

CMP (Rs) 76

TP (Rs) 81

Outperformer

Key Figures	YoY Growth (%)			Lower profitability; Below estimates
	Actuals	B&K Est	Consensus	
Net Sales	3.9	7.3	10.9	Is an earnings upgrade / downgrade likely? No. • Sales growth is driven by higher volume in towels and rug segments. • Lower revenue growth coupled with higher power cost and depreciation cost adversely impacted APAT. • 70% of planned capex completed in 9mFY17.
EBITDA	-14.9	-6.7	3.3	
Adj PAT	-29.6	-13.4	3.7	
EPS	-29.6	-13.4	3.7	

Financial Highlights

(Rs mn)	3QFY16	3QFY17	YoY (%)	2QFY17	QoQ (%)	FY16	FY17E	FY18E
Net Sales	14,451	15,009	3.9	17,899	-16.2	59,795	64,934	68,085
EBITDA	4,070	3,463	-14.9	4,318	-19.8	15,575	15,584	15,047
EBITDA Margin (%)	28.2	23.1		24.1		26.0	24.0	22.1
Other Income	181	210	16.0	251	-16.6	915	800	700
Interest	593	480	-19.0	320	50.1	2,362	1,507	1,564
Depreciation	989	1,305	31.9	1,264	3.2	3,750	4,889	4,894
PBT	2,669	2,127	-20.3	-489	n/a	10,378	6,514	9,289
Tax	853	624	-26.8	1,021	-38.9	3,224	3,226	3,019
Adjusted PAT	1,783	1,255	-29.6	1,999	-37.2	6,977	6,662	6,270
NPM (%)	12.3	8.4		11.2		11.7	10.3	9.2
EPS (Rs)	1.8	1.2	-29.6	2.0	-37.2	6.9	6.6	6.2

Year end FY16 FY17E FY18E

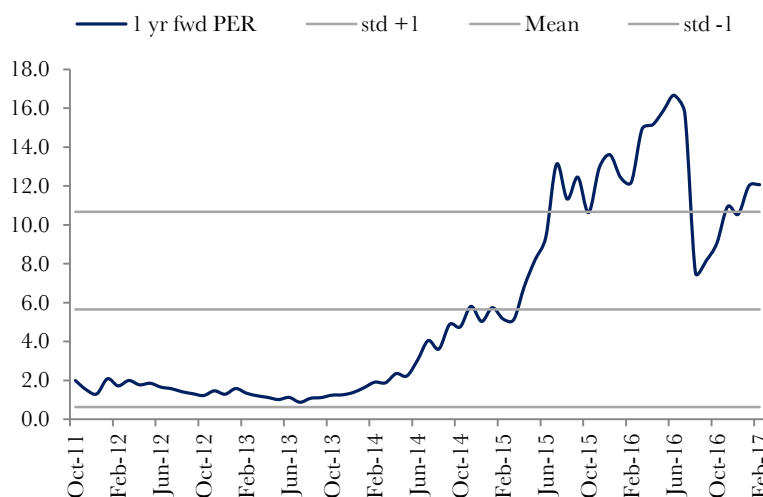
Valuations

PBV (x)	5.0	3.4	2.8
EV/EBITDA (x)	8.0	6.7	6.8
Div./Yield (%)	1.3	0.9	1.7

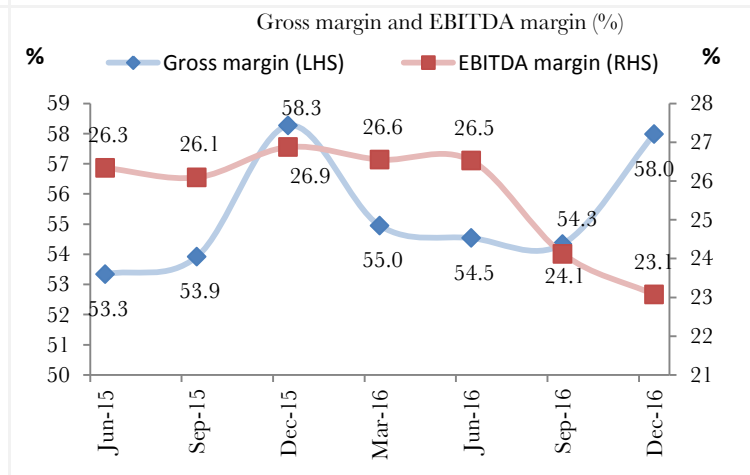
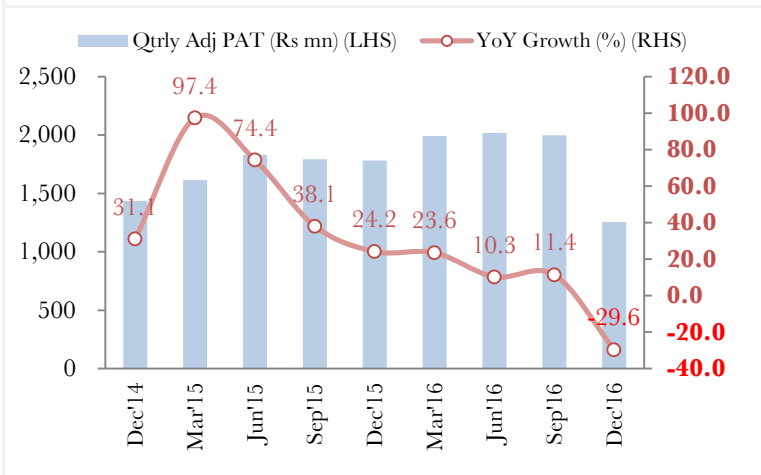
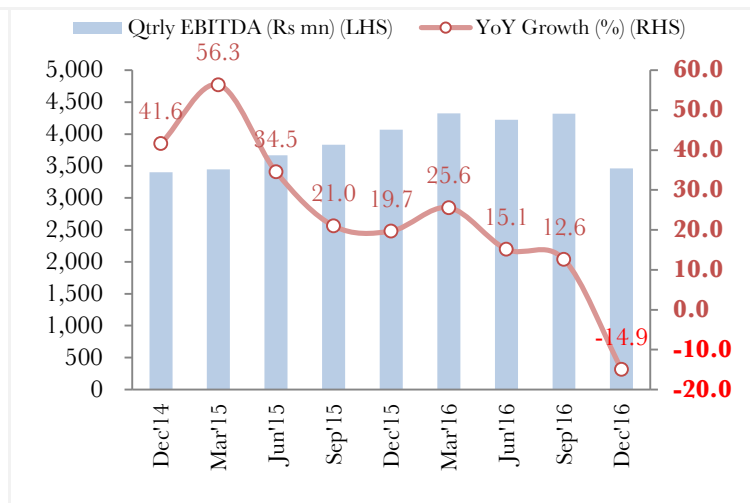
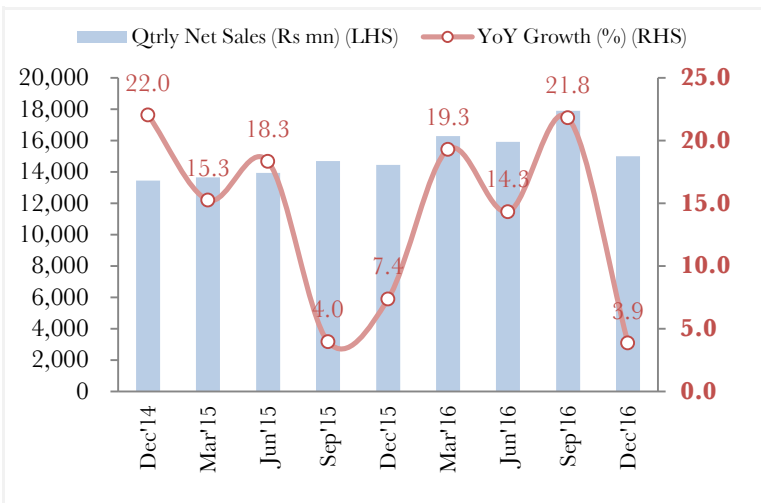
Key Ratios & FCF

ROE (%)	40.8	31.6	25.5
ROCE (%)	26.4	22.2	19.6
Net Debt/Equity (x)	1.2	1.2	0.9
Interest cover (x)	5.4	7.6	6.9
FCF (Rs mn)	6,026	-592	5,209

Historic valuation chart



Prerna Jhunjunwala, Nishant Agrawal



Operating cost break-up (% of Sales)

Particulars	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	YoY (bps)
Raw Material Cost	41.4	45.0	45.5	45.7	42.0	65
Power & Fuel Cost	2.1	2.7	2.1	2.9	4.7	260
Employee Expenses	9.8	8.5	9.7	8.5	11.0	112
Other Operating Expenses	18.5	17.2	16.2	18.8	19.3	73
Total Operating Cost	71.8	73.4	73.5	75.9	76.9	509

Welspun India

Income Statement

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
Net sales	53,025	59,795	64,934	68,085
<i>Growth (%)</i>	<i>18.0</i>	<i>12.8</i>	<i>8.6</i>	<i>4.9</i>
Operating expenses	(40,283)	(44,220)	(49,350)	(53,038)
Operating profit	12,742	15,575	15,584	15,047
Other operating income				
EBITDA	12,742	15,575	15,584	15,047
<i>Growth (%)</i>	<i>38.3</i>	<i>22.2</i>	<i>0.1</i>	<i>(3.4)</i>
Depreciation	(3,329)	(3,750)	(4,889)	(4,894)
Other income	949	915	800	700
EBIT	10,362	12,740	11,495	10,853
Finance cost	(2,829)	(2,362)	(1,507)	(1,564)
Exceptional & extraordinary			(3,474)	
Profit before tax	7,533	10,378	6,514	9,289
Tax (current + deferred)	(2,090)	(3,224)	(3,226)	(3,019)
P / L form discount. Op.				
Profit / (Loss) for period	5,443	7,153	3,288	6,270
P/L of Ass., Min Int, Pref Div	(45)	(176)	(100)	
Reported Profit / (Loss)	5,398	6,977	3,188	6,270
Adjusted net profit	5,398	6,977	6,662	6,270
<i>Growth (%)</i>	<i>-4.6</i>	<i>29.3</i>	<i>-4.5</i>	<i>-5.9</i>

Balance Sheet

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
Share capital	1,005	1,005	1,005	1,005
Reserves & surplus	13,314	18,872	21,254	25,940
Shareholders' funds	14,319	19,877	22,259	26,945
Minority Interests and others	378	503	603	603
Non-current liabilities	17,607	20,352	22,718	22,487
Long-term borrowings	15,946	17,877	20,177	19,877
Other non-current liabilities	1,661	2,475	2,540	2,610
Current liabilities	24,650	21,541	19,549	18,765
ST borrow, Curr maturity	14,905	8,755	8,394	6,835
Other current liabilities	9,745	12,786	11,155	11,930
Total (Equity and Liab)	56,953	62,272	65,129	68,800
Non-current assets	29,396	36,656	38,576	37,837
Fixed assets (Net block)	26,049	33,435	35,248	34,387
Non-current Investments	15	30	30	30
Long-term loans and adv	1,377	1,206	1,326	1,459
Other non-current assets	1,955	1,985	1,972	1,962
Current assets	27,557	25,616	26,553	30,963
Cash & Current investment	4,657	1,776	313	551
Other current assets	22,900	23,840	26,239	30,412
Total (Assets)	56,953	62,272	65,129	68,800
Total debt	30,851	26,632	28,571	26,712
Capital employed	47,208	49,487	53,974	56,870

Cash Flow Statement

Period end (Rs mn)	Mar 15	Mar 16	Mar 17E	Mar 18E
Profit before tax	7,533	10,378	6,514	9,289
Depreciation	3,329	3,750	4,889	4,894
Change in working capital	(1,456)	2,542	(4,087)	(3,462)
Total tax paid	(1,884)	(2,687)	(3,226)	(3,019)
Others	2,829	2,362	1,507	1,564
Cash flow from oper. (a)	10,351	16,345	5,598	9,265
Capital expenditure	(5,608)	(11,136)	(6,702)	(4,034)
Change in investments	(305)	857	533	
Others	852	(40)	(21)	(23)
Cash flow from inv. (b)	(5,061)	(10,320)	(6,189)	(4,057)
Free cash flow (a+b)	5,290	6,026	(592)	5,209
Equity raised/(repaid)	3.5	0.4		
Debt raised/(repaid)	558	(4,219)	1,939	(1,859)
Dividend (incl. tax)	(1,268)	(1,558)	(805)	(1,584)
Others	(3,662)	(2,258)	(1,472)	(1,528)
Cash flow from fin. (c)	(4,370)	(8,035)	(338)	(4,971)
Net chg in cash (a+b+c)	920	(2,009)	(930)	238

Key ratios

Period end (%)	Mar 15	Mar 16	Mar 17E	Mar 18E
Adjusted EPS (Rs)	5.4	6.9	6.6	6.2
<i>Growth (%)</i>	<i>(4.7)</i>	<i>29.2</i>	<i>(4.5)</i>	<i>(5.9)</i>
CEPS (Rs)	8.7	10.7	11.5	11.1
Book NAV/share (Rs)	14.3	19.8	22.2	26.8
Dividend/share (Rs)	1.0	1.3	0.7	1.3
Dividend payout ratio	23.5	22.3	25.3	25.3
EBITDA margin	24.0	26.0	24.0	22.1
EBIT margin	19.5	21.3	17.7	15.9
Tax rate	27.7	31.1	n/a	32.5
RoCE	22.9	26.4	22.2	19.6
Total debt/Equity (x)	2.1	1.3	1.2	1.0
Net debt/Equity (x)	1.8	1.2	1.2	0.9
Du Pont Analysis - ROE				
Net margin	10.2	11.7	10.3	9.2
Asset turnover (x)	1.0	1.0	1.0	1.0
Leverage factor (x)	4.3	3.5	3.0	2.7
Return on equity	42.5	40.8	31.6	25.5

Valuations

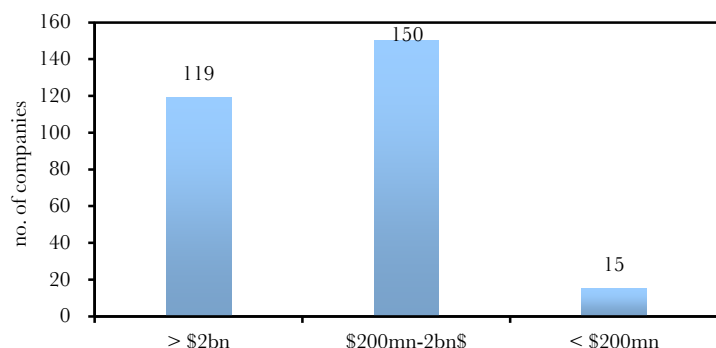
Period end (x)	Mar 15	Mar 16	Mar 17E	Mar 18E
PER	6.6	14.2	11.4	12.1
PCE	4.1	9.3	6.6	6.8
Price/Book	2.5	5.0	3.4	2.8
Yield (%)	3.0	1.3	0.9	1.7
EV/EBITDA	4.9	8.0	6.7	6.8

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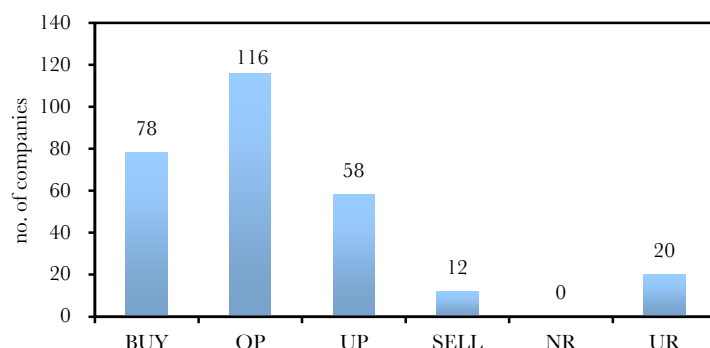
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



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	LARGE CAP (Market Cap > USD 2 bn)	MID CAP (Market Cap of USD 200 mn to USD 2 bn)	SMALL CAP (Market Cap < USD 200 mn)
BUY	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
OUTPERFORMER	+10% to +20%	+15% to +25%	+20% to +30%
UNDERPERFORMER	+10% to -10%	+15% to -15%	+20% to -20%
SELL	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

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