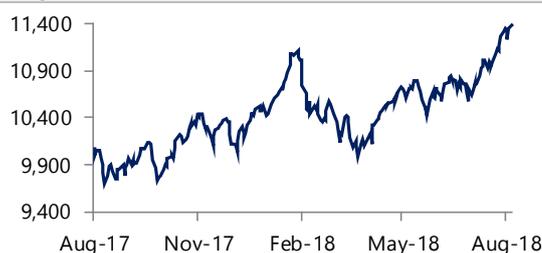


AUGUST 8, 2018

	7-Aug	% Chg			
		1 Day	1 Mth	3 Mths	
<b>Indian Indices</b>					
SENSEX Index	37,666	(0.1)	5.6	7.0	
NIFTY Index	11,389	0.0	5.7	6.3	
NSEBANK Index	27,876	(0.1)	5.2	7.8	
NIFTY 500 Index	9,705	(0.0)	5.6	3.0	
CNXMcap Index	19,146	(0.3)	5.1	(3.6)	
BSESMCAP Index	16,862	(0.2)	5.0	(6.8)	
<b>World Indices</b>					
Dow Jones	25,629	0.5	4.8	5.2	
Nasdaq	7,884	0.3	2.5	8.5	
FTSE	7,718	0.7	1.3	2.0	
NIKKEI	22,663	0.7	4.4	1.1	
Hangseng	22,663	0.7	4.4	1.1	
Shanghai	28,249	1.5	(0.1)	(7.0)	
<b>Value traded (Rs cr)</b>		<b>7-Aug</b>	<b>% Chg Day</b>		
Cash BSE	2,986		(12.7)		
Cash NSE	32,459		(0.5)		
Derivatives	562,375		4.3		
<b>Net inflows (Rs cr)</b>		<b>6-Aug</b>	<b>MTD</b>	<b>YTD</b>	
FII	447	26	(3,384)		
Mutual Fund	117	(96)	72,502		
<b>Nifty Gainers &amp; Losers</b>		<b>Price</b>	<b>Chg</b>	<b>Vol</b>	
<b>7-Aug</b>	<b>(Rs)</b>	<b>(%)</b>	<b>(mn)</b>		
<b>Gainers</b>					
Tata Steel Ltd	573	3.6	9.3		
Titan Co Ltd	927	2.8	4.5		
Grasim Ind	1,019	2.0	1.1		
<b>Losers</b>					
Adani Ports	372	(6.3)	9.6		
Coal India	275	(2.7)	7.5		
HPCL	289	(1.9)	2.3		
<b>Advances / Declines (BSE)</b>					
<b>7-Aug</b>	<b>A</b>	<b>B</b>	<b>T</b>	<b>Total</b>	<b>% total</b>
Advances	148	499	64	711	100
Declines	236	608	59	903	127
Unchanged	3	16	9	28	4
<b>Commodity</b>		<b>% Chg</b>			
	<b>7-Aug</b>	<b>1 Day</b>	<b>1 Mth</b>	<b>3 Mths</b>	
Crude (US\$/BBL)	74.6	(0.1)	(3.3)	(0.4)	
Gold (US\$/OZ)	1,211	0.3	(3.3)	(7.7)	
Silver (US\$/OZ)	15.4	0.6	(3.9)	(6.5)	
<b>Debt / forex market</b>		<b>7-Aug</b>	<b>1 Day</b>	<b>1 Mth</b>	<b>3 Mths</b>
10 yr G-Sec yield %	7.8	7.8	7.9	7.6	
Re/US\$	68.7	68.9	68.7	67.1	

## Nifty



Source: Bloomberg

## News Highlights

- ▶ India doubled the import tax on more than 300 textile products to 20% as the world's biggest producer of cotton tries to curb rising imports from China. (Mint)
- ▶ The value of transactions made through mobile wallets touched a record Rs 146.3 bn in June, Reserve Bank of India (RBI) data released showed, rising 4.2% from Rs 140.5 bn in May. (BL)
- ▶ Supreme Court backs temporary relief to stressed power producers. The Supreme Court refused to stop Allahabad high court from hearing a clutch of petitions against Reserve Bank of India's 12 February circular. (ET)
- ▶ **Punjab National Bank** expects to complete the stake sale in its mortgage lending arm, **PNB Housing Finance**, by the end of the financial year. It is also planning to list its insurance venture, PNB Metlife, on the bourses. (Mint)
- ▶ The National Company Law Appellate Tribunal (NCLAT) on said it will decide on 8 August whether a stay on Tata Sons Ltd's conversion into a private limited company from a deemed public company will be granted. (Mint)
- ▶ **Larsen & Toubro** said its construction arm has won orders worth Rs 19.0 bn across business segments in the domestic and international markets. L&T said its power transmission and distribution business has bagged multiple orders worth Rs 17.2 bn. (ET)
- ▶ **TVS Motor Company** is looking to achieve multiple targets in the next few years growing its profit margins along with market share, boosting international sales and readying its products well ahead of the BS VI deadline. (BL)
- ▶ **Vedanta Ltd.** is likely to bag as many as 40 oil and gas exploration blocks in India's maiden open acreage auction, official sources said. Sources reported that Vedanta is likely to walk away with 40 blocks, **ONGC** may get two or a maximum of three areas. **Hindustan Oil Exploration Co.** is likely to get one while **Oil India** may get half a dozen blocks (Bloomberg Qunit).
- ▶ **Exide Industries**, which is aspiring to supply batteries for bullet trains, will invest over Rs 5.5 bn for setting up a recycling battery plant and expanding its existing facility here to manufacture Nickel-Cadmium batteries (ET)
- ▶ **Cipla Ltd** has received final approval for Diclofenac Sodium Topical Gel, 1% from the USFDA. According to IQVIA (IMS Health), Voltaren Gel and its generic equivalents had US sales of ~\$353 mn for the 12-month period ending June 2018. (ET)

## What's Inside

- ▶ **Initiating Coverage:** Essel Propack Ltd
- ▶ **Result Update:** Mahindra & Mahindra Ltd
- ▶ **Forthcoming events**

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

## Initiating Coverage

## ESSEL PROPACK LTD

### Stock Details

Market cap (Rs mn)	:	32977
52-wk Hi/Lo (Rs)	:	159 / 102
Face Value (Rs)	:	2
3M Avg. daily vol	:	108,756
Shares o/s (m)	:	314

Source: Bloomberg

### Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	24,464	26,339	29,431
Growth (%)	6.3	7.7	11.7
EBITDA	4,648	5,004	5,739
EBITDA margin (%)	19.0	19.0	19.5
PAT	1,716	2,105	2,576
EPS	5.5	6.7	8.2
EPS Growth (%)	(9.8)	22.7	22.4
BV (Rs/share)	40	45	52
Dividend/share (Rs)	1.2	1.2	1.5
ROE (%)	13.2	14.9	15.8
ROCE (%)	12.2	12.8	14.3
P/E (x)	19.4	15.8	12.9
EV/EBITDA (x)	7.4	6.3	5.5
P/BV (x)	2.7	2.4	2.0

Source: Company, Kotak Securities - PCG

### Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoters	57.2	57.2	57.2
FII	15.2	15.4	15.5
DII	5.0	5.0	5.1
Others	22.6	22.4	22.3

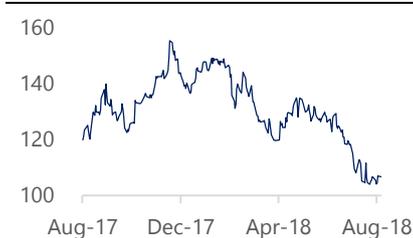
Source: Company

### Price Performance (%)

(%)	1M	3M	6M
Essel Propack Ltd	(3.0)	(19.7)	(20.9)
Nifty	5.7	6.3	8.7

Source: Bloomberg

### Price chart (Rs)



Source: Bloomberg

### Jatin Damania

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PRICE RS. 105

TARGET RS.140

BUY

Essel Propack (ESEL) is a global leader in laminated, extruded plastic tubes and speciality packaging with a global market share of ~36% in oral care category. Diversification to non-oral care (relatively higher realisation) has augured well for the company. It has helped Essel Propack Ltd (ESEL) to increase its EBITDA margin to 19% at the end of FY18 from 16.7% in FY14, largely backed by increasing share of non-oral care business. Given its strong R&D efforts and expertise, ESEL has successfully converted many plastic/aluminum tubes into non-oral care laminated tubes. A pioneer in oral care tube manufacturing, ESEL has successfully captured the market share in India (65%) and globally (36% in oral care) by entering the appropriate geographies at the right time and backed by region-specific strategy.

With a dominant market share in oral care, EPL is focusing on improving revenue from non-oral care segments such as beauty, cosmetics and pharma to maintain growth. We believe that, focus to increase the contribution of non-oral care segment to 50% should help the company to sustain its EBITDA margin at 19-19.5% in the coming years. Besides this, business development in Europe could be the key driver for future earnings. We model revenue and earnings CAGR of 10% and 25%, respectively during FY18-FY20E period, led by AMESA and EUROPE region. At CMP, the stock is trading at 15.8x/12.9x FY19E/FY20E. We initiate coverage with BUY rating, and a target price of Rs140, valuing it at 17x FY20E earnings.

### Key investment argument

- **Leader with 36% market share:** ESEL is the global leader in laminated tubes globally, with a market share of 36%. The company manufactures laminate tubes for oral (59% market share) as well as non-oral care (41%) segments. In the domestic market ESEL has a share of 65% and was the first company to spot the gap for a need in plastic/laminated tubes in India. Having established global leadership with laminated tubes for the oral care category, the company began to pursue a considerably bigger market opportunity in the non-oral care category. ESEL has a footprint across the globe, with presence in 11 countries and having 19 manufacturing facilities. It has divided its operations into four regions AMESA, America, Europe and EAP.
- **Non-oral care to support growth:** Oral care segment consists more of staple products and is driven by the sales force, while the non-oral (dominated by toiletries, skin care and shampoo) segment is product development driven and requires R&D and innovations. The non-oral care segment is more than 3x in value terms compared to the oral care segment. Pharma and healthcare segment is 2.5x and beauty segment is 3.5-4x of oral segment. The total market size for non-oral care is estimated to be ~20-22bn tubes as compared to 14bn tubes oral market size. Hence, the company is aiming to increase the revenue contribution from non-oral category to 50% in the next three years from 41% in FY18. ESEL would be focusing on Emerging markets and Europe (biggest non-oral care market) to drive revenue from the non-oral care segment. We expect, the higher contribution from non-oral care should help the company to sustain its EBITDA margin at 19-19.5% in the coming years.

- **Stabilisation in Europe business to boost earnings:** Europe operations was a setback since 2008, when ESEL shifted its manufacturing operations from UK to Poland to bring down costs. In FY18, the European region contributed ~22% of the revenue, but EBIT remained under pressure due to the implementation of different cost effective programmes, stabilisation of the Poland unit and lower offtake from new clients in various geographies. EBIT margin turned positive in Q4FY18 to 3.7% as compared to -1.1% in 3QFY18. 1QFY19 margin stood at 1.5%. Stabilisation of the unit and new long term contracts are expected to translate to higher operating leverage and reducing fixed cost. We expect the momentum to continue in the coming years as well, due to decent pipeline, inquiries and ESEL's efforts to bring EDG at the level of overall Europe's profitability.

### Outlook

The EDG acquisition and increase customer offtake, coupled with demand recovery in India (post GST implementation), is expected to support the recovery in the EU and AMESA region. Further, with company's focus on increasing contribution from non-oral care segment across geographies, we expect EBITDA margin to sustain at 19-19.5%. We model revenue and earnings CAGR of 10% and 25%, respectively, during the FY18-FY20E period, led by AMESA and EUROPE region. Large non-oral care market and better utilisation of assets at Europe, make ESEL a good investment opportunity. At CMP, the stock is trading at 15.8x/12.9x FY19E/FY20E. We initiate coverage with BUY rating, and a target price of Rs140, valuing it at 17x FY20E earnings.

### Key Risks

a) raw material risks (linked to crude prices); b) risk related to overseas operation and c) backward integration by customers.

## Result Update

### Stock Details

Market cap (Rs mn)	:	1151570
52-wk Hi/Lo (Rs)	:	945 / 612
Face Value (Rs)	:	5
3M Avg. daily vol (Nos)	:	2,454,242
Shares o/s (mn)	:	1243

Source: Bloomberg

### Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenues	486,856	550,377	607,122
Growth (%)	10.5	13.0	10.3
EBITDA	62,240	70,993	77,215
EBITDA margin (%)	12.8	12.9	12.7
Adj. Net profit	40,395	45,177	48,554
Adj. EPS (Rs)	33.9	38.0	40.8
Adj. EPS Growth (%)	13.2	11.8	7.5
Book value (Rs/share)	255	283	314
Dividend per share (Rs)	7.5	7.5	7.5
ROE (%)	14.2	14.1	13.7
ROCE (%)	18.3	18.9	18.5
P/E (x)	27.3	24.4	22.7
EV/EBITDA (x)	17.1	14.9	13.5
P/BV (x)	3.6	3.3	2.9

Source: Company, Kotak Securities - PCG

### Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoter	21.7	21.6	21.6
FII	33.6	33.7	36.0
DII	21.3	20.4	21.0
Others	23.4	24.3	21.4

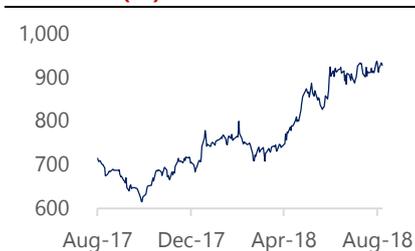
Source: Company

### Price Performance (%)

(%)	1M	3M	6M
Mah & Mah	0.1	4.6	24.0
Nifty	5.7	6.3	8.7

Source: Bloomberg

### Price chart (Rs)



Source: Bloomberg

### Arun Agarwal

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## MAHINDRA & MAHINDRA (M&M)

PRICE RS. 927

TARGET RS. 984

ACCUMULATE

M&M reported strong operational performance in 1QFY19 led by strong volume growth in auto and tractor segment and expansion in EBITDA margin. Revenue and EBITDA came on expected lines and net profit was marginally better than estimate.

### Key Highlights

M&M+MVML (Mahindra Vehicle Manufacturers Limited - 100% subsidiary of M&M) reported revenue of Rs133.6bn, 23% increase over 1QFY18. During the quarter, M&M reported 20% and 19% YoY volume growth in auto and tractor segment respectively. EBITDA margin expanded YoY from 13.2% to 15.8%. We highlight that in 1QFY18, M&M provided for Rs1.44bn on account of expected inventory loss (with dealers and company) on GST transition. However, even post adjusting the above mentioned one-off, EBITDA margin witnessed meaningful improvement YoY and that despite commodity cost pressure. M&M reported PAT of Rs12.3bn, 64% higher YoY.

### Valuation and Outlook

In the auto segment, we expect M&M's performance on the volume front to witness improvement post new launches. M&M will be launching new products in the passenger vehicle segment in coming months. For the tractor industry, management has raised FY19 domestic industry growth guidance to 12-14% (earlier 8-10%). As compared with 1QFY19, we expect the tractor industry volume growth to moderate in the coming quarters as base becomes higher. Despite commodity inflation, M&M reported healthy EBITDA margin in 1QFY19. We expect M&M's margins to broadly remain healthy in FY19/FY20. We have marginally revised our estimates upwards. We retain ACCUMULATE rating on M&M with revised price target of Rs984 (earlierRs958).

### Quarterly performance (M&M + MVML)

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)
<b>Revenues</b>	<b>133,577</b>	<b>108,775</b>	<b>22.8</b>	<b>131,888</b>	<b>1.3</b>
Total expenditure	112,476	94,434	19.1	111,938	0.5
RM consumed	90,036	73,784	22.0	87,247	3.2
Employee cost	8,380	7,943	5.5	7,882	6.3
Other expenses	14,061	12,707	10.7	16,808	(16.3)
<b>EBITDA</b>	<b>21,101</b>	<b>14,341</b>	<b>47.1</b>	<b>19,950</b>	<b>5.8</b>
EBITDA margin (%)	15.8	13.2	-	15.1	-
Depreciation	4,295	3,820	12.4	4,390	(2.2)
Interest cost	431	509	(15.3)	499	(13.6)
Other Income	1,930	1,283	50.4	1,659	16.3
Exceptional item	245			479	
<b>PBT</b>	<b>18,550</b>	<b>11,296</b>	<b>64.2</b>	<b>17,199</b>	<b>7.9</b>
PBT margins (%)	13.9	10.4		13.0	
Tax	5,978	3,778	58.2	5,650	5.8
Tax rate (%)	32.2	33.4	-	32.9	-
<b>Reported PAT</b>	<b>12,572</b>	<b>7,518</b>	<b>67.2</b>	<b>11,549</b>	<b>8.9</b>
PAT margins (%)	9.4	6.9		8.8	
<b>Adjusted PAT</b>	<b>12,327</b>	<b>7,518</b>	<b>64.0</b>	<b>11,070</b>	<b>11.4</b>
PAT margins (%)	13.7	10.2		12.7	
Adjusted EPS (Rs)	20.7	12.6	63.9	18.6	11.1

Source: Company

**Segmental performance (M&M + MVML)**

(Rs mn)	1QFY19	1QFY18	YoY (%)	4QFY18	QoQ (%)
<b>Segmental Revenues</b>					
Automotive	80,326	65,515	22.6	91,049	(11.8)
Farm Equipment	50,069	40,316	24.2	37,161	34.7
<b>EBIT margins</b>					
Automotive	9.4	6.8	-	10.7	-
Farm Equipment	20.9	18.4	-	19.5	-

Source: Company

**Strong volume growth support higher revenue in the quarter**

M&M+MVML (Mahindra Vehicle Manufacturers Limited - 100% subsidiary of M&M) reported revenue of Rs133.6bn, 23% increase over 1QFY18. Auto segment revenue grew by 23% YoY on the back of 20% increase in sales volume. Similarly, tractor revenue growth of 24% came on the back of 19% YoY increase in tractor sales volume. Within the auto segment, volume growth remained relatively strong in the commercial vehicle segment as compared with passenger vehicle segment. Revenue came in line with our estimate of Rs132.3bn.

**Increased tractor revenue share leads to margin expansion**

EBITDA for the quarter grew by 47% YoY to Rs21.1bn and was in line with our estimate of Rs20.8bn. EBITDA margin expanded YoY from 13.2% to 15.8%. We highlight that in 1QFY18, M&M provided for Rs1.44bn on account of expected inventory loss (with dealers and company) on GST transition. However, even post adjusting the above mentioned one-off, EBITDA margin witnessed meaningful improvement YoY and that despite commodity cost pressure. Strict control over cost and improved margin in the tractor segment helped the company to witness higher EBITDA margins YoY. As compared with 4QFY18, EBITDA margin improved on account of higher share of tractor in the revenue mix. Gross margin declined in the quarter as against 4QFY18 and adjusted gross margin of 1QFY18. In the auto segment, EBIT margin stood at 9.4%, higher YoY (on both reported and adjusted 1QFY18 EBIT margin). In the tractor segment, EBIT margin came in at 20.9%, 248/141 bps higher YoY and QoQ respectively.

**Robust operational performance translates into 67% YoY growth in net profit**

M&M reported PAT of Rs12.3bn, 64% higher YoY and 5% better than estimate. Apart from strong operational performance, net profit also benefited to certain extent from growth in other income and reduction in interest cost.

**Conference Call Highlights**

- Management expects the auto industry growth to be in line with earlier guidance - domestic passenger vehicle industry to grow by 10% (UV growth to be higher at ~15%) and commercial vehicle industry to witness 10-12% growth (with LCV growing higher and HCV growth of 10%).
- In 2QFY19, M&M will launch Marazzo (MPV) and two more products (one compact SUV and another premium SUV) in 2HFY19 (one before and another after Diwali). Of these three launches, one will have petrol engine at the time of launch, another will see petrol option coming at a later stage and one product will be launched with only the diesel option.
- For the tractor industry, management has raised FY19 domestic industry growth guidance to 12-14% (earlier 8-10%). Company expects industry growth to be flat in 2QFY19 due to shift in festive season to 3QFY19.

Combining 2QFY19 and 3QFY19, industry growth is expected to be 12%. Domestic tractor industry grew by 23.4% and 16% YoY in 1QFY19 and July 2018 respectively.

- M&M highlighted that auto segment inventory is in line with industry and the tractor segment inventory is below the industry.
- In 1QFY19, company passed on 50% of the commodity price inflation. M&M took a price hike of 1.5% in the auto segment and 1.3% in the tractor segment in 1QFY19.

## Outlook

In the auto segment, we expect M&M's performance on the volume front to witness improvement post new launches. M&M will be launching new products in the passenger vehicle segment in coming months. In the commercial vehicle segment, we expect steady volume growth in the pick-up segment and growth in MHCV segment to be driven by new products.

FY19 is expected to be the third consecutive year of strong volume growth for the tractor industry. As compared with 1QFY19, we expect the tractor industry volume growth to moderate in the coming quarters as base becomes higher.

Despite commodity prices inflation, M&M reported healthy EBITDA margin in 1QFY19. In the auto segment, new products could likely be near term headwinds to margins. However, over the medium to longer term, we expect high volume and cost control measures to offset the impact. In the tractor segment, management had highlighted that they starting at a margin improvement and cost saving program which we believe is an attempt from the company to protect its tractor margins in an event of cyclical downturn. We expect M&M's margins to broadly remain healthy in FY19/FY20.

We have marginally revised our estimates upwards. We retain ACCUMUALTE rating on M&M with revised price target of Rs984 (earlierRs958). We value M&M+MVML at Rs714 valuing at a PE of 17x FY20E adjusted earnings (earlier valued at PE of 16x) and assign value of Rs270 to its subsidiaries.

## Change in estimates - Standalone

(Rs mn)	FY19			FY20		
	Old	New	% chg	Old	New	% chg
Revenues	545,031	550,377	1.0	603,766	607,122	0.6
EBITDA margin	12.9	12.9		12.7	12.7	
Adjusted PAT	44,719	45,177	1.0	47,801	48,554	1.6

Source: Kotak Securities – Private Client Research

## Key Risk

Cyclical downturn in tractor demand and below expected performances of upcoming new launches in the auto segments are key risk to our estimates and target price

## Company background

M&M, the flagship company of the Mahindra Group, operates in the automobiles and the tractor space. In the automotive sector, M&M has presence across segments - passenger vehicle, commercial vehicles, three wheelers and two wheelers. Utility Vehicle (UV) segment is the key part of the company automobile business. M&M has been the market leader in the domestic tractor industry for the past many years. With ~43% market share, M&M is well ahead of the nearest competitor. M&M's dominance in this industry is across regions and segments.

## Financials: Consolidated

### Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>440,535</b>	<b>486,856</b>	<b>550,377</b>	<b>607,122</b>
% change YoY	7.7	10.5	13.0	10.3
<b>EBITDA</b>	<b>45,147</b>	<b>62,240</b>	<b>70,993</b>	<b>77,215</b>
% change YoY	-1.2	37.9	14.1	8.8
Depreciation	15,264	14,794	16,579	19,249
<b>EBIT</b>	<b>29,883</b>	<b>47,446</b>	<b>54,415</b>	<b>57,966</b>
% change YoY	-13.7	58.8	14.7	6.5
Net interest	1,596	1,122	1,313	1,122
Other Income	13,455	10,364	11,436	12,518
Exceptional income/(loss)	5,485	4,336	0	0
<b>Profit before tax</b>	<b>47,226</b>	<b>61,024</b>	<b>64,538</b>	<b>69,363</b>
% change YoY	11.6	29.2	5.8	7.5
Tax	10,792	17,464	19,361	20,809
as % of PBT	22.9	28.6	30.0	30.0
<b>Profit after tax</b>	<b>36,434</b>	<b>43,560</b>	<b>45,177</b>	<b>48,554</b>
Adjusted PAT	32,430	40,395	45,177	48,554
% change YoY	4.7	24.6	11.8	7.5
Shares outstanding (m)	1,187	1,190	1,190	1,190
<b>Adjusted EPS (Rs)</b>	<b>27.3</b>	<b>33.9</b>	<b>38.0</b>	<b>40.8</b>
DPS (Rs)	6.5	7.5	7.5	7.5

Source: Company, Kotak Securities – Private Client Research

### Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBIT	29,883	47,446	54,415	57,966
Depreciation	15,264	14,794	16,579	19,249
Change in working capital	(2,942)	15,445	(5,541)	2,263
Chg in other net current asset	11,272	(5,243)	3,464	780
Operating cash flow	53,477	72,442	68,916	80,259
Interest	(1,596)	(1,122)	(1,313)	(1,122)
Tax	(17,941)	(12,143)	(19,361)	(20,809)
Other Income	13,455	10,364	11,436	12,518
EO Income/(loss)	5,485	4,336	-	-
Others / OCI	15,107	(1,078)	-	-
<b>CF from operations</b>	<b>67,986</b>	<b>72,799</b>	<b>59,678</b>	<b>70,847</b>
Capex	(21,797)	(26,561)	(28,713)	(25,000)
(Inc)/dec in investments	(43,610)	(26,746)	(15,000)	(15,000)
<b>CF from investments</b>	<b>(65,407)</b>	<b>(53,307)</b>	<b>(43,713)</b>	<b>(40,000)</b>
Proceeds from issue of equities	5	2,982	-	-
Increase/(decrease) in debt	(658)	1,069	(6,648)	(1,000)
Proceeds from share premium	496	(2,227)	-	-
Dividends	(8,417)	(9,254)	(11,243)	(11,243)
<b>CF from financing</b>	<b>(8,575)</b>	<b>(7,430)</b>	<b>(17,892)</b>	<b>(12,243)</b>
Opening cash	22,870	16,875	28,937	27,011
Closing cash	16,875	28,937	27,011	45,614

Source: Company, Kotak Securities – Private Client Research

### Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	52,942	68,312	66,386	84,989
Accounts receivable	29,388	31,730	36,189	39,920
Inventories	27,580	27,017	32,538	35,871
Loans and Adv & Others	46,093	69,672	70,120	73,589
Current assets	156,003	196,731	205,233	234,370
Others	2,548	1,101	1,101	1,101
LT investments	143,017	166,455	181,455	196,455
Net fixed assets	98,114	109,881	122,015	127,766
<b>Total assets</b>	<b>399,683</b>	<b>474,168</b>	<b>509,803</b>	<b>559,692</b>
Payables	68,811	86,034	90,473	99,801
Other liabilities	20,606	37,549	39,932	42,499
Current Liabilities	89,417	123,583	130,405	142,300
Provisions	13,899	15,292	16,821	18,503
Deferred Tax Liability	0	2,772	2,772	2,772
Debt	28,511	29,580	22,931	21,931
Equity	5,936	5,950	5,950	5,950
Reserves	261,920	296,991	330,924	368,235
<b>Total liabilities</b>	<b>399,683</b>	<b>474,168</b>	<b>509,803</b>	<b>559,692</b>
BVPS (Rs)	226	255	283	314

Source: Company, Kotak Securities – Private Client Research

### Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
<b>Margins</b>				
EBITDA margin (%)	10.2	12.8	12.9	12.7
EBIT margin (%)	6.8	9.7	9.9	9.5
Adj. net profit margin (%)	7.4	8.3	8.2	8.0
<b>Working capital days</b>				
Inventory (days)	23	20	22	22
Receivable (days)	24	24	24	24
Payable (days)	57	65	60	60
<b>Ratios</b>				
Debt/equity ratio (x)	0.1	0.1	0.1	0.1
ROE (%)	13.2	14.2	14.1	13.7
ROCE (%)	15.6	18.3	18.9	18.5
<b>Valuations</b>				
EV/ Sales	4.9	2.2	1.9	1.7
EV/EBITDA	47.7	17.1	14.9	13.5
Price to earnings (P/E)	67.9	27.3	24.4	22.7
Price to book value (P/B)	8.2	3.6	3.3	2.9

Source: Company, Kotak Securities – Private Client Research

**Forthcoming Events****Forthcoming events**

<b>Date</b>	<b>Event</b>
8-Aug	Bluestar, BPCL, Cipla, Gabriel, Greenply Ind, Lupin, NMDC, Phoenix Ltd, Supreme Ind, Thermax earnings expected
9-Aug	Aegis Logistics, AIA Engineering, Cummins India, Eicher Motor, Engineers India, Insecticides Jindal Steel, MRF, MT Educare, Wabag earnings expected
10-Aug	Allcargo, Andhra Bank, Balaji Telefilm, Dollar Industries, Endurance, GE Shipping, Glenmark, Hindalco, IGL, KNR Construction, NCC, Sun TV earnings expected

Source: [www.bseindia.com](http://www.bseindia.com)

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- BUY** – We expect the stock to deliver more than 12% returns over the next 12 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 12 months
- REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 12 months
- SELL** – We expect the stock to deliver negative returns over the next 12 months
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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