January 7, 2014

VST Tillers Tractors Limited

"Entering a new growth trajectory"

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

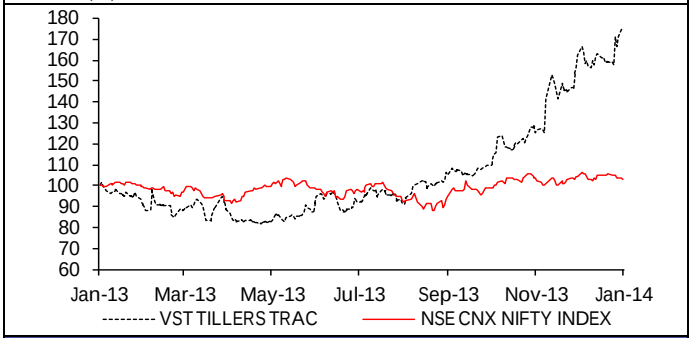
VST Tillers Tractors Limited

Recommendation	BUY
CMP (Rs.)	Rs.709
Target Price (Rs.)	Rs.958(Upside 35%)

Stock Details

BSE Code	531266
Bloomberg Code	IN VSTT
Market Cap (Rs. cr)	613
Free Float (%)	46
52- wk HI/Lo (Rs)	740/330
Avg. Volume (Monthly)	20100
Face Value (Rs)	10.0
Dividend (FY 13)	90
Shares o/s (Crs)	0.864

Relative Performance	1Mth	6Mth	1Yr
VSTT IN(%)	7.6	89.8	74.6
NIFTY(%)	(1.5)	5.1	3.0



Shareholding Pattern as of 30 September 2013	
Promoters Holding	53.8%
Institutional (Incl. FII)	2.3%
Corporate Bodies	6.1%
Public & others	36.8%

Vishal Jajoo – Sr. Research Analyst
(+91 22 3926-8136)
Email id: vishal.jajoo@nirmalbang.com

Snapshot

Incorporated in the year 1967, VST Tillers is a dominant player in power tillers (40 per cent market share) and a pioneer in the niche small tractors category.

Investment Rationale

- **Supply chain management issues resolved; new facility to catapult company into a different league:** With the commencement of the new facility at Hosur very soon, the company is aspiring to breach a turnover of Rs.1000-crore mark by FY'16E, an addition of over Rs.500 crore to the topline during FY'12-16E.
- **Net Sales expected to register a CAGR of 33 per cent over FY'13-15E:** Net Sales is expected to register a CAGR of 33 per cent, mainly led by tractor sales which are expected to almost double from 6233 units in FY'13 to over 12000 units in FY'15E.
- **Change in internal product mix to lead to improvement in margins; higher PAT growth:** The contribution of tractors (having higher margin compared to tillers) to the net sales is expected to improve significantly from 32 per cent in FY'13 to 42 per cent in FY'15E. This should lead to a CAGR in PAT to 36.9 per cent during FY'13-15E.
- **Deep asset value:** Not only the company has a debt-free balance sheet but inherent asset value in the form of 23 acres of land in Whitefield area (present market value is minimum Rs.350 crore) and 18 acres of land in Hosur.

Valuation & Recommendation

The company posted net sales of Rs.481.6 crore during FY'13, a decline of 9.2 per cent y-o-y. This was attributable to weak monsoons leading to delay in subsidy at state level. In fact, FY'13 was the only time in the last many years that the company showed a decline in performance.

However, the company bounced back strongly in FY'14 with H1 net sales breaching the Rs.300-crore for the first time. Adjusted PAT for the period stood at Rs.36.4 crore, an increase of 77.1 per cent y-o-y. We expect the company to post a PAT of Rs.73.7 crore on net sales of Rs.669.8 crore for the year. With the contribution from the new facility, we expect the company to post a PAT of Rs.91.9 crore on net sales of Rs.855 crore for FY'15E. This translates into an EPS of Rs.106.4.

An asset-rich company with a clean balance sheet, enjoying dominance in its product range with earnings set to grow exponentially (at a CAGR of 36.9 per cent over FY'13-15E), we expect the P/E multiple to follow the earnings upgrade. We value the company at 9x FY'15E earnings to arrive at a price target of Rs.958 per share (35 per cent upside) over the next 12-15 months.

Particulars (Rs Cr)	Net Sales	*Growth (%)*	EBITDA	PAT	EPS (Rs)	P/E (x)
FY'10	530.6	*25.3*	77.7	49.9	57.7	12.3
FY'11E	481.7	*(9.2)*	74.5	48.6	56.3	12.6
FY'12E	669.9	*39.1*	116.0	73.7	85.3	8.3
FY'13E	855.0	*27.6*	146.8	91.9	106.4	6.7

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

INVESTMENT RATIONALE

With past issues getting resolved and new facility coming up; VST Tillers on a strong growth trajectory

Supply chain issues getting resolved and new facility coming up: should catapult the company into a different league

VST Tillers Tractors Limited (VST Tillers) had been grappling with issues with regard to raw material procurement in the past. There have been instances where the company could not meet the desired demand due to lack of availability of critical components. These issues seem to have resolved and the scenario has improved significantly. The company has given the onus to the major suppliers of spares and components, a practice unlikely followed in the past where the company would procure all the small components from each individual supplier and even get the required labour-job done. This change in the supply-chain management practice has helped the company mitigate the issues with regard to shortage of key components.

VST Tillers is all geared up to commence the operations of the new tractor manufacturing facility at Hosur (about 60 kms from the existing facility) in the very near future.

With a proper supply chain management for stores and components in place coupled with the commencement of tractor facility, VST Tillers is on a firm footing going forward.

New facility at Hosur should start contributing from FY'15E onwards

The company has set up a new facility at Hosur at an investment of Rs.70 crore. The new facility has a capacity of manufacturing 36000 tractors (on a two-shift basis). We model around 12000 tractors for FY'15E with the commencement of this facility. This should lead to a significant jump in the topline as well as bottomline (considering the fact that tractors have relatively higher margins compared to tillers), since the company sold only 6233 tractors in FY'13. So, tractor sales are expected to nearly double over a two-year time frame!

Tractor Sales	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14E	FY'15E
In Volume terms (Nos.)	2,327	3,758	4,735	7,038	6,233	8,000	12,000
In Value terms (Rs. crore)	49.7	81.1	104.8	165.1	154.3	238.3	360

(Source: Nirmal Bang Research)

VST Tillers is the leader in power tillers having a 40 per cent market share. In volume terms, the company's sales of tillers has been growing at a CAGR of 19.7 per cent over the five-year period before FY'13. Chinese Power tillers (about 20-25 of brands) have a combined market share of around 30 per cent of the Indian tillers market. Chinese power tillers have a strong foothold in the eastern region of the country. KAMCO (Kerala Agro Machinery Corporation Limited) is the third player with a 27 per cent market share.

With separate dedicated facilities, for tillers as well as tractors, the company has an installed capacity for tillers at 48,000 units (expandable upto 60,000 units per annum post marginal debottlenecking exercise).

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

The recent depreciation in rupee augurs well for the company considering the fact that it makes Chinese tillers more expensive in the Indian markets. While Chinese tillers also enjoy the benefit of subsidy, they suffer from a very short life.

Tiller Sales	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14E	FY'15E
In Volume terms (Nos.)	16,691	19,068	23,449	26,154	21,231	29,000	33,000
In Value terms (Rs. crore)	178.1	212.1	266.9	301.1	260.6	431.5	495

(Source: Nirmal Bang Research)

Impeccable track record with regard to performance;33 per cent CAGR in net sales over FY'13-15E

VST Tillers has got an impeccable track record with regard to performance in the past. The company has been growing the net sales at a CAGR of 16.8 per cent over the last 10 years. The PAT grew at a CAGR of 23.9 per cent during the corresponding period. The dividend pay-out ratio averaged 19 per cent over the last 10 years.

The only spanner in the growth trajectory was FY'13(sales decline by 9.2 per cent y-o-y). This was attributable to poor monsoon across the country (coupled with a delay in subsidy by state governments) leading to hardly any offtake of agricultural equipments by the end user community- farmer.

The CAGR in sales for a 5-year period prior to FY'13 stood at 29.5 per cent leading to a 36.6 per cent CAGR in PAT. With all the concerns behind and a newly set-up facility, the company is strategically placed to reap the benefits of an excellent monsoon. We expect the company to post a CAGR in net sales at 33.2 per cent leading to a PAT CAGR of 36.9 per cent during FY'13-15E.

Set to breach the Rs.1000-crore mark by FY'16E

The company breached the Rs.500 crore revenue mark in FY'12. We expect the new tractor facility to start contributing meaningfully from FY'15E onwards. We model an initial run-rate of 12000 tractors per annum (at the run-rate of 1000 tractors per month) for FY'15E. The corresponding figures for power tillers is at 33000 units for FY'15E. The company is also into marketing of rice transplanters and has marketed a total of 404 units during FY'13. On a low base, we expect this figure to register strong growth going forward. VST Tillers has also received approval from the government for a seven per cent price hike in FY'14E. Considering the historical growth-rate of the company and with the stabilization in operations of the new facility, we expect VST Tillers to add a figure of another Rs.500 crore to the topline by FY'16E.

Gradual shift towards small tractors compared to large tractors; VST Tillers to emerge as a key beneficiary

The usage of small tractors compared to the larger ones has increased significantly over the last few years. Earlier, the application of small tractors was restricted to only two crops – cotton and grapes due to easy mobility within restricted space but now, small tractors are finding application even in crops like paddy.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

Row crops like cotton require 3-5 feet gap between two rows of crops and many farmers also opt for intermittent vegetable farming in between these rows. Small and specialized tractors become handy in such conditions.

A lot of areas under cultivation have been identified by farmers, where the moist soil cannot take the weight of the large tractor and therefore the option is to resort to the smaller ones. We believe that the growth in the small tractor category would be much higher not only on account of increase in overall market-size of tractor industry but also with the small tractor category gaining at the cost of larger ones.

From a farmer's perspective, the lack of availability of labour attributable to schemes like MNREGA and superior job opportunities in urban areas due to better road connectivity offers immense scope for mechanization. Add to this, the rising MSP prices and **with more than 80 per cent of agricultural land in the country having a size of less than two hectares**, the demand for small tractors continues to be robust.

The trend over the last five years (highlighted in the table below) clearly suggests that VST Tillers is a relatively small player in the overall tractor-size of the country and therefore, considering the low base of the company, it should emerge as a key beneficiary, being the pioneer in the small-tractor category.

Particulars (Units)	FY09	FY10	FY11	FY12	FY13	*CAGR*
Domestic+Export Sales	345,827	441,174	545,128	607,658	590,915	*14%*
% Change	-	*28%*	*24%*	*11%*	*-3%*	-
VST Tillers	2,327	3,758	4,735	7,038	6,233	*28%*
% Change	-	*61%*	*26%*	*49%*	*-11%*	-

(Source: Nirmal Bang Research)

Penetration into new territories should diversify sales growth

In addition to the new crops in existing markets, the company is also contemplating new geographies as well. The company has already met the sales targets for Odisha for the year and therefore, the latest cyclone should not have an impact on the performance of the company. VST Tillers has got a strong foothold in the states of Maharashtra and Gujarat. With the change in the government in West Bengal, VST Tillers has been successful in making inroads into the state with its tillers. In case of Andhra Pradesh, the state government has prepared the final guidelines, according to which, purchase of mini-tractors would be eligible for a subsidy of Rs.45000 per unit.

Having strengthened the supply chain management, the company is poised to enhance its scale of operations and is revamping the sales and distribution network across geographies, with efforts to build new markets.

Not only a clean Balance Sheet…

VST Tillers has a clean balance sheet. The company is net-debt free and cash-surplus. It should be noted that the facility at Hosur, built at a capex of Rs.70 crore, is funded entirely through internal accruals.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

…but also an asset-rich company

VST Tillers has got high intrinsic asset value. **The existing facility at Whitefield road is spread over 23 acres while the new facility at Hosur is spread over an area of 18 acres**. The company is debt-free and has not raised any funds through equity mode over the last two decades.

The existing area of Whitefield Road has emerged as an IT hub. The company has been able to get the required labour for its manufacturing facility, as of now. However, going forward if the required labour is not available at the budgeted cost, the management can even think of switching the existing facility at Whitefield Road to outskirts of the city, leading to a windfall gain of minimum Rs.350 crore (at present price) considering the huge land bank in the prime area of Bengaluru.

Recent launches backed by high levels of innovation

Earlier, a tractor was predominantly used for agricultural purpose only, thereby restricting the use for a limited period of the year. With high levels of innovation, a tractor has been put to various other uses including medium distance transportation of goods and passengers as well as in construction activities like carrying cement, sand, debris, among others.

The rental models in tractors have become highly popular off late and offers decent incentive for a small farmer compared to owning a pair of bullock which find its use only for a limited period but have to be taken care of throughout the year.

On the basis of feedback from the end-user community, VST Tillers has installed a number of new features in the tractors in order to make them customized and user-friendly to the maximum possible extent. This includes, features like cell phone chargers, among others.

The company has recently launched a 22 HP tractor which is an offshoot of the existing 18.5 HP tractor. VST Tillers is planning a 28 HP tractor in this category which should see the light of the day soon. This is in addition to the 2-wheeled drive of the 18.5 HP and 22 HP tractors. Therefore, the company, which was earlier present in <20 HP category, has started making strides in 21-30 HP category.

Favourable product mix to lead to improvement in margins…

The operating margin in tractor is relatively higher compared to power tillers. A portion of the same can be attributable to the various value-additions which the company offers in this category. With the commencement of the new facility, the share of tractors in the overall mix is expected to improve significantly.

As per our estimate, tractor sales should contribute 42 per cent to net sales in FY'15E compared to 32 per cent in FY'13. This change in sales-mix should not only lead to a growth in topline but a higher increase in profit on the back of improvement in margins.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

…as well as reduce the dependence on subsidy

Central Government provides a subsidy of around Rs.35000 per unit followed by state subsidy of around 25k per unit, taking the total subsidy figure to approximately Rs.60000 per unit. It should be noted that the formalities with regard to effective and timely collection of subsidies is executed by the company's branch/sales offices. Therefore, any delay in receiving the same puts a pressure on the working capital of the company. A portion of the outstanding subsidy is negated by advances from customers and dealers, incentives and marketing expenses payable, among others. The company has managed the working capital very well for all these years, except FY'13.

While 99 per cent of tillers are sold on subsidy, this is not the case with tractors. Therefore, the higher product mix in favour of tractors should reduce the dependence on subsidy. This should not only reduce the subsidy dependence as a percentage of the overall sales mix but also provide stability to the working capital.

Strong pedigree of the group; capable of attracting large MNC names in the sector

The VST Group has a long history of more than 100 years. The group was founded by Mr. V.S. Thiruvengadaswamy Mudaliar (1881-1949) in the year 1911 and ventured into retailing of petroleum and associated products. Eventually, the group entered construction business and gradually expanded into other areas of business as highlighted below. Today, the Group has expanded into seven sectors, from automobile dealerships(one of the largest in southern India) to manufacturing. The total turnover of the group stood at Rs.3000+ crore for FY'13(with VST Tillers contributing ~16 per cent).

The presence of the group in various sectors is as follows:

- Petroleum Retail
- Construction
- Automobile Dealerships
- Auto Parts Distribution
- Finance
- Manufacturing
- Exports

Being a pioneer in the niche small tractor category, the understanding of the Group is so strong that MNC names had approached the company for a JV proposal. However, the management refused to accept the offer since certain conditions like management control, among others, was not acceptable.

Competitive scenario in the small tractor category

The competitive scenario in the small tractor segment has been heating up. All the major players, Indian as well as foreign, have launched their products in the small tractor category. This includes the likes of Sonata, Mahindra (Yuvraj), Escorts to Kubota of Japan.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

Though there have been several apprehensions with regard to the upcoming facility of VST Tillers in the wake of the competitive scenario firming up and big names coming up with their products, this is a pointer to a significant increase in market size of the overall category. **The high level of focus which the company gives to its products can be gauged from the fact that the company manufactures its own engines and does not outsource to other entities, a prevalent practice followed by most other players in the segment.**

Though the market would be comparing a product from VST's stable to that of the leader, we think that the comparison is not right since VST Tillers has a 18.5HP, 3 cylinder and four-wheel drive tractor, M&M has a 15 HP, single cylinder and two-wheel drive tractor.

A comparison of VST Tiller's products with regard to other players has been highlighted below:

Segment (in HP)	VST Tillers	Competitors	Remarks
<20 hp	18.5 hp	Sonalika and TAFE	We do not think Sonalika has achieved the required success in the small tractor category. The performance of the company continues to be strong in the large tractor category only.
>20 hp	22 hp	Kubota	Tractors manufactured by Kubota offer a much better look and is relatively larger in size compared to VST Tillers tractors but they quote at a minimum 20 per cent higher price.

(Source: Nirmal Bang Research)

Usually, the tractor industry sees 3-4 years of growth followed by stagnancy for a period of another couple of years. We feel that the buoyancy in tractor sales is expected to continue for atleast two more years.

Consistency in return ratios

VST Tillers has an impressive track record in managing its assets judiciously. In addition to the debt-free balance sheet and average dividend pay-out of more than 19 per cent over the last five years, the company has maintained an average RoE and RoCE of 25.6 and 16.1 per cent respectively during the same period.

Particulars	FY'09	FY'10	FY'11	FY'12	FY'13
Return on Equity	36.3	38.9	31.9	27.1	21.7
Return on Capital Employed	15.3	15.7	17.3	15.9	16.5

(Source: Nirmal Bang Research)

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

Better monsoon augur well for the tractor industry

Needless to mention, better monsoon augurs well for the tractor industry. While the kharif crop depends on the spatial level of distribution of monsoon, the rabi crop with its dependence on the water levels in the reservoir should start yielding benefits, albeit with a lag effect.

It should be noted that more than 80 per cent of the reservoirs in the country have water levels higher than the average figure over the last decade. This should augur well for the rabi crop. We expect the momentum in tractor industry to continue with the farming community encashing the same, leading to higher purchase of tractors in FY'15.

Few important activities in the sector

1. Italy-based agricultural machinery manufacturing company Maschio Gaspardo plans to invest additional Rs. 100 crore In India at its Ranjangaon plant. The company has already invested Rs 200 crore in this facility which is operational since last year. The company has manufactured over 10,000 machines from this plant and intends to produce 30,000 machines in 2014 for the domestic market.

2. Escorts has entered into a strategic alliance with Rajkot-based auto component maker Adico Group, which is a major supplier to automotive original equipment makers, to manufacture the Steeltrac tractor. Adico Group would be manufacturing the tractors at its Rajkot facility.

   The company has invested close to Rs.20 crore over the last two years to develop the manufacturing facility which has a capacity to produce 6,000 tractors. This facility is expandable up to 20,000 tractors per annum.

3. Last year, private equity-major Blackstone Group acquired a 12.5 per cent stake in Sonalika Tractors for USD100 million. Sonalika manufactures around 60,000 tractors per annum. If this is the latest trend to go by and with the increase in market activity by participants, further re-rating in the sector is not ruled out especially if unlisted companies like Sonalika(International Tractors) opt for listing.

4. In October 2013, John Deere inaugurated its new facility at Dewas in Madhya Pradesh. The new factory builds small agricultural tractors meant to be sold in India and for export to other countries.

COMPANY BACKGROUND

Incorporated in the year 1967, VST Tillers Tractors was promoted as a joint venture by V T Velu and V T Krishnamoorthy with Mitsubishi Heavy Industries. It is engaged in the manufacture of power tillers, tractors and diesel engines.The company came out with a rights issue in 1994 of equity shares and convertible debentures in 1995 to finance its expansion. The company is also into marketing of rice transplanters.

VST Tillers is the first company to introduce higher horsepower direct injection technology in India. Through in-house research, the company had completed the certification of 12/13 HP direct injection for VST 130D1 power tiller and introduced 19 HP engine for the Arai, Pune and TUV Germany approved export model MT-180D tractor.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

RISKS & CONCERNS

Dependence on monsoon; ultimately on the subsidy

The company's performance is closely related to that of monsoon. Any failure of monsoon can impact the delays in subsidy at the state level, which can lead to muted sales of tillers as well as tractors.

Competitive scenario heating up in the small tractor category

Being the pioneer in the sector, the company has withstood competition very well till date. However, moves from the competitors should be watched out considering the fact that most of them are either giants in the domestic market or big players from the overseas markets.

Performance of the new facility

The new facility which is slated to commence operations in the very short term is expected to achieve operational stability soon. Any significant delay in ramping up the capacity would be detrimental for the performance of the company.

Impact of Chinese tillers

With a combined share of 30 per cent, Chinese tillers occupy the second highest position in the domestic markets after VST Tillers. Any significant under-cutting by Chinese players can have an impact on the sales of the company's tillers.

VALUATION AND RECOMMENDATION

The company posted net sales of Rs.481.6 crore during FY'13, a decline of 9.2 per cent y-o-y. This was attributable to weak monsoon leading to a delay in subsidy at state level.

However, the company bounced back strongly in FY'14 with H1 net sales breaching the Rs.300-crore for the first time. Adjusted PAT for the period stood at Rs.36.4 crore, an increase of 77.1 per cent y-o-y. We expect the company to post a PAT of Rs.73.7 crore on net sales of Rs.669.8 crore for the year. With the new facility at Hosur to start contributing soon, we expect the company to post a PAT of Rs.91.9 crore on net sales of Rs.855 crore for FY'15E. This translates into an EPS of Rs.106.4

An asset-rich company with a clean balance sheet, enjoying dominance in its product range with earnings set to grow exponentially (at a CAGR of 36.9 per cent over FY'13-15E), we expect the P/E multiple to follow the earnings upgrade. We value the company at 9x FY'15E earnings to arrive at a price target of Rs.958 per share (35 per cent upside) over the next 12-15 months.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

Financials

Profit & Loss Account	FY'12	FY'13	FY'14E	FY'15E
Net Sales	530.6	481.7	669.9	855.0
Other Income	4.6	2.1	4.0	6.0
Total Income	535.3	483.8	673.9	861.0
Raw material expenses	382.5	359.7	458.8	586.0
Employee Expenses	28.4	28.1	35.1	42.0
Other expenses	46.7	51.7	64.0	86.0
Total Expenses	457.6	409.3	557.9	714.0
PBIDT	77.7	74.5	116.0	146.8
Depreciation	3.2	3.4	4.6	7.7
Interest	1.1	1.4	1.5	2.0
Profit before tax	73.4	69.7	109.9	137.1
Taxes	23.5	21.1	36.3	45.2
Extra-ordinary item	0.0	0.0	0.0	0.0
Net Profit	49.9	48.6	73.7	91.9

Quarterly results (Standalone)	Dec.12	Mar.13	Jun.13	Sep.13
Net Sales	122.5	140.3	149.1	152.1
Other Income	0.3	0.4	1.8	2.0
Total Income	122.8	140.7	150.9	154.1
Total Expenses	103.2	119.2	122.6	125.4
PBIDT	19.6	21.5	28.4	28.7
Interest	0.3	0.5	0.4	0.4
Depreciation	0.8	0.9	1.0	1.0
Taxes	5.8	5.4	8.9	9.7
Minority Interest	0.0	0.0	0.0	0.0
PAT	12.7	14.8	18.2	17.7

Profitability Ratios	FY'12	FY'13	FY'14E	FY'15E
EBITDA margin	14.6%	15.5%	17.3%	17.2%
PAT margin	9.4%	10.1%	11.0%	10.7%

Growth Ratios	FY'12	FY'13	FY'14E	FY'15E
Net Sales growth	25.3%	-9.2%	39.1%	27.6%
EBITDA growth	4.6%	-4.2%	55.8%	26.6%
PAT growth	7.9%	-2.5%	51.5%	24.8%

Balance Sheet (Rs. Cr.)	FY'12	FY'13	FY'14E	FY'15E
Equity Capital	8.6	8.6	8.6	8.6
Reserves & Surplus	196.3	235.7	295.0	379.7
Networth	204.9	244.3	303.6	388.3
Secured loans	0.0	0.0	0.0	0.0
Unsecured loans	18.1	0.0	0.0	0.0
Total loan funds	18.1	0.0	0.0	0.0
Total Liabilities	**223.0**	**264.7**	**303.6**	**388.3**
Net Block	63.3	77.4	116.1	110.1
Inventories	65.9	82.9	65.9	85.0
Sundry Debtors	123.3	97.3	100.0	105.0
Cash & Bank	20.6	32.9	20.0	25.0
Loans & Advances	20.4	22.7	19.5	34.0
Current Assets	230.2	235.8	205.4	249.0
Less: Provisions & liabilities	95.5	68.2	70.0	72.0
Total Assets	**223.0**	**264.7**	**303.6**	**388.3**

Cash flow (Rs. Cr.)	FY'12	FY'13	FY'14E	FY'15E
Profit before tax	73.4	69.7	109.9	137.1
Net cash from operations	(9.6)	49.9	31.8	45.2
Net cash from investments	2.8	(10.9)	(30.0)	(20.0)
Net cash from financing activities	6.1	(26.3)	(8.6)	(9.0)
Net change in cash	(0.7)	12.7	(6.8)	16.2

Valuation Ratios	FY'12	FY'13	FY'14E	FY'15E
Marketcap/Sales	1.2	1.3	0.9	0.7
EPS	57.7	56.3	85.3	106.4
P/E	12.3	12.6	8.3	6.7

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com

Disclaimer

This Document has been prepared by Nirmal Bang Research (A Division of Nirmal Bang Securities Pvt Ltd). The information, analysis, and estimates contained herein are based on Nirmal Bang Research assessment and have been obtained from sources believed to be reliable. This document is meant for the use of the intended recipient only. This document, at best, represents Nirmal Bang Research opinion and is meant for general information only. Nirmal Bang Research, its directors, officers or employees shall not in, anyway be responsible for the contents stated herein. Nirmal Bang Research expressly disclaims any and all liabilities that may arise from information, errors, or omissions in this connection. This document is not to be considered as an offer to sell or a solicitation to buy any securities. Nirmal Bang Research, its affiliates and their employees may from time to time hold positions in securities referred to herein. Nirmal Bang Research or its affiliates may from time to time solicit from or perform investment banking or other services for any company mentioned in this document.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, 3rd Floor, Marathon Innova, Off Ganpatrao Kadam Marg,
Lower parel (W), Mumbai - 400 013.
Tel - 3027 2300/01/02 (Fax) 3027 2303
Website : www.nirmalbang.com