

Initiating Coverage  
December 27, 2010

## Bajaj Electricals Ltd.



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## Bajaj Electricals Ltd.

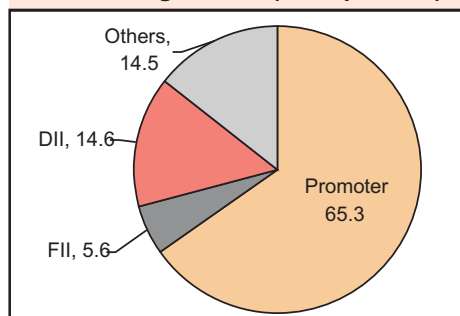
*Electrifying its future...*

December 27, 2010

Key Stock Data	
Sector	House-hold Appliances
CMP	₹228.45
52-wk High / Low	₹347 / 151
Market Cap	₹22.58bn (\$501mn)
Avg 12m daily vol.	156033
BSE Sensex	20073
Reco	Buy
TP	₹282

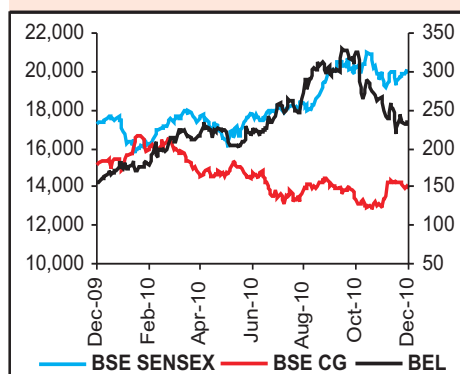
Stock Codes	
Bloomberg Code	BJE IN
Reuters Code	BJEL.BO
BSE Code	500031
NSE Code	BAJAJELEC
Face Value	₹2per share

### Shareholding Pattern (30 Sept, 2010)



Price Performance (%)			
1 Mth	3 Mths	6 Mths	1 Yr
-10.4%	-2.2%	4.0%	49.3%

### Stock Price Performance



Bajaj Electricals Limited (BEL) a part of the Bajaj Group, is a well diversified company and operates in five strategic business units namely; Appliances, Fans, Lightings, Luminaries and Engineering & Projects catering to both retail and industrial segments. BEL has grown the net sales with a CAGR of around 27% showing consistent increase in demand. The company has progressed in all the segments in the past several years through its prominent brand name and distribution channels.

#### ➤ Engineering & Products Division to drive growth:

The E & P business has expected to be driven by the growth on account of government spending infrastructure and power. Presently, E & P business contributes around 32% of the company's revenues. BEL has a healthy order book of ₹1150 Crores which reflects revenue visibility in future.

#### ➤ Diversification in Consumer durable segments:

BEL has forayed into different segments of electrical appliances with a strong leadership position in electrical iron, water heater, etc. The company has new product launches in the recent past seizing the opportunity of growing consumer pattern in the country.

#### ➤ Strong distribution network:

BEL has a strong distribution network to support its operations in different parts of the country. BEL is planning to increase its franchisee outlets across urban and rural areas in the coming years.

#### ➤ Business re-engineered:

To achieve higher revenues and focus into various segments, BEL has restructured its organizational strategy by increasing the responsibilities of each business heads.

#### ➤ Valuations:

Looking into impressive performance of the company and sustained growth, we initiate coverage on the stocks with a 'buy' recommendation and arrive at a target price of ₹282/- for the period of one year based on DCF valuation methodology. At CMP ₹228.45 stock trades at 14.7x at FY11E EPS and 10.9x at FY12E EPS, and at EV/ EBITDA of 9.11x and 6.97x for FY11E and FY12E respectively.

### Key Financials

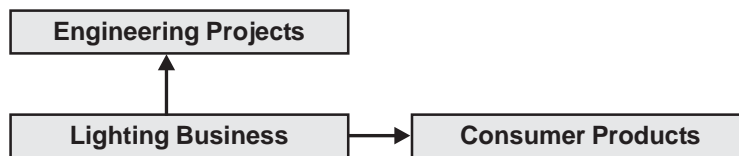
(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	1374.48	1765.71	2227.16	2718.37	3322.3
Growth	27.4%	28.5%	26.1%	22.1%	22.2%
PAT	73.10	89.13	117.09	152.41	206.37
Growth	90.0%	21.9%	31.4%	30.0%	35.0%
EBITDA Margin	10.6%	10.2%	10.7%	9.7%	10.3%
EPS (₹)	7.45	9.09	11.94	15.54	21.04
Book Value (₹)	17.7	25.0	50.4	62.2	78.1
P/E	30.66	25.14	19.14	14.70	10.86
P/BV	12.92	9.15	4.53	3.67	2.93
EV/EBITDA	16.84	13.37	9.80	9.11	6.97
ROE	42.0%	36.0%	24.0%	25.0%	27.0%
ROCE	34.0%	39.0%	36.0%	30.0%	33.0%

E - Keynote Capitals Institutional Research Estimates

## Investment Rationale:

**Excellent synergy inherited in business model:** BEL showed an excellent strategic vision over the last seven decades by moving across the value chain of consumer driven businesses. The company used its core strength of marketing & distribution and its brand name to enter into consumer products business. Under consumer products business, BEL sold an array of electrical & non-electrical products in the Indian consumer market along with its lighting products. The company integrated itself by setting up engineering projects division in power transmission & distribution. This backward integration enabled the company to sustain its lighting & luminaries business from highly competitive markets by creating a captive consumer. Both these businesses helped the company to expand its margins and allowed it to move from the conventional lighting business.

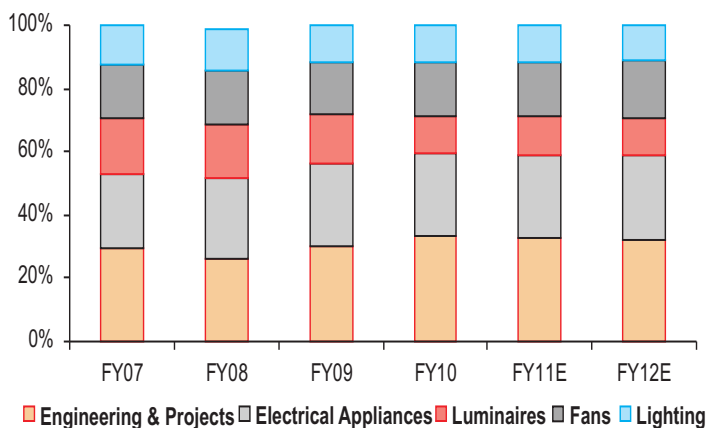


### Product Break-Up

LIGHTING		ENGINEERING & PROJECTS			CONSUMER DURABLE	
<b>Lighting</b> (Market share 8%)	<b>Luminaries</b> (Market share 17%)	<b>Special Projects</b> (Market share 70%)	<b>High Mast &amp; Poles</b>	<b>Towers</b>	<b>Electrical Appliances</b> (Market Share 15-30%)	<b>Fans</b> (Market Share 16.5%)
<ul style="list-style-type: none"> <li>GLS Lamps</li> <li>Compact florescent lamps</li> <li>Led torches</li> </ul>	<ul style="list-style-type: none"> <li>Industrial, commercial decorative lighting</li> <li>lighting emitted diode, halogen lamps, compact flourescent light(CFL)</li> </ul>	<ul style="list-style-type: none"> <li>Airport Lighting</li> <li>Stadium Lighting</li> <li>Turnkey Lighting</li> <li>Street Lighting</li> <li>Rural Electrification</li> </ul>	<ul style="list-style-type: none"> <li>Design Supply Erection of High mast</li> </ul>	<ul style="list-style-type: none"> <li>Design &amp; Erection of transmission lines, erection substation of small capacity up to 33Kv, 66Kv etc</li> </ul>	<ul style="list-style-type: none"> <li>Iron</li> <li>Water Heater</li> <li>Oven Toaster Griller</li> <li>Air Cooler, Gas Stoves &amp; Kitchen related Products</li> </ul>	<ul style="list-style-type: none"> <li>Ceiling Fans</li> <li>Table, Industrial &amp; Domestic Exhaust</li> <li>Bajaj Disney Children fan</li> </ul>

Chart 1

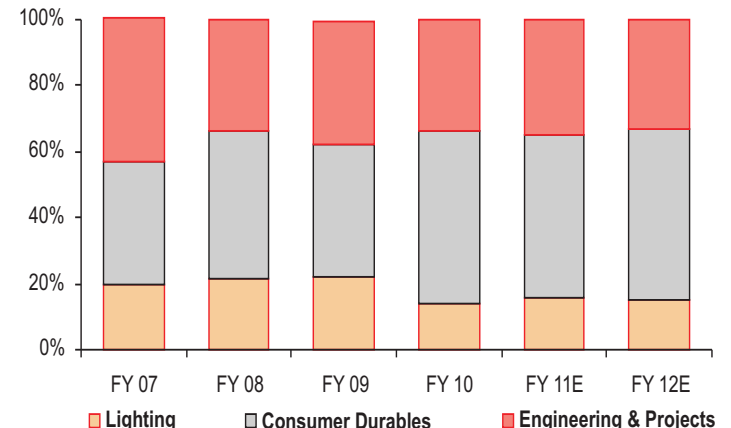
### Revenue Mix



Source: Company & Keynote Capitals Institutional Research

Chart 2

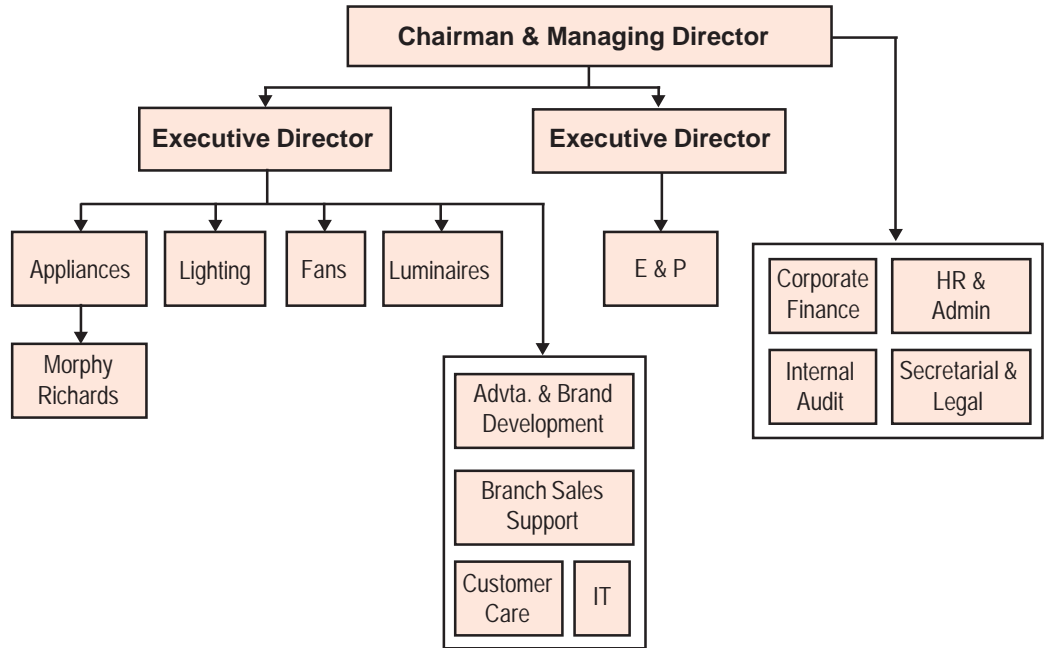
### EBIT Mix



Source: Company & Keynote Capitals Institutional Research

**Business Re-engineered:**

BEL realigned the business units in FY09, which improved its focus and functional efficiency to the diverse nature of businesses. As per the realignment scheme, the company appointed business heads for each of the verticals. Restructuring efforts helped the company to improve its channels, vendor management and product portfolios.



Source: Company Presentation

**Strong Marketing & Distribution Network:**

BEL has a pan India presence with strong distribution network. The company has 19 branch offices, a chain of 600 distributors, 5000 authorized dealers, over 300,000 retail outlets and over 240 service franchises spread across the country.

Consumer products business unit has sold nearly 5.2mn pieces in FY09-10 with 24 lacs Irons, 3.2 lacs Water Heaters, thus regaining the No. 1 position in water heaters. This BU has also entered the Modern Retail Format and Corporate Sales in a big way with a dedicated team focusing on this business. Bajaj fans are sold in almost 50,000 outlets across the country - of which around 18% are in rural areas and small towns with below 50,000 population. With an aggressive marketing and promotional strategy the BU is poised to take advantage of its unique position in the industry in the coming years too.

## E&P aims to drive growth:

BEL has leadership position in high mast & tower business and 70% market share in street & power plant lighting, sold nearly 4,450 High masts and over 35,000 poles of different varieties during the year.

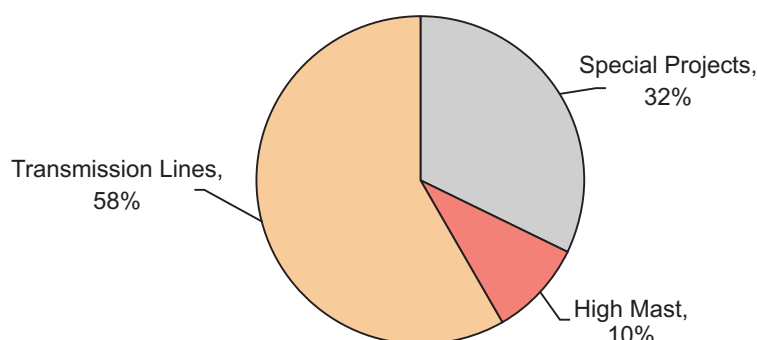
The Ranjangaon Unit achieved the highest tonnage of over 35,000 tonnes, which includes over 25,000 tonnes of Transmission Line Towers. This Unit was commissioned in April, 2001 and since then has made a steady progress to achieve near 90% capacity utilization.

Key drivers for BEL Engineering Projects business:

- **Order Visibility:** BEL has a order book of ₹1,150Cr, which is trifurcated as special project and rural electrification with ₹370Cr, high mast and steel furniture with ₹110Cr and transmission line tower with ₹670Cr. This gives a revenue visibility for next 15 months. At aggregate levels, 70% of orders come from Government and remaining from state electricity boards & private companies.

Chart 3

### Order Break up as on Sep 10



Source: Company & Keynote Capitals Institutional Research

- **Airport Modernization:** Indian Government plans to spend ₹129bn in XIth Five Year Plan to modernize and upgrade 4 metro airports and 35 non-metro airports and 7 new green field airports. The company plans to go aggressively, going forward to tap this opportunity.
- **India's thrust on power & infrastructure:** Government of India plans investments of ₹20,542bn in infrastructure and ₹6,586bn in power sector during XIth Five Year Plan. The government has undertaken Accelerated Power Development & Reform Programme (APDRP) for strengthening of Sub - Transmission and Distribution network and reduction in AT&C losses. It will provide ample opportunities for BEL's transmission business.
- **India's Jawaharlal Nehru National Urban Renewal Mission (JNNURM)** envisages improvement in infrastructure for 23 cities within 7 yrs involving an investment of ₹400bn. Under RGGVY, the government plans to provide electricity connections to 800 mn households in 125,000 villages in 5 yrs with the investment of ₹1,200 bn. BEL will provide feeder under this scheme in rural areas.
- **Increase in Tower Capacity:** Present capacity of power transfer to be increased from 9000 MW to 30000 MW with investments of ₹2,000bn and 60000 CKM transmission network to be added by 2012. BEL's tower business has immense opportunities for tapping this market.
- **Timely Execution:** BEL has successfully executed order for commonwealth games and sports ground like GMC Bal Yogi Football cum Athletic Stadium, Hyderabad, Sawai Mansingh Cricket Stadium, Jaipur, etc. Currently, the company is executing order for

Wankhede stadium which will be hosting World Cup Final 2011. Going forward, increase in investment in sporting infrastructure should augur well for BEL's special project business.

<b>Estimates of Engineering Products</b>					<b>(₹Cr)</b>
<b>Engineering Products</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Revenue	362.71	522.35	736.84	880	1056
% Growth	19.0%	44.0%	41.0%	19.0%	20.0%
EBIT	46.77	65.73	78.22	79.20	105.60
% Growth	30.0%	41.0%	19.0%	1.0%	33.0%

### Consumer Product business- Firm strategies to increase market share:

BEL has a unique competitive positioning in the consumer durable industry as it has pricing power in appliances especially in water heater, mixer grinders and iron where it enjoys leadership position. BEL has entire kitchen range of consumer durable product, which serves for various strata of population. BEL launched pressure cooker to penetrate in the rural markets. BEL markets products of Morphy Richards, a UK based consumer products major provides it a strong brand name in a premium product categories. It contributes ₹75Cr to the topline of BEL. We expect revenues from this product category to grow at a CAGR of 30% over FY10-12. The said pricing power will help the company to maintain profitability. To tap the middle segment (between premium and economy) of the consumer, BEL launched Bajaj Platini brand. BEL has substantial market share in most of consumer appliances ranging from 15% to 30%. BEL have tied up with Media the world's largest manufacturer of TPW (Table, Pedestal and Wall) fans. We expect the consumer product division to grow at a CAGR of 25% over FY10-12.

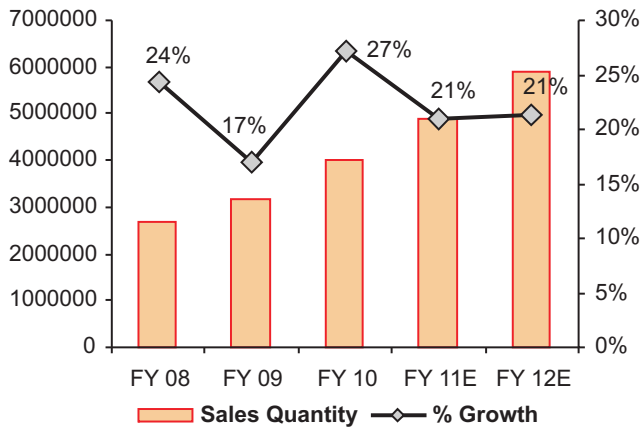
BEL plans to increase its market share in consumer product business by entering in newer product categories through leveraging its

- a. Strong brand name
- b. Pan India marketing and distribution network
- c. And entering in newer markets

We believe that the company's focus on catering to India's mass population will provide strong support for its marketing initiatives. Products that are launched recently or plans to launch in near future are pressure cooker, water purifier, economy kitchen mixer, gas stove and electrical iron. The company's plans to go rural by increasing retail outlets from 50000 to 100000 over next 2-3 years will also push its products strongly.

Chart 4

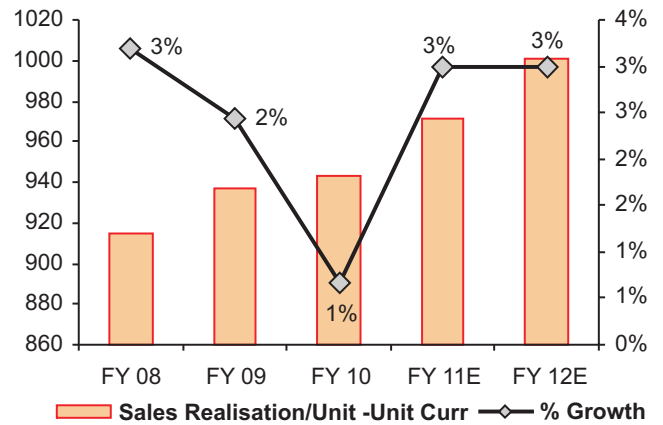
### Fans Sales Qty



Source: Company & Keynote Capitals Institutional Research

Chart 5

### Fans Sales Realisation



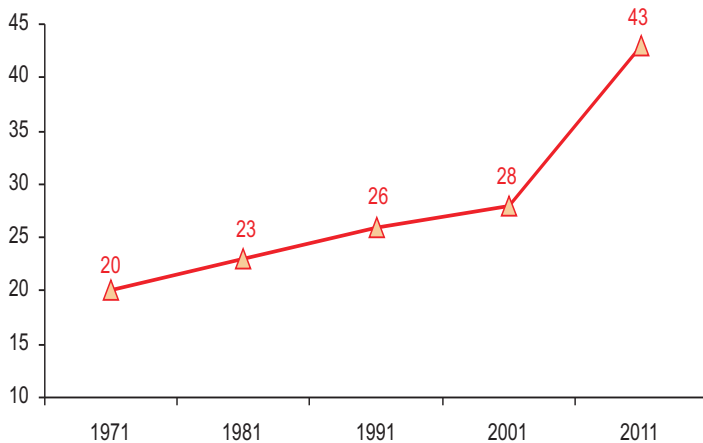
Source: Company & Keynote Capitals Institutional Research

### Key drivers for BEL consumer business

- Increase in purchasing power of Indian middle class and rapid urbanization

Chart 6

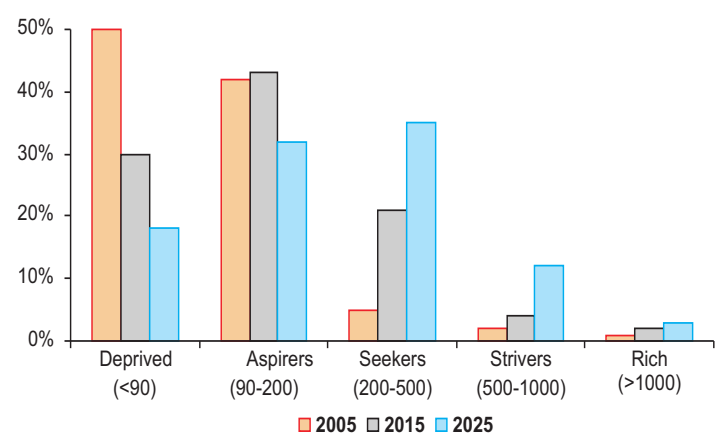
### Rate Of Urbanisation



Source: Company & Keynote Capitals Institutional Research

Chart 7

### Indian Household Classification Based on Income

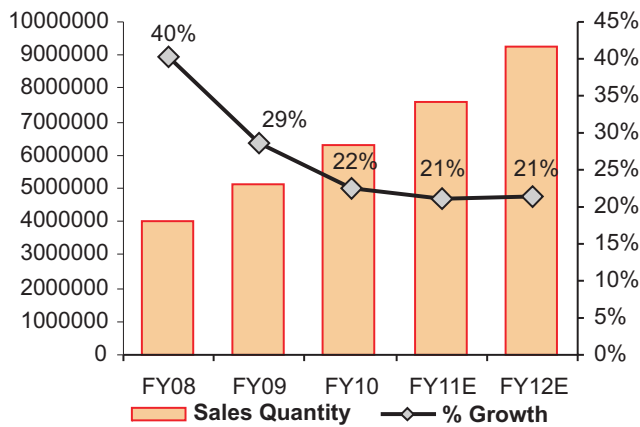


Source: Company & Keynote Capitals Institutional Research

- Higher volume growth on account of shift in sales of unorganized market to organize due to product price reduction and tax reforms
- Opportunities in organized retail
- Construction and housing industry revival
- Change in lifestyle and better living standards will improve replacement demand in Metros

Chart 8

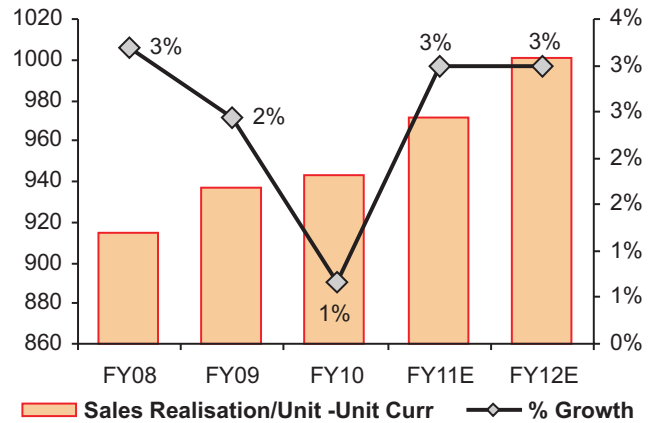
### Electrical Appliances Sales QTY



Source: Company & Keynote Capitals Institutional Research

Chart 9

### Sales Realisation



Source: Company & Keynote Capitals Institutional Research

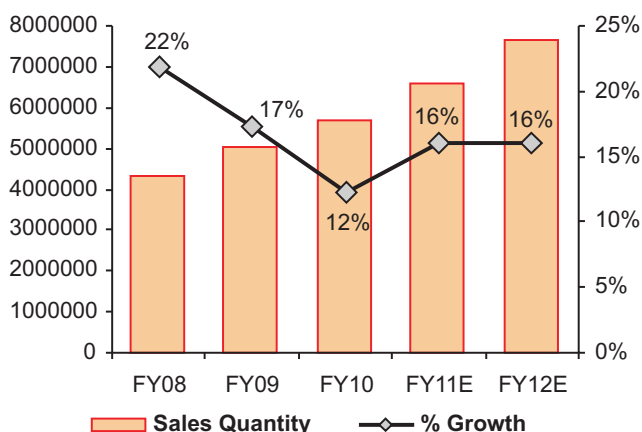
Consumer Durables	FY08	FY09	FY10	FY11E	FY12E
Revenue	603.16	753.27	954.45	1193.00	1491.00
% Growth	35.0%	25.0%	27.0%	25.0%	25.0%
EBIT	62.72	69.68	120.97	143.17	186.32
% Growth	35.0%	25.0%	27.0%	18.0%	30.0%

### Lighting Business: Strong track record; LED to lead future growth

BEL's lighting business to register a healthy CAGR of 25% during FY10-12 as against 15% during FY08-10 on account of aggressive marketing and distribution of light-emitting diode (LED) lights and lanterns in rural market. A rechargeable LED lantern has huge potential to grow due to its low maintenance cost. LED light has a market size of ~₹300Cr and is growing @30%. BEL tied up with US based Ruud Lighting Company and introduced a green LED brand under the name Bajaj Beta LED at attractive price. BEL provides LED lights in streetlight projects along with solar application to companies operating in this space. BEL also started building management system business in 2008 in path of becoming HVAC player by introducing products like fire alarm access and security controls. Market size of Compact Fluorescent Lights (CFL) is estimated at around ₹1,500Cr. BEL has a market share of 10% and targets to reach to 15%. The company has tied up with German company Trilux Lenze, wherein it promotes the premium Trilux luminaries. Trilux is market leader in industrial and commercial lighting in Europe. BEL has 23% stake in Sterlite Lightning, which meets 40% demand of CFL while remaining is met by export. The BU's dealer-customer relationship management program "JOSH" is being carried forward to ensure a very strong and healthy relationship with its top channel partners. The Lighting BU with its improved distribution network, wide product range, and efficient sourcing strategies is poised for improved growth in the future.

Chart 10

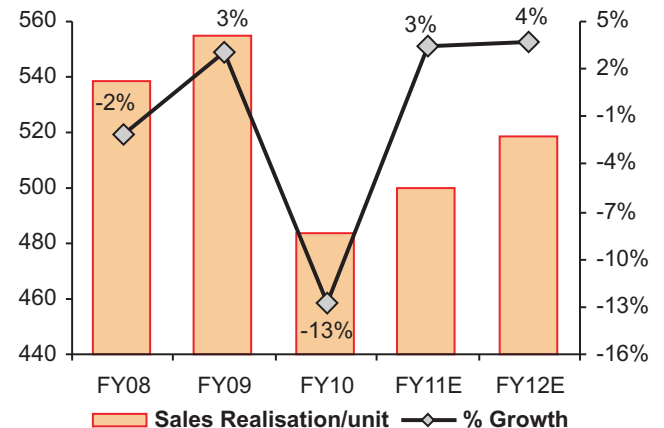
### Luminaries Sales QTY



Source: Company & Keynote Capitals Institutional Research

Chart 11

### Sales Realisation per unit



Source: Company & Keynote Capitals Institutional Research

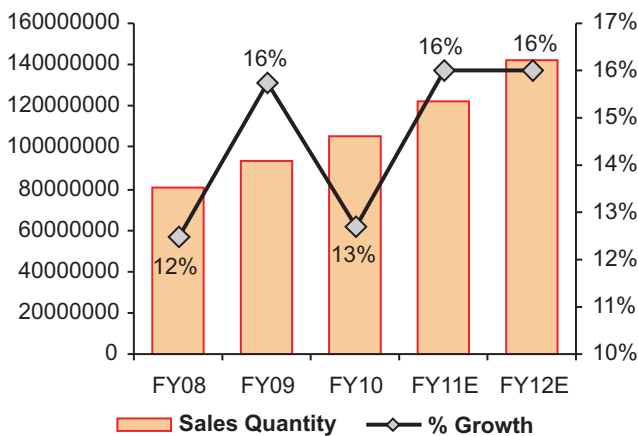


### Key Drivers for growth:

- Energy conservation encompassed with price reduction in CFL will create residential, commercial and government demand.
- Greater focus on Environment and Climate change amongst consumers
- Rural electrification and higher Power availability will spur future demand.
- Rapid urbanization, emerging segments like retail formats, malls, showrooms, IT parks, Tourism, Services Govt. and Private sector spending on infrastructure.

Chart 12

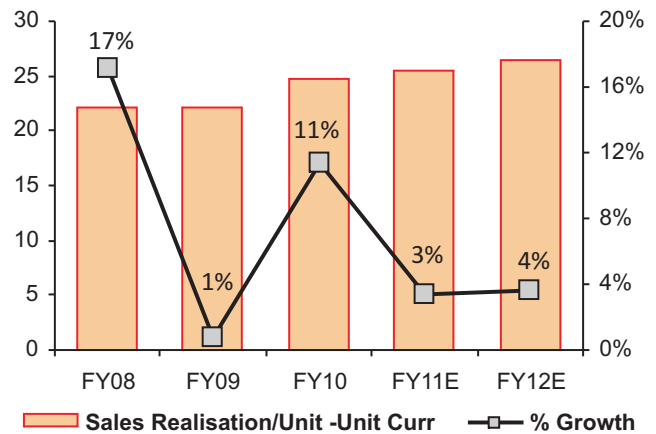
#### Lighting Sales QTY



Source: Company & Keynote Capitals Institutional Research

Chart 13

#### Lighting Sales Realisation



Source: Company & Keynote Capitals Institutional Research

### Major Clients:

**Industrial:** TATA Group, Reliance Group, Reliance ADAG, L&T, Aditya Birla Group, Siemens, ABB

**Government Clients:** Airport Authority of India, Container Corporation of India, State Electricity Boards, NTPC, Municipal Corporations & Councils, MSRDC, BEST, DAE

**Key Competitors:** Philips, Crompton Greaves, Surya Roshni Limited, Wipro.

Lighting	FY08	FY09	FY10	FY11E	FY12E
Revenue	407.00	488.00	536.00	643.00	772.00
% Growth	25.0%	20.0%	10.0%	20.0%	20.0%
EBIT	30.53	38.44	32.08	32.10	42.50
% Growth	86.0%	26.0%	-17.0%	0.15%	32.2%

### BEL to explore new opportunities to grow

BEL plans to implement 3-way strategy for rapid growth in its business. The company targets ₹5000Cr sales in next 3 years by increasing strength in the rural markets, launching new products and inorganic growth strategies.

### Rural market offers immense growth potential:

Indian government's focus on agriculture in order to reach GDP growth of 10% is justifiable. To achieve the target rural economy needs to grow at 4% per annum. Rural employment guarantee scheme such as NREGA creates alternative opportunities to earn income and will likely increase rural spending. We expect immense opportunities from the Indian rural economy and it will create a demand for household products such as fans, lights, lamps, torches, mixer

etc., which augurs well for BEL rural business.

To tap the opportunity, BEL plans to increase its rural retail outlets from 50,000 to 1,00,000 in next two years. The company has many products in pipeline such as LED torches and Lanterns and economy range of kitchen mixer and irons directed at the rural consumer. As a result, we expect rural contribution to increase from 20% to 30% in couple of years.

**New Product launches:**

BEL is set to expand its range of both electrical and non-electrical products such as gas stoves, water purifier and pressure cookers. BEL introduced new range of pressure cookers with a newly devised pressure regulating system. The company also unveiled Auto Lift irons that stand at an angle on its own when left unattended. BEL is more focused in designing and testing products and almost 70% of its products get outsourced. The company is eyeing a space in HVAC segment with plans to enter water-recycling business that posses higher growth potential in future. New appliances contribute around 15%-20% of sales in FY11 whereas for fans it would be around 10-12%.

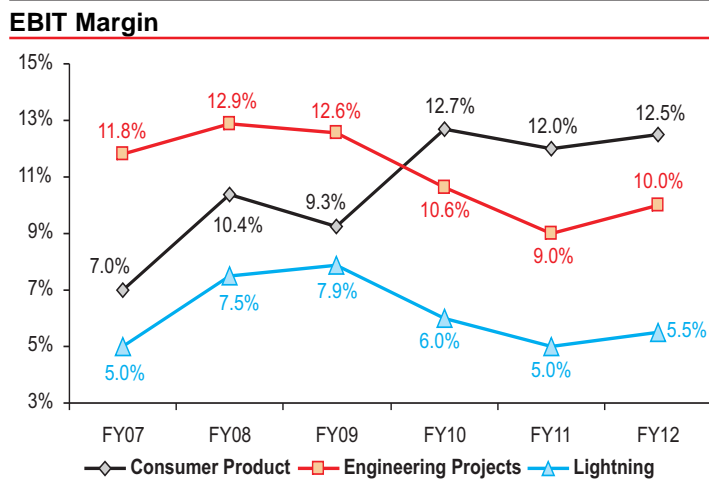
**Inorganic Growth opportunities:**

The company plans for inorganic growth in the consumer products space. BEL plans to acquire Indian company, which will be able to leverage on strong distribution and marketing network of BEL.

**Robust return ratios to sustain over next 2-3 years:**

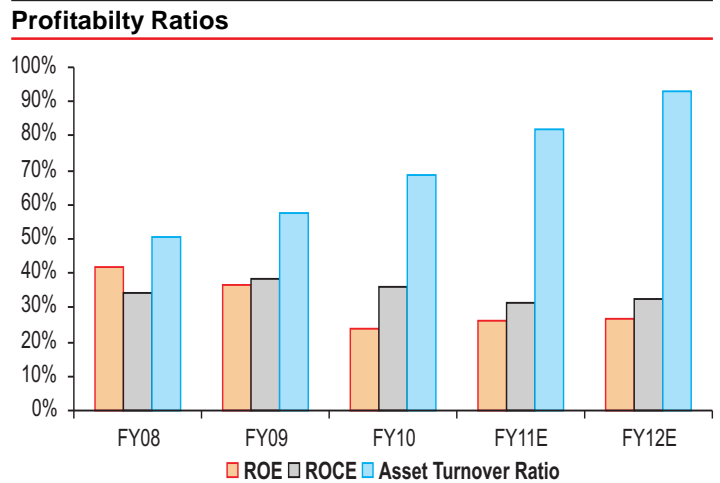
BEL has return ratios i.e. ROE & ROCE of 26% and 36% in FY 10 which is expected to remain steady. BEL has asset light business model lower capex of ₹25-30cr. Domestic consumer business is fast cash generating business with highest EBIT margin.

Chart 14



Source: Company & Keynote Capitals Institutional Research

Chart 15



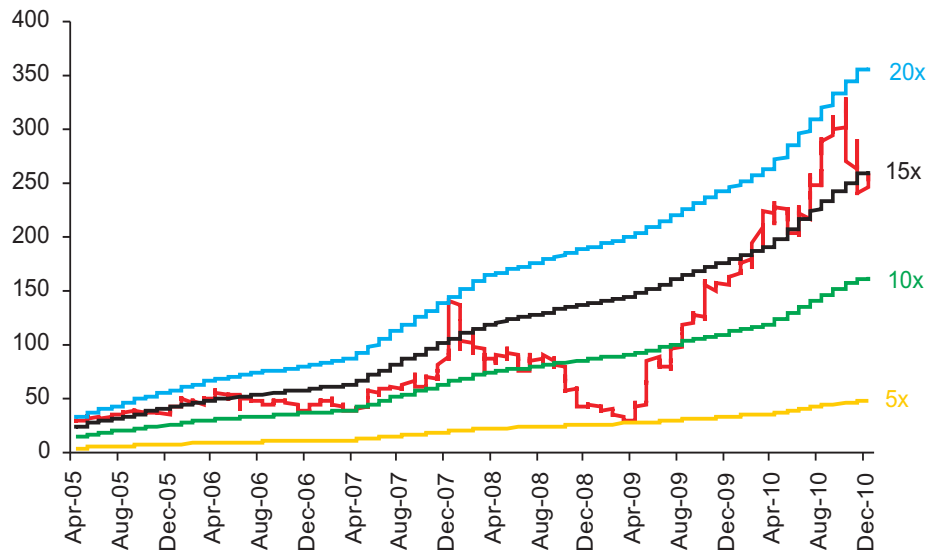
Source: Company & Keynote Capitals Institutional Research

## Valuations

Considering its strong diversification, new product launches and robust distribution network we initiate coverage on BEL's stock with a 'buy' recommendation and arrived at a target price of ₹282 per share based on a DCF valuation methodology. At CMP ₹228.45 stock trades at 14.7x at FY11E EPS and 10.9x at FY12 EPS, and at EV/ EBITDA of 9.11x and 6.97x for FY11E and FY12E respectively.

Chart 16

### P/E Band



Source: Company & Keynote Capitals Institutional Research

### DCF Valuation

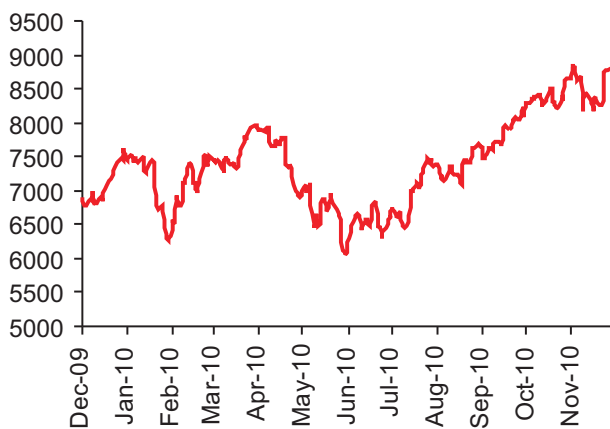
Market Return	15.00%
Beta	0.8
WACC	12.31%
Long Term Growth Rate	4%
Terminal Value	1776
PV of Cash Flow	1084
Enterprise Value	2860
Net Debt	91
No of Outstanding Share	9.81
Equity Value Per Share	282

## Key Risks and Concerns

- **Long debtor cycle:** BEL receives 70% of order in Engineering & projects segment from Government of India. We see a risk of delay in payment thereby increase in debtor days.
- **Fluctuation in commodity prices:** Any hike in prices of major inputs viz., copper, steel, aluminium to put pressure on the margins of the company.
- **Stiff Competition:** BEL is facing competition from strong players from CG & Havells in fan segment. We expect intense competition in BEL's business segments from incumbents and unorganized players. The unorganised products in brown goods & lighting will be a cause concern to BEL

Chart 17

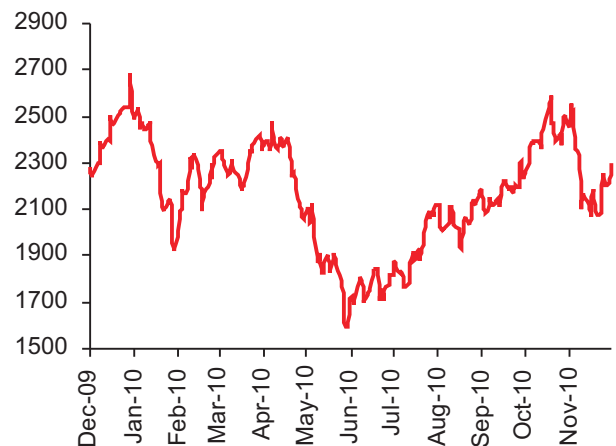
### Copper \$ per tonne



Source: Company & Keynote Capitals Institutional Research

Chart 18

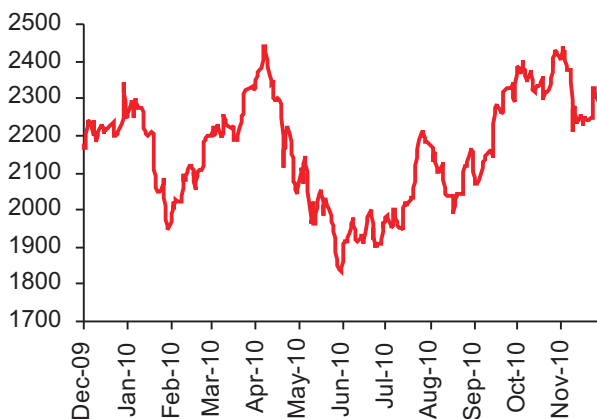
### Zinc \$ per tonne



Source: Company & Keynote Capitals Institutional Research

Chart 19

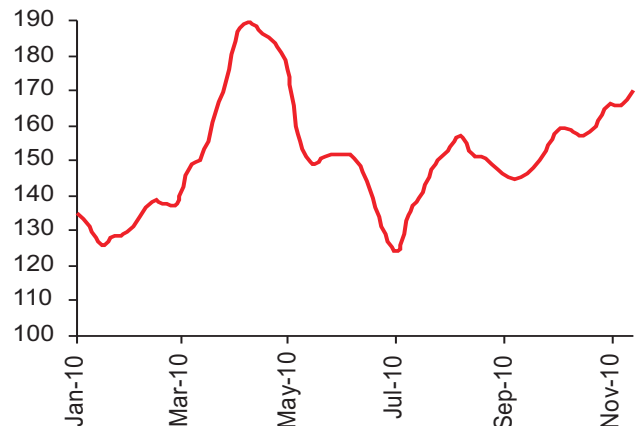
### Aluminium \$ per tonne



Source: Company & Keynote Capitals Institutional Research

Chart 20

### Iron \$ per tonne



Source: Company & Keynote Capitals Institutional Research

## Financials

### Income Statements

(₹Cr)

Particulars	FY08	FY09	FY10	FY11	FY12
Net Sales	1374.48	1765.71	2227.16	2718.37	3322.30
<b>% Growth</b>	<b>27%</b>	<b>28%</b>	<b>26%</b>	<b>22%</b>	<b>22%</b>
Other Operating Income	0	0	1.47	2.72	3.32
<b>Total Income</b>	<b>1374.48</b>	<b>1765.71</b>	<b>2228.63</b>	<b>2721.09</b>	<b>3325.63</b>
Raw Materials	1008.1	1314.93	1652.36	2044.2	2476.7
Employee Expenses	63.63	77.11	97.15	118.5	144.9
Provisions & Write Offs	0.0	0.2	5.6	6.8	8.3
Other Expenses	157	194	236	288	352
<b>Total Expenditures</b>	<b>1229.21</b>	<b>1586.09</b>	<b>1990.77</b>	<b>2457.62</b>	<b>2982.0</b>
EBIDTA	145.27	179.62	237.86	263.46	343.63
Other Income	2.93	5.7	2.86	2.70	3.99
Depreciation	7.45	8.55	9.2	11.7	13.2
EBIT	140.75	176.77	231.52	254.5	334.4
Interest	29	37	31	27	26
PBT	111.41	139.80	200.07	227.5	308.0
Tax	38.31	50.67	82.98	75.07	101.65
Reported Profit After Tax	73.10	89.13	117.09	152.41	206.37
<b>% Growth</b>	<b>90%</b>	<b>22%</b>	<b>31%</b>	<b>30%</b>	<b>35%</b>
PAT Margin	5.3%	5.0%	5.3%	5.6%	6.2%
<b>Calculated EPS (₹)</b>	<b>7.45</b>	<b>9.09</b>	<b>11.94</b>	<b>15.54</b>	<b>21.04</b>

Source: Company & Keynote Capitals Institutional Research

### Balance Sheet

(₹Cr)

	FY08	FY09	FY10	FY11E	FY12E
<b>Sources Of Funds</b>					
Share Capital	17.29	17.29	19.51	19.51	19.51
Reserves Total	156	228	475	596	751
<b>Total Shareholders' Funds</b>	<b>173.47</b>	<b>245.02</b>	<b>494.37</b>	<b>615.324</b>	<b>770.69</b>
Secured Loans	155.93	148.03	68.38	150	170
Unsecured Loans	80.77	65.82	83.45	75	80
<b>Total Debt</b>	<b>236.7</b>	<b>213.85</b>	<b>151.83</b>	<b>225</b>	<b>250</b>
<b>Total Liabilities</b>	<b>410.17</b>	<b>458.87</b>	<b>646.2</b>	<b>840.324</b>	<b>1020.68</b>
<b>Applications Of Funds</b>					
<b>Gross Block</b>	<b>144</b>	<b>154.47</b>	<b>169.96</b>	<b>194.96</b>	<b>219.96</b>
Less : Accumulated Depreciation	49.79	57.28	65.75	77.45	90.65
Less: Impairment of Assets	2.59	2.59	2.59	2.59	2.59
<b>Net Block</b>	<b>91.62</b>	<b>94.6</b>	<b>101.62</b>	<b>114.92</b>	<b>126.72</b>
Capital Work in Progress	0.3	2.48	0.09	0	0
<b>Investments</b>	<b>22.33</b>	<b>31.56</b>	<b>36.56</b>	<b>38.06</b>	<b>46.51</b>
Inventories	162.17	177.7	209.43	253	309
Sundry Debtors	425.35	559.16	750.69	894	1092
Cash and Bank	31.96	53.81	61.24	66.82	100.50
Loans and Advances	89.0	113.1	177.7	203.9	232.6
<b>Total Current Assets</b>	<b>708.5</b>	<b>903.8</b>	<b>1199.0</b>	<b>1417.6</b>	<b>1734.8</b>
Current Liabilities	365.84	519.15	627.28	794.04	962.56
Provisions	42.57	51.26	64.31	75	90
Total Current Liabilities	408.41	570.41	691.59	869.04	1052.56
<b>Net Current Assets</b>	<b>300.04</b>	<b>333.38</b>	<b>507.42</b>	<b>548.58</b>	<b>682.25</b>
<b>Total Assets</b>	<b>410.17</b>	<b>458.87</b>	<b>646.20</b>	<b>840.32</b>	<b>1020.68</b>

Source: Company & Keynote Capitals Institutional Research

**Cash Flow Statement (consolidated)**

Particulars	FY08	FY09	FY10	FY11E	FY12E
<b>Net profit before Taxation and extra-ordinary items</b>	<b>111.41</b>	<b>139.80</b>	<b>200.07</b>	<b>238.30</b>	<b>306.09</b>
<b>Adjustment for:</b>					
Depreciation	7.45	8.55	9.20	11.70	13.20
Interest Expense	29.34	36.97	31.45	27.00	26.40
Tax Paid	38.31	50.67	82.98	78.64	101.01
<b>Operating Profit Before Working Capital Change</b>	<b>109.89</b>	<b>134.65</b>	<b>157.74</b>	<b>198.36</b>	<b>244.68</b>
(Increase)/Decrease in Inventories	42.28	15.53	31.73	43.79	56.26
(Increase)/Decrease in Sundry debtors	67.42	133.81	191.53	143.02	198.55
(Increase)/Decrease in loans & advances	30.53	24.15	64.53	26.23	28.68
Increase/(Decrease ) in sundary creditors/liabilites/provision	90.29	162.00	121.18	177.45	183.51
<b>Change in Working Capital</b>	<b>-49.94</b>	<b>-11.49</b>	<b>-166.61</b>	<b>-35.58</b>	<b>-99.98</b>
<b>Cash Flow from operating Activites</b>	<b>59.24</b>	<b>151.02</b>	<b>4.81</b>	<b>162.78</b>	<b>144.69</b>
<b>Net Cashflow from investing activites(II)</b>	<b>-22.55</b>	<b>-42.06</b>	<b>-38.43</b>	<b>-23.50</b>	<b>-16.54</b>
<b>Net Cash Flow from Financing Activites(I)</b>	<b>-34.10</b>	<b>-87.10</b>	<b>41.05</b>	<b>-134</b>	<b>-94</b>
Cash generated	2.59	21.86	7.43	5.58	33.69
Opening Cash & Cash Equivalents	29.36	31.96	53.81	61.24	66.82
Closing Cash & Cash Equivalents	31.96	53.81	61.24	<b>66.82</b>	<b>100.50</b>

**Ratio Analysis**

Particulars	2008A	2009A	2010A	2011E	2012E
<b>Profitability Ratios</b>					
EBIT Margin	10.2%	10.0%	10.4%	9.4%	10.1%
EBITDA Margin	10.6%	10.2%	10.7%	9.7%	10.3%
PAT Margin	5.3%	5.0%	5.3%	5.6%	6.2%
<b>Return Ratios</b>					
ROE	42%	36%	24%	25%	27%
ROCE	34%	39%	36%	30%	33%
<b>Leverage Ratios</b>					
Debt Equity Ratio	1.36	0.87	0.31	0.37	0.33
Current Ratio	0.58	0.63	0.58	0.62	0.61
<b>Efficiency Ratios</b>					
Fixed Asset Turnover Ratio	51%	58%	69%	82%	93%
Inventory Turnover Days	43	37	34	34	34
Debtors Days	113	116	123	120	120
Creditor Days	148	158	153	156	155
<b>Valuation Ratios</b>					
P/E	30.7	25.1	19.1	14.7	10.9
P/BV	12.92	9.15	4.53	3.67	2.93
EV/EBITDA	16.84	13.37	9.80	9.11	6.97
EPS	7.45	9.09	11.94	15.54	21.04

Source: The company & Keynote Capitals Institutional Research

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