EQUI-GRADE – Analytical Power for Investment Decision

PC Jeweller Ltd.

Gems & Jewellery

January 22, 2015

Very Good Fundamentals, Fairly Priced | **CMP: Rs.259.90/ CIV: Rs.251.94** | **Sensex: 29006**

CARE EQUIGRADE GRID (CEG)

	1	2	3	4	5
Fundamentals	→	→	→	→	
Valuation	→	→	→		

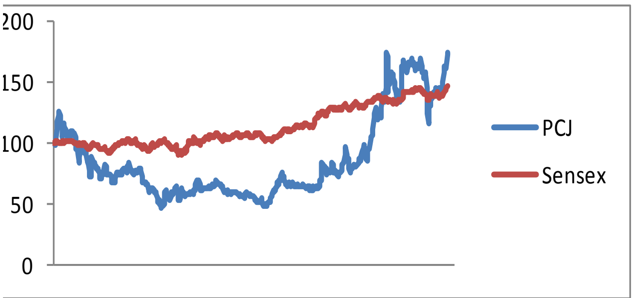
CEG is explained on the last page

KEY EQUISTATS

Market Capitalisation	Rs. Crores	4,655
Enterprise Value	Rs. Crores	5,320
52 Week High / Low	Rs.	278 / 72
Diluted EPS (FY14)	Rs.	19.9
P/E (FY14)	times	13.1
Regression Beta	times	0.9
Average Daily Volumes*	Lakhs	1.4

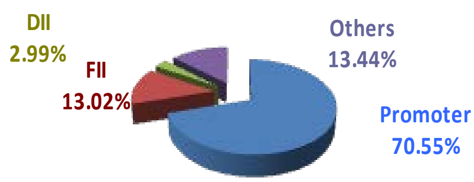
* BSE and NSE for last 52 weeks

STOCK PERFORMANCE



Returns	1M	3M	6M	I Yr
Absolute	-1%	33%	104%	161%
Rel. to Sensex	-2%	29%	85%	92%

SHARE HOLDING PATTERN



ANALYTICAL CONTACTS

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

CARE assigns a fundamental grade of 4/5 to PC Jeweller Ltd (PCJ)

CARE assigns a fundamental grade of 4/5 to PCJ. This indicates 'Very Good Fundamentals'. The grading factors in the company's strong brand recall in north India, robust growth in operations with consistent improvement in profitability and comfortable capital structure, along with easing of RBI regulation wrt gold supply. The company's business model encompasses activities like jewellery manufacturing, jewellery branding and retailing. The company deals in gold, diamond and platinum jewellery. Equipped with robust marketing and distribution network, the company has a presence in key strategic G&J markets. The company's presence in jewellery retailing (the maximum value addition stage across the G&J value chain), sees it covering over 276,000 square feet of retail space encompassing 47 showrooms across 38 cities and 16 states. CARE believes key catalysts for PCJ would be the volume and realization growth of the company's jewellery across newer markets and new format selling. Furthermore, revenue from the diamond is expected to grow from 25% of the total revenue in FY14 to approximately 30-35% in FY15E-FY17E, which will positively impact the company's margins. The contribution from bridal jewellery, the niche segment for PCJ, is expected to stay flat.

Valuation

We have valued the equity shares of PCJ at Rs.251.9 per share. The valuation has been arrived at by using the EV/ EBITDA valuation methodology. The CIV of Rs.251.9 per share is around 3.06% below the Current Market Price (CMP) of Rs.259.9 per share; hence we assign a valuation grade of 3/5 to the equity shares of PCJ, indicating that equity shares are 'Fairly Priced'.

Consolidated Financial Information Snapshot

(Rs. Crore)	FY12	FY13	FY14	FY15E	FY16E
Net revenues	3,059	4,038	5,372	6,448	7,554
EBITDA	349	502	646	766	969
PAT (after minority interest)	231	291	356	400	510
Fully Diluted EPS* (Rs.)	17.3	19.9	19.9	22.3	28.5
Dividend Per Share (Rs.)	0.0	21.0	62.9	63.0	78.3
P/E (times)	15.0	13.1	13.1	11.6	9.1
EV/EBITDA (times)	17.4	12.1	9.8	9.1	7.7

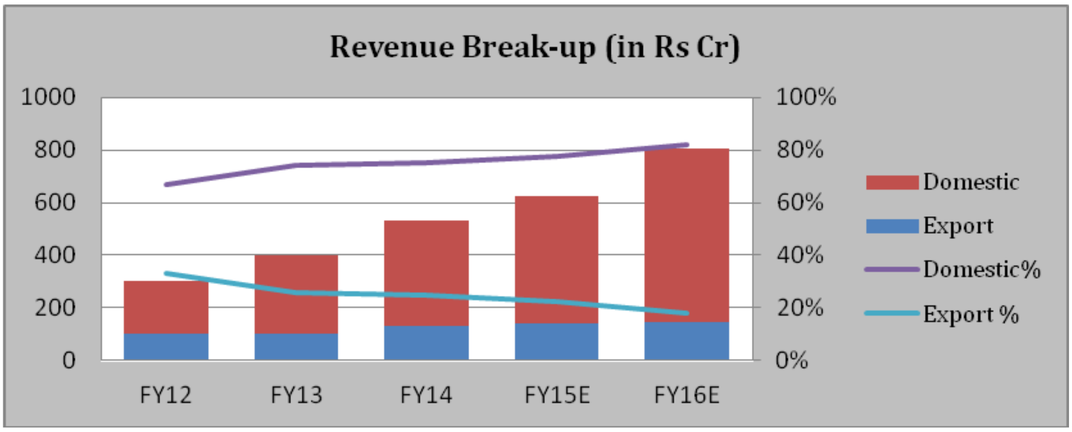
* Calculated on Current Face Value of Rs. 10/- per share

FUNDAMENTAL GRADE Very Good Fundamentals 4/5

One of the leading players with an established brand

PCJ is an established jewellery retailer in northern India with strong brand recall. PCJ started with a single showroom in Karol Bagh, New Delhi, in 2005 and now has expanded to 47 showrooms across 38 cities and 16 states in India, encompassing more than 276,000 sq. ft. of retail space. Furthermore, PCJ has expanded its export market with export contributing almost Rs.1,323 crore in FY14 (refers to the period April 1 to March 31; almost 25% of the total revenue) through clienteles mainly based out of Central Asia and middle-east.

Table 1: Revenue Break-up



Source: Company and CARE

PCJ's total revenue has grown at a CAGR of 32% over the period of FY12 to FY14. While revenues from export have seen a 15% CAGR over the same period, the revenue from the domestic sales have witnessed a CAGR of over 40% following the company's strategy to penetrate the domestic market, through expanding in the form of large format showrooms across various locations in the country. The company's niche being bridal jewellery, which fetches better margin than other jewellery, the focus has been to create a brand among the world's largest consumer of gold, also aided by various macroeconomic factors like India's recent growth, rising disposable income and the increasing shift in preference of consumers to organized retail and branded jewellery.

Going ahead, CARE expects PCJ to report a CAGR of around 23% in the total revenue for FY15-FY17, with the major contribution coming primarily from gold jewellery, but diamond is expected to move up in percentage contribution towards total revenue. The contribution of diamond jewellery presently stands at approximately 20% for FY14, is expected to range between 25 and 30% for FY15E to FY17E. PCJ's primary forte being in bridal jewellery, CARE expects PCJ to derive its growth drives from gold and diamond demand for a large youth population.

Table 2: Region wise revenue comparisons

Region	Area (Sq Feet)	Domestic Revenue (in Rs Cr)			
		FY14	Percentage	FY13	Percentage
North	160,815	3,630.27	*91%*	2,720.08	*91%*
East	22,226	0.00	*0%*	0.00	*0%*
Central	27,807	213.77	*5%*	267.34	*9%*
West	28,510	136.74	*3%*	0.00	*0%*
South	36,416	21.33	*1%*	0.00	*0%*
Total	**275,774**	**4,002.11**	***100%***	**2,987.42**	***100%***

Source: Company

Robust expansion plans to fuel growth

PCJ has exhibited strong growth signals, through robust store expansion and geographic diversification of their revenue. In 2005, PCJ started with their 1st showroom in Karol Bagh, Delhi, as their main hub. Delhi continues to be the major contributor to PCJ's revenue, with present set-up of 14 large format stores in Delhi. Apart from that, the company has started geographic profiling of their revenue, by expanding into Eastern and Southern India. PCJ has showrooms in Bangalore, Mangalore and Hyderabad and recently during H1FY15; PCJ has opened showrooms in Patna and Kolkata, totaling 47 showrooms across 38 cities and 15 states. The jewellery market in the Eastern parts of India is largely unorganized as compared with the northern, western and southern regions, which provides viable opportunity for the company to influx its revenue pattern from the region. PCJ is also looking to expand in the western region, especially in Maharashtra, which serves as a major market for companies like Tribhovandas Bhimji Zaveri (TBZ), Gitanjali Gems and Titan Company ltd. PCJ intends to expand in other parts of Maharashtra before entering the Mumbai market.

The company has placed its focus on Tier I and Tier II Cities, where PCJ intends to open 80% of the next slot of showrooms and remaining 20% will be metros. With further urbanization, the growth in the G&J is expected to be driven by Tier I and Tier II Cities, and biggest beneficiary is expected to be the organized retail players.

Chart 1: PCJ stores across India

Source: Company and CARE

PCJ presently operates in large stores format only in Tier I and Tier II cities. The company plans to close FY15 with around 55-60 stores (from its present 47 as on October 31, 2014) and a total 150 stores in the next 5 years (FY15-

FY19). The next level of expansion stems from Franchisee models in Tier III cities, PCJ plans to grow its franchisee network to around 200 stores by FY20. Furthermore, the online format of sales have been taken through tie-up with Flipkart and own website wearyourshine.com. CARE expects that with more urbanizing and growth of online format shopping, PCJ will benefit in the long run through franchisee models and online stores.

Strong risk management set-up with better procurement structure

PCJ has devised robust risk management strategies to safeguard its margins from any risk arising out of the commodity and forex fluctuations. The company avails the gold metal loan/gold on lease scheme, wherein PCJ enjoys a 180 day credit period on gold purchases. PCJ hedges the commodity and forex risk by booking forward contracts on gold purchases. PCJ has a dedicated purchase unit central at their head office in Karol Bagh, New Delhi, which decides on the amount of gold to be procured based on daily sales volume. The aforesaid measures helps the company in not only protecting its margins against forex or commodity price fluctuation risk, but also offers price uniformity for their products. Notably, PCJ has not reflected any major forex or inventory loss in the past.

PCJ procures its raw material requirements against gold metal loan, which substantially reduces their input costs due to the following factors:-

1. Effective interest rate for Gold Metal Loan (GML) is significantly lower than working capital borrowings (cash credit/overdraft) used for gold purchases.
2. 180-day credit facility provided with gold metal loan against upfront cash credit financing, thereby reducing borrowing cost and releasing capital for business operations.
3. Since the period is of 180 days, it provide a natural hedge against both inventory and forex price fluctuations, (considering trend cycle for both the factors) thus lower risk and better price predictability for the products.

The GML facility although, faces the risk of restriction with any breach of the Current Account Deficit (CAD) as gold marks as the second largest import bill for India. In case of any such restriction on GML, the G&J players have to resort to costlier mode of working capital financing like cash credit, working capital demand loan, etc, which will pose a downside pressure on the profitability margins of the companies. Presently, the CAD is comfortable with depressed international crude oil prices and comparatively stable dollar exchange rate.

In-house manufacturing set-up

PCJ has set-up a strong manufacturing set-up through backward integration comprising of a dedicated in-house designing and manufacturing unit. Presently, PCJ has around 80,000 sq. ft. area dedicated towards manufacturing of jewellery, which serves around 60% of the total demand for jewellery. Apart from that, around 40% of the remaining demand is met through outsourced facilities through a number of local suppliers in Kolkata, Rajkot, Patna and other parts of the country on job work basis. While a portion of the company's gold manufacturing is outsourced, the entire diamond jewellery is produced in-house in Special Economic Zones (SEZ) located in Dehradun and Noida.

PCJ has an in-house 50 people strong designing team entrusted with the task of product innovation and development of new products. The company has been actively trying not only to cater to the changing consumer demand up-beat the latest trends but also create new product demand through structural innovations. The company has undertaken regular market surveys, researches and participated in various national and international trade fairs and G&J shows, aiming at gaining insights into G&J market trends.

CARE expects that as the G&J industry gets more organized, product innovation would serve as a major competitive advantage.

Regulatory easing

The G&J has been a highly regulated industry with gold constituting the second largest import bill for India, only after petroleum. During FY14, RBI imposed a series of regulations such as 80/20 rule, cash-based gold procurement, prohibition on the gold metal loan and rising of import duty on gold imports from 6% to 8%, to curb the foreign currency outflow from the country through gold imports and thereby bridging the Current Account Deficit (CAD) of the country. The measures did affect the G&J industry causing higher gold prices leading to slacking of consumer demand and higher procurement cost of gold which ate into the business margins. But with the commencement of FY15, RBI eased its stance on the industry allowing gold metal loans, scrapping of the 80/20 rule and reduction in gold import duties which have certainly eased the supply of gold. The regulatory easing has certainly aided G&J players like PCJ, in not only saving interest cost on working capital financing but also to hedge its exposure to gold and forex fluctuation risk.

Changing consumption patterns and organizing of the G&J industry

The G&J industry has been largely fragmented with a large number of organized and unorganized players. The unorganized players operating from single-format showroom still constitute the majority of the market. But the rapid urbanization and changing of consumption pattern towards more branded jewellery over the last decade has provided enough incentive for the large-format, organized players. The next phase of expansion for PCJ is planned in the Tier I and Tier II through large format store model and through franchisee model in Tier III. These markets are rapidly changing into more urban format and presence in these locations would certainly benefit organized retail players selling branded jewellery. Furthermore, Tier I and Tier II cities provide lower break-even period, given the lower establishment cost. Another important aspect of PCJ has been the introduction of e-retailing through their website wearyourshine.com and also flipkart, to tap the large and promising e-market place.

In compliance with listing agreement 49

As on March 31, 2014, the Board of Directors (BoD) for PCJ consisted of six directors of which one is non- executive director, two are executive and three are non-executive and independent directors, ie, half of the board comprises non-executive and independent directors. The board is chaired by Mr Padam Chand Gupta, promoter and chairman. The board has formed five sub-committees for audit, remuneration, shareholder's/ investor's grievance, selection committee and management & finance committee. As per the annual report the same is in compliance with the listing agreement of the stock exchanges.

Table 6: Board of Directors

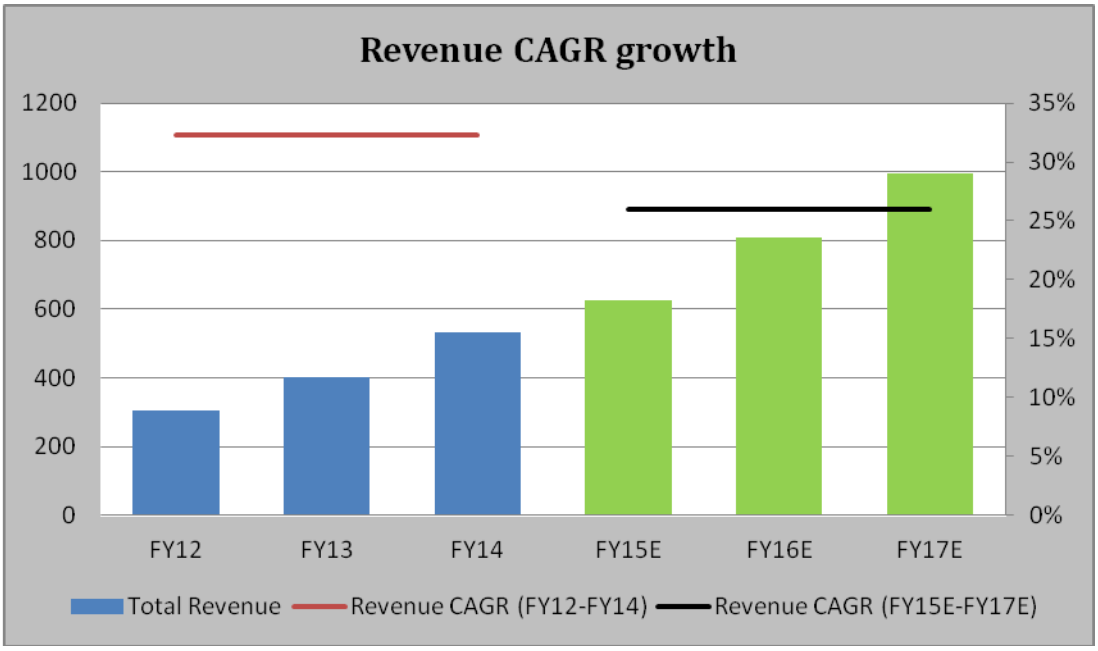
Name	Designation held	No. of shares held
Mr Padam Chand Gupta	Chairman & Non-Executive	50,371,800
Mr Balram Garg	Promoter & Executive Director	66,951,050
Mr Ramesh Kumar Sharma	Executive Director	5,500
Mr Manohar Lal Singla	Independent	Nil
Mr Krishan Kumar Khurana	Independent	Nil
Mr Miyar Ramanath Nayak	Independent	Nil

Source: Company

FINANCIAL ANALYSIS

The company witnessed robust revenue growth at 33% compounded annual growth rate (CAGR) from Rs.3,042 crore in FY12 to Rs.5,329 crore in FY14; supported by space additions. Going forward, we expect revenue to moderate to 26% CAGR over FY15-17E from Rs.6,261 crore to Rs.9,942 crore, as the company expands in existing and other regions in India.

Chart 4: Revenue growth to moderate over FY12 - 17E



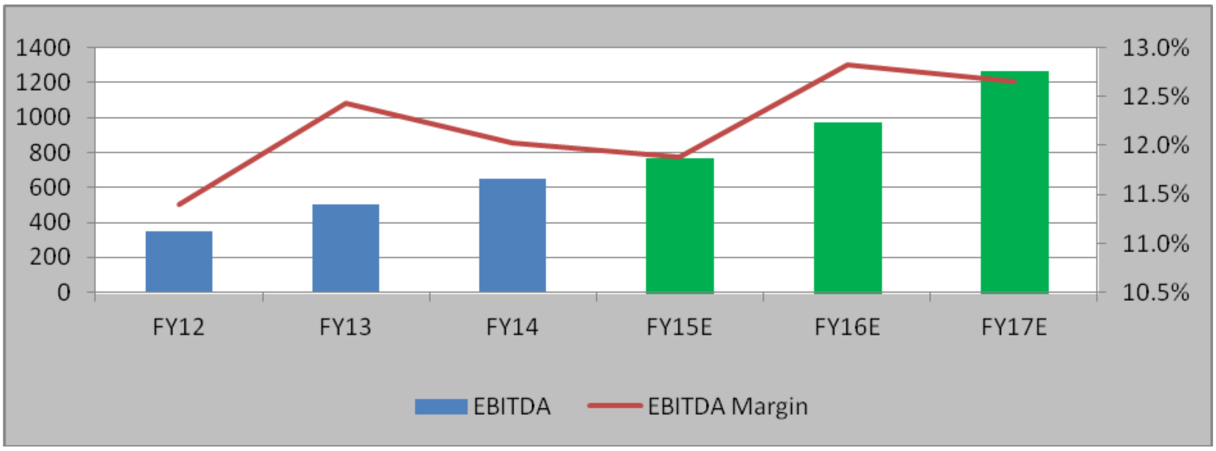
Source: Company and CARE

The growth in the revenue is expected to be primarily driven by growth in domestic market as PCJ expands across different markets in India. The export is expected to moderate with its percentage contribution expected to decline over FY15-17E. The domestic market contributed to 75% of the total revenue during FY14 and grew at 40% CAGR for FY12-14. We believe the company is likely to sustain CAGR of 26% between these two segments beyond FY14, primarily on the back growth in demand for branded jewellery and more organization of the G&J sector.

EBITDA to post 25% CAGR, margins improve by 80 bps over FY15-17E

We expect EBITDA to register a 28.6% CAGR over FY15-17E from Rs.646 crore in FY14 to Rs.1,267 crore on the back of moderate revenue growth of 25% and 80 bps improvement in EBITDA margin from 11.9% in FY15E to 12.2% in FY17E. We believe that with the expansion of stores in Eastern and Southern region of the country will provide further operational leverage. PCJ's continuous expansion in Tier I and Tier II cities will also positively affect the margin. Furthermore, there has been significant consumer consumption growth in diamonds and diamonds-studded jewellery, which provides higher margins to the G&J players. Thereby, PCJ's profitability is expected to improve with better contribution from studded jewellery to its total revenue; the trend is noticeable with diamond jewellery contributing over 30% (Rs.536 crore) of the domestic revenue (Rs.1,776.14 crore) during H1FY15.

Chart 5: EBITDA margin to improve over FY15-FY17E



Source: Company and CARE

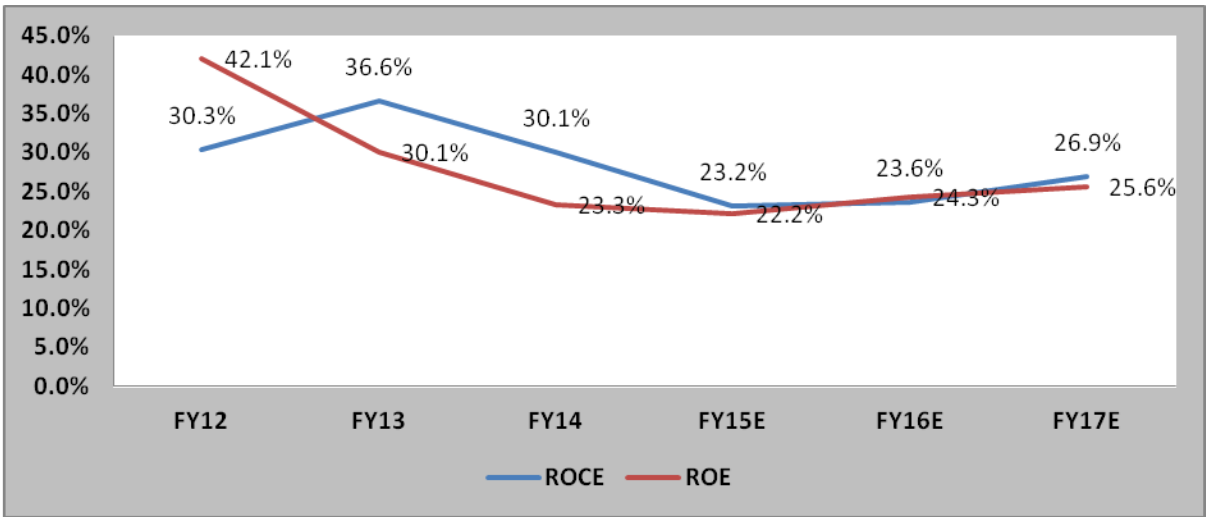
Earnings to grow at 22.1% CAGR over FY14-17E

We expect the net profit to grow at 22.1% CAGR over FY14-17E from Rs.356 crore to Rs.648 crore, led by stable operating performance and higher other income. Consequently, the net profit margin is expected to expand by 50 bps during the same period to 4.2% in FY16E.

RoCE to decline with higher leverage, and ROE is expected to improve with improvement in profitability

We expect RoCE to decline from 30.1% in FY14 to 26.9% in FY17E on account of higher leverage that PCJ will avail to fund its working capital requirements and its store expansion plans. Whereas ROE is expected to improve with improvement in profitability over the medium term FY15-FY17E.

Chart 6: Return ratios trend



Source: Company and CARE

VALUATION GRADE **Fairly Priced** **3/5**

CARE values PC Jeweller Rs.251.94 per share; assigns a valuation grade of 3/5

CARE values equity shares of PC Jeweller Ltd. at a Current Intrinsic Value (CIV) of Rs.251.9 per share. The valuation has been arrived using EV/EBITDA valuation methodology. We have assigned an EV/EBITDA multiple of 8.0 times to FY15 expected EBITDA of Rs.766 crore.

In the past, the company has traded at lower EV/EBITDA multiple, especially during FY14 where the entire G&J sector suffered from tepid demand and gold supply constraints on the back of RBI policies implemented during the period to curtail the import of gold. During FY14, most G&J players have seen a decline in profitability and traded at lower EV/EBITDA. Post allowance of GML for gold players and removing restrictions on import by Star Trading Houses/Premier Trading Houses in May 2014, there has been improvement in the EV/EBITDA multiples of most G&J players. Furthermore, the withdrawal of the 80/20 scheme by RBI during November 2014, has improved the gold supply and domestic expansion scenario in the country. PCJ which is primarily a north India-based player has been actively expanding into other parts of the country and diversifying its income through higher contribution from diamond and platinum jewellery, adding to the convention gold jewellery. The EV/EBITDA multiple of 8.0 factors in, (1) relaxation of the RBI norms for the G&J sector, (2) robust expansion plans by PCJ which would boost growth and geographically diversify the company's revenue and (3) healthy and consistent profitability of the company.

Table7: Valuation snapshot

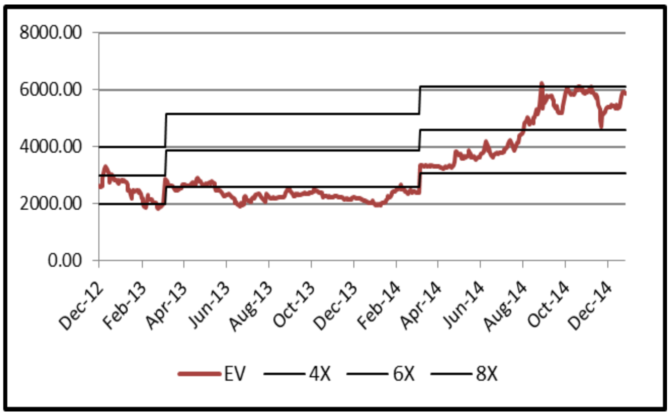
EBITDA (FY15E)	766
Target multiple	8.0
EV	6129
(-) Debt	2003
(+) Cash & cash equivalents	386
(-) Minority interest	0
Total market cap	4,512
No. of shares (crore)	17.9
Price per share	**251.9**

Source: CARE

At the current market price (CMP) of Rs.259.9 per share, the CIV of Rs.251.9 per share results in a valuation grade of 3/5, indicating equity shares of PCJ are 'Fairly Priced'. For last 15 trading days, the average closing price of PCJ's equity shares has been around Rs.226.6 per share, with average daily volumes of 69,471 shares. The market price of PCJ's equity shares had reached a high of Rs.264.1 per share and a low of Rs.205.0 per share during the same period.

Chart 7: One year forward rolling P/E

One year forward rolling EV/EBITDA



Source: BSE and CARE

PCJ Peer Comparison

	PC Jeweller Ltd FY14	TBZ FY14	Titan Company Ltd FY14
Financial Statements (Rs Crore)			
Total Revenue	5371.9	1829.9	11047.6
EBITDA	645.7	139.5	1164.5
PAT	356.3	55.0	734.8
Margins			
EBITDA	12.0%	7.6%	10.5%
EBIT	11.8%	7.1%	9.9%
PAT	6.6%	3.0%	6.7%
Per Share Data			
EPS	19.9	8.2	8.3
BVPS (Tangible)	93.4	67.1	28.4
Valuation Ratios			
P/E	13.1	18.0	46.0
EV/EBITDA	7.7	10.6	29.5
P/BV	2.8	2.2	13.3
Price/Sales	0.9	0.5	3.1
Market Capitalization	4654.8	992.1	33846.9
Profitability Ratios			
ROCE	30.1%	12.8%	32.9%
ROE	23.3%	12.3%	29.1%

Source: BSE and CARE

COMPANY BACKGROUND

Company Overview

PCJ is one of the leading players in the G&J segment in India. PCJ, with its headquarters in Delhi, is engaged in the manufacture, retail and export of jewellery. Started in April 2005 with a single showroom in Karol Bagh, New Delhi, by first-generation entrepreneurs and brothers, Mr P C Gupta and Mr Balram Garg, PCJ now has 47 showrooms across 38 cities and 16 states. PCJ was originally incorporated as "P Chand Jewellers Pvt. Ltd.", which in July 2011, changed its name to "PC Jeweller Ltd." and became a public limited company. During December 2012, PCJ came out with an IPO and got itself listed in BSE (Symbol: 534809) and NSE (Symbol: PCJEWELLER).

Business Mix

The company has manufacturing unit located at Noida SEZ (Uttar Pradesh) and Dehradun (Uttarakhand). While the entire diamond-studded jewellery is produced in-house, a majority of gold jewellery are sourced through job work from various locations like Kolkata, Surat, Rajkot and other part of India. PCJ present offers wide range of products including 100% hallmarked gold jewellery, certified diamond jewellery and other jewellery including silver articles, with a focus on diamond jewellery and bridal jewellery.

Table 8: PCJ's product-wise revenue break-up

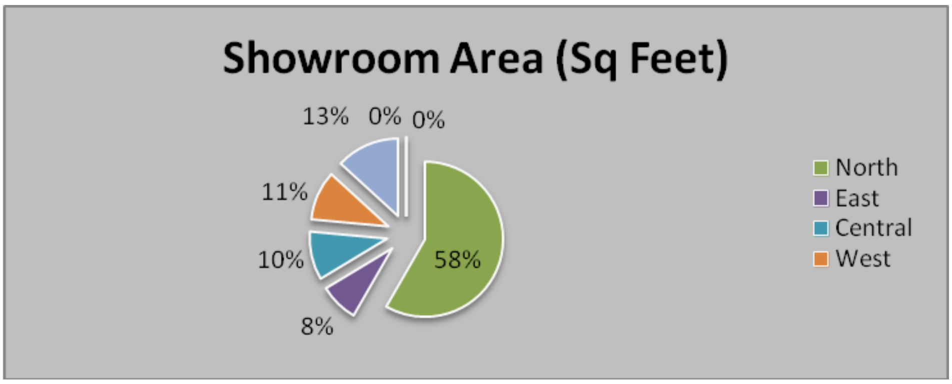
(in Rs crore)	FY14	Revenue Break-up
Gold Jewellery	425	79.9%
Diamond Jewellery	106	19.9%
Silver Jewellery & others	2	0.3%
Total	**533**	**100.0%**

Source: Company and CARE

Geographical break-up

PCJ is primarily a north India-based player, with the northern region contributing almost 91% of the total revenue in FY14, from across 31 showrooms with 160,815 sq. feet of retail space. The company has been rapidly expanding to other parts of the country in diversify its revenue concentration.

Chart 8: Showroom area break-up

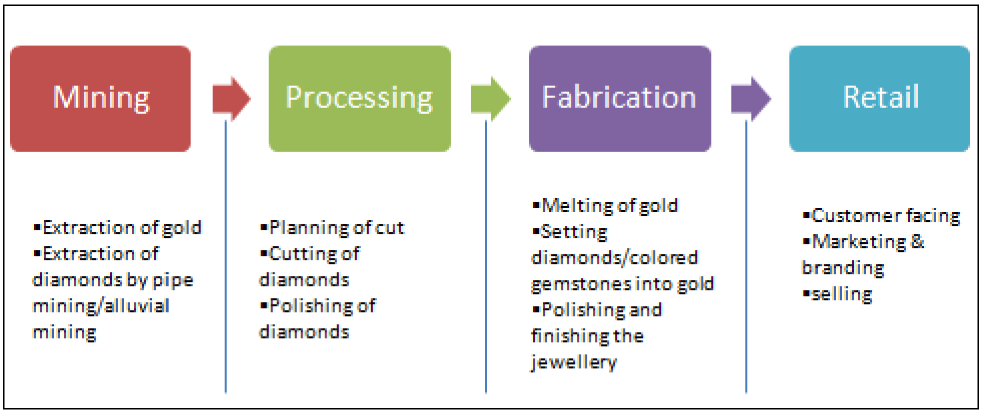


Source: Company and CARE

SNAPSHOT OF THE INDUSTRY

Indian Gems & Jewellery (G&J) industry is one of the most important sectors for Indian economy and has gained prominence over the years in the country, given its dual utility of improving aesthetics as well as investments. India is the world's second largest consumer of gold, only after China, and world's cutting and polishing for diamonds.

Chart 9: G&J value chain



Domestic market scenario

India continues to remain one of the largest G&J market in the world, with an estimated size of Rs.4,700 billion during FY14, with the domestic market estimated to be approximately 54% of the total size (Source: CARE). The two major segments of the industry are gold jewellery and gems-studded jewellery, where gold jewellery forms approximately 75% of the total market and the remaining market share includes studded jewellery, viz, diamond studded and others. The demand for gold has been primarily met through imports and in the last two years including FY13 import of gold was close to 1,000 tonnes per year and has been the second biggest import after oil.

India's current account deficit (CAD) had shown an increasing trend in the past few years. To reduce and control CAD at adequate levels, RBI implemented import restrictions on gold in May 2013 and increased restrictions further in June 2013 and August 2013. The restrictions included import of gold only to exporters of gold jewellery, upfront payment/100% cash margin for LCs of exporters and no credit period and prohibited import of gold in the form of coins and medallions. Subsequently, RBI introduced 80:20 schemes wherein at-least 20% of gold imported had also to be exported to other countries in the form of gold jewellery. Government of India also on their part increased import duty on gold from 2% in January 2012 to 10% in August 2013 in phases. First revision was on January 2013, with increase from 2% to 6%; subsequently it was further revised to 8% on June 2013 and finally to 10% in August 2013.

Post regulatory restrictions imposed on import of gold for domestic consumptions; there was significant decline in quantity of gold imported. The total gold imported declined to 661 tonnes in FY14 as compared with 845 tonnes and 919 tonnes, respectively, in FY13 and FY12, respectively (Sources: GJEPC).

Gold jewellery industry was impacted on account of regulatory restrictions, weak demand and volatility in gold prices. For gold jewellery players, supply side constraints on account of regulatory restrictions led to lower exports and were not able to meet domestic demand. There was around 45% decline in gold jewellery exports to UAE which is the major export destination forming around 68% of exports in FY13 which declined to 44% in FY14. The other major export destinations including USA, Hong Kong, Singapore and UK also showed either decline in growth or marginal growth.

In addition, the volatility in gold prices led to decline in gold prices in FY14 leading to inventory losses and weak demand. Apart from this funding costs for the gold jewellery players increased as they had to avail normal fund-based facilities as compared with gold metal loan which were at lower rates. The companies in the export markets also faced liquidity pressures on account of slow realization of receivables especially from UAE.

Outlook

RBI in March 2014, May 2014 and November 2014 eased restrictions on gold imports, allowed gold metal loans to domestic jewellery manufacturers and scrapped the 80:20 gold import rule. This would to some extent reduce supply side constraints. Gold prices are also expected to further decline in FY15 due to recovery in US economy as gold prices have inverse correlation with US dollar. The inverse relation is reflected through analysis of US dollar index with gold price index during the period April 2010 to July 2014. The decline in gold prices is expected to have positive impact on the gold jewellery industry for both export and domestic players.

Gold jewellers with higher export proportion are expected to do better in FY15. During Q1FY15, India exported Rs.12,115 crore worth gold jewellery registering an increase of 23.36% compared with same period last year. However, credit quality of the customers in export market would remain as key rating sensitivity for jewellery exporters.

On the domestic front, gold jewellers with good proportion of studded jewellery and access to recycled gold are expected to do better. The other positive factors would continue including cultural affinity for gold, increasing urbanization, rise in women working population. However domestic jewellery players would continue to face some pressure on margins on account of high funding costs due to limited access to gold metal loans.

FINANCIAL STATISTICS

Consolidated Income Statement

(Rs. Crore)	FY12	FY13	FY14	FY15 E	FY16 E	FY17 E
Operating Income	**3,059**	**4,038**	**5,372**	**6,448**	**7,554**	**10,011**
EBITDA	349	502	646	766	969	1,267
Depreciation and amortization	7	10	12	20	28	37
EBIT	342	492	633	746	941	1,230
Interest	75	125	147	175	200	244
PBT	267	367	486	571	741	986
Ordinary PAT (After minority interest)	231	291	356	400	510	648
PAT (After minority interest)	**231**	**291**	**356**	**400**	**510**	**648**
Fully Diluted Earnings Per Share* (Rs.)	**17.3**	**19.9**	**19.9**	**22.3**	**28.5**	**36.2**
Dividend, including tax	0	21	63	63	78	117

* Calculated based on ordinary PAT on Current Face Value of Rs.10/- per share

Consolidated Balance Sheet

(Rs. Crore)	FY12	FY13	FY14	FY15 E	FY16 E	FY17 E
Net-worth (incl. Minority Interest)	550	1,384	1,672	1,934	2,266	2,797
Debt (incl. Preference Shares)	578	233	1,004	2,003	2,006	2,364
Deferred Liabilities / (Assets)	1	1	2	3	3	2
Capital Employed	**1,129**	**1,618**	**2,678**	**3,940**	**4,274**	**5,163**
Net Fixed Assets, incl. Capital WIP, net of reval reserve	58	64	85	121	153	198
Investments	0	443	185	150	100	176
Loans and Advances	63	80	88	127	158	103
Inventory	1,172	1,714	2,377	3,234	3,944	4,831
Receivables	687	675	623	772	862	880
Cash and Cash Equivalents	77	280	339	386	406	544
Other Current Assets	65	221	582	574	375	364
Current Assets, Loans and Advances	2,065	2,970	4,010	5,091	5,745	6,722
Less: Current Liabilities and Provisions	994	1,858	1,602	1,423	1,723	2,055
Total Assets	**1,129**	**1,618**	**2,678**	**3,940**	**4,274**	**5,041**

Ratios based on Consolidated Financials

	FY12	FY13	FY14	FY15 E	FY16 E	FY17 E
Growth in Operating Income	53.2%	32.0%	33.0%	20.0%	17.2%	32.5%
Growth in EBITDA	64.0%	44.0%	28.6%	18.7%	26.4%	30.8%
Growth in PAT	59.7%	25.7%	22.6%	12.3%	27.4%	27.1%
Growth in EPS	57.7%	15.0%	0.2%	12.3%	27.4%	27.1%
EBITDA Margin	11.4%	12.4%	12.0%	11.9%	12.8%	12.7%
PAT Margin	7.6%	7.2%	6.6%	6.2%	6.7%	6.5%
RoCE	30.3%	36.6%	30.1%	23.2%	23.6%	26.9%
RoE	42.1%	30.1%	23.3%	22.2%	24.3%	25.6%
Net Debt-Equity(times)	1.1	0.2	0.6	1.0	0.9	0.8
Interest Coverage (times)	4.5	4.6	3.9	4.3	4.3	4.7

Current Ratio (times)	2.1	1.6	2.5	3.6	3.3	3.3
Inventory Days	158	149	158	181	199	184
Receivable Days	81	61	43	39	39	31
Price / Earnings (P/E) Ratio	15.0	13.1	13.1	11.6	9.1	15.0
Price / Book Value(P/BV) Ratio	6.3	3.4	2.8	2.4	2.0	6.3
Enterprise Value (EV)/EBITDA	17.4	12.1	9.8	9.1	7.7	17.4

Source: Company, CARE

EXPLANATION OF GRADES

CARE EquiGrade Grid (CEG)

Through CEG, CARE 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-à-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.

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 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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