

Base business pre-sales disappoints

ORL reported Rev/EBITDA/APAT miss of 22/22/32%. We maintain NEU with a reduced SOTP-based TP of Rs 510/sh (vs Rs 525/sh earlier). We have not made any changes to our FY20/FY21E estimates.

HIGHLIGHTS OF THE QUARTER

- 2QFY20 Revenue/ EBITDA/ APAT declined 17/28/35% YoY to Rs 4.9/2.1/1.4bn. Revenue from Real Estate development came in at Rs 3.5bn (-25.2/-24.1% YoY/QoQ) with revenue from hospitality segment at Rs 0.3bn (-1.4/-2% YoY/QoQ) and revenue from rental assets at Rs 0.94bn (+17.2/0.8% YoY/QoQ)
- Base business pre-sales disappoints:** At 0.14mn sqft (-42/-42% YoY/QoQ) and Rs 3.2bn by value (-43/-20% YoY/QoQ). Pre-sales were driven by Three Sixty West (Worli) and Sky City (Borivali) projects with total sales of 0.08mn sqft in these two projects. (Rs 2.2bn by value). Mulund projects (Eternia and Enigma) continue to witness low traction with Rs 394mn of sales in 2QFY20 (vs Rs 615mn in 1QFY20).
- Annuity portfolio:** Commerz-II has reached ~97% occupancy (vs. 63.4/95.7% YoY/QoQ) and company has begun construction of Commerz-III which is expected to add significant leasable area to its annuity portfolio (1.8mn sqft). The company's mix use development project in Worli (Mall-0.8mn sqft, Office- 0.9mn sqft and Hotel-0.15mn sqft) is expected further enhance the annuity portfolio.

- Thane land deal at attractive price:** During the quarter ORL concluded the transaction to acquire GSK's 60 acre land parcel for Rs 8.9bn (~Rs 150mn/acre vs an earlier concluded deal of ~Rs 350mn/acre in the vicinity). These savings in land cost will enable the company to provide competitive pricing for the project planned without compromising on the margins. This project is expected to be launched during 4QFY20E.

STANCE

ORL witnessed a disappointing quarter with regards to presales with the Mulund projects continuing to be a pain point. However, the company expects the sales to improve in the Worli project during 2HFY20 with the company applying for an OC certificate which is expected to be received by 4QFY20/1QFY21. We believe ORL may have to offer discount schemes for its Mulund projects depending on the response in the coming quarters. Subvention scheme is here to stay as the banks continue to selectively provide this facility for projects with credible developers. ORL will continue to incur large capex over the next 2-3 years with simultaneous under-construction activity for its annuity portfolio with Worli mix development, Commerz-III, Worli and Borivali Malls all expected to become operational around FY21-23 which will put further pressure on the stock price and limit de-rating. We maintain NEU.

Financial Summary (Consolidated)

(Rs mn)	2QFY20	2QFY19	YoY	1QFY20	QoQ	FY18	FY19	FY20E	FY21E
Net Sales	4,915	5,921	(17.0)	6,033	(18.5)	12,654	25,825	28,266	33,893
EBITDA	2,129	2,958	(28.0)	2,352	(9.5)	6,752	11,554	12,874	15,451
APAT	1,381	2,138	(35.4)	1,521	(9.2)	4,588	8,169	11,690	13,735
Diluted EPS (Rs)	3.8	6.3	(35.4)	4.2	(9.2)	13.5	22.5	32.2	37.8
P/E (x)						37.9	22.8	16.0	13.6
EV / EBITDA (x)						28.1	17.1	15.6	13.0
RoE (%)						7.8	11.6	13.7	14.1

Source: Company, HDFC sec Inst Research

INDUSTRY	REAL ESTATE
CMP (as on 22 Oct 2019)	Rs 512
Target Price	Rs 510
Nifty	11,588
Sensex	38,964
KEY STOCK DATA	
Bloomberg	OBER IN
No. of Shares (mn)	364
MCap (Rs bn) / (\$ mn)	186/2,626
6m avg traded value (Rs mn)	276
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 642/373
	3M 6M 12M
Absolute (%)	(6.6) (3.3) 34.9
Relative (%)	(8.2) (2.8) 21.3
SHAREHOLDING PATTERN (%)	
	Jun-19 Sep-19
Promoters	67.70 67.70
FIs & Local MFs	3.88 4.25
FPIs	26.07 25.80
Public & Others	2.35 2.25
Pledged Shares	0.00 0.00

Source : BSE

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With borrowing cost related to post-launch period being excluded from the balance cost to completion estimates and being recognized as interest cost in P&L w.e.f 1QFY20, a substantial increase in interest cost is recorded on a YoY basis

The margins have remained lumpy post implementation of IND AS 115 with Enigma project yet to hit revenue recognition threshold

Average realization has improved to Rs 23,147/sqft with sales in Worli and Borivali project dominating

Quarterly Financial Snapshot (Consolidated)

Particulars	2QFY20	2QFY19	YoY	1QFY20	QoQ	1HFY20	1HFY19	YoY
Net Sales	4,915	5,921	(17.0)	6,033	(18.5)	10,947	14,804	(26.1)
Material Expenses	(2,425)	(2,574)	(5.8)	(3,207)	(24.4)	(5,631)	(6,329)	(11.0)
Employee Expenses	(171)	(193)	(11.5)	(175)	(2.3)	(346)	(379)	(8.8)
Other Operating Expenses	(190)	(196)	(3.0)	(299)	(36.3)	(489)	(520)	(6.0)
EBITDA	2,129	2,958	(28.0)	2,352	(9.5)	4,481	7,575	(40.8)
Interest Cost	(246)	(58)	323.3	(239)	2.8	(484)	(108)	350.6
Depreciation	(113)	(110)	2.8	(111)	2.0	(224)	(216)	3.8
Other Income	136	277	(50.8)	149	(8.1)	285	348	(18.1)
PBT	1,906	3,067	(37.8)	2,151	(11.4)	4,058	7,600	(46.6)
Tax	(540)	(940)	(42.5)	(643)	(15.9)	(1,182)	(2,390)	(50.5)
Net Profit	1,366	2,127	(35.8)	1,509	(9.4)	2,876	5,210	(44.8)
Share of Profit	15	11	33.0	12	16.9	27	23	19.0
RPAT	1,381	2,138	(35.4)	1,521	(9.2)	2,903	5,232	(44.5)
EO items	-	-	0.0	-	0.0	-	-	0.0
APAT	1,381	2,138	(35.4)	1,521	(9.2)	2,903	5,232	(44.5)

Source: Company, HDFC sec Inst Research

Margin Analysis (Consolidated)

as % Sales	2QFY20	2QFY19	YoY	1QFY20	QoQ	1HFY20	1HFY19	YoY
Material Expenses	49.3	43.5	587	53.2	(381)	51.4	42.8	869
Employee Expenses	3.5	3.3	22	2.9	58	3.2	2.6	60
Other Operating Expenses	3.9	3.3	56	5.0	(108)	4.5	3.5	95
EBITDA	43.3	50.0	(665)	39.0	432	40.9	51.2	(1,024)
Tax Rate	28.3	30.6	(232)	29.9	(154)	29.1	31.4	(232)
Net Margin	28.1	36.1	(801)	25.2	288	26.5	35.3	(883)

Source: Company, HDFC sec Inst Research

Pre-sales Trend

	2QFY20	2QFY19	YoY (%)	1QFY20	QoQ (%)	1HFY20	1HFY19	YoY
Sales Volume (mn sqft)	0.14	0.24	(41.6)	0.24	(41.9)	0.38	0.53	(27.8)
Sales Value (Rs mn)	3,228	5,675	(43.1)	4,010	(19.5)	7,238	11,910	(39.2)
Average Realisation (Rs/sqft)	23,147	23,781	(2.7)	16,710	38.5	19,076	22,672	(15.9)

Source: Company, HDFC sec Inst Research

The premium Worli project sold 4 units during the quarter after drawing a blank in 1QFY20

Despite being the highest contributor to pre-sales, the QoQ performance of Borivali project declined (28 units sold vs 74 in 1QFY20)

ORL continues to have high unsold inventory (launched) of 4.4mn sqft

Enigma is expected to reach margin recognition threshold as per IND AS 115 during 3QFY20E

Pre-sales dissapoint during the quarter

- During 2QFY20, the Worli project (Three Sixty West) sold 4 units vs no sales in 1QFY20. The company has applied for OC which is expected to drive further demand for these premium units. The OC is expected to be received late FY20E/ early FY21E.
- Mulund projects continue to be a pain point for ORL with both the projects selling a combined 15 units vs 19 units in 1QFY20. Between the two projects, Eternia is able to attract marginally higher pre-sales due to its smaller ticket size compared to Enigma. Esquire, after improved pre-sales in 1QFY20, sold 8 units in 2QFY20 vs 27 QoQ. ORL continues to provide interest subvention facility across its various projects as the scheme is supported by banks who continue to derive

comfort from the credibility of the company. The Borivali project was the highlight of the quarter contributing ~50% of the units sold during the quarter though its individual performance witnessed a sharp decline QoQ (28 units sold vs 74 QoQ)

- FY20-21E trend:** Pre-sales are expected to vary across different micro-markets. ORL continues to have high unsold inventory (launched) of 4.4mn sqft. Bank driven subvention schemes are expected to drive demand for pre-sales.
- Enigma project is yet to reach margin recognition threshold as per the provisions of IND AS 115(targeted during 3QFY20E).

Project Summary: Rs 20.5bn Sales Yet To Be Recognised (excluding 360 West project)

Project	Area (msf)	Area sold as of 2QFY20 (mnsf)	#Inventory as of 2QFY20 (mnsf)	Sales Value (Rs mn)	Average realisation (Rs/sqft)	PoCM (%)	Balance Revenues to be recognised (Rs mn)	Cash to be received (Rs mn)
Oberoi Esquire*	2.1	1.7	0.4	27,196	16,240	100%	-	286
Oberoi Exquisite*	1.5	1.4	0.1	23,511	16,488	100%	-	-
Oberoi 360 West\$	2.3	0.6	1.7	24,024	40,754		N.A	8,854
Oberoi Prisma^	0.3	0.2	0.0	4,435	17,802	100%	53	126
Oberoi Eternia&	2.1	0.6	0.5	9,225	14,534	54%	4,442	3,638
Oberoi Enigma&	2.0	0.4	0.9	6,519	14,697	<25%	4,697	2,462
Oberoi Skycity!	4.6	1.8	0.8	28,205	15,948	+A-D-56% E-31%	11,378	9,488
Total	15.0	6.8	4.5	123,116	18,142		20,570	24,854

Source: Company, HDFC sec Inst Research; *Goregaon, \$ Worli, ^JVLR, &Mulund, ! Borivali, # inventory of area opened for sale,+ Towers A-D achieved 56% completion with tower E at 31%

A healthy balance sheet, superior land bank and strong execution capability place ORL in top quartile vs. peers

Enjoying a dominant position

- ORL is best placed amongst its western peers on account of its superior land bank quality, access to finance, healthy balance sheet, and greater potential for a successful foray into newer markets.
- The micro factors are supported by strong execution, quality construction and the management's bandwidth. We have highlighted our findings in the exhibit below to arrive at an overall competitive positioning.

Overall Competitive Positioning Of Real Estate Developers

	Macro* competitive - 30% weight	Business\$ competitive - 25% weight	Land bank & pricing - 20% weight	Balance sheet positioning - 25% weight	Overall	Comments
Oberoi	●	●	●	●	●	Top quartile with minimal net debt, higher return ratios and strong cash flows
Godrej	●	●	●	●	●	Top quartile on macro competitiveness, while mid-quartile on all other parameters. High leverage is the key overhang. We rate it mid-quartile
HDIL	●	●	●	●	●	Middling in all parameters
Hiranandani	●	●	●	●	●	Overall a mid-quartile
Raheja	●	●	●	●	●	Middling in all parameters
Sunteck	●	●	●	●	●	Overall a mid-quartile on account of low leverage, high return ratios
Wadhwa	●	●	●	●	●	Overall a mid-quartile
Kolte Patil	●	●	●	●	●	Mid-quartile on all parameters

Source: Company, HDFC sec Inst Research, *Macro – affordability, brand; \$Businesss Competitive – Execution, vendor tie-up, construction quality

- On overall competitive positioning, the top real estate players in the western markets are Oberoi, Godrej, Sunteck and Kolte Patil. However, ORL, with the right mix of an attractive land bank, superior execution capability, branding, balance sheet strength and underlying business fundamentals, remains best poised amongst peers.
- Although their scores differ on these factors, we see limited differences on an overall basis.

Summary Of Key Assumptions And Estimates

	Estimates		Growth (%)		Comments
	FY20E	FY21E	FY20E	FY21E	
Volume assumptions					
Residential (mn sqft)	1.1	1.3	29.9	23.4	
Average rate (Rs/sqft)	26,637	25,669	24.4	(3.6)	
Pre sales value (Rs mn)	28,304	33,664	61.6	18.9	Pre-sales momentum to pickup with launches
Rental Income:					
Area for lease (msf)	1.6	1.6	-	-	Oberoi Mall, Commerz and Commerz-II key assets
Average occupancy (%)	95.5	95.5	-	-	
Average Rental (Rs/sqft/month)	175	184	1.9	5.0	New lease rentals to be in line with re-negotiated lease rentals. Increase in share of office space rentals to reduce average rental/sqft
Rental income (Rs mn)	3,294	3,459	1.9	5.0	Lease rentals to pick up on the back of incremental leasing in Commerz-II
Earnings forecast					
Sales real estate (Rs mn)	21,728	27,040	7.6	24.5	Borivali, Goregaon and Mulund key revenue drivers.
Income from hospitality	2,472	2,582	4.4	4.4	Income from hospitality to remain stable over FY20-21E.
Annuity assets	4,067	4,270	5.0	5.0	Commerz-II lease pick-up is key volume driver.
Total	28,266	33,893	7.0	19.9	We await finality on the selection of thresholds for revenue recognition in individual projects
EBIDTA (Rs mn)	12,874	15,451	11.4	20.0	15.6% CAGR for FY19-21E
EBIDTA Margin (%)	45.5	45.6	182.3bps	4.5bps	Blended margins to remain in the range of 45-46%
Net interest expense	979	1,077	406	10	Borrowing cost from post launch period now recognized in P&L
Net Profit	8,158	9,795	0.7	20.1	
Profit from Associates	3,532	3,939			Contribution from Worli 360W to flow directly as associate profits
Adjusted PAT (Rs mn)	11,690	13,735	43.1	17.5	

Source: Company, HDFC sec Inst Research

We expect ORL to deliver 29.9/23.4% pre-sales (area) growth in FY20/21E respectively

Realization will change depending on the product mix

We have estimated 43.18/17.5% APAT growth in FY20/21E

Valuation: Maintain NEU with NAV based target of Rs 510/sh (vs Rs 517/sh earlier)

SoTP valuation

- We have adopted the DCF methodology to arrive at ORL's NAV. We value the residential real estate business at Rs 262/sh, hotels at Rs 21/sh, commercial annuity assets at Rs 122/sh, social infrastructure at Rs 9/sh, other assets at Rs 49/sh and reduce net debt at Rs 38/sh to arrive at the total SoTP valuation of Rs 425/sh. We ascribe a NAV premium of 20%. We believe most of the positives have already been priced in. Maintain NEU stance with SOTP of Rs 510/sh.
- We continue to assign 20% NAV premium to ORL, as we ascribe terminal value factor and benefits of new DP and strategic shift towards volumes driven growth. We have only valued the projects that have visibility

over the next five years. For the land bank beyond that period, we ascribe 1x P/BV for invested equity.

- Our valuation also incorporates Glaxo Worli and advances given by ORL to Oasis Worli (360W). Oasis Worli was launched in 1QFY17. The pick-up in sales velocity post OC will reflect in higher net cash levels that will impact the valuation positively.
- There is some visibility emerging around Glaxo Worli. We estimate about ~1.85mn sq ft of saleable area across retail mall, Office and a signature hotel. Mall approvals (Worli and Borivali) are in place with a 3QFY21E completion deadline. As of now, we have valued Worli Glaxo on the land value, and have not ascribed any development margins.

Sum Of The Parts

	Rs mn	(Rs/share)	Comments
Gross NAV Residential	95,242	262	NAV based on the methodology discussed
Gross NAV Hotels	7,558	21	8x FY20E EV/EBIDTA
Gross NAV Commercial	44,538	122	NAV based on the methodology discussed
Social Infra	3,134	9	discounting at 11% cap rate viz. school, hospital etc
Other Assets	17,828	49	Oasis Worli advances of Rs 10.5bn valued at Rs 5.8bn. Investments in other projects at 1x P/BV, viz. Sangam city, Juhu hotel etc.
Less: Net Debt	13,911	38	Net debt end FY20E
NAV	154,389	425	
SOTP	185,267	510	At 1.2x NAV. Premium of 20% to factor in the DP gains, Terminal Value

Source: Company, HDFC sec Inst Research

Location	Gross NAV (Rs mn)	Rs/Share
Residential		
Goregaon	19,338	53
JVLR	1,072	3
Worli - Residential	15,611	43
Mulund	12,124	33
Borivali	20,176	55
Thane	26,921	74
Total Residential	95,242	262
Hotels		
Westin Hotel	4,254	12
Worli Hotel	3,305	9
Total Hotel	7,558	21
Commercial		
Commerz-All Phases	29,349	81
Oberoi Mall	10,719	29
Worli Commercial	4,470	12
Total Commercial	44,538	122
Grand Total	147,339	405

Source: Company, HDFC sec Inst Research

Real estate development: NAV calculation methodology

- We have divided ORL's entire land bank into residential/commercial projects (based on the information given by the company).
- We have arrived at the sale price/sqft and the anticipated sales volumes for each project based on our discussions with industry experts.
- We have deducted the cost of construction based on our assumed cost estimates, which have been arrived at after discussions with the experts.
- We have further deducted marketing and other costs, which have been assumed at 5% of the sales revenue.
- We have then deducted income tax, based on the tax applicable for the project.
- The resultant cash inflow at the project level has been discounted, based on WACC of 10%. All the project-level NAVs have been summed up to arrive at the final value of the company.
- For commercial offices, we have discounted rentals using 11% WACC for the forecasted period and terminal value using the cap rate of 11%.
- Social infrastructure created by ORL, viz, school, hospital, etc, have been discounted using a cap rate of 12%.
- Other assets have been valued at 1x P/BV of invested equity.
- From the NAV, we have deducted the net debt/(cash) as of FY20E to arrive at the final valuation of the company.

Our base property price assumption is at a 0-5% premium to the current prevailing prices on account of ORL's brand pull

Key valuation assumptions

- In the exhibit below, we highlight our sales and cost inflation forecasts. We expect property prices to appreciate in line with WPI inflation, i.e., 5%, and cost of construction to grow at 5%. We forecast other costs including marketing, SGA and employee cost at 5% of sales.

Base Case Assumptions (%)

Discount Rate	10
Annual Rate Of Inflation-Sales Price	5
Annual Rate Of Inflation-Cost Of Construction	5
Other Costs – Marketing, SGA, Employee Cost (As % Of Sales)	5
Tax Rate (%)	33

Source: Company, HDFC sec Inst Research

- In the exhibit below, we highlight our sales price and construction cost forecasts. Our pricing assumptions are moderate, and at a 0-5% premium to the current prevailing prices on account of ORL's 15-20% brand premium vs. peers.

Base Property Price And Construction Cost Assumptions

Location	Prices Rs/sq ft	Cost Rs/sq ft
Goregaon	16,000	5,500
Worli	40,000	8,500
Mulund	12,500	5,000
JVLR	15,000	5,000
Borivali	12,700	4,500

Source: Company, HDFC sec Inst Research

1% increase in the average base sale price impacts our NAV positively by 3.1%

Every 100bps increase in sales price inflation impacts our NAV positively by 5.3%

100bps increase in cost inputs decreases our NAV by 2.9%

100bps increase in discounting rate impacts our NAV negatively by 4.7%

NAV sensitivity analysis

Sensitivity to our assumption of property prices

- Our model is sensitive to changes in the assumptions made regarding property prices. For every 1% change in the base property prices, the NAV will change by approximately 3.1%.

NAV Sensitivity To Change In Average Sales Price

% change in sale price	(10)	(5)	0	5	10
NAV/share (Rs)	352	431	510	596	676
Change in NAV (%)	(31.0)	(15.5)	0.0	15.4	30.9

Source: Company, HDFC sec Inst Research

Sensitivity of NAV to changes in sale inflation

- In our base case, we have assumed an annual sale price inflation of 5%. For every 100bps increase in the annual sale price inflation, the NAV will increase by approximately 5.3%.

NAV Sensitivity To Change In Sales Inflation

Sales inflation rates (%)	3	4	5	6	7
NAV/share (Rs)	462	484	510	537	559
Change in NAV (%)	(9.4)	(5.1)	-	5.3	9.5

Source: Company, HDFC sec Inst Research

Sensitivity of NAV to changes in cost inflation

- In our base case, we have assumed cost inflation to be 6%. For every 100bps increase in construction cost inflation, the NAV will change by approximately 2.9%.

NAV Sensitivity To Change In Cost Inflation

Cost inflation rates (%)	3	4	5	6	7
NAV/share (Rs)	538	524	510	495	480
Change in NAV (%)	5.5	2.7	-	(2.9)	(5.9)

Source: Company, HDFC sec Inst Research

The combined impact of a 100bps increase in sales price inflation and cost inflation will be a NAV increase of 2.4%.

Sensitivity of NAV to changes in discount rate

- In our base case, we have assumed a discount rate of 11%. For every 100bps increase in the discount rate, the NAV will fall by 4.9%.

NAV Sensitivity To Change In WACC

WACC rates (%)	9	10	11	12	13
NAV/share (Rs)	563	535	510	486	457
Change in NAV (%)	10.4	4.9	-	(4.7)	(10.3)

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	11,137	12,654	25,825	28,266	33,893
Growth (%)	(21.4)	13.6	104.1	9.5	19.9
Material Expenses	4,372	4,679	12,472	14,177	16,984
Employee Expenses	642	672	734	791	949
Other Operating Expenses	423	551	1,066	424	508
EBIDTA	5,701	6,752	11,554	12,874	15,451
EBIDTA (%)	51.2	53.4	44.7	45.5	45.6
EBIDTA Growth (%)	(15.7)	18.4	71.1	11.4	20.0
Other Income	473	266	788	620	581
Depreciation	495	491	440	564	607
EBIT	5,679	6,527	11,901	12,930	15,426
Interest	56	69	194	979	1,077
PBT	5,623	6,459	11,707	11,950	14,349
Tax	1,868	1,907	3,607	3,792	4,554
PAT	3,754	4,551	8,100	8,158	9,795
Minority Interest	-	-	-	-	-
Profit from associates	31	36	69	3,532	3,939
EO Items	0				
APAT	3,786	4,588	8,169	11,690	13,735
APAT Growth (%)	(13.1)	21.2	78.1	43.1	17.5
EPS	11.2	13.5	22.5	32.2	37.8
EPS Growth (%)	(13.1)	21.2	66.2	43.1	17.5

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	3,393	3,396	3,636	3,636	3,636
Reserves	53,864	57,528	76,656	87,183	100,114
Total Shareholders' Funds	57,257	60,924	80,292	90,819	103,750
Minority Interest	-	-	-	-	-
Long Term Debt	7,494	6,786	5,885	6,455	5,955
Short Term Debt	1,193	10,154	9,975	9,994	9,411
Total Debt	8,686	16,941	15,860	16,448	15,366
Deferred Taxes	(997)	(1,087)	(1,039)	(1,039)	(1,039)
Long Term Provisions & Others	799	1,153	1,736	1,736	1,910
TOTAL SOURCES OF FUNDS	65,745	77,930	96,849	107,965	119,988
APPLICATION OF FUNDS					
Net Block	2,297	2,088	1,978	1,438	1,081
CWIP	1,095	1,125	1,251	6,251	11,251
Goodwill	-	-	-	-	-
Investment Property	7,154	7,677	8,647	8,734	8,821
Other Non Current Assets	1,490	1,503	2,215	2,215	2,436
Investments, LT Loans & Advances	18,243.0	24,066	25,989	26,769	27,572
Inventories	37,664	42,467	41,655	56,808	64,988
Debtors	1,058	1,813	1,094	2,121	2,519
Cash & Equivalents	3,517	1,167	4,253	2,537	329
ST Loans & Advances, Others	11,087	18,884	22,855	23,651	25,101
Total Current Assets	53,325	64,331	69,857	85,117	92,936
Creditors	17,780	22,817	12,969	22,517	24,068
Other Current Liabilities & Provns	79	43	119	43	43
Total Current Liabilities	17,859	22,860	13,088	22,559	24,111
Net Current Assets	35,466	41,472	56,769	62,558	68,825
Misc Expenses & Others	-	-	-	-	1
TOTAL APPLICATION OF FUNDS	65,745	77,930	96,849	107,965	119,988

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
PBT before minority	5,623	6,459	11,776	15,482	18,288
Non-operating income & EO items	(361)	(230)	(717)	(620)	(581)
Taxes	(1,825)	(1,997)	(3,243)	(3,792)	(4,554)
Interest expenses	718	69	194	979	1,077
Depreciation	495	491	440	564	607
Working Capital Change	(2,845)	(8,014)	(6,997)	(7,505)	(8,524)
OPERATING CASH FLOW (a)	1,805	(3,223)	1,453	5,109	6,313
Capex	(763)	(311)	(1,706)	(5,111)	(5,337)
Free cash flow (FCF)	1,042	(3,534)	(253)	(2)	976
Investments	82	(6,346)	310	(780)	(803)
Others	(3,709)	266	(5,062)	620	581
INVESTING CASH FLOW (b)	(4,389)	(6,391)	(6,458)	(5,270)	(5,559)
Share capital Issuance	0	3	11,827	-	-
Debt Issuance	3,880	8,254	(1,103)	588	(1,082)
Interest expenses	(525)	(69)	(1,516)	(979)	(1,077)
Dividend	0	(924)	(819)	(684)	(803)
FINANCING CASH FLOW (c)	3,356	7,265	8,389	(1,075)	(2,963)
NET CASH FLOW (a+b+c)	771	(2,350)	3,385	(1,237)	(2,209)
Closing Cash & Equivalents	3,517	1,167	4,253	2,537	329

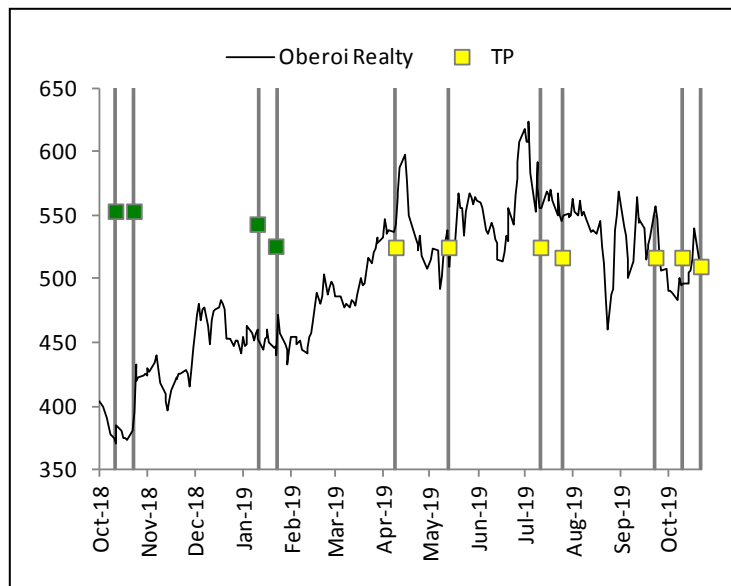
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19	FY20E	FY21E
PROFITABILITY (%)					
GPM	60.7	63.0	51.7	49.8	49.9
EBITDA Margin	51.2	51.2	44.7	45.5	45.6
APAT Margin	34.0	36.3	31.6	41.4	40.5
RoE	6.8	7.8	11.6	13.7	14.1
Core RoCE	13.6	13.6	20.1	22.7	22.7
RoCE	12.6	13.0	19.2	21.7	22.3
EFFICIENCY					
Tax Rate (%)	33.2	29.5	30.8	31.7	31.7
Asset Turnover (x)	0.2	0.2	0.4	0.3	0.4
Inventory (days)	1,164	1,156	594	636	656
Debtors (days)	36	41	21	21	25
Payables (days)	555	585	253	229	251
Cash Conversion Cycle (days)	645	612	362	427	430
Debt/EBITDA (x)	1.5	2.5	1.4	1.3	1.0
Net D/E	0.1	0.3	0.1	0.2	0.1
Interest Coverage	102	95	61	13	14
PER SHARE DATA					
EPS (Rs/sh)	11.2	13.5	22.5	32.2	37.8
CEPS (Rs/sh)	12.6	15.0	23.7	33.7	39.4
DPS (Rs/sh)	0.0	0.7	3.8	3.1	3.4
BV (Rs/sh)	168.7	179.6	220.8	249.8	285.3
VALUATION					
P/E	46.0	37.9	22.8	16.0	13.6
P/BV	3.0	2.9	2.3	2.1	1.8
EV/EBITDA	31.4	28.1	17.1	15.6	13.0
OCF/EV (%)	0.0	(0.0)	0.0	0.0	0.0
FCF/EV (%)	0.6	(1.9)	(0.1)	(0.0)	0.5
Dividend Yield (%)	0.0	0.1	0.7	0.6	0.7

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Oct-18	375	BUY	552
23-Oct-18	395	BUY	552
11-Jan-19	460	BUY	543
23-Jan-19	440	BUY	525
9-Apr-19	542	NEU	525
14-May-19	538	NEU	525
11-Jul-19	555	NEU	525
26-Jul-19	545	NEU	517
22-Sep-19	532	NEU	517
10-Oct-19	495	NEU	517
23-Oct-19	512	NEU	510

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

Disclosure:

We, **Parikshit Kandpal, CFA & Shrey Pujari, MBA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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