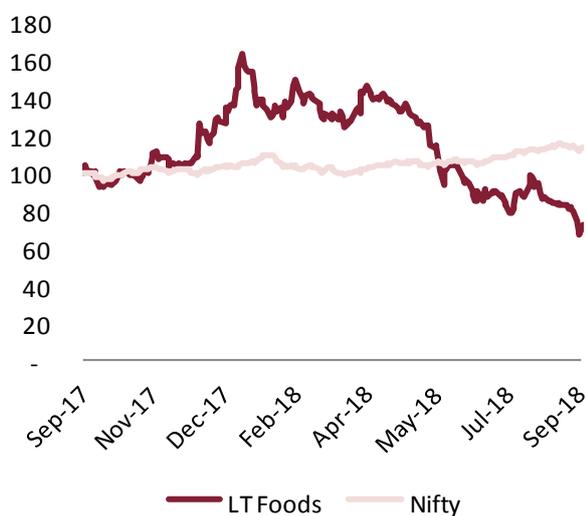




CMP	48	Rating	BUY
Target	70	UPSIDE	45%

STOCK DETAILS

BSE Code	532783
NSE Code	DAAWAT
Market Cap (Rs bn)	1.6
Sector/Index	Packaged Foods/S&P BSE SmallCap
Year End	March
52 w.High/Low	110/42
Avg. Monthly Turnover (Rs mn)	59.0
Listed on	BSE/NSE
Shares in Issue (mn)	319.8
BSE Sensex	37121
NSE Nifty	11234



SHAREHOLDING PATTERN		
%	June-18	March-18
Promoter	56.01%	56.01%
FII/DII	17.43%	17.54%
Others	26.56%	26.45%

CONSOLIDATED FINANCIALS				
Rs in bn	FY17	FY18	FY19E	FY20E
Total Revenue	32.4	36.1	39.5	43.5
EBIDTA	3.6	3.8	4.3	4.9
EBIDTA(%)	11.0%	10.5%	10.8%	11.4%
PAT	1.2	1.3	1.7	2.2
EPS (Rs.)	3.7	4.2	5.4	7.0
P/E (x)	13.1	11.4	9.0	6.9

Source: Company-Annual Report, Indsec Research,BSE, NSE

LT Foods is a branded specialty food Company dealing in branded basmati rice, organic foods and rice based convenience products. Its integrated operations include procurement, milling and processing for Basmati rice centered in India whereas further value addition and marketing – distribution are available worldwide. Key markets for LT Foods’ brands besides India cover the U.S., the U.K., Europe and the Middle East. The Company’s brands include Daawat, Royal, Heritage, Deevaya, Ecolife, Gold Seal Indus Valley and 817 Elephant.

Investment Rationale

Strong Geographical presence: The major markets for LT Foods’ brands apart from India include U.S., the U.K., Europe, Middle East and Far East. India’s contribution to total revenues in FY18 stood at ~38%. North America and Middle East contributed ~30% and ~11% respectively while share of rest of the countries was ~21%. LT Foods has its presence in ~150,000 retail outlets in India, covering 93%+ towns in India with a population of over 2 lakh. It is available in North America and Europe/RoW through 30-40 distributors. The company’s brands are also available on major e-commerce platforms. **The company continues to expand its opportunities by acquiring brands like ‘Gold Seal Indus Valley’ and ‘Rozana’; and premium rice brand ‘817 Elephant’ to strengthen its existing presence in countries such as US, Canada, and in the Middle East.**

Core branded portfolio catering to different price ranges: The company’s branded rice portfolio contribution stood at Rs 21.3bn for FY18 thereby contributing was ~58% of total revenues. Their basmati rice portfolio includes premium brands like Daawat, Royal, Indus Valley and 817 Elephant. The mid price range includes brands like Heritage and Devaaya while the brand Rozana forms a part of the value range thus making basmati rice available across price points. The premium rice portfolio contributes ~15% of the branded portfolio while the mid price segment contributes ~60%. The remaining contribution is led by the value segment. **We expect branded rice business to grow steadily at a CAGR of 17% over the next 2 years to ~Rs 29bn with increasing contribution to revenues given the company’s strong brand equity and presence across the value chain.**

Leveraging brand equity to expand portfolio into value added & organic products to fuel growth: In addition to growing the basmati rice business over the years, the company has leveraged its brand name to foray into value added products (VAP). Their portfolio of products now encompasses specialty rice across price points, organic food, sauté sauces, rice based snacks and rice based convenience products. The organic business is expected to witness a steady growth going ahead. Additionally, the firm has raised Rs 1.4bn during Q2FY19 from existing investor Rabo Equity Advisors for its wholly-owned subsidiary Nature Bio Foods Ltd (NBFL) which could further give an impetus to growth in the organic segment. **Given the initiatives the company is taking to build this portfolio, we expect the organic business to witness a CAGR growth of ~12% over FY18-FY20 to 4.4bn.**

Strong balance sheet and improved ability to generate cash flows: The basmati rice industry is working capital intensive and requires a large amount of working capital to procure paddy during the procurement season. In FY18, in order to reduce dependency on external debt and fuel growth, the company raised Rs 4bn through QIP which led to a re-rating by CRISIL to A-/Positive outlook from BBB+/ Positive outlook. The company’s debt equity ratio now stands at 1.3x vs 2.4 YoY. **The re-rating and lower dependency on the borrowings has also helped reduce Finance cost in FY18 by 6.5% YoY to Rs 1.5bn and is expected to reduce further going ahead. The working capital days have reduced from 286 to 237 over FY14-FY18. We expect to see further improvement in the working capital cycle to 233 days in FY20 and reduction in debt equity ratio to 0.9x.**

Valuation: We expect the topline to grow at CAGR of 9.7% over FY18-FY20E to Rs. 43.5bn, while EBITDA is expected to grow at CAGR of 14.5% with margins expected to expand 94bps to 11.4%. PAT is expected to grow at a CAGR of 28.7% to Rs 2.2bn. At CMP of Rs 48, the stock is trading at 9.0x and 6.9x on our earnings estimates of Rs. 5.4 and Rs. 7.0 for FY19E and FY20E respectively. LT Foods has historically witnessed a steady growth. Additionally, its focus on premiumization and venture into organic & VAP business are key growth drivers going ahead. Considering the shift from unorganized to organized segment, we believe LT Foods is in a good position to capitalize on the opportunity in the domestic market while it continues to witness a strong growth Internationally as well. The company’s closest peer KRBL Ltd trades at 18.7x and 17.1x FY19E and FY20E, consensus estimates on account of their higher margins and return ratios (FY18-OPM-23%, ROE-19%, ROCE-20%). LT Foods has historically traded at a 1-yr forward PE band of 6-12x, hence we assign a multiple of 10x on FY20E earnings of Rs 7.0 post which we arrive at a target price of Rs 70 which implies an upside of 45% from current levels.



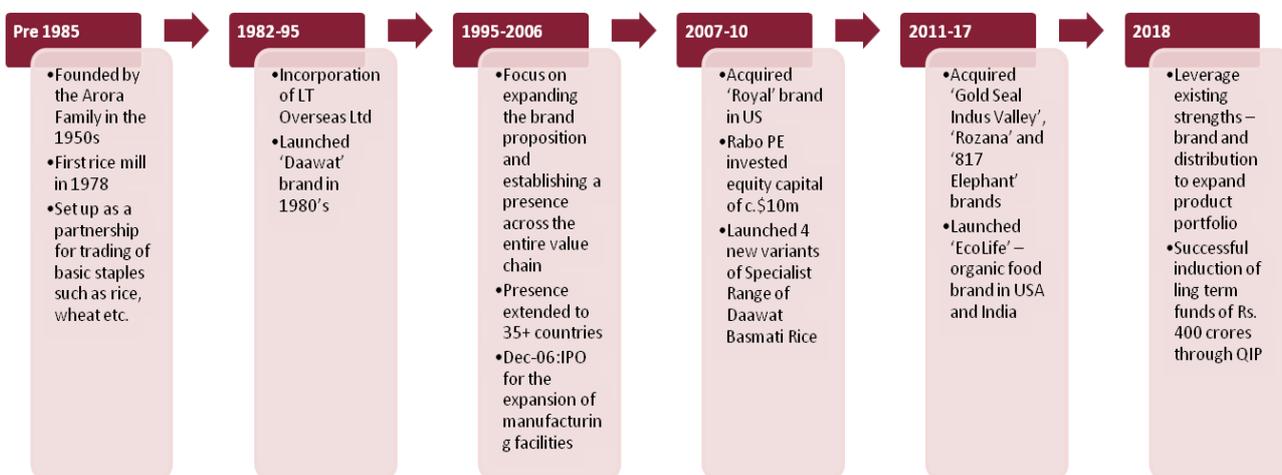
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About the Company:

- ⇒ Incorporated in the year 1990, LT Foods Ltd (LTFL) has evolved from being a bulk rice player in their formative years to a globally recognized, branded specialty food Company dealing in specialty branded basmati rice, organic foods and rice based convenience products.
- ⇒ The Company's integrated operations include procurement, milling and processing for Basmati rice centered in India whereas further value addition and marketing – distribution are available worldwide.
- ⇒ The company has a farm to fork business model thereby providing them with strong back end Infrastructure. LTFL is a fully integrated entity with presence across the supply chain – production, processing, distribution and sales. It has a strong procurement network centered in India through contract farming since 2006 and association with 270 agents linked with 234 mandis.
- ⇒ The rice portfolio comprises brown, white, steamed, parboiled, organic, quick cooking brown Rice, value added and flavored Rice. The company's product portfolio also includes organic foods products i.e Rice, Pulses, Oilseeds, Cereal grains, Spices & Nuts.
- ⇒ The key markets for LT Foods' brands besides India include U.S., the U.K., Europe, Middle East and Far East.
- ⇒ The company has five processing plants in India (two in Punjab, two in Haryana and one in Madhya Pradesh), each with its own commodity specific specialization. The Company also has facilities in Rotterdam and in the US. The combined capacity of the Company stands at 101 tonnes per hour as of 31st March, 2018.

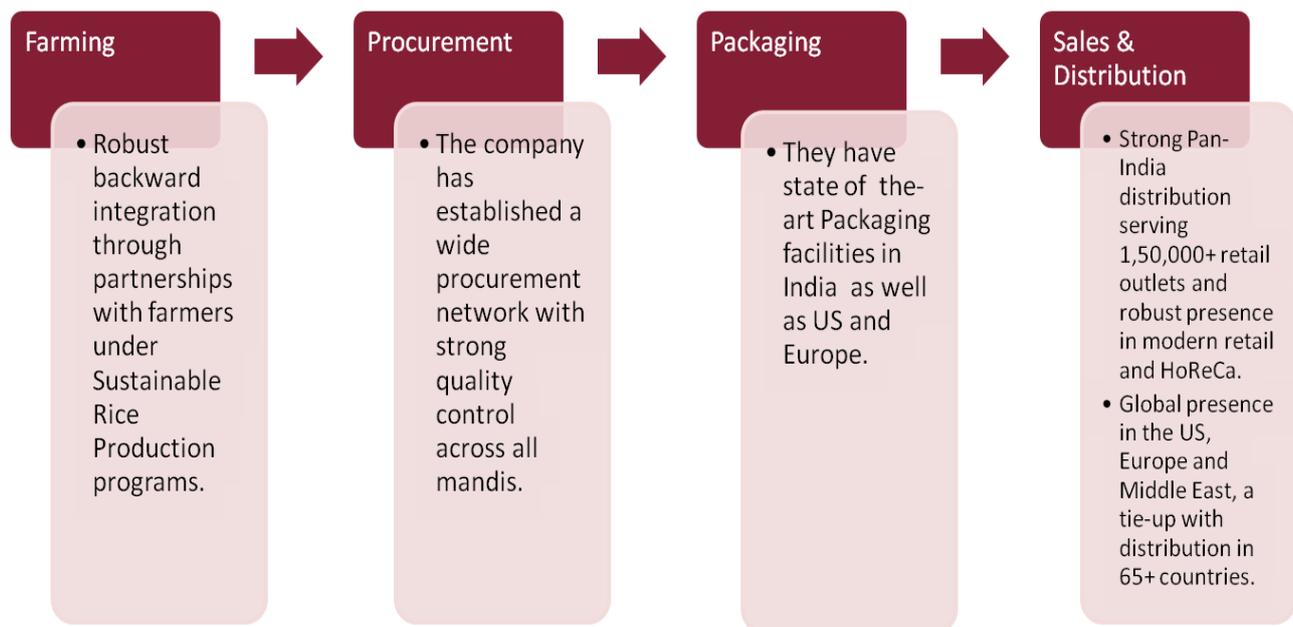
Journey



Manufacturing facilities in India

	Sonepat (Bahalgarh)	Sonepat (Kamaspur)	Bhopal	Amritsar	Varpal
Rice capacity (tonnes per hour)	43	5(organic)	35	6	12
Key products	Raw rice	Organic rice, Snack	Rice, plain chips, chips seasoning, rice/wheat flour, brown rice	Rice, par-boiled Rice	Rice (golden, creamy, boiled, parboiled and raw)
Accreditation	ISO, SQF, BRC, SA, Kosher, OU, Halal	ISO, NOP, NPOP, EEC and Kosher	FSSC, Halal, Kosher and BRC	ISO	FSSC and BRC

Integrated Business Model



Brand Portfolio

Daawat: The flagship brand of the Company, 'Daawat' is one of the largest selling basmati brands in India. 'Daawat' offers consumers premium quality basmati rice. Its sub-brands include Rozana and Chef's Secretz.



Royal: It is the No. 1 and the largest selling basmati rice brand in the US. Besides premium basmati rice, the brand also offers jasmine rice, arborio rice, and wheat flour. It is expanding its reach and product portfolio on a continuous basis. It is growing at a CAGR of ~20% over the last five years.



Ecolife: The Company sells its organic products under the brand Ecolife which is well accepted in developed economies. Its range includes rice, pulses, oil seeds, cereal grains, spices, nuts. Organic business has been one of the fastest growing segments within the Company.



Devaaya: It is the Company's leading basmati rice brand in the mid price segment and offers branded Basmati rice and staples like wheat flour, refined flour, flattened rice, chickpea flour, and semolina.



Heritage: It is a popular basmati rice brand catering to the mass segment, and is widely accepted for its aroma and quality.

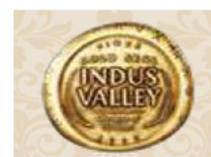


Kari Kari: The Company has launched premium rice based snacks brand "Kari Kari" in India from a JV with a Japanese snack food major Kameda Seika. The initial response in the test launch phase has been very encouraging and based on the results of the test launch, the Company plans to set up a facility for the same in the next financial year.



Strategic Acquisitions

The company acquired brands i.e Rozana, Gold Seal Indus Valley, and 817 Elephant in FY16 to strengthen its footprint in the overseas market.



Gold Seal Indus Valley & Rozana: The acquisition of 'Gold Seal Indus Valley' and 'Rozana' from HUL has helped them strengthen their position in Qatar, Oman, Bahrain & Kuwait.



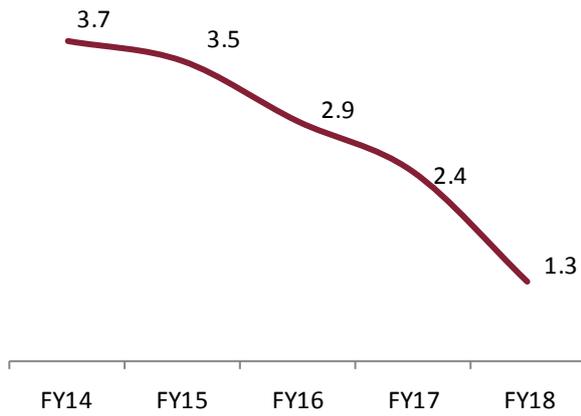
817 Elephant: This acquisition is helping in strengthening the Company's presence in USA, Australia, Europe & Middle East.



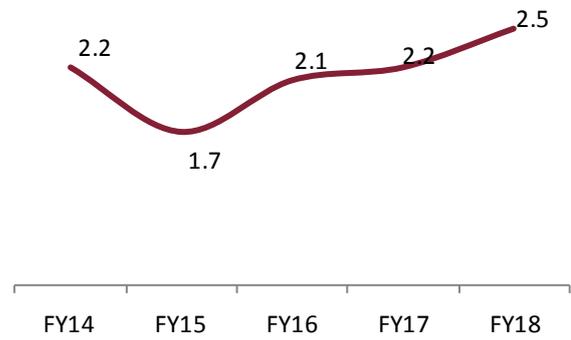
5 state of art manufacturing units in India



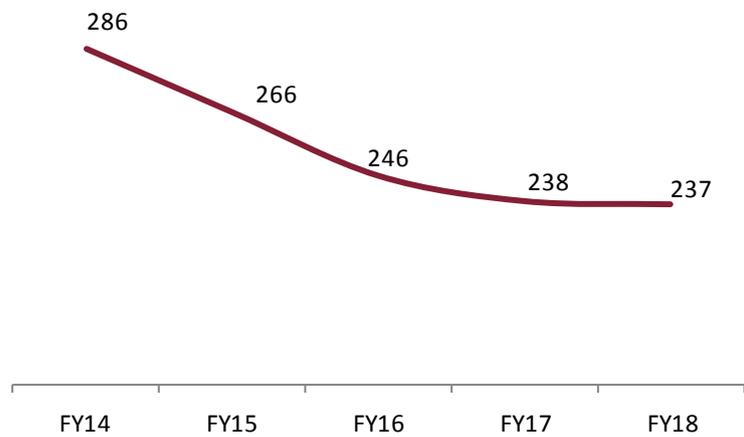
Debt Equity Ratio



Interest Coverage Ratio



Working Capital Days



Industry Watch –Rice

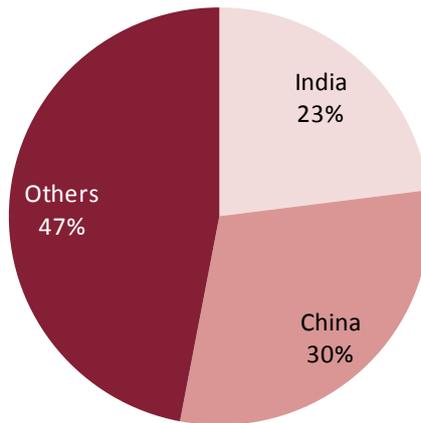
The world’s largest rice producing economies are China and India, which produced 145 mn tonnes and 110 mn tonnes respectively in 2017. While this accounts for 52.5% of global production, India accounts for 23%. The top-five rice producing nations include India, China, Indonesia, Bangladesh and Vietnam.

China and India are also the two greatest consumers of rice, with 144 mn tonnes and 97mn tonnes respectively in 2017, accounting for 50.7% of global consumption.

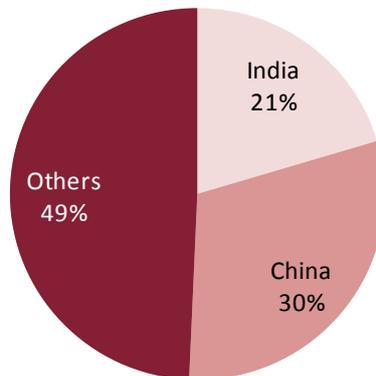
Among the various rice varieties, ‘**Basmati**’ is the most premium, with superior product characteristics. Basmati is largely cultivated in India and Pakistan, which makes these countries the only suppliers in the world. The basmati rice is grown only once a year, in the kharif cropping cycle, sown in May-June and harvested in September-November. In India, the major Basmati rice-producing states are Punjab, Haryana and Uttar Pradesh, which together account for over 95% of the country’s total Basmati rice production. Overseas markets for Basmati include regions with concentrations of South Asian diaspora –including the Middle East, the U.S., the U.K. and parts of EU.

In recent years, rising disposable incomes and a shift towards premium products have increased the domestic demand for Basmati. This, coupled with the increased penetration of modern retail format stores and a greater marketing push by the companies, have aided the growth of basmati rice consumption in the domestic market. The outlook for the Indian Basmati rice industry is favorable, supported by demand improvement from the international market and potential upside from branded demand/premiumization domestically.

Global Rice production



Global Rice consumption



Investment Rationale

1. Strong Geographical presence

The major markets for LT Foods' brands apart from India include U.S., the U.K., Europe, Middle East and Far East. India's contribution to total revenues in FY18 stood at ~38%. North America and Middle East contributed ~30% and ~11% respectively while share of rest of the countries was ~21%.

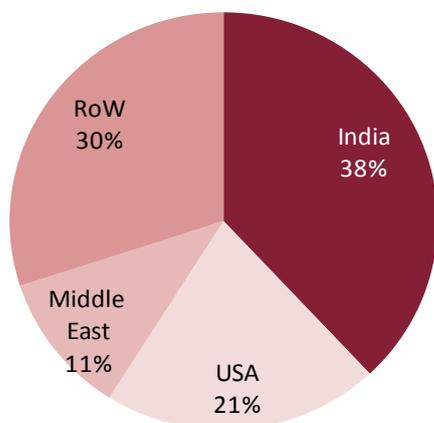
Daawat which is a leading brand in India enjoys a ~28% market share in branded packaged Indian rice and ~35% share in the premium segment of Indian basmati rice. The Company also enjoys highest market share in the rural segment at ~42%. Daawat brand revenues have doubled in last 4 years (FY14 to FY18). Additionally, the company enjoys a Leadership position of 45% market share in North America through its brand Royal. Royal brand revenues have doubled within last 4 years (FY14 to FY18). It is also has a strong presence in Europe/RoW and Middle Eastern markets. Its other brands such as EcoLife and Devaaya are also present globally.

The total branded business contribution was Rs 21.3bn for FY18 (i.e ~59% of total revenues). The branded business in India stood at Rs 8.9bn for FY18 thereby registering a growth of 13% YoY while the branded revenue from overseas was Rs 12.4bn, a growth of 23% YoY. This contribution of US branded business was ~41% of total branded revenue and grew by 21% YoY while the Middle East business contributed ~ 11% of total branded revenue and registered a 19% YoY growth. The Far East and Africa business contributed ~4% of the total branded revenue and grew by 37% YoY. The company's own brands contribution to sales continue to witness an increase and was ~69% of total sales during Q1FY19 vs ~66% YoY.

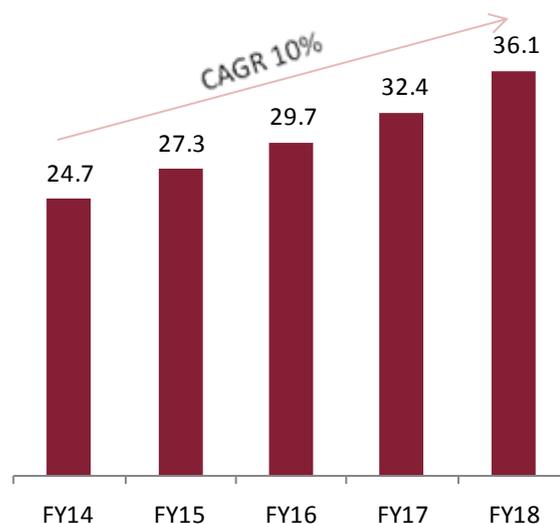
LT Foods has its presence in ~150,000 retail outlets in India, covering 93%+ towns in India with a population of over 2 lakh. It is available in North America and Europe/RoW through 30-40 distributors. The company's brands are also available on major e-commerce platforms.

The company continues to expand its opportunities by acquiring brands like 'Gold Seal Indus Valley' and 'Rozana'; and premium rice brand '817 Elephant' to strengthen its existing presence in countries such as US, Canada, and in the Middle East. They continue to expand their geographical footprint and have set up a 60,000 MT rice processing plant in Europe at Rotterdam which will sell products through the 'Daawat' brand. This new processing unit is expected eliminate the duty cost related to imports of white rice into Europe and could further bolster growth in the region. The company has also launched Ready to Heat (RTH) facility to manufacture Ready-to-Heat products in the US.

Revenue contribution by Geography-FY18



Revenue growth FY14-FY18 (Rs bn)



2. Core branded portfolio catering to different price ranges

The company's branded rice portfolio contribution stood at Rs 21.3bn for FY18 thereby contributing was ~58% of total revenues. Their basmati rice portfolio includes premium brands like Daawat, Royal, Indus Valley and 817 Elephant. The mid price range includes brands like Heritage and Devaaya while the brand Rozana forms a part of the value range thus making basmati rice available across price points. The premium rice portfolio contributes ~15% of the branded portfolio while the mid price segment contributes ~60%. The remaining contribution is led by the value segment.

Daawat is a leading brand in India with ~28% market share and ~35% market share in Premium segment. Royal is the No. 1 and the largest selling basmati rice brand in the US and has been growing at a CAGR of 20% over the last five years.

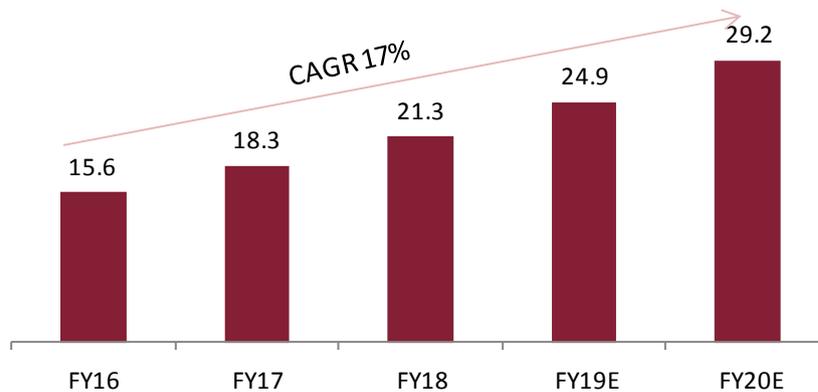
Going ahead the company plans to increase the share of branded segment in revenues with focus on the premium range to drive topline growth. This has been witnessed in Q1FY19 where share of branded business has increased to 69% of total revenue vs 66% YoY in line with the company's strategy. Branded rice revenue witnessed a ~18% YoY growth with and underlying 25% YoY in International branded revenue during Q1FY19.

We expect branded rice business to grow steadily at a CAGR of 17% over the next 2 years to ~Rs 29bn with increasing contribution to revenues given the company's strong brand equity and presence across the value chain.

Basmati Rice portfolio



Branded Rice Business Growth (Rs bn)

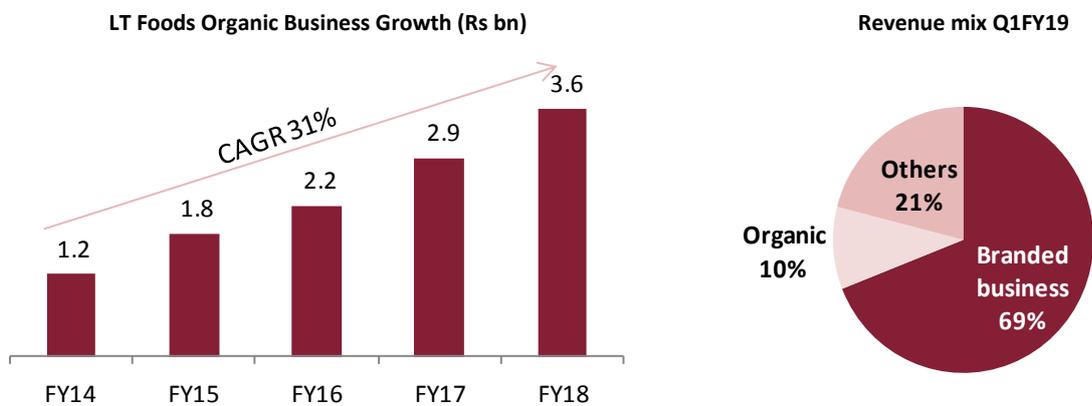


3. Leveraging brand equity to expand portfolio into value added & organic products to fuel growth

In addition to growing the basmati rice business over the years, the company has leveraged its brand name to foray into value added products (VAP). Their portfolio of products now encompasses specialty rice across price points, organic food, sauté sauces, rice based snacks and rice based convenience products.

In FY2018, the company launched their premium rice-based snacks brand ‘Kari Kari’ from a JV with Kameda Seika for the Indian market. In addition they also inaugurated a new facility in the US to manufacture organic Ready – to – Heat and Eat products. Although a very small portion of revenues currently, the value added products have gross margins north of 40% which is likely to give an impetus to margins as this portfolio grows over a period of time.

With increasing awareness about food safety issues, organic foods have become a sizable market. The global organic food and beverages market is expected to reach \$323.09 bn by 2024 from \$124.76 bn in 2017 thereby registering a CAGR of ~15%.



LT Foods is a B2B player in the organic space in Europe and has its presence in US as well through the brand ‘Ecolife’. Going ahead the company plans to launch the product in India by FY19 end. Their organic portfolio includes Rice, Pulses, Oilseeds, Cereal grains, Spices and Nuts. The organic portfolio contributes ~10% of revenues currently and has witnessed a CAGR of 31% to Rs 3.6bn over FY14-FY18. A competitive edge for the company in this category has been the direct relationship with ~80,000 farmers, which accounts for 12.4% of total organic farmers in India.



The organic business is expected to witness a steady growth going ahead. Additionally, the firm has raised Rs 1.4bn during Q2FY19 from existing investor Rabo Equity Advisors for its wholly-owned subsidiary Nature Bio Foods Ltd (NBFL) which could further give an impetus to growth in the organic segment. Given the initiatives the company is taking to build this portfolio, we expect the organic business to witness a CAGR growth of ~12% over FY18-FY20 to 4.4bn.

4. Strong balance sheet and improved ability to generate cash flows

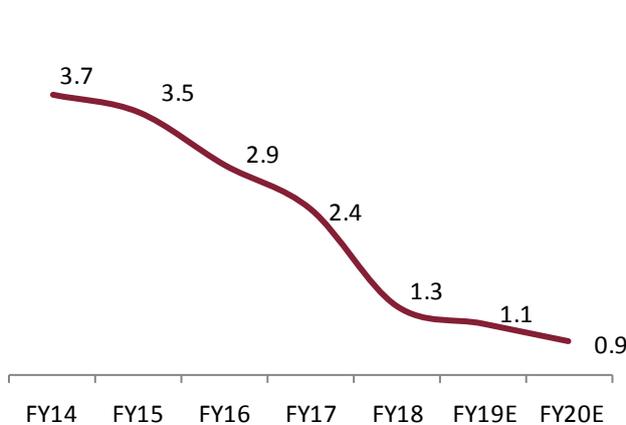
The basmati rice industry is working capital intensive and requires a large amount of working capital to procure paddy during the procurement season. In FY18, in order to reduce dependency on external debt and fuel growth, the company raised Rs 4bn through QIP. This has also led to a re-rating by CRISIL to A-/Positive outlook from BBB+/ Positive outlook.

The company's debt equity ratio now stands at 1.3x vs 2.4 YoY. Although return ratios were impacted during the year due to infusion of capital, going ahead we expect to see an improvement led by increased profitability and generation of cash flows.

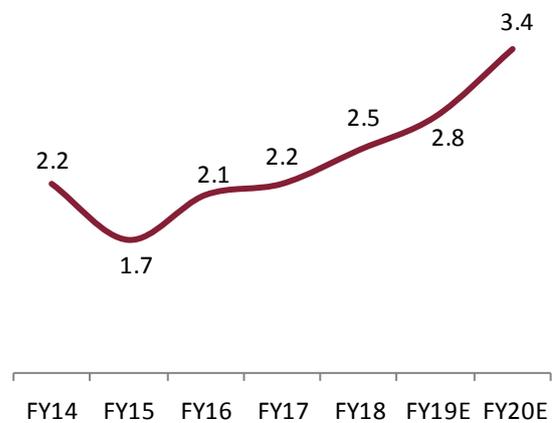
Additionally, return ratios could also witness a boost as most of the capex has been done and only maintenance capex will be seen for the next couple of years.

The re-rating of and lower dependency on the borrowings has also helped reduce Finance cost in FY18 by 6.5% YoY to Rs 1.5bn and is expected to reduce further going ahead. The working capital days have reduced from 286 to 237 over FY14-FY18. We expect to see further improvement in the working capital cycle to 233 days in FY20 and reduction in debt equity ratio to 0.9x.

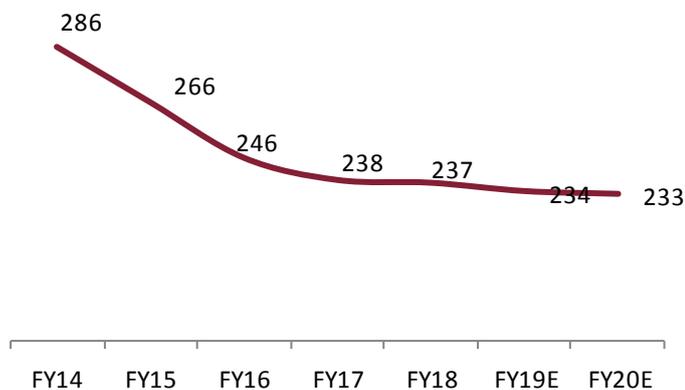
Reduction Debt Equity Ratio



Improvement in Interest coverage ratio



Working capital days



Valuation and Recommendation :

LT Foods is a branded specialty food Company dealing in branded basmati rice, organic foods and rice based convenience products. Its integrated operations include procurement, milling and processing for Basmati rice. India's contribution to total revenues in FY18 stood at 38%. North America and Middle East contributed 30% and 11% respectively while share of rest of the countries was 21%. Apart from its core basmati rice business, the company has leveraged its brand name to enter the value added products and organic business segments. Their portfolio of products now encompasses specialty rice across price points, organic food, sauté sauces, rice based snacks and convenience rice based convenience products.

The topline for the company has grown at a CAGR of 9.9% for the period FY14-18 to Rs.36.1bn, while the EBITDA has grown at a CAGR of 9.5% to Rs. 3.8bn for the same period, with OPM standing at 10.5%. PAT has grown at a CAGR of 14.5% over FY14-18 to Rs. 1.3bn. ROE and ROCE stood at 11.4% and 13.5% respectively for FY18. The company's debt equity ratio has declined on back of infusion of capital through QIP in FY18 to 1.3x from 3.7x in FY14.

We expect to see growth of 17% in the core branded portfolio driven by focus on premiumization. Additionally, the organic business (~10% of revenues) is expected to witness a steady CAGR growth of ~12% over FY18-FY20.

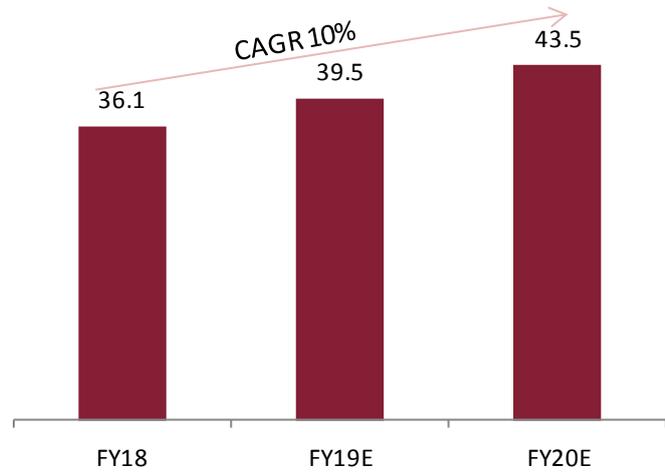
We expect the topline to grow at CAGR of 9.7% over FY18-FY20E to Rs. 43.5bn, while EBITDA is expected to grow at CAGR of 14.5% with margins expected to expand 94bps to 11.4%. PAT is expected to grow at a CAGR of 28.7% to Rs 2.2bn. At CMP of Rs 48, the stock is trading at 9.0x and 6.9x on our earnings estimates of Rs. 5.4 and Rs. 7.0 for FY19E and FY20E respectively. LT Foods has historically witnessed a steady growth. Additionally, its focus on premiumization and venture into organic & VAP business are key growth drivers going ahead. Considering the shift from unorganized to organized segment, we believe LT Foods is in a good position to capitalize on the opportunity in the domestic market while it continues to witness a strong growth Internationally as well. The company's closest peer KRBL Ltd trades at 18.7x and 17.1x FY19E and FY20E, consensus estimates on account of their higher margins and return ratios (FY18-OPM-23%, ROE-19%, ROCE-20%). LT Foods has historically traded at a 1-yr forward PE band of 6-12x, hence we assign a multiple of 10x on FY20E earnings of Rs 7.0 post which we arrive at a target price of Rs 70 which implies an upside of 45% from current levels.

Key Risks:

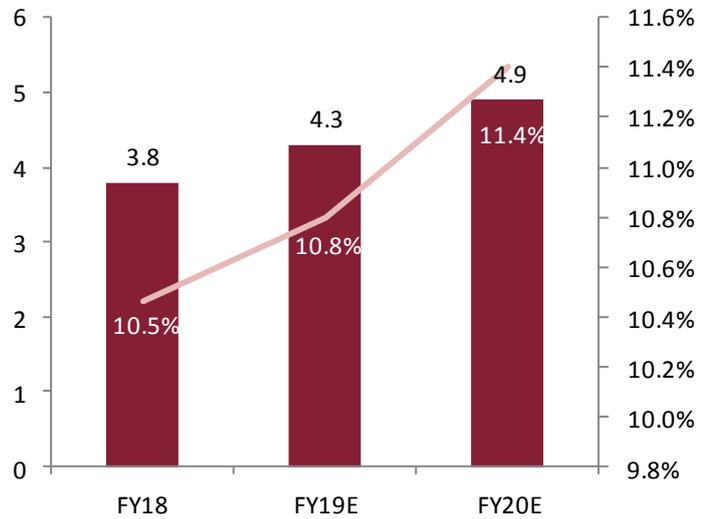
- ⇒ **Change in Export policies:** Significant portion of income is derived from export activities and any change in export policies may impact business.
- ⇒ **RMAT price volatility could impact margins:** The business is dependent upon the availability, quality, quantity and cost of basmati paddy which could impact margins in case of unforeseen events.
- ⇒ **Slowdown in growth:** Slower than expected growth in branded business and new launches could affect growth of the company.

Financial Performance Analysis
Revenue (Rs bn)

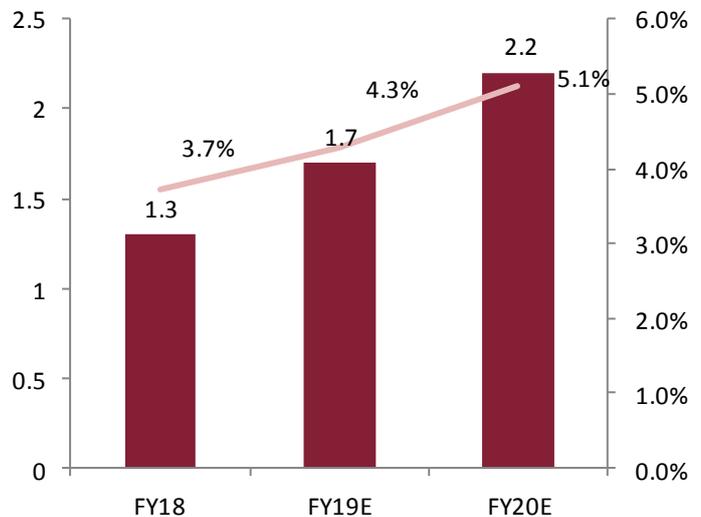
The topline is expected to grow by 9.7% CAGR between FY18-20E to Rs. 43.5bn on the back growth branded segment and organic business.


EBTIDA (Rs bn) (OPM)(in %)

EBITDA is expected to grow by 14.5% CAGR between FY18-20E to ~Rs. 4.9bn while OPM is expected to be 11.4%.


PAT (Rs bn) & PAT Margins (%)

PAT is expected to grow by 24.3% CAGR between FY18-20E to Rs. 2.2 bn while NPM is expected to be in the region of 5.1%.



SUMMARY INCOME STATEMENT

<i>(in mn)</i>	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operations	24,741	27,346	29,734	32,448	36,137	39,534	43,453
Cost Of Revenues (incl Stock Adj)	18,419	20,622	21,048	24,097	26,714	29,295	31,808
Gross Profit	6,322	6,723	8,686	8,350	9,423	10,239	11,645
Employee Cost	639	742	898	1,169	1,350	1,502	1,695
Other Operating Expenses	3,051	3,344	4,222	3,599	4,292	4,467	4,997
EBITDA	2,633	2,637	3,566	3,582	3,780	4,270	4,954
Other Income	186	452	62	481	362	316	326
Net Interest Exp.	1,134	1,511	1,478	1,568	1,466	1,393	1,345
Depreciation	374	466	515	551	501	618	604
Exceptional Items	0	0	(440)	0	0	0	0
PBT	1,311	1,112	2,075	1,945	2,176	2,575	3,330
Tax	463	345	471	649	714	863	1,099
Profit After Tax	783	728	723	1,172	1,347	1,712	2,231
EPS	2.4	2.3	2.3	3.7	4.2	5.4	7.0

SUMMARY BALANCE SHEET

<i>(in mn)</i>	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Assets							
Net Block	3,497	3,704	3,612	3,702	5,633	5,789	5,685
Capital WIP	186	147	244	395	275	0	0
Intangible Assets under development	0	0	0	99	99	0	0
Other Non current Assets	85	108	141	1,874	2,083	2,172	2,172
Long term loans and advances	211	287	1,676	0	0	0	0
Current Assets							
Current Investment	0	0	0	0	0	0	0
Inventories	13,494	13,622	12,996	14,470	17,287	18,781	20,043
Trade receivables	3,261	3,179	3,757	4,628	4,680	4,874	5,357
Cash and Bank Balances	351	212	323	327	195	148	460
Short-term loans and advances	829	3,188	1,889	91	183	108	119
Other Current Assets	14	6	4	1,764	2,184	2,268	2,244
Total Current Assets	17,948	20,207	18,970	21,281	24,529	26,179	28,224
Current Liabilities & Provisions							
Short Term borrowings	13,214	15,498	15,203	15,118	13,233	13,233	13,233
Trade payables	1,483	1,000	1,494	2,179	3,417	3,612	3,660
Other current liabilities	1,254	1,748	1,310	2,225	1,515	1,536	1,568
Short-term provisions	460	333	536	6	17	108	238
Total Current Liabilities	3,198	3,080	3,340	4,410	4,949	5,256	5,467
Net Current Assets	14,751	17,127	15,630	16,870	19,581	20,923	22,758
Total Assets	18,729	21,373	21,304	22,941	27,671	28,883	30,615
Liabilities							
Share Capital	263	265	267	267	320	320	320
Reserves and Surplus	3,646	4,363	5,101	6,382	11,475	13,187	15,418
Total Shareholders Funds	3,909	4,627	5,368	6,649	11,794	13,507	15,738
Minority Interest	305	345	343	471	554	554	554
Total Debt	14,489	16,387	15,578	15,762	15,162	14,662	14,162
Long Term Provisions	12	13	14	30	61	61	61
Other Long Term Liabilities	1	1	1	30	43	43	43
Net Deferred Tax Liability	13	0	0	0	56	56	56
Total Liabilities	18,729	21,373	21,304	22,941	27,671	28,883	30,615

SUMMARY CASH FLOW STATEMENT							
(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	1,310	1,112	1,635	1,942	2,158	2,575	3,330
Depreciation & Amortisation	374	466	515	551	501	618	604
Other Adjustments	1,274	1,458	1,849	1,388	1,393	1,393	1,345
(Inc) / Dec in Working Capital	(1,695)	(2,451)	(689)	(1,106)	(2,567)	(1,389)	(1,523)
Taxes	(227)	(495)	(338)	(507)	(1,035)	(863)	(1,099)
Cash from Ops.	1,036	90	2,972	2,267	451	2,334	2,658
Capital Expenditure & investments	(530)	(580)	(536)	(820)	(2,324)	(500)	(500)
Cash from Investing	(530)	(580)	(536)	(820)	(2,324)	(500)	(500)
Issue of Share capital	5	6	8	-	3,812	-	-
Net Borrowings	690	1,840	(930)	118	(708)	(500)	(500)
Others	(1,081)	(1,455)	(1,368)	(1,443)	(1,307)	(1,393)	(1,345)
Issuance of Dividend	(61)	(69)	(63)	(48)	(48)	(48)	(48)
Cash from Financing	(447)	321	(2,353)	(1,372)	1,749	(1,941)	(1,894)
Extraordinary receipts/payment	-	-	-	-	-	60	48
Net Change in Cash	59	(168)	82	75	(124)	(47)	313
BF Cash	273	345	179	261	327	195	148
Effect of exchange difference	12	3	(0)	(9)	(9)	-	-
END Cash	345	179	261	327	195	148	460

SUMMARY RATIOS							
	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<u>Profitability</u>							
Return on Assets	3.6%	3.0%	2.9%	4.3%	4.1%	5.0%	6.2%
Return on Capital	13.3%	12.5%	14.9%	15.7%	13.5%	14.1%	15.6%
Return on Equity	20.0%	15.7%	13.4%	17.6%	11.4%	12.7%	14.2%
<u>Margin Analysis</u>							
Gross Margin	25.6%	24.6%	29.2%	25.7%	26.1%	25.9%	26.8%
EBITDA Margin	10.6%	9.6%	12.0%	11.0%	10.5%	10.8%	11.4%
Net Income Margin	3.2%	2.7%	2.4%	3.6%	3.7%	4.3%	5.1%
<u>Short-Term Liquidity</u>							
Current Ratio	1.1x	1.1x	1.0x	1.1x	1.3x	1.4x	1.5x
Quick Ratio	0.3x	0.4x	0.3x	0.3x	0.4x	0.4x	0.4x
Avg. Days Sales Outstanding	48	42	46	52	47	45	45
Avg. Days Inventory Outstanding	267	241	225	219	236	234	230
Avg. Days Payables	29	18	26	33	47	45	42
<u>Long-Term Solvency</u>							
Total Debt / Equity	3.7x	3.5x	2.9x	2.4x	1.3x	1.1x	0.9x
EBITDA / Interest Expense	2.2x	1.7x	2.1x	2.2x	2.5x	2.8x	3.5x
<u>Valuation Ratios</u>							
EV/EBITDA	11.2x	12.0x	8.6x	8.6x	8.0x	7.0x	5.9x
PER	19.6x	21.2x	21.3x	13.1x	11.4x	9.0x	6.9x
P/B	3.9x	3.3x	2.9x	2.3x	1.3x	1.1x	1.0x

INDSEC Rating Distribution

BUY : Expected total return of over 25% within the next 12 months.

ACCUMULATE : Expected total return between 10 to 25% within the next 12 months.

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NEUTRAL: No investment opinion on the stock under review.

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CONTACT DETAILS

Management	Designation	Email ID	Direct No. (+91-22)
Nandkishore Gupta	Managing Director	ngupta@indsec.com	6114 6101/02
Research Team	Designation [Sectors Covered]	Email ID	Direct No. (+91-22)
Milan Wadkar	Head - Institutional Equities	milanw@indsec.co.in	6114 6105
Hiral Keniya	Research Analyst (Auto, Auto Ancs & Midcap)	hiralk@indsec.co.in	6114 6116
Jimeet M. Shah, CFA	Research Analyst (Cap Good, Infra& Midcap)	jimeets@indsec.co.in	6114 6109
Kimberly Paes	Research Analyst (FMCG, Textiles & Midcap)	kimberlyp@indsec.co.in	6114 6111
Ayush Jain	Research Associate (Banking, Pharma& Midcap)	ayushjain@indsec.co.in	6114 6140
Malay Shah	Research Associate (Cement, IT & Midcap)	malays@indsec.co.in	6114 6115
Deepesh Panchawala	Technical Analyst	deepeshp@indsec.co.in	6114 6138
Institutional Sales Team	Designation	Email ID	Direct No. (+91-22)
Parag Shah	Sales Trader	parags@indsec.co.in	6114 6133
Aashish Parekh	Asst. Sales Trader	aashishp@indsec.co.in	6114 6134

For additional information please contact: research@indsec.co.in, or visit us at www.indsec.co.in

Indsec Securities & Finance Ltd, 301/302, "215 Atrium", "A" Wing, Andheri-Kurla Road, Chakala, Andheri (East), Mumbai - 400 093

Telephone: +91 22 6114 6114 / 6114 6100, Fax: +91 22 6114 6180 / 86