

Timken India (TIMIND)

Healthy performance...

- Timken India reported stellar Q1FY19 numbers that were above our estimates. Revenues came in strong at ₹ 383.4 crore, up 27.8% YoY. We had estimated ~14% topline growth at ₹ 341 crore
- Absolute EBITDA increased 40% YoY to ₹ 59.3 crore. EBITDA margins came in at 15.5% vs. 14.1% YoY. Higher EBITDA margins were primarily due to lower other expenses, 18.3% of topline vs. 21.3% in Q1FY18. Gross margins fell ~200 bps YoY. Employee expenses increased 16.4% YoY. We expected EBITDA margins of 14.3% for the quarter
- Depreciation expenses increased 7.4% YoY. Profit for the quarter increased 44.3% YoY to ₹ 31.6 crore

Healthy operating performance, new opportunity to open up in railways

TIL reported a strong operating performance in Q1FY19 (EBITDA increased 40% YoY) led by the strong performance in the export/domestic segment. The company also witnessed sales bookings from higher margin bearings during the quarter. As guided in previous interactions, the product mix is likely to improve from Q4FY18. Also, the company was able to sign contracts with some of its customers for pass-through of higher input prices. Going ahead, in the railway segment, TIL expects new opportunity to open up in the 'passenger coach' segment. Replacement of bearings - cartridge tapered roller bearings (CTRB) in place of existing spherical roller bearings for existing coaches plus demand for CTRB bearings for new coaches is likely to augur well for the company, going forward. **In addition to this opportunity, Indian railway is also planning to outsource 'maintenance of bearings' for existing wagons/locomotives to large OEMs. TIL being a frontrunner in this space, intends to capture significant pie of this upcoming opportunity.**

Improved outlook, capex, synergies from acquisition to drive growth

In domestic markets, TIL is witnessing a pick-up in segments like CVs & off-highway, railways and after-market segment. The management continues to remain optimistic on these segments, going forward. In the railways segment, TIL is eyeing significant business from the higher demand for new wagons and new upcoming opportunities from this segment. Accordingly, we expect domestic segment to grow healthily at 12.2% CAGR in FY18-20E. We also expect exports to perform better, going forward, due to strong demand for TIL's bearings from the heavy truck segment in international markets. TIL is also expected to be a key hub for export to various customers of Timken entities. Accordingly, we expect exports revenue to grow at 14% CAGR in FY18-20E. This coupled with synergies from the acquisition of ABC Bearings is likely to accelerate topline and bottomline growth, going forward. We expect revenue, EBITDA and PAT to grow at 12.8%, 19.3% and 19.4%, respectively, for the consolidated entity in FY18-20E. We continue to value the company at 40x FY20E EPS of ₹ 20.9 to arrive at a target price of ₹ 835. We maintain **BUY** recommendation on the company.

| Rating matrix | |
|------------------|-------------|
| Rating | : Buy |
| Target | : ₹ 835 |
| Target Period | : 12 months |
| Potential Upside | : 17% |

| What's changed? | |
|---------------------------|-----------|
| Target | Unchanged |
| EPS FY19E (After merger)* | Unchanged |
| EPS FY20E (After merger)* | Unchanged |
| Rating | Unchanged |

*Estimates for merged entity

| Quarterly performance | | | | | |
|-----------------------|--------|--------|---------|--------|---------|
| | Q1FY19 | Q1FY18 | YoY (%) | Q4FY18 | QoQ (%) |
| Revenue | 383.4 | 299.9 | 27.8 | 345.4 | 11.0 |
| EBITDA | 59.3 | 42.4 | 40.0 | 46.0 | 28.8 |
| EBITDA (%) | 15.5 | 14.1 | 134 bps | 13.3 | 214 bps |
| PAT | 31.6 | 21.9 | 44.3 | 23.7 | 33.5 |

| Key financials | | | | |
|----------------|-------|-------|--------|--------|
| ₹ Crore | FY17 | FY18 | FY19E* | FY20E* |
| Net Sales | 1,056 | 1,234 | 1,686 | 1,886 |
| EBITDA | 158 | 163 | 258 | 297 |
| Net Profit | 97 | 92 | 134 | 157 |
| EPS (₹) | 14.3 | 13.5 | 17.8 | 20.9 |

*Estimates for the merged entity

| Valuation summary | | | | |
|-------------------|------|------|--------|--------|
| | FY17 | FY18 | FY19E* | FY20E* |
| P/E | 50.0 | 52.8 | 40.1 | 34.1 |
| Target P/E | 58.4 | 61.7 | 46.9 | 39.9 |
| EV / EBITDA | 30.7 | 29.7 | 20.8 | 18.0 |
| P/BV | 7.9 | 6.9 | 5.7 | 5.0 |
| RoNW (%) | 15.7 | 13.1 | 14.2 | 14.6 |
| RoCE (%) | 21.5 | 18.9 | 20.1 | 20.6 |

*Estimates for the merged entity

| Stock data | |
|---------------------------------------|------------|
| Particular | Amount |
| Market Capitalization (₹ crore) | 4,861 |
| Total Debt (FY18) (₹ crore) | 16 |
| Cash and Investments (FY18) (₹ crore) | 27 |
| EV (FY18) (₹ crore) | 4,850 |
| 52 week H/L (₹) (BSE) | 1008 / 665 |
| Equity capital (₹ crore) | 68.0 |
| Face value (₹) | 10.0 |

| Price performance | | | | |
|-------------------|-------|-------|--------|------|
| Return % | 1M | 3M | 6M | 12M |
| Timken India | (4.0) | 2.0 | (13.4) | 3.4 |
| FAG Bearings | (0.4) | 1.5 | (0.2) | 21.9 |
| NRB Bearings | 5.0 | 8.2 | 7.7 | 52.0 |
| SKF India | (2.9) | (4.0) | (6.1) | 12.2 |

| Research Analyst | |
|------------------|----------------------------------|
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Variance analysis

| | Q1FY19 | Q1FY19E | Q1FY18 | YoY (%) | Q4FY18 | QoQ(%) | Comments |
|----------------------------|--------|---------|--------|---------|--------|---------|---|
| Income from Operation | 383.4 | 340.7 | 299.9 | 27.8 | 345.4 | 11.0 | Strong revenue growth due to robust growth in export/domestic segment |
| Cost of materials consumed | 178.1 | 150.6 | 122.0 | 46.1 | 152.4 | 16.9 | |
| Purchase of stock-in-trade | 62.4 | 64.2 | 57.2 | 9.1 | 58.3 | 7.1 | |
| Change in inventories | (11.7) | (11.9) | (7.1) | | (4.1) | | |
| Employee cost | 25.2 | 23.9 | 21.6 | 16.4 | 23.9 | 5.4 | |
| Other expenses | 70.0 | 65.4 | 63.8 | 9.8 | 68.9 | 1.7 | |
| EBITDA | 59.3 | 48.6 | 42.4 | 40.0 | 46.0 | 28.8 | |
| EBITDA Margin (%) | 15.5 | 14.3 | 14.1 | 134 bps | 13.3 | 214 bps | Strong margins due to improving product mix, lower other expenses |
| Other Income | 1.7 | 1.9 | 2.0 | -17.9 | 1.8 | | |
| Depreciation | 12.0 | 11.5 | 11.2 | 7.4 | 11.0 | 9.2 | |
| Interest | 0.3 | 0.3 | 0.2 | 47.8 | 0.3 | | |
| PBT | 48.6 | 38.7 | 33.0 | 47.4 | 36.6 | 32.9 | |
| Taxes | 17.0 | 13.5 | 11.1 | 53.5 | 12.9 | 31.8 | |
| PAT | 31.6 | 25.2 | 21.9 | 44.3 | 23.7 | 33.5 | |

Source: Company, ICICI Direct Research

Change in estimates

| ₹ crore | FY19E | | | | FY20E | | | |
|-------------------|-------|------|------|----------|-------|------|----------|--|
| | FY18 | Old | New | % Change | Old | New | % Change | |
| Revenue | 1391 | 1686 | 1686 | 0.0 | 1886 | 1886 | 0.0 | |
| EBITDA | 202 | 258 | 258 | 0.0 | 297 | 297 | 0.0 | |
| EBITDA Margin (%) | 14.5 | 15.3 | 15.3 | 0 bps | 0.2 | 0.2 | 0 bps | |
| PAT | 113 | 134 | 134 | 0.0 | 157 | 157 | 0.0 | |
| EPS (₹) | 16.7 | 17.8 | 17.8 | 0.0 | 20.9 | 20.9 | 0.0 | |

Source: Company, ICICI Direct Research

Acquisition of ABC: Merger of asset & capabilities

- Timken India (TIL), a leader in the niche segments of engineered bearings and mechanical power transmission products, has entered into a definitive agreement to acquire ABC Bearings Ltd through a court-approved amalgamation process
- ABC Bearings (ABC) is a manufacturer of tapered, cylindrical and spherical roller bearings and slewing rings. ABC operates primarily out of manufacturing facilities in Bharuch, Gujarat and Dehradun, Uttarakhand
- The TIL-ABC deal is likely to conclude by March 2018, when the latter's shares will be dissolved and merged into TIL's equity. **The shareholders of ABC will receive five shares of TIL for every eight shares they hold in the company**
- ABC reported topline, EBITDA and PAT of ₹ 190.4 crore, ₹ 32 crore and ₹ 12 crore in FY17, whereas TIL reported topline, EBITDA and PAT of ₹ 1056.2 crore, ₹ 158 crore and ₹ 97.2 crore in FY17

Entry into new segment: Wheel-end bearings

Bearings can broadly be categorised into three segments, viz. differential, pinion and wheel-end segment. In the first two categories, Timken has high market share of 60-100%. However, in the last category, the company does not have any presence. The market size of this segment is ~₹ 400 crore. The company did not make inroads into this segment, as it was flooded with Chinese players. However, post H1FY17, the company witnessed a significant improvement in this segment. This was primarily due to an increase in 'performance guarantee' requirement by the major consumer from this segment. ABC has a significant presence in this segment, which will now allow TIL foray in this segment.

Huge underutilised capacity; access to domestic and export markets

Apart from a presence in the wheel-end segment, ABC also has significant unused capacities in the tapered roller segment. TIL's management intends to utilise this used capacity (which is currently at 40%) by catering to the lucrative export market, an area where TIL has a strong presence. Superior technological capabilities of TIL coupled with labour cost advantage of ABC is also likely to bring in operational efficiencies for the merged entity. Overall, acquisition of ABC Bearings is likely to expand its capacity, customer base and locally produced product breadth. The same is also likely to improve TIL's ability to increase participation in local and export markets.

Deal value accretive...

The implied valuation of ABC bearings at MCap/sales ratio of 2.6x and trailing EV/EBITDA of 15.2x (FY17) seems expensive optically. However, the underutilised capacity and cost efficiencies that will accrue to TIL may result into strong revenue and PAT gains. For instance, even if TIL is able to ramp up utilisation to 70% by FY19E, it will result into revenues of ₹ 296 crore (for ABC). This will lead to 1.8x rise in EBITDA by FY19E. This would imply valuations of 1.6x MCap/sales and 8x EV/EBITDA making the deal EPS accretive for TIL. Given the strong parentage and operating history of TIL, we believe the deal will also be value accretive for TIL's shareholders.

What we envisage for consolidated entity in FY19E and FY20E

We expect utilisation levels in ABC bearings to pick up from 45% FY17 to 70% and 75% in FY19E and FY20E, respectively. Accordingly, we expect consolidated entity to post revenue growth of 14.8% CAGR over FY17-20E. Operational efficiencies coupled with higher exports will also enable the combined entity to post higher margins, going forward. Our calculations suggest EBITDA margins of 15.3% and 15.8% in FY19E and FY20E, respectively. Thus, absolute EBITDA is likely to grow at a CAGR of 16.1% over FY17-20E. We expect PAT to grow at 13% CAGR in FY17-20E to ₹ 157.5 crore in FY20E.

Exhibit 1: Financials: Merged entity

| | Timken India FY17 | ABC Bearings FY17 | Merged Entity FY17 | Merged Entity FY19E | Merged Entity FY20E |
|------------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|
| Revenues (₹ crore) | 1,056 | 190 | 1,247 | 1,686 | 1,886 |
| EBITDA (₹ crore) | 158 | 32 | 190 | 258 | 297 |
| EBITDA margin (%) | 15.0% | 16.8% | 15.2% | 15.3% | 15.8% |
| Net Profit (₹ crore) | 97 | 12 | 109 | 134 | 157 |
| PAT margin (%) | 9.2% | 6.2% | 8.7% | 7.9% | 8.4% |
| Balance Sheet | | | | | |
| Equity (₹ crore) | 68.0 | 11.6 | 75.2 | 75.2 | 75.2 |
| Net worth (₹ crore) | 608 | 139 | 747 | 867 | 1,007 |
| Debt (₹ crore) | 8.4 | 26 | 34 | 16 | 16 |
| Net Block | 230.6 | 146.3 | 376.9 | 407 | 440 |
| Ratios | | | | | |
| RONW (%) | 16.0 | 8.5 | 13.3 | 14.2 | 14.6 |
| ROCE (%) | 25.6 | 19.4 | - | 20.1 | 20.6 |
| Asset turnover (x) | 4.6 | 1.3 | 3.3 | 4.1 | 4.3 |
| Earnings per share (₹) | 14.3 | 10.3 | 14.5 | 17.8 | 20.9 |
| P/B (x) | 7.8 | 34.3 | - | 5.7 | 5.0 |
| EV/EBITDA (x) | 30.1 | 11.0 | 28.4 | 20.8 | 18.0 |
| P/E (x) | 49.0 | 27.8 | 49.3 | 40.1 | 34.1 |
| EV/share | 699.6 | 304.4 | 717.6 | 712.3 | 711.4 |
| No. of shares | 6.8 | 1.2 | 7.5 | 7.5 | 7.5 |
| Face Value | 10 | 10 | 10 | 10 | 10 |
| Dividend per share (₹) | | | | 1.5 | 2 |
| Dividends | | | | 11.3 | 15.0 |
| Dividend tax | | | | 2.4 | 3.1 |
| Total dividend outflow | | | | 13.6 | 18.2 |
| EBIT (₹ crore) | | | | 193 | 226 |
| EV/EBITDA (x) | | | | 20.8 | 18.0 |

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

| Assumptions | FY19E | FY20E |
|--------------------------------|---------|---------|
| Timken revenues (₹ crore) | 1391 | 1569 |
| ABC utilisation | 70% | 75% |
| ABC revenues | 296 | 317 |
| Merged revenues | 1,686 | 1,886 |
| Timken EBITDA (₹ Crore) | 202 | 232 |
| ABC Margins | 19.0% | 20.5% |
| ABC EBITDA | 56.2 | 64.9 |
| Merged Entity EBITDA (₹ crore) | 257.8 | 297.1 |
| Merged Margins | 15.3% | 15.8% |
| Depreciation (₹ crore) | 65 | 71 |
| Interest costs (₹ crore) | 1,275.2 | 1,275.2 |
| PBT | 191.4 | 225.0 |
| Tax rate @ 30% | 57.4 | 67.5 |
| Merged entity PAT | 134.0 | 157.5 |
| Target P/E (x) | | 40.0 |
| Target Mcap (₹ crore) | | 6,299 |
| Fair value per share | | 835 |
| CMP | | 715 |
| Upside | | 17.2% |

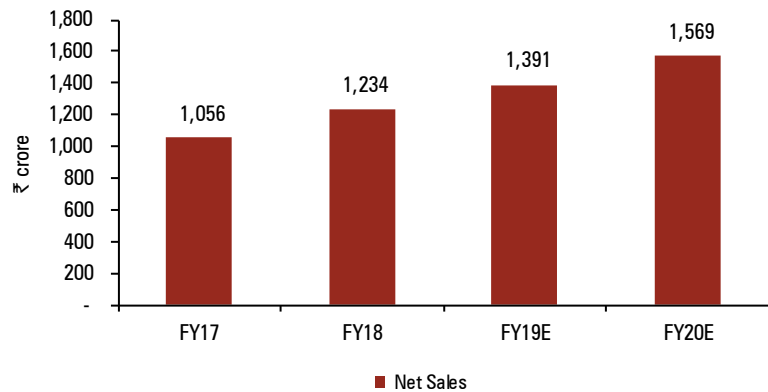
Source: Company, ICICI Direct Research

Company Analysis (pre-merger)

Revenues to grow at 12.8% CAGR during FY18-20E

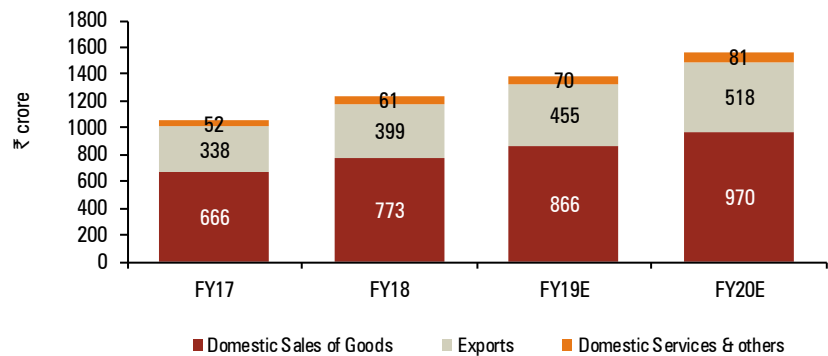
Timken's revenues grew at 9.9% CAGR in FY15-18 led by domestic sales, which grew over 13.2% CAGR during the same period. While export growth remained muted during the same period (CAGR of 5.3%), growth rates are likely to pick-up from here. **We expect export revenues to grow at 14% in FY18-20E. Domestic revenues are also likely to show healthy growth rates of 12.2% CAGR over FY18-20E, on the back of the ensuing economic recovery.** The recovery pace across industrial demand has already seen some green shoots from FY18 onwards.

Exhibit 3: Revenue growth trend



Source: Company, ICICI Direct Research

Exhibit 4: Break-up of revenues into various segment

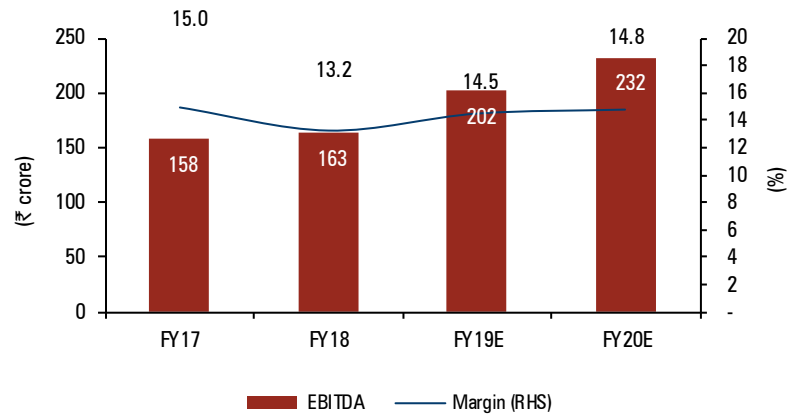


Source: Company, ICICI Direct Research

EBITDA to grow at 19.3% CAGR during FY18-20E

For FY18-20E, we expect EBITDA to grow at 19.3% CAGR led by stable revenue growth and improving margins. We expect EBITDA margins to improve from 13.2% in FY18 to 14.8% in FY20E.

Exhibit 5: EBITDA growth trend

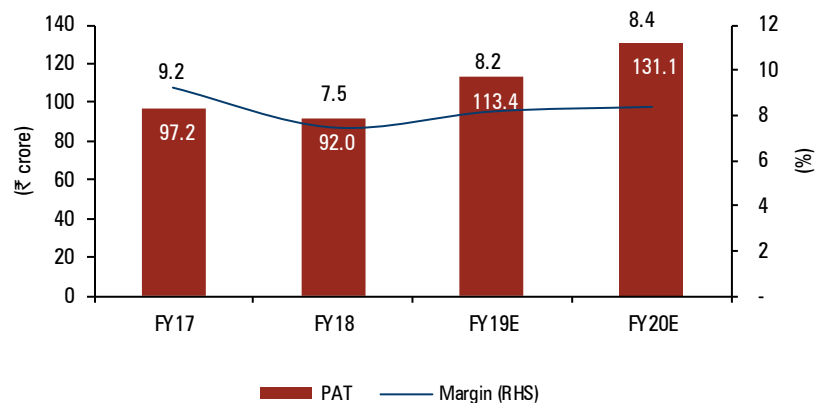


Source: Company, ICICI Direct Research

PAT growth of 19.4% CAGR in FY18-20E

We expect TIL to post PAT growth of 19.4% CAGR over FY18-20E. We expect the company to report PAT of ₹ 131 crore in FY20E.

Exhibit 6: PAT & PAT margin trend

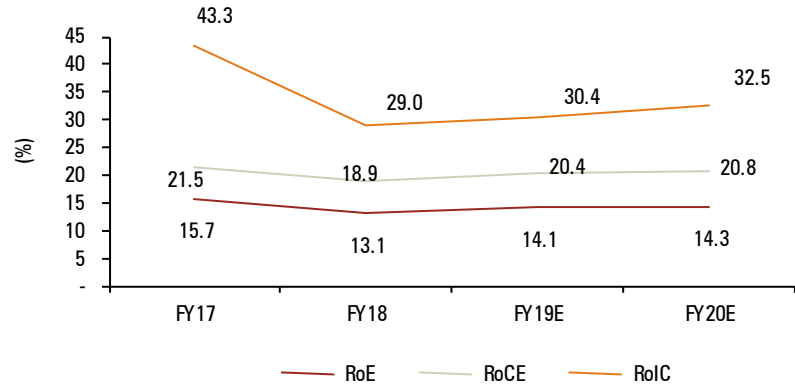


Source: Company, ICICI Direct Research

Return ratios to inch upwards, going forward

We expect return ratios to inch upwards, going forward. We expect RoEs and RoCEs of 14.3% and 20.8% in FY20E, respectively. We also expect healthy RoICs of ~32% in FY20E.

Exhibit 7: Return ratios to improve



Source: Company, ICICI Direct Research

Outlook and Valuation

Timken India is one of the leading manufacturers of tapered roller bearings and components in India with a manufacturing facility at Jamshedpur and Raipur, which largely cater to medium and heavy trucks, off-highway equipments, railways markets and exports. The company meets the demand for other types of bearings viz., large size tapered roller bearings, spherical roller bearings, cylindrical roller bearings and speciality ball bearings by sourcing these from other Timken company plants globally. **To augment growth, the company has also executed substantial capex as follows;**

1. Capacity expansion of railway bearings (₹ 125 crore):

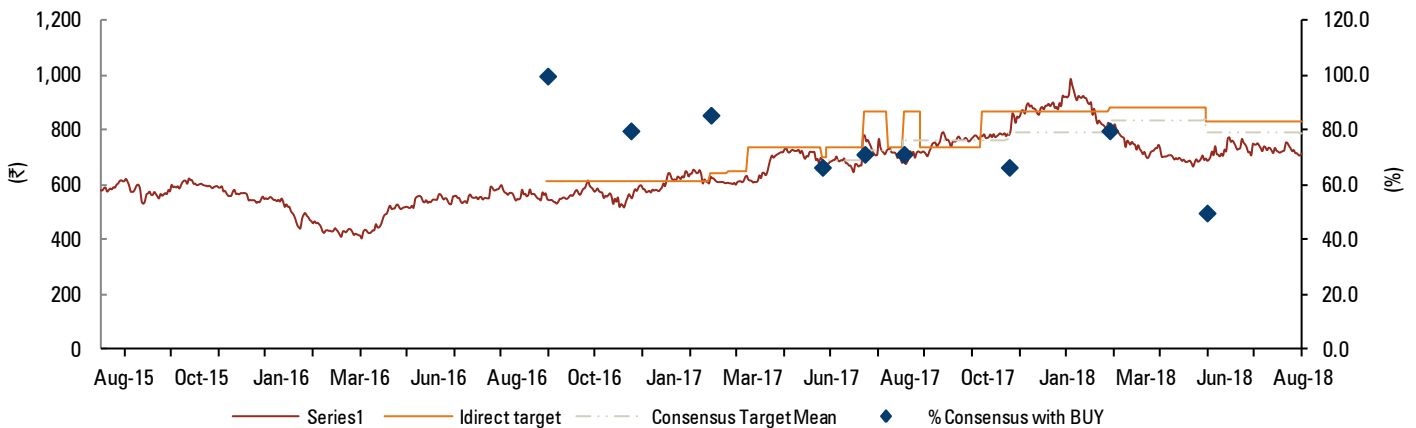
In order to meet rising global and domestic demand, the company has planned a capacity expansion programme for **railway bearings** at its Jamshedpur plant. The estimated investment for the project will be ₹ 124.7 crore, of which investment in plant and equipment will be ₹ 89.6 crore.

2. Tapered segment capacity expansion (₹ 64 crore):

This project involves expansion of tapered roller bearings 0-8 inches finishing capacity at Jamshedpur through expansion of new cup, cone and roller capacity involving an investment of ₹ 64.3 crore. This investment will primarily be made in plants and equipment.

In domestic markets, TIL is witnessing a pick-up in segments like CVs & off-highway, railways and after-market segment. The management continues to remain optimistic on these segments, going forward. In the railways segment, TIL is eyeing significant business from the higher demand of new wagons and new upcoming opportunities from this segment. Accordingly, we expect domestic segment to grow healthy at 12.2% CAGR over FY18-20E, respectively. We also expect exports to perform better, going forward, due to strong demand for TIL's bearings from the heavy truck segment in the international markets. TIL is also expected to be a key hub for export to various customers of Timken entities. Accordingly, we expect exports revenue to grow at 14% CAGR in FY18-20E. This coupled with synergies from acquisition of ABC Bearings is likely to accelerate topline and bottomline growth, going forward. We expect revenue, EBITDA and PAT to grow at 12.8%, 19.3% and 19.4%, respectively, for the consolidated entity over FY18-20E. We continue to value the company at 40x FY20E EPS of ₹ 20.9 to arrive at target price of ₹ 835. We maintain **BUY** recommendation on the company.

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICI Direct Research, Initiated coverage on 9th April 2015.

Key events

| Date | Event |
|------|--|
| FY13 | Service centre at Raipur started for repairs of industrial drives |
| FY13 | Raises ₹ 52.2 crore through QIP, done mainly to comply with Sebi's regulation of promoter holding ceiling of 75% |
| FY14 | Impacted by raw material cost due to currency movement, margins plummet to 9.9% |
| FY15 | Earnings rebound led by an improvement in margins and strong exports revenue growth |
| FY17 | Announces acquisition ABC Bearing Ltd |

Source: Company, ICICI Direct Research

Top 10 Shareholders

| Rank | Name | Last Filing Date | % O/S | Position | Change |
|------|---|------------------|--------|----------|--------|
| 1 | Timken Singapore Pte. Ltd. | 30-06-2018 | 75.00% | 51.00M | 0 |
| 2 | Norges Bank Investment Management (NBIM) | 31-12-2017 | 5.44% | 3.70M | +3.70M |
| 3 | Sundaram Asset Management Company Limited | 30-06-2018 | 4.19% | 2.85M | -0.00M |
| 4 | HDFC Standard Life Insurance Company Limited | 30-06-2018 | 1.18% | 0.80M | +0.10M |
| 5 | Motilal Oswal Asset Management Company Ltd. | 31-03-2018 | 1.03% | 0.70M | -0.05M |
| 6 | L&T Investment Management Limited | 30-06-2018 | 0.71% | 0.48M | 0 |
| 7 | Reliance Nippon Life Asset Management Limited | 30-06-2018 | 0.68% | 0.46M | 0 |
| 8 | UTI Asset Management Co. Ltd. | 30-06-2018 | 0.61% | 0.41M | 0 |
| 9 | Dimensional Fund Advisors, L.P. | 30-06-2018 | 0.55% | 0.38M | +0.00M |
| 10 | Tata Asset Management Limited | 30-06-2018 | 0.54% | 0.37M | 0 |

Shareholding Pattern

| (in %) | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 |
|----------|--------|--------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| FII | 1.9 | 2.3 | 2.3 | 2.3 | 2.6 |
| DII | 9.7 | 9.8 | 9.6 | 8.9 | 8.6 |
| Others | 13.4 | 12.9 | 13.1 | 13.8 | 13.8 |

Source: Reuters, ICICI Direct Research

Recent Activity

| Investor name | Value (m) | Shares (m) | Investor name | Value (m) | Shares (m) |
|--|-----------|------------|--|-----------|------------|
| Norges Bank Investment Management (NBIM) | +51.02M | +3.70M | Motilal Oswal Asset Management Company Ltd. | -0.51M | -0.05M |
| HDFC Standard Life Insurance Company Limited | +1.05M | +0.10M | Invesco Asset Management (India) Private Limited | -0.46M | -0.04M |
| Kotak Mahindra (UK) Ltd | +0.05M | +0.01M | Quant Money Managers Ltd | -0.04M | -0.00M |
| Bessemer Trust Company, N.A. (US) | +0.03M | +0.00M | Edelweiss Asset Management Ltd. | -0.03M | -0.00M |
| Dimensional Fund Advisors, L.P. | +0.02M | +0.00M | Sundaram Asset Management Company Limited | -0.02M | -0.00M |

Source: Reuters, ICICI Direct Research

Financial summary (Pre Merger)

| Profit and loss statement | | ₹ Crore | | | |
|-------------------------------|--------------|--------------|--------------|--------------|--|
| (₹ Crore) | FY17 | FY18 | FY19E | FY20E | |
| Net Sales | 1,056 | 1,234 | 1,391 | 1,569 | |
| Other Operating Income | - | - | - | - | |
| Total Operating Income | 1,056 | 1,234 | 1,391 | 1,569 | |
| % Growth (Operating Income) | 0.5 | 16.8 | 12.7 | 12.8 | |
| Other Income | 9.9 | 20.8 | 22.0 | 24.0 | |
| Total Revenue | 1,066 | 1,255 | 1,413 | 1,593 | |
| Cost of materials consumed | 335 | 549 | 619 | 698 | |
| Purchase of stock-in-trade | 282 | 232 | 264 | 298 | |
| Change in inventories | 7 | (53) | (60) | (67) | |
| Employee cost | 74 | 91 | 102 | 115 | |
| Other Expenses | 201 | 252 | 264 | 293 | |
| Total expenditure | 898 | 1,071 | 1,189 | 1,337 | |
| EBITDA | 158 | 163 | 202 | 232 | |
| % Growth (EBITDA) | (2.6) | 3.3 | 23.5 | 15.1 | |
| Interest | 1 | 1 | 1 | 1 | |
| PBDT | 167 | 183 | 222 | 255 | |
| Depreciation | 29 | 43 | 51 | 56 | |
| PBT | 138 | 140 | 172 | 199 | |
| Tax | 41 | 48 | 58 | 68 | |
| PAT | 97 | 92 | 113 | 131 | |
| % Growth (PAT) | 5.9 | (5.4) | 23.3 | 15.6 | |
| EPS | 14.3 | 13.5 | 16.7 | 19.3 | |

Source: Company, ICICI Direct Research

| Balance sheet | | ₹ Crore | | | |
|--|------------|------------|------------|------------|--|
| (₹ Crore) | FY17 | FY18 | FY19E | FY20E | |
| Share Capital | 68 | 68 | 68 | 68 | |
| Reserves & Surplus | 550 | 634 | 735 | 850 | |
| Total Shareholders fund | 618 | 702 | 803 | 918 | |
| Minority Interest | - | - | - | - | |
| Total debt | 8.4 | 15.9 | 15.9 | 15.9 | |
| Other liabilities/Deferred tax liability | 21.7 | 27.7 | 27.7 | 27.7 | |
| Total Liabilities | 648 | 746 | 847 | 962 | |
| Gross Block | 413 | 467 | 532 | 592 | |
| Acc: Depreciation | 248 | 291 | 342 | 398 | |
| Net Block | 231 | 251 | 190 | 194 | |
| Capital WIP | 58 | 54 | 65 | 60 | |
| Investments | 39 | 26 | 36 | 56 | |
| Inventory | 188 | 245 | 290 | 327 | |
| Sundry debtors | 192 | 223 | 250 | 282 | |
| Cash | 18 | 27 | 75 | 101 | |
| Loans & Advances | 5 | 3 | 3 | 4 | |
| Inv + Other current assets | 146 | 150 | 174 | 204 | |
| CL& Prov. | 229 | 233 | 235 | 265 | |
| Net Current Assets | 320 | 415 | 556 | 652 | |
| Total Assets | 648 | 746 | 847 | 962 | |

Source: Company, ICICI Direct Research

| Cash flow statement | | ₹ Crore | | | |
|---|----------------|---------------|--------------|---------------|--|
| (₹ Crore) | FY17 | FY18 | FY19E | FY20E | |
| Profit after Tax | 97.2 | 92.0 | 113.4 | 131.1 | |
| Depreciation | 28.9 | 43.1 | 50.5 | 56.2 | |
| Interest | 0.8 | 1.2 | 1.3 | 1.3 | |
| Other income | (9.9) | (20.8) | (22.0) | (24.0) | |
| Prov for Taxation | 41.0 | 47.8 | 58.4 | 67.6 | |
| Cash Flow before WC changes | - | - | - | - | |
| Change in Working Capital | (6.7) | (86.6) | (93.3) | (69.9) | |
| Taxes Paid | (16.0) | (41.8) | (58.4) | (67.6) | |
| Cashflow from Operating Activities | 135.3 | 34.9 | 50.0 | 94.7 | |
| (Purchase)/Sale of Fixed Assets | (161.4) | (59.2) | (0.5) | (55.0) | |
| (Purchase)/Sale of Investments | (0.7) | 13.1 | (10.0) | (20.0) | |
| Other Income | 9.9 | 20.8 | 22.0 | 24.0 | |
| Cashflow from Investing Activities | (152.1) | (25.2) | 11.5 | (51.0) | |
| Issue/(Repayment of Debt) | 4.1 | 7.5 | - | - | |
| Interest | (0.8) | (1.2) | (1.3) | (1.3) | |
| Others | - | - | - | - | |
| Cashflow from Financing Activities | 3.3 | 6.3 | (1.3) | (1.3) | |
| Changes in Cash | (14.9) | 8.5 | 47.8 | 26.0 | |
| Opening Cash/Cash Equivalent | 33.2 | 18.3 | 26.8 | 74.6 | |
| Closing Cash/ Cash Equivalent | 18.3 | 26.8 | 74.6 | 100.6 | |

Source: Company, ICICI Direct Research

| Key ratios | | | | | |
|----------------------|------|-------|-------|-------|--|
| (Year-end March) | FY17 | FY18 | FY19E | FY20E | |
| Per share data (₹) | | | | | |
| EPS | 14.3 | 13.5 | 16.7 | 19.3 | |
| Cash EPS | 18.5 | 19.9 | 24.1 | 27.6 | |
| BV | 90.9 | 103.3 | 118.2 | 135.0 | |
| DPS | 1.2 | 1.2 | 1.8 | 2.4 | |
| Cash Per Share | 36.5 | 42.9 | 50.3 | 58.6 | |
| Operating Ratios (%) | | | | | |
| EBITDA Margin | 15.0 | 13.2 | 14.5 | 14.8 | |
| PBT / Net Sales | 12.2 | 9.7 | 10.9 | 11.2 | |
| PAT Margin | 9.2 | 7.5 | 8.2 | 8.4 | |
| Inventory days | 65.0 | 72.6 | 76.0 | 76.0 | |
| Debtor days | 66.4 | 66.0 | 65.7 | 65.7 | |
| Creditor days | 79.2 | 68.9 | 61.8 | 61.7 | |
| Return Ratios (%) | | | | | |
| RoE | 15.7 | 13.1 | 14.1 | 14.3 | |
| RoCE | 21.5 | 18.9 | 20.4 | 20.8 | |
| RoIC | 43.3 | 29.0 | 30.4 | 32.5 | |
| Valuation Ratios (x) | | | | | |
| P/E | 49.0 | 51.7 | 42.0 | 36.3 | |
| EV / EBITDA | 30.1 | 29.1 | 23.3 | 20.1 | |
| EV / Net Sales | 4.5 | 3.8 | 3.4 | 3.0 | |
| Market Cap / Sales | 4.5 | 3.9 | 3.4 | 3.0 | |
| Price to Book Value | 7.7 | 6.8 | 5.9 | 5.2 | |
| Solvency Ratios | | | | | |
| Net Debt / Equity | - | - | - | - | |
| Current Ratio | 1.7 | 2.0 | 2.3 | 2.3 | |
| Quick Ratio | 0.9 | 1.0 | 1.1 | 1.1 | |

Source: Company, ICICI Direct Research

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