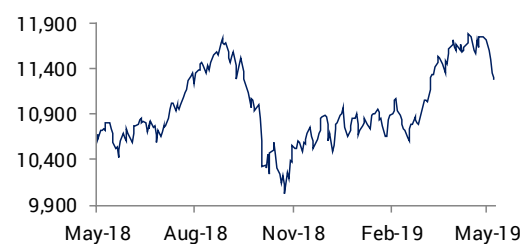


MAY 21, 2019

	20-May	% Chg			
		1 Day	1 Mth	3 Mths	
Indian Indices					
SENSEX Index	39,353	3.7	0.5	10.1	
NIFTY Index	11,828	3.7	0.6	10.2	
NSEBANK Index	30,760	4.4	1.8	14.1	
NIFTY 500 Index	9,672	3.7	(0.7)	9.3	
CNXMcap Index	17,562	4.1	(2.9)	7.7	
BSESMCAP Index	14,381	3.6	(4.3)	8.3	
World Indices					
Dow Jones	25,680	(0.3)	(3.3)	(0.7)	
Nasdaq	7,702	(1.5)	(3.7)	3.3	
FTSE	7,311	(0.5)	(2.0)	2.0	
NIKKEI	21,302	0.2	(4.4)	(1.1)	
Hangseng	27,788	(0.6)	(7.3)	(2.9)	
Shanghai	2,871	(0.4)	(11.3)	5.5	
Value traded (Rs cr)					
	20-May	% Chg Day			
Cash BSE	3,473	47.6			
Cash NSE	43,804	23.8			
Derivatives	577,911	75.1			
Net inflows (Rs cr)					
	17-May	MTD	YTD		
FII	(1,127)	(5,001)	63,220		
Mutual Fund	713	7,275	4,614		
Nifty Gainers & Losers					
	Price	Chg	Vol		
20-May	(Rs)	(%)	(mn)		
Gainers					
Indiabulls Housing	815	12.6	19.8		
Adani Ports	400	9.0	11.0		
Indusind Bank	1,495	8.8	4.6		
Losers					
Dr Reddy's Lab	2,589	(5.7)	2.7		
Zee Entertainment	363	(2.6)	18.3		
Bajaj Auto	3,006	(1.1)	1.0		
Advances / Declines (BSE)					
20-May	A	B	T	Total	% total
Advances	421	868	76	1,365	100
Declines	40	129	40	209	15
Unchanged	-	26	12	38	3
Commodity					
	20-May	% Chg			
		1 Day	1 Mth	3 Mths	
Crude (US\$/BBL)	72.2	0.3	0.3	7.7	
Gold (US\$/OZ)	1,277.8	0.0	0.0	(3.6)	
Silver (US\$/OZ)	14.5	0.4	(3.6)	(8.6)	
Debt / Forex Market					
20-May	1 Day	1 Mth	3 Mths		
10 yr G-Sec yield %	7.3	7.4	7.4	7.3	
Re/US\$	69.7	70.2	69.7	71.1	

Nifty



Source: Bloomberg

News Highlights

- ▶ Ahead of a key meeting of senior trade officials of 16 Asia-Pacific countries, including India, later this week, aluminium and copper industry associations have raised concerns especially the likely rise in trade deficit with China due to "alarming" spike in imports and a potential threat to Make in India. (ET)
- ▶ Bank credit to infrastructure sector grew by 18.5 per cent to Rs 10.55 trillion as of 2018-19, the highest since 2012-13 fiscal, RBI data showed. Outstanding bank credit to the sector was Rs 8.91 trillion as at March 2018. (ET)
- ▶ The combined outstanding regulatory assets for the thermal power sector stands at Rs 769 bn, according to India Ratings and Research, which sees a potential to securitize these receivables through bonds. (BS)
- ▶ **Tata Motors** subsidiary Jaguar Land Rover made the biggest loss in its history last year, sinking £3.6bn into the red as it wrestled with a weak Chinese market, falling diesel sales and a one-off downward revision to the value of its business. (The Guardian)
- ▶ **Dr Reddys Laboratories** is planning to spend upto USD 300 million on research and development (R&D) during this financial year, a senior official of the company has said. (BS)
- ▶ **Adani Green Energy's** promoters Adani Tradeline LLP and Universal Trade and Investments plan to sell cumulatively 5.59 percent stake in the company. (Bloomberg)
- ▶ **Eveready Industries India Ltd (EIL)** has appointed two joint chief financial officers, amid talks that its parent, the Williamson Magor Group, is scouting for a strategic partner for the dry cell battery major. Eveready Industries has denied the appointments to be any indication of a possible restructuring in the company, maintaining that the move was a part of the career succession plan of employees. (ET)
- ▶ **Panacea Biotec's** formulation facility in Himachal Pradesh received a U.S. FDA approval for manufacture and supply of Azacitidine Injection for the U.S. Market. This injection is a chemotherapy drug. (Bloomberg)
- ▶ **Mercator Ltd** has not paid salaries to about 350 crew members on board its dredgers and tankers for March and April, the first sign of financial stress in what was once India's second biggest private shipping company. (BL)
- ▶ Flash Electronics India Ltd, a New Delhi Based automobile component manufacturer, has filed a law suit against country's largest premium motorcycle manufacturer, **Eicher Motors** (Royal Enfield), in the US regarding a patent infringement of a component known as regulator-rectifier. (BL)
- ▶ **8K Miles Software** board sought extension permission for submitting annual audited results up till June 30, due to delay seen in compilation of consolidated financial statement of the company. (Bloomberg)

What's Inside

- ▶ **Result Update:** Arvind Ltd, Aksharchem (India) Ltd, Blue dart Express Ltd
- ▶ **Company Update:** Eveready Industries Ltd

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

Result Update

ARVIND LTD

Stock Details

Market cap (Rs mn)	:	20754
52-wk Hi/Lo (Rs)	:	155 / 70
Face Value (Rs)	:	10
3M Avg. daily vol (nos)	:	3,622,431
Shares o/s (mn)	:	259

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	71422	75496	83164
Growth (%)	5.1	5.7	10.2
EBITDA	7167	7762	8566
EBITDA margin (%)	10.0	10.3	10.3
PAT	2387	2596	3080
EPS	9.2	10.0	11.9
EPS Growth (%)	(8)	9	19
Book value (Rs/share)	110	117	126
Dividend per share (Rs)	2.4	2.4	2.4
ROCE (%)	7.7	10.0	10.6
ROE (%)	6.9	8.9	9.8
P/E (x)	8.7	8.0	6.7
EV/EBITDA (x)	6.3	5.9	5.5
P/BV (x)	0.7	0.7	0.6

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	43.1	43.1	43.0
FII	20.8	20.8	21.6
DII	13.2	13.2	16.7
Others	22.9	22.9	18.7

Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Arvind Ltd	(8.5)	4.7	(28.7)
Nifty	0.6	10.2	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

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PRICE RS.80

TARGET RS.103

BUY

Arvind reported weak Q4FY19 results in textiles business due to challenging environment in denim business and delay in rampup of new garments capacity. However, advance materials business continued to report strong results.

Key Highlights

- Consolidated Net Sales grew marginally by 0.9% yoy to Rs 18.6 bn led by 1) 54% yoy growth in advance material business segment and 2) 3.8% yoy decline in textiles business segment. Textiles segment faced challenges due to continuing market pressure, some evolution in mix and some of its clients facing inventory correction.
- EBITDA margins for the quarter expanded by 40 bps yoy to 9.9% driven by turnaround in advance materials business where margin was 12.5% Vs -6.8% yoy. Textiles business witnessed 260 bps yoy decline in EBITDA margin due to lower sales, delay in commissioning of new garments manufacturing plants, etc.
- The company has guided for 7-8% growth in revenue with marginal improvement in margins in FY20E. The company expects H1FY20 to be challenging due to lower efficiency in the new garments facilities and expects recovery in H2FY20 on ramp-up in utilization.

Valuation & outlook

We downgraded our revenue and margins estimates factoring in challenging business environment in denim business and delay in ramp-up in garment business. The stock is presently trading at FY20E/21E PE of 8.0x/6.7x and EV/EBITDA of 5.9x/5.5x, respectively. We maintain BUY recommendation on the stock with revised target price of Rs 103 (Vs Rs 110 earlier), valuing the stock at FY21E EV/EBITDA of 6x, as we roll forward our valuations to FY21E.

Quarterly performance table

Year to March (INR Mn.)	Q4FY19	Q4FY18	% Chg	Q3FY19	% Chg
Net Revenues	18,594	18,428	0.9	16,803	10.7
Raw Materials Cost	8,324	9,123	(8.8)	8,071	3.1
Employee Expenses	2,145	2,166	(1.0)	2,195	(2.3)
Other Expenses	6,289	5,383	16.8	5,040	24.8
Operating Expenses	16,758	16,672	0.5	15,306	9.5
EBITDA	1,836	1,757	4.5	1,496	22.7
EBITDA margin	9.9%	9.5%		8.9%	
Depreciation	628	608	3.2	583	7.6
Other income	196	202	(2.7)	266	(26.2)
Net finance expense	614	479	28.2	561	9.5
Profit before tax	791	872	(9.3)	618	27.9
Exceptional/Others	41	4	1,071.4	193	(78.7)
Profit before tax (aft Exp)	750	868	(13.6)	425	76.3
Provision for taxes	83	211	(60.7)	19	335.3
Reported net profit	667	657	1.5	406	64.2
NPM	3.6	3.6		2.4	4.1
Tax rate (% of PBT)	11.0	24.3		4.5	21.0

Source: Company

Q4FY19 revenue grew marginally by 0.9%

Consolidated net sales grew by 0.9% yoy to Rs 18.6 bn due to 1) 54% yoy growth in advance materials segment and 2) 3.8% yoy decline in textiles business segment. Strong growth in advance materials segment was supported by growth in human protection and composite business. However, textiles segment faced challenges due to continuing market pressure, some evolution in mix and some of its large clients facing inventory correction. These impacted denim exports which declined by 29% yoy in volume terms. Woven segment witnessed flattish volume in the quarter. Garments business reported 34 mn pcs volume in FY19 (Vs 31 mn pcs in FY18). The company is positive on volume growth in garments segment in FY20E, once its new capacity gets completed and stabilizes for commercial production.

EBITDA margins increased by 40 bps

EBITDA margins for the quarter grew by 40 bps yoy to 9.9% driven by turnaround in advance materials segment where margin in the quarter was 12.5% Vs -6.8% yoy. EBITDA margin improvement in advance materials business was due to operating leverage, improved realization backed by higher value added products, etc. Textiles business witnessed 260 bps yoy decline in EBITDA margin to 10.5% due to lower sales, higher pre-operative expenses, delay in commissioning new garments manufacturing plants, etc. The denim business took a volume hit on exports side due to destocking by major clients. In garments business, the company is undergoing through expansion phase and is increasing capacity from 30 mn pcs to 90 mn pcs per annum in the next three years. The preoperative expenses related to garment expansion also negatively impacted margins in the quarter. Further, the company is restructuring fabric retail business which also impacted margin. PAT for the quarter grew by 1.5% yoy to Rs 667 mn.

Focus on garment business

The company has adopted verticalization strategy in order to move up in value chain by increasing focus on garmenting business. Over the longer period of next 5 years, Arvind aims to convert ~50% of its fabrics into garments (from ~10% in FY18). In order to increase garmenting, the company is increasing its garment capacity by 3x to 90 mn pcs per annum in the next three years. The company is expanding garment manufacturing business by setting up units in states like Jharkhand, AP and Gujarat. It has also setup garmenting unit in Ethiopia where the labour cost is 50% lower and enjoys zero duty for exports to the US and Europe and helps in competing against Bangladesh and Sri Lanka. The company intends to invest ~Rs 15 bn to expand capacity in textiles and advance materials businesses in the next 3-4 years. In FY20E, the company will be incurring capex of Rs 3.75-4.25 bn as against Rs 4.7 bn capex in FY19.

Growth opportunity in advance materials business

The company has reported strong performance in advance material in FY19 with 29% yoy growth in revenue to Rs 6.3 bn and 10.4% EBITDA margin. The segment is expected to grow at faster pace in the longer run and has potential to achieve Rs 15 bn revenue from Rs 4.8 bn in FY18. The company is catering to various segments under this division. This includes human protection products (such as firefighting jackets, bullet proof jackets, etc), composite products for industries (such as railway coaches, automobile industry), belting for industries, etc.

Guides for 7-8% revenue growth with improvement in EBITDA margin

The company has guided for 7-8% growth in the revenue with marginal improvement in margins in FY20E. The company expects H1FY20 to be challenging due to lower efficiency in new garments facilities and expect recovery in H2FY20 on ramp-up in utilization. The company expects strong growth in advance material business to continue while denim business expected to remain under pressure. The others segment which includes water treatment business telcom business in JV, Arvind Internet, etc, is expected to see 5-10% growth with relatively lower margins.

Other highlights

- The company has net debt of Rs 26.2 bn at the end of FY19 and is expected to remain at similar levels in FY20E.
- In garments business, the company is targeting 42 mn pcs volume in FY20E, and ~60 mn volume in FY21E, depending upon investment in the business.
- The company targets to achieve Rs 10 bn revenue in advance material business by FY21E which was earlier targeted for FY20E

Outlook and valuation

We have downgraded our revenue and margins estimates factoring in challenging business environment in denim business and risk related to delay in ramp-up in garment business. We have also introduced estimates for FY21E. The stock is presently trading at FY20E/21E PE of 8.0x/6.7x and EV/EBITDA of 5.9x/5.5x, respectively. We maintain BUY recommendation on the stock with revised target price of Rs 103 (Vs earlier target price of Rs 110), valuing the stock at FY21E EV/EBITDA of 6x, as we roll forward our valuation to FY21E.

Revision in estimates

	Previous		Actual FY19E	Revised FY20E	% Chg		New FY21E
	FY19E	FY20E			FY19E	FY20E	
Revenue	72489	79567	71422	75496	-1%	-5%	83164
EBITDA	7,381	8,897	7,167	7,762	-3%	-13%	8566
EBITDA Margin%	10.20%	11.20%	10.03%	10.28%	-100 bps	-40 bps	10.3

Source: Kotak Securities - Private Client Research

Company Background

Arvind Ltd, founded in 1931 by Lalbhai family, is a leading textiles company with interest in Textiles, Advance materials, etc. The company manufactures and sells about 300 million meters (mn mtr) of fabrics (denim, woven, knit, etc) and over 34 mn pieces of garments (FY19). In Advance materials business, the company is catering to various segments under this division. This includes human protection products such as firefighting jackets, bullet proof jackets, etc. The company had demerged branded apparels business under Arvind Fashions Ltd which own brands such as Flying Machine, Colt, Ruggers and Excalibur, etc. It also has a portfolio of licensed brands which includes US Polo Association, Arrow, Tommy Hilfiger (TH), Gap, Calvin Klein (CK), Hanes, Gant, Nautica, Cherokee, The Children's Place, Aeropostale, etc. It had also demerged engineering business under Anup Engineering which designs and manufactures critical process equipment for petrochemical, fertilizer, power and other process industries.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	67,937	71,422	75,496	83,164
% change yoy	(26.4)	5.1	5.7	10.2
Raw Materials	31,881	33,633	35,428	39,027
Employees expenses	8,749	8,999	9,449	10,394
Other Expenses	20,566	21,622	22,856	25,177
Total Expenditure	61,196	64,255	67,733	74,598
EBITDA	6,741	7,167	7,762	8,566
% change yoy	(28.3)	6.3	8.3	10.3
Depreciation	2,224	2,351	2,288	2,457
EBIT	4,517	4,816	5,475	6,109
Other Income	741	837	937	1,037
Interest	1,757	2,201	2,253	2,297
Profit Before Tax	3,301	3,003	3,709	4,400
% change yoy	(21.4)	(9.0)	23.5	18.6
Tax	694	615	1,113	1,320
as % of EBT	21.0	20.5	30.0	30.0
PAT	2,607	2,387	2,596	3,080
% change yoy	(18.5)	(8.4)	8.8	18.6
Shares outstanding (mn)	259	259	259	259
EPS (Rs)	10.1	9.2	10.0	11.9
DPS (Rs)	2.4	2.4	2.4	2.4
CEPS(Rs)	18.7	18.3	18.9	21.4
BVPS(Rs)	158.1	109.7	116.9	126.0

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19*	FY20E	FY21E
Pre-Tax Profit	3,904	3,003	3,709	4,400
Depreciation	3,593	2,351	2,288	2,457
Change in WC	(4,745)	1,114	(1,035)	(2,381)
Other operating activities	1,533	1,586	1,141	977
Operating Cash Flow	4,285	8,053	6,102	5,453
Capex	(4,555)	1,865	(4,000)	(3,000)
Free Cash Flow	(1,016)	9,918	2,102	2,453
Change in Investments	996	-	-	-
Investment cash flow	(3,560)	1,865	(4,000)	(3,000)
Equity Raised	30	-	-	-
Debt Raised/Repaid	2,674	(6,624)	600	500
Dividend	(807)	(726)	(726)	(726)
Interest & Others	(2,371)	(2,256)	(2,250)	(2,297)
CF from Financing	(473)	(9,607)	(2,376)	(2,523)
Change in Cash	252	312	(274)	(70)
Opening Cash	143	395	706	432
Closing Cash	395	706	432	362

Source: Company, Kotak Securities – Private Client Research; *arrived numbers post demerger, Actual CF stmt not published

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Equity	40,881	28,368	30,238	32,591
Equity Share Capital	2,586	2,586	2,586	2,586
Other Equity	35,242	24,918	26,788	29,142
Liabilities	61,703	44,969	44,531	45,529
Non-current liabilities	10,655	10,894	10,894	10,894
Financial Liabilities	8,927	9,348	9,348	9,348
Provisions	618	497	497	497
Other non-current liabilities	402	641	641	641
Current liabilities	51,048	34,075	33,637	34,636
Financial Liabilities	48,800	33,050	32,553	33,442
Provisions	258	129	136	150
Other current liabilities	1,990	896	947	1,044
Total Equities & Liabilities	102,584	73,336	74,768	78,121
Non-current assets	47,190	38,432	40,165	40,733
Property, Plant and Equip.	36,255	32,340	33,665	34,208
Capital work-in-progress	897	2,601	2,601	2,601
Goodwill, intangible & Others	3,632	1,889	2,273	2,273
Investmt & other fin assets	3,392	1,267	1,290	1,315
Deferred Tax Assets (Net)	2,205	113	113	113
Other non-cur tax assets (Net)	808	222	222	222
Current assets	55,394	34,904	34,604	37,388
Inventories	26,194	15,984	18,964	20,506
Financial Assets	22,220	13,586	13,916	14,984
Receivables	17,670	8,971	9,483	10,446
Cash & Bank Balance	395	706	432	362
Others	4,156	3,908	4,001	4,176
Other current assets	6,980	5,334	1,723	1,898
Total Assets	102,584	73,336	74,768	78,121

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Profitability Ratios				
EBITDA margin (%)	9.9	10.0	10.3	10.3
EBIT margin (%)	6.6	6.7	7.3	7.3
Net profit margin (%)	3.8	3.3	3.4	3.7
Adjusted EPS growth (%)	(18.5)	(8.4)	8.8	18.6
Balance Sheet Ratios:				
Receivables (days)	95	46	46	46
Inventory (days)	141	82	92	90
Payable (days)	115	69	59	54
Working capital (days)	167	100	100	103
Asset Turnover	1.4	1.6	1.9	2.0
Net Debt/ Equity	0.8	0.9	0.8	0.8
Return Ratios:				
RoCE (%)	6.6	7.7	10.0	10.6
RoE (%)	6.7	6.9	8.9	9.8
Valuation Ratios:				
P/E (x)	7.9	8.7	8.0	6.7
P/BV (x)	0.5	0.7	0.7	0.6
EV/EBITDA (x)	7.6	6.3	5.9	5.5
EV/Sales (x)	0.8	0.6	0.6	0.6

Source: Company, Kotak Securities – Private Client Research

Result Update

AKSHARCHEM (INDIA) LTD

Stock Details

Market cap (Rs mn)	:	2100
52-wk Hi/Lo (Rs)	:	666 / 244
Face Value (Rs)	:	10
3M Avg. daily vol (nos)	:	4,544
Shares o/s (mn)	:	8.2

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	3,229	3,537	4,050
Growth (%)	22.0	9.5	14.5
EBITDA	345	371	425
EBITDA margin (%)	10.7	10.5	10.5
PAT	226	235	265
EPS	27.5	28.7	32.4
EPS Growth (%)	(26.1)	4.2	12.7
BV (Rs/share)	313	338	366
Dividend/share (Rs)	3.5	3.5	3.5
ROE (%)	8.8	8.5	8.9
ROCE (%)	12.0	11.8	12.4
P/E (x)	9.3	8.9	7.9
EV/EBITDA (x)	6.4	5.8	5.1
P/BV (x)	0.8	0.8	0.7

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	62.7	62.7	62.7
FII	5.5	5.5	5.0
DII	6.3	6.3	6.3
Others	25.4	25.4	25.9

Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
AksharChem India	(23.2)	(21.3)	(43.7)
Nifty	0.6	10.2	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE Rs.256

TARGET Rs.260

REDUCE

AksharChem Q4FY19 operating performance was below estimates, as teething problems and quality issues at H-acid unit continued in 4QFY19 as well. This offset the benefit from the higher margin product "Pigment" during the quarter.

Key Highlights

- Revenue during the quarter was up 4.7% YoY to Rs801mn (down 2.3% QoQ), driven by strong volume growth. Volume in Q4FY19 stood at 2,644 tonnes, up 4%/12% YoY/QoQ. Total installed capacity at the end of FY19 stands at 11,400 tonnes. Pigment contribution during the quarter stood at ~26% and ~29% for FY19.
- H-Acid and VS prices during the quarter stood at Rs392/kg and Rs242/kg. The current prices for H-acid is Rs425/kg, while VS prices are marginally down to Rs230/kg.
- The company commenced H-acid unit during the 3QFY19, however, due to teething problems (quality issues), the company continues to report one-time loss in Q4FY19, which impacted overall performance. Management expects production to normalize from 1QFY20 onwards, as product quality has been accepted by various customers.
- In the last six months, the company added seven new clients. However, contribution from the same is negligible.
- Management indicated an increase in raw material prices will be passed on to the end consumers with two quarter lag and expects margin to normalize at the 15% level.
- Factoring 4QFY19 performance, we have revised our earnings downwards to Rs28.7 (earlier Rs29.1) for FY20E and introducing FY21E with an earnings estimate of Rs32.4.

Quarterly performance table

Y/E March (Rsmn)	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Net sales	801	765	4.7	820	(2.3)
Materials	510	492		567	
Employee Expenses	28	27		23	
Total Expenditure	747	670		770	
EBITDA	54	96	(43.7)	50	7.2
EBITDA Margin (%)	6.7	12.5		6.1	
Depreciation	18	8		14	
Interest	2	2		2	
EBT	34	86		34	
Other income	20	2		19	
PBT	54	87	(38.1)	53	2.4
Exceptional Item	-	-		-	
Provision for tax	18	39		13	
PAT (reported)	37	48	(24.3)	40	(8.9)
NPM (%)	4.6	6.3		4.9	

Source: Company, Kotak Securities – Private Client Research

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Valuation & outlook

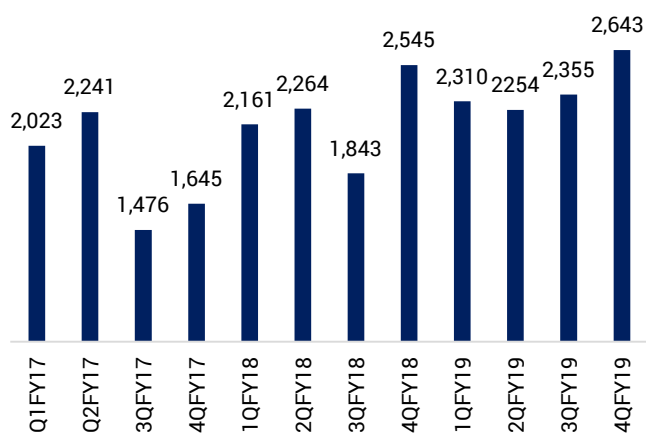
The completion of capex plan, will transform business to more stable earnings, as contribution from the pigment segment will grow from the current level of 29%. Besides this, starting of Precipitated Silica unit in 2HFY20, shall support the revenue from FY21E onwards, as the unit will take time to stabilize and acceptance of the product would be the key things to monitor. We believe, product prices are expected to stabilize at the current levels and higher input costs (pass on with a two quarter lag) to continue to impact operating performance. Hence, we expect EBITDA margin to remain in the range of 10-11%, as against management expectations of 15%. The stock has corrected, since our last update dated 22nd Feb (Rating: Sell). At CMP, the stock is trading at 8.9x/7.9x FY20E/FY21E which in our view is fairly valued and re-rating will take some more time. Hence, we continue to recommend REDUCE (earlier SELL) with a revised target price of Rs260 (earlier Rs302), valuing it at 8x FY21E earnings.

Expenses pertaining H-Acid unit continued to impact performance

Given the benefit of increased capacity and change in product mix, the revenue during the quarter was up 4.7% YoY to Rs801mn (down 2.3% QoQ). Higher volume during the quarter, indicates that the demand for intermediates and pigments continued to remain intact. However, the benefit of the same was offset by an increase in overall costs.

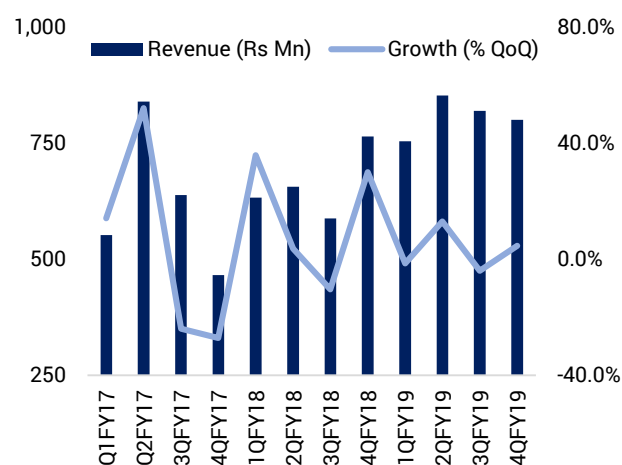
EBITDA during the quarter declined by 44.2% YoY to Rs54 mn (up 7.2% QoQ), with an EBITDA margin of 6.7%. Sharp fall in operating performance is attributed to quality issues at H-acid unit, which the company commenced in 3QFY19 and led to one-time loss of Rs20-30 mn in Q4FY19. Increase in expenses pertaining to H-acid unit in 2HFY19 was Rs70-80 mn. Besides this, the management also indicated that, since H-acid was a new product, selling and distribution expenses during Q4FY19 was also up. Now, since the product is accepted by the customer, the contribution from H-Acid will commence from 1QFY20, however the unit will start making profit from 2QFY20 onwards, management cited.

Quarterly volume trend (tonnes)



Source: Company

Revenue and Revenue growth



Source: Company

Management expects margin to normalize

The management expects, the production from new H-acid unit to normalize from Q1FY20 onwards and operating leverage to play and expects margin to normalize back to ~15%. As management expects Vinyl Sulphone and H-acid realisation to stabilize at the current levels. But, foresee 200-300 bps improvement in margin from H-Acid units, as one-off expenses are now behind. Second, higher utilisation from Pigment (20% margin product) and commencement of the Precipitated Silica unit will further strengthen the margin.

We believe, the contribution from the Precipitated Silica will commence from FY21E onwards, as unit is yet to stabilize and company requires customer approval before ramping up the production. As far as H-Acid is concerned, though product is accepted by the customers, production ramp-up will be the key thing to monitor. Hence, we expect EBITDA margin to remain in the range of 10-11% for the next two years.

Company Background

AksharChem (India) Limited (AIL), is engaged in the production of dye intermediates (Vinyl Sulphone) and pigments (CPC Green). AIL manufactures and exports Vinyl Sulphone and CPC Green. The current installed capacity stands at 11,400 tonnes (including pigments). AIL is the largest exporter of VINYL SULPHONE in India with ~ 45% share in exports of this product. The company is One of the largest exporters from India and among the largest players globally for CPC GREEN PIGMENT with a global market share of ~10%. Large scale of production enables the company to ensure optimum utilisation of resources and reduce overhead costs, making AIL one of the most competitive dyes and pigments manufacturers globally. The company has presence in more than 20 countries with overseas market operations (exports) accounting for over 80% of the overall revenue.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Net sales	2,647	3,229	3,537	4,050
growth (%)	5.8	22.0	9.5	14.5
Operating expenses	2,231	2,884	3,166	3,625
EBITDA	416	345	371	425
growth (%)	(46.3)	(17.1)	7.7	14.5
Depreciation	46	55	66	76
EBIT	370	290	306	349
Other income	71	53	55	56
Interest paid	15	9	9	9
Exceptional Items	0	0	0	0
PBT	426	334	351	396
Tax	120	108	116	131
Effective tax rate (%)	28.2	32.4	33.0	33.0
Net profit	306	226	235	265
growth (%)	(42.2)	(26.1)	4.2	12.7

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Pre-tax profit	426	334	351	396
Depreciation	46	55	66	76
Chg in working capital	10	(494)	307	10
Other operating activities	(105)	(99)	(107)	(122)
Operating CF	376	(204)	617	361
Capital expenditure	(444)	(492)	(549)	(294)
Chg in investments	(261)	561	0	0
Other investing activities	7	39	0	0
Investing CF	(697)	108	(549)	(294)
Equity raised/(repaid)	690	0	0	0
Debt raised/(repaid)	(317)	115	0	0
Dividend (incl. tax)	(34)	(35)	(35)	(35)
Other financing activities	(15)	(9)	(9)	(9)
Financing CF	325	72	(44)	(44)
Net chg in cash & bank bal.	4	(24)	24	23
Closing cash & bank bal	47	22	47	70

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash & Bank balances	47	22	47	70
Other Current assets	1,040	1,357	1,112	1,153
Investments	771	210	210	210
Net fixed assets + CWIP	1,134	1,571	2,054	2,272
Total assets	2,992	3,160	3,423	3,705
Current liabilities	499	321	383	434
Borrowings	0	115	115	115
Other non-current liab	116	152	152	152
Total liabilities	615	588	650	701
Share capital	82	82	82	82
Reserves & surplus	2,295	2,490	2,691	2,922
Shareholders' funds	2,377	2,572	2,773	3,004
Minority interest	0	0	0	0
Total equity & liabilities	2,992	3,160	3,423	3,705

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Profitability & Return Ratios (%)				
EBITDAM (%)	15.7	10.7	10.5	10.5
EBITM (%)	14.0	9.0	8.6	8.6
NPM (%)	11.5	7.0	6.7	6.6
RoE (%)	12.9	8.8	8.5	8.9
RoCE (%)	17.5	12.0	11.8	12.4
Per Share (Rs)				
EPS	37.3	27.5	28.7	32.4
CEPS	42.9	34.3	36.7	41.6
BV	289.8	313.1	338.1	366.2
DPS	3.5	3.5	3.5	3.5
Valuation Ratios (x)				
PE (x)	6.9	9.3	8.9	7.9
P/CEPS (x)	6.0	7.5	7.0	6.1
P/BV (x)	0.9	0.8	0.8	0.7
EV/EBITDA (x)	4.9	6.4	5.8	5.1
Other Key Ratios				
Inventory (Days)	40.9	41.3	41.0	41.0
Debtors (Days)	38.0	43.1	43.0	43.0

Source: Company, Kotak Securities – Private Client Research

Result Update

BLUEDART EXPRESS LIMITED (BLUEDART)

Stock Details

Market cap (Rs mn)	:	64871
52-wk Hi/Lo (Rs)	:	3920 / 2620
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	3,932
Shares o/s (mn)	:	24

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	31,655	34,662	37,539
Growth (%)	13.4	9.5	8.3
EBITDA	6,346	4,743	4,847
EBITDA margin (%)	5.5	5.7	6.3
PAT	5,169	3,827	3,973
EPS	34.5	46.1	56.3
EPS Growth (%)	-42.3	33.7	22.2
BV (Rs/share)	330.1	352.7	384.2
Dividend/share (Rs)	12.0	15.0	18.0
ROE (%)	10.1	12.5	13.9
ROCE (%)	13.7	16.8	19.8
P/E (x)	78.9	59.1	48.3
EV/EBITDA (x)	34.5	29.8	25.5
P/BV (x)	7.7	7.1	6.4

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	75.0	75.0	75.0
FII	4.5	4.5	5.6
DII	6.0	6.0	6.5
Others	14.6	14.6	12.8

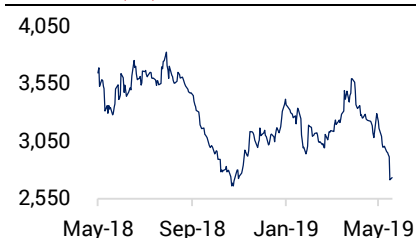
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Blue Dart Exp	(15.4)	(8.7)	(12.4)
Nifty	0.6	10.2	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE Rs.2725

TARGET Rs.2480

SELL

Aggressive PAN India expansion has helped Bluedart report stable revenues in a weak macro environment at Rs 7.8 bn (+8.7% YoY), however operational performance of the company is poor with higher fixed cost, higher fuel cost, weak volumes and competition. Maintain a negative view on the stock and recommend Sell (from Reduce) with a reduced TP of Rs 2480 (from Rs 3100) at 44x FY21E earnings.

Key Highlights

- Sales was in line with expectation at Rs 7.8bn (+8.7% YoY) with high single digit YoY volume growth achieved by the company with rapid expansion of operations PAN India (from 7000 pin codes to 18000 pin codes in one year)
- However, operational performance of the company was under pressure on account of increase in Freight (including fuel). Freight and handling cost was high for the company during the quarter at Rs 5.28bn (+13.2% YoY) primarily due to higher fuel prices in the quarter, which we believe the company was not able to pass on to customers completely. The employee cost and other cost were also higher during the quarter at Rs 1.31 bn (+14.1% YoY) and Rs 920 mn (+16% YoY) respectively as the company has expanded operations PAN India which involves manpower and administrative cost. The company now have offices/agents/franchises in 18000 pin codes PAN India (vs.7000 pin codes YoY in Tier 1 and Tier 2 cities)
- Other income/depreciation cost and interest cost were stable for the company. Consequently, company reported PAT of Rs 130 mn (-62% YoY) below our expectation of Rs 323 mn.

Quarterly Performance

Rs mn	Q4FY18	Q3FY19	Q4FY19	YoY (%)	QoQ (%)
Sales	7,168	8,555	7,793	8.7	-8.9
Freight and Handling cost	4,659	5,575	5,276	13.2	-5.4
Employee	1,148	1,482	1,310	14.1	-11.6
Other cost	793	896	920	16.0	2.7
Operating cost	6,600	7,953	7,506	13.7	-5.6
EBIDTA	568	602	287	-49.5	-52.3
EBIDTA %	7.9	7.0	3.7	-53.5	-47.7
Depreciation	111	125	131	18.0	4.8
Other income	53	44	47	-11.3	6.8
Interest	39	42	33	-15.4	-21.4
PBT	471	479	170	-63.9	-64.5
Taxes	129	164	40	-69.0	-75.6
ETR	27.4	34.2	23.5		
PAT	342	315	130	-62.0	-58.7
Equity	239	239	239		
EPS	14.3	13.2	5.4	-62.0	-58.7

Source: Company

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Current quarter's performance was influenced by the following factors:

Stable growth in the e-commerce segment

Increasing internet penetration, rising disposable income and desire for convenience and better price points is shifting more and more Indian customers towards online shopping leading to strong growth of the E-Com segment. E-Com now contributes approximately 18/19% of the revenues and is growing at 20 to 25% CAGR for the company. However, it is important to note that the share of revenues from e-com has fallen from 25% and growth has fallen from 30% CAGR.

Stagnant prospects in the B2B segment

In the B2B segment, Bluedart caters to companies in sectors like BFSI, Pharma, electronics, Auto and E-Commerce. Management indicated that the segment contributes almost 90% to the revenues and has been stagnated for the last many quarters, which is negative for the company.

Fuel prices are volatile and higher levels

For BDE. 35% of the operating cost is fuel cost and another 35% is ground handling cost which is fixed in nature. From this cost break-up we can interpret that, crude prices and volumes dictate the margins of the company. Higher fuel prices during the quarter coupled with inability of Bluedart to pass on the hike completely due to competition, impacted the operational performance of the company in the quarter. Output cut by Saudi and US-Iran Spat is estimated to keep crude prices at higher levels in H1FY20, which is unhealthy for Bluedart

Freight and handling cost for Bluedart

Rs mn	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Sales	7,168	7,328	7,979	8,555	7,793
Total Operating cost	6,600	6,883	7,577	7,953	7,506
Freight and handling cost	4,659	4,855	5,385	5,575	5,276
% of sales	65.0	66.3	67.5	65.2	67.7
% of Operating cost	70.6	70.5	71.1	70.1	70.3

Source; Company

Company is expanding PAN India

BLUEDART had hired Mckinsey & Company and spent a total of Rs 350 mn in FY18 to prepare a strategy for BLUEDART for developing new products, reduce operating cost, and improve utilization level of assets, geographical expansion and to face competition.

As part of the strategy company has expanded from 7000 pin codes in Tier 1 and Tier 2 cities to 18000 pin codes PAN India. To implement the same, company has made a capex of Rs 800 mn in FY19. This has also increased the offices/agents/franchisee and employee cost of the company. This is one reason which also impacted the performance in Q4FY19.

We expect the company to spend Rs 600 mn as capex in FY20E and increase the reach of the company to 19000 Pincodes (maximum for India). The expansion is also estimated to increase the employee cost and administrative cost for the company in FY20E and FY21E without commensurate increase in revenues, impacting the PAT of the company. However, we estimate this to yield superior results in the Long term

Valuation and Outlook

Bluedart is an undisputed market leader in the air express segment, with a dominant market share of ~50%. It is also a strong player in the ground express cargo segment with a market share of ~13%. A fresh strategy under the observation of Mckinsey, expansion of operations PAN India and strong growth in the ecommerce segment may contribute to performance of the company post FY21E. However, given the huge time lag between capex and result expectation and low to medium probability of success, we are not overtly optimistic on future performance

The stock has corrected by more than 12% since our last update. Due to weak macro outlook, continuous capex by Bluedart and increasing competition, we have lowered our FY20 earnings estimate by 9% and introduce FY21E estimates. We continue to maintain a negative view on the stock and the quarterly performance vindicates our view. Recommend Sell (from Reduce) with a decreased TP of Rs 2480 (from Rs 3100).

Company Background

Bluedart is South Asia's premier courier, and integrated express package Distribution Company. The company has the most extensive domestic network covering over 35,000 locations, and service more than 220 countries and territories worldwide through group company DHL, the premier global brand name in express distribution services. The company has the most advanced communications systems and is strongly positioned to offer a consistent, premium, standardized quality of service. The company also has a dedicated aviation system which is focused on carriage of packages as its prime business, rather than as a by-product of a passenger airline. The company also has its own bonded warehouses, ground handling and maintenance capability.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	27,908	31,655	34,662	37,539
% change YoY	3.9	13.4	9.5	8.3
Freight&handling	18,125	19,235	21,091	24,846
Employee cost	3,625	3,796	5,500	4,904
Other expenses	2,417	2,278	3,328	2,942
Total Operating expd	24,166	25,309	29,919	32,692
EBITDA	3,742	6,346	4,743	4,847
Depreciation	439	450	479	480
EBIT	3,303	5,896	4,264	4,367
Other income	280	227	183	250
Interest expense	312	257	208	104
Profit before tax	3,271	5,866	4,239	4,513
Tax	775	697	412	540
ETR (%)	23.7	11.9	9.7	12.0
Profit after tax	2,496	5,169	3,827	3,973
Minorities& Associates	0	0	0	0
Net income	2,496	5,169	3,827	3,973
% change YoY	-2.5	-42.3	33.7	22.2
Shares outstanding (m)	24	24	24	24
EPS	59.7	34.5	46.1	56.3

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
PAT	1,422	820	1,096	1,339
Depreciation +DTL	555	541	561	599
Change in working capital	(135)	(219)	(343)	(357)
Cash flow from operations	1,842	1,141	1,314	1,582
Capex	(1,081)	(800)	(600)	(600)
Investments	106	(56)	-	-
Cash flow from investments	(975)	(856)	(600)	(600)
Equity issuance	-	-	-	-
Debt raised	(948)	(816)	(816)	(400)
Dividend Paid	(357)	(343)	(428)	(514)
Miscellaneous items	-	-	-	-
Cash flow from financing	(1,305)	(1,158)	(1,244)	(914)
Net cash flow	(438)	(873)	(530)	67
Opening cash	2,248	1,810	937	407
Closing cash	1,810	937	407	475

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash	1,810	937	407	475
Debtors	3,628	4,115	4,506	4,880
Inventory	100	100	100	100
Other current assets	4,186	4,748	5,199	5,631
Total current assets	7,914	8,963	9,805	10,611
LT investments	144	200	200	200
Net fixed assets	5,374	5,695	5,815	5,915
Total assets	15,242	15,796	16,229	17,202
Creditors	3,290	3,889	4,250	4,574
Provisions	506	598	654	704
Other current liabilities	759	898	981	1,056
Total current liabilities	4,556	5,385	5,885	6,333
LT debt	2,831	2,016	1,200	800
Minority Interest	0	0	0	0
Equity Capital	238	238	238	238
Reserves	7,617	8,156	8,905	9,829
Networth	7,855	8,394	9,144	10,068
Total liabilities	15,242	15,796	16,229	17,202
BVPS (Rs)	330.1	352.7	384.2	423.0

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBITDA margin (%)	9.3	5.5	5.7	6.3
EBIT margin (%)	11.8	18.6	12.3	11.6
Net profit margin (%)	8.9	16.3	11.0	10.6
ROE (%)	19.6	10.1	12.5	13.9
ROCE (%)	22.5	13.7	16.8	19.8
DPS	12.5	12.0	15.0	18.0
Dividend payout (%)	25.1	41.8	39.1	38.4
Working capital turnover (days)	43.0	40.0	39.5	39.9
Debt Equity (x)	0.4	0.2	0.1	0.1
PER (x)	45.5	78.9	59.1	48.3
P/C (x)	32.8	47.6	39.1	33.4
Dividend yield (%)	0.5	0.4	0.6	0.7
P/B (x)	8.2	7.7	7.1	6.4
EV/Sales (x)	2.4	2.1	1.9	1.8
EV/ EBITDA (x)	23.4	34.5	29.8	25.5

Source: Company, Kotak Securities – Private Client Research

Company Update

Stock Details

Market cap (Rs mn)	:	5393
52-wk Hi/Lo (Rs)	:	281 / 68
Face Value (Rs)	:	5
3M Avg. daily vol (Nos)	:	712,841
Shares o/s (mn)	:	72.7

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19	FY20E
Revenue	14,563	15,316	16,943
Growth (%)	7.5	5.2	10.6
EBITDA	1,053	1,378	1,694
EBITDA margin (%)	7.2	9.0	10.0
PAT	546	786	1,140
EPS (Rs)	7.5	10.8	15.7
Growth (%)	-41.7	43.9	45.0
BV (Rs/share)	47	56	70
Dividend/share (Rs)	1.5	1.5	1.5
ROE (%)	17.2	20.9	24.8
ROCE (%)	12.5	14.2	14.4
P/E (x)	9.8	6.8	4.7
EV/EBITDA (x)	6.8	5.2	4.2
P/BV (x)	1.6	1.3	1.0

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	44.1	44.4	44.4
FII	19.2	14.5	14.2
DII	9.2	19.4	19.5
Others	27.4	21.5	21.7

Source: Bloomberg, BSE

Price Performance (%)

(%)	1M	3M	6M
Eveready Ind	(58.0)	(62.9)	(64.3)
Nifty	0.6	10.2	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

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EVEREADY INDUSTRIES INDIA LTD (EIL)

PRICE RS.75

NOT RATED

- EIL stock suffered a severe fall in the last three weeks due to concerns relating with promoters' pledged stock, prompting investors to sell the stock.
- Given the threat of increase in the levels of promoters' pledged stock with various institutions, investors are possibly fearing ownership change in the company.

Valuation and Recommendation

We believe that the above events would have a significant bearing on the stock price for an uncertain time period and company's underlying fundamentals could be less relevant until then. From a purely fundamental standpoint- based on the reported financials and past industry/management interactions, there is a little reason to alter our target price (last DCF based target price Rs 310). However, we strongly believe that fundamentally derived target market cap would have little relevance in the current circumstances.

In view of the prevailing uncertainty (mentioned above) and our inability to seek clarification from the company's management, we suspend our rating/target price (we do not permanently terminate coverage and would try to analyze/seek clarity on company's operations) on the EIL stock.

We would revisit our rating/target price post results (subject to our interaction with the management) or if there is any corporate development in the interim.

Decline in promoters holding led to fall in market price of EIL stock

- EIL reported promoter holding in March 19 (reported to the stock exchange on 18/04/2019) got reduced to 44.11% in the company against 44.35% reported in December 2018. The promoters pledged shares are reported at 49.8% of the total promoter holding (as on March 2019). We believe that the severe fall in stock price could have further increased the level of promoter pledges. The exact status could not be ascertained until further announcement by the company.
- We suspect that the weak financial health of promoters group company- McNally Bharat Ltd (Group Company) could have driven promoters to create additional pledges across group companies. McNally Bharat had reported a net debt of Rs31.04 bn in FY18 implying D/E of 2.6x. Current market cap of McNally Bharat stands merely at Rs 620 mn (source: FY18 annual report).
- From fundamental standpoint- we believe that EIL could face a potential risk of 1/ losing Rs 2.1 bn against the ICD extended to the group companies in FY19 (in case the promoters defaults on payments) and 2/ liquidity concerns that might affect company's operations in the short to medium term. Eveready reported net debt of Rs 3.14 bn, including Rs 2.1 Bn of ICDs at the end of Q2FY19.
- We note that the management had earlier indicated that the creation of ICDs is a short term arrangement and had also indicated a strong intent of reversing the transaction. Given the weak financial health of the promoter group, we do not foresee the unwinding, at least in the near term.
- We have built substantial reduction in company's debt levels (refer Kotak Morning insight dated 13th Dec2018) in our estimates. However, now we are skeptical about company's balance sheet registering the said improvement, in view of recent developments.

- In the current situation, we have little evidence to doubt (and correspondingly changing our investment assumptions) the long term financial viability of company's operations. However, we strongly believe that EIL's fundamentals would have limited relevance to the stock movement. Moreover, management, has been unavailable to respond to our queries and therefore we are inclined towards temporarily suspending rating and target price on the EIL stock, (until further clarifications are gathered).

Valuation and Recommendation

- We believe that the above events would have a primary bearing on the stock price (and the stock movement) over an uncertain time frame and company's underlying fundamentals would be less relevant until then. We note that, from fundamental standpoint- based on the reported financials and past industry/management interactions, there is a little reason to alter our target price (last DCF based target price Rs 310). We however strongly believe that fundamentally derived target market cap would have little relevance in current circumstances.
- In view of the prevailing uncertainty (mentioned above) and our inability to seek clarification from the company's management, we suspend our rating/target price (we do not permanently terminate coverage and would try to analyze/seek clarity on company's operations) on the EIL stock.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19	FY20E
Revenues	13,552	14,563	15,316	16,943
% change yoy	2.4	7.5	5.2	10.6
EBITDA	1,333	1,053	1,378	1,694
% change yoy	10.6	(21.0)	30.9	22.9
Depreciation	149	193	200	230
EBIT	1,184	860	1,178	1,464
% change yoy	11.3	(27.3)	37.0	24.3
Net Interest	232	287	350	215
Earnings Before Tax	1,047	771	1,048	1,520
% change yoy	24.7	(26.4)	36.0	45.0
Tax	111	225	262	380
as % of EBT	10.6	29.1	25.0	25.0
XO Items	0	0	0	0
Recurring PAT	936	546	786	1,140
% change yoy	68.4	(41.7)	43.9	45.0
Shares outstanding (m)	72.7	72.7	72.7	72.7
EPS (Rs)	12.9	7.5	10.8	15.7
DPS (Rs)	1.0	1.5	1.5	1.5
CEPS	14.9	10.2	13.6	18.8

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19	FY20E
PBT	1,047	771	1,048	1,520
Depreciation	149	193	200	230
Current liabilities incl provisions	242	1,436	(789)	(0)
inc in inventory	(469)	(158)	(121)	(446)
inc in sundry Debtors	(133)	(368)	(53)	(134)
inc in advances	289	(822)	-	-
Tax Paid	(111)	(225)	(262)	(380)
Other Adjustments	(178)	(531)	262	(89)
Net cash from operations	836	297	285	700
Purchase of fixed Assets	(1,271)	(413)	400	270
Net investments	-	-	-	-
Other investment activities	238	42	(1000)	0
Net cash from investing	(1,033)	(371)	(600)	270
Change in Borrowings	289	216	1,296	(800)
Dividend Paid	(88)	(131)	(131)	(131)
Net Cash from financing	201	85	1,165	(931)
Cash at the end of year	31	41	891	930

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19	FY20E
Cash and cash equivalents	31	41	891	930
Accounts receivable	839	1,206	1,259	1,393
Loans & advances	74	896	896	896
Inventories	2,843	3,001	3,122	3,568
Other current assets	409	1,101	839	928
Current Assets	4,165	6,204	6,116	6,785
Investments	27	27	1,027	1,027
Net fixed assets	3,312	3,532	2,932	2,432
Other non-current assets	521	500	500	500
Total Assets	8,056	10,304	11,465	11,674
Debt	1,672	1,888	3,184	2,384
Equity & reserves	2,895	3,443	4,098	5,107
Other non-current liabilities	117	166	166	166
Current Liabilities	3,372	4,808	4,018	4,018
Total Liabilities	8,056	10,304	11,466	11,675
BVPS (Rs)	40	47	56	70

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19	FY20E
EBITDA margin (%)	9.8	7.2	9.0	10.0
EBIT margin (%)	8.7	5.9	7.7	8.6
Net profit margin (%)	6.9	3.8	5.1	6.7
Adjusted EPS growth (%)	68.4	(41.7)	43.9	45.0
Receivables (days)	22.6	30.2	30.0	30.0
Inventory (days)	123.9	121.2	120.0	125.0
Sales / Net Fixed Assets (x)	4.9	4.3	4.7	6.3
Interest coverage (x)	5.1	3.0	3.4	6.8
Debt/ equity ratio	0.6	0.5	0.8	0.5
ROE (%)	37.8	17.2	20.9	24.8
ROCE (%)	26.1	12.5	14.2	14.4
EV/ Sales	0.5	0.5	0.5	0.4
EV/EBITDA	5.4	6.8	5.2	4.2
Price to earnings (P/E)	5.7	9.8	6.8	4.7
Price to book value (P/B)	1.9	1.6	1.3	1.0
Price to cash earnings	4.9	7.2	5.4	3.9

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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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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