CCL Products (India) Ltd

Bloomberg Code: CCLP IN

India Research - Stock Broking

HOLD

Higher Profitability & Robust Cash flows

Largest Instant Coffee manufacturer and Exporter from India: CCL Products with production capacity of 38000 M.Ts. is one of the largest Indian Instant Coffee producers and exporters with 20000 M.Ts. (Spray Dried, Agglomerated Granulated and Freeze Dried) in India and 18000 M.Ts.(Spray Dried, Agglomerated Granulated and Liquid Coffee) abroad.

Ramp up in Capacity and Focus on Utilization levels: In India, it started with capacity of 3000 M.Ts. and gradually improved to 25000 M.Ts. and then to current capacity of 38000 M.Ts. in India, Vietnam and Switzerland in the last few years with no equity dilution and growth in RoE and RoCE. Capacity utilization rate is at 59% in FY15 and expected to grow to 62% in FY16E and to 69% in FY17E. RoE and RoCE which are currently at 24.3% and 23.9% are expected to grow to 28.3% and 34.0% respectively in FY17E. The back-to-back nature and pre-sale of contracts entered by the company would reach the targeted growth.

Sustainable Operating profit margins with tax benefits: The current operating profit margins(OPM), around 19%, are expected to sustain and improve by another 170 bps as capacity utilization levels improve. Along with the growth in capacity utilization, sustainable OPM and tax & duty benefits from the Vietnam plant are expected to boost the net profit to Rs 1278 mn and 1648 mn by FY16E & FY17E. The EPS for FY16E and for FY17E are expected to be at Rs 9.6 & Rs 12.4 respectively.

Low capex plans and Decrease in Debt levels on the books: The growth in Operating cash flow coupled with low capex plans are expected to strengthen the balance sheet of the company with decrease in net debt levels. The net debt-equity ratio is expected to decrease to 0.14 by the end of FY17E from current levels of 0.43.

Valuation and Outlook

At CMP of Rs 181, CCLP trades at 14.6x FY17E earnings. For the past 1 year, the stock is trading at an average 2 year forward PE of 13.5x. Given the sales CAGR of 18.5% in FY14-17E driven by growth in sales volume in its India & Vietnam operations, sound cash flows and healthy return ratios, the valuations appear to be reasonable and the company is fairly valued. We assign a **'HOLD'** rating for a price target of Rs 204 equivalent to 16.5x FY17E, arrived by mapping book value to 4.4 after discounting the future growth prospects, which represents an upside potential of 12.7%.

Key Risks

1. Competition from new players.
2. Currency fluctuations.
3. Change in tax structure.
4. Moderation in consumption

Exhibit 1: Valuation Summary (Rs. Mn)

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	6526	7168	8806	10144	11932
EBITDA	1256	1431	1712	2140	2638
EBITDA Margin (%)	19.2	20.0	19.4	21.1	22.1
Adj. Net Profit	475	644	940	1278	1648
EPS (Rs.)	3.6	4.8	7.1	9.6	12.4
RoE (%)	18.3	20.4	24.3	27.2	28.3
PE (x)	7.5	10.5	25.3	18.8	14.6

Source: Company, Karvy Research, Multiples for FY13, FY14 and FY15 are based on historic market price

Recommendation (Rs.)

CMP *(as on 30th Jun 2015)*	181
Target Price	204
Upside (%)	12.7

Stock Information

Mkt Cap (Rs.mn/US$ mn)	24073 / 382
52-wk High/Low (Rs.)	222 / 65
3M Avg. daily volume (mn)	0.3
Beta (x)	0.9
Sensex/Nifty	27780 / 8368
O/S Shares(mn)	133.0
Face Value (Rs.)	2.0

Shareholding Pattern (%)

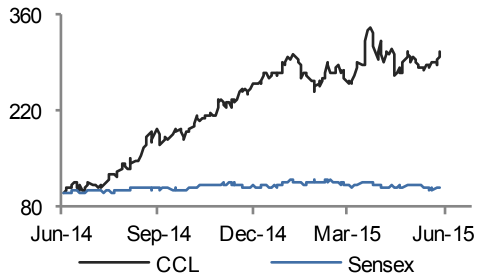
Promoters	44.5
FIIs	7.6
DIIs	9.9
Others	37.9

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	(0.5)	7	167
Relative to Sensex	1	0.5	6	143

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

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Company Financial Snapshot (Y/E Mar)

Profit & Loss (Rs. Mn)

	FY15	FY16E	FY17E
Net sales	8806	10144	11932
Optg. Exp (Adj for OI)	5553	6426	7482
EBITDA	1712	2140	2638
Depreciation	268	327	340
Interest	136	103	90
Other Income	30	37	45
PBT	1338	1747	2253
Tax	398	469	606
Adj. PAT	940	1278	1648
Profit & Loss Ratios			
EBITDA margin (%)	19.4	21.1	22.1
Net Profit margin (%)	10.6	12.6	13.8
P/E (x)	25.3	18.8	14.6
EV/EBITDA (x)	14.2	11.6	9.1
Dividend yield (%)	0.8	1.0	1.1

Source: Company, Karvy Research

Company Background

CCL Products India Ltd (CCLP) is one of the largest processors and exporters of soluble Instant Spray Dried Coffee Powder, Agglomerated/Granulated Coffee, Freeze Dried Coffee as well as Freeze Concentrated Liquid Coffee. CCLP uses global technology in processing low grade green coffee beans to produce high quality instant coffee at Guntur Plant (A.P., India) and Vietnam Plant-owned by step down subsidiary Ngon Coffee Company Ltd. Vietnam Plant has spray dried capacity of 10000 M.Ts. & 5000 M.Ts. liquid instant capacity plant. It also owns agglomeration plant in Switzerland with capacity of 3000 M.Ts. The domestic plant is an EOU (Export Oriented Unit) plant with capacity of 20000 M.Ts. to manufacture Spray dried, Agglomerated and Freeze Dried capacities. European and ASEAN demand is catered by its wholly owned subsidiaries Grandsaugreen, Switzerland and Ngon Coffee, Vietnam. CCLP brands are made available in various packs and exported to more than 67 countries across the globe providing more than 70 varieties and blends of coffee to its customers. Exports account for more than 90% of total revenue.

Balance sheet (Rs. Mn)

	FY15	FY16E	FY17E
Total Assets	**7617**	**7911**	**9100**
Net Fixed assets	3400	3873	3683
Current assets	3600	3864	5082
Other assets	83	91	101
Total Liabilities	**7617**	**7911**	**9100**
Networth	4215	5169	6487
Debt	1837	1223	950
Current Liabilities	2254	2065	2097
Deferred Tax	243	255	265
Balance Sheet Ratios			
RoE (%)	24.3	27.2	28.3
RoCE (%)	23.9	29.9	34.0
Net Debt/Equity	0.4	0.2	0.1
Equity/Total Assets	0.6	0.7	0.7
P/BV (x)	6.2	4.7	3.7

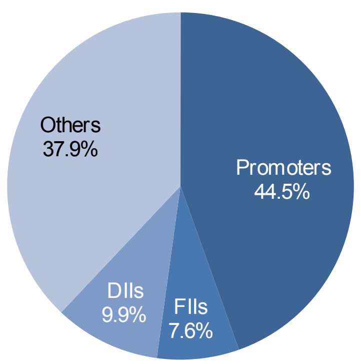
Source: Company, Karvy Research

Cash Flow (Rs.mn)

	FY15	FY16E	FY17E
PBT	1338	1747	2253
Depreciation	268	327	340
Interest (net)	136	103	90
Operating profit before WC changes	1786	2177	2683
Changes in WC	(298)	(240)	(508)
Interest paid on WC & LT Debt	(136)	(103)	(90)
Tax	398	469	606
CF from Operations	**965**	**1365**	**1480**
Capex	(179)	(350)	(300)
CF from Investing	**(179)**	**(350)**	**(300)**
Change in Equity	0	0	0
Debt	(567)	(626)	(283)
Dividends	(200)	(239)	(287)
CF from Financing	**(767)**	**(866)**	**(570)**
Change in Cash	19	150	610

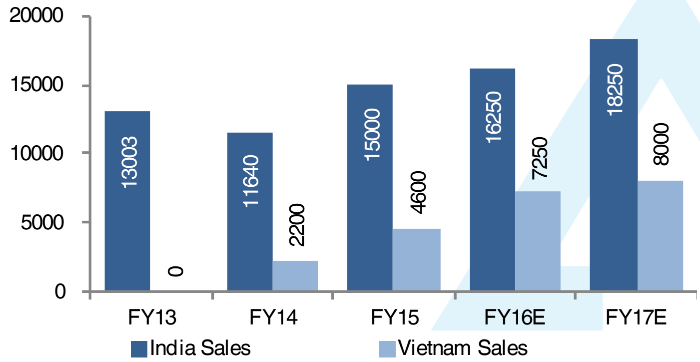
Source: Company, Karvy Research

Exhibit 2: Shareholding Pattern (%)



Source: Company, Karvy Research

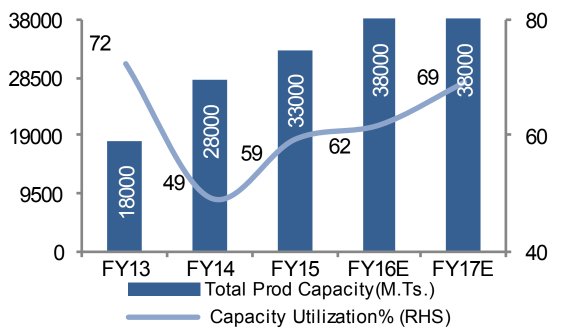
Exhibit 3: Revenue by Volume Segmentation (M.Ts.)



Source: Company, Karvy Research

Growth in Capacity Utilization & Strategic location of its Vietnam Plant to help in volumes and improve cash flows

Exhibit 4: Capacity Utilization



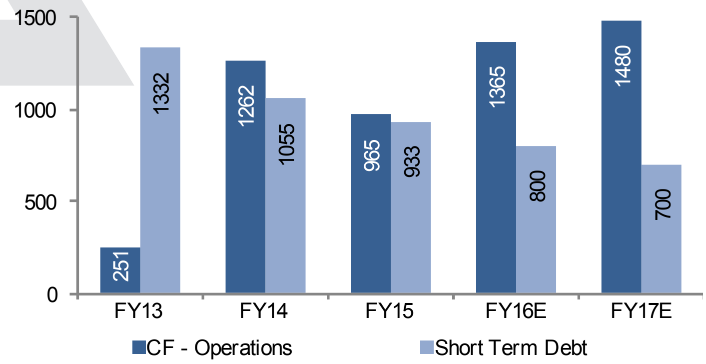
Source: Company, Karvy Research

New capacity of 5000 M.Ts.(Metric Tonnes) being added to the existing total production capacity of 15000 M.Ts. at the Andhra Pradesh plant, is likely to come on stream in the H2FY16. This new capacity is expected to contribute 1250 M.Ts. & 3250 M.Ts. in FY16E and FY17E respectively. Vietnam plant which reported capacity utilization of 46% of total production 10000 M.Ts(spray dried capacity), is expected to report capacity utilization of 72.50% in FY16E and 80% in FY17E. Further, expected capacity utilization in Switzerland plant which turned around in the last year is expected to aid bottomline growth.

The Global Soluble coffee market is around 7,10,000 M.Ts. and is likely to reach 8,20,000 M.Ts. by 2017E. Much of the volume growth is expected to come from the emerging markets in Eastern Europe, Africa, Russia and CIS countries. Freeze dried coffee market which has high costs to manufacture but better profit margins as compared to Spray and Agglomerated coffee market is expected to grow at 5.2% till 2017. The spray and Agglomerated coffee markets are expected to post a CAGR growth of 2.7% till 2017.

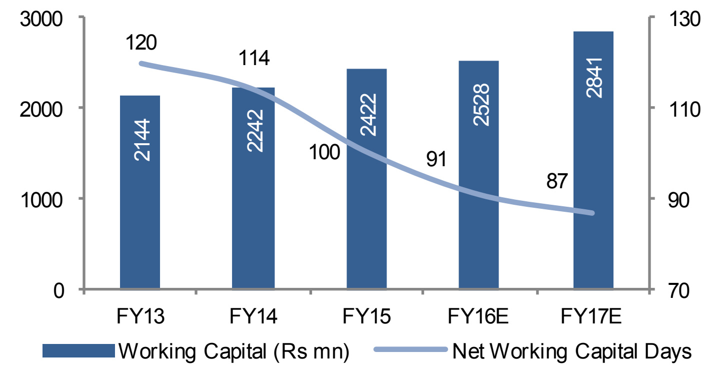
The company's 15000 M.Ts. of Vietnam Plant is at, Green Coffee Bean abundant location-Dak Lak Province. Vietnam is the second largest Green Coffee bean producing nation in the world-27.50 Mn Bags (60 kg each) next to Brazil which has production of 45.34 Mn bags. Vietnam Plant has the ability to supply flavoured coffee, decaffeinated coffee, organic coffee, Rainforest coffee, Fair Trade coffee, Dual and Triple certified coffee as well as Chicory-coffee mix as per the required specifications of the customer. This plant has easy access to raw materials and saves in logistic costs around US$ 50 per M.T. as compared to Indian plant. This plant has zero percent tax outgo incentive on profit in first four years and also has duty benefits on exports along with special benefits and approvals in import & storage of raw material-Green coffee beans. The technological advanced plant consumes low energy for roasting as compared to Indian Plant. Time saving in sourcing of coffee beans and other logistic clearances are likely to improve the working capital cycle for the Vietnam plant which is likely to be at least six weeks lower than its Indian plant.

Exhibit 5: Operating cash flow and Short term debt (Rs. mn)



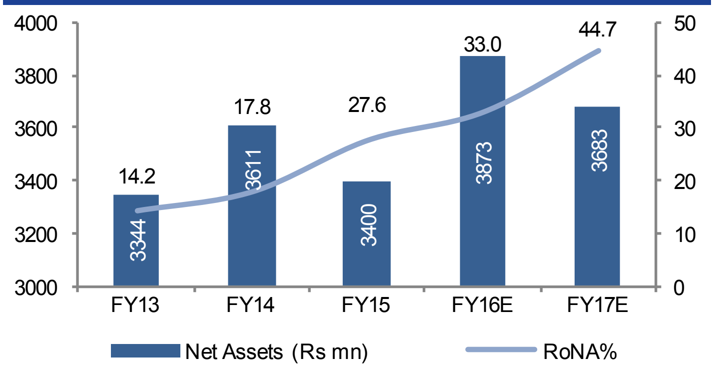
Source: Company, Karvy Research

Exhibit 6: Working Capital



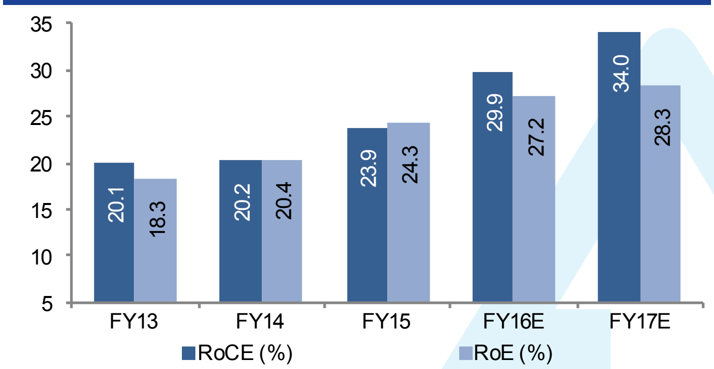
Source: Company, Karvy Research

Exhibit 7: Return on Net Assets



Source: Company, Karvy Research

Exhibit 8: Return on Capital Employed and on Equity

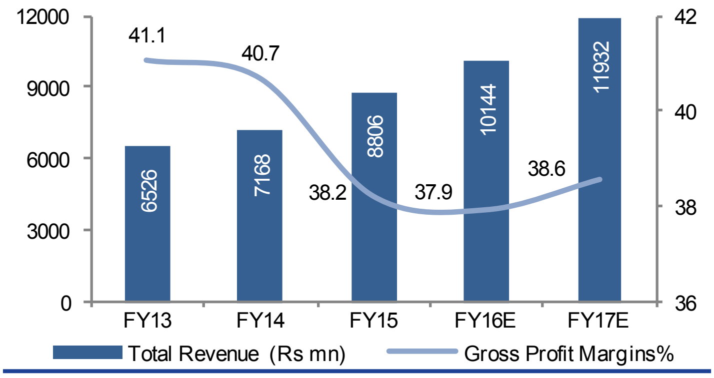


Source: Company, Karvy Research

Business model focused on conversion margin and insulation from volatility in Coffee beans prices

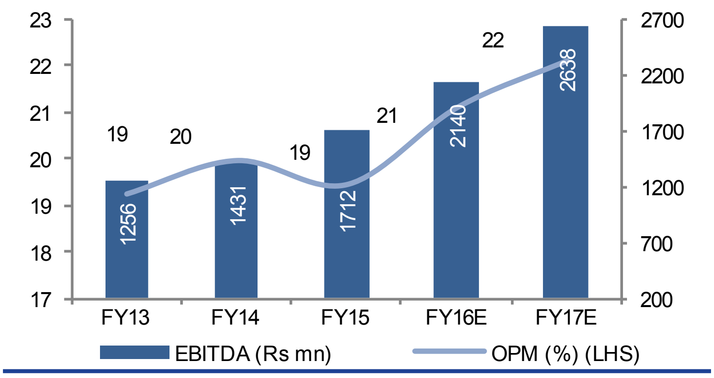
CCLP's export sales are in bulk; and in retail for its international customers. It is a contract manufacturer for Global Instant Brand retailers and bulk instant coffee buyers. The company gets into back-to-back pacts for final products and raw materials which insulate it from fluctuating global coffee prices. The company operates on fixed margins without carrying the risk of coffee price volatility. In India, it procures green coffee beans by importing approximately 75% from global markets from countries like Vietnam, Indonesia, African countries and 25% from the domestic market primarily from Chikmagalur in Karnataka. CCLP's operating margins have been around 18-19% over the years despite volatility in coffee prices and likely to improve by 170 bps as capacity utilization improves because of the insulated business model of the company from changes in the commodity-coffee prices.

Exhibit 9: Gross Profit Margin



Source: Company, Karvy Research

Exhibit 10: Operating Profit Margin



Source: Company, Karvy Research

Focus on Domestic market and Private labels

Post the unsuccessful attempt of the company in 1997 in promoting Brand, the company ventured into retailing of instant coffee with its own in-house brands few years back. The company has relaunched its brand in the domestic market in a strategic and cautious way with incremental investments based on the sales. It is focusing on soft launch initially and is looking to invest on advertisements after reaching 2000 M.Ts. sales in the domestic market. In the long run, this may turn out to be a game changer for CCLP in India's Rs.30 bn coffee Market (130,000 M.Ts. in CY13, clocking CAGR of 6%) as domestic realizations are more in the branded segment as compared to bulk sales and sales to private labels. The average per kg retail price of these brands is around Rs 1500 in the domestic market. Through the Continental brands, it has current market share of 2%. It's in-house brands for the domestic and international market include:

1. Continental Spéciale
2. Continental Premium
3. Continental Supreme

Along with in-house brands, it also supplies products to private labels. It has a tie-up with Reliance, Spencer's and various other retail chain companies in the country. It also sells to ice cream manufacturers, coffee shops etc. We expect the company to have pan-India brand-visibility in the next 3-4 years. Though an EOU, CCLP is now eligible to sell 50% of its produce in the domestic market.

Any growth from value added products would boost the net profit margins

The possible business from Liquid Coffee sales in Japanese market and CCLP's focus on value added products to serve the premium market can boost the current realizations as the margins are high in these value added products. Duty benefits on exports from Vietnam to Japanese market as compared to Brazil also act as a supporting factor. The potential of consumption is 10,000-20,000 M.Ts. out of which 50% is sourced from Brazil. CCLP is hopeful to tap a portion of Japanese market by availing the transit time benefit.

The 5000 M.Ts. liquid coffee capacity at its Vietnam plant, to cater to other Japanese and other Asian Countries is expected to start commercial production in FY16E. Any significant volume, which are not factored in current estimations from this plant would further boost the operating and net profit margins.

Present in industry with high entry barriers

Critical factors in the challenging coffee conversion business are technology involvement, geographical taste, complexity in blending and rich experience as well as long relationships with customers. It takes 3-5 years to break into new geographies and establish credentials. These play crucial entry barriers in the industry which CCLP has successfully mastered to overcome the encumbrances. Moreover, CCLP is amongst the most cost competitive coffee processors globally whose strength lies in the technology acquired from Brazil. This technology helps to convert even low grade green coffee (raw material) to produce high quality instant coffee. CCLP has been able to scale up this business by successfully leveraging best-in-class technology and strong relationships with global clients to create a base for itself, which is not easily replicable.

Key Future Movers within 4/5 Years

Doubling of capacity at Vietnam plant from 10,000 M.Ts. to 20,000 M.Ts. at a capex of Rs600 mn-Rs700 mn: CCLP has the plan to double the capacity of the Vietnam plant, once its existing operations achieve 75%-80% capacity utilisation. It could start by Q4FY16E and projected tentative commissioning by the end of FY17E.

Setting up of 3,000 M.Ts. new plant in Africa at a cost of Rs500 mn: CCLP is selling approximately 1,000 M.Ts. of coffee in African market. High import duty in South Africa makes CCLP to sell coffee through Indian exporters/trading houses/branded players. CCLP is hopeful that once the duty structure in the African region is streamlined, it could set up a plant there. It will be advantageous for CCLP due to availability of plenty of raw materials and duty exemption by African countries.

Automatic packing facility to be set in the US at a cost of Rs500mn - Rs600mn: North American coffee consumption potential is about 80,000 M.Ts.-100,000 M.Ts. where CCLP sells less than 2,000 M.Ts. and mostly as bulk sales. The main barrier for CCLP here is the increased availability of non-pure instant coffee from Brazil, Mexico and Ecuador at lower prices. It is expected that change in labeling rules and strict regulations on coffee adulteration as in the European Union and Russia is likely to come up in US in near future which has made CCLP's management optimistic about possibility of better penetration in North America by setting up a packaging facility.

Exhibit 11: Business Assumptions

Y/E Marc (Rs. Mn)	FY14	FY15	FY16E	FY17E	Comments
India Business (Standalone)					
Revenue	6111	6720	6989	8241	Growth from brands and private labels in the domestic market and new capacity of 5000 M.Ts. are likely to contribute to the growth.
Revenue Growth (%)	4.2	10.0	4.0	17.9	
EBITDA	1285	1293	1474	1822	
EBITDA Margins (%)	20.9	19.8	21.1	22.1	
International Businesses					
Revenue	1057	2086	3156	3691	
Revenue Growth (%)	59.3	97.3	51.3	17.0	
EBITDA	173	449	704	861	With expected continuous increase in capacity utilization the operating profit margins like to increase by 200 bps by FY17E.
EBITDA Margins (%)	14.7	20.7	21.8	22.7	
Consolidated					
Revenue	7168	8806	10144	11932	Locational advantages of Vietnam plant and growth from Swiss plant are likely to push the volumes.
Revenue Growth (%)	9.8	22.8	15.2	17.6	
EBITDA	1431	1712	2140	2638	
EBITDA Margins (%)	20.0	19.4	21.1	22.1	
PAT (normalized)	644	940	1278	1648	Effective decrease in tax rate and tax benefits on profits at Vietnam plant further drive the growth on net profits.
Combined Normalized PAT	644	940	1278	1648	
Fully Diluted EPS (Rs.)	4.8	7.1	9.6	12.4	
Capex (ex. Acquisition) - cash capex	(597)	(179)	(350)	(300)	Capitalized around Rs 600 Mn of assets in FY16E.

Source: Company, Karvy Research

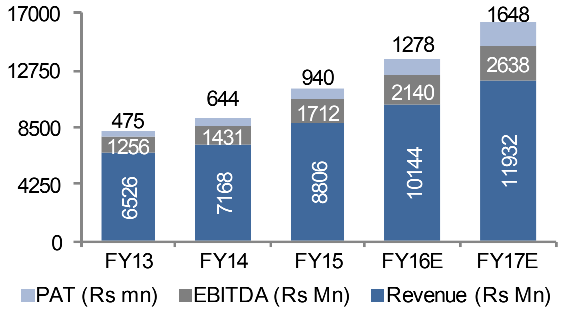
Exhibit 12: Karvy vs Consensus

	Karvy	Consensus	Divergence (%)	Comments
Revenues (Rs. Mn)				
FY16E	10144	10149	0.0	Expecting 62% and 69% capacity utilization in FY16E and FY17E with marginal decrease in per M.T. sale realization in FY16E.
FY17E	11932	12049	(1.0)	
EBITDA (Rs. Mn)				
FY16E	2140	2135	1.9	Higher revenue boosted the operating profit margins.
FY17E	2638	2582	3.8	
EPS (Rs.)				
FY16E	9.6	9.7	(0.6)	Decrease in interest costs is low and considered an effective tax rate of 27% in FY16E and FY17E.
FY17E	12.4	12.6	(1.4)	

Source: Bloomberg, Karvy Research

Sustainable Operating profit margins

Exhibit 13:

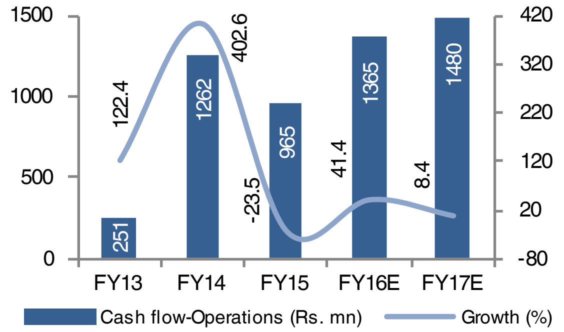


Source: Company, Karvy Research

Though CCLP is a commodity dependent company, the current operating profit margins are around 19% which are expected to maintain and likely to improve by 170 bps because of higher capacity utilization and nature of contracts, growth from Swiss plant and sales from domestic market. With the target of maintaining 20% operating margins, the company enters into contracts with customers on cost, volume and product mix. This nature of business leads to little impact of change in Green Coffee bean prices on the company's operating and net profit margins.

Better working capital management would push the Operating cash flow

Exhibit 14:

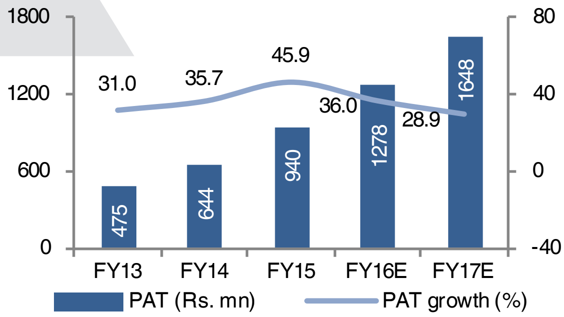


Source: Company, Karvy Research

The strategic location of plant in Vietnam is also expected to improve the working capital cycle of the company in the coming years. Proximity to raw material would save the transportation & port clearances time and decreases the working capital cycle by 6 weeks from the usual working capital cycle of 3-3.5 months. This savings in working capital cycle along with the growth in operating profit margins could boost the operating cash flow of the company. CCLP has initiated steps to reduce the inventory holding period so as to have a better working capital management. The current working capital days is around 100 days and is expected to decrease to 91 days and to 78 days in FY16E and FY17E respectively.

Lower Debt & decrease in effective tax rate to push Net earnings.

Exhibit 15:

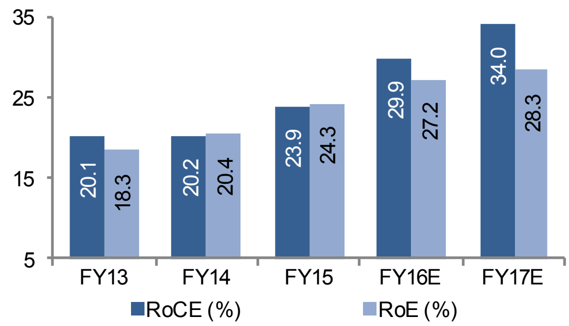


Source: Company, Karvy Research

CCLP has reported revenue growth at 16.1% CAGR over the FY13-15 and the revenue could increased by15.2% in FY16E and to grow at 17.6% in the FY17E on the back of healthy volume growth in Vietnam & Indian operations. We believe the company can reduce its long term debt from Rs.1349 Mn in FY15 to Rs. 250 Mn by FY17E. The company is expected to post a healthy net profit growth at 32.3% CAGR in the period FY15-FY17E. The effective tax rate considered for FY16E and FY17E is around 27%.

Robust balance sheet and healthy return ratios

Exhibit 16:



Source: Company, Karvy Research

CCLP funds its business expansion largely from internal accruals without raising any fresh equity. It has a strong balance sheet with debt equity ratio of 0.44x (FY15). We expect Net debt/Equity likely to dip sharply to 0.1 by FY17E as CCLP is expected to generate substantial cash flows from its India as well as Vietnam operations. With low capex and improvement in working capital, the RoE and RoCE are expected to grow further. CCLP has healthy RoE and RoCE of 24.30%/23.90% in FY15 and we estimate it to improve to 28.3%/34.0% in FY17E.

Exhibit 17: Company Snapshot (Ratings)

	Low				High
	1	2	3	4	5
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

At CMP of Rs 181, CCLP trades at 14.6x FY17E earnings. For the past 1 year, the stock is trading at an average 2 year forward PE of 13.5x. Given the sales CAGR of 18.5% in FY14-17E driven by growth in sales volume in its India & Vietnam operations, sound cash flows and healthy return ratios, the valuations appear to be reasonable and the company is fairly valued. We assign a **'HOLD'** rating for a price target of Rs 204 equivalent to 16.5x FY17E, arrived by mapping book value to 4.4 after discounting the future growth prospects, which represents an upside potential of 12.7%.

Exhibit 18 (a): Peer Comparison Summary

	CMP (Rs.)	Mcap (Rs. Mn)	EV/EBITDA (x)			P/E (x)			EPS (Rs.)		
			FY13	FY14	FY15	FY13	FY14	FY15	FY13	FY14	FY15
CCL Products	181	382	2.8	4.7	14.2	7.5	10.5	25.3	3.6	4.8	7.1
Tata Coffee	88	259	11.5	8.9	7.4	24.1	23.6	14.1	6.2	4.4	6.4

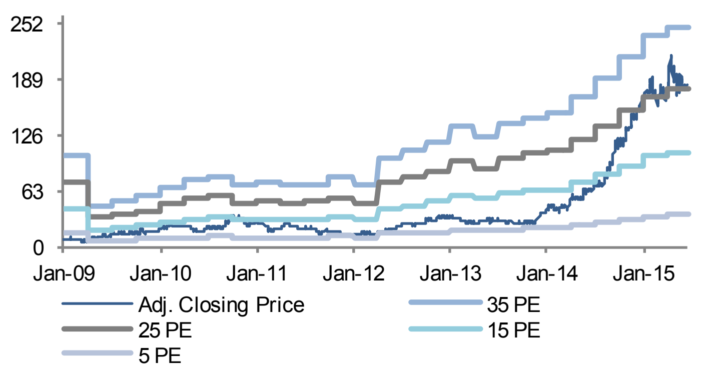
Source: Bloomberg, Karvy Research

Exhibit 18 (b): Peer Comparison Summary

	CAGR % (FY14-15)			RoE (%)			Price Perf (%)			Net Sales (Rs. Mn)		
	Sales	EBITDA	EPS	FY13	FY14	FY15	3m	6m	12m	FY13	FY14	FY15
CCL Products	16.2	17.8	40.7	18.3	20.4	24.3	(0.5)	7.4	166.6	6526	7168	8806
Tata Coffee	4.0	4.0	1.8	18.7	11.8	15.1	(5.1)	(7.8)	(10.3)	16974	16772	16914

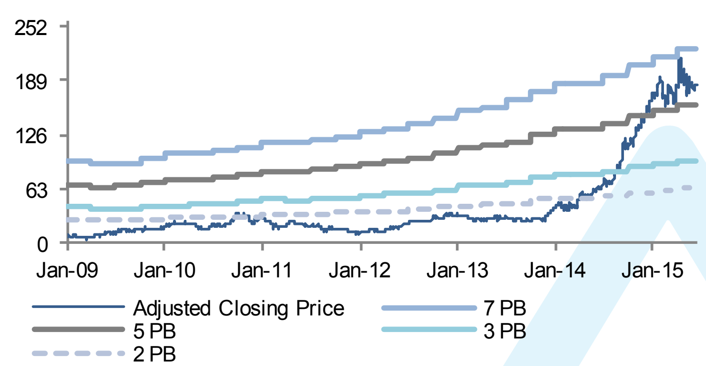
Source: Bloomberg, Karvy Research

Exhibit 19: PE Band



Source: Company, Karvy Research

Exhibit 20: PB Band



Source: Company, Karvy Research

Key Risks

- **Competition from new players:** Despite having strong entry barriers in the coffee business like capital intensity, brand image, goodwill to acquire customers, win customer confidence, quality maintenance, consistency in flavors and taste to remain competitive in the business, still there may be up rise in competition from existing or new players which may erode CCLP's pricing power and affect the estimates.
- **Currency fluctuations:** Around 90% of CCLP's total revenue is contributed from exports and around 81% of its raw material requirements are imported. This exposes to currency fluctuations.
- **Change in Tax and Duty benefits:** Any change in tax structures in subsidiary locations such as Vietnam, Switzerland and intra-country transfer duties on Green bean coffee and coffee product could affect the net earnings.
- **Moderation in consumption:** Any slow down in global economy, coffee consumption can be negatively impacted globally, which in turn may slow down sales and profitability of CCLP and affect the estimates.

Financials

Exhibit 21: Income Statement

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Revenues	6526	7168	8806	10144	11932
Growth (%)	29.6	9.8	22.8	15.2	17.6
Operating Expenses	5270	5737	7093	8004	9294
EBITDA	1256	1431	1712	2140	2638
Growth (%)	40.9	13.9	19.7	25.0	23.3
Depreciation & Amortization	286	291	268	327	340
Other Income	19	26	30	37	45
EBIT	970	1166	1474	1850	2343
Interest Expenses	231	171	136	103	90
PBT	739	996	1338	1747	2253
Tax	264	351	398	469	606
Adjusted PAT	475	644	940	1278	1648
Growth (%)	30.9	35.7	45.9	36.0	28.9

Source: Company, Karvy Research

Exhibit 22: Balance Sheet

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Cash and Cash Equivalents	93	344	266	416	1026
Sundry Debtors	872	1068	1132	1203	1296
Inventory	1555	1379	1735	1648	1996
Loans & Advances	472	399	460	590	758
Investments	0	0	0	0	0
Net Block	3344	3611	3400	3873	3683
CWIP	0	389	534	84	234
Miscellaneous	0	0	0	0	0
Total Assets	**6665**	**7250**	**7617**	**7911**	**9100**
Current Liabilities & Provisions	2405	2140	2254	2065	2097
Debt	2580	2404	1837	1223	950
Other Liabilities	229	233	243	255	265
Shareholders Equity	133	266	266	266	266
Reserves & Surplus	2651	3262	3949	4903	6221
Total Networth	2784	3528	4215	5169	6487
Total Networth & Liabilities	**6665**	**7250**	**7617**	**7911**	**9100**

Source: Company, Karvy Research

Exhibit 23: Cash Flow Statement

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
PBT	738	996	1382	1747	2253
Depreciation	286	291	268	327	340
Interest	207	171	136	103	90
Tax Paid	(249)	(320)	(387)	(469)	(606)
Trade receivables	(168)	(196)	(65)	(71)	(93)
Inventories	(384)	175	(356)	87	(348)
Loans and Advances	(278)	342	(88)	(138)	(168)
Trade and other payables	218	(118)	211	(118)	100
Cash flow from Operating activities	**251**	**1262**	**965**	**1365**	**1480**
Inc/dec in capital expenditure	(378)	(597)	(179)	(350)	(300)
Cash flow from investing activities	**(375)**	**(597)**	**(179)**	**(350)**	**(300)**
Inc/dec in borrowings	319	(245)	(567)	(626)	(283)
Issuance of equity	0	0	0	0	0
Dividend paid	(77)	(77)	(200)	(239)	(287)
Interest Paid	207	171	136	103	90
Cash flow from financing activities	**162**	**(415)**	**(767)**	**(866)**	**(570)**
Cash and Cash Equivalents	**94**	**343**	**266**	**416**	**1026**

Source: Company, Karvy Research

Exhibit 24: Key Ratios

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EBITDA Margin (%)	19.2	20.0	19.4	21.1	22.1
EBIT Margin (%)	14.9	16.3	16.7	18.2	19.6
Net Profit Margin (%)	7.3	9.0	10.6	12.6	13.8
Dividend Payout ratio	14.0	24.8	21.2	18.7	16.1
Net Debt/Equity	0.9	0.7	0.4	0.2	0.1
RoE (%)	18.3	20.4	24.3	27.2	28.3
RoCE (%)	40.1	20.2	23.9	29.9	34.0

Source: Company, Karvy Research

Exhibit 25: Valuation Parameters

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EPS (Rs.)	3.6	4.8	7.1	9.6	12.4
DPS (Rs.)	5.0	1.2	1.5	1.8	2.0
BV (Rs.)	199.3	24.5	29.7	36.9	46.8
PE (x)	52.0	38.3	25.3	18.8	14.6
P/BV (x)	1.3	1.9	6.2	4.7	3.7
EV/EBITDA (x)	21.6	18.6	14.2	11.6	9.1
EV/Sales (x)	4.2	3.7	2.8	2.5	2.0

*Source: Company, Karvy Research; *Represents multiples for FY13, FY14 and FY15 are based on historic market price*

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

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