

February 23, 2018

Rating matrix		
Rating	:	Buy
Target	:	₹ 1080
Target Period	:	12-18 months
Potential Upside	:	35%

What's changed?		
Target		Unchanged
EPS CY18E		Changed from ₹ 25.6 to ₹ 24.0
EPS CY19E		Changed from ₹ 30.7 to ₹ 30.9
Rating		Unchanged

Quarterly performance					
	Q4CY17	Q4CY16	YoY (%)	Q3CY17	QoQ (%)
Revenue	328.2	251.2	30.6	200.5	63.7
EBITDA	42.3	36.2	16.8	21.1	100.4
EBITDA (%)	12.9	14.4	-153 bps	10.5	236 bps
PAT	27.4	23.0	19.0	11.6	135.4

Key financials				
₹ Crore	CY16	CY17	CY18E	CY19E
Net Sales	817.6	944.3	1,080.0	1,200.4
EBITDA	99.1	107.5	136.7	164.4
Net Profit	65.3	70.9	83.6	107.6
EPS (₹)	18.8	20.4	24.0	30.9

Valuation summary				
	CY16	CY17	CY18E	CY19E
P/E	42.6	39.3	33.3	25.9
Target P/E	57.6	53.1	44.9	35.0
EV / EBITDA	26.1	25.1	19.4	15.6
P/BV	4.3	3.9	3.6	3.3
RoNW (%)	10.1	10.0	10.9	12.7
RoCE (%)	10.6	10.6	12.9	14.6

Stock data	
Particular	Amount
Market Capitalization	₹ 2785 crore
Total Debt (CY17)	₹ 12.6 crore
Cash and Investments (CY17)	₹ 97 crore
EV	₹ 2701 crore
52 week H/L	936 / 600
Equity capital	₹ 34.8 crore
Face value	₹ 10
MF Holding (%)	15.7
FII Holding (%)	3.5

Price performance				
Return %	1M	3M	6M	12M
Kirloskar Brothers	-10.7	25.0	34.9	41.4
KSB Pumps	-10.7	-6.4	16.9	26.6
Roto Pumps	-20.9	-16.3	4.3	72.7
Shakti Pumps	14.1	29.8	12.7	240.0
WPIL	-14.7	-12.9	28.0	46.8

Research Analyst	
Chirag J Shah	shah.chirag@icicisecurities.com
Shashank Kanodia, CFA	shashank.kanodia@icicisecurities.com

## KSB Pumps (KSBPUM)

₹ 800

### Resounding topline growth instils confidence

- KSB Pumps (KSB) reported a robust Q4CY17 performance. The impressive showing was witnessed in both pumps & valves segment
- Total operating income in Q4CY17 came in at ₹ 328.2 crore, up 30.6% YoY. Pumps division reported sales at ₹ 276 crore, up 34.1% YoY while valves division reported sales at ₹ 52 crore, up 19.4% YoY
- EBITDA margins for the quarter came in at 12.9% (down 153 bps YoY) mainly due to higher than anticipated raw material costs. The corresponding EBITDA was at ₹ 42.3 crore. The EBIT margin for the pumps segment in Q4CY17 was at 14.3%. The valves division ended on a high as EBIT came in at ₹ 5.4 crore (margin 10.3%)
- Consequently, PAT came in at ₹ 27.4 crore, up 19.0% YoY. Higher PAT was supported by higher other income (₹ 9.8 crore) partly compensated by higher tax incidence (~36%)
- Associate company i.e. MIL Control Valves also reported a robust performance with PAT share for CY17 at ₹ 5.2 crore, up 13% YoY
- KSB also declared a dividend of ₹ 6/share for CY17

### Union Budget 2018-19: Focus on income insurance benefits KSB

Union Budget 2018-19 was pro-farmer in nature & well aligned to double farm income by 2022. Apart from the increase in allocation towards risk mitigation (crop insurance) and efficiency (irrigation including micro irrigation) schemes, it lays special emphasis on augmenting farm income through remunerative farm gate prices thereby targeting "income insurance". Emphasis has been put on fixing MSP prices at a mark-up of 50% above cost of production while at the same time bringing more crops under the MSP net. On the risk mitigation front, in its flagship insurance scheme i.e. PMFBY, allocation has been increased to ₹ 13,000 crore. On the efficiency front, in the irrigation space, total allocation under PMKSY is being increased to ₹ 9,429 crore, up 28% YoY. Institutional credit for agriculture sector has been modestly raised to ₹ 11 lakh crore, up 10% YoY. KSB is one of the leading pump manufacturers with quality product profile of energy efficient pumps & strong brand recall. Hence, it will be a key beneficiary of increasing irrigation penetration domestically.

### Incremental capacity in place; levers to grow; credible MNC; retain BUY

In CY17, KSB realised consolidated sales of ₹ 946 crore, up 16% YoY with sales at the pumps segment at ₹ 788 (up 15% YoY) while the valves segment posted sales of ₹ 158 crore (up 19% YoY). Double digit topline growth is comforting and is re-emerging after five years. With technology support from its parent i.e. KSB AG, KSB is best placed to capture the envisaged opportunity in the domestic refining segment (change in fuel efficiency), revival of domestic capex cycle and increasing thrust on irrigation projects (lift irrigation). The company's recent order win from NPCIL (₹ 413 crore) supports our view and KSB's ability to play an important role in the nuclear power industry, going forward. On the balance sheet front, KSB has a debt free balance sheet with surplus cash of ~₹ 100 crore as of CY17. However, KSB did witness an elongation of working capital cycle with increase in debtor days by ~ 30 days (CY17). We believe this will normalise in CY18-19E. KSB has also in the recent past (December 2017) commenced commercial production at its manufacturing facility in Satara where it intends to manufacture high margin super critical pumps. Factoring in the positives, on a consolidated basis, we model sales, PAT CAGR of 12.7%, 23.2%, respectively, in CY17-19E. We build in a 230 bps improvement in EBITDA margins in the aforesaid period. We value KSB at 35x P/E on CY19E EPS of ₹ 30.9 with a target price of ₹ 1080 and a **BUY** rating on the stock.

### Variance analysis

Standalone Numbers	Q4CY17	Q4CY17E	Q4CY16	YoY (%)	Q3CY17	QoQ (%)	Comments
Sales	328.2	266.6	249.5	31.5	200.5	63.7	Topline came in higher than our estimates tracking robust sales at both pumps as well as valves segments
Other Operating Income	0.0	0.0	1.7		0.0		
Total Operating Income	328.2	266.6	251.2	30.6	200.5	63.7	
Total Raw Material Expenses	174.7	126.6	121.4	43.9	96.2	81.7	Raw material as a percentage of sales witnessed a sharp jump to 53%
Employee Cost	36.5	40.0	39.5	-7.6	35.8	1.8	Employee costs came in lower at 11.1% of sales due to higher than anticipated topline growth
Other operating expense	74.7	61.3	54.1	38.1	47.4	57.6	Other expenses were in line with estimates at 22.8% of sales
Total Expenditure	285.9	227.9	215.0	33.0	179.4	59.4	
EBITDA	42.3	38.7	36.2	16.8	21.1	100.4	
EBITDA Margin (%)	12.9	14.5	14.4	-153 bps	10.5	236 bps	EBITDA margins were below our estimates largely due to a 490 bps YoY rise in raw material costs, which were partly compensated by a 337 bps improvement in employee and other expenses arising out of operating leverage benefits
Depreciation	8.5	7.8	7.6	11.4	7.6	11.8	
Interest	0.8	0.6	1.1	-28.6	0.6	36.4	
Non Operating Expenses							
Other Income	9.8	5.2	6.0	62.5	5.3	85.7	Other income came in higher-than-expected at ₹ 9.8 crore
PBT	42.8	35.6	33.6	27.6	18.2	135.0	
Taxes	15.5	11.4	10.6	46.4	6.6	134.4	Tax rate came in higher at 36%
PAT	27.4	24.2	23.0	19.0	11.6	135.4	

### Key Metrics

Pumps Sales (₹ crore)	276	221	206	34.1	159	73.3	Pumps sales for the quarter came in much ahead of our estimates at ₹ 276 crore, up 34.1% YoY
Valves Sales (₹ crore)	52	46	44	19.4	41	26.7	The real surprise, however, was the valves segment wherein sales growth for the quarter came in at 19% YoY with EBIT margins at 10.4%

Source: Company, ICICIdirect.com Research

### Change in estimates

Consolidated (₹ Crore)	CY18E			CY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenues	1,010.6	1,080.0	6.9	1,119.8	1,200.4	7.2	Revised upwards our revenue estimates for CY18E-19E post convincing growth in Q4CY17. We expect revenue to grow at a CAGR of 12.5% over CY17-19E
EBITDA	135.2	136.7	1.1	157.3	164.4	4.5	
EBITDA Margin (%)	13.4	12.7	-72 bps	14.1	13.7	-35 bps	Marginally tapered downwards our EBITDA margin estimates for CY18E-19E mainly to account for raw material costs pressures faced due to rising commodity prices (i.e. metals)
PAT	89.3	83.6	-6.3	106.8	107.6	0.7	PAT estimates for CY18E were revised downwards as a marginal stretch in working capital cycle in CY17 resulted in lower cash thereby leading to lower other income expectations. PAT for CY19E were largely maintained.
EPS (₹)	25.6	24.0	-6.3	30.7	30.9	0.7	

Source: Company, ICICIdirect.com Research

### Assumptions

						Current		Earlier		
	CY13	CY14	CY15	CY16	CY17	CY18E	CY19E	CY18E	CY19E	Comments
Pump Sales	603.4	664.1	673.7	684.1	788.0	906.2	1,014.9	841.8	942.8	We expect pump sales at KSB to grow at a CAGR of 13.5% over CY17-19E to ₹ 1015 crore in CY19E
Valve Sales	122.3	128.4	138.2	132.7	157.8	173.6	182.2	165.6	173.9	We expect valves sales at KSB to grow at a CAGR of 7.5% over CY17-19E to ₹ 182 crore in CY19E
PAT, MIL Control Valves	9.6	6.6	4.6	4.9	5.2	6.0	6.9	6.2	7.2	We expect PAT to grow at a CAGR of 15% over CY17-19E to ₹ 6.9 crore in CY19E

Source: Company, ICICIdirect.com Research

## Company Analysis

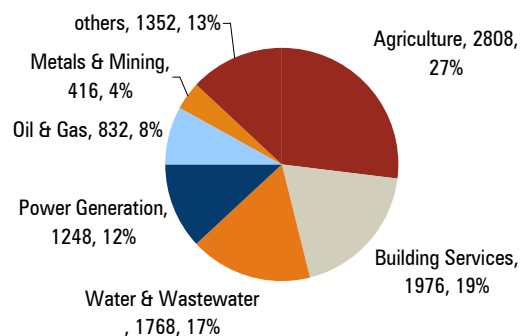
KSB Pumps, promoted by KSB AG (Germany), was established in 1960 and set up a pump manufacturing facility at Pimpri, Pune (Maharashtra). The company has been at the forefront of importing technology from its parent for delivering cutting edge, high quality products in the domestic market. Globally, KSB AG is one of the largest pump manufacturers with sales in excess of €2.2 billion (~US\$2.8 billion) out of the total pump market, which is pegged at US\$47 billion as of 2014. In India, KSB supplies pumps and valves to all major industries viz. power, waste water treatment, irrigation (agriculture), chemicals, etc. KSB's products are used for pumping, transportation and flow control of fluids, which include clean or contaminated water, explosive fluids, corrosive and viscous fluids, slurries and fluid/solid mixtures. In India, the company has a wide distribution network that includes four zonal offices, 15 branch offices, over 800 authorised dealers, four service stations, 110 authorised service centres and 22 warehouses.

### Indian pump market on strong footing

As per industry sources, the global pump market size is pegged at US\$47 billion as of 2014 and is expected to reach US\$56 billion in 2017, growing at a CAGR of 6.0% in CY14-17E. The Indian pump market size is pegged at ~₹ 10,400 crore as of 2014, wherein a majority of it i.e. ~95% consists of centrifugal pumps (pumps used for increasing the flow rate) while the remaining i.e. 5% comprises positive displacement pumps (pumps used for maintaining the flow rate). The Indian pump market is expected to grow at a CAGR of 5% in FY14-19E to ₹ 13,273 crore in FY19E.

The Indian pump market can also be segregated on the basis of end usage. The main sectors in which pumps are used include: agriculture (irrigation), building services, waste water/sewage management and industrial uses (power, oil & gas, metals & mining, etc).

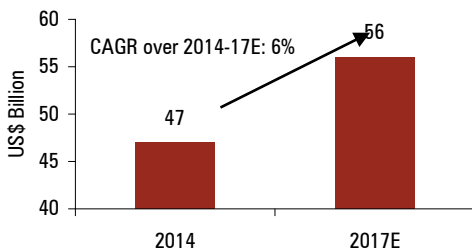
### Exhibit 1: Indian pumps market segregation (value)



Source: FICCI, Tata Strategic Management Group, ICICIdirect.com Research

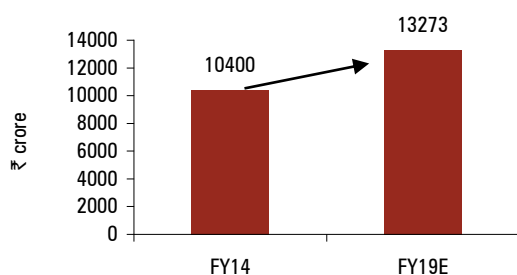
Out of the above, agriculture and building services comprise the major portion (46%) of the market by value i.e. ~₹ 4800 crore. This segment of the pump market is highly fragmented and competitive in nature with a whole lot of small & medium enterprises (SMEs) vying for the market pie. On the other hand, the industrial sector constitutes the remaining 54% of the market, which is pegged at ~₹ 5600 crore. It consists of sectors like water/sewage treatment, power generation, oil & gas and metals & mining. This segment of the pump market is technologically intensive and hard for SMEs to penetrate. Companies like KSB and Kirloskar Brothers are leaders in this segment in the listed space while ITT and Flowserve are key players from the private space.

### Global pumps market



Source: Ficci, TSMG, ICICIdirect.com Research

### Indian pumps market

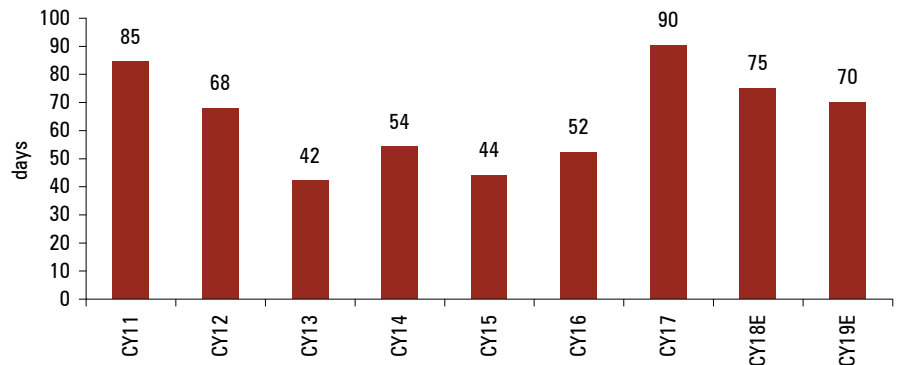


Source: Ficci, TSMG, ICICIdirect.com Research

### Working capital discipline: Aberration in CY17 not likely to sustain

The working capital management of KSB is one of the best in the industry wherein its net working capital days were well below 60 days in CY16 while majority of the industry players had working capital days at ~120 days. However, in CY17, KSB's net working capital days sharply rose to 90 were mainly due to higher debtor days and lower creditor days.

**Exhibit 2: Net working capital days (KSB India)**



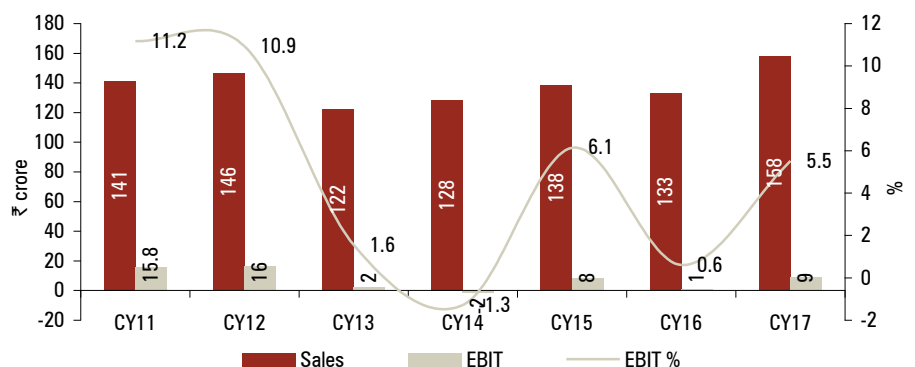
Source: Company, ICICIdirect.com Research

Going forward, we expect net working capital days to improve to 70 days by CY19E. The working capital is likely to be controlled as it has no exposure to the project/EPC business while the management's focus is on scaling up the product basket.

### Valves segment; calibrated approach - chasing profitability not growth

KSB is also one of the leading manufacturers of industrial valves and manufactures a wide range of on/off valves. Sales from the valve segment have largely been flat in CY11-17 at ₹ 158 crore in CY17 (₹ 141 crore in CY11). On the profitability front, its EBIT margins are on a declining trend with EBIT margins declining to negative 1.3% in CY14, a sharp drop from the peak EBIT margins realised in CY11 at 11.2%. Despite being a reliable brand in the valves market, the company's profitability in this segment is subdued due to the enhanced presence of the unorganised segment, thereby resulting in fierce competition.

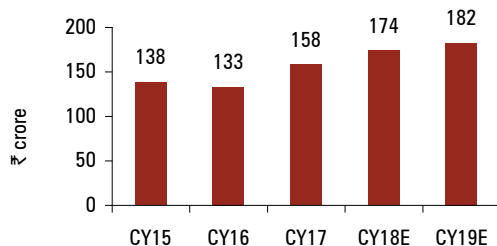
**Exhibit 3: Valves segmental revenue, EBIT & EBIT % (Annual)**



Source: Company, ICICIdirect.com Research

However, the profitability in the valves segment during CY17 seems to have turned around as EBIT margins improved smartly to 5.5% during the year with an EBIT level loss only in Q2CY17. Going forward, we expect valves sales to grow at a CAGR of 7.5% in CY17-19E to ₹ 182 crore in CY19E (₹ 158 crore in CY17).

**Valves segment sales**



Source: Company, ICICIdirect.com Research

### MIL Controls: Feather in the cap; small but key player

MIL Controls (MIL) is an associate company of KSB (ownership share 49%) and a subsidiary of the parent i.e. KSB AG (ownership share 51%) involved in manufacturing high precision critical industrial control valves in India. These valves find application in thermal & nuclear power plants, exploration & production of oil, gas & oil products (petrochemicals) and chemical industry (process industry), including fertilisers. KSB had made an initial investment worth ₹ 6.3 crore in MIL and is reaping rich returns out of it. MIL's contribution to KSB's consolidated PAT in CY17 came in at ₹ 5.2 crore (83% RoI in CY17). We believe MIL, even though small, will remain key and be a feather in KSB's cap, going forward.

#### Exhibit 4: Financials- MIL

Particulars	Units	CY09	CY10	CY12	CY13	CY14	CY15
Net Sales	₹ crore	77.1	95.2	137.3	132.6	118.0	117.8
EBITDA	₹ crore	22.8	29.9	36.7	35.5	13.2	6.2
EBITDA Margin	%	29.6	31.4	26.8	26.8	11.1	5.3
PAT	₹ crore	13.8	18.5	22.6	21.0	15.3	10.7
PAT margins (%)	%	17.9	19.4	16.5	15.8	13.0	9.1
Gross Block	₹ crore	26.0	32.2	42.0	66.4	71.3	73.8
Asset Turnover	x	3.0	3.0	3.3	2.0	1.7	1.6
Equity	₹ crore	41.3	50.5	73.0	81.5	89.2	94.4
Debt	₹ crore	0.0	0.0	0.0	0.0	0.0	0.0
ROCE	%	51.6	61.6	44.7	39.6	0.0	0.0
ROE	%	33.3	40.2	31.0	27.1	0.0	0.0

Source: Capitaline, ICICIdirect.com Research

Going forward, we built in 15% CAGR (CY17-19E) in its PAT contribution to the consolidated numbers of KSB. We have built in KSB's share of PAT from MIL at ₹ 6.0 crore and ₹ 6.9 crore in CY18E and CY19E, respectively. PAT in CY17 was at ₹ 5.2 crore.

### Pump manufacturing facility for super critical power plants, essentially step in right direction!

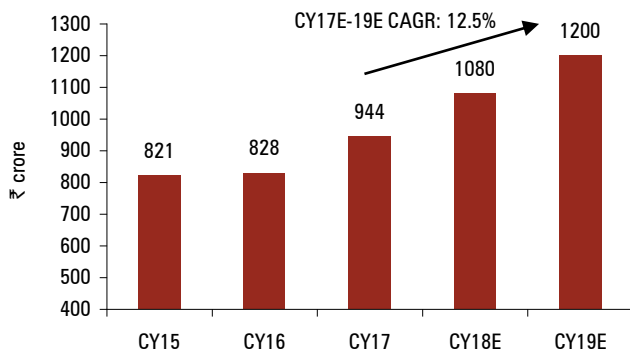
The company is currently executing an ambitious capex programme wherein KSB intends to incur a capex of ~₹ 250 crore in phases for setting up a manufacturing facility to manufacture pumps for super critical power plants. The company has successfully commissioned phase 1 of its expansion by incurring a capex of ~₹ 90 crore earlier than expected in December 2017. Given KSB's technical capabilities and past execution, NPCIL has awarded the company with an order worth ₹ 413 crore to deliver coolant pumps and electric motor for the nuclear power plant that is being set up in Haryana over 2022-23. These products will be manufactured by the company as a part of the "Make in India" initiative under a technology transfer and license agreement with KSB AG, Germany.



### Consolidated revenues to grow at 12.5% CAGR in CY17-19E

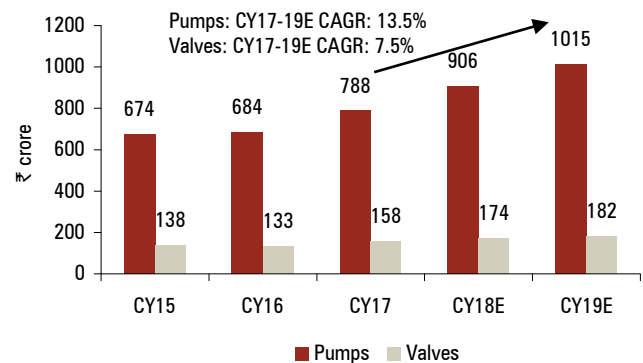
We expect KSB to clock modest revenue growth of 12.5% CAGR in CY17-19E to ₹ 1200 crore in CY19E (₹ 944 crore in CY17). In the pumps segment, revenues are expected to grow a CAGR of 13.5% in CY17-19E to ₹ 1015 crore in CY19E (₹ 788 crore in CY17), primarily on the back of a revival in industrial activity and increase in irrigation penetration domestically. In the valves segment, sales are expected to grow at a CAGR of 7.5% in CY17-19E to ₹ 182 crore in CY19E (₹ 151 crore in CY17).

**Exhibit 5: Consolidated revenue trend**



Source: Company, ICICIdirect.com Research

**Exhibit 6: Revenue bifurcation (pumps vs. valves)**

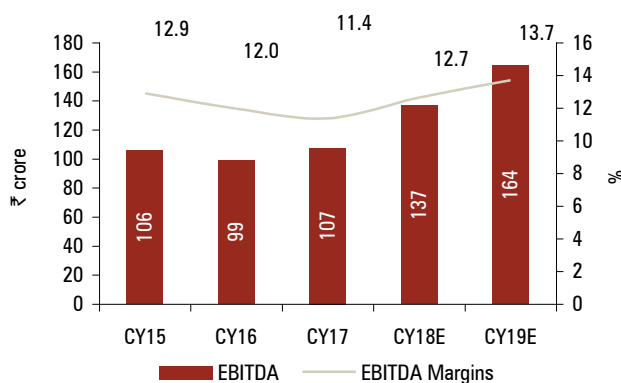


Source: Company, ICICIdirect.com Research

### Consolidated EBITDA, PAT to grow at 23.7%, 23.2% CAGR in CY17-19E

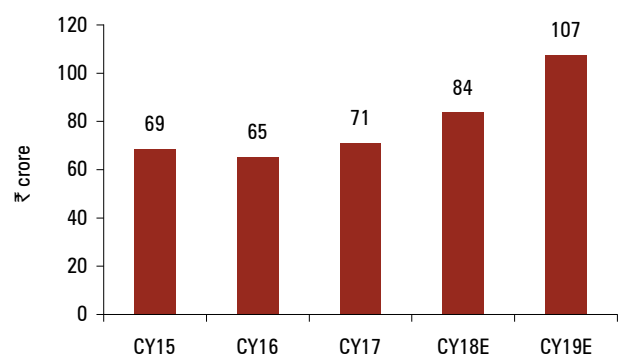
We expect consolidated EBITDA to grow at 23.7% CAGR in CY17-19E to ₹ 164 crore in CY19E, primarily on the back of an improvement in EBITDA margins amounting to 230 bps in CY17-19E. EBITDA margins are expected to improve from 11.4% in CY17 to 13.7% in CY19E. They are expected to improve on the back of a revival of domestic pumps demand with consequent benefits of operating leverage kicking in for KSB. We expect PAT to grow at 23.2% CAGR in CY17-19E to ₹ 107 crore in CY19E.

**Exhibit 7: EBITDA & EBITDA margins (%) trend**



Source: Company, ICICIdirect.com Research

**Exhibit 8: PAT trend**



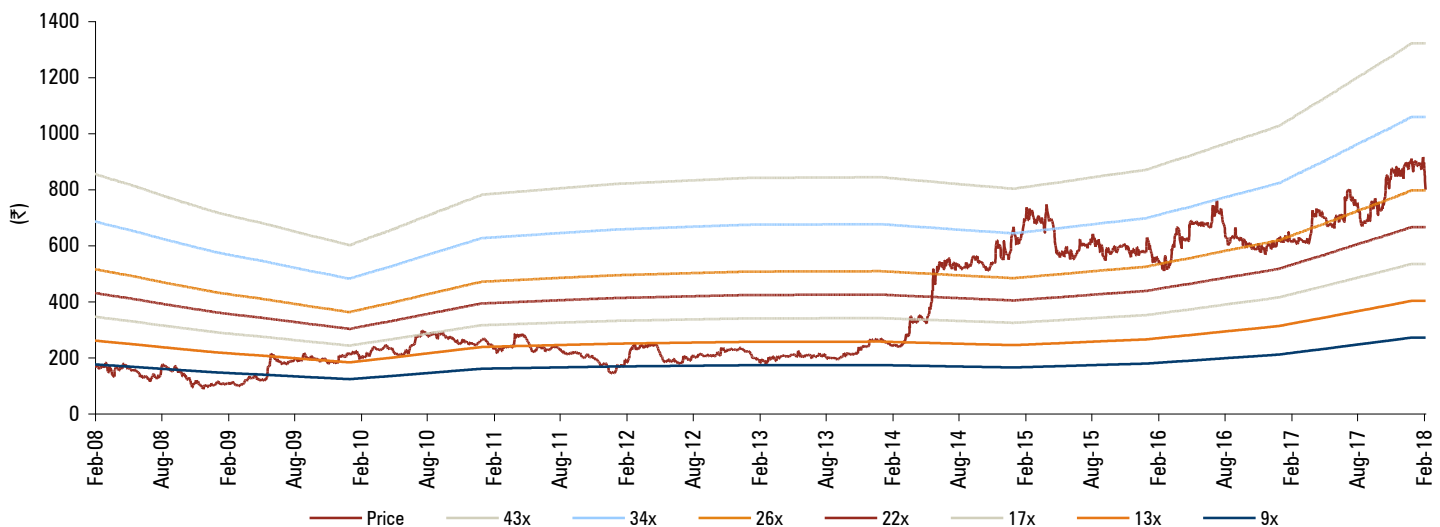
Source: Company, ICICIdirect.com Research

## Outlook and valuation

In CY17, KSB realised consolidated sales of ₹ 946 crore, up 16% YoY with sales at the pumps segment at ₹ 788 crore (up 15% YoY) while valves segment registered sales of ₹ 158 crore (up 19% YoY). Double digit topline growth is comforting and is re-emerging after five years. With technology support from its parent i.e. KSB AG, KSB is best placed to capture the envisaged opportunity in the domestic refining segment (change in fuel efficiency), revival of domestic capex cycle and increasing thrust on irrigation projects (lift irrigation). The company recent's order win from NPCIL (₹ 413 crore) supports our view and KSB's ability to play an important role in the nuclear power industry, going forward.

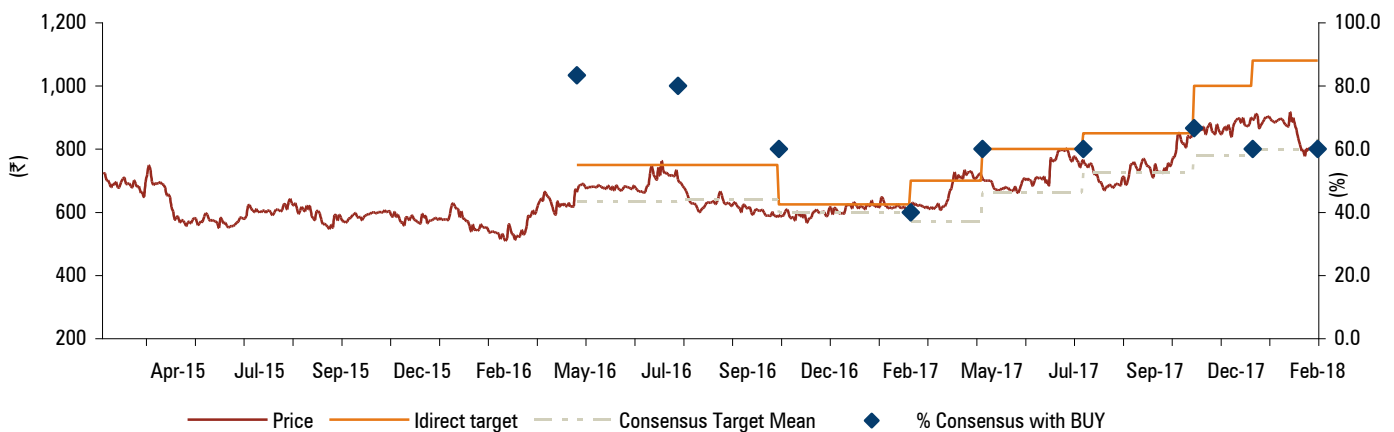
On the balance sheet front, KSB has a debt free balance sheet with surplus cash of ~₹ 100 crore as of CY17. The company, however, did see an elongation of its working capital cycle with increase in debtor days by ~30 days (CY17). We believe this will normalise in CY18-19E. Recently (December 2017), KSB commenced commercial production at its manufacturing facility in Satara where it intends to manufacture high margin super critical pumps. Factoring in the positives, on a consolidated basis, we model sales, PAT CAGR of 12.7%, 23.2%, respectively, in CY17-19E. We build in a 230 bps improvement in EBITDA margins in the aforesaid period. We value KSB at 35x P/E on CY19E EPS of ₹ 30.9 and assign a target price of ₹ 1080 with a **BUY** rating on the stock.

Exhibit 9: Two year forward P/E (KSB currently trading at 25.9x)



Source: Reuters, ICICIdirect.com Research

## Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research; \*IDirect Coverage on KSB Pumps was initiated on Jan 2015

## Key events

Date/Year	Event
2008	Partly executes a large order of Bharat Oman Refinery, whose order was worth ₹ 27 crore. The company also bags a prestigious order of ₹ 32 crore from Coastal Gujarat Power. For 2007-08, the company plans capex of ₹ 150 crore spread over three years. However, due to the economic slowdown, the capex programme put on hold
2009	Faces severe competition in valves segment domestically on account of aggressive marketing of products by its competitor and the largest domestic valve manufacturer i.e. AUDCO (a JV of L&T). During CY09, the management also revamps and modernises its steel foundry at a cost of ₹ 22 crore. It increases capacity to 1200 metric tonne per annum
2010	Receives order from Nuclear Power Corporation of India (NPCIL) for manufacture of nuclear pumps, which will be delivered during CY12
2011	The management earmarks a capex of around ₹ 90-100 crore for KSB Pumps India for CY11. The capex is for brownfield expansions largely in the pump segment, which will result in an increase in capacity both for existing line of products as well as newer products
2012	The company guides for a capex spend of ~₹ 30 crore in CY12. On the valves business, the company has completed its entire restructuring process and the management expects to realise benefits of cost rationalisation and product differentiation, going forward.
2013	The company's performance a bit subdued in CY13 on account of a delay in order execution.
2014	The company completely executes the order received from NPCIL for nuclear pumps. KSB plans to take a calibrated approach in its valves segment with focus on improving profitability rather than chasing growth
2015	The company embarks upon the new capacity expansion programme wherein it intends to set up a pump facility to manufacture pumps for super critical power plants at a capex of ₹ 250 crore. The company intends to implement the planned expansion in phased manner over the next five years
2017	The company commissions phase 1 of its expansion earlier than expected in December 2017. Given KSB's technical capabilities and past execution NPCIL grants order worth ₹ 413 crore to deliver coolant pumps and electric motor for the nuclear power plant that is being set up in Haryana over 2022-23. The valves division (standalone business) successfully turns around with EBIT margins in CY17 at 5.5% vs. 0.2% in CY16

Source: Company, ICICIdirect.com Research

## Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	KSB AG, Group.	31-Dec-17	40.5	14.1	0.0
2	Industrial and Prudential Investment Co Ltd	31-Dec-17	20.5	7.1	0.0
3	Reliance Nippon Life Asset Management Lim	31-Dec-17	7.8	2.7	0.2
4	Paharpur Cooling Towers, Ltd.	31-Dec-17	4.2	1.5	0.0
5	Thyssenkrupp AG	31-Dec-17	3.1	1.1	-0.2
6	Bajaj Allianz Life Insurance Company Limited	31-Dec-17	2.9	1.0	0.0
7	PineBridge Investments Asset Management I	31-Dec-17	2.8	1.0	0.0
8	Sundaram Asset Management Company Lim	31-Dec-17	2.3	0.8	0.0
9	DSP BlackRock Investment Managers Pvt. Lt	31-Dec-17	2.1	0.7	0.0
10	New Holding & Trading Co., Ltd.	31-Dec-17	0.7	0.3	0.0

Source: Reuters, ICICIdirect.com Research

## Shareholding Pattern

(in %)	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Promoter	66.4	66.4	66.4	66.4	66.4
FII	3.5	3.8	3.7	3.7	3.5
DII	15.0	14.7	15.1	15.3	15.7
Others	15.2	15.1	14.8	14.6	14.3

## Recent Activity

Buys			Sells		
Investor Name	Value( US\$ Million)	Shares (m)	Investor Name	Value( US\$ Million)	Shares (m)
Reliance Nippon Life Asset Management Limited	2.3	0.2	Thyssenkrupp AG	-3.0M	-0.2M
Bajaj Allianz Life Insurance Company Limited	0.6	0.0	UTI Asset Management Co. Ltd.	-0.2M	-0.0M
			Dimensional Fund Advisors, L.P.	-0.0M	-0.0M
			Taurus Asset Management Co. Ltd.	-0.02	0.00

Source: Reuters, ICICIdirect.com Research



## Financial summary (Consolidated)

Profit and loss statement					₹ Crore				
(Year-end March)	CY16	CY17	CY18E	CY19E					
Net Sales	817.6	944.3	1080.0	1200.4					
Other Operating Income	10.3	0.0	0.0	0.0					
<b>Total Operating Income</b>	<b>827.9</b>	<b>944.3</b>	<b>1080.0</b>	<b>1200.4</b>					
Growth (%)	0.9	14.1	14.4	11.1					
Raw Material Expenses	387.2	467.2	518.9	575.3					
Employee Expenses	144.9	144.6	153.9	165.4					
Other Operating Expense	196.8	225.1	270.5	295.3					
<b>Total Operating Expenditure</b>	<b>728.8</b>	<b>836.9</b>	<b>943.3</b>	<b>1,035.9</b>					
<b>EBITDA</b>	<b>99.1</b>	<b>107.5</b>	<b>136.7</b>	<b>164.4</b>					
Growth (%)	-6.5	8.5	27.2	20.3					
Depreciation	29.4	30.9	36.1	38.9					
Interest	1.7	3.7	1.8	0.9					
Other Income	24.0	29.8	18.1	26.8					
PBT	92.0	102.7	116.8	151.4					
Exceptional Item	0.0	0.0	0.0	0.0					
<b>Total Tax</b>	<b>31.6</b>	<b>37.1</b>	<b>39.1</b>	<b>50.7</b>					
<b>PAT</b>	<b>60.4</b>	<b>65.7</b>	<b>77.7</b>	<b>100.7</b>					
Profit from Associates	4.9	5.2	6.0	6.9					
<b>Reported Net Profit</b>	<b>65.3</b>	<b>70.9</b>	<b>83.6</b>	<b>107.6</b>					
Growth (%)	-5.8	8.8	18.3	29.6					
<b>EPS (₹)</b>	<b>18.8</b>	<b>20.4</b>	<b>24.0</b>	<b>30.9</b>					

Source: Company, ICICIdirect.com Research

Cash flow statement					₹ Crore				
(Year-end March)	CY16	CY17	CY18E	CY19E					
Profit after Tax	65.3	70.9	83.6	107.6					
Add: Depreciation	29.4	30.9	36.1	38.9					
(Inc)/dec in Current Assets	-56.1	-88.2	-28.8	-53.0					
Inc/(dec) in CL and Provisions	15.8	-2.4	54.0	41.7					
Others	1.7	3.7	1.8	0.9					
<b>CF from operating activities</b>	<b>56.1</b>	<b>14.8</b>	<b>146.8</b>	<b>136.1</b>					
(Inc)/dec in Investments	-2.7	-3.7	-3.0	3.0					
(Inc)/dec in Fixed Assets	-56.4	-114.5	-70.0	-30.0					
Others	-2.4	-0.2	0.0	0.0					
<b>CF from investing activities</b>	<b>-61.5</b>	<b>-118.4</b>	<b>-73.0</b>	<b>-27.0</b>					
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0					
Inc/(dec) in loan funds	3.9	7.5	0.0	0.0					
Dividend paid & dividend tax	-23.0	-25.1	-27.2	-29.2					
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0					
Others	-1.7	15.8	0.8	1.2					
<b>CF from financing activities</b>	<b>-20.8</b>	<b>-1.8</b>	<b>-26.3</b>	<b>-28.1</b>					
<b>Net Cash flow</b>	<b>-26.2</b>	<b>-105.4</b>	<b>47.5</b>	<b>81.0</b>					
Opening Cash	228.4	202.1	96.8	144.2					
<b>Closing Cash</b>	<b>202.1</b>	<b>96.8</b>	<b>144.2</b>	<b>225.3</b>					

Source: Company, ICICIdirect.com Research

Balance sheet					₹ Crore				
(Year-end March)	CY16	CY17	CY18E	CY19E					
<b>Liabilities</b>									
Equity Capital	34.8	34.8	34.8	34.8					
Reserve and Surplus	610.3	675.6	734.7	815.1					
<b>Total Shareholders funds</b>	<b>645.1</b>	<b>710.4</b>	<b>769.5</b>	<b>849.9</b>					
Total Debt	5.2	12.6	12.6	12.6					
Deferred Tax Liability	0.0	0.0	0.0	0.0					
Minority Interest / Others	7.5	0.0	0.0	0.0					
<b>Total Liabilities</b>	<b>657.8</b>	<b>723.0</b>	<b>782.2</b>	<b>862.6</b>					
<b>Assets</b>									
Gross Block	462.6	627.0	657.0	727.0					
Less: Acc Depreciation	281.5	312.3	348.5	387.4					
<b>Net Block</b>	<b>181.1</b>	<b>314.7</b>	<b>308.5</b>	<b>339.6</b>					
Capital WIP	54.0	4.1	44.1	4.1					
<b>Total Fixed Assets</b>	<b>235.1</b>	<b>318.8</b>	<b>352.6</b>	<b>343.7</b>					
Liquid Investments	0.0	0.0	0.0	0.0					
Other Investments	54.1	57.8	60.8	57.8					
Goodwill on Consolidation	0.0	0.0	0.0	0.0					
Inventory	211.9	247.6	281.1	312.4					
Debtors	180.1	260.9	266.3	279.5					
Loans and Advances	109.1	77.1	64.8	72.0					
Other Current Assets	4.9	8.6	10.8	12.0					
<b>Cash</b>	<b>202.1</b>	<b>96.8</b>	<b>144.2</b>	<b>225.3</b>					
<b>Total Current Assets</b>	<b>708.1</b>	<b>690.9</b>	<b>767.3</b>	<b>901.3</b>					
Creditors	275.0	274.8	325.5	361.7					
Provisions	80.3	78.1	81.4	86.8					
Current Liabilities & Prov	355.3	352.8	406.9	448.6					
<b>Net Current Assets</b>	<b>352.9</b>	<b>338.1</b>	<b>360.4</b>	<b>452.7</b>					
Others Assets	15.7	8.4	8.4	8.4					
<b>Application of Funds</b>	<b>657.8</b>	<b>723.0</b>	<b>782.2</b>	<b>862.6</b>					

Source: Company, ICICIdirect.com Research

Key ratios									
(Year-end March)	CY16	CY17	CY18E	CY19E					
<b>Per share data (₹)</b>									
EPS	18.8	20.4	24.0	30.9					
Cash EPS	27.2	29.2	34.4	42.1					
BV	185.3	204.1	221.1	244.2					
DPS	5.5	6.0	6.5	7.0					
Cash Per Share (Incl Invst)	58.1	27.8	41.4	64.7					
<b>Operating Ratios (%)</b>									
EBITDA Margin	12.0	11.4	12.7	13.7					
PBT / Total Op. income	11.1	10.9	10.8	12.6					
PAT Margin	7.9	7.5	7.7	9.0					
Inventory days	94.6	95.7	95.0	95.0					
Debtor days	80.4	100.8	90.0	85.0					
Creditor days	122.7	106.2	110.0	110.0					
<b>Return Ratios (%)</b>									
RoE	10.1	10.0	10.9	12.7					
RoCE	10.6	10.6	12.9	14.6					
RoIC	18.1	12.5	17.2	20.1					
<b>Valuation Ratios (x)</b>									
P/E	42.6	39.3	33.3	25.9					
EV / EBITDA	26.1	25.1	19.4	15.6					
EV / Net Sales	3.2	2.9	2.5	2.1					
Market Cap / Sales	3.4	2.9	2.6	2.3					
Price to Book Value	4.3	3.9	3.6	3.3					
<b>Solvency Ratios</b>									
Debt/EBITDA	0.1	0.1	0.1	0.1					
Debt / Equity	0.0	0.0	0.0	0.0					
Current Ratio	1.4	1.7	1.5	1.5					
<b>Quick Ratio</b>	<b>0.8</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>					

Source: Company, ICICIdirect.com Research

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**Pankaj Pandey**

**Head – Research**

**pankaj.pandey@icicisecurities.com**

**ICICIdirect.com Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
**research@icicidirect.com****

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