Stock Update

IRCON International Limited.

January 16, 2022

RETAILRESEARCH

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IRCON International Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Engineering, Designing & Construction	**Rs.63.1**	**Buy in the band of Rs. 62 – 64.25& add more on dips to Rs54.25-56.25band**	**70.0**	**75.55**	**2-3 quarters**

HDFC Scrip Code	IRCINTEQNR
BSE Code	541956
NSE Code	IRCON
Bloomberg	IRCON:IN
CMP Jan 13- 2023	63.1
Equity Capital (Rscr)	188
Face Value (Rs)	2
Equity Share O/S (cr)	94.05
Market Cap (Rscr)	5,939
Book Value (Rs)	52.5
Avg. 52 Wk Volumes	44,35,876
52 Week High	66.8
52 Week Low	34.8

Share holding Pattern % (Sept, 2022)	
Promoters	73.18
Institutions	3.35
Non Institutions	23.47
Total	100.0

HDFCsec Retail research
stock rating meter
for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Ircon International Limited (IRCON), is an integrated engineering and construction company having expertise in major infrastructure sectors including railways, highways, bridges, flyovers, tunnels, metro, railway electrification, EHV sub-stations, electrical and mechanical works, commercial and residential buildings, railway production units, amongst others.IRCON also executes projects on Build, Operate and Transfer (BOT) mode and Hybrid Annuity Mode (HAM) by leveraging the financial strength of the Company to build long term wealth.The company is a major player of EPC& PMC projects having executed 526+ projects spread acrossRailways, Highways, Rail electrification segment. The order-book of the company is well diversified in various segments of EPC & PMC projects from the government,Although the order inflow was muted in H1FY23 but company has sufficient amount of order-book to cater as on Sept'22 i.e approx. 5.4x of FY22 revenue. The order-book as at Sept'22 stood at Rs. 40,020 crores. The order book comprised of 77% from Railway segment, 18% from Highway and 5% from other segments respectively.

IRCON International Limited is also operating into different Geographies currently having outstanding projects in countries like Algeria, Sri Lanka, Nepal, Myanmar and Bangladesh and Malaysia. Approximately 7% of the company's order book comprises of International projects.
IRCON has reiterated its target of revenue growth by 20-25% YoY and maintaining its current margin level in EPC business in range of 8-9% on the back of its prudent bidding discipline. In FY23, the company has set eyes on opportunities to bid for the orders to the tune of Rs.8000-10,000 crores marking a strong revenue guidance for upcoming few years.IRCON is also diversifying its business by entering into Solar & renewable segment which is likely to witness steady growth over the years.

We had issued an initiating coverage report on IRCON on Nov 14, 2022 for base and bull targets of Rs.55.25 and 59 respectively (link).The stock price achieved both the targets on Nov 16, 2022.

On account of its healthy order book, strong execution capabilities, robust order pipeline and stable EBITDA margins, we remain positive on the stock.

Valuation & Recommendation:

We are comfortable on the strong long term outlook and revenue growth in the upcoming years for IRCON.We expect revenue/EBITDA/PAT to grow at a CAGR of 15.7%/16.4%/9.2% over FY22–24E. At the CMP, the stock offers 3.97%dividend yield. **We think the base case fair value of the stock is Rs.70 (9.5x FY24E EPS) and the bull case fair value is Rs.75.55 (10.25x FY24E EPS) over the next two-three quarters.Investors can buy the stock in the band of Rs.62-64.25 (8.55x FY24E EPS) and add more on dips to Rs.54.25-56.25 band (7.5x FY24E EPS).**

Financial Summary (Rs Cr)

Particulars (Rscr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	2238.9	1523.2	47.0	2001.9	11.8	5,391.5	5,349.8	7,379.7	8,966.3	9,862.9
EBITDA	199.6	139.2	43.4	160.0	24.8	604.2	504.4	586.7	758.1	805.4
Depreciation	23.9	22.9	4.5	23.7	0.8	82.9	92.1	95.2	96.1	98.0
Other Income	67.0	59.5	12.7	66.5	0.7	148.2	156.6	206.0	236.9	260.6
Interest Cost	31.2	16.5	89.5	28.9	8.0	27.9	23.3	68.8	124.0	137.0
Tax	51.7	43.3	19.4	41.9	23.3	186.7	186.5	96.4	193.7	207.8
PAT	159.8	116.0	37.8	131.9	21.1	485.3	391.1	592.3	646.2	693.3
Adjusted PAT	174.2	125.9	38.3	144.6	20.5	485.3	391.1	592.3	646.2	693.3
EPS (Rs)	1.85	1.34	38.3	1.5	20.5	5.2	4.2	6.3	6.9	7.4
RoE-%						11.9	9.1	13.1	13.2	12.9
P/E (x)							15.2	10.0	9.2	8.6

(Source: Company, HDFC sec)

Q2FY23 Earnings Update:

- Consolidated Operating Revenue of Q2FY23 stood at Rs.2,238 crores, up 46.98% YoY/11.84% QoQ. The Consolidated EBITDA (including share of JVs) for the quarter stood at Rs. 214 crores, up 43.5% YoY/23.97% QoQ.
- Consolidated EBITDA margin for Q2FY23 stood at 9.56% down by 23 bps YoY and up by 94bps QoQ.
- Revenue from the International orders during the quarter stood at Rs. 86.7 crores while domestic business stood at Rs. 2,152.1 crores.
- The company is expecting to witness a pressure in EBITDA margin due to higher commodity prices and higher overseas freight.However the management has guided to maintain the EBITDA margin of 8-9% in coming quarters.
- Consolidated PAT reported for Q2FY23 is Rs. 174 crores, up 38.3%/20.5% YoY/QoQ.
- The company is also expecting H2 to be better and believes the majority (i.e 60% - 70%) of the revenue comes from Q3 & Q4.

- The company had muted order inflow during H1FY23, the company is looking at execution in this particular year rather than targeting order inflows as company believes that the existing order book is very healthy for 4-5 years of revenue. The company still aims to secure new orders amounting to Rs.8,000- Rs. 10,000 crores during the current financial year.

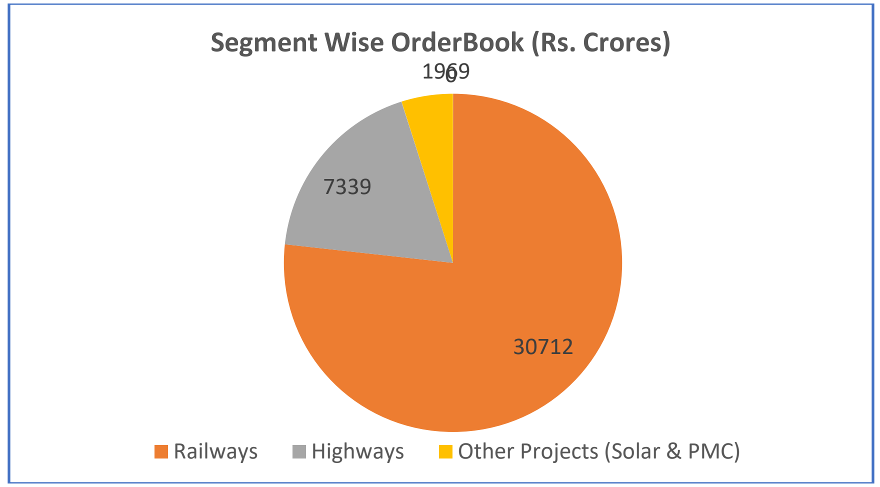
Q2FY23 Con-Call Highlights:

- The order-book as on 30th September, 2022 stood at Rs. 40,020 crores which constitutes a good mix of 51% of orders on Nomination basis and balance 49% on competitive bidding basis. Only7% of the Order-book is from International projects. The company believes that current order-book is sufficient for next 3 to 4 years.
- The company has not gone aggressively for winning more orders in the H1, the total order wins for the period were muted as company received orders only for worth of Rs.331 crores. The company has bid for some EPC contracts, the company targets to submit bids worth Rs.10,000 crores. The company stated that the pipeline for the bidding is both in domestic and International, more towards International front and can take about six months to fructify. The company expects increase in order book towards third quarter. Company will look at an order book increase of at least 10% to 20% every year.
- The railways is currently tendering the orders in range of Rs.600 to 800 crores. The company will go selectively for some of the High value projects, as company has its competitiveness and better margins in in large value projects.
- Currently, the company is focusing on the projects acquired in the previous financial year worth Rs.15,000 crores, which were in some new areas like high speed rail, Solar projects and expressways. The company has already completed financial closure for all its road SPVs.
- The company has not participated in the station development projects, as timelines in such projects are very tight along with thin margins, also manpower requirement was high in those contracts and riskier to contractor. But, going forward company will participate in those projects.
- The revenue guidance for FY23 stood between Rs. 9500-10,000 crores while EBIDTA margin guidance stands around 8-9% and PAT margins around 7-7.5%. The company expects a 1% cut in EBITDA margins going forward in upcoming 2 years. The company has refrained from providing the growth target in revenue for FY24, but is confident of achieving the revenue guided for FY23.
- Out of Rs. 5000 crores of cash balance available with the company, own funds are roughly to the tune of Rs.1,000- 1,200 crores, balance amount are from advances from client or specific marked for projects.
- Out of the five coal projects viz. Chhattisgarh East Railway Limited (CERL), Chhattisgarh East-West Railway Limited (CEWRL), Mahanadi Coal Railway Limited (MCRL), Jharkhand Central Railway Limited (JCRL), Baster Railway Private Limited (BRPL). In all of the joint ventures the company has invested equity of 26%. The timeline of these coal projects is approximately 2-3 years.
- Total investment of Rs.1,166 crores till date and additional Rs. 1,000 crores of investment is expected in JVs and subsidiaries.

- The company expects new CAPEX around Rs.300 crores considering the routine capex and equity requirement in some projects. The company plans to distribute minimum dividend in accordance with the Dividend Payout Guidelines.
- The company has loans tied up for the respective projects, and is all on project financing basis and after the concession agreement is signed by the SPVs with NHAI or railways and once projects are commercial 90% of debt shall be repaid by railways or NHAI. The average rate is in range of 7.75 – 8.25% for the project financing loans availed by company.
- Out of current mix of Nomination (51%) and competition contracts (49%) in order-book, the company going forward believes that they will have more of competition bid based contracts in order book and less of nomination based contracts. The company believes that while it has a robust order-book and excellent revenue visibility, it expects growth in absolute numbers but in relative percentage basis it expects shrinkage in margins going forward. The company believes that they have won some recent jobs in some of the very competitive places.
- The company has raised debt on the SPV balance sheet as well as the joint ventures. They are purely on project financing basis. There is no liability whatsoever on the stand-alone balance sheet. As regards monetization is concerned, Company have started with the baby steps where it is trying to see what would be the best model and which all projects can it go ahead in terms of monetizing immediately and what over a long period of time.
- The company has secured itself against the rising Inflation, it has cost plus contracts in nomination basis contracts and the competitive bidding contracts there is a Price Variation Clause (PVC) linking to Inflation and other metrics.
- The company is focusing on the International contracts, besides its currently active projects in Algeria, Sri Lanka, Nepal, Myanmar and Bangladesh and some projects in Malaysia. The existing projects in Sri Lanka has been a problem in execution but not in terms of money and project is expected to get delayed looking at the macro factors in the country. The international revenue haven't contributed much to the revenues as company has its projects in Sri Lanka and Myanmar, where due to unstable economic conditions the execution was not being done. If in H2, if company is able to manage the Sri Lanka and Myanmar projects well, Company should be able toget a decent revenue from foreign projects also.

Key Drivers:

Strong order book position & Revenue visibility: IRCON International Limited has a strong order book catering to both Domestic as well as International market. The company has been able to record extremely strong order-book of Rs.40,020 crores as on Sept 2022 despite the strong competition from competitive based bidding. This provides strong revenue visibility i.e 5.7x of FY22 revenue. The company has been able to secure orders of more than Rs. 16,000 crores in the previous financial year and expects to secure a significant portion of such tenders under the bidding system by its long-standing experience in executing railway and turnkey projects in the balance period of FY23. 51% of the order-book comprised of Nomination based orders in which the IRCON receives non-interest-bearing advances from the MoR for project execution and projects on nomination from the MoR are 'cost-plus' in nature which ensures margins.



(Source: Company, HDFC sec)

Post Q2 the company has received an order from Ministry of Transport, Sri Lanka for procurement of Design, Installation, Testing, Commissioning and Certifying of Signalling and Telecommunication system from Maho Junction to Anuradhapura for total price of USD 14.89 Mn, worth approximately Rs.122 crores.

The company has also emerged as the Lowest Bidder (L1) for construction of balance work of Bahuti Canal Project on TURNKEY basis including completion of earth work of main canal system for total value of approx. Rs.392.52 Crore. The company is yet to receive the LOA from the Authorities.

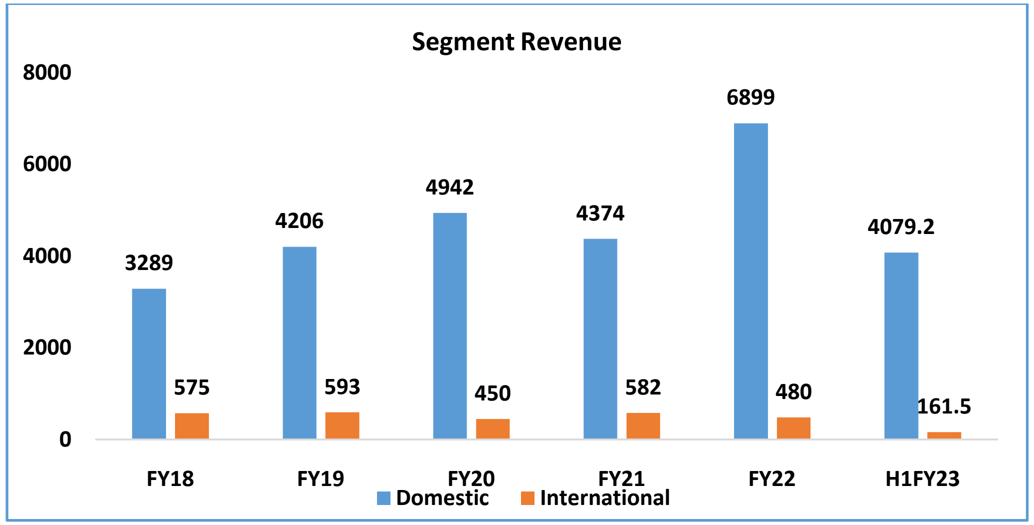
Diversified Areas of Operations: IRCON International Limited has managed to diversify its areas of operations into various sectors other than its core operations of Railways, the company has also ventured into Roads and highways by operating BOT and HAM projects. As on Sept 22 Railways account for 76.8% of the order-book of the company whereas Road projects accounts 18.3% of order-book and other Metro & coal projects accounting for 5% of orderbook. The company has also diversified in Geographical locations by bidding for more International projects in countries like Algeria, Afghanistan, Bangladesh, Bhutan, Brazil, Indonesia, Iran, Iraq, Liberia, Malaysia, Mozambique, Myanmar, Nepal, Nigeria, Saudi Arabia, South Africa, Sri Lanka, Turkey, UK, and Zambia. International Projects account for7.1% of the company's order book as of Sept 2022.

IRCON is gradually moving from generating income only through individual projects to regularly generating revenue and profits through its Subsidiaries and Joint Venture companies (JVs). The Subsidiaries and JVs of IRCON are likely to generate revenue and profits on a sustained basis because of the continued operation of existing projects and new projects. The Company's goal is to move ahead from being a construction company to a diversified company having a portfolio of BOT, DBFOT, EPC and other contracts as well as project development and operation through Subsidiaries and JVs.

Besides other railway projects, IRCON has also entered into Joint Venture with Coal India by investing 26% Equity through its 5 JV projects essentially for laying down the railway tracks on a concession agreement for having a last mile connectivity to the mines of Coal India and subsidiaries to main rail lines so mines are connected and the traffic from these coal mines also can be taken up through railways rather than just roadways.

IRCON International Limited has also ventured into Solar Power by entering into 74% JV with Ayana, committing Rs. 108 crores of Equity investment. Ayana is well equipped in Renewable sector for such solar projects, the company will do EPC part of the project and will continue to operate in the JV.

There are currently many opportunities in Station Redevelopment on both EPC & PMCmode that are being announced and company is carefully looking and analyzing the opportunities to see which mode company may like to go into, currently the existing work that company has in terms of redevelopment of station is of Safdarjung Railway Station.



(Source: Company, HDFC sec)

Easy availability of cheaper funds: IRCON International Limited has impressive credit ratings with CARE AAA; Stable for Long-Term and CARE A1+ for Short-Term Loans. The company has 53% of its order-book under Nomination based contracts which helps company in availing lower interest funds in terms of mobilization advance from clients like Ministry of Railways, Public Sector Enterprises and State-Owned Companies ranging in different time frames. Out of the total cash in books of around Rs. 5,000 crore the company's own funds are to the extent of Rs.1,100-1,200 crore; rest is in form of advances availed from clients. The company has also availed some project loans approximately amounting to Rs. 1,200 crores with cost of funds ranging from 7.75% to 8.25%.

Strong Clientele base & Low counterparty risk: Domestic projects made up the bulk of the order book, with around 93% of the order book to be executed within India as on Sept 30, 2022. The company's strong client list is dominated by Central and state government undertakings such as zonal railways, the National High-Speed Rail Corporation Limited (NHSRCL), the Dedicated Freight Corridor Corporation of India Ltd (DFCCIL), and the National Highways Authority of India (NHAI), among others, which mitigates the counterparty risk to a large extent.

Government thrust on Infrastructure Sector: In Union Budget 2022-23, the government has given a massive push to the infrastructure sector by allocating Rs.10 lakh Crores (US$ 130.57 billion) to enhance the infrastructure sector. FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US$ 26.17 billion and US$ 26.30 billion, respectively, between April'2000 and December'21. India is expected to become the third-largest construction market globally by 2022.IRCON International Limited being one of the major players in infrastructure sector is likely to benefit from the government opportunities in the sector.

- **Railway Sector**: The Ministry of Railways is working on a plan to earn Rs.15,000 Crores (US$ 1.56 billion) over the next 10-20years through rail display network (RDN), enabling realtime information to passengers. As a part of Atma-nirbhar Bharat, 2,000 km of network will be brought under Kavach, the indigenous world-class technology for safety and capacity augmentation in 2022-23.

- **Road Sector:**In Budget 2022-23, the national highways will be expanded by 25,000 kilometres with a funding outlay of Rs.20,000 Crores (US$ 2.61 billion). In FY22, government initiatives such as the National Infrastructure Pipeline, National Monetisation Pipeline, BharatmalaPariyojana, changes in the Hybrid Annuity Model (HAM) and fast pace of asset monetization to boost road construction.

Key Risks:

Over dependence on Railways: About 77% of order book of IRCON is from the Railways. Any policy or regulation change can adversely impact the order inflow for IRCON going forward.

Competition Risks: Thecompany's revenue from Nomination based projects comprises of 70% of the revenue whereas Competitive based bidding projects accounts for 30% of the company's revenue. Going forward the company believes that it will have more competition in winning orders as nomination based projects are expected to decrease and more bidding based competitive projects willlead to cutthroat competition from PSU and private players, this can adversely impact the order flow and margin levels.

Rise in Input Cost & Risk of Inflation: The company has witnessed shrinkages in its operating margins since last few quarters on rising raw material cost and high input costs. The global supply chain disruption and price rise is likely to impact company's operating margins. The company further also believes that the increase in competitive bidding and government's shift from awarding more nomination based contracts to more bidding based contracts among the industry is likely to affect the margins in upcoming years. The company in nomination based contracts enjoys margin of 8-10% depending on projects but bidding based orders are expected to fetch lower margins.

Uncertainty relating of Global Projects: The International projects reflects 7% (approx. Rs. 2,830 crore) of the total order-book of the company. The company has active projects currently in the countries like Algeria, Sri Lanka, Nepal, Myanmar and Bangladesh. Looking at the current economic situations in Sri Lanka, Bangladesh and some areas of Africa the company is of the opinion that there could be some problems in execution of the projects; so there can be delays in executing projects and booking of the revenue. In addition, the company has stated that Investment made in those projects are safe but we believe the recovery of that Investment could get delayed.

Return ratios are moderate (~13%) due to high cash on books, investments in and loans to JVs/subsidiaries.

Company Background:

IRCON International Limited is a Mini Ratna category Central Public sector Undertaking and is a rapidly growing integrated engineering and construction company specializing in major infrastructure sectors mainly engaged into Engineering Procurement and Construction (EPC) services on a lumpsum turnkey, EPC and item-rate basis for various infrastructure projects, Project Management Consultancy, Public Private Partnership and Real Estate Projects.

IRCON is engaged in executing the high quality projects at extreme locations and is actively focus and leading the diversified infrastructure player in various sectors like Highways, Flyover, Aircraft Hangars, Commercial Institutional and Residential projects, Tunnels, metro, railway electrification, EHV sub-stations, electrical and mechanical works and executes projects on BOT & HAM model. IRCON is also entered in executing coal connectivity products in joint venture with other CPSEs under the Ministry of Coal to boost coal evacuation from states like Odisha, Jharkhand & Chhattisgarh.

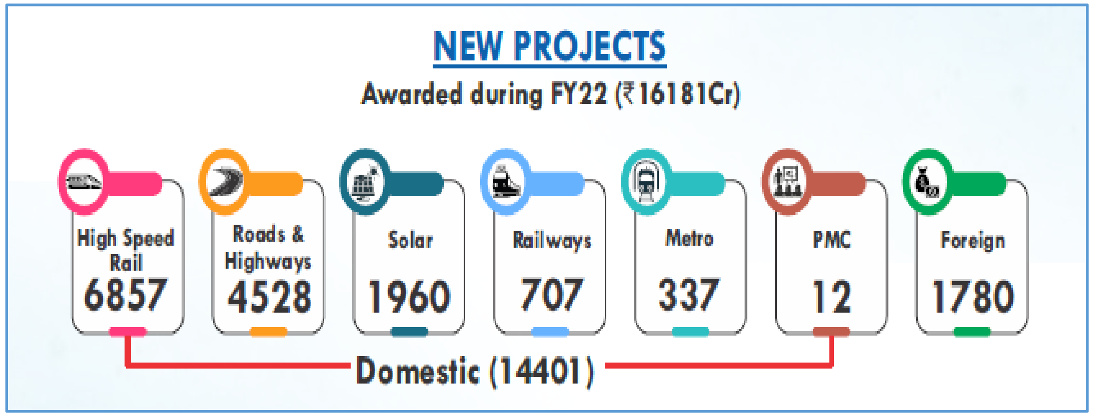
IRCON has expanded its business footprints in different geographies such as Algeria, Afghanistan, Bangladesh, Bhutan, Brazil, Indonesia, Iran, Iraq, Liberia, Malaysia, Mozambique, Myanmar, Nepal, Nigeria, Saudi Arabia, South Africa, Sri Lanka, Turkey, UK, and Zambia. Company has completed over 128 projects in 25 countries across the globe. IRCON has completed more than 128 projects in 25 countries and 398 projects across various states in India.

During the last financial year FY22 the order inflow of the company was recorded at Rs. 16,180 crores, from which foreign orders constituting to Rs.1,780 crores. The order-book as on end of Sept'22 stood at 40,020 crores. The management has maintained its inflow guidance for FY23 at Rs. 8000 crores.

The order-book of the company is well diversified in various segments of High speed Rail, Roads, Solar and Metro projects.

IRCON International Ltd.is the only Indian PSU to make it to the list of top 250 International Contractors (Ranked 229th); as per the Business Standard BS 1000 Annual Magazine released in March 2022, IRCON has been ranked 190th by total revenue, and ranked 11th in terms of sector performance under the 'Construction andInfrastructure' Sector; and at the 254th position in the list of Fortune India 500.

IRCON International Limited has unblemished debt servicing and impressive credit ratings with stable outlook for both short and long-term borrowings CARE AAA; Stable for Long-Term and CARE A1+ for Short-Term Loans.



IRCON International Ltd.

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	**5391.5**	**5349.8**	**7379.7**	**8966.3**	**9862.9**
Growth (%)	12.4	-0.8	37.9	21.5	10.0
Operating Expenses	4787.3	4845.4	6793.0	8208.2	9057.5
EBITDA	**604.2**	**504.4**	**586.7**	**758.1**	**805.4**
Growth (%)	**26.5**	**-16.5**	**16.3**	**29.2**	**6.2**
EBITDA Margin (%)	**11.2**	**9.4**	**7.9**	**8.5**	**8.2**
Depreciation	82.9	92.1	95.2	96.1	98.0
EBIT	**521.3**	**412.3**	**491.5**	**662.0**	**707.4**
Other Income	148.2	156.6	206.0	236.9	260.6
Interest expenses	27.9	23.3	68.8	124.0	137.0
PBT	**641.6**	**545.7**	**628.7**	**774.9**	**831.0**
Tax	186.7	186.5	96.4	193.7	207.8
Share in P&L Associates and JVs	30.4	31.9	59.9	65.0	70.0
PAT	485.3	391.1	592.3	646.2	693.3
Adjusted PAT	**485.3**	**391.1**	**592.3**	**646.2**	**693.3**
Growth (%)	**7.8**	**-19.4**	**51.5**	**9.1**	**7.3**
EPS	5.2	4.2	6.3	6.9	7.4

Balance-Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	94.1	94.1	188.1	188.1	188.1
Reserves	4077.3	4309.1	4477.5	4926.7	5423.0
Shareholders' Funds	**4171.3**	**4403.1**	**4665.6**	**5114.8**	**5611.1**
Long Term Debt	1845.9	312.1	1304.4	1200.4	1085.4
Net Deferred Taxes	-90.1	-70.5	-72.5	-72.5	-72.5
Long Term Provisions & Others	784.9	755.6	750.6	812.4	879.2
Total Source of Funds	**6712.0**	**5400.4**	**6648.1**	**7055.0**	**7503.2**
APPLICATION OF FUNDS					
Net Block & Goodwill	2008.4	1932.0	1875.5	1879.4	1916.3
CWIP	3.0	3.2	6.0	6.0	6.0
Other Non-Current Assets	3292.7	1750.3	2239.5	2445.5	2533.6
Total Non-Current Assets	**5304.1**	**3685.5**	**4121.0**	**4330.9**	**4455.9**
Current Investments	0.0	16.3	50.0	0.0	0.0
Inventories	320.7	120.7	276.6	368.5	351.3
Trade Receivables	551.2	630.8	695.2	884.3	972.8
Cash & Equivalents	2672.6	3446.4	5513.2	5964.2	6705.5
Other Current Assets	3939.7	3283.9	3717.8	4082.3	4483.2
Total Current Assets	**7484.2**	**7498.0**	**10252.8**	**11299.4**	**12512.8**
Short-Term Borrowings	0.0	18.8	94.6	104.1	114.5
Trade Payables	589.2	758.0	1026.2	1228.3	1405.1
Other Current Liab& Provisions	5487.0	5006.3	6605.0	7242.9	7946.0
Total Current Liabilities	**6076.2**	**5783.1**	**7725.8**	**8575.3**	**9465.6**
Net Current Assets	1407.9	1714.9	2527.0	2724.1	3047.2
Total Application of Funds	**6712.0**	**5400.4**	**6648.1**	**7055.0**	**7503.2**

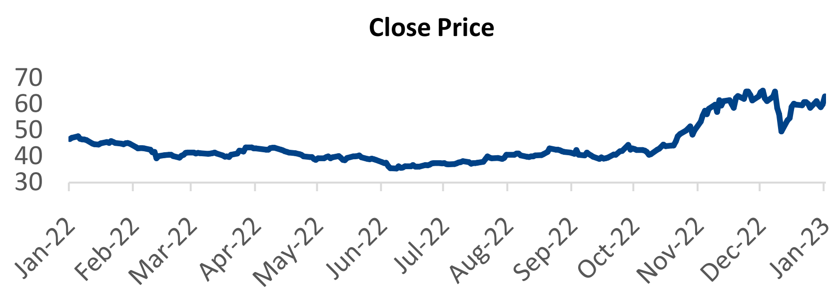
Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	672.0	577.5	688.7	839.9	901.0
Non-operating & EO items	-64.1	-29.7	-43.1	0.0	0.0
Interest Expenses	-83.3	-76.3	-51.5	-112.9	-123.6
Depreciation	83.1	92.1	95.2	96.1	98.0
Working Capital Change	6.5	-3.1	748.8	519.3	600.8
Tax Paid	-71.1	-42.5	-32.6	-193.7	-207.8
OPERATING CASH FLOW (a)	**543.2**	**518.1**	**1,405.4**	**1,148.7**	**1,268.5**
Capex	-118.6	-14.4	-40.4	-100.0	-135.0
Free Cash Flow	424.5	503.7	1,365.1	1,048.7	1,133.5
Investments	100.7	2.0	17.5	11.3	10.7
Non-operating income	429.0	-765.0	-1,204.3	161.9	260.6
INVESTING CASH FLOW (b)	**411.1**	**-777.4**	**-1,227.2**	**73.2**	**136.3**
Debt Issuance / (Repaid)	-678.1	330.9	1,068.1	-94.6	-104.5
Interest Expenses	0.0	-4.4	-56.0	0.0	0.0
FCFE	-253.6	830.3	2,377.2	954.1	1,028.9
Share Capital Issuance/ (Buy Back)	0.0	0.0	0.0	0.0	0.0
Dividend	-275.2	-158.0	-333.9	-321.0	-334.0
Others	0.1	-8.0	-12.7	0.0	0.0
FINANCING CASH FLOW (c)	**-953.2**	**160.6**	**665.5**	**-415.6**	**-438.5**
NET CASH FLOW (a+b+c)	**1.0**	**-98.7**	**843.8**	**806.3**	**966.3**

Key-Ratios

	FY20	FY21	FY22	FY23E	FY24E
PROFITABILITY RATIOS					
EBITDA Margin	11.2	9.4	7.9	8.5	8.2
EBIT Margin	9.7	7.7	6.7	7.4	7.2
PAT Margin	9.0	7.3	8.0	7.2	7.0
RoE	11.9	9.1	13.1	13.2	12.9
RoCE	8.3	7.7	9.1	10.6	10.7
SOLVENCY RATIOS					
Debt/EBITDA (x)	3.1	0.7	2.4	1.7	1.5
D/E	0.4	0.1	0.3	0.3	0.2
PER SHARE DATA					
EPS	5.2	4.2	6.3	6.9	7.4
CEPS	6.0	5.1	7.3	7.9	8.4
Dividend	2.1	3.5	2.1	2.1	2.1
BVPS	44.4	46.8	49.6	54.4	59.7
TURNOVER RATIOS					
Debtor days	41	40	33	32	34
Inventory days	22	15	10	13	13
Creditors days	39	46	44	46	49
VALUATION					
P/E	12.2	15.2	10.0	9.2	8.6
P/BV	1.4	1.3	1.3	1.2	1.1
Dividend Yield (%)	3.3	5.5	3.2	3.2	3.2
Dividend Payout	39.9	83.0	32.6	29.8	27.8

One Year Price Chart



JINESH DHAVAL KOTHARI

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HDFC Sec Retail Research Rating description

Green Rating stocks
This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks
This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

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This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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