

Brigade Enterprises

NEUTRAL

Strong leasing pickup

We maintain NEU on BEL with a SOTP-based TP of Rs 191/sh. Strong leasing in two SEZs and robust residential pre-sales were key positive. Likely hospitality asset monetization during 4QFY20 augurs well for balance sheet.

HIGHLIGHTS OF THE QUARTER

- 2QFY20 Revenue/EBITDA/APAT dipped 11/13/45.2% YoY to Rs 7.4/1.9/0.37bn. Real Estate segment contributed ~77% of the total revenues with balance equally contributed by Hospitality and Lease Rental segments.
- The company recorded strong pre-sales for a third consecutive quarter with 1mn sqft of sales (+25% YoY) with an average realization of Rs 5,304/sqft. During 1HFY20, the company recorded pre-sales of ~2.1mn sqft (+71% YoY) with an average realization of Rs 5275/sqft.
- 2QFY20 saw leasing of ~0.6mn sqft of new office and retail spaces (1.37mn sqft in 1HFY20, expected to yield rentals of ~Rs1.1bn). BEL has an inventory of 1.2mn sqft (out of 4.5mn sqft of existing total leasable area) across office and retail properties. Lease pipeline is strong at ~2mn sqft across Brigade Tech Garden and WTC Chennai. BEL is confident of converting 90% of the pipeline to pre-leasing agreements by Mar-20E. BEL has guided for 3.5mn sqft of lease tieup between the two SEZs (Bengaluru &

Chennai) by Mar-20E of which 1.8mn is already tied up. Balance 1.7mn sqft area will be leased during FY21E.

- Stake sale (25-30%) in Hospitality business to a strategic investor is in final stages and expected to be concluded by Mar-20E. The proceeds (yet to be finalized) will be utilized towards growth of hospitality business.

STANCE

With a balance launch pipeline of ~5.5mn sqft in residential segment and ~2mn sqft in commercial segment for 2HFY20, the company remains well on track to achieve the pre-sales guidance of ~4mn sqft in residential sales and ~3mn in pre-leases for FY20E. The quarter witnessed improvement in collections (+15% QoQ). Mid-income and affordable segments are expected to drive residential sales with ~86% of BEL new launches in the affordable housing segment. Though the company expects to conclude the divestment in hospitality business by 4QFY20E, divergence in expected valuation may delay the transaction. Whilst pending pre-tax cash flows of Rs 22.9bn from real estate projects should cover the capex requirement of Rs 10.7bn primarily towards commercial projects, timing mismatch could result in further increase in D/E ratio. We maintain NEUTRAL. Key monitorable: (1) Leasing velocity in Bengaluru and Chennai SEZ projects and (2) Timeline for conclusion of hospitality business divestment.

Financial Summary (Consolidated)

YE March (Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18	FY19	FY20E	FY21E
Net Revenues	7,353	8,259	(11.0)	7,087	3.7	18,972	29,728	32,694	34,489
EBITDA	1,902	2,188	(13.1)	1,823	4.3	5,545	7,897	8,613	9,264
APAT	374	683	(45.2)	412	(9.3)	1,507	2,399	2,637	2,917
Diluted EPS (Rs)	1.8	3.3	(45.2)	2.0	(9.3)	7.4	11.7	12.9	14.3
P/E (x)						36.2	22.7	20.7	18.7
EV / EBITDA (x)						13.1	9.8	9.2	8.6
RoE (%)						6.9	10.7	11.5	11.5

Source: Company, HDFC sec Inst Research

INDUSTRY	REAL ESTATE
CMP (as on 7 Nov 2019)	Rs 207
Target Price	Rs 191
Nifty	12,012
Sensex	40,654

KEY STOCK DATA

Bloomberg	BRGD IN
No. of Shares (mn)	204
MCap (Rs bn) / (\$ mn)	42/594
6m avg traded value (Rs mn)	29

STOCK PERFORMANCE (%)

52 Week high / low	Rs 223/115		
	3M	6M	12M
Absolute (%)	13.7	34.9	72.7
Relative (%)	2.9	28.7	57.3

SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	46.84	46.84
FIs & Local MFs	15.95	16.67
FPIs	12.51	12.50
Public & Others	24.7	23.9
Pledged Shares	-	-

Source : BSE

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Revenue: Rs 7.4bn (-11%/+4% YoY/QoQ, in line)

EBIDTA came in at Rs 1.9bn (-13% YoY, +4%QoQ, 3.6% miss) with margins at 25.9% (-62bps/+15bps YoY/QoQ)

Interest cost: Rs 940mn (+35%/+18% YoY/QoQ)

Depreciation: Rs 473mn (+40%/23% YoY/QoQ).

The increase in interest cost and depreciation is on account of capitalization of 3 commercial properties and 1 hospitality property during 2QFY20

Thus, APAT came in at Rs 374mn (-45% YoY, -9% QoQ, 41% miss)

Pre-Sales –1mn sqft (+25% YoY, -12% QoQ) with average realization at Rs 5,304/sqft (-7% YoY,+1% QoQ)

Quarterly Financial Snapshot (Consolidated)

Particulars (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
Net Sales	7,353	8,259	(11.0)	7,087	3.7	14,440	15,250	(5.3)
Construction Expenses	(3,721)	(4,624)	(19.5)	(3,644)	2.1	(7,365)	(8,441)	(12.7)
Employee Expenses	(559)	(501)	11.5	(582)	(4.0)	(1,141)	(964)	18.3
Other Operating Expenses	(1,171)	(946)	23.8	(1,038)	12.8	(2,209)	(1,862)	18.6
EBITDA	1,902	2,188	(13.1)	1,823	4.3	3,725	3,983	(6.5)
Interest Cost	(940)	(697)	34.8	(796)	18.1	(1,735)	(1,325)	31.0
Depreciation	(473)	(339)	39.5	(383)	23.4	(856)	(656)	30.5
Other Income + Exceptional	163	177	(7.7)	83	97.5	246	265	(7.1)
PBT	653	1,329	(50.9)	727	(10.1)	1,379	2,267	(39.2)
Minority Interest	(3)	(187)		(53)		(55)	(187)	(70.3)
Share of associates/CI	5	4	20.0	7	(30.4)	12	10	15.8
Tax	(281)	(464)	(39.4)	(269)	4.7	(550)	(777)	(29.2)
Exceptional items	-	-	-	-	-	-	-	-
APAT	374	683	(45.2)	412	(9.3)	786	1,313	(40.2)

Source: Company, HDFC sec Inst Research

Margin Analysis (Consolidated)

	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)	1HFY20	1HFY19	YoY (bps)
Material Expenses % Net Sales	50.6	56.0	(538)	51.4	(82)	51.0	55.3	(434)
Employee Expenses % Net Sales	7.6	6.1	153	8.2	(61)	7.9	6.3	158
Other Operating Expenses % Net Sales	15.9	11.5	447	14.6	128	15.3	12.2	309
EBITDA Margin (%)	25.9	26.5	(62)	25.7	15	25.8	26.1	(32)
Tax Rate (%)	43.1	34.9	817	37.0	609	39.9	34.3	560
APAT Margin (%)	5.1	8.3	(318)	5.8	(73)	5.4	8.6	(317)

Source: Company, HDFC sec Inst Research

Pre-sales Trend

	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (bps)
Sales Volume (mn sqft)	1.0	0.8	24.6	1.1	(11.8)	2.1	1.2	71.5
Sales Value (Rs mn)	5,288	4,597	15.0	5,933	(10.9)	11,221	6,782	65.5
Average Realization (Rs/sqft)	5,304	5,719	(7.3)	5,250	1.0	5,276	5,469	(3.5)

Source: Company, HDFC sec Inst Research

Consolidated net debt increased to Rs 33.4bn; net D/E increased from 1.07x in 1QFY20 to 1.12x

BEL has to incur Rs 10.7bn in asset capex with ~Rs 9bn in capex requirement for its commercial projects

With Rs 22.9bn expected pre-tax cash flows from real estate projects; BEL is placed well to meet the capex requirement. However, timing mismatch in cash flows could result in further debt drawdown

Consolidated net debt increased to Rs 33.4bn; net D/E increased from 1.07x to 1.12x

- BEL's consolidated 2QFY20 net D/E increased to 1.12x vs 1.07x QoQ (Consolidated net debt increased to Rs 33.4bn). This was primarily on account of capex incurred in both hospitality (Rs 248mn) and lease rental segment (Rs 736mn). BEL's share of net debt excluding share of JV partners in SPV stood at Rs 27.7bn an increase of Rs 1.5bn QoQ.
- Cost of debt has increased marginally to 9.73%, as compared to 9.71% in 1QFY20. Consolidated gross debt may reach Rs 38.6bn by FY21E as BEL is expected to incur heavy capex over FY20-21E.

Debt/Equity Ratio Trend (X) (Consolidated)

(Rs mn)	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20
Net debt	27,008	28,339	29,551	31,319	33,426
Net worth - IND AS 115	27,008	27,514	28,269	29,372	29,971
Net D/E (x) - IND AS 115	1.00	1.03	1.05	1.07	1.12

Source: Company, HDFC sec Inst Research

Details Of Ongoing Projects

	Ongoing BEL projects	Ongoing SPV projects	Stock sales	Total
Area (mn sqft)				
Total Launched Saleable Area	10.94	1.82	1.12	13.88
Less: LO Share	2.76	-	-	2.76
Co Share Of Saleable Area	8.18	1.82	1.12	11.13
Sold Till Date	3.71	0.65	-	4.36
To Be Sold	4.47	1.17	1.12	6.76
Estimated Sale value (Rs mn)				
Value Of Sold Units	19,461	3,486	-	22,947
Value Of Unsold Units	23,848	6,138	5,912	35,898
Total Sale Value - a	43,309	9,624	5,912	58,845
Collection Till Date On Sold Units - b	7,483	2,604	-	10,087
Balance Collection (Including Sold Units) - c = a-b	35,826	7,020	4,649	48,758
Estimated Cost For Projects (Incl Land/NRD) - d	34,612	7,455	2,902	44,969
Cost Incurred Till Date - e	10,889	5,365	2,902	19,156
Balance Cost To Be Incurred - f = d-e	23,723	2,090	-	25,813
Pre-tax Surplus - g = c-f	12,103	4,930	5,912	22,945

Source: Company, HDFC sec Inst Research

With a launch pipeline of ~5.5mn sqft in the residential space, the company is well on track to achieve its pre-sales guidance of ~4mn sqft for FY20E

Rental trend in line with product mix as newer assets are in Rs 55-60/sqft/month rental bracket in Bengaluru SEZ and Rs 80-85/sqft/month in Chennai SEZ

Increased capex to result in negative FCFF with Rs 10.7bn of balance capex commitment as of date

Migration to the new corporate tax structure is under deliberation as BEL seeks to assess its favorability vs the exemptions the company enjoys under section 80IAB (Affordable housing) and the MAT credit entitlement. Hence we have assumed that the company will continue with its existing tax rate

Key Assumptions and Estimates

	Estimates		Growth %		Comments
	FY20E	FY21E	FY20E	FY21E	
Volume assumptions					
Residential - Brigade share (mn sqft)	3.9	4.2	31.3	7.7	With 2.1mn sqft of pre-sales in 1HFY20, the 4mn sqft FY20E guidance looks within reach Affordable housing and mid-income housing sales may put downward pressure on average realization
Average rate (Rs/sqft)	5,560	5,580	0.4	0.4	
Sales value - Brigade share (Rs mn)	21,683	23,437	31.9	8.1	
Rental Income:					
Gross area for lease (mnsf)	7.0	9.7	112.8	38.0	Two SEZs (Bengaluru and Chennai) key driver of leasing (5mn sqft)
Average Occupancy (%)	70.5	70.5	(1,279.6)	(670.4)	
Brigade leased space (mnsf)	4.9	6.8	94.3	37.9	Multiplied by average occupancy (%)
Average Rental (Rs/sqft/month)	81	72	(11.0)	(11.1)	Rental trend in line with prevalent rates for the product mix in Bengaluru and Chennai
Brigade share – Net Exit rental income (Rs mn)	4,797	5,881	72.9	22.6	
Earnings forecast					
Residential Sales (Rs mn)	25,865	26,520	11.8	2.5	Revenue to improve as recognition hurdles are met over FY20-21E
Rental income (Rs mn)	3,669	4,669	14.7	27.2	Rental growth in line with new lease addition mentioned above
Hospitality (Rs mn)	3,160	3,300	5.2	4.4	4.4% FY21E growth in line with hospitality assets addition
Total	32,694	34,489	11.4	5.5	
EBIDTA (Rs mn)	8,613	9,264	9.1	7.6	
EBIDTA Margin (%)	26.3	26.9	(57.0)	51.7	Margins to remain flattish
Net interest expense*	3,429	3,540	23.1	3.2	
PAT (Rs mn)	2,637	2,917	9.9	10.6	
PAT Margin (%)	8.1	8.5	(11.0)	39.1	
EPS (Rs)	12.9	14.3	9.9	10.6	
Cash flows forecast					
CFO - a	10,164	8,082			
CFI - b	(8,088)	(4,974)			Increased capex to result in negative FCFF. Rs 10.7bn of capex commitment as of date
FCF - a+b	2,077	3,109			
CFF-c	(3,257)	(3,617)			
Total change in cash - a+b+c	(1,180)	(509)			

Source: HDFC sec Inst Research

We value the residential Real Estate business at Rs 30/share, Commercial Annuity assets at Rs 205/share, Hospitality at Rs 67/share, Land Bank at Rs 58/share

We reduce net debt (economic interest) and balance land payments at Rs 157/share and Rs 12/share respectively, to arrive at a total SOTP valuation of Rs 191/share

We maintain NEU on BEL with a revised NAV Target of Rs 191/sh (vs Rs 193/sh earlier)

Valuation

Sum Of The Parts: Revise NAV Target to Rs 191/sh

	Rs mn	Rs/share	Comments
Gross NAV Residential/Commercial Sale	6,116	30	NAV based on the methodology discussed
Land Bank	11,845	58	NAV based on the methodology discussed
Gross NAV Office/Retail/Malls	41,806	205	NAV based on the methodology discussed
Hotels	13,646	67	15x FY21E EV/EBIDTA
Total GAV (Rs mn)	73,539	360	Gross net asset value
Less: Net Debt	32,052	157	FY21E net debt (economic interest)
Less: Unpaid Land Cost	2,350	12	As per 2QFY20 presentation
NAV	38,582	191	

Source: HDFC sec Inst Research

SOTP valuation

■ We have adopted DCF methodology to arrive at BEL's NAV/share. We value the Residential Real Estate business at Rs 30/share, Commercial Annuity Assets at Rs 205/share, Hospitality at Rs 67/share, Land bank at Rs 58/share and reduce net debt and balance land payments at Rs 157/share and Rs 12/share, respectively, to arrive at a total SOTP valuation of Rs 191/share. We don't ascribe any NAV discount to BEL, as we have only valued projects that have visibility over the next five years. We have valued the land bank beyond that period at current market rates.

Real estate development: NAV calculation methodology

■ We have divided BEL's entire land bank (with launch visibility over the next five years) into Residential projects (based on the information given by the company).

■ We have arrived at the sales price/sq ft and anticipated sales volumes for each project, based on our discussions with industry experts.

- We have deducted the cost of construction based on our assumed cost estimates, which have been arrived at after discussions with experts.
 - We have further deducted marketing and other costs that have been assumed at 5% of the sales revenue.
 - We have deducted income tax based on the tax applicable for the project.
 - The resultant cash inflows at the project level have been discounted, based on WACC of 12% (cost of equity 17% based on beta of 1.6x and debt/equity ratio of 0.5x). All the project-level NAVs have then been summed up to arrive at the NAV of the company.
 - For commercial office/retail space, we have discounted rentals using 12% WACC for the forecasted period and terminal value using the cap rate of 7.7%.
 - For land beyond the five-year visibility, we have valued at the current market price.
 - We have valued Hotels at 15x FY21E EV/EBIDTA
- From the NAV, we have deducted the net debt (economic interest) and likely outgo on balance land payments to arrive at the final valuation of the company.

1% increase in average base sale price impacts our NAV positively by 1.9%

Every 100bps increase in sales price inflation impacts our NAV positively by 5.2%

100bps increase in cost inputs decreases our NAV by 3.4%

100bps increase in discounting rate impacts our NAV negatively by 4.6%

We have revised our estimates to factor in the impact of increase in interest cost and higher depreciation due to capitalization of commercial and hospitality assets during 2QFY20

NAV sensitivity analysis

Sensitivity to property prices

- Our model is sensitive to changes in the assumptions regarding property prices. For every 1% change in the base property prices (see exhibit above for base price assumptions), the NAV will change by approximately 1.9%.

NAV Sensitivity To Change In Average Sale Price

% change in sale price	(10)	(5)	0	5	10
NAV/share (Rs)	154	173	191	209	228
Change in NAV (%)	(19.3)	(9.5)	-	9.7	19.5

Source: Company, HDFC sec Inst Research

Sensitivity of NAV to changes in sales' inflation

- In our base case, we have assumed annual sale price inflation at 5%. For every 100bps increase in the annual sale price inflation, the NAV will increase by ~5.2%.

NAV Sensitivity To Change In Sales Inflation

Sales inflation rates (%)	3	4	5	6	7
NAV/share (Rs)	170	180	191	201	211
Change in NAV (%)	(10.9)	(5.4)	-	5.2	10.5

Source: Company, HDFC sec Inst Research

Change in Estimates (Consolidated)

Rs mn	FY20E New	FY20E Old	% Change / bps	FY21E New	FY21E Old	% Change / bps
Revenues	32,694	32,694	0.0	34,489	34,489	0.0
EBIDTA	8,613	8,613	0.0	9,264	9,264	0.0
EBIDTA Margins (%)	26.3	26.3	(0.0)	26.9	26.9	0.0
APAT	2,637	2,953	(10.7)	2,917	3,171	(8.0)
Adj. EPS (INR)	12.91	14.46	(10.7)	14.28	15.52	(8.0)

Sensitivity of NAV to changes in cost inflation

- In our base case, we have assumed the cost of inflation to be 6%. For every 100bps increase in construction cost inflation, the NAV will change by about 3.4%.

NAV Sensitivity To Change In Cost Inflation

Cost inflation rates (%)	4	5	6	7	8
NAV/share (Rs)	204	197	191	184	178
Change in NAV (%)	7.1	3.5	-	(3.4)	(6.9)

Source: Company, HDFC sec Inst Research

- The combined impact of a 100bps increase in sales price inflation and cost inflation will be a NAV increase of 1.8%.

Sensitivity of NAV to changes in the discount rate

- In our base case, we have assumed a discount rate of 16%. For every 100bps increase in the discount rate, the NAV will fall by 4.6%.

NAV Sensitivity To Change In WACC

WACC rates (%)	10	11	12	13	14
NAV/share (Rs)	208	199	191	182	173
Change in NAV (%)	8.8	4.4	-	(4.6)	(9.1)

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	20,241	18,972	29,728	32,694	34,489
Growth (%)	(0.7)	(6.3)	56.7	10.0	5.5
Material Expenses	10,025	8,448	15,948	17,316	17,445
Employee Expenses	1,433	1,545	1,879	2,161	2,485
Other Operating Expenses	3,040	3,434	4,004	4,605	5,295
EBIDTA	5,744	5,545	7,897	8,613	9,264
EBIDTA (%)	28.4	29.2	26.6	26.3	26.9
EBIDTA Growth (%)	17.2	(3.5)	42.4	9.1	7.6
Other Income	342	483	546	551	661
Depreciation	1,226	1,377	1,401	1,572	1,783
EBIT	4,861	4,651	7,042	7,592	8,142
Interest	2,465	2,594	2,785	3,429	3,540
Exceptional items	-	115	-	-	-
PBT	2,396	1,942	4,257	4,163	4,603
Tax	736	628	1,456	1,374	1,519
PAT	1,660	1,314	2,801	2,789	3,084
Minority Interest	141	(63)	420	152	167
Share of associates	12	15	18	-	-
EO items (net of tax)	-	115	-	-	-
APAT	1,531	1,507	2,399	2,637	2,917
APAT Growth (%)	23.5	(1.5)	59.2	9.9	10.6
EPS	7.5	7.4	11.7	12.9	14.3
EPS Growth (%)	23.5	(1.5)	59.2	9.9	10.6

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	1,137	1,361	1,362	2,043	2,043
Reserves	15,813	21,510	20,332	21,961	24,550
Total Shareholders' Funds	16,950	22,871	21,694	24,003	26,592
Minority Interest	2,274	2,231	1,884	2,036	2,204
Long Term Debt	15,885	26,331	33,156	33,656	33,906
Short Term Debt	9,878	7,566	4,693	4,693	4,693
Total Debt	25,763	33,897	37,848	38,348	38,598
Deferred Taxes	455	22	(1,141)	(1,141)	(1,141)
Long Term Provisions & Others	1,127	1,725	1,686	1,722	1,759
TOTAL SOURCES OF FUNDS	46,569	60,745	61,972	64,969	68,012
APPLICATION OF FUNDS					
Net Block	4,794	8,171	9,248	17,676	21,793
CWIP	15,637	21,291	20,097	17,597	16,097
Goodwill	43	43	43	43	43
Investments + Inv. Property	10,009	10,380	14,039	15,178	16,413
Other Non Current Assets	4,852	6,927	5,812	5,870	5,929
Inventories	22,639	21,795	48,161	49,124	51,580
Debtors	374	1,770	4,208	4,250	4,293
Cash & Equivalents + Treasury investments	1,363	3,279	2,636	1,456	947
Advances and Other current assets	3,624	4,205	2,614	2,737	2,866
Total Current Assets	28,000	31,048	57,618	57,567	59,686
Creditors	5,161	5,265	6,081	6,385	6,704
Other Current Liabilities & Provns	11,605	11,850	38,805	42,576	45,243
Total Current Liabilities	16,767	17,115	44,886	48,961	51,947
Net Current Assets	11,233	13,933	12,732	8,606	7,739
TOTAL APPLICATION OF FUNDS	46,568	60,745	61,972	64,969	68,012

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

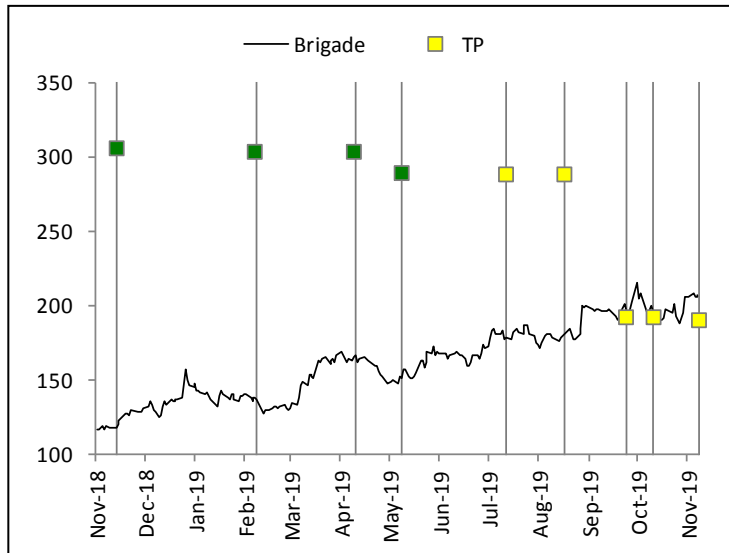
Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
PAT	1,640	994	3,157	2,789	3,084
Non-operating & EO items	(218)	(336)	(307)	(551)	(661)
Interest expenses	2,465	2,594	2,785	3,429	3,540
Depreciation	1,226	1,377	1,400	1,572	1,783
Working Capital Change	(1,134)	(4,141)	(2,363)	2,925	337
OPERATING CASH FLOW (a)	3,978	487	4,672	10,164	8,082
Capex	(3,686)	(9,140)	(6,005)	(8,639)	(5,635)
Free cash flow (FCF)	292	(8,652)	(1,333)	1,526	2,447
Investments + Other income	340	(1,703)	1,485	551	661
INVESTING CASH FLOW (b)	(3,346)	(10,842)	(4,520)	(8,088)	(4,974)
Share capital Issuance and Misc	25	4,955	5	0	0
Debt Issuance	1,747	8,002	3,925	500	250
Interest expenses	(2,350)	(2,232)	(3,154)	(3,429)	(3,540)
Dividend	(1)	(408)	(328)	(328)	(328)
FINANCING CASH FLOW (c)	(579)	10,317	449	(3,257)	(3,617)
NET CASH FLOW (a+b+c)	54	(38)	601	(1,180)	(509)
Closing Cash & Equivalents	1,363	3,279	2,636	1,456	947

Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19	FY20E	FY21E
PROFITABILITY (%)					
GPM	50.5	55.5	46.4	47.0	49.4
EBITDA Margin	28.4	29.2	26.6	26.3	26.9
EBIT Margin	24.0	24.5	23.7	23.2	23.6
APAT Margin	7.6	7.9	8.1	8.1	8.5
RoE	9.4	6.9	10.7	11.5	11.5
Core RoCE	19.6	20.6	21.6	22.6	22.6
RoCE	13.7	10.7	14.3	15.5	16.1
EFFICIENCY					
Tax Rate (%)	30.7	32.4	34.2	33.0	33.0
Asset Turnover (x)	0.6	0.4	0.6	0.7	0.7
Inventory (days)	412	427	429	543	533
Debtors (days)	7	21	37	47	45
Payables (days)	85	100	70	70	69
Cash Conversion Cycle (days)	335	348	397	521	509
Debt/EBITDA (x)	4.5	6.1	4.8	4.5	4.2
Net D/E	1.4	1.3	1.6	1.5	1.4
Interest Coverage	2.0	1.8	2.5	2.2	2.3
PER SHARE DATA					
EPS (Rs/sh)	7.5	7.4	11.7	12.9	14.3
CEPS (Rs/sh)	13.5	14.1	18.6	20.6	23.0
DPS (Rs/sh)	2.5	2.0	2.0	2.0	2.0
BV (Rs/sh)	83.0	112.0	106.2	117.5	130.2
VALUATION					
P/E	35.6	36.2	22.7	20.7	18.7
P/BV	3.2	2.4	2.5	2.3	2.1
EV/EBITDA	11.6	13.1	9.8	9.2	8.6
OCF/EV (%)	0.1	0.0	0.1	0.1	0.1
FCF/EV (%)	0.4	(11.9)	(1.7)	1.9	3.1
FCFE/Market Cap (%)	(0.7)	(6.8)	(1.3)	(3.3)	(2.0)
Dividend Yield (%)	0.9	0.7	0.7	0.7	0.7

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
14-Nov-18	177	BUY	306
7-Feb-19	208	BUY	304
9-Apr-19	248	BUY	304
8-May-19	228	BUY	289
11-Jul-19	267	NEU	289
17-Aug-19	271	NEU	289
22-Sep-19	194	NEU	193
10-Oct-19	196	NEU	193
7-Nov-19	207	NEU	191

Rating Definitions

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
Disclosure:

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