

CMP: INR43.25

## Stock data

BSE code	526723
BSE ID	NTCIND
Face value (INR)	10.0
No of shares (m)	10.8
Market cap (INRm)	464.9
3m avg. daily vol (No)	2,778.4
Free float (INRm)	151.2
Dividend yield FY15 (%)	0.0

S&P BSE Sensex	26,145.7
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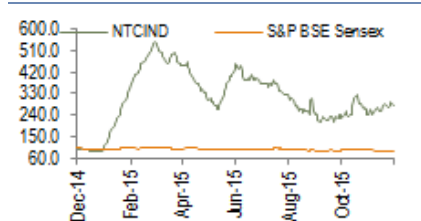
## Stock performance (%)

<b>52-week H/L</b>	<b>85.6/12.5</b>		
	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	16.6	10.2	182.9
Relative (%)	18.1	10.7	191.3

## Shareholding pattern (%)

Promoters	FIIs	DIIs	Others
67.47%	0.00%	0.02%	32.51%

## Relative stock movement



Source: BSE

Dec 2015

## Company Overview

NTC industries Ltd. is one of the oldest manufacturer of cigarettes in India. On September 1931 the company was incorporated as National Tobacco Company of India Ltd. In 1994 RDB Industries Ltd. purchased the asset and goodwill of the company and latter came to be known as NTC industries Limited.

## FY15 and recent performance

- Net sales in FY15 decreased to INR251.1m from INR232.3m in FY14.
- EBITDA decreased from INR29.0m in FY14 to INR25.5m in FY15.
- The company reported net profit of INR23.3m in FY15, compared to net profit of INR12.5m in FY14.
- In balance sheet, fixed assets increased from INR306.2m in FY14 to INR361.8m in FY15.
- Loans and Advances increased from INR137.0m in FY14 to INR353.4m in FY15.
- Cash & Bank Balances increased from INR5.8m in FY14 to INR13.2m in FY15.
- Operating cash flow for the firm decreased from INR89.2m in FY14 to an outflow of INR152.4m in FY15.
- In Q2FY16, sales decreased YoY by 75.3% to INR16.6m against INR67.2m in Q2FY15.
- Operating loss of INR9.3m was recorded in Q2FY16 whereas an operating profit of INR2.3m was recorded in Q2FY15.
- In Q2FY16, net loss of INR2.3m was recorded as against a net profit of INR8.3m in Q2FY15.

## Table 1: Key financials (Consolidated)

(Y/e March)	FY 13	FY 14	FY 15
Sales (INRm)	447.7	232.3	251.1
YoY Growth (%)	12.6	-48.1	8.1
EBITDA (INRm)	34.4	29.0	25.5
EBITDA Margin (%)	7.7	12.5	10.1
PAT (INRm)	17.0	12.5	23.3
EPS (INR)	1.6	1.2	2.2
YoY Growth (%)	512.0	-26.7	86.2
RoE (%)	6.0	4.2	7.3
P / E (x)	27.3	37.2	20.0

Source: Company, Varhad Research

## Industry Overview

India is the third largest producer of tobacco and amounts to 5.8% of the international trade and ranks 5<sup>th</sup> in International trade after Brazil, U.S.A. Turkey and Zimbabwe, reflecting the tremendous success that Indian tobacco companies achieved. As of December 2014, the exports showed that India has so far exported 18,003t of tobacco in the period of FY15. The government continued its trend to increase taxation on tobacco and tobacco products in its Union budget produced in July, 2014 and later in February 2015. In 2014 the duty on most affordable 64mm cigarettes was disproportionately increased by 72% versus 17% for other key segment.

## Board of Director

**Table 2: Composition of Board**

Name	Director type	Business relationship with company
Mr.Nilotpal Deb	Director	Managing Director
Mr.Ravi Prakash Pincha	Director	Non-Executive & Independent Director
Mr.Gaurav Somani	Director	Non-Executive & Independent Director
Mr.Dilip Chakraborty	Director	Non-Executive & Independent Director
Ms.Vembi Krishnamurthy Radha	Director	Executive Director

Source: Company

## Key Strength and growth drivers

India has significant opportunity for cigarette industry to extend and consolidate its position in intentional market due to some recent trend like withdrawal/reduction of agricultural subsidy and escalating costing in the traditional cigarette exporting countries. The company has re-launched some of its brands like National Gold Flake and Regent Flake in new designs under the 64 mm and 69 mm segment across various places in India. The smaller cigarettes are subject to lower excise duty and are therefore priced at an affordable price range

## Risk and concern

- Continuous increase in input cost, excise duty by the central government and the VAT by most of the states have affected the prices of cigarettes in India and creating tough situation for the cigarette manufacturer and resisting growth of the volume
- Stringent Packing condition and proposed harsh graphic health warnings imposed by the Indian government posing a big threat to the industry and lowering down the company's competitiveness in the market.

## Interim Performance

- In Q2FY16, the revenues had decreased YoY by 75.3% to INR16.6m as against INR67.2m in Q2FY15.
- On operational front, in Q2FY16, the Company reported operating loss of INR9.3m as against a profit of INR2.3m in Q2FY15.
- In Q2FY16, net loss was recorded at INR2.3m as against a profit of INR8.3m in Q2FY15.

**Table 3: Summary of year to date performance**

(INRm)	Q2FY16	Q2FY15	YoY %	Q1FY16	QoQ%	H1FY16	H1FY15	YoY %
Revenue	16.6	67.2	-75.3	22.1	-25.2	38.7	147.2	-73.7
EBITDA	-9.3	2.3	-502.2	-5.2	79.6	-14.5	12.3	-218.0
EBITDA Margin (%)	-56.2	3.4	-59.6	-23.4	-32.8	-37.4	8.3	-45.8
PAT	-2.3	8.3	-127.8	1.6	-244.0	-0.7	15.2	-104.6

Source: Company, Varhad Research

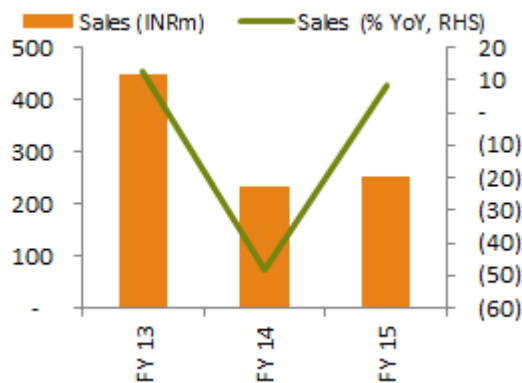
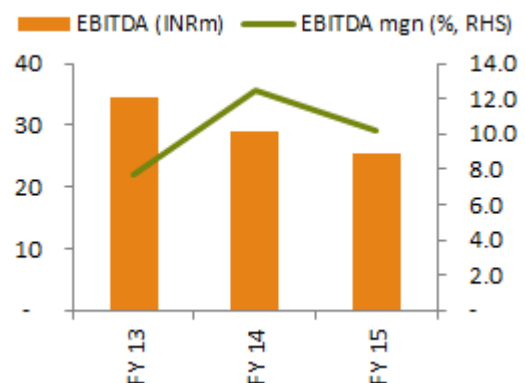
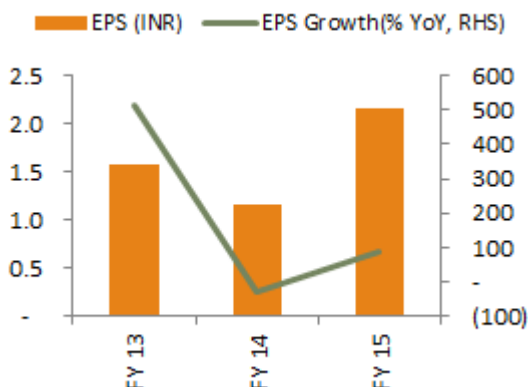
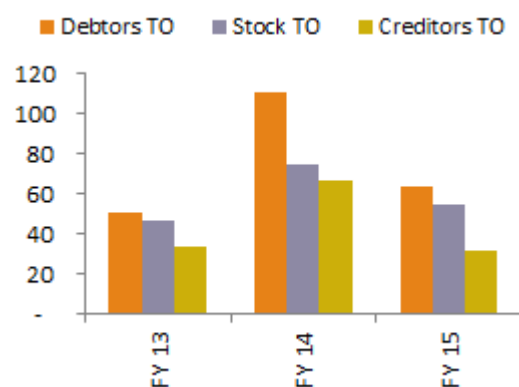
## Competition analysis

**Table 4: Peer comparison**

	CMP (INR)	Mcap (INRm)	Rev (INRm)	NPM (%)	EPS(INR)	PE(x)
NTC Industries Ltd	43.3	464.9	251.09	5.3	2.2	20.0
ITC Ltd	343.2	27,54,693.1	3,65,074.00	26.3	12.0	28.7
Golden Tobacco Ltd	46.3	558.0	515.90	-59.4	-17.4	-2.7
Sinnar Bidi Udyog Ltd	401.1	80.2	83.10	0.6	2.5	160.4

Source: BSE

## Financial snapshot

**Chart 1: Sales trend****Chart 2: Margin trend****Chart 3: EPS trend****Chart4: Working Capital Profile**

Source: Company, Varhad Research

**Financial Summary (Consolidated)**

<b>Profit and loss (INR m)</b>				<b>Balance sheet (INR m)</b>			
<b>Year ending 31 March</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>Year ending 31 March</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Revenue</b>	<b>447.7</b>	<b>232.3</b>	<b>251.1</b>	Net Block	256.0	306.2	361.8
Direct Expense	283.6	82.0	108.6	Investments	6.0	6.0	6.0
Staff Cost	39.8	39.2	37.9	Cash and Banks	8.8	5.8	13.2
Other Expenditure	89.9	82.1	79.2	Balance			
Total Cost	413.3	203.3	225.6	Inventory	57.0	37.5	38.4
<b>EBITDA</b>	<b>34.4</b>	<b>29.0</b>	<b>25.5</b>	Sundry Debtors	89.0	51.6	36.7
<i>EBITDA margin (%)</i>	<i>7.7</i>	<i>12.5</i>	<i>10.1</i>	Loans and Advances	176.1	137.0	353.4
Depreciation	11.0	12.5	11.1	Other Current Assets	0.0	0.0	0.0
<b>EBIT</b>	<b>23.4</b>	<b>16.4</b>	<b>14.4</b>	Other	3.9	0.9	6.5
Interest Expenses	15.5	10.5	9.2	<b>Total Assets</b>	<b>596.7</b>	<b>544.9</b>	<b>816.1</b>
Non-operating Income	14.8	12.3	19.1	Gross Debt	75.0	46.0	298.9
<b>PBT</b>	<b>22.7</b>	<b>18.3</b>	<b>24.3</b>	Trade Payables	62.8	22.5	20.8
Provision for Tax	5.6	5.8	1.0	Provisions & other curr lia	165.3	170.3	166.9
<b>PAT</b>	<b>17.0</b>	<b>12.5</b>	<b>23.3</b>	Others	0.0	0.0	0.0
<i>Growth %</i>	<i>512.0</i>	<i>-26.7</i>	<i>86.2</i>	Equity Capital	107.5	107.5	107.5
<i>PAT margin (%)</i>	<i>3.8</i>	<i>5.4</i>	<i>9.3</i>	Reserves & Surplus	186.1	198.6	221.9
Minority Interest	0.0	0.0	0.0	Share Application money	0.0	0.0	0.0
Extra Ordinary	0.0	0.0	0.0	Minority Interest	0.0	0.0	0.0
<b>PAT (Reported)</b>	<b>17.0</b>	<b>12.5</b>	<b>23.3</b>	<b>Shareholders' funds</b>	<b>293.6</b>	<b>306.1</b>	<b>329.4</b>
<b>Cash Flow Metrics</b>				<b>Total Liabilities</b>	<b>596.7</b>	<b>544.9</b>	<b>816.1</b>
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>Ratios, growth and per share analysis</b>			
Net Profit before tax	<b>22.7</b>	<b>18.3</b>	<b>24.3</b>	<b>Y-o-Y % change</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Operating Cash Flow</b>	52.6	89.2	-152.4	Revenue	12.6	-48.1	8.1
Investing Cash Flow	-5.4	-53.8	-50.9	EBITDA	116.5	-15.7	-12.1
Financing Cash Flow	-45.8	-39.1	211.8	Recurring EPS	512.0	-26.7	86.2
<b>Net Change in Cash</b>	<b>1.4</b>	<b>-3.6</b>	<b>8.4</b>	<b>Ratios (%)</b>			
Op.cash and Equivalent	3.2	4.6	0.9	ROE	6.0	4.2	7.3
Cl.cash and Equivalent	4.6	1.0	9.4	ROCE	8.6	6.4	6.6
<b>Ratio - Du Pont Analysis</b>				EBITDA Margin	7.7	12.5	10.1
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	Net Debt/Equity (x)	20.5	11.2	84.9
Net Profit Margins (%)	3.8	5.4	9.3	Net Debt/ EBITDA (x)	1.8	1.2	11.0
Total Assets Turnover	1.2	0.6	0.5	Inventory days	46.6	74.2	55.2
Leverage Multiplier	1.3	1.2	1.5	Debtors days	50.2	110.4	64.1
ROAE (%)	6.0	4.2	7.3	Payables day	34.0	67.0	31.5
<b>Valuation</b>				Total Asset TO ratio	1.2	0.6	0.5
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	Fixed Asset TO Ratio	1.8	0.8	0.8
EV/Sales	1.2	2.1	3.0	<b>Per share data (INR)</b>			
EV/EBITDA	15.3	17.2	29.2	EPS reported (diluted)	1.6	1.2	2.2
P/E (x)	27.3	37.2	20.0	Recurring EPS (diluted)	1.6	1.2	2.2
P/B(x)	1.6	1.5	1.4	DPS	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	Book Value(basic)	27.3	28.5	30.6
FCF yield (%)	13.1	17.5	-2.1	Wtd avg ord shares (m)	10.8	10.8	10.8
				Wtd avg dil shares (m)	10.8	10.8	10.8

Note: (\*) Not Applicable, Source: BSE, Company, Varhad research

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