April 11, 2016

COMPANY REPORT

Prima Plastics Ltd.

Riding on the fast growth track…

BUY

Nifty: 7,555; Sensex: 24,674

CMP	**Rs144**
Target Price	**Rs235**
Potential Upside/Downside	**+63%**

Key Stock Data

Sector	Plastic Products
Bloomberg	PRMP IN / PRIP.BO
Shares o/s (mn)	11
Market cap. (Rs mn)	1,584
Market cap. (US$ mn)	24
3-m daily average vol.	31,155

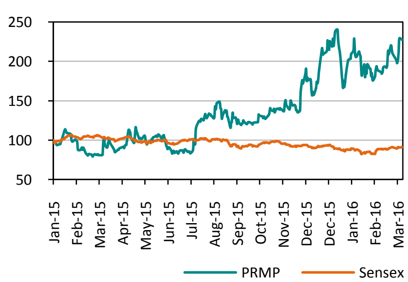
Price Performance

52-week high/low			Rs156/50
	-1m	-3m	-12m
Absolute (%)	25	3	158
Rel to Sensex (%)	24	6	170

Shareholding Pattern (%)

Promoters	58.85
MFs/Banks/FIs	0.03
Public & Others	41.12

Relative to Sensex



Source: Capitaline

Summary

Incorporated in 1993 and HQ in Mumbai, Prima Plastics (Prima) is the fourth largest moulded plastic furniture player in India, operating in Western & Southern area through strong distribution (425) and dealers network (5000+). It also exports (16% of Consolidated revenues) to US, Africa and Middle East (ME). During FY12-15, it reported revenues and earnings CAGR of 19% and 22%, respectively while debt level brought down to negligible level (from 0.4x in FY12) and ROE improved from 9% (FY12) to 12.4% (FY15). Going forward, the company would be on a fast growth track due to (1) Shut down of its loss making Aluminium Composite Panel (ACP) business in FY15 (2) Capacity expansion in India and African JV (3) Entry in Central America (JV; 4,000MT capacity) (4) Improving working capital cycle. Given its strong future prospect led by robust earnings growth & uptick in return ratios, FCF generation capability and robust balance-sheet, we assign a P/E multiple of 12x on FY18E EPS (v/s 1 year forward industry average P/E of 16x), translating a price target of Rs235 (63% upside). Initiate with a BUY.

Investment Rationale and Outlook

- **Well capitalized player; Aggressive expansion plan:** Prima Plastics Ltd is the fourth largest plastic furniture player in India with strong presence in Western & Southern region. It also exports to U.S., Africa and Middle East (ME) market and has presence in Central African market (through JV). It has envisaged mega expansion plan to increase the capacity (by 8,500MT; adding over 50% capacity with a capex of Rs330-350mn) on a consolidated level including recently formed JV into Central America (4,000MT; capex Rs180mn) to expand the geographic reach to cater to neighboring countries. Post expansion, the company is expected to witness strong traction in revenues, margins and earnings (Increasing revenue contribution from high margin international business).
- **Domestic business - No overhang of ACP business; Robust financials:** Prima's presence through strong distribution network, commissioning of new plant (1,500MT in A.P. by July 2016), synergy post closing of loss making ACP business (brought down EBIT by 20% in FY15) would drive the growth. In addition, continuous product innovation and opportunity under "Swachh Bharat Abhiyan" (recently got orders from state govt.) would fuel the growth. We believe the step taken in right direction would bear fruits in the coming years (no further overhang on profitability). These would translate into domestic revenue & earnings CAGR of 15% & 71% in FY15-18E, respectively.
- **African JV – future growth engine; Outlook promising:** Prima is a dominant player (No.1) in Central African moulded plastic furniture industry (Industry growing at 15%). It has created strong brand image, improved product-mix and expanded the reach (via 3-4 local distributors having strong supply chain), which gives it a competitive edge over local players. The ongoing expansion in African JV would almost double its capacity (adding 3,000MT; Capex Rs120mn). Post expansion, the higher revenue contribution from JV; better margin profile would act as a key catalyst to stimulate the overall financials (JV - revenue and earnings CAGR of 22% & 28% in FY15-18E, respectively).
- **Margin expansion + Strong earnings = Healthy cashflow to entertain major Capex:** The lower/stable RM prices (polypropylene price down 40-45% YoY), increasing revenue contribution from high margin business (International) and better operating leverage would expand consolidated EBITDA margin by 70bps/40bps in FY17E/FY18E. Moreover, negligible debt (0.05x), improving working capital cycle (127days/96days/85days in FY12/FY15/FY18E) would ensure sufficient cash cushion and will help in borrowing (if required) to entertain funding requirement (Capex Rs330-350mn v/s OCF Rs509mn in FY16E-18E). We see substantial freecash flow generation from FY17 onwards and strong jump in RoE over 24% (by FY18) from 12.4% in FY15.
- **Valuation:** We expect consolidated Revenue/EBITDA/PAT to grow at a CAGR of 19%/37%/47% during FY15-18E, respectively. The stock is currently trading at a P/E of 9.4x/7.4x on its FY17E/FY18E earnings (v/s 1/2 years forward industry average P/E of 16x/13x). We believe the stock could generate handsome return with an investment horizon of 12-18 months. Even if we assign a P/E of 12x (20% lower due to high exposure at International market), it translates a price target of Rs235 (63% upside). Hence, we initiate the coverage on the stock with a **"BUY"** recommendation.

Tale: Consolidated financial snapshot **(Rs mn)**

Year	Revenue	EBITDA	EBITDA(%)	Adj.PAT	EPS (Rs)	PE(x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY15	1,191	138	11.6	67	6.1	23.5	11.2	12.4	17.9
FY16E	1,278	208	16.3	138	12.5	11.4	7.3	22.7	27.9
FY17E	1,595	271	17.0	168	15.3	9.4	5.9	23.2	28.4
FY18E	2,027	352	17.4	214	19.5	7.4	4.3	24.7	30.6

Source: Company; IDBI Capital Research

Investment Rationale

Well capitalised plastic furniture player

Prima Plastics limited, a moulded plastic furniture manufacturer, is one of the largest plastic player in India after Nilkamal, Supreme Industries and Wim Plast. It has a 6-7% market share (value wise) with 425 distributors and a dealer network of over 5000+ across India (Western+ Southern) and significant presence in Central African region through Joint Venture (contributed on consolidated level 27% revenues; 69% at EBITDA level). In recent years, it has consistently increased its market share and has consolidated its position as a one of the brand leader in the garden & leisure furniture industry through strong product-mix, continuous product launches with strong marketing efforts. During FY12-15, consolidated revenue and earnings increased at a CAGR of 19% & 22%, respectively while EBITDA margin improved by 160bps (10% to 11.6%) & PAT margin by 30bps (5.3% to 5.6%) over the same period. The company's products are exported across the US, Africa and ME. Its top five target markets include West Africa, Central Africa, UAE, South America and Central America.

Table: Plastic moulded furniture - Players positioning

Companies	Capacity (MT)	Revenues (Rs mn)	EBITDA (%)	Dealers network	Distributors
Prima Plastic	10,000	1,191	11.6%	5,000+	425
Wim Plast	40,000*	2,600	16.6%	10,000	NA
Supreme Industries	30,000*	2,760	14.8%	25,000	2,450
Nilkamal	100,240**	6,800	7.8%	20,000	1,500

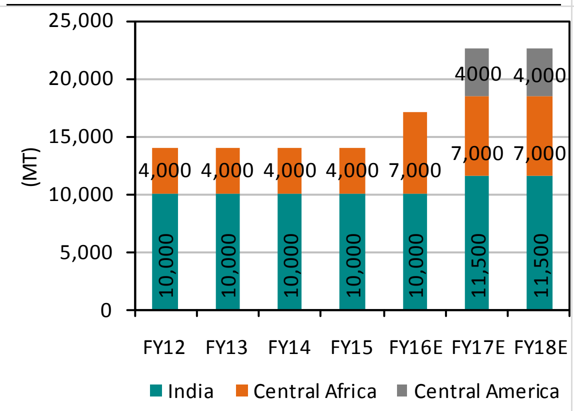
NA- Not available,* Approx. Incl. Bubble grade sheet , ** Including material handling

Source: Company; Industry, IDBI Capital Research

Aggressive capacity expansion; Strong revenue visibility persists

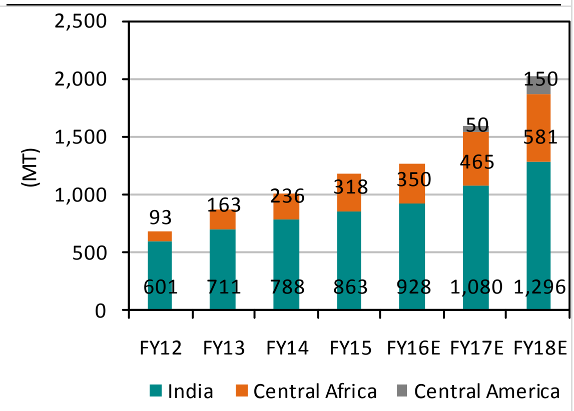
Prima has envisaged aggressive expansion plan (both Domestic + International) to double its capacity on a consolidated basis. It is spending total of Rs330-350mn which would be met largely through internal accrual and partially by debt, if required. It is now setting up new capacity at A.P. (India) by adding 1,500MT (Capex Rs50mn), which would be operational by July 2016 while on the international front, it has shown more aggression by adding 3,000MT capacity (increased by 75%; capex Rs120mn) in Central Africa (JV). It is also foraying into Central American market to tap the opportunities by setting up the unit through JV (4,000MT capacity; Capex Rs180mn). For which, it has already signed JV (90% holding) with local partner and the plant is expected to be operational at the end of 1HFY17. The consolidated capacity would increase to 22,500MT (current 14,000MT) by the end of FY17. The reason being to increase the capacity in overseas market is owing to (1) Strong demand in highly underpenetrated Central African market (Industry growth is 15% p.a.) (2) Less competition, business expansion and (3) better margin profile. This would not only lead to improve the revenue rate and margin profile but also would help to expand earning growth and return ratios at a faster pace. We expect consolidated revenues to grow at a CAGR of 19% in FY15-18E.

Figure: Consolidated capacity trend



Source: Company; IDBI Capital Research

Figure: Consolidated revenue trend

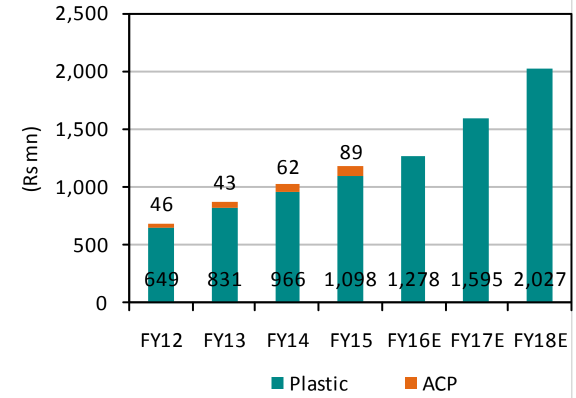


Source: Company; IDBI Capital Research

No overhang of loss making ACP business – a step in right direction

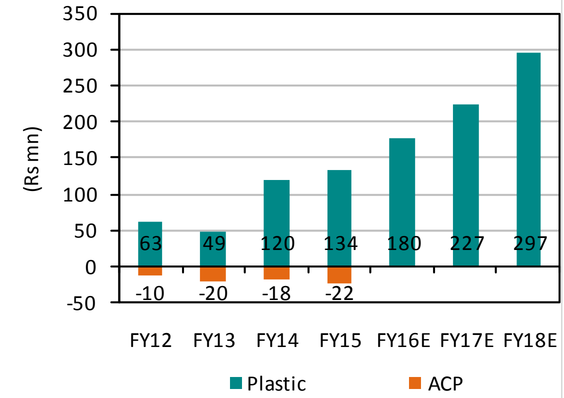
During FY15, the company shut down its loss making ACP business which was started during construction boom (2006-07) in Gujarat (capacity – 9,00,000 square meter p.a.) to cater commercial real estate segment but no such revival/turnaround (due to slowdown in real estate segment) forced the company to wind up the unit. During FY15, it contributed 7.5% to consolidated revenues and reported EBIT loss of Rs22.2 mn (brought down EBIT profit by 20%). We believe the step taken in right direction would bear fruits in terms of better financial performance and cashflow generation (no further overhand on profitability), which would improve the domestic business performance in the coming years. However, there are some write-back (machinery + inventory) to the tune of Rs8-10mn expected to hit P&L account in few quarters, which would be one-off kind.

Figure: Consolidated revenue mix



Source: Company; IDBI Capital Research

Figure: Consolidated EBIT mix

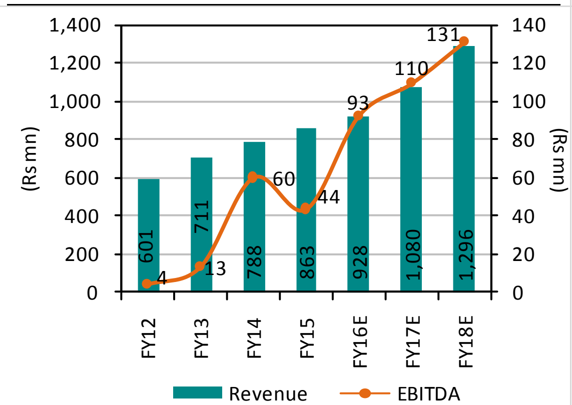


Source: Company; IDBI Capital Research

Indian operations - Steadily growing; Margins to sustain due to lower RMC

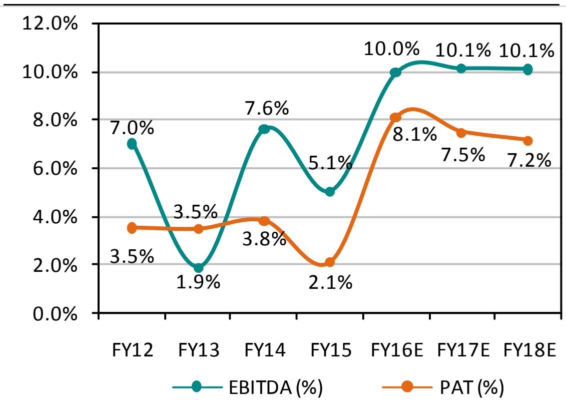
Prima currently operates with two plants (Daman & Kerala) in India with a significant presence in Western and Ssouthern market through strong distribution network. It is further strengthening its position in Southern region (A.P.) by adding 15% capacity on its own land (2-3 acres land). Post expansion, total Indian capacity would be 11,500MT. The company is quite confident to gain strong traction due to strong demand and better brand image. Recently, it received an order of Rs440mn from Hyderabad state government to supply dustbins & chairs under the "Swachh Bharat Abhiyan" and further expecting to get more orders in the coming quarters. It is expected that increasing usage of plastic moulded furniture (long lasting life, no corrosion, flexible in usage), changing consumer preference towards branded products and rising disposable income would keep the demand intact. Being a fourth largest player, we believe the recent capacity expansion plan, gradual economic recovery and continuous focus on product innovation would lead to 15% revenue CAGR during FY15-18E while lower/stable RM prices (polypropylene price corrected 40-45% in a year), synergy post closing down of loss making ACP business along with the better operating leverage would keep the margin profile intact (over 10%) in the coming years.

Figure: Standalone revenue & EBITDA trend



Source: Company; IDBI Capital Research

Figure: Standalone EBITDA and margin trend



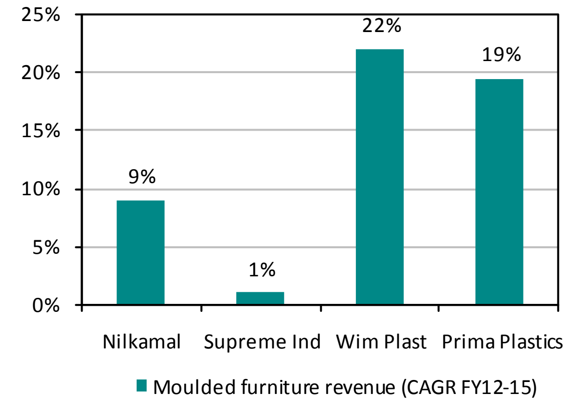
Source: Company; IDBI Capital Research

- **Indian Plastic moulded furniture Industry – gaining traction day by day**

Plastic moulded furniture has virtually exploded in the Indian scenario and from a stage of infancy the field has risen to almost 70 million in volume, consuming almost 170 kilo tonne of polypropylene material. It is highly fragmented (55% unorganised) industry comprises of significant presence of local players. The Indian furniture market grew at a CAGR of 17.2% during FY08-13, which is expected to see 25% CAGR growth in FY13-18E. The furniture market is estimated to be worth more than Rs2,167bn (moulded furniture market is over Rs28 bn).The organised sector is growing at a faster rate. The furniture segment comprises 65% of the home market and 35% of institutional demand. The popularity of plastic furniture has grown since it offers features unavailable in conventional wooden and metal furniture, such as easy maintenance, light weight, durability and various attractive features (such as shapes, designs).

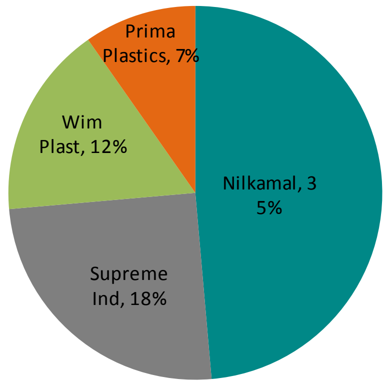
Plastic furniture is essentially based on composition of polypropylene (PP) which contains hopolymer to provide rigidity and copolymer to lend impact. There exist around 30 producers of PP chairs in India though 30% of the top producers corner almost 75% of the market share. Nilkamal and Supreme Industries reign as the market leaders in this field, followed by Wim Plast and Prima plastics.

Figure: Revenue CAGR (FY12-15)



Source: Company; IDBI Capital Research

Figure: Market share (players)



Source: Company; IDBI Capital Research

In order to cater to the rising requirements of online shopping in the country, a number of companies have stepped afoot in the online channel of furniture market and increased their presence in tier II & III cities. In the organised retail segment, the market is occupied by leading companies, such as Godrej Interio, Home Centre, Home Décor, Nilkamal, Supreme Industries, Wimplast, Prima Plastics, Durian Furniture and Style Spa among others, which have over the years grabbed significant positioning in the domestic market.

Table: Unlisted players in India

Company	Group	Place	Product offerings
Godrej Interio	Godrej Group	Mumbai	Modular Furniture, Bedroom, Living room, Study room, Seating, Kitchen
Durian furniture	Private	Mumbai	Home, Office, Plywood, Veneers, Doors
Zuari furniture	Private	Chennai	Home Furniture, Bedroom, Living room, Study room, Seating, Kitchen

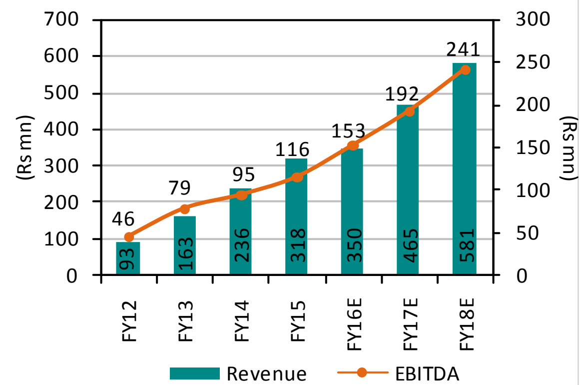
Source: GRAL, IDBI Capital Research

The moulded plastic furniture business is rapidly expanding across the world including India. Now a day, it is widely accepted both in home furnishing and institutional/corporate offices while increasing no. of malls, capacity expansion plans by corporate, shifting focus towards usage of plastic crates, dustbins, computer trolleys against steel products will fuel the demand for plastic products (from steel-made materials to plastic-made materials due to inherent nature of flexible transportation particularly in FMCG, pharmaceutical sectors).

African business: Capacity expansion + higher margins = Profitability booster

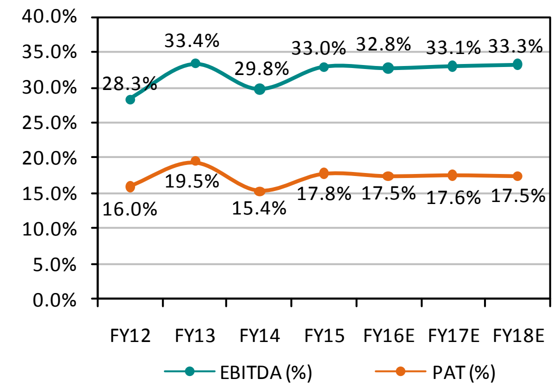
During FY06, the company formed a 50% JV - Prima Deelite Plastics Pvt Ltd in Cameroon, which is performing extremely well and registered healthy financial performance (Revenue and PAT CAGR of 51% & 39% in FY12-15) in both the businesses of Plastic articles and Woven sack bags. Prima is a dominant player in Central African moulded plastic furniture Industry, which is growing over 15% p.a. The ongoing expansion in African JV would almost double its capacity (adding 1,500MT plastic products + 1,500MT of woven sack) by the end of Q1FY17. The company is very optimistic due to its leadership position and healthy demand. Over the years, it has created strong brand image, improved product-mix and expanded the reach through wide distribution network, which gives it a competitive edge over local players to sustain the market share. It also caters to Cement, Agri and Sugar industry as well (woven sacks - 25% production capacity). It sourced raw material from Middle East and European countries. We expect revenues and earnings to grow by 22% & 28% CAGR in FY15-18E, respectively along with a gradual improvement in EBITDA margin.

Figure: Africa (JV) – Revenue & EBITDA trend



Source: Company; IDBI Capital Research

Figure: EBITDA & PBT margin trend



Source: Company; IDBI Capital Research

- **Africa – Furniture market**

  Demand for furniture in Africa is rising due to growing populations, urbanization, and purchasing power. Africa accounts for about 2.2% of the global consumption of furniture and about 2.8% of the global furniture trade, with net imports at US$2.5bn. The demand is being met both through local production and imports. During 2009-15, furniture production in Africa and the Middle East grew by 15% on the back of its GDP and population growth (Source: Republic of Kenya). The Central African plastic moulded furniture is highly underpenetrated and concentrated by few local players (3-4 only) due to high import duty and freight costs.

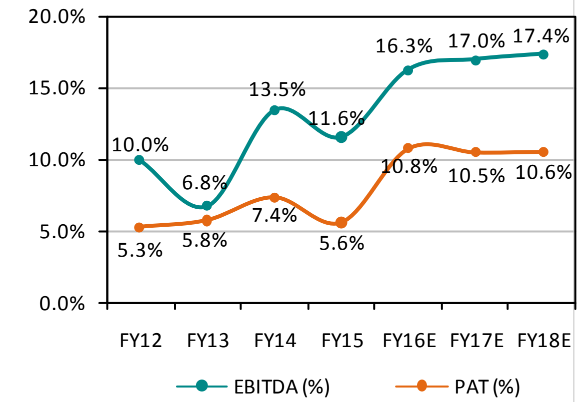
Entry in US through JV – a strategic decision to enter into high growth market

Recently, it has signed the JV agreement (90% share) with local player (in Central America) to set up the 4,000MT capacity with an investment of Rs180mn (targeting to commence facility by August 2016). The objective is to expand its reach in neighboring countries by establishing strong distribution channel to offer its products. The basic idea of putting a plant rather than exporting the products to this region is to make the products easily available and more competitive in the local market (duty charges + freight costs makes the product costlier). This would reduce the export revenues (partially) by Rs30-40mn, which would be offset by revenue contribution from JV. The company would continue to export certain high margin products from India. On the other hand, better margins would help to bolster company's consolidated financial performance. We have built in revenues of Rs50mn/Rs150mn and EBITDA margin of 18%/19% for FY17E/FY18E, respectively.

Margins to improve; Strong earnings growth

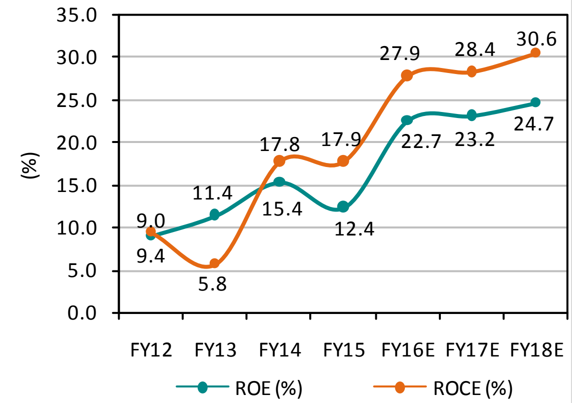
We believe capacity expansion; increase in contribution from international operations (higher margin business) along with the lower/stable raw material cost would help to improve consolidated EBITDA margin by 70bps/40bps in FY17E/FY18E while earnings to accelerate at a faster rate of 47% CAGR in FY15-18E. Consequently, RoE would see substantial jump to over 24% (FY18) from 12% in FY15.

Figure: Consolidated EBITDA and PAT margin trend



Source: Company; IDBI Capital Research

Figure: Consolidated ROE & ROCE trend

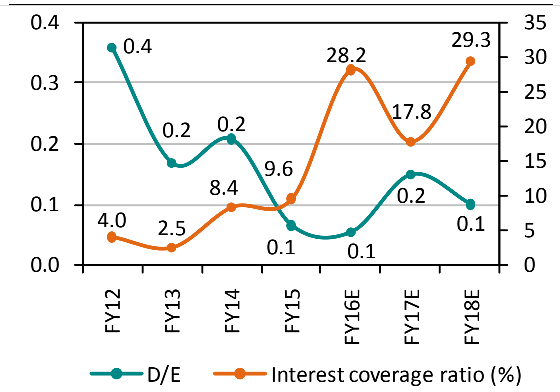


Source: Company; IDBI Capital Research

- **Negligible debt level; Sufficient cushion to entertain high capex plan**

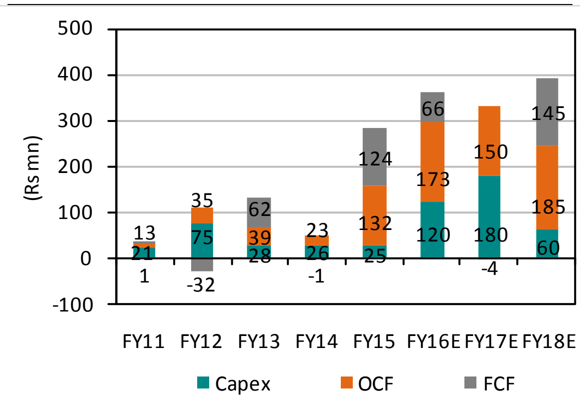
Though the company is going for aggressive capex plan (Rs330-350mn in two years; adding 50% capacity on a consolidated basis), we believe robust earnings growth and continuous emphasis on shortening working capital cycle would give sufficient cushion to generate better cash flows. These would ultimately help in funding requirement (to a great extent). Though we have assumed the Central American capex would be met through internal accruals and borrowings (Rs80-100mn v/s total requirement of Rs180mn), we believe that it is comfortably placed to generate operating cashflow of Rs509mn and free cashflow of Rs149mn in FY16E-18E while debt/equity (post borrowing) would increase marginally to 0.15x (FY17) from 0.5x (FY15).

Figure: Consolidated D/E & Interest coverage ratio



Source: Company; IDBI Capital Research

Figure: Consolidated Capex v/s OCF v/s FCF



Source: Company; IDBI Capital Research

Peer Matrix (FY15)

Particulars (Rs mn)	Revenues	EBITDA (%)	PAT (%)	P/E (x)	D/E (x)	RoE (%)	RoCE (%)	Fixed A/O (x)
Prima Plastics	1,191	11.6	5.6	22	0.06	12.5	18.9	6.4
Wim Plast	3,674	17.0	10.4	22	0.00	23.4	22.3	4.2
Nilkamal Ltd.	18,946	8.2	2.7	30	0.30	9.6	13.7	6.2
Supreme Industries	42,552	15.7	7.3	26	0.50	25.7	27.9	4.0

Source: Bloomberg, IDBI Capital Research

Financial Matrix

Table: Consolidated Financials

Particulars	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Revenue mix (Rs mn)							
India Standalone	601	711	788	863	928	1,080	1,296
YoY growth (%)	*2*	*18*	*11*	*10*	*8*	*16*	*20*
Africa, Camroon (JV)	93	163	236	318	350	465	581
YoY growth	*3*	*76*	*45*	*35*	*10*	*33*	*25*
Central America (JV)						50	150
YoY growth (%)							*200*
Total Consolidated revenues (Rs mn)	**694**	**874**	**1025**	**1182**	**1278**	**1595**	**2,027**
EBITDA margin (%)							
India Standalone	*7.0*	*1.9*	*7.6*	*5.1*	*10.0*	*10.1*	*10.1*
Africa, Camroon (JV)	*30.9*	*28.3*	*33.4*	*29.8*	*33.0*	*32.8*	*33.1*
Central America (JV)						*18.0*	*19.0*
Total Consolidated EBITDA margin (%)	***10.0***	***6.8***	***13.5***	***11.6***	***16.3***	***17.0***	***17.4***
PAT margin (%)							
India Standalone	*3.5*	*3.5*	*3.8*	*2.1*	*8.1*	*7.5*	*7.2*
Africa, Camroon (JV)	*16.0*	*19.5*	*15.4*	*17.8*	*17.5*	*17.6*	*17.5*
Central America (JV)						*12.0*	*14.0*
Total Consolidated PAT margin (%)	***5.3***	***5.8***	***7.4***	***5.6***	***10.8***	***10.5***	***10.6***

Source: IDBI Capital Research

Table: Standalone (Quarterly performance)

Particulars (Rs mn)	Q1FY15	Q2FY15	Q3FY15	9MFY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	9MFY16
Revenues	196.7	209.1	206.8	612.6	257.3	191.1	185.7	289.4	666.2
EBITDA	9.7	8.4	(1.9)	16.2	27.2	12.5	18.4	37.2	68.1
Margin (%)	*4.9*	*4.0*	*(0.9)*		*10.6*	*6.6*	*9.9*	*12.8*	
PAT	4.9	4.6	6.8	16.2	17.5	10.2	15.3	31.2	56.6
Margin (%)	*2.5*	*2.2*	*3.3*		*6.8*	*5.3*	*8.2*	*10.8*	
EPS (Rs)	0.4	0.4	0.6	1.5	1.6	0.9	1.4	2.8	5.1

Source: IDBI Capital Research

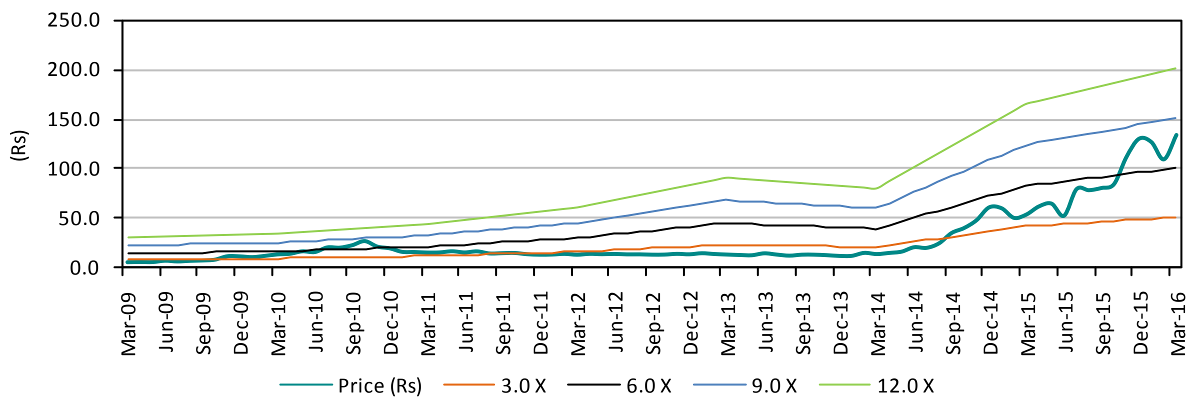
Valuation and Outlook

- **Robust performance ahead; Initiate with a BUY**

  Prima has delivered Revenue/EBITDA/PAT CAGR of 19%/26%/22% during FY12-15 respectively. At the same time, it has reduced the debt level (D/E from 0.4x in FY12 to 0.05x in FY15) and improved the working capital cycle (from 127 days in FY12 to 96 days in FY15). Going forward, the capacity expansion (domestic +International), entry in new region and clean balance-sheet coupled with the shutdown of its loss making ACP units would act as a key catalyst to lift the financial performance significantly. In addition, lower RMC and better margin profile (due to increase in contribution from high margin international business) would accelerate the earnings growth and return ratios at a faster pace. We now expect consolidated Revenue/EBITDA/PAT CAGR of 19%/37%/47% in FY15-18E, respectively.

On a valuation front, the stock is currently trading at a P/E of 9.4x/7.4x its FY17E/FY18E earnings (against 3 years average PE of 11x). We believe the stock trades at a steep discount to other plastic players (1 year forward industry average P/E of 16x). Even if we assign a P/E of 12x (20% lower than industry 1 year forward P/E due to higher exposure to International business), it translates a price target of Rs235 (63% upside) from current level.

Figure: 1-yr fwd P/E



Source: Company; IDBI Capital Research

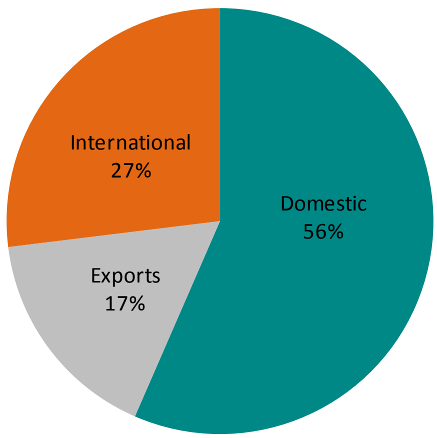
Key risks

- The fluctuation in raw material prices (crude oil derivatives) could adversely impact the margin profile.
- As the company derives 27% of the revenue from Central African JV, any political uncertainty or currency volatility could have direct impact on the financial performance and valuations.

About the Company

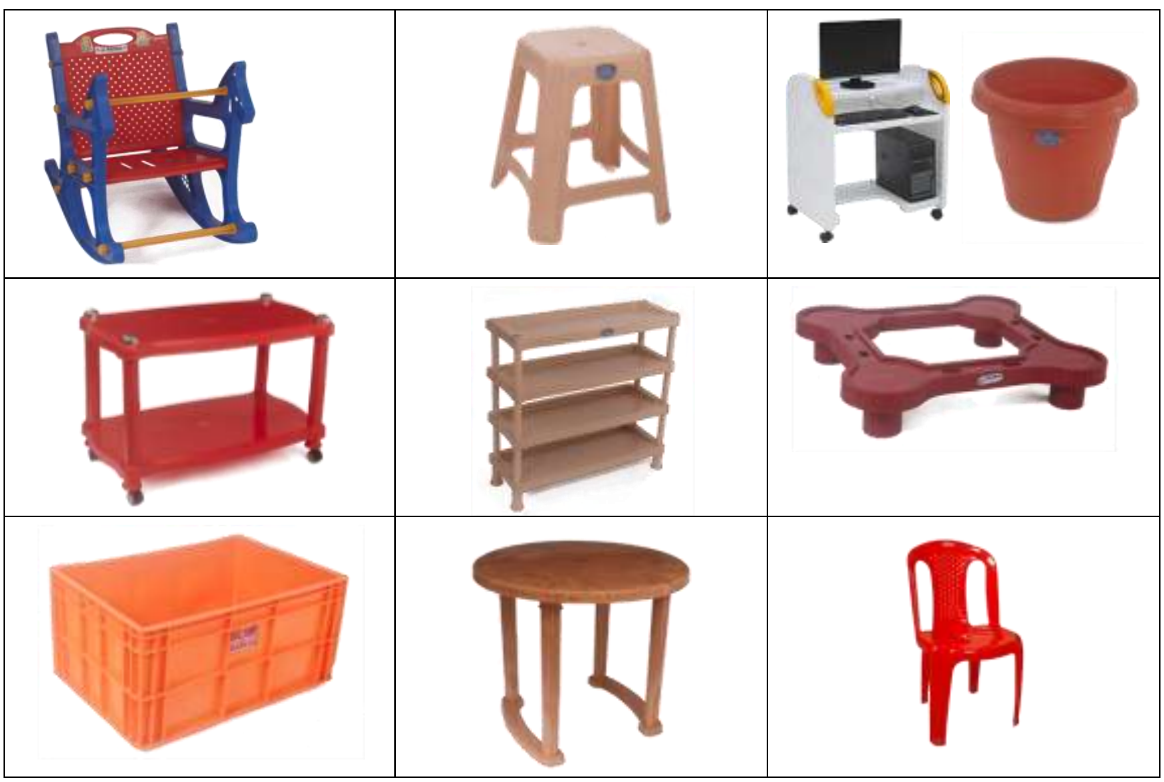
Incorporated in 1993 and HQ in Mumbai, Prima Plastics Limited (Prima) is one of the largest moulded plastic furniture manufacturer and exporter in India. With its state of the art production facilities situated at Daman, it has a phenomenal range and variety of plastic chairs, dining table, tepoys, trolleys, plastic shoe racks, stools, baby chairs, rocking baby chair etc have been created and manufactured using the latest imported machinery and moulds. It caters to various segments such as hotels, restaurants, household purpose. The company's products are exported across the US, Africa and ME and have presence in Central African market (through JV). Its top five target markets include West Africa, Central Africa, UAE, South America and Central America. It is constantly leveraging its brand by increasing distribution network and launching innovative products.

Figure: Revenue mix



Source:

- **Product portfolio**



Financial summary (Consolidated)

Profit & Loss Account (Rs mn)

Year-end: March	FY15	FY16E	FY17E	FY18E
Net sales	**1,191**	**1,278**	**1,595**	**2,027**
Growth (%)	*15.6*	*7.3*	*24.7*	*27.1*
Operating expenses	(1,053)	(1,070)	(1,324)	(1,675)
EBITDA	**138**	**208**	**271**	**352**
Growth (%)	*(0.3)*	*50.5*	*30.2*	*29.9*
Depreciation	(28)	(28)	(44)	(55)
EBIT	**110**	**180**	**227**	**297**
Interest paid	(12)	(6)	(13)	(10)
Other income	6	18	31	26
Pre-tax profit	**104**	**191**	**245**	**313**
Tax	(37)	(53)	(77)	(97)
Effective tax rate (%)	*35.4*	*27.9*	*31.3*	*30.8*
Net profit	**67**	**138**	**168**	**216**
Adjusted net profit	**67**	**138**	**168**	**214**
Growth (%)	*(11.8)*	*105.0*	*21.7*	*27.7*
Shares o/s (mn nos)	*11*	*11*	*11*	*11*

Balance Sheet (Rs mn)

Year-end: March	FY15	FY16E	FY17E	FY18E
Net fixed assets	185	277	413	418
Investments	5	5	5	5
Other non-curr assets	7	7	7	7
Current assets	**511**	**542**	**649**	**828**
Inventories	210	209	258	314
Sundry Debtors	167	182	214	267
Cash and Bank	68	87	98	146
Loans and advances	65	64	80	101
Total assets	**708**	**831**	**1,075**	**1,258**
Shareholders' funds	**557**	**660**	**786**	**947**
Share capital	110	110	110	110
Reserves & surplus	447	550	676	837
Total Debt	**36**	**36**	**118**	**95**
Secured loans	29	29	29	29
Unsecured loans	7	7	89	66
Other liabilities	-	-	-	-
Curr Liab & prov	**115**	**135**	**171**	**217**
Current liabilities	56	59	73	92
Provisions	60	77	98	125
Total liabilities	**151**	**171**	**288**	**312**
Total equity & liabilities	**708**	**831**	**1,075**	**1,258**
Book Value (Rs)	**51**	**60**	**71**	**86**

Source: Company; IDBI Capital Research

Cash Flow Statement (Rs mn)

Year-end: March	FY15	FY16E	FY17E	FY18E
Pre-tax profit	104	191	245	313
Depreciation	28	28	44	55
Tax paid	(37)	(53)	(77)	(97)
Chg in working capital	35	7	(61)	(84)
Other operating activities	2	13	25	18
CF from operations (a)	**132**	**186**	**176**	**205**
Capital expenditure	(12)	(120)	(180)	(60)
Chg in investments	1	-	-	-
Other investing activities	3	-	-	-
CF from investing (b)	**(8)**	**(120)**	**(180)**	**(60)**
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(49)	-	82	(23)
Dividend (incl. tax)	(17)	(34)	(42)	(54)
Other financing activities	(36)	-	-	-
CF from financing (c)	**(102)**	**(34)**	**40**	**(77)**
Net chg in cash (a+b+c)	**22**	**32**	**36**	**68**

Financial Ratios

Year-end: March	FY15	FY16E	FY17E	FY18E
Adj EPS (Rs)	6.1	12.5	15.3	19.5
Adj EPS growth (%)	(11.8)	105.0	21.7	27.7
EBITDA margin (%)	11.6	16.3	17.0	17.4
Pre-tax margin (%)	8.7	15.0	15.4	15.4
RoE (%)	12.4	22.7	23.2	24.7
RoCE (%)	17.9	27.9	28.4	30.6
Turnover & Leverage ratios (x)				
Asset turnover	1.6	1.7	1.7	1.7
Leverage factor	1.3	1.3	1.3	1.3
Net margin (%)	5.6	10.8	10.5	10.6
Net Debt/Equity	(0.1)	(0.1)	0.0	(0.1)
Working Capital & Liquidity ratios				
Inventory days	64	60	59	57
Receivable days	51	52	49	48
Payable days	19	20	20	20

Valuations

Year-end: March	FY15	FY16E	FY17E	FY18E
PER (x)	23.5	11.4	9.4	7.4
Price/Book value (x)	2.8	2.4	2.0	1.7
PCE (x)	16.5	9.5	7.5	5.9
EV/Net sales (x)	1.3	1.2	1.0	0.8
EV/EBITDA (x)	11.2	7.3	5.9	4.3
Dividend Yield (%)	1.0	2.2	2.7	3.4

Notes

Dealing	(91-22) 6637 1150	dealing@idbicapital.com

Key to Ratings

Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto ±5%; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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