



## **IndiaNivesh Securities Limited**

Research Analyst SEBI Registration No. INH000000511

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

# **NiveshMonthly**

## **December 2015**

### **MONTHLY RECOMMENDATIONS**

	<b>CMP (Rs.)</b>	<b>RATING</b>	<b>TP (Rs.)</b>
<b>Tata Motors Ltd. (TTMT)</b>	<b>405</b>	<b>BUY</b>	<b>496</b>
<b>Oberoi Realty Ltd. (ORL)</b>	<b>257</b>	<b>BUY</b>	<b>342</b>

**Daljeet S. Kohli**

Head of Research

Tel: +91 22 66188826

[daljeet.kohli@indianivesh.in](mailto:daljeet.kohli@indianivesh.in)

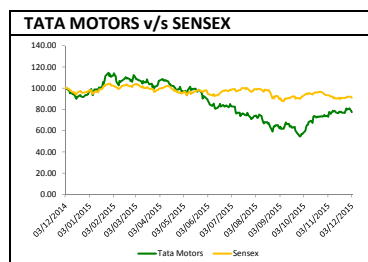
Current	Previous		
<b>CMP: Rs.405</b>			
<b>Rating: BUY</b>	<b>Rating: BUY</b>		
<b>Target: Rs.496</b>	<b>Target: 496</b>		
Units Rs/Mn.	FY15	FY16e	FY17e
Net Sales	2,627,963	2,607,095	2,776,420
EBITDA	392,387	353,610	389,656
EBITDA Margin (%)	14.93%	13.56%	14.03%
PAT	144,090	114,733	126,284
PAT Margin (%)	5.48%	4.40%	4.55%
EPS	44	34	37
ROE (%)	25.6	15.1	14.3
P/E	9.2	12.0	10.9
EV/EBITDA	4.23	4.91	4.81

SHAREHOLDING PATTERN (as on Sep. 2015)	%
Institutions	39.16
Others, Incl Public	27.83
Promoters	33.01

Source: BSE

STOCK PER. (%)	1m	3m	12m
TATA MOTORS	6%	22%	-22%
SENSEX	-3%	0%	-9%

Source: Capitaline, IndiaNivesh Research



Source: Capitaline, IndiaNivesh Research

*We recommend BUY on Tata Motors Limited (TTMT) with target price of Rs 496. We believe Tata Motors will be prime beneficiary of recovery in domestic CV industry. Although the JV with Chery Automobile in China along with slowdown in Chinese auto luxury market would dent EBITDA margins in FY16, the margin is likely to trend upwards going forward in FY17. Taking a conservative stand, we have assumed a 40% degrowth in China volumes and JLR Ebitda margins falling to 15.0% in FY16E due to slowdown and price cut in China. We are positive on demand outlook for JLR in the long-term, supported by new launches, expansion in new markets, network expansion and capacity increase.*

## Investment rationale

- Domestic business continued its strong performance in Q2FY16 on back of growth in M&HCV and PV segment. As per the management; CV business is well placed to ride the recovery with wide and compelling product range- with new launches across Prima and Ultra Range, refreshes/variants in SCV and pick-ups. Recent news regarding government planning to ban trucks older than 15-years to curb soaring urban air pollution would be big positive for CV players like Tata Motors
- With the appointment of new president last year (Mr Mayank Pareek ex Maruti) the company has already strategized the plan of 2 launches per year till 2020. The company seems to be on track to launch a number of new cars in the coming years with Tata Zica Hatchback expected to be launched by the end of 2015 (or early 2016) followed by the Tata Hexa Concept SUV. Additionally, the Tata Nexon is expected to be launched next year. Thus, Tata Motors is making the right moves to sustain the recent momentum that it has gained in the Indian car market.
- On consolidated front, Tata Motors profitability was impacted in Q2FY16 due to inventory write down related to Tianjin port explosion. Insurance money is expected to come after few months. JLR continued to do well in US and Europe. The sales is expected to keep on improving in the next three or four years due to capacity addition and entry into new geography. The 16 Model Year Jaguar XJ is expected to be launched in Autumn this year and the Jaguar F-PACE and Evoque Convertible is expected to be launched in Q4 FY16. All these new products are expected to drive significant volume growth in 2015/16 although, EBITDA margins are expected to be lower than the high levels in 2014/15 reflecting model mix and launch costs associated with the new products, launch and reporting effects of the China JV and mixed economic conditions particularly in China.
- Strong numbers from US, Europe and UK neutralising lower China sales - JLR had reported best ever October retail sales of 41,553 vehicles, up 24% on October 2014. The company sold 390,965 vehicles in the first ten months of 2015, 2% up on the same period in the prior year. Land Rover retailed reached 323,353 vehicles, 2% up on the prior year. Jaguar year-to-date sales were 67,612, down 1% year-on-year. A similar trend is expected to continue in November as JLR North America U.S. sales were up 55% year-on-year in November 2015. Year to date in 2015, JLR U.S. have sold 75,410 units, an increase of 26 % over 2014.

**Daljeet S. Kohli**

Head of Research

Tel: +91 22 66188826

[daljeet.kohli@indianivesh.in](mailto:daljeet.kohli@indianivesh.in)

**Abhishek Jain**

Research Analyst

Tel: +91 22 66188832

[abhishek.jain@indianivesh.in](mailto:abhishek.jain@indianivesh.in)

**Aman Vij**

Research Analyst

Tel: +91 22 66188818

[aman.vij@indianivesh.in](mailto:aman.vij@indianivesh.in)

## Numbers from China would be down but would look optically weaker than they actually are

Even after assuming a degrowth of 40% in volumes from China along with lower realizations and severe hit on EBITDA margins (close to 400 basis points), our SOTP based target comes to Rs 496. Doing a sensitivity analysis on impact of slowdown in China, we can clearly see the potential downside even in case of further fall in Chinese volumes by 20% (probability of which is very low) would be only 11% on our target price which still provides a margin of safety of close to 16%.

Sensitivity Analysis - China Sales on Valuations		
China volumes in FY16	Change in EBITDA	Effect on Valuation
57000	-7%	-11%
64000	-4%	-6%
<b>71500</b>	<b>0%</b>	<b>0%</b>
79000	4%	6%
86000	7%	11%

Source: Company Filings; IndiaNivesh Research

### Key risks

- Key risks in JLR business include a) delay in execution of China JV b) Slowdown in luxury car OEMs and c) Cross currency movements.
- On domestic front, key risk includes slower than expected recovery in CV cycle and increase in Raw Material cost.

### Valuation

We believe market is overreacting to impact of slowdown in China and going forward TTMT would benefit from a) recovery in CV business, b) strong product pipeline in JLR c) capacity expansion in JLR and d) change in PV strategy for domestic market. We value JLR Standalone at Rs 410/share based on 4x FY17E EV/EBITDA, JLR JV at Rs 32/share based on 1x FY17E EV/Sales. We value the Indian business along with subsidiaries and associates at ~Rs. 70/share, based on 8x FY17E EV/EBITDA and 25% discount on investments and Net Debt at ~Rs -15/share. We recommend BUY on the stock with SOTP based target price of Rs. 496.

## Consolidated Financials

## Income Statement

Y E March (Rs m)	FY13	FY14	FY15	FY16e	FY17e
Net sales	1,887,927	2,328,337	2,627,963	2,607,095	2,776,420
Growth %	14.0	23.3	12.9	-0.8	6.5
COGS	1,481,665	1,766,236	1,935,046	2,005,660	2,122,843
SG&A	166,329	223,578	300,531	247,825	263,921
<b>EBITDA</b>	<b>239,933</b>	<b>338,523</b>	<b>392,387</b>	<b>353,610</b>	<b>389,656</b>
Y/Y Ch %	11.7	41.1	15.9	-9.9	10.2
EBITDA Margin %	12.7	14.5	14.9	13.6	14.0
Depreciation	76,013	110,782	133,886	156,788	182,684
<b>EBIT</b>	<b>163,920</b>	<b>227,742</b>	<b>258,500</b>	<b>196,822</b>	<b>206,972</b>
EBIT Margin %	8.7	9.8	9.8	7.5	7.5
Interest	35,603	47,338	48,615	49,926	51,273
Other Income (Inc Forex)	8,156	9,932	10,634	11,796	18,967
<b>PBT</b>	<b>136,473</b>	<b>190,336</b>	<b>220,519</b>	<b>158,691</b>	<b>174,666</b>
Tax	37,767	47,648	76,429	43,957	48,383
Effective tax rate %	27.7	25.0	34.7	27.7	27.7
<b>Reported PAT</b>	<b>98,707</b>	<b>142,688</b>	<b>144,090</b>	<b>114,733</b>	<b>126,284</b>
Y/Y Ch %	-27.3	44.6	1.0	-20.4	10.1
Minority & Exceptional	-	-	-	-	-
<b>Adj. PAT (APAT)</b>	<b>98,707</b>	<b>142,688</b>	<b>144,090</b>	<b>114,733</b>	<b>126,284</b>
RPAT Margin %	5.2	6.1	5.5	4.4	4.5
Y/Y Ch %	-27.3	44.6	1.0	-20.4	10.1

## Balance Sheet

Y E March (Rs m)	FY13	FY14	FY15	FY16e	FY17e
Share Capital	6,381	6,438	6,438	6,438	6,438
Reserves & Surplus	369,992	649,597	556,181	755,588	875,557
<b>Net Worth</b>	<b>376,373</b>	<b>656,035</b>	<b>562,619</b>	<b>762,026</b>	<b>881,995</b>
Minority	3,705	4,207	4,334	4,333	4,333
Long-term + ST loans	437,223	549,545	692,115	700,135	805,276
Others	116,032	147,866	242,764	161,390	73,194
<b>Total Liabilities</b>	<b>933,333</b>	<b>1,357,651</b>	<b>1,501,832</b>	<b>1,627,884</b>	<b>1,764,800</b>
Gross Block	1,253,086	1,711,696	1,994,404	2,323,806	2,707,611
Less Depreciation	517,227	688,154	823,209	979,997	1,162,681
<b>Net Block</b>	<b>735,860</b>	<b>1,023,542</b>	<b>1,171,196</b>	<b>1,343,809</b>	<b>1,544,931</b>
Intangible	164,894	183,360	158,063	158,063	158,063
Investments	90,577	106,867	153,367	153,367	153,367
Deferred tax (net)	24,094	7,755	13,900	13,900	13,900
<b>Current Assets</b>	<b>664,644</b>	<b>862,731</b>	<b>876,624</b>	<b>853,943</b>	<b>857,686</b>
Sundry Debtors	109,427	105,742	125,792	124,793	132,898
Cash & Bank Balance	211,127	297,118	321,160	252,206	219,581
Loans & advances	134,401	187,161	136,949	182,639	193,047
Inventories	209,690	272,709	292,723	294,305	312,159
<b>Current Liabilities</b>	<b>669,211</b>	<b>746,896</b>	<b>810,956</b>	<b>834,836</b>	<b>902,786</b>
Provisions	77,526	79,707	60,362	60,362	60,362
<b>Net Current Assets</b>	<b>(82,093)</b>	<b>36,128</b>	<b>5,306</b>	<b>(41,255)</b>	<b>(105,462)</b>
<b>Total assets</b>	<b>933,333</b>	<b>1,357,651</b>	<b>1,501,833</b>	<b>1,627,884</b>	<b>1,764,799</b>

## Cash Flow

Y E March (Rs m)	FY13	FY14	FY15	FY16e	FY17e
Operating Profit	163,920	227,742	258,500	196,822	206,972
Depreciation	76,013	110,782	133,886	156,788	182,684
Interest Exp	35,603	47,338	48,615	49,926	51,273
Changes in Working Capital	-16,150	23,299	-12,742	72,363	129,545
<b>Cash Flow After Chang in WCapital</b>	<b>259,385</b>	<b>409,160</b>	<b>428,260</b>	<b>475,900</b>	<b>570,474</b>
Tax	-37,767	-47,648	-76,429	-43,957	-48,383
Others	0	0	0	0	0
<b>Cash flow from operations</b>	<b>221,619</b>	<b>361,512</b>	<b>351,831</b>	<b>431,942</b>	<b>522,091</b>
Capital expenditure (net)	-229,692	-279,909	-345,186	-390,541	-444,946
<b>Free Cash Flow</b>	<b>-8,074</b>	<b>81,603</b>	<b>6,645</b>	<b>41,401</b>	<b>77,146</b>
Other income	0	0	0	0	0
Investments	0	0	0	0	0
<b>Cash flow from investments</b>	<b>-229,692</b>	<b>-279,909</b>	<b>-345,186</b>	<b>-390,541</b>	<b>-444,946</b>
Long-Term Debt (Decrease) Increase	50,182	112,322	142,570	8,021	105,141
Dividend paid (incl tax)	-6,373	-6,373	0	-5,737	-6,314
Share Issue / Repurchase & Others	-60,730	-144,782	-90,558	-112,639	-208,597
<b>Cash flow from Financing</b>	<b>-16,921</b>	<b>-38,833</b>	<b>52,012</b>	<b>-110,355</b>	<b>-109,770</b>
<b>Net change in cash</b>	<b>-24,994</b>	<b>42,770</b>	<b>58,657</b>	<b>-68,954</b>	<b>-32,625</b>
<b>Cash at the beginning of the year</b>	<b>148,505</b>	<b>123,511</b>	<b>166,281</b>	<b>211,277</b>	<b>142,323</b>
<b>Cash at the end of the year</b>	<b>123,511</b>	<b>166,281</b>	<b>224,937</b>	<b>142,323</b>	<b>109,699</b>

## Key Ratios

Y E March	FY13	FY14	FY15	FY16e	FY17e
Adj. EPS (Rs)	30.7	43.8	44.2	33.8	37.2
Cash EPS (Rs)	542.8	787.5	863.6	799.6	909.9
DPS (Rs)	2.0	2.0	0.0	1.7	1.9
BVPS	1,169.3	2,038.2	1,748.0	2,244.1	2,597.4
ROCE %	24.5	22.8	24.5	16.9	15.3
ROE %	26.2	21.8	25.6	15.1	14.3
ROIC %	9.9	10.0	9.6	6.7	6.8
EBITDA Margin %	12.7	14.5	14.9	13.6	14.0
PER (x)	13.2x	9.3x	9.2x	12.0x	10.9x
P/BV (x)	0.3x	0.2x	0.2x	0.2x	0.2x
P/CEPS (x)	0.7x	0.5x	0.5x	0.5x	0.4x
EV/EBITDA (x)	6.3x	4.6x	4.2x	4.9x	4.8x
Dividend Yield %	0.5	0.5	-	0.4	0.5
m cap/sales (x)	0.7x	0.6x	0.5x	0.5x	0.5x
net debt/equity (x)	0.6x	0.4x	0.7x	0.6x	0.7x
net debt/ebitda (x)	0.9x	0.7x	0.9x	1.3x	1.5x
Debtors (Days)	21	17	17	17	17
Creditors (Days)	108	114	107	107	107
Inventory (Days)	41	43	41	41	41
Cash Conversion Cycle (Days)	-47	-55	-49	-49	-49

Source: Company, IndiaNivesh Research

Current	Previous
CMP : Rs.257	Achieved
Rating : BUY	Rating : BUY
Target : Rs.342	Target : Rs.342

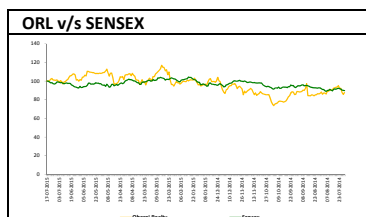
Y E Mar (Rs mn)	FY15	FY16	FY17
Net Sales	9,227	14,979	24,465
Growth %	16%	62%	63%
EBIDTA	5,138	7,696	12,649
EBIDTA Margin %	56%	51%	52%
Adj. Net Profit	3,171	4,970	8,001
Growth %	1.9%	56.7%	61.0%
Adj. Net Margin %	34.4%	33.2%	32.7%
Adj. EPS	9.7	14.7	23.6
EV/EBIDTA multiple	16.0x	10.2x	6.5x
ROE %	6.8%	9.2%	13.1%

SHAREHOLDING PATTERN	%
(as on Sept. 2015)	
Promoters	72.6
FII's	21.2
DII's	0.9
Public & Others	5.0

Source: BSE

STOCK PER. (%)	1m	3m	12m
OBEROI REALTY	-10	18	-6
SENSEX	3	0	-9

Source: Capitaline, IndiaNivesh Research



Source: Capitaline, IndiaNivesh Research

ORL is a Mumbai based premium real estate developer primarily focused on luxury residential properties. ORL also develops office space, retail, hospitality and social infrastructure projects in mixed-use and single-segment developments. It has construction experience of ~7 mn sq. ft. and ~20 mn sq. ft. of ongoing and future projects. ORL is our top picks in Real Estate sector on back of quality land bank, healthy balance sheet, and management ability to execute large projects on time. We expect Revenue, EBITDA and PAT CAGR of 63%/57%/60%, respectively over FY15-17E. We maintain BUY with TP of Rs.342 on ORL.

### Key Investment Rationales:

**Strong Revenue Growth Potential:** We expect ORL to deliver revenue CAGR of 63% over FY15-17E on back of following:

- As per the management guidance, project 'Oberoi Esquire' is expected to reach revenue recognition threshold in Q3FY16. Esquire should garner ~Rs 3,900 mn revenue in Q3FY16 based on the area sold (1.07 mn sq. ft. till Q2FY16).
- Newly launched Mulund projects - Eternia & Enigma has revenue pipeline of Rs 10,336 mn based on the booking till Q2FY16. Overall we expect revenue of Rs.9,062 mn from these projects in FY17E.
- Super luxury - Oasis Worli project (Saleable area- 1.78 mn sq. ft) is expected to be launched before Q4FY16E which has already completed more than 50% of its construction. As per our estimates we expect revenue of Rs.3,052 mn from this project in FY17E.
- Sky City (Borivali Phase-I) launch received tremendous response - 543 units booked in two days (v/s ~900 units launched | Total ~3,000 units). The revenue visibility of the total units booked would be ~Rs 13.5 bn.
- We estimate revenue growth of 62% Y/Y and 63% Y/Y in FY16E and FY17E, respectively.

Revenue Projection (Rs Mn)	Location	FY15	FY16E	FY17E	CAGR	
Esquire	Goregaon		6,859	4,197		
Oasis Residential	Worli		-	3,052		
Prisma	Goregaon		786	1,368		
Eternia	Mulund		-	4,714		
Enigma	Mulund		-	4,348		
Others	Mumbai		7,334	6,786		
<b>Total</b>			<b>9,227</b>	<b>14,979</b>	<b>24,465</b>	<b>63%</b>

Source: Company Filings; IndiaNivesh Research

**Daljeet S. Kohli**, Head of Research

Tel: +91 22 66188826

[daljeet.kohli@indianivesh.in](mailto:daljeet.kohli@indianivesh.in)

**Amar Mourya**, Research Analyst

Tel: +91 22 66188836

[amar.mourya@indianivesh.in](mailto:amar.mourya@indianivesh.in)

**Abhitesh Agarwal**, Research Associate

Tel: +91 22 66188823

[abhitesh.agarwal@indianivesh.in](mailto:abhitesh.agarwal@indianivesh.in)

**Sustainable Annuity Cash Flows:** ORL has strong annuity portfolio which consist of following: (1) Oberoi Mall (Retail Property), (2) Commerz I & II (Commercial Space), (3) The Westin Mumbai Garden City (Hospitality).

The company's retail portfolio (Oberoi Mall & Commerz I & II) has ~94% of utilization. Rental revenue is expected to grow at CAGR of 21% to Rs.3,908 mn over FY15-17E due to incremental leasing in Commerz I & II. ORL's hospitality portfolio (The Westin Hotel – 5 Star) has 269 rooms in Goregaon, which has average annual occupancy of ~78.5% in FY15. The total annuity business contributes 29% to the total consolidated revenue in FY15.

Revenue Projection (Rs Mn)	Type	FY15	FY16E	FY17E
West InnHotel	Hospitality	1226	1,252	1,290
Commerz 1	Commerical Leasing	472	512	538
Commerz 2	Commerical Leasing	6	720	756
Oberoi Mall	Retail Leasing	940	1,033	1,041
Oberoi Inter. School	Social Infrastructure	26	270	284
<b>Total Annuity Revenue</b>		<b>2,670</b>	<b>3,787</b>	<b>3,908</b>
<i>As a % of Total Revenue</i>		<i>29%</i>	<i>25%</i>	<i>16%</i>
<i>Growth %</i>			<i>42%</i>	<i>3%</i>
<b>Total Revenue</b>		<b>9,227</b>	<b>14,979</b>	<b>24,465</b>

Source: Company Filings, IndiaNivesh Research

**Strategic Land Acquisition:** We are impressed by the company's land acquisition strategy. Further, the company's ability to acquire large size land in the premium location during down markets seems to be a prudent move. The Company is virtually debt free as compared to other real estate developers. The current real-estate slowdown brings opportunity to accumulate Mumbai's premium land inventory at bargain price. In order to execute such large land parcel deals ORL intends to raise fund by issue Rs.15 bn of non-convertible debentures & equity placement of ~Rs 7.5 bn.

In Q1FY16, ORL successfully raised Rs.3.4 bn through preferential allotment. The management plans to use this cash for purchase of land bank. However, management would like to wait for right land parcels availability and also at favorable rates within Mumbai suburban city.

### Key Risks:

- Execution Delays
- Elongation in weak demand

### Valuation & Outlook:

At CMP of Rs.257, the stock is trading at 10.2x FY16E and 6.5x FY17E EV/EBIDTA estimates. ORL is one of our top picks in our Real Estate coverage due to following (1) quality of land bank, (2) healthy balance sheet, and (3) management ability to execute large premium projects. We maintain BUY on ORL with a SoTP based target price of Rs.342/share (34% upside).

NAV Based Valuation Methodology			
Particulars	FCFs (Rs. Mn)	NAV/ Share	% of TP
<b>Residential Projects</b>	47,467	140	41%
<b>Rent Business</b>	29,713	88	25%
<b>Hospitality Business</b>	3,293	10	3%
<b>Upcoming Projects</b>	32,433	96	28%
<b>Other Assets</b>	4,311	13	4%
<b>Social Infra</b>	3,053	9	3%
<b>Total</b>	<b>1,17,217</b>	<b>346</b>	
<b>Less: Net Debt</b>	(621)	-2	-1%
<b>Target Price</b>	<b>1,16,596</b>	<b>344</b>	
<b>CMP</b>		<b>257</b>	
<b>Upside</b>		<b>34%</b>	
<b>Rating</b>		<b>BUY</b>	

Source: Company Filings, IndiaNivesh Research

## Healthy Ongoing Project Pipeline (~9 mn sq. ft.)

Particulars	Location	Proj. Type	Est. Saleable Area ( Mn sq ft)
<b>Ongoing Projects</b>			
Oberoi Garden City	Goregaon East	Residential	1.50
Oberoi Splendor	Andheri East	Residential	0.44
Oasis	Worli	Residential	1.78
Eternia	Mulund West	Residential	1.70
Enigma	Mulund West	Residential	1.61
Commerz II – Phase II	Goregaon East	Commercial	1.66
<b>Total Ongoing projects (A)</b>			<b>8.69</b>

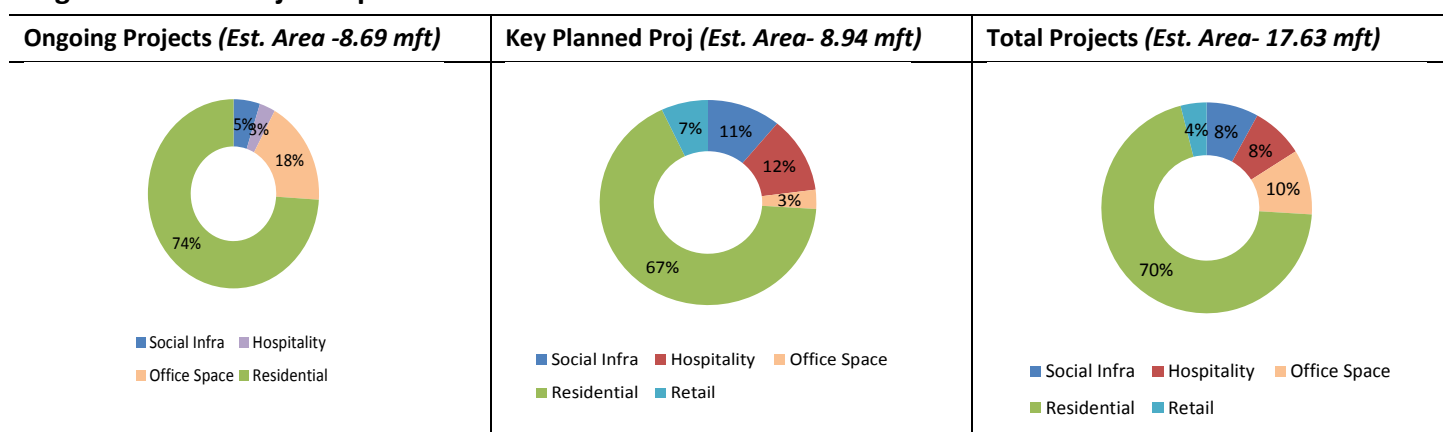
Source: Company Filings; IndiaNivesh Research

## Promising Future Project Pipeline (~9 mn sq. ft.)

Particulars	Location	Proj. Type	Est. Saleable Area ( Mn sq ft)
<b>Planned projects</b>			
Borivali Land	Borivali East	Residential	3.99
Borivali Land	Borivali East	Retail	0.51
Oasis Hotel	Worli	Hospitality	0.34
Oberoi Garden City	Goregaon East	Residential	2.21
Oberoi Splendor	Andheri	Commercial	0.09
Sangam City	Pune	Residential	0.77
Sangam City	Pune	Retail	0.28
Sangam City	Pune	Commercial	0.28
I-Ven	Worli	Residential	0.47
<b>Total Planned projects (B)</b>			<b>8.94</b>

Source: Company Filings; IndiaNivesh Research

## Segment- Wise Project Pipeline



Source: Company Filings, IndiaNivesh

## Consolidated Financials

## Income statement

Y E March (Rs m)	2013A	2014A	2015A	2016E	2017E
<b>Net sales</b>	<b>10,476</b>	<b>7,985</b>	<b>9,227</b>	<b>14,979</b>	<b>24,465</b>
Growth %	-	-24%	16%	62%	63%
Operating Expenses.	3,715	2,897	3,148	6,077	10,190
Employee Expenses	383	442	526	605	696
Other Expenses	257	298	414	599	930
Total Operating Expenses	4,355	3,637	4,089	7,282	11,816
<b>EBITDA</b>	<b>6,121</b>	<b>4,348</b>	<b>5,138</b>	<b>7,696</b>	<b>12,649</b>
Growth %	-	-29%	18%	50%	64%
EBITDA Margin %	58%	54%	56%	51%	52%
Depreciation & Amortisation	285	271	403	404	489
Other Income	999	571	175	310	370
<b>EBIT</b>	<b>6,835</b>	<b>4,647</b>	<b>4,910</b>	<b>7,602</b>	<b>12,530</b>
EBIT Margin %	65%	58%	53%	51%	51%
Interest	4	3	18	72	220
<b>PBT</b>	<b>6,831</b>	<b>4,644</b>	<b>4,892</b>	<b>7,530</b>	<b>12,310</b>
Tax	1,783	1,533	1,721	2,560	4,308
Effective tax rate %	26%	33%	35%	34%	35%
Minority Interest	0	0	0	0	0
<b>PAT</b>	<b>5,049</b>	<b>3,111</b>	<b>3,171</b>	<b>4,970</b>	<b>8,001</b>
Growth%	-	-38.4%	1.9%	56.7%	61.0%
PAT margin %	48.2%	39.0%	34.4%	33.2%	32.7%

Source: Company Filings, IndiaNivesh Research

## Cash Flow

Y E March (Rs m)	2013A	2014A	2015A	2016E	2017E
PBT	6,835	4,647	4,910	7,602	12,530
Depreciation & Amortisation	285	271	403	404	489
Other adj. prior to WC changes	(983)	(567)	1,499	(238)	(150)
Changes in working capital	3,017	8,109	14,975	(117)	(10,663)
Tax	(1,698)	(1,412)	(1,531)	(2,560)	(4,308)
<b>Cash flow from operations</b>	<b>1,419</b>	<b>(5,173)</b>	<b>(9,712)</b>	<b>5,019</b>	<b>(2,407)</b>
Capital expenditure	(1,181)	(482)	360	(1,000)	(1,000)
<b>Free Cash Flow</b>	<b>238</b>	<b>(5,655)</b>	<b>(9,352)</b>	<b>4,019</b>	<b>(3,407)</b>
Inc/Dec. in Investments	(7,144)	7,630	(911)	310	370
<b>Cash flow from investments</b>	<b>(8,325)</b>	<b>7,149</b>	<b>(551)</b>	<b>(690)</b>	<b>(630)</b>
Equity capital raised (inc share cap. pren	0	0	0	3,245	0
Inc./ (Dec.) In long term & Other Borrow	0	761	7,620	0	0
Dividend & Interest paid (incl tax)	(766)	(774)	(789)	(869)	(1,017)
<b>Cash flow from Financing</b>	<b>(382)</b>	<b>6,986</b>	<b>6,831</b>	<b>2,376</b>	<b>(1,017)</b>
<b>Net change in cash</b>	<b>(7,669)</b>	<b>1,968</b>	<b>(3,327)</b>	<b>6,705</b>	<b>(4,054)</b>
<b>Cash at the beginning of the year</b>	<b>10,644</b>	<b>2,975</b>	<b>4,943</b>	<b>2,937</b>	<b>9,641</b>
<b>Fixed Deposits in Banks ( ST+LT)</b>	<b>7,750</b>	<b>55</b>	<b>1,321</b>	<b>0</b>	<b>0</b>
<b>Cash at the end of the year</b>	<b>2,975</b>	<b>4,943</b>	<b>2,937</b>	<b>9,641</b>	<b>5,587</b>

Source: Company Filings, IndiaNivesh Research

## Balance sheet

Y E March (Rs m)	2013A	2014A	2015A	2016E	2017E
Share Capital	3,282	3,282	3,282	3,392	3,392
Reserves & Surplus	38,339	40,682	43,060	50,368	57,572
<b>Net Worth</b>	<b>41,621</b>	<b>43,964</b>	<b>46,343</b>	<b>53,760</b>	<b>60,965</b>
Total Loan Funds	0	750	7,299	7,269	7,239
Deferred Tax	147	220	242	242	242
Other Long-term Liabilities	527	886	804	1,217	1,489
<b>Total Liabilities</b>	<b>42,296</b>	<b>45,819</b>	<b>54,689</b>	<b>62,489</b>	<b>69,935</b>
<b>Net Block &amp; Capital WIP</b>	<b>13,368</b>	<b>13,649</b>	<b>13,019</b>	<b>13,616</b>	<b>14,212</b>
Non Current Investments	0.1	0.1	0.1	0.1	0.1
Long Term Loan & Advances	12,465	12,417	12,521	12,521	12,521
<b>Current Assets</b>	<b>27,057</b>	<b>28,805</b>	<b>45,660</b>	<b>53,050</b>	<b>60,651</b>
Inventories	12,448	16,491	34,817	34,881	45,578
Trade Receivables	522	862	828	1,344	2,196
Others	132	550	36	36	36
Cash & Equivalents.	10,725	4,997	2,937	9,641	5,587
Short-term Loans & Advances	3,230	5,904	7,041	7,147	7,254
<b>Current Liabilities &amp; Provision</b>	<b>10,595</b>	<b>9,051</b>	<b>16,511</b>	<b>16,668</b>	<b>17,389</b>
Short Term Borrowings	0	11	1,081	1,081	1,081
Trade Payables	297	243	408	410	975
Other Current Liabilities	9,520	8,019	14,193	14,335	14,478
Provisions	778	778	829	841	854
<b>Net Current Assets</b>	<b>16,462</b>	<b>19,754</b>	<b>29,149</b>	<b>36,382</b>	<b>43,263</b>
<b>Total Assets</b>	<b>42,296</b>	<b>45,819</b>	<b>54,689</b>	<b>62,489</b>	<b>69,935</b>

Source: Company Filings, IndiaNivesh Research

## Key ratios

Y E March	2013A	2014A	2015A	2016E	2017E
Adj. EPS (Rs)	15.4	9.5	9.7	14.7	23.6
Cash EPS (Rs)	16.2	10.3	10.9	15.8	25.0
DPS (Rs)	2.0	2.0	2.0	2.0	2.0
BVPS (Rs)	126.8	133.9	141.2	158.5	179.7
ROCE (%)	12.1%	7.0%	5.8%	8.1%	11.9%
ROE (%)	12.1%	7.1%	6.8%	9.2%	13.1%
EBITDA Margin (%)	65.2%	58.2%	53.2%	50.8%	51.2%
Net Margin (%)	48.2%	39.0%	34.4%	33.2%	32.7%
PER (x)	16.7x	27.1x	26.6x	17.5x	10.9x
P/BV (x)	2.0x	1.9x	1.8x	1.6x	1.4x
P/CEPS (x)	15.8x	24.9x	23.6x	16.2x	10.3x
EV/EBITDA (x)	12.1x	18.4x	16.0x	10.2x	6.5x
Debt / Equity	0.00x	0.02x	0.18x	0.16x	0.14x
M-Cap/Sales (x)	8.1x	10.6x	9.1x	5.8x	3.6x
Net Debt/Equity (x)	-0.98x	-0.57x	-0.25x	-0.60x	-0.18x
Net Debt/EBITDA (x)	-1.68x	-1.04x	-0.45x	-1.17x	-0.35x

Source: Company Filings, IndiaNivesh Research



**Disclaimer:** This document has been prepared by IndiaNivesh Securities Limited ("INSL"), for use by the recipient as information only and is not for circulation or public distribution. INSL includes subsidiaries, group and associate companies, promoters, employees and affiliates. INSL researches, aggregates and faithfully reproduces information available in public domain and other sources, considered to be reliable and makes them available for the recipient, though its accuracy or completeness has not been verified by INSL independently and cannot be guaranteed. The third party research material included in this document does not represent the views of INSL and/or its officers, employees and the recipient must exercise independent judgement with regard to such content. This document has been published in accordance with the provisions of Regulation 18 of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. This document is not to be altered, transmitted, reproduced, copied, redistributed, uploaded or published or made available to others, in any form, in whole or in part, for any purpose without prior written permission from INSL. This document is solely for information purpose and should not be construed as an offer to sell or the solicitation of an offer to buy any security. Recipients of this document should be aware that past performance is not necessarily a guide for future performance and price and value of investments can go up or down. The suitability or otherwise of any investments will depend upon the recipients particular circumstances. INSL does not take responsibility thereof. The research analysts of INSL have adhered to the code of conduct under Regulation 24 (2) of the Securities and Exchange Board of India (Research Analysts) Regulations, 2014. This document is based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Nothing in this document constitutes investment, legal, accounting and/or tax advice or a representation that any investment or strategy is suitable or appropriate to recipients' specific circumstances. INSL does not accept any responsibility or whatever nature for the information, assurances, statements and opinion given, made available or expressed herein or for any omission or for any liability arising from the use of this document. Opinions expressed are our current opinions as of the date appearing on this document only. The opinions are subject to change without any notice. INSL directors/employees and its clients may have holdings in the stocks mentioned in the document.

This report is based / focused on fundamentals of the Company and forward-looking statements as such, may not match with a report on a company's technical analysis report

Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Daljeet S Kohli, Amar Maurya, Abhishek Jain, Yogesh Hotwani, Prerna Jhunjhunwala, Kaushal Patel, Rahul Koli, Tushar Manudhane, Aman Vij, Abhitesh Agarwal, Harshraj Aggarwal & Dharmesh Kant.

Following table contains the disclosure of interest in order to adhere to utmost transparency in the matter:

Disclosure of Interest Statement		
1	Details of business activity of IndiaNivesh Securities Limited (INSL)	INSL is a Stock Broker registered with BSE, NSE and MCX - SX in all the major segments viz. Cash, F & O and CDS segments. INSL is also a Depository Participant and registered with both Depository viz. CDSL and NSDL. Further, INSL is a Registered Portfolio Manager and is registered with SEBI.
2	Details of Disciplinary History of INSL	No disciplinary action is / was running / initiated against INSL
3	Details of Associates of INSL	Please refer to the important 'Stock Holding Disclosure' report on the IndiaNivesh website (investment Research Section - <a href="http://www.indianivesh.in/Research/Holding_Disclosure.aspx?id=10">http://www.indianivesh.in/Research/Holding_Disclosure.aspx?id=10</a> link). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. INSL and its affiliates may have investment positions in the stocks recommended in this report.
4	Research analyst or INSL or its relatives'/associates' financial interest in the subject company and nature of such financial interest	No (except to the extent of shares held by Research analyst or INSL or its relatives'/associates')
5	Research analyst or INSL or its relatives'/associates' actual/beneficial ownership of 1% or more in securities of the subject company, at the end of the month immediately preceding the date of publication of the document.	Please refer to the important 'Stock Holding Disclosure' report on the IndiaNivesh website (investment Research Section - <a href="http://www.indianivesh.in/Research/Holding_Disclosure.aspx?id=10">http://www.indianivesh.in/Research/Holding_Disclosure.aspx?id=10</a> link). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. INSL and its affiliates may have investment positions in the stocks recommended in this report.
6	Research analyst or INSL or its relatives'/associates' any other material conflict of interest at the time of publication of the document	No
7	Has research analyst or INSL or its associates received any compensation from the subject company in the past 12 months	No
8	Has research analyst or INSL or its associates managed or co-managed public offering of securities for the subject company in the past 12 months	No
9	Has research analyst or INSL or its associates received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months	No
10	Has research analyst or INSL or its associates received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months	No
11	Has research analyst or INSL or its associates received any compensation or other benefits from the subject company or third party in connection with the document.	No
12	Has research analyst served as an officer, director or employee of the subject company	No
13	Has research analyst or INSL engaged in market making activity for the subject company	No
14	Other disclosures	No

INSL, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within. This information is subject to change, as per applicable law, without any prior notice. INSL reserves the right to make modifications and alternations to this statement, as may be required, from time to time.

#### Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

HOLD. We expect this stock to deliver -15% to +15% returns over the next 12 months.

SELL. We expect this stock to deliver <-15% returns over the next 12 months.

Our target prices are on a 12-month horizon basis.

#### Other definitions

NR = Not Rated. The investment rating and target price, if any, have been arrived at due to certain circumstances not in control of INSL

CS = Coverage Suspended. INSL has suspended coverage of this company.

UR=Under Review. Such e invest review happens when any developments have already occurred or likely to occur in target company & INSL analyst is waiting for some more information to draw conclusion on rating/target.

NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

NM = Not Meaningful. The information is not meaningful and is therefore excluded.

Research Analyst has not served as an officer, director or employee of Subject Company

One year Price history of the daily closing price of the securities covered in this note is available at [www.nseindia.com](http://www.nseindia.com) and [www.economictimes.indiatimes.com/markets/stocks/stock-quotes](http://www.economictimes.indiatimes.com/markets/stocks/stock-quotes). (Choose name of company in the list browse companies and select 1 year in icon YTD in the price chart)



#### IndiaNivesh Securities Limited

Research Analyst SEBI Registration No. INH00000511

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: [research@indianivesh.in](mailto:research@indianivesh.in) | Website: [www.indianivesh.in](http://www.indianivesh.in)