

J. Kumar Infraprojects

BUY

Re-rating tailwinds

JKIL delivered 8/14/21% 2QFY20 Rev/EBIDTA/APAT beat. We maintain our FY20/21E Rev/EBIDTA estimates. Owing to lower tax rate adoption, we have increased FY20/21E APAT estimates by 1.3/6.7%. We maintain BUY on JKIL with a TP of Rs 276/sh (vs. Rs 258/sh earlier, 8x Mar-21E EPS), increase is largely driven by FY21E EPS upgrade.

HIGHLIGHTS OF THE QUARTER

- Despite extended monsoon JKIL delivered robust execution:** JKIL 2QFY20 revenue at Rs 6.3bn was 8% above our estimates with EBIDTA at Rs 1.1bn (14% beat). EBIDTA margins contracted 62bps YoY to 17% (83bps beat). Adjusted for Rs 100mn deferred tax liability write back due to adoption of new lower corporate tax rate, APAT came in at Rs 459mn (21% beat). Tax rate change has resulted in 1.3/6.7% increase to our FY20/21E EPS estimates.
- Order inflow robust, may surpass FY20E guidance:** The order inflow target of JKIL during FY20E was Rs 45bn and the Company has already won orders worth Rs 43bn. The order backlog is robust at Rs 133.4bn (4.1x FY20E Rev Estimate). JKIL is bidding for more orders and may easily surpass FY20E order inflow guidance.

Financial Summary (Standalone)

| Y/E March (Rs mn) | 2QFY20 | 2QFY19 | YoY (%) | 1QFY20 | QoQ (%) | FY18 | FY19 | FY20E | FY21E |
|-------------------|--------|--------|---------|--------|---------|--------|--------|--------|--------|
| Net Sales | 6,320 | 5,147 | 22.8 | 6,677 | (5.4) | 20,507 | 27,871 | 31,808 | 37,692 |
| EBITDA | 1,076 | 909 | 18.5 | 1,114 | (3.3) | 3,212 | 4,363 | 4,985 | 5,927 |
| APAT | 459 | 356 | 28.8 | 409 | 12.1 | 1,328 | 1,771 | 2,107 | 2,608 |
| Diluted EPS (Rs) | 6.1 | 4.7 | 28.8 | 5.4 | 12.1 | 17.5 | 23.4 | 27.8 | 34.5 |
| P/E (x) | | | | | | 9.1 | 6.8 | 5.7 | 4.6 |
| EV / EBITDA (x) | | | | | | 5.3 | 4.2 | 3.5 | 3.0 |
| RoE (%) | | | | | | 9.2 | 11.1 | 12.0 | 13.4 |

Source: Company, HDFC sec Inst Research

- Improvement in leverage:** The D/E as of 2QFY20 stands at 0.41x vs 0.42x during 1QFY20. The gross debt for the company is Rs 7.2bn, marginally up from Rs 7.1bn at the end of 1QFY20. With no significant capex planned during the FY20E, we expect the D/E ratio to be maintained in 0.4-0.42x range.
- Legacy issues behind, execution lead re-rating to pan out:** During Oct-19, SEBI has given clean chit to JKIL pertaining to the PACL case. This was the key overhang on the stock. With most of the legacy issues now having settled including BMC roads, execution led re-rating may pan out over medium to long term.

STANCE:

JKIL achieved strong performance during 2QFY20. FY20/21E Rev guidance is maintained at Rs 32/36bn. Old legacy issues are all settled now. Order book is robust at 4.1x FY20E Revenue. With strong execution visibility on current order book, JKIL is well placed for re-rating. **At CMP JKIL trades at 4.6x FY21E EPS. We maintain BUY. Key risks (1) Political instability in Maharashtra; (2) Order conversion within estimated timelines.**

| INDUSTRY | INFRASTRUCTURE | | |
|-----------------------------|----------------|--------|-------|
| CMP (as on 15 Nov 2019) | Rs 160 | | |
| Target Price | Rs 276 | | |
| Nifty | 11,895 | | |
| Sensex | 40,357 | | |
| KEY STOCK DATA | | | |
| Bloomberg | JKIL IN | | |
| No. of Shares (mn) | 76 | | |
| MCap (Rs bn) / (\$ mn) | 12/169 | | |
| 6m avg traded value (Rs mn) | 38 | | |
| STOCK PERFORMANCE (%) | | | |
| 52 Week high / low | Rs 182/104 | | |
| | 3M | 6M | 12M |
| Absolute (%) | 16.4 | 21.7 | 12.1 |
| Relative (%) | 8.3 | 12.9 | (2.4) |
| SHAREHOLDING PATTERN (%) | | | |
| | Jun-19 | Sep-19 | |
| Promoters | 44.13 | 44.13 | |
| FIs & Local MFs | 6.68 | 6.46 | |
| FPIs | 17.07 | 15.68 | |
| Public & Others | 32.12 | 33.73 | |
| Pledged Shares | 10.57 | 10.57 | |

Source : BSE

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Revenue: Rs 6.3bn (8% beat)

EBITDA: Rs 1.1bn (14% beat)

EBITDA margins: 17.0% (83bps beat)

Interest cost: Rs 251mn (+20% YoY, -4% QoQ)

Adjusted for Rs 100mn as deferred tax liabilities write back during 2QFY20, APAT stood Rs 459mn (21% beat)

Standalone Quarterly Financial

| Particulars (Rs mn) | 2QFY20 | 2QFY19 | YoY (%) | 1QFY20 | QoQ (%) | 1HFY20 | 1HFY19 | YoY (%) |
|----------------------------|--------------|--------------|-------------|--------------|--------------|---------------|---------------|-------------|
| Net Revenues | 6,320 | 5,147 | 22.8 | 6,677 | (5.4) | 12,997 | 11,331 | 14.7 |
| Material Expenses | (3,567) | (3,042) | 17.3 | (4,047) | (11.9) | (7,614) | (6,941) | 9.7 |
| Employee Expenses | (690) | (564) | 22.3 | (634) | 8.9 | (1,323) | (1,069) | 23.8 |
| Other Operating Expenses | (987) | (633) | 56.0 | (883) | 11.7 | (1,870) | (1,413) | 32.4 |
| EBITDA | 1,076 | 909 | 18.5 | 1,114 | (3.3) | 2,190 | 1,908 | 14.8 |
| Depreciation | (312) | (255) | 22.5 | (289) | 8.1 | (601) | (505) | 19.1 |
| EBIT | 764 | 654 | 16.9 | 825 | (7.3) | 1,589 | 1,404 | 13.2 |
| Other Income | 58 | 91 | (36.5) | 56 | 3.4 | 114 | 154 | (26.3) |
| Interest Cost | (251) | (209) | 19.9 | (262) | (4.2) | (512) | (424) | 20.9 |
| PBT | 571 | 536 | 6.6 | 619 | (7.7) | 1,190 | 1,134 | 4.9 |
| Tax | (12) | (182) | (93.3) | (209) | (94.2) | (222) | (378) | (41.4) |
| RPAT | 559 | 354 | 58.1 | 409 | 36.6 | 969 | 756 | 28.1 |
| Profit from associates/OCI | (100) | 3 | 0.0 | - | 0.0 | (100) | 0 | |
| APAT | 459 | 356 | 28.8 | 409 | 12.1 | 869 | 756 | 14.9 |

Source: Company, HDFC sec Inst Research

Margin Analysis

| | 2QFY20 | 2QFY19 | YoY (bps) | 1QFY20 | QoQ (bps) | 1HFY20 | 1HFY19 | YoY (bps) |
|---------------------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|-----------|
| Material Exp % Net Sales | 56.4 | 59.1 | (266) | 60.6 | (417) | 58.6 | 61.3 | (268) |
| Employee Exp % Net Sales | 10.9 | 11.0 | (4) | 9.5 | 143 | 10.2 | 9.4 | 75 |
| Other Ope Exp % Net Sales | 15.6 | 12.3 | 332 | 13.2 | 239 | 14.4 | 12.5 | 192 |
| EBITDA Margin (%) | 17.0 | 17.7 | (62) | 16.7 | 36 | 16.9 | 16.8 | 1 |
| Tax Rate (%) | 2.1 | 34.0 | (3,184) | 33.8 | (3,171) | 18.6 | 33.3 | (1,472) |
| APAT Margin (%) | 8.8 | 6.9 | 197 | 6.1 | 272 | 7.5 | 6.7 | 78 |

Source: Company, HDFC sec Inst Research

JKIL has given FY20E order inflow guidance of Rs 45bn of which it has already won orders worth Rs 43bn and is still bidding for new projects. We expect the guidance to be surpassed

The company has also placed bids for orders worth Rs 10bn, the outcome of which is expected during 3QFY20

EBIDTA margins expected to remain stable in 15-16% range

We expect Rs 800mn capex during FY20E

Key Assumptions & Estimates

| (Rs mn) | FY20E | FY21E | Comments |
|------------------------------|---------------|---------------|--|
| Closing order book | 114,694 | 116,232 | |
| Order book growth (%) | 10.6 | 1.3 | |
| New order booking | 45,000 | 40,000 | JKIL has guided for Rs 45bn of new orders for FY20E of which it has already achieved Rs 43bn |
| Book to bill ratio | 3.6 | 3.1 | |
| Total Revenue | 31,808 | 37,692 | We estimate 16.3% FY19-21E revenue CAGR. JKIL has guided for FY20/21E revenue of Rs 32/36bn, which we believe is achievable |
| Growth (%) | 14.1 | 18.5 | |
| EBIDTA | 4,985 | 5,927 | FY19-21E EBIDTA CAGR of 16.5% |
| EBIDTA margin (%) | 15.7 | 15.7 | Margins to remain stable in 15-16% range |
| Depreciation | 1,251 | 1,361 | |
| Financial Charges | 1,055 | 1,271 | |
| PBT | 2,904 | 3,525 | FY19-21E PBT CAGR of 14.6% |
| PBT margin (%) | 9.1 | 9.4 | |
| Tax | 697.0 | 916.4 | |
| Tax rate (%) | 24.0 | 26.0 | JKIL has migrated to new lower tax regime hence implied tax rate is now 25-26% |
| APAT | 2,107 | 2,608 | FY19-21E PAT CAGR of 21.4% |
| Net margin (%) | 6.6 | 6.9 | |
| Gross Block Turnover | 2.9 | 3.2 | |
| Debtor days | 70 | 69 | |
| CFO - a | 3,025 | 2,033 | |
| CFI - b | (585) | (781) | |
| FCF - a+b | 2,440 | 1,252 | |
| CFF - c | (1,298) | (1,435) | |
| Total change in cash - a+b+c | 1,143 | (183) | |

Source: HDFC sec Inst Research

We value the standalone EPC business at Rs 276/share (8x one-year forward Mar-21E EPS) vs. Rs 258/sh (8x one-year forward Mar-21E EPS)

TP increase driven by 6.7% increase in FY21E EPS

Maintain BUY with TP of Rs 276/sh

We have cut our tax rate assumptions as JKIL has opted for new lower tax

PBT cut is due to higher depreciation assumption

Our FY20/21E APAT increases by 1.1/6.7% respectively largely on tax rate cut

Outlook and valuation

Maintain BUY With Increased Target Price Of Rs 276/sh (vs. Rs 258/sh earlier)

- **Valuation methodology:** We have valued JKIL on P/E at 8x Mar-21E EPS. Our investment thesis is premised on (1) Strong order backlog of Rs 133.4bn as of 2QFY20 (4.1x FY20 revenue), (2) Stable balance sheet, with 2QFY20 D/E at 0.41x (3) Continued focus on EPC model, and (4) Well-diversified presence across different infrastructure sub-segments viz. Metros, flyovers, roads, water transport etc.
- P/E discount is to factor in high order book exposure to Mumbai region and in Transportation segment.
- Investments in the transportation sector and urban MRTS segment would continue to drive stock performance, and JKIL, with strong segmental credentials, is likely to benefit from the pick-up in order execution. **Maintain BUY.**

Valuation

| Particulars | Segments | Value (Rs mn) | Value per share(Rs) | Rationale |
|--------------|----------------------------|---------------|---------------------|-------------------|
| EPC | Core construction business | 20,867 | 276 | At 8x Mar-21E EPS |
| Total | | 20,867 | 276 | |

Source : HDFC sec Inst Research

Outlook and valuation

| Particulars | FY20E | | | FY21E | | |
|--------------------|--------|--------|----------|--------|--------|----------|
| | New | Old | % Change | New | Old | % Change |
| Revenues (Rs mn) | 31,808 | 31,808 | - | 37,692 | 37,692 | - |
| EBITDA (Rs mn) | 4,985 | 4,985 | - | 5,927 | 5,927 | - |
| EBIDTA Margins (%) | 15.7 | 15.7 | - | 15.7 | 15.7 | - |
| PBT | 2,904 | 3,139 | (7.5) | 3,525 | 3,640 | (3.2) |
| Tax | 697 | 1,058 | (34.1) | 916 | 1,201 | (23.7) |
| Tax Rate (%) | 24.0 | 33.7 | (971bps) | 26.0 | 33.0 | (699bps) |
| RPAT | 2,207 | 2,080 | 6.1 | 2,608 | 2,445 | 6.7 |
| Exceptional | (100) | | | | | |
| APAT (Rs mn) | 2,107 | 2,080 | 1.3 | 2,608 | 2,445 | 6.7 |

Source : HDFC sec Inst Research

We summarize the valuations of the core EPC operations of our coverage universe and excluding the value of the asset portfolio, land and any other investment

Peer Set Comparison: Core EPC

| COMPANY | MCap (Rs bn) | CMP (Rs) | RECO | TP (Rs) | Adj. EPS (Rs/sh) | | | P/E (x) | | | EV/EBITDA (x) | | | ROE (%) | | |
|---------------------|--------------------|-------------|------------|------------|------------------|-------------|-------------|------------|------------|------------|---------------|------------|------------|-------------|-------------|-------------|
| | | | | | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E | FY19 | FY20E | FY21E |
| Ahluwalia Contracts | 19.2 | 286 | BUY | 388 | 17.5 | 18.3 | 25.0 | 15.6 | 15.0 | 10.9 | 7.8 | 7.4 | 5.2 | 17.3 | 16.9 | 17.2 |
| Ashoka Buildcon(S) | 26.4 | 94 | BUY | 206 | 11.5 | 9.5 | 11.2 | 1.9 | 2.3 | 2.0 | 2.7 | 2.6 | 2.3 | 15.5 | 12.6 | 13.2 |
| Dilip Buildcon | 54.4 | 398 | BUY | 717 | 55.6 | 50.0 | 50.5 | 5.1 | 5.7 | 5.6 | 4.5 | 4.0 | 3.8 | 26.9 | 19.3 | 16.4 |
| IRB (S) | 25.3 | 72 | BUY | 172 | 14.8 | 15.7 | 19.4 | (1.6) | (1.5) | (1.2) | 1.0 | 0.5 | 0.4 | 18.7 | 16.5 | 17.0 |
| ITD Cementation | 9.6 | 56 | BUY | 78 | 4.8 | 5.9 | 6.5 | 11.7 | 9.6 | 8.6 | 4.4 | 4.0 | 3.6 | 8.0 | 9.4 | 9.5 |
| JKIL | 10.9 | 160 | BUY | 276 | 23.4 | 27.8 | 34.5 | 6.8 | 5.7 | 4.6 | 3.9 | 3.3 | 2.9 | 11.1 | 11.9 | 12.7 |
| KNR Constructors | 34.5 | 245 | BUY | 378 | 12.3 | 14.1 | 17.7 | 15.0 | 13.1 | 10.5 | 6.7 | 6.0 | 4.8 | 13.5 | 13.0 | 13.7 |
| NCC | 33.0 | 55 | BUY | 127 | 10.4 | 5.9 | 7.9 | 4.5 | 8.0 | 5.9 | 3.2 | 4.4 | 3.4 | 13.8 | 7.2 | 8.9 |
| PNC Infratech | 48.2 | 188 | BUY | 340 | 9.1 | 12.4 | 15.9 | 14.7 | 10.8 | 8.4 | 8.1 | 4.9 | 4.7 | 11.9 | 15.3 | 15.4 |
| Sadbhav Engineering | 21.2 | 123 | BUY | 269 | 10.9 | 10.3 | 14.2 | 6.0 | 6.4 | 4.6 | 6.2 | 4.2 | 3.9 | 9.2 | 8.1 | 10.1 |
| PSP Projects | 19.0 | 529 | NEU | 590 | 25.1 | 33.1 | 39.4 | 21.1 | 16.0 | 13.4 | 11.5 | 9.8 | 8.1 | 26.8 | 28.3 | 26.9 |
| JMC Projects | 18.0 | 107 | BUY | 175 | 641.4 | 7.3 | 10.0 | 0.2 | 14.7 | 10.7 | 15.6 | 11.2 | 10.4 | 10.8 | 12.9 | 12.1 |
| HG Infra | 15.8 | 242 | BUY | 441 | 19.0 | 29.6 | 33.2 | 10.5 | 6.8 | 6.0 | 5.5 | 4.2 | 3.6 | 20.6 | 25.6 | 22.7 |
| Average | | | | | | | | 9.1 | 8.9 | 6.9 | 6.2 | 5.1 | 4.3 | 15.2 | 14.8 | 15.1 |

Source: Company, HDFC sec Inst Research *ITD Cementation FY19E should be read as 15MFY19, S - Standalone

Income Statement - Standalone

| Year ending March (Rs mn) | FY17 | FY18 | FY19 | FY20E | FY21E |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 16,043 | 20,507 | 27,871 | 31,808 | 37,692 |
| Growth (%) | 13.9 | 27.8 | 35.9 | 14.1 | 18.5 |
| Material Expenses | 9,660 | 12,087 | 17,203 | 19,801 | 23,543 |
| Employee Expenses | 1,267 | 1,971 | 2,477 | 2,811 | 3,064 |
| Other Operating Expenses | 2,611 | 3,237 | 3,828 | 4,210 | 5,158 |
| EBIDTA | 2,505 | 3,212 | 4,363 | 4,985 | 5,927 |
| EBIDTA (%) | 15.6 | 15.7 | 15.7 | 15.7 | 15.7 |
| EBIDTA Growth (%) | 0.9 | 28.2 | 35.8 | 14.3 | 18.9 |
| Depreciation | 556 | 727 | 1,022 | 1,251 | 1,361 |
| EBIT | 1,949 | 2,485 | 3,341 | 3,734 | 4,566 |
| Other Income (Incl. EO Items) | 311 | 285 | 281 | 225 | 229 |
| Interest | 662 | 704 | 939 | 1,055 | 1,271 |
| PBT | 1,598 | 2,066 | 2,683 | 2,904 | 3,525 |
| Tax | 525 | 701 | 912 | 697 | 916 |
| RPAT | 1,073 | 1,365 | 1,771 | 2,207 | 2,608 |
| EO items (net of tax) | (50) | (37) | - | (100) | - |
| APAT | 1,023 | 1,328 | 1,771 | 2,107 | 2,608 |
| APAT Growth (%) | (0.7) | 29.8 | 33.4 | 19.0 | 23.8 |
| EPS | 13.5 | 17.5 | 23.4 | 27.8 | 34.5 |
| EPS Growth (%) | (0.7) | 29.8 | 33.4 | 19.0 | 23.8 |

Source: Company, HDFC sec Inst Research

Balance Sheet – Standalone

| Year ending March (Rs mn) | FY17 | FY18 | FY19 | FY20E | FY21E |
|---|---------------|---------------|---------------|---------------|---------------|
| SOURCES OF FUNDS | | | | | |
| Share Capital | 378 | 378 | 378 | 378 | 378 |
| Reserves | 13,530 | 14,709 | 16,297 | 18,061 | 20,205 |
| Total Shareholders Funds | 13,908 | 15,087 | 16,675 | 18,440 | 20,583 |
| Long Term Debt | 530 | 2,153 | 2,286 | 2,286 | 2,286 |
| Short Term Debt | 3,838 | 3,651 | 4,625 | 4,825 | 5,125 |
| Total Debt | 4,368 | 5,804 | 6,911 | 7,111 | 7,411 |
| Deferred Taxes | 184 | 289 | 366 | 366 | 366 |
| TOTAL SOURCES OF FUNDS | 18,460 | 21,180 | 23,952 | 25,916 | 28,360 |
| APPLICATION OF FUNDS | | | | | |
| Net Block | 5,114 | 7,161 | 7,788 | 7,338 | 6,977 |
| CWIP | 712 | 1,262 | 798 | 798 | 798 |
| Investments | 3 | 150 | 316 | 326 | 336 |
| Other Non Current Assets | 2,481 | 2,717 | 3,357 | 3,525 | 3,878 |
| Total Non-current Assets | 8,310 | 11,290 | 12,259 | 11,986 | 11,988 |
| Inventories | 6,436 | 8,143 | 9,187 | 10,628 | 12,377 |
| Debtors | 4,861 | 5,288 | 4,986 | 6,131 | 7,140 |
| Cash & Equivalents | 1,006 | 975 | 704 | 1,847 | 1,664 |
| ST Loans & Advances, Others | 638 | 788 | 338 | 409 | 476 |
| Other Current Assets | 6,380 | 7,131 | 7,499 | 7,999 | 8,999 |
| Total Current Assets | 19,321 | 22,325 | 22,714 | 27,014 | 30,656 |
| Creditors | 1,803 | 3,292 | 3,976 | 5,314 | 5,903 |
| Other Current Liabilities & Provns | 7,368 | 9,143 | 7,046 | 7,770 | 8,382 |
| Total Current Liabilities & Provns | 9,171 | 12,435 | 11,022 | 13,084 | 14,285 |
| Net Current Assets | 10,150 | 9,890 | 11,692 | 13,930 | 16,371 |
| TOTAL APPLICATION OF FUNDS | 18,460 | 21,180 | 23,952 | 25,916 | 28,360 |

Source: Company, HDFC sec Inst Research

Cash Flow – Standalone

| Year ending March (Rs mn) | FY17 | FY18 | FY19P | FY20E | FY21E |
|----------------------------------|--------------|----------------|----------------|----------------|----------------|
| Reported PBT | 1,598 | 2,066 | 2,683 | 2,904 | 3,525 |
| Non-operating & EO items | (9) | 8 | (16) | 0 | 0 |
| Interest expenses (Net) | 429 | 455 | 686 | 830 | 1,041 |
| Depreciation | 556 | 727 | 1,022 | 1,251 | 1,361 |
| Working Capital Change | (2,023) | 77 | (2,811) | (1,262) | (2,977) |
| Tax Paid | (746) | (685) | (738) | (697) | (916) |
| OPERATING CASH FLOW (a) | (195) | 2,648 | 826 | 3,025 | 2,033 |
| Capex | (1,400) | (3,328) | (1,096) | (800) | (1,000) |
| Free cash flow (FCF) | (1,595) | (680) | (270) | 2,225 | 1,033 |
| Investments + interest | 2,048 | 99 | 14 | 215 | 219 |
| INVESTING CASH FLOW (b) | 648 | (3,229) | (1,082) | (585) | (781) |
| Share capital Issuance | 0 | 0 | 0 | 0 | 0 |
| Debt Issuance | 947 | 1,435 | 1,107 | 200 | 300 |
| Interest expenses | (662) | (703) | (939) | (1,055) | (1,271) |
| Dividend | (182) | (182) | (182) | (443) | (465) |
| FINANCING CASH FLOW (c) | 103 | 550 | (15) | (1,298) | (1,435) |
| NET CASH FLOW (a+b+c) | 556 | (31) | (271) | 1,143 | (183) |
| Closing Cash & Equivalents | 1,006 | 975 | 704 | 1,847 | 1,664 |

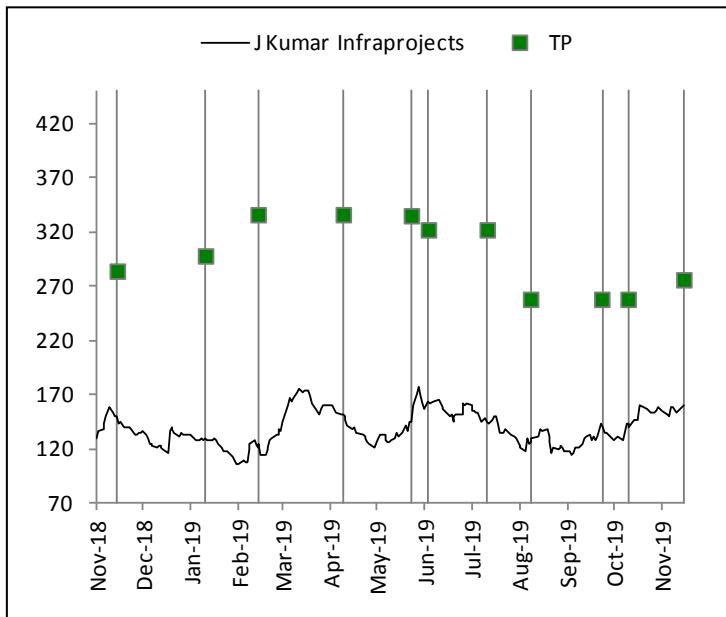
Source: Company, HDFC sec Inst Research

Key Ratios - Standalone

| | FY17 | FY18 | FY19P | FY20E | FY21E |
|------------------------------|------------|------------|------------|------------|------------|
| PROFITABILITY (%) | | | | | |
| GPM | 39.8 | 41.1 | 38.3 | 37.7 | 37.5 |
| EBITDA Margin | 15.6 | 15.7 | 15.7 | 15.7 | 15.7 |
| EBIT Margin | 12.1 | 12.1 | 12.0 | 11.7 | 12.1 |
| APAT Margin | 6.4 | 6.5 | 6.4 | 6.6 | 6.9 |
| RoE | 7.7 | 9.2 | 11.1 | 12.0 | 13.4 |
| Core RoCE | 13.7 | 14.4 | 17.1 | 17.4 | 19.5 |
| RoCE | 12.7 | 14.4 | 17.1 | 17.4 | 19.5 |
| EFFICIENCY | | | | | |
| Tax Rate (%) | 32.9 | 33.9 | 34.0 | 24.0 | 26.0 |
| Asset Turnover (x) | 2.6 | 2.3 | 2.6 | 2.8 | 3.0 |
| Inventory (days) | 146 | 145 | 120 | 122 | 120 |
| Debtors (days) | 111 | 94 | 65 | 70 | 69 |
| Payables (days) | 41 | 59 | 52 | 61 | 57 |
| Cash Conversion Cycle (days) | 216 | 180 | 134 | 131 | 132 |
| Loans & Advances (days) | 15 | 14 | 4 | 5 | 5 |
| Other Assets (days) | 145 | 127 | 98 | 92 | 87 |
| Other Liab (days) | 168 | 163 | 92 | 89 | 81 |
| NWC (days) | 208 | 159 | 144 | 139 | 142 |
| Debt/EBITDA (x) | 1.7 | 1.8 | 1.6 | 1.4 | 1.3 |
| Net D/E | 0.2 | 0.3 | 0.4 | 0.4 | 0.3 |
| Interest Coverage | 2.9 | 3.5 | 3.6 | 3.5 | 3.6 |
| PER SHARE DATA | | | | | |
| EPS (Rs/sh) | 13.5 | 17.5 | 23.4 | 27.8 | 34.5 |
| CEPS (Rs/sh) | 20.9 | 27.2 | 36.9 | 44.4 | 52.5 |
| DPS (Rs/sh) | 2.0 | 2.0 | 2.0 | 5.3 | 5.3 |
| BV (Rs/sh) | 183.8 | 199.4 | 220.4 | 243.7 | 272.0 |
| VALUATION | | | | | |
| P/E | 11.8 | 9.1 | 6.8 | 5.7 | 4.6 |
| P/BV | 0.9 | 0.8 | 0.7 | 0.7 | 0.6 |
| EV/EBITDA | 6.2 | 5.3 | 4.2 | 3.5 | 3.0 |
| OCF/EV (%) | (1.3) | 15.6 | 4.5 | 17.4 | 11.4 |
| FCF/EV (%) | (10.3) | (4.0) | (1.5) | 12.8 | 5.8 |
| FCFE/Market Cap (%) | (10.8) | 0.4 | (0.8) | 11.3 | 0.5 |
| Dividend Yield (%) | 1.3 | 1.3 | 1.3 | 3.3 | 3.3 |

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



| Date | CMP | Reco | Target |
|-----------|-----|------|--------|
| 14-Nov-18 | 150 | BUY | 284 |
| 10-Jan-19 | 129 | BUY | 298 |
| 14-Feb-19 | 121 | BUY | 336 |
| 9-Apr-19 | 152 | BUY | 336 |
| 23-May-19 | 146 | BUY | 335 |
| 3-Jun-19 | 164 | BUY | 322 |
| 11-Jul-19 | 145 | BUY | 322 |
| 8-Aug-19 | 127 | BUY | 258 |
| 22-Sep-19 | 131 | BUY | 258 |
| 10-Oct-19 | 143 | BUY | 258 |
| 18-Nov-19 | 160 | BUY | 276 |

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

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