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| Rating Information | |
|-----------------------------|-------------|
| Price (Rs) | 426 |
| Target Price (Rs) | 481 |
| Target Date | 31st Dec'18 |
| Target Set On | 4th Dec'17 |
| Implied yrs of growth (DCF) | 15 |
| Fair Value (DCF) | 403 |
| Fair Value (DDM) | 126 |
| Ind Benchmark | BSEAUTO |
| Model Portfolio Position | NA |

| Stock Information | |
|-------------------------|-----------|
| Market Cap (Rs Mn) | 9,348 |
| Free Float (%) | 47.30 % |
| 52 Wk H/L (Rs) | 512/389.3 |
| Avg Daily Volume (1yr) | 49,768 |
| Avg Daily Value (Rs Mn) | 22 |
| Equity Cap (Rs Mn) | 110 |
| Face Value (Rs) | 5 |
| Bloomberg Code | ATA IN |

| Ownership | Recent | 3M | 12M |
|-----------|--------|--------|--------|
| Promoters | 52.7 % | 0.0 % | 0.0 % |
| DII | 12.6 % | 1.0 % | 2.2 % |
| FII | 4.3 % | -0.8 % | -0.6 % |
| Public | 30.4 % | -0.2 % | -1.6 % |

| Price % | 1M | 3M | 12M |
|-------------|--------|---------|---------|
| Absolute | -3.5 % | -7.3 % | -0.4 % |
| Vs Industry | -2.1 % | -11.2 % | -27.1 % |
| Bajaj Auto | -0.6 % | 9.7 % | 18.4 % |
| TVS Motors | 4.8 % | 18.5 % | 103.2 % |

Standalone Quarterly EPS forecast

| Rs/Share | 1Q | 2Q | 3Q | 4Q |
|-----------|-----|-----|-----|-----|
| EPS (17A) | 2.2 | 6.2 | 5.5 | 2.8 |
| EPS (18E) | 3.5 | 7.6 | 5.9 | 5.9 |

Atul Auto Ltd.

2QFY18 Results: Estimate (↓), TP (↔), Rating (↔)

Regular Coverage

Absolute: ADD

Relative: Benchmark

13% ATR in 13 Months

Margins surprise in 2Q, but unlikely to sustain - maintain ADD

Auto OEM

Atul Auto's (ATA) 2QFY18 results surprised positively driven by gross margin expansion (+213bps qoq) and lower other expenses (-14% qoq). However, we don't expect margins to sustain given that prices of steel, a key raw material, are on an uptrend; moreover, operating leverage benefits in 2Q would see a reversal ahead. As highlighted in our last note, a ramp-up in electric 3Ws is crucial for ATA's volume growth as the market shifts towards this segment; however, progress on this front has been rather slow. As of now ATA sells electric 3Ws in Gujarat and Bihar only, but plans to roll out the product in more states. We pare FY18/FY19E volumes by 2%/3%, leading to a 4% cut in our FY19E EPS, even as our FY18 EPS stands upgraded by 5% on the 2Q beat. We roll over to a Dec'18 TP of Rs 481 (from a Sep'18 TP of Rs 482). Maintain ADD.

E-rickshaw to be rolled out across more states (from two currently): ATA is currently selling e-rickshaws in Gujarat and Bihar only, but plans to roll it out in more states going ahead. While the market for e-rickshaws is large in northern India, our channel interactions suggest that the market should open up in southern India where the vehicle is fast gaining approval (recently approved by Karnataka and Telangana). However, there are a large number of players in the market and most of them are sourcing motors and controllers from China, leading to limited product differentiation and therefore lower pricing power. We believe offering warranty on the vehicle could enable ATA in differentiating itself from competition.

Margins unlikely to sustain amid rising steel prices: Gross margins expanded 213bps qoq despite only a 1% qoq increase in ASPs, likely on lower RM prices and a favorable product mix. However, given the uptrend in steel prices, we expect gross margins to contract in 3Q and more so in 4QFY18. 2Q also benefited from operating leverage due to high volumes, which would reverse from 3Q.

Exports a large opportunity but meaningful presence 2-3 years away: ATA currently exports to 11-12 countries in Africa, Latin America and SE Asia, with a monthly run-rate of 250-300, which is marginal compared to large 3W exports from India. ATA's exports to Bangladesh (a 100-150 monthly run-rate earlier) have declined post a 3W ban on the country's highways. Management intends to make exports meaningful in the next 2-3 years.

Change In Estimates

| Rs Mn | Current | | Change from previous (%) | |
|--------|---------|-------|--------------------------|-------|
| | FY18E | FY19E | FY18E | FY19E |
| Sales | 5,648 | 6,293 | -0.9% | -4.6% |
| EBITDA | 810 | 890 | 5.7% | -3.9% |
| PAT | 515 | 562 | 4.7% | -4.2% |
| EPS | 22.9 | 25.1 | 4.7% | -4.2% |

Consolidated Financials

| Rs. Mn YE Mar | FY17A | FY18E | FY19E | FY20E |
|------------------|-------|-------|-------|-------|
| Sales | 4,753 | 5,648 | 6,293 | 7,174 |
| EBITDA | 594 | 810 | 890 | 1,044 |
| Depreciation | 53 | 57 | 65 | 95 |
| Interest Expense | 6 | 2 | 0 | 0 |
| Other Income | 27 | 19 | 19 | 33 |
| Reported PAT | 373 | 515 | 562 | 653 |
| Recurring PAT | 371 | 512 | 562 | 653 |
| Total Equity | 1,791 | 2,147 | 2,538 | 2,992 |
| Gross Debt | 0 | 0 | 0 | 0 |
| Cash | 555 | 238 | 330 | 644 |

| Rs. Mn YE Mar | FY17A | FY18E | FY19E | FY20E |
|-------------------|-------|-------|-------|-------|
| Earnings | 16.6 | 22.9 | 25.1 | 29.1 |
| Book Value | 80 | 96 | 113 | 134 |
| Dividends | 4.8 | 5.9 | 6.4 | 7.3 |
| FCFF | 24.4 | -7.3 | 11.8 | 22.8 |
| P/E (x) | 25.7 | 18.6 | 17.0 | 14.6 |
| P/B (x) | 5.3 | 4.4 | 3.8 | 3.2 |
| EV/EBITDA (x) | 14.9 | 11.3 | 10.2 | 8.4 |
| ROE (%) | 22 % | 26 % | 24 % | 24 % |
| Core ROIC (%) | 24 % | 30 % | 25 % | 26 % |
| EBITDA Margin (%) | 13 % | 14 % | 14 % | 15 % |
| Net Margin (%) | 8 % | 9 % | 9 % | 9 % |

Earnings call takeaways

Industry overview

- The auto industry grew at 9.57% in 1HFY18 on yoy basis, with 9.40% domestic growth and 10.71% exports growth.
- While 3W volumes remained flat for 1HFY18, 2H should see better volumes as the impact of demonetization and GST wane. Domestic 3W industry volumes have declined by 10% during 2HFY18 whereas exports volumes have increased by 19%.
- 3W industry volumes grew by 8.12% qoq in 2QFY18, with domestic volume growth at 4.06% and exports growth at 15.3% qoq. During the quarter, overall sales grew by 34.47% qoq, with domestic growth at 47% and exports growth at 18.13%.

ATA performance

- During 2QFY18, ATA sold 12,224 units as against 8,924 units in 1QFY18 and 11,761 units in 2QFY17.
- Export volumes stood at 1,594 units for 1HFY18 (vs. 844 for 1HFY17).
- Gross margins have improved sequentially due to (a) better realizations, and (b) economization and negotiation with vendors. No significant contribution was seen from changes in the exports mix.
- Other expenses included Rs 3.4mn on account of CST in 2QFY17.
- ATA has declared an interim dividend of Rs 2.75/share.
- 3W market share of ATA across its focus segments is as follows: diesel 3W >15%, cargo 3Ws 17%, overall domestic market 7% (vs. well below 5% two years back).
- The company's pricing is at par with the market leader and there is no price distinction between eastern and western states.

Outlook

- The current monthly volume rate is >3,400 units; by year-end, the company should be able to clock double-digit growth off a low base of last year from November onwards.
- In FY19, the export volume run-rate should be >500 units. The company would see significant contribution from export sales next fiscal, with the proportion likely at >10% of overall sales in the next two years.
- ATA is keen on participating in the Maharashtra market; however, it is already selling diesel cargo in the Mumbai market, and should obtain all necessary approvals by this fiscal-end. For Maharashtra, the sale of diesel passenger vehicles has been banned.
- Capex for the rest of FY18 would be maintenance capex only; management will decide on the greenfield expansion once capacity utilization touches 75-80%.
- Currently, ATA sources diesel engines from Greaves Cotton, and should be ready with BS-VI engines before the deadline. Petrol engines are manufactured by the company itself.
- Management believes that the current level of EBITDA margins should be sustainable, and in fact improve on qoq basis going ahead.
- As of now, ATA is present in 11 countries of the total 33 countries in the world that consume 3Ws. In the next 5 years, it intends to be present in all these 33 countries.
- ATA has ~200 primary dealers and ~120 secondary dealers; by FY18-end, the number of primary dealers would increase to ~220. Major network expansion would happen in FY19.

EV opportunity

- While EVs have huge potential in India, certain commercial issues have to be resolved first, such as higher charging time and smaller lifecycle of lead acid batteries.
- ATA has launched EVs in Gujarat and Bihar, and also sold few vehicles in Maharashtra and Karnataka; it is looking to introduce EVs across its network in 2-3 months.
- Eastern states are emerging markets for EV 3Ws, and should contribute significantly to the sales pie going ahead.
- Realization for EVs is significantly lower than diesel vehicles; however, the margin profile is largely similar.

Quarterly performance, standalone

| Rs Mn | 2QFY18 | 2QFY18E | 1QFY18 | 2QFY17 | % Change | | | Comments |
|---------------------------|--------------|--------------|--------------|--------------|------------|-------------|------------|----------|
| | | | | | 2QFY18E | 1QFY18 | 2QFY17 | |
| Net Sales | 1,599 | 1,592 | 1,165 | 1,435 | 0% | 37% | 11% | |
| Raw material | 1,149 | 1,175 | 863 | 1,028 | -2% | 33% | 12% | |
| Employee Cost | 108 | 108 | 98 | 101 | 0% | 10% | 6% | |
| Other Expenses | 72 | 92 | 84 | 86 | -22% | -14% | -16% | |
| Total Expenditures | 1,329 | 1,375 | 1,044 | 1,215 | -3% | 27% | 9% | |
| EBITDA | 269 | 216 | 121 | 220 | 24% | 123% | 22% | |
| Depreciation | 13 | 16 | 13 | 13 | -16% | 2% | 2% | |
| EBIT | 256 | 201 | 108 | 207 | 28% | 137% | 24% | |
| Interest | 1 | 0 | 1 | 4 | NA | -30% | -81% | |
| Other Income | 6 | 8 | 5 | 10 | -28% | 6% | -43% | |
| PBT | 261 | 209 | 112 | 213 | 25% | 133% | 22% | |
| Tax | 91 | 70 | 34 | 75 | 30% | 167% | 21% | |
| Recurring PAT | 170 | 139 | 78 | 138 | 23% | 118% | 23% | |
| Extraordinaries | 0 | 0 | -2 | 0 | | | | |
| Reported PAT | 170 | 139 | 80 | 138 | 23% | 111% | 23% | |
| EPS (Rs) | 7.6 | 6.2 | 3.5 | 6.2 | 23% | 118% | 23% | |
| EBITDA Margin | 16.8% | 13.6% | 10.4% | 15.3% | 325 bps | 647 bps | 151 bps | |
| EBIT Margin | 16.0% | 12.6% | 9.3% | 14.4% | 340 bps | 676 bps | 159 bps | |
| PBT Margin | 16.3% | 13.1% | 9.6% | 14.9% | 323 bps | 670 bps | 146 bps | |
| PAT Margin | 10.6% | 8.7% | 6.9% | 9.6% | 192 bps | 373 bps | 101 bps | |
| Tax Rate | 34.9% | 33.5% | 30.4% | 35.3% | 137 bps | 447 bps | -39 bps | |
| 3W Sales | 12,224 | 12,224 | 8,974 | 11,761 | 0% | 36% | 4% | |
| ASP (Rs/unit) | 1,30,767 | 1,30,198 | 1,29,853 | 1,22,005 | 0% | 1% | 7% | |
| EBITDA/unit (Rs) | 22,030 | 17,707 | 13,472 | 18,706 | 24% | 64% | 18% | |
| Cost as % of Sales | | | | | | | | |
| RM | 71.9% | 73.8% | 74.0% | 71.6% | -191 bps | -213 bps | 28 bps | |
| Employee Cost | 6.7% | 6.8% | 8.4% | 7.1% | -6 bps | -167 bps | -32 bps | |
| Other Expenses | 4.5% | 5.8% | 7.2% | 6.0% | -128 bps | -267 bps | -148 bps | |

Company Snapshot

How we differ from Consensus

| | | Equirus | Consensus | % Diff | Comment |
|-------|-------|---------|-----------|--------|---|
| EPS | FY18E | 22.9 | 22.2 | 3 % | We are below consensus in FY19 due to lower growth and margin assumptions |
| | FY19E | 25.1 | 27.4 | -8 % | |
| Sales | FY18E | 5,648 | 5,676 | 0 % | |
| | FY19E | 6,293 | 6,598 | -5 % | |
| PAT | FY18E | 515 | 489 | 5 % | |
| | FY19E | 562 | 606 | -7 % | |

Key Investment arguments:

- Network expansion and better value proposition to drive 9% sales CAGR over FY16-FY19E
- Exports offer a big opportunity with demand from Africa, but stabilization of its petrol/CNG vehicles may take more time.

Key Estimates:

| Particulars | FY17 | FY18E | FY19E | FY20E |
|------------------------|----------|----------|----------|----------|
| Domestic 3W Sales | 36,507 | 40,223 | 43,609 | 47,970 |
| yoy Change (%) | -14% | 10% | 8% | 10% |
| Domestic ASP (Rs/unit) | 1,22,826 | 1,31,545 | 1,34,284 | 1,38,343 |
| yoy Change (%) | 2% | 7% | 2% | 3% |
| Export 3W Sales | 2,288 | 3,002 | 3,723 | 4,467 |
| yoy Change (%) | 49% | 31% | 24% | 20% |
| Export ASP (Rs/unit) | 1,11,941 | 1,14,483 | 1,17,366 | 1,20,314 |
| yoy Change (%) | -9.6% | 2.3% | 2.5% | 2.5% |
| EBITDA Margin (%) | 12.5% | 14.3% | 14.1% | 14.5% |

Key Triggers

- Launch of petrol/CNG variants in 3W domestic and export markets.

| Sensitivity to Key Variables | % Change | % Impact on EPS |
|------------------------------|----------|-----------------|
| EBITDA Margin | 1 % | 7 % |
| - | - | - |
| - | - | - |

DCF Valuations & Assumptions

| Rf | Beta | Ke | Term. Growth | Debt/IC in Term. Yr |
|-------|------|--------|--------------|---------------------|
| 6.8 % | 1.1 | 13.4 % | 2.5 % | 0.0 % |

| | FY18E | FY19E | FY20-22E | FY23-27E | FY28-32E |
|--------------|--------|--------|----------|----------|----------|
| Sales Growth | 19 % | 11 % | 13 % | 12 % | 9 % |
| NOPAT Margin | 9 % | 9 % | 9 % | 10 % | 10 % |
| IC Turnover | 2.79 | 2.69 | 3.56 | 4.30 | 4.30 |
| RoIC | 29.7 % | 25.2 % | 33.5 % | 45.1 % | 44.8 % |

| | | | | | |
|---------------------------|-----|-----|-----|-----|-----|
| Years of strong growth | 1 | 2 | 5 | 10 | 15 |
| Valuation as on date (Rs) | 170 | 172 | 256 | 318 | 353 |
| Valuation as of Dec'18 | 195 | 196 | 293 | 364 | 403 |

Based on DCF, assuming 15 years of 13% CAGR sales growth and 41% average ROIC, we derive our fair value of Rs 403 for 31th Dec'18.

Company Description:

Headquartered at Rajkot, Atul Auto is the leading manufacturer of 3-Wheeler Commercial Vehicles in the state of Gujarat, presently engaged in the manufacture of Three Wheelers like 6-seater Auto Rickshaws, Pick-Up Vans and Chassis of Passenger Vehicles. These vehicles are marketed under the brand name of KHUSHBU, which is well established and very popular. Atul Auto pioneered motorized rural transport in Gujarat, with multipurpose vehicle called the Chhakada.

| Comparable valuation | | | Mkt Cap Rs. Mn. | Price Target | Target Date | EPS | | | P/E | | | BPS | | P/B | | RoE | | | Div Yield | |
|----------------------|--------|-------|-----------------|--------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|-------|
| Company | Reco. | CMP | | | | FY17A | FY18E | FY19E | FY17A | FY18E | FY19E | FY17A | FY18E | FY17A | FY18E | FY17A | FY18E | FY19E | FY17A | FY18E |
| Atul Auto | ADD | 426 | 9,348 | 481 | 31st Dec'18 | 16.6 | 22.9 | 25.1 | 25.7 | 18.6 | 17.0 | 80.0 | 4.4 | 22 % | 26 % | 24 % | 1.1 % | 1.4 % | | |
| Bajaj Auto | REDUCE | 3,199 | 9,25,598 | 2,974 | Dec'18 | 141.0 | 144.9 | 160.1 | 22.7 | 22.1 | 20.0 | 617.1 | 4.7 | 26 % | 22 % | 22 % | 1.7 % | 1.9 % | | |
| TVS | NR | 728 | 3,45,863 | NR | NR | 11.4 | 15.5 | 20.9 | 63.9 | 47.0 | 34.8 | 17.6 | 43.9 | 26 % | 17 % | 17 % | 0.3 % | 0.2 % | | |

Standalone Quarterly Earnings Forecast and Key Drivers

| Rs in Mn | 1Q17A | 2Q17A | 3Q17A | 4Q17A | 1Q18A | 2Q18A | 3Q18E | 4Q18E | 1Q19E | 2Q19E | 3Q19E | 4Q19E | FY17A | FY18E | FY19E | FY20E |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Revenue | 930 | 1,435 | 1,348 | 1,041 | 1,165 | 1,599 | 1,440 | 1,444 | 1,293 | 1,756 | 1,608 | 1,636 | 4,753 | 5,648 | 6,293 | 7,174 |
| Raw material | 676 | 1,045 | 1,009 | 735 | 838 | 1,139 | 1,058 | 1,062 | 950 | 1,291 | 1,182 | 1,202 | 3,465 | 4,097 | 4,625 | 5,273 |
| Change in Inventory & FG | -2 | -18 | -41 | 52 | 25 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | -9 | 35 | 0 | 0 |
| Employee Cost | 106 | 101 | 100 | 85 | 98 | 108 | 95 | 97 | 106 | 115 | 103 | 106 | 393 | 398 | 430 | 476 |
| Other Expenses | 67 | 86 | 90 | 67 | 84 | 72 | 76 | 77 | 75 | 102 | 88 | 82 | 309 | 309 | 347 | 381 |
| User Defined Common Expense 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBITDA | 83 | 220 | 189 | 103 | 121 | 269 | 210 | 209 | 162 | 249 | 235 | 245 | 594 | 810 | 890 | 1,044 |
| Depreciation | 13 | 13 | 13 | 14 | 13 | 13 | 15 | 15 | 15 | 16 | 16 | 16 | 53 | 57 | 65 | 95 |
| EBIT | 70 | 207 | 175 | 89 | 108 | 256 | 195 | 194 | 146 | 232 | 218 | 229 | 541 | 753 | 826 | 949 |
| Interest | 1 | 4 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 2 | 0 | 0 |
| Other Income | 3 | 10 | 13 | 1 | 5 | 6 | 4 | 5 | 5 | 6 | 3 | 5 | 27 | 19 | 19 | 33 |
| PBT | 73 | 213 | 188 | 89 | 112 | 261 | 199 | 199 | 152 | 238 | 221 | 234 | 562 | 771 | 845 | 982 |
| Tax | 24 | 75 | 65 | 27 | 34 | 91 | 67 | 67 | 51 | 80 | 74 | 78 | 191 | 258 | 283 | 329 |
| Recurring PAT | 48 | 138 | 123 | 62 | 78 | 170 | 132 | 132 | 101 | 158 | 147 | 156 | 371 | 512 | 562 | 653 |
| Extraordinary | -2 | 0 | 0 | 0 | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2 | -2 | 0 | 0 |
| Reported PAT | 50 | 138 | 123 | 62 | 80 | 170 | 132 | 132 | 101 | 158 | 147 | 156 | 373 | 515 | 562 | 653 |
| EPS (Rs) | 2.16 | 6.17 | 5.49 | 2.77 | 3.49 | 7.59 | 5.90 | 5.90 | 4.50 | 7.08 | 6.57 | 6.94 | 16.58 | 22.88 | 25.09 | 29.14 |
| Key Drivers | | | | | | | | | | | | | | | | |
| 3W Sales | 7,606 | 11,761 | 11,043 | 8,385 | 8,974 | 12,224 | 11,000 | 11,027 | 9,911 | 13,166 | 12,110 | 12,144 | 38,795 | 43,225 | 47,332 | 52,437 |
| ASP (Rs/unit) | 1,22,272 | 1,22,005 | 1,22,032 | 1,24,103 | 1,29,853 | 1,30,767 | 1,30,903 | 1,30,992 | 1,30,461 | 1,33,366 | 1,32,797 | 1,34,696 | 1,22,518 | 1,30,669 | 1,32,954 | 1,36,807 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sequential Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | -28 % | 54 % | -6 % | -23 % | 12 % | 37 % | -10 % | 0 % | -10 % | 36 % | -8 % | 2 % | - | - | - | - |
| Raw material | -29 % | 55 % | -3 % | -27 % | 14 % | 36 % | -7 % | 0 % | -10 % | 36 % | -8 % | 2 % | - | - | - | - |
| EBITDA | -52 % | 166 % | -14 % | -45 % | 17 % | 123 % | -22 % | 0 % | -23 % | 54 % | -6 % | 4 % | - | - | - | - |
| EBIT | -56 % | 196 % | -15 % | -49 % | 22 % | 137 % | -24 % | 0 % | -25 % | 59 % | -6 % | 5 % | - | - | - | - |
| Recurring PAT | -55 % | 186 % | -11 % | -50 % | 26 % | 118 % | -22 % | 0 % | -24 % | 57 % | -7 % | 6 % | - | - | - | - |
| EPS | -55 % | 186 % | -11 % | -50 % | 26 % | 118 % | -22 % | 0 % | -24 % | 57 % | -7 % | 6 % | - | - | - | - |
| Yearly Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | -13 % | 0 % | -11 % | -20 % | 25 % | 11 % | 7 % | 39 % | 11 % | 10 % | 12 % | 13 % | -10 % | 19 % | 11 % | 14 % |
| EBITDA | -30 % | 0 % | -25 % | -41 % | 46 % | 22 % | 11 % | 104 % | 34 % | -8 % | 12 % | 17 % | -22 % | 36 % | 10 % | 17 % |
| EBIT | -34 % | 1 % | -26 % | -45 % | 54 % | 24 % | 11 % | 119 % | 35 % | -9 % | 12 % | 18 % | -24 % | 39 % | 10 % | 15 % |
| Recurring PAT | -32 % | 3 % | -23 % | -43 % | 62 % | 23 % | 8 % | 113 % | 29 % | -7 % | 11 % | 18 % | -22 % | 38 % | 10 % | 16 % |
| EPS | -32 % | 3 % | -23 % | -43 % | 62 % | 23 % | 8 % | 113 % | 29 % | -7 % | 11 % | 18 % | -22 % | 38 % | 10 % | 16 % |
| Margin (%) | | | | | | | | | | | | | | | | |
| EBITDA | 9 % | 15 % | 14 % | 10 % | 10 % | 17 % | 15 % | 15 % | 12 % | 14 % | 15 % | 15 % | 13 % | 14 % | 14 % | 15 % |
| EBIT | 8 % | 14 % | 13 % | 9 % | 9 % | 16 % | 14 % | 13 % | 11 % | 13 % | 14 % | 14 % | 11 % | 13 % | 13 % | 13 % |
| PBT | 8 % | 15 % | 14 % | 9 % | 10 % | 16 % | 14 % | 14 % | 12 % | 14 % | 14 % | 14 % | 12 % | 14 % | 13 % | 14 % |
| PAT | 5 % | 10 % | 9 % | 6 % | 7 % | 11 % | 9 % | 9 % | 8 % | 9 % | 9 % | 10 % | 8 % | 9 % | 9 % | 9 % |

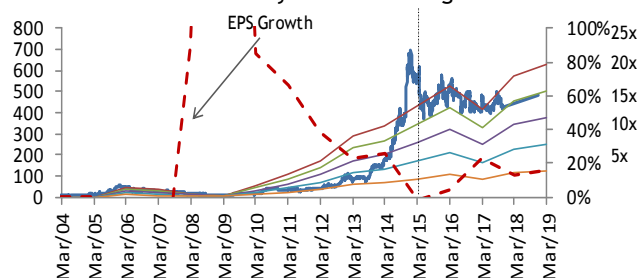
Consolidated Financials

| P&L (Rs Mn) | FY17A | FY18E | FY19E | FY20E |
|----------------------|-------|-------|-------|-------|
| Revenue | 4,753 | 5,648 | 6,293 | 7,174 |
| Op. Expenditure | 4,159 | 4,838 | 5,403 | 6,130 |
| EBITDA | 594 | 810 | 890 | 1,044 |
| Depreciation | 53 | 57 | 65 | 95 |
| EBIT | 541 | 753 | 826 | 949 |
| Interest Expense | 6 | 2 | 0 | 0 |
| Other Income | 27 | 19 | 19 | 33 |
| PBT | 562 | 771 | 845 | 982 |
| Tax | 191 | 258 | 283 | 329 |
| PAT bef. MI & Assoc. | 371 | 512 | 562 | 653 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Profit from Assoc. | 0 | 0 | 0 | 0 |
| Recurring PAT | 371 | 512 | 562 | 653 |
| Extraordinaires | -2 | -2 | 0 | 0 |
| Reported PAT | 373 | 515 | 562 | 653 |
| FDEPS (Rs) | 16.6 | 22.9 | 25.1 | 29.1 |
| DPS (Rs) | 4.8 | 5.9 | 6.4 | 7.3 |
| CEPS (Rs) | 18.9 | 25.4 | 28.0 | 33.4 |
| FCFPS (Rs) | 24.4 | -7.3 | 11.8 | 22.8 |
| BVPS (Rs) | 80.0 | 95.9 | 113.3 | 133.6 |
| EBITDAM (%) | 13 % | 14 % | 14 % | 15 % |
| PATM (%) | 8 % | 9 % | 9 % | 9 % |
| Tax Rate (%) | 34 % | 34 % | 34 % | 34 % |
| Sales Growth (%) | -10 % | 19 % | 11 % | 14 % |
| FDEPS Growth (%) | -22 % | 38 % | 10 % | 16 % |

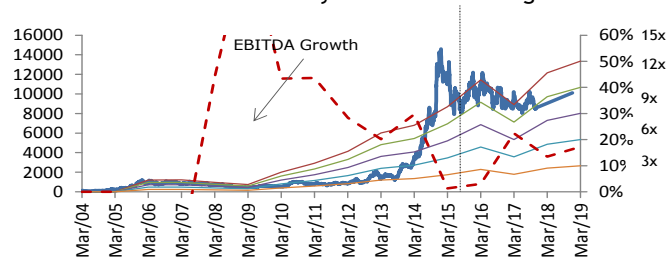
| Balance Sheet (Rs Mn) | FY17A | FY18E | FY19E | FY20E |
|----------------------------|-------|-------|-------|-------|
| Equity Capital | 112 | 112 | 112 | 112 |
| Reserve | 1,679 | 2,035 | 2,426 | 2,880 |
| Networth | 1,791 | 2,147 | 2,538 | 2,992 |
| Long Term Debt | 0 | 0 | 0 | 0 |
| Def Tax Liability | 66 | 72 | 72 | 72 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Account Payables | 360 | 520 | 589 | 672 |
| Other Curr Liabi | 223 | 286 | 315 | 350 |
| Total Liabilities & Equity | 2,439 | 3,025 | 3,513 | 4,086 |
| Net Fixed Assets | 903 | 840 | 1,259 | 1,264 |
| Capital WIP | 0 | 234 | 0 | 0 |
| Others | 118 | 122 | 122 | 122 |
| Inventory | 362 | 452 | 512 | 584 |
| Account Receivables | 478 | 1,099 | 1,244 | 1,420 |
| Other Current Assets | 23 | 41 | 46 | 53 |
| Cash | 555 | 238 | 330 | 644 |
| Total Assets | 2,439 | 3,025 | 3,513 | 4,086 |
| Non-cash Working Capital | 281 | 785 | 898 | 1,034 |
| Cash Conv Cycle | 21.6 | 50.7 | 52.1 | 52.6 |
| WC Turnover | 16.9 | 7.2 | 7.0 | 6.9 |
| FA Turnover | 5.3 | 5.3 | 5.0 | 5.7 |
| Net D/E | -0.3 | -0.1 | -0.1 | -0.2 |
| Revenue/Capital Employed | 2.7 | 2.8 | 2.6 | 2.5 |
| Capital Employed/Equity | 1.0 | 1.0 | 1.0 | 1.0 |

| Cash Flow (Rs Mn) | FY17A | FY18E | FY19E | FY20E |
|--------------------|-------|-------|-------|-------|
| PBT | 562 | 771 | 845 | 982 |
| Depreciation | 53 | 57 | 65 | 95 |
| Others | 2 | 2 | 0 | 0 |
| Taxes Paid | 191 | 258 | 283 | 329 |
| Change in WC | 260 | -505 | -113 | -136 |
| Operating C/F | 686 | 67 | 514 | 612 |
| Capex | -74 | -213 | -250 | -100 |
| Change in Invest | -68 | -19 | 0 | 0 |
| Others | 0 | 0 | 0 | 0 |
| Investing C/F | -143 | -232 | -250 | -100 |
| Change in Debt | 0 | 0 | 0 | 0 |
| Change in Equity | 0 | 0 | 0 | 0 |
| Others | -117 | -152 | -172 | -198 |
| Financing C/F | -117 | -152 | -172 | -198 |
| Net change in cash | 427 | -317 | 92 | 314 |
| RoE (%) | 22 % | 26 % | 24 % | 24 % |
| RoIC (%) | 22 % | 25 % | 23 % | 23 % |
| Core RoIC (%) | 24 % | 30 % | 25 % | 26 % |
| Div Payout (%) | 34 % | 31 % | 31 % | 30 % |
| P/E | 25.7 | 18.6 | 17.0 | 14.6 |
| P/B | 5.3 | 4.4 | 3.8 | 3.2 |
| P/FCFF | 17.4 | -58.3 | 36.2 | 18.6 |
| EV/EBITDA | 14.9 | 11.3 | 10.2 | 8.4 |
| EV/Sales | 1.9 | 1.6 | 1.4 | 1.2 |
| Dividend Yield (%) | 1.1 % | 1.4 % | 1.5 % | 1.7 % |

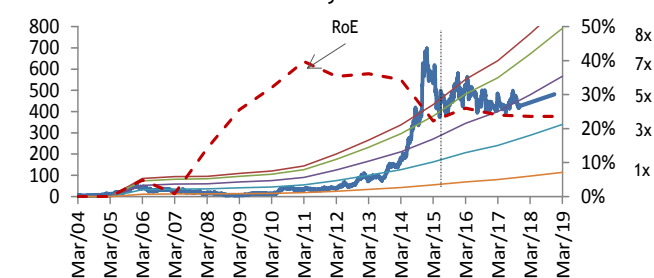
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

| P&L (Rs Mn) | FY14A | FY15A | FY16A | FY17A | Balance Sheet (Rs Mn) | FY14A | FY15A | FY16A | FY17A | Cash Flow (Rs Mn) | FY14A | FY15A | FY16A | FY17A |
|----------------------|-------|-------|-------|-------|----------------------------|--------|-------|-------|-------|--------------------|-------|----------|-------|-------|
| Revenue | 4,301 | 4,928 | 5,310 | 4,753 | Equity Capital | 110 | 110 | 112 | 112 | PBT | 428 | 576 | 715 | 562 |
| Op. Expenditure | 3,848 | 4,349 | 4,548 | 4,159 | Reserve | 835 | 1,101 | 1,434 | 1,679 | Depreciation | 52 | 56 | 53 | 53 |
| EBITDA | 454 | 579 | 763 | 594 | Networth | 945 | 1,211 | 1,546 | 1,791 | Others | -265 | -311 | -507 | 2 |
| Depreciation | 52 | 56 | 53 | 53 | Long Term Debt | 0 | 0 | 0 | 0 | Taxes Paid | -134 | -165 | -254 | 191 |
| EBIT | 402 | 523 | 710 | 541 | Def Tax Liability | 64 | 57 | 55 | 66 | Change in WC | -41 | -128 | -406 | 260 |
| Interest Expense | 4 | 6 | 8 | 6 | Minority Interest | 0 | 0 | 0 | 0 | Operating C/F | 307 | 358 | 109 | 686 |
| Other Income | 29 | 59 | 13 | 27 | Account Payables | 272 | 267 | 360 | 360 | Capex | -106 | -363 | -100 | -74 |
| PBT | 428 | 576 | 715 | 562 | Other Curr Liabi | 166 | 239 | 254 | 223 | Change in Invest | 0 | 0 | 0 | -68 |
| Tax | 130 | 187 | 241 | 191 | Total Liabilities & Equity | 1,446 | 1,774 | 2,215 | 2,439 | Others | 0 | 0 | 0 | 0 |
| PAT bef. MI & Assoc. | 298 | 389 | 474 | 371 | Net Fixed Assets | 527 | 795 | 846 | 903 | Investing C/F | -106 | -363 | -100 | -143 |
| Minority Interest | 0 | 0 | 0 | 0 | Capital WIP | 6 | 5 | 29 | 0 | Change in Debt | 0 | 0 | 0 | 0 |
| Profit from Assoc. | 0 | 0 | 0 | 0 | Others | 62 | 100 | 57 | 118 | Change in Equity | 0 | 0 | 0 | 0 |
| Recurring PAT | 298 | 389 | 474 | 371 | Inventory | 234 | 260 | 347 | 362 | Others | -131 | -111 | -139 | -117 |
| Extraordinaires | 0 | -16 | 0 | -2 | Account Receivables | 131 | 322 | 763 | 478 | Financing C/F | -131 | -111 | -139 | -117 |
| Reported PAT | 298 | 406 | 474 | 373 | Other Current Assets | 35 | 35 | 44 | 23 | Net change in cash | 71 | -116 | -130 | 427 |
| EPS (Rs) | 13.3 | 17.4 | 21.2 | 16.6 | Cash | 452 | 258 | 128 | 555 | RoE (%) | 35 % | 36 % | 34 % | 22 % |
| DPS (Rs) | 3.8 | 5.0 | 5.3 | 4.8 | Total Assets | 1,446 | 1,774 | 2,215 | 2,439 | RoIC (%) | 33 % | 35 % | 33 % | 22 % |
| CEPS (Rs) | 16.0 | 20.3 | 23.9 | 18.9 | Non-cash Working Capital | -38 | 111 | 541 | 281 | Core RoIC (%) | 48 % | 40 % | 35 % | 24 % |
| FCFPS (Rs) | 9.3 | -0.1 | 0.6 | 24.4 | Cash Conv Cycle | -3.2 | 8.2 | 37.2 | 21.6 | Div Payout (%) | 33 % | 24 % | 21 % | 34 % |
| BVPS (Rs) | 42.2 | 54.0 | 69.0 | 80.0 | WC Turnover | -112.3 | 44.6 | 9.8 | 16.9 | P/E | 32.0 | 24.5 | 20.1 | 0.0 |
| EBITDAM (%) | 11 % | 12 % | 14 % | 13 % | FA Turnover | 8.1 | 6.2 | 6.1 | 5.3 | P/B | 10.1 | 7.9 | 6.2 | 0.0 |
| PATM (%) | 7 % | 8 % | 9 % | 8 % | Net D/E | -0.5 | -0.2 | -0.1 | -0.3 | P/FCFF | 45.8 | -7,242.5 | 680.0 | 17.4 |
| Tax Rate (%) | 30 % | 32 % | 34 % | 34 % | Revenue/Capital Employed | 4.7 | 4.3 | 3.7 | 2.7 | EV/EBITDA | 19.9 | 15.9 | 12.2 | 14.9 |
| Sales growth (%) | 18 % | 15 % | 8 % | -10 % | Capital Employed/Equity | 1.1 | 1.1 | 1.0 | 1.0 | EV/Sales | 2.1 | 1.9 | 1.8 | 1.9 |
| FDEPS growth (%) | 15 % | 31 % | 22 % | -22 % | | | | | | Dividend Yield (%) | 0.9 % | 1.2 % | 1.2 % | 1.1 % |

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