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Sterlite Technologies Ltd.

3QFY18 Result: Estimate (↑), TP (↑), Rating (↔)

Regular Coverage

Absolute : ADD
Relative : Benchmark
6% ATR in 17 Months

Good execution, but largely priced in - maintain ADD

Telecom Services

Sterlite Technologies' (SOTL) 3QFY18 revenues grew 24% yoy to Rs 8.35bn, coming in 5% above EE. Revenue growth was mainly driven by the products business (~75% of 3Q revenues) as realizations for both optic fibre (OF) and optic fibre cable (OFC) improved amid continued OF global supply shortage. The company recorded its highest-ever EBITDA margin of ~24% due to greater contribution from the high-margin products business coupled with a higher proportion of value-added products. As this scenario is likely to continue in the foreseeable future, we raise our FY18/FY19 EBITDA estimates by 7%/10%. Overall, we estimate a revenue/EPS CAGR of 28%/42% over FY17-FY20E with RoEs of 32%/38% in FY18/FY19. We roll over to a Jun'19 TP of Rs 410 set at a TTM P/E of 32x (from a Mar'19 TP of Rs 300 set at a TTM P/E of 29x). Maintain ADD.

Products biz to gain from better pricing, higher contribution of value-added products: As per management, SOTL's blended OF price is ~US\$ 8.5/fkm as of now vs. ~US\$ 7-7.5/fkm for FY17. Amid continued global shortage for optic fibre, the company has been able to negotiate better prices with its customers, and new prices will be applicable for the rest of CY18. Also, contribution from value-added products currently stands at ~22-23% (vs. global average of ~9-10%). Besides, the current product order book at ~Rs 32bn provides near-term visibility as most of it would be executed in FY19. Therefore, we estimate a 25% CAGR over FY17-FY20E for the products business.

Services business could see larger orders in near future: As BharatNet Phase-1 is over and the government is getting into Phase-2 to 'light' up the remaining 150,000 GPs, procurement tenders would be finalized by Jun-Jul'17. The company has also bid for several Smart Cities and NFS projects, for which results are expected in next 1-2 quarters. Therefore, we believe new order wins shall sustain the services business momentum after most of current order book of ~Rs 13bn is executed by FY19. We expect the services business revenue to clock a ~38% CAGR over FY17-FY20E.

Maintain ADD with a rolled over Jun'19 TP of Rs 410: We believe premium valuations for SOTL are justified, as (a) it will be able to cater to robust global OF demand (~14% CAGR over last five years) with its well-timed capacity expansion, (b) it has posted better operating performance vs. peers due to its vertically integrated preform, fiber and cable production capabilities, and (c) thanks to its superior execution skills, return ratios are improving and balance sheet remains strong despite being in the middle of a huge capex program (~Rs 12bn). We estimate a revenue/EBITDA/EPS CAGR of 28%/33%/42% over FY17-FY20E and maintain our ADD rating on the stock. Our Jun'19 TP of Rs 410 is set at a 32x TTM P/E (vs. a Mar'19 TP of Rs. 300 earlier).

Change in Estimates

Rs. Mn	FY18E	Chg (%)	FY19E	Chg (%)
Sales	31,690	1%	41,693	-3%
EBITDA	7,321	7%	10,094	10%
EPS	7.8	14%	11.8	15%

Consolidated Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Sales	24,489	31,690	41,693	51,906
EBITDA	5,189	7,321	10,094	12,127
Depreciation	1,592	1,750	1,996	2,383
Interest Expense	1,229	1,045	1,311	1,477
Other Income	235	277	318	352
Reported PAT	2,014	3,120	4,744	5,774
Recurring PAT	2,014	3,120	4,744	5,774
Total Equity	8,801	10,987	14,304	18,340
Gross Debt	10,925	11,425	13,925	15,125
Cash	1,724	2,511	2,999	4,122
Rs Per Share	FY17A	FY18E	FY19E	FY20E
Earnings	5.0	7.8	11.8	14.4
Book Value	22	27	36	46
Dividends	1.3	1.9	3.0	3.6
FCFF	9.1	7.5	4.2	10.5
P/E (x)	75.6	48.8	32.1	26.4
P/B (x)	17.2	13.9	10.6	8.3
EV/EBITDA (x)	31.5	22.3	16.4	13.6
ROE (%)	25 %	32 %	38 %	35 %
Core ROIC (%)	15 %	18 %	22 %	22 %
EBITDA Margin (%)	21 %	23 %	24 %	23 %
Net Margin (%)	8 %	10 %	11 %	11 %

Rating Information

Price (Rs)	380
Target Price (Rs)	410
Target Date	30th June'19
Target Set On	18th Jan'17
Implied yrs of growth (DCF)	15
Fair Value (DCF)	363
Fair Value (DDM)	84
Ind Benchmark	SPB5MIP
Model Portfolio Position	NA

Stock Information

Market Cap (Rs Mn)	1,52,237
Free Float (%)	45.86 %
52 Wk H/L (Rs)	387.05/106.4
Avg Daily Volume (1yr)	18,83,100
Avg Daily Value (Rs Mn)	377
Equity Cap (Rs Mn)	802
Face Value (Rs)	2
Bloomberg Code	SOTL IN

Ownership

	Recent	3M	12M
Promoters	54.1 %	-0.1 %	-0.4 %
DII	12.2 %	0.5 %	1.0 %
FII	7.1 %	-0.8 %	1.2 %
Public	26.6 %	0.3 %	-1.8 %

Price %

	1M	3M	12M
Absolute	27.8 %	45.0 %	255.8 %
Vs Industry	22.2 %	33.7 %	214.3 %
HFCL	14.9 %	19.7 %	147.2 %
Vindhya Telelinks	-5.4 %	-3.6 %	93.1 %

Consolidated Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	0.9	1.3	1.2	1.6
EPS (18E)	1.5	1.8	2.2	2.2



Earnings call takeaways

Products business

- Management indicated that optic fibre (OF) capacity expansion (from 30mn fkm to 50mn fkm) is on track and will be completed by Jun'19. The company intends to attain ~40mn fkm of capacity by Mar'19.
- Blended OF prices for the company are currently at ~US\$ 8.5/fkm, and should remain at similar levels till CY18-end. Post that, contracts would be renegotiated for both pricing and volumes based on the supply-demand scenario at that time.
- Generally, the duration of contracts (combination of both pricing and volumes) is between 2-3 years. Pricing and volumes are fixed for the first year but are negotiable in a tight range for the second and third year.
- In an attempt to capitalize on the current global OF supply shortage, the company is trying to sign long-term contracts with marquee tier-1 clients.
- SOTL is operating OF capacity at ~100% levels as of now; however, the share of 'high realization value-added fibre' has increased to ~22-23% from low-single digits a couple of years ago. At the global level, contribution of high value-added OF would be ~9-10% as per CRU data.
- Currently, Optic Fibre Cable (OFC) realization is ~US\$ 18-19/fkm, with capacity utilization likely at ~70% for FY18. There is good visibility for utilization levels to improve to ~90% in FY19.
- SOTL is now consistently doing 200-300 fibre count cable vs. 40-50 earlier.
- The products order book stands at ~Rs 32bn currently, and will be executed over FY19, FY20 and FY21.

Services business

- On the services front, SOTL has bid for Smart City Projects, NFS and services contracts of telcos. Management expects some macro orders in the next 6-9 months.
- BharatNet decentralization is being done by BBNL; there are no concerns in terms of decentralization and funding.
- The current order book of ~Rs 13bn would largely be executed in FY19 (except for ~Rs 5bn of NFS AMC).
- For the current NFS order, ~Rs 3bn of revenues are yet to be booked and should be done over the next three quarters.

- BharatNet phase-2 orders should start coming in anytime, with several centralized and state tenders in the process of being drafted. By Jun-Jul'18, great amount of activity in terms of requirements should be firmed up.
- Current telcos services orders are not substantial, but could become so in the next 9-12 months.
- For Elitecore, ~70% revenue comes from global markets and the rest ~30% from India.

Other highlights

- For 3QFY18, the break-up between products and services was ~75:25.
- EBITDAM improvement in 3QFY18 (+330bps/+230bps on yoy/qoq basis) was driven by: (a) higher contribution from products, (b) better long-term contract prices, (c) high operating leverage of OF business.
- Exports contributed ~60% to overall revenues in 3QFY18. China and Europe continued to form bulk of export sales and a major portion of the order book.
- The company has bid for orders worth ~120bn-130bn (products + services).

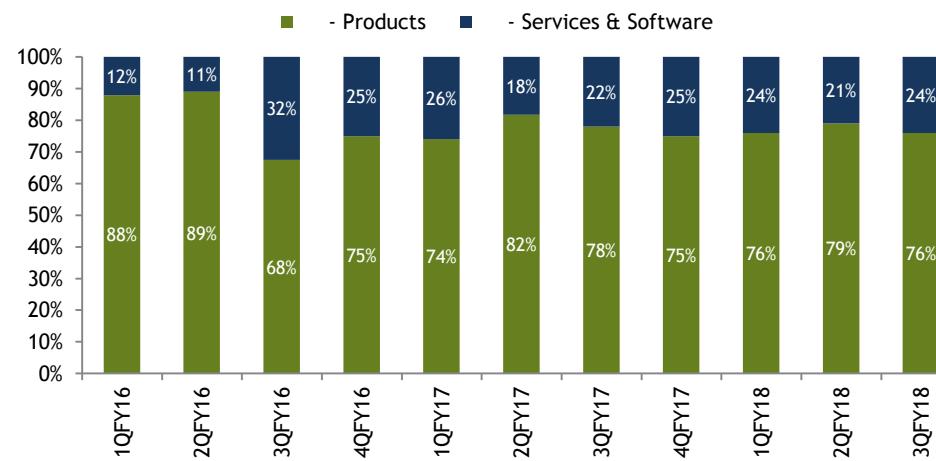


Exhibit 1: Revenue growth has been strong for the past two years



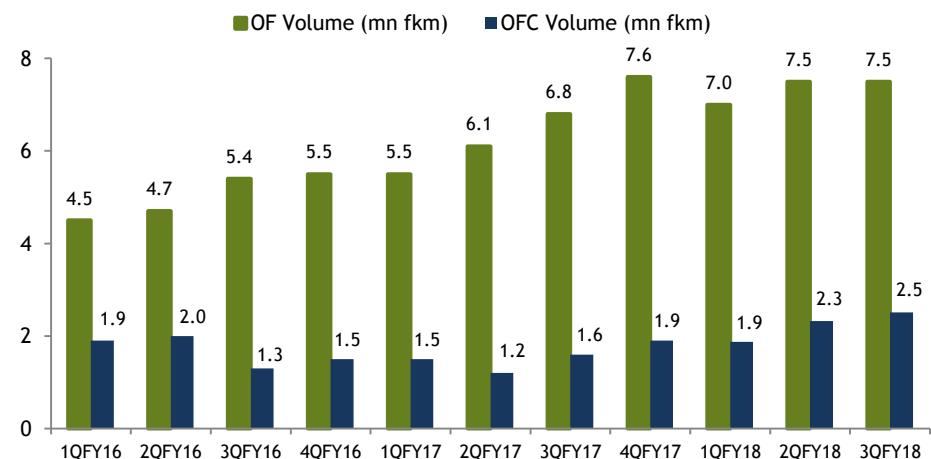
Source: Company, Equirus Securities

Exhibit 2: Contribution of Services & Software segment has been between 20-25%



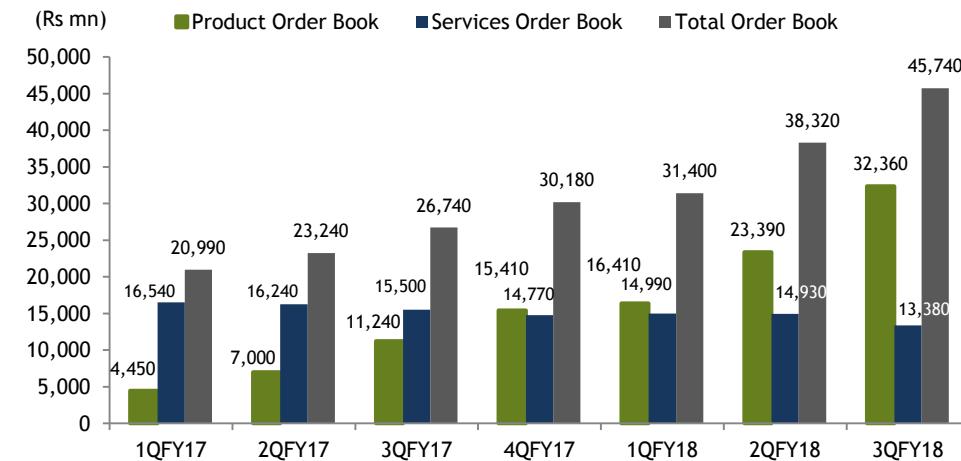
Source: Company, Equirus Securities

Exhibit 3: Both OF and OFC volumes are consistently improving



Source: Company, Equirus Securities

Exhibit 4: Increasing order book reflects predictable outlook for the company



Source: Company, Equirus Securities



Quarterly performance, consolidated

	3QFY18	3QFY18E	2QFY18	3QFY17	% Change			Comments
					3QFY18E	2QFY18	3QFY17	
Net Sales (Rs. mn)	8,352	7,947	7,793	6,741	5%	7%	24%	
Cost of materials consumed	3,502	3,381	2,481	2,466	4%	41%	42%	
Purchases of stock-in-trade	137	0	24	0		474%		
Change in inventories of finished goods, stock-in-trade and WIP	-287	0	628	326		-146%	-188%	
Employee benefits expense	889	861	896	714	3%	-1%	24%	
Other expenses	2,095	1,957	2,061	1,830	7%	2%	14%	
Total Expenditures	6,335	6,199	6,090	5,336	2%	4%	19%	
EBITDA	2,017	1,748	1,703	1,405	15%	18%	44%	
Depreciation	448	456	437	409	-2%	3%	10%	
EBIT	1,569	1,292	1,266	996	21%	24%	57%	
Interest	257	324	243	301	-21%	6%	-14%	
Other Income	67	17	86	46	297%	-22%	48%	
PBT	1,379	985	1,109	741	40%	24%	86%	
Tax	387	257	327	197	51%	18%	97%	
PAT before MI & Associates	992	728	782	544	36%	27%	82%	
Minority Interest	-91	-49	-67	-39	87%	36%	134%	
Profit from Assoc.	0	-2	-2	-14	-100%	-100%	-100%	
Recurring PAT	901	677	712	491	33%	26%	83%	
Extraordinaries	0	0	0	0				
Reported PAT	901	677	712	491	33%	26%	83%	
EPS (Rs)	2.3	1.7	1.8	1.2	33%	26%	83%	
EBITDA Margin	24.1%	22.0%	21.9%	20.8%	215 bps	230 bps	330 bps	
EBIT Margin	19%	16%	16%	15%	253 bps	254 bps	401 bps	
PBT Margin	17%	12%	14%	11%	412 bps	228 bps	552 bps	
PAT Margin	11%	9%	9%	7%	227 bps	165 bps	350 bps	
Tax Rate	28%	26%	30%	27%	196 bps	-146 bps	150 bps	



Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY18E	7.8	7.2	9 %	Consensus numbers are not updated post results
	FY19E	11.8	10.4	14 %	
Sales	FY18E	31,690	32,331	-2 %	
	FY19E	41,693	42,108	-1 %	
PAT	FY18E	3,120	2,873	9 %	
	FY19E	4,744	4,185	13 %	

Key Estimates:

	FY16	FY17e	FY18e	FY19e	FY20e
Gross Revenue from Products (Rs. mn)	17,800	20,108	25,449	30,292	39,745
- Optic fibre volume (mn fkm)	20.1	26.0	29.5	32.5	47.5
- Optic fibre cable volume (mn fkm)	6.5	6.2	9.5	13.4	16.7
Revenue from Services (Rs mn)	4,613	5,401	7,319	13,084	14,203

Risk to Our View:

- Inadequate/delayed investments by telcos
- Delay in public projects like BharatNet and Smart Cities
- Increasing supply of preform and fiber which may put pressure on pricing

Key Triggers

- Getting new Smart City and other services projects
- Full order booking of the upcoming 20mn fkm OF capacity and increasing utilization for OFC

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.8 %	1.2	14.0 %	5.0 %	44.6 %
-	FY18E	FY19E	FY20-22E	FY23-27E
Sales Growth	29 %	32 %	20 %	16 %
NOPAT Margin	13 %	14 %	12 %	12 %
IC Turnover	1.36	1.43	1.62	1.67
RoIC	18.2 %	22.3 %	21.1 %	21.1 %
Years of strong growth	1	2	5	10
Valuation as on date (Rs)	75	102	115	149
Valuation as of June'19	97	132	148	193
				363

Based on DCF, we derive a June'19 fair value of Rs 363.

Company Description

Sterlite Technologies is a pure play telecom products and services & software company, engaged in designing, building and managing smart digital networks. The company shares a common lineage with Vedanta Resources Plc - globally diversified natural resources major. It is the only vertically integrated player in India's optic fibre space, which gives it unique advantage over peers. SOTL's OF and OFC production capacities currently stand at 30mn fkm and 15mn fkm respectively (including 6.5mn fkm OF capacity in China).

Comparable valuation			Mkt Cap	Price	Target	EPS			P/E		BPS	P/B		RoE		Div Yield		
Company	Reco.	CMP	Rs. Mn.	Target	Date	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	
Sterlite Technologies Ltd	ADD	380	1,52,237	410	30th June'19	5.0	7.8	11.8	75.6	48.8	32.1	22.1	13.9	25 %	32 %	38 %	0.3 %	0.5 %
HFCL	NA	33	40,590	NA	NA	1.0	-	-	32.8	-	-	7.8	-	14 %	-	-	9.9 %	-
Vindhya Telelinks	NA	1,250	14,815	NA	NA	73.2	-	-	17.1	-	-	484.8	-	16 %	-	-	0.6 %	-

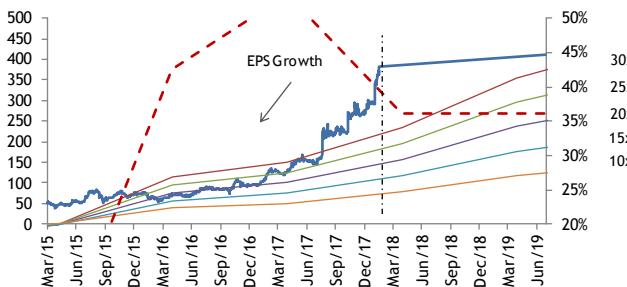
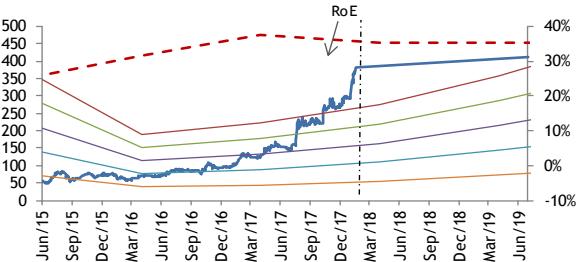


Consolidated Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	5,638	5,104	6,741	7,005	7,160	7,793	8,352	8,385	8,592	9,805	10,702	12,594	24,489	31,690	41,693	51,906
Cost of materials consumed	2,134	1,970	2,466	4,067	2,475	2,481	3,502	3,389	3,476	3,979	4,351	5,139	10,637	12,799	16,945	21,595
Purchases of stock-in-trade	98	309	0	0	78	24	137	0	0	0	0	0	407	0	0	0
Change in inventories of finished goods, stock-in-trade and WIP	245	-425	326	-1,206	374	628	-287	0	0	0	0	0	-1,061	0	0	0
Other expenses	1,362	1,393	1,830	1,828	1,892	2,061	2,095	2,072	2,149	2,476	2,719	3,231	6,413	8,119	10,575	13,253
Employee benefits expense	657	841	714	691	771	896	889	894	917	975	1,065	1,122	2,903	3,451	4,079	4,931
EBITDA	1,142	1,017	1,405	1,624	1,571	1,703	2,017	2,031	2,051	2,374	2,567	3,103	5,189	7,321	10,094	12,127
Depreciation	361	378	409	445	413	437	448	453	472	472	472	580	1,592	1,750	1,996	2,383
EBIT	782	640	996	1,180	1,158	1,266	1,569	1,578	1,579	1,902	2,095	2,523	3,597	5,571	8,098	9,744
Interest	319	367	301	243	285	243	257	260	328	328	328	328	1,229	1,045	1,311	1,477
Other Income	81	78	46	31	68	86	67	56	80	80	80	80	235	277	318	352
PBT	544	350	741	967	941	1,109	1,379	1,374	1,330	1,654	1,847	2,274	2,602	4,803	7,105	8,619
Tax	131	-211	197	279	255	327	387	379	352	456	517	656	397	1,349	1,982	2,468
PAT bef. MI & Assoc.	412	561	544	688	685	782	992	995	978	1,198	1,329	1,618	2,205	3,454	5,123	6,151
Minority Interest	39	35	39	50	72	67	91	94	95	95	95	93	163	325	379	377
Profit from Assoc.	4	-17	-14	-1	-7	-2	0	0	0	0	0	0	-28	-9	0	0
Recurring PAT	377	508	491	637	606	712	901	901	883	1,103	1,234	1,525	2,014	3,120	4,744	5,774
Extraordinaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	377	508	491	637	606	712	901	901	883	1,103	1,234	1,525	2,014	3,120	4,744	5,774
EPS (Rs)	0.94	1.27	1.23	1.59	1.51	1.78	2.25	2.25	2.20	2.75	3.08	3.81	5.02	7.78	11.84	14.41
Key Drivers																
Gross Revenue from Products (Rs. mn)	-	-	-	-	-	-	-	-	-	-	-	-	20,108	25,449	30,292	39,745
- Optic fibre volume (mn fkm)	-	-	-	-	-	-	-	-	-	-	-	-	26	30	33	48
- Optic fibre cable volume (mn fkm)	-	-	-	-	-	-	-	-	-	-	-	-	6	10	13	17
Revenue from Services (Rs. mn)	-	-	-	-	-	-	-	-	-	-	-	-	5,401	7,319	13,084	14,203
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequential Growth (%)																
Revenue	-7 %	-9 %	32 %	4 %	2 %	9 %	7 %	0 %	2 %	14 %	9 %	18 %	-	-	-	-
Cost of materials consumed	-4 %	-8 %	25 %	65 %	-39 %	0 %	41 %	-3 %	3 %	14 %	9 %	18 %	-	-	-	-
EBITDA	-16 %	-11 %	38 %	16 %	-3 %	8 %	18 %	1 %	1 %	16 %	8 %	21 %	-	-	-	-
EBIT	-20 %	-18 %	56 %	18 %	-2 %	9 %	24 %	1 %	0 %	20 %	10 %	20 %	-	-	-	-
Recurring PAT	-31 %	35 %	-3 %	30 %	-5 %	18 %	26 %	0 %	-2 %	25 %	12 %	24 %	-	-	-	-
EPS	-31 %	35 %	-3 %	30 %	-5 %	18 %	26 %	0 %	-2 %	25 %	12 %	24 %	-	-	-	-
Yearly Growth (%)																
Revenue	22 %	-1 %	18 %	15 %	27 %	53 %	24 %	20 %	20 %	26 %	28 %	50 %	14 %	29 %	32 %	24 %
EBITDA	14 %	-10 %	31 %	20 %	37 %	67 %	44 %	25 %	31 %	39 %	27 %	53 %	13 %	41 %	38 %	20 %
EBIT	3 %	-26 %	40 %	21 %	48 %	98 %	57 %	34 %	36 %	50 %	34 %	60 %	8 %	55 %	45 %	20 %
Recurring PAT	22 %	39 %	63 %	16 %	61 %	40 %	83 %	42 %	46 %	55 %	37 %	69 %	31 %	55 %	52 %	22 %
EPS	22 %	39 %	63 %	16 %	61 %	40 %	83 %	42 %	46 %	55 %	37 %	69 %	31 %	55 %	52 %	22 %
Margin (%)																
EBITDA	20 %	20 %	21 %	23 %	22 %	22 %	24 %	24 %	24 %	24 %	24 %	25 %	21 %	23 %	24 %	23 %
EBIT	14 %	13 %	15 %	17 %	16 %	16 %	19 %	19 %	18 %	19 %	20 %	20 %	15 %	18 %	19 %	19 %
PBT	10 %	7 %	11 %	14 %	13 %	14 %	17 %	16 %	15 %	17 %	17 %	18 %	11 %	15 %	17 %	17 %
PAT	7 %	10 %	7 %	9 %	8 %	9 %	11 %	11 %	10 %	11 %	12 %	12 %	8 %	10 %	11 %	11 %

Consolidated Financials

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E	Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E	Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	24,489	31,690	41,693	51,906	Equity Capital	797	802	802	802	PBT	2,602	4,803	7,105	8,619
Op. Expenditure	19,299	24,369	31,599	39,779	Reserve	8,004	10,185	13,502	17,539	Depreciation	1,592	1,750	1,996	2,383
EBITDA	5,189	7,321	10,094	12,127	Networth	8,801	10,987	14,304	18,340	Others	1,027	769	993	1,125
Depreciation	1,592	1,750	1,996	2,383	Long Term Debt	10,925	11,425	13,925	15,125	Taxes Paid	763	1,349	1,982	2,468
EBIT	3,597	5,571	8,098	9,744	Def Tax Liability	1,892	1,892	1,892	1,892	Change in WC	427	-1,503	-2,264	-2,252
Interest Expense	1,229	1,045	1,311	1,477	Minority Interest	452	777	1,156	1,533	Operating C/F	4,885	4,469	5,848	7,407
Other Income	235	277	318	352	Account Payables	4,486	5,262	6,966	8,878	Capex	-2,138	-2,479	-5,440	-4,621
PBT	2,602	4,803	7,105	8,619	Other Curr Liabi	2,951	2,951	2,951	2,951	Change in Invest	-306	0	0	0
Tax	397	1,349	1,982	2,468	Total Liabilities & Equity	29,507	33,293	41,193	48,718	Others	121	277	318	352
PAT bef. MI & Assoc.	2,205	3,454	5,123	6,151	Net Fixed Assets	13,037	14,425	17,870	20,108	Investing C/F	-2,323	-2,203	-5,122	-4,269
Minority Interest	163	325	379	377	Capital WIP	659	0	0	0	Change in Debt	38	500	2,500	1,200
Profit from Assoc.	-28	-9	0	0	Others	1,083	1,074	1,074	1,074	Change in Equity	6	5	0	0
Recurring PAT	2,014	3,120	4,744	5,774	Inventory	3,335	3,454	4,572	5,827	Others	-1,913	-1,984	-2,739	-3,215
Extraordinaires	0	0	0	0	Account Receivables	6,867	9,027	11,876	14,785	Financing C/F	-1,869	-1,479	-239	-2,015
Reported PAT	2,014	3,120	4,744	5,774	Other Current Assets	2,802	2,802	2,802	2,802	Net change in cash	693	787	488	1,123
FDEPS (Rs)	5.0	7.8	11.8	14.4	Cash	1,724	2,511	2,999	4,122	RoE (%)	25 %	32 %	38 %	35 %
DPS (Rs)	1.3	1.9	3.0	3.6	Total Assets	29,506	33,293	41,193	48,718	RoIC (%)	14 %	16 %	20 %	20 %
CEPS (Rs)	9.1	12.2	16.8	20.4	Non-cash Working Capital	5,567	7,070	9,334	11,586	Core RoIC (%)	15 %	18 %	22 %	22 %
FCFPS (Rs)	9.1	7.5	4.2	10.5	Cash Conv Cycle	83.0	81.4	81.7	81.5	Div Payout (%)	30 %	30 %	30 %	30 %
BVPS (Rs)	22.1	27.4	35.7	45.8	WC Turnover	4.4	4.5	4.5	4.5	P/E	75.6	48.8	32.1	26.4
EBITDAM (%)	21 %	23 %	24 %	23 %	FA Turnover	1.8	2.2	2.3	2.6	P/B	17.2	13.9	10.6	8.3
PATM (%)	8 %	10 %	11 %	11 %	Net D/E	1.0	0.8	0.8	0.6	P/FCFF	41.8	50.4	91.1	36.3
Tax Rate (%)	15 %	28 %	28 %	29 %	Revenue/Capital Employed	1.2	1.3	1.5	1.5	EV/EBITDA	31.5	22.3	16.4	13.6
Sales Growth (%)	14 %	29 %	32 %	24 %	Capital Employed/Equity	2.6	2.4	2.2	2.1	EV/Sales	6.7	5.1	4.0	3.2
FDEPS Growth (%)	31 %	55 %	52 %	22 %						Dividend Yield (%)	0.3 %	0.5 %	0.8 %	0.9 %

TTM P/E vs. 2 yr forward EPS growth

TTM P/B vs. 2 yr forward RoE




Historical Consolidated Financials

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A	Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	25,639	30,971	21,440	24,489	Equity Capital	788	788	790	797	PBT	-152	1	2,305	2,602
Op. Expenditure	22,885	26,364	16,848	19,299	Reserve	10,314	14,171	6,756	8,004	Depreciation	1,333	1,850	1,256	1,592
EBITDA	2,754	4,607	4,592	5,189	Networth	11,101	14,959	7,546	8,801	Others	1,955	2,998	1,240	1,027
Depreciation	1,333	1,850	1,256	1,592	Long Term Debt	43,382	53,163	10,852	10,925	Taxes Paid	339	220	487	763
EBIT	1,421	2,757	3,336	3,597	Def Tax Liability	1,919	1,797	1,680	1,892	Change in WC	-161	-702	-2,167	427
Interest Expense	1,798	3,269	1,192	1,229	Minority Interest	207	230	312	452	Operating C/F	2,636	3,927	2,147	4,885
Other Income	225	513	162	235	Account Payables	5,944	8,997	3,722	4,486	Capex	-16,528	-11,512	-2,303	-2,138
PBT	-152	1	2,305	2,602	Other Curr Liabi	6,715	4,775	2,133	2,951	Change in Invest	-888	-220	652	-306
Tax	243	37	652	397	Total Liabilities & Equity	69,268	83,922	26,245	29,507	Others	150	14	96	121
PAT bef. MI & Assoc.	-395	-36	1,654	2,205	Net Fixed Assets	17,253	40,552	11,370	13,037	Investing C/F	-17,266	-11,718	-1,555	-2,323
Minority Interest	-40	-9	61	163	Capital WIP	35,488	21,926	1,723	659	Change in Debt	15,171	9,863	834	38
Profit from Assoc.	0	0	-56	-28	Others	2,239	1,812	796	1,083	Change in Equity	115	4,521	2	6
Recurring PAT	-355	-27	1,537	2,014	Inventory	3,196	4,149	2,053	3,335	Others	-4,501	-5,884	-1,645	-1,913
Extraordinaires	0	0	0	0	Account Receivables	5,724	8,344	7,084	6,867	Financing C/F	10,786	8,500	-809	-1,869
Reported PAT	-355	-27	1,537	2,014	Other Current Assets	2,134	2,791	2,443	2,802	Net change in cash	-3,844	709	-217	693
EPS (Rs)	-0.9	-0.1	3.8	5.0	Cash	3,236	4,347	777	1,724	RoE (%)	-3 %	0 %	14 %	25 %
DPS (Rs)	0.3	0.6	1.0	1.3	Total Assets	69,269	83,922	26,245	29,506	RoIC (%)	9 %	-185 %	5 %	14 %
CEPS (Rs)	2.5	4.6	7.1	9.1	Non-cash Working Capital	-1,605	1,512	5,725	5,567	Core RoIC (%)	8 %	-164 %	6 %	15 %
FCFPS (Rs)	-25.3	-317.7	3.7	9.1	Cash Conv Cycle	-22.8	17.8	97.5	83.0	Div Payout (%)	-39 %	-1,074 %	31 %	30 %
BVPS (Rs)	28.2	38.0	19.1	22.1	WC Turnover	-16.0	20.5	3.7	4.4	P/E	-428.7	-5,744.8	99.0	75.6
EBITDAM (%)	11 %	15 %	21 %	21 %	FA Turnover	0.5	0.5	1.6	1.8	P/B	13.5	10.0	19.9	17.2
PATM (%)	-1 %	0 %	7 %	8 %	Net D/E	3.6	3.3	1.3	1.0	P/FCFF	-15.0	-1.2	103.6	41.8
Tax Rate (%)	-160 %	3,690 %	28 %	15 %	Revenue/Capital Employed	0.5	0.5	0.5	1.2	EV/EBITDA	71.3	44.4	36.1	31.5
Sales growth (%)	-17 %	21 %	-31 %	14 %	Capital Employed/Equity	4.3	4.9	4.0	2.6	EV/Sales	7.7	6.6	7.7	6.7
FDEPS growth (%)	-241 %	-93 %	-5,900 %	31 %						Dividend Yield (%)	0.1 %	0.2 %	0.3 %	0.3 %



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