Kirloskar Oil Engines

Geared up for brighter future

Kirloskar Oil Engines (KOEL) is the flagship company of the Kirloskar group, one of India's largest engineering conglomerates. It is one of the world's largest generating set (genset) manufacturers, operating at a capacity utilization level of 55%, manufacturing both air-cooled and water-cooled engines and diesel gensets across a wide range of power output from 5kVA to 3000kVA. With capacity already in place and minimum capex requirement in near future, we expect that once the operating leverage starts paying off, it will directly shoot up the bottom-line of the company. On account of positive long term growth outlook and attractive valuation, **we initiate coverage on the company with a Buy recommendation and target price of ₹244.**

Long term prospects intact on account of operating leverage: In the near term, we expect the company to grow at a moderate pace on account of slowdown in economy and dampened demand. However, we are bullish on KOEL from a long term perspective based on the operating leverage. With capacity expansion already in place, the company is in a comfortable position to cater to the expected demand for gensets, engines and pumps. Once the demand scenario improves and operating leverage starts paying off, the bottom-line of the company will shoot up.

Increasing promoters' stake and cash rich position: In the past two years the company's promoters have raised their stake from 66.9% in December 2011 to 72.7% in December 2013, thus inspiring confidence in the company's future. In addition, negligible debt on books, minimum capex requirement leading to flat depreciation, and with subsidy earned on the Kagal plant, the company is expected to become cash rich with ₹383cr of cash in books by FY2016E.

Outlook and Valuation: We expect KOEL's revenue to grow to ₹2,603cr with an operating margin of 13.2% in FY2016E. Moreover, KOEL is expected to become a debt-free company by FY2016E, thus strengthening its balance sheet. With minimum capex plans in pipeline and cash on books expected to be at ₹383cr in FY2016E, we expect the company's bottom-line to grow to ₹235cr in FY2016E. KOEL is currently trading at a PE of 12.1x its FY2016E earnings. **We initiate coverage on the company with a Buy recommendation and target price of ₹244 on a target PE of 15.0x FY2016E earnings.**

Key financials

Y/E March (₹ cr)	FY2012	FY2013	FY2014E	FY2015E	FY2016E
Net Sales	**2,276**	**2,319**	**2,272**	**2,377**	**2,603**
% chg	(3.7)	1.9	(2.0)	4.6	9.5
Adj. Net Profit	**192**	**199**	**184**	**210**	**235**
% chg	10.4	3.7	(7.4)	14.2	12.1
OPM (%)	**11.1**	**13.3**	**12.3**	**13.2**	**13.2**
EPS (₹)	13.3	13.7	12.7	14.5	16.3
P/E (x)	14.8	14.3	15.5	13.5	12.1
P/BV (x)	2.8	2.5	2.3	2.1	1.9
RoE (%)	20.0	18.2	15.5	16.4	16.4
RoCE (%)	14.0	18.0	14.7	15.9	16.2
EV/Sales (x)	1.0	1.0	1.1	0.9	0.8
EV/EBITDA (x)	9.4	7.8	8.6	7.2	5.9

Source: Company, Angel Research, Note: CMP as of April 11, 2014

BUY

CMP	₹197
Target Price	₹244
Investment Period	12 months

Stock Info	
Sector	Capital Goods
Market Cap (₹ cr)	2,846
Net debt (₹ cr)	(801)
Beta	0.6
52 Week High / Low	214/ 141
Avg. Daily Volume	26,711
Face Value (₹)	2
BSE Sensex	22,629
Nifty	6,776
Reuters Code	KIRO.BO
Bloomberg Code	KOEL IN

Shareholding Pattern (%)	
Promoters	72.7
MF / Banks / Indian Fls	6.6
FII / NRIs / OCBs	10.4
Indian Public / Others	10.3

Abs.(%)	3m	1yr	3yr
Sensex	7.1	22.0	17.5
KOEL	21.9	16.3	29.3

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Investment arguments

Long term prospects intact on account of operating leverage

Revival in economy and operating leverage to turnaround fortunes of KOEL

We expect the company to grow at a moderate pace in the near term on account of slowdown in economy and dampened demand. However, KOEL poses to be a bullish long term growth story based on its operating leverage. With a capacity of 213,525 engines and 8,959 gensets (reported as of FY2011), the company is in a comfortable position to cater to the anticipated demand for gensets and engines. The company's capacity for engines has grown by 12.0% CAGR over FY2007-11; however its sales have increased only by half the capacity growth rate, ie at 5.9% over the same period.

The turnaround story of 'Swaraj Engines' is the most relevant to look at with respect to KOEL's present status.

Turnaround story of Swaraj Engines – A perspective

Swaraj Engines was formed as a JV between Punjab Tractors (PTL; 33.16%) and Kirloskar Oil Engines (17.39%). In 2007, Mahindra & Mahindra (M&M) acquired a majority stake in PTL, and in February 2009, it was merged into M&M as the Swaraj division. Swaraj Engines increased its installed capacity of engines to 36,000 units in FY2000; however the sales growth was visible only after the merger with M&M in FY2009. After the merger, the operating leverage came into play when the net sales for the company grew by a whopping 66.1% in FY2009 to ₹208cr and by 35.7% in FY2010 to ₹282cr with a profit of ₹21cr in FY2009 and ₹37cr in FY2010 without any additional cost.

Exhibit 1: Swaraj Engines' story of operating leverage

(₹ cr)	FY2007	FY2008	FY2009	FY2010
Installed capacity (Unit)	36,000	36,000	36,000	36,000
Sales (unit)	17,702	16,408	28,539	39,143
% growth	*0.4*	*(7.3)*	*73.9*	*37.2*
Gross block	68	70	71	72
% growth	*1.2*	*3.8*	*1.7*	*0.9*
Net sales	129	125	208	282
% growth	*0.6*	*(2.8)*	*66.1*	*35.7*
Adj. Net Profit	15	14	21	37
% growth	*4.9*	*(2.4)*	*48.5*	*71.7*

Source: Company, Angel Research

We expect the same story to showcase in case of KOEL. With capacity expansion already in place and minimum capex requirement in coming years, we expect that once the operating leverage starts paying off and demand increases with economic revival, it will directly shoot up the bottom-line of the company. Though we are conservative in our estimates looking at the slow growth of economy, we remain bullish on the company from a longer term perspective.

We consider three cases for the company based on the demand scenario for FY2016E. Though we have taken the base case in our estimates being conservative, however, if the bull case happens, we expect a 19.2% growth in the company's sales with a PATM of 9.4% in FY2016E. In that case we may expect a

46% upside in the value of the stock from the current levels with an expected target price of ₹288. In the worst case scenario also, when the company witnesses a mere 4.7% growth in sales, the stock may give a return of 12%.

Exhibit 2: Three cases for FY2016E

(₹ cr)	Bear case	Base case	Bull case
Net sales	2,419	2,603	2,965
% growth	4.7	9.5	19.2
PAT	213	235	277
PATM (%)	8.8	9.0	9.4
Current PE	13.4	12.1	10.3
Target PE (x)	**15.0**	**15.0**	**15.0**
Expected value	3,197	3,532	4,159
Expected CMP (₹)	**221**	**244**	**288**
Upside (%)	*12*	*24*	*46*

Source: Company, Angel Research

Debt free and cash rich company

KOEL has offloaded most of its debt in this fiscal (ie FY2014), and we expect it to become a debt free company by the end of this year, thus strengthening its balance sheet. Further, with all expansion plans in place, the capex requirement for the company in the coming years would be negligible. We expect the depreciation charges to be flat on account of minimum capex requirement in the near future, which would add directly to the bottom-line.

Company expected to have cash of ₹383cr by FY2016E

In addition, the manufacturing unit at Kagal has been granted 'Mega Project' status by the Government of Maharashtra and is therefore eligible for Industrial Promotion Subsidy (IPS). The subsidy is equivalent to 100% of eligible investments or amount of MVAT and CST payable to the State Government (before adjustment of Set-off) on sales made from the Kagal plant, less the amount of benefits availed by way of electricity duty exemption and stamp duty exemption, whichever is lower, for a period of 9 years (from April 1, 2008 to March 31, 2017). This subsidy gets credited in the capital reserve and thus increases cash subject to approval for disbursal by the competent authority.

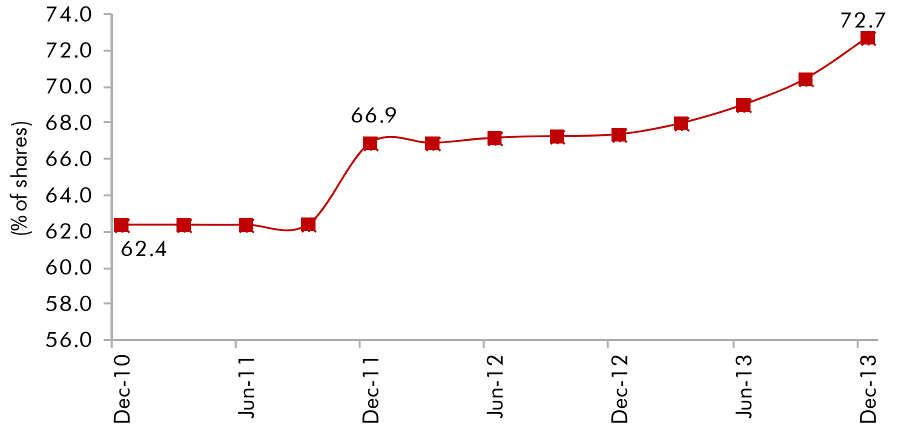
With minimum capex requirement as capacity is already in place, the company is expected to become a cash rich company with ₹383cr cash in books in FY2016E leading to higher other income generation. On account of above mentioned factors, we expect the company's bottom-line to grow at a CAGR of 5.8% over FY2013-16E at ₹235cr with ₹383cr of cash.

Increasing promoters' stake to boost investors' confidence

Increasing promoters' stake to boost confidence

The promoters are continuously increasing their stake in the company which shows their confidence in the company's future. In the past two years the stake has increased from 66.9% in December 2011 to 72.7% in December 2013.

Exhibit 3: Increasing promoters' stake

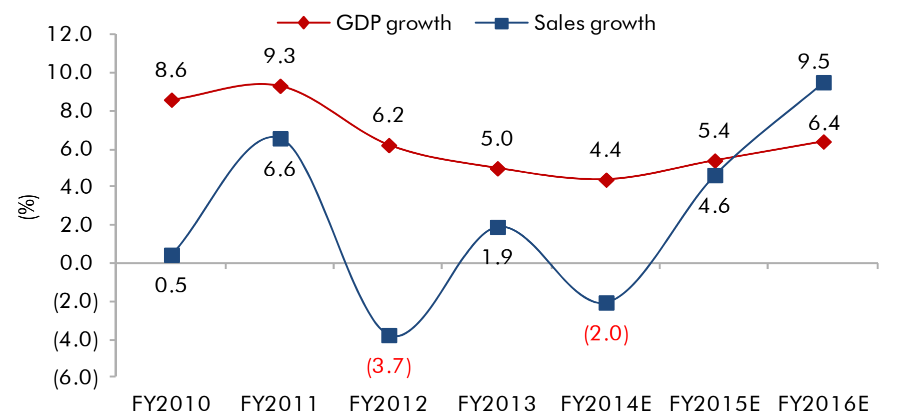


Source: Company, Angel Research

Revival in the economy to drive growth

In the past 12-18 months, the industrial and infrastructure segment witnessed persistent headwinds such as inflationary pressures, slow order inflows, high interest rates and policy paralysis, which resulted in execution slowdown and led to dip in demand for gensets. This affected the company's performance as gensets constitute a major proportion in the company's revenue (36% in 9MFY2014). However, on expectation of stable government which is expected to undertake policy action to remove bottlenecks, we expect growth in industrial and infrastructure sector which will push demand for gensets. With the revival, we expect the company to post a revenue growth of 4.6% and 9.5% to ₹2,377cr and ₹2,603cr in FY2015E and FY2016E respectively.

Exhibit 4: Improvement in the economic scenario to aid revenue growth



Source: IMF, Company

New CPCB-II norms are positive for the company

New CPCB-II (Central Pollution Control Board) norms are soon expected to be introduced in India. These apply to power gensets below 800KVA range and are meant to cut down specific pollutants by 29%- 62% from current standards. The price of CPCB-II compliant engines are expected to be 15-20% higher than the ones available currently. Backed by strong technical capability, R&D set up, operating scale and strong channel partners, KOEL is geared to deliver engines meeting these stringent norms. Also, it is expected that the company may gain market share from smaller players for whom meeting these requirements will not be easy. KOEL has already produced CPCB-II compliant engines and DG sets and is planning to ramp up production much before the due date which was scheduled to be April 1, 2014. The date has been supposedly revised.

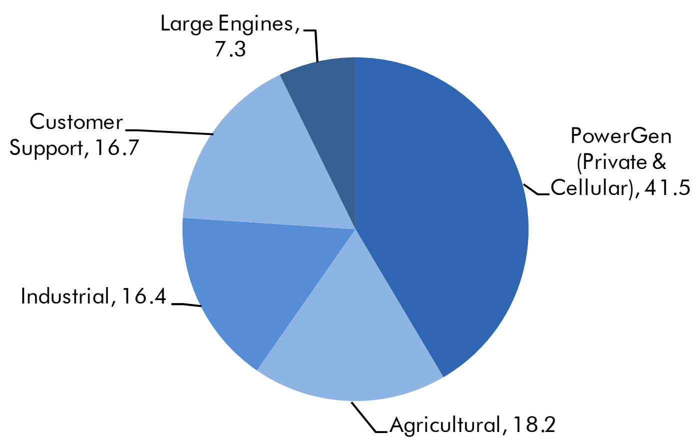
Increasing focus on exports – a long term growth driver

In order to balance out any slowdown in domestic economy, the company is now focusing on the export market. The company's major export markets are Saudi Arabia, South Africa, Nigeria, Sri Lanka, Zambia, Kenya, Tanzania, and Nepal. Export contributed ~8-10% to the total revenue of the company in FY2013, driven mainly by Africa and the Middle East. The company is upping its focus on exports and plans to enter new markets through focused efforts and initiatives, including working closely with distributors. As per the company's plans, the new focus will be on countries in South East Asia, Europe and North America in the coming years. It is also exploring exports of Agri engines to Myanmar. The company's reach and competitive position coupled with rupee depreciation are estimated to drive its exports.

Diversified business model lowers risk for the company

KOEL enjoys a diversified business model, thus helping in minimizing risks arising from any slowdown in any particular vertical.

Exhibit 5: Segmental contribution to revenue (FY2013)



Source: Company, Angel Research

PowerGen segment: In FY2013, KOEL derived major revenue from its PowerGen segment which constitutes the private and cellular segments. Going forward we expect the revenue from the private segment to improve as the economy shows signs of recovery; however, the cellular segment is expected to continue to be slow because growth in the telecom sector is bottoming out. KOEL has a market share of 32% in this segment.

Agri segment: Following the PowerGen segment is the contribution from the agri segment, which contributed 18.2% to the revenue. Though the share of agriculture and allied sector in India's GDP declined to about 13.6% during FY2013 on account of higher growth in non-farm sectors, the increase in area under irrigation and non–availability of power are expected to provide a boost to demand for engine driven pump-sets. Also, the company is aggressive on retailer appointments and focused on prospect-based marketing, which are expected to aid growth in the segment.

Industrial segment: The Industrial segment constituted 16.4% to total revenues in FY2013. Due to the overall slump in the economy, the revenue from the segment dropped by 23% in FY2013. However, with the expected thrust on deferred infrastructure projects across the country, we expect growth in the segment. In 9MFY2014, the revenue from the segment increased by 6.4%.

Customer Support: KOEL is known for its commitment to provide quality service to all its customers. It has a strong network of 450 well equipped service outlets and more than 4,500 trained service engineers. The company has come up with a free 10 year service promise on purchase of all new *Kirloskar Green Diesel Generator Sets* above 15 KVA capacity, which is expected to drive volumes. Under this service arrangement, the labor cost is free, but the required spares would be charged.

Large Engines: The company received an order of ₹396cr from the Nuclear Power Corporation of India (NPCIL) in FY2012 for the supply, erection and commissioning of 16 emergency DG sets. Out of 16, two DG sets were supplied in FY2013. In 9MFY2014, seven of them have been already manufactured and two more are expected to be through by the end of FY2014. The remaining five are expected to be completed in the coming year - FY2015E.

Financials

Exhibit 6: Key assumptions

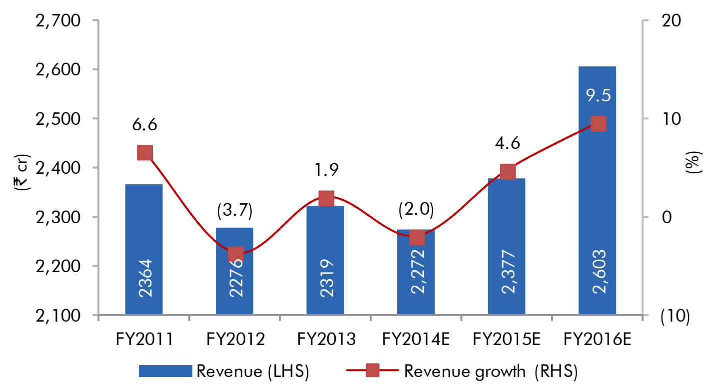
	FY2011	FY2012	FY2013	FY2014E	FY2015E	FY2016E
GDP growth (%)	9.3	6.2	5.0	4.4	5.4	6.4
Total operating Income	2,364	2,276	2,319	2,272	2,377	2,603
Growth (%)	*6.6*	*(3.7)*	*1.9*	*(2.0)*	*4.6*	*9.5*

Source: Company, Angel Research

Expected economy revival and operating leverage to turnaround fortunes

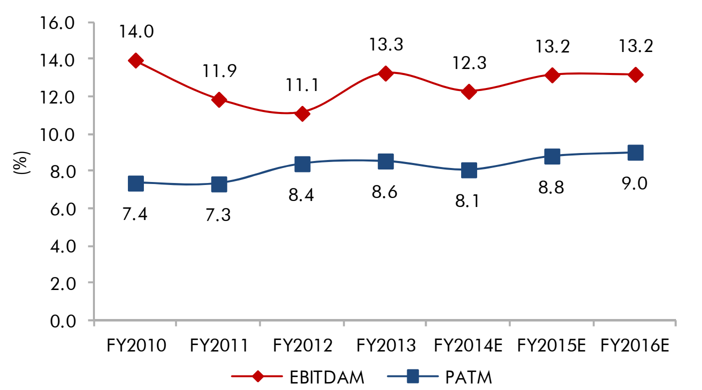
KOEL witnessed a slowdown in revenue growth due to the fragile global economic environment and overall poor investor sentiments on account of continuing delays from government in ensuring timely project clearances, availability of funds for various infrastructure projects and the various irregularities in the telecom and mining sectors in the domestic market. However, we expect the global as well as domestic scenario to improve going forward. With elections around the corner in India, we are expecting that growth will benefit from a change in political leadership which will positivity help in recovery of the economy and improve investment prospects. On account of the expected revival in the economy we expect the revenue for the company to bounce back in FY2015E to ₹2,377cr and ₹2,603cr in FY2016E.

Exhibit 7: Revenue growth to improve going forward



Source: Company, Angel Research

Exhibit 8: Both EBITDA and PAT margin to expand



Source: Company, Angel Research

KOEL plans to invest ₹100cr in capacity building and technology upgradation as it aims to become an end-to-end products provider and plans to enter new geographies over the next two years. We expect the operating margin of the company to dip to 12.3% for FY2014E on account to decline in sales and higher employee cost. However, backed by cost optimization and efficiency improvement programs, we expect the company to post an operating margin of 13.2% in FY2016E. We also believe that with zero debt on the books and minimum capex requirement, the company will become cash rich with ₹383cr of cash on its book by FY2016E leading to a higher other income generation. We expect all this to aid the company's profit to clock a 5.8% CAGR over FY2013-16E to ₹235cr.

Exhibit 9: Relative valuation (Trailing twelve months)

Company	Mcap (₹ cr)	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/ Sales (x)
KOEL	2,846	2,305	13.6	207	14.3	25.5	13.7	2.2	7.8	1.1
Cummins India	15,835	4,475	18.7	720	26.0	40.7	22.0	5.6	17.9	3.3
Greaves Cotton	2,005	1,823	10.1	154	6.3	21.1	13.0	2.5	10.3	1.0

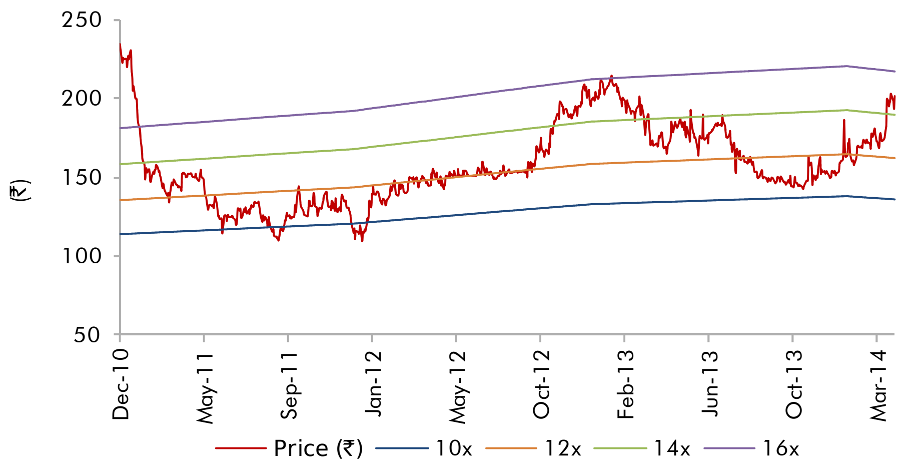
Source: Company, Angel Research

Outlook and valuation: We expect KOEL's revenue to grow by 4.6% and 9.5% to ₹2,377cr and ₹2,603cr in FY2015E and FY2016E respectively on account of revival in the economy. Backed by cost optimization, efficiency improvement programs and operating leverage, we expect the company to post an operating margin of 13.2% in FY2016E. Consequently the profit is expected to grow to ₹235cr in FY2016E.

Given that the company's capacity expansion is already in place and with minimum capex requirement in near future, we are positive on the company from a long term perspective. A revival in the economy coupled with operating leverage will be strong driving factors for the company's growth.

At the CMP, the company is trading at a PE of 12.1x FY2016E earnings. **On account of positive long term growth outlook and attractive valuation, we initiate coverage on the company with a Buy recommendation and a target price of ₹244 at a target PE of 15.0x FY2016E earnings.**

Exhibit 10: One-year forward P/E band



Source: Company, Angel Research

Concerns

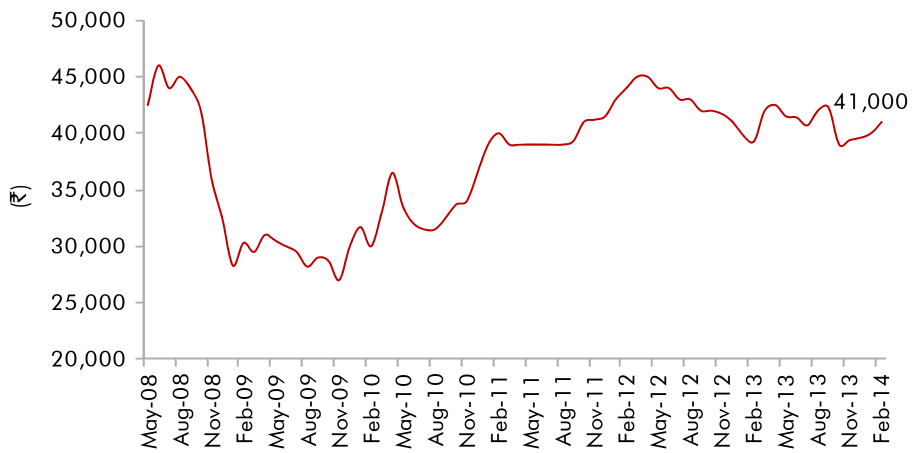
Delay in CPCB-II norms: The delay in CPCB-II norms may provide other small players enough time to meet the norms and thus hinder the chances of KOEL to gain market share.

Continued slowdown in the economy: Our main rationale behind the improvement in the company's revenue growth is the improvement in the domestic economy. Any continued slowdown will adversely affect the company's performance.

Surplus electricity scenario: Contracting demand supply gap will be an adverse situation for the company to some extent. The major usage of genset is stand-by application to the extent of 85%, hence, even if power surplus happens still standby demand will be there to the extent of 50% compared to original 85%. Thus, only below 35KVA, which is mainly for the domestic use, will be affected in case of power surplus.

Fluctuations in Steel price: Any substantial fluctuation in the steel price can lead to margin compression of the company.

Exhibit 11: Steel price



Source: Angel Research, Bloomberg

Increasing imports from China: Low cost Chinese imports will continue to pose a threat for the company.

Company background

KOEL is a flagship company of the Kirloskar group, one of India's largest engineering conglomerates. It is one of the world's largest generating set manufacturers, operating at capacity utilization level of 55%, specialising in manufacturing of both air-cooled and water-cooled engines and diesel generating sets across a wide range of power output from 5kVA to 3000kVA. It has four manufacturing plants - at Kagal, Pune, Nashik and Rajkot. It has a strong customer-focused approach and enjoys a network of 450 well equipped service outlets and more than 4,500 trained service engineers ensuring that no customer is more than 80km away from a service outlet anywhere in the country. In addition, it has a 24 X 7 customer care centre equipped with more than 45 relationship managers.

The company has recently introduced a 10 years free service promise on purchase of all new Kirloskar Green Diesel Generator Sets above 15 KVA capacity, under which it will take care of labor services for routine maintenance and incidental breakdown services for 10 years from the date of sales.

The company also has an established name in international markets with offices in Dubai, South Africa, and Kenya, and representatives in Nigeria. It also has strong distribution network throughout the Middle East and Africa.

Moreover, the *Kirloskar Green Genset* is amongst the market leaders and most preferred brand among customers in the power generation industry in India currently.

Exhibit 12: Segment description

Segments	
Power Generation	Air-cooled and water-cooled engines/ diesel generating sets with power output from 5kVA to 3000kVA.
Large Engine	Diesel engines in the range of 2400 hp to 11000 hp catering to DG sets from 1.7 MW to 7.1 MW for stationary power plants
Agriculture	Diesel engines and pump-sets in the range of 3hp to 130hp
Off Highway	Diesel engines from 20hp to 800hp in the Off Highway space globally

Source: Company, Angel Research

Genset Industry in India

The diesel generator set market in India is well organized and highly competitive. It can be broadly classified as small diesel generators (15-75 kVA), medium diesel generators (75.1 – 375 kVA) and large diesel generators (375.1 – 2000 kVA). Customer segments include – industrial, commercial, infrastructure and residential.

TechNavio forecasts that the diesel gensets market in India will grow at a CAGR of 12.4% over FY2013–18.

Profit and loss statement

Y/E March (₹ cr)	FY2012	FY2013	FY2014E	FY2015E	FY2016E
Sale of products	2,347	2,434	2,386	2,505	2,755
Less: Excise duty	170	201	196	205	226
Net sale of products	2,177	2,233	2,190	2,300	2,530
Sale of services	98	86	82	78	74
Total operating income	**2,276**	**2,319**	**2,272**	**2,377**	**2,603**
% chg	*(3.7)*	*1.9*	*(2.0)*	*4.6*	*9.5*
Net Raw Materials	1391	1444	1415	1460	1598
% chg	*(2.4)*	*3.8*	*(2.0)*	*3.2*	*9.5*
Power and Fuel	27	23	23	24	26
% chg	*6.6*	*(17.7)*	*0.7*	*4.6*	*9.5*
Personnel	175	154	170	178	195
% chg	*(2.0)*	*(12.0)*	*10.4*	*4.6*	*9.5*
Other	429	391	384	402	440
% chg	*(5.3)*	*(8.9)*	*(1.7)*	*4.6*	*9.5*
Total Expenditure	2022	2011	1992	2064	2259
EBITDA	**253**	**308**	**280**	**314**	**344**
% chg	*(9.9)*	*21.7*	*(9.3)*	*12.1*	*9.7*
(% of Net Sales)	*11.1*	*13.3*	*12.3*	*13.2*	*13.2*
Depreciation	91	93	98	101	104
EBIT	**162**	**216**	**182**	**213**	**240**
% chg	*(17.4)*	*33.2*	*(15.8)*	*17.1*	*12.9*
(% of Net Sales)	*6.9*	*8.9*	*7.6*	*8.5*	*8.7*
Interest & other Charges	**16**	**3**	**1**	**0**	**0**
Other Income	87	77	68	71	78
(% of Net Sales)	*3.7*	*3.2*	*2.9*	*2.8*	*2.8*
Recurring PBT	**146**	**213**	**181**	**213**	**240**
% chg	*(17.2)*	*45.7*	*(15.1)*	*17.7*	*12.9*
PBT (reported)	**233**	**290**	**249**	**284**	**318**
Tax	89	72	65	74	83
(% of PBT)	*38.2*	*24.8*	*26.0*	*26.0*	*26.0*
PAT (reported)	**144**	**218**	**184**	**210**	**235**
Extraordinary Expense/(Inc.)	*47.7*	*(19.1)*	*0.0*	*0.0*	*0.0*
ADJ. PAT	**192**	**199**	**184**	**210**	**235**
% chg	*10.4*	*3.7*	*(7.4)*	*14.2*	*12.1*
(% of Net Sales)	*8.2*	*8.2*	*7.7*	*8.4*	*8.5*
Basic EPS (₹)	**13.3**	**13.7**	**12.7**	**14.5**	**16.3**
Fully Diluted EPS (₹)	**13.3**	**13.7**	**12.7**	**14.5**	**16.3**
% chg	*10.4*	*3.7*	*(7.4)*	*14.2*	*12.1*

Balance sheet

Y/E Mar. (₹ cr)	FY2012	FY2013	FY2014E	FY2015E	FY2016E
SOURCES OF FUNDS					
Equity Share Capital	29	29	29	29	29
Reserves& Surplus	1,004	1,125	1,189	1,321	1,487
Shareholders' Funds	1,033	1,154	1,218	1,350	1,516
Total Loans	87	-	-	-	-
Other Long Term Liabilities	46	30	30	30	30
Long Term Provisions	31	22	22	22	22
Deferred Tax (Net)	38	34	34	34	34
Total liabilities	1,234	1,240	1,304	1,435	1,602
APPLICATION OF FUNDS					
Gross Block	1,155	1,263	1,345	1,385	1,427
Less: Acc. Depreciation	579	671	769	871	975
Net Block	576	591	575	515	452
Capital Work-in-Progress	16	27	27	29	31
Goodwill	-	-	-	-	-
Investments	527	418	418	418	418
Long Term Loans and adv.	72	66	91	95	104
Other Non-current asset	10	26	34	36	39
Current Assets	566	615	639	852	1,115
Cash	27	25	16	183	383
Loans & Advances	57	93	109	119	130
Inventory	132	189	209	233	255
Debtors	299	289	280	293	321
Other current assets	51	21	25	25	25
Current liabilities	533	504	480	509	557
Net Current Assets	33	112	158	344	558
Misc. Exp. not written off	-	-	-	-	-
Total Assets	1,234	1,240	1,304	1,435	1,602

Cash flow statement

Y/E Mar. (₹ cr)	FY2012	FY2013	FY2014E	FY2015E	FY2016E
Profit before tax	233	290	249	284	318
Depreciation	91	93	98	101	104
Change in Working Capital	118	(81)	(55)	(18)	(14)
Direct taxes paid	(89)	(72)	(65)	(74)	(83)
Others	20	(13)	(70)	(30)	(23)
Cash Flow from Operations	**373**	**216**	**157**	**263**	**303**
(Inc.)/Dec. in Fixed Assets	(83)	(120)	(82)	(42)	(44)
(Inc.)/Dec. in Investments	(230)	110	-	-	-
(Incr)/Decr In LT loans & adv.	31	(9)	(33)	(6)	(12)
Others	85	50	34	36	39
Cash Flow from Investing	**(198)**	**31**	**(81)**	**(12)**	**(18)**
Issue of Equity	-	(0)	-	-	-
Inc./(Dec.) in loans	(82)	(87)	-	-	-
Dividend Paid (Incl. Tax)	(68)	(85)	(85)	(85)	(85)
Others	(21)	(78)	-	-	-
Cash Flow from Financing	**(171)**	**(250)**	**(85)**	**(85)**	**(85)**
Inc./(Dec.) in Cash	4	(3)	(9)	167	200
Opening Cash balances	**23**	**27**	**25**	**16**	**183**
Closing Cash balances	**27**	**25**	**16**	**183**	**383**

Key ratios

Y/E Mar.	FY2012	FY2013	FY2014E	FY2015E	FY2016E
Valuation Ratio (x)					
P/E (on FDEPS)	14.8	14.3	15.5	13.5	12.1
P/CEPS	10.1	9.8	10.1	9.1	8.4
P/BV	2.8	2.5	2.3	2.1	1.9
EV/Net sales	1.0	1.0	1.1	0.9	0.8
EV/EBITDA	9.4	7.8	8.6	7.2	5.9
EV / Total Assets	2.0	2.0	1.9	1.6	1.3
Per Share Data (₹)					
EPS (Basic)	13.3	13.7	12.7	14.5	16.3
EPS (fully diluted)	13.3	13.7	12.7	14.5	16.3
Cash EPS	19.6	20.1	19.5	21.5	23.5
DPS	4.0	5.0	5.0	5.0	5.0
Book Value	71.4	79.8	84.2	93.3	104.8
DuPont Analysis					
EBIT margin	7.1	9.3	8.0	8.9	9.2
Tax retention ratio	0.6	0.8	0.7	0.7	0.7
Asset turnover (x)	3.2	3.4	2.9	3.0	3.5
ROIC (Post-tax)	14.1	23.8	17.4	19.9	23.6
Cost of Debt (Post Tax)	7.7	5.2	-	-	-
Leverage (x)	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)
Operating ROE	11.2	16.7	-	-	-
Returns (%)					
ROCE (Pre-tax)	14.0	18.0	14.7	15.9	16.2
Angel ROIC (Pre-tax)	22.8	31.7	23.5	26.9	31.9
ROE	20.0	18.2	15.5	16.4	16.4
Turnover ratios (x)					
Asset TO (Gross Block)	2.0	1.9	1.7	1.7	1.9
Inventory / Net sales (days)	22	25	32	34	34
Receivables (days)	55	46	45	45	45
Payables (days)	100	94	88	90	90
WC cycle (ex-cash) (days)	10	7	18	23	23
Solvency ratios (x)					
Net debt to equity	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)
Net debt to EBITDA	(1.8)	(1.4)	(1.6)	(1.9)	(2.3)
Int. Coverage (EBIT/ Int.)	10.1	72.6	178.0	-	-

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DISCLAIMER

Disclosure of Interest Statement	**KOEL**
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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