

VST Industries Ltd

VST Industries Ltd. is a cigarette manufacturing and distributing company. The company primarily operates in South India.

The company has been steadily reporting growth and the sales CAGR for 10 years ended 2019 stands at 11.2%. Recently its growth momentum sped up with increase in realisation change in product mix to premium priced cigarettes. The company has been witnessing superior volume growth in high priced cigarettes as contribution of premium brands 'Charms', 'Total' & 'Edition' has increased to 65% of volumes in last few years. With a favourable product mix, EBITDA/stick has grown at a CAGR of 12% from ₹0.24 in FY14 to ₹0.43 in FY19. With a wide presence at the lower price points and strong distribution of 1 million retail outlets, VST's brand has been specifically popular in West Bengal, Bihar, UP, AP and Telangana contributing ~60% of volumes.

Financial health of the company looks sound with zero debt in its balance sheet and investments constituting 70% of the total assets. The cash flow also remains steady. Currently, the stock trades at 26x of its earnings and delivers 36.4% RoE. The company also pays attractive dividend of average 65%. With concrete business and attractive returns, we recommend BUY on the stock.

BUY

CMP ₹4,422

Stock Info

Sector	Tobacco Products
Market Cap (₹ cr)	6,828
Beta	0.0
52 Week High / Low	4676/3001
Avg. Daily Volume	13,369
Face Value (₹)	10
BSE Sensex	41,021
Nifty	12,101
Reuters Code	VSTI.BO
Bloomberg Code	VST IN

Shareholding Pattern (%)

Promoters	32.2
MF / Banks / Indian FIs	18.5
FII / NRIs / OCBs	7.8
Indian Public / Others	41.5

Abs. (%)	3m	1yr	3yr
Sensex	9.0	15.5	55.7
VSTIND	28.0	50.4	97.5

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Disclosure of Interest Statement

VST Industries

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)