19 May 2020

Update | Sector: Others

Quess Corp

BSE SENSEX	S&P CNX
30,196	8,879

QUESS WINNING TOGETHER

Bloomberg	QUESS IN
Equity Shares (m)	147
M.Cap.(INRb)/(USDb)	24.5 / 0.3
52-Week Range (INR)	718 / 165
1, 6, 12 Rel. Per (%)	-17/-44/-55
12M Avg Val (INR M)	144

Financials & Valuations (INR b)

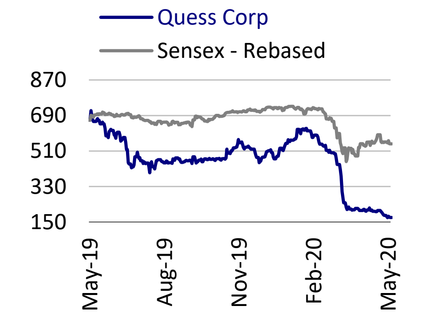
Y/E March	FY20E	FY21E	FY22E
Sales	109.0	116.0	139.7
EBIT	4.0	3.9	5.1
EBIT Margin (%)	3.6	3.3	3.6
PAT	2.6	2.3	3.5
EPS (INR)	17.8	15.7	23.6
EPS Growth (%)	1.5	-11.6	50.1
BV/Share (INR)	263.5	283.8	314.3
Ratios			
RoE (%)	9.1	7.4	10.2
RoCE (%)	11.7	10.2	12.3
Valuations			
P/E (x)	9.3	10.6	7.0
P/BV (x)	0.6	0.6	0.5
EV/EBITDA (x)	3.7	3.3	2.1
EV/Sales (x)	0.2	0.2	0.1

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	54.9	54.7	71.4
DII	16.6	13.2	7.1
FII	14.6	16.6	13.1
Others	13.9	15.5	8.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR166 TP: INR280 (+70%) Upgrade to Buy

Stable business/liquidity position; Attractive multiples

- **The stock corrected almost ~75% from pre-COVID-19 levels on concerns around: a) the severe impact on general staffing and collections, b) liquidity position, and c) the potential legal liabilities in outcome-based businesses.**
- **However, given a) industry concerns around manpower shortages / sharp wage increases and b) government orders forbidding lay-offs, we understand the General Staffing segment has not witnessed any material dislocation thus far. Accordingly, we believe the above-mentioned concerns are exaggerated. A material impact is unlikely going forward as the economy goes into a phased re-opening and enterprises try to dodge the supply-side disruption.**
- **While Terrier and Monster should witness stronger demand in the current situation, volumes in Facilities Management (FM) are likely to be higher (v/s pre-COVID) once the lockdowns are eased. We anticipate continued headwinds in IT Staffing, BPO, and MIS until there is further clarity regarding the easing of the lockdown in global/tier I cities.**
- **Given the business pressures on clients due to the lockdowns, mark-ups and working capital cycles may witness some headwinds in the near term.**
- **Ministry of Finance recently announced that 44 central labor laws are being subsumed into four uniform codes. As we highlighted in an earlier note (link), reduced labor market rigidity should increase the formality of the workforce, in turn driving demand for flexi staffing. We expect Quess / TeamLease / SIS Security to be the biggest long-term beneficiaries of these reforms.**
- **In the Base Case, we expect 13%/15% revenue/EPS CAGR over FY20–22E. Using residual income approach, we arrive at a target price of INR280. We adjust FY20E book value of the company for outstanding goodwill/inter-company loans/MAT credit on the balance sheet. We use an equity charge of ~16% to factor in some of the elevated risks. Our Target Price implies ~12x FY22E EPS, still a steep 65% discount to the target multiple of TeamLease. Encouraging efforts by the new management to address certain investor concerns (e.g., capital allocation and governance) would be a key re-rating driver.**

Expect resilience in General Staffing going ahead

COVID-19-led lockdowns, the resultant business uncertainty, and liquidity issues have led to a surge in unemployment in the past couple of months. The impact has been more pronounced in the gig economy (e.g. Zomato, Swiggy, Uber, etc.) and blue-collar workforce given that a significant share of these jobs cannot be delivered from home. This has led to concerns of massive lay-offs and requests for demobilizations in the General Staffing segments of Quess/TeamLease.

However, we understand the reality has turned out much better than initially feared. We reckon the headcount reduction in either of these firms would not have been significant (not > 8k) even at the peak of uncertainty over March–April. This was largely driven by: a) industry concerns around potential manpower shortages / sharp wage increases once the lockdown is lifted and b) government orders forbidding lay-offs.

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As the economy prepares for a phased re-opening and given that clients have already incurred the bench cost of associates for the previous two months, it is unlikely that Quess would see a sharp spike in demobilization requests going forward (May–July). The propensity of enterprises to dodge supply-side disruption risk would be another key tailwind.

1) An increase in the pipeline of open positions in some verticals, such as NBFCs/Cards and E-Commerce and (2) a rise in sales, logistics, collection agents, and customer service role requirements in a post-lockdown economy should drive resilience. Additionally, the current situation should also drive the conversion of certain otherwise strictly permanent roles to flexi roles.

However, a) continued uncertainty surrounding demand revival in some industries (e.g. Retail/Malls) and b) an increase in mandatory working hours by a few state governments (from 8/day earlier to 12) should keep under check the prospect of any strong headcount addition. Given the stress on clients, mark-ups and working capital commitments may come under pressure.

Some tailwinds and headwinds in other key segments

Security Services (Terrier) should witness higher demand in the current situation. While FM may face some challenges during the lockdown, we are optimistic that volumes in this segment would be materially higher (v/s pre-COVID-19) once normalcy returns. Increased emphasis of businesses and governments on hygiene and sanitation should drive higher demand in the segment. Even in a steady state, these businesses are working capital intensive. Accordingly, we view working capital pressure in the current environment as a key monitorable.

We moderate our earlier negative stance on Monster as the platform is likely to witness an increasing network effect in the current downturn, driven by: a) its cost advantage (average price per resume on Monster is ~1/8x that on Naukri) and b) the eager influx of job seekers onto multiple platforms. The company's recent focus on strengthening its user interface, backend database, and brand recall should aid this phenomenon further. Given the scope for operating leverage, such an increase in the network effect should help the company achieve EBITDA breakeven earlier than expected (v/s pre-COVID-19).

We anticipate continued softness in IT Staffing (Magna Infotech and Comtel), BPO/KPO (Conneqt and AllSec), and MIS until there is further clarity regarding the easing of lockdowns in tier I cities (including global ones such as Singapore). The keenness among clients (e.g., IT companies) to rationalize variable costs, the limitations of working from home (such as in BPO), and the closure of educational institutions are key headwinds. Bench costs in BPO/KPO should be a double whammy, further impacting margins. Our primary data checks suggest these businesses would also face stretched working capital cycles going forward.

Company-level changes to drive investor confidence

After Mr Suraj Moraje and Mr S. Ramakrishnan were appointed as the new CEO and CFO, respectively, the company has been addressing some key investor concerns related to capital allocation, the balance sheet, and governance. While acquisitions in unrelated areas were a key issue earlier, the management assured no further M&A activity in the near term. In fact, Quess is now on an exit path from some of its non-core investments. Initial progress (e.g., East Bengal Club) seems encouraging.

In line with the new CEO's ROE target of ~20% (by FY22, pre-COVID-19), Quess is likely to make the balance sheet lighter by gradually writing off certain assets (such as goodwill in TSIPL) that were dragging down asset turns. The company further indicated a roadmap to rationalize overall outstanding related-party loans (to ~INR1bn from ~INR5.6bn). A significant portion of this reduction would be achieved by way of conversion into equity (e.g., in Heptagon) and Compulsorily Convertible Debentures, or CCDs, (e.g., TSIPL).

The logical closure of some of these aspects (such as receivables from TSIPL, Exhibit 5) is still a work in progress. While the conversion of loans may not be the best payback approach, we used the Residual Income Model to compute the value of the company by excluding outstanding loans / goodwill from the current book value.

Liquidity concerns exaggerated

Concerns surrounding the company's ability to navigate through the COVID-19-led liquidity crisis are exaggerated, in our view. In March, we understand Quess Corp increased its borrowing to conserve more cash on the balance sheet. We estimate the gross/net debt to have increased INR3.1b/INR1.1b (v/s Dec'19). Cash on the balance sheet is currently at around INR7.3bn.

We estimate the monthly run-rate of the company's indirect cash expenses to be around INR600mn, which could be rationalized to approx. INR500mn. Hence, even in the hypothetical Stress Case scenario of no revenue/collections, the company could still survive as a going concern for the next 14 months without defaulting on any obligations. However, as indicated earlier, the situation thus far (as of 10th May'20) does not point to any such major dislocation. As the economy re-opens gradually, we expect the situation to only improve from hereon.

Could be key proxy play on central labor reforms

In the past few weeks, the labor law landscape in the country transitioned from being a very restrictive to a liberal one. At the beginning of the lockdown, multiple state governments issued circulars and invoked the Disaster Management Act (DMA), forbidding employers from lay-offs/retrenchments. This had partly helped staffing companies contain the churn in their portfolios.

Given the current a) grim situation of unemployment (estimated to be ~26%) and b) need to improve the ease of doing business, both the central government and various state governments (e.g. Madhya Pradesh) had shown a great sense of urgency in reducing the rigidity in the labor market.

Over the past six years, the central government has been talking about simplifying and unifying the 44 central labor laws into four uniform codes. However, the execution on this front is still pending (refer to Exhibit 7, 8 for status). While the Code on Wages was already approved by the Parliament in 2019, the framing of rules is still pending. The codes on a) Industrial Relations, b) Social Security, and c) Occupational Safety, Health, and Working Conditions are currently with the Parliamentary Standing Committee. In the set of reforms announced by Ministry of Finance recently, it was informed that the 44 existing central labor laws are being subsumed into four uniform codes. Further clarity is awaited on the mode of execution and timeline for implementation.

As highlighted in our earlier note (link), regulatory easing in the labor markets would result in structural decline in hiring / compliance / workforce management costs in the formal sector. Also, it should ease the theoretical complexity of adherence. Over the medium to long term, this should translate into higher formality in the labor market. In sectors such as IT/ITES, BFSI, and Retail as well as in micro-markets such as Delhi, it was empirically noted (Exhibit 9–12) that a larger formal workforce would in turn drive a higher need for flexi/temp staffing. Accordingly, we believe Quess would be one of the key beneficiaries of these reforms.

At the same time, we are cognizant of the fact that the blanket suspension of most of the central labor laws (proposed by the UP government through an ordinance) or introduction of a high National Floor Wage (NFW, > 12-15k per month) could be counter-productive. Such radical measures in either direction may actually drive a reverse shift in the workforce from the formal to the informal sector. Further developments in these aspects would be key observables.

Disproportionate price correction presents attractive entry point

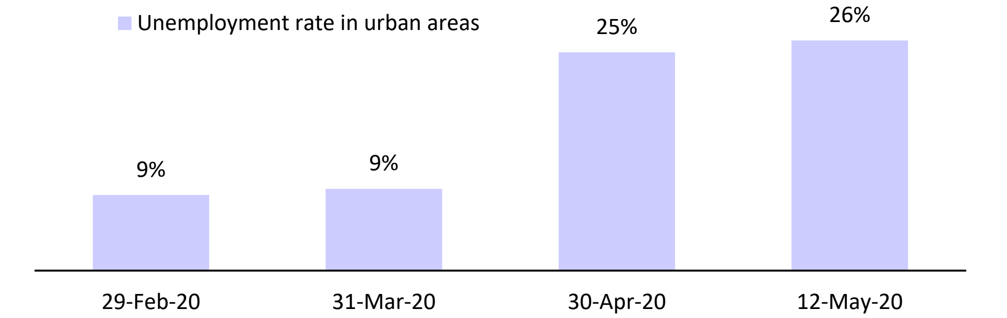
The stock corrected almost ~75% from the pre-COVID-19 level on concerns around a severe impact on: a) general staffing and collections/receivables, b) liquidity position, and c) the potential legal liabilities in outcome-based businesses in the event of massive employee lay-offs.

However, we understand these concerns were exaggerated as the business / cash collections (both mark-up and outcome based) did not witness any major dislocation over March–April. As the economy prepares for a gradual re-opening and enterprises look to dodge supply disruption, we believe the company/sector has already passed the peak of uncertainty. As both the central and state governments look forward to liberalizing and formalizing the labor markets, Quess Corp should be among the biggest direct beneficiaries.

In the Base Case, we expect 13%/15% revenue/EPS CAGR over FY20–22E. In the Bear Case, we expect a 5%/-3% annualized change in revenue/EPS. Using residual income approach, we arrive at a target price of INR280. We adjust FY20E book value for outstanding goodwill/inter-company loans/MAT credit on the balance sheet. We used an equity charge of 16% to factor in some of the elevated risks. Our TP implies 12x FY22E EPS, still a steep 65% discount to TeamLease.

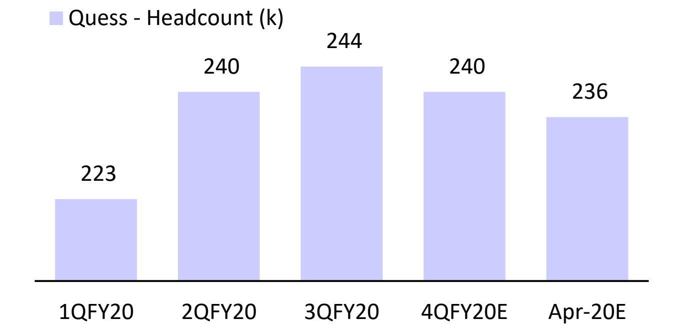
Story in charts

Exhibit 1: Economy witnessed a sharp spike in employment during the lockdowns



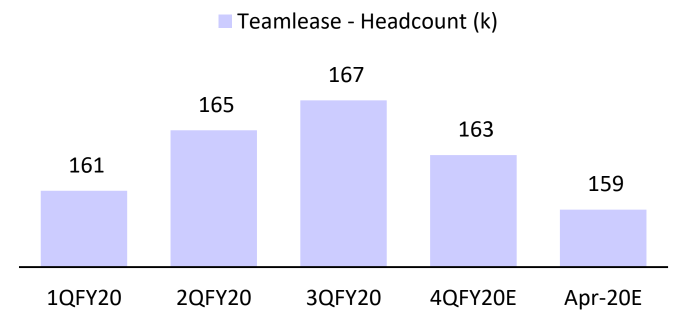
Source: CMIE, MOFSL

Exhibit 2: However, General Staffing div. of Quess and…



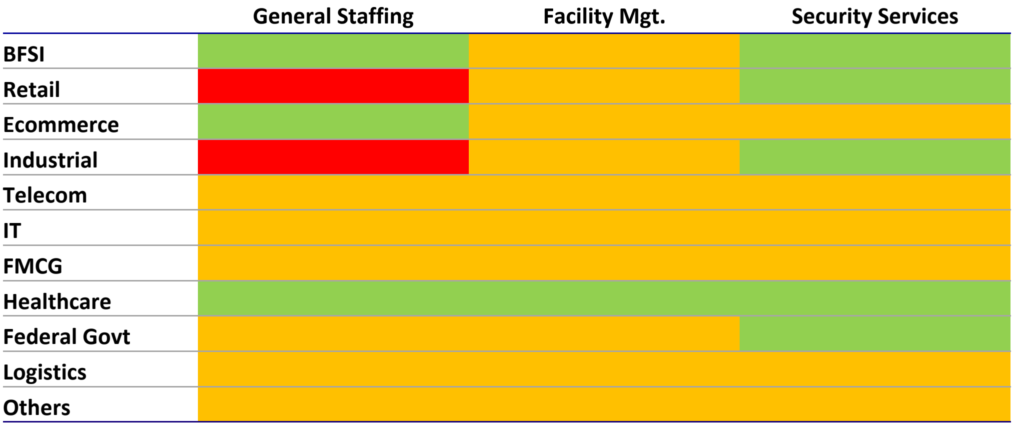
Source: Company, MOFSL

Exhibit 3: …TeamLease should not witness sharp impact



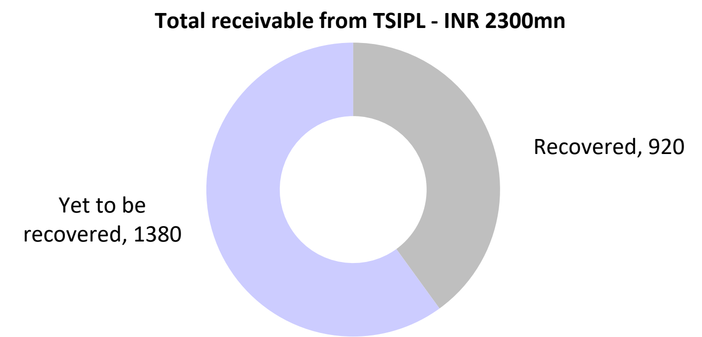
Source: Company, MOFSL

Exhibit 4: Portfolio heat map of Quess across verticals and service offerings



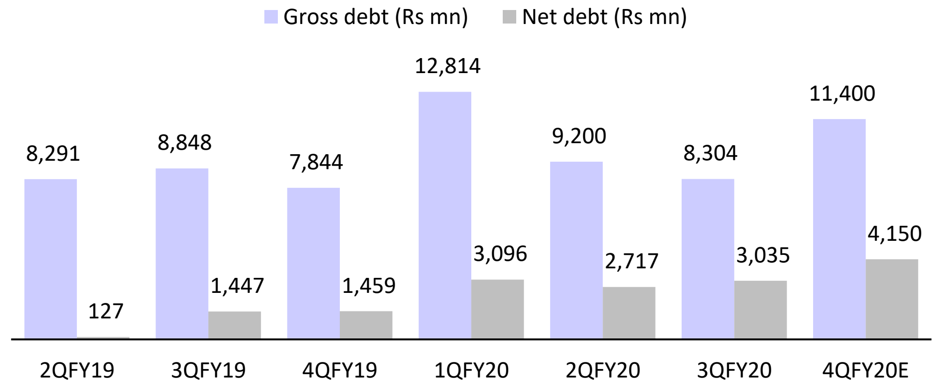
Source: MOFSL

Exhibit 5: Logical closure on TSIPL still a work in progress



Note: Figures in INR mn. Source: Company, MOFSL

Exhibit 6: Company increased its borrowing in March to conserve cash on balance sheet



Source: Company, MOFSL

Exhibit 7: 44 central labor laws about to be subsumed into 4 uniform codes

No.	Name of the code	Description	Laws subsumed	Status
1	The Code on Wages, 2019	❖ This code was introduced to amend and consolidate the laws pertaining to wages and bonuses.	❖ The Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976	❖ The code has already been approved by the Parliament and would be implemented once rules are framed under the code.
2	The Occupational Safety, Health and Working Conditions Code, 2019	❖ The code was introduced to consolidate and amend the laws regulating the occupational safety, health, and working conditions of persons employed in an establishment.	❖ Replaces 13 labor laws pertaining to safety, health, and working conditions, including the Factories Act, 1948; the Mines Act, 1952; and the Contract Labour (Regulation and Abolition) Act, 1970	❖ This has been sent to the Parliamentary Standing Committee on Labour, which has invited suggestions from the public.
3	The Code on Social Security, 2019	❖ This was introduced to amend and consolidate the laws pertaining to the social security of workers.	❖ Employees' Compensation Act, 1923; Employees State Insurance Act, 1948; Employees Provident Funds and Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961; Payment of Gratuity Act, 1972; Cine Workers Welfare Fund Act, 1981; Building and Other Construction Workers Cess Act, 1996; and Unorganised Workers Social Security Act, 2008	❖ This has been sent to the Parliamentary Standing Committee on Labour.
4	The Industrial Relations Code, 2019	❖ This code was introduced to consolidate and amend the laws pertaining to trade unions, conditions of employment in industrial establishments or undertakings, and the investigation and settlement of industrial disputes.	❖ The Industrial Dispute Act, 1947; The Industrial Employment Act, 1946; and The Trade Unions Act 1926	❖ This has been sent to the Parliamentary Standing Committee on Labour.

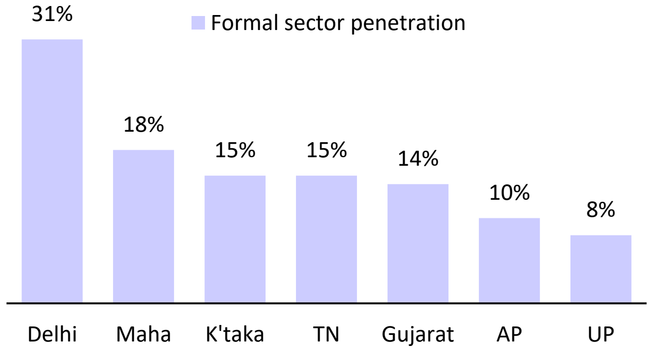
Source: MOFSL

Exhibit 8: Some labor law changes various state governments are proposing/implementing

No.	State	Labor law reforms
1	Uttar Pradesh	❖ The govt. has relaxed all labor laws in the state, barring three laws, and one provision for a period of three years to enhance business investments. Furthermore, it has increased working hours to 12 hours a day and 72 hours a week from 20th April to 19th July 2020.
2	Madhya Pradesh	❖ The govt. has exempted industries and factories from all the provisions of the relevant acts, barring a few, for a period of 1000 days. Moreover, it has increased working hours to 12 hours a day and 72 hours a week for a period of three months.
3	Gujarat	❖ The govt. has exempted all factories from various provisions pertaining to weekly hours, daily hours, overtime, intervals for rest, etc., under the Factories Act from 20th April to 19th July 2020. Along with this, it has increased working hours to 12 hours a day and 72 hours a week. Furthermore, the due dates for carrying out tests, examinations, and inspections in factories have been extended further.
4	Rajasthan	❖ All shops and factories have been asked to submit consolidated annual returns instead of multiple returns under various labor laws. The govt. has further raised working hours to 12 hours a day and raised the threshold for layoffs to 300 from 100 earlier.
5	Maharashtra	❖ The govt. has exempted the payment of late fees. All shops and factories have been asked to submit consolidated annual returns instead of multiple returns under various labor laws.
6	Punjab	❖ The govt. had previously issued a notification increasing the minimum wages of workers, but has now revoked this with a second notification. It has also amended the Factories Act, increasing the maximum working hours to 12 hours (from nine hours) for three months.
7	Himachal Pradesh	❖ The govt. has exempted all factories from various provisions pertaining to weekly hours, daily hours, overtime, intervals for rest, etc., under the Factories Act from 21st April to 20th July 2020. Along with this, it has increased working hours to 12 hours a day and 72 hours a week.
8	Haryana	❖ The govt. has exempted all factories from various provisions pertaining to weekly hours, daily hours, overtime, intervals for rest, etc., under the Factories Act up to 30th June 2020, along with increasing working hours to 12 hours a day.

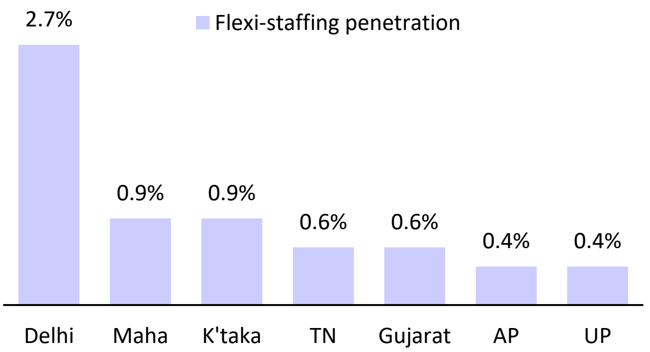
Source: MOFSL

Exhibit 9: As formality of workforce increases…



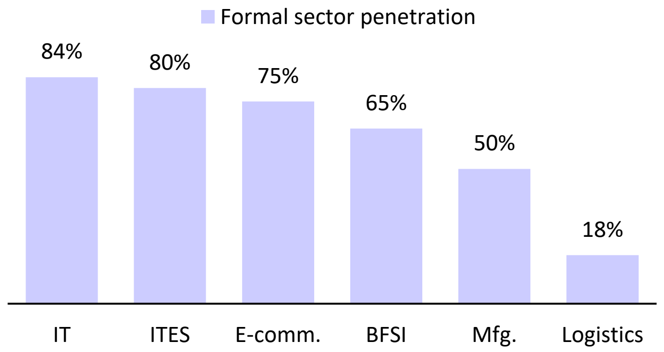
Source: Indian Staffing Federation, MOFSL. Note: Penetration is calculated as percentage of total workforce

Exhibit 10: …demand for flexi staff is also expected to rise



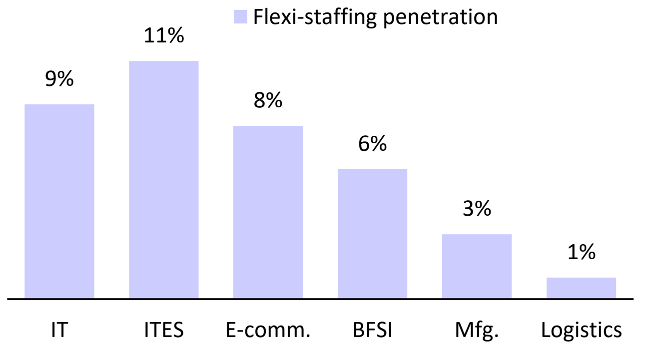
Source: Indian Staffing Federation, MOFSL. Note: Penetration is calculated as percentage of total workforce

Exhibit 11: As formality of workforce increases…



Source: Indian Staffing Federation, MOFSL. Note: Penetration is calculated as percentage of total workforce

Exhibit 12: …demand for flexi staff is also expected to rise



Source: Indian Staffing Federation, MOFSL. Note: Penetration is calculated as percentage of total workforce

Exhibit 13: Our Residual Income valuation adjusts the current book value for goodwill, inter-company loans and MAT credit

RESIDUAL INCOME MODEL – QUESS CORP		
Current Market price (INR)	166	
	Base Case	**Bear Case**
Average adjusted ROE (FY20-22E)	16%	12%
Average adjusted ROE (FY22-25E)	22%	19%
Average adjusted ROE (FY25-30E)	21%	20%
Average adjusted ROE (FY20-30E)	19%	18%
Book Value - FY20E (INR m)	**29,868**	**29,868**
Our adjustments to Book Value in FY21 (INR m)		
❖ Outstanding Goodwill on balance sheet	12,885	12,885
❖ MAT credit	1,700	1,700
❖ Outstanding Inter Company loans	4,700	4,700
Total adjustment	19,285	19,285
Adjusted Book Value FY21E (INR m)	**12,885**	**11,792**
Equity charge	16%	16%
Valuation per share (INR)	**280**	**250**
Upside (%)	**70**	**52**

Source: Company, MOFSL

Financial and valuation

Consolidated – Income statement (INR m)

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total Income from Operations	**25,671**	**34,350**	**43,149**	**61,673**	**85,270**	**1,08,952**	**1,16,043**	**1,39,661**
Change (%)	155.2	33.8	25.6	42.9	38.3	27.8	6.5	20.4
Cost of services	717	481	714	1,422	2,624	3,353	3,571	4,298
Employees Cost	22,684	30,069	36,339	50,793	67,132	85,777	91,359	1,09,954
Other Expenses	965	2,289	3,718	5,914	10,868	13,323	14,681	17,282
Total Expenditure	**24,366**	**32,839**	**40,771**	**58,129**	**80,624**	**1,02,452**	**1,09,611**	**1,31,534**
% of Sales	94.9	95.6	94.5	94.3	94.6	94.0	94.5	94.2
EBITDA	**1,305**	**1,511**	**2,378**	**3,544**	**4,646**	**6,500**	**6,431**	**8,127**
Margin (%)	5.1	4.4	5.5	5.7	5.4	6.0	5.5	5.8
Depreciation	101	144	275	747	1,232	2,544	2,553	3,073
EBIT	**1,203**	**1,367**	**2,103**	**2,796**	**3,414**	**3,956**	**3,878**	**5,055**
Int. and Finance Charges	218	310	471	755	1,144	1,680	1,812	1,817
Other Income	57	91	154	569	712	585	580	698
PBT bef. EO Exp.	**1,042**	**1,147**	**1,787**	**2,611**	**2,983**	**2,861**	**2,647**	**3,937**
PBT after EO Exp.	**1,042**	**1,147**	**1,787**	**2,611**	**2,983**	**2,861**	**2,647**	**3,937**
Total Tax	370	335	534	-483	329	200	344	480
Tax Rate (%)	35.5	29.2	29.9	-18.5	11.0	7.0	13.0	12.2
Minority Interest	0	0	-1	-4	88	57	0	0
Reported PAT	**672**	**812**	**1,254**	**3,098**	**2,565**	**2,604**	**2,303**	**3,456**
Change (%)	276.3	20.8	54.5	147.0	-17.2	1.5	-11.6	50.1
Margin (%)	2.6	2.4	2.9	5.0	3.0	2.4	2.0	2.5

Consolidated – Balance sheet (INR m)

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Equity Share Capital	258	1,133	1,268	1,455	1,461	1,461	1,461	1,461
Total Reserves	2,267	2,433	11,780	23,153	25,795	28,399	30,702	34,158
Net Worth	**2,525**	**3,566**	**13,048**	**24,608**	**27,256**	**29,860**	**32,162**	**35,619**
Minority Interest	0	0	9	16	31	88	88	88
Total Loans	2,170	3,783	7,440	9,662	7,502	7,293	7,104	6,935
Deferred Tax Liabilities	-35	-1,345	-1,633	-3,647	-5,046	-5,046	-5,046	-5,046
Capital Employed	**4,660**	**6,005**	**18,864**	**30,638**	**29,742**	**32,194**	**34,309**	**37,596**
Gross Block	604	1,043	3,504	7,485	8,152	8,702	9,752	10,302
Less: Accum. Deprn.	415	541	976	2,126	3,357	5,901	8,454	11,527
Net Fixed Assets	**189**	**502**	**2,529**	**5,359**	**4,795**	**2,801**	**1,298**	**-1,225**
Goodwill on Consolidation	1,104	2,020	9,187	10,959	11,769	11,769	11,769	11,769
Capital WIP	0	24	77	22	147	164	184	204
Total Investments	**0**	**37**	**776**	**888**	**820**	**820**	**820**	**820**
Curr. Assets, Loans&Adv.	**5,869**	**8,573**	**14,433**	**28,111**	**27,540**	**36,558**	**41,400**	**51,026**
Inventory	4	18	71	85	221	221	221	221
Account Receivables	2,755	6,926	8,966	13,936	16,164	20,298	22,573	27,167
Cash and Bank Balance	818	1,094	3,039	5,661	5,855	7,843	10,129	14,224
Loans and Advances	2,292	536	2,357	8,430	5,300	8,196	8,477	9,414
Curr. Liability & Prov.	**2,502**	**5,151**	**8,138**	**14,701**	**15,328**	**19,975**	**21,219**	**25,056**
Account Payables	414	674	778	1,481	1,729	2,197	2,351	2,821
Other Current Liabilities	1,941	4,138	6,825	12,166	12,351	16,099	17,080	20,083
Provisions	147	339	536	1,054	1,248	1,679	1,789	2,152
Net Current Assets	**3,367**	**3,423**	**6,294**	**13,411**	**12,212**	**16,583**	**20,181**	**25,970**
Appl. of Funds	**4,660**	**6,005**	**18,864**	**30,638**	**29,742**	**32,136**	**34,251**	**37,538**

E: MOSL Estimates

Financial and valuation

Ratios

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Basic (INR)								
EPS	**5.9**	**7.0**	**10.1**	**21.8**	**17.5**	**17.8**	**15.7**	**23.6**
Cash EPS	6.8	8.3	12.3	27.1	25.9	35.1	33.1	44.6
BV/Share	22.3	31.5	115.1	217.1	240.5	263.5	283.8	314.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	28.0	23.6	16.4	7.6	9.5	9.3	10.6	7.0
Cash P/E	24.4	20.1	13.5	6.1	6.4	4.7	5.0	3.7
P/BV	7.5	5.3	1.4	0.8	0.7	0.6	0.6	0.5
EV/Sales	0.8	0.6	0.6	0.4	0.3	0.2	0.2	0.1
EV/EBITDA	15.5	14.5	10.5	7.8	5.6	3.7	3.3	2.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-1.1	-6.2	2.4	1.1	7.2	22.8	25.3	36.7
Return Ratios (%)								
RoE	30.8	26.7	15.1	16.5	9.9	9.1	7.4	10.2
RoCE	22.6	17.1	11.4	14.6	10.6	11.7	10.2	12.3
RoIC	25.9	22.3	14.9	17.0	12.9	15.9	14.5	19.5
Working Capital Ratios								
Asset Turnover (x)	5.5	5.7	2.3	2.0	2.9	3.4	3.4	3.7
Debtor (Days)	39	74	76	82	69	68	71	71
Creditor (Days)	6	7	7	9	7	7	7	7
Leverage Ratio (x)								
Net Debt/Equity	0.5	0.7	0.3	0.1	0.0	0.0	-0.1	-0.2

Consolidated – Cash flow **(INR m)**

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
OP/(Loss) before Tax	1,049	1,147	1,723	2,615	2,566	2,861	2,647	3,937
Depreciation	101	144	333	747	3	2,544	2,553	3,073
Interest & Finance Charges	218	310	479	755	1,144	1,680	1,812	1,817
Direct Taxes Paid	-412	-482	-839	-744	-1,750	-200	-344	-480
(Inc)/Dec in WC	-942	-1,622	-941	-1,858	-1,248	-2,383	-1,312	-1,694
CF from Operations	**15**	**-503**	**755**	**1,515**	**714**	**4,503**	**5,355**	**6,651**
Others	9	8	-71	-428	1,302	-585	-580	-698
CF from Operating incl EO	**24**	**-495**	**684**	**1,087**	**2,016**	**3,918**	**4,775**	**5,953**
(Inc)/Dec in FA	-145	-226	-383	-928	-957	-570	-1,070	-570
Free Cash Flow	**-120**	**-721**	**301**	**159**	**1,058**	**3,348**	**3,705**	**5,383**
(Pur)/Sale of Investments	-525	0	0	-1,808	-117	0	0	0
Others	375	129	-5,434	-5,333	2,898	0	0	0
CF from Investments	**-295**	**-97**	**-5,817**	**-8,069**	**1,823**	**-570**	**-1,070**	**-570**
Issue of Shares	0	34	3,693	8,485	0	57	0	0
Inc/(Dec) in Debt	1,015	1,137	3,816	1,785	-74	-209	-188	-169
Interest Paid	-217	-304	-443	-665	-865	-1,680	-1,812	-1,817
Others	0	0	13	0	-2,706	473	580	698
CF from Fin. Activity	798	867	7,079	9,605	-3,645	-1,359	-1,420	-1,288
Inc/Dec of Cash	**527**	**275**	**1,946**	**2,622**	**194**	**1,988**	**2,286**	**4,095**
Opening Balance	291	818	1,093	3,039	5,661	5,855	7,843	10,129
Closing Balance	**818**	**1,093**	**3,039**	**5,661**	**5,855**	**7,843**	**10,129**	**14,224**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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