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Petronet LNG Ltd.

2QFY19 Results: Estimates (↑), TP (↓), Rating (↔)

Regular Coverage

Absolute: ADD

Relative: Benchmark

11% ATRin 17 months

In-line performance – maintain ADD

Oil & Gas

| Rating Information | |
|-----------------------------|-------------|
| Price (Rs) | 219 |
| Target Price (Rs) | 244 |
| Target Date | 31st Mar'20 |
| Target Set On | 5th Nov'18 |
| Implied yrs of growth (DCF) | 20 |
| Fair Value (DCF) | 244 |
| Fair Value (DDM) | 70 |
| Ind Benchmark | BSE OIL |
| Model Portfolio Position | NA |

| Stock Information | |
|-------------------------|------------|
| Market Cap (Rs Mn) | 3,28,500 |
| Free Float (%) | 50.00 % |
| 52 Wk H/L (Rs) | 275.65/202 |
| Avg Daily Volume (1yr) | 39,77,466 |
| Avg Daily Value (Rs Mn) | 911 |
| Equity Cap (Rs Mn) | 15,000 |
| Face Value (Rs) | 10 |
| Bloomberg Code | PLNG IN |

| Ownership | Recent | 3M | 12M |
|-----------|--------|--------|--------|
| Promoters | 50.0 % | 0.0 % | 0.0 % |
| DII | 11.5 % | -0.2 % | -1.2 % |
| FII | 23.9 % | 0.8 % | 2.0 % |
| Public | 14.6 % | -0.7 % | -0.8 % |

| Price % | 1M | 3M | 12M |
|-------------|--------|--------|---------|
| Absolute | 2.2 % | -5.6 % | -16.0 % |
| Vs Industry | -8.8 % | 5.8 % | 2.5 % |
| GAIL | 12.0 % | -4.2 % | 6.9 % |
| GSPL | 3.3 % | -9.0 % | -14.2 % |

Standalone Quarterly EPS forecast

| Rs/Share | 1Q | 2Q | 3Q | 4Q |
|-----------|-----|-----|-----|-----|
| EPS (18A) | 5.8 | 7.9 | 7.1 | 7.0 |
| EPS (19E) | 7.8 | 8.0 | 7.9 | 7.1 |

PLNG's 2QFY19 volumes were largely flat yoy at 217tbtus (EE: 221tbtus) led by higher capacity utilization at Dahej. EBITDA grew by 3% yoy on a 9% yoy decline in long-term volumes offset partly by an 11% yoy growth in regas volumes. With commencement of Mundra operations, the probability of Dahej surprising on higher utilization will reduce. PLNG has declared a special dividend of Rs 5.5/sh in the absence of any concrete capex planned in near future. We see Dahej volumes peaking in FY19 and expect back-ended earnings growth of 8% CAGR over FY18-FY20E led by the Kochi ramp-up and regas tariff hike. Maintain ADD with a rolled over DCF-based Mar'20 TP of Rs 244 (from a Sep'19 TP of Rs 248 earlier).

No concrete progress in overseas projects: Due to rising cash balance and limited investment opportunities in the R-LNG terminal, management has been evaluating some investment opportunities both in upstream LNG and downstream gas sectors. It plans to put up a land-based terminal in Bangladesh (7.5 MTPA) and an FSRU terminal (2.5MTPA) in Sri Lanka. It is also looking at picking up a small stake in the upcoming Qatar LNG expansion (77mt to 100mt). Since all these opportunities are in the evaluation stage and nothing concrete has been finalized yet, PLNG declared a special dividend of Rs 5.5/sh; the dividend may continue next year as well if nothing significant materializes till then.

Dahej going strong, volumes to peak out in near term: Dahej clocked 211tbtus of volumes in 2QFY19, with capacity utilization of 110%. Capacity expansion to 17.5MTPA is expected to come on-stream by 4QFY19, for which PLNG has tied up volumes of 15.75MTPA currently. In the absence of any sector offtaking incremental volumes, we expect Dahej utilization to peak out as competition from commencement of Mundra terminal and muted growth in LNG imports could reduce the likelihood of Dahej surprising with higher utilization. We think Dahej volumes would remain around current levels in FY19-FY20, and incremental volume growth for PLNG would come from Kochi post completion of the Kochi-Mangalore pipeline.

EBITDA largely in line: Overall volumes declined by 1% yoy to 217tbtu, coming in 2% below EE on lower long-term volumes. EBITDA grew 3% yoy to Rs 9.2bn as lower long-term volumes and higher employee costs (due to fare revision) were only partly offset by higher re-gas margins. The tax rate increased 280bps yoy to 34%. Reported PAT at Rs 6bn was up 2% yoy on higher other income and lower interest expenses.

Change in Estimates:

| Rs mn | FY19E | % Change | FY20E | % Change |
|--------|--------|----------|--------|----------|
| Volume | 16.8 | -1.8% | 17.9 | 4.6% |
| EBITDA | 36,154 | -0.4% | 36,975 | 1.8% |
| PAT | 23,140 | 3.5% | 24,540 | 9.8% |

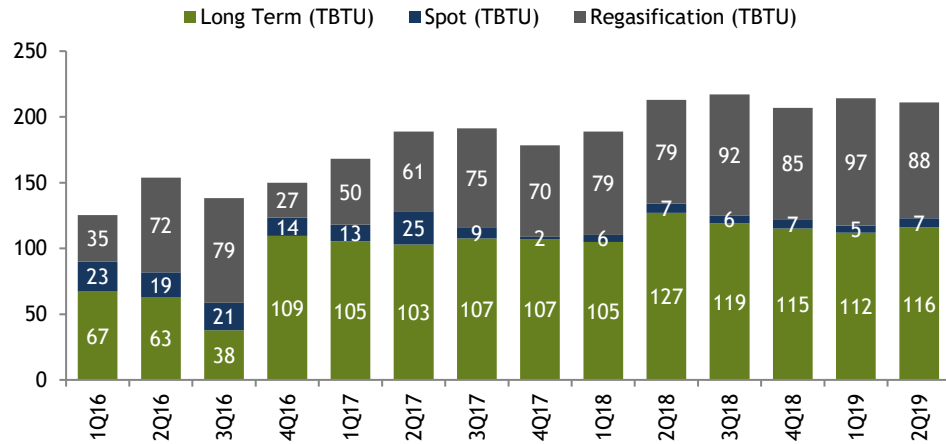
Consolidated Financials

| Rs. Mn YE Mar | FY18A | FY19E | FY20E | FY21E |
|-------------------|----------|----------|----------|----------|
| Sales | 3,05,986 | 3,92,703 | 4,36,740 | 5,21,384 |
| EBITDA | 33,124 | 36,154 | 36,975 | 42,859 |
| Depreciation | 4,117 | 4,233 | 4,233 | 4,233 |
| Interest Expense | 1,630 | 842 | 562 | 352 |
| Other Income | 3,174 | 3,920 | 3,385 | 2,991 |
| Reported PAT | 21,104 | 23,140 | 24,540 | 28,473 |
| Recurring PAT | 21,104 | 23,140 | 24,540 | 28,473 |
| Total Equity | 97,205 | 1,05,152 | 1,22,330 | 1,42,262 |
| Gross Debt | 14,531 | 9,531 | 6,531 | 3,531 |
| Cash | 48,204 | 47,502 | 65,782 | 86,824 |
| Rs. Mn YE Mar | FY18A | FY19E | FY20E | FY21E |
| Earnings | 14.1 | 15.4 | 16.4 | 19.0 |
| Book Value | 65 | 70 | 82 | 95 |
| Dividends | 4.5 | 8.4 | 4.1 | 4.7 |
| FCFF | 18.1 | 13.4 | 19.4 | 21.9 |
| P/E (x) | 15.6 | 14.2 | 13.4 | 11.5 |
| P/B (x) | 3.4 | 3.1 | 2.7 | 2.3 |
| EV/EBITDA (x) | 9.6 | 8.7 | 7.9 | 6.3 |
| ROE (%) | 24 % | 23 % | 22 % | 22 % |
| Core ROIC (%) | 20 % | 22 % | 23 % | 27 % |
| EBITDA Margin (%) | 11 % | 9 % | 8 % | 8 % |
| Net Margin (%) | 7 % | 6 % | 6 % | 5 % |

Quarterly performance

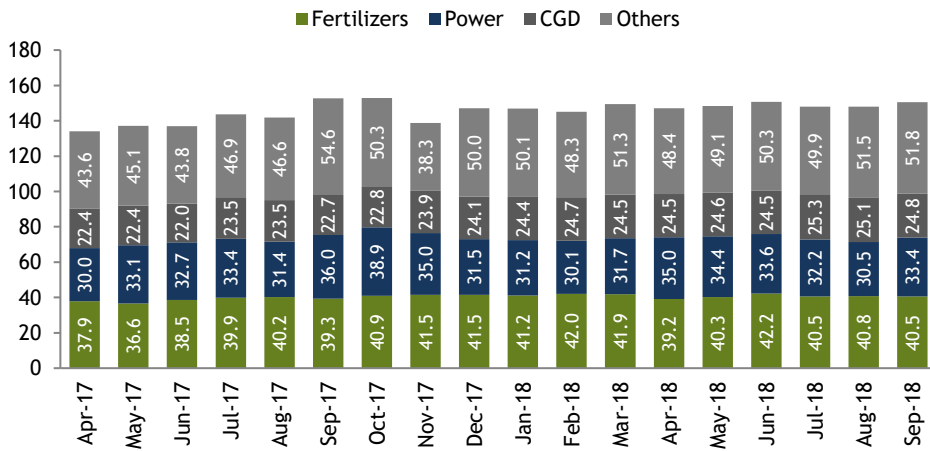
| Rs Mn | 2QFY19 | 2QFY19E | 1QFY19 | 2QFY18 | % Change | | | Comments |
|------------------------------|---------------|---------------|---------------|---------------|------------|------------|------------|--|
| | | | | | 2QFY19E | 1QFY19 | 2QFY18 | |
| Net Sales | 1,07,453 | 95,872 | 91,692 | 77,702 | 12% | 17% | 38% | |
| Consumption of raw materials | 96,564 | 85,177 | 80,844 | 67,427 | 13% | 19% | 43% | |
| Employees Cost | 430 | 223 | 224 | 194 | 93% | 92% | 122% | Revision of employee salaries led to high employee costs |
| Other Expenditure | 1,237 | 1,438 | 1,280 | 1,094 | -14% | -3% | 13% | |
| Total Expenditures | 98,230 | 86,838 | 82,347 | 68,715 | 13% | 19% | 43% | |
| EBITDA | 9,223 | 9,034 | 9,344 | 8,987 | 2% | -1% | 3% | |
| Depreciation | 1,037 | 1,058 | 1,022 | 1,039 | -2% | 1% | 0% | |
| EBIT | 8,186 | 7,975 | 8,322 | 7,949 | 3% | -2% | 3% | |
| Interest | 249 | 211 | 300 | 465 | 18% | -17% | -46% | |
| Other Income | 1,115 | 860 | 990 | 1,019 | 30% | 13% | 9% | |
| PBT | 9,052 | 8,624 | 9,012 | 8,503 | 5% | 0% | 6% | |
| Tax | 3,037 | 3,007 | 3,142 | 2,616 | 1% | -3% | 16% | |
| Recurring PAT | 6,015 | 5,617 | 5,870 | 5,888 | 7% | 2% | 2% | |
| Extraordinaries | 0 | 0 | 0 | 0 | | | | |
| Reported PAT | 6,015 | 5,617 | 5,870 | 5,888 | 7% | 2% | 2% | |
| EPS (Rs) | 4.0 | 3.7 | 3.9 | 3.9 | 7% | 2% | 2% | |
| Margins (%) | | | | | | | | |
| Gross Margin | 10.1% | 11.2% | 11.8% | 13.2% | -102 bps | -170 bps | -309 bps | |
| EBITDA Margin | 8.6% | 9.4% | 10.2% | 11.6% | -84 bps | -161 bps | -298 bps | |
| EBIT Margin | 7.6% | 8.3% | 9.1% | 10.2% | -70 bps | -146 bps | -261 bps | |
| PBT Margin | 8.4% | 9.0% | 9.8% | 10.9% | -57 bps | -140 bps | -252 bps | |
| PAT Margin | 5.6% | 5.9% | 6.4% | 7.6% | -26 bps | -80 bps | -198 bps | |
| Tax Rate | 33.5% | 34.9% | 34.9% | 30.8% | -132 bps | -132 bps | 279 bps | |
| Cost as % of sales | | | | | | | | |
| Raw material | 89.9% | 88.8% | 88.2% | 86.8% | 102 bps | 170 bps | 309 bps | |
| Employee Costs | 0.4% | 0.2% | 0.2% | 0.2% | 17 bps | 16 bps | 15 bps | |
| Other expenses | 1.2% | 1.5% | 1.4% | 1.4% | -35 bps | -24 bps | -26 bps | |
| Volume Data | | | | | | | | |
| Volume | 217 | 221 | 220 | 220 | -2% | -1% | -1% | |
| Long Term | 122 | 119 | 118 | 134 | 2% | 3% | -9% | |
| Spot | 7 | 3 | 5 | 7 | 125% | 35% | 0% | |
| Regas | 88 | 99 | 97 | 79 | -11% | -9% | 11% | |
| Blended Regas Margin | 49 | 55 | 48 | 46 | -9% | 3% | 8% | |

Exhibit 1: Volumes decline qoq led by decline in regas volumes



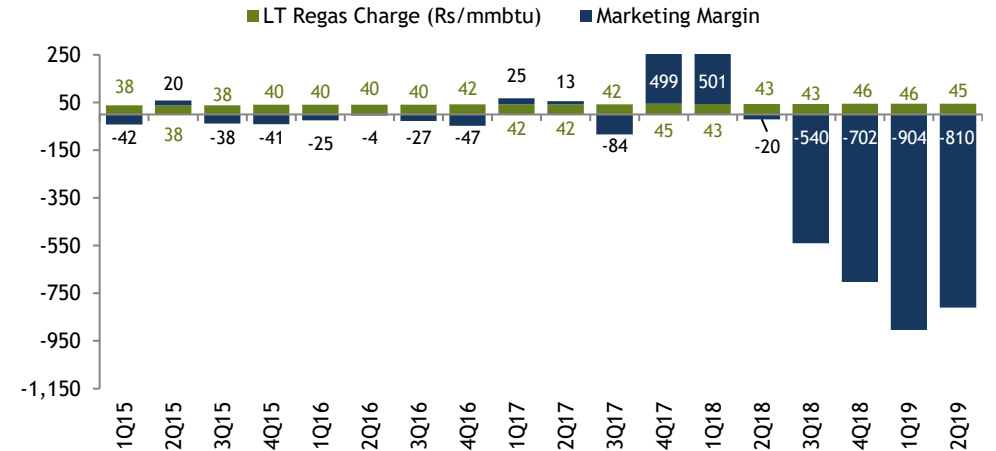
Source: Equirus Securities, Company

Exhibit 2: LNG demand sector-wise; others include refineries/petchem; growth driven by RIL petcoke gasifier



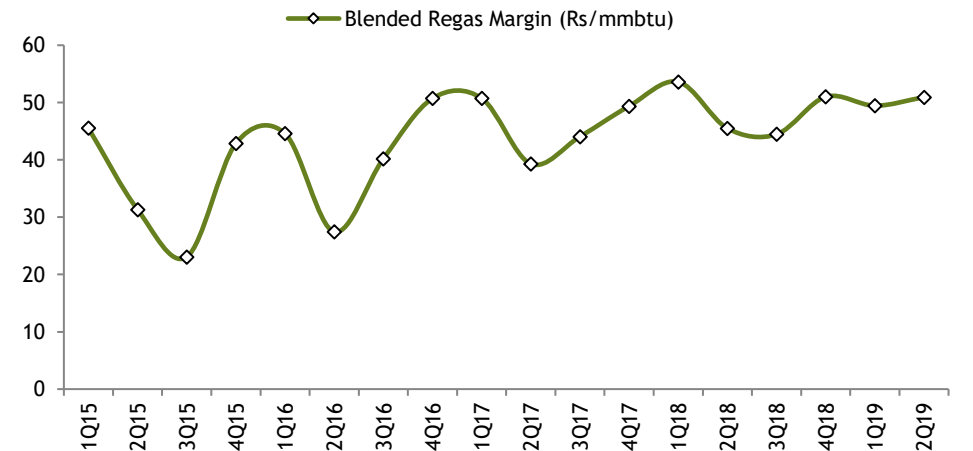
Source: Equirus Securities, Company

Exhibit 3: Marketing margins continue to decline



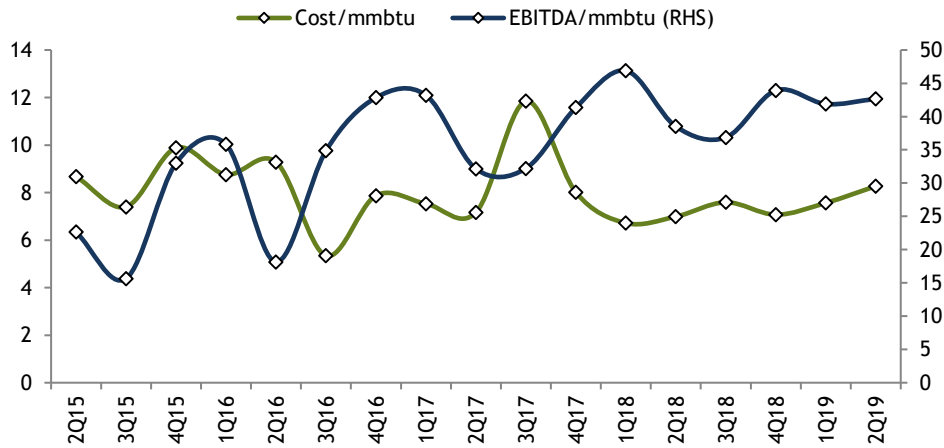
Source: Equirus Securities, Company

Exhibit 4: Blended re-gasification margins improve on higher regas volumes



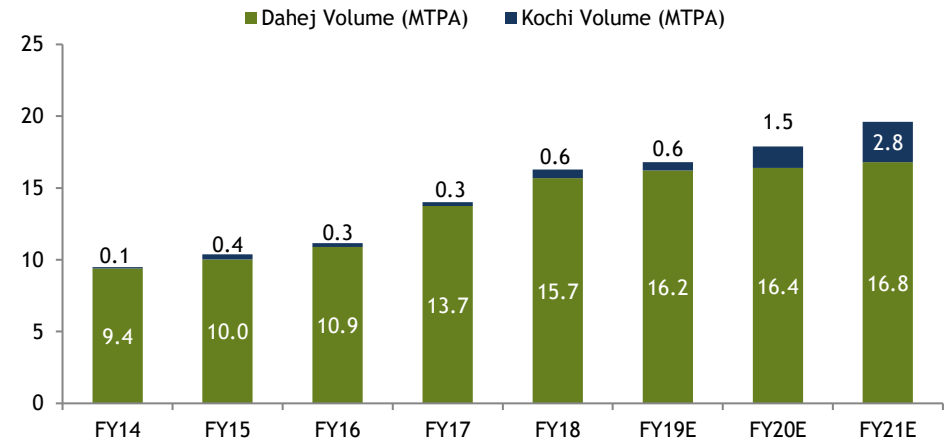
Source: Equirus Securities, Company

Exhibit 5: EBITDA/mmbtu high on decent volume growth, high efficiencies



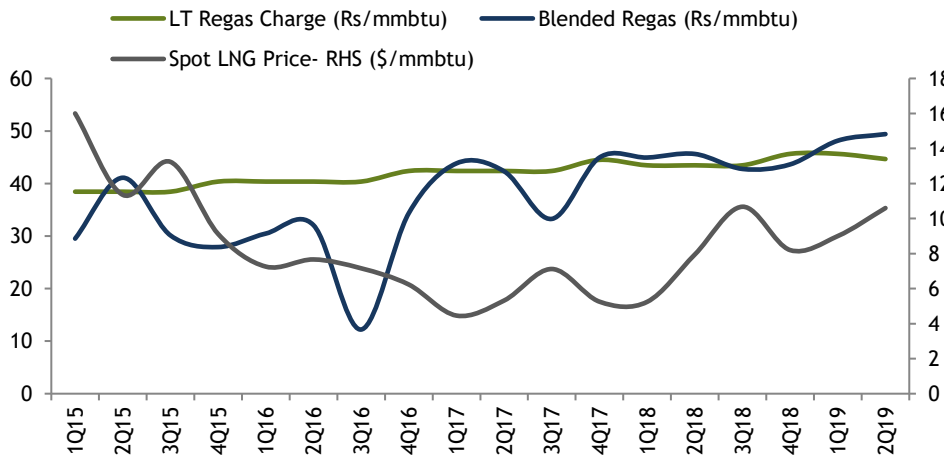
Source: Equirus Securities, Company

Exhibit 7: Expect Kochi to ramp-up gradually; Dahej volumes at near-peak levels



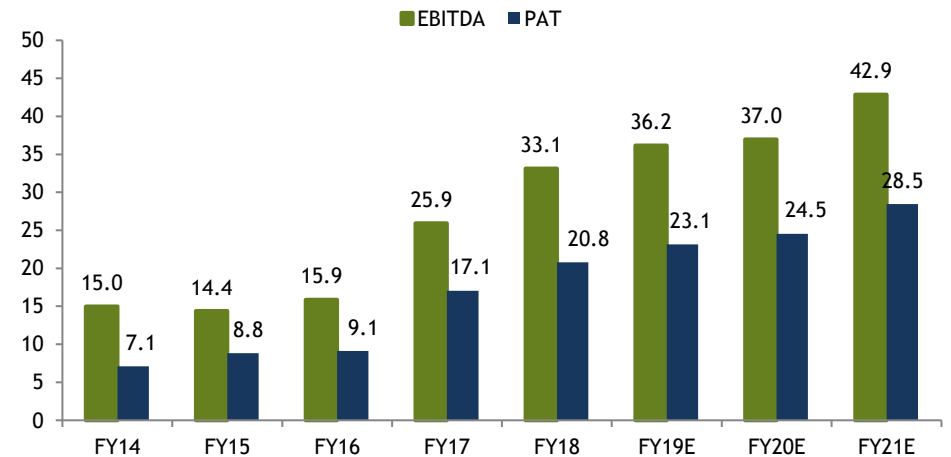
Source: Equirus Securities, Company

Exhibit 6: Blended regas margins increased 10% qoq despite high LNG prices



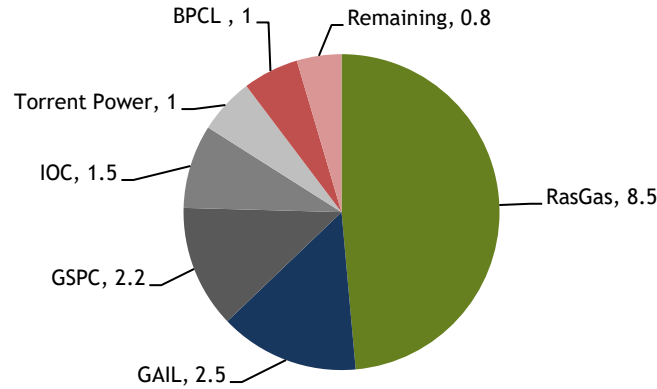
Source: Equirus Securities, Company

Exhibit 8: EBITDA growth to moderate on high competition, lower domestic demand (Rs bn)



Source: Equirus Securities, Company

Exhibit 9: Post completion of re-gas facility by FY19 end, Dahej nameplate facility can touch 17.5mtpa (operationally it could go to 19MTPA); 95% of capacity is sold to various off-takers and reduces earnings risk



Source: Equirus Securities, Company

Earnings call takeaways

General Highlights

- PLNG did volumes of 437 tbuts, highest ever in H1FY19 vs. 412 tbuts in H1FY18. 2Q19 volumes stood at 217tbuts vs. 220 tbuts in 2Q18 and 220 tbuts in 1Q19.
- Company has cash generation of Rs 30bn every year; special dividend declared was to reward the shareholders. For the next year, the amount of dividend will depend on capex requirements of next year.
- PLNG is also looking for projects outside India which can meet the pre-requirements of the company and have strong need for LNG terminal.
- Regas service income for 2Q19 stood at Rs 3.93bn vs. Rs 4.36bn in 1Q19.
- Employee costs during the quarter had a one-time impact of Rs 210mn due to fare revision. Due to fare revision, there will be an upward revision of Rs 30-40mn in employee costs for every quarter going ahead.
- Mundra will not be a threat as far as long-term pricing is concerned. Mundra could attract the incremental volumes that PLNG due to its capacity constraints could not attend to.

Dahej Terminal:

- Expansion of Dahej terminal to 17.5MTPA will be complete by Mar’19.
- Almost 15.75 MTPA is booked currently. Around 1.75 MTPA is left to be booked for which PLNG is in talks with many customers. Confident of booking the remaining capacity as well.
- The capacity remaining to be booked will be a mix of long term and spot volumes. Such un-booked capacity will not remain idle for sure.

Bangladesh Terminal

- The Bangladesh process management committee has asked for final contract agreement for terminal use and implementation agreement. After looking these documents, they will give a forego and thus progress will move ahead.
- The terminal will be 7.5MTPA capacity and will be installed at a cost of USD 1bn. PLNG will go ahead with the project only if there is an 100% offtake guarantee from the Bangladesh government.
- If approved, project will be implemented through an SPV.
- The project is more of the tolling project wherein Petrobangla will bring the volumes and PLNG will provide the tolling services. Since Bangladesh already has pipelines installed, ramp up of the terminal will be faster.
- It may at least a year to start constructing the terminal as there are many approvals to be obtained without which the construction will not start at all. It will take at least 3-3.5 years for construction of the terminal after all the approvals are in place.
- Debt equity ratio will be close to 70:30 for the project.

Sri Lanka Terminal

- The terminal at Sri Lanka will be an FSRU terminal. The company is implementing the project along with 2 JV partners.
- PLNG has asked for hiring the financial consultant to look into the financial viability of the project.
- Sri Lanka terminal may take some more time for getting the approvals but since it is an FSRU terminal, construction will take less time. After all the approvals are in place, it will take 1-2 years for construction of terminal.

- In Sri Lanka, PLNG along with JV partners will bring gas, re-gasify and sell it to customers (mostly power producers) in Sri Lanka.
- Company expects 16% post tax IRR from the project which is kept as a threshold for implementing both the projects.

Kochi pipeline:

- Pipeline progress going on. GAIL informed by Feb 19, pipeline will be ready. Mangalore pipeline (MRPL and other fertilizers) will not be connected to natural gas grid. For Bangalore pipeline, it will be connected to natural gas grid which will open up entire country as a market.
- The Kochi pipeline can be split in two parts in terms of demand, i) Mangalore pipeline which will not be a part of National grid will get demand from local customers like MRPL and OMPL. ii) Second leg of pipeline which passed through Tamil Nadu and connects through Bangalore will be a part of National grid and thus will serve demand for entire country.

Company Snapshot

How we differ from Consensus

| | - | Equirus | Consensus | % Diff | Comment |
|-------|-------|----------|-----------|--------|---|
| EPS | FY19E | 15.4 | 15.3 | 1 % | Expect Dahej volumes to peak out, growth to come from Kochi pipeline commencement |
| | FY20E | 16.4 | 17.6 | -7 % | |
| Sales | FY19E | 3,92,703 | 3,85,050 | 2 % | |
| | FY20E | 4,36,740 | 4,29,700 | 2 % | |
| PAT | FY19E | 23,140 | 23,025 | 0 % | |
| | FY20E | 24,540 | 26,412 | -7 % | |

Our Key Investment arguments:

- Increase in competition to put pressure on declining domestic volumes
- Current volume growth driven by expansion at Dahej, industrial pickup and low spot LNG; Kochi low utilization till KMB pipeline commission
- EBITDA CAGR of 9% over FY18-FY20E driven by capacity expansion and an increase in re-gas tariffs.
- Rising domestic gas production and commencing of Mundra terminal will affect Dahej volumes.

Key Forecasts:

| | FY18 | FY19E | FY20E | FY21E |
|---------------------------|------|-------|-------|-------|
| Dahej Volume (MTPA) | 15.7 | 16.2 | 16.4 | 16.8 |
| Kochi Volume (MTPA) | 0.6 | 0.6 | 1.5 | 2.8 |
| Blended Margin (Rs/mmbtu) | 39 | 41 | 40 | 42 |

Risk to Our View

Weak spot LNG price and faster recovery in volume, Resolution to KMB Pipeline

Key Triggers

Recovery in spot LNG price

| Sensitivity to Key Variables | % Change | % Impact on EPS |
|------------------------------|----------|-----------------|
| Regas Margin | 10 % | 14 % |
| Spot Volume | 10 % | 3 % |

DCF Valuations & Assumptions

| Rf | Beta | Ke | Term. Growth | Debt/IC in Term. Yr |
|-------|------|--------|--------------|---------------------|
| 7.8 % | 1.0 | 13.8 % | 3.0 % | 30.0 % |

| - | FY19E | FY20E | FY21-23E | FY24-28E | FY29-38E |
|--------------|--------|--------|----------|----------|----------|
| Sales Growth | 28 % | 11 % | 7 % | 6 % | 4 % |
| NOPAT Margin | 5 % | 5 % | 5 % | 5 % | 6 % |
| IC Turnover | 3.90 | 4.46 | 5.51 | 5.91 | 6.66 |
| RoIC | 22.4 % | 22.5 % | 30.0 % | 33.7 % | 38.8 % |

| | | | | | |
|---------------------------|-----|-----|-----|-----|-----|
| Years of strong growth | 1 | 2 | 5 | 10 | 20 |
| Valuation as on date (Rs) | 123 | 130 | 171 | 194 | 204 |
| Valuation as of Mar'20 | 147 | 156 | 205 | 233 | 244 |

Based on DCF, assuming 20 years of 4% CAGR sales growth 6% NOPAT margin, we derive current fair value of Rs204 and a Mar'20 fair value of Rs244.

Company Description:

Petronet LNG is a joint venture between GAIL, ONGC, IOC and BPCL and engaged in regasification of LNG. PLNG operate Dahej terminal (15.0MTPA capacity) and currently building Gangavaram terminal to bridge India's gas deficit. PLNG has long term contract to source LNG and has entered back-to-back contracts with off-takers.

| Comparable valuation | | Mkt Cap Rs. Mn. | Price Target | Target Date | EPS | | | P/E | | | BPS | P/B | RoE | | | Div Yield | | |
|----------------------|-------|--------------------|-----------------|----------------|-------------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-----------|-------|-------|
| Company | Reco. | | | | CMP | FY18A | FY19E | FY20E | FY18A | FY19E | | | FY20E | FY18A | FY19E | FY20E | FY18A | FY19E |
| Petronet LNG | ADD | 219 | 3,28,500 | 244 | 31st Mar'20 | 14.1 | 15.4 | 16.4 | 15.6 | 14.2 | 13.4 | 64.8 | 3.1 | 24 % | 23 % | 22 % | 2.1 % | 4.0 % |
| GSPL | LONG | 182 | 1,02,626 | 253 | 31st Mar'20 | 11.9 | 15.8 | 14.4 | 15.4 | 11.5 | 12.6 | 89.8 | 1.8 | 14 % | 16 % | 13 % | 1.0 % | 1.1 % |
| GAIL | LONG | 372 | 8,38,886 | 437 | 31st Mar'20 | 21.3 | 23.6 | 23.7 | 17.5 | 15.8 | 15.7 | 184.8 | 2.0 | 12 % | 12 % | 12 % | 2.7 % | 4.6 % |

Standalone Quarterly Earnings Forecast and Key Drivers

| Rs in Mn | 1Q18A | 2Q18A | 3Q18A | 4Q18A | 1Q19A | 2Q19A | 3Q19E | 4Q19E | 1Q20E | 2Q20E | 3Q20E | 4Q20E | FY18A | FY19E | FY20E | FY21E |
|---|--------|--------|--------|--------|--------|----------|--------|--------|----------|----------|----------|----------|----------|----------|----------|----------|
| Revenue | 64,351 | 77,702 | 77,571 | 86,362 | 91,692 | 1,07,453 | 96,182 | 97,376 | 1,06,754 | 1,06,754 | 1,08,721 | 1,14,510 | 3,05,986 | 3,92,703 | 4,36,740 | 5,21,384 |
| Consumption of raw materials | 55,467 | 67,427 | 67,559 | 76,449 | 80,844 | 96,564 | 85,129 | 87,160 | 95,935 | 95,935 | 97,583 | 1,02,586 | 2,66,902 | 3,49,697 | 3,92,040 | 4,69,131 |
| Employees Cost | 268 | 194 | 197 | 254 | 224 | 430 | 256 | 330 | 291 | 558 | 332 | 429 | 912 | 1,239 | 1,611 | 2,094 |
| Other Expenditure | 1,175 | 1,094 | 1,341 | 1,439 | 1,280 | 1,237 | 1,539 | 1,558 | 1,495 | 1,495 | 1,522 | 1,603 | 5,049 | 5,613 | 6,114 | 7,299 |
| EBITDA | 7,442 | 8,987 | 8,474 | 8,221 | 9,344 | 9,223 | 9,259 | 8,328 | 9,033 | 8,766 | 9,284 | 9,892 | 33,124 | 36,154 | 36,975 | 42,859 |
| Depreciation | 1,027 | 1,039 | 1,039 | 1,013 | 1,022 | 1,037 | 1,058 | 1,115 | 1,022 | 1,037 | 1,058 | 1,115 | 4,117 | 4,233 | 4,233 | 4,233 |
| EBIT | 6,415 | 7,949 | 7,435 | 7,208 | 8,322 | 8,186 | 8,201 | 7,213 | 8,010 | 7,729 | 8,226 | 8,777 | 29,007 | 31,921 | 32,742 | 38,627 |
| Interest | 465 | 465 | 367 | 335 | 300 | 249 | 211 | 83 | 141 | 141 | 141 | 141 | 1,630 | 842 | 562 | 352 |
| Other Income | 707 | 1,019 | 414 | 1,034 | 990 | 1,115 | 980 | 836 | 846 | 846 | 846 | 846 | 3,174 | 3,920 | 3,385 | 2,991 |
| PBT | 6,658 | 8,503 | 7,482 | 7,908 | 9,012 | 9,052 | 8,970 | 7,965 | 8,716 | 8,435 | 8,931 | 9,483 | 30,551 | 35,000 | 35,565 | 41,266 |
| Tax | 2,282 | 2,616 | 2,194 | 2,681 | 3,142 | 3,037 | 3,009 | 2,672 | 2,702 | 2,615 | 2,769 | 2,940 | 9,773 | 11,860 | 11,025 | 12,792 |
| Recurring PAT | 4,376 | 5,888 | 5,288 | 5,227 | 5,870 | 6,015 | 5,961 | 5,293 | 6,014 | 5,820 | 6,163 | 6,543 | 20,778 | 23,140 | 24,540 | 28,473 |
| Extraordinary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 4,376 | 5,888 | 5,288 | 5,227 | 5,870 | 6,015 | 5,961 | 5,293 | 6,014 | 5,820 | 6,163 | 6,543 | 20,778 | 23,140 | 24,540 | 28,473 |
| EPS (Rs) | 2.92 | 3.93 | 3.53 | 3.48 | 3.91 | 4.01 | 3.97 | 3.53 | 4.01 | 3.88 | 4.11 | 4.36 | 13.85 | 15.43 | 16.36 | 18.98 |
| Key Drivers | | | | | | | | | | | | | | | | |
| Volume (TBTU) | 192 | 220 | 223 | 213 | 220 | 217 | 216 | 221 | 230 | 230 | 232 | 239 | 847 | 874 | 930 | 1,019 |
| Regas Margin (Rs/mmbtu) | 45 | 46 | 43 | 44 | 48 | 49 | 50 | 41 | 43 | 43 | 42 | 46 | 44 | 47 | 43 | 48 |
| Implied marketing margin on spot (Rs/mmbtu) | 544 | 23 | -496 | -656 | -858 | -765 | 45 | 47 | 47 | 47 | 47 | 49 | -146 | -383 | 47 | 49 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sequential Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 1 % | 21 % | 0 % | 11 % | 6 % | 17 % | -10 % | 1 % | 10 % | 0 % | 2 % | 5 % | - | - | - | - |
| Consumption of raw materials | 0 % | 22 % | 0 % | 13 % | 6 % | 19 % | -12 % | 2 % | 10 % | 0 % | 2 % | 5 % | - | - | - | - |
| EBITDA | 21 % | 21 % | -6 % | -3 % | 14 % | -1 % | 0 % | -10 % | 8 % | -3 % | 6 % | 7 % | - | - | - | - |
| EBIT | 25 % | 24 % | -6 % | -3 % | 15 % | -2 % | 0 % | -12 % | 11 % | -4 % | 6 % | 7 % | - | - | - | - |
| Recurring PAT | -7 % | 35 % | -10 % | -1 % | 12 % | 2 % | -1 % | -11 % | 14 % | -3 % | 6 % | 6 % | - | - | - | - |
| EPS | -7 % | 35 % | -10 % | -1 % | 12 % | 2 % | -1 % | -11 % | 14 % | -3 % | 6 % | 6 % | - | - | - | - |
| Yearly Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 21 % | 17 % | 23 % | 36 % | 42 % | 38 % | 24 % | 13 % | 16 % | -1 % | 13 % | 18 % | 24 % | 28 % | 11 % | 19 % |
| EBITDA | 16 % | 24 % | 40 % | 33 % | 26 % | 3 % | 9 % | 1 % | -3 % | -5 % | 0 % | 19 % | 28 % | 9 % | 2 % | 16 % |
| EBIT | 14 % | 24 % | 47 % | 40 % | 30 % | 3 % | 10 % | 0 % | -4 % | -6 % | 0 % | 22 % | 30 % | 10 % | 3 % | 18 % |
| Recurring PAT | 16 % | 28 % | 33 % | 11 % | 34 % | 2 % | 13 % | 1 % | 2 % | -3 % | 3 % | 24 % | 22 % | 11 % | 6 % | 16 % |
| EPS | 16 % | 28 % | 33 % | 11 % | 34 % | 2 % | 13 % | 1 % | 2 % | -3 % | 3 % | 24 % | -39 % | 11 % | 6 % | 16 % |
| Margin (%) | | | | | | | | | | | | | | | | |
| EBITDA | 12 % | 12 % | 11 % | 10 % | 10 % | 9 % | 10 % | 9 % | 8 % | 8 % | 9 % | 9 % | 11 % | 9 % | 8 % | 8 % |
| EBIT | 10 % | 10 % | 10 % | 8 % | 9 % | 8 % | 9 % | 7 % | 8 % | 7 % | 8 % | 8 % | 9 % | 8 % | 7 % | 7 % |
| PBT | 10 % | 11 % | 10 % | 9 % | 10 % | 8 % | 9 % | 8 % | 8 % | 8 % | 8 % | 8 % | 10 % | 9 % | 8 % | 8 % |
| PAT | 7 % | 8 % | 7 % | 6 % | 6 % | 6 % | 6 % | 5 % | 6 % | 5 % | 6 % | 6 % | 7 % | 6 % | 6 % | 5 % |

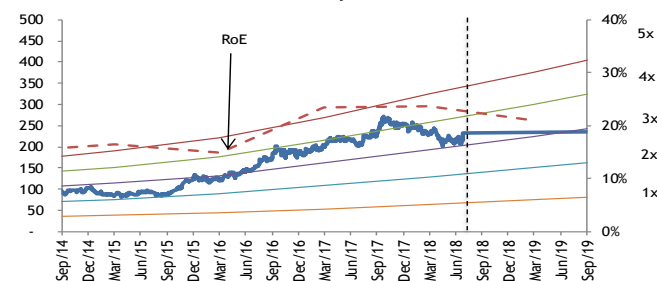
Consolidated Financials

| P&L (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|----------------------|----------|----------|----------|----------|
| Revenue | 3,05,986 | 3,92,703 | 4,36,740 | 5,21,384 |
| Op. Expenditure | 2,72,863 | 3,56,549 | 3,99,765 | 4,78,524 |
| EBITDA | 33,124 | 36,154 | 36,975 | 42,859 |
| Depreciation | 4,117 | 4,233 | 4,233 | 4,233 |
| EBIT | 29,007 | 31,921 | 32,742 | 38,627 |
| Interest Expense | 1,630 | 842 | 562 | 352 |
| Other Income | 3,174 | 3,920 | 3,385 | 2,991 |
| PBT | 30,551 | 35,000 | 35,565 | 41,266 |
| Tax | 9,773 | 11,860 | 11,025 | 12,792 |
| PAT bef. MI & Assoc. | 20,778 | 23,140 | 24,540 | 28,473 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Profit from Assoc. | 326 | 0 | 0 | 0 |
| Recurring PAT | 21,104 | 23,140 | 24,540 | 28,473 |
| Extraordinaires | 0 | 0 | 0 | 0 |
| Reported PAT | 21,104 | 23,140 | 24,540 | 28,473 |
| FDEPS (Rs) | 14.1 | 15.4 | 16.4 | 19.0 |
| DPS (Rs) | 4.5 | 8.4 | 4.1 | 4.7 |
| CEPS (Rs) | 16.8 | 18.2 | 19.2 | 21.8 |
| FCFPS (Rs) | 18.1 | 13.4 | 19.4 | 21.9 |
| BVPS (Rs) | 64.8 | 70.1 | 81.6 | 94.8 |
| EBITDAM (%) | 11 % | 9 % | 8 % | 8 % |
| PATM (%) | 7 % | 6 % | 6 % | 5 % |
| Tax Rate (%) | 32 % | 34 % | 31 % | 31 % |
| Sales Growth (%) | 24 % | 28 % | 11 % | 19 % |
| FDEPS Growth (%) | 22 % | 10 % | 6 % | 16 % |

| Balance Sheet (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|----------------------------|----------|----------|----------|----------|
| Equity Capital | 15,000 | 15,000 | 15,000 | 15,000 |
| Reserve | 82,205 | 90,152 | 1,07,330 | 1,27,262 |
| Networth | 97,205 | 1,05,152 | 1,22,330 | 1,42,262 |
| Long Term Debt | 14,531 | 9,531 | 6,531 | 3,531 |
| Def Tax Liability | 23,396 | 23,396 | 23,396 | 23,396 |
| Minority Interest | 0 | 0 | 0 | 0 |
| Account Payables | 15,699 | 19,161 | 21,482 | 25,706 |
| Other Curr Liabi | 5,707 | 7,409 | 8,240 | 9,837 |
| Total Liabilities & Equity | 1,56,537 | 1,64,650 | 1,81,979 | 2,04,732 |
| Net Fixed Assets | 80,296 | 86,063 | 81,831 | 77,598 |
| Capital WIP | 2,203 | 0 | 0 | 0 |
| Others | 3,767 | 3,767 | 3,767 | 3,767 |
| Inventory | 4,911 | 5,379 | 5,983 | 7,142 |
| Account Receivables | 16,505 | 21,183 | 23,558 | 28,124 |
| Other Current Assets | 651 | 755 | 1,059 | 1,276 |
| Cash | 48,204 | 47,502 | 65,782 | 86,824 |
| Total Assets | 1,56,537 | 1,64,650 | 1,81,979 | 2,04,732 |
| Non-cash Working Capital | 662 | 746 | 877 | 999 |
| Cash Conv Cycle | 0.8 | 0.7 | 0.7 | 0.7 |
| WC Turnover | 462.5 | 526.4 | 497.9 | 522.1 |
| FA Turnover | 3.7 | 4.6 | 5.3 | 6.7 |
| Net D/E | -0.3 | -0.4 | -0.5 | -0.6 |
| Revenue/Capital Employed | 3.3 | 3.8 | 3.8 | 4.0 |
| Capital Employed/Equity | 1.7 | 1.7 | 1.6 | 1.5 |

| Cash Flow (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|--------------------|---------|---------|---------|---------|
| PBT | 30,551 | 35,000 | 35,565 | 41,266 |
| Depreciation | 4,117 | 4,233 | 4,233 | 4,233 |
| Others | -690 | 0 | 0 | 0 |
| Taxes Paid | 6,968 | 11,860 | 11,025 | 12,792 |
| Change in WC | 2,946 | -84 | -131 | -121 |
| Operating C/F | 29,956 | 27,288 | 28,641 | 32,585 |
| Capex | -1,753 | -7,797 | 0 | 0 |
| Change in Invest | 0 | 0 | 0 | 0 |
| Others | -5 | 0 | 0 | 0 |
| Investing C/F | -1,758 | -7,797 | 0 | 0 |
| Change in Debt | -16,560 | -5,000 | -3,000 | -3,000 |
| Change in Equity | 0 | 0 | 0 | 0 |
| Others | -6,296 | -15,192 | -7,362 | -8,542 |
| Financing C/F | -22,855 | -20,192 | -10,362 | -11,542 |
| Net change in cash | 5,343 | -701 | 18,279 | 21,043 |
| RoE (%) | 24 % | 23 % | 22 % | 22 % |
| RoIC (%) | 17 % | 17 % | 17 % | 18 % |
| Core RoIC (%) | 20 % | 22 % | 23 % | 27 % |
| Div Payout (%) | 38 % | 66 % | 30 % | 30 % |
| P/E | 15.6 | 14.2 | 13.4 | 11.5 |
| P/B | 3.4 | 3.1 | 2.7 | 2.3 |
| P/FCFF | 12.1 | 16.4 | 11.3 | 10.0 |
| EV/EBITDA | 9.6 | 8.7 | 7.9 | 6.3 |
| EV/Sales | 1.0 | 0.8 | 0.7 | 0.5 |
| Dividend Yield (%) | 2.1 % | 4.0 % | 1.9 % | 2.2 % |

TTM P/E vs. 2 yr forward EPS growth

TTM P/B vs. 2 yr forward RoE


Historical Consolidated Financials

| P&L (Rs Mn) | FY15A | FY16A | FY17A | FY18A | Balance Sheet (Rs Mn) | FY15A | FY16A | FY17A | FY18A | Cash Flow (Rs Mn) | FY15A | FY16A | FY17A | FY18A |
|----------------------|----------|----------|----------|----------|----------------------------|----------|----------|----------|----------|--------------------|--------|--------|---------|---------|
| Revenue | 3,95,010 | 2,71,334 | 2,46,160 | 3,05,986 | Equity Capital | 7,500 | 7,500 | 7,500 | 15,000 | PBT | 9,849 | 11,993 | 23,602 | 30,551 |
| Op. Expenditure | 3,80,620 | 2,55,472 | 2,20,238 | 2,72,863 | Reserve | 49,386 | 58,640 | 73,439 | 82,205 | Depreciation | 3,154 | 3,216 | 3,691 | 4,117 |
| EBITDA | 14,390 | 15,863 | 25,923 | 33,124 | Networth | 56,886 | 66,140 | 80,939 | 97,205 | Others | 1,834 | 1,189 | 436 | -690 |
| Depreciation | 3,154 | 3,216 | 3,691 | 4,117 | Long Term Debt | 32,738 | 28,271 | 22,180 | 14,531 | Taxes Paid | 2,088 | 1,996 | 3,780 | 6,968 |
| EBIT | 11,236 | 12,647 | 22,232 | 29,007 | Def Tax Liability | 7,313 | 14,000 | 21,243 | 23,396 | Change in WC | -4,451 | 19,340 | -3,273 | 2,946 |
| Interest Expense | 2,935 | 2,388 | 2,097 | 1,630 | Minority Interest | 0 | 0 | 0 | 0 | Operating C/F | 8,298 | 33,741 | 20,676 | 29,956 |
| Other Income | 1,548 | 1,733 | 3,466 | 3,174 | Account Payables | 3,209 | 7,721 | 9,446 | 15,699 | Capex | -8,279 | -9,724 | -5,460 | -1,753 |
| PBT | 9,849 | 11,993 | 23,602 | 30,551 | Other Curr Liabi | 11,090 | 8,130 | 4,483 | 5,707 | Change in Invest | 0 | 0 | -744 | 0 |
| Tax | 1,024 | 2,860 | 6,545 | 9,773 | Total Liabilities & Equity | 1,11,236 | 1,24,262 | 1,38,291 | 1,56,537 | Others | 520 | 246 | 198 | -5 |
| PAT bef. MI & Assoc. | 8,825 | 9,133 | 17,057 | 20,778 | Net Fixed Assets | 69,426 | 68,037 | 84,230 | 80,296 | Investing C/F | -7,759 | -9,478 | -6,006 | -1,758 |
| Minority Interest | 0 | 0 | 0 | 0 | Capital WIP | 7,469 | 15,505 | 486 | 2,203 | Change in Debt | -5,024 | -1,862 | -28,873 | -16,560 |
| Profit from Assoc. | 0 | 0 | 175 | 326 | Others | 7,708 | 4,861 | 4,549 | 3,767 | Change in Equity | 0 | 0 | 0 | 0 |
| Recurring PAT | 8,825 | 9,133 | 17,231 | 21,104 | Inventory | 8,826 | 2,461 | 5,405 | 4,911 | Others | -4,212 | -4,191 | -4,354 | -6,296 |
| Extraordinaires | 0 | 0 | 0 | 0 | Account Receivables | 13,428 | 9,885 | 12,108 | 16,505 | Financing C/F | -9,236 | -6,053 | -33,227 | -22,855 |
| Reported PAT | 8,825 | 9,133 | 17,231 | 21,104 | Other Current Assets | 758 | 1,684 | 533 | 651 | Net change in cash | -8,696 | 18,210 | -18,557 | 5,343 |
| EPS (Rs) | 11.8 | 12.2 | 11.5 | 14.1 | Cash | 3,621 | 21,829 | 30,981 | 48,204 | RoE (%) | 17 % | 15 % | 23 % | 24 % |
| DPS (Rs) | 1.0 | 1.0 | 2.4 | 4.5 | Total Assets | 1,11,236 | 1,24,261 | 1,38,291 | 1,56,537 | RolC (%) | 12 % | 11 % | 16 % | 17 % |
| CEPS (Rs) | 16.0 | 16.5 | 27.9 | 16.8 | Non-cash Working Capital | 8,714 | -1,821 | 4,117 | 662 | Core RolC (%) | 12 % | 11 % | 18 % | 20 % |
| FCFPS (Rs) | -3.9 | 28.8 | 17.5 | 18.1 | Cash Conv Cycle | 8.1 | -2.4 | 6.1 | 0.8 | Div Payout (%) | 20 % | 19 % | 25 % | 38 % |
| BVPS (Rs) | 37.9 | 44.1 | 54.0 | 64.8 | WC Turnover | 45.3 | -149.0 | 59.8 | 462.5 | P/E | 18.6 | 18.0 | 19.1 | 15.6 |
| EBITDAM (%) | 4 % | 6 % | 11 % | 11 % | FA Turnover | 5.1 | 3.2 | 2.9 | 3.7 | P/B | 5.8 | 5.0 | 4.1 | 3.4 |
| PATM (%) | 2 % | 3 % | 7 % | 7 % | Net D/E | 0.5 | 0.1 | -0.1 | -0.3 | P/FCFF | -56.3 | 7.6 | 12.5 | 12.1 |
| Tax Rate (%) | 10 % | 24 % | 28 % | 32 % | Revenue/Capital Employed | 5.9 | 3.6 | 3.0 | 3.3 | EV/EBITDA | 25.9 | 22.9 | 14.0 | 9.6 |
| Sales growth (%) | 5 % | -31 % | -9 % | 24 % | Capital Employed/Equity | 2.2 | 1.9 | 1.8 | 1.7 | EV/Sales | 0.9 | 1.3 | 1.5 | 1.0 |
| FDEPS growth (%) | 24 % | 3 % | -6 % | 22 % | | | | | | Dividend Yield (%) | 0.9 % | 0.9 % | 2.3 % | 2.1 % |

| Equirus Securities | | | | | | |
|---------------------|------------------------------|--|----------------|---------------------------------|--|----------------|
| Research Analysts | Sector/Industry | Email | | Equity Sales | E-mail | |
| Abhishek Shindadkar | IT Services | abhishek.shindadkar@equirus.com | 91-22-43320643 | Vishad Turakhia | vishad.turakhia@equirus.com | 91-22-43320633 |
| Ashutosh Tiwari | Auto, Metals & Mining | ashutosh@equirus.com | 91-79-61909517 | Subham Sinha | subham.sinha@equirus.com | 91-22-43320631 |
| Bharat Celly | Healthcare | bharat.celly@equirus.com | 91-79-61909524 | Viral Desai | viral.desai@equirus.com | 91-22-43320635 |
| Depesh Kashyap | Mid-Caps | depesh.kashyap@equirus.com | 91-22-43320671 | Viraj Mehta | viraj.M@equirus.com | 91-22-43320634 |
| Dhaval Dama | FMCG, Mid-Caps | dhaval.dama@equirus.com | 91-79-61909518 | Ruchi Bhadra | ruchi.bhadra@equirus.com | 91-22-43320601 |
| Manoj Gori | Consumer Durables | manoj.gori@equirus.com | 91-79-61909523 | Cash Dealing Room | | E-mail |
| Maulik Patel | Oil and Gas | maulik@equirus.com | 91-79-61909519 | Ashish Shah | ashishshah@equirus.com | 91-22-43320662 |
| Pranav Mehta | Building Materials | pranav.mehta@equirus.com | 91-79-61909514 | Ilesh Savla | ilesh.savla@equirus.com | 91-22-43320666 |
| Praful Bohra | Healthcare | praful.bohra@equirus.com | 91-22-43320611 | Manoj Kejriwal | manoj.kejriwal@equirus.com | 91-22-43320663 |
| Rohan Mandora | Banking & Financial Services | rohan.mandora@equirus.com | 91-79-61909529 | Dharmesh Mehta | dharmesh.mehta@equirus.com | 91-22-43320661 |
| Associates | | E-mail | | Sarit Sanyal | sarit.sanyal@equirus.com | 91-22-43320666 |
| Ankit Choudhary | | ankit.choudhary@equirus.com | 91-79-61909533 | Vikram Patil | vikram.patil@equirus.com | 91-22-43320677 |
| Dhairya Dhruv | | dhairya.dhruv@equirus.com | 91-79-61909528 | Gaurav Mehta | gaurav.mehta@equirus.com | 91-22-43320680 |
| Harshit Patel | | harshit.patel@equirus.com | 91-79-61909522 | Compliance Officer | | E-mail |
| Meet Chande | | meet.chande@equirus.com | 91-79-61909513 | Jay Soni | jay.soni@equirus.com | 91-79-61909561 |
| Nishant Bagrecha | | nishant.bagrecha@equirus.com | 91-79-61909526 | Corporate Communications | | E-mail |
| Prateeksha Malpani | | prateeksha.malpani@equirus.com | 91-79-61909532 | Mahdokht Bharda | mahdokht.bharda@equirus.com | 91-22-43320647 |
| Ronak Soni | | Ronak.soni@equirus.com | 91-79-61909525 | Quant Analyst | | |
| Rushabh Shah | | rushabh.shah@equirus.com | 91-79-61909520 | Kruti Shah | kruti.shah@equirus.com | 91-22-43320632 |
| Shreepal Doshi | | shreepal.doshi@equirus.com | 91-79-61909541 | F&O Dealing Room | | |
| Varun Baxi | | varun.baxi@equirus.com | 91-79-61909527 | Kunal Dand | kunal.dand@equirus.com | 91-22-43320678 |
| Vikas Jain | | vikas.jain@equirus.com | 91-79-61909531 | Dhananjay Tiwari | ghananjay.tiwari@equirus.com | 91-22-43320668 |
| | | | | Mukesh Jain | Mukesh.jain@equirus.com | 91-22-43320667 |

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Registered Office:

Equirus Securities Private Limited
Unit No. 1201, 12th Floor, C Wing, Marathon Futurex,
N M Joshi Marg, Lower Parel,
Mumbai-400013.
Tel. No: +91 - (0)22 - 4332 0600
Fax No: +91- (0)22 - 4332 0601

Corporate Office:

3rd floor, House No. 9,
Magnet Corporate Park, Near Zyudus Hospital, B/H Intas Sola Bridge,
S.G. Highway Ahmedabad-380054
Gujarat
Tel. No: +91 (0)79 - 6190 9550
Fax No: +91 (0)79 - 6190 9560

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