Dimensional Securities Pvt Ltd.

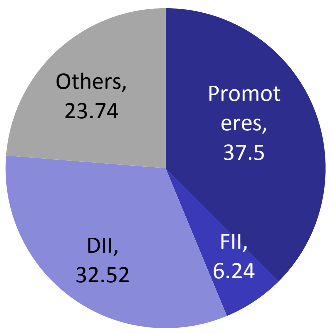
Orient Cement Limited
Initiating Coverage

Date : 10th June, 2016
Recommendation: BUY
CMP: 168
Target Price: 202

MARKET DATA	
NSE TICKER	ORIENTCEM
Networth (₹Cr)	1,016
P/BV Ratio (FY17E) (x)	3.1
EPS (FY17E) (₹)	5.8
Market Price (₹)	168
P/E Ratio (FY17E) (x)	28.7
52 Week High (23/07/2015)	190
52 Week Low (04/02/2016)	129
Market Capitalisation (₹Cr)	3,438

AVERAGE MONTHLY VOLUME ('000)	
BSE	36.9
NSE	71.8

SHARE HOLDING PATTERN



RETURN	3M	6M	12M
Orient Cement	23.0	5.3	-1.1
BSE	9.6	6.8	1.9

Vishal Rampuria (Director, Research)
vishal.rampuria@dimensional.in
+91-22-66545256
Preeti Patel (Research Analyst)
preeti@dimensional.in
+91-22-66545239

Capacity Addition to drive volume growth; Industry to grow 8-9%

Orient Cement Ltd. has its plants in Telangana (3mn tonne) and Maharashtra (2mn tonne). Recently, the company added further cement capacity of 3mn tonne in Karnataka, taking its total cement capacity to 8mn tonnes. Going ahead, the growth in the volume will be contributed by this new facility. We expect an improvement in the demand scenario of 8-9% over next 2 years on the back of government's thrust on infrastructure development and some revival in the capital expenditure cycle

Advantage of strategic locations

Orient Cement's plants are strategically located with proximity to raw material procurement zones and key demand markets. Further, the availability of rail sidings at both ends fosters uninterrupted inward and outward transportation. Its's Devapur (Telangana) plant which is located in the Northern part of Andhra Pradesh caters to the vast markets of Maharashtra, Andhra Pradesh & Telangana (~88% of overall sales). The grinding unit in Maharashtra further ensures strong presence in the tier II/III markets of Maharashtra, while the Gulbarga (Karnataka) plant will be catering to markets in Andhra Pradesh, Karnataka and South Maharashtra helping the company increase market share.

Diversification to increase with the New plant

With 85-88% of the revenue for Orient cement coming from Maharashtra, Andhra Pradesh & Telangana any state-level event impacting demand could hurt the company's ability to push volumes. However the said risk will be mitigated to an extent as Orient Cement's new capacity at Gulbarga will enable them to expand its presence in Karnataka, Seemandhra, Madhya Pradesh, Chhattisgarh and the neighbouring markets. Also, the company will be able to push its products in high realizations markets of Karnataka and south Maharashtra diversifying its revenue.

Cost Efficient Player

Being raw material intensive industry, Orient Cement's gains from the close vicinity to the limestone mines which reduces company's freight cost. The company's power and fuel costs are amongst the lowest in the industry and they have also successfully implemented the use of alternative bio-fuels for producing energy, resulting in improved efficiencies and higher cost savings. This makes Orient Cement one of the most cost efficient companies in the cement industry.

Weak demand could affect earnings in the short term

Demand in Orient Cement's key markets comprising Maharashtra, Telangana, and Seemandhra, could be affected, if the monsoons are weaker than expected. Also, over cement demand in linked with the infrastructure growth and any weakening would impact its profitability. Also, sharp increase in coal and pet coke prices can impact earnings.

FINANCIAL OUTLOOK & VALUATION

At CMP of ₹168, the stock is trading at 34.5x and 16.5x its FY17E and FY18E P/E, respectively. We initiate coverage on Orient Cement with a **Buy** recommendation and target price of ₹202 by FY17 based on its FY18E discounted EV/EBITDA multiple of 10x.

Financial summary:

Rs. Cr	Net Sales	Growth(%)	EBITDA	EBITDA(%)	PAT	EPS	P/E	ROE	ROCE
FY14	1,474	-3.1%	215	14.6%	101	4.9	9.7	12.7%	16.3%
FY15	1,594	8.1%	307	19.2%	195	9.5	18.7	21.6%	16.4%
FY16	1,509	-5.3%	183	12.2%	62	3.0	54.8	6.2%	5.2%
FY17E	2,129	41.0%	369	17.3%	120	5.8	28.7	11.3%	11.8%
FY18E	2,434	14.3%	503	20.7%	251	12.3	13.7	20.5%	18.0%

Capacity Addition to drive volume growth

Orient Cement Ltd. has its plants in Telangana (3mn tonne) and Maharashtra (2mn tonne), adding up to a total capacity of 5mn tonne. Recently, the company added further capacity at Chittapur in Gulbarga district, Karnataka of 3mn tonne, taking its total cement capacity to 8mn tonne. The new plant has 2mn tonne clinker capacity and a 45MW captive power plant along with a 7MW waste heat recovery system enabling it to fulfil the fuel requirement of the plant. For this plant, the company has incurred a capex of ₹1,700 crs., of which ₹1,200 crs. was financed through debt and the rest ₹520 crs. through internal accruals. The plant was commissioned in Q3 FY2016 and will be the next growth driver as it will vitally contribute towards volume growth.

	FY14	FY15	FY16	FY17E	FY18E
Dispatches (mn tonnes)	4.2	4.1	4.4	5.7	6.2
Sales (₹crs.)	1,474	1,594	1,509	2,057	2,331
Growth	-3.1%	8.1%	-5.3%	36.3%	13.3%
Realisation (₹)	3,509	3,888	3,422	3,584	3,760

The resolution of Telangana-Seemandhra dispute coupled with a stable government at the centre and pick-up in infrastructure activity and residential and commercial projects in key markets (Telangana, Andhra Pradesh and Maharashtra, which account for 88% of company's sales) will drive demand going forward. Hence, we expect robust volume growth at a CAGR of 15.0% over FY2015-18E. We expect realisations to move higher backed by improvement in demand and narrowing of the demand supply mismatch.

Advantage of strategic locations

Devapur Plant

The Devapur facility located in Telangana has a 3.0mn tonne cement capacity, 2.0mn tonne clinker capacity and 50MW of captive power plant. This plant has cost benefits backed by i) proximity to the limestone mines (2kms) ii) proximity to coal mines at Singareni ensuing low cost procurement (40kms) iii) fly ash availability at NTPC's Ramagundam power plant (60kms). The plant focuses on rural and semi-urban markets in Andhra Pradesh, Telangaga and Maharashtra.

Raw Material	Sourced from	Distance (kms)	Mode
Flyash	NTPC Ramagundam Power Plant	60	Rail
Coal	Singareni Mines	40	Rail

Demand is expected to improve due to the following:

- Telangana Government is planning to invest ₹20,000 crore in improving infrastructure in Hyderabad, Warangal and Nizamabad
- Commercial growth and increase in residential demand in Secunderabad; irrigation requirement in Nizamabad following revival of sugar factories
- Development of dry ports in Telangana.
- Maharashtra government's measures such as the hybrid business model where the government will fund 40% of project costs and extension of period of premium payment are expected to speed up construction driving demand and India will have normal rainfall owing to the neutral effect of El Niño improving rural income and demand.

Jalgoan Plant

The Jalgoan plant located in Maharashtra has a 2.0mn tonne cement capacity and sources clinker form the Devapur plant which is ~350kms away and flyash from the NTPC's Bhusawal thermal power plant which is 20kms away. Orient Cement has private rail sidings at both ends, enabling uninterrupted supplies of clinker and is ideally located to service the Maharashtra consumers.

Raw Material	Sourced from	Distance (kms)	Mode
Clinker	Devapur Plant	350	Road
Flyash	NTPC Bhusawal Power Plant	20	Rail

Demand drivers:

- IL&FS has begun its work on an Integrated Urban Infrastructure Development Programme at Nandgaon Peth in Amravati which is likely to drive large infrastructural demand in the region.
- The well-known irrigation facilities in Shripur are set to undergo repairs and renovation in FY16 and the state government has approved ₹50 crores iron and steel plant is to be set up in Shripur
- Upcoming low-cost residential projects in Aurangabad
- There is an increase in irrigation and power development projects in Ahmednagar owing to the proximity to Pune and Mumbai markets, making it a lucrative investment.

Gulbarga Plant

The Gulbarga plant located in Telangana has a 3.0mn tonne cement capacity, 2.0mn tonne clinker capacity and 45MW captive power plant along with a 7MW waste heat recovery system. The plant has captive limestone mines located in Chittapur, Gulbarga with 93 years of life enabling uninterrupted supply. Orient Cement is also setting up a 220 KVA power corridor use power from the grid in case of need, and sell surplus power as and when it is available. The plant will service markets in West Maharashtra, Andhra Pradesh and Karnataka. Moreover, certain markets served by the Jalgoan plant will be serviced by this plant to save freight costs owing to closer proximity.

Raw Material	Sourced from	Distance (kms)	Mode
Flyash	Ramagundam TPP	400	Rail
Coal	Singareni Collieries	450	Rail

Demand in the key target markets of Orient Cement's plant is expected to pick up due to the following:

- Telangana government has announced infrastructural projects in the new corridors, such as an east-west four-lane corridor (skyway) between Vanasthalipuram and Ramachandrapuram and a corridor between north south, and Outer Ring Road in addition to the existing one.
- Irrigation facilities in the sugar belt of Kolhapur will be a driver for demand.
- Karnataka state government has planned to raise ₹10,000 crores. investment to set up textile parks. A mega textile park is also being planned on a 1,000-acre plot in Yadgir.
- Pune has become a residential hub, and will see more projects post the completion of Chakan Airport.

Amongst the low cost Player

Orient Cement's cost per tonne is the second least when compared to the other companies owing to the following factors:

Peers	RM/t			Power/t			Freight/t		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
ACC	821	770	NA	1,019	999	NA	1,074	999	NA
Ambuja Cement	391	381	NA	1,041	944	NA	1,121	1,152	NA
India Cements	785	960	977	1,371	1,358	1,204	1,003	1,058	1,126
Orient Cement	**516**	**521**	**478**	**927**	**978**	**903**	**745**	**775**	**723**
Ramco Cement	802	887	821	968	918	728	960	1,037	929
Shree Cement	392	424	NA	971	992	NA	838	876	NA
Ultratech Cement	847	840	863	1,013	1,061	893	1,029	1,126	1,165

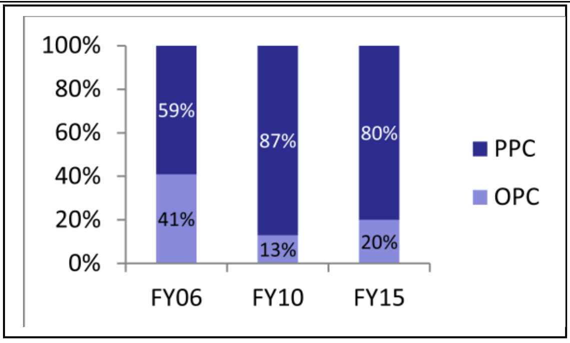
FY for ACC and Ambuja Cement ends in December, while for Shree Cement its June ending

Peers	EV/t			Sales/t			EBITDA/t		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
ACC	10,821	10,612	NA	4,891	4,915	NA	623	637	NA
Ambuja Cement	15,144	13,181	NA	4,575	4,335	NA	885	707	NA
India Cements	5,070	6,431	7,094	5,085	5,561	5,605	587	838	1,026
Orient Cement	**2,920**	**11,492**	**10,206**	**3,509**	**3,888**	**3,422**	**511**	**748**	**399**
Ramco Cement	9,279	12,905	21,305	4,283	4,766	4,970	655	940	1,583
Shree Cement	18,512	25,162	NA	4,224	4,160	NA	979	844	NA
Ultratech Cement	14,543	17,861	19,491	4,848	5,052	4,928	904	918	953

Steadily increasing share of high margin PPC cement

Orient Cement has strategically increased the sale of PPC to 80% of the total volume sold in FY15 from 59% in FY06. The higher margin accretive PPC sales have boosted the bottom line and ensured raw material cost savings. Orient Cement's raw material costs are higher than both Shree Cement and Ambuja Cement.

OPC & PPC share of Orient Cement



Orient Cement's power & fuel costs are lower than the most of its peers barring Shree Cement, as the company has optimized fuel usage, and also opted for alternative bio-fuels for energy, resulting in improved efficiencies and higher cost savings. Also, Orient Cement purchases ~20% of its power needs from the state electricity boards increasing its overall power and fuel costs.

Orient Cement's Freight cost is lower than its peers as a result of lower distance from the key target markets and an optimal road-rail mix (30%:70%) transportation mode and rail sidings at both ends.

Despite Orient Cement's realisation being among the lowest it is struggling to push volumes in the key target markets due to lower demand. The lack is demand was due to lower spending on housing by rural population who faced back-to-back weak monsoons.

Trend in Cement Prices for Orient cement

Though cement prices remained subdued throughout FY16 in the key markets of Orient Cement, the overall net realisation for the Company was at 3,422. It was mainly due to better product mix and various cost optimization initiatives the company had undertaken.

For the last few quarters cement prices have been under pressure following weak demand and the ramping up of production at plants commissioned over FY12-15. The cement pricing in the past year in the South and parts of the East have benign while, prices in the North and the West have seen marginal fall, whereas central region has witnessed an improvement.

Central India: In the UP market, prices have moved down by ₹5-10/bag as demand remains muted. Despite infrastructure announcements demand hasn't been picked up due to water shortage. The sand availability issue is still persistent in the MP market which has been hurting the demand.

North India: Prices in Delhi, NCR and Haryana declined by ₹10-15/bag as demand was sluggish. However, in last one month Punjab and Rajasthan witnessed price increase of ₹15-20/bag. Labour shortage have put pressure on construction activities in the region.

West India: Prices in Mumbai and Nagpur increased by ₹15-20/bag, in Gujarat market, price hikes of up to ₹10-15/bag despite weak demand due to labour shortage and hot weather. Dealers are expected the demand to stay muted and pick up post monsoon.

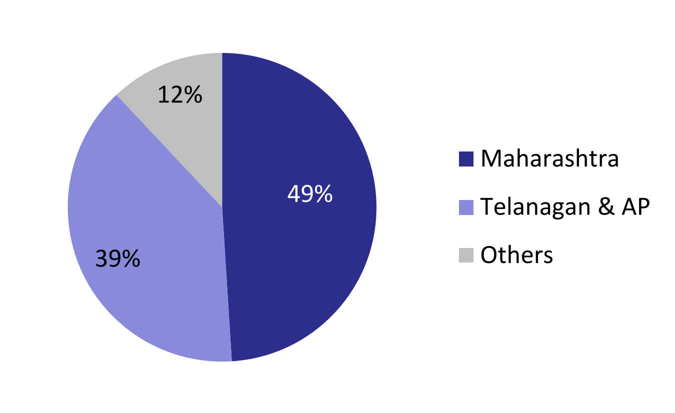
East India: The price trends have been flattish during the past months except for few pockets like Kolkata and Bhopal markets which have witnessed an improvement of ₹5-10/bag.

South India: The southern market has witnessed an improvement of ₹15-25/bag in pockets of Chennai, Hyderabad and Bangalore, although demand remains under pressure, with a delay in the pick-up of infrastructure projects and shortage of water.

Geographical risk to reduce

With 85-88% of the revenue for Orient cements coming from Maharashtra, Andhra Pradesh & Telangana any state-level event impacting demand could hurt its ability to push volumes. However the said risk will be mitigated to an extent as Orient Cement's new capacity at Gulbarga will enable them to expand its presence in Karnataka, Seemandhra, Madhya Pradesh, Chhattisgarh and neighbouring markets. Orient Cement will be able to push its products in high realizations markets of Karnataka and south Maharashtra diversifying its revenue mix. The existing plants at Devapur and Jalgaon would target to scale newer markets of Madhya Pradesh and Chhattisgarh.

Revenue Mix (FY16)



Proximity to end markets help save on freight

Orient Cement is one of the strongest players in the region and its plants are strategically located enabling it to reach the markets in timely and efficient manner due to close proximity to its key target markets. This aids Orient Cement to lower its freight cost (723/tonne in FY16) making it one of the most cost efficient player in the industry.

Maharashtra, Andhra Pradesh and Telangana constitute Orient Cement's core target market, accounting for 88% of its revenues. These markets are served by the Orient Cement's grinding plant in Jalgaon and integrated plant in Devapur. Clinker is transferred by rail to the Jalgoan plant and the company has private railway sliding. The lead distance is an average of 300km.

Weak demand to affect earnings

Demand in Orient Cement's key markets comprising Maharashtra, Telangana, and Seemandhra, could be affected as a result of weaker than expected monsoon season. The key markets are currently witnessing sluggish demand due to i) slowdown in rural housing construction on account of poor farm output as a result of weak monsoon, ii) sharp decline in real estate construction in Maharashtra, iii) low industrial capital expenditure in AP, and iv) unavailability of sand and water for construction. Owing to sluggish demand Orient Cement could have difficulties in dispatching high quantum of sales from its newly operational unit. Orient Cement will also have lower pricing power as it will penetrate in newer markets.

About the Company:

Orient Cement Limited is a part of the C K Birla Group was earlier a part of Orient Paper and Industries Limited; it was demerged in Mar-13. It is engaged in the production and branding of Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC). Orient Cement's integrated manufacturing unit is located in the limestone belt of Devapur (Adilabad district), Andhra Pradesh, while another split grinding unit is located in Jalgaon, Maharashtra. It has a capacity of 8 MT including the recently commissioned capacity in Karnataka located near the lime stone belt of Chittapur Taluk (Glubarg District).

Orient Cement sells 60% of its cement production in Maharashtra and close to 25% in Telangana. Nearly 88% of its sales are in the trade segment with a focus on rural housing. Orient Cement sells its products through a network of 2,760 dealers.

Orient Cement's plants are strategically located with proximity to raw materials and key markets, supported with rail sidings at both ends, enabling uninterrupted inward and outward transportation. The Devapur (Telangana) plant is located in the northern part of Andhra Pradesh enabling Orient Cement to cater the markets in Maharashtra and Telangana (~85% of overall sales). The grinding unit in Maharashtra ensures strong presence in the tier II/III markets of Maharashtra while the Chittapur (Karnataka) plant will cater to markets in Andhra Pradesh, Karnataka and South Maharashtra help Orient Cement gain further market share.

Location	Plant	Capacity MN tonne		
		Cement	Clinker	Power MW
Devapur, Telangana	Integrated Cement Plant (1982)	3.0	2.0	50
Jalgaon, Maharashtra	Grinding Unit (1998)	2.0	0.0	00
Chittapur, Karnataka	Integrated Cement Plant (2016)	3.0	2.0	45
Total		**8.0**	**4.0**	**95**

Orient Cement with its rich experience and expertise is aggressively pursuing the target of 15mn tonne cement capacity by FY20 through a brown-field expansion at either Andhra Pradesh or Karnataka and possibly an acquisition outside South India to gain market share and ensure future growth. The Cement Industry has become intensely competitive with installed capacity having outstripped demand by large margins. Increased competition has led to lower capacity utilization and prices resulting in deterioration of margins. With the declining pace of capacity addition in the industry, and anticipated increase in the demand growth owing to likely rise in GDP, capacity utilisation is expected to improve further; Orient Cement will be able to take advantage of its cost efficiency and new capacity addition.

The key target markets for Orient Cement's new plant in Gulbarga are expected to see good demand as Telangana government has announced infrastructural projects. The government is expected to spend ₹221,246 crore on infrastructure, which includes roads and railways for FY17. Irrigation facilities in the sugar belt of Kolhapur will also drive demand. Further, Karnataka state government has planned to raise ₹10,000 crores investment to set up various textile parks.

Key Risks

Rise in input cost: Any rise in cost of coal, power etc. increases Orient Cement's variable costs. With cement manufacturing requiring large quantities of coal to meet its kiln and captive power generation needs, consistent supply at reasonable and stable prices remains a key area of concern for Orient Cement. Input costs can get adversely impacted by any erratic movement in coal supplies as a result of domestic production constraints, or due to price fluctuation. To mitigate this risk, Orient Cement has taken initiatives to use pet coke and other alternate fuels in its operations. Further, the focus on achieving better efficiencies and reducing coal and power consumption

Alternate fuel – Rice husk & carbon black: During FY16, ~37% of the total fuels consumed came from alternative fuels, being a cheaper source. Another major hindrance to the industry is severe power cuts that cause substantial production loss. Though Orient Cement generates its own power at Devapur and is also putting up Captive Power Plant at Chittapur, but at the Jalgaon grinding unit's power requirement is met through purchased power.

Transportation: Cement is transported either by rail or road. With about 22% of Orient Cement's cement is carried by the Railways, shortage of wagons to transport cement and also the quality of other railway infrastructure impacts sales. At times, transportation of clinker from Devapur to the grinding unit at Jalgaon is handicapped due to non-availability of rakes.

Demand supply dynamics: Uncertain demand conditions, coupled with price volatility due to wide mismatch in the demand supply dynamics, can affect profitability.

Competition Risks: The Cement Industry is becoming intensely competitive with installed capacity having outstripped demand by large margins. Low capacity utilization leads to increased competition, lower prices and pressure on margins, market share etc.

Regulatory intervention: In the past, the government measures such as non-transferability of allotted captive mines, ban on export, hike in cement duty and different duty structure for different levels of cement prices, which have adversely impacted the sector. Any such measure in the future can negatively impact the growth of the sector, and poses downside risk to our estimates.

Dilution of cost efficiencies: The Gulbarga Plant will not enjoy the proximity to coal and flyash as the Devapur plant which could dilute cost efficiencies.

Porter's five force analysis

Bargaining power of suppliers

Critical input prices like coal, royalty rates on limestone and transportation costs like rail freight rates are determined by the government and the companies have no bargaining power.

Bargaining power of customers

Institutional customers have a high bargaining power as they purchase in bulk, although retails customers have low bargaining power as they purchase brands.

Competitive intensity

Competitive intensity is extremely high given the price-sensitive characteristics of the industry, presence of regional players, high fragmentation and more than 30 brands in both Andhra Pradesh and Maharashtra, moderate demand leading to frequent price wars to gain market share.

Barriers to entry

Barriers to entry are high given the increase in procedural issues like land acquisition, environmental clearances, licenses, and raw material/fuel sourcing, high capital requirement and achieving economies of scale.

Threat of substitutes

There is no threat of substitutes for housing and infrastructure, although cement can be substituted with bitumen for road construction

Industry Outlook

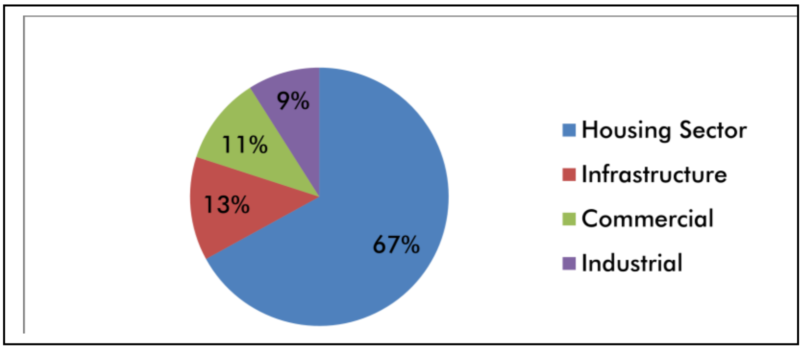
The Indian cement industry can be categorized as a highly fragmented one with the presence of few large and many small players. It is globally competitive as it continues to witness positive trends such as cost control, continuous technology up-gradation and increased construction activities.

With the ever-increasing industrial activities, real estate, construction and infrastructure, in addition to the onset of various Special Economic Zones (SEZs) being developed across the country, there is a growing demand for cement.

India is the second largest cement producing country in the world after China. India has produced 271mn tonnes in FY15 and is expected to reach 550 mn tonnes by FY20 as per Cement Manufactures Association. As of March 2015, the total installed cement capacity in India stood at approximately ~386 million tonnes and has witnessed a capacity addition of around 15mn tonne during FY15. However, due to sluggish demand in the recent times, the Pan-India capacity utilisation for FY15 was low at around 70%. North, East and Central regions operated at around 82%, whereas South was at a dismal sub 60%.

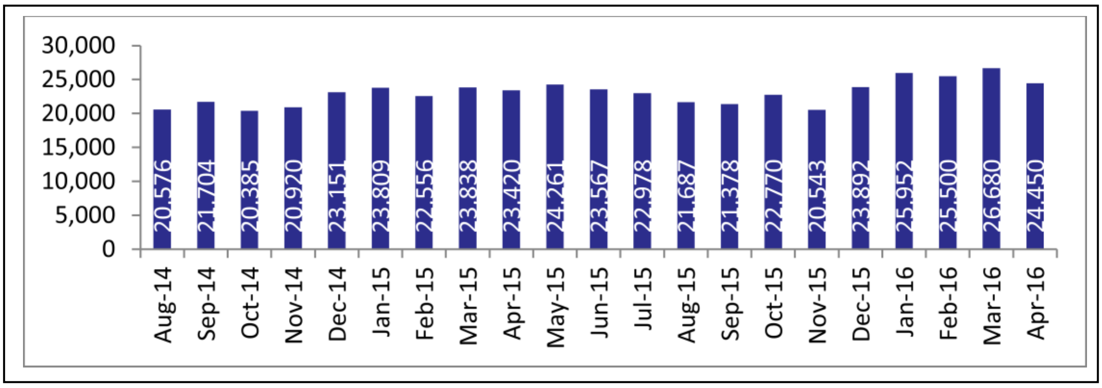
Major cement demand drivers
The Housing segment accounts for ~67% of the total domestic demand for cement of which rural housing account for ~40%. The Indian Government is focusing on enhancing the rural income via increased allocation towards MGNREGA coupled with its impetus to Housing for All scheme. Growing urbanisation, an increasing number of households and higher employment are primarily driving the demand for housing. Initiatives by the government are expected to provide an impetus to construction activity in rural and semi-urban areas through large infrastructure and housing development projects respectively.

Major Cement Demand Driver



The government is strongly focused on infrastructure development to boost economic growth and is aiming for 100 smart cities. The budget has earmarked ₹2.21 trillion for total infrastructure spending during FY17 largely focused on roads and railways. It is also planning to develop new Greenfield ports both on the eastern and western coasts of the country. Infrastructure projects such as Dedicated Freight Corridors as well as new and upgraded airports and ports are expected to further drive construction activity. Projects like smart cities, Housing for all by 2022 and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) is expected to lead a surge in the demand for cement.

Cement Production ('000 tonnes)



Cement production grew by 4.4% YoY in April and -8.3% QoQ. For FY16 growth stood at 4.6% YoY, while the Industry production growth was at 4.6% yoy in FY16 against 5.6% in FY15. Cement production is expected to pick up by increased infrastructure activities and higher demand from Andhra Pradesh and Telangana regions as a result of government projects.

Valuation:

We expect recovery in realisations backed by pick-up in demand due to government initiatives like smart cities, Housing for all by 2022 and up-coming residential and commercial projects in the key target markets of Orient Cement. Orient Cement trades at discount when compared to its peers despite better growth prospects coupled with cost efficiencies. As the company's new capacity comes on stream we expect the company to de-leverage its balance sheet to a debt/equity ratio of 0.6 by FY18E from 1.3 in FY16 which will trigger a re-rating in multiples for the company.

At CMP of ₹168, the stock is trading at 28.7x and 13.7x its FY17E and FY18E P/E, respectively. We initiate coverage on Orient Cement with a Buy recommendation and target price of ₹202 based on its FY18E discounted EV/EBITDA multiple of 10x.

Peers	Sales/t			EV/t		
	FY14	FY15	FY16	FY14	FY15	FY16
ACC	4,891	4,915	NA	10,821	10,612	NA
Ambuja Cement	4,575	4,335	NA	15,144	13,181	NA
India Cements	5,085	5,561	5,605	5,070	6,431	7,094
Orient Cement	3,509	3,888	3,422	2,920	11,492	10,206
Ramco Cement	4,283	4,766	4,970	9,279	12,905	21,305
Shree Cement	4,224	4,160	NA	18,512	25,162	NA
Ultratech Cement	4,848	5,052	4,928	14,543	17,861	19,491

FY for ACC and Ambuja Cement ends in December, while Shree Cement reports in June

Profit & Loss

(₹ Cr.)	FY14	FY15	FY16	FY17E	FY18E
Net sales	**1,474**	**1,594**	**1,509**	**2,129**	**2,434**
YoY (%)		**8.1%**	**-5.3%**	**41.0%**	**14.3%**
Total expenses					
Raw Material Cost	228	196	209	270	309
Employee costs	61	71	90	99	109
Other Manufacturing Cost	942	987	994	1338	1456
EBITDA	**215**	**307**	**183**	**369**	**503**
YoY (%)		**42.8%**	**-40.4%**	**101.6%**	**36.4%**
EBIDTA (%)	**14.6%**	**19.2%**	**12.1%**	**17.3%**	**20.7%**
Depreciation	56	47	76	105	108
EBIT	**158**	**259**	**106**	**264**	**394**
Interest	14	14	54	116	88
Other income	9	6	8	7	17
PBT	**153**	**251**	**60**	**154**	**324**
Less: Taxation	52	56	-2	35	73
Effective tax rate (%)	34.1%	22.5%	-3.4%	22.5%	22.5%
Recurring PAT	**101**	**195**	**62**	**120**	**251**
YoY (%)		**92.8%**	**-68.3%**	**94.2%**	**109.5%**
PAT (%)	**6.9%**	**12.2%**	**4.1%**	**5.6%**	**10.3%**
Exceptional items (net of tax)	0	0	0	0	0
Reported PAT	**101**	**195**	**62**	**120**	**251**

Key Ratios

Particulars	FY14	FY15	FY16	FY17E	FY18E
Recurring EPS (₹)	4.9	9.5	3.0	5.8	12.3
Reported EPS (₹)	4.9	9.5	3.0	5.8	12.3
Book value (₹)	40.5	47.6	49.6	54.3	65.4
Dividend per share (₹)	1.5	1.8	1.0	1.0	1.0
Debt Equity Ratio	0.4	1.1	1.3	0.9	0.6
Payable Days	19	21	41	41	41
Debtor Days	14	17	19	19	19
Inventory Days	15	22	30	20	21
ROCE (%)	16.3%	16.4%	5.2%	11.8%	18.0%
Recurring ROE (%)	12.7%	21.6%	6.2%	11.3%	20.5%
ROA (%)	7.2%	9.4%	2.3%	4.1%	8.2%
Div Yield (%)	4.0%	4.0%	0.6%	0.6%	0.6%
Valuation Ratios					
PE (x)	9.7	18.7	55.8	28.7	13.7
Cash P/E (x)	34.1	17.7	55.8	28.7	13.7
Price/book value (x)	4.2	3.5	3.4	3.1	2.6
Market cap/sales (x)	0.7	2.3	2.3	1.6	1.4
EV/sales (x)	0.8	3.0	3.1	2.2	1.8
EV/EBITDA (x)	5.5	15.1	25.9	12.5	8.7
Earnings growth					
EBITDA (%)	-33%	43%	-40%	102%	36%
EPS (%)	-38%	93%	-68%	94%	109%
PAT (%)	-38%	93%	-68%	94%	109%

Balance Sheet

(₹ Cr.)	FY14	FY15	FY16	FY17E	FY18E
Equity capital	20	20	20	20	20
Reserves	808	955	996	1092	1318
Net worth	**829**	**976**	**1,016**	**1112**	**1339**
Total borrowings	329	1,106	1,290	1164	958
Minority Interest	0	0	0	0	1
Non-Current Liabilities	183	190	199	235	235
Current Liabilities	221	294	201	529	586
Total liabilities	**1,561**	**2,566**	**2,706**	**3,040**	**3,119**
Net block	826	798	2,189	2108	2100
Investments	0	0	0	0	0
Others	446	1,375	229	323	341
Current assets					
Inventories	71	110	141	134	161
Debtors	65	83	92	130	149
Cash	82	43	38	98	84
Other Current assets	72	156	175	247	283
Total assets	**1,561**	**2,566**	**2,863**	**3,040**	**3,118**

Cash Flow

(₹ Cr.)	FY14	FY15	FY16	FY17E	FY18E
Net profit	101	195	62	120	251
Depreciation	56	47	76	105	108
Others	-64	83	91	58	71
Change in working cap	92	-68	5	67	-25
Op. Cash flow	**185**	**258**	**234**	**349**	**405**
Capex (Net)	-316	-1,012	-348	-24	-100
Investments	-0	0	0	0	0
Inv. Cash flow	**-316**	**-1,012**	**-348**	**-24**	**-100**
Dividend	-34	-41	-24	-24	-24
Fresh Equity	0	0	0	0	0
Minority interest	0	0	0	0	0
Debt	180	777	184	-125	-207
Others	-14	-14	-54	-116	-88
Fin. Cash flow	**131**	**722**	**106**	**-265**	**-319**
Net change in cash	0.5	(31.5)	(8.0)	60	-14
Opening cash	76.3	81.6	42.7	38	98
Closing cash	**81.6**	**42.7**	**37.8**	**97.9**	**83.7**

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