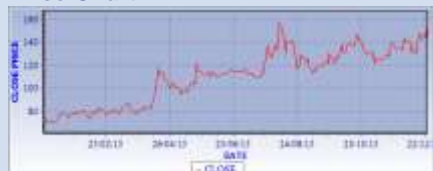


# Balaji Amines Ltd

Scrip Code	Industry	CMP	Recommendation	Sequential Targets	Time Horizon
BALAMIEQNR	Chemicals	Rs.163	Buy at CMP and add on dips to Rs.128-136 band	Rs.192-216	2-3 quarters

## Price Chart



## Stock Details

BSE Code	503806
NSE Code	BALAMINES
Bloomberg	BLA IN
Price (Rs) as on Dec 18, 2015	Rs. 163
Equity Capital (Rs Mn)	574.2
Face Value (Rs)	10.00
Eq. Shares O/s (Mn)	32.41
Market Cap (Rs Mn.)	5281.2
Book Value (Rs)	70.3
Avg. Volume (52 Week)	10533
52 wk H/L (Rs)	168.4/69.1

## Shareholding Pattern

(As on Sept 30, 2015)	% Holding
Promoters	54.4
Institutions	0.03
Non Institutions	45.6
Total	100.0

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Balaji Amines Ltd (BAL) a KPR group company is a leading manufacturer of aliphatic amines in India in terms of volume and value in its class. Broadly, the company has specialized in manufacturing Methylamines, Ethylamines, Derivatives of Specialty Chemicals and Natural Product and its business is broadly classified into three segments, Amines, Specialty Chemicals and Derivatives. It has recently set up a hotel in Solapur.

## Investment Rationale

- Dominant in Methylamines and no major threat of competitive intensity and margin pressure. Strong clientele.
- Past expansion creates an opportunity for future.
- Backward integration offers scope for better capacity utilization (vs peers) and higher value addition.

## Concern

- Largely depends on Pharma and Pesticide sector.
- Volatility in currency movements.
- Quality/regulatory risks.
- Investment in Hotel and subsidiary could be return dilutive in the near term

## Valuation

Considering its strong brand equity, high entry barriers, highly innovative and R&D based chemical business and sound management, BAL could report good growth in top and bottom line going forward. We feel investors could buy the stock at the CMP and add on dips to Rs.128-136 band (8-8.5x FY17E EPS) for sequential targets of Rs 192 (12x FY17E EPS) and Rs 216 (13.5x FY17E EPS) over the next 2-3 quarters. At the CMP of Rs 163 the stock trades at 10.2x FY17E EPS.

## Financial Summary - Consolidated

Rs in Cr	FY12	FY13	FY14	FY15	FY16E	FY17E
Net Sales	449.52	511.80	610.13	618.77	649.57	715.29
EBITDA	80.66	80.23	91.03	101.75	103.96	115.22
EBIDAM-%	17.9%	15.7%	14.9%	16.4%	16.0%	16.1%
Net Profit Adjusted	35.64	31.17	33.51	33.18	40.82	51.76
PATM-%	7.9%	6.1%	5.5%	5.4%	6.3%	7.2%
EPS	11.0	9.6	10.3	10.2	12.6	16.0
P/E	3.5	4.0	3.7	8.0	12.9	10.2

(Source: Company, HDFC sec)

### Company Description:

Balaji Amines Ltd (BAL) a KPR group company, is a leading manufacturer of aliphatic amines in India in terms of volume and value in its class. The company has expertise to cater the value based specialty chemicals. Broadly, the company is specialized in manufacturing Methylamines, Ethylamines, Deravatives of Specialty Chemicals and Natural Product and its business is broadly classified into three segments, Amines, Specialty Chemicals and Derivatives. BAL commenced manufacturing of Methyl Amines in 1989, and later added facilities of Ethyl Amines and other derivatives of Methyl amines and Ethyl amines. BAL has recently entered into hospitality business, owning a five star hotel at Solapur in Maharashtra.

The company's three manufacturing facilities are located at Solapur and Osmanbad in Maharashtra and Hyderabad in Telangana. BAL is the first Indian company that has set up dedicated plant for manufacturing of specialty chemicals like N-Methyl Pyrrolidine (NMP), 2-Pyrrolidine, N-Ethyl – Pyrrolidine, Di Methyl Acetamide (DMAC), Di Methyl Amine Hydrochloride(DMAHCC), Tri Methyl Amine Hydrochloride (TMAHCL), and Di Ethyl Amine Hydrocholoride (DEAHCL) and Tri Ethyl Amine Hydrocholoride (TEAHCL), which are widely accepted by its clients across the geographies.

A majority of its products are being exported to major customers worldwide and company has become one of the leaders in Specialty Chemicals among the International Specialty Chemical players.

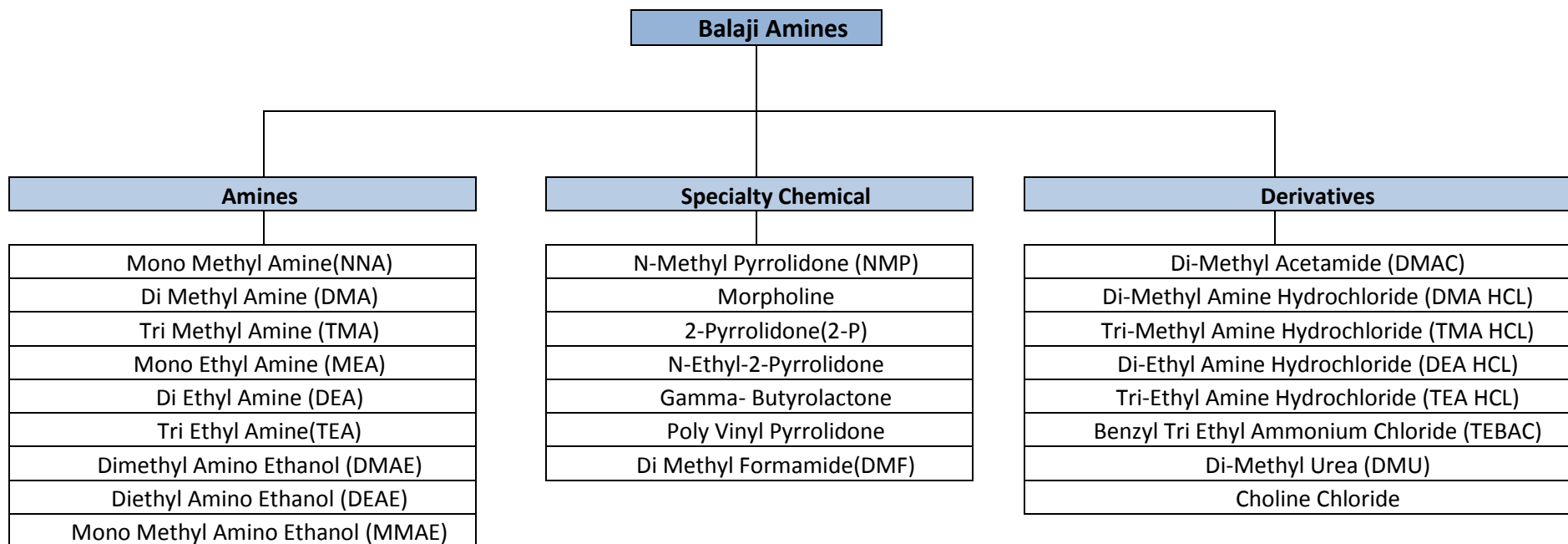
### Business Overview:

#### Business Segments:

##### (A) Manufacturing of Aliphatic Amines

BAL has been consistently adding capacities and fine tuning process to provide quality products at lowest cost to the customers. BAL is India's largest manufacturer of methylamines and their derivatives, with a market share of over 60%. Through judicious and far-sighted backward/forward integration, BAL internally consumes over 70% of its methylamines production. BAL is the world's largest producer of Di-Methyl Amine Hydrochloride (DMA-HCL) commanding nearly 90% of the global market share. BAL is the only manufacturer in India of N-Methyl- 2-Pyrrolidone (NMP). Morpholine, 2- Pyrrolidone (2-P) Gamma Butyrotactone (GBL), Poly Vinyl Pyrrolidone (PVP K30) and N-Ethyl-2-Pyrrolidone (NEP), which are widely accepted by customers across the world.

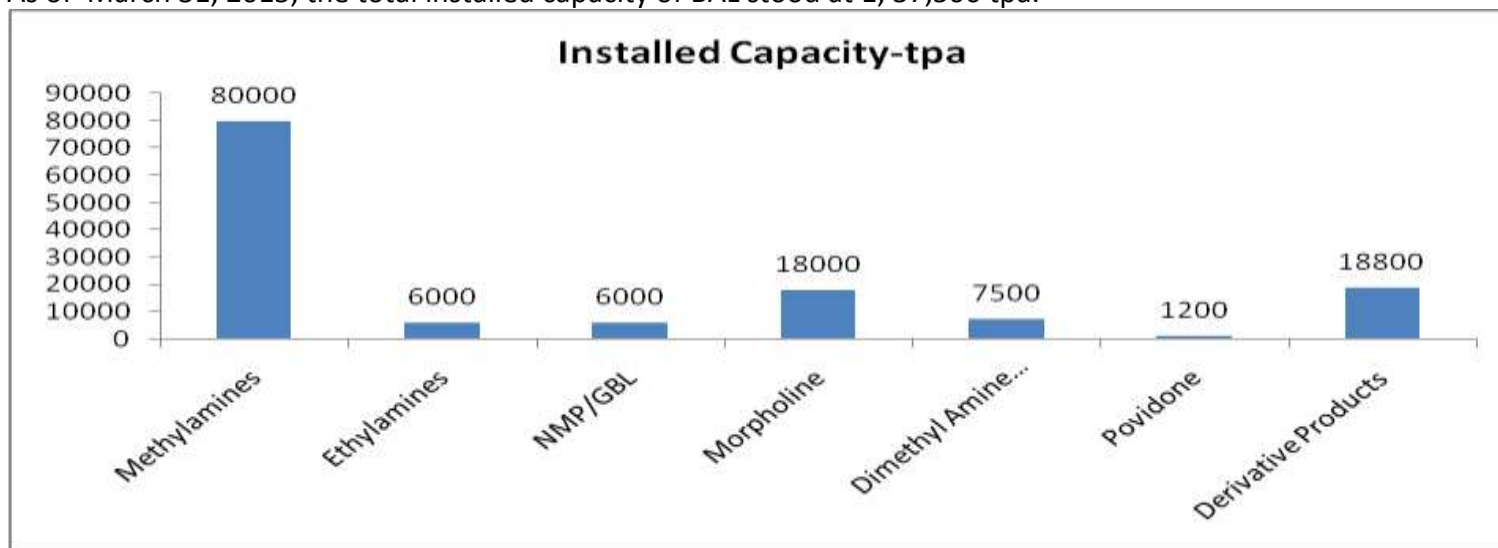
Majority of its customers come from Active Pharmaceutical Ingredient (API), Agro Chemicals, Refiners, Water Treatmwent Chemicals, Leather Processing Chemicals, Dye Stuff and Paint Industry.



(Source: Company, HDFC Sec)

**Installed Capacity:**

As of March 31, 2015, the total installed capacity of BAL stood at 1, 37,500 tpa.



(Source: Company, HDFC Sec)

**Clientele:**

About 50-60% of BAL’s revenue goes to the pharma and pesticide sectors while the rest is split amongst a number of other end users like oil refineries, water chemicals, rubber chemicals etc. BAL has a strong presence in the domestic market with major clients from the pharma sector including Aurobindo, Aventis, Clariant, Dr. Reddy’s, Glaxo, Merck, Ranbaxy, Sun Pharma, Wyeth, Wockhardt, etc.

Other clients including rubber and chemical companies are from Kerala, Gujarat and North India and water companies like Ion Exchange and Thermax, Refineries like IOCL, HPCL etc. Lastly, pesticide companies like Rallis, Meghmani and Gherdia Chemicals are also part of its client list.

**Presence:**



**(B) Hotel Business:**

In 2008, BAL had bought 3.35 acre of land in Sholapur for just Rs 2.7 crore (the market value of which currently pegged at above Rs 25 crore). To utilize the land for diversification, BAL has set up a 5-star hotel of 128-room spending Rs 40 crore till September 2013. The property is managed by Sarovar Group. The project has been set up with an internal accrual of Rs 15 crore and a loan of Rs 25 crore from Bank of Baroda. A formal agreement with Sarovar Group of Hotels has been entered for operating/ managing the hotel property in the name of Balaji

Sarovar Premier. The hotel property was commissioned in Nov 2013.

The city, which is 250 km away from Pune and 300 km from Hyderabad, is seeing accelerated development with the NTPC setting up a large power plant; agri institutes and agri-export zone and industries too are coming up. The companies like Thermax, HPCL (bottling plant), Bharat Forge, Thermax, Precision, Vasavdatta Cement and several others have already set their shops in Solapur.

#### BAL Key Managements:

Name	Designation	Qualifications
A Prathap Reddy	Chairman & Managing Director	Civil Engineer
N Rajeshwar Reddy	Joint Managing Director	B Com
D Ram Reddy	Joint Managing Director	BCom
G Hemanth Reddy	Whole-time Director	Post Graduate in Management with Finance & Marketing
T Naveena Chandra	Director	BCom CA
Arati S Dudhawale	Company Secretary	NA
M Amarender Reddy	Director	NA
C S N Murthy	Director	NA
Kashinath R Dhole	Director	MSc(Chemistry)
A Srinivas Reddy	Whole-time Director	Masters in Computer Science
Vimala B Madon	Additional Director	NA

(Source: Company, HDFC Sec )

The company is having a wholly owned subsidiary Bhagyanagar Chemicals Limited and substantially owned subsidiary Balaji Greentech Products Limited.

Whereas, the undertaking of Bhagyanagar Chemicals Limited is limited to only a long term lease to its 100% holding company Balaji Amines Limited who is carrying out manufacturing activity therein. As such the company Bhagyanagar Chemicals Limited does not have any transactions except of lease rentals. Responsibility of safe keeping of the assets of the company vests with the holding company Balaji Amines Limited.

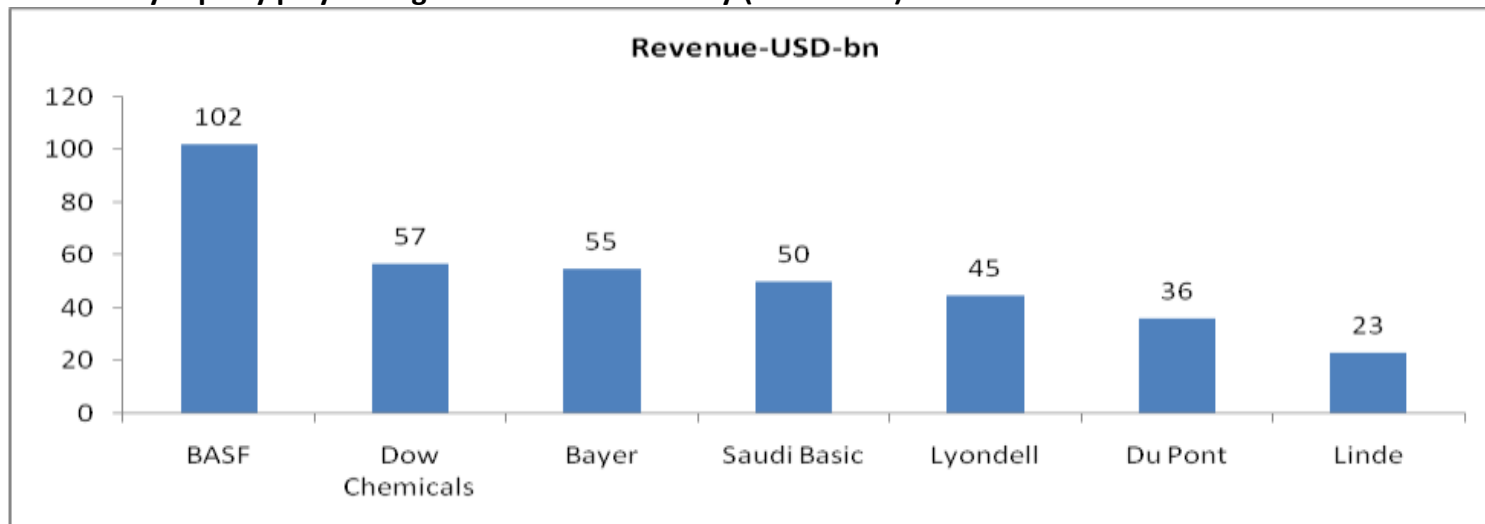
During FY15 Balaji Amines limited has extended its holdings and have acquired and is holding 66% of shareholdings of Balaji Greentech Products Limited (BGPL).

Balaji Greentech Products Limited (BGPL) is into manufacturing of energy efficient lamps and components. The company manufactures, supplies a comprehensive range of Compact Fluorescent Lamps (CFL). BGPL incurred a loss of Rs.3.16 cr on sales of Rs.15.7 cr in FY15.

### Industry Overview:

Chemicals are an immense and integral part of daily life. There is no industry, which is far from chemical substances and there is no single economic sector where chemicals do not play an important role. Global chemical market size was estimated at USD 4.2 tn in 2014 and is expected to grow at 5-6% per annum over the next decade to reach ~USD 5.1 trillion by 2018. There is no player having a large market share across global chemical Industry.

### Revenue by top key players in global chemical industry (as on FY14):



(Source: Company, HDFC sec)

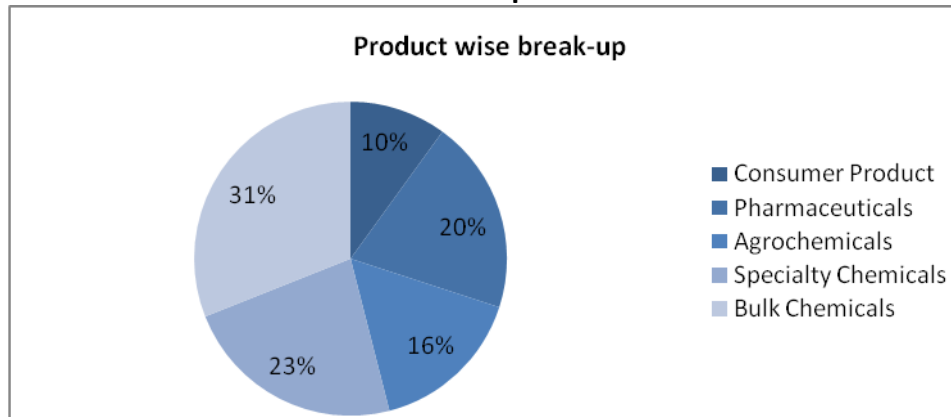
Broadly, the global chemical industry is categorized as sub groups; Petrochemicals/Bulk Chemicals, Specialty Chemicals, and Agro Chemicals.

**Petrochemicals/Bulk Chemicals:** The petrochemical industry largely represents organic chemistry. It is based on carbonic compounds, mainly derived from crude oil and natural gas. Bulk chemicals include basic organic chemicals (methanol, acetic acid etc.) and basic inorganic chemicals (caustic soda, chlor alkali etc.).

**Specialty Chemicals:** Specialty Chemicals is also known as performance chemicals. These are low-volume but high-value compounds. These chemicals are derived from basic chemicals and are sold on the basis of their function. Paint, adhesives, electronic chemicals, oilfield chemicals are some examples of specialty chemicals.

**Agro Chemicals:** These chemicals are extensively used for agrochemical products such as herbicides, insecticides, fungicides and fertilizers, to maximize yields per hectare.

### Global Chemical Product wise break-up:



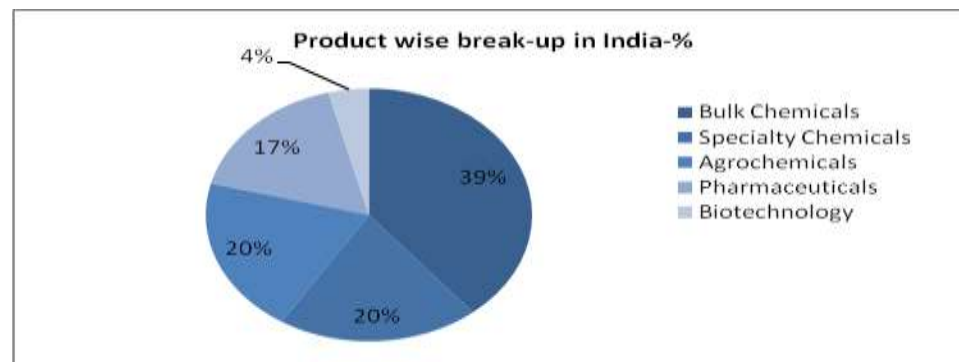
The segmentation of the geography of the chemical industry majorly resides in the Asia-Pacific region. The Asia-Pacific accounted for 43% of the industry. The remaining is split mostly between the Americas and Europe with 27% and 25% respectively. Middle-East contributes only 2%.

(Source: Company, HDFC Sec, scm.ncsu.edu)

### Indian Chemical industry:

India is third largest chemical producer in Asia and 6<sup>th</sup> largest producer in the world in term of volume. India accounts for approximately 16% of the world production of dyestuff and dye intermediates. It contributes 2.11% of India's GDP with an estimated size of USD 144 bn and the total production capacity stands at 19300 Thousand Metric Tonnes (as on 31<sup>st</sup> March FY14).

A large population, dependence on agriculture, and strong export demand are key growth drivers for the industry. Even, per capita consumption of chemicals in India is lower as compared to western countries. Moreover, One key driving factor will be increased R&D spending, which is currently at a low of 0.5% of turnover compared to global benchmark of 3-4%. The sector is expected to clock 8% CAGR till FY18E to USD165bn.



(Source: Company, HDFC Sec, scm.ncsu.edu)

The chemical sector has witnessed growth of 13-14% in the last 5 years while petrochemicals have registered a growth of 8-9% over the same period. The major growth drivers, behind India's chemical industry could be listed as follows:

**Structural advantage:** With a growing market and purchasing power, the domestic industry is likely to growth at over 10-13% in the coming years. Growing disposable incomes and increasing urbanization are fuelling the end consumption demand for paints, textiles, adhesives and construction, which, in turn, leads to substantial growth opportunity for chemicals companies.

**High domestic consumption:** The chemicals industry in India is the largest consumer of its own products, consuming 33% of its output. With promising growth trends in the chemicals industry, this internal consumption is also set to rise.

**Diversified industry:** The Indian chemicals industry has a diversified manufacturing base that produces world-class products. There is a substantial presence of downstream industries in all segments. Further, this large and expanding domestic chemicals market also boasts of a large pool of highly-trained scientific manpower.

**Promising export potential:** Chemicals constitute ~5.4% of India's total exports. India already has a strong presence in the export market in the sub-segments of dyes, pharmaceuticals and agro chemicals. India exports dyes to Germany, the UK, the US, Switzerland, Spain, Turkey, Singapore and Japan.

**Strong growth prospects for the Indian specialty chemicals industry:**

Growth in the Indian specialty chemicals industry is driven largely by a robust domestic demand and from exports based growth in select segments. The specialty chemicals market in India has the potential to grow at a rate of 16% p. a. to reach USD 42bn by FY18E. This growth potential is significantly higher than the projected global chemical industry growth rate of 3% p.a. or even that for India chemicals industry growth rate of 8-9% p.a. Moreover, domestic demand for specialty chemicals will continue to grow led by consumer industries (Textile, Automotive and Staples) growing faster than GDP growth, emerging customers need and leading to process and equipment upgrades in many industries (like, textile, paper, electronics, cosmetics, plastics).

Indian chemical industry is expected to grow higher single digit in the next decade and expected to double its share in global chemical industry to 5-6% by 2021. Indian Chemical industry has the potential to grow significantly with imperatives like Securing Feedstock, Right Product Mix, M&A opportunities and Government initiatives.

BAL is among the front runner in this impressive growth opportunity, providing high quality products and strengthening its market share than global peers. Considering future demand and high growth potential in newer



products, BAL has been adding new capacities consistently. Its highly focused on R&D and cost effective measures would provide more space for growth ahead.

### Investment Rationale:

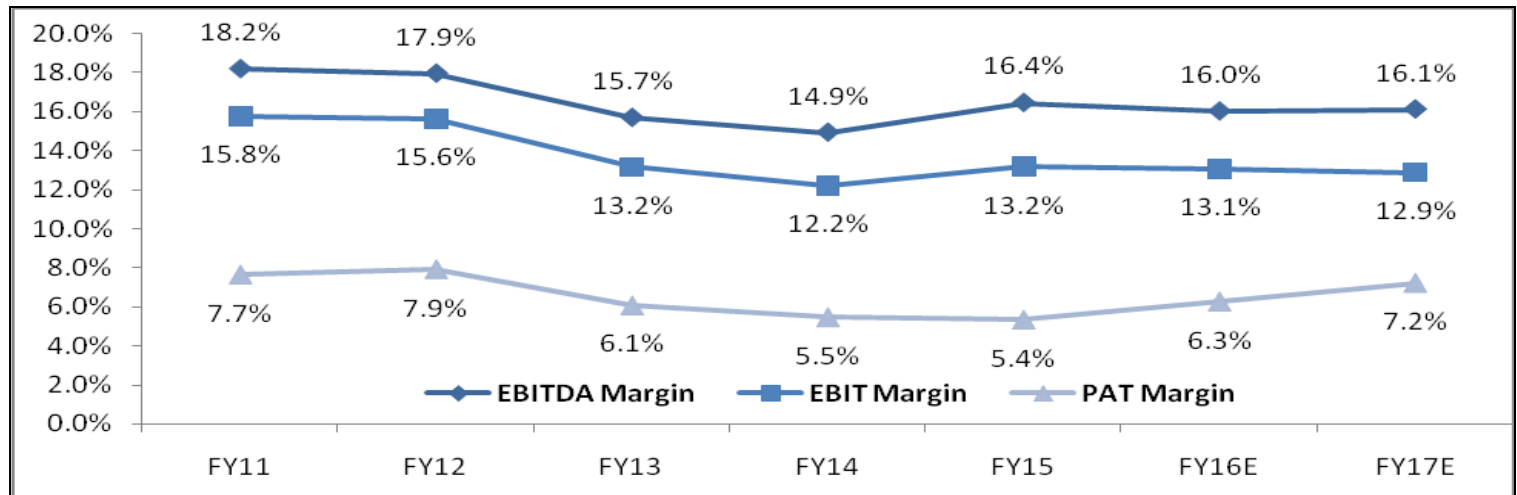
#### Dominant in Methylamines business and no threat of rising competitive intensity and margin pressure:

BAL is India’s largest manufacturer of Methyl Amines and its derivatives with a market share of more than 60%, with highest quality standards. The Company is the world’s largest manufacturer of Di Methyl Amine Hydrochloride (DMA-HCL) with 90% market share globally. BAL is the sole producer in India for N-Methyl Pyrrolidone (NMP). Day by day, BAL has been improving its quality standard and focusing on its product promotion across the geographies.

BAL consumes a large portion of its production internally. The company has opportunities and limited competition which could improve margin going forward. The company has focused for cost effective measures to improve its margins.

Given the backward integration, BAL has potential to operate at better capacity utilization as compared to its peers and provide value addition.

BAL has preferred technical collaboration with foreign players compared to its peers like RCF and Alkyl Amines Chemicals Ltd.



(Source: Company, HDFC Sec)

### Past expansions creates an opportunity for future:

Historically, Balaji Amines has made investment in expansion and R&D activities. In FY10, BAL had set up a 1,200 MTPA PVP-K30 (Polyvinyl Pyrrolidone) plant at a capex of about Rs 35 crore. This product is presently made by Huntsman and BASF around the globe, apart from some Chinese companies. This plant is the first of its kind in India. During FY10, Dimethyl amino ethanol (DMAE) plant with a capacity of 10 MT/day was commissioned. During FY11, a new project of 15,000 tpa of GBL, NMP/2P at MIDC, Chincholi, Solapur was commissioned. Further, a new plant for manufacture of GBL/NMP/2P with an installed capacity of 50 MT/day was commissioned during February 2011.

BAL commissioned its expanded Methylamines plant at MIDC, Chincholi with a capacity of 30,000 tonnes per annum in March 2012. The second plant for manufacture of Di Methyl Formamide (DMF) with an installed capacity of 30,000 MT a year at MIDC Chincholi, Solapur was commissioned in March, 2013

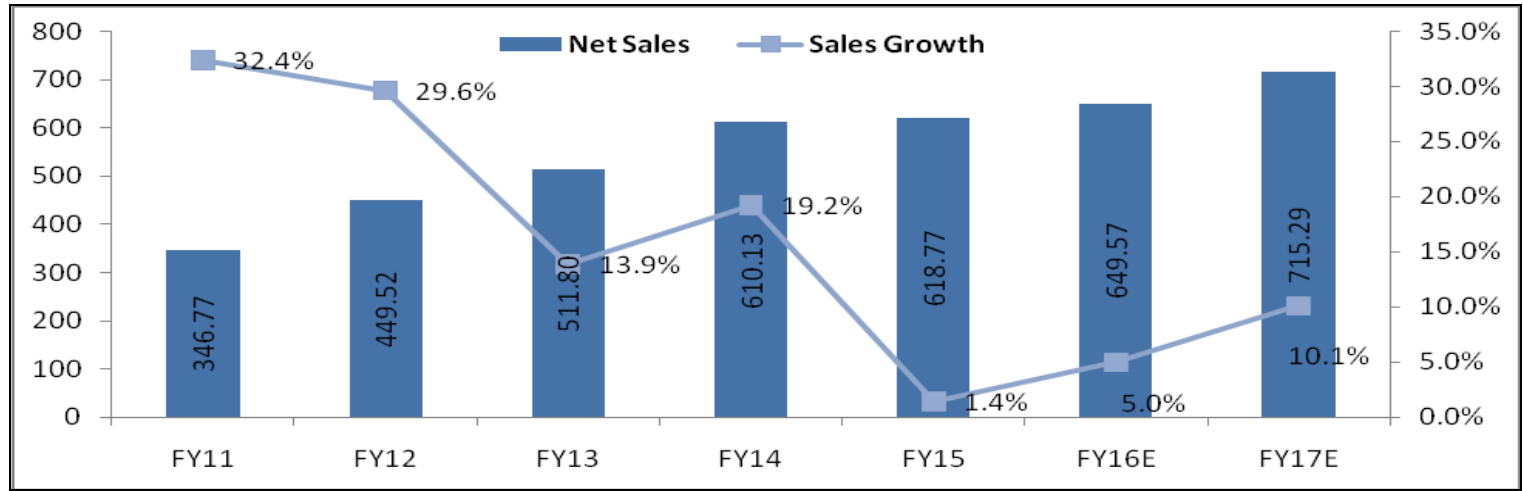
The Dimethyl Amine Hydrochloride (DMA-HCL) (70 tonnes a day) and Formamide (36 tonnes a day) units have been commissioned in February 2013. The investment of Rs 70 crore in these projects was funded from internal accruals of Rs 22 crore and a loan of Rs 48 crore from the State Bank of Hyderabad.

Apart from this, BAL has set up a 5-star hotel of 128-room by investing Rs 40 crore in September 2013. The project has been set up with an internal accrual of Rs 15 crore and a loan of Rs 25 crore from Bank of Baroda.

BAL has wind power plants with a capacity of 6.5 MW. It established captive power plant of 2.5 MW in October 2008. Its 2.5 MW Co-Generation power plant at Tamalwadi, Solapur was commissioned in July, 2009, which saves substantial cost of power & fuel increasing thereby profitability.

Among the newly added capacity, BAL's 30,000 tonnes capacity dimethyl formamide plant remained unproductive in FY14 due to operational issues, leading to lower capacity utilisation. Once operational, this would lead to better fixed cost absorption for the company and help contain margin pressure due to volatile raw material prices.

The investments made by company in the past will bring rising earning opportunity going forward. We expect that, the company could report better sales as well as profitability growth in near future, expecting 7% and 12% revenue growth for FY16E and FY17E despite fall in crude prices.



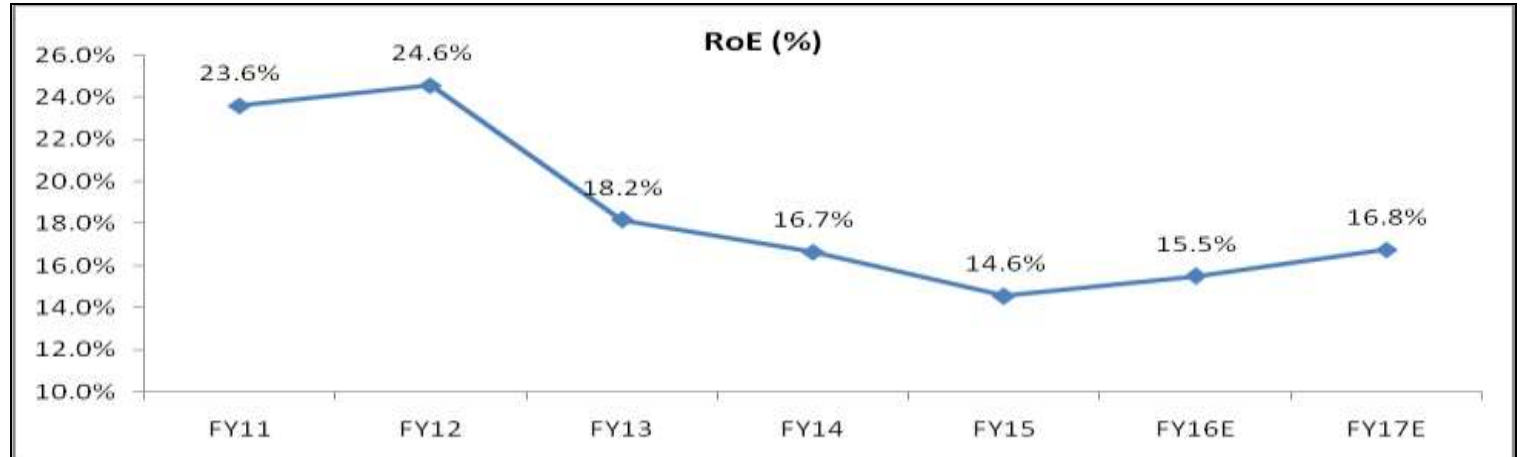
(Source: Company, HDFC Sec)

### Profitability and return ratios set to improve:

Debt reduction, cost effectiveness efforts and a change in product mix could lead its margin growth going forward.

For FY16, EBITDA Margin could be steady at 16% and PAT Margin could improve by 90-100 bps at a range of 6.3%. For FY17E, EBITDA margin could be flattish and PAT margin could ramp up by a further 80-100bps.

### Return ratios trend



(Source: Company, HDFC Sec)

BAL has also been a consistent dividend payer since FY2000.

**Strong clientele:**

About 50-60% of BAL's sales come from pharma and pesticide sector while the rest is split amongst a number of other end users like oil refineries, water chemicals, rubber chemicals etc. BAL has a strong presence in the domestic market with major clients from the pharma sector including the likes of Aurobindo, Aventis, Clariant, Dr. Reddy's, Glaxo, Merck, Ranbaxy, Sun Pharma, Wyeth, Wockhardt, etc. Other clients include rubber chemical companies in Kerala, Gujarat and North India and water companies like Ion Exchange and Thermax. Refineries like IOCL, HPCL etc. Lastly, pesticide companies like Rallis, Meghmani and Gherdia Chemicals are also part of its client list.

**Concerns:****Largely depends on Pharma and Pesticide sector:**

Almost 50-60% of BAL's sales come from pharma and pesticide sector while the rest depends on other end users like oil refineries, water chemicals, rubber chemicals etc. BAL's revenue growth largely depends on Pharma and Pesticide Industry demand. Therefore, Industry specific slowdown and concerns could impact its revenue.

**Volatility on currency movement:**

BAL derives ~ 25% of sales from export to several countries such as UK, USA, Canada, Latin America, Germany, Italy, Middle East, South Africa, France, Brazil, Mexico etc. BAL sells directly to its customers in India while in case of exports it goes through distributors' channel. Therefore, adverse currency movement could impact its revenues and profitability. Almost half of the exports are denominated in Euros while the rest are in USD. The raw materials are entirely denominated in USD.

**Quality/Regulatory risks:**

Being a company of chemical industry, BAL acclaimed for its quality-consciousness. It enjoys 'GMP' (for facility and practices) and WHO GMP (for products) certifications for some of its products. A part of this, BAL follows the norms of USFDA, DMF (Drug Master File) and various audit agencies of countries, where the product is going for export. Any regulatory delay/action could be a hurdle for BAL's earnings as well as profitability.

**Shares pledged by promoters:**

64.3 lakh shares or 36.5% of promoters' shareholding is pledged by them. This could create turbulence in the stock prices in case the promoters are not able to sufficiently fund the margins in case of any unforeseen fall in the stock price.

**Loss making subsidiary:**

Balaji Greentech Products, a 66% subsidiary of BAL is loss making and impacts the consolidated numbers of the company. Further BAL has to extend financial assistance to this subsidiary to fund its losses.

## View & Valuation:

On the back of expansion and opportunities, BAL is well positioned to utilize the strong demand in both domestic and international markets given its wide-scale of operations across geographies. Also, its efficient usage of plants, product mix, increase in value chain and increase in plant efficiencies could energize its earnings performance going forward. We expect the company to report 5% and 10% revenue growth for FY16E and FY17E, respectively.

Considering its strong brand equity, high entry barriers, highly innovative and R&D based chemical business and sound management, BAL could report good growth in revenues and profits going forward. BAL has also brought down its debt and interest payout in H1FY16 out of better working capital management. We feel investors could buy the stock at the CMP and add on dips to Rs.128-136 band (8-8.5x FY17E EPS) for sequential targets of Rs 192 (12x FY17E EPS) and Rs 216 (13.5x FY17E EPS) over the next 2-3 quarters. At the CMP of Rs 163 the stock trades at 10.2x FY17E EPS.

## Quarterly financials – Standalone (Rs.in Crs)

Rs in Cr,	Q2FY16	Q2FY15	Chg-%	Q1FY16	Chg-%	HY1 FY16	HY1 FY15	Chg-%
Net Sales	158.8	150.5	5.6%	159.6	-0.5%	318.5	314.9	1.1%
Raw Material Consumed	87.5	80.4	8.8%	82.5	6.1%	170.0	183.7	-7.5%
Stock Adjustment	4.5	4.9	-9.2%	12.3	-63.8%	16.8	2.8	493.3%
Employee Expenses	6.9	5.5	24.2%	6.6	5.0%	13.4	11.3	19.4%
Other Expenses	32.1	31.4	2.0%	29.3	9.5%	61.4	64.0	-4.2%
Total Expenses	130.9	122.3	7.0%	130.7	0.2%	261.5	261.8	-0.1%
EBITDA	27.9	28.2	-0.8%	29.0	-3.6%	56.9	53.1	7.2%
Depreciation	4.4	4.9	-11.0%	4.4	0.0%	8.8	9.8	-10.7%
EBIT	23.6	23.2	1.3%	24.6	-4.3%	48.2	43.3	11.2%
Other Income	0.8	0.9	-11.2%	0.7	11.0%	1.4	1.6	-12.0%
Interest	5.2	7.9	-34.6%	5.7	-9.4%	10.9	16.3	-33.0%
EBT	19.1	16.2	18.4%	19.6	-2.2%	38.7	28.6	35.1%
Tax	7.3	5.8	25.8%	6.7	8.8%	14.0	9.0	56.2%
PAT	11.8	10.3	14.2%	12.8	-8.0%	24.6	19.7	25.4%
Extra-ordinary Items	0.0	1.3	-	0.0	0.0%	0.0	1.3	-100.0%
Adj. Profit After Extra-ord item	11.8	9.1	29.9%	12.8	-8.0%	24.6	18.4	33.9%
EPS (Rs.)	3.6	2.8	-	4.0	-	7.6	5.7	-
Equity	6.5	6.5	-	6.5	-	6.5	6.5	-
Face Value	2.0	2.0	-	2.0	-	2.0	2.0	-
OPM (%)	17.6%	18.7%	(110bps)	18.2%	(60bps)	17.9%	16.9%	100bps
PATM (%)	7.4%	6.9%	50bps	8.0%	(60bps)	7.7%	6.2%	150bps

(Source: Company, HDFC Sec)

## Business Metrics - Standalone:

Revenue from Operations-Rs in Cr	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16
Amines Divison	161.99	148.03	138.88	144.67	156.28	155.85
Hotel Divison	2.52	2.44	2.87	3.65	3.38	3.02
<b>Revenue from Operations</b>	<b>164.51</b>	<b>150.47</b>	<b>141.75</b>	<b>148.32</b>	<b>159.66</b>	<b>158.87</b>
<b>PBIT</b>						
Amines Divison	25.78	23.74	20.19	28.96	26.08	25.15
Hotel Divison	-0.04	-0.9	0.66	1.18	-0.81	-0.83

(Source: Company, HDFC Sec)

## Financials

### Income Statement - Consolidated:

Rs in Cr,	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Net Sales	346.77	449.52	511.80	610.13	618.77	649.57	715.29
Material Consumed	191.70	262.65	312.20	380.97	359.55	387.63	424.57
Employee Cost	9.04	11.90	12.90	15.84	20.90	23.80	27.74
Other Expenditure	83.01	94.31	106.47	122.29	136.57	134.18	147.76
Total Expenditure	283.75	368.86	431.57	519.10	517.02	545.62	600.07
EBITDA	63.02	80.66	80.23	91.03	101.75	103.96	115.22
Depreciation	8.30	10.38	12.71	16.49	20.08	19.05	22.89
EBIT	54.73	70.29	67.51	74.54	81.67	84.91	92.33
Other Income	1.74	2.85	3.71	2.60	4.26	3.75	5.29
Interest	13.56	21.21	25.40	31.51	34.88	25.63	20.19
EBT	42.91	51.93	45.82	45.63	51.05	63.02	77.43
Tax	16.36	17.08	14.77	12.12	17.87	22.21	25.68
Reported Profit (before minority interest)	26.55	34.85	31.05	33.51	33.18	40.82	51.76
Exceptional Items	0.00	-0.79	-0.12	0.00	0.00	0.00	0.00
Adjusted Profit	26.55	35.64	31.17	33.51	33.18	40.82	51.76

(Source: Company, HDFC Sec)

### Balance Sheet - Consolidated:

Shareholders' funds	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Share Capital	6.48	6.48	6.48	6.48	6.48	6.48	6.48
Reserves & Surplus	106.00	138.63	164.90	194.64	221.43	256.80	302.34
<b>Shareholder Fund</b>	<b>112.48</b>	<b>145.11</b>	<b>171.38</b>	<b>201.12</b>	<b>227.91</b>	<b>263.28</b>	<b>308.82</b>
<b>Minority Interest in subsidiaries</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1.99</b>	<b>2.08</b>	<b>2.23</b>
<b>Non - current liabilities</b>							
Long Term borrowings	64.15	86.15	103.72	85.95	74.80	56.10	42.08
Deferred Tax Liabilities (Net)	33.66	36.61	39.82	42.44	45.13	49.64	54.61
Other Long Term Liabilities	0.65	3.69	5.85	5.04	16.35	17.99	21.58

<b>Non - current liabilities</b>	<b>98.45</b>	<b>126.44</b>	<b>149.40</b>	<b>133.43</b>	<b>136.28</b>	<b>123.73</b>	<b>118.26</b>
<b>Current Liabilities</b>							
Short Term Borrowings	83.60	111.05	105.58	139.46	148.46	111.35	83.51
Trade Payables	33.45	34.71	35.51	86.97	47.56	49.83	68.59
Other Current Liabilities	21.34	25.79	36.34	41.52	42.40	50.88	71.23
Short Term Provisions	15.98	22.56	21.14	17.73	17.96	21.55	25.86
<b>Current Liabilities</b>	<b>154.37</b>	<b>194.11</b>	<b>198.57</b>	<b>285.68</b>	<b>256.38</b>	<b>233.61</b>	<b>249.19</b>
<b>Total Equity and Liabilities</b>	<b>365.30</b>	<b>465.66</b>	<b>519.35</b>	<b>620.24</b>	<b>622.56</b>	<b>622.70</b>	<b>678.51</b>
<b>Assets</b>							
<b>Non-Current Assets</b>	<b>176.64</b>	<b>225.72</b>	<b>299.37</b>	<b>335.79</b>	<b>346.76</b>	<b>363.91</b>	<b>381.25</b>
<b>Fixed Assets</b>	<b>171.90</b>	<b>220.66</b>	<b>297.31</b>	<b>333.50</b>	<b>344.43</b>	<b>361.82</b>	<b>379.36</b>
Net Block (Tangible Assets)	160.06	196.00	234.38	325.39	341.11	358.17	376.07
Capital Work-in-Progress	11.84	24.67	62.92	8.12	3.32	3.65	3.29
Non Current Investments	4.02	4.02	0.02	0.02	0.02	0.02	0.02
Other Non-Current Assets	0.72	1.05	2.05	2.28	2.31	2.08	1.87
<b>Current Assets</b>							
Current Investments	3.84	3.84	19.94	19.94	0.00	0.00	0.00
Inventories	70.60	107.40	56.75	90.63	112.38	97.88	107.78
Trade Receivables	73.75	82.14	103.71	131.53	119.37	124.58	146.98
Cash & Cash Equivalents	9.03	4.48	2.68	9.75	7.00	2.98	7.47
Short Term Loans & Adv- and other current assets	31.44	42.08	36.89	32.60	37.06	33.35	35.02
<b>Current Assets</b>	<b>188.66</b>	<b>239.94</b>	<b>219.97</b>	<b>284.44</b>	<b>275.81</b>	<b>258.79</b>	<b>297.26</b>
<b>Total Assets</b>	<b>365.30</b>	<b>465.66</b>	<b>519.35</b>	<b>620.24</b>	<b>622.56</b>	<b>622.70</b>	<b>678.51</b>

(Source: Company, HDFC Sec)

### Cash Flow Analysis - Consolidated:

Particulars, Rs in Cr	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
EBT	56.51	73.93	71.34	77.14	85.94	88.65	97.62
Depreciation and Amortization	8.30	10.38	12.71	16.49	20.08	19.05	22.89
Other Adjustment	-1.89	-3.56	-3.69	-2.60	-4.26	-21.88	-14.90
(Inc)/Dec in working Capital	-43.17	-18.68	28.47	31.86	-35.97	23.75	5.14
Tax Paid	-5.58	-9.09	-14.43	-12.24	-10.03	-22.21	-25.68
<b>CF from Operating Activities</b>	<b>14.17</b>	<b>52.97</b>	<b>94.40</b>	<b>110.64</b>	<b>55.76</b>	<b>87.37</b>	<b>85.08</b>
Capital expenditure	-57.30	-59.52	-89.87	-53.02	-8.10	-8.58	-17.95
Proceeds from sale of fixed assets	0.17	0.31	0.37	0.34	0.09	0.33	0.35
(Purchase)/Sale of Investment	-4.15	0.00	0.00	0.00	0.00	0.00	0.00
Others	1.93	2.85	3.71	2.60	4.26	3.75	5.29
<b>CF from Investing Activities</b>	<b>-59.35</b>	<b>-56.37</b>	<b>-85.79</b>	<b>-50.08</b>	<b>-3.75</b>	<b>-4.50</b>	<b>-12.31</b>

Inc/(Dec) in Share capital							
Inc/(Dec) in Debt	65.77	21.99	17.58	-17.77	-16.96	-55.82	-41.86
Dividend and Interest Paid	-15.18	-23.15	-27.99	-35.72	-38.12	-31.07	-26.41
<b>CF from Financing Activities</b>	<b>50.59</b>	<b>-1.16</b>	<b>-10.42</b>	<b>-53.49</b>	<b>-55.08</b>	<b>-86.89</b>	<b>-68.27</b>
<b>Net Cash Flow</b>	<b>5.41</b>	<b>-4.55</b>	<b>-1.80</b>	<b>7.07</b>	<b>-3.07</b>	<b>-4.02</b>	<b>4.49</b>
<b>Opening Balance</b>	<b>3.62</b>	<b>9.03</b>	<b>4.48</b>	<b>2.68</b>	<b>10.07</b>	<b>7.00</b>	<b>2.98</b>
<b>Closing Balance</b>	<b>9.03</b>	<b>4.48</b>	<b>2.68</b>	<b>10.07</b>	<b>7.00</b>	<b>2.98</b>	<b>7.47</b>

(Source: Company, HDFC Sec)

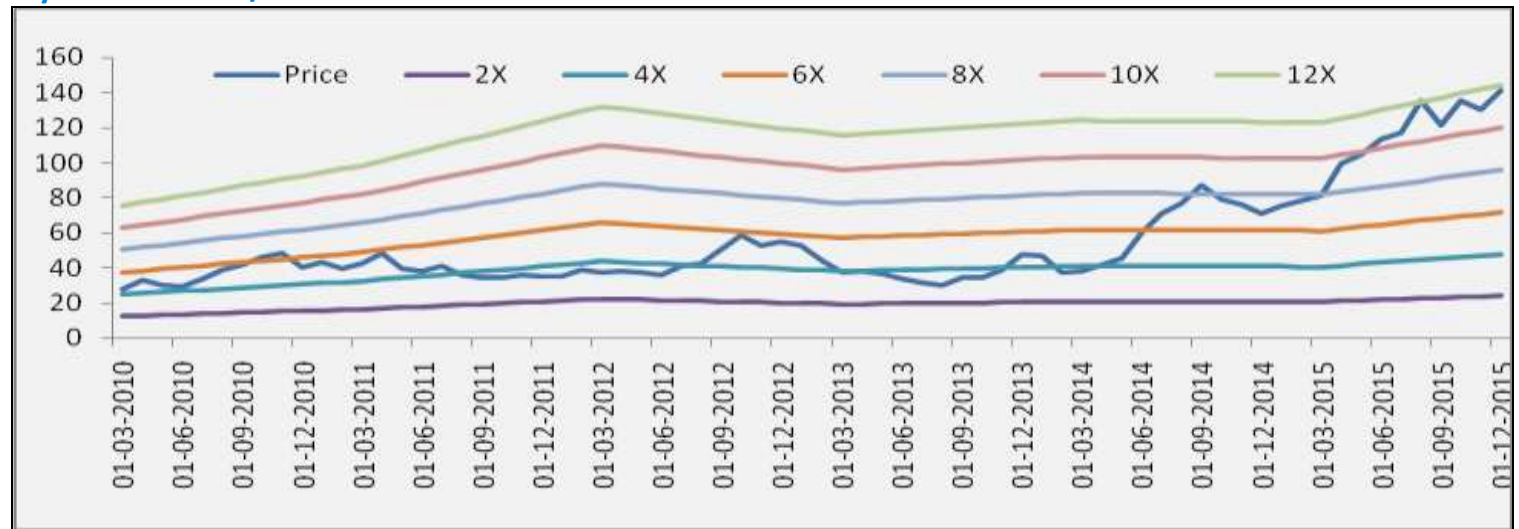
### Financial Ratios - Consolidated:

Particulars	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
No of Equity Shares-cr	3.24	3.24	3.24	3.24	3.24	3.24	3.24
Market Capitalization-cr	138.9	123.4	123.2	125.2	264.2	528.1	528.1
Enterprise Value-cr	138.9	123.4	123.2	125.2	264.2	528.1	528.1
EPS	8.2	11.0	9.6	10.3	10.2	12.6	16.0
Cash EPS (PAT + Depreciation)	10.8	14.2	13.5	15.4	16.4	18.5	23.0
Book Value Per Share(Rs.)	34.7	44.8	52.9	62.1	70.3	81.3	95.3
PE(x)	5.2	3.5	4.0	3.7	8.0	12.9	10.2
P/BV (x)	1.2	0.9	0.7	0.6	1.2	2.0	1.7
Mcap/Sales(x)	0.4	0.3	0.2	0.2	0.4	0.8	0.7
EV/EBITDA	2.2	1.5	1.5	1.4	2.6	5.1	4.6
EBITDAM (%)	18.2%	17.9%	15.7%	14.9%	16.4%	16.0%	16.1%
EBITM (%)	15.8%	15.6%	13.2%	12.2%	13.2%	13.1%	12.9%
PATM (%)	7.7%	7.9%	6.1%	5.5%	5.4%	6.3%	7.2%
ROCE (%)	21.7%	21.4%	18.7%	18.1%	19.0%	20.6%	22.5%
RONW (%)	23.6%	24.6%	18.2%	16.7%	14.6%	15.5%	16.8%
Current Ratio	1.2	1.2	1.1	1.0	1.1	1.1	1.2
Quick Ratio	0.8	0.7	0.8	0.7	0.6	0.7	0.8
Debt-Equity	1.3	1.4	1.2	1.1	1.0	0.6	0.4

(Source: Company, HDFC Sec)

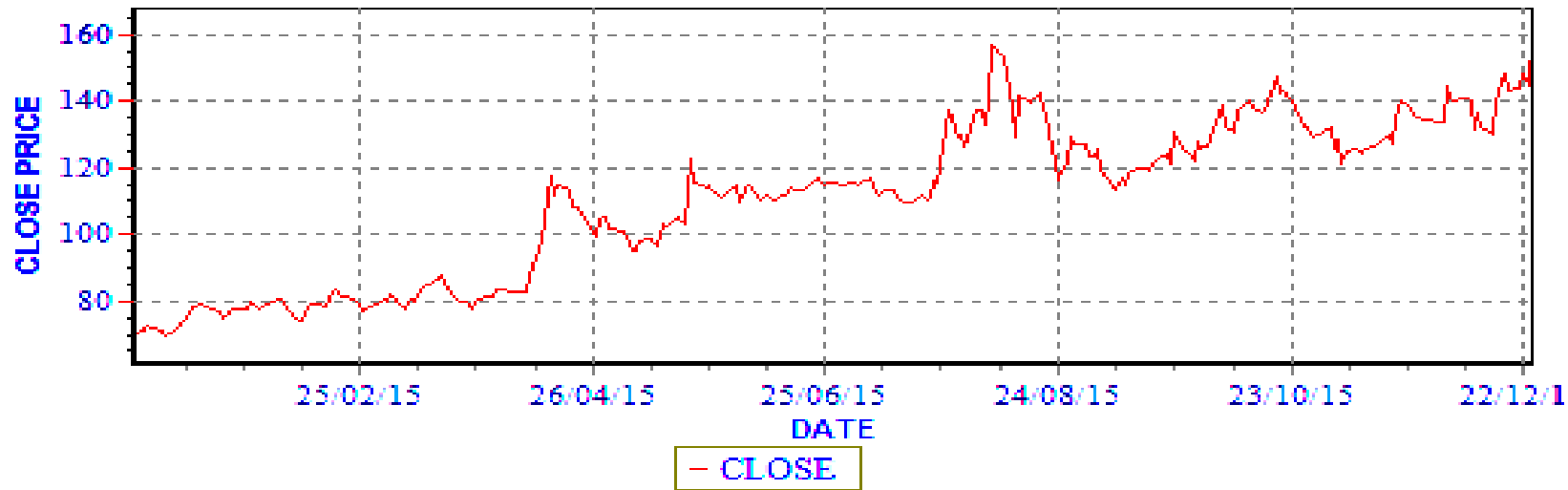


1 year forward P/E chart



(Source: HDFC Sec)

1 Year daily closing price chart



(Source: HDFC Sec)

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