

# NRB Bearings Ltd

Bloomberg Code: NRBBR IN

India Research - Stock Broking

**BUY**

## NRB Bearings - Mirroring India's Growth Story...

**NRBBR well positioned to benefit from economic recovery:** Industrial and investment activity are showing signs of improvement with GDP estimated to grow at 7.5-8.0% during FY16E-17E. Bearing, being a basic industry and having its application across all sectors, is well positioned to benefit from economic revival. NRBBR, well equipped with diverse product portfolio, is expected to grow (sales) at a CAGR of 10.5% between FY15-17E to Rs. 8,812 Mn, while improving EBITDA and PAT margins to 22.9% & 11.6% levels respectively.

**Auto industry revival could drive demand:** On the back of bright macro-economic factors coupled with stable government policies, we believe the auto industry would grow by 7.4% for FY16E & 12.9% for FY17E. Auto industry, being the biggest consumer of bearings, is believed to drive demand and NRBBR, with its diverse products & reputed clientele, is well poised to capitalize on current market scenario.

**Market leader in needle roller bearing segment:** NRBBR enjoys a market share of around 68% in India's total needle roller bearings market, which sizes to Rs. 4,400 Mn. Needle roller bearings find most of the applications in automotive industry. With auto industry finally showing signs of recovery, needle roller bearing market is estimated to grow to Rs. 5380 Mn by FY17E from the current levels of Rs. 4,400 Mn. We believe NRBBR would maintain its leadership position by retaining the market share of 68%, representing the value of Rs 3659 Mn.

**Exploring new markets could increase profitability:** NRBBR has export revenue share of 23.3% in FY15 and is estimated to grow to 25.0% by FY17E. NRB Bearings Europe GmbH, set up during FY15 in view of increasing exports to Europe is expected to add significant export numbers to total revenue.

## Valuation and Outlook

At CMP of Rs. 101, NRBBR is currently trading at 10.4x FY17E EPS, while the P/E during FY05-15 is averaged at 14.5x. We initiate coverage on NRBBR with a "BUY" rating for a price target of Rs. 141 at 14.5x FY17E EPS representing an upside potential of 39.3% in a 9-12 months period.

## Key Risks

- Slowdown in automotive segment & industrial activity may affect revenue.
- Volatility in raw material prices may pose a threat to margins.

### Exhibit 1: Valuation Summary (Rs. Mn)

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	5916	6075	6703	7273	8182
EBITDA	1001	1031	1231	1428	1875
EBITDA Margin (%)	16.9	17.0	18.4	19.6	22.9
Adj. Net Profit	480	337	537	659	949
EPS (Rs.)	4.9	3.4	5.5	6.7	9.7
RoE (%)	22.3	16.2	22.7	24.5	30.1
PE (x)	6.4	15.2	24.0	15.0	10.4

Source: Company, Karvy Research; \*Represents multiples for FY13, FY14 & FY15 are based on historic market price

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### Recommendation (Rs.)

CMP	101
Target Price	141
Upside (%)	39.3

### Stock Information

Mkt Cap (Rs.mn/US\$ mn)	9813 / 155
52-wk High/Low (Rs.)	154 / 76
3M Avg. daily volume (mn)	0.1
Beta (x)	1.0
Sensex/Nifty	27573 / 8328
O/S Shares (mn)	97
Face Value (Rs.)	2.0

### Shareholding Pattern (%)

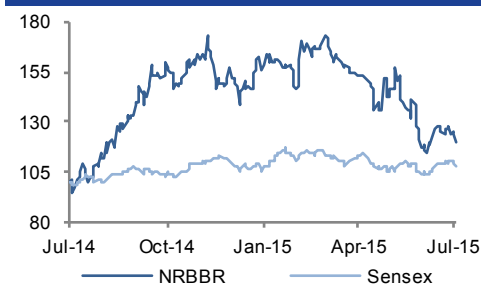
Promoters	58.2
FII's	11.7
DII's	14.2
Others	15.9

### Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	(22)	18	(23)
Relative to Sensex	(2)	(18)	(25)	9

Source: Bloomberg

### Relative Performance\*



Source: Bloomberg; \*Index 100

### Analyst Contact

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**Company Financial Snapshot (Y/E Mar)**
**Profit & Loss (Rs. Mn)**

	FY15	FY16E	FY17E
Net sales	6703	7273	8182
Optg. Exp (Adj for OI)	5473	5845	6307
EBITDA	1231	1428	1875
Depreciation	310	335	360
Interest	172	184	192
Other Income	33	33	33
PBT	780	941	1356
Tax	243	282	407
Adj. PAT	537	659	949

**Profit & Loss Ratios**

EBITDA margin (%)	18.4	19.6	22.9
Net margin (%)	8.0	9.1	11.6
P/E (x)	24.0	15.0	10.4
EV/EBITDA (x)	12.5	11.0	8.4
Dividend Yield (%)	1.1	1.7	2.4

Source: Company, Karvy Research

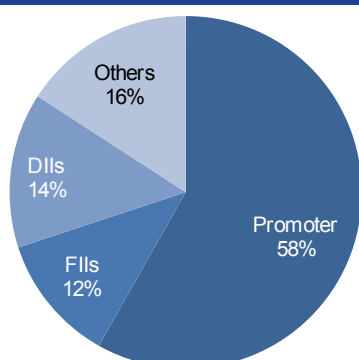
**Balance sheet (Rs. Mn)**

	FY15	FY16E	FY17E
<b>Total Assets</b>	<b>7345</b>	<b>7625</b>	<b>8397</b>
Net Fixed assets	2578	2597	2737
Current assets	4727	4987	5619
Other assets	41	41	41
<b>Total Liabilities</b>	<b>7345</b>	<b>7625</b>	<b>8397</b>
Networth	2571	2865	3503
Debt	2860	3031	3133
Current Liabilities	1794	1609	1641
Deferred Tax	120	120	120

**Balance Sheet Ratios**

RoE (%)	22.7	24.5	30.1
RoCE (%)	16.0	16.3	16.2
Net Debt/Equity	1.0	0.9	0.7
Equity/Total Assets	0.3	0.4	0.4
P/BV (x)	5.0	3.5	2.8

Source: Company, Karvy Research

**Exhibit 2: Shareholding Pattern (%)**


Source: Company, Karvy Research

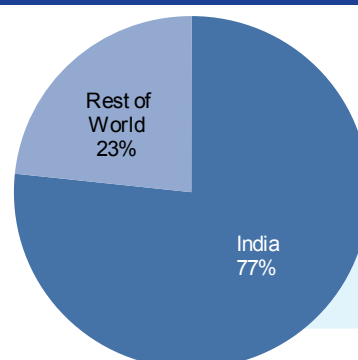
**Company Background**

NRB Bearings Ltd (NRBBR) is one of the leading bearings manufacturers in India with a market share of nearly 7%. NRBBR, headquartered at Mumbai, is incorporated in 1965 as Needle Roller Bearing Company Limited, an Indo-French Joint Venture with Nadella-France. NRBBR is the first company to manufacture needle roller bearings in India. Moving in line with the advanced technologies NRB has wide range of products to be offered in various product categories like Needle Roller bearings, Needle bushes & cages, cylindrical roller bearings, ball bearings, taper roller bearings and spherical roller bearings etc. Needle roller bearing, flagship product of the company with over 68% of market share in its product segment, finds its application majorly in automotive space. NRBBR has three subsidiaries-NRB Bearings (Thailand) Ltd & NRB Bearings Europe GmbH, are wholly owned subsidiaries and NRBBR holds 73.45% in SNL Bearings. Manufacturing facilities are at Jalna, Waluj, Hyderabad, Aurangabad, Thane, Pantnagar, Ranchi (SNL Bearing) and Thailand.

**Cash Flow (Rs. Mn)**

	FY15	FY16E	FY17E
PBT	780	941	1356
Depreciation	310	335	360
Interest (net)	172	184	192
Tax	(283)	(282)	(407)
Changes in WC	(313)	(334)	(407)
Others	39	(5)	(5)
<b>CF from Operations</b>	<b>706</b>	<b>840</b>	<b>1089</b>
Capex	(179)	(500)	(500)
Others	(59.5)	-	-
CF from Investing	(238)	(500)	(500)
<b>Change in Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in Debt	76	171	102
Dividends	(107)	(217)	(313)
Interest	(172)	(184)	(192)
<b>CF from Financing</b>	<b>(245)</b>	<b>(229)</b>	<b>(396)</b>
Net change in cash	222	111	193

Source: Company, Karvy Research

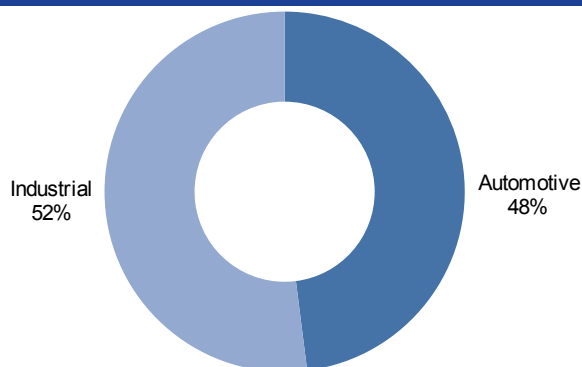
**Exhibit 3: Revenue Segmentation (%)**


Source: Company, Karvy Research

## Industry Overview

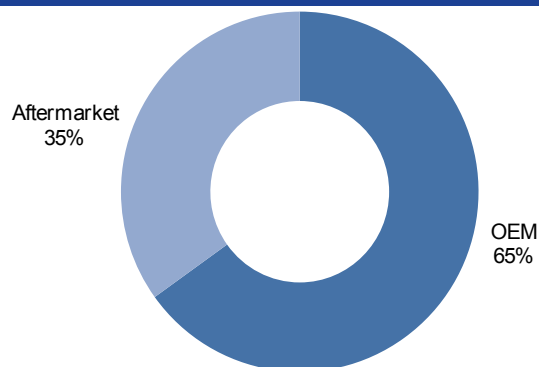
The current Indian bearing industry sizes around Rs.80-85 Bn. The demand for bearings is driven by two key user segments: the automotive and industrial sectors. Auto segment contributes around 48% and the remaining 52% is contributed by industrial segment. In automotive bearings market in India, organized segment manufacturers cater to 50% of the demand, about 15% of the production is by the unorganized segment and the remaining 35% is fulfilled through imports. Out of the total revenue in automotive segment, 65% of the revenue is contributed by the Original Equipment Manufacturers (OEMs) and the remaining 35% is by the demand from after market. The Indian industry today manufactures small and medium bearings mainly in five categories, i.e. ball bearings, cylindrical roller bearings, taper roller bearings, spherical roller bearings and needle roller bearings. Ball bearings comprise of 48% of the revenue and the rest is roller bearings, of which nearly 10% is needle roller bearings which sizes to Rs.4400 Mn.

**Exhibit 4: User Segments**



Source: BRBMA, Karvy Research

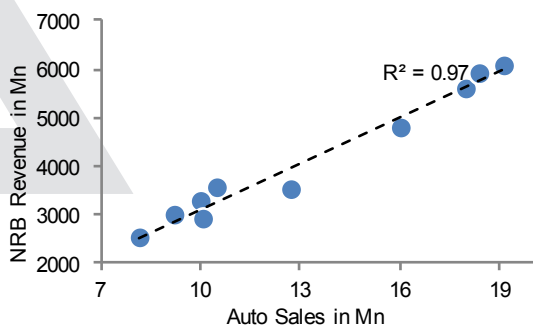
**Exhibit 5: Revenue Break-up in Automotive Segment**



Source: BRBMA, Karvy Research

## NRBBR – Leader in Needle roller bearings

**Exhibit 6: Correlation with Auto Sales**



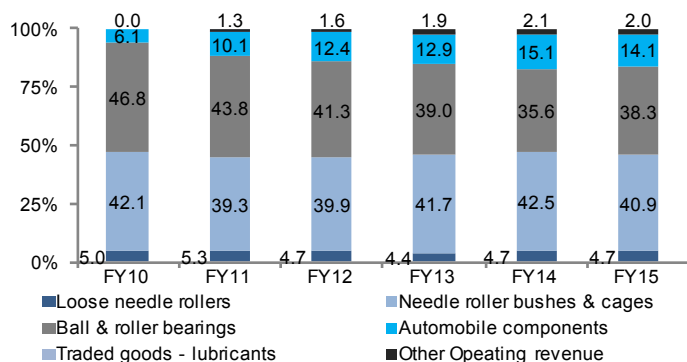
Source: SIAM, Karvy Research

According to Ball & Roller Bearing Manufacturers Association (BRBMA), the annual production of the domestic organized sector is estimated around INR 51.5 Bn for FY15 and of that, NRBBR has market share of around 13%. NRBBR is the first company in India to manufacture needle roller bearings; currently NRBBR enjoys a market share of around 68% in total India's needle roller bearings market. Along with ball & roller bearings, needle roller bearings form nearly 80% of the top line revenue.

Needle roller bearings find most of the applications in automotive industry. With the economy recovering from slump coupled with growing working population and an expanding middle class population, we believe auto

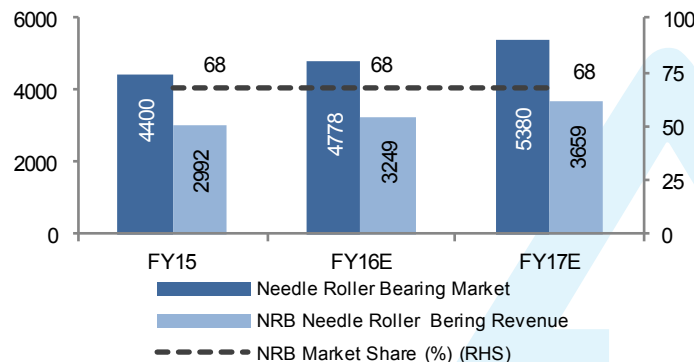
industry to grow at nearly 7.4% in FY16E and 12.9% in FY17E. Having a near perfect correlation with automotive industry, the needle bearing market is also expected to grow at a CAGR of 10.6% for FY15-17E to amount to Rs. 5,380 Mn. We expect NRBBR to maintain its leadership position in FY17E too with a market share of around Rs.3,659 Mn.

**Exhibit 7: Product-wise Revenue Contribution**



Source: Company, Karvy Research

**Exhibit 8: NRBBR's Market Share**



Source: BRBMA, Karvy Research

## Reviving Auto industry could drive growth for NRB

Automotive industry, largest consumer of bearings, has strong linkages to the economy with 7% contribution to GDP. While immediate upturn is not expected in auto industry, the worst may be behind us. Expectations of improvement in economic environment from the second half of FY14 along with potential interest rate cuts are likely to provide support to auto sales in FY16E & FY17E.

We expect demand for two wheelers & three wheelers to pick up during the year and are expected to grow at 7.1% & 8.8% for FY16E and 12.5% & 8% for FY17E respectively, supported by moderation in inflation levels and revival in consumer sentiment. The under-penetrated rural market will be the key driver for the industry's growth.

Commercial Vehicle (CV) segment and tractors had entered into negative territory mainly owing to slowdown in industrial activity coupled with sluggish infrastructure spending and subdued rural economy. With recent government initiative of "Make in India" campaign, we believe the industrial activity to pick up in long run, if not immediately. Further, in rural economy, improving consumer sentiments would act as a positive segment. Supported by all these factors, we expect CVs & tractors to grow by 9.5% & 3% for FY16E and 19% & 15% for FY17E respectively.

Passenger Vehicle (PV) segment is also expected to see a growth of 9% & 14.3% for FY16E & FY17E respectively supported by growing middle class population coupled with rising income levels.

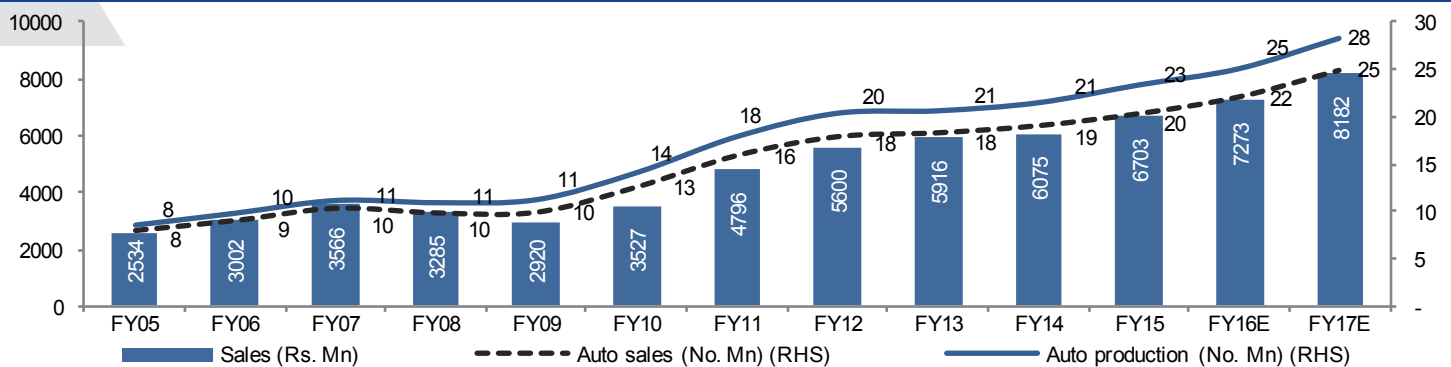
As a whole, on the back of bright macro-economic factors coupled with stable government policies, we believe the auto industry would grow by 7.4% for FY16E & 12.9% for FY17E.

### Exhibit 9: Market Players

2/3 wheelers	PV	CV	Tractors & Farm Equipment
Yamaha	TATA Motors	Swaraj Mazda	Escorts
Bajaj Auto	Premier	Renault Trucks	Mahindra & Mahindra
Hero Motocorp	Hindustan Motors	Volvo	John Deere
HMSI	Maruti Suzuki	Force Motors	HMT
TVS Motor	Fiat	Eicher	VST Tillers
Piaggio	Setco	Ashok Leyland	TAFE
Kinetic	Daikin		New Holland

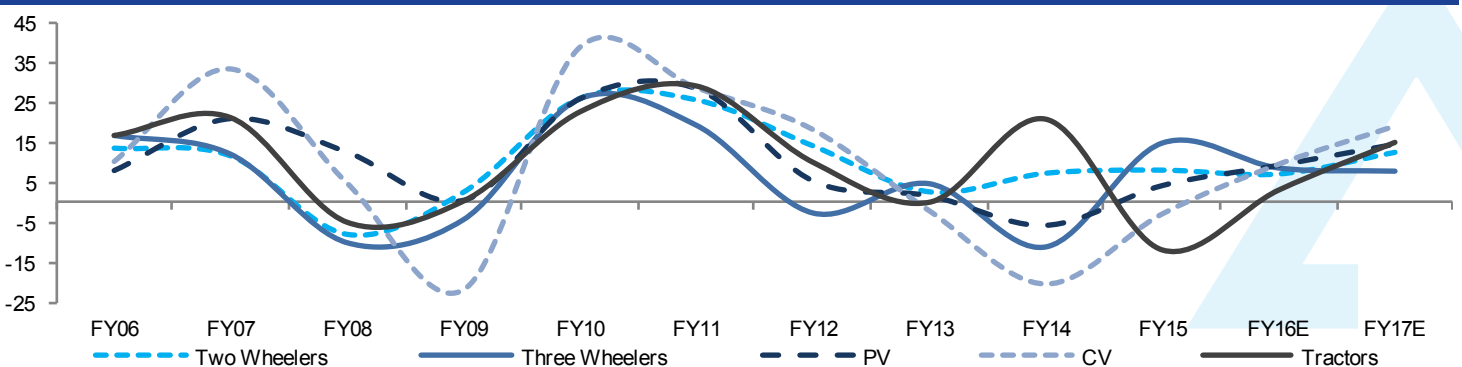
Source: Company, Karvy Research

### Exhibit 10: Auto Sales and Production



Source: SIAM, Company, Karvy Research

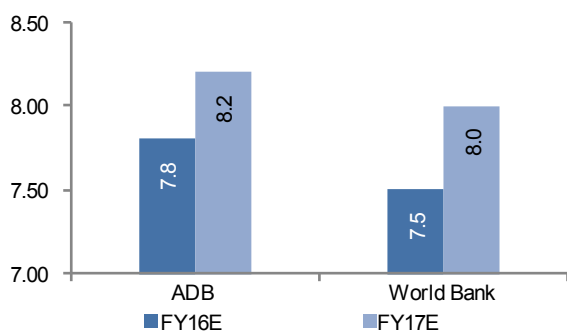
### Exhibit 11: Category-wise growth rates



Source: SIAM, Karvy Research

## Industrial activity boosted by Govt. initiatives coupled with positive sentiments may steer revenue for NRB

**Exhibit 12: Indian GDP growth estimates (%)**



Source: ADB, IMF, World bank, Karvy Research

The government has projected the country's economic growth to be in the range of 8.1-8.6% in the current financial year against 7.3% in FY15. Most global and domestic agencies, including the International Monetary Fund (IMF), the World Bank and Asian Development Bank (ADB), have pegged it at 7.5-7.8% mainly supported by stable government at center, coupled with industry friendly policies.

Prime Minister Mr. Narendra Modi unveiled his ambitious "Make in India" campaign on September 25, 2014, the campaign aims at turning the country into a global manufacturing hub. The initiative emphasizes on 25 sectors like auto, manufacturing, mining, energy etc. With bearing being a basic industry and having its applications across sectors, we believe NRB is well positioned to experience the positive effect.

## NRBBR- venturing into new markets may help increase revenue

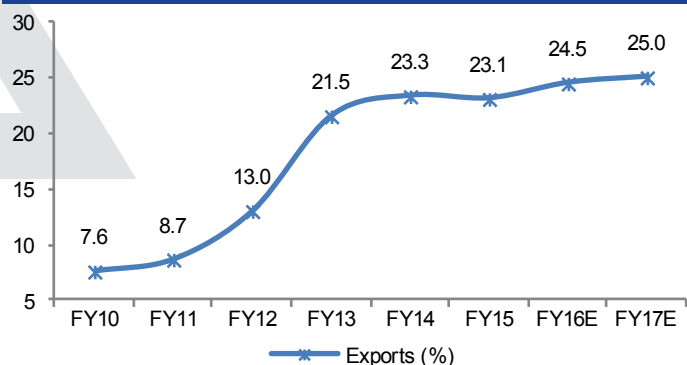
Nearly 23% of NRB revenue is through exports and export revenue has grown at a CAGR of 42.6% from FY10 to FY15. It has increased from a mere 7.6% in FY10 to a whopping 23.3% in FY15.

NRBBR, to increase its footprint had forayed into overseas markets through two wholly owned subsidiaries. Among that NRB Bearings Europe GmbH was set up during FY15 in view of increasing exports to Europe. While European market is a tough nut to crack, we believe NRB will make its mark in long term, if not immediately.

NRB Bearings (Thailand) Ltd, once a loss making unit has increased its sales by 30% to INR 226 Mn and trading revenue from parent forms nearly 49% of total revenue.

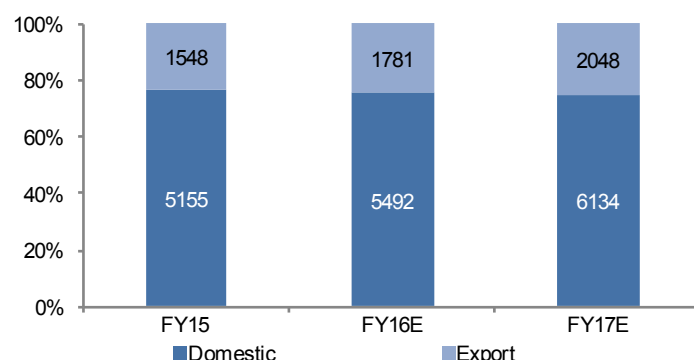
We believe, with continued focus & exploring of overseas markets, NRB export revenue to grow at a CAGR of 15% for next couple of years and forms 25.0% of total revenue by FY17E.

**Exhibit 13: Share of Exports (%)**



Source: Company, Karvy Research

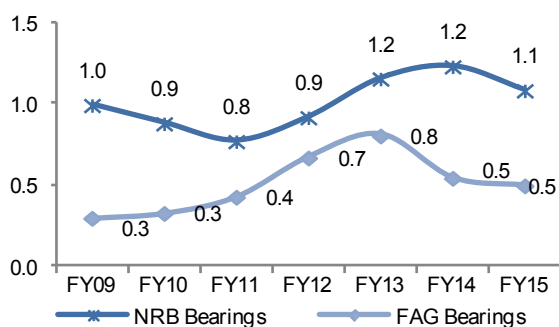
**Exhibit 14: Domestic and Exports Revenue Break-up**



Source: Company, Karvy Research

## NRBBR- Consistent investments in R&D could help improve efficiency

**Exhibit 15: R&D expenditure : NRB vs FAG (% of Rev)**



Source: Prowess, Company, Karvy Research

NRBBR has always been a front runner while it comes to investing in R&D. During FY09-FY15, NRB has constantly invested around 1% of its revenue in R&D. NRB is more focused on cost reduction and product standardization while investing in R&D which helps in improving profitability in coming years.

**Exhibit 16: Business Assumptions**

Y/E Marc (Rs. Mn)	FY14	FY15	FY16E	FY17E	Comments
<b>Consolidated</b>					
Revenue	6075	6703	7273	8182	We expect the volumes to grow at a CAGR of 10.5% between FY15-FY17E on the back of improving macro economic conditions coupled with reviving auto industry.
Revenue Growth (%)	2.7	10.3	8.5	12.5	
EBITDA	1031	1231	1428	1875	We expect stable raw material prices along with other expenses stabilizing at current levels to improve EBITDA margins.
EBITDA Margins (%)	17.0	18.4	19.6	22.9	
PAT (normalized)	337	537	659	949	We believe PAT margin to improve to 11.6% by FY17E on the back of stable interest & tax expenses.
EPS	3.4	5.5	6.7	9.7	We believe EPS to reach as high as 9.7 by FY17E mainly owing to better margins.
EPS Growth (%)	(30.2)	61.5	22.9	47.8	
Net CFO	729	706	840	1089	
Net Debt	2702	2580	2640	2549	
Free Cash Flow	212	456	340	589	

Source: Company, Karvy Research

**Exhibit 17: Karvy vs Consensus**

	Karvy	Consensus	Divergence (%)	Comments
Revenues (Rs. Mn)				
FY16E	7273	8217	(0.1)	Revenue to grow at a CAGR of 10.5% during FY16E-FY17E predominantly due to reviving automotive industry.
FY17E	8182	9692	(0.2)	
EBITDA (Rs. Mn)				
FY16E	1428	1580	(0.1)	Stable raw material costs along with consistent other expenses lead to better EBITDA margins.
FY17E	1875	1911	0.0	
EPS (Rs.)				
FY16E	6.7	7.4	(0.1)	Stable interest, depreciation & tax expenses results in better profitability thus better EPS of Rs.9.7 in FY17E.
FY17E	9.7	9.2	0.1	

Source: Bloomberg, Karvy Research



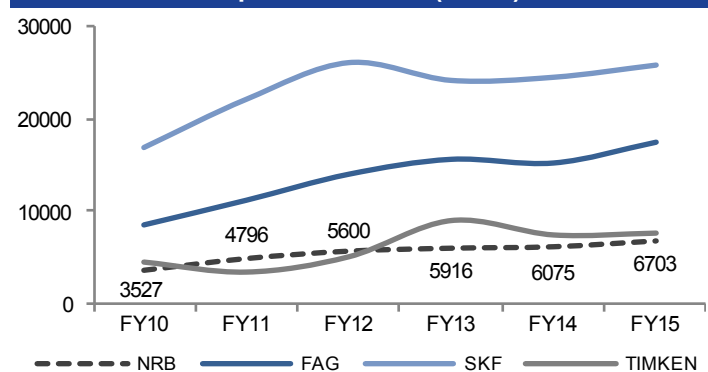
## Higher Margins Vs Peers

**Exhibit 18: Peer Comparison : Royalty (% of Revenue)**

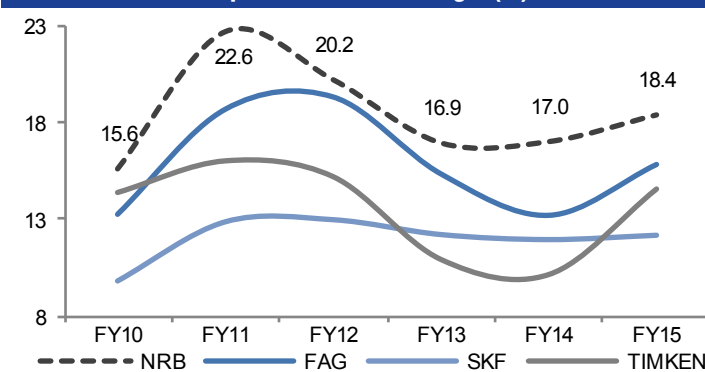
	NRB	FAG	SKF	TIMKEN
FY10	Nil	1.6	0.5	2.3
FY11	Nil	1.5	0.5	2.0
FY12	Nil	1.5	0.5	2.0
FY13	Nil	1.5	1.9	2.3
FY14	Nil	1.4	2.5	2.1
FY15	Nil	1.5	2.5	2.2

Source: Bloomberg, Company, Karvy Research

NRBBR, despite its low revenue compared to peers, enjoys superior gross & EBITDA margins mainly attributable to its revenue mix and high product customizability. Unlike its peers like SKF, FAG & TIMKEN, NRBBR is the only organization with all in-house R&D, zero royalty payments and negligible trading income, which enables NRBBR to enjoy higher margins.

**Exhibit 19: Peer Comparison : Revenue (Rs. mn)**


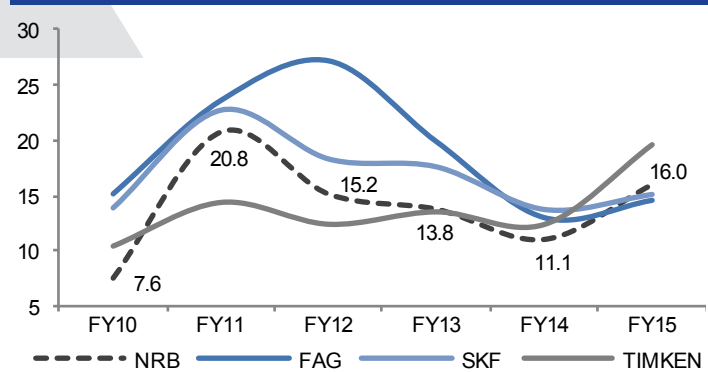
Source: Bloomberg, Company, Karvy Research

**Exhibit 20: Peer Comparison : EBITDA Margin (%)**


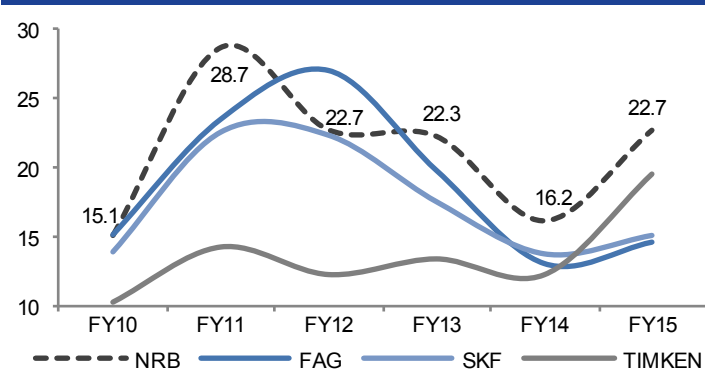
Source: Bloomberg, Company, Karvy Research

## Leverage advantage

NRBBR, despite lower RoCE compared to peers, enjoys a higher RoE mainly due to leverage the organization has. On the other side, peers like SKF, FAG & TIMKEN have zero debt on their books.

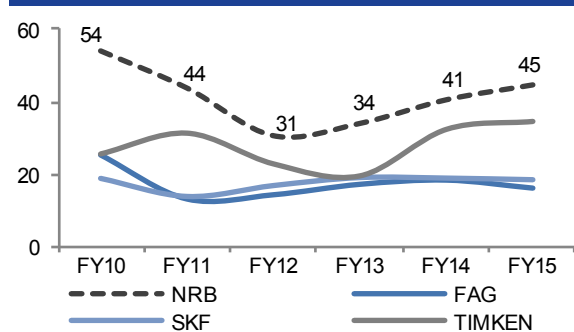
**Exhibit 21: Peer comparison : RoCE (%)**


Source: Bloomberg, Company, Karvy Research

**Exhibit 22: Peer comparison : RoE (%)**


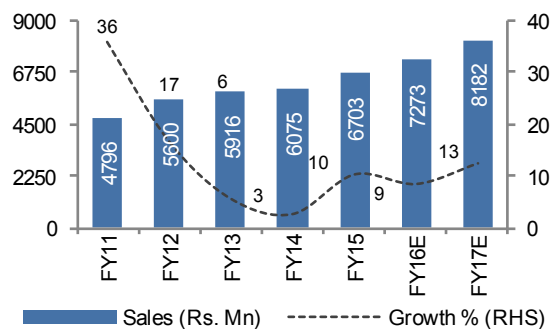
Source: Bloomberg, Company, Karvy Research

## Increased focus on after market segment

**Exhibit 23: Working Capital as % of Revenue**


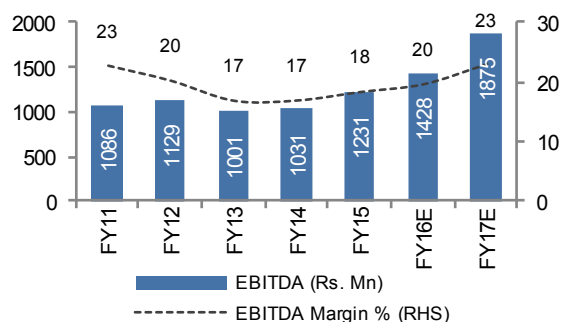
Source: Bloomberg, Company, Karvy Research

Working capital as a percentage of sales is highest among the peers due to lower exposure to after market segment coupled with higher inventory levels in export market, management is working on mitigating the risk and started to focus on after market segment which is expected to grow at a CAGR of 14% during FY16E- FY17E.

**Exhibit 24: Sales & Sales Growth**


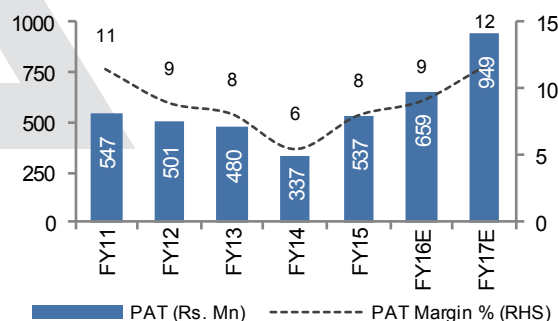
Source: Company, Karvy Research

Revenue has grown at a CAGR of 13.7% between FY10-FY15. On the back of improving macro economic conditions, turnaround in investment cycle together with reviving automotive industry, supported by superior exports growth vis-a-vis OEM and after market segments, we believe NRB to grow at a CAGR of 10.5% between FY15-FY17E.

**Exhibit 25: EBITDA & EBITDA Margin**


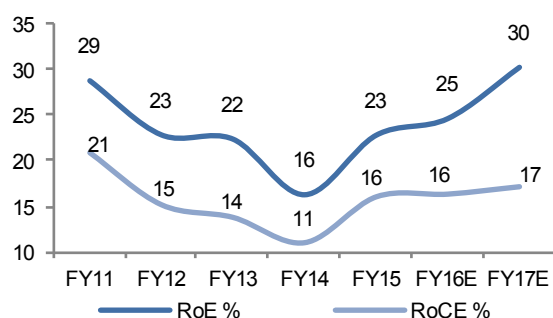
Source: Company, Karvy Research

Company has seen its EBITDA grew at a CAGR of 19.8% between FY10-FY15 while maintaining healthy EBITDA margins. With market conditions improving, stable raw material prices along with stabilizing other expenses to current levels, we believe EBITDA margin to improve to 22.9% by FY17E.

**Exhibit 26: PAT & PAT Margin**


Source: Company, Karvy Research

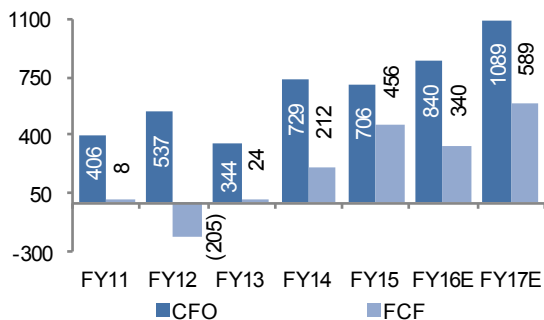
PAT reached a low of Rs. 337 Mn during FY14 from Rs. 547 Mn levels in FY11, mainly on account of high finance costs and high tax expenses. During the same period, PAT margin also fell to 5.5% in FY14. We believe PAT to reach Rs. 949 Mn by FY17E with a PAT margin of 11.6%, mainly accountable to stable finance & tax expenses.

**Exhibit 27: RoE Vs RoCE**


Source: Company, Karvy Research

RoE & RoCE are highest during FY11 with 28.7% & 20.8% respectively and have dropped to as low as 16.2% & 11.1% during FY14. We believe the ratios to improve moderately to 30.1% & 17.1% by FY17E.

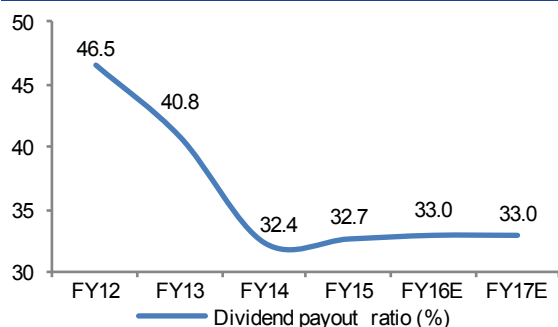


**Exhibit 28: CFO Vs FCF (Rs. Mn)**


Source: Company, Karvy Research

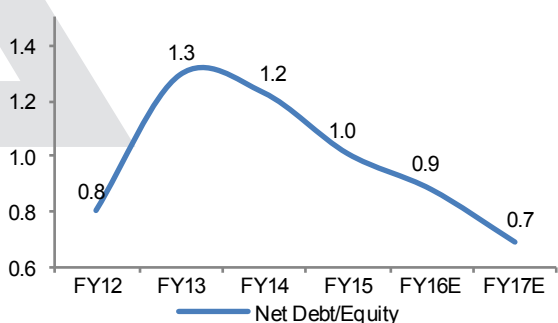
CFO and FCF have been volatile during FY11-FY13 mainly due to incurrence of debt around Rs.1300 Mn. Expansion of profitability has led to consistent growth of CFO & FCF during FY13-FY15. We believe the same trend continues till FY17E keeping the CFO & FCF levels at Rs. 1089 Mn & Rs. 589 Mn respectively.

NRBBR incurs routine maintenance Capex of around Rs.500 Mn each year.

**Exhibit 29: Dividend Payout Ratio**


Source: Company, Karvy Research

The company has maintained its dividend payout ratio between 30%-46% and we believe the company would maintain the same well over 33% for FY16E & 17E.

**Exhibit 30: Net Debt/ Equity Ratio**


Source: Company, Karvy Research

Net debt to equity ratio has increased to 1.3x during FY13 mainly due to incurrence of debt about INR 1300 Mn. However, after that it remained at manageable levels of 1.2x & 1.0x during FY14 & FY15 respectively. We believe the ratio to decrease to 0.7x by FY17E. Also we believe the cash per share to increase to Rs.6.0 by FY17E from current levels of Rs.2.9.

**Exhibit 31: Company Snapshot (Ratings)**

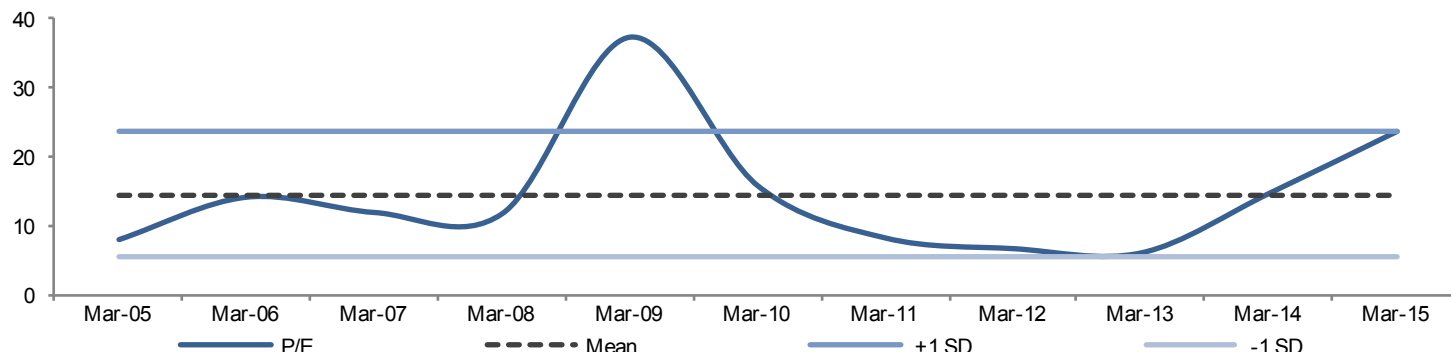
	Low					High				
	1	2	3	4	5	1	2	3	4	5
Quality of Earnings			✓							
Domestic Sales				✓						
Exports			✓							
Net Debt/Equity			✓							
Working Capital requirement			✓							
Quality of Management				✓						
Depth of Management				✓						
Promoter				✓						
Corporate Governance				✓						

Source: Company, Karvy Research

## Valuation & Outlook

We believe cyclical trend to be appropriate method to value NRBBR based on its historical performance during various business and industry cycles. We have considered a ten year cycle from FY05 to FY15 to reflect current economic and market sentiments while arriving at valuation for NRBBR. We value the company based on P/E basis.

Exhibit 32: P/E Band



Source: Company, Karvy Research

On the back of strong economic environment coupled with auto industry revival, NRBBR is well positioned to capitalize on current market scenario. At CMP of Rs. 101, NRBBR is currently trading at 10.4x FY17E EPS, while the P/E during FY05-15 is averaged at 14.5x. We initiate coverage on NRBBR with a **“BUY”** rating for a price target of Rs. 141 at 14.5x FY17E EPS representing an upside potential of 39.3% in a 9-12 months period.

Exhibit 33 (a): Comparative Valuation Summary

	CMP (Rs.)	Mcap (Rs. Mn)	EV/EBITDA (x)				P/E (x)				EPS (Rs.)			
			FY14	FY15	FY16E	FY17E	FY14	FY15	FY16E	FY17E	FY14	FY15	FY16E	FY17E
NRB Bearings	101	9813	7.5	12.5	11.0	8.4	15.2	24.0	15.0	10.4	3.4	5.5	6.7	9.7
TIMKEN	565	38467	16.8	30.8	29.6	18.7	27.7	51.5	49.4	29.5	6.5	11.8	15.7	19.9

Source: Bloomberg, Karvy Research

Exhibit 33 (b): Comparative Operational Metric Summary

	CAGR % (FY15-17E)			RoE (%)				Price Perf (%)			Net Sales (Rs. Mn)			
	Sales	EBITDA	EPS	FY14	FY15	FY16E	FY17E	3m	6m	12m	FY14	FY15	FY16E	FY17E
NRB Bearings	10.5	23.4	33.2	16.2	22.7	24.5	30.1	(22.1)	18.1	(22.5)	6075	6703	7273	8182
TIMKEN	16.7	25.7	20.3	12.3	19.6	16.8	18.4	(12.5)	11.2	96.2	7102	9164	10692	12482

Source: Bloomberg, Karvy Research

## Key Risks

- Slowdown in automotive segment & industrial activity may affect revenue.
- Increase in raw material prices may pose a threat to margins.

## Financials

**Exhibit 34: Income Statement**

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Revenue	5916	6075	6703	7273	8182
Growth (%)	5.7	2.7	10.3	8.5	12.5
Operating Expenses	4916	5043	5473	5845	6307
EBITDA	1001	1031	1231	1428	1875
Growth (%)	(11.4)	3.1	19.3	16.1	31.3
Depreciation & Amortization	321	356	310	335	360
Other Income	89	29	33	33	33
EBIT	769	704	953	1126	1547
Interest Expenses	186	186	172	184	192
PBT	582	518	780	941	1356
Tax	102	181	243	282	407
Adjusted PAT	480	337	537	659	949
Growth (%)	(4.0)	(29.9)	59.4	22.7	44.0

Source: Company, Karvy Research

**Exhibit 35: Balance Sheet**

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Cash & Equivalents	33	58	280	392	585
Sundry Debtors	1515	1842	1998	2032	2286
Inventory	1475	1450	1642	1677	1799
Loans & Advances	570	703	806	886	948
Investments	1	1	1	1	1
Gross Block	4961	5429	5735	5900	6040
Net Block	2181	2328	2578	2597	2737
CWIP	193	383	35	35	35
Miscellaneous	5	5	6	6	6
<b>Total Assets</b>	<b>5973</b>	<b>6770</b>	<b>7345</b>	<b>7625</b>	<b>8397</b>
Current Liabilities & Provisions	1273	1640	1719	1609	1641
Debt	2601	2760	2860	3031	3133
Other Liabilities	102	156	196	120	120
Total Liabilities	3976	4555	4775	4761	4895
Shareholders Equity	194	194	194	194	194
Reserves & Surplus	1786	1997	2348	2640	3271
<b>Total Network</b>	<b>1979</b>	<b>2190</b>	<b>2542</b>	<b>2833</b>	<b>3464</b>
<b>Minority Interest</b>	<b>17</b>	<b>24</b>	<b>29</b>	<b>31</b>	<b>38</b>
<b>Total Network &amp; Liabilities</b>	<b>5973</b>	<b>6770</b>	<b>7345</b>	<b>7625</b>	<b>8397</b>

Source: Company, Karvy Research

**Exhibit 36: Cash Flow Statement**

YE Mar (Rs. Mn)	FY13	FY14	FY15P	FY16E	FY17E
PBT	582	518	780	941	1356
Depreciation	321	356	310	335	360
Interest	186	186	172	184	192
Tax Paid	(148)	(133)	(283)	(282)	(407)
Inc/dec in Net WC	(522)	(174)	(313)	(334)	(407)
Other Income	89	29	33	33	33
Other non cash items	(164)	(52)	7	(37)	(37)
<b>Cash flow from operating activities</b>	<b>344</b>	<b>729</b>	<b>706</b>	<b>840</b>	<b>1089</b>
Inc/dec in capital expenditure	(918)	(605)	(179)	(500)	(500)
Inc/dec in investments	-	-	-	-	-
Others	0	(61)	(59)	-	-
<b>Cash flow from investing activities</b>	<b>(917)</b>	<b>(666)</b>	<b>(238)</b>	<b>(500)</b>	<b>(500)</b>
Inc/dec in borrowings	473	665	76	171	102
Issuance of equity	-	-	-	-	-
Dividend paid	(194)	(165)	(107)	(217)	(313)
Interest paid	(186)	(186)	(172)	(184)	(192)
Others	282	(353)	(42)	2	7
<b>Cash flow from financing activities</b>	<b>375</b>	<b>(38)</b>	<b>(245)</b>	<b>(229)</b>	<b>(396)</b>
<b>Net change in cash</b>	<b>(198)</b>	<b>25</b>	<b>222</b>	<b>111</b>	<b>193</b>

Source: Company, Karvy Research

**Exhibit 37: Key Ratios**

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EBITDA Margin (%)	16.9	17.0	18.4	19.6	22.9
EBIT Margin (%)	13.0	11.6	14.2	15.5	18.9
Net Profit Margin (%)	8.1	5.5	8.0	9.1	11.6
Dividend Payout ratio (%)	40.8	32.4	32.7	33.0	33.0
Net Debt/Equity (x)	1.3	1.2	1.0	0.9	0.7
RoE (%)	22.3	16.2	22.7	24.5	30.1
RoCE (%)	13.8	11.1	16.0	16.3	16.2

Source: Company, Karvy Research

**Exhibit 38: Valuation Parameters**

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EPS (Rs.)	4.9	3.4	5.5	6.7	9.7
DPS (Rs.)	2.0	1.7	1.5	2.2	3.2
BVPS (Rs.)	20.4	22.6	26.2	29.2	35.7
PE (x)	6.4	15.2	24.0	15.0	10.4
P/BV (x)	1.5	2.3	5.0	3.5	2.8
EV/EBITDA (x)	5.6	7.5	12.5	11.0	8.4
EV/Sales (x)	0.9	1.3	2.3	2.2	1.9

Source: Company, Karvy Research; \*Represents multiples for FY13, FY14 &amp; FY15 are based on historic market price

Stock Ratings	Absolute Returns
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Hold	: 5-15%
Sell	: <5%

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