

VST Industries Ltd.

CMP Rs. 523.65
HOLD

Result Update
Q3FY10

Ruchak Mehta | ruchak@ppfas.com

VST Industries reported a mediocre set of numbers for the quarter ended December 2009.

On a y-o-y basis, Revenues saw a marginal decline of 1.1% to Rs.1,258.2 Mn from Rs.1,272.6 Mn. while Profits after Tax (PAT) were down by 20.3% to Rs.173.6 Mn from Rs.217.9 Mn a year ago.

The decline in PAT was primarily on account of increasing Raw Material prices. Even though Sales remained flat, Cost of Materials went up by 13.7% y-o-y, an increase of 357 bps (as a % of Gross Sales). Apart from this, Employee costs also went up by 128 bps. The overall effect of these was dampened a bit due to Forex Gains of Rs.34.7 Mn v/s a loss of Rs.31.6 Mn in the same period a year ago.

On the whole, Operating Profits stood at Rs.257.4 Mn against Rs.315.9 Mn y-o-y, while margins went down by 437 bps. Reported PAT was down 20.3% to Rs. 173.6 Mn and EPS stood at Rs.11.2.

Compared to the previous quarter, revenues were up 8.73% from Rs.1,157.2 Mn to Rs.1,272.6 Mn. With increasing tobacco prices, cost of materials was up by 15.8%. However, a reduction in Other Expenses (Gains in Forex included) led to a slight increase of 71 bps in Operating Margins. Q-o-q, PAT was up 1.22% from Rs.171.5 Mn to Rs.173.6 Mn.

At a CMP of Rs.523.65, the stock trades at a PE (TTM) of 10.52. Though the leaf tobacco exports are exposed to currency fluctuations and which might get affected in the near term future, the cigarettes business continues to remain stable and growing steadily. The cash position of the company is strong while dividends are hefty. We recommend a Hold.

VST : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(%)	Q3FY09	Y-Y(%)	9M10	9M09	9M(%)
Net Revenues	1,258.2	1,157.2	8.73%	1,272.6	-1.13%	3,668.9	2,861.0	28.24%
Cost of Materials	728.6	629.4	15.76%	640.6	13.74%	2,059.1	1,372.9	49.98%
Gross Profit	529.6	527.8	0.34%	632.0	-16.20%	1,609.8	1,488.1	8.18%
Staff Costs	129.1	123.8	4.28%	114.3	12.95%	381.5	337.9	12.90%
Other Expenses	143.1	175.5	-18.46%	201.8	-29.09%	466.4	631.4	-26.13%
Total Expenditure	1,000.8	928.7	7.76%	956.7	4.61%	2,907.0	2,342.2	24.11%
Operating Profit	257.4	228.5	12.65%	315.9	-18.52%	761.9	518.8	46.86%
OPM (%)	20.46%	19.75%		24.82%		20.77%	18.13%	
Other Income	33.7	50.4	-33.13%	47.8	-29.50%	185.9	197.1	-5.68%
EBITDA	291.1	278.9	4.37%	363.7	-19.96%	947.8	715.9	32.39%
Depreciation	45.4	40.6	11.82%	40.3	12.66%	124.8	116.2	7.40%
EBIT	245.7	238.3	3.11%	323.4	-24.03%	823.0	599.7	37.24%
Interest	(1.9)	(3.1)	-38.71%	(1.1)		(7.9)	(0.9)	
Exceptional Items	-	-		-		-	-	
PBT	247.6	241.4	2.57%	324.5	-23.70%	830.9	600.6	38.34%
Tax	74.0	69.9		106.6		244.8	163.6	
PAT	173.6	171.5	1.22%	217.9	-20.33%	586.1	437.0	34.12%
Equity Capital (FV Rs 10)	154.4	154.4		154.4		154.4	154.4	
EPS	11.2	11.1	1.22%	14.1	-20.33%	38.0	28.3	34.12%

VST : Financials

Earnings Statement				Balance Sheet			
Particulars (Rs Mn)	FY07	FY08	FY09	Particulars (Rs Mn)	FY07	FY08	FY09
Total Revenues	3,362.0	3,399.7	3,810.8	Equity Capital	154.4	154.4	154.4
- Growth (%)	-2.6%	1.1%	12.1%	Reserves	1975.3	2193.5	2269.6
Total Expenditure	2,559.2	2,560.6	2,984.7	Shareholders Funds	2129.7	2347.9	2424.1
Operating Profit	802.7	839.1	826.1	Minority Interest	-	-	-
Other Income	168.1	161.5	71.9	Loan Funds	-	-	-
EBITDA	970.9	1,000.6	898.0	Total Liabilities	2129.7	2347.9	2424.1
Depreciation	115.6	138.1	159.1	Fixed Assets	986.1	1231.7	1322.2
EBIT	855.2	862.5	738.9	Investments	1841.7	2232.9	1940.6
PBT and Exceptional Items	855.2	862.5	738.9	Deferred Tax, Net	107.6	89.6	82.3
Other Exceptional Items	-	-	(126.1)	Current Assets			
PBT	855.2	862.5	865.0	Inventory	580.0	761.0	1342.6
Tax	299.3	277.8	245.8	Sundry Debtors	52.6	43.2	48.9
PAT Before Minority Interest	555.9	584.8	619.2	Loans & Advances	110.2	186.0	137.4
- Growth (%)	25.2%	5.2%	5.9%	Cash & Bank Balance	344.7	46.4	137.1
Minority Interest (share in loss)	-	-	-	Other Current Assets	14.2	2.1	5.0
Reported PAT	555.9	584.8	619.2	Current Liabilities			
				Liabilities	1539.4	1883.6	2049.9
				Provisions	368.1	361.3	542.0
				Net Current Assets	-805.7	-1206.3	-921.0
				Misc. Exp not W/Off	-	-	-
				Total Assets	2129.7	2347.9	2424.1
Ratio Analysis				Cash Flow			
Particulars	FY07	FY08	FY09	Particulars (Rs Mn)	FY07	FY08	FY09
OPM (%)	23.9%	24.7%	21.7%	Opening Cash & Bank	149.5	344.7	46.4
EBITDA (%)	28.9%	29.4%	23.6%	Profit After Tax	555.9	584.8	619.2
PBIT (%)	25.4%	25.4%	19.4%	Invnt Income	(168.1)	(161.5)	(71.9)
PAT (%)	16.5%	17.2%	16.2%	Interest Paid	-	-	-
Interest Cover (x)	-	-	-	Depreciation	115.6	138.1	159.1
EPS (Rs.)	36.0	37.9	40.1	Deferred Taxation	(64.5)	17.9	7.4
P/E (x)	14.5	13.8	13.1	Others	(153.1)	(167.7)	(52.4)
P/BV (x)	3.8	3.4	3.3	Change in Working Cap	381.0	102.3	(194.6)
BVPS (Rs.)	137.9	152.0	157.0	CF - Operating Activities	666.8	513.9	466.7
Market Cap (Rs. Mn.)	8,086.2	8,086.2	8,086.2	Change in Fixed Assets	(178.4)	(379.4)	(211.8)
M Cap/Sales (x)	2.4	2.4	2.1	Change in Investments	(229.6)	(391.2)	292.3
EV (Rs. Mn.)	7,741.5	8,039.8	7,949.1	Investment Income	168.1	161.5	71.9
EV/EBITDA (x)	8.0	8.0	8.9	CF - Investing Activities	(239.9)	(609.0)	152.3
EV/Sales (x)	2.3	2.4	2.1	Increase in Equity	129.6	158.2	13.7
ROCE (%)	40.2%	36.7%	30.5%	Chg in Minority Interest	0.0	0.0	0.0
RONW (%)	26.1%	24.9%	25.5%	Changes in Borrowings	0.0	0.0	0.0
Debt/Equity Ratio (x)	-	-	-	Interest Paid	0.0	0.0	0.0
Inventory T/o Days	62.1	80.6	126.8	Dividend Paid	(361.3)	(361.3)	(542.0)
Debtors T/o Days	5.6	4.6	4.6	CF - Financing Activities	(231.7)	(203.1)	(528.3)
Advances T/o Days	11.8	19.7	13.0	Net Change in Cash	195.2	(298.3)	90.7
Creditors T/o Days	164.8	199.5	193.7	Closing Cash & Bank Bal	344.7	46.4	137.1
Working Cap T/o Days	(86.3)	(127.7)	(87.0)				
Fixed Assets T/o (Gross)	1.7	1.5	1.5				
DPS (Adjusted)(Rs.)	20.0	20.0	30.0				
Dividend Payout (%)	55.6%	52.8%	74.8%				
Dividend Yield (%)	3.8%	3.8%	5.7%				

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip	VST
2. PPFAS ownership of the scrip	NO
3. PMS ownership of the scrip	YES
	YES

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Contact

Ridhim Thapar	Institutional Sales	ridhim@ppfas.com	91 22 2284 6555 Extn 312
Ruchak Mehta	Analyst - Investment Research	ruchak@ppfas.com	91 22 2284 6555 Extn 202

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Parag Parikh Financial Advisory Services Limited

130/132, Great Western Building, 1st Floor, S. B. Marg, Near Lion Gate, Fort, Mumbai - 400 001.

Tel : 91-22-2284 6555 Fax : 91-22-2284 6553, e-mail : researchcall@ppfas.com

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