

SKF India Ltd

Bloomberg Code: SKF IN

India Research - Stock Broking

BUY

Keeping Pace with the Economy

SKF, with adequate capacity headroom, is well positioned to capitalize on economic recovery

With an up-tick in the economy, aided by Indian government's industry friendly policies coupled with RBI's initiative to cut interest rates resulting in lower lending rates, manufacturing sector is feeling re-energized. And bearing, being the basic requirement in manufacturing sector and SKF, being the market leader with ~28% market share & 15% headroom in capacity utilization, is more than well placed to capitalize on the much anticipated revival in the economy.

Surge in auto sales & pick-up in industrial activity to up revenue by 10%

Auto industry is estimated to grow at 7.4% for FY16E & 12.9% for FY17E and IIP & core sector growth finally exhibiting signs of recovery on the back of strong macro-economic factors and SKF, having a near perfect correlation with auto sales & IIP growth, is well poised to grow at a CAGR of 10.0% for CY14-CY17E.

Presence in Renewable Energy (RE) & railways is well complemented by huge distribution network

SKF draws ~6% of revenue from RE. With intense focus on implementation, Indian government has set a target of 175 GW of RE by FY22. We believe India's wind energy installed capacity is expected to grow at a CAGR of 15.4% during FY15-FY22 & we expect SKF's RE revenue to grow in tandem. SKF debuting into railways is currently supplying ~5% of contract size. We believe SKF to win full time contracts in near future adding more revenue to its piggy. SKF's strong distribution network comprising 400 distributors pan India with ~26000 retail touch points well complements its market leadership.

Valuation and Outlook

At CMP of Rs. 1226, SKF is trading at 32.7x trailing twelve month EPS. SKF, being a market leader, is set to outperform its peers during the times of economic revival. In view of auto industry revival coupled with positive industry sentiments, we ascribe a multiple of 28.6x CY17E EPS, which is 1 standard deviation of one year forward mean PE during CY05-15. We initiate a coverage with a "BUY" rating for a target price of Rs. 1450 representing an upside potential of 18% for 9-12 months period.

Exhibit 1: Valuation Summary (Rs. Mn)

YE Dec (Rs. Mn)	CY13	CY14	CY15E	CY16E	CY17E
Net Sales	22750	24156	26867	28704	32154
EBITDA	2612	2832	3154	3272	3680
EBITDA Margin (%)	11.5	11.7	11.7	11.4	11.4
Adj. Net Profit	1888	2028	2258	2353	2674
EPS (Rs.)	35.8	38.5	42.8	44.6	50.7
RoE (%)	15.5	15.1	15.0	14.0	14.2
PE (x)	18.7	34.9	28.6	27.5	24.2

Source: Company, Karvy Research, *Represents multiples for CY13 & CY14 are based on historic market price

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Recommendation (Rs.)

CMP (as on Sep 02, 2015)	1226
Target Price	1450
Upside (%)	18

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	64679 / 977
52-wk High/Low (Rs.)	1540 / 1007
3M Avg. daily volume (mn)	0.03
Beta (x)	0.9
Sensex/Nifty	25454 / 7717
O/S Shares(mn)	52.7
Face Value (Rs.)	10.0

Shareholding Pattern (%)

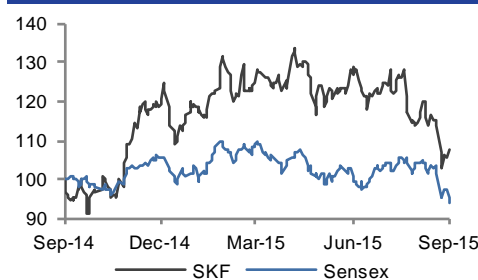
Promoters	53.6
FIIIs	8.0
DIIIs	24.0
Others	14.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(5)	(15)	(14)	7
Relative to Sensex	5	(9)	(0)	13

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Analyst Contact

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Company Financial Snapshot (Y/E Dec)
Profit & Loss (Rs. Mn)

	CY15E	CY16E	CY17E
Net sales	26867	28704	32154
Optg. Exp (Adj for OI)	23714	25431	28474
EBITDA	3154	3272	3680
Depreciation	589	622	654
Interest	0	0	0
Other Income	806	861	965
PBT	3370	3512	3991
Tax	1112	1159	1317
Adj. PAT	2258	2353	2674
Profit & Loss Ratios			
EBITDA margin (%)	11.7	11.4	11.4
Net margin (%)	8.4	8.2	8.3
P/E (x)	28.6	27.5	24.2
EV/EBITDA (x)	18.4	17.2	14.8
Dividend Yield (%)	0.8	0.8	0.8

Source: Company, Karvy Research

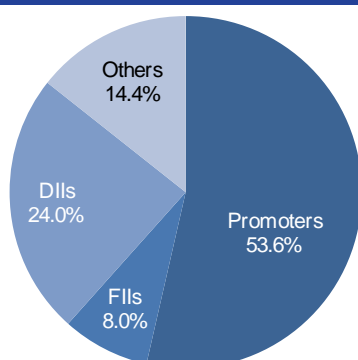
Balance sheet (Rs. Mn)

	CY15E	CY16E	CY17E
Total Assets	21279	23388	26046
Net Fixed assets	3676	3655	3600
Current assets	17247	19335	22004
Other assets	356	399	442
Total Liabilities	21279	23388	26046
Networth	15893	17718	19864
Debt	0	0	0
Current Liabilities	5385	5669	6181
Deferred Tax	1	1	1

Balance Sheet Ratios

RoE (%)	15.0	14.0	14.2
RoCE (%)	15.0	14.0	14.2
Net Debt/Equity	(0.4)	(0.5)	(0.5)
Equity/Total Assets	0.7	0.8	0.8
P/BV (x)	4.1	3.6	3.3

Source: Company, Karvy Research

Exhibit 2: Shareholding Pattern (%)


Source: BSE, Karvy Research

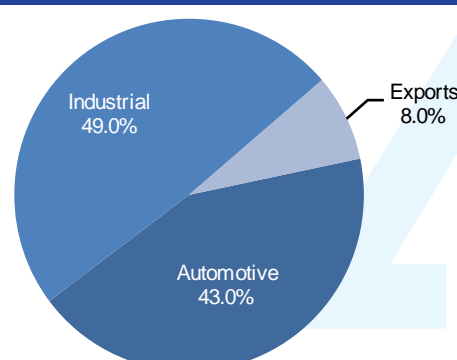
Company Background

Incorporated in 1961, as Associated Bearing Company Limited, SKF India Limited is part of the Swedish SKF Group, which deals with rolling bearing and seals globally. In 1987, the name was changed to SKF Bearing India limited and in 2004, it became SKF India Ltd. It manufactures rolling bearing and seals. Besides its wide-ranging products, it also offers extensive solutions and services. The company is a market leader in Indian bearing market with ~28% market share. The products of the company consists of Bearings, Housing/Sleeves & Accessories, Seals, Lubrication Solutions, Spherical Plain Bearings, Maintenance Products, Condition Monitoring Equipments, Linear Motion Products, Special Steel and a wide range of their high-tech industrial components. These have applications in the areas of automotive, industrial, electrical, service and textile machinery etc. SKF also provides a comprehensive service programme for bearings and rotating equipment in vehicle service market or to the industrial customers, etc. Its registered office is in Mumbai. The company has its manufacturing facilities at Pune, Bangalore & Haridwar.

Cash Flow (Rs. Mn)

	CY15E	CY16E	CY17E
PBT	3370	3512	3991
Depreciation	589	622	654
Tax	(1112)	(1159)	(1317)
Changes in WC	(452)	(188)	(430)
Others	(806)	(861)	(965)
CF from Operations	1589	1926	1933
Capex	(600)	(600)	(600)
Others	806	861	965
CF from Investing	206	261	365
Dividends	(527)	(527)	(527)
CF from Financing	(527)	(527)	(527)
Net change in cash	1268	1660	1771

Source: Company, Karvy Research

Exhibit 3: Revenue Segmentation (%)


Source: Company, Karvy Research

Industry overview

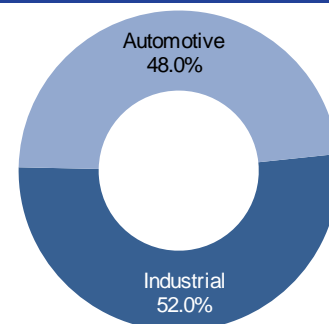
The current Indian bearing industry sizes around Rs. 80-85 Bn. The demand for the bearings is driven by two key user segments- automotive and industrial sectors. Automotive segment contributes around 48% and the remaining 52% is contributed by industrial demand. In the automotive bearings market, the organized segment manufacturers cater to 50% of the demand. About 15% of the production is by the unorganized segment and import bearings, is currently placed at 35%. Out of the total revenue in the automotive segment, 65% of the revenue is contributed by the Original Equipment Manufacturers (OEMs) and the remaining 35% is by the demand from the aftermarket. Indian industry today manufactures small and medium bearings mainly in five categories, i.e. ball bearings, cylindrical roller bearings, taper roller bearings, spherical roller bearings and needle roller bearings. While leading players such as SKF, FAG, Timken & NRB are present in production of all types of bearings, the competitive intensity in the bearing industry is relatively moderate due to individual specializations in one particular segment.

Exhibit 6: Company - Competencies

Name	Segment Specialized
SKF	Deep Grove Ball Bearings
FAG	Roller Bearings
TIMKEN	Roller Bearings
NRB	Needle Roller Bearing

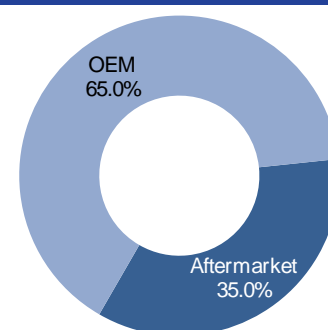
Source: Company, Karvy Research

Exhibit 4: User Segments



Source: Company, Karvy Research

Exhibit 5: Revenue Break-up in Auto Segment



Source: Company, Karvy Research

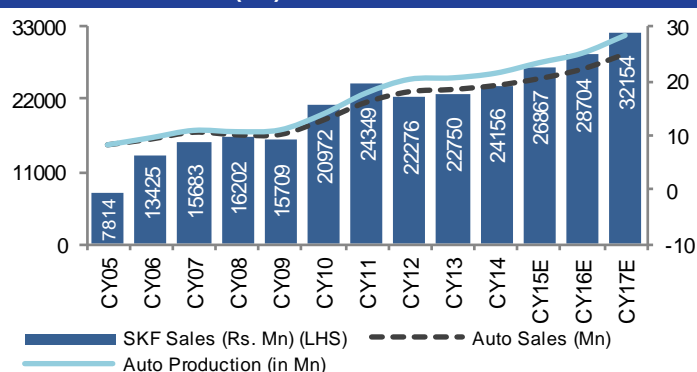
SKF revenue: aided by resilient automotive sector together with positive sentiments

Automotive industry, being the largest consumer of bearings, has strong linkages to the economy. Having a near perfect correlation with GDP, automotive industry contributes ~7% to India's GDP. While immediate upturn is not expected in auto industry, the worst may be behind us. Expectations of improvement in economic environment along with potential interest rate cuts, likely to provide support to auto sales in FY16E & FY17E.

Owing to moderation in inflation levels, revival in consumer sentiments, together with under-penetrated rural market, we expect demand for two wheelers & three wheelers to pick up during the year and are expected to grow at 7.2% & 8.8% for FY16E; and 12.5% & 8.0% for FY17E respectively.

Commercial Vehicle (CV) and tractor sales have slowed down mainly due to hold up in industrial activity, sluggish infrastructure spending and subdued rural economy. With recent government initiative "Make in India" campaign, we believe the industrial activity to pick up in long run, if not immediately, also in rural economy, with the betterment of consumer sentiments and improving rural economics, we expect CVs & tractors to grow by 9.5% & 3% for FY16E and 19.5% & 15% for FY17E.

Exhibit 7: Auto Sales (Mn) Vs. Auto Production Vs. SKF

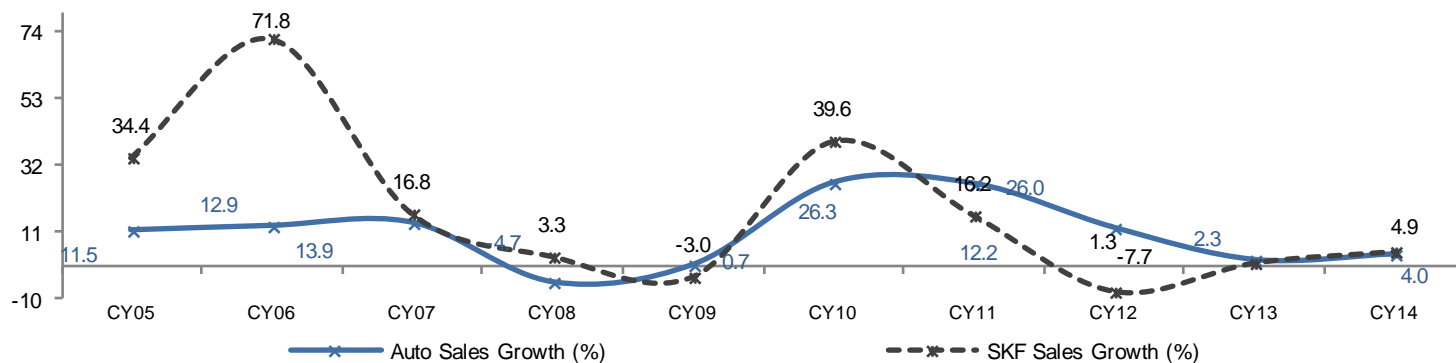


Source: Society of Indian Automobile Manufacturers (SIAM), Company, Karvy Research

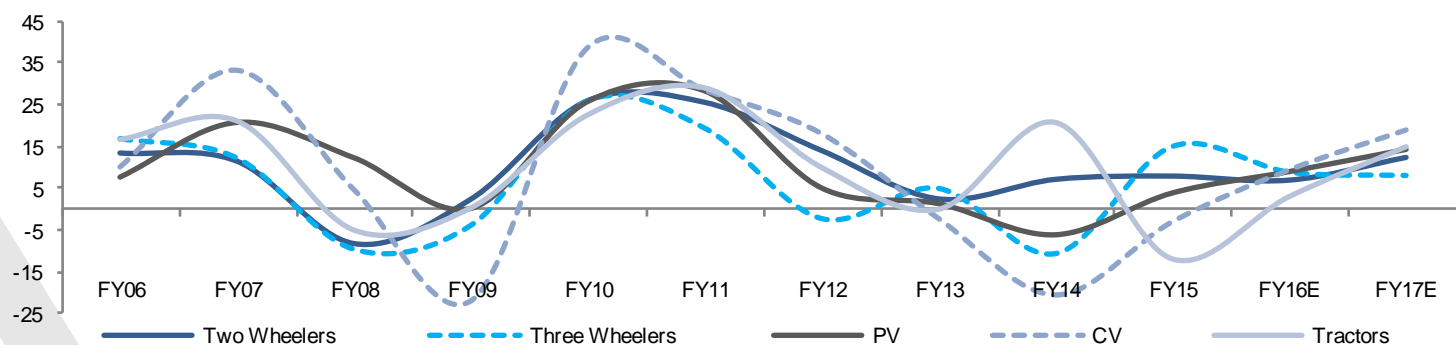
Car penetration in India is estimated to be as low as 15 cars per 1,000 people compared to over 60 cars in China. Production of Cars and Utility vehicles in India stood at around 3 Mn in 2014, compared to 20 Mn vehicles in China. This again points towards high potential for growth of automotive sector in India. Capitalizing on the same, we believe Passenger Vehicle (PV) segment to grow at 9% & 14.3% for FY16E & FY17E supported by growing middle class coupled with rising income levels.

Medium and long-term outlook for automotive sector looks

very positive. Favorable demographics, growing middle class and rapid urbanization will drive the need for personal and public transportation. At the same time, industry will increasingly follow the global trend towards higher efficiency, controlled emissions, higher safety and improved driving comfort. As a whole, we believe the automotive industry would grow by 7.4% for FY16E & 12.9% for FY17E; and considering the correlation, we believe SKF to grow on similar lines at 11.2%, 6.8% & 12.0% for CY15E, CY16E & CY17E respectively.

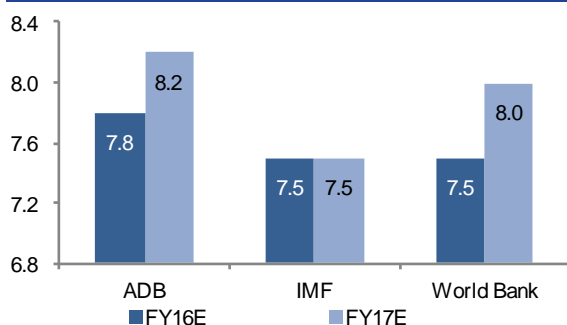
Exhibit 8: Correlation between Auto Sales & SKF


Source: SIAM, Company, Karvy Research

Exhibit 9: Auto Sales - Category-wise Growth (%)


Source: SIAM, Karvy Research

Revival in investment cycle together with softening interest rates augurs well for SKF

Exhibit 10: India's GDP Forecasts (%)


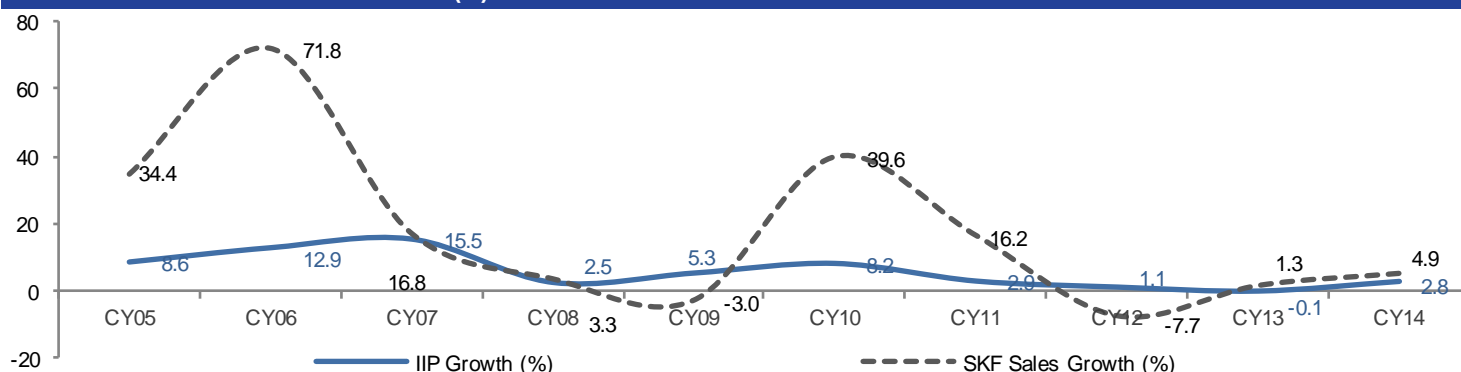
Source: World Bank, IMF, ADB, Karvy Research

Growing educated young population, expansion of middle class and trickle down effects of overall prosperity in rural areas, augur well for economic development of India. India's GDP is expected to grow at ~8% per year in the mid to long term. The government has projected the country's economic growth to be in the range of 8.1-8.5% in the current financial year against 7.3% in 2014-15. Most global and domestic agencies, including the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB), have pegged it at 7.5-8.2% mainly supported by stable government at center, coupled with industry friendly policies.

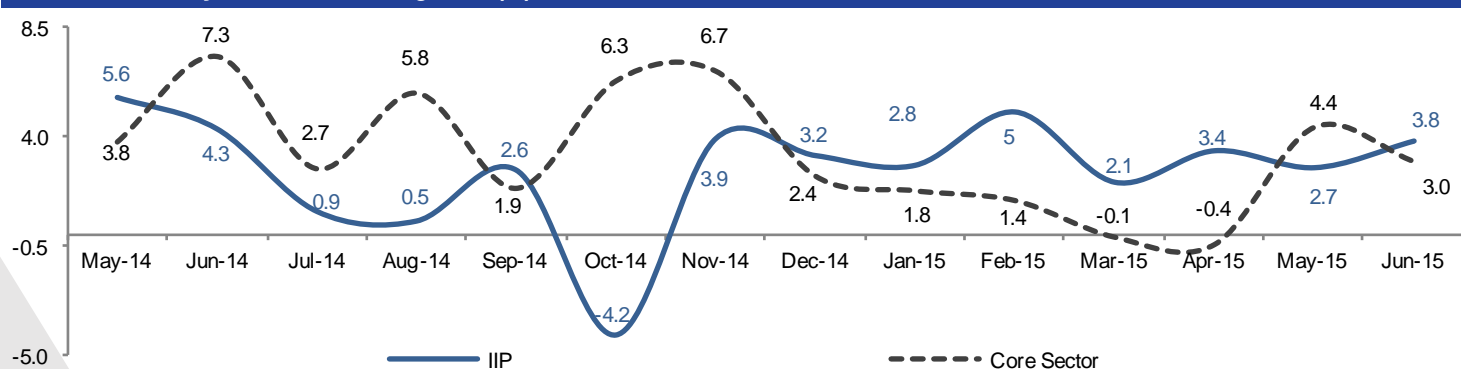
Index of Industrial Production (IIP) has been volatile all through the year and is now showing signs of consistency. Core sector (has 38% weightage in IIP) growth has also recovered to a six-month high in May-15 (4.4% vis-a vis May-14) on the back of a significant jump in government spending in infrastructure space, adding to increasing evidence that the country's industrial sector is climbing up despite the global headwinds. Further, both IIP & Core sector growth rates have continued their upward trend with 3.8% & 3.0% for June-15. A large number of public and private investment programs in core sectors like steel, cement, power etc reflect Indian government's priority to infrastructure development.

Investment activity in the country is expected to see a revival soon with the Reserve Bank of India having cut interest rates thrice since January 2015 by 25 basis points each, taking repo rate to 7.25%. Banks have also started passing on the benefits to consumers by cutting lending rates.

“Make in India” captures India’s vision to grow share of the country’s manufacturing sector from 15% to 25% of India’s GDP. India with its favorable demographics, rising education levels and growing urbanization, offers potential for long-term economic development. Overall prospects for industrial development thus remain very positive in India and we expect strong demand of bearing products to continue in the coming future.

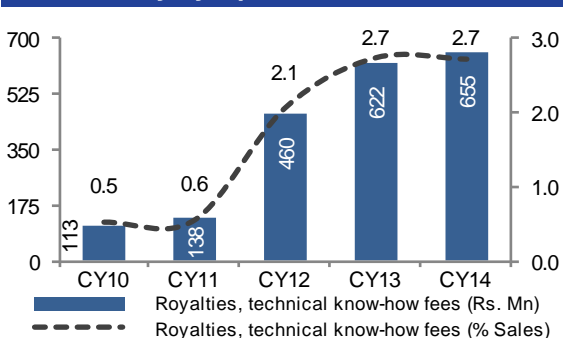
Exhibit 11: Correlation between IIP & SKF (%)


Source: Ministry of Statistics and Programme Implementation (MoSPI), Company, Karvy Research

Exhibit 12: Monthly IIP Vs Core sector growth (%)


Source: MoSPI, Karvy Research

Strong parental Research & Development (R&D) back-up to minimize costs & assist in growth

Exhibit 13: Royalty expenses


Source: Prowess, Company, Karvy Research

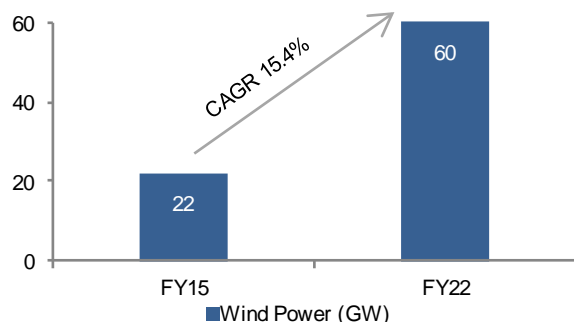
SKF has a strong parental backing in terms of R&D expertise for cutting edge products and manufacturing technology. SKF has constantly been accessing technology from the parent company AB SKF. SKF India has paid over an average of 2.7% of sales for CY14 in terms of royalty & technical knowhow.

The parent company AB SKF continues to provide global R&D support on the technology development which enables SKF India to produce products, which provide immense benefits to customers in various fields. The company continues to receive technical know-how from parent

company on all the areas of manufacturing which includes product designing, product engineering, application engineering, testing, advanced engineering simulations, new technologies in manufacturing, advances in material selection for specific applications, related technologies and technical training.

The group’s global design support was also received in many key automotive applications for Wheel End, Steering, Transmission, Clutch, Suspension and Engines. Similarly, technical support in grinding technology received enabled SKF India to optimize the costs in abrasives to provide a competitive advantage in the market. Apart from this, energy efficient solutions on regular basis are provided to reduce CO₂ emissions and fuel /energy consumption from SKF BeyondZero TM portfolio of SKF Group. AB SKF Technical centers present across the globe regularly support in upgrading technology for process & quality improvement.

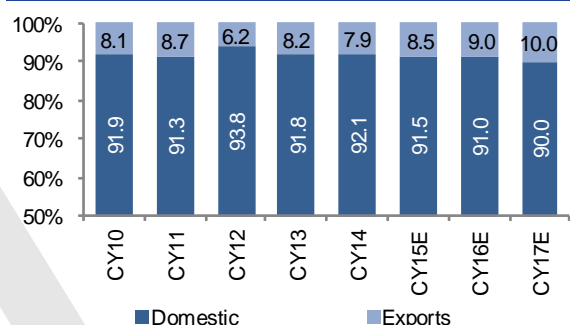
Revitalizing renewable energy segment together with entry into railways could drive revenue for SKF in near term

Exhibit 14: Renewable Energy Forecast


Source: Ministry of Renewable Energy (MoRE), Karvy Research

government has ambitious plans for growth and modernization of railways. SKF has recently ventured into railway segment and is currently supplying around ~5% of the contract size; and upon successfully meeting the criteria, SKF would be eligible for supplying full time contracts which may fare well in near future.

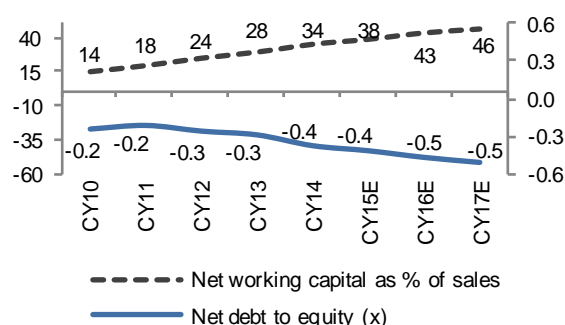
Continued focus on exports may augur well for SKF

Exhibit 15: Domestic Vs Export Revenue (%)


Source: Company, Karvy Research

Nearly ~7.9% of SKF's revenue is through exports and almost all of it is from automotive industry. SKF mainly exports to European car makers, mostly German & Sweden. In the export markets, apart from short term headwinds in Europe, we see a steady growth. Historically, exports have grown at a CAGR of 3% during CY10-CY14 and with continued focus, we believe SKF's export revenues to grow for next couple of years at a CAGR of 8% and form ~10% of total revenue by CY17E.

Robust financial position to gain market share & sustain growth

Exhibit 16: Liquidity Cushion


Source: Company, Karvy Research

SKF is a zero debt, cash rich company with cash & cash equivalents of Rs.5348Mn in CY14 representing cash per share of Rs. 101.4 and the same is expected to grow at a CAGR of 23.4% during CY15E-CY17E to reach Rs. 190.5 per share or Rs. 10046 Mn. With comfortable cash position, SKF is well poised to aggressively position itself to gain market share in highly competitive markets. We also believe SKF to fund its capex through internal accruals.

Exhibit 17: Business Assumptions

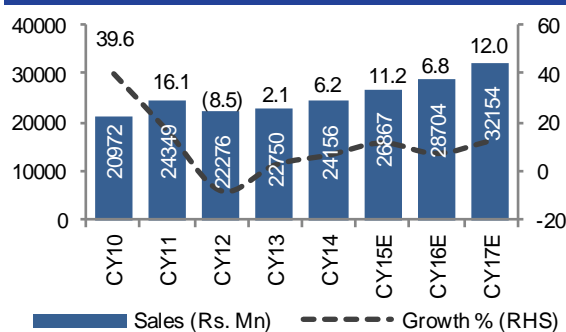
Y/E Dec (Rs. Mn)	CY14	CY15E	CY16E	CY17E	Comments
Consolidated					
Revenue	24156	26867	28704	32154	Revenue is expected to register a CAGR growth of 10.0% for CY14-CY17E on the back of improved industry demand.
Revenue Growth (%)	6.2	11.2	6.8	12.0	
EBITDA	2832	3154	3272	3680	Moderate increase in employee expenses and other expenses, together with stable raw material prices are expected to aid EBITDA margin to stabilize at 11.4% by CY17E.
EBITDA Margins (%)	11.7	11.7	11.4	11.4	
PAT (normalized)	2028	2258	2353	2674	Almost stable taxes help PAT to increase to Rs.2674 Mn by CY17E.
EPS	38.5	42.8	44.6	50.7	EPS is expected to grow at a CAGR of 15.4% for CY14-CY17E mainly on account of higher revenue.
EPS Growth (%)	7.4	11.4	4.2	13.6	
Capex	375	600	600	600	With optimum capacities already installed, only maintenance capex is expected.
Net CFO	2177	1589	1926	1933	On the back of healthy growth in revenue & margins, CFO remains stable & positive.
Net Debt	(5348)	(6615)	(8275)	(10046)	SKF is debt free and cash rich company to fund its capex through internal accruals.
Free Cash Flow	1802	989	1326	1333	

Source: Company, Karvy Research

Exhibit 18: Karvy vs Consensus

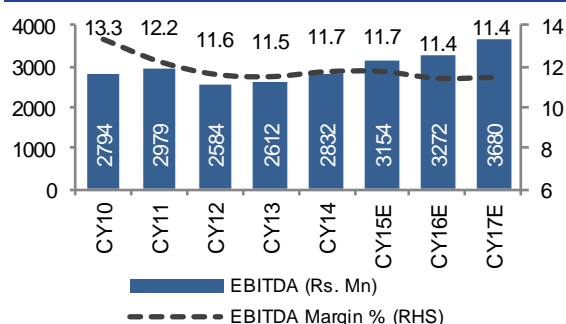
	Karvy	Consensus	Divergence (%)	Comments
Revenues (Rs. Mn)				
CY15E	26867	25753	4.3	We are anticipating an increase in demand environment due to revival in the industrial activity.
CY16E	28704	30215	(5.0)	
CY17E	32154	34745	(7.5)	
EBITDA (Rs. Mn)				
CY15E	3154	2999	5.2	We have assumed stable raw material prices and slight increase in employee & other expenses.
CY16E	3272	3852	(15.0)	
CY17E	3680	4594	(19.9)	
EPS (Rs.)				
CY15E	42.8	41.5	3.2	We expect EPS to grow at a CAGR of 15.4% for CY14-CY17E mainly on account of higher revenue.
CY16E	44.6	51.2	(12.9)	
CY17E	50.7	61.6	(17.7)	

Source: Bloomberg, Karvy Research

Exhibit 19: Sales & Sales Growth


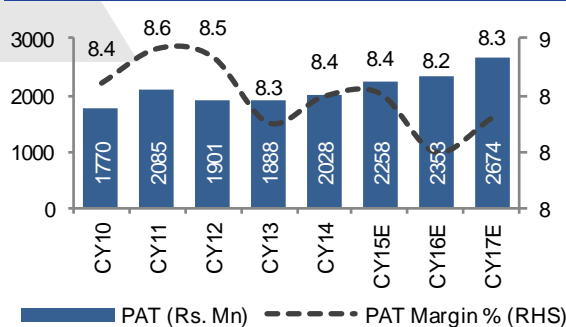
Source: Company, Karvy Research

Revenue has grown at a CAGR of 3.6% for the period CY10-CY14 mainly due to slow down in the economy together with ripple effect felt in lower auto sales. On account of improving macro economic conditions as reflected in IIP & core sector indices, turnaround in investment cycle together with stimulating automotive industry; we believe SKF revenue to surge at a CAGR of 10.0% to reach Rs. 32154 Mn for CY14-CY17E.

Exhibit 20: EBITDA & EBITDA Margin


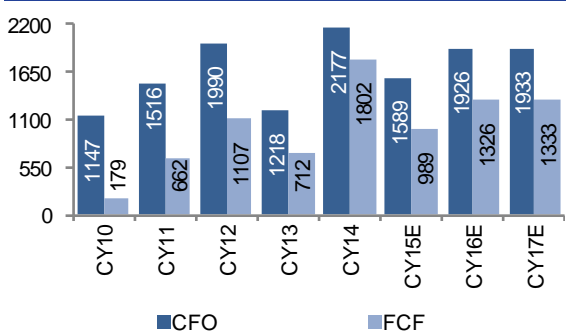
Source: Company, Karvy Research

EBITDA has been volatile during CY10-CY14, for CY14 it stood at Rs.2832Mn, 8.4% higher than the previous year's Rs.2612 Mn. As revenue is poised for growth and even the cost of production as a percentage of revenue has been quite flattish over the years, we assume the margins to stabilize at 11.4% by CY17E. Though the EBITDA number is increasing for CY15E-CY17E, EBITDA margins are projected to be flat mainly due to increasing other expenses and employee costs.

Exhibit 21: PAT & PAT Margin


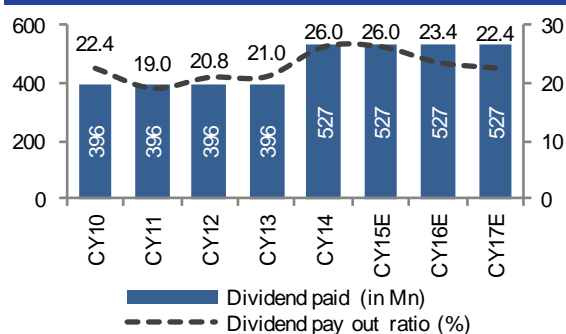
Source: Company, Karvy Research

The net profit for CY14 has grown at 7.4% versus CY13 and stood at Rs.2028 Mn. PAT margins are expected to stabilize at 8.3% by CY17E mainly on account of higher revenue, steady operating margins and stable tax expenses.

Exhibit 22: CFO Vs FCF (Rs. Mn)


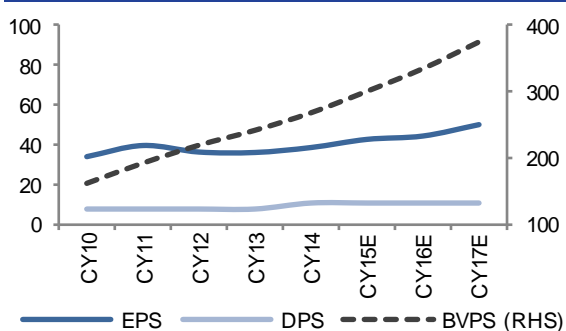
Source: Company, Karvy Research

Expansion in profitability has led to continuous maintenance of operating & free cash flows during CY10-CY14. Going forward, we expect CFO & FCF to reach Rs. 1933 Mn & Rs. 1333 Mn by CY17E respectively and we expect any funding requirements for the company to be met by internal accruals.

Exhibit 23: Dividend Payout Ratio


Source: Company, Karvy Research

The company has been consistently paying the dividend, and the dividend payout ratio stood at a high of 26% during CY14 versus 21% in CY13. We believe the company would uphold the dividend payments going forward.

Exhibit 24: EPS Vs. BVPS Vs. DPS (Rs.)


Source: Company, Karvy Research

EPS, BVPS & DPS have grown at a CAGR of 3.5%, 13.7% & 7.4% for CY10-CY14. We believe both EPS & BVPS will grow at a CAGR of 9.7% & 11.9% for CY15E-CY17E. SKF has been following a constant dividend policy paying Rs. 7.5 per share as dividend during CY10-CY13 and for CY14, it paid Rs. 10 per share as dividend and we expect the trend to continue in future as well.

Exhibit 25: Company Snapshot (Ratings)

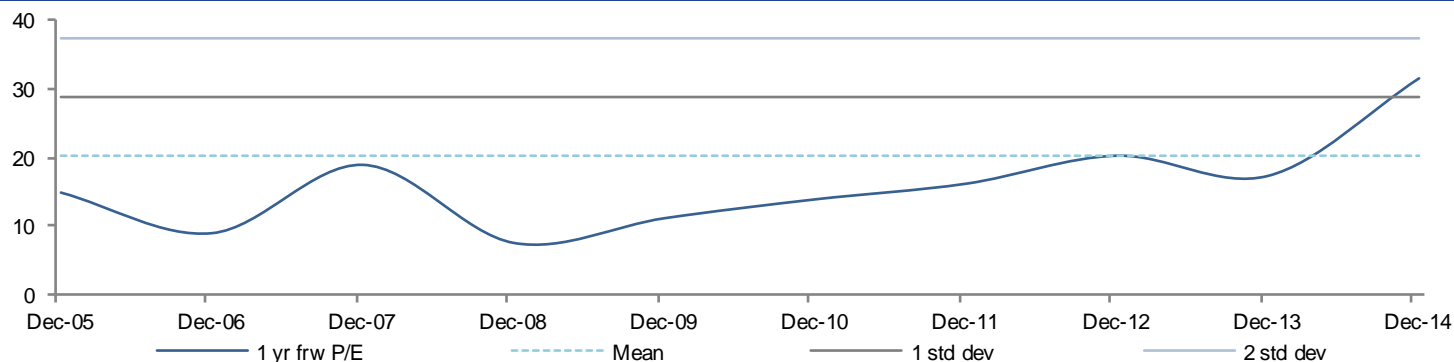
	Low				High
	1	2	3	4	5
Quality of Earnings			✓		
Domestic Sales				✓	
Exports	✓				
Net Debt/Equity			✓		
Working Capital Requirement				✓	
Quality of Management				✓	
Depth of Management				✓	
Promoter				✓	
Corporate Governance			✓		

Source: Company, Karvy Research

Valuation & Outlook

We believe cyclical trend to be appropriate method to value SKF based on its historical performance during various business and industry cycles. We have considered a ten year cycle from CY05 to CY14 to reflect current economic and market sentiments while arriving at valuation for SKF. We value the company based on P/E basis.

Exhibit 26: 1yr Forward P/E Band



Source: Company, Karvy Research

At CMP of Rs. 1226, SKF is trading at 32.7x trailing twelve month EPS. SKF, being a market leader, is set to outperform its peers during the times of economic revival. In view of auto industry revival coupled with positive industry sentiments, we ascribe a multiple of 28.6x CY17E EPS, which is 1 standard deviation of one year forward mean PE during CY05-14. We initiate a coverage with a **“BUY”** rating for a target price of Rs. 1450 representing an upside potential of 18% for a 9-12 months period.

Exhibit 27 (a): Comparative Valuation Summary

	CMP (Rs.)	Mcap (Rs. Mn)	EV/EBITDA (x)				P/E (x)				EPS (Rs.)			
			CY14	CY15E	CY16E	CY17E	CY14	CY15E	CY16E	CY17E	CY14	CY15E	CY16E	CY17E
SKF India	1226	64679	23.1	18.4	17.2	14.8	34.9	28.6	27.5	24.2	38.5	42.8	44.6	50.7
FAG Bearings	4380	68893	24.7	23.2	19.9	16.2	38.9	36.2	34.5	28.4	92.0	113.7	119.4	145.1

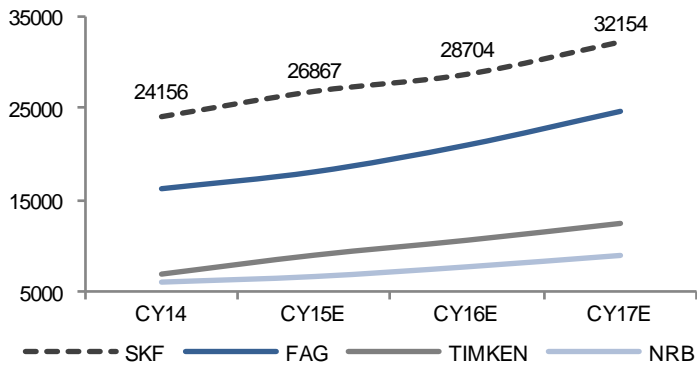
Source: Bloomberg, Karvy Research

Exhibit 27 (b): Comparative Operational Metrics Summary

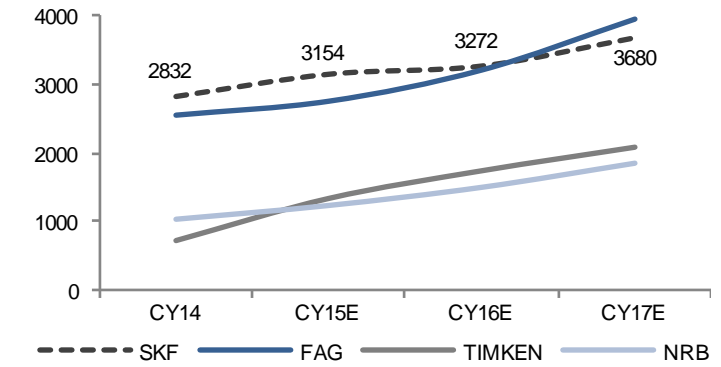
	CAGR % (CY14-17E)			RoE (%)				Price Perf (%)			Net Sales (Rs. Mn)			
	Sales	EBITDA	EPS	CY14	CY15E	CY16E	CY17E	3m	6m	12m	CY14	CY15E	CY16E	CY17E
SKF India	10.0	9.1	9.7	15.1	15.0	14.0	14.2	(15.0)	(13.6)	6.8	24156	26867	28704	32154
FAG Bearings	15.1	15.4	16.4	14.6	15.7	17.3	16.3	7.4	8.2	52.3	16176	18027	20976	24671

Source: Bloomberg, Karvy Research

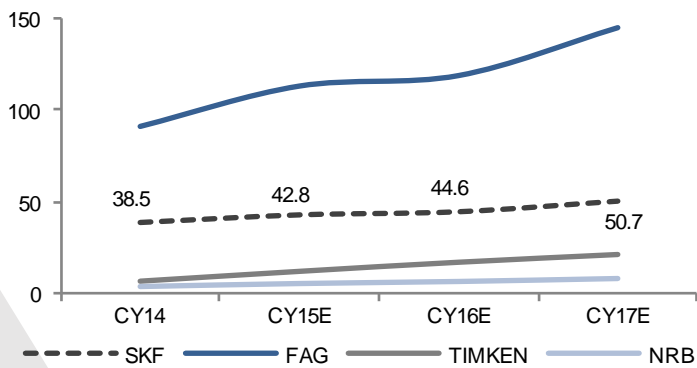
Peer Comparison

Exhibit 28: Revenue (Rs. Mn)


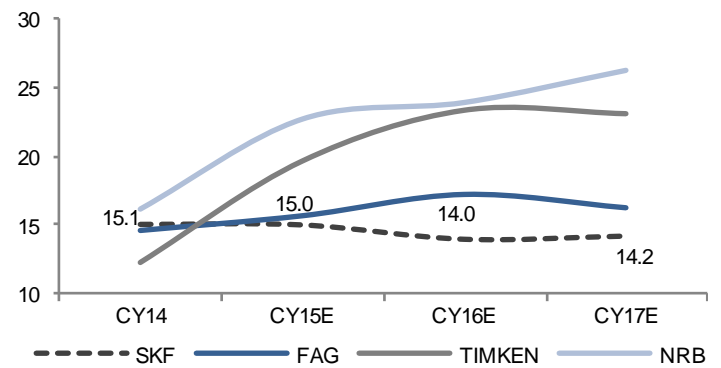
Source: Bloomberg, Company, Karvy Research

Exhibit 29: EBITDA (Rs. Mn)


Source: Bloomberg, Company, Karvy Research

Exhibit 30: EPS (Rs.)


Source: Bloomberg, Company, Karvy Research

Exhibit 31: RoE (%)


Source: Bloomberg, Company, Karvy Research

Key Risks

- Slowdown in automotive segment & industrial activity may affect revenue.
- Threat of counterfeit products due to weak Intellectual Property Rights (IPR) implementation in India.

Financials

Exhibit 32: Income Statement

YE Dec (Rs. Mn)	CY13	CY14	CY15E	CY16E	CY17E
Revenue	22750	24156	26867	28704	32154
Growth (%)	2.1	6.2	11.2	6.8	12.0
Operating Expenses	20138	21324	23714	25431	28474
EBITDA	2612	2832	3154	3272	3680
Growth (%)	1.1	8.4	11.4	3.8	12.5
Depreciation & Amortization	494	540	589	622	654
Other Income	634	769	806	861	965
EBIT	2118	2292	2564	2651	3026
PBT	2530	3062	3370	3512	3991
Tax	863	1034	1112	1159	1317
Adjusted PAT	1888	2028	2258	2353	2674
Growth (%)	(0.7)	7.4	11.4	4.2	13.6

Source: Company, Karvy Research

Exhibit 33: Balance Sheet

YE Dec (Rs. Mn)	CY13	CY14	CY15E	CY16E	CY17E
Cash & Equivalents	3758	5348	6615	8275	10046
Sundry Debtors	3298	3730	4198	4485	5024
Inventory	2552	2930	3411	3644	4082
Loans & Advances	3249	3126	3022	2931	2852
Gross Block	10071	10316	10916	11516	12116
Net Block	3764	3666	3676	3655	3600
CWIP	247	184	184	184	184
Miscellaneous	86	129	172	215	258
Total Assets	16953	19112	21279	23388	26046
Current Liabilities & Provisions	4158	4949	5385	5669	6181
Debt	0	0	0	0	0
Other Liabilities	40	1	1	1	1
Total Liabilities	4198	4950	5386	5670	6182
Shareholders Equity	527	527	527	527	527
Reserves & Surplus	12228	13635	15365	17191	19337
Total Network	12755	14162	15893	17718	19864
Total Network & Liabilities	16953	19112	21279	23388	26046

Source: Company, Karvy Research

Exhibit 34: Cash Flow Statement

YE Dec (Rs. Mn)	CY13	CY14	CY15E	CY16E	CY17E
PBT	2751	3062	3370	3512	3991
Depreciation	494	540	589	622	654
Interest	0	0	0	0	0
Tax Paid	(874)	(1117)	(1112)	(1159)	(1317)
Inc/dec in Net WC	(464)	316	(452)	(188)	(430)
Other Income	(468)	(619)	(806)	(861)	(965)
Other non cash items	(223)	(3)	0	0	0
Cash flow from operating activities	1218	2177	1589	1926	1933
Inc/dec in capital expenditure	(506)	(375)	(600)	(600)	(600)
Others	(1145)	348	806	861	965
Cash flow from investing activities	(1650)	(27)	206	261	365
Dividend paid	(463)	(925)	(527)	(527)	(527)
Cash flow from financing activities	(463)	(925)	(527)	(527)	(527)
Net change in cash	(895)	1225	1268	1660	1771

Source: Company, Karvy Research

Exhibit 35: Key Ratios

YE Dec (%)	CY13	CY14	CY15E	CY16E	CY17E
EBITDA Margin (%)	11.5	11.7	11.7	11.4	11.4
EBIT Margin (%)	9.3	9.5	9.5	9.2	9.4
Net Profit Margin (%)	8.3	8.4	8.4	8.2	8.3
Dividend Payout ratio (%)	21.0	26.0	26.0	23.4	22.4
Net Debt/Equity (x)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
RoE (%)	15.5	15.1	15.0	14.0	14.2
RoCE (%)	15.5	15.1	15.0	14.0	14.2

Source: Company, Karvy Research


Exhibit 36: Valuation Parameters

YE Dec	CY13	CY14	CY15E	CY16E	CY17E
EPS (Rs.)	35.8	38.5	42.8	44.6	50.7
DPS (Rs.)	7.5	10.0	10.0	10.0	10.0
BVPS (Rs.)	241.9	268.6	301.4	336.0	376.7
PE (x)	18.7	34.9	28.6	27.5	24.2
P/BV (x)	2.8	5.0	4.1	3.6	3.3
EV/EBITDA (x)	12.0	23.1	18.4	17.2	14.8
EV/Sales (x)	1.4	2.7	2.2	2.0	1.7

Source: Company, Karvy Research; *Represents multiples for CY13 & CY14 are based on historic market price

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