



**Choice**  
Nurturing Financial Excellence

# IPO REPORT

“Avoid” To  
**K.P.R. AGROCHEM**

“Stretched Valuation”

## Salient features of the IPO:

- **KPR Agrochem Limited (KPRAC)**, incorporated in 2007, is an agri-input company focused on manufacturing, distribution and retailing of a wide range of crop yield enhancing and protection products ranging across the agri-value chain.
- The company has diversified portfolio from seeds to crop nutrients products to crop protection products and also veterinary feed supplements. The company is also ventured into the manufacturing of sulphuric acid.

**Valuation :** At the higher price band of Rs61, KPRAC's share is valued at P/E multiple of 19.9(x) (to its post issue FY19 annualized adjusted EPS).

## Below are few key observations of the issue:

- KPRAC diversified its business across the products ranging from being only a crop protection product company in the year 2007 to a wide agri-input product portfolio company. Now it generates business from selling fertilizers, chemicals, pesticides and seeds. Major business came from fertilizers which accounted for ~59% of total FY18 operating revenue followed by pesticides at 25.8%. As of March 2019, the company has registration of 156 formulations of crop protection products. Crop nutrient product basket include single super phosphate, 11 grades of NPK mixture fertilizers, micro nutrients and bio products. The company also sells 83 variety of seeds, di-calcium phosphate for animal feed and sulphuric acid based chemicals.
- KPRAC has 3 manufacturing units (two in Andhra Pradesh and one in Karnataka) and seed processing unit in Telangana. The company has an installed capacity of 555,000 MTPA of crop nutrient products, 21,560 MTPA of crop protection products, 34,560 MTPA for veterinary feed supplements, 175,800 MTPA for chemicals and 15,000 MTPA for seed processing. Owing to weak growth in top line, the company had operated at low capacity utilization level. In FY18, crop protection and nutrients segments operated at 56.5% and 24.1% and chemicals at 33.8%. Thereby, company has no plan of capex for the coming years.
- The company will garner Rs2,100 mn as a fresh issue out of which only Rs300 mn will be used for debt repayment. Given the low capacity utilization level, net proceed will not be used for asset generation and thus major portion will be used for general corporate expenses and working capital. The company has poor track record of working capital management with stretched inventory and debtor days. Cash conservation cycle of the firm stood at over 200 days which is very poor compared to industry standard.
- Major income is derived from the sale of fertilizers and insecticides and thus performance largely depends upon the monsoon behavior. Majority of revenue originates from the southern states which are witnessing water scarcity and may dent company's business. Manufacturing units are clustered into southern region and thus catering to northern or other part of regions also leads to stretched working capital.
- Except product diversification and geographical expansion, mgmt did not elaborate extensively on the future business strategy.
- Historical track record shows weak financial performance as operating revenue witnessed -0.5% CAGR and PAT by 1.1% CAGR during FY14-FY18. While FY19 annualized figure showed 7.3% YoY revenue growth, there is concern about sustainability of this traction. Pre-issue D/E stood at 1.2x and interest cost was ~42% of FY19's annualized EBIDTA. Post issue, D/E will reduce to 0.6x owing to partly repayment of debt (Rs300 mn) and boost to net worth, however RoE will reduce to 7.8% (10.9% pre-issue). At the higher price band of Rs61, demanded valuation of Rs7,313 mn at P/E of 19.9x (on annualized FY19 EPS of Rs3.1) seems stretched considering the weak fundamental strength. Peers such as Chambal Fertilizers at P/E of 12.3x, Dhanuka Agritech at P/E of 16.1x and Insecticides India at P/E of 10.6x have strong fundamentals and are trading at cheap valuation compared to KPRAC.

Recommendation	Avoid
Price Band (per share)	Rs59-61
Face Value	Rs10
Shares for fresh issue	34.4 mn
Shares for OFS	12 mn
Fresh issue size	Rs2,100 mn
Total Issue Size (on Higher Price Band)	Rs2,832.0 mn
Bidding Date	Jun 28, 2019 - Jul 2, 2019
MCAP on Higher Price Band	Rs7,313.3 mn
Book Running Lead Manager	PL CAPITAL MARKETS PRIVATE LIMITED
Registrar	KARVY FINTECH PRIVATE LIMITED
Industry	Agrochemical

Allocation detail	
Qualified Institutional Investors (QIBs)	25%
Non Institutional Investors (NII)	35%
Retail Individual Investors (RII)	40%

Pre and post issue shareholding pattern		
	Pre - Issue	Post - Issue
Promoter and Promoter Group	72.0%	48.0%
Non-promoter	28.0%	52.0%
Total	100.0%	100.0%

Retail Application Money at Higher Cut-Off Price per Lot	
Number of Shares per Lot	200
Application Money	Rs12,200

Research Analyst	
Satish Kumar	
Desk Phone - 022 - 6707 9999; Ext: 913	

e mail: satish.kumar@choiceindia.com

Considering all these parameters, we assign '**Avoid**' rating to the issue.

## About the issue:

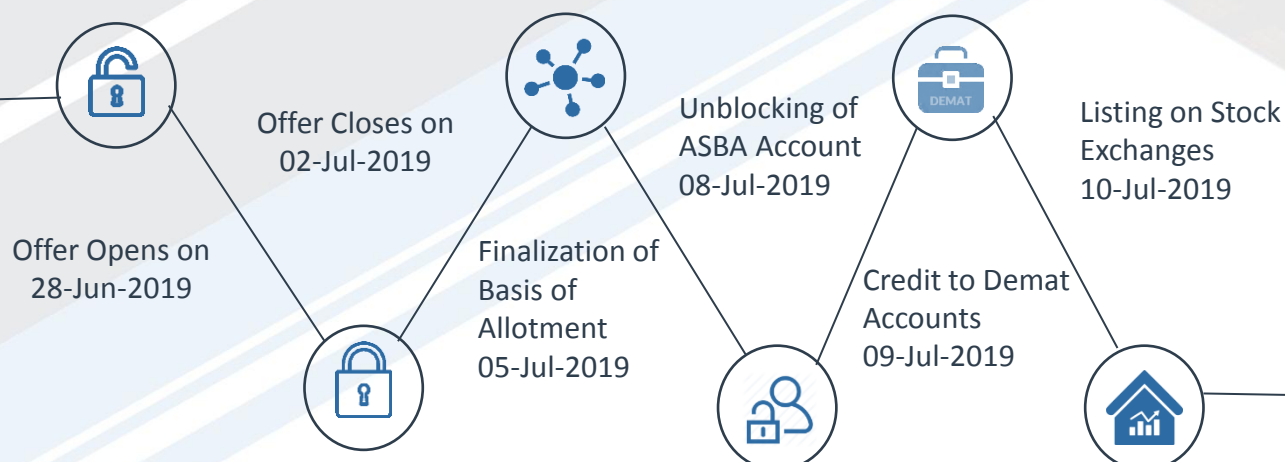
- KPRAC is coming up with an initial public offering (IPO) with 34.4 mn shares as a fresh issue and 12 mn shares as offer for sale (OFS). Post issue promoter and promoter group's holding will reduce to 48.0% and non-promoter shareholding will increase to 52% from 28%.
- The issue will open on 28th June 2019 and close on 02th July 2019.
- Not more than 25% of the issue will be allocated to qualified institutional buyers. Further, not less than 35% of the issue will be available for non-institutional bidders and not less than 40% for retail investors.
- Total issue size is Rs2,832 mn on higher price band out of which ~25.8% is OFS.
- Promoters are selling 3.9 mn of shares and thus their holding post issue will reduce to 48% from 72%.
- Retail as well as employee will get Rs3 discount on the offer price.
- The company has reserved 0.43 mn equity shares for eligible employees.
- The average cost of acquisition of shares by the promoters is Rs. 1.73, Rs. 1.90, Rs. 2.48, Rs. 2.59, Rs. 2.67 and Rs. 9.38 per share
- **The company will receive Rs2,100 mn as a fresh issue . The company proposes to utilize the net proceeds from the fresh issue towards reducing debt, working capital requirement and general corporate purposes.**

### Pre and post issue shareholding pattern

	Pre - Issue	Post - Issue
Promoter and Promoter Group	72.0%	48.0%
Public	28.0%	52.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Objectives of the issue

	Rs mn
1 Repayment/prepayment, in full or part, of certain borrowings availed by company	300
2 To meet additional working capital requirement of company	1,200
3 General corporate purposes	525



Source: Choice Broking Research, Company data, RHP

## Company Introduction:

KPR Agrichem Limited (KPRAC), incorporated in 2007, is an agri-input company focused on manufacturing, distribution and retailing of a wide range of crop yield enhancing and protection products ranging across the agri-value chain viz., from seeds to crop nutrients products to crop protection products and also veterinary feed supplements. The company is also ventured into sulphuric acid as well as other sulphuric acid based chemicals like LABSA and oleum that have wider applications across industries like agrochemicals, veterinary feed supplements, pharmaceuticals, synthetic detergents etc.

As on March 31, 2019, the company has a wide product portfolio across the agri-value chain as noted below –

Crop Protection Products – registrations of 156 formulations from CIB

Crop Nutrient Products - single super phosphate, 11 grades of NPK mixture fertilizers, micro nutrients and bio products;

Seeds – 83 variety of seeds spanning various field and vegetable crops for which the company has received centralised seed license certification for marketing and/or research and trial marketing

Veterinary Feed Supplements – di-calcium phosphate for animal feed and also for use in pharmaceutical industry

Sulphuric Acid – production of sulphuric acid and sulphuric acid based chemicals like LABSA and oleum for variety of industrial applications including agrochemicals, pharmaceuticals, etc.

## Business Overview:

The company generates around 59% of operating revenue from the sale of fertilizers followed by pesticides at 26%, chemicals at 10% and seeds at 4.6%.

*(Unless stated otherwise, ₹ in million)*

Segments	Fiscal 2016		Fiscal 2017		Fiscal 2018	
	Net Sales	% of revenue from operations	Net Sales	% of revenue from operations	Net Sales	% of revenue from operations
<b>Fertilisers*</b>	4,075.05	70.25	4,102.28	70.28	3,551.57	59.21
<b>Chemicals</b>	450.97	7.77	445.55	7.63	618.42	10.31
<b>Pesticides</b>	1003.18	17.29	1,017.01	17.42	1,550.16	25.84
<b>Seeds</b>	271.66	4.68	272.54	4.67	277.98	4.63
<b>Total</b>	<b>5,800.87</b>	<b>100.00</b>	<b>5,837.38</b>	<b>100.00</b>	<b>5,998.13</b>	<b>100.00</b>

\*including veterinary feed supplements and trading in fertilisers

Source: Choice Broking Research, Company data, RHP

Over the years the company has diversified its business from being only a crop protection product company in the year 2007 to a wide agri-input product portfolio company. As of now, KPRAC diversified portfolio including (i) registrations of 156 formulations in the crop protection products from CIB; (ii) Single super phosphate fertilizer, 11 grades of NPK mixture fertilizers, micro nutrients and bio products under crop nutrient products; (iii) 83 variety of seeds; (iv) Di-calcium phosphate which is used for veterinary feed supplements and also for use in the pharmaceuticals industry; and (v) sulphuric acid and sulphuric acid based chemicals like DMS, LABSA and oleum.

Majority of sales is from branded products like “FAST” (trademark registered), “MOTOX - 10G” (trademark registered), “SAMRAT ATRAZINE 50% WP” (trademark unregistered) and “MEGA IMIDA” (trademark unregistered) being brands for crop protection; “AJAY (14-35-14)” (trademark registered) and “AJAY (20-20-0)” (trademark registered) being brands for NPK mixture crop nutrient products.

## Business Overview Conti..

The company has three manufacturing facilities viz one each at Balabhadrapuram and Biccavolu in East Godavari district of Andhra Pradesh and one in Koppal district, Karnataka. seed processing unit is located in Warangal district, Telangana. The company has an installed capacity of 555,000 MTPA of crop nutrient products, 21,560 MTPA of crop protection products, 34,560 MTPA for veterinary feed supplements, 175,800 MTPA for chemicals and 15,000 MTPA for seed processing. The company has combined installed capacities for production of sulphuric acid is 420 TPD used for both captive consumption as well as external sales. The company has also set up at manufacturing units to generate power in order to optimally use the steam produced during the manufacturing of sulphuric acid. The aggregate capacities of waste heat recovery power plants is 2.5 MW (1.5 MW at Biccavolu, Andhra Pradesh and 1 MW at Koppal, Karnataka) which caters to captive power requirements at manufacturing facilities. KPRAC also set up quality control laboratory at its manufacturing facilities to monitors the quality of major raw materials.

In order to ensure timely supply and availability of products as well as achieve last mile connectivity with the farmers, the company has set-up depots at 11 locations and also have C & F Agents at 4 locations across India. Products are distributed from depots and manufacturing location based warehouses to a network of approximately 8,000 dealers/distributors spread across various states in India. As of March 31, 2019, the company has set-up a chain of 126 Company operated retail outlets and a strong marketing team of 145 people. The company is registered with Department of Fertilisers as a certified importer of P&K fertilisers.

As per the strategy, the company will continue to identify related product opportunities based on market trends and intelligence. It intend to market products in other parts of India, namely, Uttar Pradesh, Himachal Pradesh, Chhattisgarh and West Bengal thereby increasing footprint. Company will explore the possibility to increase the dealer network across various states in India.

## Financial Performance

Financial performance of the company over the last few years was not encouraging reporting -0.5% CAGR during FY14-FY18 in the operating revenue. During the first nine months of FY19, the company reported sale of Rs4,825.3 mn and thus annualizing figure gives YoY growth of 7.3% in FY19. During FY14-FY18, the company managed its avg. EBITDA at 17.2%, meanwhile NPM lowered to 4.5% during the same period due to higher interest cost. D/E ratio remained higher at 2x during the same period. Meanwhile, post issue D/E is likely to reduce to 0.6x. KPRAC's PAT also grew at modest pace at 1.1% CAGR during FY14-FY18. Post issue, RoE will reduce to 7.8% in FY19.

Particulars	FY14	FY15	FY16	FY17	FY18	9MFY19	FY14-FY18 CAGR (%)	Y-o-Y (%)
Operating Income (OI)	6,129.3	5,974.4	5,800.9	5,837.4	5,998.1	4,825.3	-0.5%	7.3%
EBITDA	1,076.3	1,001.4	1,033.8	955.4	1,042.9	867.3	-0.8%	10.9%
EBITDA Margin (%)	17.6%	16.8%	17.8%	16.4%	17.4%	18.0%		
Reported PAT Margin (%)	4.6%	4.7%	4.2%	3.9%	4.9%	5.7%		
RoE (%)	21.9%	18.4%	14.1%	11.7%	13.2%	10.9%		
RoA (%)	4.0%	3.8%	3.0%	2.6%	3.5%	3.3%		
Debt to Equity (x)	2.7	2.3	1.9	1.7	1.5	1.2		
RoIC (%)	28.0%	21.7%	22.5%	24.1%	19.8%	16.4%		
EV	10,661.0	10,609.6	10,385.8	10,386.6	10,491.4	10,144.3	-1.1%	-3.3%
EV/EBITDA (x)	9.9	10.6	10.0	10.9	10.1	11.7		
FCF	159.5	659.0	834.3	593.3	(57.6)	460.2		

Source: Choice Broking Research, Company data, RHP



### Competitive Strengths:

- Wide agri-input product portfolio with presence across the agri-value chain enabling diversification of revenue risk
- Strong and growing distribution network
- Material sourcing capabilities
- Certified manufacturing facilities
- Experienced promoters and management team

### Business Strategy:

- Enhance product offering
- Geographical expansion
- Increase market penetration



### Risk and Concerns:

- Seasonal and cyclical nature of the agricultural industry and unfavourable climatic conditions
- Introduction of alternative crop protection measures such as biotechnology products, pest resistant seeds or genetically modified crops
- Fluctuation of price of raw materials
- Changes in the legal, regulatory and political environment in India

## Peer Comparison and Valuation:

Companies	CMP (Rs/s)	6M (R%)	12M (R%)	M Cap (Rs mn)	CAP	P/E (x)	EBIDTA Mar. (%)	NPM (%)	RoE (%)	RoA (%)	D/E (x)	EV (Rs mn)
<b>KPR Agrochem *</b>	<b>61</b>			<b>7,313.3</b>	<b>Small Cap</b>	<b>19.9</b>	<b>18.0%</b>	<b>5.7%</b>	<b>7.8%</b>	<b>3.3%</b>	<b>0.6</b>	<b>10,144.3</b>
Chambal Fertilisers	173	23.5%	8.1%	72,004.0	Mid Cap	12.3	12.1%	5.7%	20.3%	7.3%	3.0	158,295.6
Bayer CropScience	3,351	-10.7%	-18.8%	114,939.3	Mid Cap	48.4	13.9%	8.8%	12.6%	5.6%	0.0	111,656.3
Dhanuka Agritech	381	-12.9%	-32.6%	18,123.2	Small Cap	16.1	14.5%	11.2%	17.5%	13.7%	0.0	18,332.0
Excel Crop Care	3,003	-6.5%	-1.8%	33,051.0	Small Cap	37.8	11.4%	6.7%	14.7%	9.6%	0.0	33,195.5
Insecticides (India)	630	25.1%	-4.3%	13,020.8	Small Cap	10.6	15.6%	10.3%	18.5%	11.9%	0.4	15,893.3
Coromandel International	412	5.0%	-4.7%	120,510.0	Mid Cap	16.7	10.9%	5.4%	21.5%	7.4%	0.9	148,461.5
Rallis India	144	-6.8%	-28.8%	28,008.0	Small Cap	18.0	12.1%	7.8%	12.1%	7.9%	0.1	28,238.1
Sharda Cropchem	309	21.0%	-15.0%	27,878.3	Small Cap	15.8	16.2%	8.8%	13.7%	7.0%	0.0	26,642.7
UPL	941	36.8%	44.3%	479,910.0	Large Cap	33.2	17.4%	6.6%	9.9%	6.4%	2.0	740,010.0
<b>Average</b>	<b>940</b>	<b>8.3%</b>	<b>-6.0%</b>	<b>91,476</b>	<b>#DIV/O!</b>	<b>23</b>	<b>14.2%</b>	<b>7.7%</b>	<b>14.9%</b>	<b>8.0%</b>	<b>1</b>	<b>129,087</b>

Companies (Rs mn)	P/E (x)	P/BV (x)	P/S (x)	EV/EBIDTA (x)	OI TTM Gr. (%)	CASH	EPS (Rs)	OI TTM	EBIDTA TTM	PAT TTM	Debt	Net Worth
<b>KPR Agrochem *</b>	<b>19.9</b>	<b>1.6</b>	<b>1.1</b>	<b>11.4</b>	<b>7.3%</b>	<b>131.9</b>	<b>3.1</b>	<b>6,433.8</b>	<b>1,156.4</b>	<b>367.9</b>	<b>2,962.9</b>	<b>4,716.0</b>
Chambal Fertilisers	12.3	2.5	0.7	12.9	34.9%	645.4	14.1	101,774.0	12278.73	5,848.5	86,937.0	28,832.4
Bayer CropScience	48.4	6.1	4.3	29.9	-0.9%	3,283	69.3	26,857	3,732	2,376	0	18,834
Dhanuka Agritech	16.1	2.8	1.8	12.6	4.5%	13	23.7	10,058	1,460	1,126	222	6,422
Excel Crop Care	37.8	5.5	2.5	22.2	14.5%	53	79.5	13,137	1,493	875	197	5,966
Insecticides (India)	10.6	2.0	1.1	8.6	11.1%	92	59.2	11,919	1,856	1,224	2,965	6,613
Coromandel International	16.7	3.6	0.9	10.3	20.8%	1,593	24.6	132,246	14,431	7,205	29,545	33,584
Rallis India	18.0	2.2	1.4	11.7	10.8%	458	8.0	19,840	2,409	1,554	688	12,859
Sharda Cropchem	15.8	2.2	1.4	8.2	16.8%	1,237	19.5	20,011	3,249	1,763	1	12,839
UPL	33.2	3.3	2.2	19.4	25.7%	28,510	28.4	218,370	38,080	14,470	288,610	146,450
<b>Average</b>	<b>23</b>	<b>3</b>	<b>2</b>	<b>15</b>	<b>14.5%</b>	<b>3,602</b>	<b>33</b>	<b>56,065</b>	<b>8,015</b>	<b>3,681</b>	<b>41,213</b>	<b>27,712</b>

\*- Key financial figures are based on the FY19 annualized performance. Valuation multiples are based on post issue financial adjustment

## Below are few key observations of the issue:

Source: Choice Broking Research, Company data, RHP

- KPRAC diversified its business across the products ranging from being only a crop protection product company in the year 2007 to a wide agri-input product portfolio company. Now it generates business from selling fertilizers, chemicals, pesticides and seeds. Major business came from fertilizers which accounted for ~59% of total FY18 operating revenue followed by pesticides at 25.8%. As of March 2019, the company has registration of 156 formulations of crop protection products. Crop nutrient product basket include single super phosphate, 11 grades of NPK mixture fertilizers, micro nutrients and bio products. The company also sells 83 variety of seeds, di-calcium phosphate for animal feed and sulphuric acid based chemicals.
- The company will garner Rs2,100 mn as a fresh issue out of which only Rs300 mn will be used for debt repayment. Given the low capacity utilization level, net proceed will not be used for asset generation and thus major portion will be used for general corporate expenses and working capital. The company has poor track record of working capital management with stretched inventory and debtor days. Cash conservation cycle of the firm stood at over 200 days which is very poor compared to industry standard.
- Major income is derived from the sale of fertilizers and insecticides and thus performance largely depends upon the monsoon behavior. Majority of revenue originates from the southern states which are witnessing water scarcity and may dent company's business. Manufacturing units are clustered into southern region and thus catering to northern or other part of regions also leads to stretched working capital.
- Historical track record shows weak financial performance as operating revenue witnessed -0.5% CAGR and PAT by 1.1% CAGR during FY14-FY18. While FY19 annualized figure showed 7.3% YoY revenue growth, there is concern about sustainability of this traction. Pre-issue D/E stood at 1.2x and interest cost was ~42% of FY19's annualized EBIDTA. Post issue, D/E will reduce to 0.6x owing to partly repayment of debt (Rs300 mn) and boost to net worth, however RoE will reduce to 7.8% (10.9% pre-issue). At the higher price band of Rs61, demanded valuation of Rs7,313 mn at P/E of 19.9x (on annualized FY19 EPS of Rs3.1) seems stretched considering the weak fundamental strength. Peers such as Chambal Fertilisers at P/E of 12.3x, Dhanuka Agritech at 16.1x and Insecticides India at P/E of 10.6x have strong fundamentals and are trading at cheap valuation compared to KPRAC.

Considering all these parameters, we assign 'Avoid' rating to the issue.

## Profit & Loss A/c

Particulars	FY14	FY15	FY16	FY17	FY18	9MFY19
Operating Income (OI)	6,129.3	5,974.4	5,800.9	5,837.4	5,998.1	4,825.3
Cost of Material Consumed	(3,693.7)	(3,934.7)	(3,792.9)	(2,963.5)	(4,064.4)	(3,271.3)
Purchase of Stock-in-Trade	(456.3)	(17.9)	(234.1)	(971.8)	(71.2)	(36.0)
Changes in Inventories of Finished Goods, Work-in-Progress	(159.3)	(176.9)	140.6	(85.2)	(21.1)	(37.3)
Employee Benefit Expenses	(152.9)	(216.2)	(290.2)	(337.0)	(322.3)	(234.1)
Other Expenses	(590.8)	(627.2)	(590.5)	(524.6)	(476.3)	(379.3)
EBITDA	1,076.3	1,001.4	1,033.8	955.4	1,042.9	867.3
Depreciation and Amortization Expenses	(131.7)	(143.0)	(175.5)	(199.0)	(207.7)	(150.8)
EBIT	944.6	858.4	858.3	756.4	835.2	716.5
Finance Costs	(499.4)	(487.6)	(508.7)	(550.1)	(466.9)	(367.5)
Other Income	29.8	31.3	13.2	69.6	10.1	7.4
Exceptional Items	(47.7)	(6.6)	0.0	0.0	0.0	0.0
PBT	427.3	395.4	362.8	276.0	378.3	356.5
Tax Expenses	(143.2)	(113.1)	(119.8)	(48.6)	(81.8)	(80.6)
PAT	284.1	282.3	243.0	227.4	296.5	275.9

## Balance Sheet

Particulars	FY14	FY15	FY16	FY17	FY18	9MFY19
Share Capital	854.6	854.6	854.6	854.6	854.6	854.6
Reserves and Surplus	444.6	677.8	868.9	1,096.8	1,393.4	1,669.4
Long Term Borrowings	1,441.2	1,093.4	672.1	520.7	803.8	618.4
Long Term Provisions	2.9	7.0	11.8	13.9	14.6	16.8
Short Term Borrowings	2,083.6	2,388.1	2,588.2	2,712.2	2,520.7	2,344.5
Trades Payables	1,529.9	1,415.4	2,042.1	2,741.8	1,838.6	1,851.1
Other Current Liabilities	353.9	465.8	596.2	371.3	479.4	408.8
Short Term Provisions	200.2	195.2	166.4	103.0	143.4	232.1
Deferred tax liabilities (Net)	280.8	306.6	330.2	319.5	358.7	362.3
<b>Total Liabilities</b>	<b>7,191.6</b>	<b>7,404.0</b>	<b>8,130.3</b>	<b>8,733.9</b>	<b>8,407.3</b>	<b>8,357.9</b>
Tangible Assets	2,170.7	2,204.4	2,467.0	2,458.3	2,311.0	2,163.5
Intangible Assets	3.6	3.6	3.8	3.7	4.1	4.0
Capital Work In Progress	40.4	35.8	4.4	1.4	0.0	0.4
Long Term Loans and Advances	42.2	14.7	72.5	112.2	127.4	129.9
Non-current investments	114.6	105.4	105.4	105.4	0.0	0.0
Inventories	2,090.6	1,965.0	2,634.4	3,237.9	2,928.0	2,905.3
Trade Receivables	2,444.6	2,730.2	2,371.7	2,554.2	2,759.4	2,869.3
Cash and Bank Balances	177.0	185.3	187.7	159.6	146.4	131.9
Short Term Loans and Advances	105.4	153.3	256.2	78.1	106.0	119.9
Other Current Assets	2.7	6.4	27.0	22.6	25.1	33.7
<b>Total Assets</b>	<b>7,191.6</b>	<b>7,404.0</b>	<b>8,129.9</b>	<b>8,733.5</b>	<b>8,407.3</b>	<b>8,357.9</b>

Source: Choice Broking Research, Company data, RHP

## Cash Flow Statement

Particulars	FY14	FY15	FY16	FY17	FY18	9MFY19
Cash Flow from Operating Activities	797.9	721.4	1,177.6	769.3	303.6	717.0
Cash Flow from Investing Activities	(19.6)	(149.9)	(396.3)	(183.4)	51.8	3.4
Purchase of fixed assets and properties	120.9	173.9	407.7	188.9	61.4	4.5
Cash Flow from Financing Activities	(969.4)	(563.2)	(778.9)	(614.0)	(368.7)	(734.9)
Net Cash Flow	(191.1)	8.3	2.4	(28.1)	(13.2)	(14.5)
Opening Balance of Cash and Bank Balances	368.2	177.0	185.3	187.7	159.6	146.4
Closing Balance of Cash and Bank Balances	177.0	185.3	187.7	159.6	146.4	131.9

## Financial Ratios

Particulars	FY14	FY15	FY16	FY17	FY18	9MFY19
Revenue Growth Rate (%)		-3%	-3%	1%	3%	-20%
EBITDA Growth Rate (%)		-7%	3%	-8%	9%	-17%
EBITDA Margin (%)	18%	17%	18%	16%	17%	18%
EBIT Growth Rate (%)		-9%	0%	-12%	10%	-14%
EBIT Margin (%)	15%	14%	15%	13%	14%	15%
Adjusted PAT Growth Rate (%)	0%	-1%	-14%	-6%	30%	-7%
Reported PAT Margin (%)	5%	5%	4%	4%	5%	6%
Inventories Turnover Ratio (x)	2.9	3.0	2.2	1.8	2.0	1.7
Trade Receivable Turnover Ratio (x)	2.5	2.2	2.4	2.3	2.2	1.7
Accounts Payable Turnover Ratio (x)	4.0	4.2	2.8	2.1	3.3	2.6
Fixed Asset Turnover Ratio (x)	2.8	2.7	2.3	2.4	2.6	2.2
Total Asset Turnover Ratio (x)	0.9	0.8	0.7	0.7	0.7	0.6
Working Capital Turnover Ratio (x)		10.0	18.1	55.7	10.5	5.4
Current Ratio (x)	1.2	1.1	1.0	1.0	1.2	1.3
Debt to Equity (x)	2.7	2.3	1.9	1.7	1.5	1.2
Total Debt (Rs.)	3,524.7	3,481.6	3,260.2	3,232.9	3,324.5	2,962.9
Net Debt (Rs.)	3,347.7	3,296.3	3,072.6	3,073.3	3,178.1	2,831.0
Net Debt to EBITDA (x)	3.1	3.3	3.0	3.2	3.0	3.3
Net Debt to Equity (x)	2.6	2.2	1.8	1.6	1.4	1.1
RoE (%)		18.4%	14.1%	11.7%	13.2%	10.9%
RoA (%)		3.8%	3.0%	2.6%	3.5%	3.3%
RoCE (%)		32.6%	35.7%	30.4%	27.2%	22.7%
RoIC (%)	28%	22%	22%	24%	20%	16%
EV	10,661.0	10,609.6	10,385.8	10,386.6	10,491.4	10,144.3
EV/Sales (x)	1.739346	1.775847	1.790394	1.779323	1.749111	2.102305
EV/EBIDTA (x)	9.904839	10.59475	10.04626	10.87202	10.05992	11.69614
EV/EBIT (x)	11.28599	12.3603	12.10032	13.7316	12.56184	14.15792



## Disclaimer

This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.



+91-022-6707 9999



[www.choicebroking.in](http://www.choicebroking.in)



+91-022-6707 9959

### **Choice Equity Broking Pvt. Ltd.**

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158,  
J.B. Nagar, Andheri (East), Mumbai - 400 099.