

# Visaka Industries

**Building materials** 

**Result Update** 

14 February 2017

## **Strong ACS Booster**

Visaka Industries (VIL) delivered yet another strong earnings beat as its EBITDA/PAT rose 31%/386% YoY in Q3FY17 (EBITDA 29% ahead of our estimates), driven by its steady market share gain in asbestos cement sheet (ACS) segment (thus moderating demonetisation impact), lower RM costs and improved cost efficiencies. These more than offset the profit dips in cement boards & panels (CBP) and yarn segments. Better working capital management and lower debt/interest cost accelerated PAT growth. We expect ACS' profitability to remain strong benefiting from good monsoon led demand uptick and subdued fibre cost. We expect CBP profits to rebound on steady domestic sales and as exports bottoms out in FY17. The capacity increase in its yarn segment should drive segmental profit. We expect VIL to deliver 16%/35% EBITDA/PAT CAGR during FY16-18, boosting its return ratios ahead of its peers'. We reiterate BUY with revised TP of Rs300.

- O Robust ACS profitability on market share gain and lower costs: While the ACS industry's volume dipped 10% YoY volume decline in Q3FY17, due to the impact of demonetisation, VIL outperformed the industry with ~5% YoY decline. Lower RM costs and better cost controls offset the volume loss impact, boosting segmental OPM by 694bps YoY to 12.1%. The segmental EBITDA rose 118% YoY to Rs153mn which more than offset the lower contribution from the CBP and Yarn segments during Q3FY17. ACS accounted for 71% of the total EBITDA in Q3FY17 vs 41% YoY and 67% QoQ. While near term volume growth has been hit, good monsoon is expected to boost FY18 volume growth which alongwith stable input costs, should drive segmental profitability. We model in 7%/5% YoY volume growth in FY18/19 vs a 4% dip in FY16. We estimate OPM at 13.5%/12.7%/12.5% for FY17/18/19.
- O CBP Sturdy domestic demand cushions dip in exports: In the CBP segment, strong 21% YoY growth in domestic volumes, moderated the impact of poor export demand (down ~45-50% YoY in Q3/9MFY17), leading to 3%/3% overall volume decline in Q3/9MFY17. VIL's export share in CBP sales has halved to ~16% YoY during FY17. Segmental OPM halved to 6.4% YoY on lower volumes and higher marketing expense as the company continues to increase its penetration in the domestic markets. While poor exports would lead to 2% CBP volume dip in FY17, steady domestic growth and bottoming out of export sales should drive 16% volume CAGR during FY17-19, which in turn would boost operating leverage gains. We expect OPM to expand to 11%/13% in FY18/19 vs 8% in FY17 (FY16 OPM +13%). VIL is also looking to expand its CBP capacity by ~72K MT in FY19 to capitalise on rising domestic demand and to increase its penetration in the north/ eastern markets.
- O Yarn segment Firm demand pull, expansion to boost volume growth: In Q3FY17, segmental revenue rose 7% YoY, as demonetisation moderated volume growth to 5%. Segmental OPM contracted 476bps YoY to 9.5% on account of higher raw materials cost and rise in oveirhead post the 26% capacity increase in Oct 2016. Going forward, both volume and margins are expected to improve on production ramp-up, demand normalisation and expected recovery in yarn realisation. We model in 13% volume CAGR during FY16-19 and 11%/13%/14% OPM in ths segment.
- O **Strong outlook, reiterate BUY:** In addition to posting industry leading profits in Q3/9MFY17, VIL trimmed its debt and working capital by ~20% and 4% each, which further boosted its cashflow. These moderated the impact of demonetisation on its profits. We trim our FY17E/19E PAT estimates by 4%/1% to factor in the demonetisation impact on profitability. We introduce FY19 estimates and expect VIL to deliver 16%/35% EBITDA/PAT CAGRs during FY16-19E. Led by strong cashflow, we expect its net D:E to moderate to 0.5x in FY18/19 (vs 0.7x in FY16). We re-iterate BUY on the stock, and increase our TP to Rs300 (8x FY19 EPS) from Rs260 earlier (8x FY18 EPS). Key downside risk- poor demand for ACS and CBP and spike in chrysotile fibre costs.

| Y/E Mar (Rs mn)   | Q3FY17 | Q3FY16 | YoY (%) | Q2FY17 | QoQ (%)  | Q3FY17E | Variance % |
|-------------------|--------|--------|---------|--------|----------|---------|------------|
| Net Sales         | 2,024  | 2,154  | (6.0)   | 2,004  | 1.0      | 2,021   | 0.2        |
| Op. cost          | 1,808  | 1,989  | (9.1)   | 1,740  | 3.9      | 1,853   | (2.4)      |
| EBITDA            | 216    | 165    | 31.1    | 264    | (18.3)   | 168     | 28.6       |
| EBITDA margin (%) | 10.7   | 7.6    | 302bps  | 13.2   | (251)bps | 8.3     | 236bps     |
| Depreciation      | 87     | 90     | (2.6)   | 81     | 7.8      | 90      | (2.9)      |
| Interest          | 47     | 57     | (17.9)  | 35     | 36.4     | 55      | (14.4)     |
| Taxes paid        | 32     | 11     | 184.8   | 66     | (51.8)   | 11      | 184.7      |
| Adjusted PAT      | 54     | 11     | 386.4   | 88     | (38.6)   | 17      | 221.3      |

Source: Company, Centrum Research Estimate

| Target P | Price               |        | Rs300 | Key Data                 |          |
|----------|---------------------|--------|-------|--------------------------|----------|
| CMP*     |                     |        | Rs219 | Bloomberg Code           | VSKI IN  |
| Upside   |                     |        | 38%   | Curr Shares O/S (mn)     | 15.9     |
| Previous | Target              |        | Rs260 | Diluted Shares O/S(mn)   | 15.9     |
| Previous | Previous Rating Buy |        | Buy   | Mkt Cap (Rs bn/USDmn)    | 3.5/51.7 |
| Price Pe | rforma              | nce (% | )*    | 52 Wk H / L (Rs)         | 240/88   |
|          | 1M                  | 6M     | 1Yr   | 5 Year H / L (Rs)        | 240/65.8 |
| VSKI IN  | 6.0                 | 42.7   | 140.5 | Daily Vol. (3M NSE Avg.) | 51689    |
| Nifty    | 4.7                 | 1.4    | 25.9  |                          |          |
|          |                     |        |       |                          |          |

\*as on 14 February 2017; Source: Bloomberg, Centrum Research

#### Shareholding pattern (%)\*

|          | Dec-16 | Sep-16 | Jun-16      | Mar-16 |
|----------|--------|--------|-------------|--------|
| Promoter | 37.6   | 37.6   | <i>37.5</i> | 37.5   |
| FIIs     | 3.6    | 2.9    | 2.9         | 3.3    |
| DIIs     | 0.4    | 0.5    | 0.7         | 0.5    |
| Others   | 58.3   | 59.2   | 58.9        | 58.7   |

Source: BSE, \*as on 14 February 2017

#### Segmental operational performance

|                                | Q3FY17   | Q3FY16 | YoY (%) | Q2FY17 | QoQ (%) |
|--------------------------------|----------|--------|---------|--------|---------|
| Building products (            | BP: ACS+ | CBP)   |         |        |         |
| Rev (Rs mn)                    | 1,573    | 1,674  | (6.0)   | 1,476  | 6.6     |
| EBITDA (Rs mn)                 | 173      | 111    | 55.6    | 210    | (17.8)  |
| OPM (%)                        | 11.0     | 6.6    | 434     | 14.2   | (325)   |
| ACS Sales volume Gr<br>YoY (%) | (5.1)    | (3.4)  |         | 4.3    |         |
| ACS NSR Gr YoY (%)             | (1.7)    | (4.2)  |         | (5.0)  |         |
| ACS OPM (%)                    | 12.1     | 5.2    | 694     | 16.1   | (397)   |
| CBP Sales volume Gr<br>YoY (%) | (3.4)    | 9.2    |         | 4.4    |         |
| CBP NSR Gr YoY (%)             | 0.4      | 6.8    |         | (1.5)  |         |
| CBP OPM (%)                    | 6.4      | 12.7   | (631)   | 8.2    | (182)   |
| Textiles/ Yarn Spin            | ning     |        |         |        |         |
| Yarn Sales vol (MT)            | 2,354    | 2,235  | 5.3     | 2,523  | (6.7)   |
| Yarn NSR (Rs/KG)               | 185      | 183    | 1.3     | 189    | (1.9)   |
| Yarn Rev (Rs mn)               | 436      | 409    | 6.7     | 477    | (8.5)   |
| Yarn EBITDA<br>(Rs mn)         | 42       | 58     | (28.9)  | 60     | (30.3)  |
| Yarn OPM (%)                   | 9.5      | 14.3   | (476)   | 12.5   | (297)   |

Source: Company, Centrum Research

#### **Earning Revisions summary**

| Particulars       |       | FY17E |         | FY18E  |        |         |  |  |
|-------------------|-------|-------|---------|--------|--------|---------|--|--|
| (Rs mn)           | New   | Old   | Chg (%) | New    | Old    | Chg (%) |  |  |
| Sales             | 9,546 | 9,916 | (3.7)   | 10,597 | 11,115 | (4.7)   |  |  |
| EBITDA            | 1,145 | 1,195 | (4.2)   | 1,322  | 1,373  | (3.7)   |  |  |
| Ebitda margin (%) | 12.0  | 12.1  |         | 12.5   | 12.4   |         |  |  |
| Adj PAT           | 379   | 397   | (4.4)   | 504    | 509    | (0.9)   |  |  |

Source: Centrum Research Estimates

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| Y/E Mar (Rs mn) | Rev.   | YoY (%) | EBITDA | EBITDA (%) | Adj PAT | YoY (%) | FDEPS (Rs) | RoE (%) | RoCE (%) | P/E (x) | EV/EBITDA (x) |
|-----------------|--------|---------|--------|------------|---------|---------|------------|---------|----------|---------|---------------|
| FY15            | 10,211 | 14.5    | 959    | 9.4        | 212     | 77.5    | 13.4       | 6.4     | 5.5      | 8.3     | 4.7           |
| FY16            | 10,049 | (1.6)   | 952    | 9.5        | 244     | 15.0    | 15.4       | 7.2     | 5.5      | 8.0     | 4.6           |
| FY17E           | 9,546  | (5.0)   | 1,145  | 12.0       | 379     | 55.2    | 23.9       | 10.5    | 7.3      | 9.1     | 5.0           |
| FY18E           | 10,597 | 11.0    | 1,322  | 12.5       | 504     | 33.0    | 31.8       | 12.8    | 9.4      | 6.9     | 4.2           |
| FY19E           | 11,709 | 10.5    | 1,501  | 12.8       | 602     | 19.5    | 37.9       | 13.8    | 10.4     | 5.7     | 3.7           |

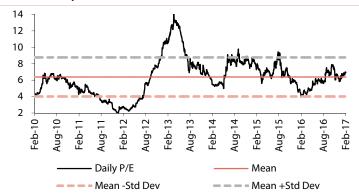
Source: Company, Centrum Research Estimates

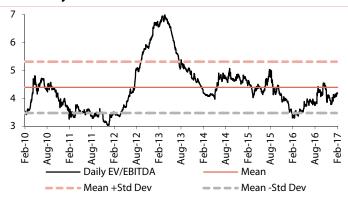


## Valuation, peer comparison and key assumptions

Exhibit 1: 1-yr forward P/E chart

**Exhibit 2: 1-yr forward EV/EBITDA chart** 





Source: Bloomberg, Company, Centrum Research Estimates

Source: Bloomberg, Company, Centrum Research Estimates

**Exhibit 3: Comparative valuations of VIL with Everest Industries** 

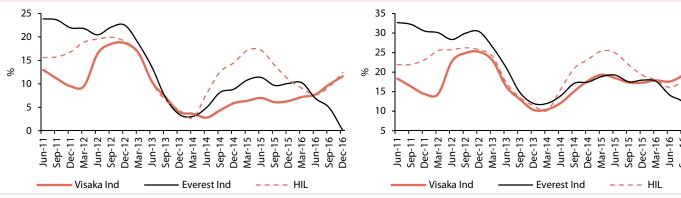
| Company Mkt Cap | CAGR FY16-18E (%) |       | EBITL  | EBITDA margin (%) |      |       | RoCE (%) |      |       | RoE (%) |      | P/E (x) |       | EV/EBITDA (x) |       |       |      |       |       |
|-----------------|-------------------|-------|--------|-------------------|------|-------|----------|------|-------|---------|------|---------|-------|---------------|-------|-------|------|-------|-------|
| Company         | (Rs mn)           | Rev.  | EBITDA | PAT               | FY16 | FY17E | FY18E    | FY16 | FY17E | FY18E   | FY16 | FY17E   | FY18E | FY16          | FY17E | FY18E | FY16 | FY17E | FY18E |
| VIL             | 3,462             | 2.7   | 17.8   | 43.7              | 9.5  | 12.0  | 12.5     | 5.5  | 7.3   | 9.4     | 7.2  | 10.5    | 12.8  | 8.0           | 9.1   | 6.9   | 4.6  | 5.0   | 4.1   |
| EVL             | 2,893             | (1.9) | (17.8) | (31.1)            | 6.3  | 1.7   | 4.4      | 7.4  | 0.6   | 4.5     | 10.3 | (2.7)   | 4.7   | 13.2          | n/m   | 17.7  | 7.9  | 23.4  | 7.9   |

Source: Company, Centrum Research Estimates

VIL has shown consistent improvement in its return ratios and asset turnover over the last three years amid volatile performance by its peers. Over the last nine months, VIL's return profile has outpaced its peers' return ratios. We expect this trend to continue on VIL's continued market share gain across the ACS and CBP segments.

Exhibit 4: RoE (TTM) comparison of Visaka with its peers

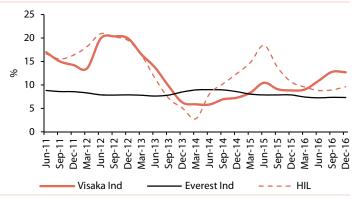
Exhibit 5: Cash RoE (TTM) comparison



Source: Company, Centrum Research

Source: Company, Centrum Research

Exhibit 6: Pre-tax RoCE (TTM) comparison



Source: Company, Centrum Research



# **Key assumptions & estimates**

Exhibit 7: Key operational summary and assumptions – Building products and Yarn segments

| Particulars                    | FY14  | FY15  | FY16  | FY17E | FY18E | FY19E |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| ACS Installed Capacity (K MT)  | 752.0 | 802.0 | 802.0 | 802.0 | 802.0 | 802.0 |
| ACS Sales volume YoY (%)       | (6.3) | 12.5  | (2.7) | (4.0) | 7.0   | 5.0   |
| ACS NSR YoY (%)                | (1.9) | 1.3   | (2.8) | (3.0) | 1.0   | 2.0   |
| ACS OPM (%)                    | 5.2   | 10.0  | 7.7   | 13.5  | 12.7  | 12.5  |
| CBP Installed Capacity (K MT)  | 129.8 | 129.8 | 129.8 | 129.8 | 129.8 | 201.8 |
| CBP Sales vol YoY (%)          | 21.8  | 48.0  | 12.5  | (2.0) | 15.9  | 16.0  |
| CBP NSR YoY (%)                | 2.4   | 2.2   | 6.0   | 0.5   | (0.0) | 1.0   |
| CBP OPM (%)                    | 2.2   | 0.9   | 12.8  | 7.6   | 11.2  | 12.7  |
| Building Product (ACS +CBP)    |       |       |       |       |       |       |
| Blended Sales volume YoY (%)   | (4.5) | 15.5  | (1.1) | (3.8) | 8.1   | 6.4   |
| Blended NSR YoY (%)            | (0.9) | 2.4   | (0.8) | (2.3) | 1.3   | 2.4   |
| Segmental Revenue (Rs mn)      | 7,077 | 8,363 | 8,203 | 7,715 | 8,447 | 9,209 |
| Segmental EBITDA (Rs mn)       | 344   | 726   | 703   | 960   | 1,049 | 1,156 |
| Segmental OPM (%)              | 4.9   | 8.7   | 8.6   | 12.4  | 12.4  | 12.5  |
| Textiles/Yarn Spinning         |       |       |       |       |       |       |
| No of Twin-jet machines (Nos.) | 31.0  | 31.0  | 33.0  | 41.0  | 41.0  | 41.0  |
| Total Sales vol YoY (%)        | 3.3   | 5.1   | 2.7   | 10.0  | 15.0  | 15.0  |
| Blended NSR YoY (%)            | 4.6   | (4.1) | (7.0) | (1.5) | 2.0   | 1.0   |
| Segmental Revenue (Rs mn)      | 1,781 | 1,796 | 1,715 | 1,858 | 2,180 | 2,532 |
| Segmental EBITDA (Rs mn)       | 283   | 245   | 277   | 204   | 283   | 354   |
| Segmental OPM (%)              | 15.9  | 13.6  | 16.1  | 11.0  | 13.0  | 14.0  |

Source: Company, Centrum Research Estimates



# **Quarterly financial trend**

**Exhibit 8: Quarterly financials trend** 

| •                                 |        |        |        |        |        |        |         |        |
|-----------------------------------|--------|--------|--------|--------|--------|--------|---------|--------|
| Y/E Mar (Rs mn)                   | Q4FY15 | Q1FY16 | Q2FY16 | Q3FY16 | Q4FY16 | Q1FY17 | Q2FY17  | Q3FY17 |
| Net Sales                         | 2,850  | 3,215  | 1,923  | 2,154  | 2,757  | 3,092  | 2,004   | 2,024  |
| Total Expenditure                 | 2,582  | 2,856  | 1,771  | 1,989  | 2,481  | 2,710  | 1,740   | 1,808  |
| Raw Materials                     | 1,674  | 1,888  | 966    | 1,242  | 1,620  | 1,800  | 853     | 965    |
| Employee                          | 153    | 185    | 154    | 167    | 173    | 202    | 183     | 184    |
| Others                            | 755    | 782    | 651    | 580    | 687    | 708    | 705     | 659    |
| EBITDA                            | 269    | 359    | 152    | 165    | 276    | 383    | 264     | 216    |
| Depreciation                      | 95     | 95     | 95     | 90     | 83     | 81     | 81      | 87     |
| EBIT                              | 174    | 264    | 57     | 75     | 193    | 301    | 183     | 129    |
| Interest                          | 72     | 55     | 48     | 57     | 53     | 48     | 35      | 47     |
| Other Income                      | 2      | 13     | 6      | 5      | 4      | 5      | 5       | 4      |
| PBT                               | 104    | 222    | 14     | 22     | 145    | 258    | 154     | 86     |
| Taxes                             | 43     | 86     | 6      | 11     | 56     | 92     | 66      | 32     |
| Exceptional inc/ (exp)            | -      | -      | -      | -      | -      | -      | -       | -      |
| Reported PAT (post minority)      | 61     | 136    | 8      | 11     | 89     | 166    | 88      | 54     |
| Adjusted PAT                      | 61     | 136    | 8      | 11     | 89     | 166    | 88      | 54     |
| YoY Growth (%)                    |        |        |        |        |        |        |         |        |
| Revenue                           | 19.7   | 2.9    | (8.2)  | 0.6    | (3.3)  | (3.8)  | 4.2     | (6.0)  |
| EBITDA                            | 57.8   | 5.1    | (21.6) | 6.8    | 2.8    | 6.5    | 73.7    | 31.1   |
| Adj PAT                           | 35.1   | 21.6   | (78.9) | 326.5  | 46.8   | 22.0   | 1,024.9 | 386.4  |
| Margins (%)                       |        |        |        |        |        |        |         |        |
| EBITDA                            | 9.4    | 11.2   | 7.9    | 7.6    | 10.0   | 12.4   | 13.2    | 10.7   |
| PBT                               | 3.7    | 6.9    | 0.7    | 1.0    | 5.3    | 8.3    | 7.7     | 4.2    |
| Adj PAT                           | 2.1    | 4.2    | 0.4    | 0.5    | 3.2    | 5.4    | 4.4     | 2.7    |
| Operational Trends                |        |        |        |        |        |        |         |        |
| Building products                 |        |        |        |        |        |        |         |        |
| Revenue (Rs mn)                   | 2,372  | 2,735  | 1,477  | 1,674  | 2,293  | 2,640  | 1,476   | 1,573  |
| EBITDA (Rs mn)                    | 209    | 291    | 85     | 111    | 217    | 329    | 210     | 173    |
| OPM (%)                           | 8.8    | 10.6   | 5.7    | 6.6    | 9.5    | 12.5   | 14.2    | 11.0   |
| Total Vol (K MT)                  | 236.1  | 260.0  | 139.8  | 166.7  | 230.3  | 264.3  | 145.8   | 158.5  |
| YoY (%)                           | 22.6   | 3.7    | (6.2)  | (1.9)  | (2.4)  | 1.7    | 4.3     | (4.9)  |
| Blended NSR ( Rs/MT)              | 10,045 | 10,521 | 10,572 | 10,043 | 9,956  | 9,988  | 10,129  | 9,928  |
| YoY (%)                           | 0.4    | 0.4    | (1.6)  | (1.8)  | (0.9)  | (5.1)  | (4.2)   | (1.2)  |
| ACS Volume growth YoY (%)         | 21.0   | 2.4    | (10.6) | (3.4)  | (2.8)  | 2.7    | 4.3     | (5.1)  |
| ACS NSR growth YoY (%)            | (0.5)  | (0.8)  | (5.2)  | (4.2)  | (2.8)  | (5.9)  | (5.0)   | (1.7)  |
| ACS OPM (%)                       | 10.4   | 10.2   | 2.2    | 5.2    | 9.6    | 12.6   | 16.1    | 12.1   |
| ACS Share in total EBITDA (%)     | 77.8   | 65.1   | 16.0   | 41.3   | 65.6   | 75.0   | 67.3    | 71.3   |
| The Sinare in total Ebir Div (70) | 77.0   | 03.1   | 70.0   | 71.5   | 05.0   | 75.0   | 07.5    | 71.5   |
| CBP Volume growth YoY (%)         | 38.3   | 18.6   | 25.5   | 9.2    | 0.6    | (8.3)  | 4.4     | (3.4)  |
| CBP NSR growth YoY (%)            | 2.8    | 6.1    | 5.1    | 6.8    | 8.9    | 3.8    | (1.5)   | 0.4    |
| CBP OPM (%)                       | (0.4)  | 13.6   | 17.6   | 12.7   | 8.7    | 11.4   | 8.2     | 6.4    |
| CBP Share in total EBITDA (%)     | (0.5)  | 13.1   | 37.7   | 24.2   | 11.7   | 10.0   | 10.6    | 9.3    |
| Synthetic Yarn                    |        |        |        |        |        |        |         |        |
| Revenue (Rs mn)                   | 446    | 443    | 419    | 409    | 446    | 437    | 477     | 436    |
| EBITDA (Rs mn)                    | 62     | 81     | 73     | 58     | 64     | 58     | 60      | 42     |
| OPM (%)                           | 13.8   | 18.3   | 17.5   | 14.3   | 14.3   | 13.3   | 12.5    | 9.5    |
| Yarn Share in total EBITDA (%)    | 22.7   | 21.8   | 46.4   | 34.5   | 22.8   | 15.0   | 22.1    | 19.4   |
| Sales volume (K MT)               | 2.4    | 2.3    | 2.1    | 2.2    | 2.5    | 2.4    | 2.5     | 2.4    |
| YoY (%)                           | 11.3   | (2.8)  | (6.2)  | 15.2   | 6.5    | 5.8    | 17.6    | 5.3    |
| NSR ( Rs/Kg)                      | 189    | 192    | 195    | 183    | 177    | 179    | 189     | 185    |
| <del>-</del>                      |        |        |        |        |        |        |         |        |

 $Source: Company, Centrum\ Research, Segmental\ EBITDA\ includes\ other\ income$ 



# **Financials**

#### **Exhibit 9: Income Statement**

| Y/E March (Rsmn)            | FY15   | FY16   | FY17E | FY18E  | FY19E  |
|-----------------------------|--------|--------|-------|--------|--------|
| Revenues                    | 10,211 | 10,049 | 9,546 | 10,597 | 11,709 |
| Materials cost              | 5,775  | 5,716  | 5,139 | 5,690  | 6,288  |
| % of revenues               | 56.6   | 56.9   | 53.8  | 53.7   | 53.7   |
| Employee Cost               | 594    | 680    | 785   | 903    | 1,039  |
| % of revenues               | 5.8    | 6.8    | 8.2   | 8.5    | 8.9    |
| Others                      | 2,884  | 2,701  | 2,477 | 2,682  | 2,882  |
| % of revenues               | 28.2   | 26.9   | 26.0  | 25.3   | 24.6   |
| EBITDA                      | 959    | 952    | 1,145 | 1,322  | 1,501  |
| EBIDTA Margins (%)          | 9.4    | 9.5    | 12.0  | 12.5   | 12.8   |
| Depreciation & Amortisation | 431    | 363    | 351   | 379    | 420    |
| EBIT                        | 528    | 589    | 794   | 942    | 1,081  |
| Interest expenses           | 220    | 213    | 187   | 188    | 178    |
| PBT from operations         | 308    | 376    | 607   | 754    | 903    |
| Other Income                | 24     | 27     | 19    | 10     | 10     |
| Exceptional loss/(gain)     | -      | -      | -     | -      | -      |
| PBT                         | 332    | 404    | 626   | 764    | 913    |
| Taxes                       | 120    | 159    | 247   | 260    | 310    |
| Effective tax rate (%)      | 36.0   | 39.5   | 39.4  | 34.0   | 34.0   |
| Net Profit                  | 212    | 244    | 379   | 504    | 602    |
| Reported Net Profit         | 212    | 244    | 379   | 504    | 602    |
| Adj Net Profit              | 212    | 244    | 379   | 504    | 602    |

Source: Company, Centrum Research Estimates

## **Exhibit 10: Key Ratios**

| Y/E March                   | FY15  | FY16  | FY17E | FY18E | FY19E |
|-----------------------------|-------|-------|-------|-------|-------|
| Growth ratios (%)           |       |       |       |       |       |
| Revenues                    | 14.5  | (1.6) | (5.0) | 11.0  | 10.5  |
| EBIDTA                      | 67.4  | (0.7) | 20.2  | 15.4  | 13.5  |
| Adj Net Profit              | 77.5  | 15.0  | 55.2  | 33.0  | 19.5  |
| Margin ratios (%)           |       |       |       |       |       |
| EBITDA Margin               | 9.4   | 9.5   | 12.0  | 12.5  | 12.8  |
| PBT from operations Margin  | 3.0   | 3.7   | 6.4   | 7.1   | 7.7   |
| Adj PAT Margin              | 2.1   | 2.4   | 4.0   | 4.8   | 5.1   |
| Return Ratios (%)           |       |       |       |       |       |
| RoE                         | 6.4   | 7.2   | 10.5  | 12.8  | 13.8  |
| RoCE                        | 5.5   | 5.5   | 7.3   | 9.4   | 10.4  |
| RoIC                        | 5.5   | 5.7   | 7.8   | 9.9   | 10.7  |
| Turnover Ratios (days)      |       |       |       |       |       |
| Gross block turnover (x)    | 1.9   | 1.7   | 1.5   | 1.6   | 1.6   |
| Debtors                     | 46    | 53    | 53    | 51    | 50    |
| Inventory                   | 89    | 84    | 82    | 80    | 77    |
| Creditors                   | 21    | 23    | 22    | 22    | 21    |
| Cash conversion cycle       | 114   | 115   | 113   | 110   | 105   |
| Solvency Ratio              |       |       |       |       |       |
| Net debt-equity             | 0.8   | 0.7   | 0.6   | 0.5   | 0.5   |
| Debt-equity                 | 0.9   | 0.9   | 0.7   | 0.6   | 0.5   |
| Interest coverage ratio     | 2.4   | 2.8   | 4.2   | 5.0   | 6.1   |
| Gross debt/EBITDA           | 3.2   | 3.4   | 2.4   | 1.7   | 1.5   |
| Current Ratio               | 3.6   | 4.0   | 3.8   | 3.3   | 3.1   |
| Per Share (Rs)              |       |       |       |       |       |
| Adjusted EPS                | 13.4  | 15.4  | 23.9  | 31.8  | 37.9  |
| BVPS                        | 209.2 | 218.5 | 235.4 | 259.5 | 289.2 |
| CEPS                        | 40.5  | 38.2  | 46.0  | 55.6  | 64.4  |
| DPS                         | 5.0   | 5.0   | 6.0   | 6.5   | 7.0   |
| Dividend payout %           | 45.0  | 39.1  | 29.6  | 24.1  | 21.7  |
| Valuations (x)(Avg Mkt Cap) |       |       |       |       |       |
| P/E (adjusted)              | 8.3   | 8.0   | 9.1   | 6.9   | 5.7   |
| P/BV                        | 0.5   | 0.6   | 0.9   | 0.8   | 0.8   |
| EV/EBITDA                   | 4.7   | 4.6   | 5.0   | 4.2   | 3.7   |
| Dividend yield %            | 4.5   | 4.0   | 2.8   | 3.0   | 3.2   |
| 5 Yr Avg AOCF/EV yield %    | 4.0   | 6.4   | 6.6   | 11.9  | 11.4  |

Source: Company, Centrum Research Estimates

#### **Exhibit 11: Balance Sheet**

| Y/E March (Rsmn)                | FY15  | FY16  | FY17E | FY18E | FY19E |
|---------------------------------|-------|-------|-------|-------|-------|
| Equity Share Capital            | 159   | 159   | 159   | 159   | 159   |
| Reserves & surplus              | 3,163 | 3,311 | 3,578 | 3,961 | 4,433 |
| Total Shareholders' Fund        | 3,322 | 3,471 | 3,738 | 4,120 | 4,592 |
| Total Debt                      | 3,044 | 3,210 | 2,710 | 2,310 | 2,310 |
| Def tax liab. (net)             | 258   | 222   | 222   | 222   | 222   |
| Total Liabilities               | 6,624 | 6,903 | 6,670 | 6,653 | 7,125 |
| Gross Block                     | 5,666 | 5,843 | 6,543 | 6,693 | 7,893 |
| Less:- Accumulated Depreciation | 2,545 | 2,902 | 3,253 | 3,632 | 4,052 |
| Net Block                       | 3,121 | 2,941 | 3,290 | 3,061 | 3,841 |
| Capital WIP                     | 5     | 41    | 41    | 341   | 21    |
| Net Fixed assets                | 3,126 | 2,982 | 3,331 | 3,402 | 3,862 |
| Investments                     | 146   | 101   | -     | -     | -     |
| Inventories                     | 2,501 | 2,320 | 2,138 | 2,331 | 2,459 |
| Sundry Debtors                  | 1,289 | 1,470 | 1,379 | 1,494 | 1,604 |
| Cash & bank balances            | 281   | 750   | 490   | 241   | 160   |
| Loans & Advances                | 560   | 554   | 525   | 573   | 609   |
| Other Assets                    | -     | -     | -     | -     | -     |
| Total current assets            | 4,631 | 5,094 | 4,533 | 4,640 | 4,832 |
| Trade payables                  | 587   | 625   | 563   | 636   | 679   |
| Other current liabilities       | 574   | 597   | 582   | 678   | 808   |
| Provisions                      | 117   | 52    | 48    | 74    | 82    |
| Net current assets              | 3,352 | 3,820 | 3,339 | 3,251 | 3,263 |
| Total                           | 6,624 | 6,903 | 6,670 | 6,653 | 7,125 |
|                                 |       |       |       |       |       |

Source: Company, Centrum Research Estimates

### **Exhibit 12: Cash Flow**

| Y/E March (Rsmn)            | FY15  | FY16  | FY17E | FY18E | FY19E |
|-----------------------------|-------|-------|-------|-------|-------|
| Op profit before WC changes | 942   | 802   | 999   | 1,062 | 1,190 |
| Working capital changes     | (866) | 90    | 221   | (161) | (92)  |
| Cash from Operations        | 76    | 892   | 1,220 | 901   | 1,098 |
| Adj. OCF (OCF-Interest)     | (144) | 683   | 1,033 | 712   | 920   |
| Net capex                   | (218) | (284) | (700) | (450) | (880) |
| Adj. FCF (AOCF-Capex)       | (362) | 399   | 333   | 262   | 40    |
| Cash from investing         | (213) | (284) | (681) | (440) | (870) |
| Cash from financing         | 157   | (139) | (799) | (710) | (309) |
| Net change in cash          | 20    | 469   | (260) | (249) | (81)  |

Source: Company, Centrum Research Estimates



### **Appendix A**

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#### Visaka Industries price chart



Source: Bloomberg, Centrum Research

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