

Havells India

| HAVL IN

BUY

Target: ₹725 (Mar'14)

Standalone story in-tact; Sylvania key monitorable

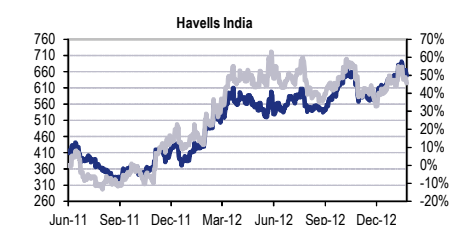
- **Management maintains growth/margin guidance for India business:** Havells India (Havells) reported strong standalone performance with revenue up 18.1% YoY on healthy growth across segments, except cables & wires (up 4.6% YoY on 11% decline in industrial cables, while consumer wires up 27% YoY). Consumer Durables revenue grew 51% YoY, of which fans grew 30% YoY and home appliances 109% YoY. Contribution margins improved 140-300bps QoQ across segments, except cables (down 70bps YoY on low margin industrial cables). EBITDA margins declined 90bps YoY on a) higher advertisement spend (3.5% of revenue vs. 2.9% in 3Q12) to boost appliances launch, b) provisioning for warrantees on consumer switchgears and appliances (c.0.7% of sales in 3Q13 vs 0.1-0.2% of sales in 3Q12). Adjusted for ₹37mn forex loss (loan restatement), net profit at ₹0.98bn was up 8.7% YoY and 2.6% below JMFe. Management **maintained earlier guidance of 15-20% sales growth** and 12.5-13.0% EBITDA margin for FY14/15.
- **Sylvania recovers on seasonality; management aims 6.0-6.5% margins in FY14/15:** Sylvania's adjusted net profit stood at ₹0.34bn (vs -₹116mn in 2Q13; +48.6% YoY) on decent recovery in European region (+10.9% QoQ) led by seasonal Christmas demand. However, LatAm revenues fell (-16.4% QoQ) as Brazil witnessed sharp decline in sales on inventory building in 2Q13 by dealers (normalised now; management aims 8-10% growth in FY14). Management maintained EBITDA margin guidance for Sylvania at 6-6.5% in FY14 (+100bps YoY).
- **Standalone cash flows strong:** During 9M13, standalone business reported strong ₹1.57bn free cash flow while Sylvania witnessed marginal increase in working capital. We expect Havells to report strong free cash flow of ₹9.9bn in FY14-15 as it maintains ₹1-1.2bn capex (including growth capex). It did not rule out possibility of further increase in dividends (27% of profit in FY12 vs 12% in FY11).
- **Tweak estimates; roll forward to Mar'14 with ₹725 TP, maintain BUY:** We cut FY14/15E by 3-4% to reflect higher advertisement spend and provision for warrantees in standalone business. We continue to value Havells at 14x Mar'15 EPS to arrive at Mar'14 TP of ₹725 (₹690 earlier). We like Havells due to its strong brand, unique product portfolio and excellent distribution, which should drive growth over longer term. Maintain BUY. Key risks to call are inability/delay to improve profitability in Sylvania in European region and currency fluctuations.

Achal Lohade
 achal.lohade@jmfll.com
 Tel: (91 22) 6630 3081

Key Data

Market cap (bn)	₹ 80.9 / US\$ 1.5
Shares in issue (mn)	124.8
Diluted share (mn)	124.8
3-mon avg daily val (mn)	₹ 199.3/US\$ 3.7
52-week range	₹ 708.4/422.2
Sensex/Nifty	19,924/6,019
₹/US\$	53.7

Daily Performance



%	1M	3M	12M
Absolute	0.7	0.0	52.0
Relative*	-2.8	-6.4	34.8

* To the BSE Sensex

Shareholding Pattern (%)	
	Sep-12
Promoters	61.6
FII	20.0
DII	1.1
Public / others	17.4

	Sep-11
Promoters	61.6
FII	16.8
DII	1.9
Public / others	19.7

Exhibit 1: Financial Summary

(₹ mn)

Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales	56,126	65,579	72,308	79,439	87,428
Sales growth (%)	8.7	16.8	10.3	9.9	10.1
EBITDA	5,306	7,182	6,892	8,332	9,631
EBITDA (%)	9.5	11.0	9.5	10.5	11.0
Adjusted net profit	2,812	3,911	3,961	5,284	6,473
EPS (₹)	23.4	31.3	31.7	42.3	51.9
EPS growth (%)	416.7	34.1	1.3	33.4	22.5
ROIC (%)	25.2	32.5	29.6	34.6	39.0
ROE (%)	53.4	48.6	34.2	34.1	33.0
PE (x)	27.7	20.7	20.4	15.3	12.5
Price/Book value (x)	11.9	8.5	5.9	4.7	3.7
EV/EBITDA (x)	16.2	12.1	12.1	9.8	8.0

Source: Company data, JM Financial. Note: Valuations as of 24/1/2013

JM Financial Research is also available on:
 Bloomberg - JMFR <GO>, Thomson Publisher & Reuters.

Please see important disclosure at the end of the report

Exhibit 2. 3Q13 Summary table**(₹ mn)**

Y/E March	3Q12A	3Q13A	YoY	2Q13A	QoQ	3Q13E	Var	9M12	9M13	YoY
Revenue	16,596	18,143	9.3%	16,992	6.8%	17,821	1.8%	47,405	52,913	12%
Standalone	8,962	10,584	18.1%	9,642	9.8%	10,479	1.0%	25,701	30,579	19%
Sylvania	7,818	7,675	-1.8%	7,461	2.9%	7,671	0.1%	22,157	22,561	2%
EBITDA	1,755	1,794	2.2%	1,336	34.3%	1,922	-6.6%	4,893	4,868	-1%
Standalone	1,259	1,399	11.1%	1,192	17.4%	1,498	-6.6%	3,367	3,897	16%
Sylvania	597	490	-18.0%	245	99.8%	443	10.6%	1,656	1,134	-32%
Reported Net Profit	886	1,177	32.8%	2,423	-51.4%	1,124	4.8%	2,490	4,312	73%
Standalone	789	947	20.1%	870	8.9%	1,003	-5.6%	2,139	2,618	22%
Sylvania	128	212	65.1%	1,552	NM	134	58.2%	385	1,668	333%
Adjusted Net Profit	1,037	1,179	13.7%	671	75.8%	1,124	4.9%	2,807	2,842	1%
Standalone	899	977	8.7%	786	24.2%	1,003	-2.6%	2,337	2,643	13%
Sylvania	228	339	48.6%	-116	-393.0%	134	153.1%	385	320	-17%

Source: Company, JM Financial

Exhibit 3. 3Q13 Consolidated financial performance**(₹ mn)**

Y/E March	3Q12A	3Q13A	YoY	2Q13A	QoQ	3Q13E	Var	9M12	9M13	YoY
Net Sales	16,596	18,143	9.3%	16,992	6.8%	17,821	1.8%	47,405	52,913	12%
Total Expenditure	14,841	16,349	10.2%	15,656	4.4%	15,900	2.8%	42,512	48,077	13%
% of sales	89.4%	90.1%		92.1%		89.2%		89.7%	90.9%	
EBITDA	1,755	1,794	2.2%	1,336	34.3%	1,922	-6.6%	4,893	4,868	-1%
EBITDA Margin	10.6%	9.9%		7.9%		10.8%		10.3%	9.2%	
Depreciation	231	252	9.1%	287	-12.2%	294	-14.3%	656	785	20%
EBIT	1,524	1,542	1.2%	1,049	47.0%	1,627	-5.3%	4,237	4,083	-4%
Other Income	62	43	-30.6%	15	186.7%	20	110.0%	248	105	-58%
PBIT	1,586	1,585	-0.1%	1,064	49.0%	1,648	-3.8%	4,485	4,188	-7%
Interest	251	216	-13.9%	335	-35.5%	222	-2.7%	799	832	4%
Forex Losses/(Income)	194	2	NM	-1,910	NM	0		495	-1,628	
PBT	1,141	1,367	19.8%	2,639	-48.2%	1,426	-4.1%	3,191	4,984	56%
Tax Expense	255	190	-25.5%	216	-12.0%	302	-37.2%	701	672	-4%
Tax rate	22.3%	13.9%				21.2%		22.0%	13.5%	
Reported Net Profit	886	1,177	32.8%	2,423	-51.4%	1,124	4.8%	2,490	4,312	73%
Adjusted net profit	1,037	1,179	13.7%	671	75.8%	1,124	4.9%	2,807	2,842	1%

Source: Company, JM Financial

Exhibit 4. Standalone financial performance**(₹ mn)**

Y/E March	3Q12A	3Q13A	YoY	2Q13A	QoQ	3Q13E	Var	9M12	9M13	YoY
Net Sales	8,962	10,584	18.1%	9,642	9.8%	10,479	1.0%	25,701	30,579	19%
RM cost	5,615	6,599	17.5%	5,888	12.1%	6,392	3.2%	16,144	19,014	18%
% of sales	62.7%	62.4%		61.1%		61.0%		62.8%	62.2%	
Employee cost	364	472	29.6%	433	9.0%	451	4.8%	1,060	1,337	26%
% of sales	4.1%	4.5%		4.5%		4.3%		4.1%	4.4%	
Other expenses	1,723	2,114	22.7%	2,129	-0.7%	2,138	-1.2%	5,131	6,331	23%
% of sales	19.2%	20.0%		22.1%		20.4%		20.0%	20.7%	
Total Expenditure	7,703	9,185	19.2%	8,451	8.7%	8,981	2.3%	22,334	26,682	19%
% of sales	85.9%	86.8%		87.6%		85.7%		86.9%	87.3%	
EBITDA	1,259	1,399	11.1%	1,192	17.4%	1,498	-6.6%	3,367	3,897	16%
EBITDA margin	14.1%	13.2%		12.4%		14.3%		13.1%	12.7%	
Depreciation	104	146	41.3%	159	-7.8%	165	-11.3%	281	423	51%
EBIT	1,156	1,253	8.4%	1,033	21.3%	1,333	-6.0%	3,086	3,474	13%
Other Income	21	15		20		20		39	37	
PBIT	1,177	1,268	7.7%	1,053	20.5%	1,354	-6.3%	3,125	3,511	12%
Interest	75	58	-22.9%	99	-42.2%	100	-42.5%	247	244	-1%
XO Expense/(income)	135	37		-101		0		248	35	
PBT	967	1,174	21.3%	1,054	11.3%	1,254	-6.4%	2,630	3,232	23%
Provision for taxation	179	227	26.8%	185	22.7%	251	-9.6%	491	615	
Tax rate	18.5%	19.3%		17.5%		20.0%		18.7%	19.0%	
Reported Profit	789	947	20.1%	870	8.9%	1,003	-5.6%	2,139	2,618	22%
Adjusted Profit	899	977	8.7%	786	24.2%	1,003	-2.6%	2,337	2,643	13%

Source: Company, JM Financial

Exhibit 5. Standalone segmental performance**(₹ mn)**

Y/E March	3Q12A	3Q13A	YoY	2Q13A	QoQ	3Q13E	Var	9M12	9M13	YoY
Revenue										
Switchgears	2,261	2,697	19.3%	2,551	5.7%	2,668	1.1%	6,586	7,663	16%
Cables and Wires	3,907	4,085	4.6%	3,907	4.6%	4,220	-3.2%	11,163	12,305	10%
Lighting and Fixtures	1,448	1,770	22.2%	1,561	13.4%	1,709	3.6%	4,033	4,829	20%
Electrical Consumer Durables	1,346	2,032	51.0%	1,623	25.2%	1,883	7.9%	3,908	5,757	47%
Total	8,962	10,584	18.1%	9,642	9.8%	10,479	1.0%	25,689	30,554	19%
Gross Contribution										
Switchgears	855	950	11.0%	847	12.1%	934	1.7%	2,432	2,676	10%
% of revenue	37.8%	35.2%		33.2%		35.0%		36.9%	34.9%	
Cables and Wires	354	414	16.9%	423	-2.0%	422	-1.9%	953	1,261	32%
% of revenue	9.1%	10.1%		10.8%		10.0%		8.5%	10.3%	
Lighting and Fixtures	358	423	18.2%	351	20.3%	427	-1.1%	960	1,119	17%
% of revenue	24.7%	23.9%		22.5%		25.0%		23.8%	23.2%	
Electrical Consumer Durables	378	508	34.7%	367	38.5%	471	8.0%	1,113	1,408	26%
% of revenue	28.1%	25.0%		22.6%		25.0%		28.5%	24.5%	
Total	1,944	2,295	18.0%	1,988	15.4%	2,254	1.8%	5,458	6,464	18%
% of revenue	21.7%	21.7%		20.6%		21.5%		21.2%	21.2%	

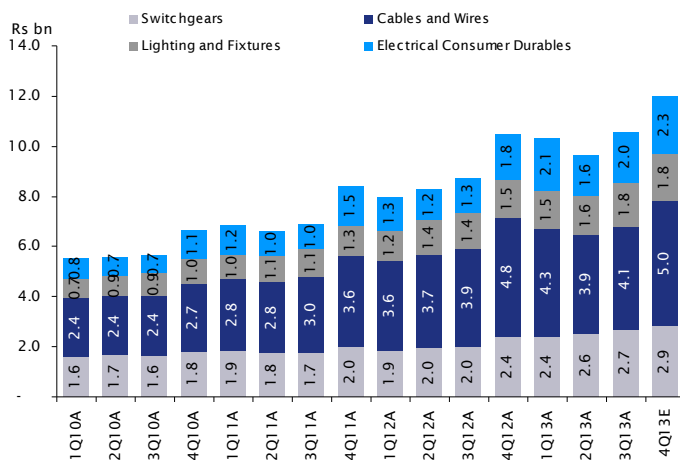
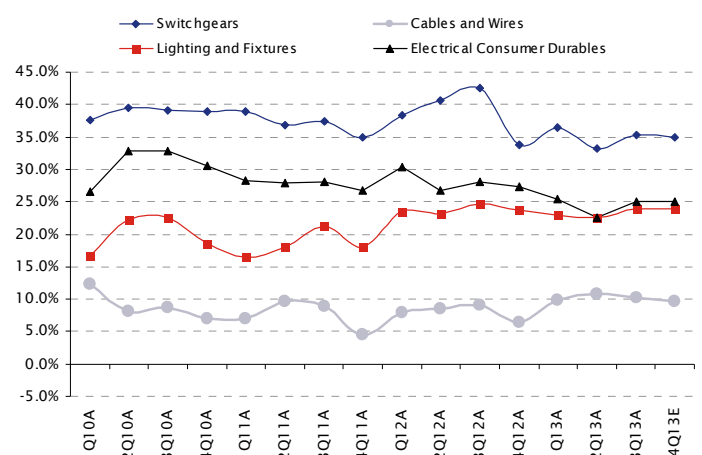
Source: Company, JM Financial

Exhibit 6. Sylvania financial performance

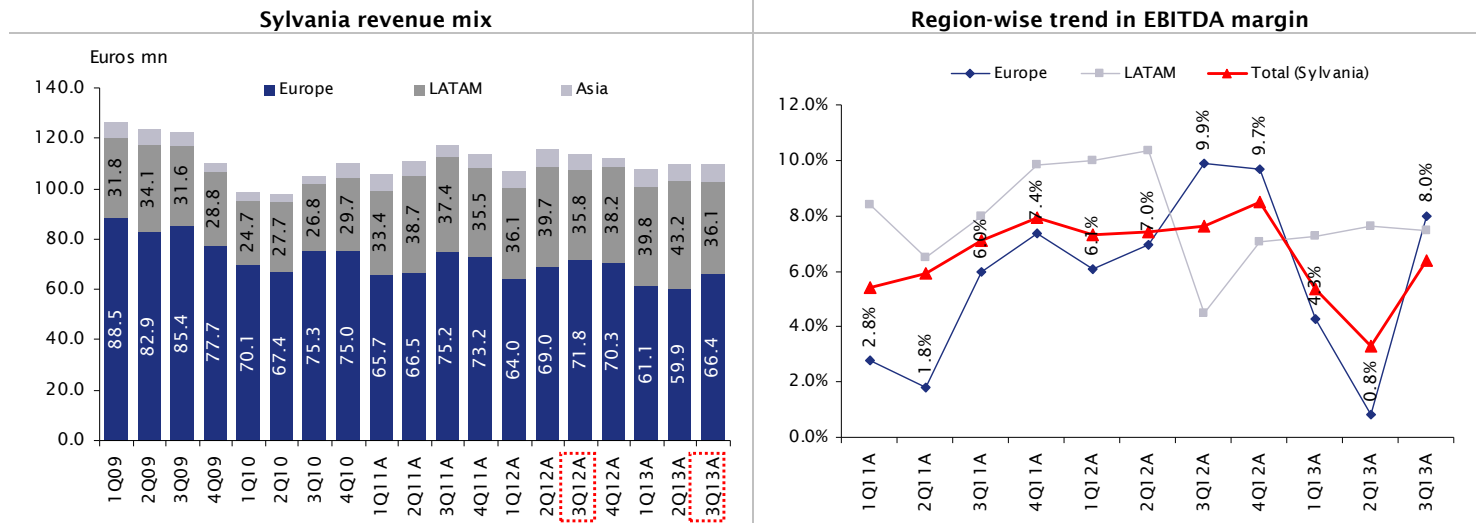
(₹ mn)

Y/E March	3Q12A	3Q13A	YoY	2Q13A	QoQ	3Q13E	Var	9M12	9M13	YoY
Net Sales	7,818	7,675	-1.8%	7,461	2.9%	7,671	0.1%	22,157	22,561	2%
Europe (mn Euros)	71.80	66.40	-7.5%	59.90	10.9%	64.62	2.8%	204.80	187.40	-8%
LatAm (mn Euros)	35.80	36.10	0.8%	43.20	-16.4%	38.66	-6.6%	111.60	119.10	7%
Total Expenditure	7,221	7,185	-0.5%	7,216	-0.4%	7,228	-0.6%	20,501	21,427	5%
% of sales	80.6%	67.9%		74.8%		69.0%		79.8%	70.1%	
EBITDA	597	490	-18.0%	245	99.8%	443	10.6%	1,656	1,134	-32%
<i>EBITDA margin</i>	<i>7.6%</i>	<i>6.4%</i>		<i>3.3%</i>		<i>5.8%</i>		<i>7.5%</i>	<i>5.0%</i>	
Europe (mn Euros)	7.10	5.30	-25.4%	0.50	960.0%	3.23	64.0%	15.80	8.40	-47%
<i>EBITDA margin</i>	<i>9.9%</i>	<i>8.0%</i>		<i>0.8%</i>		<i>5.0%</i>		<i>7.7%</i>	<i>4.5%</i>	
LatAm (mn Euros)	1.60	2.70	68.8%	3.30	-18.2%	3.09	-12.7%	9.30	8.90	-4%
<i>EBITDA margin</i>	<i>4.5%</i>	<i>7.5%</i>		<i>7.6%</i>		<i>8.0%</i>		<i>8.3%</i>	<i>7.5%</i>	
Depreciation	127	105	-17.4%	129	-18.9%	129	-18.9%	374	358	-4%
EBIT	470	385	-18.2%	116	232.5%	313	22.8%	1,282	776	-39%
Other Income	40	35		0		0		180	63	-65%
PBIT	510	420	-17.7%	116	262.7%	313	34.0%	1,462	838	-43%
Interest	205	140	-31.7%	204	-31.5%	122	14.7%	591	489	-17%
XO Expense/(income)	100	105		-1,668		0		276	-1,370	
PBT	205	175	-14.8%	1,579		191	-8.6%	595	1,720	189%
Provision for taxation	77	-37	NM	27	NM	57	NM	210	52	-75%
Tax rate	37.5%	-21.2%		1.7%		30.0%		35.3%	3.0%	
Reported Profit	128	212	65.1%	1,552	-86.3%	134	58.2%	385	1,668	333%
Adjusted Profit	228	339	48.6%	-116	NM	134	153.1%	385	320	-17%

Source: Company, JM Financial

Exhibit 7. Domestic segments revenue and contribution margins trend (Quarterly)**Segment wise Revenue and Gross Contribution margin trend (standalone)****Segment wise trend in Gross Contribution margin**

Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers; *Gross contribution is calculated after deducting material cost, manufacturing variables and direct selling variables from the net revenue.

Exhibit 8. Sylvania revenue mix and margin trend (Quarterly)

Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers.

Exhibit 9. Revised FY14/15 estimates

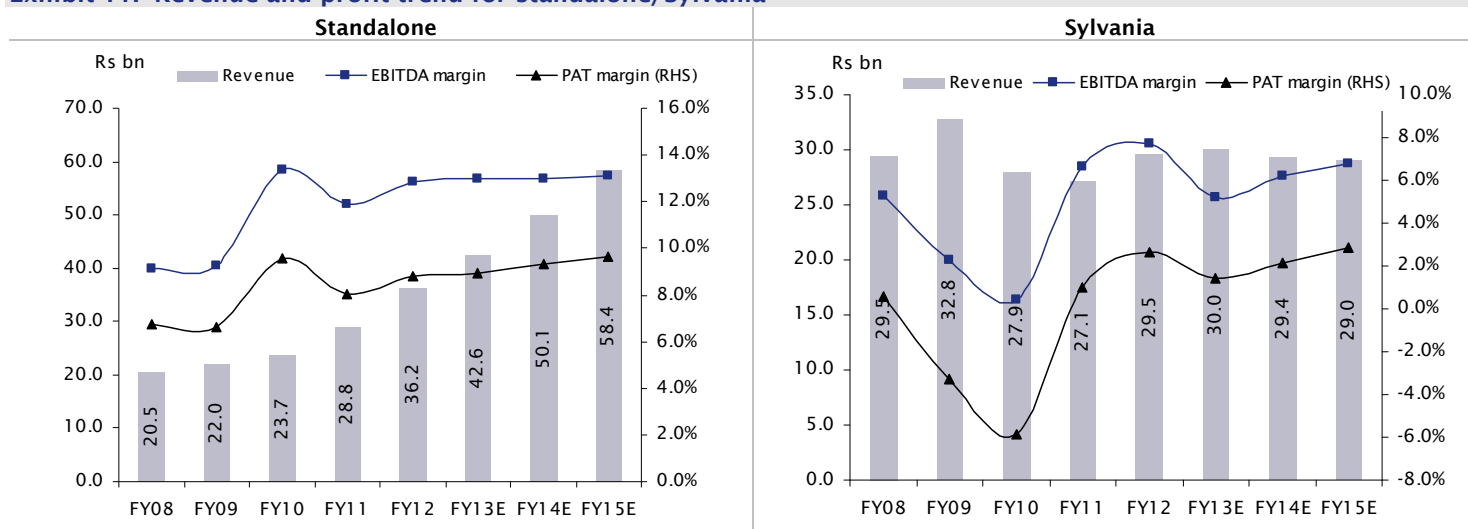
	FY14E			FY15E		
	Old	New	Change	Old	New	Change
Consolidated Revenue	77.48	79.44	2.5%	84.76	87.43	3.1%
Sylvania	28.26	29.37	3.9%	27.98	29.04	3.8%
Standalone	49.22	50.07	1.7%	56.78	58.39	2.8%
Switchgears (incl Standard Electricals)	12.79	13.14	2.7%	15.09	15.51	2.7%
Cables and Wires	19.35	19.04	-1.6%	21.67	21.33	-1.6%
Lighting and Fixtures	7.53	7.84	4.0%	8.66	9.25	6.7%
Electrical Durables	9.55	10.05	5.2%	11.35	12.31	8.4%
Consolidated EBITDA	8.60	8.33	-3.1%	10.01	9.63	-3.8%
Sylvania	1.76	1.82	3.4%	1.91	1.98	3.4%
Standalone	6.84	6.51	-4.8%	8.09	7.65	-5.5%
(Contribution- Unallocable Exp)						
Switchgears (incl Standard Electricals)	4.48	4.53	1.3%	5.28	5.35	1.3%
Cables and Wires	1.90	1.90	0.4%	2.12	2.13	0.4%
Lighting and Fixtures	1.81	1.80	-0.3%	2.08	2.13	2.3%
Electrical Durables	2.29	2.36	3.0%	2.73	2.89	6.2%
Total Standalone contribution	10.47	10.60	1.2%	12.21	12.50	2.4%
Less: Unallocable Expenditure	3.64	4.09	12.5%	4.12	4.85	17.9%
Margin Profile						
Consolidated EBITDA	11.1%	10.5%		11.8%	11.0%	
Sylvania (EBITDA level)	6.2%	6.2%		6.8%	6.8%	
Standalone (EBITDA level)	13.9%	13.0%		14.3%	13.1%	
Standalone break up (at contribution level)						
Switchgears (incl Standard Electricals)	35.0%	34.5%		35.0%	34.5%	
Cables and Wires	9.8%	10.0%		9.8%	10.0%	
Lighting and Fixtures	24.0%	23.0%		24.0%	23.0%	
Electrical Durables	24.0%	23.5%		24.0%	23.5%	
Consolidated Adjusted Profit	5.52	5.28	-4.4%	6.76	6.47	-4.2%
Sylvania	0.69	0.63	-8.6%	0.88	0.83	-6.0%
Standalone	4.84	4.66	-3.8%	5.87	5.64	-3.9%

Source: Company, JM Financial; Note: Gross contribution is calculated after deducting material cost, manufacturing variables and direct selling variables from the net revenue *switchgears not comparable due to merger of Standard Electricals

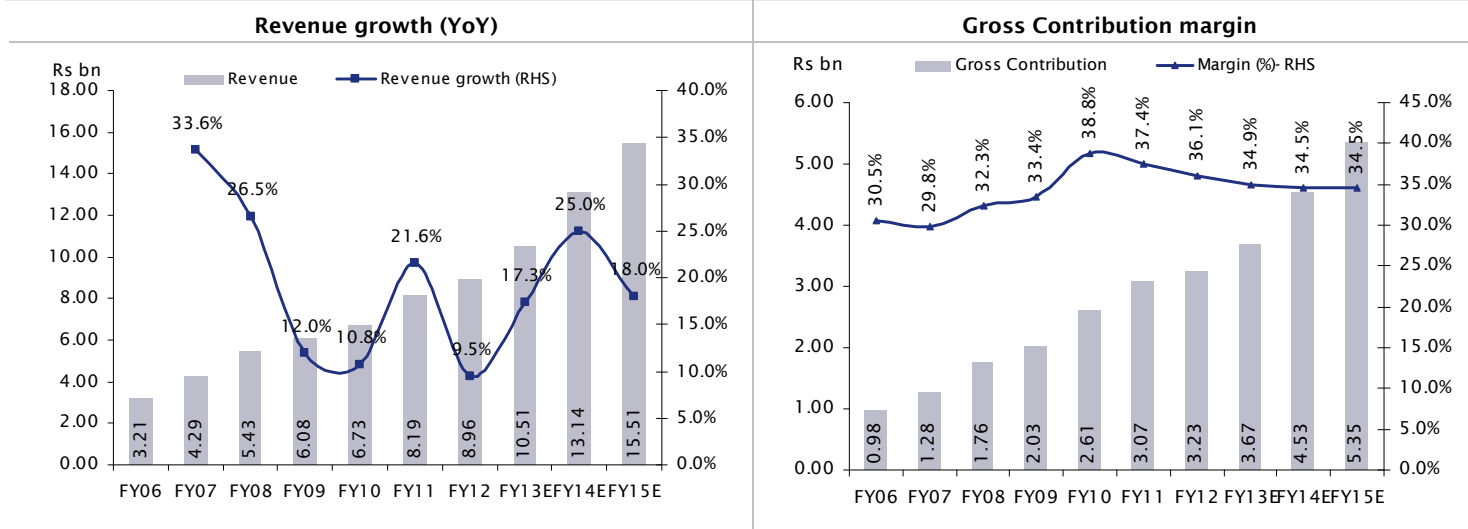
Exhibit 10. Havells India: Bear case Scenario Analysis

	Standalone			Sylvania			Consolidated		
	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
Base case:									
Revenue (₹ mn)	42,558	50,066	58,392	29,977	29,373	29,036	72,308	79,439	87,428
Revenue growth	17.5%	17.6%	16.6%	1.5%	-2.0%	-1.1%	10.3%	9.9%	10.1%
EBITDA (₹ mn)	5,527	6,511	7,652	1,560	1,821	1,979	6,892	8,332	9,631
EBITDA margin	13.0%	13.0%	13.1%	5.2%	6.2%	6.8%	9.5%	10.5%	11.0%
Adjusted Profit (₹ mn)	3,800	4,658	5,641	427	626	832	3,961	5,284	6,473
EPS	30.45	37.33	45.21	3.42	5.02	6.67	31.74	42.35	51.88
PE (x)									14
Target Price									725
Bear Case:									
Revenue (₹ mn)	42,558	46,677	51,300	29,977	28,353	27,092	72,308	75,030	78,392
Revenue growth	17.5%	9.7%	9.9%	1.5%	-5.4%	-4.4%	10.3%	3.8%	4.5%
EBITDA (₹ mn)	5,527	5,277	5,796	1,560	1,379	1,340	6,892	6,656	7,137
EBITDA margin	13.0%	11.3%	11.3%	5.2%	4.9%	4.9%	9.5%	8.9%	9.1%
Adjusted Profit (₹ mn)	3,800	3,661	4,142	427	245	264	3,961	3,906	4,406
EPS	30.45	29.34	33.19	3.42	1.97	2.11	31.74	31.30	35.31
PE (x)									13
Target Price									459
Risk to Target Price									-37.0%

Source: Company, JM Financial

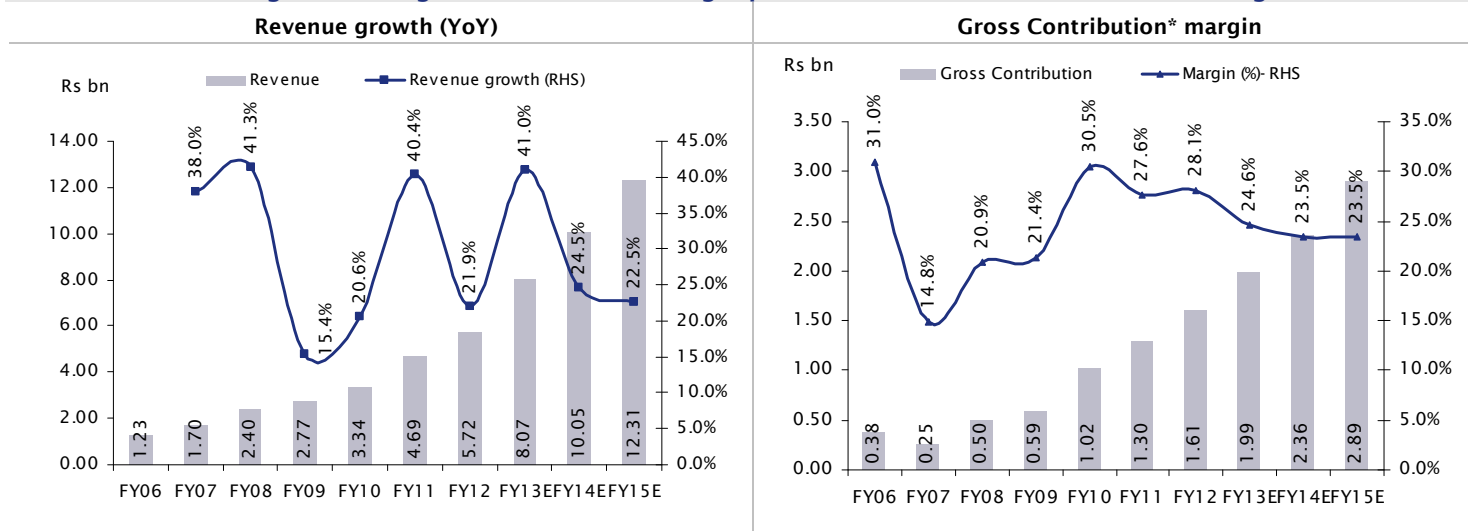
Exhibit 11. Revenue and profit trend for standalone/Sylvania

Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers

Exhibit 12. Revenue growth and gross contribution margin profile - Switchgears segment

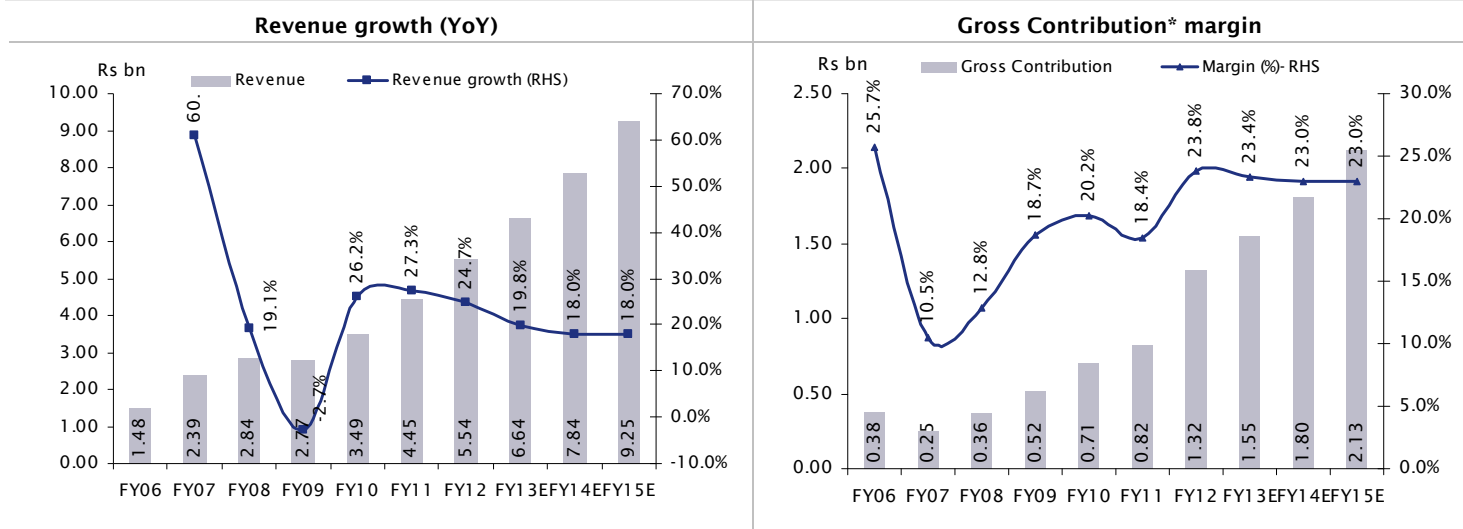
Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers; b) During 1Q13, Havells changed its depreciation presentation in segmental disclosures and will report contribution margins after deducting depreciation (previously contribution margins were pre-depreciation level as depreciation was clubbed under 'Unallocable Expenditure'). As a result, FY12/13E/14E margins are not comparables to previous years.

*Gross contribution is calculated after deducting material cost, manufacturing variables and direct selling variables from the net revenue.

Exhibit 13. Revenue growth and gross contribution margin profile - Electrical Consumer Durables segment

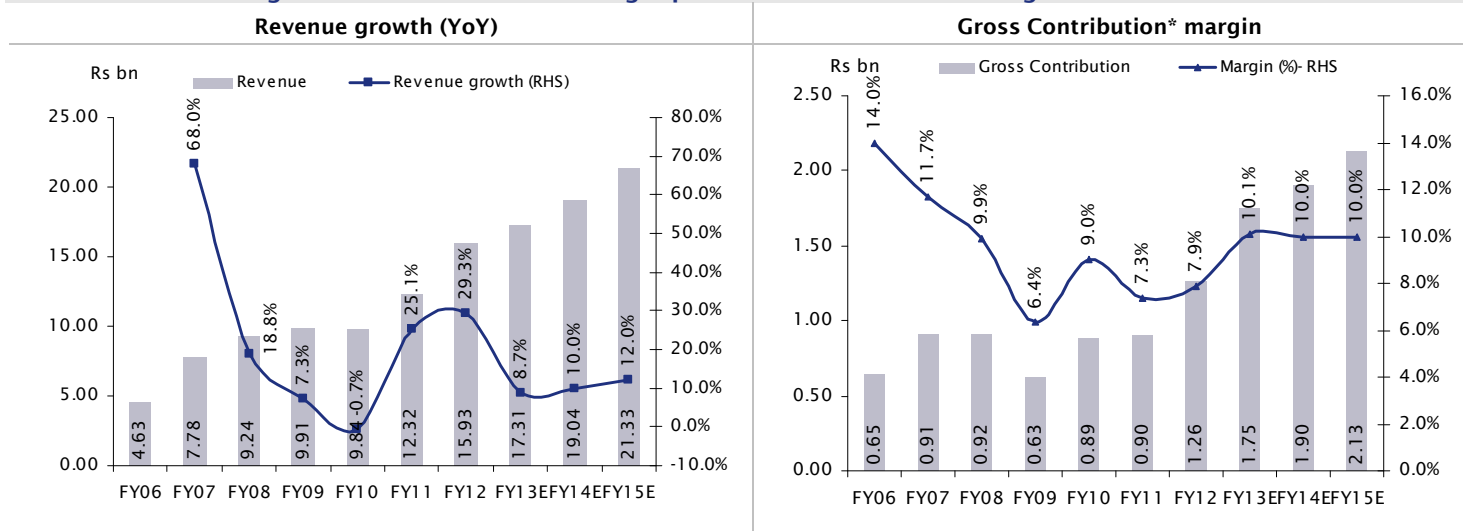
Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers; b) During 1Q13, Havells changed its depreciation presentation in segmental disclosures and will report contribution margins after deducting depreciation (previously contribution margins were pre-depreciation level as depreciation was clubbed under 'Unallocable Expenditure'). As a result, FY12/13E/14E margins are not comparables to previous years.

*Gross contribution is calculated after deducting material cost, manufacturing variables and direct selling variables from the net revenue.

Exhibit 14. Revenue growth and gross contribution margin profile - Lighting and Fixtures segment

Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers; b) During 1Q13, Havells changed its depreciation presentation in segmental disclosures and will report contribution margins after deducting depreciation (previously contribution margins were pre-depreciation level as depreciation was clubbed under 'Unallocable Expenditure'). As a result, FY12/13E/14E margins are not comparables to previous years.

*Gross contribution is calculated after deducting material cost, manufacturing variables and direct selling variables from the net revenue.

Exhibit 15. Revenue growth and contribution margin profile - Cables and Wires segment

Source: Company, JM Financial; Note: During FY11, Havells changed its presentation policy on discounts, incentive and rebates to dealers (earlier part of sales and distribution expenditure) are reduced from revenue for FY10/11 and therefore may not be directly comparable to historical numbers; b) During 1Q13, Havells changed its depreciation presentation in segmental disclosures and will report contribution margins after deducting depreciation (previously contribution margins were pre-depreciation level as depreciation was clubbed under 'Unallocable Expenditure'). As a result, FY12/13E/14E margins are not comparables to previous years.

*Gross contribution is calculated after deducting material cost, manufacturing variables and direct selling variables from the net revenue.

Financial Tables (Consolidated)

Profit & Loss (₹ mn)					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales (Net of excise)	56,126	65,579	72,308	79,439	87,428
Growth (%)	8.7	16.8	10.3	9.9	10.1
Other operational income	0	0	0	0	0
Raw material (or COGS)	32,556	36,272	39,769	43,691	48,085
Personnel cost	6,319	7,904	8,822	9,692	10,666
Other expenses (or SG&A)	11,946	14,220	16,825	17,724	19,046
EBITDA	5,306	7,182	6,892	8,332	9,631
EBITDA (%)	9.5	11.0	9.5	10.5	11.0
Growth (%)	64.7	35.4	-4.0	20.9	15.6
Other non-op. income	69	17	131	173	223
Depreciation and amort.	804	949	1,042	1,070	1,104
EBIT	4,570	6,250	5,981	7,434	8,750
Add: Net interest income	-902	-1,281	-1,038	-799	-674
Pre tax profit	3,669	4,969	4,943	6,635	8,075
Taxes	1,031	1,058	1,014	1,351	1,602
Add: Extraordinary items	402	-212	1,370	0	0
Less: Minority interest	4	0	0	0	0
Reported net profit	3,036	3,699	5,299	5,284	6,473
Adjusted net profit	2,812	3,911	3,961	5,284	6,473
Margin (%)	5.0	6.0	5.5	6.7	7.4
Diluted share cap. (mn)	120	125	125	125	125
Diluted EPS (₹)	23.4	31.3	31.7	42.3	51.9
Growth (%)	416.7	34.1	1.3	33.4	22.5
Total Dividend + Tax	363	811	1,061	1,373	1,685

Source: Company, JM Financial

Balance Sheet (₹ mn)					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Share capital	624	624	624	624	624
Other capital	0	0	0	0	0
Reserves and surplus	5,914	8,932	13,011	16,717	21,253
Networth	6,537	9,556	13,635	17,341	21,877
Total loans	9,569	8,685	4,185	1,685	1,685
Minority interest	6	9	9	9	9
Sources of funds	16,112	18,250	17,829	19,035	23,571
Intangible assets	0	0	0	0	0
Fixed assets	32,152	33,513	34,913	36,213	37,413
Less: Depn. and amort.	18,894	19,842	20,884	21,954	23,058
Net block	13,258	13,671	14,029	14,259	14,355
Capital WIP	300	900	800	700	700
Investments	0	0	0	0	0
Def tax assets/- liability	-559	-556	-556	-556	-556
Current assets	22,077	27,183	28,976	32,244	39,260
Inventories	10,860	13,678	15,452	17,411	19,162
Sundry debtors	7,721	8,905	9,905	11,317	12,455
Cash & bank balances	1,779	2,336	1,355	1,251	5,378
Other current assets	0	0	0	0	0
Loans & advances	1,718	2,264	2,264	2,264	2,264
Current liabilities & prov.	18,965	22,948	25,419	27,611	30,188
Current liabilities	15,061	17,852	20,939	22,741	24,859
Provisions and others	3,904	5,096	4,481	4,870	5,329
Net current assets	3,113	4,236	3,557	4,632	9,072
Others (net)	0	0	0	0	0
Application of funds	16,112	18,250	17,829	19,035	23,571

Source: Company, JM Financial

Cash flow statement (₹ mn)					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Reported net profit	3,036	3,699	5,299	5,284	6,473
Depreciation and amort.	804	949	1,042	1,070	1,104
-Inc/dec in working cap.	-3,847	-1,211	313	-1,569	-771
Others	4	3	0	0	0
Cash from operations (a)	-3	3,440	6,654	4,785	6,806
-Inc/dec in investments	0	0	0	0	0
Capex	-1,941	-1,961	-1,300	-1,200	-1,200
Others	3,544	646	-615	390	458
Cash flow from inv. (b)	1,603	-1,315	-1,915	-810	-742
Inc/-dec in capital	-138	131	-159	-206	-253
Dividend+Tax thereon	-363	-811	-1,061	-1,373	-1,685
Inc/-dec in loans	-1,095	-884	-4,500	-2,500	0
Others	292	-2	0	0	0
Financial cash flow (c)	-1,303	-1,567	-5,720	-4,078	-1,937
Inc/-dec in cash (a+b+c)	297	558	-981	-104	4,127
Opening cash balance	1,481	1,779	2,336	1,355	1,251
Closing cash balance	1,779	2,336	1,355	1,251	5,378

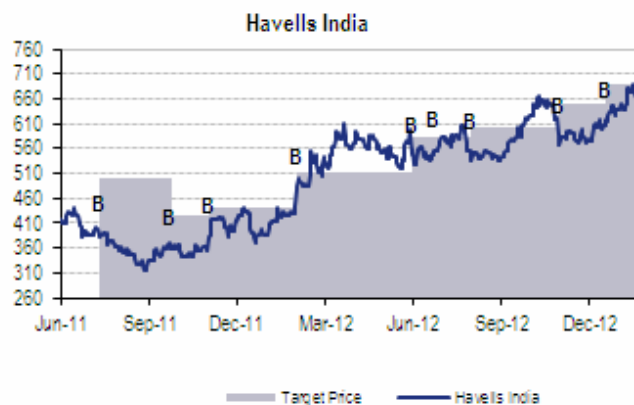
Source: Company, JM Financial

Key Ratios					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
BV/Share (₹)	54.3	76.6	109.3	139.0	175.3
ROCE (%)	25.2	32.5	29.6	34.6	39.0
ROE (%)	53.4	48.6	34.2	34.1	33.0
Net Debt/equity ratio (x)	1.2	0.7	0.2	0.0	-0.2
Valuation ratios (x)					
PER	27.7	20.7	20.4	15.3	12.5
PBV	11.9	8.5	5.9	4.7	3.7
EV/EBITDA	16.2	12.1	12.1	9.8	8.0
EV/Sales	1.5	1.3	1.2	1.0	0.9
Turnover ratios (no.)					
Debtor days	50	50	50	52	52
Inventory days	71	76	78	80	80
Creditor days	169	180	192	190	189

Source: Company, JM Financial

History of earnings estimates and target price

Date	FY13E EPS (Rs)	% Chg.	FY14E EPS (Rs)	% Chg.	Target Price	Target Date	% Chg.
11-Jul-11	38.4				500	Mar-12	
23-Sep-11	32.7	-14.8			425	Mar-12	-15.0
2-Nov-11	33.8	3.4			440	Mar-12	3.5
31-Jan-12	35.6	5.3	39.3		511	Mar-13	16.1
30-May-12	36.1	1.4	41.5	5.6	581	Mar-13	13.7
22-Jun-12	36.1	0.0	41.5	0.0	581	Mar-13	0.0
30-Jul-12	36.1	0.0	43.0	3.6	602	Mar-13	3.6
29-Oct-12	31.7	-12.2	42.5	-1.2	650	Sep-13	8.0
17-Dec-12	31.8	0.3	44.3	4.2	690	Sep-13	6.2

Recommendation history**JM Financial Institutional Securities Private Limited**

Member, BSE Limited and National Stock Exchange of India Limited

SEBI Registration Nos.: BSE - INB011296630 & INF011296630, NSE - INB231296634 & INF231296634

Registered Office: 141, Maker Chambers III, Nariman Point, Mumbai - 400 021, India

Corporate Office: 51, Maker Chambers III, Nariman Point, Mumbai - 400 021, India

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