

Ashoka Buildcon

BUY

Strong show

ABL delivered 2QFY20 Rev/EBIDTA/APAT beat of 1/20/39% respectively. We maintain BUY on ABL with a reduced SOTP of Rs 206/sh (vs. Rs 220/sh earlier). TP cut is driven by our re-classification of interest income on ABL funding support to ACL as non-recurring over long term. We value the EPC business at 12x FY21E EPS.

HIGHLIGHTS OF THE QUARTER:

- Strong performance:** ABL delivered Rev/EBIDTA/APAT beat of 1/20/39%. 2QFY20 order backlog stood at Rs 74.8bn excluding Tumkur Shivmoga HAM / Bundelkhand Road EPC project (Dec-19 work will start on this project) valued at Rs 22.6bn. ABL aims to secure new orders worth Rs 40-60bn during FY20E.
- FY20E Revenue guidance cut to 20-25% YoY growth:** ABL has cut its FY20E rev guidance from 25-30% YoY growth earlier to 20-25% now. ABL attributed it to extended monsoon and land acquisition issues in few projects. Order inflow is maintained at Rs 40-60bn. ABL has won new orders worth Rs 14bn in Oct -19. Order inflow is largely to be met from NHAI bidding during 2HFY20.
- Appointed Dates pending for one HAM project:** ABL has secured Appointed Date (AD) for the two

Financial Summary (Standalone)

Y/E March (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY18*	FY19*	FY20E*	FY21E*
Net Sales	8,223	7,644	7.6	8,768	(6.2)	36,030	49,301	54,946	62,543
EBITDA	1,229	1,037	18.5	1,085	13.2	11,396	13,943	14,718	14,939
APAT	816	620	31.6	647	26.2	(1,131)	267	460	243
Diluted EPS (Rs)	2.9	2.2	31.6	2.3	26.2	(6.0)	1.0	1.6	0.9
P/E (x)						(15.6)	98.7	57.4	108.7
EV / EBITDA (x)						6.5	6.0	6.2	6.4
RoE (%)						(6.8)	1.6	2.6	1.4

Source: Company, HDFC sec Inst Research, *Consolidated

packages of Tumkur Shivmoga (Package I & II) on 15th Oct 2019. More than 80% land is available in these two projects. For package IV, concession agreement is yet to be signed. ABL has to invest Rs 4.5bn in balance HAM projects and Rs 1bn for the CGD project.

- ACL monetization expected by Aug-20E:** ABL expects 6-8months time frame for ACL BOT monetization (vs. Mar-20E earlier). For ABL to at least realize 1x P/BV, ACL should receive Rs 27.3bn as equity valuation vs. consensus sell side valuation of ~Rs20bn for these assets. The Rs 7.3bn shortfall may bring down ABL BV of investment from Rs 12bn to Rs 4.7bn (0.4x P/BV).

STANCE:

ABL has delivered strong 2QFY20 performance still the stock is languishing at lows. Concerns on ABL going for cash settlement in an event of SBIM stake in ACL getting distressed valuation, is key overhang. Though there is no mandatory cash settlement, at best asset swap, which may be stake dilutive and incur non-cash diminution of investment value for ABL in ACL. Standalone debt has reduced by Rs 1.2bn QoQ to Rs 4.6bn. We maintain BUY. Key risks (1) Delay in SBI Macquarie deal closure; (2) Dip in traffic revenue from BOT projects; (3) Delay in ADs.

INDUSTRY	INFRASTRUCTURE
CMP (as on 15 Nov 2019)	Rs 94
Target Price	Rs 206
Nifty	11,895
Sensex	40,357

KEY STOCK DATA	
Bloomberg	ASBL IN
No. of Shares (mn)	281
MCap (Rs bn) / (\$ mn)	27/369
6m avg traded value (Rs mn)	51

STOCK PERFORMANCE (%)			
52 Week high / low	Rs 155/88		
	3M	6M	12M
Absolute (%)	(21.3)	(18.1)	(24.6)
Relative (%)	(29.5)	(26.8)	(39.1)

SHAREHOLDING PATTERN (%)		
	Jun-19	Sep-19
Promoters	54.26	54.26
FIs & Local MFs	32.58	33.70
FPIs	4.26	3.86
Public & Others	8.90	8.18
Pledged Shares	-	-

Source : BSE

Parikshit D Kandpal, CFA
 parikshitd.kandpal@hdfcsec.com
 +91-22-6171-7317

Shrey Pujari
 shrey.pujari@hdfcsec.com
 +91-22-6639-3035

Standalone Revenue: Rs 8.2bn (in line)

EBITDA: Rs 1.2bn (20% beat)

EBITDA margins: 14.9% driven by 231bps YoY reduction in raw material cost

Interest cost increased to Rs 231mn (+78/+13% YoY/QoQ)

ABL has adopted the new corporate tax structure. As a result, the company has recognized a one-time charge of Rs 89mn towards re-measurement of deferred tax asset (net of Rs 49mn in tax credit for 1QFY20). As a result, APAT came in at Rs 816mn (39% beat)

Standalone Quarterly Financial

Particulars (Rs mn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
Net Sales	8,223	7,644	7.6	8,768	(6.2)	16,991	14,369	18.2
Material Expenses	6,262	5,997	4.4	6,916	(9.5)	13,177	11,470	14.9
Employee Expenses	435	341	27.7	431	0.9	867	649	33.6
Other Operating Expenses	297	269	10.5	336	(11.5)	633	513	23.5
EBITDA	1,229	1,037	18.5	1,085	13.2	2,314	1,738	33.2
Depreciation	271	166	63.5	266	2.0	538	302	78.1
EBIT	957	871	9.9	819	16.9	1,777	1,436	23.7
Other Income (incl. EO)	392	157	149.7	342	14.6	734	635	15.7
Interest Cost	231	130	77.9	204	13.1	436	301	44.6
PBT	1,118	898	24.5	957	16.8	2,075	1,769	17.3
Tax	391	278	40.7	310	26.0	702	510	37.5
RPAT	727	620	17.3	647	12.4	1,374	1,259	9.1
EO Items	89	-	-	-	-	89	112	(20.5)
APAT	816	620	31.6	647	26.2	1,463	1,371	6.7

Source: Company, HDFC sec Inst Research

Margin Analysis

MARGIN ANALYSIS	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)	1HFY20	1HFY19	YoY (bps)
Material Expenses % Net Sales	76.1	78.5	(231)	78.9	(273)	77.6	79.8	(227)
Employee Expenses % Net Sales	5.3	4.5	83	4.9	37	5.1	4.5	59
Other Ope Expenses % Net Sales	3.6	3.5	10	3.8	(21)	3.7	3.6	16
EBITDA Margin (%)	14.9	13.6	138	12.4	257	13.6	12.1	153
Tax Rate (%)	35.0	31.0	403	32.4	254	33.8	28.8	497
APAT Margin (%)	9.9	8.1	181	7.4	255	8.6	9.5	(94)

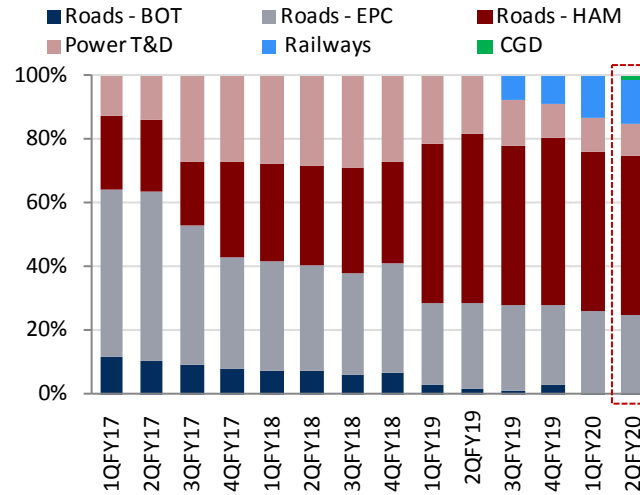
Source: Company, HDFC sec Inst Research

HAM and Roads EPC is largest contributor to order book

Railways segment has started yielding results for ABL with order book of Rs 11bn and share of 14.3%

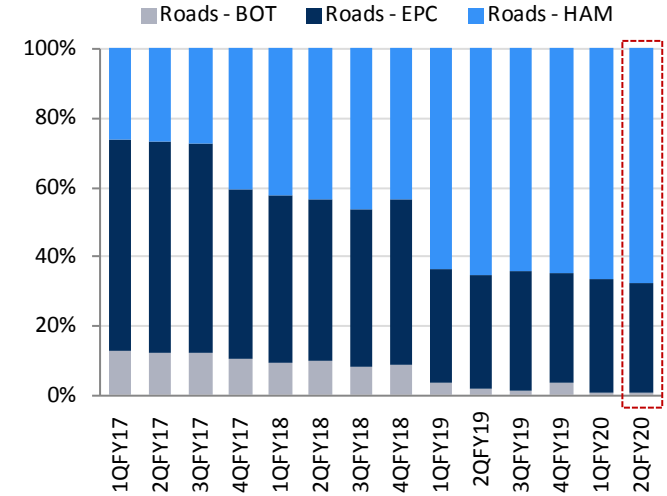
As HAM model gains popularity, its share in order book is gradually increasing. ABL claims to have 100bps higher margins in captive BOT margins and with increasing share of HAM, EBIDTA margins may remain around 12.6-13% over FY20-21E

Order Book Skewed Towards Roads – EPC and HAM



Source: Company, HDFC sec Inst Research

Within Roads – HAM Captive Increasing



Source: Company, HDFC sec Inst Research

We expect ABL order book to multiply 1.1x over FY19-21E

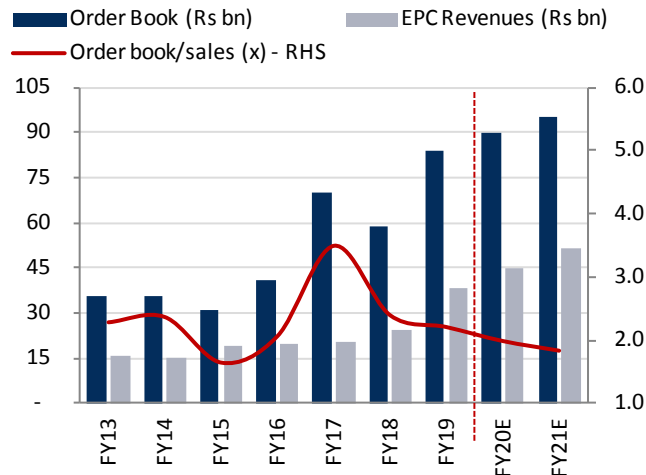
% BOT EBIDTA to be 78% by FY21E

Order book growth to mirror ordering in roads, railways and T&D segments

2QFY20 Consolidated Debt is Rs 58.8bn

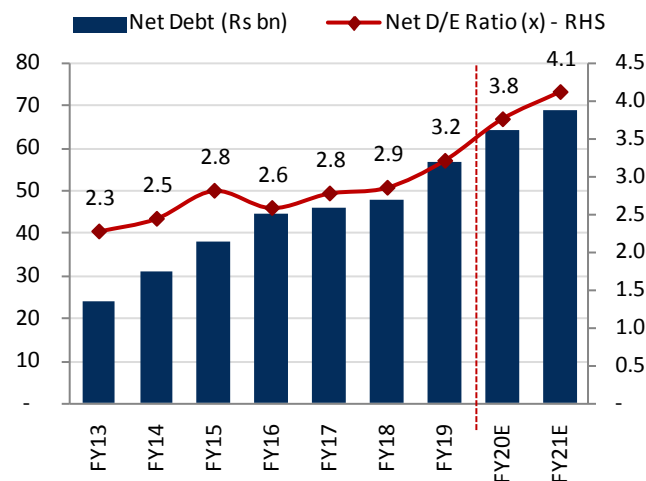
Consolidated Net D/E to increase to ~4.1x by FY21E

EPC-Order Book To Multiply 1.1x Over FY19-21E



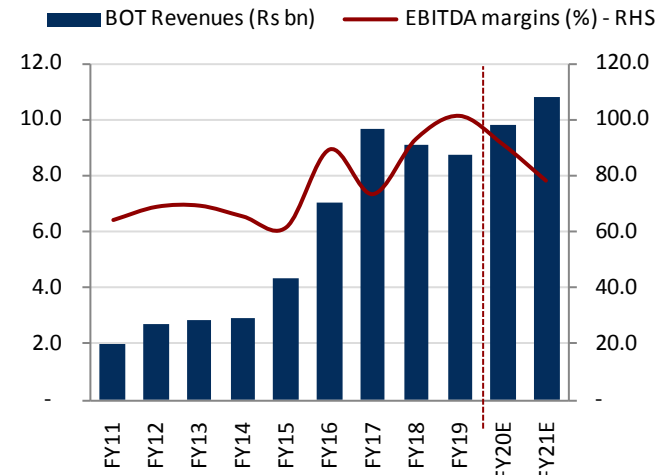
Source: Company, HDFC sec Inst Research

Consolidated Net D/E Ratio To Increase to 4.1x



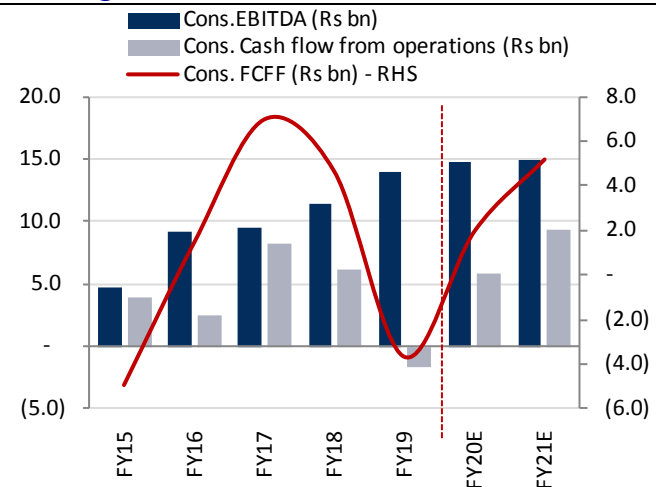
Source: Company, HDFC sec Inst Research

BOT EBIDTA Margins To Reduce To 78% By FY21E



Source: Company, HDFC sec Inst Research

ABL To generate FCFF Of ~Rs 5.2bn In FY21E



Source: Company, HDFC sec Inst Research

We have valued ABL's 61% stake in ACL projects at Rs 17/sh (net of valuation shortfall of Rs 7.3bn in ACL valuation) and the direct BOTs at Rs 26/sh. The total asset portfolio is valued at Rs 43/sh

Revenue Growth Expected to Pick up – Value BOTs At Rs 43/Sh

- Completed assets owned directly under ABL are majorly debt free at the project level and generate ~Rs 200mn annual cash surplus currently. Under-completion projects have the potential to contribute ~Rs 200mn more (growing at 20% annually from there on).
- In the ACL portfolio, Sambalpur currently has a cash loss of Rs 300mn against a net cash surplus of Rs 600mn in the remaining projects.
- Total equity investment in ACL projects is Rs 25bn (~Rs 8bn done by Macquarie, with floor exit valuation ~Rs 15.3bn at a 12.5% assured IRR). For all purposes, effective stake of Macquarie is now at 39% in ACL. Merchant bankers have been appointed for the 7 assets ACL portfolio and stake sale is expected to happen by Aug-20E vs. Mar-20E earlier.
- Balance Equity Requirement:** Equity commitment of Rs 4.5bn in roads. CGD business equity commitment is ~Rs 1bn of which FY20/21E outgo is expected to be Rs 0.5/0.5bn.

BOT Project – Valuation	Stake (%)	WACC (%)	Project Value (Rs mn)	Value for ABL (Rs mn)	Per share value (Rs/sh)
NH-4-Belgaum Dharwad	100	14	1,786	1,090	3.9
NH-6-Sambalpur Baragarh	100	14	782	477	1.7
NH-6-Dhankuni Kharagpur	100	14	9,027	5,506	19.6
NH-6-Durg (Chattisgarh - Maharashtra)	51	14	2,102	654	2.3
NH-6-Bhandara (Maharashtra – Chattisgarh)	51	14	502	156	0.6
SH-31-Jaora Nayagaon	38	14	15,649	3,603	12.8
Chennai ORR	50	14	1,810	552	2.0
Total – Ashoka Concessions @ 61% stake		14	31,658	12,038	42.9
Exit shortfall vs our SBIM ACL valuation				7,300	
ABL Stake Valuation				4,737	17
ABL-Ahmednagar-Aurangabad	100	14	365	365	1.3
ABL-Nashirabad	100	14	120	120	0.4
VHPL-Indore – Edalabad	100	14	851	851	3.0
JA IPL-Wainganga	50	14	707	353	1.3
SH-31-Jaora Nayagaon	36	14	15,649	5,665	20.2
Total – ABL Projects			17,693	7,355	26.2
TOTAL BOT Value				12,092	43.2

Source: Company, HDFC sec Inst Research

We expect ABL's order book to multiply 1.1x over FY19-21E

Order inflow will largely be driven by Hybrid Annuity & NHAI road EPC projects

FY19-21E EPC revenue CAGR of 16.5%. ABL has cut its FY20E rev growth guidance from 25-30% to 20-25% during 2QFY20

EPC EBIDTA margins to remain in 12.6-12.9% band

Financial charges jump over FY19-21E as ABL working capital demands increases with execution ramp up

11.4% RPAT CAGR over FY19-21E as ABL moves to new lower tax rate

We have adjusted for interest to be received on advances given to ACL by ABL for equity investment. We believe that as assets get monetized these receipts will stop and hence should not be considered as continuing earnings

Key Assumptions and Estimates - Standalone

(Rs mn)	FY20E	FY21E	% Change (YoY)		Comments
			FY20E	FY21E	
Order-book assumptions (INR mn)					
Opening Order Book	83,940	89,617			
Add: New Order Wins	50,838	56,938	(20.0)	12.0	
Less: Orders Executed	45,160	51,736			
Closing Order Book	89,617	94,819	6.8	5.8	
Trailing Order Book/Sales (x)	2.0	1.8			
Revenue	45,160	51,736	18.6	14.6	16.5% FY19-21E revenue CAGR
EBIDTA EPC	5,781	6,493	(12.8)	(11.0)	13.5% FY19-21E EBIDTA CAGR
EBIDTA margins EPC	12.8	12.6	(42.7)	(25.0)	EBIDTA margins to remain in 12.6-12.9% range
Depreciation	1,108	1,229	45.0	11.0	
Financial Charges	1,107	1,326	22.1	19.7	
Other income	1,436	1,453	24.2	1.2	
PBT	5,001	5,391	10.6	7.8	9.2% FY19-21E PBT CAGR on account of higher interest cost
PBT margin (%)	11.1	10.4	(6.7)	(5.9)	
Tax	1,485	1,402			
Tax rate (%)	29.7	26.0	80.4	(370.0)	
RPAT	3,516	3,989	9.3	13.5	11.4% FY19-21E Profit CAGR
PAT margin (%)	7.8	7.7	(65.9)	(7.4)	
Exceptional	836	853			
APAT	2,680	3,136			7.4% FY19-21E APAT CAGR

Source: HDFC sec Inst Research

We expect ABL to deliver 15.5% FY19-21E revenue CAGR which will largely be driven by EPC revenue CAGR of 16.5%

High tax rate as multiple road SPVs are making losses taking down overall PBT. ABL has migrated to new lower tax rate for EPC business but owing to Road SPVs losses implied tax rate is high

Key Assumptions And Estimates - Consolidated

Key Assumptions (Rs mn)			% Change (YoY)		Comments
	FY20E	FY21E	FY20E	FY21E	
Toll revenue	9,786	10,807	11.6	10.4	11.0% FY19-21E Toll revenue CAGR
EPC revenue	45,160	51,736	18.6	14.6	16.5% FY19-21E EPC revenue CAGR
Total Revenue	54,946	62,543	17.3	13.8	15.5% FY19-21E revenue CAGR
EBIDTA Toll	8,937	8,446	0.4	(5.5)	
EBIDTA EPC	5,781	6,493	14.7	12.3	
Total EBIDTA	14,718	14,939	5.6	1.5	3.5% FY19-21E EBIDTA CAGR
EBIDTA margins toll	91.3	78.2	(1,024.5)	(1,317.6)	
EBIDTA margins EPC	12.8	12.6	(42.7)	(25.0)	
EBIDTA Margins	26.8	23.9	(296.9)	(290.0)	
Depreciation	4,107	4,502	59.1	9.6	
Financial Charges	9,585	9,384	(6.1)	(2.1)	
Other income	780	790	(43.1)	1.3	
PBT	1,805	1,843	(28.4)	2.1	
PBT margin (%)	3.3	2.9	(209.2)	(34.0)	
Tax	1,722	1,679	0.8	(2.5)	
Tax rate (%)	95.4	91.1	2,757.7	(425.6)	Tax rate to remain high as MAT is incurred on profitable BOT projects, while losses offset standalone profits
PAT	83	163			
Loss/(Profit) Minority	(377)	(79)			
Share of Profit/loss Asso.	-	-			
Net Profit	460	243	(47.0)	(47.2)	
Gross Block Turnover	0.7	0.8	11.7	14.4	
Debtor days	66	70	(14.4)	6.1	
CFO - a	5,787	9,386			
CFI - b	(3,901)	(4,935)			
FCF - a+b	1,886	4,452			Strong free cash flow generation as growth picks up
CFF - c	(870)	(3,742)			Surplus cash flow utilised to repay debt service interest
Total change in cash - a+b+c	1,016	709			Net change in cash doesn't impact debt position materially

Source: HDFC sec Inst Research

We have revised our FY20/21E rev estimate lower by 5/8% as order awarding has been low. ABL has also cut its FY20E rev guidance from 25-30% YoY growth to 20-25% growth

Lower taxes and higher other income has resulted in FY20/21E RPAT increase of 19.3/14.9%

We have normalized the interest earned on ABL loans to ACL as exceptional. This interest will cease once the ACL portfolio is monetized and hence are non recurring in nature

APAT change is muted for FY20/21E

Higher interest costs and cut in EPC rev has resulted in consolidated APAT cut of 20.3/49% for FY20/21E

Standalone Change In Estimates

Rs mn	FY20E Old	FY20E New	% Change	FY21E Old	FY21E New	% Change
Revenues	47,618	45,160	(5.2)	56,189	51,736	(7.9)
EBIDTA	6,095	5,781	(5.2)	7,052	6,493	(7.9)
EBIDTA Margins (%)	12.8	12.8	-	12.6	12.6	-
RPAT	2,947	3,516	19.3	3,471	3,989	14.9
Exceptional	300	836	178.6	300	853	184.3
APAT	2,647	2,680	1.3	3,171	3,136	(1.1)
Adj. EPS (INR)	9.4	9.5	1.3	11.3	11.2	(1.1)

Source: HDFC sec Inst Research

Consolidated Change In Estimates

Rs mn	FY20E Old	FY20E New	% Change	FY21E Old	FY21E New	% Change
Revenues	57,403	54,946	(4.3)	66,996	62,543	(6.6)
EBIDTA	15,108	14,718	(2.6)	15,631	14,939	(4.4)
EBIDTA Margins (%)	26.3	26.8	46.6	23.3	23.9	55.4
APAT	577	460	(20.3)	476	243	(49.0)
Adj. EPS (INR)	2.1	1.6	(20.3)	1.7	0.9	(49.0)

Source: HDFC sec Inst Research

We value ABL's BOT portfolio at Rs 43/share (net of valuation shortfall in ACL)

We have valued ABL standalone on P/E basis at 12x one-year forward Mar-21E EPS

Real Estate land holding at Rs 5/share (0.5x P/BV) and expected HAM equity investments at Rs 24/share

Maintain BUY with a reduced TP of Rs 206/sh vs. Rs 220/sh. The change is on account of our classification of interest income on ABL loans to ACL as exceptional item. The Adjusted PAT is lower to the extent of interest income. Hence our EPC valuation has reduced

Outlook And Valuation

Maintain BUY with Reduced Target Price of Rs 206/sh

- We have valued ABL standalone on P/E basis at 12x one-year forward Mar-21E EPS. SBI Macquarie stake sale uncertainty remains the key over hang.
- ABL multiple re-rating is contingent on SBIM exit nearing Rs 30bn+ range for ACL 7 Assets. Further, multiple downside is protected owing to ABL's (1) Diversified presence in roads and T&D segments, the biggest beneficiary of government spending (2) Strong execution capability, and (3) Likely support from captive order book in lieu of any contraction in future roads EPC orders. The government-led spends in the infrastructure sector will continue to drive stock performance and ABL, with its strong credentials, will likely benefit from the pick-up in ordering activity. The company, over the past many years, has built strong pre-qualification in potentially large ordering segments such as roads and T&D.
- We have valued toll business separately under Ashoka Concessions and ABL's direct projects. We have used 14% discount rate for arriving at NPV of the projects. Our estimates for Sambalpur/ Dhankuni/Belgaum are lower vs. consensus. We value the BOT business at Rs 43/sh.
- **We maintain BUY with a reduced TP of Rs 206/share (vs. Rs 220/sh earlier). We peg (1) Standalone EPC business at Rs 134/share (12x Mar-21E EPS) and (2) ABL BOT projects at Rs 43/share (3) Land at 0.5x historical costs at Rs 5/share & (4) Likely equity investments of Rs 24/sh at 1x P/BV to be invested over FY19-21E.**

SOTP Valuation

Segment	Value for ABL (Rs mn) @ 61% stake	Per share value (Rs/sh)	Comments
Ashoka Concessions Ltd	4,737	17	DCF using 14% WACC
ABL direct Projects	7,355	26	DCF using 14% WACC
Total BOT Value	12,092	43	
Standalone construction - EPC	37,636	134	Standalone 12x Mar-21E EPS
Land	1,391	5	0.5x P/BV
New HAM and CGD Equity	6,648	24	1x P/BV of likely equity investment in FY19-21E
SOTP Value	57,767	206	

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 (%)		
					FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	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	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 EPC	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	10.8	158	BUY	258	23.4	27.5	32.3	6.8	5.7	4.9	3.9	3.3	2.9	11.1	11.9	12.7
KNR Constructions	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	7.0	6.2	5.1	4.3	15.2	14.8	15.1

Source: Company, HDFC sec Inst Research *ITD Cementation FY19E/FY20E should be read as 15MFY19E/FY20E

Income Statement (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues	29,797	36,030	49,301	54,946	62,543
Growth (%)	5.5	20.9	36.8	11.5	13.8
Material Expenses	18,245	22,264	31,915	36,535	43,639
Employee Expenses	1,182	1,411	1,884	2,072	2,280
Other Operating Expenses	863	959	1,559	1,621	1,686
EBIDTA	9,506	11,396	13,943	14,718	14,939
EBIDTA Margin (%)	31.9	31.6	28.3	26.8	23.9
EBIDTA Growth (%)	3.5	19.9	22.4	5.6	1.5
Depreciation	2,640	2,914	2,582	4,107	4,502
EBIT	6,866	8,482	11,361	10,610	10,437
Other Income (Incl EO items)	815	515	1,372	780	790
Interest	9,078	9,938	10,213	9,585	9,384
PBT	(1,397)	(941)	2,520	1,805	1,843
Tax	698	837	1,709	1,722	1,679
Minority Interest/Share of associates	(194)	(55)	(68)	(377)	(79)
RPAT	(1,901)	(1,723)	879	460	243
Share Profit/(loss) from associates	(151)	592	(10)	-	-
EO Items	-	-	(601)	-	-
APAT	(2,052)	(1,131)	267	460	243
APAT Growth (%)	270	(45)	(124)	72	(47)
Adjusted EPS (Rs/sh)	(11.0)	(6.0)	1.0	1.6	0.9
EPS Growth (%)	269.6	(44.9)	(115.8)	72.1	(47.2)

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	936	936	1,404	1,404	1,404
Reserves	15,607	15,816	16,281	15,709	15,295
Total Shareholders Funds	16,543	16,751	17,685	17,113	16,699
Minority Interest	1,169	937	1,189	813	733
Long Term Debt	45,488	48,704	54,099	60,099	63,599
Short Term Debt	2,056	2,311	6,344	7,844	9,494
Total Debt	47,544	51,014	60,443	67,943	73,093
Net Deferred Taxes	(327)	(394)	(555)	(555)	(555)
Other Non Current Liabilities	28,486	30,076	29,524	29,887	30,255
TOTAL SOURCES OF FUNDS	93,415	98,385	108,286	115,201	120,225
APPLICATION OF FUNDS					
Net Block	80,161	78,748	78,737	78,330	77,902
CWIP/Intangible assets under development	366	464	581	651	761
Investments	1,462	1,964	1,670	2,500	4,000
Other Non Current Assets	5,268	10,107	15,299	17,299	18,799
Total Non-current Assets	87,257	91,283	96,287	98,780	101,462
Inventories	3,596	4,195	4,264	6,426	8,047
Debtors	3,609	6,890	10,483	9,996	12,071
Cash & Equivalents	1,424	3,040	3,507	3,440	4,150
Other Current Assets	11,830	9,692	15,908	18,058	20,875
Total Current Assets	20,459	23,817	34,162	37,921	45,143
Creditors	5,744	6,493	10,250	14,994	18,509
Other Current Liabilities & Provns	8,557	10,221	11,913	7,718	7,734
Total Current Liabilities	14,301	16,714	22,163	22,713	26,243
Net Current Assets	6,158	7,102	11,999	15,208	18,900
Misc Expenses & Others	-	-	-	1,212	(138)
TOTAL APPLICATION OF FUNDS	93,415	98,385	108,286	115,201	120,225

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

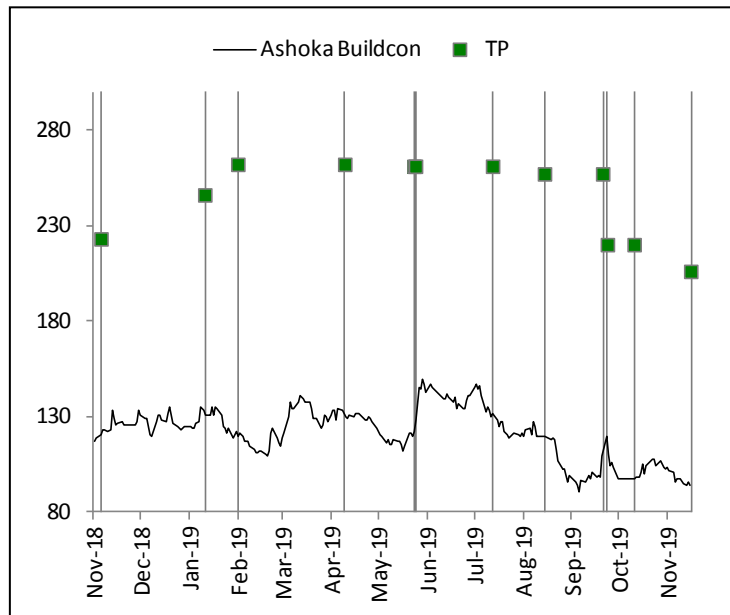
Year ending March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Reported PBT	(1,397)	(349)	1,306	1,805	1,843
Non-operating & EO items	(673)	463	391	(780)	(790)
Interest expenses	9,078	9,938	10,213	10,213	9,585
Depreciation	2,640	2,914	2,582	4,107	4,502
Working Capital Change	(442)	(5,557)	(14,282)	(7,836)	(4,074)
Tax Paid	(933)	(1,196)	(1,822)	(1,722)	(1,679)
Minority Interest and other misc items	0	0	0	0	0
OPERATING CASH FLOW (a)	8,274	6,212	(1,612)	5,787	9,386
Capex	(1,317)	(1,591)	(2,095)	(3,851)	(4,225)
<i>Free cash flow (FCF)</i>	<i>6,957</i>	<i>4,621</i>	<i>(3,706)</i>	<i>1,936</i>	<i>5,161</i>
Investments	531	(1,094)	312	(830)	(1,500)
Interest Income	157	(463)	48	780	790
INVESTING CASH FLOW (b)	(629)	(3,148)	(1,735)	(3,901)	(4,935)
Share capital Issuance	-	-	350	-	-
Debt Issuance	599	4,324	8,866	10,000	6,500
Interest expenses	(9,078)	(5,097)	(5,961)	(10,213)	(9,585)
Dividend	(180)	(211)	(150)	(657)	(657)
FINANCING CASH FLOW (c)	(8,659)	(984)	3,106	(870)	(3,742)
NET CASH FLOW (a+b+c)	(1,014)	2,081	(241)	1,016	709
EO Items, Others	876	374	1,083		
Closing Cash & Equivalents	1,425	3,040	3,507	3,440	4,150

Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19P	FY20E	FY21E
PROFITABILITY (%)					
GPM	38.8	38.2	35.3	33.5	30.2
EBITDA Margin	31.9	31.6	28.3	26.8	23.9
EBIT Margin	23.0	23.5	23.0	19.3	16.7
APAT Margin	(6.9)	(3.1)	0.5	0.8	0.4
RoE	(12.2)	(6.8)	1.6	2.6	1.4
RoIC	11.2	17.4	3.7	0.5	0.8
RoCE	12.2	18.4	3.4	0.8	0.9
EFFICIENCY					
Tax Rate (%)	(50.0)	(88.9)	67.8	95.4	91.1
Fixed Asset Turnover (x)	0.3	0.4	0.5	0.6	0.6
<i>Inventory (days)</i>	<i>44</i>	<i>42</i>	<i>32</i>	<i>43</i>	<i>47</i>
<i>Debtors (days)</i>	<i>44</i>	<i>70</i>	<i>78</i>	<i>66</i>	<i>70</i>
<i>Other Current Assets (days)</i>	<i>145</i>	<i>98</i>	<i>118</i>	<i>120</i>	<i>122</i>
<i>Payables (days)</i>	<i>70</i>	<i>66</i>	<i>76</i>	<i>100</i>	<i>108</i>
<i>Other Current Liab & Provs (days)</i>	<i>75</i>	<i>81</i>	<i>71</i>	<i>36</i>	<i>32</i>
<i>Cash Conversion Cycle (days)</i>	<i>88</i>	<i>64</i>	<i>80</i>	<i>93</i>	<i>99</i>
Debt/EBITDA (x)	5.0	4.5	4.3	4.6	4.9
Net D/E	2.8	2.9	3.2	3.8	4.1
Interest Coverage	0.8	0.9	1.1	1.1	1.1
PER SHARE DATA					
EPS (Rs/sh)	(11.0)	(6.0)	1.0	1.6	0.9
CEPS (Rs/sh)	2.1	6.4	10.2	16.3	16.9
DPS (Rs/sh)	2.0	2.0	2.0	2.0	2.0
BV (Rs/sh)	58.9	59.7	63.0	61.0	59.5
VALUATION					
P/E	(8.6)	(15.6)	98.7	57.4	108.7
P/BV	1.6	1.6	1.5	1.5	1.6
EV/EBITDA	7.6	6.5	6.0	6.2	6.4
EV/Revenues	2.4	2.1	1.7	1.7	1.5
OCF/EV (%)	0.1	0.1	(0.0)	0.1	0.1
FCF/EV (%)	9.6	6.2	(4.4)	2.1	5.4
FCFE/Market Cap (%)	(5.8)	14.6	(3.0)	6.5	7.9
Dividend Yield (%)	2.1	2.1	2.1	2.1	2.1

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
6-Nov-18	121	BUY	223
10-Jan-19	133	BUY	246
31-Jan-19	120	BUY	262
9-Apr-19	131	BUY	262
23-May-19	120	BUY	261
25-May-19	128	BUY	261
13-Jul-19	130	BUY	261
16-Aug-19	120	BUY	257
22-Sep-19	110	BUY	257
23-Sep-19	110	BUY	220
10-Oct-19	98	BUY	220
18-Nov-19	94	BUY	206

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- 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

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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