

PNC Infratech

Balanced performance

Whilst PNC reported 4QFY20 Rev/EBIDTA/APAT miss of 8.1/10.3/3.8% respectively, gains on Balance sheet was commendable. NWC reduced from 97days in FY19 to 60days during FY20 on back of robust collections. PNC reported net cash of Rs 4.1bn. Despite challenging FY20, PNC backed new orders worth Rs 52bn taking the order backlog to Rs 135bn (2.8x FY20 Rev). Labour activity/Execution levels have recovered to 70-80% across sites and toll collection has reached 90% of pre COVID levels. PNC remains well placed to gain from UP State Infrastructure build out and strong banking lines and balance sheet augurs well for growth recovery over FY21-22E. We have increased our FY21/22E standalone EPS by 3.9/4.3% and maintain BUY on PNC with a TP of Rs 234/sh (12x FY22E EPS, Rs 59/share for BOT/HAMs).

- Balanced performance across matrix:** PNC performance was a tad miss due to COVID-19 related impacted in 2nd half of Mar-20. Despite this FY20 has been the best year for PNC with (1) Lifetime high turnover, (2) Robust net cash status at Rs 4.1bn and (3) Lowest NWC days at 60. PNC bagged 3 HAM projects worth Rs 52bn during FY20 despite limited NHAI ordering. It realized arbitration claims worth Rs 3bn from Narela and NH-24 project.
- HAM equity requirement to be met with internal accruals:** PNC has already invested Rs 4.4bn in HAM projects and pending equity requirement is Rs 4bn for 6 under construction HAM projects and Rs 6bn for new 4 HAM projects. Equity requirement of Rs 10bn is to be met from internal cash generation of Rs 17bn over next 3yrs. PNC would be investing Rs 2.8/3.8/1.7/1.6bn over FY21/22/23/24E on these HAM projects. Aligarh-Ghaziabad asset monetization has been called off with Cube Highways due to differences in valuation and PNC is in advance stages of negotiation with new buyer. Deal expected to be closed by Sep-20.
- Cautious diversification is being looked at:** PNC is looking at bidding for Jal Jeevan projects in UP through JV. Railways and Metro orders are also being looked selectively for bidding. Near term focus though remains on roads and FY21E target is to get more EPC Projects. Ganga Expressway is a big UP State expressway in DPR stage with 13 packages and is expected to come for bidding in 4QFY21E.
- We maintain BUY on PNC:** PNC has been our top Infra pick as we had bet on improvement in balance sheet, execution recovery and strong FCF generation. Whilst our thesis played out, near term challenges remain on asset portfolio. PNC needs to find a buyer for 11 HAM assets portfolio over next 1-2yrs as Rs 16bn of equity will get invested by FY23E and unlocking will be necessary for re-rating. **Key risks (1) Slowdown in NHAI ordering; (2) Delay in HAM projects monetization**

Financial summary

Y/E March (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	11,579	10,757	7.6	12,180	(4.9)	30,716	48,779	46,965	53,537
EBITDA	1,563	1,511	3.5	1,712	(8.7)	4,320	7,644	5,976	7,451
APAT	760	741	2.7	771	(1.4)	2,338	3,244	2,557	3,739
Diluted EPS (Rs)	3.0	2.9	2.7	3.0	(1.4)	9.1	12.8	10.0	14.6
P/E (x)						15.3	10.9	13.9	9.5
EV / EBITDA (x)						8.4	4.1	5.8	4.9
RoE (%)						11.9	13.9	9.6	12.7

Source: Company, HSIE Research

BUY

CMP (as on 26 June 2020)	Rs 139
Target Price	Rs 234
NIFTY	10,383

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 234	Rs 234
	FY21E	FY22E
EPS %	3.9	4.3

KEY STOCK DATA

Bloomberg code	PNCL IN
No. of Shares (mn)	257
MCap (Rs bn) / (\$ mn)	36/473
6m avg traded value (Rs mn)	42
52 Week high / low	Rs 219/80

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	49.1	(27.7)	(31.3)
Relative (%)	31.6	(13.3)	(20.1)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	56.07	56.07
FIs & Local MFs	22.35	21.95
FPIs	7.17	6.37
Public & Others	14.40	15.61
Pledged Shares	0.0	0.0

Source : BSE

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Revenues: Rs 11.6bn
implying 8.1% miss, partly
on account of COVID-19
disruptions

EBITDA: Rs 1.56bn.
EBIDTA miss came in at
10.3%

EBIDTA margins were
below our estimate of
13.8% at 13.5%

Interest cost came in at Rs
316mn (+63.1% YoY, -21.2%
QoQ). Increase YoY on
account of Rs 140mn
interest on mobilization
advance. Standalone debt
has reduced YoY from Rs
3.7bn to Rs 3.3bn

Reported PAT: 760mn (-
45.6% YoY, -1.4% QoQ)

APAT: Rs 760mn (3.8%
miss). We have adjusted
for Rs 658mn of tax
reversals in FY19

Balance sheet
improvement: NWC
reduced from 97days to
60days YoY and PNC
turned net cash of Rs
4.1bn. Net D/E for FY20
came at -0.2x vs 0.03x YoY

We have recalibrated the
depreciation for FY21/22E
lower on muted capex for
FY21/22E. This has resulted
in FY21/22E EPS upgrade
of 3.9/4.3%

Quarterly Financials Snapshot - Standalone

Particulars (Rs mn)	4Q	4Q	YoY	3Q	QoQ	FY20	FY19	YoY
	FY20	FY19	(%)	FY20	(%)			
Net Sales	11,579	10,757	7.6	12,180	(4.9)	48,779	30,968	57.5
Material Expenses	(8,225)	(7,342)	12.0	(8,460)	(2.8)	(33,710)	(21,140)	59.5
Employee Expenses	(623)	(544)	14.6	(853)	(27.0)	(2,651)	(1,924)	37.8
Other Operating Expenses	(1,168)	(1,360)	(14.1)	(1,154)	1.2	(4,775)	(3,332)	43.3
EBITDA	1,563	1,511	3.5	1,712	(8.7)	7,644	4,572	67.2
Depreciation	(324)	(282)	14.8	(326)	(0.9)	(1,264)	(922)	37.1
EBIT	1,240	1,229	0.9	1,386	(10.5)	6,380	3,650	74.8
Other Income	159	781	(79.6)	144	11.1	885	1,089	(18.7)
Interest Cost	(316)	(194)	63.1	(401)	(21.2)	(1,144)	(641)	78.6
PBT	1,083	1,816	(40.4)	1,128	(4.0)	6,121	4,099	49.3
Tax	(322)	(417)	(22.8)	(356)	(9.7)	(1,517)	(850)	78.5
Reported PAT	760	1,399	(45.6)	771	(1.4)	4,604	3,249	41.7
EO Items	-	(658)	-	-	-	(1,360)	(911)	49.3
APAT	760	741	2.7	771	(1.4)	3,244	2,338	38.8

Source: Company, HSIE Research

Margin Analysis

MARGIN ANALYSIS	4Q	4Q	YoY	3Q	QoQ	FY20	FY19	YoY
	FY20	FY19	(bps)	FY20	(bps)			
Material Expenses % Net Sales	71.0	68.3	278	69.5	158	69.1	68.3	84
Employee Expenses % Net Sales	5.4	5.1	32	7.0	(162)	5.4	6.2	(78)
Other Operating Expenses % Net Sales	10.1	12.6	(256)	9.5	61	9.8	10.8	(97)
EBITDA Margin (%)	13.5	14.0	(55)	14.1	(56)	15.7	14.8	91
Tax Rate (%)	29.7	23.0	677	31.6	(188)	24.8	20.7	405
APAT Margin (%)	6.6	6.9	(32)	6.3	24	6.6	7.5	(90)

Source: Company, HSIE Research

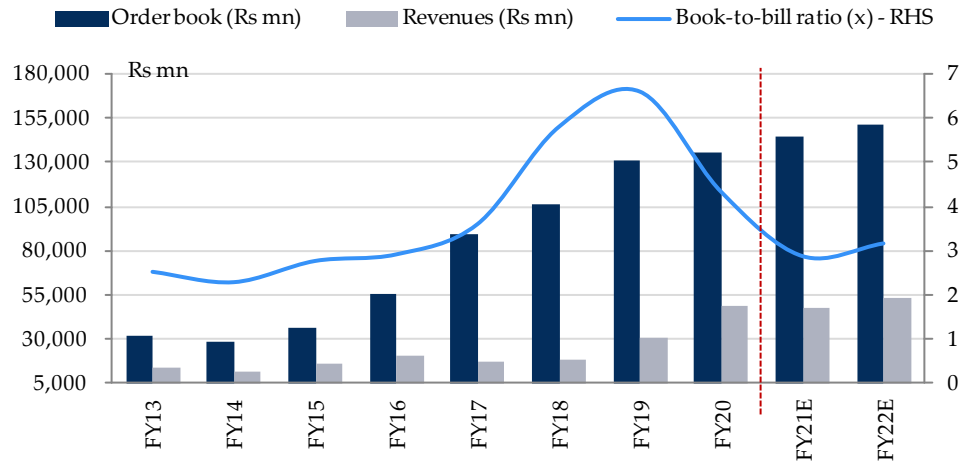
Standalone - Change in estimates

Rs mn	FY21E Old	FY21E New	% Change	FY22E Old	FY22E New	% Change
Revenues	46,965	46,965	-	53,537	53,537	-
EBIDTA	5,976	5,976	-	7,451	7,451	-
EBIDTA Margins (%)	12.7	12.7	-	13.9	13.9	-
RPAT	2,461	2,557	3.9	3,586	3,739	4.3

Source: HSIE Research

Road projects (EPC and HAM) are expected to be key driver for order-book growth. PNC has bagged 4 new HAM orders in last 6months valued at Rs 66bn and we expect focus to shift to EPC projects during FY21E

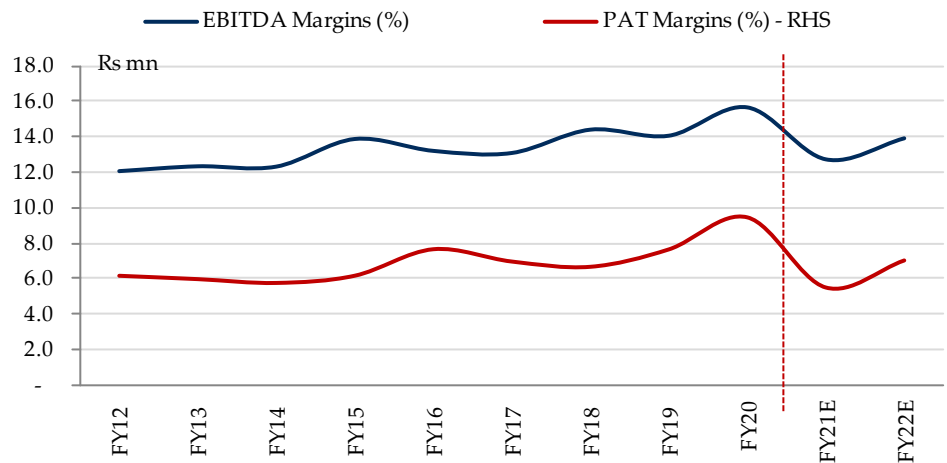
Order Book And Revenue Trend



Source : Company, HSIE Research

EBIDTA Margins to remain around 14%. Dip in FY21E as fixed cost absorption would be on lower 1HFY21 revenue base owing to migrant labour issues and lockdown

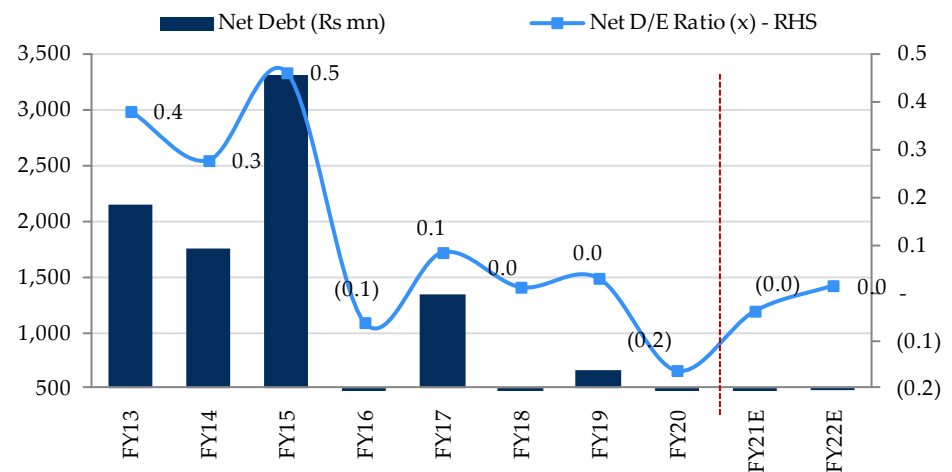
EBIDTA Margins Stable Around 14%



Source : Company, HSIE Research

PNC ended FY20 on strong note with net cash of Rs 4.1bn. We expect FY21/22E net debt to be (Rs 1,055mn) and Rs 489mn

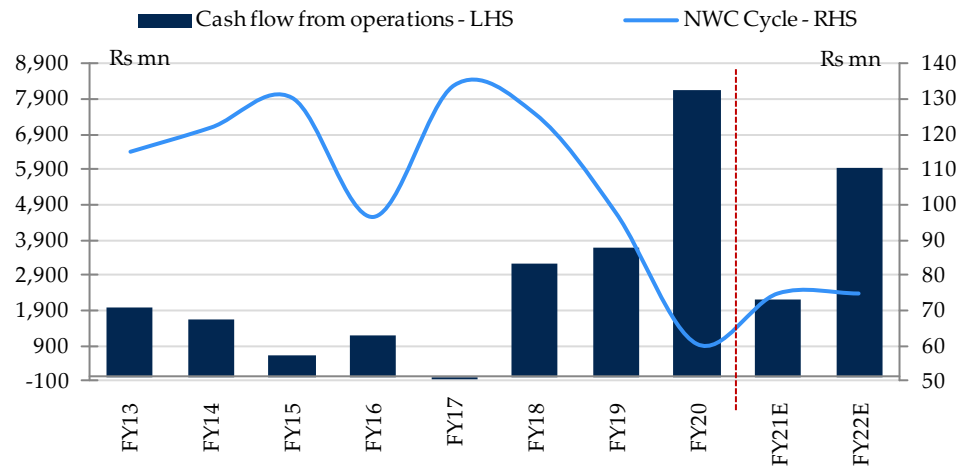
Expect net cash for FY21E and very marginal net debt during FY22E



Source : Company, HSIE Research

We expect net working capital cycle of 75days for FY21/22E including other assets and other current liabilities. PNC reported 60days NWC for FY20

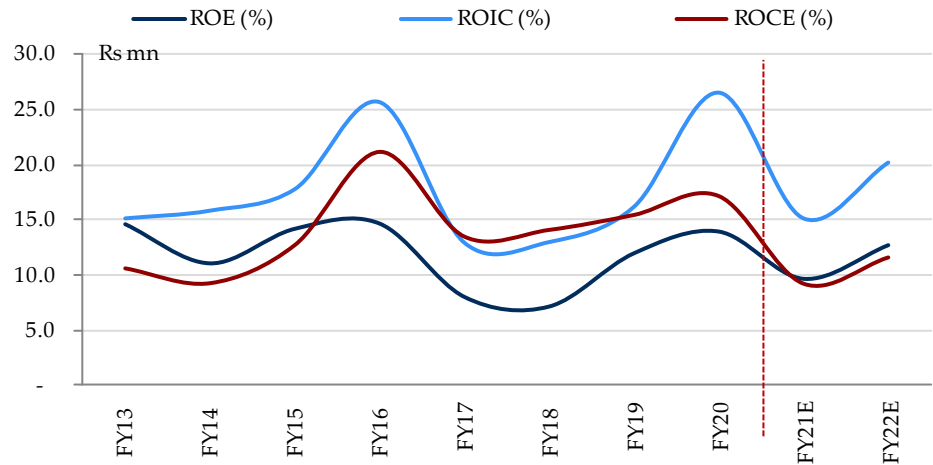
Expect FY21/22E NWC Cycle Of 75 days



Source : Company, HSIE Research

FY21E return ratios to be impacted by COVID-19 led lower profitability. Normalization from 3QFY21 to result in expansion during FY22E

Return ratios to normalize in FY22E – 12/20/11.5%



Source : Company, HSIE Research

In May-19 PNC announced execution of share purchase agreement with Cube Highways for divestment of its 35% stake. The total inflow was expected to be ~Rs 3bn (Rs 2.7bn sale consideration and ~Rs 0.3bn of EPC receivables) by Mar-20. The deal has been called off amicably and PNC is in advance stages of closure with another investor. PNC highlighted valuation will be closer to Rs 3bn as earlier and since NHAI/Bankers NOC had already come deal should get completed by Sep-20

We have valued PNC BOT toll portfolio at Rs 33.4/sh

Appointed Date for Karnataka HAM project is expected by Jul-20. About 80% land is in 3G in all HAM including 4 new HAM projects won over last 6months

BOT Portfolio – Value BOTs At Rs 33.4/sh (1.5x P/BV implied)

- In May-19 PNC announced execution of share purchase agreement with Cube Highways for divestment of its 35% stake in Ghaziabad-Aligarh Expressway. The SPV had already received NOC from the lenders. The Rs 3bn+ inflow from Cube Highways was expected during 4QFY20 post NHAI NOC. With the expiry of SPA the parties didn't extend the same and deal got called off. PNC is in advance stage of discussion with another prospective buyer and deal is expected to get closed near to Rs 3bn valuation by Sep-20.
- **BOT Monetization to get delayed:** PNC continues to explore avenues for monetization of Raebareli, MP Highway & Bareilly-Almora projects. The total equity invested in these projects is ~Rs 3.3bn. However, there has been no progress on that front during FY20 due to COVID-19 hitting the valuations. HAM projects deal is also on the back burner after initial discussions due to sharp correction in Bank rate vs lending rates.
- **We have valued PNC's BOT portfolio (Ex HAM) using NPV methodology and arrive at valuation of Rs 33.4/sh (implied 1.5x P/BV).**

Project	PNC Stake (%)	WACC (%)	PNC Equity Invested (INR mn)	Project Value (Rs mn)	NPV (PNC Share) INR mn	Per share value (Rs/sh)	Implied P/B (x)
Bareilly-Almora-Bagheshwar	100.0	13.5	750	567	567	2.2	0.8
Kanpur-Kabrai	100.0	13.5	675	3,038	3,038	11.8	4.5
Gwalior Bhind	100.0	13.5	780	1,728	1,728	6.7	2.2
Aligarh-Ghaziabad	35.0	13.5	1,860	(1,796)	(629)	(2.5)	(0.3)
Raebareli-Jaunpur	100.0	13.5	1,395	768	768	3.0	0.6
Narela Industrial Estate	100.0	13.5	350	971	971	3.8	2.8
Kanpur-Ayodhya	100.0	13.5	-	2,131	2,131	8.3	-
Total			5,810	7,407	8,574	33.4	1.5

Source : Company, HSIE Research

Key Assumptions & Estimates

Key Assumptions	FY19	FY20	FY21E	FY22E	Comments
Closing order book	131,449	135,324	144,951	151,962	Order book to grow at a CAGR of 6% over FY20-22E led by Roads projects
Order book growth (%)	23.1	2.9	7.1	4.8	
New order booking	55,425	52,654	56,592	60,548	PNC has guided for Rs 70bn of new orders inflow for FY21E
Book to bill ratio	4.3	2.8	3.1	2.8	
Total Revenue	30,716	48,779	46,965	53,537	Revenue growth to remain flattish Covid-19 to impact execution in FY21
Growth (%)	71.0	58.8	-3.7	14.0	
EBIDTA	4,320	7,644	5,976	7,451	EBITDA to remain muted over FY20-22E
EBIDTA margin (%)	14.1	15.7	12.7	13.9	EBITDA margins to take a hit in FY21E on account of revenue loss; to subsequently recovery likely as execution gets streamlined
Depreciation	922	1,264	1,353	1,500	
Financial Charges	641	1,144	1,313	1,438	Gross debt is expected to remain stable, interest on mobilization advance to result in increased interest expense
Other Income (Including EO Items)	683	885	506	484	
PBT	3,440	6,121	3,817	4,997	
PBT margin (%)	11.2	12.5	8.1	9.3	
Tax	191	1,517	1,259	1,258	
Tax rate (%)	5.6	24.8	33.0	25.2	Migration to new ETR from FY22E
RPAT	3,248	4,604	2,557	3,739	
EO Items (incl. MAT savings)	(911)	(1,360)	-	-	
APAT	2,338	3,244	2,557	3,739	APAT CAGR of 7.4% over FY20-22E
Net margin (%)	7.6	6.6	5.4	7.0	
Gross Block Turnover	4.2	5.1	4.3	4.3	
Debtor days	73	60	66	66	
CFO - a	3,699	8,126	2,228	5,925	
CFI - b	(3,345)	(2,307)	(3,806)	(4,816)	
FCF - a+b	353	5,819	(1,577)	1,109	
CFF - c	1,267	(1,516)	(32)	(1,437)	
Total change in cash - a+b+c	1,620	4,304	(1,609)	(329)	

Source: HSIE Research

We value PNC on 12x one year forward EPS in line with the assigned multiple for KNR

We value standalone EPC business at Rs 175/sh

We value PNC's BOT portfolio at Rs 33/share (1.5x invested equity)

We value HAM projects at 1x P/BV of cumulative equity investment till FY21E at Rs 26/share

We maintain BUY with a TP of Rs 234/sh

Outlook and valuation

Maintain BUY With A Target Price of Rs 234/sh

- We value PNC on 12x one year forward P/E multiple in line with the assigned multiple for peers like KNR. Our rationale for the same is (1) A robust FY20 order book of Rs 135bn (2.8x FY20 revenues) (2) A strong balance sheet (FY20 standalone net cash of Rs 4.1bn), and (3) High share of NHAI HAM roads in the order book will result in lower working capital demand, as these projects have a provision of up to 10% mobilization advances.
- Further, PNC has (1) A diversified presence across geographies in North India and is expected to be a key beneficiary of upcoming Rs 2tn of roads awards in UP over next 4-5yrs, (2) Strong execution capability provides scope for earning early completion bonus (3-6% of project cost), (3) Likely support from the captive order book in lieu of any contraction in future roads EPC orders and (4) PNC receiving Rs 3bn of arbitration claims and Rs 3bn of Aligarh BOT stake sale, which may help it fund the Rs 10bn of HAM equity requirement over the next 2-3 years.
- We have valued PNC's toll projects using 14% discount rate for arriving at NPV of the projects. We value the BOT business at Rs 33/sh (1.5x of PNC invested equity).
- **We maintain BUY with a SOTP based TP of Rs 234/sh. We value the (1) Standalone EPC business at Rs 287/share (18x one-year forward Mar-21E EPS), (2) BOT projects at Rs 33/share and (3) HAM cumulative equity investment till FY20E at Rs 18/sh.**

Valuation

Segment	Valuation Methodology	Valuation (INR mn)	Value per Share (INR)	Comment
Standalone construction - EPC	12x Mar-22E P/E EPS	44,873	175	
BOT Value	FCFE Mar-22E	8,574	33	1.5x P/BV cumulative equity investment
HAM Equity investment		6,624	26	BV of cumulative HAM investment by FY21E-end
SOTP Value		60,072	234	

Source: HSIE Research

Peer Set Comparison: Core EPC

Core EPC	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	Adj. EPS (Rs/sh)			P/E (x)			EV/EBITDA (x)			ROE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Dilip Buildcon	38.7	283	BUY	466	30.4	17.9	41.4	4.9	8.3	3.6	3.4	4.3	3.0	12.2	6.4	13.3
KNR	31.1	221	BUY	279	15.5	12.8	17.4	9.7	11.8	8.7	4.7	5.1	3.9	14.3	10.5	12.8
PNC Infratech	35.7	139	BUY	234	12.8	10.0	14.6	6.2	8.0	5.5	2.1	3.2	2.8	9.4	5.4	7.0
NCC	19.0	31	BUY	48	4.9	2.2	5.1	4.8	10.7	4.6	3.0	4.1	3.0	6.0	2.6	5.8
Ashoka Build	17.7	63	BUY	134	11.4	5.8	8.7	5.5	10.8	7.2	3.9	4.7	3.9	16.1	8.4	10.2
PSP Projects	14.1	393	REDUCE	370	35.9	18.4	37.0	10.9	21.3	10.6	7.4	12.9	7.3	31.2	13.7	23.5
Ahluwalia Contracts	14.5	217	BUY	265	12.4	14.3	25.2	16.5	14.2	8.1	6.6	6.4	4.2	10.7	11.1	17.1
HG Infra	13.1	201	BUY	337	25.4	20.6	28.1	5.7	7.1	5.2	3.5	3.8	2.7	22.4	14.9	17.2
JMC Projects	9.0	54	BUY	69	9.4	4.3	7.6	4.7	10.3	5.9	3.7	4.5	3.2	16.7	7.3	11.8
Sadbhav Engineering	8.3	48	BUY	56	4.9	4.0	7.1	7.1	8.8	5.0	6.5	5.9	4.1	4.1	3.2	5.5
ITD Cementation	9.5	55	ADD	54	4.9	0.4	6.8	11.2	151.3	8.2	3.8	5.2	3.3	8.2	0.6	10.4
JKIL	6.6	97	BUY	144	25.5	14.2	24.0	3.8	6.8	4.0	2.7	3.4	2.5	11.1	5.8	9.3
Capacite Infraprojects	7.8	115	BUY	147	11.1	0.6	16.8	9.2	178.8	6.1	2.7	5.0	2.0	8.5	0.4	11.8
Average								7.4	32.5	6.3	4.1	5.1	3.5	13.2	7.0	12.0

Source: Company, HSIE Research

Financials

Standalone Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Revenues	20,142	16,891	17,966	30,716	48,779	46,965	53,537
<i>Growth (%)</i>	<i>29.0</i>	<i>(16.1)</i>	<i>6.4</i>	<i>71.0</i>	<i>58.8</i>	<i>(3.7)</i>	<i>14.0</i>
Material Expenses	15,387	12,408	12,242	21,140	33,710	33,533	37,529
Employee Expenses	836	1,003	1,240	1,924	2,651	3,018	3,471
Other Operating Expenses	1,260	1,270	1,896	3,332	4,775	4,438	5,086
EBITDA	2,660	2,210	2,588	4,320	7,644	5,976	7,451
<i>EBITDA Margin (%)</i>	<i>13.2</i>	<i>13.1</i>	<i>14.4</i>	<i>14.1</i>	<i>15.7</i>	<i>12.7</i>	<i>13.9</i>
<i>EBITDA Growth (%)</i>	<i>22.8</i>	<i>(16.9)</i>	<i>17.1</i>	<i>66.9</i>	<i>77.0</i>	<i>(21.8)</i>	<i>24.7</i>
Depreciation	570	533	772	922	1,264	1,353	1,500
EBIT	2,089	1,677	1,816	3,397	6,380	4,623	5,951
Other Income (Including EO Items)	253	466	830	683	885	506	484
Interest	399	203	307	641	1,144	1,313	1,438
PBT	1,943	1,939	2,339	3,440	6,121	3,817	4,997
Tax (Incl Deferred)	(402)	(158)	(171)	191	1,517	1,259	1,258
RPAT	2,345	2,097	2,510	3,248	4,604	2,557	3,739
EO Items (incl. MAT savings)	(810)	(927)	(1,321)	(911)	(1,360)	-	-
APAT	1,535	1,169	1,190	2,338	3,244	2,557	3,739
<i>APAT Growth (%)</i>	<i>60.9</i>	<i>(23.9)</i>	<i>1.8</i>	<i>96.5</i>	<i>38.7</i>	<i>(21.2)</i>	<i>46.2</i>
Adjusted EPS (Rs)	6.0	4.6	4.6	9.1	12.8	10.0	14.6
<i>EPS Growth (%)</i>	<i>60.9</i>	<i>(23.9)</i>	<i>1.8</i>	<i>96.5</i>	<i>40.0</i>	<i>(21.9)</i>	<i>46.2</i>

Source: Company, HSIE Research

Standalone Balance Sheet

As at March (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS							
Share Capital - Equity	513	513	513	513	513	513	513
Reserves	13,271	15,209	17,554	20,639	24,953	27,379	30,635
Total Shareholders Funds	13,784	15,722	18,067	21,152	25,466	27,892	31,148
Long Term Debt	60	576	1,286	3,750	3,269	3,250	3,250
Short Term Debt	59	1,115	412	-	-	2,500	2,500
Total Debt	119	1,691	1,697	3,750	3,269	5,750	5,750
Net Deferred Taxes	(30)	(23)	(20)	(5)	-	(5)	(5)
Long Term Provisions & Others	1,596	1,675	1,698	3,791	6,533	6,198	6,809
TOTAL SOURCES OF FUNDS	15,469	19,066	21,442	28,688	35,268	39,835	43,702
APPLICATION OF FUNDS							
Net Block	2,125	3,479	4,064	6,155	5,865	6,526	6,526
CWIP	19	78	111	62	16	62	62
Investments	4,644	4,676	4,948	5,730	9,718	12,530	16,330
Other Non-current Assets	2,397	4,297	4,668	5,447	4,205	4,308	3,360
Total Non-current Assets	9,185	12,530	13,790	17,394	19,804	23,426	26,279
Inventories	2,364	1,535	1,757	4,035	2,673	3,860	4,400
Debtors	3,763	6,309	6,900	6,154	8,035	8,492	9,681
Other Current Assets	2,589	3,187	3,923	6,477	6,190	6,434	6,600
Cash & Equivalents	971	355	1,473	3,093	7,401	6,805	5,261
Total Current Assets	9,686	11,385	14,052	19,759	24,299	25,591	25,942
Creditors	942	2,369	4,628	4,737	4,675	4,503	4,400
Other Current Liabilities & Provns	2,460	2,479	1,773	3,727	4,161	4,682	5,337
Total Current Liabilities	3,402	4,848	6,401	8,465	8,836	9,186	9,738
Miscellaneous	-	-	-	-	2	4	1,219
Net Current Assets	6,284	6,536	7,652	11,294	15,463	16,405	16,204
TOTAL APPLICATION OF FUNDS	15,469	19,066	21,442	28,688	35,268	39,835	43,702

Source: Company, HSIE Research

Standalone Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	2,004	1,939	2,339	3,440	6,120	3,817	4,997
Non-operating & EO items	(100)	26	16	(43)	(508)	(506)	(484)
Interest expenses	249	(150)	158	391	1,039	806	954
Depreciation	525	533	772	922	1,264	1,353	1,500
Working Capital Change	(1,467)	(2,599)	(245)	(841)	1,823	(1,982)	216
Tax Paid	-	164	175	(171)	(1,612)	(1,259)	(1,258)
OPERATING CASH FLOW (a)	1,210	(86)	3,215	3,699	8,126	2,228	5,925
Capex	(394)	(1,895)	(1,318)	(2,796)	(909)	(1,500)	(1,500)
Free cash flow (FCF)	817	(1,981)	1,897	902	7,217	728	4,425
Investments	(325)	(32)	(373)	(946)	(1,607)	(2,812)	(3,800)
Other income and Other bank deposits	-	311	245	397	209	506	484
INVESTING CASH FLOW (b)	(719)	(1,616)	(1,446)	(3,345)	(2,307)	(3,806)	(4,816)
Debt Issuance/(Repaid)/	(3,411)	1,400	(189)	2,050	(482)	1,000	-
Interest Expenses	(332)	(153)	(301)	(626)	(725)	(806)	(954)
FCFE	(2,927)	(733)	1,407	2,326	6,011	922	3,471
Share Capital Issuance	4,172	-	-	(3)	(0)	(0)	(0)
Dividend	(161)	(161)	(161)	(155)	(309)	(225)	(483)
FINANCING CASH FLOW (c)	267	1,086	(651)	1,267	(1,516)	(32)	(1,437)
NET CASH FLOW (a+b+c)	759	(616)	1,117	1,620	4,304	(1,609)	(329)
Miscellaneous					578		
Closing Cash & Equivalents	971	355	1,472	3,093	7,400	6,805	5,261

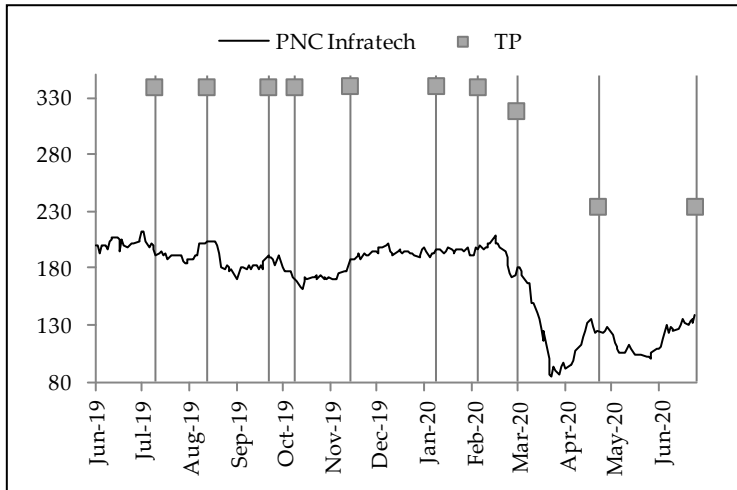
Source: Company, HSIE Research

Key Ratios

Year ending March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PROFITABILITY (%)							
GPM	23.6	26.5	31.9	31.2	30.9	28.6	29.9
EBITDA Margin	13.2	13.1	14.4	14.1	15.7	12.7	13.9
APAT Margin	7.6	6.9	6.6	7.6	9.4	5.4	7.0
RoE	14.6	7.9	7.0	11.9	13.9	9.6	12.7
RoIC (or Core RoCE)	25.6	12.9	13.0	16.2	26.4	15.1	20.1
RoCE	21.1	13.4	14.0	15.4	17.1	9.2	11.5
EFFICIENCY							
Tax Rate (%)	(20.7)	(8.1)	(7.3)	5.6	24.8	33.0	25.2
Fixed Asset Turnover (x)	4.7	3.8	3.1	3.5	4.8	4.0	4.0
Inventory (days)	43	33	36	48	20	30	30
Debtors (days)	68	136	140	73	60	66	66
Other Current Assets (days)	47	69	80	77	46	50	45
Payables (days)	17	51	94	56	35	35	30
Other Current Liab & Provns (days)	45	54	36	44	31	36	36
Cash Conversion Cycle (days)	96	134	126	97	60	75	75
Debt/EBITDA (x)	0.0	0.8	0.7	0.9	0.4	1.0	0.8
Net D/E (x)	(0.06)	0.1	0.01	0.03	(0.2)	(0.0)	0.0
Interest Coverage (x)	5.2	8.3	5.9	5.3	5.6	3.5	4.1
PER SHARE DATA (Rs)							
EPS	6.0	4.6	4.6	9.1	12.8	10.0	14.6
CEPS	11.4	10.3	12.8	16.3	22.9	15.2	20.4
Dividend	2.5	0.5	1.5	0.5	0.7	0.7	1.5
Book Value	53.7	61.3	70.4	82.5	99.3	108.7	121.4
VALUATION							
P/E (x)	23.2	30.5	30.0	15.3	10.9	13.9	9.5
P/BV (x)	2.6	2.3	2.0	1.7	1.4	1.3	1.1
EV/EBITDA (x)	13.1	16.7	13.9	8.4	4.1	5.8	4.9
EV/Revenues (x)	1.7	2.2	2.0	1.2	0.6	0.7	0.7
OCF/EV (%)	3.5	(0.2)	9.0	10.2	25.8	6.4	16.4
FCF/EV (%)	2.3	(5.4)	5.3	2.5	22.9	2.1	12.2
FCFE/Mkt Cap (%)	(8.2)	(2.1)	3.9	6.5	16.9	2.6	9.7
Dividend Yield (%)	1.8	0.4	1.1	0.4	0.5	0.5	1.1

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Jul-19	196	BUY	339
14-Aug-19	204	BUY	339
22-Sep-19	185	BUY	339
10-Oct-19	170	BUY	339
16-Nov-19	188	BUY	340
10-Jan-20	196	BUY	340
7-Feb-20	196	BUY	339
2-Mar-20	172	BUY	318
24-Apr-20	124	BUY	234
27-Jun-20	139	BUY	234

From 2nd March 2020, we have moved to new rating system

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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