June 7, 2017

Rating matrix		
Rating Matrix		
Rating	:	Buy
Target	:	₹ 204
Target Period	:	12 - 15 months
Potential Upside	:	20%

What's changed?	
Target	Unchanged
EPS FY18E	Unchanged
EPS FY19E	Unchanged
Rating	Unchanged

Quarterly performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	3987.7	3214.9	24.0	2191.3	82.0
EBITDA	979.6	998.8	(1.9)	482.8	102.9
EBITDA (%)	24.6	31.1	-650 bps	22.0	254 bps
PAT	791.7	794.5	(0.3)	376.2	110.4
EPS (₹)	3.5	3.3	7.1	16.8	-79.0

Key financials

₹ Crore	FY16	FY17	FY18E	FY19E
Revenue	7,295	8,612	10,848	11,856
EBITDA	1,461	1,762	1,964	2,100
EBITDA (%)	20.0	20.5	18.1	17.7
Net Profit	1,358	1,548	1,634	1,732
EPS (₹)	5.7	6.9	7.3	7.8

Valuation summary

(x)	FY16	FY17	FY18E	FY19E
P/E	30.1	24.5	23.2	21.9
Target P/E	36.1	29.4	27.9	26.3
EV / EBITDA	21.0	18.3	16.0	14.6
P/BV	4.7	5.0	4.4	3.9
RoNW (%)	16	20.5	19.0	17.8
RoCE (%)	22.0	27.7	26.2	24.5

Stock data	
Stock Data	
Average Volumes (shares)	441000
Market Capitalization	₹ 37971.7 Crore
Total Debt (FY17E)	₹ 250 Crore
Cash and Investments (FY17)	₹ 3790 Crore
EV (FY17)	₹ 32256 Crore
52 week H/L (₹)	1624 / 1009
Equity capital	₹ 223.4 Crore
Face value	₹ 10
MF Holding (%)	12.1
FII Holding (%)	6.6
Promoter Holding (%)	68.2

Price performance

Return (%)	1M	3M	6M	12M
Bharat Electronics	(5.8)	10.5	16.1	42.6
Astra Microwave	3.5	6.6	6.4	33.0
Centum Electronics	5.8	18.6	20.6	16.0

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Bharat Electronics (BHAELE) ₹ 170

On track performance, best play on defence

- The company reported strong Q4FY17 numbers, which were broadly in line with our estimates. BEL reported revenues of ₹ 3987.7 crore, up 24% YoY (our estimate: ₹ 3868 crore for the quarter)
- The company reported EBITDA of ₹ 979.6 crore, down 1.9% YoY. We estimated EBITDA of ₹ 964 crore for the quarter. EBITDA margins came in at 24.6% vs. our estimate of 24.9% crore for the quarter
- PAT came in at ₹ 792 crore, flat YoY (our estimates ₹ 824 crore for the quarter)
- The company has announced final dividend of ₹ 1.05 per equity share

Continues strong execution, healthy order inflows

BEL reported a third consecutive quarter of strong results primarily on account of higher booking of orders like hand held thermal imagers with laser range finder, Akash weapon system (Army), 3D tactical control radar, weapon locating radar, etc. **Order inflows for Q4FY17 were at ~₹ 10,080 crore, taking total inflows for FY17 to ₹ 16,300 crore. This has taken the BEL order backlog to an all-time high of ₹ 40,000 crore as on April 1, 2017.** With strong execution in coming quarters, this will help BEL deliver a superior topline and bottomline growth in FY17-19E.

Strong moat, moderate capex to help sustain momentum

As highlighted even in our earlier reports, BEL has strong competency in the area of defence electronics. Historically, a large part of defence capital spends (45-60%) has been in this segment. High-end technologies in the electronics segment, long gestation periods, heavy capital requirements, and secrecy related to defence projects act as key entry barriers in this segment. This gives companies like BEL a competitive advantage over any upcoming local and foreign competition. With a planned capex of ~₹ 1000 crore in FY17-19E, BEL is well placed to capitalise on the emerging defence sector.

R&D, exports, healthy balance sheet to help sustain momentum

BEL is an R&D-focused company. It spends ~9% of sales on developing new products. New products have historically helped BEL achieve up to 25% of its turnover. The management has guided that R&D spend may rise to 12% of sales in coming few years. This, we believe will enable the company to indigenise number of imported technologies. Exports for BEL came in at ~₹ 425 crore for FY17E (~5.1% of turnover). With the government's increasing focus on exports, BEL has set-up a dedicated business unit and marketing group to become key supply chain partner of global defence contractors. This is likely to increase exports contribution to 10% of the topline by FY20E. BEL also has a strong balance sheet with near nil debt and cash balance of ₹ 3790 crore (even after the buyback of ~₹ 2100 crore). We believe with a strong focus on capital allocation, BEL is well placed to deliver superior return on its deployed capital.

Maintain BUY on accelerated order inflows, strong revenue visibility

Continuous order inflows and BEL's track record in execution give us reasonable confidence about the continued stable performance of the company. Accordingly, we expect BEL to deliver sales and PAT CAGR of 17.3% and 5.8%, respectively, in FY17-19E. We re-rate the company due to improved visibility (order book to bill ~5x in FY17 from ~3x in FY15). We value the company at 26x P/E on FY19E EPS of ₹ 7.8 to arrive at a target price of ₹ 204 per share. We maintain **BUY** rating on the stock.

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Total Revenues	3,987.7	3,868.0	3,214.9	24.0	2,191.3	82.0	Strong Q4FY17 on account of higher revenue booking in large orders like long range surface-to-air missile, HHTI, homeland security solution, advanced composite communication system, etc
Raw materials costs	2,060.3	2,107.4	1,498.6	37.5	1,029.9	100.1	
Employees Expenses	561.1	590.0	352.9	59.0	343.2	63.5	
Other Expenses	386.6	206.8	364.5	6.1	335.5	15.2	
Total Expenditure	3,008.1	2,904.2	2,216.0	35.7	1,708.5	76.1	
EBITDA	979.6	963.8	998.8	-1.9	482.8	102.9	
EBITDA margins (%)	24.6	24.9	31.1	-650 bps	22.0	254 bps	
Interest	0.9	10.0	4.1	-78.3	10.6	-91.6	
Depreciation	57.1	56.5	46.8	22.1	45.5	25.6	
Tax	220.8	268.0	279.9	-21.1	128.0	72.4	
Other Income	90.9	195.0	133.6	-32.0	77.6	17.1	
PAT	791.7	824.2	794.5	-0.3	376.2	110.4	

Source: Company, ICICIdirect.com Research

Change in estimates

	FY17	FY18E			FY19E		
(₹ Crore)		Old	New	% Change	Old	New	% Change
Revenue	8,611.9	9,925.6	10,848.2	9.3	11,089.9	11,855.8	6.9
EBITDA	1,761.7	1,816.1	1,963.7	8.1	1,996.6	2,099.7	5.2
EBITDA Margin (%)	20.5	18.3	18.1	-20 bps	18.0	17.7	-29 bps
PAT	1,547.6	1,628.7	1,634.0	0.3	1,756.4	1,731.9	-1.4
EPS (₹)	6.9	7.3	7.3	0.4	7.9	7.8	-1.3

Source: Company, ICICIdirect.com Research

Company Analysis

Key takeaways for Q4FY17 & FY17

- **Strong order book**: Order book at the end of Q4FY17 was at ₹ 40,000 crore. Orders received during the year were at ₹ 16,300 crore
- **Major orders acquired in FY17**:
  - Long range surface to air missile,
  - EWS- Shakti & Nayan,
  - Advanced composite communication system
  - L- Band Tropo upgrade
  - Ship borne signals intelligence system,
  - voter verified paper audit trail,
  - Annual maintenance contract for Rukmani system, HHTI, Home Land security

The export order book as on April 1, 2017 was at US$85 million. Export turnover for FY17 was US$65.5 million

- **Major supplies during FY17**:
  - Radio relay frequency (LB),
  - Hand held thermal imager with laser range finder,
  - Fire control systems,
  - 3D tactical radar,
  - Akash weapon system (Army),
  - L 70 gun upgrade,
  - Weapon locating radar
  - Integrated Air command and control system

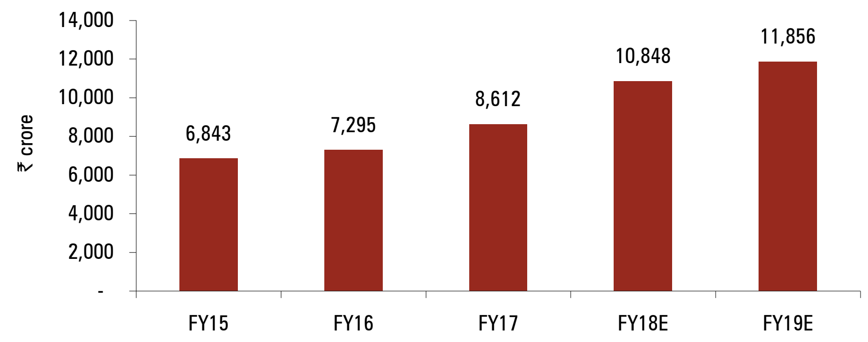
- **Major orders expected in FY18**
  - Akash Missile System (seven squadron),
  - Long Range Surface To Air Missile (LRSAM),
  - Mobile cellular communication system,
  - Samyukta upgrade,
  - Commander TI Sight

Company Analysis

Order inflows, strong execution to drive revenue growth of 17.3% CAGR in FY17-19E

We expect standalone revenues to increase from ₹ 8612 crore in FY17 to ₹ 11856 crore in FY19E at a CAGR of 15%, mainly on the back of strong order inflows and execution of backlog orders over the next two years. Order backlog as on FY17 was at ₹ 40,000 crore. We expect order inflows of ~₹ 12000 crore and ~₹ 11000 in FY18E and FY19E, respectively. Assuming, execution rate of ~24% for backlog orders and ~12% execution rate for current year order inflows, we estimate BEL will post revenues of ₹ 11,324 crore in FY18E and ₹ 11,855 crore in FY19E.

Exhibit 1: Revenue trend

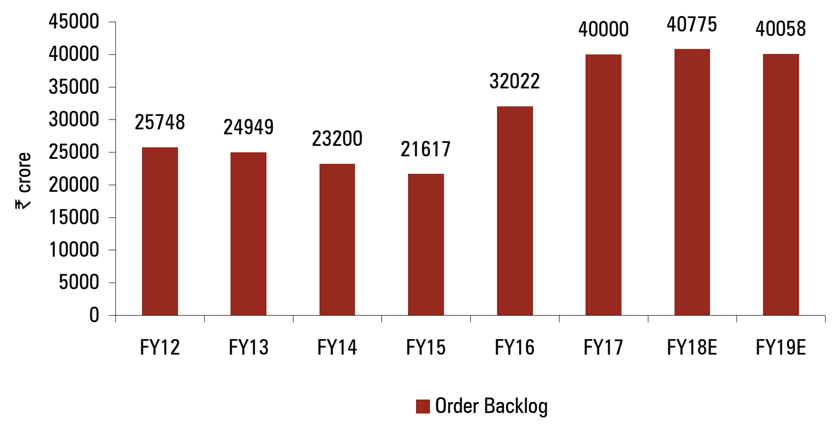


Source: Company, ICICIdirect.com Research

Order book growth to keep ticking

Order backlog for BEL has historically grown at 12.2%CAGR in FY13-17. However, going forward, we expect order backlog for BEL to grow at ~1% CAGR in FY17-19E due a higher base of FY17.

Exhibit 2: Order backlog trend

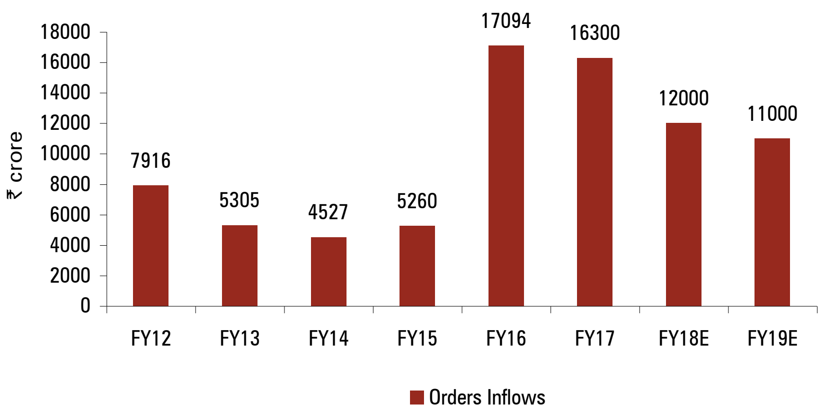


Source: Company, ICICIdirect.com Research

Strong order inflows over next five to seven years

BEL is expected to receive significant number of orders over the next five to seven year. Major orders are expected to be finalised in FY17-19E including orders Akash Missile (~₹ 4700 crore), Samyukta upgrade, mobile cellular communication system, L- band Tropo upgrade, low level lightweight radar, integrated sonar suite, passive night vision devices, etc. Apart from the above-mentioned orders the company is also a contender for large orders like battlefield management system (BMS), the order size of which is ₹ 35,000 crore. Also, with Hindustan Aeronautics (HAL) commencing its production line for indigenous aircraft Tejas, BEL is expected to receive significant orders for its electronic components and systems. Thus, we expect the order pipeline for BEL to remain strong in FY17-20E. For FY18E and FY19E, we have estimated order inflows of ₹ 12,000 crore & ₹ 11,000 crore, respectively, for the company.

Exhibit 3: Order inflows robust over FY17-19E



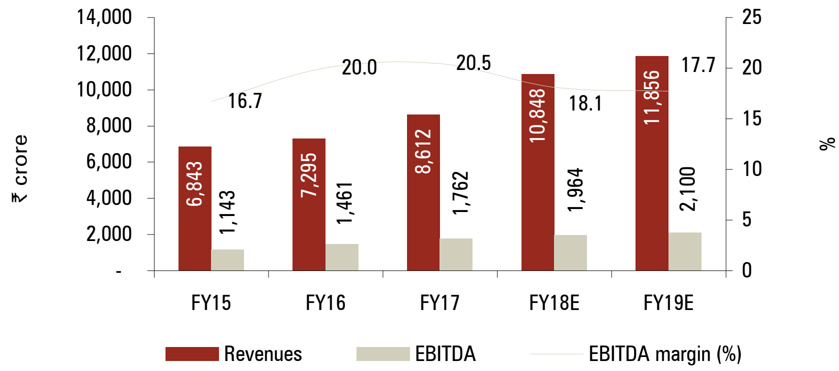
Source: Company, ICICIdirect.com Research

EBIDTA margins to stabilise to 18% in FY19E

BEL reported strong EBITDA margins of 20% in FY16 vs. 20.5% for FY17. A sharp increase in margins was due to an overall reduction in material consumption mainly because of commodity correction and indigenisation initiatives of the company. However, we believe the same is unsustainable, going forward. Also, BEL has got transformed from a pure product-selling company to one that takes the contract as a system integrator. For instance, BEL used to win 25-30% of the contract for Akash missiles to supply its radars and related electronics. However, now BEL receives turnkey orders to supply Akash missiles. From just supplying the product, it now purchases equipment i.e. missiles from HAL and launchers from L&T, assembles the product and then supplies it to the air force. Though this has increased revenues and order inflows for the company, margins are expected to come off as the profitability on purchased equipment is not as high as its own product.

EBITDA has grown at 28.7% CAGR in FY13-17. Going ahead, we expect growth rates to soften on account moderation in margins from 20.5% in FY17 to 17.8% in FY19E. Accordingly, we expect EBITDA to grow 9.2% over FY17-19E.

Exhibit 4: EBITDA and EBITDA margin trend

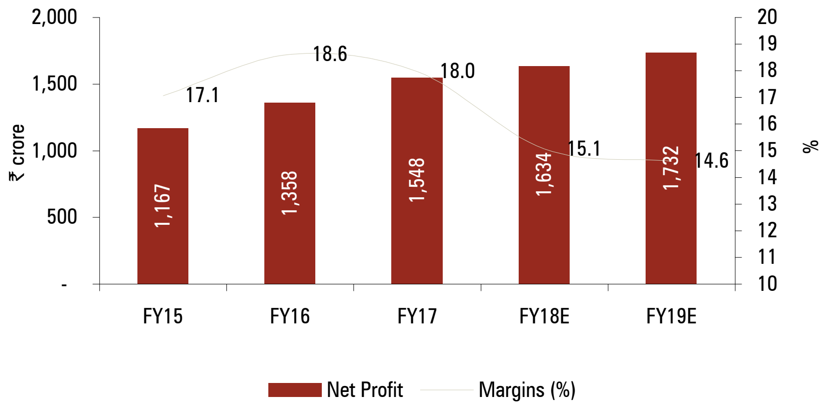


Source: Company, ICICIdirect.com Research

PAT to grow at 5.8% CAGR in FY17-19E

In FY13-FY17, PAT grew at 14.8% CAGR. This was mostly due to healthy topline growth and improvement in execution in FY16 and FY17. Going forward, we expect the bottomline to grow at 5.8% CAGR in FY17-19E.

Exhibit 5: PAT trend

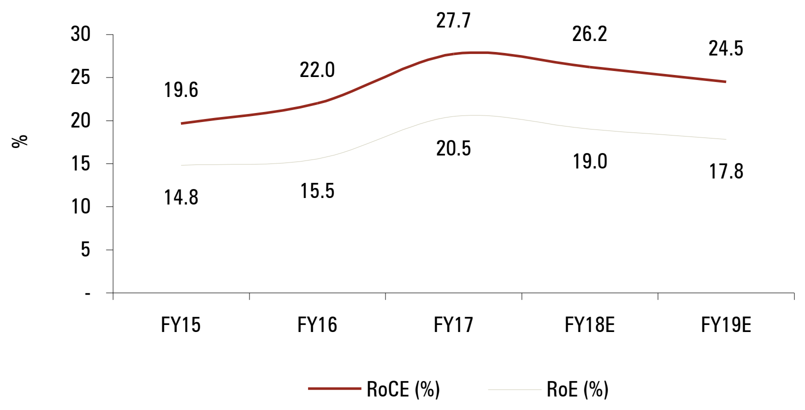


Source: Company, ICICIdirect.com Research

RoE, RoCE of 14.3% and 19.6% in FY18E

With moderate capex plans (₹ 1000 crore over FY18E and FY19E) and demand growth revival, capacity utilisation levels are expected to improve leading to stable return ratios. BEL has been a consistent debt-free company with a cash balance of ~₹ 3790 crore in FY17 (even after the buy-back of ~₹ 2100 crore in H1FY17). Thus, we estimate stable return ratios of RoE and RoCE of 17.8% and 24.5%, respectively, in FY19E.

Exhibit 6: RoE, RoCE trend



Source: Company, ICICIdirect.com Research

Outlook and valuation

BEL is among the few defence PSUs that has strong financials and a long history of efficient capital allocation. The company has delivered a topline and bottomline CAGR of ~6% and 7.3% over the past 15 years (FY01-16), with average RoCEs and RoEs of 21% and 18.8%, respectively. The company is characterised by consistent dividend payout of 20%, clean corporate governance, efficient working capital management, adequate R&D spend, ability to absorb latest technologies, timely execution of large projects, strong cash flow generation and prudent capital allocation

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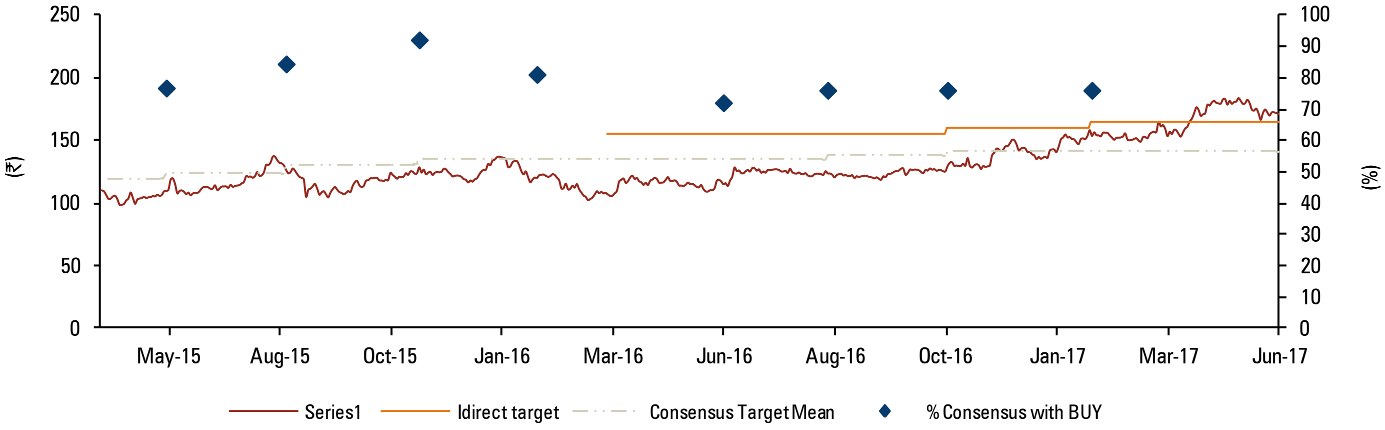
With large participation of private sector players kicking in the defence space, there have been apprehensions about BEL's ability to bag large orders in this space. However, we believe the same is not a major threat as BEL has proactively taken major steps including technology tie-ups with foreign majors to bid for the upcoming platform-based orders.

Historically, the stock has traded at 13x (10 year average) two year forward earnings. We believe this is because of the nature of the business in which BEL is engaged. Lumpy orders, routine delays in decision making by armed forces, bureaucratic inertia, sensitive technologies and a variety of other factors like movement in policy reforms, corruption and capital market conditions have always led market participants to view the business of BEL with suspicion. With credible defence initiatives, a large upcoming opportunity, sound balance sheet strength and accelerated order inflows, we believe BEL is well placed to deliver superior return on its deployed capital.

Continuous order inflows and BEL's track record in execution give us reasonable confidence about the continued stable performance of the company. Accordingly, we expect BEL to deliver sales and PAT CAGR of 17.3% and 5.8%, respectively, in FY17-19E. We re-rate the company due to improved visibility (order book to bill ~5x in FY17 from ~3x in FY15). We value the company at 26x P/E on FY19E EPS of ₹ 7.8 to arrive at a target price of ₹ 204 per share. We maintain **BUY** recommendation on the stock.

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research, Initiated coverage on 27th Jan 2016

Key events

Date/Year	Event
Dec-12	BEL signs an MoU with Israel Aerospace Industries (IAI) for cooperation on future Long Range Surface to Air Missile (LRSAM) Ship-defence Systems
Sep-14	BEL establishes a Joint Venture Company (JVC) with M/s. Thales Air Systems SA, France and M/s. Thales India Pvt. Ltd in Radar Business Area.
Nov-15	BEL delivers L70 upgraded guns to Indian Army
Feb-15	Ministry of Defence selects BEL - Rolta consortium as a Development Agency for the Battlefield Management System Project
Mar-15	BEL issues bonus shares in the ratio of 2:1
Oct-15	BEL signs ₹ 8000 crore IACCS (Integrated Air Command and Control System) deal with Indian Air Force
Mar-16	BEL, Rosoboronexport sign defence offset partnership agreement
May-16	BEL and HAL sign deal to co-develop avionics
May-16	BEL registers highest-ever order inflow of ₹ 17,094 for FY16.
May-16	BEL inaugurates 8.4 MW wind energy power plant at Harappanahalli, Karnataka. With this wind energy plant, 90% of BEL's energy requirement will be met through renewable energy resources.
Jan-17	BEL announces split, new face value at ₹ 1 per share, from existing ₹ 10 per share
Feb-17	BEL order book touches all-time of ₹ 40000 crore

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	O/S	Position	Position Change
1	Government of India	22-03-2017	68.19%	1,523.04M	-27.41M
2	Life Insurance Corporation of India	31-12-2016	5.44%	121.49M	0
3	HDFC Asset Management Co., Ltd.	28-02-2017	1.84%	41.03M	+2.52M
4	Reliance Nippon Life Asset Management Lir	28-02-2017	1.47%	32.85M	-10.02M
5	SBI Funds Management Pvt. Ltd.	28-02-2017	1.38%	30.82M	+1.10M
6	Birla Sun Life Asset Management Company	31-03-2017	1.35%	30.09M	+0.64M
7	Goldman Sachs Asset Management (India) I	28-02-2017	0.86%	19.19M	-4.04M
8	The Vanguard Group, Inc.	28-02-2017	0.81%	18.17M	+0.02M
9	ICICI Prudential Asset Management Co. Ltd.	28-02-2017	0.75%	16.71M	+4.65M
10	Tata Asset Management Limited	31-03-2017	0.72%	16.17M	0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	75.0	75.0	75.0	74.4	68.2
FII	4.0	3.9	3.9	4.3	6.7
DII	14.7	15.0	14.5	15.8	17.7
Others	6.3	6.1	6.7	5.6	7.4

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
IDFC Asset Management Company Private Limited	+15.62M	+6.87M	Government of India	-66.26M	-27.41M
ICICI Prudential Asset Management Co. Ltd.	+10.57M	+4.65M	Reliance Nippon Life Asset Management Limited	-22.77M	-10.02M
Norges Bank Investment Management (NBIM)	+5.69M	+2.81M	Goldman Sachs Asset Management (India) Private Ltd.	-9.19M	-4.04M
HDFC Asset Management Co., Ltd.	+5.73M	+2.52M	TIAA Global Asset Management	-6.22M	-3.32M
Kotak Mahindra Asset Management Company Ltd.	+3.41M	+1.50M	Mirae Asset Global Investments (Hong Kong) Limited	-1.21M	-0.65M

Source: Reuters, ICICIdirect.com Research

Financial summary (Standalone)

Profit and loss statement ₹ Crore

(₹ Crore)	FY16	FY17	FY18E	FY19E
Net Sales	7,154	8,296	10,615	11,601
Other operating income	141	316	234	255
Total Revenue	7,295	8,612	10,848	11,856
% Growth	*6.6*	*18.0*	*26.0*	*9.3*
Other income	532.2	471.0	450.0	470.0
Total	7,834	9,101	11,324	11,856
% Growth	*7.0*	*16.2*	*24.4*	*4.7*
Total Raw Material Costs	3,791	4,413	5,732	6,311
Employee Expenses	1,302	1,548	2,017	2,204
other expenses	741	889	1,136	1,241
Total Operating Expenditure	5,834	6,850	8,884	9,756
Operating Profit (EBITDA)	1,461	1,762	1,964	2,100
% Growth	*27.8*	*20.5*	*11.5*	*6.9*
Interest	5	12	25	30
PBDT	1,989	2,221	2,389	2,540
Depreciation	169	192	239	261
PBT before Exceptional Items	1,820	2,029	2,150	2,279
Total Tax	455	482	516	547
PAT before MI	1,365	1,548	1,634	1,732
Minority Interest	-	-	-	-
PAT	1,358	1,548	1,634	1,732
% Growth	*16.3*	*14.0*	*5.6*	*6.0*
EPS	5.7	6.9	7.3	7.8

Source: Company, ICICIdirect.com Research

Cash flow statement ₹ Crore

(₹ Crore)	FY16	FY17	FY18E	FY19E
Profit after Tax	1,358	1,548	1,548	1,732
Depreciation	169	192	192	261
Interest	5	12	12	30
Cash Flow before WC changes	1,531	1,751	1,751	2,023
Changes in inventory	(798)	(551)	(928)	(525)
Changes in debtors	74	(535)	(1,251)	(608)
Changes in loans & Advances	153	(176)	(93)	(81)
Changes in other current assets	(5)	(11)	(18)	(8)
Net Increase in Current Assets	(576)	(1,273)	(2,290)	(1,221)
Changes in creditors	1,591	1,319	2,154	1,077
Changes in provisions	385	(218)	215	108
Net Inc in Current Liabilities	1,976	1,101	2,369	1,184
Net CF from Operating activities	2,931	1,579	1,830	1,986
Changes in deferred tax assets	(35)	-	-	-
(Purchase)/Sale of Fixed Assets	(646)	(450)	(450)	(450)
Net CF from Investing activities	(964)	(445)	(442)	(445)
Dividend and Dividend Tax	(490)	(523)	(551)	(584)
Net CF from Financing Activities	(516)	(2,501)	(570)	(649)
Net Cash flow	1,450	(1,366)	817	892
Opening Cash/Cash Equivalent	5,882	7,332	5,966	6,783
Closing Cash/ Cash Equivalent	7,332	5,966	6,783	7,675

Source: Company, ICICIdirect.com Research

Balance sheet ₹ Crore

(₹ Crore)	FY16	FY17	FY18E	FY19E
Equity Capital	240.0	223.4	223.4	223.4
Reserve and Surplus	8,494	7,325	8,376	9,489
Total Shareholders funds	8,734	7,549	8,599	9,712
Minority Interest	-	-	-	-
Other Non Current Liabilities	2.1	7.1	15.0	20.0
Total Debt	6	250	275	275
Total Liabilities	8,742	7,806	8,889	10,007
Gross Block	2,841	2,978	3,671	4,221
Acc: Depreciation	1,883	2,074	2,313	2,574
Net Block	958	904	1,358	1,647
Capital WIP	430	743	500	400
Total Fixed Assets	1,388	1,647	1,858	2,047
Non Current Assets	447	447	447	447
Inventory	4,168	4,719	5,647	6,171
Debtors	3,712	4,247	5,498	6,107
Loans and Advances	599	775	868	948
Other Current Assets	58	69	87	95
Cash	7,332	5,966	6,783	7,675
Total Current Assets	15,869	15,775	18,883	20,996
Current Liabilities	8,118	9,438	11,591	12,668
Provisions	1,162	944	1,159	1,267
Net Current Assets	6,589	5,394	6,132	7,062
Total Assets	8,742	7,806	8,889	10,007

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY16	FY17	FY18E	FY19E
Per Share Data				
EPS	5.7	6.9	7.3	7.8
Cash per Share	30.5	26.7	30.4	34.4
BV	36.4	33.8	38.5	43.5
Dividend per share	1.7	2.0	2.1	2.2
Dividend payout ratio	0.3	0.3	0.3	0.3
Operating Ratios				
EBITDA Margin	20.0	20.5	18.1	17.7
PAT Margin	19.0	18.7	15.4	14.9
Return Ratios				
RoE	15.5	20.5	19.0	17.8
RoCE	22.0	27.7	26.2	24.5
RoIC	242.4	241.5	168.2	136.0
Valuation Ratios				
EV / EBITDA	21.0	18.3	16.0	14.6
P/E	30.1	24.5	23.2	21.9
EV / Net Sales	4.2	3.7	2.9	2.6
Sales / Equity	0.8	1.1	1.3	1.2
Market Cap / Sales	5.2	4.4	3.5	3.2
Price to Book Value	4.7	5.0	4.4	3.9
Turnover Ratios				
Asset turnover	5.2	4.1	4.6	4.5
Debtors Turnover Ratio	1.9	2.2	2.2	2.0
Creditors Turnover Ratio	1.0	1.0	1.0	1.0
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	1.0
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICIdirect.com Research

Financial summary (Consolidated)

Profit and loss statement ₹ Crore

(₹ Crore)	FY16	FY17	FY18E	FY19E
Net Sales	7,383	8,337	10,770	11,769
Other Operating Income	166	317	234	255
Total Operating Income	7,549	8,654	11,003	12,024
% Growth	*6.4*	*14.6*	*27.1*	*9.3*
Other Income	533	434	450	470
Total Revenue	8,082	9,088	11,453	12,494
% Growth	*6.4*	*12.5*	*26.0*	*9.1*
Total Raw Material Costs	3,916	4,425	5,816	6,402
Employee Expenses	1,323	1,559	2,046	2,236
Other expenses	769	897	1,152	1,259
Total Operating Expenditure	6,008	6,881	9,014	9,898
Operating Profit (EBITDA)	1,541	1,773	1,989	2,126
% Growth	*31.2*	*15.0*	*12.2*	*6.9*
Interest	6	13	25	30
PBDT	2,068	2,194	2,414	2,566
Depreciation	200	212	237	259
PBT before Exceptional Items	1,869	1,983	2,177	2,308
Total Tax	475	486	522	554
PAT before MI	1,394	1,497	1,655	1,754
Minority Interest	(0.6)	-	-	-
PAT	1,387	1,523	1,655	1,754
% Growth	*15.9*	*9.8*	*8.6*	*6.0*
EPS	5.8	6.8	7.4	7.9

Source: Company, ICICIdirect.com Research

Cash flow statement ₹ Crore

(₹ Crore)	FY16	FY17	FY18E	FY19E
Profit after Tax	1,387	1,523	1,655	1,754
Depreciation	200	212	237	259
Interest	6	13	25	30
Cash Flow before WC changes	1,593	1,748	1,916	2,043
Changes in inventory	(789)	(355)	(1,038)	(520)
Changes in debtors	65	(370)	(1,347)	(603)
Changes in loans & Advances	157	(145)	(111)	(80)
Changes in other current assets	(5)	(8)	(19)	(8)
Net Increase in Current Assets	(572)	(878)	(2,516)	(1,211)
Changes in creditors	1,558	988	2,371	1,068
Changes in provisions	392	(264)	237	107
Net Increase in Current Liabilities	1,950	724	2,608	1,175
Net CF from Operating activities	2,971	1,594	2,009	2,006
Changes in deferred tax assets	(33)	-	-	-
(Purchase)/Sale of Fixed Assets	(651)	(500)	(525)	(550)
Net CF from Investing activities	(912)	(495)	(520)	(545)
Dividend and Dividend Tax	(457)	(523)	(551)	(584)
Net CF from Financing Activities	(503)	(2,693)	(584)	(616)
Net Cash flow	1,556	(1,594)	905	845
Opening Cash/Cash Equivalent	6,038	7,594	6,000	6,905
Closing Cash/ Cash Equivalent	7,594	6,000	6,905	7,750

Source: Company, ICICIdirect.com Research

Balance sheet ₹ Crore

(₹ Crore)	FY16	FY17	FY18E	FY19E
Equity Capital	240.0	223.4	223.4	223.4
Reserve and Surplus	8,787	7,604	8,674	9,842
Total Shareholders funds	9,027	7,827	8,898	10,065
Minority Interest	4.8	4.8	4.8	4.8
Other Non Current Liabilities	2.2	7.2	12.2	17.2
Total Debt	206	250	275	275
Total Liabilities	9,240	8,089	9,189	10,362
Gross Block	3,176	3,858	4,358	4,908
Acc: Depreciation	1,943	2,127	2,364	2,622
Net Block	1,233	1,731	1,994	2,285
Capital WIP	432	250	275	275
Total Fixed Assets	1,664	1,981	2,269	2,560
Non Current Assets	447	447	447	447
Inventory	4,213	4,568	5,606	6,126
Debtors	3,741	4,111	5,459	6,062
Loans and Advances	605	750	862	942
Other Current Assets	59	67	86	94
Cash	7,594	6,000	6,905	7,750
Total Current Assets	16,212	15,497	18,917	20,974
Current Liabilities	8,148	9,136	11,507	12,575
Provisions	1,178	914	1,151	1,258
Net Current Assets	6,887	5,447	6,259	7,141
Total Assets	9,240	8,089	9,189	10,362

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY16	FY17	FY18E	FY19E
Per Share Data				
EPS	5.8	6.8	7.4	7.9
Cash per Share	31.6	26.9	30.9	34.7
BV	37.6	35.0	39.8	45.1
Dividend per share	1.7	2.0	2.1	2.2
Dvidend payout ratio	0.3	0.3	0.3	0.3
Operating Ratios				
EBITDA Margin	20.4	20.5	18.1	17.7
PAT Margin	18.4	17.6	15.0	14.6
Return Ratios				
RoE	15.4	19.5	18.6	17.4
RoCE	21.3	26.0	25.1	23.5
RoIC	174.8	109.9	110.1	97.3
Valuation Ratios				
EV / EBITDA	19.8	18.2	15.8	14.3
P/E	29.4	24.9	22.9	21.7
EV / Net Sales	4.1	3.9	2.9	2.6
Sales / Equity	0.8	1.1	1.2	1.2
Market Cap / Sales	5.1	4.6	3.5	3.2
Price to Book Value	4.5	4.9	4.3	3.8
Turnover Ratios				
Asset turnover	4.0	3.6	4.2	4.1
Debtors Turnover Ratio	2.0	2.2	2.3	2.1
Creditors Turnover Ratio	1.0	1.0	1.1	1.0
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	1.0
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICIdirect.com Research

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