Arihant Capital
Generating Wealth

Initiating Coverage
28 August 2018

Shakti Pumps (India) Ltd

Specialist in stainless steel pumps with special focus on solar pumps, Shakti to clock 32.5% PAT CAGR over FY18-20E, initiate coverage with BUY and TP of Rs 651

CMP : Rs 426

Rating : BUY

Target : Rs 651

STOCK INFO	
INDEX	
BSE	531431
NSE	SHAKTIPUMP
Bloomberg	SKPI IN
Reuters	SHPU.BO
Sector	Capital Goods
Face Value (Rs)	10
Equity Capital (Rsmn)	184
Mkt Cap (Rs mn)	7,838
52w H/L (Rs)	790 / 392
Avg Weekly Vol (BSE+NSE)	56,450

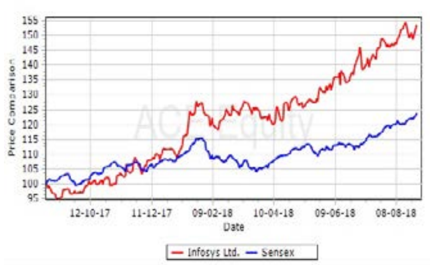
SHAREHOLDING PATTERN (as on June, 2018)	%
Promoters	47.7
Public & Others	52.3

Source: ACE Equity, Arihant Research

STOCK PERFORMANCE(%)	3m	6m	12m
Shakti Pumps	-22.6	-23.0	-12.6
SENSEX	10.4	11.0	21.1

Source: ACE Equity, Arihant Research

Shakti Pumps v/s SENSEX



Source: ACE Equity, Arihant Research

Shakti Pumps specialises in manufacturing a broad range of energy efficient stainless steel pumps (with special focus on solar pumps) catering to a variety of sectors including agricultural, industrial, domestic and horticultural. Given government's thrust on solar pumps, Shakti having more than 50% market share in solar pumps, will be a key beneficiary of the increased demand for solar pumps. We expect Shakti to report 22.3% CAGR in its revenues over FY18-20E, while PAT will witness a CAGR of 32.5% over the same period. EBITDA margin is expected to stabilise around 17-18% level. We remain positive on Shakti's future growth prospects, and initiate coverage on the stock with a BUY rating and a target price of Rs 651 (20x FY20E earnings), giving an upside potential of 52.8%.

- **With government's thrust on promoting renewable energy – solar pumps to be the next growth driver for Shakti**

  With government's thrust on renewable energy and promotion of solar pumps through schemes like KUSUM, Shakti having more than 50% market share in solar pumps will be a direct beneficiary of the same.

- **Expected revival in export revenues to aid Shakti's topline growth**

  Due to better acceptance of stainless steel pumps in the overseas markets, Shakti has primarily been an export oriented company. However due to setback faced in its main export market of gulf during FY15-16, export share in total revenue declined from a high of 69% in FY14 to 41% in FY16. As Shakti has diversified into new export markets, we believe export revenues will revive and should contribute meaningfully to Shakti's topline growth over FY18-20E.

- **Increased demand for efficient pumps to facilitate domestic revenue growth**

  We expect Shakti's domestic revenue to show strong growth of 22.3% CAGR over FY18-20E, primarily driven by higher demand for energy efficient pumps where Shakti has an edge over its peers as well as due to increased brand awareness and distribution reach of Shakti.

- **PAT to witness 32.5% CAGR over FY18-20E**

  With 22.3% CAGR revenue growth over FY18-20E and stable EBITDA margin around 17-18% level, we expect Shakti's PAT to grow from Rs 341mn in FY18 to Rs 599mn in FY20E, thereby registering a CAGR of 32.5% over FY18-20E.

Valuations

At CMP of Rs 426, Shatki Pumps is trading at FY19E and FY20E, P/E multiples of 16.3x and 13.1x respectively. We value the stock at a FY20E target P/E multiple of 20x, which yields a target price of Rs 651 per share. We are bullish on the future prospects of Shakti Pumps and initiate coverage on the stock with a BUY rating and a target price of Rs 651 (20x FY20E earnings), which gives an upside potential of 52.8%.

Financial Performance

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)	EV/EBITDA (x)
FY16	2642	201	11	0.6	7.6	0.5	668.8	39.5
FY17	4290	605	216	11.8	14.1	9.7	36.2	14.1
FY18	4366	774	341	18.6	17.7	13.4	23.0	11.1
FY19E	5614	983	480	26.1	17.5	16.5	16.3	8.9
FY20E	6536	1176	599	32.6	18.0	18.0	13.1	7.5

Source: Company, Arihant Research

Company Background

Shakti Pumps is India's leading manufacturer of energy efficient pumps, catering to a variety of sectors including agricultural, industrial, domestic and horticultural. The company was established in 1982 as a partnership firm led by Mr. Manoharlal Patidar, a first generation entrepreneur. The firm was set up as a SSI Unit for manufacturing of pumps and electric control panel in the industrial area of Pithampur, in Dhar district of Madhya Pradesh (35 kms. from Indore). Today Shakti Pumps is a specialist in manufacturing of a broad range of stainless steel pumps and motors with two manufacturing facilities which offer complete stainless steel pump sets to the agriculture segment. The company has presence in over 100 countries and more than 15-20% of revenues come from exports through its three wholly owned subsidiaries in US (Shakti Pumps LLC, USA), UAE (Shakti Pumps FZE, UAE) and Australia (Shakti Pumps Pty Ltd. Australia).

Manufacturing Facilities

The company has two manufacturing facilities both located at Pithampur (Madhya Pradesh). The first unit which is the domestic unit is situated in Sector 3 of Pithampur industrial area with installed capacity of 0.35mn units. The second unit is an SEZ unit which was set up in the Special Economic Zone (SEZ) in 2007 of Pithampur region with an installed capacity of 0.15mn units. The SEZ unit produces 100% stainless steel submersible pumps and is dedicated exclusively to exports. The total installed capacity of Shakti Pumps currently stands at 0.5mn units p.a.

Plant	Location	Installed Capacity
Unit I – Main Domestic Unit	Plant at Plot No. 401, 402-413, Sector III, Pithampur – 454775, District.Dhar	3,50,000 Units
Unit II – SEZ Unit	Plot No. F-14 & 15, Sector III, SEZ, Pithampur – 454775, District. Dhar	1,50,000 Units

Source: Company, Arihant Research

Product Range

Shakti Pumps specialises in manufacturing a broad range of pumps and motors for a variety of applications. Shakti's products range include a variety of pumps ranging from 0.5HP to 335HP, submersible motors, self-priming pumps, open-well pumps, mono-block and end-suction pumps, sewage pumps, pressure booster pumps, vertical multistage centrifugal pumps, rapid suction pumps, end suction pumps and solar pumps. Over 260 models of the company are approved with 5-star rating by the Bureau of Energy Efficiency (BEE). Shakti's products find application in sectors like agriculture, horticulture, industrial and households.

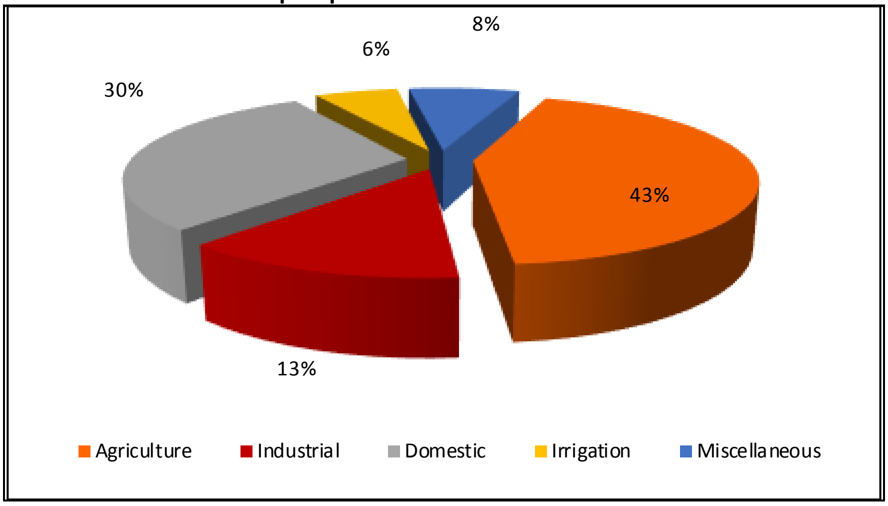
Product	Range	Applications	Benefits
Submersible Pumps	0.5HP to 335HP, more than 1200 models	Irrigation, domestic water supply, fountains, industrial water supply	High operating efficiency, low energy consumption, 60% more output
Submersible Motors	Suitable for 415V/50Hz, 220V/50Hz, 220V/60Hz, 380V/60Hz electric supply	Domestic, industrial and community water supply, irrigation, civil and industrial applications	High efficiency, 40% less energy consumption, long service life as all components are stainless steel
Vertical Multistage Centrifugal Pumps	0.5HP to 100HP	Water supply, boiler feeding, cooling & air-conditioning, water treatment	High operating efficiency
Booster Pumps	0.5HP to 5HP	Domestic water supply & pressure boosting, industrial plants, boiler feed	Self-priming pump, high reliability, wide performance range, full stainless steel
Open Well Pumps	1HP to 20HP	Rural & Urban draining water installation, Irrigation, domestic and industrial water supply	High efficiency leading to energy saving, superior design material & manufacturing process assure longer life
Mono Block & End Suction Pumps	2HP to 30HP	Irrigation, industrial, Air-conditioning, fire-fighting, domestic usage	High efficiency, the pumps can be driven by diesel engine, DG set, TEFC motor
Solar Pumps	1HP to 100HP	Irrigation, water supply, desert control, salt plants, industrial plants	Long life of 20-25 years, 40% more discharge compared to other pumps, no maintenance, attractive paybacks

Source: Company, Arihant Research

Investment Rationale

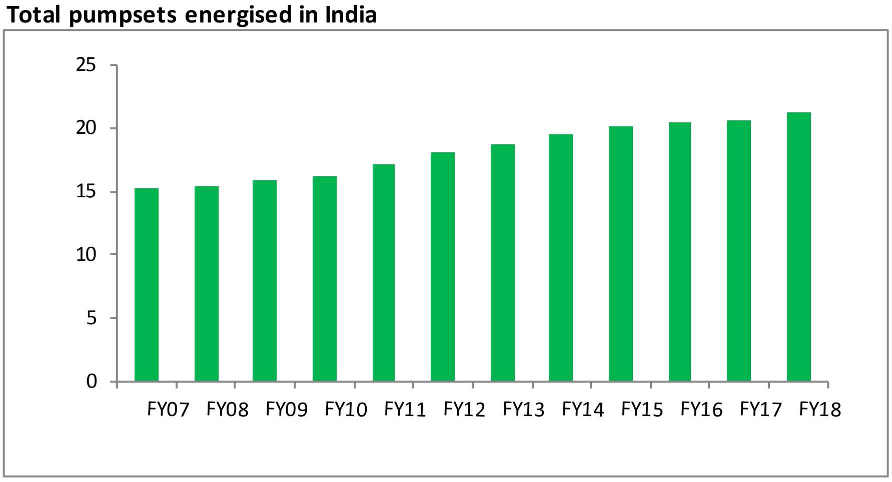
- **Changing dynamics of Indian Pump Industry to facilitate growth**
  According to a report of Indian Pump Manufacturers Association (IPMA), the agricultural pump market in India is valued at Rs 86bn and it is expected to grow at 7-8% annually. Given the high penetration levels of the agri-pumps, demand for pumps is driven largely due to replacement. Also, fluctuation in ground water level is another leading factor for increased demand of agricultural pump sets. Agri-pumps growth is primarily driven by government policy and subsidy mechanisms. With renewed focus of government on star labelled and energy efficient solar pumps, the market for energy efficient agricultural pumps is growing due to the 5-star rating promotion and subsidy benefits given to farmers for converting to solar pumps. Shakti being a specialist in manufacturing of energy efficient stainless steel pumps with special focus on solar pumps will be a direct beneficiary of the increased demand for agri-pumps.

Sector-wise demand for pumps in India



Source: IPMA Reports, Arihant Research

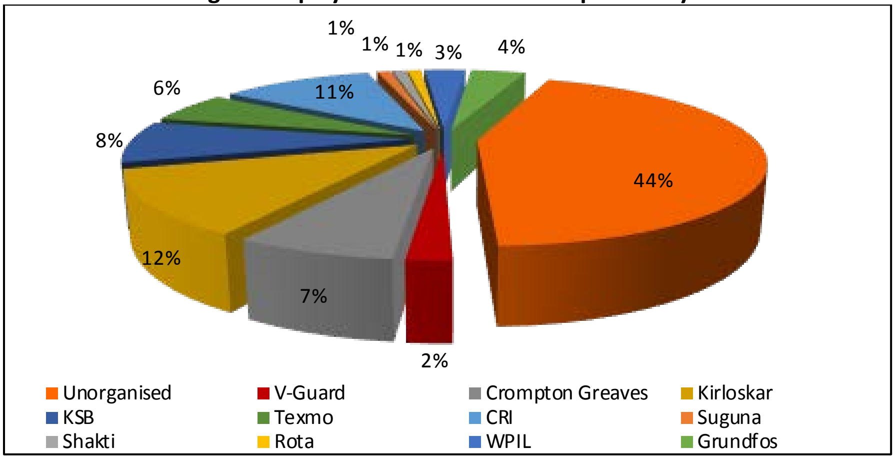
Total pumpsets energised in India



Source: CEA, Arihant Research

- **Shakti being a niche player in a highly fragmented industry commands premium pricing as well as brand recall amongst its customers**
  Indian pump industry is highly fragmented with nearly 44% of the market dominated by unorganized players (800+ players) while the rest 56% comprises of organized players like Shakti, Kirloskar, KSB, Crompton Greaves, Texmo, V-Guard, Roto, CRI, WPIL, Suguna etc. Shakti is one of the few companies in India which offer complete stainless steel (SS) pumps. When compared to conventional cast iron (CI) pumps, SS pumps are long-lasting, more energy efficient and require less maintenance, though on the pricing front they are 10-15% costlier than CI pumps.

Market share of organised players in the Indian Pump Industry



Source: Industry Reports, Arihant Research

Historically, Shakti has focussed more on the export markets as acceptability of stainless steel (SS) pumps in India is low due to higher price compared to conventional CI pumps and also due to the fact that electricity is given free to farmers, which discourages efficiency. However going forward the dynamics of Indian pump industry could significantly change in agri-sector with government's focus on star rated models, solarisation, feed separation, metering and billing. Shakti though currently has a market share of little more than 1%, but in solar pumps it has more than 50% market share and also enjoys premium pricing and brand recall amongst its customers.

Kusum Project

With an aim to promote use of solar power among farmers, the government has proposed a Rs 1440bn scheme called 'KUSUM' for solarising pumps of all farmers in the Union Budget 2018-19. Under this KUSUM scheme (Kisan Urja Suraksha Evam Utthaan Mahaabhiyan) farmers would be provided with solar water pumps. The government has planned to provide 27.5 lakh solar pumps (17.50 lakh standalone + 10 Lakh Grid-connected) under the scheme. It will help farmers install total 10 GW of Solar Power Plants of intermediate capacity of 0.5 to 2 MW each. On the cost of the panel, the farmer will get assistance in the form of a 30% capital subsidy from the centre, another 30% will come from the state, while another 30% of the cost will be financed and effectively the farmer will have to bear just 10% of the cost. Shakti having 50-60% market share in solar pumps will be a biggest beneficiary of this Kusum Project.

Not only central sector tenders, even at the state level also things are expected to be substantially better in the coming years. A few states that had postponed their purchases have already started issuing larger tenders. Moreover, the average tender size that used to be 1,500 pumps is now veering between 5,000 and 10,000 pumps. For example, Andhra Pradesh is now coming out with a tender for 25,000 pumps, where earlier they used to float tenders for 10,000-15,000 pumps only. The state of Gujarat has launched a new scheme named 'Surya Shakti Krishan Yojana', in which Shakti has participated and will supply VFD feeders. The scope of business from this is to the tune of Rs 9bn, out of which Shakti is expected to garner around Rs 250-300mn order book including VFD and pumpsets (total EPC). Also what has been pleasantly surprising is that some PSUs have also started participating in tenders for these energy efficient products.

- **With government's thrust on promoting renewable energy – solar pumps to be the next growth driver for Shakti**

  Agricultural segment (mainly agri-pump sets) consumes a huge amount of energy in India and is cross-subsidized by the industrial consumers. Due to free/highly subsidized electricity available to the agricultural sector, energy efficiency for pumps has been historically neglected. However with government's renewed thrust on energy efficiency and promotion of solar pumps through state and central level tenders and subsidy benefits given to farmers for solar pumps, we believe the demand for solar pumps is slated to rise manifold.

Benefits of energy efficient stainless steel solar pumps v/s conventional cast iron pumps

Advantages	Disadvantages
Non-dependent on conventional energy (fuel & electricity)	15-20% costlier than cast iron pumps
Easy to operate and maintain, no recurring expenses	Spare parts not easily available
Long operating life of 20-25 years	
Highly reliable and trouble-free performance	
Eco-friendly, accessibility in remote areas	
Un-interrupted supply for irrigation during day time	

Source: Company, Industry Reports, Arihant Research

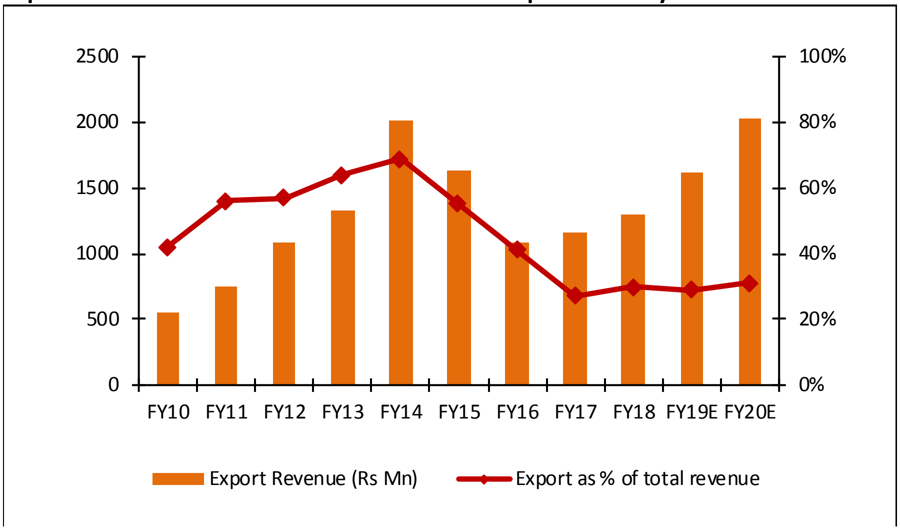
Bureau of energy efficiency (BEE) has introduced star rating system for submersible pumps. This enables a consumer to calculate his/her energy savings. While this system is not yet mandatory for pumps, we expect it to become compulsory going forward, given the focus of government on renewable energy and efficiency. The average cost per pump varies from Rs 0.4-0.5mn, translating to a market size of Rs 40-50bn. For FY19 the government has till now floated tender to the tune of 0.112mn solar pump sets. Even if Shakti targets 5% of this market, this will translate to ~5,600 pump sets. With average cost of a pump being Rs 0.4mn, this will present an opportunity of Rs 2.24bn market for Shakti in FY19 alone.

As the future growth driver of its revenues, Shakti continued to promote the game changing attributes of solar pumps. Shakti's sales pitch revolved around the affordability of solar pumps (triggered by a decline in the cost of solar panels coupled with increasing grid electricity costs). The company continued to emphasise on the fact that solar pump is essentially a zero-cost product across its life cycle and thus a cushion against impending inflation. Moreover, this portable product carried a five year payback at most, while its estimated life stood at around 20-25 years. The result was that from a position where this product generated no revenues six years ago, this product segment generated Rs 2200mn revenues for Shakti in FY18.

- **Expected revival in export revenues to aid Shakti's topline growth**

Shakti is one of the largest exporters of pumps from India. It currently exports to nearly 100 countries. Shakti's export offerings range between 3hp to 350hp of stainless steel pumps. Due to better acceptance of stainless steel pumps in the overseas markets, the company has primarily been an export oriented company. Shakti's biggest market for export sales used to be the Middle East (Gulf Countries) region accounting for more than 60% of all export sales. However in the past few years, due to geopolitical issues, Shakti has diversified into multiple geographies and reduced its export dependence on Gulf countries. Shakti succeeded in some markets such as the US, Poland, Algeria and Mexico.

Export contribution to revenues for Shakti Pumps over the years



Source: Company, Arihant Research

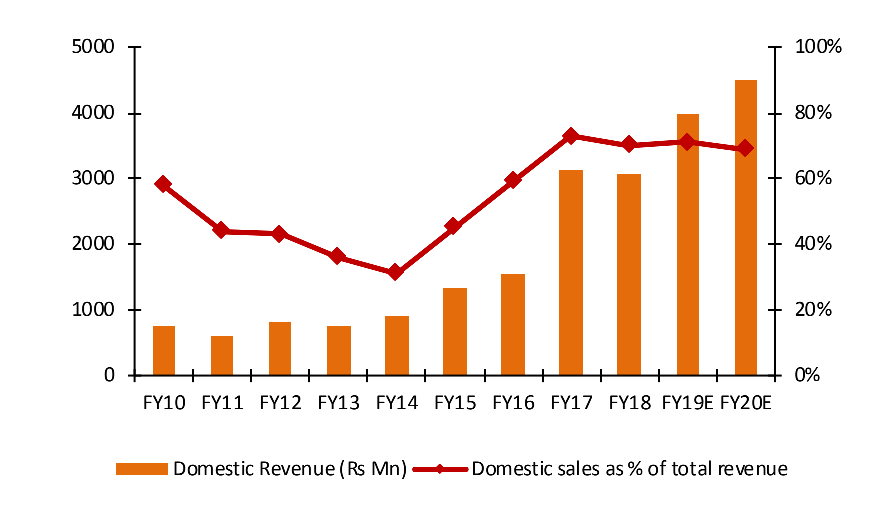
We believe going forward the drop in sales to Gulf countries will be compensated for by sales to the US and to countries in Africa, the Asia Pacific and other parts of the world. The company is working on adding more regions to diversify and mitigate the risk of concentrating on one country alone. Due to better price realisation aided by depreciated rupee, we believe exports should continue to contribute meaningfully to Shakti's topline growth over FY18-20E. In our model, we have estimated overall exports revenue of Shakti to clock a CAGR of 17% over FY16-20E.

- **With solar pumps gaining prominence, domestic revenue should show robust growth over FY18-20E**

  We expect Shakti's domestic revenue share to increase going forward, primarily driven by higher demand for energy efficient solar pumps where Shakti has an edge over its peers as well as due to increased brand awareness and quality, efficiency and long life of Shakti's solar pumps. With government's focus on renewable energy, large tenders for solar pumps are expected to be floated both in central as well as state level in coming years. With Shakti having more than 50% market share in solar pumps and over 260 5-star rated pump models, the company can emerge as a front-runner for such large tenders.

  As export revenues started declining due to setback in the gulf region, Shakti has strengthened its focus on the domestic market and has been investing significantly in increasing its brand awareness amongst its customers. In the past Shakti has used mega stars like Mr. Amitabh Bachchanas its brand ambassador, which has helped the company to increase brand awareness in the domestic market. In India Shakti has around 550 dealers across 13 states. Top states in terms of revenue are MP, Rajasthan and Chattisgarh. The company plans to increase its reach further in the domestic market and hence more investments in brand building and network expansion are in the offing. All these will help Shakti garner a sizable chunk of the domestic market in the days to come.

Domestic sales contribution to revenues for Shakti Pumps over the years



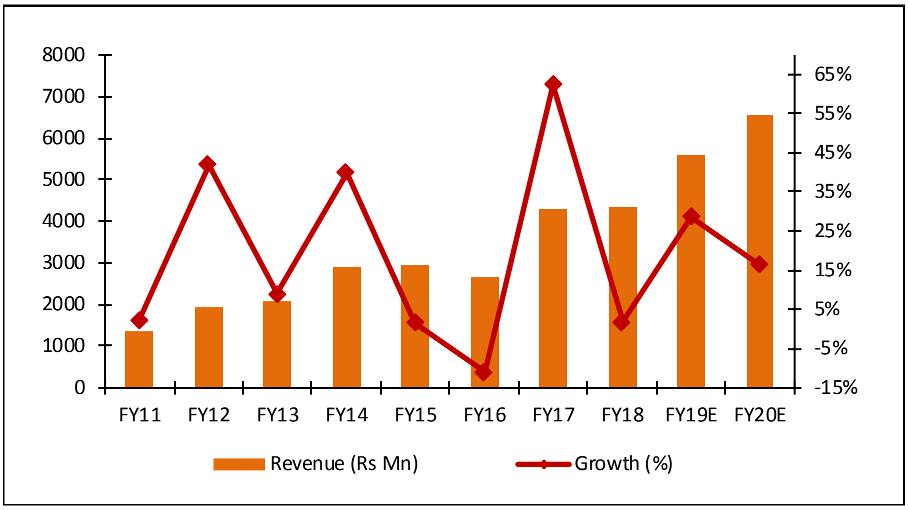
Source: Company, Arihant Research

Shakti's domestic revenue grew at a CAGR of 12.6% during FY10-16 and the split between domestic and exports revenues were skewed towards exports till FY14 (exports 69%, domestic 31%), after which the company shifted its focus on the domestic market due to setback in gulf region. Since then Shakti's domestic revenue share had steadily increased from a low of 31% in FY14 to a high of 73% in FY17. Despite the revival expected in its export revenues, we believe going forward domestic sales will also be a key growth driver for the company. We expect Shakti's domestic revenues to grow at a CAGR of 21.2% over FY18-20E, with domestic share of revenues stabilising around 70% levels over the same period.

Financial Performance Analysis

- **Revenue to witness 22.3% CAGR over FY18-20E**

  Shakti's revenues have grown at a CAGR of 19% between FY09-15. The revenues saw a growth of 42% and 40% in FY12 and FY14 respectively, due to increased contribution from exports. After almost two years of dismal YoY growth (1.5% in FY15 and -10.9% in FY16) due to setback faced in its main export market of gulf region, Shakti's revenue growth has seen a strong rebound of 62.4% in FY17. Though in FY18 the revenue growth was flat at 1.8% mainly on a higher base of FY17, we expect going forward, Shakti will clock a revenue growth of 28.6% and 16.4% respectively in FY19E and FY20E.

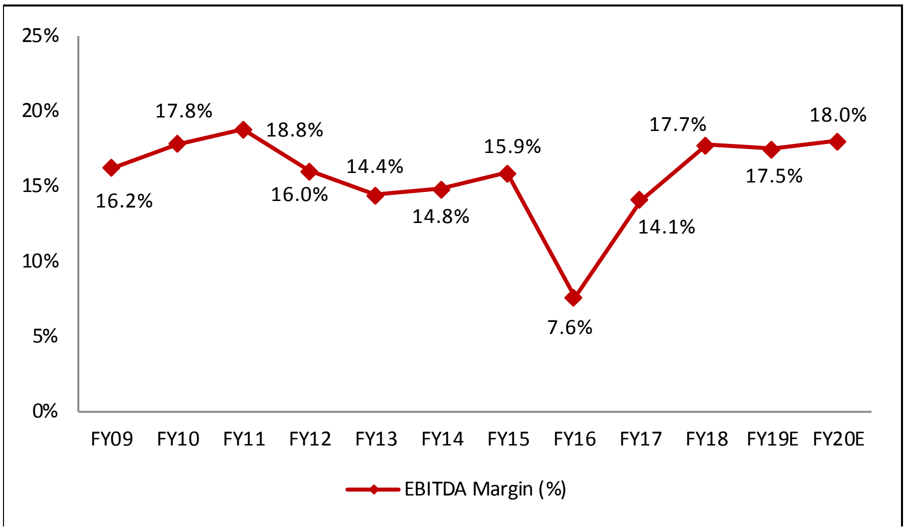


Source: Company, Arihant Research

Shakti being a specialist in stainless steel solar pumps, we believe the company would be a major beneficiary of the expanding market for solar pumps. Also with an edge over its peers due to increased brand awareness and distribution reach, Shakti can garner a higher share of the energy efficient solar pump market which will witness large tenders in the coming years both from the central as well as state sectors. With expected revival in its export revenues and steady growth in the domestic market (courtesy energy efficient solar pumps), consolidated revenue for Shakti is expected to witness a CAGR of 22.3% over the period FY18-20E.

- **EBITDA margin to stabilise around 17-18% level**

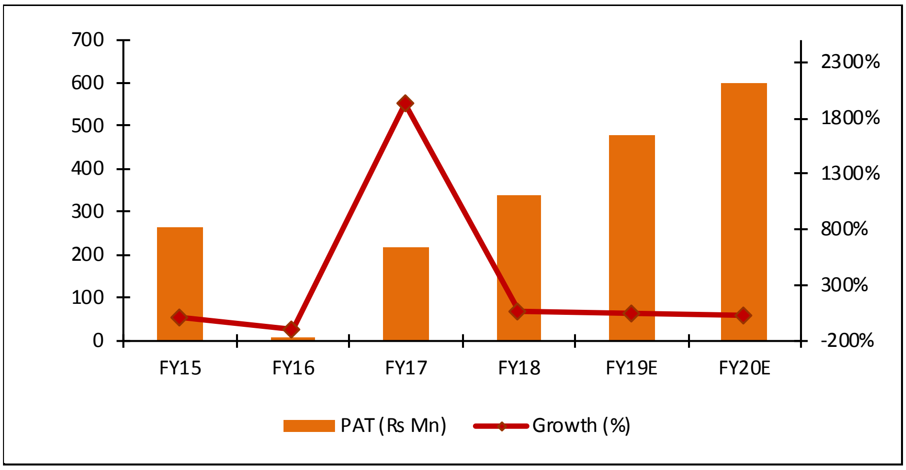
Shakti had reported average EBITDA margins in the range of 16-18% during FY09-12. However the company's EBITDA margin has reduced since FY13 as Shakti has increased its advertising and distribution expenses in order to build a stronger presence in the domestic Indian market. Also in recent years (post FY14) pressure on its export revenues which traditionally carry higher margins, has led to overall lower margins. We believe going forward, as Shakti's export revenues start to revive along-with lesser spend on marketing and distribution expenses (as the company already built a good brand awareness using Amitabh Bacchan in the past), the overall EBITDA margin for Shakti will improve from a low of 7.6% in FY16 to 18% in FY20E and will stabilise in the range of 17-18% level over FY18-20E.



Source: Company, Arihant Research

- **PAT to grow at 32.5% CAGR over FY18-FY20E**

With 22.3% CAGR revenue growth over FY18-20E and stable EBITDA margin around 17-18% level, we expect Shakti's PAT to grow from Rs 341mn in FY18 to Rs 599mn in FY20E, thereby registering a CAGR of 32.5% over FY18-20E.



Source: Company, Arihant Research

Q1FY19 and FY18 Financial Performance

Rs Mn (consolidated)	Q1FY19	Q4FY18	Q1FY18	Q-o-Q	Y-o-Y	FY18
Net Revenue	**960**	**1,308**	**899**	***-26.6%***	***6.8%***	**4,366**
Material Cost	563	740	471	*-23.9%*	*19.6%*	2,381
Employee cost	121	113	110	*6.5%*	*9.5%*	446
Other Expenses	145	216	191	*-32.8%*	*-24.3%*	755
EBITDA	**131**	**238**	**127**	***-44.8%***	***3.7%***	**785**
EBITDA margin %	***13.7%***	***18.2%***	***14.1%***	***-454***	***-41***	***18.0%***
Other Income	21	17	8	*26.6%*	*148.2%*	35
Depreciation	35	35	34	*1.7%*	*4.2%*	139
EBIT	**117**	**220**	**101**	***-46.8%***	***15.6%***	**680**
Finance cost	32	43	32	*-25.5%*	*1.4%*	140
Exceptional Item	-	-	-			-
PBT	**85**	**177**	**70**	***-52.0%***	***22.0%***	**540**
Tax Expense	19	77	20	*-75.8%*	*-5.6%*	192
Effective tax rate %	21.8%	43.3%	28.2%			35.5%
Reported Net Profit	66	100	50	-33.8%	32.8%	348
Adj Net Profit	**66**	**100**	**50**	***-33.8%***	***32.8%***	**348**
Adj Net margin %	*6.8%*	*7.6%*	*5.5%*	*-81*	*22.9%*	*7.9%*
Reported EPS (Rs)	*3.6*	*5.5*	*2.7*	*-33.8%*	*32.8%*	*19.0*
Adj EPS (Rs)	**3.6**	**5.5**	**2.7**	***-33.8%***	***32.8%***	**19.0**

Source: Company, Arihant Research

Valuations

At CMP of Rs 426, Shatki Pumps is trading at FY19E and FY20E, P/E multiples of 16.3x and 13.1x respectively. We value the stock at a FY20E target P/E multiple of 20x, which yields a target price of Rs 651 per share. We are bullish on the future prospects of Shakti Pumps and initiate coverage on the stock with a BUY rating and a target price of Rs 651 (20x FY20E earnings), which gives an upside potential of 52.8%.

Peer Comparison

Shakti's closest peer companies in the listed space are KSB Pumps, Kirloskar Brothers, Roto Pumps and WPIL. In the following table we have compared Shakti with its peers on key parameters.

Company Name (FY18)	Sales (Rs Mn)	EBITDA (Rs Mn)	EBITDA Margin (%)	PAT (Rs Mn)	EPS (Rs)	P/E (x)	P/BV (x)	ROE (%)
Shakti Pumps	4366	774	17.7	341	18.6	23.0	3.1	13.4
KSB Pumps*	9443	1373	14.5	657	20.4	43.5	4.3	9.6
Kirloskar Brothers	27415	1718	6.3	465	6.2	49.4	2.6	5.1
Roto Pumps	1091	230	21.1	86	5.5	13.8	2.3	12.2
WPIL	4221	848	20.0	476	48.7	14.1	2.9	17.2

Source: Company, Ace Equity, Arihant Research

** December ending*

Consolidated Financials

Income Statement (Rs mn)

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenues	2,966	2,642	4,290	4,366	5,614	6,536
Change (%)	1.5%	-10.9%	62.4%	1.8%	28.6%	16.4%
Raw materials	1,492	1,577	2,253	2,365	3,032	3,562
Stock Adjustments	-194	-272	89	16	0	0
Employee costs	351	420	413	446	578	686
Other expenses	846	717	930	766	1,022	1,111
Total Expenses	**2,495**	**2,441**	**3,686**	**3,592**	**4,632**	**5,359**
EBITDA	**472**	**201**	**605**	**774**	**983**	**1,176**
Other Income	115	88	21	35	56	65
Depreciation	98	121	128	139	144	151
Interest	132	143	165	140	156	170
PBT	**356**	**25**	**332**	**530**	**738**	**921**
Extra-ordinary	0	0	0	0	0	0
PBT after ext-ord.	**356**	**25**	**332**	**530**	**738**	**921**
Tax	93	15	116	189	258	322
Rate (%)	*26.1%*	*57.7%*	*34.9%*	*35.6%*	*35.0%*	*35.0%*
PAT	**263**	**11**	**216**	**341**	**480**	**599**
Change (%)	*5.1%*	*-95.9%*	*1929.7%*	*57.6%*	*40.6%*	*24.8%*

Source: Company, Arihant Research

Balance Sheet (Rs mn)

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E
Sources of Funds						
Share Capital	317	317	184	184	184	184
Reserves & Surplus	1,754	1,702	2,050	2,353	2,723	3,142
Net Worth	**2,072**	**2,019**	**2,234**	**2,536**	**2,907**	**3,326**
Loan Funds	**870**	**889**	**829**	**1,059**	**1,159**	**1,259**
Deferred Tax & other liabilities	63	70	84	100	100	100
Capital Employed	**3,004**	**2,978**	**3,148**	**3,695**	**4,166**	**4,685**
Application of Funds						
Gross Block	1,482	1,644	1,877	2,004	2,154	2,314
Less: Depreciation	422	543	668	799	944	1,094
Net Block	1,060	1,101	1,209	1,205	1,210	1,220
CWIP	46	82	3	8	8	8
Other non current assets	198	297	49	75	0	0
Net fixed assets	**1,304**	**1,480**	**1,261**	**1,288**	**1,219**	**1,228**
Investments	**0**	**0**	**32**	**0**	**0**	**0**
Deferred tax assets	0	0	0	0	0	0
Debtors	1,012	694	1,384	1,433	1,769	2,059
Inventories	971	1,080	1,035	1,161	1,412	1,659
Cash & bank balance	72	76	132	256	267	316
Loans & advances & other CA	352	355	345	435	615	716
Total current assets	**2,407**	**2,206**	**2,896**	**3,287**	**4,063**	**4,751**
Current liabilities	519	519	1,002	839	1,077	1,253
Provisions	187	188	40	40	40	40
Net current assets	**1,700**	**1,498**	**1,855**	**2,407**	**2,947**	**3,458**
Total Assets	**3,004**	**2,978**	**3,148**	**3,695**	**4,166**	**4,686**

Source: Company, Arihant Research

Cash flow Statement (Rs mn)

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	**356**	**25**	**332**	**530**	**738**	**921**
Depreciation	98	121	128	139	144	151
Interest & others	-37	2	144	105	100	105
Cash flow before WC changes	417	148	605	774	983	1,176
(Inc)/dec in working capital	**-457**	**202**	**-466**	**-686**	**-935**	**-987**
Operating CF after WC changes	-40	351	139	88	48	190
Less: Taxes	-93	-15	-116	-189	-258	-322
Operating cash flow	**-133**	**336**	**23**	**-100**	**-211**	**-133**
(Inc)/dec in F.A + CWIP	-241	-200	96	-155	-75	-160
(Pur)/sale of investment	-14	0	-32	32	0	0
Cash flow from investing	**-255**	**-200**	**64**	**-123**	**-75**	**-160**
Free cash flow (FCF)	**-426**	**175**	**-129**	**-229**	**-361**	**-293**
Loan raised/(repaid)	-108	19	-60	230	100	100
Equity raised	540	0	-134	0	0	0
Interest & others	43	-141	200	185	270	315
Dividend	-36	-10	-37	-68	-74	-74
Cash flow from financing activities	**439**	**-132**	**-30**	**347**	**296**	**342**
Net inc /(dec) in cash	**50**	**4**	**56**	**124**	**11**	**49**
Opening balance of cash	22	72	76	132	256	267
Closing balance of cash	72	76	132	256	267	316

Source: Company, Arihant Research

Key Ratios

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E
Per share (Rs)						
EPS	15.7	0.6	11.8	18.6	26.1	32.6
CEPS	21.6	7.8	18.7	26.1	33.9	40.8
BVPS	123.7	120.6	121.6	138.0	158.1	181.0
DPS	2.5	0.6	2.0	3.7	4.0	4.0
Payout (%)	15.9%	90.9%	17.0%	19.9%	15.3%	12.3%
Valuation (x)						
P/E	27.1	668.8	36.2	23.0	16.3	13.1
P/CEPS	19.8	54.3	22.7	16.3	12.6	10.4
P/BV	3.4	3.5	3.5	3.1	2.7	2.4
EV/EBITDA	16.8	39.5	14.1	11.1	8.9	7.5
Dividend Yield (%)	0.6%	0.1%	0.5%	0.9%	0.9%	0.9%
Return ratio (%)						
EBIDTA Margin	15.9%	7.6%	14.1%	17.7%	17.5%	18.0%
PAT Margin	8.9%	0.4%	5.0%	7.8%	8.5%	9.2%
ROE	12.7%	0.5%	9.7%	13.4%	16.5%	18.0%
ROCE	12.4%	2.7%	15.1%	17.2%	20.1%	21.9%
Leverage Ratio (%)						
Total D/E	0.4	0.4	0.4	0.4	0.4	0.4
Net D/E	0.4	0.4	0.3	0.3	0.3	0.3
Turnover Ratios						
Asset Turnover (x)	1.0	0.9	1.4	1.2	1.3	1.4
Inventory Days	273	302	161	178	170	170
Receivable Days	124	96	118	120	115	115
Payable days	87	98	89	74	70	70

Source: Company, Arihant Research

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Stock Rating Scale

	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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