Result Update

July 24, 2017

United Spirits (UNISPI)

₹ 2650

Waning ban impact; re-stocking crucial…

Rating matrix		
Rating	:	Buy
Target	:	₹ 3000
Target Period	:	12 months
Potential Upside	:	13%

What's changed?	
Target	Changed from ₹ 2700 to ₹ 3000
EPS FY18E	Changed from ₹ 24.6 to ₹ 24
EPS FY19E	Changed from ₹ 38 to ₹ 39.7
Rating	Unchanged

Quarterly performance

₹ Crore	Q1FY18	Q1FY17	YoY (%)	Q3FY17	QoQ (%)
Revenue	1,781.8	2,040.5	-12.7	2,455.3	-27.4
EBITDA	157.4	213.4	-26.2	293.5	-46.4
EBITDA (%)	8.8	10.5	-162 bps	12.0	-312 bps
PAT	62.9	43.8	43.7	147.6	-57.4

Key financials

₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	8,495	8,818	7,991	9,372
EBITDA	980	1,004	821	1,139
Net Profit	142.2	93.7	351.6	581.9
EPS (₹)	9.9	6.4	24.0	39.7

Valuation summary

	FY16	FY17	FY18E	FY19E
P/E (x)	268.5	414.1	110.3	66.7
Target P/E (x)	304.0	468.7	124.9	75.5
EV/EBITDA (x)	43.0	42.0	50.7	36.4
P / BV (x)	23.6	21.6	20.0	15.9
RONW (%)	10.2	8.2	18.3	24.0
ROCE (%)	15.0	14.5	16.0	19.3

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	38,944.4
Total Debt (FY17) (₹ Crore)	3,776.6
Cash (FY17) (₹ Crore)	87.2
EV (₹ Crore)	42,633.8
52 week H/L	2773 / 1775
Equity Capital (₹ Crore)	145.3
Face Value (₹)	10.0

Price Performance (%)

	1M	3M	6M	12M
United Spirits	16.6	42.3	30.3	14.0
Globus Spirits	7.9	-1.8	-16.6	7.1
Radico Khaitan	0.0	2.2	10.9	40.7
United Breweries	4.0	8.2	0.8	4.5

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- Gross revenues de-grew 1% YoY (down 10% QoQ) to ₹ 5817 crore (I-direct estimate: ₹ 5526 crore). Higher excise duty (69% vs. 65% in Q1FY17) continued to impact net revenues, which de-grew 13% YoY (down 12% QoQ) to ₹ 1782 crore (I-direct estimate: ₹ 1945 crore). Highway ban coupled with internal operating model changes of franchising some brands resulted in a decline in revenues and volumes. Excluding the impact of business model changes, net sales de-grew 7%
- Total volumes for the quarter de-grew 19% YoY (down 16% QoQ) to 18 million cases. Volumes for prestige & above (P&A) segment de-grew 10% YoY (down 1% QoQ) to 8.4 million cases but volumes for regular (popular) segment de-grew 26% YoY and QoQ to 9.6 million cases. Prestige and above segment now contributes 47% of overall volumes compared to 42% in Q1FY17. Re-launch of Antiquity and continued momentum from the renovation of Signature moderated the decline in Prestige & above segment
- Driven by operating model changes, productive initiatives and positive price/mix strategy, gross margins continue to expand sequentially 200 bps QoQ (up 265 bps YoY) to 46%. Gross margin expansion was completely offset by higher marketing spend, staff cost & other overheads. Resultant EBITDA margins declined 162 bps YoY (down 426 bps QoQ) to 8.8% (I-direct estimate: 9.1%). Absolute EBITDA de-grew 26% YoY to ₹ 157.4 crore (I-direct estimate: ₹ 176.3 crore)
- PAT de-growth was to an extent moderated by higher other income (up 28% YoY) and lower interest expenses (down 32% QoQ). Adjusted PAT de-grew 23% YoY to ₹ 63.7 crore compared to ₹ 83 crore in Q1FY17. Accounting for exceptional loss, reported Q1FY18 PAT optically grew 44% YoY to ₹ 62.9 crore compared to ₹ 43.8 crore (exceptional loss: ₹ 39.3 crore) in Q1FY17

Innovation – Not destination but journey…

USL has continued its quarterly advertisement & promotion (A&P) spends on re-launching its key brands. In FY17, USL renewed all its key prestige and above products (Royal Challenge, McDowell's No.1 scotch and Signature). Moreover, in the current quarter, the company re-launched Antiquity and intends to rejuvenate its "Captain Morgan" brand in key states. Affirming its core strategy of premiumisation, USL intends to continue re-launch and re-brand its key offerings. Following these efforts contribution from Prestige and above in the volumes, revenues were at 47%, 61% in Q1FY18 vs. 42%, 58% in Q1FY17, respectively. The manufacturing to franchisee strategy for popular segment is almost through. USL has exited 13 non-core, non-profitable states improving its gross margins, the benefits from which would be invested in A&P spends.

Ban impact to fade; GST uncertainties to smoothen; optimism to prevail…

The highway ban resulted in a shrinkage of ~30% of overall retail outlets on a pan-India basis. However, post certain state's pro-activeness and de-notification guidance from Supreme Court, 10% of these outlets have reopened. The favourable business as usual would accelerate opening of these outlets resulting re-stocking. The volume de-growth is expected to bottom out in Q3FY18, post which the revival would be steep. Albeit improvement in gross margins, GST uncertainties leading to escalation in input costs is expected to keep a tab on operating margins. Incorporating the same, we expect subdued FY18 to be followed by robust FY19 arriving at a revised target price of ₹ 3000, maintaining **BUY**.

Variance analysis

Standalone	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Revenue	1,781.8	1,944.5	2,040.5	-12.7	2,025.0	-12.0	Highway ban impact coupled with internal restructuring resulted in revenue de-growth.
Consumption of RM	961.9	1,160.4	1,155.7	-16.8	1,130.6	-14.9	Increased contract manufacturing resulted decline in RM expenses and expansion of gross margins to 46% as compared to 43% in Q1FY17
Employee Expenses	165.8	127.1	180.2	-8.0	121.0	37.0	
Advertisment & Promo Expenses	162.7	165.8	167.3	-2.8	164.5	-1.1	
Other Expense	334.0	315.0	323.9	3.1	343.8	-2.9	
Total Expense	1,624.4	1,768.2	1,827.1	-11.1	1,759.9	-7.7	
EBITDA	157.4	176.3	213.4	-26.2	265.1	-40.6	
EBITDA Margin (%)	8.8	9.1	10.5	-162 bps	13.1	-426 bps	
Depreciation	32.1	31.3	26.1	23.0	41.8	-23.2	
Interest	70.3	82.4	103.0	-31.7	85.3	-17.6	Repayment of debt led to decline in interest costs
Other Income	30.9	20.4	24.1	28.2	18.5	67.0	
Exceptional Gain/Loss	-0.8	0.0	-39.3	NA	-295.0	NA	
PBT	85.1	83.0	69.1	23.2	-138.5	-161.4	
Total Tax	22.2	24.9	25.3	-12.3	-34.3	-164.7	
PAT	62.9	58.1	43.8	43.7	-104.2	NA	Adjusting for the exceptional loss of ₹ 39.3 crore in Q1FY17; PAT de-grew by 24% YoY

Key Metrics	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	
Prestige & above volume (Mln cases)	8.4	8.3	9.3	-9.7	8.5	-1.2	Prestige & above brands de-growth was moderated by renewed launches of Antiquity and Signature brands
Regular	9.6	11.0	12.9	-25.6	12.9	-25.6	Priority states declined by 7%
Total Volume (Mln Cases)	18.0	19.3	22.2	-18.9	21.4	-15.9	

Source: Company, ICICIdirect.com Research

Change in estimates

		FY18E			FY19E			
(₹ Crore)	FY17	Old	New	% Change	Old	New	% Change	Comments
Gross Revenue	8,817.5	8,149.1	7,990.5	-1.9	9,434.4	9,372.1	-0.7	Revenues adjusted for Q1FY18 results
EBITDA	1,003.8	837.3	821.0	-1.9	1,099.1	1,138.7	3.6	
EBITDA Margin (%)	11.4	10.3	10.3	0 bps	11.6	12.2	50 bps	Margins for FY19 to recoup on the back of acclerated franchisee based model
PAT	93.7	357.4	349.0	-2.4	556.2	581.9	4.6	
EPS (₹)	6.4	24.6	24.0	-2.4	38.0	39.7	4.6	Improvement in EBITDA resulted change in PAT

Source: Company, ICICIdirect.com Research

Assumptions

			Current		Earlier		Comments
	FY16	FY17	FY18E	FY19E	FY18E	FY19E	
Volume (Standalone) Cr Cases	9.3	9.0	7.5	8.2	7.7	8.3	Volumes in FY18 would be impacted by the ban but FY19 volumes will revive
Volume Growth (%)	-1.3	-3.1	-16.6	9.3	-15.0	7.8	
Net Realization (Standalone) ₹/case	913	979	1,064	1,141	1,064	1,112	Price hikes would drive up realisation growth
Realization Growth (%)	-7.8	7.1	8.7	7.3	-2.9	4.5	

Source: Company, ICICIdirect.com Research

Conference call key takeaways…

- The management acknowledges the confusion and concerns across its outlets over highway ban and GST implementation. Approximately, 15000 odd stores were impacted by highway ban of which two-thirds are on-trade channels and one-third is off-trade

- The de-stocking across the outlets due to highway ban resulted 3-4% value de-growth. Also change in operating model led ~7% decline in the overall revenues. Incorporating the same the management assess a pure underlying de-growth of 3-4%

- For Q1FY18, USL has started renovation of Antiquity brand. Moreover, Captain Morgan renovation is due this year. The management intends to maintain its quarterly run-rate of ₹ 160 crore in advertisement & promotion spend

- The franchising agreement across 13 states has resulted ₹ 25 crore royalty incomes for USL. The management expects annual royalty income of ₹ 140 crore from these franchising agreements, however the impact of the same on the topline would be to an extent of ₹ 640 crore

- Gross margins improved on account of price increases and productivity initiatives. The price increase in Telangana is due, which could propel the earning in H2FY18

- Excluding one off restructuring charges of ₹ 13 crore and ₹ 1 crore (net) in overheads, adjusted EBITDA margins stood at 10% with a decline of 20% YoY in adjusted EBITDA

- Sales of Scotch portfolio de-grew by 24% YoY. Brands like Johnnie Walker, Black Dog, Black & White and VAT 69 were impacted by highway ban resulting the on-trade channel to adopt cautious stance.

- The franchisee business is “Eyes-on, hands-off” model. The franchisee would commit fixed volumes to sell and USL would operate on a fixed fee basis offering there IP based bands. USL has franchised popular brands in 13 states amounting to 15-20% of popular business sales. However, it intends to retain the remaining portion of this business. States like Karnataka, Maharashtra and West Bengal remains core to the popular segment.

- GST is expected to bring operational disruption in the near term. The rates declared for molasses would impact the profitability of popular segment. Moreover, GST on packing and other material would dent the operating margins. The management believes that if GST is implemented in its current form, the internal estimates of achieving mid-teen margins would be delayed by two years

- The reduction in interest expenses was on account of YoY reduction of debt by ₹ 500 crore. In addition to the same average interest rate served on the debt reduced by 230 bps on the back of refinancing by commercial papers (CP’s) and negotiations with banks.

Company Analysis

Focused approach on Prestige & above segment…

United Spirits continues to maintain its numero uno position in the Indian alcobev industry. Being positioned in the list of millionaire brands, USL targets the market across the segments from whisky to gin and covering multitude price points thereby, catering to a vast range of customers. Over the years (FY10-16) USL's volumes grew at a CAGR of 7% vis-à-vis market CAGR of 10% thereby commanding a formidable position with ~40% market share in the industry. USL has 11 millionaire brands of whisky, which form nearly 40% of 179 million cases strong Indian IMFL whisky segment. This is followed by brandy and rum segments where USL has four and two millionaire brands, which form nearly 36% and 38%, respectively, of the total brandy and rum market.

Finally, even in the white spirits (gin & vodka) segment, USL has a significant presence with nearly four millionaire brands forming 28% of the total white spirits market of the country. Cumulatively, top 21 brands of USL have grown at a CAGR of 5% in FY10-17 thereby reasserting USL's presence at various price points. However, going ahead, riding on strong brand positioning, USL is focusing on shifting towards premiumisation of brands thereby transiting from volume to value player. To steer USL to the next phase of growth, global behemoth Diageo PLC is putting in all efforts in management control and is well seated to guide the transition through de-leveraging of balance sheet and premiumisation of brands.

Exhibit 1: Major focus on SKUs of prestige & above segment…!!

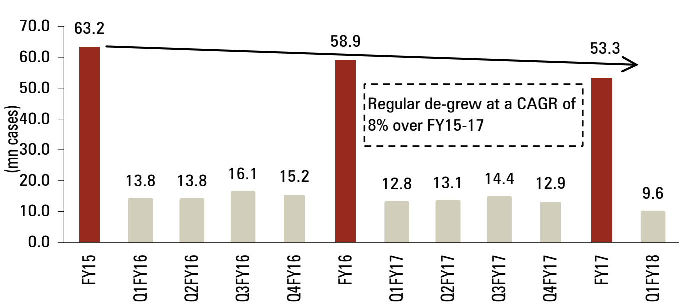
Source: Company Presentation, ICICIdirect.com Research

As compared to earlier portfolio of 140 brands, Diageo has now charted a strategy to focus on 14 power brands. The revamped focus also includes three main brands of Diageo (Johnnie Walker, VAT 69 & Smirnoff). Apart from the same, other USL brands include whisky, rum, brandy and vodka variants from the McDowell's No 1 family, Royal Challenge, Antiquity, Bagpiper, Director's Special Whisky and Black Dog scotch whisky. Over the next three years, Diageo would adopt a focused approach to increase the overall realisation of these 14 power brands.

Diageo brands augur well for premiumisation strategy…

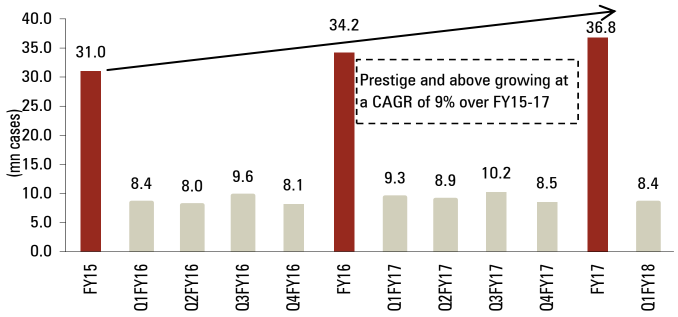
As on Q1FY18, popular segment represents 53% of total volumes and 36% of net sales. However, the prestige & above segment represents 47% of remaining volumes and 61% of net sales. Popular segments include power brands like McDowell's rum and brandy, Bagpiper, Old Tavern and Director's Special, which contribute 80% to popular revenues and has a price range of ₹ 200-500. The prestige & above segment includes premium brands like Royal Challenge, McDowell's No.1 whisky, Signature, Antiquity and Black Dog that has an average ASP of ₹ 500-1500. The portfolio also includes Diageo's super premium brands like Smirnoff, VAT69, Johnnie walker and Black & White. With a variety of SKUs across price point and category, USL would continue to maintain its market share, going ahead. With the addition of Diageo brand in its portfolio, high growth of the same would shift the premiumisation bar for the company. However, the highway ban would impact the volumes in the near term, following which we expect USL's total volumes to de-grow at a CAGR of 4% over FY17-19E; with prestige segment growth at 1% CAGR and popular de-growth of 8% CAGR over the same period.

Exhibit 2: Volumes for regular segment to slowly fade…!!



Source: Images F&R Research, ICICIdirect.com Research

Exhibit 3: Prestige & above segment to remain upbeat…!!!

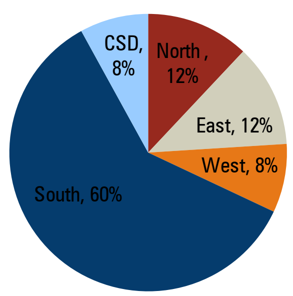


Source: Images F&R Research, ICICIdirect.com Research

Diverse preference in domestic market

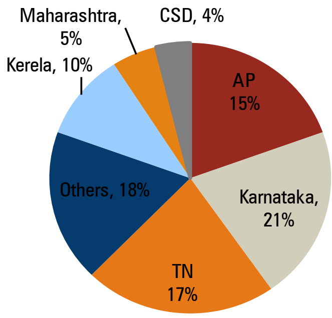
The Indian alcohol sector is highly diverse where customer preferences change significantly region to region (South India prefers rum & brandy whereas North India prefers whisky) and markets work in silos with each state acting independently in fixing prices and controlling demand. South India dominates the IMFL segment with over 60% volume derived from the region on account of the ban on country liquor and IMIL followed by North and East India having nearly 12% share. North India still has a significant share of country liquor and IMIL. Within South India, Tamil Nadu leads the pack with 17% share of IMFL market followed by Karnataka 16%, Andhra Pradesh 15% and Kerala 8%.

Exhibit 4: Geographical break-up of IMFL industry (volume-wise)



Source: Euromonitor, ICICIdirect.com, Research

Exhibit 5: Key IMFL consumption states

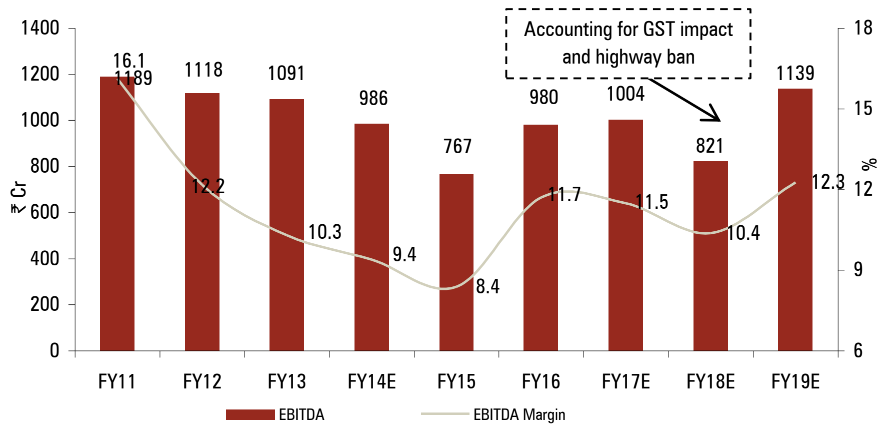


Source: Euromonitor, ICICIdirect.com, Research

Margin to improve following price hike, cost rationalisation

USL's management is on a cost rationalisation spree, which would involve line by line reduction in P&L costs. The historic EBITDA margins declined ~770 bps to 8.4% in FY11-16 owing to an increase in extra neutral alcohol (ENA) cost and other expenses. Post implementation of asset light franchisee strategy, the margins expanded 200 bps over FY16 to FY17 to 11.5% following the increased proportion of traded goods. In addition to traded goods, USL also received a price hike, which would lead to increased realisation, going ahead. However, these margins would be invested in re-branding and positioning of brands. In addition to the same franchising agreements to an extent would safeguard the margins which are expected to remain range bound at 10-12% level over FY17-FY19E. Consequently, the absolute EBITDA is expected to grow at a CAGR of 5% over FY17-19E to ₹ 1099 crore.

Exhibit 6: EBITDA margin to revive on cost stabilisation measures



Source: Company, ICICIdirect.com Research

Core business to take front seat, divesting noncore assets

Over FY16, the USL management is on a spree to withdraw its focus and money from non-core assets. During the year, the company completely sold its holding in United Breweries. Moreover, USL intends to divest 13 properties earlier owned by one of its Chairman (holds first right to buy), which would fetch ₹ 700 crore. Furthermore, it has taken a write-down of ₹ 566 crore that pertains to recovery of funds diverted to certain subsidiaries of UB group. In addition to the cleansing act, USL intends to further reduce its debt levels to the extent of ₹ 1000 crore over the next two years. We believe the liquidity generated would give the financial muscle to USL to invest renovating and network expansion activities.

Branding by Diageo – Value creation for USL

The USL board has provided in-principle approval to hive off Malkajgiri, Andhra Pradesh and Palakkad, Kerala units. Further, the board has also approved monetisation of surplus assets in USL. USL with the hiving off of these units is essentially mulling entering franchise based models like in Tamil Nadu, which augurs well for both margins as well as earnings of USL. USL, like Pernod Ricard (PR), is moving towards a franchise based model, whereby PR's EBITDA grew at a CAGR of ~41% in 2007-13 against USL's EBITDA growth of 17% during the same period. Also, the average EBITDA margin was at 25% for PR whereas for USL it was ~16.5% during the same period. Consequently, with the shedding of low margin units, USL has enhanced the scope for earnings improvement.

Valuation

We believe post Diageo taking over the reins of USL it would undergo a series of transformations over the long term, which we have tried to capture through our DCF methodology. Key risks to our assumptions remain implementation of GST, coupled with certain policy headwinds to the likes of implementation of ban on alcohol or any other regulatory changes. However, we continue to believe the per capita consumption which is currently <2 litre would marginally scale up, which would be supported by a cultural change in the modernisation of India.

We have employed the three phase free cash flow to the firm (FCFF) model over FY17-26 for our discounted cash flow methodology. We believe USL will mainly undergo three phases of transformation. We reduce our three phase DCF model to a two phase model, broadly bifurcating our first phase as a stabilisation phases wherein the sector would undergo a structural change. The recent ban announced by the government would continue to decelerate the growth in this period. We expect the earnings to grow at a CAGR of 17% (FY17-20E). In the next phase we expect the mindset to change and expect business as usual scenario. The absence of these hindrances would enable USL to grow exponentially at a CAGR of ~30% over FY20-26E. We have modelled best case scenario for the company as we believe that the real potential growth for USL is yet to be realised. We have maintained our terminal growth rate of ~5%. Given the normalisation of interest rate, we have revised our risk free rate of 6.5% and beta of 0.8 together with a market risk premium of 4.5% we arrive at a cost of equity of 10%. For FCFF valuation, we have assumed a post tax WACC of 10%. Consequently, we continue to maintain target price of ₹ 3000 for USL with a **BUY** recommendation.

Exhibit 7: DCF valuation

Valuation	₹ Cr
PV of Transient period	2913.0
PV of High growth period	3458.9
PV of Stable growth period	7354.5
PV of Terminal value	29866.6
Target Price (₹)	3000

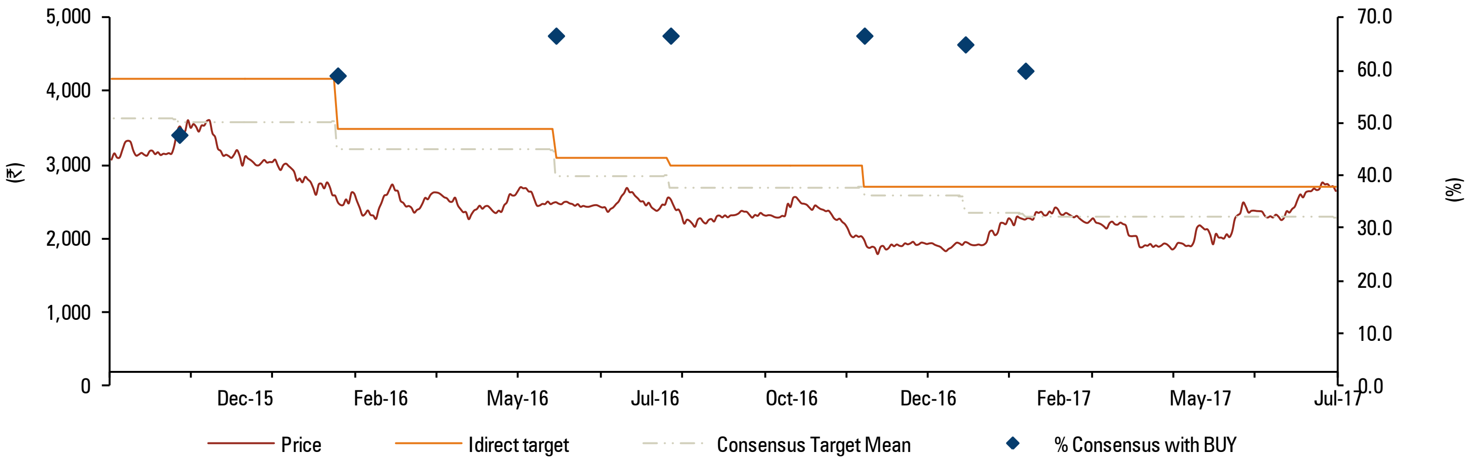
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuations

	Sales (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY15	9335.0	-12.1	-116.1	NA	NA	72.9	NA	9.7
FY16	8494.9	-9.0	9.9	-108.5	268.5	43.0	10.2	15.0
FY17	8817.5	3.8	6.4	-35.1	414.1	42.0	8.2	14.5
FY18E	7990.5	-9.4	24.0	275.2	110.3	50.7	18.3	16.0
FY19E	9372.1	17.3	39.7	65.5	66.7	36.4	24.0	19.3

Source: Company, ICICIdirect.com Research

Recommendation history vs. consensus estimate



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Sep-12	Diageo said to be in advanced talks for stake in United Spirits
Apr-14	Diageo offers to buy 26% stake in United Spirits for ₹ 11450 crore
May-14	United Spirits agrees to sell Whyte & Mackay unit to Emperador
Sep-14	United Spirits declares Q4FY14 result reporting a loss of ₹ 5380.1 crore
Apr-15	Appoints Vinod Rao as the Head of Finance and V Ramachandran as the company secretary and compliance officer
May-15	United Spirits declares Q4FY14 result reporting a loss of ₹ 1799.3 crore
Jul-15	Reports Q1FY16; volume growth for Prestige & above segment come in at 5.7%
Nov-15	Reports Q2FY16; prestige and above segment grew by 7%; EBITDA margins highest since 2013 at 15%
Jan-16	Reports Q3FY16; prestige and above grew by 11% and regular de-grew by 6%. Diageo agreement sales at ₹ 298 crore
May-16	Reports Q4FY16; prestige and above grew 9%; popular de-grew 10%. Guided for mid-teen margins for FY17
Jul-16	Reports Q1FY17; prestige and above grew 11%; popular de-grew 7%. Focus to grow double digit in terms of total revenue
Oct-16	Reports Q2FY17; prestige and above grew 10%; popular de-grew 5%. EBITDA margins impacted by severance costs and LBT in Maharashtra. Affirms guidance of mid-teens margins.
Jan-17	Reports Q3FY17 results. Volumes de-grow 5% YoY but net income grows 3% YoY. EBITDA margins were at 11.8% with PAT of ₹ 147.7 crore
May-17	Reports Q4FY17 results. Total volumes de-grow 8% YoY but net income de-grows 1% YoY. PAT was at loss of ₹ 104.2 crore, including exceptional loss of ₹ 290.8 crore
Jul-17	Reports Q1FY17 results. Volumes de-grew by 19% YoY. Net income de-grew by 13% YoY. PAT stood ar ₹ 63 crore

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Diageo PLC	31-Mar-17	0.55	79.6	0.0
2	Carmignac Gestion	31-Mar-17	0.06	8.2	1.4
3	UB Group	31-Mar-17	0.04	5.3	0.0
4	USL Benefit Trust	31-Mar-17	0.02	3.5	0.0
5	CLSA Capital Partners	31-Mar-17	0.02	2.4	0.0
6	Reliance Nippon Life Asset Management Limited	30-Jun-17	0.01	2.0	0.0
7	The Vanguard Group, Inc.	30-Jun-17	0.01	1.9	0.0
8	BlackRock Institutional Trust Company, N.A.	30-Jun-17	0.01	1.6	-0.2
9	Kotak Mahindra (UK) Ltd	31-Mar-17	0.01	1.5	-0.1
10	Motilal Oswal Asset Management Company Ltd.	30-Jun-17	0.01	1.0	0.1

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	58.5	58.5	58.5	58.5	58.5
FII	23.3	23.6	22.3	22.6	22.1
DII	5.3	5.3	5.0	5.0	5.5
Others	13.0	12.6	14.2	14.0	14.0

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Carmignac Gestion	48.52	1.45	Franklin Advisers, Inc.	-26.54	-0.72
ARISAIG Partners (Asia) Pte. Ltd.	10.98	0.33	BNP Paribas Asset Management Asia Limited	-7.31	-0.25
RBC Investment Management (Asia) Ltd.	6.70	0.20	Lyxor Asset Management	-8.13	-0.23
Motilal Oswal Asset Management Company Ltd.	2.54	0.07	BlackRock Institutional Trust Company, N.A.	-6.76	-0.18
Caisse de Depot et Placement du Quebec	1.33	0.05	Davis Selected Advisers, L.P.	-5.49	-0.17

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY16	FY17P	FY18E	FY19E
Revenue	8,494.9	8,817.5	7,990.5	9,372.1
Growth (%)	-9.0	3.8	-9.4	17.3
Cost of materials consumed	4,737.0	4,675.5	4,237.0	4,920.3
Purchase of Traded goods	179.3	197.4	239.7	281.2
Change in Inventories	-159.1	56.8	-8.0	-107.8
Employee benefit expense	680.0	688.2	639.2	749.8
Advertisment&Promo	615.4	673.4	623.3	702.9
Other Expenses	1,462.0	1,522.4	1,438.3	1,687.0
EBITDA	980.3	1,003.8	821.0	1,138.7
Growth (%)	27.8	2.4	-18.2	38.7
Depreciation	157.2	188.6	103.8	115.0
EBIT	823.1	815.2	717.2	1,023.7
Finance Cost	457.4	375.1	253.6	246.1
Other Income	43.6	105.3	65.1	97.6
Exceptional Item	-43.1	-382.7	0.0	0.0
PBT	366.2	162.7	528.8	875.2
Tax	222.8	69.7	179.8	297.6
Reported PAT	143.4	93.0	349.0	577.6
Adjustments	23.8	53.9	2.6	4.3
Adj. Net Profit	167.2	146.9	351.6	581.9

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17P	FY18E	FY19E
Profit after Tax	167.2	146.9	351.6	581.9
Add: Depreciation	157.2	188.6	103.8	115.0
Cash Profit	324.4	335.5	455.4	696.9
Increase/(Decrease) in CL	584.8	437.9	-727.3	26.6
(Increase)/Decrease in CA	-650.7	-510.8	2,216.0	-423.3
CF from Operating Activities	258.5	262.6	1,944.1	300.2
Purchase of Fixed Assets	-82.6	8.5	-127.8	-212.7
(Inc)/Dec in Investments	602.6	-25.9	-324.9	-112.6
Others	240.2	368.0	-146.2	-26.8
CF from Investing Activities	760.2	350.6	-598.9	-352.2
Inc/(Dec) in Loan Funds	-1,006.6	13.9	-1,253.9	303.2
Inc/(Dec) in Sh. Cap. & Res.	0.0	0.0	0.0	0.0
Others	-235.8	-676.7	-92.8	-162.6
CF from financing activities	-1,242.5	-662.8	-1,346.7	140.5
Op. Cash and cash Eq.	360.5	136.8	87.2	85.6
Cl. Cash and cash Eq.	136.8	87.2	85.6	174.2

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY16	FY17P	FY18E	FY19E
Source of Funds				
Equity Capital	145.3	145.3	145.3	145.3
Reserves & Surplus	1,489.4	1,640.3	1,778.6	2,279.5
Shareholder's Fund	1,634.7	1,785.6	1,923.9	2,424.9
Minority Interest	5.6	-2.5	-2.5	-2.5
Loan Funds	3,762.7	3,776.6	2,522.7	2,825.8
Provisions	68.3	44.2	44.2	44.2
Other Liabilities	3.9	0.0	0.0	0.0
Total Current Liabilities	2,854.1	3,292.0	2,564.7	2,591.3
Source of Funds	8,329.3	8,895.9	7,053.0	7,883.7
Application of Funds				
Gross Block	3,482.4	3,621.9	3,883.4	4,236.5
Less: Acc. Depreciation	1,708.1	1,773.3	1,877.1	1,992.1
Net Block	1,774.3	1,848.6	2,006.3	2,244.4
Capital WIP	282.1	199.3	169.4	144.0
Goodwill	112.5	68.0	68.0	68.0
Non-Current Investments	75.4	0.0	0.0	0.0
Deferred Tax Assets (net)	190.0	178.1	178.1	178.1
Long term loans & advances	224.3	325.6	650.5	763.1
Other Non current assets	382.8	527.2	448.1	448.1
Current Investments	1.2	0.1	0.1	0.1
Inventories	1,951.9	1,927.6	1,532.4	1,283.8
Debtor	2,303.2	2,953.4	1,444.9	1,592.0
Cash	136.8	87.2	85.6	174.2
Loan & Advance, Other CA	894.8	780.8	468.5	993.3
Total Current assets	5,287.9	5,749.1	3,531.5	4,043.4
Application of Funds	8,329.3	8,895.9	7,053.0	7,883.7

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17P	FY18E	FY19E
Per share data (₹)				
Book Value	112.5	122.9	132.4	166.9
Cash per share	9.4	6.0	5.9	12.0
EPS	9.9	6.4	24.0	39.7
Cash EPS	22.3	23.1	31.3	48.0
DPS	1.2	1.0	2.4	4.8
Profitability & Operating Ratios				
EBITDA Margin (%)	11.7	11.5	10.4	12.3
PAT Margin (%)	2.0	1.7	4.4	6.2
Fixed Asset Turnover (x)	2.4	2.4	2.1	2.2
Inventory Turnover (Days)	83.9	79.8	70.0	50.0
Debtor (Days)	99.0	122.3	66.0	62.0
Creditors (Days)	43.8	50.7	55.0	40.0
Return Ratios (%)				
RoE	10.2	8.2	18.3	24.0
RoCE	15.0	14.5	16.0	19.3
RoIC	15.9	14.9	16.4	20.2
Valuation Ratios (x)				
PE	268.5	414.1	110.3	66.7
Price to Book Value	23.6	21.6	20.0	15.9
EV/EBITDA	43.0	42.0	50.7	36.4
EV/Sales	5.0	4.8	5.2	4.4
Leverage & Solvency Ratios				
Debt to equity (x)	2.3	2.1	1.6	1.3
Interest Coverage (x)	1.8	2.2	2.8	4.2
Debt to EBITDA (x)	5.8	3.7	4.6	2.8
Current Ratio	1.9	1.7	1.4	1.6
Quick ratio	1.2	1.2	0.8	1.1

Source: Company, ICICIdirect.com Research

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