

TECHNOCRAFT INDUSTRIES (INDIA) LTD

DIVERSIFIED

Q4FY17: Earnings impacted adversely due to forex loss

Technocraft Industries (India) Ltd (TIIL)'s revenues for Q4FY17 increased 9.2% Y-o-Y to Rs 231 Cr, while earnings (standalone) were up by just 1.5% Y-o-Y to Rs 18.8 Cr due to forex loss. In Q4FY17, the company reported a forex loss of ~Rs 7 Cr on account of appreciation of rupee and inventory adjustment of ~Rs 2.5 Cr which impacted company's earnings growth. Out of Rs 7 Cr forex loss, Rs 5 Cr was from scaffolding business while inventory adjustment in scaffolding business was Rs 2 Cr. In Q4FY17, drum closure business delivered a growth of 12% Y-o-Y to Rs 73.6 Cr while fabric division reported a growth of 103% Y-o-Y to Rs 29.4 Cr. Scaffolding business' revenues grew from Rs 290 Cr in FY16 to Rs 308 Cr in FY17 and management expects scaffolding business' revenues to grow to Rs 400 Cr in FY18E.

Going forward, all three businesses (drum closure, scaffolding and textile) of the company are likely to perform better than previous year due to good traction in China for drum closure, infra push by Indian government leading to growth for scaffolding business. We revise our SOTP target price to Rs 486 (previous target of Rs 466/share).

2 JUN 2017

Quarterly Update

BUY

Target Price: Rs 486

CMP : Rs 439
Potential Upside : 11%

MARKET DATA

No. of Shares : 2.63 cr
FV (Rs) : 10
Market Cap : Rs 1134 cr
52-week High / Low : Rs 524.8/ Rs 224.5
Avg. Daily vol. (6mth) : 20,466 shares
Bloomberg Code : TIIL IN
Reuters Code : TEIN.BO
BSE Code : 532804
NSE Code : TIIL

Key Highlights

- **Drum closure business:** According to management, drum closure business is getting good traction in China which could result in ~ Rs 50 Cr incremental revenues from drum closure business in FY18E.
- **Scaffolding business:** InQ4FY17E, despite higher realizations, scaffolding business was adversely impacted due to forex loss and stock adjustment. To benefit from government's infra push, the company wants to focus on domestic market along with export of scaffoldings. Also it has products in that segment which are likely to generate rental income for the company. Management targets to achieve revenue of Rs 400 Cr from scaffolding business in FY18E.
- **Textile business:** Textile segment is continuously showing an improvement. Fabric business revenues have grown 77% Y-o-Y to Rs 84 Cr in FY17. The company setting up Melange yarn manufacturing capacity in Amravati which will result in better margins.

FINANCIAL SUMMARY

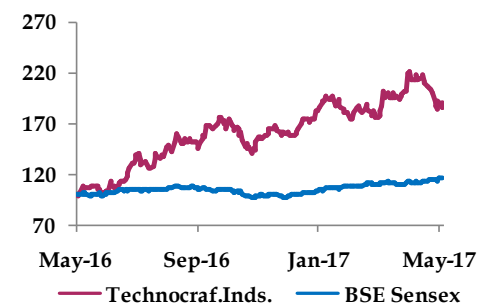
Y/E	Sales	PAT	EPS	Change	P/E	RoE	RoCE	EV/E	DPS
March	(Rs Cr)	(Rs Cr)	(Rs)	(%)	(x)	(%)	(%)	(x)	(Rs)
FY15	1,029	74.2	25.0	(12.1%)	-	13.1%	10.7%	-	5.0
FY16*	921	100	38.0	51.8%	11.6x	16.7%	12.2%	9.5x	3.0
FY17	936	101	38.6	1.6%	11.4x	16.4%	12.1%	9.1x	4.6
FY18E	1,107	121	46.2	19.7%	9.5x	16.9%	12.9%	7.1x	5.5

Source: Company and Axis Securities

* As per IND-AS, numbers are revised by the company

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PRICE PERFORMANCE



Quarterly Update

(Rs. Cr)	Standalone					Consolidated	
	Q4FY17	Q4FY16	Y-o-Y % Chg	Q3FY17	Q-o-Q % chg	FY17	FY18E
Net Sales	231.4	211.8	9.2%	210.8	9.8%	936	1,107
Other Operating Income	0.0	10.8	NM	0.0	NM		
Total Revenue	231.4	222.7	3.9%	210.8	9.8%	936	1,107
Cost of raw materials	123.2	88.1	39.8%	107.6	14.5%	465	475
changes in inventories	2.5	34.7	(92.7%)	4.1	(37.7%)	68	11
Net	125.7	122.9	2.3%	111.7	12.6%	397	464
Trading purchases	0.8	6.6	NM	3.1	(75.4%)	0.9	2.2
Personnel	14.7	13.0	12.6%	14.2	3.2%	131.3	154.9
Other expenses	62.0	51.9	19.4%	55.7	11.3%	260.8	304.3
Total expenditure	203.1	194.4	4.5%	184.6	10.0%	789.9	925.1
EBIDTA	28.2	28.3	(0.1%)	26.1	8.1%	146.0	181.5
Depreciation	5.5	6.2	(11.2%)	4.9	13.1%	24.1	28.0
Interest	3.3	3.2	5.1%	4.2	(21.2%)	18.8	19.6
Non-operating Income	2.6	6.9	(63.0%)	11.7	(78.1%)	41.2	39.1
Profit Before Tax	22.0	25.8	(14.9%)	28.7	(23.6%)	144	173
Tax	3.2	7.3	(56.3%)	9.0	(64.3%)	43	52
Profit After Tax	18.8	18.5	1.5%	19.8	(5.2%)	101	121

Source: Company, Axis Securities Ltd

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HOLD	Between 10% and -10%
SELL	Less than -10%

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