

Blue Star

Performance Highlights

| Y/E March (₹ cr) | 3QFY2016 | 3QFY2015 | % chg (yoy) | 2QFY2016 | % chg (qoq) |
|-------------------|----------|----------|-------------|----------|-------------|
| Net Sales | 686 | 596 | 15.1 | 717 | (4.3) |
| EBITDA | 28 | 9 | 217.7 | 27 | 3.3 |
| EBITDA margin (%) | 4.1 | 1.5 | 259bp | 3.8 | 30bp |
| Adj. PAT | 7 | (12) | (156.1) | 10 | (32.6) |

Source: Company, Angel Research (Standalone)

Blue Star's standalone numbers for 3QFY2016 have come in in-line with our estimates. The top-line for the quarter reported an impressive 15.1% yoy increase to ₹686cr. Raw material cost as a percentage of sales increased by 175bp yoy to 68.9% but the same got offset by a 94bp yoy and 341bp yoy decline in Employee and Other expenses as a percentage of sales to 9.7% and 17.4%, respectively. The EBITDA margin expanded by 259bp yoy to 4.1%. There was an exceptional loss of ₹2cr during the quarter due to bonus expenses for earlier years. Adjusting for the exceptional item, the net profit came in at ₹7cr.

Improvement in macro scenario to support growth: The Cooling Products Division (CPD) has been the key performer for the company and is expected to carry the baton till the Electro Mechanical Projects and Packaged Air-conditioning Systems (EMPPAC) division fully recovers on the back of an expected improvement in the macro scenario. Slow order finalization and execution has impacted the EMPPAC division's performance, which however is likely to rebound as market conditions improve. The company has been brisk in adding orders after clearing out a large chunk of legacy orders. The company's room air conditioning (RAC) business has been outgrowing the industry by ~10% points over the last few quarters, resulting in the company consistently increasing its market share (from ~7% in FY2014 to 10.5% at present). With strong brand equity and higher share in split ACs, we expect the CPD to continue to drive growth.

Outlook and valuation: We expect Blue Star to report a CAGR of 11.2% in its revenue over FY2015-18E to ₹4,375cr. The EBITDA margin is expected to expand by 188bp over FY2015-18E to 7.1% due to better margin orders. Consequently, the net profit is expected to be at ₹182cr in FY2018E. Moreover, the proposed merger with Blue Star Infotech will provide cash influx and thus strengthen the balance sheet. At the current market price, the stock trades at 20.6x and 18.5x its FY2017E and FY2018E earnings respectively and at 0.8x and 0.7x FY2017E and FY2018E EV/sales (while its close peer Voltas trades at 1.5x its FY2017E EV/sales). At a target P/E multiple of 23.0x, the implied FY2018E EV/sales multiple works out to 1.0x, which is comforting. **Hence we recommend a Buy on the stock.**

Key financials (Consolidated)

| Y/E March (₹ cr) | FY2015 | FY2016E | FY2017E | FY2018E |
|------------------|--------|---------|---------|---------|
| Net Sales | 3,182 | 3,548 | 3,977 | 4,375 |
| % chg | 8.4 | 11.5 | 12.1 | 10.0 |
| Net Profit | 96 | 123 | 164 | 182 |
| % chg | 23.1 | 28.8 | 32.8 | 11.3 |
| EBITDA (%) | 5.3 | 6.3 | 6.9 | 7.1 |
| EPS (₹) | 6.0 | 9.8 | 15.6 | 19.1 |
| P/E (x) | 33.2 | 25.8 | 20.6 | 18.5 |
| P/BV (x) | 7.0 | 6.5 | 4.2 | 3.6 |
| RoE (%) | 20.5 | 26.1 | 25.4 | 21.1 |
| RoIC (%) | 16.6 | 24.6 | 27.6 | 28.3 |
| EV/Sales (x) | 1.1 | 1.0 | 0.8 | 0.7 |
| EV/EBITDA (x) | 21.1 | 15.7 | 12.2 | 10.4 |

Source: Company, Angel Research; Note: CMP as of February 4, 2016

BUY

| | |
|--------------|------|
| CMP | ₹353 |
| Target Price | ₹439 |

| | |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

Stock Info

| | |
|--------------------|---------------|
| Sector | Cons. Durable |
| Market Cap (₹ cr) | 3,177 |
| Net Debt | 317 |
| Beta | 0.7 |
| 52 Week High / Low | 398 / 274 |
| Avg. Daily Volume | 13,947 |
| Face Value (₹) | 2 |
| BSE Sensex | 24,388 |
| Nifty | 7,404 |
| Reuters Code | BLUS.BO |
| Bloomberg Code | BLSTR IN |

Shareholding Pattern (%)

| | |
|-------------------------|------|
| Promoters | 39.5 |
| MF / Banks / Indian Fls | 23.6 |
| FII / NRIs / OCBs | 9.4 |
| Indian Public / Others | 27.5 |

| Abs.(%) | 3m | 1yr | 3yr |
|----------|-------|--------|-------|
| Sensex | (8.3) | (15.7) | 23.5 |
| BLUESTAR | (2.9) | 3.5 | 105.7 |

3 Year Price Chart



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Exhibit 1: 2QFY2016 performance highlights (Standalone)

| Y/E March (₹ cr) | 3QFY2016 | 3QFY2015 | yoy chg (%) | 2QFY2016 | qoq chg (%) | 9MFY16 | 9MFY15 | % chg |
|--------------------------|------------|-------------|----------------|------------|----------------|--------------|--------------|---------------|
| Net Sales | 686 | 596 | 15.1 | 717 | (4.3) | 2,311 | 2,075 | 11.4 |
| Net raw material | 472 | 400 | 18.2 | 503 | (6.1) | 1614 | 1413 | 14.2 |
| (% of Sales) | 68.9 | 67.1 | 175bp | 70.2 | (133)bp | 69.9 | 68.1 | 175bp |
| Staff Costs | 67 | 63 | 5.0 | 64 | 4.2 | 191 | 188 | 1.6 |
| (% of Sales) | 9.7 | 10.7 | (94)bp | 8.9 | 79bp | 8.3 | 9.1 | (79)bp |
| Other Expenses | 119 | 124 | (3.8) | 123 | (3.0) | 385 | 369 | 4.2 |
| (% of Sales) | 17.4 | 20.8 | (341)bp | 17.1 | 24bp | 16.6 | 17.8 | (115)bp |
| Total Expenditure | 658 | 587 | 12.1 | 690 | (4.6) | 2,190 | 1,971 | 11.1 |
| Operating Profit | 28 | 9 | 217.7 | 27 | 3.3 | 121 | 104 | 15.5 |
| OPM | 4.1 | 1.5 | 259bp | 3.8 | 30bp | 5.2 | 5.0 | 19bp |
| Interest | 9 | 11 | (13.9) | 9 | (2.8) | 27 | 32 | (17.0) |
| Depreciation | 11 | 10 | 10.3 | 12 | (1.1) | 32 | 29 | 10.8 |
| Other Income | 1.4 | 2.1 | (36.4) | 2.0 | (31.0) | 4 | 7 | (42.4) |
| Exceptional Item | (2) | 18 | | (16) | | (18) | 4 | |
| PBT | 7 | 8 | (18.6) | (8) | (189.1) | 48 | 54 | 12.6 |
| (% of Sales) | 1.0 | 1.4 | | (1.1) | | 2.1 | 2.6 | |
| Tax | 2 | 2 | | (2) | | 10 | 7 | |
| (% of PBT) | 30 | 25 | | 25 | | 21 | 14 | |
| Reported PAT | 5 | 6 | (23.8) | (6) | (182.9) | 38 | 46 | (17.9) |
| Extraordinary Item | 2 | (18) | | 16 | | 18 | (4) | |
| Adjusted PAT | 7 | (12) | (156.1) | 10 | (32.6) | 56 | 43 | 30.7 |
| PATM | 1.0 | (2.0) | | 1.4 | | 1.6 | 2.2 | |

Source: Company, Angel Research

Exhibit 2: Actual vs. Angel Estimates (Standalone)

| (₹) | Actual | Estimate | % Variation |
|---------------------|------------|------------|---------------|
| Net Sales | 686 | 641 | 7.0 |
| EBITDA | 27.9 | 25.9 | 7.7 |
| EBIDTA margin | 4.1 | 4.0 | 3bp |
| Adjusted PAT | 6.8 | 7.8 | (14.0) |

Source: Company, Angel Research

Top-line and margin ahead of expectations

Blue Star's 3QFY2016 numbers have come in in-line with our estimates. The standalone top-line for the quarter reported an 15.1% yoy increase to ₹686cr, which is higher than our estimate of ₹641cr. The raw material cost as a percentage of sales increased by 175bp yoy to 68.9% but the same was offset by a 94bp yoy and 341bp yoy decline in Employee and Other expenses as a percentage of sales to 9.7% and 17.4%, respectively. The EBITDA margin expanded by 259bp yoy to 4.1%, which is in-line with our estimate of 4.0%. There was an exceptional loss of ₹2cr during the quarter due to bonus expenses for earlier years pursuant to retrospective amendment in the statute. Adjusting for the exceptional item, the net profit came in at ₹7cr, which is marginally below our estimate of ₹8cr.

Segment-wise performance

Exhibit 3: Segment-wise performance (Standalone)

| Y/E March (₹ cr) | 3QFY2016 | 3QFY2015 | % chg (yoy) | 2QFY2016 | % chg (qoq) |
|-----------------------------|------------|------------|-------------|------------|--------------|
| Total Revenue | | | | | |
| A) EMPPAC | 439 | 361 | 21.5 | 459 | (4.3) |
| B) Cooling Products | 238 | 197 | 21.0 | 246 | (3.2) |
| C) PEIS | 9 | 38 | (76.2) | 12 | (27.9) |
| Total | 686 | 596 | 15.1 | 717 | (4.3) |
| Less: Inter-Segmental Rev. | - | - | | - | |
| Net Sales | 686 | 596 | 15.1 | 717 | (4.3) |
| Segmental Profit | | | | | |
| A) EMPPAC | 26 | 3 | 785.5 | 26 | (2.2) |
| B) Cooling Products | 17 | 10 | 67.5 | 14 | 20.6 |
| C) PEIS | 2 | 7 | (76.0) | 2 | (21.5) |
| Segmental Margin (%) | | | | | |
| A) EMPPAC | 5.8 | 0.8 | 505bp | 5.7 | 12bp |
| B) Cooling Products | 7.1 | 5.1 | 198bp | 5.7 | 140bp |
| C) PEIS | 18.7 | 18.5 | 17bp | 17.2 | 153bp |

Source: Company, Angel Research

EMPPAC margins contract: The segment's revenue grew by 21.5% yoy to ₹439cr in 3QFY2016. The EBIT margin expanded by 505bp yoy to 5.8% for the quarter as compared to 0.8% in 3QFY2015. The margins expanded on account of enhanced billings, lower provisioning and improvement in cash-flows. The company was unable to close the legacy jobs in the quarter on account of issues at customers' ends.

Cooling Products segment's strong run continues: The segment's top-line grew by 21.0% yoy to ₹238cr. The RAC business once again has managed to outgrow the industry; as per the Management, the market grew by ~10-12% during the quarter while Blue Star grew by ~20%. The RAC market in general saw an improvement on account of festival buying and aggressive promotions by retailers/e-tailers. The EBIT margin for the quarter improved by 198bp yoy to 7.1%.

PEIS segment: The Professional Electronics and Industrial Systems (PEIS) segment's revenue decreased by 76.2% yoy to ₹9cr. Margins for the business declined by 17bp yoy to 18.7%. However, these numbers are not comparable on a yoy basis as the PEIS business was transferred into Blue Star's wholly owned subsidiary effective April 01, 2015. There were some orders that were booked under the standalone business which the company will continue to execute; the quantum of such orders will decline gradually. On a combined basis, the segment declined by ~5.0% yoy to ₹36cr while the segment margin declined by 492bp yoy to 13.6%. As per the Management, the decrease in demand due to dollar appreciation and lower capex spends in the industrial segment caused the decline in the business.

Conference Call Highlights

- Carry Forward Order Book as on December 31, 2015 increased by 14% to ₹1,605cr compared ₹1,412cr as at December 31, 2014. Of the total order book, a majority is accounted by private companies while 20-25% is made up by government and infra. The order inflow during the quarter grew by 62% yoy to ₹431cr.
- The Electro Mechanical Projects business was almost flat compared to the previous year. The commercial segment gained some momentum in select metros such as Chennai, Bengaluru, Delhi NCR & Hyderabad.
- The RAC business maintained its strong run on account of festive season and enhanced channel penetration. Share of sales from a given dealer is increasing by 20% yoy in Northern India. There were 650 outlets added.
- The company's market share in RAC is 10.5% and 12.5% for inverter ACs. In the e-commerce space, it enjoys a market share of 10% (~5% of 4mn ACs are sold through e-commerce).
- Pressure on pricing for ACs is likely to ease in 4QFY2016. The demand for RAC was also impacted owing to Tamil Nadu floods.
- The company has closed down its Thane and Bharuch plants and is planning to invest in setting up two modern, state-of-the-art factories at Jammu and Sri City. The new plant at Jammu will have a CENVAT exemption for 10 years. Total capex is estimated to be at ₹200cr spread over the coming three-four years.

Investment Rationale

Improvement in macro scenario to support growth

The EMPPAC division of Blue Star contributed ~54% of total revenues in FY2015. The division mainly caters to industrial/institution clients in sectors like IT/ITeS, retail (including malls and multiplexes), healthcare, hospitality, infrastructure, etc. The order execution and finalization has been witnessed to be sluggish in the recent past, thereby affecting the segment. With slow recovery in various client industries and improvement in the economic environment post interest rate cuts, we expect the segment to recover and be a key contributor to the company's overall top-line.

Quality order execution to support EBITDA margin expansion

The company continues to be selective in terms of order booking which has hurt its margins in the past. So far, the delay in execution of high-margin projects, coupled with delayed closure of low margin jobs, has resulted in snail-paced expansion of the EBITDA margin. The carry forward order book has been witnessing upward movement over the past few quarters and with legacy jobs coming off the books, most likely in 4QFY2016, we expect the segment's profitability to improve from here on.

Cooling Products division to be the backbone

The superior performance of the division is mainly on the back of high growth seen in the RAC segment which is consistently growing at 10% points faster than the overall RAC market. The company has been able to leverage on its perception of being a “Cooling Expert” and successfully grown its market share from ~7% levels in FY2015 to the present 10.5%. As a result of this growth, the Cooling Products segment’s share as a percentage of total revenue has increased from 23.4% in FY2009 to ~42% in FY2015 and the segment in recent times has been entailing better profitability compared to the other major segment - EMMPAC. We expect the division to be a key contributor as there is significant potential to capitalize on the underpenetrated RAC market in India. Blue Star can add to its current market share as it has good channel coverage and it has been selectively expanding the channel network in tier 3, 4 and 5 cities.

Foray into newer products and focus on growing international business

Blue Star has forayed into new areas like air purifiers and air coolers in FY2016. As per Management estimates, the domestic air purifiers market is of ~₹200cr, which it expects to grow by 5x over the next five years. Further the Management sounded confident that it can rely on its brand equity to successfully scale up the air coolers business using its vast channel network.

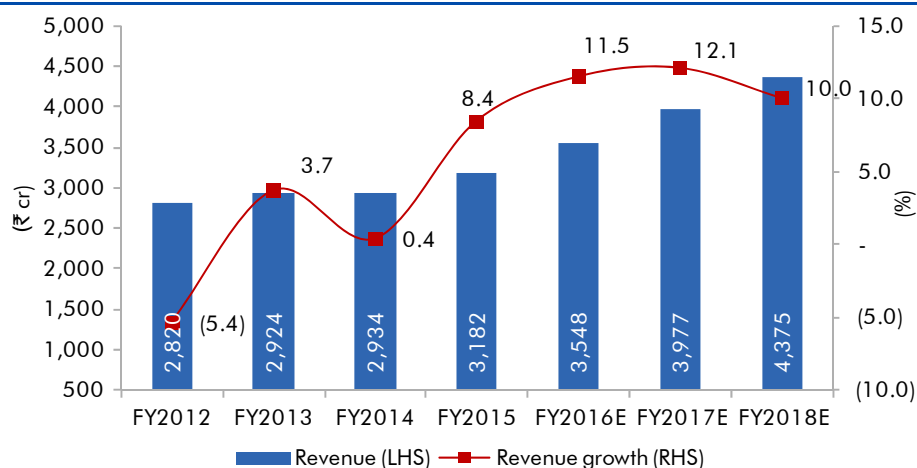
Additionally, the company post its merger with Blue Star Infotech Ltd (BSIL) will be using the cash influx to grow its international business. Apart from this, the company has entered into a 51% joint venture with W. J. Towell & Co. LLC, Oman, in the MEP contracting business. The company intends to scale up the business to ₹500cr over the next few years.

Financials

Improvement in revenue growth

We expect the revenue to grow at a CAGR of 11.2% over FY2015-18E to ₹4,375cr. We believe that gradual recovery in macroeconomic conditions and strong footing of its Cooling Products business would enable the company to post such growth.

Exhibit 4: Revenue growth estimates

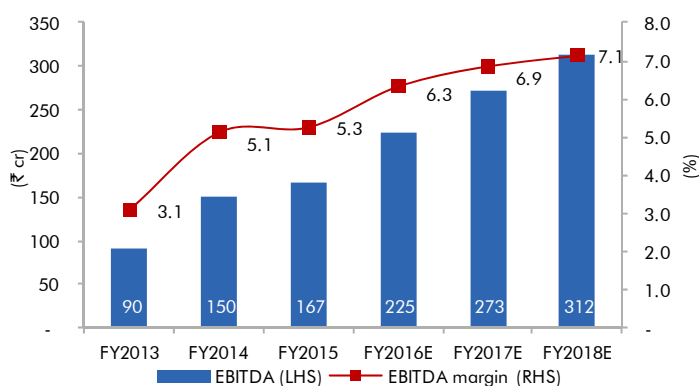


Source: Company, Angel Research

EBITDA margin to improve

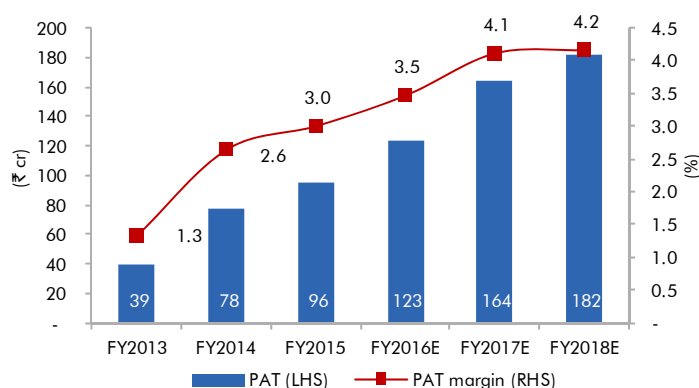
We expect the EMPPAC segment's performance to improve mainly in anticipation of a macroeconomic turnaround and with low/no margin orders coming off the books this year. We expect the EBITDA margin to improve from 5.3% in FY2015 to 7.1% in FY2018E. Consequently, the net profit is expected to be at ₹182cr in FY2018E.

Exhibit 5: EBITDA margin to improve



Source: Company, Angel Research

Exhibit 6: PAT expected to improve

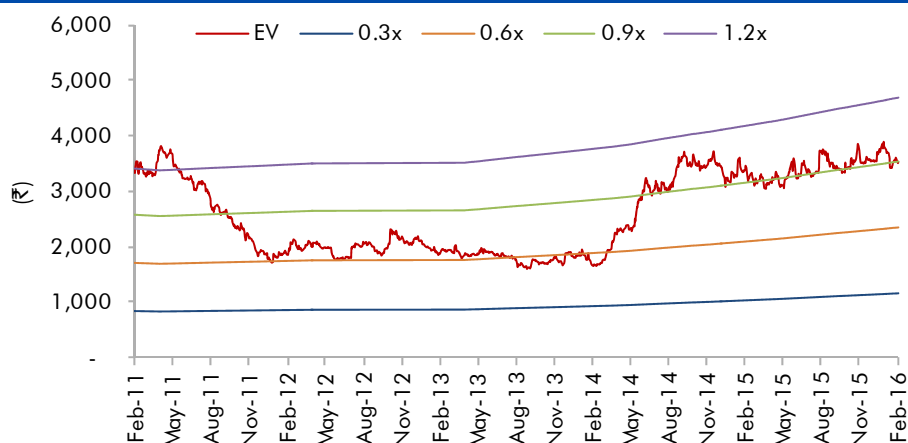


Source: Company, Angel Research

Outlook and valuation

We expect Blue Star to report a CAGR of 11.2% in its revenue over FY2015-18E to ₹4,375cr. The EBITDA margin is expected to expand by 188bp over FY2015-17E to 7.1% due to better margin orders. Consequently, the net profit is expected to be at ₹182cr in FY2018E. Moreover, the proposed merger with Blue Star Infotech will provide cash influx and thus strengthen the balance sheet. At the current market price, the stock trades at 20.6x and 18.5x its FY2017E and FY2018E earnings respectively and at 0.8x and 0.7x FY2017E and FY2018E EV/sales (while its close peer Voltas trades at 1.5x its FY2017E EV/sales). At a target P/E multiple of 23.0x, the implied FY2018E EV/sales multiple works out to 1.0x, which is comforting. **Hence we recommend a Buy on the stock.**

Exhibit 7: One year forward EV/sales band



Source: Company, Angel Research

Key concerns

- Slowdown in investment cycle may impact the order inflow, thus impacting revenue. It may also force the Management to compromise on its strategy of avoiding low margin projects.
- Any slowdown in consumer segments like IT/ITES, healthcare, hospitality and infrastructure could impact the company's growth.
- Foreign exchange fluctuations have a direct impact on the profit of the Cooling Products division since commercial refrigerators are imported. Further depreciation in the local currency may impact the profits of Blue Star.

Company Background

Blue Star is India's largest central air-conditioning company with a network of 32 offices, seven manufacturing facilities, over 2,000 dealers and around 2,500 employees. The company's operations could be classified under three main segments:

EMPPACS: This segment comprises central and packaged air-conditioning (involving design, engineering, manufacturing, installation, commissioning and support of large central air conditioning plants, packaged air conditioners and ducted split air conditioners) as well as electrical projects and plumbing and fire fighting projects. In addition, the company promotes after-sales service as a business, by offering several value added services in the areas of upgrades and enhancements, air management, water management, energy management and LEED consultancy for Green Buildings.

Cooling Products: Blue Star offers a wide range of contemporary window and split air conditioners. The company also manufactures and markets a comprehensive range of commercial refrigeration products and services that cater to the industrial, commercial and hospitality sectors.

PEIS: This division has been the exclusive distributor in India for many internationally renowned manufacturers of hi-tech professional electronic equipment and services, as well as industrial products and systems.

Profit and loss statement (Consolidated)

| Y/E March (₹ cr) | FY2014 | FY2015 | FY2016E | FY2017E | FY2018E |
|-------------------------------|--------------|---------------|---------------|---------------|--------------|
| Total operating income | 2,934 | 3,182 | 3,548 | 3,977 | 4,375 |
| % chg | 0.4 | 8.4 | 11.5 | 12.1 | 10.0 |
| Net Raw Materials | 2,087 | 2,214 | 2,453 | 2,756 | 3,049 |
| Personnel | 248 | 267 | 284 | 309 | 331 |
| Other | 450 | 533 | 586 | 639 | 684 |
| Total Expenditure | 2,784 | 3,015 | 3,323 | 3,704 | 4,063 |
| EBITDA | 150 | 167 | 225 | 273 | 312 |
| % chg | (1.8) | 8.3 | 10.2 | 11.5 | 9.7 |
| (% of Net Sales) | 5.1 | 5.3 | 6.3 | 6.9 | 7.1 |
| Depreciation & Amortisation | 38 | 43 | 46 | 50 | 57 |
| EBIT | 113 | 124 | 179 | 223 | 255 |
| % chg | 97.4 | 10.2 | | 24.5 | 14.5 |
| (% of Net Sales) | 3.8 | 3.9 | 5.0 | 5.6 | 5.8 |
| Interest (incl. forex loss) | 54 | 49 | 39 | 33 | 30 |
| Other Income | 18 | 8 | 13 | 24 | 35 |
| (% of Net Sales) | 0.6 | 0.3 | 0.4 | 0.6 | 0.8 |
| Exceptional Items | (0.1) | (41.4) | (35.0) | (15.0) | - |
| PBT | 76 | 43 | 118 | 198 | 260 |
| % chg | 87.1 | (44.0) | 175.6 | 68.5 | 31.3 |
| Tax | 2 | (8) | 29 | 50 | 78 |
| (% of PBT) | 2.9 | (18.5) | 25.0 | 25.0 | 30.0 |
| PAT (reported) | 74 | 51 | 88 | 149 | 182 |
| Extraordinary (Expense)/Inc. | 0 | 41 | 35 | 15 | - |
| Share of Profit of Associate | 4 | 4 | - | - | - |
| ADJ. PAT | 78 | 96 | 123 | 164 | 182 |
| % chg | 98.6 | 23.1 | 28.8 | 32.8 | 11.3 |
| (% of Net Sales) | 2.6 | 3.0 | 3.5 | 4.1 | 4.2 |
| Basic EPS (₹) | 8.6 | 10.6 | 13.7 | 17.2 | 19.1 |
| Fully Diluted EPS (₹) | 8.6 | 10.6 | 13.7 | 17.2 | 19.1 |
| % chg | 198.6 | 123.1 | 128.8 | 125.3 | 111.3 |

Balance sheet (Consolidated)

| Y/E March (₹ cr) | FY2014 | FY2015 | FY2016E | FY2017E | FY2018E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | | | | | |
| Equity Share Capital | 18 | 18 | 18 | 19 | 19 |
| Pref. Share Capital | 18 | - | - | - | - |
| Reserves & Surplus | 443 | 438 | 472 | 780 | 905 |
| Shareholders' Funds | 479 | 456 | 490 | 799 | 924 |
| Total Loans | 494 | 398 | 370 | 314 | 283 |
| Deferred Tax Liability | (1) | (17) | (17) | (17) | (17) |
| Other Long Term Liabilities | 4 | 7 | 7 | 7 | 7 |
| Total Liabilities | 976 | 843 | 850 | 1,103 | 1,197 |
| APPLICATION OF FUNDS | | | | | |
| Gross Block | 514 | 549 | 598 | 670 | 784 |
| Less: Acc. Depreciation | 269 | 304 | 350 | 400 | 457 |
| Net Block | 245 | 245 | 249 | 271 | 327 |
| Capital Work-in-Progress | 15 | 22 | 18 | 90 | 25 |
| Goodwill | 11 | 11 | 9 | 8 | 6 |
| Investments | 33 | 36 | 36 | 2 | 2 |
| Long term Loans & adv | 120 | 139 | 149 | 167 | 184 |
| Current Assets | 1,911 | 1,704 | 1,891 | 2,241 | 2,489 |
| Cash | 68 | 44 | 19 | 160 | 204 |
| Loans & Advances | 130 | 116 | 129 | 145 | 159 |
| Inventory | 466 | 479 | 518 | 563 | 616 |
| Debtors | 833 | 795 | 923 | 1,035 | 1,139 |
| Other current assets | 414 | 270 | 301 | 338 | 371 |
| Current liabilities | 1,359 | 1,315 | 1,502 | 1,675 | 1,837 |
| Net Current Assets | 552 | 389 | 388 | 566 | 653 |
| Misc. Exp. not written off | - | - | - | - | - |
| Total Assets | 976 | 843 | 850 | 1,103 | 1,197 |

Cash flow statement (Consolidated)

| Y/E March (₹ cr) | FY2014 | FY2015 | FY2016E | FY2017E | FY2018E |
|----------------------------------|-------------|--------------|-------------|--------------|-------------|
| Profit before tax | 76 | 43 | 118 | 198 | 260 |
| Depreciation | 38 | 43 | 46 | 50 | 57 |
| Change in Working Capital | (47) | 139 | (25) | (36) | (43) |
| Other income | (18) | (8) | (13) | (24) | (35) |
| Direct taxes paid | (2) | (7) | (29) | (50) | (78) |
| Others | 37 | 28 | - | - | - |
| Cash Flow from Operations | 83 | 237 | 96 | 138 | 162 |
| (Inc.)/Dec. in Fixed Assets | (71) | (43) | (43) | (142) | (48) |
| (Inc.)/Dec. in Investments | (6) | (3) | - | 34 | - |
| (Inc.)/Dec. In L.T loans and adv | (8) | (20) | (10) | (18) | (17) |
| Other income | 18 | 8 | 13 | 24 | 35 |
| Others | 62 | (14) | - | - | - |
| Cash Flow from Investing | (6) | (71) | (39) | (102) | (29) |
| Issue of Equity | 18 | (18) | 0 | 1 | - |
| Inc./Dec. in loans | 73 | (97) | (28) | (55) | (31) |
| (Dec.)/Inc. in long term prov. | (1) | 2 | - | - | - |
| Forex diff. on cash equivalent | - | - | - | - | - |
| Dividend Paid (Incl. Tax) | (42) | (54) | (54) | (57) | (57) |
| Others | (74) | (23) | - | 217 | - |
| Cash Flow from Financing | (26) | (190) | (82) | 105 | (89) |
| Inc./Dec. in Cash | 52 | (24) | (25) | 142 | 43 |
| Opening Cash balances | 17 | 68 | 44 | 19 | 160 |
| Closing Cash balances | 68 | 44 | 19 | 160 | 204 |

Key ratios

| Y/E March | FY2014 | FY2015 | FY2016E | FY2017E | FY2018E |
|---------------------------------|--------|--------|---------|---------|---------|
| Valuation Ratio (x) | | | | | |
| P/E (on FDEPS) | 40.9 | 33.2 | 25.8 | 20.6 | 18.5 |
| P/CEPS | 27.5 | 22.9 | 18.8 | 15.8 | 14.1 |
| P/BV | 6.6 | 7.0 | 6.5 | 4.2 | 3.6 |
| Dividend yield (%) | 1.1 | 1.4 | 1.4 | 1.4 | 1.4 |
| EV/Sales | 1.2 | 1.1 | 1.0 | 0.8 | 0.7 |
| EV/EBITDA | 23.9 | 21.1 | 15.7 | 12.2 | 10.4 |
| EV / Total Assets | 3.7 | 4.2 | 4.2 | 3.0 | 2.7 |
| Per Share Data (₹) | | | | | |
| EPS (Basic) | 8.6 | 10.6 | 13.7 | 17.2 | 19.1 |
| EPS (fully diluted) | 8.6 | 10.6 | 13.7 | 17.2 | 19.1 |
| Cash EPS | 12.8 | 15.4 | 18.8 | 22.4 | 25.1 |
| DPS | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Book Value | 53.2 | 50.7 | 54.4 | 83.8 | 96.9 |
| Returns (%) | | | | | |
| ROCE (Pre-tax) | 12.5 | 13.6 | 21.1 | 22.8 | 22.2 |
| Angel ROIC (Pre-tax) | 14.6 | 16.6 | 24.6 | 27.6 | 28.3 |
| ROE | 17.7 | 20.5 | 26.1 | 25.4 | 21.1 |
| Turnover ratios (x) | | | | | |
| Asset Turnover (Gross Block) | 6.1 | 6.0 | 6.2 | 6.3 | 6.0 |
| Inventory / Sales (days) | 61 | 54 | 51 | 50 | 49 |
| Receivables (days) | 104 | 93 | 95 | 95 | 95 |
| Payables (days) | 176 | 162 | 165 | 165 | 165 |
| WC cycle (ex-cash) (days) | 57 | 47 | 37 | 36 | 36 |
| Solvency ratios (x) | | | | | |
| Net debt to equity | 0.9 | 0.8 | 0.7 | 0.4 | 0.1 |
| Net debt to EBITDA | 2.6 | 1.9 | 1.4 | 0.6 | 0.2 |
| Interest Coverage (EBIT / Int.) | 2.1 | 2.6 | 4.5 | 6.7 | 8.5 |

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Disclosure of Interest Statement

Blue Star

| | |
|--|----|
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)