



Farsight

MORNING FARSIGHT

Thursday, May 31, 2018

BANCO PRODUCTS

CMP:RS 217

TRGT:RS 250

TIME HORIZON: 6 MONTHS

Banco Products, manufacturer of engine cooling modules, including radiators, inter coolers as also oil coolers, for multiple industries including automobiles, agricultural & forestry equipment, locomotives, diesel engines for power generation, construction equipment and wind turbines, with capacity to produce 3.33 million radiators annually, has posted excellent set of earnings for Q4FY18, coupled with generous Final dividend Rs. 5.80(FV Rs.2), in addition to the interim dividend of Rs. 4.20 per share declared earlier. For Q4FY18, company has reported PBT of Rs. 49.73 cr against Rs. 24.03 cr QoQ and Rs. 15.75 cr YoY, a growth of 107% QoQ and 214% YoY. However, higher tax expenses of Rs. 22.75 cr, due to Deferred tax of Rs. 12.80 cr., being non cash item, against credit of Rs. (5.44) cr QoQ and Rs. 4.61 cr YoY, due to which, PAT comparison doesn't reflect robust growth. On the balance-sheet front, company continues to remain debt free with Cash Equivalents along with quoted / unquoted investment of Rs. 330 cr. Company has posted an EPS of Rs. 16.33 for FY18 and stock is trading at net of cash PE of just 10x with cash per share of Rs. 45. M Cap of Rs. 1,560cr and EV of Rs. 1,230 cr are seen quite low with an annual income of Rs. 1,400 cr (EV/Sales 0.89x) and EBITDA of Rs. 186 cr (EV/EBITDA just 6.6x). Share ruling at Rs. 217 can move to Rs. 250 in the next 6 months.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.