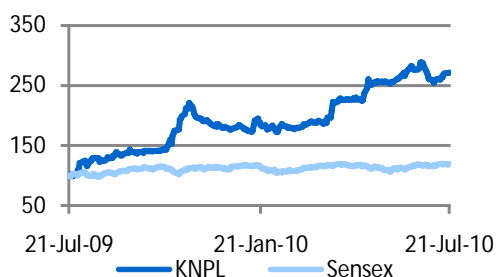


**CMP Rs. 796**

July 21, 2010

BSE Code	500165
BSE ID	KANSANERO
High/Low 1Y (Rs.)	855/ 285
Avg. vol (3m)	2,908
Market Cap (Rs Cr)	4,288
Net IB Debt (Rs Cr)	(332)
Enterprise value(Rs Cr)	3,955

Shareholding %	Dec-09	Mar-10
Promoters	69.27	69.27
MFs/ Fis/ Banks	5.45	5.43
FIIs	4.48	4.56
Public & Others	20.80	20.74

**Stock Chart ( Relative to Sensex)**


Stock Perf.(%)	1M	6M	1Yr
Absolute	(1.9)	47.7	171.7
Rel. to Sensex	(2.5)	42.3	152.3

Financials (Rs.Cr)	03/08	03/09	03/10
Revenue	1,402	1,376	1,707
y-o-y	7.6%	-1.9%	24.1%
EBITDA	188	159	265
y-o-y	4.6%	-15.8%	67.0%
PAT	120	99	166
EPS (Dil.) *	22.2	18.3	30.7
y-o-y	13.6%	-17.6%	67.9%
EBITDA Margin	13.4%	11.5%	15.5%
PAT Margin	8.5%	7.2%	9.7%
D/E(x)	0.21	0.14	0.14
P/E(x) *	35.9x	43.5x	25.9x
EV/EBITDA(x)	21.0x	24.9x	14.9x
ROCE	20.2%	16.2%	25.0%
ROE	20.0%	15.1%	21.4%

Financial Year ends at March 31

Qtry Fin	06/09	09/09	12/09	03/10
Revenue	422	452	425	428
PAT	42	53	36	34
EPS *	7.9	9.8	6.7	6.3

All figures in Rs. crores except for per share data  
 \* Adjusted for bonus issue of 1:1 issued in June, 10

**Kansai Nerolac Paints Limited**
**Company Overview**

Kansai Nerolac Paints Limited (KNPL) is India's second largest paints company and a leader in the Industrial Coating segment. The company is the Indian subsidiary of Japan's Kansai Paint Company Ltd. KNPL with a total capacity of 2 lakhs tonnes p.a., is present in the decorative and the industrial segment. Established as Gahagan Paints and Varnish Co. Ltd. in 1920, it became a public limited company as Goodlass Nerolac Paints in 1968. The company changed its name to the current form in 2006. In recognition of its commitment to quality, technology and innovation, the company received the prestigious Golden Peacock Award 2010 for innovative '3 coat 1' bake in auto painting.

**Key Business Highlights**
**Growth potential in decorative segment**

KNPL is one of the leading players in the decorative segment with 13 per cent market share. Factors like low per capita consumption of decorative paints, improving disposable income, growing nuclear family culture, and increasing urbanization are driving demand for residential housing; at the same time strong growth in IT&ITES and organized retail sectors are driving demand for commercial construction.

**Leader in automotive paints and powder coatings**

KNPL is the leader in industrial segment with a 42 per cent market share. Robust demand from the automobile and white goods sectors where KNPL enjoys significant presence will drive the sales for industrial paints.

**Capacity expansion will help in supplementing demand**

KNPL is increasing its paint manufacturing capacity by 40 per cent from the present 2 lakhs tonne to 2.8 lakhs tonne. This capacity expansion will help meet the growing demand of the Indian customer and enable the company to defend its market position.

**Favourable sales mix to increase profitability**

KNPL has been able to alter its sales mix towards decorative paints by aggressive marketing and innovation. Since decorative paints offer better pricing power than industrial paints such a change will improve margins.

**Technology Intensive nature of industrial paints**

Industrial paints are technology intensive in nature. KNPL being the market leader in this segment is provided technical assistance by its parent. KNPL also has Technical Assistance Agreements with other industry leaders.

**Key Risks**

- Economic slowdown directly impacts the demand for paints.
- The main raw materials are crude based derivatives, hence any rise in crude prices impacts raw material prices and the cost of goods manufactured.
- The paint industry is competitive, with many innovative foreign players looking for opportunities.

**Valuations**

The stock is currently trading at a P/E multiple of 25.9x on its FY10 EPS of Rs. 30.7 and 14.9x EV/EBITDA multiple based on FY10 EBITDA of Rs. 265 crores.

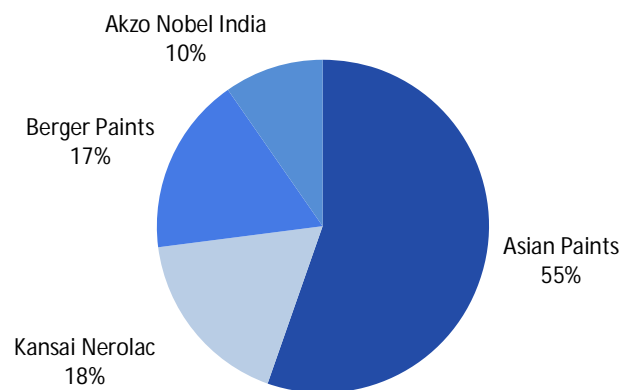
Kansai Nerolac is the second largest paint manufacturer in India with a market share of 18 per cent

## Business Description

Established in 1920, Kansai Nerolac Paints Limited (KNPL) is the second largest paint manufacturer in India. KNPL, formerly Goodlass Nerolac Paints, is a 69.27 per cent subsidiary of Kansai Paint Company (KPJ), Japan. KNPL manufactures and sells decorative paints for walls, woods, and metals; and industrial paints for automotive coatings and powder coatings. It has five manufacturing plants in the country located in Bawal in Haryana, Lote in Maharashtra, Jainpur in Uttar Pradesh, Chennai and Hosur in Tamil Nadu. The proximity of the plants to customers' plants has offered logistical advantages and enabled high service levels.

The company's product portfolio includes decorative paints, automotive coatings, general industrial coatings, high performance coatings, powder coatings and speciality coatings. The company's overall market share in India is over 18 per cent.

### Nerolac is the second largest paint manufacturer with 18% market share



Source: ICRA Online Research

India's paint industry can be classified into decorative paints, which accounts for 75 per cent of the market, and industrial paints, which makes up the remaining 25 per cent. The size of the Indian industry is estimated at Rs 21,000 crores as on March 2010. The organised sector constitutes 65 per cent of this value while the remaining 35 per cent is contributed by the unorganised sector.

**Decorative paints segment:** KNPL has a market share of 13 per cent to 14 per cent in the decorative paints segment of the country. Decorative paints are less technology intensive but the margins are higher in this segment relative to the industrial segment. KNPL has been able to alter its sales mix towards decorative paints by aggressive marketing and innovation strategies. Among the decorative paints, distemper is the cheapest form of paint and is one notch above lime wash. Solvent based enamel paint is the premium quality of decorative paints. KNPL has some renowned brands in this segment like Nerolac Impressions, Pearls, Beauty, Satin, and Synthetic. The demand for decorative segment is driven by real estate development. In the decorative segment demand can be generated from new construction and from refurbishment.

**Industrial paints segment:** KNPL is a leader in this segment in India with an overall market share of around 45 per cent. It has a market share of over 60 per cent in the automotive coating segment and around 27 per cent market share in the powder coating segment. Moreover KNPL's products and finishes - Impressions, Beauty, Excel, and Suraksha enjoy a strong brand image. KNPL offers a wide range of products starting from lowend putty, fillers and primers to high end luxury emulsions. It is aggressively focusing on innovation and increasing distribution reach.

Market leader in Industrial paint segment with a market share of 42 per cent

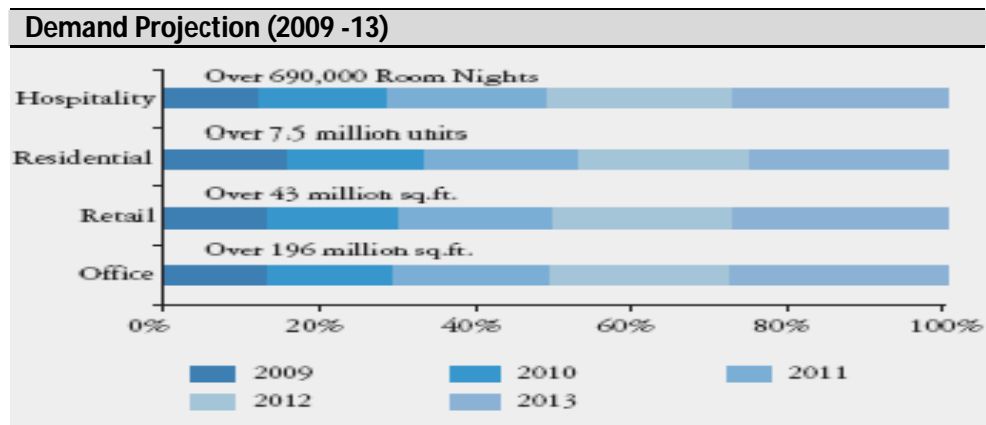
## Growth Drivers

High growth potential in decorative segment in India due to low per capita consumption compared to developed countries

Pan-India cumulative demand for the period 2009 - 2013 for residential segment is approximately 7.3 million units

- Growth potential in decorative segment:** KNPL is one of the leading players in the decorative segment with a 13 per cent – 14 per cent market share. India is characterised by low per capita consumption (pcc) of decorative paints compared to developed markets. The per capita consumption of paints in developed countries is around 15-25 kgs and the world average is around 15 kgs. Compared to this India's per capita consumption is around 800-900 gms. The pcc is bound to improve in India with improving financial status and a change in the lifestyle of Indians. KNPL's presence in the decorative market with strong brands will help the company in capturing a sizeable market share. Decorative paint constitutes around half of KNPL's revenues and is expected to continue its historical growth of 1.5-2 times of the growth in the GDP.

Factors like low per capita consumption of decorative paints, existence of large unorganized market, improving disposable income, growing nuclear family culture, increasing urbanization are driving the demand for residential housing. At the same time strong growth in IT&ITES and organized retail sectors are driving the demand for commercial construction. According to Cushman & Wakefield, the pan-India cumulative demand projection in September 2009 for the period 2009 - 2013 for residential segment is approximately 7.3 million units and for commercial office space is approximately 196 million sq. ft. Even though the overall demand for real estate space saw a decline in 2009, the sector is expected to see robust growth in the next five years backed by inherently strong economic fundamentals.



Source: Cushman & Wakefield Research

Capacity expansion by over 40 per cent in next 3 years will drive growth

- Thrust in Industrial segment:** KNPL's strength lies in the organised industrial segment. It has a 45 per cent market share and is the leader in automotive paints section with over 60 per cent market share. Improving affordability and robust demand for automobile and white goods will drive further the sales for industrial and power coating paints.
- Capacity expansion will help augment production capacity:** KNPL is investing Rs. 400 crores to increase its paint manufacturing capacity. This investment will help KNPL to increase its manufacturing capacity by 40 per cent to 2.8 lakhs tonnes per annum from the present 2 lakhs tonnes over the next three years.

Capacity Expansion	FY07	FY08	FY09	FY10
Paints, Varnishes and Enamels (MT)	158700	165500	185620	208420
Production (MT)	100819	114119	128001	163368
Capacity Utilization (%)	64%	69%	69%	78%

Source: Company Annual Report

- Technology tie-ups:** Industrial paints are technology intensive; KNPL has in place Technical Assistance Agreements with other industry leaders. The parent company, Kansai Paint Company Ltd, Japan, also provides technical assistance.

Technology tie ups and in house R&D ensure that the company stays abreast with latest innovations

Strategic Partnership	
Company	Product Category
Kansai Paint Co., Japan	ED Primers, Automotive & Industrial Coatings, Auto – Refinishing System
Nihon Parkerizing Co., Japan	Pre-Treatment Chemicals ( JV- NIPA CHEMICALS LTD, Chennai)
Oshima Kogyo, Japan	Heat Resisting Paints

Source: Company Annual Report

- Continuous Research and Development:** KNPL in its endeavor to stay ahead has focused on product innovations, quality enhancements and value addition for all segments of consumers. There is continued vigor in ensuring formulation optimisation, standardisation of raw materials, optimisation of processes and value engineering. Break through innovation has also been achieved in making all the decorative range of products lead free.

## Key Risks

- Economic slowdown:** Slowdown in economic activity would directly impact the demand for paints as there is a direct correlation between GDP growth and paint consumption in India.
- Raw material prices:** Nearly one third of raw materials required for manufacturing paints are crude based derivatives, which are the most essential component in paint manufacture. Unprecedented rise in crude price can severely dent the profit margin of paint companies.
- Competitive market:** The Indian paint industry provides vast opportunities for existing players due to opportunities in infrastructure, automobile, real estate and consumer durables. This also attracts foreign paint manufacturers who with superior technology and financial clout can challenge established players like Kansai Nerolac in the Indian market.
- Currency fluctuation affects raw material prices:** Imported raw materials constitute about 30-35 per cent of total raw materials consumed of KNPL. Appreciation of major currencies (US Dollar, Yen) against the Indian rupee will result in higher cost of imported raw materials.

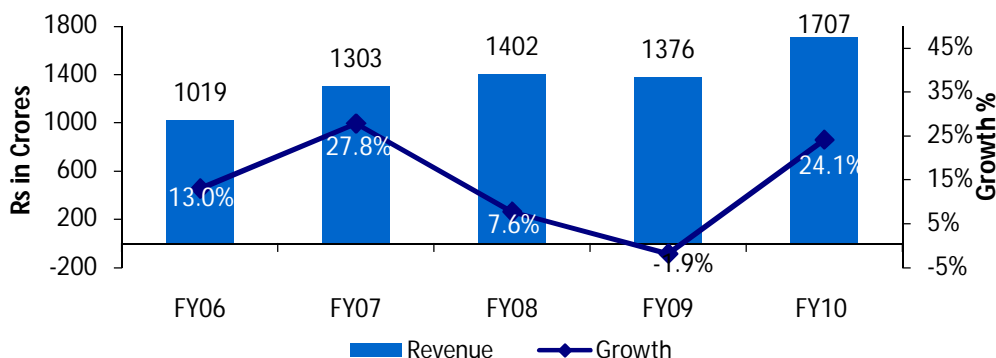
Raw material intensive nature of business and crude based derivatives can dent margins with increase in crude prices

## Profitability

KNPL revenue increased at a CAGR of 13.7 per cent during FY06 to FY10. Due to the economic slowdown, revenue declined by 1.9 per cent in FY09. A strong economic recovery in FY10 led KNPL to post a revenue growth of 24.1 per cent. Decorative Paints have witnessed strong demand due to favourable government policies in the housing sector. At the same time the growth in the automotive and consumer durables segments has helped fuel strong demand for Industrial paints. KNPL will be investing Rs. 230 crores to introduce an industrial line at the Hosur plant and an additional Rs. 165 crores towards increasing capacity in the Bawal and Jainpur plants.

### Revenue growth increased at CAGR of 13.7 per cent

Revenue grew by 24 per cent in FY10



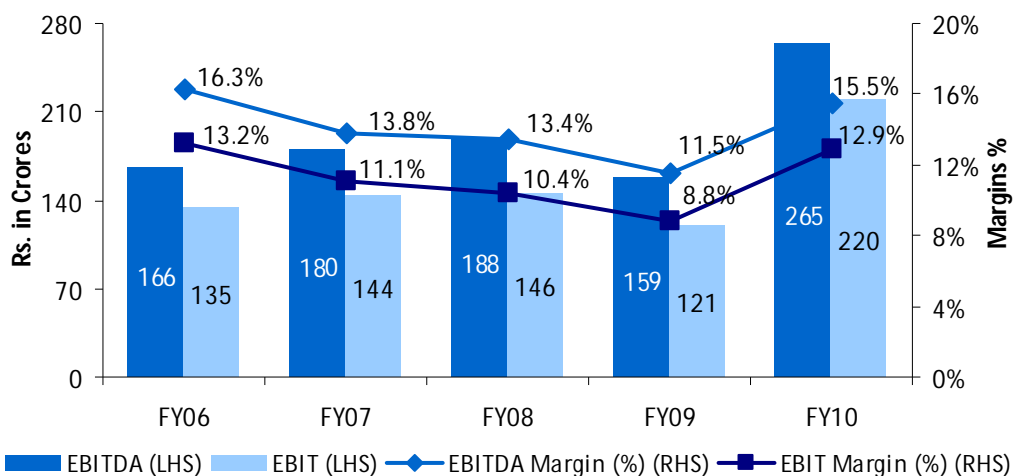
Source: Company Financials, ICRA Online Research

### Margins show an improving trend

KNPL EBITDA margins have been in the range of 11-16 per cent during FY06-FY10. However in FY10, the operating profit margin has shown a strong up tick to 15.5 per cent, due to a combination of cost control measures, strong economic recovery and thrust on higher margin decorative paints.

### Margin trends

EBITDA margins improved considerably during FY10 on back of cost controls and economic recovery

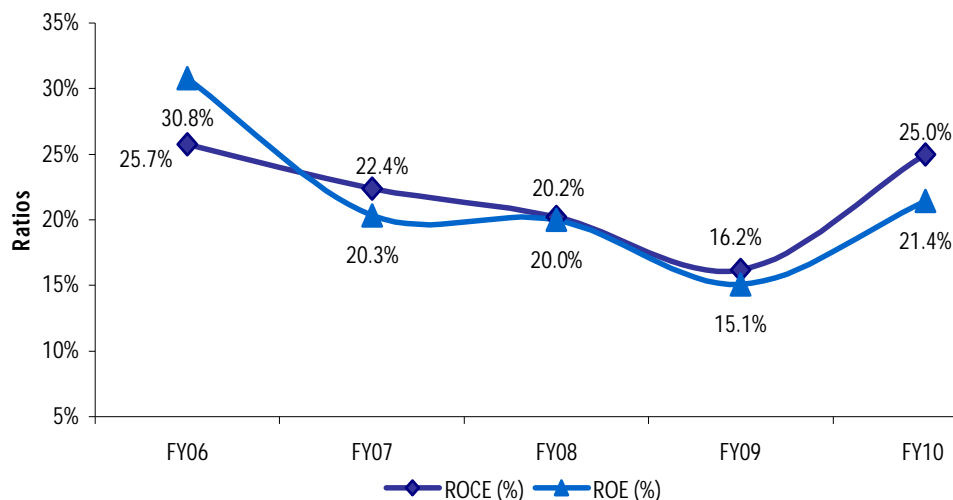


Source: Company Financials, ICRA Online Research

### Return Ratios

Among the return ratios, return on capital employed (ROCE) and return on equity (ROE) dipped during FY09 due to the recessionary environment. Both indicators have recovered in FY10 and breached levels of FY07 and FY08. The company had a healthy debt - equity mix during this period.

#### Trends in Return Ratios



Source: ICRA Online Research

Return ratios shows considerable improvement in FY10

### Input Cost

Material costs form a formidable part of the total cost of sales of a paint manufacturing company. Over 300 raw materials are required in the manufacturing process of which nearly 100 are petro-based derivatives. These raw materials can be majorly divided into pigments, solvents and binders and additives. Titanium dioxide (pigments) is a major raw material. It constitutes approximately 10 -15 per cent of the total raw material cost. Any movement in crude oil prices, impacts prices and profitability of the paint industry. The steep rise in crude prices in FY09 has lead to an increase in raw material costs of all paint manufacturing companies including Nerolac.

Titanium dioxide (pigments) is the major raw material contributing approx. 10 to 15 per cent to the total raw material cost

#### Break up of input costs

Particulars	FY07	FY08	FY09	FY10
Cost of Materials, Products	829.4	890.4	913.6	1071.8
% Of sales	63.7%	63.5%	65.3%	62.8%
Employee costs	69.9	79.7	76.7	75.1
% Of sales	5.4%	5.7%	5.5%	4.4%
EBITDA Margin (%)	13.8%	13.4%	11.4%	15.5%

Source: Company Financials, ICRA Online Research

### Dividend

The company paid 120 per cent dividend on equity share of Rs.10 each during FY08 and FY09, the proposed dividend for FY10 is 150 per cent.

The company will invest Rs 230 crores in its Hosur plant for a new industrial line

### Future Capex Plan

KNPL has five manufacturing facilities at Hosur and Perungudi in Tamil Nadu, Jainpur in Uttar Pradesh, Lote in Maharashtra and Bawal in Haryana with a total capacity of 2 lakh tonnes. It will be investing Rs. 230 crores to introduce the industrial line at the Hosur plant and an additional Rs. 165 crores towards increasing capacity in the two other plants namely the brown field capacity expansion of Bawal at Rs 65 crores and Rs 100 crores for Jainpur plant. The funding will be met through the company's internal accruals as KNPL has sufficient cash surplus.

### New Initiative

KNPL has introduced an eco-friendly paint 'Nerolac Impressions Eco Clean' that is supposed to have low levels of VOC (Volatile Organic Compounds) and is an odourless paint. It is supposed to provide a rich and smooth finish with an optimum sheen and is supposed to wash well and have superior stain resistance quality. Eco Clean paint is priced Rs 385 per litre.

### Competitor Analysis

We have compared Kansai Nerolac with its closest peers in the same industry. The comparison shows EBIT margin of the company is lower than the market leader ie. Asian Paints but higher than its nearest competitor Berger Paints. KNPL is trading at a premium compared to Berger Paints and Akzo Nobel India in terms of P/E and EV/ EBITDA valuations.

Particulars	FY ended	CMP	M Cap	Revenue	EBIT Margin	P/E	EV/EBITDA
Kansai Nerolac	Mar-10	796	4,288	1,707	12.9%	25.9x	14.9x
Asian Paints	Mar-10	2485	23,842	6,681	19.2%	28.5x	17.5x
Berger Paints	Mar-10	76	2,628	1,895	9.8%	20.1x	13.2x
Akzo Nobel India	Mar-10	831	3,062	947	21.0%	19.5x	13.9x

Source: Company Reports, BSE, Capitaline, ICRA Online Research

Market Cap and Revenue in Rs. Crores

@P/E and EV/EBITDA is based on FY10 EPS and EBITDA

## Industry Overview

The organized sector accounts for 65 per cent of the market controlled by only 5-6 major players

Indian paint industry witnessed a growth of 15 per cent in FY10

Per capita consumption of paint in India is 800-900 grams compared to 15-25 kg in the developed countries

The Indian paint industry is highly fragmented with the presence of both organised and unorganised players. The organised sector accounts for 65 per cent of the market while the remaining is catered through the unorganised sector. The organised market is controlled by 5 to 6 players with Asian Paints, Kansai Nerolac, Berger Paints and Akzo Nobel India Ltd dominating the organised segment. The size of the Indian paint industry is pegged at RS. 21,000 crore which has grown by around 15 per cent in FY10.

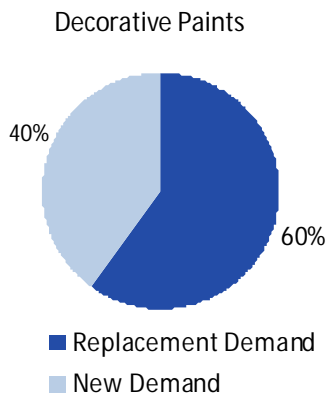
India's paint industry can be classified into decorative paints, which accounts for 75 per cent of the market, and industrial paints, which makes up the remaining 25 per cent. The demand for paints is both derived and direct. While the demand for decorative paints is direct and dependent on new construction and repainting, the demand for industrial paints is a derived from user industries such as automobiles, auto ancillaries, consumer durables, marine vessels and containers, and depends on the level of industrialisation in the country.

### Market Potential

Paint demand can also be categorised into new or refurbishing demand. Fresh demand depends on new construction and growth in sales of the auto and consumer durable sectors, while refurbishing demand is directly related to the disposable incomes and higher aspirations of consumers i.e. both the ability as well as the willingness to spend. The economic growth in India has led to increasing urbanisation, easy availability of credit, and a concurrent growth in construction, automobile and consumer durable segments which have emerged as the driving force behind the rise in current consumption of paints.

In the past, the Indian paint industry has grown at 1.5-2 times the GDP growth. With the GDP expected to grow at 8.5 per cent in FY11, the industry is likely to grow at around 15 per cent. The potential for growth is evident, as the per capita consumption of paint in India is 800-900 grams compared to 15-25 kg in the developed countries. As the country plays catch up with the rest of the world, the domestic paint industry is poised to grow steadily in the coming years.

The two broad categories of Paints are:



Source: Company Estimate

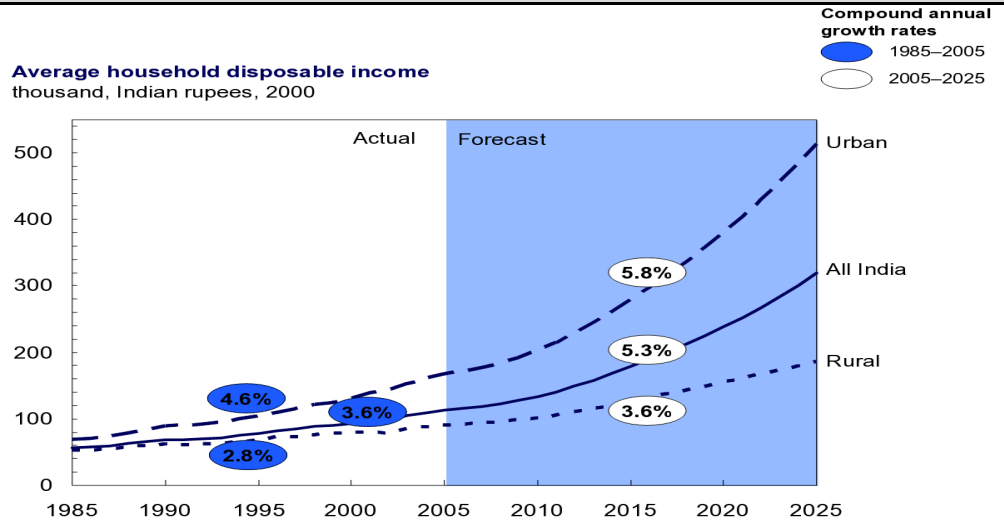
**Decoratives:** Decorative paints account for over 75 per cent of the overall paint market in India. Asian Paints is the market leader in this segment. Major segments in decoratives include exterior wall paints, interior wall paints, wood finishes, enamel and ancillary products such as primers, putties etc. Decorative paints can further be classified into premium, medium and distemper segments. Premium decorative paints are acrylic emulsions used mostly in the metros. The medium range consists of enamels, popular in smaller cities and towns. Distempers are economy products demanded in the semi-urban and rural markets. Demand for decorative paints comes from the housing and commercial construction segments. Rapid economic development leading to higher income levels, increasing urbanization and a nuclear family culture has created demand for housing in India. At the same time strong growth in IT&ITES and organized retail sectors has resulted in increasing demand for commercial real estate in the country.



Demand in the festive season (September-December) is significant, as compared to other periods. This segment is price sensitive and is a higher margin business as compared to the industrial segment. This division has witnessed growth due to favourable government policies, where the fiscal incentives given by the government to the housing sector have benefited the housing sector.

**Household Income Growth will Accelerate Across India**

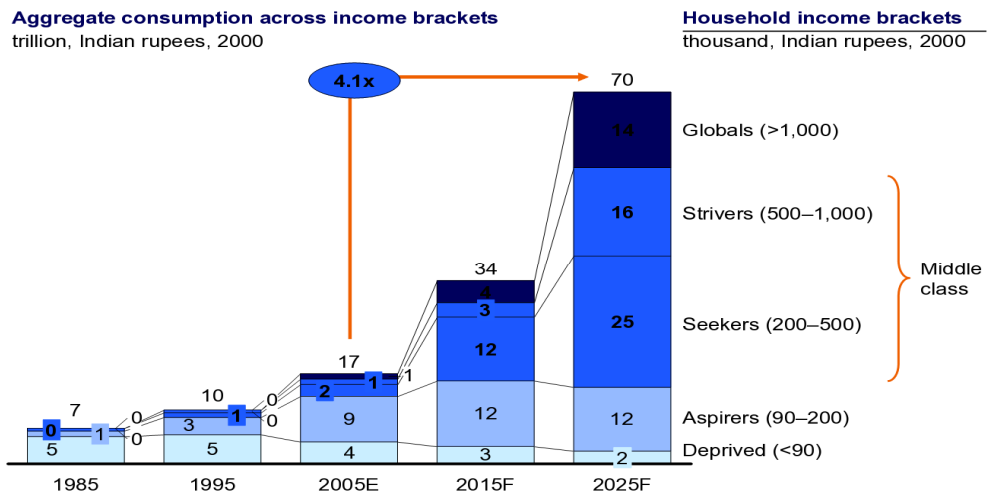
Average household disposable income in India is expected to grow by 5.3 per cent till 2025



Source: Mckinsey Global Institute report

**India's aggregate consumption will quadruple by 2025**

India's aggregate consumption is expected to quadruple by 2025



Note: Figures are rounded to the nearest integer and may not add up exactly to column totals.

Source: Mckinsey Global Institute report

**Industrial:** Kansai Nerolac is the market leader in this segment. Three main segments of the industrial sector include automotive coatings, powder coatings and protective coatings. User industries for industrial paints include automobiles, engineering and consumer durables. The industrial paints segment is far more technology intensive than the decorative segment and is dominated by the organised sector.

**Automotive segment** accounts for the largest share of the industrial paints. Growth of automotive paints is directly linked to the growth of automobile industry in India. Indian automobile industry clocked a gross turnover of USD 38.2 billion in 2008-09 registering a CAGR of 16.3 per cent during 2005-2009. The total output of the industry in terms of number of vehicles was more than 14 billion, a CAGR of 10.7 per cent during 2005-10. Among various categories, production of passenger cars showed highest growth of 14.2 per cent CAGR while Commercial Vehicles (CVs) and Two & Three wheelers grew nearly at 10 per cent compounded annualised, during 2005-10.

Indian automobile Industry is expected to achieve a turnover of USD 145 billion by 2016 which will auger well for Industrial paints segment

The Government released Automotive Mission Plan 2016, which gives a roadmap for the growth of the Indian Automobile Industry. According to the plan, the Indian automobile Industry is expected to achieve a turnover of USD 145 billion by 2016, while exports will grow to USD 35 billion by 2016 from USD 3.5 billion in 2007-08. This translates into a contribution of 10-11 per cent to India's GDP by 2010. Given these estimates, the paint industry is likely to grow at a fast clip.

**Powder coatings** are used for painting automotive components, white goods, furniture, and in the electrical industry. Automotive components derive their demand from automobiles which along with other consumer durables has a direct relationship with growing income levels, which in turn has a strong correlation with the GDP growth. With a robust demand outlook for user industries of industrial paints namely automobiles and other consumer durables, the demand for industrial paints is expected to remain strong in the near future.

**Protective Coatings** are used in power plants (nuclear, thermal and hydel), heavy engineering, chemical, petrochemical and fertilizer plants, refineries and marine segments. They are also used for coating steel and aluminum coils, in sugar, pulp and paper industry, offshore structures and pharmaceuticals. Higher government and private sector spending on infrastructure development are the key drivers for the growth of protective coatings.

**Summary Financials**
**Profit & Loss Statement**

Particulars (Rs Crores)	FY06	FY07	FY08	FY09	FY10
Net Sales	1009.6	1293.5	1399.9	1374.5	1706.4
Other Op. Revenue	9.6	9.1	2.0	1.1	1.03
<b>Total Income</b>	<b>1019.2</b>	<b>1302.6</b>	<b>1402.0</b>	<b>1375.6</b>	<b>1707.4</b>
<i>Growth (%)</i>		27.8%	7.6%	-1.9%	24.1%
Cost of Good Sold	(611.0)	(829.4)	(890.4)	(899.6)	(1071.8)
<b>Gross Profit</b>	<b>408.2</b>	<b>473.2</b>	<b>511.6</b>	<b>476.1</b>	<b>635.6</b>
Employee Costs	(55.9)	(69.9)	(79.7)	(73.3)	(75.1)
Other Expenditure	(185.9)	(223.2)	(243.5)	(244.2)	(295.8)
<b>EBITDA</b>	<b>166.4</b>	<b>180.1</b>	<b>188.3</b>	<b>158.6</b>	<b>264.7</b>
<i>Growth (%)</i>		8.2%	4.6%	-15.8%	67.0%
Depreciation	(31.8)	(36.0)	(42.0)	(37.6)	(44.3)
<b>EBIT</b>	<b>134.6</b>	<b>144.0</b>	<b>146.3</b>	<b>120.9</b>	<b>220.5</b>
Interest	(0.8)	(1.8)	(2.3)	(1.8)	(1.2)
Other Income	48.9	13.2	23.6	21.1	19.35
Exceptional Items	0.0	0.0	0.0	0.0	0
PBT	182.7	155.4	167.6	140.2	238.6
Income Tax	(61.1)	(53.4)	(50.6)	(41.6)	(73.1)
<b>Profit after Tax</b>	<b>121.6</b>	<b>102.0</b>	<b>117.0</b>	<b>98.6</b>	<b>165.5</b>
<i>Growth (%)</i>		-16.1%	14.7%	-15.8%	67.9%
Extra Ordinary Items	5.4	1.7	1.3	0.0	0.0
Min. Interest & Others	0.1	1.5	1.2	0.0	0.0
<b>Net Profit</b>	<b>127.1</b>	<b>105.2</b>	<b>119.6</b>	<b>98.6</b>	<b>165.5</b>
<i>Growth (%)</i>		-17.2%	13.6%	-17.6%	67.9%
Basic & Diluted EPS *	24.9	19.5	22.2	18.3	30.7
<i>Growth (%)</i>		-21.6%	13.6%	-17.6%	67.9%
DPS	20.0	11.5	12.0	12.0	15.0
Equity Capital	25.5	26.9	26.9	26.9	26.9
Face value	10.0	10.0	10.0	10.0	10.0

**Ratio Analysis**

Particulars (Rs Crores)	FY06	FY07	FY08	FY09	FY10
<b>Margins</b>					
Gross Margin (%)	40.1%	36.3%	36.5%	34.6%	37.2%
EBITDA Margin (%)	16.3%	13.8%	13.4%	11.5%	15.5%
EBIT Margin (%)	13.2%	11.1%	10.4%	8.8%	12.9%
Net Profit Margin (%)	12.5%	8.1%	8.5%	7.2%	9.7%
<b>Valuation</b>					
EPS *	24.9	19.5	22.2	18.3	30.7
BVPS *	81.0	96.0	111.1	121.4	143.4
P/E (x)	31.9	40.8	35.9	43.5	25.9
P/BV (x)	9.8	8.3	7.2	6.6	5.5
EV/ EBITDA (x)	23.8	22.0	21.0	24.9	14.9
EV/ Sales (x)	3.9	3.1	2.8	2.9	2.3
<b>Profitability</b>					
ROCE (%)	25.7%	22.4%	20.2%	16.2%	25.0%
ROE (%)	30.8%	20.3%	20.0%	15.1%	21.4%
<b>Solvency Ratio</b>					
Deb/ Equity Ratio (x)	0.27	0.24	0.21	0.14	0.14
Interest Cover (x)	172.5	82.0	64.4	65.7	183.7
<b>Turnover Ratio</b>					
Inventory T/o Days	105	82	81	74	70
Debtors T/o Days	51	49	57	58	47
Creditors T/o Days	89	70	73	87	81
<b>Other Ratio</b>					
Dividend Payout (%)	200%	115%	120%	120%	150%
Dividend Yield (%) *	1.3%	0.7%	0.8%	0.8%	0.9%

\* Adjusted for bonus issue of 1:1 issued in June, 2010

**Balance Sheet**

Particulars (Rs Crores)	FY06	FY07	FY08	FY09	FY10
<b>Sources of Funds</b>					
Equity Capital	25.5	26.9	26.9	26.9	26.9
Reserves	387.7	490.3	571.8	627.5	745.9
Shareholders Fund	413.2	517.2	598.8	654.4	772.8
Long Term Debt	109.8	126.6	124.8	93.6	110.0
Deferred Tax Liability, Net	(8.2)	(6.5)	(10.4)	(10.6)	(11.5)
Minority Interest	16.2	15.3	13.9	0	0.0
<b>Total</b>	<b>531.0</b>	<b>652.6</b>	<b>727.1</b>	<b>737.5</b>	<b>871.3</b>
<b>Application of Funds</b>					
Net Fixed Assets	159.9	224.6	239.99	237.4	289.3
Capital Work-in-Progress	18.0	17.6	26.64	35.6	16.4
Investments	151.2	141.6	220.20	294.4	401.5
<b>Current Assets</b>					
Inventory	178.2	200.0	199.3	170.6	247.4
Sundry Debtors	143.9	209.9	236.4	209.6	232.4
Loans & Advances	62.3	52.7	47.7	41.7	41.1
Cash & Bank Balance	47.5	22.1	34.3	76.2	41.1
Other Current Assets	0.0	0.0	0.0	0.0	0.0
Total Current Assets	432.0	484.7	517.6	498.1	562.0
<b>Current Liabilities</b>					
Sundry Creditors	151.4	168.9	193.0	243.8	239.8
Provisions	77.8	45.5	83.9	83.8	93.7
Other Current Liabilities	1.0	2.7	0.5	0.4	0.5
Total Current Liabilities	230.1	217.1	277.4	328.08	334.0
Net Current Assets	201.9	268.9	240.2	169.99	164.0
Misc. Exp not W/Off	0.0	0.0	0.0	0	0.0
<b>Total</b>	<b>531.0</b>	<b>652.6</b>	<b>727.1</b>	<b>737.5</b>	<b>871.3</b>

**Cash Flow**

Particulars (Rs Crores)	FY06	FY07	FY08	FY09	FY10
<b>CF from Operating Activities</b>					
Profit Before Tax	182.7	155.4	167.6	140.2	238.6
Depreciation	31.8	36.0	42.0	37.6	44.3
Direct Taxes paid	(64.8)	(55.3)	(55.1)	(41.9)	(77.0)
Others	(47.8)	(11.5)	(20.8)	(17.5)	(0.2)
Change in Working Cap	(99.6)	(19.0)	7.7	86.1	(36.6)
CF- Operating Activities	2.2	105.7	141.5	204.6	150.5
<b>CF from Investing Activities</b>					
Change in Fixed Assets	(46.1)	(87.2)	(68.8)	(74.7)	(75.7)
Change in Investments	86.9	27.7	(63.4)	(58.6)	(102.9)
Investment Income	8.4	7.2	8.3	15.5	12.2
Others	1.2	1.3	1.0	0.0	0.0
CF- Investment Activities	50.5	(51.1)	(122.9)	(117.8)	(162.9)
<b>CF from Financing Activities</b>					
Increase in Equity	0.0	0.0	0.0	0.0	0.0
Changes in Minority Interest	16.3	0.0	0.0	0.0	0.0
Changes in Borrowings	16.1	(1.8)	(1.9)	(4.3)	(3.9)
Dividend Paid	(50.3)	(61.7)	(2.2)	(32.4)	(32.3)
Others	(1.6)	(0.2)	(2.3)	(7.3)	13.6
CF- Financing Activities	(19.5)	(83.3)	(6.4)	(44.1)	(22.7)
Net Change in Cash	33.2	(25.5)	12.3	42.8	(35.1)
Opening Cash & Bank Bal	14.36	47.5	22.1	33.4	76.2
<b>Closing Cash &amp; Bank Bal</b>	<b>47.5</b>	<b>22.1</b>	<b>34.3</b>	<b>76.2</b>	<b>41.1</b>

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