

KRBL LTD

PACKAGED FOODS

Q4FY17: Domestic market outperforms, Growth story continues...

KRBL in Q4FY17 posted revenues of Rs 913 Cr. (up 28% YoY, up 14% QoQ), on account of 26% volume growth in the overall rice production. Due to brand strength, lower cost of material consumed, higher price realizations in domestic market and other efficiencies, KRBL recorded PAT of Rs 110 Cr. (up 18% YoY, down 1% QoQ).

With 25% growth in the domestic market in FY17, KRBL currently enjoys a market share of 32% in rice production. KRBL due to its financial strength and storage capability has an inventory worth Rs 1910 Cr (paddy and rice) which provides revenue visibility.

We believe changes in consumer preference towards branded Basmati rice in domestic market, Iran resuming purchases and entry into premium health foods segment augurs well for KRBL's earnings. We value KRBL at 20x FY19E EPS and maintain **BUY** recommendation with a **Target Price of Rs. 440**

Key Highlights

- Domestic market witnessed strong growth:** Domestic market volumes in Q4FY17 stood at 127704 mT (↑29% YoY) and domestic realizations increased from 40.3 Rs/kg in Q4FY16 to 47 Rs/ kg in Q4FY17. Thus in value terms, it recorded Rs 600 Cr. (↑50% YoY). This has been due to brand acceptability in the market and strong distribution network. Subsequently, KRBL's market share increased from 27% in FY16 to 32% in FY17. We believe domestic market provides abundant opportunities as unbranded Basmati sales are 60% of total market size. With change in consumer's preference tilting towards branded Basmati rice, we believe share of Branded Basmati rice will increase over a period of time.
- Exports increase 18%, outlook positive:** KRBL's export volume increased by 18% YoY in 4QFY17 (43857 tonnes vs. 37161 tonnes YoY), majorly due to the export of non-basmati rice. The avg. blended realization in export market were lower as the basmati export volumes witnessed a de-growth. On YTD basis, volume and value of exports were lower, due to execution of a major export of 95000 tonnes of tender sale to Iran Govt. during H1FY16. With Iran lifting its ban on Basmati rice imports, demand is expected to pick up and falling prices are likely to be arrested. Its volume and revenue impact will be seen in FY18E.
- Diversification into premium health foods:** KRBL is diversifying by including health foods in their product portfolio. KRBL has launched new product 'India Gate Quinoa'. It would cater both domestic and international market under Wholesome Grain (FMCG) segment. KRBL looks to promote health foods like brown rice and Quinoa through digital advertising where the target market would be the upper society consumers. Export market for Quinoa is a big market and shipment has been given to distributors. In domestic markets, Quinoa will be launched in July'17. Indian market size is around 500-600 tonnes annually and we expect KRBL to garner 25-30% market share in FY18E. This segment requires minimum cap-ex, however high R&D and marketing expenses and has higher margins.

FINANCIAL SUMMARY

Y/E	Sales	PAT	EPS	Change	P/E	RoE	RoCE	EV/E	DPS
March	(Rs Cr)	(Rs Cr)	(Rs)	(%)	(x)	(%)	(%)	(x)	(Rs)
FY15	3363	293	12.5	-	-	28.7	36.0	-	1.9
FY16	3149	399	17.0	36.2	-	29.3	37.2	-	2.1
FY17E	3590	459	19.5	14.9	20.1	28.0	35.2	12.5	2.1
FY18E	3949	518	22.0	12.9	17.8	27.8	35.0	11.0	2.1

Source: Company and Axis Securities

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BUY

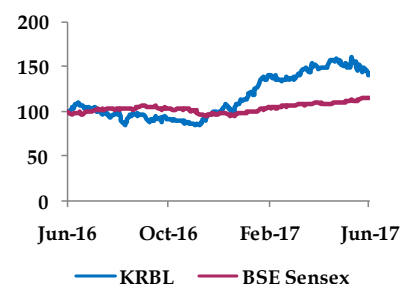
Target Price: Rs 440

CMP	: Rs 392
Potential Upside	: 12%
Relative to Sector	: Outperform

MARKET DATA

No. of Shares	: 23.5cr
FV (Rs)	: 1
Market Cap	: 9228
52-week High / Low	: Rs 452 / Rs 218
Avg. Daily vol. (6mth)	: 170594 shares
Bloomberg Code	: KRB. IN
Reuters Code	: KRBL.NS
BSE Code	: 530813
NSE Code	: KRBL

— PRICE PERFORMANCE



Results Update

(Rs. cr)	Quarter ended					12 months ended			
	Q4FY17	Q4FY16	% Change (YoY)	Q3FY17	% Change (QoQ)	FY17	FY18E	FY19E	2 yr CAGR
Sales	913	712	28	799	14	3149	3590	3949	12%
Other Op. Inc	1.6	55.6		1.8		0	0	0	
Total Revenue	914	768	19	801	14	3149	3590	3949	
Expenditure									
Net Raw Material	653	550	19	555	18	2212	2520	2770	
Employee expenses	19	17	9	18	4	72	80	86	
Other Exp	65	47	38	48	36	204	232	255	
Total Expenditure	736	614	20	621	19	2505	2853	3134	12%
EBIDTA	177	155	15	180	(1)	644	737	815	13%
Oth. Inc.	0.0	0.0		0.0		10.3	0.7	5.9	
Interest	1.4	22.0	(94)	14.9	(21)	55	57	60	
Depreciation	17.3	13.5	28	15.8	9	61	66	70	
Exceptional Item	0.0	0.0		0.0		0.0	0.0	0.0	
PBT	160	119	34	150	7	538	615	691	13%
Tax	49.7	25.7	93	39.0	28	138	156	173	
PAT	109.8	93.4	18	110.8	(1)	399	459	518	14%
EPS (Rs.)	4.7	4.0		4.7		17.0	19.5	22.0	

Source: Company, Axis Direct Research

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HOLD	Between 10% and -10%
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