6)	41	3	(1)	(1)
Others	(317)	9	6	83	79
Cash flow from investing activities	(1167)	(1274)	(2491)	(3679)	(4589)
Changes in Debt	(1139)	(1069)	(714)	(504)	(304)
Dividend paid	(233)	(234)	(268)	(542)	(662)
Interest paid	(1856)	(1661)	(1664)	(1484)	(1387)
Cash flow from financing activities	(3228)	(2964)	(2647)	(2530)	(2353)
Net change in cash	126	(78)	87	(220)	166

Source: Company, Karvy Research

Exhibit 39: Key Ratios

YE Mar	FY14	FY15	FY16	FY17E	FY18E
EBITDA Margin (%)	19.4	22.4	24.9	25.9	27.0
EBIT Margin (%)	15.9	19.2	21.8	22.8	23.8
Net Profit Margin (%)	4.8	7.7	10.0	11.7	13.1
Dividend Payout Ratio (%)	18.5	12.0	13.6	14.0	14.2
Net Debt/Equity (x)	2.3	1.6	1.1	0.9	0.7
RoE (%)	18.8	26.8	29.2	28.6	27.4
RoCE (%)	17.8	22.8	26.8	27.7	27.9

Source: Company, Karvy Research

Exhibit 40: Valuation Parameters

YE Mar	FY14	FY15	FY16	FY17E	FY18E
EPS (Rs.)	10.8	18.3	25.8	32.0	38.7
DPS (Rs.)	2.0	2.2	3.5	4.5	5.5
BVPS (Rs.)	58.7	77.0	98.5	125.2	157.2
PE (x)	3.1	3.4	4.5	7.5	6.2
P/BV (x)	0.6	0.8	1.2	1.9	1.5
EV/EBITDA (x)	3.9	3.4	3.6	4.9	4.3
EV/Sales (x)	0.8	0.8	0.9	1.3	1.2

Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price

Stock Ratings	Absolute Returns
Buy	: > 15%
Hold	: 5-15%
Sell	: <5%

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