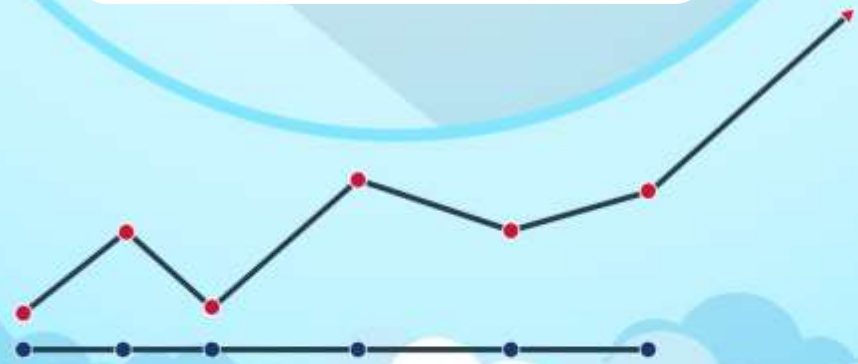
HDFC securities

EQUITY RESEARCH

# Pick of the Week

RETAIL RESEARCH

Date: May 20, 2019



HDFC securities

# Huhtamaki PPL Ltd

## Key highlights

- Strong Parental Support and established market position
- Soft/stable crude oil prices could boost its margins
- Recent expansion and acquisition (Ajanta Packaging) could help to expand strong foothold as well as growth
- Likely to benefit from growth revival in FMCG industry
- Expectations of strong revenue growth and margins ramp up going forward

| | |
|---|---|
| **INDUSTRY** | Containers and Packaging |
| **ADD ON DIPS TO** | Rs 221-225 |
| **CMP** | Rs 250 |
| **SEQUENTIAL TARGETS** | Rs 287- 303 RED FLAG Rs 206 |
| **RECOMMEND** | Buy at CMP and add on declines |
| **TIME HORIZON** | 3-4 quarters |

Investors may sell 60-65% of their holdings on first target being achieved and later keep a stop loss of first target for the balance holdings, in case the second target takes time to be achieved.

Investors may also maintain Rs 206 as RED FLAG level, below which investment position needs to be reviewed, including the possibility to exit.

| | |
|---|---|
| HDFC Scrip Code | HUHPPLEQNR |
| BSE Code | 509820 |
| NSE Code | PAPERPROD |
| Bloomberg | HPPL IN |
| CMP May 17, 2019 | Rs 250 |
| Equity Capital (cr) | 15.1 |
| Face Value (Rs) | 2.0 |
| Eq- Share O/S (cr) | 7.55 |
| Market Cap (Rs cr) | 1,888.0 |
| Book Value (Rs) | 73.7 |
| Avg.52 Wk Volume | 29,416 |
| 52 Week High | 326.1 |
| 52 Week Low | 253.8 |

| Shareholding Pattern % (Mar 31, 2019) | |
|---|---|
| Promoters | 66.9 |
| Institutions | 6.6 |
| Non Institutions | 26.5 |
| Total | 100.0 |

**FUNDAMENTAL ANALYST**

Abdul Karim
abdul.karim@hdfcsec.com

## Company profile:

Huhtamaki PPL Ltd - HPPL (earlier known as Paper Products Ltd.) incorporated in 1935, is India's leading manufacturer of primary consumer packaging. The company manufactures printed laminates of plastic, aluminium foil, and paper-based films. Since 1999, Paper Products Ltd is largely owned by global packaging major, Huhtavefa B V, Finland (owns 66.94%). HPPL has 17 manufacturing facilities, located in Thane (Maharashtra), Silvassa (Dadra and Nagar Haveli), Hyderabad, Rudrapur (Uttarakhand), Navi Mumbai, Parwanoo, Khopoli, Taloja, Ambernath, Bengaluru, Guwahati, and Sikkim. HPPL has total installed capacity of 1,53,981 tons per annum and approximate capacity utilisation in the range of 75%.

## Investment rationale:

- Strong Parental Support and established market position
- Soft/stable crude oil prices could boost its margins
- Recent expansion and acquisition (Ajanta Packaging) could help to expand strong foothold as well as growth
- Likely to benefit from growth revival in FMCG industry
- Expectations of strong revenue growth and margins ramp up going forward

## Concerns:

- High dependence on FMCG Industry
- Volatile Raw material prices, highly competitive sector
- Ongoing litigation on closure of Thane Plant
- Geopolitical issues in markets abroad could hamper its efforts to increase exports

## View and valuation:

HPPL offers a wide portfolio of packaging solutions that include flexible packaging, labelling technologies and specialised cartons. HPPL operates in seventeen state-of-the-art, fully integrated manufacturing facilities pan India, with total installed capacity of 1, 53,981 tons per annum with approximate capacity utilisation in the range of 75%-80%. HPPL's strong customer profile, along with relative inelasticity of the fast-moving consumer goods (FMCG) sector to economic cycles, will continue to support its strong business risk profile over the medium term.

CY2016 was a peak year for HPPL, helped by merger of acquired companies and bottoming out of crude oil prices. It later suffered setbacks due to crude price rise, higher competition, appreciation in INR, demonetisation effect, GST turmoil and increase in industry capacities. In 2018, it suffered due to extra provisioning on account of income tax and interest, thereon amounting to Rs.30.45 cr. However, from Q4CY18, most issues have settled down and Q1CY19 results were extremely good. We think that the peak profits of CY16 could be easily crossed in CY19.

HPPL has long-standing relationships with India's leading consumer product companies. HPPL's strategy is to leverage the opportunity arising out of the rising organised retail sector in India. HPPL's development team works closely with customers and equipment suppliers to develop new ideas and turn them into feasible market propositions. Its cost-effective solutions help create brand traction and deliver sustainable customer delight.

***We feel investors could buy the stock at the CMP and add on dips to Rs ~221-225 band (14.0x CY20E EPS) for sequential targets of Rs 287 (18.0x CY20E EPS) and Rs 303 (19.0x CY20E EPS). At the CMP of Rs 250 the stock trades at 15.7x CY20E EPS.***

## Key Highlights

- ***Huhtamaki PPL Ltd - HPPL (earlier known as Paper Products Ltd.) incorporated in 1935, is India's leading manufacturer of primary consumer packaging. The company manufactures printed laminates of plastic, aluminium foil, and paper-based films.***
- ***HPPL operates in 17 fully integrated manufacturing facilities pan India, with total installed capacity of 1,53,981 tons per annum and approximate capacity utilisation in the range of 75%-80%. HPPL's strong customer profile, along with the relative inelasticity of the fast-moving consumer goods (FMCG) sector to economic cycles, will continue to support its strong business risk profile over the medium term.***
- ***HPPL has long-standing relationships with India's leading consumer product companies. HPPL's strategy is to leverage the opportunity arising out of the rising organised retail sector in India.***
- ***HPPL's development team works closely with customers and equipment suppliers to develop new ideas and turn them into feasible market propositions.***

**Financial Summary**

| YE March (Rs cr) | Q1CY19 | Q1CY18 | YoY (%) | Q4CY18 | QoQ (%) | CY17 | CY18 | CY19E | CY20E |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 619.7 | 545.2 | 13.7% | 603.6 | 2.7% | 2131.0 | 2369.1 | 2606.0 | 2905.7 |
| EBITDA | 87.3 | 55.7 | 56.7% | 65.8 | 32.7% | 218.4 | 223.9 | 260.6 | 299.3 |
| APAT | 42.0 | 17.8 | 136.1% | 18.0 | 134.0% | 63.6 | 34.9 | 93.7 | 120.4 |
| Diluted EPS (Rs) | 5.6 | 2.4 | 136.0% | 2.4 | 134.0% | 8.4 | 4.6 | 12.4 | 15.9 |
| P/E (x) | | | | | | 29.7 | 54.1 | 20.2 | 15.7 |
| EV / EBITDA (x) | | | | | | 10.2 | 10.0 | 8.5 | 7.2 |
| RoE-% | | | | | | 11.6% | 6.3% | 15.1% | 17.1% |

(Source: Company, HDFC sec)

## Company profile

Huhtamaki PPL Ltd – HPPL (earlier known as Paper Products Ltd.) incorporated in 1935, is India's leading manufacturer of primary consumer packaging. The company offers a wide portfolio of packaging solutions. These include flexible packaging in a variety of pouching solutions, labelling technologies, shrink sleeve solutions, tube laminates, promotional, holographic and security solutions, cylinders and specialised films for high-barrier packaging.

The company manufactures printed laminates of plastic, aluminium foil, and paper-based films. Since 1999, Paper Products Ltd. is largely owned by global packaging major, Huhtavefa B V, Finland (owns 66.94%). HPPL has 17 manufacturing facilities, located in Thane (Maharashtra), Silvassa (Dadra and Nagar Haveli), Hyderabad, Rudrapur (Uttarakhand), Navi Mumbai, Parwanoo, Khopoli, Taloja, Ambernath, Bengaluru, Guwahati, and Sikkim. HPPL has total installed capacity of 1,53,981 tons per annum and approximate capacity utilisation in the range of 75%-80%.

The company meets the packaging needs of almost the entire range of FMCG products, seeds, specialised chemicals, automotive lubes, electronics, healthcare and many other specific specialised uses including anti-spurious packaging. The company mainly caters to the premium segment of packaging. Its major clients include Britannia, Cadbury, Castrol, Coca Cola, Dabur, Emami, Eveready, GSK, Godrej, Hindustan Unilever, ITC, Marico, Nestle, Pepsi, Perfetti, P&G, Tata Tea, TTK-LIG, Wipro etc. The top ten clients of HPPL account for ~60% of the company's revenues.

HPPL derives around 80% of its revenues from the domestic market, while exports account for the balance 20%. Consolidating its position as India's most prominent packaging institution, HPPL expanded its business into promising overseas markets with a view to benchmark itself with global competition. Overseas, HPPL has presence across 4 continents (South Asia, Africa, Middle East, Europe and Central America) & provides service to over 50 customers worldwide. As on 31st December, 2018, company has 3,673 employees.

**Products Overview**

Flexible Packaging

Specialised Pouches

Thermoforms

Shrink Sleeve Solutions

Other Decorative Technologies

Value Added Cartons

Security Solutions and Promotions

(Source: Company, HDFC sec)

**Key Strengths**

- Designing capabilities that create and sustain market differentiation
- Rich innovation culture that continuously enriches packaging solutions in line with global standards
- State-of-the-art and integrated manufacturing capabilities
- Consistent quality focus to deliver safe, convenient and secure consumer packaging
- Sustainable solutions for a better world
- Visionary leadership and competent management
- An engaged and experienced team

## Key triggers

**Strong Parental Support and Established Market Position:**

Post being a part of Huhtamaki (which holds 66.94% stake in HPPL), HPPL has been able to strengthen its export presence by getting access to countries, where it did not have any presence. At present, HPPL's export business contributes ~20% to the total turnover (South Asia, Africa, Middle East, Europe and Central America) and provides service to over 50 customers worldwide. With parental support, HPPL expects its export share and overseas client base to increase going forward. The group continues to actively explore acquisition opportunities that support its growth targets. In developed markets, acquisitions are expected to bring synergy benefits. In emerging markets, acquisitions are expected to boost the Group's growth targets. India remains one of the key focus markets for Huhtamaki group, as evident from the increase in stake in HPPL over the last few quarters (5.5 lac shares – 0.73% added in June 2018 quarter).

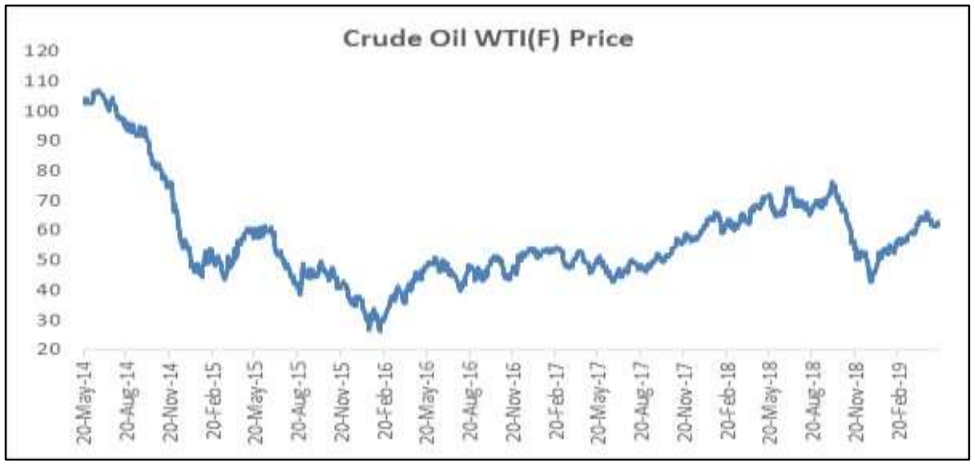
With the parental support, there is a possibility (over the medium to long term) of HPPL bringing in new product segments from its parent's product basket (like Tube Laminates in the past) in India. This would enable PPL to widen its product portfolio.

Huhtamaki is a global specialist in packaging for food and drink. With its network of 76 manufacturing units and 24 sales offices in 34 countries, it is well placed to support its customers' growth wherever they operate. Mastering three distinctive packaging technologies, approximately 17,000 employees develop and make packaging that helps great products reach more people, more easily. The group has its head office in Espoo, Finland and the parent company Huhtamäki Oyj is listed on Nasdaq Helsinki Ltd. Parent Co, Huhtamaki reported revenue at Euro 3,103.6mn and PAT at Euro 158.1mn in CY18.

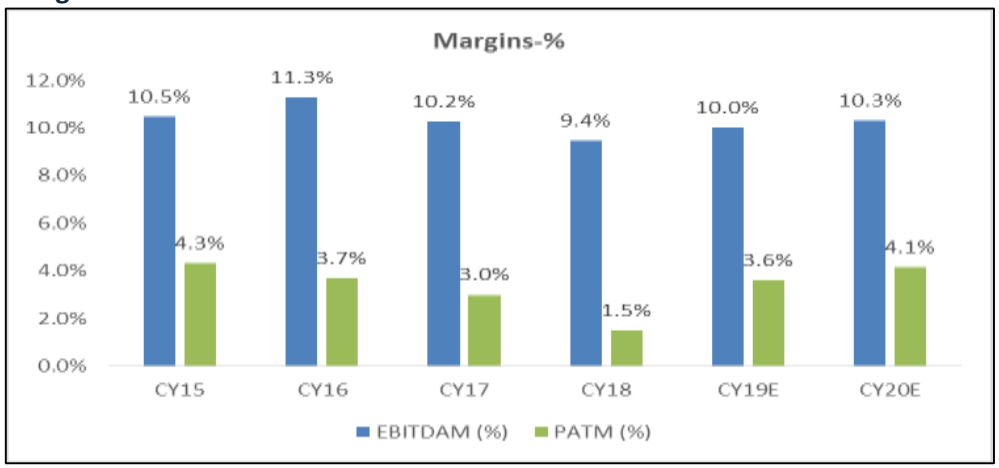
**Soft/Stable crude oil prices could boost its margins:**

HPPL's key raw materials include films, inks, adhesives and solvents. Films (BOPP film, PET Film & PVC Film) account for more than 50% of the total input cost, while inks, adhesives and solvents contribute ~20%. The prices of all these inputs are linked to crude oil prices. Recent stable/soft crude oil prices could help reduce its input cost (though most of it is pass through) and the lower input cost will help to improve its margins going forward.

**Crude Oil Prices**




**Margins**




(Source: Company, HDFC sec)

**Integrated operations to increase capacity utilisation going forward**

HPPL operates with seventeen state-of-the-art, fully integrated manufacturing facilities at Thane, Silvassa, Hyderabad, Rudrapur, Navi Mumbai, Parwanoo, Khopoli, Taloja, Ambernath, Bengaluru, Guwahati, Sikkim, Daman and Baddi. Over the past two years, the company has integrated its key functions of marketing, R&D, procurement and supply chain, which leads to strong operational synergies. In 2018, the company continued with a significant focus on operational excellence and efforts to improve capacity utilisation through effective operation and cost-effective manufacturing.

HPPL reported a capacity utilisation of about 75% in CY18 with headroom for more growth. For its plant in Guwahati, the company is building a customer base around the North East.

**Recent expansion and acquisition could help to expand strong foothold as well as growth**

HPPL is one of the leading consumer packaging and labelling materials companies in India. The company has a key interest to develop and grow the labeling business in India and expand the reach of its products in the global market. The company is focusing on markets where it can deliver value-added labels within the shortest lead times. In 2012, HPPL acquired 51% shares in Mumbai-based Webtech Labels. In 2017, HPPL's subsidiary Webtech Labels set up a label manufacturing unit in Sikkim, to service its customers based in North East India. Considering, the potential in the north eastern market, the company also inaugurated its new pressure-sensitive label manufacturing unit in Sikkim to cater to the region. Spread across an area of 20,000 sq ft (1,860 sqm), this plant houses the latest Omet iFlex press that was bought at Labelexpo India 2016.

HPPL acquired 100% stake in 'Positive Packaging India Ltd.', in 2015. Post-merger of 'Positive Packaging Industries Limited' (PPIL) and 'Webtech Labels Pvt. Ltd.' (WLPL), with HPPL, HPPL has emerged as one of the largest entities in the flexible packaging industry in Afro-Asian region, excluding Japan.

In the fast-growing Indian market, Huhtamaki PPL opened a new plant in Guwahati in March 2017 where it manufactures flexible packaging.

HPPL acquired the entire business of M/s Ajanta Packaging (India) as a going concern, on slump sale basis for a net consideration of Rs ~90.8cr, effective June 1, 2018.

**Likely to benefit from growth revival in FMCG industry:**

The company mainly caters to the premium segment of packaging. Its major clients include Britannia, Cadbury, Castrol, Coca Cola, Dabur, Emami, Eveready, GSK, Godrej, HUL, ITC, Marico, Nestle, Pepsi, Perfetti, P&G, Tata Tea, TTK-LIG, Wipro etc. HPPL derives 96-98% of its revenues from the FMCG industry. Hence, the company's growth largely depends on the growth of FMCG industry. Economic growth and rising personal disposable income are growth drivers for the consumer goods sector, which in turn improves the demand for packaging.

Flexible packaging industry continues to maintain its relatively stable growth outlook. The industry is expected to grow around 10% CAGR in the medium term. Growing rural demand, retail push, planned investments by large MNCs in the FMCG business and strong fundamentals of the Indian economy support the view that FMCG and consequently growth for Flexible Packaging would remain strong.

Increasing penetration in the rural and semi-urban areas aided by government initiatives, to boost the rural infrastructure and rural income, led by rise in MSP and farm income by Rs 6000 p.a to farmers, for who owns two hectare land or less, are likely to improve the demand for FMCG products. This in turn would benefit specialised flexible packaging players like HPPL, which offer value addition in the form of both product specific (like high speeds on product filling lines, insulation from heat and moisture, high strength for supporting long distance transportation, holographic images etc.), and custom designed packaging solutions (like brand image protection, protection from counterfeit and cost effectiveness). The management has indicated that certain trends like - use of plastic tubes instead of metal tubes and PET bottles instead of glass bottles are / would drive its addressable markets. Recent trend of using pouches instead of rigid packs for hair/edible oils also would expand its market size.

**Acquisition of Ajanta Packaging to add additional revenue**

The Indian unit of Finnish packaging company HPPL acquired Ajanta Packaging (India) for Rs 90.8cr in an all-cash deal wef June 01, 2018. The entire business of Ajanta Packaging was acquired as a going concern on a slump sale basis.

The acquisition has helped Huhtamaki in consolidating its position in pressure sensitive label business. Ajanta Packaging, promoted by Sudhir and Chandan Khanna, manufactures pressure sensitive labels, baggage tags and security labels. It has manufacturing facilities at Daman and Baddi in Himachal Pradesh, according to its website. Its revenues stood at Rs 81.1 crore in the year through 31 March, 2017.

From the date of acquisition till Dec 2018, business of Ajanta Packaging has contributed Rs 5,509.21 Lakh to revenue and Rs 683.37 Lakh to the profit before tax.

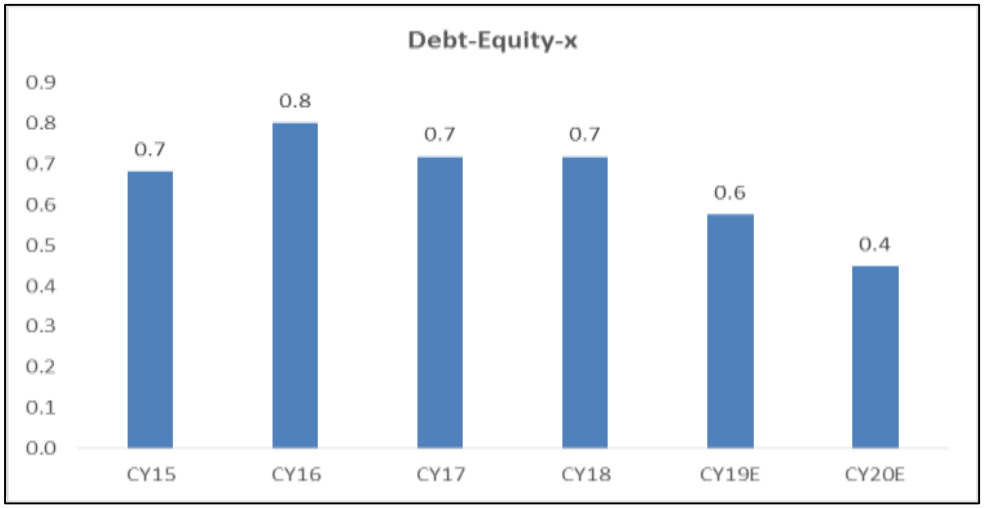
**Expectation of strong revenue growth and margins ramp up going forward**

HPPL's financial performance has been strong over the last one decade, reported revenue CAGR of 17.7% over the CY12-CY18. HPPL registered revenue growth of 12.5% in CY18 primarily due to growth in sales volumes. We expect 10% and 11.5% revenue growth in CY19E and CY20E, respectively.

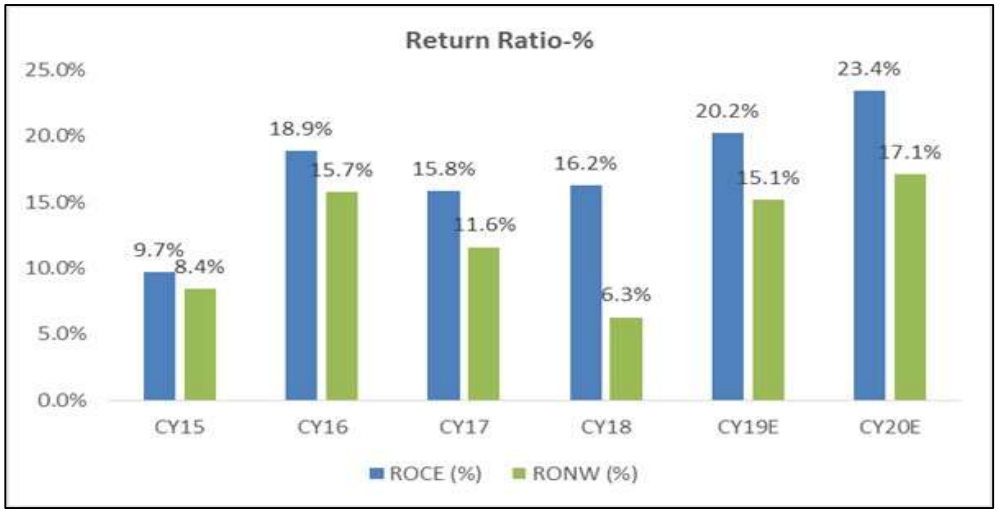
The company has maintained its average operating margin at a range of 9-11% over the last four years, while PAT margin stood at lower range of 3.0-4.5% over the last four years. We expect to see 60-90bps ramp up in operating margin in CY19E and CY20E. PAT growth in the past was largely impacted by higher tax expenses over the periods.

Debt to equity ratio stood at 0.7x in CY18. Return ratios are looking attractive going forward. Internal accruals and unutilised bank lines are expected to be sufficient to fund its incremental working capital requirements and to meet debt obligations. The company has no major debt funded expansion plans over the medium term.

**Debt to Equity Ratio-x**




**Return Ratio-%**




(Source: Company, HDFC sec)

## Concerns

**Intense competition**

The company faces stiff competition in the BTG segment due to numerous players and excess capacity, which is further accentuated by the presence of global majors through joint ventures and threat from Chinese equipment manufacturers.

**Highly dependence on FMCG Industry:**

HPPL derives around 96-98% of its revenues from the FMCG industry. The FMCG industry has witnessed slow down recently due to rural income slowdown, thus affecting volume growth of many FMCG players. Hence, any continued sharp slowdown in this industry due to slowdown in India's economic growth is likely to impact the demand for flexible packaging and could erode the pricing power, which HPPL enjoys at present due to its strong presence in premium packaging.

**Rising input costs**

Plastic, resins, paper, paperboard, films and adhesives are used by the packaging companies. In recent times, the packaging industry was impacted by increasing prices of such raw materials and the industry remains exposed to volatility in crude oil prices. High volatility in raw material costs could put pressure on the gross and operating profit margins.

Any sharp increase in the crude oil prices or large fluctuations in the INR-USD exchange rate could lead to an upsurge in HPPL's input prices (though they might not increase in the same proportion). This could impact the company's margins going forward in the event of company's failure to pass on the input price hikes completely to its customers. At present, material cost constitutes ~70% of HPPL's revenues.

**Geopolitical issues in markets abroad could impact its exports growth rate**

In terms of exports, the company recently witnessed headwinds primarily due to the geopolitical unrest in Africa, which is one of its largest markets. The company's exports are close to 20% of the total sales. Going forward, there is a growing focus on markets like North America, United Kingdom and Latin America.

**Ongoing litigation on closure of Thane Plant**

HPPL has received Closure notice from Maharashtra Pollution Control Board (MPCB) on 20 November, 2018 for its manufacturing activities, in relation to its Thane Plant for alleged violations of Maharashtra Plastic and Thermocol Products (Manufacture, Usage, Sale, Transport, Handling and Storage). The company had filed an appeal before National Green Tribunal, Pune and subsequently withdrawn it based on discussions with MPCB (with liberty to file a fresh appeal, if required, depending upon the outcome of the MPCB's review) which has been accepted by the Hon'ble National Green Tribunal, Pune. Any adverse outcome resulting from this development could affect the company's operating performance.

**Environment concerns**

India generates approximately 25,000 tons of plastic waste every day, out of which only 60% is collected. HPPL could face restrictions on sale of its products as flexible packaging takes time to disintegrate. As a responsible flexible packaging industry leader, HPPL has begun to engage on shaping a circular economy for flexible packaging. Currently, the post-consumer-use flexible packaging waste eco-system is inhabited by several types of players such as rag pickers, specialised waste collectors, small-scale recyclers and in urban areas, the local municipality. Over time, this eco-system will undergo a transformation in scale and scope. HPPL's early steps include enrolment in the Extended Producer Responsibility process as part of a larger effort to co-develop innovative and scalable business models for managing post-consumer-use flexible packaging waste. As one of the leading Indian companies in flexible packaging, HPPL has always strived to create products that are recyclable.

**Forex volatility**

HPPL exports about 20% of its sales and also imports a lot of its raw materials. Though, both almost match each other, timing mismatch and currency differences could create forex gains/losses in quarters.

**Highly Competitive sector**

There are a number of unorganised players in the sector apart from a few organised players like Uflex. Therefore, price competition exists among the competitors. HPPL has limited bargaining power with clients and suppliers; due to competitive nature of the industry and presence of both organised and unorganised players in the sector.

## View and valuation

HPPL offers a wide portfolio of packaging solutions that include flexible packaging, labelling technologies and specialised cartons. HPPL operates in seventeen state- of the -art, fully integrated manufacturing facilities pan India, with total installed capacity of 1,53,981 tons per annum and approximate capacity utilisation in the range of 75%-80%. HPPL's strong customer profile, along with relative inelasticity of the fast-moving consumer goods (FMCG) sector to economic cycles, will continue to support its strong business risk profile over the medium term.

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## Quarterly Financials-(Standal-)

| Rs in Cr | Q1CY19 | Q1CY18 | YoY-% | Q4CY18 | QoQ-% |
|---|---|---|---|---|---|
| Net Sales | 619.7 | 545.2 | *13.7%* | 603.6 | *2.7%* |
| Other Operating Income | 9.7 | 7.8 | *24.3%* | 9.5 | *2.4%* |
| Total Operating Income | 629.4 | 553.0 | *13.8%* | 613.1 | *2.7%* |
| Raw Material Consumed | 412.2 | 381.7 | *8.0%* | 409.1 | *0.8%* |
| Stock Adjustment | -2.6 | -10.3 | *-75.0%* | 0.8 | *-430.8%* |
| Employee Expenses | 58.8 | 56.6 | *4.0%* | 57.6 | *2.2%* |
| Loss on Forex Transaction | 1.8 | -1.1 | *263.4%* | 1.2 | *56.4%* |
| Other Expenses | 71.9 | 70.5 | *2.0%* | 78.7 | *-8.6%* |
| Total Expenditure | 542.2 | 497.3 | *9.0%* | 547.3 | *-0.9%* |
| EBITDA | 87.3 | 55.7 | *56.7%* | 65.8 | *32.7%* |
| Depreciation | 21.6 | 20.0 | *7.9%* | 22.0 | *-2.0%* |
| EBIT | 65.7 | 35.7 | *84.1%* | 43.7 | *50.1%* |
| Interest | 6.8 | 7.2 | *-5.6%* | 8.2 | *-17.4%* |
| Other Income | 8.8 | 4.3 | *105.4%* | 3.9 | *124.3%* |
| Profit Before Tax | 67.6 | 32.7 | *106.6%* | 39.4 | *71.5%* |
| Tax Paid | 25.6 | 14.9 | *71.4%* | 21.5 | *19.2%* |
| Reported Profit After Tax | 42.0 | 17.8 | *136.1%* | 18.0 | *134.0%* |
| Adjusted Profit After Extra-ordinary item | 42.0 | 17.8 | *136.1%* | 18.0 | *134.0%* |
| EPS (Adj) (Unit Curr.) | 5.6 | 2.4 | *136.0%* | 2.4 | *134.0%* |

(Source: Company, HDFC sec)

## Financials(Cons): Income Statement

| Particulars, Rs in Cr. | CY16 | CY17 | CY18 | CY19E | CY20E |
|---|---|---|---|---|---|
| Net Sales | 2181.2 | 2131.0 | 2369.1 | 2606.0 | 2905.7 |
| Growth-% | 10.3% | 12.5% | 12.5% | 10.0% | 11.5% |
| Raw Material and Components Consumed | 1472.9 | 1425.0 | 1619.3 | 1774.7 | 1970.0 |
| Changes in Inventories | -5.8 | 3.3 | -11.6 | -7.8 | -2.9 |
| Employee Benefit Expenses | 194.3 | 209.1 | 235.2 | 252.8 | 281.8 |
| Loss on forex transactions | 0.6 | 2.5 | -2.5 | 0.0 | 0.0 |
| Other Expenses | 273.4 | 272.6 | 304.8 | 325.7 | 357.4 |
| Total Expenses | 1935.4 | 1912.5 | 2145.2 | 2345.4 | 2606.4 |
| EBITDA | 245.8 | 218.4 | 223.9 | 260.6 | 299.3 |
| Growth -% | 103.6% | -11.1% | 2.5% | 16.4% | 14.8% |
| Depreciation and Amortisation Expenses | 92.8 | 85.3 | 85.4 | 84.6 | 83.6 |
| EBIT | 153.0 | 133.2 | 138.5 | 176.0 | 215.7 |
| Finance Cost | 37.2 | 31.8 | 39.2 | 29.9 | 27.0 |
| Other Income | 17.6 | 13.6 | 14.2 | 18.2 | 18.9 |
| Profit before tax and EOI | 133.3 | 115.0 | 113.6 | 164.3 | 207.5 |
| Extraordinary Item | -1.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit before tax | 131.9 | 115.0 | 113.6 | 164.3 | 207.5 |

| | | | | | |
|---|---|---|---|---|---|
| Tax Expenses | 51.8 | 51.4 | 78.7 | 70.6 | 87.2 |
| Reported PAT | 80.1 | 63.6 | 34.9 | 93.7 | 120.4 |
| Adjusted Profit | 80.1 | 63.6 | 34.9 | 93.7 | 120.4 |
| Growth -% | 61.7% | -20.6% | -45.2% | 168.4% | 28.5% |
| EPS | 11.0 | 8.4 | 4.6 | 12.4 | 15.9 |

(Source: Company, HDFC sec)

**Cash Flow** (Consolidated)

| Particulars, Rs in Cr | CY16 | CY17 | CY18 | CY19 | CY20 |
|---|---|---|---|---|---|
| EBT | 135.9 | 115.0 | 113.6 | 164.3 | 207.5 |
| Depreciation and Amortization | 92.8 | 85.2 | 85.4 | 84.6 | 83.6 |
| Interest /Dividend paid | 33.7 | 29.6 | 38.8 | 29.9 | 27.0 |
| Other Adjustment | -6.3 | -4.0 | -3.0 | 6.8 | -18.9 |
| (Inc)/Dec in working Capital | -26.7 | -80.3 | -60.6 | -64.9 | -56.9 |
| Tax Paid | -60.3 | -49.4 | -73.0 | -70.6 | -87.2 |
| CF from Operating Activities | 169.0 | 96.0 | 101.2 | 150.0 | 155.2 |
| Capital expenditure | -24.4 | -62.8 | -67.1 | -70.3 | -70.3 |
| Proceeds from sale of fixed assets | 0.6 | 0.4 | 4.6 | -0.4 | 8.6 |
| (Purchase)/Sale of Investment | 11.7 | 57.2 | 30.6 | -9.0 | -12.4 |
| Others | 11.7 | 9.9 | 2.3 | -6.8 | 10.9 |
| CF from Investing Activities | -0.4 | 4.6 | -29.6 | -86.5 | -63.2 |
| Inc/(Dec) in Share capital | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Inc/(Dec) in Debt | -92.4 | -30.1 | -2.9 | -43.0 | -42.0 |
| Dividend and Interest Paid | -58.0 | -57.2 | -65.5 | -31.7 | -36.3 |
| CF from Financing Activities | -150.4 | -87.3 | -68.5 | -74.7 | -78.3 |
| Net Cash Flow | 18.3 | 13.3 | 3.1 | -11.1 | 13.8 |
| Opening Balance | 7.0 | 25.3 | 38.6 | 41.7 | 30.6 |
| Closing Balance | 25.3 | 38.6 | 41.7 | 30.6 | 44.4 |

(Source: Company, HDFC sec)

**Balance Sheet**(Cons)

| Rs in Cr. | CY16 | CY17 | CY18 | CY19E | CY20E |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| Share Capital | 14.5 | 15.1 | 15.1 | 15.1 | 15.1 |
| Reserves and Surplus | 494.7 | 534.0 | 541.4 | 603.3 | 687.4 |
| **Shareholders' Funds** | **509.2** | **549.1** | **556.5** | **618.4** | **702.5** |
| Long - Term borrowings | 407.6 | 394.2 | 390.4 | 325.4 | 270.4 |
| Deferred Tax Liability (Net) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long Term Provisions | 4.0 | 3.2 | 3.4 | 3.7 | 3.9 |
| Other long term Liablities | 11.9 | 12.6 | 12.0 | 13.2 | 13.9 |
| **Non-Current Liabilities** | **423.5** | **410.1** | **405.8** | **342.3** | **288.1** |
| Short Term Borrowings | 0.2 | 0.0 | 9.2 | 31.2 | 44.2 |
| Trade Payables | 325.8 | 365.4 | 361.6 | 392.7 | 437.8 |
| Other Current Liabilities | 170.3 | 92.0 | 97.0 | 101.9 | 107.0 |
| Short Term Provisions | 16.8 | 18.4 | 20.9 | 22.0 | 23.1 |
| ***Current Liabilities*** | ***513.1*** | ***475.7*** | ***488.7*** | ***547.7*** | ***612.1*** |
| **TOTAL** | **1445.7** | **1434.9** | **1451.0** | **1508.4** | **1602.7** |
| **ASSETS** | | | | | |
| **Fixed Assets** | **456.9** | **439.4** | **522.2** | **522.6** | **514.0** |
| Non Current Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred Tax Assets (Net) | 18.7 | 10.2 | 4.9 | 7.4 | 7.7 |
| Long Term Loans & Advances | 8.1 | 9.3 | 9.5 | 9.9 | 10.4 |
| Other Non Current Assets | 30.0 | 33.4 | 25.9 | 28.5 | 29.9 |
| **Non-Current Assets** | **513.7** | **492.2** | **562.5** | **568.4** | **562.1** |
| Current Investments | 195.0 | 137.5 | 21.1 | 29.6 | 41.4 |
| Inventories | 182.5 | 191.9 | 212.2 | 228.5 | 246.8 |
| Trade Receivables | 462.8 | 526.5 | 570.2 | 614.0 | 668.7 |
| Cash and Bank Balances | 31.1 | 44.7 | 47.8 | 28.9 | 42.7 |
| Short Term Loans & Advances | 2.6 | 1.0 | 1.8 | 1.9 | 2.0 |
| Other Current Assets | 58.0 | 41.1 | 35.4 | 37.1 | 39.0 |
| ***Current Assets*** | ***932.0*** | ***942.7*** | ***888.5*** | ***940.0*** | ***1040.6*** |
| **TOTAL** | **1445.7** | **1434.9** | **1451.0** | **1508.4** | **1602.7** |

(Source: Company, HDFC sec)

## Key Ratios

| Particulars | CY16 | CY17 | CY18 | CY19E | CY20E |
|---|---|---|---|---|---|
| No of Equity Shares-cr | 7.3 | 7.6 | 7.6 | 7.6 | 7.6 |
| Enterprise Value-cr | 2194.5 | 2237.6 | 2239.8 | 2215.7 | 2159.8 |
| | | | | | |
| EPS | 11.0 | 8.4 | 4.6 | 12.4 | 15.9 |
| Cash EPS (PAT + Depreciation) | 23.8 | 19.7 | 15.9 | 23.6 | 27.0 |
| Book Value Per Share(Rs.) | 70.0 | 72.7 | 73.7 | 81.9 | 93.0 |
| | | | | | |
| PE(x) | 22.7 | 29.7 | 54.1 | 20.2 | 15.7 |
| P/BV (x) | 3.6 | 3.4 | 3.4 | 3.1 | 2.7 |
| Mcap/Sales(x) | 3.5 | 2.8 | 2.8 | 2.8 | 2.8 |
| EV/EBITDA | 8.9 | 10.2 | 10.0 | 8.5 | 7.2 |
| | | | | | |
| EBITDAM (%) | 11.3% | 10.2% | 9.4% | 10.0% | 10.3% |
| EBITM (%) | 7.0% | 6.2% | 5.8% | 6.8% | 7.4% |
| PATM (%) | 3.7% | 3.0% | 1.5% | 3.6% | 4.1% |
| | | | | | |
| ROCE (%) | 18.9% | 15.8% | 16.2% | 20.2% | 23.4% |
| RONW (%) | 15.7% | 11.6% | 6.3% | 15.1% | 17.1% |
| | | | | | |
| Current Ratio | 1.8 | 2.0 | 1.8 | 1.7 | 1.7 |
| Quick Ratio | 1.5 | 1.6 | 1.4 | 1.3 | 1.3 |
| | | | | | |
| Debt-Equity | 0.8 | 0.7 | 0.7 | 0.6 | 0.4 |

**Daily Closing Price Chart**


(Source: Company, HDFC sec)

**Fundamental Research Analyst: Abdul Karim (abdul.karim@hdfcsec.com)**

**HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 3075 3450 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600**
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