Kirloskar Brothers Ltd.

"Pumping Up its Resources"…

Initiating Coverage

20th November 2012

BUY

Key Take Away

CMP	148

Market Data

Nifty Code	KIRLBROS
Sensex	18339
Nifty	5571
52 week High/Low	184/108
Market Cap (Rs.Mn)	11740
FV	2

Shareholding Pattern (%)

As on September 2012	
Promoters	63.17
MFs, FIs & Banks	12.92
FIIs	2.48
Other Bodies corporate	3.97
Public and others	17.47

Rs. Mlns	2011-12	2012-13E	2013-14E
Net Sales	25545	23539	24758
% Growth	-4.3%	-7.8%	5.2%
Adj. PAT	293	545	1073
EBIDTA %	7.6%	8.4%	10.6%
PAT %	2.0%	2.3%	1.9%
Adj.EPS	3.7	6.9	13.5
Adj.PE	34.1	21.6	10.9
ROCE %	15.2%	14.9%	20.9%
ROE %	5.8%	6.0%	5.0%

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Theme

Kirloskar Brothers Limited (KBL), a multinational Indian company, incorporated in 1920 with over 123 years of engineering expertise in Fluid Management Systems, is one of the largest pump manufacturing and exporting company in India with focused areas in Irrigation, Water Resource Management, Building and Construction, Industry, Power, Gas, Oil and Defense.

Investment Rationale

A key market player with a 15% market share in the pumps industry

The global market for pumps is expected to grow at an average CAGR of 2.8% from 2005-2015. The Indian pump industry is poised to register a faster growth rate than global average, ~increasing its share of global market from 2.9% in 2005 to 4.4% in 2015. With a 15% market share in the pumps sector & exports contributing to 19% of its revenues in FY12, KBL would be garnering stable growth in the near future.

The "Manthan" initiative

KBL has launched the Manthan Initiative whereby it will focus on its core competent product business of centrifugal pumps & valves & strengthen it further rather than focus on its EPC business. Its consolidated product business sales have increased from 62% to 69% in FY12 with focus on positive cash generation for KBL.

Initiated Balance Sheet cleaning up exercise

KBL has embarked on a mission to clean up its balance sheet & generate positive cash flows by dispatching its products to customers who have the capacity to pay. Selective bidding for new projects has been made with strong filtrations of being profitable & cash positive.

Merger of its loss making subsidiary KCEL with itself

KBL plans to merge or dispose off its loss making subsidiary Kirloskar Constructions & Engineers Ltd. which have consistently eroded its consolidated profits since its acquisition in 2007 (25% of consolidated PAT in FY12). An affirmative resolution hiving off or merging KCEL will positively impact the consolidated profitability of KBL.

Valuation

Stable growth in the pump sector from the water, chemical & maintenance segment, restructuring of its business verticals, cleaning up of its balance sheet, we find KBL to be an interesting value pick with key change in its revenue mix from project to product. At the CMP of Rs.148, the stock quotes at a PE of 11x its FY14E EPS of Rs.14 per share. We initiate coverage with a *BUY* Rating on the stock.

Key Concerns

- **Global slowdown:** Macroeconomic turbulence could have a negative impact on infrastructure investment, leading to a reduction in demand for pumps and a pressure to reduce prices. Slowdown in Indian GDP growth rate would also hamper demand for pumps in the domestic market.
- **Subsidies:** Free power to farmers acts as a deterrent to the adoption of energy-efficient solutions.
- **Margin pressures:** Increases in the prices of raw materials have increased input costs.
- **Price sensitivity:** Presence of a large number of SMEs offering low-priced solutions puts pressure on the growth in market share of large players in the agriculture sector.
- **Low spending on R&D:** Ability of SME units to replicate designs offered by firms dampens introduction of new designs.

The Pump Industry

India has a strong pump manufacturing base with both Indian and international players involved in the market. Planned investments for the power, water, and oil and gas would be key triggers for its growth.

State of the market

The global market for pumps will increase form US$21.5bn in 2005 to US$28.3bn in 2015, with an average compounded annual growth rate of 2.8%. The Indian pump industry is poised to register a faster growth rate than global average. The industry is set to grow at approximately increasing its share of global market from US$0.625bn in 2005 (2.9% of global market share) to US$ 1.25bn in 2015 (4.4% of global market share).

The Indian pumps market industry is fairly mature, with domestic sales expected to increase at a rate of 16-18% per year and exports projected to grow at around 10-12% over the next few years. The industry estimates annual production of around 2 million units, with nearly 95% of domestic consumption being met through local production facilities.

The pumps market is broadly classified into two categories:

Industrial pumps which cater to infrastructure sectors and agriculture and domestic pumps. International players include KSB Pumps, Flowserve and Aquasub, which have manufacturing bases in India. Low-cost manufacturing and domestic demand have created an attractive environment for most international players with introductions of latest technologies for energy efficiency and high performance.

Pumps Segmentation

Centrifugal pumps dominate the Indian market, with around 95% of total sales. Within centrifugal pumps, single stage radial-flow pumps and submersible pumps are market leaders. Positive displacement pumps account for the remaining 5% of market revenues.

SEGMENTATION OF THE PUMPS INDUSTRY

Types of centrifugal pumps

MARKET SHARE BY DOMESTIC REVENUES (FY10)	
Single-stage radial	39%
Submersible	31%
Multi-stage radial	18%
Axial & mixed	12%

Key sectors - Irrigation, domestic, power generation, water & wastewater

Types of positive displacement pumps

MARKET SHARE BY DOMESTIC REVENUES (FY10)	
Rotary	73%
Reciprocating	24%
Peristaltic	3%

Key sectors - Oil & gas, power generation, food & beverages

KEY PLAYERS (WITH FOCUS SECTORS)

Centrifugal pumps	Kirloskar	Water and wastewater, power generation, oil & gas
	CRI Pumps	Irrigation and domestic
	KSB Pumps	Power generation, building services
	SME players predominantly focus on agriculture sector	
Positive displacement pump	Conflax India	Oil & gas, power generation food & beverages

Competitive landscape

In India, there are over 800 pump manufacturers, of which a few are large players — Indian and MNCs with revenues above Rs.1000mn — and plenty of SME players. Large players like Kirloskar and Flow More, have expanded into the EPC space and are providing turnkey solutions.

The unorganised sector accounts for 60% of sales in agriculture, a price-sensitive market that leaves large players who have a particular disadvantage, but some level of consolidation could occur among these deeply fragmented players. Coimbatore houses the largest number of pump manufacturers.

The market had an estimated 16% growth over the 2007-11 financial years for domestic sales. If infrastructure sector investments move according to plan in the coming years, the market could witness an optimistic growth of around 20% per year, while a slowdown is expected to result in a reduced year-on-year growth of around 12%.

The Sales Channel – Strong Dealer network

Pump manufacturers employ different channels in catering to end-user categories.

For the industrial segment

Key influencing decisions include lifecycle costs and the availability of spares and after-sales service. Sales of these pumps are made either by manufacturers directly and through its dedicated dealer network, or they are clubbed together with EPC packages. In this market, providing an entire range of products and services gives a distinct competitive advantage.

For the agriculture and domestic segment

Small pumps are typically sold through a distributor network. Here, the lowest price is the single most important factor influencing purchaser decision.

The Star BEE rating for energy efficiency is increasingly impacting customer preferences. So despite large players facing fierce price competition from local SMEs, energy efficient products delivered through an optimised supply chain are the key to success in this segment.

Imports and exports

India exports pumps to almost 100 countries, with the USA and Germany, at around 13 & 12% respectively, being the largest destinations. International players with an Indian presence have buyback arrangements, meaning that pumps manufactured in their Indian facilities are sold abroad. The total share of Indian pumps in global exports is less than 3%. Exports registered a drop in the 2010 financial year — a yoy drop of 8% — due to recessionary pressures; but these have since picked up and this industry is estimated to grow around 10% each year over the coming years.

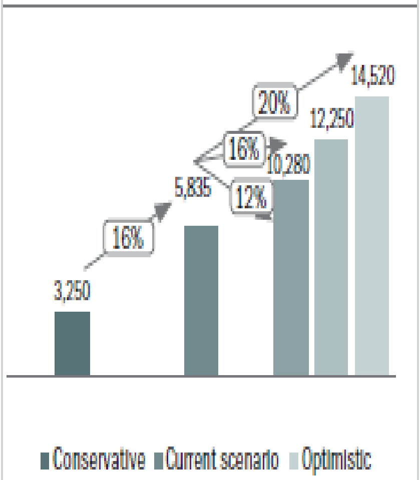
The Middle East has emerged as an attractive export destination with low priced Indian pump sets having an advantage over their European and American counterparts. The region lacks a domestic manufacturing base, which means it has a higher dependence on imports. Here, most sales are part of a package of products meant for large EPC projects, and the entry of Indian EPC players could act as a catalyst for future exports.

Imports account for around 5% of total domestic consumption, with the US, China and France being the largest sources. Meanwhile, the low-cost model of local manufacturers has limited the scale of Chinese imports in the agriculture sector, and the lack of established after-sales service has also limited the expansion of Chinese supplies to the industrial sectors.

Key growth drivers

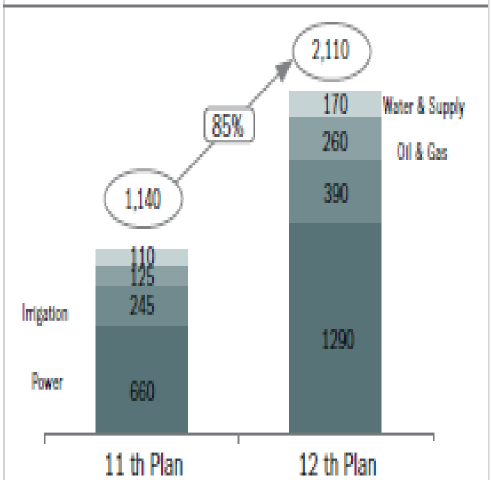
- **Growth in infrastructure:** Announced investment of $1 trillion into the infrastructure sector in the Twelfth Five-year Plan is expected to boost the demand for pumps in key end-use sectors.
- **New sources of water:** Need for newer water sources, such as deep water tables and desalination is expected to create demand for pumps offering increased capacity and efficiency.
- **Increase in urban density:** Growth in the residential and commercial markets, expected at around 9-10% over next 5-6 years, is expected to increase demand.
- **Energy-efficient solutions:** Rising costs of power and increasing awareness about the environment is also expected to create a demand for energy-efficient pumps.

Scenario analysis for revenue forecast for the Indian pumps market (FY11-FY16, Rs cr)



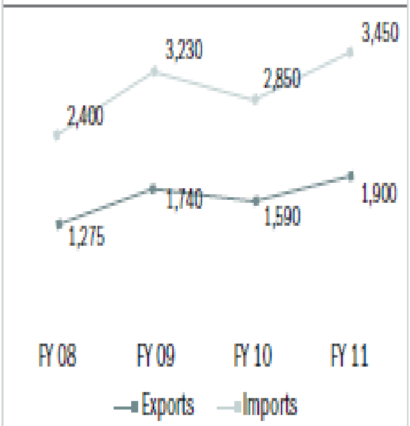
Source: Industry Reports, Analysis by Tata Strategic

Growth in projected investments in end-use sectors (Rs '000 cr)



Source: Planning Commission, Analysis by Tata Strategic

Export-import pump trends (In Rs cr)



Source: EXIM Database

Kirloskar Brothers Limited

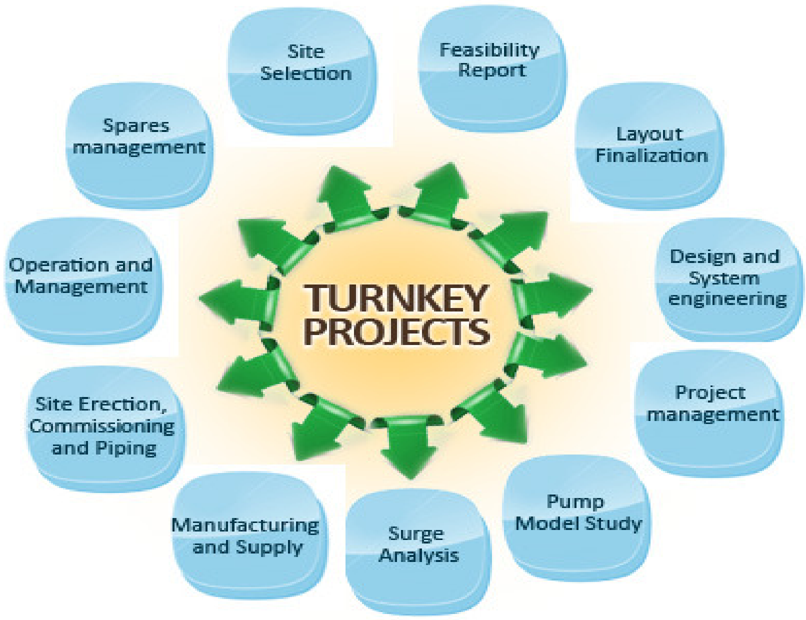
- *"Optimised pumping solutions from concept to commissioning across market segments"*

KBL is the flagship company of the $2.5 billion Kirloskar group. Established in 1888 and incorporated in 1920, it is India's leading and innovative solutions provider in hydraulic machines and systems. KBL is the largest manufacturer and exporter of centrifugal pumps and valves from India. It has one of Asia's largest Hydraulic Research Centers with a testing facility to test pumps up to 50,000 m^3 / hour (220,150 US GPM), 4500 kW motor (6120 HP) as part of their infrastructure at the manufacturing location at Kirloskarvadi. KBL has been bestowed with the 'Export Excellence' award for 28 years consecutively from the Ministry of Commerce and Government of India, with exports being made to over 80 countries across 6 continents.

Core Business offerings:

Sectors	Application
Power	Primary focus dwells on providing complete pumping solutions from boiler feed to circulating cooling water applications to power plants. KBL has also supplied state-of-the-art Canned Motor Pumps
Water Resource Management (WRM)	KBL provides pump sets to boost the product business in India and abroad or executing EPC projects for Water Supply and Sewage & Water Treatment plants. Growth in population & urbanization has sprouted many opportunities in store for the sector. With its rising strength in Desalination, WRM has geared up to enter this less-ventured field.
Irrigation	Irrigation sector provides fluid handling solutions for Irrigation schemes and also offers best suitable pumps and valves for the sector. KBL closely works with the National and State Irrigation Departments & has executed many projects in India and abroad.

EPC Projects From "Concept to Commissioning"



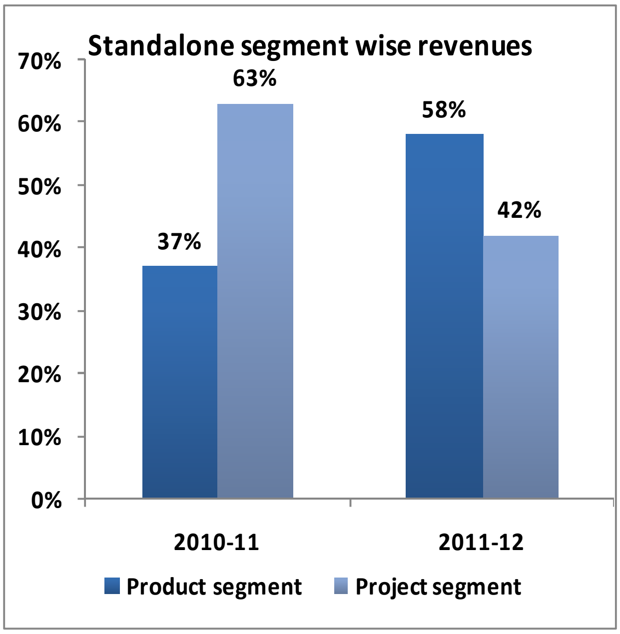
- Pump range from 0.1kW to 26 MW
- Valve range from 15 mm to 4500 mm
- Hydel turbines up to 20 MW
- Large Engineered Pumps
- LT induction Motors up to 315 frame
- Self exciting and self regulating alternators with compounding excitation system
- Mobile Pump Controllers which are designed to assist a pump user to monitor and operate the pump remotely with the help of a mobile

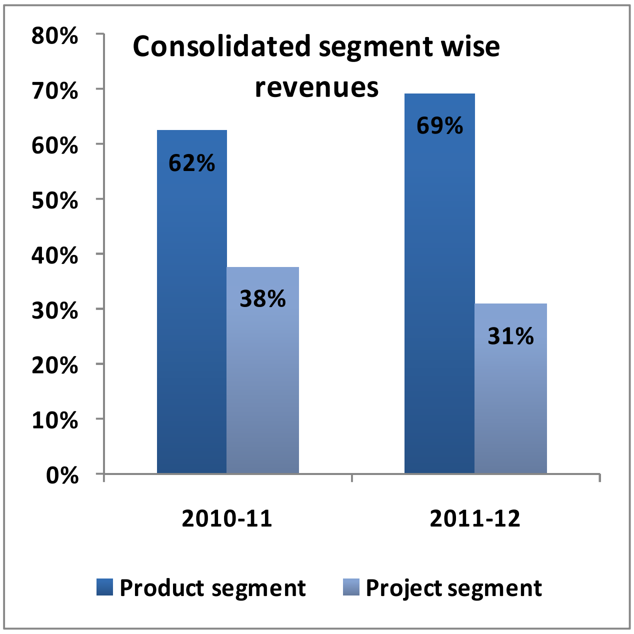
Major Centrifugal pumps manufactured

- Split-case pumps
- Process pumps
- Large Vertical Mixed flow pumps
- Canned motor pumps
- Metallic Volute pumps
- Concrete Volute pumps
- Primary / secondary moderator pumps for liquid sodium for fast breeder reactor technology for Nuclear Power Plants

Business Verticals	Application
Industry	Pumps and pumping solutions required by process industries along with water supply demands. It covers Engineering Steel, Paper & Pulp, Textile, Sugar, Chemical, Food and Beverages, Cement, Mining, Pharma, Tyre, Automobile etc
Building & Construction	Water, Sewage, Heating Ventilation Air-Conditioning and Refrigeration Systems, Pressure Boosting Hydro-Pneumatic Systems, Fire Fighting requirements of infrastructure, constructions, residential buildings, multiplexes, housing boards, shopping malls etc. The key focus of this sector is upcoming infrastructure projects i.e. airports, metro rail projects and large size townships
Gas Oil & Defense	Opportunities in Oil and Gas segment, mainly into FM approved and UL listed fire fighting pumps for offshore. It supplies fire fighting pumps to LPG bottling plants, various depots, refineries and other oil field establishments. Defense establishments like Indian Navy, Indian Coast Guard, Ordinance Factories & Military Engineering Services. Products are also supplied for dry docks, port trusts and shipping infrastructure.
Distribution	This sector deals with widespread dealer and distributor network across the country. The Distribution sector covers the requirement for Domestic, Agriculture and Industrial segments for different applications.
Customer Service & Spares	This sector provides after sales services and spares required by customers. Support and help for customers for onsite installation of pumpsets is ensured for proper operation. More than 400 service dealers & centers across the country are present to cater to customer need.

Segmental Revenue Break Up





From merely being a products player in 2004, KBL had decided to enter as a full fledged EPC contractor in irrigation, water and power project, to build up its business in scale & volume. Several EPC orders undertaken in the project business, especially in the irrigation segment encountered execution delays, cost escalations and payment recovery which have impacted its profits and balance sheet adversely.

Revamping its Strategy - To Focus on Product than Project business

Strategic moves which proved detrimental for KBL's growth

- Entry into EPC business in 2004
- Acquisition of Kirloskar Constructions & Engineers Ltd. in 2006 (profits drained to the extent of ~26% of its overall profits in 2012)

Kirloskar Construction & Engineers	2008-09	2009-10	2010-11	2011-12
Sales	**1222**	**1012**	1240	620
% of Total sales	*5.0%*	*3.8%*	*4.5%*	*2.2%*
PAT	**-118**	**-20**	-10	-160
% of Total PAT	*-14%*	*-2%*	*-1.1%*	*-26.2%*

Reprimanding the wrong moves: A Three-Pronged Approach

- To focus more on its product business
- Merger of Kirloskar Constructions & Engineers with itself
- Restructuring & cleaning of its Balance sheet

The "Manthan" Initiative

Amidst focus to ensure profitable growth with improvement in cash availability, KBL has taken a conscious decision of being selective in accepting project and product orders which will ensure positive cash flow and result in targeted profitability. It has decided to focus more on the promotion of its manufactured products to get higher profitability. The payment terms have been changed to ensure better cash flow. The initiatives will help in reducing inventory and borrowings thereby enhancing better management of working capital, reduction in interest cost & higher profit margins.

Introduction of new products with differentiated value proposition for the customers are being promoted. This has started reaping benefits in terms of increased profit driven sales with good cash flow. KBL plans to strengthen its customer relationship management process to provide world class after sales support with service & spares. **Apart from its manufacturing units at Kirloskarwadi, Dewas, Shirwal, Kondhapuri, Kolhapur it has opened two new manufacturing units at Coimbatore & Ahmedabad to aid growth in its products business.** Management expects a growth of 15-20% in its product business going ahead stemming out of these initiatives.

New Manufacturing facilities

Coimbatore plant

Production at its Coimbatore plant has already started with 100% capacity utilization which will exclusively manufacture the small domestic range of pumps. With an initial investment of about Rs.140mn, it has an installed capacity of 250000 units of different models of domestic pumps in phase-I and 500000 units in phase- II. It is expected to fetch a turnover of Rs.1500mn in the next three years. In FY12 it has already contributed to a topline growth of Rs.130mn which is expected to touch ~Rs.620-670mn in FY13 with margins @6-7%. This plant will further strengthen KBL's distribution network in the fast growing market for domestic pumps in the southern parts of India. Prior to its opening, KBL's existing plant at Dewas, Madhya Pradesh, catered to pan-India demands for domestic pumps.

Ahmedabad plant

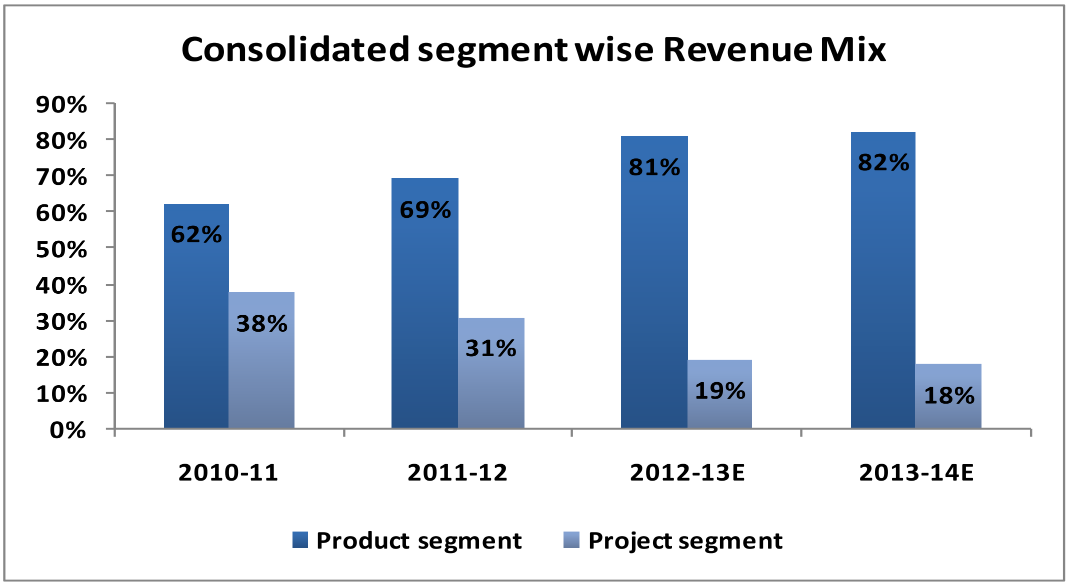
The new manufacturing units at Charodi Village, Sanand, Ahmedabad for the production of Submersible Pumps has already started operating in the current fiscal.

This unit is expected to contribute Rs.420mn to its topline in FY13 with margins @2% which is expected to grow by 10-15% in the next fiscal @margins of ~6-7%. This will help the Company to cater to the increasing market demand for its products.

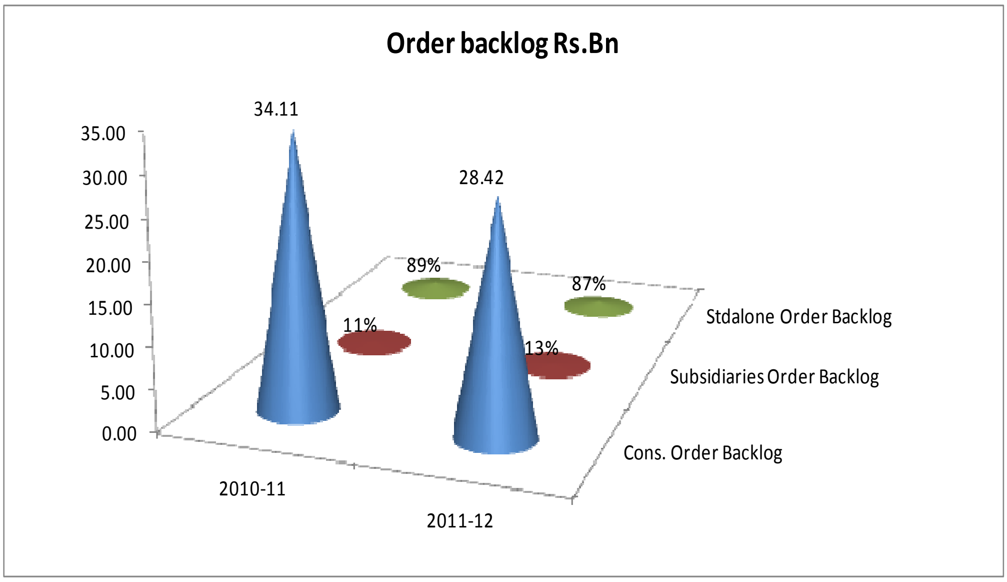
Strong dealer network

Currently for small pumps KBL has a dealer network of around 1100 and major distributors of roughly about 350 for the small, agriculture, domestic and industry. It has about 40 dealer distributors for industry sector as well as building and construction.

With all these initiatives we expect its consolidated revenue mix for its product business to grow substantially from 69% to 80% by FY14 & ultimately its contribution from its project business will reduce to a bare minimum by FY15 & selective bidding will be made for orders with good payment terms (~90% payment term in first year itself) which are profitable & cash positive throughout its execution period.



Project segment Order Book Details



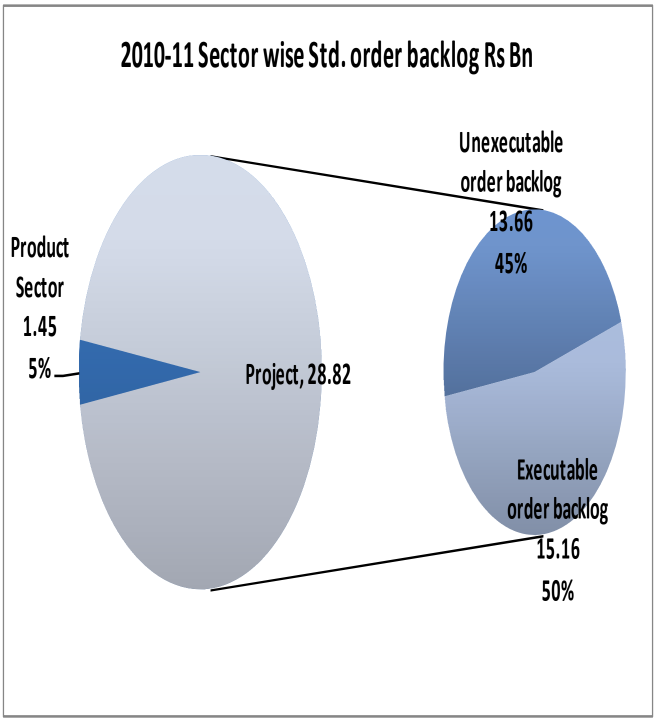
Quarterly Segment-wise Order book details

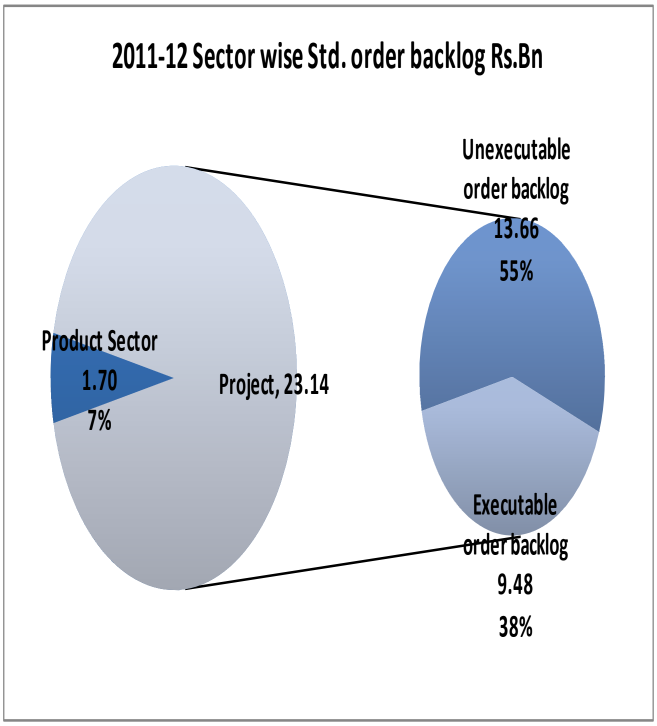
Order Details (Blns)	Q2 FY 12-13	Q1 FY 12-13	Q4 FY 11-12	Q3 FY 11-12	Q2 FY 11-12	Q1 FY 11-12
Cons. Order backlog	26.45	28.09	28.42			
Cons. Order Inflow	5.19	5.88	5.78			
Std. Order Inflows	3.15	4.01	3.66	2.10	3.06	3.22
Std. Order backlog Break Up						
Irrigation	12.34	12.77	13.10	13.59	14.24	14.63
% Total	54.1%	52.2%	50.8%	51.6%	50.1%	49.6%
Water Resource Mgt	2.23	2.37	3.35	2.92	3.53	3.56
% Total	9.8%	9.7%	13.0%	11.1%	12.4%	12.1%
Power	5.85	6.33	6.16	7.10	7.90	8.54
% Total	25.6%	25.9%	23.9%	27.0%	27.8%	29.0%
Gas Oil & Defence	0.75	1.11	1.45	1.07	1.25	1.20
% Total	3.3%	4.5%	5.6%	4.1%	4.4%	4.1%
Industry	0.63	0.85	0.72	0.78	0.65	0.75
% Total	2.8%	3.5%	2.8%	3.0%	2.3%	2.5%
Building & Construction	0.29	0.30	0.30	0.25	0.27	0.20
% Total	1.3%	1.2%	1.2%	0.9%	0.9%	0.7%
Distribution	0.41	0.43	0.40	0.40	0.32	0.17
% Total	1.8%	1.8%	1.6%	1.5%	1.1%	0.6%
Customer Support & Services	0.31	0.31	0.30	0.23	0.27	0.44
% Total	1.4%	1.3%	1.2%	0.9%	0.9%	1.5%
Total	**22.81**	**24.47**	**25.78**	26.34	28.43	29.49

Over the last 3-4 years, the project segment has been plagued by execution delays, cost escalations, bad debts, cash recovery issues, thereby impacting its margins and balance sheet quality.

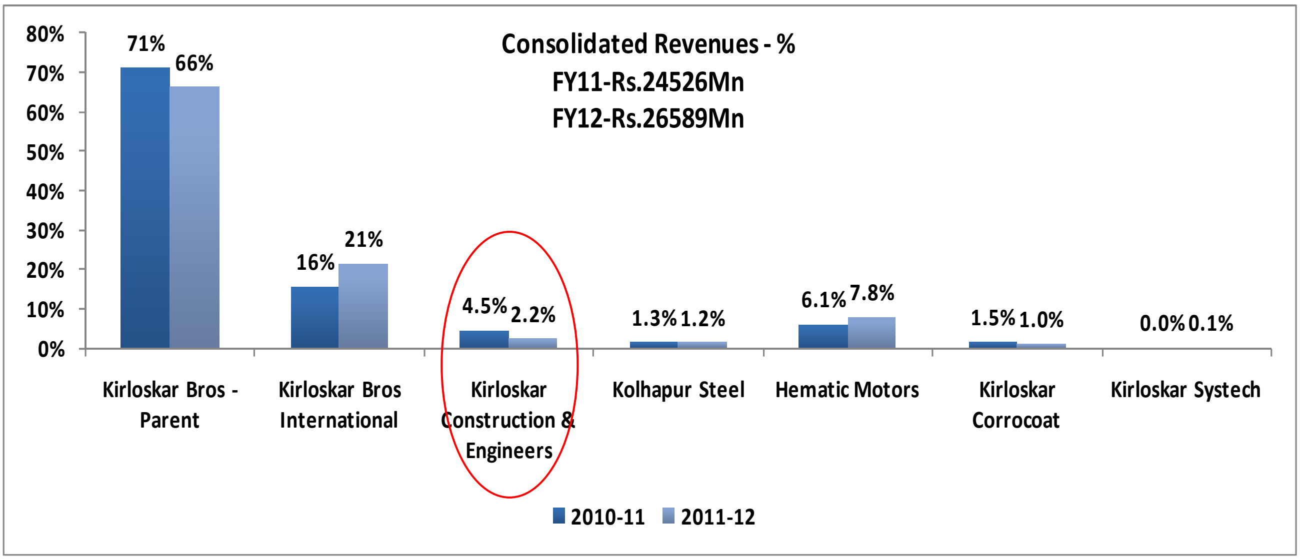
Of the overall order book KBL had undertaken orders which have either turned out to be defunct or will have to be executed with marginal to negative profits. Of the Irrigation segment orders worth Rs.7500mn from the Andhra Pradesh Government have not picked up due to lack of interest shown by the Government which has been just lying idle on its order book. KBL has issued a bank guarantee to the extent of 10% of its order (Rs.750-1000mn), which is contingent to the execution of the order. We expect the Management to write off the above in FY14 as we assume these orders to be non-functional & will help the Management in cleaning off its balance sheet. We also expect the remaining project orders from water resource management, power & oil & gas segment to get executed by FY15, thereby enabling it to focus more on its product segment with higher margins, cash flow & better working capital management. KBL will ensure a selective bidding for orders with higher margins & would be cash positive throughout its execution.

Details of Executable v/s Unexecutable order backlog



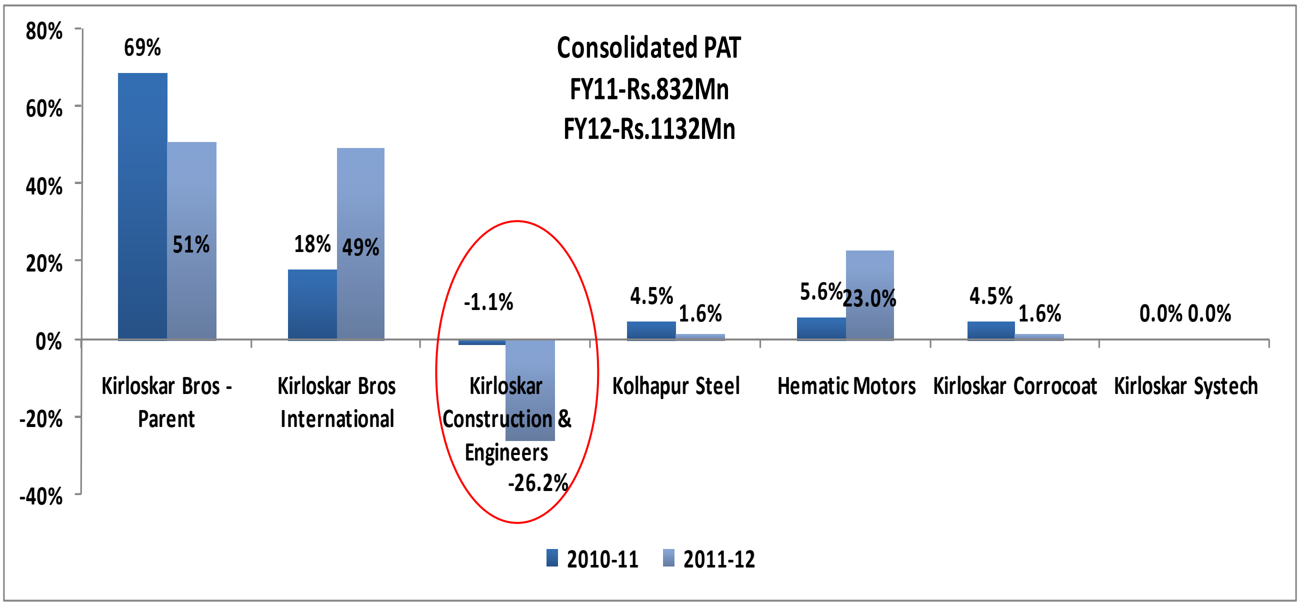


Performance of its Subsidiary



Subsidiary	Work Undertaken
Kirloskar Brothers International BV	
SPP Pumps Limited - UK (2003)	Leading market presence in Fire Pump, Packages business, Lowest life cycle cost pump range, Assembly units in USA and South Africa
Kirloskar Brothers (Thailand) Limited -Thailand (2009)	Sales and Packaging of centrifugal pumps with focus on South East Asian markets
Kirloskar Brothers Europe BV - The Netherlands (2008)	Sales and Packaging of centrifugal pumps with focus on European markets
SPP Pumps (MENA) L.L.C (Egypt)	Formed in Egypt for the purpose of assemble, packaging, testing, service and repair of various types of Pumps and pumping systems
Braybar Pumps Limited South Africa (2010)	Manufacturing and Sales of high head multi-Stage pumps, Rubber lined slurry pumps and white metal lined bearings
Kirloskar Constructions and Engineers Limited	Mechanical and Civil engineering construction projects.
Domestic Subsidiaries	
The Kolhapur Steel Limited	Foundry making steel castings for various industries, viz. Power sector, Mining, Cement, Heavy engineering application, Sugar etc
Hematic Motors Pvt Ltd	Manufactures stators, rotors and electric motors
Kirloskar Corrocoat Private Limited	Manufactures coatings for turnkey projects for supply and application of coatings on variety of equipments
Kirloskar Systech Limited	System engineering for various verticals like Power, Water, Irrigation and Industry

More than 30% of KBL's total revenues have been contributed by its domestic as well as international subsidiaries. Key contributor for its domestic revenues has been Hematic Motors which continue to do well & internationally, Kirloskar Brothers have been contributing 21% to its topline.

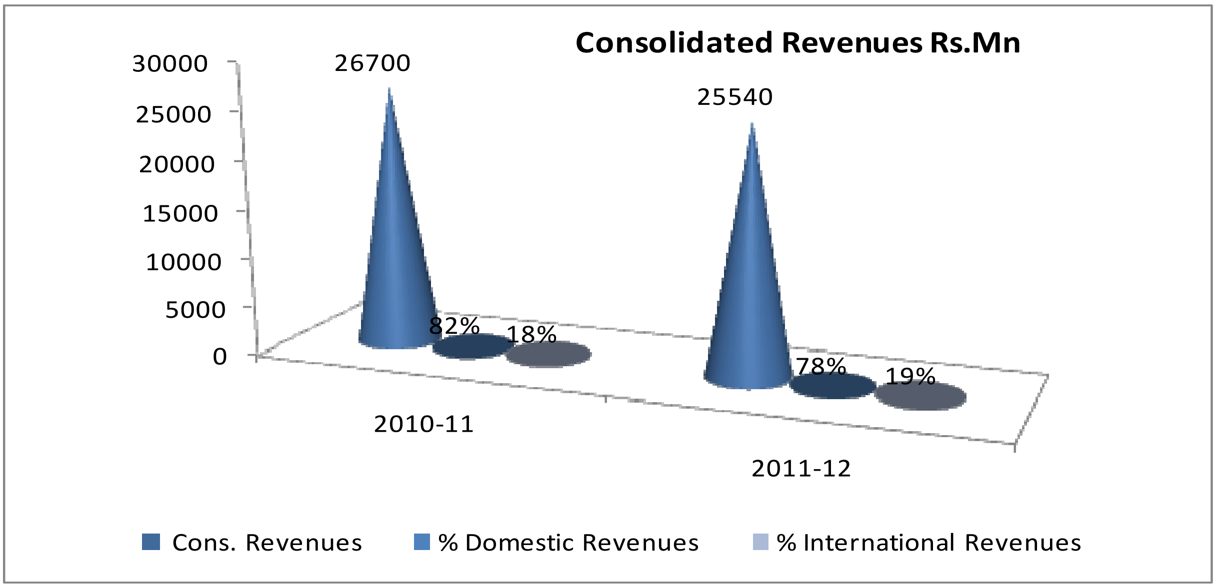


Merger of its loss making Subsidiary Kirloskar Constructions & Engineering (KCEL) with itself

In 2007, it acquired Kirloskar Constructions & Engineering (formerly Aban Constructions Ltd.) for entering into the civil construction business, to become an EPC player with the opportunity to participate in the Oil and Gas sector to achieve synergy of operations along with diversification. But this acquisition proved to be a wrong one with inexpertise related to handling this business. Projects have been completed through this subsidiary with significant cost over runs. In FY12 it has incurred a loss of Rs.160mn which has impacted its consolidated bottomline to the extent of 26% of its overall profits.

KBL plans to complete the remaining contracts with KCEL (order book in Q2FY13 ~Rs.1300mn) by FY13 end or FY14 beginning, writing off its cost overruns & booking losses in its accounts. By FY14, KBL plans to dispose off KCEL & clean off its accounts & balance sheet by merging KCEL with itself. This will positively impact the profit margins of KBL.

Geographical Revenue Mix



International revenues contribute ~18-20% to its revenues. But with a lull in the international market scene, the growth strategy is expected to focus more on strengthening & organizing its supply chain under Kirloskar Brothers International B.V.

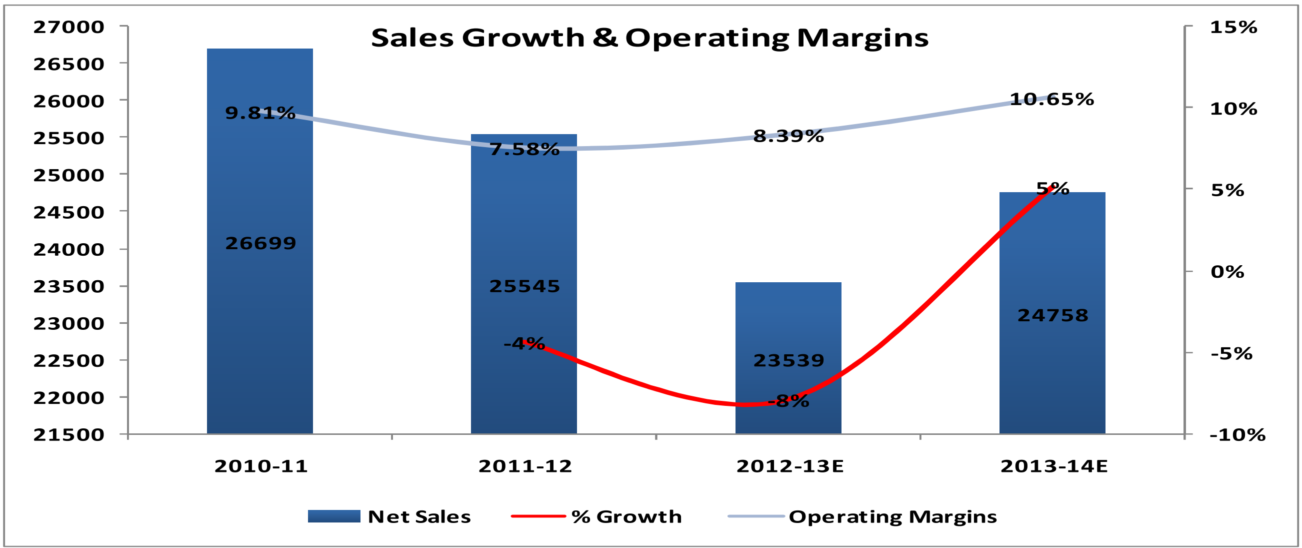
Asia & Pacific region constitutes the largest market for fluid handling pumps. Latin America, Africa & the Middle East are expected to register growth above the world average but lesser than in Asia. Population growth & improved standards of living in the Middle East have greatly increased the demand for water sanitation services along with the need for agricultural purposes. Prospects are favourable in Eastern Europe, US & Western Europe which are expected to register growth for centrifugal pumps. We expect the international revenues to contribute strongly to its topline going ahead.

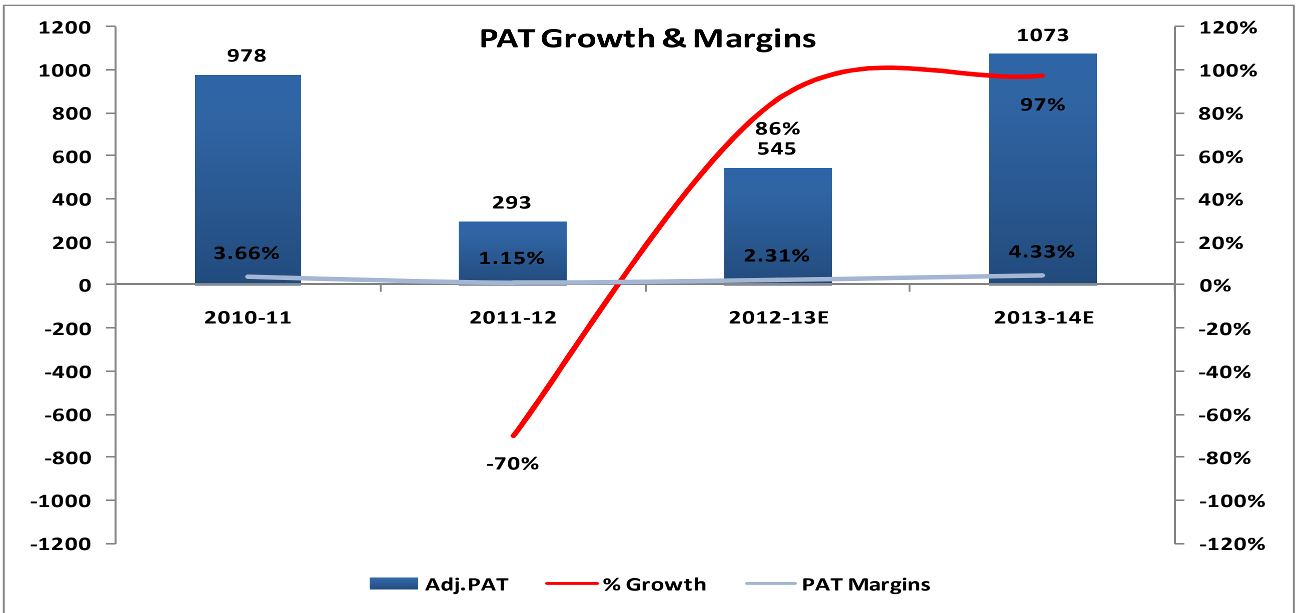
Restructuring of its business to have a rippling effect on its margins & cleaning of its Balance sheet

Topline growth is expected to be in single digit on account of shift in its revenue mix focused more on the product business & reduction in its project business.

But growth in its margins would be having a multiplier effect on account of

- increase in product business with higher margins @12-13%
- less working capital intensive which will reduce the burden of interest
- merger of KCEL with itself which will wipe out the negative impact on its consolidated profits





Valuations

The topline is expected to grow by 5% in FY14 but PAT is expected to grow by 97% in FY14. ROCE is expected to improve drastically from 15% in FY12 to 21% by FY14. With write-offs taken into effect, we expect a drastic improvement in its cash flow which will be utilized in paying off its borrowings & reduction in its working capital thereby reducing its interest outgo.

At the CMP of Rs.148, the stock quotes at a PE of 11x its FY14E EPS of Rs.14 per share. We initiate the coverage with a *BUY* Rating on the stock.

Financial Summary

Profit & Loss a/c Statement			
Particulars (Rs. Mln)	2011-12	2012-13E	2013-14E
Net Sales	25545	23539	24758
Other Income	489	165	174
Total Income	26034	23705	24932
% Growth	*-3.18%*	*-8.95%*	*5.18%*
EXPENDITURE :			
Raw Materials	17349	15301	15721
Manufacturing Expenses	6748	6428	6575
Total Expenditure	24097	21729	22296
% of Sales	*94.33%*	*92.31%*	*90.06%*
Operating Profit	1937	1976	2636
EBIDTA Margins %	*7.58%*	*8.39%*	*10.65%*
Depreciation	460	464	469
EBIT	1477	1512	2168
EBIT Margins %	*5.78%*	*6.42%*	*8.76%*
Interest	725	710	485
PBT & Extraord. Items	752	801	1682
EBT Margins %	*2.94%*	*3.40%*	*6.80%*
Exceptional Items	0	0	-1000
PBT but after Ext. Items	752	801	682
Total Tax	246	257	219
Profit After Tax	506	545	464
PAT Margins %	*1.98%*	*2.31%*	*1.87%*
Adjusted PAT after exc. items	293	545	1073
Adjusted PAT Margins %	*1.15%*	*2.31%*	*4.33%*

Balance Sheet			
Particulars (Rs. Mln)	2011-12	2012-13E	2013-14E
Equities & Liabilities			
Share Capital	159	159	159
Reserves & Surplus	8639	8948	9180
Total Networth	8798	9107	9338
Minority Interest	73	93	109
Non Current Liablities			
Long Term Borrowings	516	656	650
Deferred Tax liability	31	31	31
Other Long term liablities	981	904	951
Long term provisions	186	204	225
Total Non Current Liabilities	1714	1796	1856
Current Liablities			
Short Term Borrowings	2981	2896	2046
Trade Payables	5661	5217	5487
Other Current liablities	3993	3652	3717
Short term provisions	696	652	512
Total Current Liabilities	13332	12416	11761
Total Equities & Liabilities	23917	23412	23065
Assets			
Non Current Assets			
Fixed Assets			
Tangible Assets	4141	3766	3388
Intangible Assets	758	738	718
Net Block	4898	4504	4107
Capital Work in Progress	429	395	248
Total	5327	4900	4354
Non Current Investments	11	11	11
Long Term Loans & Advances	1406	1295	1312
Other Non Current Assets	1028	948	997
Total Non Current Assets	7773	7153	6674
Current Assets			
Inventories	3603	3531	3342
Sundry Debtors	5141	4738	4983
Cash and Bank	357	1515	1499
Current Investments	5	5	5
Other Current Assets	4160	3833	3838
Short term Loans and Advances	2879	2636	2723
Total Current Assets	16145	16258	16390
Total Assets	23917	23412	23065

Note- Exceptional items – Rs.1000mn represents write-offs on account of bank guarantee & merger of its subsidiary KCEL

Cash Flow			
Particulars	2011-12	2012-13E	2013-14E
Cash Flow from Operating Act.			
Op. Profit before Working Capital	**1635**	**1976**	**2636**
Changes in -			
Trade & other Receivables	1678	1164	-403
Inventories	-287	72	189
Trade Payables	-1494	-863	382
Cash Generated from operations	**1531**	**2349**	**2804**
Direct Taxes Paid	-559	-313	-267
Net Cash flow from Operating Act.	**972**	**2036**	**2538**
Cash Flow from Investing Act.			
Capex	0	-70	-71
Purch/Sale of Fixed Assets	-578	0	0
Acq of Subsidiary	0	0	0
Purch/Sale of Invsts	478	0	0
Interest/Div recd.	108	71	75
Net Cash used in Investing act	**8**	**1**	**4**
Cash Flow from Financing act.			
Issue of Equity shares	0	0	0
Losses on write offs	0	0	-1000
Proceed/Repmt of Borrowings	-479	54	-856
Dividend Paid	-348	-216	-216
Interest paid	-535	-710	-485
Net Cash from Financing act	**-1362**	**-872**	**-2558**
Total (a+b+c)	-382	1165	-16
Opening balance for cash & cash eq.	758	350	1515
Other Cash bal	-25	0	0
Closing balance for cash & cash eq.	350	1515	1499

Ratios			
Particulars	2011-12	2012-13E	2013-14E
Valuation Ratios			
Mkt.Price - Rs.	126.00	148.00	
EPS - Rs.	6.38	6.86	5.85
Adj.EPS - Rs.	3.69	6.86	13.53
EBIDTA %	7.58%	8.39%	10.65%
PBT %	2.94%	3.40%	6.80%
Adj.PAT %	1.15%	2.31%	4.33%
EV - Rs. Mln.	13138	13780	12939
EV/EBIDTA	6.78	6.97	4.91
EV/Sales	0.51	0.59	0.52
Book Value in Rs.per share	110.89	114.78	117.70
P/E ratio	19.75	21.56	25.32
Adj. P/E ratio	34.13	21.56	10.94
ROCE - %	15.16%	14.94%	20.86%
ROE - %	5.75%	5.98%	4.97%
Dividend Yield	1.86%	1.58%	1.58%
Balance Sheet Ratios			
Debt-Equity Ratio	0.40	0.39	0.29
Current Ratio	1.21	1.31	1.39
Debtor Days	72.46	72.46	72.46
Creditor Days	79.78	79.78	79.78
Depreciation / GFA	5.79%	5.79%	5.80%
Interest Cover Ratio	2.04	2.13	4.47
Turnover Ratios			
Fixed Assets	3.21	2.94	3.06
Inventory	7.09	6.67	7.41
Debtors	4.97	4.97	4.97

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