RETAIL EQUITY RESEARCH

Exide Industries Ltd(EIL)

Automobile Ancillaries

BSE CODE: 500086 NSE CODE: EXIDEIND
Bloomberg CODE: EXID IN SENSEX: 19,346

BUY

CMP Rs124 TARGET Rs153 RETURN 23%

August 1st 2013

Focus back to profitability

Exide Industries Limited (EIL), the market leader has improved its pricing methodology whereby lead cost (~70% of sales) becomes a pass through. Following the move, margins have gone up from 13.3% Q4FY13 to 16.1% Q1FY14. EIL has taken price hike of ~11% since Feb'13. There is slowdown in OEM business, but the replacement market is doing well where EIL has increased its market share to 50%. We currently build 14.6% and 15.5% margins for FY14E & FY15E from trough of 12.9% FY13. We value the stock at 15x FY15E earnings and recommend a BUY rating.

Lead pass through... to improve margin

EIL has shifted to a flexible pricing method which is earmarked to lead cost from a rigid periodic price negotiation. The focus has shifted to profitability from retaining market share. This change is in the right direction as EBITDA margin had come down drastically from 23.8% to 12.9% during FY10-FY13, largely led by 6% (USD term) increase in lead price and INR weakening by 22%. Going forward, EIL will be able to pass on this incremental cost and achieve attractive margins. We have built in margins of 14.6% and 15.5% for FY14E & FY15E respectively, v/s historic low of 12.9% in FY13. Which is based on 1.5% increase in lead prices (INR term) for FY14E-FY15E.

Leadership will be maintained

EIL has 66% and 50% share in the OEM & Replacement battery segment respectively. We believe this leadership position will be maintained. EIL will be the major beneficiary if automotive demand picks up, which is going through a rough patch at decade low car sales volumes.

Replacement demand growing strong

The demand for replacement batteries have grown tremendously due to drastic fall in new car sales. The replacement volume growth for EIL during FY13 is 26% compared to 11% in FY11 and de-growth of -1% in FY12. In FY13, auto industry volumes grew by 2% when EIL reported 14% growth in volumes led by replacement and industrial segment. The trend continues as replacement to OEM ratio has improved to 1.74x in Q1FY14.

A safe balance sheet

EIL is a debt free company with book investments of Rs16.4bn in FY13. EIL has been consistent in generating strong cash from operations. Even during weak business scenario, the average free cash flow was Rs3bn from FY11-FY13. The risk to balance sheet is further infusion of equity in ING, which we currently have not built in our valuation. The RoE stands at 16.1% FY13 which is likely to improve at 17.6% and 18.4% FY14E and FY15E respectively.

Valuation

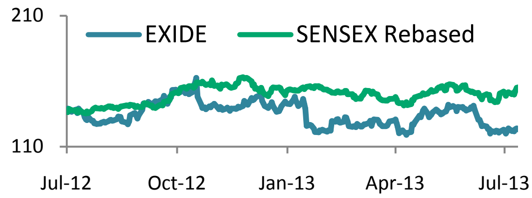
EIL is currently trading at Rs126 at P/E of 16.4x and 13.6x for FY14 and FY15 respectively. We believe a P/E band of 13x – 16x to its standalone business would be a better representative of its future valuation, based on near-term lower than potential earnings growth and margin profile. By SOTP methodology, we value the stock at a target price of Rs153. We have valued ING Vysya insurance business at deal value minus holding discount of 10% at Rs12 and liquid investments at Rs4. We understand that near-term margin and business scenarios are facing headwinds. But EIL has a stable business model and the recent decision to focus on margins rather than market share will go a long way in improving profitability. We recommend a BUY rating.

Company Data	
Market Cap (mn)	Rs 107,100
Enterprise Value (mn)	Rs 107,171
Outstanding Shares (mn)	850
Free Float(%)	54.0
Dividend Yield	1.6
52 week high (Rs)	166
52 week low (Rs)	116
3m average volume-BSE+NSE (mn)	30.2
Beta	0.73
Face value	Rs 1

Shareholding %	Q3 FY13	Q4 FY13	Q1 FY14
Promoters	45.99	45.99	45.99
FII's	16.69	17.67	17.33
MFs/Insti	13.29	13.63	14.48
Public	24.03	22.71	22.20
Others	-	-	-
Total	100.0	100.0	100.0

Price Performance	3mth	6mth	1 Year
Absolute Return	-5.3%	-3.9%	-8.1%
Absolute Sensex	-1.4%	-0.2%	-0.4%
Relative Return*	-4.0%	-3.6%	-7.8%

***over or under performance to benchmark index**



Y.E Mar (Rs mn)	FY13A	FY14E	FY15E
Sales (Rs mn)	60,786	68,424	76,293
Growth (%)	*18.8*	*12.7*	*11.5*
EBITDA	7,895	9,960	11,833
Growth (%)	*14.9*	*26.8*	*18.8*
PAT Adj	5,228	6,438	7,743
Growth (%)	*13.4*	*23.1*	*20.3*
EPS	6.2	7.6	9.1
Growth (%)	*13.4*	*23.1*	*20.3*
P/E	20.2	16.4	13.6
P/B	3.1	2.8	2.4
EV/EBITDA	13.6	10.8	9.1
RoE (%)	*16.1*	*17.6*	*18.4*
D/E	0.002	0.002	0.002

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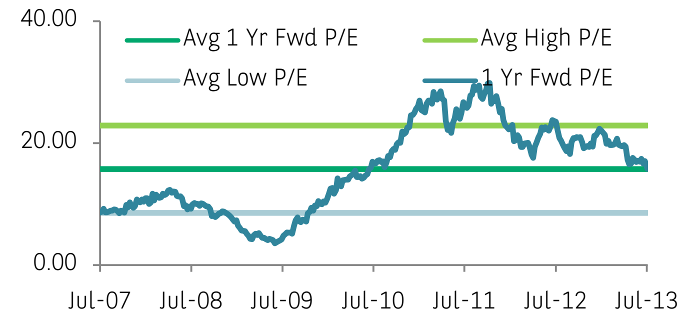
Valuations...

P/E Valuation

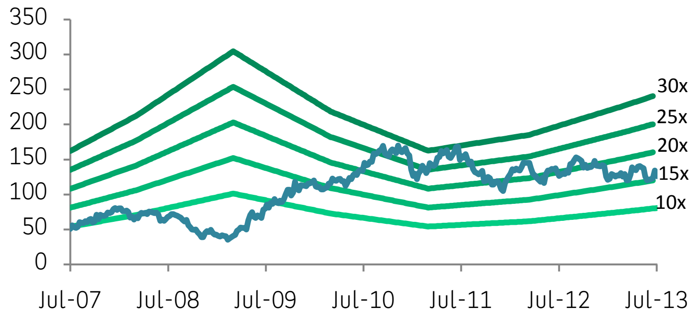
At the CMP of Rs126, EIL is trading at 16.4x FY14E and 13.6x FY15E. The current valuation is close to its 5yr average P/E of 16.8x, whereas EIL in the last one year has traded at an higher average P/E of 22.2x.

One Year Forward PE



Source: Company, Geojit BNP Paribas Research

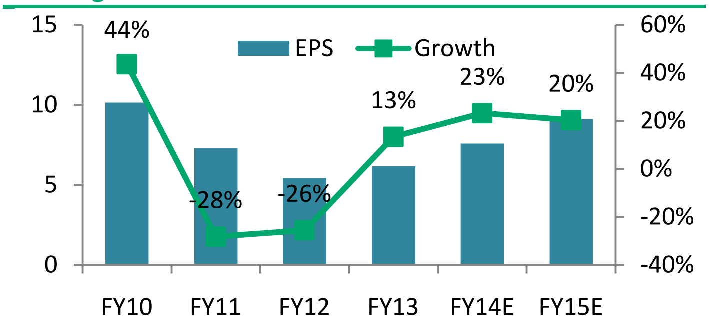
PE –Price Band



Source: Company, Geojit BNP Paribas Research

Valuations peaked at 30x during FY11 when EBITDA margins peaked to 22.8% in H1FY11. Since then EIL has faced margin depletion and ended FY13 with 12.9% margins.

Earnings Growth



Source: Company, Geojit BNP Paribas Research

The margin pressure is not likely to continue as lead cost has become a pass through. The INR has depreciated to Rs60 which was a major negative for EIL with net import bills of Rs6.5bn-7bn. The recent price hikes of 10%-11% and the increased demand in replacement will take care of rupee depreciation and lead price increase. We expect the margins to gain momentum by 170bps to reach 14.6% in FY14E. Hence we expect further gains to valuations. In the medium term we believe EIL standalone business should be valued in the 13x -16x PE band (Please note: EIL valuation includes, EIL standalone + Investments), this is based on earnings CAGR of 22% in FY13-15E.

Valuation of ING Vysya and liquid assets

During Q4FY13, EIL has announced the acquisition of the remaining 50% in the insurance business of ING Vysya making it a 100% subsidiary of EIL. The deal was priced at Rs5.5bn and ING Vysya Insurance business was valued at 15% discount to equity capital. The total equity capital of ING stands at Rs12.9bn. We are valuing the insurance business at a holding discount of 10% to the deal value, which is about 25% discount to book value and arrive at Rs12 per share. It is understood that ING Vysya in currently making profits and not much information is available publicly. EIL has about Rs 3.5bn worth of liquid investments, which we value at book value at Rs4 per share.

A safe business model

EIL's leadership position and ability to generate free cash-flows makes it a lucrative stock to be considered as an investment option. In spite of margin getting halved in the last 5yrs, EIL generated 16.1% RoE with average Rs3bn of free cash flow during FY12-13. We understand that there are near-term risk due to weak demand and high lead prices. But the recent pricing moves are in the right direction & in the long run EIL will be the major beneficiary when auto industry volumes turnaround. EIL has a very strong balance sheet with zero debt and steady working capital cycle.

SOTP Valuation of Rs153...23% upside

SOTP Valuation

	EPS FY15E	P/E Multiple	Value Per Share	Comment
Standalone	9.1	15	137	Valued at 15x
ING Vysya	-	-	12	10% discount to BV
Liquid Investments	-	-	4.4	1x book value
SOTP Based Value	-	-	153	Total

Source: Company, Geojit BNP Paribas Research

We factor earnings growth of 23% for FY14E and 20% for FY15E, which is based on 12% CAGR in sales during FY13-15E with improved margin of 15.5% by FY15E. Using SOTP methodology, we value EIL at Rs153. We initiate with a BUY recommendation as we believe the business momentum shifts to profitability than market share.

Investment rationale

Clearly the market leader

EIL enjoys a dominant position in the Indian automotive battery industry with more than 66% market share in OEM motorcycle batteries. EIL has ~50% share in the replacement market and has increased its presence in the industrial space with ~30% market share in the power back-up segment.

The Company has a distribution network comprising over 4,000 dealer outlets. EIL manufactures the widest range of storage batteries in the world with capacities ranging from 2.5Ah to 20,400Ah, covering the broadest spectrum of applications. EIL is the only company to produce submarine batteries in the country.

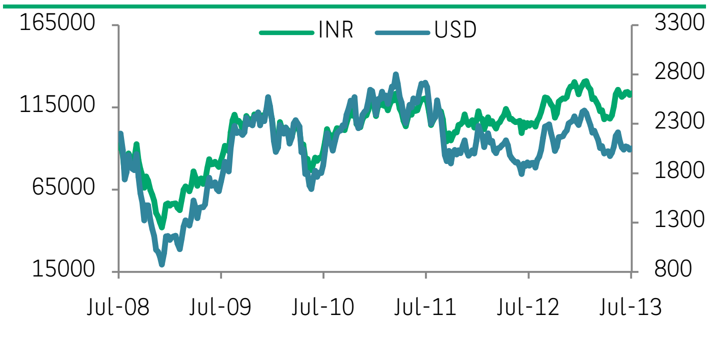
Focus on profitability

Replacement batteries segment is more profitable for EIL whereas, the OEM segment is very competitive and earns low margin. The pricing in OEM's was decided through periodic negotiations. Hence forth the pricing will be based on average last quarter lead cost + gross margin. This will help EIL decouple from the vagaries of high and volatile lead prices.

In this line, EIL has taken three price hikes recently compensating for weakening INR and increasing lead prices. After the price hikes, the margins have gone up from 13.3% in Q4FY13 to 16.1% in Q1FY14 which is expected to continue and post 14.6% in FY14E and 15.5% in FY15E

Lead pass through...gaining margins

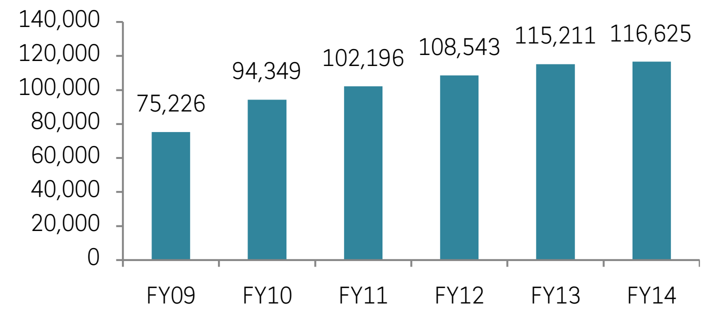
Lead Prices Per ton



Bloomberg, Geojit BNP Paribas Research

Recently the management has decided to consider the main raw material as a pass through. The advantage is that the increase in price of the raw material will not affect the margins. ~70% of the total raw materials used by EIL are lead and lead alloys. Raw material cost to revenue has gone up from 57% in FY10 to 67% in FY13. International lead prices has been very volatile and on the rise since FY10. This has resulted in significant erosion of margins from 23.8% in FY10 to 12.9% in FY13 which is likely to improve with the management decision to change pricing policy and put EIL back to better profitability.

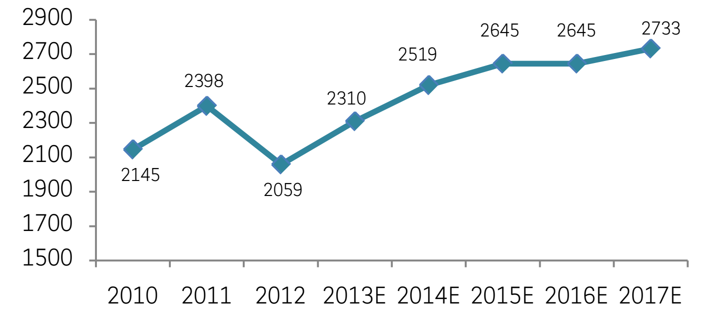
Avg domestic Lead Price per ton(Rs)



Source: Bloomberg, Geojit BNP Paribas Research

According to EIU (Economist Intelligence Unit), the international prices of lead are expected to move up, reaching levels from US$2,310 to US$2,733 in FY13 and FY17 respectively. Based on current price movement and EIU estimates, we build in average price hike for lead of 1% (INR terms) and arrive at 14.6% EBITDA margin for FY14E.

Lead Price Forecast (USD/tn)



Source: EIU Economic and Commodity Forecast

Lesser dependence on imported lead

The smelters can provide around 35%-40% of the total requirement of EIL, and ~40% are outsourced from Hindustan zinc. This makes them lesser dependent on imported lead. When competitors import ~45% of the total lead, only ~20 % of the total lead is imported from outside India by EIL. Even if there is a significant weakening of INR and high lead price in the international market, the impact on the total raw material cost of EIL will be less compared to competitors.

Fully owned smelters

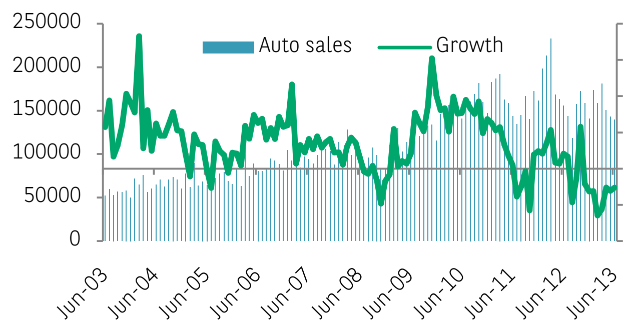
EIL has 2 fully owned smelters which has combined revenue of Rs12.2bn in FY13 compared to Rs12.9bn in FY12. Increase in the capacity of smelters would help reduce the dependence on import lead. EIL has entered into technical collaborations with East Penn, to provide technical assistance and support for the smelters located near Pune and Bangalore

EIL has always invested to improve its productivity. EIL has incurred a total capex of Rs6bn in the last three years towards new machinery and value engineering. Value engineering focuses on characteristics which are most important from the customer point of view as well as technology up gradation. As part of this, EIL has signed an agreement with Shin Kobe of Japan in order to gain more cost effective production.

Better replacement growth to offset OEM

In June 2013, total auto sales declined for the eighth consecutive month in a row. Passenger car sales continue to record de-growth on a YoY basis. Volume growth declined to 10% FY13 from 29% FY12. We believe that, this slowdown in the OEM volumes have automatically pushed up the replacement demand. But EIL replacement battery segment showed high volume growth of 26% in FY13 compared to -1% in FY12. We assume that, with high demand for replacement batteries, EIL is likely to post a revenue growth of 12.7% in FY14.

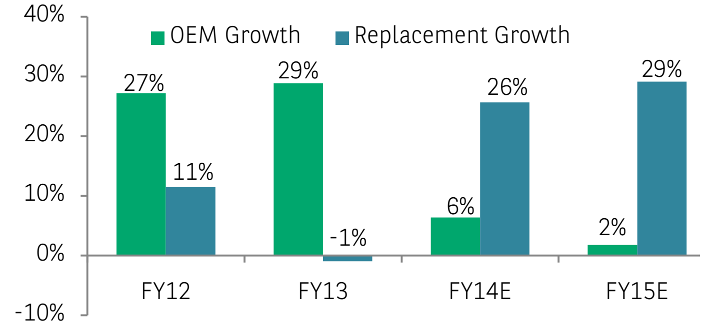
Passenger Car Sales(Monthly YoY)



Source: Company, Geojit BNP Paribas Research

SIAM has projected automotive volume growth of 3%-5% for FY14. As the automotive industry sales are in the slow lane, the replacement volumes are expected to grow at a faster pace. EIL's replacement battery volumes have grown at CAGR of 12% FY10-13, with a notable increase of 26% in FY13. During FY13, OEM volumes have grown by 6% and expected to remain flat in FY14E due to the slowdown in the automobile industry sales. The robust demand for replacement batteries has helped EIL to post automotive revenue CAGR of 17% through FY10-13.

OEM vs Replacement Volume Growth



Source: Company, Geojit BNP Paribas Research

Global car makers setting up plants in India

India is regarded as amongst the best place to invest and setup plants by almost all the major players in the international passenger cars segment. These companies are either setting up or expanding their existing manufacturing base, not only to enter the domestic market but also for exports. Availability of trained manpower at reasonable cost, recession in developed nations and a large domestic market in India are the driving factors.

Companies like Jaguar Land Rover, BMW India, Audi India and Renault Nissan Automotive India have set up their production plants in India over the past five years. While others such as Maruti Suzuki, Fiat India and Mercedes Benz India are planning to expand their plant capacities. EIL, being a market leader would benefit from these new ventures and up scales.

Industrial segment...growing at 10%

EIL is also present in the industrial segment which includes inverters, UPS, telecom, infrastructure etc. About one third of the total volume produced, are in the industrial segment. This segment forms about ~40% of the revenue. The bulk of the revenue is from power back-up segment at about 65%. The industrial revenue growth was 20% in FY13 but is expected to grow at 10% in FY14E due to weak industrial demand.

Investment in inverter manufacturing facilities

The recurring power shortages due to the demand-supply gap, has provided a robust demand for Home UPS (uninterrupted power supply) batteries. The demand and supply details of electricity in India are given as follows.

Demand / Supply – Power estimate FY13-FY14

Region	Demand	Availability	Surplus/(Deficit)	(%)
North	3,19,885	3,01,418	(18,467)	-5.8
West	2,86,752	2,83,396	(3,356)	-1.2
South	3,09,840	2,50,583	(59,257)	-19.1
East	1,19,632	1,31,880	12,248	10.2
N-East	12,424	11,024	(1,400)	-11.3
All India	10,48,533	9,78,301	(70,232)	-6.7

Source: Central Electricity Authority

Earlier in FY13, EIL has acquired an inverter manufacturing facility in Uttarakhand. With the acquisition of the second manufacturing facility from Kevin power, EIL is widening the possibilities of harvesting increased sales in the industrial battery segment. EIL has introduced its new Power Safe XCD series valve regulated lead acid batteries. The new range of batteries is intended to offer uninterrupted back-up and unmatched life for UPS applications.

Takeover of ING Vysya Life Insurance

ING Life Insurance (IVL) has 1.3% share in the Indian life insurance market and serves more than one million customers in over 200 cities in India. The company distributes its products through more than 30,000 ING Life Insurance Advisors, Corporate Agents and Brokers. It has own employee strength of 6,000.

EIL acquired the remaining 50% stake in ING Vysya Life insurance Company Ltd (IVL) for Rs5.5bn in Q4FY13, making it a 100% subsidiary with a total investment of ~Rs13bn. ING Vysya life Insurance has recently turned profitable and not much information is known in public. The reserve of IVL stands at a negative Rs1.1bn as at March-end. Its asset base stands at Rs7.2bn including investments of Rs3.8bn. (*source: DNAIndia.com*)

To date, only approximately 20% of the total insurable population of India is covered under various life insurance schemes (*source: Financial express*). It is being reported that EIL is looking for new international partners for the Insurance business. Similar deals in the recent past are mentioned below.

- Nippon Life bought 26% stake in Reliance Life Insurance for Rs3bn in FY11.
- Japan's Mitsui Sumitomo announced buying of 26% stake in Max New York Life for Rs 2.7bn and re-named to Max Life Insurance Company.

The possibility of finding a new partner or sale of the business cannot be ignored and the cabinet has recently raised the percentage of FDI to 49% from 26%.

EIL remains debt free

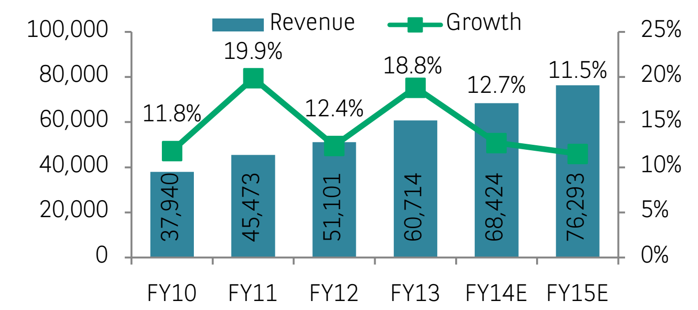
As of FY13, EIL remains Debt free even after acquiring 2 inverter manufacturing units and the remaining 50% of IVY. EIL is estimated to generate cash from operations of Rs4.3bn and Rs5.4bn in FY14E and FY15E respectively. EIL has investments totalling Rs16.4bn (incl ING) in FY13 which is 6% up compared to Rs15.5bn in FY12.

Financial Analysis

Top line to grow by CAGR 15.5%

We are expecting EIL to post revenue CAGR 12% from Rs61bn in FY13 to Rs76bn in FY15E. Even if OEM volume growth rates are on the lower side, better demand from replacement and industrial batteries with better pricing will lead to sales growth.

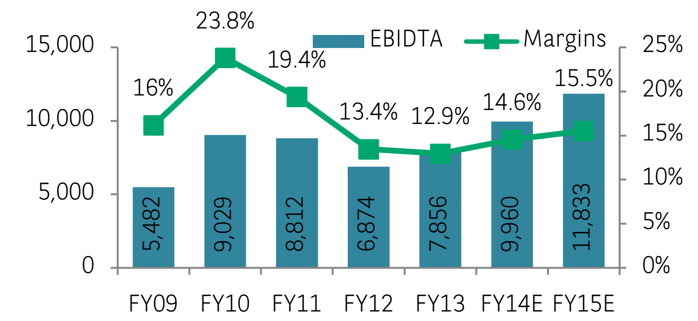
Revenue Growth



Source: Company, Geojit BNP Paribas Research

EBITDA margins to move up

EBITDA Margins



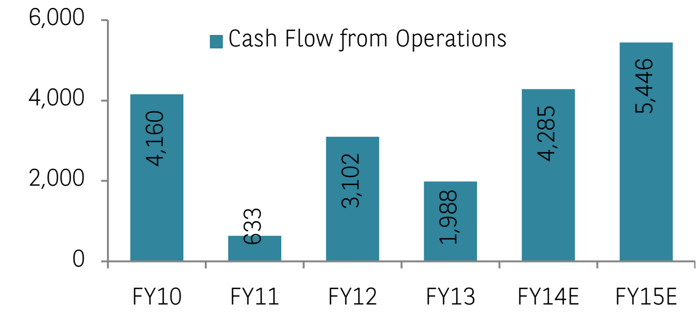
Source: Company, Geojit BNP Paribas Research

The margins are likely to improve to 15.6% by FY15E, this will be largely lead by improvement in gross margin from 33% in FY13 to 36% in FY15E (based on new pricing methods). Any increase in capacity of the smelters would lead to further increase in EBIDTA margins.

Steady cash flows

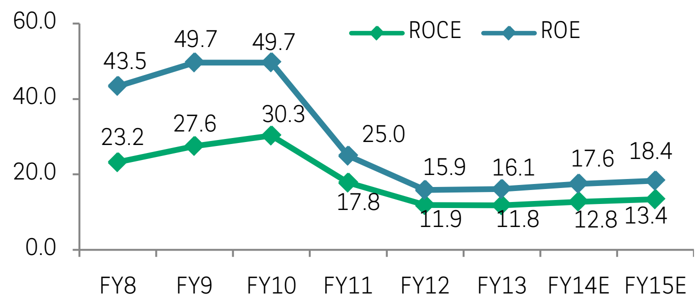
Historically, EIL has posted steady cash flow from operations. In FY13, the company has Generated Rs2.0bn which is close to the three year average of Rs2.6bn. According to our expectations, EIL is likely to generate net cash from operations of Rs4.3bn and Rs5.4bn in FY14E and FY15E respectively. The RoE stands at 16.1% FY13 which is likely to move up at 17.6% and 18.4% FY14E and FY15E respectively.

Net Cash flow from operations



Source: Company, Geojit BNP Paribas Research

ROE and ROCE



Source: Company, Geojit BNP Paribas Research

EIL at a glance

EIL manufacturers lead acid storage batteries and allied products. For over 85 years, EIL, has pioneered battery technology in India. It is the only company in the country to design and manufacture batteries from 2.5AH – 20,600AH in conventional flooded and VRLA design. The company has subsidiaries in UK, Singapore and Sri Lanka. Exports span 18 countries across five continents in a growing list of overseas customers. Technology, innovation, quality and country-wide service network are the four pillars on which EIL achieves its high pedestal.

EIL has 8 subsidiaries in total. This includes the 2 lead smelting units. In FY13, EIL has taken the remaining stake in 2 of if's subsidiaries viz ING Vysya life insurance and Espax batteries (UK), making them 100% subsidiaries.

EIL had entered into technical collaboration and assistance agreements with East Penn Manufacturing Co Inc, US, in 2011. East Penn is a leading US manufacturer of high quality lead-acid battery and accessory products for the automotive, telecommunications, UPS, commercial, marine, and motive power markets. EIL has two existing tie-ups with Japanese firms - Standard Furakawa and Shinkobe. EIL has now acquired 2 inverter producing facilities.

The products manufactured by the company include automotive batteries, industrial batteries and submarine batteries. EIL sells its products under EIL, SF, Sonic and Standard Furukawa brands. In the international market, the products are sold under Dynex, Index and Sonic brands. The company's industrial batteries are of three types: conventional lead acid batteries, valve regulated lead acid batteries and nickel-cadmium batteries. The company has six factories located all over India: two in Maharashtra, one in West Bengal, two in Tamil Nadu and one in Haryana.

Risks

- Lower-than-expected ramp-up in smelter capacities could result in decline in EBITDA margins as EIL will have to rely more on external lead.
- Losses in ING Vysya Life Insurance business, which could lead to more contribution from EIL to fund those losses.
- Continued decline in the automobile industry would reduce the sales of OEM batteries which will impact the total volumes of the company.
- Hyper competition with Amara Raja batteries would decrease the market share of EIL, leading to slower sales growth.

Peer Group comparison

	Sales (Rs bn)			Sales growth %			EBITDA %		
	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E
EIL	60.7	68.4	76.3	18.8	12.7	11.5	12.9	14.6	15.5
Amara Raja	29.6	35.0	41.5	25.2	18.2	18.5	15.9	15.5	15.5

	PE			ROE %			Earnings growth %		
	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E
EIL	20.2	16.4	13.6	16.1	17.6	18.4	13.0	23.0	20.0
Amara Raja	15.3	13.45	11.45	30.5	26.9	25.1	16.8	19.1	22.5

Source: Bloomberg, Geojit BNP Paribas

Standalone
Profit & Loss Account

Y.E Mar (Rs mn)	FY11A	FY12A	FY13A	FY14E	FY15E
Sales	**45,473**	**51,101**	**60,714**	**68,424**	**76,293**
% change	*19.9*	*12.4*	*18.8*	*12.7*	*11.5*
EBITDA	**8,812**	**6,839**	**7,856**	**9,960**	**11,833**
% change	*-2.4*	*-22.4*	*14.9*	*26.8*	*18.8*
Depreciation	834	1,007	1,135	1,280	1,410
EBIT	7,978	5,832	6,722	8,680	10,423
Interest	87	53	58	80	110
Other Income	1,041	673	759	550	650
PBT	**9,402**	**6,452**	**7,423**	**9,150**	**10,963**
% change	*15.8*	*-31.4*	*15.1*	*23.3*	*19.8*
Tax	2,738	1,840	2,195	2,712	3,220
Tax Rate (%)	*29.1*	*28.5*	*29.6*	*29.9*	*29.6*
Reported PAT	**6,664**	**4,612**	**5,228**	**6,438**	**7,743**
Adj*	469	-	-	-	-
Adj PAT	**6,194**	**4,612**	**5,228**	**6,438**	**7,743**
% change	*-28.2*	*25.5*	*13.4*	*23.1*	*20.3*
No. of shares (mn)	850	850	850	850	850
EPS (Rs)	**7.3**	**5.4**	**6.2**	**7.6**	**9.1**
% change	*28.2*	*25.5*	*13.4*	*23.1*	*20.3*
DPS (Rs)	1.77	1.74	1.86	1.86	1.86
CEPS (Rs)	8.3	6.6	7.5	9.1	10.8

*Gain On Transfer of land no longer in use

Balance Sheet

Y.E Mar (Rs mn)	FY11A	FY12A	FY13A	FY14E	FY15E
Cash & Bank	147.4	576.7	747.9	2,382	4,696
A/C receivable	3,662	4,023	5,092	5,811	6,689
Inventories	8,589	9,650	11,671	13,007	14,344
Other Cur. Assets	1,058	1,183	1,039	1,359	1,756
Investments	13,780	15,546	16,401	17,942	20,032
Gross fixed assets	15,594	17,629	18,784	20,704	22,632
Net fixed assets	8,352	9,548	9775.7	10,416	10,926
CWIP	474.8	266	588	350.0	350.0
Intangible assets	6.2	118	168	203	203
Def. tax net	-675	-825	-977	-1,127	-1,277
Other assets	-	-	-	-	-
Total assets	**35,395**	**40,086**	**44,507**	**50,343**	**57,719**
Cur. liabilities	6,576	7,826	8,229	9,117	10,094
Provisions	1,362	1,646	1,971	2,062	2,299
Debt funds	33.3	41.4	71.4	71.4	71.4
Other liabilities	-	-	-	-	-
Equity capital	850.0	850.0	850.0	850.0	850.0
Reserves	26,575	29,723	33,386	38,242	44,404
Total Equity	27,425	30,573	34,236	39,092	45,254
Total liabilities	**35,395**	**40,086**	**44,507**	**50,343**	**57,719**
BVPS (Rs)	**32.3**	**36.0**	**40.3**	**46.0**	**53.2**

Cash flow

Y.E Mar (Rs mn)	FY11A	FY12A	FY13A	FY14E	FY15E
Net inc. + Depn.	10,236	7,459	8,558	7,718	9,153
Non-cash adj.	0.0	0.0	0.0	-34.6	0.0
Changes in W.C	-2,026	67	-2,352	-1,396	-1,397
C.F.O	**3,977**	**5,101**	**3,597**	**5,968**	**7,366**
Capital exp.	-2,160	-1991	-1,587	-1,682	-1920
Change in inv.	0.0	-173	-79	-1,541	-2091
Other invest.CF	315	-1065	-134	550	650
C.F - investing	**-1845**	**-3230**	**-1,801**	**-2,673**	**-3,361**
Issue of equity	-1.9	0.0	0.0	0.0	0.0
Issue/repay debt	-1.1	-0.6	0.0	0.0	0.0
Dividends paid	-1282	-1371	-1,578	-1581	-1581
Other finance.CF	-730	-71	-47	-80	-110
C.F - Financing	**-2015**	**-1443**	**-1,625**	**-1661**	**-1691**
Chg. in cash	119	429	171	1,634	2,314
Closing cash	147	577	748	2,382	4,696
No. of shares(mn)	850	850	850	850	850

Ratios

Y.E Mar (Rs mn)	FY11A	FY12A	FY13A	FY14E	FY15E
Profitab. & Return					
EBITDA margin (%)	19.4	13.4	12.9	14.6	15.5
EBIT margin (%)	17.5	11.4	11.1	12.7	13.7
Net profit mgn.(%)	13.6	9.0	8.6	9.4	10.1
ROE (%)	25.0	15.9	16.1	17.6	18.4
ROCE (%)	17.8	11.9	11.8	12.8	13.4
W.C & Liquidity					
Receivables (days)	24.9	27.4	27.4	29.1	29.9
Inventory (days)	94.8	96.9	96.3	101.5	103.0
Payables (days)	74.5	76.5	72.5	71.3	72.3
Current ratio (x)	1.7	1.6	1.8	2.0	2.2
Quick ratio (x)	0.6	0.6	0.7	0.9	1.1
Turnover & Levg.					
Gross asset T.O (x)	3.1	3.1	3.3	3.5	3.5
Total asset T.O (x)	1.4	1.4	1.4	1.4	1.4
Int. covge. ratio (x)	91.8	110.0	116.7	108.5	94.8
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
EV/Sales (x)	2.3	2.1	1.7	1.5	1.4
EV/EBITDA (x)	12.0	15.4	13.4	10.6	8.9
P/E (x)	17.0	22.9	20.2	16.4	13.6
P/BV (x)	3.8	3.5	3.1	2.7	2.3

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Recommendation Criteria:
The recommendations are based on a 12 month horizon, unless otherwise specified. The recommendations 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 between the analyst recommendation and the actual absolute returns based on the current market price.

BUY	-	Absolute return of more than 18%.
Accumulate*	-	Absolute returns between 10% - 18%.
Hold	-	Absolute returns between 0% - 10%.
Sell	-	Absolute returns of less than 0%.

* Accumulate is a better rating than SELL and HOLD, but lower than BUY recommendation. Clients are advised not to sell their holding in the stock and buy the stock whenever the stock provides a suitable price correction. The Analyst has a positive outlook about the company's business model and the stock is recommended to be brought over a period in a SIP (Systematic Investment Plan) fashion. Analyst has not given a BUY rating for reasons of premium valuations/clarity/events etc and may revisit rating at appropriate time. Please note that the stock always carries the risk of being downgraded to a HOLD or SELL recommendation on outcome of adverse events.