

# Hindustan Petroleum Corporation

**BUY**

## Outshines among the OMCs

We maintain **BUY** on HPCL following a decent run in Q2. Furthermore, 55% refinery capacity addition (taking total capacity to 24.5mmt) by FY21E and stable marketing margins post elections gives us confidence in HPCL.

### HIGHLIGHTS OF THE QUARTER

- HPCL's 2QFY20 EBITDA came in at Rs 23.19bn (41.1% QoQ) owing to 16.3% QoQ jump in refining throughput, 15.8% rise in gross marketing margin to Rs4.4/ltr and 3.77x jump in reported GRM to USD 2.83/bbl. Core EBITDA (excluding inventory gains and forex losses) was up 20.2% QoQ to Rs 23.88bn.
- Refining:** Refinery throughput was 4.56mmt. Utilisation stood at 122/109% for the Mumbai/Visakh refineries. Core GRM (excluding inventory gains of USD 0.27/bbl) stood at USD 2.56/bbl vs USD 3.27/2.69 in 1Q/2QFY19. GRM were impacted owing to USD8/bbl QoQ fall in LPG cracks but offset by strong HSD (USD15.4/bbl) and MS (USD9.3/bbl) spreads.
- In the near term, GRM will bump up owing to IMO specification changes which will support HSD cracks. While in the long term, bottom upgradation project at the Visakh refinery will boost GRM. This is owing to jump in the share of middle distillates to 65% from the

current 51% while reducing the share of heavy ends to 5% from 18%.

- Marketing:** Domestic marketing sales volumes were 9.4mmt, up 2.8% YoY while India's petroleum product consumption was up 2.3% YoY. Thus demonstrating that HPCL gained market share. Blended gross margin stood at Rs 4.4/lit (+20.0/15.8% YoY/QoQ). These margins seem sustainable.
- Key monitorable:** Marketing margins on auto fuels.

### STANCE

**HPCL is doubling its existing capacity at Visakh from 8.3mmtpa to 15mmtpa by FY21E (outlay Rs. 210bn) and increasing it from the current 7.5mmtpa to 9.5mmtpa (outlay Rs 50bn) at Mumbai. This will drive the earnings for its refinery business.**

**We remain constructive on HPCL in a falling crude price scenario as it will (1) Reduce Govt's intervention in auto fuel pricing, (2) Reduce working capital, (3) Put subsidy burden overhang to rest. Our SOTP target is Rs 362 (6x Sep 21E EV/e for standalone refining and pipeline, 7x EV/e for marketing and Rs 54/sh from other investments). Maintain BUY.**

### Financial Summary (Standalone)

(Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Revenues	608.63	675.18	(9.9)	709.89	(14.3)	2,752.53	2,740.47	3,126.31	3,243.17
EBITDA	23.19	21.22	9.3	16.44	41.1	115.53	88.54	107.92	122.01
APAT	10.52	10.92	(3.6)	8.11	29.8	60.84	44.31	51.01	54.65
AEPS (Rs)	6.9	7.2	(3.6)	5.3	29.8	39.9	29.1	33.5	35.9
P/E (x)						7.4	10.1	8.8	8.2
EV/EBITDA (x)						5.3	8.1	7.1	6.2
RoE (%)						23.3	15.0	15.6	15.1

Source: Company, HDFC sec Inst Research

INDUSTRY	OIL & GAS
<b>CMP (as on 08 Nov 19)</b>	<b>Rs 294</b>
<b>Target Price</b>	<b>Rs 362</b>
Nifty	11,908
Sensex	40,324

### KEY STOCK DATA

Bloomberg	HPCL IN
No. of Shares (mn)	1,524
MCap (Rs bn) / (\$ mn)	448/6,286
6m avg traded value (Rs mn)	1,827

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 334/211		
	3M	6M	12M
Absolute (%)	17.4	4.3	28.0
Relative (%)	9.4	(2.4)	13.6

### SHAREHOLDING PATTERN (%)

	Jun-19	Sep-19
Promoters	-	-
FIs & Local MFs	17.22	17.22
FPIs	19.64	19.64
Public & Others	63.14	63.14
Pledged Shares	0.00	0.00

Source : BSE

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**Core EBITDA (excluding inventory and forex gains/ (losses)) was Rs 23.88bn (+37.8/20.2% YoY/QoQ)**

**Reported EBITDA came in at Rs 23.19bn (41.1% QoQ) owing to 16.3% QoQ jump in refining throughput, 15.8% rise in gross marketing margin to Rs4.4/ltr and 3.77x jump in reported GRM to USD 2.83/bbl**

### Quarterly Financials Snapshot (Standalone)

(Rs bn)	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
<b>Net Sales</b>	<b>608.63</b>	<b>675.18</b>	<b>(9.9)</b>	<b>709.89</b>	<b>(14.3)</b>	<b>1,318.52</b>	<b>1,351.47</b>	<b>(2.4)</b>
Raw Material and Traded goods	546.26	609.40	(10.4)	656.57	(16.8)	1,202.83	1,210.32	(0.6)
Employee Expenses	7.76	6.89	12.6	8.13	(4.5)	15.88	14.24	11.5
Other Expenses	31.43	37.67	(16.6)	28.75	9.3	60.18	73.78	(18.4)
<b>EBITDA</b>	<b>23.19</b>	<b>21.22</b>	<b>9.3</b>	<b>16.44</b>	<b>41.1</b>	<b>39.63</b>	<b>53.13</b>	<b>(25.4)</b>
<b>Core EBITDA*</b>	<b>23.88</b>	<b>17.33</b>	<b>37.8</b>	<b>19.86</b>	<b>20.2</b>	<b>43.74</b>	<b>35.56</b>	<b>23.0</b>
Depreciation	8.12	7.38	10.0	8.15	(0.4)	16.27	14.45	12.6
<b>EBIT</b>	<b>15.07</b>	<b>13.83</b>	<b>8.9</b>	<b>8.29</b>	<b>81.8</b>	<b>23.36</b>	<b>38.68</b>	<b>(39.6)</b>
Other Income	3.96	4.13	(4.3)	6.16	(35.8)	10.12	7.19	40.8
Interest Cost	2.86	2.01	42.3	2.06	38.5	4.92	3.92	25.6
<b>PBT</b>	<b>16.17</b>	<b>15.96</b>	<b>1.3</b>	<b>12.39</b>	<b>30.5</b>	<b>28.56</b>	<b>41.95</b>	<b>(31.9)</b>
Tax	5.65	5.04	12.0	4.28	31.9	9.93	13.84	(28.3)
<b>RPAT</b>	<b>10.52</b>	<b>10.92</b>	<b>(3.6)</b>	<b>8.11</b>	<b>29.8</b>	<b>18.63</b>	<b>28.11</b>	<b>(33.7)</b>
EO (Loss) / Profit (Net Of Tax)	-	-	-	-	-	-	-	-
<b>APAT</b>	<b>10.52</b>	<b>10.92</b>	<b>(3.6)</b>	<b>8.11</b>	<b>29.8</b>	<b>18.63</b>	<b>28.11</b>	<b>(33.7)</b>
<b>AEPS</b>	<b>6.91</b>	<b>7.17</b>	<b>(3.6)</b>	<b>5.32</b>	<b>29.8</b>	<b>12.23</b>	<b>18.45</b>	<b>(33.7)</b>

### Margin Analysis

	2QFY20	2QFY19	YoY (bps)	1QFY20	QoQ (bps)	1HFY20	1HFY19	YoY (bps)
Raw Material As % Of Net Sales	89.8	90.3	(50.6)	92.5	(273.8)	91.2	89.6	167.0
Employee Expenses as % of Net Sales	1.3	1.0	25.4	1.1	13.0	1.2	1.1	15.1
Opex As % of Net Sales	5.2	5.6	(41.6)	4.1	111.3	4.6	5.5	(89.5)
EBITDA Margin (%)	3.8	3.1	66.7	2.3	149.4	3.0	3.9	(92.5)
Net Profit Margin (%)	1.7	1.6	11.2	1.1	58.7	1.4	2.1	(66.7)
Tax Rate (%)	34.9	31.6	333.1	34.6	37.1	34.8	33.0	177.0

### Key Quarterly Data

	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY (%)
Refinery Throughput (mnT)	4.56	4.76	(4.2)	3.92	16.3	8.48	9.28	(8.6)
Pipeline Throughput (mnT)	5.05	5.25	(3.8)	5.34	(5.4)	10.39	10.70	(2.9)
Marketing Throughput (mnT)	9.40	9.14	2.8	10.09	(6.8)	19.49	18.86	3.3
<b>Core GRM (USD/bbl)</b>	<b>2.56</b>	<b>2.69</b>	<b>(5.0)</b>	<b>3.27</b>	<b>(21.9)</b>	<b>2.89</b>	<b>3.17</b>	<b>(9.0)</b>
Inventory Gain/(Loss) (USD/bbl)	0.27	2.12	(87.1)	(2.52)	(110.9)	(1.10)	2.78	(139.6)
Reported GRM (USD/bbl)	2.83	4.81	(41.2)	0.75	277.3	1.81	5.96	(69.7)
Exchange Gain/(Loss) (Rs bn)	(1.22)	(8.87)	(86.2)	1.94	(163.0)	0.72	(14.24)	(105.0)
Adventitious Gain/(Loss) (Rs bn)	0.53	12.76	(95.8)	(5.36)	(109.9)	(4.83)	31.81	(115.2)
Debt (Rs bn)	297.59	178.52	66.7	204.27	45.7	297.59	178.52	66.7

Source: Company, HDFC sec Inst Research, \*Core EBITDA net off inventory gains, forex gain/ (loss) and other operating income

### Assumptions

	Unit	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Refining</b>							
HPCL Throughput	mnT	17.7	18.2	18.4	17.9	20.4	27.0
HMEL Throughput	mnT	10.5	8.8	12.5	12.5	12.5	12.5
GRM Standalone	USD/bbl	4.9	6.8	4.7	4.0	4.2	4.5
HMEL GRM	USD/bbl	11.3	15.0	7.8	8.5	9.0	9.0
<b>Marketing</b>							
Volumes	mnT	35.2	36.9	37.9	39.8	41.1	43.0
YoY Growth	%	3.0	4.7	2.9	4.9	3.4	4.4
Diesel Volume	mnT	17.0	17.7	18.1	19.6	20.3	20.9
Diesel Volume Growth	%	0.8	4.4	2.2	8.0	3.5	3.0
Diesel's Margin	Rs/lit	2.6	2.6	2.6	2.7	2.9	3.0
<b>Pipeline</b>							
Volumes	mnT	17.9	20.1	21.5	22.5	23.0	23.0
<b>Macro</b>							
Crude Price	USD/bbl	50.0	57.5	70.2	65.0	75.0	75.0
Exchange Rate	USD/INR	67.1	66.0	69.9	70.0	72.0	72.0

Source: Company, HDFC sec Inst Research

### Change in estimates

Particulars (Rs bn)	FY20E			FY21E		
	Old	New	%Ch	Old	New	%Ch
Revenues	2,811.15	2,740.47	(2.5)	3,126.31	3,126.31	-
EBIDTA	93.65	88.54	(5.5)	116.44	107.92	(7.3)
APAT	55.36	44.31	(20.0)	59.83	51.01	(14.7)
AEPS	36.32	29.07	(20.0)	39.25	33.47	(14.7)

Source: Company, HDFC sec Inst Research

**We have changed our estimates to factor in a lower GRM expectation**

**Valuation (Based On Sep 21E)**

Business	EBIDTA (Rs bn)	Multiple (x)	Value (Rs bn)	Value (Rs/sh)	Valuation basis
<b>Standalone</b>					
Refining	23.29	6.0	139.74	92	EV/EBIDTA on Sep 21E
Marketing	77.34	7.0	541.35	355	EV/EBIDTA on Sep 21E
Pipeline	14.34	6.0	86.05	56	EV/EBIDTA on Sep 21E
Standalone net Debt			(297.71)	-195	As on Sep 21E
<b>Standalone Equity Value</b>	<b>114.97</b>		<b>469.43</b>	<b>308</b>	
<b>Investments</b>					
HMEL Investment	41.5	6.0	248.98	163	EV/EBIDTA on Sep 21E
HMEL net debt			(164.96)	-108	As on Sep 20E
HMEL Equity value			84.02	27	HPCL's stake is 48.9%
<b>Traded investments</b>					
	<b>o/s shares (mn)</b>	<b>CMP(Rs/sh)</b>			
Oil India	17.8	150.0	1.87	1	30% disc. to CMP
MRPL	297.2	52.0	10.82	7	30% disc. to CMP
<b>Other non traded investments</b>					
			28.84	19	0.5x BV
<b>Investments Equity Value</b>			<b>125.54</b>	<b>54</b>	
<b>Value per share</b>				<b>362</b>	

Source: Company, HDFC sec Inst Research

**Peer Set Comparison**

	MCap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	Upside %	EPS (Rs/sh)				P/E (x)				P/BV (x)				ROE (%)			
						FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
Reliance Industries	9,160	1,445	NEU	1,527	5.7	55.5	61.2	60.6	65.4	26.0	23.6	23.8	22.1	2.3	2.1	1.9	1.8	9.8	9.2	8.4	8.5
ONGC	1,736	138	BUY	207	49.8	21.2	23.0	23.5	24.1	6.5	6.01	5.9	5.7	0.9	0.8	0.7	0.7	13.5	13.8	13.2	12.7
Indian Oil Corp	1,230	134	BUY	185	38.4	18.4	16.5	20.3	23.1	7.3	8.1	6.6	5.8	1.1	1.1	1.0	0.9	15.4	13.5	15.4	16.1
BPCL	987	502	SELL	451	(10.2)	36.3	37.5	39.5	39.0	13.8	13.4	12.7	12.9	2.7	2.4	2.2	2.0	20.1	19.0	18.1	16.3
GAIL	573	127	BUY	197	55.1	13.8	11.8	13.9	15.1	9.2	10.8	9.1	8.4	1.3	1.2	1.1	1.0	14.8	11.6	12.7	12.6
<b>HPCL</b>	<b>448</b>	<b>294</b>	<b>BUY</b>	<b>362</b>	<b>23.2</b>	<b>39.9</b>	<b>29.1</b>	<b>33.5</b>	<b>35.9</b>	<b>7.4</b>	<b>10.1</b>	<b>8.8</b>	<b>8.2</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>23.3</b>	<b>15.0</b>	<b>15.6</b>	<b>15.1</b>
Petronet LNG	425	283	BUY	390	37.8	14.4	18.0	22.0	23.8	19.7	15.7	12.9	11.9	4.2	4.0	3.8	3.7	21.8	26.2	30.5	31.8
Indraprastha Gas	293	418	BUY	483	15.6	11.2	15.5	16.7	18.7	37.2	27.0	25.0	22.3	7.1	6.0	5.2	4.5	20.6	24.1	22.4	21.7
Oil India	180	166	BUY	225	35.7	33.4	30.9	31.8	32.8	5.0	5.4	5.2	5.1	0.6	0.6	0.5	0.5	13.0	11.4	10.5	9.8
Gujarat Gas	135	196	BUY	261	33.4	6.3	12.5	12.2	13.9	31.1	15.6	16.1	14.1	6.1	4.2	3.5	2.8	21.3	32.1	23.7	22.2
GSPL	120	213	BUY	251	17.8	14.1	18.9	21.1	24.8	15.1	11.3	10.1	8.6	2.1	1.8	1.6	1.4	14.7	17.4	17.1	17.7
Mahanagar Gas	96	969	BUY	1,157	19.4	55.3	60.0	60.5	62.1	17.5	16.2	16.0	15.6	4.0	3.5	3.1	2.7	24.3	23.0	20.3	18.5

Source: Company, HDFC sec Inst Research | \*Fair Value

## Standalone Income Statement

Rs bn	FY18	FY19	FY20E	FY21E	FY22E
<b>Revenues</b>	<b>2,193.33</b>	<b>2,752.53</b>	<b>2,740.47</b>	<b>3,126.31</b>	<b>3,243.17</b>
<b>Growth (%)</b>	<b>17.3</b>	<b>25.5</b>	<b>(0.4)</b>	<b>14.1</b>	<b>3.7</b>
Material Expenses	1,944.47	2,479.17	2,495.72	2,845.85	2,928.63
Employee Expenses	28.59	29.38	32.32	35.56	39.11
Other Operating Expenses	112.89	128.45	123.88	136.98	153.42
<b>EBIDTA</b>	<b>107.38</b>	<b>115.53</b>	<b>88.54</b>	<b>107.92</b>	<b>122.01</b>
<b>EBIDTA Margin (%)</b>	<b>4.9</b>	<b>4.2</b>	<b>3.2</b>	<b>3.5</b>	<b>3.8</b>
<b>EBITDA Growth (%)</b>	<b>1.5</b>	<b>7.6</b>	<b>(23.4)</b>	<b>21.9</b>	<b>13.1</b>
<b>Core EBITDA</b>	<b>90.29</b>	<b>97.04</b>	<b>88.54</b>	<b>107.92</b>	<b>122.01</b>
<b>Core EBITDA margin (%)</b>	<b>4.12</b>	<b>3.53</b>	<b>3.23</b>	<b>3.45</b>	<b>3.76</b>
<b>Core EBITDA growth (%)</b>	<b>34.53</b>	<b>7.48</b>	<b>(8.76)</b>	<b>21.89</b>	<b>13.05</b>
Depreciation	27.53	30.13	32.64	37.44	43.67
<b>EBIT</b>	<b>79.86</b>	<b>85.40</b>	<b>55.90</b>	<b>70.48</b>	<b>78.34</b>
Other Income Incl EO	18.49	16.35	19.95	17.95	16.16
Interest	5.67	7.26	9.06	11.54	12.11
<b>PBT</b>	<b>92.68</b>	<b>94.49</b>	<b>66.79</b>	<b>76.90</b>	<b>82.39</b>
Tax	28.45	33.10	22.48	25.88	27.73
<b>RPAT</b>	<b>64.24</b>	<b>61.39</b>	<b>44.31</b>	<b>51.01</b>	<b>54.65</b>
EO (Loss) / Profit (Net Of Tax)	0.67	0.55	-	-	-
<b>APAT</b>	<b>63.57</b>	<b>60.84</b>	<b>44.31</b>	<b>51.01</b>	<b>54.65</b>
<b>APAT Growth (%)</b>	<b>2.7</b>	<b>(4.3)</b>	<b>(27.2)</b>	<b>15.1</b>	<b>7.1</b>
<b>AEPS</b>	<b>41.7</b>	<b>39.9</b>	<b>29.1</b>	<b>33.5</b>	<b>35.9</b>
<b>EPS Growth (%)</b>	<b>2.8</b>	<b>(4.3)</b>	<b>(27.2)</b>	<b>15.1</b>	<b>7.1</b>

Source: Company, HDFC sec Inst Research , \*Core EBITDA net of inventory gains, forex gain/(loss) and other operating income

## Standalone Balance Sheet

Rs bn	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>					
Share Capital	15.24	15.24	15.24	15.24	15.24
Reserves	224.24	266.51	295.31	328.47	363.99
<b>Total Shareholders' Funds</b>	<b>239.48</b>	<b>281.75</b>	<b>310.55</b>	<b>343.71</b>	<b>379.23</b>
Long-term Debt	88.31	113.18	213.18	245.18	260.18
Short-term Debt	107.62	137.93	148.93	166.93	146.93
<b>Total Debt</b>	<b>195.93</b>	<b>251.11</b>	<b>362.11</b>	<b>412.11</b>	<b>407.11</b>
Deferred Taxes	65.69	71.65	48.66	56.03	60.03
Long Term Provisions & Others	0.83	1.79	1.83	1.86	1.90
<b>TOTAL SOURCES OF FUNDS</b>	<b>501.94</b>	<b>606.29</b>	<b>723.15</b>	<b>813.71</b>	<b>848.27</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	379.72	409.79	422.25	605.61	688.52
CWIP	39.85	94.96	184.96	85.77	29.29
Investments	111.05	118.19	119.64	121.21	122.80
LT Loans & Advances	7.29	11.41	14.51	11.10	9.15
Other Non-current Assets	17.50	22.07	22.73	23.41	24.11
<b>Total Non-current Assets</b>	<b>555.41</b>	<b>656.42</b>	<b>764.09</b>	<b>847.10</b>	<b>873.87</b>
Inventories	184.20	201.93	194.36	221.62	228.07
Debtors	55.73	56.53	55.88	63.75	66.13
Cash & Equivalents	11.79	0.96	4.21	3.34	9.28
Other Current Assets	60.95	121.67	120.91	123.23	124.03
<b>Total Current Assets</b>	<b>312.66</b>	<b>381.09</b>	<b>375.35</b>	<b>411.95</b>	<b>427.51</b>
Creditors	156.38	188.77	173.72	198.10	203.86
Other Current Liabilities	209.76	242.45	242.57	247.24	249.26
<b>Total Current Liabilities</b>	<b>366.14</b>	<b>431.21</b>	<b>416.30</b>	<b>445.34</b>	<b>453.12</b>
<b>Net Current Assets</b>	<b>(53.47)</b>	<b>(50.12)</b>	<b>(40.94)</b>	<b>(33.39)</b>	<b>(25.60)</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>501.94</b>	<b>606.29</b>	<b>723.15</b>	<b>813.71</b>	<b>848.27</b>

Source: Company, HDFC sec Inst Research

## Standalone Cash Flow Statement

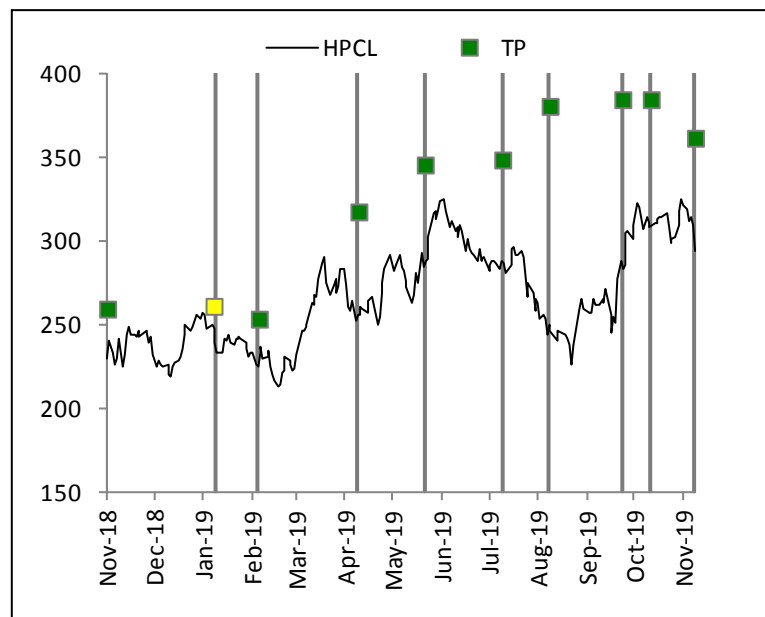
Rs bn	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	92.02	93.94	66.79	76.90	82.39
Non-operating & EO Items	(18.49)	(16.35)	(19.95)	(17.95)	(16.16)
Interest Expenses	5.67	7.26	9.06	11.54	12.11
Depreciation	27.53	30.13	32.64	37.44	43.67
Working Capital Change	(9.38)	(18.52)	(9.02)	(4.99)	0.11
Tax Paid	(21.71)	(27.14)	(45.47)	(18.52)	(23.73)
<b>OPERATING CASH FLOW ( a )</b>	<b>75.63</b>	<b>69.31</b>	<b>34.06</b>	<b>84.41</b>	<b>98.38</b>
Capex	(67.67)	(115.31)	(135.09)	(121.61)	(70.09)
<b>Free Cash Flow (FCF)</b>	<b>7.96</b>	<b>(46.00)</b>	<b>(101.03)</b>	<b>(37.20)</b>	<b>28.29</b>
Investments	12.52	4.65	17.83	15.71	13.86
<b>INVESTING CASH FLOW ( b )</b>	<b>(55.15)</b>	<b>(110.66)</b>	<b>(117.26)</b>	<b>(105.91)</b>	<b>(56.23)</b>
Debt Issuance/(Repaid)	24.20	56.36	111.02	50.03	(4.97)
Interest Expenses	(5.67)	(7.26)	(9.06)	(11.54)	(12.11)
<b>FCFE</b>	<b>26.49</b>	<b>3.10</b>	<b>0.93</b>	<b>1.28</b>	<b>11.20</b>
Share Capital Issuance	5.08	-	-	-	-
Dividend	(31.19)	(29.17)	(15.51)	(17.86)	(19.13)
Others	(1.46)	10.59	(0.00)	-	-
<b>FINANCING CASH FLOW ( c )</b>	<b>(9.03)</b>	<b>30.52</b>	<b>86.45</b>	<b>20.63</b>	<b>(36.22)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>11.45</b>	<b>(10.83)</b>	<b>3.25</b>	<b>(0.86)</b>	<b>5.94</b>
EO Items, Others	-	-	-	-	-
Closing Cash & Equivalents	11.79	0.96	4.21	3.34	9.28

Source: Company, HDFC sec Inst Research

## Standalone Key Ratios

	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY %</b>					
EBITDA Margin	4.9	4.2	3.2	3.5	3.8
EBIT Margin	4.5	3.7	2.8	2.8	2.9
APAT Margin	2.9	2.2	1.6	1.6	1.7
RoE	28.7	23.3	15.0	15.6	15.1
Core RoCE	24.7	22.0	14.1	13.2	10.5
RoCE	18.7	15.2	9.7	9.6	9.3
<b>EFFICIENCY</b>					
Tax Rate %	30.9	35.2	33.7	33.7	33.7
Asset turnover (x)	2.7	2.9	2.5	2.6	2.5
Inventory (days)	31	27	26	26	26
Debtor (days)	9	7	7	7	7
Other Current Assets (days)	10	16	16	14	14
Payables (days)	27	26	24	24	24
Other Curr Liab & Prov (days)	27	26	24	24	24
Cash conversion cycle (days)	(5)	(2)	2	(0)	(1)
Net Debt/EBITDA (x)	1.2	1.7	3.5	3.3	2.8
Net D/E	0.6	0.7	1.0	1.0	0.9
Interest Coverage	17.4	14.0	8.4	7.7	7.8
<b>PER SHARE DATA</b>					
EPS (Rs)	41.7	39.9	29.1	33.5	35.9
CEPS (Rs)	59.8	59.7	50.5	58.0	64.5
DPS (Rs)	17.0	15.9	8.5	9.7	10.4
BV (Rs)	157.1	184.8	203.7	225.5	248.8
<b>VALUATION</b>					
P/E (x)	7.0	7.4	10.1	8.8	8.2
P/Cash EPS (x)	4.9	4.9	5.8	5.1	4.6
P/BV (x)	1.9	1.6	1.4	1.3	1.2
EV/EBITDA (x)	5.1	5.3	8.1	7.1	6.2
EV/Revenue (x)	0.2	0.2	0.3	0.2	0.2
OCF/EV (%)	13.9	11.2	4.7	10.9	13.0
FCFF/EV (%)	1.5	(7.5)	(14.0)	(4.8)	3.7
FCFE/M CAP (%)	5.9	0.7	0.2	0.3	2.5
Dividend Yield (%)	5.8	5.4	2.9	3.3	3.5

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
2-Nov-18	229	BUY	260
9-Jan-19	248	NEU	261
6-Feb-19	225	BUY	254
9-Apr-19	256	BUY	318
21-May-19	285	BUY	346
9-Jul-19	288	BUY	349
9-Aug-19	251	BUY	381
22-Sep-19	245	BUY	385
11-Oct-19	311	BUY	385
9-Nov-19	294	BUY	362

**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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