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# VIP Industries Ltd.

4QFY19 Result: Estimate(↓), TP(↓), Rating(↑) Regular Coverage

Absolute : LONG  
Relative : OVERWEIGHT  
19% ATR in 11 months

Volume growth remains strong; expect solid profit growth in 2HFY20 – revise to LONG

Luggage

VIP's 4QFY19 revenues grew 20% yoy to ~Rs 4.35bn, slightly below EE, with strong volume growth of 25% yoy. Consolidated EBIDTA slid 27% yoy to Rs 396mn, sharply below EE, while EBIDTA margins plunged 588bps yoy to 9.1% (-144bps vs. EE) on higher-priced inventory and product mix changes. We believe profit growth in 1HFY20 would be muted as the 1QFY18 base effect plays out and higher-priced inventory hurts margins. We however expect strong profit growth in 2HFY20 as recent currency appreciation benefits kick in and the Bangladesh facility yields further gains. We broadly maintain FY20/FY21 EBITDA estimates. Despite expectations of muted profitability for the next 1-2 quarters, we revise VIP to LONG (from ADD) on strong profit growth likely from 2HFY20. Our Mar'20 TP of Rs 500 (Rs 523 earlier) is set at a 40x TTM EPS of Rs 12.5.

**Volume growth remains strong, esp. in lower priced products:** Sales grew 20% yoy to Rs 4.35bn, 2% below EE on 25% yoy volume growth. Healthy growth was seen across brands and trade channels. *Aristocrat* continued to see the highest growth across brands as the lower-priced segment remains the fastest growing in the industry. The VIP brand is being relaunched during the current quarter with strong advertising support; the brand is expected to do well during FY20. Besides, backpacks continue to see strong growth while sales of hard luggage, especially polycarbonate bags, have been picking up. We expect VIP to post strong sales growth in FY20E led by preference for branded products and higher number of wedding days vis-à-vis FY19; hence, we broadly maintain our sales estimates for the year.

**Gross margins lower, working capital increases sharply:** Consolidated gross margins stood at 47.5%, down 713bps yoy and 22bps qoq. Gross margins were hit by higher prices of imported products due to INR depreciation and import duty hikes. We believe gross margins would improve in 2HFY20 as higher-priced inventory is phased out and price hikes come into play. EBIDTA margins slid 588bps yoy to 9.1%, 144bps below EE. Working capital increased significantly on account of (a) VIP being stuck with inventory of soft luggage and (b) higher receivables due to payment delays from CSD. Inventory increased from Rs 3.2bn to Rs 5.3bn while debtors from Rs 1.8bn to Rs 3bn. Debtor days are likely to improve during 1QFY20 while inventory will take 4-5 months for normalization.

**Bangladesh capacity to be further scaled up to reduce currency risks:** During FY19, VIP doubled its Bangladesh capacity (~10% of volumes). The company is looking to further double the capacity during FY20. We believe that increasing capacity in Bangladesh is a good move and would aid margins going into FY21E.

**Key risks:** RM cost inflation, lower demand and currency volatility.

## Estimate Revision

(Rs mn)	Forecasts		% Change	
	FY20E	FY21E	FY20E	FY21E
Sales	21,183	24,736	0%	-1%
EBITDA	2,777	3,365	0%	-1%
EPS	12.5	15.7	-4%	-3%

## Consolidated Financials

Rs. Mn YE Mar	FY19A	FY20E	FY21E	FY22E
Sales	17,846	21,183	24,736	28,364
EBITDA	2,247	2,777	3,365	3,961
Depreciation	166	192	211	232
Interest Expense	15	42	0	0
Other Income	83	79	136	156
Reported PAT	1,452	1,768	2,212	2,613
Recurring PAT	1,453	1,768	2,212	2,613
Total Equity	5,814	6,732	7,923	9,346
Gross Debt	862	0	0	0
Cash	142	1,049	1,536	2,293
Rs Per Share	FY19A	FY20E	FY21E	FY22E
Earnings	10.3	12.5	15.7	18.5
Book Value	41	48	56	66
Dividends	4.0	5.0	6.0	7.0
FCFF	-8.3	19.8	10.7	13.8
P/E (x)	41.9	34.4	27.5	23.3
P/B (x)	10.5	9.0	7.7	6.5
EV/EBITDA (x)	27.4	21.5	17.6	14.8
ROE (%)	27 %	28 %	30 %	30 %
Core ROIC (%)	26 %	27 %	32 %	34 %
EBITDA Margin (%)	13 %	13 %	14 %	14 %
Net Margin (%)	8 %	8 %	9 %	9 %

Rating Information	
Price (Rs)	430
Target Price (Rs)	500
Target Date	31st Mar'20
Target Set On	7th May'19
Implied yrs of growth (DCF)	20
Fair Value (DCF)	347
Fair Value (DDM)	162
Ind Benchmark	SPBSMIP
Model Portfolio Position	No

Stock Information	
Market Cap (RsMn)	60,788
Free Float (%)	46.5 %
52 Wk H/L (Rs)	647/365.1
Avg Daily Volume (1yr)	5,75,243
Avg Daily Value (RsMn)	271
Equity Cap (RsMn)	283
Face Value (Rs)	2
Bloomberg Code	VIP IN

Ownership	Recent	3M	12M
Promoters	53.5%	0.0%	1.0%
DII	8.1%	0.7%	-4.8%
FII	10.5%	-1.6%	2.3%
Public	27.9%	0.9%	1.5%

Price %	1M	3M	12M
Absolute	-3.9%	7.9%	38.3%
Vs Industry	1.4%	11.4%	52.2%
Samsonite (USD)	0.0%	8.8%	-27.0%
TUMI Inc (USD)	NA	NA	NA

Standalone Quarterly EPS forecast				
Rs/Share	1Q	2Q	3Q	4Q
EPS (19A)	4.2	2.2	1.4	1.3
EPS (20E)	3.6	2.0	2.7	2.7



## Quarterly performance, consolidated

	4QFY19	4QFY19E	3QFY19	4QFY18	% Change			Comments
					4QFY19E	3QFY19	4QFY18	
Net Sales	4,350	4,460	4,301	3,626	-2%	1%	20%	In line with EE
Cost of Materials Consumed	16	714	102	-73	-98%	-85%	-121%	
Purchases of Stock - in - Trade	2,267	1,599	2,146	1,718	42%	6%	32%	
Employee Benefit Expenses	551	545	534	423	1%	3%	30%	
Other Expenses	1,120	1,133	1,142	1,016	-1%	-2%	10%	
Total Expenditures	3,954	3,990	3,924	3,083	-1%	1%	28%	
<b>EBITDA</b>	<b>396</b>	<b>470</b>	<b>377</b>	<b>543</b>	<b>-16%</b>	<b>5%</b>	<b>-27%</b>	Below EE
Depreciation	47	38	44	35	22%	6%	34%	
<b>EBIT</b>	<b>349</b>	<b>432</b>	<b>333</b>	<b>508</b>	<b>-19%</b>	<b>5%</b>	<b>-31%</b>	
Interest	7	1	7	1	463%	-4%	438%	
Other Income	20	33	28	24	-41%	-30%	-16%	
<b>PBT</b>	<b>362</b>	<b>464</b>	<b>354</b>	<b>531</b>	<b>-22%</b>	<b>2%</b>	<b>-32%</b>	
Tax	109	151	116	180	-28%	-6%	-39%	
<b>PAT before MI &amp; Associates</b>	<b>253</b>	<b>313</b>	<b>238</b>	<b>351</b>	<b>-19%</b>	<b>6%</b>	<b>-28%</b>	
Minority Interest	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	
Profit from Assoc.	0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	
<b>Recurring PAT</b>	<b>253</b>	<b>313</b>	<b>238</b>	<b>351</b>	<b>-19%</b>	<b>6%</b>	<b>-28%</b>	Below EE
Extraordinaries	21	0	35	6	#DIV/0!	-40%	239%	
Reported PAT	232	313	203	344	-26%	14%	-33%	
EPS (Rs)	1.8	2.2	1.7	2.5	-19%	6%	-28%	
<b>EBITDA Margin</b>	<b>9.1%</b>	<b>10.5%</b>	<b>8.8%</b>	<b>15.0%</b>	<b>-144 bps</b>	<b>33 bps</b>	<b>-588 bps</b>	Below EE
<b>EBIT Margin</b>	<b>8.0%</b>	<b>9.7%</b>	<b>7.7%</b>	<b>14.0%</b>	<b>-165 bps</b>	<b>28 bps</b>	<b>-599 bps</b>	
<b>PBT Margin</b>	<b>8.3%</b>	<b>10.4%</b>	<b>8.2%</b>	<b>14.6%</b>	<b>-208 bps</b>	<b>8 bps</b>	<b>-631 bps</b>	
<b>PAT Margin</b>	<b>5.3%</b>	<b>7.0%</b>	<b>4.7%</b>	<b>9.5%</b>	<b>-169 bps</b>	<b>61 bps</b>	<b>-417 bps</b>	
<b>Tax Rate</b>	<b>30.1%</b>	<b>32.6%</b>	<b>32.7%</b>	<b>33.9%</b>	<b>-241 bps</b>	<b>-258 bps</b>	<b>-378 bps</b>	

## Earnings call takeaways

- Volume growth during qtr stood at 25%. Lower priced brands were sold more in 4Q.
- Management indicated that VIPI is taking actions to arrest the drop in margins by taking a price hike in 1QFY20 across brands and channels, further negotiating with Chinese suppliers to reduce FOB cost and changing the product mix.
- Change in product mix, depreciation of rupee against USD and increase in customs duty were the main reasons for drop in margins on yoy basis.
- VIPI took price hike of 2% across select brands and SKUs in Mar'19.
- FY19 Bangladesh operations Sales/ PAT stood at Rs 1.29bn/Rs 175mn
- VIPI's Inventory shot up for FY19 as management overestimated sales and product mix changed during the year towards hard luggage. This would be brought back under control in coming quarters
- Debtor days also shot up significantly in FY19 as CSD stopped payments for the full year.
- A&P spends have not increased significantly in FY19.
- Skybags backpacks maintained growth momentum in 4QFY19
- VIPI grew in line with industry during FY19.
- VIPI has made progress towards selling of higher priced inventory which it had acquired previously and the whole higher priced inventory would be absorbed by end of 1QFY20.
- The VIP brand relaunch campaign has been well received. The focus now is to shore up VIP brand sales which would in turn help VIPI to improve margins
- There was a fire at VIPI warehouse two weeks ago. Management stated that it is far too early to know the extent of losses and it is fully insured on those stocks.
- Competition did not take any price hike in FY19
- Management expects the Bangladesh growth rate to continue in FY20.
- Overall, the company has about 1,500 SKUs.

## Company Snapshot

### How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY20E	12.5	13.2	-5 %	We expect margins to be subdued in 1HFY20.
	FY21E	15.7	17.2	-9 %	
Sales	FY20E	21,183	21,536	-2 %	
	FY21E	24,736	25,786	-4 %	
PAT	FY20E	1,768	1,869	-5 %	
	FY21E	2,212	2,432	-9 %	

### Key Estimates (Consolidated):

(Rs. Mn)	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Sales	12,515	14,096	17,846	21,183	24,736	28,364
Sales growth (%)	3%	13%	27%	18.7%	17%	15%
EBITDA	1,323	1,934	2,247	2,777	3,365	3,961
EBITDA Margin (%)	10.6%	13.7%	12.6%	13.1%	13.6%	14.0%
PAT	830	1,268	1,452	1,768	2,212	2,613
PAT Margin (%)	6.8%	9.0%	8.1%	8.3%	8.9%	9.2%

### Risk to Our View:

- Dependency on China for sourcing of soft luggage.
- Intense competition from Samsonite will put pressure on any price hike.
- Appreciation of Chinese Yuan and depreciation of the Indian Rupee may adversely impact the company's margins.
- Increase in raw material prices.
- Delay in payments by CSD.

### Key Triggers

- Stable raw material prices and INR appreciation.
- Increasing demand for premium products.

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

### DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.8 %	1.0	13.8 %	3.0 %	0.0 %

	FY20E	FY21E	FY22-29E	FY30-34E	FY35-39E
Sales Growth	19 %	17 %	13 %	8 %	6 %
NOPAT Margin	8 %	9 %	13 %	11 %	10 %
IC Turnover	3.41	3.53	3.65	3.65	3.65
RoIC	27.3 %	32.1 %	51.3 %	43.6 %	37.9 %

Years of strong growth	1	2	10	15	20
Valuation as on date (Rs)	100	117	313	292	309
Valuation as of Mar'20	113	131	351	328	347

Based on DCF, assuming 20 years of 12.9% CAGR growth and 45% average ROIC, we derive our current fair value of Rs 309 and a Mar'20 fair value of Rs 347.

**Company Description:** Headquartered in Mumbai, VIP Industries is in the business of plastic-moulded suitcases, handbags, briefcases, vanity cases and luggage. The company offers its products primarily under the VIP, Carlton, Footloose, Alfa, Aristocrat, Skybags, and Buddy brands.

Comparable valuation		Mkt Cap	Price	Target	EPS			P/E			BPS	P/B	RoE		Div Yield		
Company	Reco.	Rs. Mn.	Target	Date	FY19A	FY20E	FY21E	FY19A	FY20E	FY21E	FY19A	FY20E	FY19A	FY20E	FY21E	FY19A	FY20E
VIP Ind. (Rs Mn)	LONG	430	500	31st Mar'20	10.3	12.5	15.7	41.9	34.4	27.5	41.1	9.0	27 %	28 %	30 %	0.9 %	1.2 %
Samsonite (USD)	NR	3	NR	NR	-	0.2	0.2	-	13.8	12.4	-	3.3	13 %	17 %	16 %	-	1.1 %
TUMI Inc (USD)	NR	-	NR	NR	0.9	1.0	1.0	-	-	-	7.6	-	13 %	-	-	-	-



Standalone Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	FY19A	FY20E	FY21E	FY22E
Revenue	5,178	4,018	4,301	4,348	6,143	4,766	5,126	5,147	7,173	5,318	6,184	6,060	17,844	21,183	24,736	28,364
Cost of Materials Consumed	953	59	-150	-211	1,014	739	738	741	1,040	771	897	879	574	3,232	3,587	4,113
Purchases of Stock - in - Trade	1,717	2,062	2,539	2,660	2,426	1,906	2,050	2,059	2,912	2,159	2,511	2,460	8,978	8,442	10,043	11,516
Employee Benefit Expenses	408	457	489	501	522	534	528	540	560	628	618	606	1,854	2,124	2,412	2,708
Other Expenses	1,190	970	1,104	1,088	1,382	1,120	1,210	1,215	1,578	1,250	1,422	1,430	4,426	4,927	5,680	6,489
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	910	470	319	310	799	467	600	592	1,083	511	736	685	2,013	2,457	3,014	3,538
Depreciation	30	31	32	35	35	35	35	37	37	37	37	40	127	142	151	160
EBIT	881	439	286	275	764	432	565	555	1,046	474	699	645	1,886	2,315	2,863	3,378
Interest	0	0	7	7	18	18	7	0	0	0	0	0	15	42	0	0
Other Income	23	31	27	20	15	12	26	26	39	29	34	33	95	79	136	156
PBT	903	469	306	288	761	426	583	581	1,086	503	733	678	1,966	2,352	2,999	3,534
Tax	305	159	110	104	259	145	198	197	369	171	249	231	678	800	1,020	1,202
Recurring PAT	599	310	196	184	502	281	385	383	717	332	484	448	1,288	1,552	1,980	2,332
Extraordinary	1	0	5	7	0	0	0	0	0	0	0	0	12	0	0	0
Reported PAT	598	310	191	176	502	281	385	383	717	332	484	448	1,276	1,552	1,980	2,332
EPS (Rs)	4.24	2.20	1.38	1.30	3.56	1.99	2.72	2.71	5.07	2.35	3.42	3.17	9.11	10.98	14.01	16.50
<b>Key Drivers</b>																
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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<b>Sequential Growth (%)</b>																
Revenue	43 %	-22 %	7 %	1 %	41 %	-22 %	8 %	0 %	39 %	-26 %	16 %	-2 %	-	-	-	-
Cost of Materials Consumed	-589 %	-94 %	-353 %	41 %	-581 %	-27 %	0 %	0 %	40 %	-26 %	16 %	-2 %	-	-	-	-
EBITDA	79 %	-48 %	-32 %	-3 %	158 %	-42 %	28 %	-1 %	83 %	-53 %	44 %	-7 %	-	-	-	-
EBIT	84 %	-50 %	-35 %	-4 %	178 %	-43 %	31 %	-2 %	89 %	-55 %	48 %	-8 %	-	-	-	-
Recurring PAT	85 %	-48 %	-37 %	-6 %	174 %	-44 %	37 %	0 %	87 %	-54 %	46 %	-7 %	-	-	-	-
EPS	85 %	-48 %	-37 %	-6 %	174 %	-44 %	37 %	0 %	87 %	-54 %	46 %	-7 %	-	-	-	-
<b>Yearly Growth (%)</b>																
Revenue	30 %	30 %	27 %	20 %	19 %	19 %	19 %	18 %	17 %	12 %	21 %	18 %	27 %	19 %	17 %	15 %
EBITDA	59 %	35 %	-14 %	-39 %	-12 %	-1 %	88 %	91 %	36 %	9 %	23 %	16 %	12 %	22 %	23 %	17 %
EBIT	61 %	35 %	-16 %	-42 %	-13 %	-2 %	97 %	102 %	37 %	10 %	24 %	16 %	11 %	23 %	24 %	18 %
Recurring PAT	58 %	28 %	-19 %	-43 %	-16 %	-9 %	97 %	109 %	43 %	18 %	26 %	17 %	9 %	20 %	28 %	18 %
EPS	58 %	28 %	-19 %	-43 %	-16 %	-9 %	97 %	109 %	43 %	18 %	26 %	17 %	9 %	20 %	28 %	18 %
<b>Margin (%)</b>																
EBITDA	18 %	12 %	7 %	7 %	13 %	10 %	12 %	12 %	15 %	10 %	12 %	11 %	11 %	12 %	12 %	12 %
EBIT	17 %	11 %	7 %	6 %	12 %	9 %	11 %	11 %	15 %	9 %	11 %	11 %	11 %	11 %	12 %	12 %
PBT	17 %	12 %	7 %	7 %	12 %	9 %	11 %	11 %	15 %	9 %	12 %	11 %	11 %	11 %	12 %	12 %
PAT	12 %	8 %	5 %	4 %	8 %	6 %	8 %	7 %	10 %	6 %	8 %	7 %	7 %	7 %	8 %	8 %



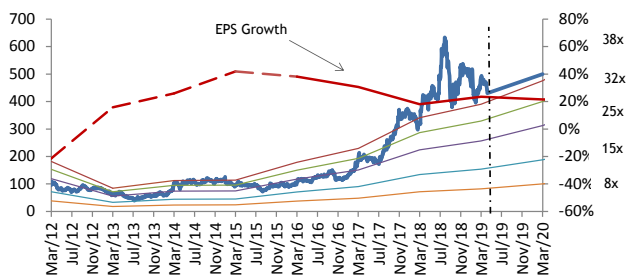
Consolidated Financials

P&L (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Revenue	17,846	21,183	24,736	28,364
Op. Expenditure	15,599	18,405	21,371	24,403
EBITDA	2,247	2,777	3,365	3,961
Depreciation	166	192	211	232
EBIT	2,081	2,585	3,154	3,729
Interest Expense	15	42	0	0
Other Income	83	79	136	156
PBT	2,149	2,622	3,290	3,885
Tax	697	854	1,078	1,272
PAT bef. MI & Assoc.	1,453	1,768	2,212	2,613
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	1,453	1,768	2,212	2,613
Extraordinaires	1	0	0	0
Reported PAT	1,452	1,768	2,212	2,613
FDEPS (Rs)	10.3	12.5	15.7	18.5
DPS (Rs)	4.0	5.0	6.0	7.0
CEPS (Rs)	11.5	13.9	17.1	20.1
FCFPS (Rs)	-8.3	19.8	10.7	13.8
BVPS (Rs)	41.1	47.6	56.1	66.1
EBITDAM (%)	13 %	13 %	14 %	14 %
PATM (%)	8 %	8 %	9 %	9 %
Tax Rate (%)	32 %	33 %	33 %	33 %
Sales Growth (%)	27 %	19 %	17 %	15 %
FDEPS Growth (%)	15 %	22 %	25 %	18 %

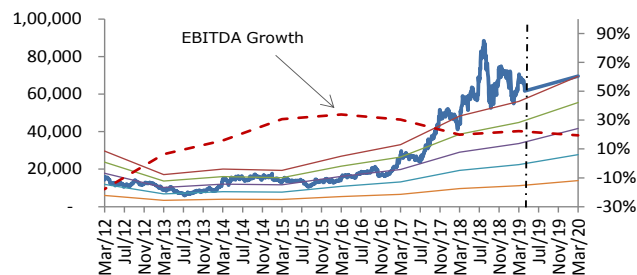
Balance Sheet (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Equity Capital	283	283	283	283
Reserve	5,531	6,449	7,641	9,063
Networth	5,814	6,732	7,923	9,346
Long Term Debt	862	0	0	0
Def Tax Liability	144	0	0	0
Minority Interest	0	0	0	0
Account Payables	3,184	3,202	3,638	4,174
Other Curr Liabi	707	839	980	1,124
Total Liabilities & Equity	10,711	10,773	12,542	14,643
Net Fixed Assets	1,145	1,253	1,342	1,410
Capital WIP	57	0	0	0
Others	435	392	292	192
Inventory	5,274	4,701	5,557	6,372
Account Receivables	2,986	2,786	3,050	3,497
Other Current Assets	671	592	765	879
Cash	142	1,049	1,536	2,293
Total Assets	10,711	10,773	12,542	14,643
Non-cash Working Capital	5,040	4,037	4,753	5,450
Cash Conv Cycle	103.1	69.6	70.1	70.1
WC Turnover	3.5	5.2	5.2	5.2
FA Turnover	14.8	16.9	18.4	20.1
Net D/E	0.1	-0.2	-0.2	-0.2
Revenue/Capital Employed	3.0	3.1	3.4	3.3
Capital Employed/Equity	1.1	1.1	1.0	1.0

Cash Flow (Rs Mn)	FY19A	FY20E	FY21E	FY22E
PBT	2,149	2,622	3,290	3,885
Depreciation	166	192	211	232
Others	-1	0	0	0
Taxes Paid	697	854	1,078	1,272
Change in WC	-2,117	1,003	-716	-697
Operating C/F	-499	2,963	1,707	2,148
Capex	-608	-445	-200	-200
Change in Invest	-80	245	0	0
Others	0	0	0	0
Investing C/F	-688	-200	-200	-200
Change in Debt	862	-862	0	0
Change in Equity	152	0	0	0
Others	-635	-995	-1,021	-1,191
Financing C/F	378	-1,856	-1,021	-1,191
Net change in cash	-809	907	487	757
RoE (%)	27 %	28 %	30 %	30 %
RoIC (%)	25 %	27 %	30 %	30 %
Core RoIC (%)	26 %	27 %	32 %	34 %
Div Payout (%)	47 %	48 %	46 %	46 %
P/E	41.9	34.4	27.5	23.3
P/B	10.5	9.0	7.7	6.5
P/FCFF	-51.6	21.8	40.3	31.2
EV/EBITDA	27.4	21.5	17.6	14.8
EV/Sales	3.5	2.8	2.4	2.1
Dividend Yield (%)	0.9 %	1.2 %	1.4 %	1.6 %

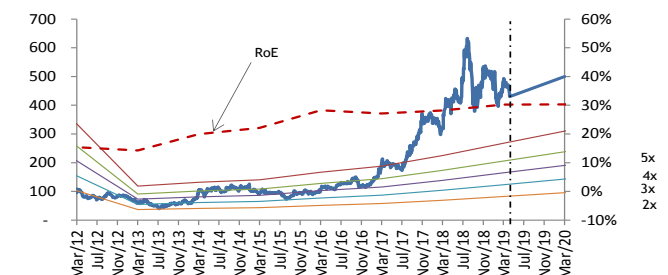
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



**Historical Consolidated Financials**

P&L (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Balance Sheet (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Cash Flow (Rs Mn)	FY16A	FY17A	FY18A	FY19A
Revenue	12,165	12,515	14,096	17,846	Equity Capital	283	283	283	283	PBT	951	1,256	1,895	2,149
Op. Expenditure	11,086	11,192	12,162	15,599	Reserve	3,337	3,796	4,608	5,531	Depreciation	142	136	129	166
EBITDA	1,079	1,323	1,934	2,247	Networth	3,619	4,079	4,891	5,814	Others	9	-41	-39	-1
Depreciation	142	136	129	166	Long Term Debt	143	0	0	862	Taxes Paid	266	388	640	697
EBIT	937	1,187	1,805	2,081	Def Tax Liability	69	91	99	144	Change in WC	-303	300	-486	-2,117
Interest Expense	12	7	3	15	Minority Interest	0	0	0	0	Operating C/F	534	1,264	859	-499
Other Income	26	76	93	83	Account Payables	1,606	1,454	2,125	3,184	Capex	-88	-82	-309	-608
PBT	951	1,256	1,895	2,149	Other Curr Liabi	400	464	611	707	Change in Invest	1	-679	-35	-80
Tax	287	404	628	697	Total Liabilities & Equity	5,837	6,087	7,727	10,711	Others	4	32	53	0
PAT bef. MI & Assoc.	665	852	1,268	1,453	Net Fixed Assets	651	596	761	1,145	Investing C/F	-84	-729	-291	-688
Minority Interest	0	0	0	0	Capital WIP	10	3	27	57	Change in Debt	-168	-143	0	862
Profit from Assoc.	0	0	0	0	Others	289	288	329	435	Change in Equity	0	0	0	152
Recurring PAT	665	852	1,268	1,453	Inventory	2,874	2,826	3,165	5,274	Others	-279	-370	-439	-635
Extraordinaires	0	22	17	1	Account Receivables	1,493	1,210	1,766	2,986	Financing C/F	-447	-513	-439	378
Reported PAT	665	830	1,251	1,452	Other Current Assets	439	379	728	671	Net change in cash	3	22	129	-809
EPS (Rs)	4.7	6.0	9.0	10.3	Cash	80	785	952	142	RoE (%)	20 %	22 %	28 %	27 %
DPS (Rs)	2.0	2.4	1.7	4.0	Total Assets	5,837	6,087	7,727	10,711	RoIC (%)	19 %	21 %	28 %	25 %
CEPS (Rs)	5.7	7.0	9.9	11.5	Non-cash Working Capital	2,801	2,497	2,923	5,040	Core RoIC (%)	18 %	22 %	31 %	26 %
FCFPS (Rs)	3.2	3.8	4.0	-8.3	Cash Conv Cycle	84.0	72.8	75.7	103.1	Div Payout (%)	51 %	41 %	22 %	47 %
BVPS (Rs)	25.6	28.9	34.6	41.1	WC Turnover	4.3	5.0	4.8	3.5	P/E	91.5	71.3	48.0	41.9
EBITDAM (%)	9 %	11 %	14 %	13 %	FA Turnover	18.4	20.9	17.9	14.8	P/B	16.8	14.9	12.4	10.5
PATM (%)	5 %	7 %	9 %	8 %	Net D/E	0.0	-0.2	-0.2	0.1	P/FCFF	132.6	112.7	106.7	-51.6
Tax Rate (%)	30 %	32 %	33 %	32 %	Revenue/Capital Employed	3.4	3.1	3.1	3.0	EV/EBITDA	56.5	45.5	31.0	27.4
Sales growth (%)	16 %	3 %	13 %	27 %	Capital Employed/Equity	1.1	1.0	1.0	1.1	EV/Sales	5.0	4.8	4.3	3.5
FDEPS growth (%)	57 %	28 %	49 %	15 %						Dividend Yield (%)	0.5 %	0.6 %	0.4 %	0.9 %

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

- LONG : Over the investment horizon, ATR  $\geq$  Ke for companies with Free Float market cap  $>$ Rs 5 billion and ATR  $\geq$  20% for rest of the companies
- ADD: ATR  $\geq$  5% but less than Ke over investment horizon
- REDUCE: ATR  $\geq$  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**

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

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