GEOJIT

RETAIL EQUITY RESEARCH

Gabriel India Ltd

Auto – Ancillaries

BSE CODE:505714 NSE CODE: GABRIEL

Bloomberg CODE: GABR IN SENSEX: 34,865

Buy

Rating as per Mid Cap 12 Months investment period

CMP Rs. 127 TARGET Rs. 150 RETURN 18%

16th October, 2018

Shocks absorbed – smooth ride ahead

Gabriel India Ltd (GIL) is one of the leading manufacturers of ride control products viz shock absorbers, front forks and struts having a market share of 25 % in two wheelers & cars and 75% in trucks.

- **Strong outlook on auto coupled with GILs leadership position will help to reap robust OEM revenue (83% current mix) going forward.**
- **Revenue share from 2W segment to improve 200bps to 58% by FY20 supported by new client addition and order wins.**
- **Operating margin to improve by 120bps over FY18-20E to 10.5% led by volume growth, operating leverage & superior product mix.**
- **Revenue/PAT to grow at 15%/24% CAGR over FY18E-20E factoring 14% industry growth & capacity expansion in line with new prospects.**
- **Given strong outlook in the domestic auto market and excellent fundamentals will gear up for a smooth ride. We initiate coverage on GIL with BUY rating & value at a P/E of 15x on FY20E EPS.**

Future outlook looks bright given diversified growth…

GIL's 83% of the revenue comes from automobile manufacturers and has significant exposure in 2Ws (56% revenue), cars (31% revenue) and trucks & railway (13% of revenue) which aided the company in diversifying its revenue mix. Despite economic doldrums, GIL has registered a revenue growth of 21% for FY18 compared to 14.7% industry growth as its key customers outperformed the industry. Given its higher share of business in the fast growing two wheeler companies, new order wins in cars (where average selling price of car suspension are much higher) and improved orders in CV coupled with favorable macros, we factor 15% revenue CAGR over FY18-20E.

Revenue share from 2W segment to improve

GIL's revenue share from 2W is expected to improve to 58% by FY20 from 56% as its key customers; TVS Motors, Yamaha and Royal Enfield (RF) are growing in double digits. Notably, they secured a maiden order from Honda for front forks and supply is expected to begin in FY20. Honda is the largest scooter manufacture and having 29% overall market share in 2W industry with an annual production of 58lacs units. Further, GIL is No.1 contender for the new launches from its key customers, Yamaha, Suzuki and RF which are likely to be awarded soon.

Strong performance by Maruti Suzuki to support GIL's growth

GIL is the sole vendor to Brezza and other Maruti models like S-cross and Ignis & Mahindra's KUV 100, which is extremely successful brand growing at strong double digit in the UV space. GIL will commands 50% share in the Maruti's recently commissioned Gujarat plant of 2,50,000 units per annum for its key models Brezza & Baleno. GIL has also secured incremental orders from Toyota & VW for new facelift models. We expect 14% revenue CAGR in car segment over FY18-20E.

Healthy balance sheet to cushion cyclical downturn

GIL has a strong balance sheet and robust return ratio. Debt free status and superior margin profile will enable them to report healthy ROE /ROCE of 21% & 15% over the last 3 years. Going forward, improving net margin and healthy dividend payout will continue to provide better ROE.

Valuation…

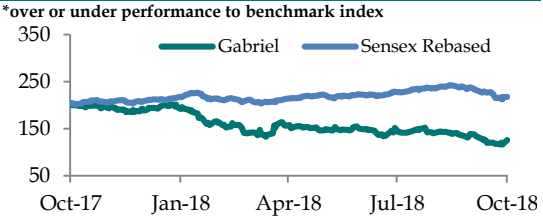
We believe new orders, strong auto outlook, R&D & automation will be the growth catalyst for next two years. We expect valuation to improve due to better earnings outlook of 24%CAGR over FY18-20E. We Intiate coverage on GIL with a target price of Rs150(P/E 15x FY20E EPS) & recommend buy rating.

Company Data	
Market Cap (cr)	Rs1,824
Enterprise Value (cr)	Rs1,831
Outstanding Shares (cr)	14.3
Free Float	54%
Dividend Yield	1.4%
52 week high	Rs207
52 week low	Rs116
6m average volume (cr)	0.02
Beta	1.1
Face value	Rs1

Shareholding (%)	Q3 FY18	Q4 FY18	Q1 FY19
Promoters	54.0	54.0	54.0
FII's	11.1	11.0	12.0
MFs/Institutions	2.4	1.2	0.8
Public	32.5	33.8	33.2
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.9%	-16.9%	-38.2%
Absolute Sensex	-4.5%	1.6%	6.8%
Relative Return*	-7.4%	-18.4%	-45.0%

*over or under performance to benchmark index



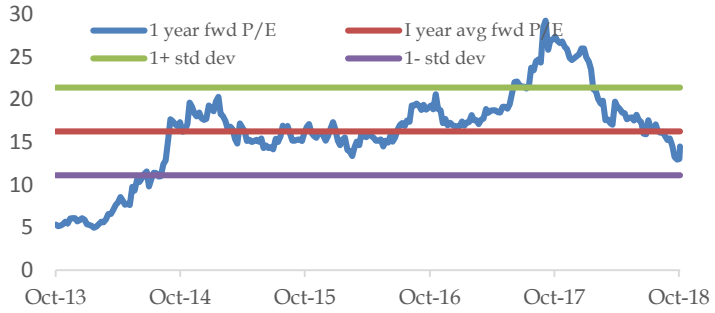
Stand/cons (Rs cr)	FY18A	FY19E	FY20E
Sales	1,833	2,117	2,440
Growth (%)	*20.6*	*15.5*	*15.2*
EBITDA	171	205	256
Margins (%)	*9.3*	*9.7*	*10.5*
PAT Adj.	94	115	144
Growth (%)	*14.1*	*21.7*	*25.7*
Adj.EPS	6.6	8.0	10.0
Growth (%)	*14.0*	*21.2*	*27.0*
P/E	19.3	15.9	12.6
P/B	3.5	3.0	2.5
EV/EBITDA	10.7	8.9	7.2
ROE (%)	*19.3*	*20.1*	*21.2*
D/E	0.0	0.0	0.0

Saji John
Analyst

Valuations…

GIL currently trades at 1yr fwd P/E of 16x. GIL's market cap has grown at a CAGR of 52% over the last five years till March 31st 2018. The company's operating margin has risen to 9.3% in FY18 from 6.8% in FY13 and PAT has grown by 20% CAGR and 5yr average P/E stands at 16x. After an unfavorable 2015-17 due to economic reforms like demonetizations, GST and change in emission norms, the auto sector has started stabilizing. During H1FY19 the industry posted 13% absolute growth and 14.7% for full year FY18. Additionally, due to higher government spending towards road infra projects, ban on overloading the CV segment has witnessed a strong rebound in FY18.

1 Yr. Fwd. P/E



Source: Geojit Research, Bloomberg

We value at 15x…

At CMP, GIL is trading at P/E of 16x & 13x on FY19E & FY20E EPS. We believe that GIL is heading towards a new growth phase focusing on new high value client addition, In-house manufacturing, shift in aftermarket strategy and scale up the export share. We foresee pick up in the two wheeler sales and robust CV sales leading to improvement in capacity utilization of GIL. We expect the revenue to grow at 15% CAGR over FY18-20E. We also believe that cost optimizations, new technological products and superior product mix will drive the margins above 10% by FY20. We expect the valuation will improve ahead due to better earnings outlook of 24% CAGR over FY18-20E. Hence we value GIL at 15x on FY20E EPS and arrive at a target price of Rs150 and recommend 'Buy' rating at CMP.

Peer comparison

Company	Sales (cr)			EBITDA Margin %		
	FY18	FY19E	FY20E	FY18	FY19E	FY20E
GIL	1,833	2,117	2,440	9.3	9.7	10.5
JBM Auto	1,925	2030	2,229	12.0	12.8	12.9
Endurance Technologies	6,426	7,619	8,991	14.3	14.7	15.1

Company	P/E			ROE%		
	FY18	FY19E	FY20E	FY18	FY19E	FY20E
GIL	19.3	15.9	12.6	19.3	20.1	21.2
JBM Auto	24.8	14.0	12.0	15.5	19.1	18.3
Endurance Technologies	39.7	30.2	22.7	20.0	22.5	24.6

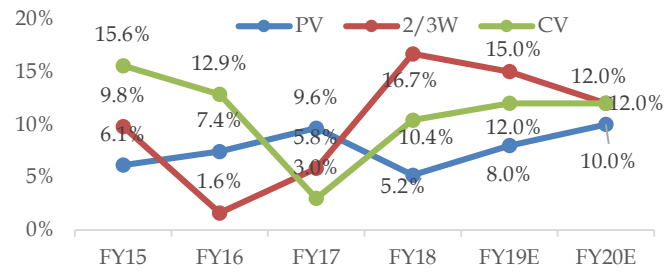
Source: Geojit Research, Bloomberg

(Rs cr)	Q1FY19	Q1FY18	YoY%	Q4FY18	QoQ %	Comments
Sales	**515**	**418**	*23.9*	**497**	*3.6*	*Top-line in line with our estimates with a highest ever quarterly sales, on account of diversified growth across segments. Revenue from OEM grew by 26% YoY which constitutes 86% of revenue mix.*
EBITDA	**49**	**39**	*25.5*	**46**	*5.7*	
EBITDA margins %	9.5	9.3	*+20bps*	9.3	*+20bps*	*Margin improved 20bps owing to better internal efficiencies and pick up in the replacement sales.*
Depreciation	11	9	*9.8*	11	-	
EBIT	**38**	**31**	*25.6*	**29**	*7.7*	
Interest	0.7	0.7	*4.9*	0.7	-	
Other Income	1.8	0.4	*418*	2.5	*(24.0)*	
Exceptional Items	0	0	-	0	-	
PBT	**39**	**30**	*30.7*	**30**	*5.6*	
Tax	13	9.8	*30.9*	9.8	*9.4*	*Higher tax rate due to lower tax rebate from R&D expenses*
Share of profit from Associate		0	-	0	-	
Reported PAT	**28**	**20**	*30.7*	**20**	*3.9*	*Improved profitability due to control of expenses.*
Adjustments		-	-	-	-	
Adj PAT	**28**	**20**	*30.7*	**20**	*3.9*	
No. of shares (cr)		14.4	-	14.4	-	
EPS (Rs)	**1.86**	**1.79**	*30.7*	**1.42**	*3.9*	

Indian Auto industry to clock double digit growth…

After a muted demand of 4% CAGR over FY12-17 in 2W/PV, the industry has registered a robust 16%growth in 2W & 5% in PV for FY18. In FY17-18, the overall automobile production in India was at 2.6cr, of which two-wheelers comprise of 80% of total vehicle production. The growth in the 2W was largely led by improvement in rural consumption owing to higher agricultural productivity due to normal monsoon and government initiatives to improve farm income. The growth in the segment is also buoyed by urbanization which has led to higher growth in premium category vehicles, which grew by 77% YoY for FY18. The premiumisation in the two wheeler industry has led to superior launches by the OEMs (Original Equipment Manufacturers) indeed resulting in average selling price per vehicle to go up. This will indirectly increase the cost per suspension for GIL (as the price of the vehicle goes up). Notably GIL's 60% revenue comes from 2W and has a market share of 25% in suspension industry, it will be one of the key beneficiaries due to its long standing relationship with major OEM's. On the other hand passenger vehicle production grew by muted 5% during FY18 in which Utility vehicle registered a growth of 20%YoY. However, GIL's key customers outperformed the industry growth by registering double digit in sales. Commercial Vehicle (CV) registered a growth of 10%YoY for FY18 despite negative growth in H1FY18 due to change in emission norms and initial disruption from GST. We expect the segment to grow by 12% for FY19 led by government's massive allocation in current year's budget for road infrastructure projects and implementation of overloading ban in select cities to boost the sector growth.

India auto production growth data



Source: SIAM, Geojit Research

Investment Rationale

Direct beneficiary of demand revival in Auto sector…

GIL will be one of key beneficiary of demand revival in Auto sector as GIL's 83% revenue income is generated from OEMs, in which 2W/PV & CV constitutes 56%/31% & 13% of OEM revenue mix. During the year, GIL revenue from 2W segment grew by 26%YoY largely due to pick in the 2W industry. We expect the segment to grow by 18% CAGR over FY18-20E due to new launches, client addition and capacity expansion by major OEMs like Bajaj auto, Eicher motors. Further, GIL is No.1 contender for the new launches from its key customers, Yamaha, Suzuki and RF which are likely to be awarded soon. The company has won LoI (letter of intent) for Honda Activa **front forks** and the supply would start from FY20 for their Gujarat & Narsapara plant with good volumes. Company has also gained some new orders from domestic 3W OEMs for **shock absorbers**; the order volume is small initially with huge potential in future. GIL revenue from PV segment grew by 15% during FY18. We expect this segment to increase by 13% CAGR over FY18-20E led by new models in the UV segment. M&M, Maruti and new orders for Toyota corolla for McPherson **struts,** which will bring meaningful growth in the PV segment for FY19. The CV & Railway together constitutes 13% of the revenue. After witnessing negative growth in CV for H1FY18 due to policy changes, the segment registered a robust growth of 28% in FY18. It was primarily due to implementation of overloading ban in some major cities and higher road infra spending. Bharat Benz, Ashok Leyland, Force motors M&M & Tata are the major customers in these segment. Gabriel has 80% market share for the shock absorbers in Commercial vehicle segment (CVs). On the other hand Railways are shifting towards new generation LHB (Linke-Hofmann-Busch) coaches where number of shock absorbers used are high and hence the opportunity size is quite large and expect meaningful growth in this area. We expect combined segment to register a growth of 15% CAGR over FY18-20E

Front forks

Struts

Shock Absorbers

Gabriel's 25% OEM mix comes from Maruti sales…

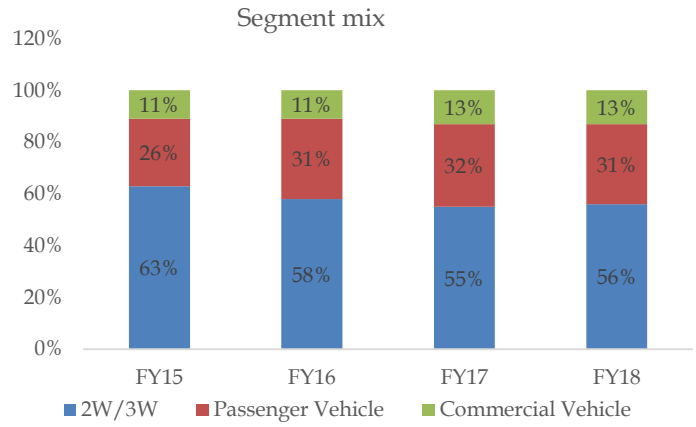
GIL is the sole vendor to Brezza and other Maruti models like S-cross and Ignis, which is the extremely successful brand growing at strong double digit in the UV space. Which has led to increase in its revenue mix from 26% to 31%. Maruti (MSIL) recently commissioned its Gujarat plant of 250000 units per annum in two phases which will result in higher dispatches of its key models Breeza & Baleno which command a waiting period of 20-24 weeks. As GIL is the sole vendor for Breeza model, GIL will gain from increase in capacity and higher dispatches. Also to be noted that the supply order to MSIL's recent new launch S- cross facelift has also been awarded to GIL.

Supply of Order's awarded to GIL

Company	Model	Time of Launch	Vendor
MSIL	S-Cross	Jul.15	GIL
MSIL	Brezza	Mar.16	GIL
MSIL	Ignis	Jan.17	GIL
M&M	KUV 100	Jan.16	GIL
MSIL	S-Cross Facelift	Dec.17	GIL

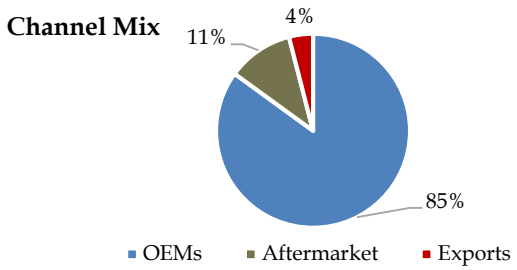
Source: Company, Geojit Research

Segment wise revenue mix



Source: Company, Geojit Research

Major revenue comes from OEMs



Source: Company, Geojit Research

Expansion plan…in-line with new opportunities

GIL's Current utilization stands at 70-75% (Previous 60-65%) and it is expected to increase further 80-85% respectively with new orders in the pipeline. To further capitalize its customer base, GIL has secured its maiden order from Honda Motorcycle & Scooter India Ltd (HMSI) for front forks. Towards this, it plans 46cr capex in FY19 and supply begins in FY20. Also we understand that the company will have one-third of the share of business of HMSI and is expected to rise to 50%. Honda is the largest scooter manufacture and having 29% overall market share in 2W industry with an annual production of 58lacs units. Capex in FY19 is estimated at Rs150cr, against an average Rs43cr in the last five years. New piston rode (key component for shock absorbers) for manufacturing internally has expected outlay of Rs40cr. New R&D center at Chakan premise Rs11.5cr to address new technology development for passenger cars and commercial vehicle business and regular R&D/Quality/Line balancing /Maintenance capex of Rs58.5cr.

Focus on aftermarket…to aid margin expansion

Gabriel's distributor/retailer network has grown to 500/10,000 in FY18 from 350/5,000 in FY13. In FY18, fresh product launches took the count up to 500 products and eight new product lines. GIL has strengthened its brand and retailer connects through the execution of Elite Retailer program across various regions. In the first phase, 500 premier retailers have been selected for this program and are expected to reach another 1,500 by 2018. Revenue share from aftermarket segment has increased from ~8.5% in FY10 to 13% in FY17 and 11% in FY18.We believe GST and strong brand equity will reduce the pricing pressure from unorganized players and factor 11% CAGR over FY18-20E. GIL's aftermarket segment revenue has grown at a CAGR of 12% to Rs197cr, over past 3 years and is expected to increase at a CAGR of 11% to Rs289cr between FY18-20E. According to the Indian

Automotive Component Manufactures (ACME) aftermarket segment stood at Rs56,098cr in FY17. Out of which 2 & 3-Wheeler segment accounts for Rs12,038cr, Passenger Cars accounted around Rs18,970cr, Commercial Vehicles Rs19,748cr and tractors Rs5,342cr. The Indian automotive component aftermarket segment is expected to grow at 10.5% and reach Rs75, 705cr by FY20.

Export strategy to bear fruit for the company

GIL has increased its focus on export business which has expanded significantly in past 4 years with a revenue growth of 13% CAGR to 68cr in FY18. Growth in the export was muted in FY18 due to slowdown in the key export market Colombia which was de-grown by 14%. In the 2-Wheeler segment, the Company has gained business from Mahindra Peugeot for the Metropolis vehicle; and has entered the market for new models in Colombia. Exports account for 4% of revenue mix, and supplies to all major regions such as North America, Europe, Australia and Asia-Pacific. Top 5 export market includes Bangladesh, Sri Lanka, Egypt, U.A.E. and Australia. Further, company has entered into new export markets of Honduras, Guatemala and Kenya for aftermarket business. With the key focus on Exports in FY17, the company appointed a dedicated management team for exports business. Germany office will be managing its exports to Europe, North America and Latin America markets. Going forward, the company plans to increase its presence in the aftermarket across the South East Asian countries. We expect 10% CAGR growth in export over FY18-20E

Innovation & Technology- Future growth engine

Innovation is the driving force at GIL and the company is always committed to develop advanced and futuristic solution to address the customer's need. They believe that R&D, both in terms of products and processes is important. The company's innovative outlook has been reflected in the intensive R&D activities, and new products introduced to Indian automobile industry over the years by the company.

Key highlights:

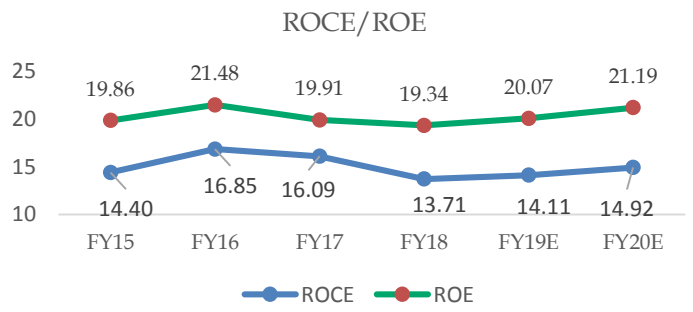
- Most of the machines in manufacturing are built by the company's in house team
- One of the India's leading Ties 1 company to have filed 43 patents till date.
- GIL has evolved from being a product supplier to a complete solution provider.

To facilitate robust design, foster new products launch and promote higher customer satisfaction, the company has entered into Technology Assistance Agreement (TAA) for technical support on various vehicle models or platforms with KYB Corporation, Japan; Yamaha Motor Hydraulic systems; Japan, KYBSE; Spain, KONI B.V; Netherlands and Torre parts & Components; South Africa. The Company has state-of-the-art, dedicated tech centers at Hosur, Chakan and Nashik which are approved by the Department of Scientific and Industrial Research (DSIR), Government of India.

Healthy balance sheet to strengthen ROE

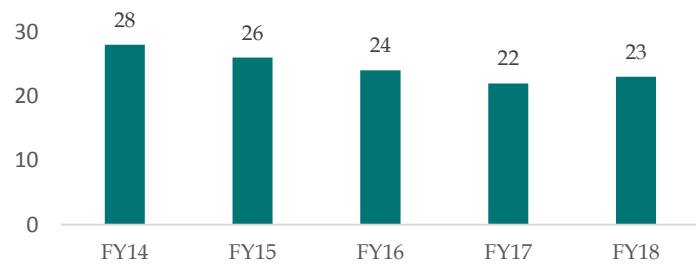
Auto industry is cyclical in nature and a weak balance sheet could add to the woes. The strong balance sheet provides cushion during cyclical downturns to Gabriel, which has significantly strengthened its ROE/ROCE in the past five years. The debt to equity has reduced significantly from 0.39 in FY12 to 0.02 in FY18 and stopped accepting public fixed deposits from November 2015 and is now repaying these FD's as per maturities. During the last five years, the company has reduced the total debt significantly by 91% to Rs8cr. Similarly GIL adj. net working capital days has improved to 23 days in FY18 from 28 days in FY14, which shows efficiency, strong product quality and better bargaining power. We expect the free cash flow of the company to remain buoyant. Going forward improving net margin & healthy dividend payout will enable them to report healthy ROE of 21%.

Healthy Return on Equity



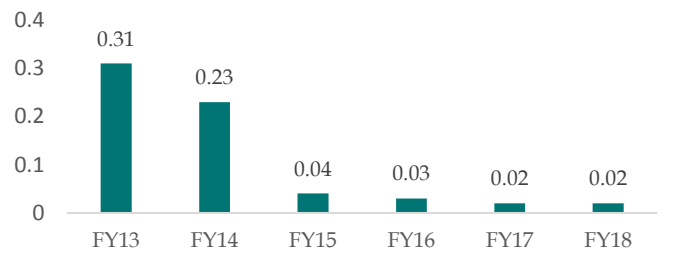
Source: Company, Geojit Research

Adj. Net working capital days



Source: Company, Geojit Research

Debt : Equity Ratio



Source: Company, Geojit Research

Financials

Q1FY19 declared stellar performance

GIL registered a highest ever quarterly sales revenue growth of 24%YoY on account of diversified volume growth across all the segments. Revenue from OEMs grew by 26%YoY which constitutes 86% of the revenue mix. EBITDA margin improved by 20bps to 9.5% due superior product mix and internal efficiencies. Adj PAT grew by 31%YoY. During the quarter the GIL won a key business from Maruti Suzuki for Y1K model (Next gen. Face lift Alto model) expected to launch in 2019.

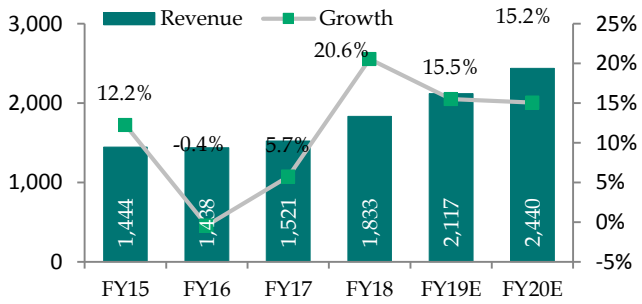
Top line to grow by 15% CAGR over FY18-20E

Gabriel's revenue to grow by 15% CAGR over FY18-20E led by demand recovery in the auto industry and focused approach in aftermarket and export. After consecutive years of slow down during FY15-17 due to a slews of policy decisions from the government, slow capex cycle and lower export, the industry witnessed a robust sales growth of 14% in FY18. GIL outpaced the industry growth by recording 21% in the top-line. The growth was largely led by higher volume across all the segments. We expect the trend to continue followed by normal monsoon prediction, triggering consumption led story. GIL's market share in 2W/3W segment is expected to improve led by new client additions in the scooter segment, robust capacity plan and superior product mix. We expect the revenue from 2W segment to register a growth of 18% CAGR for FY18-20E which currently constitutes 57% of the overall OEM segment mix. Similarly, PV segment is expected to continue the trend with double digit growth and expected to register a growth of 13% CAGR over FY18-20E. GIL's 31% of the revenue mix comes from PV segment. GIL has 80% market share for the shock absorbers in CVs. Together CVs and railway constitutes 13% revenue mix and we expect 15% CAGR over FY18-20E respectively. We believe the demand scenario in the CV segment is robust due to higher government allocation for road infrastructure development for mega projects like Bharatmala & implementation of overloading ban.

Margin to improve on superior product mix

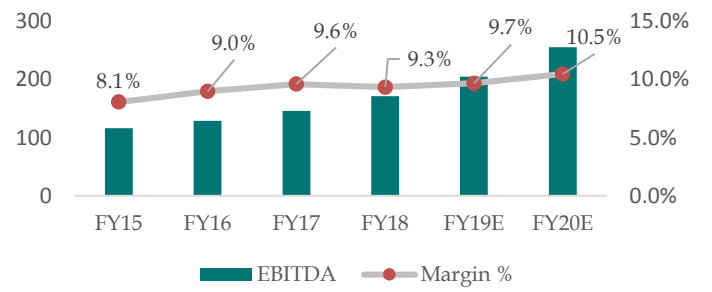
EBITDA margin to improve by 120bps to 10.5% by FY20E led by new technological products, operating leverage & superior product mix. EBITDA grew by 16% CAGR during FY13-18. While strong volumes and focus on cost rationalization has resulted in 280bps improvement in margin to 9.3% during the same period. We expect pick up in the aftermarket sales, improved export share supported by strong volume growth, which will enable GIL to reach ~10% margin levels. Despite higher raw material price, GIL could maintain its margin through price hikes and cost control initiatives. We believe the recent trade war will lead to excess supply in the global market that will subsides the metal price to some extends, as well as operating leverage benefit from higher capacity utilization is likely to get partly offset by slight increase in the input cost. GIL's current capacity utilization stands at 70-75% and expect to increase to 80-85% respectively. We expect 22% CAGR growth in operating margin over FY18-20E.

Revenue to grow by 15% CAGR over FY18-20E



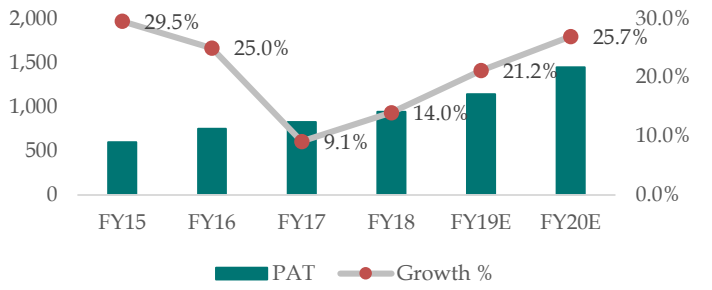
Source: Company, Geojit Research

Double digit margin by FY20



Source: Company, Geojit Research

Double digit PAT growth



Source: Company, Geojit Research

About the company

Gabriel India Limited is the flagship company of ANAND, and a leading name in the Indian auto component industry. Established in 1961, the company provides the widest range of ride control products in India, including shock absorbers, struts, and front forks, across every automotive segment with over 300 product models offered. Today, the Gabriel brand is synonymous with shock absorbers in India, with a significant presence across all automotive customer segments, including original equipment manufacturers (OEM's), replacement, and exports. Over the last 55 years, Gabriel India has established itself as a provider of innovative and proprietary products. GIL commenced operations with a single plant in Mumbai, and today has seven manufacturing facilities across the country namely Parwanoo, Khandsa, Sanand, Dewas, Nashik, Pune and Hosur. These facilities cater to the requirements of all market segments, making Gabriel the leading automotive OEM supplier for ride control products in the country. Gabriel has three state-of-the-art R&D centres at Chakan, Hosur and Nashik, to develop new products, further optimizing product performance and capability.

Key risk

- Slowdown in Indian Auto sector
- Technology obsolescence risk
- Regulatory risk - products and countries

Segments	Products Offered	OEM Customers
Motorcycles & Scooters	Front forks	Bajaj Auto
	Gas & hydraulic shock absorbers	Honda Motorcycles And Scooter
		Mahindra 2Wheelers
		Royal Enfield
		Suzuki Motorcycles
		TVS Motor Company
		Indian Yamaha Motor
3-Wheelers	Shock absorbers	Bajaj Auto
		Mahindra
		Piaggio Vehicles
		TVS Motor Company
Passenger Cars & SUV	McPherson struts	General Motors
	Shock absorbers	Honda Cars
	Cartridges	Mahindra
		Maruti Suzuki
		Tata Motors
		Toyota Kirloskar Motor
		Volkswagen
Commercial Vehicles	Shock absorbers	Ashok Leyland
	Cabin dampers	Bharat Benz
	Seat dampers	Force Motors
		Mahindra Trucks & Bus Division
		MAN Trucks
		SML ISUZU
		Tata Motors
		Volvo Eicher Commercial Vehicles
		AMW Motors
		Wheels India
Railways	Shock absorbers	Indian railways

Standalone Financials

Profit & Loss Account

Y.E March (Rscr)	FY16A	FY17A	FY18A	FY19E	FY20E
Sales	**1,438**	**1,521**	**1,833**	**2,117**	**2,440**
% change	*-0.4*	*5.7*	*20.6*	*15.5*	*15.2*
EBITDA	**129**	**146**	**171**	**205**	**256**
% change	*11.0*	*13.1*	*17.2*	*19.7*	*24.7*
Depreciation	31	34	37	43	51
EBIT	96	111	133	161	203
Interest	2	4	3	2	2
Other Income	2	6	7	7	7
PBT	**95**	**113**	**137**	**166**	**208**
% change	*14.2*	*18.2*	*21.7*	*20.9*	*25.7*
Tax	20	30	43	51	64
Tax Rate (%)	*0.21*	*0.27*	*0.31*	*0.31*	*0.31*
Reported PAT	**75**	**83**	**94**	**115**	**144**
Adj.*	-6	0	0	0	0
Adj. PAT	**76**	**83**	**94**	**115**	**144**
% change	*25.0*	*9.1*	*14.1*	*21.7*	*25.7*
No. of shares	14	14	14	14	14
Adj EPS (Rs)	**5.3**	**5.8**	**6.6**	**8.0**	**10.0**
% change	*24.9*	*9.1*	*14.1*	*21.7*	*25.7*
DPS (Rs)	1.4	0.5	1.4	1.4	1.4

Balance Sheet

Y.E March (Rscr)	FY16A	FY17A	FY18A	FY19E	FY20E
Cash	35	4	24	27	36
Accounts Receivable	192	212	279	325	388
Inventories	111	130	149	174	198
Other Cur. Assets	59	106	86	78	90
Investments	0	28	65	30	80
Gross Fixed Assets	529	577	624	779	854
Net Fixed Assets	267	283	293	404	428
CWIP	2	2	2	2	2
Intangible Assets	5	5	4	5	6
Def. Tax (Net)	-10	-16	-20	-20	-20
Other Assets	0	0	0	0	0
Total Assets	**661**	**754**	**881**	**1,025**	**1,208**
Current Liabilities	178	215	265	302	348
Provisions	42	27	28	32	37
Debt Funds	8	8	7	6	6
Other Liabilities	53	54	56	66	76
Equity Capital	14	14	14	14	14
Reserves & Surplus	366	437	511	605	729
Shareholder's Fund	380	451	525	619	742
Total Liabilities	**661**	**754**	**881**	**1,025**	**1,208**
BVPS (Rs)	**26**	**31**	**37**	**43**	**52**

Cash flow

Y.E March (Rscr)	FY16A	FY17A	FY18A	FY19E	FY20E
Net inc. + Depn.	127	146	175	209	260
Non-cash adj.	2	-2	4	0	0
Changes in W.C	-39	-28	-56	-63	-103
C.F.O	**91**	**119**	**123**	**147**	**158**
Capital exp.	-38	-51	-47	-155	-75
Change in inv.	-1	-73	-37	35	-50
Other invest.CF	22	-2	0	0	0
C.F - investing	**-36**	**-125**	**-83**	**-122**	**-127**
Issue of equity	0	0	0	0	0
Issue/repay debt	-2	-3	-1	-1	0
Dividends paid	-18	-21	-20	-21	-21
Other finance.CF	-3	-2	0	0	0
C.F - Financing	**-23**	**-25**	**-20**	**-22**	**-21**
Chg. in cash	32	-31	20	3	10
Closing cash	35	4	24	27	36

Ratios

Y.E March	FY16A	FY17A	FY18A	FY19E	FY20E
Profitab. & Return					
EBITDA margin (%)	9.0	9.6	9.3	9.7	10.5
EBIT margin (%)	6.7	7.3	7.3	7.6	8.3
Net profit mgn.(%)	5.3	5.4	5.1	5.4	5.9
ROE (%)	21.5	19.9	19.3	20.1	21.2
ROCE (%)	16.8	16.1	13.7	14.1	14.9
W.C & Liquidity					
Receivables (days)	46.3	48.5	48.9	52.1	53.3
Inventory (days)	39.6	40.5	38.8	39.0	39.4
Payables (days)	65.6	66.1	66.8	68.5	68.8
Current ratio (x)	1.8	1.9	1.8	1.8	1.9
Quick ratio (x)	1.3	1.2	1.1	1.2	1.2
Turnover &Levg.					
Gross asset T.O (x)	2.8	2.7	3.1	3.0	3.0
Total asset T.O (x)	2.3	2.1	2.2	2.2	2.2
Int. covge. ratio (x)	38.7	28.7	46.1	74.0	96.8
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
EV/Sales (x)	1.3	1.2	1.0	0.9	0.7
EV/EBITDA (x)	14.2	12.5	10.7	8.9	7.2
P/E (x)	24.1	22.1	19.3	15.9	12.6
P/BV (x)	4.9	4.1	3.5	3.0	2.5

Recommendation Summary (last 3 years)

Dates	Rating	Target
16th October	Buy	150

Source: Bloomberg, Geojit Research.

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	**Upside is 10% or more.**	**Buy**	-	**Upside is above 15%.**
Hold	-	**Upside is between 0% - 10%.**	**Accumulate**	-	**Upside between 10% - 15%.**
Reduce	-	**Downside is more than 0%.**	**Hold**	-	**Upside between 0% - 10%.**
Neutral	-	**Not Applicable**	**Reduce/Sell**	-	**Downside is more than 0%.**
			Neutral	-	**Not Applicable**

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating.
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