

**NITIN FIRE PROTECTION INDUSTRIES LIMITED**

Industrial Machinery

July 31, 2014

**Very Good Fundamentals, Considerable Upside Potential    CMP: Rs. 64.15/ CIV: Rs .93.80    Sensex: 25,895**

**CARE EQUIGRADE GRID (CEG)**

	1	2	3	4	5
Fundamentals	→				
Valuation	→				

CEG is explained on page No 13

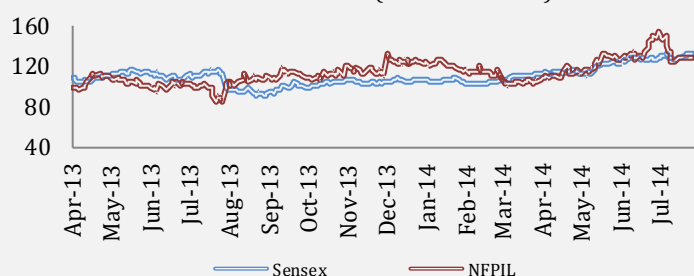
**KEY EQUISTATS**

Market Capitalisation	Rs. Crores	1,406
Enterprise Value	Rs. Crores	1,762
52 Week High / Low	Rs.	77.35/51.00
Diluted EPS (FY14)	Rs.	3.0
P/E (FY14)	times	21.1
Regression Beta	times	0.3
Average Daily Volumes*	Lakhs	5.9

\* BSE and NSE for last 52 weeks

**STOCK PERFORMANCE**

Price Movement (rebased on 100)



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

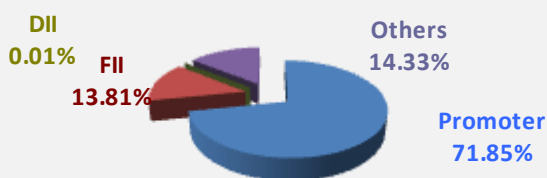
Equity Research assigns/maintains a fundamental grade of 4/5 to NFPIL. This indicates 'Very Good Fundamentals'. The grade draws strength from NFPIL's strong position in the Indian fire protection market, coupled with a moderate growth outlook for Indian fire protection industry, which should augur well for the company's domestic business. NFPIL 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, NFPIL is primarily present in the UAE & Singapore markets, through its subsidiaries. Domestic sales are expected to be around 46% of total consolidated sales in FY15-FY17 and are expected to grow at a CAGR of around 14.17% in that period. The company currently holds around 11.11% stake along with its JV partners in an oil and gas block in Rajasthan auctioned in NELP VI and 40% stake in Worthington Nitin Cylinders Limited involved in manufacturing of seamless steel cylinders. The total investment as on March 31, 2014 in JV is Rs.23.00 crore and seamless cylinder business is around Rs.34.41 crore.

**Valuation**

CARE Equity Research values equity shares of NFPIL at a Current Intrinsic Value (CIV) of Rs.93.80 per share. The valuation is arrived at by using the Discounted Cash Flow (DCF) valuation methodology. At the Current Market Price (CMP) of Rs.64.15 per share; the CIV of Rs.93.80 per share results in a valuation grade of 5/5, indicating the shares of NFPIL has 'Considerable Upside Potential'.

Returns	1M	3M	6M	1Yr
Absolute	-13%	10%	4%	21%
Rel. to Sensex	-15%	-5%	-17%	-9%

**SHARE HOLDING PATTERN**



**ANALYTICAL CONTACTS**

Smita Rajpurkar	Asst General Manager	+91-22-6144 3594
Ruchi M Thacker	Analyst	+91-22-6144 3484

1 CMP: Current Market Price; CIV as on July 31, 2014; Current Intrinsic Value

**Consolidated Financial Information Snapshot**

(Rs. Crore)	FY13	FY14UA	FY15E	FY16E	FY17E
Net revenues	705	1,016	1,218	1,401	1,582
EBITDA	81	114	135	156	178
PAT (after minority interest)	59	71	84	103	120
Fully Diluted EPS* (Rs.)	2.6	3.0	3.8	4.7	5.5
Dividend Per Share (Rs.)	0.2	0.2	0.2	0.2	0.2
P/E (times)	23.9	19.7	16.7	13.6	11.7
EV/EBITDA (times)	21.1	15.5	12.7	10.8	9.2

**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 global organized fire protection equipment and solutions industry (which includes fire detection, fire suppression, fire depression and fire-fighting systems) was estimated to be around USD 100 bn in 2012. 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 and fire-fighting systems. With leadership position and expertise in the fire protection, safety and security services, coupled with a robust industry outlook, NFPIIL is well placed to leverage its strengths and exploit the opportunities available in the Indian fire protection, security and safety solutions market. We expect NFPIIL's revenue from the Indian market and exports to grow at a CAGR of 16.49% and 12.67% over the next four years respectively.

**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 and solutions and has a track record of over 27 years in executing these projects. This has enabled NFPIIL to continue to win new engagements and grow existing relationships and help establish a strong and diversified customer base. The company has an experience of serving clients both in India and UAE from across sectors for facilities such as manufacturing plants, data centers, telecom towers, commercial and residential complexes, malls, hospitals, printing press, airports, offshore oil platforms and refineries; for clients like Tatas, Bharat Petroleum, Indian Oil, Vodafone, Maruti Suzuki, Essar and Glenmark. Currently, the company has an outstanding order book of around Rs.800 crore for turnkey projects which are expected to be executed over the next 18 months and has bid for tenders of an effective value of over Rs.1,100 crore (success ratio of company is around 25-30%). Out of total order book position, Rs.300 crore is for domestic projects and balance Rs.500 crore are majorly from UAE (in UAE, the company has been awarded a project worth Rs.270 crore for installation of fire protection system in UAE International Airport which is expected to commence in 2016 and complete by 2018.)

**Tie-ups with global suppliers for key components and approvals from regulatory authorities (both domestic and 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 and security systems. The company 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, and flame detectors. 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 a distributor in India and UAE for fire detection products of Apollo Fire Detectors Limited (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 NFPIL an access to new technologies and thereby provide an edge over competition.

**Table 1: List of key component suppliers for NFPIL**

Company	Country	Products
Apollo Fire Detectors Limited	UK	Detection systems
Kidde AirSense Limited	UK	LHS systems
Dupont Inc	USA	FM 200 gas
Kidde Fire Protection Limited	UK	Suppression system for Marine application
Kentec Electronic Limited	UK	Analog Addressable Electronic Panels

*Source: Company*

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

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

Agencies and 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*

In 2013, the company has availed a license under the provisions of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 (Maharashtra III of 2007) from the Government of Maharashtra, Directorate of Maharashtra Fire Services 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, 2) detection and fire suppression system and passive protection such as cable protection, fire doors. Hence, the company can carry out inspections and audits of its clients which increase scope in project maintenance contracts.

**Promoter-driven company, albeit with promoters having over 27 years of experience and technical expertise in fire protection industry**

NFPIL's promoters have more than 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. Mr. Nitin Shah is supported in business by his sons Mr. Rahul Shah and Mr. Kunal Shah. The promoter and promoter group held 71.85% equity shares in the company as on March 31, 2014.

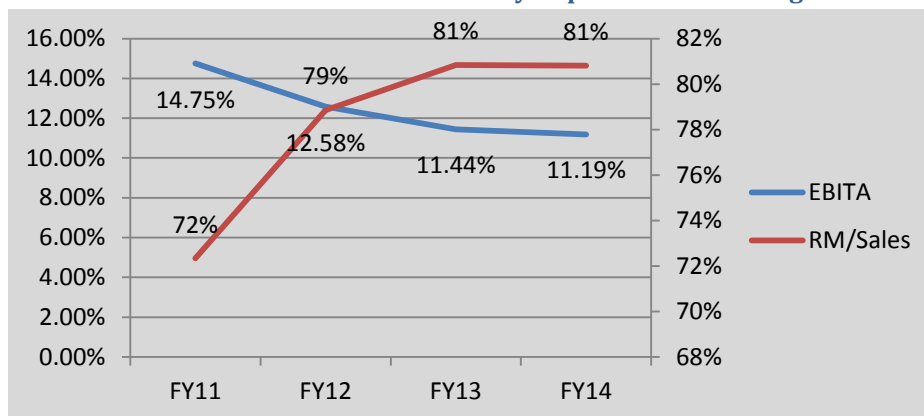
### Equalised focus on domestic and international markets

During FY13 (refers to the period April 1 to March 31), the company projected to increase domestic sales to contribute to more than 50% of total sales (in FY12, contribution was around 37%), however, the same was not achieved on account of sluggish growth in economy in India. For FY15-17, the management estimates international and domestic segment to contribute almost equally to the revenues of the company. Also, in order to further expand international presence, the company has incorporated Firetech Systems Limited (commenced operations in 2013) as a step-down subsidiary to trade in fire protection system products in Europe. Currently, the business in Europe is in its nascent stage. The company is also shifting business of Nitin Global Singapore engaged in fire protection products distribution through NFPIL for improved synergy of supply chain management.

### Foreign exchange volatility - a key risk to EBITA margin

NFPIL imports around 60% of total raw material requirements and around 54% of total sales are in international market. During FY14, the company had a net export exposure risk of around Rs.107.00 crore exposing the company to currency appreciation risk. Currently, the company hedges around 50% of foreign currency risk exposure and balance 50% is expected to be covered under natural hedge. In FY14, the company incurred foreign currency losses of Rs.5.54 crore. Going forward too, we believe foreign exchange volatility could be a key risk to the company's EBITDA margin, owing to high imports and international sales in the group.

**Chart 1: Raw material costs directly impacts EBITDA margin**



Source: Company and CARE Equity Research

### Stake in seamless pressure cylinder business

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 Limited (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. The sale of stake in NCL was primarily on account of very high competition in the seamless steel cylinders business. The same is included in our valuation at book value of Rs.34.41 crore as on March 31, 2014.

NFPIL, however, continues to stay into the trading business for industrial cylinders through its wholly owned Indian subsidiary Eurotech Cylinders Private Limited, which imports industrial cylinders from China and sells the same in India.

#### **Stake in oil and gas block unrelated to the main business**

NFPIL along with its joint venture partners Gujarat State Petroleum Corporation Limited (GSPC), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and GAIL (NFPIL' stake: 11.1%) has entered into a production-sharing contract (for seven years) for exploration and production of a crude oil block in Rajasthan (auctioned in NELP VI) admeasuring a contract area of 4,613 sq. km. GAIL and GSPC are the main operators for the block. Out of the total seven wells, four wells of this block 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. The same is included at its book value of Rs.23.00 crore as on March 31, 2014, in our valuation.

#### **Board in compliance with the listing agreement 49**

As on July 31, 2014, the Board of Directors of NFPIL consisted of five directors of which one is Non-Executive Director, and three are Non-Executive and Independent Directors, i.e. more than half of the board comprises of Non-Executive and Independent Directors. The board is chaired by Mr. Nitin M Shah, Promoter, Chairman and Director. The board has formed three sub-committees for audit, remuneration and shareholder's/ investor's grievance. As per the annual report of FY13, the same is in compliance with the listing agreement of the stock exchanges.

**Table 3: Board of Directors**

<b>Name</b>	<b>Designation held</b>	<b>Category of Director</b>
Mr. Nitin M Shah	Chairman and Director	Promoter, Non-Executive and Non Independent
Mr. Kailat H Vaidyanathan	Director	Non- Executive
Mr. Krishna Kant Jha	Director	Independent Non-Executive
Mr. Ramayana M Nayak	Director	Independent Non-Executive
Mr. Satish Kumar Dheri	Director	Independent Non-Executive

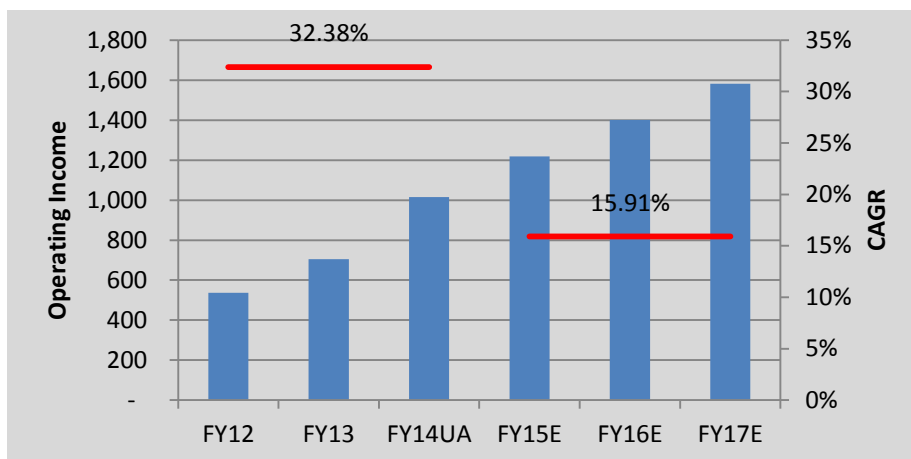
*Source: Company*

## FINANCIAL ANALYSIS

### Revenue growth to moderate at 15.91% CAGR over FY15-17E

The company witnessed robust consolidated revenue growth at 32.38% CAGR from Rs.438 crore in FY11 to Rs.1,016 crore in FY14; supported by expansion in international markets and increase in domestic demand. Going forward, we expect revenue growth to moderate at 15.91% CAGR over FY15-17E, considering the high base effect and further scaling up operations in Europe remains to be seen. The growth in future is projected to be driven by high growth potential in the Indian markets as well as high demand from markets in UAE aided by expected infrastructure upscaling in the wake of EXPO 2020 to be hosted in Dubai.

**Chart 2: Revenue growth to moderate over FY15-17E**



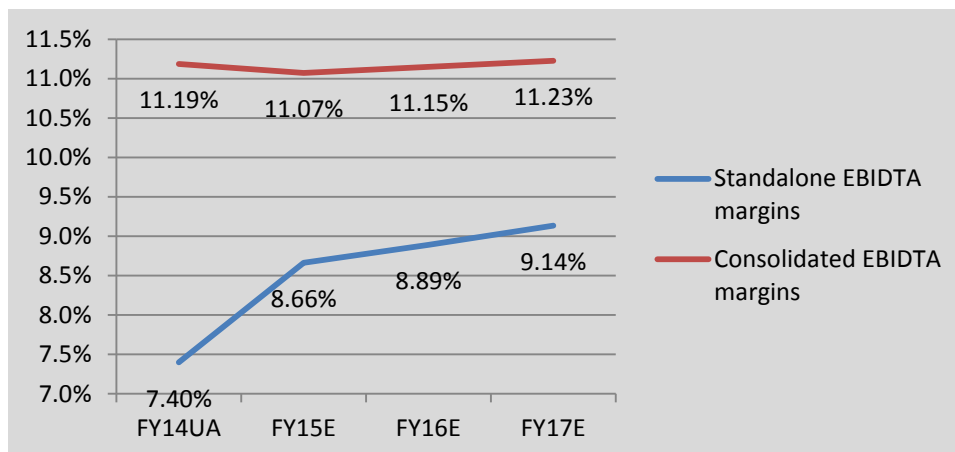
Source: Company and CARE Equity Research

### EBITDA margins at constant levels in FY15-17E

We expect EBITDA margins at consolidated level to remain in the range of 11.00% during FY15-FY17. EBITA margins from the standalone business are expected to be around 8.9% on an average between FY15-17 due to lower contribution from this segment. During FY15-17, domestic market is expected to contribute around 46% to total sales and balance 54% is expected from business in international markets.

However, foreign currency exposure risk and change in revenue-mix could have an impact on the earnings of the company.

**Chart 3: Revenue growth to moderate over FY15-17E**



Source: Company and CARE Equity Research

## **Return ratios to remain at constant levels**

We expect NFPIL's Return to Equity (RoE) to marginally decline to 19.00% in FY17 from 20.70% in FY14 and Return on Capital Employed to remain at consistent levels at 14.40% in FY17 from 13.80% in FY14. This is mainly on account of 1) moderate revenue CAGR of 15.91% over FY14-FY17 and 2) consolidated EBITA margin to be maintained at around 11.00% over FY14-FY17.

## **Leverage to decline led by robust operating cash flows and no major capital expenditure**

Led by robust cash flows and no major planned capital expenditure we expect the company's net debt-equity to decline from 1.1x in FY14 to 0.6x in FY17.

**VALUATION GRADE**
**Considerable Upside Potential**
**5/5**
**CARE Equity Research values NFPIIL at Rs.93.80 per share; assigns a valuation grade of 5/5**

CARE Equity Research values equity shares of NFPIIL at a Current Intrinsic Value (CIV) of Rs.93.80 per share. Given, a fairly good revenue visibility on the back of strong presence of the company in Indian fire protection industry, coupled with the growth expected in the industry, we have used the discounted cash flow (DCF) methodology to arrive at valuation of the equity shares of NFPIIL. The following are the key assumptions for arriving at the valuation.

**Table 4: NFPIIL: Valuation Assumptions**

Cost of Equity	15.20%
Cost of Debt	9.00%
Tax Rate	15.00%
D/E ratio	0.67
<b>WACC</b>	<b>12.20</b>

Source: CARE Equity Research

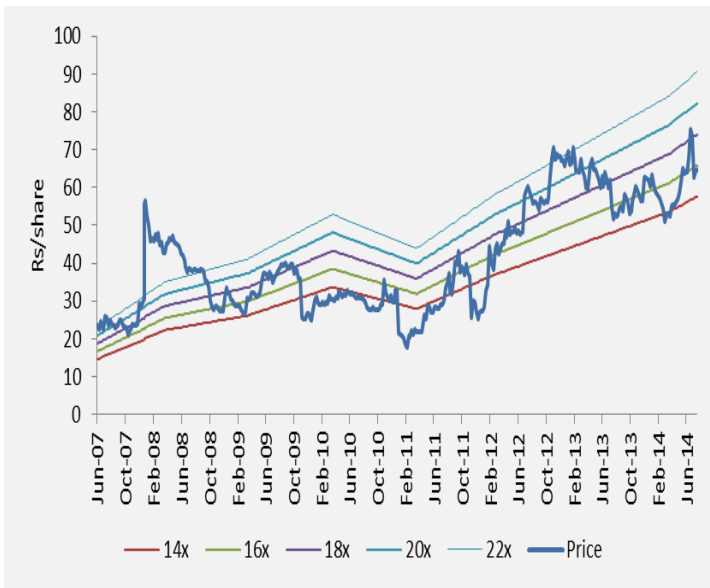
**Table 5: NFPIIL: Valuation based on DCF methodology**

	(Rs. Crore except per share data)			
	2014-15	2015-16	2016-17	2017-18
PAT	84	103	120	143
Depreciation	7	7	6	6
Interest (1-Tax Rate)	32	30	32	34
Capital Expenditure	(10)	-	-	13
Increase in Working Capital	(41)	(89)	(62)	54
<b>Free Cash Flow (FCF)</b>	<b>72</b>	<b>51</b>	<b>95</b>	<b>250</b>
Discount Rate	1.00	0.89	0.79	0.71
<b>PV of FCF</b>	<b>72</b>	<b>45</b>	<b>76</b>	<b>177</b>
<b>Terminal Value (based on PE Multiple)</b>				<b>2,779</b>
<b>PV of Terminal Value</b>	<b>1,970</b>			
<b>Total Discounted Value of Firm (Core Business)</b>				<b>2,341</b>
<i>Less: Net Debt (FY15E)</i>				308
<b>Total Equity Value (Oil &amp; Gas JV) @ book value of investments</b>				<b>23</b>
<b>Present Value of equity</b>				<b>2,057</b>
<b>No of Equity Shares (Crores)</b>				<b>21.92</b>
<b>CIV</b>				<b>93.80</b>

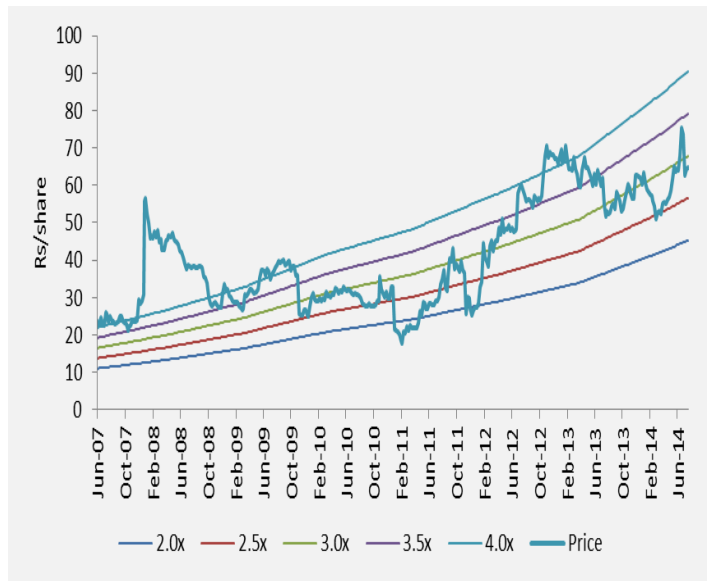
Source: CARE Equity Research



**Chart 4: NFPIL: One year forward rolling P/E**



**Chart 5: 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.93.80 per share is around 46.22% above the current market price (CMP) of Rs.64.15 per share. At CIV of Rs.93.80, one year forward P/E is around 22.80 and one year forward P/B is around 22.60. As per the valuation grade scale this results in valuation grade of 5/5 for the equity shares of NFPIL, indicating that equity shares of NFPIL have 'Considerable Upside Potential'. For last 15 trading days, average closing price of NFPIL equity shares has been around Rs.64.31 per share, with average daily volumes of 4,50,551 shares. Market price of NFPIL's equity shares had reached a high of Rs.64.80 per share and a low of Rs.64.05 per share during the same period.

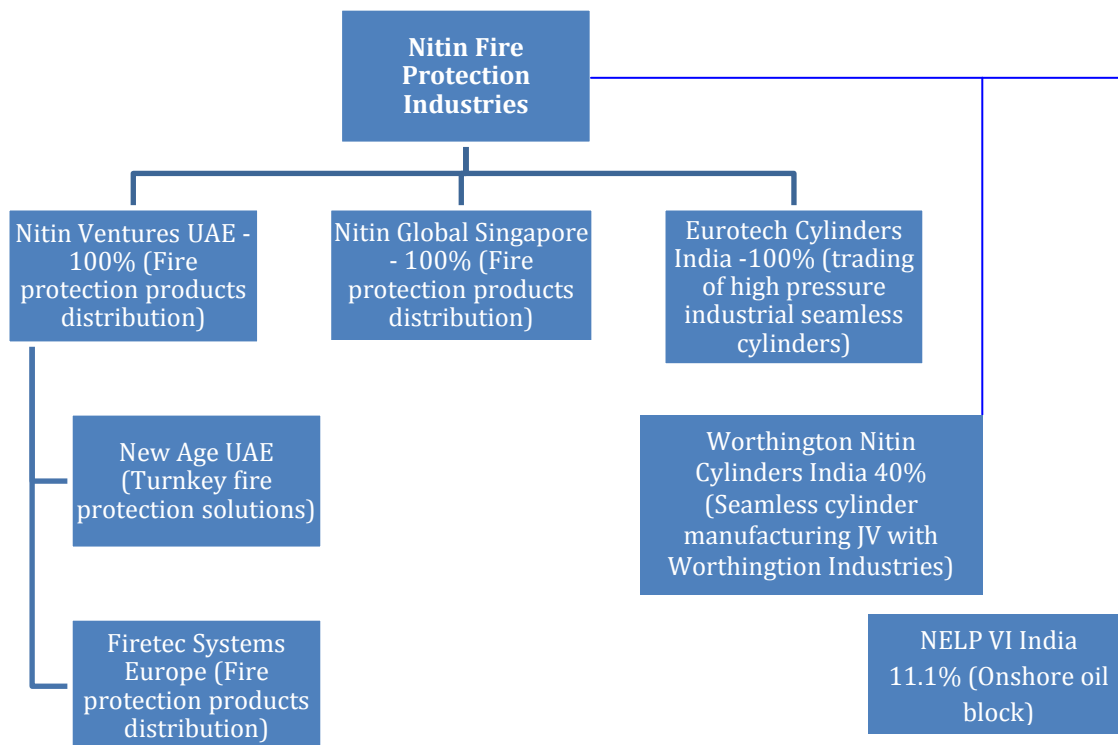
## COMPANY BACKGROUND

### Company Overview

Incorporated in 1995, Nitin Fire Protection Industries Ltd (NFPI) 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. NFPI 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. NFPI's facilities are located at MIDC, Vashi (Maharashtra) and in Andhra Pradesh.

NFPI has four international subsidiaries, two in UAE, one in Singapore and one in Europe. The company 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 UAE. The company also trades in fire protection, safety and security systems in UAE through Nitin Ventures FZE, in Singapore through Nitin Global PTE Limited and in Europe through Firetech Systems Limited (commenced operations in 2013). Worthington Nitin Cylinders Ltd (WNCL), which was earlier a wholly owned subsidiary, is now an associate company, post-sale of NFPI's 60% stake in the company to Worthington Industries Inc., since December 28, 2010. NFPI 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.

**Chart 6: NFPI's Business Structure**



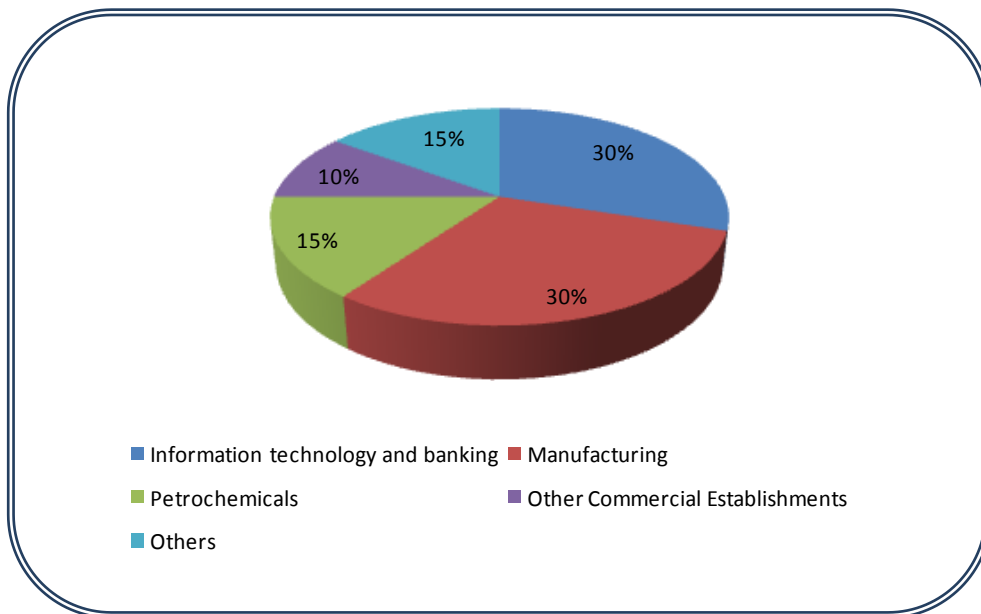
Source: Company

**SNAPSHOT OF THE INDUSTRY**

The fire protection industry market has increased as safety and security has gained more importance. The cost due to losses from fire worldwide is estimated at approximately 1% of global GDP with an increasing tendency. The total world market for fire protection business has shown an upward trajectory. However, the growth rate varies according to different segments and countries. Estimated worldwide market size is approximately USD 100 bn and expected to grow at CAGR of 10%.

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.

*Chart 7: End user sectors for fire extinguishing systems in India*



Source: Industry & CARE Research

The organized market constitutes 50% of the total market in India and is expected to grow at 31.3% CAGR from USD 0.6 bn to USD1.9 bn in 2015, resulting in the organized sector’s share to increase to 52% in 2015.

**FINANCIAL STATISTICS**
**Consolidated Income Statement**

(Rs. Crore)	FY12	FY13	FY14UA	FY15E	FY16E	FY17E
<b>Net Revenues</b>	<b>536</b>	<b>705</b>	<b>1,016</b>	<b>1,218</b>	<b>1,401</b>	<b>1,582</b>
EBITDA	67	81	114	135	156	178
Depreciation and amortization	3	5	11	7	7	6
EBIT	64	76	103	127	149	172
Interest	17	25	31	35	33	36
PBT	51	69	74	93	116	136
Ordinary PAT (Before minority interest)	44	59	71	84	103	120
<b>PAT (After minority interest)</b>	<b>44</b>	<b>59</b>	<b>71</b>	<b>84</b>	<b>103</b>	<b>120</b>
<b>Fully Diluted Earnings Per Share* (Rs.)</b>	<b>2.0</b>	<b>2.6</b>	<b>3.0</b>	<b>3.8</b>	<b>4.7</b>	<b>5.5</b>
<b>Dividend, including tax</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

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

**Consolidated Balance Sheet**

(Rs. Crore)	FY12	FY13	FY14UA	FY15E	FY16E	FY17E
Tangible Net worth (including Minority Interest)	266	317	370	463	566	686
Debt (incl. Preference Shares)	293	353	392	411	404	440
Deferred Liabilities	0	0	0	0	1	0
<b>Capital Employed</b>	<b>559</b>	<b>670</b>	<b>763</b>	<b>874</b>	<b>971</b>	<b>1,126</b>
Net Fixed Assets, incl. Capital WIP, net of revaln reserve	128	182	199	202	195	189
Investments	66	36	36	37	37	37
Inventory	78	74	127	141	141	140
Loans and Advances	209	140	177	209	242	276
Receivables	173	265	300	311	382	425
Cash and Cash Equivalents	21	58	37	103	118	217
Current Assets, Loans and Advances	481	537	641	769	889	1,063
Less: Current Liabilities and Provisions	116	85	113	128	144	158
<b>Total Assets</b>	<b>559</b>	<b>670</b>	<b>763</b>	<b>874</b>	<b>971</b>	<b>1,126</b>

**Consolidated Ratios based on Financials**

	FY12	FY13	FY14UA	FY15E	FY16E	FY17E
Growth in net revenues	22.4%	31.5%	44.2%	19.9%	15.0%	12.9%
Growth in EBITDA	4.4%	19.5%	41.0%	18.6%	15.8%	13.7%
Growth in PAT	8.8%	17.7%	35.8%	23.6%	17.3%	15.0%
Growth in EPS	-76.3%	29.3%	17.7%	26.2%	22.9%	16.0%
EBITDA Margin	12.6%	11.4%	11.2%	11.1%	11.1%	11.2%
PAT Margin	8.8%	9.0%	7.0%	6.9%	7.4%	7.6%
RoCE	12.8%	11.5%	13.8%	14.1%	14.4%	14.5%
RoE	19.0%	21.9%	20.7%	20.2%	20.1%	19.1%
Gross Debt-Equity (times)	1.1	1.1	1.1	0.9	0.7	0.6
Net Debt-Equity (times)	1.0	0.9	1.0	0.7	0.5	0.3
Interest Coverage (times)	4.0	3.2	3.7	3.9	4.7	4.9
Current Ratio (times)	4.1	6.3	5.7	6.0	6.1	6.7
Inventory Days	111	102	64	65	66	67
Receivable Days	141	113	102	92	90	93
Price / Earnings (P/E) Ratio	32.2	23.9	19.7	16.7	13.6	11.7
Price / Book Value(P/BV) Ratio	5.3	4.5	3.8	3.0	2.5	2.1
Enterprise Value (EV)/EBITDA	24.9	21.1	15.5	12.7	10.8	9.2

Source: Company, 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.

### DISCLAIMER

This report is prepared by Credit Analysis & Research Limited [CARE]. CARE has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain or from sources considered reliable. However, neither the accuracy nor completeness of information contained in this report is guaranteed. Opinions expressed herein are our current opinions as on the date of this report.

CARE's valuation of the security is mainly based on company-specific fundamental factors. Equity prices are affected by both fundamental factors as well as market factors such as – liquidity, sentiment, broad market direction etc. The impact of market factors can distort the price of the security thereby deviating from the intrinsic value for extended period of time. CARE EquiGrade on a security should not be construed as recommendation to buy, sell or hold a security; also it is not a comment on the suitability of the investment to the reader. The subscriber / user assume the entire risk of any use made of this report or data herein. CARE specifically states that it or any of its divisions or employees do not have any financial liabilities whatsoever to the subscribers / users of this report. This report is for personal information only of the authorised recipient in India only. This report or part of it should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person, especially outside India or published or copied for any purpose.

---

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

CARE is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product. This report is for the information of the intended recipients only and no part of this report may be published or reproduced in any form or manner without prior written permission of CARE.

## About Us

### About CARE

Credit Analysis & Research Ltd. (CARE) was promoted in 1993 by some of the leading Indian banks and financial institutions. Major shareholders of CARE include IDBI Bank, Canara Bank and State Bank of India. CARE is amongst the premier credit rating agencies in India and provides credit rating, research and information services. CARE Ratings is well equipped to rate all types of debt instruments including Commercial Papers, Fixed Deposits, Bonds, Debentures, Hybrid Instruments, Preference Shares, Loans, Structured Obligations, Asset Backed Securities, Residential Mortgage Backed Securities etc. CARE's rating methodologies are in line with the best international practices.

### About CARE Research

CARE's Research & Information Services Division (CARE Research) provides contemporary research and information covering various industries and financial markets. Our publications include Industry Research Reports, Updates on the industries tracked, Debt Market Review, Budget Analysis and other policy impact analysis and special commentaries on topical issues. CARE Research undertakes custom research assignments on requests by clients. CARE Research also provides various grading services like real estate star rating, equi-grade, edu-grade, etc.

**MUMBAI** | Mr. Manish Sukhija | Cell: +91-9820353638 | Tel: +91-22-6144 3504 | E-mail: manish.sukhija@careratings.com | 5th Floor, Kaledonia, Sahar Road, Off Western Express Highway, Near Andheri Station, Andheri (East), Mumbai - 400 069.

**AHMEDABAD** | Mr. Sharad Pandya | Cell: +91-85111 13904 | Tel: +91-79-4026568 | Fax: +91-79-40265658 | E-mail: sharad.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

**BENGALURU** | Mr. Sandeep Kothapalli | Cell: +91-72597 14863 | Tel: +91-80-22117140 |

E-mail: sandeep.kothapalli@careratings.com | Unit No.1101-1102, 11th Floor, Prestige Meridian II, No.30, M. G. Road, Bengaluru - 560 001.

**CHANDIGARH** | Mr. Sajan Goyal | Cell: +91 - 99888 05650 | Tel: +91-172- 51711100 | E-mail: sajan.goyal@careratings.com | SCO 196-197, 2nd Floor, Sector 34 A, Chandigarh - 160022.

**CHENNAI** | Mr. V Pradeep Kumar | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

**HYDERABAD** | Mr. Saikat Roy | Cell: +91-98209 98779 | Tel: +91-40-40102214 | E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla, 3-6-520, Himayat Nagar, Hyderabad - 500 029.

**JAIPUR** | Mr. Rahul Jain | Cell: +91 - 9314921496 | Tel: +91-0141-4020213/14 | E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302016

**KOLKATA** | Ms. Priti Agarwal | Cell: +91-9831967110 | Tel: +91-33- 4018 1600 | E-mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata - 700 071

**NEW DELHI** | Mr. Puneet Arora | Cell: +91-95822 32782 | Tel: +91- 11- 4533 3213 | E-mail: puneet.arora@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

**PUNE** | Mr. Rahul Patni | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 | E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.