

# Financial Performance

14 November 2018



**Asha Phillip  
Securities Ltd**

Sri Lanka

Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

COMMERCIAL BANK OF CEYLON PLC (COMB.N)				Sector:			BANKS		
	Q3 FY 18	Q3 FY 17	Change	9M FY 18	9M FY 17	Change	FY 2017	FY 2016	Change
Interest income	30,893	26,958	15%	89,634	76,425	17%	104,049	81,315	28%
Interest expenses	18,602	16,404	13%	53,473	47,781	12%	64,482	48,186	34%
Net interest income	12,290	10,554	16%	36,161	28,644	26%	39,567	33,128	19%
Fee & commission	3,067	2,637	16%	8,948	7,497	19%	10,511	8,230	28%
Other income	3,518	762	362%	6,753	1,118	504%	1,919	5,537	-65%
Impairment charge	3,405	658	417%	7,434	1,619	359%	2,226	1,583	41%
Personnel expenses	3,431	2,892	19%	9,835	8,380	17%	11,339	10,913	4%
Other expenses	2,331	1,810	29%	6,551	5,569	18%	7,619	6,809	12%
Taxation	2,077	1,677	24%	6,331	4,632	37%	6,654	5,648	18%
Profit for the period	5,162	4,120	25%	13,767	11,774	17%	16,627	14,466	15%
Earnings per share	5.06	4.07	24%	13.53	11.64	16%	16.43	14.36	14%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>113.00</b>	<b>119.22</b>	<b>18.32</b>	<b>6.2</b>	<b>18.04</b>	<b>6.3</b>	<b>6.00</b>		<b>0.9</b>	<b>0.8</b>
Total Assets (Mn)	1,255,287	Equity (Mn)		120,503	No.of. Shares in Issue (Mn)			1010.7	
ROA - FY 19	1.45%	ROE - FY 19		15.13%	Asset / Equity ratio			10.42	

Segmental Analysis 9M FY 18	Rev Fy 18	Rev Fy 17	Change	Asset	Change	Result Fy18	Result Fy17	Change
Personal Banking	29,392	23,449	25%	452,254	15%	11,350	11,091	2%
Corporate Banking	9,277	6,791	37%	304,354	14%	3,584	4,937	-27%
International Operations	6,023	4,411	37%	153,935	27%	4,205	3,028	39%
Investment Banking	261	327	-20%	8,002	-28%	175	250	-30%
Dealing/Treasury	2,067	(297)	797%	258,853	2%	1,423	-584	344%

## Commercial Bank Sept net up 25-pct on forex gains, better margins

ECONOMYNEXT - Profits at listed Commercial Bank of Ceylon Plc grew 24.5 percent from a year earlier to 5.1 billion rupees in the September 2018 quarter on improving interest margins and huge foreign exchange gains despite increasing bad loans provisioning, interim accounts showed.

Trading losses contracted 76 percent from a year earlier to 218.7 million rupees in the quarter.

Other income, mostly foreign exchange gains, surged 360 percent to 3.5 billion rupees. Bad loans provisioning ballooned 417 percent to 3.4 billion rupees.

Commercial Bank's loan book expanded 13 percent from nine months earlier to 840 billion at end September 2019, and customer deposits grew 11 percent to 952.3 billion rupees.

Non-performing loans increased to 2.83% of the loan book at end September up from 1.88% earlier.

Tier I capital adequacy ratio stood at 11.39% at end September, down from 12.11% nine months earlier but above the Basel III regulatory minimum of 8.875%. Total capital adequacy ratio was at 15.82 percent, up from 15.75 percent nine months earlier, and above the 12.875 percent regulatory minimum.

Interest margin had improved to 4% at end September, up from 3.62% at the beginning of the year.

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Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

SAMPATH BANK PLC (SAMP.N)						Sector:		BANKS	
	Q3 FY 18	Q3 FY 17	Change	9M FY 18	9M FY 17	Change	FY 2017	FY 2016	Change
Interest income	26,311	22,045	19%	75,844	60,714	25%	83,909	58,976	42%
Interest expenses	16,091	14,257	13%	46,601	38,998	19%	53,612	35,021	53%
Net interest income	10,220	7,789	31%	29,243	21,716	35%	30,297	23,955	26%
Fee & commission	3,065	2,462	24%	8,733	7,055	24%	9,777	8,203	19%
Impairment charge	3,943	815	384%	7,114	2,233	219%	2,634	1,535	72%
Personnel expenses	2,301	2,313	-1%	7,299	6,310	16%	8,702	7,835	11%
Other expenses	1,203	962	25%	3,575	2,851	25%	9,318	8,431	11%
Taxation	1,583	1,383	14%	4,892	3,598	36%	4,828	3,712	30%
Profit for the period	2,889	2,912	-1%	9,946	8,784	13%	12,683	9,501	33%
Earnings per share	10.28	10.37	-1%	35.41	31.27	13%	45.15	33.82	33%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>229.00</b>	<b>319.57</b>	49.29	4.6	<b>47.21</b>	<b>4.9</b>	<b>6.00</b>		<b>0.7</b>	<b>0.8</b>
Total Assets (Mn)	925,527	Equity (Mn)		89,769	No.of. Shares in Issue (Mn)				280.9
ROA - FY 19	1.43%	ROE - FY 19		14.77%	Asset / Equity ratio				10.31

Segmental Analysis 9M FY 18	Rev Fy 18	Rev Fy 17	Change	Asset	Change	Result Fy18	Result Fy17	Change
Banking	31,496	23,276	35%	666,663	18%	13,314	11,348	17%
Leasing, HP & Factoring	3,424	2,402	43%	60,150	20%	1,381	1,066	30%
Dealing / Investment	5,902	4,940	19%	176,896	24%	3,851	2,973	30%
Others	84	168	-50%	6,375	8%	79	124	-36%

## Sri Lanka's Sampath Bank Sep net slightly down on NPLs

ECONOMYNEXT - Despite improving interest margins, profits at Sri Lanka's Sampath Bank Plc fell a marginal 0.8% from a year earlier to 2.88Bn rupees in the September 2018 quarter on higher provisioning for bad loans and trading losses, interim results showed. The bank reported a trading loss of 1.2Bn rupees in the quarter, down from a profit of 251Mn rupees a year earlier. Other operating income rose 350% to 2.9Bn rupees.

Bad loans provisioning surged 383.5% to 3.94Bn rupees due to the adoption of strict accounting standards and non-performing loans rising. Gross non-performing loans were 4.25% of total loans at end September 2018, up from 1.64% nine months earlier.

Sampath Bank's loan book expanded 12.2% from nine months earlier to 658Bn rupees at end December 2017 while deposits grew 7.3% to 680.8Bn rupees. The banking group's interest margin improved to 4.27% in this period, up from 3.91% nine months earlier.

The bank's Tier I capital adequacy ratio was 11.67% at end September 2018, up from 10.21% nine months earlier and above the minimum Basel III regulatory requirement of 8.875%. Total capital adequacy was at 15.61%, up from 14.33% nine months earlier and above the regulatory minimum of 12.875%.

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Sri Lanka

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC (CDB.N)						Sector:	DIVERSIFIED FINANCIALS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Interest income	3,651.6	2,453.4	49%	3,322.7	2,157.5	54%	10,320	7,686	34%
Interest expenses	2,269.6	1,621.9	40%	2,123.4	1,408.4	51%	6,705	4,708	42%
<b>Net interest income</b>	<b>1,382.0</b>	<b>831.5</b>	<b>66%</b>	<b>1,199.4</b>	<b>749.0</b>	<b>60%</b>	<b>3,615</b>	<b>2,978</b>	<b>21%</b>
Fee & commission	156.2	125.4	24%	140.1	70.5	99%	465	233	100%
Impairment charge	559.8	58.6	855%	213.5	107.2	99%	396	232	71%
Personnel expenses	367.6	286.8	28%	351.1	271.3	29%	1,084	902	20%
Other expenses	144.1	144.6	0%	112.7	107.9	4%	449	316	42%
Taxation	115.1	86.5	33%	88.3	66.7	32%	310	235	32%
Profit for the period	357.0	126.4	182%	339.1	126.4	168%	1,454	1,025	42%
<b>Equity holders</b>	<b>355.1</b>	<b>126.3</b>	<b>181%</b>	<b>337.4</b>	<b>125.7</b>	<b>168%</b>	<b>1,449</b>	<b>1,023</b>	<b>42%</b>
Earnings per share	6.54	2.33	181%	6.21	2.31	168%	26.68	18.83	42%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>81.00</b>	<b>140.60</b>	34.79	2.3	<b>25.50</b>	<b>3.2</b>			0.6	
Total Assets (Mn)	84,206	Equity (Mn)		7,635		No.of. Shares in Issue (Mn)			54.31
ROA - FY 19	1.64%	ROE - FY 19		18.14%		Asset / Equity ratio			11.03

Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

ROYAL CERAMICS LANKA PLC (RCL.N)						Sector:	CAPITAL GOODS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Net Revenue	7,411.1	6,722.7	10%	6,115.7	5,770.5	6%	29,090	26,413	10%
Cost of Sales	5,039.7	4,002.5	26%	4,086.4	3,681.7	11%	18,158	15,550	17%
<b>Gross Profit</b>	<b>2,371.4</b>	<b>2,720.2</b>	<b>-13%</b>	<b>2,029.3</b>	<b>2,088.8</b>	<b>-3%</b>	<b>10,933</b>	<b>10,863</b>	<b>1%</b>
Other Income	60.2	37.7	60%	33.9	56.7	-40%	357	393	-9%
Distribution Exp	1,127.0	896.7	26%	1,021.4	884.7	15%	4,041	3,479	16%
Administrative Exp	470.7	379.9	24%	392.3	356.1	10%	1,595	1,571	2%
Net Finance Exp	463.0	305.4	52%	398.4	264.0	51%	1,232	952	29%
Taxation	171.4	386.6	-56%	162.7	197.0	-17%	1,501	1,335	12%
Profit for the period	484.5	1,020.4	-53%	359.5	679.4	-47%	3,872	4,832	-20%
<b>Equity holders</b>	<b>440.5</b>	<b>682.5</b>	<b>-35%</b>	<b>348.7</b>	<b>518.7</b>	<b>-33%</b>	<b>2,880</b>	<b>3,375</b>	<b>-15%</b>
Earnings per share	3.98	6.16	-35%	3.15	4.68	-33%	26.00	30.46	-15%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>74.60</b>	<b>188.65</b>	22.28	3.3	<b>14.25</b>	<b>5.2</b>	10.4		0.4	0.8
Total Assets (Mn)	56,701	Equity (Mn)		20,900		No.of. Shares in Issue (Mn)			110.79
ROA - FY 19	2.78%	ROE - FY 19		7.55%		Asset / Equity ratio			2.71

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Based on the interim financial statements for the period ended **30th September 2018** LKR Mn

DIPPED PRODUCTS PLC (DIPD.N)				Sector:			MATERIALS		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Revenue	7,246.9	7,092.4	2%	7,633	7,462	2%	28,485	24,334	17%
Cost of Sales	6,166.4	6,112.3	1%	6,443	6,518	-1%	24,025	20,346	18%
<b>Gross Profit</b>	<b>1,080.4</b>	<b>980.1</b>	<b>10%</b>	<b>1,189</b>	<b>945</b>	<b>26%</b>	<b>4,460</b>	<b>3,989</b>	<b>12%</b>
Distribution Exp	120.3	142.3	-15%	162	178	-9%	614	518	19%
Admin Expenses	730.2	623.4	17%	646	586	10%	2,389	2,279	5%
Finance Income	122.4	86.6	41%	29	40	-27%	127	59	115%
Finance Costs	71.6	29.2	146%	108	102	5%	369	411	-10%
Income Tax	139.5	165.5	-16%	76	112	-32%	440	140	215%
Profit for the period	413.4	63.8	548%	250	(20)	1376%	801	918	-13%
<b>Profit to Parent</b>	<b>367.7</b>	<b>11.7</b>	<b>3046%</b>	<b>215</b>	<b>(30)</b>	<b>827%</b>	<b>495</b>	<b>753</b>	<b>-34%</b>
Earnings per share	6.14	0.20	3046%	3.59	(0.49)	827%	8.28	12.58	-34%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>80.00</b>	<b>165.50</b>	18.31	4.4	<b>19.47</b>	<b>4.1</b>	6.0		0.5	0.9
Total Assets (Mn)	24,337		Equity (Mn)		9,907		No.of. Shares in Issue (Mn)		59.86
ROA - FY 19	4.79%		ROE - FY 19		11.77%		Asset / Equity ratio		2.46

## Dipped Products Sept quarter net up 270-pct

ECONOMYNEXT – Sri Lankan rubber gloves maker **Dipped Products** said net profit shot up 270% to 153Mn rupees in the September 2018 quarter from a year ago. Quarterly sales of the Hayleys group firm rose two percent to 7.2 billion rupees over the period, according to interim accounts filed with the stock exchange. Finance income shot up 146% to 72Mn rupees while the share of non-controlling interest profit fell 75% to 11Mn rupees. The accounts showed Dipped Products booked no loss from Hayleys Global Beverages (Pvt) Ltd., a unit of subsidiary Kelani Valley Plantations, in the September 2018 quarter compared with a 49Mn rupee loss the previous year. Half-yearly profit attributable to equity holders of the company shot up to 368Mn rupees from 12Mn rupees in the previous year.

“**Outstanding contributions to revenue and profit came from the group’s Italian marketing company** ICOGUANTI S.p.A. The company increased its sales by 9% to 2,475Mn rupees and grew profits by 65% to 271Mn rupees.” Dipped Products (Thailand) Limited improved its performance and converted a loss of five million rupees in 2017 to a profit of 22Mn in the period reviewed despite drop in sales by 3% to 1,745Mn rupees. Sales of the group’s plantation businesses, Kelani Valley Plantations and Talawakelle Tea Estates, were virtually static at 6,547Mn rupees mainly due to depressed commodity prices.

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Sri Lanka

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CEYLON GRAIN ELEVATORS PLC (GRAN.N)					Sector: FOOD, BEVERAGE & TOBACCO				
	Q3 FY 18	Q3 FY 17	Change	9M FY 18	9M FY 17	Change	FY 2017	FY 2016	Change
Revenue	4,858	3,706	31%	12,615	11,382	11%	15,155	14,522	4%
Cost of Sales	4,351	3,422	27%	11,206	10,377	8%	13,611	12,212	11%
Gross Profit	507	284	78%	1,409	1,005	40%	1,544	2,310	-33%
Other income	5	(8)	157%	37	2	1850%	42	14	210%
Distribution Exp	60	57	5%	178	167	6%	192	197	-2%
Admin Expenses	88	74	19%	304	243	25%	291	317	-8%
Net finance income	50	71	-29%	181	203	-11%	289	143	103%
Income Tax	90	54	67%	276	178	55%	330	277	19%
Profit for the period	325	162	101%	877	622	41%	1,070	1,682	-36%
Profit to Parent	233	116	102%	650	424	53%	790	1,334	-41%
Earnings per share	3.89	1.93	102%	10.83	7.07	53%	13.17	22.23	-41%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>60.90</b>	<b>104.04</b>	16.93	3.6	<b>14.44</b>	<b>4.2</b>	<b>15.40</b>		<b>0.6</b>	<b>2.5</b>
Total Assets (Mn)	11,446	Equity (Mn)		6,242	No.of. Shares in Issue (Mn)			60.0	
ROA - FY 19	7.57%	ROE - FY 19		13.88%	Asset / Equity ratio			1.83	

**Ceylon Grain Elevators PLC's revenue and profitability improved** due to increased demand for feed and chicken meat during the quarter under review. Growth in feed sales volume was driven by consistency in feed quality and maintaining strong partnerships with key chicken processors. Profitability of the group has been sustained by efficiency in the farms' operations and the continued success in optimising formulated feed costs. The **Group foresees a challenging market situation in the forthcoming quarter** as cost of production will increase substantially due to increase in key raw material prices riding on the severe depreciation of LKR against USD. Also the Group anticipates lower demand with the declining consumer purchasing power as a result of price hikes on basic consumer staples and inclement weather.

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THREE ACRE FARMS PLC (TAFL.N)						Sector: FOOD, BEVERAGE & TOBACCO			
	Q3 FY 18	Q3 FY 17	Change	9M FY 18	9M FY 17	Change	FY 2017	FY 2016	Change
Revenue	677.0	555.3	22%	1,975	1,788	10%	2,404.1	2,545.3	-6%
Cost of Sales	471.1	434.2	9%	1,454	1,273	14%	1,694.3	1,571.6	8%
Gross Profit	205.8	121.1	70%	521	514	1%	709.8	973.7	-27%
Other Expense	3.8	13.6	-72%	(7)	17	-139%	(3.8)	7.3	-151%
Distribution Exp	2.9	5.2	-44%	8	13	-39%	15.7	11.9	31%
Admin Expenses	5.8	6.4	-9%	19	18	4%	22.1	23.6	-6%
Net finance income	53.8	27.2	98%	137	77	79%	104.5	1.7	6234%
Income Tax	33.2	15.3	117%	108	81	33%	126.5	119.7	6%
Profit for the period	213.9	107.8	98%	530	462	15%	653.8	812.8	-20%
Earnings per share	9.09	4.58	98%	22.51	461.59	-95%	27.8	812.8	-97%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>105.40</b>	<b>145.24</b>	-411.31	-0.3	<b>30.02</b>	<b>3.5</b>	<b>15.40</b>		<b>0.7</b>	<b>2.5</b>
Total Assets (Mn)	4,147	Equity (Mn)		3,420	No.of. Shares in Issue (Mn)		23.5		
ROA - FY 19	17.04%	ROE - FY 19		20.67%	Asset / Equity ratio		1.21		

## Sri Lanka poultry firm profits up with demand recovery

ECONOMYNEXT - Three Acre Farms Plc, "The Group revenue has increased as a result of improved demand for Layer Day Old Chicks (DOC) due to the recovery of table egg market and the stable market conditions for Broiler DOCs during the quarter under review," Director/Chief Executive Cheng Chih Kwong, Primus told shareholders. "The Group's margin has positively been driven by increased revenue due to effective farm management in Breeder and Commercial farms." Revenue for the September quarter grew 22% from a year earlier to 677Mn rupees while cost of sales were up 9% to 471.1Mn rupees, leading to gross profits growing 70% to 205.8Mn rupees.

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SINGER SRI LANKA PLC (SINS.N)				Sector:			RETAILING		
	Q2 FY 18/19	Q2 FY 17/18	Change	Q1 FY 18/19	Q1 FY 17/18	Change	FY 2017/18	FY 2016/17	Change
Revenue	13,461.0	11,920.9	13%	15,146	13,104	16%	53,114	36,367	46%
Cost of Sales	9,445.6	8,263.4	14%	10,623	9,072	17%	37,337	24,877	50%
<b>Gross Profit</b>	<b>3,735.1</b>	<b>3,405.8</b>	<b>10%</b>	<b>4,222</b>	<b>3,795</b>	<b>11%</b>	<b>14,719</b>	<b>10,924</b>	<b>35%</b>
Other income	93.3	61.5	52%	79	73	8%	291	189	54%
Admin & Selling Exp	2,969.5	2,668.2	11%	3,017	2,679	13%	11,056	7,789	42%
<b>Net Finance Cost</b>	<b>867.1</b>	<b>538.3</b>	<b>61%</b>	<b>587</b>	<b>522</b>	<b>12%</b>	<b>2,098</b>	<b>1,173</b>	<b>79%</b>
Income Tax	36.5	88.1	-59%	190	201	-5%	667	595	12%
Profit for the period	(114.5)	122.7	-193%	450	420	7%	974	1,549	-37%
Profit to Parent	(144.1)	100.1	-244%	419	385	9%	884	1,343	-34%
Earnings per share	(0.38)	0.27	-244%	1.11	1.03	9%	2.35	3.57	-34%
<b>CMP (LKR)</b>	<b>NAV (LKR)</b>	<b>Trail EPS</b>	<b>Trail P/E</b>	<b>FWD EPS</b>	<b>FWD P/E</b>	<b>Sector PE</b>		<b>PBV</b>	<b>Sector PBV</b>
<b>31.90</b>	<b>18.88</b>	1.79	17.8	<b>1.46</b>	<b>21.8</b>	14.8		1.7	0.7
Total Assets (Mn)	52,969	Equity (Mn)		7,090	No.of. Shares in Issue (Mn)		375.63		
ROA - FY 19	1.04%	ROE - FY 19		7.75%	Asset / Equity ratio		7.47		

### Singer Sri Lanka in the red on forex losses, higher interest costs

ECONOMYNEXT - Electronics and home appliances retailer **Singer Sri Lanka Plc**, a unit of listed Hayleys Plc, reported a loss of 144.1Mn rupees in the September 2018 quarter, against a profit of 100.1Mn rupees a year earlier, on foreign exchange losses and rising interest costs. In the September quarter, revenue had increased 13% from a year earlier to 13.5Bn rupees while cost of sales grew 14% to 9.4Bn rupees, resulting in gross profits growing 10% to 3.7Bn rupees. Finance cost increased 20% to 697Mn rupees. Long term borrowings grew 31% from a year earlier to 7.7Bn rupees at end September and short term loans grew 9% in the period to 16.9Bn rupees. Singer Sri Lanka reported a foreign exchange loss of 187Mn rupees in the quarter, compared to a gain of 7.2Mn rupees a year earlier as the rupee came under pressure due to an indefensible soft peg against the US dollar. Inventories were 12.7Bn rupees at end September 2018, up 24% from a year earlier. Trade receivables grew 23.5% in the quarter to 21Bn rupees. Trade payables grew 94% to 10.1Bn rupees.

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