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October 29, 2014

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Rico Auto Industries

Reco: Buy

Stock Idea

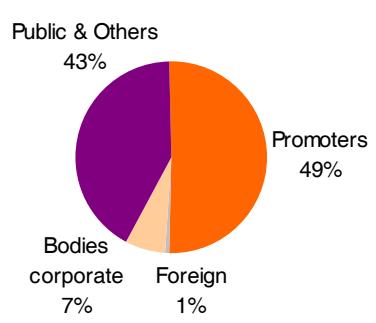
Gets back in shape

CMP: Rs39

Company details

Price target:	Rs55
Market cap:	Rs532 cr
52-week high/low:	Rs42/6
NSE volume: (No of shares)	6.0 lakh
BSE code:	520008
NSE code:	RICOAUTO
Sharekhan code:	RICOAUTO
Free float: (No of shares)	67.5 cr

Shareholding pattern



Price chart



Price performance

	1m	3m	6m	12m
Absolute	11.8	89.5	189.5	517.5
Relative to Sensex	10.6	82.9	140.7	364.9

Key points

- Divestment of stake in joint venture—a game changer: Rico Auto Industries Ltd (RAIL), one of the largest producers of high-pressure non-ferrous die castings for the auto sector, has recently divested its 50% stake in a joint venture with FCC Co., Japan (FCC) for Rs495 crore. The significant cash flow (vis-à-vis a market capitalisation of Rs532 crore) could turn out to be a game changer for the company. It will enable RAIL to deleverage (reduce debt) its balance sheet, significantly lower its interest burden and result in an exponential growth in its earnings and free cash flow.
- Spreading its wings; positioned to benefit from demand revival: With enough resources coming from the divestment and healthy internal accruals, the company is comfortably positioned to commission a new manufacturing plant each in Tamil Nadu (Chennai), Gujarat (Sanand) and Rajasthan (Patherdi). The Chennai and Sanand facilities are expected to be commissioned in Q4FY2015 while the Patherdi facility will come on stream in FY2016. A presence in these auto clusters is expected to help it garner new clients and ride the recovery of demand in the auto sector.
- Near-term performance uncertain: With the divestment of the stake in the joint venture (which accounted for 30% of its revenues in FY2014), the company is likely to witness a drop in the revenues for this year and possibly the next year. However, the margin profile would improve and a lower interest burden would boost the earnings, though the same would materialise only after the company receives the consideration for the stake sale in the joint venture (scheduled for December 2014). In the meantime, the quarterly results of RAIL are likely to remain muted.
- Deleveraging of balance sheet and improvement in operating performance to boost PAT; recommend Buy: With an improvement in the OPM due to higher operating leverage and, more importantly, an easing of the interest burden, we expect the net profit to jump exponentially to Rs69 crore in FY2017 (up from Rs2.7 crore in FY2014) and also lead to a significant improvement in the return ratios. RAIL is currently valued at 2.5x FY2017E EBITDA which leaves scope for significant re-rating of the stock. Thus, we initiate coverage on the company with a Buy recommendation and a price target of Rs55 (4x FY2017E EBITDA).

Valuations

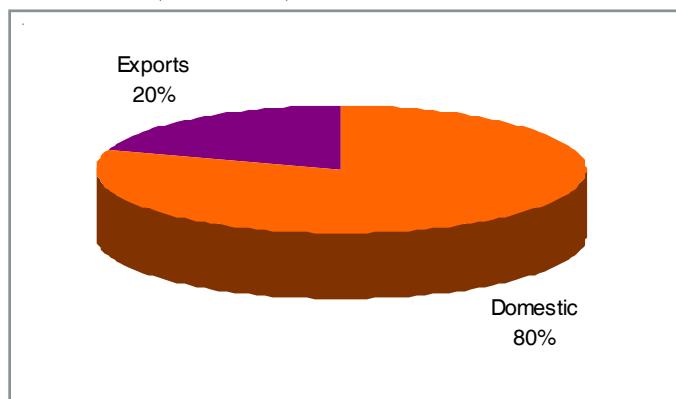
Particulars	FY2013	FY2014	FY2015E*	FY2016E	FY2017E
Net sales (Rs cr)	1,506.0	1,480.1	1,236.8	1,162.5	1,305.4
Growth (%)	0.1	-1.7	-16.4	-6.0	12.3
EBITDA (Rs cr)	117.3	148.5	133.3	137.9	156.5
OPM (%)	7.8	10.0	10.8	11.9	12.0
PAT (Rs cr)	(7.6)	2.7	28.3	53.8	68.7
Growth (%)	n/a	n/a	947.6	90.1	27.8
FD EPS (Rs)	(0.6)	0.2	2.1	4.0	5.1
P/E (x)	n/a	196.9	18.8	9.9	7.7
P/B (x)	1.5	1.5	0.8	0.7	0.7
EV/EBITDA (x)	8.7	5.9	3.4	3.2	2.5
RoE (%)	(2.2)	0.8	5.5	7.7	9.3
RoCE (%)	8.0	9.8	9.9	10.5	12.7

*Excluding FCC Rico financials post-stake sale in September 2014

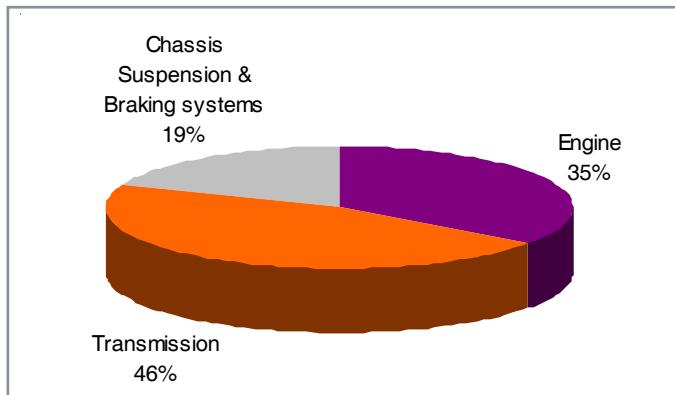
Company background

Established in 1983, RAIL, an engineering company, is primarily engaged in the manufacturing of high-pressure aluminum die cast components and spheroidal graphite (SG) iron castings for the automotive sector. It operates from four locations to supply automotive components to two-wheeler and four-wheeler makers including Hero MotoCorp, the Honda group, Maruti Suzuki and the Tata group. It has one of the largest high-pressure die casting capacity in India and currently produces 45 million high-pressure die cast components per annum. Around 75% of its sales come from aluminium castings while the rest come from ferrous. It also operates through joint ventures and subsidiaries worldwide (exports contribute 20% of its stand-alone revenues).

Revenue mix (stand-alone)



Consolidated revenues--product segment-wise



Investment arguments

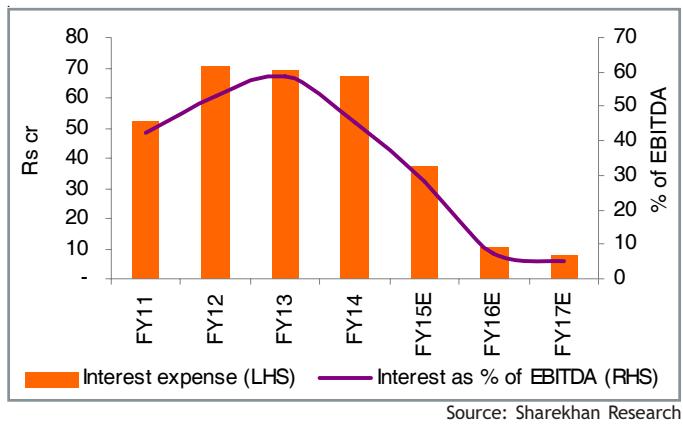
Divestment of joint venture stake; cash infusion to give big relief: In 1996 RAIL had formed a joint venture with FCC for the manufacture of clutch assemblies especially for two-wheelers. In September 2014, RAIL divested its entire 50% stake in the subsidiary in favour of its joint venture partner for a consideration of Rs495 crore. The significant cash inflow (vs a market capitalisation of Rs532 crore) from the deal would help RAIL retire all the debts on its books and also fund capital expenditure (capex) plans for the next few years. The management expects to receive the cash by the end of Q3FY2015. We expect a significant reduction in the interest burden of RAIL which will have a positive impact on the bottom line of the company.

Details of major joint ventures and subsidiaries

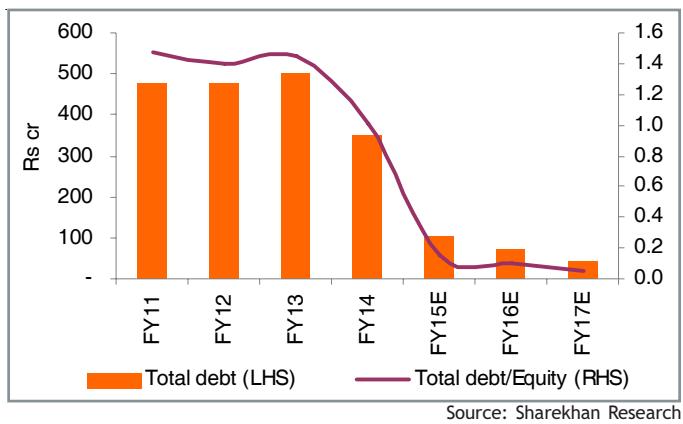
Name	Entity	Stake	Products	Customers
FCC Rico*	Joint venture	50%	Clutch assembly	Two- and four-wheelers
MAGNA Rico Powertrain	Joint venture	50%	Automotive engines (oil and water pumps)	
Rico JINFEI Wheels	Joint venture	92.5%	Aluminum alloy wheels for two-wheelers	Honda, Yamaha, Suzuki, Piaggio
Rico USA	Subsidiary	100%	Auto components, logistics, customer support	OEMs and tier-I customers in N. America, Brazil
Rico UK	Subsidiary	100%	Auto components, logistics, customer support	OEMs and tier-I customers in Europe
RASA Autocom	Subsidiary	100%	High-pressure and gravity die cast	

*RAIL has recently sold its stake in the joint venture

Interest burden as % of EBITDA



Total debt burden



Positive outlook for the auto sector coupled with ongoing expansion plan to drive the growth

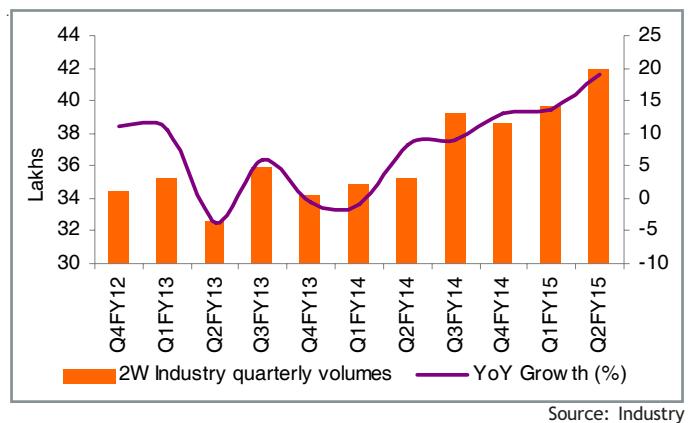
There has been a change in consumer sentiment after the general election results which are reflected in a growth of the passenger vehicle industry and a double-digit growth of the two-wheeler sector. The demand was robust during the recent festive season and we expect the momentum to continue. RAIL is currently in an expansion mode and putting up three new manufacturing facilities to cater to the incremental demand from its existing clients in the wake of a strong revival in auto volumes. The capital outlay for the projects is estimated at Rs150 crore. The Chennai facility, which would supply auto parts to Renault-Nissan, is expected to come on stream by Q4FY2015. The Sanand (Gujarat) facility was envisaged keeping in mind the demand for Tata Nano. However, given the low volumes of the *Nano* model, this facility will be utilised for the other models of Tata Motors. Besides, discussions are in progress with Hero MotoCorp and Maruti Suzuki for supplying to their upcoming plants in Gujarat. The third plant will come up at Patherdi (Bhiwadi) and is expected to be commissioned in FY2016. A presence in these auto clusters is expected to help RAIL obtain new clients.

New upcoming plants

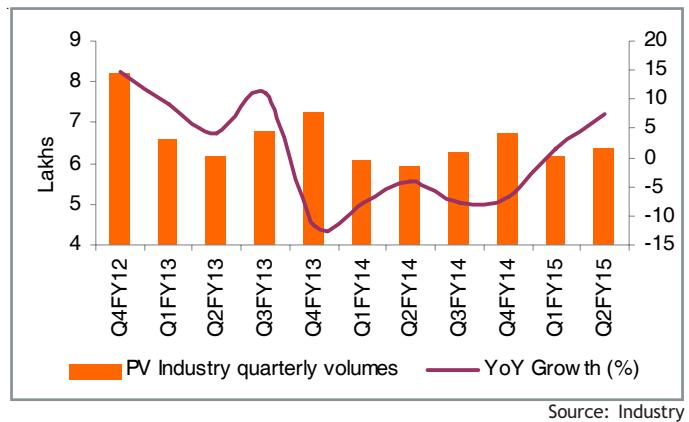
Area	Commencement	Remarks
Sanand, Gujarat	Q4 FY2015	Aluminium casting, machining for Tata Motors
Chennai, T. Nadu	Q4 FY2015	Automotive parts for Renault-Nissan
Patherdi, Rajasthan	FY2016	-

Source: Company

Two-wheeler industry's quarterly volumes



Passenger vehicle industry's quarterly volumes

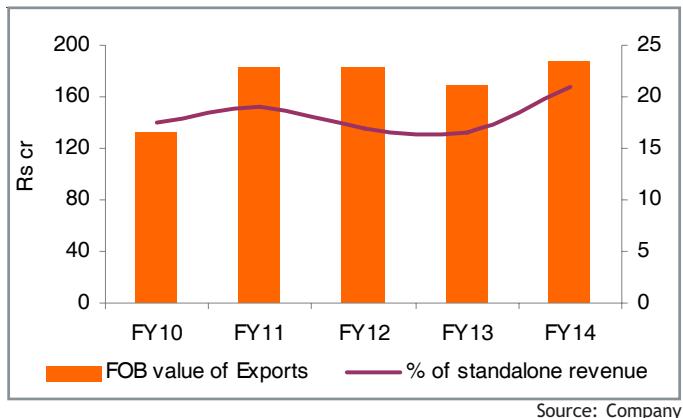


Strong traction in international markets; focused on increasing exports

The company has recently won a few orders from prestigious clients (BMW and GKN) and added new clients. It is leveraging technology to supply more critical and complex automotive parts to international players to create a high-standard competitive position in the export market. RAIL has 100% subsidiaries in the USA and the UK which provide warehousing and logistic support to the clients in these markets. With the improving outlook of the USA and Europe, and a ramp-up in the facilities of its customers, RAIL is increasing its footprint in the business by strengthening the supply-chain to offer its products at most competitive prices with a better delivery record.

The management aims to increase the export revenue contribution to the stand-alone top line to 30% in the next two to three years (from the current level of 20%).

FOB value of exports and % of stand-alone revenues



Strong customer base; wide range of products

Thanks to the inherent nature of its fully integrated production facilities and its capability to offer a full spectrum of services (from the designing of components to the development of tools, casting and precision machinery for auto components), its products are being well accepted by major global original equipment manufacturers (OEMs) and RAIL is also considered as a reliable source of components and assemblies by auto manufacturers worldwide. It has recently added global majors (BMW, Renault, Honeywell, GKN) to its client list and won some healthy orders too. It is well poised to benefit from the improving global auto outlook and capacity expansion by a majority of its clients globally.

Key clients

Segment-wise	North America	Europe	India	Japan and ASEAN
Two-wheelers	-	-	Hero, Bajaj, Yamaha, TVS	Honda, Suzuki
Passenger cars	GM, Ford	BMW, Jaguar, Renault, Nissan, Volvo, Land rover	Hundai, FIAT, Honda, Tata, GM, Renault	GM
Commercial vehicles	Caterpillar, Detroit diesel	Caterpillar, Perkins	Caterpillar, Tata	Caterpillar, Perkins
System suppliers	Magna	Honeywell	Honeywell, Continental	Jatco, Matsusaka Engg.

Risks

RAIL is dependent on the auto sector and any slowdown in the sector will adversely affect its performance at the top line and bottom line levels. The utilisation of the cash from the stake sale for purposes other than to deleverage the balance sheet will be a key risk to our estimates.

Consolidated top line would be under pressure in the near term

The joint venture with FCC, ie FCC Rico, contributed about 30% of the consolidated top line of the company in FY2014 and hence with the divestment of the stake RAIL is likely to witness a drop in the revenues in this year and possibly in the next year. However, the margin profile is likely to improve and a lower interest burden would boost the earnings,

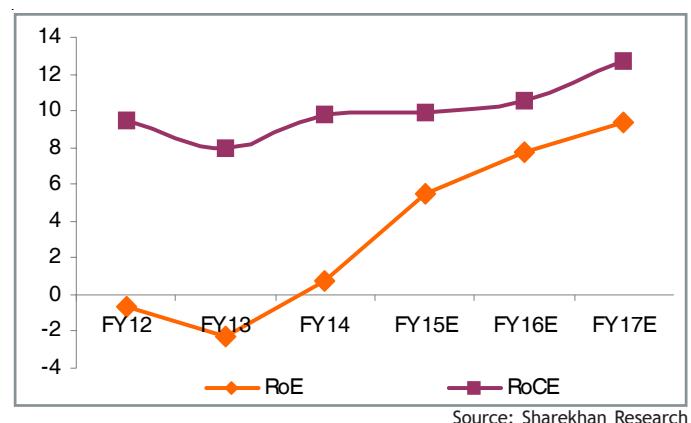
FCF to improve; moderation in capex to provide enough cash cushion

With the aggressive investment phase of the company almost on the verge of completion, RAIL should reap the benefits of a demand improvement with higher operating leverage. We expect the growth in the operating cash flow and moderation in capex plans to drive the free cash flow which would help to retire the mounting debts and fund the ongoing capex plan.

Improving financial health; return ratios to see upward journey

In FY2013, the debt/equity ratio of the company was at 1.4, which reduced to 1.0 in FY2014 as the company trimmed its working capital levels. With significant cash flowing in from the FCC stake sale, RAIL is expected to turn net cash positive in FY2015. Additionally, a reduction in the interest burden will boost the profit after tax (PAT) for the company and improve its return ratios.

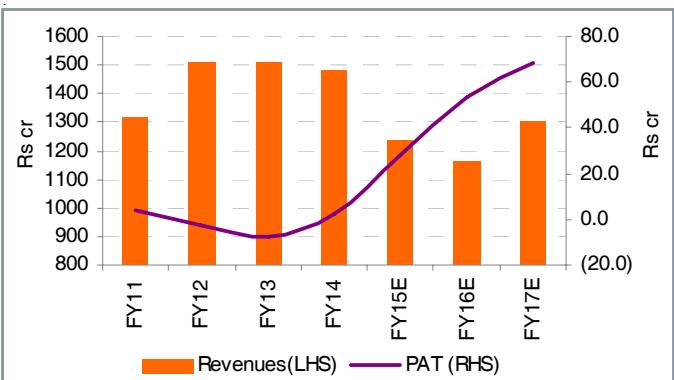
Return ratios



though the same would materialise only after the company receives the consideration for the stake sale (scheduled for December 2014). In the meantime, the quarterly results are likely to remain muted.

Deleveraging of balance sheet and improvement in operating performance to boost PAT; recommend Buy: With an improvement in the OPM due to higher operating leverage and, more importantly, an easing of the interest burden, we expect the net profit to jump exponentially to Rs69 crore in FY2017 (up from Rs2.7 crore in FY2014) and also lead to a significant improvement in the return ratios. RAIL is currently valued at 2.5x FY2017E EBITDA which leaves scope for significant re-rating of the stock. Thus, we initiate coverage on the company with a Buy recommendation and a price target of Rs55 (4x FY2017E EBITDA).

Revenue and PAT trends



Source: Sharekhan Research

Financials

Profit & Loss account

Particulars	FY13	FY14	FY15E	FY16E	FY17E	Rs cr
Net sales	1,506	1,480	1,237	1,162	1,305	
Growth (%)	0.1	(1.7)	(16.4)	(6.0)	12.3	
Operating profit	117	149	133	138	157	
EBITDA	117	149	133	138	157	
Growth (%)	(11.3)	26.6	(10.2)	3.4	13.6	
Depreciation	(87)	(94)	(85)	(85)	(90)	
Other income	40	26	30	34	40	
EBIT	70	80	78	87	106	
Interest paid	(69)	(67)	(37)	(10)	(8)	
PBT (before E/o items)	1	13	40	77	98	
Tax Provision	(8)	(10)	(12)	(23)	(29)	
E/o Income/(Loss)	13	-	330	-	-	
Net profit	5	3	358	54	69	
Adjusted net profit	(8)	3	28	54	69	
Growth (%)	n/a	n/a	947.6	90.1	27.8	
Diluted EPS (Rs)	(0.56)	0.20	2.09	3.98	5.08	
Diluted EPS Growth (%)	n/a	n/a	947.6	90.1	27.8	

Cash flow statement

Particulars	FY13	FY14	FY15E	FY16E	FY17E	Rs cr
Pre-tax profit	14	13	370	77	98	
Depreciation	64	88	45	85	90	
Total tax paid	(10)	(13)	(12)	(23)	(29)	
Chg in working capital	68	130	(68)	0	(21)	
Cash flow from oper. (a)	136	217	336	139	139	
Capital expenditure	(148)	(66)	85	(100)	(78)	
Cash flow from inv. (b)	(148)	(66)	85	(100)	(78)	
Free cash flow (a+b)	(12)	151	421	39	61	
Debt raised/(repaid)	20	(150)	(245)	(32)	(30)	
Dividend (incl. tax)	(3)	(6)	(2)	(24)	(24)	
Other financing activities	0	4	-	-	-	
Cash flow from fin. (c)	17	(152)	(246)	(55)	(54)	
Net chg in cash (a+b+c)	5	(0)	174	(16)	8	

Key ratios

Particulars	FY13	FY14	FY15E	FY16E	FY17E
EBIDTA margin (%)	7.8	10.0	10.8	11.9	12.0
Net margin (%)	(0.5)	0.2	2.3	4.6	5.3
Dividend yield (%)	0.4	0.3	3.8	3.8	3.8
Net debt/Equity (x)	1.4	1.0	(0.1)	(0.1)	(0.2)
Net working capital (days)	26	7	30	30	30
Asset turnover (x)	1.3	1.2	1.0	1.0	1.1
RoCE (%)	8.0	9.8	9.9	10.5	12.7
RoE (%)	(2.2)	0.8	5.5	7.7	9.3
EV/Net sales (x)	0.7	0.6	0.4	0.4	0.3
EV/EBITDA (x)	8.7	5.9	3.4	3.2	2.5
PER (x)	n/a	196.9	18.8	9.9	7.7
Price/Book (x)	1.5	1.5	0.8	0.7	0.7

Balance Sheet

Particulars	FY13	FY14	FY15E	FY16E	FY17E	Rs cr
Equity capital	14	14	14	14	14	
Reserves & surplus	331	335	670	700	745	
Shareholders' funds	344	349	683	714	759	
Total debt	499	349	105	73	43	
Capital Employed	843	698	788	786	802	
Net fixed assets	729	707	577	592	579	
Cash & cash Eq.	11	11	185	169	176	
Net other current assets	144	18	64	64	85	
Net deferred tax assets	(40)	(37)	(38)	(38)	(38)	
Total assets	843	698	788	786	802	

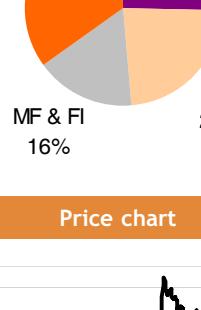
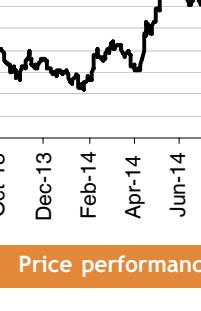
Grasim Industries

Reco: Buy

Stock Update

Cement offsets margin pressure in VSF and chemical; price target revised to Rs4,020

CMP: Rs3,441

Company details												
Price target:				Rs4,020								
Market cap:				Rs31,579 cr								
52 week high/low:				Rs3,755/2,121								
NSE volume: (no. of shares)				0.9 lakh								
BSE code:				500300								
NSE code:				GRASIM								
Sharekhan code:				GRASIM								
Free float: (no. of shares)				6.8 cr								
Shareholding pattern												
 <table border="1"> <tr> <td>Promoter</td> <td>26%</td> </tr> <tr> <td>FII</td> <td>23%</td> </tr> <tr> <td>MF & FI</td> <td>16%</td> </tr> <tr> <td>Public & others</td> <td>35%</td> </tr> </table>					Promoter	26%	FII	23%	MF & FI	16%	Public & others	35%
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FII	23%											
MF & FI	16%											
Public & others	35%											
Price chart												
												
Price performance												
(%)	1m	3m	6m	12m								
Absolute	-6.0	6.0	28.7	26.5								
Relative to Sensex	-7.0	2.2	7.0	-4.8								

Key points

- During Q2FY2015, Grasim Industries (Grasim) reported a decline in the earnings of 11.2% on account of a higher interest (up by 33.3% YoY) and depreciation (up by 13.1% YoY) due to the commissioning of capacities and leveraged acquisition of Gujarat units.
- The revenues for the quarter grew by 15.6% largely driven by a volume growth across divisions: the cement division (volume up by 11% YoY), the VSF division (volume up by 8.5% YoY) and the chemical division (volume up by 28% YoY). We have fine-tuned our earnings estimate for FY2015 to account for an input cost pressure in the VSF division.
- The near-term demand outlook of the cement sector (Grasim is a holding company of UltraTech Cement) remains positive though the VSF business faces a margin pressure owing to the overcapacity in the Chinese market. We have rolled forward our valuation to FY2016 estimate for all its three business verticals and have arrived at a revised price target of Rs4,020. We maintain our Buy rating on the stock.

Results (consolidated)

Particulars	Q2FY15	Q2FY14	YoY %	Q1FY15	QoQ %
Net sales	7,866.4	6,802.1	15.6	7,974.7	-1.4
Total expenditure	6,770.4	5,815.8	16.4	6,826.2	-0.8
Operating profit	1,096.0	986.3	11.1	1,148.5	-4.6
Other Income	181.5	157.1	15.5	339.4	-46.5
EBIDTA	1,277.5	1,143.4	11.7	1,487.8	-14.1
Interest	172.6	119.3	44.6	126.5	36.4
PBDT	1,104.9	1,024.1	7.9	1,361.3	-18.8
Depreciation	404.8	357.7	13.1	357.8	13.1
Extra-ordinary item	-	(18.4)		-	
PBT	700.2	684.7	2.3	1,003.6	-30.2
Tax	153.4	142.3	7.8	304.1	-49.5
Profit before minority interest	546.7	542.4	0.8	699.5	-21.8
Less: Minority interest	130.3	92.0	41.6	212.4	-38.6
Adjusted PAT	416.4	468.7	-11.2	487.1	-14.5
Extra-ordinary item	-	18.4		-	
Reported PAT	416.4	450.3	-7.5	487.1	-14.5
EPS (Rs)	45.4	51.1	-11.2	53.1	-14.5
Margins (%)					
Operating margin	13.9	14.5	-57	14.4	-47
Net margin	7.0	8.0	-102	8.8	-182
Tax rate	21.9	20.8		30.3	

- Consolidated revenue growth driven by higher volume:** The consolidated net sales of Grasim grew by 15.6% year on year (YoY) to Rs7,866.4 crore in the Q2FY2015. The viscose staple fibre (VSF) division posted a 4.5% year-on-year (Y-o-Y) growth on account of lower realisation despite posting a better volume growth (up by 8.5% YoY) as compared with the same period last year. The chemical division grew by 63.9% YoY on account of the higher volume (up by 27.7% YoY) followed by an increased production. The cement division posted an 18.5% Y-o-Y growth in the revenues on the back of an 11% volume growth.
- Operating margins improves overall on account of the cement division:** In Q2FY2015, Grasim on a consolidated basis posted an operating profit of Rs1,096 crore (up by 11.1% YoY). Improvement in the profit before interest and tax (PBIT) margin of the cement (+130 basis points [BPS]) has more than offset the decline in PBIT margins for VSF (-717BPS) and chemical (-549BPS) divisions leading to improvement in the blended margin. However, a higher interest and depreciation further dented the earnings. The adjusted net profit stood at Rs416 crore (-11.2% YoY).
- Expansion on track; balance sheet is strong to fund the capital expenditure (capex):** Grasim's cement grinding capacities will be operational in phases inline with the clinker production. It also plans to set up a 2.9-metric tonne per annum (mtpa) clinker plant at Shambhupura. With the acquisition of a 4.8mtpa capacity of Jaypee Cement's Gujarat cement unit, the total capacity of Grasim is slated to increase to 70mtpa. The present debt-equity (D/E) ratio at 0.42x ensures a comfortable debt raising to fund the capex.
- Maintain Buy with a revised price target of Rs4,020:** The near-term demand outlook of the cement sector (Grasim is a holding company for UltraTech Cement) remains positive though the VSF business faces a margin pressure owing to the overcapacity in the Chinese market. We have rolled forward our valuation to FY2016 estimate for all its three business verticals and arrive at a revised price target of Rs4,020. We maintain our Buy rating on the stock. At the current market price, the stock trades at a price-earnings (P/E) ratio of 16.5x and 14.8x after discounting its FY2015 and FY2016 estimated earnings per share (EPS) respectively.

Valuations (consolidated)

Particulars	FY12	FY13	FY14	FY15E	FY16E
Net sales (Rs cr)	24,984	27,640	29,004	33,632	37,936
Net profit (Rs cr)	2,647	2,500	1,947	1,911	2,131
Growth YoY (%)	22.3	-5.6	-22.1	-1.8	11.5
Shares in issue	9.17	9.17	9.18	9.18	9.18
EPS (Rs)	288.8	272.7	212.0	208.2	232.0
Growth YoY (%)	22.3	-5.6	-22.3	-1.8	11.5
PER (x)	11.9	12.6	16.2	16.5	14.8
P/B (x)	1.8	1.6	1.5	1.3	1.2
EV/EBITDA (x)	5.6	5.6	7.1	6.4	5.2
EV/Sales (x)	1.2	1.1	1.1	1.0	0.8
RoCE (%)	20.5	18.4	13.1	13.1	13.7
RoNW (%)	15.5	12.7	9.0	7.9	7.8

Segmental performance

Cement division

For the quarter, the grey cement sales (including clinker sales) grew by 11.4% YoY to 11.17 million tonne on an account of a better demand in the infrastructure and housing segments. On the realisation front, the cement prices grew by 6.4% YoY.

Consequently, the revenues from the cement division grew by 18.5% YoY to Rs5,772 crore in Q2FY2015. The PBIT margin of the division expanded to 11.0% from 9.7% in the (better demand and acquired Gujarat units reported positive PBIT) corresponding quarter of the previous year. Hence, the PBIT from the cement division grew by 34.4% YoY to Rs635.6 crore.

VSF division

The sales volume for the VSF division increased by 8.5% YoY to 100,927 tonne led by the higher exports and domestic demand. Though the additional volume from Vilayat plant helped in sales volume, average realisation was lower on account of decline in the international prices YoY. Consequently, the net revenues from the VSF division grew by 4.5% YoY to Rs1,711.7 crore.

On the cost front, higher input prices mainly sulphur and coal and higher overheads with commissioning of Vilayat plant dented the PBIT margins of the segment. The PBIT margin of the division declined to 5.7% as against 12.8% in Q2FY2014. Consequently, the PBIT of the division declined by 53.8% YoY to Rs97 crore.

Chemical division

During the quarter, the sales volume of the chemical division increased by 27.7% YoY to 100,052 tonne. The improvement in the volume was on account of the higher production at the Vilayat plant which operated at a 76% capacity utilisation. However, the realisation improved on a Y-o-Y basis on account of firm price of caustic soda. As a result of the higher sales volume, the revenues from the division increased by 63.9% YoY to Rs416 crore. Further, owing to the initial expenses at the Vilayat plant and higher power cost, the PBIT margin contracted by 549 basis points (BPS) YoY to 13.2%. Consequently, the PBIT of the division improved by 15.8% YoY to Rs55 crore.

Segmental performance					Rs cr
Particulars	Q2 FY15	Q2 FY14	YoY %	Q1 FY15	QoQ %
Sectoral revenue					
Cement	5,772.0	4,869.9	18.5	6,032.3	-4.3
VSF & wood pulp	1,711.7	1,637.4	4.5	1,558.6	9.8
Chemical	416.0	253.8	63.9	413.5	0.6
Others	168.5	172.1	-2.0	148.6	13.4
Total	8,068.3	6,933.1	16.4	8,153.0	-1.0
Less inter segment	122.8	84.4	45.4	108.7	13.0
Net sales	7,945.5	6,848.7	16.08,044.3		-1.2
PBIT					
Cement	635.6	472.8	34.4	809.4	-21.5
VSF & wood pulp	97.0	210.1	-53.8	19.8	389.5
Chemical	55.0	47.5	15.8	66.8	-17.8
Others	16.7	10.2	64.6	10.7	56.3
Total	804.2	740.6	8.6	906.7	-11.3
PBIT margins (%)					
Cement	11.0	9.7	130BPS	13.4	-241BPS
VSF & wood pulp	5.7	12.8	-717BPS	1.3	439BPS
Chemical	13.2	18.7	-549BPS	16.2	-295BPS

Segment-wise volume

Particulars	Q2 FY15	Q2 FY14	YoY %	Q1 FY15	QoQ %
Sales volumes tonne					
Cement	11.17	10.03	11.4	12.42	-10.1
VSF	100927	93025	8.5	86389	16.8
Caustic	100052	78356	27.7	96093	4.1
Realisation Rs/tonne (reported by mgmt)					
Cement	5167	4855	6.4	4857	6.4
VSF	169600	176016	-3.6	180414	-6.0
Chemicals	41577	32393	28.4	43031	-3.4

Capex plan at consolidated level

Cement capacity to reach 70mtpa after expansion: UltraTech Cement will be adding 12.1mtpa capacity in a phased manner with a total capex of Rs4,362 crore. With the acquisition of 4.8mtpa capacity of Jaypee Cement's Gujarat cement unit, the total capacity of Grasim is slated to increase to 70mtpa. Further, to meet the power requirement, the company is also setting up captive power plants (a 25-megawatt [MW] thermal power plant and a 45MW waste heat recovery plant) at a cost of Rs408 crore.

On the VSF front: In order to achieve a volume growth, the company is increasing its VSF capacity by the Greenfield project of 120,000 TPA at Vilayat, Gujarat at a cost of Rs2,132 crore. The company has successfully commissioned its first- and second-line with a total capacity of 77,000 tonne per annum. The trial run of the next two is currently underway.

Chemical: In the chemical division, the company has commissioned 182,500 tonne of caustic capacity with a 60MW power plant at Vilayat.

Funding of capex: The funding of the new capacity addition in the cement, VSF and chemical division will be met through a mix of internal accruals and borrowings. The present D/E ratio stands at 0.42x, which ensures a strong balance sheet and a comfortable debt raising to fund the capex.

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