HDFC securities

INSTITUTIONAL RESEARCH

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Reliance Jio (Subsidiary of RIL)

All is well, but for capital employed

Stock Performance

Segment / Company	CMP (Rs)	3m	6m	1yr
Bharti Airtel	370	(4.3)	(12.8)	(10.7)
Idea Cellular	53	2.1	(37.9)	(39.1)
Bharti Infratel	285	(10.8)	(15.7)	(25.4)
Tata Comm	559	(12.1)	(14.0)	(4.9)
RIL	1,187	20.0	29.7	53.6

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Reliance Jio's (RJio) subscriber additions (37mn in 2Q) and engagement (voice/data usage/sub) is healthy and steadily inching upward. Acquisition of leading cable companies- Hathway, Den and GTPL will fast-track home broadband acquisitions (Jio aspires 50mn).

RIL is swiftly strengthening its business and consumer propositions with investments in media/technology companies and through exclusive content deals. This bodes well from the strategic perspective.

That said investor's patience is getting tested with rising cash burn and capital investments. Capex during the quarter was Rs. 160bn (Rs 330bn in 1H) and net debt ~Rs 1.7tn (vs. Rs 1.4tn in Mar18). Balance sheet size increased from Rs 2.53tn in Mar18 to Rs 2.9tn in Sep18. This is in addition to investments in Saavn, Hathway, Den, GTPL, Eros, TV18, Balaji, Rcom etc that supports Jio's business but resides in the parent company- RIL. Ask rate for future revenue and earnings growth inches-up for reasonable ROCE with persistently rising investments.

EBITDA growth in 2Q was lower than expected due to increase in network and SG&A costs. This is despite pending commercial launch of Jio Giga Fiber. Interest costs increased by 30% QoQ to Rs 10bn.

Disclosures on content, Jio phone, project development costs accounting etc would be opportune. We value RJio at 10x Sep-20E EV/EBITDA at an EV of Rs 3tn (Rs 510/sh).

Key highlights

- **Wireless momentum healthy:** Led by Rs 501 exchange monsoon hungama handset exchange offer, Jio reported healthy 37mn sub additions in 2Q (114mn in trailing 12m) to 252.3mn (+17% QoQ). ARPU declined by 2% QoQ to Rs 131.7. Data usage grew by 20% QoQ. Data usage/sub grew by 3.2% QoQ to 11GB/mth. This is despite increasing mix of Jio feature phone users and is positive. Revenue/EBITDA/PAT grew by 14/13/11% QoQ.
- **MSOs acquisitions to speed-up Giga fiber launch:** Jio's parent RIL has announced acquisition of leading MSOs Hathway (51%) and Den Networks (66%) primarily through fresh issuance of shares for Rs 53bn. It would also make open offer for these companies. Jio is having robust product propositions for home security and solution. However, last mile connectivity is a challenge. Hathway and Den's partnership with 27,000 LCOs, last mile connectivity of 22-24mn cable homes and 1mn broadband subscribers will significantly improve Jio's go-to-market in terms of time for its aspiration to acquire 50mn broadband customers.
- RIL also acquired 12.7% stake in a US based technology company 'Skytran'. It is a developing state of the art technology in the field of Personal Rapid Transit Systems (driverless cars etc). It has 8 approved and 40+ patents pending approval. RIL has option to further invest upto $25mn in convertible notes.
- **Near term outlook:** Led by strong subscriber additions, healthy ARPU and thus revenue growth, short term outlook for Jio is enticing.

Consolidated Financial Summary

(Rs bn)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	FY17*	FY18	FY19E	FY20E	FY21E
Net Sales	92.4	61.5	*50.3*	81.1	*13.9*	-	201.5	386.9	515.5	632.6
EBITDA	35.7	14.4	*147.7*	31.5	*13.5*	(0.4)	67.3	157.1	236.7	321.1
APAT	6.8	(2.7)	*NA*	6.1	*11.3*	(0.3)	7.2	36.4	76.7	122.1
RoE (%)						(0.0)	0.8	3.5	6.9	10.1

Source: Company, HDFC sec Inst Research * Jio launched its commercial operations from 2QFY18, FY is other income and preoperative opex

Analyst meet key takeaways

- RJio smartphone subscriber addition stood at 6.5-7.5mn/month i.e. 50% of the 41.7mn gross additions were from smartphones and rest 50% from Jio feature phone. Jio's focus would continue to remain on subscriber acquisition especially the large feature phone market and drive their usage. Thus volumes would remain the key driver of growth.
- Shift from eKYC may increase the on-boarding time of customers as well as the acquisition costs. In the near term, modest slowdown in subscriber growth remains possibility but should only be short lived.
- Increase in network opex costs is on account of operationalization of new sites. This is owing to coverage expansion from 95% to currently around 96-97% and by end of FY19 to 99%.
- Jio has started testing carrier aggregation & Massive MIMO but device ecosystem remains weak. Believes 5G is still few years away to become viabile.
- Five years cricket content agreement with Star makes Jio co-exclusive partner for digital rights along with Hotstar. We believe rest of TV apps will be required to redirect to Hotstar for live cricket.
- Cumulative investments in content and apps including strategic deals is ~Rs 50bn and accounted in RIL books. RIL is currently capitalizing the content costs since customers are not charged for the same.

RIL would acquire 51% in Hathway for Rs 29.4bn and 59% in Den for Rs 20.45bn through fresh issuance of shares. It would also buy additional 7% from Den's promoters for Rs 2.45bn

RIL would hold 37.3% in GTPL through Hathway and make open offer for 25.6% of public shareholding

Key highlights and transaction overview of acquisition of Hathway, Den Networks and GTPL

RIL's investment in Hathway/Den/GTPL

Description	% of expanded equity	No of Shares (Mn)	Price /sh (Rs)	Investment (Rs Mn)
Hathway - Fresh Issuance of shares	51.3	908.8	32.35	29,400
Den - Fresh Issuance of shares	59.0	281.4	72.66	20,450
Den - Purchase from existing promoters	7.0	33.6	72.66	2,440
Sub Total				**52,290**
Open offer to Public				
Hathway	26.0	460.2	32.35	14,888
Den	26.0	124.1	72.66	9,016
GTPL*	25.6	28.8	82.65	2,384
Sub Total				**26,287**
Total				**78,578**

* GTPL public holding is 25.6% only excluding existing promoters, Hathway and RIL. Hathway current holds 37% in GTPL.

RIL's investment in Hathway and Den to make both the companies cash rich

Overview of transaction with Hathway

Pre and Post shareholding pattern

O/s shares	Existing		Revised (post fresh issuance)		Revised (Post open offer by RIL)	
	Mn	%	Mn	%	Mn	%
- Promoters	391.9	45.5	391.9	22.1	391.9	22.1
- Public	469.4	54.5	469.4	26.5	9.2	0.5
- RIL	-	-	908.8	51.3	1,369.0	77.3
Total	**861.3**	**100.0**	**1,770.1**	**100.0**	**1,770.1**	**100.0**

RIL's investment in Hathway

	Fresh issuance	Open Offer	Total
No of shares (Mn)	908.8	460.2	1,369.0
Price/sh (Rs)	32.35	32.35	32.35
Investment (Rs Mn)	**29,400**	**14,888**	**44,288**

Hathway's consolidated P&L summary

	FY16	FY17	FY18
Revenue (ex activation)	10,534	12,619	14,382
EBITDA (ex activation)	375	1,147	2,392
EBITDA Margin (%)	3.6	9.1	16.6
Activation revenue (Rs Mn)	834	825	964
EBITDA (incl activation)	1,209	1,972	3,356
EBITDA Margin (%) (incl activation)	10.6	14.7	21.9
Interest (Rs Mn)	898	1,108	1,528
PAT (Rs Mn)	(2,376)	(1,930)	(1,079)

Implied acquisition multiple

RIL Holding in Hathway (%)	77.3
Acquisition costs (Rs Mn)	44,288
Equity Value (Rs Mn)	**57,263**
(+) Net debt as of FY18 end (Rs Mn)	19,095
(-) Cash infused by RIL (Rs Mn)	29,400
Enterprise Value (Rs Mn)	**46,958**

	FY16	FY17	FY18
Implied EV/EBITDA (excl activation rev) (x)	125.2	40.9	19.6
Implied EV/EBITDA (incl activation rev) (x)	38.8	23.8	14.0

Overview of transaction with Den Networks

O/s shares	Existing		Revised (post fresh/ purchase from promoters)		Revised (Post open offer)	
	Mn	%	Mn	%	Mn	%
- Promoters	71.4	36.5	37.8	7.9	37.8	7.9
- Public	124.4	63.5	124.4	26.1	0.3	0.1
- RIL (Fresh Issue)	-	-	281.4	59.0	439.1	92.0
- RIL (purchase from promoters)	-	-	33.6	7.0	-	-
Total	**195.8**	**100.0**	**477.2**	**100.0**	**477.2**	**100.0**

Den's consolidated P&L summary

	FY16	FY17	FY18
Revenue (ex activation)	9,475	10,713	11,661
EBITDA (ex activation)	(1,121)	928	1,593
EBITDA Margin (%)	(11.8)	8.7	13.7
Activation revenue (Rs Mn)		860	1,190
EBITDA (incl activation)	(1,121)	1,788	2,783
EBITDA Margin (%) (incl activation)	(11.8)	15.5	21.7
Interest (Rs Mn)	791	652	661
PAT (Rs Mn)	(4,313)	(1,878)	(171)

Implied acquisition multiple

RIL Holding in Den (%)	92.0
Acquisition costs (Rs Mn)	31,906
Equity Value (Rs Mn)	**34,675**
(+) Net debt as of FY18 end (Rs Mn)	2,167
(-) Cash infused by RIL (Rs Mn)	20,450
Enterprise Value (Rs Mn)	**16,392**

	FY16	FY17	FY18
Implied EV/EBITDA (excl activation rev) (x)	(14.6)	17.7	10.3
Implied EV/EBITDA (incl activation rev) (x)	(14.6)	9.2	5.9

Overview of transaction with GTPL

O/s shares	Existing		Revised (post open offer)	
	Mn	**%**	**Mn**	**%**
- Promoters	41.7	37.0	41.7	37.0
- Public	28.8	25.6	-	-
- RIL (through Hathway)	42.0	37.3	42.0	37.3
- RIL (through open offer)	-	-	28.8	25.6
Total	**112.5**	**100.0**	**112.5**	**100.0**

RIL's investment in GTPL

	Open Offer
No of shares (Mn)	28.8
Price/sh (Rs)	82.65
Investment (Rs Mn)	**2,384**

Combined operating and P&L snapshot of FY18 of acquired companies

Rs Mn	Hathway	Den	GTPL	Total
Revenue (ex activation)	14,382	11,661	9,974	36,017
EBITDA (ex activation)	2,392	1,593	1,985	5,970
EBITDA Margin (%)	**16.6**	**13.7**	**19.9**	**16.6**
Activation revenue (Rs Mn)	964	1,190	939	3,093
EBITDA (incl activation)	3,356	2,783	2,924	9,063
EBITDA Margin (%) (incl activation)	**21.9**	**21.7**	**26.8**	**23.2**
No of Broadband Home Passed (Mn)	5.20	0.91	1.53	7.64
No of Broadband Subs (Mn)	0.80	0.11	0.29	1.20
ARPU (Rs)	~Rs 700	~ Rs 630	~Rs 485	
No of Cable TV Subs (Mn)	7.20	7.40	7.60	22.20
ARPU (Rs)	87.0	75.0	65.0	

Reduction in IUC termination rate from 14p/min to 6p/min wef 1st Oct, 2018 led to sharp decline in IUC payout of Jio

Increase in opex, depreciation and interest are owing to increase in usage growth. RIL follows unit of production method for depreciation and interest charge.

Quarterly Financial Snapshot

(Rs mn)	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3Q vs 2Q (%)	4Q vs 3Q (%)	1Q vs 4Q (%)	2Q vs 1Q (%)
Revenue	**61,471**	**68,794**	**71,280**	**81,091**	**92,400**	**11.9**	**3.6**	**13.8**	**13.9**
Interconnect Costs (net)*	21,399	10,816	10,659	10,570	10,460	(49.5)	(1.5)	(0.8)	(1.0)
Net revenue	**40,072**	**57,978**	**60,621**	**70,521**	**81,940**	**44.7**	**4.6**	**16.3**	**16.2**
License fees	3,990	6,227	7,454	8,602	9,830	56.1	19.7	15.4	14.3
Network Costs	13,719	17,368	18,122	21,429	26,040	26.6	4.3	18.2	21.5
Employee Costs	3,031	3,344	3,247	3,677	4,060	10.3	(2.9)	13.2	10.4
S&D	2,608	2,697	2,455	2,350	2,900	3.4	(9.0)	(4.3)	23.4
Other expenses	2,306	2,072	2,412	3,003	3,390	(10.1)	16.4	24.5	12.9
Operating Costs	**25,654**	**31,708**	**33,690**	**39,061**	**46,220**	**23.6**	**6.3**	**15.9**	**18.3**
EBITDA	**14,418**	**26,270**	**26,931**	**31,460**	**35,720**	**82.2**	**2.5**	**16.8**	**13.5**
D&A	11,839	11,926	11,988	14,394	15,310	0.7	0.5	20.1	6.4
Interest & Finance charge	6,734	6,638	7,113	7,676	9,960	(1.4)	7.2	7.9	29.8
Other Income	17	12	7	14	10	(26.3)	(46.3)	118.2	(30.6)
PBT	**(4,138)**	**7,718**	**7,837**	**9,405**	**10,460**	**(286.5)**	**1.5**	**20.0**	**11.2**
Tax	(1,432)	2,674	2,732	3,286	3,650	(286.7)	2.2	20.3	11.1
PAT	**(2,706)**	**5,044**	**5,104**	**6,119**	**6,810**	**(286.4)**	**1.2**	**19.9**	**11.3**

Source: Company, HDFC sec Inst Research

Margin Analysis (%)

As % of Net Sales	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3Q vs 2Q (bps)	4Q vs 3Q (bps)	1Q vs 4Q (bps)	2Q vs 1Q (bps)
Interconnect Costs (net)*	**34.8**	**15.7**	**15.0**	**13.0**	**11.3**	**(1,909)**	**(77)**	**(192)**	**(171)**
License fees	6.5	9.1	10.5	10.6	10.6	256	140	15	3
Network Costs	22.3	25.2	25.4	26.4	28.2	293	18	100	176
Employee Costs	4.9	4.9	4.6	4.5	4.4	(7)	(30)	(2)	(14)
S&D	4.2	3.9	3.4	2.9	3.1	(32)	(48)	(55)	24
Other expenses	3.8	3.0	3.4	3.7	3.7	(74)	37	32	(3)
Operating Costs (ex interconnect)	**41.7**	**46.1**	**47.3**	**48.2**	**50.0**	**436**	**117**	**91**	**185**
EBITDA	**23.5**	**38.2**	**37.8**	**38.8**	**38.7**	**1,473**	**(40)**	**101**	**(14)**
D&A	19.3	17.3	16.8	17.8	16.6	(192)	(52)	93	(118)
Interest & Finance charge	11.0	9.6	10.0	9.5	10.8	(131)	33	(51)	131
Other Income	0.0	0.0	0.0	0.0	0.0	(1)	(1)	1	(1)
PBT	**(6.7)**	**11.2**	**11.0**	**11.6**	**11.3**	**1,795**	**(23)**	**60**	**(28)**
Tax	(2.3)	3.9	3.8	4.1	4.0	622	(5)	22	(10)
PAT	**(4.4)**	**7.3**	**7.2**	**7.5**	**7.4**	**1,173**	**(17)**	**38**	**(18)**
LF as % of NR	10.0	10.7	12.3	12.2	12.0	78	155	(10)	(20)
Tax as % of PBT	34.6	34.6	34.9	34.9	34.9	4	21	8	(5)

Source: Company, HDFC sec Inst Research * Unlike other telcos, Jio reports interconnect costs on net basis (i.e. incoming revenue less costs)

With increased subscriber traction the proportion of net offnet OG mins (Off-net outgoing less incoming) to other operators is declining for Jio in overall mins

It reflects increased receptivity of Jio as primary number/sim slot and is positive

YoY decline in ARPU in FY20 is owing to higher proportion of subscribers from Jiophone2 (ARPU of ~Rs 84)

Jio's net off-net outgoing minutes as % of Total

	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19
Net interconnect costs (Rs Mn)	21,399	10,816	10,659	10,570	10,460
Termination rate/min (Rs)	0.14	0.06	0.06	0.06	0.06
Net OG mins to other operators (Bn)	153	180	178	176	174
Total mins (Bn)	246	311	372	449	534
Net OG mins as % of Total Mins	62.1%	57.9%	47.7%	39.3%	32.7%

Source: Company, HDFC sec Inst Research

Key Model Assumptions

	FY18	FY19E	FY20E	FY21E	FY22E	FY23E
Closing Subs (Mn)	186.6	303.3	368.3	418.3	458.3	488.3
% chg YoY	*71.7%*	*62.5%*	*21.4%*	*13.6%*	*9.6%*	*6.5%*
Net Additions (Mn)	77.9	116.7	65.0	50.0	40.0	30.0
ARPU (Rs)	144.5	131.6	127.9	134.0	142.2	151.0
% chg YoY		*-8.9%*	*-2.8%*	*4.8%*	*6.1%*	*6.1%*
Data Usage (Mn GB)	13,150	30,537	43,475	56,358	67,764	75,463
% chg YoY		*132.2%*	*42.4%*	*29.6%*	*20.2%*	*11.4%*
Data Usage/Sub (MBs)	9.43	10.39	10.79	11.94	12.88	13.29
% chg YoY		*10.2%*	*3.9%*	*10.7%*	*7.9%*	*3.1%*
Minutes of Usage (Bn Mins)	929	2,530	3,227	3,911	4,534	5,095
% chg YoY		*172.3%*	*27.5%*	*21.2%*	*16.0%*	*12.4%*
MOU/Sub (Mins)	666	861	801	829	862	897
% chg YoY		*29.2%*	*-7.0%*	*3.5%*	*4.0%*	*4.1%*
Revenue (Rs Bn)	201.5	386.9	515.5	632.6	748.2	857.4
% chg YoY		*92.0%*	*33.2%*	*22.7%*	*18.3%*	*14.6%*
EBITDA (Rs Bn)	67.3	157.1	236.7	321.1	372.2	413.9
% chg YoY		*133.5%*	*50.6%*	*35.7%*	*15.9%*	*11.2%*
EBITDA Margin (%)	*33.4%*	*40.6%*	*45.9%*	*50.7%*	*49.7%*	*48.3%*

Source: Company, HDFC Sec Inst Research

Decrease in FY20/21E revenue is owing to higher subscriber assumption with delayed improvement in pricing

Decline in EBITDA and PAT is owing to higher network and interest costs

Increase in net debt is owing to higher capex outgo

Change in estimates

(Rs bn)	Old			New			Change %		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Net Sales	381.8	525.4	656.3	386.9	515.5	632.6	1.3	-1.9	-3.6
EBITDA	155.9	252.9	343.1	157.1	236.7	321.1	0.8	-6.4	-6.4
EBITDA Margin %	40.8	48.1	52.3	40.6	45.9	50.7	-18	-219	-155
APAT	42.1	100.0	153.7	36.4	76.7	122.1	-13.4	-23.3	-20.5

Valuation snapshot

	Amount (Rs bn)	Target multiple	EV (Rs bn)
Sep-20E EBITDA	279	10.00	2,789
CWIP in FTTH/Enterprise	751	0.50	376
Pending investments in RCOM	200	(0.75)	(150)
Enterprise Value			**3,014**
(-) Sep-20E Net debt			2,023
Equity Value			**992**

Source: Company, HDFC Sec Inst Research

Peer Set Comparison

COMPANY	Mcap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	EPS (Rs/sh)				EV/EBITDA (x)				RoE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Bharti Airtel	1,154	288.5	BUY	410	2.7	(8.1)	(7.6)	2.0	7.2	8.9	8.0	6.4	1.6	(4.8)	(4.7)	1.3
Bharti Infratel	481	260	BUY	306	13.8	13.9	15.2	16.6	7.2	7.6	7.1	6.6	15.7	15.4	17.0	18.6
Idea Cellular	332	37.8	BUY	50	(11.6)	(20.7)	(17.0)	(17.0)	14.0	44.3	21.7	13.4	(16.0)	(27.3)	(25.2)	(25.2)

Source: Company, HDFC Sec Inst Research

RJio Income Statement

(Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	**-**	**201.5**	**386.9**	**515.5**	**632.6**
Growth (%)			***92.0***	***33.2***	***22.7***
Net interconnect costs	-	42.9	41.0	27.8	-
Net revenue	**-**	**158.7**	**345.9**	**487.7**	**632.6**
Growth (%)			***118.0***	***41.0***	***29.7***
License fee	0.0	17.7	42.6	61.0	79.1
LF as % of NR	*NA*	*11.1*	*12.3*	*12.5*	*12.5*
Network & IT costs	-	49.2	102.7	124.4	145.5
Employee costs	0.0	9.6	16.8	23.2	28.5
SG&A	0.0	8.0	12.2	19.3	26.9
Other Expenses	-	6.9	14.4	23.2	31.6
Total Opex	**0.0**	**73.7**	**146.1**	**190.1**	**232.5**
EBITDA	**(0.0)**	**67.3**	**157.1**	**236.7**	**321.1**
EBITDA (%)		***33.4***	***40.6***	***45.9***	***50.7***
EBITDA Growth (%)	***NA***	***NA***	***133.5***	***50.6***	***35.7***
Depreciation	0.0	35.8	62.8	73.1	81.3
EBIT	**(0.0)**	**31.5**	**94.3**	**163.6**	**239.8**
Other Income	0.0	0.0	0.1	0.1	0.1
Interest	0.0	20.5	38.6	46.5	53.4
PBT	**(0.0)**	**11.1**	**55.8**	**117.1**	**186.5**
Tax	(0.0)	3.9	19.3	40.4	64.3
APAT	**(0.0)**	**7.2**	**36.4**	**76.7**	**122.1**
APAT Growth (%)	***NA***	***NA***	***404.2***	***110.4***	***59.2***

Source: Company, HDFC sec Inst Research

RJio Balance Sheet

(Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital - Equity	450.0	450.0	450.0	450.0	450.0
Reserves	258.6	579.3	615.8	692.5	814.6
Total Shareholders' Funds	**708.6**	**1,029.3**	**1,065.8**	**1,142.5**	**1,264.6**
Long term debt	474.6	437.3	630.3	788.2	872.9
Short term debt	594.2	790.1	1,040.4	1,029.2	952.3
Deferred spectrum payment	208.8	210.8	210.8	210.8	210.8
Total Debt	**1,277.5**	**1,438.2**	**1,881.5**	**2,028.2**	**2,036.0**
Other non-current liabilities	-	3.6	4.4	3.9	3.5
TOTAL SOURCES OF FUNDS	**1,986.2**	**2,471.2**	**2,951.7**	**3,174.6**	**3,304.2**
APPLICATION OF FUNDS					
Net Block	1,789.5	2,255.2	2,717.3	2,994.3	3,163.0
Other non-current assets	87.7	86.7	95.9	107.0	110.4
Total Non-current Assets	**1,877.2**	**2,341.8**	**2,813.3**	**3,101.3**	**3,273.3**
Cash & Equivalents	2.7	10.6	25.5	7.1	11.9
Other Current Assets	129.0	184.9	195.5	169.5	147.8
Total Current Assets	**131.7**	**195.5**	**221.0**	**176.6**	**159.8**
Total Current Liabilities	22.7	66.1	82.6	103.2	129.0
Net Current Assets	**109.0**	**129.4**	**138.4**	**73.4**	**30.8**
TOTAL APPLICATION OF FUNDS	**1,986.2**	**2,471.2**	**2,951.7**	**3,174.6**	**3,304.2**

Source: Company, HDFC sec Inst Research

RJio Cash Flow

Year ending March (Rs bn)	FY17	FY18	FY19E	FY20E	FY21E
Reported PAT	0.0	7.2	36.4	76.7	122.1
Net interest expense	0.0	20.5	38.6	46.5	53.4
Depreciation	0.0	35.8	62.8	73.1	81.3
Working Capital Change & others	-31.3	-12.5	5.9	46.6	47.4
OPERATING CASH FLOW (a)	**-31.3**	**51.0**	**143.7**	**243.0**	**304.2**
Capex	-719.4	-501.4	-525.0	-350.0	-250.0
Free cash flow (FCF)	***-750.7***	***-450.4***	***-381.3***	***-107.0***	***54.2***
Investments	41.2	4.7	-8.5	-11.5	-3.7
INVESTING CASH FLOW (b)	**-678.2**	**-496.7**	**-533.5**	**-361.5**	**-253.7**
Debt Issuance	375.5	160.7	443.3	146.7	7.8
Interest expenses	0.0	-20.5	-38.6	-46.5	-53.4
FCFE	**-334.0**	**-305.6**	**14.9**	**-18.4**	**4.9**
Share capital Issuance	336.3	313.5	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**711.8**	**453.6**	**404.7**	**100.1**	**-45.6**
NET CASH FLOW (a+b+c)	2.3	7.9	14.9	-18.4	4.9
Closing Cash & Equivalents	2.7	10.6	25.5	7.1	11.9

Source: Company, HDFC sec Inst Research

Key Ratios

	FY17	FY18	FY19E	FY20E	FY21E
PROFITABILITY (%)					
EBITDA Margin	-	33.4	40.6	45.9	50.7
EBIT Margin	NA	15.6	24.4	31.7	37.9
APAT Margin	NA	3.6	9.4	14.9	19.3
RoE	(0.0)	0.8	3.5	6.9	10.1
RoIC (or Core RoCE)	(0.0)	0.9	2.3	3.5	4.9
RoCE	(0.0)	0.9	2.3	3.5	4.8
EFFICIENCY					
Tax Rate (%)	37.0	34.8	34.6	34.5	34.5
Fixed Asset Turnover (x)	-	0.1	0.2	0.2	0.2
Other Current Assets (days)	*NA*	*335*	*184*	*120*	*85*
CL & Provisions (days)	*NA*	*120*	*78*	*73*	*74*
Cash Conversion Cycle (days)	NA	215	107	47	11
Net D/E (x)	1.8	1.4	1.7	1.8	1.6
Net D/EBITDA (x)	NA	21.2	11.8	8.5	6.3
Interest Coverage (x)	(49.0)	1.5	2.4	3.5	4.5
PER SHARE DATA (Rs)					
EPS (Rs/sh)	(0.0)	0.2	0.8	1.7	2.7
CEPS (Rs/sh)	(0.0)	1.0	2.2	3.3	4.5
DPS (Rs/sh)	-	-	-	-	-
BV (Rs/sh)	15.7	22.9	23.7	25.4	28.1

Source: Company, HDFC sec Inst Research

Disclosure:

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