

VST Industries Ltd.CMP Rs. 518.05
HOLDResult Update
Q1FY11

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VST Industries came out with an average set of numbers for the quarter ended June 2011.

On a y-o-y basis, Revenues saw a marginal increase of 1.58%, from Rs.1,253.5 Mn to Rs.1,273.3 Mn. Bulk of this came from the cigarettes business which saw a 24.4% increase (Gross). A major part of this was due to the price increase taken by the Company in lieu of the increased excise duties in the recent Budget. Volume growth was about 6%. On the other hand, leaf tobacco exports business was down by a third and only formed 10% of the Gross Revenues. As explained in earlier updates, the latter is a volatile business which depends on a lot of factors including global supply demand scenarios and prevailing prices in various geographic areas.

This quarter also witnessed an unusual spurt in Advertisement / Sales Promotions expenses. These were up by more than 3 times, to Rs.127.1 Mn. Management was quick to explain that the Company has to increase these activities for a few months every time there is a major price increase. Usually a price increase is taken after the Budget and so these expenses reflect in the first quarter of the year. However since the 2009 Budget was in July, the yoy comparison would show a distorted figure. On an annual basis, the same should pan out uniformly.

Other expenses were up by 50% from Rs.116.8 Mn to Rs.174.7 Mn. This was primarily due to a reversal in Forex gains. Q1 FY10 had seen an MTM gain of Rs.30 Mn while the same for this quarter was a loss of Rs.7.5 Mn. Because of the above two accounts, Total Expenditure was up by 10% and Operating Profits, down by 29% to Rs.196.6 Mn. PAT was at Rs.180.2 Mn against Rs.241 Mn in the period a year ago. EPS stood at Rs.11.7.

At the CMP of Rs.518.05, the stock trades at a PE (TTM) of 14.3. This may not accurately reflect the earnings power of the Company as it includes an exceptional item for VRS and a double impact due to Advertisements / Sales Promotions. Adjusting for the same, VST Ind seems to be in a fair price range. The cash position of the company continues to be strong. We recommend a Hold.

Financials >>

VST : Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Q1FY11	Q4FY10	Q-Q(%)	Q1FY10	Y-Y(%)
Net Revenues	1,273.3	1,052.8	20.9%	1,253.5	1.6%
Cost of Materials	630.6	559.4	12.7%	701.1	-10.1%
Gross Profit	642.7	493.4	30.3%	552.4	16.3%
Staff Costs	144.3	189.8	-24.0%	128.6	12.2%
Advertising and Sales Promotion	127.1	-*		31.0	310.0%
Other Expenses	174.7	167.0	4.6%	116.8	49.6%
Total Expenditure	1,076.7	916.2	17.5%	977.5	10.1%
Operating Profit	196.6	136.6	43.9%	276.0	-28.8%
OPM (%)	15.44%	12.97%		22.02%	
Other Income	75.5	61.2	23.4%	101.8	-25.8%
EBITDA	272.1	197.8	37.6%	377.8	-28.0%
Depreciation	45.9	53.9	-14.8%	38.8	18.3%
EBIT	226.2	143.9	57.2%	339.0	-33.3%
Interest	(3.5)	(4.7)	-25.5%	(2.9)	
PBT and Exceptional Items	229.7	148.6	54.6%	341.9	-32.8%
Exceptional Items	-	(124.1)		-	
PBT	229.7	24.5	837.6%	341.9	-32.8%
Tax	49.5	(9.9)		100.9	
PAT	180.2	34.4	423.8%	241.0	-25.2%
Equity Capital (FV Rs 10)	154.4	154.4		154.4	
EPS	11.7	2.2	423.8%	15.6	-25.2%
Ratio Analysis					
Profitability					
YE March (Rs. Mn.)	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
OPM (%)	15.4%	13.0%	246.5	22.0%	(657.8)
EBITDA (%)	21.4%	18.8%	258.2	30.1%	(877.0)
EBIT (%)	17.8%	13.7%	409.7	27.0%	(927.9)
PAT (%)	14.2%	3.3%	1088.5	19.2%	(507.4)
Operational Parameters					
YE March (Rs. Mn.)	Q1FY11	Q4FY10	Q-Q(bps)	Q1FY10	Y-Y(bps)
RM Consumed	49.5%	53.1%	(361.0)	55.9%	(640.7)
Advertising and Sales Promotion	10.0%	-		2.5%	750.9
Staff Cost	11.3%	18.0%	(669.5)	10.3%	107.3
Other Expenditure	13.7%	15.9%	(214.2)	9.3%	440.2
Effective Tax Rate	21.5%	-40.4%		29.5%	

* Figures not disclosed separately.

VST : Financials

Earnings Statement					Balance Sheet				
Particulars (Rs Mn)	FY07	FY08	FY09	FY10	Particulars (Rs Mn)	FY07	FY08	FY09	FY10
Total Revenues	3,362.0	3,399.7	3,810.8	4,721.7	Equity Capital	154.4	154.4	154.4	154.4
- Growth (%)	-2.6%	1.1%	12.1%	23.9%	Reserves	1975.3	2193.5	2269.6	2348.5
Total Expenditure	2,559.2	2,560.6	2,984.7	3,896.2	Shareholders Funds	2129.7	2347.9	2424.1	2502.9
Operating Profit	802.7	839.1	826.1	825.5	Minority Interest	-	-	-	-
Other Income	168.1	161.5	71.9	333.1	Loan Funds	-	-	-	-
EBITDA	970.9	1,000.6	898.0	1,158.7	Total Liabilities	2129.7	2347.9	2424.1	2502.9
Depreciation	115.6	138.1	159.1	179.5	Fixed Assets	986.1	1231.7	1322.2	1406.7
EBIT	855.2	862.5	738.9	979.1	Investments	1841.7	2232.9	1940.6	1914.0
Interest	-	-	-	-	Deferred Tax, Net	107.6	89.6	82.3	125.3
PBT and Exceptional Items	855.2	862.5	738.9	979.1	Current Assets				
Other Exceptional Items	-	-	(126.1)	124.1	Inventory	580.0	761.0	1342.6	1790.8
PBT	855.2	862.5	865.0	855.0	Sundry Debtors	52.6	43.2	48.9	145.1
Tax	299.3	277.8	245.8	234.9	Loans & Advances	110.2	186.0	137.4	150.9
PAT Before Minority Interest	555.9	584.8	619.2	620.1	Cash & Bank Balance	344.7	46.4	137.1	63.8
- Growth (%)	25.2%	5.2%	5.9%	0.2%	Other Current Assets	14.2	2.1	5.0	1.6
Reported PAT	555.9	584.8	619.2	620.1	Current Liabilities				
					Liabilities	1539.4	1883.6	2049.9	2555.1
					Provisions	368.1	361.3	542.0	540.2
					Net Current Assets	-805.7	-1206.3	-921.0	-943.2
					Miscellaneous Exp not W/Off	-	-	-	-
					Total Assets	2129.7	2347.9	2424.1	2502.9
Ratio Analysis					Cash Flow				
Particulars	FY07	FY08	FY09	FY10	Particulars (Rs Mn)	FY07	FY08	FY09	FY10
OPM (%)	23.9%	24.7%	21.7%	17.5%	Opening Cash & Bank	149.5	344.7	46.4	137.1
EBITDA (%)	28.9%	29.4%	23.6%	24.5%	Profit After Tax	555.9	584.8	619.2	620.1
PBIT (%)	25.4%	25.4%	19.4%	20.7%	Invnt Income	(168.1)	(161.5)	(71.9)	(333.1)
PAT (%)	16.5%	17.2%	16.2%	13.1%	Interest Paid	-	-	-	-
Interest Cover (x)	-	-	-	-	Depreciation	115.6	138.1	159.1	179.5
EPS (Rs.)	36.0	37.9	40.1	40.2	Deferred Taxation	(64.5)	17.9	7.4	(41.5)
P/E (x)	9.2	8.2	5.6	13.4	Others	(153.1)	(167.7)	(52.4)	(31.2)
P/BV (x)	2.4	2.0	1.4	3.3	Change in Working Cap	381.0	102.3	(194.6)	(51.2)
BVPS (Rs.)	137.9	152.0	157.0	162.1	CF - Operating Activities	666.8	513.9	466.7	342.7
Market Cap (Rs. Mn.)	5,092.7	4,773.1	3,474.4	8,315.5	Change in Fixed Assets	(178.4)	(379.4)	(211.8)	(234.4)
M Cap/Sales (x)	1.5	1.4	0.9	1.8	Change in Investments	(229.6)	(391.2)	292.3	26.6
EV (Rs. Mn.)	4,748.1	4,726.7	3,337.4	8,251.7	Investment Income	168.1	161.5	71.9	333.1
EV/EBITDA (x)	4.9	4.7	3.7	7.1	CF - Investing Activities	(239.9)	(609.0)	152.3	125.3
EV/Sales (x)	1.4	1.4	0.9	1.7	Increase in Equity	129.6	158.2	13.7	(1.1)
ROCE (%)	40.2%	36.7%	30.5%	39.1%	Changes in Minority Interest	0.0	0.0	0.0	0.0
RONW (%)	26.1%	24.9%	25.5%	24.8%	Changes in Borrowings	0.0	0.0	0.0	0.0
Debt/Equity Ratio (x)	-	-	-	-	Interest Paid	0.0	0.0	0.0	0.0
Inventory T/o Days	62.1	80.6	126.8	136.5	Dividend Paid	(361.3)	(361.3)	(542.0)	(540.2)
Debtors T/o Days	5.6	4.6	4.6	11.1	CF - Financing Activities	(231.7)	(203.1)	(528.3)	(541.3)
Advances T/o Days	11.8	19.7	13.0	11.5	Net Change in Cash	195.2	(298.3)	90.7	(73.3)
Creditors T/o Days	164.8	199.5	193.7	194.8	Closing Cash & Bank Bal	344.7	46.4	137.1	63.8
Working Cap T/o Days	(86.3)	(127.7)	(87.0)	(71.9)					
Fixed Assets T/o (Gross)	1.7	1.5	1.5	1.7					
DPS (Adjusted)(Rs.)	20.0	20.0	30.0	30.0					
Dividend Payout (%)	55.6%	52.8%	74.8%	74.7%					
Dividend Yield (%)	6.1%	6.5%	13.3%	5.6%					

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2. PPFAS ownership of the scrip
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VST
NO
YES
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