

## RETAIL EQUITY RESEARCH

# Essel Propack Limited.

Containers & Packaging

BSE CODE: 500135

NSE CODE: ESSELPACK

Bloomberg CODE: ESEL:IN

SENSEX: 34,443

## BUY

Rating as per Mid Cap

12 month investment period

CMP Rs. 295 TARGET Rs. 341 RETURN 16% ↑

10<sup>th</sup> January 2018

### Non-oral care category-bigger growth opportunity

Essel Propack Limited (EPL) is the largest specialty packaging company and laminated tube manufacturer in the world catering to the FMCG and Pharma space.

- Constant technological innovation and expansion of product range has made Essel Propack a leading global specialty packaging company with a 36% market share of the world's oral care market in volume terms.
- Emerging markets would be the key growth driver for oral and non-oral care categories driven by growth in Indian business helped by recovery in the FMCG industry, improving EAP & European region performance and increased volumes from major markets in US, Germany and China.
- Synergies from European operations, ramp up of large long-term contracts, increased focus on non-oral care segment and new customer additions would help drive revenue CAGR of 17% over FY17-20E in Europe business.
- Hence, we model revenue CAGR of 12% over FY17-20E
- With company's enhanced focus on increasing the contribution of non-oral care, we expect EBITDA margin to rise to 20.1%/20.8% for FY19E/20E.
- We recommend BUY rating on the stock with a target price of Rs. 341, based on 17x FY20E EPS, an upside of 16%.

#### New product launches to drive growth going ahead

EPL is constantly focusing on expanding its presence globally by launching new innovative products for the non-oral care brands. The company has developed various new products/tubes including Mystik, Aeir, Clarion, Velvetie, Etain, Green maple leaf, among others which the company believes will drive growth going ahead and strengthen its presence in non-oral care segment. Mystik tube holds huge potential as it provides complete protection to hair colorant formulations and opens up fast growing hair colorant category as well as any other aggressive product formulations like Rx Pharma and food products leading to package upgradation by brands. We believe these value-added products would aid in new client additions and thus drive revenue and improve operational performance.

#### Focus on increasing contribution from non-oral care categories

The company has gradually shifted its focus from the oral to non-oral category given its huge market potential and growth opportunities globally. The company is looking to expand its presence in categories such as cosmetics, consumer goods and pharmaceuticals. This will also aid in de-risking its business model and reduce dependence on oral care segment. Further, this bodes positively for margins as margin in non-oral care category is higher than oral care segment. The revenue contribution from non-oral care has increased from 35.2% in FY12 to 40.4% in FY17 and the company is further targeting to increase it to 50% over the next 2 years by using laminated tubes as packing material.

#### Growth across geographies led by Europe to boost revenue

Capability augmentation in both laminated and plastic tubes, revival of Russian operations and new customer additions mainly in the non-oral care segment would drive revenue growth in Europe going ahead. Further the company is implementing various cost-effective programs which would help improve margins. Moreover, the acquisition of Essel Deutschland Germany (EDG) will help Essel to unlock synergies in European operations in terms of cross selling, sourcing flexibility and better capacity utilization at all of its Europe plants. Further, AMESA region, largest contributor to overall sales (40% in FY17), is expected to grow at a CAGR of 9% over FY17-20E driven by growth in Indian business helped by recovery in the FMCG industry. Sales from EAP region (22% of sales in FY17) is expected to register a CAGR of 10% over FY17-20E on the back of recovery in demand from China, healthy pipeline, setting up of a manufacturing base in the region and key management changes. Americas is expected to grow by 8% CAGR over FY17-20E helped by non-oral care business and improved sales from Colombia.

#### Valuations:

Marquee clients, strong global presence, robust innovation track record and increasing presence in non-oral care segment will drive strong growth for EPL going ahead. Further, focus on strengthening capabilities both in terms of market outreach and technology introductions bodes well for the company. Consequently, we forecast consolidated revenue/PAT to grow at a CAGR of 12%/21% over FY17-20E. With increase in revenue contribution from non-oral care segment we expect EBITDA margin to improve to 20.8% by FY20E. We initiate Essel Propack with a BUY rating with a TP of Rs. 341 based on 17x FY20E EPS.

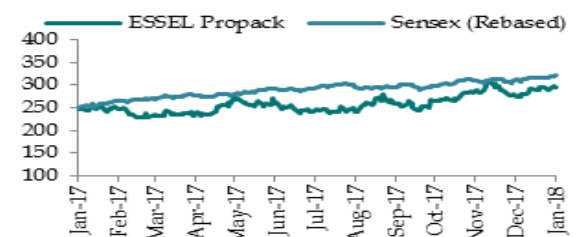
#### Company Data

Market Cap (cr)	Rs. 4,636
Enterprise Value (cr)	Rs. 5,357
Outstanding Shares (cr)	15.7
Free Float	43%
Dividend Yield	0.8%
52 week high	Rs. 317
52 week low	Rs. 226
6m average volume (lacs)	0.8
Beta	0.3
Face value	Rs. 2

Shareholding %	Q4 FY17	Q1 FY18	Q2 FY18
Promoters	57.1	57.1	57.2
FII's	14.4	14.5	14.5
MFs/Insti	4.9	5.1	5.2
Public	11.4	10.9	10.8
Others	12.2	12.4	12.3
Total	100.0	100.0	100.0

Price Performance	3mth	6mth	1 Year
Absolute Return	11%	22%	18%
Absolute Sensex	8%	10%	29%
Relative Return*	3%	12%	(11%)

\*over or under performance to benchmark index

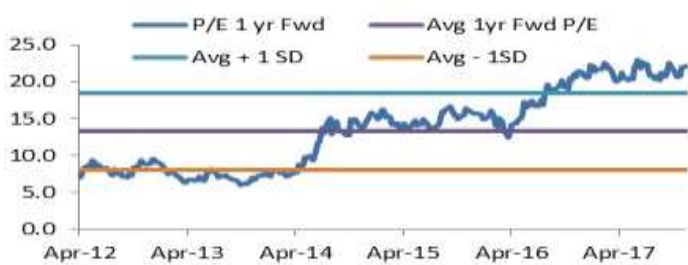


Y.E Mar (Rs cr)	FY18E	FY19E	FY20E
Sales	2,549	2,878	3,250
Growth (%)	10.7%	12.9%	12.9%
EBITDA	494	579	675
EBITDA Margins %	19.4	20.1	20.8
PAT Adj.	197	251	315
Growth (%)	9.5%	27.6%	25.4%
Adj. EPS	12.5	16.0	20.1
Growth (%)	9.5%	27.6%	25.4%
P/E	23.5	18.4	14.7
P/B	3.9	3.3	2.8
EV/EBITDA	10.5	8.7	7.1
ROE (%)	17.6	19.4	20.8
D/E	0.6	0.5	0.3

## Valuations

Currently, EPL is trading at a PE multiple of ~24x/18x/15x FY18E/19E/20E earnings as compared to last 3yr Avg. 1yr Fwd. P/E of 18x and last 5yr Avg. 1yr Fwd. P/E of 13.3x. Our target multiple of 17x is in line with EPL's past three-year average PE multiple owing to several factors viz; a) strong operational performance b) improved product mix (focus on non-oral care segment, c) new product launches, d) constant focus on expanding presence globally, e) strong free cash flow generation and f) robust return ratios. We expect EBITDA margin to expand to 20.1%/20.8% in FY19E/20E from 18.3% in FY17 supported by recovery in Indian business and improved overseas business performance. We expect ROE/ROCE to improve to 21%/25% by FY20E from 18% currently. Further rebound in European economy and stabilisation of Indian economy bodes well for the company given its established market leadership in the tubes business. Hence, we initiate Essel Propack with a BUY rating with a TP of Rs. 341 based on 17x FY20E EPS.

### 1 Yr fwd P/E band



## Peer comparison

Company	Sales (cr)			EBITDA Margin %		
	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Essel Propac	2549	2878	3250	19.4	20.1	20.8
Time Techno	3128	3587	4337	14.9	14.9	15.2
Huhtamaki PPL	2270	2474	2770	17.5	18.1	18.7

Company	P/E			ROE%		
	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Essel Propac	23.5	18.4	14.7	17.6	19.4	20.8
Time Techno	8.1	9.9	13.3	12.7	13.8	15.9
Huhtamaki PPL	10.2	12.6	16.4	14.4	16.1	18.7

Source: Bloomberg, Geojit Research

## Investment Rationale

### Established leadership in tubes business

EPL is a leading global specialty packaging company

manufacturing over 6 billion laminated plastic tubes catering to FMCG and Pharma space. The company enjoys market leadership in Oral Care Tubes with 36% global market share and generates around 60% of its consolidated revenue from the oral care segment. EPL's marquee customers include world's largest oral and non-oral care players such as Colgate, Unilever Plc, P&G, Johnson & Johnson, Glaxosmithkline, L'oreal Paris etc.

### New product launches to drive revenue growth going ahead

EPL is constantly focusing on expanding its presence globally through innovative new product launches for the non-oral care brands. The company has seen technology as a great enabler to deliver disruptive changes and is focusing on deploying cutting edge innovation across markets to deliver superior value add products. In a bid to strengthen its non-oral care business, EPL has developed a laminated plastic tube Mystik, the tube structure that can comprehensively protect highly abrasive formulations. It has created Mystik for packaging premium hair colorants (market size of 2.5 billion tubes globally) and developers with unique shaped inner barrier multilayer membrane that provides complete protection to all hair colorant formulations as well as any other aggressive product formulations like Rx Pharma products. The company believes this is a breakthrough innovation and thus offer brands a unique opportunity to upgrade their packaging. The company sees this a huge business opportunity in the non-oral care category. Some other powerful packaging solutions developed by the company are Aeir, Clarion, Velvetie, Etain, Green maple leaf, among others which the company believes will drive growth going ahead. Aeir is a light weight tube meant to reduce the packaging weight for the benefit of promoting environmental sustainability. Further, it has developed a high clarity UV shield tube named Clarion that provides glass like clarity with UV shield properties and enables brand visibility. Velvetie are soft tubes with velvety finish enabling attention of buyers and helping improve the brand perception. Etain is a fully-recyclable packaging tube which is made using a percentage of recycled material with the aim of reducing the amount of virgin plastic in tube packaging. Green Maple Leaf is an eco-friendly laminated tube that helps maintain the freshness of the products and reduces the product's carbon footprint, making it the best eco-friendly choice to keep products fresh. This tube retains its shape even after repeated use & product

dispensation and was aimed at markets demanding sustainability.

### New innovations

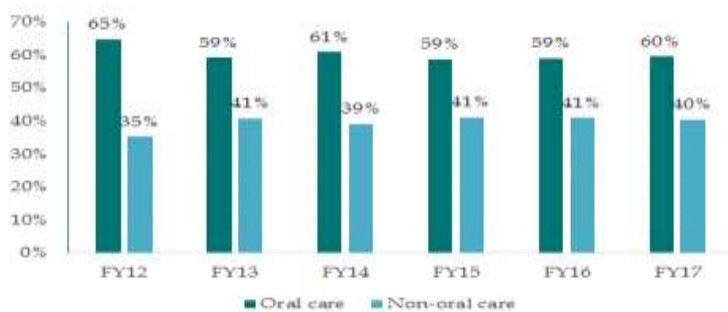


Source: Company, Geojit Research

### Focus on increasing contribution of non-oral care categories in overall sales

The company has gradually shifted its focus from the oral to non-oral category given its huge market potential and growth opportunities globally. The company is looking to expand its presence in categories such as cosmetics, consumer goods and pharmaceuticals. This will also aid in de-risking its business model and reduce dependence on oral care segment. Further, this bodes positively for margins as margin in non-oral care category is higher than oral care segment. The revenue contribution from non-oral care has increased from 35.2% in FY12 to 40.4% in FY17 and the company is further targeting to increase it to 50% over the next 2 years by using laminated tubes as packing material. To achieve this, the company is expanding its presence in emerging markets such as Asia, Africa and Latin America and launching innovative products in the developed markets. The company is offering superior packaging solution in the form of its new generation laminated tubes in place of the plastic/aluminum tubes and bottles by leveraging customer insight, polymer and decoration technology, global presence and state of art equipment capability.

### Oral and Non-oral care segment share



Source: Company, Geojit Research

### Strong marquee customer base

Essel Propack enjoys a strong customer base in both oral and non-oral care product segments globally. EPL's biggest consumer names include world's largest oral and non-oral care players such as Colgate, Unilever Plc, P&G, Johnson & Johnson, Glaxosmithkline, L'oreal Paris etc.



### Global footprint



### Focus on creativity and innovation

EPL has dedicated creativity and innovation (C&I) department which is responsible for creating new products and discovering new business categories. Extensive research work has enabled EPL to come out with various varieties and features in its products to make it readily acceptable worldwide. The company has taken various new initiatives including developing laminated tube with security features such as embedded holography and embedded micro-text to combat counterfeits. EPL's anticounterfeit tube design has been well accepted by many global brands and has yielded



huge export orders. Moreover, it has launched Invisseam tubes, a new tubing technology that makes the side seam invisible and thus enhances the decoration possibilities in the laminated tubes. It has also developed high luster laminated tubes with superior barrier and fascinating colors which is targeted towards high-end cosmetics and toiletries. Further, it has developed high clarity plastic and laminated tubes with full spectrum of UV A, B & C and thus protects the tubes from UV degradation.

### **Europe business to be key growth driver going ahead**

Europe (contributed 18% of sales in FY17) recorded strong net sales CAGR of 20% over FY12-17 supported by the Polish unit which continued to post strong growth driven by capability augmentation for non-oral care both in the laminated and the plastic tube formats. It has manufacturing presence in Poland, Russia and Germany with the Polish unit being the manufacturing hub for supply to Europe. Further, ramp up of a large long-term contract with a FMCG major and new customer development in the non-oral care space boosted performance of the unit. Russian business staged a strong rebound in FY16 on the back of proactive pricing, active management of customer portfolio, de-bottlenecking capacity and operational efficiencies. As a result of strong operational performance in the region, the EBIT margin improved from (14.3%) in FY12 to 5.6% in FY17. We believe that Europe will be one of the key growth driver going ahead given it is the largest tube market in the World and the company is actively pursuing new customer addition in the region. The company is undertaking expansion and is also implementing cost-cutting programmes in the region. Importantly, EPL's complete acquisition of German Joint venture, Essel Deutschland Germany, will help it to unlock synergies in European operations in terms of cross selling, sourcing flexibility and better capacity utilisation at all of its Europe plants. EPL acquired its partner's stake in Essel Deutschland Germany for \$32 million (around Rs. 214 crore) in September 2016. The acquisition of EDG will further strengthen its presence in non-oral care category. Hence, we expect European business to register 17% revenue CAGR over FY17-20E.

### **Stabilization of Indian economy to boost sales in AMESA**

AMESA region, largest contributor to overall sales (40% in FY17) reported just 5% revenue CAGR over FY12-17 as the growth in the India tubing operation was

adversely impacted by a sluggish economy, mainly in the non-oral care category. India (the single largest contributor to AMESA and accounted for 37% of company's consolidated sales in FY17) sales were impacted by sluggish off-take caused by macroeconomic conditions resulting in deflation in selling prices, slowness in Indian economy and reduced FMCG off-take especially in the cosmetic category. Further, sales was impacted following demonetisation in November 2016 and de-stocking ahead of GST implementation. In FY17, the company undertook consolidation of its manufacturing sites in the Western India. This led to a phased shut down of three small plants and the commissioning of a state of art factory at Dhanoli near Vapi which led to significant one-off costs and thus impacted the profit for the year. EBIT margin in AMESA improved marginally from 12.4% in FY12 to 13% in FY17. Going ahead, we believe the consolidation of three Indian units (Silvassa, Murbad, Chakan) will yield operational and cost synergies, and facilitate seamless capacity expansion. The region will benefit from various new business development projects in the non-oral care segment, large diversified customer base and stabilization in Indian economy after GST hiccups. We believe Indian growth remains intact and it is well positioned to grow and gain market share going ahead. Hence, we forecast AMESA to grow at a CAGR of 9% over FY17-20E.

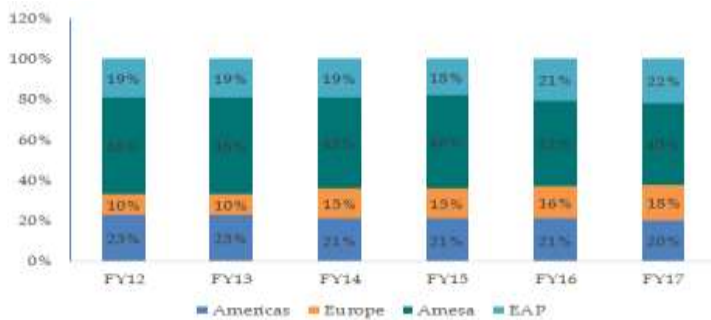
### **Non-oral care category to drive revenue in America and EAP**

In America, the company has a strong market presence in both North and South America and has manufacturing presence in USA, Mexico and Colombia through wholly owned subsidiaries. The American region, contributes 20% to the consolidated revenue, posted subdued revenue CAGR of 5% over FY12-17 impacted by off-take issues at its Mexico unit, ram up issues at its new factory in Colombia and closure of extruded plastic tube operations in the US since March 2016. However, the company witnessed a strong expansion in EBIT margin which rose to 10.9% in FY17 from 4% in FY12. We expect revenue from Americas region to improve by 7% CAGR over FY17-20E helped by non-oral care business, improved sales from Colombia supported by further capacity expansion in new unit and recovery in Mexico business which posted double digit sales growth in FY17.

EAP region posted 8% revenue CAGR supported by continued momentum in the growth of the non-oral care category, foray into niche oral care brands and

ramp up of manufacturing unit in China. Moreover, improved sales from Philippine where the unit has a long-term contract supported the revenue growth. However, the company registered a contraction in EBIT margin (14.1% in FY17 Vs 19.3% in FY12). We expect sales from EAP region (22% of sales in FY17) to improve by 10% CAGR over FY17-20E supported by improved China performance on the back of recovery in demand in the region, healthy pipeline, setting up of a manufacturing base and management change. Moreover, new business development activities and better operational efficiencies will support growth going ahead.

### Revenue share by geography



Source: Company, Geojit Research

## Financials

### Growth across geographies to drive topline

EPL registered 8% net sales CAGR during FY13-17 driven by new product launches, change in product mix (company's thrust into non-oral care categories) and strong growth in overseas markets led by Europe. Revenues from Europe and East Asia Pacific (EAP) grew at 20% and 8% CAGR over FY12-17, respectively. Revenue from AMESA and America grew by 5% each during the same period. We forecast net sales to grow at 12% CAGR over FY17-20E led by revenue CAGR of 10%/17%/10% in AMESA/Europe/EAP respectively, supported by new business development projects in the non-oral care categories.

### Overall revenue to grow at 12% CAGR during FY17-20E



Source: Company, Geojit Research

### EBITDA margin to expand to 20.8% by FY20E

Overall EBITDA rose by 8% CAGR over FY13-17 on the back of better operating performance across regions. Americas recorded 19% CAGR in EBIT. As a result, EBIT margin expanded from 6.2% in FY12 to 10.9% in FY17. Europe staged a strong turnaround in EBIT which turned positive from FY15 onwards with CAGR of 15% from FY15-17. EBIT margin improved from -14.3% in FY12 to 5.6% in FY17. AMESA posted EBIT CAGR of 3%. Accordingly, EBIT margin improved marginally from 12.4% in FY12 to 13% in FY17.

Consequently, overall EBITDA margin improved by 120 bps over FY13-17 to 18.3% in FY17. We believe EBITDA margin to improve from FY18E onwards driven by recovery in Indian business after the GST related hiccups and improved overseas business performance. EBITA margin is expected to grow by 250 bps over FY17-20E to 20.8% in FY20E.

### EBITDA to grow at 17% CAGR over FY17-20E



Source: Company, Geojit Research

### Strong operating performance to drive net profit growth

In line with robust EBITDA growth along with higher other income and lower interest charges, the adjusted net profit has recorded a strong CAGR of 24% over FY13-17. Going ahead, we estimate EPL to clock PAT CAGR of 21% over FY17-20E mainly due to robust operating performance.

### PAT to grow at 21% CAGR over FY17-20E

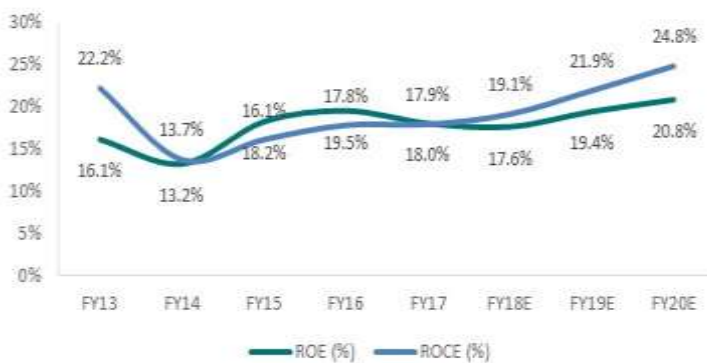


Source: Company, Geojit Research

## Balance Sheet remains healthy

EPL's D/E ratio has reduced sharply to 0.8x in FY17 from 1.0x in FY13 and it is expected to reduce further to 0.3x by FY20E on account of strong free cash flow generation to the tune of Rs772cr over FY17-20E. EPL has been generating strong operating cash flows (OCF) over the years. During FY13-17, OCF has grown at a CAGR of ~22%. Working capital days remained stable at 81 in FY17 (84 in FY13) with steady receivable days at 59 in FY17 while inventory days declined from 53 in FY13 to 51 in FY17. Debtors days improved marginally to 29 from 28. We believe recovery in volume growth from India & European region, improving margins and lower capex would improve the return ratios of the company going ahead. ROE is expected to improve from 18% in FY17 to 20.8% in FY20E. Likewise, ROCE is projected to increase from 17.9% in FY17 to 24.8% in FY20E.

## RoE to remain above 20% led by strong operating performance



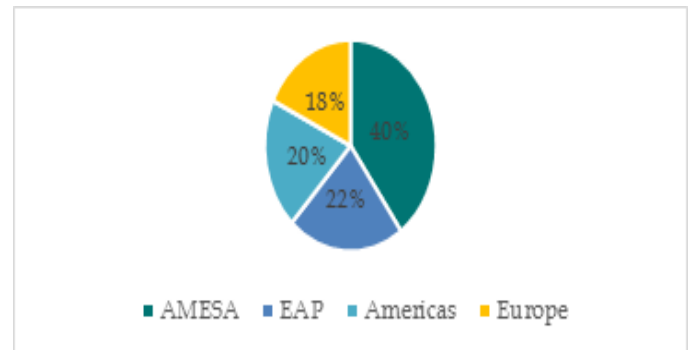
Source: Company, Geojit Research

## Essel Propack Ltd: Business overview

Incorporated in 1982, Essel Propack Ltd (EPL), part of the Essel Group, is the largest specialty packaging company and laminated tube manufacturer in the world catering to the FMCG and Pharma space. It manufactures tubes for oral care, cosmetics, pharma, food and industrial product. The company generates revenue from Oral and non-oral segments, with oral segment being major revenue contributor of about 60%. The company is the first company to introduce laminated tubes in India. It is the world's largest producer of laminated plastic tubes with a 36% share of the world's oral care market in volume terms globally. Other than this, its products are extensively used in the packaging of products across categories such as Beauty & Cosmetics, Pharma & Health, Foods and Home. With

over 2,852 employees, Essel Propack functions through 19 state of the art facilities and has presence in eleven countries including USA, Mexico, Colombia, Poland, Germany, Egypt, Russia, China, Philippines and India. It provides extraordinary solutions customized to an increasing variety of applications and new innovations in material, technology and processes.

## Essel Propack's revenue mix



Source: Company, Geojit Research

## Essel Propack's product range



Source: Company, Geojit Research

## Key Risks:

- Any increase in prices of raw materials like polymer.
- Since majority of revenue comes from overseas, so geopolitical or adverse economic environment remains a concern.
- Adverse currency fluctuation.



## Consolidated Financials

### Profit & Loss Account

Y.E March (Rs cr)	FY16A	FY17A	FY18E	FY19E	FY20E
<b>Sales</b>	<b>2,128</b>	<b>2,302</b>	<b>2,549</b>	<b>2,878</b>	<b>3,250</b>
% change	-8.4%	8.2%	10.7%	12.9%	12.9%
<b>EBITDA</b>	<b>404</b>	<b>421</b>	<b>494</b>	<b>579</b>	<b>675</b>
% change	3.3%	4.3%	17.2%	17.3%	16.6%
Depreciation	123	141	163	177	189
<b>EBIT</b>	<b>281</b>	<b>280</b>	<b>331</b>	<b>402</b>	<b>486</b>
Interest	61	58	59	54	48
Other Income	24	35	31	38	46
<b>PBT</b>	<b>244</b>	<b>258</b>	<b>302</b>	<b>386</b>	<b>484</b>
% change	21.4%	5.8%	17.3%	27.7%	25.4%
Tax	78	79	106	135	169
Tax Rate (%)	31.9%	30.5%	35.0%	35.0%	35.0%
<b>Reported PAT</b>	<b>173</b>	<b>196</b>	<b>197</b>	<b>251</b>	<b>315</b>
Adj*	2	16	-	-	-
<b>Adj PAT</b>	<b>171</b>	<b>180</b>	<b>197</b>	<b>251</b>	<b>315</b>
% change	26.4%	5.4%	9.5%	27.6%	25.4%
No. of shares (cr)	15.7	15.7	15.7	15.7	15.7
<b>Adj EPS (Rs)</b>	<b>10.9</b>	<b>11.5</b>	<b>12.5</b>	<b>16.0</b>	<b>20.1</b>
% change	26.4%	5.3%	9.5%	27.6%	25.4%
DPS (Rs)	2.2	2.4	2.6	3.4	4.2

### Balance Sheet

Y.E March (Rs cr)	FY16A	FY17A	FY18E	FY19E	FY20E
Cash	84	103	177	298	448
Accounts Receivable	331	377	417	471	532
Inventories	199	246	271	299	334
Other Cur. Assets	307	239	248	255	268
Investments	30	16	16	16	16
Gross Fixed Assets	1,047	1,564	1,703	1,833	1,953
Net Fixed Assets	924	1,165	1,141	1,094	1,025
CWIP	57	19	30	30	30
Intangible Assets	-	14	14	14	14
Def. Tax (Net)	(20)	(32)	(32)	(32)	(32)
Other Assets	75	71	71	71	71
<b>Total Assets</b>	<b>1,988</b>	<b>2,218</b>	<b>2,353</b>	<b>2,517</b>	<b>2,706</b>
Current Liabilities	295	358	387	423	463
Provisions	-	-	-	-	-
Debt Funds	701	792	742	672	572
Other Liabilities	19	23	23	23	23
Equity Capital	31	31	31	31	31
Reserves and Surplus	933	1,008	1,164	1,362	1,611
Shareholder's Fund	965	1,039	1,195	1,393	1,642
Minority Interest	8	6	6	6	6
<b>Total Liabilities</b>	<b>1,988</b>	<b>2,218</b>	<b>2,353</b>	<b>2,517</b>	<b>2,706</b>
<b>BVPS (Rs)</b>	<b>61.4</b>	<b>66.1</b>	<b>76.1</b>	<b>88.6</b>	<b>104.5</b>

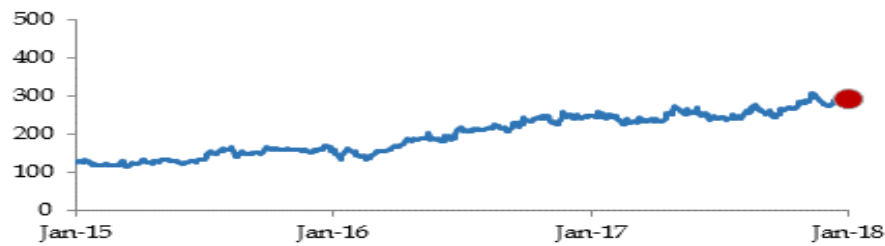
### Cash flow

Y.E March (Rs cr)	FY16A	FY17A	FY18E	FY19E	FY20E
<b>Pre-tax profit</b>	<b>251</b>	<b>274</b>	<b>303</b>	<b>386</b>	<b>485</b>
Depreciation	129	145	163	177	189
Changes in W.C	48	49	(45)	(54)	(69)
Others	17	(26)	28	17	2
Tax paid	(83)	(74)	(106)	(135)	(169)
<b>C.F.O</b>	<b>361</b>	<b>369</b>	<b>343</b>	<b>391</b>	<b>438</b>
Capital exp.	(199)	(231)	(150)	(130)	(120)
Change in inv.	117	(129)	-	-	-
Other invest.CF	36	59	31	38	46
<b>C.F - investing</b>	<b>(46)</b>	<b>(301)</b>	<b>(119)</b>	<b>(92)</b>	<b>(74)</b>
Issue of equity	-	1	-	-	-
Issue/repay debt	(229)	28	(50)	(70)	(100)
Dividends paid	(34)	(44)	(41)	(53)	(66)
Other finance.CF	(57)	(61)	(59)	(54)	(48)
<b>C.F - Financing</b>	<b>(320)</b>	<b>(76)</b>	<b>(150)</b>	<b>(178)</b>	<b>(214)</b>
Chg. in cash	(5)	(9)	74	121	150
Closing cash	84	103	177	298	448

### Ratios

Y.E March	FY16A	FY17A	FY18E	FY19E	FY20E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	19.0	18.3	19.4	20.1	20.8
EBIT margin (%)	13.2	12.2	13.0	14.0	15.0
Net profit mgn.(%)	8.0	7.8	7.7	8.7	9.7
ROE (%)	19.5	18.0	17.6	19.4	20.8
ROCE (%)	17.8	17.9	19.1	21.9	24.8
<b>W.C &amp; Liquidity</b>					
Receivables (days)	55.6	58.6	58.6	58.6	58.6
Inventory (days)	44.4	50.6	51.3	50.7	50.6
Payables (days)	27.1	28.6	28.6	28.6	28.6
Current ratio (x)	3.1	2.7	2.9	3.1	3.4
Quick ratio (x)	2.5	2.0	2.2	2.4	2.7
<b>Turnover &amp; Levq.</b>					
Gross asset T.O (x)	1.2	1.7	1.5	1.6	1.7
Total asset T.O (x)	1.0	1.1	1.1	1.1	1.2
Adj. debt/equity (x)	0.72	0.76	0.6	0.5	0.3
<b>Valuation ratios</b>					
EV/Net Sales (x)	2.5	2.4	2.1	1.8	1.5
EV/EBITDA (x)	13.0	12.7	10.5	8.7	7.1
P/E (x)	27.1	25.8	23.5	18.4	14.7
P/BV (x)	4.8	4.5	3.9	3.3	2.8

## Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit BNP Paribas Research

Dates	Rating	Target
10-January-2018	BUY	341

### Large Cap Stocks;

Buy	-	Upside is above 10%.
Hold	-	Upside is between 0% - 10%.
Reduce	-	Downside is more than 0%.

### Mid Cap and Small Cap;

Buy	-	Upside is above 15%.
Accumulate	-	Upside is between 10% - 15%.
Hold	-	Upside is between 0% - 10%.
Reduce/Sell	-	Downside is more than 0%.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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