

Fulford India LimitedCMP Rs. 1,051.55
HOLDResult Update
Q1CY10

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Fulford India Ltd (FIL) reported a mixed set of numbers for Q1CY10.

On a standalone yoy basis, Net Revenues were up 25.1% from Rs. 321.7 Mn to Rs. 402.3 Mn, a phenomenal improvement as compared to the single digit growth over the last many quarters. Cost of Materials as a % of Sales was marginally lower as compared to Q1CY09, an improvement of 168 bps. However Total Expenditure was still higher than Sales. It grew by 17.7%, thus rising from Rs. 347.3 Mn to Rs. 408.7 Mn. The Company reported a minute Loss at the Operating level but high levels of Cash resulted in a hefty Other Income thus making it EBITDA positive. Other Income stood at Rs. 17 Mn and EBITDA at Rs10.6 Mn v/s a Loss of Rs. 6.3 Mn in Q1CY09. The Company received a Tax Credit of Rs. 3.8 Mn for this quarter, thus ending with a Rs. 10.9 Mn profit against an overall Loss of Rs. 11.2 Mn in the same period, a year ago. EPS stood at Rs. 2.8.

On a sequential basis, the quarterly performance does not look good. However it has been observed historically that March is the poorest quarter for FIL.

On the whole, the Company has gone through a rough ride for the last two years where we saw earnings decline from Rs. 55.9 per share in CY07 to Rs. 50.6 in CY08 and Rs. 34.5 in CY09. On a PE(TTM) basis, FIL looks expensive at 26.2 times. However, EV/Sales still seems at a reasonable level of 1.57. Also given the low base of Sales, the Company can benefit from economies of scale over the years to come. This in turn should spurt the earnings.

FIL continues to sit on high levels of Cash (Rs. 927 Mn). The merger of its parent Schering Plough with Merck was completed last November and while there is no indication yet, an increase in FIL stake by the new parent (through an open offer), could act as a trigger for capital appreciation. In accordance with all the above factors, we recommend a 'Hold' for FIL.

[Financials >>](#)

Fulford India Ltd. : Q1CY10 Quarterly Analysis

Earnings Statement								
YE March (Rs. Mn.)	Q1CY10	Q4CY09	Q-Q(%)	Q1CY09	Y-Y(%)	CY09	CY08	Y-Y(%)
Net Revenues	402.3	517.6	-22.3%	321.7	25.1%	1,947.0	1,867.4	4.3%
Cost of Materials	196.6	223.8	-12.2%	162.6	20.9%	917.8	814.7	12.7%
Gross Profit	205.7	293.8	-30.0%	159.1	29.3%	1,029.2	1,052.7	-2.2%
Staff Costs	77.0	63.7	20.9%	70.5	9.2%	285.9	283.2	1.0%
Other Expenses	135.1	189.6	-28.7%	114.2	18.3%	577.7	515.8	12.0%
Total Expenditure	408.7	477.1	-14.3%	347.3	17.7%	1,781.4	1,613.7	10.4%
Operating Profit	(6.4)	40.5	-115.8%	(25.6)	-75.0%	165.6	253.7	-34.7%
OPM (%)	-1.6%	7.8%	(941.5)	-8.0%	636.7	8.5%	13.6%	(508.0)
Other Income	17.0	19.3	-11.9%	19.3	-11.9%	68.2	77.0	-11.4%
EBITDA	10.6	59.8	-82.3%	(6.3)	-268.3%	233.8	330.7	-29.3%
Depreciation	3.3	2.8	17.9%	2.9	13.8%	10.6	14.8	-28.4%
EBIT	7.3	57.0	-87.2%	(9.2)	-179.3%	223.2	315.9	-29.3%
Interest	0.2	0.1		0.0		0.1	0.0	
PBT	7.1	56.9	-87.5%	(9.2)	-177.2%	223.1	315.9	-29.4%
Tax	(3.8)	28.6	-113.3%	2.0	-290.0%	86.2	118.6	-27.3%
<i>Current Tax</i>		28.6		2.0		84.2	110.2	-23.6%
<i>Fringe Benefit Tax</i>		0.0		0.0		2.0	8.4	-76.7%
PAT	10.9	28.3	-61.5%	(11.2)		136.9	197.3	-30.6%
Extra-ordinary Items	0.0	(2.3)		0.0		(2.3)	0.0	
Reported PAT	10.9	26.0	-58.1%	(11.2)		134.6	197.3	-31.8%
Equity Capital	39.0	39.0		39.0		39.0	39.0	
EPS	2.8	6.7	-58.1%	(2.9)		34.5	50.6	-31.8%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q1CY10	Q4CY09	Q-Q(%)	Q1CY09	Y-Y(%)	CY09	CY08	Y-Y(%)
OPM (%)	-1.6%	7.8%	(941.5)	-8.0%	636.7	8.5%	13.6%	(508.0)
EBITDA (%)	2.6%	11.6%	(891.8)	-2.0%	459.3	12.0%	17.7%	(570.1)
EBIT (%)	1.8%	11.0%	(919.8)	-2.9%	467.4	11.5%	16.9%	(545.3)
PAT (%)	2.7%	5.5%	(275.8)	-3.5%	619.1	7.0%	10.6%	(353.4)
Operational Parameters								
YE March (Rs. Mn.)	Q1CY10	Q4CY09	Q-Q(%)	Q1CY09	Y-Y(%)	CY09	CY08	Y-Y(%)
RM Consumed	48.9%	43.2%	563.1	50.5%	(167.5)	47.1%	43.6%	351.2
Staff Cost	19.1%	12.3%	683.3	21.9%	(277.5)	14.7%	15.2%	(48.1)
Other Expenditure	33.6%	36.6%	(304.9)	35.5%	(191.7)	29.7%	27.6%	205.0
Effective Tax Rate	-	50.3%		-		38.6%	37.5%	109.4

Fulford India Ltd. : Financials

Earnings Statement						
Particulars	CY04	CY05	CY06	CY07	CY08	CY09
Total Revenues	1,278.5	1,477.5	1,503.9	1,684.4	1,867.4	1,947.0
- Growth (%)		15.6%	1.8%	12.0%	10.9%	4.3%
Total Expenditure	1,101.2	1,237.0	1,320.0	1,405.6	1,613.6	1,781.4
Operating Profit	177.3	240.5	184.0	278.8	253.8	165.6
Other Income	22.2	13.4	25.5	72.7	77.0	68.2
EBITDA	199.5	253.8	209.5	351.6	330.8	233.8
Depreciation	7.7	9.2	11.5	12.6	14.8	10.6
EBIT	191.7	244.6	198.0	339.0	316.0	223.2
Interest	4.3	0.6	0.5	0.2	0.0	0.1
PBT	187.5	244.0	197.5	338.8	316.0	223.1
Tax	69.8	93.6	70.1	120.7	118.6	86.2
PAT Before EI	117.6	150.4	127.4	218.1	197.4	136.9
- Growth (%)		27.9%	-15.3%	71.2%	-9.5%	-30.6%
Extra-ordinary Items	0.0	0.0	0.0	0.0	0.0	(2.3)
PAT	117.6	150.4	127.4	218.1	197.4	134.6

Ratio Analysis						
Particulars	CY04	CY05	CY06	CY07	CY08	CY09
OPM (%)	13.9%	16.3%	12.2%	16.6%	13.6%	8.5%
EBITDA (%)	15.6%	17.2%	13.9%	20.9%	17.7%	12.0%
PBIT (%)	14.7%	16.5%	13.1%	20.1%	16.9%	11.5%
PAT (%)	9.2%	10.2%	8.5%	13.0%	10.6%	6.9%
Interest Cover (x)	45.0	376.7	410.5	2,221.7	30,732.7	2,232.0
EPS (Rs.)	36.8	47.0	32.7	55.9	50.6	34.5
P/E (x)	28.6	22.4	32.2	18.8	20.8	30.5
P/BV (x)	13.8	8.8	4.6	3.7	3.2	2.9
BVPS (Rs.)	76.1	119.7	230.5	281.0	329.3	358.6
Market Cap (Rs. Mn.)	3,365.0	3,365.0	4,101.0	4,101.0	4,101.0	4,101.0
M Cap/Sales (x)	2.6	2.3	2.7	2.4	2.2	2.1
EV (Rs. Mn.)	3,295.3	3,275.2	3,582.8	3,406.7	3,126.2	3,173.6
EV/EBITDA (x)	16.5	12.9	17.1	9.7	9.4	13.6
EV/Sales (x)	2.6	2.2	2.4	2.0	1.7	1.6
ROCE (%)	75.5%	62.8%	22.0%	30.9%	24.6%	16.0%
RONW (%)	48.3%	39.3%	14.2%	19.9%	15.4%	9.8%
Debt/Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0	0.0
Inventory T/o Days	51.1	36.2	46.6	55.9	55.4	67.1
Debtors T/o Days	23.6	24.0	21.8	25.7	34.3	27.1
Advances T/o Days	8.8	7.3	11.3	19.6	19.7	26.4
Creditors T/o Days	32.1	33.9	33.4	42.6	72.2	56.8
Working Cap T/o Days	59.7	41.7	161.2	199.6	214.4	221.3
Fixed Assets T/o (Gross)	17.7	19.4	18.0	19.8	19.7	20.0
DPS (Rs.)	2.5	3.0	3.0	4.0	2.0	4.5
Dividend Payout (%)	6.8%	6.4%	9.2%	7.2%	4.0%	13.0%
Dividend Yield (%)	0.2%	0.3%	0.3%	0.4%	0.2%	0.4%

Fulford India Ltd. : Financials

Balance Sheet						
Particulars	CY04	CY05	CY06	CY07	CY08	CY09
Equity Capital	32.0	32.0	39.0	39.0	39.0	39.0
Reserves	211.5	350.9	859.9	1,057.1	1,245.3	1,359.4
Shareholders Funds	243.5	382.9	898.9	1,096.1	1,284.3	1,398.4
Minority Interest						
Borrowed Funds	10.4	6.8	0.5	0.5	0.0	0.0
Deferred Tax Liability	(10.4)	(8.8)	(6.3)	(6.5)	(14.2)	(12.0)
Total Liabilities	243.6	380.9	893.1	1,090.1	1,270.1	1,386.4
Fixed Assets	34.4	41.0	38.5	34.4	29.4	55.7
Investments		171.2	190.6	134.7	144.1	149.9
Current Assets						
Inventory	179.2	146.4	192.2	257.9	283.6	357.8
Sundry Debtors	82.6	97.1	89.9	118.7	175.7	144.7
Other Current Assets	0.0	1.1	2.3	5.5	8.9	2.5
Loans & Advances	30.7	29.5	46.8	90.4	100.7	140.6
Cash & Bank Balance	80.1	96.6	518.7	694.8	974.8	927.4
Current Liabilities						
Sundry Creditors	112.5	137.1	137.6	196.8	369.4	303.2
Provisions	50.8	64.8	48.3	49.5	77.5	89.0
Net Current Assets	209.2	168.7	664.0	921.0	1,096.7	1,180.7
Total Assets	243.6	380.9	893.1	1,090.1	1,270.1	1,386.4

Cash Flow						
Particulars	CY04	CY05	CY06	CY07	CY08	CY09
Opening Cash & Bank	43.5	80.1	96.6	518.7	694.8	974.8
Profit After Tax	117.6	150.4	127.4	218.1	197.4	134.6
Investment Income	(22.2)	(13.4)	(25.5)	(72.7)	(77.0)	(68.2)
Interest Paid	4.3	0.6	0.5	0.2	0.0	0.1
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	7.7	9.2	11.5	12.6	14.8	10.6
Deferred Taxation	5.2	1.6	2.6	1.2	(7.8)	2.2
Others	0.0	(12.2)	(3.0)	(6.7)	(1.6)	(33.8)
Change in Working Cap	(9.0)	57.0	(73.2)	(80.9)	104.3	(131.4)
CF - Operating Activities	103.7	193.2	40.3	71.8	230.2	(86.0)
Change in Fixed Assets	(13.7)	(3.7)	(6.0)	(3.2)	(8.2)	(3.1)
Change in Investments	0.0	(171.2)	(19.4)	55.8	(9.3)	(5.9)
Investment Income	22.2	13.4	25.5	72.7	77.0	68.2
CF - Investing Activities	8.5	(161.5)	0.1	125.4	59.4	59.2
Increase in Equity	0.0	0.0	401.8	(2.7)	0.0	(0.0)
Changes in Borrowings	(62.3)	(3.6)	(6.3)	0.0	(0.5)	0.0
Interest Paid	(4.3)	(0.6)	(0.5)	(0.2)	0.0	(0.1)
Dividend Paid	(9.0)	(10.9)	(13.3)	(18.3)	(9.1)	(20.5)
CF - Financing Activities	(75.6)	(15.2)	381.7	(21.1)	(9.7)	(20.6)
Net Change in Cash	36.6	16.5	422.1	176.1	280.0	(47.4)
Closing Cash & Bank Balance	80.1	96.6	518.7	694.8	974.8	927.4

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Fulford India Ltd.

NO
YES
YES

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