

Company Details

CMP:	Rs.107.85
Face value:	Rs.2.00
Market cap:	Rs.382.87 Crs.
TTM EPS	Rs.6.01
52 week high:	Rs.188.00
52 week low:	Rs.75.25
BSE Code:	533146
NSE Code:	DLINKINDIA
Sector	IT-Networking

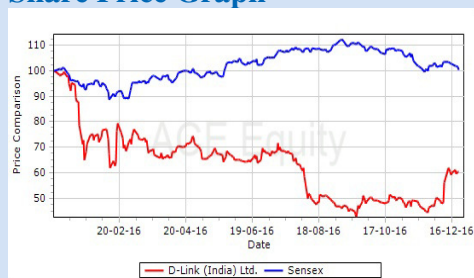
Financial Highlights (YoY)

Rs. In crores			
	FY16	FY15	% Var
Net Sales	700.75	625.32	12.06
Total Expendit	667.11	592.31	12.63
PBDIT	33.64	33.01	1.91
Op.Profit	35.02	34.57	1.30
OPM (%)	5.00	5.53	-9.60
PBT	33.19	32.41	2.41
PAT	21.50	21.33	0.80
EPS (Rs.)	6.06	6.01	0.80
Equity	7.10	7.10	0.00

Half-Yearly Performance (YoY)

Rs. In crores			
	H1FY17	H1FY16	% Var
Net Sales	354.76	346.62	2.35
Total Expendit	342.41	332.98	2.83
PBDIT	12.35	13.64	-9.46
Op.Profit	13.02	13.99	-6.93
OPM (%)	3.67	4.04	-9.07
PBT	12.17	13.03	-6.60
PAT	8.09	8.27	-2.18
EPS (Rs.)	2.28	2.33	-2.18

Share Price Graph



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Company Background

D-link (India) Ltd., a subsidiary of D-link Holding Mauritius, is a Goa-based Company incorporated in 2008. It is engaged in marketing and distribution of networking products. D-Link Corporation is globally renowned for its networking products and solutions and has a presence in 67 countries with a wide range of products. It deals with the design, manufacture and marketing of networking, broadband, digital voice and data communications solutions. It offers IT network infrastructure solutions - switching, security, wireless, IP surveillance, storage and structured cabling.

Financial Performance

The net sales and PAT of the Company during FY16 at Rs.700.75 crores and Rs.21.50 crores, respectively, are up by 12.1% and 0.8% over those during H1FY16. **The EPS has marginally increased from Rs.6.01 for FY15 to Rs.6.06 for FY16. The Company has paid dividend of 35% for FY15 and FY16.**

The net sales of the Company during H1FY17 at Rs.354.76 crores are up by 2.4% but PAT at Rs.8.09 crores is marginally down by 2.2% compared to that during H1FY16 due to increase in in-put costs. The EPS, on face value of Rs.2, has declined from Rs.2.33 for H1FY16 to Rs.2.28 for H1FY17.

Further, in Q2FY17, its net sales and PAT have increased by 16.7% and 107.3%, respectively, compared to those for Q2FY16. The operating profit margin has improved from 3.56% in Q2FY16 to 5.5% in Q2FY17 on the back of improved sales volume and after the management took a conscious call of deferring some sales with longer credit cycle in Q1FY17.

Investment Rationale

- India's IT networking industry has witnessed significant changes in the last few years. With the growing number of internet subscribers, growth in the mid-market segment, enhanced IT infrastructure and growing market have accelerated the networking market in the country. The networking industry will continue to grow at a robust pace on the back of higher enterprise spending, a further roll out of 3G/4G networks and increasing broadband penetration. In addition, now enterprises across industries are expressing interest in going 'digital'. This trend has been further encouraged by the Government's 'Digital India' programme. Digitization efforts from government and businesses are driving the IT networking and storage markets in India.
- With strong parental support, in terms of a pipeline of the latest and innovative products, the Company is ideally placed to take advantage of the impending boom in networking and internet products. The **Gartner, Inc.**, an American research and advisory firm, predicts high rates of spending on cloud services in India to continue through 2019 when the market is expected to reach \$1.9 billion.
- Net sales and PAT of the Company have grown at a CAGR of 33% and 32%, respectively, during FY12-16 on the back of aggressive marketing and steps taken to enhance customer satisfaction and further expected a robust growth with increasing market share and leadership position in wireless segment, Switch domain and emerging domain of IP surveillance.
- The Company has pan-India distribution network with over 18 branch offices, 90 business distributors (National / Regional / Business Distributors all across India + in the SAARC), 500 dealers and 5000 re-sellers allows it to reach every nook and corner of India.
- The Company had acquired TeamF1 Networks which is in the business of providing services in relation to the Network Security Software, test new applications/ enhancements and provides maintenance support for existing applications. TeamF1's financials show positive signs of growth during FY16 and has a strong margin profile.
- The emergence of an affluent middle class is triggering the demand for mobile and internet segments. A young and growing population is aiding this trend (especially the demand for smart phones). This will fuel an increase in 3G/4G subscribers and broadband users, thus, creating further demand for networking products from individual users.
- The promoters hold 51% equity capital of the Company, followed by institutions and non-promoter corporates that hold 4.6% and 6.1%, respectively, and the balance 38.3% shares are held by the public.

Concerns

Slow down in economy, technology obsolescence, highly competitive market and exchange rate

fluctuations are some of the concerns.

Valuation

The share of the Company is trading at a lower P/E of 13.4x on estimated earnings of Rs.8 for FY18E against that of industry at 22.1x. Keeping in view the positive outlook for IT & Networking industries, Government's 'Digital India' programme, strong parentage, TeamF1 Networks acquisition, growing number of internet subscribers, margin expansion in recent quarter and reasonably low PE ratio, we recommend a buy on share of this Company with an expected price appreciation of about 30% over the next 12 months.

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