

## LT Foods

**BSE SENSEX**  
33,019

**S&P CNX**  
10,128

**CMP: INR 88 TP: INR 125 (+42%)**

**Buy**



### Stock Info

Bloomberg	LTFO IN
Equity Shares (m)	320
52-Week Range (INR)	57 / 110
1m/6m/12m Rel. Per (%)*	-1/ 38 / 26
M.Cap. (INR b)	28.2
M.Cap. (USD b)	0.4
Avg Turnover, INR m	18.2
Free float (%)	44

\* relative to BSE Sensex

### Financials Snapshot (INR b)

Y/E Mar	2018E	2019E	2020E
Net Sales	36.7	41.1	46.5
EBITDA	4.1	4.9	5.8
PAT	1.8	2.2	2.8
EPS (Rs)	6.7	8.1	10.4
EPS Growth (%)	27.9	20.2	29.1
BV/Share (Rs)	46.0	53.7	63.7
P/E (x)	13.2	10.9	8.5
P/BV (x)	1.9	1.6	1.4
EV/EBITDA (x)	8.7	7.2	6.1
Div payout (%)	4.3	4.5	4.1
RoE (%)	19.0	16.2	17.7
RoCE (%)	10.6	11.0	12.5

### Shareholding pattern (%)

As On	Dec-17	Sept-17	Jun-17
Promoter	56.0 <sup>^</sup>	67.2	67.2
MFs	13.9	0.0	0.0
FPIs	3.2	2.5	2.0
Others	26.9	30.4	30.8

<sup>^</sup>due to dilution via QIP of INR4,000mn

Note: 7.25% of the promoter shares are pledged

**Investors are advised to refer through disclosures made at the end of the Research Report.**

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### A CONSUMER STORY IN THE MAKING

LT Foods Ltd. (LTFL) is one of the leading basmati rice players in India having a strong foothold both in exports (55% of FY17 revenue) & domestic market (45%). Key brands include Daawat (leading brand in India), Royal (#1 brand in USA) and ecoLife (organic food). With growing global demand for basmati and limited supply, we expect LTFL to witness steady volume growth with improving realizations on back of increased branded business. We forecast 12.2%/25.7% revenue/adj. PAT CAGR over FY17-20E and an EBITDA margin improvement of 127bps to 12.5%. We initiate coverage with a BUY rating valuing the stock at 12x FY20E EPS of INR10.4 with target price of INR125.

**Domestic consumption to see continued demand growth:** Domestic market remains a key growth driver for the branded basmati rice players like LTFL as the Indian consumers move towards branded foods on the back of rising affluence. The shift from unbranded basmati (~73% in FY17) to branded is expected to continue due to better quality. We expect LTFL to be one of the key beneficiaries of this changing industry dynamics owing to its strong brand positioning, diverse product portfolio catering varied price points and wide distribution network.

**Global expansion - Augurs well to tap lucrative markets:** Recently LTFL set up a rice processing plant of 60,000 MT in Rotterdam (Netherlands) to tap the European market. In FY17, it acquired Gold Seal Indus Valley and Rozana brand from HUL in order to strengthen its footprint in lucrative Middle East. Owing to healthy demand growth across regions viz. USA (strong brand recall), Europe (leadership position and new plant commercialization), Middle East (entry via brand acquisitions from HUL), we expect healthy revenue growth in exports.

**Organic food and value added products- untapped potential:** LTFL has also diversified into value added products (saute sauces, Rice based snacks in JV with Kameda) and organic foods (brand ecoLife) which are high growth segments for the company. We expect growth to be largely driven by rising health awareness, changing lifestyle and limited competition.

**Valuation:** LTFL currently trades at 10.9x/8.5x on FY19/20 P/E. LTFL has shown consistent revenue growth and profitability improvement over years on account of rising share of branded business (resulting in stable margins), geographical expansion and product innovation (organic foods, value added products) leading to significant re-rating in its valuation. Given LTFL's increased focus on branded basmati rice and organic food business, we believe the company is becoming a strong consumer story in the making. We initiate coverage with a BUY rating valuing the stock at 12x FY20E EPS with a target price of INR125.

## Company background

LT Foods Ltd. (LTFL) is one of the leading branded basmati rice player. Over the years it has emerged as a specialty food company focused on branded basmati rice, convenience rice based products and organic food. Its geographical segments include India, North America, Europe, Middle East and Rest of the World. Its operations include contract farming, procurement, storage, processing, packaging and distribution. The product portfolio for the company include brown rice, white rice, steamed rice, parboiled rice, organic rice, quick cooking brown rice, value added rice and flavored rice in the ready to cook segment.

### Exhibit 1: LT Foods - Product Portfolio

Brand	Description
	<ul style="list-style-type: none"> <li>Flagship brand of the company.</li> <li>Leading basmati rice brand in India with a market share of ~29% in branded segment.</li> <li>Gaining market share in other geographies like Europe, Middle East.</li> </ul>
	<ul style="list-style-type: none"> <li>#1 basmati rice brand in USA with a market share of ~40%.</li> <li>Other products include jasmine rice, arborio rice and wheat.</li> <li>Growing at a CAGR of 21% over last 5 years</li> </ul>
	<ul style="list-style-type: none"> <li>Mid-price segment basmati rice for domestic market.</li> <li>Devaaya includes other staples like wheat flour, refined flour, flattened rice, chickpea flour, and semolina.</li> </ul>
	<ul style="list-style-type: none"> <li>Basmati rice brand for the mass segment.</li> <li>Distinctive aroma and quality</li> </ul>
	<ul style="list-style-type: none"> <li>Organic food brand of the company</li> <li>Caters mainly to US and Europe</li> <li>Range includes rice, pulses, oil seeds, cereal grains, spice, nuts, fruits and vegetables</li> </ul>
	<ul style="list-style-type: none"> <li>Recently acquired brands from HUL</li> <li>Expected to help company strengthen its position in lucrative Middle East markets like Saudi Arabia, UAE and Kuwait.</li> </ul>
	<ul style="list-style-type: none"> <li>Recently acquired brand from Deva Singh Sham Singh (DSSS)</li> <li>Expected to help company strengthen its footprint in US, Canada, Australia, Europe &amp; Middle East</li> </ul>

Exhibit 2: FY17 Revenue Breakup (Region wise)

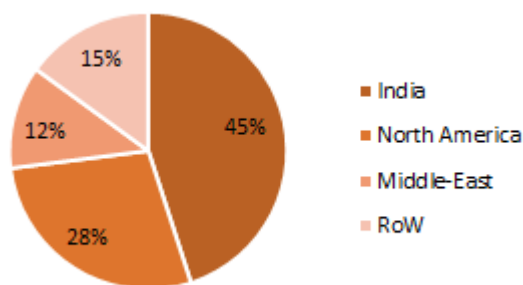
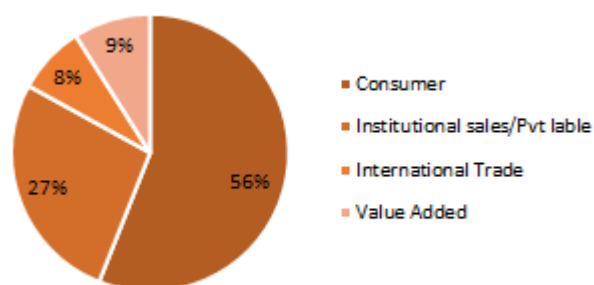


Exhibit 3: FY17 Revenue split (Business Vertical wise)



Source: Company, MOSL

LTFL has five manufacturing units located at Bahalgarh & Kamaspur (Haryana), Amritsar & Varpal (Punjab) and Bhopal (Madhya Pradesh) in India with a combined milling capacity of ~103 tonnes per hour (TPH). The company commissioned a rice processing plant at Rotterdam (Netherlands) in June'17 to cater to European market.

Exhibit 4: Rice milling capacity

	Sonepat (Bahalgarh)	Sonepat (Kamaspur)	Bhopal	Amritsar	Varpal
<b>Rice Capacity (TPH)</b>	45	5 (Organic)	35	6	12
<b>Key Products</b>	Raw rice	Organic rice, snack	Rice, plain chips, seasoning chips, rice/wheat flour, brown rice	Rice parboiled rice	Rice (golden creamy,boiled parboiled and raw)
<b>Accreditation</b>	First to have complete storage in 1 MT bags	100% organic facility with cold and CO2 treatment	First to get FSSC 22000 certification		Fully integrated and automated facility

Source: Company, MOSL

## Basmati rice industry

Basmati, one of the most expensive varieties of rice in the world, is a premium long-grain fine-textured rice. A Geographical Indication (GI) product, this aromatic grain is grown only in certain parts of India and Pakistan due to conducive agro-climatic and soil conditions. It is estimated that 70% of global basmati rice is produced in India and the balance in Pakistan. India is the largest producer and exporter of premium basmati rice that is highly renowned across the globe.

Listed below are the key industry dynamics and facts about the basmati rice:

- **Basmati rice production:** ~1% of the world rice production is Basmati.
- **Geographical Production:**
  - o India - 70%
  - o Pakistan - 30%
- **Season:**
  - o Sowing season : May-June
  - o Harvesting season: October-November
- **Industry structure:**
  - o Organized - ~40%
  - o Unorganized - ~60%
- **Exports Volume:**
  - o India - accounts for ~90%
  - o Pakistan/ROW - 10%
- **Variants:** There are 29 variants of Basmati recognized so far. However, broadly there are three major categories:
  - o **Pusa 1121 Basmati:** Produced by R&D from the Pusa Institute (New Delhi) in 2003. It is the longest basmati grain in the world- before as well as after cooking and gives 30% more volume than any other basmati variety. This variant can be recognized by its unique aroma and special sweet taste. This variant has excellent global acceptability that spans Middle east, Iran, Australia, Africa, Canada and even USA. It commands the most premium price and is most preferred amongst farmers today.
  - o **Pusa Basmati 1:** Produced by R&D from the Pusa Institute (New Delhi) in 1990. Keeping the limited cultivation area and the ever increasing demand in mind, the research yielded ways of producing a greater quantity on the same land through the natural process of hybridization. This variety revolutionized the Indian basmati industry and gained India's entry to many inaccessible markets.
  - o **Traditional Basmati:** This common phrase is used to refer to older varieties that are in still production. Two popular varieties 370 and HBC 19 amongst others are collectively called Traditional. Due to their lower yield they have gradually phased away and have been replaced by a newer variety - CSR-30. Today, a majority of export is CSR-30- which is a recently evolved variety. It has the lowest yield compared to the two varieties listed above.
- **Pricing:** Commands ~80-90% premium over non-basmati rice
- **Production process leading to entry barriers:** Basmati rice needs ~18-20 months of ageing in order to increase the aroma and quality of product. This leads to high working capital requirement in the business thus creating strong entry barriers for new players

## Investment Rationale

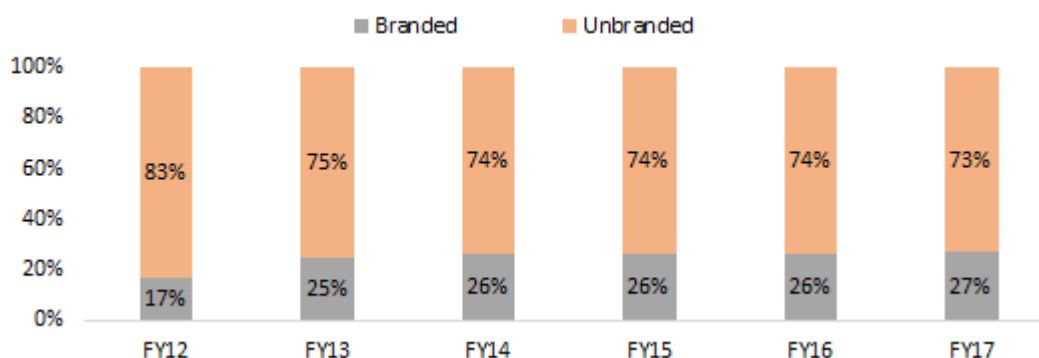
### Domestic consumption to see continued demand growth:

Rice is amongst the most crucial food crops and staple diet of majority of Indian consumer. Over 90% of the global rice output and consumption is centered in Asia, wherein the world's largest rice producers, China and India, are also the world's largest rice consumers.

Currently, domestic basmati rice market is estimated at ~INR13,000 crore. The share of basmati as a percentage of total rice consumption in India is extremely low at ~2% as compared to the Middle East (38%). Basmati is a premium category of rice having distinct aroma, taste and texture. The rise in disposable income and premiumization coupled with increasing penetration of basmati is expected to drive the consumption of basmati in India.

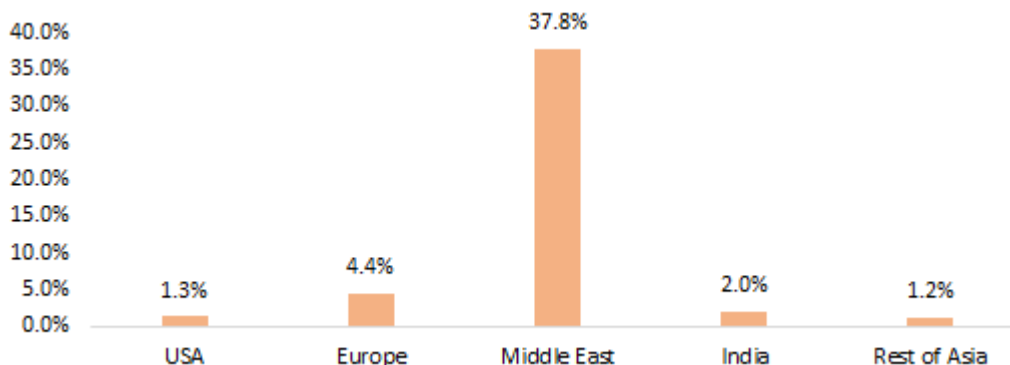
Other key observation in domestic consumption is the shift of consumers from unbranded to branded products. The share of branded basmati as % of total basmati consumption in India has risen from 17% in FY12 to 27% in FY17. We expect the trend to continue on the back of rising affluence.

**Exhibit 5: Growing share of branded basmati in domestic consumption**



Source: Company, MOSL

**Exhibit 6: Share of Basmati (as % of total rice consumption)**



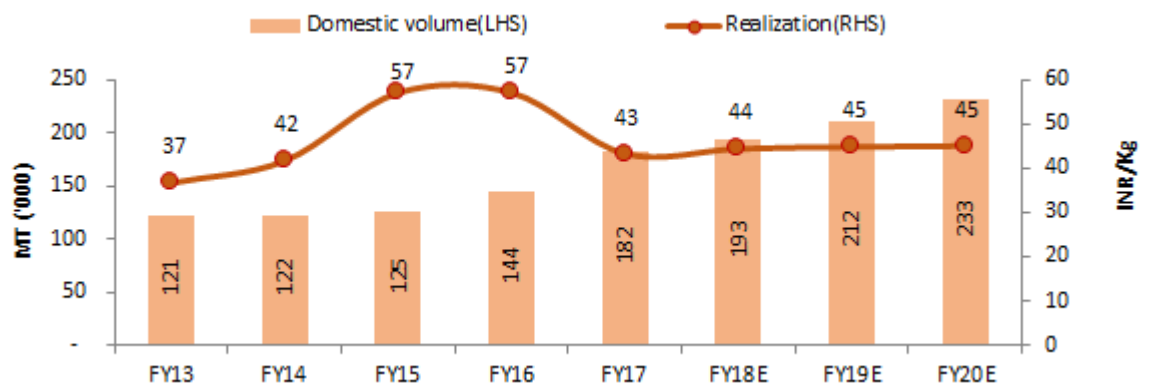
Source: Company, MOSL

For LTFL brand building exercise to make its brand more visible and endearing to the Indian consumer by engaging celebrities like Amitabh Bachchan and Chef Sanjeev Kapoor to endorse its products has played out exceptionally well. This has led to market share gain in branded basmati from 10% in FY07 to ~29% as 9MFY18. We expect LTFL to be one of the key beneficiaries of this changing industry dynamics on account of:

- Strong brand positioning - Daawat is one of the leading branded basmati rice players in India with a strong brand recall.
- Diverse product portfolio to cater varied price points- LTFL has a broad range of product offerings to cater to different class of consumers from mass to premium segment thus giving it an advantage to tap full potential of the growing consumer base.
- Wide distribution network - Currently, LTFL has access to 1,40,000 traditional retail outlets and 3,000 wholesalers reaching 93% of the towns with 2lakh+ population in India.

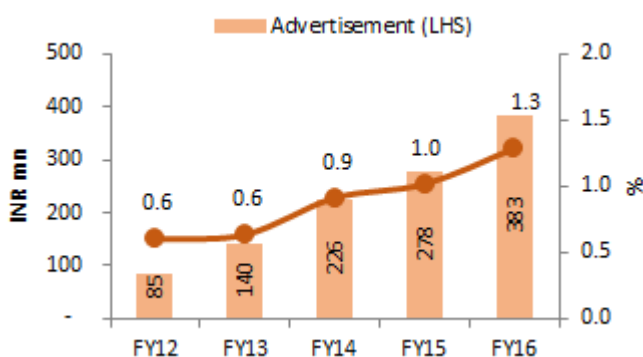
We expect domestic basmati revenue CAGR of 8.3% over FY17-20E mainly factoring in volume growth while keeping the realization assumptions stable.

**Exhibit 7: Steady volume growth and stable realization to drive domestic growth**

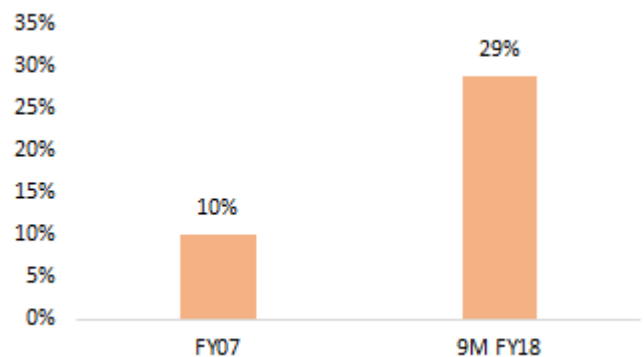


Source: Company, MOSL

**Exhibit 8: Increasing ad. spend over the years....**



**Exhibit 9: ...helped LTFL gain share in Branded Basmati**



Source: Company, MOSL

**Global expansion (Organic and Inorganic) - Augurs well to tap lucrative markets:**

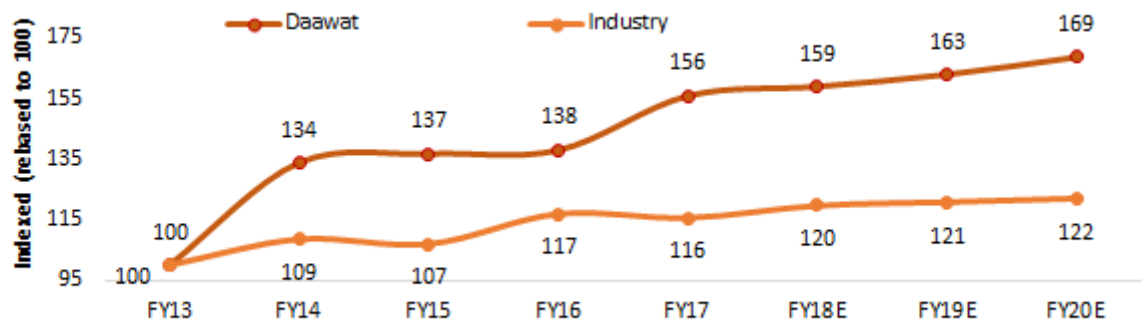
**Middle East - A lucrative yet an untapped market for LT Foods:** Middle East or Gulf Cooperation Council (GCC) is one of the largest basmati market in the world (refer exhibit 6) .GCC have been the major importers of Indian basmati (65% of total basmati exports by volume in FY17). GCC market is expected to see stable consumption growth of basmati rice given their cuisine and culinary preferences for basmati rice.

**Europe/USA/Rest of Asia - Changing demographics can be a growth driver:** While the Middle East market offers steady demand growth, other basmati importing regions (like Europe/USA/Rest of Asia) could be the additional growth drivers for the industry. The low penetration of basmati consumption despite a large Asian population in these countries leaves significant room for growth. LTFL is the market leader in USA (Royal Brand) commanding 40% market share and is growing at a 25% CAGR over FY12-17 pushing it into sweet spot to capture the growth opportunity.

Recently, LTFL set up a rice processing plant of 60,000 MT in Rotterdam (Netherlands) to tap the European market. Also in FY17, it acquired "Gold Seal Indus Valley" and "Rozana" brand from HUL in order to strengthen its footprint in lucrative Middle East markets like Qatar, Oman, Bahrain, UAE, Saudi Arabia and Kuwait. Owing to healthy demand growth across regions of its operations viz. USA (strong brand recall), Europe (leadership position and new plant commercialization), Middle East (entry via brand acquisitions from HUL).

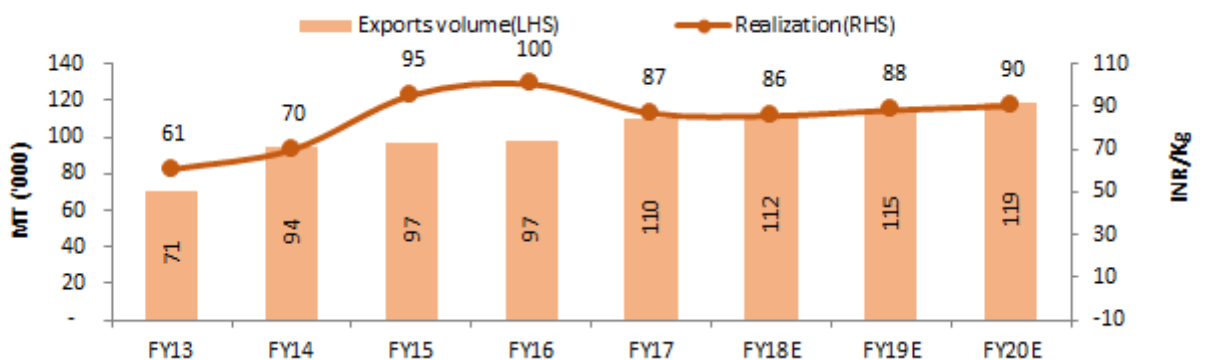
We expect exports basmati revenue CAGR of 8.5% over FY17-20E.

**Exhibit 10: Daawat exports outpacing industry exports**



Source: Company, MOSL

**Exhibit 11: Higher volume growth and stable realization to drive exports**



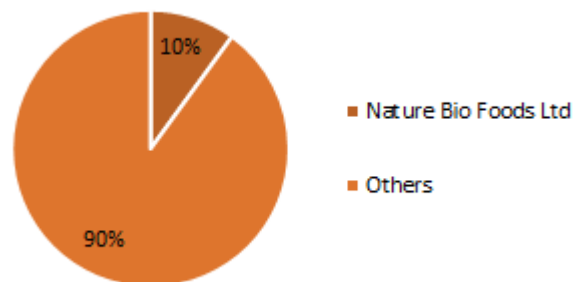
Source: Company, MOSL



**Organic food and value added products - future growth drivers:**

**Organic food business** - Organic food is the fastest growing segment for the company (registered a CAGR of 44% over FY12-17) and contributed ~8% to the FY17 revenue. Nature Bio-Foods Ltd (NBF) is a wholly owned subsidiary of LT Foods dedicated primarily to its organic business. This segment has relatively high barriers to entry owing to the fact that it requires ~3 years of cultivation through organic methods to produce pure organic harvest fit for consumption and distribution as an organic product. Given strong global demand for organic foods and limited competition, we expect the strong growth momentum to continue.

**Value added products** -LTFL's value added product (VAP) division is still in nascent stage and accounts for ~9% of the overall business. VAP is a high margin business that is expected to help improve company's profitability and return ratios. The company has launched many Value added products under this business like fast cooking brown rice, convenience sauces, and blend of white and brown rice that offers taste and health to the consumer. In order to expand the product portfolio further and move up the value chain, LTFL entered into a JV with Kameda Seika (leading Japanese snack company) to manufacture rice-based snacks.

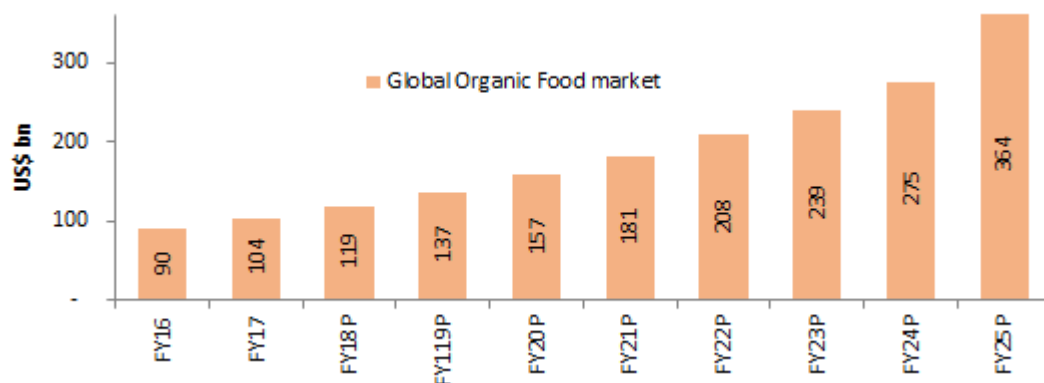
**Exhibit 12: Nature Bio Foods Ltd - Significant share in India's total organic food export**

Source: Company, MOSL

We model a 22% CAGR for Organic and Value added product business over FY17-20E on back of high demand both in exports and domestic market, changing demographics and lifestyle, increasing health awareness and relatively less competition.

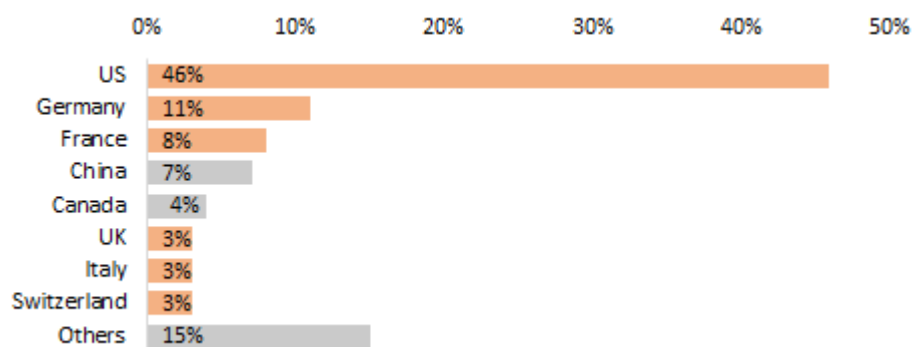


**Exhibit 13: Global organic food market to register a CAGR of 15% over FY16-25P**



Source: Company, MOSL

**Exhibit 14: Share of organic food worldwide (CY16) - USA/Europe is expected to remain key regions for organic food market**



Source: Company, MOSL

**Financial Analysis - Stable growth with margin expansion:**

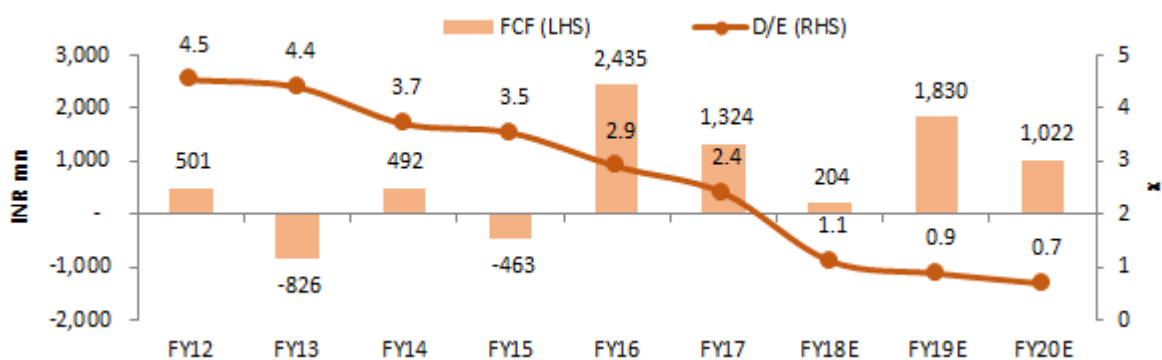
**Stable Revenue and PAT growth over long term:** Basmati is a commodity business but LTFL's long term growth has been fairly consistent primarily on account of organic and inorganic expansion across geographies, product innovation and brand building. Revenue/adj.PAT has registered a CAGR of 18%/33% over FY12-17. We forecast 12.2%/25.7% revenue/adj. PAT CAGR over FY17-20E and an EBITDA margin improvement of 127bps to 12.5% mainly driven by organic food segment and branded basmati rice.

**Fund raised via QIP aimed at balance sheet deleveraging and working capital management:** In Dec'17, LTFL raised INR 4,000mn via QIP with an aim to strengthen balance sheet by repaying ~INR1,500 mn in debt and utilizing the balance funds for working capital requirement. Debt repayment along with improvement in credit cost (-50bps) is expected to bring down interest payment by ~INR 180 mn in FY18.

**ROE/ROCE to improve owing to better operating efficiency:** LTFL has shown improving fundamentals over FY12-17 despite working capital intensive nature of the business with an average ROE/ROCE of 22.8%/9.7%. Although, ROE would intermediately dip for a couple of years on account of QIP, but the same is expected to show improving trend post FY19E. ROCE is expected to improve to 12.5% in FY20E from 10.7% in FY17 on account of better operating efficiency.

**Debt to Equity trends southwards on account of better working capital management:** Basmati rice is a working capital intensive business owing to the fact that basmati needs to be aged for 18-24 months. Thus, most of the working capital is tied up to inventory leading to higher short term debt across industry players. However, LTFL has seen a significant improvement in its working capital management largely supported by reduction in inventory days (from 213 days in FY12 to 161 days in FY17). We expect the improvement to continue on account of strong cash flow generation and better operating efficiency resulting in debt to equity ratio to decline from 2.4x in FY12 to 0.7x by FY20E.

**Exhibit 15: Strong free cash flow generation to help improve balance sheet**



Source: Company, MOSL

## Valuations

Basmati rice business is viewed as a commodity business and has commanded low valuations like other commodity companies. However, players like KRBL, LT Foods etc. have redefined the industry norms and focused on building brands (India Gate - KRBL, Daawat/Royal - LT Foods) to take advantage of the changing industry dynamics of consumers shifting to the branded basmati rice and value added products.

This has helped LT Foods achieve higher revenue growth (18.2% over FY12-17) and relatively stable margins (10.9% in median and 10.8% average margin over FY12-17).

Currently, branded business and value added products/organic business (higher margin segments) together account for ~78% of the revenue and is expected to further improve to 82% by FY20E.

We anticipate strong free cash flow generation, steady revenue growth across segments, improving OPM (+127bps improvement 12.5% in FY20E) on the back of higher share of branded basmati, organic business & value added products. We also expect balance sheet deleveraging on account of debt repayment bringing down net debt to Equity from 2.3x in FY17 to 0.7x in FY20E.

LTFL currently trades at 10.9x/8.5x on FY19/20 P/E. LTFL has shown consistent revenue growth and profitability improvement over years on account of rising share of branded business (resulting in stable margins), geographical expansion and product innovation (organic foods, value added products) leading to significant re-rating in its valuation. Given LTFL's increased focus on branded basmati rice and organic food business, we believe the company is becoming a strong consumer story in the making. We initiate coverage with a BUY rating valuing the stock at 12x FY20E EPS with a target price of INR125.

### Exhibit 16: Business Comparison

Company	MKT CAP	FY17 (INR mn)		Revenue Growth		OPM (%)		PAT CAGR	
	(INR mn)	Revenue	PAT	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
KRBL	1,07,208	31,490	3994	4.4	6.9	23.5	25.0	18.2	15.2
LT Foods	28,232	32,865	1400	11.7	11.8	11.3	11.9	27.9	20.2
Chamanlal Setia	7,377	4,933	385	54.1	16.6	10.7	10.6	23.1	16.9

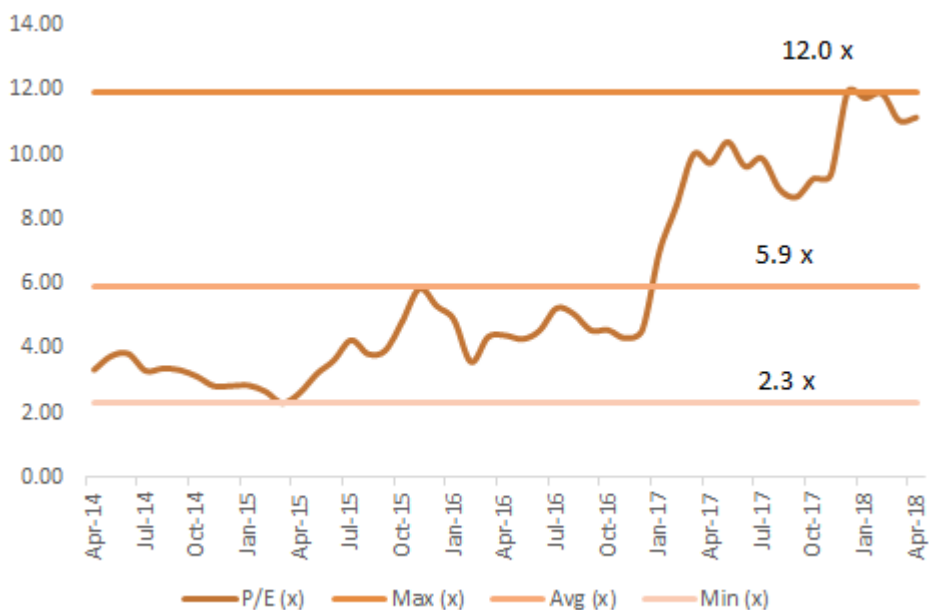
Source: - LT Foods- MOSL, Others - Bloomberg Consensus Estimates

### Exhibit 17: Relative Valuation

Company	Mcap/sales	Debt/Equity	RoE (%)		EV/EBITDA (x)		P/E (x)	
	(x)	(x)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
KRBL	3.4	0.6	21.1	20.2	14.1	12.4	22.7	19.7
LT Foods	0.9	2.4	19.0	16.2	8.7	7.2	13.2	10.9
Chamanlal Setia	1.5	0.3	24.6	22.3	8.6	7.4	15.6	13.3

Source: - LT Foods- MOSL, Others - Bloomberg Consensus Estimates  
Stock price data is as on 4th Apr'18

Exhibit: 18 LT Foods 1-year forward P/E (x)



Source: Company, MOSL

## Story in Charts

Exhibit 19: Domestic revenue growth trend

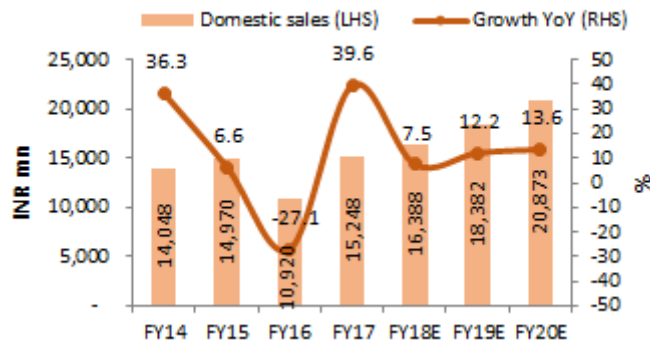
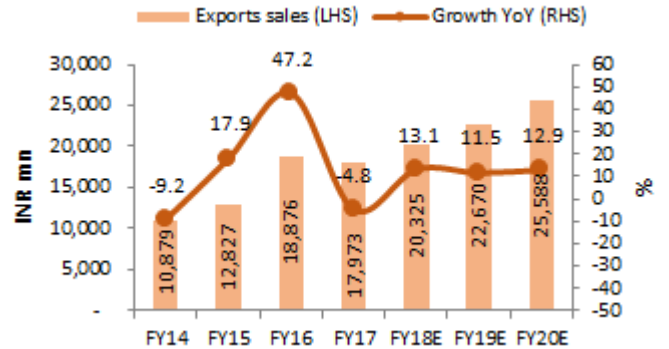


Exhibit 20: Exports revenue growth trend



Source: Company, MOSL

Exhibit 21: Steady revenue growth

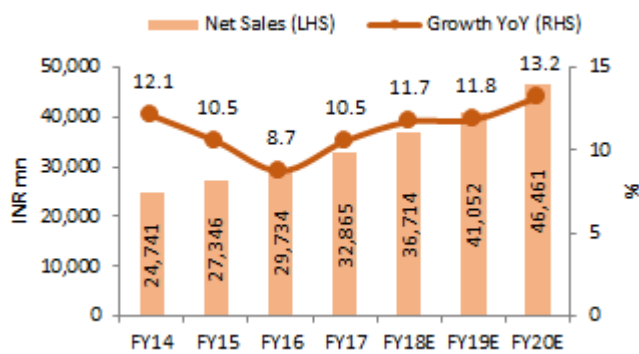
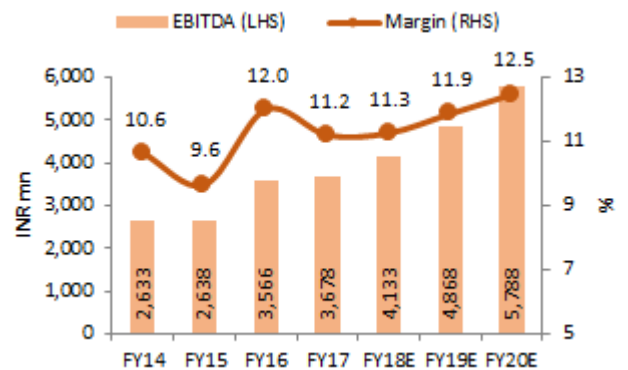


Exhibit 22: Margin improvement likely to continue



Source: Company, MOSL

Exhibit 23: Expect ~26% CAGR in PAT over FY17-20E

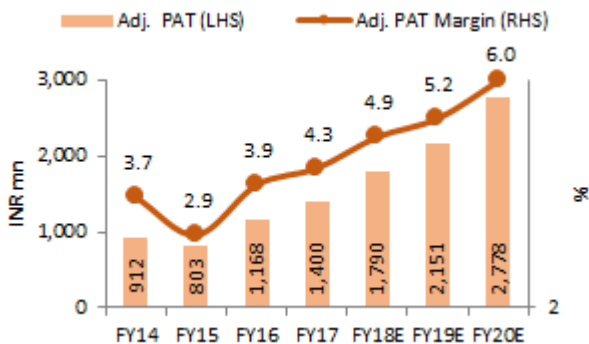
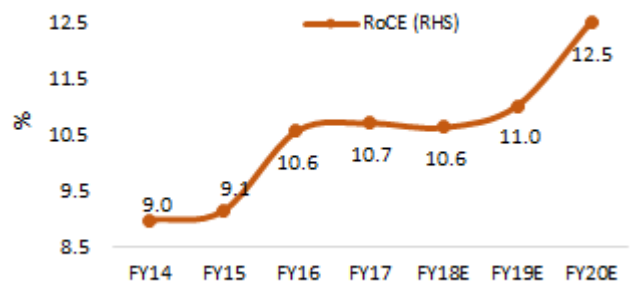


Exhibit 24: ROCE to improve on account of better op. efficiency



Source: Company, MOSL

## Key Risks

**Volatility in raw material prices:** The basmati rice processing industry is an agro-based industry and its main raw material is basmati paddy. The cost and availability of basmati paddy is impacted by many factors like inadequate irrigational facilities, unfavorable climatic conditions, change in crop patterns and farmer's preference for other crops that yield better realization. These factors can impact basmati production impacting volumes and realization.

**Disruption of supply demand dynamics could lead to price erosion:** Trade restrictions by key basmati rice importers (Iran, Saudi Arabia etc.) can lead to price erosion leading to subdued realizations among all industry peers.

**Exchange rate fluctuations:** LTFL derives 55% of its revenue from exports business. LTFL has adopted a policy of selective hedging based on the risk perception of company's management and any unfavorable movement in exchange rate fluctuation can impact profitability of the company.

## Management Overview



### Mr. Vijay Kumar Arora, Chairman & Managing Director

- B.Sc from Meerut University.
- He has been associated with the Company since October 16, 1990.
- He has approximately 27 years of experience.



### Mr. Surinder Kumar Arora, Managing Director

- Key responsibility are production and procurement.
- He served as a Director of LT Foods Limited (formerly known as LT Overseas Ltd.) since August 31, 2000.



### Mr. Ashwani Kumar Arora, MD & CEO

- He is responsible for marketing and the brand promotion of products in India.
- B.Com and has also attended the management development Programme conducted by the Administrative Staff College, Hyderabad.



### Mr. Vivek Chandra, CEO Global Branded Business

- Former President and CEO, South Asia & South ASEAN of Associated British Foods.
- Has also worked with companies like Novartis Consumer Health, Procter and Gamble India as a Customer Business Development Director where he delivered breakthrough and aggressive growths in the organization.



### Mr. Ashok Kumar Arora, President (Punjab Operations)

- B.A. from Guru Nanak Dev University.
- He has approximately 27 years of experience.



### Ms. Monika Chawla Jaggia, CS and VP (Finance & Strategy)

- MBA from the Institute of Chartered Financial Analysts of India University, Tripura.
- She is a fellow member of the Institute of Company Secretaries of India.
- She has approximately 20 years of experience.



## Financials and Valuations

### Consolidated - Income Statement

(INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Net Sales</b>	<b>24,741</b>	<b>27,346</b>	<b>29,734</b>	<b>32,865</b>	<b>36,714</b>	<b>41,052</b>	<b>46,461</b>
Change (%)	12.1	10.5	8.7	10.5	11.7	11.8	13.2
<b>Total Expenditure</b>	<b>22,108</b>	<b>24,708</b>	<b>26,168</b>	<b>29,187</b>	<b>32,581</b>	<b>36,185</b>	<b>40,673</b>
% of Sales	89.4	90.4	88.0	88.8	88.7	88.1	87.5
<b>EBITDA</b>	<b>2,633</b>	<b>2,638</b>	<b>3,566</b>	<b>3,678</b>	<b>4,133</b>	<b>4,868</b>	<b>5,788</b>
Margin (%)	10.6	9.6	12.0	11.2	11.3	11.9	12.5
Depreciation	374	466	515	542	574	635	680
<b>EBIT</b>	<b>2,259</b>	<b>2,172</b>	<b>3,051</b>	<b>3,137</b>	<b>3,559</b>	<b>4,233</b>	<b>5,108</b>
Int. and Finance Charges	1,134	1,511	1,478	1,546	1,368	1,158	1,073
Other Income	185	451	63	340	300	153	133
<b>PBT</b>	<b>1,310</b>	<b>1,112</b>	<b>1,196</b>	<b>1,931</b>	<b>2,491</b>	<b>3,228</b>	<b>4,168</b>
Tax	463	348	471	644	831	1,076	1,390
Tax Rate (%)	35.3	31.3	28.8	33.3	33.3	33.3	33.3
<b>Reported PAT</b>	<b>782</b>	<b>725</b>	<b>722</b>	<b>1,174</b>	<b>1,790</b>	<b>2,151</b>	<b>2,778</b>
<b>Adjusted PAT</b>	<b>912</b>	<b>803</b>	<b>1,168</b>	<b>1,400</b>	<b>1,790</b>	<b>2,151</b>	<b>2,778</b>
Change (%)	45.6	-11.9	45.4	19.8	27.9	20.2	29.1
Margin (%)	3.7	2.9	3.9	4.3	4.9	5.2	6.0

### Consolidated - Balance Sheet

Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	263	265	267	267	320	320	320
Reserves	3,646	4,363	5,101	6,296	11,949	14,005	16,667
<b>Net Worth</b>	<b>3,909</b>	<b>4,627</b>	<b>5,368</b>	<b>6,562</b>	<b>12,269</b>	<b>14,324</b>	<b>16,987</b>
Minority Interest	305	345	343	452	321	321	321
Debt	14,490	16,388	15,579	15,775	13,775	12,675	11,825
Deferred Tax (Net)	13	0	0	0	0	0	0
<b>Total Capital Employed</b>	<b>18,717</b>	<b>21,360</b>	<b>21,290</b>	<b>22,789</b>	<b>26,366</b>	<b>27,321</b>	<b>29,134</b>
Gross Fixed Assets	5,692	6,383	6,757	7,360	8,370	9,027	9,607
Less: Accum. Depreciation	2,195	2,679	3,145	3,655	4,229	4,864	5,544
Net Fixed Assets	3,497	3,704	3,612	3,706	4,141	4,163	4,063
Capital WIP	186	147	244	395	395	395	395
Investments	51	69	64	53	53	53	53
Current Assets	18,193	20,521	20,650	22,989	26,463	27,892	30,415
Inventory	13,494	13,622	12,996	14,483	16,068	17,843	20,054
Debtors	3,261	3,179	3,757	4,629	5,171	5,782	6,544
Cash and Bank Balance	351	212	323	412	1,353	983	100
Loans and Advances & OCA	1,088	3,508	3,574	3,465	3,871	3,284	3,717
Curr. Liability & Provisions	3,210	3,094	3,353	4,438	4,686	5,182	5,793
Account Payables	1,483	1,000	1,494	2,184	2,032	2,286	2,475
Current Liabilities	1,254	1,748	1,310	1,541	1,858	2,012	2,325
Other Long Term Liab. & Provs.	473	346	549	713	796	884	994
<b>Net Current Assets</b>	<b>14,983</b>	<b>17,428</b>	<b>17,296</b>	<b>18,551</b>	<b>21,776</b>	<b>22,710</b>	<b>24,622</b>
<b>Appl. of Funds</b>	<b>18,717</b>	<b>21,360</b>	<b>21,290</b>	<b>22,789</b>	<b>26,365</b>	<b>27,321</b>	<b>29,134</b>

## Financials and Valuations

### Ratios

Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
<b>Basic (INR)</b>							
EPS	3.4	3.0	4.4	5.2	6.7	8.1	10.4
Cash EPS	4.8	4.8	6.3	7.3	8.9	10.5	13.0
BV/Share	14.7	17.4	20.1	24.6	46.0	53.7	63.7
DPS	0.2	0.2	0.2	0.1	0.2	0.3	0.4
Payout (%)	8.9	8.8	6.7	4.1	4.3	4.5	4.1
<b>Valuation (x)</b>							
P/E	25.8	29.3	20.2	16.8	13.2	10.9	8.5
Cash P/E	18.3	18.6	14.0	12.1	10.0	8.4	6.8
P/BV	6.0	5.1	4.4	3.6	1.9	1.6	1.4
EV/Sales	1.5	1.5	1.3	1.2	1.0	0.9	0.8
EV/EBITDA	14.3	15.1	10.9	10.6	8.7	7.2	6.1
Dividend Yield (%)	0.3	0.2	0.2	0.2	0.3	0.3	0.4
FCF per share	1.8	-1.7	9.1	5.0	0.8	6.9	3.8
<b>Return Ratios (%)</b>							
RoE	26.0	18.8	23.4	23.5	19.0	16.2	17.7
RoCE	9.0	9.1	10.6	10.7	10.6	11.0	12.5
<b>Working Capital Ratios</b>							
Asset Turnover (x)	1.3	1.3	1.4	1.4	1.4	1.5	1.6
Inventory (Days)	199	182	160	161	160	159	158
Debtor (Days)	48	42	46	51	51	51	51
Creditor (Days)	22	13	18	24	20	20	19
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	3.6	3.5	2.8	2.3	1.0	0.8	0.7

### Consolidated - Cash Flow Statement

(INR Million)

Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
OP/(Loss) before Tax	1,310	1,112	1,635	1,947	2,491	3,228	4,168
Depreciation	374	466	515	542	574	635	680
Interest & Finance Charges	1,080	1,453	1,404	1,441	1,368	1,158	1,073
Direct Taxes Paid	-227	-495	-338	-439	-720	-1,076	-1,390
(Inc)/Dec in WC	-1,695	-2,451	-689	-1,226	-2,200	-1,304	-2,795
<b>CF from Operations</b>	<b>842</b>	<b>85</b>	<b>2,527</b>	<b>2,264</b>	<b>1,513</b>	<b>2,641</b>	<b>1,736</b>
Others	194	5	445	-72	-300	-153	-133
<b>CF from Operating incl EO</b>	<b>1,036</b>	<b>90</b>	<b>2,972</b>	<b>2,191</b>	<b>1,213</b>	<b>2,487</b>	<b>1,603</b>
(Inc)/Dec in FA	-545	-553	-537	-867	-1,010	-657	-581
<b>Free Cash Flow</b>	<b>492</b>	<b>-463</b>	<b>2,435</b>	<b>1,324</b>	<b>204</b>	<b>1,830</b>	<b>1,022</b>
(Pur)/Sale of Investments	-1	-18	0	4	0	0	0
Others	16	-9	1	-19	300	153	133
<b>CF from Investments</b>	<b>-530</b>	<b>-580</b>	<b>-536</b>	<b>-882</b>	<b>-710</b>	<b>-503</b>	<b>-448</b>
Issue of Shares	6	8	46	0	3,993	0	0
Inc/(Dec) in Debt	690	1,840	-930	230	-2,000	-1,100	-850
Interest Paid	-1,082	-1,458	-1,406	-1,443	-1,368	-1,158	-1,073
Dividend Paid	-61	-69	-63	-48	-77	-96	-115
Others	0	0	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-447</b>	<b>321</b>	<b>-2,353</b>	<b>-1,260</b>	<b>548</b>	<b>-2,354</b>	<b>-2,038</b>
<b>Inc/Dec of Cash</b>	<b>59</b>	<b>-168</b>	<b>82</b>	<b>48</b>	<b>1,052</b>	<b>-370</b>	<b>-883</b>
Opening Balance	286	348	179	253	301	1,353	983
<b>Closing Balance</b>	<b>345</b>	<b>179</b>	<b>262</b>	<b>301</b>	<b>1,353</b>	<b>983</b>	<b>100</b>

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