April 15, 2015

CENTRUM

Wealth Research

Initiation

Welspun India Ltd.

Leading player in the global home textile market

BUY

Welspun India Ltd. (Welspun) is amongst the top three global home textile manufacturers having a strong delivery network in more than 50 countries (exports ~95% of sales). The company supplies to 14 of the top 30 global retailers like Wal-Mart, JC Penney and Macy's. Welspun's brands include Christy, Kingsley, Welhome and Spaces. It offers innovative products with technologies like Hygro cotton, Flexifit, Quick dry etc. Its quality product offerings have helped maintain healthy relationships with key retailers which led to the company ranking no.1 among the home textile suppliers to the US consecutively for 3 years. The home textile industry has seen clients moving towards vendor consolidation which resulted in Welspun being the largest terry towel producer in India and the second largest bed sheet producer having a current capacity utilization level of 100% and 90%, respectively. Welspun is in the process of expanding its manufacturing facilities over the next 1-2 years with an aim to cater to the increasing demand for its products. We anticipate revenue and profit CAGR of 19% and 30%, respectively over FY2015-17E. We initiate coverage on the stock with a BUY rating and a target price of Rs530.

Leader in the home textile market: India's market share in global home textile exports ($45 billion) currently stands at 11% as it is benefiting from the increasing competitiveness of manufacturers. In India, Welspun is the largest terry towel producer having a capacity of 45,000 tonne and is the 2nd largest bed sheet producer with a capacity of 55 million metres in FY2014. The company's size, focus on quality products and strong relationships with key clients globally has helped Welspun's revenue grow at 22% over FY2010-15E.

Better product mix enables to capture large consumer base: Welspun offers products across the bath, bedding and flooring categories. The company owns premium international brands like Christy, Kingsley and Indian brands like Spaces and Welhome. It also focuses in to innovative products (~25% of FY2015 sales) with technologies like 'Hygro cotton' (ultra-soft, ultra-absorbent, quick dry etc.) and 'Flexifit' sheets. These products under various retailers' brand carry Welspun's patented technology and helps in differentiating its offering.

Capacity expansion to aid growth: Welspun has been consistently increasing its capacity to cater to the increasing demand in the home textile market. The company plans to invest Rs1,000-1,200 crore over the next 12-18 months funded mainly through internal accruals. Post the capex, its capacity for terry towels will increase by 15,000 tonne to 60,000 tonne and sheets will increase by 17 million metres to 72 million metres by FY2016E.

Healthy financials: The company enjoys better EBITDA margins of ~22% and high RoEs of ~30% as compared to its peers who have average EBITDA margins of ~15% and RoEs of ~23%, respectively. The company is likely to end FY2015E with a net debt of Rs2,731 crore (debt of Rs3,064 crore and cash and equivalents of Rs333 crore). With the expected growth in profit and better cash generation, we anticipate net debt to equity to improve from 1.8x in FY2015E to 0.9x in FY2017E.

Risk factors: 1) Availability of raw materials and rise in input costs, 2) Currency risk, 3) Government policies and 4) Trade barriers.

Valuation: At the CMP, Welspun is trading at 5.8x P/E and 3.9x EV/EBITDA on FY2017E basis. We expect new capacities, focus on innovative products and higher branded sales to help improve realizations and drive revenue growth. We initiate coverage with a BUY rating and a target price of Rs530, valuing it at 4.5x its FY2017E EV/EBITDA.

Recommendation

Current Market Price (Rs)*	428
Target Price (Rs)	530
Potential upside (%)	23.8
Sector Relative to Market	In-line
Stock Relative to Sector	Outperform

Stock Information*

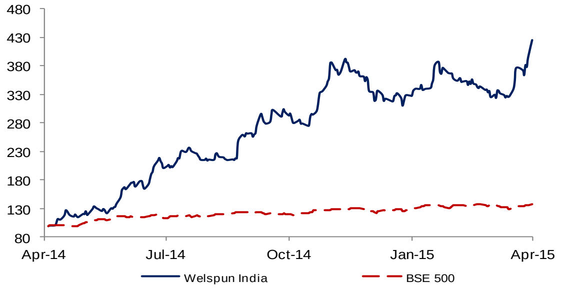
BSE Code	514162
NSE Code	WELSPUNIND
Face value (Rs/share)	10.0
No. of shares (Cr.)	10.0
Market Cap (Rs Cr.)	4,299
Free float (Rs Cr.)	1,147
52 Week H / L (Rs)	435 / 100
Avg. Daily turnover (12M, Rs Cr.)	4.6

Shareholding Pattern (%)

	Dec-14	Dec-13
Promoters	73.3	68.8
FII	2.3	-
DII	5.5	16.7
Others	18.9	14.5

Source: Bloomberg, Centrum Wealth Research

1 year Indexed Price Performance*



Source: Bloomberg, Centrum Wealth Research

Price Performance (%)*

	1M	3M	6M	12M
WELSPUN INDIA	30.8	29.8	44.1	320.5
BSE 500	2.6	7.2	14.5	36.7

** As on April 13, 2015*
Source: Bloomberg, Centrum Wealth Research

***Mrinalini Chetty**, Research Analyst*
***Siddhartha Khemka**, VP Research*

Centrum Wealth Research is also available on:
Bloomberg: CBWM <GO>,
Thomson Reuters, Capital IQ and Factset

Financial Summary - Consolidated

Y/E Mar (Rs Cr.)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	EPS (Rs)	P/E (x)	EV/EBITDA(x)	RoE (%)
FY2013A	3,647	13.3	595	16.3	227	243.3	22.62	18.9	10.1	26.2
FY2014A*	4,495	23.3	921	20.5	428	88.5	42.64	10.0	7.4	40.8
FY2015E	5,302	17.9	1,182	22.3	441	2.9	43.87	9.8	5.9	33.9
FY2016E	6,257	18.0	1,420	22.7	565	28.3	56.27	7.6	4.9	32.6
FY2017E	7,445	19.0	1,720	23.1	741	31.1	73.74	5.8	3.9	32.3

Source: Company, Centrum Wealth Research
*Note: * Normalised for one time depreciation charge of Rs496 crore - due to change in method.*

Please refer to important disclosures/disclaimers inside

About the Company

Welspun India Ltd, part of the $3 billion Welspun Group, is amongst the top three global home textile manufacturers having a strong delivery network in more than 50 countries. It has two textile manufacturing facilities at Anjar and Vapi in Gujarat. The company's products include bed and bath textiles, including terry towels, bath mats, rugs, bed sheets and basic bedding products. Welspun is gradually focusing on expanding its product offerings from bath and bedding to flooring (carpet segment). With the entry into the carpet segment, the company would be focusing on decorative carpets and area rugs. The company owns home textile brands like Christy's and Spaces. Welspun has adopted a shop in shop concept rather than maintaining independent retail outlets which have helped the company improve its operating profits.

Exports contribute ~95% to Welspun's business, of which the US market contributes 60%. The company supplies to 14 of the top 30 global retailers like Wal-Mart, JC Penney, Target and Macy's. Welspun has ranked no.1 consecutively for 3 years among the home textile suppliers to the US (ranking no.1 in the bath towel segment and no.2 in the bed sheet & pillow segment). Going ahead, with an aim to reduce the dependency on the US market, the company plans to enhance its geographical presence by exploring opportunities in Latin America, Asia Pacific, Indian and European markets.

Exhibit 1: Key Management Personnel

Name	Position	Profile
Mr. Balkrishan Goenka	Chairman, Welspun Group	Mr. Balkrishan Goenka is the prime architect of Welspun Group and the strength behind Welspun's journey over the last 29 years. His strong business acumen combined with risk-taking abilities has enabled Welspun to become one of the fast growing groups in India. He has a vision of making Welspun one of the most respected Groups in the World by creating world-class companies, second to none. He has been nominated as Entrepreneur of the Year by Ernst & Young and is a member of the Young Presidents Organization
Mr. R.R. Mandawewala	Managing Director	Mr. R.R. Mandawewala, a qualified Chartered Accountant (ICAI), is in-charge of operations of the textile business and has enabled Welspun to develop a global reach in over 50 countries. He has over 30 years of experience in industries varying from Textiles to SAW pipes. Mr. Mandawewala is a prolific speaker and is associated with leading business councils such as CII, FICCI, IMC, BCC, Texprocil and FIEO.
Mrs. Dipali Goenka	Managing Director, Welspun Global Brands Ltd. and Executive Director, Welspun India Ltd.	Mrs. Dipali Goenka, the driving force behind the company's textile business, has successfully led the development of two of its most recognised brands - SPACES Home & Beyond and Welhome. A Graduate in Psychology, she has also completed Owners/President Management programme from Harvard.
Mr. Altaf Jiwani	Chief Financial Officer	Mr. Altaf Jiwani is an engineer, MBA in Finance with 24 years of experience. He has expertise in the field of foreign exchange, risk management, resource mobilization which drives business performance and growth. He has worked in the textile, automobile, electrical and carbon black industry before joining Welspun. He is also on the board of one of the private sector banks.

Source: Company, Centrum Wealth Research

Exhibit 2: Product range in the Home Textiles Segment

Bath	Bedding	Flooring
Towels	Sheets	Carpets
Bath Robes	TOB (Top of Bed)	Rugs
	Basic and Fashion Bedding	

Source: Company, Centrum Wealth Research

Leader in the home textile market

The global market for home textile stands at $45 billion. India's market share in global home textile exports currently stands at 11% as it is benefiting from the increasing competitiveness of manufacturers.

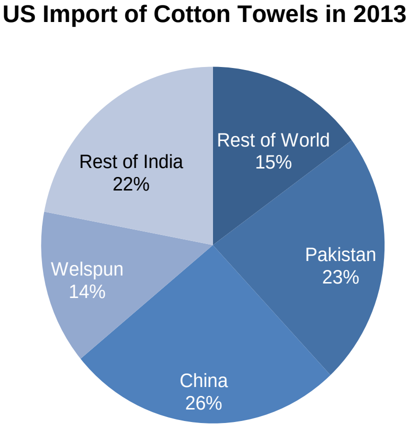
Structural changes in the overall textile scenario are helping India gain a key competitive position due to:

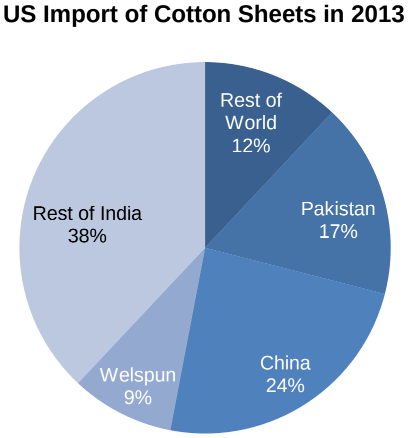
- **Surplus availability of cotton:** India is the 2nd largest producer of cotton (after China) and the only net exporter of cotton yarn. According to the U.S. Department of Agriculture (USDA), India is likely to become the largest producer of cotton with production likely to reach 30 million bales of cotton in the marketing year 2014-15 (August-July) and surpass China which is likely to produce 29.5 million bales. With the surplus availability of cotton, India has an advantage over other countries like China and Bangladesh.
- **Low cost of labour:** Over the last 5 years, cost of labour in China has increased from $180 per man month (pmm) to the current level of $550 ppm, whereas the same in India has grown from $120 ppm to $180 ppm. With the current level of wages in India being much lower than that of China, India's cost structure has become highly competitive.
- **Favourable government policies:** The government's 'Make in India' campaign is likely to open up many business avenues for the textile industry. Increasing penetration of organised retail, favourable demographics and rising income levels are expected to drive textile demand. Also, the government's Technology Upgradation Fund Scheme (TUFS) and 100% foreign direct investment (FDI) under the automatic route are expected to boost the textile sector.

We believe India's textile industry has a potential growth opportunity owing to its comparative cost advantage in terms of skilled manpower and cost of production over other major textile producing nations making it an ideal destination for investment.

In India, Welspun is the largest terry towel producer having a capacity of 45,000 tonne p.a. and is the 2nd largest bed sheet producer with a capacity of 55 million metres p.a. in FY2014. The company's size, focus on quality products and long standing relationships with key clients globally has helped Welspun's revenue grow at 22% over FY2010-15E.

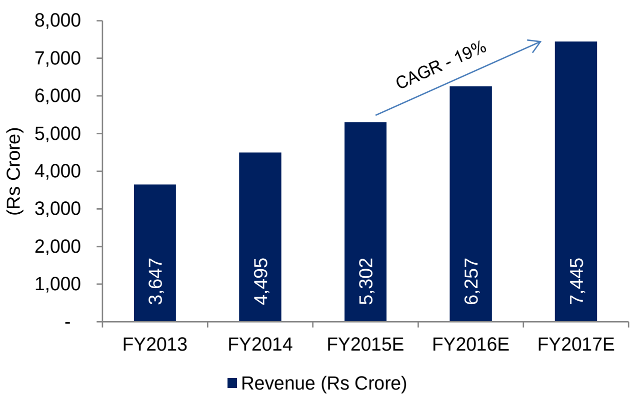
Exhibit 3: Significant market share in Towels and Sheets in the US

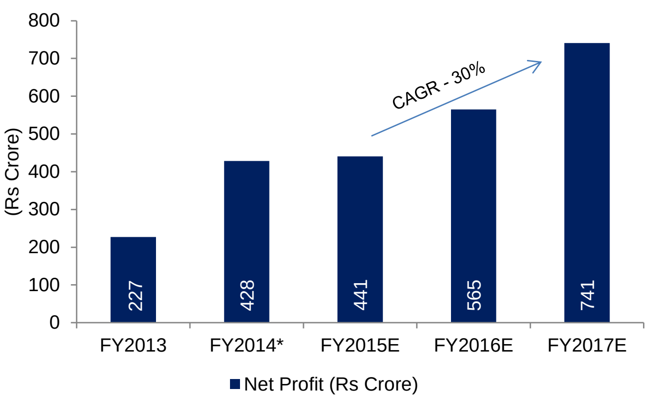




Source: Otexa, Company, Centrum Wealth Research

Exhibit 4: Expect revenue CAGR of 19% and PAT CAGR of 30% over FY2015-17E





Source: Company, Centrum Wealth Research

**FY2014 figures are normalized for one time depreciation charge*

Better product mix enables to capture large consumer base

On the international front, in 2006, Welspun acquired 85% stake in CHT Holdings Ltd., holding company of Britain's leading towel brand Christy. In 2009, it acquired the remaining 15% stake making it a 100% subsidiary. Through this, the company gained access to the premium brand and retail stores in the UK and European markets. Christy is an exclusive licensee to the Wimbledon Championships.

On the domestic front, Welspun has presence through brands like Welhome and SPACES Home & Beyond. The company has adopted a shop in shop model for its domestic business with an aim to variabalise costs and enhance profitability. Over FY2012-14, Welspun's branded sales grew at a CAGR of 24%.

The company being a market leader has constantly focused on quality product offerings, ready supply and on time delivery which has enabled it to maintain long standing relationships with key retailers like Wal-Mart, JC Penney, Target and Macy's. Welspun covers the entire spectrum from super premium to value with brands like Christy, Kingsley, Welhome and Spaces within India and overseas.

With an aim to gain market share the company is now emphasizing on innovative products (~25% of FY2015 revenues). Welpsun's innovative product portfolio consists of 6 patents (includes pending patents) and 7 trademarks. We believe its leadership position offers first mover advantage. The company's innovative products category has bath and bed technologies like 'Hygro cotton' having features such as ultra-soft, ultra-absorbent, quick dry etc. and 'Flexifit' sheets. These products under various retailers' brand carry Welspun's patented technology which helps in differentiating its offering.

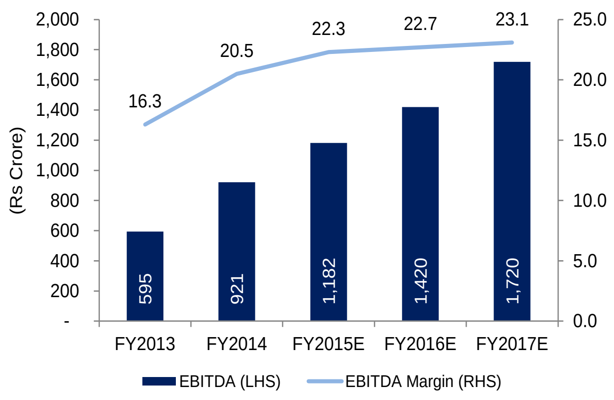
Going ahead, the company may look to foray into the e-commerce segment which could help further penetration in the domestic and international markets. Welspun plans to increase its share of revenue from the domestic market to 15% eventually. The company has exited many of its non-profitable ventures which helped it to enhance its EBITDA margins from 11.4% in FY2012 to 20.5% in FY2014 and expect it to improve to 23.1% in FY2017E. We believe the company's focus on branded sales and innovative products will drive the next phase of growth.

Exhibit 5: Innovative product range

Bed Technologies	Bath Technologies	Sleep Solutions	Rugs
Flexifit (exclusive licensee) Eversmooth Cotton Touch Smart Bedskirt Perfect Sheet Hugro Comfort Bleach Safe	Hygro Cotton Quick Dry Bleach Safe Eucalyptus Silk Bamboo Aerospun Spot Shop	Earth Pillow Sneez eezzz Hygrofil My Favourite Pillow	Bleach Safe Eucalyptus Drylon Hygro Quick Dry Aerofil Hygro Cotton

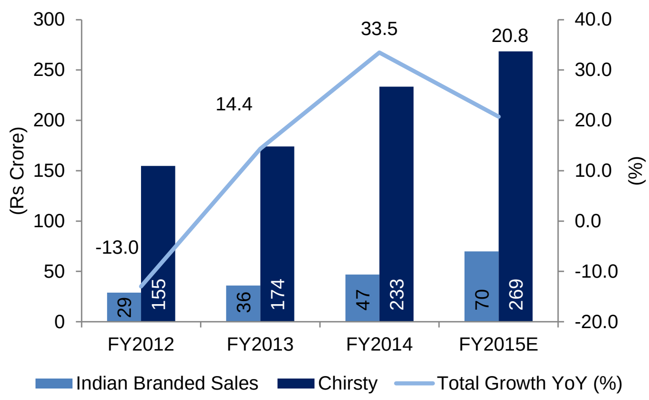
Source: Company, Centrum Wealth Research

Exhibit 6: EBITDA margins to improve to ~23% in FY2017E



Source: Company, Centrum Wealth Research

Exhibit 7: Branded sales to grow with India in focus



Source: Company Estimates, Centrum Wealth Research

Capacity expansion and high utilisation levels to aid future growth

Welspun plans to invest Rs1,000-1,200 crore over the next 12-18 months funded mainly through internal accruals. The company has already invested Rs1,300 crore which was focused on backward integration and debottlenecking. Post the capex the company's towel capacity would increase from 45,000 tonne p.a. in FY2014 to 60,000 tonne p.a. in FY2016E. Sheets capacity would increase from 55 million metres p.a. in FY2014 to 72 million metres p.a. in FY2016E and rugs (including carpets) would see an increase in capacity from 12,000 tonne p.a. in FY2014 to 20,000 tonne p.a. in FY2016E.

Welspun commissioned 140 looms for sheeting during FY2014. The company has also commissioned India's largest spinning facility in Anjar (Gujarat). The facility houses 170,000 spindles which has resulted in doubling the company's capacity to over 3,00,000 spindles. The company plans to in-source most of its yarn requirement with the help of this spinning facility and utilise the same for its products like towels, bed sheets, rugs, carpets and others. With the new facility in place, Welspun's vertical integration is likely to go up to 70-75% in yarn and fabric from the current level of 30-35%. This would also give the company an independent supply chain system which augurs well in terms of innovative product development.

With the capacity expansion underway, the company has been able to improve its capacity utilisation levels. We expect revenue CAGR of 19% over FY2015-17E.

Exhibit 8: Increasing demand has resulted into higher utilisation levels despite capacity expansion

	FY2012	FY2013	FY2014	FY2015E	FY2016E
Capacity					
Towels (metric tonne)	43,800	43,800	45,000	50,000	60,000
Sheets (million mtrs)	45.0	52.0	55.0	60.0	72.0
Rugs (Incl Carpets) (metric tonne)	10,151	10,151	12,000	15,000	20,000
Production Achieved					
Towels (metric tonne)	41,478	39,585	44,328	50,000	60,000
Sheets (million mtrs)	37.3	49.7	49.1	54.0	64.8
Rugs (Incl Carpets) (metric tonne)	4,809	6,030	8,123	9,750	13,000
Capacity Utilisation					
Towels	95%	90%	99%	100%	100%
Sheets	83%	96%	89%	90%	90%
Rugs	47%	59%	68%	66%	70%

Source: Company, Centrum Wealth Research

Healthy financial performance

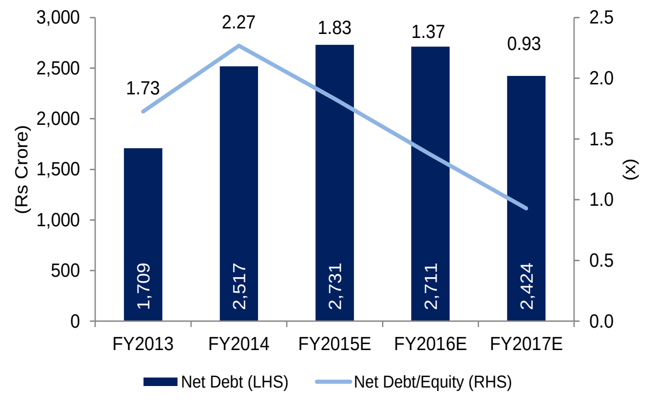
On a consolidated basis, for Q3FY2015, Welspun's revenue grew by 22% YoY to Rs1,346 crore on the back of robust volume growth in the sheets and rugs segment. EBITDA grew by 42% YoY to Rs340 crore, with EBITDA margins expanding by 348 bps YoY to 25.3%. Margin expansion was mainly on account of declining cotton prices and also due to the commissioning of the company's spindle facility at Anjar which aided higher vertical integration. Net profit grew by 31% YoY to Rs144 crore. Going ahead, the management expects to achieve a revenue growth of 15% for FY2015E and expects to maintain EBITDA margins in the range of 20-22%. Currently, terry towels which contributes ~55% to revenue is operating at 100% capacity, Sheets which contributes ~35% to revenue is operating at 90% capacity and Rugs which contributes ~10% is operating at 60-65% capacity. Rugs being a fairly new segment is witnessing lower levels of capacity utilisation, we anticipate this to improve going ahead.

The company enjoys better EBITDA margins of ~22% and high RoEs of ~30% as compared to its peers who have average EBITDA margins of ~15% and RoEs of ~23%, respectively *(Please refer to Exhibit 12 and 13).*

The company is likely to end FY2015E with a net debt of Rs2,731 crore (debt of Rs3,064 crore and cash and equivalents of Rs333 crore). With the expected growth in profit and better cash generation, we anticipate net debt to equity to improve from 1.8x in FY2015E to 0.9x in FY2017E.

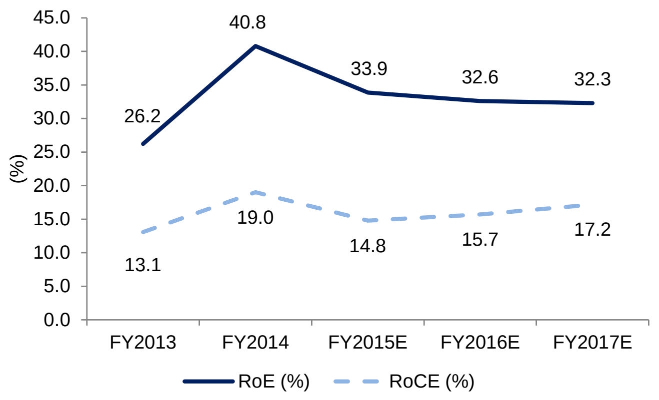
Welspun's majority of the capital expenditure has taken place under the Technology Upgradation Fund Scheme (TUFS). The TUF scheme along with benefits from the Gujarat state government has led to the average cost of debt at 7-8% p.a.

Exhibit 9: Net debt/equity to improve to 0.9x by FY2017E



Source: Company, Centrum Wealth Research

Exhibit 10: Return ratios to improve going ahead



Source: Company, Centrum Wealth Research

Exhibit 11: Consolidated Quarterly Performance

Y/E Mar (Rs Cr.)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	**1,103**	**1,185**	**1,177**	**1,414**	**1,346**
YoY Growth %	(17.7)	56.5	24.6	22.0	22.0
Raw Material	561	630	556	722	632
% of sales	50.9	53.2	47.3	51.1	47.0
Personnel Expenses	87	97	100	114	113
% of Sales	7.9	8.2	8.5	8.1	8.4
Other Expenses	214	237	248	260	260
% of Sales	19.4	20.0	21.0	18.4	19.3
EBIDTA	**240**	**220**	**273**	**317**	**340**
EBIDTA margin %	**21.8**	**18.6**	**23.2**	**22.4**	**25.3**
Depreciation	50	84	69	72	92
Interest	57	63	71	73	82
Other Income	34	29	32	19	15
PBT	168	102	165	191	181
Provision for tax	58	21	62	59	37
Effective tax rate %	34.6	20.5	37.7	30.9	20.3
Net Profit (Reported)	**110**	**81**	**103**	**132**	**144**
Minority Interest	0.1	(1)	(2)	2	1
Adj. Net Profit	**109**	**82**	**105**	**130**	**144**
YoY Growth %	42.9	29.4	16.8	NM	31.1
PAT margin %	**9.9**	**6.9**	**8.9**	**9.2**	**10.7**

Source: Company, Centrum Wealth Research

Long term growth strategy

The US and Europe economy are expected to improve which would encourage spending power. Further, the outlook for Indian cotton textiles, especially home textiles, continues to be positive. The Indian home textile industry continues to gain market share from competing countries, particularly in the key markets of US and Europe. Other markets like Japan, Korea, Australia and South Africa are also offering huge potential growth opportunities. Countries like China, Pakistan and Bangladesh are facing a structural change which has resulted in these regions losing their export competitiveness. India is well placed to capitalize on this opportunity and improve its market share.

Welspun is planning to focus on:

- **Exploring new markets:** India, Europe, Asia Pacific and Latin America;
- **Launching itself on new channels:** E-Commerce, Hospitality and Branded Sales;
- **Expanding its product offerings:** Bath Robes, Carpets and Filled Products;

Risks and Concerns

- **Non availability of raw materials and rise in input costs:** Non availability of raw materials and any rise in input costs would affect the company's cost competitive position which would hamper the business.
- **Currency Risk:** As the international market contributes 95% to the total business, any sharp appreciation of the INR against currencies will impact revenue.
- **Government Policies:** As the company is a beneficiary of the TUF scheme along with state subsidy (Gujarat), any change in the interest subsidy level could impact the company's financial performance.
- **Trade Barriers:** Any adverse trade barriers imposed by key markets could hinder the company's operation in that region.

Valuations

At current price, the stock is trading at P/E of 5.8x and EV/EBITDA of 3.9x on FY2017E basis. We expect new capacities, focus on innovative products and higher branded sales to help improve realizations and drive revenue growth. With the expected growth in profit and better cash generation, we anticipate net debt to equity to improve from 1.8x in FY2015E to 0.9x in FY2017E. We anticipate revenue and PAT CAGR of 19% and 30%, respectively over FY2015-17E. We initiate coverage on Welspun with a BUY rating and a target price of Rs530, valuing it at 4.5x its FY2017E EV/EBITDA.

Exhibit 12: Business Comparison

Company	MKT CAP (Rs Cr.)	Rev Growth (%)		OPM (%)		PAT Growth (%)	
		FY2016E	FY2017E	FY2016E	FY2017E	FY2016E	FY2017E
WELSPUN INDIA	4,299	18.0	19.0	22.7	23.1	28.3	31.1
INDO COUNT INDS	1,876	16.5	18.5	16.5	16.9	15.7	27.1
TRIDENT LTD	1,328	19.6	23.3	18.8	19.0	40.0	50.0
HIMATSINGKA SEID	843	10.4	8.3	11.3	12.1	23.6	34.6

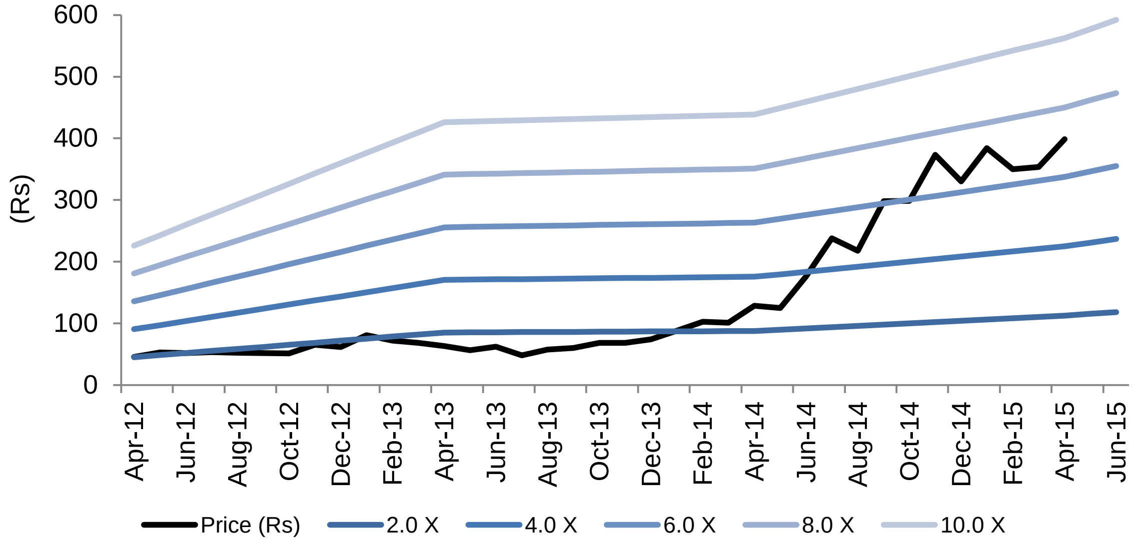
Source: Bloomberg, Centrum Wealth Research

Exhibit 13: Relative Valuation

Company	MCap/ FY15E Sales (x)	P/E (x)		EV/EBITDA (x)		RoE (%)	
		FY2016E	FY2017E	FY2016E	FY2017E	FY2016E	FY2017E
WELSPUN INDIA	0.81	7.6	5.8	4.9	3.9	32.6	32.3
INDO COUNT INDS	1.12	10.8	8.5	7.1	5.9	36.0	34.9
TRIDENT LTD	0.33	7.5	5.0	3.6	2.9	11.7	15.5
HIMATSINGKA SEID	0.42	7.6	5.6	5.9	5.1	12.9	15.8

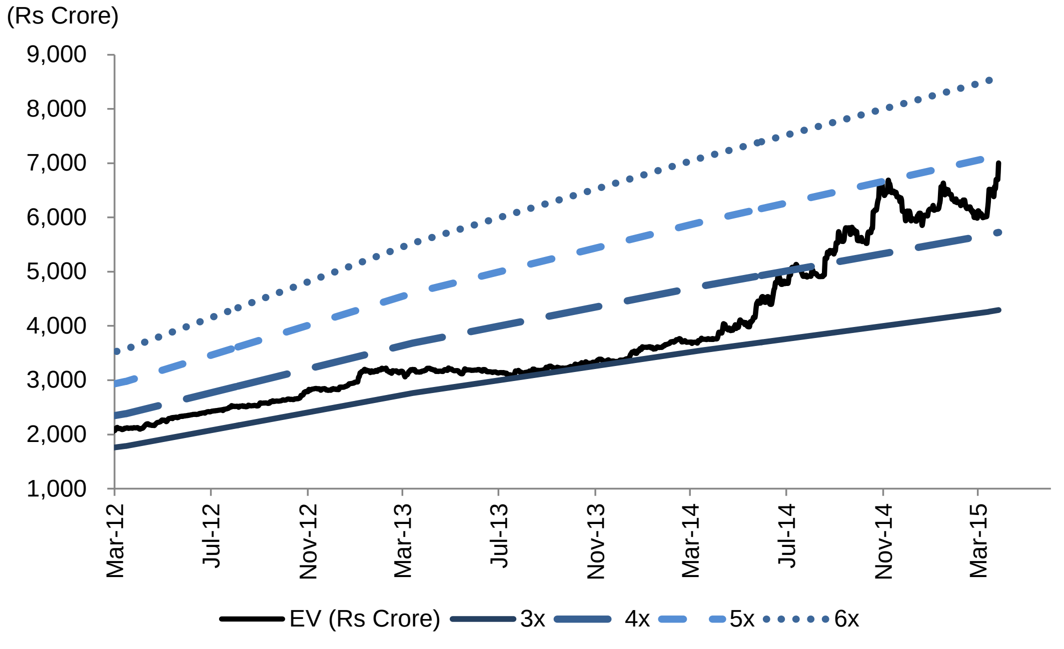
Source: Bloomberg, Centrum Wealth Research, Stock price data is as on April 13, 2015

Exhibit 14: One Year forward P/E trend



Source: Bloomberg, Centrum Wealth Research

Exhibit 15: One Year forward EV/EBITDA trend



Source: Bloomberg, Centrum Wealth Research

Technical View on Welspun India Ltd

- Welspun India has been trading strong since the past many months and has formed a clear higher high higher low setup.
- The scrip is currently trading near above its recent 52 week high levels and strong supply at 420. 420-400 is thus likely to be a trading support for the scrip.
- While the oscillators are indicating some caution as negative divergences are evident, the overall moving average and price action setup is strong and can lead to further trading gains towards 510. 385 on closing basis will be a strong stop loss level for the same and long positions can be maintained for 2-3 month timeframe.
- In case the scrip moves below the stop loss level, further decline towards 320 can be expected in a quick time thereafter.

Exhibit 16: Technical Chart

Source: Company, Centrum Wealth Research

Financial Summary – Consolidated

Income Statement

Y/E Mar (Rs Cr)	FY2013	FY2014*	FY2015E	FY2016E	FY2017E
Revenue	**3,647**	**4,495**	**5,302**	**6,257**	**7,445**
Growth %	13.3	23.3	17.9	18.0	19.0
Raw Material	1,768	2,267	2,614	3,078	3,648
% of sales	48.5	50.4	49.3	49.2	49.0
Personnel expenses	277	340	445	507	588
% of Sales	7.6	7.6	8.4	8.1	7.9
Other Exp.	1,008	967	1,060	1,251	1,489
% of Sales	27.6	21.5	20.0	20.0	20.0
EBIDTA	**595**	**921**	**1,182**	**1,420**	**1,720**
EBIDTA margin %	**16.3**	**20.5**	**22.3**	**22.7**	**23.1**
Depreciation	145	190	324	368	400
Interest	198	235	294	311	319
Other Income	49	104	94	103	105
Exceptional Gain/(loss)	(3)	(496)	-	-	-
PBT	298	104	658	844	1,106
Provision for tax	73	20	217	278	365
Effective tax rate %	24.6	18.9	33.0	33.0	33.0
Net Profit (Reported)	**225**	**84**	**441**	**565**	**741**
Minority Interest	-	(8)	-	-	-
Exceptional Items Adj.	(2)	(336)	-	-	-
Adj. PAT	**227**	**428**	**441**	**565**	**741**
Growth %	243.3	88.5	2.9	28.3	31.1
PAT margin %	**6.2**	**9.5**	**8.3**	**9.0**	**9.9**

Source: Company, Centrum Wealth Research

Balance Sheet

Y/E Mar (Rs Cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Share capital	100	100	100	100	100
Reserves & surplus	890	1,009	1,392	1,875	2,511
Shareholder's fund	990	1,110	1,492	1,976	2,611
Loan fund	1,920	2,814	3,064	3,164	3,214
Minority Interest	25	32	32	32	32
Deferred Tax Liabilities	192	43	43	43	43
Total cap. employed	**3,127**	**3,999**	**4,631**	**5,215**	**5,901**
Net fixed assets	1,862	2,561	3,036	3,068	3,068
Investments	93	111	111	111	111
Cash and bank	172	233	269	389	726
Inventories	821	1,009	1,148	1,440	1,713
Debtors	275	412	436	600	714
Loans and advances	635	842	981	1,158	1,377
Total current assets	1,903	2,496	2,833	3,586	4,530
Current lia. and prov.	731	1,169	1,350	1,551	1,809
Net current assets	1,173	1,327	1,484	2,035	2,722
Total assets	**3,127**	**3,999**	**4,631**	**5,215**	**5,901**

Source: Company, Centrum Wealth Research

Cash Flow

Y/E Mar (Rs Cr)	FY2013	FY2014*	FY2015E	FY2016E	FY2017E
Cash flow from Ops					
Net Profit Before Tax	301	600	658	844	1,106
Depreciation	145	190	324	368	400
Others	160	189	200	208	214
Change in working capital	(193)	(420)	(121)	(432)	(349)
Tax expenses	(42)	(31)	(217)	(278)	(365)
Cash flow from Ops	**371**	**528**	**844**	**710**	**1,006**
Cash flow from Invest					
Capex	(276)	(716)	(800)	(400)	(400)
Other investing activities	121	(251)	94	103	105
Cash flow from Invest	**(154)**	**(967)**	**(706)**	**(297)**	**(295)**
Cash flow from financing					
Proceeds from eq. & war.	2	(24)	0.1	-	-
Borrowings	66	725	250	100	50
Dividend paid	(21)	(24)	(58)	(82)	(105)
Interest paid	(198)	(235)	(294)	(311)	(319)
Cash flow from financing	**(150)**	**443**	**(102)**	**(293)**	**(374)**
Net Cash Flow	**66**	**4**	**36**	**120**	**337**

Source: Company, Centrum Wealth Research

Key Ratios

Y/E Mar	FY2013	FY2014*	FY2015E	FY2016E	FY2017E
Return ratios (%)					
RoE	26.2	40.8	33.9	32.6	32.3
RoCE	13.1	19.0	14.8	15.7	17.2
RoIC	18.9	25.2	23.8	25.5	28.9
Turnover Ratios (days)					
Inventory	77.5	74.3	74.2	75.5	77.3
Debtors	26.2	27.9	29.2	30.2	32.2
Creditors	50.9	45.0	46.1	45.9	45.7
Fixed asset turnover (x)	1.4	1.4	1.3	1.4	1.5
Solvency Ratio (x)					
Net Debt-equity	1.7	2.3	1.8	1.4	0.9
Interest coverage	2.5	3.6	3.2	3.7	4.5
Per share (Rs)					
Adj. EPS	22.6	42.6	43.9	56.3	73.7
BVPS	98.6	110.5	148.6	196.7	260.0
CEPS	37.0	61.6	76.2	93.0	113.6
Dividend Ratios					
DPS (Rs)	3.8	3.0	5.0	7.0	9.0
Dividend Yield (%)	0.9	0.7	1.2	1.6	2.1
Dividend Payout (%)	17.9	8.3	13.2	14.5	14.2
Valuation (x)					
P/E	18.9	10.0	9.8	7.6	5.8
P/BV	4.3	3.9	2.9	2.2	1.6
EV/EBIDTA	10.1	7.4	5.9	4.9	3.9
EV/Sales	1.6	1.5	1.3	1.1	0.9

Source: Company, Centrum Wealth Research

** FY2014 figures are normalized for one time depreciation charge of Rs496 crore, due to change in depreciation policy from straight line method to reducing balance method.*

Appendix

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SEBI REGN NO.: INP000004383

Website: www.centrum.co.in
Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:
Kavita Ravichandran
(022) 4215 9842; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN: U67120MH1994PLC078125)	
REGD. OFFICE Address **Bombay Mutual Bldg.,** **2nd Floor,** **Dr. D.N. Road,** **Fort,** **Mumbai - 400 001**	**Corporate Office & Correspondence Address** **Centrum House** **6th Floor, CST Road,** **Near Vidya Nagari Marg,** **Kalina, Santacruz (E)** **Mumbai 400 098.** **Tel: (022)4215 9000** **Fax: +91 22 4215 9344**