HDFC securities

Equity Research

Pick of the week

RETAIL **DESK**

HDFC securities

WELSPUN CORP LTD

PICK OF THE WEEK
July 24, 2017

Industry	CMP	Recommendation	Add on dips to	Sequential Targets	Time Horizon
Pipe Mfg-	Rs. 122	Buy at CMP and add on declines	Rs.107-111	Rs. 140-149	2-3 Quarters

HDFCSec Scrip Code	WELGUJEQNR
BSE Code	532144
NSE Code	WELCORP
Bloomberg	WLCO:IN
CMP (as on 24th Jul,	122
Equity Capital (Rs crs)	132.6
Face Value (Rs)	5
Equity Sh	26.52
Market Cap (Rs crs)	3235.4
Book Value (Rs)	105.9
Avg. 52 Week	540212
52 Week High	124.40
52 Week Low	55.05

Shareholding Pattern % (Jun 30 2017)	
Total Promoters	48.26
Institutions	15.10
Non Institutions	36.64
Total	100

FUNDAMENTAL ANALYST –
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Welspun Corp (earlier known as Welspun Gujarat Stahl Rohren Limited) is part of the $ 1.5 billion Welspun Group and a manufacturer of state-of-the-art pipe and related niche products. It is a leading manufacturer of large diameter pipes globally, offering a one-stop solution for all line pipe related requirements with its wide product range of high grade line pipes, meeting stringent specifications having modern state-of-the-art global manufacturing facilities in India, USA and Saudi Arabia for Longitudinal (LSAW), Spiral (HSAW) and High Frequency Induction Welded (HFIW)/ Electric Resistance Welded (ERW) pipes.

Investment Rationale

- Higher domestic demand from the water space, irrigation and distribution line business and higher demand on international front on account of higher shale oil production in the North American segment provides visibility to revenues.
- Focus on lowering its debt-equity levels will result in better financial situation.
- Favourable government policies could provide a tailwind

Risks and Concerns

- Majorly dependant on oil producing companies as it largely delivers products to them. Soft oil prices could hurt spending by them in future
- Project driven nature of the business resulting in lumpy revenues and profits
- Foreign currency risk

Outlook and view

Welspun Corp continues to focus on a leaner balance sheet, where it aims at focusing to cut the debt figure (Net debt has fallen from Rs.1355 Cr in FY16 to Rs.1107 Cr in FY17). Expansion of National Gas grid in India and new water projects across the country could mean higher domestic orders and revenues over the next two years.

Change of policies in the US preferring locally produced goods will benefit WCL as it has a manufacturing presence in the US. Rising visibility of orders from the North American region also is a positive, especially expected in H2FY18. Bid book in May 2017 was around 4.8 million tonnes and a whole range of projects across geographies will come up for bidding in the next year or two which could be totaling about 9 million tonnes. This could bring in additional order flows to the company going forward.

Levy of Minimum Import Price and anti-dumping duty from Indian Government would be helpful for the company. Plate & Coil Mills business would be benefitted from this move as integration into manufacturing Plates and Coils would give WCL an additional edge over other typical Line Pipe companies in India.

Creeping acquisition by promoters over the past 4-5 quarters suggest their confidence in the future prospects of the company.
Dependence on Oil & Gas industry, on Govt orders in India for Oil & Gas and water, poor performance by Saudi and US subsidiaries, foreign currency risks and low return ratios are some risks that the company faces.

We think that investors could buy the stock at the CMP and add on declines to Rs.107-111 (12.5x FY19E EPS and 4.95xFY19EV/EBITDA) for sequential targets of Rs.140 (16.0xFY19E EPS and 6.0xFY19EV/EBITDA) and Rs.149 (17.0x FY19E EPS and 6.3xFY19EV/EBITDA) over 2-3 quarters.

KEY HIGHLIGHTS

- **Welspun Corp (earlier known as Welspun Gujarat Stahl Rohren Limited) is part of the $ 1.5 billion Welspun Group and a manufacturer of state-of-the-art pipe and related niche products.**
- **Welspun Corp continues to focus on a leaner balance sheet, where it aims at focusing to cut the debt figure (Net debt has fallen from Rs.1355 Cr in FY16 to Rs.1107 Cr in FY17).**
- **Change of policies in the US preferring locally produced goods will benefit WCL as it has a manufacturing presence in the US. Rising visibility of orders from the North American region also is a positive, especially expected in H2FY18.**
- **Creeping acquisition by promoters over the past 4-5 quarters suggest their confidence in the future prospects of the company.**

Financial Summary:

Particulars (Rs cr)	Standalone					Consolidated				
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	FY15	FY16	FY17*	FY18E	FY19E
Operating Income	2032.90	818.22	148.5%	1202.84	69.0%	8450.5	8320.4	5898.7	6776.6	7434.1
EBITDA	203.62	29.48	590.7%	142.44	43.0%	842.2	897.4	512.4	664.1	773.1
PAT	68.68	-35.88	LP	-13.15	LP	213.5	236.1	10.1	133.9	231.7
EPS (Rs)	2.61	-1.36	LP	-0.50	LP	8.1	8.9	0.4	5.0	8.7
P/E (x)						15.0	13.7	319.7	24.2	14.0
RoE (%)						8%	8%	0%	5%	7%

*=Company has reported numbers under Ind AS for the first time (Source: Company, HDFCSec)

For Q4FY17 production was around 303,000 tonnes, up 22% Y-o-Y compared to Q4FY16 excluding the Saudi business and at 329000 tonnes, up 18% for total operations. Q4 revenues were up 5% Y-o-Y to Rs. 2,070 crores. Reported EBITDA was up around 46% Y-o-Y to Rs. 307 crores. Profit after tax after minorities and share in associates and JVs was at Rs. 73 crores versus Rs. 11 crores for Q4FY16. Order book by region has been largely contributed by American region, almost 55%. But, the total order book dropped from 797k MT to 601k MT (Rs.3800 cr). The entire opening order book of 6,00,000 tonnes could get executed over the course of FY18 between Q2 and Q3.

For the year ended March 31, 2017, production was down 15% to 954000 tonnes. The company has posted a net profit of Rs 10.1 crore as compared to a net profit of Rs 236.1 crore in FY16. Total income from operations of the company fell by 29% at Rs 5898.7 crore for FY17. Bid book in May 2017 was around 4.8 million tonnes and a whole range of projects across geographies will come up for bidding in the next year or two which could be totalling about 9 million tonnes.

Company Overview

Welspun Corp Limited is a welded line pipe manufacturing company engaged in offering solution in line pipes with a capacity to manufacture longitudinal submerge-arc welded (LSAW), spiral helical submerged arc welded (HSAW) and high frequency electric resistance welded (HFERW)/high frequency induction (HFI) electrical resistance welded (ERW) pipes. The Company also offers coating, bending and double jointing facilities. The Company, together with its subsidiaries, is engaged in the business of production and coating of high-grade submerged arc welded pipes, hot rolled steel plates and coils, and power generation. Its manufacturing facilities are located in India, the United States and Saudi Arabia.

The company was set up in 1995 with technical expertise from Intertec GmbH, Germany and equity participation from Intertec GmbH and Gujarat Industrial Investment Corporation Ltd. WCL's product portfolio comprises LSAW, HSAW and ERW pipes ranging from ½ inch to 140 inches, along with specialized coating, double jointing and bending. WCL has an aggregate pipe manufacturing capacity of

1.60 mtpa at its facilities located in Dahej and Anjar (Gujarat) and Mandya (Karnataka) in India. In addition, WCL, through its subsidiaries, has set up operations in the USA and Saudi Arabia bringing its total pipe production capacity to 2.425 mtpa globally. The Company also has a plate and coil mill facility in India.

Company Structure:

Name of the Subsidiaries	**Nature of business**	**Country of incorporation**	**Extent of holding**
Direct subsidiaries			
Welspun Pipes Limited	Manufacturer of Steel Pipes	India	100%
Welspun Pipes Inc	SPV for Steel Pipes Business	USA	100%
Welspun Tradings Limited	Trading in Steel Products	India	100%
Welspun Mauritius Holdings Limited	SPV for Steel Pipes Business	Mauritius	90%
Welspun Wasco Coatings Private Limited	Concrete Coating of Pipes	India	51%
Indirect subsidiaries (Held through Welspun Mauritius Holdings Limited)			
Welspun Middle East Pipes Company LLC	Manufacturer of Steel Pipes	Saudi Arabia	50.01%
Welspun Middle East Pipes Coating Company LLC	Coating of Pipes	Saudi Arabia	50.01%
Held through Welspun Pipes Inc.			
Welspun Tubular LLC	Manufacturer of Steel Pipes	USA	100%
Welspun Global Trade LLC	Marketing Company	USA	100%
Held through Welspun Tradings Limited			
Welspun Middle East DMCC	Marketing Company	Dubai	100%

(Source: Company, HDFC Sec)

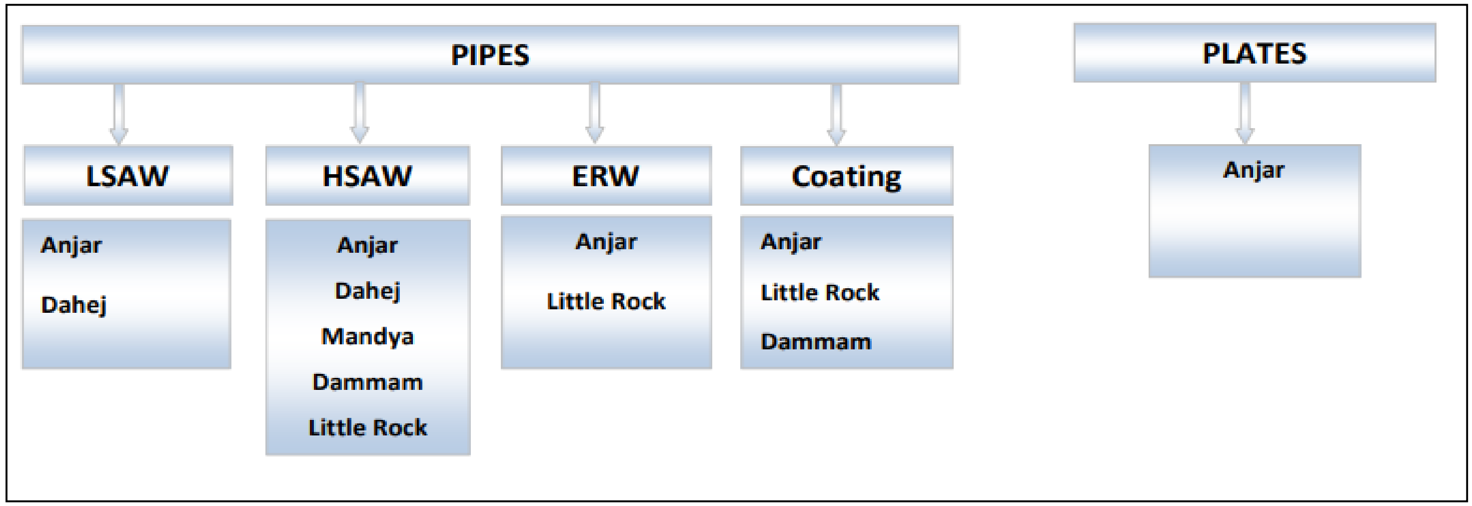
Manufacturing Capacity:

	India			Saudi Arabia	USA	Total
Products	***Anjar***	***Dahej***	***Mandya***	***Dammam***	***Little Rock***	
LSAW	350	350				700
HSAW	500	50	150	300	350	1350
ERW/HFIW	200				175	375
Current Pipe Capacity	1050	400	150	300	525	2425
Plate & Coil	1500					1500

(Source: Company, HDFC Sec)

Business Overview

Welspun Corp offers a one-stop solution with a wide range of products. Having a profile of clients coming from amongst the Fortune 100 companies especially in the Oil and Gas sector, Welspun Corp has established itself as a recognised brand when it comes to supplying pipes to some of the most challenging projects in the world. The company has modern manufacturing facilities in India, USA and Saudi Arabia for Longitudinal (LSAW), Spiral (HSAW) and HFERW / HFIW pipes. Offering the complete range of high grade line pipes ranging from ½ inch to 140 inches for transmission of oil & gas, Welsun Corp also provides coating, bending and double jointing facilities to its clientele. It has a total pipe capacity of 2.425 million tonnes per annum (MTPA) and total plate coil capacity of 1.5 million MTPA with manufacturing locations at Anjar and Dahej in Gujarat, Mandya in Karnataka, Little Rock in Arkanasas, USA and Damman in Saudi Arabia (one of the largest spiral pipe manufacturing facilities in the region).



(Source: Company, HDFC Sec)

Types and Characteristics of pipes

SAW-These pipes are large diameter pipes, which are manufactured by welding the edges of steel plates or by spiral Welding of hot rolled coil (HR coil). The SAW pipes manufactured from plates are called LSAW. There is longitudinal welding in LSAW pipes. HSAW pipes are made from HR coil, where in the coil is welded spirally to give a shape of pipe. In HSAW pipes the length of welding is larger as compared to that in LSAW. Depending on the length of welding, the HSAW pipes are perceived to be weaker as compared to the LSAW pipes.

LSAW-Longitudinal Submerged Arc Welded:
Longitudinally welded pipes made from HR plates; used for onshore/offshore oil & gas transmission

HSAW-Helical Submerged Arc Welded:
Helically welded pipes made from HR coils; used for onshore oil, gas and water transmission

ERW- Electric Resistance Weld:
High-frequency electric welded pipes made from HR coils; used for downstream distribution of oil, gas & water.

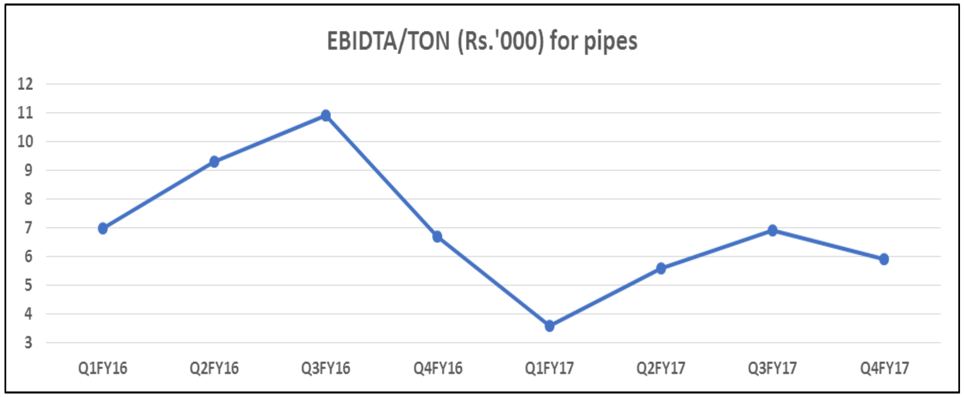
Plate & Coils:

Provides WCl with vertical integration & competitive advantage in a few market segments

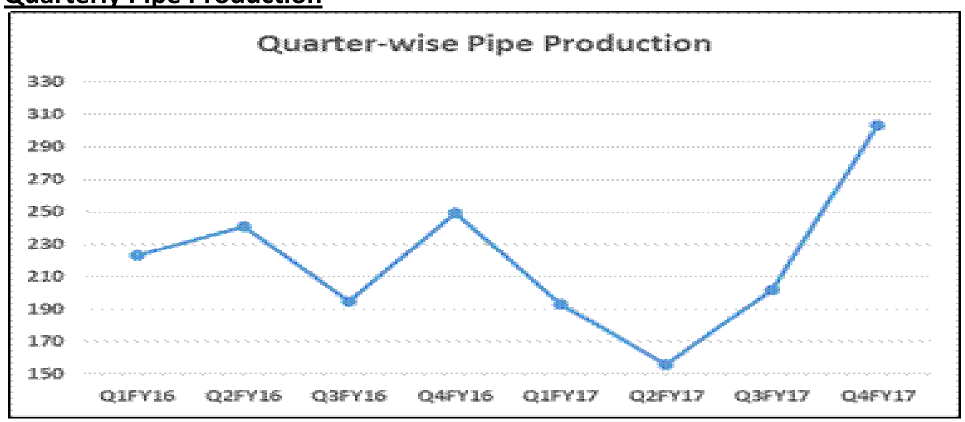
Coating Systems:
Concrete weight coating, single/double layer fusion Bonded Epoxy (FBE/DFBE/ARO), 3LPE, 3LPP, Internal solvent/solvent free coating.

Other Services:
Pipe Bending, double jointing, Stack pile & Inventory management.

EBITDA/Ton



Quarterly Pipe Production



Investment Rationale:

Higher domestic demand coming from water space irrigation and distribution line business and higher demand on the international front on account of higher shale oil production in the North American segment provides visibility to revenues:

WCL's dominant position amongst global large diameter welded pipe producers along with presence of certifications and accreditations from major oil & gas companies worldwide as well as healthy order book position providing medium-term revenue visibility. Welspun Corp has a good order book. Increased demand from both domestic and international clients would give a healthy boost to its topline in the coming fiscal years.

Domestic demand drivers:

- Expansion of National Gas Grid in India
- Large number of water projects across India

On the domestic front, GAIL has floated tenders for bidding. WCL has large-sized water projects that are being offered for bidding, sauni (Saurashtra Narmada Avtaran Irrigation is a project launched by Narendra Modi with objective of filling 115 major dams by diverting floodwaters overflowing from the Sardar Sarovar Dam across the Narmada river to the drought areas.) from Gujarat and couple of others from South India have floated or are expected to float bids. These would amount to half a million tonnes as an offer. Besides GAIL, IOCL is also active at the moment. Thus, the company believes that about 500,000 tonnes to 750,000 tonnes of total Pipe demand will be decided on in the next 1-2 quarters.

On July 20, 2017, WCL informed the stock exchanges that it had won an order from a domestic customer of 100k MT pipes for water projects in India and its current order book had crossed 699k MT (worth Rs.4200 cr).

In the Union Budget for 2017-18, the resource allocation for the Ministry of Water Resources has increased from Rs.4756 crore (in FY17) to Rs. 6887 Crore for FY18. There has been a major investment in Natural Gas Grid by the Ministry of Petroleum and Natural Gas. India is also seeking to double its existing gas pipeline infrastructure of 15,000 km, as the Government aims to provide a clean energy source to consumers.

Global (Including US) demand drivers:

Increased demand from the North-American segment is expected, where oil rigs count have increased. Projects like “Coastal Gas link Project” which is a large size project with a demand of about 390,000 tonnes in Canada is in line, Kinder Morgan is going to come up with a pipeline which is about 500 miles odd and would lead to a demand of 200,000 tonnes or in excess of that. A project in US named “Keystone XL” project was stopped that had impeded in the sentiment to invest lately, has seen an announcement to revive. This would have a far reaching impact as, KXL has been one of the largest cross-country pipeline coming from in Alberta in Canada to Nebraska in US.

Post recent policy changes in United States, it is expected that investments in the Oil & Gas industry specifically related to pipe lines would pick up in the medium term.

As far as North America is concerned driven by Mr. Trump’s assertions on usage of domestic steel, in future a lot of WCL’s business will have to come out from their factory in little rock. This means WCL will have to source domestic steel and manufacture in US. North America is deficient in the LSAW capacity.

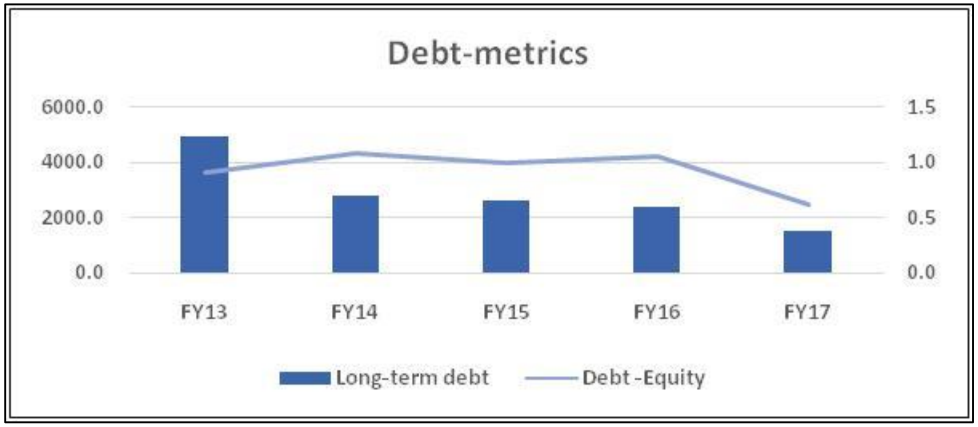
WCL has some advantage in US because there is anti-dumping on countries like Korea and Japan. In US WCL is operating on a floating manpower in the sense if and only when we have orders or visibility, it starts ramping up the shifts.

Overall capacity utilsation for WCL could rise from ~40% in FY17 to mid 40s or even 50% in FY18. Further, the profitability is expected to improve going forward as the higher proportion of orders are for LSAW pipes (which command higher margin as compared to HSAW pipes).

The company focusses on lowering its debt levels which will result in better financial situation:

WCL has aggressively reduced debt on its books over the past few years with its D/E ratio coming down from 1.1 in FY14 to 0.62 in FY17.

This will help bringing down its interest payouts and enable it to withstand vagaries of its business in a better manner.



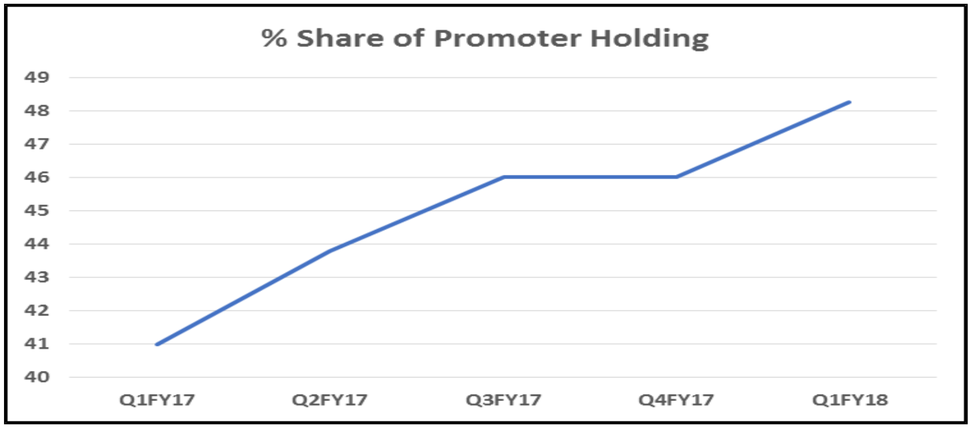
<u>Delivers pipes to large companies across the world (deep relationships) under its longest, deepest and highest pipeline categories:</u>
WCL has a list of diverse and esteemed client base that includes Chevron, ExxonMobil, GAIL, Hunt Oil, Kinder Morgan, PTTEP, Qatar Petroleum, Reliance, Saudi Aramco, Shell, Statoil, TOTAL and TransCanada to name a few. It has supplied to one of the world's deepest pipeline projects (Independence Trail in Gulf of Mexico), one of the highest pipeline projects (Peru LNG), one of the longest pipeline (Canada to US), and one of the heaviest pipe (56 inch X 1.34 inch in Persian Gulf). Its products range includes high grade line pipes, meeting stringent specifications and modern state-of-the-art global manufacturing facilities in India, USA and Saudi Arabia for Longitudinal (LSAW), Spiral (HSAW) and High Frequency Induction Welded (HFIW)/Electric Resistance Welded (ERW). The company is a preferred vendor to almost 50 major Oil & Gas companies giving it an extra edge to participate and bid in key projects.

<u>Flow of favourable Government policies:</u>
Government policies on anti-dumping in India, Saudi Arabia and US and also minimum import price duty in India would be favourable to the company. It started earlier on in 2017 with the MIP (minimum import price), the safeguard duty, then anti-dumping, and recently the new steel policy announced by the government, which will benefit WCL's line by business, by giving it a level playing field compared to free flowing imports which happened till recently. And it will also have a positive implication for its Plate and Coil Mill business because of the integration into manufacturing Plates and Coils will give us an additional edge over other typical Line Pipe companies in India.

The Indian Government in May 2017 had approved the Domestically Manufactured Iron & Steel Products (DMI&SP) Policy for providing preference to locally produced iron and steel products. The policy provides preference to domestically manufactured iron and steel products valued at Rs.50 crore or more in government procurement. The policy mandates to provide preference to domestic products in government procurement. Imported steel must undergo a minimum prescribed value addition of 15% in order to be eligible for procurement by government departments.
All the above will help manufacturers like WCL become more competitive going forward.

Creeping acquisition by promoters:

The promoters have been acquiring shares from the open market and increasing their stake since Q2FY17 and raised their stake from 41% to 48.3% in Q1FY18 as per the table below. This shows increasing confidence of the promoters in the future prospects of the company.



(Source: Company, HDFC Sec)

Risks and Concerns:

Majorly dependent on oil producing companies as it largely delivers products to such companies:

The company derives 77% of its revenue from Oil & Gas sector across geographies as of FY16. Oil price is highly volatile in nature and is subject to demand supply dynamics. Recently, crude oil prices have fallen sharply and then recovered partly from the lows on supply cut from OPEC countries. This would put a negative impact on the order book status of the company including from manufacturing plant in Saudi Arabia's Dammam area.

Project driven nature of the business leading to lumpy revenues and margins:

WCL's business is project driven. Such sort of business has their own limitations and constraints that become a concern during the time of economic upheavals and social unrest. A chain is involved in the process from receiving orders to execution of the same and then capitalizing the gains. These depend on when the order needs to be executed and when to get the orders. Sometimes the projects and the delivery schedules go beyond 12 months up to 18 month and the tenure of the project need not to be coterminous.

Most of the business in FY17 happened in second-half and particularly in Q4. This also impacted its cash conversion cycle which stands at around 77 days versus 69 days at the end of December 2016.

Lower domestic demand from the Oil & Gas industries

Last year the domestic business had been sluggish because of the sluggish nature in the domestic line pipe business led by weak demand and lower commodity prices. These factors led to slower revenue growth.

Foreign currency risk:

As its main operations are in foreign currencies, deriving almost 77% of its revenue from North America and Saudi Arabia, it is affected by foreign currency fluctuations. Further it also is impacted by translation losses due to the presence of its subsidiaries in different parts of the world.

US and Saudi business undergo cycles and impacts consolidated profitability:

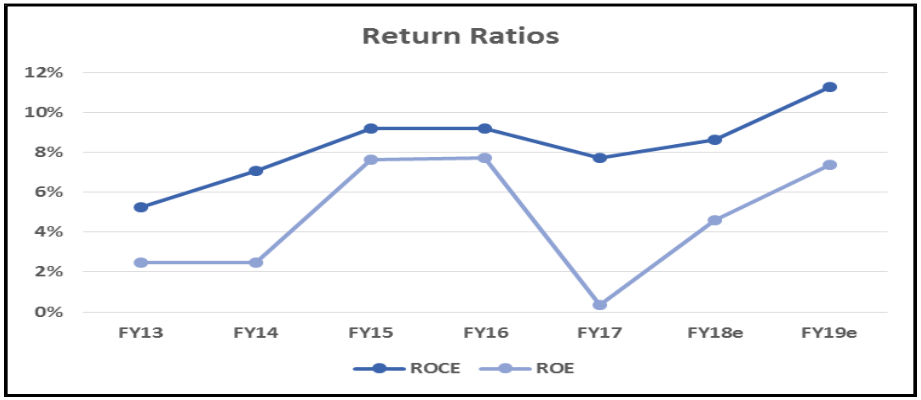
Both these businesses contributed to losses in FY17 at the consolidated levels. US did production of 1.8 lac tonnes in FY17 vs 3.25 lakh tonnes in FY16. While US business is expected to turn around in FY18, Saudi business would take some more time to turn around. So, any turnaround or any improvement in business or significant improvement in business would depend on the local situation in the Gulf

Raw material price risk:

WCL faces risk on steel pricing (the basic raw material for it) which it considers in bidding for any project / tender and more so since its business is a long gestation one with minimum time taken from bid submission to award, varying from 4/6 months to even a year or two.

Low return ratios:

Return ratios are low mainly due to low PAT margin and low Sales to Fixed Assets ratio.



(Source: Company, HDFC Sec)

Recommendation & Conclusion:

Welspun Corp continues to focus on a leaner balance sheet, where it aims at focusing to cut the debt figure (Net debt has fallen from Rs.1355 Cr in FY16 to Rs.1107 Cr in FY17).

Expansion of National Gas grid in India and new water projects across the country could mean higher domestic orders and revenues over the next two years.

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Dependence on Oil & Gas industry, on Govt orders in India for Oil & Gas and water, poor performance by Saudi and US subsidiaries, foreign currency risks and low return ratios are some risks that the company faces.

We think that investors could buy the stock at the CMP and add on declines to Rs.107-111 (12.5x FY19E EPS and 4.95xFY19EV/EBITDA) for sequential targets of Rs.140 (16.0xFY19E EPS and 6.0xFY19EV/EBITDA) and Rs.149 (17.0x FY19E EPS and 6.3xFY19EV/EBITDA) over 2-3 quarters.

Peer Comparison

Companies	FY17									
	Total Revenue (Rs in Cr)	PAT (Rs in Cr)	EPS (Rs)	CMP as on 210717 (Rs)	PE	Book value (Rs.)	P/BV	EV / EBITDA	Debt / Equity	Mkt Cap/ Sales
Welspun Corp	6035.5	10.1	0.4	122.0	319.7	105.9	1.2	9.3	0.6	0.5
Jindal Saw	7367.6	52.0	1.6	93.6	57.6	21.8	0.5	61.3	4.7	0.4
Man Inds	1039.7	44.3	0.8	91.7	118.1	2.7	34.5	118.2	0.9	5.0
Ratnamani Met *	1294.8	144.1	30.8	819.4	26.6	109.9	0.0	45.2	0.0	3.0

*=standalone numbers (Source: Company, HDFC Sec)

Financials

Income Statement- (Consolidated)

Particulars(Rs in Cr)	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Income from operations	**9083.2**	**7704.7**	**8450.5**	**8320.4**	**5898.7**	**6776.6**	**7434.1**
Material Cost	5943.0	4654.9	5812.1	5125.9	3627.7	4594.5	4973.4
Employee Cost	462.5	531.3	590.9	663.2	430.6	474.4	520.4
Other expenses	1872.3	1534.1	1180.9	1655.9	915.5	1043.6	1167.2
Total expenses	8352.0	7035.2	7608.3	7423.1	5386.3	6112.5	6661.0
EBITDA	**731.2**	**669.6**	**842.2**	**897.4**	**512.4**	**664.1**	**773.1**
Depreciation	353.1	406.3	436.5	454.2	386.1	400.5	413.2
EBIT	**378.1**	**263.3**	**405.7**	**443.2**	**126.3**	**263.6**	**359.9**
Other Income	187.9	174.4	108.6	137.6	224.6	122.0	148.7
Interest	358.3	296.4	283.0	263.7	235.7	199.6	191.2
EBT	**207.6**	**141.2**	**231.3**	**317.1**	**35.9**	**186.0**	**317.4**
Tax Expenses	49.3	43.2	17.7	80.9	25.8	52.1	85.7
PAT	**140.4**	**73.4**	**213.5**	**236.1**	**10.1**	**133.9**	**231.7**
EPS	6.1	2.8	8.1	8.9	0.4	5.0	8.7

(Source: Company, HDFC Sec)

Balance Sheet

Particulars(Rs in Cr)	FY13	FY14	FY15	FY16	FY17 *	FY18E	FY19E
EQUITY & LIABILITIES							
Share Capital & Other equity	131.5	239.1	131.6	132.6	132.6	132.6	132.6
Reserves & Surplus	5526.3	2717.8	2667.2	2931.9	2676.8	2791.6	3004.2
Shareholders Fund	**5657.8**	**2956.9**	**2798.8**	**3064.5**	**2809.4**	**2924.2**	**3136.8**
Minority Interest - Equity shares	**354.6**	**101.2**	**248.6**	**255.3**	**113.5**	**113.5**	**113.5**
Minority Interest - Preference shares	**0.0**	**0.0**	**107.6**	**107.6**	**0.0**	**0.0**	**0.0**
Long Term Liabilities	4953.1	2803.5	2616.0	2399.1	1521.5	1293.2	1099.2
Deferred Tax Liabilities	560.0	560.9	569.7	545.4	380.5	399.5	419.5
Other Long Term Liabilities	227.1	118.7	64.5	153.9	365.4	401.9	442.1
Long Term Provisions	25.1	9.2	39.6	46.5	35.1	53.4	52.8
Total Non Current Liabilities	**5765.2**	**3492.3**	**3289.7**	**3144.8**	**2302.4**	**2148.1**	**2013.6**
Short Term Borrowings	204.3	416.8	188.4	839.5	220.3	242.4	266.6
Trade Payables	3038.0	608.8	2463.4	1621.1	2193.1	2089.7	2125.8
Other Current Liabilities	1737.1	1162.5	613.0	766.2	590.8	649.9	714.9
Short Term Provisions	134.4	91.3	105.9	31.9	17.3	36.7	36.2
Total Current Liabilities	**5113.8**	**2279.3**	**3370.7**	**3258.7**	**3021.5**	**3018.6**	**3143.6**
TOTAL EQUITY & LIABILITIES	**16891.4**	**8829.7**	**9815.5**	**9830.9**	**8246.9**	**8204.4**	**8407.6**
ASSETS							
Tangible Assets	6419.7	4905.4	4648.9	4456.7	3348.1	3112.6	3179.9
Intangible Assets	23.3	17.3	12.5	11.5	7.3	7.7	8.0
Build, Operate and Transfer (BOT)	512.7	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	18.9	0.0	0.0	0.0	7.3	0.0	0.0
Goodwill on consolidation	1065.6	0.5	0.5	0.5	0.5	0.5	0.5
Capital Work in Progress	527.6	114.6	80.1	85.5	25.0	94.1	103.5
Fixed Assets	**8567.8**	**5037.7**	**4741.9**	**4554.2**	**3388.1**	**3214.8**	**3291.9**

Non-current investments	117.8	25.6	26.5	32.9	218.3	222.7	227.2
Deferred tax assets (Net)	8.8	0.0	0.0	0.0	0.0	0.0	0.0
Long-term Loans & Advances	445.2	88.5	132.1	117.5	209.5	170.5	187.0
Other non-current assets	38.3	6.0	5.8	2.6	134.9	148.4	163.2
Total Non Current Assets	**9177.9**	**5157.7**	**4906.3**	**4707.3**	**3950.9**	**3756.4**	**3869.3**
Current investments	1749.4	1114.3	778.3	736.4	506.9	481.5	457.4
Inventories	2566.9	1281.5	2208.2	1617.6	1764.7	1633.7	1667.3
Trade Receivables	1761.4	640.7	1130.1	1621.8	1465.2	1538.7	1583.9
Cash & Cash Equivalents	698.9	144.7	332.7	733.7	229.6	431.4	430.7
Short Term Loans & Advances	550.0	293.8	343.5	318.2	0.7	0.7	0.8
Other Current Assets	386.9	197.0	116.4	96.0	329.0	361.9	398.1
Total Current Assets	**7713.5**	**3671.9**	**4909.2**	**5123.6**	**4296.0**	**4448.0**	**4538.3**
Total Assets	**16891.4**	**8829.7**	**9815.6**	**9830.9**	**8246.8**	**8204.4**	**8407.6**

(Source: Company, HDFC Sec)

Key Financial Ratios

(RATIOS) Particulars(Rs in Cr)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
No of Equity Shares-cr	23.2	26.3	26.3	26.5	26.5	26.5	26.5
Current Market Price-Rs	122	122	122	122	122	122	122
Market Capitalization-cr	2828.3	3207.9	3210.7	3235.4	3235.4	3235.4	3235.4
Enterprise Value-cr	7286.9	6283.4	5682.3	5740.4	4747.6	4339.6	4170.6
EPS	6.1	2.8	8.1	8.9	0.4	5.0	8.7
Cash EPS	493.6	479.7	650.0	690.3	396.2	534.4	644.9
Book Value Per Share(Rs.)	244.0	112.5	106.4	115.6	105.9	110.3	118.3
PE(x)	20.1	43.7	15.0	13.7	319.7	24.2	14.0
P/BV (x)	0.5	1.1	1.1	1.1	1.2	1.1	1.0
Mcap/Sales(x)	0.3	0.4	0.4	0.4	0.5	0.5	0.4
EV/EBITDA	9.97	9.38	6.75	6.40	9.27	6.53	5.39

EBITDAM (%)	8.1%	8.7%	10.0%	10.8%	8.7%	9.8%	10.4%
EBITM (%)	4.2%	3.4%	4.8%	5.3%	2.1%	3.9%	4.8%
PATM (%)	1.5%	1.0%	2.5%	2.8%	0.2%	2.0%	3.1%
ROCE (%)	5.2%	7.1%	9.2%	9.2%	7.7%	8.6%	11.3%
RONW (%)	2.5%	2.5%	7.6%	7.7%	0.4%	4.6%	7.4%
ROE (%)	2.5%	2.5%	7.6%	7.7%	0.4%	4.6%	7.4%
Div Payout-%	8.4%	13.4%	6.2%	5.6%	157.2%	11.9%	6.9%
Current Ratio	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Quick Ratio	1.0	1.0	0.8	1.1	0.8	0.9	0.9
Debt-Equity	0.9	1.09	1.0	1.1	0.62	0.5	0.4

(Source: Company, HDFC Sec)

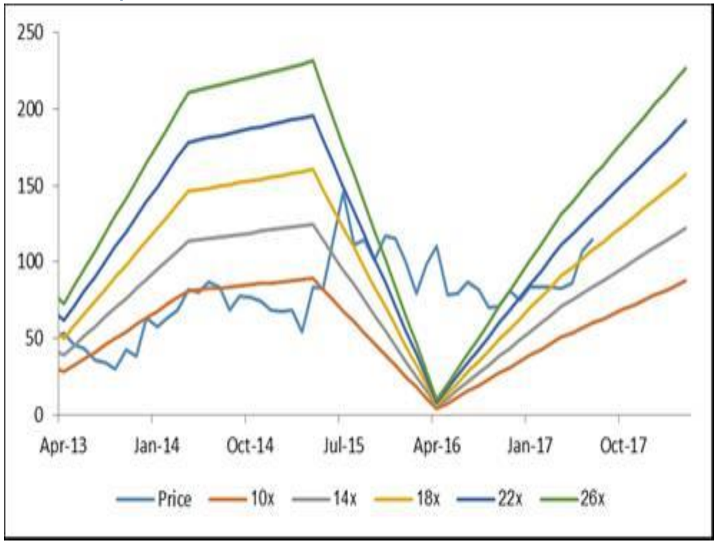
Cash Flow

Particulars(Rs in Cr)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
EBT	-49.4	141.2	231.3	317.1	35.9	186.0	317.4
Depreciation	476.1	406.3	436.5	454.2	386.1	400.5	413.2
Int & Others	5.4	87.7	85.4	36.0	235.7	199.6	191.2
Change in working capital	-312.3	-403.8	172.9	-818.2	-705.7	-24.8	-9.8
Tax expenses	17.3	42.9	24.9	144.0	-25.8	-52.1	-85.7
CF from Operating activities	**102.5**	**188.5**	**901.1**	**-154.9**	**-22.2**	**813.4**	**997.7**
Net Capex	-687.8	-166.6	-90.6	-146.8	-1108.6	-235.5	67.3
(Purchase)/Sale of Invest & Others	262.0	-99.4	326.0	68.2	497.4	-234.4	-963.5
Div & int rec	258.6	143.9	102.3	95.8	93.9	98.6	103.5
CF from Investing activities	**-167.2**	**-122.2**	**337.7**	**17.3**	**-517.3**	**-371.3**	**-792.7**
Borrowings / (Repayments)	133.0	-228.0	-850.7	422.0	527.2	17.0	-40.8
Dividends paid Interest paid	-397.8	-285.9	-255.2	-224.7	-251.6	-215.5	-207.1
CF from Financing activities	**-264.8**	**-513.9**	**-1105.8**	**197.3**	**275.6**	**-198.5**	**-247.9**
Net Cash Flow	-329.4	-447.6	133.01	59.7	-263.8	243.6	-42.8
Opening Balance	**1025.5**	**696.1**	**248.5**	**381.5**	**441.2**	**177.4**	**421.0**
Adjust							
Closing Balance	**696.1**	**248.5**	**381.5**	**441.2**	**177.4**	**421.0**	**378.1**

(Source: Company, HDFC Sec)

One Year price –chart

Forward P/E



(Source: Company, HDFC Sec)

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Disclosure:
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