

23 August 2006

Aro Granite Industries

CMP: Rs 100 Target: Rs 207 BUY

BSE Co	ode			513729
Key [Data			
Sense				11,407
	ek range			118/50
		ares (mn)		7.02
	iaily volu it Cap (Rs	me (no of	snares) [^]	40436 705.5
	Toat (%)	11111)		29.3
		* 6-month ave	erage	
Share	eholding	Pattern	(%)	
Promo	oters			34.14
FIIs			L - L-11	3.83
	romoter Mineral P	corporate	nolding	18.50 14.25
	: & Other			29.28
	Capitaline	-		
Annu	al EPS T	rend (Rs)	
50 ¬				44.5
40 -				
30 -			22.6	
20 -	16.4	44.0	22.0	
10 -		11.3		
0 \				
	FY05	FY06	FY07E	FY08E
Source:	Brics-PCG R	esearch		
Curre	ent P/E I	Multiples	(x)	
20 7			17.6	4.6
15 -	0 -			13.1
10 -	8.8			
5 -		2.2		
0 \				
		ranite	Mar	
	■ FY06	F	Y07E I	FY08E
	Brics-PCG R			
	Chart (Relative	to Sensex)
120 110				

60 + 9

Source: Capitaline

Amit Agarwal
Tel: 91 22 6636 0088

90

Aro Granite

amit.agarwal@bricssecurities.com

90

Aro Granite Industries (AGIL), promoted by Sunil K Arora, is engaged in the processing of granite tiles and slabs. It is a 100% export oriented unit (EOU) and is ISO 9001:2000 certified. The company started commercial production of granite in 1991 and has a current installed capacity of 180,000 sq mts of tiles and 295,000 sq mts of slabs. It has two units located at Hosur in Tamil Nadu and is one of the few companies with facilities for manufacturing both tiles and slabs.

Investment rationale

- Capacity expansion to enhance bottom-line: The Company is in the process of expanding its manufacturing capacity for tiles to 540,000 sq mts p.a and for slabs to 390,000 sq mts p.a. which shall start contributing FY08 onwards.
- Robust granite demand: The demand for granite tiles and slabs is on the rise due to the boom in the construction and infrastructure sectors. Further, Indian granite witnesses strong demand because of its unique colour and texture. With the Italian granite industry coming under pressure, the Indian industry is expected to grow at a CAGR of 20%.
- Established client relationships: AGIL is a 100% EOU and markets its products to Europe, Australia, and North and South America. It has forged longstanding client relationships with average lineage of over a decade.
- Good order book: AGIL has an order book of 2.5-3months amounting to Rs 300mn.
- Exclusive product offerings: AGIL has access to rich natural stone deposits that enable it to provide clients with rare and exclusive colours. Apart from this, Pearl Mineral Pvt Ltd, a granite mining company, has picked up a 14.25% equity stake in AGIL. This will ensure consistent and continuous supply of quality raw material.
- Tax advantage: Being a 100% EOU, AGIL is eligible for full income tax exemption. However, the exemption with respect to Unit 1 has come to an end. Unit 2, wherein the entire capacity expansion is taking place, is tax exempt till 2010.

Key concerns

- Availability of raw material: The supply of good quality granite blocks, especially of rare colours and patterns, is an area of concern in view of the increased demand for blocks and tie-ups between miners and manufacturers. Moreover, the heightened demand for blocks from other countries especially China is leading to the export of unprocessed granite, creating a shortage of raw materials.
- Threat of competition: There is also the threat of competition from China and Italy with respect to the finished products.
- With effect from 25th August, 2006 the stock will be traded in the TS segment leading to a likely fall in the trading volumes.

Valuation

AGIL is currently trading at a P/E of 8.8x on FY06 earnings. However, it is trading at just 4.4x and 2.2x on FY07E and FY08E respectively. Based on a comparison with peers in the industry, we have assigned AGIL a P/E multiple of 8x which yields a per share value of Rs 180 on FY07E earnings and Rs 222 on rolling 12months basis. The DCF value works out to Rs 237. Taking the average of these two valuations, we recommend a BUY with a target price of Rs 207.

Financial summary

Financial summary				
(Rs mn)	FY05	FY06	FY07E	FY08E
Sales	738.1	781.9	1,050.2	1,937.7
Growth (%)	20.7	5.9	34.3	84.5
Net Profit	115.2	79.4	158.5	312.5
Growth (%)	32.2	(31.1)	99.7	97.1
EPS(Rs)	16.4	11.3	22.6	44.5
Growth (%)	-	(31.1)	99.7	97.1
PER(x)	6.1	8.8	4.4	2.2
ROE (%)	26.4	15.3	25.3	36.7
EV/EBITDA (x)	5.9	7.8	4.9	3.1

Source: Brics PCG Research



Company Overview

Aro Granite Industries (AGIL) is promoted by Sunil K Arora and is in the business of processing tiles and slabs from granite blocks. The company has two manufacturing units at Hosur, Tamil Nadu with a total installed capacity of 180,000 sq mts of tiles and 295,000 sq mts of slabs. AGIL is a 100% EOU and markets its products to Europe, Australia, and North and South America, where it has built strong, longstanding customer relationships.

The company procures raw materials-rough granite blocksfrom quarries. It has access to a range of colours and patterns and is adept at procuring granite in unique varieties that have a very high export demand. With a view to stabilizing raw material supply and reducing costs, AGIL has recently entered into a tie-up with Pearl Mineral Pvt Ltd, a company engaged in the mining of stones. It has also started importing rough blocks from Saudi Arabia, Norway and Finland.

Pearl Mineral Pvt Ltd has taken a 14.25% stake in the company. Pearl Mineral owns quarries which draw rough granite blocks. This being the primary input for the granite industry, AGIL is assured of a constant and regular supply of raw materials. Pearl Mineral has mining leases for different qualities, colours and textures of stones. Some of these blocks are quite rare and Pearl Mineral is one of the few suppliers. Thus, the tie-up puts AGIL in a strong position in terms of availability of quality blocks of granite.

AGIL is in the midst of a capacity expansion drive wherein it plans to elevate its processing capacity for tiles by 200% and slabs by 33%, taking its total installed capacity close to 1 mn sq mts.

Industry outlook

Indian granite rated highly in global markets

India is one of the largest producers of natural stone in the world. Granite is sturdy and resistant to wear and tear as well as weathering, which forms the basis for its high demand. Indian granite, in particular, is rated highly in the international market because of its good quality, special colour and texture. At present, there is a huge export demand for Indian granite, particularly from the US and China. Exports currently contribute around 90% of the Indian granite sales.

Domestic demand slow but rising gradually

Demand is yet to pick up in India as granite is still to evolve as a material of choice. However, the emergence of multiplexes and malls, as well as the focus on infrastructure projects, is leading to a gradual uptrend in domestic demand.

Shift in manufacturing to cheaper destinations

The industry is seeing a shift of manufacturing facilities from Europe to countries like India, China and Brazil where the raw material and labour are cheaper. Another factor that has had a positive impact for Indian players is the closing down of granite units in Italy.

Highly competitive scenario

The industry is witnessing stiff competition from unorganized or small players. The heightened competition coupled with rising demand for quality granite (particularly from the US), is putting pressure on the profitability of Indian players.

Porter's Five Forces Model

- privately owned.

 The rough blocks of stone are in huge demand especially if the colour and texture are popular and hence miners have a strong control over prices depending on the quality of stone.

Threat of Substitutes: Medium

- There is a threat from cheaper alternatives such as marbles and ceramics
- However, in terms of quality and durability, there is not much threat from any alternative product

Threat of competition: Medium

 Strong competition from China and the unorganised players. However, China does not have enough good quality granite deposits.

t

 A lot of the players in the industry are small players and largely unorganised.

- The primary entry to barrier is sourcing the supply of inputs. Technology is not a constraint. However, suppliers are not willing to transact with newcomers and they would prefer dealing with Another barrier to entry is the lineage. Since the customers are not retail customers, relationship with the wholesalers is of prime importance.
 Experience in selecting the correct blocks as raw materials and also in processing the blocks to tiles

Bargaining Power of Buyers: Medium

- Customers are ready to pay the price for good quality granite which means granite companies have pricing power.
- The buyers are not strong as the granite tiles and slabs requirement is not huge. Moreover, since these are used for homes and offices, the customer is more concerned with the quality and not the price. Hence, producers can command prices based on the quality of the product.

Source: Brics PCG Research



Expansion plans

AGIL's installed capacities are as listed in the table below.

Installed Capacity

	Current Capacity (sq mtr)	Proposed Capacity (Sq Mtr)
Tiles	180,000	540,000
Slabs	295,000	390,000
Total	475,000	930,000

Source: Company; Brics PCG Research

The company has two units. Currently Unit 1 is used for manufacturing the tiles with entire tile manufacturing capacity being located out of Unit 1. Unit 2 is currently used entirely for processing slabs.

Keeping in mind the increased demand for granite tiles and slabs as well as the improving price realisations, the company has embarked on a Rs 340mn expansion plan. Accordingly, the manufacturing capacity for tiles shall be enhanced by 200% from 180,000 sq mts to 540,000 sq mts, while that of slabs shall be raised by 33% to 390,000 sq mts. AGIL currently has six gangsaws for processing slabs. The expansion shall result in the number of gangsaws being increased from six to eight. The entire expansion will happen at Unit 2 with the new tile as well as slab capacity coming up at this unit.

The company shall fund this expansion by taking a Rs 240mn term loan (already tied-up) and raising the balance Rs 100mn through internal accruals. The expansion should be complete by March '07 and AGIL expects full production to commence from April '07 onwards. This will increase the total capacity of the company to close to 1 million sq mts.

The slabs are processed out of huge blocks of granite stone using gangsaws while in the case of tiles diamond cutters are used to cut the tiles from the blocks of stones. Each gangsaw has a capacity of approximately 50,000 sq mtrs. In addition to the expansion already underway, the company has ready infrastructure to increase its slab manufacturing capacity from 8 gangsaws to 12. This shall enable the company to ramp up capacity with minimum lead time.

Financial summary

FY06: Margins under pressure

AGIL's net sales for FY06 increased 5.9% YoY from Rs 738.1mn to Rs 781.9mn. The operating profit margins were under pressure, shrinking from 21% to 15.4%, and this caused the net profit to drop 31% from Rs 115.2mn to Rs 79.4mn. The margins were affected mainly due to a shortage of rough blocks as four new major units were set up for processing. Consequently, the company's EPS reduced to Rs 11.3 in FY06 as compared to Rs 16.4 for FY05.

Increased Realizations to drive FY07 profits

The company is undertaking a capacity expansion in the future resulting in increased sales volumes. Moreover, the demand for granite being very robust, the prices are also expected to increase. As a result the company shall see increased profitability on account of volume expansion as well as price increase. The FY07 profits are likely to see a jump mainly on account on improved price realizations. In fact the entire increase in profitability in FY07 is on account of higher granite prices.

FY08 profits to be driven by volume growth

The expanded capacity will be operational FY08 onwards. Consequently, the impact of volume expansion on the bottom-line shall be seen only in FY08. While in FY08, major part of the increase in bottom line will be a result of the volume expansion, granite prices are also likely to increase by 5%.

Expected growth snapshot

(%)	FY07E	FY08E
Sales	+ 35	+ 85
EBITDA	+ 90	+ 85
EPS	+100	+ 97

Source: Brics PCG Research

Going forward, we expect the company's performance to improve further. Net sales are likely to increase by 35% from Rs 781.9mn in FY06 to Rs 1050.2mn in FY07 on account of increasing realisations. Moreover, AGIL's input tie-ups will ensure a steady supply of raw materials and also stabilise costs. The net profit of the company is thus expected to go up to Rs 158.5mn in FY07 and further to Rs 312.5mn in FY08 when the added capacity goes on-stream.

Earnings per share

Year	EPS (Rs)
FY05	16.4
FY06	11.3
FY07E	22.6
FY08E	44.5

Source: Company; Brics PCG Research

The EPS of the company is expected to go up to Rs 22.6 in FY07 and Rs 44.5 in FY08, an increase of 100% and 97% respectively from the previous years.

Q1FY07: Excellent performance recorded

Q1FY07 Financials

Rs mn	Q1FY07	Q1FY06	YoY(%)	QoQ(%)
Net Sales	252.4	185.4	36.1	10.6
Other Income	1.68	1.55	8.4	(21.9)
EBITDA	57.8	25.3	128.2	47.6
EBITDA Margin (%)	22.2	12.8	_	_
PAT	41.6	12.8	226.0	61.9
PAT Margin (%)	16.5	6.9	_	_
EPS (Rs)	5.9	1.8	226.0	61.9

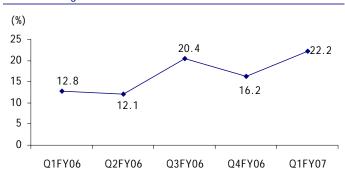
Source: Company; Brics PCG Research





Better realisations and arrangements to ensure input availability have enabled AGIL to post excellent results for Q1FY07. Net sales increased 36% YoY and 10.6% QoQ while the EBITDA margins jumped from 12.8% in Q1FY06 to 22.2% due to improved realisations. The enhanced quarterly performance is also the result of the raw material tie-up with Pearl Mineral and the import of rough blocks from Saudi Arabia, Norway and Finland.

EBITDA margins



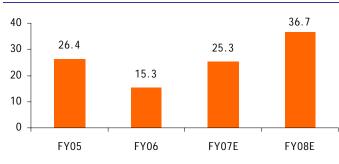
Source: Company; Brics PCG Research

AGIL's net profit for the quarter jumped 226% YoY from Rs 12.7mn to Rs 41.6mn. This translates into an EPS of Rs 5.9 for the quarter as against Rs 1.8 in the corresponding period last year.

Return on Equity to improve

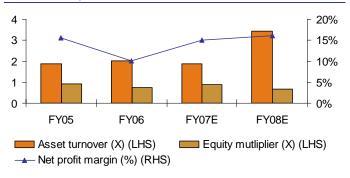
The company's improved performance will have a significant impact on its ROE, as seen from the chart below.

ROE trends



Source: Brics PCG Research

Du Pont Analysis



Source: Brics PCG Research

The break up of ROE shows that the growth in ROE is on account of improved profit margins and better operating efficiency. The profit margin is expected to increase from 10.2% in FY06 to 16.1% in FY08 while the asset turnover is expected to increase from 2.02 in FY06 to 3.44 in FY08. As a result of the increased capacity, AGIL is able to better utilize its assets as is indicated by the assets turnover ratio.

Valuation

P/E valuation

Based on FY07 earnings

AGIL is currently trading at a P/E of 8.8x on FY06. Based on the current valuation of other granite manufacturing companies, we assign a multiple of 8x to AGIL. On the basis of an estimated EPS of Rs 22.6 for FY07, we arrive at a value of Rs 180 for the company's stock.

Based on Rolling 12 months earnings

The benefit of capacity expansion will accrue from FY08. The EPS for FY 08 will grow by around 100%. Assuming that around 25% of it will accrue in Q1 FY08, the rolling 12 months EPS come to around Rs 28. Assuming a multiple of 8x, the price is Rs 222 on rolling 12 months basis.

Peer comparison

There are not many comparable granite companies which are listed. However, we have looked at the following companies as a benchmark for ascertaining the P/E of 8x:

- Madhav marbles & Granites- 4.4x
- Orient Ceramics- 6.3x
- Murudeshwar Ceramics-5.4x
- Nitco Tiles- 14.6x
- Kajaria Tiles- 13.1x

DCF valuation

We have also undertaken a DCF valuation of the company based on the following assumptions:

- Risk free rate: 8%, Risk premium: 8%
- Terminal growth rate: 1%
- Beta: 1 (The company's beta is historically around 0.90)
- Weighted average cost of capital (WACC): 13.8%

Based on DCF, we arrive at a value of Rs 237.

Fair value of Rs 207

Our target price is Rs 207 on the basis of DCF value and P/E valuation which represents an appreciation of 107% over current levels.

Conclusion

Burgeoning demand and rising prices will be the key drivers for the granite industry. This coupled with AGIL's well-timed capacity expansion augurs well for the company. We therefore initiate coverage on the stock with a BUY recommendation and a target price of Rs 207.





Financials

Profit & Loss Statement

			FY07E	FY08E
Revenues	738.1	781.9	1,050.2	1,937.7
% change	20.7	5.9	34.3	84.5
EBITDA	156.2	120.7	229.8	423.8
% change	16.6	(22.8)	90.4	84.5
Depreciation	18.2	23.4	26.0	38.0
EBIT	137.5	97.3	203.2	385.3
% change	18.5	(29.2)	108.8	89.6
Interest	18.8	21.0	40.7	57.2
Other income	11.1	8.0	8.0	8.0
EBT	129.7	84.3	170.5	336.0
% change	28.1	(35.0)	102.1	97.1
Tax	14.5	5.0	11.9	23.5
As % of EBT	11.2	5.9	7.0	7.0
Net income (adjusted)	115.2	79.4	158.5	312.5
% change	32.2	(31.1)	99.7	97.1
Shares outstanding (m)	7.0	7.0	7.0	7.0
EPS (Rs)	16.4	11.3	22.6	44.5
DPS (Rs)	1.5	1.5	1.5	1.5
CEPS (Rs)	19.1	14.6	26.4	50.0

Source: Company; Brics PCG Research

Cash Flow

Year-end Mar (Rs m)	FY05	FY06	FY07E	FY08E
EBIT	137.5	97.3	203.2	385.3
Depreciation	18.2	23.4	26.0	38.0
Change in working capital	63.7	98.0	154.4	496.6
Operating cash flow	92.0	22.7	74.8	(73.3)
Interest	18.8	21.0	40.7	57.2
Tax	14.5	5.0	11.9	23.5
Cash flow from operations	58.6	(3.3)	22.1	(154.1)
Capex	173.8	14.5	200.0	40.0
(Inc)/dec in investments	0.0	0.2	0.0	0.0
Cash flow from investing	173.8	14.7	200.0	40.0
Dividend paid	11.9	12.0	11.9	11.9
Other income	11.1	8.0	8.0	8.0
Proceeds fm equity issue	0.0	0.0	0.0	0.0
Inc/(dec)in debt	90.6	23.0	240.0	200.0
Deferred tax cr/others	10.1	(0.9)	0.0	0.0
Cash flow from financing	99.8	18.2	236.1	196.1
Change in cash	(15.4)	0.2	58.2	2.0

Source: Company; Brics PCG Research

Balance Sheet

Year-end Mar (Rs m)	FY05	FY06	FY07E	FY08E
Cash and cash equivalents	3.8	4.0	62.2	64.3
Accounts receivable	227.1	262.8	345.3	621.1
Inventories	185.7	201.1	264.7	477.8
Others	52.7	66.1	87.4	158.9
Current assets	469.3	534.1	759.6	1,322.0
LT investments	0.0	0.2	0.2	0.2
Net fixed assets	365.5	345.0	361.0	562.9
CWIP	30.3	42.0	200.0	-
Total assets	865.2	921.3	1,320.8	1,885.2
Payable	91.3	61.8	71.9	132.7
Others	16.2	12.3	15.0	18.0
Current Liabilities	107.5	74.1	86.9	150.7
LT debt	226.4	249.4	489.4	689.4
Other Liab (deferred tax)	42.7	41.8	41.8	41.8
Equity capital	70.2	70.2	70.2	70.2
Reserves	418.5	485.8	632.5	933.1
Net worth	488.7	556.0	702.7	1,003.3
Total Liabilities	865.2	921.3	1,320.8	1,885.2
BVPS (Rs)	69.2	78.8	99.8	142.7

Source: Company; Brics PCG Research

Ratios Analysis

Year-end Mar (Rs m) FY05 FY06 FY07E FY08E EBITDA margin (%) 21.2 15.4 21.9 21.9 Net profit margin (%) 15.6 10.2 15.1 16.1 EPS growth (%) - (31.1) 99.7 97.1 Receivables (days) 112.3 122.7 120.0 117.0 Inventory (days) 91.9 93.9 92.0 90.0 Payables (days) 57.3 34.2 32.0 32.0 Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.	EBITDA margin (%) 21.2 Net profit margin (%) 15.6 EPS growth (%) - (3 Receivables (days) 112.3 12 Inventory (days) 91.9 9 Payables (days) 57.3 3 Current ratio (%) 4.3 1 Interest coverage (x) 7.3 1 Debt/equity ratio (x) 0.5 5 Sales/Gross fixed assets (x) 1.5 1.5 ROE (%) 26.4 6 ROCE (%) 21.4 6	15.4 21.4 10.2 15.7 1.1) 99.7 22.7 120.0 93.9 92.0	9 21.9 1 16.1 7 97.1 0 117.0
Net profit margin (%) 15.6 10.2 15.1 16.1 EPS growth (%) - (31.1) 99.7 97.1 Receivables (days) 112.3 122.7 120.0 117.0 Inventory (days) 91.9 93.9 92.0 90.0 Payables (days) 57.3 34.2 32.0 32.0 Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Net profit margin (%) 15.6 EPS growth (%) - (3 Receivables (days) 112.3 12 Inventory (days) 91.9 9 Payables (days) 57.3 3 Current ratio (%) 4.3 1 Interest coverage (x) 7.3 1 Debt/equity ratio (x) 0.5 3 Sales/Gross fixed assets (x) 1.5 1.5 ROE (%) 26.4 6 ROCE (%) 21.4 6	10.2 15.1 1.1) 99.2 22.7 120.0 93.9 92.0	1 16.1 7 97.1 0 117.0
EPS growth (%) - (31.1) 99.7 97.1 Receivables (days) 112.3 122.7 120.0 117.0 Inventory (days) 91.9 93.9 92.0 90.0 Payables (days) 57.3 34.2 32.0 32.0 Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	EPS growth (%) - (3 Receivables (days) 112.3 12 Inventory (days) 91.9 9 Payables (days) 57.3 3 Current ratio (%) 4.3 Interest coverage (x) 7.3 Debt/equity ratio (x) 0.5 Sales/Gross fixed assets (x) 1.5 ROE (%) 26.4 ROCE (%) 21.4	1.1) 99.1 22.7 120.0 93.9 92.0	7 97.1 0 117.0
Receivables (days) 112.3 122.7 120.0 117.0 Inventory (days) 91.9 93.9 92.0 90.0 Payables (days) 57.3 34.2 32.0 32.0 Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Receivables (days) 112.3 12 Inventory (days) 91.9 0 Payables (days) 57.3 3 Current ratio (%) 4.3 1 Interest coverage (x) 7.3 1 Debt/equity ratio (x) 0.5 0.5 Sales/Gross fixed assets (x) 1.5 1.5 ROE (%) 26.4 6 ROCE (%) 21.4 6	22.7 120.0 93.9 92.0	0 117.0
Inventory (days) 91.9 93.9 92.0 90.0 Payables (days) 57.3 34.2 32.0 32.0 Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Inventory (days)	93.9 92.0	
Payables (days) 57.3 34.2 32.0 32.0 Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Payables (days) 57.3 3 Current ratio (%) 4.3 Interest coverage (x) 7.3 Debt/equity ratio (x) 0.5 Sales/Gross fixed assets (x) 1.5 ROE (%) 26.4 ROCE (%) 21.4		0 90.0
Current ratio (%) 4.3 7.2 8.7 8.8 Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Current ratio (%) 4.3 Interest coverage (x) 7.3 Debt/equity ratio (x) 0.5 Sales/Gross fixed assets (x) 1.5 ROE (%) 26.4 ROCE (%) 21.4	3/1 2 32 (
Interest coverage (x) 7.3 4.6 5.0 6.7 Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Interest coverage (x) 7.3	J4.2 J2.(0 32.0
Debt/equity ratio (x) 0.5 0.4 0.7 0.7 Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Debt/equity ratio (x) 0.5 Sales/Gross fixed assets (x) 1.5 ROE (%) 26.4 ROCE (%) 21.4	7.2 8.7	7 8.8
Sales/Gross fixed assets (x) 1.5 1.6 2.0 2.5 ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	Sales/Gross fixed assets (x) 1.5 ROE (%) 26.4 ROCE (%) 21.4	4.6 5.0	0 6.7
ROE (%) 26.4 15.3 25.3 36.7 ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	ROE (%) 26.4 ROCE (%) 21.4	0.4 0.7	7 0.7
ROCE (%) 21.4 13.1 19.7 25.4 EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	ROCE (%) 21.4	1.6 2.0	0 2.5
EV/Sales (x) 1.3 1.2 1.1 0.7 EV/EBITDA (x) 5.9 7.8 4.9 3.1	· · ·	15.3 25.3	3 36.7
EV/EBITDA (x) 5.9 7.8 4.9 3.1	EV/Sales (x) 1.3	13.1 19.7	7 25.4
		1.2 1.1	1 0.7
Price to earnings (x) 6.1 8.8 4.4 2.2	EV/EBITDA (x) 5.9	7.8 4.9	9 3.1
212	Price to earnings (x) 6.1	8.8 4.4	4 2.2
Price to book value (x) 1.4 1.3 1.0 0.7	Price to book value (x) 1.4		0 0.7
Price to cash earnings (x) 5.2 6.8 3.8 2.0	Price to cash earnings (x) 5.2	1.3 1.0	8 2.0

Source: Company; Brics PCG Research



PCG Team

	RESEARC	H	
Amitabh Chakraborty, CFA, FRM	Business Head / Head of Research	+ 91 22 6636 0051	amitabh.chakraborty@bricssecurities.com
Abhishek Agarwal	Banking, Sugar, Paper, Tea	+ 91 22 6636 0055	abhishek.agarwal@bricssecurities.com
Amit Agarwal	Cement, Metals	+ 91 22 6636 0088	amit.agarwal@bricssecurities.com
Anurag Purohit	IT, Electronics, Telecom	+ 91 22 6636 0062	anurag.purohit@bricssecurities.com
Piyush Parag	Auto, Auto Components, Shipping	+ 91 22 6636 0052	piyush.parag@bricssecurities.com
Ram Patnaik	Media, Textiles, FMCG	+ 91 22 6636 0054	ram.patnaik@bricssecurities.com
Somendra Agarwal	Derivatives	+ 91 22 6636 0053	somendra.agarwal@bricssecurities.com
Vinod Nair, CFA-India	Capital Goods, Engineering, Logistics	+ 91 22 6636 0060	vinod.nair@bricssecurities.com
Yogesh Hede	Pharmaceuticals, Shipping	+ 91 22 6636 0057	yogesh.hede@bricssecurities.com
Kripal Singh Rathod, CFA-India	Technical Analyst	+ 91 22 6636 0115	kripalsingh.rathod@bricssecurities.com
Anisha deSa	Editor	+ 91 22 6636 0061	anisha.desa@bricssecurities.com
Anant Bhosle	Production	+ 91 22 6636 0056	anant.bhosle@bricssecurities.com
	DEALING	3	
Amogh Bhatavadekar	+ 91 22 6636 0110		amogh.bhatavadekar@bricssecurities.com
Dhawal Shah	+ 91 22 6636 0114		dhawal.shah@bricssecurities.com
Deepa Powale	+ 91 22 6636 0107		deepa.powale@bricssecurities.com
Mitesh Shah	+ 91 22 6636 0100		mitesh.shah@bricssecurities.com
Neepa Shah	+ 91 22 6636 0124		neepa.shah@bricssecurities.com
Rajesh Natrajan	+ 91 22 6636 0108		rajesh.natrajanr@bricssecurities.com
Venkatesh Iyer	+ 91 22 6636 0119		venkatesh.iyer@bricssecurities.com
Vijay Albuquerque	+ 91 22 6636 0113		vijay.albuquerque@bricssecurities.com
Sharath Gopinath (Bangalore)	+ 91 80 3988 1122		sharath.gopinath@bricssecurities.com
Sameera Rao (Bangalore)	+ 91 80 3988 1122		sameer.rao@bricssecurities.com
Avani Baweja (Delhi)	+ 91 11 3260 5866		avani.baweja@bricssecurities.com
	SALES		
Vaishali Pitale	+ 91 22 6636 0190		vaishali.pitale@bricssecurities.com
Pinac Sanghvi	+ 91 22 6636 0125		pinac.sanghvi@bricssecurities.com
Dipen Dutta (Bangalore)	+ 91 80 3988 1122		dipen.dutta@bricssecurities.com
Santanu Sen (Kolkata)	+ 91 33 2281 2216/1	17 ext 25	santanu.sen@bricssecurities.com
Senthilkumar Naidu (Pune)	+ 91 20 3024 8801		senthilkumar.naidu@bricssecurities.com
Bidyut Chowdhury (Delhi)	+ 91 11 4151 5393		bidyut.chowdhury@bricssecurities.com
Definition: Large Cap = MCap > R	s30bn; Mid Cap = MCap Rs5bn < F	Rs30bn; Small Ca	p = MCap < Rs5bn

Disclaimer

Brics Securities Limited (Brics) has two independent equity research groups: Institutional Equities and Privileged Client Group. This document has been prepared by Brics Securities Limited – Privileged Client Group (Brics-PCG). Affiliates of Brics-PCG may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Institutional Equities Research Group of Brics Securities Limited.

This document is not for public distribution and has been furnished to you solely for your information and any review, re-transmission, circulation or any other use is strictly prohibited. Persons into whose possession this document may come are required to observe these restrictions. This document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential information and/or privileged material. We are not soliciting any action based upon this material. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Brics-PCG. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Brics-PCG will not treat recipients as customers by virtue of their receiving this report.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable. It should be noted that the information contained herein is from publicly available data or other sources believed to be reliable. Neither Brics, nor any person connected with it, accepts any liability arising from the use of this document. This document is prepared investors. The user assumes the entire risk of any use made of this information. The recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Brics, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Brics and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Brics and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Brics and its affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall Brics, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Analyst's holding in the stocks mentioned in the report: NIL

MUMBAI

Sadhana House, 1st Floor, Behind Mahindra Tower, 570 P.B.Marg, Worli, Mumbai- 400018. India Tel: (91-22) 66360000 Fax: (91-22) 66360164

DELHI

803, Ashoka Estate, Barakhamba Road, Connaught Place, New Delhi- 110001 Tel: (91-11) 51515392 Fax: (91-11) 23358790

BANGALORE

Ground Floor Floor, 15-16, Richmond Road Bangalore- 560025 Tel: (91-80) 22485116/17 (91-80) 39881122 Fax: (91-80) 22485114

KOLKATA

FMC Fortuna, R.No.A/16, 3rd Floor, 234/3A, A.J.C.Bose Road, Kolkata- 700020 Tel: (91-33) 22812216 Fax: (91-33) 22812406

CHENNAI

Lemuir House, No.10, G.N. Chetty Road, T.Nagar, Chennai- 600017 Tel: (91-44) 52606474 Fax: (91-44) 52606476