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GRANULES INDIA



STRATEGIC SHIFT

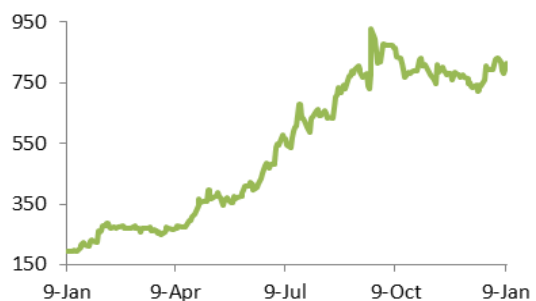
Granules India Ltd

Recommendation	BUY
CMP (19 Jan 2015)	Rs 830
Target Price	Rs 1128
Sector	Pharmaceuticals

Stock Details

BSE Code	532482
NSE Code	GRANULES
Bloomberg Code	GRAN IN
Market Cap (Rs cr)	1,665
Free Float (%)	51.4
52- wk HI/Lo (Rs)	941/189
Avg. volume NSE (Quarterly)	204,566
Face Value (Rs)	10.0
Dividend (FY 14)	35%
Shares o/s (Cr)	2.0

Relative Performance	1Mth	3Mth	1Yr
GIL	15.1%	4.9%	317.0%
Sensex	5.0%	8.2%	29.1%



Shareholding Pattern	31 st Dec 14
Promoters Holding	48.59
Institutional (Incl. FII)	5.21
Corporate Bodies	4.10
Public & others	42.10

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Year Consol	Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	Adj EPS (Rs)	P/E (x)	RoE
FY14A	1095.9	43.4%	158.3	14.4%	75.2	6.9%	37.5	22.1	21.1%
FY15E	1335.4	21.9%	229.7	17.2%	102.8	7.7%	51.2	16.2	22.9%
FY16E	1617.0	21.1%	291.1	18.0%	141.2	8.7%	70.4	11.8	24.3%
FY17E	1930.0	19.4%	353.2	18.3%	181.1	9.4%	90.3	9.2	24.1%

STRATEGIC SHIFT

Granules India Limited (GIL) is among the large manufacturers of Paracetamol and Ibuprofen in the world. It is a vertically integrated player deriving almost equal sales from all the three segments – API, PFI and Formulations.

Investment Rationale

- Transiting Higher On Value Chain:** GIL has successfully transformed its business model from low-margin APIs to medium-margin PFIs to high margin formulations. It is now present across the value chain which makes it a preferred vertically integrated player, leading to long term partnerships with customers.
- Capacity Expansion:** Granules expanded its formulations facility taking the total capacity from 6 billion to 18 billion tablets at its Gagillapur plant. After doubling its PFI facility from 8400 to 16,800 in FY12 (with capex of approx. Rs 110 cr) the company is in the process of further increasing its PFI capacity to 18,400 by year end. The expansion would help in augmenting its growth momentum over the next 2-3 years, along with margin expansion due to faster growth in high-margin businesses and greater capacity utilization.
- Auctus Pharma Acquisition – Feather In The Cap:** GIL has acquired an API company - Auctus Pharma Limited (APL) in Feb'14 for Rs 120 cr, having revenues of Rs 109 cr and loss of Rs 6.4 cr. The acquisition fits into Granules' scheme of business and provides a ready platform for expanding its base as APL has USFDA approved plan which reduces the time-to-market by around four years compared with a greenfield project.
- Omnichem JV Would Be A Game Changer:** The JV has set up a facility in Vizag SEZ to manufacture of high-value APIs for existing customers of Omnichem on a contract manufacturing basis. We believe this could be a game changer for Granules India as besides giving a de-risk strategy, it will provide a steady stream of revenues with healthy margins. From this JV, we expect Granules to generate a revenue of Rs 25 cr and Rs 30cr in FY16E and FY17E, respectively. At its peak the facility can generate revenues of Rs 550 cr. We believe its revenue would grow rapidly beyond FY17 post getting the site approvals.

Valuation & Recommendation

In the past five years from FY09-14, the company's sales has grown at a CAGR of 23.2% with 67.8% PAT growth. For the next three years we expect the company's sales to grow by 28% and PAT by 44%. We expect the company's EBITDA margins to improve 14.4% (consol in FY14) to 18% in FY17E, due to operational efficiency, turnaround of Auctus Pharma and change in business mix (higher contribution from formulations and Omnichem's CRAMS).

The stock is trading at attractive valuations 16.2x/11.8x/9.2x of our FY15E/FY16E/FY17E expected earnings **We are initiating coverage on Granules India Limited with a BUY rating for price target of 1,128 (13x on FY17E EPS), an upside of 36% from current levels.**

Granules India Ltd

INVESTMENT RATIONALE

• **Transiting Higher On Value Chain**

Granules India Ltd (GIL) has successfully transformed its business model from low-margin APIs to medium-margin PFIs to high margin formulations. It is now present across the value chain which makes it a preferred vertical integrated player leading to long-term partnerships with customers.



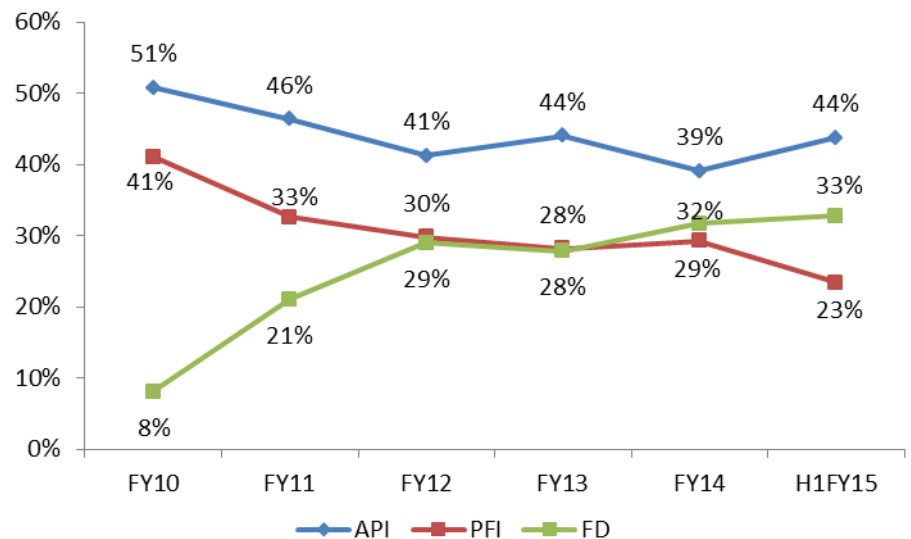
- Contributed 39% of Sales in FY14
- Have Product portfolio of five products – Paracetamol, Ibuprofen, Metformin HCL, Guaifenesin, Methocarbamol

- Contributed 29% in FY14
- Monetized API expertise by selling single as well multiple active products

- Contributed 32% in FY14
- Recently completed an expansion program – tripling capacity from 6 bn tablets to 18 bn
- **Is the main focus area of the company and expected to grow rapidly**

Source: Company, NB Research

Improving Business Mix



Not only has it moved up the value chain, but its quality of earnings has also improved. Nearly 65% of its sales come from regulated markets like the US and Europe and balance from Latin America and ROW vs 40% in FY08.

• **Capacity Expansion**

Granules expanded its formulations facility taking the total capacity from 6 bn to 18 bn tablets at its Gagillapur plant. After doubling its PFI facility from 8400 to 16,800 in FY12 (with capex of approx. Rs 110 cr) the company is in the process of further increasing its PFI capacity to 18,400 by year end. Noteworthy point is that the company undertook all the

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expansion at its existing facility. Hence no new inspection and approvals were required from the regulatory authorities, hence the facilities were ready to contribute from day one. The expansion would help in augmenting its growth momentum over the next 2-3 years, along with margin expansion due to faster growth in the high-margin businesses and greater capacity utilization.

Strong Manufacturing capabilities

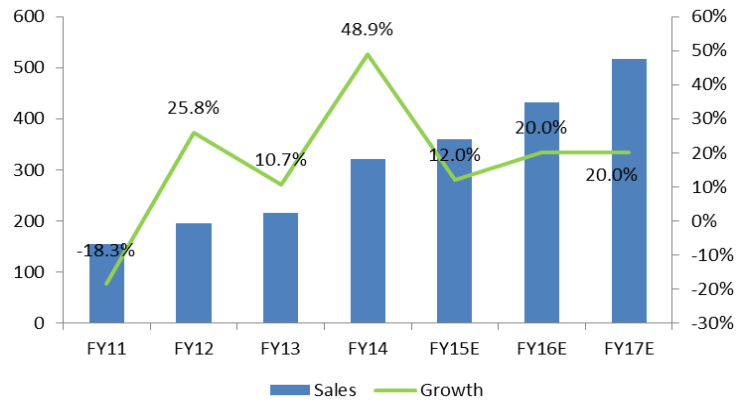
Value Chain	Facility Location	Product	Capacity	Approvals
API	Bonthapally	Paracetamol	14,400	USFDA, EDQM, WHO GMP
	Jeedimetla	Metformin	2,000	USFDA, KFDA, TGA, EDQM
		Guaifenesin	1,200	
		Methocarbamol	360	
	Jingmen, China (Biocause JV)	Ibuprofen	4,800	USFDA, MHRA, EDQM, TGA, KFDA, CANADA
	Vizag (Auctus)	Multiple Products		USFDA, EDQM, KFDA, WHOGMP, CANADA
PFI	Vizag SEZ (Omnichem JV CRAMS)	Multiple Products		USFDA, EDQM Compliant
	Gagillapur	Single PFIs	13,200	USFDA, EDQM, TGA, GHCA
FD	Jeedimetla	Multiple PFIs	1,200	HHA (Germany)
	Gagillapur	Tablets, Capsules	18 bn units	USFDA, EDQM, TGA, GHCA
API Intermediates	Bonthapally (Auctus)	Multiple		N.A.

Source: Company, NB Research

PFI Capacity Expansion

Pharmaceutical Formulation Intermediates (PFIs) fall between APIs and finished dosages. GIL is known for creating this concept. The company has the largest PFI facility in the world at Gagillapur near Hyderabad. The company is undertaking additional PFI capacity of 4,000 TPA is under construction at Gagillapur. Commissioning of this module is expected in the current financial year. Post commissioning of this module, the total capacity of PFI will be 18,000 TPA. Granules India has a unique offering of 6MT batch for PFI. This results in considerable time and cost savings for global pharma companies. In a typical oral solid dosage manufacturing facility, investment through the granulation stage accounts for up to 80% of the total capital expenditure. By providing a PFI outsourcing option, Granules helps customers become asset-light. Over and above that other players in the industry, manufacture small-sized batches, which increases the cost and time for the company as it needs to conduct validation studies on all the batches. On the other hand, based on its expertise, Granules has developed a technology wherein it can manufacture a large batch of 6 tonne, which reduces the effort, time and cost for the tablet manufacturers as they have to do the validation of a large batch only once.

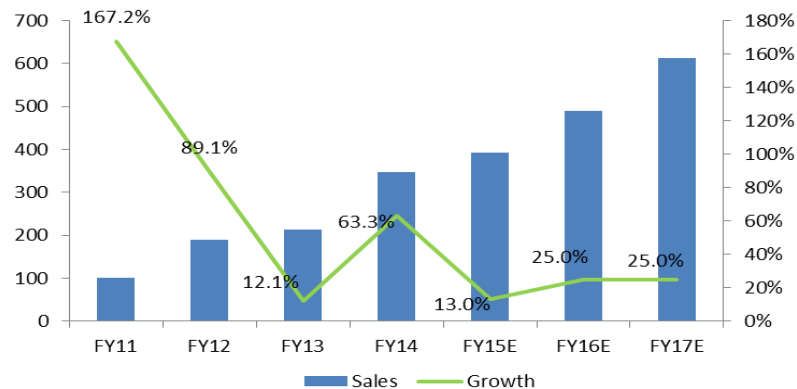
Granules India Ltd



Formulations

As part of its strategy to improve its business mix, the company started manufacturing formulations in FY10 meaningfully, recording 74.3% revenue growth in this segment over FY10-14 driven by product approvals by customers and regulatory authorities. It is the only Indian pharmaceutical company to manufacture press-fit dosages (especially made for few US clients).

The increased capacity (from 6bn to 18bn) would help the company to maintain a strong growth momentum in the coming years on the back of an increased base.

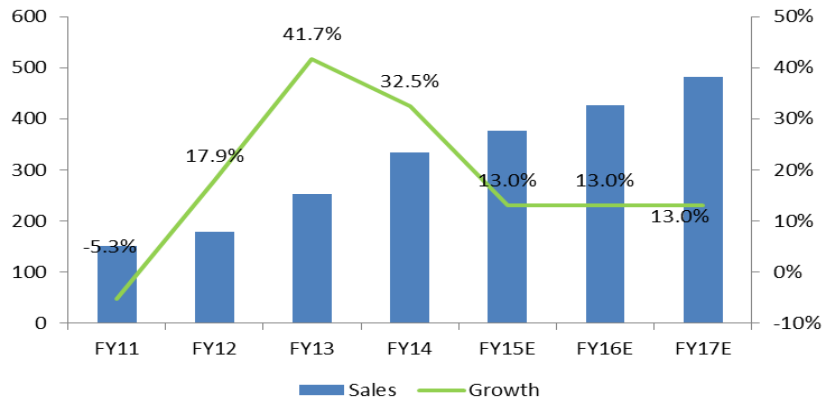


APIs (excluding Auctus)

Granules is one of the largest producers of APIs in key product categories with an installed capacity of 22,760 TPA for APIs, and is one of the global leaders in ibuprofen, paracetamol, metformin, guaifenesin and methocarbamol.

In Jun'14, its API manufacturing plant at Bonathapally for paracetamol cleared US FDA inspection without attracting "483" observations.

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• **Created A Niche For Itself In The Commodity Business:**

What differentiates Granules from other players in the market is its focus on providing high-quality products even for commoditized markets. Granules has decided from the start that it wants to grow deep in a product instead of running around many products. This has not only helped it to create its own niche in the industry and to acquire a sizeable market share in its select product range (biggest player of Paracetamol, among top 3 players in Metformin and Ibuprofen), which act as entry barriers for other players because the efficiency it derives from sheer size is unmatched.

The result of the above strategy can also be seen from the company's sales CAGR which has been 24% in the last five years as compared to Industry's growth of 12% over the same period. Currently, these five products contribute 97% of sales.

Product	Market Size (tons)	Expected market growth	GIL's Share	Key Competitors
Paracetamol	100,000	2.5%-3.0%	14-15%	Mallinckrodt, Novacel
Ibuprofen	30,000	4%-5%	16-20%	BASF, Shasun, IOL
Metformin	36,000	12%-14%	5-6%	USV, Wanbury, Harman
Guaifenesin	5,000	5%-10%	26-30%	Synthochem, Delta, Seven-Star
Methocarbamol	1,000	6%-8%	20-22%	Synthochem

Source: Company, NB Research

Granules plays in 75% of the overall analgesics (Paracetamol, Ibuprofen) and 49% of the overall diabetes market (Metformin). Paracetamol and Metformin have maintained their status as first line of defense for these segments and have no direct replacement in the pipeline. These products are indefensible and do not have any immediate threat of being replaced.

The above factors suggest that the company is able to derive value from its customers - A

Granules India Ltd

testimony to this is that the company derives 50% of its revenues from the longstanding relationships of at least five years in FY12 and its top 10 customers contribute ~46% of revenues. These factors enable the company to combat continuous pressure on margins. Another strategy which it has adopted to maintain the uniformity in its margins is formula-based pricing which currently constitutes 50% of its revenues. These contracts allow the company to pass increased raw material costs to customers while passing on savings when prices fall.

- **Auctus – Feather In The Cap:**

GIL has acquired an API company - Auctus Pharma in Feb'14 for Rs 120 cr, having revenues of Rs 109 cr and loss of Rs 6.4 cr.

Auctus Pharma has 12 APIs and a few key intermediates in therapeutic areas such as antihistaminic, anti-hypertensive, antithrombotic, anticonvulsant and 22 regulatory filings

The global value for overall portfolio of products acquired from Auctus can be pegged at around USD 37 billion, indicating potential opportunity.

Product	Value \$ Bn
Valsartan	8.7
Clopidogrel	5.2
Pregabalin	4.8
Olmesartan	4.5
Pantaprazole	3.4
Losartan	3.2
Telmisartan	3.1
Cetirizine	1
Fluconazole	1
Rifaximin	0.8
Levocetirizine	0.6
Doxylamine	0.6
Total	36.9

Source: Company, NB Research

Auctus has two manufacturing facilities, an API facility in Visakhapatnam and an intermediate facility in Hyderabad. The API facility has approvals from leading regulatory agencies including the USFDA, EDQM, and equivalent regulatory bodies in Canada, Korea and the World Health Organization.

The acquisition fits into Granules' scheme of business and provides a ready platform for expanding its base as APL has a USFDA approved plant for regulated markets which reduces the time-to-market by around four years compared with a greenfield project.

The erstwhile promoters of Auctus pharma were not able to tap the full potential of the company. Given the Granules' operations and marketing strength, we believe it can turn around Auctus pharma and can derive higher value from the base.

The strategy planned by Granules for turning around Auctus is as follows:

- To capitalize the acquired portfolio the company will not only sell the existing APIs (discontinued API intermediates), but also expand into formulations of these APIs
- Granules will improve the hitherto poor process efficiency at Auctus, based on its standards of operational excellence

Granules India Ltd

- Focus on regulated markets
- Clean room capacity expansion. Forward integration towards PFIs and FDs
- Will minimize dependency on traders (which forms a significant part of Auctus sales) by leveraging its direct access to customers

Combining its new expanded R&D activities with Auctus Pharma's base, Granules India has recently developed and launched a product called Abacavir – antiretroviral product. The drug is expected to achieve sales of Rs 8-10 cr in FY15E and Rs 20-22cr in FY16E. The company is in the process of launching 3-4 more products in FY15.

Auctus Pharma posted sales of Rs 51.2 cr 1HFY15 with Rs 1.2 EBITDA loss. We expect the company to report loss in Q3 also because of the shut down of its plant for two weeks due to the Hudhud cyclone in October 2014. However, it is likely to be profitable from Q4 onwards.

Going forward Auctus is expected to grow at a CAGR of 11.4% with a major turnaround in profitability.

• Jvs Adding Value

- Granules Biocause – JV with Hubei

In order to secure API for its Ibuprofen PFI, Granules entered into a 50:50 joint venture with Hubei Biocause, China, in Oct 2006. The jointly owned Ibuprofen plant has a capacity of 4,800 MTPA and is among the biggest plants of its kind in the world. The JV was primarily to ensure the supply of raw materials to support Granules' increased finished-dosage sales of ibuprofen. This JV provides the company with access to quality ibuprofen API and strengthens its PFIs and FDs. The JV's total sales was Rs 132 cr (Granules' share) in FY14. However, the subsidiary number including US sales stood at Rs 87.2 cr (excluding Auctus) due to knock off of intercompany sales. The JV level sales grew at a CAGR of 28% over FY11-14.

Going forward, we expect growth to be muted (a CAGR of 3%) as the capacity has reached full utilization. (Also the key objective of this JV is to secure quality and uninterrupted supply of ibuprofen API and not profit making.

- Omnichem

Granules set up a 50-50 JV company with Belgium based Omnichem, a part of the Ajinomoto Group (Japan), in July 2011. The JV has set up a facility in Vizag SEZ to manufacture of high-value APIs for the existing customers of Omnichem on a contract manufacturing basis. This provides the company a ready entry into high value CRAMS without such R&D and also gives it access to the established customer base of Omnichem.

The JV would be focused on complex APIs in therapeutic segments such as CVS, CNS and oncology, and has a multi-product API plant at the Vizag SEZ.

Recent Developments

- Plant construction has been completed and trial production of API intermediates has commenced
- Validation batches to be produced later this year to trigger inspection from regulatory authorities in the US and Europe
- Mass-scale production to start before the end of FY17 post EDQM and USFDA approvals
- Supply of API intermediates to Omnichem in the interim on opportunistic

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basis would be done

The total project’s cost is Rs 204 cr with equity funding of Rs 85 cr. The facility is expected to be capitalized in Q4FY15.

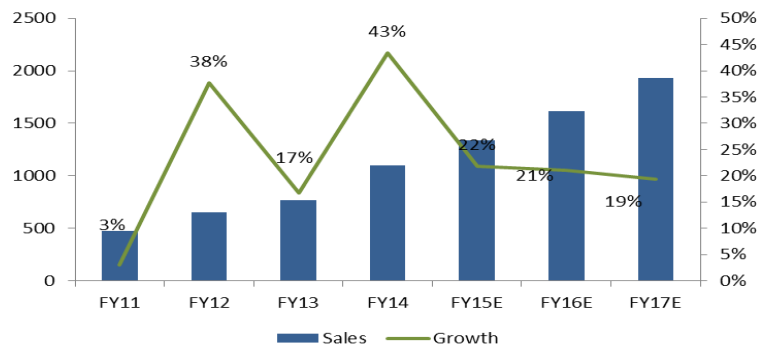
We believe this could be game changer for Granules India as apart from giving a de-risk strategy, it will provide a steady stream of revenues with healthy margins. From this JV, we expect Granules to generate a revenue of Rs 25 cr and Rs 30cr in FY16E and FY17E, respectively. We believe the facility approval should come in early FY18. Post approval, at its peak the facility can generate revenues of Rs 550 cr. We believe its revenue would grow rapidly beyond FY17, considering Ajinomoto’s strong presence in complex APIs.

- **Improving financial profile**

The management’s efforts of improving the business mix can be seen in its numbers too

- Sales growth

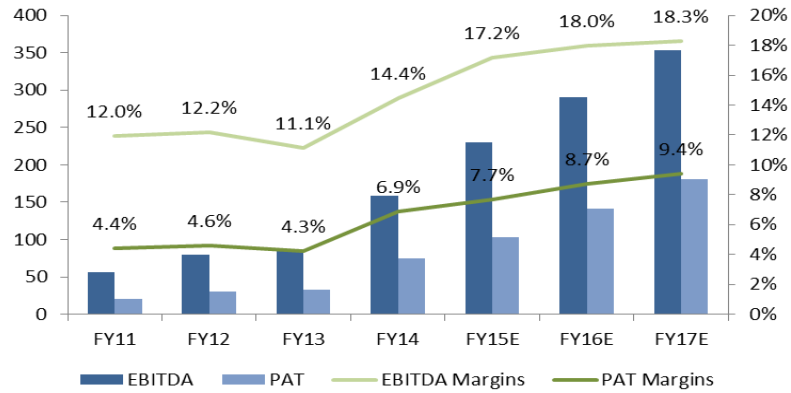
The company has grown at a CAGR of 32% between FY11-14 backed by higher contribution from formulations. Fuelled by capacity expansion, we expect the growth momentum to continue and the company to grow at CAGR of 21% for the next three years



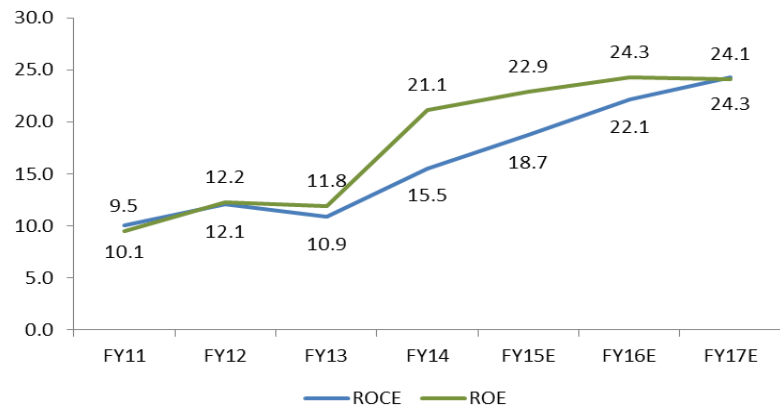
- Profitability

Following the transition into higher orbit of high margin formulations and PFI (as compared to API), the profitability of the company has grown faster at CAGR of 40.7% for the same period. On excluding Auctus sales, the company has reported EBITDA margins of 18.7% for 1HFY15, which are sustainable margins. We believe, with the addition of Auctus Pharma and commencement of Omnicem JV business, the company would continue to improve its profitability and expect EBITDA to grow at 31% CAGR for the period FY14-FY17E

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- Return Ratios
Backed by healthy sales growth and improving profitability, return ratios of the company have improved from single digits (ROE is 9.5% in FY11) to 21% in FY14. We expect it to improve further and be at par with industry average.



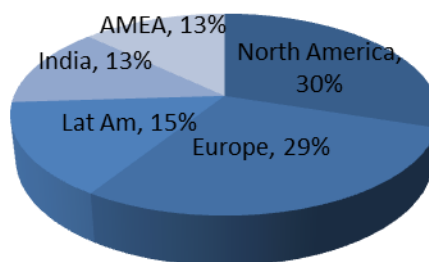


Granules India Ltd

COMPANY OVERVIEW

Incorporated in 1984, Hyderabad based, Granules India is a vertically integrated pharmaceutical manufacturer present in a few select products. GIL is among the largest manufacturer of Paracetamol and Ibuprofen in the world. It derives almost equal sales from all the three segments – API, PFI and Formulations. The company also has a formulations plant with a capacity to produce 18 billion tablets per annum. It also has its own Abbreviated New Drug Applications (ANDAs) and dossiers, which enables MNC pharma companies to quickly enter the market instead of filing their own applications. The company services more than 300 customers across 60 nations (exports are ~87% of revenues).

FY14 Sales Breakup



Business in Nutshell

Granules India	<ul style="list-style-type: none"> Incorporated in 1991, with 3 plants in Hyderabad (Jeedimetla, Bonthapally and Gagillapur)
Auctus Pharma	<ul style="list-style-type: none"> Granules acquired 100% stake in this company from its erstwhile promoters. The API plant is located at the Vizag Pharma City
Granules Biocause	<ul style="list-style-type: none"> A 50-50 joint venture with Chinese-based Hubei Biocause. JV has been operational since 2007 and manufactures Ibuprofen API at a plant located in central China (Jingmen).
Granules Omnicem	<ul style="list-style-type: none"> A 50-50 joint venture with Ajinomoto Omnicem, to focus on high-value, low-volume APIs and intermediates for the latter's existing customers with a manufacturing facility at Vizag SEZ. Already commenced production for trial batches.

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QUARTERLY RESULT

Consol (Rs cr)	FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	FY14	Q1FY15	Q2FY15
Net sales	764.4	228.3	266.0	284.1	317.5	1095.9	311.0	307.6
Cost of Materials	466.9	136.7	156.6	159.8	192.2	645.3	180.7	169.9
Staff cost	59.7	21.1	20.8	22.4	23.5	87.9	26.0	25.9
Other Exps	152.7	40.8	55.2	56.8	51.6	204.4	51.5	59.5
Total Expenses	679.4	198.6	232.6	239.0	267.4	937.6	258.2	255.3
EBITDA	85.0	29.7	33.4	45.1	50.1	158.3	52.8	52.3
margins	11.1%	13.0%	12.6%	15.9%	15.8%	14.4%	17.0%	17.0%
Depreciation	23.1	5.7	6.2	7.4	10.6	29.8	11.7	13.1
EBIT	61.9	24.0	27.3	37.7	39.5	128.5	41.1	39.3
Interest	17.7	3.7	4.4	4.6	7.8	20.4	7.4	8.0
Other income	2.1	1.8	0.5	0.5	1.5	4.3	0.4	0.5
PBT	46.3	22.2	23.4	33.6	33.2	112.4	34.1	31.8
Tax	13.8	7.5	8.3	11.8	9.6	37.1	11.3	9.7
Tax rate	29.7%	33.8%	35.3%	35.1%	28.9%	33.0%	33.0%	30.5%
EO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PAT	32.6	14.7	15.1	21.8	23.6	75.2	22.9	22.1
Equity Capital	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1
FV	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
EPS	16.2	7.3	7.5	10.8	11.7	37.4	11.4	11.0

The company has been posting good results since many quarters. With improvement in margins.

We expect Q3FY15 numbers to be subdued as Auctus Plnat was shut down for two weeks due to Hudhud cyclone in October 2014.

PEER COMPARISON

	Net Sales	EBITDA	Margin	PAT	Margin	EPS	Price	Mcap	EV	PE	EV/S	EV/EBITDA	P/BV	ROE
	(Rs Cr)	(Rs Cr)	(%)	(Rs Cr)	(%)	(Rs)	(Rs)	(Rs Cr)	(Rs Cr)	(x)	(x)	(x)	(x)	(%)
Unichem	1133	177.7	15.7%	169.3	14.9%	14.1	243	2201	2169	17.1	1.9	12.2	2.7	16.6
Shilpa Medicare	571	117.2	20.5%	75.7	13.2%	20.6	746	2875	2974	36.3	5.2	25.4	7.3	21.0
Granules India	1096	158.3	14.4%	75.2	6.9%	37.1	811	1656	2056	21.9	1.9	13.0	4.7	24.2

Source: FY14 numbers, Company, NB Research

RISKS

- **Increased Competition:** Granules operates in a relatively low entry barrier industry. As a result it is possible that a new entrant enters the markets and increases competition for the company. This may put further pressure on the margins as well as reduce the desired growth of the company.
- **Inability To Sell Expanded Capacity:** Granules India has expanded its formulations capacity 3x. However, if it doesn't get new orders, this could pose a risk the company's

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growth forecast.

- **Promoters pledged shares:** Promoters have pledged 15% of its shareholding (as on Sept 2014). In case of distress sale, this could be a major risk for the company
- **Regulatory Hurdles:** Though the company has cleared the recent USFDA inspection without any observations, it is continuously exposed to regulatory guidelines and any noncompliance issue can be detrimental to its growth path.

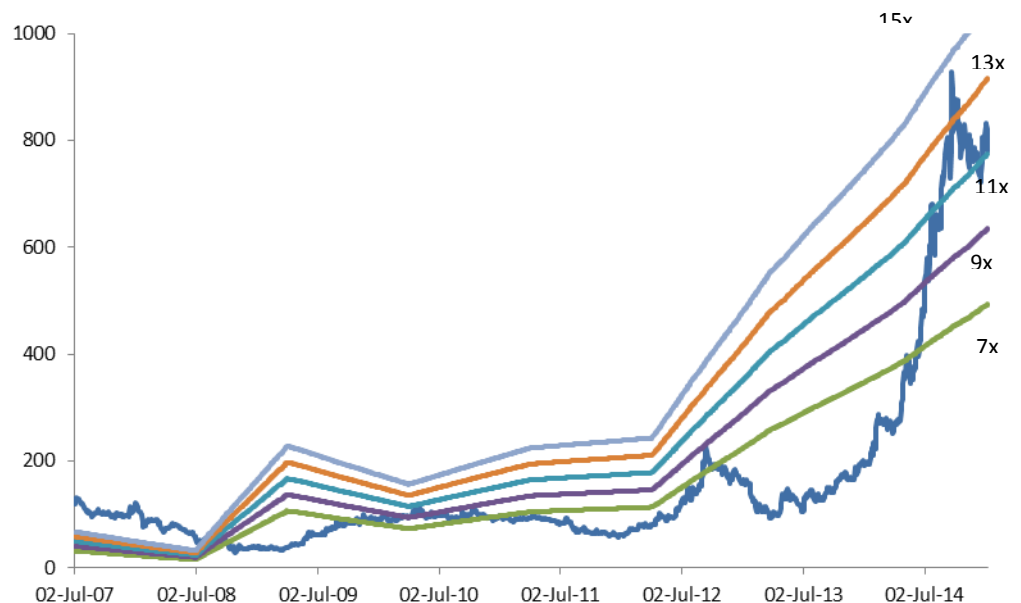
VALUATION AND RECOMMENDATION

In the past five years from FY09-14, the company has grown at a CAGR of 23% with 67.8% PAT growth. For the next three years i.e. FY14-17E we expect the company's sales to grow by 21% and PAT by 34%. We expect company's EBITDA margins to improve 14.4% (consol in FY14) to 18.3% in FY17E, due to operational efficiency, turnaround of Auctus Pharma and change in business mix (higher contribution from formulations and Omnicem's CRAMS)

GIL is a profit making, dividend paying company and is poised for good growth with the acquisition of Auctus Pharma. We believe the company's strategy of entering into long term supply agreements with global pharma companies helps it in safeguarding its margins.

At the CMP of Rs 830, the stock is trading at 16.2x/11.8x/9.2x of our FY15E/FY16E/F17E expected earnings respectively. There are no direct comparable companies; however, generally API companies are trading between 10-12x and Formulations are trading at more than 20x. Considering this, we have assigned multiple of 13x for FY17E earnings. Though the stock has run up in the past, we believe the valuations are attractive and the stock can give decent returns in the future. We are initiating coverage on Granules India Limited with a BUY rating for price target of 1,128, an upside of 36% from current levels.

PE Band - Granules India Ltd.



Granules India Ltd

Financials – Consolidated

Consol P&L (Rs. C)	FY14A	FY15E	FY16E	FY17E
Net Sales	1095.9	1335.4	1617.0	1930.0
% change	43.4%	21.9%	21.1%	19.4%
EBITDA	158.3	229.7	291.1	353.2
EBITDA margin	14.4%	17.2%	18.0%	18.3%
Depn & Amort	29.8	50.0	56.0	60.5
Operating income	128.5	179.7	235.0	292.7
Interest	20.4	31.3	29.4	27.4
Other Income	4.3	5.0	5.0	5.0
PBT	112.4	153.4	210.7	270.3
Tax	37.1	50.6	69.5	89.2
MI & EO	0.0	0.0	0.0	0.0
PAT	75.2	102.8	141.2	181.1
PAT margin (%)	6.9%	7.7%	8.7%	9.4%
Sh o/s - Diluted	2.0	2.0	2.0	2.0
Adj EPS	37.5	51.2	70.4	90.3
Cash EPS	52.4	76.1	98.3	120.4
Qtrly-Consol	Dec.13	Mar.14	June.14	Sept.14
Revenue	284.1	317.5	311.0	307.6
EBITDA	45.1	50.1	52.8	52.3
Dep & Amorz	7.4	10.6	11.7	13.1
Op Income	37.7	39.5	41.1	39.3
Interest	4.6	7.8	7.4	8.0
Other Inc.	0.5	1.5	0.4	0.5
PBT	33.6	33.2	34.1	31.8
Tax	11.8	9.6	11.3	9.7
EO	0.0	0.0	0.0	0.0
PAT	21.8	23.6	22.9	22.1
EPS (Rs.)	10.8	11.7	11.4	11.0
Performance Rat	FY14A	FY15E	FY16E	FY17E
EBITDA margin (%)	14.4%	17.2%	18.0%	18.3%
EBIT margin (%)	11.7%	13.5%	14.5%	15.2%
PAT margin (%)	6.9%	7.7%	8.7%	9.4%
ROE (%)	21.1%	22.9%	24.3%	24.1%
ROCE (%)	15.5%	18.7%	22.1%	24.3%
PAT growth (%)	131.0%	36.6%	37.4%	28.3%
Debt/Equity (x)	1.2	1.1	0.8	0.6
Valuation Ratio	FY14A	FY15E	FY16E	FY17E
Price Earnings (x)	22.1	16.2	11.8	9.2
Price/BV (x)	2.3	1.8	1.4	1.1
EV / Sales	1.9	1.5	1.2	1.0
EV / EBITDA	13.0	8.8	6.7	5.2

Balance Sheet (Rs Cr)	FY14A	FY15E	FY16E	FY17E
Share Capital	20.3	20.5	20.5	20.5
Reserves & Surplus	335.4	428.5	560.3	730.8
Net Worth	356.0	449.1	580.8	751.3
Net Deferred Tax Lia	30.3	30.3	30.3	30.3
Total Loans	441.7	481.7	451.7	421.7
Trade Payables	135.5	169.2	201.2	240.2
Provisions	12.3	15.2	16.6	17.5
Other CL	16.2	17.7	20.9	24.8
Total Liabilities	992.0	1163.1	1301.5	1485.8
Net Fixed Assets	482.5	612.1	656.0	670.5
Capital WIP	124.6	24.9	0.0	0.0
Investments	0.2	5.0	5.0	5.0
Cash & Bank	41.7	114.8	161.6	246.8
Inventories	174.2	198.1	235.7	281.3
Debtors	110.9	146.3	177.2	211.5
Loans & Advances	58.0	61.8	66.0	70.7
Misc Exp	0.0	0.0	0.0	0.0
Total Assets	992.0	1163.1	1301.5	1485.8
Cash Flow (Rs. Cr)	FY14A	FY15E	FY16E	FY17E
Op CF before tax	158.3	229.7	291.1	353.2
Change in WC	-32.8	-25.2	-36.0	-40.8
Tax	-37.1	-50.6	-69.5	-89.2
CF from Operation	88.3	153.9	185.5	223.2
Capex	-282.2	-80.0	-75.0	-75.0
Oth Inc & Investmen	4.3	0.2	5.0	5.0
CF from Investing	-277.9	-79.8	-70.0	-70.0
Financing				
Dividend Paid	-8.3	-9.4	-9.4	-10.6
Share Capital	0.1	0.0	0.0	0.0
Loans	171.3	40.0	-30.0	-30.0
Interest	-20.4	-31.3	-29.4	-27.4
Others	47.0	-0.3	0.0	0.0
CF from Financing	189.7	-1.0	-68.8	-68.0
Net Chg. in Cash	0.0	73.1	46.8	85.2
Cash at beginning	41.7	41.7	114.8	161.6
Cash at end	41.7	114.8	161.6	246.8
Per Share Data	FY14A	FY15E	FY16E	FY17E
Adj EPS	37.5	51.2	70.4	90.3
BV per share	177.4	223.8	289.5	374.5
Cash per share	20.8	57.2	80.6	123.0
Dividend per share	3.5	4.0	4.0	4.5

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