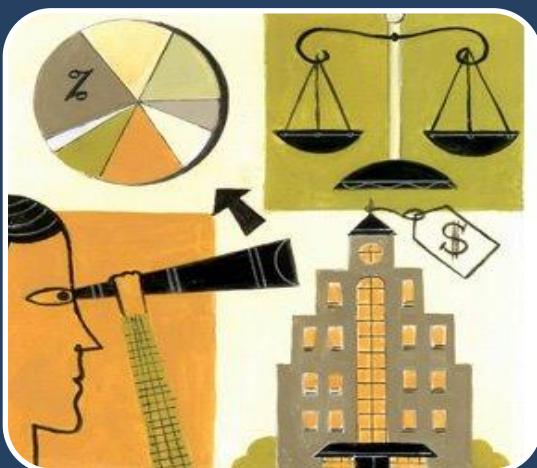


CARE EQUIGRADE

Analytical Power for Investment Decisions



FUNDAMENTALS



VALUATION



**NITIN FIRE PROTECTION
INDUSTRIES LIMITED**

April 1, 2013

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CARE EQUITY RESEARCH OFFERS

- Independent Research of equities on fundamentals or valuations or both
- IPO Grading
- White Label Research
- Valuation of companies for Institutional Investors, Asset Managers and Corporates
- Sector Write-ups for Offer Documents of securities

Very Good Fundamentals, Moderate Upside Potential CMP: 60.4/ CIV: 68¹

Sensex: 19, 635

CARE EQUIGRADE GRID (CEG)

	1	2	3	4	5
Fundamentals					
Valuation					

CEG is explained on the last page

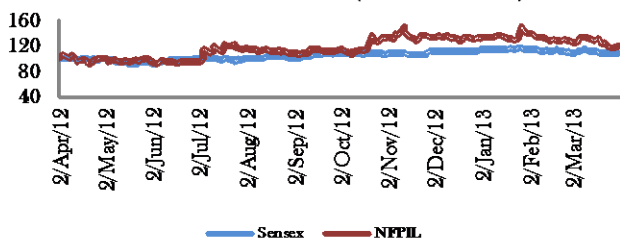
KEY EQUISTATS

Market Capitalisation	Rs. Crores	1,332
Enterprise Value	Rs. Crores	1,604
52 Week High / Low	Rs.	83.3/42.1
Diluted EPS (FY12)	Rs.	2.0
P/E (FY12)	times	30.3
Regression Beta	times	1.0
Average Daily Volumes*	Lakhs	5.2

* BSE and NSE for last 52 weeks

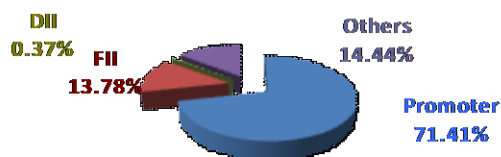
STOCK PERFORMANCE

Price Movement (rebased on 100)



Returns	1M	3M	6M	1 Yr
Absolute	-5%	-10%	5%	19%
Rel. to Sensex	-5%	-6%	5%	10%

SHARE HOLDING PATTERN



ANALYTICAL CONTACTS

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CARE Equity Research assigns a fundamental grade of 4/5 to Nitin Fire Protection Industries Limited (NFPI)

CARE Equity Research assigns a fundamental grade of 4/5 to NFPI. This indicates 'Very Good Fundamentals'. The grade draws strength from NFPI's strong position in the Indian fire protection market, coupled with the high growth outlook for Indian fire protection industry, which should augur well for the company's domestic business. NFPI has over 60 (domestic + international) approvals from various agencies & regulatory bodies required to operate in this business & execute fire protection, safety & security solution projects across various geographies. The company also has tie-ups with international components & product manufacturers to procure & distribute their products & use their technology, thereby giving it an edge over the local players in providing fire protection, safety & security solutions to the clients. In the international markets, NFPI is primarily present in the UAE & Singapore markets, through its subsidiaries Nitin Ventures FZE (UAE), New Age Company LLC (UAE) & Nitin Global Pte. (Singapore). While currently (period ended 9MFY13), the company derives around 30% of its revenues from UAE market & around 16% of the revenues from Singapore market, going ahead the domestic business is further expected to be dominant on the back of high growth in Indian fire protection market. Domestic revenues for NFPI are expected to grow at a CAGR of around 35.8% between FY13 & FY15, as against a 3% CAGR for international business. The grade also draws comfort from the fact, that the company has reduced its exposure in Nitin Cylinders Ltd., a company involved in manufacturing seamless steel cylinder on account of high competition in that business and has already divested around 60% of its stake to Worthington Industries Inc., a US-based company. The company currently holds around 11.11% stake along with its JV partners in an oil & gas block in Rajasthan auctioned in NELP VI. The total investment till date in this JV is around Rs.23 crore.

Valuation

CARE Equity Research values equity shares of NFPI at a Current Intrinsic Value (CIV) of Rs.68 per share. The valuation is arrived at by using the Discounted Cash Flow (DCF) valuation methodology. At the Current Market Price (CMP) of Rs.60.4 per share; the CIV of Rs.68 per share results in a valuation grade of 4/5, indicating the shares of NFPI has 'Moderate Upside Potential'.

Consolidated Financial Snapshot

(Rs. Crores)	FY11	FY12	FY13E	FY14E
Total Revenues	438	536	704	911
EBITDA	65	67	99	137
PAT	53	44	68	94
Fully Diluted EPS* (Rs.)	8.4	2.0	3.1	4.2
Dividend Per Share (Rs.)	1.0	0.4	0.4	0.4
P/E (x)		30.3	19.7	14.2
EV/EBITDA (x)		23.8	15.7	11.3

*Calculated on Current Face Value of Rs.2/- per share

¹ CMP: Current Market Price; CIV; Current Intrinsic Value

FUNDAMENTAL GRADE

Very Good Fundamentals

4/5

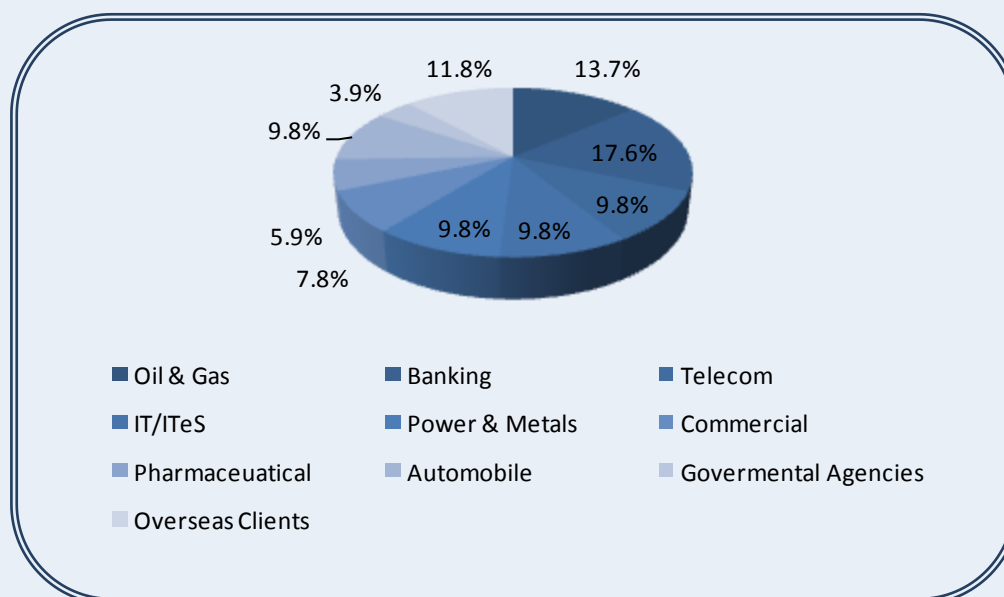
One of the leading companies providing end-to-end solutions in fire protection, safety and security services; to benefit from growth in Indian fire protection industry

The Indian organized fire protection equipment and solutions industry (which includes fire detection, fire suppression, fire depression & fire fighting systems) is estimated to be around Rs.3,400 crore, as on FY12. This was estimated to be around Rs.3,140 crore in FY11 and is expected to reach to around Rs.9,500 crore in FY15 - a Compounded Annual Growth Rate (CAGR) of 31%. The growth in the industry is expected to be driven by 1) increasing investments in Data Centers, BPOs, Malls, R&D, Power/Petrochemical, Telecom and IT; 2) rise in the terrorist threats & 3) strict government regulations, making it compulsory for upcoming and existing buildings to have a fire protection system. NFPIIL is a well established and only listed Indian company in the fire protection industry providing end-to-end solutions in the area of fire detection, fire protection, fire suppression & fire-fighting systems. With leadership position & expertise in the fire protection, safety & security services, coupled with a robust industry outlook, NFPIIL is well placed to leverage its strengths & exploit the opportunities available in the Indian fire protection, security and safety solutions market. We expect NFPIIL's revenue from the Indian market to grow at a CAGR of 35.8% over the next five years.

Existing order book and strong execution track record across sectors provides revenue visibility

The company has a domain expertise in designing, integration, supply, installations, testing, commissioning and servicing of various types of fire protection systems & solutions and has a track record of over 26 years in executing these projects. This has enabled NFPIIL to continue to win new engagements and grow existing relationships and help establish a strong & diversified customer base. The company has an experience of serving clients both in India & UAE from across sectors for facilities such as manufacturing plants, data centers, telecom towers, commercial & residential complexes, malls, hospitals, printing press, airports, offshore oil platforms, refineries, etc, for clients like Tata, IOC, Vodafone, Aircel, Maruti, Bombay Stock Exchange (BSE), etc. Currently, the company has an outstanding order book of around Rs.125 crore, with projects expected to be executed over the next 4 weeks to 6 months and has bid for tenders of over Rs.500 crore.

Chart 1: Sectoral mix of clients (based on number of clients)



Source: Company



Tie-ups with global suppliers for key components & approvals from regulatory authorities (both domestic & international) provide an edge over competition

The company provides a range of products and services right from the basic-level fire extinguishers to the sophisticated fire protection & security systems. It provides 1) automated water and gas-based fire suppression systems along with fire detection and security systems on turnkey basis, 2) gas-based suppression systems for mission critical areas, 3) fire alarm system including smoke detectors, optical smoke detectors, optical beam detectors, heat detectors, multi-sensor detectors, flame detectors, etc. While, the fire protection cylinders are sold under the brand name 'NITIE', NFPIIL sources other components from international suppliers, both for execution of fire protection projects and for re-sale of these products. The company is an exclusive distributor in India & UAE for fire detection products of Apollo Fire Detectors Ltd. (U.K.) and has tie-ups with Kiddie Fire Protection, UK, a distributor for the Argonite-C60 and NOVEC 1230 fire suppression systems and with DuPont Inc., USA, an original equipment manufacturer (OEM) for HFC 227ea, an ozone friendly gas for fire suppression systems. These tie-ups provide NFPIIL an access to new technologies and thereby provide an edge over competition.

Table 1: List of key component suppliers for NFPIIL

Company	Country	Products
Apollo Fire Detectors Ltd.	UK	Detection systems
Kidde AirSense Ltd.	UK	LHS systems
Dupont Inc.	USA	FM 200 gas
Kidde Fire Protection Ltd.	UK	Suppression system for Marine application
Control Equipments Ltd	UK	Conventional control station
Kentec Electronic Ltd	UK	Analog Addressable Electronic Panels

Source: Company

NFPIIL is the only Indian company to have over 60 (domestic + international) approvals from various agencies & regulatory authorities for fire protection, safety & security systems. These approvals allow the company to execute projects across geographies.

Table 2: Indicative list of approval from various agencies & regulatory bodies

Agencies & Authorities	Country
UNDERWRITERS LABORATORIES	USA
LOSS PREVENTION CERTIFICATION BOARD	UK
FACTORY MUTUAL	USA
EUROPEAN CONFORMITY	UK
BSI KITEMARK	UK
VDS SCHADENVERHÜTUNG	Germany
BUREAU OF INDIAN STANDARDS	India
NATIONAL FIRE PROTECTION ASSOCIATION	USA

Source: Company

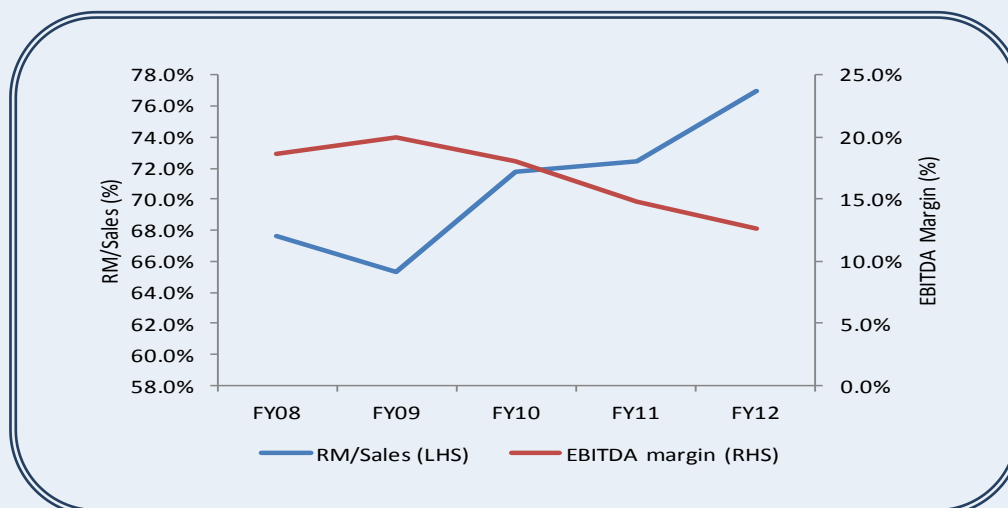


Recently, the Government of Maharashtra, Directorate of Maharashtra Fire Services has granted NFPI the license under the provisions of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 (Mah. III of 2007) to act as a licensed agency for the purposes of fire prevention and life safety measure in relation to 1) fire-fighting system installation such as hydrants, sprinklers, pumping etc, 2) detection and fire suppression system and passive protection such as cable protection, fire doors etc. This would empower NFPI to carry out inspections & audits of its clients, which would lead to increase in the projects and maintenance contracts for NFPI, going forward.

Foreign exchange volatility - a key risk to EBITDA margin and profitability

NFPI imports around 65-90% of its total raw material requirements (which forms around 75-80% of the total cost of the company). Due to its high dependence on imports, the company is adversely impacted on account of currency depreciation. In FY12, the company's raw material cost to total sales increased from 72.4% to 77% mainly on account of rupee depreciation; this resulted in decline in EBITDA margin from 14.8% in FY11 to 12.6% in FY12. Going forward, too we believe foreign exchange volatility could be a key risk to the company's EBITDA margin, given the high share of imports in the total raw material purchases for the company.

Chart 2: Raw material costs directly impact's EBITDA margin



Source: Company and CARE Equity Research

Although promoter-driven company but with promoters having over 26 years of experience & technical expertise in fire protection industry

NFPI's promoters have around two decades of experience in the fire protection industry. The Chairman of the company, Mr. Nitin Shah who holds Diploma in Mechanical Engineering and is currently President of Fire Protection Association of India and has received the Udyog Ratna award for three years consecutively. He is supported in business by his sons Mr. Rahul Shah & Mr. Kunal Shah. The promoter & promoter group held 71.4% equity shares in the company as on December 31, 2012.

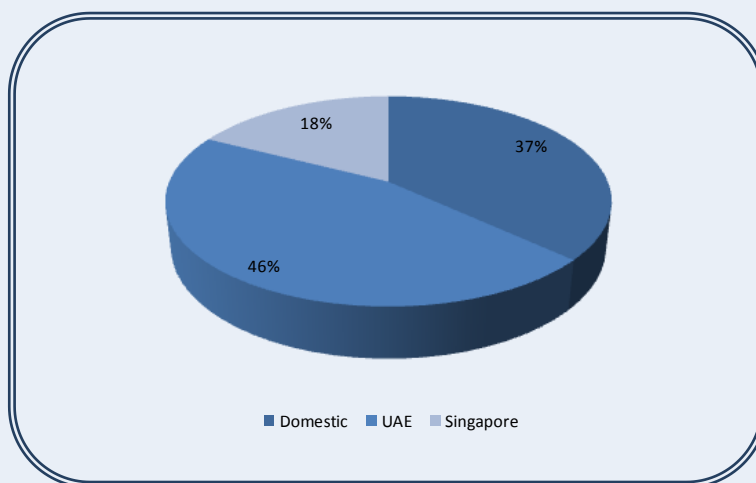
United Arab Emirates (UAE) currently one of the key markets for NFPI; scenario to change with domestic market expected to become significant on back of high growth

In FY12, international business contributed around 63% to the total consolidated revenue for NFPI while, the domestic business contributed to the remaining 37%. Within, the international business segment NFPI's two United Arab Emirates (UAE) based subsidiaries contributed to around 46% of total revenues while, the Singapore-based subsidiary contributed around 17.5% of the total revenues.



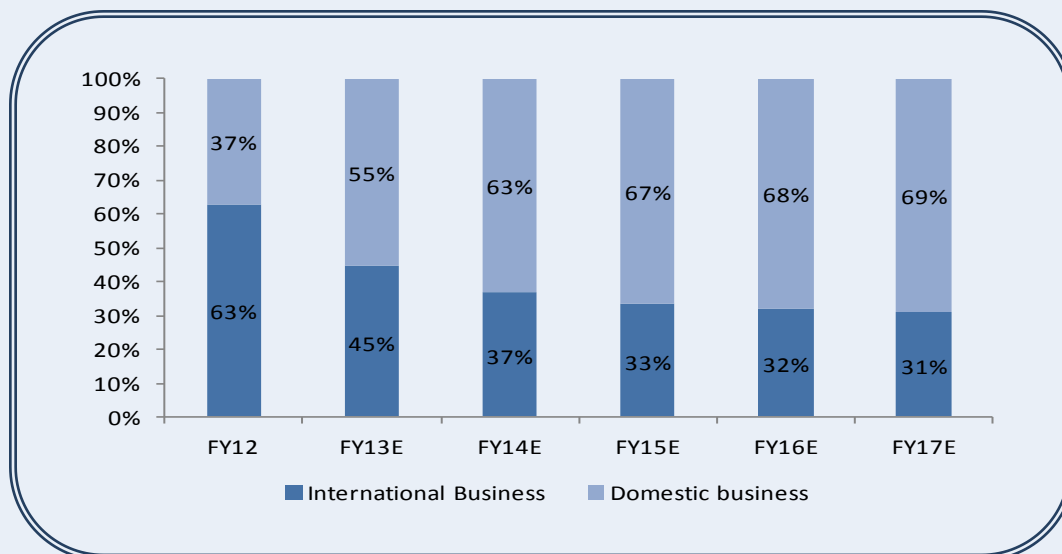
NFPIL has two UAE-based subsidiaries - 1) Nitin Ventures FZE (NVFZE), a wholly owned subsidiary & trading arm of NFPIL set up in the free trade zone at Jebel Ali, Dubai to meet the demands of international customers & provides simple, standalone conventional to intelligent, integrated fire protection solutions backed by a product portfolio consisting of complete spectrum of fire & safety products with international approvals; & 2) New Age Company LLC (NACLLC), a company in which NFPIL now has 100% beneficiary stake (*which erstwhile was an associate company, with NFPIL's stake at 40% till April 2010*), and into execution of projects. In past, NACLLC has executed projects for Municipality, Airport Development Board, Port Authority, Industrial Warehouses, Commercial Warehouses, Electricity Board, etc and also other government bodies in all the seven emirates and has requisite government approvals & licenses in area of fire protection & security solutions. The Singapore-based subsidiary, Nitin Global Pte. (NGP) is also primarily into trading & distribution of fire protection products.

Chart 3: Revenues from UAE constituted a large proportion of revenues in FY12



Source: Company and CARE Equity Research

Going ahead, we expect the domestic business to drive the growth for NFPIL, mainly on the back of higher growth in the domestic fire protection market, which is expected to grow at a CAGR of over 30% during the next three years. We expect the revenues from the domestic business for NFPIL to grow at a CAGR of 35.8% during FY12-FY17 from Rs.197 crore in FY12 to Rs.911 crore in FY17E. International business on the other hand is expected to grow at a much slower rate of 3.1% from Rs.352 crore in FY12 to Rs.410 crore in FY17E, thereby changing the business mix in favour of domestic market.

Chart 4: Domestic business to be the major revenue driver going forward

Source: Company and CARE Equity Research

Reduced stake in seamless pressure cylinder business to counter very high competitive scenario

In December 2010, NFPIL entered into a 40:60 joint venture agreement for its high pressure, seamless steel CNG Cylinder manufacturing business carried on in its wholly owned subsidiary Nitin Cylinders Ltd. (NCL) with US-based Worthington Industries Inc. (WII). WII acquired 60% stake in NCL with an option of buying the remaining 40% stake after three years (deal was valued at around USD21 mn). With this stake sale NCL is currently a 40% associate company of NFPIL and CNG cylinder manufacturing business at Visakhapatnam, SEZ with a capacity of 5 lakh cylinders per annum has been transferred to WII. The sale of stake in NCL was primarily on account of very high competition in the seamless steel cylinders business. NFPIL however continues to stay into the trading business for industrial cylinder through its wholly owned Indian subsidiary Eurotech Cylinders Pvt. Ltd, which imports industrial cylinders from China & sells the same in India.

Stake in oil & gas block unrelated to the main business

NFPIL along with its joint venture partners Gujarat State Petroleum Corporation Ltd. (GSPC), Hindustan Petroleum Corporation Ltd. (HPCL), Bharat Petroleum Corporation Ltd. (BPCL), and GAIL (NFPIL' stake: 11.1%) has entered into a production-sharing contract (for seven years) for exploration and prospecting of a crude oil block in Rajasthan (auctioned in NELP VI) admeasuring a contract area of 4613 sq. km. GAIL and GSPC are the main operators for the block. While the four wells of this block, which has a total of seven wells, are estimated to have potential oil reserve of 32.3 mn barrels as per the GSPC DRHP (the same has yet not been certified by DGH (Director General of Hydrocarbons)). While there are no obvious synergies of this venture with the fire protection business of NFPIL, this business is still at a nascent stage.



Leverage to decline led by robust operating cash flows and no capital expenditure; return ratios to improve going forward

We expect NFPIIL to generate average annual operating cash flows of around Rs.70 crore annually over FY12-FY15. Led by robust cash flows and no planned capital expenditure we expect the company's net debt-equity to decline from 1.0x in FY12 to 0.4x in FY15. We also expect the company's Return on Equity (RoE) to improve from around 19% in FY12 to around 25% in FY15 mainly on account of 1) robust revenue CAGR of 26% over FY12-FY15 and 2) improvement in EBITDA margin from 12.6% in FY12 to 15.3% in FY15.

Chart 5: Net Debt-Equity to decline going forward

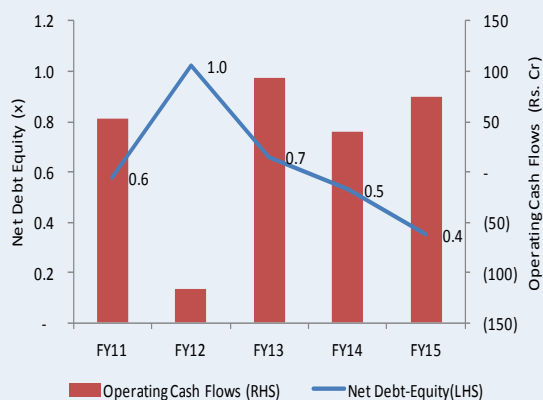
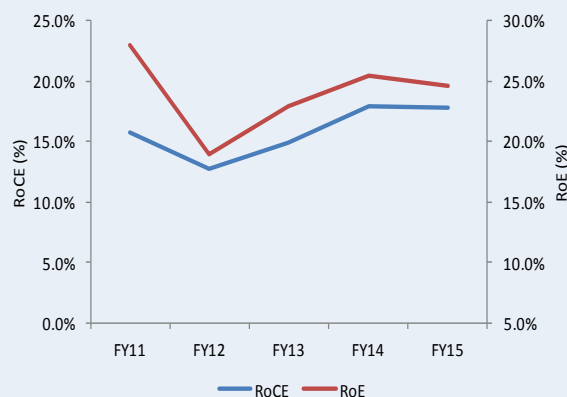


Chart 6: Return Ratios to improve



Source: Company and CARE Equity Research

Board in compliance with the listing agreement 49

NFPIIL's Board constitutes of eight members, with four Executive Directors and four Non-Executive & Independent Directors. The Board has formed three sub-committees for audit, remuneration, shareholders'/investors' grievances. As per the annual report, the Board is in compliance with the listing agreement of the stock exchanges.

Table 3: NFPIIL: Board of Directors

Name	Designation	Category of Director
Mr Nitin M Shah	Chairman & MD	Promoter, Executive & Non Independent
Mr Rahul N Shah	Whole Time Director	Executive & Non Independent
Mr Kailat H Vaidyanathan	Director	Non- Executive
Mr Kunal M Shah	Director	Executive
Dr Surendra A Dave	Director	Non Executive Independent
Mr Krishna Kant Jha	Director	Non Executive Independent
Mr Ramayana M Nayak	Director	Non Executive Independent
Mr Satish Kumar Dheri	Director	Non Executive Independent

Source: Company



VALUATION GRADE

Moderate Upside Potential

4/5

CARE Equity Research assigns a valuation grade of 4/5 to NFPIIL

CARE Equity Research values equity shares of NFPIIL at a Current Intrinsic Value (CIV) of Rs.68 per share. The valuation has been arrived using Discounted Cash Flow (DCF) valuation methodology. Given, a fairly good revenue visibility on the back of strong presence of the company in Indian fire protection industry, coupled with the high growth expected in the industry, we have used the discounted cash flow methodology to arrive at valuation of the equity shares of the NFPIIL. The following are the key assumptions for arriving at the valuation.

Table 1: NFPIIL: Valuation Assumptions

Cost of Equity	14.80%
Cost of Debt	10.0%
Tax Rate	15.0%
D/E Ratio	0.67
WACC	12.3%

Source: CARE Equity Research

Table 2: NFPIIL: Valuation based on DCF methodology

	(Rs. Crore except per share data)				
	2012-13	2013-14	2014-15	2015-16	2016-17
PAT	68	94	114	127	142
Depreciation	3	4	4	2	1
Interest (1-Tax Rate)	19	24	29	32	36
Capital Expenditure	(1)	(0)	(0)	(0)	(0)
Increase in Working Capital	2	(83)	(72)	(53)	(55)
Free Cash Flow (FCF)	91	38	74	108	124
Discount Rate	1.00	0.89	0.79	0.71	0.63
PV of FCF	91	34	59	77	78
Terminal Value (based on PE Multiple)					2,154
PV of Terminal Value	1,357				
Total Discounted Value of Firm (Core Business)					1,695
Less: Net Debt (FY13E)					214
Total Equity Value (Oil & Gas JV) @ book value of investments					23
Present Value of equity					1,503
No of Equity Shares (Crores)					22.1
CIV					68

Source: CARE Equity Research

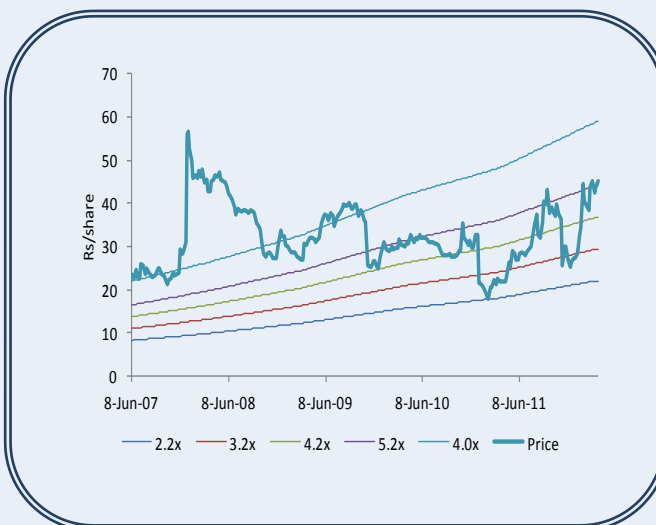


At the current market price of Rs.60.4 per share the equity shares of NFPIL are trading a one-year forward rolling Price to Earnings (P/E) multiple of 14.2 times and 3.3 times the adjusted book value per share. Historically, NFPIL's equity shares have traded at average (5 years) one-year forward rolling P/E multiple of 16.8 times and an average price to book (P/B) multiple of 3.7 times. The CIV of Rs.68 per share as arrived by using the DCF methodology results in 3.7 times the FY14 estimated book value per share and 16.1 times the FY14 estimated earnings per share which is in line with historical multiples at which the company has traded.

Chart 1: NFPIL: One year forward rolling P/E



Chart 2: NFPIL: One year forward rolling P/B



Source: BSE and CARE Equity Research

Note: Market Price has been adjusted for stock split & bonus

The CIV of Rs.68 per share is around 12.6% above the current market price (CMP) of Rs.60.4 per share. As per the valuation grade scale this results in valuation grade of 4/5 for the equity shares of NFPIL, indicating that equity shares of NFPIL have 'Moderate Upside Potential'. For last 15 trading days, average closing price of NFPIL equity shares has been around Rs.63.8 per share, with average daily volumes of 201,759 shares. Market price of NFPIL's equity shares had reached a high of Rs.69 per share and a low of Rs.57 per share during the same period.



COMPANY BACKGROUND

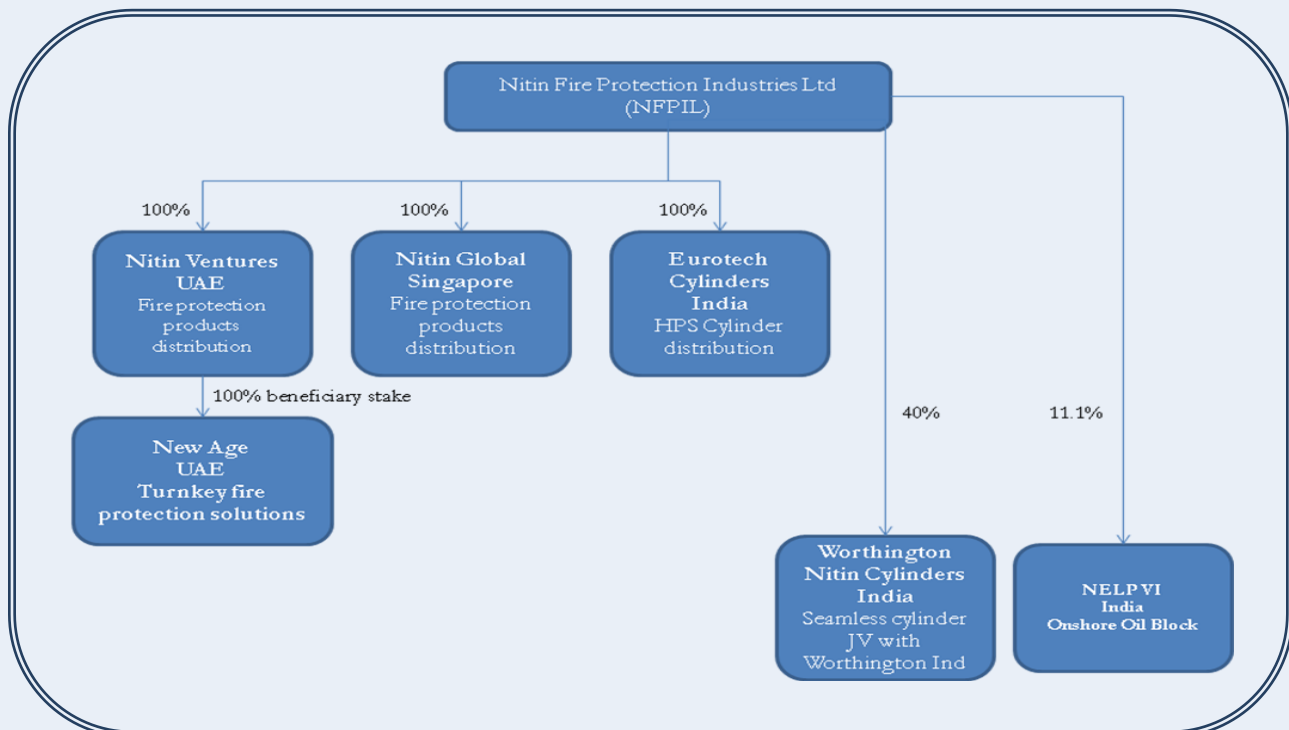
Incorporated in 1995, Nitin Fire Protection Industries Ltd (NFPIL) and its subsidiaries are promoted and managed by Mr Nitin Shah and his sons Mr Rahul Shah and Mr Kunal Shah. The company provides solutions for fire detection and fire suppression, and manufactures fire extinguishers. NFPIL is an end-to-end solutions provider for fire protection, safety and security systems. The group provides gas and water based fire protection. It is also engaged in fire detection, alarm, building automation and security. The group also manufactures and trades in high-pressure seamless cylinders (compressed natural gas [CNG] and industrial cylinders) and CNG refueling systems. NFPIL's facilities are located at MIDC, Vashi (Maharashtra) and in Andhra Pradesh.

NFPIL has three international subsidiaries, two in UAE and one in Singapore. The company now has a 100% beneficiary stake in New Age Co LLC (UAE) which was earlier an associate before April 2010. New Age Co LLC is an approved vendor for all the seven emirates, and has a strong track-record in providing fire protection services and maintenance services in the UAE. The company also trades in fire protection, safety and security systems in UAE through Nitin Ventures FZE, and in Singapore through Nitin Global Pte Ltd.

Worthington Nitin Cylinders Ltd (WNCL), which was earlier a wholly owned subsidiary, is now an associate company, post sale of NFPIL's 60% stake in the company to Worthington Industries Inc., since December 28, 2010.

NFPIL also continues to be a part of a non-integrated un-incorporated joint venture for an oil & gas block in Rajasthan, (NELP VI) where it has 11.1% equity ownership.

Chart1: NFPIL's Business Structure



Source: Company

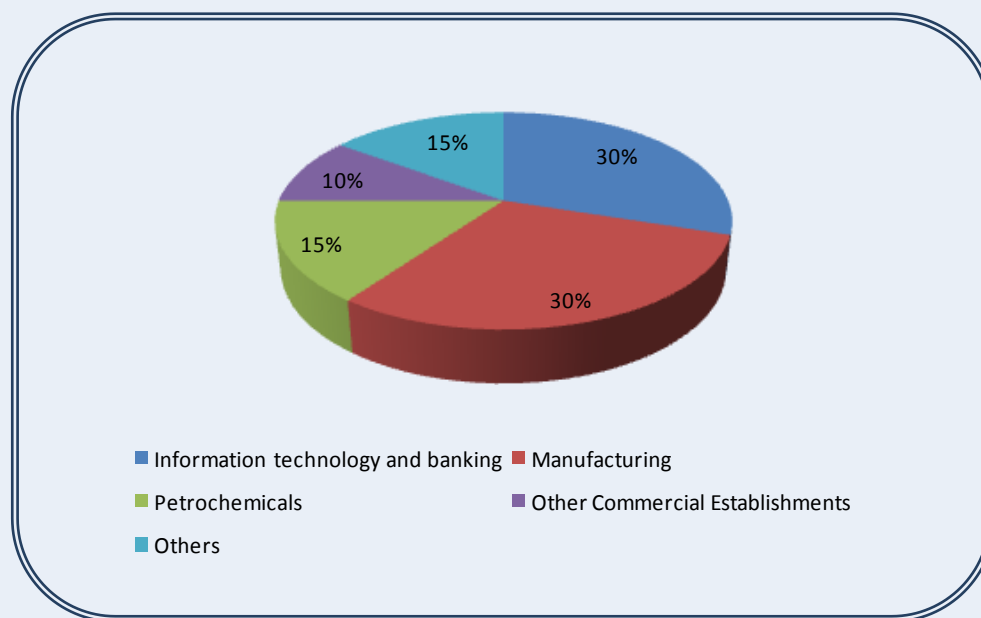


SNAPSHOT OF THE INDUSTRY

The fire protection industry market has increased as safety and security has gained more importance. It is estimated that the loss of assets due to fire is almost USD100 bn per year with an increasing tendency. The total world market for fire protection business has show an upward trajectory. However, the growth rate varies according to different segments and countries. Estimated worldwide market size is approximately USD58 bn and expected to grow to around USD73 bn by 2015.

India has witnessed tremendous growth in retail, banking, housing, infrastructure, telecom, pharmaceuticals, entertainment, power, IT, and ITES sectors which has led to an expansion in market for Indian fire protection market. The rapid expansion in the number of malls and multiplexes, in India as well as growth in the manufacturing segment, particularly pharmaceuticals and automotive industries has created growth opportunities for the industry. As the economy grows, both industry and government are updating fire protection systems for continued operations in industrial plants and offices. Also, the government regulations for fire safety are now getting mandatory and this further enhances the market outlook for fire protection systems in India.

Chart1: End user sectors for fire extinguishing systems in India



Source: Industry & CARE Research

India is one of the fastest growing economies in the world and Indian fire protection industry is estimated to be USD1.33 bn with an estimated growth rate of 28% p.a. to USD3.57 bn till 2015. The organized market constitutes 47% of the total market while unorganized comprises the rest. The organized sector India is expected to grow at 31.3% CAGR from USD0.6 bn to USD1.9 bn in 2015, resulting in the organized sector's share to increase to 52% in 2015.

FINANCIAL ANALYSIS

Consolidated Income Statement

(Rs. Crores)	FY10	FY11	FY12	FY13E	FY14E	FY15E
Operating Income	314	438	536	704	911	1,072
EBITDA	57	65	67	99	137	164
Depreciation and amortisation	4	5	3	4	4	2
EBIT	53	59	64	95	133	163
Interest	9	13	17	21	28	34
PBT	45	63	51	75	107	131
Ordinary PAT (After minority interest)	41	53	44	68	94	114
PAT (After minority interest)	41	53	44	68	94	114
Fully Diluted Earnings Per Share* (Rs.)	32.8	8.4	2.0	3.1	4.2	5.1
Dividend, including tax	4	6	9	9	9	9

* Calculated based on ordinary PAT on Current Face Value of Rs. 2/- per share

Consolidated Balance Sheet

(Rs. Crores)	FY10	FY11	FY12	FY13E	FY14E	FY15E
Networth (incl. Minority Interest)	182	232	266	324	409	514
Debt (incl. Preference Shares)	129	146	293	253	307	347
Deferred Liabilities / (Assets)	3	0	0	1	1	1
Capital Employed	314	378	558	578	717	862
Net Fixed Assets, incl. Capital WIP, net of reval reserve	95	122	128	125	121	120
Investments	39	80	66	73	81	81
Loans and Advances	43	94	78	77	77	77
Inventory	90	75	209	171	225	267
Receivables	111	242	173	184	237	278
Cash and Cash Equivalents	20	12	21	38	90	165
Current Assets, Loans and Advances	264	423	481	471	629	787
Less: Current Liabilities and Provisions	84	247	116	91	114	125
Total Assets	314	378	559	578	717	862

Ratios based on Consolidated Financials

	FY10	FY11	FY12	FY13E	FY14E	FY15E
Growth in Operating Income	27.1%	39.5%	22.4%	31.3%	29.5%	17.7%
Growth in EBITDA	14.9%	13.7%	4.4%	46.3%	38.7%	20.2%
Growth in PAT	14.3%	12.5%	8.8%	47.1%	40.5%	21.9%
Growth in EPS	17.8%	-74.4%	-76.3%	53.5%	38.6%	21.3%
EBITDA Margin	18.1%	14.8%	12.6%	14.0%	15.0%	15.3%
PAT Margin	11.6%	13.2%	8.8%	9.6%	10.3%	10.6%
RoCE	16.0%	15.8%	12.8%	15.0%	17.9%	17.8%
RoE	22.3%	28.0%	19.0%	22.9%	25.5%	24.6%
Net Debt-Equity (times)	0.6	0.6	1.0	0.7	0.5	0.4
Interest Coverage (times)	6.2	4.9	4.0	4.7	4.9	4.9
Current Ratio (times)	3.2	1.7	4.1	5.2	5.5	6.3
Inventory Days	111	81	111	115	93	99
Receivable Days	107	147	141	93	84	88
Price / Earnings (P/E) Ratio			30.3	19.7	14.2	11.7
Price / Book Value(P/BV) Ratio			5.0	4.1	3.3	2.6
Enterprise Value (EV)/EBITDA			23.8	15.7	11.3	9.2

Source: Company and CARE Equity Research



EXPLANATION OF GRADES

CARE EquiGrade Grid (CEG)

Through CEG, CARE Equity Research addresses two critical factors considered by an investor while investing in a particular company's equity shares:

1. **Fundamentals:** Whether the company is fundamentally sound with respect to its business, its financial position, its management and its prospects.
2. **Valuation:** What is the Current Intrinsic Value (CIV) of the stock and how it compares vis-a-vis its Current Market Price (CMP).

These factors are answered assigning quantitative grades to both these parameters. CEG is the snapshot of 'Fundamental Grade' and 'Valuation Grade' assigned by CARE Equity Research.

Fundamental Grade

This grade represents how sound the company is fundamentally, vis-à-vis other listed companies in India. This grade captures:

1. Business Fundamentals and Prospects
2. Financial Soundness
3. Management Quality
4. Corporate Governance Practices

The grade is assigned on a five-point scale as under:

CARE Fundamental Grade	Evaluation
5/5	Strong Fundamentals
4/5	Very Good Fundamentals
3/5	Good Fundamentals
2/5	Modest Fundamentals
1/5	Weak Fundamentals

Valuation Grade

This grade represents the potential value in the company's equity share for the investor over a 1-year period. The Current Intrinsic Value (CIV) or the price arrived by CARE Equity Research on fundamental basis is compared with the Current Market Price (CMP) of the stock and the grade is assigned based on the gap between CIV and CMP of the stock.

The grade is assigned on a five-point scale as under:

CARE Valuation Grade	Evaluation
5/5	Considerable Upside Potential (>25% upside from CMP)
4/5	Moderate Upside Potential (10-25% upside from CMP)
3/5	Fairly Priced (+/-10% from CMP)
2/5	Moderate Downside Potential (10-25% downside from CMP)
1/5	Considerable Downside Potential (>25% downside from CMP)

Grading determination is a matter of experienced and holistic judgment, based on relevant quantitative and qualitative factors of the company in relation to other listed companies.



DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the company.

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Published by Credit Analysis & REsearch Ltd., 4th Floor Godrej Coliseum, Off Eastern Express Highway, Somaia Hospital Road, Sion East, Mumbai – 400 022.

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