



Muted Revenue Growth

18th August, 2017

Rating	
CMP	Rs 351
Target Price	Rs 370
Recommendation	HOLD

Stock Info

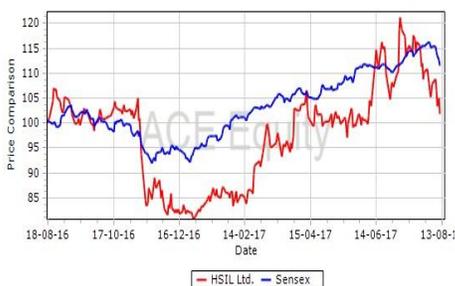
BSE Group	B
BSE Code	500187
NSE Symbol	HSIL
Bloomberg	HSI IN
Reuters	HSNT.BO
BSE Sensex	31,795
NSE Nifty	9,904

Market Info

Market Capital	Rs 2,552 cr
Equity Capital	Rs 14.46 cr
6M Avg. Trading Vol.	1,27,086
52 Wk High/ Low	424/273.5
Face Value	Rs 2

Shareholding Pattern (%)	(Jun'17)
Promoters	48.4
FII/DFIs/MFs	32.5
Public	19.1
Total	100.0

Price Chart:



Q1FY18 Net Revenue for the quarter was at Rs 480cr representing a decline of 19% on the quarter and a marginal growth of 0.19% YoY.

Q1FY18 Operating EBITDA stood at Rs 53cr vs 68cr YoY , EBITDA margin declined by 22% yoy to 11% at multiyear low.

Q1FY18 Reported PAT was at Rs12cr down by 44% on YoY basis and decrease of 62% QoQ.

Segmental Revenue Highlights:

- Building product division**, which constitutes sanitaryware, faucets and other wellness products and also the pipes, for the quarter ended 30th June 2017 achieved revenue of around 233 crores, which has ended with a marginal growth of 1% over previous year figure. And EBIT for the building product division for the same period is around 31 crores as compared to previous year figure of 34 crores.
- Packaging division**, in the quarter ended 30th June 2017, achieved a revenue of around 218 crores, against the previous figure of 246 crore. There was a de-growth due to partial impact of GST down the line and also the major was the Supreme Court order, sale of liquor ban on the highways. And that impacted the sale of liquor all across the country, and also the sale of all the ancillary products like bottles which goes into the packaging of the liquor. So it impacted both the sales de-growth and as well as the EBIT. And EBIT for the quarter ended 30 June was around 16 crores as compared to previous year corresponding figure of 26 crores.
- Consumer products division** is continuing with the growth and have achieved around 90% growth with the revenues of 31 crores. The growth could have been still higher, but despite the GST they could maintain 90% growth over previous year corresponding figure. But due to additional marketing spends, both in terms of advertisement and brand building, HSIL reported EBIT level loss is 9.31 crores, as compared to previous year loss of 2.55 crores.
- The retail division** which is the Evok brand furniture stores, did a revenue of 24 crores against the previous year figure of 20 crores, which represents almost 20% growth. And EBIT also improved from a loss of 7 crores vs loss of around 3 crores Yoy.

Valuation:

With Consumer product division growing at a faster pace , Retail space improving on their losses, we expect HSIL to post better numbers in the coming quarters . The stock is currently trading at 20.4 PE of our estimated FY19 EPS of Rs 15.4. Given the recent performance and hoping the management maintain their run rate going forward we value the company at 24x PE , and assign a price target of Rs 370 with a “**HOLD**” rating on the stock.

Source: Company data, Arihant Research



Quarterly Results:

Particulars (in cr)	Q1 FY18	Q4FY17	Q1FY17	YoY	QoQ
Net sales	480	594	480	0.19%	-19%
COGS	175	241	185	-5%	-27%
Gross Profit	305	354	295	3%	-14%
Other expenses	252	280	227	11%	-10%
EBITDA	53	73	68	-22%	-28%
Depreciation	26	25	28	-7%	3%
EBIT	27	48	40	-32%	-44%
Interest	10	9	9	17%	11%
Other Income	1	1	1	-39%	-15%
PBT	17	40	32	-46%	-56%
Tax Expenses	6	9	11	-48%	-40%
Net Profit	12	30	21	-44%	-61%
EPS	2	4.3	2.9	-44%	-62%
EBITDA Margin %	11%	12.3%	14.1%	-22%	-10%

Source: Company data, Arihant Research



Profit and Loss Account, Year Ending March

Particulars, in Rs crore	FY17	FY18E	FY19E
Income from operations	2078	2236	2454
RM exps	805	906	933
Other expenses	986	1010	1172
Total Expenses	1791	1915	2105
EBITDA	287	321	350
EBITDA Margin	14%	14%	14%
Depreciation and Amortization	111	137	141
other income	5	4	4
finance cost	33	38	36
Exceptional items	0	0	0
Profit before tax	147	149	176
Total Tax expenses	47	48	65
Profit/(Loss) for the year	100	101	111
EPS	13.9	14.0	15.4

Balance Sheet, Year Ending March

Particulars, in Rs crore	FY17	FY18E	FY19E
Liabilities + Equity			
Share Capital	14	14	14
Reserves and surplus	1432	1496	1623
Shareholders fund	1446	1511	1637
Total Non Current Liabilities	591	486	348
Total Current liabilities	1048	1096	1150
Total - Equity and Liabilities	3086	3093	3135
Assets			
Non Current Assets			
Total Net Fixed Assets	1693	1646	1623
Total Non current Assets	1879	1989	1932
Current Assets			
Cash and bank balances	31	80	40
Total Current Assets	1207	1104	1202
Total	3086	3093	3135

Cash Flow Statement, Year Ending March

Particulars, in Rs crore	FY17	FY18E	FY19E
Operating Activities			
Net Profit before tax	147	149	176
Non cash / Non operating items	146	176	177
Total	293	325	354
Tax paid	-47	-48	-65
Changes in working capital	-16	-57	-75
Cash from operating activities	204	220	213
Cash flow from investing activities			
	-329	-83	-55
Financing activities			
Dividends + tax paid	-35	-35	-35
Change in other financing activities	282	-166	-164
Cash from financing activities	248	-201	-198
Opening cash & Cash equivalents			
	17	140	76
Changes during the year			
	123.2	-63.6	-39.9
Closing cash & cash equivalents			
	28	76	36

Ratio Analysis

	FY17	FY18E	FY19E
Profitability			
Revenue growth	1%	8%	10%
Operating EBITDA%	14%	14%	14%
PAT%	4.83%	4.52%	4.53%
PAT% Growth	13%	1%	10%
Du Pont ROE breakup			
PAT/Sales	5%	5%	5%
Sales/ Avg Total Assets	0.7	0.7	0.8
Avg Total Assets / Avg Eqty	2.0	2.1	2.0
ROE	7%	7%	7%
Other Ratios			
Current Ratio	1.2	1.0	1.0
Long Term Debt / Equity	0.2	0.2	0.1
EPS	13.9	14.0	17.4
DPS	4	4	4
P/E	26.7	25.4	20.4
P/BV	1.9	1.7	1.6

(*Closing cash excludes other bank balance.)

Source: Ace Equity, Arihant Research

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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