

Company Update

KRBL Ltd

Bloomberg Code: KRB IN

India Research - Stock Broking

BUY

Growth Story Continues...

KRBL Limited posted consolidated revenue of Rs. 7835 mn in Q3FY18 which is down by 1.8% as against Q3FY17 on YoY basis, but 9MFY18 revenue of Rs. 23705 mn is up by 6.1% against corresponding period of FY17 on YoY basis. The shift in preference for branded rice, increased restaurant cultures and rise in personal income contributed in domestic sales' growth, while export growth remains subdued amidst volatile international price. However, basmati exports could rise in FY18-19E due to steady global demand and strengthening of economies in Gulf region following rise in crude oil price. We believe that global and domestic conditions are supportive for basmati rice. Hence, we rate **"BUY"** on the stock with TP of Rs. 635 which gives a potential upside of 21%.

Segmental Performance: India agri business in Q3FY18 at Rs. 5036 had flattish growth on YoY basis. However, 9MFY18 India agri business moderated to -3% on YoY basis. India agri business contributed 67% while rest of the world contributed 33% in total agri business in Q3FY18 on YoY basis, whereas 9MFY18 India agri business stood at 56% while rest of the world stood at 44%. Thus, the company witnessed to good pick up in the domestic demand, while export demand did not pick up proportionately mainly because of volatile international price.

Energy business is purely a domestic play which came at Rs. 503 mn in Q3FY18 registering 74.7% growth on YoY basis. 9MFY18 energy business stood at Rs. 1538 mn, registering growth of 33.9% on YoY basis. Further, government's thrust on power is expected to stimulate demand for energy. The company has long term contract with state governments for Solar and Wind power.

Outlook & Risks

With growing demand amidst lower harvest, value added products, extensive distribution channel and sound financials, likely export order from Iran and improving gulf economies - the key basmati rice consuming region price realization for the company will further improve. The stock is currently trading at P/E 19.9x which is at discount to industry P/E of 35. Seeing business potential, we value the stock at 1 Yr Forward P/E 24x of FY20E EPS which gives TP of Rs. 635 with potential upside of 21% and rate **"BUY"** on stock for next 9-12 months. However, already high basmati rice price may prove to be deterrent to the overall demand.

Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	33628	31490	33045	35318	37406
EBITDA	4468	6435	7404	8390	9634
EBITDA Margin (%)	13.3	20.4	22.4	23.8	25.8
Adj. Net Profit	2931	3994	4740	5416	6228
EPS (Rs.)	12.5	17.0	20.1	23.0	26.5
RoE (%)	21.1	23.5	22.4	21.0	20.0
PE (x)	17.9	24.3	26.2	22.9	19.9

Source: Company, Karvy Research; *Represents multiples for FY16 & FY17 are based on historic market price

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Recommendation (Rs.)

CMP (as on Mar 06, 2018)	527
Target Price	635
Previous Target Price	717
Upside (%)	21

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	124003 / 1906
52-wk High/Low (Rs.)	675 / 370
3M Avg. daily volume (mn)	0.2
Beta (x)	0.6
Sensex/Nifty	33317 / 10249
O/S Shares(mn)	235.4
Face Value (Rs.)	1.0

Shareholding Pattern (%)

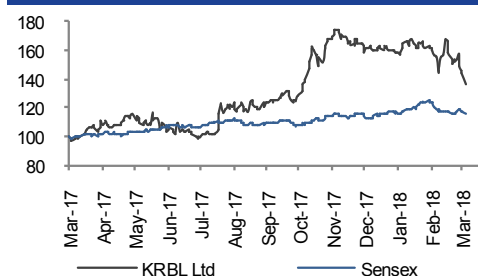
Promoters	58.8
FIIs	7.3
DIIs	0.3
Others	33.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(5)	(15)	11	39
Relative to Sensex	(2)	(17)	5	21

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Analyst Contact

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Exhibit 2: Q3FY18

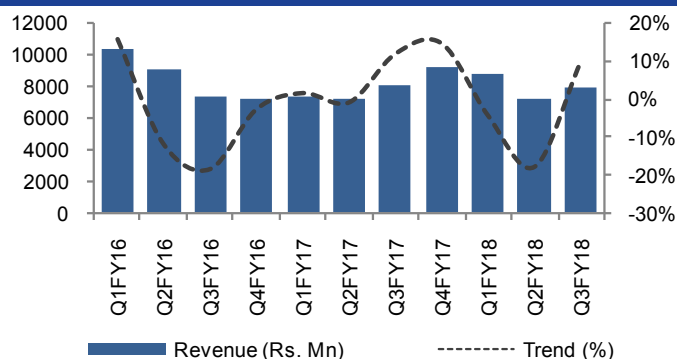
YE Mar (Rs. Mn)	Q3FY18	Q2FY18	QoQ %	Q3FY17	YoY %	9MFY17	9MFY18	YoY%
Income from Operations	7835	7155	9.5	7980	(1.8)	22349	23705	6.1
Expenditure	6030	5289	14.0	6191	(2.6)	17671	18004	1.9
EBITDA	1805	1866	(3.3)	1789	0.9	4678	5702	21.9
Depreciation	168	169	(0.2)	158	6.4	441	513	16.2
Other Income	42	10	303.8	18	137.3	87	123	42.0
Interest	(40)	139	NA	149	NA	535	377	(29.5)
PBT	1719	1568	9.6	1500	14.6	3788	4935	30.3
Tax	489	536	(8.8)	391	25.1	887	1543	73.9
PAT	1230	1033	19.1	1109	10.9	2901	3392	16.9
EBITDA Margin (%)	23.0	26.1	(304) bps	22.4	62 bps	20.9	24.1	312 bps
EBIT Margin(%)	20.9	23.7	(283) bps	20.4	45 bps	19.0	21.9	293 bps
Net Profit Margin (%)	15.7	14.4	126 bps	13.9	180 bps	13.0	14.3	133 bps

Source: Company, Karvy Research

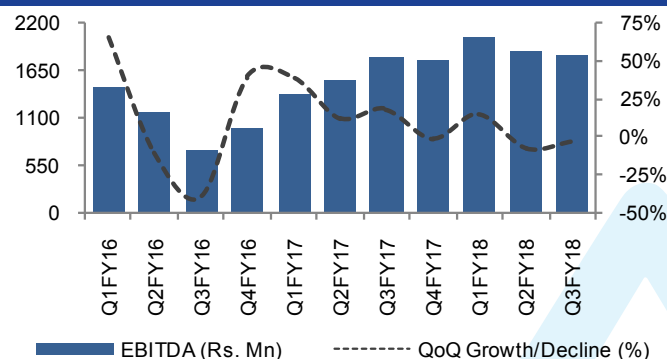
Exhibit 3: Segment-wise Financials

(Rs. Mn)	Q3FY18	Q2FY18	QoQ %	Q3FY17	YoY %	9MFY17	9MFY18	YoY%
Segment-wise Revenue								
Agri	7543	6761	11.6	7838	(3.8)	21566	22648	5.0
Energy	503	520	(3.4)	288	74.7	1149	1538	33.9
Segment-wise EBIT								
Agri	1455	1433	1.5	1599	(9.0)	3771	4524	20.0
Energy	209	260	(19.5)	14	1,427.7	441	741	68.1
Segment-wise EBIT Margin (%)								
Agri	19.3	21.2	(191) bps	20.4	(111) bps	17.5	20.0	249 bps
Energy	41.6	49.9	(830) bps	4.8	3688 bps	38.4	48.2	981 bps

Source: Company, Karvy Research

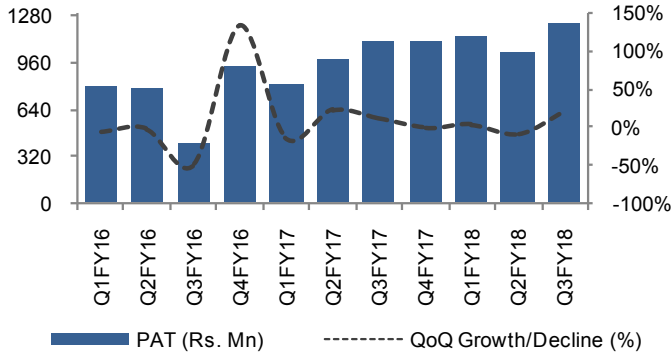
Exhibit 4: QoQ Revenue & Trend


Source: Company, Karvy Research

Exhibit 5: QoQ EBITDA & Trend


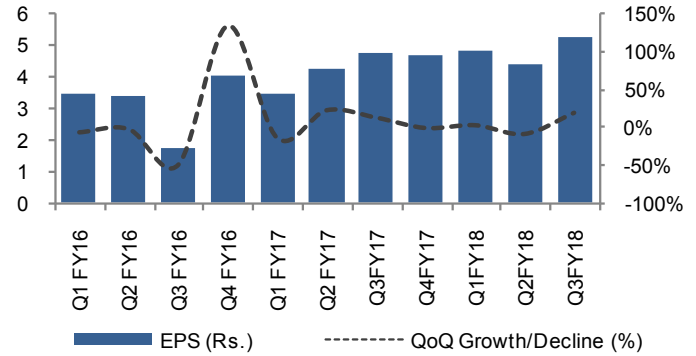
Source: Company, Karvy Research

Exhibit 6: Quarterly PAT & Trend



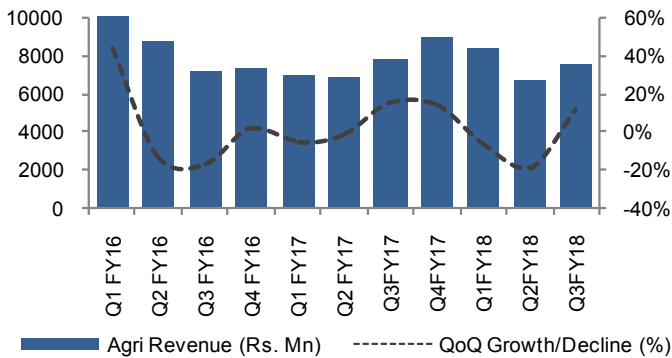
Source: Company, Karvy Research

Exhibit 7: Quarterly Basic EPS & Trend



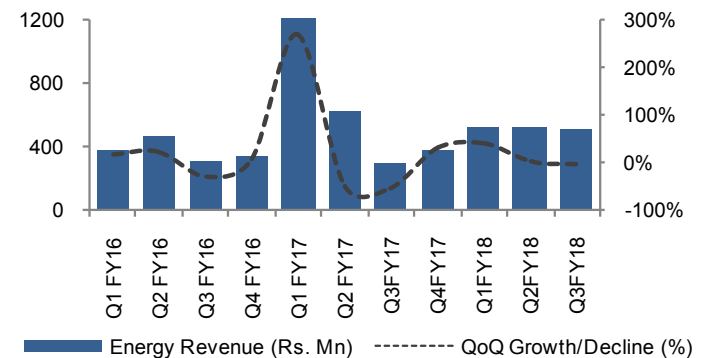
Source: Company, Karvy Research

Exhibit 8: Quarterly Agri Revenue & Trend



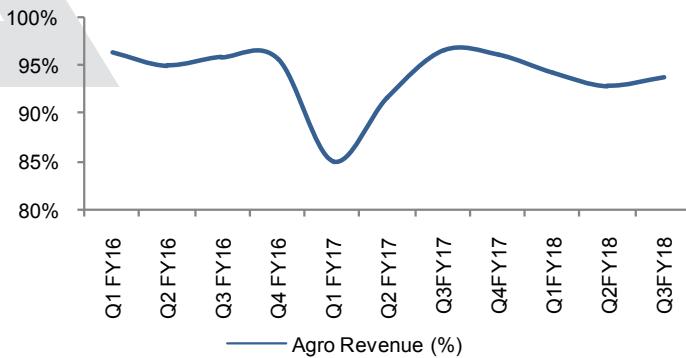
Source: Company, Karvy Research

Exhibit 9: Quarterly Energy Revenue & Trend



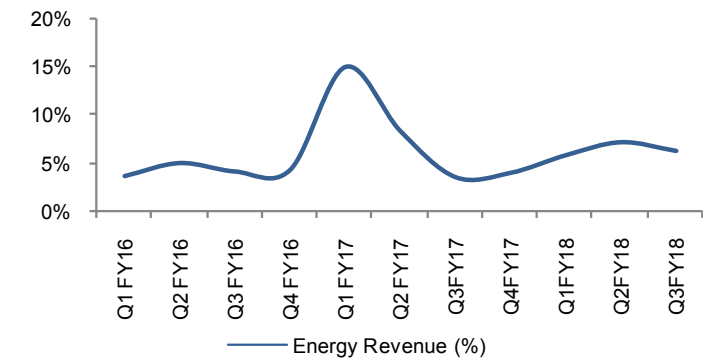
Source: Company, Karvy Research

Exhibit 10: Quarterly Agri Revenue as % of Total Segment Revenue



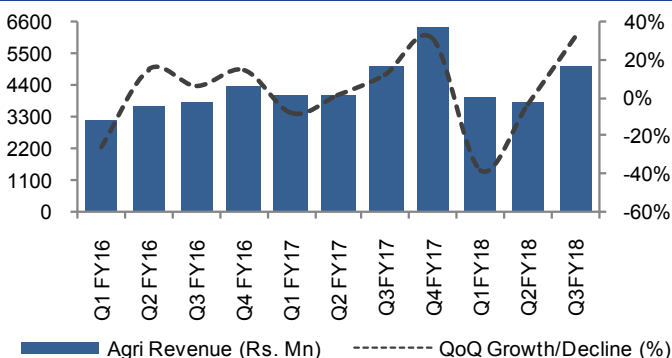
Source: Company, Karvy Research

Exhibit 11: Quarterly Energy Revenue as % of Total Segment Revenue



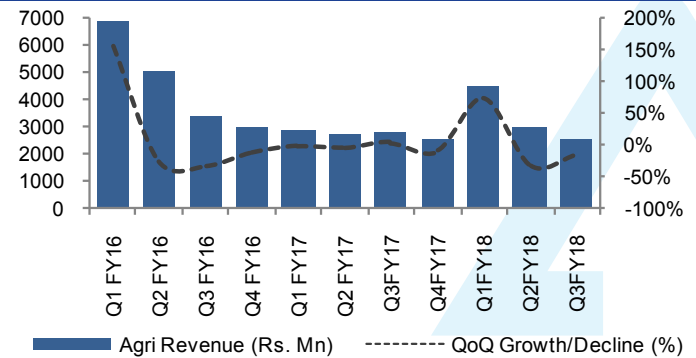
Source: Company, Karvy Research

Exhibit 12: Quarterly India Agri Revenue & Trend



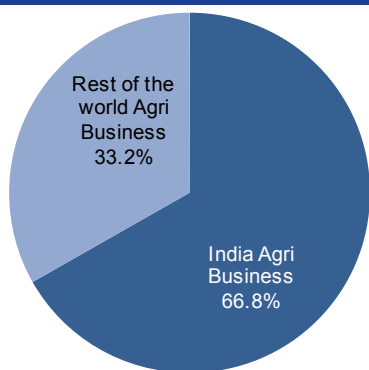
Source: Company, Karvy Research

Exhibit 13: Quarterly Rest of the World Agri Revenue & Trend



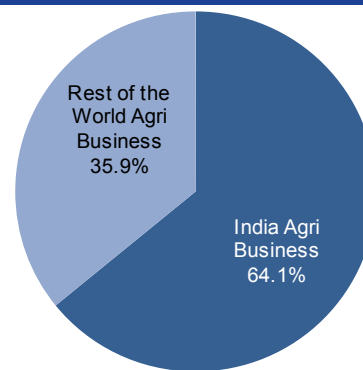
Source: Company, Karvy Research

Exhibit 14: India and Rest of the World Agri Revenue Share in Q3FY18



Source: Company, Karvy Research

Exhibit 15: India and Rest of the World Agri Revenue Share in FY17



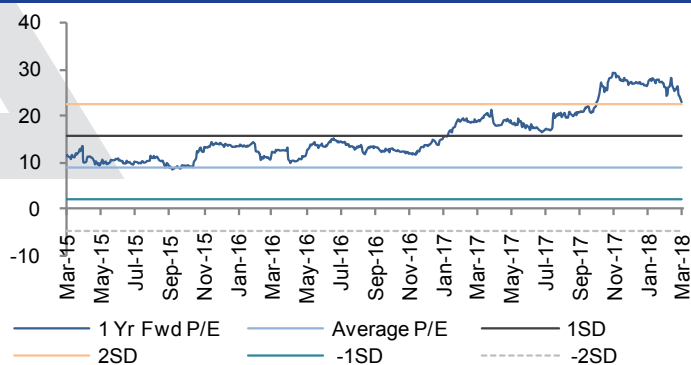
Source: Company, Karvy Research

Exhibit 16: Financials

YE Mar (Rs. Mn)	FY18E			FY19E			FY20E
	Old	New	% Change	Old	New	% Change	Introducing
Net Sales	33045	33045	0.0	35318	35318	0.0	37406
EBITDA	7404	7404	0.0	8390	8390	(0.0)	9634
EBITDA Margin (%)	22.4	22.4	1 bps	23.8	23.8	(4) bps	25.8
Adj. PAT	4740	4740	(0.0)	5416	5416	(0.0)	6228
EPS (Rs.)	20.1	20.1	0.2	23.0	23.0	0.0	26.5

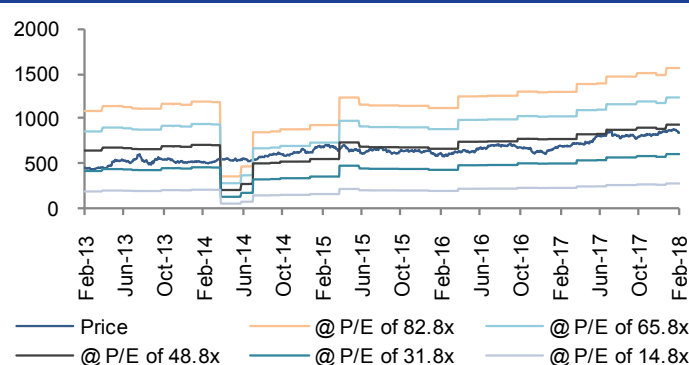
Source: Company, Karvy Research

Exhibit 17: KRBL 1yr forward PE Band



Source: Company, Karvy Research

Exhibit 18: Consumer Staples - 5r PE Band



Source: Bloomberg, Karvy Research

Financials

Exhibit 19: Income Statement

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Revenues	33628	31490	33045	35318	37406
Growth (%)	6.4	(6.4)	4.9	6.9	5.9
Operating Expenses	29160	25055	25641	26928	27772
EBITDA	4468	6435	7404	8390	9634
Growth (%)	(8.5)	44.0	15.1	13.3	14.8
Depreciation & Amortization	498	614	661	706	824
EBIT	3971	5821	6743	7684	8810
Other Income	612	103	264	298	315
Interest Expenses	675	548	659	709	778
PBT	3908	5376	6349	7272	8347
Tax	977	1382	1609	1856	2119
PAT	2931	3994	4740	5416	6228
Growth (%)	(8.9)	36.2	18.7	14.3	15.0

Source: Company, Karvy Research

Exhibit 20: Balance Sheet

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Cash & Cash Equivalents	276	44	1247	2861	3734
Trade Receivable	1545	2300	2227	2418	3731
Inventory	17957	20200	21516	23478	25151
Other Financial Assets	1255	1429	1636	1853	2117
Investments	82	101	113	127	142
Net Block	8693	10149	11729	13860	16236
Total Assets	29808	34222	38467	44597	51111
Liabilities & Provisions	3878	4625	3909	4291	4170
Debt (LT + ST)	10946	10524	11239	12066	12967
Total Liabilities	14824	15149	15148	16357	17138
Equity Capital	235	235	235	235	235
Reserves & Surplus	14748	18838	23083	28004	33738
Total Network	14983	19073	23318	28240	33973
Total Network & Liabilities	29808	34222	38467	44597	51111

Source: Company, Karvy Research

Exhibit 21: Cash Flow Statement

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
PBT	3908	5376	6349	7272	8347
Depreciation	498	614	661	706	824
Interest	597	487	659	709	778
Tax Paid	(956)	(1115)	(1609)	(1856)	(2119)
Inc/dec in Net WC	951	(2743)	(2165)	(1988)	(3371)
Others	105	(32)	(264)	(298)	(315)
Cash flow from operating activities	5103	2587	3630	4546	4143
Inc/dec in capital expenditure	(1723)	(2073)	(2241)	(2837)	(3200)
Others	(16)	(10)	(12)	(14)	(15)
Cash flow from investing activities	(1739)	(2083)	(2253)	(2851)	(3215)
Inc/dec in borrowings	(1930)	(422)	716	826	901
Dividend paid	(844)	(3)	(494)	(494)	(494)
Interest paid	(597)	(487)	(659)	(709)	(778)
Others	47	173	266	297	316
Cash flow from financing activities	(3324)	(740)	(171)	(80)	(55)
Net change in cash	40	(235)	1206	1615	873

Source: Company, Karvy Research

Exhibit 22: Key Ratios

YE Mar	FY16	FY17	FY18E	FY19E	FY20E
EBITDA Margin (%)	13.3	20.4	22.4	23.8	25.8
EBIT Margin (%)	11.8	18.5	20.4	21.8	23.6
Net Profit Margin (%)	8.7	12.7	14.3	15.3	16.6
Dividend Payout Ratio (%)	15.3	12.4	10.4	9.1	7.9
Net Debt/Equity (x)	0.7	0.5	0.4	0.3	0.3
RoE (%)	21.1	23.5	22.4	21.0	20.0
RoCE (%)	15.4	21.0	21.0	20.5	20.2

Source: Company, Karvy Research

Exhibit 23: Valuation Parameters

YE Mar	FY16	FY17	FY18E	FY19E	FY20E
EPS (Rs.)	12.5	17.0	20.1	23.0	26.5
DPS (Rs.)	1.9	2.1	2.1	2.1	2.1
BVPS (Rs.)	63.7	81.0	99.1	120.0	144.3
PE (x)	17.9	24.3	26.2	22.9	19.9
P/BV (x)	3.7	2.9	2.4	2.0	1.6
EV/EBITDA (x)	14.1	16.7	18.1	15.9	13.8
EV/Sales (x)	1.9	3.4	4.1	3.8	3.6

Source: Company, Karvy Research; *Represents multiples for FY16 & FY17 are based on historic market price

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

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