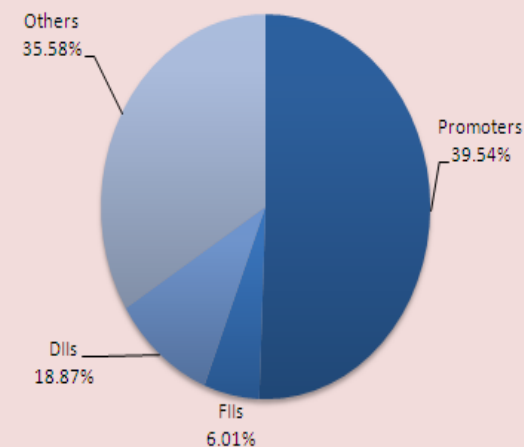


# Swaraj Engines Ltd –Update Report

**STRONG BUY**

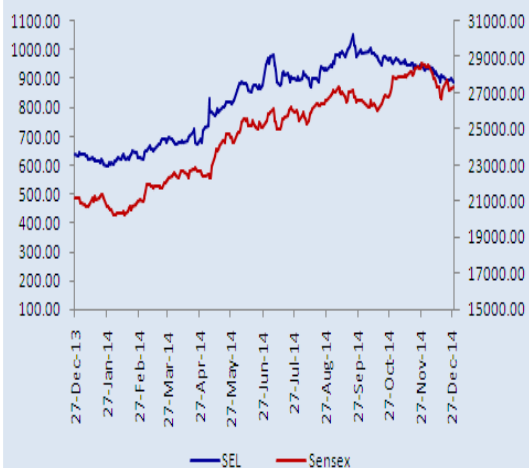
## Market Data

Current Market Price (CMP)	887
Target Price	1164
Upside Potential	31%
52 Week High Low	1080/585
Market Cap (INR in Cr)	1101



## Stock Scan

Scrip ID	Swarj Engines Ltd
Scrip Code (NSE)	SWARAJENG
Scrip Code (BSE)	500407
Bloomberg Ticker	SWE IN
Reuters Ticker	SWAR.BO
Industry	Diesel Engines
Face Value ( INR per share)	10.00
Equity Share Capital ( INR in Cr)	12.42
Avg 3 years P/E	10.41
Avg daily volume (Last 1 Year)	3,351
Beta Vs Sensex	0.67
Dividend Pay Out Ratio %	64.88%



## Sector – Engines

We recommend Swaraj Engines Ltd (SEL) a **“STRONG BUY”**. Swaraj Engines was earlier a part of JV between Punjab Tractors Ltd (PTL) and Kirloskar Engines to manufacture engines for Punjab Tractors. PTL had been taken over and merged with Mahindra and Mahindra Ltd. As a result, M&M now holds ~33% of SEL's equity with ~17% is held by Kirloskar Industries Ltd. SEL supplies engines from 20HP to 50HP to "Swaraj" branded tractors of M&M. SEL also, manufactures engine components for the erstwhile Swaraj Maza Ltd i.e. SML Isuzu. The strong volume growth which is likely to be seen in FY16e from its capacity expansion to ~1,05,000 engines p.a., increased demand from M&M, over capacity utilization in FY15e to enhance margins, presence in all HP segments, softening of commodity prices and dependence on agriculture industry bodes well for the SEL's fortune. **Therefore, we have revised our target price to INR1164 per share from our earlier TP of INR1062 per share given in Q1FY15 result update report.**

## Investment Rationale

**Leading supplier to Mahindra & Mahindra Ltd – A key source to growth:** SEL enjoys the access to the India's largest tractor manufacturer "M&M" (~41% market share in Domestic tractor industry), which has a holding of ~33% in SEL. Swaraj Engines Ltd manufactures tractor engines solely for the "Swaraj Division" of M&M. It caters to ~85% demand of Swaraj division of M&M and rest 15% of demand is met through Kirloskar Oil Engines, which has a holding of 17% in SEL. **Capacity expansion from current 75,000 engines p.a. to 1,05,000 engines p.a. over next 2 quarters to improve productivity and help meet the demand from M&M:** SEL has undertaken an expansion plan to increase its annual capacity to ~1,05,000 engines per annum from ~75,000 engines over the next 2 quarters. We believe that full benefits of this expansion will be seen from Q2FY16e. This expansion would help SEL in improving productivity and meet the aggressive engine demand from M&M.

**Revenue to grow at a CAGR of 17% over FY14-17e on impressive volume growth:** We envisage revenue to grow at a CAGR of 17% solely on basis of volume growth of 17% with realization increasing marginally by 1% over FY14-16e. However, the capacity utilization is already hovering around at the levels of 99% and new capacities will come on-stream in Q2FY16e, we also look forward to see that the company is going for over capacity utilization in FY15e; thereby posting a healthy growth of 17% on volume front. We expect FY16e revenue to grow by 19.3% on back of volume growth on higher side and realization growing by merely 1.3%.

**SEL's presence in high HP segment and its growth directly dependent on Indian agriculture – An added advantage:** Firstly, SEL manufactures engines in the 20-50HP range. Around 10% of sales comes from lower than 30 HP engine, 50% from 30-40 HP and 40% from 40-50 HP. Secondly, SEL's growth has been directly comparable to Indian agriculture. We expect tractor industry to grow in long term on back of more productivity, low penetration, need for mechanization, higher MSPs and policies (NREGA).

## Key Financials Highlights

(Figure in INR CR)

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Net Sales	358.4	444.8	474.4	604.1	702.6	838.2	966.4
<i>Growth</i>	27.8%	24.1%	6.6%	27.3%	14.3%	19.1%	19.0%
EBITDA	60.7	69.4	71.5	90.6	106.8	128.2	145.9
<i>EBITDA Margin</i>	16.8%	15.5%	14.9%	14.9%	15.2%	15.3%	15.1%
Net Profit excl Exceptional Items	43.9	52.8	55.4	70.6	79.8	95.2	107.5
<i>Net Profit Margin (excl Exceptional Items)</i>	12.2%	11.8%	11.6%	11.6%	11.4%	11.4%	11.1%
<i>Net Profit Growth</i>	17.6%	20.3%	4.9%	27.5%	13.0%	19.3%	12.9%
Basic EPS	35.4	42.5	44.6	53.9	64.2	76.7	86.6
Adjusted EPS excl Exceptional Items	35.4	42.5	44.6	56.9	64.2	76.7	86.6
P/E(x)	12.1	9.4	8.9	12.2	13.8	11.6	10.2
Adjusted P/E(x) excl Exceptional Items	12.1	9.4	8.9	12.2	13.8	11.6	10.2
P/BV(x)	3.5	2.7	2.5	4.1	4.6	3.8	3.2
ROE	28.8%	28.4%	28.6%	33.6%	33.0%	33.2%	31.7%
EV/EBITDA(x)	7.5	6.2	5.7	8.3	9.3	7.6	6.5

Source: Microsec Research, Company Data, (All figures in INR Crores except % and per share data)

Analyst: Anik Das  
Email id: adas4@microsec.in

Quarterly Result Update

Particulars	Quarterly Snapshot					Half-Yearly		
	Q2FY15A	Q2FY14A	Q1FY14A	YoY	QoQ	FY2015A	FY2014A	% Change
Net Sales	166.19	150.45	165.21	10.5%	0.6%	331.40	296.63	11.7%
Other Operating Income	1.05	1.13	0.92			1.97	2.11	
<b>Total Operating Income</b>	<b>167.2</b>	<b>151.6</b>	<b>166.1</b>	<b>10.3%</b>	<b>0.7%</b>	<b>333.4</b>	<b>298.7</b>	<b>11.6%</b>
Total Expenditure	142.69	128.92	141.21			283.90	253.97	
<b>EBITDA</b>	<b>24.6</b>	<b>22.7</b>	<b>24.9</b>	<b>8.3%</b>	<b>-1.5%</b>	<b>49.5</b>	<b>44.8</b>	<b>10.5%</b>
<i>EBITDA Margin (%)</i>	<i>14.68%</i>	<i>14.95%</i>	<i>15.00%</i>	<i>(27)Bps</i>	<i>(32)Bps</i>	<i>14.84%</i>	<i>14.99%</i>	<i>(15)Bps</i>
Other Income	4.03	4.60	4.25	-12.4%	-5.2%	8.28	9.30	-11.0%
Operating Profit	28.6	27.3	29.2	4.8%	-2.0%	57.8	54.1	6.8%
Depreciation	3.48	2.22	3.34			6.82	4.34	
PBIT	25.1	25.0	25.8	0.2%	-2.8%	50.9	49.7	2.4%
Interest	0.0	0.0	0.0			0.00	0.03	
Exceptional Items	0.0	0.0	0.0					
PBT	25.1	25.0	25.8	0.3%	-2.8%	50.9	49.7	2.5%
Tax	7.37	7.86	8.25			15.62	15.71	
<b>PAT</b>	<b>17.7</b>	<b>17.2</b>	<b>17.6</b>			<b>35.3</b>	<b>34.0</b>	
Shares of associates	0.0	0.0	0.0					
Minority Interest	0.0	0.0	0.0					
<b>Consolidated PAT</b>	<b>17.7</b>	<b>17.2</b>	<b>17.6</b>	<b>3.3%</b>	<b>0.9%</b>	<b>35.3</b>	<b>34.0</b>	<b>3.9%</b>
<i>PAT Margin (%)</i>	<i>10.60%</i>	<i>11.33%</i>	<i>10.58%</i>	<i>(73)Bps</i>	<i>2 Bps</i>	<i>10.59%</i>	<i>11.38%</i>	<i>(79)Bps</i>
<b>PAT excl exceptional items</b>	<b>17.7</b>	<b>17.2</b>	<b>17.6</b>	<b>3.3%</b>	<b>0.9%</b>	<b>35.3</b>	<b>34.0</b>	<b>3.9%</b>
<i>PAT Margin excl exceptional items (%)</i>	<i>10.60%</i>	<i>11.33%</i>	<i>10.58%</i>	<i>(73)Bps</i>	<i>2 Bps</i>	<i>10.59%</i>	<i>11.38%</i>	<i>(79)Bps</i>
EPS	14.3	13.8	14.2	3.3%	0.9%	28.4	27.4	3.9%
Adjusted EPS	14.3	13.8	14.2	3.3%	0.9%	28.4	27.4	3.9%

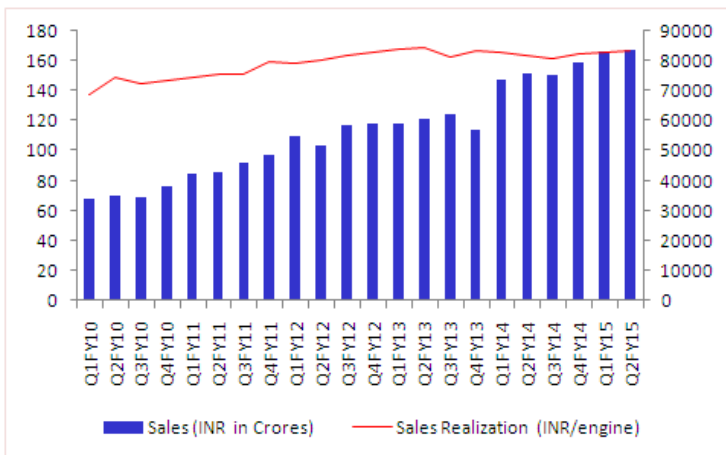
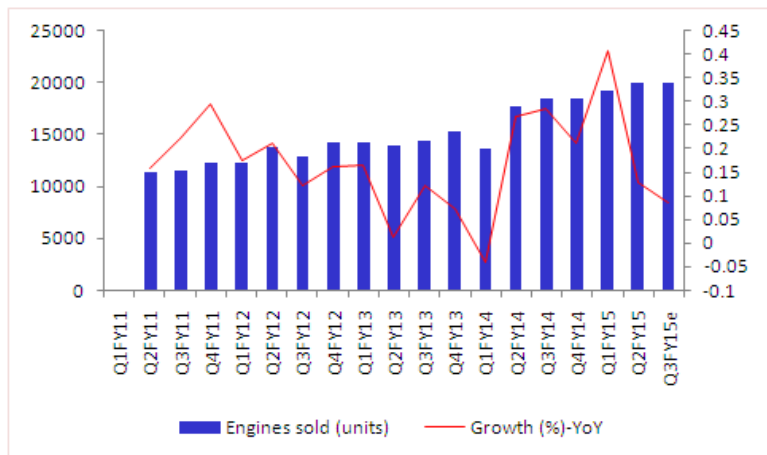
Source: Company Data, Microsec Research. All data in INR crores unless specified.

Operational Matrix

Particulars	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15
Utilized Capacity	93%	96%	102%	91%	95%	99%	99%	103%	107%	107%
Engines Sold (Units)	14014	14389	15288	13686	17783	18484	18530	19265	20044	20054
Sales (INR in Crores)	118	122	125	115	147	152	150	159	166	167
Sales Realization (INR/engine)	84316	84620	81482	83691	82753	82006	81047	82720	82883	83395
EBITDA/Unit (INR/engine)	12866	12961	12023	12005	12433	12259	11765	12489	12433	12242

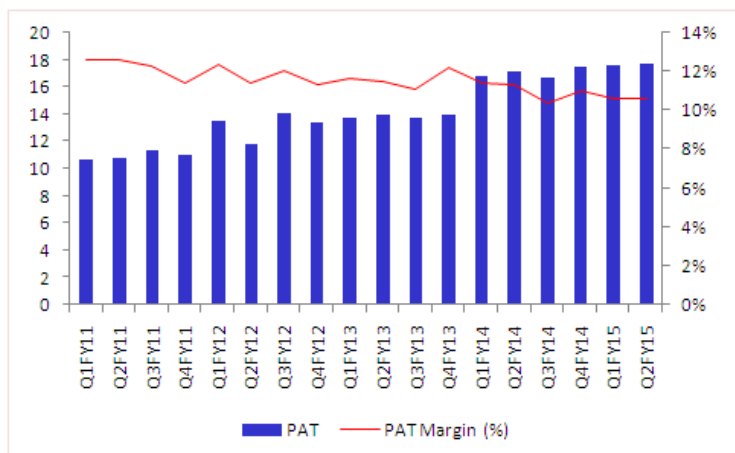
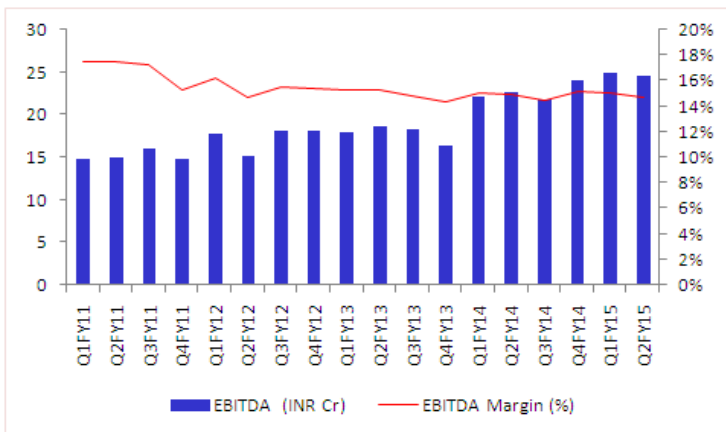
### Revenue surges 10.3% YoY; Realizations flat at INR83,395/unit

The company recorded highest ever engine volume sales in Q2FY15. The engines sold for Q2FY15 was up by ~8.5% YoY. The Company's revenue during the quarter surged by ~10.3% YoY and ~ 0.7% QoQ at INR167.2 crore. On YoY basis, the revenue expanded on account of ~8.5% growth in engines volume; realizations expanded marginally by ~0.6% at INR83,395/unit. The capacity utilization for the quarter was ~107%; up by ~8.5% YoY. For FY16e, the company had increased its capacity from ~75,000 engines p.a. to ~1,05,000 engines p.a.; which came on-stream in Q2FY16.



### EBITDA grew by 8.3% YoY; EBITDA Margin contracted by 27bps YoY

- The EBITDA for Q2FY15 was marginally up by ~8.3% YoY and ~10.4% QoQ. For Q2FY15, the EBITDA Margin contracted by 27bps YoY. Raw material cost accounted for ~85% and employee cost accounted for ~5% of the total expenditure during the quarter. During the quarter, SEL has posted ~11.4% YoY growth of raw material cost, while employee cost grew at a YoY rate of ~16.0%.
- The EBITDA/unit for the quarter stood at INR12,242/unit; down by ~0.14% YoY and ~1.5% QoQ. The company recorded the lowest EBITDA/unit of INR11,870/unit, in Q2FY12.



### PAT improves by 3.3% YoY and 0.9% QoQ: Margins contracted in Q2FY15 on lower other income and higher depreciation

- The PAT (excluding exceptional items) grew by ~3.3% YoY and ~0.9% QoQ. However, the PAT Margin tumbled by ~73bps YoY and marginally increased by ~2bps QoQ. On YoY basis, the drop in margin was on account of ~12.4% fall in other income and ~56.8% increase in depreciation.

Source: Company Data, Microsec Research. All data in INR crores unless specified.

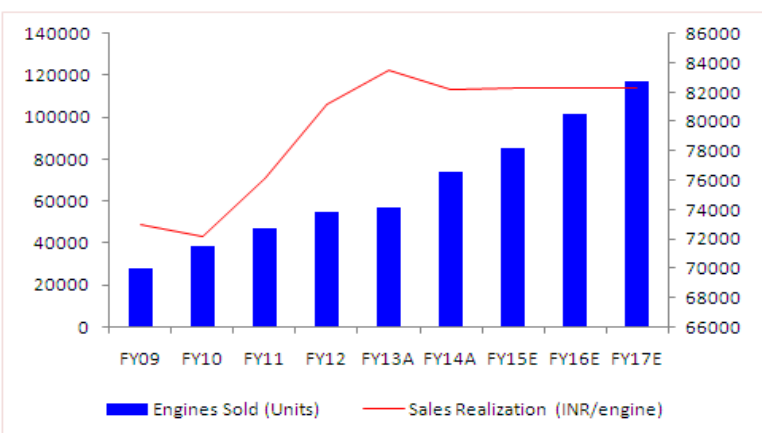
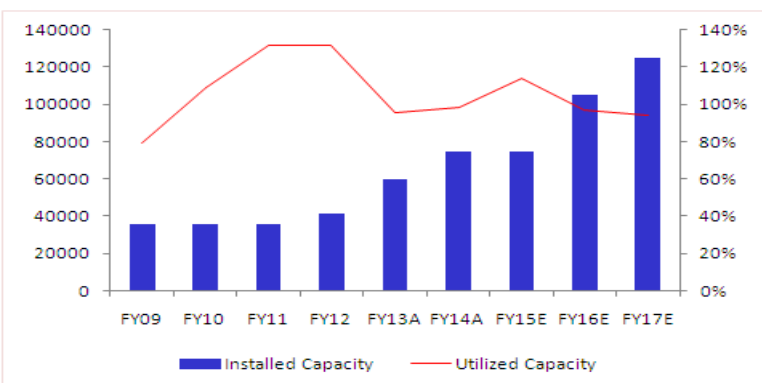
### Investment Rationale

**Capacity expansion from current 75,000 engines p.a. to 1,05,000 engines p.a. over next 2 quarters to improve productivity and help meet the demand from M&M-SEL** has undertaken an expansion plan to increase its annual capacity to ~1,05,000 engines per annum from ~75,000 engines over next 2 quarters. We believe that full benefits of this expansion will be seen from Q2FY16e. This expansion would help SEL in improving productivity and meet the aggressive engine demand from M&M. *The company has planned a capex of INR38 crore for the expansion, much less than the capex of INR55 crore spend for the last expansion from ~42,000 engines p.a. to ~75,000 p.a. This means for earlier expansion of ~33,000 engines, the company planned a capex of INR55 crore and now the company is planning a capex of INR38 crore for expansion of ~30,000 engines. To sum up, earlier company had planned a capex of INR16,667/unit and now it has planned a capex of INR12,667/unit; ~24% lesser than the earlier plan. The capex of INR38 crore will be entirely funded from internal accruals.*

Particulars	FY09	FY10	FY11	FY12	FY13A	FY14A	FY15E	FY16E	FY17E
Installed Capacity	36000	36000	36000	42000	60000	75000	75000	105000	125000
<b>Utilized Capacity</b>	<b>79.28%</b>	<b>108.73%</b>	<b>131.70%</b>	<b>131.52%</b>	<b>95.63%</b>	<b>98.75%</b>	<b>113.86%</b>	<b>97.02%</b>	<b>93.97%</b>
Engines Sold (Units)	28539	39143	47413	55239	57377	74062	85393	101874	117461
<b>Growth</b>	<b>73.9%</b>	<b>37.2%</b>	<b>21.1%</b>	<b>16.5%</b>	<b>3.9%</b>	<b>29.1%</b>	<b>15.3%</b>	<b>19.3%</b>	<b>15.3%</b>
Sales (INR in Crores)	208	282	361	449	479	608	703	838	966
<b>Growth</b>	<b>66.2%</b>	<b>35.7%</b>	<b>27.8%</b>	<b>24.3%</b>	<b>6.8%</b>	<b>27.0%</b>	<b>15.5%</b>	<b>19.3%</b>	<b>15.3%</b>
<b>Sales Realization (INR/engine)</b>	<b>72942</b>	<b>72156</b>	<b>76146</b>	<b>81207</b>	<b>83488</b>	<b>82131</b>	<b>82275</b>	<b>82275</b>	<b>82275</b>
<b>Growth</b>	<b>-5.3%</b>	<b>-1.1%</b>	<b>5.5%</b>	<b>6.6%</b>	<b>2.8%</b>	<b>-1.6%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.0%</b>
EBITDA/Unit (INR/engine)	11167	12664	12796	12558	12460	12237	12506	12588	12424
Margin per unit	61775	59492	63350	68649	71028	69894	69769	69687	69851

Source: Company data, Microsec Research, (All figures in INR Crores except % and per share data)

- Until FY2008, SEL was running at capacity by ~50% and average installed capacity was ~36000 units. Post the acquisition of M&M, capacity utilization has improved substantially, the average capacity utilization for the period of FY2009-11 was ~106%.
- SEL has expanded its capacity to ~42000 units at the cost of INR18 Crores and the company was able to achieve its capacity utilization of ~131% and a sales realization of INR81,207.
- In FY13, as the demand grew for a swaraj brand of tractors from Mahindra's staple, SEL moved swiftly to increase the overall capacity to ~60000 units.
- The company poised to increase its capacity to ~105000 units vs the current capacity is ~75000 units per annum progress and expected to complete by Q2FY16.



### Leading supplier to Mahindra & Mahindra Ltd – A key source to growth:

SEL enjoys the access to the India's largest tractor manufacturer "M&M" (~41% market share in Domestic tractor industry), which has a holding of ~33% in SEL. Swaraj Engines Ltd manufactures tractor engines solely for the "Swaraj Division" of M&M. It caters to ~85% demand of Swaraj division of M&M and rest ~15% of demand is met through Kirloskar Oil Engines, which has a holding of ~17% in SEL. SEL caters to ~80-85% of engine requirement of Swaraj brand of tractors and its growth directly associate with the underlying growth of Swaraj brand of tractors. Post the acquisition of Punjab Tractors Ltd, M&M has successfully turned around the engine maker. Currently SEL enjoys a domestic market share of ~14% vs ~9% market share in FY08.

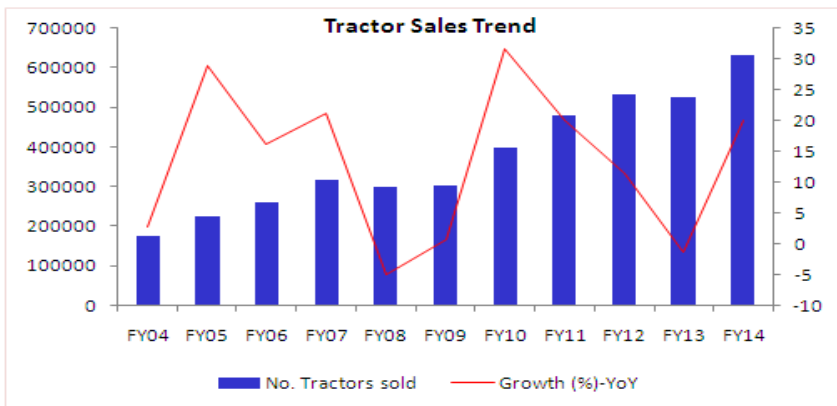
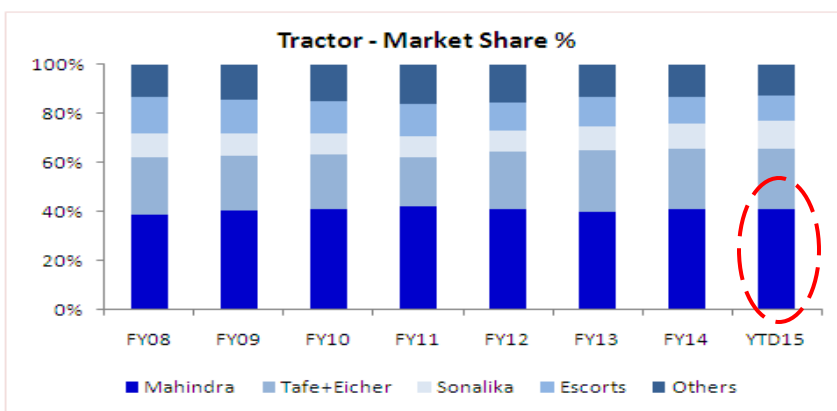
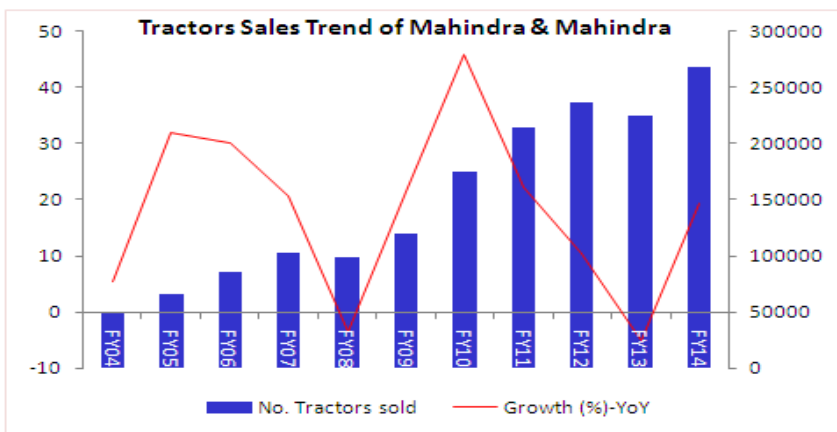
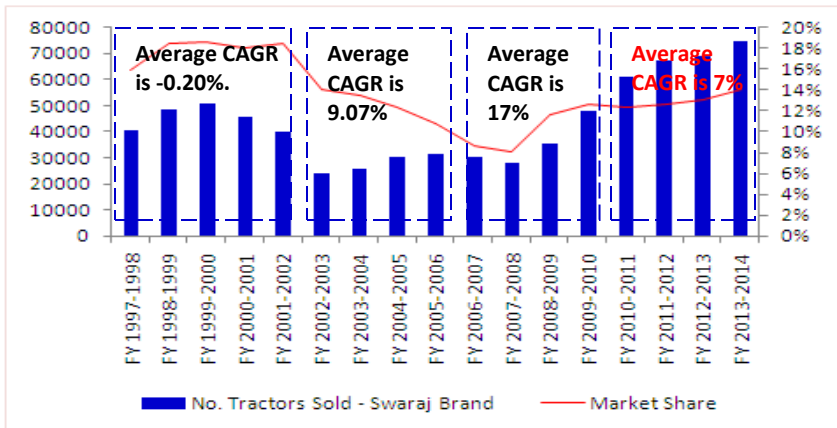
### Long term drivers for tractor Industry-

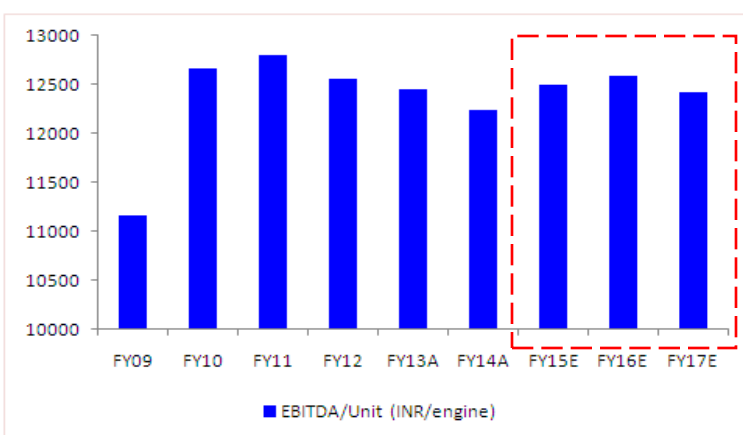
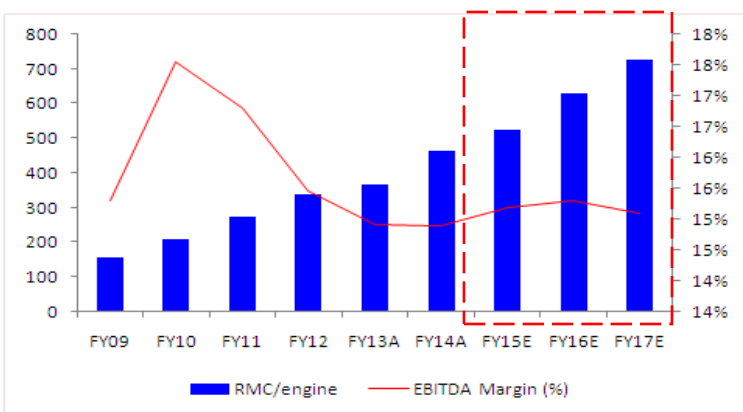
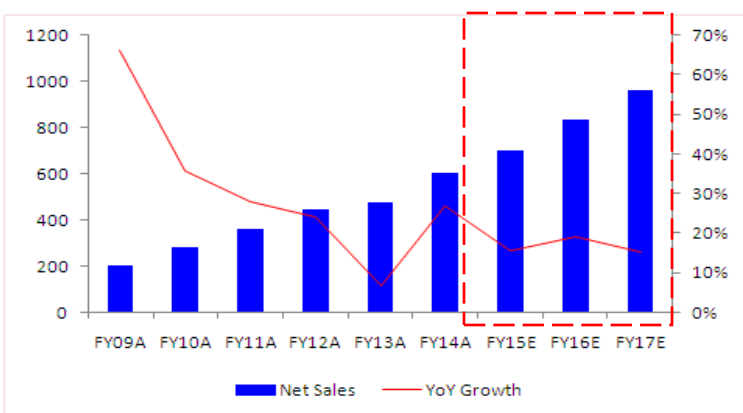
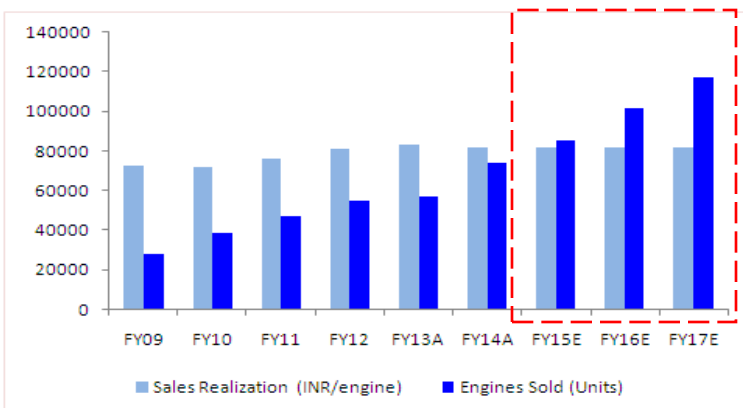
Currently, the Indian tractor industry on a growth orbit following the structural reforms in the rural income and improving credit to the farm sector. We believe, the tractor industry to register an ~8-10% CAGR over FY2015-18e, on the back of higher MSPs, improving credit to the farm sector, shortage of labour, increasing usage of tractors in agriculture and non-agriculture activities.

### Higher MSP+NREGA; Increased mechanization in the Agri sector + Availability of Credit +Non agriculture use of tractor=Higher Incremental demand for tractors-

The farm sector has seen a significant increased in the MSP in the last 5 years. Since FY01, MSPs of different products have increased from ~100-130%. Better MSPs have enabled the farmers to invest in a mechanization tools. The country has seen an increase in the overall quantum of credit disbursed in India's rural areas. Earlier, banks would not disburse loans to farmers owning less than five acres of land, but currently banks are much more open to accepting less than five acres of land as mortgage, this lead to increase availability of credit for the farmers. Currently, in the rural areas tractors have been used for commercial purpose other than the traditional agriculture usage. **This has changed the entire economic viability of the tractor industry as (1) it de-risks from the farm sector vagaries (2) Higher use of tractors for non-agricultural activities make owning a tractor more economically feasible for farmers.**

Source: Company Data, Microsec Research. All data in INR crores unless specified.





**SEL's presence in high HP segment and its growth directly dependent on Indian agriculture – An added advantage:**

Firstly, SEL manufactures engines in the 20-50HP range. Around 10% of sales comes from lower than 30 HP engine, 50% from 30-40 HP and 40% from 40-50 HP. Secondly, SEL's growth has been directly comparable to Indian agriculture. We expect tractor industry to grow in long term on back of more productivity, low penetration, need for mechanization, higher MSPs and policies (NREGA).

**Revenue to grow at a CAGR of 17% over FY14-17e on impressive volume growth:**

We envisage the revenue to grow at a CAGR of 17% solely on basis of volume growth of 17% with realization increasing marginally by 1% over FY14-16e. However, the capacity utilization of the company is already hovering around at the levels of 99% and new capacities will come on-stream in Q2FY16e, we also look forward to see that the company is going for over capacity utilization in FY15e; thereby posting a healthy growth of 17% on volume front. We expect FY16e revenue to grow by 19.3% on back of volume growth on higher side and realization growing by merely 1.3%.

SEL has undertaken an expansion plan to increase its annual capacity to ~1,05,000 engines per annum from ~75,000 engines over next 2 quarters. We believe that full benefits of this expansion will be seen from Q2FY16e. This expansion would help SEL in improving productivity and meet the aggressive engine demand from M&M. We believe that the company would be able to meet ~14-16% volume in the next 2-3 years. In the past in FY13 and FY14, the company achieved capacity utilization of ~96% and ~99% respectively.

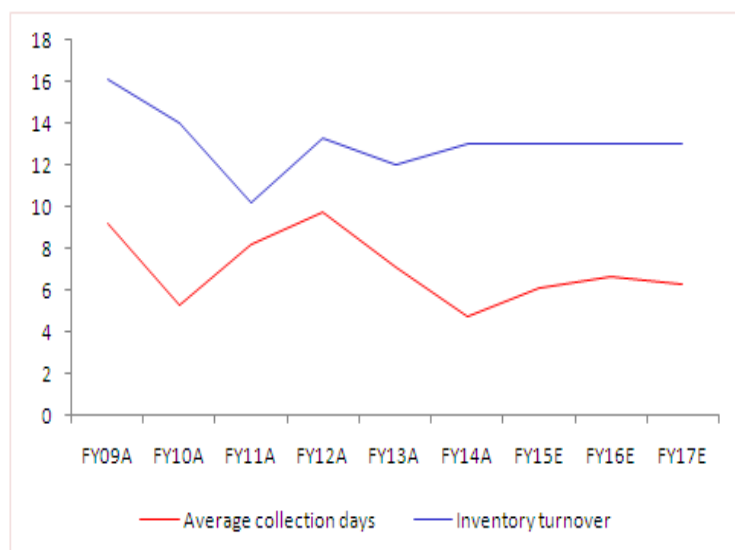
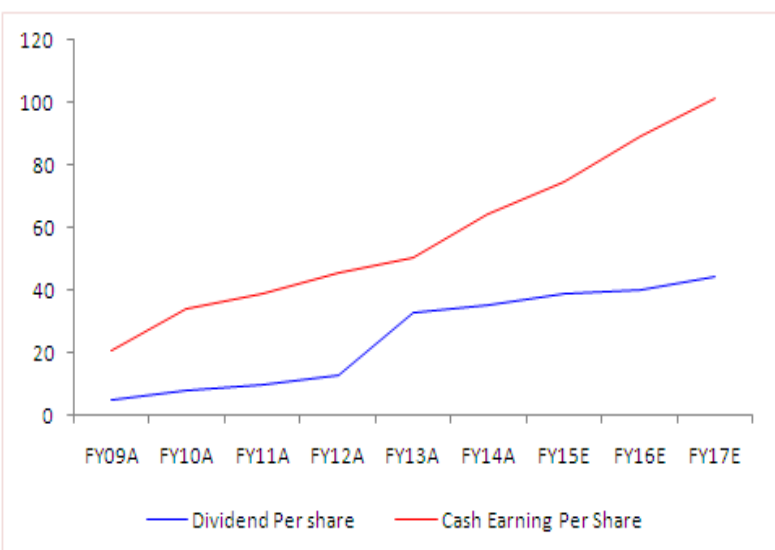
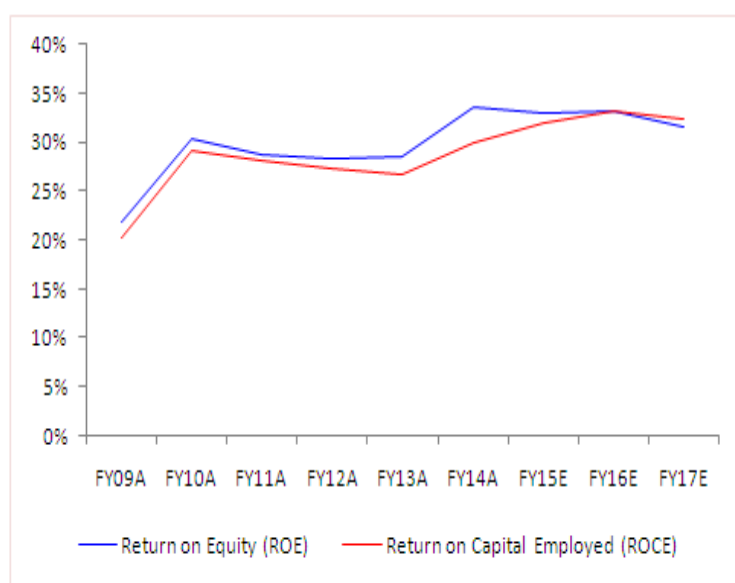
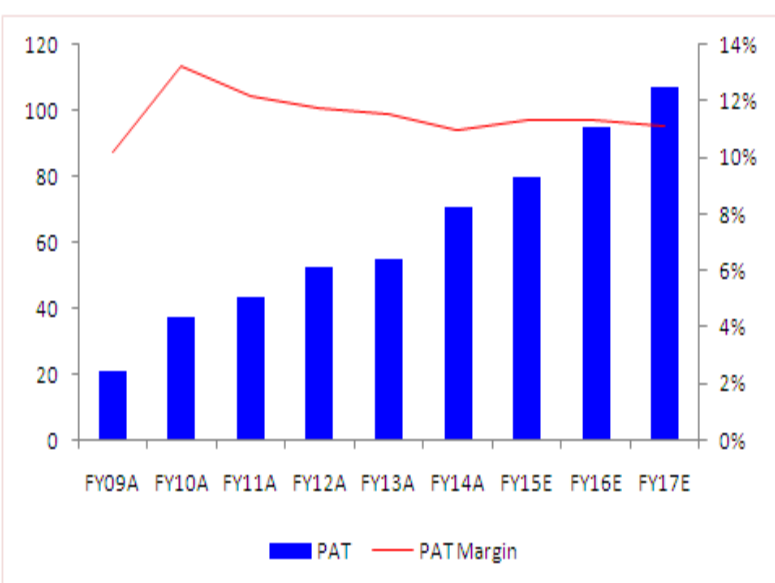
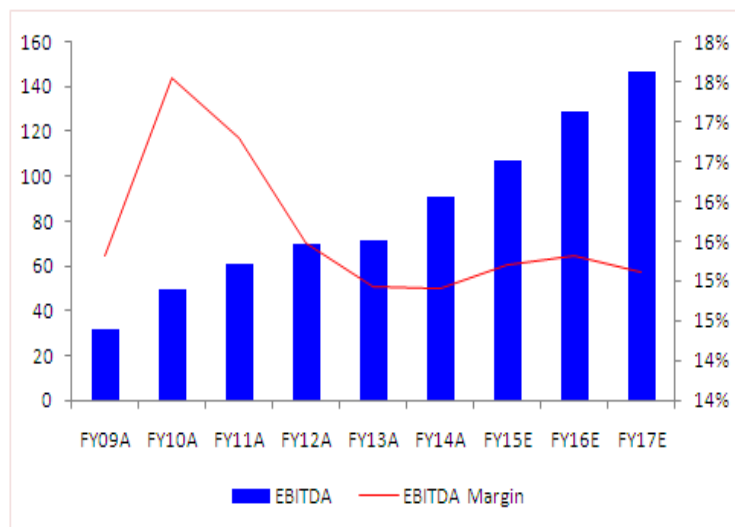
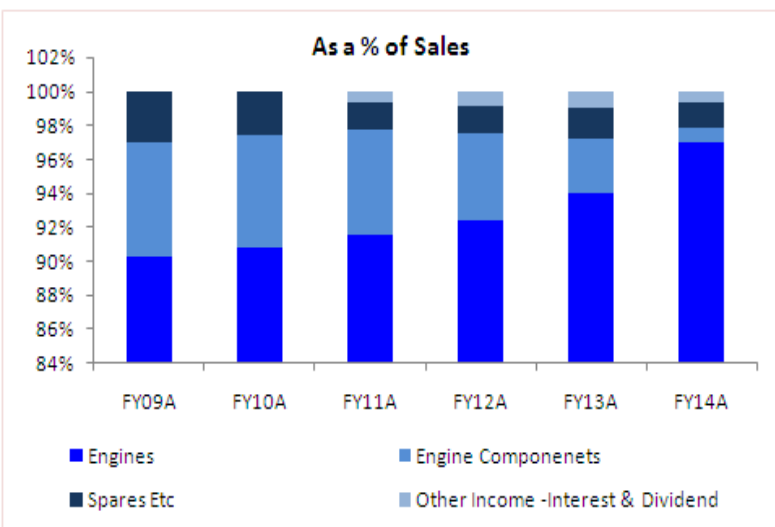
**EBITDA margins to remain stable-**

SEL have maintained a healthy EBITDA margin even during periods of slowdown. SEL has maintained an EBITDA margin of ~15-16% over the last 4 years and we expect going forward SEL will maintain an EBITDA margin in the range of ~15%.

**Healthy earnings, strong cash flows, zero debt; Valuations attractive:**

With revenue growth at a CAGR of ~16.69%; PAT growth at CAGR of ~38% post acquisition and stable margins at ~15%, the company is poised to grow further and capable of sustaining its healthy earnings. Despite the capex of INR55crore, the company has strong cash flows. Furthermore, the company is debt free and is likely to earn ROE of ~33% over FY16e.

### Key Financials



### Peer Comparison

Particulars	CMP	Mcap	TTM Net Sales	TTM EBITDA	TTM EBITDA Margin	TTM PAT	TTM PAT Margin	TTM EPS	Cash	BVPS	D/E
Greaves Cotton	140	3426	1892.6	197	10.4%	145	7.7%	6.0	34.2	33.6	0.0
Kirloskar Oil Engines	269	3888	2446.2	301	12.3%	178	7.3%	12.3	52.4	87.6	0.0
Cummins India Ltd	867	24046	4106.4	738	18.0%	703	17.1%	25.4	86.5	92.5	0.0
Swaraj Engines	894	1110	638.8	95	14.9%	68	10.7%	55.0	109.5	169.0	0.0

Particulars	P/E			EV/EBITDA			P/BV			ROE		
	FY 15E P/E	FY 16E P/E	FY 17E P/E	FY 15E EV/EBITDA	FY 16E EV/EBITDA	FY 17E EV/EBITDA	FY 15E P/BV	FY 16E P/BV	FY 17E P/BV	FY 15E ROE	FY 16E ROE	FY 17E ROE
Greaves Cotton	27.8	17.8	13.5	15.1	11.3	11.4	2.9	2.6	2.2	11.2%	15.2%	17.3%
Kirloskar Oil Engines	19.8	16.8	12.9	12.4	10.1	8.2	2.8	2.5	2.3	14.7%	13.5%	15.8%
Cummins India Ltd	34.8	29.7	25.6	30.0	23.4	19.3	7.7	6.9	6.1	24.4%	24.6%	25.3%
Swaraj Engines	13.8	11.6	10.2	9.3	7.6	6.5	4.6	3.8	3.2	33.0%	33.2%	31.7%

Source: Company data, Microsec Research, Bloomberg estimates. (All figures in INR crores except % and per share data)

### Valuation

The stock has been trading at a P/E range of ~8.9-18.5x for the last ten years. The top-line has been growing at a CAGR of ~21% and bottom-line at a CAGR of ~17% in last 5 years. This impressive performance on the top-line front was mainly due to continuous increase in the sales volume (derived from the ongoing capacity expansion for last 5 years from ~36,000 engines p.a. to ~75,000 engines p.a. to meet M&M's growing demand). The bottom-line performance follows the top-line performance due to better control over costs; steady other income and its debt-free status. It has been observed in the past that between the phases of any capacity expansion/till the time the incremental capacity goes on-stream, the company has been utilizing its prevailing capacity at its fullest/more than that. Hence, we believe this trend to continue in future. Also, when the capacity goes on-stream, the capacity utilization level decline as the company takes time to ramp up fully.

With installed capacity of ~75,000 engines p.a. presently, it had a capacity utilization of ~99% in FY14. Thus, we expect the company to over utilize its capacity in FY15e as the enhanced capacity will go on-stream from Q2FY16e. In FY16e, we expect the capacity utilization to arrive lower at ~97% as it will take time for the company to ramp its production.

*The stock has already moved up sharply due to 1) capacity expansion announcement 2) higher dividend payout and 3) strong financials. Hence, higher growth in future on expansion and full utilization of capacity, improvement in operating and return ratios, higher dividend payout, negative working capital and higher ROE, still convinces us to assign a higher P/E multiple of 15.2x for FY16E EPS of INR76.7 per share and arrive at a higher target price of INR1164 per share.*



### Scenario Analysis

Estimated EPS	Assigned P/E							
	1164	13.7	14.2	14.7	15.2	15.7	16.2	16.7
	75.2	1028	1066	1103	1141	1179	1216	1254
	75.7	1035	1073	1111	1149	1187	1224	1262
	76.2	1042	1080	1118	1156	1194	1232	1271
	76.7	1049	1087	1126	1164	1202	1241	1279
	77.2	1056	1094	1133	1171	1210	1249	1287
	77.7	1063	1101	1140	1179	1218	1257	1296
	78.2	1069	1108	1148	1187	1226	1265	1304

### Risks & Concerns

- Dependence on Indian agriculture industry where tractor is mostly used. Factors like heavy rain, floods, droughts, lower realizations can affect the farm income, which would directly impact the tractor sales.
- Dependence on single client “Mahindra & Mahindra”
- Decline in availability of agricultural credit due to macro - economic circumstances could adversely affect growth.

### Recommendation History

Report Type	Recommended date	CMP	Target Price	Total return generated	Report Links
Two Pager Brief Report	23rd November'12	430	529	23%	<a href="http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd.p">http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd.p</a>
Q2FY14 Result Update	14th Dec'13	465	541	16%	<a href="http://www.microsec.in/Static/Pdf/Swaraj%20Engine%20Ltd.pd">http://www.microsec.in/Static/Pdf/Swaraj%20Engine%20Ltd.pd</a>
Q3FY14 Result Update	10th Feb'14	625	749	20%	<a href="http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd%file:///C:/Documents%20and%2">http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd%file:///C:/Documents%20and%2</a>
Q4FY14 & FY14 Result Update	2nd May'14	721	975	NA	<a href="http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd%0Settings/Administrator/My%20Documents/Downloads/SwarajE">0Settings/Administrator/My%20Documents/Downloads/SwarajE</a>
Q1FY15 Result Update	6th Aug'15	912	1062	NA	<a href="http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd%">http://www.microsec.in/Static/Pdf/Swaraj%20Engines%20Ltd%</a>

**Income Statement**

*Figures in INR Cr*

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Net Sales	206.3	280.4	358.4	444.8	474.4	604.1	698.4	834.0	962.2
<i>Growth (%) - YoY</i>	<i>-90.6%</i>	<i>35.9%</i>	<i>27.8%</i>	<i>24.1%</i>	<i>6.6%</i>	<i>27.3%</i>	<i>14.3%</i>	<i>19.1%</i>	<i>19.0%</i>
Other Operating Income	1.9	2.0	2.6	3.8	4.7	4.2	4.2	4.2	4.2
Total Income	208.2	282.4	361.0	448.6	479.0	608.3	702.6	838.2	966.4
<i>Growth (%) - YoY</i>	<i>66%</i>	<i>35.7%</i>	<i>27.8%</i>	<i>24.3%</i>	<i>6.8%</i>	<i>27.0%</i>	<i>15.5%</i>	<i>19.3%</i>	<i>15.3%</i>
TOTAL EXPENDITURE	176.3	232.9	300.4	379.2	407.5	517.7	595.8	709.9	820.5
<i>as % of sales</i>	<i>84.7%</i>	<i>82.4%</i>	<i>83.2%</i>	<i>84.5%</i>	<i>85.1%</i>	<i>85.1%</i>	<i>84.8%</i>	<i>84.7%</i>	<i>84.9%</i>
EBITDA	31.9	49.6	60.7	69.4	71.5	90.6	106.8	128.2	145.9
<i>EBITDA Margin (%)</i>	<i>15.3%</i>	<i>17.6%</i>	<i>16.8%</i>	<i>15.5%</i>	<i>14.9%</i>	<i>14.9%</i>	<i>15.2%</i>	<i>15.3%</i>	<i>15.1%</i>
Other Income	0.2	10.0	8.2	12.2	15.3	17.5	20.3	23.5	27.6
Operating Profit	32.0	59.6	68.9	81.6	86.8	108.1	127.1	151.7	173.5
Depreciation	4.7	4.8	4.5	4.3	7.2	9.1	12.8	15.5	18.2
EBIT	27.4	54.7	64.4	77.4	79.7	99.0	114.3	136.2	155.3
<i>EBIT Margin (%)</i>	<i>13.1%</i>	<i>19.4%</i>	<i>17.8%</i>	<i>17.2%</i>	<i>16.6%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.1%</i>
Interest	-4.9	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0
PBT	32.2	54.7	64.4	77.3	79.5	99.0	114.3	136.2	155.3
Exceptional items	0.0	0.0	0.0	0.0	0.0	-1.2	0.0	0.0	0.0
PBT after exceptional items	32.2	54.7	64.4	77.3	79.5	97.8	114.3	136.2	155.3
<i>PBT Margin (%)</i>	<i>15.5%</i>	<i>19.4%</i>	<i>17.8%</i>	<i>17.2%</i>	<i>16.6%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.3%</i>	<i>16.1%</i>
Tax	10.94	17.36	20.44	24.45	24.10	30.81	34.5	41.0	47.8
<i>Tax (%)</i>	<i>34.0%</i>	<i>31.7%</i>	<i>31.8%</i>	<i>31.6%</i>	<i>30.3%</i>	<i>31.1%</i>	<i>30.2%</i>	<i>30.1%</i>	<i>30.8%</i>
PAT	21.3	37.4	43.9	52.8	55.4	67.0	79.8	95.2	107.5
<i>PAT Margin (%)</i>	<i>10.2%</i>	<i>13.2%</i>	<i>12.2%</i>	<i>11.8%</i>	<i>11.6%</i>	<i>11.0%</i>	<i>11.4%</i>	<i>11.4%</i>	<i>11.1%</i>
PAT ( excl EI)	21.3	37.4	43.9	52.8	55.4	70.6	79.8	95.2	107.5
<i>PAT Margin (%) ( excl EI)</i>	<i>10.2%</i>	<i>13.2%</i>	<i>12.2%</i>	<i>11.8%</i>	<i>11.6%</i>	<i>11.6%</i>	<i>11.4%</i>	<i>11.4%</i>	<i>11.1%</i>
<i>PAT Growth (%) - YoY</i>	<i>-87.8%</i>	<i>75.5%</i>	<i>17.6%</i>	<i>20.3%</i>	<i>4.9%</i>	<i>27.5%</i>	<i>13.0%</i>	<i>19.3%</i>	<i>12.9%</i>
Basic EPS	17.1	30.1	35.4	42.5	44.6	53.9	64.2	76.7	86.6
Adjusted EPS excl exceptional items	17.1	30.1	35.4	42.5	44.6	56.9	64.2	76.7	86.6

Source: Microsec Research, Company Data, (All figures in INR Crores except % and per share data)

**Balance Sheet**

*Figures in INR Cr*

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
<b>SOURCES OF FUNDS</b>									
Share Capital	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Reserves & Surplus	84.6	110.3	139.8	173.9	181.3	197.5	229.2	274.5	327.0
Shareholder's Funds	97.0	122.7	152.2	186.3	193.7	209.9	241.7	286.9	339.4
Total	97.0	122.7	152.2	186.3	193.7	209.9	241.7	286.9	339.4
<b>APPLICATION OF FUNDS</b>									
Gross Block	71.3	71.9	77.6	96.0	141.5	152.9	182.9	212.9	242.9
(-) Accumulated Depreciation	44.9	49.2	53.7	54.2	60.8	68.9	81.7	97.2	115.4
Net block	26.4	22.7	24.0	41.8	80.7	84.1	101.3	115.8	127.6
Capital Work in Progress	0.1	1.0	0.5	8.7	2.5	1.7	4.0	2.6	2.6
Investments	20.3	57.7	57.8	81.1	74.2	72.2	78.7	86.2	96.0
Net Deferred Taxation	3.9	2.7	1.9	3.2	6.3	6.9	6.9	6.9	6.9
Fixed Assets & Investments	50.7	84.1	84.2	134.8	163.7	164.9	190.8	211.5	233.1
Inventories	12.8	19.9	35.1	33.4	39.3	46.4	53.7	64.2	74.0
Sundry Debtors	5.2	4.1	8.1	11.9	9.3	7.8	11.6	15.2	16.6
Other Current assets			2.4	4.5	0.1	0.2	0.2	0.2	0.2
Cash & Bank balance	55.9	56.4	76.2	69.7	80.7	109.5	108.0	128.7	156.9
Loans & Advances	4.9	6.0	8.0	12.2	14.1	12.1	14.0	17.7	21.3
Total Current Assets, Loans & Advances	78.7	86.4	129.8	131.7	143.6	176.1	187.6	225.9	269.0
Current Liabilities	15.7	28.6	41.0	52.5	50.0	63.0	80.3	93.4	109.0
Provisions	9.1	13.7	16.9	21.4	50.8	54.3	47.8	55.6	64.8
Less: Total Current Liabilities & Provisions	24.7	42.3	57.9	73.9	100.8	117.3	129.5	151.0	170.9
Net Current Assets	54.0	44.0	71.9	57.8	42.7	58.8	58.1	74.8	98.0
<b>TOTAL</b>	<b>97.0</b>	<b>122.7</b>	<b>152.2</b>	<b>186.3</b>	<b>193.7</b>	<b>209.9</b>	<b>241.7</b>	<b>286.9</b>	<b>339.4</b>

Source: Microsec Research, Company Data, (All figures in INR Crores except % and per share data)

**Cash Flow Statement**

INR Cr

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
<b>A. Cash Flow From Operating Activities</b>									
Net Profit Before Tax	32.2	54.7	64.4	77.3	79.5	97.8	114.3	136.2	155.3
Depreciation	4.7	4.8	4.5	4.3	7.2	9.1	12.8	15.5	18.2
Loss/(Profit) on assets sold or discarded	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend/Interest (Net)	-4.9	-5.8	-2.4	-3.9	-7.0	-6.4	-6.6	-7.8	-7.8
Operating Profit before WC changes	32.0	53.7	60.7	69.4	71.5	89.5	120.5	143.9	165.7
(Increase)/Decrease in Inventories	-3.5	-7.5	-15.2	1.7	-5.9	-7.1	-7.3	-10.4	-9.9
(Increase)/Decrease in Sundry Debtors	11.1	0.4	-7.3	-10.3	5.6	3.2	-3.8	-3.5	-1.4
(Increase)/ Decrease in loans and advances							-1.9	-3.6	-3.6
(Increase)/ Decrease in Other Current assets							0.0	0.0	0.0
Increase/ (Decrease) in Current & Liabilities	4.5	13.7	12.7	11.6	-2.3	13.4	12.2	21.5	19.9
<b>Cash generated from operations</b>	<b>44.2</b>	<b>60.2</b>	<b>50.9</b>	<b>72.5</b>	<b>68.9</b>	<b>99.1</b>	<b>119.7</b>	<b>147.9</b>	<b>170.7</b>
Direct taxes paid	12.6	20.0	21.5	22.6	21.5	30.1	34.5	41.0	47.8
<b>Net Cash from Operating Activities</b>	<b>31.5</b>	<b>40.2</b>	<b>29.4</b>	<b>49.9</b>	<b>47.5</b>	<b>69.0</b>	<b>85.2</b>	<b>106.9</b>	<b>122.9</b>
<b>B. Cash Flow From Investing Activities</b>									
Purchase of Fixed Assets	-1.2	-2.0	-6.1	-31.0	-39.8	-11.8	-32.2	-28.6	-30.0
Interest Received	4.9	5.8	5.8	8.2	8.3	11.0	-6.5	-7.6	-9.7
<b>Net Cash used in Investing Activities</b>	<b>0.1</b>	<b>-33.5</b>	<b>2.0</b>	<b>-42.2</b>	<b>-28.4</b>	<b>-18.0</b>	<b>-38.7</b>	<b>-36.2</b>	<b>-39.7</b>
<b>C. Cash Flow From Financing Activities</b>									
Movement in Cash Credit accounts			0.0	0.3	10.8	25.7	0.0	0.0	0.0
Capital Subsidy received		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	0.0	0.0
Dividend Paid	-6.2	-6.2	-11.6	-14.4	-18.7	-47.8	-48.0	-50.0	-55.0
<b>Net Cash from/(Used) in financing activities</b>	<b>-6.3</b>	<b>-6.3</b>	<b>-11.6</b>	<b>-14.1</b>	<b>-8.1</b>	<b>-22.2</b>	<b>-48.0</b>	<b>-50.0</b>	<b>-55.0</b>
<b>Net (Increase)/Decrease in cash &amp; cash equivalents</b>	<b>25.4</b>	<b>0.5</b>	<b>19.8</b>	<b>-6.5</b>	<b>11.0</b>	<b>28.8</b>	<b>-1.5</b>	<b>20.7</b>	<b>28.2</b>
Cash & Cash Equivalents at beginning	30.5	55.9	56.4	76.2	69.7	80.7	109.5	108.0	128.7
<b>Cash &amp; Cash Equivalents at End</b>	<b>55.9</b>	<b>56.4</b>	<b>76.2</b>	<b>69.7</b>	<b>80.7</b>	<b>109.5</b>	<b>108.0</b>	<b>128.7</b>	<b>156.9</b>

Source: Microsec Research, Company Data, (All figures in INR Crores except % and per share data)

### Financial Ratios

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
<b>Profitability Ratios</b>									
Return on Assets (ROA)	27.0%	34.0%	31.9%	31.2%	29.2%	33.2%	35.3%	36.0%	34.3%
Return on Capital Employed (ROCE)	20.3%	29.2%	28.1%	27.4%	26.8%	29.9%	32.1%	33.3%	32.5%
Return on Equity (ROE)	21.9%	30.4%	28.8%	28.4%	28.6%	33.6%	33.0%	33.2%	31.7%
<b>Per Share</b>									
Basic EPS	17.1	30.1	35.4	42.5	44.6	53.9	64.2	76.7	86.6
Adjusted EPS excl Exceptional Items	17.1	30.1	35.4	42.5	44.6	56.9	64.2	76.7	86.6
Dividend Per share	5.0	8.0	10.0	13.0	33.0	35.0	38.6	40.3	44.3
Cash Earning Per Share	20.9	34.0	38.9	46.0	50.4	64.2	74.6	89.2	101.2
BVPS	78.1	98.8	122.6	150.0	156.0	169.0	194.6	231.0	273.3
<b>Valuation Parameters</b>									
P/E (x)	5.5	9.6	12.1	9.4	8.9	12.2	13.8	11.6	10.2
Adjusted P/E(x) excl Exceptional Items	5.5	9.6	12.1	9.4	8.9	12.2	13.8	11.6	10.2
P/CEPS(x)	4.5	8.5	11.0	8.7	7.8	10.8	11.9	9.9	8.8
P/BV(x)	1.2	2.9	3.5	2.7	2.5	4.1	4.6	3.8	3.2
Market Cap/Sales(x)	0.6	1.3	1.5	1.1	1.0	1.4	1.6	1.3	1.1
EV/EBITDA(x)	2.0	6.1	7.5	6.2	5.7	8.3	9.3	7.6	6.5
<b>Liquidity Ratios</b>									
Current Ratio	3.2	2.0	2.2	1.8	1.4	1.5	1.4	1.5	1.6
Acid Test Ratio	2.7	1.6	1.6	1.3	1.0	1.1	1.0	1.1	1.1
Debt-Equity Ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Efficiency Ratios (%)</b>									
Asset turnover Ratio	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Working Capital Turnover Ratio	0.4	0.8	0.6	0.9	1.3	1.2	1.4	1.3	1.1
Inventory Turnover Ratio	1.7	1.9	1.3	1.6	1.4	1.5	1.5	1.5	1.5
<b>Margin Ratios (%)</b>									
EBITDA Margin	15.3%	17.6%	16.8%	15.5%	14.9%	14.9%	15.2%	15.3%	15.1%
EBIT Margin	13.1%	19.4%	17.8%	17.2%	16.6%	16.3%	16.3%	16.3%	16.1%
PBT Margin	15.5%	19.4%	17.8%	17.2%	16.6%	16.3%	16.3%	16.3%	16.1%
Net Profit Margin	10.2%	13.2%	12.2%	11.8%	11.6%	11.6%	11.4%	11.4%	11.1%

Source: Microsec Research, Company Data, (All figures in INR Crores except % and per share data)

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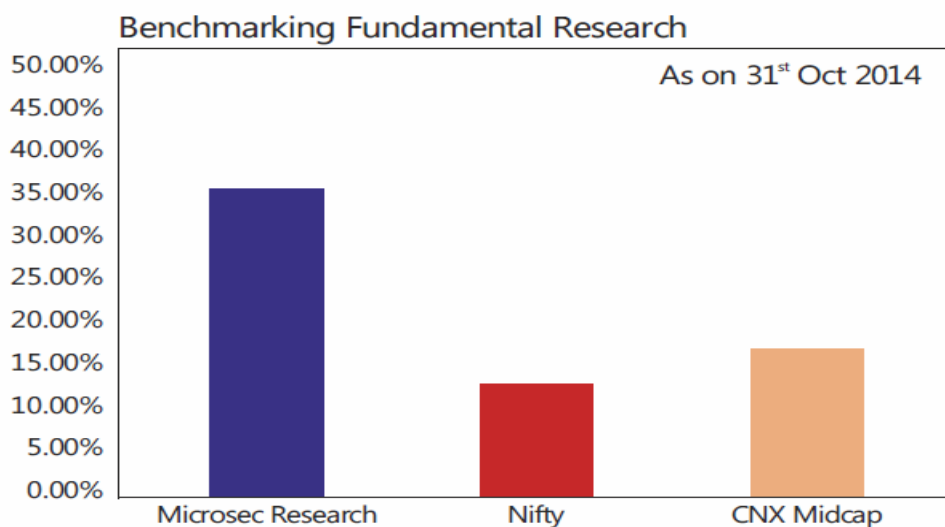
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Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Underperform	between 0% and -10%
Sell	< -10%

**MICROSEC RESEARCH IS ALSO ACCESSIBLE ON BLOOMBERG AT <MCLI>**

# Research?

## Microsec Benchmark its Research



An amount of ₹ 1,00,000 invested individually in all 311 stocks ie, ₹ 3,11,00,000 investment as and when recommended has appreciated to ₹ 4,21,68,697 giving a return of 35.6 percent. On the same basis Nifty has given a return of 14.4 percent and CNXMID CAP has given a return of 16.9 percent.

Microsec benchmark its Research and the same is updated on our website at [www.microsec.in](http://www.microsec.in). Come, strike the right balance through Benchmarking Research.

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