

| Rating matrix | | |
|------------------|---|--------------|
| Rating | : | Sell |
| Target | : | ₹ 1250 |
| Target Period | : | 12-18 months |
| Potential Upside | : | -12% |

| What's changed? | |
|-----------------|-------------------------------|
| Target | Changed from ₹ 1425 to ₹ 1250 |
| EPS FY19E | Changed from ₹ 69.5 to ₹ 61.6 |
| EPS FY20E | Changed from ₹ 89.1 to ₹ 80.7 |
| Rating | Unchanged |

| Quarterly performance | | | | | |
|-----------------------|--------|--------|----------|--------|---------|
| | Q3FY19 | Q3FY18 | YoY (%) | Q2FY19 | QoQ (%) |
| Revenue | 146.0 | 165.7 | -11.9 | 144.6 | 1.0 |
| EBITDA | 13.4 | 29.0 | -53.8 | 2.8 | 377.9 |
| EBITDA (%) | 9.2 | 17.5 | -832 bps | 1.9 | 723 bps |
| PAT | 10.1 | 31.4 | -67.9 | 9.2 | 10.2 |

| Key financials | | | | |
|----------------|-------|-------|-------|-------|
| ₹ Crore | FY17 | FY18 | FY19E | FY20E |
| Net Sales | 693.7 | 764.0 | 656.6 | 730.5 |
| EBITDA | 98.1 | 119.5 | 63.3 | 91.3 |
| Net Profit | 71.7 | 112.0 | 53.2 | 69.7 |
| EPS (₹) | 80.3 | 129.6 | 61.6 | 80.7 |

| Valuation summary | | | | |
|-------------------|------|------|-------|-------|
| | FY17 | FY18 | FY19E | FY20E |
| P/E | 17.1 | 11.0 | 23.1 | 17.6 |
| Target P/E | 15.1 | 9.6 | 20.3 | 15.5 |
| EV / EBITDA | 10.6 | 8.9 | 17.2 | 11.7 |
| P/BV | 2.5 | 2.1 | 2.1 | 1.9 |
| RoNW | 14.2 | 18.8 | 9.0 | 10.8 |
| RoCE | 19.2 | 24.0 | 13.1 | 15.5 |

| Stock data | |
|---------------------------|--------------|
| Stock Data | |
| Market Capitalization | ₹ 1223 crore |
| Total Debt (FY18) | ₹ 0 crore |
| Cash & Investments (FY18) | ₹ 148 crore |
| EV | ₹ 1075 crore |
| 52 week H/L | 3085 / 1391 |
| Equity capital | ₹ 8.6 crore |
| Face value | ₹ 10 |

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VST Tillers Tractors (VSTTIL)

₹ 1420

Dismal performance, bleak outlook...

- VST Tillers & Tractors (VST) continued to report dismal numbers amid a fall in sales volume and muted EBITDA margin trajectory
- Power tiller volume in Q3FY19 was at 4,507 units, down 35.6% YoY while tractor volume was at 2,063 units, down 2.3% YoY
- Net sales in Q3FY19 came in at ₹ 146.0 crore, down 11.9% YoY
- EBITDA for the quarter was at ₹ 13.4 crore with consequent operating margins at 9.2%. Margins came in lower tracking higher other expenses amid controlled raw material & employee costs
- PAT in Q3FY19 came in at ₹ 10.1 crore. Higher PAT was supported by higher other income, which came in at ₹ 6.6 crore

Increase in farm income, benefits yet to accrue to VST

Given record food grain production [~285 million tonne (MT) in FY18], farm gate prices have been soft (problem of plenty) domestically leading to muted farm income. With this, coupled with uneven distribution of rainfall during the monsoon season as well as increase in other input costs including labour, farmer profitability has been on a steady decline thereby leading to a nationwide farm distress call. This led some state governments to announce and implement farm loan waivers (aggregating more than ₹ 1 lakh crore) while others opted for direct transfer of income in the hand of farmers. On the same lines, the central government also recently launched the Prime Minister Kisan Samman Nidhi Yojna wherein it intends to transfer ₹ 6,000 annually to farmer's account in three equal instalments of ₹ 2,000 each. We believe such measures will stop leakage in the present subsidy regime with intended beneficiaries getting their fair dues. It will also help increase the farmer's purchasing power towards more quality orientated inputs. VST's key product i.e. power tiller, however, is highly subsidised with exposure over 95% to subsidy linked sales. Hence, with state government's weak execution on subsidy disbursements, future outlook is bleak for VST going forward.

Sharp volume de-growth in FY19E; slow recovery envisaged in FY20I

VST has been witnessing sharp de-growth in sales volume domestically both in the power tiller as well as tractor segment with Q4FY19 expected to be on similar lines leading to FY19E being a washout year. We expect power tiller sales volume to decline 19% in FY19E to 24,306 units with recovery of volumes by 7.5% YoY in FY20E to 26,129 units. VST, however, still maintains its leadership position in this segment with market share in excess of 50%. In the tractor segment, we expect volumes to decline 21% in FY19E to 9,019 units with recovery of volumes by 12% YoY in FY20E to 10,101 units. In the tractor segment, which was largely market driven in the past, the management commentary suggests higher dependence on subsidies for sales, which we feel is an inherent weak business proposition. Share of subsidy linked tractor sales at ~20%.

Volumes continue to disappoint, retain SELL!

Sales volumes have been challenging in YTD FY19 with volumes down even in January, February 2019. With a dismal 9MFY19, FY19E is expected to be a washout year. Its increasing dependence on subsidies erodes our margin of safety on the stock. Fall in sales volume and consequent margin trajectory (higher fixed overheads) will also dilute return ratios thereby limiting valuation multiple commanded by VST. Going forward, on high base, we expect sales, PAT to de-grow 2.2%, 21.1%, respectively, in FY18-20E. We build in a 310 bps decline in EBITDA margin in FY18-20E. We value VST at ₹ 1250 i.e. 15.5x P/E on FY20E EPS of ₹ 80.7 and maintain our **SELL** rating on the stock.

Variance analysis

| Standalone Numbers | Q3FY19 | Q3FY19E | Q3FY18 | YoY (%) | Q2FY19 | QoQ (%) | Comments |
|-----------------------------|--------|---------|--------|----------|--------|---------|---|
| Sales | 146.0 | 129.1 | 165.7 | -11.9 | 144.6 | 1.0 | Sales came in higher on account of higher spare parts & others sales |
| Other Operating Income | 0.0 | 0.0 | 0.0 | | 0.0 | | |
| Total Operating Income | 146.0 | 129.1 | 165.7 | -11.9 | 144.6 | 1.0 | |
| Total Raw Material Expenses | 95.0 | 83.3 | 101.4 | -6.3 | 94.6 | 0.4 | RM costs came in on expected lines at 65% of sales |
| Employee Cost | 15.5 | 16.4 | 15.4 | 0.5 | 18.7 | -17.3 | |
| Other operating expense | 22.1 | 16.8 | 19.9 | 11.3 | 28.4 | -22.3 | Other expenses came in higher at ~15% of sales vs. our expectation of 13% |
| Total Expenditure | 132.6 | 116.0 | 136.7 | -3.0 | 141.8 | -6.5 | |
| EBITDA | 13.4 | 12.9 | 29.0 | -53.8 | 2.8 | 377.9 | EBITDA margins came in lower at 9.2% of sales |
| EBITDA Margin (%) | 9.2 | 10.0 | 17.5 | -832 bps | 1.9 | 723 bps | |
| Depreciation | 3.3 | 3.6 | 2.8 | 20.7 | 3.1 | 6.8 | |
| Interest | 0.5 | 0.8 | 0.6 | | 0.8 | | |
| Non Operating Expenses | 0.0 | 0.0 | 0.0 | | 0.0 | | |
| Other Income | 6.6 | 3.8 | 15.3 | -56.9 | 16.0 | -58.8 | Other income came in substantially higher than our estimates |
| PBT | 16.2 | 12.4 | 41.0 | -60.6 | 15.0 | 8.0 | |
| Taxes | 6.1 | 3.7 | 9.6 | -36.8 | 5.8 | 4.7 | |
| PAT | 10.1 | 8.7 | 31.4 | -67.9 | 9.2 | 10.2 | PAT was supported by higher other income |

Key Metrics

| | | | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|-------|---|
| Power Tillers Sales Volume (units) | 4,507 | 4,507 | 7,003 | -35.6 | 5,396 | -16.5 | Power tiller sales volume continue to be muted |
| Tractor Sales Volume (unit) | 2,063 | 2,063 | 2,111 | -2.3 | 2,087 | -1.1 | Growth was still missing in the tractor segment |

Source: Company, ICICI Direct Research

Change in estimates

| ₹ (Crore) | FY19E | | | FY20E | | | Comments |
|-------------------|-------|-------|----------|-------|-------|----------|---|
| | Old | New | % Change | Old | New | % Change | |
| Revenues | 681.4 | 656.6 | -3.6 | 756.1 | 730.5 | -3.4 | Dismal 9MFY19 performance and weak management commentary leads us to downward revise our sales estimates for FY19E, FY20E |
| EBITDA | 74.8 | 63.3 | -15.4 | 101.9 | 91.3 | -10.4 | |
| EBITDA Margin (%) | 11.0 | 9.6 | -134 bps | 13.5 | 12.5 | -97 bps | Pressure on margins are expected to persists amid high overhead costs |
| PAT | 60.0 | 53.2 | -11.4 | 76.9 | 69.7 | -9.4 | |
| EPS (₹) | 69.5 | 61.6 | -11.4 | 89.1 | 80.7 | -9.4 | Downward revision in sales and margin estimates leads to sharp downward revision in PAT estimates for FY19E & FY20E |

Source: Company, ICICI Direct Research

Assumptions

| | Current | | | | Earlier | | | Comments |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|--|
| | FY16 | FY17 | FY18 | FY19E | FY20E | FY19E | FY20E | |
| Power Tillers Sales Volume (units) | 27,387 | 25,555 | 30,143 | 24,306 | 26,129 | 27,035 | 29,738 | Revise downward our sales volume estimates for power tillers primarily tracking weak management commentary amid a delay in subsidy release by various state governments |
| Power Tillers Realization (₹/unit) | 129,112 | 132,185 | 129,632 | 132,873 | 136,195 | 132,873 | 136,195 | Maintained our realisation estimates |
| Power Tiller Sales (₹ crore) | 354 | 338 | 391 | 323 | 356 | 359 | 405 | |
| Tractor Sales Volume (units) | 7,801 | 9,641 | 11,367 | 9,019 | 10,101 | 9,415 | 10,356 | Revise downward our volume estimates primarily accounting for weak subsidy release by various state governments even in the tractor segment. The company lost volumes across states with the major being Maharashtra |
| Tractor Realization (₹/unit) | 265,222 | 281,506 | 271,224 | 282,073 | 293,356 | 278,004 | 284,954 | Revise upwards our realisation estimates in the tractor sector on account of introduction of higher HP tractors |
| Tractor Sales (₹ crore) | 207 | 271 | 308 | 254 | 296 | 262 | 295 | |

Source: Company, ICICI Direct Research

Company Analysis

VST Tillers & Tractors was founded in 1967 as a joint venture in technical collaboration between VST Motors and Mitsubishi Heavy Industries (Japan). Thereafter, over the course of time, VST acquired majority ownership in the company with the current holding in excess of 51%. Mitsubishi was classified as the promoter group entity with 2.9% stake in the company. The company has inherited all technical know-how for efficient manufacturing and product development in power tillers & tractors and is a major player in the domestic farm equipment industry.

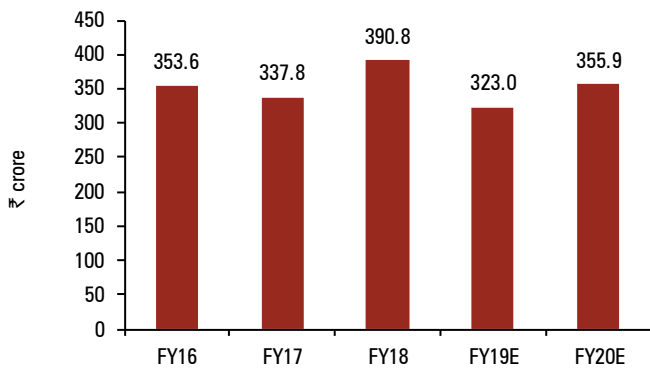
VST has two manufacturing facilities. In Whitefield (Bengaluru), it manufactures power tillers (9 hp, 13 hp, 15 hp) and has a capacity of 60,000 units annually (in two shifts). In Hosur, Tamil Nadu, it has commenced (April 2014) manufacturing agriculture tractors (18.5 hp, 22 hp) with a capacity of 36,000 units annually (in two shifts). On the sales & marketing front, the company has a network of about 200 dealers & 300 vendors spread across India with most associated with VST for a fairly long time. VST is also present in the segment of rice transplanters & power reapers. The company imports the same from China and Japan and markets them in the domestic market, earning a trading margin on the same. VST also exports a few power tillers & tractors to Africa, Russia, Myanmar, etc. This is limited by high Chinese competition overseas.

Power tillers - base business; segmental leader, subsidies to limit growth!

Power tillers have been the base business for VST with sales in the segment growing at a CAGR of 3.5% in FY14-18. In FY18, VST's sales in the power tiller segment came in at ₹ 390.8 crore. On the volume front, VST's power tiller sales have grown at a CAGR of 2.6% in FY14-18 to 30143 units in FY18 (27,252 units in FY14).

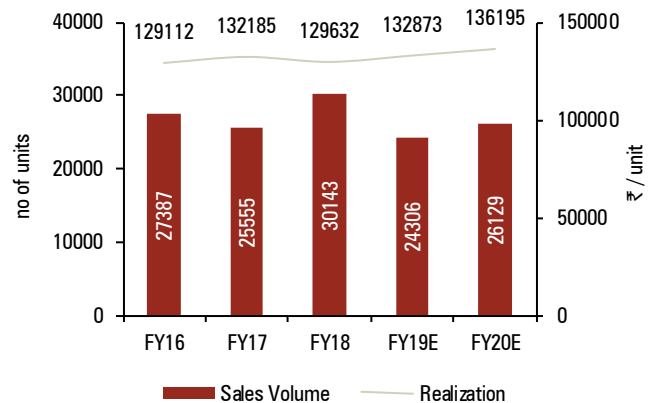
For the new tractor facility in Hosur, VST incurred a capex of ~₹ 70 crore that was entirely funded from internal accruals

Exhibit 1: VST power tiller sales (value)



Source: Company, ICICI Direct Research

Exhibit 2: VST power tiller sales (volume & realisation)



Source: Company, ICICI Direct Research

VST's key prerogative is to maintain its market share in the range of 50-60%.

VST has always maintained its market leadership in the power tiller segment domestically with market share in the range of 46-60% in FY14-18. The other major players are Kerala Agro Machinery (with a market share of ~25%) and Chinese players (with a market share of ~25-30%).

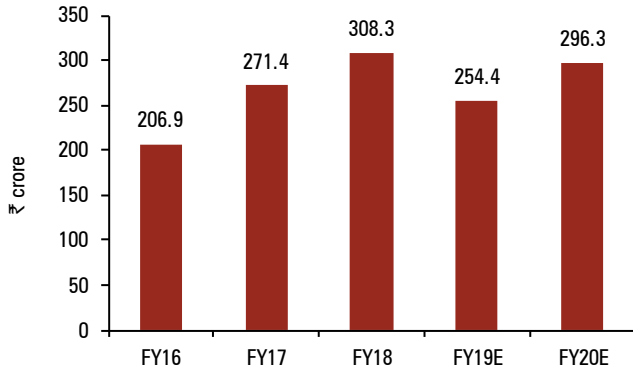
Going forward, with uncertainty over subsidy release by various state governments as well as dismal performance reported by VST in YTD FY19, we sharply revise downward our estimates in this segment. We expect VST to clock power tiller sale volume of 24306 units in FY19E, down 19% and rebound to 26129, up 7.5% YoY. Consequent net sales are expected at ₹ 323 crore in FY19E and ₹ 356 crore in FY20E.

VST recently launched a new tractor in the sub 47 hp, 39 hp, 45 hp and 49 hp segment in the domestic market.

Tractor business; lags industry growth, gloomy outlook

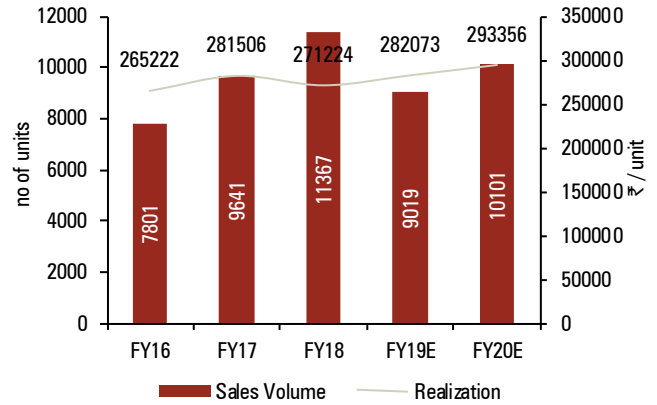
VST is also present in the tractor segment wherein the company manufactures low hp (18.5 hp & 22 hp) tractors that are meant primarily for agricultural purposes. On overall basis, the domestic tractor industry has grown ~10% in 9MFY19 while VST has de-grown by ~22% in the aforesaid period thereby losing market share despite a new marketing team set up and thrust on increasing the share of tractor sales in overall sales pie. We are not enthused by VST's performance in this segment and build in conservative numbers, going forward, in FY19E & FY20E.

Exhibit 3: VST tractor sales (value)



Source: Company, ICICI Direct Research

Exhibit 4: VST tractor sales (volume & realisation)

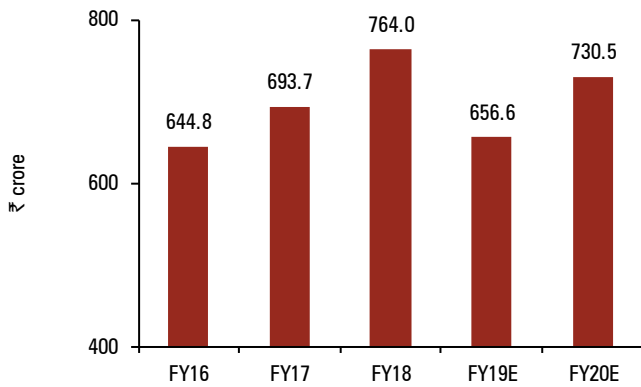


Source: Company, ICICI Direct Research

Revenues to de-grow in FY19 & bounce in FY20E; -2.2% CAGR: FY18-20E

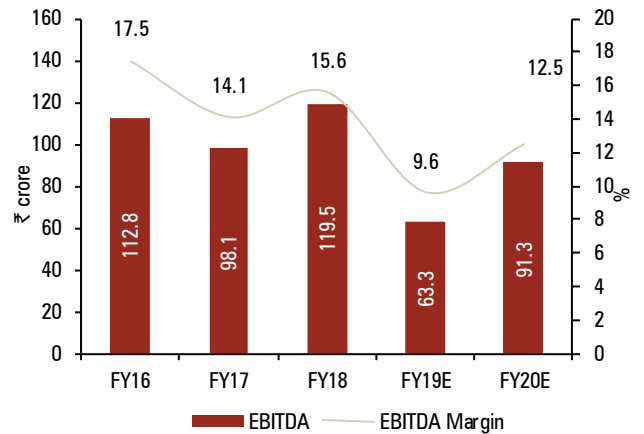
We expect VST to clock revenues of ₹ 656 crore in FY19E (down 14% YoY) and ₹ 731 crore in FY20E (up 11% YoY) primarily tracking sales volume de-growth in FY19E and modest rebound in FY20E.

Exhibit 5: Consolidated revenue trend



Source: Company, ICICI Direct Research

Exhibit 6: EBITDA & EBITDA margins (%) trend



Source: Company, ICICI Direct Research

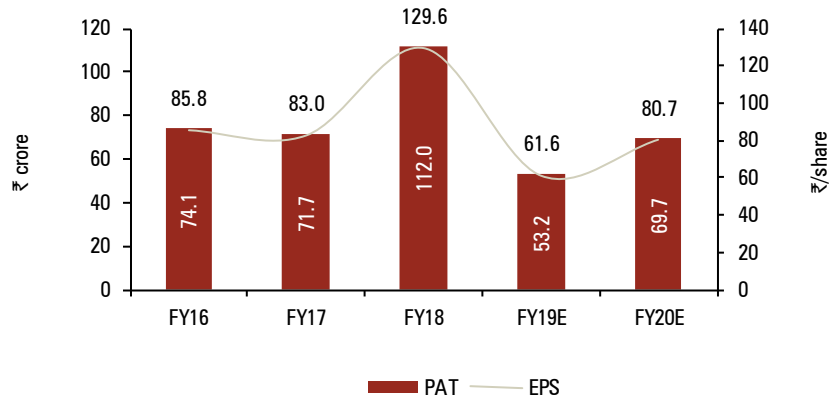
EBITDA to de-grow at 12.6% CAGR in FY18-20E amid higher costs!

We expect EBITDA to de-grow at a CAGR of 12.6% in FY18-20E to ₹ 91.3 crore in FY20E, primarily on the back of an increase in raw material costs with consequent low propensity to pass on the same to end consumers as well as higher fixed overheads (employee costs as well as other expenses). We build in 310 bps margin drop over FY18-20E.

PAT to sharply de-grow amid decline in sales and drop in margins

We expect PAT to de-grow to the tune of 21.1% CAGR in FY18-20E amid a decline in sales (-2.2% CAGR), decline in margins (310 bps) and lower other income incidence, which had high one-offs as well gain on equity investments in the past. We expect VST to report PAT of ₹ 53 crore in FY19E and ₹ 70 crore in FY20E.

Exhibit 7: Consolidated PAT trend



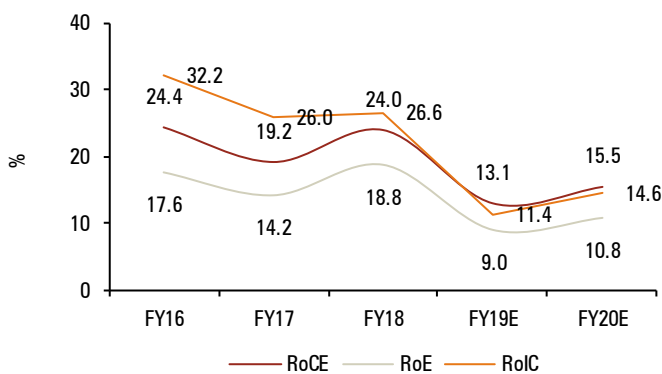
Source: Company, ICICI Direct Research

FY18 witnessed an increase (PAT) due to incorporation of Ind-As wherein the investments on the company's books are reinstated at market/fair value, which, we believe, is a one off gain and not sustainable in nature.

RoCE, RoE set to moderate, challenges capital efficiency!

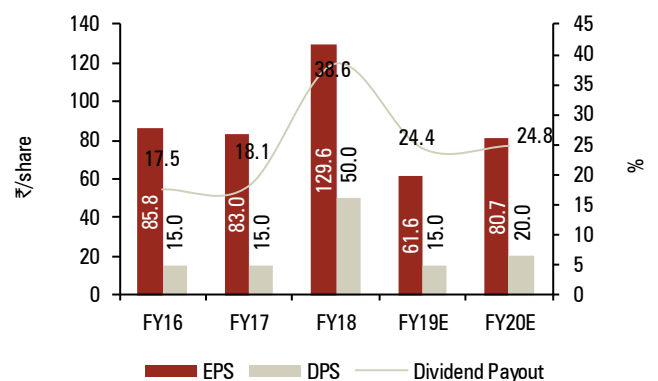
On the back of a moderation in EBITDA margins and higher equity base, RoEs and RoCEs were on a decline at VST over FY16-18. Going forward, with low growth trajectory and muted margin profile, the return ratios are on a declining trajectory. This will challenge the capital efficacy of VST's business model as well as limit the valuation multiple commanded by it. Core RoIC will also drop to ~15% range now vs. ~20%+ in the past.

Exhibit 8: RoIC, RoCE & RoE trend



Source: Company, ICICI Direct Research

Exhibit 9: EPS, DPS & dividend payout



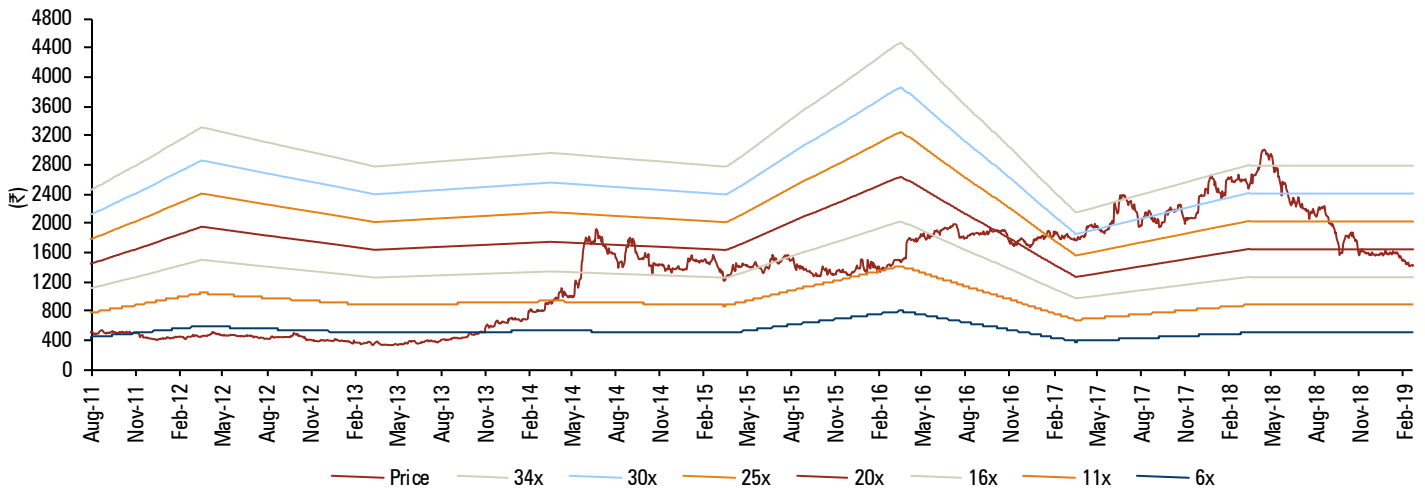
Source: Company, ICICI Direct Research

Dividend payout has been muted with the company's average dividend payout in the last five years i.e. FY13-17 at ~17% despite a debt free and cash rich balance sheet. Given the enhanced profitability in FY18 and golden jubilee year, the board approved a handsome dividend of ₹ 50/share that included a special dividend of ₹ 35/share. Going forward, we expect the company to record an EPS of ₹ 61.6 in FY19E and ₹ 80.7 in FY20E. The corresponding dividend is expected at ₹ 15/share in FY19E and ₹ 20/share in FY20E.

Outlook & Valuation

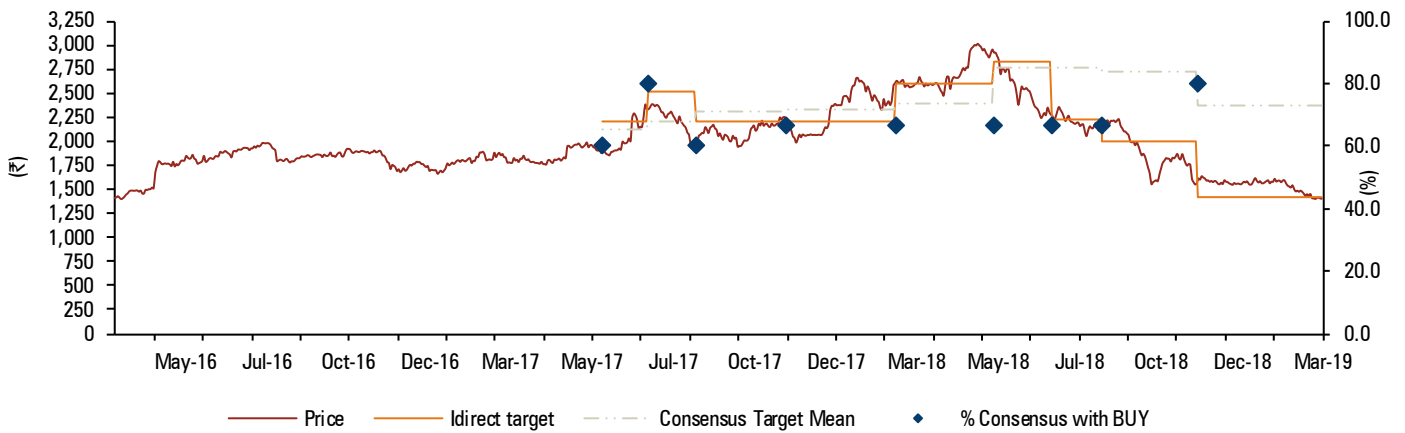
Sales volume has been challenging in YTD FY19 with volumes down in January & February 2019 as well. With a dismal 9MFY19, FY19E is expected to be a washout year for VST. Its increasing dependence on subsidies erodes our margin of safety on the stock. Decline in sales volume and consequent margin trajectory (higher fixed overheads) with also dilute return ratios thereby limiting the valuation multiple commanded by VST. Going forward, on a high base, we expect sales & PAT to de-grow 2.2% & 21.1%, respectively, in FY18-20E. We build in 310 bps decline in EBITDA margin in FY18-20E. We value VST at ₹ 1250 i.e. 15.5x P/E on FY20E EPS of ₹ 80.7 and maintain our **SELL** rating on the stock.

Exhibit 10: Two year forward P/E (VST currently trading at 17.6x)



Source: Reuters, ICICI Direct Research

Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research, *I-direct coverage on VST Tillers & Tractors was initiated on July 2015

Key events

| Date/Year | Event |
|-----------|---|
| 2009 | VST reports robust growth in FY09 topline with FY09 sales up 45% YoY while margins improved 340 bps on YoY basis to 15.5%. PAT was up 100% YoY |
| 2010 | VST declares bonus. Bonus share issued in the ratio of 1:2 i.e. 1 share issued for every 2 shares held by an investor. VST expands its capacity from manufacturing |
| 2011 | VST further expands its capacity from 26000 units to 30000 units with total production coming in at 27308 units, implying utilization levels of ~90% |
| 2013 | VST commenced setting up of a training center at Bhubaneswar in association with department of agriculture |
| 2014 | VST launches a new tractor variant:- VT 224-1D (22 HP) tractor. VST also inaugurates new tractor manufacturing facility at Hosur (Tamil Nadu) built at a capex of ₹ |
| 2015 | In May'15 VST rolled out the 3,00,000th Power Tiller. For FY15 power tiller & tractor sales came in at 23104 units & 6694 units respectively. The enhanced capacity to manufacture power tillers stood at 60000 units (annually) on 2 shift basis and tractors stood at 36000 units (annually) |
| 2016 | VST signs MOU with Karnataka Government for setting up 92 custom hire service centre (CHSC) in nine districts. The company came out with a novel scheme to help small and marginal farming community to have sustainable and efficient agriculture production. The capex spend on the said MoU will be minimal at VST's end however is expected to create a strong brand awareness for VST products in the rural market place |
| 2017 | VST launches the Viraat MT 270 in the <= 30 hp segment, which has received an encouraging response (sold 2200 units in FY17).The company will also launch two new tractors namely; Viraat Plus (4 cylinder engine, 4 WD) and Samrat (17 HP single cylinder tractor) in May, 2018. These new launches will drive growth, going forward. Receives exclusive selling rights for MTD power weeder |
| 2017 | In September 2017 the company enters into a technology transfer agreement with M/s. Kukje Machinery Co. Ltd (Korea) for manufacturing higher hp tractors in India. The company intends to pay a lump sum technical fee + royalty fee for six years |
| 2018 | The company ends FY18 with highest ever sales volume both in the power tiller as well as tractor segment. Power tiller sales volume for FY18 stood at 30,135 units, up 18% YoY while Tractors sales volume stood at 11,369 units, up 18% YoY |

Source: Company, ICICI Direct Research

Top 10 Shareholders

| Rank | Investor Name | Latest Filing Date | % O/S | Position | Position Change |
|------|---|--------------------|-------|----------|-----------------|
| 1 | Surendra (V K) | 29-Jan-19 | 21.3 | 1.8 | 0.0 |
| 2 | Mahendra (V P) | 31-Dec-18 | 7.3 | 0.6 | 0.0 |
| 3 | Kotak Mahindra Asset Management Company | 31-Dec-18 | 4.9 | 0.4 | 0.0 |
| 4 | V S T Motors, Ltd. | 31-Dec-18 | 4.1 | 0.4 | 0.0 |
| 5 | PineBridge Investments Asia Limited | 31-Dec-18 | 3.5 | 0.3 | 0.0 |
| 6 | HDFC Asset Management Co., Ltd. | 31-Dec-18 | 3.1 | 0.3 | 0.0 |
| 7 | Mitsubishi Heavy Industries Ltd | 31-Dec-18 | 2.9 | 0.3 | 0.0 |
| 8 | Pravindra (V V) | 31-Dec-18 | 2.6 | 0.2 | 0.0 |
| 9 | Arun (V S) | 31-Dec-18 | 2.5 | 0.2 | 0.0 |
| 10 | L&T Investment Management Limited | 31-Dec-18 | 2.4 | 0.2 | 0.0 |

Shareholding Pattern

| (in %) | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 |
| FII | 5.1 | 4.4 | 4.7 | 5.4 | 5.6 |
| DII | 10.7 | 15.1 | 15.5 | 15.1 | 14.4 |
| Others | 30.2 | 26.5 | 25.8 | 25.5 | 26.0 |

Source: Reuters, ICICI Direct Research

Recent Activity

| Buys | | | Sells | | |
|-------------------------------------|----------------------|------------------|--------------------------------------|----------------------|------------------|
| Investor Name | Value (US\$ Million) | Shares (Million) | Investor Name | Value (US\$ Million) | Shares (Million) |
| Sujay (V V) | 1.4 | 0.1 | L&T Investment Management Limited | -0.6 | 0.0 |
| Anjali (V V) | 0.6 | 0.0 | Vijayendra (V V) | -0.4 | 0.0 |
| Surendra (V K) | 0.6 | 0.0 | Union Asset Mgmt Co Pvt Limited | -0.3 | 0.0 |
| First State Investments (Singapore) | 0.5 | 0.0 | ICICI Prudential Asset Mgmt Co. Ltd. | -0.1 | 0.0 |
| Kotak Mahindra Asset Mgmt Co Ltd. | 0.4 | 0.0 | Taurus Asset Management Co. Ltd. | 0.0 | 0.0 |

Source: Reuters, ICICI Direct Research

Financial summary

| Profit and loss statement | | ₹ Crore | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E | |
| Net Sales | 693.7 | 764.0 | 656.6 | 730.5 | |
| Other Operating Income | 0.8 | 0.0 | 0.0 | 0.0 | |
| Total Operating Income | 694.5 | 764.0 | 656.6 | 730.5 | |
| Growth (%) | 7.4 | 10.0 | -14.1 | 11.3 | |
| Raw Material Expenses | 445.9 | 493.8 | 423.6 | 467.5 | |
| Employee Expenses | 58.5 | 69.0 | 72.9 | 79.9 | |
| Other Operating Expense | 92.0 | 81.8 | 96.9 | 91.7 | |
| Total Operating Expenditure | 596.4 | 644.5 | 593.3 | 639.1 | |
| EBITDA | 98.1 | 119.5 | 63.3 | 91.3 | |
| Growth (%) | -13.0 | 21.8 | -47.1 | 44.4 | |
| Depreciation | 11.8 | 10.9 | 13.3 | 16.9 | |
| Interest | 3.0 | 1.7 | 2.5 | 1.8 | |
| Other Income | 16.2 | 45.3 | 33.4 | 33.0 | |
| PBT | 99.5 | 152.2 | 81.0 | 105.6 | |
| Exceptional Item | -3.3 | 0.0 | 0.0 | 0.0 | |
| Total Tax | 31.2 | 40.2 | 27.8 | 35.9 | |
| PAT | 71.7 | 112.0 | 53.2 | 69.7 | |
| Growth (%) | -3.3 | 56.2 | -52.5 | 31.1 | |
| EPS (₹) | 80.3 | 129.6 | 61.6 | 80.7 | |

Source: Company, ICICI Direct Research

| Cash flow statement | | ₹ Crore | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E | |
| Profit after Tax | 71.7 | 112.0 | 53.2 | 69.7 | |
| Add: Depreciation | 11.8 | 10.9 | 13.3 | 16.9 | |
| (Inc)/dec in Current Assets | 5.3 | -93.8 | 35.2 | -11.1 | |
| Inc/(dec) in CL and Provisions | 13.8 | 58.5 | -21.6 | 13.8 | |
| Others | 3.0 | 1.7 | 2.5 | 1.8 | |
| CF from operating activities | 105.5 | 89.2 | 82.5 | 91.2 | |
| (Inc)/dec in Investments | -74.6 | 3.7 | 30.0 | -20.0 | |
| (Inc)/dec in Fixed Assets | -18.9 | -88.9 | -50.0 | -50.0 | |
| Others | 2.6 | -9.6 | 0.0 | 0.0 | |
| CF from investing activities | -90.9 | -94.8 | -20.0 | -70.0 | |
| Issue/(Buy back) of Equity | 0.0 | 0.0 | 0.0 | 0.0 | |
| Inc/(dec) in loan funds | 0.0 | 0.0 | 0.0 | 0.0 | |
| Dividend paid & dividend tax | -18.5 | -53.5 | -18.0 | -22.5 | |
| Inc/(dec) in Share Cap | 0.0 | 0.0 | 0.0 | 0.0 | |
| Others | 12.8 | 47.1 | -42.1 | 5.2 | |
| CF from financing activities | -5.7 | -6.4 | -60.2 | -17.4 | |
| Net Cash flow | 8.9 | -12.1 | 2.3 | 3.8 | |
| Opening Cash | 27.7 | 36.6 | 24.6 | 26.9 | |
| Closing Cash | 36.6 | 24.6 | 26.9 | 30.7 | |

Source: Company, ICICI Direct Research

| Balance sheet | | ₹ Crore | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E | |
| Liabilities | | | | | |
| Equity Capital | 8.6 | 8.6 | 8.6 | 8.6 | |
| Reserve and Surplus | 480.4 | 587.7 | 583.1 | 637.3 | |
| Total Shareholders funds | 489.1 | 596.3 | 591.8 | 645.9 | |
| Total Debt | 0.0 | 0.0 | 0.0 | 0.0 | |
| Deferred Tax Liability | 3.7 | 5.9 | 5.9 | 5.9 | |
| Minority Interest / Others | 39.9 | 39.2 | 39.2 | 39.2 | |
| Total Liabilities | 532.7 | 641.4 | 636.8 | 691.0 | |
| Assets | | | | | |
| Gross Block | 199.5 | 236.6 | 293.4 | 383.4 | |
| Less: Acc Depreciation | 72.9 | 78.5 | 91.8 | 108.7 | |
| Net Block | 126.6 | 158.1 | 201.7 | 274.8 | |
| Capital WIP | 10.3 | 56.8 | 50.0 | 10.0 | |
| Total Fixed Assets | 136.9 | 214.9 | 251.7 | 284.8 | |
| Investments | 210.9 | 207.2 | 177.2 | 197.2 | |
| Inventory | 70.7 | 78.4 | 125.9 | 140.1 | |
| Debtors | 132.3 | 186.1 | 107.9 | 120.1 | |
| Loans and Advances | 29.8 | 56.6 | 52.5 | 36.5 | |
| Other Current Assets | 1.5 | 7.0 | 6.6 | 7.3 | |
| Cash | 36.6 | 24.5 | 26.8 | 30.6 | |
| Total Current Assets | 270.9 | 352.7 | 319.7 | 334.6 | |
| Current Liabilities | 81.6 | 142.7 | 116.9 | 130.1 | |
| Provisions | 4.3 | 1.7 | 5.8 | 6.5 | |
| Current Liabilities & Prov | 85.9 | 144.4 | 122.8 | 136.6 | |
| Net Current Assets | 185.0 | 208.2 | 197.0 | 198.1 | |
| Others Assets | 0.0 | 11.0 | 11.0 | 11.0 | |
| Application of Funds | 532.7 | 641.4 | 636.8 | 691.0 | |

Source: Company, ICICI Direct Research

| Key ratios | | FY17 | FY18 | FY19E | FY20E |
|-----------------------------|--|-------|-------|-------|-------|
| Per share data (₹) | | | | | |
| EPS | | 83.0 | 129.6 | 61.6 | 80.7 |
| Cash EPS | | 96.6 | 142.2 | 76.9 | 100.3 |
| BV | | 566.1 | 690.2 | 684.9 | 747.6 |
| DPS | | 18.0 | 60.0 | 18.0 | 24.0 |
| Cash Per Share (Incl Invst) | | 286.4 | 268.2 | 236.1 | 263.7 |
| Operating Ratios (%) | | | | | |
| EBITDA Margin | | 14.1 | 15.6 | 9.6 | 12.5 |
| PAT Margin | | 10.3 | 14.7 | 8.1 | 9.5 |
| Inventory days | | 37.2 | 37.5 | 70.0 | 70.0 |
| Debtor days | | 69.6 | 88.9 | 60.0 | 60.0 |
| Creditor days | | 42.9 | 68.2 | 65.0 | 65.0 |
| Return Ratios (%) | | | | | |
| RoE | | 14.2 | 18.8 | 9.0 | 10.8 |
| RoCE | | 19.2 | 24.0 | 13.1 | 15.5 |
| RoIC | | 26.0 | 26.6 | 11.4 | 14.6 |
| Valuation Ratios (x) | | | | | |
| P/E | | 17.1 | 11.0 | 23.1 | 17.6 |
| EV / EBITDA | | 10.6 | 8.9 | 17.2 | 11.7 |
| EV / Net Sales | | 1.5 | 1.4 | 1.7 | 1.5 |
| Market Cap / Sales | | 1.8 | 1.6 | 1.9 | 1.7 |
| Price to Book Value | | 2.5 | 2.1 | 2.1 | 1.9 |
| Solvency Ratios | | | | | |
| Debt/EBITDA | | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt / Equity | | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Ratio | | 2.7 | 2.3 | 2.4 | 2.2 |
| Quick Ratio | | 1.9 | 1.7 | 1.4 | 1.2 |

Source: Company, ICICI Direct Research

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