

# SML ISUZU Ltd

Bloomberg Code: SM IN

India Research - Stock Broking

**HOLD**

## Poised to Benefit from Auto-industry Revival with its New Capital Expansion

As the industry enters the growth phase, SML is well planned to increase its sales momentum. New capex investment of Rs.2200 Mn is expected to be deployed in the next two years i.e. by 2017, exclusively for product and research development. This outlay is expected to cater mainly to the goods segment as the company has a very low market share of about 0.7% as on FY15 in this segment.

### Ramp-up in capacity utilization to lead to robust revenue and EBITDA growth

On the back of expected increase in the utilization rate and slight increase in the unit vehicle realization, we expect the revenue to grow at a CAGR of 17% between FY15-17E. Currently the utilization rate is at 65% having a total capacity of 18000 units and is expected to reach up to 85% by FY17E.

Driven by robust revenues, EBITDA is expected to grow at a CAGR of 15% between FY15-17E. Slight tapering in EBITDA growth is largely due to employee expenses, therefore the margins are expected to remain flattish at about 6% in FY16E-17E. Further, PAT is expected to increase at a CAGR of 11% and the margins are likely to dwindle in FY17E on account of higher depreciation and interest expense.

We have assumed that the funds will be organized partly through a mix of debt and internal accruals as the company currently enjoys a net cash position.

### Well built operations aid to long term sustainability

They have consistent cash flow generation which has helped in maintaining a net cash position, indicating sufficient room for capital expansion and other long term goals. Also, there has been a considerable improvement in their working capital cycle by about 34 days from ~102 in FY14 to ~68 in FY15. We have assumed a similar trend for FY16E-17E.

## Valuation and Outlook

At CMP of Rs. 1127, the stock is trading at 36.1x of its FY17E EPS. We value the company at 41x P/E for a target price of Rs 1280, representing an upside of 13.5%. Even though the overall company's performance and industry prospects look quite appealing, the company still has to substantiate the new capex program with meticulous execution and the share price in the market seems to have factored in most of the benefits. Therefore we recommend **"HOLD"** on the stock as the company is at the beginning of its new venture.

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

YE Mar	FY13	FY14	FY15	FY16E	FY17E
Net Sales	9865	8757	10981	12960	14994
EBITDA	703	317	656	770	866
EBITDA Margin (%)	7.1	3.6	6.0	5.9	5.8
Adj. Net Profit	364	174	369	441	452
EPS (Rs.)	25.2	12.0	25.5	30.5	31.2
RoE (%)	13.8	6.3	12.2	13.1	12.2
PE (x)	44.8	93.7	44.2	37.0	36.1

Source: Company, Karvy Research

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### Recommendation (Rs.)

CMP (as on Jun 03, 2015)	1127
Target Price	1280
Upside (%)	13.5

### Stock Information

Mkt Cap (Rs.mn/US\$ mn)	16310 / 254
52-wk High/Low (Rs.)	1670 / 410
3M Avg. daily volume (mn)	0.09
Beta (x)	1.09
Sensex/Nifty	26837 / 8135
O/S Shares(mn)	14.5
Face Value (Rs.)	10

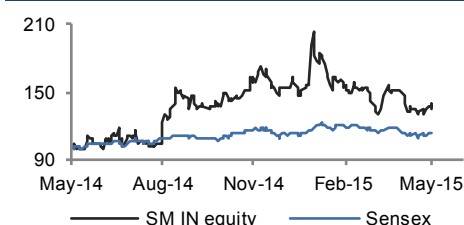
### Shareholding Pattern (%)

Promoters	44.0
FIIIs	0.8
DIIIs	17.7
Others	37.6

### Stock Performance (%)

	1M	3M	6M	12M
Absolute	(15)	13	26	159
Relative to Sensex	(12)	24	34	140

### Relative Performance\*



Source: Bloomberg; \*Index 100

### Analyst Contact

**Jayasree Ram**  
 040 – 4467 7494  
 jayasree.ram@karvy.com

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

	FY15	FY16E	FY17E
Net sales	10981	12960	14994
Optg. Exp (Adj for OI)	10325	12190	14128
EBITDA	656	770	866
Depreciation	198	214	279
Other Income	58	60	64
Interest	88	85	72
PBT	488	580	595
Tax	118	139	143
PAT	369	441	452

**Profit & Loss Ratios**

EBITDA margin (%)	6.0	5.9	5.8
Net Profit margin (%)	3.4	3.4	3.0
P/E (x)	44.2	37.0	36.1
EV/EBITDA (x)	25.9	22.0	19.6
Dividend yield (%) *	0.5	0.5	0.5

Source: Company, Karvy Research, \* as on 03rd Jun 2015, DPS taken as RS.6 for FY16E & 17E

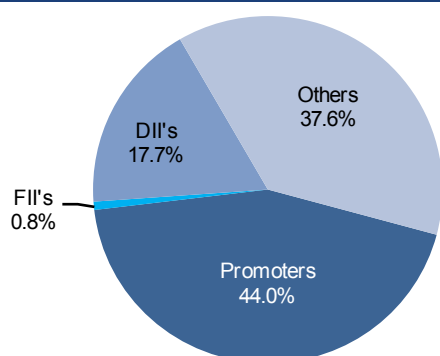
**Balance Sheet (Rs.mn)**

	FY15	FY16E	FY17E
<b>Total Assets</b>	<b>6751</b>	<b>7916</b>	<b>9843</b>
Net Fixed assets	1645	2605	4026
Current assets	4908	5101	5596
Other assets	198	210	221
<b>Total Liabilities</b>	<b>6751</b>	<b>7916</b>	<b>9843</b>
Networth	3029	3366	3714
Debt	579	654	750
Current Liabilities	3142	3896	5380
Deferred Tax	435	435	435

**Balance Sheet Ratios**

RoE (%)	12.2	13.1	12.2
RoCE (%)	14.1	13.5	10.7
Net Debt/Equity(x)	-	0.1	0.4
Equity/Total Assets(x)	0.4	0.4	0.3
P/BV (x)	5.4	4.8	4.4

Source: Company, Karvy Research

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


Source: Company, Karvy Research

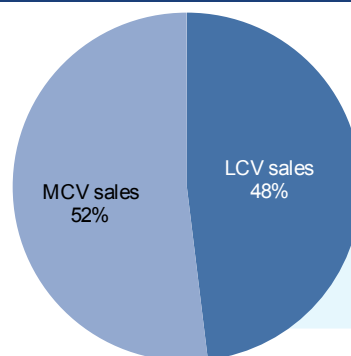
**Company Background**

Incorporated in the year 1983, SML ISUZU Ltd is an automobile manufacturer whose main product base includes Trucks, Buses and Special application vehicles like that of Ambulance, Military vans, Tipper etc. They can be broadly classified into Light, Medium and Heavy commercial vehicles. Currently headed by Mr. S.K Tuteja, the Chairman, the company has only one plant in Punjab from where it primarily manufactures vehicles. In this span of time, different variants of Trucks and Buses were introduced which catered to diverse consumer segments, fundamentally differentiated in terms of Gross Vehicle Weight (GVW) and other aspects like the type of Deck and number of tyres for Trucks, while for buses in terms of Seating, Fuel type (CNG, diesel) etc. However, they extensively operate in the 5-12GVW segment having around 120 dealers across the nation. In addition to this, bus chassis is also a part of their portfolio. Since Isuzu Motors is a stake holder, premier bus/truck models are launched under this brand. Further, exports constitute 3% of the total sales volume.

**Cash Flow (Rs.mn)**

	FY15E	FY16E	FY17E
PBT	488	580	595
Depreciation	198	214	279
Interest (net)	58	60	64
Tax	70	86	88
Changes in WC	183	(364)	(107)
Others	(82)	(79)	(80)
<b>CF from Operations</b>	<b>775</b>	<b>326</b>	<b>662</b>
Capex	(146)	(1145)	(1834)
Investment	(252)	(7)	151
Others	1	2	7
<b>CF from Investing</b>	<b>(396)</b>	<b>(1150)</b>	<b>(1676)</b>
Finance costs	(58)	(60)	(64)
Borrowings	223	527	1030
Dividend costs	(51)	(104)	(104)
<b>CF from Financing</b>	<b>114</b>	<b>363</b>	<b>862</b>
Change in Cash	493	(461)	(152)

Source: Company, Karvy Research

**Exhibit 3: LCV & MCV Share in Total Sales Volume**


Source: SIAM, Company, Karvy Research

## Industry Overview

The Commercial Vehicle (CV) industry occupies ~3% of the total vehicle sales and can be broadly categorized as Light Commercial Vehicles (LCV) and Medium & High Commercial Vehicle (M&HCV) based on the Gross Vehicle Weight (GVW). Being a cyclical industry, the domestic share of MCVs has been decreasing from FY11 to FY14 due to reduction in economic activity; attributed to reduced mining activity and construction during FY12-13 and in the meantime LCVs had been shaping up. Again the trend now seems to have reversed wherein the MCVs are gaining in their share, as there is an overall improvement in Mining, Construction and Manufacturing industries, where such vehicles would be extensively preferred. However, the LCV segment has taken a step back. Nevertheless measures such as excise duty cuts, high discounts are likely to trigger back the sales. Also, perception of monetary easing in FY16E could further revive the overall commercial vehicle industry performances. (Source: RBI stats)

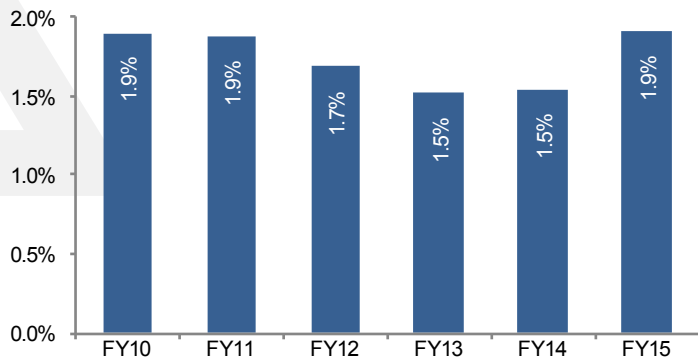
## Total commercial vehicle vs. SML trend

SML has been quite in line with the overall industry performance for the last five years. However, the trend now seems to have been upturned where, during FY15, the industry has de-grown by 3% while the SML sales have surged by 21%. A similar trend is evident in that of the LCV segment sales versus the industry where, the company registered an increase in sales by 35% while the industry declined by 12%.

The M&HCV segment sales have also shown improvement by 4% compared to the previous year which is in line with the industry performance.

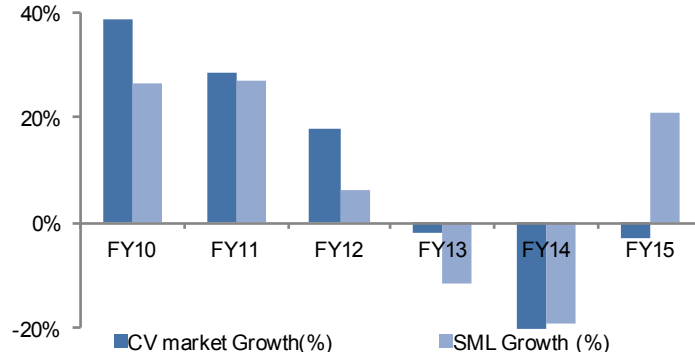
The CV industry can be broadly classified in to passenger and goods segments, wherein the goods segment comprises a whopping 87% share of the total CV industry. However, the most important aspect is the fact that SML Isuzu is the pioneer in the commercial passenger segment where 65-70% of their sales are derived from this segment and the rest are from the goods segment. Further SML has an overall market share of ~1.9% in FY15 as against 1.5% in FY14. Therefore, we expect the company to improve its overall market share backed by increase in the passenger and goods segment sales.

**Exhibit 4: Domestic CV Market Share of SML**



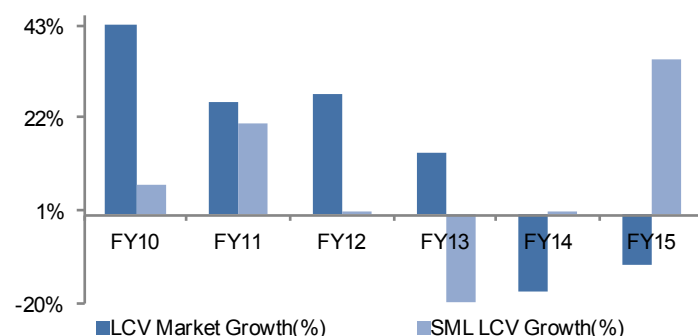
Source: SIAM, Company, Karvy Research

**Exhibit 5: SML Sales Growth vs. Total CV Sales**



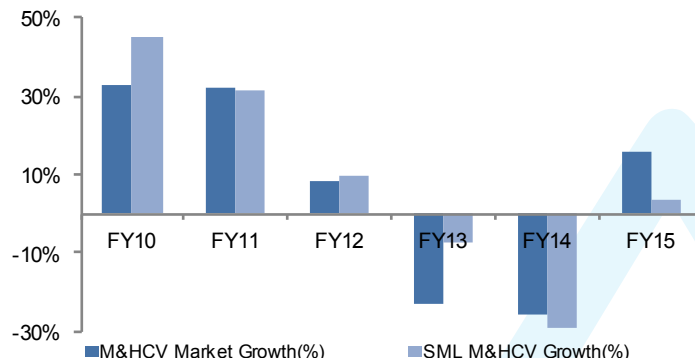
Source: SIAM, Company, Karvy Research

**Exhibit 6: SML (LCV) growth vs. Total LCV**



Source: SIAM, Company, Karvy Research

**Exhibit 7: SML (MHCV) growth vs. Total (MHCV)**



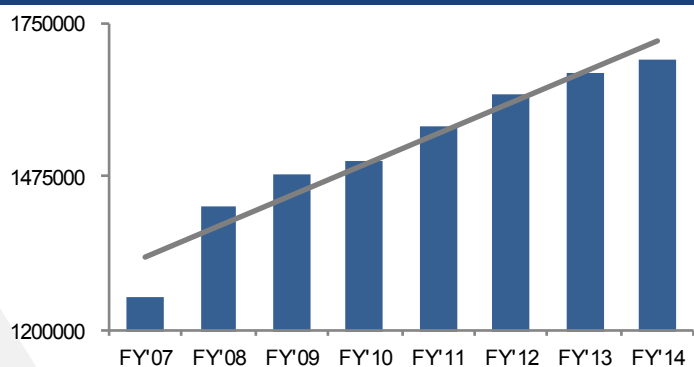
Source: SIAM, Company, Karvy Research

## Factors favorable for the growth

### SML Passenger Segment:

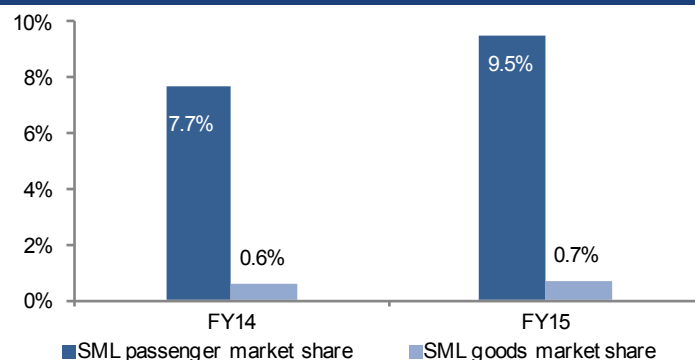
SML is quite renowned in the School/College/Staff bus segment, and has been gaining popularity in the years. The overall domestic market share of SML ISUZU in the commercial passenger vehicle segment has increased from ~8% in FY14 to ~10% in FY15, registering a growth of 24% in the Commercial passenger vehicle segment. The sustainable market conditions for this growth can be backed up by the increasing number of schools year on year with a CAGR of 4% from FY05-14 and this trend is expected to continue according to Ministry of Human Resource Development. Also, emphasis laid in providing transportation on educational institutions has necessitated the need to buy/replace buses in regular periods of time. Therefore, the market has adequate space for growth for the company to reach higher targets. It has been observed that during last three years, the company makes most of its sales in the first quarter which can be attributed to the start of academic year, which is mostly in June, hence the sales are conceivably derived from the school bus segment. Therefore, we expect the passenger segment sales to surge upto 10000 vehicles in FY17E at a CAGR growth of 17% between FY15 to FY17E.

**Exhibit 8: Number of Schools Trend in India**



Source: Ministry of Human Resource Development, Karvy Research

**Exhibit 9: Segment-wise market share of SML**



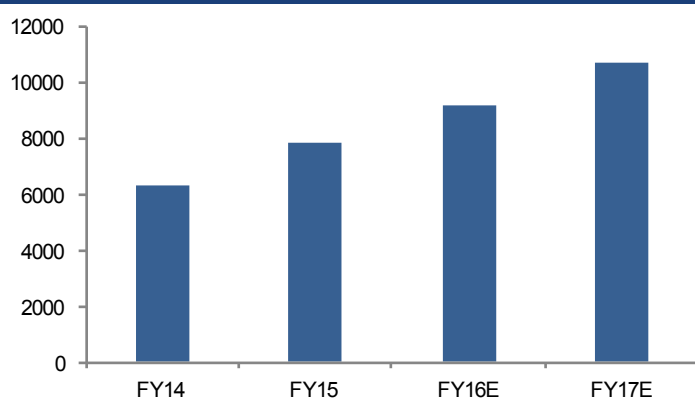
Source: SIAM, Company, Karvy Research

**Exhibit 10: SML Passenger Vehicle Models**

Name of Product	GVW (Tonnes)	Seating Capacity	Consumer preferred
Cosmo AC Cab	< 5	13+1	Staff
Std School bus	5.9 to 8.0	18/24/32/40	School/College
S7 School bus	8.0 to 9.0	50+1	School/College
Semi low floor school bus (AC)	6.4 to 7.0	32+1	School/College (Luxury)
Std staff bus	5.9 to 8.0	18/24/32/40	Staff
S7 Staff bus	8.0	40+1	Staff
S7 Xm cool series	5.9 to 8.0	28/35/47	Travel agencies
ISUZU NQR/LT134	6.0 to 8.0	28/42/38/47	Travel services

Source: Company, Karvy Research

**Exhibit 11: Passenger Vehicles Sales Trend (SML)**

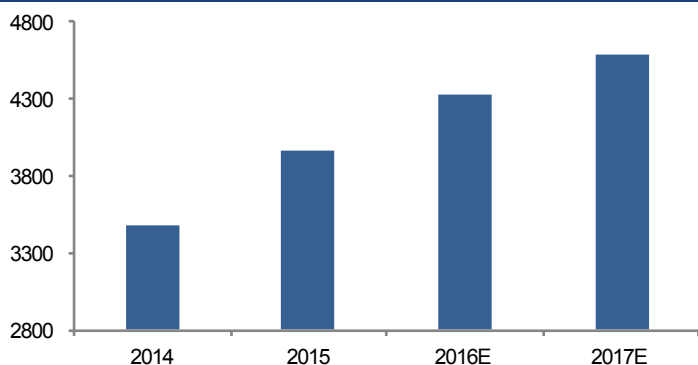


Source: SIAM, Company, Karvy Research

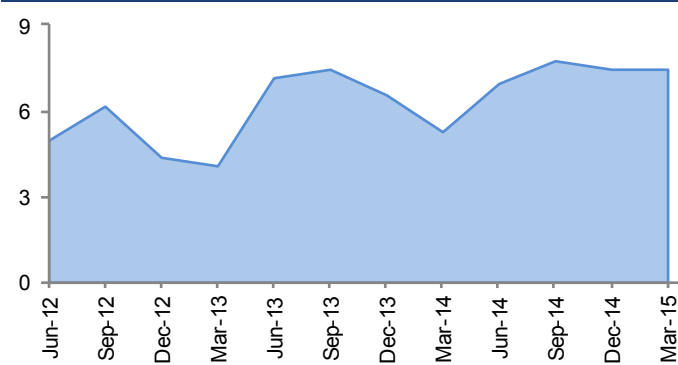
SML has a dynamic variation in its bus portfolio which predominantly caters to the school/college segment. Mostly they are placed between 5- 7.5 tonnes GVW having a seating capacity of 20 to 32. The buses are preferred based on the requirement like for example; a primary school would prefer a 20/24 seater, while high schools and colleges may desire 26/32 seater. Moreover, the same school bus model is also facilitated for staff in educational institutes. It is mostly the corporates that prefer special staff buses for their employees. The passenger vehicle sales have increased by 24% (inclusive of exports) in FY15 to 7804 from 6287 in FY14. Out of this SML school/staff buses having GVW between 5-7.5 tonnes are quite active in the market and their sales have increased by ~33% in FY15 compared to the previous year FY14. And SML ISUZU NQR/ SML 42 seater sales volume has surged by 15% in FY15 compared to FY14. Therefore, the demand for school buses is expected to surge, attributed to increasing number of schools.

## SML Goods Segment:

Out of the total number of vehicles sold at SML, the goods segment constitutes around 32% in FY15 and 31% in FY14 and the rest is predominantly passenger vehicles. Though, the domestic commercial goods vehicle industry dwindled by 3% in FY15 compared to the previous year, SML's sales in this segment increased by 16%. SML operates mainly in the 5-12 GVW segments which are mostly run by common fleet operators, vendors and other small scale industries. Since the customer base belongs to different categories, it is quite ambiguous to determine the real market drivers and SML having a market share of about 1.9%, might not be as vulnerable to market changes as their big peer companies. Therefore, GDP growth rate is considered so as to include all the market segments. The GDP (according to new series) has grown ~7.4% in FY15 as compared to the previous year 6.6% in FY14 and is expected to grow at ~8.0% in FY16E according to the International Monetary Fund (IMF). As the market perception is paced for substantial growth, we expect SML sales volume in the goods segment to increase at a CAGR of 8% between FY15-17E.

**Exhibit 12: Goods Vehicles Sales Trend (SML)**


Source: SIAM, Company, Karvy Research

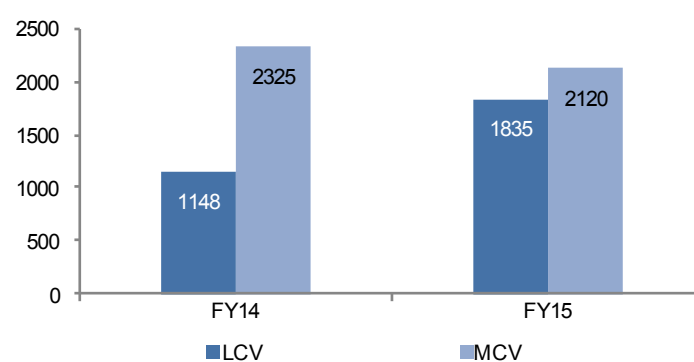
**Exhibit 13: GDP Growth Rate YoY (%)**


Source: Bloomberg, Karvy Research

**Exhibit 14: SML Passenger Vehicle Models**

Name of Product	GVW (Tonnes)	No. of Tyres
5252 XM	4.9/5.2	4+1
Cosmo/Sartaj/Prestige	5.7-6.4	4+1
Supreme/Super	8-8.7	6+1
Samrat	10.2	6+1
Super XM/IS12TE truck	12.9	6+1

Source: Company, Karvy Research

**Exhibit 15: LCV & MCV Goods Sales of SML**


Source: SIAM, Company, Karvy Research

SML truck portfolio ranges between 5 - 12 GVW tonnes where models which fall between 5 to 8 GVW are quite high in number wherein 6 models out of the above 9 fall under this segment. The sales volume surged by 14% in the overall truck segment. The share of MCVs (53%) in total truck volume of SML is higher than of the LCVs (47%). However, the MCV goods sales have dwindled by 8% in FY15 compared to FY14 but compensated by the LCV growth of 59% in FY15. Among LCV models, Cosmo, Sartaj and Prestige premium have relatively performed well in FY15 where cosmo sales have increased by 81% in FY15 and Sartaj/Prestige has gone up by 20% thus adding to overall sales growth. In the case of SML, even though MCVs hold a higher share in the truck sales, for FY15 LCVs have relatively done better thus adding to the overall truck sales.

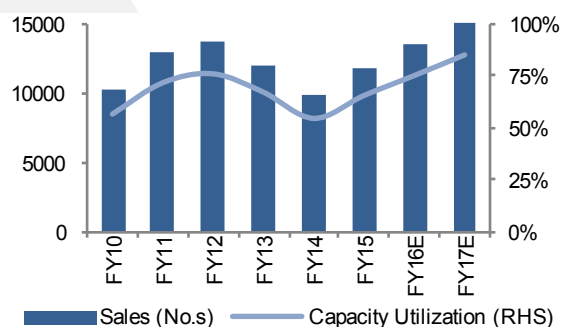




**Exhibit 16: Business Assumptions**

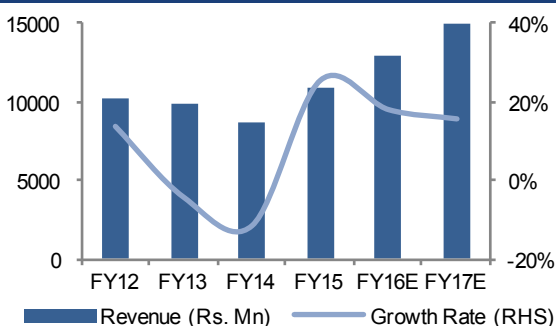
Y/E Mar (Rs. Mn)	FY14	FY15	FY16E	FY17E	Comments
<b>Revenues</b>					
Net Revenue	8757	10981	12960	14994	The revenue is expected to increase due to improvement in utilization rate and marginal increase in per vehicle unit realization.
Revenue Growth (%)	(11.2)	25.4	18.0	15.7	
EBITDA	317	656	769	866	The EBITDA is expected to grow at a CAGR of 15% between FY15 to FY17E which is not in proportion with the revenue mainly due to employee expenses, therefore the margins are expected to remain flattish at about 6% in FY16E and FY17E.
EBITDA Margins (%)	3.6	6.0	5.9	5.8	
PAT (normalized)	174	369	441	452	The profit for the year is expected to grow at a CAGR of 11% from FY15-17E. Moreover, the interest rate for the capex plan has been capitalized in the balance sheet for FY16E and FY17E assumptions. However, the absolute increase in PAT in FY17E is lower than that of FY16E due to increased depreciation owing to capex.
Fully Diluted EPS (Rs.)	12.0	25.5	30.5	31.2	EPS is expected to grow at a CAGR of 11% on the back of increased PAT.
Net CFO*	1619	775	326	662	
Net Debt/(Net cash)	(411)	(654)	333	1515	The company had reached a zero debt status during FY14. However, a sum of Rs.223 Mn is visible in their short-term borrowing for FY15 which still makes them a net cash company. However, going forward on account of product development costs we have assumed a net debt position for FY16E and FY17E.
Free Cash Flow*	1441	630	(819)	(1172)	The free cash flows are expected to decrease on account of the Rs.2200Mn Capex which has been deployed separately in two stages for FY16E and FY17E. Thus the negative cash flows.

Source: Company, Karvy Research, \*Based on Estimates

**Exhibit 17: Capacity Utilization**


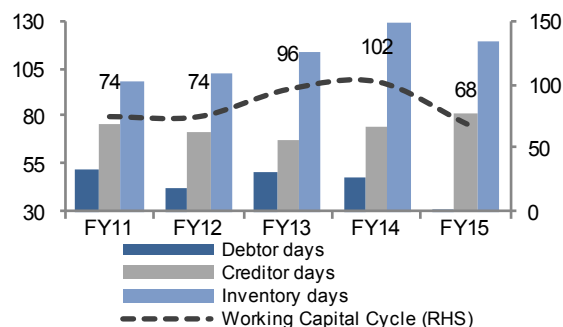
Source: Company, Karvy Research

The company currently operates at 18000 vehicles per annum. The present utilization rate (considering only the sales of vehicles) for FY15 stands at around 65% which is likely to increase to 75% by FY16E and to 85% by FY17E on account of new vehicle models that are expected to be ready for the consumers by FY17E. Therefore, the sales volume growth is expected to increase at a CAGR of 14% between FY15 and FY17E as a function of utilization rate. The utilization rate is expected to reach 95% by FY18E as the new products planned under the capex will likely have hit the market by then.

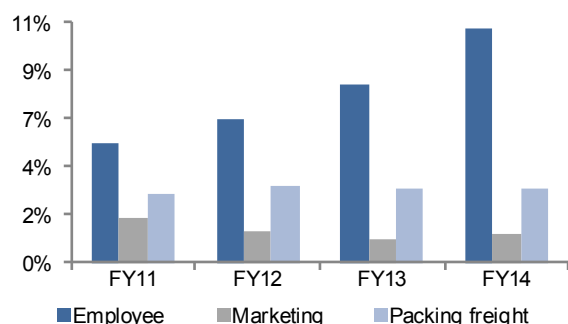
**Exhibit 18: Revenue Growth (%)**


Source: Company, Karvy Research

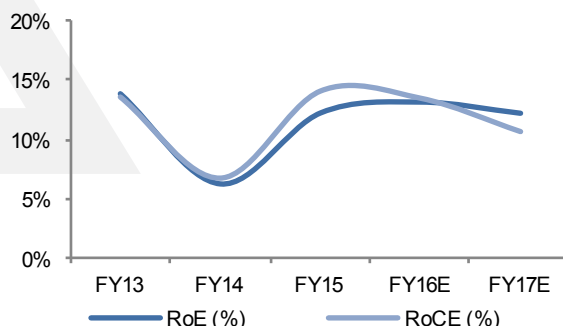
The revenue is expected to increase at a CAGR of 17% between FY15-FY17E as against 6% CAGR between FY13-FY15 on account of the utilization efficiency and better unit vehicle realization. Anticipated increase in the demand for trucks and school bus is considered to be the potential market drivers for the revenue.

**Exhibit 19: Working Capital Cycle**


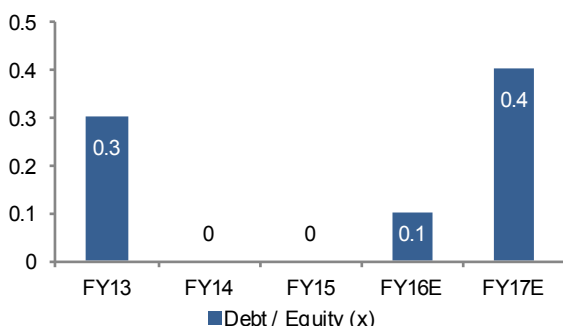
Source: Company, Karvy Research

**Exhibit 20: Operating Expenses (% of Revenue)**


Source: Company, Karvy Research

**Exhibit 21: RoE and RoCE (%)**


Source: Company, Karvy Research

**Exhibit 22: Leverage Situation**


Source: Company, Karvy Research

The company has efficiently improved its working capital cycle by significantly reducing the debtor and the inventory days; and increasing creditor days. We have assumed a similar trend for FY16E and FY17E. This reflects their negotiating power with respect to the dealers.

Out of all the operating expenses; wages, marketing and freight occupy a considerable part of the revenue generated. However, marketing expenses have reduced after FY12; Freight charges have been rising linearly as a function of revenue. Wages expense, on the other hand, is quite unavoidable and has increased at a CAGR of 15% between FY11 and FY14 and trend is assumed to continue in FY16E and FY17E.

RoE has almost doubled in FY15 as compared to FY14 from 6.3% to 12.2%, however, it is expected to slightly improve in FY16E and remain flattish by FY17E as there is only a slight inclination in the net profit levels in FY17E on account of higher depreciation.

RoCE has also drastically improved in FY15 to 14% from 6.8% in that of FY14 owing to higher operating profit figures in FY15. However, RoCE is expected to slightly decline owing to additional debt taken for capital expansion for the years FY16E and FY17E.

In FY14, the company had paid back all the debt and positioned themselves as a netcash company and this continued in FY15 as well due to their robust cash flows from operations. In FY16E and FY17E, we have assumed some debt for the company in accordance with new capex because of which there will be slight leverage but is not expected to exceed 0.4x, which indicates they have sufficient headroom available.

**Exhibit 23: Company Snapshot (Ratings)**

	Low			High	
	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

On a broader spectrum, SML ISUZU seems to have taken initiatives to improve product development and new capex plan. Since the industry is in the revival stage, the company definitely has wider chance to capitalize in the current market phase. Further, as the tail-wind in terms of good signs of GDP growth should help to act as a catalyst for SML sales in the years to come.

Moreover, the company has shown significant improvement in its operating cycle where in, the company was able to recover their receivables at a pace 31% higher in FY15 compared to FY14. Also, their coordination with their suppliers and inventory management has thus reducing their overall working capital cycle considerably by ~35 days. This is indeed a positive addition to their operating cash flows.

At CMP of Rs. 1127, the stock is trading at 36.1x of its FY17E EPS. We value the company at 41x P/E for a target price of Rs 1280, representing an upside of 13.5%. Even though the overall company's performance and industry prospects look quite appealing, the company still has to substantiate the new capex program with meticulous execution and the share price in the market seems to have factored in most of the benefits. Therefore we recommend **"HOLD"** on the stock as the company is at the beginning of its new venture.

**Exhibit 24: Comparative valuation summary**

	CMP	Mcap (Rs. Mn)	EV/EBITDA (x)			P/E (x)			EPS		
			FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
SML ISUZU	1127	16310	25.9	22.0	19.6	44.2	37.0	36.1	25.5	30.5	31.2
Ashok Leyland	67	190674	16.6	12.7	8.8	139.6	21.0	13.2	0.5	3.5	5.6
TATA Motors	457	1250678	4.1	5.1	4.8	10.5	9.8	9.0	43.4	57.2	62.1

Source: Bloomberg, Karvy Research

## Key Risks

The company has similar market risks as that of any automobile company. However, currently, the probability of success in their new vehicle launches seems to hold risk as the peer competition is intense in this industry. Again, market parameters like lending rate, economic activity are considerable risks as the consumers use financial loans to purchase vehicles. As far as the business is concerned, inventory management is quite an important aspect to manage adequate cash flows as inventory is organized based on dealer orders which in turn hold a higher risk for the dealer for successful sale completions.



## Financials

### Exhibit 25: Income Statement

YE Mar (Rs. Million)	FY13	FY14	FY15	FY16E	FY17E
Net sales	9865	8757	10981	12960	14994
Growth (%)	(4.1)	(11.2)	25.4	18.0	15.7
Operating Expenses (Adj for OI)	9162	8440	10325	12190	14128
EBITDA	703	317	656	770	866
Growth (%)	(11.0)	(54.9)	106.9	17.4	12.5
Depreciation & Amortization	122	128	198	214	279
EBIT	581	189	458	555	587
Other Income	90	47	88	85	72
Interest Expenses	186	59	58	60	64
PBT	485	177	488	580	595
Tax	121	3	118	139	143
Adjusted PAT	364	174	369	441	452
Growth (%)	(13.0)	(52.2)	112.3	19.4	2.5

Source: Company, Karvy Research

### Exhibit 26: Balance Sheet

YE Mar (Rs. Million)	FY13	FY14	FY15	FY16E	FY17E
Cash & Cash Equivalents	750	411	878	417	265
Trade Receivables	1507	818	1044	1101	1273
Inventory	2306	2434	2859	3395	3840
Loans & Advances	425	310	262	330	356
Other assets	107	15	64	70	83
Fixed Assets	1493	1519	1645	2605	4026
<b>Total Assets</b>	<b>6589</b>	<b>5506</b>	<b>6751</b>	<b>7916</b>	<b>9843</b>
Trade Payables	1116	1641	2003	2189	2532
Short & long term Provisions	579	526	844	884	1009
Borrowings	1621	0	223	750	1780
Other Long term liabilities	114	118	102	160	179
Other Current Liabilities	518	457	549	568	629
Total Liabilities	3948	2742	3722	4551	6129
Shareholders' Equity	145	145	145	145	145
Reserves & Surplus	2496	2619	2884	3221	3569
Total Net Worth	2641	2764	3029	3366	3714
<b>Total Net Worth &amp; Liabilities</b>	<b>6589</b>	<b>5506</b>	<b>6751</b>	<b>7916</b>	<b>9843</b>

Source: Company, Karvy Research

**Exhibit 27: Cash Flow Statement**

YE Mar (Rs. Million)	FY13	FY14	FY15E	FY16E	FY17E
PBT	485	177	488	580	595
Depreciation	122	128	198	214	279
Interest	186	59	58	60	64
Tax Paid	112	53	70	86	88
Inc/dec in Net WC	(830)	1347	183	(364)	(107)
Other Income	(58)	(10)	(44)	(58)	(40)
Other Items	(47)	(29)	(37)	(21)	(40)
<b>Cash flow from operating activities</b>	<b>(254)</b>	<b>1619</b>	<b>775</b>	<b>326</b>	<b>662</b>
Inc/dec in capital expenditure	(221)	(178)	(146)	(1145)	(1834)
Inc/dec in investments	(107)	356	(276)	(85)	111
Other income received	45	40	26	81	47
<b>Cash flow from investing activities</b>	<b>(283)</b>	<b>218</b>	<b>(396)</b>	<b>(1150)</b>	<b>(1676)</b>
Inc/dec in borrowings	621	(1621)	223	527	1030
Others	(0)	(1)	(1)	(0)	(1)
Dividend & Tax on dividend	(134)	(135)	(50)	(104)	(103)
Interest paid	(186)	(59)	(58)	(60)	(64)
<b>Cash flow from financing activities</b>	<b>301</b>	<b>(1815)</b>	<b>114</b>	<b>363</b>	<b>862</b>
Net change in cash	(237)	22	493	(461)	(152)

Source: Company, Karvy Research

**Exhibit 28: Key Ratios**

YE Mar (%)	FY13	FY14	FY15	FY16E	FY17E
EBITDA Margin (%)	7.1	3.6	6.0	5.9	5.8
EBIT Margin (%)	5.9	2.2	4.2	4.3	3.9
Net Profit Margin (%)	3.7	2.0	3.4	3.4	3.0
Dividend Payout Ratio (%)	31.8	24.9	23.5	19.7	19.2
Net Debt/Equity	0.3	-	-	0.1	0.4
RoE (%)	13.8	6.3	12.2	13.1	12.2
RoCE (%)	13.6	6.8	14.1	13.5	10.7

Source: Company, Karvy Research

**Exhibit 29: Valuation Parameters**

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EPS (Rs.)	25.2	12.0	25.5	30.5	31.2
DPS (Rs.)	8.0	3.0	6.0	6.0	6.0
BV (Rs.)	182.5	191.0	209.3	232.6	256.6
PE (x)	44.8	93.7	44.2	37.0	36.1
P/BV (x)	6.2	5.9	5.4	4.8	4.4
EV/EBITDA (x)	24.1	53.5	25.9	22.0	19.6
EV/Sales (x)	1.7	1.9	1.5	1.3	1.1

Source: Company, Karvy Research

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

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## Karvy Stock Broking Limited

"Karvy Centre", Avenue-4, Road No: 10, Banjara Hills, Hyderabad – 500 034. India.

Tel: 91-40-2331 2454; Fax: 91-40-2331 1968

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