INITIATING COVERAGE | 04 JULY 2019

Container Corporation

BUY

Changing tracks

We initiate on Container Corporation with a BUY. India's dominant container rail operator (~75% mktshare) is expected to report healthy 16% earnings CAGR over FY19-22E, with the commissioning of the (Western) Dedicated Freight Corridor as well as internal efficiencies. We set a Sep-20 TP of Rs 670, based on 24x one year forward earnings, at a 10% premium to its 10-year mean multiple. With commissioning of the DFC, the medium term growth opportunity for CONCOR will drive up valuations.

- **Western DFC (Phase I) in FY20:** The Indian Railways has ramped up infrastructure spend significantly (Rs 1.6 tn in FY20E from Rs 654bn in FY15). The budgeted capex now stands at 0.8% of GDP, an all time high.
- The DFC will connect landlocked (but economically significant) northern states like Haryana, Punjab, NCR, Rajasthan and Western UP to ports in Gujarat (Mundra and Pipavav in Phase-I, by Mar-20. CONCOR will benefit as over 45% of its EXIM traffic moves through these ports. CONCOR is the dominant CTO due to its broad network of ICDs and CFSs. We thus expect CONCOR's volumes to grow in mid teens in tandem with the phased commencement of the DFC.
- **Rail penetration to improve in ports:** Currently, the rail coefficient at ports for container cargo is at just ~20% for large western ports such as Mundra, Pipavav and JNPT (Mumbai). As transit times are reduced to below 24hrs on this route and the freight loading capacity is increased, we expect the rail coefficient to rise to ~30%.
- **Operational efficiencies**: CONCOR's adj. EBITDA margin has risen by 280bps over FY17-19, due to efficiency improvements and operating leverage arising out of double stacking of containers. Empty running charges have declined 10% YoY in FY19 with the ramp up of services at the Khatuwas rail trans-shipment terminal. As the DFC gets operational, more such hubs will drive better utilisation of its network.
- **Other drivers:** Co is expanding into ancillary services such as warehousing and coastal shipping. These initiatives will yield benefits over the medium term.

Financial Summary: Standalone

YE March (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	61,672	68,819	78,277	90,128	108,568
Adj. EBITDA	12,150	14,408	16,660	19,998	25,351
APAT	10,491	12,154	13,584	15,432	18,757
Adj. EPS (Rs)	17.2	19.9	22.3	25.3	30.8
APAT Growth (%)	*22.3*	*15.8*	*11.8*	*13.6*	*21.6*
P/E (x)	33.3	28.7	25.7	22.6	18.6
RoE (%)	11.5	12.6	13.4	14.4	16.3

Source: Company, HDFC sec Inst Research

INDUSTRY	LOGISTICS
CMP *(as on 04 Jul 2019)*	**Rs 573**
Target Price	**Rs 670**
Nifty	11,947
Sensex	39,908
KEY STOCK DATA	
Bloomberg	CCRI IN
No. of Shares (mn)	609
MCap (Rsbn) / ($ mn)	349/5,094
6m avg traded value (Rsmn)	466

STOCK PERFORMANCE (%)			
52 Week high / low			**Rs 583/433**
	3M	6M	12M
Absolute (%)	7.7	5.6	10.5
Relative (%)	4.5	(6.2)	(1.5)

SHAREHOLDING PATTERN (%)	**Dec-18**	**Mar-19**
Promoters	54.8	54.8
FIs & Local MFs	12.7	12.2
FPIs	27.7	28.5
Public & Others	4.7	4.5
Pledged Shares	0.0	0.0

Source : BSE

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Contents

Railways- Changing tracks **3**

Western DFC to be commissioned 4

Railway coefficient to improve 6

CONCOR's volume outlook **7**

Valuations and price target **11**

Key Risks **13**

Financials **14**

Annexure **16**

Financial statements **20**

Despite the benefits of rail based transport, India's freight transport mix is heavily skewed towards road

The modal share of railways has declined steadily from 86% in 1951 to the mid thirties currently.

Railways: Changing tracks

- Despite the benefits of rail based transport, India's freight transport mix is heavily skewed towards road, due to the limited investments in the capex intensive rail and water infrastructure. Thus, amongst the large countries (by land mass), India's share of non-road based transport is significantly lower.

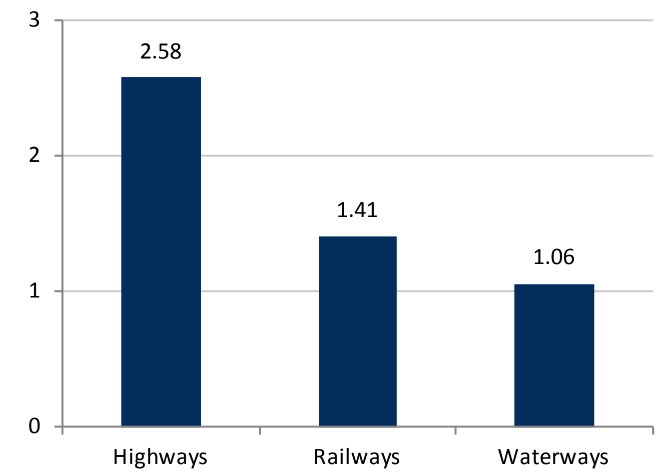
Modal share: India has low share of rail

	Road	Railways	Water	Air
USA	37%	48%	14%	1%
China	22%	47%	30%	1%
India	57%	36%	6%	1%

Source: Company, HDFC Sec Inst Research * as of 2015

- While Railways is more affordable as well as environment friendly vis a vis roadways, the modal share of railways has declined steadily from 86% in 1951 to the mid thirties currently.

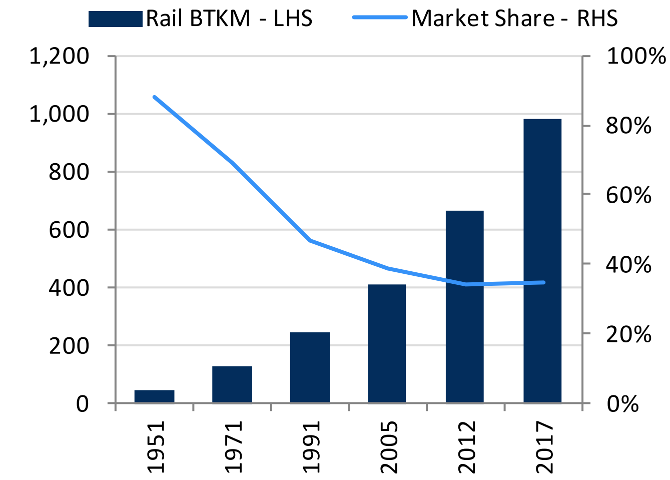
Freight cost per tonne km



Source: GoI, HDFC sec Inst Research

- The loss of share is due to capacity constraints in the trunk route i.e. IR's golden quadrilateral constitutes 15% of the total capacity of the railways but it transports 52% of passenger traffic and 58% of total freight load, leading to network inefficiencies.

Indian Railways market share in freight transport



Source: Industry, HDFC sec Inst Research

The government's focus is on network expansion, increasing track capacity and electrification

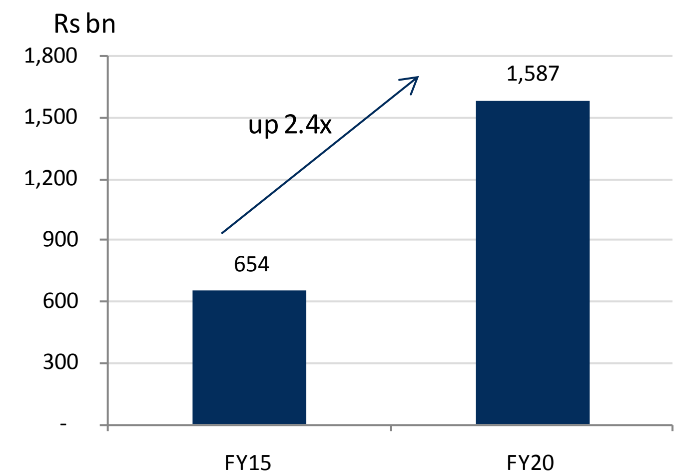
The government has increased railway capex to Rs 1,587bn in FY20 ($22.7bn) from Rs 654bn ($9.3bn) in FY15

Once the DFC is commissioned, the average speed of the time will increase 3x to 75kmph and the train height will increase to 7.1m, thus allowing for double stacking

The Railways has ramped up investments

- Under the current government, railways are investing aggressively in network expansion. They have increased their capex to Rs 1,587bn in FY20 ($22.7bn) from Rs 654bn ($9.3bn) in FY15. **For FY20, capex is budgeted at 0.8% of GDP (including off budget provisions).** The government's focus is on increasing track capacity and electrification. Funding for the various initiatives is tied up with both internal as well as external agencies such as JICA, World Bank.

Indian railways capex : sharp increase



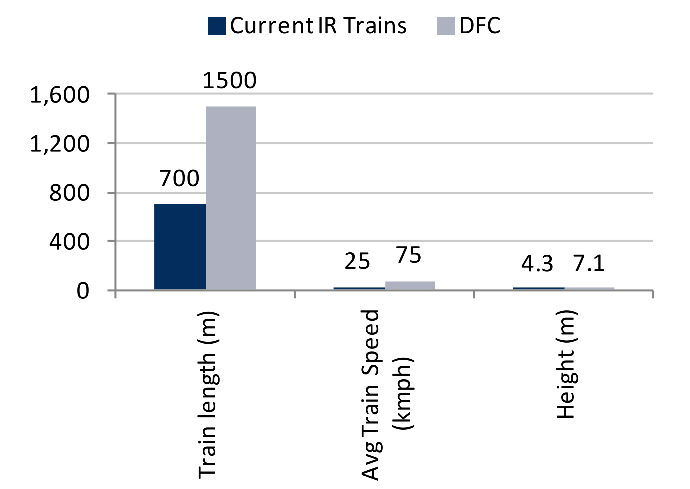
Source: GoI, HDFC sec Inst Research

- One of the key priorities of the government during its second tenure is the completion of the Dedicated Freight corridors by 2021. Thus, the long delayed DFCCIL freight corridor is nearing completion, with the first phase of the Western Freight Corridor expected to be commissioned by Mar-20.

Western DFC (Phase I) by FY20-end

- The DFC will connect the landlocked northern states to the ports in Gujarat i.e. Mundra and Pipavav in Phase I, which is expected to be commissioned by Mar-20. Already Trial runs have commenced on the various sectors, with the Madar – Palanpur segment expected to be commissioned by Mar-20.
- The trains which will run on the DFC route will be able to carry 1.3x the load at 13,000T per train vs. 5,000T currently. The electric locomotives (with 2X25 KV OHE) will significantly improve the speed of the train from 25kmph currently to 75 kmph, leading to faster turnaround times.

DFC trains to enhance payloads



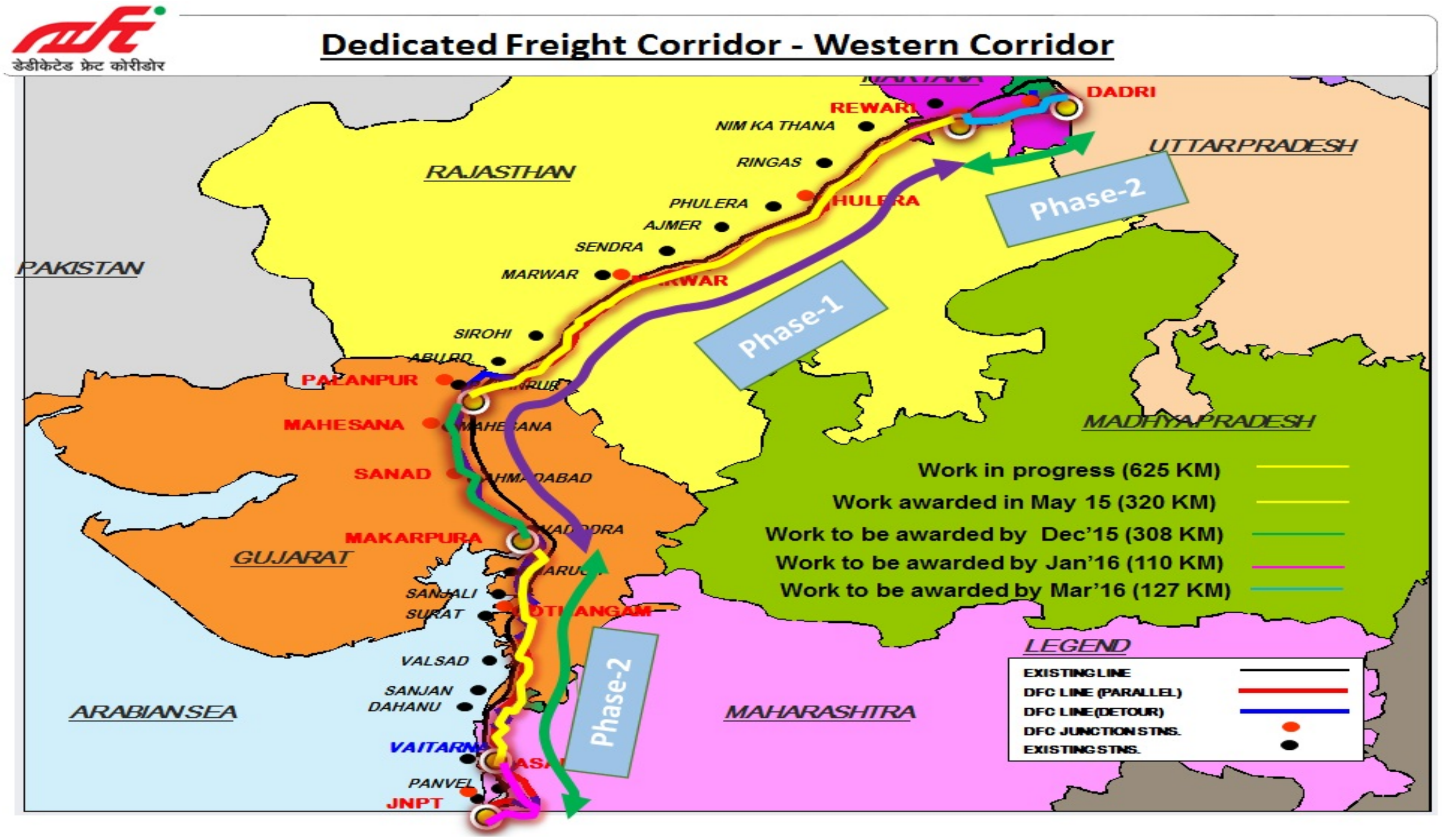
Source: DFCCIL, HDFC sec Inst Research

Phase 1 from Haryana to Gujarat will start in the next 6 months, while Phase 2 is expected to commence in phases over the next 24 months

Western dedicated freight corridor timelines

	Expected Timeline	Sector	Distance	Comments
Phase 1	Aug-18	Ateli (Haryana)– Phulera (Rajasthan)	190km	Double stack container train trial run completed
Phase 1	Oct-19	Madar (Ajmer) - Rewari (Haryana)	306 km	Trial runs have already commenced
Phase 1	Mar-20	Madar (Ajmer) – Palanpur (Gujarat)	305 km	Work is on full progress
Phase 2	FY21	Dadari – Rewari	127 km	Work is on going
Phase 2	FY22	Palanpur – JNPT	738 km	Work is on going

Source: DFCCIL, HDFC sec Inst Research



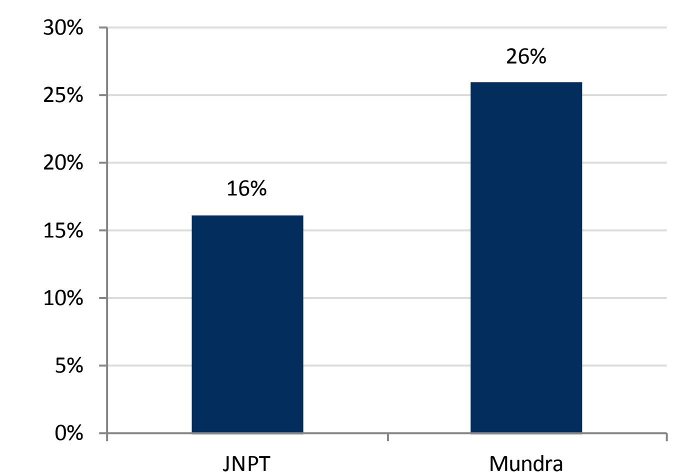
Source: DFCCIL, HDFC sec Inst Research

As transit times are reduced to below 24hrs and the load capacity is increased, the rail coefficient should double to ~30% in our view.

Rail Coefficient to improve

- Currently, the rail coefficient at ports for containerized cargo is low, at around 20% for the important ports. Higher transit times due to congestion, particularly at JNPT, leads to delayed movement by train (it takes upto 3 days for freight trains to complete the JNPT to north India journey). Expectedly, a significant portion of the EXIM traffic moves by roadways, despite significant cost advantages of the railways.

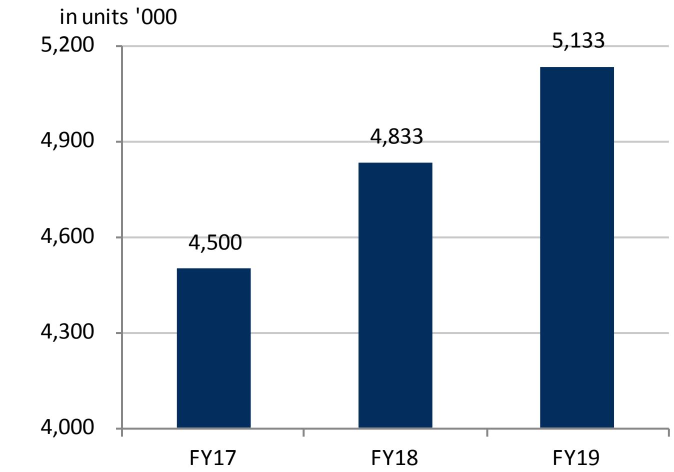
Rail coefficient at major ports is low



Source: Company, HDFC sec Inst Research

- Once the DFC is commissioned, the average speed of the train will increase 3x to 75kmph and double stacking will be possible on the entire route network. This will effectively allow the container trains to carry over 300 TEU's (up from 90 currently on single stacked trains). Thus, as transit time is reduced to below 24hrs and the load capacity per service is increased, the rail coefficient should double to ~30% in our view.

JNPT annual TEU volumes



Source: Company, HDFC sec Inst Research

- Currently, the Container TEU volumes of JNPT are 5.3M annually – as more containers are transported by railways, CONCOR will be a significant beneficiary as the operator has a market share of ~78% at JNPT and 52% at Mundra.

CONCOR's has dominant market share across ports

JNPT	78%
Mundra	52%

As CONCOR is the leading CTO with a market share of ~75% due to its well spread network of ICD's / CFS', they will be the prime beneficiary of the DFC.

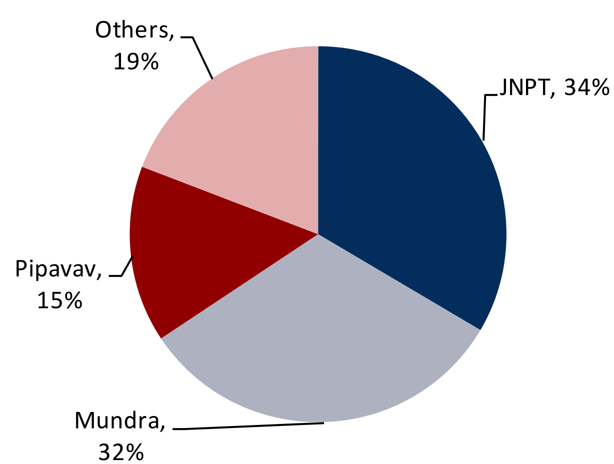
Over 45% of Concor's traffic will be connected to the DFC by FY20

CONCOR's volume outlook

Over 45% of CONCOR's traffic to be connected

- As CONCOR is the dominant CTO with a market share of ~75% with a well spread network of ICD's / CFS', they will be the prime beneficiary of the DFC. CONCOR has a dominant terminal network comprising of over 80 locations pan India. This 'moat' will be difficult for other operators to replicate, particularly as several ICD's are at strategic locations. The management intends to expand its terminal network to 100 facilities pan India over the next two years.
- As Phase I between Rewari (Haryana) to Palanpur (Gujarat) is expected to be complete by year end; the DFC will connect to the ports of Mundra and Pipavav in Gujarat (via feeder routes). These ports account for 47% of CONCOR's EXIM volumes – thus, the CTO will benefit from the enhanced connectivity.

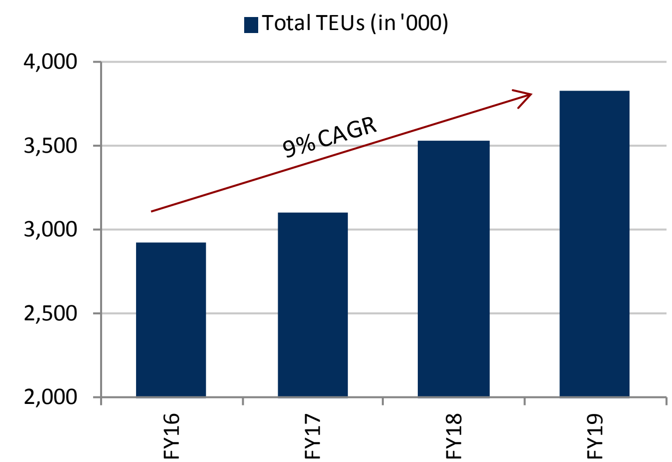
CONCOR's port-wise mix



Source: Company, HDFC sec Inst Research

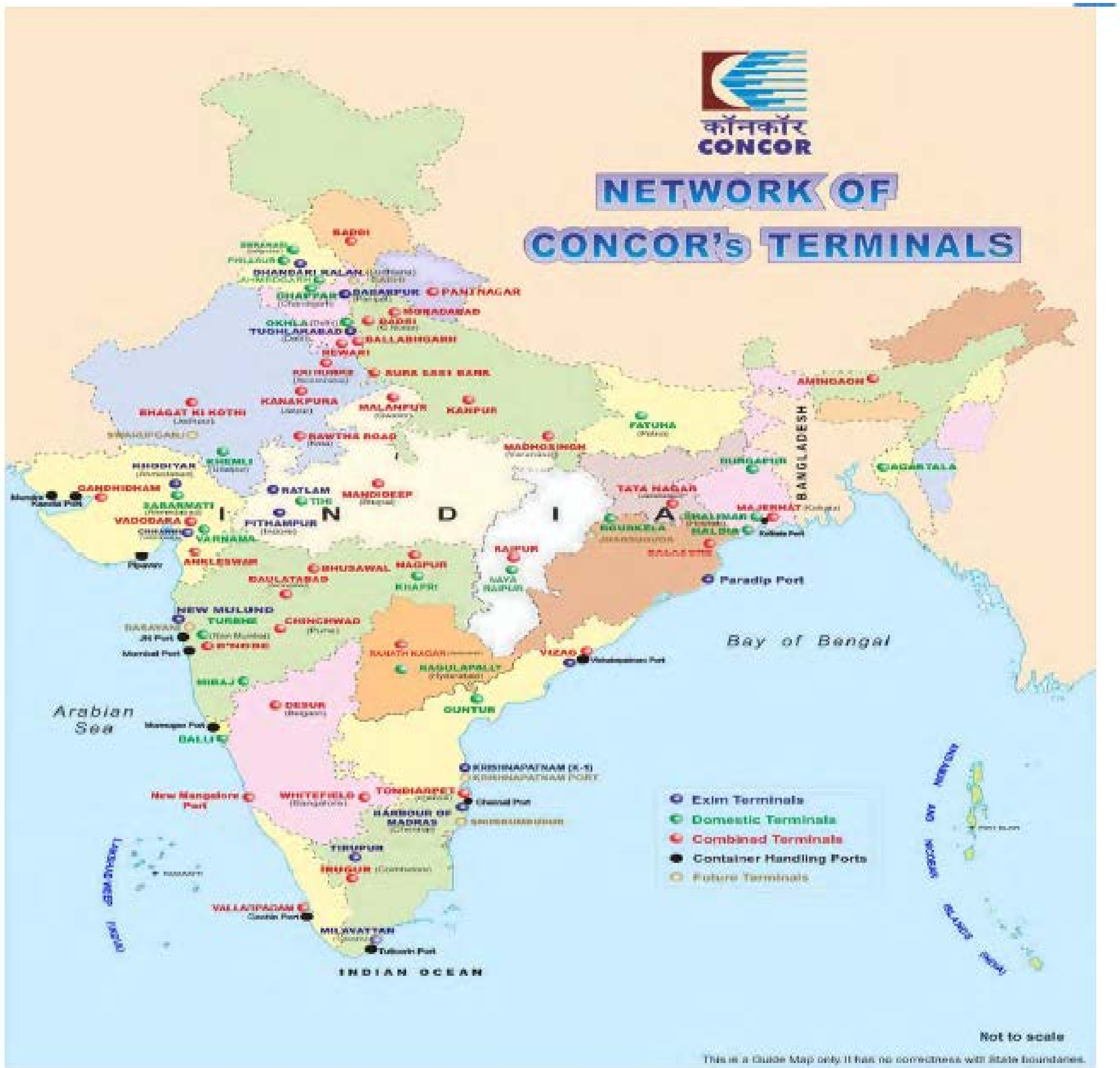
- CONCOR's TEU handling volumes have grown at ~9% over FY16-19, which is ahead of the container volume loading growth at the major ports (of 6%). CONCOR's initiatives i.e. introduction of double stack trains, time tabled service as well as the removal of port congestion levied by railways has led to an improvement in volumes. From Sep-18, CONCOR is offering 45 days free storage period to EXIM containers and 90 days for empty containers across its EXIM terminals.

TEU Growth



Source: Company, HDFC sec Inst Research

CONCOR has a network of over 80 terminals in India and the management plans to expand it to 100 facilities over the next two years



Source: Company, HDFC sec Inst Research

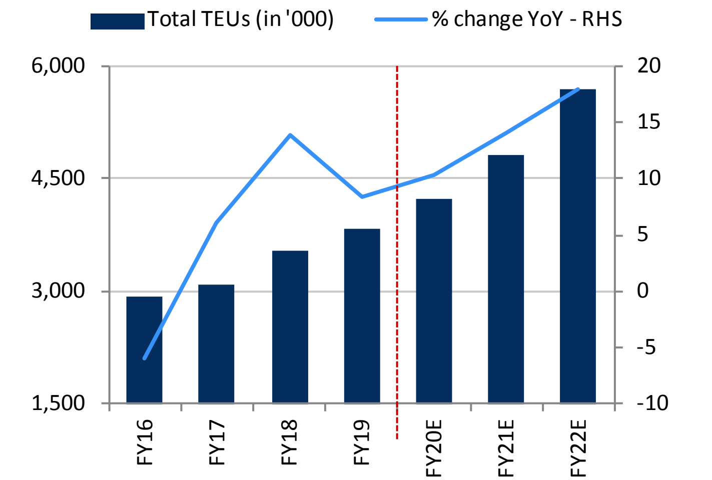
We expect volume growth to pick up from FY21 onwards. Volumes are expected to grow in mid teens

Khatuwas in Rajasthan has emerged as a transshipment hub, leading to efficiency improvements

CONCOR's volumes to grow in mid teens

- We expect volume growth to pick up from FY21 onwards, once the new lines from Rewari to Palanpur are commissioned. The traffic will further benefit as the connection to JNPT port is established in the subsequent years. With the commissioning of the DFC, we expect CONCOR to report a 14% CAGR growth in container volumes over FY19-22E (vs. 9% over FY16-19). This will be driven by the increasing railway coefficient as highlighted earlier.

TEU growth: Expected in mid teens

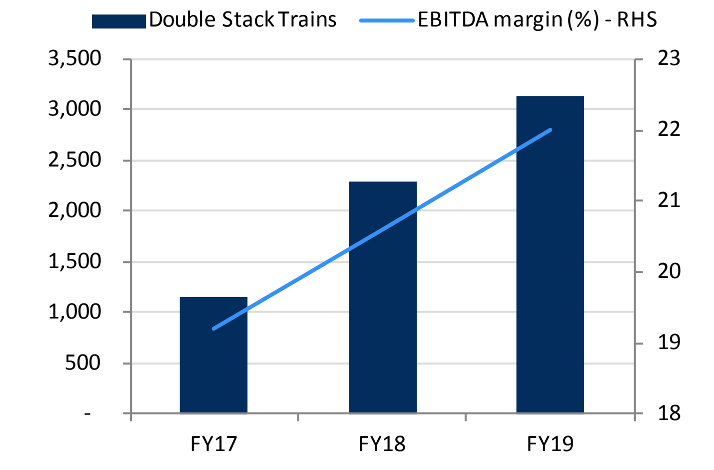


Source: Company, HDFC sec Inst Research

EBITDA margins have risen

- The company introduced double stacking since CY17 – as the train can load two containers (one 40 foot container on top of the base containers), railways provides 50% discount on the upper container leading to significant cost savings. This also leads to improved efficiency as the empty running costs reduce materially due to the network effect. To facilitate double stacking, Khatuwas in Rajashtan has been developed as a rail Transshipment Hub. Currently, trains coming to /from North India converge here.
- As a result, empty running charges have come down materially and are at Rs 2,270mn annually, which is down -10% YoY.

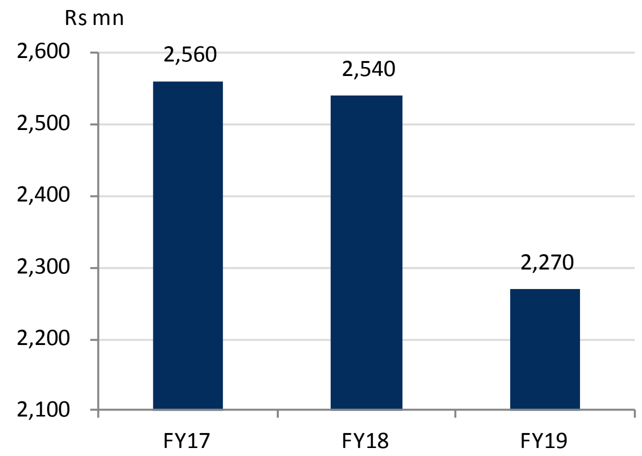
EBITDA margins: Benefiting from double stacking



Source: Company, HDFC sec Inst Research

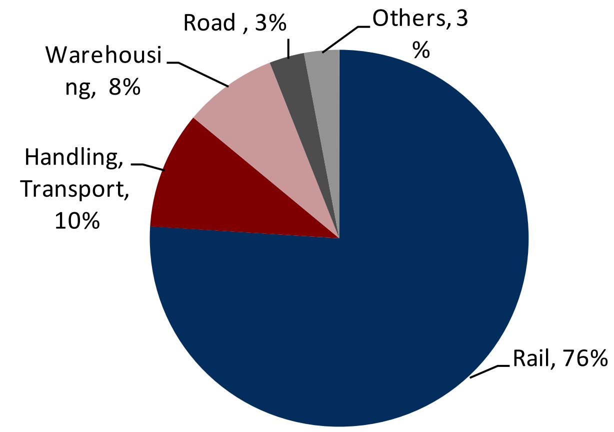
Empty running charges have come down 10% YoY after the introduction of double stacking

Empty running charges: Reduced 10% in FY19



Source: Company, HDFC sec Inst Research

Revenue Mix (%)



Source: Company, HDFC sec Inst Research

Focus on other segments

CONCOR is foraying into new segments including distribution logistics and coastal shipping services

- CONCOR has opened its first distribution logistics centre in Chennai on Mar-19. The company has identified 20 locations for setting up distribution logistic centres — a vertical integration of its core business. They will be developing around 50 million sq ft of warehousing in 4-5 years at various centers, which will be structured on a public-private-partnership model.
- The company has recently ventured into coastal shipping as the government is focusing on sea transport. This is a recent initiative as CONCOR launched its first coastal service in Jan-19 (between Kandla and Tuticorin by a weekly call, deploying two 700-TEU capacity ships). They will expand services into the east coast and connect Bangladesh as well.
- We expect CONCOR to incur a capex of Rs 8bn p.a. over the next three years. The expenditure will be towards various initiatives including purchase of rakes, investments in MMLP's as well as towards new segments.

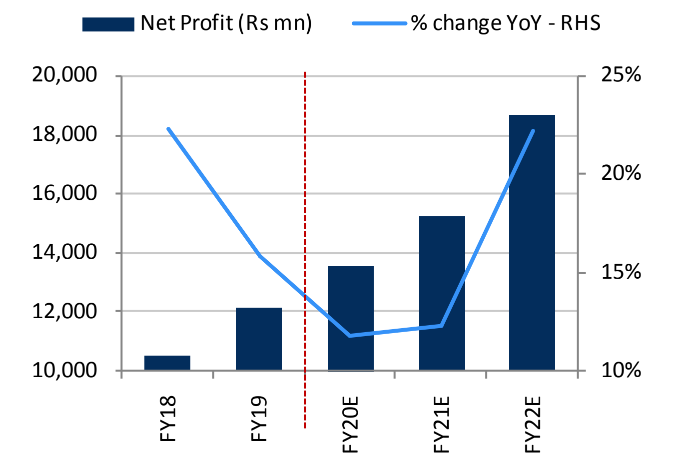
We expect healthy earnings growth of 16% over FY19-22E as the benefits of DFC and CONCOR's internal efficiencies are reflected in the improved performance.

Valuation & price target

We expect 16% Earnings CAGR over FY19-22E:

- Based on our forecasts, we expect healthy earnings growth of 16% over FY19-22E as the benefits of DFC and CONCOR's internal efficiencies are reflected in the improved performance.

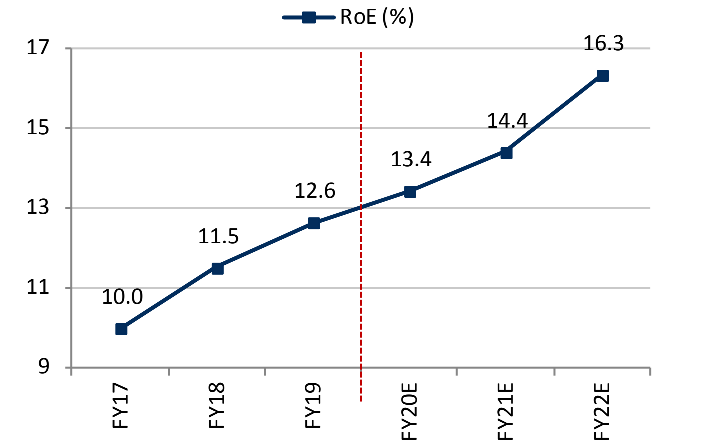
PAT growth (%)



Source: Company, HDFC sec Inst Research

- We commensurately expect the ROE to improve to mid teens.

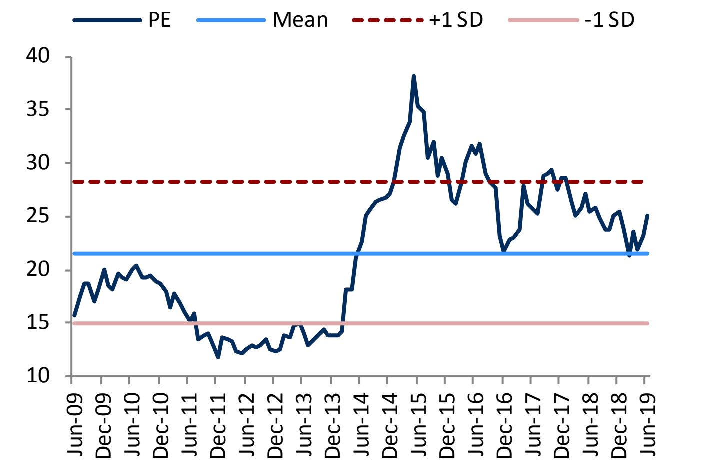
ROE (%)



Source: Company, HDFC sec Inst Research

- We set a Sep-20 TP of Rs 670 based on 24x one year forward earnings. We value the company at a 10% premium to its 10 year mean P/E. With the commissioning of the DFC, the medium term growth opportunity will drive valuations.

One year rolling forward P/E



Source: Company, HDFC sec Inst Research

We expect EXIM volumes to witness a pick up as the DFC gets commissioned over FY21-22

Key assumptions

	FY18	FY19	FY20E	FY21E	FY22E
Domestic TEU	529,952	584,160	654,259	745,855	865,192
% YoY	15.1	10.2	12.0	14.0	16.0
Exports TEU	3,001,948	3,245,259	3,569,785	4,069,555	4,816,992
% YoY	13.6	8.1	10.0	14.0	18.4
Total TEU	**3,531,900**	**3,829,419**	**4,224,044**	**4,815,410**	**5,682,184**
% YoY	**13.9**	**8.4**	**10.3**	**14.0**	**18.0**
Realisations (in INR)	17,461	17,971	18,531	18,717	19,107
% Growth	(3.4)	2.9	3.1	1.0	2.1

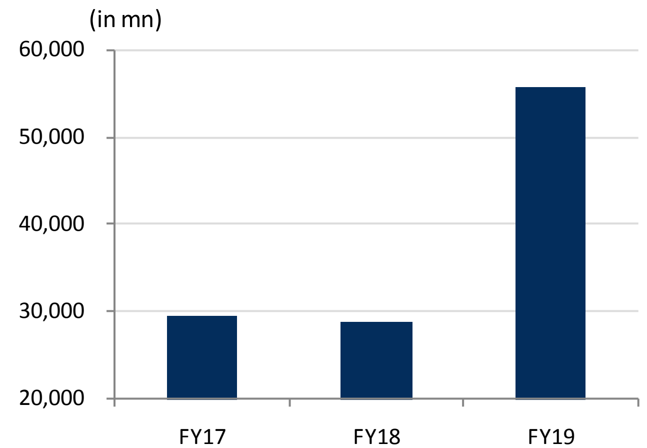
Source: Company, HDFC sec Inst Research

The Indian Railways policies could impact the working capital

Key risks

- **Indian Railways policies could impact working capital:** CONCOR has paid ~Rs 30bn to the Indian Railways in late FY19 as advance freight charges to avail the railways freight scheme in FY20. While this protects CONCOR against haulage-charge hikes by the Indian Railways for one year, the operator's working capital will be impacted as they will incur the expense upfront.

Other current assets: Steep increase



Source: Company, HDFC sec Inst Research

- **Macro slowdown in global trade:** However, we expect CONCOR's volume growth to be driven by the country's rising domestic requirements as well as market share gains from roadways.
- **DFC related charges:** the railways may levy a higher than expected charge for the DFC, which could impact profitability. However, we believe that the railways should keep the rates competitive, in order to increase market share.

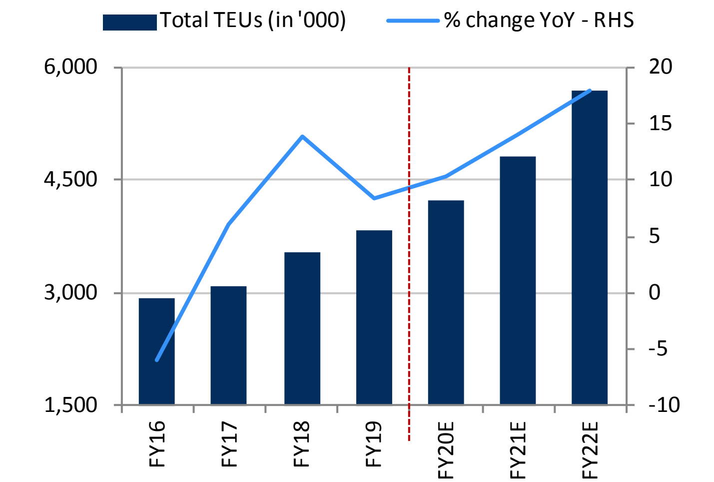
CONCOR's TEU handling volumes have grown at ~9% over FY16-19, which is ahead of the container volume loading growth at the major ports (of 6%)

We expect volume growth to accelerate over FY19-22

Financials

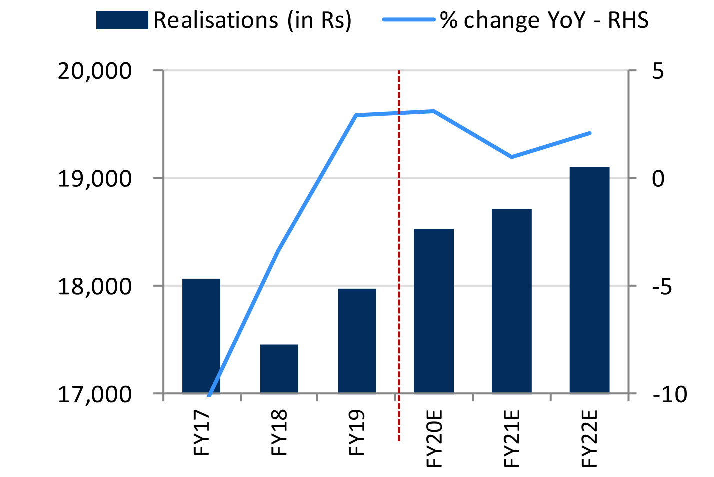
- CONCOR's volumes will grow in mid teens due to the phased commission of the DFC. We expect volume growth to pick up from FY21 onwards, once the new lines from Rewari to Palanpur are commissioned. As CONCOR is the dominant CTO with a market share of ~75%, it is expected to a significant beneficiary of the DFC.

Total volumes



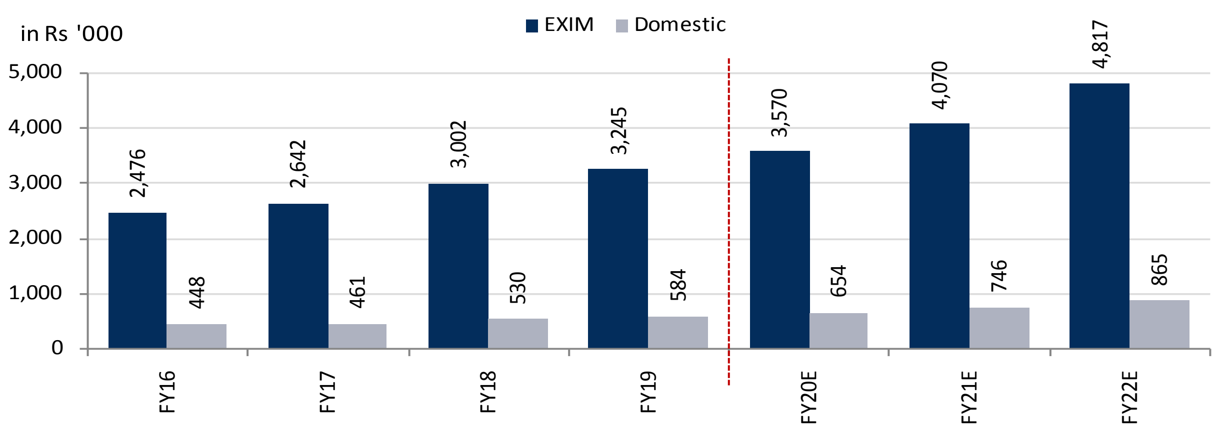
Source: Company, HDFC sec Inst Research

Realisation



Source: Company, HDFC sec Inst Research

Volume split



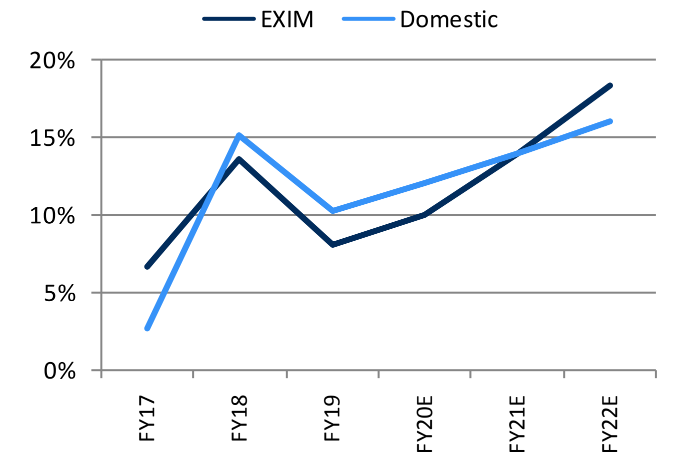
Source: Company, HDFC sec Inst Research

EBITDA margins have risen led by efficiency gains and double stack benefits

We expect net profit to grow at 16% CAGR over FY19-22E

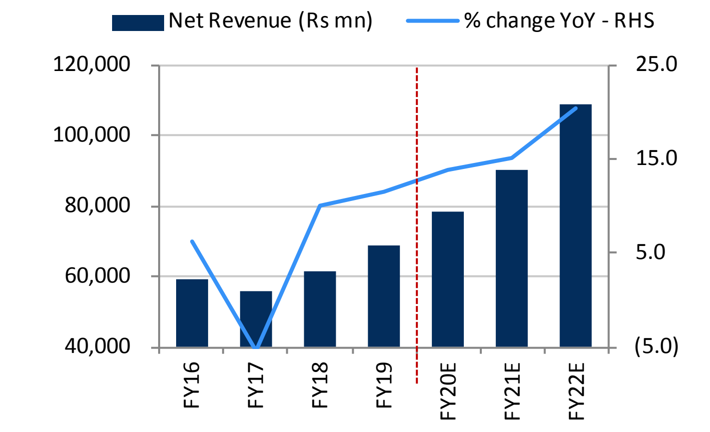
- After witnessing flat EBITDA margins over FY14-17, CONCOR witnessed rising margins in FY18-19 due to efficiency gains led by double stacking. We expect the margins to improve further over FY20-22. The EBITDA margins are reported after adjusting for the Service Exports from India Scheme (SEIS) income. (The government scheme is to promote export of services from India).

Volume growth YoY (%)



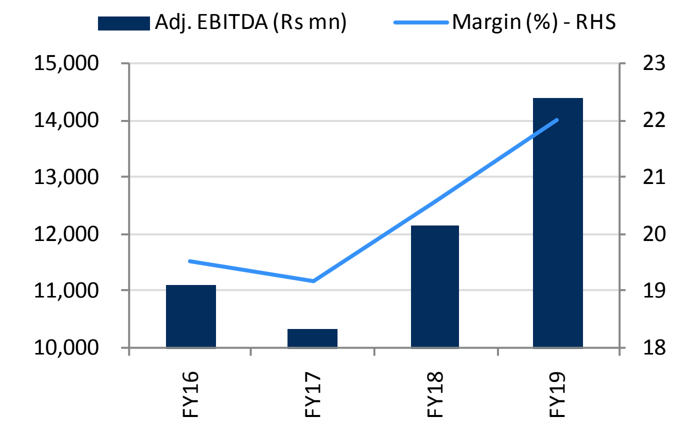
Source: Company,HDFC sec Inst Research

Net Revenue



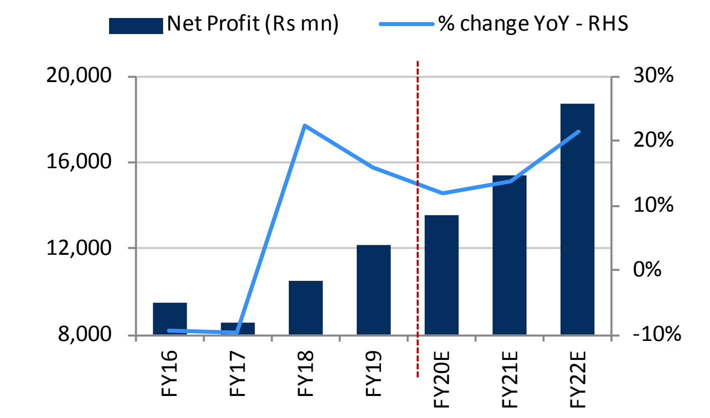
Source: Company,HDFC sec Inst Research

Adj. EBITDA (ex SIES income)



Source: Company,HDFC sec Inst Research

Net Profit



Source: Company, HDFC sec Inst Research

Annexure

Freight comparison

Truck	
Road freight - Rs.	35,000
Distance (km): Mum - Del	1,400
Payload (in tonne)	10
Rate per tonne km	**2.5**

Railway	
Rate - Rs.	29,000
Distance (km):	1400
Payload (in tonne)	13
Rate per tonne km	**1.6**

Source: Company, HDFC sec Inst Research

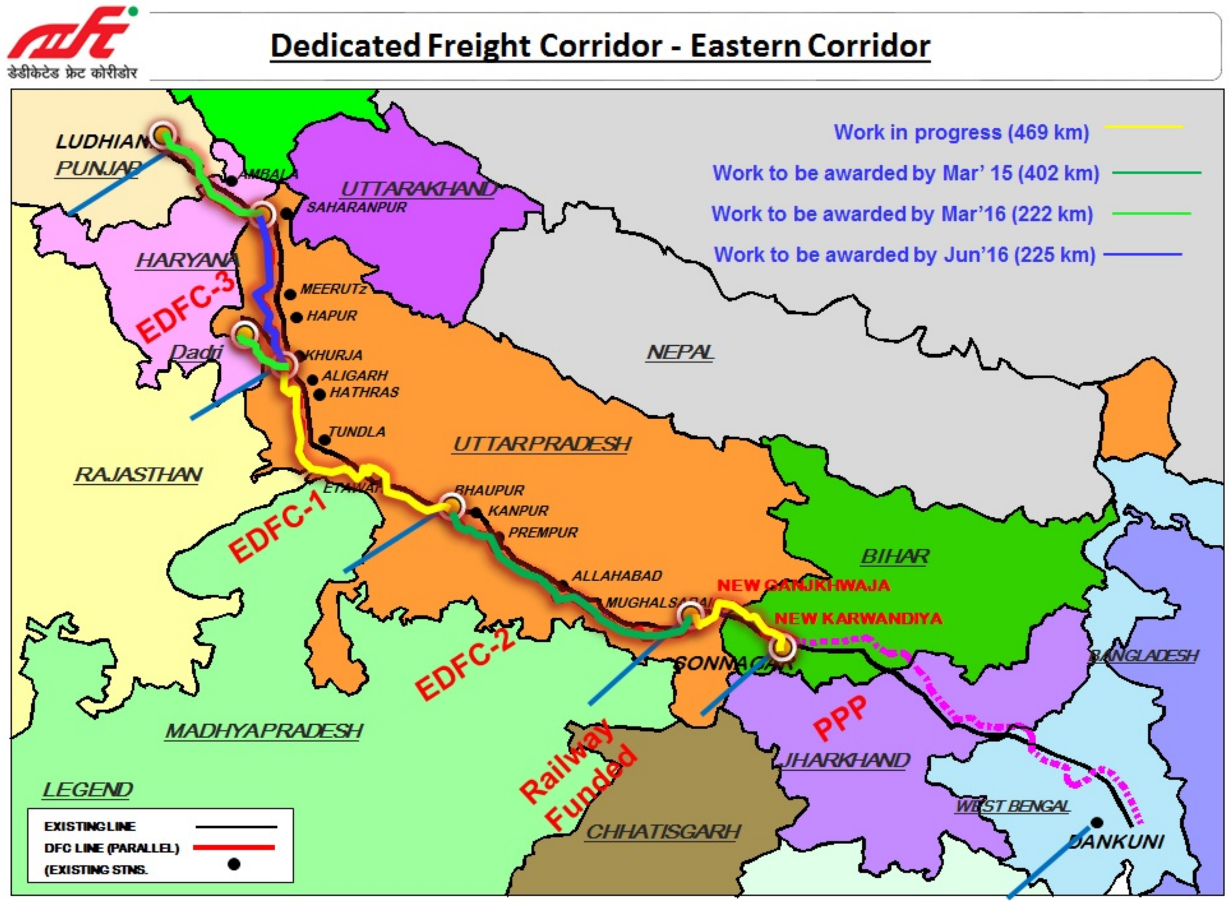
Objectives of Dedicated Frieght Corridor (DFC)

Source: Company, HDFC sec Inst Research

Train dimensions

Feature	Existing	On DFC
Moving Dimensions		
Height	4.265 m	7.1 m for Western DFC 5.1 m for Eastern DFC
Width	3200 mm	3660 mm
Container Stack	Single Stack	Double Stack
Train length	700 m	1500 m
Train Load	5,000 Ton	13,000 Ton

Source: Company, HDFC sec Inst Research



Source: Company, HDFC sec Inst Research

Timeline of the EDFC:

Expected Timeline	Sector	Distance	Comments
Nov-18	Bhada - Khurja	194 km	Trial run successfully conducted
Nov-19	Khurja - Bhaupur	351 km	Work is on full progress
Dec-20	Bhaupur - Mughalsarai	402 km	Work is ongoing
Dec-20	Mughalsarai - Sonnagar	126 km	Work is ongoing
Dec-20	Khurja - Dadri	46 km	Work is on going
Dec-21	Khurja - Ludhiana	401 km	Work is on going

Source: DFC, HDFC sec Inst Research

Electric-powered double stacking

- Electric powered locomotives will pave the way for the faster running of trains. DFC has a provision of 2 x 25 KV OHE to undertake higher haulage at greater speeds while IR has 25 KV OHE capacities. The Over Head Equipment (OHE) in WDFC is of 7.4-meter height in contrast to the existing Indian Railways (IR) OHE of 5.5 meter for double stack container movement on flat wagons. A total of 45 TSS are planned along the entire length of the DFC, with the Western Dedicated Freight Corridor accounting for 25 TSS and the EDFC for 20 TSS.

CONCOR's existing terminals

Existing terminals: 81	
Pure EXIM	14
Pure Domestic	23
Strategic tie-ups	8
Combined terminals	36

Source: Company, HDFC sec Inst Research

Terminals in major states	
Maharashtra	9
Gujarat	7
Tamil Nadu	5
UP	5
Rajasthan	5
Punjab	5
MP	5
West Bengal	4
Assam	1
Bihar	1
Chhattisgarh	2
AP	4
Haryana	3
Delhi	2
Karnataka	3
Orissa	4
Telangana	2
Goa	1

Source: Company, HDFC sec Inst Research

Income Statement (Standalone)

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
Net Revenues	**61,672**	**68,819**	**78,277**	**90,128**	**108,568**
Growth (%)	***10.0***	***11.6***	***13.7***	***15.1***	***20.5***
Railway Charges	41,712	45,175	51,663	59,935	72,198
Employee Cost	2,779	3,368	3,522	3,876	4,668
Other Expenses	2,352	2,477	2,701	3,335	3,963
Total Expenditure	**46,843**	**51,019**	**57,886**	**67,145**	**80,829**
EBITDA	**14,829**	**17,800**	**20,391**	**22,983**	**27,739**
EBITDA Margin (%)	***24.0***	***25.9***	***26.1***	***25.5***	***25.6***
Adj. EBITDA *	**12,150**	**14,408**	**16,660**	**19,998**	**25,351**
Adj. EBITDA Margin (%)	***20.6***	***22.0***	***22.3***	***22.9***	***23.9***
EBITDA Growth (%)	***17.4***	***18.6***	***15.6***	***20.0***	***26.8***
Depreciation	3,927	4,246	4,567	4,712	5,213
EBIT	**10,902**	**13,554**	**15,824**	**18,271**	**22,526**
Other Income (Including EO Items)	3,026	3,342	3,187	3,676	4,099
Interest	1	7	403	454	501
PBT	**13,927**	**16,889**	**18,608**	**21,493**	**26,124**
Tax (Incl Deferred)	3,436	4,735	5,024	6,061	7,367
RPAT	**10,491**	**12,154**	**13,584**	**15,432**	**18,757**
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-
APAT	**10,491**	**12,154**	**13,584**	**15,432**	**18,757**
APAT Growth (%)	***22.3***	***15.8***	***11.8***	***13.6***	***21.6***
Adjusted EPS (Rs)	17.2	19.9	22.3	25.3	30.8
EPS Growth (%)	***22.3***	***15.8***	***11.8***	***13.6***	***21.6***

Source: Company, HDFC sec Inst Research *EBITDA adjusted for SIES income

Balance Sheet (Standalone)

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
SOURCES OF FUNDS					
Share Capital - Equity	2,437	3,046	3,046	3,046	3,046
Reserves	91,574	95,298	100,935	107,339	116,221
Total Shareholders Funds	**94,011**	**98,344**	**103,982**	**110,386**	**119,267**
Total Debt	**-**	**7,000**	**7,140**	**7,283**	**7,428**
Deferred Tax Liability	**1,877**	**1,689**	**1,520**	**1,368**	**1,232**
TOTAL SOURCES OF FUNDS	**95,888**	**107,034**	**112,642**	**119,037**	**127,927**
APPLICATION OF FUNDS					
Net Block	36,484	40,305	43,871	47,289	50,204
CWIP	6,710	6,643	6,510	6,380	6,253
Investments	7,142	7,642	7,893	8,144	8,395
Total Non-current Assets	**50,336**	**54,590**	**58,274**	**61,813**	**64,851**
Cash & Equivalents	**26,565**	**7,830**	**8,656**	**10,421**	**15,417**
Inventories	274	245	214	247	297
Debtors	604	886	1,008	1,161	1,398
Other Current Assets	28,699	55,677	57,617	59,630	61,716
Total Current Assets	**56,143**	**64,639**	**67,495**	**71,458**	**78,829**
Creditors	9,887	11,351	12,114	13,018	14,293
Other Current Liabilities & Provns	704	845	1,013	1,216	1,459
Total Current Liabilities	**10,590**	**12,195**	**13,128**	**14,234**	**15,753**
Net Current Assets	**45,552**	**52,443**	**54,368**	**57,224**	**63,076**
TOTAL APPLICATION OF FUNDS	**95,888**	**107,034**	**112,642**	**119,037**	**127,927**

Source: Company, HDFC sec Inst Research

Cash Flow (Standalone)

(Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	**13,927**	**16,889**	**18,608**	**21,493**	**26,124**
Non-operating & EO Items	(3,026)	(3,342)	(3,187)	(3,676)	(4,099)
Interest Expenses	1	7	403	454	501
Depreciation	3,927	4,246	4,567	4,712	5,213
Working Capital Change	2,536	(25,626)	(1,099)	(1,091)	(856)
Tax Paid	(3,961)	(4,922)	(5,193)	(6,213)	(7,504)
OPERATING CASH FLOW (a)	**13,404**	**(12,749)**	**14,099**	**15,679**	**19,379**
Capex	(8,352)	(8,000)	(8,000)	(8,000)	(8,000)
Free Cash Flow (FCF)	*5,053*	*(20,749)*	*6,099*	*7,679*	*11,379*
Investments	(153)	(500)	(251)	(251)	(251)
Non-operating Income	3,026	3,342	3,187	3,676	4,099
INVESTING CASH FLOW (b)	**(5,479)**	**(5,158)**	**(5,064)**	**(4,575)**	**(4,152)**
Debt Issuance/(Repaid)	-	7,000	140	143	146
Interest Expenses	(1)	(7)	(403)	(454)	(501)
FCFE	*5,052*	*(13,756)*	*5,836*	*7,368*	*11,024*
Share Capital Issuance	56	0	(0)	-	0
Dividend	(4,998)	(7,821)	(7,947)	(9,028)	(9,876)
FINANCING CASH FLOW (c)	**(4,943)**	**(828)**	**(8,210)**	**(9,339)**	**(10,231)**
NET CASH FLOW (a+b+c)	**2,983**	**(18,735)**	**825**	**1,765**	**4,996**
Closing Cash & Equivalents	26,565	7,830	8,655	10,421	15,417

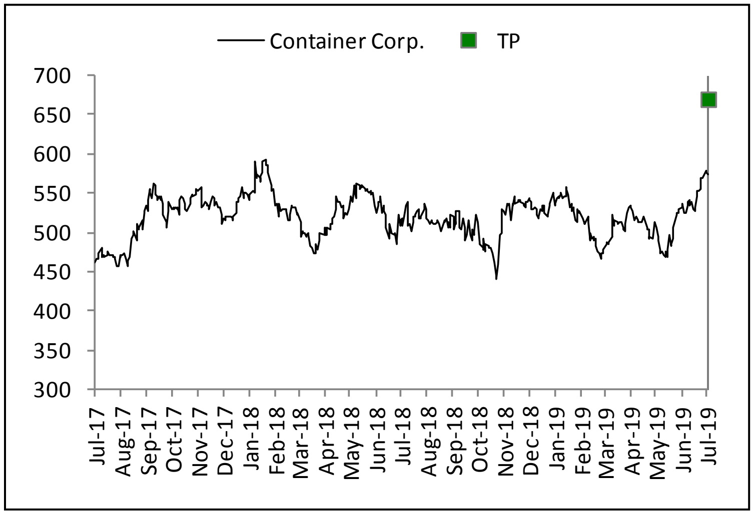
Source: Company, HDFC sec Inst Research

Key Ratios (Standalone)

	FY18	FY19	FY20E	FY21E	FY22E
KEY RATIOS	**FY18**	**FY19**	**FY20E**	**FY21E**	**FY22E**
PROFITABILITY (%)					
Adj. GPM	29.3	31.0	30.7	31.2	32.0
Adj. EBITDA Margin	20.6	22.0	22.3	22.9	23.9
EBIT Margin	17.7	19.7	20.2	20.3	20.7
APAT Margin	17.0	17.7	17.4	17.1	17.3
RoE	11.5	12.6	13.4	14.4	16.3
RoIC (or Core RoCE)	12.0	11.6	11.4	12.3	14.6
RoCE	8.8	9.6	10.5	11.3	13.1
EFFICIENCY					
Tax Rate (%)	24.7	28.0	27.0	28.2	28.2
Fixed Asset Turnover (x)	1.7	1.7	1.8	1.9	2.2
Inventory (days)	1.6	1.3	1.0	1.0	1.0
Debtors (days)	3.6	4.7	4.7	4.7	4.7
Other Current Assets (days)	169.9	295.3	268.7	241.5	207.5
Payables (days)	58.5	60.2	56.5	52.7	48.1
Other Current Liab & Provns (days)	4.2	4.5	4.7	4.9	4.9
Cash Conversion Cycle (days)	112.4	236.6	213.2	189.5	160.2
Debt/EBITDA (x)	-	0.4	0.4	0.3	0.3
Net D/E (x)	(0.3)	(0.0)	(0.0)	(0.0)	(0.1)
Interest Coverage (x)	NA	NA	39.3	40.2	45.0
PER SHARE DATA (Rs)					
EPS	17.2	19.9	22.3	25.3	30.8
CEPS	29.6	26.9	29.8	33.1	39.3
Dividend	17.1	12.3	11.1	12.7	13.9
Book Value	193	161	171	181	196
VALUATION					
P/E (x)	33.3	28.7	25.7	22.6	18.6
P/BV (x)	3.0	3.5	3.4	3.2	2.9
EV/EBITDA (x)	20.8	24.2	20.9	17.3	13.5
EV/Revenues (x)	4.1	5.1	4.4	3.8	3.1
OCF/EV (%)	5.3	(3.7)	4.1	4.5	5.7
FCF/EV (%)	2.0	(6.0)	1.8	2.2	3.3
FCFE/Mkt Cap (%)	1.8	(3.9)	1.7	2.1	3.2

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
4-Jul-19	573	BUY	670

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