

Lykis Limited.**₹48****India offers high-quality Tea...!!!****Buy**

Dec 29, 2017

Company Background

Lykis is the fastest growing Home & Personal care company in India. From its humble beginning with the object of managing tea plantations, manufacture of quality tea sale & export of tea both in domestic & overseas market. It was incorporated on 15th October 1984. Company has diversified its business & has launched multiple products under various brands & marketing these products from Mumbai branch. Currently it operates in 36 countries including African countries, CIS countries, USA, UK, Haiti & Middle East countries. Lykis is dealing in qualitative products by ensuring a strict check on quality control where every product undergoes close scrutiny before dispatch. Company constantly innovating to delight consumers with more exciting, superior quality products at affordable price. It insists on honesty, integrity & fairness in all aspects of its business & expects the same in its relationship. Lykis work to create a better future everyday & help "People look good, feel good everyday with brands that are good for people". It's transparent business practices, fair dealings, wide distribution network, timely delivery, client centric approach & cost effective price structure have earned us vast appreciation of customer base spread all across the globe.

Key Highlights

- ➔ For 2016-17 total sales was ₹ 1,060.80 mn, of which 60.75% contribution was from Toilet, Perfumes & Cosmetics and remaining 39.25% is from Confectionary & Biscuits.
- ➔ Segment wise sales for 2016-17 Food-39.25%, Soap-12.66%, Cosmetics-17.68%, Deo/Sprays-6.28% and others 24.12% to total sales.
- ➔ Revenue rose by 3.10% to ₹ 1090.60 mn, EBITDA increased to ₹ 48.8 mn finally net profit ₹ 6.0 mn for 2016-17.
- ➔ Company is exporting its products to more than 39 countries and striving hard to expand its geographical market by exporting to many more countries in future.
- ➔ Domestic consumption is increasing year by year and export demand was also steady throughout the year.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	1,680.1	1,057.8	1,090.6
Rev. growth (%)	39.28	(37.04)	3.10
EBITDA (INR mn)	27.0	42.9	48.8
Net profit (INR mn)	14.6	17.9	6.0
Shares outstanding (mn)	19.0	19.9	19.9
EPS (INR)	0.8	0.9	0.3
EPS growth (%)	67.39	16.88	(66.67)
P/E (x)	73.90	72.22	162.17
RONW (%)	4.15	5.72	1.74
ROCE (%)	3.82	5.16	3.54

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: LYKI.BO
Bloomberg	: LYKI IN
NSE	: N/A
BSE	: 530689

Market Data

52 Wk Range (₹)	: 37/63
Shares in Issue (mn)	: 19.9
Market. Cap (bn)	: 0.93
BSE 2 Wk Avg Vol	: 6746

Share Holding Pattern (%)

Promoters Holding	: 29.00
Public & Others	: 71.00
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 00.00

Investment Theme

The FMCG segment is the 4th largest sector in the Indian economy, with food products being the leading segment, of the FMCG market. Export of Indian tea increased by 5.7% in the first four months of 2017. In 2015-2016, Tea exports from India stood at 232.92 kg, valued at \$ 686.67 mn. During 2016, major importers of Indian tea were Russia, United States, United Kingdom, Egypt, Iran, Saudi Arabia, Germany, Morocco, Japan, France, UAE, Canada, Vietnam, Netherlands, and Kazakhstan. Lykis is the fastest growing company in India, deals with Personal Care, Home Care, Beverages, Food & Confectionery, OTC. It was incorporated on 15th October 1984. Company is exporting its products to nearly 39 countries. For 2016-17 revenue was marginally improved by 3.1% and there was no dividend from the company.

Indian tea is among the finest in the world...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	1,668.3	1,046.7	(37.3)	1,060.8	1.3
Other Income	11.5	10.9	(5.2)	29.5	170.6
Change in Stocks	2.7	10.6	292.6	(5.5)	(151.9)
Raw Material Con.	1,472.8	861.0	(41.5)	887.8	3.1
Employee Exp.	26.6	31.0	16.5	34.2	10.3
Indirect Taxes	0.3	0.2	(33.3)	0.3	50.0
Other Exp.	139.9	127.1	(9.1)	121.8	(4.2)
Operating Exp.	1,639.6	1,019.3	(37.8)	1,044.1	2.4
Operating Profit	42.9	48.9	14.0	40.7	(16.8)
Total Interest	17.8	21.9	23.0	29.2	33.3
Gross Profit	25.1	27.0	7.6	11.5	(57.4)
Net Dep.	7.4	3.5	(52.7)	4.2	20.0
Total Taxation	3.1	5.6	80.6	1.3	(76.8)
Net Profit/Loss	14.6	17.9	22.6	6.0	(66.5)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	729.6	901.7	861.0	1,201.6
Equity Share capital	189.6	189.6	199.3	199.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	85.8	95.8	142.9	149.1
Secured Loans	4.8	3.4	4.0	5.0
Unsecured Loans	449.4	612.9	514.8	848.2
USES OF FUNDS	729.6	901.7	861.0	1,201.6
Gross Block	145.0	149.9	172.1	176.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	26.7	39.3	42.8	46.9
Net Block	118.3	110.6	129.3	129.8
Capital Work in Progress	9.8	13.7	0.0	2.7
Investments	103.8	53.9	124.4	26.4
Current Assets	557.0	819.4	842.2	1,162.2
Less : Current Liabilities	55.3	94.6	233.2	118.5
Total Net Current Assets	501.7	724.8	609.0	1,043.7
Misc. Expenses not writtenoff	(4.0)	(1.3)	(1.7)	(1.0)
NOTE				
Book Value of Unquoted Investments	2.1	(47.9)	124.4	26.4
Market Value of Quoted Investments	102.8	39.7	0.0	0.0
Contingent Liabilities	0.1	0.0	0.1	0.1
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 16	Mar 17	Jun 17	Sep 17
Net Sales	262.9	381.7	291.5	370.0
Cost Of Sales	277.8	401.1	293.0	373.4
Operating Profit	(14.9)	(19.4)	(1.5)	(3.4)
Other Income	15.3	41.7	5.8	5.7
Adjusted PBDIT	0.4	22.3	4.3	2.3
Financial Expenses	8.6	6.1	14.2	9.9
Depreciation	1.2	1.0	0.9	0.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(9.4)	15.2	(10.8)	(8.5)
Tax Charges	0.0	1.1	0.0	0.0
Reported Profit	(9.4)	14.1	(10.8)	(8.5)
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	(9.4)	14.1	(10.8)	(8.5)

52 Week Index Relative Percentage Appreciation



Lykis Ltd vs SENSEX

Risks Associated

- ➔ Company Net sales was marginally improved by 1.3% to ₹ 1060.8 mn, but operating profit was declined by 16.8% to ₹ 40.7 mn, interest charges was rose by 33.3% to ₹ 29.2 mn and lastly net profit was also disappointed.
- ➔ FMCG is a growing sector, eventhough there is competition from other players by doing unhealthy practices.
- ➔ Foreign exchange is also one risk for the company as involving exports, when the changes in the rates of foreign currency.

Scope of Growth

- ➔ Lykis is an existing brand, has vast experience in operations and management of FMCG products. Operations are handled by a experienced management and professional.
- ➔ Recently company launched packet tea brand CHEERS and getting fair response in the normal domestic market, malls and departmental stores. Also started to supply packet tea to Government Organisation namely Central Police Canteen as dry ration item.
- ➔ Company's business comes under FMCG sector, Indian FMCG is a growing industry. This sector represents nearly 2.5% of the country's GDP.
- ➔ The extension work became a continuous activity at Iringmara Tea Estate. Production at company's tea estate is increasing gradually from its own greenleaf together with the purchased leaf from other gardens. In future Iringmara Tea Estate will be one of the giant producer garden in the Assam.

In a Nutshell

Lykis is the fast growing company in India. Its presence spans across the Beauty & Grooming, Homecare, Food & Beverages and Health & Wellbeing segments. Company's brand names such as Lykis, Britex, Rox, Bonita, Vogly, Tazaagi, Cheers, Alivio, etc. From its humble beginning with the object of managing tea plantations, manufacture of quality tea sale & export of tea both in domestic & overseas market. It exporting its products to across the globe. Company is constantly innovating to delight consumers with more exciting, superior quality products at affordable price. Its transparent business practices, fair dealings, wide distribution network, timely delivery, client centric approach & cost effective price structure have earned to it vast appreciation of customer base spread all across the globe. Production of quality tea enables to sustain its brand value resulting in building customers loyalty as well as placing company on an advantageous position. The demand for quality remains a key driver of this industry due to increasing affluence and evolving consumer taste for high quality beverages in coming years. The export demand was also steady throughout the year. For tea, domestic consumption is increasing year to year. The extension work became a continuous activity at its Iringmara Tea Estate, production at tea estate is increasing gradually. In future its tea estate will be one of the giant producer garden in that area of Assam. It has started packet tea brand "CHEERS" and getting good response in the market. And also company started Government Organisation supplies namely Central Police Canteen of packet tea as dry ration item. A Scheme of Arrangement envisages Demerger of the Tea Division of Lykis Ltd into Cheers Consumer Products Ltd is under process.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 "Amardarshan" 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.