INDIA

Refractories

CENTRUM

Vesuvius India Ltd

Buy

Management Meeting Update **5 May 2014**

Challenges persist, but growth path intact

Our recent detailed interaction with management of Vesuvius India Ltd (VIL) pointed to key industry challenges in the growth path of the company and how VIL is leveraging its inherent strengths to overcome them. While operational environment remains challenging due to higher raw material costs and muted pricing, increased capacity utilizations going forward from VIL's key customers are expected to provide a demand cushion. Value added services and high quality products are the company's key strengths which help it in staying ahead of competition. We expect EBITDA/PAT CAGR of 13.1%/14.5% for CY13-16E and maintain Buy with an upward revised TP of Rs660.

- **Leader in segments that it operates in, new segment entry being explored:** VIL has leadership in the steel flow control segment, but is not present at all in basic brick type refractory segment (~25% of domestic market at ~Rs12bn). It is also a marginal player in the non-steel (aluminium, cement etc) refractory market. VIL is currently formulating a strategy to enter new segments in refractory making and the land parcel bought at Vizag will be used to set up a new plant; but the type of products to be made there has still not been finalized.
- **Competitive edge through value added services and high quality products:** VIL has a clear strategy of providing value added services to its customers (mainly large steel plants) instead of just basic refractory products and differentiates itself from competition through i) consistent offerings of product of very high quality which provides best performance at customer's end, ii) ability to solve unique problems at customer's end which are generally outside the product area and iii) huge network of its skilled people at big steel plants of customers for providing quick service tailored to customer requirements.
- **Subdued results due to weak demand and pricing pressure:** Though VIL reported strong performance in CY13 with EBITDA/PAT YoY growth of 14.3%/16.9%, it has shown subdued results for the past two quarters. Q1CY14 EBITDA fell by ~7% YoY to Rs272mn, but improved by ~14% QoQ. Management has pointed towards weak demand (steel consumption growth of meagre 0.6% in FY14), pricing pressure and higher imported raw material costs due to weak rupee as key reasons for lower than expected earnings. We reduce our earnings estimate for CY14E/15E but remain positive on demand and volume recovery from CY15E onwards.
- **Valuation and risks: maintain Buy:** We shift our valuation base to Jun'16E (average of CY15E and CY16E) and maintain Buy with an upward revised target price of Rs660 (based on mean+0.5sd EV/EBITDA). We expect EBITDA/PAT CAGR of 13.1%/14.5% for CY13-16E on the back of volumes led by a pick-up in capacity utilizations at VIL's key customers' steel plants (Essar & JSW). Key risks are sharp increase in imported raw material costs and extreme stress in the steel industry.

Y/E Mar (Rs mn)	Q1CY14	Q1CY13	YoY%	Q4CY13	QoQ%	Q1CY14E	Var %
Net sales (inc op inc)	**1,551**	**1,446**	***7.2***	**1,553**	***(0.2)***	**1568**	***(1.1)***
Raw material	579	558	*3.8*	648	*(10.6)*	800	*(27.7)*
EBITDA	**272**	**292**	***(7.1)***	**238**	***13.9***	**285**	***(4.6)***
EBITDA margin (%)	***17.5***	***20.2***		***15.3***		**18.1**	
Depreciation	48	41	*18.0*	52	*(6.4)*	46	*4.5*
Other income	20	10	*104.1*	19	*6.4*	12	*73.9*
PBT	**243**	**261**	***(6.9)***	**205**	***18.8***	**250**	***(2.7)***
Provision for tax	84	85	*(1.2)*	69	*21.8*	85	*(1.3)*
-effective tax rate (%)	*34.5*	*32.5*		*33.6*		*34.0*	*1.4*
PAT	**159**	**176**	***(9.7)***	**136**	***17.2***	**165**	***(3.3)***

Source: Company, Centrum Research Estimates

Target Price	**Rs660**
CMP*	Rs512
Upside	*28.9%*
Previous Target	*Rs630*
Previous Rating	*Buy*

Price Performance (%)*

	1M	6M	1Yr
VI IN	*5.5*	*37.5*	*43.7*
NIFTY	*0.2*	*7.2*	*12.8*

Key Data	
Bloomberg Code	VI IN
Curr Shares O/S (mn)	20.3
Diluted Shares O/S(mn)	20.3
Mkt Cap (Rsbn/USDmn)	10.4/172.9
52 Wk H / L (Rs)	555/286.4
5 Year H / L (Rs)	550/88.6
Daily Vol. (3M NSE Avg.)	18957

**as on 2 May 2014; Source: Bloomberg, Centrum Research*

Shareholding pattern* *(%)*

	Mar-14	Dec-13	Sep-13	Jun-13
Promoter	*55.6*	*55.6*	*55.6*	*55.6*
FIIs	*10.8*	*10.7*	*10.7*	*10.7*
Dom. Inst.	*14.0*	*14.6*	*14.2*	*14.2*
Public & Others	*19.6*	*19.1*	*19.5*	*19.5*

*Source: BSE, *as on 2 May 2014*

Earnings Revision

Particulars (Rs mn)	CY14E			CY15E		
	New	Old	*Chg (%)*	New	Old	*Chg (%)*
Sales	6,575	6,970	*(5.7)*	7,414	7,792	*(4.9)*
EBITDA	1,173	1,265	*(7.2)*	1,379	1,423	*(3.1)*
EBITDA Margin (%)	*17.8*	*18.1*		*18.6*	*18.3*	
PAT	689	754	*(8.6)*	826	859	*(3.9)*

Source: Centrum Research Estimates

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Y/E Dec (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA (x)
CY12	5,638	*3.8*	970	*17.2*	558	*1.0*	27.5	*16.2*	*16.3*	18.6	10.0
CY13	6,018	*6.7*	1,109	*18.4*	652	*16.9*	32.1	*16.4*	*16.4*	15.9	8.4
CY14E	6,575	*9.3*	1,173	*17.8*	689	*5.7*	33.9	*15.2*	*15.2*	15.1	7.5
CY15E	7,414	*12.8*	1,379	*18.6*	826	*19.9*	40.7	*15.8*	*15.8*	12.6	6.1
CY16E	8,377	*13.0*	1,603	*19.1*	978	*18.4*	48.2	*16.2*	*16.2*	10.6	4.9

Source: Company, Centrum Research Estimates

Management meeting – Key takeaways

We attended the AGM of Vesuvius in Kolkata recently and also had a separate investor meeting with the company's MD, Mr. Tanmay Ganguly and CFO, Mr. Sanjoy Dutta. We present below the key takeaways of our meeting:-

CY13 was a tough year for operations marked by higher RM costs & pricing pressure

CY13 was a disappointing year according to the company due to slower than expected pick up in steel production globally and delay in commissioning new projects in India. It was a tough year operationally for VIL (particularly the second half) as some of its key customers dropped production sharply (Essar and RINL) leading to higher inventory and debtors. During the AGM, Vesuvius PLC CEO, Mr. P. Wanecq expected CY14 to be better for steel industry (excl. China) and believed Indian operations will benefit from new plant commissionings and better utilizations. VIL saw higher raw material costs in the past few quarters due to sharp rupee depreciation (as most of its RM is imported). Margins have remained under pressure as corresponding price increases were resisted by buyers.

VIL's customers are mainly large steel mills requiring high quality products and quick service

VIL's products are targeted largely at big steelmakers that look at producing high volume and high quality steel and want high quality refractories which have longer lifespan than normal ones. VIL supplies refractories to BOF and EAF steelmakers (~70% of the domestic market) but has no product for Induction furnaces (smaller steel mills). VIL supplies almost 100% of refractory requirements of some of key large steelmakers like JSW and Essar. VIL gets premium pricing for its products with the premium varying over the product and its availability in domestic market. VIL enjoys monopoly on some products and gets premium pricing for them.

Value added services, tailored solutions and global R&D support from Vesuvius PLC key differentiators from competition

VIL has a clear strategy of providing value added services to its customers instead of just selling basic refractory products and differentiates itself from the competition using the following three key attributes – i) consistent very high product quality which provides best performance at the customer's end, ii) ability to solve unique problems at the customer's end which are generally outside the product area and more related to steelmaking in furnace operations and iii) huge network of skilled people at big steel plants of its customers for providing quick service tailored to customer requirements. Management pointed out that global R&D support from Vesuvius PLC provides the edge in product innovations and solutions.

VIL is leader in flow control market and is exploring entry into other segments

VIL has leadership in segments that it operates in India (Steel flow control) but is not present at all in the basic brick type refractory segment (~25% of domestic market at ~Rs12bn). It is also a marginal player in non-steel (aluminium, cement etc) refractory market. Domestic flow control market size is ~Rs7.5bn and VIL accounts for ~30% of the same. VIL is currently formulating a strategy to enter new segments in refractory making where it is currently not present. The land parcel bought at Vizag will be used to set-up a new plant, but the type of products to be made there has still not been finalized.

Current environment challenging, but growth expected to be maintained

Management did not give any revenue growth guidance but indicated that the revenue and EBITDA CAGR of the past 5 years will be maintained for the next 3-4 years. A pick up in steel production from current trough levels was also considered highly likely by the company in the next 6-18 months which can provide an opportunity to grow faster from CY15E. Margins are expected to be maintained at the current range, but improvements are unlikely in the near term due to pressure on imported RM costs and low pass through to customers by way of product price increases. RM supply in India is of low quality which VIL does not use as it is focussed on producing high quality products, but the setting up of dedicated R&D centre in India is aimed at adding value to low quality RM available domestically for usage by VIL factories and reducing cost which in turn will aid margins. VIL does not have any major capex for the next few years except for setting up the R&D centre.

Other refractory industry insights

- Domestic refractory market size is ~Rs50bn which comprises refractories meant for steel making in the range of Rs35-40bn. Basic bricks type of refractories account for ~Rs12bn and refractories for BF lining account for ~Rs8bn.
- Growth has remained extremely low in the industry in the past 2-3 years due to pressure on steel consumption and production, lack of growth oriented policies and economic slowdown.
- Refractories industry faces excess capacity and competition, but the majority of unorganized players (~40% of the industry) are unable to sustain pricing pressure. High capacity does not make much difference to Vesuvius's operations as demand for niche and high quality products from large steelmakers remains intact and growth going forward would depend upon capacity utilizations of big players.
- Vesuvius remains the leader in the industry in terms of product range, credibility and quality of products, particularly in flow control area of refractory application. It also possesses certain proprietary products where the margins are very high.
- The industry does not have pricing power and hike in raw material costs do not get passed through always (especially in tough times). Imports from China exert pressure on prices but service capabilities of top producers mitigate the impact. However, price hikes have been resisted by buyers in the recent past.
- Expected upturn in steel production in next 2-3 years (once interest rates soften and investment cycle picks up) could lead to sudden demand uptick for refractory producers and will benefit established players the most. Management pointed out that low steel consumption growth has delayed many new capacities of late.
- Large steelmakers generally prefer global leaders in refractory technology like Vesuvius, RHI and Krosaki among others for getting their refractory solutions and services. Big steelmakers give a lot of weightage to quality and volume of steel produced and they want more life out of a refractory product which in turn implies very high quality. They look to avoid any negative impact on production due to defective refractories at all costs. Thus they do not look for cost savings in this area (refractories account for ~2% of steel making cost). Global majors (incl. VIL) have been exporting key refractory products to India which are not available domestically.
- Supply contracts for refractory producers with steelmakers are generally on an annual basis (particularly for VIL).
- Raw material required for refractory production are scarcely available in the domestic market and contain high impurities which are not suited for producing high quality refractories. VIL targets better usage of local raw material in future once it sets up a local R&D centre in India.
- Debtor days are high in this business as ~80% of contracts are based on steel production performance at the customer end (which in turn is based on the performance of refractory products supplied). This leads to a time lag from the moment the product is dispatched to the time it is applied in the furnace and steel is produced and performance certificate is generated by the steel plant post which the invoice for payment to refractory producer is raised.

Earnings revision and valuation

Earnings revised lower

Management indicated that operational environment remained tough in the near term and smart recovery is expected from CY15E onwards once the macro situation starts improving and steel production picks up in the domestic market. We reduce our earnings estimates for CY14E to factor in slower than expected growth in steel production thus far and reduce our EBITDA/PAT estimates for CY14E by 7.2%/8.6%. For CY15E, we tweak our estimates lower marginally while remaining positive on volume recovery for the company. Higher volumes from the company's key customers like Essar (resumption of iron or supply through NMDC's slurry pipeline recently is expected to aid in capacity utilizations) and JSW (increased iron ore availability in Karnataka, higher production at JSW Ispat) are key triggers for the company going forward in the next few years.

Exhibit 1: Earnings revision

	CY14E			CY15E		
	Revised	**Previous**	***Chg (%)***	**Revised**	**Previous**	***Chg (%)***
Revenue (Rsmn)	6,575	6,970	*(5.7)*	7,414	7,792	*(4.9)*
EBITDA (Rsmn)	1,173	1,265	*(7.2)*	1,379	1,423	*(3.1)*
EBITDA Margin %	*17.8*	*18.1*		*18.6*	*18.3*	
PAT (Rsmn)	689	754	*(8.6)*	826	859	*(3.9)*

Source: Company, Centrum Research Estimates

Valuation – maintain Buy

We shift our valuation base to Jun'16E (average of CY15E and CY16E) and maintain Buy with an upward revised target price of Rs660 (based on mean+0.5sd EV/EBITDA). We see VIL returning to its long term growth average from CY15E onwards after going through relatively slow growth period of CY12-14E. We expect EBITDA/PAT CAGR of 13.1%/14.5% for CY13-16E on the back of volumes led by a pick-up in capacity utilizations at VIL's key customer's steel plants.

Exhibit 2: Valuation – shift base to average of CY15E & CY16E

(Rs mn)	**Jun'16E**
EBITDA	1,491
Vesuvius 10 year mean EV/EBITDA	6.3
Vesuvius 10 year std dev of EV/EBITDA	2.2
Global peer avg CY15E EV/EBITDA	5.9
Justified EV/EBITDA (x) - (Mean +0.5xSd)	7.5
EV	11,184
Add: Net Cash	2,276
Fair value mkt cap	13,461
No. of shares (mn)	20.3
Fair Value (Rs)	**663**

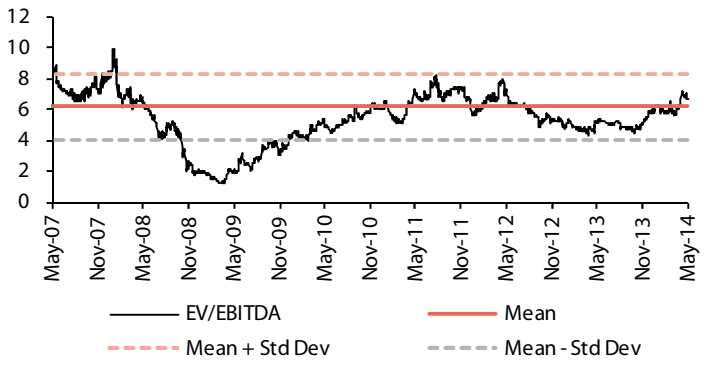
Source: Company, Centrum Research Estimates

Exhibit 3: Sensitivity Analysis

1% change	% Chg in EBITDA	% Chg in PAT
Realizations	*1.6*	*1.9*
Volumes	*3.3*	*3.7*

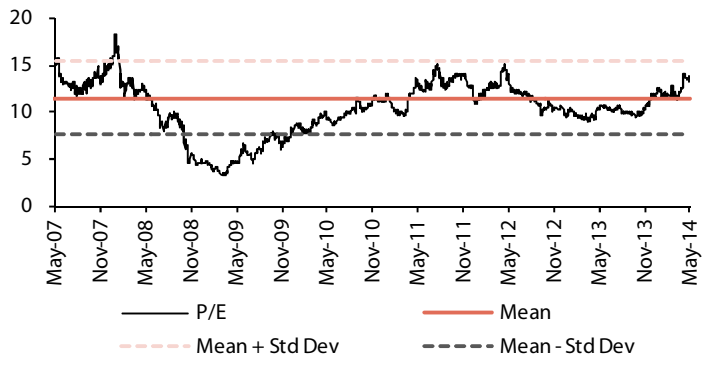
Source: Company, Centrum Research Estimates

Exhibit 4: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 5: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 6: Valuation – Global peer comparison

Company	Mkt. Cap (US$ mn)	CAGR CY13-CY15E (%)			EBITDA Margin (%)			P/E (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	CY13	CY14E	CY15E	CY13	CY14E	CY15E	CY13	CY14E	CY15E	CY13	CY14E	CY15E	CY13	CY14E	CY15E
Vesuvius	**173**	***11.0***	***11.5***	***12.6***	***18.4***	***17.8***	***18.6***	**15.9**	**15.1**	**12.6**	**8.4**	**7.5**	**6.1**	***16.4***	***15.2***	***15.8***	***0.9***	***1.0***	***1.2***
Global Peers*																			
RHI AG	1,400	*3.2*	*(0.1)*	*32.3*	*13.7*	*12.2*	*12.8*	15.9	10.6	9.2	6.1	6.5	5.7	*13.1*	*17.2*	*17.5*	*3.0*	*3.0*	*3.3*
Vesuvius PLC	1,931	*0.7*	*6.2*	*8.1*	*11.7*	*12.4*	*13.0*	13.6	12.9	11.5	7.9	7.5	6.7	*9.3*	*9.5*	*9.9*	*3.5*	*3.7*	*3.9*
Magnesita SA	640	*9.2*	*11.4*	*43.1*	*15.6*	*16.0*	*16.3*	17.5	13.9	10.1	6.4	6.0	5.4	*2.1*	*3.3*	*4.8*	*1.3*	*1.4*	*2.1*
Cie de St-Gobain	34,000	*2.1*	*9.0*	*31.5*	*10.0*	*10.6*	*11.4*	22.5	17.5	13.9	7.7	7.0	6.1	*5.8*	*7.9*	*9.3*	*2.8*	*2.9*	*3.1*

*Source: *Bloomberg Estimates, Centrum Research Estimates*

Exhibit 7: Quarterly financials

Y/E Dec (Rs mn)	Q2CY12	Q3CY12	Q4CY12	Q1CY13	Q2CY13	Q3CY13	Q4CY13	Q1CY14
Net sales	**1,389**	**1,318**	**1,535**	**1,444**	**1,516**	**1,500**	**1,552**	**1,549**
Other Operating Income	4	2	0	1	2	1	1	1
Total Income	**1,392**	**1,320**	**1,535**	**1,446**	**1,517**	**1,501**	**1,553**	**1,551**
Accretion to Stocks in trade & work in progress	0	(16)	92	(23)	(48)	(37)	3	3
Cost of Raw Materials consumed	542	535	562	558	626	633	648	579
Purchase of traded goods	226	205	224	226	220	241	270	279
Staff Cost	88	88	75	94	97	94	93	105
Other Operational expenses	313	262	286	299	316	298	301	314
Operating Profit (Core EBITDA)	**225**	**245**	**297**	**292**	**305**	**272**	**238**	**272**
Depreciation	42	41	41	41	40	43	52	48
EBIT	**183**	**204**	**256**	**251**	**265**	**230**	**187**	**223**
Interest	0	0	1	0	0	0	1	0
Other Revenue/Income	3	3	7	10	12	17	19	20
Exceptional Items	0	0	0	0	0	0	0	0
Profit Before Tax	**186**	**207**	**262**	**261**	**277**	**247**	**205**	**243**
Tax	60	67	86	85	100	84	69	84
Profit After Tax	**126**	**140**	**177**	**176**	**177**	**163**	**136**	**159**
Growth (YoY %)								
Revenue	*2.3*	*(3.7)*	*3.8*	*4.6*	*9.2*	*13.8*	*1.1*	*7.3*
EBITDA	*(9.7)*	*(1.6)*	*22.9*	*43.7*	*36.0*	*11.2*	*(19.7)*	*(7.1)*
PAT	*(12.4)*	*(3.9)*	*32.6*	*52.6*	*40.8*	*16.3*	*(23.0)*	*(9.7)*
Margin (%)								
EBITDA	*16.1*	*18.6*	*19.3*	*20.2*	*20.1*	*18.1*	*15.3*	*17.5*
EBIT	*13.1*	*15.5*	*16.6*	*17.4*	*17.5*	*15.3*	*12.0*	*14.4*
PAT	*9.0*	*10.6*	*11.5*	*12.2*	*11.7*	*10.8*	*8.7*	*10.3*

Source: Company, Centrum Research

Exhibit 8: Key assumptions

	CY09	CY10	CY11	CY12	CY13	CY14E	CY15E	CY16E
Volumes*								
Shaped (pcs)	430,086	517,207	551,624	587,480	613,916	644,612	689,735	738,016
Unshaped (tonne)	29,563	34,826	40,854	43,510	45,467	49,560	55,507	62,167
Volume growth (%)*								
Shaped	*(6.2)*	*20.3*	*6.7*	*6.5*	*4.5*	*5.0*	*7.0*	*7.0*
Unshaped	*(35.8)*	*17.8*	*17.3*	*6.5*	*4.5*	*9.0*	*12.0*	*12.0*
Realizations*								
Shaped (Rs/pcs)	3,255	4,206	4,324	4,616	4,325	4,455	4,678	4,911
Unshaped (Rs/tonne)	45,464	41,400	46,190	43,834	45,404	47,674	50,535	53,567
Revenue (Rs mn)								
Shaped	1,400	2,176	2,385	2,712	2,655	2,872	3,226	3,625
Unshaped	1,344	1,442	1,887	1,907	2,064	2,363	2,805	3,330
Trading	901	918	1,254	1,234	1,597	1,661	1,744	1,831
Services (rep & maint.)	192	198	279	268	263	282	318	360
Exports								
Exports revenue (Rs mn)	415	641	835	778	615	878	991	1,119
Exports share in net sales (%)	*12.1*	*15.3*	*16.3*	*14.5*	*10.7*	*14.0*	*14.0*	*14.0*

Source: Company, Centrum Research Estimates

**Volume, volume growth and realizations are assumed from CY12 onwards based on reported revenue nos for each division*

Financials

Exhibit 9: Income Statement

Y/E Dec(Rs mn)	CY12	CY13	CY14E	CY15E	CY16E
Revenues from Operations	**5,638**	**6,018**	**6,575**	**7,414**	**8,377**
Raw Materials consumed	2,256	2,464	2,642	2,934	3,289
% of net sales	*40.0*	*40.9*	*40.2*	*39.6*	*39.3*
Employee expenses	339	378	394	445	503
% of net sales	*6.0*	*6.3*	*6.0*	*6.0*	*6.0*
Other operational expenses	1,162	1,214	1,335	1,505	1,701
% of net sales	*20.6*	*20.2*	*20.3*	*20.3*	*20.3*
Total expenses	**4,668**	**4,909**	**5,401**	**6,035**	**6,774**
% of net sales	*82.8*	*81.6*	*82.2*	*81.4*	*80.9*
EBITDA	**970**	**1,109**	**1,173**	**1,379**	**1,603**
EBITDA Margin (%)	*17.2*	*18.4*	*17.8*	*18.6*	*19.1*
Depreciation & Amortisation	164	176	191	207	222
EBIT	**806**	**933**	**982**	**1,173**	**1,382**
Interest expenses	1	1	0	0	0
Other Income	21	57	46	60	78
EBT bef. Excep. Items	**826**	**989**	**1,028**	**1,233**	**1,460**
Excep. items	0.0	0.0	0.0	0.0	0.0
EBT	**826**	**989**	**1,028**	**1,233**	**1,460**
Provision for tax	269	338	339	407	482
Effective tax rate (%)	*32.5*	*34.1*	*33.0*	*33.0*	*33.0*
Net Profit	**558**	**652**	**689**	**826**	**978**

Source: Company data, Centrum Research Estimates

Exhibit 10: Key Ratios

Y/E Dec	CY12	CY13	CY14E	CY15E	CY16E
Growth Ratio (%)					
Revenue	*3.8*	*6.7*	*9.3*	*12.8*	*13.0*
EBITDA	*0.7*	*14.3*	*5.9*	*17.5*	*16.3*
PAT	*1.0*	*16.9*	*5.7*	*19.9*	*18.4*
Margin Ratios (%)					
PBIT Margin	*14.3*	*15.5*	*14.9*	*15.8*	*16.5*
PBT Margin	*14.7*	*16.4*	*15.6*	*16.6*	*17.4*
PAT Margin	*9.9*	*10.8*	*10.5*	*11.1*	*11.7*
Return Ratios (%)					
ROE	*16.2*	*16.4*	*15.2*	*15.8*	*16.2*
ROCE	*16.3*	*16.4*	*15.2*	*15.8*	*16.2*
ROIC	*20.6*	*22.4*	*23.2*	*25.7*	*28.1*
Turnover Ratios (days)					
Asset turnover ratio (x)	1.6	1.5	1.4	1.4	1.4
Debtors	108	109	105	105	105
Inventory	33	36	35	35	35
Creditors	49	46	50	50	50
Net Working capital	103	111	102	102	102
Gearing Ratio (x)					
Debt-equity	0.0	0.0	0.0	0.0	0.0
Net debt-equity	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Current ratio	3.3	3.9	3.9	4.1	4.3
Dividend					
Dividend per share	4.3	4.5	5.1	6.1	7.2
Dividend Payout (%)	*15.5*	*14.0*	*15.0*	*15.0*	*15.0*
Dividend Yield (%)	*0.8*	*0.9*	*1.0*	*1.2*	*1.4*
Per share Ratios (Rs)					
Basic EPS	27.5	32.1	33.9	40.7	48.2
Fully diluted EPS	27.5	32.1	33.9	40.7	48.2
Book value	169.1	195.6	223.6	257.2	296.9
Cash earnings per share	35.5	40.8	43.4	50.9	59.1
Valuation (x)					
P/E	18.6	15.9	15.1	12.6	10.6
P/BV	3.0	2.6	2.3	2.0	1.7
EV/EBITDA	10.0	8.4	7.5	6.1	4.9
EV/Sales	1.7	1.6	1.4	1.1	0.9
M-Cap/Sales	1.8	1.7	1.6	1.4	1.2

Source: Company data, Centrum Research Estimates

Exhibit 11: Balance Sheet

Y/E Dec(Rs mn)	CY12	CY13	CY14E	CY15E	CY16E
Equity share capital	203	203	203	203	203
Reserves & surplus	3,230	3,768	4,336	5,017	5,824
Shareholders' fund	3,432	3,971	4,539	5,220	6,027
Total debt	0	0	0	0	0
Deferred tax liabilities	76	89	89	89	89
Total Liabilities	**3,508**	**4,060**	**4,628**	**5,309**	**6,116**
Gross block	2,287	2,587	2,812	3,037	3,262
Less: acc. depreciation	1,113	1,252	1,443	1,649	1,871
Net block	1,174	1,336	1,370	1,388	1,391
Capital work in progress	221	54	79	104	129
Investments	0	0	0	0	0
Inventories	513	588	630	711	803
Trade Receivables	1,661	1,789	1,891	2,133	2,410
Cash & cash equivalents	721	1,063	1,572	2,005	2,548
Loans & advances	299	342	360	406	459
Trade payables	759	751	901	1016	1148
Other current liabilities	130	137	144	162	184
Provisions	206	227	234	264	298
Total Assets	**3,508**	**4,060**	**4,628**	**5,309**	**6,116**

Source: Company data, Centrum Research Estimates

Exhibit 12: Cash Flow

Y/E Dec(Rs mn)	CY12	CY13	CY14E	CY15E	CY16E
PBT	**826**	**989**	**1028**	**1233**	**1460**
Interest	(16)	(51)	0	0	0
Depreciation	164	176	191	207	222
Increase in debtors	(168)	(130)	(103)	(241)	(277)
Increase in inventories	(29)	(75)	(42)	(80)	(92)
Increase in loans & advances	29	44	(18)	(46)	(53)
Increase in trade payables	(94)	(4)	149	115	132
Increase in other current liabilities	26	14	7	18	21
Tax	261	354	339	407	482
Cash flow from operations	**502**	**639**	**880**	**828**	**965**
Change in fixed assets	238	242	250	250	250
Cash flow from investments	**(221)**	**(192)**	**(250)**	**(250)**	**(250)**
Change in debt	0	0	0	0	0
Dividends paid	100	106	121	145	172
Interest paid	1	1	0	0	0
Cash flow from financing	**(101)**	**(107)**	**(121)**	**(145)**	**(172)**
Net cash flow	180	341	509	433	543
Opening cash balance	541	721	1063	1572	2005
Closing cash balance	**721**	**1063**	**1572**	**2005**	**2548**

Source: Company data, Centrum Research Estimates

Appendix A

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