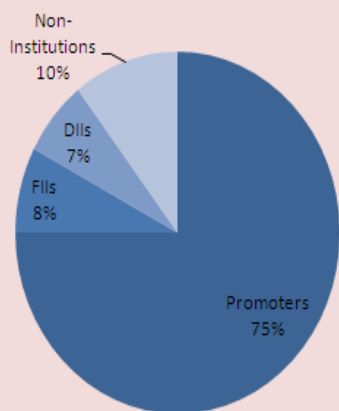


STRONG BUY

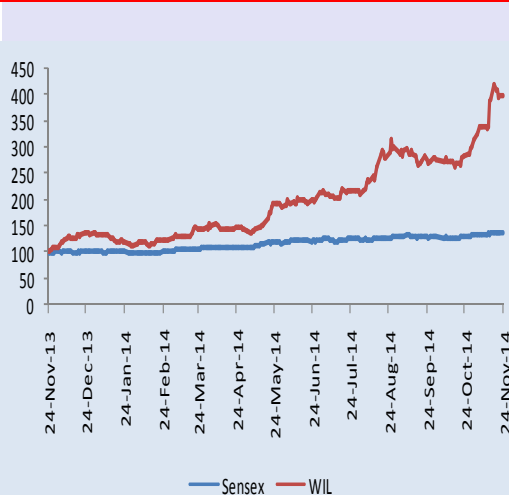
Valuation Data

Current Market Price (CMP)	626.5
Target Price	800
Upside Potential	28%
52 Week High Low	694.70 / 155.95
Market Cap (INR in Crores)	7948



Stock Scan

Scrip ID	Whirlpool Of India Ltd
Scrip Code (NSE)	WHIRLPOOL
Scrip Code (BSE)	500238
Bloomberg Ticker	WHIRL IN
Reuters Ticker	WHIR.BO
Industry	Consumer Durables
Face Value (INR)	10.00
Equity Share Capital (INR Cr)	126.87
Avg 5 years P/E	20.09
Avg daily volume (Last 1 Year)	23,811
Beta Vs Sensex	0.75
Dividend Yield	0.00%



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

Sector – Consumer Durables

We attended Whirlpool India Ltds (WIL) analyst meet held in Gurgaon. Management appeared very confident of taking WIL on the next level by aggressively deploying all its ammunition in the market place by extending its product portfolio and distribution reach. Microsec Research initiated coverage on WIL in November 2012 at a price of INR 171 with strong vision of growth, which the management now projects. The management is projecting at 35.0% revenue CAGR Vs our estimate of 21.2%. The expected increase in discretionary spending, low penetration, and an uptick in the consumer sentiment provides revenue visibility over the next couple of years, coupled with company's debt-free balance sheet with a cash surplus of INR 4.14 bn provides an attractive investment opportunity. **WIL expected to post an EBITDA and a PAT CAGR of 37.5%, 43.4% respectively. Furthermore, INR 4.9 Bn of cash generation, minuscule capex in the next three years and healthy return ratio of 26% demands stocks re-rating. Therefore, we have maintained our "STRONG BUY" recommendation on the stock with a target price of INR 800.**

Investment Rationale

An ambitious top line target of INR 100 Bn by FY 2017- A 35% CAGR over 2014-17E with attention to profitability marks the new era of market dominance- Unlike in the FY12-14, when WIL registered a moribund top line growth, the future growth prospects for WIL over 2014-17E will be at an elevated level. Management has set up an ambitious revenue target of 35% CAGR Vs our estimates of 21.2% over 2014-17E on the back of extending its product portfolio, distribution reach, gaining sizeable market share and aggressively focusing on volume growth. At a high pitch analyst meets, management indicates that upturn in the economy will propel WIL to change its strategy from a defensive to an aggressive company, focusing on brisk action and transpose from controlling speed to manual gear mode. Management will implement Parakram III and the full benefit of the same will accrue in the next 12 months.

Unwinding of the raw material cost + Reduction in the predatory pricing + Likely increased the ratio of indigenization + Stable rupee + Sizeable market share in the premium segment will drive WILs EBITDA margin to 10-11% Vs average 8.4% margin in the last 4years- WIL likely to post a 261 Bps improvement of EBITDA margin over 2014-17E on the back of the unwinding of the raw material cost (Currently raw material cost accounts for 55-60% of the total cost), reduction in the predatory pricing as WIL expected to maintain a gross margin of 35%. Apart from the above mentioned rationale, WIL will gain from the strong operating leverage as for the last two years company has invested heavily on the fixed cost.

Debt free balance sheet with surplus cash, high return ratio, and minuscule capex in the next three years provides an attractive investment opportunity- WIL likely to post a 21.2% revenue CAGR, with an EBITDA margin improving 264bps, 50bps, 30bps in FY15E, FY16E, FY17E, respectively, with annual capex of INR 60 Cr, which will guide a PAT CAGR of 43.4%. Furthermore, WIL is a debt-free company with a cash surplus of INR 414 crore and a free cash flow of INR 165 Cr. Also, ROE of 18% in FY14 is expected to improve to 26% in FY16E on higher earnings. Therefore, the above mentioned rationale provides an attractive investment opportunity for the long term investors.

Key Financials Highlights

(Figure in INR CR)

Financial Performance of Whirlpool of India Ltd (All figures in INR Crores except % and per share data)							
Particulars	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Net Sales	2611.93	2563.96	2684.50	2726.20	3269.84	4119.99	4902.79
Growth	22.2%	-1.8%	4.7%	1.6%	19.9%	26.0%	19%
EBITDA	263.60	223.09	222.04	211.50	343.39	451.62	549.86
EBITDA Margin	9.75%	8.39%	8.01%	7.46%	10.10%	10.60%	10.90%
Net Profit excl Exceptional Items	166.03	123.73	127.75	122.91	216.40	291.82	362.52
Net Profit Margin (excl Exceptional Items)	6.14%	4.66%	4.61%	4.34%	6.36%	6.85%	7.19%
Net Profit Growth	7.52%	-25.48%	3.25%	-3.79%	76.06%	34.85%	24.23%
Basic EPS	13.09	9.75	10.07	9.69	17.06	23.00	28.57
Adjusted EPS excl Exceptional Items	13.09	9.75	10.07	9.69	17.06	23.00	28.57
P/E(x)	20.27	20.39	21.87	23.85	36.73	27.24	21.93
Adjusted P/E(x) excl Exceptional Items	20.27	20.39	21.87	23.85	36.73	27.24	21.93
P/BV(x)	7.97	5.15	4.52	3.96	8.31	6.37	4.93
ROE	42.08%	27.12%	23.07%	18.11%	25.51%	26.47%	25.36%
EV/EBITDA(x)	12.58	10.92	11.89	12.48	21.72	15.91	12.42

Source: Microsec Research, Company Data

Key highlights of the Analyst Meet

- ✓ Management has a positive view of Whirlpool India as they believe pick in the domestic economy will have a multiplier effect on the growth of consumer durables demand over the next 3-4 years. As per management key drivers for the growth would be an increase in discretionary spending and low penetration.
- ✓ For WIL, India provides a sizeable market with the low penetration level. Management believes that, opportunity in the AC segment would be substantial as India - a hot climate country uses only 3.5mn ACs Vs China - a cold climate country uses 40mn ACs.
- ✓ The management has targeted an ambitious top line of INR 100 Bn by FY2018, which they believe is possible to achieve as they have changed WIL's business strategy from a defensive to an aggressive company, focusing on brisk action and transpose from controlling speed to manual gear mode.
- ✓ Management reiterated that, WIL is focusing on gaining market share by reducing the cycle time to introduce new products in the market. Whirlpool Corporation – the parent company of Whirlpool of India has a strong product portfolio in the AC & water segments which are patented. WIL is going to launch these products in the Indian market, which would drive volume for WIL without compromising on profitability.
- ✓ For FY2014-15E, the company plans to spend a capex of INR 50-60 Cr. Furthermore, WIL will invest heavily in product development as the company wants to be the top consumer durable brand by 2017. Currently a new product takes 6 months to develop Vs 5 years in the past.
- ✓ As per the management, the unwinding of the commodity cycle will lead to expansion of operating margin and the benefit of the same would be visible in the coming quarters.
- ✓ WIL increased its market share by 6% to 18% in top-load washing machines and maintained its market share in semi-automatic washing machines. WIL's manufacturing capacity for direct cool refrigerator is 2.1 mn units, operates in the capacity of 80% with double shifts. The company's Faridabad plant which manufactures direct cool refrigerator needs expansion but there is no space for brownfield expansion. Therefore, WIL will set up additional line for direct cool refrigerators at its Pune factory. The manufacturing capacity of frost free refrigerator is 1mn units, operating at 50% of its capacity. WIL don't need to invest heavily in the 3 years for capacity addition as the current capacity is good enough to meet growing demand.
- ✓ Management believes that WIL will partner with e-commerce players and they will make sure that there is no squabble between various channel partners.
- ✓ The introduction of Goods and Services Tax in India will benefit to WIL as it will remove double taxation and reduce the transit time, thus bringing efficiency into the system.
- ✓ With the acquisition of a Chinese manufacturing company named Hefei Rongshida Sanyo Electric Company, WIL will gain on the manufacturing scale that will lead to product sourcing from China, which is expected to improve its margin.
- ✓ As per the management, WIL has increased the trade margin and they will maintain sanity with its various channel partners. WIL will extend its product portfolio in various price points in the coming quarter and that will lead to increase the number of SKUs (stock-keeping units) per dealer compared to peers. The focal point of their new strategy would be the volume led growth with strong focus on profitability of each vertical of the business.
- ✓ Management sees water purifier vertical is the next growth driver and they will launch the product in a massive scale in India. They will introduce three types of water purifiers in the market. These are: 1) Reverse-osmosis for high-end segment, 2) Ultra-violet for mid-range segment, and 3) Normal filtration for low-end segment.

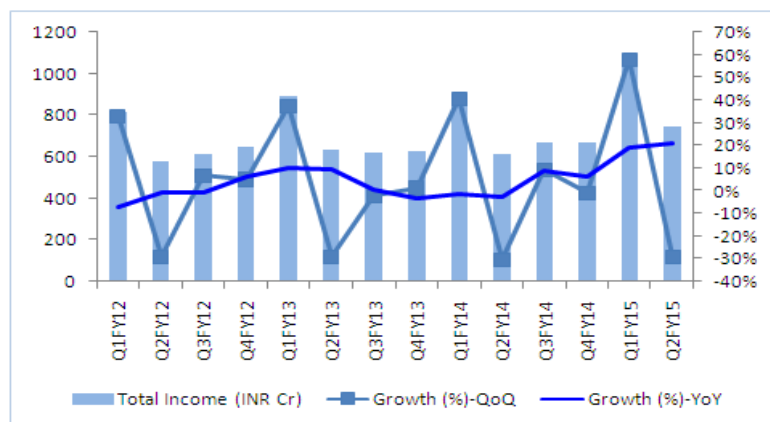
Quarterly Result Update

Particulars	Quarterly & Annual Performance					Half-Yearly		
	Q2FY15A	Q2FY14A	Q1FY15A	YoY (%)	QoQ (%)	FY2015A	FY2014A	% Change
Net Sales	709.14	586.48	1020.10	20.91%	-30.48%	1729.24	1442.37	19.89%
Other Operating Income	35.43	28.16	32.14	25.82%	10.24%	67.57	53.17	27.08%
Total Income	744.57	614.64	1052.24	21.14%	-29.24%	1796.81	1495.54	20.14%
TOTAL EXPENDITURE	680.33	582.16	922.23	16.86%	-26.23%	1602.56	1380.47	16.09%
EBITDA	64.24	32.48	130.01	97.78%	-50.59%	194.25	115.07	68.81%
EBITDA Margin (%)	9.06%	5.54%	12.74%	352 BPS	(369)BPS	11.23%	7.98%	326 BPS
Depreciation	14.84	15.81	14.52	-6.14%	2.20%	29.36	31.57	-7.00%
EBIT	49.40	16.67	115.49	196.34%	-57.23%	164.89	83.5	97.47%
EBIT Margin (%)	6.97%	2.84%	11.32%	412 BPS	(436)BPS	9.54%	5.79%	375 BPS
Interest	0.17	0.26	0.25	-34.62%	-32.00%	0.42	0.57	-26.32%
Other Income	9.20	6.10	8.35	50.82%	10.18%	17.55	11.71	49.87%
PBT before exceptional items	58.43	22.51	123.59	159.57%	-52.72%	182.02	94.64	92.33%
exceptional items	0	0	0			0	0	
PBT after exceptional items	58.43	22.51	123.59	159.57%	-52.72%	182.02	94.64	92.33%
PBT Margin (%)	8.24%	3.84%	12.12%	114.68%	-31.99%	10.53%	6.56%	60.42%
Tax	17.71	5.97	40.59	196.65%	-56.37%	58.30	28.51	104.49%
Tax (%)	30.31%	26.52%	32.84%			32.03%	30.12%	
PAT before extraordinary items	40.72	16.54	83.00	146.19%	-50.94%	123.72	66.13	87.09%
Extraordinary item	0	0	0			0	0	
PAT after extraordinary items	40.72	16.54	83.00	146.19%	-50.94%	123.72	66.13	87.09%
Minority Interest	0.00	0.00	0.00			0.00	0.00	
Shares of Associates	0.00	0.00	0.00			0.00	0.00	
Consolidated Net Profit	40.72	16.54	83.00	146.19%	-50.94%	123.72	66.13	87.09%
PAT Margin (%)	5.74%	2.82%	8.14%	292 BPS	(239)BPS	7.15%	4.58%	257 BPS
Paid -up Equity Share Capital	126.87	126.87	126.87			126.87	126.87	
No of Shares	12.687	12.687	12.687			12.69	12.69	
Basic EPS	3.21	1.30	6.54	146.19%	-50.94%	9.75	5.21	87.09%
Adjusted EPS	3.21	1.30	6.54	146.19%	-50.94%	9.75	5.21	87.09%

Source: Microsec Research, Company Data

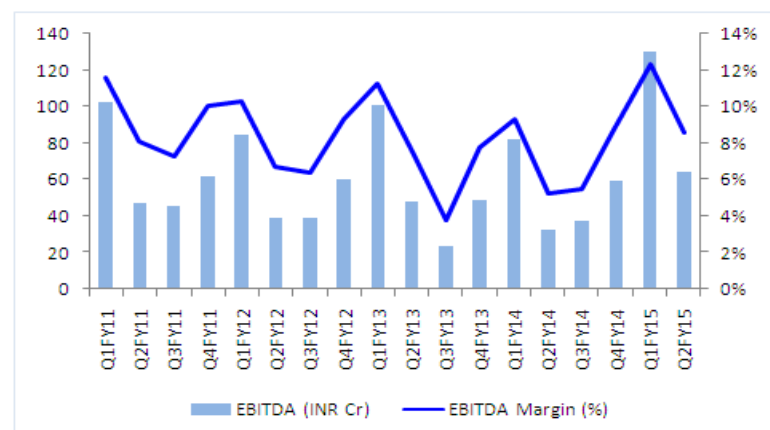
Solid quarterly numbers, Revenues up by 21% & 20% on a QoQ & half yearly basis

- WIL has posted a good set of numbers for Q2FY15, with revenues increasing by 21% YoY at INR 745 cr as the company gets benefited from the extended summer season and impressive festive season sales. . The company's average revenue growth has been 3.55% over the past 12 quarters.
- The volume growth for stood at 16% in Q2FY15. For a half year basis volume growth has been at 10%. During the festive season, WIL managed to post a volume growth of 20%.



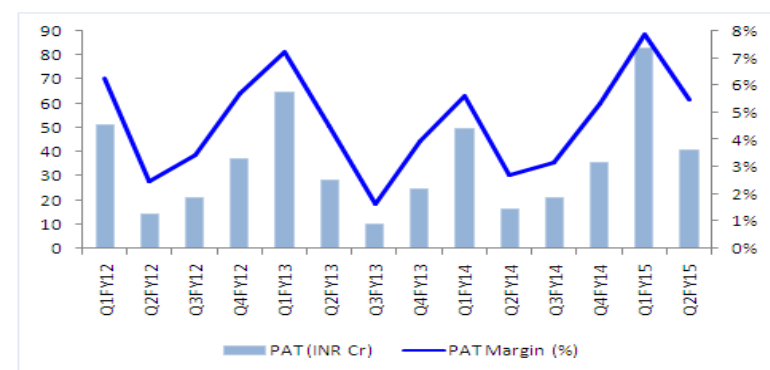
EBITDA grew by 98% to INR 98 Cr and EBITDA margin expanded by 352 Bps on YoY basis

- During the quarter WIL has reported a 131Bps improvement in the gross margin, aided by extending its product portfolio, distribution reach, gaining sizeable market share and aggressively focusing on volume growth. EBITDA increased by 98% to INR 64 cr while EBITDA margins expanded by 351Bps.
- WIL likely to post a 261 Bps improvement of EBITDA margin over 2014-17E on the back of unwinding of the raw material cost (Currently raw material cost accounts for 55-60% of the total cost), reduction in the predatory pricing as WIL expected to maintain a gross margin of 35%.



PAT grew by 147% to INR 41 Cr and PAT margin expanded by 292 Bps on YoY basis

- During the quarter WIL has reported a 292Bps improvement in the PAT margin, aided by extending its product portfolio, distribution reach, gaining sizeable market share and aggressively focusing on volume growth. PAT increased by 147% to INR 41 cr.
- We expect to registered 43.41% PAT CAGR in PAT for the period FY14-FY16E on the back of high operating leverage, and growing consumer appetite for aspirational durables.

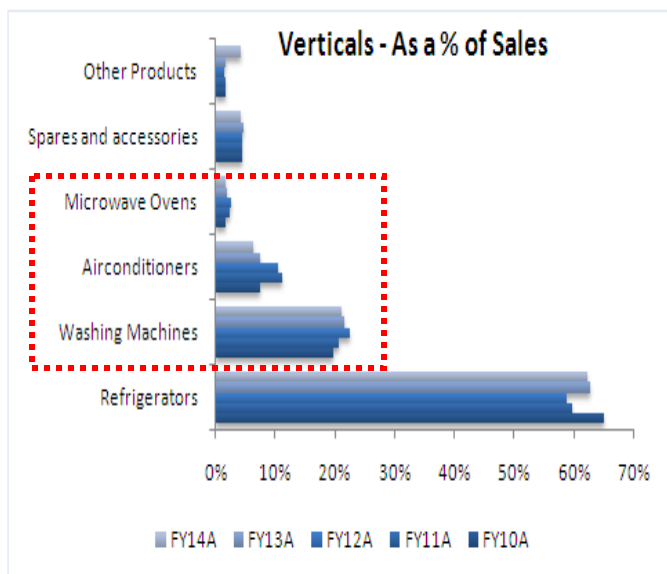
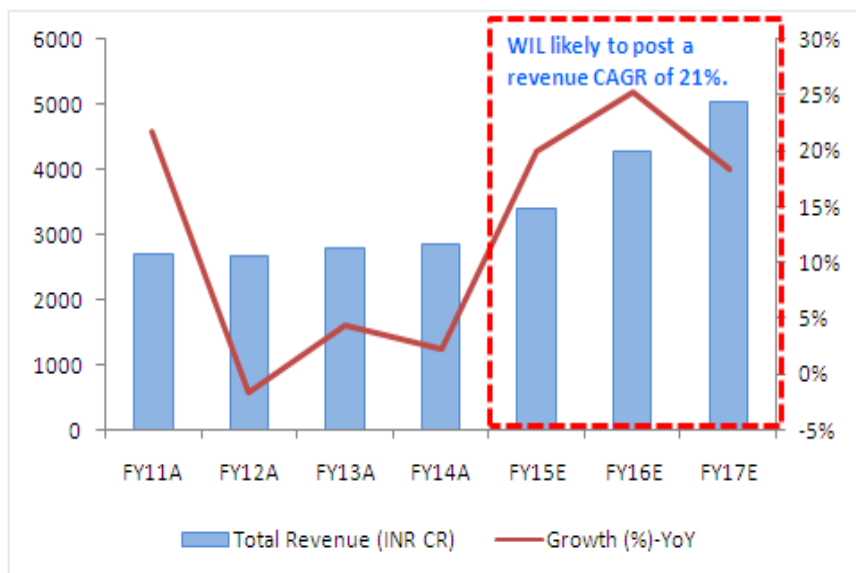


Investment Rationale

An ambitious top line target of INR 100 Bn by FY 2017- A 35% CAGR over 2014-17E with attention on profitability marks the new era of market dominance- Unlike in the FY12-14, when WIL registered a moribund top line growth, the future growth prospects for WIL over 2014-17E will be at an elevated level. Management has set up an ambitious revenue target of 35% CAGR Vs our estimates of 21.2% over 2014-17E on the back of extending its product portfolio, distribution reach, gaining sizeable market share and aggressively focusing on volume growth. At a high pitch analyst meets, management indicates that upturn in the economy will propel WIL to change its strategy from a defensive to an aggressive company, focusing on brisk action and transpose from controlling speed to manual gear mode. Management will implement Parakram III and the full benefit of the same will accrue in the next 12 months. WIL has posted a volume growth of 10.1% in 1HFY15 compared to a decline of 8 in 1HFY14, driven by lower base of last year, extended summer season and improvement in the discretionary spending. We expect a volume growth of 20-22% in the next 3 years. For Q2FY15, WIL has reported a volume growth of 15% Vs 5% in the year ago quarter. During the festive period Sep to Oct, WIL has managed to post a healthy volume growth of 20%. The management has internal sales target of 20% which they have achieved. Additionally, secondary sales are much ahead than primary sales which provides volume growth opportunity in the near future.

We expect revenue growth of 21% CAGR over FY 2014-17E, back up by pick up in volumes growth and price increases. Furthermore, WIL's strategy of a core home appliance company with a wider product portfolio vis a vis its competitors wider portfolio would help WIL to penetrate the market with the innovative initiatives such as refurbished product distribution and higher turnover discounts.

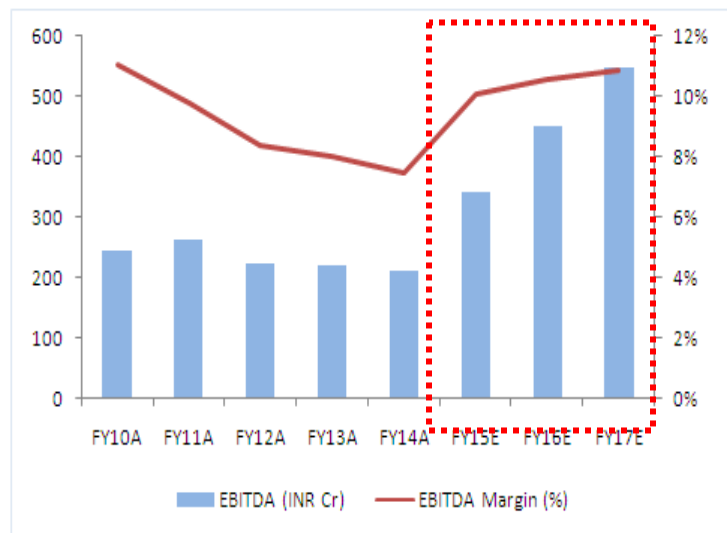
Management has indicated that WIL will extend its product portfolio by launching new products in the Kitchen category. WIL also sees water purifier vertical would be the next big growth area as WIL plans for aggressive product launches at an affordable price point. Management has also indicated that by reducing the cycle time for new products will further increase its volume growth.



Traditionally Refrigerators segment contributes 60-62% to the topline. In the refrigerator segment WIL has a total manufacturing capacity of 3-4 mn units. WIL will focus on Refrigerators with a capacity range of 142-340L. Management sees water purifier vertical is the next growth driver and they will launch the product in a massive scale in India. They will introduce three types of water purifiers in the market. These are: 1) Reverse-osmosis for high-end segment, 2) Ultra-violet for mid-range segment, and 3) Normal filtration for low-end segment.

Furthermore, WIL increased its market share by 6% to 18% in top-load washing machines and maintained its market share in semi-automatic washing machines. WIL's manufacturing capacity for direct cool refrigerator is 2.1 mn units, operates in the capacity of 80% with double shifts. Even though WIL has a marginal player in the AC segment, it has increased the focus on this segment. It launched an innovative product called 'Climate Control' in this segment, which would drive volume for WIL without compromising on profitability.

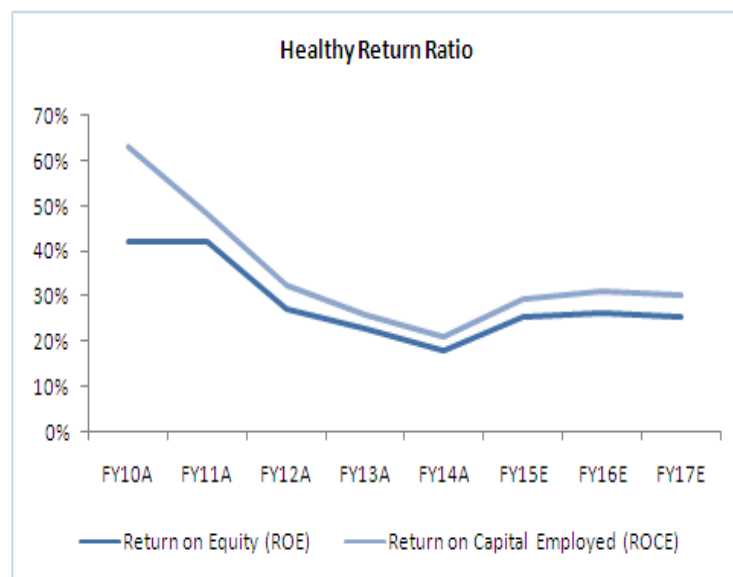
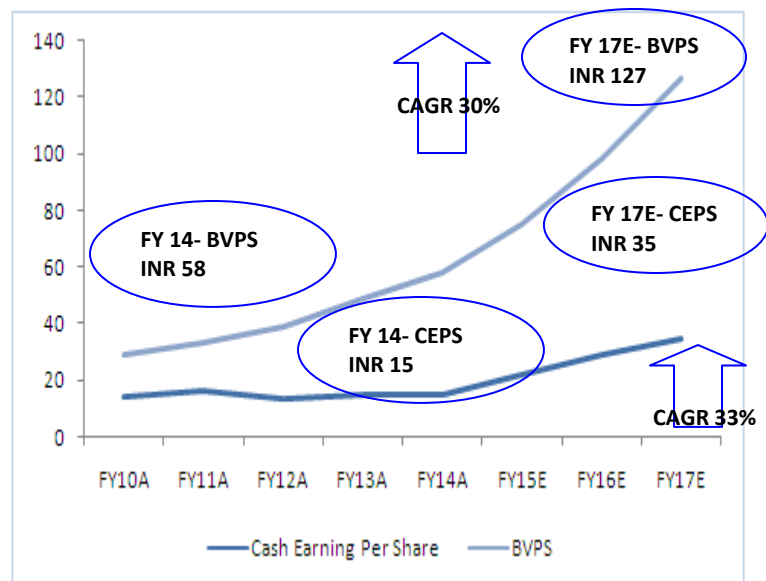
Unwinding of the raw material cost + Reduction in the predatory pricing + Likely increased the ratio of indigenization + Stable rupee + Sizeable market share in the premium segment will drive WILs EBITDA margin to 10-11% Vs average 8.4% margin in the last 4years-WIL likely to post a 261 Bps improvement of EBITDA margin over 2014-17E on the back of unwinding of the raw material cost (Currently raw material cost accounts for 55-60% of the total cost), reduction in the predatory pricing as WIL expected to maintain a gross margin of 35%. Apart from the above mentioned rationale, WIL will gain from the strong operating leverage as for the last two years company has invested heavily on the fixed cost.



Unwinding of the commodity prices, stable rupee to help margins increase marginally and ease pricing pressure-

The Company's raw material cost accounts for 55-60% of the total cost. Around 3-40% of the raw materials are imported including components, spare parts and tools. Also, the company imports products from China and Europe, which obviously has been a phenomenon present for a long time. It brings all high end built-in products from Europe as that's the best place to bring them from and is very high in design. It just brings them and sells in the market. Also, it imports microwave from its plant in China. The company is moving for more indigenization to mitigate risks from foreign currency fluctuations. Hence, INR/\$ expected to remain at the levels of 60-61 and with stable commodity prices, the margins are anticipated to increase substantially.

Debt free balance sheet with surplus cash, high returns ratio, and minuscule capex in the next three years provides an attractive investment opportunity- WIL likely to post a 21.2% revenue CAGR, with EBITDA margin improving 264bps, 50bps, 30bps in FY15E, FY16E, FY17E, respectively, with annual capex of INR 60 Cr, which will guide a PAT CAGR of 43.4%. Furthermore, WIL is a debt-free company with a cash surplus of INR 414 crore and a free cash flow of INR 165 Cr. Also, ROE of 18% in FY14 is expected to improve to 26% in FY16E on higher earnings. Therefore, the above mentioned rationale provides an attractive investment opportunity for the long term investors.



Peer Comparison

Particulars	CMP	Mcap	EBITDA Margin	TTM PAT	TTM PAT Margin	TTM EPS	TTM P/E	FY 15E P/E	FY 16E P/E	TTM EV/EBITDA	FY 15E EV/EBITDA	FY 16E EV/EBITDA	FY 15E P/BV	FY 16E P/BV	FY 15E ROE	FY 16E ROE
Voltas Ltd	275	9094	7.3%	321	6.1%	9.8	28.1	28.5	21.7	23.2	20.8	15.8	4.3	3.7	15.7%	18.0%
TTK Prestige Ltd.	3724	4334	11.9%	109	8.0%	94.1	39.6	34.1	26.1	26.6	22.6	17.8	6.4	5.4	18.7%	22.0%
Whirlpool Of India Ltd.	627	7948	9.6%	181	6.0%	14.2	44.0	36.7	27.2	25.9	21.7	15.9	8.3	6.4	25.5%	26.5%
Blue Star Ltd.	345	3103	4.1%	86	3.0%	9.5	36.2	32.8	22.9	26.0	22.8	15.3	5.7	4.9	20.7%	25.3%
IFB Industries Ltd	499	2060	7.3%	51	4.5%	12.3	40.6	29.2	21.7	24.1	18.5	13.9	5.0	4.1	17.6%	20.7%
Hitachi Home & Life Solutions	821	2231	7.9%	53	4.1%	19.5	42.1	27.1	21.8	21.4	17.0	14.0	7.3	5.9	29.5%	28.0%

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

Valuation

At the CMP of INR 626 per share, WIL is quoting at 36.7x and 27.2x its FY15E and FY16E price earnings (P/E), respectively. Management has set up an ambitious growth target for WIL on the back of extending its product portfolio, distribution reach, gaining sizeable market share and aggressively focusing on volume growth. The Q2FY15 top-line YoY robust growth of 21% and bottom-line growth of 147% gives some signs of revival in the company's performance with management's active strategies mentioned above in the investment rationale. Consequently, WIL likely to post a 21.2% revenue CAGR, with an EBITDA margin improving 264bps, 50bps, 30bps in FY15E, FY16E, FY17E, respectively, with annual capex of INR 60 Cr, which will guide a PAT CAGR of 43.4%. Furthermore, WIL is a debt-free company with a cash surplus of INR 414 crore and a free cash flow of INR 165 Cr. Also, ROE of 18% in FY14 is expected to improve to 26% in FY16E on higher earnings. **This accompanied with the above mentioned rationales has compelled us to assign a higher P/E multiple of 28x for FY17E and arrive at a target price of INR 800 per share; an upside of 28% from the CMP of INR626 per share.**

Recommendation History

Report Type	Recommended date	CMP	Target Price	Total return generated	
Brief Report	28th November, 2012	171	208	22%	http://www.microsec.in/Static/F
Q4FY14 Result Update	22nd May, 2014	291	372	28%	http://www.microsec.in/Static/F%20FY14.pdf
Q1FY14 Result Update	22nd Aug, 2014	439	580	32%	http://www.microsec.in/Static/Fdate.pdf

Income Statement

Figures in INR Cr

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Net Sales	2611.93	2563.96	2684.50	2726.2	3269.84	4119.99	4902.79
<i>Growth (%) - YoY</i>	<i>22.20%</i>	<i>-1.84%</i>	<i>4.70%</i>	<i>1.55%</i>	<i>19.94%</i>	<i>26.00%</i>	<i>19.00%</i>
Other Operating Income	90.87	93.98	88.23	108.44	130.739	140.56	141.76
Total Income	2702.8	2657.94	2772.73	2834.64	3400.575	4260.55	5044.55
<i>Growth (%) - YoY</i>	<i>21.79%</i>	<i>-1.66%</i>	<i>4.32%</i>	<i>2.23%</i>	<i>19.96%</i>	<i>25.29%</i>	<i>18.40%</i>
TOTAL EXPENDITURE	2439.2	2434.85	2550.69	2623.14	3057.19	3808.93	4494.70
<i>as % of sales</i>	<i>90.25%</i>	<i>91.61%</i>	<i>91.99%</i>	<i>92.54%</i>	<i>89.90%</i>	<i>89.40%</i>	<i>89.10%</i>
EBITDA	263.6	223.09	222.04	211.5	343.39	451.62	549.86
<i>EBITDA Margin (%)</i>	<i>9.75%</i>	<i>8.39%</i>	<i>8.01%</i>	<i>7.46%</i>	<i>10.10%</i>	<i>10.60%</i>	<i>10.90%</i>
Other Income	25.80	12.30	20.45	27.96	34.89	42.70	51.50
Operating Profit	289.40	235.39	242.49	239.46	378.28	494.32	601.36
Depreciation	44.51	49.7	60.32	63.83	64.61	72.3	75.7
EBIT	244.89	185.69	182.17	175.63	313.67	422.02	525.66
<i>EBIT Margin (%)</i>	<i>9.06%</i>	<i>6.99%</i>	<i>6.57%</i>	<i>6.20%</i>	<i>9.22%</i>	<i>9.91%</i>	<i>10.42%</i>
Interest	5.65	4.38	3	1.42	1.37	1.1	1.1
PBT	239.24	181.31	179.17	174.21	312.30	420.92	524.56
Exceptional items	0	0	0	0	0.00	0.00	0.00
PBT after exceptional items	239.24	181.31	179.17	174.21	312.30	420.92	524.56
<i>PBT Margin (%)</i>	<i>8.85%</i>	<i>6.82%</i>	<i>6.46%</i>	<i>6.15%</i>	<i>9.18%</i>	<i>9.88%</i>	<i>10.40%</i>
Tax	73.21	57.58	51.42	51.3	95.90	129.10	162.04
<i>Tax (%)</i>	<i>30.60%</i>	<i>31.76%</i>	<i>28.70%</i>	<i>29.45%</i>	<i>30.71%</i>	<i>30.67%</i>	<i>30.89%</i>
PAT	166.03	123.73	127.75	122.91	216.40	291.82	362.52
<i>PAT Margin (%)</i>	<i>6.14%</i>	<i>4.66%</i>	<i>4.61%</i>	<i>4.34%</i>	<i>6.36%</i>	<i>6.85%</i>	<i>7.19%</i>
Exceptional Items	0	0	0	0	0	0	0
PAT (excl EI)	166.03	123.73	127.75	122.91	216.40	291.82	362.52
<i>PAT Margin (%) (excl EI)</i>	<i>6.14%</i>	<i>4.66%</i>	<i>4.61%</i>	<i>4.34%</i>	<i>6.36%</i>	<i>6.85%</i>	<i>7.19%</i>
<i>PAT Growth (%) - YoY</i>	<i>7.52%</i>	<i>-25.48%</i>	<i>3.25%</i>	<i>-3.79%</i>	<i>76.06%</i>	<i>34.85%</i>	<i>24.23%</i>
Basic EPS	13.09	9.75	10.07	9.69	17.06	23.00	28.57
Adjusted EPS excl exceptional items	13.09	9.75	10.07	9.69	17.06	23.00	28.57
Equity Capital	126.87	126.87	126.87	126.87	126.87	126.87	126.87
Face Value	10	10	10	10	10	10	10
No. of Outstanding Shares	12.687	12.687	12.687	12.687	12.687	12.687	12.687

Source: Company data, Microsec Research

Balance Sheet

Figures in INR Cr

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
SOURCES OF FUNDS							
Share Capital	180.72	126.87	126.87	126.87	126.87	126.87	126.87
Reserves & Surplus	241.65	363.32	490.67	613.18	829.58	1121.41	1483.93
Shareholder's Funds	422.38	490.19	617.54	740.06	956.45	1248.28	1610.80
Secured Loans					0.00	0.00	0.00
Unsecured Loans					0.00	0.00	0.00
Total Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities (Net)	20.98	21.27	24.80	21.34	21.60	21.60	21.60
Other long term liabilities	10.93	9.40	11.51	9.88	12.50	12.50	12.50
Long-term provisions	52.50	46.59	52.33	58.60	74.50	74.50	74.50
Total Non-current liabilities	84.41	77.27	88.64	89.82	108.60	108.60	108.60
Trade payables	696.70	513.19	580.86	634.24	636.91	668.23	788.54
Other current liabilities	65.22	58.28	57.50	63.15	66.50	78.50	78.50
Short-term provisions	45.01	48.31	39.92	41.80	71.46	83.50	83.50
Total Current liabilities	806.94	619.77	678.29	739.19	774.87	830.23	950.54
Total	1313.72	1187.23	1384.48	1569.06	1839.93	2187.11	2669.94
APPLICATION OF FUNDS							
Gross Block	792.68	857.68	964.45	1000.85	1104.08	1183.49	1261.14
(-) Accumulated Depreciation	475.44	519.08	575.88	629.58	694.19	766.49	842.19
Net block	317.24	338.60	388.57	371.27	409.89	417.00	418.95
Capital Work in Progress	12.41	45.03	26.29	53.15	18.70	19.90	21.50
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Deferred Taxation							
Fixed Assets & Investments	329.65	383.63	414.86	424.42	428.59	436.90	440.45
Inventories	667.36	432.29	522.28	576.67	641.62	692.77	813.64
Sundry Debtors	115.22	137.06	170.90	169.87	161.93	157.80	157.64
Other Current assets	3.93	0.01	4.85	4.86	4.80	4.80	4.80
Cash & Bank balance	49.16	85.90	155.03	291.83	490.68	761.88	1118.73
Loans & Advances	146.35	146.75	115.80	99.29	71.41	72.43	75.67
Total Current Assets, Loans & Advances	982.02	802.00	968.86	1142.51	1370.44	1689.68	2170.48
Current Liabilities & Provisions							
Net Current Assets	982.02	802.00	968.86	1142.51	1370.44	1689.68	2170.48
TOTAL	1313.72	1187.23	1384.48	1569.06	1839.92	2187.11	2669.94

Source: Company data, Microsec Research

Cash Flow Statement

INR Cr

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
A. Cash Flow From Operating Activities							
Net Profit Before Tax	239.24	181.31	179.17	174.21	312.30	420.92	524.56
Depreciation	44.51	49.7	60.32	63.83	64.61	72.30	75.70
Interest Income	-6.38	-3.53	-12.09	-20.08	-12.00	-23.50	-24.25
Operating Profit before WC changes	271.7782	232.1547	228.2275	215.5395	366.28	470.82	577.11
Movements in working capital							
Trade receivables	37.73	-21.84	-33.85	1.04	-7.94	-4.13	-0.16
loans and advances	12.67	-3.84	14.00	11.60	-27.87	1.02	3.24
Inventories	-204.88	235.08	-89.99	-54.38	64.95	51.15	120.86
Long-term provisions	141.54	-184.69	5.74	6.27	-15.90	0.00	0.00
Cash generated from operations	258.84	256.87	181.71	242.29	346.40	463.50	580.74
Direct taxes paid	53.54	43.80	37.73	38.66	95.90	129.10	162.04
Net Cash from Operating Activities	205.30	213.07	143.97	203.62	250.50	334.40	418.71
B. Cash Flow From Investing Activities							
Net Cash used in Investing Activities	-67.65	-113.94	-72.54	-66.05	-50.28	-62.10	-60.75
C. Cash Flow From Financing Activities							
Preference Shares	-98.49	-53.85			0.00	0.00	0.00
Overdraft	-5.49				0.00	0.00	0.00
Interest and Finance Charges	-5.67	-4.38	-2.29	-0.78	-1.37	-1.10	-1.10
Net Cash from/(Used) in financing activities	-150.67	-62.39	-2.29	-0.78	-1.37	-1.10	-1.10
Net (Increase)/Decrease in cash & cash equivalents	-13.02	36.74	69.14	136.80	198.85	271.20	356.86
Cash & Cash Equivalents at beginning	62.18	49.16	85.90	155.03	291.83	490.68	761.88
Cash & Cash Equivalents at End	49.16	85.90	155.03	291.83	490.68	761.88	1118.73
Source: Company data, Microsec Research							

Financial Ratios

Particulars (INR in Crores)	FY11A	FY12A	FY13A	FY14A	FY15E	FY16E	FY17E
Profitability Ratios							
Return on Assets (ROA)	13.42%	9.89%	9.94%	8.32%	12.70%	14.49%	14.93%
Return on Capital Employed (ROCE)	48.32%	32.72%	25.80%	21.16%	29.45%	31.10%	30.57%
Return on Equity (ROE)	42.08%	27.12%	23.07%	18.11%	25.51%	26.47%	25.36%
Per Share							
Basic EPS	13.09	9.75	10.07	9.69	17.06	23.00	28.57
Adjusted EPS excl Exceptional Items	13.09	9.75	10.07	9.69	17.06	23.00	28.57
Dividend Per share	0.00	0.00	0.00	0.00	1.20	1.50	1.80
Cash Earning Per Share	16.59	13.67	14.82	14.72	22.15	28.70	34.54
BVPS	33.29	38.64	48.68	58.33	75.39	98.39	126.96
Valuation Parameters							
P/E (x)	20.27	20.39	21.87	23.85	36.73	27.24	21.93
Adjusted P/E(x) excl Exceptional Items	20.27	20.39	21.87	23.85	36.73	27.24	21.93
P/CEPS(x)	15.99	14.55	14.86	15.70	28.29	21.83	18.14
P/BV(x)	7.97	5.15	4.52	3.96	8.31	6.37	4.93
Market Cap/Sales(x)	1.29	0.98	1.04	1.08	2.43	1.93	1.62
EV/EBITDA(x)	12.58	10.92	11.89	12.48	21.72	15.91	12.42
Liquidity Ratios							
Current Ratio	1.22	1.29	1.43	1.55	1.77	2.04	2.28
Acid Test Ratio	0.39	0.60	0.66	0.77	0.94	1.20	1.43
Debt-Equity Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Efficiency Ratios (%)							
Asset turnover Ratio	2.18	2.13	2.16	1.92	2.00	2.12	2.08
Debtors Turnover Ratio	21.20	21.07	18.01	16.64	20.50	26.65	31.98
Inventory Turnover Ratio	4.78	4.83	5.81	5.16	5.58	6.39	6.70
Margin Ratios (%)							
EBITDA Margin	9.75%	8.39%	8.01%	7.46%	10.10%	10.60%	10.90%
EBIT Margin	9.06%	6.99%	6.57%	6.20%	9.22%	9.91%	10.42%
PBT Margin	8.85%	6.82%	6.46%	6.15%	9.18%	9.88%	10.40%
Net Profit Margin	6.14%	4.66%	4.61%	4.34%	6.36%	6.85%	7.19%

Source: Company data, Microsec Research

Microsec Research: Phone No.: 91 33 66512121 Email: microsec_research@microsec.in

Ajay Jaiswal: President, Investment Strategies, Head of Research: ajaiswal@microsec.in

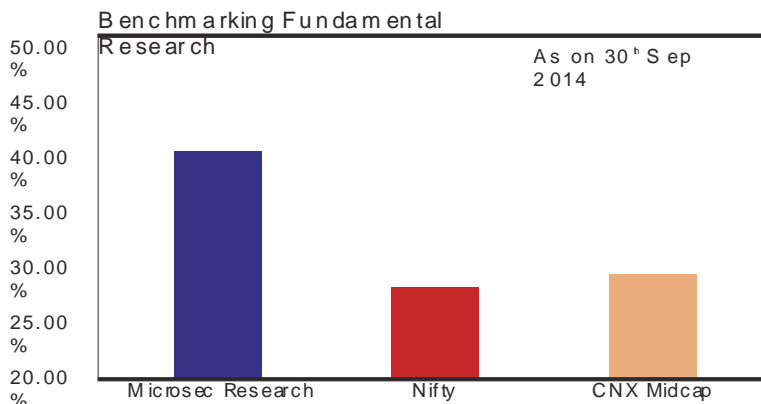
Fundamental Research			
Name	Sectors	Designation	Email ID
Nitin Prakash Daga	IT, Telecom & Entertainment	VP-Research	npdaga@microsec.in
Sutapa Roy	Economy	Research Analyst	s-roy@microsec.in
Sanjeev Jain	BFSI	Research Analyst	sjain@microsec.in
Soumyadip Raha	Oil & Gas	Executive Research	sraha@microsec.in
Anik Das	Capital Goods, Power	Research Analyst	adas4@microsec.in
Ujjala Choudhary	Mid cap, Logistics	Research Executive	uchoudhary@microsec.in
Ajoy Mukherjee	Pharma & Agri Inputs	Research Analyst	amukherjee@microsec.in
Saroj Singh	Auto , Cement	Executive Research	ssingh2@microsec.in
Khusboo Jaiswal	Mid Cap	Research Executive	kjaiswal1@microsec.in
Technical & Derivative Research			
Vinit Pagaria	Derivatives & Technical	Sr. VP	vpagaria@microsec.in
Ranajit Saha	Technical Research	Sr. Manager	rksaha@microsec.in
Institutional Desk			
Abhishek Sharma	Institutional Desk	Dealer	dmittal@microsec.in
PMS Division			
Siddharth Sedani	PMS Research	VP	ssedani@microsec.in
Research-Support			
Subhabrata Boral	Research Support	Asst. Manager Technology	sboral@microsec.in

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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Research?

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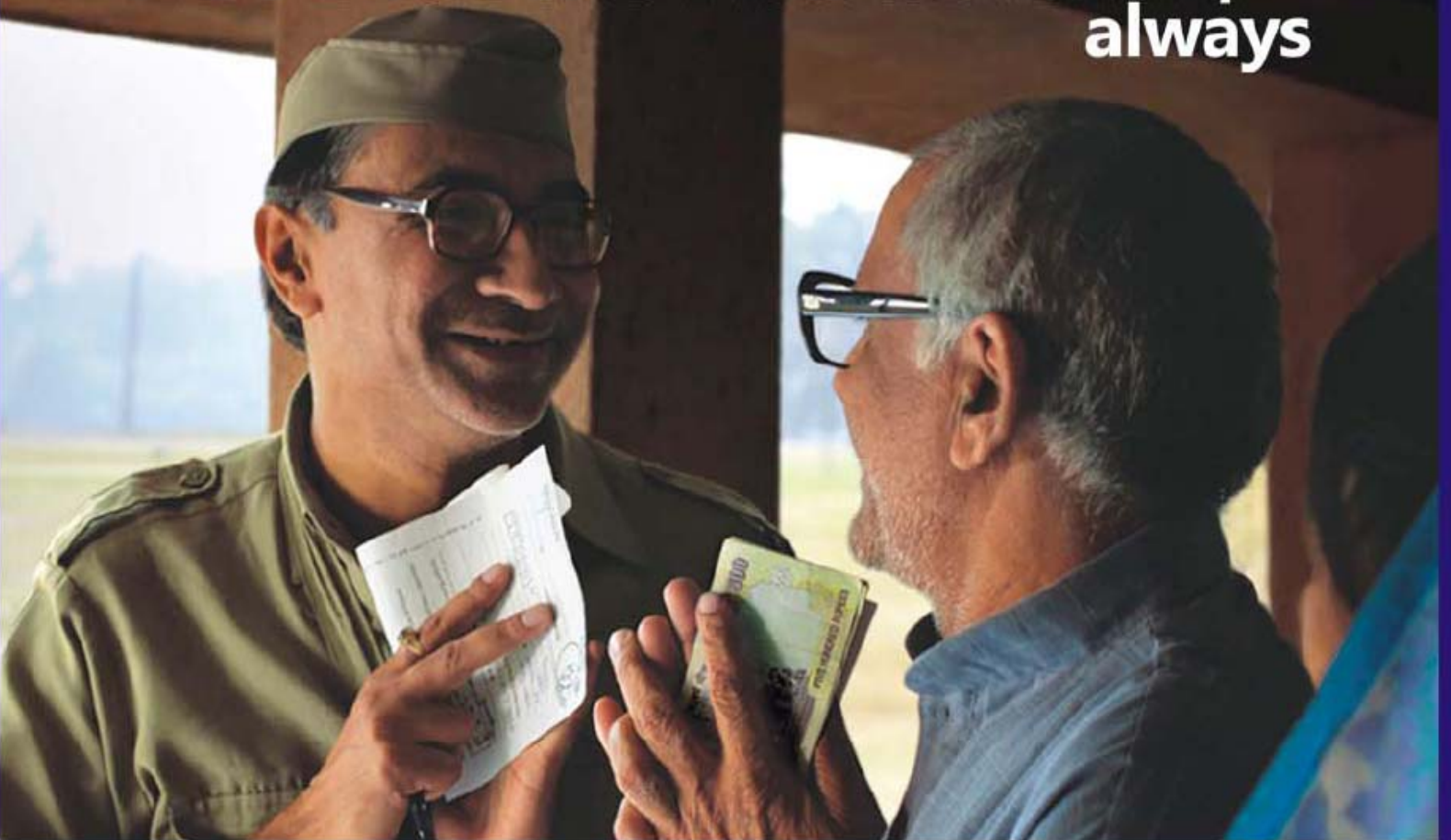
An amount of ₹ 1,00,000 invested individually in all 306 stocks i.e., ₹ 3,06,00,000 investment as on 30th Sep 2014 when recommended has appreciated to ₹ 4,11,84,135 giving a return of 34.6 percent. On the same basis Nifty has given a return of 13.4 percent and CNX MID CAP has given a return of 15.4 percent.

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Investment Banking
Azimjanj House, 2nd Floor,
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Tel.: 91 33 2282 9330, Fax: 91 33 2282 933

Brokerage and Wealth Management
Shivam Chambers, 1st Floor,
53, Syed Amir Ali Avenue, Kolkata- 700 019, India
Tel.: 91 33 3051 2100, Fax: 91 33 3051 20205

Mumbai
42A & 74A, Mittal Tower,
4th & 7th floor 210, Nariman Point,
Mumbai- 400 021, India
Tel.: 91 22 2285 5544, Fax: 91 22 2285 5548

New Delhi
417, World Trade Centre, 4th Floor, Babar Road,
Connaught Place, New Delhi- 110 001, India
Tel.: 91 11 4152 8152



E-mail: info@microsec.in Website: www.microsec.in

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