CRISIL RESEARCH

CRISIL IER Independent Equity Research

Nandan Denim Ltd

Initiating Coverage

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macroeconomy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

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Last updated: May, 2013

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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Nandan Denim Ltd

Well-equipped to tap demand

Fundamental Grade	**3/5 (Good fundamentals)**
Valuation Grade	**5/5 (CMP has strong upside)**
Industry	**Textiles**

CRISIL RESEARCH

July 15, 2014

Fair Value	**₹54**
CMP	**₹43**

Ahmedabad-based Nandan Denim Ltd (NDL) is one of the leading players in the denim fabric industry in India. To achieve the next level of growth, NDL's management has embarked on a two-phase capacity expansion plan. In terms of installed capacity, NDL now ranks as the largest domestic denim fabric manufacturer. Considering the company's established position, large capacity and a healthy clientele, we expect it to benefit from steady growth in demand for readymade garments (RMG) in the domestic and overseas markets. However, oversupply in the domestic market and uncertainties in product offtake after capacity expansion are key challenges. We initiate coverage on NDL with a fundamental grade of **3/5**, indicating that its fundamentals are **"good"** relative to other listed securities in India.

Expanded capacity to meet domestic and export demand

After the completion of the first phase of expansion in January 2014, NDL's denim fabric manufacturing capacity has increased to 110 mmpa (mn metres per annum) – the highest in India. The company plans to cater to the growing local and global demand with the expanded capacity. Buoyed by the potential in exports, NDL has increased its focus on markets such as Bangladesh, Latin America and the Middle East, and is expected to witness healthy growth across these markets.

Key positives: Product diversification and backward integration

In the first phase of the expansion plan, NDL has diversified its product offerings to include shirting fabric (manufacturing facility of 10 mmpa) and yarn dyeing (6 TPD facility), which is expected to lower its dependence on the denim segment and broaden its revenue base. Additionally, in the second phase of expansion, NDL is in the process of backward integrating into weaving and processing; where the company is expanding its spinning facility to ensure that a majority of its yarn requirement is met internally leading to lower raw material costs, boosting operating margins.

Challenge: Oversupply in the denim fabric industry

The domestic denim fabric industry is currently facing an oversupply situation (demand is ~700 mmpa against a supply of ~850 mmpa) as denim fabric manufacturers have aggressively increased capacity in the recent past. This is expected to impact the utilisation rates of denim fabric manufacturers, including NDL which could have an adverse impact on its margins. However, in FY14 NDL was able to expand its margins despite the oversupply.

Valuation: Current market price has strong upside

We have used the discounted cash flow (DCF) method to value NDL and have arrived at a fair value of ₹54 per share. This fair value implies P/E multiples of 5.8x and 5.7x FY15E and FY16E earnings respectively. At the current market price of ₹43, the valuation grade is **5/5**.

KEY FORECAST

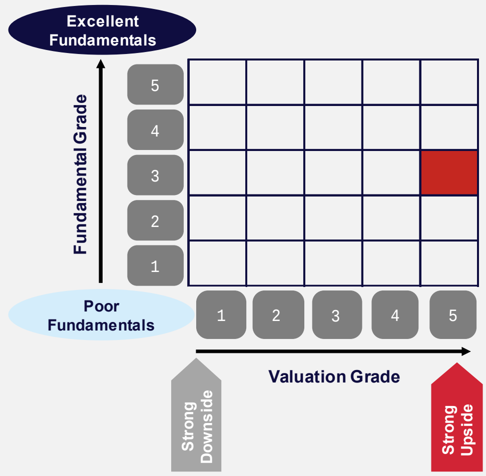
(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Operating income	5,774	7,102	8,938	10,811	12,414
EBITDA	836	994	1,327	1,621	1,954
Adj net income	171	234	393	427	450
Adj EPS (₹)	3.7	5.1	8.6	9.4	9.9
EPS growth (%)	-2.3%	36.8%	68.3%	8.7%	5.3%
Dividend yield (%)	3.6%	4.3%	6.4%	4.3%	4.5%
RoCE (%)	11.8%	11.4%	13.9%	13.6%	13.1%
RoE (%)	11.2%	13.6%	19.7%	18.2%	16.5%
PE (x)	7.5x	5.5x	3.2x	3.0x	2.8x
P/BV (x)	0.8x	0.7x	0.6x	0.5x	0.4x
EV/EBITDA (x)	4.8x	5.3x	3.7x	4.2x	3.8x

NM: Not meaningful; CMP: Current market price

Based on abridged financials

Source: Company, CRISIL Research estimates

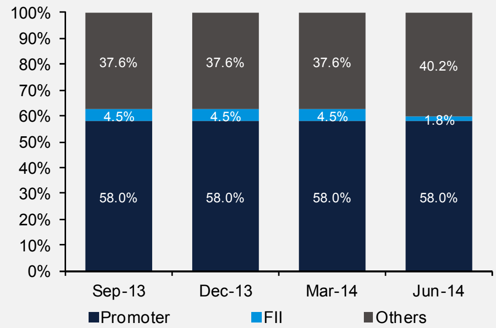
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	7527/25211
NSE/BSE ticker	NDL
Face value (₹ per share)	10
Shares outstanding (mn)	45.5
Market cap (₹ mn)/(US$ mn)	1,972/33
Enterprise value (₹ mn)/(US$ mn)	7,086/118
52-week range (₹)/(H/L)	52/23
Beta	1.3
Free float (%)	42%
Avg daily volumes (30-days)	342,387
Avg daily value (30-days) (₹ mn)	14.5

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
NDL	15%	18%	48%	44%
CNX500	-1%	13%	24%	29%

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CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

Table 1: NDL - Business environment

Product / segment	Denim fabric	Others (includes bottom weight and printed fabrics)
Revenue contribution (FY14)	93%	7%
Revenue contribution (FY16E)	90%	10%
Market position	NDL is the largest denim fabric manufacturer in India in terms of capacity, ahead of Arvind Ltd (Arvind) and Aarvee Denims & Exports Ltd (Aarvee). Currently, the company has 8% share in the Indian denim fabric market	
Geographic presence	The domestic market accounts for 90% of overall sales. Western and northern India contribute the maximum. The major export markets are Latin America, Bangladesh and the Middle East	Mainly northern and western India
Industry growth expectations	▪ CRISIL Research expects domestic demand for RMG to increase at 5-6% CAGR over 2013-18 to ₹1,705 bn, largely driven by volume growth of 4-5%. During the same period, export demand for RMG is expected to grow at 6-7% CAGR. We expect domestic demand for denim fabric to grow in line with growth in the RMG industry ▪ Owing to lower cost competitiveness of China, the largest producer and exporter of denim fabric in the world, India's share in world denim trade is expected to increase. This represents significant growth potential for the domestic players	
Sales growth (FY12-14 – 2-yr CAGR)	24.0%	
Sales forecast – (FY14-16E – 2-yr CAGR)	17.9%	
Demand drivers	▪ Increasing preference for casual and semi-formal clothing by Indian consumers is expected to drive the demand for jeans. Acceptance of jeans as office wear by many corporate houses (particularly BPO and KPO) is expected to support this growth, leading to higher demand for denim and other fabrics ▪ Owing to cost advantages such as cost-effective labour and depreciated currency, buyers based in the US and the UK are increasingly preferring India than China. This trend is expected to continue to boost denim fabric exports from India	
Key competitors	Arvind, Aarvee, KG Denims Ltd, Etco Denim, Raymond UCO Denim, Bhaskar Industries, Jindal Worldwide, Suryalakshmi Cotton Mills and Oswal Denims	
Key risks	▪ NDL caters primarily to the domestic market, which is currently fraught with oversupply. If oversupply continues, the company's performance could be adversely affected ▪ Under-utilisation of installed capacity may negatively impact operating margins ▪ Volatility in raw material prices (raw cotton)	

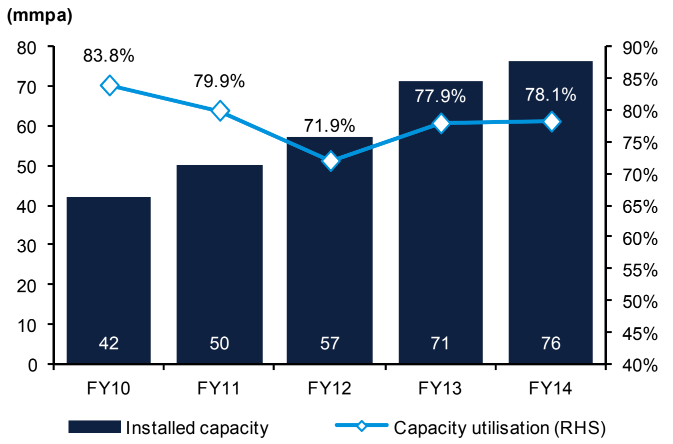
Source: Company, CRISIL Research

Grading Rationale

An established player in the Indian denim fabric industry

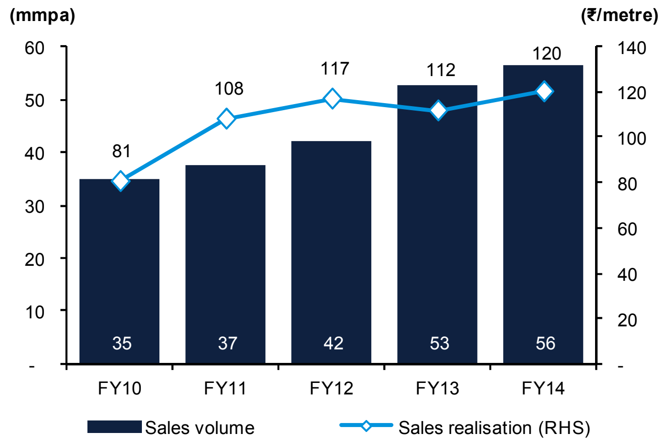
NDL, part of the Chiripal Group, has established itself as one of the leading players in the denim fabric manufacturing industry over the past 15 years. Over FY10-14, NDL's denim segment revenues increased at a CAGR of 25% and sales volume increased from 35 mmpa to 56 mmpa. This growth was backed by consistent capacity addition – from 42 mmpa in FY10 to 76 mmpa in FY14. Apart from denim fabric (93% of revenues), NDL sells blended cotton fabric, cotton piece dyed fabric and khakis. To reduce its dependence on the denim segment, it has forayed into the yarn dying segment with capacity of six tonnes per day and the shirting fabrics segment with a capacity of 10 mmpa. The facility commenced commercial operations in January 2014.

Figure 1: Driven by consistent capacity addition…



Source: Company, CRISIL Research

Figure 2: … denim sales volume has grown steadily



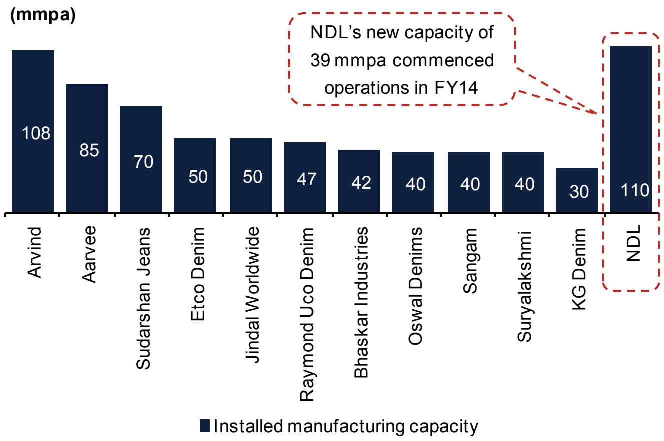
Source: Company, CRISIL Research

Ranks No. 1 in terms of installed capacity

NDL added denim fabric manufacturing capacity of 39 mmpa to the existing capacity of 71 mmpa, most of which was commissioned in Q4FY14. This makes NDL the largest denim manufacturer in India currently in terms of installed capacity, ahead of Arvind (108 mmpa) and Aarvee (85 mmpa).

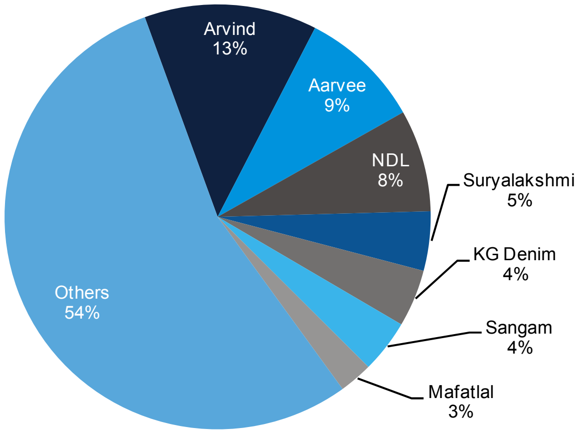
NDL has installed capacity of 110 mmpa, higher than Arvind and Aarvee

Figure 3: NDL has become the largest denim manufacturer in India in terms of installed capacity



Source: Industry sources, CRISIL Research

Figure 4: 8% share of the Indian denim fabric market (in terms of sales volume) as of FY13*



Note: Since we do not have the denim sales volume data for most of these companies on the date of the report, we are not able to comment on the FY14 market share. However, since NDL has grown faster than most of the players in FY14, its market share is likely to have grown during the year

Source: Industry sources, CRISIL Research

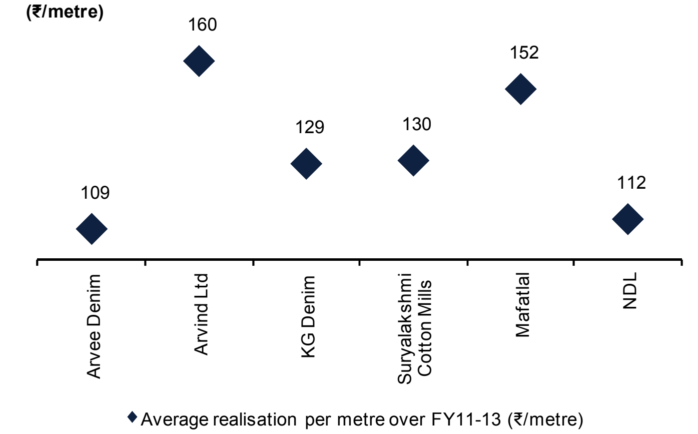
Although NDL has become the largest denim fabric manufacturer in terms of capacity, it is the third largest after Arvind and Aarvee in terms of sales volume as of FY13. As per our estimates, NDL had ~8% share of the Indian denim fabric market in FY13 (sales volume), whereas Arvind had 13% and Aarvee had ~9%. With revenues of ₹5.9 bn in FY13, the company was the third in terms of denim revenues as well, again after Arvind and Aarvee (who reported revenues of ₹15.4 bn and ₹6.7 bn from the denim segment, respectively, in FY13). However, with expanded capacity and increased export thrust, the company's market share is expected to increase in FY15.

Third largest denim player in India in terms of sales volume as of FY13

Lack of premium products results in low pricing power

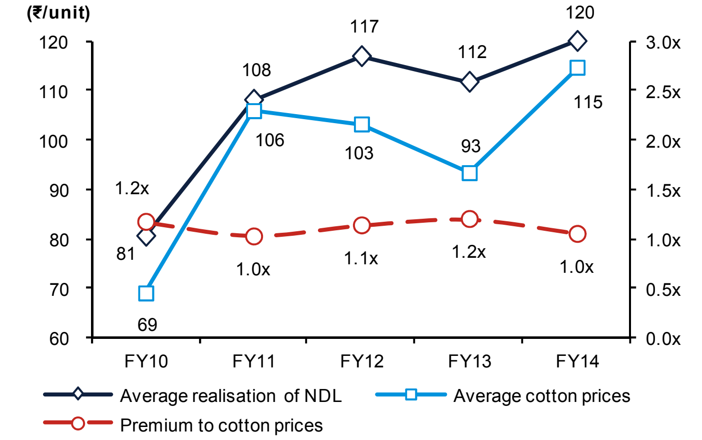
Owing to lack of premium products and low export contribution, NDL's realisations have consistently lagged other leading players including Arvind, Mafatlal Industries and Suryalakshmi Cotton Mills. The company focuses primarily on the low-mid end of denim fabrics where realisations range from ₹115-₹130/metre (domestic market); premium products fetch realisations ranging from ₹160-₹250/metre. Low focus on premium products translates into lower pricing power as denim fabric targeted at the low-mid end of the market has limited scope for differentiation and is, hence, largely commoditised. As a result, NDL's realisations are linked to cotton prices, which are highly volatile in nature. However, the company has started focusing on the premium/value-added segment to meet the demand of leading international brands and, hence, its realisations are expected to improve going forward.

Figure 5: Realisations per metre lower than the industry's…



Source: Company, CRISIL Research

Figure 6: ... and largely linked to cotton prices



Source: CRISIL Research

Healthy domestic clientele, but export clientele needs strengthening

NDL has successfully developed a healthy client base in the domestic market, including established apparel (such as Spyker, Mufti, Gini & Jony and Color Plus) and textile products manufacturers (such as Tirupati Denim and Vardhaman Textiles). The top 10 clients account for ~39% of revenues, indicating moderate concentration risk. In the export market, NDL has developed relationship with some international players, which, we believe, needs to be further strengthened. According to the management, the company supplies to major global brands such as Ralph Lauren, Armani Exchange, Talbots, Calvin Klein, Tommy Hilfeger, Target, Anntaylor, Carrefour and Polo. Currently, exports account for ~10% of revenues.

Over the past two decades, NDL has established an extensive distribution network in the domestic market, comprising sales offices, agents and distributors. It sells a majority of its products to garment manufacturers and the rest is sold through dealers. It has tie-ups with over 35 distributors across the country, of which 10 exclusively sell NDL's products. Most of the distributors are based in northern (Delhi, Uttar Pradesh, Haryana, Rajasthan and Punjab) and western (Maharashtra, Madhya Pradesh and Gujarat) states – a hub of textile/RMG manufacturers in India. In recent years, the company has established a distributor base in other parts of India, thereby expanding its geographic footprint in the domestic market.

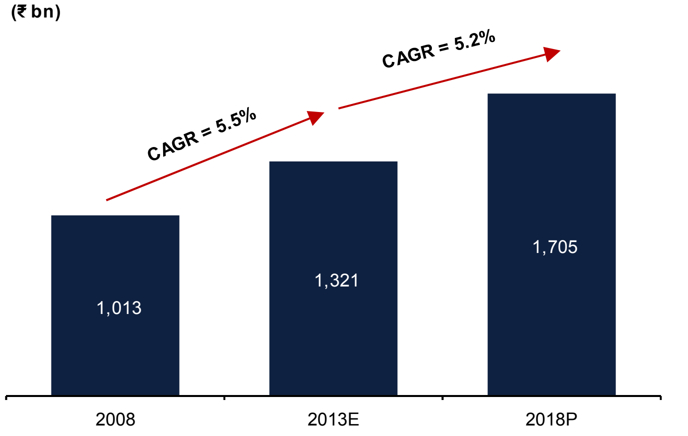
Indian denim fabric industry estimated to grow at 6% CAGR in medium term

The domestic denim fabric industry is expected to grow at 6% CAGR over 2013-18 driven largely by volume growth (healthy demand for denim jeans and RMG); realisation growth is expected to be muted.

Both domestic and export demand for RMG is estimated to post >5% CAGR over 2013-18

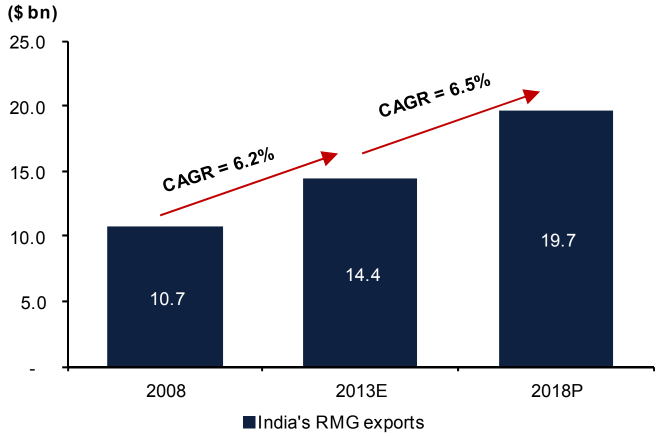
Domestic demand for RMG is also expected to grow at a CAGR of 5.5% to ₹1,705 bn over 2013-18 driven primarily by volume growth of 4-5%, while realisations are expected to grow 1%. Rural demand is expected to outstrip urban demand for RMG, as the rural market remains significantly under-penetrated. India's exports of RMG are expected to grow faster than domestic market, and is estimated to register CAGR of 6-7% over 2013-18. Growing demand for RMG, in both domestic and export markets, is expected to boost the domestic denim fabric industry. We expect leading Indian denim fabric manufacturers, including NDL, to benefit from industry growth.

Figure 7: Domestic RMG demand expected to remain steady



Source: Company, CRISIL Research

Figure 8: RMG exports from India to maintain momentum



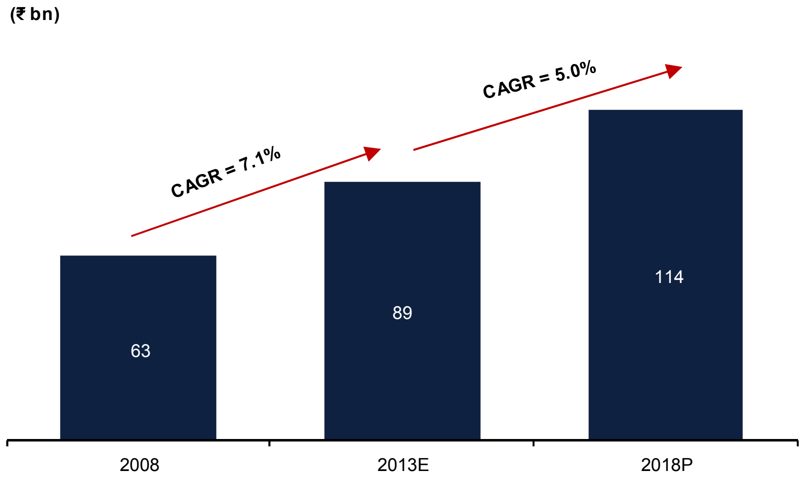
Source: Company, CRISIL Research

Within the RMG market, the jeans segment is expected to witness steady growth. CRISIL Research expects the market size for denim jeans to reach ₹114 bn in 2018 from ₹89 bn in 2013, implying a 5% CAGR over the period. Growth is expected to be driven by volume growth of 4%, while realisation growth is likely to be muted at 1%. We expect the domestic denim fabric market to grow in line with the denim jeans market.

Growth in the domestic denim jeans industry is expected to be driven by growing penetration

Increase in demand for jeans is expected to be driven by 1) increasing preference for casual and semi-formal clothing; 2) many corporates, led by Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) firms, accepting casual wear as office wear; and 3) changing demographic profile of consumers owing to higher disposable income. Currently, the jeans market in India is underpenetrated – per capita consumption of jeans is 0.3 pairs/year, significantly lower than two-three pairs/year in developed nations such as the US and the EU. This represents significant growth potential for the industry.

Figure 9: Demand for denim jeans also expected to grow steadily



Source: Company, CRISIL Research

Government focus to provide additional fillip to the textile industry

The Government of India (GoI) has taken several measures in the recent past to boost the textile industry in India:

- The Restructured Technology Upgradation Fund Scheme (R-TUFS) has been extended for the XIIth Five Year Plan, with an investment target of ₹1,705 bn from ₹1,506 bn under the XIth Five Year Plan.
- In the FY14 Union Budget, excise duty on readymade branded garments sold in the domestic market – along with cotton and man-made sectors at the yarn, fabric and clothing stage – was removed.
- Customs duty on textile machinery and parts has been reduced from 7.5% to 5%, making it more affordable for Indian textile companies.
- Other incentives such as additional funds for establishing apparel parks under the Scheme of Integrated Textile Parks (SITP) and interest subventions for the handloom sector.
- Investment allowance of 15% on capital investment of ₹1 bn or more.

The GoI along with many state governments offers benefit to textile manufacturers

Additionally, the Gujarat government, under its Textile Policy of 2012, offers:

- 7% interest subsidy for spinning units and 5% for other textile units.
- Refund of VAT to the extent of 100% of the eligible fixed investment in plant and machinery within one year (two years in case of investment of more than ₹5,000 mn) from date of production or operative period of scheme whichever is earlier.

The interest subsidies are expected to lower the finance cost for these players while removal of the excise duty should lower production costs.

With increasing competitiveness, India's share in global denim fabric exports poised to grow

Over the past few years, India's competitiveness in the international denim fabrics market has improved as China's cost of production has shot up. This coupled with improving cotton value chain in India (owing to increasing automation at various stages), has provided an impetus to India's denim fabric exports.

According to International Cotton Advisory Committee (ICAC) statistics, India is the fourth largest exporter of denim fabrics in the world after China, Pakistan and Turkey. World trade in denim fabric averaged 670,000 tonnes over the past one decade, while in value terms it fluctuated between $3 bn and $3.5 bn. India accounts for ~5% of this trade. Of the total denim fabric produced in India, about 25-30% (~200 mmpa) is exported. In recent times, fabrics exported from China have become costlier than those from India, as 1) China's cotton policy of providing higher-than-global-average minimum support prices to cotton manufacturers has led to higher raw material prices for Chinese fabric manufacturers, which, in turn, resulted in decline in domestic production; 2) labour wages in China have risen sharply in recent years; and 3) yuan has appreciated steadily against the US dollar, whereas the rupee has depreciated, particularly in the past 12 months. Owing to these factors, denim fabric manufactured in China costs $2.6-2.65/metre compared with $2.5/metre in India, making India a more lucrative destination for international buyers. Geopolitical instability of Pakistan, another major denim fabric exporter, has also worked in India's favour. Additionally, the emergence of Bangladesh, which imports bulk of its denim fabric from India, as a favoured destination for RMG manufacturing has boosted India's exports. Owing to these factors, India's share in the world trade of denim fabric is expected to improve, benefitting domestic players.

Owing to reduced cost competitiveness of China, India's denim fabric exports are set to grow

NDL is gearing up to tap the export markets

To tap the growth potential offered by the export markets, NDL has ramped up its export focus in recent times. The company is aiming to strengthen its distribution network in key overseas markets such as Bangladesh, South Korea, Hong Kong, Latin America, Egypt, South Africa, Turkey and Mexico. NDL has ramped up its export marketing team and has appointed dedicated marketing agents to cater to these markets.

Currently, NDL is focusing on establishing ties with large US apparel brands (who, along with European brands, are the major end-users of denim fabrics exported from India), by participating in trade events and exhibitions related to the denim industry. To meet the requirements of these leading brands, NDL is also trying to add premium denim fabrics to its portfolio. So far, the company has been witnessing traction in the US market and expects to execute ₹700 mn of exports orders during the first two quarters of FY15. Going forward, the company also plans to establish relationship with the European apparel manufacturers.

NDL is ramping up its export marketing team to expand its international footprint

In our opinion, the addition of large denim manufacturing capacity positions NDL strongly to benefit from the export demand. Resultantly, we expect the share of exports in overall revenues to increase gradually. Considering that export sales enjoy better realisations as well as better payment terms (15-20 days compared with 45 days in domestic markets), higher export contribution is likely to translate into better operating margins and improved working capital cycle for the company.

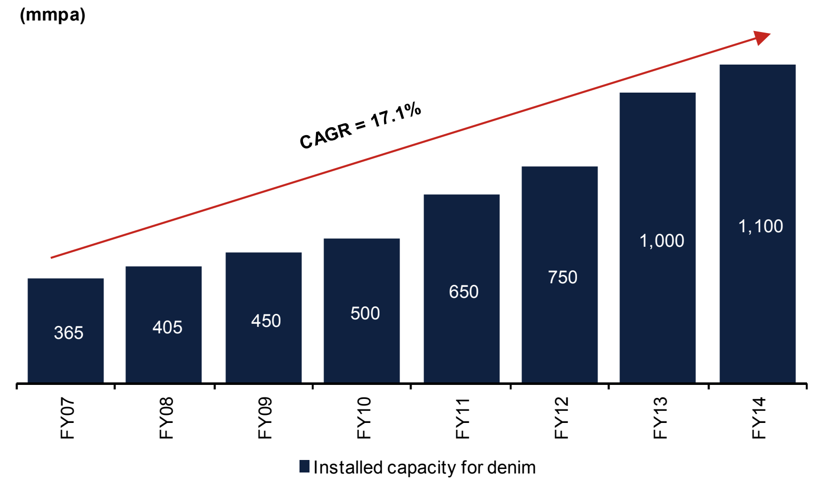
Oversupply, high competition plaguing the domestic denim fabric industry

The denim fabric industry in India is currently facing an oversupply situation – overall installed capacity for manufacturing denim fabrics in India stands at 1,100 mn meters per annum (mmpa), while average utilisation rates are 80-85% amounting to a total supply of 850-900 mmpa. However, the total demand for denim fabric is estimated to be 700-750 mmpa (of which 70-75% is consumed locally and the rest is exported), which represents a demand-supply gap of 150-200 mmpa. With many leading players planning to expand, overall capacity is expected to reach 1,200 mmpa by 2015. The oversupply in the domestic market may impact the utilisation rate of Indian denim fabric manufacturers.

Currently, India has 1.1 bn metres per annum of denim manufacturing capacity with utilisation rates of 80-85%

The Indian denim fabric industry is cyclical in nature, characterised by periods of excess capacity followed by narrowing demand-supply gap. The incubation period for denim manufacturing units is small. Thus, post a period of growing demand, a number of denim fabric manufacturers put up additional capacity to meet future demand growth, which in turn leads to oversupply in the market. The domestic denim industry has witnessed this cyclicality twice in the past. The first major downturn was between 1998 and 2001 owing to high capacity installation in China, followed by a period of rapid growth in demand over 2002-07. To cater to increasing demand, denim fabric producers added fresh capacity. However, post 2008, domestic and export demand for denim fabric in India declined owing to the global economic meltdown, which affected the utilisation rates of denim fabric manufacturers. With gradual recovery in global economy and declining cost competitiveness of China, demand for denim fabric picked up post 2011, which prompted players to again embark on capacity expansion.

Figure 10: Denim capacity has increased at a CAGR of 17% over FY07-14



Source: Company, CRISIL Research

Competitive intensity is high in the denim fabric industry

The denim fabric industry in India is fragmented – over 40 denim mills with capacities ranging from 10 mmpa to 110 mmpa manufacture denim in India. While some of these players (such as Arvind) focus on exports, most derive majority of their revenues from the domestic markets. This makes the domestic denim industry highly competitive. With limited scope for product differentiation and moderate requirement of capital, the entry barriers are also moderate in this industry.

The denim fabric industry is fragmented in nature, with moderate entry barriers

Many leading denim manufacturers in the country are planning to add capacity over the next few years, which is expected to worsen the oversupply condition. Total denim manufacturing capacity in India is expected to grow to 1.2 mmpa by the end of FY15 from 1.1 mmpa currently. Major players such as Arvind (expected to expand capacity by 32 mmpa over the next couple of years), Jindal Worldwide (expected to expand capacity by 30 mmpa), and SEL Group (planning to expand capacity by 20 mmpa) are ramping up manufacturing capacity. Most of the capacity additions are expected to be in the mid-low end of the market, which is expected to increase the competition for NDL.

Table 2: NDL's positioning vs leading peers

	NDL	Arvind	Aarvee
Product offerings	Primarily manufactures denim fabric along with bottom wear and other fabrics. Is planning to expand to manufacturing shirting fabric	Well-diversified company producing cotton shirting fabrics, denim fabric, knits and bottom weights fabric, jeans, and garments. It owns a number of established brands and markets its apparels under these brands. Additionally, it operates retail chain stores	Offers denim and bottom wear fabrics. Aarvee also produces apparels including jeans, casual trousers and jackets. It has forayed into retail brands and offers "De Extase", "Fashion Wrappers" and "Äden"
Market positioning	Among the market leaders in the mid and low end of the denim fabric market	Market leader in the value-added/premium segment of the denim fabric market	One of the major players in the Indian denim fabric market
Target segment	Derives majority of its revenues from the mid-low end of the denim market	~70% of the denim business revenues come from premium products while commoditised products aimed at the low-mid segment of the market accounts for the rest	Focuses on the mid and low segments
Manufacturing capacity	▪ Spinning capacity of ~23,360 tonnes (ring spinning and open-end spinning combined) ▪ Processing capacity of 110 mmpa	▪ Processing capacity of 108 mmpa, expected to increase to 120 mmpa by FY15	▪ Spinning capacity of ~39,000 tonnes ▪ Processing capacity of 85 mmpa
Key markets	Primarily focuses on the domestic markets, particularly on the northern and western states. Planning to expand export operations going forward	Derives over 50% of sales from export markets where it caters to major international brands such as Levi's, Gap and Lee. The remaining part of revenues comes from sale to major Indian brands and large distributors	Domestic markets comprise over 80% of the sales

Source: Company, CRISIL Research

Ambitious capacity expansion plan to enable NDL to tap export markets, boost operating margins

To cater to growing demand for denim fabric at home and overseas, NDL has undertaken a large capacity expansion project at a total investment of ₹5.6 bn. The project is to be completed in two phases and entails 1) increasing the denim manufacturing capacity to 110 mmpa and diversifying the product portfolio by setting up an integrated facility for manufacturing yarn dyed shirting fabric; and 2) enhancing the spinning capacity by installing additional spindles and rotors. Currently, the fresh capacity for the denim fabric and shirting fabric has been completed, which commenced operations in January 2014. In our opinion, the capacity expansion plan is likely to open up new growth opportunities for NDL (particularly in the export markets), improve operating margin owing to backward integration of spinning facilities and diversify its product portfolio by introducing yarn dyed shirting fabric.

NDL has undertaken an aggressive capacity expansion plan with a total investment outflow of ₹5.6 bn

Table 3: NDL has added denim manufacturing capacity of 39 mmpa in the first phase of expansion

Phase	Key highlights	Implementation schedule
Phase I	■ Installed ~112 looms for weaving of yarn – denim fabric manufacturing capacity has increased by 39 mmpa ■ Installed yarn dyeing capacity of 6 TPD to produce dyed yarn ■ Increased spinning capacity by installing 480 rotors and 4,992 spindles for producing denim fabric. Spinning capacity has increased to 64 TPD from 54 TPD previously.	Commenced operations in January 2014

Source: Company, CRISIL Research

Backward integration to aid operating margin; diversification of product portfolio to reduce dependency on a single segment

Under its ongoing capacity expansion plan, NDL plans to backward integrate its spinning facility, which is expected to lead to improvement in operating margin in the medium term. Under the phase II of its capex plan, expected to be completed by FY16, the company plans to install 2,080 rotors and 22,368 spindles for open end spinning which is expected to increase its spinning capacity to ~124 tonnes/day (TPD) from ~64 TPD currently (post the first phase of expansion). The expanded spinning capacity is likely to enable NDL to increase its captive consumption of yarn. Considering the company currently purchases 25-30% of its yarn requirement from the market, a higher captive consumption of yarn is expected to improve operating margin in the medium term (although captive consumotion may decline owing to higher installed capacity in FY15, leading to margin pressure during the year). However, the expanded capacity is likely to increase the company's fixed costs and, hence, low utlisation may dent its operating margin owing to lack of operating leverage.

Increase in captive consumption of yarn is expected to improve margins going forward

Under its ongoing capex project, NDL has installed 10 mmpa of shirting fabric processing capacity, and is planning to increase the same in the longer run. The company is aiming to leverage its exisiting dealer network to market its shirting fabrics. Since RMG demand is expected to grow steadily, and NDL has a good distribution network, we expect the company to be able to ensure steady offtake for its new products. Moreover, it also plans to enter the

NDL is installing a yarn dyed shirting fabric manufacturing facility of 10 mmpa

yarn dyeing segment in the future. The foray into shirting fabrics and yarn dyeing is expected to lower the company's dependency on a single product – denim, and widen its revenue base although it is unlikely to be a major contributor to overall revenues in the medium term.

NDL has ensured adequate power availability for the expanded facility

NDL has ensured the availability of adequate power for its expanded denim and shirting fabric manufacturing capacities. Currently, NDL's entire power requirement is met through its captive power plant, which results in lower power cost for the company. Going forward, the company plans to meet the additional requirement of power from Gujarat Electricity Board. Under the textile policy of the Gujarat Government, NDL is eligible for power subsidy, which is likely to lower its power and fuel costs.

Pending equity funding of ₹707 mn is a monitorable

The total project cost of the ongoing capex plan is ₹5.6 bn, of which the debt component is ₹4.1 bn and ₹1.5 bn is to be funded by equity. As per the company, the promoters have infused ₹86 mn as unsecured loans in FY14, while it has funded another ₹753 mn from internal accruals in FY13 and FY14. The company plans to meet this requirement by means of internal accruals/unsecured loans/qualified institutional placement (QIP)/rights issue. However, based on our projections, internal accruals after meeting interest obligations may not be sufficient to meet the pending equity requirement. Considering that the gearing is already high (1.8x), the company is unlikely to be able to avail unsecured loans from unrelated parties either. Thus, we expect the remaining funding requirement to be met through unsecured loans from promoters in FY14 and FY15. However, it is a key monitorable.

Table 4: Funding requirement to be met through equity infusion

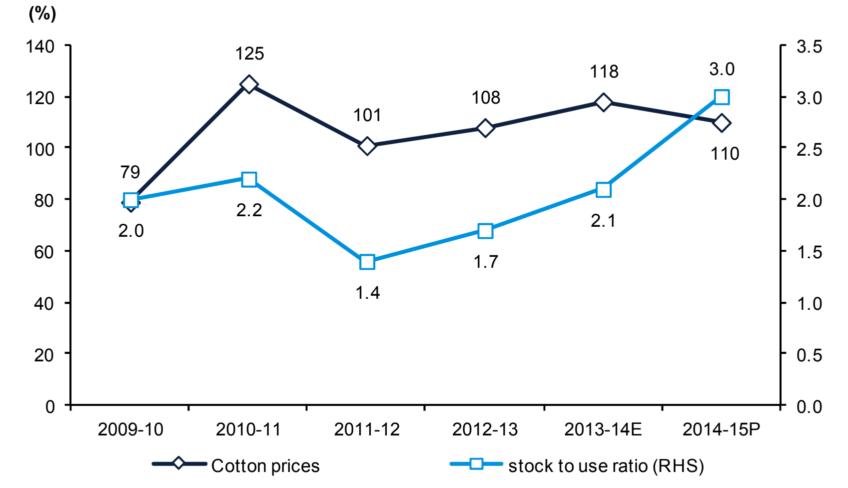
Phase	Debt (₹ mn)	Equity (₹ mn)	Total cost (₹ mn)
Phase I	1,816	796	2,612
Phase II	2,250	750	3,000
Total	4,066	1,546	5,612

Source: Company, CRISIL Research

Cotton prices to correct in cotton season 14-15; may impact realisations

Cotton prices are expected to decline in CS 2014-15, averaging ₹110 per kg. This correction will be on account of a fall in demand (domestic consumption and exports), which will push India's cotton inventory to a six-year high of about three months. Cotton inventory will increase despite an expected 2% decline in production, as cotton demand (20% fall in exports) will decline by a higher 3-5%; exports will decline due to sharp fall in China's import demand, which is India's largest export market for cotton. Since NDL's realisations are linked to cotton prices, we expect muted realisation growth in FY15.

Figure 11: Cotton prices are expected to correct in CS 2014-15

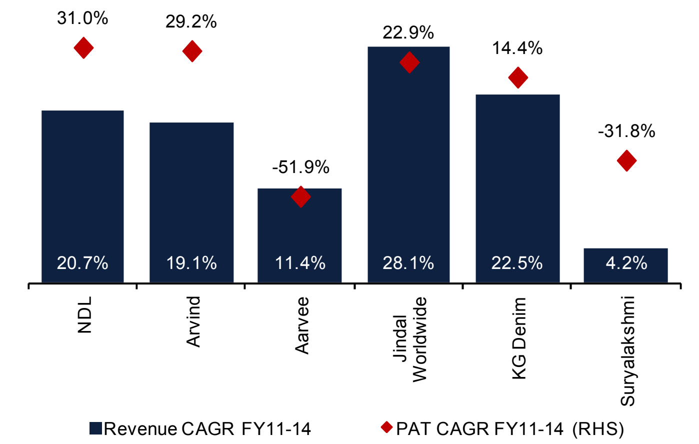


Source: Cotton Corporation of India, CRISIL Research

NDL's financial performance – revenue, PAT growth higher than peers' in recent times

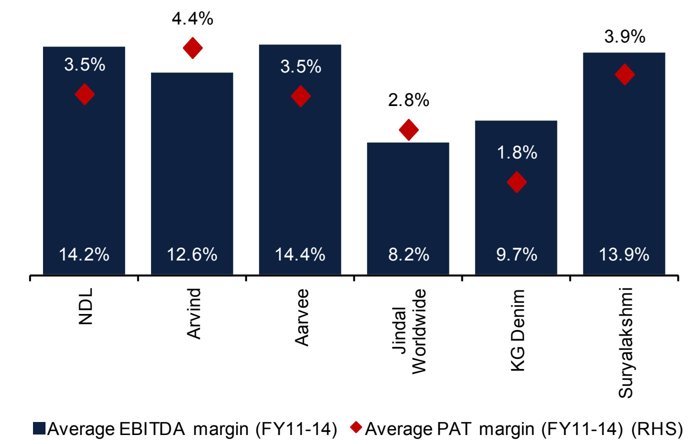
- NDL achieved revenue CAGR of 20.7% over FY11-14, above the median revenue CAGR of 19.9% registered by its peer group over the same period. Average EBITDA margin was also better than that of most peers during the period. As a result, the company's PAT CAGR of 31% was the highest in its peer set during FY11-14.
- The company's median RoE over FY11-14 was 13.2%, at par with the median RoE of 13.1% recorded by its peer group. However, as the company has higher gearing, its median RoCE of 11.6% is lower than 13.1% of its peer companies.
- NDL's working capital days is at par with most of its competitors. Following a significant improvement in debtors and inventory, the company has been able to maintain lower inventory and debtor days than most peers.

Figure 12: NDL's revenue growth over the past four years have been the highest in its peer group



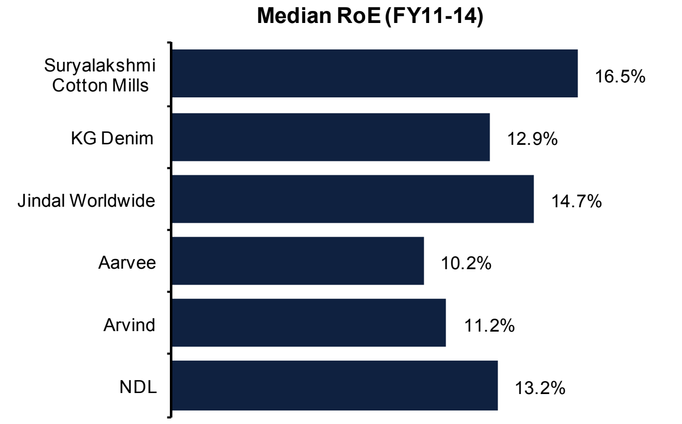
Source: Company, CRISIL Research

Figure 13: EBITDA margin is also better than most peers, although PAT margin is in line



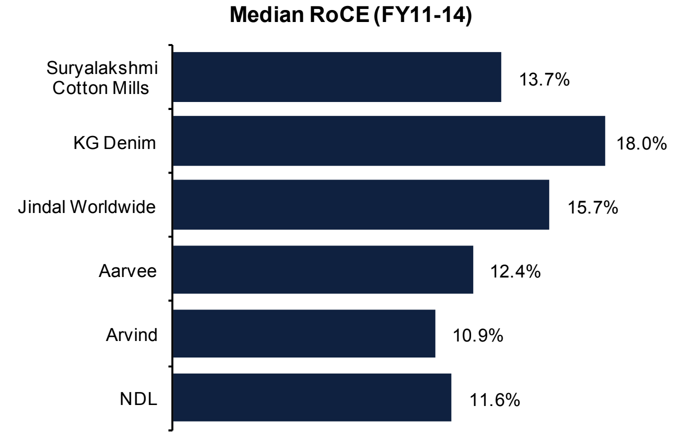
Source: Company, CRISIL Research

Figure 14: RoE is in line…



Source: Company, CRISIL Research

Figure 15: … while RoCE is lower than that of most peers…



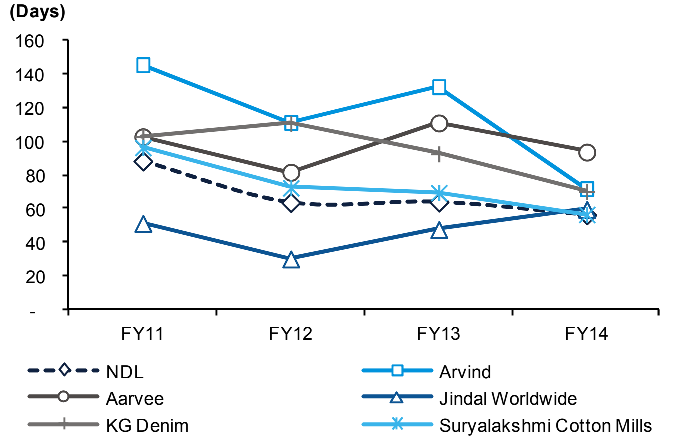
Source: Company, CRISIL Research

Table 5: … as gearing is higher than that of most players

	FY11	FY12	FY13	FY14
NDL	1.8x	1.8x	2.2x	1.8x
Arvind	1.3x	1.0x	1.1x	1.1x
Aarvee	1.3x	1.7x	1.5x	1.4x
Jindal Worldwide	1.4x	1.2x	1.4x	2.1x
KG Denim	2.4x	2.2x	1.9x	1.7x
Suryalakshmi Cotton Mills	2.2x	2.1x	1.8x	0.9x

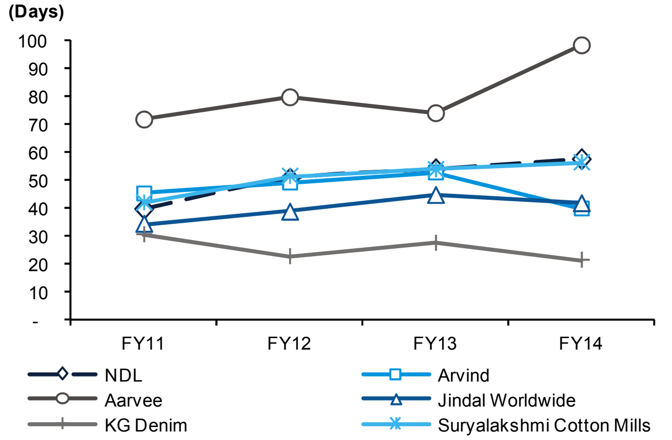
Source: Company, CRISIL Research

Figure 16: Inventory days are lower than competitors'



Source: Company, CRISIL Research

Figure 17: Debtor days largely at par



Source: Company, CRISIL Research

Key Risks

Under-utilisation of capacity

NDL has taken up an ambitious capacity expansion plan, under which it expanded its denim fabric manufacturing capacity to 110 mmpa from 71 mmpa during Q4FY14. Additionally, the company is also expanding its spindlage capacity by installing new rotors and spindles as it plans to venture into manufacturing of shirting fabric and dyeing of yarn. If the company is unable to optimally utilise this expanded capacity, its operating margins are likely to be negatively impacted.

Volatile raw material prices

Sharp increase in cotton prices, the major raw material for denim fabric may dent NDL's operating margin

Cotton is the key raw material used for manufacturing denim fabric. It is a seasonal commodity and production is heavily dependent on normal monsoon. Given that raw material cost (of which cotton is the major component) accounts for 65-70% of net sales, any sharp increase in cotton prices is likely to put pressure on NDL's operating margins.

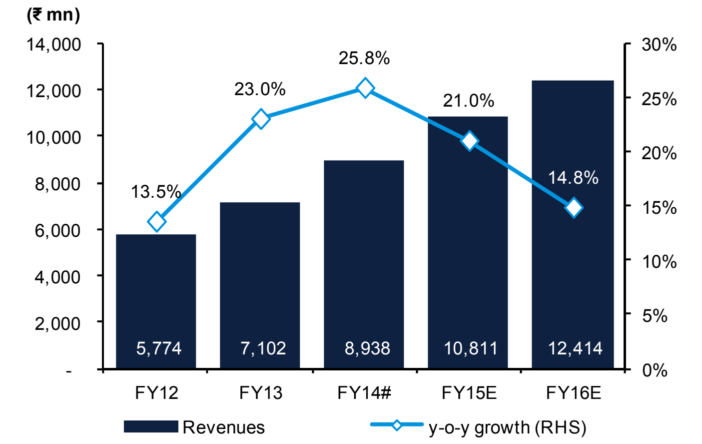
Financial Outlook

Revenues estimated at ₹12.4 bn in FY16 driven primarily by higher exports

CRISIL Research estimates NDL's revenues to grow at a two-year CAGR of 17.9% to ₹12.4 bn in FY16 from ₹8.9 bn in FY14. Export sales are expected to grow faster than domestic sales owing to the company's push to tap the export markets, leading to a gradual increase in the contribution of exports to overall revenues. Export sales are estimated to grow at 23.4% CAGR over the next two years, faster than the domestic sales which are expected to grow at 14.3% CAGR over the same period. NDL is likely to start producing shirting fabrics from FY15, which is expected to add to top-line growth. In the near term, revenues are expected to be driven by healthy volume growth as realisations are likely to be muted on account of declining cotton prices.

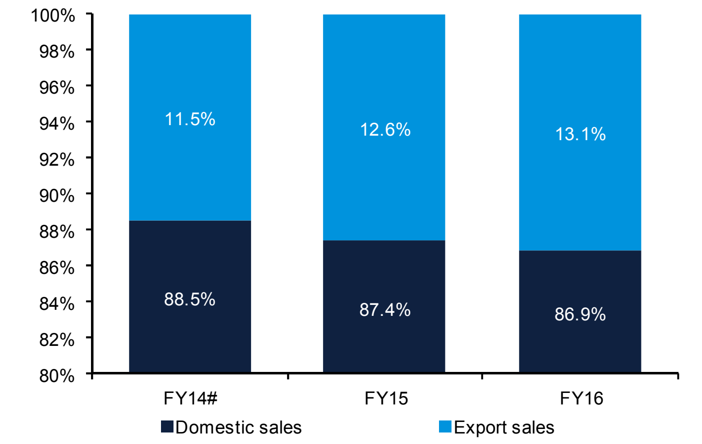
Top-line growth to be driven primarily by volumes

Figure 18: Revenues expected to grow at 17.9% CAGR over FY14-16



Source: Company, CRISIL Research

Figure 19: Contribution of exports to overall revenues expected to increase gradually



Source: Company, CRISIL Research

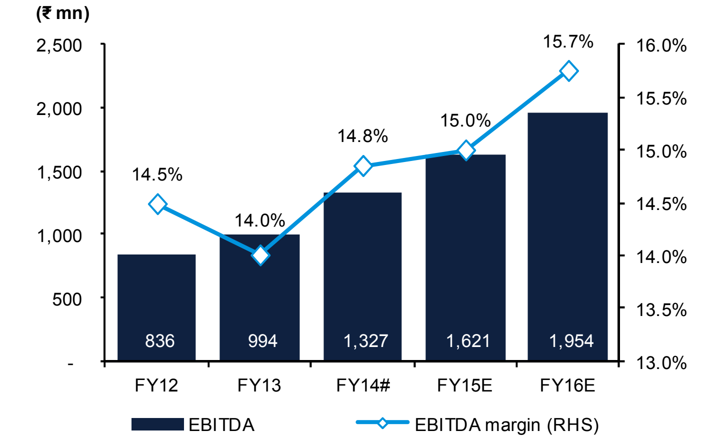
Expect EBITDA margin to improve post FY15, led by higher captive consumption of yarn

We expect NDL's EBITDA margin to improve to 15.7% in FY16 from 14.8% in FY14 as backward integration of the spinning facility with weaving and processing operations is expected to increase the share of captive consumption of yarn. Post the completion of phase-II of the ongoing capex plan, NDL is expected to meet a large portion of its cotton yarn requirement internally. Given that the market price of cotton yarn is higher than the prices of raw cotton and the manufacturing cost of yarn from raw cotton, we expect operating margin to improve after the backward integration of the spinning facility post FY16. Additionally, higher realisations from exports, whose share in overall revenues is expected to increase, is also likely to boost operating margin.

Adjusted PAT expected to grow at a CAGR of 7% over FY14-16

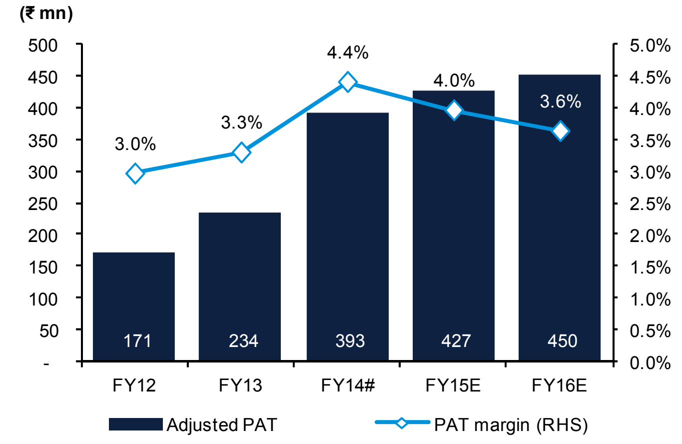
We expect adjusted PAT to increase to ₹450 mn in FY16 from ₹393 mn in FY14 at a CAGR of 7%. Despite growing top line and expanding EBITDA margin, earnings growth is expected to remain relatively subdued as higher interest costs (the company is expected to raise new debt in FY15 and FY16 to fund the capex project) and depreciation (owing to commissioning of new capacity) is likely to pull down PAT. RoE and RoCE are expected to decline in FY15 and FY16.

Figure 20: EBITDA margin to gradually expand post FY15



Source: Company, CRISIL Research

Figure 21: PAT estimated to increase to ₹450 mn by FY16



Source: Company, CRISIL Research

Management Overview

CRISIL's fundamental grading methodology includes a broad assessment of management quality, apart from other key factors such as industry and business prospects, and financial performance.

Promoters have vast experience in the textile industry

NDL is promoted by Mr Vedprakash D. Chiripal and Mr Brijmohan D. Chiripal, who have over three decades and two decades of experience, respectively, in textile products and related domain. The promoters have also founded Chiripal Industries Ltd, which is also in the textile business. Although the promoters are still associated with the company, the next generation has also joined and has participated actively in driving the growth of the company in recent years. NDL is currently led by Mr Deepal Chiripal, CEO. Based on our interaction with the management, we believe the top management is well versed with the business and is responsible for driving the growth of the company.

NDL's promoters have wide experience in the textile industry in

Chiripal Group's parentage supports NDL

NDL is part of the Chiripal Group – which ranks among the established integrated textile houses in India. Apart from manufacturing denim and shirting fabrics, the group is also present in processing, spinning, weaving, shirting fabrics and yarn dyeing. Over the past three decades, the company has established a network of distributors across the country. We believe support from an integrated textile group augurs well for NDL, and expect the company to continue to benefit from the same.

Second line of management commensurate with the size of the company

Although decision-making largely rests with the promoter family, we believe that NDL has a professional second line of management. We have interacted with Mr Sanjay Agarwal, CFO of the company, and with other second line personnel. Based on our interactions, we opine that the second line of management is professional and is commensurate with the size of the company. The second line includes Mr Haresh Israni – Business Head; Mr P.K. Sharma - Plant Head; Mr R.R. Desai – Head of Weaving Operations; Mr Rajendra A. Suthar – Vice President, Spinning Operations; Mr J.P. Maheshwari – General Manager, Purchase; Mr Amar Nath – General Manager, Marketing; Mr D.K.Jain – General Manager, Exports.

Corporate Governance

CRISIL's fundamental grading methodology includes a broad assessment of corporate governance and management quality, apart from other key factors such as industry and business prospects, and financial performance. In this context, CRISIL Research analyses the shareholding structure, board composition, typical board processes, disclosure standards and related-party transactions. Any qualifications by regulators or auditors also serve as useful inputs while assessing a company's corporate governance.

Board composition meets the required criteria

NDL's board comprises five directors, three of whom are independent. The minimum requirements are as per clause 49 of SEBI are listing guidelines. The board is chaired by Mr Vedprakash D. Chiripal, promoter of the company.

Board consists of five directors, three of whom are independent

Adequate systems and processes, experienced independent directors

The processes followed and the level of discussions at the board meetings indicate adequate corporate governance procedures. The company has various committees – audit, remuneration, investors' grievance, investment – in place to support corporate governance practices. CRISIL Research assesses from its interactions with IDs that the quality of agenda papers are good. We understand that the IDs are well aware of the company's businesses and are fairly engaged in all the major decisions. However, none of the three IDs have textiles or related background, which may limit their ability to exercise oversight on the management.

Significant related party transactions

NDL has two group companies which are also engaged in similar business lines – Chiripal Industries Ltd and Vishal Fabrics Pvt. Ltd. The company has inked material transactions with these companies in the past, including for processing and finishing the fabrics produced by NDL. If these transactions are not done at an arm's length going forward, it may be potentially detrimental for the interest of minority shareholders.

Disclosure standards have room for improvement

In our opinion, NDL's disclosure standards, based on publicly available documents, have room for improvement. Although the management has been forthcoming in sharing information with us, we believe the details furnished in the annual report and company website are inadequate. The operational and financial information furnished in the annual reports is below that of some of the other players in the textile industry.

Valuation Grade: 5/5

We have used the DCF method to value NDL. Based on this method, we have arrived at a fair value of ₹54 per share. The fair value estimate implies P/E multiples of 5.8x and 5.5x FY15E and FY16E EPS respectively. The stock is currently trading at ₹43, which implies P/E multiples of 4.6x and 4.4x FY15E and FY16E EPS respectively. At the current market price, the valuation grade is **5/5**.

Key assumptions

We have considered the discounted value of the firm's estimated free cash flow over FY16-25 to sufficiently capture the growth of the company. In the terminal year, we have assumed a growth rate of 3% and EBITDA margin of 14.2%. We have assumed cost of equity of 20.0%.

WACC assumptions

	Explicit period	Terminal value
Cost of equity	20.0%	20.0%
Cost of debt (post tax)	6.7%	6.7%
WACC	10.7%	10.7%
Terminal growth rate		3.0%

Sensitivity of fair value to terminal growth and WACC

		Terminal growth				
		1.0%	2.0%	3.0%	4.0%	5.0%
WACC	8.7%	54	60	67	75	85
	9.7%	47	53	60	69	79
	10.7%	41	47	**54**	63	73
	11.7%	36	42	49	57	67
	12.7%	31	37	44	52	62

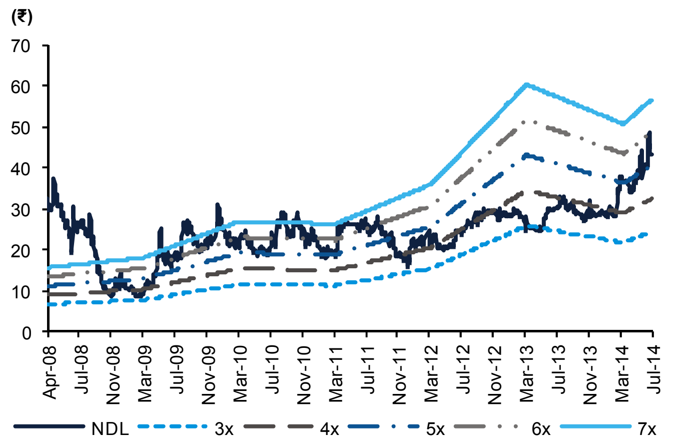
Source: Company, CRISIL Research

Sensitivity of fair value to terminal EBITDA and WACC

		EBITDA margin %				
		12.2%	13.2%	14.2%	15.2%	16.2%
WACC	8.7%	46	56	67	77	87
	9.7%	40	50	60	70	80
	10.7%	34	44	**54**	64	74
	11.7%	29	39	49	59	69
	12.7%	25	34	44	54	64

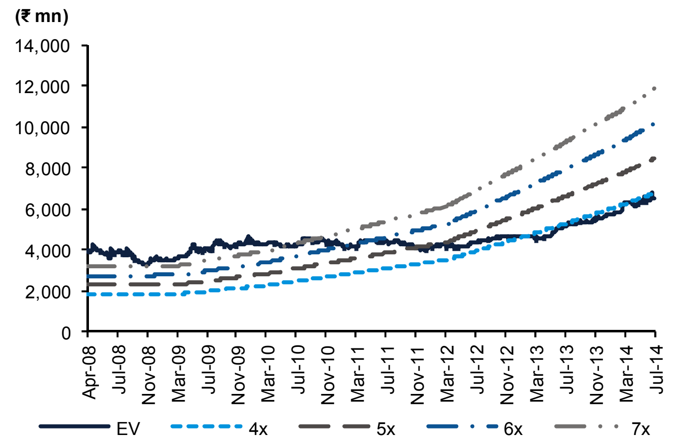
Source: Company, CRISIL Research

One-year forward P/E band



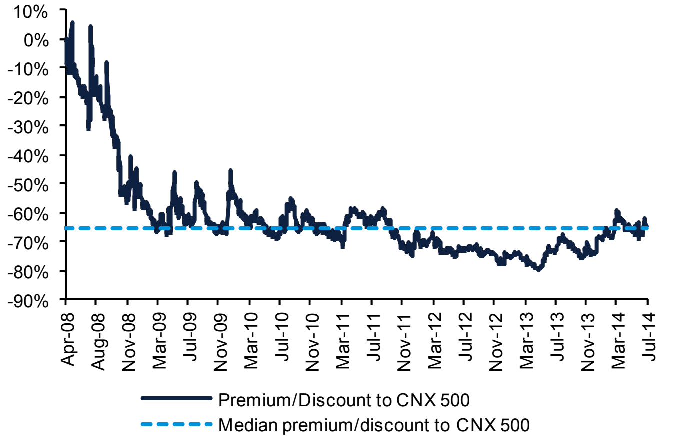
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



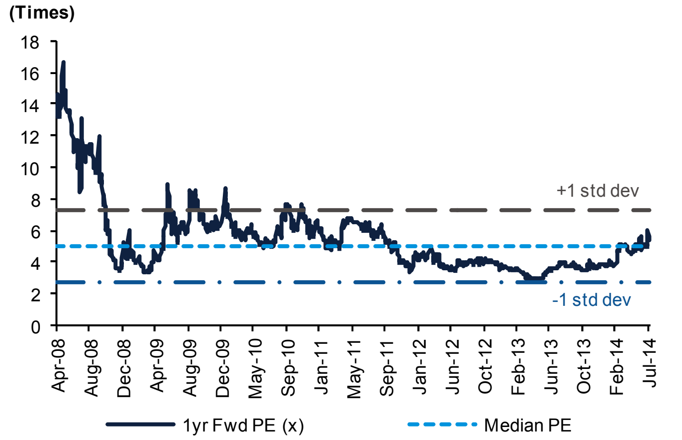
Source: NSE, CRISIL Research

P/E – premium / discount to CNX 500



Source: NSE, CRISIL Research

P/E movement



Source: NSE, CRISIL Research

Company Overview

Headquartered in Ahmedabad, NDL was incorporated as Nandan Exim Pvt. Ltd in 1994. It is part of the Chiripal Group, which has multiple businesses including textiles, real estate, education and construction. The company commenced commercial operation in 1999. It was initially involved in the trading of textile fabrics. In 2004, the company changed its name to Nadan Exim Ltd and set up a denim fabric manufacturing capacity. The facility commenced operations in 2006. During the same year, the company came out with its initial public offering of ₹120 mn and got listed on the BSE and the NSE. In FY14, the company changed its name to Nandan Denim Ltd. Over the years, the company has expanded its denim fabric manufacturing capacity and has established itself as one of the leading players in the Indian denim fabric industry. Currently, the company has a denim fabric processing capacity of 110 mmpa and shirting fabric processing capacity 10 mmpa. NDL's denim fabric manufacturing plant is located in Ahmedabad, Gujarat.

Key Milestones

1994	NDL was incorporated as Nandan Exim Pvt. Ltd, a private limited company
1999	Began trading of textile fabric in domestic and international markets
2004	Embarked on a project to set up facilities for weaving of denim fabrics Commercial production of denim fabrics commenced with 24 looms
2006	The denim manufacturing facility commenced operations with 72 looms Came out with IPO
2007	Added 48 looms to the denim manufacturing facility The spinning facility began commercial production with 1,224 rotors and 7,200 spindles
2008	Rights issue of shares at 1:2 ratio; also issued bonus shares at 1:1 ratio
2009	Expanded the spinning capacity by adding 2,016 rotors and 9,984 spindles
2012	Added 86 looms to the denim manufacturing facility Added 5,280 spindles
2013	Expanded the denim manufacturing facility by adding 59 looms

Overview of the Chiripal Group

Founded in 1972 by Mr Ved Prakash Chiripal, the Chiripal Group is one of the leading integrated textile houses in India. The group has manufacturing facilities for POY, texturising, cotton spinning, denim weaving, knitting and processing. The group is also present in infrastructure, packaging, petrochemicals, education and real estate businesses.

CRISIL RESEARCH

Annexure: Financials

Income statement

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Operating income	**5,774**	**7,102**	**8,938**	**10,811**	**12,414**
EBITDA	**836**	**994**	**1,327**	**1,621**	**1,954**
EBITDA margin	**14.5%**	**14.0%**	**14.8%**	**15.0%**	**15.7%**
Depreciation	333	409	497	644	791
EBIT	**504**	**585**	**830**	**977**	**1,163**
Interest	368	416	320	359	509
Operating PBT	**136**	**169**	**509**	**617**	**654**
Other income	110	112	40	21	17
Exceptional inc/(exp)	17	77	-	-	-
PBT	**263**	**358**	**549**	**638**	**672**
Tax provision	75	47	156	211	222
Minority interest	-	-	-	-	-
PAT (Reported)	**188**	**311**	**393**	**427**	**450**
Less: Exceptionals	17	77	-	-	-
Adjusted PAT	**171**	**234**	**393**	**427**	**450**

Ratios

	FY12	FY13	FY14#	FY15E	FY16E
Growth					
Operating income (%)	13.5	23.0	25.8	21.0	14.8
EBITDA (%)	22.4	18.9	33.4	22.2	20.6
Adj PAT (%)	(2.3)	36.8	68.3	8.7	5.3
Adj EPS (%)	(2.3)	36.8	68.3	8.7	5.3
Profitability					
EBITDA margin (%)	14.5	14.0	14.8	15.0	15.7
Adj PAT Margin (%)	3.0	3.3	4.4	4.0	3.6
RoE (%)	11.2	13.6	19.7	18.2	16.5
RoCE (%)	11.8	11.4	13.9	13.6	13.1
RoIC (%)	15.8	15.4	13.2	11.7	11.4
Valuations					
Price-earnings (x)	7.5	5.5	3.2	3.0	2.8
Price-book (x)	0.8	0.7	0.6	0.5	0.4
EV/EBITDA (x)	4.8	5.3	3.7	4.2	3.8
EV/Sales (x)	0.7	0.8	0.6	0.7	0.6
Dividend payout ratio (%)	24.2	17.6	20.9	12.8	12.8
B/S ratios					
Inventory days	64	64	57	63	63
Creditors days	39	40	31	31	31
Debtor days	50	54	57	50	50
Working capital days	81	75	65	64	74
Gross asset turnover (x)	1.4	1.5	1.5	1.4	1.3
Net asset turnover (x)	2.0	2.2	2.3	2.1	2.0
Sales/operating assets (x)	1.9	1.9	2.1	2.1	2.0
Current ratio (x)	2.7	2.7	2.1	3.0	3.1
Debt-equity (x)	1.8	2.2	1.8	2.3	2.3
Net debt/equity (x)	1.7	2.2	1.7	2.2	2.1
Interest coverage					
EBITDA/Interest	2.3	2.4	4.1	4.5	3.8
EBIT/Interest	1.4	1.4	2.6	2.7	2.3

Per share

	FY12	FY13	FY14#	FY15E	FY16E
Adj EPS (₹)	3.7	5.1	8.6	9.4	9.9
CEPS	11.1	14.1	19.5	23.5	27.3
Book value	34.9	40.3	47.5	55.5	63.9
Dividend (₹)	1.0	1.2	1.8	1.2	1.3
Actual o/s shares (mn)	45.5	45.5	45.5	45.5	45.5

Balance Sheet

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Liabilities					
Equity share capital	455	455	455	455	455
Reserves	1,134	1,380	1,710	2,073	2,455
Minorities	-	-	-	-	-
Net worth	**1,589**	**1,836**	**2,165**	**2,528**	**2,911**
Convertible debt	-	-	-	-	-
Other debt	2,853	4,015	3,907	5,778	6,592
Total debt	**2,853**	**4,015**	**3,907**	**5,778**	**6,592**
Deferred tax liability (net)	203	175	216	216	216
Total liabilities	**4,645**	**6,027**	**6,288**	**8,522**	**9,718**
Assets					
Net fixed assets	3,007	3,408	4,518	5,912	6,621
Capital WIP	192	684	4	-	-
Total fixed assets	**3,200**	**4,092**	**4,522**	**5,912**	**6,621**
Investments	78	214	41	41	41
Current assets					
Inventory	984	1,198	1,385	1,777	2,041
Sundry debtors	695	912	1,214	1,269	1,458
Loans and advances	344	596	492	595	683
Cash & bank balance	126	18	261	217	345
Marketable securities	-	1	1	1	1
Total current assets	**2,149**	**2,724**	**3,353**	**3,860**	**4,527**
Total current liabilities	**788**	**1,007**	**1,629**	**1,293**	**1,472**
Net current assets	**1,362**	**1,717**	**1,724**	**2,567**	**3,055**
Intangibles/Misc. expenditure	**7**	**4**	**2**	**2**	**2**
Total assets	**4,645**	**6,027**	**6,288**	**8,522**	**9,718**

Cash flow

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Pre-tax profit	246	281	549	638	672
Total tax paid	(60)	(75)	(115)	(211)	(222)
Depreciation	333	409	497	644	791
Working capital changes	107	(462)	236	(887)	(361)
Net cash from operations	**626**	**153**	**1,167**	**184**	**881**
Cash from investments					
Capital expenditure	(729)	(1,299)	(925)	(2,035)	(1,500)
Investments and others	(44)	(138)	174	-	-
Net cash from investments	**(773)**	**(1,436)**	**(752)**	**(2,035)**	**(1,500)**
Cash from financing					
Equity raised/(repaid)	(0)	-	**0**	-	-
Debt raised/(repaid)	231	1,162	(108)	1,871	814
Dividend (incl. tax)	(53)	(64)	(94)	(64)	(68)
Others (incl extraordinaries)	17	77	30	0	(0)
Net cash from financing	**195**	**1,175**	**(172)**	**1,806**	**747**
Change in cash position	48	(108)	243	(44)	127
Closing cash	126	18	**261**	217	345

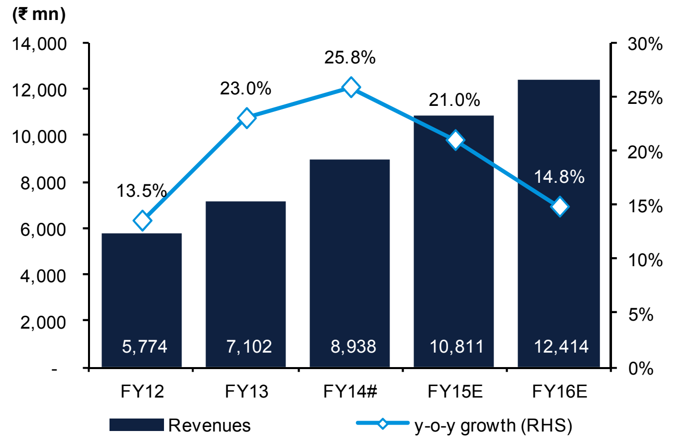
Quarterly financials

(₹ mn)	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14
Net Sales	**1,671**	**2,051**	**2,290**	**2,208**	**2,388**
Change (q-o-q)	-8%	23%	12%	-4%	8%
EBITDA	**268**	**335**	**357**	**381**	**253**
Change (q-o-q)	1%	25%	6%	7%	-34%
EBITDA margin	**16.0%**	**16.4%**	**15.6%**	**17.3%**	**10.6%**
PAT	93	95	83	92	124
Adj PAT	**93**	**95**	**83**	**92**	**124**
Change (q-o-q)	31%	2%	-13%	11%	35%
Adj PAT margin	**5.6%**	**4.6%**	**3.6%**	**4.1%**	**5.2%**
Adj EPS	**2.0**	**2.1**	**1.8**	**2.0**	**2.7**

Source: CRISIL Research

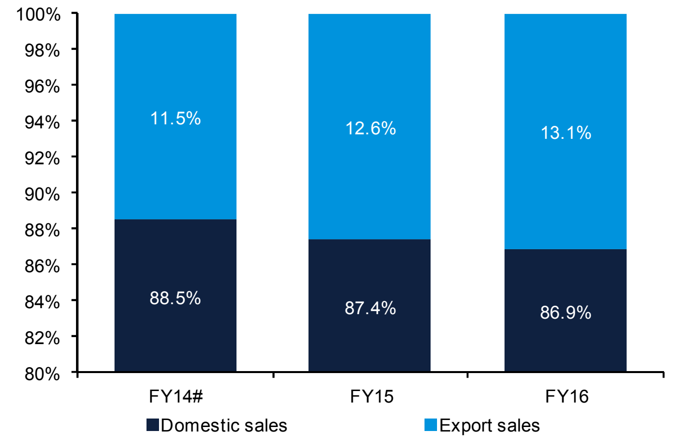
Focus Charts

Expect revenues to grow at a CAGR of 18% over FY14-16



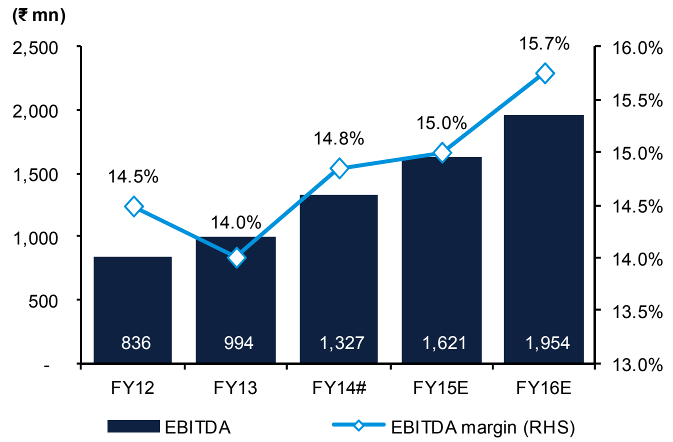
Source: Company, CRISIL Research

Export share expected to increase gradually



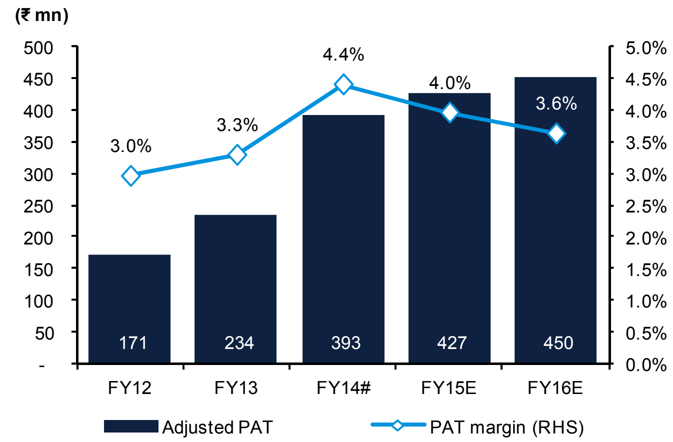
Source: Company, CRISIL Research

EBITDA margin to expand post FY15



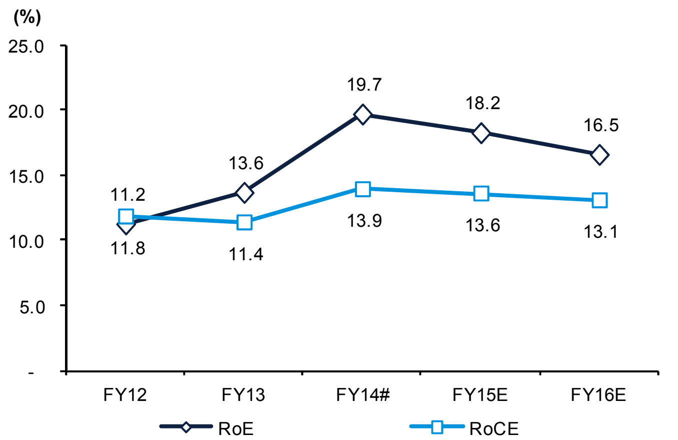
Source: Company, CRISIL Research

PAT estimated to increase to ₹450 mn in FY16



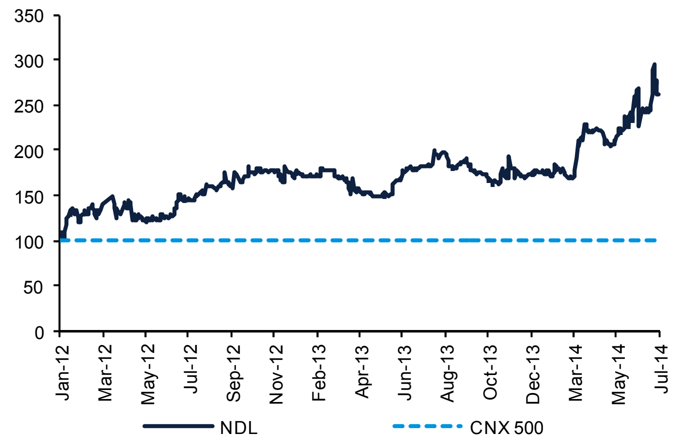
Source: Company, CRISIL Research

Expect return ratios to moderate post FY14



Source: Company, CRISIL Research

Stock movement trend vs CNX 500



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Source: Company, CRISIL Research

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