

Sensex 20491 Nifty 6079 Price: INR 253 Target Price: INR 361 BUY

Background: Tree House Education & Accessories Ltd (THEAL) is India's largest branded self-operated pre-school provider and the only listed self operated pre-school operator in India. It currently operates 426 pre-schools (322 are self operated) in 55 cities. In 2009, THEAL has done a forward integration to provide management services to K-12 schools. THEAL currently provides management services to 24 K-12 schools in 3 states. Geographically, THEAL's pre-schools are skewed towards Western India wherein it operates 64% of its pre-schools. The Pre-schools in other regions are as follows, North (6%), South (11%) and East (19%). THEAL's K-12 presence is restricted to the three western states Rajasthan (11 schools), Maharashtra (11 schools) and Gujarat (2 schools).

52 Week High/Low INR 302/216
 Bloomberg code THEAL IN
 Reuters code THEA.BO
 Issued Equity (shares in mn) 36.72
 Mkt. Cap in INR mn INR 9,272
 Mkt. Cap in mn USD \$ 147
 Avg. Daily Vol. ('000) 42.32
 Avg. Daily Vol. (mn) INR 10.7/\$ 0.17

Transition from Investment phase to harvesting phase

Revenues are expected to grow at a CAGR of 37.6% between FY13-15

THEAL's revenue has grown at a CAGR of ~74.9% from INR 213.8mn in FY10 to INR 1.14bn in FY13; the growth was primarily on account of pre-school center expansion. Going forward, we have estimated THEAL's revenue to grow at a CAGR of 37.6% between FY13-15 aided by pre-school expansion and improvement in the revenue per self-operated center.

THEAL likely to turn FCF positive from FY14

Due to the massive investments in K-12 business, company had negative free cash flows until FY13. Going forward, the capex spend is likely to moderate, as there are no major scheduled capex investment in the K-12 segment. Furthermore, sizable pre-school base and ramp up in the K-12 business will help the company to turn FCF positive from FY14 onwards.

Dividend Payout is likely to increase

Company is paying dividend for the last two years and In FY13, THEAL's dividend payout stood at 13.5%. As the company is likely to turn FCF positive, coupled with disinvestment of K-12 assets and margin expansion are likely to result in higher dividend payout. We have estimated the dividend payout to increase to 21.53% in FY14 & FY15.

Shareholding	Sep12	Jun13	Sep13
Promoters(%)	29.25	27.75	29.27
FII (%)	4.88	1.28	1.19
DII (%)	7.23	10.87	10.65
Others (%)	58.64	60.10	58.89
Pledge (% of promoter holding)	0.00	10.02	9.30

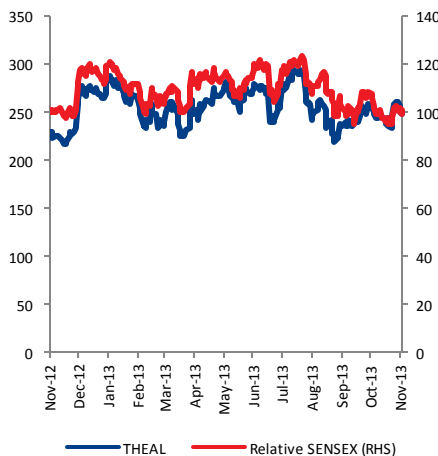
Performance%	1M	3M	12M
THEAL	-1.90	-0.22	9.25
Sensex	3.42	9.99	9.66

Outlook & Valuation

We have valued THEAL using DCF. In the growth phase (FY14-19) we have modeled a sales growth of ~ 30.6% CAGR and operating cash flow growth of ~29% CAGR. In the terminal growth phase we have modeled a perpetual growth of 4%. We have discounted the future cash flows using WACC of 14.7% to arrive at a target price of INR 361 per share, which is 26.7X and 19.8X of FY14 and FY15 EPS of INR 13.5 and INR 18.2 respectively and we rate THEAL as a BUY. **Risk:** Slower ramp up in the pre-school will hurt sales growth and profitability. Delay in monetizing the K-12 asset poses a serious threat to the return ratio and valuation. Low entry barriers resulting in higher competition from existing and new players.

Valuation Summary

Y/E June (INRmn)	FY12	FY13	FY14E	FY15E
Revenue	772	1,143	1,623	2,163
EBITDA	420	618	878	1,179
PAT	217	333	495	689
EPS	7.2	9.3	13.5	18.2
EPS growth (%)	135.6	29.3	45.6	35.2
FCF / Share	-23.0	-24.8	11.7	6.2
PE	35.2	27.3	18.7	13.8
P/ BV	3.0	2.6	2.4	2.1
EV / EBITDA	18.3	15.0	10.1	7.2
EV / Sales	9.9	8.1	5.5	3.9
Dividend Yield (%)	0.5	0.6	1.3	1.8
ROCE (%)	16.0	15.5	19.4	23.3
ROE (%)	11.4	11.1	13.7	16.3
Net Debt / Equity	0.0	0.1	-0.1	-0.2



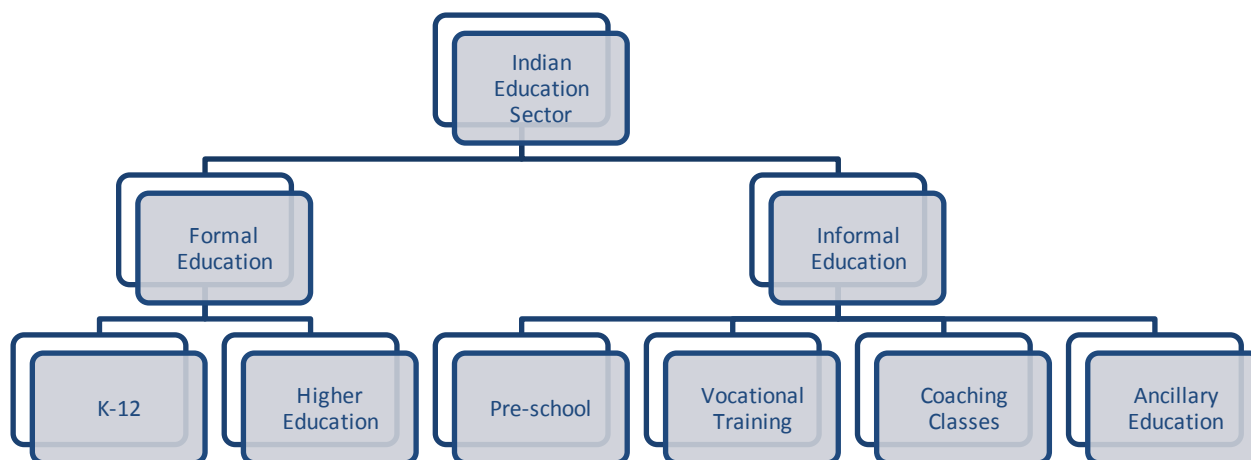
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Industry overview:

The education sector in India is broadly classified into two categories i.e. formal education and informal education. Formal education includes K-12 and higher education which is highly regulated and falls under the purview of Ministry of Human Resources Development. Further, formal educational institutes in India should be a not-for-profit entity operated either by trusts, societies or companies under section-25 of the Indian Companies Act.

Informal education includes; pre-school, vocational training, coaching classes and ancillary education. While formal education is highly regulated, informal education is not regulated and presents a lucrative opportunity for private players to manage capacity and charge higher fees.

Chart 1: Overview of Indian Education Sector

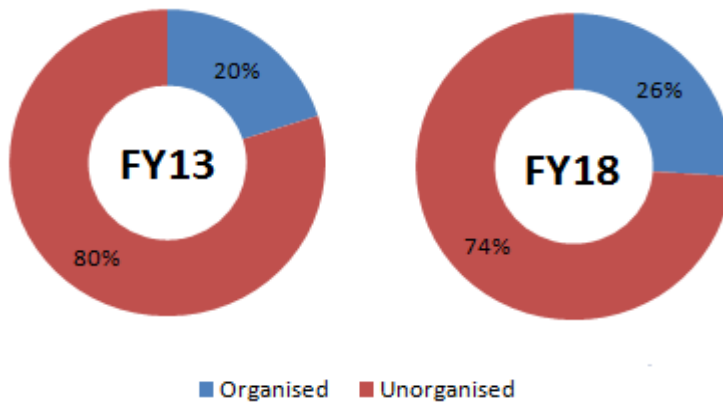


Source: CSEC Research

Pre-schooling in India is in the nascent stage, underpenetrated and constitutes a meager share in the total educational spending. It is estimated that the penetration level of pre-school in India is limited to 10-15% of the total urban population in the 2-4 years age bracket. The under-penetration of pre-school in India presents a huge opportunity for growth.

The Pre-school industry in India is largely fragmented and unorganized; with unorganized player accounting for 80% of the industry. However the skewness is expected to move slightly towards the organized sector from 20% in FY13 to 26% in FY18 largely due to the entry of more organized players and large scale expansion from the existing organized players.

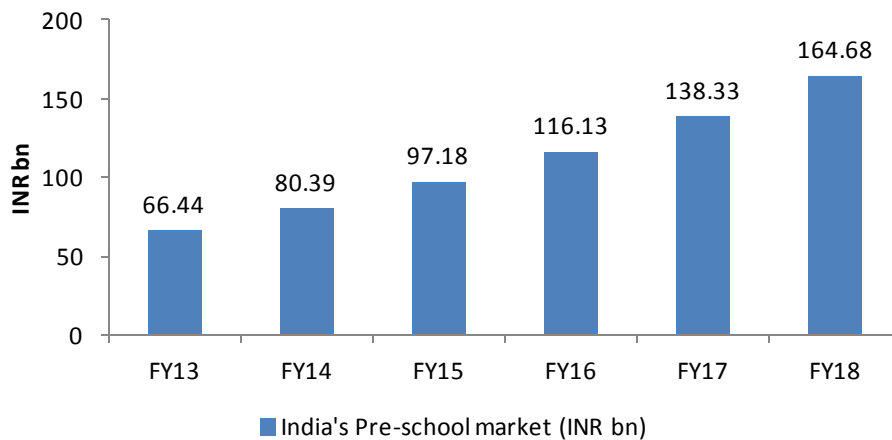
Chart 2: Break-up of Pre-school Market share



Source: Crisil Research, CSEC Research

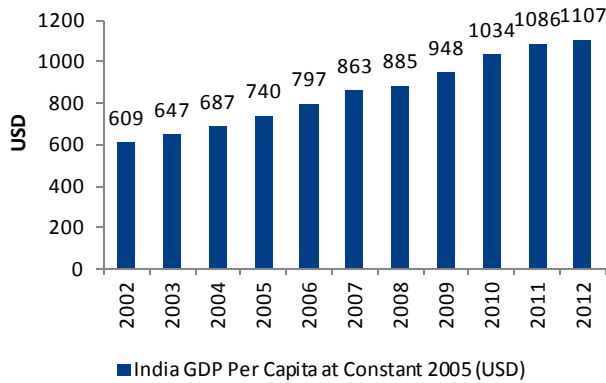
Currently, the size of the Pre-school industry is estimated at INR 66.44bn (FY13) accounting for 1.7% of total educational spend. In the last three years, the industry has grown at 15% CAGR in value terms. According to Crisil estimate, preschool market in India is estimated to grow at a CAGR of 20% between FY13-18 to reach INR 164.68bn. The growth would be aided by rapid urbanization, growing per-capita income and increasing awareness about the importance of pre-schooling.

Chart 3: Size of India's Pre-school Market



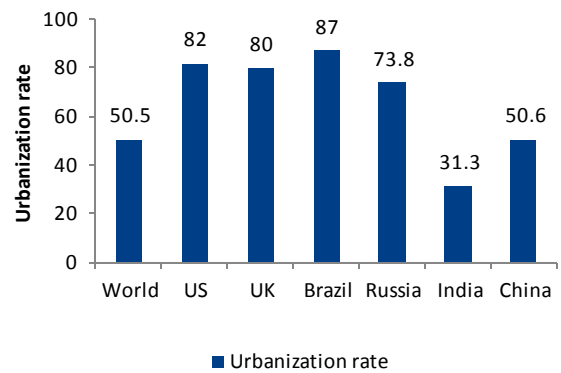
Source: Crisil Research, CSEC Research

Chart 4: India's GDP Per-capita



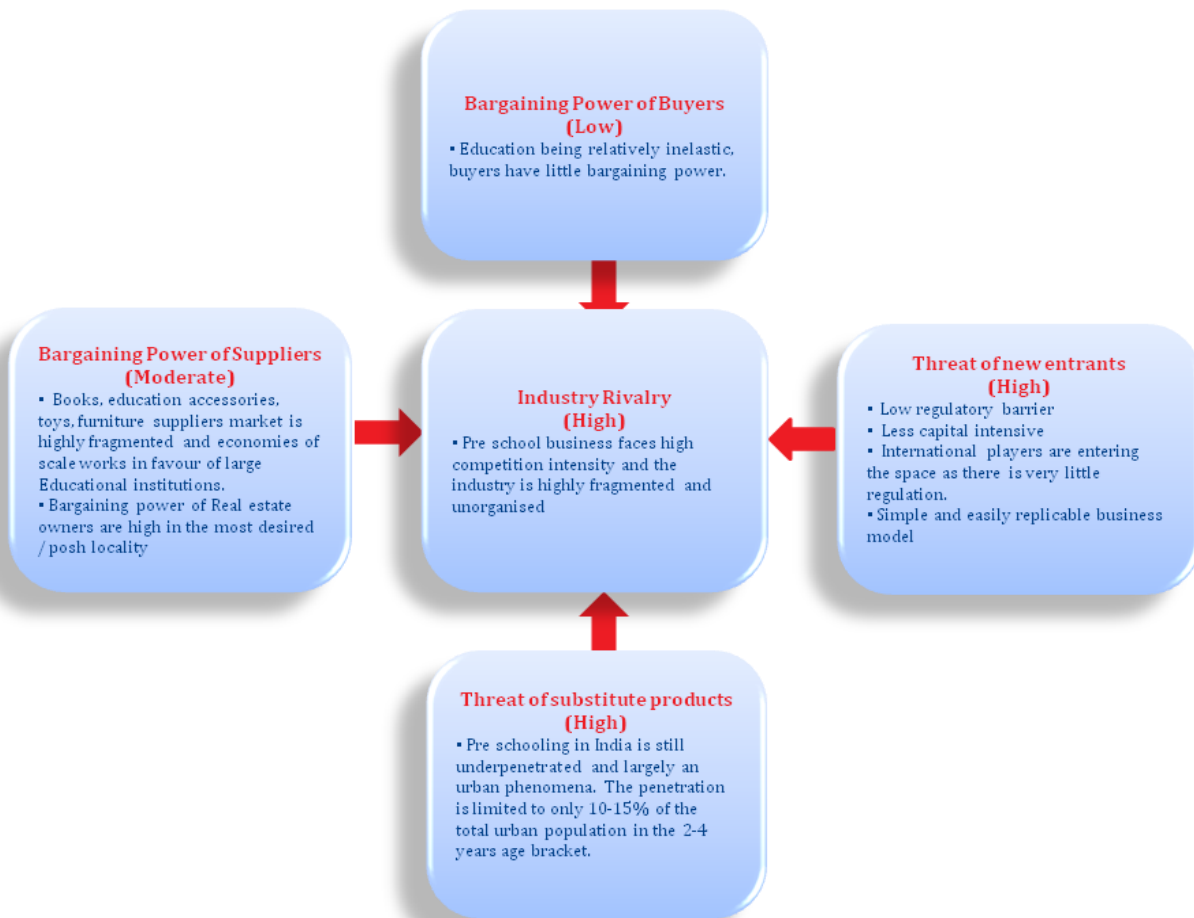
Source: Bloomberg, CSEC Research

Chart 5: Rapid Urbanization



Source: McKinsey Global Institute, CSEC Research

Chart 6: Porters Five Force Model:



Source: CSEC Research

Company Overview:

Tree House Education & Accessories Ltd (THEAL) is India's largest branded self-operated pre-school provider and the only listed self operated pre-school operator in India. It currently operates 426 pre schools (out of which 322 are company operated) in 55 cities. In 2009, Company has done a forward integration to provide management services to K-12 schools and currently it provides management services to 24 K-12 schools in 3 states.

Chart 7: Key Milestone

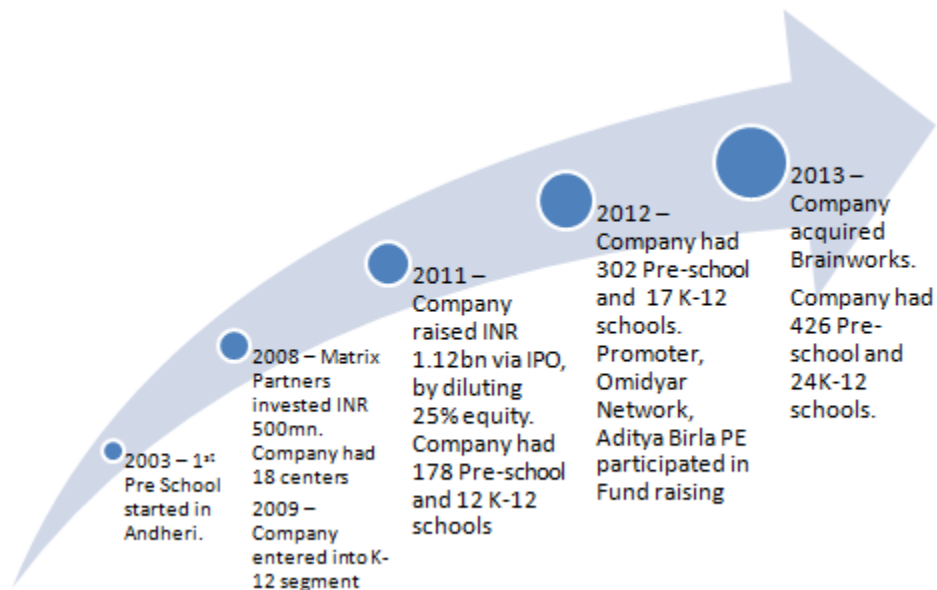
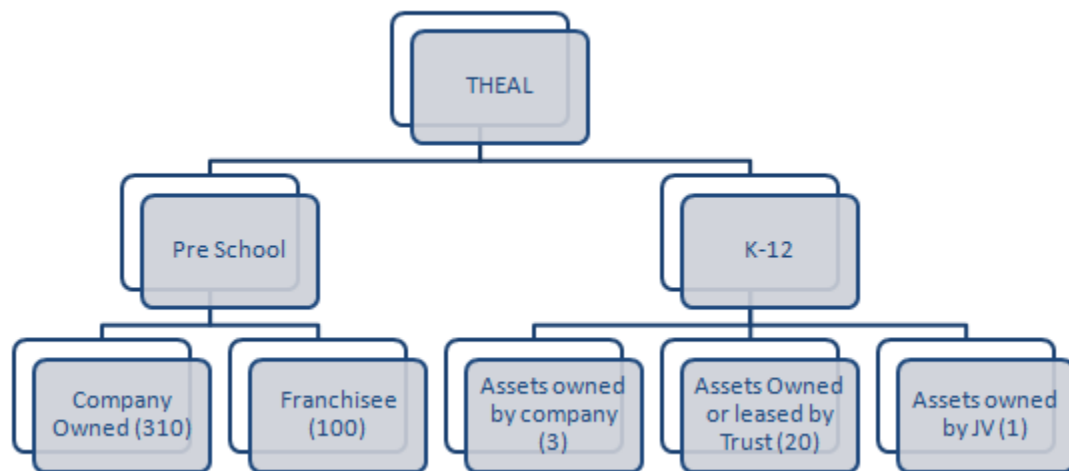


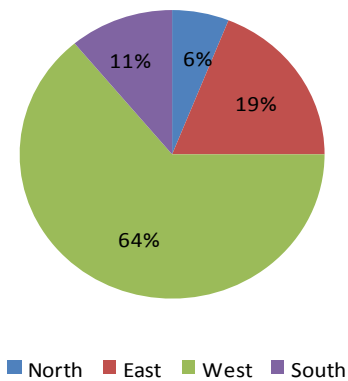
Chart 8: THEAL's Business Structure



Geographical distribution:

Geographically, THEAL's pre-school business is more skewed towards Western India, which accounts for 64% of its pre-school. The pre-schools in other regions are as follows, North (6%), South (11%) and East (19%).

Chart 9: Geographical distribution of THEAL's Pre-schools



Source: Company, CSEC Research

Company's K-12 presence is restricted to the three western states Rajasthan (11 schools), Maharashtra (11 schools) and Gujarat (2 schools)

Business Model

Company follows self-operated pre-school model as its primary strategy for organic growth and expansion, while most of its peers follow franchise model for growth and expansion. Though the scalability is faster in the franchise model, maintaining the quality of education and uniformity across centers remains a key challenge. Company has stringent screening process to filter the franchisee application and it emphasis on the quality franchisee addition, which is evident from franchised pre-school expansion lagging behind the company operated pre-schools. Between FY10-2QFY14, company operated pre-schools has grown from 85 pre-schools to 322 pre-schools, while the franchised pre-schools has grown from 51 pre-schools to 104 pre-schools. Most of the franchisee addition is restricted to the tier III & IV cities, while company focuses its expansion in the tier I & II cities.

THEAL charges relatively higher franchise fee compared to its competitors.

Franchise Fee	INR mn
Tree House	2.5
Bachpan Global	0.7-1
Euro Kids	1-1.5
Shemrock	0.1-0.5
Hello Kids	0.25-0.55

Source: CSEC Research

Service Offered

Service Offering	Description	Age group	Timing
Play Group	This programme focuses on building cognitive power, making new friends, nurturing creativity and creates a forum for children to socialise.	1.5 - 2.5 years	2 hours
Nursery	This programme is designed to get children ready for higher schooling by teaching alphabets, math concepts and valuable social skills.	2.5 - 3.5 years	2 hours
Junior KG	This programme is to equip children with the right skills for smooth transition to formal school. Along with value education, the child will learn and acquire skills in GK, Environment studies, language etc.	3.5 - 4.5 years	3 hours
Senior KG	This programme aims to develop complex coordinating skills and engagement with peers. Along with value education, the child will learn and acquire skills in GK, Math, Science, Environment studies, language etc.	4.5 - 5.5 years	3 hours
Summer Camp	This programme is designed to help children discover and explore nature through creative art, craft, culture and sports, while learning about the vast opportunities in the world around.	2.5 - 8 years	N/A
Teachers training	It is a 300 hours intensive curriculum with theory and practical sessions, intended to create qualified and certified preschool teachers.	N/A	300 hours
Hobby Class	To enhance the child's life skills and overall grooming	3 - 8 years	-
Day Care	Custom designed to the specific needs of the parents	3 - 8 years	8 hours

Source: Company

Key Competitors

Competitors	Business Model	No of Pre-School	Expansion plan	Teaching Method
Tree House	Mostly company owned model (75% - company owned; 25% - Franchise)	426	328 centers by 2015 (210 - company owned; 118 - franchisee)	Combination of play-way and Montessori
Euro Kids	Primarily franchise model	884	120+ centers in next 1-2 years	Play way
Podar Jumbo Kids	Mix of company owned and franchise model (60% franchise owned and 40% company owned)	160	N/A	Play way
Kangaroo Kids	Franchise Model	55+	150 new centers in 5 years	action based learning using innovative teaching methods
Shemrock	Franchise Model	225+	50 new centers	Multimedia and internet based teaching
Kidzee	Franchise Model	990+	1,500 centers by 2015	Proprietary child centric learning methodology - ILLUME
Bachpan	Primarily franchise model	900+	N/A	Blend of Indian values and Montessori methods
Little Millennium	Franchise Model	250	N/A	Eclectic Approach - which embraces the best features of Project method, Montessori method, theme based method, multiple intelligence and play way
Serra International	Mix of company owned and franchise model	30+	N/A	Inquiry based learning and the Reggio Emilia
Time Kids	Mix of company owned and franchise model	170+	N/A	Play way
Hello Kids	Franchise Model	211+	500 centers by 2015	Montessori
Apple Kids	Mix of company owned and franchise model	150+	N/A	N/A

Source: Crisil, Company, CSEC Research

Management Profile:

Mr. Rajesh Bhatia, Founder & Managing Director He holds a bachelor degree in engineering (computer science) from MS University, Baroda and MBA from Pune University. He oversees the day to day operations of the company.

Mr. Vishal Shah, Director He holds a bachelor degree in commerce from Mumbai University and masters of management studies from Mumbai University. He oversees the marketing and the administration department of the company.

Mr. Utsav Shrivastava, CFO He holds a post graduate degree in management from Symbiosis. Since November 2012, he is serving as a CFO. During April 2008 – November 2012, he has served as a Director of Human Resource & Operations at THEAL.

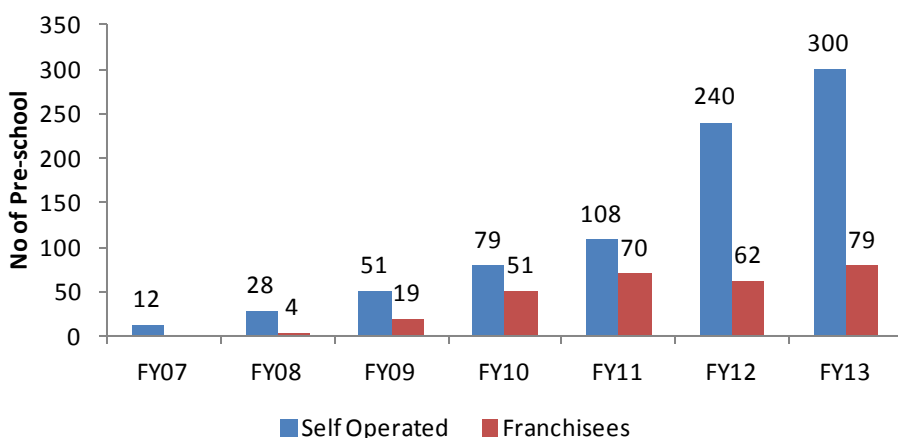
Mr. V Sridhar, COO (K-12) He holds a bachelor degree in science (honours) degree in Physics from Ranchi University. He currently manages the K-12 school related activities. Prior to joining the company, he worked with Tata AIG Life Insurance as Vice-President responsible for the Western Zone.

Investment Rationale

Scalable Business Model

THEAL operates in an industry which provides natural scalability benefits as the pre-school industry in India is still under penetrated and at the nascent stage of development. The quality education is always in demand. It is widely perceived that franchise model is easily scalable relative to the self-operated model. However, maintaining the quality & uniformity in the education is extremely difficult in the franchise model which is a critical success factor for sustainable long term growth.

Chart 10: Scalable Business Model



Source: Company, CSEC Research

Company has handled this balance commendably by expanding primarily through the self-operated business model. THEAL has expanded its presence from 12 pre-school in FY07 to 426 pre-schools (322 - self operated schools) in 2QFY14 without compromising on the profitability. In FY13, 87.8% of its centers are profitable, up from 83.2% in FY12. Further examination reveals that centers opened up to 2011 are all profitable, 84% of centers opened in 2012 are profitable and 52% of the centers opened in 2013 are profitable.

Locations	FY 12	FY 13
Ahmedabad	9/9	9/9
Bangalore	18/18	19/20
Baroda		1/1
Chennai	2/2	2/2
Gujarat		1/1
Guwahati	0/1	0/8
Hyderabad	10/15	15/15
Jaipur	10/15	18/18
Kolkata	17/25	28/30
Mumbai	83/93	114/123
Nagpur	0/2	¾
Patna		2/8
Pune	4/4	14/16
Ranchi		4/7
Total	153/184	230/262
Profitable center (%)	83.2%	87.8%

Locations	Centers opened upto 2009	Centers opened in 2010	Centers opened in 2011	Centers opened in 2012	Centers opened in 2013	Total
Ahmedabad	2/2	5/5		2/2		9/9
Bangalore		13/13	5/5	1/2		19/20
Baroda	1/1					1/1
Chennai		2/2				2/2
Gujarat				1/1		1/1
Guwahati				0/8		0/8
Hyderabad		2/2	2/2	11/11		15/15
Jaipur			18/18			18/18
Kolkata				27/28	1/2	28/30
Mumbai	39/39	14/14	4/4	48/49	9/17	114/123
Nagpur				3/4		3/4
Patna				2/8		2/8
Pune		1/1		12/12	1/3	14/16
Ranchi				3/6	1/1	4/7
Total	42/42	37/37	29/29	110/131	12/23	230/262

Source: Company

The huge scale of self-operated pre-schools gives a strong bargaining power to the company and helps in managing costs better than its peers (both organized and unorganized players) resulting in relatively lower cost per branch compared to its peers, who primarily operate under franchise model. Ceteris paribus, self-operated pre-schools are highly profitable compared to franchisee operated school, as the self operated schools don't incur royalty expense (15% of the fee income) nor it has to buy teaching equipments and education kit from franchisor at a hefty premium. In addition to this, since most THEAL's pre-schools are owned by the company, they are able to undercut competition on fees as competitors primarily operate through the franchisee route and this gives THEAL an edge. These traits act as an economic moat for the self operated pre-schools in addition to the generic advantages of this business model.

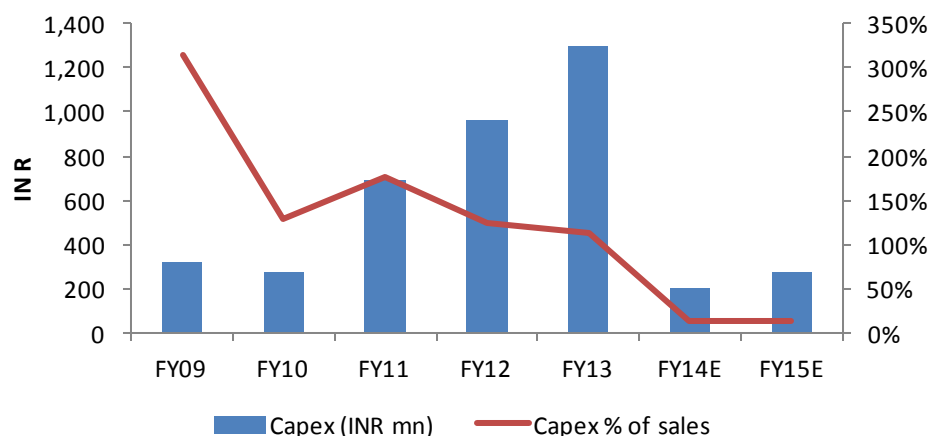
Particulars	Franchisee Operated Center	Self Operated Center
No of Students	206	206
Fees (INR)	41,365	41,365
Revenue (INR)	8,521,190	8,521,190
Expenses (INR)	5,318,179	3,525,000
Rental	1,700,000	1,700,000
Royalty	1,278,179	0
Salary	1,110,000	1,110,000
Education Kit	1,030,000	515,000
Other expenses	200,000	200,000
Operating Profit (INR)	3,203,012	4,996,190
OPM %	37.6%	58.6%

Source: Company, CSEC Research

Transition from Investment phase to harvesting phase

In the last five years (between FY09-13) company has invested INR 3.56bn for expansion, which is 135% of the cumulative sales during the same period. These investments were largely channelized in to the expansion of pre-school network, acquiring business commercial rights (BCR) in 12 K-12 schools, security deposit to K-12 schools and investment in to fixed assets of the K-12 school. Company has so far invested ~INR 1.88bn (~42.4% of company's total asset – FY13) in the K-12 business. Due to these massive investments in K-12 business, company had negative free cash flows until FY13. Going forward, the capex spend is likely to moderate, as there are no major scheduled capex investment in the K-12 segment. Furthermore, sizable pre-school base and ramp up in the K-12 business will help the company to turn FCF positive from FY14 onwards.

Chart 11: Capex likely to moderate



Source: Company, CSEC Research

Disinvestment of K-12 assets will improve return ratio

Despite, pre-school being an asset light business, the company's return ratio was dented because of the huge investment in the low-return K-12 business. Company has so far invested ~INR 1.88bn (~42.4% of company's total asset – FY13). Company is cognizant of this and decided to make the K-12 business asset light by progressively divesting the investments in the K-12 (deposits to trusts, Investment in JV and investment in fixed assets of 3 schools) over the next few years.

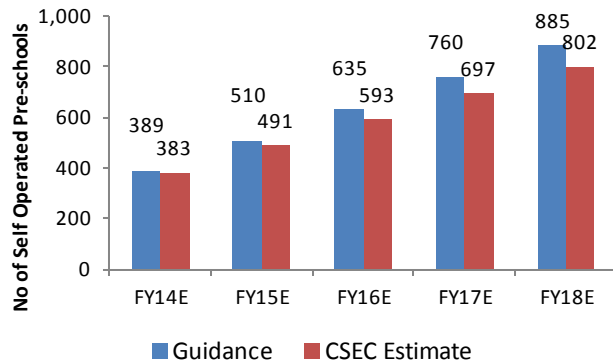
Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19
K-12 Assets (INR mn)	1882.48	1795.11	1674.10	1441.90	1083.80	875.90	603.50
Deposits (INR mn)	1025.68	1083.40	1066.10	976.90	833.80	625.90	353.50
Furniture and building (INR mn)	503.10	358.00	358.00	215.00	0.00	0.00	0.00
BCR (INR mn)	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Investment in JV (INR mn)	103.71	103.71	0.00	0.00	0.00	0.00	0.00
Total Asset (INR mn)	4444.29	4784.95	5133.96	6013.20	7039.20	8428.72	10295.23
K-12 / Total Asset	42.4%	37.5%	32.6%	24.0%	15.4%	10.4%	5.9%
K-12 Revenue (INR mn)	83.70	147.04	168.82	243.41	311.97	419.36	532.53
Asset Turnover (K-12)	0.04	0.08	0.10	0.17	0.29	0.48	0.88
Pre-school asset (INR mn)	2561.81	2989.85	3459.86	4571.30	5955.40	7552.82	9691.73
Pre-school Revenue (INR mn)	1059.10	1475.82	1994.14	2669.10	3529.52	4550.68	5778.58
Asset Turnover (Pre-school)	0.41	0.49	0.58	0.58	0.59	0.60	0.60

In FY13, we have estimated the asset turnover of K-12 school to be around ~0.04X, while the pre-schools asset turnover is estimated at 0.41X. However, with this progressive divesting the asset turnover of K-12 is likely to improve to 0.1X in FY15. The improvement in asset turnover coupled with margin expansion will result in improvement in the return ratio, with RoE and RoCE likely to increase from 11.1% & 15.5% in FY13 to 16.3% & 23.3% in FY15.

Aggressive growth plans to spur revenue momentum

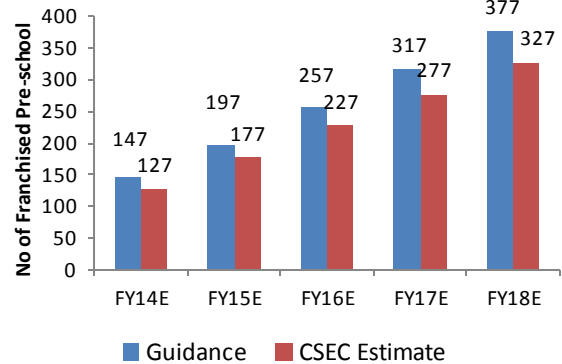
Crisil has estimated the pre-school market will grow at a CAGR of 20% to reach INR 164.68bn in FY18 from INR 66.44bn in FY13. In order to capitalize the growth opportunity in the pre-school market, THEAL has chalked an aggressive expansion plan to triple its pre-school centers over the next five years from 379 in FY13 to 1,262 by FY18. The expansion would be through a combination of self-operated and franchise model. Out of the 883 new pre-schools, 585 would be self-operated centers and 298 would be franchise centers. Management has indicated that it would expand its franchise network through its recently acquired “Brainworks” brand, while the self-operated centers would be expanded using the “Tree House” brand.

Chart 12: Self Operated Pre-school – Guidance Vs Est.



Source: Company, CSEC Research

Chart 13: Franchised Preschool – Guidance Vs Est.



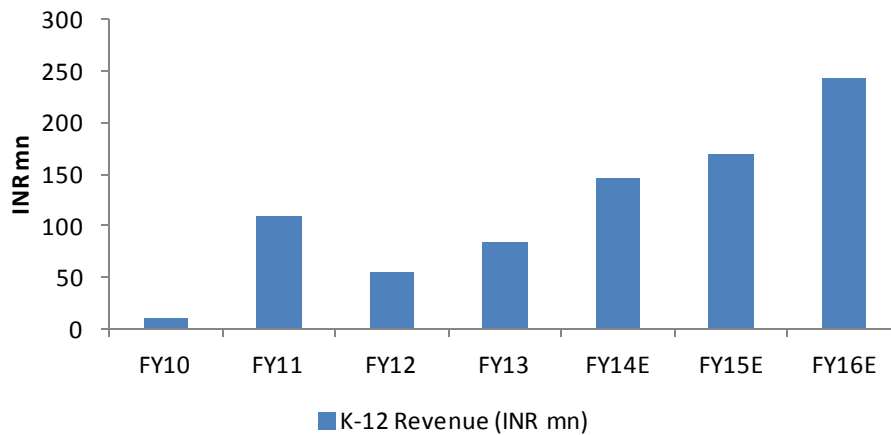
Source: Company, CSEC Research

However, we are slightly conservative in our pre-school center expansion assumption and have estimated 750 new centers over the next five years (FY14-18) i.e. 85% of the company guidance.

Forward Integration into K-12 segment

THEAL has achieved forward integration by foraying into K-12 segment by offering management services to the K-12 schools. In FY13, THEAL has been providing management service to 24 K-12 schools in 3 states (Maharashtra - 11, Gujarat - 2 & Rajasthan - 11) and it is likely to increase to 26 K-12 schools in FY14. Strategically, THEAL has strong presence in the Western India in the pre-school segment which complements the K-12 business, as the pre-school will act as a feeder stock to the K-12 schools. Moreover, K-12 segment have inherited advantages over the pre-school business such as stable revenue stream. Between FY09-13, the revenue from K-12 segment has grown ~8X from INR11mn in FY10 to INR 83.7mn in FY13 and it is estimated to grow at a CAGR of 42.7% to INR 243.4mn in FY16.

Chart 14: K-12 business to gain traction



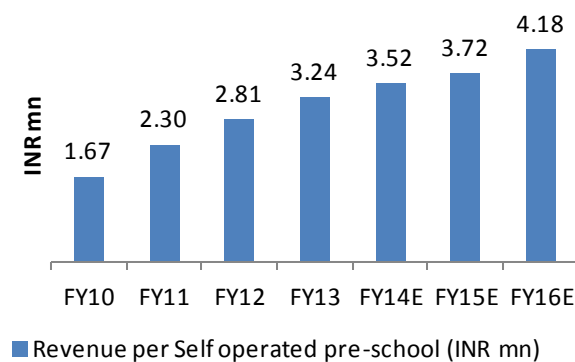
Source: Company, CSEC Research

Financials

Revenues are expected to grow at a CAGR of 37.6% between FY13-15

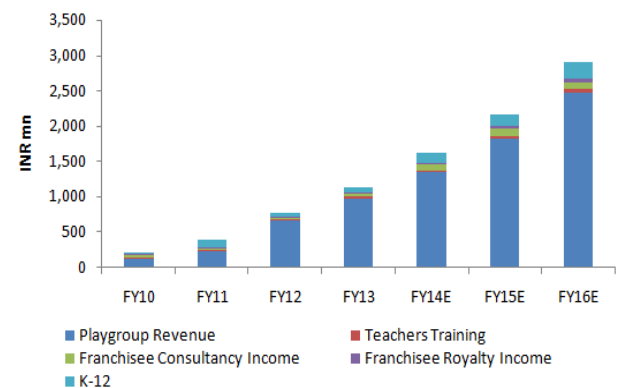
THEAL's revenue has grown at a CAGR of ~74.9% from INR 213.8mn in FY10 to INR 1.14bn in FY13; the growth was primarily on account of pre-school center expansion. In FY13, revenues from pre-schools account for ~93% of the total revenue, while remaining 7% comes from K-12 segment. Revenue per self-operated center has increased from INR 1.67mn in FY10 to INR 3.24mn in FY13. Going forward, we have estimated THEAL's revenue to grow at a CAGR of 37.6% between FY13-15 aided by pre-school expansion and improvement in the revenue per self operated center. We have factored in a 191 center (self-operated) expansion between FY13-15 and revenue per self-operated centers to increase from INR 3.24mn in FY13 to INR 3.72mn in FY15.

Chart 15: Growing revenue per self-operated pre-school



Source: Company, CSEC Research

Chart 16: Revenue segmentation

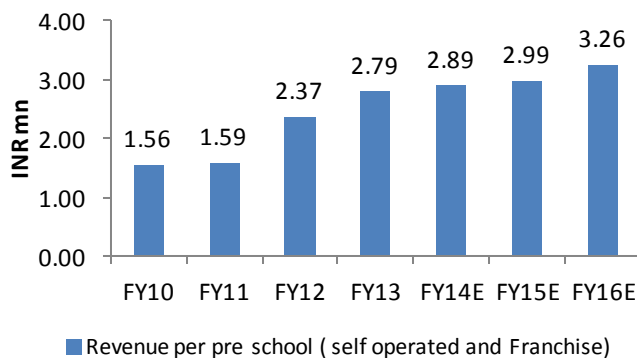


Source: Company, CSEC Research

Scope for EBITDA margin expansion

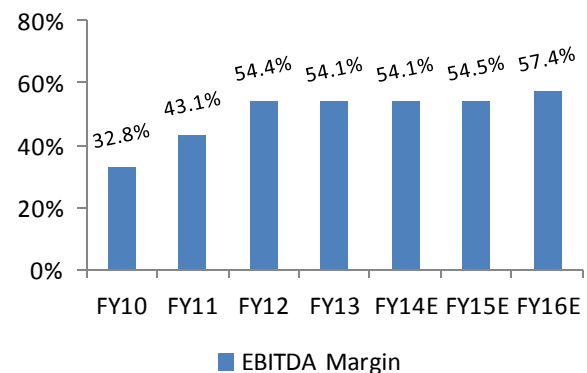
Between FY10-13, the EBITDA margin of THEAL has expanded from 32.84% in FY10 to 54.1% in FY13. The margin expansion was primarily on account of scale improvement coupled with increase in revenue per center. Revenues per center increased from INR 1.56mn in FY10 to INR 2.79mn in FY13.

Chart 17: Growing revenue per pre-school



Source: Company, CSEC Research

Chart 18: Scope for margin expansion



Source: Company, CSEC Research

Going forward, we expect EBITDA margin to expand by 40bps to 54.5% in FY15 aided by further improvement in scale, higher revenue per center and higher revenue contribution from franchise income & K-12 business. We expect the revenue per center to increase from INR 2.79mn in FY13 to INR 2.99mn in FY15. The share of franchise income is expected to increase from 0.8% in FY13 to 1.5% in FY15. The revenue share from K-12 business is expected to increase from 7.3% in FY13 to 7.8% in FY15.

Dividend Payout is likely to increase

Company is paying dividend for the last two years and In FY13, THEAL's dividend payout stood at 13.5%. As the company is likely to turn FCF positive, coupled with disinvestment of K-12 assets and margin expansion are likely to result in higher dividend payout. We have estimated the dividend payout to increase to 21.53% in FY14 & FY15.

Valuation

We have valued THEAL using DCF. In the growth phase (FY14-19) we have modeled a sales growth of ~ 30.6% CAGR and operating cash flow growth of ~29% CAGR. In the terminal growth phase we have modeled a perpetual growth of 4%.

Particulars	Value
Beta	1
Risk free rate (Rf %)	8.09
Equity risk premium (ERP %)	7
Cost of Debt %	12
Cost of Equity %(CAPM)	15.1
WACC %	14.7
Tax Rate %	33.99

We have discounted the future cash flows using WACC of 14.7% to arrive at a target price of INR 361 per share, which is 26.7X and 19.8X of FY14 and FY15 EPS of INR 13.5 and INR 18.2 respectively and we rate THEAL as a BUY.

Risk:

- Slower ramp up in the pre-school will hurt sales growth and profitability.
- Delay in monetizing the K-12 asset poses a serious threat to the return ratio and valuation.
- Limited operating track record in the K-12 poses a challenge, coupled with regulatory risk in the K-12 segment
- Low entry barriers resulting in higher competition from existing and new players
- Geographical concentration risk: ~45% of the Pre-school are located in Maharashtra

Financials (Standalone)

Income Statement (Abstract)

Particulars	INR(million)			
	FY12	FY13	FY14E	FY15E
Net Revenue	772	1,143	1,623	2,163
Growth (%)	96.78	48.01	42.01	33.28
Operating Expenditure	352	525	745	984
EBITDA	420	618	878	1,179
Growth (%)	148.42	47.17	41.99	34.30
Depreciation	78	134	214	278
Other Income (net of interest)	-26	4	86	143
Tax Paid	99	155	255	355
Tax Rate (%)	31.4	31.8	34.0	34.0
Reported PAT (after min. interest)	217	333	495	689
Adjusted PAT	217	333	495	689
Growth (%)	135.57	53.88	48.65	39.04

Balance Sheet (Abstract)

Particulars	INR(million)			
	FY12	FY13	FY14E	FY15E
Share Capital	337	360	367	378
Reserves & Surplus	2,227	3,074	3,446	4,259
Net worth	2,564	3,434	3,813	4,637
Current Liabilities	288	344	475	497
Non-Current Liab	514	667	497	0
Total Liabilities	3,365	4,444	4,785	5,134
Net Fixed Assets	1,566	1,948	1,989	2,183
Other Non-Current Assets	62	100	120	0
Cash & marketable securities	477	487	895	1,063
Other Current Assets	1,261	1,909	1,781	1,888
Total Assets	3,365	4,444	4,785	5,134

Cash Flow statement (Abstract)

Particulars	INR(million)			
	FY12	FY13	FY14E	FY15E
Cash flow from operations	213	-139	829	708
Cash flow from investing	-1,157	-494	-141	-226
Cash flow from financing	1,133	643	-280	-314
Free cash flow	-696	-893	429	235
Net change in cash	188	10	408	168

Per Share Ratios

Particulars	FY12	FY13	FY14E	FY15E
Adjusted EPS (INR)	7.2	9.3	13.5	18.2
Cash EPS	9.7	13.0	19.3	25.6
BV/Share (INR)	84.8	95.5	103.8	122.8
FCF/Share(INR)	-23.0	-24.8	11.7	6.2
DPS (INR)	1.3	1.5	3.4	4.6

Key Ratios

Particulars	FY12	FY13	FY14E	FY15E
Dividend payout (%)	15.6	13.5	21.5	21.5
EBITDA margin (%)	54.4	54.1	54.1	54.5
PBT Margin (%)	40.9	42.8	46.2	48.2
RoCE (%)	15.97	15.46	19.40	23.33
RoE (%)	11.43	11.11	13.67	16.31
Current Ratio	6.04	6.98	5.64	5.94
Net Debt/Equity	0.01	0.05	-0.10	-0.23
Inventory Days	19	15	10	11
Debtor Days	28	22	13	15
Creditor Days	18	26	19	10
CCC*	28	11	4	16
Interest Cover Ratio	5.86	8.39	12.50	0.00

DuPont Analysis

Particulars	FY12	FY13	FY14E	FY15E
Net Profit Margin (%)	28.05	29.17	30.53	31.85
Asset Turnover	0.31	0.31	0.38	0.46
Leverage factor	1.38	1.30	1.27	1.17
RoE (%)	11.43	11.11	13.67	16.31

Valuation Ratios

Particulars	FY12	FY13	FY14E	FY15E
P/E	35.2	27.3	18.7	13.8
P/BV	3.0	2.6	2.4	2.1
EV/Sales	9.9	8.1	5.5	3.9
EV/EBITDA	18.3	15.0	10.1	7.2
Div Yield (%)	0.51	0.58	1.34	1.81

*CCC – Cash Conversion Cycle



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