

## TITAN COMPANY

RETAIL

### Sales recovery to kick in from 2HFY15

FY14 was one of the most challenging years for Titan. Apart from weak consumer discretionary spending, regulatory changes on gold leasing and imports also impacted the company's performance adversely. Reported earnings grew by 2% YoY, RoCE declined from 62% to 42% and operating cash flow was negative, first time in the last decade.

However, we believe that major regulatory overhang is behind us. Titan has adapted to these changes swiftly and is well-placed to gain market share. We expect retail space expansion and improvement in consumer sentiment to boost sales from 2HFY15. We expect sales to grow by 16%/19% YoY and adj. PAT to grow by 21%/26% YoY for FY15E/FY16E respectively. The stock is trading at 26x FY16E earnings, in line with its 3-yr average PER. We have a **HOLD** rating on the stock.

14 JUL 2014

Annual Report Analysis

# HOLD

Target Price: Rs 356

CMP : Rs 330  
 Potential Upside : 8%  
 Relative to Sector : Neutral

#### MARKET DATA

No. of Shares : 888 mn  
 Free Float : 47%  
 Market Cap : Rs 293 bn  
 52-week High / Low : Rs 363 / Rs 203  
 Avg. Daily vol. (6mth) : 1.6 mn shares  
 Bloomberg Code : TTAN IB Equity  
 Promoters Holding : 53%  
 FII / DII : 22% / 2%

- ◆ **Watch division gears up for aggressive growth:** Faced with a tough competitive environment and deep discounting, which led to 6% volume de-growth in FY14, Titan's watch division increased brand investments and new launches, consolidated distribution channels, and expanded its retail presence, especially in central India, to re-gain growth
- ◆ **Jewelry division hit by regulatory hurdles but some relief ahead:** Key regulatory changes that impacted the industry were: (1) Abolition of gold-on-lease (which had lowered financing cost and provided natural hedge), (2) Golden Harvest scheme considered as deposits, thus discontinued (this was a customer retention and acquisition scheme and increased cash reserves) and (3) 80:20 rule on imports and 10% custom duty (which curtailed gold supply and spiked premium on spot gold). However, recent ease of gold import restrictions has improved gold supplies and led to a fall in the spot premium. Titan has also adopted international hedging to reduce cost of financing through forward premium advantage. Finally, due to improving sentiment, management is seeing demand revival in gold jewelry. Titan also intends to start exporting jewelry by the end of Q1FY15, which will help the company in directly importing gold using its Direct Import License and bringing down its cost of material

#### Financial summary (Standalone)

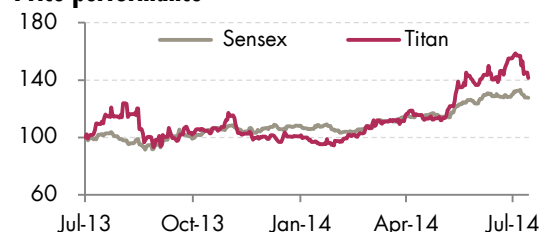
Y/E March	FY13	FY14	FY15E	FY16E
Sales (Rs mn)	101,127	109,158	126,452	150,640
Adj PAT (Rs mn)	7,286	7,440	8,971	11,272
Con. EPS* (Rs)	-	9.9	9.7	11.8
EPS (Rs)	8.2	8.4	10.1	12.7
Change YOY (%)	21.0	2.1	20.6	25.7
P/E (x)	31.3	39.4	32.7	26.0
RoE (%)	42.7	33.2	31.6	31.6
RoCE (%)	61.8	41.7	36.6	39.0
EV/E (x)	21.3	27.8	22.3	18.1
DPS (Rs)	-	-	-	-

Source: \*Consensus broker estimates, Company, Axis Capital      CMP as on July 11, 2014

#### Key drivers

(%)	FY14	FY15E	FY16E
Gold price (Rs/10 gm)	29,175	31,217	33,715
Jewelry – vol growth	20	9	12
Jewelry – EBIT margin	9.8	10.7	10.8

#### Price performance



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**Exhibit 1: Key comments on watch division**

Watches	Key comments
Market environment	<ul style="list-style-type: none"> <li>◆ The <b>retail market was over-run with products on deep discounts</b> and watches as a category receded in consumer preference compared to other categories like apparel, mobile phones, laptops, etc.</li> <li>◆ <b>International brands</b> like Fossil, Casio, Seiko, most Swiss brands and all fashion brands <b>continue to expand their retail presence</b> with the main challenge for Titan being fight for 'share of wallet'</li> <li>◆ The retail <b>growth in the Multi Brand Outlet channel has been lower than the growth seen in the World of Titan</b> and Fastrack stores.</li> <li>◆ However, Titan and its portfolio of brands, continued to dominate the watch market with <b>market share exceeding 65%</b></li> </ul>
Growth and expansion of retail footprint	<ul style="list-style-type: none"> <li>◆ Volume growth in such market conditions was hard to come by hence the company <b>focused on higher value products which led to an overall increase in sales value</b></li> <li>◆ The company has the <b>largest retail and distribution network for watches</b> in India</li> <li>◆ The division continued to expand its retail footprint taking its total count of <b>World of Titan's to 401 (up 10%), Fastrack stores to 151 (up 8%) and multi-brand Helios stores to 49 (up 9%)</b>.</li> <li>◆ Titan watches are available in over <b>9,000 multi-brand dealer outlets</b> across <b>2,500 towns</b>. Besides this, the company has around <b>750 service centers</b></li> </ul>
Brand investments and new product launches	<ul style="list-style-type: none"> <li>◆ <b>New retail identity</b> for World of Titan stores and Fastrack stores were rolled out</li> <li>◆ <b>High impact campaigns</b> on Titan, Fastrack, Sonata and Xylys focused on showcasing products and created excitement in the category</li> <li>◆ <b>New products</b> across brands were rolled out, both <b>at the high end and at the low end</b></li> </ul>
Consolidation of distribution	<ul style="list-style-type: none"> <li>◆ In tough market conditions, the company introduced a slew of measures to consolidate its distribution in order to gain faster access to markets and aid margins. The <b>sales force was consolidated</b> under a central sales organization</li> <li>◆ <b>New consolidated terms of trade for multi-brand outlets (MBOs)</b> was put in place</li> <li>◆ <b>Loss-making retail outlets</b> across World of Titan, Helios and Fastrack stores <b>were closed down</b></li> <li>◆ <b>Distributor consolidation</b> was initiated across the country</li> </ul>
Outlook	<ul style="list-style-type: none"> <li>◆ On the back of stable government and good consumer sentiment the <b>company's watch division is targeting aggressive growth in FY15</b></li> <li>◆ The company believes that the <b>women's and youth segments are large opportunities for growth</b></li> <li>◆ With the emergence of <b>e-commerce</b> retailers and the increasing propensity to buy online, the company has made this channel a <b>new focus area for growth</b></li> <li>◆ <b>The division will continue to invest</b> in its brands, introduce new products through the year, expand its retail foot-print especially in central India, renovate and enhance its retail presence and target market share gains with its strong portfolio of brands</li> </ul>

Source: Company

## Exhibit 2: Key comments on jewelry division

Jewelry	Key comments
Market environment	<ul style="list-style-type: none"> <li>◆ <b>Muted consumer sentiment</b> that continued from FY13 affected the discretionary categories in general and diamond jewelry in particular</li> <li>◆ While the steep and sudden fall in the price of gold in Q1 resulted in a huge gold rush, a good part of this surge was compensated in the other 3 quarters through a <b>muted demand for gold jewelry</b>, ending the full year on an average note</li> <li>◆ On the <b>diamond jewelry</b> front, things were worse, especially in the <b>high value category</b> (&gt; Rs. 0.5 million segment), with <b>most retailers reporting poor demand</b></li> <li>◆ The <b>competitive situation was also intensifying</b>, with some <b>south based chains showing high level of aggression</b> in store expansion and marketing campaign efforts</li> </ul>
Government actions that impacted jewelry division	<ul style="list-style-type: none"> <li>◆ <b>Abolition of the gold-on-lease scheme</b>, which gave the company low financing cost, 180 days credit and natural hedging of gold price</li> <li>◆ <b>The 80:20 rule for imports</b> that made import of gold totally controlled, squeezed the legal supply and increased the domestic premium</li> <li>◆ The <b>increase of customs duty to 10%</b>, which aggravated the supply situation and compounded the domestic premium issue</li> <li>◆ <b>Golden Harvest Scheme</b>: The Companies Act, 2013 has circumscribed purchase schemes like Golden Harvest, by redefining what a deposit is. <b>The company has stopped sales under this scheme</b> and is seeking clarification from the Ministry of Corporate Affairs. The impact is expected to be potential of loss of sales, as the scheme was an excellent customer acquisition program, and significant reduction to the cash reserves</li> </ul>
Other key developments	<ul style="list-style-type: none"> <li>◆ The company created and launched product collections which <b>offered good designs as well as were value for money</b></li> <li>◆ Continued to <b>expand network</b>, improved access and offer better customer experience</li> <li>◆ Launch Karigar Centre's and transforming gold jewelry manufacturing to <b>secure long term operational and financial objectives</b></li> <li>◆ <b>Impactful advertisement</b> which led to increase in desirability of Tanishq brand, as measured by Titan's brand metric tracks</li> <li>◆ Set up diamond <b>jewelry manufacturing plant</b> in Pantnagar in Mar 2014 <b>with state of the art equipment's</b></li> </ul>
Outlook on gold supply, financing and hedging	<ul style="list-style-type: none"> <li>◆ The reputation of the company and the group has helped the division with <b>all importing banks and canalizing agencies treating Titan as a preferred customer leading to smooth supply of gold</b></li> <li>◆ Going forward in FY15, the company expects the gold supply situation to be strengthened for the company as it <b>plans to export jewelry to Middle East and Singapore</b></li> <li>◆ The company expects to <b>start exporting jewelry by the end of Q1 FY15</b>, which will aid them in directly import gold <b>using their Direct Import License</b> and bringing down their cost of material</li> <li>◆ The company is working through various initiatives to <b>improve its inventory turns</b> to bridge the gap caused by abolition of gold on lease. Abolition of gold on lease has made Titan a net borrower, increased the cost of financing (debt at Rs 8 bn), increased the capital employed for jewelry segment (by 70% YoY to Rs 16 bn) and significantly reduced the ROCE (from 56% to 38%)</li> <li>◆ <b>On hedging</b>, the company has succeeded in getting an <b>approval from RBI to hedge their gold in the overseas market</b>. This will not only aid the company in eliminating gold price risk, but will also aid in reducing cost of financing through forwards premium advantage</li> </ul>

Source: Company

### Exhibit 3: Key comments on eyewear, accessories and precision engineering

Eyewear, accessories and precision engineering	Key comments
Sales	<ul style="list-style-type: none"> <li>♦ Titan's Eyewear, Accessories and Precision Engineering divisions cumulatively grew by 20.7% YoY to Rs 5 bn</li> </ul>
Key developments in eyewear division	<ul style="list-style-type: none"> <li>♦ Retail network expanded from 223 stores to over 280 stores this year spread over 103 towns with carpet area of 180000 sq. ft including multiple formats. Like to Like growth of 17% YoY in FY14</li> <li>♦ New collections (Flair, Hipster, Fastrack, Titan Glares) were introduced to focus on key consumer segments in the market, which witnessed good response</li> <li>♦ Innovation of <b>online eye testing</b> well accepted by customers and is gaining momentum</li> </ul>
Outlook	<ul style="list-style-type: none"> <li>♦ The eyewear market in India is estimated to be growing at ~16% CAGR in the past 5 years</li> <li>♦ Company's <b>focus on network expansion</b> will continue in FY15 with more focus on <b>tier 3 cities</b></li> <li>♦ The <b>retail identity of the stores will be uplifted</b> to make them more contemporary and stay ahead of the industry</li> <li>♦ <b>New channels</b> would be explored to <b>create greater access for customers</b></li> <li>♦ The company expects to <b>maintain growth momentum</b> for the business with a balanced approach to <b>growing both volume and value</b></li> </ul>
Key developments in accessories division	<ul style="list-style-type: none"> <li>♦ Launched two new categories – <b>Fragrances</b>, under the brand name 'Skinn' (six variants) and <b>Motorcycle Helmets</b> under brand Fastrack. Both have received good initial response</li> <li>♦ <b>Joint venture agreement</b> with luxury brand, Mont Blanc, to <b>retail and sell Mont Blanc products in India</b></li> </ul>
Key developments in precision engineering division	<ul style="list-style-type: none"> <li>♦ The division continued to grow strongly and grew its top-line and bottom-line by 25% YoY for FY14</li> <li>♦ The division entered the manufacture of assembly lines for medical devices with a potential for repeat orders</li> <li>♦ The businesses <b>started FY15 with sizable order book</b> ensuring further growth</li> </ul>

Source: Company

### Exhibit 4: Key comments from 2014 Annual Report - International operations

International operations	Key comments
Key developments in international operations	<ul style="list-style-type: none"> <li>♦ Exports comprising of watches and precision engineering (PED) grew by 12% YoY to Rs 2.2bn</li> <li>♦ Marginal growth in watch exports at Rs 1.2 bn. PED grew 24% YoY and exports constituted 50% of PED revenue</li> <li>♦ The aerospace, oil &amp; gas and engineering customers from the US almost doubled their off take</li> </ul>

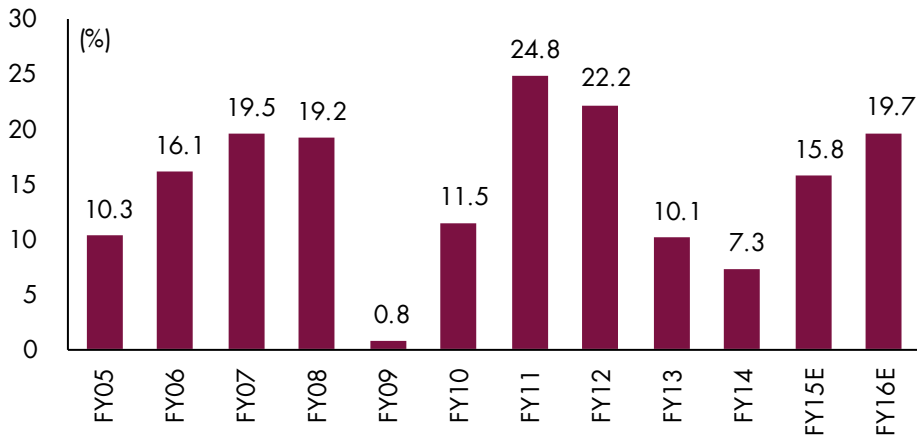
Source: Company

### Exhibit 5: Other highlights

International operations	Key comments
HR	<ul style="list-style-type: none"> <li>♦ 7,363 employees on rolls (3502 in manufacturing and 3294 in marketing) and 5,975 employees on contract. <b>Net addition in FY14 was 7% vs. attrition of 7.2% in FY14</b></li> <li>♦ ~19% of employee base have completed over 20 - 25 yrs of service in Titan</li> </ul>
Store rollout for FY15	<ul style="list-style-type: none"> <li>♦ Plans to add 140 stores in watches and accessories (up 23% YoY), 31 stores in jewelry (up 16% YoY) and 162 stores in eyewear (up 58%YoY)</li> </ul>

Source: Company

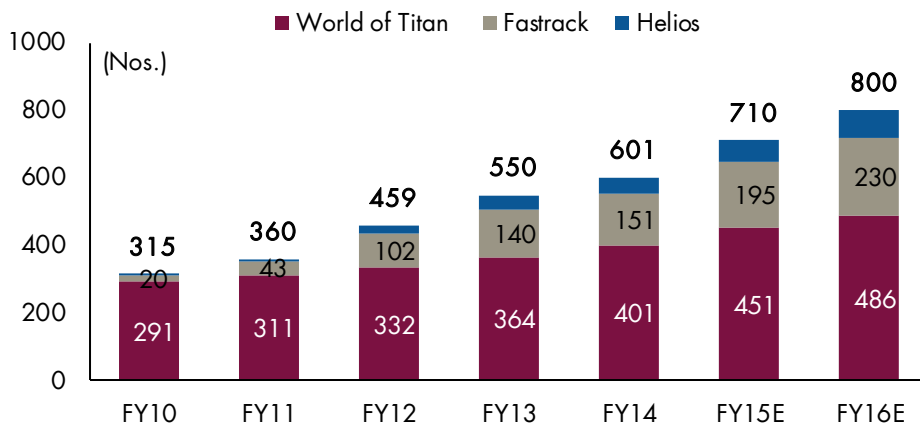
**Exhibit 6: Watch revenue growth**



Source: Company, Axis Capital

Watches revenue growth has come off since the past two years due to weak demand environment; we expect growth to pick up from FY15E on the back of store additions, consolidation of distribution channels, brand investment and launches and pick-up in consumer sentiment

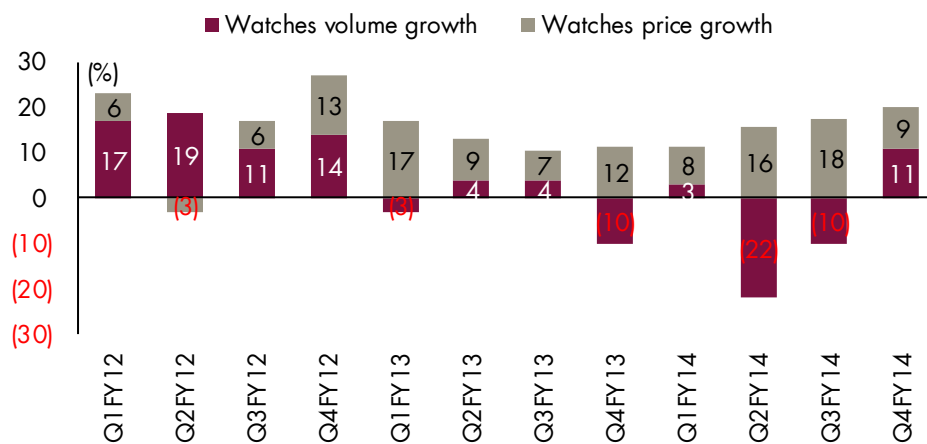
**Exhibit 7: Watch retail stores**



Source: Company, Axis Capital

Total store base addition was 9% i.e. 51 stores in FY14. We expect the pace of addition to improve by 18% i.e. 109 stores (vs. management guidance of 140 stores) in FY15E

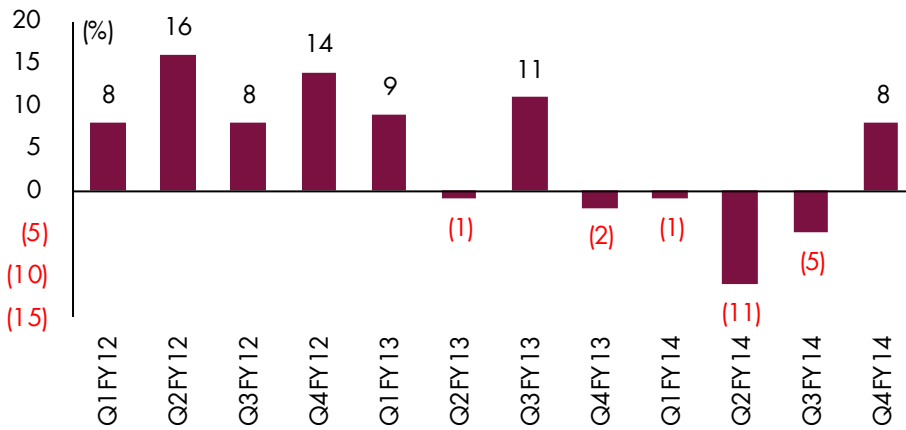
**Exhibit 8: Watches volume and price growth**



Source: Company, Axis Capital

Watches volume growth in the past couple of quarters was impacted by high price hikes taken by the company in a weak demand environment to offset input cost increases. We expect the watches volume growth trajectory to improve in the coming quarters

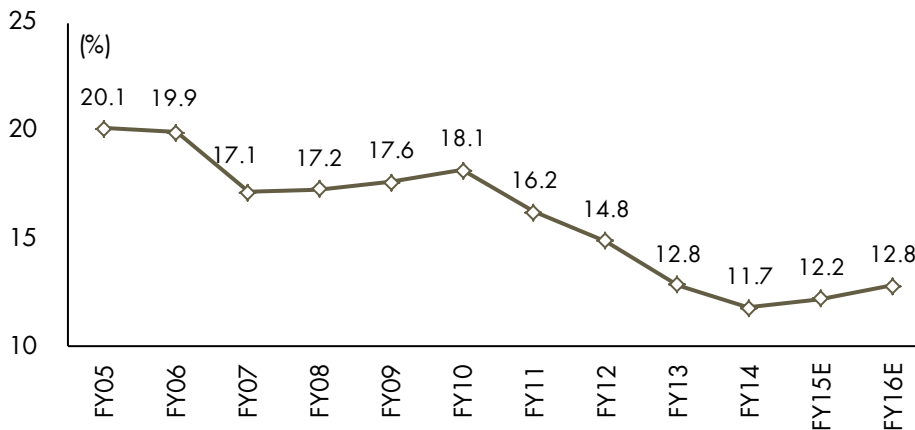
**Exhibit 9: World of Titan – Like-to-like growth**



Source: Company, Axis Capital

Like-to-like growth in sales from World of Titan stores has seen a pick-up in Q4FY14 after many quarters. Recovery in urban consumer sentiment will play a critical role

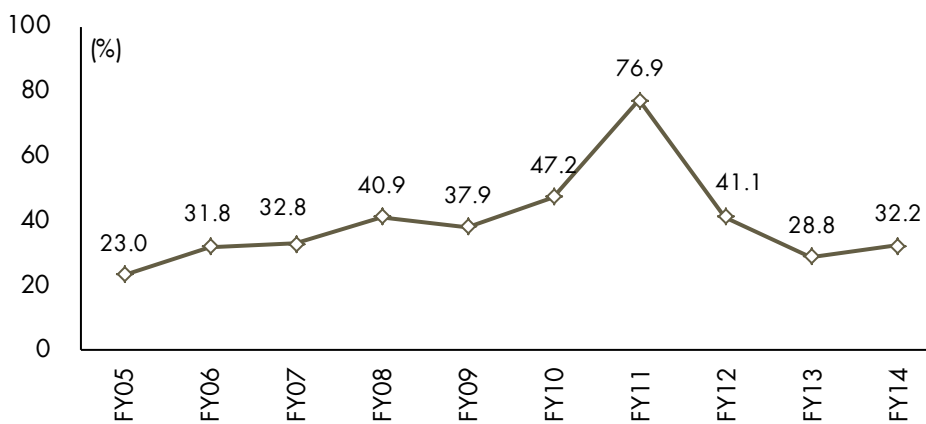
**Exhibit 10: Watch EBITDA margin**



Source: Company, Axis Capital

EBITDA margins for watches have constantly been coming down since the past couple of years due to sharp rupee depreciation and deep discounting. We believe these margins have bottomed out in FY14. Expect focus on high value watches, retail restructuring and better terms of trade

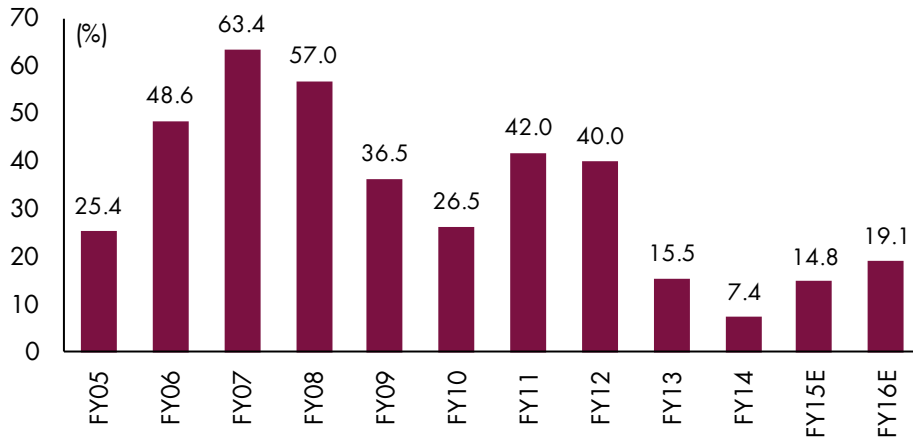
**Exhibit 11: Watch RoCE**



Source: Company, Axis Capital

RoCE for watches were impacted due to fall in EBITDA margins in the past couple of years. We expect them to improve on the back of better margins

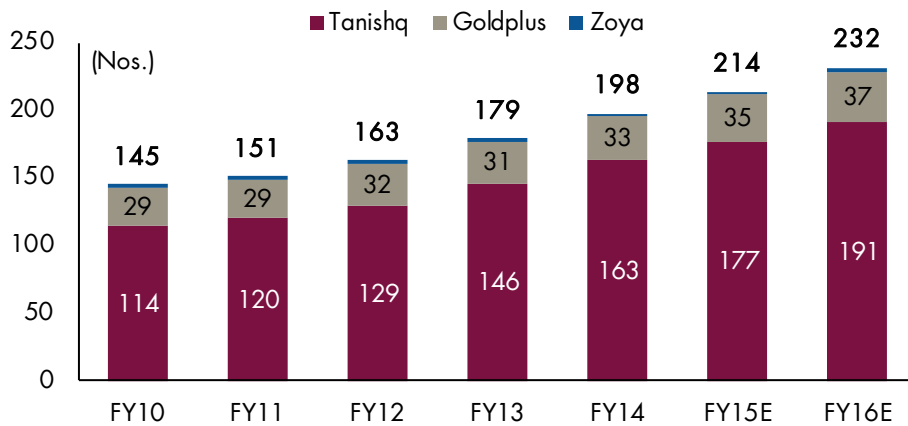
**Exhibit 12: Jewelry revenue growth**



Source: Company, Axis Capital

Jewelry sales in FY14 were one of the weakest in the past decade led by weak sentiment, intense competition and stoppage of gold coin sales for a part of the year. Growth over next two years is driven by store addition and recovery in LTL sales

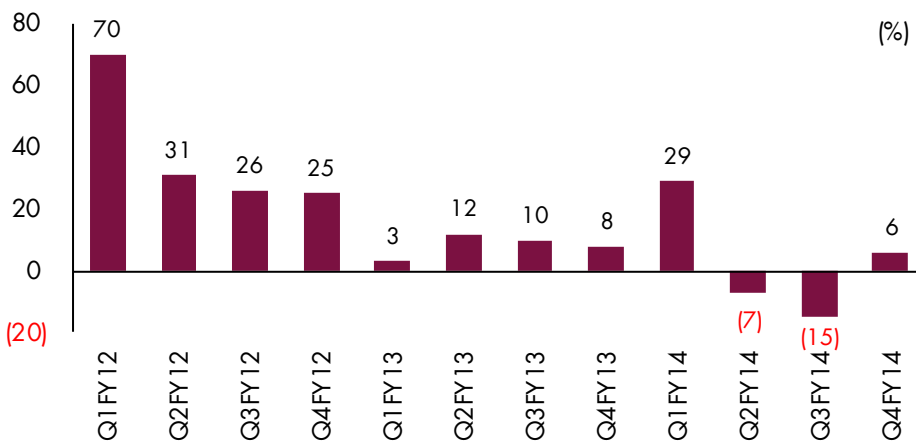
**Exhibit 13: Jewelry retail stores**



Source: Company, Axis Capital

Total store base addition was 11% i.e. 19 stores in FY14. We expect addition of 16 stores i.e. 18% growth in FY15 (vs. mgt guidance of 31 stores) in FY15E. In fact, FY14 target addition was 45 stores vs. rollout of 16 stores

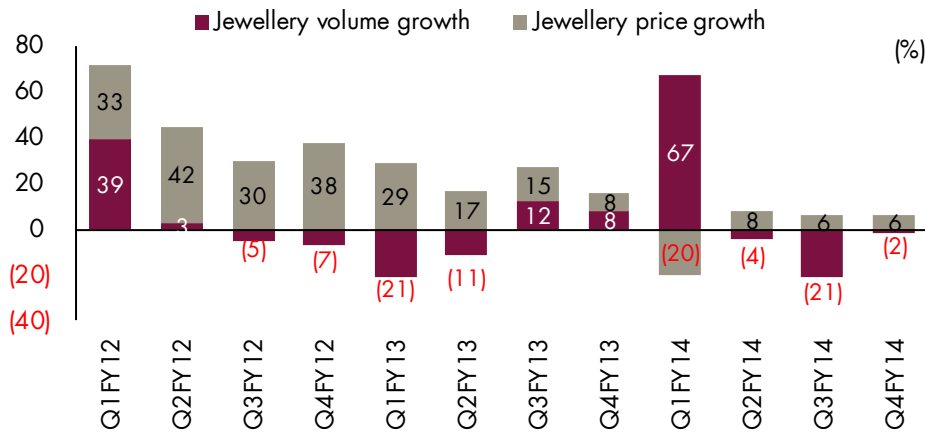
**Exhibit 14: Tanishq – Like-to-like growth**



Source: Company, Axis Capital

Like-to-like growth from sales from Tanishq stores to improve (except Q1FY15, due to high base) on account of improvement in consumer sentiment and also because of low base

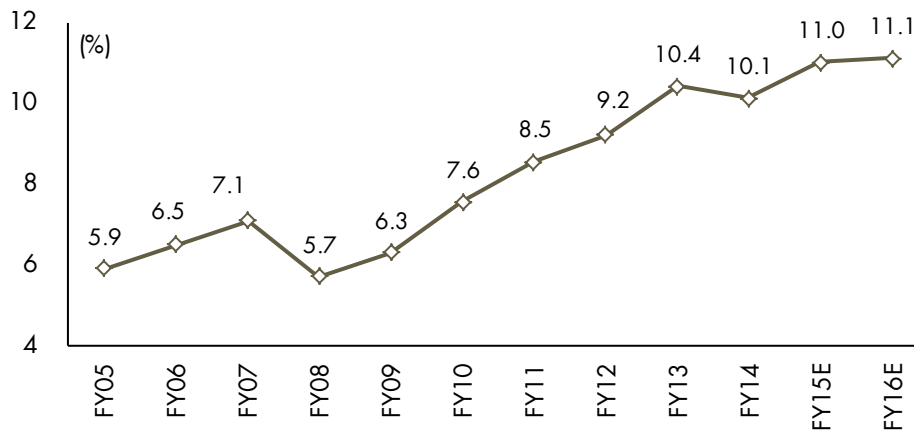
**Exhibit 15: Jewelry volume and price growth**



Source: Company, Axis Capital

Q1FY14 witnessed exceptional volume growth due to steep drop in gold prices during that quarter. However, remaining quarters in FY14 continued to witness pressure in volume growth due to subdued environment

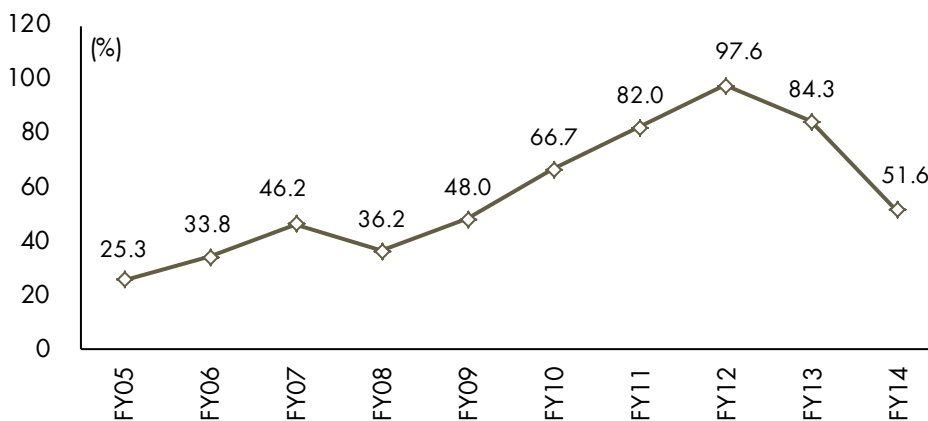
**Exhibit 16: Jewelry EBITDA margin**



Source: Company, Axis Capital

Jewelry EBITDA margins have been improving due to rising share of studded jewelry, increase in making charges on gold price inflation and better productivity

**Exhibit 17: Jewelry RoCE**

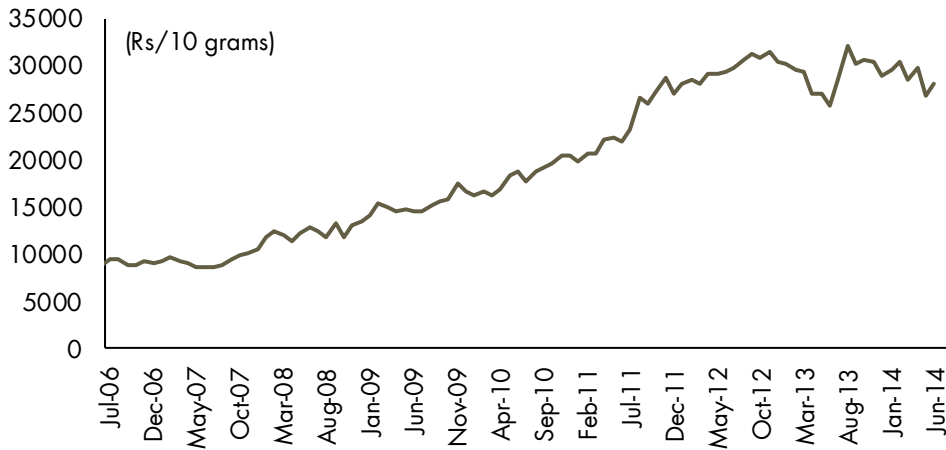


Source: Company, Axis Capital

Jewelry RoCEs have dropped in FY14 due to abolishment of gold-on-lease scheme which gave Titan 180 days credit period. Abolishment of the scheme has increased Titan's cost of financing and also made it a net borrower



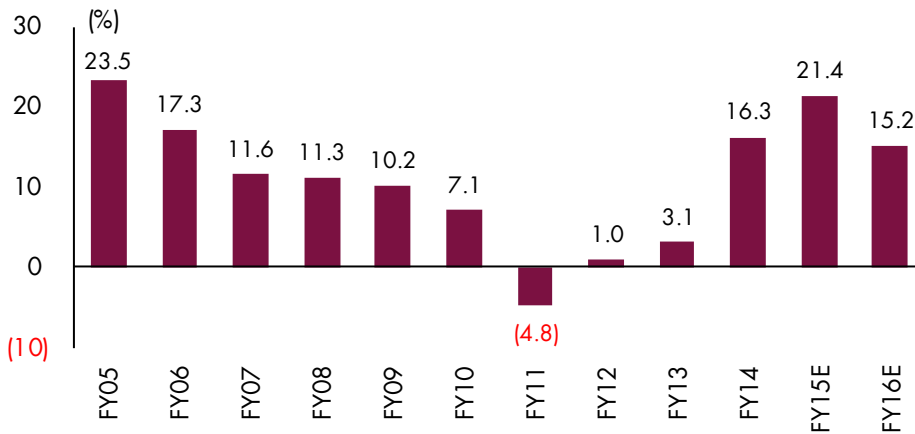
**Exhibit 18: Gold price trend**



Source: Company, Axis Capital

Gold price has corrected from its peak and largely remained range-bound since then. Stable gold prices may aid in volume growth as consumers tend to stay away in a volatile gold price environment. A reduction in custom duty could reduce gold prices, but would also spur demand

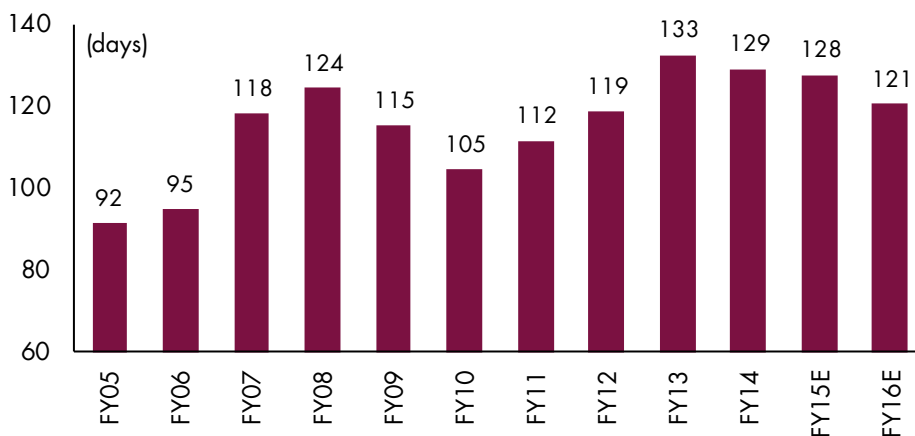
**Exhibit 19: Working capital as a percentage of sales**



Source: Company, Axis Capital

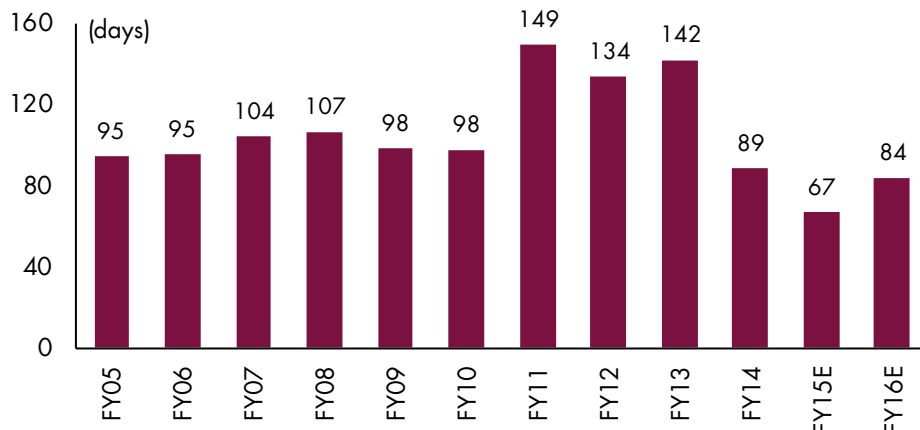
Working capital as a percentage of sales has shot up in FY14 due to drop in supplier credit, i.e., gold-on-lease. We expect it to increase further in FY15E due to the discontinuation of Golden Harvest Scheme will impact cash reserves, however a gradual decline in FY16E due to restoration of leasing mechanism

**Exhibit 20: Inventory days**

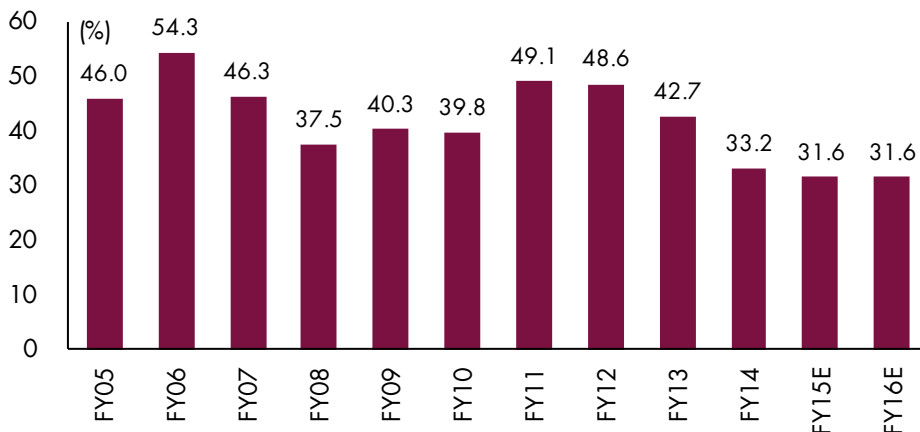


Source: Company, Axis Capital

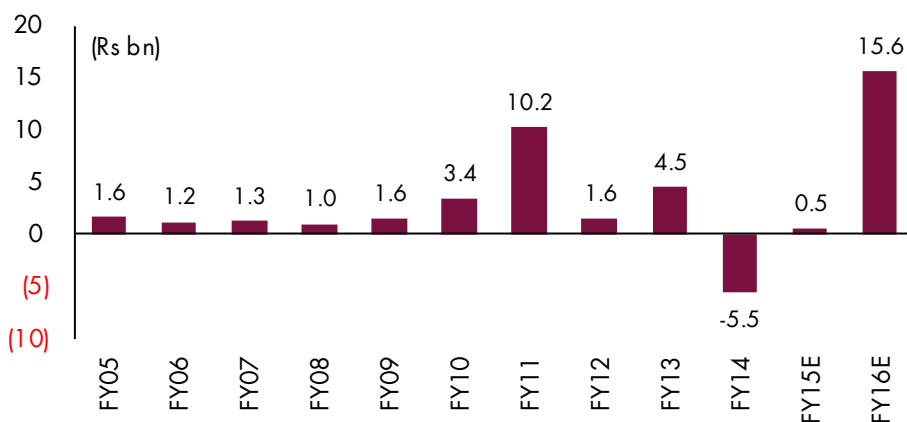
We have built in marginal improvement in inventory days in FY15E and FY16E on the back of initiatives taken by the company to reduce the same

**Exhibit 21: Creditor days**


Source: Company, Axis Capital

**Exhibit 22: RoE**


Source: Company, Axis Capital

**Exhibit 23: Operating cash flow**


Source: Company, Axis Capital

Sharp drop in creditor days in FY14 was a function of abolishment of gold-on-lease scheme. We expect it to reduce further in FY15E as the company is required to wind down the level of "deposits" from customers. We expect a gradual recovery in FY16E as the company is expected to come out with a new jewelry purchase scheme, which is compliant with the new law

RoE for the company have reduced In FY14 due to abolishment of gold-on-lease scheme, which increased Titan's cost of financing and also made it a net borrower. We expect the RoE to reduce further marginally in FY15E due discontinuation of Golden Harvest Scheme

Operating cash flow became negative in FY14 for the first time in a decade due to increase in working capital. We expect operating cash flow to be marginally positive in FY15E and improve further in FY16E

## Financial summary (Standalone)

### Profit & loss (Rs mn)

Y/E March	FY13	FY14	FY15E	FY16E
<b>Net sales</b>	<b>101,127</b>	<b>109,158</b>	<b>126,452</b>	<b>150,640</b>
Other operating income	-	-	-	-
<b>Total operating income</b>	<b>101,127</b>	<b>109,158</b>	<b>126,452</b>	<b>150,640</b>
Cost of goods sold	(74,959)	(80,506)	(92,582)	(111,003)
Gross profit	26,167	28,652	33,869	39,637
<i>Gross margin (%)</i>	<i>25.9</i>	<i>26.2</i>	<i>26.8</i>	<i>26.3</i>
Total operating expenses	(16,027)	(18,138)	(20,548)	(23,801)
<b>EBITDA</b>	<b>10,140</b>	<b>10,513</b>	<b>13,321</b>	<b>15,836</b>
<i>EBITDA margin (%)</i>	<i>10.0</i>	<i>9.6</i>	<i>10.5</i>	<i>10.5</i>
Depreciation	(545)	(656)	(832)	(1,030)
<b>EBIT</b>	<b>9,595</b>	<b>9,857</b>	<b>12,489</b>	<b>14,806</b>
Net interest	(506)	(871)	(700)	(400)
Other income	1,008	1,202	670	1,250
<b>Profit before tax</b>	<b>10,097</b>	<b>10,188</b>	<b>12,459</b>	<b>15,656</b>
Total taxation	(2,811)	(2,748)	(3,489)	(4,384)
<i>Tax rate (%)</i>	<i>27.8</i>	<i>27.0</i>	<i>28.0</i>	<i>28.0</i>
Profit after tax	7,286	7,440	8,971	11,272
Minorities	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-
<b>Adjusted net profit</b>	<b>7,286</b>	<b>7,440</b>	<b>8,971</b>	<b>11,272</b>
<i>Adj. PAT margin (%)</i>	<i>7.2</i>	<i>6.8</i>	<i>7.1</i>	<i>7.5</i>
Net non-recurring items	(34)	(29)	-	-
<b>Reported net profit</b>	<b>7,252</b>	<b>7,411</b>	<b>8,971</b>	<b>11,272</b>

### Balance sheet (Rs mn)

Y/E March	FY13	FY14	FY15E	FY16E
Paid-up capital	888	888	888	888
Reserves & surplus	18,761	24,352	30,726	38,882
Net worth	19,649	25,240	31,613	39,770
Borrowing	60	8,063	7,000	4,000
Other non-current liabilities	-	-	-	-
<b>Total liabilities</b>	<b>58,756</b>	<b>61,070</b>	<b>63,962</b>	<b>80,203</b>
Gross fixed assets	8,612	10,938	13,376	16,207
Less: Depreciation	(4,125)	(4,975)	(5,807)	(6,837)
Net fixed assets	4,486	5,962	7,569	9,370
Add: Capital WIP	417	329	300	250
Total fixed assets	4,903	6,291	7,869	9,620
Total Investment	185	266	266	266
Inventory	36,779	38,672	44,293	49,764
Debtors	1,638	1,520	1,866	2,326
Cash & bank	11,365	8,889	3,301	10,791
Loans & advances	3,709	5,171	6,070	7,080
Current liabilities	39,047	27,768	25,349	36,433
Net current assets	14,541	26,652	30,375	33,759
Other non-current assets	80	93	105	125
<b>Total assets</b>	<b>58,756</b>	<b>61,070</b>	<b>63,963</b>	<b>80,202</b>

Source: Company, Axis Capital

### Cash flow (Rs mn)

Y/E March	FY13	FY14	FY15E	FY16E
Profit before tax	10,097	10,188	12,459	15,656
Depreciation & Amortisation	(545)	(656)	(832)	(1,030)
<i>Chg in working capital</i>	<i>(2,752)</i>	<i>(13,193)</i>	<i>(9,986)</i>	<i>3,344</i>
<b>Cash flow from operations</b>	<b>4,531</b>	<b>(5,513)</b>	<b>548</b>	<b>15,595</b>
<i>Capital expenditure</i>	<i>(1,664)</i>	<i>(2,088)</i>	<i>(2,410)</i>	<i>(2,781)</i>
<b>Cash flow from investing</b>	<b>(423)</b>	<b>(1,030)</b>	<b>(1,740)</b>	<b>(1,531)</b>
<i>Equity raised/ (repaid)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Debt raised/ (repaid)</i>	<i>(54)</i>	<i>7,109</i>	<i>(1,063)</i>	<i>(3,000)</i>
<i>Dividend paid</i>	<i>(1,796)</i>	<i>(2,169)</i>	<i>(2,597)</i>	<i>(3,116)</i>
<b>Cash flow from financing</b>	<b>(2,347)</b>	<b>4,066</b>	<b>(4,396)</b>	<b>(6,574)</b>
Net chg in cash	1,761	(2,476)	(5,588)	7,491

### Key ratios

Y/E March	FY13	FY14	FY15E	FY16E
<b>OPERATIONAL</b>				
FDEPS (Rs)	8.2	8.4	10.1	12.7
CEPS (Rs)	8.8	9.1	11.0	13.9
DPS (Rs)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-
<b>GROWTH</b>				
Net sales (%)	14.4	7.9	15.8	19.1
EBITDA (%)	21.5	3.7	26.7	18.9
Adj net profit (%)	21.0	2.1	20.6	25.7
FDEPS (%)	21.0	2.1	20.6	25.7
<b>PERFORMANCE</b>				
RoE (%)	42.7	33.2	31.6	31.6
RoCE (%)	61.8	41.7	36.6	39.0
<b>EFFICIENCY</b>				
Asset turnover (x)	15.2	6.7	4.2	4.4
Sales/ total assets (x)	1.9	1.8	2.0	2.1
Working capital/ sales (x)	-	0.1	0.2	0.2
Receivable days	5.9	5.1	5.4	5.6
Inventory days	147.5	143.1	142.9	134.7
Payable days	142.4	88.6	67.2	84.2
<b>FINANCIAL STABILITY</b>				
Total debt/ equity (x)	-	0.4	0.2	0.1
Net debt/ equity (x)	(0.7)	-	0.1	(0.2)
Current ratio (x)	1.4	2.0	2.2	1.9
Interest cover (x)	18.9	11.3	17.8	37.0
<b>VALUATION</b>				
PE (x)	31.3	39.4	32.7	26.0
EV/ EBITDA (x)	21.3	27.8	22.3	18.1
EV/ Net sales (x)	2.1	2.7	2.3	1.9
PB (x)	11.6	11.6	9.3	7.4
Dividend yield (%)	-	-	-	-
Free cash flow yield (%)	1.3	(2.6)	(0.6)	4.4

Source: Company, Axis Capital

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