July 18, 2013

Hindustan Sanitaryware Industries

Traction in sanitaryware industry to be key driver

Hindustan Sanitaryware Industries Ltd (HSIL) is the largest manufacturer of sanitaryware (40% market share) and the second largest manufacturer (22% market share) of glass containers in India. With increased awareness for improving sanitation coverage coupled with current low penetration and changing lifestyles of people, the sanitaryware industry is poised to witness steady traction. HSIL, with its recently expanded capacity in sanitaryware and strong brand recall is well placed to benefit from the robust growth expected in the industry. Moreover, no further expansion in the low-RoCE glassware division is likely to improve the return ratios going forward. We initiate coverage on HSIL and recommend Buy with a target price of ₹117 valuing the business on SOTP basis for FY2015E.

Investment rationale

Extended capacity to compliment rising demand: Due to increasing awareness about improving sanitation, low penetration and changing lifestyles of people, the sanitaryware industry is witnessing traction. HSIL's greenfield project will expand its sanitaryware capacity by 1.2mp (million pieces) and faucetware capacity by 2.5mp by FY2015E, which in turn will help the company to cater to the rising demand in the market.

Leading position with positive brand recall to provide edge: HSIL holds a leading position in the sanitaryware industry (organized segment) with ~40% market share. Well-known brands like QUEO Hindware Art, Hindware Italian, Hindware, Raasi, and Benevalve, enable HSIL to cater to varied segments of the market.

Glassware division - unlikely to be a drag going forward: The company's glassware division which has constituted ~60% of the capital employed has generated RoCE in the range of 6-10% historically. On the other hand, the sanitaryware division has a track record of RoCE above 18%. Going ahead, we expect no further investments in the low-RoCE glassware division which will aid in improving the overall return ratios.

Outlook and valuation: We expect HSIL to register a CAGR of 15.8% in its top-line over FY2013-15E to ₹2,363 on the back of robust growth in the sanitaryware industry coupled with stable growth in the glass industry. The EBITDA and net profit are expected to post a CAGR of 16.3% and 14.8% respectively over FY2013-15E. Valuing the business on SOTP basis, assigning the glassware division a target EV/invested capital of 0.5x and assigning the sanitaryware division a target PE of 7x, we arrive at an estimated market capitalization of ₹770cr in FY2015E which provides 34.2% upside from the current levels. **Hence, we initiate coverage on HSIL and recommend Buy with a target price of ₹117 valuing the business on SOTP basis for FY2015E.**

Key financials

	Net sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROIC (%)	P/E (x)	P/BV (x)	EV/ EBITDA (x)
FY2014E	2,042	14.6	81	12.3	9.0	7.1	0.5	5.0
FY2015E	2,363	14.8	109	16.5	10.4	5.3	0.5	4.4

Source: Company, Angel Research

BUY

CMP	₹87
Target Price	₹117
Investment Period	12 Months

Stock Info	
Sector	Ceramic Products
Market Cap (₹ cr)	574
Net Debt	840
Beta	1.0
52 Week High / Low	154 / 83
Avg. Daily Volume	70,965
Face Value (₹)	2
BSE Sensex	19,396
Nifty	6,038
Reuters Code	HSNT.BO
Bloomberg Code	HSI.IN

Shareholding Pattern (%)	
Promoters	51.6
MF / Banks / Indian FIs	12.3
FII / NRIs / OCBs	19.2
Indian Public / Others	17.0

Abs.(%)	3m	1yr	3yr
Sensex	(0.5)	17.1	12.3
HSIL	(19.0)	(38.5)	(23.8)

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Investment rationale

Changing lifestyles boost prospects of sanitaryware industry

Owing to changing lifestyles of people, the role of sanitary products has advanced from being a necessity to a status statement – thus increasing the proportion of spending on these basic amenities. Growth in disposable incomes of people has been a vital factor supporting the improving lifestyles of people.

India's sanitation coverage is only ~40%, which is among the lowest in the world, thus increasing the risk of health hazards and epidemics. With increasing awareness towards improving public health, the sanitaryware segment is expected to witness high attention.

In addition, with requirement of personal space and privacy gaining an inevitable place, nuclear family structure is gaining prominence, thereby increasing demand for sanitary products.

Leading position with strong brand recall to provide edge

HSIL holds a leading position in the sanitaryware industry (organized segment) with a market share of ~40%. The company caters to various segments of the market through its well known sanitaryware brands like QUEO (for super premium segment), Hindware Art and Hindware Italian (for the premium segment), Hindware (for medium/ standard segment) and Raasi and Benevalve (for the low-end segment).

Enhanced capacity to compliment rising demand

HSIL has undertaken brownfield expansion in FY2012 for its sanitaryware division owing to higher capacity utilisation of ~110% (inclusive of traded goods). The company is well placed to cater to rising demand in the market with its increased capacities in the sanitaryware (79% ie 0.7mp) and faucetware (capacity increased 10-fold, ie by 0.2mp) segments.

HSIL has greenfield expansion plans for sanitaryware (1.2mp) and faucetware (2.5mp) in Gujarat and Rajasthan respectively, slated to be operational post FY2014. Outsourcing the manufacture of faucets until recent past had limited HSIL's scope in increasing sales volumes. Hence, enhanced in-house production of faucets now is expected to ensure consistent supply and enable the company in meeting rising market demand going forward.

Exhibit 1: Facility and capacity details

Division	Facility	Brown-Field	Total Capacity	Green-Field
Sanitaryware	Bahadurgarh (Haryana)		1.5 mp	1.2 mp- Gujarat
	Bibinagar (Andhra Pradesh)	79% (0.7 mp)	2.0 mp	
Faucetware	Bhiwadi (Rajshthan)	10x (0.2 mp)	0.5 mp	2.5 mp

Source: Company

Glassware division- unlikely to be a drag going forward

The sanitaryware and glassware segments operate on different business dynamics and do not have any synergies. Historically, the glassware division which has constituted ~60% of the capital employed, has generated RoCE in the range of 6-10%. On the other hand, the sanitaryware division has generated relatively much higher RoCE (18-27%). We expect no further expansion plans in the low-RoCE glassware division and this will likely improve the return ratios.

Considering the vast difference in the profitabilities of the two divisions and lack of any synergy between them, we believe the two divisions will be separated sooner or later which will provide fair valuations to both the entities.

Exhibit 2: RoCE and constitution in capital employed

Particulars (%)	FY2009	FY2010	FY2011	FY2012	FY2013
Glassware Division					
Return on capital employed	8.7	8.8	14.8	9.7	5.9
Constitution of capital employed	67.3	52.6	55.5	63.9	61.7
Sanitaryware Division					
Return on capital employed	27.3	29.2	24.2	19.7	18.2
Constitution of capital employed	26.0	38.7	43.5	35.6	37.9

Source: Company, Angel Research

At a macro level, the glassware industry is facing over-capacity. This has reduced pricing power for players in the industry, thus leading to lower profitabilities for them. Consequently, small players are exiting due to cost ineffectiveness. We believe this will lead to equilibrium in the industry in the near future.

The production capacity of the glassware division has been expanded by 42%, ie from 475TPD (tonnes per day) in FY2012 to 1,650 TPD now, thereby enabling the company to avail to economies of scale. HSIL has no further investment plans in this segment. The stable existing demand and the soon-approaching equilibrium in the glassware industry will facilitate HSIL to operate at optimal levels.

Financials

Exhibit 3: Key assumptions

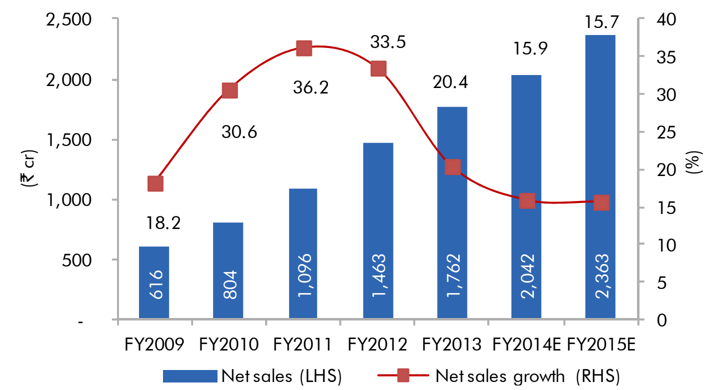
Key Assumptions	FY2012	FY2013E	FY2014E	FY2015E
Net sales (₹ cr)	1,446	1,762	2,042	2,363
Sanitaryware Sales (₹ cr)	607	747	895	1,064
Volume Growth (%)	*9.6*	*6.1*	*8.0*	*6.7*
Value Growth (%)	*13.0*	*16.0*	*11.0*	*11.5*
Glassware Sales (₹ cr)	710	826	920	1,031
Volume Growth (%)	*17.8*	*(10.7)*	*8.7*	*7.1*
Value Growth (%)	*11.9*	*30.4*	*2.5*	*4.5*
Others Sales (₹ cr)	129	189	227	268
Value Growth (%)	*173.8*	*46.5*	*20.0*	*18.0*

Source: Company, Angel Research

Top-line to post 15.8% CAGR over FY2013-15E

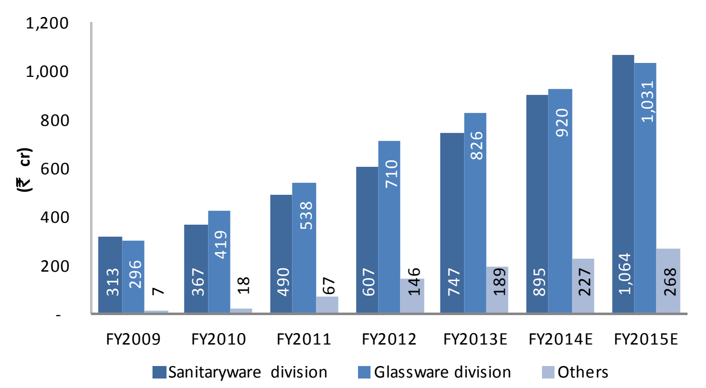
Traction in the sanitaryware industry coupled with recent expansion in capacity are expected to drive HSIL's top-line at a CAGR of 15.8% over FY2013-15E. The company's top-line is estimated to be at ₹2,363cr in FY2015E.

Exhibit 4: Net Sales on an upward trend



Source: Company, Angel Research

Exhibit 5: Segmental sales trend



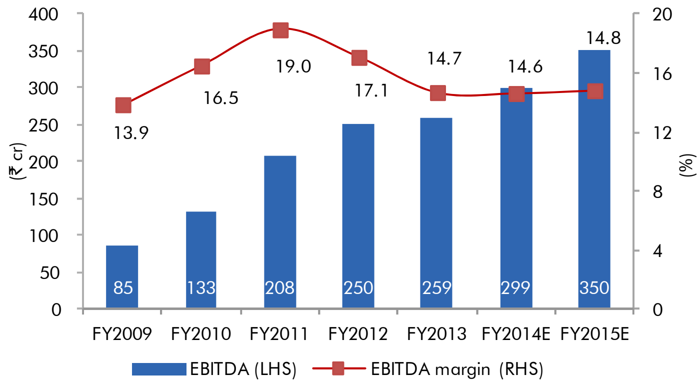
Source: Company, Angel Research

The contribution of the sanitaryware division to total revenues is expected to increase from 42% in FY2013 to 45% in FY2015E due to increased capacities coupled with robust growth in demand. The glassware division's contribution is subsequently expected to decline from 47% to 44% in FY2015E.

EBITDA to post a 16.3% CAGR over FY2013-15E

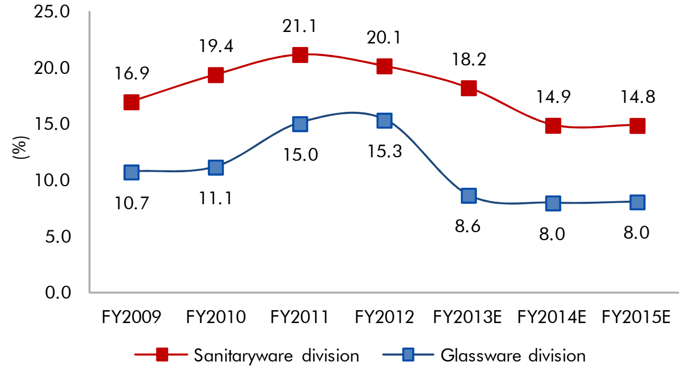
On the back of robust top-line growth, the company's EBITDA is expected to rise from ₹259cr in FY2013 to ₹350cr in FY2015E. The EBITDA margin is expected to remain stable at ~14.7% in FY2014E and FY2015E. Increase in total raw material cost is expected to be offset by lower other manufacturing expenses (considering the economies of scale once the new capacity is operational at optimal level).

Exhibit 6: EBITDA margins to normalise



Source: Company, Angel Research

Exhibit 7: Segmental EBIT margins



Source: Company, Angel Research

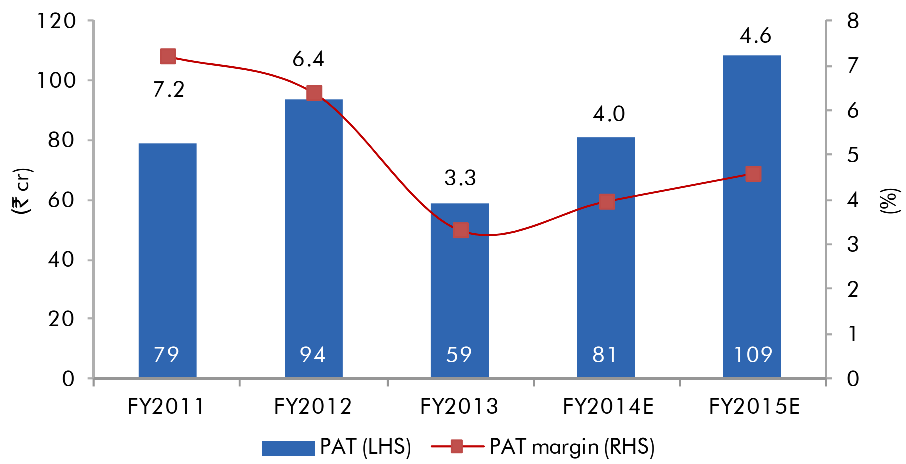
The EBIT margin of the sanitaryware division, at ~14.7% for FY2014E and FY2015E, is relatively higher than that of the glassware division at 8.0% for the same period.

Net profit to post a 14.8% CAGR over FY2013-15E

Decent top-line growth and operational efficiency are to aid reported net profit to post a CAGR of 15.6% from ₹82cr in FY2013 to ₹109cr in FY2015E. After adjusting for extraordinary income of ₹24cr in FY2013E, the adjusted PAT is expected to grow at a CAGR of 35.9% over FY2013-15E.

The net profit margin (adjusted) is expected to rise from 3.3% in FY2013 to 4.6% in FY2015E. The increase is mainly due to the adjustment of extraordinary income in FY2013 and reduced interest cost in FY2015E, owing to repayments during the year. HSIL's debt-equity ratio is comfortably placed at 0.8x FY2015E, keeping interest cost at manageable levels.

Exhibit 8: Reduced interest expense to boost bottom-line



Source: Company, Angel Research

Outlook and Valuation

We have allocated the entire debt to the glassware division, with it being a capital intensive business. With the target EV/Invested capital at 0.5x (lower than the peer Hindustan National Glass trading which is currently trading at 1.0x EV/Invested capital), the value for the glassware division amounts to ₹119cr.

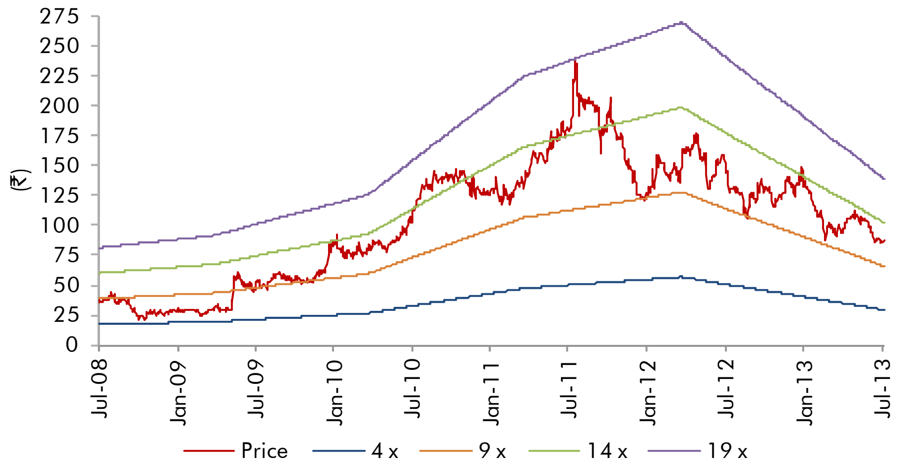
For the sanitaryware division, based on a target PE of 7x (still lower than its peer - Cera Sanitaryware's target PE of 12.0x for FY2015E), we arrive at a value of ₹652cr for this division. Thus, on a SOTP basis, the expected market capitalization of the overall business comes in at ₹770cr for FY2015E, which provides 34.2% upside from the current levels.

Exhibit 9: SOTP Valuation

Particulars (₹ cr)	FY2015E
Glassware division	
Debt	1,008
Capital employed	1,245
Target EV/Invested capital	0.5
Expected MCAP (A)	119
Sanitaryware division	
EBIT	133
PAT	93
Cera's target PE	12.0
Target PE	7.0
Expected MCAP (B)	652
Expected Total MCAP (A+B)	770
Current MCAP	574
Upside	34.2%

Source: Angel Research

Exhibit 10: One-year forward PE



Source: Company, Angel Research

HSIL's top-line is expected to grow at a CAGR of 15.8% over FY2013-15E to ₹2,363cr in FY2015E on the back of robust growth in the sanitaryware industry coupled with stable growth in the glass industry. Subsequently, the EBITDA and net profit are to grow at 16.3% and 14.8% CAGR over the same period. The EBITDA margin is expected to remain stable at ~14.7% in FY2014E and FY2015E. The stock is trading at an attractive PE multiple of 5.2x for FY2015E earnings compared to its peer Cera Sanitaryware's PE multiple of 10.0x. **Hence, we initiate coverage on HSIL and recommend Buy with a target price of ₹117, based on SOTP valuation for FY2015E earnings.**

Competition

HSIL is the market leader in sanitaryware products with ~40% market share, followed by Roca Parryware (~26% share) and Cera Sanitaryware (~22% share). In the faucetware segment, Jaguar is the leader with a market share of 45-50%.

In the container glass business, HSIL has a 22% market share, after HNG's leading market share of ~50%.

Exhibit 11: Sanitaryware division's peer comparison

	Sales (₹ cr)	EBIT Margin (%)
HSIL		
FY2014E	897	14.8
FY2015E	1,065	14.8
CSL		
FY2014E	631	12.5
FY2015E	797	11.7

Source: Angel Research

Exhibit 12: Peer comparison

	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)
HSIL								
FY2014E	2,042	14.6	81	12.3	9.0	7.1	0.5	5.0
FY2015E	2,363	14.8	109	16.5	10.4	5.3	0.5	4.4
CSL								
FY2014E	631	14.5	54	42.6	26.5	11.9	2.8	7.0
FY2015E	797	13.7	65	51.1	25.3	10.0	2.3	5.9

Source: Company, Angel Research

Risk factors

- Unorganized sanitaryware manufacturers pose a threat since they enjoy the benefit of nil excise duty and sales tax. Hence, their products are ~70% cheaper than the organized sector's products. The increase in excise duty from 8% to 12% has made products from organized players more expensive.
- Low-cost imports from China.
- Any drastic changes in government policy related to housing construction and imports among others, is bound to impact the industry.
- Raw material cost- Any increase in the price of brass, the main raw material for faucets, may dent EBITDA margin. Rise in the cost of raw materials such as soda ash and that of power & fuel could dent operational margins.
- Any slowdown in the housing segment will cease growth, as in India the major demand for sanitaryware is fresh demand.
- HSIL has significant amount of debt on its books comprising ECB worth US$111mn. Rupee depreciation would increase the interest cost and repayment quantum of the loan and hence will negatively affect the bottom-line of the company.

Exhibit 13: Sensitivity analysis

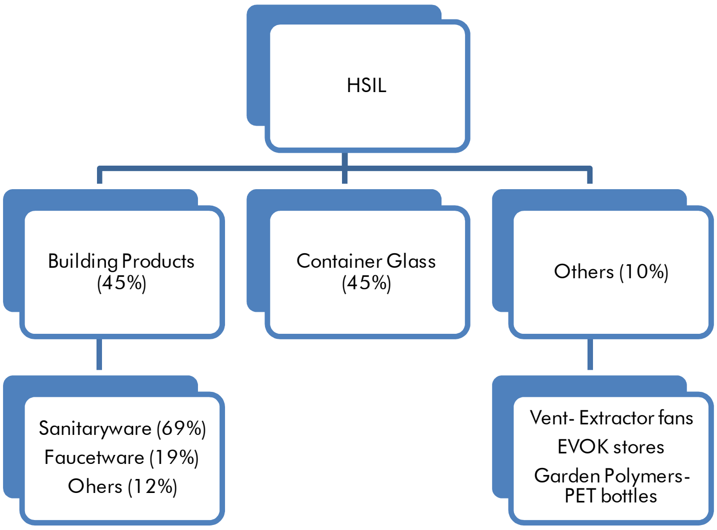
Change in Rupee (%)	EBITDA margin (%)	Adj PAT (₹ cr)
(5)	15.3	119
(3)	15.2	117
0	15.0	114
3	14.9	111
5	14.8	109
10	14.6	104

Source: Angel Research

The company

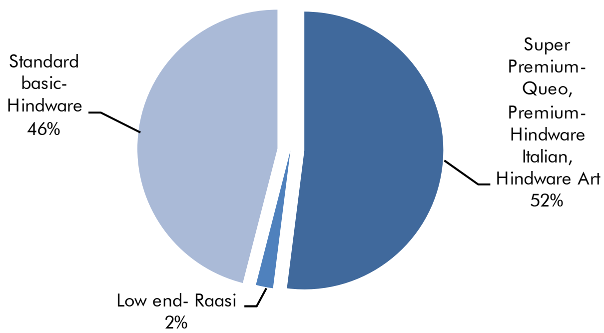
HSIL is a leading sanitaryware manufacturer in India (40% market share) and the second largest manufacturer of container glass (22% market share). The company operates through its two divisions- 1) sanitaryware division (45% of total revenue) and 2) glassware division (45%).

Exhibit 14: Segmental details



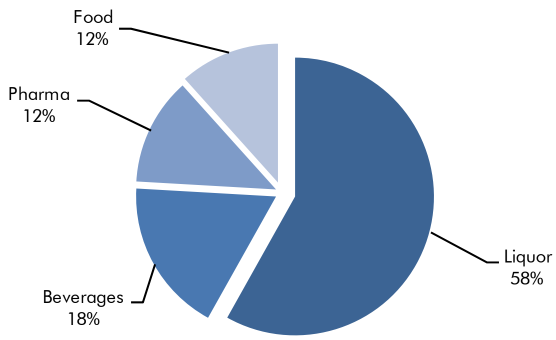
Source: Company

Exhibit 15: Sanitary ware's segmental contribution



Source: Company

Exhibit 16: Industrial contribution in Glassware division



Source: Company

Moreover, the clientele base for both the segments is huge, diversified and constitutes known and elite organizations.

Exhibit 17: Strong clientele

Building Products Segment	Container Glass Segment
The 3C Company, Ansal Group, DLF,	Abbott, Apex, Pfizer
Emaar MGF, Godrej Properties, Indiabulls,	GSK, Dr Reddy, Reckitt Beckinser
Jaypee, Larsen & Toubro, M2K,	HUL, United Spirits, United Breweries
Mahindra Lifespace, Mariott, NBCC	Pepsico India, Nestle India
Oberoi, Parsvnath, Tata Projects etc	Carlsberg India, Radico Khaitan

Source: Company

Other factors

Product launches: HSIL is putting in continuous efforts to innovate and come up with new product launches in both the divisions. It has recently launched 25 new products in the sanitaryware division, 2 series of Benelave faucets, 6 kitchen appliances and 2 varieties of tiles.

Strong distribution network: HSIL is well placed to benefit from its strong distribution network of 15,000 retailers, above 2,000 dealers, above 1,600 institutional clients (1,235 for Sanitaryware division and 490 for Glassware division), 25 Hindware Boutiques, 458 Hindware shop-in-shop, and 18 service centres across India.

Strategic associations: HSIL has allied with 'Vent' for extractor fans, and with 'QUEO', a UK based subsidiary of Barwood, for sanitaryware products.

HSIL has also acquired 100% equity in M/s Garden Polymers Pvt Ltd for ₹87cr in FY2012. The acquired company is a leading supplier to premier customers in the liquor, pharma and FMCG industries. It is engaged in the business of manufacturing PET bottles, caps and closures, having plants at Dharwad (Karnataka) and Selaqui (Uttarakhand).

The acquisition is expected to provide synergy to the container glass business since both the companies cater to similar set of customers, thereby strengthening HSIL's position in the packaging industry.

Sanitaryware industry

The Indian sanitaryware industry, estimated to be at ₹1,500cr-1,800cr, contributes to ~8% of the world's sanitaryware production. The industry has a sustained growth rate of ~15% per annum due to increasing housing demand, purchasing power and consciousness towards hygiene. However, the premium segment has registered a growth rate of ~20-25%, indicating favorable transition in the Indian sanitaryware industry. India is emerging as the second largest sanitaryware market in the world and is expected to witness robust growth owing to the following:

Low penetration in Indian sanitation coverage

Considering India's dense population, its sanitation coverage is only ~40%, which is considered to be among the lowest in the world, thus increasing the risk of health hazards and epidemics. The concept of making a clean and hygienic toilet is growing rapidly in rural areas, where a toilet did not even exist a few years ago. With increasing awareness towards improving public health, the sanitaryware segment is expected to witness high attention.

Changing lifestyle and rising awareness about health and fitness

Owing to the changing lifestyle of people, the role of sanitary products has advanced from being a necessity to a status statement – thus impacting the spending structure of individuals and increasing the proportion of spending on these basic amenities. Growth in per capita income, leading to a simultaneous increase in the disposable incomes of people, has been a vital factor supporting the changing lifestyle of people.

In addition, with requirement of personal space and privacy gaining an inevitable place, nuclear family structure is gaining prominence, thereby increasing demand for sanitary products. This trend is expected to continue, thus providing sustainable demand visibility for sanitaryware products.

Lastly, with aesthetics gaining significant importance, HSIL's initiatives to provide better designs and quality are bound to perk up its top-line.

Immense fresh demand on back of construction sector's growth

In India, the construction sector is growing at a robust pace because of rapid urbanization. For the sanitaryware industry, ~93% of the demand is fresh demand. Only 7% is derived from the replacement segment, which arises out of renovations and refurnishing. In developed economies, 20% is fresh demand, while 80% demand is from the replacement segment. Considering the above facts, the Indian construction sector is bound to contribute a strong growth for the sanitaryware industry and eventually for HSIL.

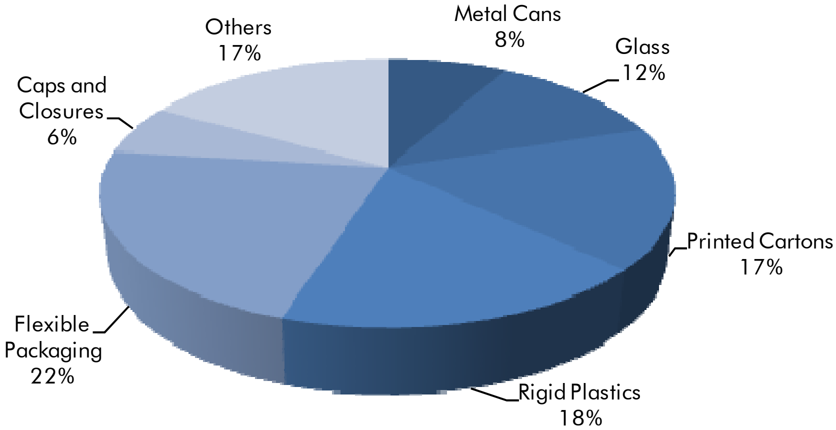
Wide exports horizon

Indian sanitaryware products are very competitive because of their low production costs and hence, exports from India are increasing with every passing day. Seven foreign brands including *H&R Johnson*, *Roca* and *Kohler* have established their operations in India.

Container glass industry

The Indian packaging industry is currently worth US$550bn, of which glass containers constitute 12% with a market size of ~₹4,000cr. The glass industry is currently growing at a CAGR of 11% and is expected to reach US$21.6bn by 2015.

Exhibit 18: Packaging industry composition



Source: Company

Low per capita consumption: The per capita consumption of glass is as low as 1.5Kg in India, compared to 89.0Kg in South Korea, 63.9Kg in France, 50.3Kg in Spain, 27.5Kg in the US and UK, 10.2Kg in Japan and 5.9Kg in China. This suggests scope for per capita consumption of glass to increase in the domestic market which would be a positive for HSIL and other players in the industry.

Strong entry barriers: The glass industry is quite capital intensive, thereby reducing the threat from new entrants. Moreover, the industry had been gradually advancing on the path of automation, thereon further increasing the cost of developing the facility. Considering the above factors, glass industry displays strong entry barriers, thereby providing a shield to the existing big players.

Over-capacity: The glass industry as of now is already witnessing over-capacity. Recently many small glass plants (with furnace capacity below 400TPD) have been shutting down since their production cost has been relatively higher than manufacturers with large furnace capacities. However, the over-capacity in the industry is to soon reach equilibrium with the recent and ongoing shutdowns.

Growth in user industries: The container glass industry serves varied user industries like liquor, pharma, food and beverages, etc. Growth in the container glass industry is expected to be driven by rising demand from the user industries with - a) the liquor industry growing at 14-15% b) Pharma industry growing at 15-17% and c) Food and Beverages industry growing at 9%.

Profit and loss statement

Y/E March (₹ cr)	FY2011	FY2012	FY2013	FY2014E	FY2015E
Gross sales	1,170	1,567	1,903	2,206	2,552
Less: Excise duty	74	104	141	163	189
Net Sales	1,096	1,463	1,762	2,042	2,363
Total operating income	**1,096**	**1,463**	**1,762**	**2,042**	**2,363**
% chg	*36.2*	*33.5*	*20.4*	*15.9*	*15.7*
Net Raw Material	328	474	543	628	728
% chg	*37.9*	*44.6*	*14.5*	*15.6*	*16.0*
Power & Fuel Cost	201	277	404	468	541
% chg	*20.5*	*37.6*	*45.9*	*15.9*	*15.7*
Other Mfg costs	98	119	129	150	173
% chg	*28.8*	*21.4*	*8.6*	*15.9*	*15.7*
Personnel	123	159	182	211	244
% chg	*51.5*	*29.1*	*14.6*	*15.9*	*15.7*
Other	138	184	245	287	326
% chg	*10.3*	*33.5*	*32.9*	*17.1*	*13.6*
Total Expenditure	888	1,213	1,503	1,743	2,012
EBITDA	**208**	**250**	**259**	**299**	**350**
% chg	*56.5*	*20.3*	*3.7*	*15.4*	*17.2*
(% of Net Sales)	*19.0*	*17.1*	*14.7*	*14.6*	*14.8*
Depreciation & Amort.	55	65	93	112	122
EBIT	**152**	**185**	**166**	**187**	**229**
% chg	*84.8*	*21.4*	*(10.3)*	*12.9*	*22.1*
(% of Net Sales)	*13.9*	*12.6*	*9.4*	*9.2*	*9.7*
Interest & other charges	36	42	69	71	72
Other Income	4	5	4	6	7
(% of Net Sales)	*0.3*	*0.3*	*0.2*	*0.3*	*0.3*
PBT (reported)	**119**	**148**	**124**	**122**	**163**
Tax	40	54	42	41	55
(% of PBT)	*33.6*	*36.7*	*33.5*	*33.5*	*33.5*
PAT (reported)	**79**	**94**	**82**	**81**	**109**
Extraordinary Exp./(Inc.)	0	-	(24)	-	-
ADJ. PAT	**79**	**94**	**59**	**81**	**109**
% chg	*81.5*	*18.4*	*(37.3)*	*38.1*	*33.8*
(% of Net Sales)	*7.2*	*6.4*	*3.3*	*4.0*	*4.6*
Basic EPS (₹)	**12.0**	**14.2**	**8.9**	**12.3**	**16.5**
Fully Diluted EPS (₹)	**12.0**	**14.2**	**8.9**	**12.3**	**16.5**
% chg	*81.5*	*18.4*	*(37.3)*	*38.1*	*33.8*

Balance sheet

Y/E March (₹ cr)	FY2011	FY2012	FY2013	FY2014E	FY2015E
SOURCES OF FUNDS					
Equity Share Capital	13	13	13	13	13
Reserves & Surplus	659	954	1,013	1,064	1,142
Shareholders' Funds	**672**	**967**	**1,026**	**1,077**	**1,155**
Total Loans	345	791	933	976	1,008
Long term Provision	3	3	4	4	4
Other long term liabilities	12	13	14	14	14
Net Deferred Tax Liability	73	78	114	114	114
Total Liabilities	**1,105**	**1,853**	**2,092**	**2,185**	**2,296**
APPLICATION OF FUNDS					
Gross Block	1,098	1,548	1,953	2,192	2,388
Less: Acc. Depreciation	286	351	444	556	678
Net Block	**808**	**1,139**	**1,509**	**1,636**	**1,711**
Capital Work-in-Progress	30	333	-	-	-
Lease adjustment	-	-	-	-	-
Goodwill	3	58	58	46	37
Investments	36	11	11	11	11
Long term loans and advances	38	62	53	53	53
Other non-current assets	6	7	2	2	2
Current Assets	454	667	937	991	1,146
Cash	21	73	82	55	44
Loans & Advances	46	43	58	61	71
Inventory	222	306	407	465	557
Debtor	164	244	389	408	473
Other current assets	0	1	1	1	1
Current liabilities	270	425	478	554	664
Net Current Assets	**184**	**242**	**459**	**437**	**482**
Misc. Exp. not written off	-	-	-	-	-
Total Assets	**1,105**	**1,853**	**2,092**	**2,185**	**2,296**

Cash flow statement

Y/E March (₹ cr)	FY2011	FY2012	FY2013	FY2014E	FY2015E
Profit Before Tax	119	148	124	122	163
Depreciation	55	65	93	112	122
Other Income	(4)	(5)	(4)	(6)	(7)
Change in WC	39	(6)	(232)	(4)	(56)
Direct taxes paid	(40)	(54)	(42)	(41)	(55)
Cash Flow from Operations	**170**	**147**	**(60)**	**183**	**167**
(Inc.)/ Dec. in Fixed Assets	(89)	(755)	(67)	(227)	(187)
(Inc.)/Dec. In Investments	(62)	1	9	0	0
Other Income	4	5	4	6	7
Cash Flow from Investing	**(148)**	**(749)**	**(54)**	**(221)**	**(180)**
Issue of Equity/Preference	2	0	0	0	0
Inc./(Dec.) in Debt	(114)	452	180	42	32
Dividend Paid (Incl. Tax)	(17)	(20)	0	(31)	(31)
Others	102	222	(58)	-	-
Cash Flow from Financing	**(26)**	**654**	**123**	**12**	**2**
Inc./(Dec.) In Cash	(3)	52	9	(27)	(11)
Opening Cash balance	**25**	**21**	**73**	**82**	**55**
Closing cash balance	**21**	**73**	**82**	**55**	**44**

Key ratios

Y/E March	FY2011	FY2012	FY2013	FY2014E	FY2015E
Valuation Ratio (x)					
P/E (on FDEPS)	7.2	6.1	9.8	7.1	5.3
P/CEPS	4.3	3.6	3.8	3.0	2.5
P/BV	0.9	0.6	0.6	0.5	0.5
Dividend yield (%)	2.9	3.5	3.5	5.3	5.3
EV/Net sales	0.8	0.9	0.8	0.7	0.6
EV/EBITDA	4.2	5.1	5.5	5.0	4.4
EV / Total Assets	0.8	0.7	0.7	0.7	0.7
Per Share Data (₹)					
EPS (Basic)	12.0	14.2	8.9	12.3	16.5
EPS (fully diluted)	12.0	14.2	8.9	12.3	16.5
Cash EPS	20.4	24.0	23.0	29.2	34.9
DPS	2.5	3.0	4.0	4.0	4.0
Book Value	101.7	146.5	155.4	163.0	174.9
DuPont Analysis					
EBIT margin	13.9	12.6	9.4	9.2	9.7
Tax retention ratio	0.7	0.6	0.7	0.7	0.7
Asset turnover (x)	1.1	1.1	0.9	1.0	1.1
ROIC (Post-tax)	10.0	8.5	5.7	6.0	6.9
Cost of Debt (Post Tax)	7.0	3.4	4.9	4.9	4.8
Leverage (x)	0.4	0.7	0.8	0.8	0.8
Operating ROE	11.2	12.3	6.3	7.0	8.7
Returns (%)					
ROCE (Pre-tax)	13.8	10.0	7.9	8.6	10.0
Angel ROIC (Pre-tax)	15.0	13.4	8.5	9.0	10.4
ROE	11.8	9.7	5.7	7.5	9.4
Turnover ratios (x)					
Asset TO (Gross Block)	1.0	0.9	0.9	0.9	1.0
Inventory / Net sales (days)	64	66	49	47	47
Receivables (days)	51	53	53	53	53
Payables (days)	91	93	93	93	93
WC cycle (ex-cash) (days)	61	61	78	68	68
Solvency ratios (x)					
Net debt to Equity	0.4	0.7	0.8	0.8	0.8
Net debt to EBITDA	1.4	2.8	3.2	3.0	2.7
Int. Coverage (EBIT/ Int.)	4.2	4.4	2.4	2.6	3.2

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Disclosure of Interest Statement	**HSIL**
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 (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to -15%)	*Sell (< -15%)*	

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