



LLOYD ELECTRIC & ENGINEERING LTD

RECOMMENDATION: STRONG BUY

CMP: INR123

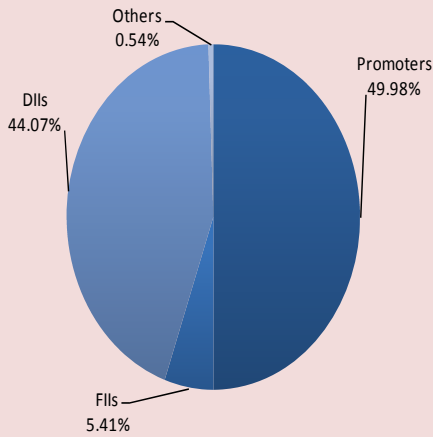
TARGET PRICE: INR 205

Strong BUY

Sector – Consumer Durables

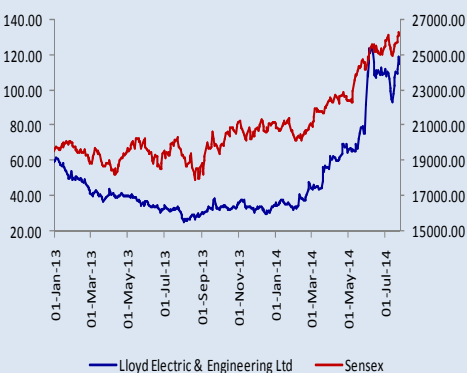
Valuation Data

Current Market Price (CMP)	123
Target Price	205
Upside Potential	67%
52 Week High Low	130.90/24.30
Market Cap (INR in Crores)	434



Stock Scan

Scrip ID	Lloyd Electric & Engineering Ltd
Scrip Code (NSE)	LLOYDELENG
Scrip Code (BSE)	517518
Bloomberg Ticker	LEE IN
Reuters Ticker	LEEG.BO
Industry	Consumer Durables & Engineering
Face Value (INR)	10.00
Equity Share Capital (INR Cr)	35.33
Avg 5 years P/E	3.63
Avg daily volume (Last 1 Year)	147315
Beta Vs Sensex	1.32
Dividend Yield	0.81%



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We recommend a **“STRONG BUY”** to Lloyd electric & Engineering Ltd (LEEL). Lloyd incorporated in 1988, is India’s largest manufacturer of evaporator and condenser (E&C) coils for air conditioners (ACs). It is mainly involved in manufacturing of heat exchanger coils for ACs and refrigeration applications, rail coach AC units, window/ split AC, system tubing and header line and sheet metal items for AC. The company is an OEM supplier to various multi-national companies in India. We believe that its higher presence in railway HVAC business, market leadership in coil + heat exchanger business, growing consumer business, fully integrated business model, strong acquisitions in past, wide-spread global presence and strong fundamentals is expected to bolster up company’s future performance.

Key Investment Highlights

- Favourable change in business mix: Higher presence in Railway HVAC system business
- Market leader in the rapidly growing Heat exchangers + coil business
- OEM supplier to Air-conditioning manufacturing companies
- Consumer Electronic business – Leveraging product experience
- Acquisitions in past leading to strong fundamentals in future
- Fully Integrated across HVAC Value Chain
- Production units in tax holiday zone to provide financial benefits
- Business model highly integrated and raw material intensive – helps protect margins from raw material price volatility
- Strong growth in fundamentals in past - Trend to continue

Consolidated Financial Performance of LEEL (All figures in INR Crores except % and per share data)

Particulars	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E
Net Sales	723.35	817.13	1014.88	1196.12	1474.31	1775.97	2166.68	2686.69
<i>Growth</i>	-67.1%	13.0%	24.2%	17.9%	23.3%	20.5%	22.0%	24.0%
EBITDA	63.63	83.09	93.46	104.82	155.88	214.29	256.26	320.43
<i>EBITDA Margin</i>	8.62%	10.14%	9.20%	8.69%	10.54%	11.74%	11.80%	11.90%
Net Profit excl Exceptional Items	3.40	33.81	37.57	29.39	52.80	89.12	101.81	145.96
<i>Net Profit Margin (excl Exceptional Items)</i>	0.46%	4.13%	3.70%	2.44%	3.57%	4.88%	4.69%	5.42%
<i>Net Profit Growth</i>	-98.05%	894.41%	11.12%	-21.77%	79.65%	68.79%	14.24%	43.36%
Basic EPS	1.10	10.90	12.12	9.48	14.94	25.23	28.82	41.31
Adjusted EPS excl Exceptional Items	0.96	9.57	10.63	8.32	14.94	25.23	28.82	41.31
P/E(x)	17.28	6.53	5.79	5.26	2.63	2.21	4.27	2.98
Adjusted P/E(x) excl Exceptional Items	19.69	6.53	5.79	5.26	2.63	2.21	4.27	2.98
P/BV(x)	0.18	0.56	0.51	0.33	0.25	0.31	0.59	0.49
ROE	0.92%	8.64%	8.76%	6.27%	9.58%	13.93%	13.81%	16.62%
EV/EBITDA(x)	4.36	5.10	5.28	4.50	3.62	3.68	4.13	3.42

Source: Microsec Research, Company Data

1. Favourable change in business mix: Higher presence in Railway HVAC system business

LEEL which is the leading player with largest market share of greater than 50% in non-industrial heat exchangers and coil business, use to derive almost 60-65% of revenue from this business segment. In FY09, the revenue contribution from its Heat exchangers and coils business was 65.8% which gradually dropped to 32.7% in FY14. This was due to its deeper foray into its 50 years old business of HVAC (Heating, Ventilation and Air-conditioning) which now is a major contributor in revenue terms i.e. 52.6%.

The company in its HVAC business manufactures Air-conditioner units for railway industry including AC units for Passenger Coaches (Long distance, EMU and Metro) and Locomotives which are supplied on turnkey basis i.e. designing, manufacturing, supplying, installation and maintenance. LEEL is an OEM supplier to Indian Railways and has been supplying these products to all the Rolling Stock manufacturing units of Indian Railways. It also has pan India Service network and presence at New Delhi, Mumbai, Chennai, Bengaluru, Hyderabad, Lucknow, Jaipur, Guwahati and Kolkata for maintaining the AC package unit installed on the rolling stocks. **It is a Qualified Category I supplier for Indian Railways – 80% of the tenders are awarded to Category I players. It is IRIS qualified, which enables it to bid for railway & metro projects internationally also. Notably, it is the first HVAC player in India with IRIS.**

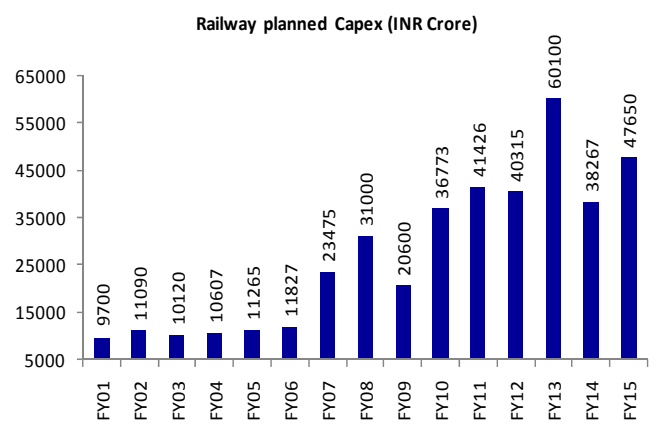
Continuous capacity augmentation by Indian railways and upcoming metro rail projects in various cities - A Key growth driver for the segment:

Indian railways which has been announcing aggressive capital outlay for development of Railways and Metro rails for years has always been beneficial for companies manufacturing railway units/parts. LEEL is expected to benefit from the above because of the following reasons:

- It is a regular OEM supplier of AC manufacturing units on turnkey basis to Indian railways and Metros, hence, is expected to benefit by receiving huge orders from the Indian Railways.
- With the new government's intention to complete the old and stuck projects which were announced in the previous budgets, we believe would help LEEL also.
- Hence, going forward we expect government to continue announcing aggressive outlays for railways which in return would help LEEL bid for projects or receive orders for projects.
- Indian railway's more inclination towards adopting the PPP (Public – Private partnership) route for investment in railways is envisaged to help LEEL as it is a preferred candidate of Indian Railways.

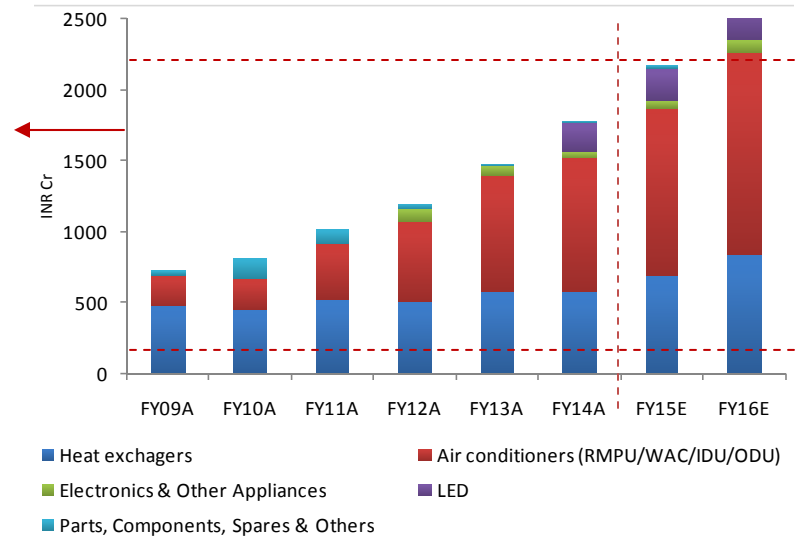
Any significant announcement for rolling stock – A big opportunity to grasp

To overcome shortages in wagons, coaches and locomotives, Modernization of Rolling Stock which includes up gradation/ expansion of coaches, government which use to outlay huge investments in rolling stock has not



announced any major outlay in last two budgets. It had last announced highest ever investment of INR1,70,751 crore for rolling stock for the 12th five year period and had also allocated highest ever yearly outlay for FY12 of INR18,193 crore, which was almost 30% of the total plan outlay. Hence, LEEL which has been supplying its products to all the Rolling Stock manufacturing units of Indian Railways is expected to get an opportunity to grasp big orders.

The graph shows the gradual change in business mix in terms of revenue: The air-conditioners business which comprises of railway ACs and room ACs has been growing at a CAGR of 34% for the last five years as compared to heat exchangers business which has been growing at a CAGR of just 4% for the same period. Notably, LED business has emerged as major contributor in FY14 in term of revenue.

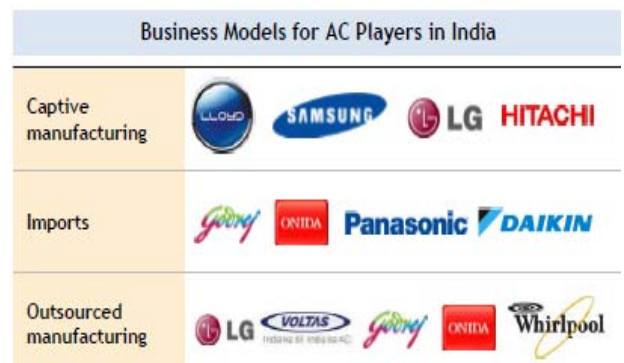


Source: Microsec Research, Company Data

2. Market leader in the rapidly growing Heat exchangers + coil business

Despite its falling revenue in its Heat exchanger business, LEEL still remains a leading player with largest market share in non-industrial heat exchangers. It is a dominant manufacturer of coils serving the heating, ventilation, AC and refrigeration (HVACR) industry, with almost 40% market share. It has a wide range of products, comprising Industrial heat exchangers, rail coach air conditioning units, split and window ACs, Precision air-conditioners and automobile air-conditioners.

The management's deeper focus due to increasing demand for the HVAC business led to fall in the Heat exchangers business. But, we believe that strategies like strong acquisitions of leading global coil companies in the past, its well formed business model of captive manufacturing for its own AC units for retail consumer electronic and railway HVACs, manufacturing heat exchangers for companies like Panasonic, Samsung, LG, Daikin, Hitachi, Voltas, etc, is believed to help company increase its revenue in this business in future.



LEEL's domestic production base acts as a key strength when other players relook at their manufacturing strategies

3. OEM supplier to Air-conditioning manufacturing companies

LEEL at its Kala-amb factory manufactures Window and Split Air Conditioners and is an OEM supplier to various multi-national companies in India. It has a state of the art assembly line for assembly and testing for window and split Air Conditioners and also has backward integration facility for manufacturing heat exchanger coils, tubing, capillary etc. The company is an OEM supplier and it has successfully diversified into contract manufacturing of ACs for clients such as Samsung, LG Electronics, Carrier, Haier, Voltas and Blue Star. Lloyd is further expanding into the transport AC segment and has developed new models for the same. Lloyd is also India's leading manufacturer of fin and tube type heat exchangers for ACs and refrigeration systems. This gives the company backward integration and makes it an end-to-end solutions provider within the AC industry.

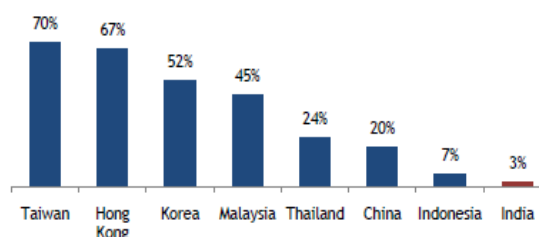
4. Consumer Electronic business – Leveraging product experience

Effective from July 1, 2011, consumer products division of Fedders Lloyd got transferred to Lloyd Electric. The key products of the consumer electronic business which serve the high – growth end segment consist of Window & Split Air-conditioners and LCD/LED TVs with other products also being manufactured which cater to the niche consumer segment like tower & cassette ACs, clothes dryer, chest freezer & garment steamer. We believe that LEEL with the below mentioned factors is poised to grow in future.

- Rising affordability with rising per capita income
- Changing consumer preferences with increasing demand for lifestyle products
- Variety in consumer electronics with differential pricing
- Increasing urbanization
- Easy access to financing
- Vertically integrated model of the company – helps company control costs
- Its Rich product development experience, technologically at par with the best
- Significant capacity in India – better proximity to markets
- Leveraging brand across products
- Facilitated entry into LCD/LED TVs
- Strong brands with history of over 50 years
- Differentiated Business Model which has bouquet of high growth and niche products, active dealer management - unique 'Low Penetration – High Retention' business model where regional exclusivity is offered to dealers, Higher margin for dealers vis-à-vis competition and Tie up with large national retail chains along with regional retailers.

Underpenetrated Indian Market vis-à-vis Other Asian Markets

(household penetration in %)



Source: Microsec Research, Company Presentation

5. Acquisitions in past leading to strong fundamentals in future

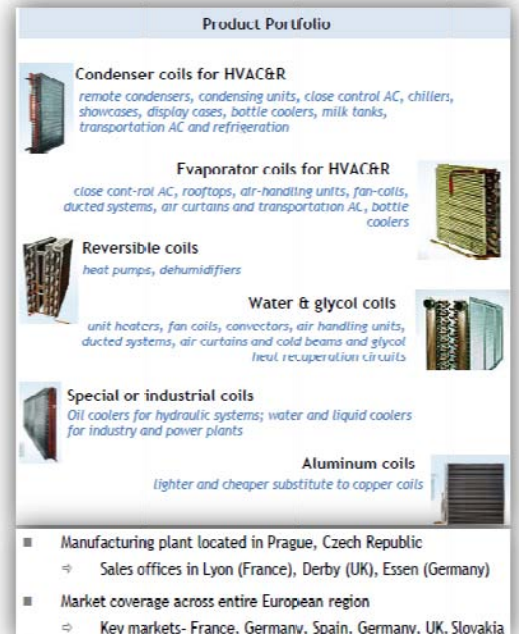
a) LEEL acquired Luvata Czech s.r.o. in Prague, Czech Republic – A step towards expanding its global reach and

Acquisition Details: It acquired Luvata Czech s.r.o. in May, 2008, through its special purpose vehicle (SPV) namely Lloyd Coils Europe s.r.o. (formerly named Lloyd Coils Czech s.r.o.), a subsidiary company, wherein the Company held ownership interest equivalent to 99.968% in the equity capital. The acquisition of Luvata Czech s.r.o. was funded with the combination of debt and equity. The company contributed CZK 62,720,000 towards ownership interest in the equity capital of Lloyd Coils Europe s.r.o. and extended shareholders loan of CZK 65,529,081 to its special purpose vehicle, Lloyd Coils Europe for acquiring Luvata Czech s.r.o.. On July 1, 2008, the newly acquired Luvata Czech s.r.o. merged with Lloyd Coils Europe s.r.o., the surviving entity and LEEL acquired the balance shareholding of Lloyd Coils Europe s.r.o., thereby making it 100% subsidiary.

About the company acquired: Luvata Czech is the leading manufacturer of customized finned pack heat exchangers (coils) serving, the heating, ventilation, air conditioning and refrigeration (HVAC&R) for customers throughout Europe. Luvata Czech employs approximately 300 staff in its 6200 m² Radotin, Prague facility.

Acquisition benefits to LEEL:

- It provided a strong foothold to LEEL into the European markets as the European market is fragmented and most OEM's (Original Equipment Manufacturers) have been looking to outsource the same to specialized coil manufacturers. This helped LEEL to increase its business volume by working closely with clients and developing products as per their requirement.
- LEEL with this acquisition established a global presence and an overseas manufacturing base. The initiative allowed LEEL access to the strong portfolio (customer base) of Luvata Czech. It resulted in significant business synergies and the addition of Luvata Czech's experienced management team who had strong relations in the industry.
- The acquisition led to significant business synergies, especially in controlling costs, technology absorption and direct access to several major central European markets.



b) Extending its global footprints through its second acquisition of Janka Engineering s.r.o.; thus another step towards realizing its goal of becoming a “global player”

Acquisition Details: On 23 November, 2009, LEEL acquired 137 years old premium brand “Janka” of Janka Radotin a.s. through a Special Purpose Vehicle Janka Engineering s.r.o. It acquired 100% ownership interest in special purpose vehicle (spv) Janka Engineering s.r.o. The acquisition was funded through internal accruals. The total equity contribution was INR33.17 crore as on 31st March, 2010. It took over all corporeal and non corporeal property, trademarks and certificates of the company. Janka Engineering s.r.o. effectively became successor of Janka Radotin a.s. and took over the entire production portfolio. The acquisition was funded through internal accruals. LEEL contributed Euro7870 towards 100% ownership interest and extended shareholders loan of Euro 4.5 Million to its special purpose vehicle, Janka Engineering s.r.o., for acquiring all assets (no liabilities) of Janka Radotin a.s.

About the company acquired: It is a leading Czech based manufacturer of Air Handling Units, blowers, industrial coolers, heating and cooling coils, a major component of HVAC system, with manufacturing facility spread over an area of 2,00,000 sq. ft. It has its manufacturing facility in the heart of Europe-Prague- Czech republic through a Special Purpose Vehicle Janka Engineering s.r.o.

Acquisition benefits to LEEL:

- Helped achieve its goal to be a Global Player in HVAC (Heating, Ventilation & Air-conditioning) industry.
- The acquisition had set forth a major step forward in the Company’s Global strategy leading to significant business synergies, arising from strong brand name of “JANKA” well positioned in Czech market, wide spread client portfolio, technology absorption and export potential to Central and Eastern Europe.

Product Portfolio	
Air handling units	KLM, KLMV, KLME, KLMQ
Air conditioning	condensing unit, chillers, rooftops, fan coils, dry coolers, compact units
Fans	single inlet, double inlet, low pressure, middle pressure, specialized
Industrial cooling	duct & steam heat exchangers, industrial heaters & coolers, cooling batteries for locomotives
Highlights	
■	Single supplier of cooling units to nuclear power project in Slovakia
■	Supplier to nuclear power project in Czech Republic
■	Developing new range of Tram AC units for Prague tramways
■	Development of under-ceiling unit under way

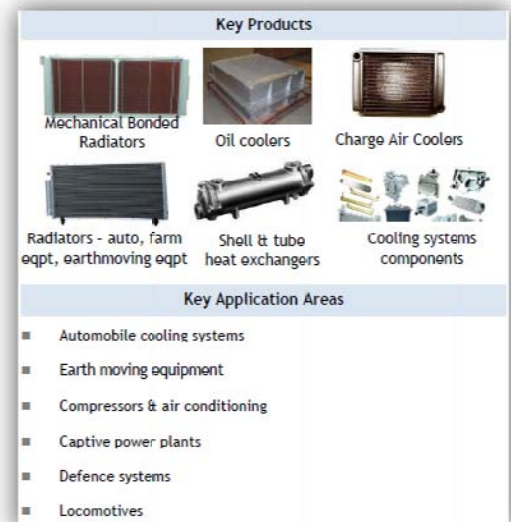
c) Acquisition by demerger & transfer of the heat exchangers line of business of Perfect Radiators & Oil Coolers Pvt. Ltd, (referred as PROC)

Acquisition Details: LEEL acquired by demerger & transfer of the heat exchangers line of business of Perfect Radiators & Oil Coolers Pvt. Ltd, (referred as PROC) in July, 2013. The Valuation of the heat exchangers business of Perfect Radiators had been valued by Ernst & Young at INR36 crores and valuation of per equity share of LEEL has been valued at INR84 per equity share of INR10/- each. The share swap ratio had been fixed at 54:100 i.e. 54 equity shares of LEEL shall be issued for every 100 equity shares held in PROC.

About the company acquired: It is a leading manufacturer in India engaged in the designing and manufacture of copper & aluminum brazed heat exchangers, shell and tube heat exchangers for industrial and automotive.

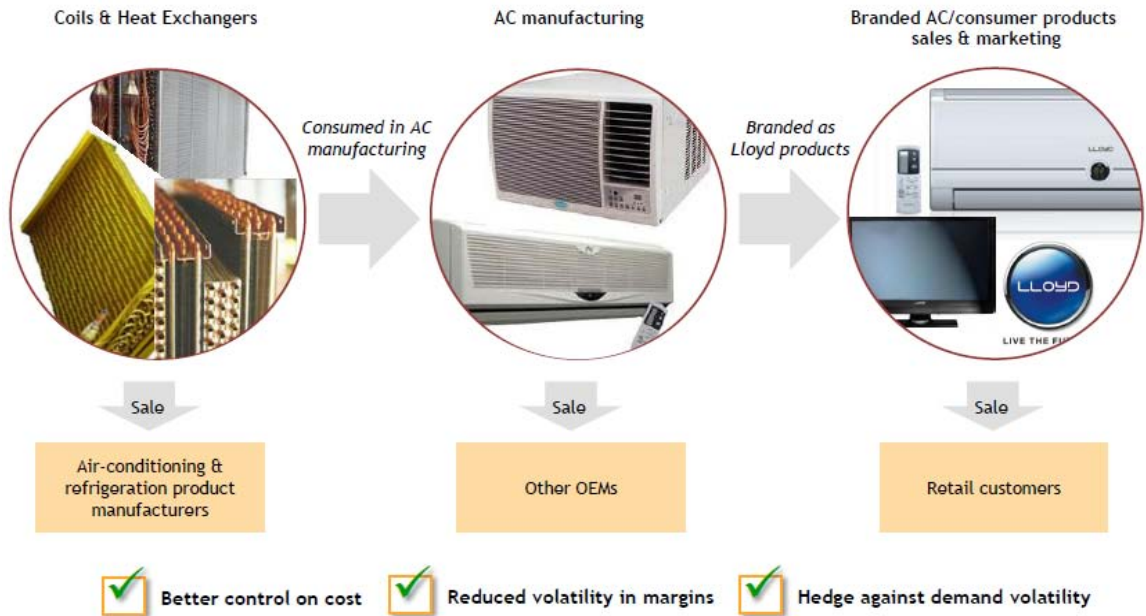
Acquisition benefits to LEEL:

- The acquisition of Heat Exchangers Business of PROC was in line with LEEL's existing line of Coils business and added significant value by integrating and consolidating the business globally. The product range of PROC has strong synergies with its existing product range in heat exchangers line of business. This provided new technologies and depth to the Heat Exchangers product range of the Company, thereby expanding the customer's base and adding new products with latest state-of-art technology.
- It helped the company add another state of art manufacturing facility at Haridwar, Uttarakhand equipped with latest plant and machineries for the manufacture of Copper and brass heat exchangers, shell & tube heat exchanger for industrial application, oil coolers for railways, and heavy automobile and tube mill for MB radiators.



6. Fully Integrated across HVAC Value Chain

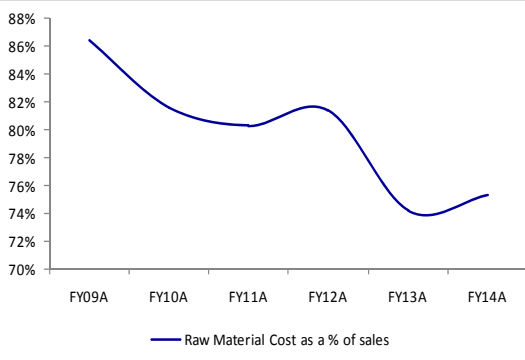
LEEL has presence across the value chain which helps it to control costs better, helps reduce volatility in margins. Also, its captive manufacturing of heat exchangers which are used for its end products like Railway HVAC units and Window, split ACs help it reduce its dependence on imports and not allow it to depend on other local suppliers for the parts.



7. Production units in tax holiday zone to provide financial benefits

LEEL has two of its plants based in tax free zones. The tax holiday is for the next 10 - 15 years for its Dehradun plant and 10 years for Kala Amb plant. Hence, the effective tax rate for the company ranges between 10-12% and is expected to continue in this range in the future. This is anticipated to boost growth in the bottom-line for few years.

8. Business model highly integrated and raw material intensive – helps protect margins from raw material price volatility

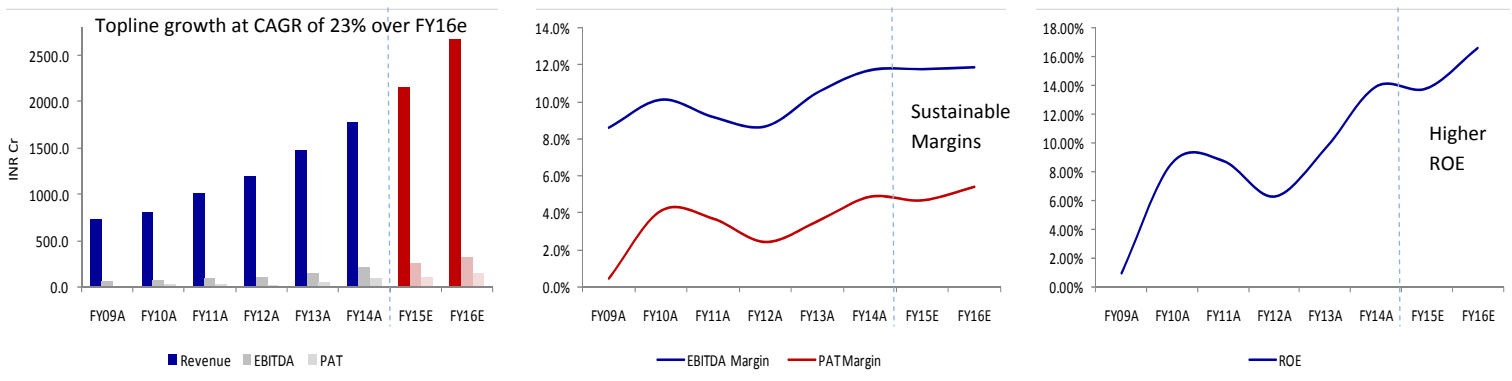


The business model of the company is highly integrated and raw material intensive with raw material cost as a percentage of net sales at 73% as on FY14. The key raw materials used by the company are copper tubes, aluminium foils and compressors. Its vertically integrated business model helps company hedge against cost/demand volatility in individual value chain elements. The company is protected against raw material price volatility as it books its orders on cost plus margin basis. Notably, company's raw material cost as a percentage to net sales has dwindled to 73% in FY14 from 84% in FY08 due to factors like well backward integration, better negotiations regarding fixed clauses in the agreement with regards to raw material price volatility and various other cost control initiatives.

Source: Microsec Research, Company Data

9. Strong growth in fundamentals in past - Trend to continue

The company's top-line has been growing at a CAGR of 19.7% for last five years on consolidated basis due to higher contribution of the subsidiaries (engaged in the coil and heat exchangers business) which totally contribute ~24% to the overall revenue and higher growth from the AC and HVAC business. The EBITDA expanded at a CAGR of 27.5% in last five years on back of better cost control strategies mentioned above. This helped EBITDA Margins to widen to 11.7% in FY14 from 8.6% in FY09. Despite increase in interest cost, the PAT grew at a CAGR of 92.2% (base being very low) for last five years and 21.4% in last four years due to financial benefit availed in income tax paid. Hence, we expect this robust trend to continue in the years to come. LEEL's ROE has significantly improved from 0.92% in FY09 to 13.93% in FY14.

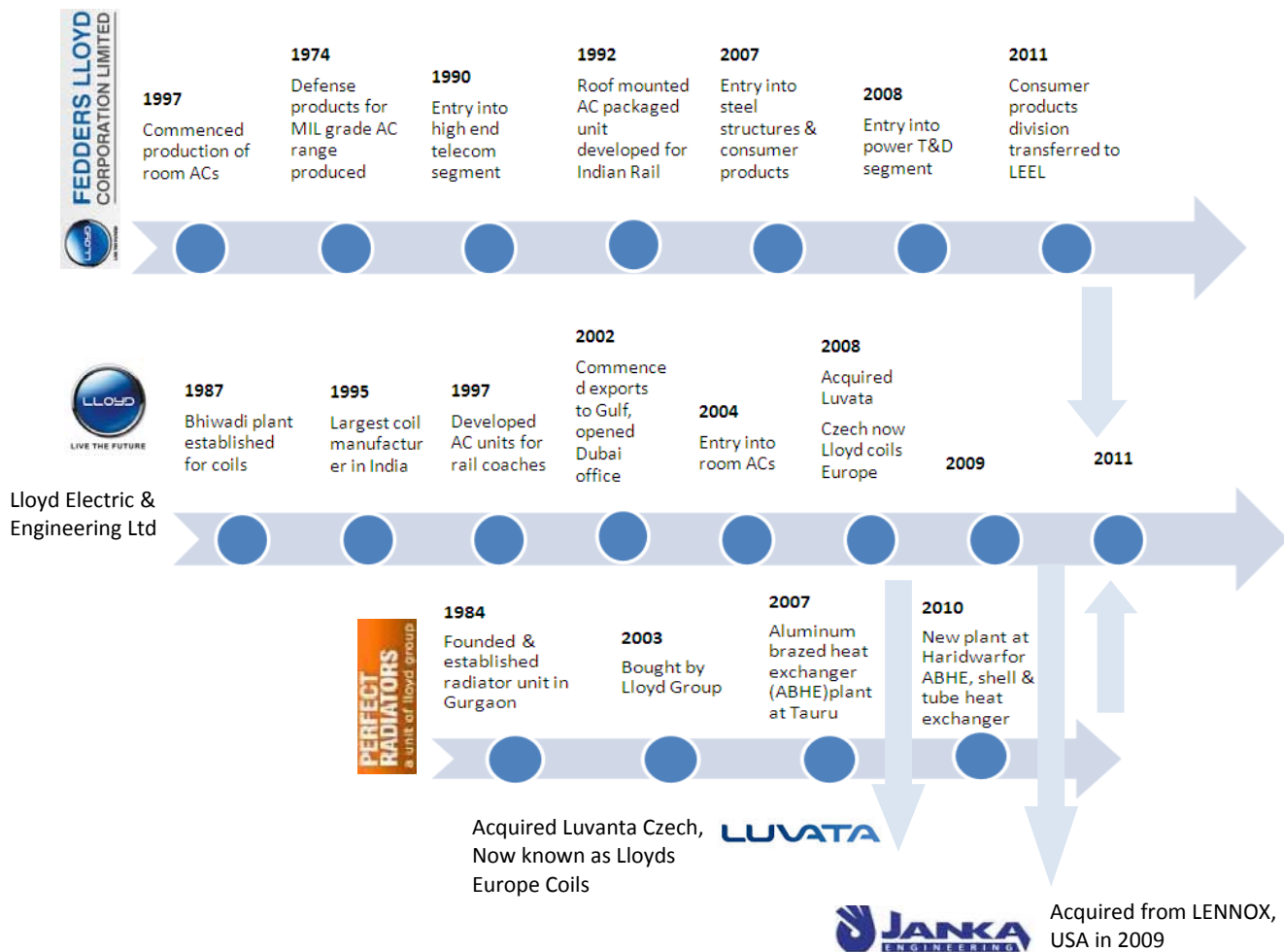


Source: Microsec Research, Company Data

Company Profile

Llyod Electric & Engineering Ltd (LEEL) is promoted by promoters of Fedders Lloyd Corporation Ltd, leading HVAC group in India. Lloyd was incorporated in 1988 and is India's largest manufacturer of evaporator and condenser (E&C) coils for air conditioners (ACs). It is mainly involved in manufacturing of heat exchanger coils for ACs and refrigeration applications, rail coach AC units, window/ split AC, system tubing and header line and sheet metal items for AC. The company is an OEM supplier to various multi-national companies in India. Lloyd operates through six manufacturing facilities. It exports ~10% of its revenue mainly to Middle East markets, African markets, Europe and North America. It has wide-spread global presence through its 3 major subsidiaries which together contribute ~24% to the revenue.

Corporate History



Manufacturing Facilities and Key Customers



Location	Product Line	Capacity (No. of Units)	Status
Bhiwadi, Rajasthan	Heat exchangers	1025000	Operational for last 25 years
	Fan coils, cooling units	10000	
	A/Cs (railway)	2000	
Kala Amb, Himachal Pradesh	Sheet metal	300000	Operational
	Heat exchangers	200000	
Dehradun, Uttarakhand	A/Cs(window, split)	200000	Operational
	A/Cs(window, split)	200000	
PantNagar, Uttarakhand	A/Cs(split)	201000	Operational
Ranipet, Tamil Nadu	A/Cs(window, split)	100000	Operational
Haridwar, Uttarakhand	A/Cs (railway)	6000	Operational

Key Products with its focus on key markets

Key Products	Key Markets
Heat Exchanges 	Air conditioning, Industrial, Auto, Refrigeration, Data centre
Rail HVAC Systems and ACs 	OEMs, Railways, Metro Rails
Consumer Products 	Retail Customers

Peer comparison

Company Name	CMP	Mcap	TTM Net Sales	TTM EBITDA	TTM EBITDA Margin	TTM PAT	TTM Margin	TTM EPS	C/S	TTM P/E	FY15e P/E	FY16e P/E	Cash	Total Debt	BVPS	Latest EV/EBITDA	FY15e EV/EBITDA	FY16e EV/EBITDA	Latest P/BV	FY15e P/BV	FY16e P/BV	Latest ROE	FY15e ROE	FY16e ROE	D/E	Inventory to sales ratio
LEEL	123	434	1776.0	1610.7	11.7%	89.1	4.9%	25.23	C	4.9	4.3	3.0	55.3	646.3	181.1	0.6	4.1	3.4	0.7	0.6	0.5	13.9%	13.8%	16.6%	1.01	0.35
Voltas Ltd.	194	6416	5134.1	163.7	3.2%	181.5	3.5%	7.42	C	26.1	22.4	17.3	281.8	262.9	55.0	39.1	15.6	11.9	3.5	3.2	2.8	14.2%	14.7%	16.7%	0.14	0.18
Whirlpool Of India Ltd.	344	4364	2834.6	210.1	7.4%	122.9	4.3%	9.69	S	35.5	22.6	17.2	291.8	0.0	58.3	19.4	70.7	86.6	5.9	4.1	3.4	16.6%	18.2%	19.5%	0.00	0.20
Blue Star Ltd.	288	2591	2770.4	105.7	3.8%	75.9	2.7%	8.44	C	34.1	27.4	18.7	52.8	478.7	51.2	21.3	23.0	18.0	3.9	5.3	4.5	9.0%	10.3%	13.1%	1.04	0.21

Source: Microsec Research, Company Data, Bloomberg

Key Risks

- Volatility in raw material prices which can impact the margins.
- Less capital outlay announced by government for railways
- Delay in completion on metro rail projects
- Slowdown in Economy

Valuation

The scrip has been trading in a historical P/E range of 2.2x to 24x in last ten years. Currently, the stock is trading at an attractive P/E of 4.7x and EV/EBITDA of 2.1x, respectively. Since, the company has no peers which deal in the same business model; we are comparing it with the valuations of some of the large players in the AC industry. As observed in the peer comparison, most of the large OEMs like Voltas, Blue Star, etc are trading at valuations of 16-18x two year forward earnings. On the other hand, LEEL being a part of the same industry with similar growth prospects possessing relatively better margins has been trading at a significant discount. We have assigned a higher P/E multiple of 5x by giving a premium of 25% to its 5 year average P/E. We believe that LEEL deserves a higher premium as compared to its peers (had given 15-20% premium) on back of its better margins, higher earnings visibility and improving ROE. Hence, by assigning a target P/E multiple of 5x for FY16e and we arrived at a target of INR205 per share, i.e. an upside of 67%.

Profit & Loss Statement

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E
Net Sales	723.35	817.13	1014.88	1196.12	1474.31	1775.97	2166.68	2686.69
<i>Growth (%) - YoY</i>	<i>-67.1%</i>	<i>13.0%</i>	<i>24.2%</i>	<i>17.9%</i>	<i>23.3%</i>	<i>20.5%</i>	<i>22.0%</i>	<i>24.0%</i>
Other Operating Income	14.44	1.93	0.96	9.95	5.03	49.05	5.0	6.0
Total Income	737.79	819.06	1015.84	1206.07	1479.34	1825.02	2171.68	2692.69
<i>Growth (%) - YoY</i>		<i>11.0%</i>	<i>24.0%</i>	<i>18.7%</i>	<i>22.7%</i>	<i>23.4%</i>	<i>19.0%</i>	<i>24.0%</i>
TOTAL EXPENDITURE	674.16	735.97	922.38	1101.25	1323.46	1610.73	1915.42	2372.26
<i>as % of sales</i>	<i>91.4%</i>	<i>89.9%</i>	<i>90.8%</i>	<i>91.3%</i>	<i>89.5%</i>	<i>88.3%</i>	<i>88.2%</i>	<i>88.1%</i>
EBITDA	63.63	83.09	93.46	104.82	155.88	214.29	256.26	320.43
<i>EBITDA Margin (%)</i>	<i>8.6%</i>	<i>10.1%</i>	<i>9.2%</i>	<i>8.7%</i>	<i>10.5%</i>	<i>11.7%</i>	<i>11.8%</i>	<i>11.9%</i>
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Profit	63.63	83.09	93.46	104.82	155.88	214.29	256.26	320.43
Depreciation	17.32	19.74	23.05	28.4	31.62	31.76	32.50	33.50
EBIT	46.31	63.35	70.41	76.42	124.26	182.53	223.76	286.93
<i>EBIT Margin (%)</i>	<i>6.3%</i>	<i>7.7%</i>	<i>6.9%</i>	<i>6.3%</i>	<i>8.4%</i>	<i>10.0%</i>	<i>10.3%</i>	<i>10.7%</i>
Interest	39.87	18.44	23.17	33.83	52.7	85.5	110.00	122.00
PBT	6.44	44.91	47.24	42.59	71.56	97.03	113.76	164.93
Exceptional items	0.00	0	0	0	0	0.00	0.00	0.00
PBT after exceptional items	6.44	44.91	47.24	42.59	71.56	97.03	113.76	164.93
<i>PBT Margin (%)</i>	<i>0.9%</i>	<i>5.5%</i>	<i>4.7%</i>	<i>3.5%</i>	<i>4.8%</i>	<i>5.3%</i>	<i>5.2%</i>	<i>6.1%</i>
Tax	3.04	11.1	9.67	13.2	18.76	7.91	11.94	18.97
<i>Tax (%)</i>	<i>47.2%</i>	<i>24.7%</i>	<i>20.5%</i>	<i>31.0%</i>	<i>26.2%</i>	<i>8.2%</i>	<i>10.5%</i>	<i>11.5%</i>
PAT	3.40	33.81	37.57	29.39	52.8	89.12	101.81	145.96
Share in profit of associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated PAT	3.40	33.81	37.57	29.39	52.8	89.12	101.81	145.96
<i>PAT Margin (%)</i>	<i>0.5%</i>	<i>4.1%</i>	<i>3.7%</i>	<i>2.4%</i>	<i>3.6%</i>	<i>4.9%</i>	<i>4.7%</i>	<i>5.4%</i>
Exceptional Items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PAT (excl EI)	3.40	33.81	37.57	29.39	52.8	89.12	101.81	145.96
<i>PAT Margin (%) (excl EI)</i>	<i>0.5%</i>	<i>4.1%</i>	<i>3.7%</i>	<i>2.4%</i>	<i>3.6%</i>	<i>4.9%</i>	<i>4.7%</i>	<i>5.4%</i>
<i>PAT Growth (%) - YoY</i>	<i>-98.0%</i>	<i>894.4%</i>	<i>11.1%</i>	<i>-21.8%</i>	<i>79.7%</i>	<i>68.8%</i>	<i>14.2%</i>	<i>43.4%</i>
Basic EPS	1.10	10.90	12.12	9.48	14.94	25.23	28.82	41.31
Adjusted EPS excl exceptional items	0.96	9.57	10.63	8.32	14.94	25.23	28.82	41.31
Equity Capital	31.01	31.01	31.01	31.01	35.33	35.33	35.33	35.33
Face Value	10	10	10	10	10	10	10	10
No. of Outstanding Shares	3.10	3.10	3.10	3.10	3.53	3.53	3.53	3.53

Source: Company data, Microsec Research

Balance Sheet & Cash Flow Statement

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E
SOURCES OF FUNDS								
Share Capital	31.01	31.01	31.01	31.01	35.33	35.33	35.33	35.33
Reserves & Surplus	336.92	360.48	398.10	437.86	515.69	604.57	702.14	842.81
Shareholder's Funds	367.93	391.49	429.11	468.87	551.02	639.90	737.47	878.14
Preference shares issued by a sub comp	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secured Loans	236.82	233.01	318.10	315.50	413.22	646.27	610.00	580.00
Unsecured Loans	20.00	25.00	50.00	50.00	33.33	0.00	0.00	0.00
Total Debt	256.82	258.01	368.10	365.50	446.55	646.27	610.00	580.00
Finance Lease Liability	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	624.75	649.50	797.21	834.37	997.57	1286.17	1347.47	1458.14
APPLICATION OF FUNDS								
Gross Block	343.28	413.94	391.80	534.52	607.28	664.40	694.40	729.40
(-) Accumulated Depreciation	69.85	131.54	88.00	184.19	211.65	240.90	273.40	306.90
Net block	273.43	282.40	303.80	350.33	395.63	423.50	421.00	422.50
Capital Work ion Progress	9.75	18.13	22.34	10.61	6.06	6.14	6.00	7.00
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments	3.80	4.94	4.94	3.16	2.67	1.75	2.43	2.92
Net Deferred Taxation	-12.30	-15.38	-16.09	-19.66	-22.91	-9.42	-9.42	-9.42
Fixed Assets & Investments	274.68	290.09	314.99	344.44	381.45	421.97	420.01	423.00
Inventories	143.25	172.58	242.40	353.13	490.31	617.94	666.67	707.02
Sundry Debtors	207.77	228.55	284.19	215.13	303.17	409.18	465.95	565.62
Other Current assets	0.00	0.00	33.08	45.59	34.00	31.55	31.55	31.55
Cash & Bank balance	38.45	28.44	65.96	29.35	21.45	55.34	58.20	68.38
Loans & Advances	53.07	47.69	32.99	32.45	47.08	95.59	108.33	137.02
Total Current Assets,Loans & Advances	442.54	477.26	658.62	675.65	896.01	1209.60	1330.71	1509.59
Less:Total Current Liabilities & Provisions	97.25	125.87	176.40	185.72	279.89	345.40	403.25	474.45
Net Current Assets	345.29	351.39	482.22	489.93	616.12	864.20	927.46	1035.14
Miscellaneous Expenditure	4.78	8.02	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	624.75	649.50	797.21	834.37	997.57	1286.17	1347.47	1458.14

Source: Company data, Microsec Research

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E
A. Cash Flow From Operating Activities								
Net Profit Before Tax	6.44	44.91	47.24	41	71.56	97.03	113.76	164.93
Depreciation	17.32	19.74	21.13	25.7	31.62	31.76	32.5	33.5
Operating Profit before WC changes	53.37	79.74	87.28	100.52	144.08	198.3	256.26	320.43
(Increase)/Decrease in Inventories	-24.86	-29.34	-69.81	-110.73	-114.08	-127.63	-48.73	-40.35
(Increase)/Decrease in Sundry Debtors	-52.91	-21.76	-64.7	-48.62	-51.81	-147.90	-56.77	-99.66
(Increase)/ Decrease in loans and advances	0	0	0	0	0	0	-12.74	-28.69
(Increase)/ Decrease in Other Current assets	0	0	0	0	0	0	0	0
Increase/ (Decrease) in Current & Liabilities	19.99	28.55	38.82	4.83	36.35	70.52	57.85	71.20
Cash generated from operations	-4.41	57.19	-8.41	-54	14.54	-6.71	195.86	222.93
Direct taxes paid	-9.95	-10.2	-10.32	7.22	-22.64	-24.79	-11.94	-18.97
Net Cash from Operating Activities	-14.36	46.99	-18.73	-46.78	-8.1	-31.50	183.91	203.96
B. Cash Flow From Investing Activities								
Net Cash used in Investing Activities	-79.69	-41.27	-45.62	48.39	-33.92	-55.22	-30.54	-36.49
C. Cash Flow From Financing Activities								
Net Cash from/(Used) in financing activities	61.47	-15.7	101.86	-38.22	33.60	120.61	-150.51	-157.30
Net (Increase)/Decrease in cash & cash equivalents	-32.58	-9.98	37.51	-36.61	-8.42	33.89	2.86	10.18
Cash & Cash Equivalents at beginning	71.01	38.43	28.45	65.96	29.86	21.45	55.34	58.20
Cash & Cash Equivalents at End	38.43	28.45	65.96	29.35	21.44	55.34	58.20	68.38

Source: Company data, Microsec Research

Ratio Analysis

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E
Profitability Ratios								
Return on Assets (ROA)	0.47%	4.45%	3.90%	2.86%	4.09%	5.46%	5.81%	7.55%
Return on Capital Employed (ROCE)	7.48%	10.00%	8.96%	9.09%	12.28%	14.17%	16.59%	19.68%
Return on Equity (ROE)	0.92%	8.64%	8.76%	6.27%	9.58%	13.93%	13.81%	16.62%
Per Share								
Basic EPS	1.10	10.90	12.12	9.48	14.94	25.23	28.82	41.31
Adjusted EPS excl Exceptional Items	0.96	9.57	10.63	8.32	14.94	25.23	28.82	41.31
Dividend Per share	0.0	1.0	1.5	1.0	1.0	1.0	1.2	1.5
Cash Earning Per Share	-3.94	3.99	4.11	0.28	5.99	16.24	19.62	31.83
BVPS	104.23	110.90	121.56	132.82	155.96	181.12	208.74	248.55
Valuation Parameters								
P/E (x)	17.28	6.53	5.79	5.26	2.63	2.21	4.27	2.98
Adjusted P/E(x) excl Exceptional Items	19.69	6.53	5.79	5.26	2.63	2.21	4.27	2.98
P/CEPS(x)	-4.81	15.68	14.96	156.00	6.55	3.44	6.27	3.86
P/BV(x)	0.18	0.56	0.51	0.33	0.25	0.31	0.59	0.49
Market Cap/Sales(x)	0.08	0.24	0.19	0.11	0.09	0.11	0.20	0.16
EV/EBITDA(x)	4.36	5.10	5.28	4.50	3.62	3.68	3.85	2.95
Liquidity Ratios								
Current Ratio	4.55	3.79	3.73	3.64	3.20	3.50	3.30	3.18
Acid Test Ratio	3.08	2.42	2.36	1.74	1.45	1.71	1.65	1.69
Debt-Equity Ratio	0.70	0.66	0.86	0.78	0.81	1.01	0.83	0.66
Efficiency Ratios (%)								
Asset turnover Ratio	1.01	1.08	1.05	1.17	1.14	1.09	1.24	1.39
Working Capital Turnover Ratio	2.09	2.33	2.10	2.44	2.39	2.06	2.34	2.60
Inventory Turnover Ratio	5.05	4.73	4.19	3.39	3.01	2.87	3.25	3.80
Margin Ratios (%)								
EBITDA Margin	8.62%	10.14%	9.20%	8.69%	10.54%	11.74%	11.80%	11.90%
EBIT Margin	6.28%	7.73%	6.93%	6.34%	8.40%	10.00%	10.30%	10.66%
PBT Margin	0.87%	5.48%	4.65%	3.53%	4.84%	5.32%	5.24%	6.13%
Net Profit Margin	0.46%	4.13%	3.70%	2.44%	3.57%	4.88%	4.69%	5.42%

Source: Company data, Microsec Research

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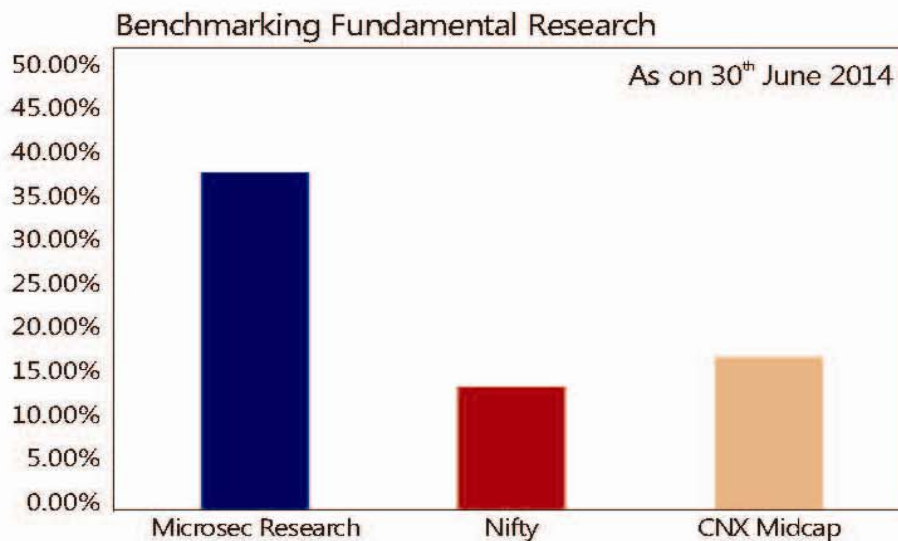
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Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Underperform	between 0% and -10%
Sell	< -10%

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