

# INVESTMENT RESEARCH



## FUNDAMENTAL COVERAGE - PPAP AUTOMOTIVE LIMITED

Dated : 02<sup>nd</sup> February 2017

BUY	
Price ₹	208
Fair Value	258
Upside	24%
Div Yield	1.0%
Tenure	1 Year
Sensex	28226.61
Nifty	8734.25
Group/Index	B

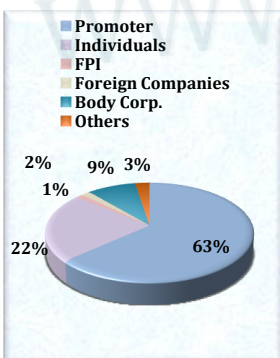
Stock Details	
M.cap (₹ in cr)	291
Equity (₹ In cr)	14.00
52 wk H/L ₹	214.50/109
Face Value ₹	10
NSE code	PPAP
BSE code	532934

Key Valuation Ratios	
RONW	9%
P/E	14.96
P/BV	1.3
EV/EBIDTA	6.37

IN ₹

Key	
EV (₹ in cr)	376.95
BV (₹ in cr)	157.64
NW (₹ in cr)	220.70
EPS (TTM)	13.90

### Share Holding Pattern



### Investment Rationale

Company manufactures over 500 products with target to achieve zero failure ppm in Quality and Delivery performance.

Integrated operations from Print to Build, Challenging spirit, focus on Continuous Improvement, Strong and committed workforce aligned has altogether aided to achieve the desired results by the company.

### GROWTH STRATEGY: PERPETUAL SUSTAINABLE DEVELOPMENT

#### ➤ Improve Operational Efficiency

- » International Benchmarking
- » PPAP Mantra - "Every Paisa Counts"
- » Improve margin realization driven by cost optimization & operating leverage

#### ➤ Optimization of Asset Utilization

- » Improve OEE (Overall Equipment Efficiency)

#### ➤ Focus on increasing customer base

- » Extend leadership position across OEMs
- » Expand product base

#### ➤ Optimization of Investments

- » Timing, Efficiency and Best Value Proposition Review

Company focuses on the following four growth strategies to attain perpetual sustainable development. PPAP Sales have been in line with the market conditions. Unrelenting focus on building internal efficiencies in operations, as well as, capital usage has assisted the improved performance. Customer portfolio has been further expanded with the addition of Suzuki Motorcycles thereby marking foray into the two wheeler segment also.

### Core Strengths

- **Leadership Position** India's leading manufacturer of Automotive Sealing Systems
- **Access to Global Technology** Relationship with Japanese Technology Partners since 1989
- **Strong R&D Facilities** Capability from Design to Print
- **Strong Customer Base** Leading OEM manufacturers in Indian Market are customers
- **State-of-the-art manufacturing facilities** Focus on Kaizen towards Technology and Operations. Strategically located manufacturing plants for Customers
- **Healthy Financials** Cost sensitive Culture

### Technical partnerships

- ⇒ Tokai Group for Automotive Sealing System (Plastic) and Tooling's
- ⇒ JV with Tokai Group for Automotive Sealing System (EPDM Rubber and TPV)
- ⇒ Ichimiya Group for Injection Molded Products



### INJECTION MOLDED PRODUCTS



### AUTOMOTIVE SEALING SYSTEM

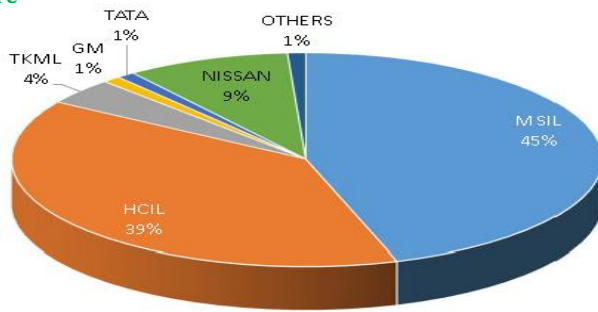
### VALUATION (₹ In Cr except per share)

FY 18Est. Earnings	22.47
Equity Share Capital	14.00
FV	10
<b>No. of Equity Shares</b>	<b>1.40</b>
EPS(FY18 Est.)	16.05
<b>Estimated P/E Ratio</b>	<b>16</b>
<b>Estimated Price/share</b>	<b>258</b>

### Corporate Governance Transparency Ratio's

Year End	201603	201503	201403	201303
Tax Rate %	34.80	24.07	31.92	-
Receivable day	45.36	41.08	43.76	-
Div. Payout %	19.96	11.65	-	-

### Business Share

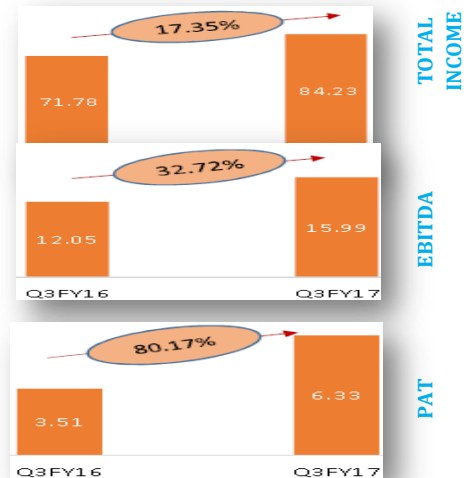


Around 45% of the company's revenue comprises from Maruti Suzuki (have started supplies for IGNIS), followed by 39% from HCIL, 9% from Nissan, 4% from TKML & the rest includes Tata, GM, Toyota (have started supplies for New Fortuner) etc. PPAP is looking forward for the supply of its parts to Hyundai for i-10 in the next couple of months.

### An Eye on the Quarterly numbers

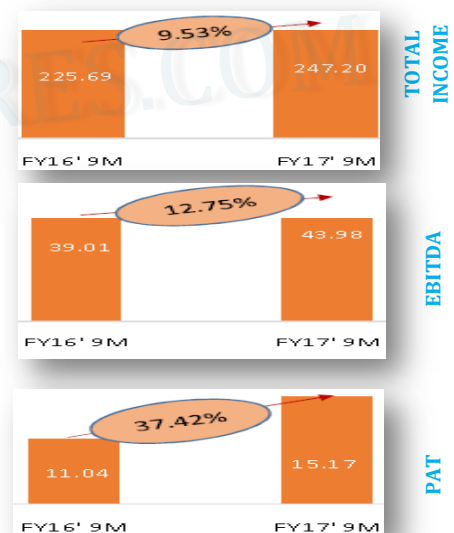
#### Key highlights For the Quarter (Q3 FY17)

- Q3FY17 Income includes Tool sales of ₹9.88 crore vs ₹2.18 crore of Q3FY16
- Total Income for the quarter ended December 31, 2016 stood at ₹ 84.23 crore, up by 17.34%, as compared to ₹ 71.78 crore in the same period last year.
- PPAP's Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) in Q3FY17 stood at ₹ 15.99 crore, up 32.70%. The company's EBITDA margin stood at a robust 18.98% in Q3FY17, as compared to 16.79% in Q3FY16.
- Earnings per share (EPS) for the quarter ended Q3FY17 stood at ₹ 4.52, as compared with ₹ 2.51 for the quarter ended Q3FY16.
- Started supplies for IGNIS to Maruti & New Fortuner to Toyota
- Entry into two wheeler segment - Added Suzuki Motorcycles to list of customers for injection parts
- Won award for the product BSM - Baleno - excellence in automotive category in the small enterprises organized by the Economic Times ET Polymers Awards 2017



#### 9 months Highlights for the FY17

- ◆ FY17' 9M Income included Tool sales of ₹ 23.28 crore vs ₹2.87 crores of FY16' 9M.
- ◆ PPAP's net profit jumped by 37.41% to ₹ 15.17 crore, as compared to ₹11.04 crore of the year ago period. The company's PAT margin improved from 4.89% in 9MFY16 to 6.14% in 9MFY17.
- ◆ Interim dividend of 12.5% (₹ 1.25 per share)
- ◆ Started supplies for Kwid for Export Market, Innova, Fortuner, Ignis, Vitara Brezza Petrol, Baleno RS
- ◆ Entry into LCV segment - Added SML Isuzu for Instrument Panels. Entry into two wheeler segment - Added Suzuki Motorcycles for injection parts
- ◆ own award for the product BSM - Baleno - excellence in automotive category in the small enterprises organized by the Economic Times ET Polymers Awards 2017
- ◆ **EPS (TTM)** for 9 M is at ₹13.87 as against ₹ 11.27 during 9M FY16, BVPS stood at ₹159.63 during 9 month FY17, against ₹149.68 in the corresponding period of the previous year.



### Quarterly Results

Particulars	Unaudited Financial Results			₹ in crores	
	Quarter Ended			% change Q-0-Q	% change Y-0-Y
	Q3 FY 17	Q2 FY 17	Q3 FY 16		
Revenue	84.23	81.97	71.78	2.76%	17.34%
EBITDA	15.99	15.08	12.05	6.03%	32.70%
<b>EBITDA %</b>	<b>18.98%</b>	<b>18.40%</b>	<b>16.79%</b>	-	-
PBT	9.59	8.05	4.86	19.13%	97.33%
<b>PBT%</b>	<b>11.39%</b>	<b>9.82%</b>	<b>6.77%</b>	-	-
PAT	6.33	5.27	3.51	20.11%	80.34%
<b>PAT %</b>	<b>7.52%</b>	<b>6.43%</b>	<b>4.89%</b>	-	-
EPS	4.52	3.76	2.51	20.21%	80.08%

## FY 2015-16 Results & Performance

Company recorded consolidated revenue from operations (net of excise) of ₹ 319.72 crores. The consolidated operating profit before finance costs, depreciation and tax was ₹ 54.06 crores. The consolidated profit after tax stood at ₹ 14.02 crores.

On a standalone basis, the revenue from operations (net of excise) was ₹ 304.06 crores in financial year 2015-16 as against ₹ 322.64 crores in financial year 2014-15. The operating profit before finance costs, depreciation and tax was ₹ 53.37 crores in financial year 2015-16, as against ₹ 44.50 crores in financial year 2014-15, registering a growth of 29%. Profit after tax was ₹ 15.27 crores in year 2015-16 as compared to ₹ 12.02 crores of preceding year.

***The Company continues to secure the orders for new models being developed by its customers. Also, continues to focus on enhancing its product portfolio for each passenger vehicle & is also focusing on increasing its offerings and its presence across all vehicle manufacturers.***

### Company Overview

PPAP Automotive Limited (PPAP) is a leading manufacturer of Automotive Sealing Systems, Interior and Exterior Injection parts in India. Company's State of the art manufacturing facilities located at Noida (UP), Greater Noida (UP), Chennai (Tamil Nadu) and Pathredi (Rajasthan). All the plants are TS 16949, ISO 14001 and OHSAS 18001 certified. The Company was established in 1978 for the manufacture of custom made extrusion products. The Company commenced the Automotive Parts Business in 1985 with the start of production of Maruti (Maruti Suzuki) cars in the Indian market. Over the years, PPAP has developed strong technology alliances with Japanese companies in order to cater to the ever increasing demands of its prestigious customers. The Company's core competence is in Polymer Extrusion based Automotive Sealing System and Injection Molded products.

### Overview

#### Economy Overview

India's Gross Domestic Product (GDP) is expected to expand by 7.9% in FY17 as compared to 7.4% in FY16, according to India Ratings and Research (Ind-Ra), part of the Fitch Group. After bottoming out in FY13, the GDP so far has followed a steady growth trajectory and is anticipated to do so in the medium term. According to Ind-Ra, the industrial GVA is expected to grow at 7.6% in FY17, 0.3% higher than FY16. A number of factors are supporting the current industrial recovery including the government's focus on 'Make in India' and improving the 'Ease of doing business', the signs of a revival in investment / consumption cycle coupled with a fall in inflation / interest rates are expected to drive the manufacturing sector growth.

#### Industry Review

In FY16, the sales of Passenger Vehicles grew by 7.24% over the same period last year. The overall Commercial Vehicles segment registered a growth of 11.51% in FY16 as compared to the same period last year. The industry produced a total 23.96 million vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle in FY16 as against 23.35 million in FY15, registering a marginal growth of 2.58% over the same period last year. *India is the world's sixth-largest manufacturer of passenger cars, according to Organization International des Constructeurs d'Automobiles (OICA), and the eighth-biggest producer of motor vehicles.* The Indian government is keen to promote the automotive industry as a flagship of the "Make in India" campaign. The automotive mission plan 2016-26, published in September 2015, envisions a fourfold jump in output in ten years, to around `19 trillion (US \$274 billion).

**The implementation of the Seventh Pay Commission could prove to be something to cheer for the industry. According to Swiss investment banking firm Credit Suisse, "The Seventh Pay Commission recommendations would result in almost 25% of Central government and 20% of State government employees falling in the category of eligible car buyers. In March 2016, credit rating agency Investment Information & Credit Rating Agency ("ICRA") forecasted that the Indian auto parts industry will grow by 8-10% in FY17. This growth will be fuelled by increasing localization of parts**

**on the part of OEMs, higher component content per vehicle and rising exports. A growing domestic market, favorable regulatory changes, and the positive export potential of auto components will see continued interest by auto parts suppliers in the Country over the coming years.**

### Valuation Conclusion

PPAP strategic partnerships with **NISSEN CHEMITEC CORPORATION & TOKAI KOGYO CO. LTD.** for injection Molded Products & Automotive sealing system, supplies to customers such as **Maruti, GM, Toyota, Tata & along with that supplies for Kwid for Export Market, Innova, Fortuner, Ignis, Vitara Brezza Petrol, Baleno RS, Entry into LCV segment with Addition of SML Isuzu for Instrument Panels, Entry into two wheeler segment with Addition of Suzuki Motorcycles for injection parts** company enjoys leadership position as a leading manufacturer of Automotive Sealing Systems in India. Its Strong R&D Capabilities, Access to global technology, strong customer base, healthy financials attracts the company.

Also, various announcements made in the FY15 and FY16 budgets to address the structural issues plaguing the industrial and infrastructure sectors are gradually gaining traction on the ground. Besides the robust growth outlook of the domestic market is another advantage for carmakers is attractive export potential. Domestic demand for vehicles is likely to remain strong due to good monsoon prospects, rising real GDP per capita, very strong demographic trends and increasing leverage in the economy. India's population is also forecasted to grow by 1.2% and the working-age population will rise more rapidly, since half of the Country's 1.3 billion population is under 25 years of age.

*Investment by domestic and international auto component manufacturers into India reinforces positive outlook on the Country's auto component manufacturing market. A growing domestic market, favorable regulatory changes, and the positive export potential of auto components will see continued interest for auto parts suppliers in the Country over the coming years.*

**Estimating the share price of the company as per P/E valuation, putting the estimated P/E of FY18E at 16x & the estimated EPS at ₹ 16.05, the estimated share price for next 1 year tenure turns around to be ₹ 258. Therefore, we recommend to BUY this script.**

### Opportunities and Threats

#### Opportunities

The number of households earning over US\$10,000 a year is expected to top 67 million by FY21, more than triple the current 21 million. More households will be purchasing a second car and the replacement cycle is likely to become shorter. BMI Research (Business Monitor International – Fitch Group) expects private consumption to grow by an annual average of over 6% in real terms between 2016 and 2020, with more and more Indian residents choosing to buy new or used cars. Moreover, passenger car density remains extremely low in India at about 21 cars per 1,000 people, but will rise to 28.4 by 2020 (according to BMI Research) due to rising incomes, lower interest rates and greater availability of credit. The Country's falling interest-rate environment also provides further stimulus to auto sales. The Economist Intelligence Unit (EIU), expects growth in passenger-car sales to average over 8.7% a year in between FY17 to FY21.

#### Threats

With positives like growing spending power, easy availability of finances and more or less benign fuel prices, the passenger vehicles industry seems to have a near conducive growth environment. However, the uncertainties surrounding the use of diesel engines and the looming judicial axe in the form of bans has led to automakers go back to the drawing board. Ban on the sale of diesel engine cars with a capacity of over 2 liters within the National Capital Region ("NCR") means that OEMs will now have to expand their petrol vehicle offerings and look to offer smaller-sized diesel engines, in order to maintain their market share. The extension of this ban may negatively affect diesel vehicle sales, as the government seeks to address air pollution problems in the region. According to media reports, the NCR, which comprises Delhi and its satellite regions, is India's largest vehicle market and accounts for 5-8% of diesel vehicle supply. Manufacturers like Toyota, Mahindra & Mahindra and Tata Motors are re-looking at their investments and reinventing their product portfolios for the Country. Sudden regulatory changes could prove to be dissuasive and would result in capping the short-term growth potential of the industry.

Quarterly Results (₹ in cr except per share)					
Particulars	LTM	201612	201609	201606	201603
Net Sales	323.10	84.03	81.65	80.65	76.74
<b>EBITDA</b>	<b>59.20</b>	<b>17.11</b>	<b>15.48</b>	<b>12.99</b>	<b>13.58</b>
Depreciation	23.70	6.17	6.00	6.00	5.55
Op Income	35.40	10.94	9.48	6.99	8.03
Misc.Inc (Exp.)	2.60	1.12	0.40	0.36	0.71
Interest Exp	6.10	1.35	1.43	1.64	1.65
EBT	29.40	9.58	8.06	5.34	6.39
Taxes	10.00	3.26	2.78	1.78	2.15
Net Inc(Reg)	19.40	6.33	5.27	3.57	4.24
Extraord. Items	-	-	-	-	-
<b>Rep Net Inc</b>	<b>19.40</b>	<b>6.33</b>	<b>5.27</b>	<b>3.57</b>	<b>4.24</b>
<b>EPS</b>	<b>13.90</b>	<b>4.52</b>	<b>3.76</b>	<b>2.55</b>	<b>3.03</b>

Income Statement and Estimates (₹ in Cr except per share)							
Particulars	201303	201403	201503	201603	2017E	2018E	2019E
<b>Sales</b>	214.72	245.90	318.50	316.62	339.43	362.23	389.34
Oth. operating Income	0.71	0.86	-	2.01	2.41	2.89	3.47
<b>Total Inc. from operations</b>	<b>215.43</b>	<b>246.76</b>	<b>318.50</b>	<b>318.63</b>	<b>341.84</b>	<b>365.12</b>	<b>392.81</b>
<b>Operating EBITA</b>	<b>(2.53)</b>	<b>2.57</b>	<b>18.82</b>	<b>28.30</b>	<b>32.82</b>	<b>35.55</b>	<b>39.29</b>
Profit & Loss							
<b>Total Inc. from operations</b>	<b>215.43</b>	<b>246.76</b>	<b>318.50</b>	<b>318.63</b>	<b>341.84</b>	<b>365.12</b>	<b>392.81</b>
<b>TOTAL EXPENDITURE</b>	<b>199.85</b>	<b>224.44</b>	<b>278.14</b>	<b>265.66</b>	<b>280.48</b>	<b>298.67</b>	<b>320.93</b>
<b>EBITDA</b>	<b>15.58</b>	<b>22.32</b>	<b>40.36</b>	<b>52.97</b>	<b>61.36</b>	<b>66.45</b>	<b>71.88</b>
Depreciation	(18.11)	(19.75)	(21.54)	(24.67)	(28.54)	(30.90)	(32.59)
<b>Rep.profit before othinc., fin.cost,tax &amp; excp. Item</b>	<b>(2.53)</b>	<b>2.57</b>	<b>18.82</b>	<b>28.30</b>	<b>32.82</b>	<b>35.55</b>	<b>39.29</b>
Goodwill amortization	-	-	-	-	-	-	-
Rep.profit before othinc., fin.cost,tax & excp. Item	(2.53)	2.57	18.82	28.30	32.82	35.55	39.29
<b>OTHER INCOME</b>	<b>4.25</b>	<b>8.49</b>	<b>4.14</b>	<b>1.09</b>	<b>3.02</b>	<b>3.70</b>	<b>3.85</b>
<b>Profit from ordinary act. Before Fin.Cost ,TAX &amp; Exp.Items</b>	<b>1.72</b>	<b>11.06</b>	<b>22.96</b>	<b>29.39</b>	<b>35.84</b>	<b>39.25</b>	<b>43.14</b>
Net financials							
Interest income	-	-	-	-	-	-	-
Interest expenses	(1.14)	(3.04)	(7.13)	(7.87)	(7.07)	(7.15)	(7.16)
<b>Net Financial Items</b>	<b>(1.14)</b>	<b>(3.04)</b>	<b>(7.13)</b>	<b>(7.87)</b>	<b>(7.07)</b>	<b>(7.15)</b>	<b>(7.16)</b>
<b>Reported Pre-tax profit</b>	<b>0.58</b>	<b>8.02</b>	<b>15.83</b>	<b>21.52</b>	<b>28.77</b>	<b>32.10</b>	<b>35.98</b>
Reported Tax charge	0.96	(2.56)	(3.81)	(7.49)	(8.63)	(9.63)	(10.79)
<b>Reported Net profit</b>	<b>1.54</b>	<b>5.46</b>	<b>12.02</b>	<b>14.03</b>	<b>20.14</b>	<b>22.47</b>	<b>25.19</b>
Minorities	-	-	-	-	-	-	-
P/L OF ASSOCIATE CO.	-	-	-	-	-	-	-
Reported NP after min. Intt.	<b>1.54</b>	<b>5.46</b>	<b>12.02</b>	<b>14.03</b>	<b>20.14</b>	<b>22.47</b>	<b>25.19</b>
Extra Ordinary income	0.09	(5.46)	-	-	-	-	-
<b>Reported Net Income after extra ordinary items</b>	<b>1.45</b>	<b>10.92</b>	<b>12.02</b>	<b>14.03</b>	<b>20.14</b>	<b>22.47</b>	<b>25.19</b>

EPS and Dividend							
Dividend Paid	-	-	(1.40)	(2.80)	(2.80)	(2.80)	(2.80)
Retained earnings	1.45	10.92	10.62	11.23	17.34	19.67	22.39
<b>Reported EPS</b>	<b>1.04</b>	<b>7.80</b>	<b>8.59</b>	<b>10.02</b>	<b>14.38</b>	<b>16.05</b>	<b>17.99</b>
DPS	-	-	1.00	2.00	2.00	2.00	2.00

Number Of Shares							
Opening Balance	14	14	14	14	14	14	14
Issued during the Period	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
FV	10	10	10	10	10	10	10
<b>Wtd. Avg. no. of shares</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>

Note:- The figures shown in the brackets means **NEGATIVE**.



BALANCE SHEET							
Particulars	201303	201403	201503	201603	2017E	2018E	2019E
<b>Equity &amp; Liabilities</b>							
<b>Shareholders' Fund</b>							
Share Capital	14.00	14.00	14.00	14.00	14.00	14.00	14.00
Reserves and Surplus	169.44	174.90	184.52	191.53	208.87	228.54	250.93
Minority Interests	-	-	-	-	-	-	-
<b>Total Shareholders' Fund</b>	<b>183.44</b>	<b>188.90</b>	<b>198.52</b>	<b>205.53</b>	<b>222.87</b>	<b>242.54</b>	<b>264.93</b>
<b>Non-Current Liabilities</b>							
Long-term Borrowings	0.06	15.13	50.71	44.20	43.80	38.40	39.70
Other Long term Liab.	0.05	-	-	-	-	-	-
Deferred Tax Liability	3.52	2.77	3.79	5.96	6.68	7.48	8.37
Long term Provisions	4.06	3.42	4.46	5.25	5.78	6.35	6.99
<b>Total Non-Current Liab.</b>	<b>7.69</b>	<b>21.32</b>	<b>58.96</b>	<b>55.41</b>	<b>56.25</b>	<b>52.23</b>	<b>55.06</b>
<b>Current Liabilities</b>							
Short term Borrowings	14.20	22.97	17.03	14.48	14.65	13.30	14.06
Trade Payables	15.00	18.31	24.75	22.33	23.93	25.56	25.93
other current liability	9.04	32.93	24.10	28.06	30.88	37.81	37.35
Short term Provisions	1.07	0.90	2.47	2.53	2.78	3.06	3.37
<b>Total current Liabilities</b>	<b>39.31</b>	<b>75.11</b>	<b>68.35</b>	<b>67.40</b>	<b>72.25</b>	<b>79.73</b>	<b>80.71</b>
<b>Total Equity &amp; Liabilities</b>	<b>230.44</b>	<b>285.33</b>	<b>325.83</b>	<b>328.34</b>	<b>351.37</b>	<b>374.51</b>	<b>400.70</b>
<b>Assets</b>							
<b>Non-Current Assets</b>							
<b>Fixed Assets</b>							
Tangible fixed Assets	140.93	166.59	192.98	218.45	230.90	243.78	257.11
G/W on consolidation	-	-	-	-	-	-	-
Non-current Investments	0.72	24.53	37.54	0.01	-	-	-
Long term Loans & Advances	8.28	6.44	7.95	7.60	7.42	7.21	6.89
Other Non current Assets	-	-	0.39	1.67	1.80	1.95	2.10
Deferred tax receivables	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>149.93</b>	<b>197.56</b>	<b>238.86</b>	<b>227.73</b>	<b>240.12</b>	<b>252.93</b>	<b>266.10</b>
<b>Current Assets</b>							
Current Investments	-	-	-	1.78	1.99	2.23	2.50
Inventories	32.84	30.19	27.39	38.95	46.15	50.20	59.31
Trade Receivables	26.56	32.61	39.08	40.12	44.44	51.12	54.99
Cash & cash Equivalents	5.91	1.91	1.36	0.99	1.46	1.65	2.10
Short Term Loans & Advances	15.2	23.06	19.15	18.76	17.24	16.36	15.69
Other current Assets	-	-	-	-	-	-	-
<b>Total current Assets</b>	<b>80.51</b>	<b>87.77</b>	<b>86.98</b>	<b>100.60</b>	<b>111.28</b>	<b>121.57</b>	<b>134.59</b>
<b>Total Assets</b>	<b>230.44</b>	<b>285.33</b>	<b>325.84</b>	<b>328.34</b>	<b>351.37</b>	<b>374.51</b>	<b>400.70</b>
Cash & cash equivalents	5.91	1.91	1.36	0.99	1.46	1.65	2.10
Other int. bearing assets	0.72	24.53	37.54	1.79	1.99	2.23	2.50
Interest-bearing debt	23.30	71.03	91.84	86.74	89.33	89.51	91.11
<b>Net int.-bearing debt</b>	<b>16.67</b>	<b>44.59</b>	<b>52.94</b>	<b>83.96</b>	<b>85.88</b>	<b>85.63</b>	<b>86.52</b>
<b>Net gearing (%)</b>	<b>9.09%</b>	<b>23.61%</b>	<b>26.67%</b>	<b>40.85%</b>	<b>38.53%</b>	<b>35.30%</b>	<b>32.66%</b>

Investments							
<b>Tangible assets</b>							
Gross capex	(28.41)	(37.78)	(46.10)	(27.32)	(40.99)	(43.78)	(45.92)
Sale of fixed assets	-	-	-	-	-	-	-
<b>Net capex</b>	<b>(28.41)</b>	<b>(37.78)</b>	<b>(46.10)</b>	<b>(27.32)</b>	<b>(40.99)</b>	<b>(43.78)</b>	<b>(45.92)</b>
Depreciation tangibles	(18.11)	(19.75)	(21.54)	(24.67)	(28.54)	(30.90)	(32.59)

Note:- The figures shown in the brackets means **NEGATIVE**.

CASH FLOW ANALYSIS							
Particulars	201303	201403	201503	201603	2017E	2018E	2019E
<b>EBIT</b>	<b>1.72</b>	<b>11.06</b>	<b>22.96</b>	<b>29.39</b>	<b>35.84</b>	<b>39.25</b>	<b>43.14</b>
Depreciation	18.11	19.75	21.54	24.67	28.54	30.90	32.59
<b>Dep.(ex goodwill)</b>	<b>18.11</b>	<b>19.75</b>	<b>21.54</b>	<b>24.67</b>	<b>28.54</b>	<b>30.90</b>	<b>32.59</b>
Mov. in Inventories	(3.94)	2.65	2.80	(9.86)	(7.20)	(4.06)	(9.11)
Mov. in Debtors	3.73	(13.92)	(2.84)	4.68	(4.32)	(6.68)	(3.88)
Mov.in Creditors	3.93	26.34	(0.71)	(2.96)	1.60	1.63	0.37
Other W.C Increase/decrea	(9.77)	(6.63)	(3.75)	2.86	-	-	-
<b>Change in W.C</b>	<b>(6.05)</b>	<b>8.44</b>	<b>(4.50)</b>	<b>(5.28)</b>	<b>(9.92)</b>	<b>(9.10)</b>	<b>(12.62)</b>
Tax paid	<b>0.96</b>	<b>(2.56)</b>	<b>(3.81)</b>	<b>(7.49)</b>	<b>(8.63)</b>	<b>(9.63)</b>	<b>(10.79)</b>
<b>Operating Cash Flow</b>	<b>14.74</b>	<b>36.69</b>	<b>36.19</b>	<b>41.29</b>	<b>45.83</b>	<b>51.41</b>	<b>52.32</b>
Net interest	(1.14)	(3.04)	(7.13)	(7.87)	(7.07)	(7.15)	(7.16)
<b>Cash Earnings</b>	<b>13.60</b>	<b>33.65</b>	<b>29.06</b>	<b>33.42</b>	<b>38.76</b>	<b>44.27</b>	<b>45.16</b>
Gross CapEx	(28.41)	(37.78)	(46.10)	(27.32)	(40.99)	(43.78)	(45.92)
Sale of fixed assets	-	-	-	-	-	-	-
<b>Net CapEx</b>	<b>(28.41)</b>	<b>(37.78)</b>	<b>(46.10)</b>	<b>(27.32)</b>	<b>(40.99)</b>	<b>(43.78)</b>	<b>(45.92)</b>
<b>Free CF pre div.</b>	<b>(14.81)</b>	<b>(4.13)</b>	<b>(17.04)</b>	<b>6.10</b>	<b>(2.23)</b>	<b>0.49</b>	<b>(0.76)</b>
Dividend	0.00	0.00	(1.40)	(2.80)	(2.80)	(2.80)	(2.80)
<b>Free CF post Dividend</b>	<b>(14.81)</b>	<b>(4.13)</b>	<b>(18.44)</b>	<b>3.30</b>	<b>(5.03)</b>	<b>(2.31)</b>	<b>(3.56)</b>
Net acqu./disposals	-	-	-	-	-	-	-
<b>Net cash flow</b>	<b>(14.81)</b>	<b>(4.13)</b>	<b>(18.44)</b>	<b>3.30</b>	<b>(5.03)</b>	<b>(2.31)</b>	<b>(3.56)</b>

RATIO ANALYSIS							
Particulars	201303	201403	201503	201603	2017E	2018E	2019E
Return on assets	-	4.23%	3.93%	4.29%	5.93%	6.19%	6.50%
Return on equity	-	5.87%	6.21%	6.94%	9.40%	9.66%	9.93%
ROCE	-	1.19%	6.87%	8.94%	10.07%	10.42%	10.88%
EBIT Margin	-	4.48%	7.21%	9.22%	10.48%	10.75%	10.98%
Pre tax margin	-	3.25%	4.97%	6.75%	8.42%	8.79%	9.16%
Net Profit Margin	-	4.43%	3.77%	4.40%	5.89%	6.15%	6.41%
Total asset turnover	-	0.96	1.04	0.97	1.01	1.01	1.01
Fixed asset turnover	-	1.60	1.77	1.55	1.52	1.54	1.57
Equity turnover	-	1.33	1.64	1.58	1.60	1.57	1.55
Current Ratio	-	1.17	1.27	1.49	1.54	1.52	1.67
Quick Ratio	-	0.77	0.87	0.91	0.90	0.90	0.93
Cash Ratio	-	0.03	0.02	0.01	0.02	0.02	0.03
Receivable Days	-	43.76	41.08	45.36	45.14	47.76	49.30
Inventory Days	-	80.23	55.80	71.16	85.32	90.19	95.29
Payable Days	-	43.20	42.36	47.29	44.61	45.38	42.93
<b>Conversion Cycle (Days)</b>	<b>-</b>	<b>80.79</b>	<b>54.52</b>	<b>69.24</b>	<b>85.85</b>	<b>92.57</b>	<b>101.66</b>
Financial Leverage Effect	-	2.04	3.36	3.78	3.05	2.96	2.85
Debt to Capital	-	0.27	0.32	0.30	0.29	0.27	0.26
Debt to Equity	-	0.38	0.46	0.42	0.40	0.37	0.34

**Note:-** The figures shown in the brackets means **NEGATIVE**.

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