

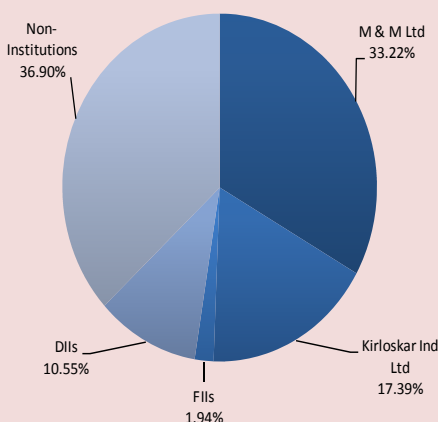
# Swaraj Engines Ltd - Upside from rising volumes

**Result Update: BUY**

Sector – Engines

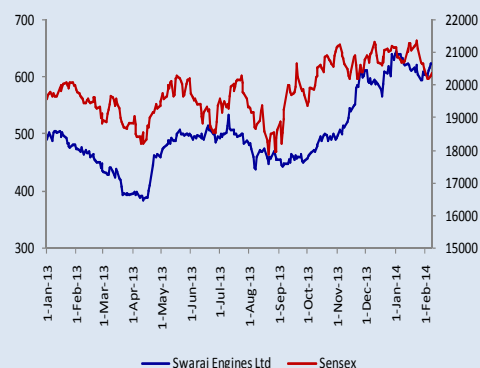
## Valuation Data

Current Market Price (CMP)	625
Target Price	749
Upside Potential	20%
52 Week High Low	672 / 380
Market Cap (INR in Crores)	776



## Stock Scan

Scrip ID	Swaraj Engines Ltd
Scrip Code (NSE)	SWARAJENG
Scrip Code (BSE)	500407
Bloomberg Ticker	SWE IN
Reuters Ticker	SWAR.BO
Industry	Engines
Face Value ( INR)	10.00
Equity Share Capital ( INR Cr)	12.42
Avg 5 years P/E	9.12
Avg daily volume (Last 1 Year)	5,610
Beta Vs Sensex	0.67
Dividend Yield	2.08%



We recommend Swaraj Engines Ltd (SEL) a **“BUY”**. Swaraj Engines was earlier a part of JV between Punjab Tractors and Kirloskar Engines to manufacture engines for Punjab Tractors. PTL had been taken over and merged with Mahindra and Mahindra Ltd. As a result, M&M now holds 33% of SEL's equity with 17% is held by Kirloskar Industries Ltd. SEL supplies engines from 20HP to 50HP to "Swaraj" branded tractors of M&M. It, also, manufactures engine components for the erstwhile Swaraj Maza Ltd i.e. SML Isuzu. The strong volume growth which is likely to be seen in FY16e from its capacity expansion to 1,05,000 engines p.a., increased demand from M&M, presence in all HP segments, softening of commodity prices and dependence on agriculture industry bodes well for the SEL's fortune as not only will it witness higher sales growth, but the margin will also improve as higher capacities get increasingly utilized.

## Key Highlights

**Revenue surges 21% YoY; Realizations flat at INR80,502/unit:** The Company's revenue during the quarter surged by 20.80% YoY, but was flat QoQ at INR149.17 crore. On YoY basis, the revenue expanded on account of 21.2% growth in engines volume; realizations remaining flat at INR80,502/unit. On QoQ basis, the overall flat performance was due to uniform volume growth and marginal fall in realizations. The capacity utilization for the quarter was 99%; the same recorded last quarter.

**EBITDA Margin plunged by 23bps and 43bps YoY and QoQ:** The EBITDA Margin plunged by 23bps and 43bps YoY and QoQ, respectively. On YoY basis, the fall was on account of ~23% increase in cost of raw material purchased and ~22% increase in employee cost. Raw material cost accounted for ~90% of the total expenditure and employee cost accounted for ~7% of the total expenditure during the quarter.

**EBITDA/unit falls by 4% YoY and 2% QoQ:** The EBITDA/unit for the quarter stood at INR11,765/unit; down by 4% YoY and 2.1% QoQ. The company recorded the lowest EBITDA/unit of INR11,765/unit, since Q1FY11.

**Growth in PAT in tandem with EBITDA growth; PAT improves by 21% YoY, but falls by 3% QoQ:** The PAT (excluding exceptional items) growth was in tandem with the growth witnessed in EBITDA. It grew by 21.37% YoY, but fell marginally by 2.37% QoQ. The growth in PAT on YoY basis was further supported by 14.96% increase in other income. However, the PAT Margin was flat YoY at 11.1%, but tumbled by 21bps QoQ. Notably, the exceptional item of INR1.15 crore during the quarter was onetime expense of INR2.13 crore for laying Feeder line by Punjab state power corp Ltd and a net receipt of fire insurance claim of INR0.98 crore.

**Company announces capacity expansion from current 75,000 engines p.a. to 1,05,000 engines p.a. over next one and half years entailing a capex of INR38 crore:** The company announced the very much expected capacity expansion plan from the present 75,000 engines p.a. to 1,05,000 engines p.a. over next one and a half year i.e. wef from Q2FY16e. The company which had recently expanded its capacity from 60,000 engines p.a. in Q4FY13 to 75,000 engines p.a. is now expanding it to 1,05,000 engines; depicting the strong upcoming demand from its key customer Mahindra & Mahindra Ltd.

## Financial Performance of Swaraj Engines Ltd (All figures in INR Crores except % and per share data)

Particulars	FY09A	FY10A	FY11A	FY12A	FY13A	FY14E	FY15E	FY16E
Net Sales	206.31	280.40	357.96	444.80	474.37	595.41	614.57	800.72
Growth	64.7%	35.9%	0.0%	24.3%	6.6%	25.5%	3.2%	30.3%
EBITDA	31.87	49.57	60.71	69.37	71.49	92.83	92.83	123.73
EBITDA Margin	15.31%	17.55%	16.83%	15.46%	14.92%	15.48%	14.98%	15.33%
Net Profit excl Exceptional Items	21.28	37.35	43.91	52.82	55.40	67.85	70.52	93.06
Net Profit Margin (excl Exceptional Items)	10.22%	13.22%	12.18%	11.77%	11.57%	11.31%	11.38%	11.53%
Net Profit Growth	48.19%	75.52%	17.56%	20.29%	4.88%	22.48%	3.92%	31.97%
Basic EPS	17.13	30.07	35.35	42.53	44.61	53.71	56.78	74.93
Adjusted EPS excl Exceptional Items	17.13	30.07	35.35	42.53	44.61	54.63	56.78	74.93
P/E(x)	5.55	9.65	12.14	9.43	8.86	11.64	11.01	8.34
Adjusted P/E(x) excl Exceptional Items	5.55	9.65	12.14	9.43	8.86	11.44	11.01	8.34
P/BV(x)	1.22	2.94	3.50	2.68	2.53	3.22	2.70	2.26
ROE	21.94%	30.43%	28.85%	28.36%	28.60%	28.13%	24.56%	27.14%
EV/EBITDA(x)	1.95	6.13	7.52	6.18	5.73	7.13	6.93	4.97

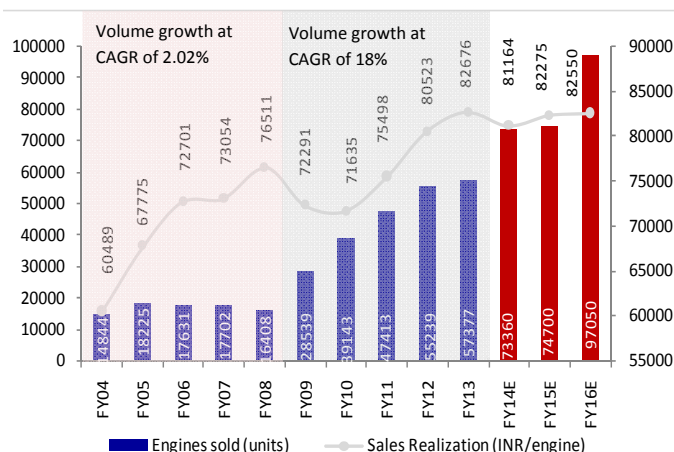
Source: Microsec Research, Company Data

Particulars	Q3FY14 Standalone Performance					9 Months Performance		
	Q3FY14A	Q3FY13A	Q2FY14A	YoY	QoQ	9MFY14	9MFY13	Var
<b>Net Sales</b>	<b>149.17</b>	<b>123.49</b>	<b>150.45</b>	<b>20.80%</b>	<b>-0.85%</b>	<b>445.80</b>	<b>361.07</b>	<b>23.47%</b>
Other Operating Income	1.01	1.08	1.13			3.12	3.42	
<b>Total Operating Income</b>	<b>150.18</b>	<b>124.57</b>	<b>151.58</b>	<b>20.56%</b>	<b>-0.92%</b>	<b>448.92</b>	<b>364.49</b>	<b>23.16%</b>
Total Expenditure	128.38	106.19	128.92			382.35	309.42	
<b>EBITDA</b>	<b>21.8</b>	<b>18.38</b>	<b>22.66</b>	<b>18.61%</b>	<b>-3.80%</b>	<b>66.57</b>	<b>55.07</b>	<b>20.88%</b>
<i>EBITDA Margin (%)</i>	<i>14.52%</i>	<i>14.75%</i>	<i>14.95%</i>	<i>(23)bps</i>	<i>(43)bps</i>	<i>14.83%</i>	<i>15.11%</i>	<i>(15)bps</i>
Other Income	4.15	3.61	4.60			13.45	9.56	
Operating Profit	25.95	21.99	27.26			80.02	64.63	
Depreciation	2.24	2.12	2.22			6.58	4.92	
PBIT	23.71	19.87	25.04	19.33%	-5.31%	73.44	59.71	22.99%
Interest	0.00	0.11	0.01			0.03	0.14	
Exceptional Items	-1.15	0.00	0.00			-1.15	0.00	
PBT	22.56	19.76	25.03	14.17%	-9.87%	72.26	59.57	21.30%
Tax	7.01	6.00	7.86			22.72	18.10	
<b>PAT</b>	<b>15.55</b>	<b>13.76</b>	<b>17.17</b>	<b>13.01%</b>	<b>-9.44%</b>	<b>49.54</b>	<b>41.47</b>	<b>19.46%</b>
PAT Margin (%)	10.35%	11.05%	11.33%			11.04%	11.38%	
PAT ( excl EI)	16.7	13.76	17.17	<b>21.37%</b>	<b>-2.74%</b>	50.69	41.47	<b>22.23%</b>
<i>PAT Margin (%) ( excl EI)</i>	<i>11.12%</i>	<i>11.05%</i>	<i>11.33%</i>	<i>(1)bps</i>	<i>(21)bps</i>	<i>11.29%</i>	<i>11.38%</i>	<i>(8)bps</i>
Equity Capital	12.42	12.42	12.42			12.42	12.42	
Face Value	10	10	10			10	10	
No. of Outstanding shares	1.24	1.24	1.24			1.24	1.24	
EPS	12.52	11.08	13.82	13.01%	-9.44%	39.89	33.39	19.46%
<b>EPS ( excl EI)</b>	<b>13.45</b>	<b>11.08</b>	<b>13.82</b>	<b>21.37%</b>	<b>-2.74%</b>	<b>40.81</b>	<b>33.39</b>	<b>22.23%</b>

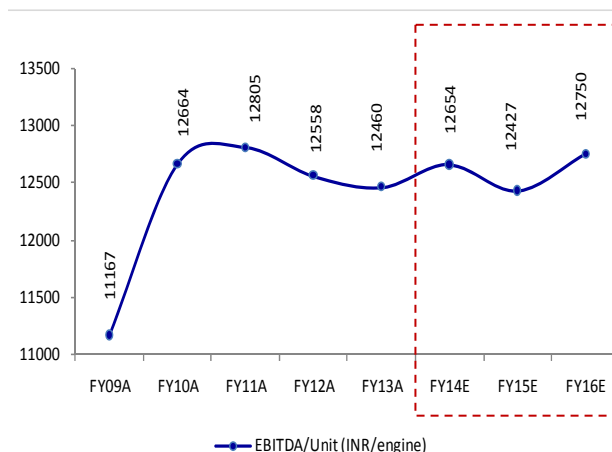
Source: Company Data, Microsec Research. All data in INR crores unless specified.

Particulars	Q3FY14 Standalone Performance					9 Months Performance		
	Q3FY14A	Q3FY13A	Q2FY14A	YoY	QoQ	9MFY14	9MFY13	Var
Installed Capacity	18750	18750	18750	NA	NA	56250	45000	NA
Utilized Capacity	98.8%	81.5%	98.6%	NA	NA	97.4%	97.1%	NA
Engines Sold (Units)	18530	15288	18484	21.2%	0.2%	54797	43691	25.4%
Sales	149.17	123.49	150.45	20.8%	-0.9%	445.80	361.07	23.5%
<i>Sales Realization (INR/unit)</i>	<i>80502</i>	<i>80776</i>	<i>81395</i>	<i>-0.3%</i>	<i>-1.1%</i>	<i>81355</i>	<i>82642</i>	<i>-1.6%</i>
<i>EBITDA/Unit (INR/unit)</i>	<i>11765</i>	<i>12023</i>	<i>12259</i>	<i>-2.1%</i>	<i>-4.0%</i>	<i>12148</i>	<i>12604</i>	<i>-3.6%</i>

Source: Company Data, Microsec Research. All data in INR crores unless specified.



Source: Company Data, Microsec Research



Source: Company Data, Microsec Research

### Investment Highlights

**Leading supplier to Mahindra & Mahindra Ltd – A key source to growth:** SEL enjoys the access to the India's largest tractor manufacturer "M&M" (41% market share in Domestic tractor industry), which has a holding of 33% in SEL. Swaraj Engines Ltd manufactures tractor engines solely for the "Swaraj Division" of M&M. It caters to ~85% demand of Swaraj division of M&M and rest 15% of demand is met through Kirloskar Oil Engines, which has a holding of 17% in SEL. The demand from M&M is estimated to grow further and reach ~90-95%. The engine volume has grown at a CAGR of 28.5%, since the M&M acquisition on back of enhanced demand from M&M as compared to CAGR of just 2% over FY04-08 (before the acquisition).

**Capacity expansion from current 75,000 engines p.a. to 1,05,000 engines p.a. over next 12-18 months to improve productivity and help meet the demand from M&M:** SEL has undertaken an expansion plan to increase its annual capacity to 1,05,000 engines per annum from 75,000 engines over next 12-18 months. We believe that full benefits of this expansion will be seen from Q2FY16e. This expansion would help SEL in improving productivity and meet the aggressive engine demand from M&M. *The company has planned a capex of INR38 crore for the expansion, much less than the capex of INR55 crore spend for the last expansion from 42,000 engines p.a. to 75,000 p.a. This means for earlier expansion of 33,000 engines, the company planned a capex of INR55 crore and now the company is planning a capex of INR38 crore for expansion of 30,000 engines. To sum up, earlier company had planned a capex of INR16,667/unit and now it has planned a capex of INR12,667/unit; ~24% lesser than the earlier plan. The capex of INR38 crore will be entirely funded from internal accruals.*

**Revenue to grow at a CAGR of 19% over FY14-16e on impressive volume growth:** We envisage revenue to grow at a CAGR of 19% solely on basis of volume growth of 19% with realization remaining flat over FY14-16e. We expect ~26% growth in revenue in FY14e due to company taking full benefit of capacity expansion from 60,000 engines p.a. to 75,000 engines p.a. Hence, with capacity utilization already hovering around at the levels of 99% and new capacities to come on-stream in Q2FY16e, we don't look forward to a healthy growth in FY15e. We expect FY15e revenue to grow by merely 3.22% on back of both volume and realization and bottom line by 3.92%. With the new capacity becoming operational in FY16e, we expect a growth of 30.29% on top-line because of immense growth in volume; realizations remaining flat.

**SEL's presence in high HP segment and its growth directly dependent on Indian agriculture – An added advantage:** Firstly, SEL manufactures engines in the 20-50HP range. Around 10% of sales comes from lower than 30 HP engine,

50% from 30-40 HP and 40% from 40-50 HP. Secondly, SEL's growth has been directly comparable to Indian agriculture. We expect tractor industry to grow in long term on back of more productivity, low penetration, need for mechanization, higher MSPs and policies (NREGA).

**Healthy earnings, strong cash flows, zero debt; Valuations attractive:** With revenue growth at a CAGR of 28.5%; PAT growth at CAGR of 31% post acquisition and stable margins at ~15%, the company is poised to grow further and capable of sustaining its healthy earnings. Despite the capex of INR55crore, the company has strong cash flows. Furthermore, the company is debt free and is likely to earn ROE of 27% over FY16e.

#### Valuation:

We had recommended Swaraj Engines Ltd a "BUY" at INR430 in our report dated 23<sup>rd</sup> November, 2012 with a Target price of INR529. The stock had surpassed our target price of INR529, giving a return of 23% on 10<sup>th</sup> Dec, 2012.

Also, we had recommended Swaraj Engines Ltd a "BUY" at INR465 in our report dated 14<sup>th</sup> December, 2013 with a Target price of INR541. The stock had surpassed our target price of INR529, giving a return of 16% on 12<sup>th</sup> Nov, 2013.

At the CMP of INR625, the stock is trading at P/E of 11.44x its FY14e EPS of INR54.63, P/E of 11.1x its FY15e EPS of INR56.78 and P/E of 8.34x its FY16e EPS of 74.93. Given such strong earnings, incremental production, leading supplier to M&M, we expect the company to outperform in future. We have assigned a P/E multiple of 10x on FY2016e EPS of INR74.93 per share and arrived at a target price of INR749 per share for the company i.e. an upside of 20%.

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14E	FY15E	FY16E
Installed Capacity	36000	36000	36000	42000	60000	75000	75000	105000
Utilized Capacity	79.3%	108.7%	131.7%	131.5%	95.6%	97.8%	100%	92%
Engines Sold (Units)	28539	39143	47413	55239	57377	73360	74700	97050
Growth	73.9%	37.2%	21.1%	16.5%	3.9%	27.9%	1.8%	29.9%
Sales (INR in Crores)	206.31	280.4	357.96	444.8	474.37	595.41	614.59	801.15
Sales Realization (INR/engine)	72291	71635	75498	80523	82676	81164	82275	82550
Growth	-5.3%	-0.9%	5.4%	6.7%	2.7%	-1.8%	1.4%	0.3%
EBITDA/Unit (INR/engine)	11167	12664	12805	12558	12460	12654	12427	12750
Growth	-22.5%	13.4%	1.1%	-1.9%	-0.8%	1.6%	-1.8%	2.6%
Margin per unit	61123	58971	62694	67965	70216	68509	69848	69800

## Profit and Loss Statement

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14E	FY15E	FY16E
Net Sales	206.31	280.4	357.96	444.8	474.37	595.41	614.57	800.72
<i>Growth (%) - YoY</i>	64.67%	35.91%		24.26%	6.65%	25.52%	3.22%	30.29%
Other Operating Income	1.86	2.04	2.67	3.78	4.66	4.37	5.16	6.25
Total Income	208.17	282.44	360.63	448.58	479.03	599.78	619.73	806.97
<i>Growth (%) - YoY</i>	65.00%	35.68%	27.68%	24.39%	6.79%	25.21%	3.33%	30.21%
 TOTAL EXPENDITURE	 176.3	 232.87	 299.92	 379.21	 407.54	 511.34	 526.90	 683.23
<i>as % of sales</i>	84.69%	82.45%	83.17%	84.54%	85.08%	85.25%	85.02%	84.67%
EBITDA	31.87	49.57	60.71	69.37	71.49	92.83	92.83	123.73
<i>EBITDA Margin (%)</i>	15.31%	17.55%	16.83%	15.46%	14.92%	15.48%	14.98%	15.33%
Other Income	0.17	4.18	2.37	12.24	15.32	18.70	17.35	20.50
Operating Profit	32.04	53.75	63.08	81.61	86.81	107.15	110.18	144.23
Depreciation	4.69	4.84	4.46	4.26	7.16	8.83	8.72	10.34
EBIT	27.35	48.91	58.62	77.35	79.65	98.32	101.46	133.89
<i>EBIT Margin (%)</i>	13.14%	17.32%	16.25%	17.24%	16.63%	16.39%	16.37%	16.59%
Interest	-4.87	-5.8	-5.73	0.08	0.15	0.03	0.00	0
PBT	32.22	54.71	64.35	77.27	79.5	98.29	101.46	133.89
Exceptional items	0.00	0	0	0	0	-1.15	0.00	0.00
PBT after exceptional items	32.22	54.71	64.35	77.27	79.5	97.14	101.46	133.89
<i>PBT Margin (%)</i>	15.48%	19.37%	17.84%	17.23%	16.60%	16.39%	16.37%	16.59%
Tax	10.94	17.36	20.44	24.45	24.1	30.43	30.95	40.84
<i>Tax (%)</i>	33.95%	31.73%	31.76%	31.64%	30.31%	30.96%	30.50%	30.50%
PAT	21.28	37.35	43.91	52.82	55.4	66.70	70.52	93.06
<i>PAT Margin (%)</i>	10.22%	13.22%	12.18%	11.77%	11.57%	11.12%	11.38%	11.53%
Exceptional Items	0	0	0	0	0	-1.15	0	0
PAT ( excl EI)	21.28	37.35	43.91	52.82	55.4	67.85	70.52	93.06
<i>PAT Margin (%) ( excl EI)</i>	10.22%	13.22%	12.18%	11.77%	11.57%	11.31%	11.38%	11.53%
<i>PAT Growth (%) - YoY</i>	48.19%	75.52%	17.56%	20.29%	4.88%	22.48%	3.92%	31.97%
Basic EPS	17.13	30.07	35.35	42.53	44.61	53.71	56.78	74.93
Adjusted EPS excl exceptional items	17.13	30.07	35.35	42.53	44.61	54.63	56.78	74.93
 Equity Capital	 12.42	 12.42	 12.42	 12.42	 12.42	 12.42	 12.42	 12.42
Face Value	10	10	10	10	10	10	10	10
No. of Outstanding Shares	1.242	1.242	1.242	1.242	1.242	1.242	1.242	1.242

Source: Company data, Microsec Research

## Balance Sheet and Cash Flow Statement

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14E	FY15E	FY16E
<b>SOURCES OF FUNDS</b>								
Share Capital	12.42	12.42	12.42	12.42	12.42	12.42	12.42	12.42
Reserves & Surplus	84.55	110.32	139.80	173.86	181.31	228.81	274.64	330.48
Shareholder's Funds	96.97	122.74	152.22	186.28	193.73	241.23	287.06	342.90
Secured Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unsecured Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance Lease Liability	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>96.97</b>	<b>122.74</b>	<b>152.22</b>	<b>186.28</b>	<b>193.73</b>	<b>241.23</b>	<b>287.06</b>	<b>342.90</b>
<b>APPLICATION OF FUNDS</b>								
Gross Block	71.29	71.93	77.63	96.04	141.54	151.54	181.54	193.54
(-) Accumulated Depreciation	44.90	49.22	53.68	54.24	60.82	69.65	78.37	88.71
Net block	26.39	22.71	23.95	41.80	80.72	81.89	103.17	104.83
Capital Work in Progress	0.13	0.95	2.47	8.72	2.46	3.00	4.00	8.00
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments	20.32	57.72	57.79	81.13	74.15	78.80	81.69	87.09
Net Deferred Taxation	-3.86	-2.68	-1.92	-3.20	-6.33	-6.33	-6.33	-6.33
Fixed Assets & Investments	42.98	78.70	82.29	128.45	151.00	157.36	182.53	193.59
Inventories	12.77	19.91	35.12	33.44	39.35	44.10	47.27	55.22
Sundry Debtors	5.22	4.05	8.06	11.91	9.25	10.83	11.38	13.35
Other Current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash & Bank balance	55.88	56.39	76.20	69.70	80.72	114.53	132.82	161.83
Loans & Advances	4.86	6.00	8.42	16.68	14.26	16.67	18.44	24.02
Total Current Assets, Loans & Advances	78.73	86.35	127.80	131.73	143.58	186.13	209.91	254.42
Less: Total Current Liabilities & Provisions	24.74	42.31	57.87	73.90	100.85	102.27	105.38	105.11
Net Current Assets	53.99	44.04	69.93	57.83	42.73	83.87	104.53	149.30
Miscellaneous Expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>96.97</b>	<b>122.74</b>	<b>152.22</b>	<b>186.28</b>	<b>193.73</b>	<b>241.23</b>	<b>287.06</b>	<b>342.90</b>

Source: Company data, Microsec Research

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14E	FY15E	FY16E
<b>A. Cash Flow From Operating Activities</b>								
Net Profit Before Tax	32.2	54.7	64.4	77.3	79.5	98.3	101.5	133.9
Depreciation	4.7	4.8	4.5	4.3	7.2	8.8	8.7	10.3
Operating Profit before WC changes	31.3	53.7	60.7	69.4	71.6	107.1	110.2	144.2
(Increase)/Decrease in Inventories	-3.5	-7.5	-15.2	1.7	-5.9	-4.8	-3.2	-7.9
(Increase)/Decrease in Sundry Debtors	11.1	0.4	-6.1	-10.3	5.6	-1.6	-0.6	-2.0
(Increase)/ Decrease in loans and advances	0.0	0.0	0.0	0.0	0.0	-2.4	-1.8	-5.6
(Increase)/ Decrease in Other Current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase/ (Decrease) in Current & Liabilities	4.5	13.7	12.7	11.6	-2.3	1.4	3.1	-0.3
Cash generated from operations	43.4	60.2	52.0	72.5	69.0	99.8	107.8	128.5
Direct taxes paid	12.6	20.0	21.5	22.6	21.5	30.4	30.9	40.8
Net Cash from Operating Activities	31.5	40.3	30.5	49.9	47.5	69.4	76.9	87.6
<b>B. Cash Flow From Investing Activities</b>								
Net Cash used in Investing Activities	0.1	-33.5	0.9	-41.9	-17.6	-15.2	-33.9	-21.4
<b>C. Cash Flow From Financing Activities</b>								
Net Cash from/(Used) in financing activities	-6.3	-6.3	-11.6	-14.4	-18.9	-20.4	-24.7	-37.2
Net (Increase)/Decrease in cash & cash equivalents	25.4	0.5	19.8	-6.5	11.0	33.8	18.3	29.0
Cash & Cash Equivalents at beginning	30.5	55.9	56.4	76.2	69.7	80.7	114.5	132.8
<b>Cash &amp; Cash Equivalents at End</b>	<b>55.9</b>	<b>56.4</b>	<b>76.2</b>	<b>69.7</b>	<b>80.7</b>	<b>114.5</b>	<b>132.8</b>	<b>161.8</b>

Source: Company data, Microsec Research

## Ratio Analysis

Particulars (INR in Crores)	FY09A	FY10A	FY11A	FY12A	FY13A	FY14E	FY15E	FY16E
<b>Profitability Ratios</b>								
Return on Assets (ROA)	27.03%	43.25%	34.36%	40.10%	38.58%	36.45%	33.59%	36.58%
Return on Capital Employed (ROCE)	21.94%	30.43%	28.85%	28.36%	28.60%	28.13%	24.56%	27.14%
Return on Equity (ROE)	21.94%	30.43%	28.85%	28.36%	28.60%	28.13%	24.56%	27.14%
<b>Per Share</b>								
Basic EPS	17.13	30.07	35.35	42.53	44.61	53.71	56.78	74.93
Adjusted EPS excl Exceptional Items	17.13	30.07	35.35	42.53	44.61	54.63	56.78	74.93
Dividend Per share	5.00	8.00	10.00	13.00	13.00	16.39	19.87	29.97
Cash Earning Per Share	20.91	33.97	38.95	45.96	50.37	61.74	63.80	83.25
BVPS	78.08	98.82	122.56	149.98	155.98	194.23	231.13	276.08
<b>Valuation Parameters</b>								
P/E (x)	5.55	9.65	12.14	9.43	8.86	11.64	11.01	8.34
Adjusted P/E(x) excl Exceptional Items	5.55	9.65	12.14	9.43	8.86	11.44	11.01	8.34
P/CEPS(x)	4.55	8.54	11.02	8.73	7.84	10.12	9.80	7.51
P/BV(x)	1.22	2.94	3.50	2.68	2.53	3.22	2.70	2.26
Market Cap/Sales(x)	0.57	1.29	1.49	1.12	1.03	1.30	1.26	0.97
EV/EBITDA(x)	1.95	6.13	7.52	6.18	5.73	7.13	6.93	4.97
<b>Liquidity Ratios</b>								
Current Ratio	3.18	2.04	2.21	1.78	1.42	1.82	1.99	2.42
Acid Test Ratio	2.67	1.57	1.60	1.33	1.03	1.39	1.54	1.90
Debt-Equity Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Efficiency Ratios (%)</b>								
Asset turnover Ratio	0.17	0.23	0.21	0.20	0.19	0.20	0.18	0.21
Working Capital Turnover Ratio	0.39	0.85	0.63	0.91	1.30	0.81	0.67	0.62
Inventory Turnover Ratio	1.67	1.88	1.25	1.58	1.41	1.54	1.49	1.69
<b>Margin Ratios (%)</b>								
EBITDA Margin	15.31%	17.55%	16.83%	15.46%	14.92%	15.48%	14.98%	15.33%
EBIT Margin	13.14%	17.32%	16.25%	17.24%	16.63%	16.39%	16.37%	16.59%
PBT Margin	15.48%	19.37%	17.84%	17.23%	16.60%	16.39%	16.37%	16.59%
Net Profit Margin	10.22%	13.22%	12.18%	11.77%	11.57%	11.31%	11.38%	11.53%

Source: Company data, Microsec Research

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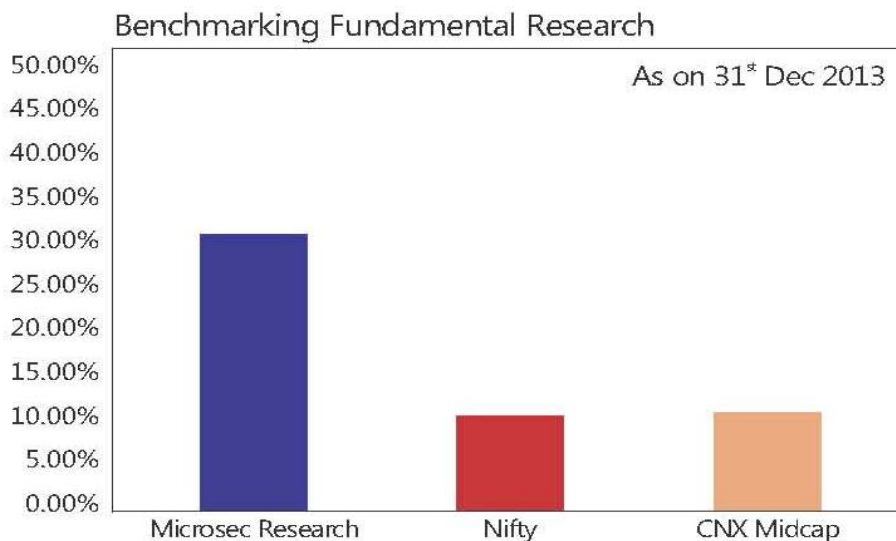
Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Underperform	between 0% and -10%
Sell	< -10%

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# Research?

## Microsec Benchmark its Research



An amount of ₹ 1,00,000 invested individually in all 233 stocks ie, ₹ 2,33,00,000 investment as and when recommended has appreciated to ₹ 3,04,26,452 giving a return of 30.6 percent. On the same basis Nifty has given a return of 9.9 percent and CNXMID CAP has given a return of 10.4 percent.

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