

Emkay Confluence - Ideas for Tomorrow

Refer to important disclosures at the end of this report

Gaining confidence on demand revival

Emkay Confluence 2018 brought together 95 companies spanning various industries and was attended by over 500 institutional investors and FIIs. The interactions during the two-day conference revealed a cross-section of evidence of the economic revival (reflected in corporate performance) and confidence about future prospects. The constructive rendezvous also corroborated our long-held beliefs about an impending resurgence in the rural economy. We came out more confident about our theme of fiscal refraction led cyclical upturn - now prominently resonated in a host of consumption-led sectors such as Autos, Tractors, Durables, Discretionary, Staples etc. Lenders are sharpening their focus on retail lending even as they grapple with the rising rate upcycle. However, the Agro-input sector is still lagging, indicating that the fiscal refraction has had a more positive rub-off on the broader rural demand than on the core Agriculture sector. Investment demand hinges on higher government spending on Road Construction, Railways and Allied Infrastructure. However, evidence of sustainable private capex revival is still not visible. Q1FY19 results thus far have shown decline in operating margins despite revival in topline growth. The feedback from our conference indicates strong prospects of cost pressure led price hikes by many companies. Overall, growth revival beyond the shocks of GST led disruption and demonetization is shaping up broadly in line with our expectations. Companies in our conference indicated this revival will sustain in the foreseeable future.

Consumers gaining momentum: Growth momentum is expected to continue, as government incentives continue to drive pick-up in rural markets. Management commentary on growth outlook has been positive across companies, indicating faster growth in smaller towns. Companies are focusing on growth and market share gains from unorganized/smaller players after passing on the GST tax cuts to consumers. Margin outlook remains positive and companies are planning to step up spends on branding and new product launches. This is likely to accelerate by 2HFY19 given the bunching up of festivals in Q3FY19. Retailers are focusing on margin expansion and reduction in debt levels. Despite the recent rise in inflation, companies appear positive about margin outlook, as cost saving targets are enhanced and GST led cost savings persist.

Auto sector in full bloom: Demand conditions in the Auto sector are expected to remain strong with double-digit growth. Strong rural demand and aggressive funding have propelled a broad-based upcycle although there are some concerns on axle-load norms for CVs. M&M expects 10-15% growth in FY19 across sectors – Utility Vehicles, Tractors and CVs. Hero MotoCorp is gaining from rural revival and new products. Ashok Leyland has increased volume growth guidance of 15% for FY19, unfazed by the impact of changes in axle load norms. However, we remain cautious on CVs. Motherson Sumi has maintained its guidance of attaining US\$18bn FY20 sales on the back of robust organic growth, aided by domestic growth and healthy pipeline of potential acquisitions. CEAT is banking on expansion-led growth. Rising cost pressure is also evident but several players have initiated price hikes. M&M and Escorts are bucking the trend with adequate price actions and operational efficiencies. Competition remains high in 2W, resulting in only a partial pass-through of costs. Ashok Leyland is facing margin pressure.

Improvement in capital goods sector on government spending: Strong activities in the areas dependent on government spending and trade activities. Order book strong in components like roads, railways, water supply, irrigation, bridges, government building constructions. Global tenders, specially in the middle east is reviving on the back of rise in global crude price, however, its activity level is still lower than two years back. Improvement in domestic consumption and external trade has led to better demand for consumables like cranes, material handling equipment etc.

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Emkay Research Team

Infrastructure and construction-Strong order book visibility: NHA awarding momentum to continue with strong pipeline of Rs700-800bn projects to be awarded in 2HFY19. The order book-to-sales ratio is strong in 4-5x range and companies are quite confident of achieving the financial closure of recently awarded HAM projects by Sep-Oct'18, strengthening our belief for strong earnings growth in FY19 and FY20. We continue to prefer players with low debt, controlled working capital cycle and 2-3 years revenue visibility. Our top picks are NBCC, Sadbhav Engg, PNC Infra, KNR, IRB Infra, Ashoka Buildcon and ITD Cementation.

Cement sector: Robust demand, price recovery lagging: Recent rebound in Cement demand is led by government infrastructure spending on roads and individual housing construction. Demand from Real Estate remains muted. However, lower cement prices and higher opex are inducing lower margins. Cement companies remain hopeful of a better pricing scenario as utilization rate has increased. Cost pressures (Coal & Pet Coke and Freight) also seem to be peaking out. We do not see significant margin improvement as we await more evidence of continued strength in demand and commissioning of new capacities. We prefer large players (UltraTech, Shree & ACC). In Mid-cap space, we prefer Star Cement, Prism Johnson and JK Cement.

Oil & Gas: Headwinds for Oil PSU; Gas sector shines; RIL on strong footing: Oil PSUs are facing headwinds from elections-related pangs, higher crude oil prices and a weaker INR. OMC and Upstream PSUs are experiencing lower Autofuel marketing margins and overhang on subsidy burden, respectively. At US\$70/bbl, crude subsidy shortfall is estimated at Rs200bn. Upstream PSUs could be asked to share the burden, but the companies still expect better realizations. We expect pricing reforms to be retained, irrespective of the election outcome in 2019. Recent softening in crude is a near term positive. Outlook for the Gas segment is brighter with gas regulator PNGRB offering 86 new areas for city gas distribution (CGD) and attainment of rapid progress. We expect double-digit growth in demand amid conducive policies. However, margins could be impacted in the near term by rising gas prices. We are positive on PLNG, GAIL & GSPL due to supportive valuations. **RIL** continues to be on a strong footing as the company has started delivering on the massive capex cycle. Petchem earnings have grown 2-3x in the past 3-4 years while refining margins are expected to expand due to new Petcoke value added project and IMO norms kicking in from FY21. Telecom and Retail have performed above expectations for RIL (high subscriber additions and steady ARPUs in Telecom; strong sales growth and margins in Retail).

Agri-input sector poised for much awaited recovery: While the first half of the current Kharif season was driven largely by volume growth, the second half is expected to see price led growth. Margin pressure from rising costs has compelled companies to hike prices. **Insecticides India** has launched 4 new products this season, which are seeing encouraging response; margins will expand further by 100-150bps in FY19 (10% in FY17 to 13.5% in FY18). **GSFC's** Fertilizer business is facing headwinds from rising costs and INR depreciation, resulting in price hikes. The company expects robust volume growth of 20%. GSFC's Chemicals business to gain from INR depreciation. **Sharda Cropchem** expects working capital woes dissipating by Q4FY19, which will enable improvement in debt position.

Media sector: intensifying competition: Investors are cautious about the threat from increasing wireless data penetration and JIO's diversification into the media space. Companies are targeting the Indian diaspora abroad with fresh content and vast movie library. This strategy augurs well for better realisations on the OTT platforms. Profitability on OTT platforms is expected to remain back-ended. Broadcasters remain confident about Traditional TV's performance. Advertisement revenue is expected to remain healthy. New tariff order is unlikely affect growth trajectory of subscription revenues.

BFSI players, Private Banks retain edge over PSBs: Notwithstanding the recovery in system credit growth, corporate credit demand is still slack. Retail and SME segments still remain favourable with some pick-up seen in Mortgages and Vehicle Loans. Few large Private Banks are witnessing surge in personal unsecured credit. The BFSI sector is witnessing margin compression due to rising interest rates, as cost re-pricing precedes lending rate adjustments; lenders with superior liability franchise are likely to maintain stable NIMs Q3FY19 onwards. Asset quality worries for banks remain; few banks are guiding for normalisation while most are still indicating continued pain going ahead. For NBFCs, the overhang of IND-AS transition is behind and they continue to gain market share. We are conservative on Private Banks and NBFCs exposed to higher Agri portfolio considering the ongoing farm waivers that could intensify in the build-up to the 2019 general elections. ICICI Bank and HDFC Bank remain our top picks considering their better Retail portfolio and robust liability franchise. We still remain cautious on PSBs as provisioning is expected to stay elevated. Among the NBFCs, HDFC seems fairly placed with margin pressure largely behind. Also, LTFH and SHTF continue to offer constructive commentary.

IT recovery not decisive yet: IT Services companies have been giving a mixed outlook for FY19, as some companies (TechM, eClerx & FSL) continue to witness client-specific challenges while select companies (L&T Infotech & KPIT) displaying outperformance on the back of focused management and differentiated digital strategies. Profitability is supported by sharp INR depreciation, which would take care of increased investments in Digital, US hiring, visa costs etc. In the Software space (Intellect Design, Majesco & Nucleus), management outlook remains upbeat given the strong order intake, increased deal sizes and global recognition. Profitability for the software companies would improve on account of increased revenue contribution from Cloud business and non-linear business model.

Contents

Sector Name	Company Name
<u>Agri Input & Chemicals</u>	Gujarat State Fertilizers & Chemicals
	Insecticides India
	Sharda Cropchem
<u>Auto Ancillaries</u>	Ceat
	Mahindra CIE Automotive
	Motherson Sumi Systems
<u>Automobile</u>	Ashok Leyland
	Escorts
	Hero MotoCorp
	Mahindra & Mahindra
	SML Isuzu
<u>BFSI</u>	Axis Bank
	Bank of Baroda
	City Union Bank
	DCB Bank
	HDFC Bank
	Housing Development Finance Corporation
	HUDCO
	Indusind Bank
	JM Financials
	L&T Finance Holdings
	Mahindra & Mahindra Financial Services
	Piramal Enterprise
	PTC Financials
	Reliance Nippon Life Asset Management
	Shriram City Union Finance
	Shriram Transport Finance Company
<u>BFSI - Insurance</u>	ICICI Prudential Life Insurance Company
	SBI Life Insurance Company
<u>Cement</u>	Orient Cement
	Prism Johnson
	Ramco Cements
	Sanghi Industries
	Star Cement
<u>Consumers</u>	Bajaj Corp
	Berger Paints
	Godrej Consumer Products
	Parag Milk Foods
<u>Engineering & Capital Goods</u>	Action Construction
	KEC International
	Voltamp Transformers
<u>Information Technology</u>	eClerx
	Firstsource Solution
	Intellect Design Arena
	KPIT Technologies
	L & T Infotech
	Majesco
	NIIT
	Nucleus Software Exports
	Quick Heal Technologies
	SIS Group
	Tech Mahindra

Sector Name	Company Name
<u>Infrastructure</u>	HG Infra Eng
	IRB Infrastructure Developers
<u>Media & Entertainment</u>	DB Corp
	DEN Networks
	Dish TV
	TV 18 Broadcast
	Zee Entertainment Enterprises
<u>Metals & Mining</u>	Jindal Stainless
	JSW Steel
<u>Oil & Gas</u>	HPCL
	Oil & Natural Gas Corporation
	Petronet LNG
	Reliance Industries
<u>Pharma</u>	Pharmaceuticals
<u>Power</u>	CESC
	JSW Energy
	Tata Power
<u>Retail</u>	Aditya Birla Fashion and Retail
	Future Lifestyle Fashions
	Raymond
	Shoppers Stop
<u>Speciality Chemicals</u>	Apcotex Industries
	GHCL
	Meghmani Organics
	Navin Fluorine International
<u>Others</u>	APL Apollo Tubes
	Apollo Pipes
	Arfin India
	Astron Papers
	Bajaj Electricals
	Delta Corp
	Essel Propack
	Gravita India
	Info Edge Ltd
	Kajaria Ceramics
	Kamdhenu
	Orient Refractories
	Stylamm Industries
	Suntech Realty
	Time Technoplast
	Trident Group
	V2 Retail
	Visaka Industries

Agri Input & Chemicals

GSFC

Refer to important disclosures at the end of this report

FY19 fertiliser volume guidance at 2.5mn MT

We hosted Mr. V D Nanavaty ED - Finance and Mr V V Vachhrajni CS and VP - Legal of GSFC at our Annual India Conference to get business insights.

Key Meeting Takeaways

- Monsoon has been fairly well distributed in key markets (except North Gujarat and few districts in Saurashtra). However, lower opening channel inventory and positive market sentiments have ensured good offtake in Q1FY19 as well as Q2FY19.
- Management has increased its fertiliser EBITDA guidance for Q2FY19E to Rs1,000-1,500/MT. Fertiliser volume is expected to be ~0.7mn MT on the back of good demand and lower imports.
- FY19E Fertilizer volume guidance stands at 2.5mn MT (Mfg: 1.7mn MT and Traded: 0.7mn), which translates into Rs60bn of sales. Chemicals sales in FY19 will be ~Rs20bn with 15% margin guidance maintained.
- The company is planning to take further price hike of Rs800/MT in Fertilizers in the coming weeks in order to offset the impact of INR weakness and the rising cost of Phos. Acid and other key RMs.
- New Phos Acid contracts for Q2FY19 have been signed at ~US\$758/MT (+28% yoy; +4% qoq). The company indicated that Phos Acid prices have increased due to lower availability, as most manufactures have increased captive consumption due to higher margins in end products compared to intermediates.
- GSFC is the market leader in Sulphur-based fertilizers, with volume to be ~1.1-1.2mn MT. Management stated that Bentonite Sulphur is doing very well.
- The new Melamine facility is likely to be commissioned by the beginning of H2FY19. This will increase the total capacity by 40,000 MT per annum. Management expects to operate the plant at 80-85% utilization. Total capex for this plant is ~Rs8bn.
- Steady melamine prices at ~Rs100,000/MT would result in additional revenue of Rs4bn at full utilisation, with margins expected at 20%. In H2FY19, the plant will operate at 50% utilization and will produce ~16,000MT, with revenue of Rs1.5bn.
- Caprolactam-benzene spread in Q1FY19 increased to US\$1,200/MT v/s US\$900-1000/MT in Q1FY18. Capro-benzene spread is expected to remain ~US\$1,200/MT, as crude oil prices have increased.
- For FY19, Capro-benzene spread is likely to be ~US\$1,100-1,200/MT. INR depreciation will benefit the Chemicals segment, as realizations of most chemicals are linked to IPP.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	62,144	52,701	62,706	73,574	78,285
EBITDA	5,434	4,866	5,666	6,155	8,217
EBITDA Margin (%)	8.7	9.2	9.0	8.4	10.5
APAT	3,363	3,280	3,759	3,842	5,037
EPS (Rs)	8.4	8.2	9.4	9.6	12.6
EPS (% chg)	(4.8)	(2.5)	14.6	2.2	31.1
ROE (%)	6.7	5.4	5.4	5.2	6.5
P/E (x)	13.6	13.9	12.1	11.9	9.1
EV/EBITDA (x)	9.7	9.8	8.9	8.3	5.9
P/BV (x)	0.8	0.7	0.6	0.6	0.6

Source: Company, Emkay Research

CMP	Target Price
Rs 114	Rs 136 (■)
as of (August 13, 2018)	12 months
Rating	Upside
BUY (■)	18.5 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	9.6	12.6
Consensus	11.4	13.4
Mean Consensus TP (12M)	Rs 145	

Stock Details

Bloomberg Code	GSFC IN
Face Value (Rs)	2
Shares outstanding (mn)	398
52 Week H/L	166 / 100
M Cap (Rs bn/USD bn)	46 / 0.66
Daily Avg Volume (nos.)	18,50,439
Daily Avg Turnover (US\$ mn)	3.1

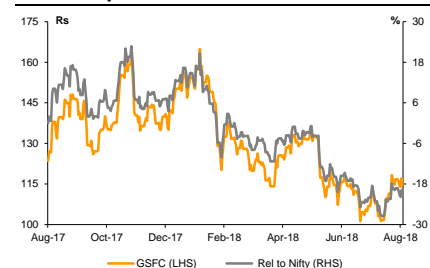
Shareholding Pattern Jun '18

Promoters	37.8%
FIIIs	16.4%
DIIIs	15.5%
Public and Others	30.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	(13)	(9)	(9)
Rel. to Nifty	1	(19)	(16)	(20)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	62,144	52,701	62,706	73,574	78,285
Expenditure	56,710	47,835	57,040	67,419	70,068
EBITDA	5,434	4,866	5,666	6,155	8,217
Depreciation	974	1,034	1,191	1,356	1,800
EBIT	4,460	3,832	4,475	4,799	6,417
Other Income	658	567	947	853	800
Interest expenses	313	649	514	669	676
PBT	4,804	3,749	4,908	4,982	6,541
Tax	1,441	469	1,149	1,140	1,504
Extraordinary Items	729	915	1,013	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,093	4,195	4,772	3,842	5,037
Adjusted PAT	3,363	3,280	3,759	3,842	5,037

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	797	797	797	797	797
Reserves & surplus	54,262	64,955	71,823	74,639	78,649
Net worth	55,059	65,752	72,619	75,436	79,446
Minority Interest	0	0	0	0	0
Loan Funds	11,904	7,534	10,409	10,909	8,409
Net deferred tax liability	1,513	765	505	505	505
Total Liabilities	68,475	74,050	83,533	86,849	88,360
Net block	16,528	20,191	21,048	27,306	29,506
Investment	22,466	31,408	34,062	33,062	31,562
Current Assets	40,342	35,971	39,676	43,358	44,079
Cash & bank balance	403	537	622	499	472
Other Current Assets	1,027	903	3,719	3,719	3,719
Current liabilities & Provision	14,895	16,235	18,867	20,876	21,287
Net current assets	25,447	19,737	20,809	22,481	22,792
Misc. exp	0	0	0	0	0
Total Assets	68,475	74,052	83,533	86,849	88,360

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	4,147	3,182	4,974	4,129	5,741
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(8,945)	5,097	(1,248)	(1,794)	(338)
Operating Cashflow	(24,754)	17,927	7,402	3,220	6,374
Capital expenditure	28,552	(3,373)	(6,945)	(4,000)	(4,500)
Free Cash Flow	3,798	14,554	457	(780)	1,874
Investments	(11,111)	(8,942)	(2,655)	1,000	1,500
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	18,098	(11,749)	(8,653)	(2,147)	(2,200)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	4,877	(4,370)	2,875	500	(2,500)
Dividend paid (incl tax)	(1,055)	(1,026)	(1,026)	(1,026)	(1,026)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	3,509	(6,045)	1,336	(1,195)	(4,202)
Net chg in cash	(3,147)	133	85	(122)	(27)
Opening cash position	3,550	403	537	622	499
Closing cash position	403	537	622	499	472

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	8.7	9.2	9.0	8.4	10.5
EBIT Margin	7.2	7.3	7.1	6.5	8.2
Effective Tax Rate	30.0	12.5	23.4	22.9	23.0
Net Margin	5.4	6.2	6.0	5.2	6.4
ROCE	8.3	6.2	6.9	6.6	8.2
ROE	6.7	5.4	5.4	5.2	6.5
RoIC	11.4	9.5	11.1	10.6	12.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	8.4	8.2	9.4	9.6	12.6
CEPS	10.9	10.8	12.4	13.0	17.2
BVPS	138.2	165.0	182.2	189.3	199.4
DPS	2.2	2.2	2.2	2.2	2.2

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	13.6	13.9	12.1	11.9	9.1
P/CEPS	10.7	10.7	9.3	8.9	6.8
P/BV	0.8	0.7	0.6	0.6	0.6
EV / Sales	0.8	0.9	0.8	0.7	0.6
EV / EBITDA	9.7	9.8	8.9	8.3	5.9
Dividend Yield (%)	1.9	1.9	1.9	1.9	1.9

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.1	0.0	0.1	0.1	0.0
Net Debt/EBITDA	1.3	0.4	0.8	0.9	0.4
Working Cap Cycle (days)	147.1	133.0	117.5	109.1	104.1

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	17.8	(15.2)	19.0	17.3	6.4
EBITDA	4.8	(10.5)	16.4	8.6	33.5
EBIT	6.7	(14.1)	16.8	7.2	33.7
PAT	15.9	2.5	13.7	(19.5)	31.1

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	11,376	15,403	15,375	20,553	17,703
EBITDA	812	970	1,615	2,269	1,132
EBITDA Margin (%)	7.1	6.3	10.5	11.0	6.4
PAT	405	792	1,996	1,579	707
EPS (Rs)	1.0	2.0	5.0	4.0	1.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	37.8	37.8	37.8	37.8	37.8
FIs	17.0	16.5	16.2	16.1	16.4
DIs	15.8	17.2	17.0	16.7	15.5
Public and Others	29.4	28.5	29.0	29.4	30.2

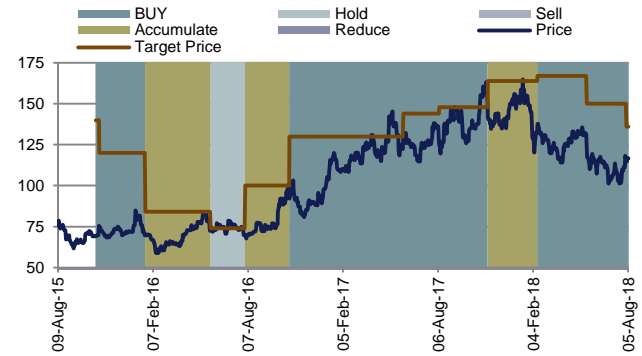
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Aug-18	116	136	12m	Buy	Pratik Tholiya
17-May-18	123	150	12m	Buy	Pratik Tholiya
02-Apr-18	119	167	12m	Buy	Pratik Tholiya
07-Mar-18	120	167	12m	Buy	Pratik Tholiya
12-Feb-18	138	167	12m	Buy	Pratik Tholiya
09-Nov-17	141	164	12m	Accumulate	Pratik Tholiya
22-Sep-17	129	148	12m	Buy	Pratik Tholiya
08-Aug-17	125	148	12m	Buy	Pratik Tholiya
31-May-17	131	144	12m	Buy	Pratik Tholiya
25-Jan-17	110	130	12m	Buy	Pratik Tholiya
09-Dec-16	90	130	12m	Buy	Rohan Gupta
25-Oct-16	92	130	12m	Buy	Rohan Gupta
12-Sep-16	73	100	12m	Accumulate	Rohan Gupta
01-Aug-16	69	100	12m	Accumulate	Rohan Gupta
29-Jul-16	70	74	12m	Hold	Rohan Gupta
07-Jul-16	77	74	12m	Hold	Rohan Gupta
27-May-16	73	74	12m	Hold	Rohan Gupta
18-May-16	83	84	12m	Accumulate	Rohan Gupta
25-Apr-16	74	84	12m	Accumulate	Rohan Gupta
04-Mar-16	64	84	12m	Accumulate	Rohan Gupta
18-Feb-16	59	84	12m	Accumulate	Rohan Gupta
23-Jan-16	70	84	12m	Accumulate	Rohan Gupta
15-Jan-16	76	120	12m	Buy	Rohan Gupta
24-Dec-15	72	120	12m	Buy	Rohan Gupta
30-Nov-15	73	120	12m	Buy	Rohan Gupta
27-Oct-15	73	120	12m	Buy	Rohan Gupta
20-Oct-15	69	140	12m	Buy	Rohan Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Insecticides India

Refer to important disclosures at the end of this report

New product launches to propel growth

We hosted Mr. Srikant S Satwe of Insecticides India Ltd in our Annual India Conference to get business insights.

Key Meeting Takeaways

- Capex and debt:** The capex guidance for FY19E stands at Rs 550mn, of which Rs250mn is regular maintenance capex and Rs300mn capex is for key intermediaries. The company plans to be debt free by Nov'18. As of June'18, total long-term debt stood at Rs860mn.
- Revenue CAGR of 15% over the next two years driven by new launches and scaling up of existing products with assumption of 150-200bps improvement in EBITDA margin. PAT growth guidance stands at 10% CAGR. Working capital would be 95-100 days.
- Muted topline growth in Q1FY19 was on account of lower sale of certain low-margin products, which actually helped the company in reporting an improvement in overall margins by ~120bps yoy. The company will continue to reduce sales of such products.
- The company has recently rolled out 4 new products. Out of which, 2 products (Sofia and Aikido) were launched in June'18, 1 product (Encounter) was launched in July'18, while 1 product (Hercules) was launched in August'18.
- Green Label and Kaya Kalp continue to do well. Overall revenues from Green Label for FY19E will be ~Rs1.5bn - same as last year. Due to more companies getting manufacturing license for Bisparibac Sodium, B2B sales are likely to drop.
- B2C sales of Green Label has been encouraging and the company registered sales of Rs340mn in Q1FY19. Prices have dropped by 10-15% this year while the initial innovator of this molecule continues to command premium over competition.
- The company continues to focus on R&D and would continue to strengthen it. It is working with OAT of Japan on a new product. Currently, it is in the data generation stage and would take at least 3 years to launch this in the domestic market.
- On reverse engineering, the company will launch 2 new off-patented technology products this year and 3-4 new products next year.
- In the Bio segment, Kayakalp and Mycoraja continue to do well. The company is looking at aggressively increasing the penetration of Kaya Kalp, as the potential in this product is huge. The company is also working on 3-4 more products in this segment.
- On the collaboration side, the company is working closely with Nissan Chemicals and is expected to launch 1 new product this year and 3 new products by next year.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	9,882	9,942	10,733	11,980	13,777
EBITDA	911	1,114	1,478	1,770	2,173
EBITDA Margin (%)	9.2	11.2	13.8	14.8	15.8
APAT	393	594	840	1,036	1,317
EPS (Rs)	19.0	28.7	40.6	50.1	63.7
EPS (% chg)	(28.4)	51.2	41.4	23.4	27.1
ROE (%)	11.2	13.6	16.6	17.6	19.3
P/E (x)	40.2	26.6	18.8	15.2	12.0
EV/EBITDA (x)	19.1	16.0	11.1	9.1	7.4
P/BV (x)	3.9	3.4	2.9	2.5	2.1

Source: Company, Emkay Research

CMP

Rs 764
as of (August 13, 2018)

Rating

BUY (■)

Target Price

Rs 1,080 (■)
12 months

Upside

41.4 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	50.1	63.7
Consensus	49.8	59.6
Mean Consensus TP (12M)	Rs 967	

Stock Details

Bloomberg Code	INST IN
Face Value (Rs)	10
Shares outstanding (mn)	21
52 Week H/L	966 / 642
M Cap (Rs bn/USD bn)	16 / 0.23
Daily Avg Volume (nos.)	15,020
Daily Avg Turnover (US\$ mn)	0.2

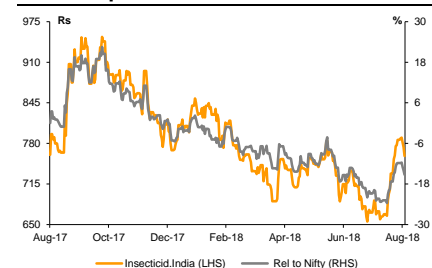
Shareholding Pattern Jun '18

Promoters	68.8%
FIIIs	2.8%
DIIIs	11.9%
Public and Others	16.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	2	(6)	3
Rel. to Nifty	6	(4)	(14)	(11)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	9,882	9,942	10,733	11,980	13,777
Expenditure	8,970	8,828	9,254	10,210	11,604
EBITDA	911	1,114	1,478	1,770	2,173
Depreciation	159	160	170	181	208
EBIT	752	954	1,308	1,589	1,965
Other Income	6	68	32	10	10
Interest expenses	259	202	159	140	120
PBT	499	820	1,181	1,459	1,855
Tax	106	226	341	423	538
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	393	594	840	1,036	1,317
Adjusted PAT	393	594	840	1,036	1,317

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	207	207	207	207	207
Reserves & surplus	3,882	4,439	5,269	6,098	7,151
Net worth	4,089	4,646	5,476	6,305	7,358
Minority Interest	0	0	0	0	0
Loan Funds	1,853	2,214	1,050	1,156	1,098
Net deferred tax liability	176	66	157	157	157
Total Liabilities	6,117	6,925	6,683	7,617	8,613
Net block	1,939	1,858	2,357	2,303	2,595
Investment	111	111	163	163	163
Current Assets	6,802	7,222	7,323	8,270	8,827
Cash & bank balance	95	92	201	695	593
Other Current Assets	1,050	711	667	667	667
Current liabilities & Provision	3,248	2,836	3,286	3,619	3,972
Net current assets	3,555	4,387	4,037	4,651	4,855
Misc. exp	0	0	0	0	0
Total Assets	6,117	6,925	6,683	7,617	8,613

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	493	751	1,149	1,449	1,845
Other Non-Cash items	0	0	0	0	0
Chg in working cap	32	(944)	550	(121)	(306)
Operating Cashflow	1,574	(56)	1,687	1,226	1,329
Capital expenditure	(178)	(122)	(227)	(500)	(1,000)
Free Cash Flow	1,396	(178)	1,460	726	329
Investments	0	0	(52)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(173)	(54)	(246)	(490)	(990)
Equity Capital Raised	80	0	0	0	0
Loans Taken / (Repaid)	(1,139)	361	(1,163)	105	(58)
Dividend paid (incl tax)	(55)	(119)	(168)	(207)	(263)
Other Financing Cash Flow	0	67	159	0	0
Financing Cashflow	(1,372)	107	(1,331)	(242)	(441)
Net chg in cash	29	(3)	109	494	(102)
Opening cash position	66	95	92	201	695
Closing cash position	95	92	201	695	593

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	9.2	11.2	13.8	14.8	15.8
EBIT Margin	7.6	9.6	12.2	13.3	14.3
Effective Tax Rate	21.2	27.5	28.9	29.0	29.0
Net Margin	4.0	6.0	7.8	8.6	9.6
ROCE	12.4	15.7	19.7	22.4	24.3
ROE	11.2	13.6	16.6	17.6	19.3
RoIC	13.8	16.5	21.2	25.5	30.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	19.0	28.7	40.6	50.1	63.7
CEPS	26.7	36.5	48.9	58.9	73.8
BVPS	197.8	224.8	264.9	305.0	356.0
DPS	2.6	5.7	8.1	10.0	12.7

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	40.2	26.6	18.8	15.2	12.0
P/CEPS	28.6	20.9	15.6	13.0	10.3
P/BV	3.9	3.4	2.9	2.5	2.1
EV / Sales	1.8	1.8	1.5	1.3	1.2
EV / EBITDA	19.1	16.0	11.1	9.1	7.4
Dividend Yield (%)	0.3	0.8	1.1	1.3	1.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.4	0.4	0.1	0.0	0.0
Net Debt/EBITDA	1.8	1.8	0.5	0.2	0.2
Working Cap Cycle (days)	127.8	157.7	130.4	120.5	112.9

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2.5	0.6	8.0	11.6	15.0
EBITDA	(17.9)	22.2	32.7	19.7	22.8
EBIT	(22.4)	26.8	37.1	21.5	23.6
PAT	(28.4)	51.2	41.4	23.4	27.1

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	3,119	4,165	1,759	1,689	3,189
EBITDA	505	556	230	187	556
EBITDA Margin (%)	16.2	13.4	13.1	11.0	17.4
PAT	305	361	96	77	340
EPS (Rs)	14.8	17.5	4.7	3.7	16.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	68.8	68.8	68.8	68.8	68.8
FII	4.9	4.9	3.9	2.8	2.8
DII	11.4	11.3	11.2	11.1	11.9
Public and Others	14.9	15.1	16.2	17.3	16.6

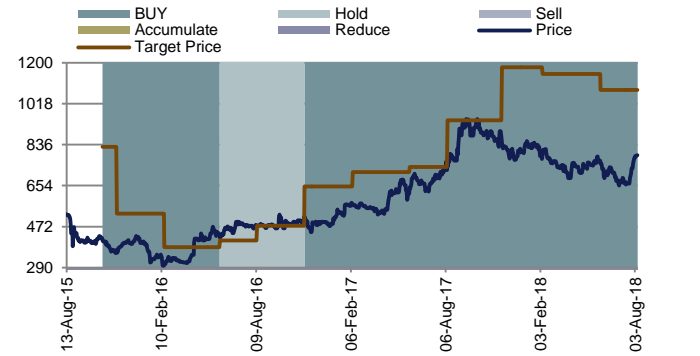
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-May-18	752	1,080	12m	Buy	Pratik Tholiya
07-Feb-18	795	1,150	12m	Buy	Pratik Tholiya
21-Nov-17	844	1,180	12m	Buy	Sumant Kumar
09-Aug-17	775	945	12m	Buy	Sumant Kumar
29-May-17	648	737	12m	Buy	Sumant Kumar
09-Feb-17	566	715	12m	Buy	Rohan Gupta
09-Dec-16	491	650	12m	Buy	Rohan Gupta
09-Nov-16	502	650	12m	Buy	Rohan Gupta
10-Aug-16	473	475	12m	Hold	Rohan Gupta
29-Jul-16	476	410	12m	Hold	Rohan Gupta
31-May-16	421	410	12m	Hold	Rohan Gupta
18-May-16	472	380	12m	Buy	Rohan Gupta
25-Apr-16	441	380	12m	Buy	Rohan Gupta
04-Mar-16	333	380	12m	Buy	Rohan Gupta
18-Feb-16	316	380	12m	Buy	Rohan Gupta
15-Feb-16	304	380	12m	Buy	Rohan Gupta
15-Jan-16	360	530	12m	Buy	Rohan Gupta
24-Dec-15	426	530	12m	Buy	Rohan Gupta
30-Nov-15	400	530	12m	Buy	Rohan Gupta
16-Nov-15	355	530	12m	Buy	Rohan Gupta
20-Oct-15	410	827	12m	Buy	Rohan Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Sharda Cropchem

Refer to important disclosures at the end of this report

Higher RM prices will continue to squeeze margins

We hosted Mr. RV Bubna and Mr. Conrad David Fernandes of Sharda Cropchem Ltd in our Annual India Conference to get business insights.

Key Meeting Takeaways:

- The company sources ~90% of Raw Material (RM) requirements from China. The ability to pass on inflated RM prices is limited as it commands a miniscule market share in the global agrochemicals market.
- The management stated that the situation in China has started to show some signs of revival, with better availability of RM. Further, prices of widely consumed molecules have dipped with improvement in availability.
- However, pressure on margins is likely to persist for the next few quarters, as the innovators are not able to take price hikes due to high inventory, particularly in Europe and certain regions in LATAM.
- Sharda's product registrations stood at 2,209 as on 30th June'18 v/s 2,157 as on 31st March'18. The company has 984 registrations in the pipeline across geographies.
- The company has reduced capex plans for FY19 to Rs1.5-2bn v/s earlier guidance of Rs2-2.5bn. Management has indicated that the capex over the last few years had increased sharply and going forward the management will be more prudent.
- Lower capex is not likely to hurt growth prospects as per the management, as the launch pipeline is robust and the company will first look at scaling up existing molecules.
- Total revenue contribution from Top 10 molecules reduced marginally to 50.6% in Q1FY19 from 51.0% in Q1FY18.
- Revenue growth in Europe/LATAM/RoW increased by 53% /67%/55% yoy. Region-wise gross margin break-up for Europe/NAFTA/LATAM/ROW stood at 43%/20%/25%/25% for Q1FY19.
- Prices of many fungicides, especially of the 'traizole' family, have more than doubled in the last 12-18 months on the back of healthy demand and curtailed supply from China. Company expects prices to remain elevated over the near term.
- Molecules such as glyphosate, which are being banned in some European countries, are considered safe in other parts of the world and are witnessing good demand. The company thus does not expect major impact of such ban, as these are regional in nature.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	12,221	13,992	17,134	20,355	23,498
EBITDA	2,714	3,124	3,454	4,071	4,700
EBITDA Margin (%)	22.2	22.3	20.2	20.0	20.0
APAT	1,753	1,903	1,908	2,144	2,551
EPS (Rs)	19.4	21.1	21.1	23.8	28.3
EPS (% chg)	42.0	8.6	0.3	12.4	19.0
ROE (%)	23.9	21.5	18.2	17.7	18.5
P/E (x)	18.8	17.3	17.3	15.4	12.9
EV/EBITDA (x)	11.6	10.0	9.7	7.7	6.7
P/BV (x)	4.1	3.4	2.9	2.6	2.2

Source: Company, Emkay Research

CMP	Target Price
Rs 365	Rs 509 (■)
as of (August 13, 2018)	12 months
Rating	Upside
BUY (■)	39.4 %

Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	23.8	28.3
Consensus	23.6	28.5
Mean Consensus TP (12M)	Rs 482	

Stock Details	
Bloomberg Code	SHCR IN
Face Value (Rs)	10
Shares outstanding (mn)	90
52 Week H/L	505 / 322
M Cap (Rs bn/USD bn)	33 / 0.48
Daily Avg Volume (nos.)	1,24,775
Daily Avg Turnover (US\$ mn)	0.7

Shareholding Pattern Jun '18	
Promoters	74.8%
FIIIs	6.0%
DIIIs	14.6%
Public and Others	4.6%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	8	(8)	(7)	(19)
Rel. to Nifty	2	(14)	(14)	(28)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	12,221	13,992	17,134	20,355	23,498
Expenditure	9,507	10,869	13,680	16,284	18,798
EBITDA	2,714	3,124	3,454	4,071	4,700
Depreciation	351	563	699	840	975
EBIT	2,364	2,561	2,755	3,231	3,725
Other Income	255	157	166	130	150
Interest expenses	6	0	49	113	10
PBT	2,613	2,718	2,872	3,249	3,865
Tax	861	814	964	1,105	1,314
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	1	(1)	0	0	0
Reported Net Income	1,753	1,903	1,908	2,144	2,551
Adjusted PAT	1,753	1,903	1,908	2,144	2,551

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	902	902	902	902	902
Reserves & surplus	7,206	8,696	10,446	11,957	13,874
Net worth	8,108	9,598	11,348	12,859	14,776
Minority Interest	1	0	2	2	2
Loan Funds	20	2	1,697	497	497
Net deferred tax liability	389	774	758	758	758
Total Liabilities	8,518	10,375	13,806	14,116	16,033
Net block	1,302	2,099	2,263	5,022	5,547
Investment	820	607	221	221	221
Current Assets	8,988	11,433	16,106	16,509	18,521
Cash & bank balance	649	1,080	1,010	1,694	1,553
Other Current Assets	27	750	873	873	873
Current liabilities & Provision	4,690	6,088	8,383	9,136	10,255
Net current assets	4,298	5,345	7,722	7,373	8,265
Misc. exp	0	0	0	0	0
Total Assets	8,518	10,375	13,806	14,116	16,033

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	2,613	2,718	2,872	3,249	3,865
Other Non-Cash items	(229)	(77)	0	0	0
Chg in working cap	(33)	(749)	(2,447)	1,034	(1,033)
Operating Cashflow	1,998	1,867	2,023	4,131	2,502
Capital expenditure	(1,411)	(1,423)	(3,599)	(1,500)	(2,000)
Free Cash Flow	587	444	(1,576)	2,631	502
Investments	12	(32)	386	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,203)	(1,036)	(3,213)	(1,500)	(2,000)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(292)	(19)	1,697	(1,200)	0
Dividend paid (incl tax)	(105)	(105)	(105)	(105)	(105)
Other Financing Cash Flow	(450)	(276)	(423)	(529)	(528)
Financing Cashflow	(849)	(401)	1,120	(1,947)	(643)
Net chg in cash	(54)	431	(70)	685	(141)
Opening cash position	703	649	1,080	1,010	1,694
Closing cash position	649	1,080	1,010	1,694	1,553

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	22.2	22.3	20.2	20.0	20.0
EBIT Margin	19.3	18.3	16.1	15.9	15.9
Effective Tax Rate	32.9	29.9	33.6	34.0	34.0
Net Margin	14.3	13.6	11.1	10.5	10.9
ROCE	33.4	28.8	24.2	24.1	25.7
ROE	23.9	21.5	18.2	17.7	18.5
RoIC	52.8	45.3	35.9	32.8	32.4

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	19.4	21.1	21.1	23.8	28.3
CEPS	23.3	27.3	28.9	33.1	39.1
BVPS	89.9	106.4	125.8	142.5	163.8
DPS	1.0	1.0	1.0	1.0	1.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	18.8	17.3	17.3	15.4	12.9
P/CEPS	15.8	13.5	12.8	11.1	9.4
P/BV	4.1	3.4	2.9	2.6	2.2
EV / Sales	2.6	2.2	1.9	1.5	1.3
EV / EBITDA	11.6	10.0	9.7	7.7	6.7
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.2)	(0.2)	0.0	(0.1)	(0.1)
Net Debt/EBIDTA	(0.5)	(0.5)	0.1	(0.3)	(0.3)
Working Cap Cycle (days)	109.0	111.3	143.0	101.8	104.3

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	15.0	14.5	22.5	18.8	15.4
EBITDA	57.2	15.1	10.6	17.9	15.4
EBIT	58.3	8.3	7.6	17.3	15.3
PAT	42.0	8.6	0.3	12.4	19.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	3,411	2,782	3,255	7,687	4,571
EBITDA	622	501	357	1,975	851
EBITDA Margin (%)	18.2	18.0	11.0	25.7	18.6
PAT	221	245	75	1,219	622
EPS (Rs)	2.5	2.7	0.8	13.5	6.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	74.8	74.8	74.8	74.8	74.8
FII	7.3	7.6	7.8	7.9	6.0
DII	12.7	12.6	12.7	12.9	14.6
Public and Others	5.3	5.0	4.7	4.5	4.6

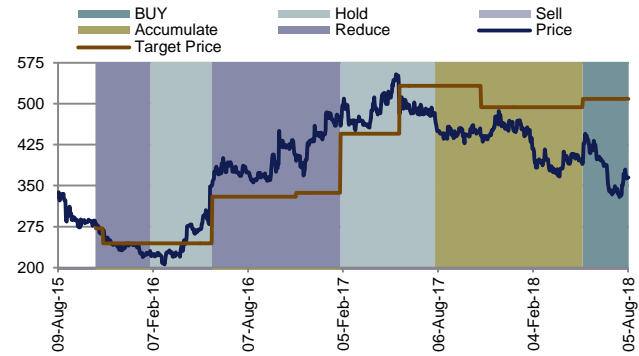
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Aug-18	364	509	12m	Buy	Pratik Tholiya
10-May-18	393	509	12m	Buy	Pratik Tholiya
29-Jan-18	436	494	12m	Accumulate	Pratik Tholiya
27-Oct-17	441	494	12m	Accumulate	Sumant Kumar
31-Jul-17	473	533	12m	Accumulate	Sumant Kumar
24-May-17	482	533	12m	Hold	Sumant Kumar
31-Jan-17	460	445	12m	Hold	Sumant Kumar
09-Dec-16	431	337	12m	Reduce	Rohan Gupta
07-Nov-16	395	337	12m	Reduce	Rohan Gupta
08-Aug-16	374	330	12m	Reduce	Rohan Gupta
29-Jul-16	386	330	12m	Reduce	Rohan Gupta
30-May-16	353	330	12m	Reduce	Rohan Gupta
18-May-16	305	244	12m	Hold	Rohan Gupta
25-Apr-16	265	244	12m	Hold	Rohan Gupta
04-Mar-16	228	244	12m	Hold	Rohan Gupta
18-Feb-16	226	244	12m	Hold	Rohan Gupta
02-Feb-16	227	244	12m	Hold	Rohan Gupta
15-Jan-16	226	244	12m	Reduce	Rohan Gupta
24-Dec-15	244	244	12m	Reduce	Rohan Gupta
30-Nov-15	240	244	12m	Reduce	Rohan Gupta
03-Nov-15	266	244	12m	Reduce	Rohan Gupta
20-Oct-15	280	272	12m	Reduce	Rohan Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Auto Ancillaries

CEAT Ltd.

Refer to important disclosures at the end of this report

Volume outlook positive; Margins may remain under pressure

We hosted Mr. Pulkit Bhandari, Head of Group Corporate Finance, RPG Group at our Annual India Conference and the key takeaways from the interactions are as follows:

- Demand outlook remains strong for Aftermarket segment in FY19:** Expects double-digit volume growth for 2W/PCR segments in FY19. In comparison, TBR growth is expected at ~10%, while TBB volume is expected to decline by 4-5%.
- PCR growth to be driven by Aftermarket segment:** In FY19, incremental growth in PCR will largely come from the Aftermarket segment due to limited capacity. Once the new plant in Chennai comes on stream, the OEM business is expected to ramp up. Although the OEM segment is a low-margin segment, it supports replacement demand over the long term.
- Implementation of new truck axle load norms** may lead to near-term weakness in OEM demand and shift towards larger tyres. Most tyre sizes are available, except for few sizes where it may take 6 months for preparing new moulds and commencement of production.
- Industry capacity increasing in 2W tyres, which may result in slight increase in competition:** MRF has added capacity while the new entrant Maxxis has set up a plant in Sanand with capacity of 0.5-0.6mn tyres/month. Also, there has been capacity additions by other 2W tyre players (50,000-100,000 tyres/month).
- Near-term margin to remain under pressure:** Raw Material cost per unit is expected to increase by 2-3% qoq in Q2FY19. Blended price increase of 1.5-2% was taken in Q1FY19 across segments, and another 1% price increase was taken for 2W tyres in July'18. The company has not been able to fully pass on the impact of higher RM costs to customers.
- Current capacity utilization stands at 100% in TBR and PCR segments. In comparison, TBB capacity utilization stands at ~80%.
- Large capacity additions planned:** TBR capacity to increase from 80 tpd to 290 tpd by Q3FY19. In comparison, PCR capacity to increase from 190 tpd to 220-230 tpd, led by debottlenecking initiatives by Q3FY19. PCR capacity to further increase to 460-470 tpd by mid-FY20E. Meanwhile, capacities for 2W/OHT segments to increase from 110 tpd/40 tpd to 262 tpd/100 tpd by FY20E.
- Huge capex planned over next few years:** The company plans to expand capacity by investing Rs40bn over the next 3-4 years. Capex for PCR, TBR, OHT and 2W segments stands at Rs20bn, Rs10bn, Rs5-6bn and Rs4bn, respectively. Annual maintenance capex stands at Rs1-1.25bn. Capex planned at Rs15bn in FY19 and Rs12-13bn in FY20.
- Net debt stands at Rs7.5bn.** Major portion (~70%) of future capex is expected to be funded by debt. Outer limit for debt/equity and debt/EBITDA is 1x and 3x, respectively.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	55540	57521	54836	57665	62308
EBITDA	6628	6847	7683	6513	5871
EBITDA Margin (%)	11.9	11.9	14.0	11.3	9.4
APAT	2782	3217	4508	3732	2587
EPS (Rs)	69.5	80.4	112.7	93.3	64.7
EPS (% chg)	108.1	15.7	40.1	-17.2	-30.7
ROE (%)	31.0	23.9	24.2	16.7	10.3
P/E (x)	20.0	17.3	12.3	14.9	21.5
EV/EBITDA (x)	10.0	8.7	7.8	9.6	10.6
P/BV (x)	5.5	3.3	2.7	2.3	2.1

Source: Company, Emkay Research

CMP	Target Price
Rs 1402	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	CEAT IN
Face Value (Rs)	10
Shares outstanding (mn)	40
52 Week H/L	2030/1227
M Cap (Rs bn/USD bn)	57/0.8
Daily Avg Volume (nos.)	699,313
Daily Avg Turnover (US\$ mn)	13.8

Shareholding Pattern Jun'18

Promoters	50.8%
FIIIs	20.2%
DIIIs	11.7%
Public and Others	17.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	-6	-8	-21
Rel. to Nifty	2	-12	-16	-33

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	55540	57521	54836	57665	62308
Expenditure	50031	50110	47266	51907	55569
EBITDA	6628	6847	7683	6513	5871
Depreciation	865	934	1077	1431	1686
EBIT	5763	5913	6606	5082	4185
Other Income	140	226	277	470	525
Interest expenses	1870	1423	1014	896	1036
PBT	4032	4716	5869	4657	3673
Tax	1324	1577	1873	1064	1340
Extraordinary Items	-70	-46	-133	-120	-207
Minority Int. /Income from Assoc.	-5	-33	-18	-19	-47
Reported Net Income	2712	3172	4375	3612	2380
Adjusted PAT	2782	3217	4508	3732	2587

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	360	405	405	405	405
Reserves & surplus	9927	16418	20143	23745	25656
Net worth	10196	16732	20547	24150	26061
Minority Interest	363	327	322	292	234
Loan Funds	11738	7751	6632	9240	8717
Net deferred tax liability	-1148	-1250	-1582	-1449	-1893
Total Liabilities	22647	25238	27936	34357	35523
Net block	15651	15808	20321	24525	27238
Investment	0	3124	1955	2316	2135
Current Assets	17956	16077	14530	17777	17746
Cash & bank balance	1679	1236	630	359	863
Other Current Assets	16277	14840	13900	17418	16883
Current liabilities & Provision	11605	11737	11562	13363	14194
Net current assets	6351	4340	2968	4414	3551
Misc. exp	0	0	0	0	0
Total Assets	22647	25238	27936	34357	35523

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	984	1,137	706	137	240
Net Cash from Operations	1,968	7,487	7,021	3,347	6,757
Net Cash Used in Investing	-1,420	-2,533	-4,326	-5,434	-4,151
Net Cash Used in Financing	-395	-1,940	-3,264	2,191	-2,025
Net Inc/(Dec) in Cash	153	3,014	-569	104	582
Closing Cash	1,137	4,150	137	240	822

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	11.9	11.9	14.0	11.3	9.4
EBIT Margin	10.4	10.3	12.0	8.8	6.7
Effective Tax Rate	32.8	33.4	31.9	22.9	36.5
Net Margin	5.0	5.6	8.2	6.5	4.2
ROCE	28.1	24.7	24.8	16.3	12.0
ROE	31.0	23.9	24.2	16.7	10.3
RoIC	30.4	29.9	32.6	20.7	14.8

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	69.5	80.4	112.7	93.3	64.7
CEPS	91.2	103.8	139.6	129.1	106.8
BVPS	254.9	418.3	513.7	603.7	651.5
DPS	10.0	10.0	11.5	11.5	11.5

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	20.0	17.3	12.3	14.9	21.5
P/CEPS	15.2	13.4	10.0	10.8	13.0
P/BV	5.5	3.3	2.7	2.3	2.1
EV / Sales	1.2	1.0	1.1	1.1	1.0
EV / EBITDA	10.0	8.7	7.8	9.6	10.6
Dividend Yield (%)	0.7	0.7	0.8	0.8	0.8

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	1.0	0.2	0.2	0.3	0.2
Net Debt/EBIDTA	1.5	0.5	0.5	1.0	1.0
Working Cap Cycle (days)	30.7	19.7	15.6	25.7	15.7

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	9.9	3.6	-4.7	5.2	8.1
EBITDA	55.8	3.3	12.2	-15.2	-9.9
EBIT	67.1	2.6	11.7	-23.1	-17.7
PAT	108.1	15.7	40.1	-17.2	-30.7

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	14,597	15,230	15,742	16,739	17,063
EBITDA	543	1,667	1,860	1,730	1,735
EBITDA Margin (%)	3.7	10.9	11.8	10.3	10.2
PAT	15	781	827	930	729
EPS (Rs)	0.4	19.5	20.7	23.3	18.2

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	50.8	50.8	50.8	50.8	50.8
FII's	25.3	25.9	25.1	22.3	20.2
DII's	8.2	8.9	10.2	11.7	11.7
Public and Others	15.7	14.4	14.0	15.2	17.3

Mahindra CIE Automotive

Refer to important disclosures at the end of this report

Healthy demand outlook for India and Europe divisions

We hosted Mr. Vikas Sinha, SVP – Strategy and Mr. Swapnil Soudagar, Senior Manager – Strategy, Mahindra CIE Ltd at our Annual India Conference and the key takeaways from the interactions are as follows:

- **Constructive demand outlook:** Expects consolidated revenue of over Rs75bn in CY18 (over 15% growth), led by volume growth of 12-15% in India business and 5-6% in Europe business.
- **India volume growth for CY18 is expected at 12-15%**, led by growth in underlying segments (PV, Tractors, LCVs and 2Ws) and addition of new customers. It has received orders for gears from TBK India, for stampings from Ashok Leyland and for crankshafts from Hyundai. Also, MACA will commence supplies to upcoming PV models of Mahindra & Mahindra (Mazero MPV, S201 SUV and Y400 Luxury UV) in the coming months. Meanwhile, it has also won new orders from Hyundai and Kia Motors, which would aid revenues from 2019.
- **Europe volume growth in CY18 is expected at 5-6%**, which is higher than underlying industry, driven by the ramp-up of Caterpillar and Volkswagen orders, in Metalcastello and Lithuania, respectively. Lithuania plant ramp-up is expected to continue in 2018, while the Metalcastello order ramp-up is likely to continue up to 2019. Revenue growth in CY18 would also be supported by forex translation gains.
- **Strong growth to persist in Bill Forge:** Bill Forge revenue is expected to grow at over 20% in CY18, led by new customer additions and increasing production. The Mexico plant is operating at 50% of its peak capacity (4.5mn parts) and is expected to reach full capacity by 2020E.
- **Focus remains on technology transfer** to develop India as a production base and increase ratio of exports.
- **Lower exposure to India M&HCV segment:** It has limited exposure to the M&HCV segment (4% of India revenue), and is less impacted by demand disruption due to change in axle load norms.
- **Consolidated EBITDA margin for CY18 is expected at ~14% v/s 13.5% in CY17.** MACA aspires to reach 15% EBITDA margin in the foreseeable future.
- **Capex:** Capex planned for CY18 stands at Rs4bn (of which, Rs2bn is for capacity expansion and Rs2bn is for maintenance), while the blended capacity utilization stands at 80-85%. Capex is expected to be funded through internal accruals. Net debt stands at ~Rs8bn with a majority of the debt in European subsidiaries.

The parent company will use the Indian entity as the vehicle for all acquisitions in Forgings and Asian geography. The parent company's Forgings divisions in China, Brazil and Mexico are expected to be merged with Mahindra CIE over the medium term.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	CY15	CY16	CY17
Net Sales	25908	55699	40007	53199	65200
EBITDA	1004	2156	2853	5221	8077
EBITDA Margin (%)	3.9	3.9	7.1	9.8	12.4
APAT	-753	1082	1281	1707	3632
EPS (Rs)		2.9	3.4	4.5	9.6
EPS (% chg)	-	-	18.3	33.3	112.7
ROE (%)	-	8.5	6.6	6.5	10.4
P/E (x)	-	90.3	76.4	57.3	26.9
EV/EBITDA (x)	103.4	51.7	37.6	21.1	13.4
P/BV (x)	14.9	5.2	4.9	3.0	2.6

Source: Company, Emkay Research

CMP	Target Price
Rs 259	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MACA IN
Face Value (Rs)	10
Shares outstanding (mn)	379
52 Week H/L	277/199
M Cap (Rs bn/USD bn)	98/1.4
Daily Avg Volume (nos.)	810,300
Daily Avg Turnover (US\$ mn)	3.0

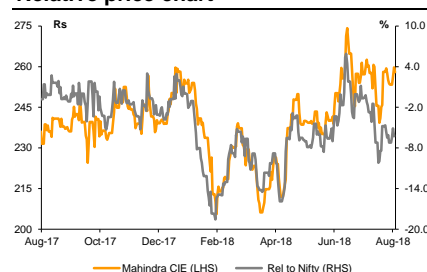
Shareholding Pattern Jun'18

Promoters	69.8%
FIIIs	5.0%
DIIIs	8.4%
Public and Others	16.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	8	20	6
Rel. to Nifty	-5	1	9	-10

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	CY15	CY16	CY17
Net Sales	25908	55699	40007	53199	65200
Expenditure	25058	53353	37664	48062	57907
EBITDA	1004	2156	2853	5221	8077
Depreciation	1200	2375	1630	2325	2734
EBIT	-196	-219	1223	2896	5343
Other Income	128	429	287	314	269
Interest expenses	629	1211	504	594	545
PBT	-697	-1001	1006	2616	5067
Tax	118	-219	239	926	1483
Extraordinary Items	-62	-1863	-513	-17	-48
Minority Int. /Income from Assoc.	0	-1	0	0	0
Reported Net Income	-815	-781	767	1690	3584
Adjusted PAT	-753	1082	1281	1707	3632

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	CY15	CY16	CY17
Equity share capital	923	3230	3233	3781	3784
Reserves & surplus	5637	15635	16833	28882	33372
Net worth	6560	18865	20066	32663	37156
Minority Interest	0	155	0	0	0
Loan Funds	7341	15491	10847	13917	11969
Net deferred tax liability	600	974	1429	1666	1630
Total Liabilities	15791	36927	34286	50561	53303
Net block	12113	31238	32929	45173	47503
Investment	578	570	671	390	551
Current Assets	6435	13313	12954	16402	20660
Cash & bank balance	436	893	502	981	719
Other Current Assets	5999	12421	12453	15421	19941
Current liabilities & Provision	4320	12579	17147	17788	21688
Net current assets	2115	734	-4193	-1386	-1028
Misc. exp	0	0	0	0	0
Total Assets	15791	36927	34286	50561	53303

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	CY15	CY16	CY17
Opening Cash	366	2,445	893	501	981
Net Cash from Operations	2,110	3,223	6,796	3,040	5,122
Net Cash Used in Investing	-876	-1,840	-2,252	-8,308	-3,028
Net Cash Used in Financing	-1,164	-2,937	-4,936	5,748	-2,356
Net Inc/(Dec) in Cash	70	-1,554	-391	480	-262
Closing Cash	436	891	502	981	719

Key Ratios

Profitability (%)	FY14	FY15	CY15	CY16	CY17
EBITDA Margin	3.9	3.9	7.1	9.8	12.4
EBIT Margin	-0.8	-0.4	3.1	5.4	8.2
Effective Tax Rate	-	-	23.7	35.4	29.3
Net Margin	-2.9	1.9	3.2	3.2	5.6
ROCE	-	-	3.4	6.8	10.3
ROE	-	8.5	6.6	6.5	10.4
RoIC	-	-	3.9	7.7	11.4

Per Share Data (Rs)	FY14	FY15	CY15	CY16	CY17
EPS		2.9	3.4	4.5	9.6
CEPS	1.2	9.1	7.7	10.6	16.8
BVPS	17.3	49.8	52.9	86.2	98.0
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY14	FY15	CY15	CY16	CY17
PER	-	90.3	76.4	57.3	26.9
P/CEPS	218.8	28.3	33.6	24.2	15.4
P/BV	14.9	5.2	4.9	3.0	2.6
EV / Sales	4.0	2.0	2.7	2.1	1.7
EV / EBITDA	103.4	51.7	37.6	21.1	13.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY14	FY15	CY15	CY16	CY17
Net Debt/ Equity	1.0	0.7	0.5	0.4	0.3
Net Debt/EBITDA	6.3	6.5	3.4	2.4	1.3
Working Cap Cycle (days)	23.7	-1.0	-42.8	-16.2	-9.8

Growth (%)	FY14	FY15	CY15	CY16	CY17
Revenue	16.9	115.0	-28.2	33.0	22.6
EBITDA	140.2	114.7	32.3	83.0	54.7
EBIT	-	-	-	136.8	84.5
PAT	-	-	18.3	33.3	112.7

Quarterly (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY19	Q2FY18
Revenue	4,495	4,847	5,615	6,119	6,500
EBITDA	427	488	514	741	815
EBITDA Margin (%)	9.5	10.1	9.2	12.1	12.5
PAT	177	204	168	386	439
EPS (Rs)	0.5	0.5	0.4	1.0	1.2

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	69.9	69.9	69.9	69.8	69.8
FIIIs	4.9	5.5	5.7	5.6	5.0
DIIIs	6.6	6.4	7.1	7.8	8.4
Public and Others	18.6	18.2	17.3	16.8	16.9

Motherson Sumi

Refer to important disclosures at the end of this report

On track to achieve Vision 2020

We hosted Mr. V.C. Sehgal, Chairman and Mr. G.N. Gauba, CFO, Motherson Sumi at our Annual India Conference to gain business insights:

Key Takeaways

- On track to achieve revenue target of US\$18bn by FY20:** Consolidated revenue to increase from US\$9.6bn in FY18 (including Reydel) to US\$18bn in FY20, led by a combination of Organic and Inorganic initiatives. The company is evaluating acquisition opportunities, which would help it to achieve the massive revenue target.
- Organic growth to remain robust, supported by:** (1) Healthy order book of EUR17.2bn at SMRP BV as of March'18, (2) Increasing production capabilities with 6 plants at different stages of completion (1 in USA, 1 in Europe, 1 in Thailand and 3 in India), and (3) Promising growth prospects in India's Automobile industry, coupled with increasing content per vehicle.
- Ramp-up of utilization at SMP's new plants:** SMP's new plants (Hungary, Alabama and Germany) would have peak revenue of EUR1bn. The Hungary plant commenced production in Q1FY19, while the Alabama plant has been inaugurated (to commence production in Q3FY19) and the German plant is expected to commence production in Q3FY19. Post commencement of production, these plants would be ramped up over 1.5-2 years.
- Focus remains on 40% ROCE by FY20, supported by:** (1) Ramp-up of utilization in new plants, (2) Improvement in gross margins, led by better sourcing and backward integration, (3) Focus on operational efficiencies and (4) Reduction in working capital requirements.
- PKC to witness ROCE expansion:** In Q1FY19, PKC witnessed robust revenue growth of 31% yoy and margin expansion of 330bps qoq. Going forward, management expects strong revenue growth and margin expansion, resulting in ROCE expansion towards 35-40% by FY20.
- Reydel to support revenue/earnings performance:** Reydel acquisition was completed on 2nd August'18 through SMRP BV. It is structured under a Lockbox arrangement from 1st January'17, which means that all the business cash flows from Lockbox date will accrue to the buyer. Reydel registered EBIT of US\$48mn in CY17, which is ~8% of MSS' consolidated EBIT in FY18. As the acquisition is under SMRP BV, Reydel's PAT as a percentage of consolidated PAT would be lower at ~3%.
- Diversifying revenue mix** on the back of order wins from Daimler/other customers and acquisitions of PKC/Reydel: (1) Contribution of Audi reduced to 17% of sales in FY18 v/s 22% in FY15, (2) Contribution of Volkswagen reduced to 7% of sales in FY18 v/s 12% in FY15 and (3) Contribution of other clients increased to 22% of sales in FY18 v/s 16% in FY15.
- Trends such as the proliferation of EVs, vehicle weight reduction programmes and shift in customer preferences towards premium vehicles represent the impending opportunities, as content per vehicle would increase.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	372,163	423,756	562,933	639,454	727,337
EBITDA	35,482	41,669	51,226	63,280	81,356
EBITDA Margin (%)	9.5	9.8	9.1	9.9	11.2
APAT	12,923	16,517	17,747	23,357	31,528
EPS (Rs)	6.5	7.8	8.4	11.1	15.0
EPS (% chg)	18.4	20.5	7.4	31.6	35.0
ROE (%)	33.5	26.1	19.6	22.7	27.0
P/E (x)	46.1	38.3	35.6	27.1	20.1
EV/EBITDA (x)	18.0	16.5	13.6	10.9	8.1
P/BV (x)	13.6	7.6	6.4	5.9	5.0

Source: Company, Emkay Research

CMP	Target Price
Rs 300	Rs 375 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	24.9 %

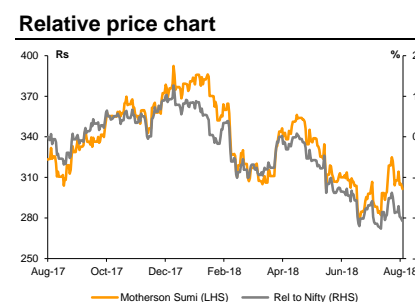
Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	11.1	15.0
Consensus	11.9	15.6
Mean Consensus TP (12M)	Rs 365	

Stock Details	
Bloomberg Code	MSS IN
Face Value (Rs)	1
Shares outstanding (mn)	2,105
52 Week H/L	396 / 274
M Cap (Rs bn/USD bn)	632 / 9.18
Daily Avg Volume (nos.)	3,403,016
Daily Avg Turnover (US\$ mn)	15.1

Shareholding Pattern Jun '18	
Promoters	61.7%
FIIIs	18.3%
DIIIs	9.7%
Public and Others	10.3%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	(2)	(11)	(17)	(5)
Rel. to Nifty	(6)	(16)	(24)	(19)



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	372,163	423,756	562,933	639,454	727,337
Expenditure	336,681	382,087	511,707	576,174	645,981
EBITDA	35,482	41,669	51,226	63,280	81,356
Depreciation	10,872	10,591	15,752	18,757	20,557
EBIT	24,610	31,078	35,474	44,523	60,799
Other Income	392	2,642	1,701	1,557	2,197
Interest expenses	3,450	3,749	4,108	4,188	3,868
PBT	21,552	29,970	33,067	41,892	59,127
Tax	5,192	9,103	10,072	12,567	17,738
Extraordinary Items	0	(974)	(1,777)	0	0
Minority Int./Income from Assoc.	(3,437)	(4,350)	(5,249)	(5,967)	(9,861)
Reported Net Income	12,923	15,543	15,970	23,357	31,528
Adjusted PAT	12,923	16,517	17,747	23,357	31,528

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	1,323	1,404	2,105	2,105	2,105
Reserves & surplus	42,648	81,323	96,736	105,052	123,888
Net worth	43,971	82,727	98,841	107,157	125,993
Minority Interest	15,123	22,322	29,600	37,017	48,400
Loan Funds	60,687	103,493	94,769	86,769	78,769
Net deferred tax liability	(1,210)	(764)	(1,030)	(1,030)	(1,030)
Total Liabilities	118,571	207,778	222,180	229,913	252,132
Net block	72,050	121,896	147,123	148,366	147,809
Investment	5,316	4,737	7,917	7,917	7,917
Current Assets	104,100	172,662	187,824	213,420	258,961
Cash & bank balance	17,717	48,866	27,816	31,661	52,222
Other Current Assets	12,273	19,773	53,711	61,012	69,397
Current liabilities & Provision	76,865	110,895	146,530	165,639	188,404
Net current assets	27,235	61,767	41,294	47,781	70,557
Misc. exp	0	30	(3)	0	0
Total Assets	118,571	207,778	222,180	229,913	252,132

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	22,537	29,159	33,144	40,335	56,931
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(10,346)	6,644	(843)	(2,642)	(2,215)
Operating Cashflow	21,492	35,355	30,939	49,520	62,925
Capital expenditure	(19,306)	(27,789)	(30,308)	(20,000)	(20,000)
Free Cash Flow	2,186	7,566	631	29,520	42,925
Investments	(151)	(40,399)	(3,180)	0	0
Other Investing Cash Flow	396	927	0	0	0
Investing Cashflow	(18,669)	(64,619)	(31,787)	(18,443)	(17,803)
Equity Capital Raised	0	25,277	0	0	0
Loans Taken / (Repaid)	(15,043)	34,092	(8,724)	(8,000)	(8,000)
Dividend paid (incl tax)	(6,675)	(826)	(5,518)	(9,403)	(12,692)
Other Financing Cash Flow	20,920	5,341	(1,852)	(5,641)	0
Financing Cashflow	(4,025)	60,413	(20,202)	(27,232)	(24,560)
Net chg in cash	(1,202)	31,149	(21,050)	3,845	20,561
Opening cash position	18,919	17,717	48,866	27,816	31,661
Closing cash position	17,717	48,866	27,816	31,661	52,222

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	9.5	9.8	9.1	9.9	11.2
EBIT Margin	6.6	7.3	6.3	7.0	8.4
Effective Tax Rate	24.1	30.4	30.5	30.0	30.0
Net Margin	4.4	4.9	4.1	4.6	5.7
ROCE	23.5	20.7	17.3	20.4	26.1
ROE	33.5	26.1	19.6	22.7	27.0
RoIC	33.6	28.7	24.0	27.4	36.8

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	6.5	7.8	8.4	11.1	15.0
CEPS	12.0	12.9	15.9	20.0	24.7
BVPS	22.2	39.3	47.0	50.9	59.8
DPS	1.7	2.0	2.3	3.8	5.2

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	46.1	38.3	35.6	27.1	20.1
P/CEPS	25.3	23.6	19.1	15.2	12.3
P/BV	13.6	7.6	6.4	5.9	5.0
EV / Sales	1.7	1.6	1.2	1.1	0.9
EV / EBITDA	18.0	16.5	13.6	10.9	8.1
Dividend Yield (%)	0.6	0.7	0.7	1.3	1.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.0	0.7	0.7	0.5	0.2
Net Debt/EBIDTA	1.2	1.3	1.3	0.9	0.3
Working Cap Cycle (days)	9.3	11.1	8.7	9.2	9.2

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	6.5	13.9	32.8	13.6	13.7
EBITDA	9.6	17.4	22.9	23.5	28.6
EBIT	6.2	26.3	14.1	25.5	36.6
PAT	16.5	20.3	2.7	46.3	35.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	130,774	134,313	143,877	154,078	147,755
EBITDA	11,352	12,507	12,493	15,001	14,121
EBITDA Margin (%)	8.7	9.3	8.7	9.7	9.6
PAT	5,783	4,459	3,687	5,597	4,431
EPS (Rs)	2.7	2.1	1.8	2.7	2.1

Source: Company, Emkay Research

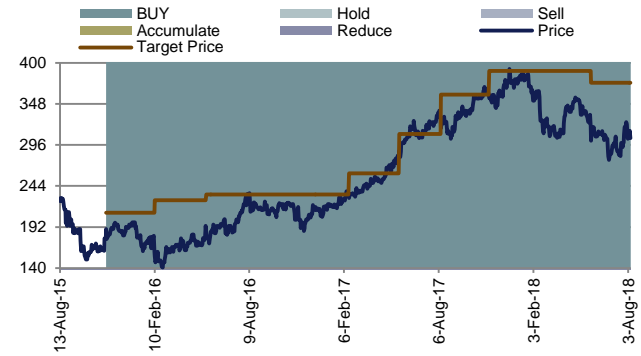
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	63.1	63.1	61.7	61.7	61.7
FIs	20.0	19.7	20.1	18.8	18.3
DIs	6.5	7.6	8.4	9.4	9.7
Public and Others	10.4	9.6	9.7	10.1	10.3

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
8-Aug-18	305	375	12m	Buy	Raghunandhan NL
24-May-18	302	375	12m	Buy	Raghunandhan NL
11-Apr-18	343	390	12m	Buy	Raghunandhan NL
14-Feb-18	357	390	12m	Buy	Raghunandhan NL
27-Nov-17	362	390	12m	Buy	Raghunandhan NL
10-Nov-17	355	390	12m	Buy	Raghunandhan NL
10-Aug-17	317	360	12m	Buy	Raghunandhan NL
22-May-17	289	310	12m	Buy	Mihir Jhaveri
15-Feb-17	229	260	12m	Buy	Mihir Jhaveri
11-Aug-16	211	233	12m	Buy	Kaushal Maroo
18-May-16	184	233	12m	Buy	Kaushal Maroo
10-Feb-16	155	226	12m	Buy	Kaushal Maroo
9-Nov-15	189	210	12m	Buy	Kaushal Maroo

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART


Source: Bloomberg, Company, Emkay Research

Automobiles

Ashok Leyland

Refer to important disclosures at the end of this report

Volume momentum to remain positive across segments

We hosted Mr. K M Balaji, Vice President – Finance, Ashok Leyland Ltd at our Annual India Conference and the key takeaways from the interactions are as follows:

- **Domestic M&HCV Industry to grow at 15% in FY19:** Post 65% yoy growth in volume in April-July'18, the company expects 15% growth in FY19, which implies a growth of 2% in the remaining months. Despite change in truck axle load norms, the company expects positive growth in the remaining months, supported by strong infrastructure demand and general improvement in macroeconomic environment.
- **Management is still uncertain about applicability of axle load norms on existing vehicles** due to insurance, warranty and safety issues. A large portion of the existing fleet (60-65%) is not expected to be impacted by the higher axle load, as these trucks carry volumetric load.
- Blended discounts remain elevated at ~Rs350,000/unit.
- **New products:** The company is planning to launch a slew of new products in domestic as well as overseas markets in FY19. New rigid truck (41T) will be launched post certification under the new axle load norms.
- **Domestic LCV volume to grow in double-digits**, led by strong demand and new product launches.
- **Export volume to grow by ~20% in FY19**, led by strong demand in African/Asian markets.
- **Pre-buying to support domestic M&HCV volume in FY20:** Transition to BS-VI emission norms in April'2020 will increase price by Rs100,000-150,000 for M&HCVs. This will result in pre-buying in H2FY20.
- **Scrappage Policy:** Govt may implement scrappage policy for over 20 years old vehicles from April'2020. The company estimates potential scrappage volume at 200,000-250,000 vehicles.
- **Capex & investments expected at Rs10bn in FY19.** Capex would be incurred on LCV product portfolio expansion, BS-VI upgrade, EV technology, development of modular platform, investment in Andhra Pradesh plant for bus body building and de-bottlenecking of capacity (management does not see need for greenfield expansion in the near term). MHCV capacity will increase by 20% due to debottlenecking initiatives.
- Merger process with LCV subsidiaries to be completed in H2FY19.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	189,373	201,401	262,479	276,877	308,460
EBITDA	22,546	22,025	27,390	27,205	31,404
EBITDA Margin (%)	11.9	10.9	10.4	9.8	10.2
APAT	11,998	15,585	15,748	15,529	18,320
EPS (Rs)	4.2	5.5	5.4	5.3	6.2
EPS (% chg)	413.0	29.9	(1.8)	(1.7)	18.0
ROE (%)	22.8	27.3	23.9	20.7	22.1
P/E (x)	30.2	23.3	23.7	24.1	20.4
EV/EBITDA (x)	16.5	16.6	12.5	12.8	11.1
P/BV (x)	6.7	6.0	5.2	4.8	4.3

Source: Company, Emkay Research

CMP	Target Price
Rs 128	Rs 122 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	(4.3) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	5.3	6.2
Consensus	6.2	7.7
Mean Consensus TP (12M)	Rs 134	

Stock Details

Bloomberg Code	AL IN
Face Value (Rs)	1
Shares outstanding (mn)	2,935
52 Week H/L	168 / 99
M Cap (Rs bn/USD bn)	374 / 5.44
Daily Avg Volume (nos.)	26,404,670
Daily Avg Turnover (US\$ mn)	49.1

Shareholding Pattern Jun '18

Promoters	51.1%
FIIIs	23.5%
DIIIs	10.1%
Public and Others	15.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	(21)	(5)	23
Rel. to Nifty	(9)	(26)	(13)	6

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	189,373	201,401	262,479	276,877	308,460
Expenditure	166,827	179,376	235,089	249,672	277,056
EBITDA	22,546	22,025	27,390	27,205	31,404
Depreciation	4,879	5,179	5,546	6,227	7,123
EBIT	17,667	16,846	21,844	20,978	24,280
Other Income	1,176	1,363	1,898	2,290	2,748
Interest expenses	2,476	1,554	1,312	762	477
PBT	16,367	16,655	22,429	22,506	26,551
Tax	4,369	1,070	6,681	6,977	8,231
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	11,998	15,585	15,748	15,529	18,320
Adjusted PAT	11,998	15,585	15,748	15,529	18,320

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	2,846	2,846	2,927	2,935	2,935
Reserves & surplus	51,226	58,415	68,721	75,627	83,996
Net worth	54,071	61,261	71,648	78,563	86,931
Minority Interest	0	0	0	0	0
Loan Funds	24,150	21,449	10,023	5,212	4,332
Net deferred tax liability	3,291	1,269	2,984	2,894	2,788
Total Liabilities	81,512	83,978	84,655	86,668	94,051
Net block	47,920	49,708	49,742	51,350	52,697
Investment	19,804	28,789	58,026	63,026	71,026
Current Assets	59,255	56,210	54,080	53,142	59,112
Cash & bank balance	15,931	9,120	10,044	934	950
Other Current Assets	9,209	7,602	12,134	12,800	14,260
Current liabilities & Provision	46,225	54,017	81,206	87,027	92,491
Net current assets	13,030	2,193	(27,126)	(33,885)	(33,379)
Misc. exp	0	1,230	0	0	0
Total Assets	81,512	83,978	84,655	86,668	94,051

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	7,089	11,938	20,531	20,216	23,803
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,795)	1,769	29,299	(2,617)	(2,232)
Operating Cashflow	15,654	20,185	52,286	17,751	21,248
Capital expenditure	(1,659)	(3,660)	(6,496)	(10,000)	(6,000)
Free Cash Flow	13,994	16,525	45,790	7,751	15,248
Investments	4,790	(11,784)	(29,238)	(5,000)	(8,000)
Other Investing Cash Flow	487	676	2,413	0	0
Investing Cashflow	4,795	(13,406)	(31,423)	(12,710)	(11,252)
Equity Capital Raised	0	0	81	8	0
Loans Taken / (Repaid)	(7,886)	(8,827)	(11,425)	(4,811)	(880)
Dividend paid (incl tax)	(1,541)	(3,254)	(8,586)	(8,623)	(9,951)
Other Financing Cash Flow	77	127	1,304	37	1,329
Financing Cashflow	(12,030)	(13,592)	(19,939)	(14,151)	(9,980)
Net chg in cash	8,418	(6,812)	924	(9,110)	16
Opening cash position	7,513	15,931	9,120	10,044	934
Closing cash position	15,931	9,120	10,044	934	950

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	11.9	10.9	10.4	9.8	10.2
EBIT Margin	9.3	8.4	8.3	7.6	7.9
Effective Tax Rate	26.7	6.4	29.8	31.0	31.0
Net Margin	6.3	7.7	6.0	5.6	5.9
ROCE	22.0	22.2	28.4	27.2	29.9
ROE	22.8	27.3	23.9	20.7	22.1
RoIC	35.5	38.4	78.9	144.2	139.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	4.2	5.5	5.4	5.3	6.2
CEPS	5.9	7.3	7.3	7.4	8.7
BVPS	19.0	21.1	24.5	26.8	29.6
DPS	0.4	0.9	2.4	2.4	2.8

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	30.2	23.3	23.7	24.1	20.4
P/CEPS	18.6	15.2	15.2	14.9	12.8
P/BV	6.7	6.0	5.2	4.8	4.3
EV / Sales	2.0	1.8	1.3	1.3	1.1
EV / EBITDA	16.5	16.6	12.5	12.8	11.1
Dividend Yield (%)	0.4	0.7	1.9	1.9	2.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.2	0.1	(0.4)	(0.3)	(0.3)
Net Debt/EBITDA	0.4	0.2	(1.1)	(0.9)	(0.8)
Working Cap Cycle (days)	(5.6)	(12.6)	(51.7)	(45.9)	(40.6)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	39.6	6.4	30.3	5.5	11.4
EBITDA	119.6	(2.3)	24.4	(0.7)	15.4
EBIT	189.5	(4.6)	29.7	(4.0)	15.7
PAT	413.0	29.9	1.0	(1.4)	18.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	42,579	60,469	71,412	87,725	62,501
EBITDA	3,061	6,118	7,884	10,327	6,475
EBITDA Margin (%)	7.2	10.1	11.0	11.8	10.4
PAT	1,265	3,369	4,499	6,615	3,910
EPS (Rs)	0.4	1.2	1.5	2.3	1.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	51.3	51.3	51.3	51.3	51.1
FIs	22.2	23.4	22.6	23.3	23.5
DIs	9.5	10.5	11.4	11.1	10.1
Public and Others	17.1	14.8	14.7	14.4	15.2

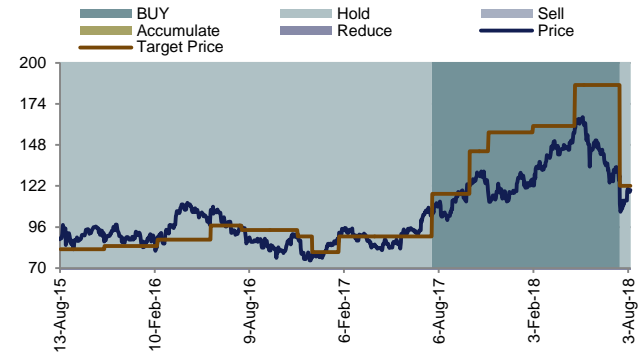
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
18-Jul-18	111	122	12m	Hold	Raghunandhan NL
6-Jul-18	132	186	12m	Buy	Raghunandhan NL
22-May-18	141	186	12m	Buy	Raghunandhan NL
23-Apr-18	159	186	12m	Buy	Raghunandhan NL
2-Feb-18	122	160	12m	Buy	Raghunandhan NL
9-Nov-17	115	156	12m	Buy	Raghunandhan NL
4-Oct-17	123	144	12m	Buy	Raghunandhan NL
4-Aug-17	109	117	12m	Buy	Raghunandhan NL
24-Jul-17	104	117	12m	Buy	Raghunandhan NL
13-Jul-17	106	90	12m	Hold	Bibhishan Jagtap
26-May-17	92	90	12m	Hold	Mihir Jhaveri
24-Apr-17	87	90	12m	Hold	Mihir Jhaveri
3-Feb-17	95	90	12m	Hold	Mihir Jhaveri
27-Jan-17	92	90	12m	Hold	Mihir Jhaveri
7-Dec-16	77	80	12m	Hold	Mihir Jhaveri
9-Nov-16	91	90	12m	Hold	Mihir Jhaveri
25-Jul-16	96	94	12m	Hold	Kaushal Maroo
27-May-16	107	97	12m	Hold	Kaushal Maroo
15-Feb-16	90	88	12m	Hold	Kaushal Maroo
9-Feb-16	88	84	12m	Hold	Kaushal Maroo
26-Nov-15	94	84	12m	Hold	Kaushal Maroo
6-Nov-15	88	84	12m	Hold	Kaushal Maroo
14-Aug-15	89	82	12m	Hold	Kaushal Maroo

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Escorts

Refer to important disclosures at the end of this report

Double-digit growth to persist in Tractors in FY19

We hosted Mr. Bharat Madan, Group CFO, Escorts at our Annual India Conference and the key takeaways from the interactions are as follows:

- **Domestic Tractor industry to grow at 12-15% in FY19, and the company expects to outpace industry growth.** Volume growth to be supported by normal monsoon and Govt interventions (subsidy for Farm Equipment expected from Gujarat, Andhra Pradesh, Telangana, Haryana, Himachal Pradesh etc). Assam Govt has launched a subsidy scheme for 24,000 tractors. Management expects to garner 20% share in this scheme and execution may happen over 1-2 years.
- **Strong outlook for Construction Equipment industry:** Expects 16-18% Construction Equipment (CE) industry growth for FY19. Post strong growth in Q1FY19, growth could taper off in the subsequent quarters due to elections.
- **Railways expected to grow strongly over the next few years:** Escorts expects Railway revenue to grow by 22% to Rs3.5bn. Railway revenue is expected to reach Rs10bn by FY22E. Out of Rs10bn, 50-60% increase would be led by organic growth and the remaining through acquisitions.
- **Tractor exports to grow by 50% in FY19,** led by the launch of new products and increased penetration across geographies. The company has presence in markets such as US, Latin America, Africa, Europe and SAARC regions.
- **Tractor dealership expansion plans:** Current dealership network stands at 870. Expects to add 150 dealers in FY19 and reach 1,000 dealers by FY22.
- **Escorts credit supporting volume:** In June'18, around 1,300 units were financed by Escorts Credit. Expects penetration of 40-50% by FY22w.
- **EBIT margin to expand by 100bps in FY19,** led by expansion of 90-100bps in Agri, 200-300bps in CE and 300-400bps in Railways. Better scale and cost reduction efforts to support margins.
- **Capex of Rs3bn planned in FY19,** which includes Rs1bn for addition of machining capacity, Rs2bn for meeting new emission norms and product development costs. New machining capacity would increase tractor capacity from 100,000 units to 150,000 units.
- **Dealer inventory** stands at 3 weeks. In preparation for the upcoming festive season, inventory build-up is happening at factory level, resulting in higher working capital.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33,668	40,932	50,211	57,757	63,349
EBITDA	1,767	3,237	5,832	7,162	8,045
EBITDA Margin (%)	5.2	7.9	11.6	12.4	12.7
APAT	1,130	1,974	3,775	4,720	5,390
EPS (Rs)	13.8	24.1	44.1	55.2	63.0
EPS (% chg)	7.3	74.7	83.2	25.0	14.2
ROE (%)	6.2	10.3	16.6	17.2	16.9
P/E (x)	62.6	35.8	19.6	15.6	13.7
EV/EBITDA (x)	40.6	21.4	11.4	9.0	7.6
P/BV (x)	3.8	3.6	2.9	2.5	2.2

Source: Company, Emkay Research

CMP	Target Price
Rs 863	Rs 1,110 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	28.7 %

Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	55.2	63.0
Consensus	50.8	60.0
Mean Consensus TP (12M)	Rs 1,067	

Stock Details	
Bloomberg Code	ESC IN
Face Value (Rs)	10
Shares outstanding (mn)	123
52 Week H/L	1,019 / 544
M Cap (Rs bn/USD bn)	106 / 1.54
Daily Avg Volume (nos.)	1,287,715
Daily Avg Turnover (US\$ mn)	16.9

Shareholding Pattern Jun '18	
Promoters	40.1%
FIIIs	24.1%
DIIIs	5.7%
Public and Others	30.1%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	(3)	(9)	(5)	47
Rel. to Nifty	(7)	(15)	(13)	26

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33,668	40,932	50,211	57,757	63,349
Expenditure	31,900	37,694	44,379	50,595	55,304
EBITDA	1,767	3,237	5,832	7,162	8,045
Depreciation	575	631	725	813	894
EBIT	1,192	2,606	5,107	6,348	7,152
Other Income	558	435	594	823	938
Interest expenses	495	311	286	127	45
PBT	1,255	2,730	5,416	7,044	8,045
Tax	125	756	1,641	2,325	2,655
Extraordinary Items	(293)	(369)	(328)	(339)	(250)
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	837	1,604	3,447	4,381	5,140
Adjusted PAT	1,130	1,974	3,775	4,720	5,390

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	1,226	1,226	1,226	1,226	1,226
Reserves & surplus	17,151	18,686	24,255	28,239	32,925
Net worth	18,377	19,912	25,481	29,465	34,151
Minority Interest	0	0	0	0	0
Loan Funds	3,639	2,628	500	137	87
Net deferred tax liability	(409)	(470)	197	268	348
Total Liabilities	21,607	22,069	26,178	29,869	34,586
Net block	15,961	15,859	15,578	16,905	18,762
Investment	4,155	5,875	9,176	12,176	16,176
Current Assets	11,944	12,662	17,301	18,167	19,004
Cash & bank balance	2,496	2,284	3,119	1,855	1,112
Other Current Assets	1,375	1,221	1,721	1,979	2,171
Current liabilities & Provision	10,667	12,592	16,517	18,879	20,605
Net current assets	1,277	70	784	(712)	(1,602)
Misc. exp	0	0	0	0	0
Total Assets	21,607	22,069	26,178	29,869	34,586

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	314	1,748	4,822	6,221	7,107
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(214)	(345)	678	172	156
Operating Cashflow	1,559	2,573	4,484	4,690	5,311
Capital expenditure	(465)	(528)	(819)	(3,000)	(2,500)
Free Cash Flow	1,094	2,045	3,665	1,690	2,811
Investments	(100)	(1,306)	(3,301)	(3,000)	(4,000)
Other Investing Cash Flow	301	438	0	0	0
Investing Cashflow	295	(962)	(3,526)	(5,177)	(5,562)
Equity Capital Raised	9	7	0	0	0
Loans Taken / (Repaid)	(381)	(367)	(2,128)	(363)	(50)
Dividend paid (incl tax)	(128)	(129)	(287)	(398)	(454)
Other Financing Cash Flow	(774)	(1,057)	2,577	111	56
Financing Cashflow	(1,721)	(1,823)	(124)	(778)	(492)
Net chg in cash	132	(212)	835	(1,264)	(743)
Opening cash position	2,364	2,496	2,284	3,119	1,855
Closing cash position	2,496	2,284	3,119	1,855	1,112

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	5.2	7.9	11.6	12.4	12.7
EBIT Margin	3.5	6.4	10.2	11.0	11.3
Effective Tax Rate	10.0	27.7	30.3	33.0	33.0
Net Margin	3.4	4.8	7.5	8.2	8.5
ROCE	8.0	13.9	23.6	25.6	25.1
ROE	6.2	10.3	16.6	17.2	16.9
RoIC	7.9	18.4	38.0	46.0	47.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	13.8	24.1	44.1	55.2	63.0
CEPS	20.8	31.8	52.6	64.7	73.4
BVPS	224.2	242.9	297.8	344.4	399.1
DPS	1.7	2.2	2.8	3.9	4.4

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	62.6	35.8	19.6	15.6	13.7
P/CEPS	43.6	28.6	17.3	14.0	12.4
P/BV	3.8	3.6	2.9	2.5	2.2
EV / Sales	2.1	1.7	1.3	1.1	1.0
EV / EBITDA	40.6	21.4	11.4	9.0	7.6
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.5

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.1	(0.1)	(0.3)	(0.3)	(0.4)
Net Debt/EBIDTA	0.6	(0.4)	(1.3)	(1.3)	(1.6)
Working Cap Cycle (days)	(13.2)	(19.7)	(17.0)	(16.2)	(15.6)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(15.5)	21.6	22.7	15.0	9.7
EBITDA	9.5	83.2	80.2	22.8	12.3
EBIT	25.1	118.6	96.0	24.3	12.7
PAT	12.1	91.6	114.9	27.1	17.3

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	11,423	12,377	12,050	14,361	15,113
EBITDA	975	1,669	1,450	1,738	1,950
EBITDA Margin (%)	8.5	13.5	12.0	12.1	12.9
PAT	626	776	920	1,125	1,196
EPS (Rs)	7.6	9.5	10.7	13.2	14.0

Source: Company, Emkay Research

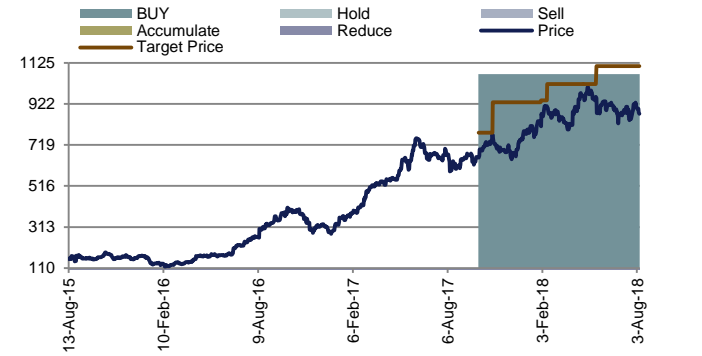
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	43.0	43.0	40.0	40.1	40.1
FII	17.2	15.3	21.2	24.4	24.1
DII	4.3	5.8	6.1	5.4	5.7
Public and Others	35.5	35.9	32.7	30.2	30.1

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	908	1,110	12m	Buy	Raghunandhan NL
17-May-18	952	1,110	12m	Buy	Raghunandhan NL
12-Feb-18	902	1,020	12m	Buy	Raghunandhan NL
31-Jan-18	812	940	12m	Buy	Raghunandhan NL
31-Oct-17	760	930	12m	Buy	Raghunandhan NL
4-Oct-17	657	780	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Hero Motocorp

Refer to important disclosures at the end of this report

Rural demand and new products driving growth

We hosted Mr. Umang Khurana, Head - Investor Relations, Hero MotoCorp at our Annual India Conference and the key takeaways from the interactions are as follows:

- Domestic volume to grow in double-digits in FY19:** Double-digit volume growth is expected in the upcoming festive season and FY19, supported by strong rural demand and new products (2 scooters and 1 premium motorcycle to be launched before festive season).
- Strong rural demand aiding volume:** Rural demand is strong in entry/executive motorcycles, supported by positive sentiments emanating from normal rainfall and Govt interventions (higher crop prices, rural employment schemes, pay-commission payouts etc) in the run-up to the 2019 general election and several state elections. HMCL has strong presence across India, with over 6500 touch-points and presence in over 100,000 villages.
- New products in 125cc Scooters segment:** Scooters of 125cc displacement are witnessing strong growth and their volume share has increased to 20% of overall 2W industry. HMCL expects to launch new products (Duet/Maestro 125cc) in this segment before the festive season.
- New product in Premium Motorcycles:** To improve presence in Premium Motorcycles, the company has launched Xtreme 200R at a competitive price in certain markets. This product will be launched pan-India shortly. New Xtreme 200R is being positioned as a city-centric motorcycle and has been priced at a slight premium to existing 160/180cc motorcycles of competitors.
- Positive outlook for Exports:** HMCL is working towards expanding its presence in the overseas markets. It has presence in 37 countries. In Bangladesh, it has achieved ~30% share and is the market leader for the past two months. It is working on customization of products for markets such as Africa.
- EBITDA margin to remain ~14-16%:** EBITDA margin is expected to be ~14-16% over the medium term. To counter commodity inflation, HMCL took blended price increases of Rs300/unit in April'18, Rs400/unit in July'18 and is expected to take further price hikes in Sept/Oct'18. Also, advertising spends are expected to remain at ~2.5% of revenue in FY19, despite upcoming product launches.
- Increasing competition from Bajaj Auto:** HMCL had not responded to price competition by Bajaj Auto in 2007 and will not respond this time as well. As per its user and attribute survey 2018, the major parameters that influence purchase decisions are: (1) Mileage, (2) Styling/Design, (3) Strength/Durability, (4) Brand and (5) Total cost of ownership.
- Pre-buying to support volume in FY20:** Upgrade to BS-VI emission norms from April 2020 would lead to price increase of Rs4,000-6,000/unit for entry level motorcycles on account of changes to engine, exhaust and on-board diagnostic systems. Management expects pre-buying to support volume in FY20.
- Delivery inventory stands at 5.5 weeks.** Expect dealer inventory to further increase, before commencement of the festive season.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	284,427	285,005	322,305	355,964	409,933
EBITDA	44,550	46,348	52,802	55,086	66,361
EBITDA Margin (%)	15.7	16.3	16.4	15.5	16.2
APAT	31,602	33,771	36,974	37,910	45,836
EPS (Rs)	158.2	169.1	185.1	189.8	229.5
EPS (% chg)	24.4	6.9	9.5	2.5	20.9
ROE (%)	41.1	35.7	33.8	30.3	32.3
P/E (x)	20.9	19.5	17.8	17.4	14.4
EV/EBITDA (x)	14.0	13.2	11.4	10.9	9.1
P/BV (x)	7.5	6.5	5.6	5.0	4.4

Source: Company, Emkay Research

CMP	Target Price
Rs 3,304	Rs 4,130 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	25.0 %

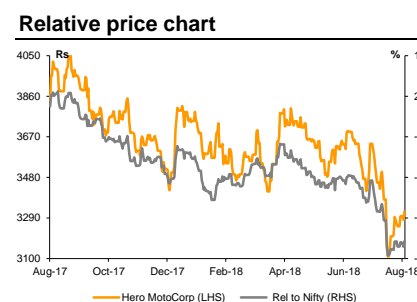
Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	189.8	229.5
Consensus	190.0	213.1
Mean Consensus TP (12M)	Rs 3,627	

Stock Details	
Bloomberg Code	HMCL IN
Face Value (Rs)	2
Shares outstanding (mn)	200
52 Week H/L	4,200 / 3,034
M Cap (Rs bn/USD bn)	660 / 9.59
Daily Avg Volume (nos.)	442,281
Daily Avg Turnover (US\$ mn)	22.0

Shareholding Pattern Jun '18	
Promoters	34.6%
FIIIs	39.6%
DIIIs	14.4%
Public and Others	11.4%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	(8)	(9)	(7)	(15)
Rel. to Nifty	(12)	(15)	(15)	(27)



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	284,427	285,005	322,305	355,964	409,933
Expenditure	239,877	238,657	269,503	300,878	343,573
EBITDA	44,550	46,348	52,802	55,086	66,361
Depreciation	4,376	4,927	5,556	6,094	6,696
EBIT	40,173	41,421	47,246	48,992	59,665
Other Income	4,224	5,224	5,258	6,025	6,854
Interest expenses	49	61	63	75	90
PBT	44,349	46,585	52,442	54,942	66,429
Tax	12,747	12,813	15,468	17,032	20,593
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	31,602	33,771	36,974	37,910	45,836
Adjusted PAT	31,602	33,771	36,974	37,910	45,836

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	399	399	399	399	399
Reserves & surplus	87,945	100,714	117,289	132,295	150,437
Net worth	88,344	101,113	117,689	132,694	150,837
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	2,225	4,143	5,117	5,666	6,330
Total Liabilities	90,569	105,256	122,805	138,360	157,167
Net block	35,844	43,956	46,545	49,616	55,421
Investment	45,810	58,899	75,252	85,252	103,252
Current Assets	38,021	39,438	42,407	46,129	53,286
Cash & bank balance	1,314	1,367	1,413	855	1,147
Other Current Assets	5,496	5,113	7,444	8,221	9,468
Current liabilities & Provision	35,159	41,686	44,583	49,156	61,310
Net current assets	2,862	(2,249)	(2,176)	(3,027)	(8,024)
Misc. exp	0	0	0	0	0
Total Assets	90,569	105,256	122,805	138,360	157,167

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	39,722	41,360	47,183	48,917	59,575
Other Non-Cash items	0	0	0	0	0
Chg in working cap	4,462	3,993	342	742	973
Operating Cashflow	34,914	35,056	39,809	44,941	53,787
Capital expenditure	(15,278)	(11,491)	(6,105)	(12,500)	(12,500)
Free Cash Flow	19,635	23,565	33,703	32,441	41,287
Investments	(9,082)	(9,917)	(16,354)	(10,000)	(18,000)
Other Investing Cash Flow	1,647	1,969	(1,952)	(6,025)	(6,854)
Investing Cashflow	(18,489)	(14,215)	(19,152)	(22,500)	(30,500)
Equity Capital Raised	6	15	27	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(13,978)	(20,910)	(20,431)	(22,925)	(22,904)
Other Financing Cash Flow	(2,709)	169	(144)	0	0
Financing Cashflow	(16,703)	(20,787)	(20,610)	(23,000)	(22,994)
Net chg in cash	(279)	54	46	(559)	292
Opening cash position	1,593	1,314	1,367	1,413	855
Closing cash position	1,314	1,367	1,413	855	1,147

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	15.7	16.3	16.4	15.5	16.2
EBIT Margin	14.1	14.5	14.7	13.8	14.6
Effective Tax Rate	28.7	27.5	29.5	31.0	31.0
Net Margin	11.1	11.8	11.5	10.6	11.2
ROCE	57.2	47.6	46.0	42.1	45.0
ROE	41.1	35.7	33.8	30.3	32.3
RoIC	130.0	106.6	113.4	110.5	129.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	158.2	169.1	185.1	189.8	229.5
CEPS	180.2	193.8	213.0	220.4	263.1
BVPS	442.4	506.3	589.3	664.5	755.3
DPS	72.0	85.0	95.0	94.9	114.8

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	20.9	19.5	17.8	17.4	14.4
P/CEPS	18.0	16.7	15.2	14.7	12.3
P/BV	7.5	6.5	5.6	5.0	4.4
EV / Sales	2.2	2.2	1.9	1.7	1.5
EV / EBITDA	14.0	13.2	11.4	10.9	9.1
Dividend Yield (%)	2.2	2.6	2.9	2.9	3.5

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.4)	(0.5)	(0.5)	(0.4)	(0.4)
Net Debt/EBIDTA	(0.8)	(1.0)	(1.1)	(1.0)	(0.9)
Working Cap Cycle (days)	2.0	(4.6)	(4.1)	(4.0)	(8.2)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	3.1	0.2	13.1	10.4	15.2
EBITDA	25.8	4.0	13.9	4.3	20.5
EBIT	33.8	3.1	14.1	3.7	21.8
PAT	32.5	6.9	9.5	2.5	20.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	79,805	83,620	73,142	85,640	88,098
EBITDA	12,959	14,557	11,580	13,706	13,773
EBITDA Margin (%)	16.2	17.4	15.8	16.0	15.6
PAT	9,140	10,105	8,054	9,674	9,092
EPS (Rs)	45.8	50.6	40.3	48.4	45.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	34.6	34.6	34.6	34.6	34.6
FIIIs	42.9	42.1	42.3	41.9	39.6
DIIIs	11.5	11.6	11.5	12.0	14.4
Public and Others	10.9	11.6	11.5	11.4	11.4

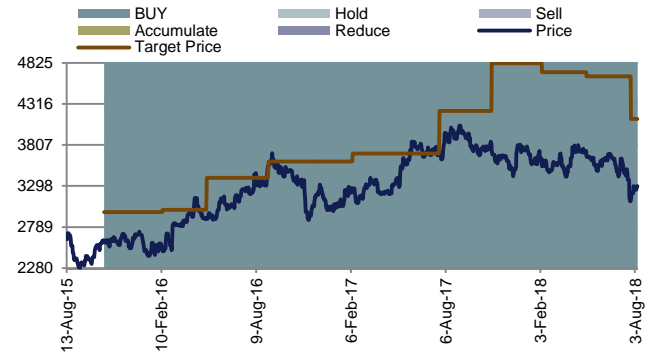
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
3-Aug-18	3,251	4,130	12m	Buy	Raghunandhan NL
26-Jul-18	3,137	4,130	12m	Buy	Raghunandhan NL
2-May-18	3,664	4,660	12m	Buy	Raghunandhan NL
6-Feb-18	3,542	4,710	12m	Buy	Raghunandhan NL
2-Nov-17	3,736	4,820	12m	Buy	Raghunandhan NL
4-Oct-17	3,795	4,230	12m	Buy	Raghunandhan NL
4-Sep-17	3,979	4,230	12m	Buy	Raghunandhan NL
25-Jul-17	3,709	4,230	12m	Buy	Raghunandhan NL
11-May-17	3,462	3,700	12m	Buy	Mihir Jhaveri
9-Feb-17	3,265	3,700	12m	Buy	Mihir Jhaveri
3-Feb-17	3,214	3,600	12m	Buy	Bibhishan Jagtap
7-Dec-16	3,228	3,600	12m	Buy	Bibhishan Jagtap
28-Oct-16	3,352	3,600	12m	Buy	Bibhishan Jagtap
1-Sep-16	3,548	3,600	12m	Buy	Kaushal Maroo
9-Aug-16	3,412	3,400	12m	Buy	Kaushal Maroo
6-May-16	2,890	3,400	12m	Buy	Kaushal Maroo
12-Feb-16	2,489	3,000	12m	Buy	Kaushal Maroo
9-Feb-16	2,581	2,975	12m	Buy	Kaushal Maroo
26-Nov-15	2,689	2,975	12m	Buy	Kaushal Maroo
23-Oct-15	2,596	2,975	12m	Buy	Kaushal Maroo

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Mahindra & Mahindra

Refer to important disclosures at the end of this report

Sales upcycle seen across segments

We hosted Mr. Sandesh Naik, Deputy General Manager – Corporate Finance, Mahindra & Mahindra at our Annual India Conference and the key takeaways from the interactions are as follows:

- Upward trajectory in sales volume to persist in FY19, with double-digit growth in UVs, LCVs and Tractors.
- New products to drive growth in UVs: Three new products (Mazero MPV, S201 SUV and Y400 Luxury UV) are expected to be launched in FY19 (2 launches prior to festive season). Monthly volume run-rate for new products is expected to be over 6,000-7,000 units. FY19 monthly run-rate for major products such as Bolero, Scorpio and XUV500 is expected at 7,500 units (vs ~7,100 in FY18), 4,500 units (vs ~4,500 in FY18) and 2,700 units (vs ~2,100 in FY18), respectively.
- Tractor industry to grow at 12-14% in FY19: Domestic Tractor industry growth forecast has increased from 8-10% to 12-14% for FY19. For FY20, growth is expected at 8-10%. Q2FY19 growth is expected to be flat, as festive season has shifted to Q3FY19. For Q2FY19 and Q3FY19 combined, growth is expected at ~12%. The company would launch Novo 65 and Intelligent Tractor during FY19; both these launches would be in the niche segments.
- New brand (Trakstar tractor) launched by its Gujarat subsidiary (Gromax Agri Equipment Ltd) had sold 1,162 units in April-July'18. Trakstar tractors are priced 10-15% lower than existing brands (Swaraj and Mahindra tractors), and the company expects volume of 4,000-5,000 units in FY19.
- Double-digit growth expected in CVs in FY19: Continuing growth in LCVs and new product launches is expected to support growth going ahead. Eight new products are expected to be launched over the next two years in 5.5-16.2T segments. Expects 10% growth in MHCV industry in FY19, despite change in axle load norms, on account of robust growth in April-July'18.
- New products in 3Ws & 2Ws in FY19: In 3Ws, the company is planning to launch an electric lithium battery based vehicle. In 2Ws, Jawa motorcycle is expected to be launched.
- EBITDA margin to remain stable: Post strong EBITDA margin performance in Q1FY19, the company expects margin to broadly stabilize around these levels. To pass-on commodity inflation, it has taken price increase of 1.5% in Automotive segment as well as 1.2-1.3% in Farm segment in Q1FY19. More price increases are expected going ahead. Also, better scale and cost-reduction efforts are expected to support margins. Moreover, Mahindra Trucks & Buses division is expected to achieve EBITDA breakeven in FY19.
- Capex and Investments: Expect cumulative capex and investments of Rs100bn and Rs50bn, respectively over FY19-21.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	388,879	413,779	475,774	560,588	653,738
EBITDA	52,463	54,042	70,434	87,021	102,647
EBITDA Margin (%)	13.5	13.1	14.8	15.5	15.7
APAT	33,378	33,754	41,896	52,340	62,764
EPS (Rs)	26.9	27.2	33.7	42.1	50.5
EPS (% chg)	5.8	1.1	24.0	24.9	19.9
ROE (%)	15.5	13.6	14.7	16.1	17.1
P/E (x)	35.1	34.7	28.0	22.4	18.7
EV/EBITDA (x)	22.1	21.4	16.2	13.2	11.3
P/BV (x)	5.1	4.4	3.9	3.4	3.0

Source: Company, Emkay Research

CMP	Target Price
Rs 944	Rs 1,000 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	5.9 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	42.1	50.5
Consensus	42.8	48.7
Mean Consensus TP (12M)	Rs 1,049	

Stock Details

Bloomberg Code	MM IN
Face Value (Rs)	5
Shares outstanding (mn)	1,243
52 Week H/L	953 / 612
M Cap (Rs bn/USD bn)	1,174 / 17.05
Daily Avg Volume (nos.)	2,511,468
Daily Avg Turnover (US\$ mn)	32.9

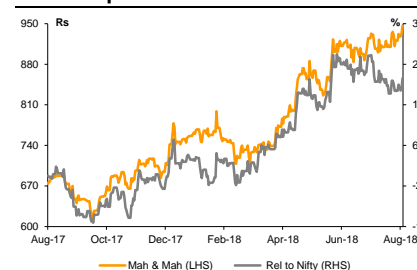
Shareholding Pattern Jun '18

Promoters	20.5%
FIIIs	32.1%
DIIIs	20.1%
Public and Others	27.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	10	26	36
Rel. to Nifty	(3)	3	15	17

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	388,879	413,779	475,774	560,588	653,738
Expenditure	336,416	359,737	405,339	473,567	551,091
EBITDA	52,463	54,042	70,434	87,021	102,647
Depreciation	12,047	16,745	16,254	17,784	19,561
EBIT	40,416	37,297	54,181	69,237	83,086
Other Income	7,845	12,064	9,517	10,687	12,387
Interest expenses	2,653	2,426	1,882	1,806	1,795
PBT	45,608	46,935	61,816	78,119	93,678
Tax	12,230	13,181	19,920	25,779	30,914
Extraordinary Items	60	5,485	4,336	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	33,438	39,239	46,232	52,340	62,764
Adjusted PAT	33,378	33,754	41,896	52,340	62,764

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	2,963	2,968	5,950	5,950	5,950
Reserves & surplus	228,145	261,132	298,924	337,652	384,093
Net worth	231,108	264,101	304,874	343,602	390,043
Minority Interest	0	0	0	0	0
Loan Funds	36,145	39,430	32,924	32,745	32,520
Net deferred tax liability	6,243	8,581	4,557	3,776	2,839
Total Liabilities	273,496	312,111	342,355	380,123	425,402
Net block	92,910	92,586	96,826	112,286	122,725
Investment	141,666	175,489	193,999	233,999	278,999
Current Assets	130,376	133,297	169,224	183,051	203,295
Cash & bank balance	23,610	17,328	29,242	18,072	10,902
Other Current Assets	10,219	9,573	30,715	36,190	42,203
Current liabilities & Provision	107,198	110,124	150,938	179,214	209,617
Net current assets	23,178	23,173	18,286	3,837	(6,322)
Misc. exp	0	0	0	0	0
Total Assets	273,496	312,111	342,355	380,123	425,402

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	37,823	40,356	52,299	67,431	81,291
Other Non-Cash items	0	0	0	0	0
Chg in working cap	19,169	(6,277)	8,633	(2,166)	(2,418)
Operating Cashflow	54,198	42,406	65,124	60,678	71,074
Capital expenditure	(19,893)	(21,542)	(32,874)	(30,000)	(30,000)
Free Cash Flow	34,305	20,864	32,250	30,678	41,074
Investments	(19,879)	(33,823)	(18,510)	(40,000)	(45,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(31,927)	(43,301)	(41,867)	(59,313)	(62,613)
Equity Capital Raised	0	0	12	0	0
Loans Taken / (Repaid)	(5,318)	3,285	(6,506)	(179)	(225)
Dividend paid (incl tax)	(8,469)	(8,417)	(10,550)	(13,612)	(16,323)
Other Financing Cash Flow	(3,274)	2,171	7,583	3,062	2,711
Financing Cashflow	(19,714)	(5,387)	(11,343)	(12,535)	(15,632)
Net chg in cash	2,556	(6,282)	11,914	(11,169)	(7,170)
Opening cash position	21,053	23,610	17,328	29,242	18,072
Closing cash position	23,610	17,328	29,242	18,072	10,902

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	13.5	13.1	14.8	15.5	15.7
EBIT Margin	10.4	9.0	11.4	12.4	12.7
Effective Tax Rate	26.8	28.1	32.2	33.0	33.0
Net Margin	8.6	8.2	8.8	9.3	9.6
ROCE	18.4	16.9	19.5	22.1	23.7
ROE	15.5	13.6	14.7	16.1	17.1
RoIC	45.0	39.1	58.8	75.3	81.6

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	26.9	27.2	33.7	42.1	50.5
CEPS	36.6	40.7	46.8	56.4	66.2
BVPS	186.0	212.6	245.2	276.4	313.7
DPS	6.0	6.5	7.2	9.3	11.1

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	35.1	34.7	28.0	22.4	18.7
P/CEPS	25.3	22.8	19.8	16.4	14.0
P/BV	5.1	4.4	3.9	3.4	3.0
EV / Sales	3.0	2.8	2.4	2.0	1.8
EV / EBITDA	22.1	21.4	16.2	13.2	11.3
Dividend Yield (%)	0.6	0.7	0.8	1.0	1.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.1)	(0.1)	(0.1)	(0.1)	0.0
Net Debt/EBIDTA	(0.2)	(0.3)	(0.5)	(0.3)	(0.2)
Working Cap Cycle (days)	(0.4)	5.2	(8.4)	(9.3)	(9.6)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	5.2	6.4	15.0	17.8	16.6
EBITDA	12.3	3.0	30.3	23.5	18.0
EBIT	13.1	(7.7)	45.3	27.8	20.0
PAT	(2.3)	17.3	17.8	13.2	19.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	108,775	120,179	114,915	131,888	133,577
EBITDA	14,341	19,233	16,926	19,950	21,101
EBITDA Margin (%)	13.2	16.0	14.7	15.1	15.8
PAT	7,518	14,109	13,057	11,549	12,572
EPS (Rs)	6.0	11.3	10.5	9.3	10.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Dec-17	Dec-17	Mar-18	Jun-18
Promoters	25.2	20.5	20.5	20.5	20.5
FIIIs	34.0	31.9	31.7	31.7	32.1
DIIIs	19.9	19.3	19.1	20.1	20.1
Public and Others	20.9	28.3	28.7	27.8	27.4

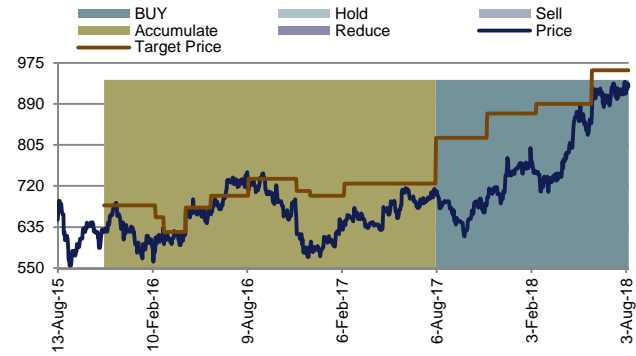
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
8-Aug-18	928	1,000	12m	Buy	Raghunandhan NL
6-Jul-18	925	960	12m	Buy	Raghunandhan NL
29-May-18	870	960	12m	Buy	Raghunandhan NL
12-Feb-18	746	890	12m	Buy	Raghunandhan NL
10-Nov-17	696	870	12m	Buy	Raghunandhan NL
4-Oct-17	644	820	12m	Buy	Raghunandhan NL
4-Sep-17	664	820	12m	Buy	Raghunandhan NL
4-Aug-17	709	820	12m	Buy	Raghunandhan NL
30-May-17	681	725	12m	Accumulate	Mihir Jhaveri
27-Mar-17	633	725	12m	Accumulate	Mihir Jhaveri
10-Feb-17	639	725	12m	Accumulate	Mihir Jhaveri
3-Feb-17	630	700	12m	Accumulate	Mihir Jhaveri
7-Dec-16	591	700	12m	Accumulate	Mihir Jhaveri
11-Nov-16	620	710	12m	Accumulate	Mihir Jhaveri
11-Aug-16	711	735	12m	Accumulate	Kaushal Maroo
31-May-16	661	700	12m	Accumulate	Kaushal Maroo
13-Apr-16	666	675	12m	Accumulate	Kaushal Maroo
2-Mar-16	600	625	12m	Accumulate	Kaushal Maroo
15-Feb-16	613	655	12m	Accumulate	Kaushal Maroo
9-Feb-16	592	680	12m	Accumulate	Kaushal Maroo
26-Nov-15	673	680	12m	Accumulate	Kaushal Maroo
9-Nov-15	625	680	12m	Accumulate	Kaushal Maroo

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

SML Isuzu Ltd.

Refer to important disclosures at the end of this report

Strong growth expected on a low base

We hosted Mr. Gopal Bansal, CFO, SML Isuzu Ltd at our Annual India Conference and the key takeaways from the interactions are as follows:

- FY19 volume to grow by 35% to 15,000 units**, led by the launch of new products ("Global Series" trucks and AC buses), expansion of dealership network, enhanced marketing efforts and a low base. In FY18, volume declined by 25%, mainly due to supply constraints.
- Aspirational target stands at volume of 24,000 units by FY22E (17% CAGR over FY19-22E), led by new products and dealership network expansion.
- New products developed with support of Isuzu:** The company has introduced "Global Series" trucks with new cabins and vehicle tracking/telematics solutions. Although these products are expensive by ~Rs50,000 compared to existing vehicles, these products are comparable in pricing to competitors' models. Also, the company has introduced AC buses for school, tourism and corporate applications.
- Dealership network to expand by 10-12 dealers per year. The current network stands at ~120 dealers.
- New management to focus on higher marketing efforts:** New CEO & MD, Mr. Yugo Hashimoto, has 34 years of global experience in the automotive industry, especially on the marketing side.
- Pre-buying to support domestic volume in FY20:** Transition to BS-VI emission norms in April'2020 will increase price by Rs80,000-100,000. This will result in pre-buying in H2FY20.
- EBITDA margin to expand from 4.3% in FY18 to 7-8% in FY19**, supported by better scale and a low base. FY17 EBITDA margin stood at 7.9%.
- Depreciation is expected to increase in FY19** (34% growth in Q1FY19), due to large capex done over the past two years (Rs2.2bn) relating to capacity expansion and new product development. Annual capacity has increased from 18,000 units to 24,000 units.
- Dividend payout policy of 30%** to continue over next few years.
- Effective Tax rate expected at 26% in FY19.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	8813	11056	11664	13562	11351
EBITDA	317	656	868	1100	453
EBITDA Margin (%)	3.6	5.9	7.4	8.1	4.0
APAT	174	393	513	630	84
EPS (Rs)	12.5	28.1	36.7	45.0	6.0
EPS (% chg)	-52.0	125.4	30.6	22.7	-86.7
ROE (%)	6.5	13.6	16.0	16.9	2.1
P/E (x)	67.1	29.8	22.8	18.6	139.3
EV/EBITDA (x)	36.9	17.4	14.1	11.3	30.9
P/BV (x)	4.2	3.9	3.4	2.9	2.9

Source: Company, Emkay Research

CMP	Target Price
Rs 857 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SM IN
Face Value (Rs)	10
Shares outstanding (mn)	14
52 Week H/L	1090/718
M Cap (Rs bn/USD bn)	12/0.2
Daily Avg Volume (nos.)	25,829
Daily Avg Turnover (US\$ mn)	0.3

Shareholding Pattern Jun'18

Promoters	44.0%
FIIIs	6.1%
DIIIs	2.4%
Public and Others	47.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	12	9	4	-14
Rel. to Nifty	6	2	-5	-27

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	8813	11056	11664	13562	11351
Expenditure	8897	10793	11263	12122	11541
EBITDA	317	656	868	1100	453
Depreciation	128	198	196	238	284
EBIT	189	458	673	862	169
Other Income	47	88	62	42	31
Interest expenses	59	58	52	62	105
PBT	177	488	683	842	95
Tax	3	118	172	211	10
Extraordinary Items	0	-24	-2	0	1
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	174	369	512	630	85
Adjusted PAT	174	393	513	630	84

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	145	145	145	145	145
Reserves & surplus	2619	2884	3257	3893	3836
Net worth	2764	3029	3401	4038	3981
Minority Interest	0	0	0	0	0
Loan Funds	0	223	550	408	2119
Net deferred tax liability	-97	-26	-56	-52	-28
Total Liabilities	3155	3806	4513	5052	6696
Net block	1434	1379	1711	2154	3650
Investment	0	0	0	0	0
Current Assets	3798	4908	4928	4501	5563
Cash & bank balance	411	878	361	76	220
Other Current Assets	3387	4030	4567	4424	5343
Current liabilities & Provision	2254	2919	2698	2749	3143
Net current assets	1544	1988	2230	1752	2420
Misc. exp	0	0	0	0	0
Total Assets	3155	3806	4513	5052	6696

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	363	385	154	77	54
Net Cash from Operations	1,619	688	-118	1,206	-328
Net Cash Used in Investing	218	-1,032	-131	-892	-983
Net Cash Used in Financing	-1,815	114	171	-337	1,456
Net Inc/(Dec) in Cash	22	-231	-78	-23	146
Closing Cash	385	154	77	54	200

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	3.6	5.9	7.4	8.1	4.0
EBIT Margin	2.1	4.1	5.8	6.4	1.5
Effective Tax Rate	1.8	24.2	25.1	25.1	10.1
Net Margin	2.0	3.6	4.4	4.6	0.7
ROCE	4.9	13.2	16.2	18.0	2.9
ROE	6.5	13.6	16.0	16.9	2.1
RoIC	5.2	14.7	18.6	22.3	3.4

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	12.5	28.1	36.7	45.0	6.0
CEPS	21.6	42.2	50.6	62.0	26.3
BVPS	197.4	216.4	243.0	288.4	284.3
DPS	3.0	6.0	8.0	8.0	1.5

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	67.1	29.8	22.8	18.6	139.3
P/CEPS	38.7	19.8	16.5	13.5	31.8
P/BV	4.2	3.9	3.4	2.9	2.9
EV / Sales	1.3	1.0	1.1	0.9	1.2
EV / EBITDA	36.9	17.4	14.1	11.3	30.9
Dividend Yield (%)	0.4	0.7	1.0	1.0	0.2

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	-0.1	-0.2	0.1	0.1	0.5
Net Debt/EBIDTA	-1.3	-1.0	0.2	0.3	4.2
Working Cap Cycle (days)	46.9	36.7	58.5	45.1	70.7

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	-12.1	25.4	5.5	16.3	-16.3
EBITDA	-54.9	106.9	32.4	26.7	-58.8
EBIT	-67.5	142.5	46.9	28.1	-80.4
PAT	-52.0	125.4	30.6	22.7	-86.7

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	3,658	3,185	2,271	2,215	3,681
EBITDA	181	183	45	-18	243
EBITDA Margin (%)	5.0	5.7	2.0	-0.8	6.6
PAT	95	68	-34	-98	149
EPS (Rs)	6.8	4.8	-	-	10.6

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	44.0	44.0	44.0	44.0	44.0
FII's	5.4	5.6	5.7	5.8	6.1
DII's	3.1	3.1	2.9	2.8	2.4
Public and Others	47.5	47.3	47.5	47.5	47.6

BFSI

AXIS Bank

Refer to important disclosures at the end of this report

Focusing on retail, Credit costs to remain elevated

We hosted Mr Abjijeet Majumder, Head – Investor Relations of Axis Bank at our India Conference to share company insights.

Key Meeting Takeaways

- Loans and deposits should continue to grow at a similar pace and the bank targets 15% growth for FY19.
- Retail and SME growth for the bank continues to remain robust. Corporate growth should be conservative, with the bank's increased focus on better-rated corporates.
- The loan mix should continue to shift towards retail/ SME, forming two-thirds of total advances.
- Retail lending for the bank primarily includes home loans, which is growing at a modest ~11% rate yoy. The bank is also witnessing better traction in other retail lending products, such as credit cards, personal loans and educational loans.
- The bank does not see any near-term risk in the SME portfolio due to an overvaluation of assets as the majority of its SME customers are trading SMEs for which financing is provided on the basis of cash flows rather than collaterals.
- About 80% of the bank's SME loans are working capital loans. The SME book should continue to grow at 15-20% over the medium term.
- On the liability side, the bank will continue to focus on CASA growth, particularly on savings account growth.
- On the asset quality front, slippages should continue to remain elevated for one more quarter, and could come predominantly from the BB-and-below pool. We should see a normalization trend in slippages from the second half of FY19.
- In addition, credit costs should normalize in the second half of FY19. Management believes that the downgrade cycle is over in the BB-and-below pool.
- The downgrade cycle is largely over and BB below pool will not witness any significant rise going forward.
- The bank have a total write-off asset pool of Rs140-150bn and recoveries in this pool should improve its profitability.
- On power sector exposure, there is not much stress in the standard book as a large chunk of the loans are in renewables. There is only one lumpy account in the BB-and-below pool during Q1FY19.
- The PCR on the power sector is 42% overall. The total standard power exposure is ~Rs99bn and nearly 40% of that is rated A and above.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	262,044	297,844	295,848	348,419	417,245
Net profit	82,237	36,793	2,757	51,031	98,374
EPS (Rs)	34.4	15.3	1.1	20.8	40.1
ABV (Rs)	211.8	196.5	191.0	227.3	289.0
RoA (%)	1.6	0.6	0.0	0.7	1.2
RoE (%)	16.8	6.8	0.5	7.8	13.7
PE (x)	17.9	40.2	550.6	29.6	15.4

Source: Company, Emkay Research

CMP Rs 617 as of (August 11, 2018)	Target Price Rs 594 (▼) 12 months
Rating ACCUMULATE (■)	Upside (3.8) %

Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	(0.1)
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	20.8	40.1
Consensus	22.8	39.9
Mean Consensus TP (12M)	Rs 609	

Stock Details	
Bloomberg Code	AXSB IN
Face Value (Rs)	2
Shares outstanding (mn)	2,568
52 Week H/L	628 / 448
M Cap (Rs bn/USD bn)	1,584 / 23.01
Daily Avg Volume (nos.)	7,269,944
Daily Avg Turnover (US\$ mn)	57.7

Shareholding Pattern Jun '18	
Promoters	25.1%
FIIIs	51.6%
DIIIs	10.7%
Public and Others	12.6%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	16	13	11	27
Rel. to Nifty	11	6	1	9



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	168,330	180,931	186,177	224,277	270,706
Other income	93,715	116,913	109,671	124,142	146,539
Fee income	67,076	70,283	77,299	88,121	102,220
Net income	262,044	297,844	295,848	348,419	417,245
Operating expenses	101,008	121,999	139,903	157,067	181,310
Pre provision profit	161,036	175,845	155,945	191,352	235,934
PPP excl treasury	150,850	144,107	142,693	174,176	212,869
Provisions	37,098	121,170	154,729	114,843	88,448
Profit before tax	123,938	54,676	1,216	76,509	147,487
Tax	41,701	17,883	(1,541)	25,477	49,113
Tax rate	34	33	(127)	33	33
Profit after tax	82,237	36,793	2,757	51,031	98,374

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	4,766	4,790	5,133	5,133	5,133
Reserves	526,883	552,835	629,320	671,521	758,123
Net worth	531,649	557,625	634,453	676,654	763,256
Deposits	3,579,676	4,143,788	4,536,227	4,857,965	5,555,154
Borrowings	1,085,804	1,050,309	1,480,161	1,710,285	1,960,576
Total liabilities	5,398,210	6,014,677	6,913,296	7,534,252	8,600,888
Cash and bank	223,612	308,580	354,811	109,875	20,837
Investments	1,315,241	1,287,934	1,538,761	1,717,530	1,922,102
Loans	3,387,737	3,730,693	4,396,503	5,037,043	5,977,766
Others	326,746	456,019	503,766	553,350	619,379
Total assets	5,398,210	6,014,677	6,913,296	7,534,252	8,600,889

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	3.8	3.7	3.4	3.5	3.7
RoA	1.6	0.6	0.0	0.7	1.2
RoAE	16.8	6.8	0.5	7.8	13.7
GNPA (%)	1.7	5.0	6.8	5.9	3.9
NNPA (%)	0.7	2.1	3.4	2.4	0.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	34.4	15.3	1.1	20.8	40.1
BVPS	222.4	232.5	258.7	275.9	311.2
ABVPS	211.8	196.5	191.0	227.3	289.0
DPS	5.0	5.0	0.0	3.0	4.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	17.9	40.2	550.6	29.6	15.4
P/BV	2.9	3.1	3.2	2.7	2.1
P/ABV	2.7	2.9	3.0	2.5	2.0
Dividend Yield (%)	0.8	0.8	0.0	0.5	0.6

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	18.3	7.5	2.9	20.5	20.7
PPOP	20.3	9.2	(11.3)	22.7	23.3
PAT	11.8	(55.3)	(92.5)	1,751.1	92.8
Loans	20.5	10.1	17.8	14.6	18.7

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	46,161	45,396	47,315	47,305	51,668
NIM(%)	3.6	3.4	3.4	3.3	3.5
PPOP	42,912	37,773	38,538	36,722	43,720
PAT	13,056	4,324	7,264	(21,887)	7,011
EPS (Rs)	5.43	1.80	2.99	(8.92)	2.72

Source: Company, Emkay Research

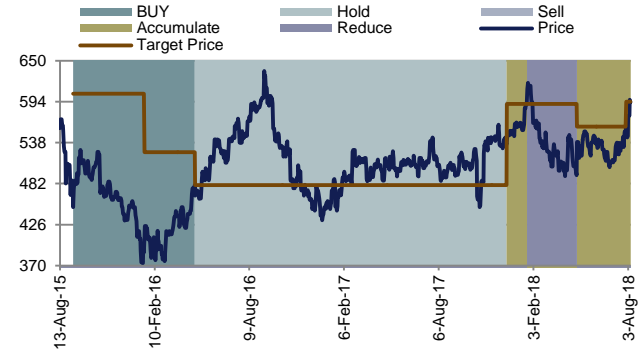
Shareholding Pattern (%)	Sep-17	Dec-17	Dec-17	Mar-18	Jun-18
Promoters	28.6	26.6	26.7	26.4	25.1
FIIIs	46.3	49.1	45.5	51.1	51.6
DIIIs	9.1	10.2	13.8	9.4	10.7
Public and Others	16.1	14.1	14.1	13.2	12.6

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	570	594	12m	Accumulate	Jignesh Shial
21-May-18	527	560	12m	Accumulate	Ravikant Bhat
27-Apr-18	539	560	12m	Accumulate	Ravikant Bhat
22-Jan-18	612	591	12m	Reduce	Ravikant Bhat
14-Dec-17	541	591	12m	Accumulate	Ravikant Bhat
27-Apr-16	466	480	12m	Hold	Sohail Halai
31-Mar-16	444	525	12m	Buy	Sohail Halai
21-Jan-16	409	525	12m	Buy	Clyton Richard
11-Jan-16	417	605	12m	Buy	Clyton Richard
24-Nov-15	464	605	12m	Buy	Clyton Richard
2-Nov-15	478	605	12m	Buy	Clyton Richard
28-Oct-15	483	605	12m	Buy	Clyton Richard
5-Oct-15	513	605	12m	Buy	Clyton Richard
16-Sep-15	494	605	12m	Buy	Clyton Richard
7-Sep-15	450	605	12m	Buy	Clyton Richard

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART


Source: Bloomberg, Company, Emkay Research

Bank of Baroda

Refer to important disclosures at the end of this report

Robust retail growth but credit cost to remain elevated

We hosted Mr. V S Narang, Strategic Planning and Mr. Sameer Narang, Chief Economist of Bank of Baroda (BOB) management at our India Conference to share company/industry insights.

Key Meeting Takeaways

- The bank has started focusing on the retail book where it has lowest market share of ~3.3% and is growing at a robust pace, with increasing contribution from new-to-bank (NTB) customers.
- The contribution in retail loans sanctioned from the NTB has increased from 8% in Jun'16 to 14% in Jun'18. The bank will continue to grow in high double-digits, with higher traction in auto, personal loans, etc. In auto loans, the bank is focusing on tractor loans, fleet financing and passenger loans, car loans, etc.
- The bank increased focus on improving risk profile and therefore new origination made to better-rated corporates and customers with high CIBIL scores. As per Q1FY19, the bank has improved sourcing with ~74% customers having >760 CIBIL score, 63.6% of the corporate loans is to A-and-above rated corporates.
- The total outstanding Watch list is about Rs86bn which includes all S4A accounts as well as accounts under SMA I/II also included. Incremental slippages are expected from the watch list with overall slippage trend heading southwards. The bank formed a separate team for the collection of loans, which is specialized in this area.
- There is a stress of Rs20bn on the non-fund exposures. The current SMA1 book is 1.45% and SMA 2 book is 0.94% of the total advances.
- The current PCR of the bank stands at ~60% (excluding technical write offs) and can go up to 70% over the medium term as ageing provisions will continue.
- The provision on the NCLT1 is 64.4%, NCLT 2 is 62.76%, accounts filed by BOB to NCLT is 79.01%, Accounts filed by other banks at NCLT are 58.9% and overall provisioning on the NCLT is 63.4%. Management believes to be adequately provided on the NCLT. Management expects credit cost to normalize in the coming quarters.
- The company formed partnerships and alliance with fin-tech companies.
- Management is looking for divestment in non-core assets but at a reasonable price.
- The bank is adequately provided on the power exposures and does not see any stress in the standard exposure as a large part of the standard power loans are to renewables.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	177,387	202,715	221,789	245,205	279,257
Net profit	(53,955)	13,831	(24,318)	19,267	42,061
EPS (Rs)	(23.9)	6.0	(10.5)	7.3	15.9
ABV (Rs)	73.7	80.9	72.6	85.8	113.6
RoA (%)	(0.8)	0.2	(0.3)	0.3	0.5
RoE (%)	(13.5)	3.4	(5.8)	4.4	8.9
PE (x)	(6.2)	24.7	(14.1)	20.3	9.3

Source: Company, Emkay Research

CMP	Target Price
Rs 148 as of (August 11, 2018)	Rs 149 (■) 12 months
Rating	Upside
ACCUMULATE (■)	0.6 %

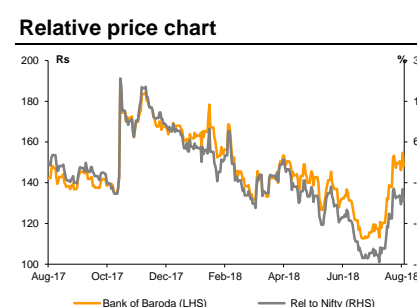
Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	7.3	15.9
Consensus	12.4	21.0
Mean Consensus TP (12M)	Rs 173	

Stock Details	
Bloomberg Code	BOB IN
Face Value (Rs)	2
Shares outstanding (mn)	2,646
52 Week H/L	207 / 110
M Cap (Rs bn/USD bn)	392 / 5.69
Daily Avg Volume (nos.)	17,941,060
Daily Avg Turnover (US\$ mn)	34.6

Shareholding Pattern Jun '18	
Promoters	63.7%
FIIIs	13.1%
DIIIs	14.9%
Public and Others	8.3%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	24	7	(5)	-
Rel. to Nifty	19	-	(13)	(14)



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	127,399	135,134	155,218	183,081	208,573
Other income	49,989	67,581	66,572	62,124	70,684
Fee income	15,015	15,661	17,845	19,987	22,385
Net income	177,387	202,715	221,789	245,205	279,257
Operating expenses	89,231	92,964	101,734	111,524	127,081
Pre provision profit	88,156	109,751	120,056	133,681	152,176
PPP excl treasury	76,367	83,571	101,279	122,766	137,760
Provisions	155,137	85,024	147,963	104,311	88,058
Profit before tax	(66,981)	24,727	(27,907)	29,370	64,118
Tax	(13,025)	10,896	(3,589)	10,103	22,057
Tax rate	19	44	13	34	34
Profit after tax	(53,955)	13,831	(24,318)	19,267	42,061

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	4,621	4,621	5,304	5,304	5,304
Reserves	397,369	398,412	428,644	446,273	486,697
Net worth	401,990	403,033	433,948	451,577	492,001
Deposits	5,740,379	6,016,752	5,913,148	6,468,564	7,213,670
Borrowings	334,717	306,114	625,720	655,836	690,521
Total liabilities	6,713,765	6,948,754	7,199,998	7,816,662	8,660,092
Cash and bank	216,724	227,802	226,996	130,158	122,013
Investments	1,204,505	1,296,305	1,631,845	1,819,160	2,059,330
Loans	3,837,702	3,832,592	4,274,318	4,750,567	5,374,419
Others	270,017	257,574	311,187	324,411	356,353
Total assets	6,713,765	6,948,754	7,199,998	7,816,662	8,660,092

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	2.4	2.7	2.8	2.9	3.0
RoA	(0.8)	0.2	(0.3)	0.3	0.5
RoAE	(13.5)	3.4	(5.8)	4.4	8.9
GNPA (%)	10.0	10.5	12.3	10.3	8.3
NNPA (%)	5.1	4.7	5.5	4.1	3.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	(23.9)	6.0	(10.5)	7.3	15.9
BVPS	178.0	174.8	187.9	171.0	186.3
ABVPS	73.7	80.9	72.6	85.8	113.6
DPS	2.0	1.2	0.0	0.5	0.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	(6.2)	24.7	(14.1)	20.3	9.3
P/BV	2.0	1.8	2.0	1.7	1.3
P/ABV	1.9	1.7	1.9	1.6	1.2
P/PPOP	3.6	2.9	3.0	2.7	2.4
Dividend Yield (%)	1.4	0.8	0.0	0.3	0.3

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	(3.4)	6.1	14.9	18.0	13.9
PPOP	(11.1)	24.5	9.4	11.3	13.8
PAT	(258.8)	(125.6)	(275.8)	(179.2)	118.3
Loans	(10.3)	(0.1)	11.5	11.1	13.1

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	34,050	37,205	43,940	40,023	43,811
NIM(%)	2.6	2.8	3.2	2.8	3.0
PPOP	26,481	30,418	36,501	26,655	30,056
PAT	2,034	3,554	1,118	(31,023)	5,283
EPS (Rs)	0.88	1.54	0.49	(13.43)	2.00

Source: Company, Emkay Research

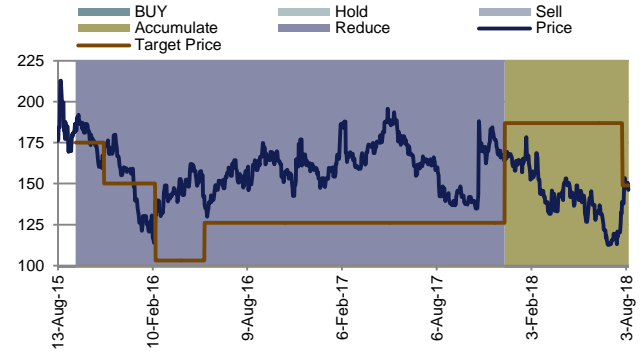
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	59.2	59.2	58.7	64.0	63.7
FII	12.0	12.9	15.1	13.9	13.1
DII	21.2	18.7	17.9	14.0	14.9
Public and Others	7.5	9.2	8.3	8.0	8.3

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-18	138	149	12m	Accumulate	Jignesh Shial
21-May-18	130	187	12m	Accumulate	Ravikant Bhat
24-Jan-18	178	187	12m	Accumulate	Ravikant Bhat
14-Dec-17	166	187	12m	Accumulate	Ravikant Bhat
19-May-16	137	126	12m	Reduce	Sohail Halai
15-Feb-16	139	103	12m	Reduce	Clyton Richard
11-Dec-15	155	150	12m	Reduce	Clyton Richard
24-Nov-15	168	150	12m	Reduce	Clyton Richard
9-Nov-15	171	150	12m	Reduce	Clyton Richard
5-Oct-15	186	175	12m	Reduce	Clyton Richard
16-Sep-15	183	175	12m	Reduce	Clyton Richard

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

City Union Bank

Refer to important disclosures at the end of this report

Conservative growth profile drives superior return ratios

We hosted Mr. V Ramesh, CFO and K. Jayaraman, Chief Risk Officer of City Union Bank in our India Conference to share company insights.

Key Meeting Takeaways

- The bank will target loan growth of 18-20% and will grow conservatively. The bank will maintain a credit-deposits ratio of 85%.
- The bank focused only on the MSME business model. The retail business targets mainly the existing customers or only through client referrals.
- The bank has a granular asset profile, with advances to the top-20 borrowers contributing only 9%.
- The SME/MSME exposure results in a granular asset profile for the bank. The MSME book less than Rs10mn is 45%, advances above Rs10mn and up to Rs50mn is 30% and above Rs50mn is 25%.
- The lower NPA in MSME loans is mainly due to 1) additional collateralization by residential property, personal guarantees, etc., and 2) the bank predominantly has a single banker relationship with minimal exposure to consortium lending. Almost 90% of its MSME exposure, the bank is the sole lender.
- The bank has been capturing both fair market value and forced sale value of collaterals on valuing SME exposures over Rs100mn.
- The bank added 50 branches last year and plans to add 50 every year in the medium term. It has pan-India presence, with 601 branches and 415 branches only in Tamil Nadu.
- The NIM would be in the range of 410bps to 420 bps in FY19E, contracting from 440bps in FY18.
- NIM contraction is largely attributable to 1) pricing pressure from private banks and 2) the potential for increasing deposits rates toward the end of the year. The bank has not raised the term deposits rates in the last year.
- The bank expects slippages within the range of 1.75% to 2% for FY19 and 1.5% in FY20E, with credit cost expectations of 70-80bps. In FY19, the major focus of the bank will be on recoveries and it expects a recovery of around Rs3bn vs. Rs2bn in FY18.
- The bank should continue to develop in-house talent for branch managers rather than hiring from outside.
- There are no plans of raising capital in the near term as the total capital adequacy ratio is 16.06%, with the Tier 1 ratio at 15.64%.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	10,393	12,115	13,910	16,827	19,624
Net profit	3,471	3,950	4,447	5,027	5,920
EPS (Rs)	6.7	6.8	7.4	8.4	9.2
ABV (Rs)	33.7	41.3	45.6	52.6	55.5
RoA (%)	1.4	1.5	1.5	1.5	1.6
RoE (%)	17.1	16.7	15.5	15.2	15.3
PE (x)	26.5	26.0	23.8	21.1	19.3

Source: Company, Emkay Research

CMP	Target Price
Rs 175 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	CUBK IN
Face Value (Rs)	1
Shares outstanding (mn)	732
52 Week H/L	190/134
M Cap (Rs bn/USD bn)	128/1.9
Daily Avg Volume (nos.)	729,703
Daily Avg Turnover (US\$ mn)	1.8

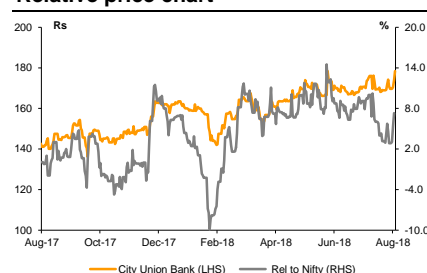
Shareholding Pattern Jun'18

Promoters	0.0%
FIIIs	28.5%
DIIIs	22.7%
Public and Others	48.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	0	18	14
Rel. to Nifty	-3	-6	8	-3

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	7,594	8,074	9,810	11,988	14,303
Other income	2,799	4,041	4,100	4,839	5,321
Fee income	1,743	1,967	2,105	2,176	2,561
Net income	10,393	12,115	13,910	16,827	19,624
Operating expenses	4,583	5,188	5,577	6,890	7,547
Pre provision profit	5,810	6,927	8,333	9,937	12,077
PPP excl treasury					
Provisions	1,674	1,825	2,306	3,010	4,177
Profit before tax	4,136	5,210	6,027	6,927	7,900
Tax	665	1,260	1,580	1,900	1,980
Tax rate	16	24	26	27	25
Profit after tax	3,471	3,950	4,447	5,027	5,920

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	543	597	598	601	665
Reserves	19,707	26,359	29,922	35,101	40,968
Net worth	20,249	26,955	30,520	35,702	41,632
Deposits	220,169	240,750	271,581	301,157	328,526
Borrowings	3,050	1,688	6,645	5,310	17,359
Total liabilities	249,938	278,711	318,040	352,708	399,372
Cash and bank	21,796	25,368	26,501	28,790	26,364
Investments	59,536	58,707	68,265	70,315	78,791
Loans	160,968	179,655	210,569	238,327	278,528
Others	7,638	14,982	12,705	15,277	15,689
Total assets	249,938	278,711	318,040	352,708	399,372

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	3.4	3.3	3.6	3.9	4.2
RoA	1.4	1.5	1.5	1.5	1.6
RoAE	17.1	16.7	15.5	15.2	15.3
GNPA (%)	1.81	1.86	2.41	2.83	3.03
NNPA (%)	1.23	1.30	1.53	1.71	1.70

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	6.7	6.8	7.4	8.4	9.2
BVPS	37.3	45.2	51.0	59.4	62.6
ABVPS	33.7	41.3	45.6	52.6	55.5
DPS	1.00	1.10	1.20	0.30	0.30

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	26.5	26.0	23.8	21.1	19.3
P/BV	4.7	3.9	3.5	3.0	2.8
P/ABV	5.3	4.3	3.9	3.4	3.2
Dividend Yield (%)	0.6	0.6	0.7	0.2	0.2

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	21.7	6.3	21.5	22.2	19.3
PPOP	11.0	19.2	20.3	19.2	21.5
PAT	7.8	13.8	12.6	13.0	17.7
Loans	5.6	11.6	17.2	13.2	16.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	4,777	5,100	4,868	4,878	5,039
NIM(%)	4.5	4.5	4.4	4.4	4.2
PPOP	2,970	3,200	2,965	2,943	2,994
PAT	1,403	1,447	1,548	1,521	1,616
EPS (Rs)	2.3	2.2	2.3	2.3	2.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	0.0	0.0	0.0	0.0	0.0
Public and Others	100.0	100.0	100.0	100.0	100.0

Source: Capitaline

DCB Bank

Refer to important disclosures at the end of this report

On path of RoE improvement

We hosted Mr. Bharat Sampat, CFO and Mr. Gaurav Mehta, Head – Investor Relations of DCB Bank at our India Conference to share company/industry insights.

Key Meeting Takeaways

- Management is focusing on three core areas - improvements in productivity, growth in fee income and improving credit quality.
- Management wants to improve productivity by improving business per employee from Rs725mn in FY18 to Rs900mn, fee income to improve from 16% of the total operating income in FY18 to ~20% and ensuring credit quality by bringing GNPA lower and credit cost to ~50bps.
- This are 2-3 year target set by the bank and the management intends to achieve ~14% ROEs through this measures.
- DCB Bank will continue to add 15-20 branches each year. The branch expansion plans should help in building customer base to be able to cross-sell products and that in turn will help in improving fee income for the bank.
- The branch expansion plans will keep C/I ratio upward overall. The bank wants to bring C/I ratio to 55% by Mar-19 and then improve it further to 50% over medium term period.
- On the margin front, management expects to maintain NIMs in the range of 375bps to 380bps due to pricing pressure across segment in the loan portfolio.
- On the loan growth drivers, product diversification in terms of products like personal loans, gold loans would drive growth.
- The Agri Inclusive Banking (AIB) exposure of the bank is 18% as of Q1FY19 and has 25% of the total branches in the rural area focusing mainly on tractor loans. This enables the bank to achieve its Priority Sector Targets.
- In the MFI space, the bank wants to be conservative as there is considerable delinquency risk and it wants to have limited exposure to this segment.
- The average ticket size of loans in the MSME and mortgage loans segments is Rs4mn and is focused on small-size customers.
- Around 70-75% of the total mortgage loans are LAP and the rest are home loans.
- Corporate loans are linked to MCLR and a large chunk of the book in this segment is in the three-month MCLR bucket. Commercial vehicle loans are fixed-rate loans.
- RIDF exposure for last 7-8 years would be in the range of Rs4.5bn-5.0bn
- The bank could continue to have 4% interest rates on savings accounts and will not get into competition with other private players to gain market share.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net income	5,071	6,739	8,400	10,465	13,057
Net profit	1,514	1,912	1,945	1,997	2,453
EPS (Rs)	6.0	7.0	6.8	6.9	7.9
ABV (Rs)	43.1	52.6	59.6	72.5	86.0
RoA (%)	1.3	1.3	1.1	0.9	0.9
RoE (%)	14.0	13.9	11.5	10.0	9.8
PE (x)	28.1	23.9	24.9	24.5	21.4

Source: Company, Emkay Research

CMP	Target Price
Rs 166 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	DCBB IN
Face Value (Rs)	10
Shares outstanding (mn)	309
52 Week H/L	207/155
M Cap (Rs bn/USD bn)	51/0.7
Daily Avg Volume (nos.)	1,788,449
Daily Avg Turnover (US\$ mn)	4.6

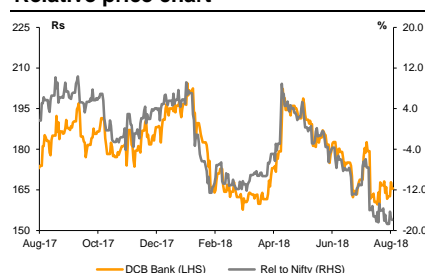
Shareholding Pattern Jun'18

Promoters	15.0%
FIIIs	22.1%
DIIIs	26.1%
Public and Others	36.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-2	-17	-2	-11
Rel. to Nifty	-7	-22	-10	-24

Relative price chart



Source: Bloomberg

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Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net interest income	3,684	5,082	6,195	7,971	9,954
Other income	1,387	1,657	2,205	2,494	3,103
Fee income	1,011	1,193	1,405	1,657	2,192
Net income	5,071	6,739	8,400	10,465	13,057
Operating expenses	3,191	3,965	4,909	6,283	7,807
Pre provision profit	1,880	2,774	3,490	4,182	5,250
PPP excl treasury					
Provisions	366	596	879	1,115	1,388
Profit before tax	1,514	2,178	2,611	3,067	3,862
Tax	0	266	666	1,070	1,409
Tax rate	0	12	26	35	36
Profit after tax	1,514	1,912	1,945	1,997	2,453

Balance Sheet

Y/E Year End (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity	2,503	2,820	2,844	2,869	3,095
Reserves	9,007	13,034	15,062	19,179	24,983
Net worth	11,540	15,886	17,921	22,049	28,078
Deposits	103,252	126,091	149,260	192,892	240,069
Borrowings	8,602	11,638	11,479	12,758	19,267
Total liabilities	129,231	161,323	191,185	240,464	302,221
Cash and bank	6,896	7,192	8,916	11,925	23,720
Investments	36,342	39,622	43,333	58,179	62,190
Loans	81,402	104,651	129,214	158,176	203,367
Others	4,592	9,859	9,722	12,184	12,945
Total assets	129,231	161,323	191,185	240,464	302,221

Key Ratios (%)

Y/E Year End	FY14	FY15	FY16	FY17	FY18
NIM	3.6	3.7	3.9	4.0	4.2
RoA	1.3	1.3	1.1	0.9	0.9
RoAE	14.0	13.9	11.5	10.0	9.8
GNPA (%)	1.69	1.76	1.52	1.59	1.79
NNPA (%)	0.91	1.01	0.75	0.79	0.72

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	6.0	7.0	6.8	6.9	7.9
BVPS	46.1	56.3	63.0	76.8	90.7
ABVPS	43.1	52.6	59.6	72.5	86.0
DPS	0.0	0.0	0.0	0.5	0.8

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	28.1	23.9	24.9	24.5	21.4
P/BV	3.7	3.0	2.7	2.2	1.9
P/ABV	3.9	3.2	2.8	2.3	2.0
Dividend Yield (%)	0.0	0.0	0.0	0.3	0.4

Source: Company, Emkay Research

Growth (%)	FY14	FY15	FY16	FY17	FY18
NII	29.5	38.0	21.9	28.7	24.9
PPOP	49.0	47.6	25.8	19.8	25.5
PAT	48.3	26.3	1.7	2.7	22.8
Loans	23.6	28.6	23.5	22.4	28.6

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	3,185	3,132	3,254	3,486	3,558
NIM(%)	4.2	4.2	4.1	4.2	3.9
PPOP	1,364	1,244	1,225	1,416	1,414
PAT	652	589	570	642	695
EPS (Rs)	2.1	1.9	1.8	2.0	2.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	15.0	15.0	15.0	15.0	15.0
Public and Others	85.0	85.0	85.0	85.0	85.0

Source: Capitaline

HDFC Bank

Refer to important disclosures at the end of this report

Margin revival likely, Agri portfolio remains stressed

We hosted Mr Bhavin Lakhpatwala, Senior Vice President – Investor Relations of HDFC Bank at our India Conference to share company insights.

Key Meeting Takeaways

- Management believes that retail penetration is still low and will continue to remain robust over the next few years.
- HDFC bank is the largest credit card provider in the country, with nearly ~10-11mn credit cards. It still sees significant opportunities for growth as currently the total number of credit cards issued are only 32-33mn.
- Approximately 70% of HDFC Bank's credit card holders are its customers, so are about 50% of the personal loan borrowers. The bank currently has an overall customer base of ~45mn.
- If 10% of India's population becomes eligible for credit cards in the next few years, HDFC Bank is well-positioned to capture that growth, with its strong presence and digital initiatives.
- The wholesale book has started recovering and demand is mainly for working capital loans. The bank is witnessing relatively stiff competition especially from PSU Banks under Prompt Corrective Action (PCA) for its targeted corporate customers.
- This is mainly because PCA banks' mandate is to reduce risk-weight density and, therefore, they are ready to lend at lower yields to the AAA-rated corporates.
- Net interest margins should be between 400bps and 420bps and should be supported by incremental loan growth in high-yield products and should also be supported by the recent Rs240bn fund raising.
- The Agriculture loan portfolio continues to remain unstable, witnessing higher delinquencies for a while. However, in the SME segment, management does not see any risk and believes that growth is fairly modest.
- With prudent risk management, the bank's asset quality should remain stable in the coming quarters.
- On the subsidiaries business, HDB will continue to open branches in different geographies to spread its reach and will continue to focus on increasing AUM. The target is to improve the ROE of HDB to the bank's level.
- The bank will also continue to fund HDB as there is no urgent need or plans for its listing.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	383,432	454,357	553,152	654,184	808,744
Net profit	122,962	145,496	174,867	214,427	264,107
EPS (Rs)	48.3	56.4	66.8	79.7	96.9
ABV (Rs)	280.1	339.8	396.4	534.3	602.4
RoA (%)	1.9	1.9	1.8	1.9	2.0
RoE (%)	18.3	17.9	17.9	16.9	16.7
PE (x)	43.8	37.5	31.6	26.5	21.8

Source: Company, Emkay Research

CMP	Target Price
Rs 2,115	Rs 2,500 (■)
as of (August 11, 2018)	12 months
Rating	Upside
BUY (■)	18.2 %

Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

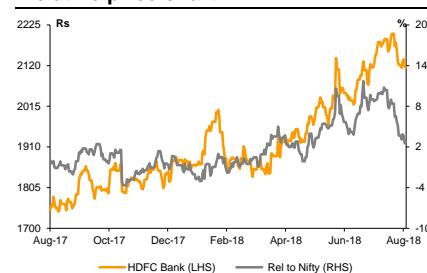
Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	79.7	96.9
Consensus	80.0	97.6
Mean Consensus TP (12M)	Rs 2,448	

Stock Details	
Bloomberg Code	HDFCB IN
Face Value (Rs)	2
Shares outstanding (mn)	2,671
52 Week H/L	2,220 / 1,685
M Cap (Rs bn/USD bn)	5,650 / 82.07
Daily Avg Volume (nos.)	2,841,929
Daily Avg Turnover (US\$ mn)	86.7

Shareholding Pattern Jun '18	
Promoters	20.9%
FII	33.4%
DII	11.9%
Public and Others	33.8%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	(1)	6	14	20
Rel. to Nifty	(6)	-	5	3

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	275,915	331,392	400,949	480,465	604,408
Other income	107,517	122,965	152,203	173,719	204,336
Fee income	77,590	88,116	113,939	134,448	158,648
Net income	383,432	454,357	553,152	654,184	808,744
Operating expenses	169,797	197,033	226,904	263,505	321,587
Pre provision profit	213,635	257,324	326,248	390,679	487,157
PPP excl treasury	213,635	257,324	326,248	390,679	487,157
Provisions	27,256	35,933	59,275	63,809	84,555
Profit before tax	186,379	221,391	266,973	326,870	402,602
Tax	63,417	75,894	92,106	112,443	138,495
Tax rate	34	34	35	34	34
Profit after tax	122,962	145,496	174,867	214,427	264,107

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	5,056	5,125	5,190	5,411	5,411
Reserves	721,721	889,498	1,057,760	1,466,626	1,681,490
Net worth	726,778	894,624	1,062,950	1,472,038	1,686,901
Deposits	5,464,242	6,436,397	7,887,706	9,197,359	10,953,614
Borrowings	530,185	740,289	1,231,050	1,342,130	1,449,941
Total liabilities	7,088,456	8,638,402	10,639,343	12,455,864	14,532,462
Cash and bank	300,583	378,969	1,046,705	694,115	307,729
Investments	1,638,858	2,144,633	2,422,002	2,939,211	3,475,205
Loans	4,645,940	5,545,682	6,583,331	8,145,843	10,146,280
Others	381,038	422,298	368,787	406,310	458,792
Total assets	7,088,456	8,638,402	10,639,343	12,455,864	14,532,462

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	4.7	4.7	4.7	4.7	4.8
RoA	1.9	1.9	1.8	1.9	2.0
RoAE	18.3	17.9	17.9	16.9	16.7
GNPA (%)	0.9	1.1	1.3	1.3	1.4
NNPA (%)	0.3	0.3	0.4	0.4	0.4

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	48.3	56.4	66.8	79.7	96.9
BVPS	285.2	347.0	406.3	547.3	618.7
ABVPS	280.1	339.8	396.4	534.3	602.4
DPS	9.5	11.0	13.0	14.0	15.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	43.8	37.5	31.6	26.5	21.8
P/BV	7.6	6.2	5.3	4.0	3.5
P/ABV	7.8	6.4	5.5	4.1	3.6
Dividend Yield (%)	0.4	0.5	0.6	0.7	0.7

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	23.2	20.1	21.0	19.8	25.8
PPOP	22.7	20.4	26.8	19.7	24.7
PAT	20.4	18.3	20.2	22.6	23.2
Loans	27.1	19.4	18.7	23.7	24.6

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	93,707	97,521	103,143	106,577	108,136
NIM(%)	4.8	4.8	4.8	4.8	4.6
PPOP	75,199	78,179	84,513	88,356	86,478
PAT	38,938	41,510	46,426	47,993	46,014
EPS (Rs)	15.00	15.90	17.70	18.30	17.50

Source: Company, Emkay Research

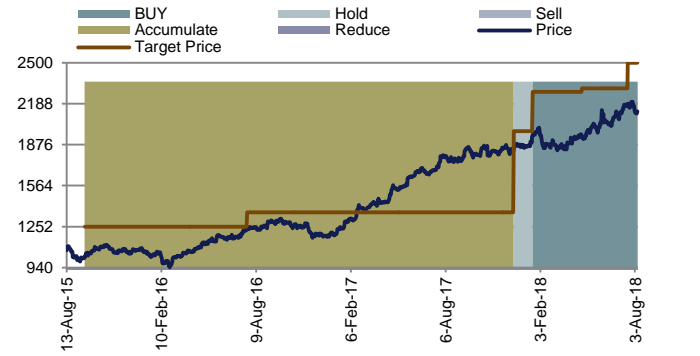
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	21.1	21.0	21.0	20.9	20.9
FIIIs	34.3	33.9	33.2	33.1	33.4
DIIIs	11.0	11.5	12.1	12.3	11.9
Public and Others	33.6	33.5	33.8	33.8	33.8

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
20-Jul-18	2,189	2,500	12m	Buy	Jignesh Shial
21-May-18	1,993	2,306	12m	Buy	Ravikant Bhat
23-Apr-18	1,936	2,306	12m	Buy	Ravikant Bhat
19-Jan-18	1,952	2,280	12m	Buy	Ravikant Bhat
14-Dec-17	1,838	1,979	12m	Hold	Ravikant Bhat
22-Jul-16	1,231	1,360	12m	Accumulate	Sohail Halai
22-Apr-16	1,092	1,250	12m	Accumulate	Sohail Halai
27-Jan-16	1,036	1,250	12m	Accumulate	Clyton Richard
11-Jan-16	1,059	1,250	12m	Accumulate	Clyton Richard
24-Nov-15	1,064	1,250	12m	Accumulate	Clyton Richard
2-Nov-15	1,083	1,250	12m	Accumulate	Clyton Richard
23-Oct-15	1,109	1,250	12m	Accumulate	Clyton Richard
5-Oct-15	1,098	1,250	12m	Accumulate	Clyton Richard
16-Sep-15	1,023	1,250	12m	Accumulate	Clyton Richard

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Refer to important disclosures at the end of this report

Spreads bottomed out, growth momentum intact

We hosted Mr. Conrad D'souza, member of executive management and chief investor relations of HDFC Ltd, at our India Conference to share company insights.

Key Meeting Takeaways

- HDFC did not experience any resistance from customers or price competition from other lenders when it raised lending rates in line with the rise in cost of funds driven by RBI's rate hikes. As a result, the company was able to sustain spreads in Q1FY19.
- In addition, with the rate differential between AAA, AA and A-rated instruments widens as rates rise, the lower-rated banks and NBFCs are witnessing steeper rises in their cost of funds and MCLR rates compared with AAA-rated corporates, such as HDFC.
- On the policy front, HDFC does not expect any further rate hikes for the rest of the year.
- From a demand perspective, HDFC does not believe that the recent rate hikes have affected customers in absolute terms as home loan rates are still below 9%. In addition, amid the rising rates scenario, HDFC is facing less pressure on the prepayment front.
- For HDFC, the LGD for retail stood at ~8% as of June 30, 2018 while for corporates it stands at 20-21%. The higher LGD for corporates is priced into higher yields.
- As of end-Mar'17, HDFC had Rs50bn in excess provisions, which would have to be written back on the adoption of IND AS, resulting in an artificial net worth increase and leaving no buffer for provisions during bad times.
- To continue maintaining the excess provisions on its books, HDFC has identified stressed assets to include as Stage 3 and has provided against them. These are all standard assets but management perceives them as stressed. However, the company is yet report a write-down of ~Rs4bn of its net worth in its end-Sep'18 balance sheet.
- The implementation of GST on the sale of under-construction flats has affected demand from high-end buyers rather than mass market buyers. The high-end buyers are now buying only after project completion when GST is no longer applicable.
- The construction cost for high-end flats is only marginally higher than mass market flats; however, there is a significant difference in selling prices. Hence, although builders are able to offset the GST on mass market under-construction flat sales by passing on the input credit on construction cost, it is not relevant for the high-end buyers.
- The profit on the sale of HDFC AMC (~Rs9bn) will flow through the P&L account – ~Rs8.1bn after incurring long-term capital gains tax of 10%.
- According to HDFC, RERA will help organize the real estate market as investors and land owners will no longer turn into developers.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	115,821	122,634	129,949	169,509	187,427
Net profit	70,931	74,426	121,637	108,660	120,274
EPS (Rs)	44.9	46.8	72.6	63.5	70.2
ABV (Rs)	214.4	248.0	377.3	436.8	479.0
RoA (%)	2.7	2.4	3.1	2.5	2.4
RoE (%)	21.8	20.2	22.1	16.2	15.7
PE (x)	44.1	42.3	27.3	31.2	28.2

Source: Company, Emkay Research

CMP	Target Price
Rs 1,980 as of (August 11, 2018)	Rs 2,264 (■) 12 months
Rating	Upside
ACCUMULATE (■)	14.4 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	63.5	70.2
Consensus	56.6	64.8
Mean Consensus TP (12M)	Rs 2,182	

Stock Details

Bloomberg Code	HDFC IN
Face Value (Rs)	2
Shares outstanding (mn)	1,690
52 Week H/L	2,053 / 1,638
M Cap (Rs bn/USD bn)	3,346 / 48.60
Daily Avg Volume (nos.)	2,515,624
Daily Avg Turnover (US\$ mn)	69.5

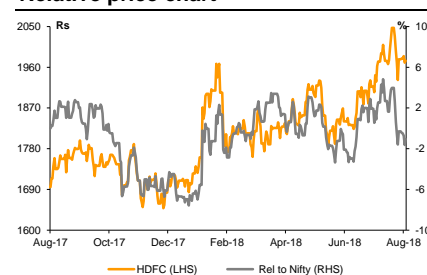
Shareholding Pattern Jun '18

Promoters	-%
FII	72.9%
DII	13.6%
Public and Others	13.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	4	12	16
Rel. to Nifty	(2)	(2)	2	(1)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	86,945	99,540	113,129	142,310	165,671
Other income	28,875	23,094	16,820	27,199	21,756
Fee income	3,742	3,462	1,448	1,592	1,783
Net income	115,821	122,634	129,949	169,509	187,427
Operating expenses	7,590	8,368	9,578	10,612	11,867
Pre provision profit	108,231	114,266	120,371	158,897	175,559
PPP excl treasury	108,231	114,266	120,371	158,897	175,559
Provisions	7,150	7,000	4,550	3,000	3,000
Profit before tax	101,081	107,266	115,821	155,897	172,559
Tax	30,150	32,840	31,000	47,237	52,286
Tax rate	30	31	27	30	30
Profit after tax	70,931	74,426	84,821	108,660	120,274

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	3,160	3,177	3,352	3,425	3,425
Reserves	337,540	392,766	610,170	726,499	797,045
Net worth	340,700	395,943	613,522	729,924	800,470
Deposits	2,377,629	2,797,322	3,199,121	3,774,860	4,477,016
Borrowings	0	0	0	0	0
Total liabilities	2,888,766	3,363,579	4,016,744	4,749,706	5,571,392
Cash and bank	54,925	64,617	14,787	58,095	50,327
Investments	153,454	204,101	305,325	341,964	376,161
Loans	2,592,244	2,964,718	3,594,420	4,241,416	5,030,355
Others	81,498	123,719	95,767	101,722	107,975
Total assets	2,888,766	3,363,579	4,016,744	4,749,706	5,571,392

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	3.4	3.4	3.2	3.4	3.3
RoA	2.7	2.4	3.1	2.5	2.4
RoAE	21.8	20.2	22.1	16.2	15.7
GNPA (%)	0.7	0.8	1.1	1.1	1.0
NNPA (%)	0.5	0.6	0.8	0.8	0.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	44.9	46.8	72.6	63.5	70.2
BVPS	215.7	249.2	366.1	426.3	467.5
ABVPS	214.4	248.0	377.3	436.8	479.0
DPS	17.0	18.0	20.0	22.0	24.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	44.1	42.3	27.3	31.2	28.2
P/BV	9.2	8.0	5.2	4.5	4.1
P/ABV	9.5	8.2	5.4	4.6	4.2
P/PPOP	29.6	28.2	28.2	21.9	19.8
Dividend Yield (%)	0.9	0.9	1.0	1.1	1.2

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	8.7	14.5	13.7	25.8	16.4
PPOP	23.1	5.6	5.3	32.0	10.5
PAT	18.4	4.9	14.0	28.1	10.7
Loans	13.6	14.4	21.2	0.0	0.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	24,117	26,108	29,287	32,110	28,904
NIM(%)	3.5	3.6	3.4	3.4	3.1
PPOP	21,860	30,021	29,099	36,909	30,897
PAT	14,245	21,011	56,702	28,462	21,900
EPS (Rs)	8.94	13.17	35.49	16.98	13.07

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	-	-	-	-	-
FIIIs	77.6	76.0	74.8	74.0	72.9
DIIIs	11.4	12.9	13.9	12.6	13.6
Public and Others	11.1	11.1	11.3	13.4	13.5

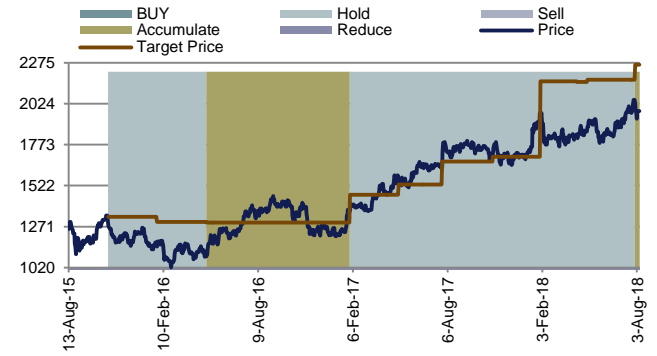
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	2,029	2,264	12m	Accumulate	Jignesh Shial
29-May-18	1,810	2,171	12m	Hold	Jignesh Shial
30-Apr-18	1,883	2,171	12m	Hold	Jignesh Shial
18-Apr-18	1,878	2,158	12m	Hold	Jignesh Shial
10-Apr-18	1,818	2,158	12m	Hold	Jignesh Shial
30-Jan-18	1,938	2,161	12m	Hold	Umang Shah
31-Oct-17	1,707	1,700	12m	Hold	Umang Shah
26-Jul-17	1,633	1,670	12m	Hold	Umang Shah
4-May-17	1,564	1,528	12m	Hold	Umang Shah
31-Jan-17	1,366	1,467	12m	Hold	Umang Shah
2-May-16	1,092	1,295	12m	Accumulate	Umang Shah
28-Jan-16	1,148	1,300	12m	Hold	Sohail Halai
27-Oct-15	1,275	1,330	12m	Hold	Sohail Halai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Housing & Urban Dev Corp

Refer to important disclosures at the end of this report

Improvement in leverage to drive ROE expansion

We hosted Mr. Rakesh Kumar Arora, Director – Finance and Mr. Achal Gupta, GM – Finance of Housing & Urban Development Co Ltd, (HUDCO) at our India Conference to share company insights.

Key Meeting Takeaways

- HUDCO's management expects industry credit growth to pick up from here on, with the low- to mid corporate sector leading the charge.
- 11 banks being under PCA, few players remain in the market who are willing to lend for longer tenures. This creates a niche for HUDCO, given its ability to lend for longer tenures and substantial capital available to do so.
- HUDCO's leverage is ~3x currently and hence does not expect to require equity capital infusion for the next 5-7 years.
- Disbursements for FY18 (~Rs160bn) surged because of heightened development activity in Uttar Pradesh. From a steady state perspective, disbursements are expected to sustain an average run rate of Rs100-120bn.
- HUDCO has been lending only to government agencies over the last five years. As of Mar'18, 90% of the ~Rs500bn loan book is lent to this segment.
- About Rs35bn of the loan book is legacy loans to the private sector, of which ~80% (~Rs27bn) is already provided for. HUDCO expects resolutions under NCLT to result in recoveries as these are not junk assets. Recoveries should help boost NIMs.
- The NNPA stood at 1.42%, entirely comprising private sector loans. HUDCO expects to entirely run down the private sector loan portfolio by 2020. This means that NNPAs will also reduce to NIL by then.
- HUDCO's liabilities are rated AAA by all the three major credit rating agencies. The company gets NHB refinance at 5.5%; it has raised money through long-term bonds (~10 years) and 60% of the total borrowing comes from the issue of tax-free public bonds which attract lower interest rates.
- Given the longer tenure of HUDCO's liabilities, repayments will hit only three years later in 2021, and the company is currently borrowing for incremental disbursements. This has helped the company maintain spreads at 1.9-2% even after the rate hikes by the RBI while maintaining lending rates in the range of 8.5-10%.
- All government sector loans disbursed by HUDCO are fully secured, backed by state government budgetary provisions/government guarantees/mortgage of land or assets.
- In the housing segment, HUDCO lends to government housing agencies primarily for the EWS and LIG housing schemes and the average ticket size is in the range of Rs2-2.5bn. The lending rates are sub-9%.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net income	13,012	16,628	14,000	16,478	19,058
Net profit	7,340	7,776	7,838	8,418	7,991
EPS (Rs)	3.7	3.9	3.9	4.2	4.0
ABV (Rs)	35.6	38.9	42.2	43.6	45.7
RoA (%)	2.6	2.5	2.3	2.2	1.8
RoE (%)	10.8	10.4	9.7	9.6	8.4
PE (x)	15.2	14.3	14.2	13.2	13.9

Source: Company, Emkay Research

CMP	Target Price
Rs 57 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	HUDCO IN
Face Value (Rs)	
Shares outstanding (mn)	2002
52 Week H/L	93/51
M Cap (Rs bn/USD bn)	113/1.7
Daily Avg Volume (nos.)	1,498,330
Daily Avg Turnover (US\$ mn)	1.3

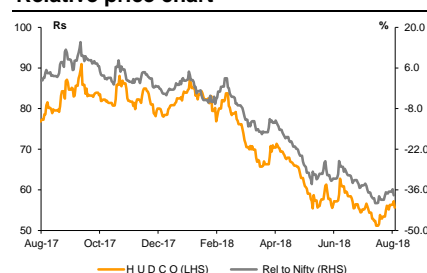
Shareholding Pattern Jun'18

Promoters	89.8%
FIIIs	0.0%
DIIIs	3.1%
Public and Others	7.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	-7	-29	-31
Rel. to Nifty	-3	-13	-35	-41

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net interest income	12,490	14,805	12,016	14,479	17,219
Other income	522	1,824	1,984	1,999	1,840
Fee income					
Net income	13,012	16,628	14,000	16,478	19,058
Operating expenses	1,670	2,081	1,937	1,754	2,461
Pre provision profit	11,343	14,547	12,063	14,723	16,598
PPP excl treasury					
Provisions	92	2,738	1,292	2,973	5,693
Profit before tax	11,048	11,809	10,771	11,750	10,905
Tax	3,708	4,033	2,933	3,332	2,914
Tax rate	34	34	27	28	27
Profit after tax	7,340	7,776	7,838	8,418	7,991

Balance Sheet

Y/E Year End (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity	20,019	20,019	20,019	20,019	20,019
Reserves	51,300	57,786	64,439	71,654	78,198
Net worth	71,319	77,805	84,458	91,673	98,217
Deposits	-	-	-	-	-
Borrowings	188,882	183,151	227,320	266,937	340,562
Total liabilities	302,244	331,137	358,782	393,222	489,302
Cash and bank	2,719	2,849	5,901	3,328	2,223
Investments	7,539	7,557	3,685	3,685	3,685
Loans	282,143	310,431	338,051	375,265	471,541
Others	9,844	10,301	11,145	10,943	11,852
Total assets	302,244	331,137	358,782	393,222	489,302

Key Ratios (%)

Y/E Year End	FY14	FY15	FY16	FY17	FY18
NIM	4.6	5.2	4.0	4.2	4.3
RoA	2.6	2.5	2.3	2.2	1.8
RoAE	10.8	10.4	9.7	9.6	8.4
GNPA (%)	6.8	6.3	6.7	6.0	6.3
NNPA (%)	2.5	1.6	2.1	1.2	1.4

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	3.7	3.9	3.9	4.2	4.0
BVPS	35.6	38.9	42.2	45.8	49.1
ABVPS	35.6	38.9	42.2	43.6	45.7
DPS	50.0	50.0	0.5	0.5	0.5

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	15.2	14.3	14.2	13.2	13.9
P/BV	1.6	1.4	1.3	1.2	1.1
P/ABV	1.6	1.4	1.3	1.3	1.2
Dividend Yield (%)	89.9	89.9	0.9	1.0	1.0

Source: Company, Emkay Research

Growth (%)	FY14	FY15	FY16	FY17	FY18
NII	-3.6	18.5	-18.8	20.5	18.9
PPOP	-3.6	28.3	-17.1	22.1	12.7
PAT	4.9	5.9	0.8	7.4	-5.1
Loans	13.9	10.0	8.9	11.0	25.7

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY19
NII	4,297	3,998	4,325	5,294	5,442
NIM(%)	4.5	3.9	4.3	5.0	4.8
PPOP	4,024	3,509	3,805	4,728	4,587
PAT	3,154	2,109	2,021	1,636	2,225
EPS (Rs)	1.58	1.05	1.01	0.82	1.11

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	89.8	89.8	89.8	89.8	89.8
Public and Others	10.2	10.2	10.2	10.2	10.2

Source: Capitaline

IndusInd Bank

Refer to important disclosures at the end of this report

BHAFIN acquisition to remain RoA accretive

We hosted Mr. Indrajit Yadav, Investor Relations & Strategy and Mr. Karan Khurana, Investor Relations of IndusInd Bank at our India Conference to share company/industry insights.

Key Meeting Takeaways

- IIB expects to continue to grow advances at 25-30% over next few years. Retail growth should continue to remain robust in CV/CE, credit cards, personal loans, etc.
- In addition, corporate growth should remain strong driven by demand for working capital loans. Management also sees significant opportunities in the micro finance business.
- On Bharat financial merger, the company will be filing for NCLT approval in the next few days and expects to receive the approval within three months.
- The bank expects the merger process to be completed by Q3FY19. Once the merger gets completed, the microfinance portfolio of the bank will be around 10%.
- IIB is targeting deposit and CASA shares of PSU banks and has increased its focus on government business accounts.
- Management expects the CASA ratio to be in the range of 40-45% overall.
- Some of the medium-term synergies include CASA cross-selling opportunity, micro insurance, easier achievement of PSL targets and lower cost of funds for Bharat Financial (by 300bps). These factors should result in an improvement in ROA.
- IIB's focus is on setting up new businesses such as life, non-life insurance, broking, and asset management over the medium term.
- Although it has not guided for any specific timelines, the intention is to grow inorganically, and management is evaluating all possible options for acquisitions.
- IIB will continue focus on branch expansion and targets to open 200-300 branches every year to have total branches of 2000 by FY20. We continue to see the C/I ratio going up, in the range of 45%.
- IIB expects to bring down credit cost in the coming year and targets in the range of 55-60 bps for FY19E. The SMA 2 for the bank is currently only about ~16 bps.
- No capital dilution risk for now – current adequacy is sufficient to manage required growth targets.
- The management expect RoE improvement to pre-dilution levels by FY20E whereas RoAs to remain stable at 1.9% levels with an upside bias post BHAFIN acquisition.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	78,135	102,341	122,475	148,302	187,222
Net profit	22,865	28,679	36,060	45,457	59,472
EPS (Rs)	38.4	47.9	60.1	75.7	99.1
ABV (Rs)	285.4	331.3	378.5	448.1	540.2
RoA (%)	1.8	1.8	1.8	1.8	1.9
RoE (%)	16.6	15.3	16.5	17.8	19.5
PE (x)	51.6	41.3	33.0	26.2	20.0

Source: Company, Emkay Research

CMP	Target Price
Rs 1,981	Rs 1,947 (■)
as of (August 11, 2018)	12 months
Rating	Upside
HOLD (■)	(1.7) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	75.7	99.1
Consensus	76.4	97.0
Mean Consensus TP (12M)	Rs 2,153	

Stock Details

Bloomberg Code	IIB IN
Face Value (Rs)	10
Shares outstanding (mn)	601
52 Week H/L	2,038 / 1,572
M Cap (Rs bn/USD bn)	1,190 / 17.28
Daily Avg Volume (nos.)	1,085,944
Daily Avg Turnover (US\$ mn)	30.6

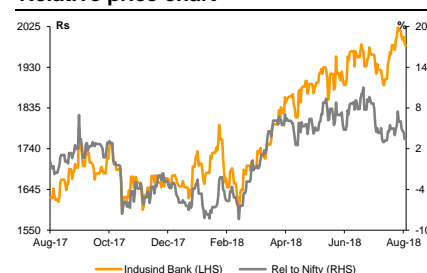
Shareholding Pattern Jun '18

Promoters	15.0%
FIIIs	47.0%
DIIIs	9.4%
Public and Others	28.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	5	20	22
Rel. to Nifty	(2)	(1)	10	4

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	45,166	60,626	74,974	91,029	120,885
Other income	32,969	41,715	47,501	57,273	66,337
Fee income	23,077	29,719	34,573	42,301	49,491
Net income	78,135	102,341	122,475	148,302	187,222
Operating expenses	36,721	47,831	55,914	66,335	80,478
Pre provision profit	41,414	54,510	66,561	81,968	106,745
PPP excl treasury	39,962	51,741	62,923	78,148	102,734
Provisions	6,722	10,913	11,754	13,094	16,636
Profit before tax	34,693	43,597	54,807	68,874	90,108
Tax	11,828	14,918	18,747	23,417	30,637
Tax rate	34	34	34	34	34
Profit after tax	22,865	28,679	36,060	45,457	59,472

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	5,950	5,981	6,002	6,002	6,002
Reserves	167,065	196,582	228,646	271,304	327,976
Net worth	176,960	206,461	238,416	281,074	337,746
Deposits	930,003	1,265,722	1,516,392	1,857,580	2,275,535
Borrowings	221,559	224,537	382,891	516,638	763,164
Total liabilities	1,400,570	1,786,484	2,216,262	2,744,091	3,472,990
Cash and bank	45,210	77,487	109,624	112,243	160,960
Investments	312,143	367,021	500,767	597,910	740,691
Loans	884,193	1,130,805	1,449,537	1,868,159	2,392,186
Others	90,561	89,023	120,412	128,513	140,380
Total assets	1,400,570	1,786,484	2,216,262	2,744,091	3,472,990

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	4.0	4.2	4.2	4.1	4.3
RoA	1.8	1.8	1.8	1.8	1.9
RoAE	16.6	15.3	16.5	17.8	19.5
GNPA (%)	0.9	0.9	1.2	1.0	0.8
NNPA (%)	0.4	0.4	0.5	0.4	0.4

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	38.4	47.9	60.1	75.7	99.1
BVPS	290.8	338.7	390.9	462.0	556.4
ABVPS	285.4	331.3	378.5	448.1	540.2
DPS	4.9	6.0	7.5	4.0	4.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	51.6	41.3	33.0	26.2	20.0
P/BV	6.9	6.0	5.2	4.4	3.7
P/ABV	6.8	5.8	5.1	4.3	3.6
Dividend Yield (%)	0.2	0.3	0.4	0.2	0.2

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	32.1	34.2	23.7	21.4	32.8
PPOP	33.7	31.6	22.1	23.1	30.2
PAT	27.5	25.4	25.7	26.1	30.8
Loans	28.5	27.9	28.2	28.9	28.1

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	17,741	18,210	18,948	20,076	21,224
NIM(%)	4.0	4.0	4.0	4.0	3.9
PPOP	15,885	16,335	16,647	17,694	19,111
PAT	8,365	8,801	9,362	9,531	10,357
EPS (Rs)	13.97	14.70	15.60	15.88	17.25

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	15.0	15.0	15.0	15.0	15.0
FIIIs	43.1	43.1	44.6	46.5	47.0
DIIIs	12.7	12.6	11.5	10.0	9.4
Public and Others	29.3	29.4	29.0	28.6	28.6

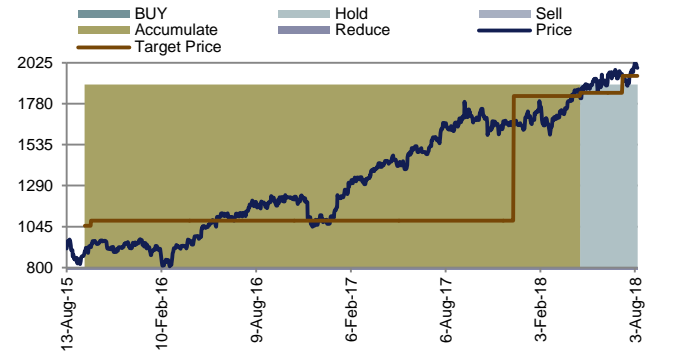
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
10-Jul-18	1,935	1,947	12m	Hold	Jignesh Shial
21-May-18	1,925	1,845	12m	Hold	Ravikant Bhat
20-Apr-18	1,813	1,845	12m	Hold	Ravikant Bhat
11-Jan-18	1,700	1,827	12m	Accumulate	Ravikant Bhat
14-Dec-17	1,650	1,827	12m	Accumulate	Ravikant Bhat
21-Apr-16	972	1,080	12m	Accumulate	Sohil Halai
31-Mar-16	968	1,080	12m	Accumulate	Sohil Halai
13-Jan-16	936	1,080	12m	Accumulate	Sohil Halai
24-Nov-15	920	1,080	12m	Accumulate	Sohil Halai
2-Nov-15	914	1,080	12m	Accumulate	Sohil Halai
12-Oct-15	945	1,080	12m	Accumulate	Sohil Halai
28-Sep-15	921	1,080	12m	Accumulate	Sohil Halai
16-Sep-15	899	1,050	12m	Accumulate	Sohil Halai

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

JM Financial

Refer to important disclosures at the end of this report

Conservative player with aggressive growth

We hosted Mr. Shashwat Belapurkar, MD & CEO Fixed Income – Real Estate and Mr. Manish Sheth, Group CFO of JM Financial Services Ltd (JM), at our India Conference to share company insights.

Key Meeting Takeaways

- JM continues to stand by its motto of growing profitably on a risk-adjusted basis and conservatively guides for 20% CAGR in loan book growth despite the low base and several growth opportunities available.
- JM aims to deliver 4-4.5% ROAs on a sustainable basis in the medium term.
- JM believes that there is stiff competition from HDFC Ltd and other large HFCs in plain vanilla products like LRDs and pure construction finance. Hence, the company avoids these lines of business and focuses on creating a niche in structured finance for developers and more such complex products.
- Access to capital, the ability to put money to work and the ability to underwrite deals gives JM an advantage over HFCs lending to developers and advisories executing transactions.
- The company does not wish to leverage beyond 4x in the mortgage business and up to 5x in certain lines of business to boost ROEs, for example, those developer loans where it also does investment banking for the developers at the holding company level.
- JM had a successful public debt issue in the recent past and this has improved its standing in the wholesale debt market ensuring better pricing for them.
- JM hopes for a credit rating upgrade, which will help it further diversify its borrowing profile, reduce cost by ~15bps and further open up insurance and public pension funds as avenues of securing funding.
- JM is looking to focus on building the investment banking, wealth management and securities (IWS) businesses over the next 2-3 years, with an emphasis on the wealth management arm.
- The idea is to structure the right product mix for wealth customers rather than acting as a pure-play advisory business or simply sourcing RMs to chalk up asset size as that path takes longer to breakeven.
- The company is looking to start a fund, so wealth clients can participate in lending to distressed assets that are part of its ARC business from its own book.
- Another product for wealth clients that JM is looking at is creating a fund to lend to standard borrowers who are existing clients for JM as well.
- Cross-selling of multiple products to a single client will kick in the operating leverage for the IWS business.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	6,988	9,828	11,726	15,773	20,903
Net profit	2,002	3,605	4,704	6,369	8,702
EPS (Rs)	2.8	4.3	5.1	5.9	7.9
ABV (Rs)	28.2	30.9	34.2	39.8	51.6
RoA (%)	3.1	5.0	4.8	4.6	4.6
RoE (%)	9.9	14.3	15.5	16.0	17.0
PE (x)	45.8	29.4	25.0	21.5	16.2

Source: Company, Emkay Research

CMP

Rs 128
as of (August 8, 2018)

Target Price

NA

Rating

NOT RATED

Upside

NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	JM IN
Face Value (Rs)	1
Shares outstanding (mn)	840
52 Week H/L	192/104
M Cap (Rs bn/USD bn)	108/1.6
Daily Avg Volume (nos.)	890,286
Daily Avg Turnover (US\$ mn)	1.6

Shareholding Pattern Jun'18

Promoters	62.0%
FIIIs	16.7%
DIIIs	4.3%
Public and Others	17.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	-8	-19	4
Rel. to Nifty	5	-14	-26	-12

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	1,806	3,293	5,323	8,181	11,736
Other income	5,182	6,535	6,403	7,592	9,167
Fee income	2,463	3,015	3,158	3,908	4,220
Net income	6,988	9,828	11,726	15,773	20,903
Operating expenses	4,017	4,632	4,774	5,931	7,113
Pre provision profit	2,972	5,196	6,951	9,843	13,790
PPP excl treasury	1,408	3,513	5,260	8,012	11,254
Provisions	170	27	23	125	705
Profit before tax	2,802	5,169	6,929	9,717	13,085
Tax	800	1,564	2,224	3,348	4,384
Tax rate	29	30	32	34	34
Profit after tax	2,002	3,605	4,704	6,369	8,702

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	755	784	789	795	838
Reserves	21,033	23,673	26,559	30,783	41,766
Net worth	21,788	24,457	27,348	31,578	42,604
Deposits	1,650	6,546	6,686	11,092	13,710
Borrowings	184	973	1,747	1,750	1,616
Total liabilities	29,873	47,214	66,707	108,016	146,744
Cash and bank	53,494	79,190	102,488	152,435	204,673
Investments	9,742	8,329	12,651	8,691	14,965
Loans	4,948	6,397	7,717	24,720	30,504
Others	34,889	59,798	78,420	114,152	155,735
Total assets	3,915	4,666	3,700	4,873	3,469

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	4.4	6.2	7.0	7.3	7.2
RoA	3.1	5.0	4.8	4.6	4.6
RoAE	9.9	14.3	15.5	16.0	17.0
GNPA (%)	0.40	0.9	0.3	0.1	0.6
NNPA (%)	0.2	0.7	0.2	0.0	0.6

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	2.8	4.3	5.1	5.9	7.9
BVPS	28.3	31.4	34.4	39.8	52.8
ABVPS	28.2	30.9	34.2	39.8	51.6
DPS	1.0	1.4	1.5	1.5	1.8

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	45.8	29.4	25.0	21.5	16.2
P/BV	4.5	4.0	3.7	3.2	2.4
P/ABV	4.5	4.1	3.7	3.2	2.5
Dividend Yield (%)	0.8	1.1	1.1	1.2	1.4

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	93.0	82.3	61.6	53.7	43.5
PPOP	15.9	74.9	33.8	41.6	40.1
PAT	11.8	80.1	30.5	35.4	36.6
Loans	-3.3	71.4	31.1	45.6	36.4

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	2,394	2,491	2,888	3,963	3022
NIM (Reported)(%)	7.1	6.3	6.8	8.8	7.1
PPOP	2,875	3,038	3,517	4,360	3,304
PAT	1,781	1,937	2,228	2,755	1991
EPS (Rs)	1.6	1.8	2.1	3.4	1.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	65.2	65.1	65.1	62.1	62.0
FIIIs	14.2	13.2	12.5	16.1	16.7
DIIIs	2.9	3.3	3.2	4.1	4.3
Public and Others	17.8	18.4	19.2	17.7	17.1

Source: Capitaline

L&T Finance Holdings

Refer to important disclosures at the end of this report

From turnaround to compounding growth story

We hosted Mr. Karthik Narayan, Head – Investor Relations of L&T Finance Holding Ltd, at our India Conference to share company insights.

Key Meeting Takeaways

- Management is committed to delivering a steady-state ROE of 18-20% on a sustainable basis. LTFH will leverage up to 7x only as rating agencies have set that as the ceiling to maintain a AAA rating.
- By end-Mar'19, the wholesale loan book will account for less than 50% of the total loan book. Over the next 2-3 years, the target loan mix is one-third of each of wholesale, rural and housing finance.
- The wholesale book has been adequately provided for on the adaptation of IND AS and asset quality is expected to only improve here onwards. There is no SMA1 account in the fresh lending done in this book.
- LTFH has managed to improve its underwriting practices and reduced turnaround times by centralizing the decision-making process and credit appraisal function, which in turn are algorithm and data analytics-driven, eliminating the human element.
- The micro loans segment is entirely under JLG model and only women borrowers (husbands/eldest son made co-borrower). Loans are largely in the dairy/dairy-related businesses.
- Although income is not determinable for such borrowers, LTFH examines the eligibility by evaluating the overall indebtedness of the borrower and the number of existing loans per borrower. LTFH has a high rejection rate of ~75% for repeat customers.
- In the rural lending segment, the focus is on micro loans, then 2W finance and then tractors. LTFH is looking to launch further new products in this segment but not in consumer durables or housing finance. The company has already launched second-hand tractor finance for its existing customers in this segment.
- Fee income is driven largely by cross-selling insurance products, particularly credit life, life and health insurance to its customers where the company makes substantial fees net of dealer commissions.
- The sell-down volumes in the wholesale book are sustained despite of 11 banks going under PCA as LTFH is now selling down to public and private NBFCs and banks.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	33,466	39,453	51,976	62,552	76,123
Net profit	8,567	10,422	14,646	24,832	30,026
EPS (Rs)	3.8	5.1	6.9	12.2	15.2
ABV (Rs)	32.2	36.6	49.6	59.0	71.4
RoA (%)	1.1	1.3	1.7	2.4	2.4
RoE (%)	9.7	12.3	14.1	19.3	20.2
PE (x)	47.0	34.6	25.9	14.6	11.7

Source: Company, Emkay Research

CMP

Rs 178
as of (August 11, 2018)

Rating

BUY (■)

Target Price

Rs 226 (▼)
12 months

Upside

26.9 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	(0.1)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	12.2	15.2
Consensus	11.0	13.6
Mean Consensus TP (12M)	Rs 219	

Stock Details

Bloomberg Code	LTFH IN
Face Value (Rs)	10
Shares outstanding (mn)	1,997
52 Week H/L	214 / 141
M Cap (Rs bn/USD bn)	355 / 5.16
Daily Avg Volume (nos.)	5,114,767
Daily Avg Turnover (US\$ mn)	12.4

Shareholding Pattern Jun '18

Promoters	64.0%
FIIIs	9.9%
DIIIs	5.2%
Public and Others	20.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	15	-	9	8
Rel. to Nifty	10	(7)	-	(7)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	24,805	28,658	46,995	57,343	70,096
Other income	8,660	10,795	4,981	5,209	6,027
Fee income	0	0	0	0	0
Net income	33,466	39,453	51,976	62,552	76,123
Operating expenses	13,129	12,765	15,661	18,494	21,476
Pre provision profit	20,337	26,688	36,315	44,057	54,647
PPP excl treasury	20,337	26,688	36,315	44,057	54,647
Provisions	7,810	15,899	18,814	14,108	16,515
Profit before tax	12,527	10,789	17,501	29,949	38,132
Tax	3,990	364	2,075	5,187	8,186
Tax rate	32	3	12	17	21
Profit after tax	8,567	10,422	14,646	24,832	30,026

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	17,534	17,557	19,957	19,957	19,957
Reserves	53,237	60,201	94,520	115,583	142,006
Net worth	70,771	77,759	114,477	135,539	161,962
Deposits	0	0	0	0	0
Borrowings	516,157	598,111	715,771	881,461	1,101,886
Total liabilities	637,993	725,112	904,440	1,106,024	1,371,283
Cash and bank	4,015	5,944	22,767	20,557	24,266
Investments	35,633	60,115	48,433	52,888	66,113
Loans	560,654	616,485	782,992	979,402	1,224,318
Others	30,730	36,379	44,936	47,601	50,730
Total assets	637,993	725,112	904,440	1,106,024	1,371,283

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	4.8	4.8	6.6	6.4	6.3
RoA	1.1	1.3	1.7	2.4	2.4
RoAE	9.7	12.3	14.1	19.3	20.2
GNPA (%)	4.9	5.1	8.0	7.6	7.0
NNPA (%)	3.8	2.9	3.0	2.8	2.5

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.8	5.1	6.9	12.2	15.2
BVPS	40.9	43.7	58.0	68.7	82.1
ABVPS	32.2	36.6	49.6	59.0	71.4
DPS	0.8	0.8	1.0	1.3	1.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	47.0	34.6	25.9	14.6	11.7
P/BV	5.5	4.9	3.6	3.0	2.5
P/ABV	4.8	4.2	3.1	2.6	2.2
Dividend Yield (%)	0.4	0.4	0.6	0.7	0.8

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	16.9	15.5	64.0	22.0	22.2
PPOP	20.2	31.2	36.1	21.3	24.0
PAT	0.2	21.7	40.5	69.5	20.9
Loans	22.5	10.0	27.0	25.1	25.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	10,307	10,871	12,706	13,111	15,279
NIM(%)	-	-	-	-	-
PPOP	8,005	8,561	9,409	10,341	11,650
PAT	3,143	3,602	3,841	4,060	5,384
EPS (Rs)	1.76	1.83	1.96	2.13	2.70

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-17	Mar-18	Mar-18	Mar-18	Jun-18
Promoters	64.1	64.0	64.0	66.1	64.0
FIIIs	9.7	9.2	9.6	8.9	9.9
DIIIs	4.5	5.8	5.4	4.7	5.2
Public and Others	21.7	21.0	21.0	20.4	20.9

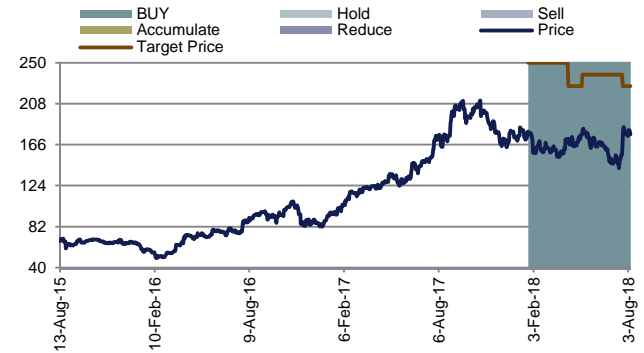
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
23-Jul-18	171	226	12m	Buy	Jignesh Shial
29-May-18	172	238	12m	Buy	Jignesh Shial
7-May-18	177	238	12m	Buy	Jignesh Shial
10-Apr-18	172	226	12m	Buy	Jignesh Shial
24-Jan-18	179	250	12m	Buy	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Mahindra Finance

Refer to important disclosures at the end of this report

Rural growth story remains intact

We hosted Mr. Dinesh Prajapati, SVP – Treasury & Corp affairs and Mr. Vishal Agarwal, DGM – Treasury & Investor Relation of Mahindra & Mahindra Financial Services (MMFS), at our India Conference to share company insights.

Key Meeting Takeaways

- Disbursement growth in Q1 was higher than management's expectations. MMFS believes that the strong growth is sustainable and has raised its disbursement growth guidance to 25-30% yoy vs. 20% earlier. AUM is also expected to grow at a faster pace.
- MMFS anticipates lower volatility in provisioning under IND AS. Q1FY19 credit cost is at the peak and it is expected to trend down going forward. Gross Stage 3 is also expected to contract to ~7% from 9.4% currently.
- The asset quality of incremental loans made over the last 2-3 years is significantly better, with NPLs in the range of 4-5%.
- Turnaround times (TAT) are currently a few days as 80% of MMFS's customers require field investigation, especially in the case of tractor finance. The company is attempting to reduce TAT using digital technology but the scope for improvement is limited.
- For the remaining 20% of the customers, MMFS has introduced smart branches, largely at M&M dealers with large volumes. In these branches, the loan application is processed using tablet computers and the TAT is only a couple of hours.
- The business origination team is responsible for the recovery in the first year. Their incentives are linked to both disbursements and recovery.
- Overall LTV stood at 75-77%, while pre-owned LTV at 60-65% and tractor LTV at 72-73% were much lower.
- Management expects MRHFL, the housing subsidiary, to post a steady state ROA of 2.5-3% and its leverage to settle lower at ~8x, with GNPLs at ~7% (currently at ~14%).
- MRHFL's opex is on the higher side due to the nature of the business, however gradually it can be lowered only by an additional 100-150bps.
- MRHFL's asset quality is expected to improve after the monsoon harvest, which should lead to lower credit costs.
- Although, the NPLs for MRHFL are elevated, the actual LGD is much lower at 0.3-0.4%, leading to only time value loss. Given the low ticket size (Rs1.25-1.5 lakhs) and a specific customer segment, MRHFL uses the social factor to recover loans by applying moral pressure rather than going for the repossession of properties.
- After one year, management will evaluate the merits of taking MRHFL public (IPO) on the basis of operating metrics and performance at that time.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	32,658	33,801	42,057	48,655	59,617
Net profit	6,726	4,002	8,919	12,609	17,527
EPS (Rs)	11.8	7.0	15.3	20.4	28.4
ABV (Rs)	91.9	94.2	136.2	134.6	152.9
RoA (%)	1.8	0.9	1.8	2.1	2.4
RoE (%)	11.4	6.4	11.3	12.9	16.1
PE (x)	41.7	70.0	32.2	24.1	17.4

Source: Company, Emkay Research

CMP

Rs 493
as of (August 11, 2018)

Rating

ACCUMULATE (■)

Target Price

Rs 542 (■)
12 months

Upside

9.9 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	20.4	28.4
Consensus	22.8	29.2
Mean Consensus TP (12M)	Rs 555	

Stock Details

Bloomberg Code	MMFS IN
Face Value (Rs)	2
Shares outstanding (mn)	618
52 Week H/L	538 / 386
M Cap (Rs bn/USD bn)	304 / 4.42
Daily Avg Volume (nos.)	1,518,197
Daily Avg Turnover (US\$ mn)	10.7

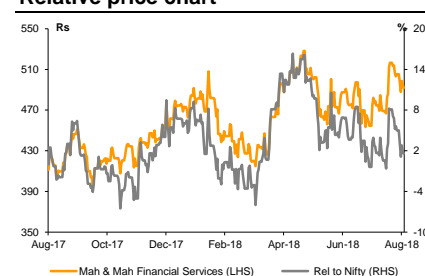
Shareholding Pattern Jun '18

Promoters	51.2%
FIIIs	28.1%
DIIIs	12.4%
Public and Others	8.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	(1)	11	21
Rel. to Nifty	(2)	(8)	1	4

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	29,135	29,779	37,664	44,877	55,131
Other income	3,523	4,022	4,393	3,779	4,487
Fee income	0	0	0	0	0
Net income	32,658	33,801	42,057	48,655	59,617
Operating expenses	11,781	14,509	16,714	19,251	22,328
Pre provision profit	20,877	19,292	25,344	29,405	37,290
PPP excl treasury	20,877	19,292	25,344	29,405	37,290
Provisions	10,495	13,091	12,266	10,501	11,012
Profit before tax	10,382	6,201	13,078	18,904	26,278
Tax	3,656	2,198	4,809	6,295	8,751
Tax rate	35	35	37	33	33
Profit after tax	6,726	4,002	8,269	12,609	17,527

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	1,129	1,130	1,229	1,229	1,229
Reserves	59,752	63,642	91,802	100,816	114,030
Net worth	60,881	64,772	93,031	102,045	115,259
Deposits	0	0	0	0	0
Borrowings	294,523	345,384	394,166	482,974	591,677
Total liabilities	395,795	458,368	543,678	659,097	799,973
Cash and bank	5,890	5,781	4,111	1,701	6,456
Investments	14,833	18,731	18,732	24,149	29,584
Loans	366,577	423,563	510,043	622,189	752,577
Others	7,359	9,174	9,595	9,682	9,773
Total assets	395,794	458,368	543,678	659,097	799,973

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	8.4	7.7	8.3	8.0	8.0
RoA	1.8	0.9	1.8	2.1	2.4
RoAE	11.4	6.4	11.3	12.9	16.1
GNPA (%)	8.1	7.7	7.4	7.7	7.1
NNPA (%)	3.1	3.5	3.6	4.1	3.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	11.8	7.0	15.3	20.4	28.4
BVPS	107.1	113.9	159.9	165.3	186.7
ABVPS	91.9	94.2	136.2	134.6	152.9
DPS	4.0	2.4	4.0	5.0	6.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	41.7	70.0	32.2	24.1	17.4
P/BV	5.4	5.2	3.6	3.7	3.2
P/ABV	5.6	5.5	3.8	3.8	3.4
Dividend Yield (%)	0.8	0.5	0.8	1.0	1.2

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	5.6	2.2	26.5	19.2	22.8
PPOP	0.3	(7.6)	31.4	16.0	26.8
PAT	(19.1)	(40.5)	106.6	52.5	39.0
Loans	11.3	15.5	20.4	22.0	21.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	7,427	9,110	10,711	13,050	10,771
NIM(%)	6.2	7.4	8.4	9.8	7.8
PPOP	4,260	5,636	6,553	8,261	7,060
PAT	2,014	780	3,420	4,245	2,691
EPS (Rs)	3.56	1.38	5.57	6.91	4.38

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	51.9	51.2	51.2	51.2	51.2
FIIIs	30.5	32.0	34.6	29.4	28.1
DIIIs	10.5	10.2	8.5	11.6	12.4
Public and Others	7.2	6.5	5.7	7.8	8.4

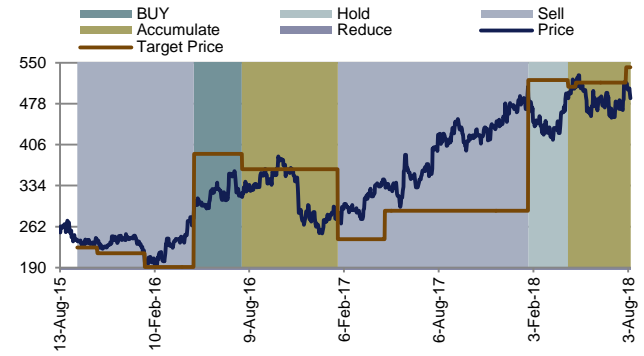
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	513	542	12m	Accumulate	Jignesh Shial
29-May-18	473	515	12m	Accumulate	Jignesh Shial
25-Apr-18	507	515	12m	Accumulate	Jignesh Shial
10-Apr-18	488	508	12m	Accumulate	Jignesh Shial
24-Jan-18	490	520	12m	Hold	Umang Shah
26-Oct-17	417	290	12m	Sell	Umang Shah
18-Sep-17	436	290	12m	Sell	Umang Shah
25-Jul-17	399	290	12m	Sell	Umang Shah
25-Apr-17	340	290	12m	Sell	Umang Shah
14-Mar-17	280	240	12m	Sell	Umang Shah
25-Jan-17	286	240	12m	Sell	Umang Shah
26-Oct-16	363	363	12m	Accumulate	Umang Shah
26-Jul-16	314	363	12m	Accumulate	Umang Shah
25-Apr-16	298	390	12m	Buy	Umang Shah
22-Jan-16	200	191	12m	Sell	Umang Shah
23-Oct-15	237	215	12m	Sell	Umang Shah
15-Sep-15	236	225	12m	Sell	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Piramal Enterprises

Refer to important disclosures at the end of this report

Diversified conglomerate

We hosted Mr. Hitesh Dhadha, Chief Investor Relations officer of Piramal Enterprise Ltd (PIEL), at our India Conference to share company/industry insights.

Key Meeting Takeaways

- The current revenue mix for the company: pharmaceutical at 42%, financial services at 47%, and the remaining being DRG. Although the pharmaceutical business has made acquisitions worth USD1bn in the last 2-3 years, its proportion in the revenue mix will continue to reduce as financial services revenue is growing at a faster pace.
- Financial services is growing at a fast clip as capital is not a constraint given that 50% of the business is owned by promoter and large foreign pension funds have also invested in this business. A pipeline of Rs220bn is yet to be disbursed, coupled with the addition of new business lines, should drive growth in PIEL's outstanding loan book (~Rs450bn).
- The FY20 target for loan book is Rs800bn, of which Rs160-170bn will be corporate loans, Rs100bn housing finance and balance developer loans. PIEL will also aim to sustain an ROE of 20%+ by this time.
- Although, PIEL has aggressively grown its developer book, becoming the second-largest lender to developers after HDFC Ltd. PIEL mitigates risk as it works with the best developers and also provides additional services aside from lending which not only ensures stickiness of the customer but also the commitment to repay.
- PIEL monitors the escrow account (for project-related cash flows) and the project site on a monthly basis, it has first right on all project cash flows and all sales go through PIEL.
- PIEL looks to further mitigate this risk by lending to the holding company of the developer for multiple projects at a time and gain the first right to the cash flows of multiple projects by replacing the primary lender, thus diversifying its risk profile.
- PIEL is of the view that cash flows are more important than securities.
- The lead originator is also responsible for collection, and incentives are linked to the successful execution of the deal.
- PIEL's investment in Shriram Group is entirely strategic in nature and management has no intention to divest it. In addition, the idea is for Shriram to grow independently of PIEL. A merger with PIEL is not under consideration by the management.
- Based on market feedback, from a 2-3 year perspective, PIEL is looking to de-merge the pharmaceutical and financial services businesses in order to simplify the business structure for investors.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net income	47,240	53,770	66,330	87,810	108,980
Net profit	-5,010	28,500	9,050	12,520	51,200
EPS (Rs)	-29.1	165.2	52.4	72.3	281.7
ABV (Rs)	532.7	670.6	739.9	850.5	1469.2
RoA (%)	-2.7	15.0	3.7	3.4	8.8
RoE (%)	-5.4	27.1	7.3	9.0	24.8
PE (x)	NA	17.0	53.6	38.8	10.0

Source: Company, Emkay Research

CMP	Target Price
Rs 2898 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	PIEL IN
Face Value (Rs)	2
Shares outstanding (mn)	181
52 Week H/L	3019/2275
M Cap (Rs bn/USD bn)	534/7.8
Daily Avg Volume (nos.)	292,209
Daily Avg Turnover (US\$ mn)	11.1

Shareholding Pattern Jun'18

Promoters	50.8%
FIIIs	26.6%
DIIIs	4.4%
Public and Others	18.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	17	16	7	0
Rel. to Nifty	11	8	-2	-15

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net sales	45,030	51,230	63,810	85,470	106,390
Other income	2,210	2,540	2,520	2,340	2,590
Total income	47,240	53,770	66,330	87,810	108,980
Operating expenses	38,640	42,370	47,050	50,480	54,790
EBITDA	8,600	11,390	19,290	37,330	54,190
Interest Expenses	10,500	5,110	9,590	20,310	29,780
Depreciation	2,470	2,900	2,550	3,820	4,770
Profit before tax	-4,360	3,390	7,140	13,200	19,640
Tax	630	3,450	500	2,280	6,930
Tax rate	NA	102	7	17	35
Adj Profit after tax	-4,990	-60	6,650	10,920	12,710
Share of associates	-20	1,590	1,940	1,700	2,800
Extraordinary items	-10	-26,960	-460	100	-35,690
Reported Profit after tax	-5,010	28,500	9,050	12,520	51,200

Balance Sheet

Y/E Year End (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity	350	350	350	350	360
Reserves	92,870	117,010	129,140	148,480	264,090
Net worth	93,220	117,360	129,490	148,830	264,450
Minority Interest	0	290	0	130	120
Deposits		0	0	0	0
Borrowings	95,520	73,060	162,790	304,510	441,610
Total liabilities	188,740	190,710	292,280	453,470	706,180
Cash and bank	3,340	4,600	3,660	15,410	24,670
Investments	94,460	77,680	156,820	217,170	235,270
Loans	28,610	47,660	133,380	249,750	421,680
Others	62,330	60,770	-1,580	-28,860	24,560
Total assets	188,740	190,710	292,280	453,470	706,180

Key Ratios (%)

Y/E Year End	FY14	FY15	FY16	FY17	FY18
NIM	NA	NA	NA	NA	NA
RoA	-2.7	15.0	3.7	3.4	8.8
RoAE	-5.4	27.1	7.3	9.0	24.8
GNPA (%)	NA	1.9	0.9	0.4	0.3
NNPA (%)	NA	NA	NA	NA	NA

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	-29.1	165.2	52.4	72.3	281.7
BVPS	532.7	670.6	739.9	850.5	1469.2
ABVPS	NA	NA	NA	NA	NA
DPS	52.5	20.0	17.5	21.0	25.0

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	NA	17.0	53.6	38.8	10.0
P/BV	5.3	4.2	3.8	3.3	1.9
P/ABV	NA	NA	NA	NA	NA
Dividend Yield (%)	1.9	0.7	0.6	0.7	0.9

Source: Company, Emkay Research

Growth (%)	FY14	FY15	FY16	FY17	FY18
NII	NA	13.8	24.6	33.9	24.5
PPOP	NA	32.4	69.4	93.5	45.2
PAT	NA	-668.9	-68.2	38.3	308.9
Loans	NA	66.6	179.9	87.2	68.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Total Income	23,380	26,110	29,220	30,280	29170
EBITDA	11,460	13,450	15,110	14,170	15,410
EBITDA Margin %	49.0	51.5	51.7	46.8	52.8
PAT (Adj.)	3,020	3,840	4,900	3,750	-700
EPS Adj. (Rs)	17.5	22.3	26.4	19.3	-3.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	51.4	51.4	51.3	51.4	50.8
FIIIs	27.6	27.0	26.8	27.1	26.6
DIIIs	3.6	3.9	4.1	3.8	4.4
Public and Others	17.4	17.7	17.8	17.7	18.2

Source: Capitaline

PTC India Financial Services

Refer to important disclosures at the end of this report

Not out of woods yet

We hosted Mr. Pawan Kumar Singh, CFO of PTC India Financial Services Ltd, (PFS) at our India Conference to share company insights.

Key Meeting Takeaways

- PFS has been impacted by legacy stress on its portfolio which subdued profitability. Yet, growth has not been compromised and a healthy pace of ~20% yoy is sustained.
- PFS expects to maintain this growth momentum of ~20% in FY19E as well.
- The thermal and hydro sectors contributed to the stress in FY18; however, many projects are in advanced stages of resolution.
- PFS is confident on sustaining healthy NIMs and spreads despite the elevated stress levels. PFS is focusing on increasing fee-based revenues by offering comprehensive structured financing solutions to private power sector developers.
- PFS will focus on increasing financing to newer areas of infrastructure and further expects to increase lending through high-yielding structured products with a positive impact on portfolio and profitability.
- Incrementally, the company is focused on lending to renewable projects, transmission, distribution and road projects.
- PFS continues to develop strategic partnerships with international finance institutions to maintain optimal cost of borrowing.

CMP	Target Price
Rs 18 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	PTCIF IN
Face Value (Rs)	10
Shares outstanding (mn)	642
52 Week H/L	44/14
M Cap (Rs bn/USD bn)	11/0.2
Daily Avg Volume (nos.)	1,098,599
Daily Avg Turnover (US\$ mn)	0.3

Shareholding Pattern Jun'18

Promoters	65.0%
FIIIs	2.2%
DIIIs	2.6%
Public and Others	30.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	-31	-47	-55
Rel. to Nifty	3	-36	-51	-62

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	3,252	3,847	6,568	7,072	5,076
Net profit	2,077	1,609	3,911	3,453	247
EPS (Rs)	3.7	2.9	7.0	5.9	0.4
ABV (Rs)	24.0	24.4	27.4	31.5	28.3
RoA (%)	5.0	2.6	5.0	3.5	0.2
RoE (%)	16.1	11.5	24.6	16.6	1.0
PE (x)	4.6	6.0	2.5	2.9	45.3

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	3,252	3,847	6,568	7,061	5,070
Other income	0	0	0	11	6
Fee income					
Net income	3,252	3,847	6,568	7,072	5,076
Operating expenses	238	1,005	302	359	405
Pre provision profit	3,014	2,842	6,266	6,712	4,671
PPP excl treasury					
Provisions	166	389	952	1,426	3,621
Profit before tax	2,849	2,453	5,314	5,287	1,049
Tax	772	844	1,403	1,833	802
Tax rate	27	34	26	35	76
Profit after tax	2,077	1,609	3,911	3,453	247

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	5,621	5,621	5,621	6,423	6,423
Reserves	7,868	8,751	11,805	17,770	16,973
Net worth	13,489	14,372	17,425	24,193	23,395
Deposits					
Borrowings	38,951	51,103	62,513	75,711	93,680
Total liabilities	54,138	67,500	88,228	107,522	117,076
Cash and bank	334	226	248	354	577
Investments	4,010	3,399	2,349	1,143	630
Loans	46,967	56,937	80,430	100,334	118,261
Others	2,825	6,939	5,201	5,691	-2,393
Total assets	54,138	67,500	88,228	107,522	117,076

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	6.9	6.3	6.0	5.3	4.1
RoA	5.0	2.6	5.0	3.5	0.2
RoAE	16.1	11.5	24.6	16.6	1.0
GNPA (%)	0.09	1.3	3.4	5.5	6.5
NNPA (%)	0.0	1.0	2.4	3.8	4.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.7	2.9	7.0	5.9	0.4
BVPS	24.0	25.6	31.0	37.7	36.4
ABVPS	24.0	24.4	27.4	31.5	28.3
DPS	1.0	1.0	0.0	1.5	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	4.6	6.0	2.5	2.9	45.3
P/BV	0.7	0.7	0.6	0.5	0.5
P/ABV	0.7	0.7	0.6	0.5	0.6
Dividend Yield (%)	5.8	5.8	0.0	8.7	0.0

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	81.0	18.3	70.7	7.5	-28.2
PPOP	87.9	-5.7	120.5	7.1	-30.4
PAT	99.4	-22.6	143.1	-11.7	-92.8
Loans	122.1	21.2	41.3	24.7	17.9

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY19
NII	2,812	1,382	1,313	1,325	1055
NIM(%)	4.8	4.8	4.2	4.2	3.1
PPOP	2,711	1,288	1,222	1,225	935
PAT	1,098	792	217	343	-1104
EPS (Rs)	1.7	1.2	0.3	0.5	-1.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	65.0	65.0	65.0	65.0	65.0
FIIIs	8.9	7.9	2.9	2.6	2.6
DIIIs	2.5	2.6	2.7	2.6	2.6
Public and Others	23.6	24.5	29.5	29.8	29.8

Source: Capitaline

Reliance Nippon

Refer to important disclosures at the end of this report

Bellwether amongst AMCs

We hosted Mr. Prateek Jain, CFO, Mr. Amol Bilagi, AVP – Finance, Mr. Ashwani Dugal, Co-Chief Business Officer and Mr. Abhishek Jaiswal – Head Investor relations of Reliance Nippon Asset Management (RNAM), at our India Conference to share company insights.

Key Meeting Takeaways

- Equity AUM (+~38% yoy) continues to grow in a robust fashion as the share of Equity SIPs (~35% share) increases in total equity AUM. RNAM expects Equity AUM growth to remain resilient as retail equity AUM grows at a healthy pace (aided by higher SIPs).
- Overall yields are expected to improve as share of equity AUMs rise.
- RNAM has adjusted the SEBI-directed reduction in fees (for B15 to B30 cities) by similar reductions in distributor commissions. Hence, the disruptions to core fees remained minimal.
- The cash flow yields have also remained flat on a yoy basis in spite of regulatory changes as the entire pressure has been shifted to distributors.
- RNAM has higher percentage of AUM sourced from B-30 locations compared to rest of the industry. RNAM believes that the B30 customer is likely to stick longer. RNAM is expanding its ground presence to sustain its growth in B-30 cities.
- A branch becomes breakeven on achieving Rs100mn in Equity AUM.
- The direct channel is contributing 14% of the equity AUM inflows.
- No single distributor contributes more than 4.5% of the total AUM.
- RNAM is best-positioned to cater to the ever-growing ETF market in India with 15 years' experience in ETFs, 50% market share in AUMs and ~90% share in ETF volumes.
- RNAM's distribution mix is 49% IFA, 32% banking partners and 19% national distributors. No single distributor contributes to more than 4.5% of AUM and is fairly distributed
- RNAM has managed to retain talent at the fund manager level.

Financial Snapshot (Consolidated)

(Rsmn)	FY16	FY17	FY18P	FY19E	FY20E
Investment Management Fees	11,581	12,676	15,683	17,841	20,827
Total Revenue	13,138	14,359	18,147	20,551	23,996
Net Profit	3,964	4,028	5,225	6,126	7,010
EPS (Rs)	6.5	6.9	8.7	10.2	11.7
AAAUM (Rsbn)	1,533	1,892	2,194	2,589	3,107
ROE (%)	23.8	21.9	25.0	26.4	29.7
PE (x)	37x	35x	27x	23x	20x
Mkt cap/AUM (x)	9.5%	7.4%	6.5%	5.5%	4.6%

Source: Company, Emkay Research

CMP	Target Price
Rs 238	Rs 314 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	32.0 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	10.2	11.7
Consensus	9.5	11.1
Mean Consensus TP (12M)	Rs 314	

Stock Details

Bloomberg Code	RNAM IN
Face Value (Rs)	10
Shares outstanding (mn)	612
52 Week H/L	335 / 205
M Cap (Rs bn/USD bn)	146 / 2.11
Daily Avg Volume (nos.)	217,357
Daily Avg Turnover (US\$ mn)	0.8

Shareholding Pattern Jun '18

Promoters	85.8%
FIIIs	2.7%
DIIIs	7.7%
Public and Others	3.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	(3)	(14)	-
Rel. to Nifty	(3)	(9)	(21)	-

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rsmn)	FY16	FY17	FY18P	FY19E	FY20E
Total Revenue from Operations	12,001	13,075	15,858	18,230	21,286
-Investment Management Fees	11,581	12,676	15,683	17,841	20,827
Other income	1,137	1,284	2,289	2,321	2,709
Total Revenue	13,138	14,359	18,147	20,551	23,996
Operating Expenses	7,914	8,546	10,886	11,407	13,534
Profit before tax	5,224	5,813	7,261	9,143	10,462
Tax	1,260	1,786	2,036	3,017	3,453
Tax rate (%)	24	31	28	33	33
Profit after tax	3,964	4,028	5,225	6,126	7,010

Balance Sheet

Y/E Mar (Rsmn)	FY16	FY17	FY18P	FY19E	FY20E
Equity	115	115	6,120	6,120	6,120
Reserves & Surplus	17,504	18,511	16,750	17,346	17,606
Net worth	17,619	18,626	22,870	23,466	23,726
Preference Shares	300	300	-	-	-
Minority Interest	89	-	-	-	-
Provisions	110	216	300	306	312
Other current liabilities	1,190	1,372	2,540	3,810	5,715
Total Liabilities	19,307	20,513	25,710	27,582	29,753

Net fixed assets	119	2,511	2,320	2,552	2,807
Investments	9,108	9,465	8,710	9,755	10,926
Other assets	10,081	8,536	14,680	15,275	16,020
Total assets	19,307	20,513	25,710	27,582	29,753

AAAUM

Y/E Mar (Rsbn)	FY16	FY17	FY18P	FY19E	FY20E
Equity	490	534	800	1,041	1,353
Debt	1,024	1,301	1,327	1,486	1,694
ETF	18	57	67	63	61
Total AAAUM	1,533	1,892	2,194	2,589	3,107

End of period AUM

Y/E Mar (Rsbn)	FY16	FY17	FY18P	FY19E	FY20E
Mutual funds	1,461	2,036	2,261	2,884	3,559
Managed accounts	1,247	1,453	1,675	1,939	2,288
Offshore funds and advisory mandates	43	19	28	34	40

Key Ratios (%)

Y/E Mar (%)	FY16	FY17	FY18P	FY19E	FY20E
Invest. Management fees/AAAUM	0.76	0.67	0.71	0.69	0.67
Revenue from operations/ AAAUM	0.78	0.69	0.72	0.70	0.69
Total Revenue/ AAAUM	0.86	0.76	0.83	0.79	0.77
Marketing Expense/AAAUM	0.24	0.21	0.23	0.20	0.20
Operating Expenses/AAAUM	0.52	0.45	0.50	0.44	0.44
PBT/AAAUM	0.34	0.31	0.33	0.35	0.34
PAT/AAAUM	0.26	0.21	0.24	0.24	0.23
ROE	23.8	21.9	25.0	26.4	29.7

Per Share Data (Rs)	FY16	FY17	FY18P	FY19E	FY20E
EPS	6.5	6.9	8.7	10.2	11.7
BVPS	29.3	30.9	37.4	38.3	38.8
DPS	2.4	4.0	6.0	7.5	9.2

Valuations (x)	FY16	FY17	FY18P	FY19E	FY20E
PE	36.7	34.7	27.2	23.2	20.3
P/BV	8.1	7.7	6.4	6.2	6.1
Mkt cap/AUM	9.5%	7.4%	6.5%	5.5%	4.6%
Dividend yield (%)	1.0	1.7	2.5	3.2	3.9

Growth (%)	FY16	FY17	FY18P	FY19E	FY20E
Investment Management fees	41.2	9.5	23.7	13.8	16.7
Total Revenue	37.6	9.3	26.4	13.2	16.8
Operating Expenses	61.1	8.0	27.4	4.8	18.6
PAT	11.8	1.6	29.7	17.2	14.4
AAAUM	23.1	23.4	16.0	18.0	20.0

Quarterly (Rsmn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	4,190	4,362	4,704	5,140	4,240
Total Revenue/ Avg. AUM (%) (Annualized)	0.75	0.75	0.77	0.84	0.71
PAT	1,090	1,224	1,301	1,620	1,110
PAT/Avg. AUM (%) (Annualized)	0.20	0.21	0.21	0.26	0.18
QAAUM (Rsbn)	2,230	2,314	2,436	2,449	2,404

Source: Company, Emkay Research

Shriram City Union Finance

Refer to important disclosures at the end of this report

Back on growth track

We hosted Mr. Jai Singh Ponde, Vice President – Investor Relations of Shriram City Union Finance Ltd (SCUF), at our India Conference to share company insights.

Key Meeting Takeaways

- SCUF has not yet passed on the rate hikes to its customers; however, it is now looking at selectively raising rates post the most recent rate hike by the RBI.
- SCUF has maintained its credit cost guidance of 3-3.1% for FY19. It has also maintained its AUM growth guidance of 18-20% for FY19 although it is optimistic on exceeding the guidance.
- The steady-state borrowing mix for SCUF is 50-52% bank borrowings, 17-20% public deposits and the remaining from money markets. SCUF has surpassed its commercial paper (CP) limit and the current outstanding is equivalent to 15% of the total borrowings.
- SCUF does not carry a meaningful securitized book as it has never actively looked at securitization as a funding tool. Since the securitized pool has an interest cap of 8%, SCUF will have to lend at lower rates than its current average yields to be able to securitize – not a pragmatic option from a business stand point.
- SCUF recently got a credit rating upgrade from CRISIL to AA. This should help in further opening up the CP market for SCUF in terms of broader interest and improved demand.
- For SCUF, SME loans are largely sourced directly by their own sales team. Only for higher quantum loans, DSA referrals are part of the sourcing mix (60:40 in favor of DSA). The DSAs charge a commission of ~2%. It is only referral and no ownership of loan by DSA.
- 80% of the lower-ticket SME book is under pressure and have average yields of 18-21%. SCUF is lending at ~18% to repeat customers in this category to drive retention. The balance 20% high-ticket-size customers provide a lower average yield of 14-15% (secured + unsecured).
- The 2W finance business is entirely dealer driven, and dealers are paid 1.75-2% as commission.
- SCUF's market share in the 2W finance market is 22-23%, while the overall penetration of finance is ~35% of actual sales, with this rising to 40-42% during festival season.
- SCUF has an on-book loan exposure of Rs4bn to group company SVL. Out of this, Rs2.5bn is directly lent to SVL, while Rs0.5bn each is lent to three wholly owned subsidiaries of SVL (excluding Shriram EPC). All these loans are standard and are being repaid on time.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	24,726	29,001	34,339	39,514	45,856
Net profit	5,298	5,561	6,647	8,614	11,231
EPS (Rs)	80.3	84.2	100.7	130.5	170.2
ABV (Rs)	652.0	718.4	743.9	853.5	986.5
RoA (%)	2.7	2.5	2.5	2.7	3.0
RoE (%)	12.3	11.7	12.5	14.6	16.6
PE (x)	24.6	23.4	19.6	15.1	11.6

Source: Company, Emkay Research

CMP	Target Price
Rs 1,972	Rs 2,448 (■)
as of (August 11, 2018)	12 months
Rating	Upside
ACCUMULATE (■)	24.1 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	130.5	170.2
Consensus	142.7	177.9
Mean Consensus TP (12M)	Rs 2,443	

Stock Details

Bloomberg Code	SCUF IN
Face Value (Rs)	10
Shares outstanding (mn)	66
52 Week H/L	2,454 / 1,801
M Cap (Rs bn/USD bn)	130 / 1.89
Daily Avg Volume (nos.)	46,168
Daily Avg Turnover (US\$ mn)	1.3

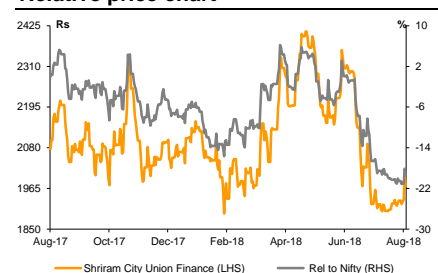
Shareholding Pattern Jun '18

Promoters	33.8%
FIIIs	23.8%
DIIIs	7.6%
Public and Others	34.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	(16)	2	(6)
Rel. to Nifty	(4)	(21)	(7)	(20)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	24,049	28,473	33,686	38,731	44,917
Other income	676	528	652	783	939
Fee income	0	0	0	0	0
Net income	24,726	29,001	34,339	39,514	45,856
Operating expenses	10,494	11,359	13,624	15,923	18,601
Pre provision profit	14,232	17,642	20,715	23,590	27,255
PPP excl treasury	14,232	17,642	20,715	23,590	27,255
Provisions	6,163	9,105	10,537	10,339	9,977
Profit before tax	8,068	8,536	10,178	13,252	17,278
Tax	2,771	2,976	3,531	4,638	6,047
Tax rate	34	35	35	35	35
Profit after tax	5,298	5,561	6,647	8,614	11,231

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	659	659	660	660	660
Reserves	44,457	49,625	55,002	62,073	71,760
Net worth	45,116	50,284	55,662	62,732	72,419
Deposits	0	0	0	0	0
Borrowings	144,084	170,420	204,207	240,231	293,418
Total liabilities	208,544	245,365	289,684	338,566	406,343
Cash and bank	6,419	6,371	5,321	3,159	7,471
Investments	7,923	7,145	7,280	8,408	10,270
Loans	191,406	229,614	274,869	324,636	386,076
Others	1,947	1,453	1,425	1,495	1,572
Total assets	208,544	245,365	289,684	338,566	406,343

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	13.6	13.6	13.6	13.2	13.0
RoA	2.7	2.5	2.5	2.7	3.0
RoAE	12.3	11.7	12.5	14.6	16.6
GNPA (%)	4.7	6.3	8.5	8.4	7.9
NNPA (%)	1.4	1.7	3.2	2.7	2.6

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	80.3	84.2	100.7	130.5	170.2
BVPS	683.5	761.8	843.4	950.5	1,097.2
ABVPS	652.0	718.4	743.9	853.5	986.5
DPS	15.0	15.0	18.0	20.0	20.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	24.6	23.4	19.6	15.1	11.6
P/BV	3.0	2.7	2.7	2.3	2.0
P/ABV	2.9	2.7	2.6	2.2	1.9
Dividend Yield (%)	0.8	0.8	0.9	1.0	1.0

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	16.6	18.4	18.3	15.0	16.0
PPOP	9.9	24.0	17.4	13.9	15.5
PAT	(5.1)	5.0	19.5	29.6	30.4
Loans	20.5	20.0	19.7	18.1	18.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	8,234	8,725	9,157	8,118	9,377
NIM(%)	13.9	14.2	14.4	12.1	13.2
PPOP	5,041	5,412	5,449	4,877	5,685
PAT	2,001	1,983	2,255	470	2,296
EPS (Rs)	30.34	30.07	34.19	7.13	34.78

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	33.8	33.8	33.8	33.8	33.8
FIIIs	22.3	22.4	25.8	25.4	23.8
DIIIs	5.8	5.6	5.6	6.0	7.6
Public and Others	38.2	38.2	34.9	34.9	34.9

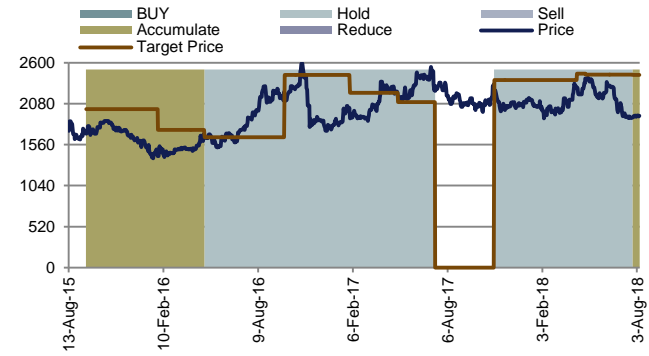
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jul-18	1,907	2,448	12m	Accumulate	Jignesh Shial
29-May-18	2,146	2,449	12m	Hold	Jignesh Shial
27-Apr-18	2,395	2,449	12m	Hold	Jignesh Shial
10-Apr-18	2,280	2,464	12m	Hold	Jignesh Shial
3-Nov-17	2,247	2,380	12m	Hold	Umang Shah
18-Sep-17	2,152	-	12m	UR	Umang Shah
2-Aug-17	2,326	-	12m	UR	Umang Shah
13-Jul-17	2,243	-	12m	UR	Umang Shah
3-May-17	2,139	2,100	12m	Hold	Umang Shah
31-Jan-17	1,894	2,220	12m	Hold	Umang Shah
28-Oct-16	2,497	2,445	12m	Hold	Umang Shah
28-Sep-16	2,181	2,445	12m	Hold	Umang Shah
24-Jun-16	1,592	1,655	12m	Hold	Umang Shah
28-Apr-16	1,659	1,655	12m	Hold	Umang Shah
30-Jan-16	1,415	1,748	12m	Accumulate	Umang Shah
30-Oct-15	1,840	2,013	12m	Accumulate	Umang Shah
15-Sep-15	1,700	2,013	12m	Accumulate	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Shriram Transport Finance

Refer to important disclosures at the end of this report

Best bet to play CV cycle

We hosted Mr. Sanjay Mundra, Vice President – Investor Relations of Shriram Transport Finance Co Ltd, at our India Conference to share company insights.

Key Meeting Takeaways

- The recent rate hikes by the RBI have led to higher cost of funds; however, at the same time, yields have also risen by 25-30bps.
- SHTF has maintained its opex guidance at ~22% cost-to-income ratio and should achieve this on a steady-state basis by Q3FY19.
- Under IND AS, securitization is on-book and assignment is off-book. For SHTF, the assignment book, at less than Rs1bn, is largely immaterial. On the other hand, the securitization book is sizable and a vital source of funds, with a cost advantage of 30-50bps. In addition, it does not count toward the buying bank's exposure limits for SHTF in terms of sector limit and group limit.
- Credit rating agencies always used to consider securitization as on-book exposure irrespective of the accounting standards used; hence, ratings will not be affected by the treatment of securitization as on-book under IND AS.
- All the PD and LGD calculations are based on four years of back data, which will keep rolling forward accordingly every quarter. SHTF pointed out that currently all the PDs and LGD are looking inflated for this reason despite experiencing one entire year of improving asset quality as the prior three years were bad. With performance improving consistently, ECLs are expected to trend lower.
- SHTF's exposure to SVL is in form of a Rs8bn corporate guarantee, which provides a commission of 1% to SHTF. The guarantee is maturing in Jun'19 and it is currently a standard asset. SVL's equity shares are pledged with SHTF as a security for this guarantee. SVL's debt is consistently decreasing and the company is looking at multiple fund-raising options, such as asset sale, stake sale and fresh equity infusion.
- On the CV axle load notification, SHTF does not expect any impact on used vehicle pricing as they were already being overloaded. While for HCVs (one-third of the total CV sales), which normally ply on national highways, 60% cannot overload as either they are car carriers or tankers or some industry-specific vehicles. As a result, there is no change for such HCVs due to the above-mentioned notification.
- The scrappage policy will not have any impact on LCVs as the average life of these vehicles is limited to 12-13 years.
- SHTF has always focused on organic book value growth through profit accruals; however, the company will take a call on equity capital raising after 2-3 quarters based on growth momentum.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net income	50,295	57,188	69,696	81,708	96,452
Net profit	11,782	12,656	14,314	22,559	30,238
EPS (Rs)	51.9	55.8	68.6	99.4	133.3
ABV (Rs)	412.3	448.3	489.1	589.7	699.3
RoA (%)	1.9	1.8	1.9	2.3	2.6
RoE (%)	12.2	11.8	13.0	16.1	18.1
PE (x)	27.2	25.3	20.6	14.2	10.6

Source: Company, Emkay Research

CMP	Target Price
Rs 1,411	Rs 1,810 (■)
as of (August 11, 2018)	12 months
Rating	Upside
BUY (■)	28.3 %

Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	99.4	133.3
Consensus	107.9	132.7
Mean Consensus TP (12M)	Rs 1,695	

Stock Details	
Bloomberg Code	SHTF IN
Face Value (Rs)	10
Shares outstanding (mn)	227
52 Week H/L	1,671 / 898
M Cap (Rs bn/USD bn)	320 / 4.65
Daily Avg Volume (nos.)	1,625,969
Daily Avg Turnover (US\$ mn)	30.5

Shareholding Pattern Jun '18	
Promoters	26.1%
FIIIs	47.4%
DIIIs	5.7%
Public and Others	20.8%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	17	(6)	8	51
Rel. to Nifty	12	(12)	(2)	30

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net interest income	47,388	54,452	66,126	77,845	92,269
Other income	2,907	2,735	3,570	3,863	4,183
Fee income	0	0	0	0	0
Net income	50,295	57,188	69,696	81,708	96,452
Operating expenses	13,473	13,364	16,043	18,558	21,590
Pre provision profit	36,822	43,824	53,653	63,151	74,862
PPP excl treasury	36,822	43,824	53,653	63,151	74,862
Provisions	19,008	24,443	31,221	29,329	29,527
Profit before tax	17,814	19,380	22,432	33,821	45,335
Tax	6,032	6,724	8,118	11,263	15,097
Tax rate	34	35	36	33	33
Profit after tax	11,782	12,656	14,314	22,559	30,238

Balance Sheet

Y/E Year End (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity	2,269	2,269	2,269	2,269	2,269
Reserves	99,272	111,050	123,611	151,655	178,324
Net worth	101,541	113,319	125,880	153,924	180,593
Deposits	0	0	0	0	0
Borrowings	497,907	530,796	633,192	742,193	883,378
Total liabilities	679,633	744,457	884,860	1,048,128	1,242,120
Cash and bank	23,639	44,453	36,375	47,043	51,601
Investments	13,562	15,202	14,952	18,555	22,084
Loans	637,701	678,396	827,400	976,212	1,161,913
Others	3,722	5,064	4,934	4,998	5,069
Total assets	679,633	744,457	884,860	1,048,128	1,242,120

Key Ratios (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
NIM	7.2	7.2	7.6	7.4	7.4
RoA	1.9	1.8	1.9	2.3	2.6
RoAE	12.2	11.8	13.0	16.1	18.1
GNPA (%)	6.1	8.0	8.9	9.8	9.0
NNPA (%)	1.8	2.4	2.6	2.9	2.7

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	51.9	55.8	68.6	99.4	133.3
BVPS	447.5	499.5	554.8	678.4	796.0
ABVPS	412.3	448.3	489.1	589.7	699.3
DPS	10.0	10.0	11.0	12.0	13.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	27.2	25.3	20.6	14.2	10.6
P/BV	3.4	3.1	2.9	2.4	2.0
P/ABV	3.4	3.2	2.9	2.4	2.0
Dividend Yield (%)	0.7	0.7	0.8	0.9	0.9

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
NII	34.1	14.9	21.4	17.7	18.5
PPOP	27.5	19.0	22.4	17.7	18.5
PAT	(4.8)	7.4	13.1	57.6	34.0
Loans	25.6	6.4	22.0	18.0	19.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
NII	15,390	16,324	17,094	18,076	18,403
NIM(%)	7.6	7.8	7.8	7.8	7.5
PPOP	12,144	13,162	13,486	15,599	14,142
PAT	4,597	4,791	4,956	1,446	5,717
EPS (Rs)	20.26	21.11	21.84	6.37	25.20

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	26.1	26.1	26.1	26.1	26.1
FIIIs	49.5	48.1	49.7	49.5	47.4
DIIIs	3.0	4.9	3.5	4.0	5.7
Public and Others	21.5	20.9	20.7	20.4	20.8

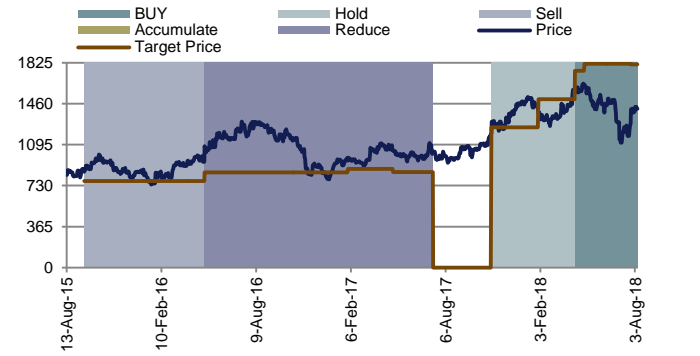
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jul-18	1,411	1,810	12m	Buy	Jignesh Shial
29-May-18	1,526	1,818	12m	Buy	Jignesh Shial
28-Apr-18	1,627	1,818	12m	Buy	Jignesh Shial
10-Apr-18	1,561	1,754	12m	Buy	Jignesh Shial
30-Jan-18	1,375	1,501	12m	Hold	Umang Shah
1-Nov-17	1,197	1,250	12m	Hold	Umang Shah
18-Sep-17	1,085	-	12m	UR	Umang Shah
31-Jul-17	1,017	-	12m	UR	Umang Shah
13-Jul-17	1,026	-	12m	UR	Umang Shah
27-Apr-17	1,041	850	12m	Reduce	Umang Shah
31-Jan-17	955	880	12m	Reduce	Umang Shah
26-Oct-16	1,128	849	12m	Reduce	Umang Shah
6-Sep-16	1,238	849	12m	Reduce	Umang Shah
28-Jul-16	1,233	849	12m	Reduce	Umang Shah
2-May-16	1,083	849	12m	Reduce	Umang Shah
1-Feb-16	810	771	12m	Sell	Umang Shah
30-Oct-15	943	771	12m	Sell	Umang Shah
15-Sep-15	855	771	12m	Sell	Umang Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

ICICI Prudential Life Insurance

Refer to important disclosures at the end of this report

Perseverance in action; Persistency in numbers

We hosted Mr. Dhiren C. Salian, Senior VP - Finance and Mr. Mukesh Boobana, VP - Finance of ICICI Prudential Life Insurance Ltd at our Annual India conference to share company insights:

Key Meeting Takeaways

- Mr. N.S. Kannan took charge of the company as MD from June'18, replacing Mr. Sandeep Bakshi. Mr. Kannan has been on ICICI Prudential's (IPRU's) Board from 2005-2009 in an executive capacity. As per the company, only articulation has changed with the overall strategy remaining same as before.
- IPRU shared its sense of the changing industry landscape, particularly the greater focus on the Protection business on account of gross under penetration and better adaptability & acceptability of the product (especially among youngsters).
- IPRU expects the Protection segment to continue its growth momentum at a much faster pace v/s the Savings segment. It expects the Savings segment to grow in line with GDP growth. In Protection business also, credit life is growing faster than Retail and Group Term Insurance (GTI).
- For IPRU, focus remains on growing absolute value of the value of new business (VNB) largely on the back of retail-driven business, multi-channel distribution strategy, improving persistency and a better product mix (with technology acting as an enabler).
- Persistency trends has been improving with more focus on the later buckets. IPRU has not factored in savings persistency variance in its assumptions and has kept it unchanged at 82.5% in its forecast vis-à-vis the prevailing 13M persistency of 86% (ex-single premium). The same is positive for margins per se, which is a reflection of better product mix, persistency assumptions and contained operating cost.
- After reporting a weak Q1FY19 largely on the back of a higher base, IPRU expects sales to pick up from Q2FY19 with better growth visibility coming only from 2HFY19 due to inherent seasonality in the insurance business.
- On the regulatory side, it doesn't foresee any threat in the near term, allaying investor concerns on the negativity around credit life products being priced at a premium to regular protection products. This is on account of lower underwriting requirements in the credit life product design requiring higher premium.
- On the distribution side, it is looking at adding more partners that are also focused on Protection. Although it does not disclose number of partnerships added, it is seeing significant traction in the same.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Profit	16,505	16,822	16,198	15,553	17,856
EPS (Rs)	11.5	11.7	11.3	10.8	12.4
VNB	4,120	6,660	12,860	14,695	17,876
VNB margin %	8.0	10.1	16.5	17.8	18.5
EV	139,390	161,840	187,900	217,682	254,870
ROEV %	15.4	16.5	22.7	18.5	18.9
P/EV (x)	4.2	3.6	3.1	2.7	2.3

Source: Company, Emkay Research

CMP	Target Price
Rs 417	Rs 501 (■)
as of (August 11, 2018)	12 months
Rating	Upside
BUY (■)	20.1 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	10.8	12.4
Consensus	11.9	13.1
Mean Consensus TP (12M)	Rs 514	

Stock Details

Bloomberg Code	IPRU IN
Face Value (Rs)	10
Shares outstanding (mn)	1,436
52 Week H/L	461 / 347
M Cap (Rs bn/USD bn)	599 / 8.70
Daily Avg Volume (nos.)	1,681,685
Daily Avg Turnover (US\$ mn)	9.8

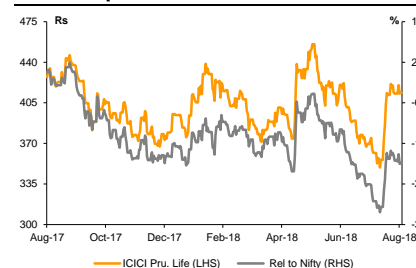
Shareholding Pattern Jun '18

Promoters	78.7%
FIIIs	8.5%
DIIIs	4.4%
Public and Others	8.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	(7)	1	1
Rel. to Nifty	7	(13)	(8)	(13)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net earned premium	189,987	221,552	268,107	322,066	381,974
Income from investments	12,084	149,769	112,615	130,899	177,411
Contribution from the shareholders fund	0	18	753	0	0
Miscellaneous income	209	590	700	770	847
Total income	202,279	371,930	382,174	453,735	560,232
Commissions	6,200	7,589	14,033	16,652	19,533
Operating expenses	18,883	23,572	20,299	25,734	29,786
Provisions	3,643	4,288	5,727	6,716	7,839
Total expenses	28,726	35,450	40,059	49,102	57,159
Benefits paid (net)	124,274	149,979	172,808	163,450	212,958
Change in liabilities (net)	35,155	174,976	154,475	227,770	274,480
Total	159,429	324,954	327,283	391,219	487,438
Surplus	14,124	11,527	14,833	13,413	15,636
Tax	704	788	1,201	1,424	1,680
Net surplus	13,421	10,738	13,632	11,990	13,955
Transfer to shareholders account	12,076	11,315	10,892	9,134	10,737

Shareholders Account-Y/E (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Transfer from policyholders account	12,076	11,315	10,892	9,134	10,737
Income from investments	5,996	6,647	7,395	7,443	8,250
Other income	0	285	48	0	0
Total income	18,072	18,248	18,336	16,576	18,986
Expenses	313	380	388	426	469
Provisions	44	0	0	0	0
Contribution to policyholders account	0	18	753	0	0
Profit before tax	17,716	17,850	17,196	16,150	18,517
Tax	1,211	1,028	997	596	661
Net profit	16,505	16,822	16,198	15,553	17,856

Balance Sheet

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
Sources of funds					
Share capital	14,323	14,353	14,355	14,355	14,355
Reserve and surplus	36,415	46,996	51,409	56,032	63,996
Fair value change account credit/(debit)	2,509	2,731	3,081	3,081	3,081
Net worth (including fair value change)	53,248	64,080	68,845	73,468	81,432
Policyholders funds	965,784	1,148,941	1,306,111	1,535,513	1,809,992
Funds for future appropriations	6,619	6,042	8,782	11,638	14,856
Total liabilities	1,025,651	1,219,063	1,383,736	1,620,618	1,906,280
Application of funds					
Shareholders investments	62,157	66,403	77,493	82,697	91,661
Policyholders investments	215,156	270,674	332,889	408,025	503,530
Assets to cover linked liabilities	752,958	878,783	975,020	1,127,488	1,306,463
Loans	443	806	1,451	1,451	1,451
Fixed assets	2,195	2,138	4,221	4,221	4,221
Net current assets (A-B)	(7,258)	259	(7,336)	(3,263)	(1,045)
Miscellaneous expenditure	0	0	0	0	0
Debit balance in p&l	0	0	0	0	0
Total assets	1,025,651	1,219,063	1,383,736	1,620,618	1,906,280

Key Ratio (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
Conservation ratio %	85.2	83.6	85.7	85.6	85.6
Commissions ratio %	3.3	3.4	5.2	5.2	5.1
Opex ratio %	9.9	10.6	7.6	8.0	7.8
ROA %	1.6	1.5	1.2	1.0	1.0
ROE %	31.2	28.7	24.4	21.9	23.1
Dividend payout ratio %	72.9	62.7	59.4	52.6	36.2

EV Data	FY16	FY17	FY18	FY19E	FY20E
Embedded value (Rs mn)	139,390	161,840	187,900	217,682	254,870
Value of new business (Rs mn)	4,120	6,660	12,860	14,695	17,876
EVOP (Rs mn)	21,220	22,950	36,810	34,800	41,168
ROEV %	15.4	16.5	22.7	18.5	18.9
VNB margin %	8.0	10.1	16.5	17.8	18.5

Source: Company, Emkay Research

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	11.5	11.7	11.3	10.8	12.4
DPS	8.4	7.3	6.7	5.7	4.5
BVPS	37.1	44.6	48.0	51.2	56.7

Valuation (x)	FY16	FY17	FY18	FY19E	FY20E
P/E	35.1	34.5	35.8	37.3	32.5
P/B	10.9	9.0	8.4	7.9	7.1
P/EV	4.2	3.6	3.1	2.7	2.3
P/VNB	140.4	87.0	45.1	39.5	32.4
Dividend yield (%)	2.1	1.8	1.7	1.4	1.1

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
GWP	25.2	16.6	21.1	20.2	18.7
New business premium (NBP)	26.9	16.2	17.1	18.9	21.6
Annualized premium equivalent (APE)	9.9	27.2	16.1	9.4	16.9
Retail APE	8.1	29.0	16.4	10.3	17.0
Commissions	12.1	22.4	84.9	18.7	17.3
Operating expenses	14.3	24.8	(13.9)	26.8	15.7
Net income	1.0	1.9	(3.7)	(4.0)	14.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Net earned premium	48,202	65,395	67,951	86,558	54,378
Total income	84,581	95,422	135,730	73,133	79,187
Total expenses	80,302	90,931	130,920	69,517	76,347
Net income	4,058	4,212	4,521	3,408	2,816
EPS (Rs)	2.83	2.93	3.15	2.37	1.96

Source: Capitaline

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	80.7	80.7	80.7	80.7	78.7
FIIIs	6.3	5.8	5.6	6.5	8.5
DIIIs	3.5	3.5	3.5	3.7	4.4
Public and Others	9.6	10.0	10.2	9.1	8.4

Source: Capitaline

SBI Life Insurance

Refer to important disclosures at the end of this report

Strong roots in place; time to bear fruits

We hosted Ms. Smita Verma, Vice President - Finance of SBI Life Insurance Ltd at our Annual India conference to share company insights:

Key Meeting Takeaways

- SBI Life (SBIL) shared their key strategies for the next 3 years. The company has already started working towards the same with a renewed rigor led by Mr. Sanjeev Nautiyal, MD & CEO, who took charge from April, 2018.
- Better product mix (with focus towards Protection), improving persistency and digital initiatives will be the main divers to improve value of new business (VNB) margins.
- It is targeting 25% growth in new business premium (NBP) in FY19. Further, over the next two years, it targets to improve VNB margin (on effective tax basis) by 200bps. Return on embedded value (ROEV) is expected to be stable ~20%. SBIL targets to improve its 13th month persistency to 85-86% in FY19 from ~83% currently.
- SBIL launched two new products - Poorna Suraksha and Cancer Care - in Q4FY18, which has now started to see good traction. Credit life single premium product launched in March'18 is doing exceptionally well. Further, the company is focusing on individual protection, which grew by 76% yoy in Q1FY19 on Annualized Premium Equivalent (APE) basis.
- It targets broadly similar product mix as seen in Q1FY19 with protection contribution at 10% of NBP (5% on APE basis). Given that it has launched single premium credit life product (replacing earlier regular premium product) in March'18, numbers on APE basis will not reflect the true picture.
- The company is also aggressively looking to increase the number of tie-ups. SBIL has entered into a partnership with 31 entities for its credit protection business. It is also looking to add new Bancassurance partners and has raised RFP's with PSBs. It is awaiting results of the same.
- Bancassurance channel contributes 61% (of which 90% comes from SBI Bank), agency channel contributes ~23% with the balance coming from direct & online channels. SBIL is now looking to improve productivity within the bank and is focusing on cross-selling and upselling opportunities through this channel. It also has strong focus on agency channel (net additions of 3.8K agents in Q1FY19 to 112K). It plans to take the number of agents to 150K over the next 2-3 years.
- On the digital side, it has started doing predictive analysis to improve persistency; it is using data analytics for cross-selling and up-selling and employing customer propensity analysis to check customer behavior.
- SBIL expects sales to pick up from Q2FY19 with better visibility of growth coming only from 2HFY19 due to inherent seasonality in the insurance business.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Profit	8,610	9,547	11,504	12,976	15,218
EPS (Rs)	8.6	9.5	11.5	13.0	15.2
VNB	na	10,367	13,855	18,429	24,054
VNB margin %	na	15.4	16.2	18.2	19.1
EV	125,475	165,378	190,834	224,027	265,833
ROEV %	na	23.0	17.9	18.7	19.7
P/EV (x)	5.3	4.1	3.5	3.0	2.5

Source: Company, Emkay Research

CMP	Target Price
Rs 651	Rs 894 (■)
as of (August 11, 2018)	12 months
Rating	Upside
BUY (■)	37.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	13.0	15.2
Consensus	13.9	15.8
Mean Consensus TP (12M)	Rs 851	

Stock Details

Bloomberg Code	SBILIFE IN
Face Value (Rs)	10
Shares outstanding (mn)	1,000
52 Week H/L	775 / 625
M Cap (Rs bn/USD bn)	651 / 9.46
Daily Avg Volume (nos.)	383,927
Daily Avg Turnover (US\$ mn)	3.8

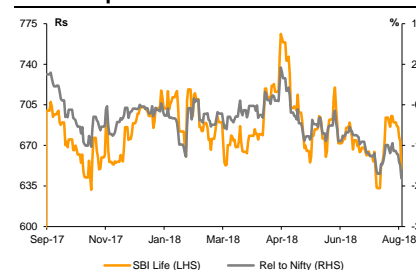
Shareholding Pattern Jun '18

Promoters	84.1%
FIIIs	4.3%
DIIIs	4.9%
Public and Others	6.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	(9)	(8)	-
Rel. to Nifty	(6)	(14)	(16)	-

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net earned premium	156,655	208,525	251,601	325,112	414,375
Income from investments	33,409	92,950	84,563	120,954	154,454
Contribution from the shareholders fund	931	627	756	0	0
Miscellaneous income	197	674	686	754	830
Total income	191,191	302,775	337,605	446,820	569,659
Commissions	7,143	7,833	11,209	13,753	17,096
Operating expenses	14,581	16,465	17,188	23,651	30,060
Provisions	1,753	2,223	3,527	4,677	6,061
Total expenses	23,477	26,522	31,924	42,081	53,218
Benefits paid (net)	79,669	95,502	117,123	125,084	157,684
Change in liabilities (net)	79,869	172,410	175,950	265,571	342,166
Total	159,538	267,912	293,073	390,655	499,850
Surplus	8,176	8,342	12,609	14,084	16,591
Tax	1,533	1,798	2,380	2,744	3,451
Net surplus	6,644	6,544	10,229	11,340	13,140
Transfer to shareholders account	6,656	6,546	8,294	9,062	10,337

Shareholders Account-Y/E (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Transfer from policyholders account	6,656	6,546	8,294	9,062	10,337
Income from investments	3,178	4,016	4,521	4,661	5,788
Other income	79	82	113	130	150
Total income	9,913	10,644	12,928	13,852	16,274
Expenses	240	275	319	367	423
Provisions	4	(4)	7	0	0
Contribution to policyholders account	931	627	756	0	0
Profit before tax	8,738	9,746	11,845	13,485	15,852
Tax	127	199	341	509	634
Net profit	8,610	9,547	11,504	12,976	15,218

Balance Sheet

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
Sources of funds					
Share capital	10,000	10,000	10,000	10,000	10,000
Reserve and surplus	36,907	44,648	53,745	64,310	77,116
Fair value change account credit/(debit)	424	873	1,534	1,534	1,534
Net worth (including fair value change)	47,331	55,521	65,278	75,843	88,650
Policyholders funds	759,912	936,732	1,114,345	1,379,214	1,711,953
Funds for future appropriations	2	0	1,935	4,214	7,017
Total liabilities	807,246	992,252	1,181,558	1,459,271	1,807,619
Application of funds					
Shareholders investments	35,649	42,955	50,143	58,259	68,096
Policyholders investments	382,559	469,617	544,857	658,535	795,613
Assets to cover linked liabilities	360,219	445,730	549,359	709,977	915,064
Loans	1,236	1,782	1,709	1,709	1,709
Fixed assets	4,472	5,385	5,813	5,813	5,813
Net current assets (A-B)	23,111	26,783	29,677	24,978	21,324
Miscellaneous expenditure	0	0	0	0	0
Debit balance in p&l	0	0	0	0	0
Total assets	807,246	992,252	1,181,558	1,459,271	1,807,619

Key Ratio (%)

Y/E Year End	FY16	FY17	FY18	FY19E	FY20E
Conservation ratio %	81.7	81.4	84.2	84.4	84.4
Commissions ratio %	4.6	3.8	4.5	4.2	4.1
Opex ratio %	9.3	7.9	6.8	7.3	7.3
ROA %	1.1	1.1	1.1	1.0	0.9
ROE %	19.6	18.6	19.0	18.4	18.5
Dividend payout ratio %	13.9	15.7	17.4	19.3	19.7

EV Data	FY16	FY17	FY18	FY19E	FY20E
Embedded value (Rs mn)	125,475	165,378	190,834	224,027	265,833
Value of new business (Rs mn)	na	10,367	13,855	18,429	24,054
EVOP (Rs mn)	na	28,873	29,655	35,604	44,216
ROEV %	na	23.0	17.9	18.7	19.7
VNB margin %	na	15.4	16.2	18.2	19.1

Source: Company, Emkay Research

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	8.6	9.5	11.5	13.0	15.2
DPS	1.2	1.5	2.0	2.5	3.0
BVPS	47.3	55.5	65.3	75.8	88.6

Valuation (x)	FY16	FY17	FY18	FY19E	FY20E
P/E	77.8	70.2	58.2	51.6	44.0
P/B	14.2	12.1	10.3	8.8	7.6
P/EV	5.3	4.1	3.5	3.0	2.5
P/VNB	na	64.6	48.4	36.4	27.9
Dividend yield (%)	0.2	0.2	0.3	0.4	0.4

Source: Company, Emkay Research

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
GWP	23.0	32.8	20.6	29.2	27.4
New business premium (NBP)	28.5	42.7	8.1	25.4	27.2
Annualized premium equivalent (APE)	37.4	35.3	27.6	20.3	24.3
Retail APE	37.0	38.9	31.1	24.0	25.0
Commissions	18.3	9.7	43.1	22.7	24.3
Operating expenses	24.0	12.9	4.4	37.6	27.1
Net income	5.0	10.9	20.5	12.8	17.3

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Net earned premium	37,626	53,846	67,762	92,367	47,545
Total income	64,988	78,495	97,074	100,927	69,929
Total expenses	61,766	76,168	94,669	97,035	66,296
Net income	3,134	2,255	2,303	3,812	3,543
EPS (Rs)	3.13	2.25	2.30	3.81	3.54

Source: Capitaline

Shareholding Pattern (%)	Sep-17	Oct-17	Dec-17	Mar-18	Jun-18
Promoters	84.1	84.1	84.1	84.1	84.1
FIIIs	4.1	4.1	4.4	4.4	4.3
DIIIs	3.0	3.0	4.2	4.4	4.9
Public and Others	8.8	8.8	7.3	7.0	6.7

Source: Capitaline

Cement

Orient Cement

Refer to important disclosures at the end of this report

Aggressive capex plan to drive growth

We hosted Mr Deepak Khetrpal, Managing Director & CEO at our Annual India Conference to share company/industry insights.

Key Meeting Takeaways

- Cement demand has been robust for the last few months in the key markets of the company - Andhra Pradesh, Telangana and Maharashtra. The management is hopeful of sustaining demand (led by infrastructure activities) and believes that Shree Cement's additional production from the new capacity will be absorbed quickly. Cement prices should improve post monsoon/festive season if demand remains as strong as it is now.
- Sales volume in FY19E is expected to be ~6.4mt at a capacity utilization of 80%. Devapur grinding unit has been operating at 100% capacity utilization for the last few months (90%+ in FY18) and the company is planning to increase the production capacity at this plant in the first phase.
- It has signed MoU with the Telangana government for capacity expansion and believes that limestone availability will be fulfilled for the next 50 years based on the expanded capacity. Devapur limestone mines are on forest tribal land and the only company doing mining in this area is Orient Cement. The company has applied for ECs (Environmental Clearances) for its planned capacity expansion.
- In the first phase of expansion, grinding capacity at Devapur will be increased by 1.5mt. The current clinker capacity at this plant is ~3.6mt, which would be increased by 0.5mt through de-bottlenecking. Post the de-bottlenecking, it plans to install additional clinker line of 6,000TPD at this plant. Surplus clinker from the new line will be used for a split grinding unit, either in Odisha or Coastal Andhra Pradesh. The location will be finalized based on the availability of slag/fly ash. It believes that split grinding unit's distance should be within 500km for fly ash based unit and 800km for slag based grinding unit.
- Capex for the above mentioned expansion will be Rs21bn (to be completed by H1FY21E) along with a WHRS (Waste Heat Recovery System) of 10MW. Additional power requirement post WHRS will be 20MW, which would be procured from outside as the power rates are expected to fall in Andhra Pradesh due to commissioning of a large renewable energy plant.
- In the 2nd phase of expansion, it will increase the capacity at Chittapur by installing a similar clinker capacity of 6,000TPD there and a split grinding unit closer to the high consumption areas of Bangalore and Mysore markets. Capex for this expansion will be Rs15bn and it will be completed by FY23E.
- Debt repayment is expected to be Rs520mn each year during FY19-21E. Lead distance for the company is below 300kms.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	14,624	18,748	22,223	24,822	27,184
EBITDA	1,856	1,781	3,052	3,478	3,994
EBITDA Margin (%)	12.7	9.5	13.7	14.0	14.7
APAT	623	(321)	442	760	1,139
EPS (Rs)	3.0	(1.6)	2.2	3.7	5.6
EPS (% chg)	(68.0)	(151.5)	0.0	71.8	49.9
ROE (%)	6.2	(3.2)	4.4	7.3	10.3
P/E (x)	37.8	(73.3)	53.2	31.0	20.7
EV/EBITDA (x)	19.4	20.3	11.7	10.0	8.4
P/BV (x)	2.3	2.4	2.3	2.2	2.1

Source: Company, Emkay Research

CMP	Target Price
Rs 115	Rs 116 (■)
as of (August 11, 2018)	12 months
Rating	Upside
SELL (■)	1.0 %

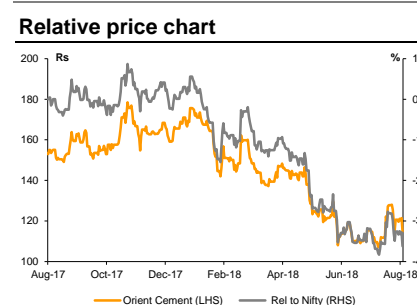
Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	N
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	3.7	5.6
Consensus	4.4	7.5
Mean Consensus TP (12M)	Rs 136	

Stock Details	
Bloomberg Code	ORCMNT IN
Face Value (Rs)	1
Shares outstanding (mn)	205
52 Week H/L	184 / 105
M Cap (Rs bn/USD bn)	24 / 0.34
Daily Avg Volume (nos.)	137,832
Daily Avg Turnover (US\$ mn)	0.2

Shareholding Pattern Jun '18	
Promoters	37.4%
FIIIs	7.0%
DIIIs	27.3%
Public and Others	28.3%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	-	(7)	(24)	(25)
Rel. to Nifty	(4)	(13)	(30)	(36)



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	14,624	18,748	22,223	24,822	27,184
Expenditure	12,769	16,966	19,172	21,345	23,190
EBITDA	1,856	1,781	3,052	3,478	3,994
Depreciation	778	1,215	1,262	1,319	1,360
EBIT	1,077	566	1,790	2,159	2,633
Other Income	76	123	202	230	244
Interest expenses	545	1,353	1,292	1,245	1,162
PBT	608	(665)	700	1,144	1,715
Tax	(15)	(344)	258	384	576
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	623	(321)	442	760	1,139
Adjusted PAT	623	(321)	442	760	1,139

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	205	205	205	205	205
Reserves & surplus	10,196	9,667	9,929	10,450	11,229
Net worth	10,401	9,872	10,134	10,654	11,434
Minority Interest	0	0	0	0	0
Loan Funds	12,850	13,365	12,454	11,654	10,854
Net deferred tax liability	1,099	750	750	750	750
Total Liabilities	24,349	23,986	23,338	23,058	23,038
Net block	22,065	22,956	22,876	22,557	22,196
Investment	0	0	0	0	0
Current Assets	4,504	4,905	5,584	6,219	6,816
Cash & bank balance	378	825	316	537	722
Other Current Assets	305	409	409	409	409
Current liabilities & Provision	4,614	4,857	5,622	6,218	6,475
Net current assets	(110)	49	(38)	2	341
Misc. exp	0	0	0	0	0
Total Assets	24,349	23,986	23,338	23,058	23,038

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	608	(665)	700	1,144	1,715
Other Non-Cash items	0	0	0	0	0
Chg in working cap	943	705	(603)	122	(275)
Operating Cashflow	2,716	2,573	2,393	3,446	3,386
Capital expenditure	(3,722)	(1,275)	(700)	(1,000)	(1,000)
Free Cash Flow	(1,007)	1,298	1,693	2,446	2,386
Investments	2	9	0	0	0
Other Investing Cash Flow	6	25	0	0	0
Investing Cashflow	(3,714)	(1,241)	(700)	(1,000)	(1,000)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	1,791	0	(910)	(800)	(800)
Dividend paid (incl tax)	(246)	(245)	0	(180)	(240)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	943	(1,622)	(2,203)	(2,224)	(2,202)
Net chg in cash	(55)	(290)	(510)	221	185
Opening cash position	427	378	825	316	537
Closing cash position	372	88	316	537	722

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	12.7	9.5	13.7	14.0	14.7
EBIT Margin	7.4	3.0	8.1	8.7	9.7
Effective Tax Rate	(2.5)	51.7	36.9	33.6	33.6
Net Margin	4.3	(1.7)	2.0	3.1	4.2
ROCE	5.0	2.8	8.4	10.3	12.5
ROE	6.2	(3.2)	4.4	7.3	10.3
RoIC	7.0	2.6	8.0	9.7	12.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.0	(1.6)	2.2	3.7	5.6
CEPS	6.8	4.4	8.3	10.1	12.2
BVPS	50.8	48.2	49.5	52.0	55.8
DPS	1.0	1.0	0.8	1.0	1.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	37.8	(73.3)	53.2	31.0	20.7
P/CEPS	16.8	26.3	13.8	11.3	9.4
P/BV	2.3	2.4	2.3	2.2	2.1
EV / Sales	2.5	1.9	1.6	1.4	1.2
EV / EBITDA	19.4	20.3	11.7	10.0	8.4
Dividend Yield (%)	0.9	0.9	0.7	0.9	1.3

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.2	1.3	1.2	1.0	0.9
Net Debt/EBIDTA	6.7	7.0	4.0	3.2	2.5
Working Cap Cycle (days)	(12.2)	(15.1)	(5.8)	(7.9)	(5.1)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(4.7)	28.2	18.5	11.7	9.5
EBITDA	(37.1)	(4.0)	71.3	14.0	14.8
EBIT	(56.5)	(47.5)	216.4	20.6	22.0
PAT	(68.0)	(151.5)	0.0	71.8	49.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	5,680	5,231	5,115	6,197	6,399
EBITDA	1,169	746	391	746	854
EBITDA Margin (%)	20.6	14.3	7.6	12.0	13.3
PAT	389	102	(177)	128	160
EPS (Rs)	1.9	0.5	(0.9)	0.6	0.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	37.5	37.5	37.5	37.4	37.4
FIs	7.5	6.6	6.5	7.0	7.0
DIs	25.0	25.3	26.3	26.8	27.3
Public and Others	30.0	30.6	29.7	28.9	28.3

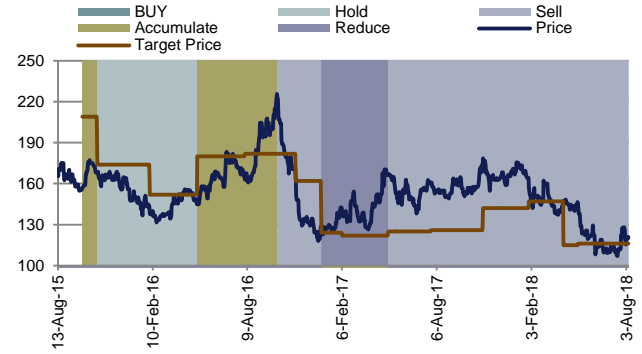
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
3-May-18	144	116	12m	Sell	Sanjeev Kumar Singh
5-Apr-18	147	115	12m	Sell	Sanjeev Kumar Singh
29-Jan-18	158	147	12m	Sell	Sanjeev Kumar Singh
15-Dec-17	159	142	12m	Sell	Sanjeev Kumar Singh
2-Nov-17	179	142	12m	Sell	Sanjeev Kumar Singh
26-Jul-17	160	126	12m	Sell	Sanjeev Kumar Singh
5-May-17	167	125	12m	Sell	Sanjeev Kumar Singh
6-Feb-17	140	122	12m	Reduce	Sanjeev Kumar Singh
28-Dec-16	126	124	12m	Reduce	Sanjeev Kumar Singh
9-Nov-16	162	162	12m	Sell	Sanjeev Kumar Singh
6-Oct-16	222	182	12m	Sell	Sanjeev Kumar Singh
23-Sep-16	201	182	12m	Accumulate	Sanjeev Kumar Singh
9-Sep-16	198	182	12m	Accumulate	Sanjeev Kumar Singh
4-Aug-16	163	182	12m	Accumulate	Sanjeev Kumar Singh
13-May-16	158	180	12m	Accumulate	Sanjeev Kumar Singh
5-May-16	149	180	12m	Accumulate	Sanjeev Kumar Singh
22-Apr-16	153	152	12m	Hold	Sanjeev Kumar Singh
21-Mar-16	151	152	12m	Hold	Sanjeev Kumar Singh
9-Feb-16	137	152	12m	Hold	Sanjeev Kumar Singh
4-Feb-16	138	152	12m	Hold	Sanjeev Kumar Singh
18-Jan-16	142	174	12m	Hold	Sanjeev Kumar Singh
11-Dec-15	156	174	12m	Hold	Sanjeev Kumar Singh
27-Oct-15	168	174	12m	Hold	Sanjeev Kumar Singh
28-Sep-15	157	209	12m	Accumulate	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Prism Johnson

Refer to important disclosures at the end of this report

Better outlook for all the key segments

We hosted Mr Munzal Shah, General Manager, Investor Relations, Prism Johnson Ltd at our Annual India Conference to share company/industry insights.

Key Meeting Takeaways

- Cement demand had been impacted for the last two years in key markets due to exogenous events like floods, demonetization, sand mining ban in Uttar Pradesh & Bihar and GST implementation issues. All these events are over now and demand has started picking up. Capacity utilization in the Satna cluster stood at 81% in FY18 and 83-85% in Q1FY19. Demand remains strong in all the markets and the company has seen gradual price improvement in its markets in the last six months.
- Demand is expected to remain robust, led by improvement in infrastructure activities and individual housing construction. There are not much capacities in the pipeline in the Satna cluster and only 4mt capacity (5% of installed capacities of Satna) from UltraTech is expected to get commissioned in the next one year.
- Volume is expected to be ~6mt in FY19 v/s 5.64mt in FY18 with EBITDA/tn of Rs800-850. It is planning to install a grinding unit of 1-1.5mt in UP, for which land acquisition will start soon. Capex for the grinding unit will be Rs2.5bn, out of which Rs300-400mn will be spent in FY19E. This unit should get commissioned by FY21E.
- The company plans to install a WHRS (Waste Heat Recovery System) of 15-18MW at a capex of Rs1.5bn, which should get completed by FY21E. Capex in the Cement business (grinding unit+ WHRS) will be done through internal accruals. The grinding unit will also have fiscal incentives from the UP state government.
- In the TBK segment, 40% of the capacities are in the South region, which faced problems earlier, as gas pipeline was not available in this region and the company had to start using LPG. Higher LPG prices led to 20% increase in production cost and margins got impacted. In FY18, the company reduced variable cost by 600bps and increased production capacity from 61msm to 68msm at a capex of Rs1.7bn. It also refurbished old plants in FY18.
- The company's innovation in Tiles has improved in the last six months and it also bridged product gaps in GVT and Large Format Tiles. It may also start exporting one Large Format Tiles in GVT to China. Around 30% of its sales force has been moved to improve traction at the ground level. Sales volume improved by 7% in this segment in Q1FY19.
- In the RMC segment, sales volume has improved to 50-55k cubic metres in the last 3 months v/s 20-25k cubic metres earlier and capacity utilization is at 37%. The volume can improve to 70-75k cubic metres/month and RoCE could be at 25% in 12-15 months.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	52,775	49,999	53,889	59,285	64,896
EBITDA	2,434	2,614	3,596	5,870	6,729
EBITDA Margin (%)	4.6	5.2	6.7	9.9	10.4
APAT	117	175	704	1,932	2,625
EPS (Rs)	0.2	0.3	1.4	3.8	5.2
EPS (% chg)	0.0	49.4	302.1	174.3	35.9
ROE (%)	1.2	1.8	7.1	17.2	19.4
P/E (x)	435.9	291.8	72.6	26.4	19.5
EV/EBITDA (x)	28.1	25.5	18.6	11.1	9.3
P/BV (x)	5.4	5.3	5.0	4.2	3.4

Source: Company, Emkay Research

CMP	Target Price
Rs 102	Rs 139 (■)
as of (August 13, 2018)	12 months
Rating	Upside
ACCUMULATE (■)	36.7 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	3.8	5.2
Consensus	3.8	5.7
Mean Consensus TP (12M)	Rs 131	

Stock Details

Bloomberg Code	PRSMJ IN
Face Value (Rs)	10
Shares outstanding (mn)	503
52 Week H/L	159 / 92
M Cap (Rs bn/USD bn)	51 / 0.74
Daily Avg Volume (nos.)	679,622
Daily Avg Turnover (US\$ mn)	1.1

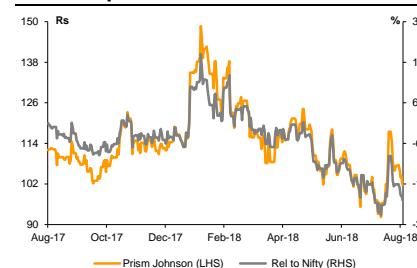
Shareholding Pattern Jun '18

Promoters	74.9%
FIIIs	6.5%
DIIIs	5.5%
Public and Others	13.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	(10)	(24)	(11)
Rel. to Nifty	(7)	(16)	(30)	(24)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	52,775	49,999	53,889	59,285	64,896
Expenditure	50,341	47,385	50,292	53,416	58,166
EBITDA	2,434	2,614	3,596	5,870	6,729
Depreciation	1,560	1,602	1,531	1,590	1,677
EBIT	874	1,012	2,066	4,280	5,053
Other Income	1,343	1,103	858	402	422
Interest expenses	2,400	1,834	1,873	1,799	1,557
PBT	(183)	281	1,051	2,883	3,918
Tax	(300)	106	347	951	1,293
Extraordinary Items	(36)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	81	175	704	1,932	2,625
Adjusted PAT	117	175	704	1,932	2,625

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	5,034	5,034	5,034	5,034	5,034
Reserves & surplus	4,371	4,523	5,227	7,159	9,784
Net worth	9,405	9,557	10,261	12,192	14,817
Minority Interest	0	0	0	0	0
Loan Funds	18,541	16,347	16,491	14,791	12,291
Net deferred tax liability	(363)	(639)	(564)	(564)	(564)
Total Liabilities	27,583	25,265	26,188	26,419	26,544
Net block	20,433	19,892	20,117	20,852	20,675
Investment	3,296	3,819	3,819	3,819	3,819
Current Assets	18,154	15,608	16,319	17,418	18,611
Cash & bank balance	1,152	667	801	707	847
Other Current Assets	5,052	3,790	3,949	4,142	4,336
Current liabilities & Provision	14,982	15,000	14,992	15,769	16,661
Net current assets	3,171	608	1,326	1,648	1,950
Misc. exp	0	0	0	0	0
Total Assets	27,583	25,265	26,188	26,419	26,544

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	(219)	281	1,051	2,883	3,918
Other Non-Cash items	(341)	170	(50)	(50)	(50)
Chg in working cap	451	1,660	(584)	(416)	(161)
Operating Cashflow	3,716	5,431	3,549	4,855	5,648
Capital expenditure	(1,869)	(1,253)	(1,735)	(1,500)	(1,500)
Free Cash Flow	1,848	4,178	1,813	3,355	4,148
Investments	745	(510)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,044)	(1,676)	(1,685)	(1,450)	(1,450)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(239)	(2,206)	144	(1,700)	(2,500)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(2,488)	(3,965)	(1,729)	(3,499)	(4,057)
Net chg in cash	184	(209)	134	(94)	140
Opening cash position	797	1,152	667	801	707
Closing cash position	981	942	801	707	847

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	4.6	5.2	6.7	9.9	10.4
EBIT Margin	1.7	2.0	3.8	7.2	7.8
Effective Tax Rate	164.1	37.8	33.0	33.0	33.0
Net Margin	0.2	0.4	1.3	3.3	4.0
ROCE	7.8	8.0	11.4	17.8	20.7
ROE	1.2	1.8	7.1	17.2	19.4
RoIC	3.7	4.8	10.2	20.2	23.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	0.2	0.3	1.4	3.8	5.2
CEPS	3.3	3.5	4.4	7.0	8.5
BVPS	18.7	19.0	20.4	24.2	29.4
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	435.9	291.8	72.6	26.4	19.5
P/CEPS	30.5	28.7	22.9	14.5	11.9
P/BV	5.4	5.3	5.0	4.2	3.4
EV / Sales	1.3	1.3	1.2	1.1	1.0
EV / EBITDA	28.1	25.5	18.6	11.1	9.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.8	1.6	1.5	1.2	0.8
Net Debt/EBIDTA	7.1	6.0	4.4	2.4	1.7
Working Cap Cycle (days)	14.0	(0.4)	3.6	5.8	6.2

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(5.3)	(5.3)	7.8	10.0	9.5
EBITDA	(7.1)	7.4	37.6	63.2	14.6
EBIT	(30.2)	15.7	104.2	107.2	18.1
PAT	(44.8)	115.9	302.1	174.3	35.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	13,221	11,624	12,963	16,081	14,956
EBITDA	762	376	822	1,637	1,788
EBITDA Margin (%)	5.8	3.2	6.3	10.2	12.0
PAT	167	(239)	149	627	702
EPS (Rs)	0.3	(0.5)	0.3	1.2	1.4

Source: Company, Emkay Research

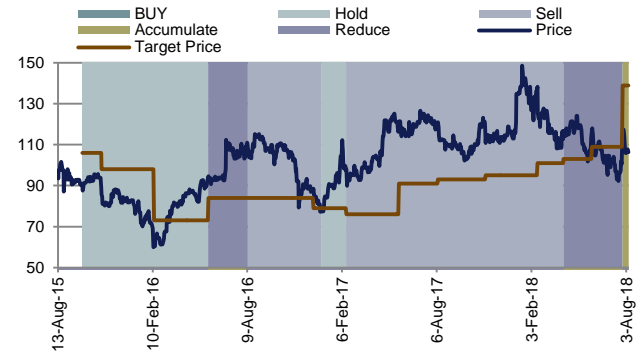
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	74.9	74.9	74.9	74.9	74.9
FIIIs	6.5	6.4	7.2	6.6	6.5
DIIIs	9.3	9.4	8.6	5.5	5.5
Public and Others	9.3	9.3	9.3	13.0	13.2

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-18	117	139	12m	Accumulate	Sanjeev Kumar Singh
29-May-18	117	109	12m	Reduce	Sanjeev Kumar Singh
5-Apr-18	115	103	12m	Reduce	Sanjeev Kumar Singh
14-Feb-18	138	101	12m	Sell	Sanjeev Kumar Singh
15-Dec-17	114	95	12m	Sell	Sanjeev Kumar Singh
7-Nov-17	111	95	12m	Sell	Sanjeev Kumar Singh
8-Aug-17	121	93	12m	Sell	Sanjeev Kumar Singh
25-May-17	120	91	12m	Sell	Sanjeev Kumar Singh
14-Feb-17	98	76	12m	Sell	Sanjeev Kumar Singh
28-Dec-16	77	79	12m	Hold	Sanjeev Kumar Singh
13-Dec-16	89	79	12m	Sell	Sanjeev Kumar Singh
23-Sep-16	110	84	12m	Sell	Sanjeev Kumar Singh
9-Sep-16	111	84	12m	Sell	Sanjeev Kumar Singh
10-Aug-16	107	84	12m	Sell	Sanjeev Kumar Singh
26-May-16	95	84	12m	Reduce	Sanjeev Kumar Singh
13-May-16	92	73	12m	Hold	Sanjeev Kumar Singh
22-Apr-16	87	73	12m	Hold	Sanjeev Kumar Singh
21-Mar-16	82	73	12m	Hold	Sanjeev Kumar Singh
12-Feb-16	60	73	12m	Hold	Sanjeev Kumar Singh
9-Feb-16	70	98	12m	Hold	Sanjeev Kumar Singh
18-Jan-16	72	98	12m	Hold	Sanjeev Kumar Singh
11-Dec-15	82	98	12m	Hold	Sanjeev Kumar Singh
4-Nov-15	86	98	12m	Hold	Sanjeev Kumar Singh
28-Sep-15	90	106	12m	Hold	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Ramco Cements

Refer to important disclosures at the end of this report

Demand improvement in sight, costs under control

We hosted Mr D. Satish Kumar, General Manager, Treasury of The Ramco Cements Ltd at our Annual India Conference to share company/industry insights.

Key Meeting Takeaways

- Cement demand has improved significantly in the last few months, with Andhra Pradesh, Telangana, Tamilnadu and Karnataka witnessing double-digit volume growth. Demand in the Trade segment is better for the company. There should be no more negative news in Tamilnadu post the impact on demand witnessed in the last few years. Sand availability has also improved in Tamilnadu.
- The company is confident of growing at a higher rate than industry in its key markets. It is looking at clocking volume growth of ~10-12% yoy in FY19E. Volume in West Bengal and Odisha markets is growing at 15% yoy.
- There has been some softness in cement prices recently in most markets, barring Kerala. Demand sustainability needs to be seen before implementing price hikes. Current price/bag is ~Rs375-380 in Tamilnadu, Rs400-405 in Kerala, Rs290-295 in Andhra Pradesh, Rs320-325 in West Bengal and Rs280-285 in Odisha (ex-depot).
- Current clinker capacity is at 10.5-11mt. The company is increasing clinker capacity by 1.5mt at its Jayanthipuram plant in Andhra Pradesh, which should be completed in the next two years. A WHRS (Waste Heat Recovery System) will also be commissioned, along with the additional clinker capacity. It is increasing grinding capacity by 3mt through brownfield expansion at Vizag and Kolaghat, besides a split grinding unit in Odisha. Expansion of grinding units should be completed in 18 months.
- Capex for increasing clinker and grinding capacities is expected at ~Rs17-18bn, which would mostly be done through internal accruals. It has already spent Rs2.5-bn. Net debt is ~Rs13.5bn and peak net debt post above expansion plans should be ~Rs14.5bn.
- PPC production for the company is ~75-80% of total volume. Lead distance is at 425kms. Lead distance is not expected to increase even after grinding capacity additions in the East region. Clinker-to-cement conversion ratio is ~1.3-1.35x.
- Pet Coke price will increase by US\$2-3/tn for the company if Pet Coke price sustains at the current level. Pet Coke usage has been reduced to 65-70% v/s 90% earlier. It has started using Lignite and Imported Coal.
- Price gap between OPC and PPC cement is Rs5-10/bag. Few plants like RR Nagar, Tamilnadu don't produce OPC cement.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	35,073	38,568	44,312	50,310	57,668
EBITDA	10,056	11,019	11,242	11,391	12,879
EBITDA Margin (%)	28.7	28.6	25.4	22.6	22.3
APAT	5,422	5,565	5,804	6,083	7,033
EPS (Rs)	22.8	23.4	24.6	25.8	29.9
EPS (% chg)	123.7	2.6	5.4	4.8	15.6
ROE (%)	18.9	16.3	14.9	14.1	14.4
P/E (x)	29.1	28.3	26.9	25.6	22.2
EV/EBITDA (x)	17.7	15.5	14.8	14.8	12.7
P/BV (x)	5.1	4.2	3.9	3.4	3.0

Source: Company, Emkay Research

CMP	Target Price
Rs 662	Rs 790 (■)
as of (August 13, 2018)	12 months
Rating	Upside
ACCUMULATE (■)	19.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	25.8	29.9
Consensus	26.8	34.0
Mean Consensus TP (12M)	Rs 738	

Stock Details

Bloomberg Code	TRCL IN
Face Value (Rs)	1
Shares outstanding (mn)	236
52 Week H/L	879 / 615
M Cap (Rs bn/USD bn)	156 / 2.27
Daily Avg Volume (nos.)	379,817
Daily Avg Turnover (US\$ mn)	4.0

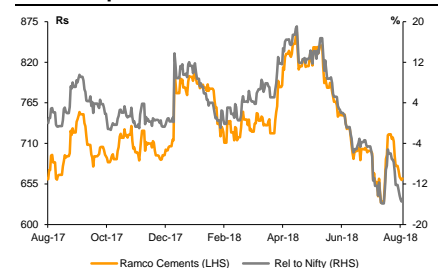
Shareholding Pattern Jun '18

Promoters	42.8%
FII's	12.7%
DII's	20.9%
Public and Others	23.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	(19)	(7)	(1)
Rel. to Nifty	(9)	(24)	(15)	(15)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	35,073	38,568	44,312	50,310	57,668
Expenditure	25,017	27,549	33,070	38,919	44,790
EBITDA	10,056	11,019	11,242	11,391	12,879
Depreciation	3,048	2,845	2,922	2,937	3,188
EBIT	7,008	8,174	8,320	8,454	9,690
Other Income	1,544	435	366	472	495
Interest expenses	1,819	1,035	592	592	551
PBT	6,734	7,574	8,094	8,334	9,635
Tax	1,312	2,009	2,290	2,250	2,601
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	5,422	5,565	5,804	6,083	7,033
Adjusted PAT	5,422	5,565	5,804	6,083	7,033

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	238	238	236	236	236
Reserves & surplus	30,688	37,178	40,258	45,514	51,445
Net worth	30,926	37,416	40,493	45,750	51,680
Minority Interest	0	0	0	0	0
Loan Funds	21,230	14,248	11,131	13,236	8,730
Net deferred tax liability	7,155	7,281	7,597	7,597	7,597
Total Liabilities	59,320	58,945	59,221	66,583	68,007
Net block	51,371	51,830	52,981	62,044	62,356
Investment	1,442	1,483	1,593	1,593	1,593
Current Assets	14,746	15,573	14,439	15,480	18,472
Cash & bank balance	908	1,181	959	766	1,642
Other Current Assets	15	34	34	34	34
Current liabilities & Provision	9,622	11,144	11,540	13,034	14,913
Net current assets	5,124	4,429	2,899	2,446	3,559
Misc. exp	0	0	0	0	0
Total Assets	59,320	58,945	59,221	66,583	68,007

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	7,030	8,502	7,479	7,862	9,139
Other Non-Cash items	(164)	(7)	(116)	0	0
Chg in working cap	666	1,095	1,624	260	(237)
Operating Cashflow	10,628	11,336	10,527	9,401	10,040
Capital expenditure	(2,490)	(3,043)	(4,619)	(10,751)	(3,500)
Free Cash Flow	8,137	8,293	5,907	(1,350)	6,540
Investments	28	(30)	(110)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,352)	(2,758)	(4,362)	(10,279)	(3,005)
Equity Capital Raised	0	0	(1,650)	0	0
Loans Taken / (Repaid)	(5,100)	(5,496)	(3,117)	2,105	(4,506)
Dividend paid (incl tax)	(1,291)	0	(827)	(827)	(1,103)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(8,011)	(6,586)	(6,186)	686	(6,160)
Net chg in cash	265	1,992	(22)	(193)	876
Opening cash position	619	908	1,181	959	766
Closing cash position	883	2,899	1,159	766	1,642

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	28.7	28.6	25.4	22.6	22.3
EBIT Margin	20.0	21.2	18.8	16.8	16.8
Effective Tax Rate	19.5	26.5	28.3	27.0	27.0
Net Margin	15.5	14.4	13.1	12.1	12.2
ROCE	14.1	14.6	14.7	14.2	15.1
ROE	18.9	16.3	14.9	14.1	14.4
RoIC	12.7	14.8	15.1	14.3	15.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	22.8	23.4	24.6	25.8	29.9
CEPS	35.6	35.3	37.0	38.3	43.4
BVPS	129.9	157.2	171.9	194.2	219.4
DPS	3.6	3.6	3.5	3.5	4.7

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	29.1	28.3	26.9	25.6	22.2
P/CEPS	18.6	18.7	17.9	17.3	15.3
P/BV	5.1	4.2	3.9	3.4	3.0
EV / Sales	5.1	4.4	3.7	3.3	2.8
EV / EBITDA	17.7	15.5	14.8	14.8	12.7
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.7	0.3	0.3	0.3	0.1
Net Debt/EBIDTA	2.0	1.2	0.9	1.1	0.6
Working Cap Cycle (days)	43.9	30.7	16.0	12.2	12.1

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(2.4)	10.0	14.9	13.5	14.6
EBITDA	51.9	9.6	2.0	1.3	13.1
EBIT	70.0	16.6	1.8	1.6	14.6
PAT	123.7	2.6	4.3	4.8	15.6

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	10,288	10,664	10,564	12,548	12,199
EBITDA	2,904	2,939	2,306	2,722	2,503
EBITDA Margin (%)	28.2	27.6	21.8	21.7	20.5
PAT	1,558	1,685	1,227	1,086	1,250
EPS (Rs)	6.5	7.1	5.2	4.6	5.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	42.7	42.8	42.8	42.8	42.8
FIs	14.5	14.8	13.9	13.1	12.7
DIs	18.5	18.0	19.1	20.4	20.9
Public and Others	24.3	24.4	24.3	23.8	23.6

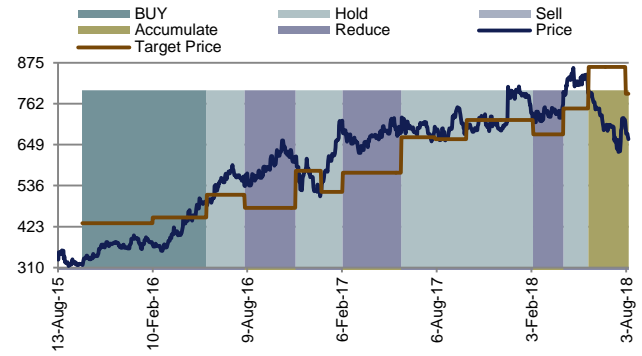
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
2-Aug-18	693	790	12m	Accumulate	Sanjeev Kumar Singh
23-May-18	798	864	12m	Accumulate	Sanjeev Kumar Singh
5-Apr-18	795	749	12m	Hold	Sanjeev Kumar Singh
6-Feb-18	733	678	12m	Reduce	Sanjeev Kumar Singh
15-Dec-17	706	717	12m	Hold	Sanjeev Kumar Singh
2-Oct-17	692	717	12m	Hold	Sanjeev Kumar Singh
3-Aug-17	688	664	12m	Hold	Sanjeev Kumar Singh
30-May-17	691	670	12m	Hold	Sanjeev Kumar Singh
7-Feb-17	681	572	12m	Reduce	Sanjeev Kumar Singh
28-Dec-16	526	519	12m	Hold	Sanjeev Kumar Singh
9-Nov-16	604	577	12m	Hold	Sanjeev Kumar Singh
23-Sep-16	618	475	12m	Reduce	Sanjeev Kumar Singh
9-Sep-16	589	475	12m	Reduce	Sanjeev Kumar Singh
4-Aug-16	535	475	12m	Reduce	Sanjeev Kumar Singh
23-May-16	488	511	12m	Hold	Sanjeev Kumar Singh
13-May-16	490	448	12m	Buy	Sanjeev Kumar Singh
22-Apr-16	449	448	12m	Buy	Sanjeev Kumar Singh
21-Mar-16	421	448	12m	Buy	Sanjeev Kumar Singh
10-Feb-16	375	448	12m	Buy	Sanjeev Kumar Singh
9-Feb-16	374	432	12m	Buy	Sanjeev Kumar Singh
18-Jan-16	362	432	12m	Buy	Sanjeev Kumar Singh
11-Dec-15	364	432	12m	Buy	Sanjeev Kumar Singh
9-Nov-15	367	432	12m	Buy	Sanjeev Kumar Singh
28-Sep-15	317	432	12m	Buy	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Sanghi Industries

Refer to important disclosures at the end of this report

A dominant player in Gujarat

We hosted Mrs. Bina Engineer, CFO & Director at our Annual India Conference to share company/industry insights.

Key Meeting Takeaways

- The company has limestone reserves of 1bn tonne spread over an area of 1,543 hectares, which is sufficient to fulfill limestone requirements for 60-80 years on the increased capacity (it is doubling its capacity). Limestone is of marine quality with calcium content of 48% v/s requirements of 44%. Hence, it needs to be diluted. Better grades of limestone brings down the cost for the company.
- Lignite is the cheapest source of fuel with cost of Rs0.83/kcal v/s Rs1.2-1.3/kcal for Coal and Rs1.45/kcal for Pet Coke. In Q1FY19, production loss of Lignite at GMDC plants led to reduction in quota for the company. Quota for Sanghi was reduced by 75-80% compared to its peak quota. In the next 2-3 months, this situation is again going to reverse (after Diwali mostly). Lignite use was at 27% in Q1FY19 v/s 83% last year. Price of Imported Coal increased by 15% yoy while Lignite cost increased by 3% yoy. Power cost in Q1FY19 increased by only 10% yoy, but coal cost jumped by 25% yoy.
- Trial run for WHRS (Waste Heat Recovery System) was undertaken in May-June'18 successfully and it was able to draw heat at 8MW (total capacity - 13.5MW). Usage of WHRS led to savings of Rs50mn in Q1FY19, which is expected to continue going forward. Average savings from WHRS is expected at ~Rs75/tn.
- The company's capex plan is on track and is expected to be completed in April'20. Civil work has started at the construction site and major orders have been finalized. This expansion will include clinkerization unit of 10,000TPD and GU of 2mt at Kutch, Gujarat, a split grinding unit at Surat and captive power plant of 63MW. Total capex will be Rs12.5bn, which would be completed through a mix of debt and equity. It has tied up loan of Rs7.5bn at an interest rate of 10.75% (3 years principal moratorium). Land has been identified and finalized for Surat GU. Other formalities are yet to be done.
- It has a market share of 40-50% in Kutch and 15% in the rest of Gujarat (except Surat where its market share is 4-5%). Post commissioning of the grinding unit in Surat, the market share is expected to increase to ~15%.
- In Q1FY19, the company sold 80% volume in Gujarat, 10% in Mumbai, 2-3% each in Rajasthan, Madhya Pradesh and Kerala. Volume guidance for FY19E stands at 3-3.2mt (0.25-0.30mt in Mumbai markets).
- Reduced availability of Fly Ash led to a reduction in blended cement production, which fell to 30% in Q1FY19 v/s 38-40% earlier.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	7,607	9,975	10,264	11,388	12,960
EBITDA	1,497	1,982	2,158	2,139	2,520
EBITDA Margin (%)	19.7	19.9	21.0	18.8	19.4
APAT	764	632	933	846	1,234
EPS (Rs)	3.5	2.9	3.7	3.4	4.9
EPS (% chg)	149.9	(18.0)	29.5	(9.4)	45.9
ROE (%)	7.6	5.8	6.9	5.2	7.1
P/E (x)	24.8	30.2	23.3	25.7	17.6
EV/EBITDA (x)	16.1	12.6	11.5	13.6	14.1
P/BV (x)	1.8	1.7	1.4	1.3	1.2

Source: Company, Emkay Research

CMP	Target Price
Rs 87	Rs 98 (■)
as of (August 13, 2018)	12 months
Rating	Upside
HOLD (■)	12.8 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	3.4	4.9
Consensus	4.8	6.0
Mean Consensus TP (12M)	Rs 114	

Stock Details

Bloomberg Code	SNGI IN
Face Value (Rs)	10
Shares outstanding (mn)	251
52 Week H/L	144 / 73
M Cap (Rs bn/USD bn)	22 / 0.32
Daily Avg Volume (nos.)	376,368
Daily Avg Turnover (US\$ mn)	0.5

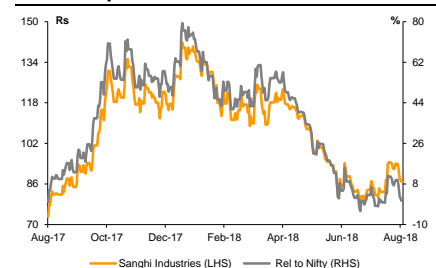
Shareholding Pattern Jun '18

Promoters	65.7%
FIIIs	7.5%
DIIIs	9.4%
Public and Others	17.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	(14)	(26)	15
Rel. to Nifty	(4)	(19)	(33)	(1)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	7,607	9,975	10,264	11,388	12,960
Expenditure	6,110	7,993	8,106	9,249	10,440
EBITDA	1,497	1,982	2,158	2,139	2,520
Depreciation	540	731	724	802	823
EBIT	957	1,251	1,434	1,337	1,697
Other Income	32	22	220	114	78
Interest expenses	222	642	721	512	404
PBT	768	632	933	940	1,371
Tax	4	0	0	94	137
Extraordinary Items	604	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	160	632	933	846	1,234
Adjusted PAT	764	632	933	846	1,234

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	2,200	2,200	2,510	2,510	2,510
Reserves & surplus	8,310	8,940	13,469	14,314	15,548
Net worth	10,510	11,140	15,979	16,824	18,058
Minority Interest	0	0	0	0	0
Loan Funds	6,031	5,994	7,403	7,891	14,453
Net deferred tax liability	(585)	(957)	(871)	(871)	(871)
Total Liabilities	15,956	16,177	22,511	23,844	31,640
Net block	14,783	14,519	15,087	18,021	17,998
Investment	0	0	0	0	0
Current Assets	4,012	3,510	7,649	4,206	4,945
Cash & bank balance	830	163	4,281	514	770
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	3,663	3,522	3,162	3,382	3,803
Net current assets	349	(13)	4,488	823	1,142
Misc. exp	0	0	0	0	0
Total Assets	15,956	16,177	22,511	23,845	31,640

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	164	630	934	940	1,371
Other Non-Cash items	494	(5)	(155)	0	0
Chg in working cap	6	(1,223)	(120)	(102)	(62)
Operating Cashflow	1,424	760	2,218	2,057	2,398
Capital expenditure	(464)	(752)	(2,891)	(5,800)	(8,300)
Free Cash Flow	960	8	(673)	(3,743)	(5,902)
Investments	0	0	0	0	0
Other Investing Cash Flow	(776)	668	(4,113)	0	0
Investing Cashflow	(1,235)	(79)	(6,844)	(5,800)	(8,300)
Equity Capital Raised	0	0	3,905	0	0
Loans Taken / (Repaid)	1,449	21	1,405	488	6,562
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(190)	(682)	4,629	(24)	6,158
Net chg in cash	(1)	(1)	2	(3,766)	256
Opening cash position	831	164	4,278	4,281	514
Closing cash position	830	163	4,281	514	770

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	19.7	19.9	21.0	18.8	19.4
EBIT Margin	12.6	12.5	14.0	11.7	13.1
Effective Tax Rate	0.5	0.0	0.0	10.0	10.0
Net Margin	10.0	6.3	9.1	7.4	9.5
ROCE	6.6	7.9	8.6	6.3	6.4
ROE	7.6	5.8	6.9	5.2	7.1
RoIC	6.9	8.7	9.7	8.0	9.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.5	2.9	3.7	3.4	4.9
CEPS	6.0	6.2	6.6	6.6	8.2
BVPS	48.2	50.6	63.7	67.0	71.9
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	24.8	30.2	23.3	25.7	17.6
P/CEPS	14.5	14.0	13.1	13.2	10.6
P/BV	1.8	1.7	1.4	1.3	1.2
EV / Sales	3.2	2.5	2.4	2.6	2.7
EV / EBITDA	16.1	12.6	11.5	13.6	14.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.5	0.5	0.2	0.4	0.8
Net Debt/EBIDTA	3.5	2.9	1.4	3.4	5.4
Working Cap Cycle (days)	(23.1)	(6.4)	7.4	9.9	10.5

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(18.3)	31.1	2.9	11.0	13.8
EBITDA	(4.1)	32.4	8.9	(0.9)	17.8
EBIT	92.8	30.8	14.6	(6.8)	26.9
PAT	(47.7)	295.5	47.7	(9.4)	45.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	2,875	2,056	2,796	2,536	2,748
EBITDA	661	467	618	413	434
EBITDA Margin (%)	23.0	22.7	22.1	16.3	15.8
PAT	316	109	322	186	199
EPS (Rs)	1.4	0.5	1.5	0.9	0.9

Source: Company, Emkay Research

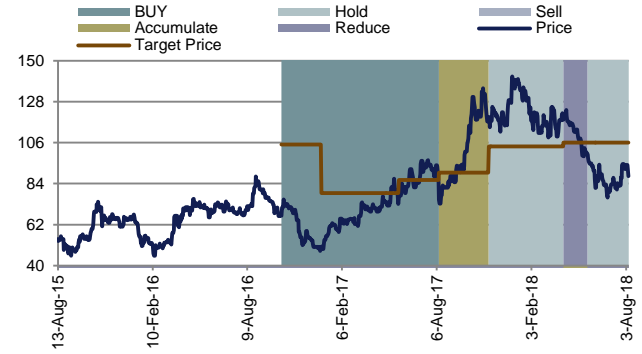
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	74.9	75.0	75.0	65.7	65.7
FII	0.2	0.2	0.3	8.8	7.5
DII	3.6	4.1	4.6	9.3	9.4
Public and Others	21.3	20.8	20.1	16.2	17.4

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
8-Aug-18	88	98	12m	Hold	Sanjeev Kumar Singh
21-May-18	100	106	12m	Hold	Sanjeev Kumar Singh
5-Apr-18	120	106	12m	Reduce	Sanjeev Kumar Singh
15-Dec-17	118	104	12m	Hold	Sanjeev Kumar Singh
13-Nov-17	117	104	12m	Hold	Sanjeev Kumar Singh
10-Aug-17	75	90	12m	Accumulate	Sanjeev Kumar Singh
25-May-17	77	86	12m	Buy	Sanjeev Kumar Singh
31-Jan-17	59	79	12m	Buy	Sanjeev Kumar Singh
28-Dec-16	50	79	12m	Buy	Sanjeev Kumar Singh
9-Nov-16	68	105	12m	Buy	Sanjeev Kumar Singh
13-Oct-16	67	105	12m	Buy	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Star Cement

Refer to important disclosures at the end of this report

Preferred play on North East region

We hosted Mr Manoj Agarwal, CFO at our Annual India Conference to share company/industry insights.

Key Meeting Takeaways

- Demand in the North East market stood at 8mt in FY19 against installed capacities of 11-11.5mt. However, effective installed capacity is ~9mt, as smaller plants don't have limestone capacities. Clinker capacity in the region is only 7.5mt, which can help to achieve production of ~9.5mt. Hence, demand-supply dynamics is expected to remain favorable.
- The management is hopeful of better demand in North East (8% in Q1FY19) and expects volume to grow by 15% in FY19E. EBITDA/tonne is expected to be ~Rs1,800-1,850/tn. Road and Hydel Power projects, Bharatmala project (some projects have been announced in Manipur), Affordable Housing projects and pick-up in Rural Housing should help to improve demand going forward.
- The company will install a grinding unit of 2mt capacity in Siliguri, West Bengal; for which equipment has been ordered and production will commence in the next 15 months. Capex for the same is expected at Rs2-2.5bn. Some approvals are still pending for this grinding unit. This unit will be eligible for VAT subsidies (75% exemption) under the West Bengal Industrial Policy. The company is also working to increase its clinker capacity by 0.4mt to 3mt through de-bottlenecking, which is expected to be completed by FY20E. Capex for the same will be Rs150-200mn.
- The company received Rs2.3bn/Rs2.8bn subsidies in FY18/Q1FY19 and expects to receive Rs4.3bn going forward (Rs1.5bn in Q2/Q3FY19 and rest in FY20E).
- Trade to Non-Trade mix in the North East region is 70:30. However, Star is a dominant player in the Trade segment with Trade: Non-trade mix of 79:21.
- It has limestone reserves of 700mt, which is sufficient to cater to limestone requirements for 70-80 years, even if it doubles the capacity. Limestone reserves has a calcium content of 53-54%, which needs to be diluted, as requirement for cement is 43-44%.
- It has 23% market share in the North East. It sells 60% volume in the North East and 40% in Bihar and West Bengal. North East accounted for 75% of company's cement sales in Q1FY19 v/s 65% last year. EBITDA/tn outside North East is Rs1,100-1,200/tn, whereas, in North East, it is Rs2,200-2,300/tn.
- Lead distance for the company is 283kms.
- Capex will be Rs1.5bn in FY19E and Rs3bn in FY20E.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	17,150	15,278	16,227	17,699	20,362
EBITDA	3,994	3,962	5,295	5,078	5,877
EBITDA Margin (%)	23.3	25.9	32.6	28.7	28.9
APAT	1,346	1,826	3,388	3,426	4,309
EPS (Rs)	3.2	4.4	8.1	8.2	10.3
EPS (% chg)	(14.5)	35.7	85.5	1.1	25.8
ROE (%)	15.5	16.6	25.8	21.1	22.1
P/E (x)	35.4	26.1	14.1	13.9	11.1
EV/EBITDA (x)	14.2	14.0	9.8	9.1	7.0
P/BV (x)	4.5	4.2	3.2	2.7	2.2

Source: Company, Emkay Research

CMP	Target Price
Rs 114	Rs 168 (■)
as of (August 13, 2018)	12 months
Rating	Upside
BUY (■)	47.5 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	8.2	10.3
Consensus	8.2	10.3
Mean Consensus TP (12M)	Rs 165	

Stock Details

Bloomberg Code	STRCEM IN
Face Value (Rs)	1
Shares outstanding (mn)	419
52 Week H/L	152 / 102
M Cap (Rs bn/USD bn)	48 / 0.69
Daily Avg Volume (nos.)	108,529
Daily Avg Turnover (US\$ mn)	0.2

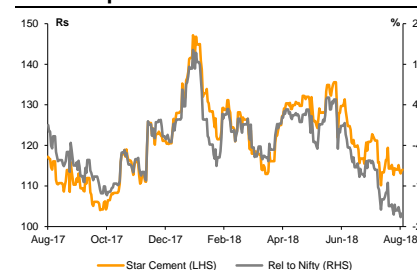
Shareholding Pattern Jun '18

Promoters	68.9%
FIIIs	2.2%
DIIIs	7.3%
Public and Others	21.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(7)	(12)	(12)	(6)
Rel. to Nifty	(11)	(17)	(19)	(19)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	17,150	15,278	16,227	17,699	20,362
Expenditure	13,156	11,316	10,932	12,621	14,485
EBITDA	3,994	3,962	5,295	5,078	5,877
Depreciation	1,715	1,179	1,207	1,249	1,272
EBIT	2,279	2,783	4,088	3,830	4,605
Other Income	13	24	44	77	75
Interest expenses	834	781	525	230	77
PBT	1,458	2,027	3,608	3,677	4,603
Tax	60	139	164	171	214
Extraordinary Items	5	0	0	0	0
Minority Int./Income from Assoc.	53	(62)	(55)	(80)	(80)
Reported Net Income	1,340	1,826	3,388	3,426	4,309
Adjusted PAT	1,346	1,826	3,388	3,426	4,309

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	419	419	419	419	419
Reserves & surplus	10,134	11,040	14,344	17,276	20,845
Net worth	10,553	11,459	14,763	17,696	21,264
Minority Interest	530	566	621	701	781
Loan Funds	9,398	8,007	4,324	1,417	503
Net deferred tax liability	117	(1,765)	(2,329)	(2,898)	(3,466)
Total Liabilities	20,599	18,267	17,379	16,916	19,082
Net block	9,186	8,632	7,847	6,799	5,727
Investment	15	15	14	14	14
Current Assets	14,970	13,842	14,509	13,407	15,650
Cash & bank balance	245	201	198	2,697	7,096
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	4,062	4,770	5,349	5,661	6,309
Net current assets	10,908	9,072	9,160	7,746	9,341
Misc. exp	0	0	0	0	0
Total Assets	20,599	18,267	17,379	16,916	19,082

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	1,445	2,148	3,526	3,677	4,603
Other Non-Cash items	821	701	527	230	77
Chg in working cap	(2,384)	(722)	(345)	3,913	2,804
Operating Cashflow	1,297	3,000	4,206	8,252	7,898
Capital expenditure	(808)	(890)	(324)	(2,200)	(1,843)
Free Cash Flow	489	2,110	3,882	6,052	6,055
Investments	(3)	(30)	26	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(796)	(894)	(253)	(2,123)	(1,768)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	694	(1,402)	(3,407)	(2,907)	(914)
Dividend paid (incl tax)	(222)	0	0	(493)	(740)
Other Financing Cash Flow	(99)	0	0	0	0
Financing Cashflow	(461)	(2,181)	(3,929)	(3,630)	(1,731)
Net chg in cash	40	(75)	24	2,499	4,399
Opening cash position	204	245	201	198	2,697
Closing cash position	244	170	224	2,697	7,096

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	23.3	25.9	32.6	28.7	28.9
EBIT Margin	13.3	18.2	25.2	21.6	22.6
Effective Tax Rate	4.1	6.9	4.5	4.7	4.7
Net Margin	8.2	12.4	21.2	19.8	21.6
ROCE	11.6	14.4	23.2	22.8	26.0
ROE	15.5	16.6	25.8	21.1	22.1
RoIC	11.9	14.9	23.8	26.7	46.5

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.2	4.4	8.1	8.2	10.3
CEPS	7.3	7.2	11.0	11.2	13.3
BVPS	25.2	27.3	35.2	42.2	50.7
DPS	0.5	0.0	0.0	1.0	1.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	35.4	26.1	14.1	13.9	11.1
P/CEPS	15.6	15.8	10.4	10.2	8.5
P/BV	4.5	4.2	3.2	2.7	2.2
EV / Sales	3.3	3.6	3.2	2.6	2.0
EV / EBITDA	14.2	14.0	9.8	9.1	7.0
Dividend Yield (%)	0.5	0.0	0.0	0.9	1.3

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.9	0.7	0.3	(0.1)	(0.3)
Net Debt/EBITDA	2.3	2.0	0.8	(0.3)	(1.1)
Working Cap Cycle (days)	226.9	211.9	201.6	104.1	40.2

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	19.9	(10.9)	6.2	9.1	15.0
EBITDA	(8.2)	(0.8)	33.6	(4.1)	15.7
EBIT	7.8	22.1	46.9	(6.3)	20.2
PAT	60.6	36.3	85.5	1.1	25.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	4,287	2,810	3,774	5,274	5,179
EBITDA	1,586	770	1,413	1,444	(734)
EBITDA Margin (%)	37.0	27.4	37.4	27.4	(14.2)
PAT	1,075	257	895	1,079	(1,148)
EPS (Rs)	2.6	0.6	2.1	2.6	(2.7)

Source: Company, Emkay Research

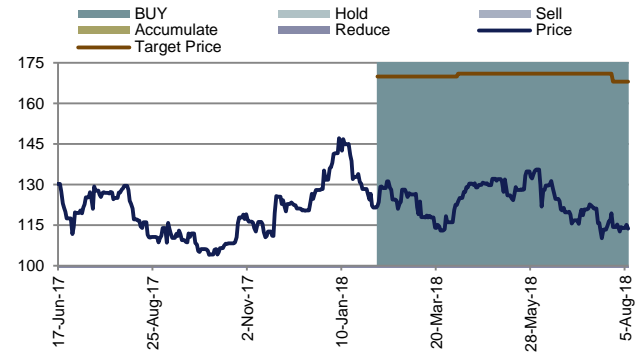
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	74.9	74.6	73.3	68.9	68.9
FII	0.1	0.4	2.0	1.9	2.2
DII	1.2	1.6	2.7	7.3	7.3
Public and Others	23.8	23.4	22.1	21.9	21.6

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-18	114	168	12m	Buy	Sanjeev Kumar Singh
18-May-18	128	171	12m	Buy	Sanjeev Kumar Singh
5-Apr-18	124	171	12m	Buy	Sanjeev Kumar Singh
5-Feb-18	122	170	12m	Buy	Sanjeev Kumar Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Consumers

Bajaj Corp

Refer to important disclosures at the end of this report

Working on improving growth momentum

We hosted Mr. D K Maloo, CFO of Bajaj Corp, and Mr. Kushal Maheshwari, head of treasury, at our India Conference to share company insights.

Key Meeting Takeaways

- Bajaj Corp management highlighted that growth in the hair oil category has regained after about three years. Growth in the light hair oil (LHO) segment has been higher than total hair oil category growth, and Bajaj Corp has been growing faster in the LHO category and is gaining market share from competitors (regional and national players).
- Bajaj Corp plans to launch more products in the skin care and hair care segments to become a complete FMCG company. The company plans to reduce its dependency on Almond Drop Hair Oil (ADHO) to 80% from ~95% in next 2-3 years. Growth in relaunched products (Brahmi Alma Ayurvedic Hair Oil and Normarks) has been encouraging and are gaining market share.
- Bajaj Corp has a total reach of 3.9mn outlets and direct reach to 0.48mn outlets. The company plans to increase its direct reach to 0.55mn by FY19 and targets to reach 0.8mn outlets (20% of the total reach) by FY21. This will also help the company to reduce its dependency on wholesale channel, which contributes ~40% of the sales.
- South India contributes only ~5% of the sales, where it plans to increase its presence by new product offering and distribution expansion.
- Bajaj Corp has re-launched Nomarks cream in UP and Bihar with new packaging for more modern look. Growth has been encouraging and has witnessed ~40% growth in 1QFY19. The company has positioned Nomarks as problem-solving Ayurvedic anti-mark cream with no steroids. It sees good growth potential in Normarks and Brahmi Amla Ayurvedic hair oil.
- Bajaj Corp will keep investing behind new products to drive growth even at cost of operating margin. The company will try to maintain margins with cost-saving efforts.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Net Sales	6067	6717	8256	7997	7969	8285
EBITDA	1725	1574	1923	2267	2452	2539
EBITDA Margin (%)	28.4	23.4	23.3	28.3	30.8	30.6
APAT	1614	1659	2048	2307	2218	2095
EPS (Rs)	10.9	11.2	13.8	15.6	15.0	14.2
EPS (% chg)		2.8	23.5	12.6	-3.9	-5.5
ROE (%)	33.4	33.1	40.6	47.6	45.5	42.5
P/E (x)	37.6	36.6	29.6	26.3	27.4	29.0
EV/EBITDA (x)	32.9	36.6	29.8	25.2	23.3	22.6
P/BV (x)	12.6	11.7	12.4	12.6	12.3	12.3

Source: Company, Emkay Research

CMP	Target Price
Rs 410	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	BJCOR IN
Face Value (Rs)	1
Shares outstanding (mn)	148
52 Week H/L	525/381
M Cap (Rs bn/USD bn)	60/0.9
Daily Avg Volume (nos.)	65,891
Daily Avg Turnover (US\$ mn)	0.4

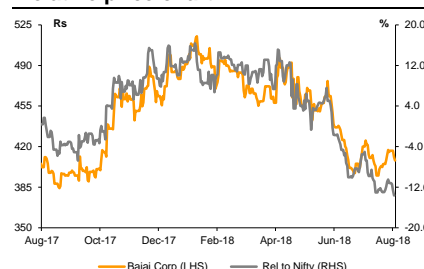
Shareholding Pattern Jun'18

Promoters	66.9%
FIIIs	25.0%
DIIIs	4.5%
Public and Others	3.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-2	-12	-15	2
Rel. to Nifty	-8	-18	-22	-13

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Net Sales	6067	6717	8256	7997	7969	8285
Expenditure	4394	5155	6331	5793	5402	5771
EBITDA	1725	1574	1923	2267	2452	2539
Depreciation	40	43	49	49	53	74
EBIT	1685	1530	1874	2218	2399	2466
Other Income	401	401	316	287	394	244
Interest expenses	1	59	1	2	10	12
PBT	2085	1873	2188	2503	2783	2698
Tax	423	384	462	539	600	587
Extraordinary Items	48	-170	-322	-343	-35	16
Minority Int. /Income from Assoc.	0	0	0	0	0	0
Reported Net Income	1662	1489	1727	1964	2182	2111
Adjusted PAT	1614	1659	2048	2307	2218	2095

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Equity share capital	148	148	148	148	148	148
Reserves & surplus	4678	5045	4738	4663	4794	4777
Net worth	4826	5192	4886	4811	4942	4925
Minority Interest	0	0	0	0	0	0
Loan Funds	0	0	0	100	150	135
Net deferred tax liability	-15	-4	-6	-8	-8	-7
Total Liabilities	4826	5192	4886	4911	5092	5060
Net block	1208	2359	1847	1393	1616	1585
Investment	1832	1568	1837	2751	3385	3074
Current Assets	2485	1852	1982	1401	874	1244
Cash & bank balance	1892	1292	1342	603	123	134
Other Current Assets	594	560	640	798	751	1110
Current liabilities & Provision	711	597	788	744	797	1008
Net current assets	1774	1255	1194	657	76	236
Misc. exp	0	0	0	0	0	0
Total Assets	4826	5192	4886	4911	5092	5060

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Opening Cash	15	31	203	42	87	54
Net Cash from Operations	1,230	1,260	2,067	1,929	2,120	1,801
Net Cash Used in Investing	-99	34	-193	60	-153	367
Net Cash Used in Financing	-1,114	-1,122	-2,035	-1,943	-2,000	-2,155
Net Inc/(Dec) in Cash	17	172	-161	46	-33	13
Closing Cash	31	203	42	88	54	67

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	28.4	23.4	23.3	28.3	30.8	30.6
EBIT Margin	27.8	22.8	22.7	27.7	30.1	29.8
Effective Tax Rate	20.3	20.5	21.1	21.5	21.6	21.7
Net Margin	26.6	24.7	24.8	28.8	27.8	25.3
ROCE	34.9	30.6	37.2	45.3	48.0	48.6
ROE	33.4	33.1	40.6	47.6	45.5	42.5
RoIC	56.8	46.5	56.4	87.4	128.7	141.0

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17	FY18
EPS	10.9	11.2	13.8	15.6	15.0	14.2
CEPS	11.2	11.5	14.2	15.9	15.3	14.7
BVPS	32.6	35.1	33.0	32.5	33.4	33.3
DPS		6.5	11.5	11.5	11.5	12.0

Valuations (x)	FY13	FY14	FY15	FY16	FY17	FY18
PER	37.6	36.6	29.6	26.3	27.4	29.0
P/CEPS	36.7	35.7	28.9	25.8	26.7	28.0
P/BV	12.6	11.7	12.4	12.6	12.3	12.3
EV / Sales	9.4	8.6	6.9	7.2	7.2	6.9
EV / EBITDA	32.9	36.6	29.8	25.2	23.3	22.6
Dividend Yield (%)	0.0	1.6	2.8	2.8	2.8	2.9

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	-0.8	-0.6	-0.7	-0.7	-0.7	-0.6
Net Debt/EBITDA	-2.2	-1.8	-1.7	-1.4	-1.4	-1.2
Working Cap Cycle (days)	-7.1	-2.0	-6.6	2.5	-2.1	4.5

Growth (%)	FY13	FY14	FY15	FY16	FY17	FY18
Revenue	0.0	10.7	22.9	-3.1	-0.4	4.0
EBITDA	0.0	-8.8	22.2	17.9	8.2	3.6
EBIT	0.0	-9.2	22.4	18.4	8.1	2.8
PAT	0.0	2.8	23.5	12.6	-3.9	-5.5

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,964	2,037	1,973	2,145	2,150
EBITDA	606	584	678	718	691
EBITDA Margin (%)	30.9	28.6	34.4	33.5	32.2
PAT	550	507	552	554	538
EPS (Rs)	3.7	3.4	3.7	3.7	3.6

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	66.9	66.9	66.9	66.9	66.9
FII's	23.7	23.9	24.4	25.1	25.0
DII's	4.9	5.2	5.0	4.6	4.5
Public and Others	4.6	4.0	3.8	3.4	3.7

Berger Paints

Refer to important disclosures at the end of this report

Strong growth momentum to continue

We hosted Mr. Srijit Dasgupta, CFO of Berger Paints, and Mr. Sujyoti Mukherjee, VP, finance and accounts, at our India Conference to share company insights.

Key Meeting Takeaways

- Management shared a positive growth outlook given good monsoon and increased MSP rates. The reduction in GST rates should also help organized national players such as Berger to gain market share from regional organized and unorganized players. Growth in rural areas, which was adversely affected by the implementation of Demon and GST, is now more than urban/metro areas.
- It has a network of 20,000 dealers, which is growing at 10-15% per annum. The company plans to expand its presence in South (TN) and West (Maharashtra) where it has relatively limited presence.
- The increased competitive intensity has not affected Berger Paints due to its lower presence in South and West where competitive intensity has increased due to higher discounts and dealer margins. It feels this is unlikely to sustain for long as competitors will lose share once they start increasing prices and reducing dealer margins.
- Berger Paints has a total capacity of 650,000 MT and is operating at ~70% capacity utilization. The company will continue to outsource low-end products (putty).
- It has also started 26 training centers for training painters with advanced automated painting tools. The company believes that the reduction in painting time and increased convenience with no additional cost to the consumer (as labor cost reduces vs. increased cost of automation) will help reduce the repainting cycle and increase paint demand.
- The rise in crude prices will be mitigated by increasing production efficiency and operating leverage. The company will have to wait for some price hikes to avoid the anti-profiteering clause under GST. The company will also continue to drive premiumization of the portfolio.
- It continues to target 0.5% margin expansion each year which will be driven by improved mix, raw material procurement and scale, and efficiency gains.
- Under the Nippon JV for automotive paints, its domestic plant will make in-house products vs. imported products currently. Work is progressing well and it expects to achieve scale within a year. Nippon's better relations with Japanese automakers will be positive.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	45,523	51,657	59,852	69,202	79,898
EBITDA	7,186	8,070	9,634	11,625	13,806
EBITDA Margin (%)	15.8	15.6	16.1	16.8	17.3
APAT	4,295	4,608	5,641	6,895	8,290
EPS (Rs)	4.4	4.7	5.8	7.1	8.5
EPS (% chg)	(17.2)	7.3	22.4	22.2	20.2
ROE (%)	24.9	22.6	24.3	26.4	28.4
P/E (x)	74.3	69.2	56.5	46.3	38.5
EV/EBITDA (x)	44.2	39.4	32.6	27.0	22.6
P/BV (x)	16.9	14.6	12.9	11.6	10.4

Source: Company, Emkay Research

CMP

Rs 329
as of (August 10, 2018)

Rating

HOLD (■)

Target Price

Rs 315 (■)
12 months

Upside

(4.1) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	5.8	7.1
Consensus	5.7	6.9
Mean Consensus TP (12M)	Rs 299	

Stock Details

Bloomberg Code	BRGR IN
Face Value (Rs)	1
Shares outstanding (mn)	971
52 Week H/L	330 / 231
M Cap (Rs bn/USD bn)	319 / 4.63
Daily Avg Volume (nos.)	1,019,706
Daily Avg Turnover (US\$ mn)	4.4

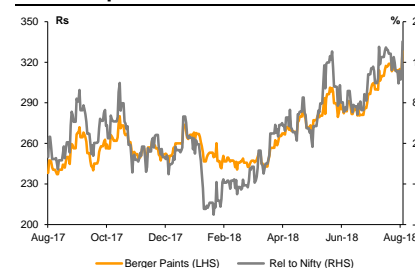
Shareholding Pattern Jun '18

Promoters	75.0%
FIIIs	10.2%
DIIIs	4.2%
Public and Others	10.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	23	33	33
Rel. to Nifty	4	15	22	14

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	45,523	51,657	59,852	69,202	79,898
Expenditure	38,337	43,587	50,218	57,576	66,092
EBITDA	7,186	8,070	9,634	11,625	13,806
Depreciation	1,081	1,242	1,439	1,590	1,720
EBIT	6,105	6,828	8,195	10,035	12,087
Other Income	545	459	591	621	652
Interest expenses	162	246	238	208	178
PBT	6,488	7,041	8,548	10,448	12,560
Tax	2,294	2,439	2,906	3,552	4,270
Extraordinary Items	442	0	0	0	0
Minority Int./Income from Assoc.	101	6	0	0	0
Reported Net Income	4,737	4,608	5,641	6,895	8,290
Adjusted PAT	4,295	4,608	5,641	6,895	8,290

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	971	971	971	971	971
Reserves & surplus	18,045	20,974	23,775	26,695	29,872
Net worth	19,016	21,945	24,746	27,666	30,843
Minority Interest	0	0	0	0	0
Loan Funds	4,062	4,222	3,722	3,222	2,722
Net deferred tax liability	707	412	412	412	412
Total Liabilities	23,785	26,579	28,880	31,299	33,977
Net block	11,360	12,672	14,033	15,443	16,723
Investment	4,721	3,331	3,331	3,331	3,331
Current Assets	17,444	21,898	24,802	28,052	32,014
Cash & bank balance	1,025	2,050	4,939	5,466	6,374
Other Current Assets	1,033	2,563	164	190	219
Current liabilities & Provision	10,464	12,383	14,347	16,588	19,152
Net current assets	6,981	9,515	10,455	11,464	12,861
Misc. exp	101	89	89	89	89
Total Assets	23,785	26,579	28,880	31,299	33,977

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	5,943	6,582	7,956	9,827	11,909
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,292)	(1,804)	1,949	(482)	(489)
Operating Cashflow	3,945	4,617	9,268	8,211	9,698
Capital expenditure	(2,922)	(2,904)	(2,800)	(3,000)	(3,000)
Free Cash Flow	1,023	1,714	6,468	5,211	6,698
Investments	(1,246)	1,390	0	0	0
Other Investing Cash Flow	539	(459)	(591)	(621)	(652)
Investing Cashflow	(3,084)	(1,514)	(2,800)	(3,000)	(3,000)
Equity Capital Raised	278	0	0	0	0
Loans Taken / (Repaid)	967	160	(500)	(500)	(500)
Dividend paid (incl tax)	(1,169)	(2,045)	(2,840)	(3,976)	(5,112)
Other Financing Cash Flow	(738)	0	0	0	0
Financing Cashflow	(825)	(2,131)	(3,578)	(4,684)	(5,790)
Net chg in cash	37	973	2,890	527	908
Opening cash position	1,053	1,025	2,050	4,939	5,466
Closing cash position	452	1,998	4,939	5,466	6,374

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	15.8	15.6	16.1	16.8	17.3
EBIT Margin	13.4	13.2	13.7	14.5	15.1
Effective Tax Rate	35.4	34.6	34.0	34.0	34.0
Net Margin	9.2	8.9	9.4	10.0	10.4
ROCE	31.0	29.0	31.8	35.5	39.1
ROE	24.9	22.6	24.3	26.4	28.4
RoIC	38.7	36.5	41.3	49.0	54.1

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	4.4	4.7	5.8	7.1	8.5
CEPS	5.5	6.0	7.3	8.7	10.3
BVPS	19.5	22.5	25.4	28.4	31.7
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	74.3	69.2	56.5	46.3	38.5
P/CEPS	51.7	47.5	39.2	32.7	27.7
P/BV	16.9	14.6	12.9	11.6	10.4
EV / Sales	7.0	6.2	5.3	4.5	3.9
EV / EBITDA	44.2	39.4	32.6	27.0	22.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net Debt/EBIDTA	(0.2)	(0.1)	(0.5)	(0.5)	(0.5)
Working Cap Cycle (days)	47.8	52.7	33.6	31.6	29.6

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	7.8	13.5	15.9	15.6	15.5
EBITDA	11.4	12.3	19.4	20.7	18.8
EBIT	11.8	11.8	20.0	22.5	20.4
PAT	27.8	(2.7)	22.4	22.2	20.2

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	12,471	12,817	13,386	12,983	14,830
EBITDA	1,851	1,991	2,226	2,002	2,270
EBITDA Margin (%)	14.8	15.5	16.6	15.4	15.3
PAT	1,129	1,113	1,304	1,062	1,349
EPS (Rs)	1.2	1.1	1.3	1.1	1.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	75.0	75.0	75.0	75.0	75.0
FIIIs	10.8	10.5	10.7	10.7	10.2
DIIIs	3.3	3.6	3.6	3.6	4.2
Public and Others	10.9	10.9	10.8	10.8	10.7

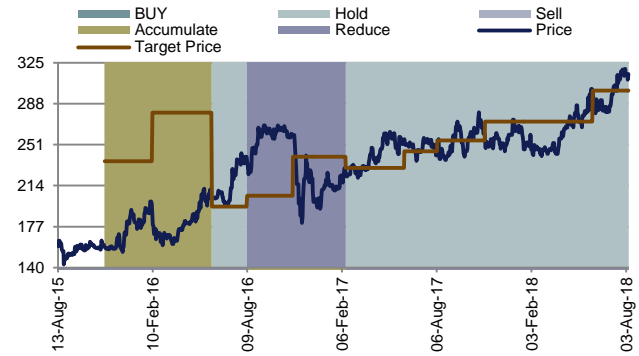
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
08-Aug-18	313	315	12m	Hold	Ashit Desai
31-May-18	298	300	12m	Hold	Ashit Desai
06-Nov-17	256	272	12m	Hold	Amit Purohit
07-Aug-17	249	255	12m	Hold	Amit Purohit
05-Jun-17	256	245	12m	Hold	Amit Purohit
13-Feb-17	222	230	12m	Hold	Amit Purohit
04-Nov-16	260	240	12m	Reduce	Amit Purohit
08-Aug-16	235	205	12m	Reduce	Amit Purohit
15-Jul-16	223	195	12m	Hold	Amit Purohit
02-Jun-16	204	195	12m	Hold	Prashant Kutty
09-Feb-16	186	280	12m	Accumulate	Prashant Kutty
24-Dec-15	180	236	12m	Accumulate	Prashant Kutty
10-Nov-15	158	236	12m	Accumulate	Prashant Kutty
12-Aug-15	160	245	12m	Accumulate	Prashant Kutty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Godrej Consumer Products

Refer to important disclosures at the end of this report

Strong innovation and execution

We hosted Mr. Tapan Joshi, general manager of finance at GCPL, at our India Conference to share company insights.

Key Meeting Takeaways

- The house insecticides (HI) category has witnessed a recovery led by favorable season and step-up in innovations, which were lower in the previous years. The company has launched products, such as Power Chip, to upgrade coil users. Power Chip is still at a nascent stage and growth is driven by expanding its reach; margin is a bit lower than Liquid Vaporizer (LV).
- In soaps, GCPL has a strong presence in North and South, with Godrej No. 1 and Cinthol, respectively. Management expects growth momentum in soaps to continue in mid-teens, driven by increasing penetration and regional initiatives.
- Crème hair color penetration is still very low (~15%) in India. Crème forms ~45% of the hair color sales for GCPL. In India, hair color is mainly used for grey hairs and not for fashion. The company has launched a new product in Henna-based hair colors to tap into this emerging trend and compete with new players.
- The margin in Africa is expected to improve to mid- to high-teens, which was adversely affected by currency headwinds. The company is focusing on local manufacturing and expanding distribution network. It is also focusing on the wet hair care category by launching localized products in Nigeria and South Africa.
- The competitive intensity in HI has gone down in Indonesia. GCPL's focus is to increase direct distribution reach in Indonesia, which is now over-indexed toward Modern Trade. GCPL drives 50% of its sales from Modern Trade vs. the industry which drives only 30% of the sales; hence, the focus is on expanding distribution in general trade. GCPL is only present in aerosol, LV and paper formats in the HI category, in which it is a market leader. The company plans to launch a personal repellent in 2HFY19.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	92,679	98,433	112,198	127,499	144,919
EBITDA	18,977	20,671	24,782	28,648	32,870
EBITDA Margin (%)	20.5	21.0	22.1	22.5	22.7
APAT	13,079	14,546	17,523	20,817	24,300
EPS (Rs)	19.2	21.4	25.7	30.6	35.7
EPS (% chg)	12.3	11.2	20.5	18.8	16.7
ROE (%)	27.3	25.2	25.9	26.3	26.0
P/E (x)	67.4	60.6	50.3	42.4	36.3
EV/EBITDA (x)	47.4	43.0	35.3	30.1	25.8
P/BV (x)	16.6	14.1	12.1	10.3	8.7

Source: Company, Emkay Research

CMP	Target Price
Rs 1,295 as of (August 10, 2018)	Rs 1,325 (■) 12 months
Rating	Upside
ACCUMULATE (■)	2.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	25.7	30.6
Consensus	25.9	30.3
Mean Consensus TP (12M)	Rs 1,307	

Stock Details

Bloomberg Code	GCPL IN
Face Value (Rs)	1
Shares outstanding (mn)	681
52 Week H/L	1,380 / 859
M Cap (Rs bn/USD bn)	882 / 12.82
Daily Avg Volume (nos.)	531,984
Daily Avg Turnover (US\$ mn)	9.5

Shareholding Pattern Jun '18

Promoters	63.3%
FIIIs	28.1%
DIIIs	2.3%
Public and Others	6.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	3	20	27	44
Rel. to Nifty	(1)	13	17	23

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	92,679	98,433	112,198	127,499	144,919
Expenditure	73,702	77,762	87,416	98,851	112,050
EBITDA	18,977	20,671	24,782	28,648	32,870
Depreciation	1,416	1,557	1,688	1,730	1,774
EBIT	17,562	19,114	23,094	26,918	31,096
Other Income	753	1,076	1,197	1,427	1,703
Interest expenses	1,452	1,607	1,850	1,800	1,800
PBT	16,862	18,582	22,441	26,545	30,999
Tax	3,792	4,047	4,911	5,719	6,690
Extraordinary Items	1	1,796	0	0	0
Minority Int./Income from Assoc.	8	11	7	9	9
Reported Net Income	13,080	16,342	17,523	20,817	24,300
Adjusted PAT	13,079	14,546	17,523	20,817	24,300

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	341	681	681	681	681
Reserves & surplus	52,679	61,902	72,047	84,668	100,771
Net worth	53,020	62,583	72,729	85,349	101,452
Minority Interest	0	0	0	0	0
Loan Funds	33,408	25,208	15,208	10,208	5,208
Net deferred tax liability	1,517	1,663	1,829	2,012	2,213
Total Liabilities	87,944	89,454	89,766	97,569	108,874
Net block	80,829	83,150	82,899	83,368	83,795
Investment	9,335	9,973	9,973	9,973	9,973
Current Assets	37,807	44,053	49,778	62,265	78,743
Cash & bank balance	9,127	9,602	13,371	20,930	31,802
Other Current Assets	3,985	5,905	5,325	6,025	6,819
Current liabilities & Provision	41,001	48,560	53,722	58,876	64,476
Net current assets	(3,194)	(4,507)	(3,944)	3,389	14,267
Misc. exp	0	0	0	0	0
Total Assets	87,944	89,454	89,766	97,569	108,874

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	16,109	17,507	21,244	25,118	29,296
Other Non-Cash items	0	0	0	0	0
Chg in working cap	13,733	1,935	3,371	409	195
Operating Cashflow	29,681	21,441	24,433	24,756	28,069
Capital expenditure	(23,468)	(3,742)	(1,437)	(2,200)	(2,200)
Free Cash Flow	6,212	17,698	22,996	22,556	25,869
Investments	(7,440)	(637)	0	0	0
Other Investing Cash Flow	4,449	(512)	(1,760)	(1,427)	(1,703)
Investing Cashflow	(25,707)	(3,817)	(2,000)	(2,200)	(2,200)
Equity Capital Raised	0	341	0	0	0
Loans Taken / (Repaid)	7,099	(8,200)	(10,000)	(5,000)	(5,000)
Dividend paid (incl tax)	(2,357)	(7,379)	(7,377)	(8,197)	(8,197)
Other Financing Cash Flow	(5,676)	(303)	563	0	0
Financing Cashflow	(2,385)	(17,148)	(18,664)	(14,997)	(14,997)
Net chg in cash	1,589	475	3,769	7,559	10,872
Opening cash position	7,538	9,127	9,602	13,371	20,930
Closing cash position	9,127	9,602	13,371	20,930	31,802

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	20.5	21.0	22.1	22.5	22.7
EBIT Margin	18.9	19.4	20.6	21.1	21.5
Effective Tax Rate	22.5	21.8	21.9	21.5	21.6
Net Margin	14.1	14.8	15.6	16.3	16.8
ROCE	23.2	22.8	27.1	30.3	31.8
ROE	27.3	25.2	25.9	26.3	26.0
RoIC	27.3	27.8	34.3	41.0	47.1

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	19.2	21.4	25.7	30.6	35.7
CEPS	21.3	23.6	28.2	33.1	38.3
BVPS	77.9	91.9	106.8	125.3	149.0
DPS	2.9	9.0	9.0	10.0	10.0

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	67.4	60.6	50.3	42.4	36.3
P/CEPS	61.6	55.4	46.5	39.6	34.2
P/BV	16.6	14.1	12.1	10.3	8.7
EV / Sales	9.7	9.1	7.8	6.8	5.9
EV / EBITDA	47.4	43.0	35.3	30.1	25.8
Dividend Yield (%)	0.2	0.7	0.7	0.8	0.8

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	0.3	0.1	(0.1)	(0.2)	(0.3)
Net Debt/EBIDTA	0.9	0.3	(0.3)	(0.7)	(1.1)
Working Cap Cycle (days)	(48.5)	(52.3)	(56.3)	(50.2)	(44.2)

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	10.0	6.2	14.0	13.6	13.7
EBITDA	16.0	8.9	19.9	15.6	14.7
EBIT	14.4	8.8	20.8	16.6	15.5
PAT	57.5	24.9	7.2	18.8	16.7

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	21,773	25,066	26,303	25,289	24,760
EBITDA	3,498	5,427	5,987	6,050	4,491
EBITDA Margin (%)	16.1	21.6	22.8	23.9	18.1
PAT	2,252	3,620	4,299	6,172	4,051
EPS (Rs)	3.3	5.3	6.3	9.1	5.9

Source: Company, Emkay Research

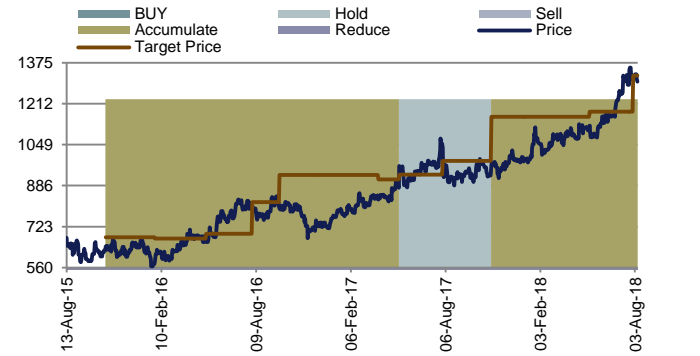
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	63.3	63.3	63.3	63.3	63.3
FIIIs	28.0	27.8	27.7	28.0	28.1
DIIIs	2.2	2.2	2.3	2.2	2.3
Public and Others	6.6	6.7	6.7	6.5	6.4

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	1,311	1,325	12m	Accumulate	Ashit Desai
08-May-18	1,124	1,180	12m	Accumulate	Ashit Desai
01-Nov-17	968	1,160	12m	Accumulate	Amit Purohit
31-Jul-17	1,037	985	12m	Hold	Amit Purohit
09-May-17	965	930	12m	Hold	Amit Purohit
30-Mar-17	831	911	12m	Accumulate	Amit Purohit
30-Jan-17	802	928	12m	Accumulate	Amit Purohit
07-Nov-16	760	928	12m	Accumulate	Amit Purohit
22-Sep-16	794	928	12m	Accumulate	Amit Purohit
01-Aug-16	795	820	12m	Accumulate	Prashant Kutty
05-May-16	664	695	12m	Accumulate	Prashant Kutty
28-Jan-16	586	675	12m	Accumulate	Prashant Kutty
26-Oct-15	643	680	12m	Accumulate	Prashant Kutty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Parag Milk Foods

Refer to important disclosures at the end of this report

Focus on VADP and distribution expansion

We hosted Mr. Deepak Jain, manager of finance at Parag Milk Foods, and Ms. Natasha Kedia, IR, at our India Conference to share company insights.

Key Meeting Takeaways

- Parag Milk Foods (Parag) plans to increase milk products contribution from 66% in FY18 to 71% by FY21, driven by cheese, ghee and health and nutrition. Milk products grew ~40% in 1QFY19, mainly led by cheese and ghee. Management also guided to increase contribution from the health and nutrition segment from 2.5% of the sales to 7% by FY21.
- Cheese remains a strong forte for Parag and has become second-largest player, with a market share of ~33% within 10 years of starting cheese manufacturing. The company has increased cheese capacity from 40mt per day to 60mt to cater to increasing demand. It is currently operating at 50% capacity utilization. The company will continue to launch innovative products in cheese for retail consumers and institutional clients.
- The company has hired Vector Consultants to revamp its distribution network. The management highlighted pilot testing in Borivali (key area of suburban Mumbai) has shown good result. The company is focusing on expanding its range (number of products) and reach (number of outlet reach) to drive distribution expansion. Parag has a total reach of 250k outlets and plans to add 9k outlets per month.
- Gross margins improved in 1QFY19 due to a decrease in milk procurement prices. Management feels lower milk prices will sustain for another 2-3 quarters due to start of flush season (monsoon and winter). The company will use the benefits from lower milk prices to give higher trade promotions and trade margins to drive growth.
- Milk products' gross margins vary from 28% to 40%, with Whey having the highest margin (40%). Liquid milk has gross margins of 12-15%. In the future, a large part of the OPM improvement will be due to operating leverage rather than gross margin expansion.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	16,452	17,307	19,545	22,189	25,577
EBITDA	1,482	877	1,933	2,052	2,398
EBITDA Margin (%)	9.0	5.1	9.9	9.2	9.4
APAT	473	241	871	945	1,193
EPS (Rs)	6.7	2.9	10.4	11.3	14.2
EPS (% chg)	(66.7)	(57.3)	261.3	8.5	26.3
ROE (%)	19.5	4.9	13.0	12.4	13.7
P/E (x)	47.0	110.0	30.5	28.1	22.2
EV/EBITDA (x)	17.4	31.5	14.8	13.3	11.1
P/BV (x)	6.1	4.2	3.7	3.3	2.8

Source: Company, Emkay Research

CMP	Target Price
Rs 316	Rs 300 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	(5.1) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	11.3	14.2
Consensus	12.0	14.9
Mean Consensus TP (12M)	Rs 382	

Stock Details

Bloomberg Code	PARAG IN
Face Value (Rs)	10
Shares outstanding (mn)	84
52 Week H/L	415 / 220
M Cap (Rs bn/USD bn)	27 / 0.39
Daily Avg Volume (nos.)	945,093
Daily Avg Turnover (US\$ mn)	4.5

Shareholding Pattern Jun '18

Promoters	46.0%
FIIIs	14.5%
DIIIs	12.3%
Public and Others	27.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	4	6	41
Rel. to Nifty	(3)	(3)	(3)	21

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	16,452	17,307	19,545	22,189	25,577
Expenditure	14,970	16,430	17,612	20,137	23,179
EBITDA	1,482	877	1,933	2,052	2,398
Depreciation	334	490	506	583	620
EBIT	1,148	387	1,427	1,469	1,779
Other Income	15	129	120	120	120
Interest expenses	496	333	357	298	269
PBT	668	183	1,190	1,291	1,630
Tax	195	(58)	319	346	437
Extraordinary Items	0	(194)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	473	47	871	945	1,193
Adjusted PAT	473	241	871	945	1,193

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	704	839	839	839	839
Reserves & surplus	2,915	5,399	6,328	7,273	8,465
Net worth	3,619	6,238	7,167	8,111	9,304
Minority Interest	0	0	0	0	0
Loan Funds	3,605	2,144	2,637	2,337	2,337
Net deferred tax liability	110	(192)	(14)	(14)	(14)
Total Liabilities	7,334	8,190	9,790	10,434	11,627
Net block	3,447	3,630	4,261	4,178	4,058
Investment	0	0	50	50	50
Current Assets	6,184	8,873	9,270	11,152	13,241
Cash & bank balance	77	1,009	496	1,646	2,215
Other Current Assets	411	1,694	1,778	1,971	2,272
Current liabilities & Provision	2,576	4,477	3,995	5,150	5,927
Net current assets	3,608	4,395	5,275	6,002	7,315
Misc. exp	0	0	0	0	0
Total Assets	7,334	8,190	9,790	10,434	11,627

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	652	54	1,070	1,171	1,510
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,235)	(157)	(1,213)	423	(744)
Operating Cashflow	587	641	222	2,129	1,217
Capital expenditure	(866)	(559)	(1,177)	(500)	(500)
Free Cash Flow	(278)	82	(954)	1,629	717
Investments	3	0	(50)	0	0
Other Investing Cash Flow	531	(1,076)	834	0	0
Investing Cashflow	(316)	(1,506)	(273)	(380)	(380)
Equity Capital Raised	544	135	0	0	0
Loans Taken / (Repaid)	(592)	(1,461)	493	(300)	0
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	279	2,885	0	0	0
Financing Cashflow	(264)	1,225	135	(598)	(269)
Net chg in cash	7	360	85	1,150	568
Opening cash position	53	77	1,009	496	1,646
Closing cash position	60	436	1,093	1,646	2,215

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	9.0	5.1	9.9	9.2	9.4
EBIT Margin	7.0	2.2	7.3	6.6	7.0
Effective Tax Rate	29.2	(31.5)	26.8	26.8	26.8
Net Margin	2.9	1.4	4.5	4.3	4.7
ROCE	18.1	6.7	17.2	15.7	17.2
ROE	19.5	4.9	13.0	12.4	13.7
RoIC	18.9	5.5	17.8	16.7	20.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	6.7	2.9	10.4	11.3	14.2
CEPS	11.5	8.7	16.4	18.2	21.6
BVPS	51.4	74.4	85.4	96.7	110.9
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	47.0	110.0	30.5	28.1	22.2
P/CEPS	30.6	40.2	21.3	19.2	16.2
P/BV	6.1	4.2	3.7	3.3	2.8
EV / Sales	1.6	1.6	1.5	1.2	1.0
EV / EBITDA	17.4	31.5	14.8	13.3	11.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.0	0.2	0.3	0.1	0.0
Net Debt/EBITDA	2.4	1.3	1.1	0.3	0.1
Working Cap Cycle (days)	78.3	71.4	89.2	71.7	72.8

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	13.9	5.2	12.9	13.5	15.3
EBITDA	38.3	(40.8)	120.4	6.2	16.9
EBIT	44.1	(66.3)	268.3	3.0	21.1
PAT	46.9	(90.0)	1,747.5	8.5	26.3

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	4,284	4,129	5,045	5,193	5,178
EBITDA	387	294	500	588	551
EBITDA Margin (%)	9.0	7.1	9.9	11.3	10.6
PAT	221	105	249	255	261
EPS (Rs)	2.6	1.3	3.0	3.0	3.1

Source: Company, Emkay Research

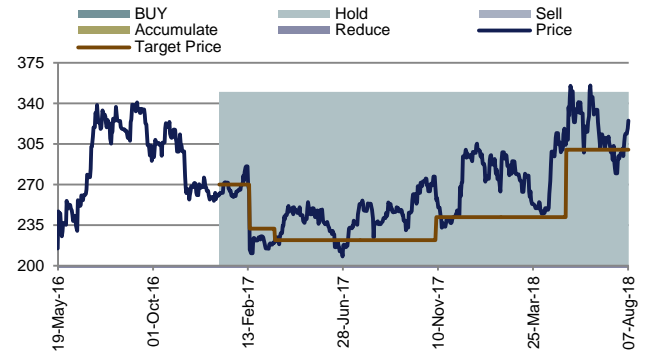
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	48.2	48.7	48.7	48.7	46.0
FII's	21.2	19.9	16.0	15.1	14.5
DII's	8.7	12.2	13.0	13.4	12.3
Public and Others	21.9	19.2	22.4	22.9	27.3

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-May-18	309	300	12m	Hold	Ashit Desai
07-Nov-17	257	242	12m	Hold	Sameep Kasbekar
11-Aug-17	236	222	12m	Hold	Dhaval Mehta
23-Mar-17	223	222	12m	Hold	Dhaval Mehta
15-Feb-17	214	232	12m	Hold	Dhaval Mehta
03-Jan-17	261	270	12m	Hold	Dhaval Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Engineering & Capital Goods

Action Construction Equipment

Refer to important disclosures at the end of this report

Poised for growth

We hosted Mr. Rajan Luthra, CFO of Action Construction Equipment Ltd. at our Annual India Conference to share company insights.

Key Meeting Takeaways:

- The demand for Cranes have been gradually improving in the last couple of years, led by an increase in infrastructure spending. Within the Crane segment, the Pick & Carry (PNC) constitutes ~90% of the portfolio, while the Tower and Crawler Cranes form the balance 9% and 1%, respectively. Approximately 60% of the Cranes are sold to various entities within the infrastructure sector, while the balance 40% are sold to the Engineering sector.
- ACE has a market leadership in PNC cranes with ~63% share. The nearest competition is from Escorts, which has a market share of ~35%. ACE sold ~5,000 PNC cranes in FY18 and expects to sell ~6,500 PNC cranes in FY19.
- Despite ACE having a large market share of ~55% in Tower Cranes, sales growth has remained muted in the last two years. Demand for Tower Cranes is largely driven by the Real Estate sector, which has witnessed a decline in construction activity in the last 2-3 years.
- The Material Handling segment, which accounts for 7% of revenues, has been reporting steady growth in the last 3-4 years. While Godrej and Kion have dominated the Forklift segment with market share of 35% and 30%, respectively. ACE is a relatively new entrant in Forklifts, but has already garnered a sizable market share of ~20%. The company sold ~900 Forklifts in FY18 and expects to sell ~1,200 units in FY19.
- In the Road Construction segment, the company has seen traction in Backhoe Loaders after a couple of setbacks in the last 2-3 years. The company sold ~230 Backhoe Loaders in FY18 and targets to sell ~400 units in FY19.
- In the Agriculture segment, the company sold ~3,500 units of Tractors in FY18 and expects to sell ~4,500 units in FY19. Approximately 70% of the Tractors manufactured by ACE have in-house engines, while the balance 30% are sourced from Kirloskar Oil Engine.
- The company would focus on increasing the share of exports over the next 3-4 years. The share of exports has increased from 1% of revenues in FY17 to ~4% in FY18. Going forward, exports are expected to contribute ~8% to the overall revenues with major focus on the Tractor segment.
- The continuous rise in steel prices had impacted gross margin in FY18. While input prices increased by 12%, the company was able to pass on only 8-9% to the customers. Going forward, the company is planning price increases of ~2-3%, which would help it to increase operating margins.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17
Net Sales	6163	5992	6373	7513
EBITDA	249	187	307	433
EBITDA Margin (%)	4.0	3.1	4.8	5.8
APAT	42	48	83	201
EPS (Rs)	0.4	0.4	0.7	1.7
EPS (% chg)	-42.3	13.7	71.9	142.2
ROE (%)	1.9	2.1	3.4	7.8
P/E (x)	425.4	374.1	217.7	89.9
EV/EBITDA (x)	77.6	102.3	62.0	42.9
P/BV (x)	7.9	7.8	7.1	6.8

Source: Company, Emkay Research

CMP	Target Price
Rs 154	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	ACCE IN
Face Value (Rs)	2
Shares outstanding (mn)	117
52 Week H/L	204/57
M Cap (Rs bn/USD bn)	18/0.3
Daily Avg Volume (nos.)	512,430
Daily Avg Turnover (US\$ mn)	1.2

Shareholding Pattern Jun'18

Promoters	69.0%
FIIIs	3.7%
DIIIs	0.7%
Public and Others	26.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	25	-17	-9	136
Rel. to Nifty	18	-23	-17	100

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17
Net Sales	6163	5992	6373	7513
Expenditure	6118	5711	6054	7122
EBITDA	249	187	307	433
Depreciation	153	96	114	125
EBIT	96	92	193	307
Other Income	53	119	96	65
Interest expenses	104	130	140	131
PBT	45	81	149	241
Tax	11	28	63	50
Extraordinary Items	3	18	17	5
Minority Int. /Income from Assoc.	-12	-13	-13	-13
Reported Net Income	46	67	100	205
Adjusted PAT	42	48	83	201

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17
Equity share capital	198	198	537	537
Reserves & surplus	2674	2717	2591	2703
Net worth	2872	2915	3127	3240
Minority Interest	4	4	3	3
Loan Funds	1496	1377	1243	834
Net deferred tax liability	-45	-86	-119	-149
Total Liabilities	4416	4349	4484	4190
Net block	2742	2832	3151	3086
Investment	117	140	168	182
Current Assets	2738	2555	2368	2549
Cash & bank balance	138	114	106	126
Other Current Assets	2601	2441	2262	2423
Current liabilities & Provision	1584	1658	1595	2174
Net current assets	1154	897	772	375
Misc. exp	0	0	0	0
Total Assets	4416	4349	4484	4190

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17
Opening Cash	173	148	139	135
Net Cash from Operations	381	396	574	718
Net Cash Used in Investing	-213	-145	-248	-111
Net Cash Used in Financing	-193	-261	-330	-540
Net Inc/(Dec) in Cash	-25	-9	-4	66
Closing Cash	148	139	135	201

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17
EBITDA Margin	4.0	3.1	4.8	5.8
EBIT Margin	1.6	1.5	3.0	4.1
Effective Tax Rate	24.4	34.9	42.0	20.5
Net Margin	0.7	0.8	1.3	2.7
ROCE	2.2	2.1	4.4	7.1
ROE	1.9	2.1	3.4	7.8
RoIC	3.0	2.9	5.9	9.4

Per Share Data (Rs)	FY14	FY15	FY16	FY17
EPS	0.4	0.4	0.7	1.7
CEPS	1.7	1.2	1.7	2.8
BVPS	19.4	19.8	21.6	22.6
DPS	0.1	0.2	0.2	0.3

Valuations (x)	FY14	FY15	FY16	FY17
PER	425.4	374.1	217.7	89.9
P/CEPS	92.3	125.2	91.8	55.3
P/BV	7.9	7.8	7.1	6.8
EV / Sales	3.1	3.2	3.0	2.5
EV / EBITDA	77.6	102.3	62.0	42.9
Dividend Yield (%)	0.1	0.1	0.1	0.2

Gearing Ratio (x)	FY14	FY15	FY16	FY17
Net Debt/ Equity	0.5	0.5	0.4	0.2
Net Debt/EBIDTA	5.0	6.0	3.2	1.2
Working Cap Cycle (days)	60.2	47.7	38.2	12.1

Growth (%)	FY14	FY15	FY16	FY17
Revenue	-7.8	-2.8	6.4	17.9
EBITDA	-15.6	-24.6	63.7	41.0
EBIT	-39.4	-4.3	111.0	59.0
PAT	-42.3	13.7	71.9	142.2

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,890	2,510	2,791	3,675	3,362
EBITDA	94	174	271	383	268
EBITDA Margin (%)	5.0	6.9	9.7	10.4	8.0
PAT	38	110	164	215	167
EPS (Rs)	0.3	0.9	1.4	1.8	1.4

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	73.1	73.1	68.9	68.9	69.0
FIIIs	1.7	1.4	3.1	3.7	3.7
DIIIs	1.6	1.6	1.6	1.5	0.7
Public and Others	23.6	23.9	26.3	25.9	26.7

KEC International

Refer to important disclosures at the end of this report

Geared for growth

We hosted Mr Rajeev Aggarwal, CFO and Ms Mita Samant, Sr. Manager (Investor Relations) of KEC International Ltd in our Annual India conference to get company /industry insights.

Key Meeting Takeaways

- Post the lull in tendering from Power Grid (PGCIL), KEC expects the next growth catalyst to come from T&D ordering (to be led by SEBs and TBCB). In SEB tenders, the company generally participates in projects that are being funded by multilateral institutions such as the World Bank, JICA, African Development Bank, REC and PFC.
- In the domestic markets, the company is now focusing on northern and eastern states of UP, Jharkhand, Orissa etc unlike the earlier exclusive focus on the southern states of Tamil Nadu, Andhra Pradesh and Telangana. The company expects considerable investments to improve the intra-state network after several years of investment in the inter-state network.
- In the International T&D segment, KECI is in the process of rebalancing the Middle-East portfolio by bidding for new projects in UAE, Jordan and Oman compared to the earlier focus on Saudi Arabia. Additionally, KECI has expanded its presence in the International Substation segment by constructing substations in both AIS and GIS. In the Americas, KECI's subsidiary SAE is expected to benefit from the proposed upsurge in T&D investments in the LATAM regions, especially in Mexico and Brazil.
- The Railway Infrastructure segment, comprising Civil Infra and Track Works, Railway Electrification, Signaling etc, has been reporting strong revenue and profitability growth from 2HFY18. As on date, the company is executing ~31 projects and ~70% of the order book comprises the lucrative Composite and Signaling & Telecom works, unlike the earlier smaller jobs related to Line Electrification. At present, the company has no railway orders in the international arena, but it has recently bid for a few international railway orders.
- In the Civil & Infra segment, KECI has expanded the business portfolio to include Civil Construction with focus on industrial plants, residential buildings and commercial complexes. During FY19, KECI delivered several projects and received many repeat orders from customers across diverse sectors. Order bookings in FY18 were in excess of ~Rs5bn across Industrial Plants and Residential Buildings.
- In the Water segment (which was recently included in the Civil business), the company is now focusing on complete integrated Water & Waste Water/Sewage Treatment projects and Industrial Effluent Treatment plants.
- The persistent rise in steel prices (+30-35%) in FY18 impacted EBITDAM by ~2%. The company has guided for FY19 EBITDAM to remain stable at ~10%. KECI was also able to improve its credit rating to AA-, which enabled it to reduce overall bank charges by 20%. Interest cost to sales stood at ~2.5% in FY18 and is expected to remain at similar level for FY19. Going forward, KECI expects growth to be driven by T&D (Brazil and SAARC), Railway and Civil Infra in the domestic market.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	85,178	85,844	1,00,580	1,18,829	1,33,483
EBITDA	6,923	8,179	10,062	12,866	14,442
EBITDA Margin (%)	8.1	9.5	10.0	10.8	10.8
APAT	1,479	3,048	4,604	5,989	7,231
EPS (Rs)	5.8	11.9	17.9	23.3	28.1
EPS (% chg)	(8.1)	106.1	51.1	30.1	20.7
ROE (%)	11.3	21.2	25.7	26.6	25.7
P/E (x)	51.6	25.1	16.6	12.8	10.6
EV/EBITDA (x)	15.5	11.5	9.1	7.0	6.1
P/BV (x)	5.9	4.8	3.8	3.1	2.5

Source: Company, Emkay Research

CMP	Target Price
Rs 297	Rs 507 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	70.7 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	23.3	28.1
Consensus	20.9	25.2
Mean Consensus TP (12M)	Rs 419	

Stock Details

Bloomberg Code	KECI IN
Face Value (Rs)	2
Shares outstanding (mn)	257
52 Week H/L	443 / 274
M Cap (Rs bn/USD bn)	76 / 1.11
Daily Avg Volume (nos.)	6,00,071
Daily Avg Turnover (US\$ mn)	3.1

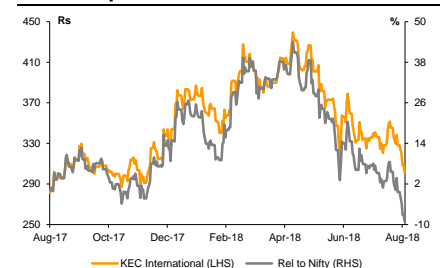
Shareholding Pattern Jun '18

Promoters	51.0%
FII's	11.7%
DII's	19.2%
Public and Others	18.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(12)	(26)	(17)	2
Rel. to Nifty	(16)	(30)	(24)	(12)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	85,178	85,844	1,00,580	1,18,829	1,33,483
Expenditure	78,255	77,665	90,518	1,05,963	1,19,042
EBITDA	6,923	8,179	10,062	12,866	14,442
Depreciation	1,318	1,297	1,097	1,446	1,531
EBIT	5,605	6,882	8,964	11,420	12,911
Other Income	103	289	404	112	121
Interest expenses	2,794	2,536	2,466	2,593	2,240
PBT	2,914	4,634	6,902	8,939	10,792
Tax	1,436	1,587	2,298	2,950	3,561
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,479	3,048	4,604	5,989	7,231
Adjusted PAT	1,479	3,048	4,604	5,989	7,231

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	514	514	514	514	514
Reserves & surplus	12,390	15,349	19,460	24,521	30,638
Net worth	12,904	15,864	19,975	25,035	31,152
Minority Interest	0	0	0	0	0
Loan Funds	32,212	21,057	17,663	17,663	14,663
Net deferred tax liability	1,034	1,240	1,007	1,007	1,007
Total Liabilities	46,150	38,161	38,645	43,706	46,823
Net block	11,977	11,488	11,122	10,676	10,145
Investment	254	1,304	393	393	393
Current Assets	73,421	69,898	88,626	1,10,020	1,23,099
Cash & bank balance	853	2,080	2,313	3,155	3,055
Other Current Assets	8,633	9,378	11,941	14,650	16,457
Current liabilities & Provision	39,586	44,579	62,276	77,483	86,914
Net current assets	33,835	25,318	26,349	32,537	36,185
Misc. exp	0	0	0	0	0
Total Assets	46,150	38,161	38,645	43,706	46,823

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	2,812	4,346	6,498	8,827	10,671
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(11,326)	9,950	(1,031)	(5,345)	(3,748)
Operating Cashflow	(753)	16,616	6,596	4,571	7,132
Capital expenditure	(625)	(775)	(1,462)	(319)	(1,000)
Free Cash Flow	(1,378)	15,841	5,135	4,252	6,132
Investments	(254)	(1,050)	911	0	0
Other Investing Cash Flow	550	(295)	102	0	0
Investing Cashflow	(226)	(1,831)	(45)	(207)	(879)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	10,071	(11,155)	(3,394)	0	(3,000)
Dividend paid (incl tax)	(575)	(11)	(411)	(928)	(1,114)
Other Financing Cash Flow	(6,978)	(88)	(110)	0	0
Financing Cashflow	(276)	(13,790)	(6,382)	(3,522)	(6,354)
Net chg in cash	(1,255)	995	170	842	(100)
Opening cash position	2,001	760	1,760	2,313	3,155
Closing cash position	853	2,080	2,313	3,155	3,055

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	8.1	9.5	10.0	10.8	10.8
EBIT Margin	6.6	8.0	8.9	9.6	9.7
Effective Tax Rate	49.3	34.2	33.3	33.0	33.0
Net Margin	1.7	3.6	4.6	5.0	5.4
ROCE	13.9	17.0	24.4	28.0	28.8
ROE	11.3	21.2	25.7	26.6	25.7
RoIC	14.2	17.3	25.7	30.4	31.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	5.8	11.9	17.9	23.3	28.1
CEPS	10.9	16.9	22.2	28.9	34.1
BVPS	50.2	61.7	77.7	97.4	121.2
DPS	1.0	1.6	2.4	3.0	3.6

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	51.6	25.1	16.6	12.8	10.6
P/CEPS	30.2	19.4	14.8	11.3	9.6
P/BV	5.9	4.8	3.8	3.1	2.5
EV / Sales	1.3	1.1	0.9	0.8	0.7
EV / EBITDA	15.5	11.5	9.1	7.0	6.1
Dividend Yield (%)	0.3	0.5	0.8	1.0	1.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	2.4	1.1	0.7	0.6	0.4
Net Debt/EBIDTA	4.5	2.2	1.5	1.1	0.8
Working Cap Cycle (days)	141.3	98.8	87.2	90.3	90.6

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	0.6	0.8	17.2	18.1	12.3
EBITDA	35.3	18.1	23.0	27.9	12.2
EBIT	32.3	22.8	30.3	27.4	13.1
PAT	(8.1)	106.1	51.1	30.1	20.7

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	28,492	18,568	21,322	24,049	36,642
EBITDA	3,011	1,763	2,158	2,441	3,699
EBITDA Margin (%)	10.6	9.5	10.1	10.2	10.1
PAT	1,455	630	894	1,118	1,963
EPS (Rs)	5.7	2.4	3.5	4.3	7.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	50.9	50.9	51.0	51.0	51.0
FIIIs	7.2	10.3	10.3	10.7	11.7
DIIIs	23.6	20.8	20.4	20.2	19.2
Public and Others	18.3	17.9	18.3	18.2	18.1

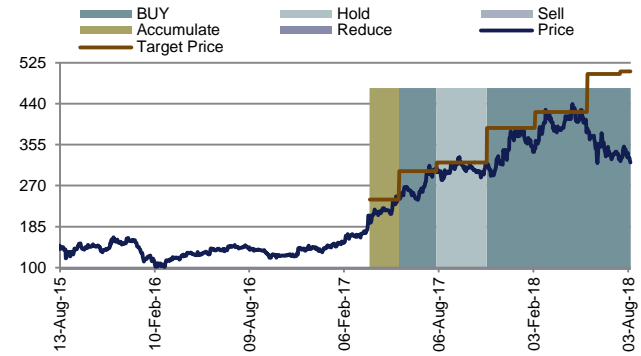
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-Jul-18	321	507	12m	Buy	John Perinchery
17-May-18	388	502	12m	Buy	John Perinchery
06-Feb-18	348	423	12m	Buy	John Perinchery
30-Jan-18	351	390	12m	Buy	John Perinchery
06-Nov-17	316	390	12m	Buy	John Perinchery
02-Aug-17	298	318	12m	Hold	John Perinchery
22-May-17	244	300	12m	Buy	John Perinchery
27-Mar-17	192	241	12m	Accumulate	John Perinchery

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Voltamp Transformers

Refer to important disclosures at the end of this report

Improving utilization driving growth

We hosted Mr. K S Patel, CMD of Voltamp Transformers Ltd (Voltamp) in our Annual India Conference to get company/industry insights.

Key Meeting Takeaways

- The transformer industry has been reporting a gradual revival in the last three years. While the volume has expanded by ~30%, the pricing is yet to revive. Pricing pressure persists, owing to intense competition and overcapacity. Most companies in this segment continue to report operational losses.
- Voltamp has recovered a large portion of the market share, which it had ceded in the FY10-15 period, when the transformer industry was saddled with excess capacities and poor demand (leading to severe price erosion and elongated payment cycle). As on date, Voltamp has ~5-8% share in Industrial Projects, ~15% in Infrastructure projects and ~35% in Dry Type Transformers. Voltamp's capacity utilisation stands at ~78%, up from 74% in FY18.
- The revival in the Transformer sector was led by the upsurge in investments in Renewable Power viz., Solar and Wind Power. However, the recent drop in tariffs for Renewable Power projects, coupled with the lack of clarity on GST/Duties on imported solar panels have impacted incremental orders. As on date, demand for Transformers is largely originating from Water Treatment projects, Oil & Gas, Chemicals and Cement sectors.
- Voltamp accepts customer orders only if there is a reasonable surety about the receipt of payments and certainty on completion of projects. Almost 70-80% of the order intake is with advances even in Govt/PSU orders. Also, the company refuses to accept orders with 10% retention clause. Voltamp does not avail credit from its vendors and pays cash upfront on deliveries.
- As on date, Voltamp has ~60,000 installations across India. Almost 80-85% of the top 1,000 Indian corporates are Voltamp's regular customers. The company has a lion's share of orders from Engineer India Ltd - ~80% market share. Majority orders are to direct customers like L&T, Siemens, ABB, GE T&D, Schneider Electric, BGR Energy etc. Voltamp follows a cash & carry policy for majority of its clients, while deliveries to the organized players are on LCs.
- Order book stands at Rs5.6bn v/s Rs4.5bn in FY18. The company is targeting volume growth of ~10% in FY19 and expects margins to sustain at ~10-11%. The company does not take a large exposure to any particular sector - limits the maximum exposure to ~15% to a particular sector. It remains debt free and has treasury of ~Rs3.5bn.
- The rising RM prices and depreciating INR remain key risks. Also, there are chances of slowdown in tendering from November- December 2018 till May 2019 on account of the upcoming general elections.

Financial Snapshot (Standalone)

(Rs mn)	FY15	FY16	FY17	FY18
Net Sales	5169	5633	6109	6390
EBITDA	198	374	602	660
EBITDA Margin (%)	3.8	6.6	9.9	10.3
APAT	223	363	685	698
EPS (Rs)	22.3	36.3	68.5	69.8
EPS (% chg)	6.0	62.9	88.7	2.0
ROE (%)	5.1	8.0	13.2	11.8
P/E (x)	44.4	27.2	14.4	14.2
EV/EBITDA (x)	39.8	20.8	11.3	9.7
P/BV (x)	2.2	2.1	1.7	1.6

Source: Company, Emkay Research

CMP	Target Price
Rs 988	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	VAMP IN
Face Value (Rs)	10
Shares outstanding (mn)	10
52 Week H/L	1318/870
M Cap (Rs bn/USD bn)	10/0.1
Daily Avg Volume (nos.)	5,773
Daily Avg Turnover (US\$ mn)	0.1

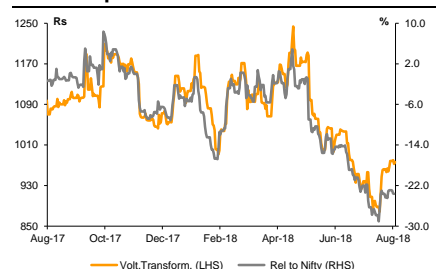
Shareholding Pattern Jun'18

Promoters	47.5%
FIIIs	15.6%
DIIIs	20.0%
Public and Others	16.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	-17	-5	-14
Rel. to Nifty	0	-22	-13	-27

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18
Net Sales	5169	5633	6109	6390
Expenditure	5118	5377	5474	5743
EBITDA	198	374	602	660
Depreciation	72	60	58	60
EBIT	125	315	544	600
Other Income	212	283	390	407
Interest expenses	3	4	5	6
PBT	334	593	928	1001
Tax	50	153	206	267
Extraordinary Items	61	77	38	37
Minority Int. /Income from Assoc.	0	0	0	0
Reported Net Income	284	440	722	735
Adjusted PAT	223	363	685	698

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18
Equity share capital	101	101	101	101
Reserves & surplus	4307	4595	5549	6100
Net worth	4408	4696	5650	6201
Minority Interest	0	0	0	0
Loan Funds	0	0	0	0
Net deferred tax liability	20	22	-1	-6
Total Liabilities	4439	4732	5696	6257
Net block	411	390	382	430
Investment	2107	2196	3128	3519
Current Assets	2391	2584	2481	2583
Cash & bank balance	33	18	42	80
Other Current Assets	2358	2566	2439	2503
Current liabilities & Provision	515	475	430	437
Net current assets	1877	2109	2051	2146
Misc. exp	0	0	0	0
Total Assets	4439	4732	5696	6257

Cash flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18
Opening Cash	9	29	13	36
Net Cash from Operations	-102	-12	781	431
Net Cash Used in Investing	240	119	-600	-202
Net Cash Used in Financing	-118	-122	-158	-188
Net Inc/(Dec) in Cash	20	-15	24	41
Closing Cash	29	14	36	78

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18
EBITDA Margin	3.8	6.6	9.9	10.3
EBIT Margin	2.4	5.6	8.9	9.4
Effective Tax Rate	14.9	25.8	22.2	26.6
Net Margin	4.3	6.4	11.2	10.9
ROCE	2.9	6.9	10.4	10.0
ROE	5.1	8.0	13.2	11.8
RoIC	5.7	13.0	22.0	24.0

Per Share Data (Rs)	FY15	FY16	FY17	FY18
EPS	22.3	36.3	68.5	69.8
CEPS	29.5	42.3	74.3	75.8
BVPS	440.8	469.6	565.0	620.1
DPS	10.0	12.5	15.0	15.0

Valuations (x)	FY15	FY16	FY17	FY18
PER	44.4	27.2	14.4	14.2
P/CEPS	33.5	23.4	13.3	13.0
P/BV	2.2	2.1	1.7	1.6
EV / Sales	1.5	1.4	1.1	1.0
EV / EBITDA	39.8	20.8	11.3	9.7
Dividend Yield (%)	1.0	1.3	1.5	1.5

Gearing Ratio (x)	FY15	FY16	FY17	FY18
Net Debt/ Equity	-0.5	-0.5	-0.6	-0.6
Net Debt/EBITDA	-10.8	-5.9	-5.3	-5.5
Working Cap Cycle (days)	130.2	135.5	120.0	118.0

Growth (%)	FY15	FY16	FY17	FY18
Revenue	16.2	9.0	8.5	4.6
EBITDA	31.9	89.6	60.7	9.7
EBIT	59.8	151.1	72.8	10.4
PAT	6.0	62.9	88.7	2.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	1,305	1,289	1,601	2,196
EBITDA	96	86	203	290
EBITDA Margin (%)	7.4	6.7	12.7	13.2
PAT	145	153	236	201
EPS (Rs)	14.5	15.3	23.6	20.1

Shareholding Pattern (%)	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	47.5	47.5	47.5	47.5
FIIIs	16.3	16.3	15.6	15.6
DIIIs	19.2	19.3	20.1	20.0
Public and Others	16.9	16.9	16.8	16.9

Information Technology

eClerx Services

Refer to important disclosures at the end of this report

Growth/margins revival hinges on offshore business

We hosted Mr Rohitash Gupta (CFO) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- eClerx stated that the improvement in outlook is largely due to lack of negatives in FY19 (couple of large client ramp-downs were present in FY18). eClerx indicated that while Onsite revenue growth visibility is there, visibility on Offshore growth remains murky, which takes away a significant lever for margin improvement.
- Offshore business:** It stated that visibility in the BPO business has historically been lower and ramp-up in some large clients (especially in Cable segment) can come at a very short notice, with potential to spring surprises outside the pipeline. For instance, opportunities in regulations (e.g. FCC – Federal Communication Commission) can generate significant volume.
- eClerx stated that first-time impact of automation adoption is largely over, but does not see any significant differentiation as there is a large pool of third-party solutions available. It has absorbed ~10% gross impact on revenue, which has been affected due to automation productivity benefits shared with clients.
- Onshore deal momentum is strong, but the current business is managed at sub-scale operations and is hurting margins. Currently, the operations are loss making and would gradually reach the peer-operating levels of 7-12% EBITDA margin over FY19. The immediate leverage would come in terms of SG&A optimisations (Travel, Sales, Utilization, Support Services etc).
- Export incentives:** SIES benefits would continue and approved for FY19 (Q1FY19: ~Rs0.12bn and Rs40mn in next 3 quarters). Benefits can still continue in FY20 but are unlikely to persist after that.
- Key Client:** The company has seen three back-to-back large client ramp-downs in the last two years, impacting its performance over FY16-18. However, stability in the performance of these accounts (Top 10 clients revenue down 5% in Q1FY19) and consistent commentary from client conversations suggest no near term concerns. Analytics, Consulting, change-the-banks initiatives etc continue to drive new deal wins.
- Profitability would improve as soon as it sees traction returning in Offshore deals (OPM is 30%+) and as it wins truly global deals (mix of onsite/offshore). Meanwhile, optimization of onsite operations would negate gains, as revenue contribution from onsite continues to rise.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	13,143	13,300	13,651	14,630	15,876
EBITDA	4,868	4,688	3,667	3,454	4,077
EBITDA Margin (%)	37.0	35.2	26.9	23.6	25.7
APAT	3,631	3,541	2,675	2,440	2,802
EPS (Rs)	88.0	88.4	70.0	65.2	77.4
EPS (% chg)	58.1	0.5	(20.8)	(6.8)	18.6
ROE (%)	40.3	30.8	21.6	19.0	20.6
P/E (x)	13.4	13.4	16.9	18.1	15.3
EV/EBITDA (x)	8.9	8.9	10.7	11.0	8.8
P/BV (x)	4.5	3.9	3.6	3.4	3.0

Source: Company, Emkay Research

CMP	Target Price
Rs 1,180	Rs 1,160 (■)
as of (August 10, 2018)	12 months
Rating	Upside
REDUCE (■)	(1.7) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	REDUCE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	65.2	77.4
Consensus	71.1	82.0
Mean Consensus TP (12M)	Rs 1,206	

Stock Details

Bloomberg Code	ECLX IN
Face Value (Rs)	10
Shares outstanding (mn)	39
52 Week H/L	1,609 / 1,142
M Cap (Rs bn/USD bn)	46 / 0.66
Daily Avg Volume (nos.)	19,023
Daily Avg Turnover (US\$ mn)	0.4

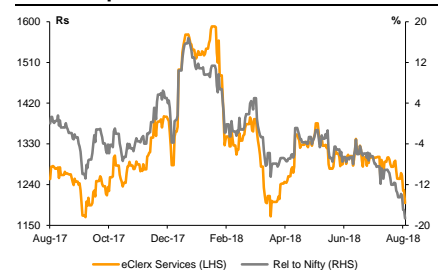
Shareholding Pattern Jun '18

Promoters	50.6%
FIIIs	24.4%
DIIIs	15.9%
Public and Others	9.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(13)	(12)	(6)
Rel. to Nifty	(13)	(18)	(20)	(19)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	13,143	13,300	13,651	14,630	15,876
Expenditure	8,275	8,612	9,984	11,176	11,799
EBITDA	4,868	4,688	3,667	3,454	4,077
Depreciation	507	518	483	469	534
EBIT	4,361	4,170	3,185	2,985	3,543
Other Income	404	188	390	513	465
Interest expenses	0	0	0	0	0
PBT	4,765	4,358	3,574	3,499	4,008
Tax	1,132	819	896	1,057	1,202
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	2	(1)	4	2	4
Reported Net Income	3,631	3,541	2,675	2,440	2,802
Adjusted PAT	3,631	3,541	2,675	2,440	2,802

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	408	397	386	374	362
Reserves & surplus	10,454	11,754	12,183	12,752	13,687
Net worth	10,862	12,151	12,569	13,127	14,049
Minority Interest	0	0	0	0	0
Loan Funds	35	11	11	11	11
Net deferred tax liability	7	88	88	88	88
Total Liabilities	10,904	12,250	12,668	13,226	14,148
Net block	3,398	3,279	3,397	3,478	3,394
Investment	2,191	2,191	2,191	2,191	2,191
Current Assets	7,041	8,405	8,651	9,251	10,414
Cash & bank balance	3,268	3,557	3,602	3,920	4,716
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	1,729	1,644	1,720	1,844	2,001
Net current assets	5,312	6,761	6,931	7,407	8,413
Misc. exp	0	0	0	0	0
Total Assets	10,904	12,250	12,668	13,226	14,148

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	4,361	4,170	3,185	2,985	3,543
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(983)	(1,079)	(124)	(159)	(210)
Operating Cashflow	2,754	2,791	2,647	2,239	2,664
Capital expenditure	(2,172)	(416)	(731)	(550)	(450)
Free Cash Flow	582	2,374	1,916	1,689	2,214
Investments	(638)	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,407)	(228)	(342)	(37)	15
Equity Capital Raised	144	(913)	(2,211)	(1,812)	(1,812)
Loans Taken / (Repaid)	35	(24)	0	0	0
Dividend paid (incl tax)	(49)	(1,282)	(45)	(70)	(67)
Other Financing Cash Flow	(75)	(55)	(4)	(2)	(4)
Financing Cashflow	55	(2,275)	(2,260)	(1,884)	(1,883)
Net chg in cash	403	288	45	317	796
Opening cash position	2,866	3,268	3,557	3,602	3,920
Closing cash position	3,268	3,557	3,602	3,919	4,716

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	37.0	35.2	26.9	23.6	25.7
EBIT Margin	33.2	31.4	23.3	20.4	22.3
Effective Tax Rate	23.7	18.8	25.1	30.2	30.0
Net Margin	27.6	26.6	19.6	16.7	17.7
ROCE	52.9	37.6	28.7	27.0	29.3
ROE	40.3	30.8	21.6	19.0	20.6
RoIC	107.5	69.9	48.2	43.6	50.4

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	88.0	88.4	70.0	65.2	77.4
CEPS	100.3	101.3	82.6	77.7	92.1
BVPS	263.2	303.3	328.9	350.9	388.0
DPS	1.0	32.0	1.0	1.6	1.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	13.4	13.4	16.9	18.1	15.3
P/CEPS	12.5	12.4	15.2	16.1	13.6
P/BV	4.5	3.9	3.6	3.4	3.0
EV / Sales	3.3	3.1	2.9	2.6	2.3
EV / EBITDA	8.9	8.9	10.7	11.0	8.8
Dividend Yield (%)	0.1	2.7	0.1	0.1	0.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Net Debt/EBIDTA	(1.1)	(1.2)	(1.6)	(1.8)	(1.7)
Working Cap Cycle (days)	56.8	87.9	89.0	87.0	85.0

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	39.5	1.2	2.6	7.2	8.5
EBITDA	54.3	(3.7)	(21.8)	(5.8)	18.0
EBIT	64.3	(4.4)	(23.6)	(6.3)	18.7
PAT	58.1	(2.5)	(24.5)	(8.8)	14.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	3,332	3,309	3,399	3,611	3,519
EBITDA	1,004	954	904	805	783
EBITDA Margin (%)	30.1	28.8	26.6	22.3	22.3
PAT	793	883	575	627	615
EPS (Rs)	19.8	22.1	14.4	15.7	16.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Dec-17	Mar-18	Mar-18	Jun-18
Promoters	50.2	50.1	50.3	50.3	50.6
FII	31.3	25.3	24.9	24.9	24.4
DII	11.3	15.7	15.1	15.1	15.9
Public and Others	7.3	8.9	9.8	9.7	9.1

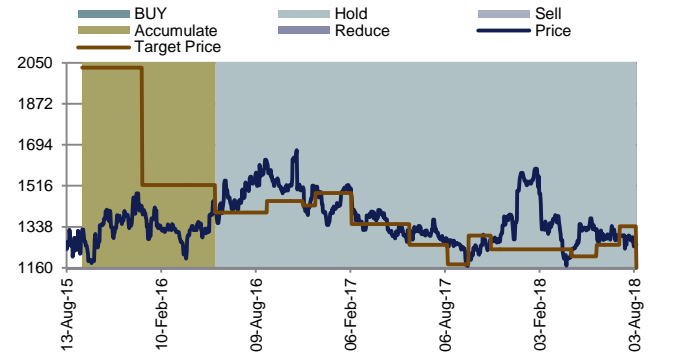
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
07-Aug-18	1,260	1,160	12m	Reduce	Rahul Jain
06-Jul-18	1,300	1,340	12m	Hold	Rahul Jain
23-May-18	1,327	1,260	12m	Hold	Rahul Jain
05-Apr-18	1,241	1,210	12m	Hold	Rahul Jain
02-Nov-17	1,290	1,240	12m	Hold	Rahul Jain
20-Sep-17	1,193	1,300	12m	Hold	Rahul Jain
11-Aug-17	1,252	1,175	12m	Hold	Rahul Jain
10-Jul-17	1,308	1,260	12m	Hold	Rahul Jain
30-May-17	1,328	1,260	12m	Hold	Manik Taneja
08-Feb-17	1,470	1,350	12m	Hold	Manik Taneja
01-Dec-16	1,490	1,485	12m	Hold	Manik Taneja
07-Nov-16	1,509	1,430	12m	Hold	Manik Taneja
30-Aug-16	1,613	1,450	12m	Hold	Manik Taneja
21-Jun-16	1,439	1,400	12m	Hold	Manik Taneja
23-May-16	1,398	1,400	12m	Hold	Manik Taneja
29-Jan-16	1,410	1,520	12m	Accumulate	Manik Taneja
04-Jan-16	1,401	1,520	12m	Accumulate	Manik Taneja
05-Nov-15	1,338	2,030	12m	Accumulate	Manik Taneja
03-Nov-15	1,408	2,030	12m	Accumulate	Manik Taneja
05-Oct-15	1,283	2,030	12m	Accumulate	Manik Taneja
11-Sep-15	1,326	2,030	12m	Accumulate	Manik Taneja

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Firstsource Solutions

Refer to important disclosures at the end of this report

Business traction (ex-top client) is intact

We hosted Mr Ankur Maheshwari (M&A and IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Firstsource (FSL) believes that the business is turning around in line with expectations and is confident of better prospects across segments (except Top Account, Healthcare – Payer clients). OPM is trending ahead of estimates and improved cash generation has helped it to announce its maiden dividend as it turned debt free.
- Firstsource said that the BPO industry is now more like a utility industry and less comparable to IT Services. The key factor is that all its large customers see FSL as a key service provider for customer management, collections and originations etc.
- While clients do not provide any minimum volume/revenue guarantees, essential process support is leading to increased revenue certainty over the long term (5-7 years).
- Commenting on the type of contracts, FSL indicated that ~70% of its contracts are output based (i.e. based on no. of transactions), ~25% of its contracts are outcome based (i.e. based on no. of customers retained). Only a small portion (5-6%) of the contracts are input based (i.e. based on no of people employed in the project), which was a predominant trend in early 2000's.
- It indicated that increasing outcome based projects give it better pricing power, which will help it to improve margins going forward. Ex-domestic business, which it exited in early FY18, FSL indicated that its business is growing at 8-9% with decent margins.
- Cited an example of outcome based projects in the Collections business; if a person defaults on credit card, the outcome will be defined based on % of recovery. The improved economic factors such as lower unemployment rate would boost collections/recovery and thus is a very good margin business at the moment.
- Healthcare: On the provider side, traction is good, as it is helping Hospitals to rapidly process claims from the Govt. Pricing is generally on shared basis from the payments received. Thus, profitability is high (more than 20% EBIT margins).
- Top client remains weak as decision making on outsourcing new areas to FSL has been slow. It has lost some momentum due to some impact from pricing/insourcing. The account is now expected to decline by 10-12% in FY19.
- Price pressure in general is low, as retaining customers through improved customer experience is key given the very high customer acquisition cost. Even in voice, it has to be done from the same country and customers are willing to pay premium pricing.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	32,302	35,556	35,353	38,765	41,452
EBITDA	4,048	4,380	4,590	5,422	6,118
EBITDA Margin (%)	12.5	12.3	13.0	14.0	14.8
APAT	2,650	2,790	3,267	3,829	4,412
EPS (Rs)	3.8	4.1	4.8	5.6	6.5
EPS (% chg)	13.2	7.9	17.1	17.2	15.2
ROE (%)	11.7	12.5	15.3	16.3	17.1
P/E (x)	16.1	14.9	12.7	10.8	9.4
EV/EBITDA (x)	11.6	11.1	10.0	7.3	6.1
P/BV (x)	1.8	2.0	1.9	1.7	1.5

Source: Company, Emkay Research

CMP	Target Price
Rs 61	Rs 70 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	15.8 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	5.6	6.5
Consensus	5.4	6.1
Mean Consensus TP (12M)	Rs 78	

Stock Details

Bloomberg Code	FSOL IN
Face Value (Rs)	10
Shares outstanding (mn)	690
52 Week H/L	84 / 33
M Cap (Rs bn/USD bn)	42 / 0.61
Daily Avg Volume (nos.)	8,532,823
Daily Avg Turnover (US\$ mn)	9.0

Shareholding Pattern Jun '18

Promoters	54.3%
FIIIs	10.9%
DIIIs	8.7%
Public and Others	26.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(18)	(15)	38	79
Rel. to Nifty (22)	(20)	26	54	

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	32,302	35,556	35,353	38,765	41,452
Expenditure	28,255	31,176	30,763	33,343	35,334
EBITDA	4,048	4,380	4,590	5,422	6,118
Depreciation	662	590	659	716	776
EBIT	3,386	3,790	3,931	4,706	5,343
Other Income	92	32	54	51	38
Interest expenses	522	453	404	140	0
PBT	2,956	3,369	3,581	4,616	5,380
Tax	302	577	314	787	968
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	4	3	0	0	0
Reported Net Income	2,650	2,790	3,267	3,829	4,412
Adjusted PAT	2,650	2,790	3,267	3,829	4,412

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	6,733	6,813	6,865	6,865	6,865
Reserves & surplus	17,518	13,467	15,474	17,688	20,240
Net worth	24,251	20,280	22,339	24,553	27,105
Minority Interest	20	0	0	0	0
Loan Funds	5,795	9,222	6,319	19	19
Net deferred tax liability	272	590	0	0	0
Total Liabilities	30,338	30,092	28,658	24,573	27,124
Net block	26,020	21,298	21,476	21,493	21,546
Investment	852	1,629	1,629	1,629	1,629
Current Assets	9,717	9,965	9,946	6,341	8,865
Cash & bank balance	689	387	310	180	2,330
Other Current Assets	3,682	3,829	3,829	1,329	1,329
Current liabilities & Provision	6,331	2,802	4,389	4,929	4,974
Net current assets	3,387	7,164	5,557	1,412	3,891
Misc. exp	0	0	0	0	0
Total Assets	30,337	30,092	28,658	24,573	27,114

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	2,864	3,337	3,527	4,565	5,342
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(279)	(3,761)	939	4,015	(329)
Operating Cashflow	3,114	487	5,859	8,701	4,859
Capital expenditure	(725)	(854)	(349)	(817)	(836)
Free Cash Flow	2,389	(367)	5,511	7,883	4,023
Investments	(118)	(1,590)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(750)	(2,412)	(294)	(766)	(798)
Equity Capital Raised	70	80	52	0	0
Loans Taken / (Repaid)	(1,508)	3,427	(2,903)	(6,300)	0
Dividend paid (incl tax)	0	0	(1,052)	(1,354)	(1,560)
Other Financing Cash Flow	(516)	(1,430)	(1,335)	(238)	(322)
Financing Cashflow	(2,477)	1,623	(5,642)	(8,032)	(1,883)
Net chg in cash	(113)	(302)	(77)	(98)	2,179
Opening cash position	802	689	387	310	180
Closing cash position	689	387	311	212	2,359

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	12.5	12.3	13.0	14.0	14.8
EBIT Margin	10.5	10.7	11.1	12.1	12.9
Effective Tax Rate	10.2	17.1	8.8	17.0	18.0
Net Margin	8.2	7.9	9.2	9.9	10.6
ROCE	11.8	12.7	13.6	17.9	20.8
ROE	11.7	12.5	15.3	16.3	17.1
RoIC	12.2	13.3	14.3	19.0	23.3

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.8	4.1	4.8	5.6	6.5
CEPS	4.7	5.0	5.8	6.7	7.6
BVPS	34.7	29.7	32.8	36.0	39.7
DPS	0.0	0.0	1.5	2.0	2.3

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	16.1	14.9	12.7	10.8	9.4
P/CEPS	15.2	14.5	12.5	10.8	9.5
P/BV	1.8	2.0	1.9	1.7	1.5
EV / Sales	1.4	1.4	1.3	1.0	0.9
EV / EBITDA	11.6	11.1	10.0	7.3	6.1
Dividend Yield (%)	0.0	0.0	2.5	3.3	3.8

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.2	0.4	0.2	(0.1)	(0.1)
Net Debt/EBIDTA	1.1	1.6	1.0	(0.3)	(0.6)
Working Cap Cycle (days)	30.5	69.6	54.2	11.6	13.7

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	6.4	10.1	(0.6)	9.6	6.9
EBITDA	6.3	8.2	4.8	18.1	12.9
EBIT	9.7	11.9	3.7	19.7	13.5
PAT	13.1	5.3	17.1	17.2	15.2

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	8,778	8,730	8,872	8,973	9,191
EBITDA	1,007	1,097	1,161	1,325	1,281
EBITDA Margin (%)	11.5	12.6	13.1	14.8	13.9
PAT	655	688	996	929	886
EPS (Rs)	1.0	1.0	1.5	1.4	1.3

Source: Company, Emkay Research

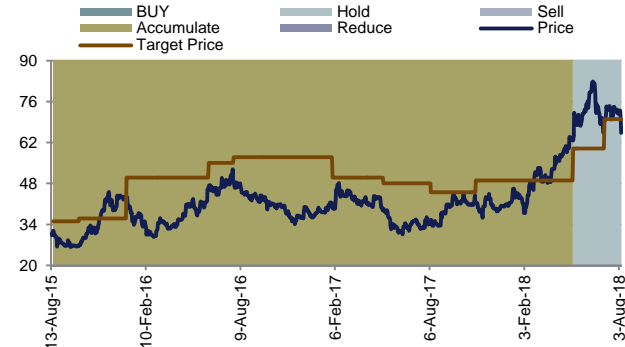
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	54.9	54.8	54.6	54.5	54.3
FIs	8.6	6.7	5.9	7.6	10.9
DIs	6.4	6.1	6.2	7.1	8.7
Public and Others	30.2	32.4	33.3	30.8	26.1

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
6-Aug-18	69	70	12m	Hold	Rahul Jain
6-Jul-18	70	70	12m	Hold	Rahul Jain
7-May-18	63	60	12m	Hold	Rahul Jain
7-Feb-18	40	49	12m	Accumulate	Ruchi Burde
2-Nov-17	42	49	12m	Accumulate	Ruchi Burde
8-Aug-17	35	45	12m	Accumulate	Ruchi Burde
9-May-17	39	48	12m	Accumulate	Ruchi Burde
1-Feb-17	40	50	12m	Accumulate	Ruchi Burde
1-Dec-16	37	57	12m	Accumulate	Ruchi Burde
28-Oct-16	40	57	12m	Accumulate	Ruchi Burde
27-Jul-16	48	57	12m	Accumulate	Ruchi Burde
21-Jun-16	47	55	12m	Accumulate	Ruchi Burde
9-Jun-16	47	55	12m	Accumulate	Ruchi Burde
12-May-16	40	50	12m	Accumulate	Ruchi Burde
29-Jan-16	37	50	12m	Accumulate	Ruchi Burde
4-Jan-16	42	50	12m	Accumulate	Ruchi Burde
5-Nov-15	31	36	12m	Accumulate	Ruchi Burde
30-Oct-15	32	36	12m	Accumulate	Ruchi Burde
5-Oct-15	27	36	12m	Accumulate	Ruchi Burde
17-Aug-15	32	35	12m	Accumulate	Ruchi Burde

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Intellect Design

Refer to important disclosures at the end of this report

Large deal wins driving growth/profitability gains

We hosted Mr Jaideep Billa (Business Head), Venkat Saranu (CFO) and Mr Praveen Malik (IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- The company claims to have the largest and the deepest pool of IPs in the Banking space globally. It has created a wide array of product offerings across its four lines of businesses (15 products across Transaction Banking, Retail Banking, Wealth, Risk and Insurance).
- Intellect Design aims to double its revenue run-rate of Q1FY19 (~US\$50mn) by FY21 (same as it doubled in last 3 years). The strong traction is boosting profitability through operating leverage (SG&A), as it saw EBIT margin expand by ~1000bps in FY18 - reporting its first year of profitability (EBIT margin at 4.8%).
- Large deal momentum continues as it won a large deal from Santander Bank in Q1FY19 and another one from a large Singapore Bank (announced in Aug'18). These deal sizes are one the largest signings for the company and has large licence components that would drive profitability further in FY19.
- The company continues to invest in SEEC (Insurance)/GCB (Retail Banking) as it is building an extensive market reach and continues to enhance its product offerings.
- Transaction Banking business segment continues to do well, achieving 30% growth in FY18 and is expected to deliver ~30% profitability in FY19. The company has strong leadership in the segment with an estimated market share of ~25% in its chosen banks (300 corporate banks) with an install base in 80 institutions.
- The growth trajectory would persist, as it continues to add new logos and can leverage up-sell opportunities since it can sell more offerings to the same customers. It is also in a favourable position with most of its peers behind the curve on investments. Many peers have stopped investments and others have slowed investment pace with greater focus on ROCE.
- Wealth segments continue to do well, as players globally are modernizing their solutions since banks have shifted priority to fee-based income compared to interest-based income. The current revenue base is small but win ratio is improving in the segment.
- The company expects sustained growth momentum of ~20% without raising money (approved up to Rs5bn fund raising) and can further accelerate growth if it invests further post the fund raising. Profitability would continue to improve due to gains from operating leverage and may see subsequent build-up in cash generation by FY20-21E.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	8,095	9,110	10,873	13,212	16,094
EBITDA	(283)	(276)	786	1,191	2,094
EBITDA Margin (%)	(3.5)	(3.0)	7.2	9.0	13.0
APAT	(168)	(243)	467	1,110	1,228
EPS (Rs)	(1.7)	(2.4)	3.7	8.8	9.7
EPS (% chg)	0.0	0.0	0.0	135.1	10.1
ROE (%)	(2.7)	(4.0)	6.4	12.4	12.3
P/E (x)	(147.3)	(102.2)	65.8	28.0	25.4
EV/EBITDA (x)	(85.2)	(93.3)	38.7	25.6	14.8
P/BV (x)	4.1	4.2	3.6	3.3	2.9

Source: Company, Emkay Research

CMP

Rs 246
as of (August 11, 2018)

Rating

BUY (■)

Target Price

Rs 265 (■)
12 months

Upside

7.9 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	8.8	9.7
Consensus	8.6	10.2
Mean Consensus TP (12M)	Rs 278	

Stock Details

Bloomberg Code	INDA IN
Face Value (Rs)	5
Shares outstanding (mn)	126
52 Week H/L	256 / 97
M Cap (Rs bn/USD bn)	31 / 0.45
Daily Avg Volume (nos.)	7,66,116
Daily Avg Turnover (US\$ mn)	2.4

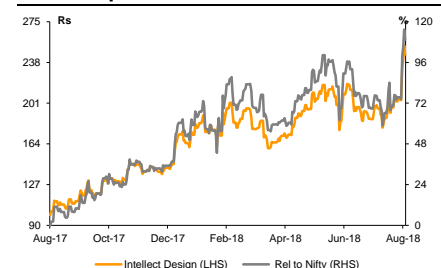
Shareholding Pattern Jun '18

Promoters	31.0%
FIIIs	16.2%
DIIIs	7.3%
Public and Others	45.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	24	22	25	144
Rel. to Nifty	19	14	15	109

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	8,095	9,110	10,873	13,212	16,094
Expenditure	8,379	9,385	10,087	12,021	14,000
EBITDA	(283)	(276)	786	1,191	2,094
Depreciation	208	241	265	333	631
EBIT	(491)	(517)	521	858	1,463
Other Income	239	349	204	503	113
Interest expenses	12	113	138	66	0
PBT	(264)	(280)	587	1,296	1,575
Tax	(91)	28	70	163	307
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	5	66	(49)	(23)	(40)
Reported Net Income	(168)	(243)	467	1,110	1,228
Adjusted PAT	(168)	(243)	467	1,110	1,228

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	504	509	628	632	635
Reserves & surplus	5,609	5,475	7,943	8,758	10,022
Net worth	6,113	5,983	8,571	9,390	10,657
Minority Interest	0	0	0	0	0
Loan Funds	229	2,324	1,287	1,022	818
Net deferred tax liability	1	1	1	1	1
Total Liabilities	6,343	8,308	9,859	10,413	11,476
Net block	3,240	4,161	5,128	5,598	6,487
Investment	1,156	1,270	1,682	1,537	1,372
Current Assets	5,730	6,412	7,253	7,998	8,927
Cash & bank balance	526	841	615	753	570
Other Current Assets	3,693	3,522	4,226	4,642	5,203
Current liabilities & Provision	3,782	3,535	4,205	4,720	5,310
Net current assets	1,948	2,877	3,048	3,278	3,617
Misc. exp	0	0	0	0	0
Total Assets	6,343	8,308	9,858	10,413	11,476

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	(503)	(630)	383	793	1,463
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,070)	(615)	(397)	(92)	(522)
Operating Cashflow	(966)	(650)	319	936	1,264
Capital expenditure	(832)	(933)	(968)	(470)	(889)
Free Cash Flow	(1,798)	(1,583)	(649)	466	375
Investments	987	(114)	(412)	145	165
Other Investing Cash Flow	151	19	6	(10)	0
Investing Cashflow	306	(1,028)	(1,170)	169	(612)
Equity Capital Raised	24	89	219	4	4
Loans Taken / (Repaid)	152	1,483	(1,037)	(264)	(204)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(39)	533	1,580	(640)	(636)
Financing Cashflow	125	1,993	624	(966)	(836)
Net chg in cash	(535)	315	(227)	138	(184)
Opening cash position	1,061	526	841	615	753
Closing cash position	526	841	614	753	569

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	(3.5)	(3.0)	7.2	9.0	13.0
EBIT Margin	(6.1)	(5.7)	4.8	6.5	9.1
Effective Tax Rate	34.3	(10.1)	12.0	12.6	19.5
Net Margin	(2.1)	(3.4)	4.8	8.6	7.9
ROCE	(4.0)	(2.3)	8.0	13.4	14.4
ROE	(2.7)	(4.0)	6.4	12.4	12.3
RoIC	(12.6)	(9.5)	7.6	10.9	16.6

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	(1.7)	(2.4)	3.7	8.8	9.7
CEPS	0.4	0.0	5.9	11.4	14.6
BVPS	60.7	59.2	68.5	74.3	83.9
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	(147.3)	(102.2)	65.8	28.0	25.4
P/CEPS	537.5	(11,343.1)	35.9	18.4	14.4
P/BV	4.1	4.2	3.6	3.3	2.9
EV / Sales	3.0	2.8	2.8	2.3	2.0
EV / EBITDA	(85.2)	(93.3)	38.7	25.6	14.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.1)	0.1	0.0	(0.1)	0.0
Net Debt/EBIDTA	2.3	(3.1)	(0.4)	(0.5)	(0.2)
Working Cap Cycle (days)	64.1	81.6	81.7	69.7	69.1

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33.8	12.5	19.4	21.5	21.8
EBITDA	0.0	0.0	0.0	51.5	75.8
EBIT	0.0	0.0	0.0	64.8	70.4
PAT	0.0	0.0	0.0	137.5	10.7

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	2,412	2,685	2,707	3,070	2,989
EBITDA	161	218	161	246	122
EBITDA Margin (%)	6.7	8.1	5.9	8.0	4.1
PAT	7	80	122	259	435
EPS (Rs)	0.1	0.6	1.0	2.1	3.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	29.4	31.2	31.1	31.0	31.0
FIIIs	11.9	12.4	13.3	15.7	16.2
DIIIs	7.9	7.1	7.3	7.3	7.3
Public and Others	50.9	49.3	48.3	46.0	45.5

Source: Capitaline

KPIT Technologies

Refer to important disclosures at the end of this report

Traction in Auto Engineering continues

We hosted Mr Vinit Teredesai (CFO) and Mr Sunil Phansalkar (Head – M&A and IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Auto and Engineering segment** would continue to deliver strong growth (20%+) going forward, as Auto-OEMs continue to spend on Technology Advancement and Regulatory side (e.g. emission norms). As of now, ~40% of R&D spends by OEMs are in the areas of Technology, which would boost future prospects for players like KPIT.
- KPIT services all major Auto-OEMs (including 8 of Top 15 OEMs) globally and has capabilities across all six key areas, viz. (1) Powertrain (both conventional and electric), (2) Autonomous, (3) Connectivity, (4) Diagnostics, (5) In-vehicle standards (AUTOSAT and JASPAR accredited) and (6) Cyber Security for vehicles.
- Autonomous Driving (ADAS)** is the second largest area in terms of revenue for KPIT and the fastest growing segment. The company is working across the broad spectrum, including collision avoidance, parking assist, lane change monitoring, blind spot detection, cruise control and so on. The company expects that the Autonomous segment will reach Level 3 stage by FY22 and Level 5 (driverless) beyond that.
- Product & Platform business** revenue in the past have been volatile, as it used to include lots of third-party-hardware component as part of sales. However, it has moved away from this model and would only account value-additions such as embedded software solutions in its books.
- Electric Vehicles (EV)** continue to be strong emerging opportunity for the company, especially in India and some other Asian markets. In India, it has tie-up with Eicher Motors for Commercial Vehicles (Buses), which is getting order traction from various state governments and Municipal Corporations. DSOs would not be a concern as KPIT would bill the OEMs and not the Government.
- Investments in IP portfolio** (total 60 patents filed across markets) has started getting monetized. For example - the company has sold licences in areas of Vehicle Diagnostic to a European Tier I Automotive player. In another instance, it sold Infotainment Solutions to a Japanese OEM for one of its models targeted at the US market wherein it earns per-vehicle-sales based royalty apart from fixed project revenues.
- Profitability** can improve over a period of time as it leverages its IP/Product revenues and also as business traction improves significantly in newer areas such as ADAS/EVs.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Net Sales	22386	26940	29899	32243	33200	36637
EBITDA	3356	3776	3244	4229	3486	3713
EBITDA Margin (%)	15.0	14.0	10.9	13.1	10.5	10.1
APAT	2000	2408	2203	2897	2180	2508
EPS (Rs)	10.2	12.2	11.2	14.7	11.1	12.7
EPS (% chg)		20.4	-8.5	31.5	-24.7	15.0
ROE (%)	19.3	20.8	17.1	21.6	14.7	14.8
P/E (x)	30.2	25.1	27.5	20.9	27.7	24.1
EV/EBITDA (x)	17.9	16.3	18.8	13.9	17.1	15.4
P/BV (x)	5.8	4.7	4.7	4.4	3.8	3.3

Source: Company, Emkay Research

CMP	Target Price
Rs 307	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	KPIT IN
Face Value (Rs)	2
Shares outstanding (mn)	197
52 Week H/L	312/104
M Cap (Rs bn/USD bn)	61/0.9
Daily Avg Volume (nos.)	2,103,865
Daily Avg Turnover (US\$ mn)	8.6

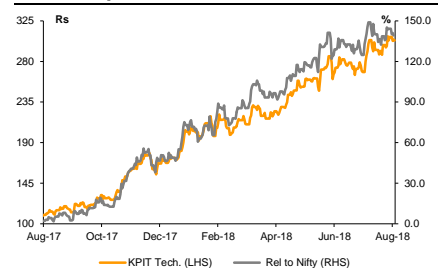
Shareholding Pattern Jun'18

Promoters	18.9%
FIIIs	49.6%
DIIIs	5.0%
Public and Others	26.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	18	39	154
Rel. to Nifty	8	10	27	116

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Net Sales	22386	26940	29899	32243	33200	36637
Expenditure	19030	23167	26652	28052	29818	32840
EBITDA	3356	3776	3244	4229	3486	3713
Depreciation	472	540	851	691	827	843
EBIT	2884	3237	2393	3538	2660	2870
Other Income	104	451	352	282	468	476
Interest expenses	142	258	260	165	136	104
PBT	2847	3430	2485	3655	2991	3241
Tax	766	941	115	846	606	698
Extraordinary Items	-10	81	167	-88	205	21
Minority Int. /Income from Assoc.	86	0	0	0	0	15
Reported Net Income	1990	2490	2370	2809	2385	2529
Adjusted PAT	2000	2408	2203	2897	2180	2508

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Equity share capital	386	371	376	376	376	379
Reserves & surplus	9975	12365	12578	13479	15448	17788
Net worth	10362	12751	12962	13854	15825	18169
Minority Interest	270	0	0	0	17	36
Loan Funds	3631	4948	5050	2502	3872	3100
Net deferred tax liability	69	289	520	955	963	944
Total Liabilities	14407	17933	18434	16943	20424	22149
Net block	6186	8132	7296	6302	6708	8294
Investment	2154	1859	815	118	788	1292
Current Assets	8005	10156	12559	12782	13926	15387
Cash & bank balance	1921	1908	3638	3953	3902	5049
Other Current Assets	6085	8248	8921	8829	10024	10338
Current liabilities & Provision	3425	3517	4304	4889	4860	5180
Net current assets	4580	6639	8255	7893	9066	10207
Misc. exp	0	0	0	0	0	0
Total Assets	14407	17932	18434	16943	20424	22149

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Opening Cash	1,467	1,891	1,811	3,280	2,859	3,789
Net Cash from Operations	1,204	1,030	2,894	4,100	1,630	4,074
Net Cash Used in Investing	-3,499	-1,901	-1,021	-1,455	-1,502	-1,928
Net Cash Used in Financing	2,722	790	-403	-3,065	801	-1,284
Net Inc/(Dec) in Cash	427	-81	1,470	-421	930	862
Closing Cash	1,893	1,811	3,280	2,859	3,789	4,651

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	15.0	14.0	10.9	13.1	10.5	10.1
EBIT Margin	12.9	12.0	8.0	11.0	8.0	7.8
Effective Tax Rate	26.9	27.4	4.6	23.1	20.3	21.5
Net Margin	8.9	8.9	7.4	9.0	6.6	6.8
ROCE	20.0	20.0	13.2	20.0	14.2	13.5
ROE	19.3	20.8	17.1	21.6	14.7	14.8
RoIC	26.6	25.0	15.4	22.7	16.7	15.9

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17	FY18
EPS	10.2	12.2	11.2	14.7	11.1	12.7
CEPS	12.5	15.0	15.5	18.2	15.3	17.0
BVPS	52.6	64.7	65.8	70.3	80.3	92.2
DPS		1.1	1.1	2.2	2.2	2.4

Valuations (x)	FY13	FY14	FY15	FY16	FY17	FY18
PER	30.2	25.1	27.5	20.9	27.7	24.1
P/CEPS	24.5	20.5	19.8	16.9	20.1	18.0
P/BV	5.8	4.7	4.7	4.4	3.8	3.3
EV / Sales	2.7	2.3	2.0	1.8	1.8	1.6
EV / EBITDA	17.9	16.3	18.8	13.9	17.1	15.4
Dividend Yield (%)	0.0	0.4	0.4	0.7	0.7	0.8

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	0.0	0.1	0.0	-0.1	-0.1	-0.2
Net Debt/EBIDTA	-0.1	0.3	0.2	-0.4	-0.2	-0.9
Working Cap Cycle (days)	43.4	64.1	56.4	44.6	56.8	51.4

Growth (%)	FY13	FY14	FY15	FY16	FY17	FY18
Revenue	0.0	20.3	11.0	7.8	3.0	10.4
EBITDA	0.0	12.5	-14.1	30.4	-17.6	6.5
EBIT	0.0	12.2	-26.1	47.9	-24.8	7.9
PAT	0.0	20.4	-8.5	31.5	-24.7	15.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	8,685	9,160	9,128	9,664	10,138
EBITDA	795	903	989	1,026	1,189
EBITDA Margin (%)	9.2	9.9	10.8	10.6	11.7
PAT	536	603	619	766	786
EPS (Rs)	2.7	3.1	3.1	3.9	4.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	18.9	18.9	18.9	18.9	18.9
FII	52.3	43.9	45.7	47.8	49.6
DII	1.1	6.5	6.4	6.2	5.0
Public and Others	27.6	30.6	28.9	27.1	26.6

Source: Capitaline

L&T Infotech

Refer to important disclosures at the end of this report

Mining clients' portfolio to sustain financial outperformance

We hosted Mr Ashok Sonthalia (CFO) and Nitin Mohta (IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Change in strategy:** LTI indicated that it has transformed itself from a delivery-driven organization to sales-driven organization and it is now approaching clients with transformative solutions rather than clients approaching LTI. With hiring of top notch veterans from larger peers (starting H2FY15), presence in large clients (MSAs) and regular recognition by third-party deal advisors, LTI has stated that it has been able to better mine and sell transformative solutions to these clients.
- Shortening of deal sizes:** LTI indicated that deal size in the IMS space has reduced from US\$1bn+ (IBM and HP era) to US\$0.3-0.5bn (large sized Indian IT peers era) and further to US\$0.05bn-0.1bn now. LTI stated that the reduction in deal size (<US\$100mn) in modern day scenario is adding to its advantages, besides allowing it to participate and demonstrate transformative solutions (Cloud, Automation and AI) to its clients.
- LTI stated that it is not having a large enough presence in core banking (Syncordis) and has presence in areas such as Investment Banking, Capital Banking, Derivatives and Risk Compliance, which are growing at a relatively faster pace. LTI highlighted that it opened 7 Fortune-100 accounts in FY18, 2 of which are in Hi-Tech and 2 in Banking.
- LTI indicated that its parent's industrial heritage is helping it to participate and win bigger deals against larger peers. Also, it indicated that its learnings from L&T use cases are helping it to demonstrate operational cost savings as a differentiator to win deals.
- Europe:** LTI's growth in Europe has been slow relative to peers but its strong presence in Nordics and France is helping it to win large deals (recently won a large deal with a cosmetic company). It has tightened strings on underperformers and is investing in sales & marketing to help spur growth in Europe.
- Future growth potential:** With industry-leading growth in FY18 and expectations of top quartile growth in FY19 (most likely industry leading), LTI stated that continuous mining of existing clients (Top 21-50 clients), hunting of new clients (7 Fortune 100 clients added in FY18) and large deal wins (similar to US\$100mn+ CBDT and large South African bank deal) will help it in its efforts to deliver industry-beating growth in the near future.
- LTI indicated that while it wants to expand horizontally (30 Technologies have been identified where it is investing to build capabilities organically; it is also looking for acquisitions like Augment IQ), it presently wants to remain focused on select verticals and expects CPG and Hi-Tech to be the key future growth drivers.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	60,151	66,654	76,421	90,475	99,943
EBITDA	11,946	13,940	15,232	19,355	21,858
EBITDA Margin (%)	19.9	20.9	19.9	21.4	21.9
APAT	8,365	9,711	11,124	14,031	16,220
EPS (Rs)	49.4	55.7	63.6	80.2	92.7
EPS (% chg)	4.5	12.8	14.2	26.1	15.6
ROE (%)	41.3	37.6	32.4	34.4	33.3
P/E (x)	34.6	30.7	26.9	21.3	18.4
EV/EBITDA (x)	24.1	20.4	18.5	14.4	12.4
P/BV (x)	14.3	9.5	8.0	6.7	5.6

Source: Company, Emkay Research

CMP	Target Price
Rs 1,708	Rs 1,850 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	8.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	80.2	92.7
Consensus	80.9	93.7
Mean Consensus TP (12M)	Rs 1,915	

Stock Details

Bloomberg Code	LTI IN
Face Value (Rs)	1
Shares outstanding (mn)	173
52 Week H/L	1,885 / 725
M Cap (Rs bn/USD bn)	296 / 4.29
Daily Avg Volume (nos.)	1,72,924
Daily Avg Turnover (US\$ mn)	4.3

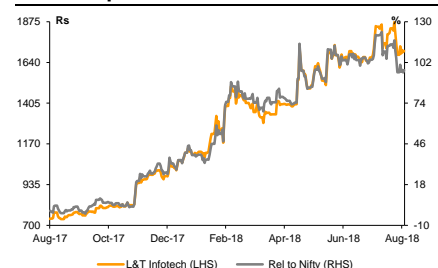
Shareholding Pattern Jun '18

Promoters	81.5%
FIIIs	8.0%
DIIIs	2.8%
Public and Others	7.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	8	23	129
Rel. to Nifty	(5)	1	13	97

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	60,151	66,654	76,421	90,475	99,943
Expenditure	48,205	52,714	61,189	71,119	78,085
EBITDA	11,946	13,940	15,232	19,355	21,858
Depreciation	1,738	1,780	1,563	1,535	1,699
EBIT	10,208	12,160	13,669	17,820	20,159
Other Income	141	200	745	1,014	1,614
Interest expenses	0	0	0	0	0
PBT	10,349	12,359	14,414	18,834	21,772
Tax	1,983	2,648	3,290	4,802	5,552
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	8,365	9,711	11,124	14,031	16,220
Adjusted PAT	8,365	9,711	11,124	14,031	16,220

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	170	171	171	171	171
Reserves & surplus	20,057	31,272	37,039	44,313	52,721
Net worth	20,227	31,443	37,210	44,484	52,892
Minority Interest	5	8	8	8	8
Loan Funds	545	0	0	0	0
Net deferred tax liability	1,204	(1,434)	(1,434)	(1,434)	(1,434)
Total Liabilities	21,981	30,017	35,784	43,058	51,466
Net block	6,375	5,419	5,767	6,493	7,293
Investment	429	9,406	9,406	9,406	9,406
Current Assets	27,568	28,072	35,380	44,646	54,087
Cash & bank balance	2,034	3,761	7,326	11,431	17,395
Other Current Assets	10,087	7,890	9,003	10,659	11,774
Current liabilities & Provision	12,587	12,893	14,782	17,501	19,332
Net current assets	14,981	15,179	20,598	27,145	34,754
Misc. exp	0	0	0	0	0
Total Assets	21,981	30,017	35,784	43,058	51,466

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	10,208	12,160	13,669	17,820	20,159
Other Non-Cash items	0	0	0	0	0
Chg in working cap	568	(1,109)	(1,855)	(2,442)	(1,644)
Operating Cashflow	8,633	13,718	10,087	12,111	14,661
Capital expenditure	(1,291)	(754)	(1,911)	(2,262)	(2,499)
Free Cash Flow	7,342	12,964	8,177	9,849	12,163
Investments	606	(8,977)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(543)	(9,531)	(1,166)	(1,248)	(885)
Equity Capital Raised	213	114	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(7,016)	(1,978)	(5,357)	(6,758)	(7,812)
Other Financing Cash Flow	(1,262)	(595)	0	0	0
Financing Cashflow	(8,065)	(2,459)	(5,357)	(6,758)	(7,812)
Net chg in cash	25	1,728	3,565	4,105	5,965
Opening cash position	2,009	2,034	3,761	7,326	11,431
Closing cash position	2,034	3,761	7,326	11,431	17,395

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	19.9	20.9	19.9	21.4	21.9
EBIT Margin	17.0	18.2	17.9	19.7	20.2
Effective Tax Rate	19.2	21.4	22.8	25.5	25.5
Net Margin	13.9	14.6	14.6	15.5	16.2
ROCE	46.4	47.5	43.8	47.8	46.1
ROE	41.3	37.6	32.4	34.4	33.3
RoIC	52.8	67.3	76.2	86.4	86.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	49.4	55.7	63.6	80.2	92.7
CEPS	59.6	65.9	72.5	89.0	102.4
BVPS	119.3	180.2	212.7	254.3	302.4
DPS	34.9	11.3	25.4	32.1	37.1

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	34.6	30.7	26.9	21.3	18.4
P/CEPS	27.6	25.0	22.7	18.5	16.1
P/BV	14.3	9.5	8.0	6.7	5.6
EV / Sales	4.8	4.3	3.7	3.1	2.7
EV / EBITDA	24.1	20.4	18.5	14.4	12.4
Dividend Yield (%)	2.0	0.7	1.5	1.9	2.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.1)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt/EBIDTA	(0.2)	(0.9)	(1.1)	(1.1)	(1.2)
Working Cap Cycle (days)	78.6	62.5	63.4	63.4	63.4

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	20.8	10.8	14.7	18.4	10.5
EBITDA	18.9	16.7	9.3	27.1	12.9
EBIT	20.6	19.1	12.4	30.4	13.1
PAT	8.7	16.1	14.5	26.1	15.6

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	17,546	18,344	19,609	20,922	22,398
EBITDA	3,638	3,778	3,987	3,829	5,031
EBITDA Margin (%)	20.7	20.6	20.3	18.3	22.5
PAT	2,673	2,729	2,829	2,893	3,612
EPS (Rs)	15.3	15.6	16.2	16.5	20.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	84.3	84.0	83.7	83.0	81.5
FIIIs	5.7	5.9	6.1	6.9	8.0
DIIIs	2.0	2.0	2.2	2.2	2.8
Public and Others	8.1	8.0	8.0	7.9	7.7

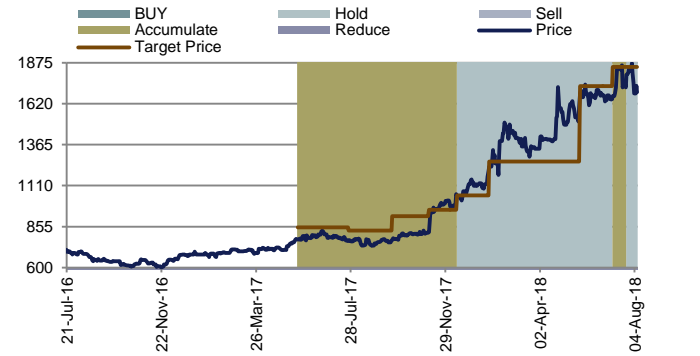
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
24-Jul-18	1,803	1,850	12m	Hold	Rahul Jain
10-Jul-18	1,720	1,850	12m	Accumulate	Rahul Jain
06-Jul-18	1,668	1,850	12m	Accumulate	Rahul Jain
24-May-18	1,686	1,730	12m	Hold	Rahul Jain
05-Apr-18	1,394	1,260	12m	Hold	Rahul Jain
25-Jan-18	1,228	1,260	12m	Hold	Rahul Jain
14-Dec-17	1,044	1,050	12m	Hold	Rahul Jain
07-Nov-17	820	960	12m	Accumulate	Rahul Jain
04-Oct-17	813	920	12m	Accumulate	Rahul Jain
20-Sep-17	770	920	12m	Accumulate	Rahul Jain
25-Jul-17	770	830	12m	Accumulate	Rahul Jain
10-Jul-17	788	850	12m	Accumulate	Manik Taneja
19-May-17	774	850	12m	Accumulate	Manik Taneja

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Majesco

Refer to important disclosures at the end of this report

Cloud business continues to drive growth/profitability

We hosted Mr Farid Kazani (MD and CEO) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Majesco provides core platform solutions to both Life and Non-life Insurance companies. It competes with companies like Guidewire, Duckcreek and Insurity in Non-life space and with players like CSC, Sapiens, Fastlife and EIS in the Life space. Majesco indicated that due to different insurance regulatory environments, products have to be tailored for each geography and is a key differentiator, apart from technology-based superiority v/s peers.
- It indicated that Insurance companies have traditionally been slow adaptors of technology and sees immense scope for growth in this segment due to increasing need for core transformation amid growth of disruptors like Lemonade, who is bringing end-user based pricing v/s standard premium pricing.
- Majesco indicated that while the On-premise business has been declining, growth in the Cloud business has more than made up for the same. While the On-premise business provides front-loaded revenues (due to large implementation based revenues in early years of the contract), Cloud business offers subscription-based revenue (increases with shift in volumes to Cloud towards the end of the contract).
- The company has witnessed strong traction in the Cloud business (revenue grew by 74% yoy to Rs0.8bn in Q1FY19), as the company continues to see strong demand for its Cloud offerings and ramp-up by many clients within the existing 38 customers pool. It has strong capabilities in Cloud-based offerings across modules and offers hosting across the cloud infrastructure, based on client preferences.
- Order intake has been robust, up 11% yoy at US\$83mn in Q1FY19, with additions of 9 clients. Majesco's outlook remains upbeat on the deal pipeline, both in the Direct as well as IBM channel. The company has not seen any new deal wins in the IBM channel in the last four quarters, as the decision making cycle in the segment is generally elongated.
- The total recurring revenue continues to grow at a rapid pace (up 50% yoy in Q1FY19) and now accounts for ~30% of total revenue. Recurring revenue stream includes annual licences (On-premise), Cloud subscriptions and annual support fees for its 100-odd customers in the traditional model (On-premise).
- Profitability improved by over ~1000bps in Q1FY19 (on yoy basis) with EBIT margin of 6.7%. The company is confident of further uptick in profitability, as it is gaining revenue traction in Cloud customers, both on implementations and subscriptions.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	7,572	8,275	8,060	9,429	10,811
EBITDA	99	449	226	702	1,084
EBITDA Margin (%)	1.3	5.4	2.8	7.4	10.0
APAT	115	169	(42)	422	649
EPS (Rs)	5.0	6.8	(1.5)	14.9	22.9
EPS (% chg)	0.0	36.5	(122.2)	0.0	53.3
ROE (%)	8.3	6.0	(1.0)	7.5	10.4
P/E (x)	100.2	73.4	(330.0)	33.4	21.8
EV/EBITDA (x)	112.5	25.4	47.3	14.6	8.7
P/BV (x)	4.2	4.3	2.6	2.4	2.1

Source: Company, Emkay Research

CMP	Target Price
Rs 499	Rs 700 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	40.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	14.9	22.9
Consensus	16.9	25.7
Mean Consensus TP (12M)	Rs 653	

Stock Details

Bloomberg Code	MJCO IN
Face Value (Rs)	5
Shares outstanding (mn)	28
52 Week H/L	604 / 327
M Cap (Rs bn/USD bn)	14 / 0.20
Daily Avg Volume (nos.)	110,921
Daily Avg Turnover (US\$ mn)	0.8

Shareholding Pattern Jun '18

Promoters	39.7%
FIIIs	7.1%
DIIIs	14.9%
Public and Others	38.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	(5)	2	47
Rel. to Nifty	9	(11)	(6)	27

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	7,572	8,275	8,060	9,429	10,811
Expenditure	7,472	7,826	7,834	8,727	9,727
EBITDA	99	449	226	702	1,084
Depreciation	178	261	179	185	215
EBIT	(79)	188	48	517	869
Other Income	91	90	109	279	310
Interest expenses	43	56	49	33	20
PBT	(31)	223	108	762	1,159
Tax	(150)	2	185	174	232
Extraordinary Items	(46)	(27)	105	0	0
Minority Int./Income from Assoc.	4	51	(35)	166	278
Reported Net Income	69	143	63	422	649
Adjusted PAT	115	169	(42)	422	649

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	115	117	141	141	142
Reserves & surplus	2,644	2,763	5,292	5,749	6,433
Net worth	2,759	2,879	5,433	5,890	6,575
Minority Interest	723	752	787	953	1,231
Loan Funds	919	722	684	582	496
Net deferred tax liability	0	0	0	0	0
Total Liabilities	4,401	4,353	6,904	7,425	8,302
Net block	2,594	2,522	2,559	2,554	2,524
Investment	144	194	3,100	3,150	3,200
Current Assets	4,000	3,734	3,696	4,358	5,427
Cash & bank balance	1,152	1,581	898	1,287	2,013
Other Current Assets	1,328	1,323	1,515	1,521	1,636
Current liabilities & Provision	2,336	2,097	2,451	2,637	2,848
Net current assets	1,664	1,637	1,245	1,721	2,578
Misc. exp	0	0	0	0	0
Total Assets	4,401	4,353	6,904	7,425	8,302

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	(31)	223	213	762	1,159
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(250)	414	(1,061)	(155)	(186)
Operating Cashflow	(150)	877	(806)	651	977
Capital expenditure	(376)	(240)	280	(180)	(185)
Free Cash Flow	(526)	637	(526)	471	792
Investments	(66)	(40)	0	(50)	(50)
Other Investing Cash Flow	0	0	(2,009)	(2,009)	(2,009)
Investing Cashflow	(1,178)	(251)	(1,709)	(2,239)	(2,244)
Equity Capital Raised	27	36	2,474	36	36
Loans Taken / (Repaid)	620	(185)	177	(34)	(31)
Dividend paid (incl tax)	0	0	24	0	0
Other Financing Cash Flow	741	774	0	0	0
Financing Cashflow	1,345	570	2,625	(32)	(15)
Net chg in cash	18	1,195	110	(1,620)	(1,283)
Opening cash position	1,135	386	787	2,906	3,296
Closing cash position	1,153	1,581	897	1,287	2,013

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	1.3	5.4	2.8	7.4	10.0
EBIT Margin	(1.0)	2.3	0.6	5.5	8.0
Effective Tax Rate	479.3	0.9	171.7	22.9	20.0
Net Margin	1.6	2.7	(1.0)	6.2	8.6
ROCE	0.5	6.4	2.8	11.1	15.0
ROE	8.3	6.0	(1.0)	7.5	10.4
RoIC	(5.1)	6.6	1.7	17.5	28.6

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	5.0	6.8	(1.5)	14.9	22.9
CEPS	12.7	17.3	4.9	21.5	30.5
BVPS	119.7	115.6	193.7	208.7	232.2
DPS	0.0	0.9	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	100.2	73.4	(330.0)	33.4	21.8
P/CEPS	32.8	24.2	86.1	19.4	13.7
P/BV	4.2	4.3	2.6	2.4	2.1
EV / Sales	1.5	1.4	1.3	1.1	0.9
EV / EBITDA	112.5	25.4	47.3	14.6	8.7
Dividend Yield (%)	0.0	0.2	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.1)	(0.4)	(0.6)	(0.7)	(0.7)
Net Debt/EBIDTA	(3.6)	(2.3)	(14.6)	(5.5)	(4.3)
Working Cap Cycle (days)	24.7	2.5	15.7	16.8	19.1

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	0.0	9.3	(2.6)	17.0	14.7
EBITDA	0.0	352.9	(49.6)	210.5	54.5
EBIT	0.0	0.0	(74.8)	987.8	68.3
PAT	0.0	106.8	(55.9)	570.6	53.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,830	1,991	2,073	2,167	2,294
EBITDA	(52)	22	94	162	189
EBITDA Margin (%)	(2.9)	1.1	4.5	7.5	8.2
PAT	(32)	106	(90)	79	115
EPS (Rs)	(1.3)	4.3	(3.6)	3.2	4.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	48.0	48.1	47.9	40.2	39.7
FIIIs	2.6	1.0	0.8	7.9	7.1
DIIIs	10.3	8.0	9.6	15.0	14.9
Public and Others	39.1	43.0	41.7	36.9	38.4

Source: Capitaline

NIIT

Refer to important disclosures at the end of this report

CLS revenues momentum to improve

We hosted Mr Amit Roy (CFO) and Mr Kapil Saurabh (Head - M&A and IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- **Corporate Learning Solutions (61% of sales, ~US\$80mn revenues; up ~14% in FY18):** NIIT indicated that Training, Learning & Development spends by corporates are at ~US\$150-180bn. The management stated that Fortune-1000 companies opt to training processes to: (1) improve operational efficiencies and (2) enhance capabilities.
- NIIT stated that while its gross margin is increasing, its EBITDA margin in CLS segment has remained in the 14-15% range, as it is investing the savings back into sales & marketing, which has resulted in large deal wins such as RECO and Pitney Bowes.
- **Skills & Career (32% of sales, ~US\$40mn revenues; down ~12% in FY18):** NIIT expects Training-Platform-as-a-Service (TPaaS) to revive growth in this segment. TPaaS involves supplying on-demand capable employees (fulfilling company criteria) to organisations. On the one hand, this helps organisations to save their bench costs, and on the other it helps students to get jobs.
- **Pricing in TPaaS:** It operates under three models i.e. (1) Students pay the entire fees (NIIT provides three job interviews to students), (2) Companies pay the entire fee (students have to pass an admission test; just in time hiring) and (3) Fee is partly paid by students and rest by companies. It also stated that it has been providing this service to ICICI Bank for the last 10 years and has expanded it to 8 other clients in the last quarter.
- NIIT stated that with IT companies' focus shifting to protection of margins, there is a huge scope to capitalise on this opportunity. NIIT stated this practice is still in its nascent stage and it's the desired results will be seen by end-Q3FY19.
- **Schools (7% of sales, ~US\$10mn revenues; down ~30% in FY18):** NIIT stated that it completely exited the India Govt School business in Q1FY19 and Rs0.2bn are yet to be collected from Govt. Private Schools have a revenue contribution of Rs0.5bn with 10% EBITDA margin. The present capital employed is Rs0.5bn (of which Rs0.2bn will be collected from Govt), yielding RoCE of ~17%. K12 is a large potential market and it has been carved out and put in a subsidiary.
- Cash & cash equivalent stands at ~Rs4bn and net debt is Rs1bn, which will fall to Rs0.60-0.70bn (post collections from Indian Govt). NIIT stated that it will invest CAD5mn as part of its RECO deal (FY18 and FY19). Investments made in RECO will be amortised, starting July'19, over a 5-year period.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	10,069	8,441	8,446	8,937	9,924
EBITDA	714	733	813	900	1,131
EBITDA Margin (%)	7.1	8.7	9.6	10.1	11.4
APAT	675	499	827	1,054	1,348
EPS (Rs)	4.0	3.0	5.0	6.4	8.2
EPS (% chg)	0.0	(24.9)	65.6	27.5	28.0
ROE (%)	8.8	6.0	9.3	11.1	13.2
P/E (x)	22.5	30.0	18.1	14.2	11.1
EV/EBITDA (x)	22.8	20.8	18.9	17.4	13.7
P/BV (x)	1.9	1.7	1.6	1.5	1.4

Source: Company, Emkay Research

CMP	Target Price
Rs 91 as of (August 11, 2018)	Rs 103 (■) 12 months
Rating	Upside
HOLD (■)	13.1 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	6.4	8.2
Consensus	7.5	8.2
Mean Consensus TP (12M)	Rs 131	

Stock Details

Bloomberg Code	NIIT IN
Face Value (Rs)	2
Shares outstanding (mn)	167
52 Week H/L	125 / 83
M Cap (Rs bn/USD bn)	15 / 0.22
Daily Avg Volume (nos.)	11,29,657
Daily Avg Turnover (US\$ mn)	1.6

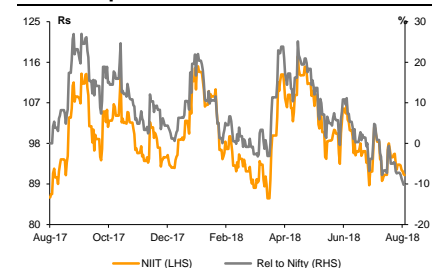
Shareholding Pattern Jun '18

Promoters	31.7%
FIIIs	16.9%
DIIIs	11.8%
Public and Others	39.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(11)	(15)	(6)	6
Rel. to Nifty	(14)	(20)	(14)	(9)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	10,069	8,441	8,446	8,937	9,924
Expenditure	9,355	7,708	7,633	8,037	8,793
EBITDA	714	733	813	900	1,131
Depreciation	492	457	401	379	405
EBIT	222	277	413	521	726
Other Income	(146)	(204)	(169)	(59)	0
Interest expenses	0	0	0	99	108
PBT	76	73	244	363	618
Tax	36	154	67	133	185
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	635	580	649	823	916
Reported Net Income	675	499	827	1,054	1,348
Adjusted PAT	675	499	827	1,054	1,348

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	330	332	332	332	332
Reserves & surplus	7,720	8,245	8,797	9,461	10,340
Net worth	8,050	8,576	9,128	9,793	10,672
Minority Interest	85	106	106	106	106
Loan Funds	1,949	1,510	1,510	1,510	1,510
Net deferred tax liability	(142)	(191)	(191)	(191)	(191)
Total Liabilities	9,943	10,001	10,553	11,217	12,096
Net block	1,074	1,045	1,145	1,266	1,361
Investment	5,820	6,195	6,623	7,226	7,921
Current Assets	6,352	6,640	5,924	5,821	6,289
Cash & bank balance	886	1,270	1,093	882	997
Other Current Assets	899	708	648	661	707
Current liabilities & Provision	3,321	4,026	3,286	3,158	3,453
Net current assets	3,031	2,614	2,638	2,663	2,837
Misc. exp	0	0	0	0	0
Total Assets	9,943	10,001	10,553	11,301	12,265

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	222	277	413	422	618
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(869)	753	(202)	(236)	(59)
Operating Cashflow	696	1,085	376	369	795
Capital expenditure	(312)	(557)	(500)	(500)	(500)
Free Cash Flow	384	528	(124)	(131)	295
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	0	0	(279)	(279)	(279)
Equity Capital Raised	25	1	0	0	0
Loans Taken / (Repaid)	620	(440)	0	0	0
Dividend paid (incl tax)	0	0	(249)	(286)	(378)
Other Financing Cash Flow	(1,319)	(262)	(26)	0	0
Financing Cashflow	(673)	(700)	(274)	(385)	(486)
Net chg in cash	23	385	(177)	(294)	30
Opening cash position	863	886	1,270	1,093	882
Closing cash position	886	1,270	1,093	799	912

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	7.1	8.7	9.6	10.1	11.4
EBIT Margin	2.2	3.3	4.9	5.8	7.3
Effective Tax Rate	47.4	211.0	27.3	36.6	30.0
Net Margin	0.4	(1.0)	2.1	2.6	4.4
ROCE	0.8	0.7	2.4	4.2	6.2
ROE	8.8	6.0	9.3	11.1	13.2
RoIC	7.9	9.9	16.2	18.2	23.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	4.0	3.0	5.0	6.4	8.2
CEPS	7.0	5.8	7.4	8.7	10.6
BVPS	48.0	52.0	55.3	59.4	64.7
DPS	0.0	0.0	1.3	1.4	1.9

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	22.5	30.0	18.1	14.2	11.1
P/CEPS	13.9	16.7	13.0	11.1	9.1
P/BV	1.9	1.7	1.6	1.5	1.4
EV / Sales	1.6	1.8	1.8	1.7	1.6
EV / EBITDA	22.8	20.8	18.9	17.4	13.7
Dividend Yield (%)	0.0	0.0	1.4	1.6	2.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.1	0.0	0.0	0.1	0.0
Net Debt/EBIDTA	1.5	0.3	0.5	0.7	0.5
Working Cap Cycle (days)	77.8	58.1	66.8	72.7	67.7

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	5.2	(16.2)	0.1	5.8	11.0
EBITDA	131.1	2.7	10.9	10.7	25.7
EBIT	0.0	24.5	49.2	26.3	39.3
PAT	0.0	(26.1)	65.6	27.5	28.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	2,088	2,084	2,094	2,228	2,143
EBITDA	163	178	184	221	190
EBITDA Margin (%)	7.8	8.5	8.8	9.9	8.9
PAT	104	127	197	197	179
EPS (Rs)	0.6	0.8	1.2	1.2	1.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	34.2	34.2	31.7	31.7	31.7
FIIIs	16.8	17.2	17.3	18.7	16.9
DIIIs	10.0	10.2	10.6	11.3	11.8
Public and Others	39.1	38.4	40.5	38.3	39.6

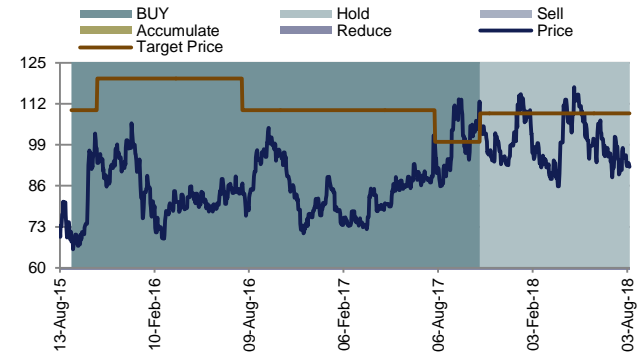
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Oct-17	103	109	12m	Hold	Ruchi Burde
31-Jul-17	98	100	12m	Buy	Ruchi Burde
17-May-17	89	110	12m	Buy	Ruchi Burde
10-Apr-17	78	110	12m	Buy	Ruchi Burde
20-Jan-17	78	110	12m	Buy	Ruchi Burde
20-Oct-16	90	110	12m	Buy	Ruchi Burde
27-Jul-16	87	110	12m	Buy	Ruchi Burde
11-May-16	81	120	12m	Buy	Ruchi Burde
21-Jan-16	84	120	12m	Buy	Ruchi Burde
23-Oct-15	93	120	12m	Buy	Ruchi Burde
05-Oct-15	82	110	12m	Buy	Ruchi Burde
04-Sep-15	68	110	12m	Buy	Ruchi Burde

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Nucleus Software

Refer to important disclosures at the end of this report

Value selling fortifying metrics

We hosted Mr Ashish Nanda (CFO) and Gaurav (IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Renewed product portfolio with cutting-edge technology architecture and user-friendly interface is driving the new deal momentum. The company added 21 new logos (35 new orders) in FY18. The R&D spends at the moment are ~15% of revenues.
- FinnOne Neo (Lending solutions) is gaining strong traction, both for On-premise (large banks) and On-cloud (NBFCs, MFI) versions. The On-cloud implementations are live with short go-live cycle (as less as 1 day to few weeks), whereas the large private banks are still undergoing implementations.
- As some of the large retail banks would go live, the referencability of these active sites would drive new deal momentum across markets. The company expects this traction H2FY20 onwards.
- India and South East Asia continue to drive business momentum for now while it expects the next leg of growth to be driven by increased penetration in newer markets of the Middle East and Australia. US/Europe opportunity would be targeted eventually.
- In the Services segment (21% of revenues), the focus remains narrow on select clients (two large accounts significant part of current revenues – total 10+ clients). They are being pitched only deals that can potentially deliver high products kind of margins (20-25% EBIT margins).
- FinAxia (Transaction banking) is picking up momentum and has added four clients in the last four quarters. Its current revenue contribution is small, but would add strong incremental revenues as it can leverage its long-standing customer base that has both Retail as well as Corporate Banking.
- Value selling proposition is helping it to choose clients with a well-aligned thought process and would boost faster deal recognition (lower implementation period), better pricing (term based licence v/s perpetual licence earlier), fast decision making (SaaS model) and lower support cost (minimum customization).
- Profitability is improving on faster revenue momentum, cloud deal traction and higher pricing in new deals (OPM improved ~700bps over FY16-18).
- Strong cash generation and accumulated cash pile (~Rs4bn cash) would support sustained shareholders returns (bought back ~10% of equity in FY18 and announced Rs8 dividend).

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	3,487	3,724	4,118	4,789	5,419
EBITDA	308	527	586	763	889
EBITDA Margin (%)	8.8	14.1	14.2	15.9	16.4
APAT	325	654	625	738	855
EPS (Rs)	10.0	20.2	21.5	25.4	29.4
EPS (% chg)	(49.8)	101.3	6.7	18.0	15.8
ROE (%)	7.5	14.2	13.7	16.6	17.2
P/E (x)	35.8	17.8	16.7	14.1	12.2
EV/EBITDA (x)	34.4	21.4	17.0	12.6	10.5
P/BV (x)	2.7	2.4	2.5	2.2	2.0

Source: Company, Emkay Research

CMP

Rs 359
as of (August 10, 2018)

Rating

BUY (■)

Target Price

Rs 641 (■)
12 months

Upside

78.7 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	25.4	29.4
Consensus	25.4	29.3
Mean Consensus TP (12M)	Rs 641	

Stock Details

Bloomberg Code	NCS IN
Face Value (Rs)	10
Shares outstanding (mn)	29
52 Week H/L	602 / 270
M Cap (Rs bn/USD bn)	10 / 0.15
Daily Avg Volume (nos.)	40,874
Daily Avg Turnover (US\$ mn)	0.2

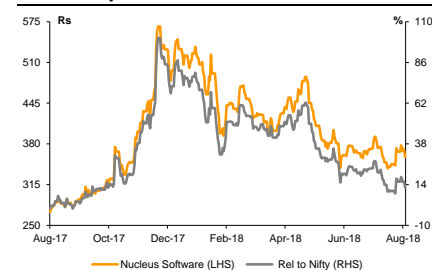
Shareholding Pattern Jun '18

Promoters	67.6%
FIIIs	8.2%
DIIIs	1.4%
Public and Others	22.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(8)	(14)	(19)	30
Rel. to Nifty (12)	(19)	(26)	12	

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	3,487	3,724	4,118	4,789	5,419
Expenditure	3,179	3,197	3,532	4,026	4,530
EBITDA	308	527	586	763	889
Depreciation	122	112	70	76	92
EBIT	186	415	516	687	797
Other Income	259	321	288	300	344
Interest expenses	6	5	5	2	1
PBT	439	731	798	984	1,140
Tax	114	77	173	246	285
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	325	654	625	738	855
Adjusted PAT	325	654	625	738	855

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	324	324	290	290	290
Reserves & surplus	4,001	4,584	3,908	4,376	4,962
Net worth	4,325	4,908	4,198	4,667	5,252
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	0	0	0	0	0
Total Liabilities	4,325	4,908	4,198	4,667	5,252
Net block	444	358	333	327	315
Investment	2,684	4,473	3,937	4,137	4,437
Current Assets	2,353	1,247	1,644	2,007	2,390
Cash & bank balance	1,019	335	458	779	1,089
Other Current Assets	192	137	167	167	167
Current liabilities & Provision	1,157	1,169	1,715	1,804	1,889
Net current assets	1,197	77	(71)	203	500
Misc. exp	0	0	0	0	0
Total Assets	4,325	4,908	4,198	4,667	5,252

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	180	409	511	684	796
Other Non-Cash items	0	0	0	0	0
Chg in working cap	115	435	272	46	13
Operating Cashflow	325	951	679	858	959
Capital expenditure	(58)	(36)	(71)	(70)	(80)
Free Cash Flow	267	916	609	788	879
Investments	(988)	(1,789)	536	(200)	(300)
Other Investing Cash Flow	1,120	1,046	270	0	0
Investing Cashflow	74	(778)	735	(270)	(380)
Equity Capital Raised	0	0	(1,170)	0	0
Loans Taken / (Repaid)	0	(13)	0	0	0
Dividend paid (incl tax)	(188)	(188)	(269)	(269)	(269)
Other Financing Cash Flow	(998)	(657)	149	0	0
Financing Cashflow	(1,186)	(858)	(1,291)	(267)	(268)
Net chg in cash	(787)	(685)	123	321	311
Opening cash position	1,806	1,019	335	458	779
Closing cash position	1,019	334	458	779	1,089

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	8.8	14.1	14.2	15.9	16.4
EBIT Margin	5.3	11.1	12.5	14.3	14.7
Effective Tax Rate	26.0	10.5	21.7	25.0	25.0
Net Margin	9.3	17.5	15.2	15.4	15.8
ROCE	10.2	15.9	17.6	22.3	23.0
ROE	7.5	14.2	13.7	16.6	17.2
RoIC	24.7	114.8	(1,072.7)	(308.4)	(304.7)

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	10.0	20.2	21.5	25.4	29.4
CEPS	13.8	23.6	24.0	28.0	32.6
BVPS	133.5	151.5	144.6	160.7	180.9
DPS	5.0	5.0	8.0	8.0	8.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	35.8	17.8	16.7	14.1	12.2
P/CEPS	32.2	18.8	18.6	15.9	13.6
P/BV	2.7	2.4	2.5	2.2	2.0
EV / Sales	3.0	3.0	2.4	2.0	1.7
EV / EBITDA	34.4	21.4	17.0	12.6	10.5
Dividend Yield (%)	1.4	1.4	2.2	2.2	2.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBIDTA	(3.3)	(0.6)	(0.8)	(1.0)	(1.2)
Working Cap Cycle (days)	18.6	(25.2)	(46.9)	(43.9)	(39.7)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(1.3)	6.8	10.6	16.3	13.2
EBITDA	(53.2)	70.9	11.3	30.0	16.5
EBIT	(65.5)	123.1	24.5	33.1	16.0
PAT	(49.8)	101.3	(4.3)	18.0	15.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	943	1,004	1,060	1,110	1,126
EBITDA	103	138	187	158	184
EBITDA Margin (%)	10.9	13.7	17.6	14.3	16.4
PAT	115	157	181	173	176
EPS (Rs)	4.0	5.4	6.2	5.9	6.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	67.6	67.6	67.6	67.6	67.6
FII	6.4	6.3	9.2	9.2	8.2
DII	1.3	1.3	1.3	1.3	1.4
Public and Others	24.7	24.7	22.0	21.9	22.8

Source: Capitaline

Quick Heal Technologies

Refer to important disclosures at the end of this report

Play on Cybersecurity threats

We hosted Mr Vijay Mhaskar (COO) and Mr Nitin Kulkarni (CFO) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Quickheal provides anti-virus security solutions to both Retail users (Laptop, Desktop and Mobile protection solutions; 33% market share - largest player) and Enterprise customers (both endpoint and network protection; 6 products; 10% market share). Quickheal believes that early detection of viruses (due to large number of touchpoints), nationwide sales & support and quality of products differentiates it from the rest of the peers.
- FY19 expectations:** Quickheal expects Retail business to grow ~8-10% in FY19 and the Enterprise business to continue growth at ~25-30%, with overall EBITDA margins in the range of 30-33% (vs. ~38% in FY18). It expects margins to improve along with revenue growth, as R&D cost is expected to remain largely constant (ex-inflation). Sales & Marketing spends were ~16% of sales (~Rs0.2bn/annum) in FY18.
- Retail Business (~80% of sales):** Quickheal is presently focusing on increasing the renewal rates in the Retail business (pretty low at 36%) by educating users (advertising) about the potential data/financial threats. It presently spends ~Rs0.2bn/annum on advertising. It has a nationwide reach with 22,000 retail outlets and 6.2mn end-users. With no national level competitor, it faces competition from local players such as K7 (in Southern India) and NPAV (in Western India). Quickheal is pricing products depending on the paying capacity of respective regions and has introduced low-priced products (like Essentials) in a price sensitive market like South India. It is selling retail licenses through both retail outlets (85% of sales) and e-commerce & online platforms (15% of sales).
- Enterprise/Govt Business (20% of sales):** Quickheal is working with 2,000 partners who act as the front-end while it bills the Systems Integrator (partner). It faces competition from players like Symantec and McAfee in this space. It is presently focusing on expanding the product portfolio to grow the Enterprise business, which will keep margins relatively lower vis-à-vis the Retail business. It has ~31,000 enterprise customers presently, of which 250 clients have a subscriber base of over 500. It indicated that 3 out of 6 products developed till now are gaining traction in the market.
- Cash Balance:** It presently has Rs4.4bn (Rs1.4bn raised through IPO) funds at its disposal. Quickheal plans to use this cash for organic as well as inorganic opportunities to increase the addressable market size (presently addressing only one-third of the Rs30bn enterprise market size), build organic capabilities and invest in partnerships. Seasonality of revenues exist with Q2 and Q4 being relatively strong quarters.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Net Sales	2050	2428	2861	3021	3000	3183
EBITDA	1052	871	918	1019	864	1204
EBITDA Margin (%)	51.3	35.9	32.1	33.7	28.8	37.8
APAT	754	567	529	578	556	828
EPS (Rs)	10.8	8.1	7.6	8.3	7.9	11.8
EPS (% chg)		-24.8	-6.8	9.3	-3.8	49.0
ROE (%)	26.5	18.4	15.9	12.0	8.6	12.0
P/E (x)	25.9	34.4	36.9	33.8	35.1	23.6
EV/EBITDA (x)	17.3	21.0	19.9	15.5	18.2	12.4
P/BV (x)	6.9	5.9	5.9	3.1	3.0	2.7

Source: Company, Emkay Research

CMP	Target Price
Rs 279	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	QUICKHEA IN
Face Value (Rs)	10
Shares outstanding (mn)	70
52 Week H/L	404/172
M Cap (Rs bn/USD bn)	20/0.3
Daily Avg Volume (nos.)	202,391
Daily Avg Turnover (US\$ mn)	0.9

Shareholding Pattern Jun'18

Promoters	72.4%
FIIIs	3.0%
DIIIs	0.1%
Public and Others	24.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	-20	-10	33
Rel. to Nifty	-3	-25	-18	13

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Net Sales	2050	2428	2861	3021	3000	3183
Expenditure	1011	1578	1956	1996	2140	1961
EBITDA	1052	871	918	1019	864	1204
Depreciation	44	108	202	237	309	269
EBIT	1007	762	716	782	554	934
Other Income	98	98	82	99	285	300
Interest expenses	0	0	0	0	0	0
PBT	1105	860	798	881	839	1234
Tax	336	277	260	302	307	404
Extraordinary Items	15	17	10	1	-24	2
Minority Int. /Income from Assoc.	0	0	0	0	0	0
Reported Net Income	769	584	538	579	532	830
Adjusted PAT	754	567	529	578	556	828

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Equity share capital	76	611	611	700	701	704
Reserves & surplus	2774	2713	2704	5593	5916	6535
Net worth	2850	3324	3314	6294	6617	7239
Minority Interest	0	0	0	0	0	0
Loan Funds	0	0	0	0	0	0
Net deferred tax liability	-5	39	49	78	87	44
Total Liabilities	2850	3324	3314	6312	6639	7260
Net block	384	818	1111	1417	1848	1731
Investment	1394	1314	1300	1153	1818	3065
Current Assets	966	915	909	3793	3196	2789
Cash & bank balance	104	95	126	2691	2094	1629
Other Current Assets	862	820	783	1103	1102	1160
Current liabilities & Provision	286	473	965	861	696	547
Net current assets	680	442	-56	2932	2500	2242
Misc. exp	0	0	0	0	0	0
Total Assets	2850	3324	3314	6312	6639	7260

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18
Opening Cash	25	63	53	125	1,167	593
Net Cash from Operations	677	607	772	777	358	939
Net Cash Used in Investing	-626	-594	-525	-1,630	-728	-1,224
Net Cash Used in Financing	-13	-22	-175	1,895	-205	-185
Net Inc/(Dec) in Cash	38	-10	72	1,042	-575	-470
Closing Cash	63	53	125	1,167	593	122

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	51.3	35.9	32.1	33.7	28.8	37.8
EBIT Margin	49.1	31.4	25.0	25.9	18.5	29.3
Effective Tax Rate	30.4	32.1	32.6	34.3	36.5	32.7
Net Margin	36.8	23.3	18.5	19.1	18.5	26.0
ROCE	35.3	24.7	21.6	16.2	8.6	13.4
ROE	26.5	18.4	15.9	12.0	8.6	12.0
RoIC	95.1	64.7	59.6	28.3	12.5	22.1

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17	FY18
EPS	10.8	8.1	7.6	8.3	7.9	11.8
CEPS	11.4	9.6	10.4	11.6	12.4	15.7
BVPS	40.7	47.5	47.3	89.9	94.5	103.4
DPS		7.5	7.5	2.5	2.5	2.5

Valuations (x)	FY13	FY14	FY15	FY16	FY17	FY18
PER	25.9	34.4	36.9	33.8	35.1	23.6
P/CEPS	24.5	28.9	26.7	24.0	22.6	17.8
P/BV	6.9	5.9	5.9	3.1	3.0	2.7
EV / Sales	8.9	7.5	6.4	5.2	5.3	4.7
EV / EBITDA	17.3	21.0	19.9	15.5	18.2	12.4
Dividend Yield (%)	0.0	2.7	2.7	0.9	0.9	0.9

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	-0.5	-0.4	-0.4	-0.6	-0.6	-0.6
Net Debt/EBIDTA	-1.4	-1.6	-1.6	-3.8	-4.5	-3.9
Working Cap Cycle (days)	102.6	52.1	-23.3	29.2	49.4	70.2

Growth (%)	FY13	FY14	FY15	FY16	FY17	FY18
Revenue	0.0	18.5	17.8	5.6	-0.7	6.1
EBITDA	0.0	-17.2	5.4	11.0	-15.3	39.4
EBIT	0.0	-24.3	-6.1	9.2	-29.1	68.6
PAT	0.0	-24.8	-6.8	9.3	-3.8	49.0

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	919	297	1,045	636	1,184
EBITDA	383	-158	603	128	589
EBITDA Margin (%)	41.6	-53.1	57.7	20.1	49.8
PAT	236	-111	393	82	474
EPS (Rs)	3.4	-	5.6	1.2	6.8

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	72.7	72.7	72.6	72.5	72.4
FIIIs	2.3	2.2	2.4	2.8	3.1
DIIIs	0.4	0.1	0.1	0.1	0.1
Public and Others	24.7	25.0	24.9	24.6	24.4

Security & Intelligence Services

Refer to important disclosures at the end of this report

Operating leverage to play out

We hosted Mr Vamshidhar (M&A and IR) and Karthik Tabjul (Manager Business Support) at our Annual India Conference, to share the company insights:

Key Meeting Takeaways

- Market size is Rs650bn and it presently has 3% market share. Around 35% of the market is organised and the rest is unorganised. Shift from unorganised to organised will happen in the next 5 years due to GST.
- India Security Business (36% of sales):** SIS is the second largest player in India (after G4S). BFSI and IT are the two big verticals, which contribute 14% and 11% to sales, respectively. This segment has been growing consistently at 1.5x industry growth with ~30% CAGR over the last 5 years and it expects 20-25% growth in this segment going forward. Its present 6-7% EBITDA margin in this business can rise up to 8% in a couple of years. While the entire growth has been organic so far, it has acquired a 51% stake in SLV (11,500 people) for Rs0.5bn (Rs2.4bn revenue in FY18).
- Australia Security (53% of sales):** It entered Australia in 2008 and is currently the largest player. This business has 4-5% EBITDA margin presently and can rise up to 5.5% in the near future. While the Australian industry has been growing at 5-6%, SIS Australia has been growing at 8-9% (1.5X). It expects 10%+ growth in this business going ahead.
- Facility management (11% of sales):** SIS expects 25%+ growth to continue in this segment with 6-7% EBITDA margin, which can rise up to 8-9% in two years. It has done 3 acquisitions, viz. Servicemaster, Duster (93% ownership – Revenue Rs4.8bn) and Terminix (Pest Control) and is currently #3 player in India. Going ahead, it expects Railway contracts to be a key growth driver for SIS.
- Cash management:** It has a joint venture with Prosegur and only books profit (as an Associate). SIS believes that recent RBI regulations (such as Rs1bn cash requirement for carrying out cash logistics business) is forcing consolidation among smaller players. This segment is presently loss making.
- Risks:** Default/delay in payments schedule can be a big risk. While delay increases the working capital requirement, default can significantly affect profitability.
- GST:** SIS indicated that it had hiccups in the first 4-5 months and expects introduction of automated credit mapping to bring big shift from unorganized players to organized players. It expects full GST benefits to come in 4-5 years. It falls under 18% tax bracket.
- SIS has 253 branches and 3,000 customers across 14,000 sites. SIS does not plan to open more branches, which will keep its fix overheads intact. RoCE (currently 25%) will dip with acquisitions (prospects in this industry gets valuation of ~10xEV/EBITDA).

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Revenue	31,059	30,346	32,302	35,556	35,353
EBITDA	3,621	3,808	4,048	4,380	4,590
EBITDA Margin (%)	11.7	12.5	12.5	12.3	13.0
APAT	1,930	2,344	2,650	2,790	3,267
EPS (Rs)	2.9	3.3	3.8	4.1	4.8
EPS (% chg)	32.0	16.0	13.2	7.9	17.1
ROE (%)	10.1	11.2	11.7	12.5	15.4
P/E (x)	380.4	328.0	289.7	268.4	229.2
EV/EBITDA (x)	204.7	203.4	190.7	172.6	164.1
P/BV (x)	35.1	36.8	31.7	36.9	33.7

Source: Company, Emkay Research

CMP	Target Price
Rs 1,098 as of (August 11, 2018)	NA 12 months
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12M)	-	-

Stock Details

Bloomberg Code	SECIS IN
Face Value (Rs)	10
Shares outstanding (mn)	73
52 Week H/L	1,405 / 705
M Cap (Rs bn/USD bn)	80 / 1.17
Daily Avg Volume (nos.)	42,223
Daily Avg Turnover (US\$ mn)	0.7

Shareholding Pattern Jun '18

Promoters	75.5%
FIIIs	5.3%
DIIIs	5.6%
Public and Others	13.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	(12)	(10)	45
Rel. to Nifty	(9)	(17)	(17)	25

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Revenue	31,059	30,346	32,302	35,556	35,353
Expenditure	27,438	26,538	28,255	31,176	30,763
EBITDA	3,621	3,808	4,048	4,380	4,590
Depreciation	757	722	662	590	659
EBIT	2,864	3,086	3,386	3,790	3,931
Other Income	0	58	92	32	54
Interest expenses	832	704	522	453	404
PBT	2,033	2,441	2,956	3,369	3,581
Tax	101	95	302	577	314
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	2	2	4	3	0
Reported Net Income	1,930	2,344	2,650	2,790	3,267
Adjusted PAT	1,930	2,344	2,650	2,790	3,267

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	6,598	6,664	6,733	6,813	6,865
Reserves & surplus	14,317	14,223	17,518	13,467	15,356
Net worth	20,915	20,887	24,251	20,280	22,221
Minority Interest	14	16	20	0	0
Loan Funds	9,100	7,303	5,795	9,222	6,319
Net deferred tax liability	317	345	272	590	0
Total Liabilities	30,347	28,551	30,338	30,092	28,540
Net block	27,304	24,439	26,020	21,298	21,479
Investment	52	734	852	1,629	1,629
Current Assets	9,534	9,008	9,717	9,965	9,826
Cash & bank balance	1,863	802	689	387	190
Other Current Assets	2,541	3,276	3,682	3,829	3,829
Current liabilities & Provision	6,548	5,715	6,331	2,802	4,389
Net current assets	2,986	3,293	3,387	7,164	5,437
Misc. exp	0	0	0	0	0
Total Assets	30,347	28,551	30,337	30,092	28,541

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
PBT (Ex-Other income) (NI+Dep)	2,032	2,382	2,864	3,337	3,527
Other Non-Cash items	0	0	0	0	0
Chg in working cap	381	(1,340)	(279)	(3,761)	939
Operating Cashflow	3,036	1,698	3,114	487	5,859
Capital expenditure	(358)	(452)	(725)	(854)	(348)
Free Cash Flow	2,678	1,246	2,389	(367)	5,512
Investments	(26)	(681)	(118)	(1,590)	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(383)	(1,075)	(750)	(2,412)	(293)
Equity Capital Raised	0	66	70	80	52
Loans Taken / (Repaid)	(1,029)	(1,797)	(1,508)	3,427	(2,903)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	170	751	(516)	(1,430)	(2,509)
Financing Cashflow	(1,691)	(1,685)	(2,477)	1,623	(5,763)
Net chg in cash	962	(1,061)	(113)	(302)	(197)
Opening cash position	901	1,863	802	689	387
Closing cash position	1,863	802	689	387	190

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	11.7	12.5	12.5	12.3	13.0
EBIT Margin	9.2	10.2	10.5	10.7	11.1
Effective Tax Rate	5.0	3.9	10.2	17.1	8.8
Net Margin	6.2	7.7	8.2	7.9	9.2
ROCE	9.9	10.7	11.8	12.7	13.6
ROE	10.1	11.2	11.7	12.5	15.4
RoIC	10.4	11.2	12.2	13.3	14.3

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	2.9	3.3	3.8	4.1	4.8
CEPS	4.0	4.4	4.7	5.0	5.8
BVPS	31.3	29.8	34.7	29.7	32.6
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	380.4	328.0	289.7	268.4	229.2
P/CEPS	343.1	315.0	291.1	278.3	239.5
P/BV	35.1	36.8	31.7	36.9	33.7
EV / Sales	23.9	25.5	23.9	21.3	21.3
EV / EBITDA	204.7	203.4	190.7	172.6	164.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	0.3	0.3	0.2	0.4	0.2
Net Debt/EBITDA	2.0	1.5	1.1	1.6	1.0
Working Cap Cycle (days)	13.2	30.0	30.5	69.6	54.2

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	10.2	(2.3)	6.4	10.1	(0.6)
EBITDA	29.5	5.2	6.3	8.2	4.8
EBIT	49.8	7.7	9.7	11.9	3.7
PAT	31.7	21.4	13.1	5.3	17.1

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	8,923	8,778	8,730	8,872	8,973
EBITDA	990	1,007	1,097	1,161	1,325
EBITDA Margin (%)	11.1	11.5	12.6	13.1	14.8
PAT	648	655	688	996	929
EPS (Rs)	1.0	1.0	1.0	1.5	1.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Aug-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	75.5	75.5	75.5	75.5	75.5
FII	4.8	5.3	5.7	5.8	5.3
DII	5.0	4.4	4.8	5.0	5.6
Public and Others	14.7	14.8	14.0	13.8	13.7

Source: Capitaline

Tech Mahindra

Refer to important disclosures at the end of this report

Growth expectations hinge on Telecom revival

We hosted Mr Vikas Jadhav (Head - IR) and Kavya (IR) at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Tech Mahindra expects to deliver 6-8% organic growth in CC terms in FY19, supported by 8-10% organic growth in Enterprise business and ~5% organic growth in Communications business. Tech M expects a muted Q2FY19 due to completion of a couple of large projects in the Healthcare business, which will negate the growth in the Communications business.
- With muted qoq growth in Q2, Tech M would require a ~5% CQGR in H2FY19 to post 7% growth in CC terms. Tech M stated that pick-up in Communications business (US\$200mn TCV deals won so far in Q2FY19 in OSS/BSS, vendor consolidation and IMS areas), and growth in Enterprise (BFSI/Manufacturing) will help it deliver the required run-rate.
- Communications business:** Networks contribute ~0.35-0.40bn to overall Telecom revenues Mahindra, of which ~0.25bn had come from LCC in FY18 (US\$20-30mn had come as part of Israel client one-time settlement). Going ahead, it expects this part of the business to remain stable. Tech M indicated that unbundling of deals in the current era is going to benefit Systems Integrators like Tech M in a big way.
- Tech M indicated that while it has been gaining traction in the new-age services within Telecom, it attributed the slow growth in the business to in-sourcing. Tech M indicated that its partnership with new-age open source start-up eco-systems such as ONAP and Altiostar (22% stake) is helping it gain traction in network virtualization space.
- 5G solutions:** Tech M indicated that the 5G spends are presently happening on the equipment side and it will start to see growth once the roll-outs start happening (which is sometime away). Tech M also indicated that 5G spends will be distributed, as customers have already invested a lot in 3G/4G technologies.
- Enterprise segment grew ~19% yoy in FY18, of which 9.5% was organic growth. While Healthcare is expected to remain muted, growth is expected to be led by Manufacturing (Pininfarina) and BFSI (8-10%). While Healthcare did pretty well in FY18 (HCI acquisition), Tech M indicated that with ramp-downs in a couple of large EMR/EHR deals (one is Mayo Clinic), it expects flattish growth in this segment.
- Margins:** Tech M indicated that revival in revenue growth in Telecom, automation and senior level pyramid optimisation (plans to add 4,000 freshers in FY19; 1800 already added in Q1FY19) will help it improve margins in FY19.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2,64,942	2,91,408	3,07,729	3,43,335	3,66,459
EBITDA	42,708	41,843	47,169	56,754	60,951
EBITDA Margin (%)	16.1	14.4	15.3	16.5	16.6
APAT	30,634	28,410	38,001	38,676	44,210
EPS (Rs)	34.5	31.9	42.7	43.4	49.6
EPS (% chg)	29.2	(7.5)	33.6	1.7	14.3
ROE (%)	23.0	18.4	21.5	19.4	19.8
P/E (x)	18.7	20.2	15.1	14.8	13.0
EV/EBITDA (x)	12.1	12.6	11.0	8.9	8.0
P/BV (x)	4.0	3.5	3.0	2.7	2.4

Source: Company, Emkay Research

CMP

Rs 644
as of (August 11, 2018)

Rating

REDUCE (■)

Target Price

Rs 640 (■)
12 months

Upside

(0.6) %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	REDUCE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	43.4	49.6
Consensus	44.3	50.3
Mean Consensus TP (12M)	Rs 761	

Stock Details

Bloomberg Code	TECHM IN
Face Value (Rs)	5
Shares outstanding (mn)	981
52 Week H/L	730 / 392
M Cap (Rs bn/USD bn)	631 / 9.17
Daily Avg Volume (nos.)	36,57,895
Daily Avg Turnover (US\$ mn)	35.9

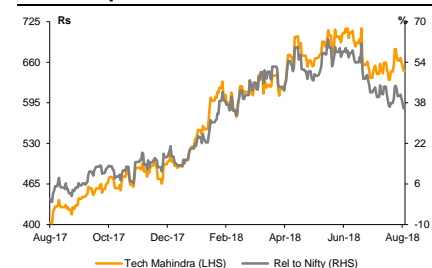
Shareholding Pattern Jun '18

Promoters	36.0%
FIIIs	38.7%
DIIIs	12.8%
Public and Others	12.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	(3)	8	59
Rel. to Nifty	(5)	(9)	(1)	37

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2,64,942	2,91,408	3,07,729	3,43,335	3,66,459
Expenditure	2,22,234	2,49,565	2,60,560	2,86,581	3,05,508
EBITDA	42,708	41,843	47,169	56,754	60,951
Depreciation	7,590	9,781	10,849	11,667	12,826
EBIT	35,118	32,062	36,320	45,087	48,125
Other Income	4,044	6,490	12,469	5,309	9,950
Interest expenses	0	0	0	0	0
PBT	39,162	38,552	48,789	50,396	58,075
Tax	8,182	9,785	10,925	11,704	13,865
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	346	357	(137)	16	0
Reported Net Income	30,634	28,410	38,001	38,676	44,210
Adjusted PAT	30,634	28,410	38,001	38,676	44,210

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	4,839	4,388	4,417	4,417	4,417
Reserves & surplus	1,38,838	1,59,984	1,84,011	2,06,389	2,31,968
Net worth	1,43,677	1,64,372	1,88,428	2,10,806	2,36,385
Minority Interest	2,020	4,641	5,091	5,091	5,091
Loan Funds	10,022	12,195	23,380	23,380	23,380
Net deferred tax liability	6,729	9,630	(11,237)	(11,237)	(11,237)
Total Liabilities	1,62,448	1,90,838	2,05,662	2,28,040	2,53,619
Net block	43,446	63,590	76,224	82,557	88,231
Investment	24,934	37,139	49,565	49,565	49,565
Current Assets	1,54,821	1,53,533	1,52,643	1,75,355	2,00,773
Cash & bank balance	40,138	20,013	30,443	42,879	59,710
Other Current Assets	33,850	33,608	7,522	9,406	11,044
Current liabilities & Provision	67,047	67,153	75,169	81,836	87,348
Net current assets	87,774	86,380	77,474	93,519	1,13,425
Misc. exp	0	0	0	0	0
Total Assets	1,62,448	1,90,838	2,05,662	2,28,039	2,53,619

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	35,118	32,062	36,320	45,087	48,125
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,154)	(15,830)	(1,531)	(3,609)	(3,075)
Operating Cashflow	33,372	15,218	30,374	41,441	44,011
Capital expenditure	(9,547)	(7,682)	(22,153)	(18,000)	(18,500)
Free Cash Flow	23,825	7,536	8,221	23,441	25,511
Investments	(3,906)	(12,205)	(12,426)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(9,409)	(13,397)	(22,110)	(12,691)	(8,550)
Equity Capital Raised	35	(451)	29	0	0
Loans Taken / (Repaid)	3,277	2,173	11,185	0	0
Dividend paid (incl tax)	(12,821)	(9,639)	(15,014)	(16,298)	(18,630)
Other Financing Cash Flow	1,636	(14,029)	5,966	(16)	0
Financing Cashflow	(7,874)	(21,946)	2,166	(16,314)	(18,630)
Net chg in cash	16,089	(20,125)	10,430	12,436	16,831
Opening cash position	24,049	40,138	20,013	30,443	42,879
Closing cash position	40,138	20,013	30,443	42,879	59,710

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	16.1	14.4	15.3	16.5	16.6
EBIT Margin	13.3	11.0	11.8	13.1	13.1
Effective Tax Rate	20.9	25.4	22.4	23.2	23.9
Net Margin	11.7	9.9	12.3	11.3	12.1
ROCE	26.0	21.8	24.6	23.2	24.1
ROE	23.0	18.4	21.5	19.4	19.8
RoIC	39.1	29.0	28.7	35.2	35.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	34.5	31.9	42.7	43.4	49.6
CEPS	43.1	42.9	54.8	56.5	64.0
BVPS	161.9	184.8	211.5	236.4	265.1
DPS	12.0	9.0	14.0	15.2	17.4

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	18.7	20.2	15.1	14.8	13.0
P/CEPS	15.1	15.1	11.8	11.5	10.1
P/BV	4.0	3.5	3.0	2.7	2.4
EV / Sales	1.9	1.8	1.7	1.5	1.3
EV / EBITDA	12.1	12.6	11.0	8.9	8.0
Dividend Yield (%)	1.9	1.4	2.2	2.4	2.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.4)	(0.3)	(0.3)	(0.3)	(0.4)
Net Debt/EBIDTA	(1.3)	(1.1)	(1.2)	(1.2)	(1.4)
Working Cap Cycle (days)	65.6	83.1	55.8	53.8	53.5

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	17.1	10.0	5.6	11.6	6.7
EBITDA	2.8	(2.0)	12.7	20.3	7.4
EBIT	(0.8)	(8.7)	13.3	24.1	6.7
PAT	16.6	(7.3)	33.8	1.8	14.3

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	73,360	76,064	77,760	80,545	82,763
EBITDA	9,346	11,057	12,647	14,119	13,569
EBITDA Margin (%)	12.7	14.5	16.3	17.5	16.4
PAT	7,985	8,363	9,432	12,221	8,979
EPS (Rs)	9.0	9.4	10.6	13.7	10.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	36.2	36.1	36.0	36.0	36.0
FIIIs	35.2	37.4	37.6	39.0	38.7
DIIIs	14.4	12.8	13.2	12.4	12.8
Public and Others	14.3	13.6	13.1	12.6	12.5

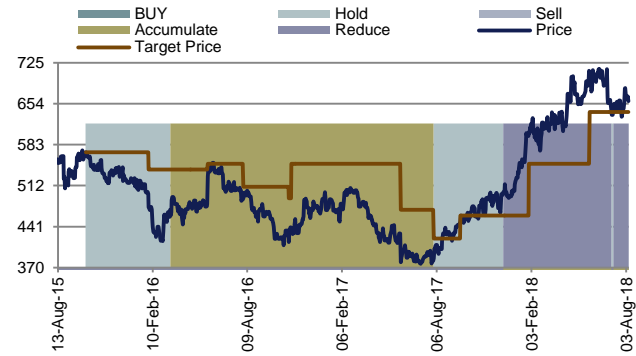
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
31-Jul-18	681	640	12m	Reduce	Rahul Jain
10-Jul-18	651	640	12m	Reduce	Rahul Jain
06-Jul-18	635	640	12m	Hold	Rahul Jain
25-May-18	703	640	12m	Reduce	Rahul Jain
05-Apr-18	617	550	12m	Reduce	Rahul Jain
29-Jan-18	605	550	12m	Reduce	Rahul Jain
11-Dec-17	501	460	12m	Reduce	Rahul Jain
02-Nov-17	468	460	12m	Hold	Rahul Jain
04-Oct-17	465	460	12m	Hold	Rahul Jain
20-Sep-17	449	460	12m	Hold	Rahul Jain
31-Jul-17	386	420	12m	Hold	Rahul Jain
10-Jul-17	384	470	12m	Accumulate	Rahul Jain
29-May-17	379	470	12m	Accumulate	Manik Taneja
30-Jan-17	472	550	12m	Accumulate	Manik Taneja
01-Nov-16	434	550	12m	Accumulate	Manik Taneja
27-Oct-16	414	490	12m	Accumulate	Manik Taneja
01-Aug-16	490	510	12m	Accumulate	Manik Taneja
21-Jun-16	535	550	12m	Accumulate	Manik Taneja
25-May-16	529	550	12m	Accumulate	Manik Taneja
15-Mar-16	460	540	12m	Accumulate	Manik Taneja
02-Feb-16	474	540	12m	Hold	Manik Taneja
04-Jan-16	516	570	12m	Hold	Manik Taneja
15-Dec-15	520	570	12m	Hold	Manik Taneja
05-Nov-15	535	570	12m	Hold	Manik Taneja
04-Nov-15	543	570	12m	Hold	Manik Taneja
05-Oct-15	570	570	12m	Hold	Manik Taneja

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Infrastructure

HG Infra Engineering

Refer to important disclosures at the end of this report

Emerging play on pure EPC space

We recently hosted Mr. Harendra Singh, Managing Director of HG Infra Engineering Ltd (HG Infra), at our Annual India Conference to share company insights:

Key Meeting Takeaways

- Incorporated in 2003, HG Infra is an emerging pure-play EPC company with a primary focus on Roads and allied sectors such as Flyovers, Bridges etc. The company started its operations in Rajasthan and has gradually expanded its presence across other states such as Maharashtra, Uttar Pradesh, Haryana, Uttarakhand and Arunachal Pradesh.
- Management expects NHA awarding to pick up pace in 2HFY19 with strong pipeline of Rs900-1,000bn projects primarily on HAM and EPC basis. Of this, HG Infra is looking at bidding for projects worth Rs250bn and expects to bag additional orders worth Rs30-35bn, taking the closing order book to Rs60bn by end-FY19.
- The company has a healthy order book of ~Rs53.1bn, translating into a comfortable order book-to-sales ratio of ~3.8x FY18 revenue. In terms of states, Rajasthan/Maharashtra constitute 40%/26% of the total order book followed by UP (22%) while the balance comes from Uttarakhand, Haryana and Arunachal Pradesh. EPC contracts account for 89% of the total order book while the balance 11% comes from HAM projects.
- HG Infra has invested Rs3.7bn in procuring construction equipment in order to eliminate delays and cost over-runs (resulting from untimely breakdowns/non-availability), and to ensure availability and quick mobilization. During the quarter, the company added 840 employees, taking its total headcount to 3,734 (~80% are skilled and highly skilled workers such as qualified engineers, management professionals).
- The company has planned a capex of Rs900mn in FY19, of which, it has already spent ~Rs410mn in Q1FY19 mainly for procuring construction equipment.
- Post listing, HG Infra has repaid debt worth Rs650mn (Rs350mn through IPO + Rs300mn through internal accruals), reducing its debt to ~Rs3.5bn as on Q1FY19. Further, the company is in the process of reducing debt by another Rs450mn through the balance IPO proceeds.
- Given the strong order inflows in FY18 and equally healthy order book, the management has given an upbeat guidance of 40% yoy growth/Rs20bn plus Revenue while EBITDA margin is expected in the range of 15-15.5%.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	3236	4447	3352	7124	9703
EBITDA	451	506	439	781	1198
EBITDA Margin (%)	13.9	11.4	13.1	11.0	12.4
APAT	135	172	93	302	495
EPS (Rs)	2.1	2.6	1.4	4.6	7.6
EPS (% chg)		27.3	-45.7	223.7	63.8
ROE (%)	19.6	23.1	11.4	29.2	33.1
P/E (x)	114.2	89.7	165.1	51.0	31.1
EV/EBITDA (x)	36.2	31.9	36.8	21.3	14.5
P/BV (x)	22.4	19.3	18.2	12.6	8.8

Source: Company, Emkay Research

CMP	Target Price
Rs 237	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	HGINFRA IN
Face Value (Rs)	10
Shares outstanding (mn)	65
52 Week H/L	356/231
M Cap (Rs bn/USD bn)	15/0.2
Daily Avg Volume (nos.)	110,306
Daily Avg Turnover (US\$ mn)	0.5

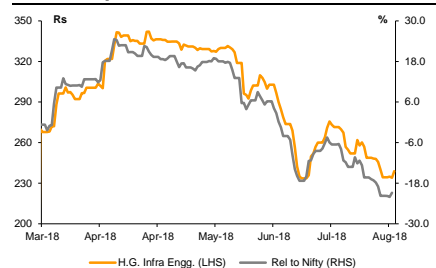
Shareholding Pattern Jun'18

Promoters	73.7%
FIIIs	0.4%
DIIIs	15.1%
Public and Others	10.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-9	-28	0	0
Rel. to Nifty	-14	-33	0	0

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	3236	4447	3352	7124	9703
Expenditure	2785	3940	2913	6344	8505
EBITDA	451	506	439	781	1198
Depreciation	142	134	172	183	256
EBIT	310	373	268	597	942
Other Income	18	19	25	24	37
Interest expenses	127	134	158	160	193
PBT	200	258	135	461	787
Tax	66	86	43	159	294
Extraordinary Items	0	0	-1	0	-2
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	135	172	92	302	493
Adjusted PAT	135	172	93	302	495

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	153	153	153	180	180
Reserves & surplus	537	646	692	1045	1579
Net worth	689	798	844	1226	1759
Minority Interest	0	0	0	0	0
Loan Funds	922	723	754	1227	2037
Net deferred tax liability	38	13	-1	-8	-20
Total Liabilities	1649	1534	1597	2445	3776
Net block	979	858	836	1210	2051
Investment	0	1	1	4	4
Current Assets	979	916	1052	2091	2577
Cash & bank balance	17	25	14	41	72
Other Current Assets	291	348	345	400	656
Current liabilities & Provision	617	615	652	1301	1585
Net current assets	362	301	400	790	993
Misc. exp	0	0	0	0	0
Total Assets	1649	1533	1596	2444	3775

Source: Company, Emkay Research

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	90	17	25	14	41
Net Cash from Operations	175	372	277	343	544
Net Cash Used in Investing	-188	-29	-161	-658	-1,134
Net Cash Used in Financing	-60	-335	-127	342	620
Net Inc/(Dec) in Cash	-73	8	-11	27	31
Closing Cash	17	25	14	41	72

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	13.9	11.4	13.1	11.0	12.4
EBIT Margin	9.6	8.4	8.0	8.4	9.7
Effective Tax Rate	32.7	33.4	31.7	34.5	37.3
Net Margin	4.2	3.9	2.8	4.2	5.1
ROCE	18.8	23.4	17.1	29.6	30.3
ROE	19.6	23.1	11.4	29.2	33.1
RoIC	20.7	26.5	19.4	32.5	30.9

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	2.1	2.6	1.4	4.6	7.6
CEPS	4.3	4.7	4.1	7.5	11.5
BVPS	10.6	12.3	13.0	18.9	27.1
DPS		0.0	0.0	0.0	0.0

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	114.2	89.7	165.1	51.0	31.1
P/CEPS	55.7	50.4	58.2	31.7	20.5
P/BV	22.4	19.3	18.2	12.6	8.8
EV / Sales	5.1	3.6	4.8	2.3	1.8
EV / EBITDA	36.2	31.9	36.8	21.3	14.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	1.3	0.9	0.9	1.0	1.1
Net Debt/EBITDA	2.0	1.4	1.7	1.5	1.6
Working Cap Cycle (days)	38.9	22.6	42.0	38.4	34.6

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	37.4	-24.6	112.5	36.2
EBITDA	0.0	12.2	-13.2	77.7	53.5
EBIT	0.0	20.4	-28.1	123.0	57.8
PAT	0.0	27.3	-45.7	223.7	63.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	3,310	2,363	3,216	5,038	4,502
EBITDA	461	339	494	787	670
EBITDA Margin (%)	13.9	14.3	15.4	15.6	14.9
PAT	194	99	190	360	277
EPS (Rs)	3.0	1.5	2.9	5.5	4.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18*	Jun-18
Promoters	-	-	-	73.7	73.7
FIIIs	-	-	-	0.0	0.4
DIIIs	-	-	-	17.2	15.1
Public and Others	-	-	-	9.0	10.7

Source: Capitaline, * Got listed in Mar'18

IRB Infrastructure

Refer to important disclosures at the end of this report

Playing to its strengths

We hosted Mr. Anil Yadav, CFO of IRB Infrastructure Ltd and Mr. Tushar Kawedia, CFO IRB InVIT Fund at our Annual India conference to share company insights:

Key Meeting Takeaways

- IRB is one of the largest BOT toll operators in the country, having a market share of 20% in the total Golden Quadrilateral projects and 3,700km of total projects executed successfully. The company has a portfolio of 17 BOT projects, out of which 11 projects aggregating to over ~Rs130bn (US\$1.8bn) have already commenced operations.
- NHAI awarding momentum is expected to continue in 2HFY19 with strong pipeline of Rs700-800bn projects (primarily on HAM and EPC basis). Of these, the management is looking to bag additional orders worth Rs60-70bn in FY19, which translates into a 7% market share.
- The company's construction order book remains strong at Rs141.1bn as on Q1FY19, which translates into a healthy order book-to-sales ratio of 3.5x TTM construction revenues, and provides comfortable revenue visibility for the next 2-3 years.
- IRB expects to complete the financial closure (FC) of Vadodara Kim Expressway HAM project by Sept'18 and expects the FC of the remaining two HAM projects (Puducherry-Poondiyankuppam HAM project and Poondiyankuppam-Sathanathapuram HAM project) to be completed by Oct'18.
- Some of IRB's stretches such as Agra-Etawah, Kaithal-Rajasthan etc have seen a decline in traffic mainly on the back of divergence in view of some construction work on the adjoining stretches. Management believes this fall in traffic is temporary in nature and expects the same to revive once the construction work on the adjacent stretches is complete.
- Backed by a healthy order book and robust order inflows of the past few quarters, the management has maintained its FY19 guidance of Construction/BOT revenues of Rs46bn/Rs22bn.
- The company expects to transfer one BOT asset - probably Solapur-Yedeshi BOT project worth ~Rs15bn - to IRB InVIT fund in Q4FY19.
- The management indicated that the company would require equity investment of ~Rs26bn over the next two years for the under construction projects, which we believe would be funded through internal accruals.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	51,279	58,459	56,941	67,939	88,319
EBITDA	26,603	30,483	26,794	27,991	33,119
EBITDA Margin (%)	51.9	52.1	47.1	41.2	37.5
APAT	6,395	7,154	6,663	8,372	9,122
EPS (Rs)	18.2	20.4	19.0	23.8	26.0
EPS (% chg)	17.9	11.9	(6.9)	25.6	9.0
ROE (%)	13.9	14.2	12.2	13.9	13.7
P/E (x)	11.0	9.8	10.5	8.4	7.7
EV/EBITDA (x)	7.9	6.5	7.0	7.1	6.2
P/BV (x)	1.5	1.3	1.2	1.1	1.0

Source: Company, Emkay Research

CMP	Target Price
Rs 200	Rs 322 (■)
as of (August 9, 2018)	12 months
Rating	Upside
BUY (■)	61.2 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	23.8	26.0
Consensus	28.8	25.7
Mean Consensus TP (12M)	Rs 270	

Stock Details

Bloomberg Code	IRB IN
Face Value (Rs)	10
Shares outstanding (mn)	351
52 Week H/L	286 / 184
M Cap (Rs bn/USD bn)	70 / 1.02
Daily Avg Volume (nos.)	1,978,701
Daily Avg Turnover (US\$ mn)	6.3

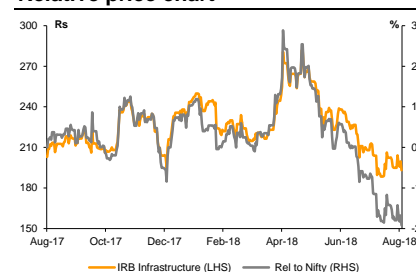
Shareholding Pattern Jun '18

Promoters	57.4%
FIIIs	20.7%
DIIIs	14.1%
Public and Others	7.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(6)	(23)	(10)	(6)
Rel. to Nifty	(11)	(28)	(18)	(18)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	51,279	58,459	56,941	67,939	88,319
Expenditure	24,677	27,977	30,147	39,948	55,199
EBITDA	26,603	30,483	26,794	27,991	33,119
Depreciation	8,533	8,548	5,440	6,529	7,834
EBIT	18,069	21,935	21,353	21,462	25,285
Other Income	1,272	1,232	1,687	1,855	2,041
Interest expenses	10,639	13,327	9,667	10,633	13,504
PBT	8,702	9,839	13,373	12,684	13,822
Tax	2,306	2,685	5,444	4,313	4,699
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	1,267	0	0
Reported Net Income	6,395	7,154	6,663	8,372	9,122
Adjusted PAT	6,395	7,154	6,663	8,372	9,122

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	3,515	3,515	3,515	3,515	3,515
Reserves & surplus	44,848	49,201	53,411	59,773	66,706
Net worth	48,363	52,716	56,925	63,288	70,221
Minority Interest	355	0	0	0	0
Loan Funds	156,223	139,631	129,958	141,958	146,958
Net deferred tax liability	(3,335)	(3,855)	(3,205)	(3,205)	(3,205)
Total Liabilities	201,606	188,492	183,678	202,040	213,973
Net block	351,488	268,655	259,556	276,893	279,090
Investment	362	1,459	9,455	9,455	9,455
Current Assets	26,233	22,318	24,036	27,996	30,337
Cash & bank balance	15,008	13,077	12,678	13,910	11,385
Other Current Assets	4,895	2,806	2,892	3,397	5,299
Current liabilities & Provision	216,676	172,003	165,854	177,788	183,393
Net current assets	(190,443)	(149,685)	(141,818)	(149,792)	(153,056)
Misc. exp	0	0	0	0	0
Total Assets	201,606	188,492	183,678	202,040	213,973

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	7,430	8,608	11,687	10,829	11,781
Other Non-Cash items	(869)	(548)	(420)	(1,855)	(2,041)
Chg in working cap	(482)	4,032	(25,397)	10,856	2,486
Operating Cashflow	22,127	30,861	(4,466)	32,679	28,865
Capital expenditure	(31,591)	(27,800)	20,045	(27,139)	(16,227)
Free Cash Flow	(9,464)	3,061	15,579	5,539	12,638
Investments	23	(2,317)	(7,996)	0	0
Other Investing Cash Flow	128	134	1,687	1,855	2,041
Investing Cashflow	(30,168)	(28,750)	15,423	(23,429)	(12,146)
Equity Capital Raised	0	0	(2,780)	0	0
Loans Taken / (Repaid)	23,601	16,339	(9,673)	12,000	5,000
Dividend paid (incl tax)	(2,538)	(846)	(2,207)	(2,009)	(2,189)
Other Financing Cash Flow	0	(549)	12,973	(7,376)	(8,551)
Financing Cashflow	6,709	(2,565)	(11,355)	(8,018)	(19,245)
Net chg in cash	(1,332)	(455)	(398)	1,232	(2,526)
Opening cash position	4,097	2,764	13,077	12,678	13,910
Closing cash position	15,008	13,077	12,678	13,910	11,385

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	51.9	52.1	47.1	41.2	37.5
EBIT Margin	35.2	37.5	37.5	31.6	28.6
Effective Tax Rate	26.5	27.3	40.7	34.0	34.0
Net Margin	12.5	12.2	13.9	12.3	10.3
ROCE	10.4	11.9	12.4	12.1	13.1
ROE	13.9	14.2	12.2	13.9	13.7
RoIC	14.4	17.4	20.2	19.7	22.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	18.2	20.4	19.0	23.8	26.0
CEPS	42.5	44.7	34.4	42.4	48.2
BVPS	137.6	150.0	162.0	180.1	199.8
DPS	4.0	4.1	5.2	4.8	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	11.0	9.8	10.5	8.4	7.7
P/CEPS	4.6	4.3	5.6	4.6	4.0
P/BV	1.5	1.3	1.2	1.1	1.0
EV / Sales	4.1	3.4	3.3	2.9	2.3
EV / EBITDA	7.9	6.5	7.0	7.1	6.2
Dividend Yield (%)	2.0	2.0	2.6	2.4	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	2.9	2.4	2.1	2.0	1.9
Net Debt/EBITDA	5.3	4.2	4.4	4.6	4.1
Working Cap Cycle (days)	(1,462.4)	(1,016.2)	(990.3)	(879.5)	(679.6)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33.3	14.0	(2.6)	19.3	30.0
EBITDA	20.3	14.6	(12.1)	4.5	18.3
EBIT	20.1	21.4	(2.7)	0.5	17.8
PAT	17.8	11.9	(6.9)	25.6	9.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	18,169	11,988	12,962	13,822	15,380
EBITDA	8,178	5,724	6,303	6,588	7,467
EBITDA Margin (%)	45.0	47.8	48.6	47.7	48.5
PAT	2,379	2,347	2,073	2,398	2,501
EPS (Rs)	6.8	6.7	5.9	6.8	7.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	57.4	57.4	57.4	57.4	57.4
FII	27.0	26.0	23.6	23.9	20.7
DII	8.2	8.3	12.0	12.0	14.1
Public and Others	7.5	8.3	7.1	6.7	7.8

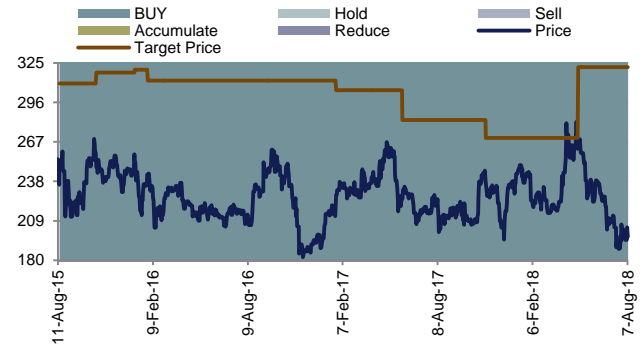
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Jul-18	194	322	12m	Buy	Viral Shah
4-May-18	266	322	12m	Buy	Viral Shah
3-Apr-18	242	270	12m	Buy	Viral Shah
7-Feb-18	219	270	12m	Buy	Viral Shah
8-Nov-17	237	270	12m	Buy	Viral Shah
24-Jul-17	217	283	12m	Buy	Adhidev Chattopadhyay
1-Jun-17	225	283	12m	Buy	Adhidev Chattopadhyay
24-Apr-17	247	305	12m	Buy	Adhidev Chattopadhyay
25-Jan-17	228	305	12m	Buy	Adhidev Chattopadhyay
20-May-16	216	312	12m	Buy	Nitin Arora
18-May-16	222	312	12m	Buy	Nitin Arora
20-Apr-16	220	312	12m	Buy	Nitin Arora
14-Mar-16	232	312	12m	Buy	Nitin Arora
16-Feb-16	212	312	12m	Buy	Nitin Arora
30-Jan-16	243	312	12m	Buy	Nitin Arora
15-Jan-16	216	320	12m	Buy	Nitin Arora
5-Jan-16	253	320	12m	Buy	Nitin Arora
16-Dec-15	242	318	12m	Buy	Nitin Arora
17-Nov-15	248	318	12m	Buy	Nitin Arora
23-Oct-15	249	318	12m	Buy	Nitin Arora
20-Oct-15	265	310	12m	Buy	Nitin Arora
22-Sep-15	224	310	12m	Buy	Nitin Arora
18-Sep-15	227	310	12m	Buy	Nitin Arora
24-Aug-15	215	310	12m	Buy	Nitin Arora
21-Aug-15	246	310	12m	Buy	Nitin Arora
18-Aug-15	250	310	12m	Buy	Nitin Arora
14-Aug-15	249	310	12m	Buy	Nitin Arora

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Media & Entertainment

DB Corp

Refer to important disclosures at the end of this report

Ad growth expected to rebound in election year

Key Meeting Takeaways

- As per the Bihar Readership Survey 2018 conducted by Hansa Research, Dainik Bhaskar (DB) ranks No. 2 in Bihar (Hindustan at No.1) with 9.11 lakh readers. DB is No. 1 in Patna with 5.1 lakh readers within just 6-8 months. DB also has the highest primary readership at 81%.
- The company has not increased cover price as it was in circulation expansion phase. It will consider taking a hike in the forthcoming quarters.
- Circulation expansion phase is over and it has no plans to enter the South Indian markets.
- Management is confident of ad revenue growth as circulations have increased as per expectations. It stated that ad revenue typically picks up with a year's time lag of circulation expansion.
- The company gets 100% upfront money for political ads, which picks up during election period. Generally, prices paid for political ads are at a premium (at card rate) vis-à-vis other advertisers.
- The management reiterated that it is confident of delivering high single-digit growth in FY19 with focus on Real Estate, Auto and FMCG sectors to drive growth.
- Newsprint prices have stabilized and are expected to trend downwards in the coming quarters. However, the full impact of higher newsprint prices would be reflected from Q2FY19. The company has reduced ad-to-edit ratio and is also evaluating the size of pages to offset the impact of higher newsprint prices.
- Cost for printing a copy is Rs6.5-7 whereas realization on a blended basis is ~Rs4 per copy.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	20,493	22,580	23,285	25,238	27,163
EBITDA	5,348	6,422	5,638	5,935	7,069
EBITDA Margin (%)	26.1	28.4	24.2	23.5	26.0
APAT	2,920	3,746	3,240	3,358	3,989
EPS (Rs)	16.7	21.4	18.5	19.2	22.8
EPS (% chg)	(7.7)	28.3	(13.5)	3.6	18.8
ROE (%)	21.7	25.0	18.6	18.8	23.2
P/E (x)	15.1	11.8	13.6	13.2	11.1
EV/EBITDA (x)	8.3	6.7	7.3	7.3	6.0
P/BV (x)	3.2	2.8	2.3	2.7	2.5

Source: Company, Emkay Research

CMP	Target Price
Rs 253 as of (August 10, 2018)	Rs 292 (■) 12 months
Rating	Upside
HOLD (■)	15.6 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	19.2	22.8
Consensus	18.4	21.8
Mean Consensus TP (12M)	Rs 310	

Stock Details

Bloomberg Code	DBCL IN
Face Value (Rs)	10
Shares outstanding (mn)	184
52 Week H/L	389 / 232
M Cap (Rs bn/USD bn)	47 / 0.68
Daily Avg Volume (nos.)	1,52,531
Daily Avg Turnover (US\$ mn)	0.6

Shareholding Pattern Jun '18

Promoters	69.8%
FIIIs	18.4%
DIIIs	2.0%
Public and Others	9.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(9)	(20)	(31)
Rel. to Nifty	(13)	(15)	(27)	(41)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	20,493	22,580	23,285	25,238	27,163
Expenditure	15,145	16,158	17,647	19,304	20,094
EBITDA	5,348	6,422	5,638	5,935	7,069
Depreciation	853	863	924	1,041	1,125
EBIT	4,495	5,559	4,714	4,893	5,944
Other Income	241	170	238	263	150
Interest expenses	138	74	67	60	51
PBT	4,598	5,654	4,885	5,096	6,044
Tax	1,678	1,907	1,645	1,738	2,055
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	(2)	0	0	0
Reported Net Income	2,920	3,746	3,240	3,358	3,989
Adjusted PAT	2,920	3,746	3,240	3,358	3,989

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	1,836	1,839	1,840	1,748	1,748
Reserves & surplus	12,139	14,105	17,123	14,917	15,956
Net worth	13,975	15,944	18,964	16,665	17,705
Minority Interest	0	0	0	0	0
Loan Funds	1,422	862	762	662	562
Net deferred tax liability	813	781	781	781	781
Total Liabilities	16,209	17,587	20,506	18,108	19,048
Net block	8,936	9,103	9,330	9,089	8,664
Investment	440	269	359	359	359
Current Assets	9,679	11,195	14,335	12,164	14,110
Cash & bank balance	900	1,744	3,413	1,243	2,225
Other Current Assets	26	10	411	445	479
Current liabilities & Provision	3,304	3,194	3,731	3,717	4,299
Net current assets	6,374	8,001	10,603	8,447	9,811
Misc. exp	0	0	0	0	0
Total Assets	16,209	17,587	20,506	18,108	19,048

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	4,357	5,485	4,647	4,834	5,894
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,171)	(816)	(933)	(13)	(383)
Operating Cashflow	2,603	3,793	3,230	4,387	4,731
Capital expenditure	(2,045)	(784)	(1,151)	(800)	(700)
Free Cash Flow	558	3,009	2,079	3,587	4,031
Investments	246	171	(90)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,558)	(444)	(1,004)	(537)	(550)
Equity Capital Raised	0	2	1	(92)	0
Loans Taken / (Repaid)	144	(559)	(100)	(100)	(100)
Dividend paid (incl tax)	(2,435)	(1,827)	(221)	(2,528)	(2,949)
Other Financing Cash Flow	505	(48)	(171)	(3,239)	(99)
Financing Cashflow	(1,925)	(2,506)	(557)	(6,019)	(3,199)
Net chg in cash	(880)	843	1,669	(2,169)	981
Opening cash position	1,780	900	1,744	3,413	1,243
Closing cash position	900	1,744	3,413	1,243	2,225

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	26.1	28.4	24.2	23.5	26.0
EBIT Margin	21.9	24.6	20.2	19.4	21.9
Effective Tax Rate	36.5	33.7	33.7	34.1	34.0
Net Margin	14.3	16.6	13.9	13.3	14.7
ROCE	30.4	33.9	26.0	26.7	32.8
ROE	21.7	25.0	18.6	18.8	23.2
RoIC	33.4	37.3	29.6	29.8	36.5

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	16.7	21.4	18.5	19.2	22.8
CEPS	21.6	26.4	23.8	25.2	29.2
BVPS	79.9	91.2	108.5	95.3	101.3
DPS	11.6	8.7	1.1	12.0	14.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	15.1	11.8	13.6	13.2	11.1
P/CEPS	11.8	9.6	10.7	10.1	8.7
P/BV	3.2	2.8	2.3	2.7	2.5
EV / Sales	2.2	1.9	1.8	1.7	1.6
EV / EBITDA	8.3	6.7	7.3	7.3	6.0
Dividend Yield (%)	4.6	3.4	0.4	4.7	5.5

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.0	(0.1)	(0.2)	(0.1)	(0.1)
Net Debt/EBIDTA	0.0	(0.2)	(0.5)	(0.2)	(0.3)
Working Cap Cycle (days)	97.5	101.2	112.7	104.2	101.9

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2.0	10.2	3.1	8.4	7.6
EBITDA	(4.9)	20.1	(12.2)	5.3	19.1
EBIT	(5.2)	23.7	(15.2)	3.8	21.5
PAT	(7.7)	28.3	(13.5)	3.6	18.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	5,943	5,683	5,986	5,673	6,324
EBITDA	1,864	1,399	1,396	979	1,680
EBITDA Margin (%)	31.4	24.6	23.3	17.3	26.6
PAT	1,101	787	781	571	976
EPS (Rs)	6.3	4.5	4.5	3.3	5.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	69.9	69.9	69.8	69.8	69.8
FIIIs	15.8	15.6	16.7	17.6	18.4
DIIIs	7.1	7.4	6.0	3.6	2.0
Public and Others	7.3	7.2	7.4	9.1	9.8

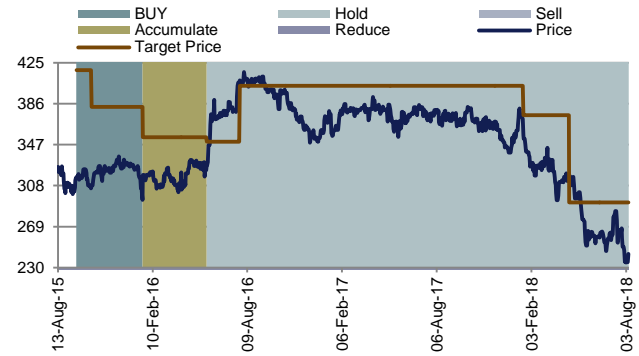
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-Jul-18	266	292	12m	Hold	Naval Seth
16-Apr-18	314	292	12m	Hold	Naval Seth
18-Jan-18	356	375	12m	Hold	Naval Seth
01-Nov-17	360	403	12m	Hold	Naval Seth
24-Jul-17	371	403	12m	Hold	Naval Seth
22-May-17	361	403	12m	Hold	Naval Seth
20-Jan-17	360	403	12m	Hold	Naval Seth
21-Oct-16	397	403	12m	Hold	Naval Seth
25-Jul-16	408	403	12m	Hold	Naval Seth
23-May-16	329	350	12m	Hold	Naval Seth
10-Feb-16	322	354	12m	Accumulate	Naval Seth
22-Jan-16	318	354	12m	Accumulate	Naval Seth
16-Oct-15	308	383	12m	Buy	Naval Seth
17-Sep-15	316	418	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Den Networks

Refer to important disclosures at the end of this report

Focus is on asset-light Broadband model

Key Meeting Takeaways

- With respect to the tariff order, TRAI has enforced it w.e.f. 3rd July, 2018, which is to be implemented by 30th Dec, 2018. A special leave petition was filed with the Supreme Court on 20th July, 2018 by a broadcaster. But, the apex court refused the stay order passed by the Madras High court and the next hearing has been scheduled for 28th August, 2018. Den believes that the tariff order is positive for the company as content cost will become a pass-through.
- The company is witnessing good traction in Phase III market and expects ARPU to reach Rs90 by FY19-end from Rs76 (inclusive of taxes) in Q1FY19.
- Subscription revenue (collection efficiency) continues to get impacted due to tussle with ZEE over content deal. But, the same was resolved by May'end. The company has taken price hike of ~Rs10-15 (~Rs7 in Phase I due to higher base) on a blended basis in all the markets in July.
- Management expects cross-consolidation to happen in Telecom and Media sectors.
- It is on track with its 100-city broadband plan; 28 cities have been enabled till Q1FY19 and 20 would be added in Q2FY19. The company has 8,424 subscribers in these 28 cities with a monthly ARPU of Rs562/month.
- Net capex of Rs500mn would include Broadband in FY19, which is significantly lower than competitors, as investments in Broadband is in collaboration with LCO's in new towns. Revenue share with LCO's will be 50:50 for the Broadband business in new towns on account of investments made by them.
- Den is in a "wait-n-watch" mode with regards to the JIO's launch plans in FTTH. The company believes that JIO will have no effect on its Cable business in the medium term while the impact on the Broadband business will be limited on Top Tier towns in the near future. Den has stopped investments in Delhi and few other Metro Cities due to the impending threat from JIO.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17
Net Sales	10980	11296	9475	11573
EBITDA	2725	924	-2188	1481
EBITDA Margin (%)	24.8	8.2	-23.1	12.8
APAT	351	-1644	-3917	-2120
EPS (Rs)	1.8	-	-	-
EPS (% chg)	-41.0	-	-	-
ROE (%)	2.6	-	-	-
P/E (x)	26.3	-	-	-
EV/EBITDA (x)	2.6	10.4	-5.3	6.8
P/BV (x)	0.5	0.5	0.9	1.0

Source: Company, Emkay Research

CMP	Target Price
Rs 47 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	DEN IN
Face Value (Rs)	10
Shares outstanding (mn)	196
52 Week H/L	150/45
M Cap (Rs bn/USD bn)	9/0.1
Daily Avg Volume (nos.)	382,907
Daily Avg Turnover (US\$ mn)	0.4

Shareholding Pattern Jun'18

Promoters	36.5%
FII's	16.2%
DII's	1.8%
Public and Others	45.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-24	-54	-58	-41
Rel. to Nifty	-28	-57	-62	-50

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17
Net Sales	10980	11296	9475	11573
Expenditure	8255	10372	11663	10092
EBITDA	2725	924	-2188	1481
Depreciation	1474	1860	2061	2775
EBIT	1251	-936	-4249	-1294
Other Income	769	878	945	380
Interest expenses	890	823	791	652
PBT	1130	-880	-4095	-1566
Tax	379	336	218	330
Extraordinary Items	34	204	-399	18
Minority Int. /Income from Assoc.	367	224	2	206
Reported Net Income	384	-1440	-4315	-2102
Adjusted PAT	351	-1644	-3917	-2120

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17
Equity share capital	1801	1777	1777	1936
Reserves & surplus	16779	15317	7920	7180
Net worth	18560	17094	9697	9116
Minority Interest	1335	1655	706	896
Loan Funds	10247	9979	8538	5054
Net deferred tax liability	400	363	802	793
Total Liabilities	30254	28857	22924	19076
Net block	13552	14251	14738	13892
Investment	3795	1452	1093	1012
Current Assets	14561	13516	9589	7175
Cash & bank balance	8630	8206	5141	3259
Other Current Assets	5931	5310	4448	3916
Current liabilities & Provision	5313	4709	6384	6007
Net current assets	9248	8807	3205	1169
Misc. exp	0	0	0	0
Total Assets	30254	28857	22924	19076

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17
Opening Cash	2,603	2,462	1,275	1,605
Net Cash from Operations	1,079	608	75	1,994
Net Cash Used in Investing	-12,481	-476	1,865	45
Net Cash Used in Financing	11,262	-1,091	-1,610	-2,776
Net Inc/(Dec) in Cash	-140	-958	330	-737
Closing Cash	2,462	1,504	1,605	868

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17
EBITDA Margin	24.8	8.2	-23.1	12.8
EBIT Margin	11.4	-8.3	-44.8	-11.2
Effective Tax Rate	33.5	-	-	-
Net Margin	3.2	-14.6	-41.3	-18.3
ROCE	5.3	-	-	-
ROE	2.6	-	-	-
RoIC	6.9	-	-	-

Per Share Data (Rs)	FY14	FY15	FY16	FY17
EPS	1.8			
CEPS	9.3	1.1	-9.5	3.3
BVPS	94.7	87.2	49.5	46.5
DPS	0.0	0.0	0.0	0.0

Valuations (x)	FY14	FY15	FY16	FY17
PER	26.3	-	-	-
P/CEPS	5.0	42.7		14.1
P/BV	0.5	0.5	0.9	1.0
EV / Sales	0.6	0.8	1.2	0.9
EV / EBITDA	2.6	10.4	-5.3	6.8
Dividend Yield (%)	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY14	FY15	FY16	FY17
Net Debt/ Equity	-0.1	0.0	0.2	0.1
Net Debt/EBITDA	-0.8	0.3	-1.1	0.5
Working Cap Cycle (days)	20.6	19.4	-74.6	-65.9

Growth (%)	FY14	FY15	FY16	FY17
Revenue	22.5	2.9	-16.1	22.1
EBITDA	38.0	-66.1	-	-
EBIT	7.6	-	-	-
PAT	-41.0	-	-	-

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	3,141	3,278	3,282	3,150	3,142
EBITDA	610	816	788	528	458
EBITDA Margin (%)	19.4	24.9	24.0	16.7	14.6
PAT	-99	11	17	-100	-280
EPS (Rs)	-	0.1	0.1	-	-

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	36.8	36.5	36.5	36.5	36.5
FIIIs	17.9	17.5	16.9	17.7	16.2
DIIIs	1.1	1.0	1.0	1.0	1.8
Public and Others	44.3	45.1	45.6	44.8	45.5
Invested Capital	23201	23421	18745	15853	-

Dish TV

Refer to important disclosures at the end of this report

Committed to deliver on cost synergies

Key Meeting Takeaways

- Dish TV believes that tariff ruling would be favourable for the company and provide a level-playing field for all the players, including MSO's. Moreover, as per management's initial estimates, the impact of tariff order on financials would be slightly positive.
- As a part of the ruling, content cost will become pass-through for DTH companies, which will retain 35% and pass the rest to the broadcasters.
- In anticipation of the ruling, the company had come up with Mera Apna Pack (under Dish TV) and Mera Waala Pack (under Videocon D2H). Both the packs have seen good initial adoption by customers with the two packs combined notching up a total customer base of 24mn.
- The company plans to keep two brands i.e. *Dish TV* and *D2H* for the foreseeable future and believes synergies will play out, irrespective of having two separate brands. The management reiterated that Rs5.1bn/Rs2.5bn synergy benefits will arise from the merger in FY19E/FY20E.
- Out of the Rs5.1bn synergies anticipated, ~Rs3.3bn will be on opex. Management will revisit the Rs2.5bn synergy guided for FY20E in Q3FY19 after assessing the tariff order impact.
- ~44% activation in Q1FY19 were for HD customers, which gives the company comfort that HD base (currently ~17%) will grow gradually. Typically, an HD customer ARPU is Rs60-70 higher than SD customer ARPU. All boxes seeded post July'18 are HD ones.
- The management has retained guidance of 7-8% revenue growth for FY19, 35% EBITDA margin, Rs9bn capex and net adds of 1.3mn.
- Intensity of DD Freedish has subsided, which bodes well for the company.
- Average duration of recharge for a subscriber is ~40-45 days while the company is pushing for longer period recharges now. ARPU for an urban customer is higher by ~Rs50-60 v/s a rural customer.
- Churn is the highest in North India, followed by West and South markets.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	30,599	30,144	46,342	67,513	72,209
EBITDA	10,249	9,786	13,160	23,159	25,421
EBITDA Margin (%)	33.5	32.5	28.4	34.3	35.2
APAT	6,924	1,150	(750)	2,377	4,017
EPS (Rs)	3.6	0.6	(0.4)	1.2	2.1
EPS (% chg)	21,951.6	(83.4)	(165.2)	0.0	69.0
ROE (%)	2,055.5	26.4	(2.1)	3.5	5.6
P/E (x)	18.8	113.2	(173.6)	54.8	32.4
EV/EBITDA (x)	13.6	14.2	11.5	6.2	5.6
P/BV (x)	34.2	26.5	1.9	1.9	1.8

Source: Company, Emkay Research

CMP	Target Price
Rs 68	Rs 72 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	7.0 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	1.2	2.1
Consensus	1.3	2.4
Mean Consensus TP (12M)	Rs 90	

Stock Details

Bloomberg Code	DITV IN
Face Value (Rs)	1
Shares outstanding (mn)	1,841
52 Week H/L	87 / 64
M Cap (Rs bn/USD bn)	125 / 1.81
Daily Avg Volume (nos.)	74,27,972
Daily Avg Turnover (US\$ mn)	7.7

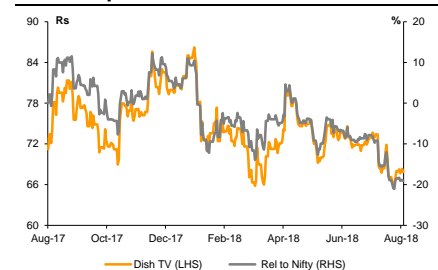
Shareholding Pattern Jun '18

Promoters	36.4%
FIIIs	13.3%
DIIIs	2.5%
Public and Others	47.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(8)	(7)	(8)	(6)
Rel. to Nifty (12)	(13)	(16)	(19)	

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	30,599	30,144	46,342	67,513	72,209
Expenditure	20,350	20,358	33,181	44,354	46,788
EBITDA	10,249	9,786	13,160	23,159	25,421
Depreciation	5,907	6,631	10,717	14,847	16,572
EBIT	4,342	3,155	2,443	8,312	8,850
Other Income	640	475	542	636	705
Interest expenses	2,087	2,239	3,964	5,911	4,332
PBT	2,895	1,391	(979)	3,038	5,223
Tax	(4,029)	241	(130)	759	1,306
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	99	99	100
Reported Net Income	6,924	1,150	(750)	2,377	4,017
Adjusted PAT	6,924	1,150	(750)	2,377	4,017

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	1,066	1,066	1,841	1,924	1,924
Reserves & surplus	2,741	3,849	65,498	67,875	71,893
Net worth	3,807	4,915	67,339	69,799	73,817
Minority Interest	0	0	0	0	0
Loan Funds	12,313	11,428	27,128	22,128	20,628
Net deferred tax liability	(4,360)	(5,100)	(6,020)	(7,020)	(8,020)
Total Liabilities	11,760	11,242	88,447	84,907	86,424
Net block	18,100	19,203	1,21,825	1,17,744	1,20,732
Investment	2,320	1,644	1,504	1,504	1,504
Current Assets	8,513	8,802	15,346	19,980	20,938
Cash & bank balance	3,392	2,931	5,639	8,137	8,511
Other Current Assets	271	116	178	259	277
Current liabilities & Provision	23,274	26,275	56,996	61,089	63,518
Net current assets	(14,761)	(17,472)	(41,650)	(41,109)	(42,580)
Misc. exp	0	0	0	0	0
Total Assets	11,760	11,242	88,447	84,907	86,424

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	2,895	1,334	(979)	3,038	5,223
Other Non-Cash items	0	0	0	0	0
Chg in working cap	4,061	2,251	26,886	1,957	1,845
Operating Cashflow	14,636	11,222	39,718	24,993	26,665
Capital expenditure	(10,597)	(9,501)	(1,12,240)	(10,766)	(19,560)
Free Cash Flow	4,039	1,721	(72,522)	14,227	7,106
Investments	(320)	676	140	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(10,918)	(8,825)	(1,12,100)	(10,766)	(19,560)
Equity Capital Raised	0	0	775	83	0
Loans Taken / (Repaid)	(2,526)	(885)	15,700	(5,000)	(1,500)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	266	62,579	(901)	(900)
Financing Cashflow	(4,613)	(2,858)	75,090	(11,729)	(6,732)
Net chg in cash	(894)	(461)	2,708	2,498	374
Opening cash position	4,286	3,392	2,931	5,639	8,137
Closing cash position	3,392	2,931	5,639	8,137	8,511

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	33.5	32.5	28.4	34.3	35.2
EBIT Margin	14.2	10.5	5.3	12.3	12.3
Effective Tax Rate	(139.2)	17.3	13.3	25.0	25.0
Net Margin	22.6	3.8	(1.8)	3.4	5.4
ROCE	42.5	31.6	6.0	10.3	11.2
ROE	2,055.5	26.4	(2.1)	3.5	5.6
RoIC	2,198.3	(503.7)	6.7	11.6	12.8

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	3.6	0.6	(0.4)	1.2	2.1
CEPS	6.7	4.0	5.2	9.0	10.7
BVPS	2.0	2.6	35.0	36.3	38.4
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	18.8	113.2	(173.6)	54.8	32.4
P/CEPS	10.1	16.6	12.9	7.5	6.3
P/BV	34.2	26.5	1.9	1.9	1.8
EV / Sales	4.5	4.6	3.3	2.1	2.0
EV / EBITDA	13.6	14.2	11.5	6.2	5.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	2.3	1.7	0.3	0.2	0.2
Net Debt/EBIDTA	0.9	0.9	1.6	0.6	0.5
Working Cap Cycle (days)	(216.5)	(247.1)	(372.5)	(266.2)	(258.3)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	13.8	(1.5)	53.7	45.7	7.0
EBITDA	39.8	(4.5)	34.5	76.0	9.8
EBIT	264.1	(27.3)	(22.6)	240.2	6.5
PAT	21,951.6	(83.4)	(165.2)	0.0	69.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	7,389	7,486	16,143	15,324	16,556
EBITDA	2,012	2,161	4,978	4,007	5,568
EBITDA Margin (%)	27.2	28.9	30.8	26.1	33.6
PAT	(117)	(162)	(1,637)	1,213	279
EPS (Rs)	(0.1)	(0.2)	(1.5)	1.1	0.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	64.4	64.4	64.4	31.5	36.4
FIIIs	17.3	18.8	18.5	11.1	13.3
DIIIs	7.9	7.8	8.4	4.4	2.5
Public and Others	10.4	8.9	8.7	53.1	47.7

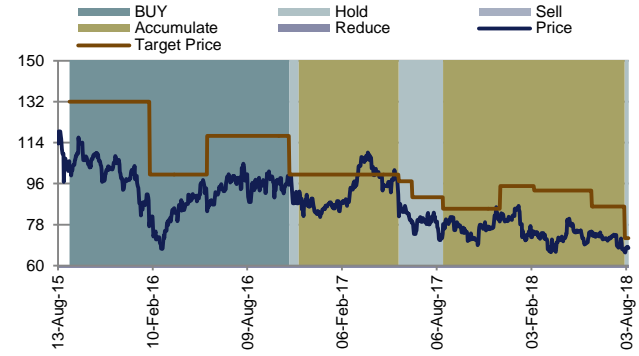
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
31-Jul-18	66	72	12m	Hold	Naval Seth
10-Jul-18	74	86	12m	Accumulate	Naval Seth
29-May-18	74	86	12m	Accumulate	Naval Seth
08-Feb-18	74	93	12m	Accumulate	Naval Seth
05-Dec-17	81	95	12m	Accumulate	Naval Seth
18-Aug-17	78	85	12m	Accumulate	Naval Seth
20-Jun-17	79	90	12m	Hold	Naval Seth
25-May-17	82	97	12m	Hold	Naval Seth
09-Mar-17	104	100	12m	Accumulate	Naval Seth
30-Jan-17	88	100	12m	Accumulate	Naval Seth
15-Nov-16	91	100	12m	Accumulate	Naval Seth
28-Oct-16	96	100	12m	Hold	Naval Seth
29-Jul-16	103	117	12m	Buy	Naval Seth
24-May-16	84	117	12m	Buy	Naval Seth
10-Feb-16	79	100	12m	Buy	Naval Seth
04-Feb-16	79	100	12m	Buy	Naval Seth
28-Oct-15	109	132	12m	Buy	Naval Seth
04-Sep-15	102	132	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

TV18 Broadcast

Refer to important disclosures at the end of this report

Leader in niche segments

Key Meeting Takeaways

- TV18 News bouquet's in now #1 with overall viewership share of ~10.3% as of Q1FY19, driven by Hindi and Regional channels. CNBC TV18 maintained #1 rank in the English Business News genre with 66% market share in Q1FY19. Entertainment bouquet viewership share has risen to 11.4%, placing it at #3 in the ex-sports space.
- The company launched OTT platform VOOT and 8 new channels (3 regional news, 1 infotainment and 4 in entertainment space) in past 2 years, the gestation losses of which have been a drag on its P&L.
- Management stated that telco aggregators of content are a revenue opportunity for the future, but the current revenue contribution is small vs DTH or cable. Since the consumption on digital is largely complementary and not cannibalistic to traditional TV as yet, typically broadcasters have been happy to seed this market through content deals.
- OTT and Traditional TV will co-exist in a complementary manner in India. The viewership trend is such that while the top end of the pyramid may partly shift to OTT, Traditional TV is steady and is still adding viewership at the bottom of the pyramid led by socio-demographic improvements; and hence overall TV viewership is still growing healthily.
- TV18 has higher carriage expenses vis-a-vis its established peers like Zee, as it is relatively a newcomer and has launched multiple new channels. Carriage expenses are slated to trend lower going forward.
- VOOT's is the #2 broadcaster-OTT and has peak active subscribers of 40mn, and the platform continues to see strong traction on all usage metrics. Management believes that the OTT business is a necessity for broadcasters to ring-fence their viewership and be future-ready to monetize digital opportunity at scale. However, upfront investments for platform creation, relatively low monetization on digital presently (both ad and subscription), and heavy competition imply that predictability of timelines for break-even of OTTs is limited.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	19681	23184	9249	9794	14752
EBITDA	1833	192	1309	313	579
EBITDA Margin (%)	9.3	0.8	14.1	3.2	3.9
APAT	1263	-1410	1950	67	85
EPS (Rs)	0.7		1.1	0.0	0.0
EPS (% chg)	-	-	-	-96.6	26.8
ROE (%)	3.8	-	5.2	0.2	0.3
P/E (x)	69.2	-	44.8	1310.6	1033.3
EV/EBITDA (x)	45.9	443.5	48.8	228.4	158.6
P/BV (x)	2.6	2.5	2.2	2.6	2.6

Source: Company, Emkay Research

CMP	Target Price
Rs 51	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	TV18 IN
Face Value (Rs)	2
Shares outstanding (mn)	1714
52 Week H/L	71/34
M Cap (Rs bn/USD bn)	87/1.3
Daily Avg Volume (nos.)	5,666,992
Daily Avg Turnover (US\$ mn)	4.3

Shareholding Pattern Jun'18

Promoters	60.4%
FII's	10.9%
DII's	5.2%
Public and Others	23.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	-17	-7	34
Rel. to Nifty	1	-22	-15	14

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	19681	23184	9249	9794	14752
Expenditure	17848	22992	7941	9481	14173
EBITDA	1833	192	1309	313	579
Depreciation	558	400	349	564	692
EBIT	1275	-208	960	-251	-113
Other Income	324	513	343	433	290
Interest expenses	605	479	186	224	270
PBT	994	-173	1117	-42	-93
Tax	138	212	33	251	520
Extraordinary Items	-227	1855	-2	-3	-6
Minority Int. /Income from Assoc.	-143	-706	0	0	0
Reported Net Income	1036	445	1948	64	79
Adjusted PAT	1263	-1410	1950	67	85

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	3423	3429	3429	3429	3429
Reserves & surplus	30675	31050	37097	29879	29973
Net worth	34099	34478	40526	33308	33402
Minority Interest	909	227	160	131	6536
Loan Funds	4903	5012	2305	2729	10016
Net deferred tax liability	46	79	484	509	315
Total Liabilities	40131	39962	43254	36492	50504
Net block	21516	19870	10203	11172	22886
Investment	4996	5145	25134	18249	3527
Current Assets	17548	19047	9658	7535	35612
Cash & bank balance	2884	1677	335	117	1774
Other Current Assets	14664	17370	9323	7419	33838
Current liabilities & Provision	6955	7393	4230	3204	17213
Net current assets	10593	11655	5427	4332	18399
Misc. exp	0	0	0	0	0
Total Assets	40131	39962	43254	36492	50504

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	2,694	2,801	304	253	101
Net Cash from Operations	1,938	-1,100	1,330	630	2,131
Net Cash Used in Investing	381	239	-1,178	-1,080	-742
Net Cash Used in Financing	-2,211	-393	-203	298	252
Net Inc/(Dec) in Cash	108	-1,254	-51	-152	1,641
Closing Cash	2,801	1,547	253	101	1,742

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	9.3	0.8	14.1	3.2	3.9
EBIT Margin	6.5	-0.9	10.4	-2.6	-0.8
Effective Tax Rate	13.9	-	3.0	-	-
Net Margin	6.4	-6.1	21.1	0.7	0.6
ROCE	3.2	-	2.3	-	-
ROE	3.8	-	5.2	0.2	0.3
RoIC	5.4	-	4.0	-	-

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	0.7		1.1	0.0	0.0
CEPS	1.1	-0.6	1.3	0.4	0.5
BVPS	19.9	20.1	23.6	19.4	19.5
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	69.2	-	44.8	1310.6	1033.3
P/CEPS	48.0		38.0	138.7	112.5
P/BV	2.6	2.5	2.2	2.6	2.6
EV / Sales	4.3	3.7	6.9	7.3	6.2
EV / EBITDA	45.9	443.5	48.8	228.4	158.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	-0.1	-0.1	-0.6	-0.5	0.1
Net Debt/EBIDTA	-1.6	-9.4	-17.7	-50.0	8.1
Working Cap Cycle (days)	143.0	157.1	201.0	157.1	411.4

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	15.8	17.8	-60.1	5.9	50.6
EBITDA	63.7	-89.5	580.5	-76.1	85.1
EBIT	81.9	-	-	-	-
PAT	-	-	-	-96.6	26.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	2,191	2,272	2,711	7,578	10,882
EBITDA	-138	-1	324	394	393
EBITDA Margin (%)	-6.3	0.0	12.0	5.2	3.6
PAT	-143	73	159	-11	-68
EPS (Rs)	-	0.0	0.1	-	-

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	60.4	60.4	60.4	60.4	60.4
FIIIs	11.1	11.5	10.9	11.4	11.0
DIIIs	4.9	5.3	5.3	5.0	5.2
Public and Others	23.6	22.8	23.3	23.2	23.4

Zee Entertainment

Refer to important disclosures at the end of this report

Traditional still going strong; investments in ZEE5 to continue

Key Meeting Takeaways

- ZEE reiterated its commitment towards ZEE5 (OTT platform) and stated that it is on track to release 90 originals in FY19 with 1 tentpole every quarter.
- ZEE5 platform currently has ~2000 movies whereas ZEE library consists of digital rights for ~3,500 movies (total satellite rights: 5,000 movies). Plans to gradually put all the movies on the ZEE5 platform.
- The company has seen a substantial improvement in pay subscribers post the launch of 'Karenjit Kaur'. MAU's, user engagement levels and ad revenues are witnessing good traction in the last 1-2 months. As stated earlier, ZEE5 metrics will be disclosed from Q2FY19 onwards. Average content cost of OTT on a per hour basis is slightly higher than Traditional TV.
- ZEE5 would be launched in the international market at a higher pricing and the company could potentially remove content from Linear TV in FTA markets like UK and opt to offer content only on OTT.
- ZEE said that investments in ZEE5 will impact ROCE by ~200bps.
- Standoff with JIO is predominantly due to pricing of ZEE's content. However, talks for integrating ZEE5 platform on JIO is in an advanced stage.
- Competitive intensity in the OTT space has the potential to increase further in the foreseeable future.
- A large part of market share gains in regional channels has been monetized while there is still scope for further improvement.
- The company foresees no disruption in subscription revenues due to tariff order and has maintained its low-teens growth in the medium term.
- Marketing spends in FY18 were higher due to brand refreshment and 25-year celebration of ZEE. The same in FY19 is expected to remain at similar levels.
- The company aspires to achieve 1/3rd revenues from new businesses (Digital, Movies, Music and Live Events).
- Despite increase in marketing and OTT costs, the company has maintained EBITDA margin guidance of +30%.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	58,125	64,342	66,857	77,041	87,833
EBITDA	15,136	19,269	20,761	25,388	29,321
EBITDA Margin (%)	26.0	29.9	31.1	33.0	33.4
APAT	9,236	12,189	13,512	16,706	19,600
EPS (Rs)	9.6	12.7	14.1	16.4	19.8
EPS (% chg)	7.8	32.0	10.9	16.7	20.9
ROE (%)	17.8	21.1	19.0	19.2	19.7
P/E (x)	53.7	40.7	36.7	31.5	26.0
EV/EBITDA (x)	32.6	24.8	23.1	18.6	15.7
P/BV (x)	10.3	7.4	6.6	5.6	4.7

Source: Company, Emkay Research

CMP

Rs 517
as of (August 10, 2018)

Rating

HOLD (■)

Target Price

Rs 545 (■)
12 months

Upside

5.5 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	16.4	19.8
Consensus	16.7	19.6
Mean Consensus TP (12M)	Rs 606	

Stock Details

Bloomberg Code	Z IN
Face Value (Rs)	1
Shares outstanding (mn)	960
52 Week H/L	619 / 477
M Cap (Rs bn/USD bn)	496 / 7.21
Daily Avg Volume (nos.)	22,71,298
Daily Avg Turnover (US\$ mn)	18.0

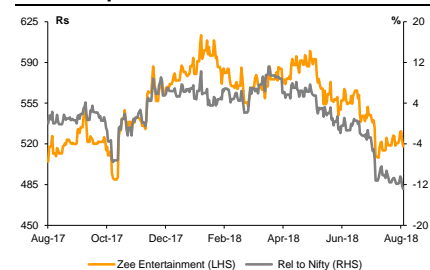
Shareholding Pattern Jun '18

Promoters	41.6%
FII's	40.8%
DII's	11.1%
Public and Others	6.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(12)	(11)	(1)
Rel. to Nifty	(8)	(18)	(19)	(15)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	58,125	64,342	66,857	77,041	87,833
Expenditure	42,989	45,073	46,096	51,653	58,512
EBITDA	15,136	19,269	20,761	25,388	29,321
Depreciation	777	1,152	1,821	2,368	2,447
EBIT	14,359	18,117	18,940	23,020	26,875
Other Income	1,951	2,240	4,403	2,400	2,960
Interest expenses	1,598	1,372	1,448	143	120
PBT	14,712	18,985	21,895	25,277	29,715
Tax	5,490	6,803	8,409	8,589	10,103
Extraordinary Items	(1,004)	10,029	1,279	0	0
Minority Int./Income from Assoc.	24	(17)	(2)	(19)	(52)
Reported Net Income	8,232	22,218	14,790	15,762	19,055
Adjusted PAT	9,236	12,189	13,512	16,706	19,600

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	960	960	960	960	960
Reserves & surplus	47,419	65,943	74,649	87,886	1,03,762
Net worth	48,379	66,903	75,610	88,846	1,04,722
Minority Interest	22	10	142	142	142
Loan Funds	17,149	22,031	15,262	11,062	6,862
Net deferred tax liability	(648)	(903)	1,996	1,996	1,996
Total Liabilities	64,902	88,041	93,010	1,02,046	1,13,722
Net block	14,286	9,155	14,761	13,393	11,946
Investment	10,499	13,431	15,289	20,289	25,289
Current Assets	53,462	77,528	80,328	87,950	98,272
Cash & bank balance	9,991	26,135	16,117	15,942	18,524
Other Current Assets	3,283	3,388	2,556	2,945	3,358
Current liabilities & Provision	14,449	13,630	18,287	20,506	22,704
Net current assets	39,013	63,898	62,041	67,445	75,568
Misc. exp	0	0	0	0	0
Total Assets	64,902	88,041	93,010	1,02,046	1,13,722

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	12,761	16,745	17,492	22,877	26,755
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(3,529)	(8,996)	(5,262)	(5,578)	(5,542)
Operating Cashflow	5,615	21,008	11,213	13,283	16,505
Capital expenditure	(3,913)	3,526	(6,789)	(1,000)	(1,000)
Free Cash Flow	1,701	24,534	4,424	12,283	15,505
Investments	(744)	(2,932)	(1,858)	(5,000)	(5,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,706)	2,834	(4,244)	(3,600)	(3,040)
Equity Capital Raised	(20,192)	0	0	0	0
Loans Taken / (Repaid)	17,137	4,882	(6,769)	(4,200)	(4,200)
Dividend paid (incl tax)	(2,601)	(2,608)	(2,401)	(4,065)	(3,724)
Other Financing Cash Flow	14,337	1,391	19,766	14,668	13,102
Financing Cashflow	7,083	2,293	9,148	6,259	5,059
Net chg in cash	9,991	26,135	16,117	15,942	18,524
Opening cash position	7,365	9,991	26,135	16,117	15,942
Closing cash position	9,991	26,135	16,117	15,942	18,524

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	26.0	29.9	31.1	33.0	33.4
EBIT Margin	24.7	28.2	28.3	29.9	30.6
Effective Tax Rate	37.3	35.8	38.4	34.0	34.0
Net Margin	15.9	18.9	20.2	21.7	22.3
ROCE	27.2	26.6	25.8	26.1	27.7
ROE	17.8	21.1	19.0	19.2	19.7
RoIC	35.8	40.2	35.2	36.7	40.1

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	9.6	12.7	14.1	16.4	19.8
CEPS	10.4	13.9	16.0	18.9	22.4
BVPS	50.4	69.7	78.7	92.5	109.1
DPS	2.3	2.3	2.5	3.7	3.4

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	53.7	40.7	36.7	31.5	26.0
P/CEPS	50.2	37.7	32.8	27.7	23.4
P/BV	10.3	7.4	6.6	5.6	4.7
EV / Sales	8.5	7.4	7.2	6.1	5.2
EV / EBITDA	32.6	24.8	23.1	18.6	15.7
Dividend Yield (%)	0.4	0.4	0.5	0.7	0.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.1)	(0.3)	(0.2)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.2)	(0.9)	(0.8)	(1.0)	(1.3)
Working Cap Cycle (days)	182.2	214.2	250.7	244.0	237.1

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	19.0	10.7	3.9	15.2	14.0
EBITDA	20.7	27.3	7.7	22.3	15.5
EBIT	21.0	26.2	4.5	21.5	16.7
PAT	(3.9)	169.9	(33.4)	6.6	20.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	15,403	15,821	18,381	17,253	17,720
EBITDA	4,844	4,912	5,944	5,062	5,657
EBITDA Margin (%)	31.4	31.0	32.3	29.3	31.9
PAT	2,516	5,912	3,222	2,310	3,264
EPS (Rs)	2.6	6.2	3.4	2.4	3.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	43.1	43.1	43.1	41.6	41.6
FIIIs	44.7	43.9	42.3	41.4	40.8
DIIIs	5.6	6.5	8.2	10.6	11.1
Public and Others	6.7	6.6	6.4	6.4	6.5

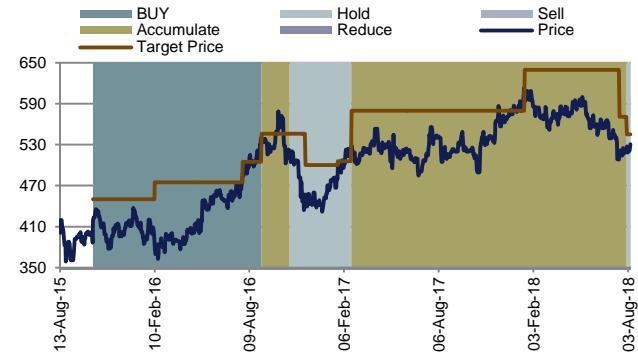
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
31-Jul-18	527	545	12m	Hold	Naval Seth
17-Jul-18	517	571	12m	Accumulate	Naval Seth
27-Jun-18	544	640	12m	Accumulate	Naval Seth
10-May-18	588	640	12m	Accumulate	Naval Seth
17-Jan-18	593	640	12m	Accumulate	Naval Seth
24-Oct-17	526	580	12m	Accumulate	Naval Seth
25-Jul-17	539	580	12m	Accumulate	Naval Seth
22-Jun-17	511	580	12m	Accumulate	Naval Seth
10-May-17	516	580	12m	Accumulate	Naval Seth
09-Mar-17	517	580	12m	Accumulate	Naval Seth
20-Feb-17	529	580	12m	Accumulate	Naval Seth
25-Jan-17	498	506	12m	Hold	Naval Seth
24-Nov-16	439	500	12m	Hold	Naval Seth
25-Oct-16	514	546	12m	Hold	Naval Seth
01-Sep-16	535	546	12m	Accumulate	Naval Seth
27-Jul-16	488	505	12m	Buy	Naval Seth
27-Jul-16	488	505	12m	Buy	Naval Seth
29-Jun-16	445	475	12m	Buy	Naval Seth
11-May-16	448	475	12m	Buy	Naval Seth
10-Feb-16	379	475	12m	Buy	Naval Seth
18-Jan-16	394	450	12m	Buy	Naval Seth
15-Oct-15	419	450	12m	Buy	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Metals & Mining

Jindal Stainless

Refer to important disclosures at the end of this report

On a Strong Footing!

We hosted Mr Anurag Mantri- Group CFO, Ms Shreya Sharma- Sr Manager of Jindal Stainless Ltd at our India Conference to share company/ industry insights.

Key Meeting Takeaways

- The main discussion was around operational performance, growth prospects, business understanding, import scenario and debt management.
- The company has clearly mentioned the difference between the carbon steel and the stainless steel business. In the case of stainless steel, raw material costs are entirely passed through to customers with a lag of one/two months. JSL determines prices every week, factoring in raw material prices, especially nickel which is imported.
- In the stainless steel business, EBITDA margins would be a better matrix to look at vs. EBITDA/tonne due to different series and grades of stainless and the pass-through mechanism of raw material costs. Demand looks better as stainless steel has diversified applications. ART and ABC are the two categories that should drive future demand.
- JSL is on track in its capacity ramp-up to 1.1 mtpa through debottlenecking by the end of FY19. The company has enough land to support its 3.2 mtpa plant in Odisha.
- India has a total stainless steel consumption of 3.4 mtpa, out of which 2.4 mt is flats and wider. Share of JSL and JSHL is 50%, SAIL's share is 5%, import contributes 30-35% and rest is with small and unorganized players mainly present in hollowware. Before imposing anti-dumping duties and CVD, imports from China used to be 30000 tonne/month, which has fallen to 10000 tonne/month. However, imports from countries with FTA has increased. In addition, the 2.5% import duty on Nickel reduces the competitiveness of domestic companies.
- JSL has earmarked capex of Rs1.5bn, out of which Rs1-1.15bn will be maintenance capex and Rs400-500mn will be spent on debottlenecking. The doubling of the capacity to 1.6 mtpa will only cost Rs4-5bn as the company already has the required infrastructure. The company is likely to be out of CDR very soon, as all the requirement are fulfilled.
- Deleveraging remains the key focus area of the company. Out of total debt of c.Rs45bn (including fund-based working capital loan), the company plans to repay Rs4.2bn in FY19, Rs5bn in FY20 and Rs6bn additional on account of OCRPS. This should bring down total debt by c.Rs15bn within two years.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	71,436	92,787	116,377	133,859	141,089
EBITDA	5,727	11,656	13,403	15,273	16,667
EBITDA Margin (%)	8.0	12.6	11.5	11.4	11.8
APAT	(5,165)	557	3,385	4,214	5,435
EPS (Rs)	(22.3)	1.4	7.1	8.8	11.3
EPS (% chg)	0.0	0.0	406.4	24.5	29.0
ROE (%)	(54.1)	3.2	15.8	15.7	17.2
P/E (x)	(2.9)	45.9	9.1	7.3	5.7
EV/EBITDA (x)	21.7	7.9	5.7	4.7	4.1
P/BV (x)	0.9	1.4	1.2	1.1	0.9

Source: Company, Emkay Research

CMP	Target Price
Rs 64 as of (August 8, 2018)	Rs 151 (■) 12 months
Rating	Upside
BUY (■)	135.6 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	8.8	11.3
Consensus	8.5	11.1
Mean Consensus TP (12M)	Rs 127	

Stock Details

Bloomberg Code	JDSL IN
Face Value (Rs)	2
Shares outstanding (mn)	479
52 Week H/L	133 / 54
M Cap (Rs bn/USD bn)	31 / 0.45
Daily Avg Volume (nos.)	642,803
Daily Avg Turnover (US\$ mn)	0.6

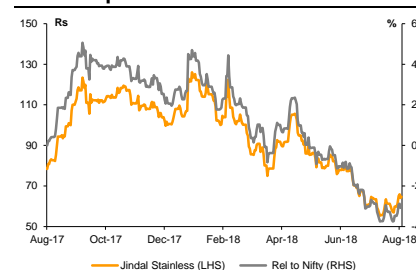
Shareholding Pattern Jun '18

Promoters	66.5%
FII's	11.0%
DII's	12.8%
Public and Others	9.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	(25)	(38)	(21)
Rel. to Nifty	(2)	(30)	(44)	(32)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	71,436	92,787	116,377	133,859	141,089
Expenditure	65,709	81,131	102,974	118,586	124,422
EBITDA	5,727	11,656	13,403	15,273	16,667
Depreciation	3,162	3,252	3,200	3,878	3,978
EBIT	2,566	8,404	10,203	11,396	12,689
Other Income	262	257	451	260	260
Interest expenses	10,300	7,879	5,661	5,367	4,837
PBT	(7,473)	782	4,993	6,289	8,112
Tax	(2,315)	325	1,740	2,075	2,677
Extraordinary Items	(404)	258	44	0	0
Minority Int./Income from Assoc.	7	130	183	0	0
Reported Net Income	(5,569)	816	3,430	4,214	5,435
Adjusted PAT	(5,165)	557	3,385	4,214	5,435

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	4,124	799	958	958	958
Reserves & surplus	12,997	17,340	23,694	27,907	33,342
Net worth	17,121	18,139	24,652	28,866	34,301
Minority Interest	48	61	90	90	90
Loan Funds	110,186	67,335	46,024	50,833	46,256
Net deferred tax liability	(1,594)	(1,123)	590	0	0
Total Liabilities	125,761	84,412	71,356	79,789	80,647
Net block	68,623	66,085	63,425	61,623	59,645
Investment	4,949	5,021	5,745	5,745	5,745
Current Assets	72,703	36,572	37,832	55,527	59,678
Cash & bank balance	800	514	728	9,106	8,912
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	21,220	23,503	37,084	44,543	45,859
Net current assets	51,483	13,069	748	10,984	13,819
Misc. exp	7	(60)	0	0	0
Total Assets	125,761	84,412	71,356	79,789	80,647

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	(7,473)	782	4,587	6,029	7,852
Other Non-Cash items	0	0	0	0	0
Chg in working cap	3,969	974	14,188	(2,448)	(3,030)
Operating Cashflow	9,658	12,304	25,870	10,750	10,960
Capital expenditure	(1,675)	(1,485)	(1,681)	(2,075)	(2,000)
Free Cash Flow	7,983	10,819	24,189	8,675	8,960
Investments	12,204	40,024	(567)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	10,528	38,539	(1,797)	(1,815)	(1,740)
Equity Capital Raised	0	250	3,083	0	0
Loans Taken / (Repaid)	(10,134)	(42,670)	(21,311)	4,809	(4,577)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	0	29	0	0
Financing Cashflow	(19,583)	(50,994)	(23,859)	(557)	(9,414)
Net chg in cash	603	(151)	214	8,378	(194)
Opening cash position	197	665	514	728	9,106
Closing cash position	800	514	728	9,106	8,912

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	8.0	12.6	11.5	11.4	11.8
EBIT Margin	3.6	9.1	8.8	8.5	9.0
Effective Tax Rate	31.0	41.5	34.9	33.0	33.0
Net Margin	(7.2)	0.5	2.8	3.1	3.9
ROCE	2.4	8.2	13.7	15.4	16.1
ROE	(54.1)	3.2	15.8	15.7	17.2
RoIC	2.2	8.5	14.4	18.0	19.8

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	(22.3)	1.4	7.1	8.8	11.3
CEPS	(8.7)	9.5	13.7	16.9	19.6
BVPS	74.0	45.6	51.4	60.2	71.6
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	(2.9)	45.9	9.1	7.3	5.7
P/CEPS	(6.7)	6.1	4.2	3.5	3.0
P/BV	0.9	1.4	1.2	1.1	0.9
EV / Sales	1.7	1.0	0.7	0.5	0.5
EV / EBITDA	21.7	7.9	5.7	4.7	4.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	6.4	3.7	1.8	1.4	1.1
Net Debt/EBIDTA	19.1	5.7	3.4	2.7	2.2
Working Cap Cycle (days)	259.0	49.4	0.1	5.1	12.7

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2.8	29.9	25.4	15.0	5.4
EBITDA	55.5	103.5	15.0	14.0	9.1
EBIT	0.0	227.5	21.4	11.7	11.4
PAT	(320.2)	0.0	320.5	22.9	29.0

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	20,152	26,078	29,889	31,727	31,468
EBITDA	2,505	2,565	3,855	3,884	3,749
EBITDA Margin (%)	12.4	9.8	12.9	12.2	11.9
PAT	415	273	1,347	1,147	909
EPS (Rs)	0.9	0.6	2.9	2.4	1.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Dec-17	Mar-18	Mar-18	Jun-18
Promoters	65.1	65.1	66.5	66.5	66.5
FIIIs	11.0	11.3	11.2	11.2	11.0
DIIIs	14.4	14.0	12.8	12.8	12.8
Public and Others	9.5	9.5	9.6	9.5	9.7

Source: Capitaline

JSW Steel

Refer to important disclosures at the end of this report

Focus on growth continues!

We hosted Mr Pritesh Vinay, VP- Corporate Finance & Group Investor Relations and Mr Vishesh Pachnanda – AGM, Investor Relations of JSW Steel at our India Conference to share company/ industry insights.

Key Meeting Takeaways

- The main discussion was around pricing environment, demand scenario, raw materials security, growth strategies and debt management.
- On pricing, the company said there has been a Rs3000/tonne decline in long products and a Rs1000-1200/tonne in flat products since the end of Q1FY19 and until now. However, prices are likely to recover starting from the October-December quarter due to potential demand improvement.
- The company expects domestic steel demand to remain firm at an annual growth rate of 7-8%. Supply, however, should remain restricted in next two years. The company's strategy is now to focus more on the domestic market rather than on the export market.
- With regard to imports, the company believes that as long as the prices are not lower than the domestic prices, there are no big issues, as the demand-supply gap will attract imports. However, dumping should be restricted at any point.
- In the case of raw materials, the company been operating two of its five iron ore mines in Karnataka. It expects the Karnataka mines to produce around 33 mt iron ore this year. Iron ore sourcing will depend on pricing and logistics costs. Recently, coking coal prices have fallen and it was beneficial for the company.
- Currently, the steel spreads are at very high levels and may not sustain depending on steel and raw material prices. So, the company is working on logistics cost reduction, better backward integration and product mix improvement, which can take the base EBITDA to higher levels gradually.
- Out of the total capex of Rs450bn, the company had spent Rs47bn. In FY19 and FY20, the company has planned capex of Rs100bn and Rs150bn, respectively. Rest of the capex will be spent only after that. With the expected improvement in EBITDA going forward, the debt covenants are likely to be favorable to the company.
- For NCLT bidding and other acquisitions, JSW Steel has been maintaining its strategy of going calculative. In the case of Monet Ispat, out of the equity infusion of c.Rs10bn, it will pay 30%. For Acero in the US, JSTL has paid US\$182mn, including start-up costs. The total payment will be US\$232mn for 1.5 mtpa fully integrated facility with an additional 1.5 mtpa rolling capacity. In Italy, the company paid €55mn for a 1.3 mtpa rolling facility. The company has submitted bids for Bhushan Power and Steel and for Essar Steel.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	459,767	605,363	715,030	769,178	796,359
EBITDA	64,010	122,467	147,940	180,983	201,229
EBITDA Margin (%)	13.9	20.2	20.7	23.5	25.3
APAT	17,945	34,830	64,780	75,013	82,327
EPS (Rs)	7.4	14.5	27.0	31.2	34.3
EPS (% chg)	(2.7)	95.3	85.9	15.8	9.8
ROE (%)	8.9	17.4	26.0	23.8	21.1
P/E (x)	46.2	23.6	12.7	11.0	10.0
EV/EBITDA (x)	18.8	9.7	8.2	6.7	6.3
P/BV (x)	4.6	3.8	2.9	2.3	1.9

Source: Company, Emkay Research

CMP

Rs 343
as of (August 8, 2018)

Rating

ACCUMULATE (■)

Target Price

Rs 358 (■)
12 months

Upside

4.4 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	31.2	34.3
Consensus	30.9	30.8
Mean Consensus TP (12M)	Rs 366	

Stock Details

Bloomberg Code	JSTL IN
Face Value (Rs)	1
Shares outstanding (mn)	2,417
52 Week H/L	347 / 218
M Cap (Rs bn/USD bn)	829 / 12.08
Daily Avg Volume (nos.)	4,363,828
Daily Avg Turnover (US\$ mn)	20.6

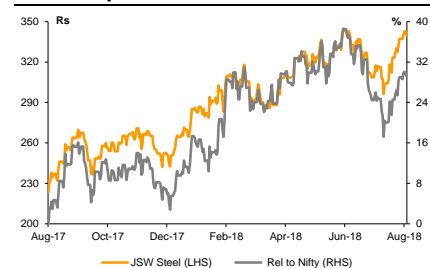
Shareholding Pattern Jun '18

Promoters	41.8%
FIIIs	19.9%
DIIIs	2.9%
Public and Others	35.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	10	7	11	49
Rel. to Nifty	4	-	1	28

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	459,767	605,363	715,030	769,178	796,359
Expenditure	395,757	482,895	567,090	588,195	595,131
EBITDA	64,010	122,467	147,940	180,983	201,229
Depreciation	33,226	35,010	33,870	35,963	39,035
EBIT	30,785	87,458	114,070	145,019	162,194
Other Income	1,805	1,521	1,670	3,400	3,982
Interest expenses	36,012	37,681	37,010	38,160	43,962
PBT	(3,423)	51,298	78,730	110,260	122,214
Tax	(19,662)	16,743	15,380	35,794	40,337
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	1,705	275	1,430	548	450
Reported Net Income	17,945	34,830	64,780	75,013	82,327
Adjusted PAT	17,945	34,830	64,780	75,013	82,327

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	3,009	3,013	3,013	3,013	3,013
Reserves & surplus	179,001	215,819	276,982	348,378	427,088
Net worth	182,010	218,832	279,995	351,391	430,101
Minority Interest	(1,948)	(2,457)	(3,820)	(3,820)	(3,820)
Loan Funds	385,759	380,609	417,804	495,804	593,804
Net deferred tax liability	12,388	29,892	30,870	30,870	30,870
Total Liabilities	578,209	626,875	724,850	874,246	1,050,956
Net block	563,753	590,118	626,311	660,348	691,313
Investment	36,661	34,809	34,809	34,809	34,809
Current Assets	148,305	213,822	267,016	359,753	415,344
Cash & bank balance	10,204	14,851	35,726	100,268	150,601
Other Current Assets	25,017	40,581	46,720	46,720	46,720
Current liabilities & Provision	240,860	252,688	254,100	261,478	251,324
Net current assets	(92,555)	(38,866)	12,916	98,275	164,020
Misc. exp	0	0	0	0	0
Total Assets	578,209	626,875	724,850	874,246	1,050,956

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	(24,677)	51,284	78,730	110,260	122,214
Other Non-Cash items	26,835	(1,115)	67	548	450
Chg in working cap	3,275	(32,988)	(37,456)	(20,817)	(15,411)
Operating Cashflow	70,845	79,336	96,841	128,319	149,912
Capital expenditure	(51,617)	(43,898)	(80,000)	(100,000)	(150,000)
Free Cash Flow	19,227	35,438	16,841	28,319	(88)
Investments	12,461	(8,220)	(63)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(38,545)	(50,938)	(80,063)	(100,000)	(150,000)
Equity Capital Raised	566	495	0	0	0
Loans Taken / (Repaid)	2,378	10,249	37,196	78,000	98,000
Dividend paid (incl tax)	(3,200)	(2,182)	(3,617)	(3,617)	(3,617)
Other Financing Cash Flow	(29)	(1,867)	7,527	0	0
Financing Cashflow	(31,535)	(23,750)	4,096	36,224	50,421
Net chg in cash	764	4,647	20,874	64,542	50,333
Opening cash position	9,440	10,204	14,851	35,726	100,268
Closing cash position	10,204	14,851	35,726	100,268	150,601

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	13.9	20.2	20.7	23.5	25.3
EBIT Margin	6.7	14.4	16.0	18.9	20.4
Effective Tax Rate	574.5	32.6	19.5	32.5	33.0
Net Margin	3.5	5.7	8.9	9.7	10.3
ROCE	5.3	14.8	17.1	18.6	17.3
ROE	8.9	17.4	26.0	23.8	21.1
RoIC	6.1	17.5	20.0	23.0	23.8

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	7.4	14.5	27.0	31.2	34.3
CEPS	21.2	29.1	41.1	46.2	50.5
BVPS	75.3	91.1	116.5	146.2	179.0
DPS	0.8	2.3	1.0	1.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	46.2	23.6	12.7	11.0	10.0
P/CEPS	14.7	10.7	7.6	6.8	6.2
P/BV	4.6	3.8	2.9	2.3	1.9
EV / Sales	2.7	2.0	1.7	1.6	1.6
EV / EBITDA	18.8	9.7	8.2	6.7	6.3
Dividend Yield (%)	0.2	0.7	0.3	0.3	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	2.1	1.7	1.4	1.1	1.0
Net Debt/EBIDTA	5.9	3.0	2.6	2.2	2.2
Working Cap Cycle (days)	(81.6)	(32.4)	(11.6)	(0.9)	6.2

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(13.2)	31.7	18.1	7.6	3.5
EBITDA	(31.9)	91.3	20.8	22.3	11.2
EBIT	(48.4)	184.1	30.4	27.1	11.8
PAT	(0.1)	94.1	86.0	15.8	9.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	159,770	168,480	178,610	208,170	205,190
EBITDA	26,170	30,360	38,510	52,900	51,050
EBITDA Margin (%)	16.4	18.0	21.6	25.4	24.9
PAT	6,260	8,390	17,530	29,960	23,390
EPS (Rs)	2.6	3.5	7.3	12.5	9.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	41.6	41.6	41.7	41.8	41.8
FIIIs	19.9	19.8	19.8	19.9	19.9
DIIIs	2.2	2.8	2.9	2.8	2.9
Public and Others	36.3	35.8	35.7	35.6	35.5

Source: Capitaline

Oil & Gas

HPCL

Refer to important disclosures at the end of this report

Margin volatility short term overhang; new projects to add value

Key Meeting Takeaways:

- Q1FY19 core GRM was impacted by lower LPG and Bitumen (asphalt) margins (US\$2.9/bbl impact), RTP price impact (45-60 days lag) and higher Fuel & Loss costs (US\$1.8/bbl). The former has reversed in July-August with cracks recovering. Consequently, GRMs are expected to be in the US\$6-6.5/bbl range going forward. HPCL's light to heavy/sulfur crude mix is 32:68 and can rise to 20:80. But, it refrains from increasing the same due to Bitumen and FO commitments. Refinery opex is ~US\$2/bbl.
- In the next 4 years, HPCL plans to do Rs550bn capex (excluding MRPL acquisition and Ratnagiri), in a phased manner - Rs80/170/170/130bn in FY19/20/21/22. Rs25bn capex has been done in 4MFY19. The company aims to generate at least Rs50bn+ annual FCF. Although debt of Rs250-300bn would be required, current debt:equity is 0.5:1. HPCL can take it up to 1.7:1 comfortably, which is equivalent to Rs500bn debt. The company is looking at medium term debt, as in the short term, hedging cost (RBI mandate) is high and 10 years+ is too long.
- The Vizag and Mumbai refinery expansion (15/9.5mmtpa) and upgrade capex would be Rs250bn, post which they would become Euro-VI compliant (Rs40bn capex), zero bottoms and double-digit NCI plants with US\$3-4/bbl incremental GRM estimated. Both the refineries would have resid up-gradation units. HPCL would benefit overall from IMO-related spurt in middle distillate cracks (45-48% slate). However, it would have some FO exposure for 1-2 years before Vizag and Mumbai up-grades. There are forward positions available at US\$20-30/bbl diesel cracks.
- The 1.2mmtpa petchem project at HMEL is underway while the 5mmtpa LNG terminal at Charra is expected by CY21, as environment clearance has seen some delays. HPCL plans additional 2,000kms of pipeline in the next 2-3 years. The Barmer refinery is also on track for FY23 completion target. MRPL merger is likely to go through, although it would take a year. MRPL will cover the refining to marketing gap and offer crude sourcing synergies.
- There is no Govt control on petrol-diesel pricing although the company looks into consumer sensitivity. It is driven by both commercial and social commitments. Although there could be short-term volatility, over a longer term, commercial targets are protected. A 3-4% margin and 5-6% volume growth can be assumed annually. There are no marketing margin to inventory gain trade-off, but integrated margin management is in place. Post daily pricing, differential pricing is negligible. 80% of HPCL's retail outlets are COCO or under 15-30 years lease. Auto fuel market is perfectly competitive. Rs2,900/mt is overall margin and Rs2,000/mt is net margin. HPCL looks at total motor fuel share.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	1,772,705	1,869,665	2,193,326	2,729,283	2,728,205
EBITDA	78,121	108,698	106,719	103,703	99,951
EBITDA Margin (%)	4.4	5.8	4.9	3.8	3.7
APAT	35,990	63,541	60,347	57,541	54,253
EPS (Rs)	23.6	41.7	39.6	37.8	35.6
EPS (% chg)	79.3	76.6	(5.0)	(4.7)	(5.7)
ROE (%)	21.2	33.2	27.2	22.5	18.9
P/E (x)	12.1	6.8	7.2	7.5	8.0
EV/EBITDA (x)	8.1	6.0	5.9	6.3	6.6
P/BV (x)	2.4	2.1	1.8	1.6	1.4

Source: Company, Emkay Research

CMP	Target Price
Rs 285	Rs 380 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	33.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	37.8	35.6
Consensus	38.6	41.6
Mean Consensus TP (12M)	Rs 376	

Stock Details

Bloomberg Code	HPCL IN
Face Value (Rs)	10
Shares outstanding (mn)	1,524
52 Week H/L	493 / 251
M Cap (Rs bn/USD bn)	434 / 6.31
Daily Avg Volume (nos.)	6,816,132
Daily Avg Turnover (US\$ mn)	29.0

Shareholding Pattern Jun '18

Promoters	-%
FII's	21.2%
DII's	15.4%
Public and Others	63.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	(7)	(28)	(31)
Rel. to Nifty	2	(13)	(34)	(41)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	1,772,705	1,869,665	2,193,326	2,729,283	2,728,205
Expenditure	1,694,584	1,760,967	2,086,607	2,625,580	2,628,254
EBITDA	78,121	108,698	106,719	103,703	99,951
Depreciation	26,532	25,353	27,528	30,392	31,692
EBIT	51,589	83,346	79,192	73,310	68,259
Other Income	11,442	13,673	15,271	17,538	18,860
Interest expenses	6,536	5,357	5,667	6,445	6,145
PBT	56,495	91,662	88,795	84,404	80,975
Tax	20,505	28,120	28,449	26,863	26,722
Extraordinary Items	1,272	(1,454)	3,224	(3,000)	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	37,262	62,088	63,571	54,541	54,253
Adjusted PAT	35,990	63,541	60,347	57,541	54,253

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	3,390	10,163	15,242	15,242	15,242
Reserves & surplus	176,308	193,311	224,240	255,874	287,340
Net worth	179,698	203,474	239,482	271,116	302,582
Minority Interest	0	0	0	0	0
Loan Funds	305,770	322,547	321,955	354,195	371,481
Net deferred tax liability	49,194	58,956	65,692	65,692	65,692
Total Liabilities	534,662	584,977	627,129	691,003	739,756
Net block	331,076	361,319	379,717	369,325	357,633
Investment	105,786	109,186	111,051	112,661	114,298
Current Assets	240,404	296,030	337,450	422,182	431,338
Cash & bank balance	238	337	11,941	21,516	30,634
Other Current Assets	15,462	17,959	18,707	18,894	19,083
Current liabilities & Provision	161,131	199,663	240,944	303,019	303,367
Net current assets	79,273	96,367	96,507	119,163	127,971
Misc. exp	0	0	0	0	0
Total Assets	534,662	584,977	627,129	691,003	739,756

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	45,053	77,989	73,525	66,866	62,115
Other Non-Cash items	16,248	6,794	3,224	(3,000)	0
Chg in working cap	(22,575)	(7,233)	18,201	(13,081)	310
Operating Cashflow	67,831	99,827	99,150	62,999	75,826
Capital expenditure	(50,763)	(55,173)	(67,675)	(70,000)	(70,000)
Free Cash Flow	17,067	44,654	31,475	(7,001)	5,826
Investments	7,845	(3,400)	(1,865)	(1,610)	(1,637)
Other Investing Cash Flow	(12,067)	(8,198)	978	0	0
Investing Cashflow	(43,543)	(53,098)	(53,291)	(54,072)	(52,777)
Equity Capital Raised	0	6,773	5,079	0	0
Loans Taken / (Repaid)	19,551	16,776	(592)	32,241	17,286
Dividend paid (incl tax)	(17,492)	(41,771)	(31,080)	(22,907)	(22,786)
Other Financing Cash Flow	(19,744)	(23,051)	(1,995)	(2,241)	(2,286)
Financing Cashflow	(24,221)	(46,630)	(34,255)	648	(13,931)
Net chg in cash	67	99	11,604	9,575	9,118
Opening cash position	171	238	337	11,941	21,516
Closing cash position	237	337	11,941	21,516	30,634

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	4.4	5.8	4.9	3.8	3.7
EBIT Margin	2.9	4.5	3.6	2.7	2.5
Effective Tax Rate	36.3	30.7	32.0	31.8	33.0
Net Margin	2.0	3.4	2.8	2.1	2.0
ROCE	12.3	17.3	15.6	13.8	12.2
ROE	21.2	33.2	27.2	22.5	18.9
RoIC	13.8	19.2	17.2	15.7	14.8

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	23.6	41.7	39.6	37.8	35.6
CEPS	41.0	58.3	57.7	57.7	56.4
BVPS	117.9	133.5	157.1	177.9	198.5
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	12.1	6.8	7.2	7.5	8.0
P/CEPS	6.7	4.7	4.7	4.7	4.8
P/BV	2.4	2.1	1.8	1.6	1.4
EV / Sales	0.4	0.3	0.3	0.2	0.2
EV / EBITDA	8.1	6.0	5.9	6.3	6.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.1	1.0	0.8	0.8	0.7
Net Debt/EBIDTA	2.6	2.0	1.9	2.1	2.3
Working Cap Cycle (days)	16.3	18.7	14.1	13.1	13.0

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(14.0)	5.5	17.3	24.4	0.0
EBITDA	77.2	39.1	(1.8)	(2.8)	(3.6)
EBIT	112.4	61.6	(5.0)	(7.4)	(6.9)
PAT	36.3	66.6	2.4	(14.2)	(0.5)

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	534,685	475,226	574,743	608,101	682,363
EBITDA	16,280	29,056	31,585	30,069	29,216
EBITDA Margin (%)	3.0	6.1	5.5	4.9	4.3
PAT	10,084	19,178	21,941	20,380	17,368
EPS (Rs)	7.9	15.0	17.2	16.0	13.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	51.1	51.1	51.1	-	-
FIIIs	16.9	16.9	24.8	23.4	21.2
DIIIs	10.1	10.5	12.0	13.0	15.4
Public and Others	21.9	21.5	12.1	63.7	63.4

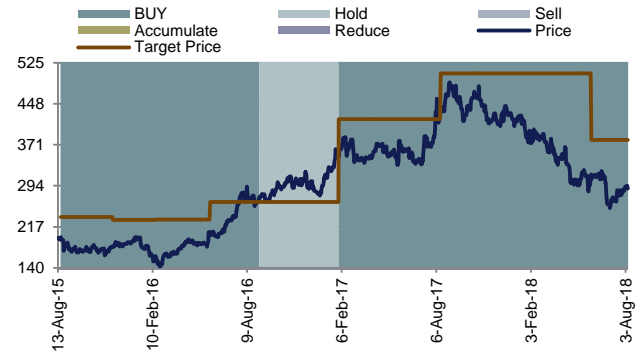
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Jul-18	270	380	12m	Buy	Sabri Hazarika
8-Jun-18	311	380	12m	Buy	Sabri Hazarika
29-May-18	315	380	12m	Buy	Sabri Hazarika
15-Nov-17	414	505	12m	Buy	Dhaval Joshi
14-Aug-17	439	505	12m	Buy	Dhaval Joshi
20-Jun-17	357	419	12m	Buy	Dhaval Joshi
31-May-17	369	419	12m	Buy	Dhaval Joshi
15-Feb-17	350	419	12m	Buy	Dhaval Joshi
31-Jan-17	348	419	12m	Buy	Dhaval Joshi
16-Nov-16	296	263	12m	Hold	Dhaval Joshi
23-Sep-16	279	263	12m	Hold	Dhaval Joshi
6-Sep-16	279	263	12m	Hold	Dhaval Joshi
1-Sep-16	269	263	12m	Hold	Dhaval Joshi
2-Jun-16	203	263	12m	Buy	Dhaval Joshi
30-May-16	203	263	12m	Buy	Dhaval Joshi
15-Feb-16	162	230	12m	Buy	Dhaval Joshi
26-Nov-15	179	230	12m	Buy	Dhaval Joshi
10-Nov-15	163	235	12m	Buy	Dhaval Joshi
3-Sep-15	178	235	12m	Buy	Dhaval Joshi
18-Aug-15	197	235	12m	Buy	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Refer to important disclosures at the end of this report

KG 98/2 development underway; No indication on subsidy burden

Key Meeting Takeaways:

- ONGC's major project pipeline comprises 16 development projects, including 3-4 redevelopment ones that would yield 54.6mmt/8.3mmt/114bcm Oil/Condensate/Gas. Capex estimate for the same is Rs657bn, of which Rs360bn would be on KG-DWN-98/2. Annualized capex run-rate would be maintained at ~Rs300bn. FY19 capex guidance is Rs321bn, of which Rs110/70/16/118bn on Development/Exploration/Survey/Others. FY20 Standalone Oil/Gas production target stands at 23.65mmt/27.53bcm and for JV it is 2mmt/1.13bcm.
- Daman is currently producing ~3mmmscd gas and by March'19 it is expected to add another 3-4mmmscd. Full completion of the project has been slightly delayed by 5 months to Oct'19. Ratna/R Series is estimated to have 7mmt/1bcm of recoverable Oil/Gas. Partial production would start this year, although complete production would be achieved by May'21 with 15kb/d peak oil output. BSE-147 has 2.7mmt/1.2bcm of cumulative Oil/Gas with a 7.5kb/1.5kb/0.6mmmscd/d production profile.
- KG-DWN-98/2 (Cluster 2) first Gas/Oil output targeted from Dec'19/Mar'21. Currently, 3 deepwater rigs (Platinum Explorer, Jack Bates etc) are working on a 6-well program. 34 wells are planned with 16-20 in FY19 and 13-14 in FY20. For gas, GSPC's acquired facility would be used although FPSO for oil would be contracted. Gas profile will be 0-6mmmscd in 2-3 months, where it will be maintained for some time. Once FPSO/Oil output starts, the same will rise up to 15.5mmmscd peak levels. Oil output target is 78kb/d. PSC scale is IM based with 15%/45% lowest/peak Govt share.
- GSPC block activities have started with one rig to be deployed in Oct'18 and D5 well ready to start production. D6 will also add to the output. Currently, production level stands at 0.2-0.3mmmscd, which will rise up to 1mmmscd. Post this, further studies would be done for more development. In Tripura, 4mmmscd production is estimated to start in FY20 and the same will peak at 6mmmscd by FY22. OVL output guidance is 14.35mmt/oe in FY19 with Rs60bn recurring capex. Output growth would be from Lower Zakum (0.6mmt). OVL has no capex plans in Venezuela. Debt as on FY18 end was at ~Rs450bn.
- There is no signal from Govt on subsidies even though crude oil prices are hovering at US\$70-75/bbl. The market has in fact absorbed up to US\$80/bbl crude. The company already contributes 60% of earnings through royalty, cess, income tax and dividends.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Revenue	842,028	830,935	777,418	779,077	850,041
EBITDA	366,136	332,452	326,340	312,379	369,876
EBITDA Margin (%)	43.5	40.0	42.0	40.1	43.5
APAT	221,162	173,353	180,773	177,870	199,453
EPS (Rs)	25.8	20.7	18.9	13.9	15.5
EPS (% chg)		-19.7	-9.0	-26.1	11.4
ROE (%)	12.6	15.1	13.0	10.3	11.6
P/E (x)	12.2	16.3	17.9	12.1	10.9
EV/EBITDA (x)	6	8.7	8.5	6.5	6.5
P/BV (x)	1.5	2.0	1.7	1.2	1.1

Source: Company, Emkay Research

CMP	Target Price
Rs 169	NA
as of (August 11, 2018)	12 months
Rating	Upside
UNDER REVIEW	NA

Change in Estimates

EPS Chg FY18E/FY19E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	UNDER REVIEW

Emkay vs Consensus

EPS Estimates		
	FY18E	FY19E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12M)	-	-

Stock Details

Bloomberg Code	ONGC IN
Face Value (Rs)	5
Shares outstanding (mn)	12,833
52 Week H/L	213 / 152
M Cap (Rs bn/USD bn)	2,169 / 31.51
Daily Avg Volume (nos.)	7,755,387
Daily Avg Turnover (US\$ mn)	18.8

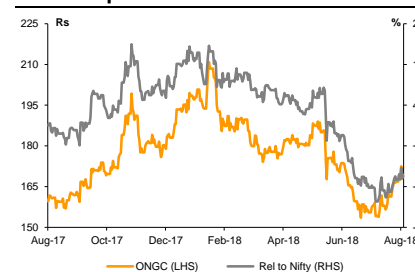
Shareholding Pattern Jun '18

Promoters	67.5%
FII's	5.4%
DII's	13.6%
Public and Others	13.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	(10)	(10)	3
Rel. to Nifty	3	(16)	(17)	(11)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Revenue	842,028	830,935	777,418	779,077	850,041
Expenditure	475,891	498,482	451,078	466,698	480,165
EBITDA	366,136	332,452	326,340	312,379	369,876
Depreciation	109,259	114,583	110,999	121,895	144,702
EBIT	256,878	217,869	215,341	190,483	225,174
Other Income	67,445	47,711	66,155	73,889	78,836
Interest expenses	3.57	27.87	13241.31	12217.38	15084.7
PBT	324,319	265,552	268,254	252,155	288,925
Tax	103,371	88,223	74,589	73,155	89,472
Extraordinary Items	0	0	-32,266	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	220,948	177,330	161,399	179,000	199,453
Adjusted PAT	221,162	173,353	180,773	177,870	199,453

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	42,778	42,778	42,778	64,166	64,166
Reserves & surplus	1,324,472	1,403,232	1,614,969	1,791,217	1,869,681
Net worth	1,367,250	1,446,010	1,657,747	1,855,384	1,933,847
Minority Interest	0	0	0	0	0
Loan Funds	0	13,930	0	0	255922.1
Net deferred tax liability	165,787	177,332	192,973	221,632	262,592
Total Liabilities	1,802,087	1,891,543	2,039,987	2,280,160	2,674,585
Net block	960,625	982,018	942,791	1,048,070	1,196,284
Investment	172,043	181,243	368,278	505,154	857,308
Current Assets	298,433	301,633	307,756	299,073	215,166
Cash & bank balance	107,989	27,601	99,566	95,108	10,127
Other Current Assets	0	0	57,315	26,937	46,402
Current liabilities & Provision	190,798	189,256	178,781	192,335	237,697
Net current assets	107,635	112,377	128,974	106,738	-22,531
Misc. exp	0	0	0	0	0
Total Assets	1,802,087	1,891,543	2,039,987	2,280,160	2,674,585

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
PBT (Ex-Other income) (NI+Dep)	324,319	265,552	235,988	252,155	288,925
Other Non-Cash items	23,637	92,600	81,636	40,897	19,620
Chg in working cap	30,924	-108,514	81,314	34,824	33,762
Operating Cashflow	378,880	249,638	398,938	327,877	342,306
Capital expenditure	-87,200	-66,068	-96,733	-20,001	-65,000
Free Cash Flow	291,680	183,570	302,205	307,876	277,306
Investments	-218,304	-113,842	-230,094	-193,034	-236,975
Other Investing Cash Flow	0	26,415	99,427	94,681	-288,450
Investing Cashflow	-218,304	-87,426	-130,667	-98,353	-525,425
Equity Capital Raised	0	0	0	0	-0.02
Loans Taken / (Repaid)	0	13,930	-13,930	0	255,922
Dividend paid (incl tax)	-97,570	-94,882	-59,174	-114,522	-77,700
Other Financing Cash Flow	-3.57	-24.28	-53.48	-32.25	-15084.7
Financing Cashflow	-97,574	-80,976	-73,157	-114,554	163,137
Net chg in cash	-24,197	15,167	98,381	94,969	-84,981
Opening cash position	132,186	12,433	1,185	139	95,108
Closing cash position	107,989	27,601	99,566	95,108	10,127

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	43.5	40.0	42.0	40.1	43.5
EBIT Margin	30.5	26.2	27.7	24.4	26.5
Effective Tax Rate	31.9	33.2	27.8	29.0	31.0
Net Margin	26.2	21.3	20.8	23.0	23.5
ROCE	16.2	12.1	9.7	9.6	9.1
ROE	18.8	15.1	13.0	10.3	11.6
RoIC	26.8	20.4	22.1	18.0	19.4

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	25.8	20.7	18.9	13.9	15.5
CEPS	38.6	34.1	31.8	23.4	26.8
BVPS	159.8	169.0	193.8	144.6	150.7
DPS	9.5	9.5	8.5	6.1	6.1

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	13.1	16.3	17.9	12.1	10.9
P/CEPS	8.8	9.9	10.6	7.2	6.3
P/BV	2.1	2.0	1.7	1.2	1.1
EV / Sales	3.3	3.5	3.6	2.6	2.8
EV / EBITDA	7.6	8.7	8.5	6.5	6.5
Dividend Yield (%)	3%	3%	3%	4%	4%

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	-0.1	0.0	-0.1	-0.1	0.0
Net Debt/EBIDTA	0.0	0.0	-0.4	-0.4	0.0
Working Cap Cycle (days)	-72	-33	-42	-31	-66

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	1.1	-1.3	-6.4	0.2	9.1
EBITDA	3.3	-9.2	-1.8	-4.3	18.4
EBIT	-5.1	-15.2	-1.2	-11.5	18.2
PAT	5.6	-19.7	-9.0	10.9	11.4

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	190,735	189,649	229,959	239,698	272,128
EBITDA	98,807	104,692	124,722	113,822	147,321
EBITDA Margin (%)	51.8	55.2	54.2	47.5	54.1
PAT	38,847	51,307	50,147	59,151	61,439
EPS (Rs)	3.0	4.0	3.9	4.6	4.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	68.1	68.1	67.7	67.7	67.5
FIIIs	6.0	5.0	5.2	5.5	5.4
DIIIs	12.1	13.0	13.3	13.3	13.6
Public and Others	13.8	13.9	13.8	13.6	13.6

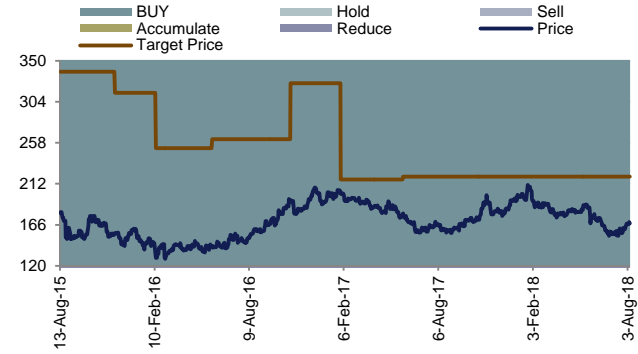
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Oct-17	187	220	12m	Buy	Dhaval Joshi
27-Jul-17	163	220	12m	Buy	Dhaval Joshi
20-Jun-17	169	220	12m	Buy	Dhaval Joshi
30-May-17	179	220	12m	Buy	Dhaval Joshi
31-Jan-17	203	217	12m	Buy	Dhaval Joshi
7-Nov-16	178	325	12m	Buy	Dhaval Joshi
27-Oct-16	194	325	12m	Buy	Dhaval Joshi
8-Sep-16	164	262	12m	Buy	Dhaval Joshi
6-Sep-16	159	262	12m	Buy	Dhaval Joshi
2-Jun-16	142	262	12m	Buy	Dhaval Joshi
30-May-16	142	262	12m	Buy	Dhaval Joshi
12-Feb-16	129	252	12m	Buy	Dhaval Joshi
26-Nov-15	157	314	12m	Buy	Dhaval Joshi
9-Nov-15	166	338	12m	Buy	Dhaval Joshi
14-Aug-15	180	338	12m	Buy	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Petronet LNG

Refer to important disclosures at the end of this report

Remains formidable against incoming competition

Key Meeting Takeaways:

- Petronet LNG (PLNG) holds long-term contracts for 8.5/8.25/1.44mmtpa of RasGas/Tolling/Gorgon volumes. All of these are on 100% Use or Pay basis.
- Dahej/Kochi terminals operate at less than US\$1/1.5/mmbtu tariff, employing economies-of-scale and operational efficiencies. Going forward, lower tariff can be offered at the Kochi terminal if utilization ramps up. Kochi can achieve breakeven at ~20% utilization. Globally, terminals (119 in numbers) operate at 30-40% average utilization.
- Dahej expansion to increase capacity by 2.5mmtpa and is expected to be completed by June 2019. Post 7th tank, the terminal can operate at 19.5mmtpa by FY22. Kochi connectivity through GAIL's pipeline would increase volumes by 1mmtpa by March 2019. Over a longer term, Kochi can hit up to 50-70% utilization, as the gas grid gets connected.
- PLNG faces minimal impact from upcoming new terminals like Mundra/Ennore/Jaigarh, as the volumes are protected by long-term contracts. The only competition it can face is on the incremental capacity addition. However, the management is confident that rivals would not be able to offer tariff competition. New terminals have to start with low utilization like Kochi.
- Final term sheet for 7.5mmtpa US\$1bn Bangladesh terminal has been submitted and the company expects reply from Government within a couple of months. Petrobangla will hold share equivalent to land provided (~6%). Bangladesh is already a gas-based economy and the company would not face utilization issues, as pipeline infrastructure is already in place.
- Bangladesh has demand of 20mmtpa and 3 FSRU's with 11-12mmtpa capacity are underway, but a land-based terminal is more resilient to weather. The terminal is expected to be completed in 4-5 years after approvals and will work on 100% fixed rental model.
- Sri Lanka's 2.5mmtpa US\$350mn FSRU is under study and the project is expected to be completed in 2 years after approval. PLNG will be majority shareholder and operator with 47% stake with 2 other partners from Japan. It will be similar to the Bangladesh rental model.
- PLNG is setting up 20 L-CNG stations over 4,000Kms highway to cater to trucks/busses plying over long distance. These stations can also serve upcoming CGD GAs till they are not connected to pipelines. Total capex is expected at Rs150bn with PLNG's share of Rs15bn (for setting up stations). Demand of 1.5mmtpa is expected by FY25.
- PLNG bid for CGD only where it felt synergies with regas terminals, as the penalty for non-compliance is quite high at Rs10 lakh/per annum for each CNG station and Rs700/per household/per annum. Unified Tariff will not have any impact on PLNG, as the business stops after the gas is evacuated from the terminal and reaches the pipeline.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	271,334	246,160	305,986	390,520	406,897
EBITDA	16,963	26,786	33,124	35,177	37,744
EBITDA Margin (%)	6.3	10.9	10.8	9.0	9.3
APAT	10,683	17,057	20,779	23,197	25,839
EPS (Rs)	7.1	11.4	13.9	15.5	17.2
EPS (% chg)	16.4	59.7	21.8	11.6	11.4
ROE (%)	17.4	23.2	23.3	22.0	21.1
P/E (x)	31.3	19.6	16.1	14.4	12.9
EV/EBITDA (x)	20.7	12.6	9.4	8.2	7.1
P/BV (x)	5.1	4.1	3.4	2.9	2.5

Source: Company, Emkay Research

CMP	Target Price
Rs 223 as of (August 10, 2018)	Rs 305 (■) 12 months
Rating	Upside
BUY (■)	36.6 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	15.5	17.2
Consensus	15.5	17.6
Mean Consensus TP (12M)	Rs 272	

Stock Details

Bloomberg Code	PLNG IN
Face Value (Rs)	10
Shares outstanding (mn)	1,500
52 Week H/L	276 / 198
M Cap (Rs bn/USD bn)	335 / 4.86
Daily Avg Volume (nos.)	3,990,133
Daily Avg Turnover (US\$ mn)	12.6

Shareholding Pattern Jun '18

Promoters	50.0%
FII's	23.0%
DII's	11.7%
Public and Others	15.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	6	(10)	7
Rel. to Nifty	(4)	(1)	(17)	(8)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	271,334	246,160	305,986	390,520	406,897
Expenditure	254,372	219,375	272,863	355,343	369,153
EBITDA	16,963	26,786	33,124	35,177	37,744
Depreciation	3,216	3,691	4,117	4,201	4,379
EBIT	13,747	23,095	29,007	30,977	33,365
Other Income	2,183	2,603	3,174	4,589	5,961
Interest expenses	2,388	2,097	1,630	944	760
PBT	13,542	23,602	30,551	34,622	38,566
Tax	2,860	6,545	9,773	11,425	12,727
Extraordinary Items	(1,550)	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	9,133	17,057	20,779	23,197	25,839
Adjusted PAT	10,683	17,057	20,779	23,197	25,839

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	7,500	7,500	15,000	15,000	15,000
Reserves & surplus	58,640	73,439	82,205	98,442	116,220
Net worth	66,140	80,939	97,205	113,442	131,220
Minority Interest	0	0	0	0	0
Loan Funds	40,146	36,038	25,170	21,516	18,490
Net deferred tax liability	5,886	7,302	10,482	13,693	16,936
Total Liabilities	112,171	124,278	132,857	148,652	166,646
Net block	68,105	84,230	80,296	79,638	79,621
Investment	900	29,351	41,222	41,618	42,018
Current Assets	39,751	24,224	32,816	55,684	73,852
Cash & bank balance	21,829	3,273	8,625	24,811	41,682
Other Current Assets	13	3	11	13	15
Current liabilities & Provision	12,090	14,013	23,680	30,948	32,143
Net current assets	27,661	10,211	9,136	24,735	41,709
Misc. exp	0	0	0	0	0
Total Assets	112,171	124,278	132,857	148,652	166,646

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	11,359	20,999	27,377	30,033	32,605
Other Non-Cash items	(565)	942	0	0	0
Chg in working cap	11,046	310	9,607	3,797	3,142
Operating Cashflow	33,740	20,676	32,958	27,549	28,159
Capital expenditure	(9,931)	(4,796)	(1,900)	(4,000)	(5,000)
Free Cash Flow	23,809	15,879	31,058	23,549	23,159
Investments	0	(28,451)	(11,871)	(396)	(400)
Other Investing Cash Flow	(811)	(1,105)	(3,912)	0	0
Investing Cashflow	(8,559)	(31,749)	(14,509)	193	561
Equity Capital Raised	0	0	7,500	0	0
Loans Taken / (Repaid)	4,604	(4,108)	(10,867)	(3,654)	(3,027)
Dividend paid (incl tax)	(1,805)	(2,257)	(8,100)	(6,959)	(8,062)
Other Financing Cash Flow	(7,405)	979	0	0	0
Financing Cashflow	(6,994)	(7,482)	(13,097)	(11,557)	(11,849)
Net chg in cash	18,188	(18,556)	5,352	16,186	16,872
Opening cash position	3,641	21,829	3,273	8,625	24,811
Closing cash position	21,829	3,273	8,626	24,811	41,682

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	6.3	10.9	10.8	9.0	9.3
EBIT Margin	5.1	9.4	9.5	7.9	8.2
Effective Tax Rate	21.1	27.7	32.0	33.0	33.0
Net Margin	3.9	6.9	6.8	5.9	6.4
ROCE	15.0	21.7	25.0	25.3	24.9
ROE	17.4	23.2	23.3	22.0	21.1
RoIC	17.0	28.0	33.7	38.6	41.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	7.1	11.4	13.9	15.5	17.2
CEPS	9.3	13.8	16.6	18.3	20.1
BVPS	44.1	54.0	64.8	75.6	87.5
DPS	1.3	2.5	4.5	3.9	4.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	31.3	19.6	16.1	14.4	12.9
P/CEPS	24.7	16.6	13.8	12.6	11.4
P/BV	5.1	4.1	3.4	2.9	2.5
EV / Sales	1.3	1.4	1.0	0.7	0.7
EV / EBITDA	20.7	12.6	9.4	8.2	7.1
Dividend Yield (%)	0.6	1.1	2.0	1.7	2.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.3	0.0	(0.3)	(0.4)	(0.5)
Net Debt/EBIDTA	1.0	0.1	(0.7)	(1.3)	(1.7)
Working Cap Cycle (days)	7.8	10.3	0.6	(0.1)	0.0

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(31.3)	(9.3)	24.3	27.6	4.2
EBITDA	15.1	57.9	23.7	6.2	7.3
EBIT	18.6	68.0	25.6	6.8	7.7
PAT	3.5	86.8	21.8	11.6	11.4

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	64,351	77,702	77,571	86,362	91,692
EBITDA	7,517	8,987	8,474	8,221	9,344
EBITDA Margin (%)	11.7	11.6	10.9	9.5	10.2
PAT	4,376	5,888	5,288	5,227	5,870
EPS (Rs)	2.9	3.9	3.5	3.5	3.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	50.0	50.0	50.0	50.0	50.0
FII	22.3	21.8	25.6	25.1	23.0
DII	12.1	12.7	9.7	9.8	11.7
Public and Others	15.6	15.4	14.7	15.1	15.3

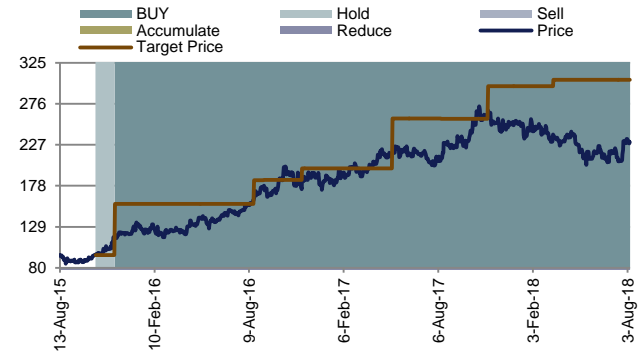
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-18	232	305	12m	Buy	Sabri Hazarika
13-Jul-18	212	305	12m	Buy	Sabri Hazarika
8-Jun-18	226	305	12m	Buy	Sabri Hazarika
22-May-18	211	305	12m	Buy	Sabri Hazarika
14-Mar-18	238	305	12m	Buy	Sabri Hazarika
9-Nov-17	268	297	12m	Buy	Dhaval Joshi
11-Aug-17	211	258	12m	Buy	Dhaval Joshi
10-May-17	217	259	12m	Buy	Dhaval Joshi
14-Feb-17	192	199	12m	Buy	Dhaval Joshi
18-Nov-16	188	199	12m	Buy	Dhaval Joshi
6-Sep-16	178	185	12m	Buy	Dhaval Joshi
18-Aug-16	163	185	12m	Buy	Dhaval Joshi
2-Jun-16	137	157	12m	Buy	Dhaval Joshi
17-May-16	140	157	12m	Buy	Dhaval Joshi
11-Feb-16	123	157	12m	Buy	Dhaval Joshi
26-Nov-15	116	157	12m	Buy	Dhaval Joshi
20-Oct-15	96	95	12m	Hold	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Reliance Industries

Refer to important disclosures at the end of this report

Positive outlook across segments

Key meeting takeaways

- Petrochemicals has done well supported by optimal feedstock and product mix due to ROGC and ethane imports. Ethane pipeline connectivity to Nagothane is expected soon. India with its strong economic growth would see healthy petrochemicals demand.
- In refining, the Domestic Tariff Area (DTA) petcoke gasification project has been stabilized. Jamnagar refinery is uniquely positioned to take advantage of International Maritime Organization (IMO) led opportunities pertaining to potentially higher middle distillate cracks and favorable light/sweet-heavy/sour crude differentials.
- Integrated development of KG-D6 is underway, comprising of R Cluster, satellites and MJ. First gas from R Cluster is expected to start from FY21.
- Reliance Retail has continued its strong momentum in Q1FY19 and going forward is expected to continue doing well. Variants like Reliance Digital and Reliance Trends are leaders in their respective segments. New growth opportunities would be created through the hybrid online-offline commerce platform.
- Jio continues to ramp up its subscriber base and had 215mn subs as on June 2018 end. The company is on track to achieve its 99% population coverage target. JioGigaFibre registration would start from 15th August. Jio would strive to maintain its leadership position in providing the highest value to consumers. Network capacity utilization is still low despite significant growth in data consumption.

CMP

Rs 1,204
as of (August 11, 2018)

Rating

BUY (■)

Target Price

Rs 1,300 (■)
12 months

Upside

8.0 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	72.0	83.3
Consensus	66.3	75.0
Mean Consensus TP (12M)	Rs 1,212	

Stock Details

Bloomberg Code	RIL IN
Face Value (Rs)	10
Shares outstanding (mn)	6,338
52 Week H/L	1,232 / 765
M Cap (Rs bn/USD bn)	7,631 / 110.84
Daily Avg Volume (nos.)	8,229,586
Daily Avg Turnover (US\$ mn)	122.8

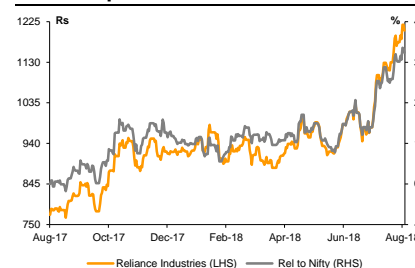
Shareholding Pattern Jun '18

Promoters	46.2%
FIIIs	23.9%
DIIIs	11.2%
Public and Others	18.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	17	23	34	52
Rel. to Nifty	12	15	23	31

Relative price chart



Source: Bloomberg

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Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2,739,990	3,053,820	3,916,770	6,023,563	6,600,043
EBITDA	417,040	461,940	641,760	874,527	1,043,501
EBITDA Margin (%)	15.2	15.1	16.4	14.5	15.8
APAT	252,870	298,330	349,930	426,168	493,295
EPS (Rs)	42.7	50.4	59.1	72.0	83.3
EPS (% chg)	7.3	18.0	17.3	21.8	15.8
ROE (%)	11.2	12.0	12.6	13.7	14.1
P/E (x)	28.2	23.9	20.4	16.7	14.5
EV/EBITDA (x)	19.5	18.5	13.6	11.1	9.4
P/BV (x)	3.1	2.7	2.4	2.2	1.9

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2,739,990	3,053,820	3,916,770	6,023,563	6,600,043
Expenditure	2,322,950	2,591,880	3,275,010	5,149,036	5,556,543
EBITDA	417,040	461,940	641,760	874,527	1,043,501
Depreciation	115,650	116,460	167,060	212,957	245,436
EBIT	301,390	345,480	474,700	661,570	798,065
Other Income	74,790	94,430	88,620	77,440	78,994
Interest expenses	36,910	38,490	80,520	128,834	170,133
PBT	339,270	401,420	482,800	610,176	706,926
Tax	88,760	102,010	133,460	183,053	212,078
Extraordinary Items	45,740	0	10,870	0	0
Minority Int./Income from Assoc.	2,360	(1,080)	590	(955)	(1,553)
Reported Net Income	298,610	298,330	360,800	426,168	493,295
Adjusted PAT	252,870	298,330	349,930	426,168	493,295

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	29,480	29,590	59,220	59,309	59,398
Reserves & surplus	2,286,080	2,607,500	2,875,840	3,236,332	3,648,046
Net worth	2,315,560	2,637,090	2,935,060	3,295,641	3,707,444
Minority Interest	33,560	29,170	35,390	34,435	32,882
Loan Funds	1,962,240	2,257,630	2,475,150	3,156,721	3,338,327
Net deferred tax liability	204,940	211,980	245,430	278,560	312,352
Total Liabilities	4,516,300	5,135,870	5,691,030	6,765,357	7,391,005
Net block	1,849,100	1,985,260	4,038,850	5,749,080	6,253,935
Investment	840,150	828,990	828,620	773,543	724,251
Current Assets	1,013,750	1,005,400	1,375,040	1,862,516	2,224,560
Cash & bank balance	110,280	30,230	42,550	(186,708)	(20,783)
Other Current Assets	61,170	85,350	84,480	129,921	142,355
Current liabilities & Provision	1,473,670	1,932,150	2,421,700	2,554,891	2,756,202
Net current assets	(459,920)	(926,750)	(1,046,660)	(692,376)	(531,642)
Misc. exp	0	0	0	0	0
Total Assets	4,516,300	5,135,870	5,691,030	6,765,357	7,391,005

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	264,480	306,990	394,180	532,736	627,932
Other Non-Cash items	(28,170)	(20,240)	(14,110)	0	0
Chg in working cap	570,590	393,820	165,680	(550,413)	38,984
Operating Cashflow	381,340	495,500	714,590	142,770	872,149
Capital expenditure	(1,022,520)	(1,214,020)	(842,500)	(988,076)	(759,642)
Free Cash Flow	(641,180)	(718,520)	(127,910)	(845,307)	112,507
Investments	(75,500)	11,160	370	55,077	49,292
Other Investing Cash Flow	661,330	445,510	70,610	0	0
Investing Cashflow	(361,900)	(662,920)	(682,900)	(855,559)	(631,356)
Equity Capital Raised	50	110	29,630	89	89
Loans Taken / (Repaid)	262,860	295,390	217,520	681,571	181,606
Dividend paid (incl tax)	(72,590)	(530)	(39,160)	(66,631)	(83,134)
Other Financing Cash Flow	(185,510)	(170,310)	(147,480)	(2,663)	(3,295)
Financing Cashflow	(32,100)	86,170	(20,010)	483,531	(74,868)
Net chg in cash	(12,660)	(81,250)	11,680	(229,258)	165,925
Opening cash position	125,450	110,280	30,230	42,550	(186,708)
Closing cash position	110,280	30,230	42,550	(186,708)	(20,783)

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	15.2	15.1	16.4	14.5	15.8
EBIT Margin	11.0	11.3	12.1	11.0	12.1
Effective Tax Rate	26.2	25.4	27.6	30.0	30.0
Net Margin	9.1	9.8	8.9	7.1	7.5
ROCE	8.8	9.1	10.4	11.9	12.4
ROE	11.2	12.0	12.6	13.7	14.1
RoIC	21.8	29.9	23.9	16.1	14.5

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	42.7	50.4	59.1	72.0	83.3
CEPS	62.2	70.0	87.3	107.9	124.7
BVPS	391.0	445.3	495.6	556.5	626.0
DPS	5.2	5.5	6.0	9.4	11.7

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	28.2	23.9	20.4	16.7	14.5
P/CEPS	18.1	16.1	12.9	10.5	9.0
P/BV	3.1	2.7	2.4	2.2	1.9
EV / Sales	3.0	2.8	2.2	1.6	1.5
EV / EBITDA	19.5	18.5	13.6	11.1	9.4
Dividend Yield (%)	0.4	0.5	0.5	0.8	1.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.4	0.5	0.5	0.8	0.7
Net Debt/EBIDTA	2.4	3.0	2.5	2.9	2.5
Working Cap Cycle (days)	(76.0)	(114.4)	(101.5)	(30.6)	(28.3)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(27.0)	11.5	28.3	53.8	9.6
EBITDA	11.6	10.8	38.9	36.3	19.3
EBIT	16.7	14.6	37.4	39.4	20.6
PAT	26.7	(0.1)	20.9	18.1	15.8

Quarterly (Rs mn)*	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	642,170	685,320	732,560	840,370	918,753
EBITDA	115,890	129,830	137,440	134,250	136,714
EBITDA Margin (%)	18.0	18.9	18.8	16.0	14.9
PAT	81,960	82,650	84,540	86,970	84,625
EPS (Rs)	13.8	14.0	14.3	14.7	14.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	46.2	46.2	46.2	46.2	46.2
FII	23.2	23.0	23.6	23.8	23.9
DII	11.2	11.3	11.1	10.9	11.2
Public and Others	19.4	19.5	19.1	19.1	18.7

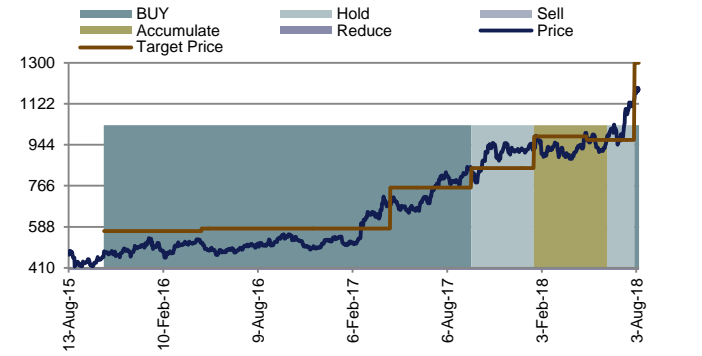
Source: Capitaline; *standalone

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	1,151	1,300	12m	Buy	Sabri Hazarika
13-Jul-18	1,100	965	12m	Hold	Sabri Hazarika
8-Jun-18	984	965	12m	Hold	Sabri Hazarika
30-Apr-18	963	965	12m	Accumulate	Sabri Hazarika
19-Jan-18	931	980	12m	Accumulate	Sabri Hazarika
14-Oct-17	876	843	12m	Hold	Dhaval Joshi
21-Sep-17	841	843	12m	Hold	Dhaval Joshi
21-Jul-17	793	759	12m	Buy	Dhaval Joshi
25-Apr-17	716	759	12m	Buy	Dhaval Joshi
19-Apr-17	684	759	12m	Buy	Dhaval Joshi
17-Jan-17	521	580	12m	Buy	Dhaval Joshi
21-Oct-16	532	580	12m	Buy	Dhaval Joshi
18-Jul-16	503	580	12m	Buy	Dhaval Joshi
2-Jun-16	478	580	12m	Buy	Dhaval Joshi
23-Apr-16	519	580	12m	Buy	Dhaval Joshi
20-Jan-16	502	570	12m	Buy	Dhaval Joshi
26-Nov-15	494	570	12m	Buy	Dhaval Joshi
19-Oct-15	482	570	12m	Buy	Dhaval Joshi

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Pharmaceuticals

Refer to important disclosures at the end of this report

Chemists to emerge as alternate opinion makers, more scope for price caps

We hosted IQVIA to understand the structural developments in the Indian branded pharma market. The key takeaways:

- **BA/BE studies ~ how serious is the government.** One of the key questions that investors have over a number of proposed guidelines is the norm for compulsory BA/BE studies for new introductions in the Indian generic branded space. As per IQVIA, it is a matter of time before the government tightens the norms for BA/BE studies, most likely with a retrospective effect whereby companies to be given a window of say five years to address the BA/BE studies for their existing portfolios.
- **Multiple influence points to emerge in prescription generation.** The legislation of e-pharmacies would over time trigger a number of changes in the way prescriptions are being generated. The switching of prescriptions to be allowed over time, which will result in pharmacies (online and brick/mortar) emerging as prescription drivers. The following structural changes should also take place over time.
 - **Brick/mortar pharmacies would have to evolve from their Mom-and-Pop format to a more corporate formalized structure.** This process is already underway, and should pick up steam as the formalization of the online pharmacy sector takes shape.
 - **With the switching of prescription allowed, large-format pharmacy retailers will also start stocking in-house brands.** This process is already underway but not in a bigger way. However, we expect this to become more prevalent over time. Such formats to have an in-house doctor on hand who would recommend alternate brands or recommend prescriptions to be switched.
 - **Therefore, corporate branding will eventually play a bigger role.** Thus promotional on doctors etc. would decline over time but could be offset by potentially new SGA (selling and advertising) on cultivating chemists as well as branding expenses.
- **Scope of potential price controls.** New product addition under price control in India usually follows with a two-year lag to an updated essential medicine list by the WHO, with the last list published by the WHO in 2016 as per IQVIA. New price controls could also encompass entire pharma spectrum under a WPI-linked index, which will ensure that in practice price hikes are more broad based as per past experience under NELM. In addition, future price controls would also emerge at points of sale, which means margins capped for the trade channel and hospitals that sell at MRP and hence extremely profitable. There could however be other mitigating factors for hospitals.

Financial Snapshot (Consolidated)

(Rs mn)	EPS		EV/EBITDA		P/E	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Aurobindo Pharma	40.8	45.9	9.0	7.9	14.9	13.3
Cadila Healthcare	17.4	21.0	15.1	12.6	21.6	17.9
Cipla	24.7	31.5	13.8	10.8	25.1	19.7
Dr. Reddy's Lab	76.0	114.9	15.2	11.0	29.2	19.3
Glenmark Pharma	29.0	33.3	11.6	10.4	20.4	17.7
Granules India	6.6	10.2	10.1	7.1	15.7	10.2
Ipca Lab	28.9	38.0	15.4	12.0	25.6	19.5
Lupin	35.2	43.2	11.9	10.0	23.0	18.7
Sun Pharma	15.4	23.5	20.9	14.6	36.1	23.6
Torrent Pharma	51.7	75.2	15.2	12.3	32.8	22.6

Source: Company, Emkay Research

Aurobindo Pharma	BUY
CMP	Target Price
609	690

Cadila Healthcare	HOLD
CMP	Target Price
377	380

Cipla	HOLD
CMP	Target Price
621	570

Dr. Reddy's Lab	ACCUMULATE
CMP	Target Price
2,222	2,300

Glenmark Pharma	HOLD
CMP	Target Price
590	595

Granules India	BUY
CMP	Target Price
104	120

Ipca Lab	HOLD
CMP	Target Price
740	650

Lupin	HOLD
CMP	Target Price
809	785

Sun Pharma	REDUCE
CMP	Target Price
555	495

Torrent Pharma	ACCUMULATE
CMP	Target Price
1,702	1,660

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Power

Refer to important disclosures at the end of this report

Demerger likely to be completed by Oct-Nov'18; listing by Jan-Feb'19

We hosted Mr BL Chandak, ED, Corporate, and Mr Pankaj Kedia, DGM IR, of CESC, in our India Conference to share company and industry insights.

Key Meetings Takeaways

- Demerger: the WBERC's nod is the last approval pending. Management has made the presentation to the regulator for the demerger. The WBERC has asked for the data regarding how the demerger will affect/benefit the consumers for which the company has provided data. Management now expects the regulatory nod by Oct-Nov'18, post which the listing will happen (after 60-90 days).
- The Chandrapur (Dhariwal) unit 1 has a LT PPA with TANGEDCO and Noida; unit 2 has 185MW 8m ST PPA with MSEDCL until Dec'18 (which can be mutually extendable as price is very low at Rs2.76/unit). However, as it is a tolling arrangement at a very low rate, thus the project is not earning any RoE on the same, only partially recovering its fixed cost. The balance capacity of 115 MW is been sold under short-term PPA arrangements or at IEX if prices are above Rs4/unit.
- Q1FY19 PLF for the Dhariwal plant was strong at ~90%; however, it is likely to be low in Q2FY19. The plant reported a loss of Rs2bn in FY18, while FY19 target is to reduce the same to Rs1.2bn.
- CESC has 3 distribution franchisee circles in Rajasthan and expects a few more to be out after the election. The AT&C losses data provided by the government was inaccurate (reported at 27% but the actual was 33%). So, while the AT&C losses have been reduced by 9% to 24% in FY18, it has not led to conversion of huge returns as, on paper, the loss reduction is only 3%. Essentially, the breakeven target is been extended by one year.
- The franchisee business had a loss of Rs120cr in FY18, but management expects to achieve EBIDTA breakeven in FY19 and PAT breakeven by FY20-FY21.
- CESC is not that keen to bid aggressively for renewable capacity or buy out any stranded thermal power plant. Thus, the surplus cash will be used to pay dividends.
- Dividend from FSL (~Rs100cr) and FCF of the Quest Mall (Rs800mn of rental; Rs350mn of FCF post debt) will be invested in the FMCG business. The FMCG unit is currently doing annual business of Rs4000mn. The target is to increase it 2.5x to Rs10000mn over the next 2-3 years.
- Spencer's performance was bad in Apr'18; however, May and June were strong. Management targets to add 2 lakh sq. ft. in FY19, of which 80k sq. ft. will be done by Q2FY19. The target is for 9% SSS growth in FY19. EBITDA margin will be 1% in FY18 and 1% increase every year until it reaches 5-6%. The margin expansion will be driven by operational efficiency.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	67,961	72,201	77,730	87,174	90,535
EBITDA	19,323	16,211	16,530	20,448	21,244
EBITDA Margin (%)	28.4	22.5	21.3	23.5	23.5
APAT	10,333	6,726	6,600	10,917	11,223
EPS (Rs)	77.6	50.5	49.5	81.9	84.2
EPS (% chg)	48.1	(34.9)	(1.9)	65.4	2.8
ROE (%)	7.5	7.4	7.3	8.6	8.3
P/E (x)	11.7	18.0	18.4	11.1	10.8
EV/EBITDA (x)	8.2	10.3	10.2	7.8	7.5
P/BV (x)	1.0	1.0	1.0	0.9	0.9

Source: Company, Emkay Research

CMP	Target Price
Rs 910	Rs 1,249 (■)
as of (August 13, 2018)	12 months
Rating	Upside
BUY (■)	37.2 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	81.9	84.2
Consensus	68.9	81.2
Mean Consensus TP (12M)	Rs 1,172	

Stock Details

Bloomberg Code	CESC IN
Face Value (Rs)	10
Shares outstanding (mn)	133
52 Week H/L	1,190 / 860
M Cap (Rs bn/USD bn)	121 / 1.75
Daily Avg Volume (nos.)	4,11,288
Daily Avg Turnover (US\$ mn)	5.8

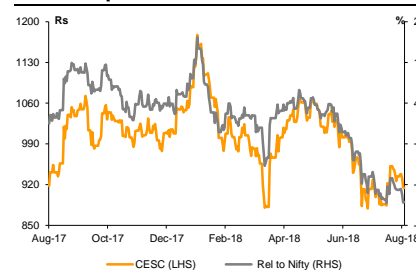
Shareholding Pattern Jun '18

Promoters	49.9%
FIIIs	11.9%
DIIIs	25.5%
Public and Others	12.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	(14)	(10)	-
Rel. to Nifty	(6)	(19)	(17)	(14)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	67,961	72,201	77,730	87,174	90,535
Expenditure	48,639	55,990	61,200	66,726	69,292
EBITDA	19,323	16,211	16,530	20,448	21,244
Depreciation	3,695	4,088	4,330	3,781	3,928
EBIT	15,628	12,122	12,200	16,667	17,315
Other Income	1,277	1,466	1,660	1,929	1,929
Interest expenses	4,562	4,478	4,840	5,109	5,378
PBT	12,342	9,110	9,020	13,487	13,866
Tax	2,009	2,384	2,420	2,570	2,643
Extraordinary Items	(1,800)	1,900	2,090	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	8,533	8,626	8,690	10,917	11,223
Adjusted PAT	10,333	6,726	6,600	10,917	11,223

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	1,332	1,332	1,332	1,332	1,332
Reserves & surplus	1,28,678	1,31,905	1,38,577	1,46,939	1,55,536
Net worth	1,30,011	1,33,238	1,39,909	1,48,271	1,56,869
Minority Interest	35,060	35,548	36,148	36,749	37,351
Loan Funds	48,957	57,435	57,554	57,673	58,292
Net deferred tax liability	(4,700)	(4,589)	(4,609)	(4,609)	(4,610)
Total Liabilities	2,24,872	2,38,408	2,49,879	2,60,060	2,70,979
Net block	1,46,330	1,45,963	1,48,333	1,51,252	1,54,024
Investment	55,040	65,786	63,992	61,998	67,660
Current Assets	27,336	28,369	37,823	48,748	52,241
Cash & bank balance	10,943	11,891	9,553	18,755	21,093
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	19,325	19,549	18,108	19,777	20,785
Net current assets	8,011	8,820	19,714	28,971	31,456
Misc. exp	13,532	15,962	15,962	15,962	15,962
Total Assets	2,24,872	2,38,408	2,49,879	2,60,060	2,70,979

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	11,066	7,644	7,360	11,559	11,937
Other Non-Cash items	0	0	0	0	0
Chg in working cap	2,436	250	(13,252)	(55)	(148)
Operating Cashflow	23,768	18,844	5,698	22,964	23,739
Capital expenditure	(4,418)	(3,478)	(6,700)	(6,700)	(6,700)
Free Cash Flow	19,349	15,366	(1,002)	16,264	17,039
Investments	(3,993)	(10,746)	1,794	1,994	(5,662)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(7,135)	(12,758)	(3,246)	(2,777)	(10,434)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(1,562)	8,479	119	119	620
Dividend paid (incl tax)	(1,707)	(1,725)	(2,038)	(2,554)	(2,626)
Other Financing Cash Flow	(7,539)	(7,414)	1,970	(3,440)	(3,582)
Financing Cashflow	(15,370)	(5,138)	(4,789)	(10,985)	(10,967)
Net chg in cash	1,263	948	(2,338)	9,202	2,338
Opening cash position	9,680	10,943	11,891	9,553	18,755
Closing cash position	10,943	11,891	9,553	18,755	21,093

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	28.4	22.5	21.3	23.5	23.5
EBIT Margin	23.0	16.8	15.7	19.1	19.1
Effective Tax Rate	16.3	26.2	26.8	19.1	19.1
Net Margin	15.2	9.3	8.5	12.5	12.4
ROCE	23.7	19.7	18.6	15.9	14.7
ROE	7.5	7.4	7.3	8.6	8.3
RoIC	11.0	8.6	8.2	10.6	10.8

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	77.6	50.5	49.5	81.9	84.2
CEPS	105.3	81.2	82.0	110.3	113.7
BVPS	870.8	875.9	925.9	988.7	1,053.2
DPS	12.8	13.0	15.3	19.2	19.7

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	11.7	18.0	18.4	11.1	10.8
P/CEPS	8.7	11.3	11.1	8.3	8.0
P/BV	1.0	1.0	1.0	0.9	0.9
EV / Sales	2.3	2.3	2.2	1.8	1.8
EV / EBITDA	8.2	10.3	10.2	7.8	7.5
Dividend Yield (%)	1.4	1.4	1.7	2.1	2.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.3	0.4	0.4	0.3	0.3
Net Debt/EBIDTA	2.0	2.8	2.9	1.9	1.8
Working Cap Cycle (days)	(15.7)	(15.5)	47.7	42.8	41.8

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	9.8	6.2	7.7	12.2	3.9
EBITDA	24.7	(16.1)	2.0	23.7	3.9
EBIT	29.6	(22.4)	0.6	36.6	3.9
PAT	22.3	1.1	0.7	25.6	2.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	21,840	20,880	17,060	17,950	21,590
EBITDA	6,070	5,300	2,760	2,650	4,950
EBITDA Margin (%)	27.8	25.4	16.2	14.8	22.9
PAT	1,780	2,720	1,540	2,920	1,820
EPS (Rs)	13.4	20.4	11.6	21.9	13.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	49.9	49.9	49.9	49.9	49.9
FIIIs	-	16.4	14.8	13.4	11.9
DIIIs	21.1	22.1	24.0	25.1	25.5
Public and Others	29.0	11.5	11.3	11.6	12.7

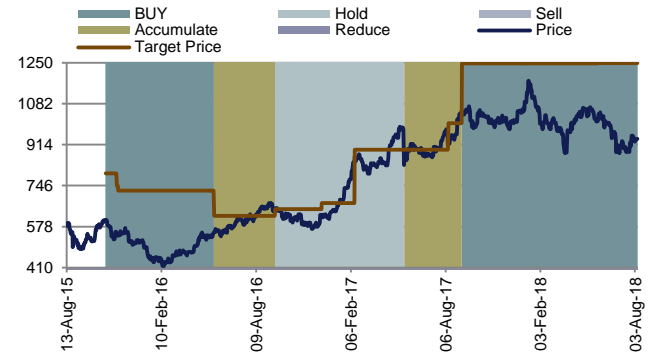
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jul-18	909	1,249	12m	Buy	Anuj Upadhyay
03-Jul-18	891	1,249	12m	Buy	Anuj Upadhyay
23-May-18	1,010	1,249	12m	Buy	Anuj Upadhyay
02-May-18	1,042	1,248	12m	Buy	Anuj Upadhyay
01-Mar-18	1,005	1,248	12m	Buy	Anuj Upadhyay
08-Feb-18	992	1,248	12m	Buy	Anuj Upadhyay
30-Jan-18	1,067	1,248	12m	Buy	Anuj Upadhyay
01-Jan-18	1,064	1,248	12m	Buy	Anuj Upadhyay
01-Dec-17	996	1,248	12m	Buy	Anuj Upadhyay
08-Nov-17	991	1,248	12m	Buy	Anuj Upadhyay
01-Nov-17	1,018	1,248	12m	Buy	Anuj Upadhyay
10-Oct-17	1,057	1,248	12m	Buy	Anuj Upadhyay
06-Sep-17	1,046	1,248	12m	Buy	Anuj Upadhyay
11-Aug-17	918	1,003	12m	Accumulate	Anuj Upadhyay
19-May-17	878	894	12m	Accumulate	Anuj Upadhyay
28-Apr-17	945	894	12m	Hold	Anuj Upadhyay
03-Mar-17	822	894	12m	Hold	Urmik Chhiya
13-Feb-17	866	894	12m	Hold	Urmik Chhiya
12-Dec-16	623	674	12m	Hold	Urmik Chhiya
14-Sep-16	654	650	12m	Hold	Urmik Chhiya
20-May-16	555	622	12m	Accumulate	Urmik Chhiya
19-Nov-15	540	726	12m	Buy	Urmik Chhiya
16-Nov-15	549	745	12m	Buy	Urmik Chhiya
26-Oct-15	604	796	12m	Buy	Urmik Chhiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

JSW Energy

Refer to important disclosures at the end of this report

EV business still in evaluation stage; B/S deleveraging to continue

We hosted Mr Pritesh Vinay, VP, capital market and group IR, of JSW Energy, and Mr Nitin Narayanan, manager, finance, in our India Conference to share company/industry insights.

Key Meeting Takeaways

- Management still does not expect any 25-year LT PPA tender to be floated in the near future in the country, rather it expects the short-term PPA trends to continue to dominate opportunities. The belief that 2-3 years' demand will be good and PPA will not be a problem seems to be a correct assessment but risky, in our view.
- Out of the total 4,531MW capacity, JSW Energy has tied up ~73% of its capacity, i.e., 3,294 MW under LT PPA. The 800MW Vijaynagar plant and the 427MW Ratnagiri plant remains untied.
- However, the company converted Unit II (300MW) of the Ratnagiri plant to a group captive unit. Supply would be ramped up slowly over the next 12-18 months. In the meanwhile, the unit will continue to supply non-contract capacity in the merchant market if spot prices remain high. With this, Units II, III and IV are now completely under the group captive scheme. Overall, by FY20-21E all units will have PPA in place (three units under captive arrangement and one with MSEDCL)
- Vijaynagar's short-term PPA with Karnataka expired in May'18 and has not been renewed since. The near-term visibility of new PPA is bleak.
- The company plans to enhance its presence in the Solar segment by setting up a manufacturing facility for solar PV panels. It is planning 1000MW capacity at its Vijayanagar facility in FY19. The capex is estimated at Rs2bn. It also plans to set up a 200MW solar power project with an estimated capex of Rs10bn in FY19-20.
- Management has extended by one year the long-stop date related to the acquisition of the 1000MW Tamnar plant from Jindal Steel and Power to Jun'19.
- In Q1FY19, net debt (including short-term buyer's credit) declined by Rs5.28bn qoq to Rs113.8bn and cost of debt declined to 8.97% from 9.03% in Q4FY18. The debt reduction in FY18 totaled Rs31.1bn. D/E is now below 1.0x.
- With regard to the EV business, management is evaluating various aspects of the businesses before making any firm commitment. The initial target of launching its first EV in 2021 is likely to get extended.
- On the acquisition front, the company is evaluating few stressed assets which can fit into its portfolio. However, the involvement of group lenders is delaying the resolution process.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	98,245	82,634	80,490	87,877	90,286
EBITDA	40,261	33,244	27,625	34,653	35,761
EBITDA Margin (%)	41.0	40.2	34.3	39.4	39.6
APAT	13,950	6,144	6,018	8,172	10,814
EPS (Rs)	8.5	3.8	3.7	5.0	6.6
EPS (% chg)	(3.1)	(55.6)	(2.8)	35.8	32.3
ROE (%)	17.4	6.5	5.6	7.1	8.7
P/E (x)	8.0	18.0	18.6	13.7	10.3
EV/EBITDA (x)	6.2	7.1	7.9	5.9	5.6
P/BV (x)	1.3	1.1	1.0	0.9	0.9

Source: Company, Emkay Research

CMP	Target Price
Rs 68	Rs 73 (■)
as of (August 13, 2018)	12 months
Rating	Upside
HOLD (■)	7.2 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	5.0	6.6
Consensus	4.7	5.7
Mean Consensus TP (12M)	Rs 69	

Stock Details

Bloomberg Code	JSW IN
Face Value (Rs)	10
Shares outstanding (mn)	1,640
52 Week H/L	98 / 61
M Cap (Rs bn/USD bn)	112 / 1.62
Daily Avg Volume (nos.)	15,39,598
Daily Avg Turnover (US\$ mn)	1.6

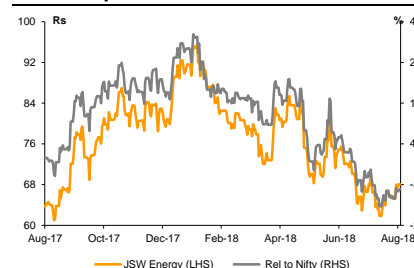
Shareholding Pattern Jun '18

Promoters	75.0%
FIIIs	6.2%
DIIIs	8.5%
Public and Others	10.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	(2)	(17)	5
Rel. to Nifty	(4)	(8)	(24)	(10)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	98,245	82,634	80,490	87,877	90,286
Expenditure	57,984	49,391	52,864	53,224	54,525
EBITDA	40,261	33,244	27,625	34,653	35,761
Depreciation	8,543	9,692	9,661	11,673	11,673
EBIT	31,719	23,552	17,965	22,980	24,088
Other Income	2,351	2,170	4,650	2,226	2,941
Interest expenses	14,981	16,848	14,559	13,766	12,574
PBT	19,089	8,875	8,056	11,440	14,456
Tax	5,563	2,690	2,532	3,268	3,642
Extraordinary Items	1,500	0	(4,179)	0	0
Minority Int./Income from Assoc.	(423)	41	(495)	0	0
Reported Net Income	15,450	6,144	1,839	8,172	10,814
Adjusted PAT	13,950	6,144	6,018	8,172	10,814

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	16,401	16,280	16,401	16,401	16,401
Reserves & surplus	68,958	87,429	94,657	1,02,829	1,13,643
Net worth	85,358	1,03,708	1,11,058	1,19,230	1,30,044
Minority Interest	551	0	0	0	0
Loan Funds	1,43,451	1,31,363	1,08,358	1,01,598	94,888
Net deferred tax liability	4,383	5,801	4,280	4,280	4,280
Total Liabilities	2,33,743	2,40,873	2,23,695	2,25,108	2,29,211
Net block	2,23,098	1,94,906	1,88,774	1,77,101	1,80,428
Investment	1,932	2,189	3,368	3,368	3,368
Current Assets	56,344	83,525	72,132	95,108	95,548
Cash & bank balance	3,949	7,843	3,110	7,902	7,951
Other Current Assets	3,025	32,135	28,388	32,708	32,738
Current liabilities & Provision	47,630	45,016	43,514	53,405	53,068
Net current assets	8,714	38,509	28,618	41,703	42,480
Misc. exp	0	0	0	0	0
Total Assets	2,33,743	2,40,873	2,23,695	2,25,108	2,29,211

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	18,238	6,705	3,406	9,214	11,515
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(927)	(24,483)	3,637	(8,293)	(728)
Operating Cashflow	35,695	6,030	25,046	23,091	31,392
Capital expenditure	(94,447)	13,232	(1,195)	0	(15,000)
Free Cash Flow	(58,752)	19,262	23,850	23,091	16,392
Investments	14,257	(257)	(1,179)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(77,839)	15,144	2,276	2,226	(12,059)
Equity Capital Raised	(5,271)	12,206	5,510	0	0
Loans Taken / (Repaid)	62,828	(12,088)	(23,005)	(6,760)	(6,710)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	4	(551)	0	0	0
Financing Cashflow	42,579	(17,280)	(32,054)	(20,526)	(19,284)
Net chg in cash	435	3,895	(4,733)	4,792	49
Opening cash position	3,514	3,949	7,843	3,110	7,902
Closing cash position	3,948	7,843	3,110	7,902	7,951

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	41.0	40.2	34.3	39.4	39.6
EBIT Margin	32.3	28.5	22.3	26.2	26.7
Effective Tax Rate	29.1	30.3	31.4	28.6	25.2
Net Margin	13.8	7.5	6.9	9.3	12.0
ROCE	17.3	10.8	9.7	11.2	11.9
ROE	17.4	6.5	5.6	7.1	8.7
RoIC	17.5	10.4	8.2	10.8	11.3

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	8.5	3.8	3.7	5.0	6.6
CEPS	13.7	9.7	9.6	12.1	13.7
BVPS	52.0	63.7	67.7	72.7	79.3
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	8.0	18.0	18.6	13.7	10.3
P/CEPS	4.9	6.9	7.0	5.5	4.9
P/BV	1.3	1.1	1.0	0.9	0.9
EV / Sales	2.6	2.8	2.7	2.3	2.2
EV / EBITDA	6.2	7.1	7.9	5.9	5.6
Dividend Yield (%)	0.0	0.0	0.0	0.1	0.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.6	1.2	0.9	0.8	0.7
Net Debt/EBIDTA	3.5	3.7	3.8	2.7	2.4
Working Cap Cycle (days)	17.7	75.4	21.4	54.1	55.6

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	4.7	(15.9)	(2.6)	9.2	2.7
EBITDA	11.1	(17.4)	(16.9)	25.4	3.2
EBIT	11.9	(25.7)	(23.7)	27.9	4.8
PAT	10.0	(60.2)	(70.1)	344.4	32.3

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	22,316	20,490	19,932	17,751	23,606
EBITDA	8,688	8,824	5,807	4,215	7,762
EBITDA Margin (%)	38.9	43.1	29.1	23.7	32.9
PAT	2,172	2,972	506	(4,801)	2,295
EPS (Rs)	1.3	1.8	0.3	(2.9)	1.4

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	75.0	75.0	75.0	75.0	75.0
FII	9.8	7.1	6.4	6.0	6.2
DII	6.1	6.2	6.9	8.1	8.5
Public and Others	9.1	11.7	11.7	10.9	10.4

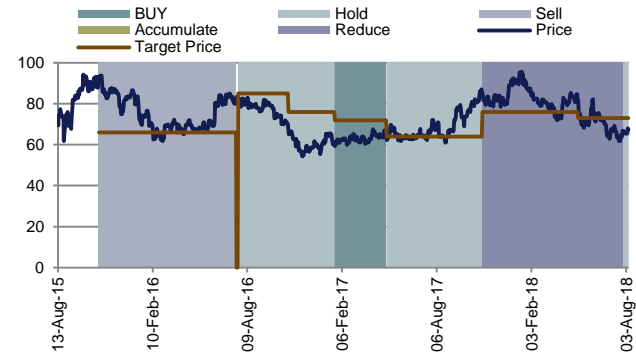
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-18	67	73	12m	Hold	Anuj Upadhyay
03-Jul-18	64	73	12m	Reduce	Anuj Upadhyay
03-May-18	82	73	12m	Reduce	Anuj Upadhyay
02-May-18	82	76	12m	Reduce	Anuj Upadhyay
01-Mar-18	81	76	12m	Reduce	Anuj Upadhyay
06-Feb-18	83	76	12m	Reduce	Anuj Upadhyay
30-Jan-18	87	76	12m	Reduce	Anuj Upadhyay
01-Jan-18	91	76	12m	Reduce	Anuj Upadhyay
01-Dec-17	84	76	12m	Reduce	Anuj Upadhyay
01-Nov-17	85	76	12m	Reduce	Anuj Upadhyay
10-Oct-17	79	64	12m	Hold	Anuj Upadhyay
11-Aug-17	64	64	12m	Hold	Anuj Upadhyay
02-May-17	62	64	12m	Hold	Anuj Upadhyay
28-Apr-17	67	72	12m	Buy	Anuj Upadhyay
03-Mar-17	62	72	12m	Buy	Urmik Chhiya
23-Jan-17	59	72	12m	Buy	Urmik Chhiya
26-Oct-16	67	76	12m	Hold	Urmik Chhiya
22-Jul-16	79	85	12m	Hold	Urmik Chhiya
19-Jul-16	81	-	12m	UR	Urmik Chhiya
16-Nov-15	83	66	12m	Sell	Urmik Chhiya
30-Oct-15	93	66	12m	Sell	Urmik Chhiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Tata Power Company

Refer to important disclosures at the end of this report

Aims for Rs70–80bn B/S deleveraging in two years

We hosted Mr Ajay Bagri, head of corporate treasury and IR of Tata Power, in our India Conference to share company insights.

Key Meeting Takeaways

- Tata Power currently has a total operating capacity of 10,757 MW, of which 98% is tied up under LT PPA. Renewable (Tata Power Renewable Energy Ltd, or TPREL) accounts for 2,226 MW of the total capacity.
- The company has recently won a bid to develop 250MW of solar bid at a tariff of Rs2.85/kWh at Pavagada Solar Park in Tumkur district in Karnataka. The project will be commissioned within 12 months from the date of signing of the PPA. With this addition, TPREL will have an overall operational capacity of 400 MW in Pavagada Solar Park with 150 MW operational since FY18.
- Management continues to focus on selling non-core assets to reduce its Rs.473.7bn debt (D/E – 3.1x). Its net debt stands at Rs457.2bn with a D/E of 2.26x. Accordingly, the company is planning to dilute its stakes across a few non-core assets, such as Tata Communication (already done), Tata Projects and coal mine in Indonesia. The proceeds from stake sale in Arutmin is \$400mn, of which only \$100mn has been realized till date.
- Out of the initial divestment target of Rs50bn, ~Rs25bn has been realized and the proceeds were used to repay debt. The balance Rs25bn is expected to be realized by next 1-2 years (Rs10bn from the defense business - SED stake sale and Rs10bn from Arutmin stake sale).
- The company also plans to sell its 47% stake in Tata Projects in the next two years and expects to realize ~Rs25bn from the sale. Thus, management plans to realize Rs70-Rs80bn overall from stake sales and use the proceeds to lower debt.
- Tata Power Mumbai has won 250MW non-RTC tender in Mumbai. However, BEST has not finalized the bidder for 750MW tender (it had floated 300MW RTC and 450MW non-RTC tenders) as the quoted rate is higher than the rate at which Tata Power was supplying to earlier. So, management is optimistic that its contract can be renewed after Mar'19.
- With regard to growth, the company's focus is on adding renewable capacity going forward. It targets to add 700-800MW p.a. of renewable capacity.
- The impact of Indonesia's Domestic Market Obligation (DMO) will be to the tune of Rs600mn over the next two years.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	358812	337276	294943	278819	293312
EBITDA	69158	63012	36384	45088	50912
EBITDA Margin (%)	19.3	18.7	12.3	16.2	17.4
APAT	-2606	1488	-1223	13403	15881
EPS (Rs)		0.6		5.0	5.9
EPS (% chg)	-	-	-	-	18.5
ROE (%)	-	1.1	-	11.4	11.7
P/E (x)	-	127.3	-	14.1	11.9
EV/EBITDA (x)	7.9	8.6	12.4	12.2	10.6
P/BV (x)	1.6	1.3	1.6	1.6	1.2

Source: Company, Emkay Research

CMP	Target Price
Rs 70 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	TPWR IN
Face Value (Rs)	1
Shares outstanding (mn)	2705
52 Week H/L	102/67
M Cap (Rs bn/USD bn)	188/2.7
Daily Avg Volume (nos.)	4,401,525
Daily Avg Turnover (US\$ mn)	4.9

Shareholding Pattern Jun'18

Promoters	33.0%
FIIIs	27.5%
DIIIs	24.6%
Public and Others	15.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-3	-17	-18	-11
Rel. to Nifty	-8	-23	-25	-24

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	358812	337276	294943	278819	293312
Expenditure	288346	273057	258217	226802	242485
EBITDA	69158	63012	36384	45088	50912
Depreciation	27296	21742	16487	19556	23981
EBIT	41862	41271	19897	25532	26931
Other Income	2288	10560	25269	2792	38733
Interest expenses	34399	36987	32358	33650	37230
PBT	9751	14844	12807	-5325	28434
Tax	10084	10749	6803	3505	1643
Extraordinary Items	6	191	7845	-3676	8885
Minority Int. /Income from Assoc.	2720	2894	1242	2031	2026
Reported Net Income	-2600	1678	6622	8967	24766
Adjusted PAT	-2606	1488	-1223	13403	15881

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	2373	2705	2705	2705	2705
Reserves & surplus	121638	140484	113629	129441	149897
Net worth	121763	140966	116334	117795	152602
Minority Interest	22733	24926	17498	18690	20153
Loan Funds	401725	406067	388486	488154	485892
Net deferred tax liability	-11229	-13955	-20937	-16596	-4333
Total Liabilities	582363	609138	583070	700009	719778
Net block	433936	447257	364137	465948	464813
Investment	30193	34446	117854	118730	124289
Current Assets	130203	142934	94483	116100	139343
Cash & bank balance	15550	14835	6632	9543	11858
Other Current Assets	114653	128099	87851	106557	127486
Current liabilities & Provision	120241	128760	96559	111688	112429
Net current assets	9962	14174	-2076	4413	26914
Misc. exp	0	0	0	0	0
Total Assets	582363	609138	583070	700009	719778

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	17,896	13,845	8,133	2,398	8,186
Net Cash from Operations	64,831	59,809	74,151	70,142	63,639
Net Cash Used in Investing	-36,093	-38,652	-18,052	-73,727	-15,117
Net Cash Used in Financing	-32,654	-22,386	-61,835	9,373	-47,263
Net Inc/(Dec) in Cash	-3,916	-1,229	-5,736	5,788	1,259
Closing Cash	13,981	12,616	2,398	8,186	9,445

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	19.3	18.7	12.3	16.2	17.4
EBIT Margin	11.7	12.2	6.7	9.2	9.2
Effective Tax Rate	103.4	72.4	53.1	-	5.8
Net Margin	-0.7	0.4	-0.4	4.8	5.4
ROCE	7.3	6.9	3.3	4.0	3.8
ROE	-	1.1	-	11.4	11.7
RoIC	9.9	9.4	5.1	6.5	5.8

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS		0.6		5.0	5.9
CEPS	9.1	8.6	5.6	12.2	14.7
BVPS	45.0	52.1	43.0	43.5	56.4
DPS	1.3	1.3	1.3	1.3	1.3

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	-	127.3	-	14.1	11.9
P/CEPS	7.7	8.2	12.4	5.7	4.8
P/BV	1.6	1.3	1.6	1.6	1.2
EV / Sales	1.5	1.6	1.5	2.0	1.8
EV / EBITDA	7.9	8.6	12.4	12.2	10.6
Dividend Yield (%)	1.8	1.9	1.9	1.9	1.9

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	2.9	2.5	2.3	3.1	2.3
Net Debt/EBIDTA	5.1	5.7	7.3	8.0	6.9
Working Cap Cycle (days)	-5.7	-0.7	-10.8	-6.7	18.7

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	8.0	-6.0	-12.6	-5.5	5.2
EBITDA	23.8	-8.9	-42.3	23.9	12.9
EBIT	18.4	-1.4	-51.8	28.3	5.5
PAT	-	-	-	-	18.5

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	64,150	76,011	69,499	72,301	73,134
EBITDA	16,852	14,408	12,087	12,272	15,624
EBITDA Margin (%)	26.3	19.0	17.4	17.0	21.4
PAT	4,059	2,351	6,448	2,607	3,000
EPS (Rs)	1.5	0.9	2.4	1.0	1.1

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	33.0	33.0	33.0	33.0	33.0
FIIIs	26.4	26.2	27.3	28.1	27.5
DIIIs	24.5	24.6	24.4	23.6	24.6
Public and Others	16.0	16.2	15.3	15.2	15.0

Invested Capital	430421	445252	341125	447194	487394
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Retail

Aditya Birla Fashion & Retail

Refer to important disclosures at the end of this report

Strong brands; making retailing more profitable

We hosted Rahul Desai, head of treasury, IR and M&A of Aditya Birla Fashions, at our India Conference to share company insights.

Key Meeting Takeaways

- Management is optimistic on improvement in SSG growth to 5% vs. -2% in 1Q. It expects 3Q to be a very strong quarter.
- Management indicated that Pantaloon's margin expansion in 1QFY19 is not sustainable. Besides cost efficiencies, higher full price also led to the expansion in margin (gross margin expansion was 150bps). It continues to target margin expansion to be in the range of 100-150bps.
- In fast fashion, after a lot of learnings over the last few years and taking corrective measures, management is now confident on profitably growing the segment. After the rationalization of stores in Forever 21, management is relooking at its merchandise, and plans to bring in more India-centric offerings. It expects losses to come down significantly to Rs200-250mn from Rs530mn last year.
- Will continue to explore and add new brands in the fast fashion in order to fill portfolio gaps and tap future growth opportunities. However, these measures will not attract significant investments and the bulk of the capex will be earmarked for the core brands.
- Management believes that its depreciation policy is very aggressive and can be relooked to bring it in line with its peers. This should reflect true ROCEs of the business.
- Among competitors, H&M's aggressive expansion had a big impact. It has added one of the highest retail spaces of ~6mn sq.ft. since entering India and has been discounting and following an aggressive pricing policy. Among the domestic brands, Arrow is the closest competitor, followed by Park Avenue, which are less than half the size of its largest brands.

Financial Snapshot (Standalone)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	66,029	71,721	83,094	96,076	110,332
EBITDA	4,375	4,683	6,435	8,238	10,205
EBITDA Margin (%)	6.6	6.5	7.7	8.6	9.2
APAT	535	1,178	2,026	3,431	5,279
EPS (Rs)	0.7	1.5	2.6	4.5	6.9
EPS (% chg)	0.0	120.2	72.0	69.3	53.9
ROE (%)	5.7	11.6	17.2	23.7	28.0
P/E (x)	257.7	117.1	68.1	40.2	26.1
EV/EBITDA (x)	36.1	33.6	24.2	18.5	14.4
P/BV (x)	14.4	12.8	10.8	8.5	6.4

Source: Company, Emkay Research

CMP	Target Price
Rs 179	Rs 190 (■)
as of (August 10, 2018)	12 months
Rating	Upside
ACCUMULATE (■)	6.2 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	2.6	4.5
Consensus	2.3	4.0
Mean Consensus TP (12M)	Rs 203	

Stock Details

Bloomberg Code	ABFRL IN
Face Value (Rs)	10
Shares outstanding (mn)	772
52 Week H/L	195 / 132
M Cap (Rs bn/USD bn)	138 / 2.01
Daily Avg Volume (nos.)	1,274,007
Daily Avg Turnover (US\$ mn)	3.0

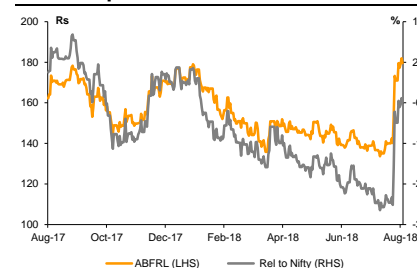
Shareholding Pattern Jun '18

Promoters	59.2%
FIIIs	9.6%
DIIIs	17.8%
Public and Others	13.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	29	24	14	6
Rel. to Nifty	23	16	5	(9)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	66,029	71,721	83,094	96,076	110,332
Expenditure	61,654	67,038	76,660	87,837	100,126
EBITDA	4,375	4,683	6,435	8,238	10,205
Depreciation	2,425	2,805	3,084	3,671	3,993
EBIT	1,950	1,878	3,351	4,568	6,212
Other Income	382	328	334	364	397
Interest expenses	1,797	1,716	1,659	1,501	1,330
PBT	535	490	2,026	3,431	5,279
Tax	0	(688)	0	0	0
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	535	1,178	2,026	3,431	5,279
Adjusted PAT	535	1,178	2,026	3,431	5,279

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	7,705	7,705	7,705	7,705	7,705
Reserves & surplus	1,876	3,054	5,080	8,511	13,790
Net worth	9,582	10,760	12,786	16,216	21,496
Minority Interest	0	0	0	0	0
Loan Funds	20,446	20,446	18,446	16,446	14,446
Net deferred tax liability	0	0	0	0	0
Total Liabilities	30,028	31,206	31,232	32,662	35,942
Net block	24,871	25,065	24,481	23,811	21,818
Investment	0	0	0	0	0
Current Assets	25,238	27,746	30,863	36,517	45,695
Cash & bank balance	445	824	355	1,768	5,790
Other Current Assets	5,869	5,814	6,736	7,789	8,945
Current liabilities & Provision	20,331	21,856	24,363	27,915	31,821
Net current assets	4,907	5,890	6,500	8,601	13,874
Misc. exp	0	0	0	0	0
Total Assets	30,028	31,206	31,232	32,662	35,942

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	154	162	1,692	3,066	4,882
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(588)	(604)	(1,080)	(687)	(1,251)
Operating Cashflow	3,757	4,767	5,355	7,551	8,955
Capital expenditure	(4,060)	(3,000)	(2,500)	(3,000)	(2,000)
Free Cash Flow	(302)	1,767	2,855	4,551	6,955
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(3,678)	(2,672)	(2,166)	(2,636)	(1,603)
Equity Capital Raised	101	0	0	0	0
Loans Taken / (Repaid)	1,953	0	(2,000)	(2,000)	(2,000)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(84)	0	0	0	0
Financing Cashflow	173	(1,716)	(3,659)	(3,501)	(3,330)
Net chg in cash	252	379	(470)	1,414	4,022
Opening cash position	192	445	824	355	1,768
Closing cash position	445	824	355	1,768	5,790

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	6.6	6.5	7.7	8.6	9.2
EBIT Margin	3.0	2.6	4.0	4.8	5.6
Effective Tax Rate	0.0	(140.5)	0.0	0.0	0.0
Net Margin	0.8	1.6	2.4	3.6	4.8
ROCE	8.1	7.2	11.8	15.4	19.3
ROE	5.7	11.6	17.2	23.7	28.0
RoIC	6.9	6.3	11.0	14.9	20.5

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	0.7	1.5	2.6	4.5	6.9
CEPS	3.8	5.2	6.6	9.2	12.0
BVPS	12.4	14.0	16.6	21.0	27.9
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	257.7	117.1	68.1	40.2	26.1
P/CEPS	39.3	29.2	22.8	16.4	12.6
P/BV	14.4	12.8	10.8	8.5	6.4
EV / Sales	2.4	2.2	1.9	1.6	1.3
EV / EBITDA	36.1	33.6	24.2	18.5	14.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	2.1	1.8	1.4	0.9	0.4
Net Debt/EBIDTA	4.6	4.2	2.8	1.8	0.8
Working Cap Cycle (days)	24.7	25.8	27.0	26.0	26.7

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	9.4	8.6	15.9	15.6	14.8
EBITDA	15.6	7.0	37.4	28.0	23.9
EBIT	383.6	(3.7)	78.5	36.3	36.0
PAT	0.0	120.2	72.0	69.3	53.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	17,600	18,040	18,550	17,536	19,135
EBITDA	740	930	1,380	1,633	1,138
EBITDA Margin (%)	4.2	5.2	7.4	9.3	5.9
PAT	(200)	(100)	350	1,131	56
EPS (Rs)	(0.3)	(0.1)	0.5	1.5	0.1

Source: Company, Emkay Research

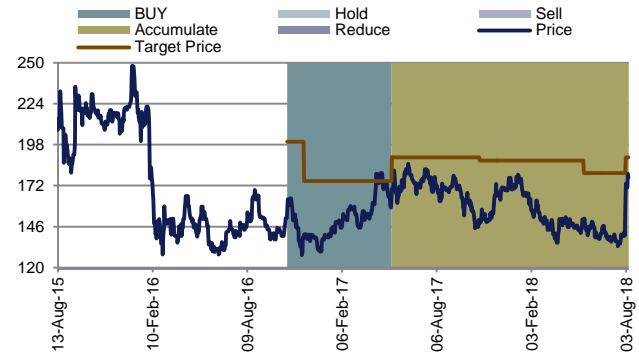
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	59.3	59.3	59.2	59.2	59.2
FII	11.7	11.8	11.6	10.5	9.6
DII	14.7	14.2	14.2	16.1	17.8
Public and Others	14.4	14.8	14.9	14.2	13.4

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
02-Aug-18	173	190	12m	Accumulate	Ashit Desai
14-May-18	150	180	12m	Accumulate	Ashit Desai
27-Oct-17	149	188	12m	Accumulate	Sameep Kasbekar
27-Sep-17	153	190	12m	Accumulate	Sameep Kasbekar
27-Jul-17	170	190	12m	Accumulate	Sameep Kasbekar
12-May-17	170	190	12m	Accumulate	Sameep Kasbekar
03-Feb-17	145	175	12m	Buy	Sameep Kasbekar
25-Nov-16	141	175	12m	Buy	Sameep Kasbekar
24-Oct-16	156	200	12m	Buy	Sameep Kasbekar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Future Lifestyle Fashions

Refer to important disclosures at the end of this report

Brand Factory to drive growth

We hosted Kaleeswaran A, CFO of Future Lifestyle Fashions, at our India Conference to share company insights.

Key Meeting Takeaways

- Management believes Brand Factory is well-positioned to capture the strong growth in value fashion. It has a powerful branded value fashion positioning with low competition. The company started this format as a liquidation format but it has evolved and has become a disruptor, probably comparable to TJMaxx in the US and Europe. It sees strong potential over the next 3-5 years and plans to expand retail space by 15%.
- Its other format Central is positioned towards family shopping and convenience. It plans to add 4-5 stores each year and will focus on improving profitability.
- Margin expansion opportunities exist in both formats. Currently, Central records gross margins of 40% and EBITDA margins of 10%, while Brand Factory has lower margins of 29% at the gross level and 7.5% at the EBITDA level.
- Management believes that it can increase margins to 11-12% in Central through higher throughputs, increase in own brand share from 30% currently and higher margins/royalties from third-party brand owners given the significant brand display it provides in the stores.
- In Brand Factory, FLF is exploring buying inventory (model followed by TJMaxx) as against the current model of SOR, which can drive higher margins but this will also increase working capital needs.
- Will look at addressing product gaps and will continue to add new brands. Getting a lot of offers from some of the top brands. Formal footwear, sunglasses, accessories, luggage are categories that are likely to be added in the future.
- Own brands contribute 40% of sales in Brand Factory, which has increased from 30%. The company believes this can be further scaled up to 50%. Private brands are important as they fill product offerings and availability gaps and offer a consistent pricing.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33,002	38,771	44,980	53,032	62,352
EBITDA	3,251	3,572	4,087	5,017	6,086
EBITDA Margin (%)	9.9	9.2	9.1	9.5	9.8
APAT	295	451	1,261	1,668	2,264
EPS (Rs)	1.6	2.4	6.6	8.6	11.7
EPS (% chg)	56.1	52.5	179.4	29.7	35.7
ROE (%)	1.8	2.5	6.4	7.6	9.2
P/E (x)	279.3	183.1	65.6	50.5	37.2
EV/EBITDA (x)	27.6	24.9	21.6	17.7	14.7
P/BV (x)	5.1	4.3	4.1	3.6	3.3

Source: Company, Emkay Research

CMP	Target Price
Rs 434	Rs 535 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	23.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	8.6	11.7
Consensus	9.1	12.2
Mean Consensus TP (12M)	Rs 527	

Stock Details

Bloomberg Code	FLFL IN
Face Value (Rs)	2
Shares outstanding (mn)	194
52 Week H/L	482 / 308
M Cap (Rs bn/USD bn)	84 / 1.23
Daily Avg Volume (nos.)	420,053
Daily Avg Turnover (US\$ mn)	2.7

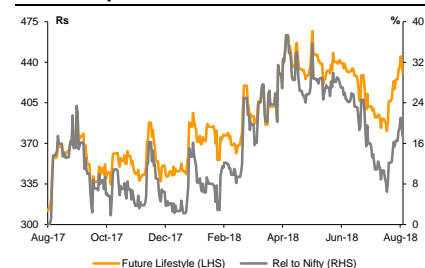
Shareholding Pattern Jun '18

Promoters	53.5%
FIIIs	15.1%
DIIIs	15.8%
Public and Others	15.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	(7)	15	38
Rel. to Nifty	4	(13)	5	19

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33,002	38,771	44,980	53,032	62,352
Expenditure	29,750	35,199	40,892	48,015	56,266
EBITDA	3,251	3,572	4,087	5,017	6,086
Depreciation	1,614	1,870	1,539	1,738	1,952
EBIT	1,637	1,702	2,548	3,279	4,134
Other Income	165	66	341	330	382
Interest expenses	1,353	1,172	1,033	828	796
PBT	450	596	1,856	2,782	3,720
Tax	155	145	586	878	1,174
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	(10)	(235)	(282)
Reported Net Income	295	451	1,261	1,668	2,264
Adjusted PAT	295	451	1,261	1,668	2,264

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	379	381	381	389	389
Reserves & surplus	15,853	18,843	19,993	23,230	25,358
Net worth	16,232	19,224	20,374	23,619	25,746
Minority Interest	0	0	10	245	527
Loan Funds	11,405	6,824	6,774	6,274	6,274
Net deferred tax liability	709	724	724	724	724
Total Liabilities	28,347	26,772	27,882	30,862	33,271
Net block	12,428	13,270	13,105	14,043	14,967
Investment	3,754	429	429	429	429
Current Assets	21,771	23,931	26,480	31,361	36,004
Cash & bank balance	146	299	887	1,331	697
Other Current Assets	571	144	414	489	574
Current liabilities & Provision	11,469	14,263	15,538	18,376	21,534
Net current assets	10,302	9,668	10,942	12,985	14,470
Misc. exp	0	0	0	0	0
Total Assets	28,347	26,772	27,882	30,862	33,271

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	285	530	1,515	2,451	3,338
Other Non-Cash items	0	0	0	0	0
Chg in working cap	220	803	(687)	(1,598)	(2,120)
Operating Cashflow	3,584	2,885	2,122	2,043	2,378
Capital expenditure	(1,164)	(4,255)	(1,375)	(2,675)	(2,875)
Free Cash Flow	2,420	(1,370)	748	(633)	(497)
Investments	(317)	3,326	0	0	0
Other Investing Cash Flow	(237)	1,469	0	0	0
Investing Cashflow	(1,553)	606	(1,034)	(2,345)	(2,493)
Equity Capital Raised	311	2,535	0	1,701	0
Loans Taken / (Repaid)	(1,339)	(4,582)	(50)	(500)	0
Dividend paid (incl tax)	(91)	(91)	(111)	(124)	(137)
Other Financing Cash Flow	(10)	(27)	692	498	414
Financing Cashflow	(2,481)	(3,337)	(502)	747	(519)
Net chg in cash	(450)	153	587	444	(634)
Opening cash position	597	146	299	887	1,331
Closing cash position	146	299	887	1,331	697

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	9.9	9.2	9.1	9.5	9.8
EBIT Margin	5.0	4.4	5.7	6.2	6.6
Effective Tax Rate	34.5	24.3	31.6	31.6	31.6
Net Margin	0.9	1.2	2.8	3.6	4.1
ROCE	6.3	6.4	10.6	12.3	14.1
ROE	1.8	2.5	6.4	7.6	9.2
RoIC	7.1	7.5	11.1	13.4	15.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	1.6	2.4	6.6	8.6	11.7
CEPS	10.1	12.2	14.7	17.5	21.7
BVPS	85.6	100.9	107.0	121.6	132.5
DPS	0.5	0.5	0.6	0.6	0.7

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	279.3	183.1	65.6	50.5	37.2
P/CEPS	40.6	33.5	27.8	23.3	18.8
P/BV	5.1	4.3	4.1	3.6	3.3
EV / Sales	2.8	2.3	2.0	1.7	1.4
EV / EBITDA	27.6	24.9	21.6	17.7	14.7
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.5	0.3	0.3	0.2	0.2
Net Debt/EBITDA	2.3	1.7	1.4	0.9	0.9
Working Cap Cycle (days)	112.3	88.2	81.6	80.2	80.6

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	5.3	17.5	16.0	17.9	17.6
EBITDA	(1.5)	9.8	14.4	22.7	21.3
EBIT	2.3	4.0	49.7	28.7	26.1
PAT	58.9	53.2	179.4	32.3	35.7

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	9,874	10,836	11,178	12,256	10,710
EBITDA	948	994	1,040	1,149	905
EBITDA Margin (%)	9.6	9.2	9.3	9.4	8.4
PAT	189	318	303	444	205
EPS (Rs)	1.0	1.7	1.6	2.3	1.1

Source: Company, Emkay Research

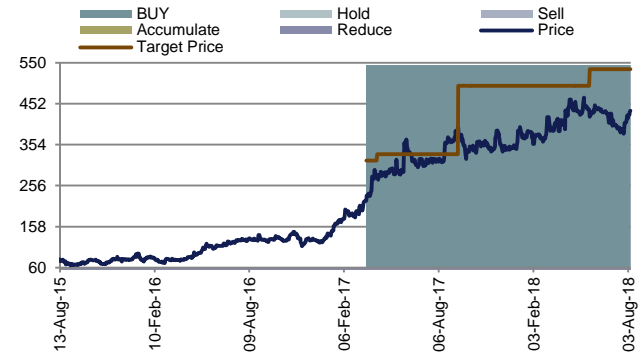
Shareholding Pattern (%)	Sep-17	Dec-17	Mar-18	Jun-18	Jun-18
Promoters	60.6	60.5	60.5	53.5	53.5
FIIIs	5.1	5.5	5.4	15.0	15.1
DIIIs	17.5	17.4	19.3	16.2	15.8
Public and Others	16.8	16.5	14.8	15.4	15.6

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
21-May-18	421	535	12m	Buy	Ashit Desai
04-Dec-17	347	495	12m	Buy	Sameep Kasbekar
01-Nov-17	353	495	12m	Buy	Sameep Kasbekar
12-Sep-17	396	495	12m	Buy	Sameep Kasbekar
15-May-17	287	331	12m	Buy	Sameep Kasbekar
10-Apr-17	282	331	12m	Buy	Sameep Kasbekar
20-Mar-17	221	316	12m	Buy	Sameep Kasbekar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Refer to important disclosures at the end of this report

Turnaround story continues to unfold

We hosted Mr. Gaurav Mahajan, president, apparels, of Raymond and J. Mukund, head of investor relations, at our India Conference to share company/industry insights.

Key Meeting Takeaways

- FY19 guidance maintained: 7-9% revenue growth and EBITDA margin expansion of 80-100bps.
- Branded textile revenue to be driven by the continued focus on product innovations such as Technoserries, Monza and Linen and service innovations such as custom tailoring, concierge services and online tailoring, and the scaling up of institutional businesses. EBITDA margins are expected to be maintained at FY18 levels. Several initiatives, including wool micron optimization, process optimization and nominal price hikes, are underway to partially neutralize the impact of the wool price hike.
- Management expects network expansion to continue in Tier 3-4 towns through the asset-light and franchise-based Mini TRS stores. The company already has 101 Mini TRS stores in place and plans to add ~200 more by 2020.
- The branded apparel business should continue to grow at a mid-teen- to high-teen rate for FY19, led by the scaling up of power brands and supported by new customer segments (Ethnix, Next Look and Khadi). The portfolio sharpening of power brands will continue and the focus is on enhancing the core proposition as a full wardrobe solution provider. Growth should be driven by the addition of doors under the MBO channel and the franchisee-led EBO expansion.
- The ColorPlus product offering is being sharpened and management expects to end the year with double-digit growth. Ethnix is positioned as a stylized, elegant offering, while Next Look is in the value segment, which is currently sold mainly through trade channels.
- With the commissioning of the Amravati and Ethiopia plants, the peak capex cycle is behind us. Management expects profitable growth momentum in the engineering business of tools and hardware and auto components to continue.
- Real estate: currently, the company is in the process of seeking the requisite approvals from authorities to start the project.
- 1QFY19 performance on track: consolidated revenue ex-GST impact was up 8% and EBITDA was up 32%, with a 176bps margin improvement. Margin expansion was witnessed across the segments except in branded textile, which was negatively affected a change in channel mix, increase in raw-material costs and corporate cost allocation impact of ~1.2%.
- As of June 30, 2018, the company's retail store count was 1,236 across all formats, covering about 2.17mn sq. ft. of retail space.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	51,406	53,533	59,064	66,383	74,241
EBITDA	3,872	3,048	4,279	5,696	6,803
EBITDA Margin (%)	7.5	5.7	7.2	8.6	9.2
APAT	1,200	356	1,137	1,980	2,593
EPS (Rs)	19.6	5.8	18.5	32.3	42.2
EPS (% chg)	6.4	(70.4)	219.6	74.2	30.9
ROE (%)	7.5	2.1	6.5	10.4	12.3
P/E (x)	40.2	135.6	42.4	24.4	18.6
EV/EBITDA (x)	16.6	21.3	15.3	11.6	9.7
P/BV (x)	2.9	2.9	2.7	2.4	2.2

Source: Company, Emkay Research

CMP	Target Price
Rs 786 as of (August 10, 2018)	Rs 1,260 (■) 12 months
Rating	Upside
BUY (■)	60.3 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	32.3	42.2
Consensus	28.6	38.4
Mean Consensus TP (12M)	Rs 1,152	

Stock Details

Bloomberg Code	RW IN
Face Value (Rs)	10
Shares outstanding (mn)	61
52 Week H/L	1,153 / 675
M Cap (Rs bn/USD bn)	48 / 0.70
Daily Avg Volume (nos.)	622,721
Daily Avg Turnover (US\$ mn)	8.3

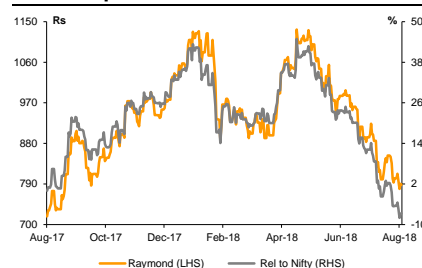
Shareholding Pattern Jun '18

Promoters	43.1%
FIIIs	9.7%
DIIIs	17.7%
Public and Others	29.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(15)	(28)	(19)	9
Rel. to Nifty	(19)	(32)	(26)	(7)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	51,406	53,533	59,064	66,383	74,241
Expenditure	47,534	50,485	54,785	60,687	67,438
EBITDA	3,872	3,048	4,279	5,696	6,803
Depreciation	1,589	1,569	1,703	2,019	2,224
EBIT	2,283	1,479	2,576	3,677	4,579
Other Income	1,190	1,179	1,185	1,304	1,359
Interest expenses	1,897	1,780	1,838	1,749	1,749
PBT	1,576	878	1,923	3,232	4,189
Tax	465	218	666	1,120	1,452
Extraordinary Items	(352)	(101)	210	0	0
Minority Int./Income from Assoc.	103	(214)	19	21	23
Reported Net Income	848	255	1,346	1,980	2,593
Adjusted PAT	1,200	356	1,137	1,980	2,593

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	614	614	614	614	614
Reserves & surplus	16,110	16,117	17,507	19,268	21,641
Net worth	16,723	16,731	18,120	19,882	22,255
Minority Interest	648	693	763	839	922
Loan Funds	20,627	21,398	21,865	21,865	21,865
Net deferred tax liability	(601)	(717)	(537)	(537)	(537)
Total Liabilities	37,398	38,105	40,211	42,048	44,506
Net block	11,630	11,572	17,292	17,773	18,049
Investment	6,093	6,405	6,355	6,355	6,355
Current Assets	28,206	29,445	33,891	32,384	36,488
Cash & bank balance	903	697	868	238	537
Other Current Assets	4,467	4,622	5,246	5,456	6,102
Current liabilities & Provision	11,049	13,554	20,155	17,292	19,215
Net current assets	17,156	15,892	13,736	15,092	17,273
Misc. exp	0	0	0	0	0
Total Assets	37,398	38,105	40,211	42,048	44,506

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	386	(301)	738	1,929	2,830
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,169)	942	2,507	(1,987)	(1,882)
Operating Cashflow	3,172	3,443	6,886	2,144	3,080
Capital expenditure	(921)	(3,229)	(3,700)	(2,500)	(2,500)
Free Cash Flow	2,251	214	3,186	(356)	580
Investments	(1,824)	(312)	50	0	0
Other Investing Cash Flow	(554)	165	(3,724)	0	0
Investing Cashflow	(2,108)	(2,196)	(6,189)	(1,197)	(1,141)
Equity Capital Raised	22	0	0	0	0
Loans Taken / (Repaid)	1,817	771	467	0	0
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	(1,122)	(207)	593	171	110
Financing Cashflow	(1,179)	(1,216)	(777)	(1,578)	(1,639)
Net chg in cash	(115)	31	(80)	(630)	300
Opening cash position	437	322	697	868	238
Closing cash position	903	697	617	238	537

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	7.5	5.7	7.2	8.6	9.2
EBIT Margin	4.4	2.8	4.4	5.5	6.2
Effective Tax Rate	29.5	24.9	34.7	34.7	34.7
Net Margin	2.2	1.2	2.1	3.2	3.7
ROCE	9.6	7.0	9.6	12.1	13.7
ROE	7.5	2.1	6.5	10.4	12.3
RoIC	8.2	5.4	9.0	11.7	13.6

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	19.6	5.8	18.5	32.3	42.2
CEPS	45.4	31.4	46.3	65.2	78.5
BVPS	272.5	272.6	295.2	323.9	362.6
DPS	3.6	3.6	3.6	3.6	3.6

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	40.2	135.6	42.4	24.4	18.6
P/CEPS	24.8	35.9	24.3	17.3	14.4
P/BV	2.9	2.9	2.7	2.4	2.2
EV / Sales	1.3	1.2	1.1	1.0	0.9
EV / EBITDA	16.6	21.3	15.3	11.6	9.7
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.5

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.0	1.0	1.0	0.9	0.8
Net Debt/EBIDTA	4.2	5.5	4.0	3.1	2.6
Working Cap Cycle (days)	115.4	103.6	79.5	81.7	82.3

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(3.6)	4.1	10.3	12.4	11.8
EBITDA	(9.3)	(21.3)	40.4	33.1	19.4
EBIT	(13.8)	(35.2)	74.1	42.8	24.5
PAT	(24.8)	(69.9)	427.6	47.1	30.9

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	14,736	11,969	15,955	14,842	16,298
EBITDA	1,127	384	1,373	1,015	1,507
EBITDA Margin (%)	7.6	3.2	8.6	6.8	9.2
PAT	329	(73)	599	288	531
EPS (Rs)	5.4	(1.2)	9.8	4.7	8.7

Source: Company, Emkay Research

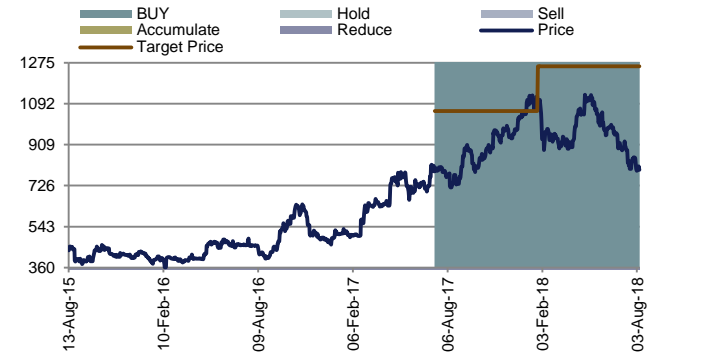
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	42.6	42.8	42.8	43.0	43.1
FII	9.0	9.2	11.3	10.2	9.7
DII	18.4	20.0	17.7	18.3	17.7
Public and Others	30.0	28.0	28.3	28.5	29.5

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
25-Apr-18	1,132	1,260	12m	Buy	Sameep Kasbekar
25-Jan-18	1,075	1,260	12m	Buy	Sameep Kasbekar
25-Oct-17	887	1,059	12m	Buy	Sameep Kasbekar
02-Aug-17	777	1,059	12m	Buy	Sameep Kasbekar
26-Jul-17	804	1,059	12m	Buy	Sameep Kasbekar
12-Jul-17	803	1,059	12m	Buy	Sameep Kasbekar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Shoppers Stop

Refer to important disclosures at the end of this report

Betting on private brands and omnichannel

We hosted Shoppers Stop management represented by Mr. Karunakaran M, CFO, Mr. Gopal Asthana, head B&M, Mr. Girish Prajapati, GM of finance and Ms. Archana Mohta, corporate communication lead, at our India Conference to share company insights.

Key Meeting Takeaways

- The company has made significant investments in increasing managerial strength across functions and expects the new strategy to drive its turnaround.
- It undertook major renovations across big stores in the recent past which is behind us. It expects SSG to improve to mid-single digits this year.
- Shopper Stop is now almost a debt-free company. Investment in omni-channel is already incurred and future capex will be to the extent of Rs1.2-1.3bn.
- Currently, private brands contribute 10% while exclusive brands contribute 4%. Margins in exclusive brands are similar to those of private brands. Shoppers Stop pays only royalty on these brands and has complete control on design, sourcing, etc.
- The focus will be high on private labels. The company has divided private brand teams into three verticals. It has also set up a design studio and an in-house sampling unit now vs. outsourced (as new product secrecy was lost). The sourcing vertical has also seen changes and has been simplified, which is also likely to drive sourcing efficiencies as sourcing is centralized.
- Beauty remains a strong business for Shoppers Stop as it accounts for more than 95% of the offline sales of Estee Lauder brands in India and has higher margins. Management believes this category offers strong growth potential, given the low consumer spends on beauty currently.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33,548	36,480	35,915	41,078	46,007
EBITDA	2,046	1,925	2,116	2,668	3,211
EBITDA Margin (%)	6.1	5.3	5.9	6.5	7.0
APAT	467	279	620	988	1,330
EPS (Rs)	5.6	3.3	7.1	11.2	15.1
EPS (% chg)	14.5	(40.4)	111.3	59.3	34.6
ROE (%)	6.0	3.6	7.2	9.9	12.0
P/E (x)	98.4	165.0	78.1	49.0	36.4
EV/EBITDA (x)	25.3	26.8	23.0	18.2	14.8
P/BV (x)	5.9	6.0	5.1	4.6	4.1

Source: Company, Emkay Research

CMP	Target Price
Rs 551	Rs 555 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	0.8 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	11.2	15.1
Consensus	11.3	15.6
Mean Consensus TP (12M)	Rs 661	

Stock Details

Bloomberg Code	SHOP IN
Face Value (Rs)	5
Shares outstanding (mn)	88
52 Week H/L	603 / 323
M Cap (Rs bn/USD bn)	48 / 0.70
Daily Avg Volume (nos.)	95,116
Daily Avg Turnover (US\$ mn)	0.8

Shareholding Pattern Jun '18

Promoters	63.7%
FIIIs	10.1%
DIIIs	13.7%
Public and Others	12.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	(3)	3	62
Rel. to Nifty	(7)	(9)	(6)	39

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	33,548	36,480	35,915	41,078	46,007
Expenditure	31,502	34,555	33,799	38,411	42,795
EBITDA	2,046	1,925	2,116	2,668	3,211
Depreciation	977	1,155	1,119	1,275	1,364
EBIT	1,070	770	997	1,393	1,847
Other Income	302	296	160	182	207
Interest expenses	572	585	362	55	9
PBT	801	481	796	1,520	2,046
Tax	334	203	176	532	716
Extraordinary Items	(238)	(478)	(504)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	229	(200)	116	988	1,330
Adjusted PAT	467	279	620	988	1,330

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	417	418	440	440	440
Reserves & surplus	7,369	7,190	9,094	10,002	11,244
Net worth	7,786	7,608	9,534	10,442	11,684
Minority Interest	0	0	0	0	0
Loan Funds	5,898	5,759	474	474	76
Net deferred tax liability	(36)	(43)	(198)	(198)	(198)
Total Liabilities	13,649	13,324	9,810	10,718	11,562
Net block	6,316	6,397	6,506	6,531	5,915
Investment	4,054	4,080	3,176	3,176	3,176
Current Assets	8,421	7,712	7,592	8,836	10,621
Cash & bank balance	53	50	52	142	884
Other Current Assets	2,732	2,742	3,742	3,708	4,153
Current liabilities & Provision	5,420	4,990	7,618	7,979	8,303
Net current assets	3,000	2,722	(26)	857	2,318
Misc. exp	0	0	0	0	0
Total Assets	13,649	13,324	9,810	10,718	11,562

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	498	185	635	1,338	1,838
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(350)	269	2,595	(793)	(718)
Operating Cashflow	1,628	1,570	4,489	1,470	1,975
Capital expenditure	(1,465)	(1,083)	(1,257)	(1,300)	(747)
Free Cash Flow	162	487	3,232	170	1,228
Investments	15	(26)	904	0	0
Other Investing Cash Flow	(495)	(48)	13	0	0
Investing Cashflow	(1,643)	(862)	(180)	(1,118)	(540)
Equity Capital Raised	22	12	1,793	0	0
Loans Taken / (Repaid)	717	(139)	(5,285)	0	(398)
Dividend paid (incl tax)	(151)	0	(73)	(80)	(88)
Other Financing Cash Flow	0	0	201	(127)	(198)
Financing Cashflow	18	(712)	(3,725)	(262)	(693)
Net chg in cash	2	(4)	584	90	742
Opening cash position	49	53	50	52	142
Closing cash position	53	50	634	142	884

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	6.1	5.3	5.9	6.5	7.0
EBIT Margin	3.2	2.1	2.8	3.4	4.0
Effective Tax Rate	41.7	42.1	22.1	35.0	35.0
Net Margin	1.4	0.8	1.7	2.4	2.9
ROCE	10.3	7.9	10.0	15.3	18.4
ROE	6.0	3.6	7.2	9.9	12.0
RoIC	11.9	8.4	12.9	20.4	25.3

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	5.6	3.3	7.1	11.2	15.1
CEPS	17.3	17.2	19.8	25.7	30.6
BVPS	93.3	91.1	108.4	118.7	132.8
DPS	1.8	0.8	0.8	0.9	1.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	98.4	165.0	78.1	49.0	36.4
P/CEPS	32.3	32.5	28.2	21.7	18.2
P/BV	5.9	6.0	5.1	4.6	4.1
EV / Sales	1.6	1.4	1.4	1.2	1.0
EV / EBITDA	25.3	26.8	23.0	18.2	14.8
Dividend Yield (%)	0.3	0.1	0.1	0.2	0.2

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.8	0.8	0.0	0.0	(0.1)
Net Debt/EBIDTA	2.9	3.0	0.1	0.0	(0.3)
Working Cap Cycle (days)	32.1	26.7	(0.8)	6.4	11.4

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	10.3	8.7	(1.6)	14.4	12.0
EBITDA	8.3	(5.9)	9.9	26.1	20.4
EBIT	3.7	(28.0)	29.5	39.7	32.6
PAT	(43.8)	(187.2)	0.0	751.6	34.6

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	9,103	9,411	8,376	9,632	8,496
EBITDA	525	301	507	794	515
EBITDA Margin (%)	5.8	3.2	6.0	8.2	6.1
PAT	(361)	(37)	(218)	163	208
EPS (Rs)	(4.3)	(0.4)	(2.6)	2.0	2.5

Source: Company, Emkay Research

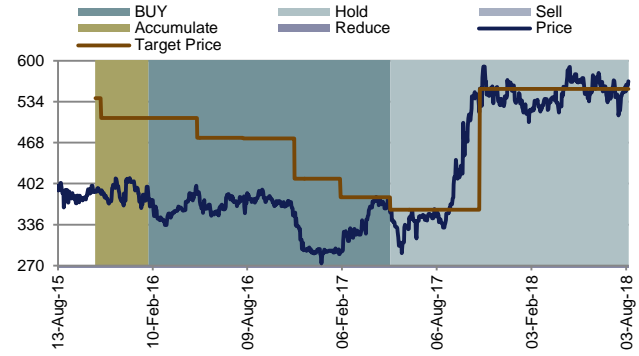
Shareholding Pattern (%)	Sep-17	Dec-17	Jan-18	Mar-18	Jun-18
Promoters	67.1	63.7	63.7	63.7	63.7
FIIIs	3.9	8.0	8.0	9.2	10.1
DIIIs	14.0	14.8	14.8	14.2	13.7
Public and Others	15.0	13.5	13.5	12.9	12.6

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Apr-18	567	555	12m	Hold	Sameep Kasbekar
02-Feb-18	519	555	12m	Hold	Sameep Kasbekar
27-Oct-17	555	555	12m	Hold	Sameep Kasbekar
02-Aug-17	360	360	12m	Hold	Sameep Kasbekar
31-Jul-17	349	360	12m	Hold	Sameep Kasbekar
09-May-17	356	360	12m	Hold	Sameep Kasbekar
03-Feb-17	292	380	12m	Buy	Sameep Kasbekar
07-Nov-16	350	410	12m	Buy	Sameep Kasbekar
01-Aug-16	376	475	12m	Buy	Sameep Kasbekar
05-May-16	389	476	12m	Buy	Sameep Kasbekar
02-Feb-16	376	508	12m	Buy	Sameep Kasbekar
03-Nov-15	385	508	12m	Accumulate	Sameep Kasbekar
23-Oct-15	389	540	12m	Accumulate	Sameep Kasbekar

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Speciality Chemicals

Apcotex Industries

Refer to important disclosures at the end of this report

Expansion to drive growth; maintain Buy

We hosted Mr. Anand Kumashi, Company Secretary of Apcotex Industries Ltd, at our India Conference to share company insights.

Key Meeting Takeaways

- Apcotex is investing Rs700mn in recently brought NBR plant in Valia, Gujarat for efficiency improvement and debottlenecking. Post the execution of this capex the NBR plant capacity will increase to 20000MTPA from 16000MTPA by Dec'18. About 90% of the capex will be utilized for debottlenecking the OMNAVA plant (NBR), which the company acquired in Feb'16.
- New capex of Rs700mn could potentially contribute Rs800-1000mn to NBR revenues in FY20. The NBR and latex segments are growing in the range of 7-8% and 9-10%, respectively, globally.
- The company is also planning for 15000MTPA capacity expansion in latex segment for new product, which will require capex in the range of Rs1.5-2.0bn. Fine print of this capex would be ready in another 4-5 months. However, capex will take nearly 1.5 years to come on the stream.
- Butadiene is one of the major raw materials for Apcotex, whose prices are highly volatile and is mainly sourced domestically through IOCL and ONGC, while two other suppliers are Reliance Industries (mainly consumed internally) and Haldia.
- Apcotex has a good inventory management system, helping it mitigate raw material volatility. The company intends to achieve its historically-high (FY16) EBITDA margin of 14%+ in the next two years.
- The company has recently added new products, such as latex glove that has significant market potential. Latex gloves have surgical and industrial uses, which is currently catered by single largest player. Market size of glove latex is in the range of Rs15-20bn.
- Apcotex has increased its market share in the NBR segment from 17% (when it acquired OMNOVA) to 25% currently and continue to enjoy single producer status in India. BASF is Apcotex's closest competitor in the paper, carpet and the construction latex segments, while Jubilant Industries in the tyre segment.
- The company's debt-free balance sheet, favorable liquidity position and the ability to fund growth capex through internal accruals are its key strengths. The company is utilizing only 35-40% of its working capital limit, providing sufficient room to expand its working capital requirement without increasing debt.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2,684	3,880	5,262	6,472	7,184
EBITDA	380	291	638	882	1,007
EBITDA Margin (%)	14.2	7.5	12.1	13.6	14.0
APAT	247	355	401	578	646
EPS (Rs)	11.9	17.2	19.4	27.9	31.2
EPS (% chg)	0.0	44.0	12.8	44.3	11.6
ROE (%)	17.2	17.3	17.1	21.5	20.3
P/E (x)	47.6	33.0	29.3	20.3	18.2
EV/EBITDA (x)	31.4	41.1	18.3	12.7	10.8
P/BV (x)	6.3	5.3	4.8	4.0	3.4

Source: Company, Emkay Research

CMP	Target Price
Rs 567	Rs 686 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	21.0 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	27.9	31.2
Consensus	27.2	33.2
Mean Consensus TP (12M)	Rs 674	

Stock Details

Bloomberg Code	APCO IN
Face Value (Rs)	5
Shares outstanding (mn)	21
52 Week H/L	613 / 369
M Cap (Rs bn/USD bn)	12 / 0.17
Daily Avg Volume (nos.)	6,962
Daily Avg Turnover (US\$ mn)	0.1

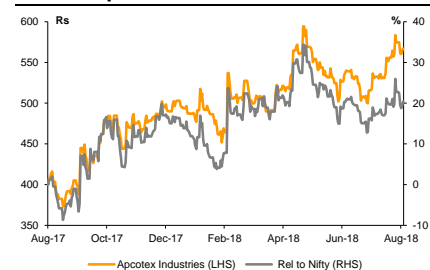
Shareholding Pattern Jun '18

Promoters	57.9%
FIIIs	-%
DIIIs	0.3%
Public and Others	41.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	6	3	22	45
Rel. to Nifty	1	(3)	12	24

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	2,684	3,880	5,262	6,472	7,184
Expenditure	2,303	3,590	4,624	5,590	6,177
EBITDA	380	291	638	882	1,007
Depreciation	89	121	121	149	185
EBIT	291	170	516	732	822
Other Income	74	299	71	53	53
Interest expenses	30	29	16	15	15
PBT	334	440	572	771	861
Tax	88	84	171	193	215
Extraordinary Items	(43)	(5)	(14)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	204	350	386	578	646
Adjusted PAT	247	355	401	578	646

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	104	104	104	104	104
Reserves & surplus	1,768	2,125	2,360	2,814	3,335
Net worth	1,872	2,229	2,464	2,918	3,439
Minority Interest	0	0	0	0	0
Loan Funds	288	263	254	254	254
Net deferred tax liability	0	0	0	0	0
Total Liabilities	2,160	2,492	2,718	3,172	3,693
Net block	947	939	878	1,028	1,143
Investment	178	398	499	499	499
Current Assets	1,688	1,635	2,114	2,844	3,370
Cash & bank balance	98	66	327	822	1,150
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	653	479	773	1,200	1,319
Net current assets	1,035	1,156	1,341	1,644	2,051
Misc. exp	0	0	0	0	0
Total Assets	2,160	2,492	2,718	3,172	3,693

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	261	141	501	718	808
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(600)	(153)	76	191	(78)
Operating Cashflow	406	428	556	918	753
Capital expenditure	(247)	(112)	(60)	(300)	(115)
Free Cash Flow	159	316	495	618	638
Investments	0	(220)	(101)	0	0
Other Investing Cash Flow	(9)	(79)	30	(53)	(238)
Investing Cashflow	(256)	(332)	(162)	(300)	(300)
Equity Capital Raised	52	0	0	0	0
Loans Taken / (Repaid)	(54)	(25)	(9)	0	0
Dividend paid (incl tax)	(93)	(104)	(124)	(124)	(124)
Other Financing Cash Flow	30	29	16	15	15
Financing Cashflow	(96)	(129)	(133)	(124)	(124)
Net chg in cash	54	(32)	261	494	329
Opening cash position	44	98	66	327	822
Closing cash position	99	66	327	822	1,150

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	14.2	7.5	12.1	13.6	14.0
EBIT Margin	10.8	4.4	9.8	11.3	11.4
Effective Tax Rate	26.2	19.2	30.0	25.0	25.0
Net Margin	9.2	9.2	7.6	8.9	9.0
ROCE	20.8	20.1	22.6	26.7	25.5
ROE	17.2	17.3	17.1	21.5	20.3
RoIC	20.3	8.7	26.4	39.1	42.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	11.9	17.2	19.4	27.9	31.2
CEPS	16.2	23.0	25.2	35.1	40.1
BVPS	90.4	107.7	119.0	141.0	166.1
DPS	4.5	5.0	6.0	6.0	6.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	47.6	33.0	29.3	20.3	18.2
P/CEPS	33.0	23.3	21.2	15.3	13.4
P/BV	6.3	5.3	4.8	4.0	3.4
EV / Sales	4.4	3.1	2.2	1.7	1.5
EV / EBITDA	31.4	41.1	18.3	12.7	10.8
Dividend Yield (%)	0.8	0.9	1.1	1.1	1.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.1	0.1	0.0	(0.2)	(0.3)
Net Debt/EBIDTA	0.5	0.7	(0.1)	(0.6)	(0.9)
Working Cap Cycle (days)	127.4	102.5	70.3	46.4	45.8

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(24.4)	44.6	35.6	23.0	11.0
EBITDA	(10.0)	(23.6)	119.5	38.2	14.3
EBIT	(12.6)	(41.7)	204.6	41.8	12.3
PAT	(5.2)	71.3	10.5	49.7	11.6

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,201	1,290	1,379	1,392	1,501
EBITDA	86	151	173	228	179
EBITDA Margin (%)	7.1	11.7	12.6	16.4	11.9
PAT	52	85	134	121	112
EPS (Rs)	2.5	4.1	6.5	5.8	5.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	57.9	57.9	57.9	57.9	57.9
FIIIs	-	-	-	-	-
DIIIs	0.2	0.4	0.4	0.3	0.3
Public and Others	41.9	41.7	41.6	41.8	41.7

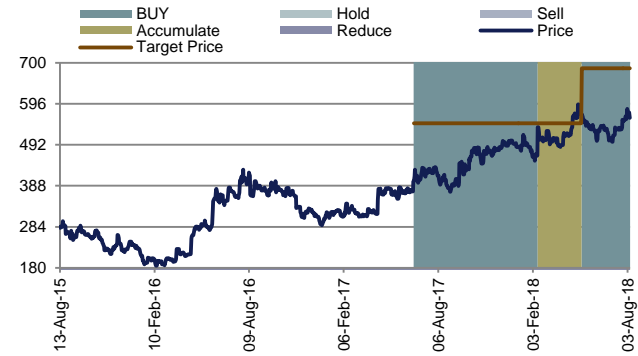
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jul-18	565	686	12m	Buy	Amar Mourya
09-Jul-18	518	686	12m	Buy	Amar Mourya
07-May-18	569	686	12m	Buy	Amar Mourya
12-Feb-18	537	547	12m	Accumulate	Amar Mourya
08-Nov-17	487	547	12m	Buy	Amar Mourya
19-Aug-17	403	547	12m	Buy	Amar Mourya
20-Jun-17	399	547	12m	Buy	Amar Mourya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

GHCL

Refer to important disclosures at the end of this report

Tight supply and strong demand to strengthen pricing; maintain Buy

We hosted Mr. R. S. Jalan, managing director of GHCL Ltd, Mr Raman Chopra, CFO and Executive Director, Finance, and Mr Sunil Gupta, General Manager, Finance, at our India Conference to share company and industry insights.

Key Meeting Takeaways

- Soda-Ash prices will remain firm in near term due to production cuts in China, while demand remains firm across the globe. HOU process-based soda-ash production in China is shrinking due to lower profitability and environmental issues. As a result, HOU process capacities will remain under pressure, supporting firm pricing environment.
- Although the demand-supply situation is favorable to the company, a significant price hike is difficult in the soda ash segment due to the well-organized and rational business environment across the globe. Management, on the conservative side, expects a 10% increase in soda ash prices in the next two years.
- Phase-I of the company's capacity expansion of 100K MT in soda-ash will come on stream by FY19-end, while Phase-II (another 100K MT) will come on stream by FY20-end. Management has not yet frozen an additional 500K MT capex decision as it is studying opportunities. Once the decision is made, it will take 2.5 years to set up.
- ROCE for a Greenfield plant will remain very low (somewhere in the range of 10-12%) in the early years. Currently, GHCL's enjoy 30%+ ROCE mainly due to the long depreciated plant. It takes years to get comfortable ROCE from a soda ash business, creating a huge entry barrier for new entrant.
- Even after incurring series of brownfield capex in the next three years, the company will still have a cash surplus of Rs7.0bn by FY21. Management intends to utilize the money to repay debt. It may also consider distributing the cash to the shareholders. The firm decision on surplus cash will be taken after Sep'18.
- Textiles is not an exciting business in the medium term, with cotton prices firming up and MSP in place, which contains realization. Firms with better inventory should benefit in the coming quarters, and GHCL has a good level of inventory. Management sees better long-term prospects for the textile business.
- India is the second-largest exporter of textiles in the world after China. However, China has been importing textiles for the last couple of years and had also set up capacities in other parts of the world to meet its textiles demand. Hence, we may see China turning to be a net importer of textiles in next 5-6 years.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	25,307	27,838	29,432	30,032	32,193
EBITDA	6,294	6,808	6,061	7,116	7,918
EBITDA Margin (%)	24.9	24.5	20.6	23.7	24.6
APAT	2,713	3,801	3,564	3,469	4,038
EPS (Rs)	27.1	38.2	36.6	35.6	41.4
EPS (% chg)	49.1	40.9	(4.3)	(2.7)	16.4
ROE (%)	30.0	31.9	24.1	19.7	19.4
P/E (x)	9.3	6.6	6.9	7.0	6.1
EV/EBITDA (x)	5.7	5.8	5.9	4.8	4.2
P/BV (x)	2.4	1.9	1.5	1.3	1.1

Source: Company, Emkay Research

CMP	Target Price
Rs 251	Rs 358 (■)
as of (August 11, 2018)	12 months
Rating	Upside
BUY (■)	42.6 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	35.6	41.4
Consensus	35.9	41.6
Mean Consensus TP (12M)	Rs 346	

Stock Details

Bloomberg Code	GHCL IN
Face Value (Rs)	10
Shares outstanding (mn)	98
52 Week H/L	358 / 204
M Cap (Rs bn/USD bn)	25 / 0.36
Daily Avg Volume (nos.)	1,97,192
Daily Avg Turnover (US\$ mn)	0.8

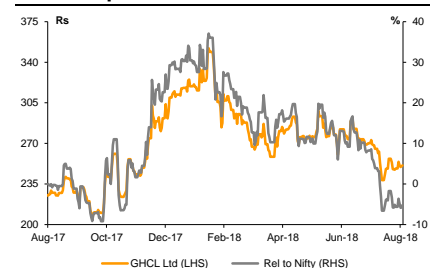
Shareholding Pattern Jun '18

Promoters	18.9%
FIIIs	17.2%
DIIIs	14.1%
Public and Others	49.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(7)	(9)	(18)	12
Rel. to Nifty	(11)	(15)	(25)	(4)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	25,307	27,838	29,432	30,032	32,193
Expenditure	19,013	21,030	23,371	22,916	24,275
EBITDA	6,294	6,808	6,061	7,116	7,918
Depreciation	817	857	1,101	1,165	1,265
EBIT	5,477	5,951	4,960	5,951	6,654
Other Income	104	400	379	379	379
Interest expenses	1,649	1,368	1,266	1,229	1,095
PBT	3,932	4,983	4,074	5,102	5,938
Tax	1,219	1,183	511	1,632	1,900
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	2,713	3,801	3,564	3,469	4,038
Adjusted PAT	2,713	3,801	3,564	3,469	4,038

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	1,000	995	974	974	974
Reserves & surplus	9,359	12,471	15,134	18,116	21,667
Net worth	10,359	13,465	16,108	19,090	22,641
Minority Interest	0	0	0	0	0
Loan Funds	11,283	14,694	11,589	10,339	9,839
Net deferred tax liability	1,932	2,360	1,747	1,747	1,747
Total Liabilities	23,574	30,519	29,444	31,176	34,227
Net block	20,946	24,271	25,752	26,987	28,823
Investment	592	496	524	524	524
Current Assets	7,949	10,270	9,803	10,316	11,205
Cash & bank balance	489	361	356	666	900
Other Current Assets	599	1,303	793	809	867
Current liabilities & Provision	5,913	4,517	6,635	6,651	6,325
Net current assets	2,036	5,753	3,168	3,665	4,880
Misc. exp	0	0	0	0	0
Total Assets	23,574	30,519	29,444	31,176	34,227

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	3,828	4,584	3,695	4,722	5,558
Other Non-Cash items	0	0	0	0	0
Chg in working cap	1,507	(3,416)	1,967	(187)	(981)
Operating Cashflow	5,332	1,050	6,220	4,447	4,321
Capital expenditure	(2,355)	(4,181)	(2,583)	(2,400)	(3,100)
Free Cash Flow	2,977	(3,132)	3,637	2,047	1,221
Investments	(441)	96	(28)	0	0
Other Investing Cash Flow	(2,630)	2,999	(3,661)	(2,168)	(1,325)
Investing Cashflow	(2,796)	(4,085)	(2,611)	(2,400)	(3,100)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(2,037)	3,411	(3,106)	(1,250)	(500)
Dividend paid (incl tax)	(350)	(497)	(487)	(487)	(487)
Other Financing Cash Flow	(2,037)	3,405	(3,126)	(1,250)	(500)
Financing Cashflow	(2,387)	2,908	(3,613)	(1,737)	(987)
Net chg in cash	149	(128)	(4)	309	234
Opening cash position	339	489	361	356	666
Closing cash position	489	361	357	666	900

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	24.9	24.5	20.6	23.7	24.6
EBIT Margin	21.6	21.4	16.9	19.8	20.7
Effective Tax Rate	31.0	23.7	12.5	32.0	32.0
Net Margin	10.7	13.7	12.1	11.6	12.5
ROCE	26.2	25.5	19.1	22.2	22.7
ROE	30.0	31.9	24.1	19.7	19.4
RoIC	24.5	22.8	17.0	20.3	21.2

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	27.1	38.2	36.6	35.6	41.4
CEPS	35.3	46.8	47.9	47.6	54.4
BVPS	103.6	135.4	165.4	196.0	232.4
DPS	3.5	5.0	5.0	5.0	5.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	9.3	6.6	6.9	7.0	6.1
P/CEPS	7.7	5.8	5.6	5.7	5.0
P/BV	2.4	1.9	1.5	1.3	1.1
EV / Sales	1.4	1.4	1.2	1.1	1.0
EV / EBITDA	5.7	5.8	5.9	4.8	4.2
Dividend Yield (%)	1.4	2.0	2.0	2.0	2.0

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	1.0	1.1	0.7	0.5	0.4
Net Debt/EBIDTA	1.7	2.1	1.9	1.4	1.1
Working Cap Cycle (days)	22.3	70.7	34.9	36.5	45.1

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	6.6	10.0	5.7	2.0	7.2
EBITDA	25.7	8.2	(11.0)	17.4	11.3
EBIT	31.7	8.7	(16.7)	20.0	11.8
PAT	49.1	40.1	(6.2)	(2.7)	16.4

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	7,453	7,143	7,179	7,222	7,546
EBITDA	1,641	1,358	1,382	1,810	1,502
EBITDA Margin (%)	22.0	19.0	19.2	25.1	19.9
PAT	1,579	533	712	821	616
EPS (Rs)	16.2	5.5	7.3	8.4	6.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Aug-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	19.1	19.1	19.0	19.0	18.9
FIIIs	17.5	17.5	14.4	17.3	17.2
DIIIs	7.5	7.0	11.5	13.7	14.1
Public and Others	56.0	56.5	55.2	50.0	49.8

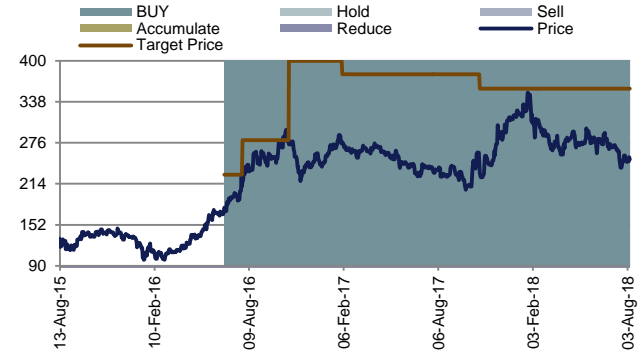
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-Jul-18	246	358	12m	Buy	Amar Mourya
09-Jul-18	273	358	12m	Buy	Amar Mourya
26-Apr-18	269	358	12m	Buy	Amar Mourya
02-Feb-18	306	358	12m	Buy	Amar Mourya
24-Oct-17	230	358	12m	Buy	Amar Mourya
03-Feb-17	275	380	12m	Buy	Sneha Talreja
24-Oct-16	274	400	12m	Buy	Rohan Gupta
27-Jul-16	217	280	12m	Buy	Rohan Gupta
22-Jun-16	178	228	12m	Buy	Rohan Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Meghmani Organics

Refer to important disclosures at the end of this report

Robust revenue outlook

We hosted Mr. Kaushal Soparkar, head of Chlore Alkali, and Gurjant Singh Chahal, CFO, of Meghmani Organics Ltd, at our India Conference to share company insights.

Key Meeting Takeaways

- Management targets to achieve Rs30bn revenue mark by FY21 (Rs10bn from each segment), driven by green field and brownfield expansion. This will attract capex of Rs1.3bn in chloro-methane, Rs4.0bn in caustic soda and Rs1.5bn in hydrogen peroxide.
- The chloro-methane plant will be commissioned by Dec'18 and may stabilize within a month. The hydrogen peroxide and caustic plant will be commissioned by Jun'19, with the plant stabilizing in 3-4 months. Management aims for an asset turnover in the range of 1.0-1.5x.
- In FY18, consolidated gross Debt stood at Rs3.0bn, which could be Rs7.0bn by FY21 on account of the large capex plans across all the key segments. However, the company does not have any plan to raise equity.
- MOL aims for EBITDA margins in the range of 20-24% in the chloro methane and caustic segment. Consolidated EBITDA margin is expected to be in the range of 20-22%.
- In Q1FY19, the profitability was adversely affected by higher raw material prices, which are passed to the customers with a lag of 2-3 months. MOL does not have any major dependence on China, except for a few agro intermediates.
- Management sees good and sustainable chemical demand in India in the medium term. India has close to 20% of the world's chemical manufacturing capacity catering to the world. As a result, China is also looking to have a manufacturing facilities in India.
- New high performance pigment & agrochemical expansion, at a capex of Rs2.0bn, will start after obtaining environmental clearance. The capacity will come on stream in 15-18 months after receiving the environment clearance. Currently, 70% of pigment revenue comes from repeat customers.
- The company has invested in wind power (2.1 MWx3) to reduce the utility cost going forward. Currently company is getting power at Rs7/unit which will come down post wind power coming into play. This will lead to improvement in the overall margin.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	10585	11783	12942	13322	14229
EBITDA	1843	1954	2005	2608	2850
EBITDA Margin (%)	17.4	16.6	15.5	19.6	20.0
APAT	178	229	535	890	892
EPS (Rs)	0.7	0.9	2.1	3.5	3.5
EPS (% chg)		28.7	133.7	66.3	0.3
ROE (%)	3.5	4.5	10.0	13.6	10.9
P/E (x)	131.4	102.0	43.7	26.3	26.2
EV/EBITDA (x)	16.4	15.7	14.7	11.2	9.7
P/BV (x)	4.7	4.5	4.2	3.1	2.7

Source: Company, Emkay Research

CMP	Target Price
Rs 92	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	MEGH IN
Face Value (Rs)	1
Shares outstanding (mn)	254
52 Week H/L	129/49
M Cap (Rs bn/USD bn)	23/0.3
Daily Avg Volume (nos.)	1,468,186
Daily Avg Turnover (US\$ mn)	2.0

Shareholding Pattern Jun'18

Promoters	47.7%
FIIIs	3.3%
DIIIs	0.6%
Public and Others	48.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	-17	-11	71
Rel. to Nifty	8	-22	-19	46

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Dec (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	10585	11783	12942	13322	14229
Expenditure	8892	10369	10698	11014	10734
EBITDA	1843	1954	2005	2608	2850
Depreciation	751	802	747	768	907
EBIT	1092	1151	1258	1840	1942
Other Income	133	61	88	255	124
Interest expenses	643	676	746	631	509
PBT	582	537	600	1464	1558
Tax	299	182	140	351	396
Extraordinary Items	-6	-1	-96	-65	-15
Minority Int./Income from Assoc.	111	127	21	288	285
Reported Net Income	172	228	439	825	877
Adjusted PAT	178	229	535	890	892

Balance Sheet

Y/E Dec (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	254	254	254	254	254
Reserves & surplus	4766	4927	5261	6058	6930
Net worth	5020	5181	5515	7575	8734
Minority Interest	797	924	944	0	0
Loan Funds	7171	7544	6436	5781	4610
Net deferred tax liability	-202	-370	-471	-267	-285
Total Liabilities	13298	14079	12938	13404	13387
Net block	6234	6892	7814	7354	7781
Investment	246	6	239	6	291
Current Assets	6630	7823	6813	7459	7367
Cash & bank balance	99	373	156	110	102
Other Current Assets	6531	7450	6657	7349	7265
Current liabilities & Provision	1902	2186	2007	2265	2117
Net current assets	4728	5637	4806	5195	5251
Misc. exp	0	0	0	0	0
Total Assets	13298	14079	12938	13404	13387

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	281	96	370	73	27
Net Cash from Operations	2,048	1,361	2,522	2,009	2,633
Net Cash Used in Investing	-939	-460	-586	-727	-948
Net Cash Used in Financing	-1,321	-601	-2,130	-1,338	-1,637
Net Inc/(Dec) in Cash	-211	300	-195	-56	48
Closing Cash	70	396	175	17	75

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	17.4	16.6	15.5	19.6	20.0
EBIT Margin	10.3	9.8	9.7	13.8	13.6
Effective Tax Rate	51.4	33.9	23.3	24.0	25.4
Net Margin	1.7	1.9	4.1	6.7	6.3
ROCE	8.2	8.4	9.3	14.0	14.5
ROE	3.5	4.5	10.0	13.6	10.9
RoIC	10.1	10.0	10.3	15.1	15.5

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	0.7	0.9	2.1	3.5	3.5
CEPS	3.7	4.1	5.0	6.5	7.1
BVPS	19.8	20.4	21.7	29.8	34.4
DPS		0.1	0.4	0.3	0.4

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	131.4	102.0	43.7	26.3	26.2
P/CEPS	25.2	22.7	18.2	14.1	13.0
P/BV	4.7	4.5	4.2	3.1	2.7
EV / Sales	2.9	2.6	2.3	2.2	1.9
EV / EBITDA	16.4	15.7	14.7	11.2	9.7
Dividend Yield (%)	0.0	0.1	0.4	0.3	0.4

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	1.4	1.4	1.1	0.7	0.5
Net Debt/EBITDA	3.7	3.7	3.0	2.2	1.5
Working Cap Cycle (days)	159.6	163.1	131.1	139.3	132.1

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	11.3	9.8	2.9	6.8
EBITDA	0.0	6.0	2.6	30.1	9.3
EBIT	0.0	5.4	9.2	46.3	5.5
PAT	0.0	28.7	133.7	66.3	0.3

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	3,535	4,212	4,607	4,504	4,710
EBITDA	723	912	1,028	1,172	1,188
EBITDA Margin (%)	20.5	21.7	22.3	26.0	25.2
PAT	295	433	551	626	778
EPS (Rs)	1.2	1.7	2.2	2.5	3.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	50.1	47.7	47.7	47.7	47.7
FIIIs	2.0	3.9	4.8	3.4	3.3
DIIIs	0.9	0.6	0.7	0.6	0.6
Public and Others	47.0	47.8	46.8	48.3	48.4

Navin Fluorine

Refer to important disclosures at the end of this report

Focus maintain on CRAMS; maintain BUY

We hosted Mr. Shekhar Khanolkar, MD and Mr. Ketan Sablok, CFO & Head-IT of Navin Fluorine Ltd's management in our India Conference to share company/industry insights.

Key Meeting Takeaways

- The CRAMs business remains the company's key focus area. As a result, all of its investments in the last few years have been mainly linked to CRAMs segment (e.g., CGMP-I = Rs350mn, CGMP-II = Rs650mn and CGMP-III = Rs1150mn). In addition, acquisition of MOL and Piramal JV is part of CRAMs expansion.
- 1234FY HFO has contributed ~10% in FY18, with an annual contribution of Rs200-250. The total investment in Honeywell JV is Rs100mn; however, the production is also done at the Devas facility.
- In specialty chemicals, the strong pricing and volume growth from domestic pharma clients will likely sustain in the near term. As a result, the contribution from pharma is likely to rise to 60% of the total specialty chemical top line.
- The agrochemical division of the specialty chemical segment will likely remain muted. However, in a few selected products, growth is returning, and management is planning a capacity expansion, with capex of Rs100mn.
- R-22 has 15% of its revenue coming from pharma applications and the remaining 85% still comes from refrigeration applications. Until last year, air-conditioners were produced with R-22 gas compressors, so there should be steady replacement demand in the near term.
- The decline in CRAMs business' growth in Q1FY19 was due to a delay in order execution, which is likely to reverse in the next quarter. In addition, management has maintained its FY19 CRAMs outlook to be better than FY18.
- The key raw materials for the company are boric acid, sulphur and fluorspar. While fluorspar is sourced from imports, the other two are sourced domestically. The company does not have any dependency on China for fluorspar.
- The company's US exposure stands at Rs200-250cr, which is a mix of specialty chemical and CRAMs. About 50% of the inorganic fluoride revenue comes from the steel industry, which is growing at a steady rate in both export and domestic markets.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	6,797	7,415	9,127	9,242	10,494
EBITDA	1,173	1,588	2,150	2,186	2,566
EBITDA Margin (%)	17.3	21.4	23.6	23.7	24.5
APAT	835	1,366	1,798	1,586	1,896
EPS (Rs)	17.1	27.9	36.4	32.1	38.4
EPS (% chg)	34.6	63.6	30.6	(11.8)	19.5
ROE (%)	13.5	18.5	19.8	15.1	15.9
P/E (x)	39.9	24.4	18.7	21.2	17.7
EV/EBITDA (x)	29.1	21.0	15.6	15.0	12.8
P/BV (x)	5.2	4.0	3.4	3.0	2.6

Source: Company, Emkay Research

CMP

Rs 680
as of (August 11, 2018)

Rating

BUY (■)

Target Price

Rs 922 (■)
12 months

Upside

35.6 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	32.1	38.4
Consensus	36.2	41.9
Mean Consensus TP (12M)	Rs 898	

Stock Details

Bloomberg Code	NFIL IN
Face Value (Rs)	2
Shares outstanding (mn)	49
52 Week H/L	876 / 582
M Cap (Rs bn/USD bn)	34 / 0.49
Daily Avg Volume (nos.)	89,630
Daily Avg Turnover (US\$ mn)	0.9

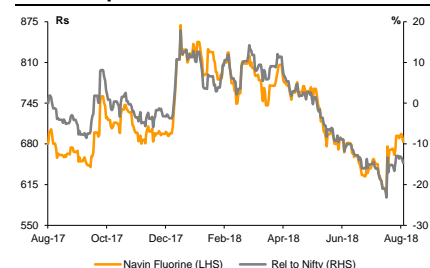
Shareholding Pattern Jun '18

Promoters	31.1%
FIIIs	16.6%
DIIIs	16.9%
Public and Others	35.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	(9)	(16)	4
Rel. to Nifty	-	(14)	(23)	(10)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	6,797	7,415	9,127	9,242	10,494
Expenditure	5,623	5,827	6,977	7,056	7,928
EBITDA	1,173	1,588	2,150	2,186	2,566
Depreciation	225	299	398	433	429
EBIT	949	1,289	1,752	1,753	2,137
Other Income	245	558	925	480	377
Interest expenses	38	27	12	12	12
PBT	1,156	1,820	2,665	2,221	2,502
Tax	321	451	840	699	775
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	4	27	(65)	(170)
Reported Net Income	835	1,366	1,798	1,586	1,896
Adjusted PAT	835	1,366	1,798	1,586	1,896

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	98	98	99	99	99
Reserves & surplus	6,356	8,254	9,736	11,011	12,597
Net worth	6,454	8,352	9,835	11,110	12,695
Minority Interest	0	0	0	0	0
Loan Funds	1,103	428	383	383	383
Net deferred tax liability	0	0	0	0	0
Total Liabilities	7,557	8,780	10,218	11,494	13,079
Net block	3,951	5,783	4,477	4,809	6,099
Investment	2,664	3,009	4,858	4,923	5,093
Current Assets	2,928	2,981	3,221	4,098	4,447
Cash & bank balance	287	418	374	1,253	1,217
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	1,986	2,994	2,338	2,336	2,560
Net current assets	943	(13)	883	1,762	1,887
Misc. exp	0	0	0	0	0
Total Assets	7,557	8,780	10,218	11,494	13,079

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	911	1,262	1,740	1,741	2,125
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(4)	1,087	(940)	(1)	(161)
Operating Cashflow	1,004	3,588	1,408	2,019	2,165
Capital expenditure	(833)	(2,132)	908	(765)	(1,720)
Free Cash Flow	171	1,457	2,316	1,254	445
Investments	(44)	(346)	(1,848)	(65)	(170)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(877)	(2,478)	(940)	(765)	(1,720)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	214	(675)	(45)	0	0
Dividend paid (incl tax)	206	308	493	311	311
Other Financing Cash Flow	(325)	(1,288)	(1,004)	(687)	(792)
Financing Cashflow	(120)	(980)	(511)	(376)	(481)
Net chg in cash	7	131	(43)	878	(36)
Opening cash position	281	287	418	374	1,253
Closing cash position	288	418	374	1,252	1,217

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	17.3	21.4	23.6	23.7	24.5
EBIT Margin	14.0	17.4	19.2	19.0	20.4
Effective Tax Rate	27.7	24.8	31.5	31.5	31.0
Net Margin	12.3	18.5	20.0	16.5	16.4
ROCE	16.5	22.6	28.2	20.6	20.5
ROE	13.5	18.5	19.8	15.1	15.9
RoIC	22.1	25.9	33.9	34.0	35.4

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	17.1	27.9	36.4	32.1	38.4
CEPS	21.7	34.0	44.5	40.9	47.1
BVPS	131.8	170.6	199.3	225.2	257.3
DPS	4.2	6.3	10.0	6.3	6.3

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	39.9	24.4	18.7	21.2	17.7
P/CEPS	35.0	22.2	17.0	18.5	16.1
P/BV	5.2	4.0	3.4	3.0	2.6
EV / Sales	5.0	4.5	3.7	3.5	3.1
EV / EBITDA	29.1	21.0	15.6	15.0	12.8
Dividend Yield (%)	0.6	0.9	1.5	0.9	0.9

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.1	0.0	0.0	(0.1)	(0.1)
Net Debt/EBIDTA	0.7	0.0	0.0	(0.4)	(0.3)
Working Cap Cycle (days)	35.2	(21.2)	20.4	20.1	23.3

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	14.9	9.1	23.1	1.3	13.5
EBITDA	62.6	35.3	35.4	1.7	17.4
EBIT	82.2	35.9	35.9	0.0	21.9
PAT	34.9	63.6	31.6	(11.8)	19.5

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	2,254	2,181	2,215	2,084	2,431
EBITDA	594	529	524	461	631
EBITDA Margin (%)	26.4	24.2	23.6	22.1	26.0
PAT	491	429	477	393	396
EPS (Rs)	10.0	8.7	9.7	8.0	8.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	32.0	32.0	32.0	31.1	31.1
FIIIs	16.8	17.1	17.1	17.6	16.6
DIIIs	18.2	16.9	16.7	17.0	16.9
Public and Others	33.0	34.0	34.2	34.3	35.5

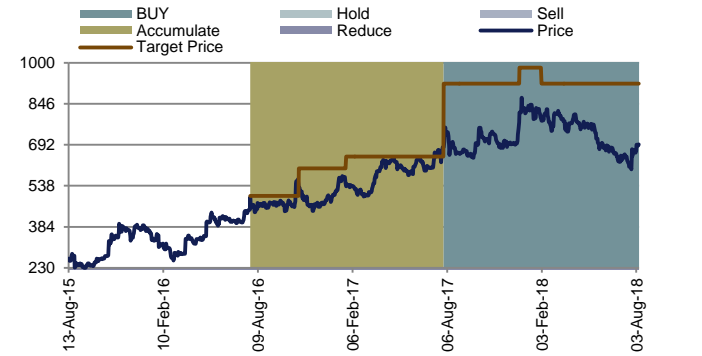
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Jul-18	649	922	12m	Buy	Amar Mourya
09-Jul-18	647	922	12m	Buy	Amar Mourya
11-May-18	768	922	12m	Buy	Amar Mourya
02-Feb-18	783	922	12m	Buy	Amar Mourya
22-Dec-17	814	982	12m	Buy	Amar Mourya
30-Jul-17	683	922	12m	Buy	Amar Mourya
27-Jul-17	670	648	12m	Accumulate	Amar Mourya
02-May-17	600	648	12m	Accumulate	Amar Mourya
24-Jan-17	536	648	12m	Accumulate	Sneha Talreja
26-Oct-16	530	603	12m	Accumulate	Sneha Talreja
25-Jul-16	496	500	12m	Accumulate	Sneha Talreja

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Others

APL Apollo Tubes

Refer to important disclosures at the end of this report

Gaining further strength

We hosted Mr. Deepak Goyal, CFO of APL Apollo Tubes, in our India Conference to share company/industry insights.

Key Meeting Takeaways

- APAT is nearing the completion of the remaining two DFT lines in its facilities at Sikandarabad and Hosur. The commissioning of all DFT lines along with other business initiatives, such as increased branding activities and strong innovation focus, should enable APAT to emerge as one of the largest steel tube manufactures in the world.
- Improving macro environment, combined with APATs innovation capabilities and robust product offerings, should ensure the delivery of healthy performance going forward. Increasing contribution from the higher-margin value-added products and better utilization levels should enhance EBITDA/ton performance in the long term.
- APAT delivered robust performance in Q1FY19. The uptick in demand and consumption across various sectors have driven 14% volume growth. Realizations increased across product categories, led by higher steel prices. Management expects volume momentum to improve further in the coming quarters as raw material prices stabilize.
- Increased contribution from GP and Hollow sections, including DFT products, also helped improve overall performance. The upgrade and modernization of the GI facilities affected GI volumes, which should stabilize going forward.
- Reported 1Q EBITDA was Rs3600/ton, which includes some inventory gains. Normalized EBITDA was on expected lines at Rs3500/ton.
- Depreciation was higher due to the commissioning of new capacities in the quarter. Inventory was increased to mitigate the uncertainty in RM availability in the domestic market, leading to higher interest outgo. Inventory is expected to stabilize going forward.
- Sales volume growth should accelerate further in H2, which is a seasonally strong period. The company maintained FY19 sales volume guidance of 1.3mn ton (+20% yoy). In our view, Q2 volumes could be slightly under pressure due to the transport strike and the heavy monsoon that has adversely affected construction activity across the country.
- We continue to believe that APAT is an attractive long-term sales volume growth and margin expansion story. The stock deserves better valuations, and we forecast EPS to increase by 32%/40% in FY19/20. Positive triggers are new product launches, margin expansion and a pick-up in residential construction activity.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	39,239	53,348	64,527	79,594	96,494
EBITDA	3,330	3,711	4,655	5,978	7,461
EBITDA Margin (%)	8.5	7.0	7.2	7.5	7.7
APAT	1,521	1,600	2,110	2,966	4,054
EPS (Rs)	64.5	67.4	88.9	125.0	170.8
EPS (% chg)	20.0	4.6	31.9	40.6	36.7
ROE (%)	23.9	20.8	22.7	25.7	27.5
P/E (x)	27.3	26.1	19.8	14.1	10.3
EV/EBITDA (x)	14.3	13.4	10.6	8.0	6.1
P/BV (x)	5.9	5.0	4.1	3.2	2.5

Source: Company, Emkay Research

CMP Rs 1,760 as of (August 10, 2018)	Target Price Rs 3,000 (■) 12 months
Rating BUY (■)	Upside 70.5 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	88.9	125.0
Consensus	89.2	120.2
Mean Consensus TP (12M)	Rs 2,521	

Stock Details

Bloomberg Code	APAT IN	
Face Value (Rs)	10	
Shares outstanding (mn)	24	
52 Week H/L	2,587 / 1,437	
M Cap (Rs bn/USD bn)	42 / 0.61	
Daily Avg Volume (nos.)	25,373	
Daily Avg Turnover (US\$ mn)	0.7	

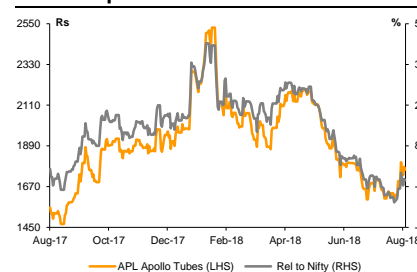
Shareholding Pattern Jun '18

Promoters	37.3%
FIIIs	-%
DIIIs	11.9%
Public and Others	50.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	(17)	(16)	14
Rel. to Nifty	2	(22)	(23)	(2)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	39,239	53,348	64,527	79,594	96,494
Expenditure	35,909	49,637	59,872	73,616	89,033
EBITDA	3,330	3,711	4,655	5,978	7,461
Depreciation	509	534	628	764	807
EBIT	2,821	3,177	4,027	5,214	6,654
Other Income	60	80	84	88	93
Interest expenses	720	813	889	773	555
PBT	2,160	2,444	3,222	4,530	6,191
Tax	639	844	1,112	1,564	2,137
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,521	1,600	2,110	2,966	4,054
Adjusted PAT	1,521	1,600	2,110	2,966	4,054

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	236	237	237	237	237
Reserves & surplus	6,798	8,132	9,958	12,639	16,408
Net worth	7,034	8,370	10,195	12,876	16,646
Minority Interest	0	0	0	0	0
Loan Funds	6,185	7,987	7,437	6,137	3,870
Net deferred tax liability	813	1,003	1,323	1,859	2,541
Total Liabilities	14,032	17,360	18,954	20,872	23,057
Net block	6,575	8,749	8,921	8,657	8,350
Investment	127	120	132	145	160
Current Assets	10,519	12,483	15,255	18,631	22,462
Cash & bank balance	16	68	88	84	126
Other Current Assets	2,659	1,940	2,226	2,584	2,983
Current liabilities & Provision	4,414	4,452	5,354	6,561	7,915
Net current assets	6,105	8,031	9,901	12,070	14,547
Misc. exp	0	0	0	0	0
Total Assets	14,032	17,360	18,954	20,872	23,057

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	2,100	2,364	3,138	4,441	6,098
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(222)	(1,683)	(1,531)	(1,636)	(1,753)
Operating Cashflow	2,469	1,184	2,012	2,778	3,571
Capital expenditure	(1,326)	(1,944)	(341)	(500)	(500)
Free Cash Flow	1,142	(760)	1,671	2,278	3,071
Investments	4	7	(12)	(13)	(15)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,263)	(1,856)	(268)	(425)	(422)
Equity Capital Raised	2	1	0	0	0
Loans Taken / (Repaid)	(320)	1,802	(550)	(1,300)	(2,267)
Dividend paid (incl tax)	(283)	(399)	(285)	(285)	(285)
Other Financing Cash Flow	118	133	0	0	0
Financing Cashflow	(1,204)	725	(1,723)	(2,358)	(3,107)
Net chg in cash	2	52	20	(4)	42
Opening cash position	14	16	68	88	84
Closing cash position	16	68	88	84	126

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	8.5	7.0	7.2	7.5	7.7
EBIT Margin	7.2	6.0	6.2	6.6	6.9
Effective Tax Rate	29.6	34.5	34.5	34.5	34.5
Net Margin	3.9	3.0	3.3	3.7	4.2
ROCE	21.3	20.7	22.6	26.6	30.7
ROE	23.9	20.8	22.7	25.7	27.5
RoIC	22.4	21.6	22.7	26.5	30.7

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	64.5	67.4	88.9	125.0	170.8
CEPS	86.1	89.9	115.4	157.2	204.9
BVPS	298.2	352.7	429.6	542.6	701.5
DPS	10.0	14.0	10.0	10.0	10.0

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	27.3	26.1	19.8	14.1	10.3
P/CEPS	20.1	19.3	15.0	11.0	8.5
P/BV	5.9	5.0	4.1	3.2	2.5
EV / Sales	1.2	0.9	0.8	0.6	0.5
EV / EBITDA	14.3	13.4	10.6	8.0	6.1
Dividend Yield (%)	0.6	0.8	0.6	0.6	0.6

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	0.9	0.9	0.7	0.5	0.2
Net Debt/EBIDTA	1.9	2.1	1.6	1.0	0.5
Working Cap Cycle (days)	56.6	54.5	55.5	55.0	54.5

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	(6.9)	36.0	21.0	23.3	21.2
EBITDA	18.2	11.4	25.5	28.4	24.8
EBIT	13.9	12.6	26.8	29.5	27.6
PAT	51.2	5.2	31.9	40.6	36.7

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	11,556	13,454	13,144	15,194	16,765
EBITDA	787	1,013	885	1,026	1,087
EBITDA Margin (%)	6.8	7.5	6.7	6.8	6.5
PAT	388	406	358	454	470
EPS (Rs)	16.5	17.2	15.2	19.1	19.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	37.5	37.5	37.3	37.3	37.3
FIIIs	-	-	-	-	-
DIIIs	15.2	14.5	13.6	14.8	11.9
Public and Others	47.3	48.1	49.1	47.9	50.8

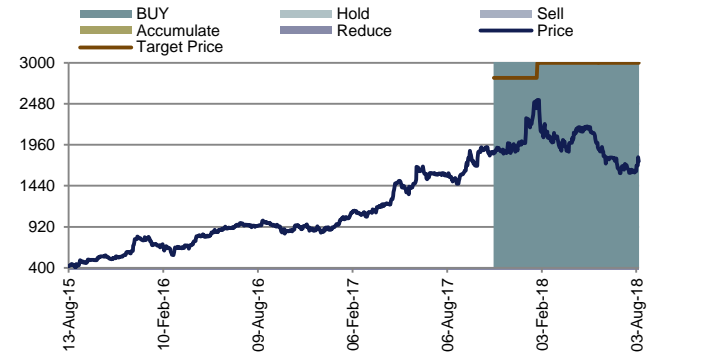
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
08-Aug-18	1,732	3,000	12m	Buy	Anubhav Gupta
13-Jun-18	1,799	3,000	12m	Buy	Anubhav Gupta
25-May-18	1,876	3,000	12m	Buy	Anubhav Gupta
02-Apr-18	2,048	3,000	12m	Buy	Anubhav Gupta
25-Jan-18	2,529	3,000	12m	Buy	Anubhav Gupta
03-Nov-17	1,861	2,812	12m	Buy	Anubhav Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Apollo Pipes

Refer to important disclosures at the end of this report

A future winner!

We hosted Mr. Sameer Gupta, MD of Apollo Pipes (APOLP), in our India Conference to share company/industry insights.

Key Meeting Takeaways:

- The merger and listing of the Polymer Pipe manufacturing business is complete. It is now a pure-play on growth in demand for polymer pipes, which is underpinned by India's strong economic currents and a pick-up in construction activity.
- APOLP should double its capacity to 100k tonne by 2019, with new plants in Western and Southern regions. The company is confident of revenue CAGR of 35% over FY18-20E vs. four-year CAGR of 19%.
- Management believes that EBITDA margins should improve, driven by rising sales of high-end household B2C products. Strong balance sheet with 0.3x D/E and solid cash flows should support planned capex.
- APOLP has aggressively expanded its production capacity by 77% to 53,000 tonne in the last four years. This year, the company will fully commission its 20k tonne Ahmedabad plant (Western region). It plans another 25k tonne plant in Bangalore (Southern region) by 2019.
- APOLP has revamped its strategy to improve revenue contribution from the household B2C segment to 50% in the next three years from the present level of 25%.
- It is already investing on brand building. APOLP is presently operating with 13% EBITDA margin and is confident on improving it further going ahead with a superior product mix.
- APOLP has linkage to the well-established APL Apollo Tubes Ltd (APAT) promoters. It is in a good position to leverage the established pipe brand of APL Apollo, along with the latter's extensive distribution network. APOLP is run by Mr. Sameer Gupta, the younger brother of Mr. Sanjay Gupta who runs APAT. There is no cross-holding between APOLP and APAT.
- APOLP has now become a pure play on demand growth for polymer pipes. We recommend investors to factor in the strong business prospects for the next three years. There is clear visibility on the evolution of newer applications, well complemented by strategically located plants and a rapidly developing distribution network.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Revenue	7	7	896	2,083	2,397
EBITDA	5	6	79	238	319
EBITDA Margin (%)	78.5	76.6	8.8	11.4	13.3
APAT	4	4	(34)	99	156
EPS (Rs)	0.7	0.7	(6.7)	8.9	14.1
EPS (% chg)	4.2	2.1	(1,022.0)	0.0	58.4
ROE (%)	4.1	4.0	(20.2)	25.0	24.9
P/E (x)	808.3	791.4	(85.8)	64.5	40.7
EV/EBITDA (x)	540.5	516.9	41.9	28.1	20.5
P/BV (x)	32.2	30.9	12.0	11.6	9.0

Source: Company, Emkay Research

CMP	Target Price
Rs 576	NA
as of (August 13, 2018)	12 months
Rating	Upside
NOT RATED	73.6 %

Change in Estimates

EPS Chg FY18E/FY19E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12

Previous Reco

Emkay vs Consensus

EPS Estimates		
	FY18E	FY19E
Emkay	NA	NA
Consensus	-	-
Mean Consensus TP (12M)	Rs 690	

Stock Details

Bloomberg Code	APOLP IN
Face Value (Rs)	10
Shares outstanding (mn)	11
52 Week H/L	725 / 269
M Cap (Rs bn/USD bn)	6 / 0.09
Daily Avg Volume (nos.)	15,746
Daily Avg Turnover (US\$ mn)	0.1

Shareholding Pattern Jun '18

Promoters	37.2%
FIIIs	5.5%
DIIIs	9.5%
Public and Others	47.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	(4)	(2)	84
Rel. to Nifty	8	(10)	(11)	58

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Revenue	7	7	896	2,083	2,397
Expenditure	1	2	817	1,845	2,078
EBITDA	5	6	79	238	319
Depreciation	0	0	21	41	47
EBIT	5	6	58	197	272
Other Income	0	0	5	3	3
Interest expenses	0	0	28	47	36
PBT	5	6	35	153	240
Tax	2	2	11	55	84
Extraordinary Items	0	0	92	0	0
Minority Int./Income from Assoc.	0	0	57	0	0
Reported Net Income	4	4	58	99	156
Adjusted PAT	4	4	(34)	99	156

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	50	50	50	110	110
Reserves & surplus	39	43	190	439	596
Net worth	89	93	240	550	706
Minority Interest	0	0	211	0	0
Loan Funds	0	0	450	342	202
Net deferred tax liability	0	0	9	15	20
Total Liabilities	89	93	909	907	928
Net block	0	0	373	453	495
Investment	0	0	3	3	3
Current Assets	91	95	690	604	714
Cash & bank balance	0	0	29	19	13
Other Current Assets	0	0	1	2	2
Current liabilities & Provision	1	2	156	153	284
Net current assets	89	93	534	451	430
Misc. exp	0	0	0	0	0
Total Assets	89	93	909	907	928

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
PBT (Ex-Other income) (NI+Dep)	5	6	29	150	237
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(3)	(3)	(403)	79	19
Operating Cashflow	0	0	(335)	263	254
Capital expenditure	0	0	(394)	(121)	(89)
Free Cash Flow	0	0	(729)	142	165
Investments	0	0	(3)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	0	0	(392)	(118)	(86)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	0	0	450	(109)	(140)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	0	0	334	0	0
Financing Cashflow	0	0	756	(156)	(175)
Net chg in cash	0	0	29	(11)	(7)
Opening cash position	0	0	0	29	19
Closing cash position	0	0	29	19	13

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	78.5	76.6	8.8	11.4	13.3
EBIT Margin	78.5	76.6	6.5	9.5	11.4
Effective Tax Rate	33.1	34.7	31.9	35.6	34.9
Net Margin	52.5	50.0	2.6	4.7	6.5
ROCE	6.1	6.1	12.5	22.1	30.0
ROE	4.1	4.0	(20.2)	25.0	24.9
RoIC	6.1	6.1	11.9	22.4	30.3

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	0.7	0.7	(6.7)	8.9	14.1
CEPS	0.7	0.7	(2.5)	12.6	18.4
BVPS	17.9	18.6	47.9	49.8	64.0
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	808.3	791.4	(85.8)	64.5	40.7
P/CEPS	759.0	743.1	(214.9)	42.8	29.4
P/BV	32.2	30.9	12.0	11.6	9.0
EV / Sales	424.5	395.8	3.7	3.2	2.7
EV / EBITDA	540.5	516.9	41.9	28.1	20.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	0.0	0.0	1.8	0.6	0.3
Net Debt/EBIDTA	0.0	(0.1)	5.3	1.4	0.6
Working Cap Cycle (days)	4,800.5	4,647.8	205.5	75.6	63.5

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	3.9	7.2	12,207.7	132.5	15.1
EBITDA	1.7	4.5	1,314.5	201.9	34.0
EBIT	1.7	4.5	938.0	240.6	38.1
PAT	4.2	2.1	1,496.6	69.6	58.4

Quarterly (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18
Revenue	567	499	634	744	609
EBITDA	67	49	95	63	60
EBITDA Margin (%)	11.8	9.9	15.0	8.4	9.9
PAT	31	20	53	32	24
EPS (Rs)	2.8	1.8	4.8	2.9	2.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	35.2	35.2	54.7	37.2	37.2
FIIIs	-	-	-	5.3	5.5
DIIIs	4.2	4.2	2.0	8.6	9.5
Public and Others	60.6	60.6	43.4	49.0	47.9

Source: Capitaline

Arfin India

Refer to important disclosures at the end of this report

Niche player with big opportunities

We hosted Mr Jatin Shah- Managing Director, Ms Vijay Lathi- Chief Financial Officer and Mr Ashish Thakker- Group President of Arfin India Ltd at our India Conference to share company/ industry insights.

Key Meeting Takeaways

- In 2012, Arfin India forayed into manufacturing of aluminium products and surrendered its NBFC license. In just five years, the company has emerged as one of the largest players in non-ferrous products.
- Arfin's product portfolio constitutes Al Wire Rod (15000 tpa), Al Deox (20000 tpa), Al Alloy Ingot (6000 tpa), Cored Wire (1500 tpa), Automobile Components, Conductors and Cables (12000 tpa) and Master & Ferro Alloys (1200 tpa).
- The company has seen a strong volume CAGR of 25.5% over FY14-18. Backed by this, Revenue/, EBITDA and PAT grew at a CAGR of 25.1%, 64.3% and 69.1%, respectively.
- Aluminium Wire Rod & Deox are the main products as of now. Aluminium segment contributes 85% to total revenue, of which steel constitutes 65%, Auto contributes 22%, Power forms 4% and the balance is Miscellaneous. Key clients are JSW Steel, Bhushan Steel, JSPL (Middle East), Endurance, Toyota etc.
- Under its Master & Ferro Alloys division, it produces Ferro Titanium, which seems to be the next growth driver. Arfin is the only company in India to produce this product. Till now, Indian steel companies used to import this product. So, there is huge scope for import substitution. There could be Rs5bn opportunity from this product. The company is doubling its capacity to 2,400tpa. It has the best gross margin (20%) among all the products. The management believes that the company can be a globally competitive player in this product, as it is likely to get approvals in Japan and Saudi Arabia.
- As a policy, Arfin believes in working as a partner with its customers. It has received calcium management contract in JSW Steel's Dolvi works. This is the first of its kind in India and will help to reduce processing cost. This can be Rs1.5bn business opportunity on per annum.
- Capex is likely to be Rs150mn per year, which can support Rs8bn topline. ROCE of this business is ~30%. The management expects EBITDA margin to improve going forward with a better product mix.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	1861	2132	2609	2858	3633
EBITDA	51	62	117	148	272
EBITDA Margin (%)	2.8	2.9	4.5	5.2	7.5
APAT	28	27	47	66	131
EPS (Rs)	2.1	2.1	3.6	5.1	10.1
EPS (% chg)		-1.7	72.3	41.5	98.3
ROE (%)	45.3	28.7	30.6	31.9	33.8
P/E (x)	169.7	172.7	100.2	70.8	35.7
EV/EBITDA (x)	97.3	82.7	43.3	34.9	19.6
P/BV (x)	76.8	36.6	26.4	19.7	8.7

Source: Company, Emkay Research

CMP	Target Price
Rs 360 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	ARFI IN
Face Value (Rs)	10
Shares outstanding (mn)	13
52 Week H/L	597/153
M Cap (Rs bn/USD bn)	5/0.1
Daily Avg Volume (nos.)	833
Daily Avg Turnover (US\$ mn)	0.0

Shareholding Pattern Jun'18

Promoters	74.1%
FIIIs	0.0%
DIIIs	0.0%
Public and Others	25.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	-17	-28	122
Rel. to Nifty	3	-22	-34	89

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)

Income Statement

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	1861	2132	2609	2858	3633
Expenditure	1856	2086	2531	2671	3407
EBITDA	51	62	117	148	272
Depreciation	2	4	8	9	12
EBIT	49	57	110	139	260
Other Income	7	2	10	10	9
Interest expenses	11	19	49	49	64
PBT	44	40	71	100	205
Tax	13	14	24	34	75
Extraordinary Items	3	-1	0	0	-1
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	31	27	47	66	130
Adjusted PAT	28	27	47	66	131

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	19	29	30	30	41
Reserves & surplus	42	99	147	208	498
Net worth	61	128	177	238	539
Minority Interest	0	0	0	0	0
Loan Funds	262	340	338	440	616
Net deferred tax liability	-5	-8	-10	-12	-18
Total Liabilities	323	468	515	678	1155
Net block	82	93	121	141	212
Investment	0	0	0	0	41
Current Assets	460	653	754	1005	1343
Cash & bank balance	40	23	39	40	33
Other Current Assets	420	630	715	966	1310
Current liabilities & Provision	217	273	374	502	431
Net current assets	243	380	380	504	912
Misc. exp	0	0	0	0	0
Total Assets	323	468	515	678	1155

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	4	40	23	39	40
Net Cash from Operations	-141	-122	64	-15	-216
Net Cash Used in Investing	-24	-13	-54	-41	-81
Net Cash Used in Financing	201	118	5	58	290
Net Inc/(Dec) in Cash	36	-17	15	1	-7
Closing Cash	40	23	39	40	33

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	2.8	2.9	4.5	5.2	7.5
EBIT Margin	2.6	2.7	4.2	4.9	7.1
Effective Tax Rate	30.1	34.1	33.8	34.0	36.6
Net Margin	1.5	1.3	1.8	2.3	3.6
ROCE	15.2	14.5	22.3	23.4	28.3
ROE	45.3	28.7	30.6	31.9	33.8
RoIC	15.3	14.6	22.9	24.8	29.9

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	2.1	2.1	3.6	5.1	10.1
CEPS	2.3	2.4	4.2	5.8	11.0
BVPS	4.7	9.8	13.6	18.3	41.5
DPS		0.0	1.0	1.5	2.0
Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	169.7	172.7	100.2	70.8	35.7
P/CEPS	156.7	149.5	86.3	62.5	32.7
P/BV	76.8	36.6	26.4	19.7	8.7
EV / Sales	2.7	2.4	1.9	1.8	1.5
EV / EBITDA	97.3	82.7	43.3	34.9	19.6
Dividend Yield (%)	0.0	0.0	0.3	0.4	0.6
Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	3.7	2.5	1.7	1.7	1.0
Net Debt/EBITDA	4.3	5.1	2.6	2.7	2.0
Working Cap Cycle (days)	39.7	61.1	47.8	59.3	88.3
Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	14.6	22.4	9.5	27.1
EBITDA	0.0	19.9	90.2	26.6	83.4
EBIT	0.0	16.9	91.1	27.2	86.4
PAT	0.0	-1.7	72.3	41.5	98.3
Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	903	861	892	1,193	1,447
EBITDA	82	66	90	132	129
EBITDA Margin (%)	9.1	7.7	10.1	11.0	8.9
PAT	35	31	48	70	58
EPS (Rs)	2.7	2.4	3.7	5.4	4.5
Shareholding Pattern (%)	Nov-17	Dec-17	Mar-18	Jun-18	Jun-18
Promoters	72.7	72.7	72.7	74.1	74.1
FIIIs	0.0	0.0	0.0	0.0	0.0
DIIIs	0.0	0.0	0.0	0.0	0.0
Public and Others	27.3	27.3	27.3	25.9	25.9

Astron Paper & Board Mill

Refer to important disclosures at the end of this report

Growth momentum to continue

We hosted Mr. Kirit Patel, Managing Director of Astron Paper, in our India Conference to share company/industry insights.

Key Meeting Takeaways

- Astron Paper & Board Mill is one of the fastest-growing kraft paper manufacturing companies. Its products are used by the packaging industry for corrugated boxes, liners, sacks and composite containers for secondary and tertiary packaging.
- Of the total paper consumption of ~14mn tpa in India kraft papers constitutes ~35% (5mn tpa) and is one of the fastest-growing category (10-15% volume growth) due to the strong growth in e-commerce and changes in consumption patterns in India.
- Astron commands 40% share in the organized segment (peer group: Genus Paper, South India Paper and Shree Ajit Paper). It enjoys geographical advantage of being near the Mundra Port.
- Uniform tax structure in the country through GST should help Astron enhance its presence in the North-East through closure and consolidation of small and unorganized units.
- India's low per capita paper consumption of 11kg compared with the global average of 55kg indicates strong room for growth. Astron, being one of the leading organized players, with a fully automated manufacturing plant and strong raw material (waste paper) sourcing network, should grow faster than the industry for the next few years.
- Erstwhile manufacturers of kraft paper, including those in Europe, Latin America and China, are now looking to import it, creating new markets for Indian players. E-commerce and grocery packaging demand should benefit raw material suppliers like Astron.
- Astron has doubled its capacity from 96,000mt in FY17 to 1,74,000mt in FY18 through the acquisition of two plants of Balaram Paper P Ltd. Of this, 1,12,000 MT is dedicated to premium products, while 62,000 MT is for lower GSM commercial products.
- By 2021, Astron aims to augment the capacity of its three plants to 2,00,000 MT through debottlenecking with an outlay of Rs250mn.
- The recent ban of plastic bags in Maharashtra and Gujarat has encouraged it to make some modifications in its machines to produce paper bags to cater to the demand.
- Management expects FY19 sales to be upward of Rs4bn vs. Rs2.5bn in FY18. EBITDA margin of 14.5% is guided for FY19, with a 100bps increase from FY18.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	266	1058	1519	1575	1833
EBITDA	18	110	191	195	217
EBITDA Margin (%)	6.7	10.4	12.6	12.4	11.8
APAT	-42	-30	41	61	100
EPS (Rs)			0.9	1.3	2.1
EPS (% chg)		-	-	47.7	63.3
ROE (%)	-	-	15.6	18.9	24.7
P/E (x)	-	-	137.7	93.3	57.1
EV/EBITDA (x)	347.5	57.8	33.1	32.7	29.8
P/BV (x)	25.1	24.0	19.4	16.1	12.5

Source: Company, Emkay Research

CMP	Target Price
Rs 121 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	ASTRON IN
Face Value (Rs)	10
Shares outstanding (mn)	47
52 Week H/L	177/100
M Cap (Rs bn/USD bn)	6/0.1
Daily Avg Volume (nos.)	168,102
Daily Avg Turnover (US\$ mn)	0.3

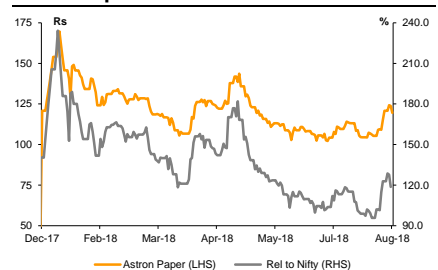
Shareholding Pattern Jun'18

Promoters	43.8%
FIIIs	0.1%
DIIIs	0.1%
Public and Others	55.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	-7	-7	0
Rel. to Nifty	5	-13	-15	0

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Income Statement					
Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	266	1058	1519	1575	1833
Expenditure	289	944	1333	1380	1604
EBITDA	18	110	191	195	217
Depreciation	10	32	27	28	33
EBIT	8	78	165	167	185
Other Income	1	4	2	4	13
Interest expenses	30	95	107	107	113
PBT	-21	-14	60	64	85
Tax	21	16	18	3	-15
Extraordinary Items	0	0	0	0	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	-42	-30	41	61	100
Adjusted PAT	-42	-30	41	61	100

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	270	310	325	325	325
Reserves & surplus	-43	-74	-32	29	128
Net worth	227	237	293	354	453
Minority Interest	0	0	0	0	0
Loan Funds	611	723	723	784	892
Net deferred tax liability	-21	-37	-56	-58	-44
Total Liabilities	919	1046	1103	1268	1388
Net block	653	671	658	748	791
Investment	0	1	1	1	0
Current Assets	442	592	703	836	923
Cash & bank balance	70	28	34	53	61
Other Current Assets	372	563	669	783	862
Current liabilities & Provision	168	183	214	258	296
Net current assets	274	409	489	578	627
Misc. exp	0	0	0	0	0
Total Assets	919	1046	1103	1268	1388

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	13	70	28	34	53
Net Cash from Operations	-156	-66	107	157	80
Net Cash Used in Investing	-270	-39	-20	-104	-84
Net Cash Used in Financing	483	64	-83	-34	12
Net Inc/(Dec) in Cash	57	-42	5	19	8
Closing Cash	70	28	34	53	61

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	6.7	10.4	12.6	12.4	11.8
EBIT Margin	2.9	7.4	10.8	10.6	10.1
Effective Tax Rate	-	-	30.8	4.2	-
Net Margin	-15.6	-2.9	2.7	3.9	5.4
ROCE	0.8	7.9	15.3	14.1	13.9
ROE	-	-	15.6	18.9	24.7
RoIC	0.8	8.0	15.4	14.2	14.0

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS			0.9	1.3	2.1
CEPS	-0.7	0.0	1.4	1.9	2.8
BVPS	4.8	5.0	6.2	7.5	9.6
DPS		0.0	0.0	0.0	0.0

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	-	-	137.7	93.3	57.1
P/CEPS		3385.1	83.8	64.0	43.1
P/BV	25.1	24.0	19.4	16.1	12.5
EV / Sales	23.3	6.0	4.2	4.0	3.5
EV / EBITDA	347.5	57.8	33.1	32.7	29.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	2.4	2.9	2.4	2.1	1.8
Net Debt/EBITDA	30.4	6.3	3.6	3.7	3.8
Working Cap Cycle (days)	280.4	131.3	109.3	121.7	112.7

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	298.0	43.5	3.7	16.4
EBITDA	0.0	516.3	74.2	2.0	11.3
EBIT	0.0	910.4	111.4	1.5	10.5
PAT	0.0	-	-	47.7	63.3

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18
Revenue	468	503	607	650
EBITDA	53	67	79	75
EBITDA Margin (%)	11.4	13.4	13.0	11.6
PAT	54	35	60	63
EPS (Rs)	1.2	0.7	1.3	1.3

Shareholding Pattern (%)	Dec-17	Dec-17	Mar-18
Promoters	43.8	43.8	43.8
FIIIs	0.5	0.5	0.0
DIIIs	1.2	0.7	0.0
Public and Others	54.5	55.1	56.2

Bajaj Electricals

Refer to important disclosures at the end of this report

Consumer business gaining momentum

We hosted Mr. Anant Purandare, CFO of Bajaj Electricals Ltd (BJE), at our India Conference to share company insights.

Key Meeting Takeaways

- The benefits from the new distribution model are evident now, and the company is witnessing traction across segments. The new distribution model covers more than 90% of BJE's sales (160k retailers in 440 districts).
- Under the new model, BJE will have direct access to 250k retailers in FY19. The company expects 50-60% of these outlets to be in rural areas. This should help BJE penetrate deeper into smaller towns and build an unparalleled distribution reach.
- BJE has integrated its distributors in its MIS system and now everyone in the company can track units sold at the distributor level. At the final retailer level, the company knows the total sales but not the SKUs. BJE will gradually integrate retailers also into the same system to get SKU-level analysis at the final retailer level.
- BJE's strategy of eliminating wholesalers and reaching out directly to distributors is very difficult to emulate. If any competitor adopts this strategy, it will result in revenue decline for a couple of years and then only the company can hope for stabilization. As a result, for any company, it is a difficult decision to make.
- BJE has launched retailer bonding program for all retailers. It is a point-based system which accumulates points on the basis of sales. Since this is a perpetual scheme, retailers do not have selling pressure and there is no dumping on them.
- BJE had earlier focused on creating a robust distribution and service network. With the new distribution strategy, i.e., eliminating wholesalers, gaining traction, BJE is now focusing on R&D to stay ahead in the game. For Instance, it has introduced IoT-based air cooler – a first in the industry. BJE expects to launch innovative products with the help of its R&D team to stay ahead of the competition.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	42,617	47,075	59,614	70,736	71,427
EBITDA	2,428	2,934	4,255	5,516	5,770
EBITDA Margin (%)	5.7	6.2	7.1	7.8	8.1
APAT	1,022	1,624	2,249	2,868	3,123
EPS (Rs)	10.1	15.9	22.0	28.1	30.6
EPS (% chg)	(5.5)	57.7	38.5	27.5	8.9
ROE (%)	12.6	18.0	21.9	23.1	20.9
P/E (x)	60.0	38.1	27.5	21.5	19.8
EV/EBITDA (x)	27.6	23.4	17.4	13.6	12.1
P/BV (x)	7.1	6.6	5.5	4.5	3.8

Source: Company, Emkay Research

CMP	Target Price
Rs 606 as of (August 8, 2018)	Rs 735 (■) 12 months
Rating	Upside
BUY (■)	21.3 %

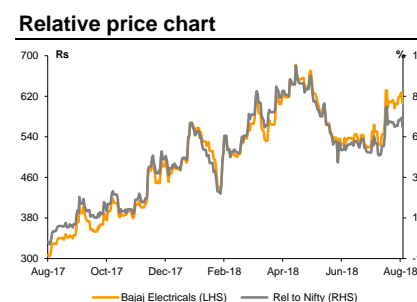
Change in Estimates	
EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	-
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus		
EPS Estimates		
	FY19E	FY20E
Emkay	22.0	28.1
Consensus	21.3	27.9
Mean Consensus TP (12M)		Rs 614

Stock Details	
Bloomberg Code	BJE IN
Face Value (Rs)	2
Shares outstanding (mn)	102
52 Week H/L	706 / 295
M Cap (Rs bn/USD bn)	62 / 0.90
Daily Avg Volume (nos.)	762,441
Daily Avg Turnover (US\$ mn)	6.4

Shareholding Pattern Jun '18	
Promoters	62.9%
FIIIs	9.9%
DIIIs	5.0%
Public and Others	22.2%

Price Performance				
(%)	1M	3M	6M	12M
Absolute	10	(5)	13	100
Rel. to Nifty	5	(11)	3	72



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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	42,617	47,075	59,614	70,736	71,427
Expenditure	40,190	44,141	55,358	65,220	65,658
EBITDA	2,428	2,934	4,255	5,516	5,770
Depreciation	299	339	373	407	440
EBIT	2,129	2,594	3,882	5,109	5,330
Other Income	356	532	532	532	532
Interest expenses	804	589	847	1,135	970
PBT	1,680	2,538	3,568	4,506	4,891
Tax	604	809	1,213	1,532	1,663
Extraordinary Items	(25)	(746)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	996	878	2,249	2,868	3,123
Adjusted PAT	1,022	1,624	2,249	2,868	3,123

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	203	204	204	204	204
Reserves & surplus	8,429	9,161	10,980	13,419	16,111
Net worth	8,631	9,365	11,184	13,623	16,316
Minority Interest	0	0	0	0	0
Loan Funds	6,413	7,176	12,744	13,964	8,862
Net deferred tax liability	(559)	(735)	(735)	(735)	(735)
Total Liabilities	14,485	15,806	23,193	26,851	24,442
Net block	3,101	3,158	3,185	3,179	3,139
Investment	720	77	80	84	89
Current Assets	26,263	30,625	42,871	50,812	48,705
Cash & bank balance	653	257	722	953	687
Other Current Assets	3,020	4,155	5,036	5,822	5,899
Current liabilities & Provision	15,677	18,117	22,943	27,224	27,490
Net current assets	10,586	12,508	19,928	23,588	21,215
Misc. exp	0	0	0	0	0
Total Assets	14,485	15,806	23,193	26,851	24,442

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	1,325	2,006	3,036	3,974	4,359
Other Non-Cash items	0	0	0	0	0
Chg in working cap	1,782	(2,493)	(6,955)	(3,429)	2,106
Operating Cashflow	3,963	(1,025)	(4,019)	449	6,107
Capital expenditure	(507)	(382)	(337)	(400)	(400)
Free Cash Flow	3,456	(1,407)	(4,355)	49	5,707
Investments	52	644	(4)	(4)	(4)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(99)	793	191	128	128
Equity Capital Raised	1	2	0	0	0
Loans Taken / (Repaid)	(2,621)	763	5,568	1,219	(5,102)
Dividend paid (incl tax)	(341)	(341)	(430)	(430)	(430)
Other Financing Cash Flow	1	2	0	0	0
Financing Cashflow	(3,766)	(164)	4,292	(346)	(6,502)
Net chg in cash	98	(395)	465	231	(266)
Opening cash position	555	653	257	722	953
Closing cash position	653	257	722	953	687

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	5.7	6.2	7.1	7.8	8.1
EBIT Margin	5.0	5.5	6.5	7.2	7.5
Effective Tax Rate	35.9	31.9	34.0	34.0	34.0
Net Margin	2.5	3.7	3.9	4.2	4.5
ROCE	16.3	20.6	22.6	22.5	22.9
ROE	12.6	18.0	21.9	23.1	20.9
RoIC	15.4	18.2	20.5	21.2	21.5

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	10.1	15.9	22.0	28.1	30.6
CEPS	13.0	19.2	25.7	32.1	34.9
BVPS	85.2	91.8	109.6	133.5	159.9
DPS	2.8	3.5	3.5	3.5	3.5

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	60.0	38.1	27.5	21.5	19.8
P/CEPS	47.9	32.4	24.3	19.4	17.9
P/BV	7.1	6.6	5.5	4.5	3.8
EV / Sales	1.6	1.5	1.2	1.1	1.0
EV / EBITDA	27.6	23.4	17.4	13.6	12.1
Dividend Yield (%)	0.5	0.6	0.6	0.6	0.6

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	0.7	0.7	1.1	1.0	0.5
Net Debt/EBITDA	2.4	2.4	2.8	2.4	1.4
Working Cap Cycle (days)	85.1	95.0	117.6	116.8	104.9

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	(7.2)	10.5	26.6	18.7	1.0
EBITDA	(8.1)	20.9	45.0	29.6	4.6
EBIT	(10.1)	21.9	49.6	31.6	4.3
PAT	(5.5)	(11.9)	156.2	27.5	8.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	10,205	9,356	11,451	16,063	11,399
EBITDA	514	412	703	1,350	798
EBITDA Margin (%)	5.0	4.4	6.1	8.4	7.0
PAT	169	184	392	102	410
EPS (Rs)	1.7	1.8	3.8	1.0	4.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	63.3	63.3	63.0	62.9	62.9
FIs	9.3	9.8	9.8	9.7	9.9
DIs	5.3	4.8	4.7	5.6	5.0
Public and Others	22.2	22.2	22.5	21.8	22.2

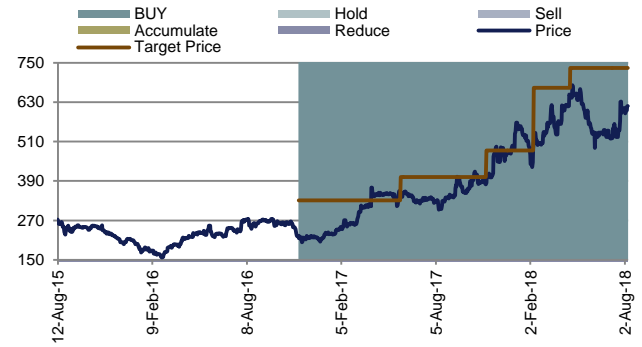
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
9-Aug-18	627	735	12m	Buy	Anubhav Gupta
23-May-18	583	735	12m	Buy	Anubhav Gupta
19-Apr-18	645	735	12m	Buy	Anubhav Gupta
1-Mar-18	537	674	12m	Buy	Anubhav Gupta
8-Feb-18	510	674	12m	Buy	Anubhav Gupta
9-Nov-17	384	483	12m	Buy	Anubhav Gupta
3-Aug-17	328	402	12m	Buy	Anubhav Gupta
29-May-17	349	402	12m	Buy	Anubhav Gupta
9-Feb-17	263	331	12m	Buy	Anubhav Gupta
15-Nov-16	216	331	12m	Buy	Anubhav Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Delta Corp

Refer to important disclosures at the end of this report

Land policy to be a game changer

We hosted Mr. Hardik Dhebar, CFO of Delta Corp Ltd (DELTA), at our India Conference to share company insights.

Key Meeting Takeaways

- Goa is expected to become a US\$1bn casino market (US\$180mn today) as it transitions to land-based casinos. The average daily footfalls should rise above 12,000 from 2,000 currently. With a 50% market share, DELTA should be the biggest beneficiary of this.
- DELTA plans to build the entire ecosystem for gaming and entertainment based on an asset-light model. It targets a total capex of Rs20bn. Out of this, DELTA's share would be Rs12bn and the remaining will be funded by its JV partners (e.g., hotel groups). DELTA will fund its capex through 1) surplus cash of Rs4bn; 2) FY19-21E operating cash flows of Rs6bn; and 3) proceeds from the sale of non-core assets worth Rs2bn.
- Growth in the casino business is driven by 1) robust inflow of tourists into Goa; 2) closure of almost 50% of casino space; and 3) activation by marketing team for increasing day-time visits.
- Delta has benefitted from a hike in license fees. Some of the competitors have reduced casino size and some smaller casinos have closed down as they have become unviable. DELTA has not taken any price hike to offset the increase in license fees.
- The rummy vertical has shown some traction and generated a monthly revenue run rate of Rs10mn in June. By September, the rummy website will be on par with the competitors. The vertical should contribute Rs150mn to the top line. Although it will not make any EBITDA profit in FY19, it should be EBITDA positive in FY20. There are 300k registered users and 15k active users in the rummy vertical as
- DELTA continues to maintain its leadership position in online poker in 1Q as well. The company has tried to bring in entry barriers in poker by offering higher prize money in the tournament of Rs80-100mn. DELTA will continue offering higher prize money to fend off competition.
- Management expects marketing spends to remain higher in FY19. FY18 marketing spending was Rs230mn, while 1QFY19 spend stood at Rs130mn (excl. sports league expenses).
- Management expects EBIT margins of the online business in the 15-17% range. After the rummy vertical and fantasy league stabilizes, the long-term target would be 20-21%.

Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	4,547	6,077	7,352	9,295	11,609
EBITDA	1,640	2,470	2,589	3,589	4,766
EBITDA Margin (%)	36.1	40.7	35.2	38.6	41.1
APAT	695	1,545	1,544	2,318	3,108
EPS (Rs)	3.0	5.8	5.8	8.7	11.6
EPS (% chg)	149.7	92.3	(0.1)	50.2	34.1
ROE (%)	7.9	11.9	8.9	12.1	14.3
P/E (x)	89.1	46.3	46.4	30.9	23.0
EV/EBITDA (x)	38.5	26.8	25.8	19.1	14.6
P/BV (x)	6.7	4.3	4.0	3.5	3.1

Source: Company, Emkay Research

CMP

Rs 267
as of (August 8, 2018)

Rating

BUY (■)

Target Price

Rs 380 (■)
12 months

Upside

42.1 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	5.8	8.7
Consensus	7.4	10.1
Mean Consensus TP (12M)	Rs 327	

Stock Details

Bloomberg Code	DELTA IN
Face Value (Rs)	1
Shares outstanding (mn)	268
52 Week H/L	402 / 157
M Cap (Rs bn/USD bn)	72 / 1.04
Daily Avg Volume (nos.)	3,223,114
Daily Avg Turnover (US\$ mn)	11.2

Shareholding Pattern Jun '18

Promoters	33.2%
FIIIs	23.8%
DIIIs	3.4%
Public and Others	39.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	13	8	(20)	59
Rel. to Nifty	7	1	(26)	38

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	4,547	6,077	7,352	9,295	11,609
Expenditure	2,907	3,606	4,763	5,706	6,843
EBITDA	1,640	2,470	2,589	3,589	4,766
Depreciation	361	371	414	424	435
EBIT	1,278	2,099	2,175	3,164	4,331
Other Income	49	286	240	441	480
Interest expenses	350	104	1	0	0
PBT	978	2,281	2,415	3,605	4,811
Tax	280	737	821	1,226	1,636
Extraordinary Items	42	10	0	0	0
Minority Int./Income from Assoc.	(31)	(7)	0	0	0
Reported Net Income	738	1,555	1,544	2,318	3,108
Adjusted PAT	695	1,545	1,544	2,318	3,108

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	231	268	268	268	268
Reserves & surplus	8,970	16,560	17,782	19,987	22,982
Net worth	9,201	16,827	18,049	20,255	23,250
Minority Interest	160	141	191	252	320
Loan Funds	2,407	14	0	0	0
Net deferred tax liability	(350)	(80)	(84)	(88)	(92)
Total Liabilities	11,418	16,903	18,156	20,419	23,477
Net block	8,521	12,236	12,022	11,798	11,563
Investment	49	54	54	54	54
Current Assets	3,647	7,349	7,178	5,966	5,619
Cash & bank balance	1,245	5,401	4,811	3,160	2,194
Other Current Assets	480	391	411	431	453
Current liabilities & Provision	804	2,777	1,139	1,441	1,799
Net current assets	2,843	4,572	6,039	4,526	3,819
Misc. exp	0	0	0	0	0
Total Assets	11,418	16,903	18,156	20,419	23,477

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	929	1,995	2,175	3,164	4,331
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(373)	2,696	(2,061)	(143)	(264)
Operating Cashflow	986	4,430	(293)	2,220	2,867
Capital expenditure	(254)	(3,761)	171	(3,786)	(3,776)
Free Cash Flow	733	669	(121)	(1,566)	(909)
Investments	777	(5)	0	0	0
Other Investing Cash Flow	138	(397)	(378)	(398)	(406)
Investing Cashflow	710	(3,876)	34	(3,743)	(3,702)
Equity Capital Raised	0	37	0	0	0
Loans Taken / (Repaid)	(231)	(2,392)	(14)	0	0
Dividend paid (incl tax)	(98)	(322)	(113)	(113)	(113)
Other Financing Cash Flow	0	5,500	0	0	0
Financing Cashflow	(679)	2,719	(128)	(113)	(113)
Net chg in cash	1,018	3,272	(387)	(1,636)	(948)
Opening cash position	228	1,245	5,401	4,811	3,160
Closing cash position	1,245	4,517	5,014	3,175	2,212

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	36.1	40.7	35.2	38.6	41.1
EBIT Margin	28.1	34.5	29.6	34.0	37.3
Effective Tax Rate	28.7	32.3	34.0	34.0	34.0
Net Margin	15.3	25.4	21.7	25.6	27.4
ROCE	11.9	16.8	13.8	18.7	21.9
ROE	7.9	11.9	8.9	12.1	14.3
RoIC	12.8	19.5	17.6	24.0	32.9

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	3.0	5.8	5.8	8.7	11.6
CEPS	4.6	7.2	7.3	10.2	13.2
BVPS	39.7	62.9	67.5	75.7	86.9
DPS	0.4	1.2	0.4	0.4	0.4

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	89.1	46.3	46.4	30.9	23.0
P/CEPS	58.5	37.3	36.5	26.0	20.2
P/BV	6.7	4.3	4.0	3.5	3.1
EV / Sales	13.9	10.9	9.1	7.4	6.0
EV / EBITDA	38.5	26.8	25.8	19.1	14.6
Dividend Yield (%)	0.2	0.5	0.2	0.2	0.2

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	0.1	(0.3)	(0.3)	(0.2)	(0.1)
Net Debt/EBIDTA	0.7	(2.2)	(1.9)	(0.9)	(0.5)
Working Cap Cycle (days)	128.2	(49.8)	61.0	53.7	51.1

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	21.2	33.7	21.0	26.4	24.9
EBITDA	35.8	50.7	4.8	38.6	32.8
EBIT	50.8	64.2	3.6	45.5	36.9
PAT	93.1	110.8	(0.7)	50.2	34.1

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,286	1,453	1,622	1,716	1,873
EBITDA	453	655	687	675	654
EBITDA Margin (%)	35.2	45.1	42.4	39.3	34.9
PAT	203	428	729	145	403
EPS (Rs)	0.8	1.6	2.7	0.5	1.5

Source: Company, Emkay Research

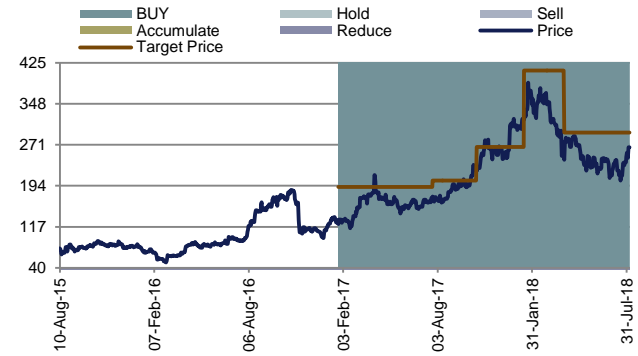
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	35.3	35.3	33.9	33.2	33.2
FIIIs	6.7	10.0	18.4	22.7	23.8
DIIIs	9.5	9.2	8.8	6.8	3.4
Public and Others	48.5	45.5	39.0	37.3	39.6

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
06-Aug-18	263	380	12m	Buy	Anubhav Gupta
23-Jul-18	228	294	12m	Buy	Anubhav Gupta
24-Apr-18	283	294	12m	Buy	Anubhav Gupta
02-Apr-18	243	294	12m	Buy	Anubhav Gupta
15-Jan-18	318	411	12m	Buy	Anubhav Gupta
16-Oct-17	228	267	12m	Buy	Anubhav Gupta
24-Jul-17	174	204	12m	Buy	Anubhav Gupta
24-Jan-17	122	192	12m	Buy	Anubhav Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Essel Propack

Refer to important disclosures at the end of this report

Investing for the future

We hosted Essel Propack management represented by Mr. Ashok Goel, CMD, Mr. Nikhil Dujari, CFO and Mr. Amit Jain, head of treasury, at our India Conference to share company insights.

Key Meeting Takeaways

- Management maintained long-term top-line guidance of 15% and 20% bottom-line CAGR. It clarified that the challenges highlighted post 1QFY19 results call from ecommerce and new technologies were likely to occur over the long term and would not have an impact on the company's near-term performance.
- Management, however, remains committed to invest in new technologies and zero defect processes. It believes these measures will drive higher business from existing customers.
- India growth affected by destocking in oral care and regulatory changes in the pharmaceutical industry. While demand from oral care is back to normal, regulatory changes in pharmaceutical will continue to have an impact until 2HFY19.
- The commencement of the Assam factory will also help drive growth in India. While two-thirds of the capacity will be used for existing demand, one-third will free for incremental growth.
- To meet higher standards and satisfy increase in demand, capex this year is likely to be higher than depreciation. The capex will be incurred for the relocation of the Russian unit and increasing in the capacity of laminates and tubes in India.

CMP	Target Price
Rs 111	Rs 120 (■)
as of (August 10, 2018)	12 months
Rating	Upside
HOLD (■)	8.2 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	6.4	7.5
Consensus	6.7	7.8
Mean Consensus TP (12M)	Rs 129	

Stock Details

Bloomberg Code	ESEL IN
Face Value (Rs)	2
Shares outstanding (mn)	315
52 Week H/L	159 / 102
M Cap (Rs bn/USD bn)	35 / 0.51
Daily Avg Volume (nos.)	115,654
Daily Avg Turnover (US\$ mn)	0.2

Shareholding Pattern Jun '18

Promoters	57.2%
FIIIs	14.7%
DIIIs	5.6%
Public and Others	22.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	(14)	(21)	(8)
Rel. to Nifty	(6)	(19)	(28)	(21)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	21,275	23,023	24,239	27,187	30,328
EBITDA	4,038	4,213	4,648	5,122	5,782
EBITDA Margin (%)	19.0	18.3	19.2	18.8	19.1
APAT	1,677	1,747	1,766	2,014	2,373
EPS (Rs)	5.3	5.6	5.6	6.4	7.5
EPS (% chg)	24.0	4.2	1.1	14.1	17.8
ROE (%)	19.2	17.4	15.4	15.3	16.3
P/E (x)	20.8	20.0	19.8	17.3	14.7
EV/EBITDA (x)	9.9	9.6	8.4	7.5	6.3
P/BV (x)	3.6	3.4	2.8	2.5	2.3

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	21,275	23,023	24,239	27,187	30,328
Expenditure	17,238	18,810	19,591	22,065	24,546
EBITDA	4,038	4,213	4,648	5,122	5,782
Depreciation	1,232	1,415	1,671	1,869	2,046
EBIT	2,806	2,798	2,977	3,253	3,736
Other Income	238	353	264	264	264
Interest expenses	609	575	549	465	404
PBT	2,435	2,576	2,691	3,052	3,596
Tax	776	787	889	1,008	1,188
Extraordinary Items	23	157	(50)	0	0
Minority Int./Income from Assoc.	18	(42)	(37)	(30)	(35)
Reported Net Income	1,700	1,903	1,716	2,014	2,373
Adjusted PAT	1,677	1,747	1,766	2,014	2,373

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	314	314	315	629	629
Reserves & surplus	9,334	10,076	12,191	13,146	14,699
Net worth	9,648	10,390	12,506	13,775	15,328
Minority Interest	81	57	43	73	107
Loan Funds	6,203	6,918	5,943	5,443	4,943
Net deferred tax liability	182	247	329	329	329
Total Liabilities	16,114	17,613	18,821	19,619	20,707
Net block	9,301	11,795	11,842	12,173	11,426
Investment	304	153	131	131	131
Current Assets	9,689	10,119	11,882	12,127	14,549
Cash & bank balance	844	1,028	1,736	1,783	3,288
Other Current Assets	2,057	1,500	1,429	1,088	1,214
Current liabilities & Provision	3,692	4,647	5,451	5,228	5,816
Net current assets	5,998	5,472	6,431	6,899	8,733
Misc. exp	0	0	0	0	0
Total Assets	16,114	17,613	18,821	19,619	20,707

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	2,197	2,223	2,428	2,789	3,332
Other Non-Cash items	227	(221)	(60)	0	0
Chg in working cap	(680)	775	(170)	(421)	(328)
Operating Cashflow	3,608	3,687	3,161	3,492	4,126
Capital expenditure	(1,284)	(3,590)	(1,941)	(2,200)	(1,300)
Free Cash Flow	2,324	97	1,220	1,292	2,826
Investments	239	151	22	0	0
Other Investing Cash Flow	352	76	(264)	(264)	(264)
Investing Cashflow	(455)	(3,010)	(1,919)	(2,200)	(1,300)
Equity Capital Raised	0	9	0	1	0
Loans Taken / (Repaid)	(1,646)	716	(976)	(500)	(500)
Dividend paid (incl tax)	(341)	(436)	(678)	(746)	(820)
Other Financing Cash Flow	(604)	(476)	549	465	404
Financing Cashflow	(3,200)	(762)	(1,654)	(1,245)	(1,320)
Net chg in cash	(47)	(85)	(412)	47	1,506
Opening cash position	1,164	844	1,028	1,736	1,783
Closing cash position	844	1,028	1,736	1,783	3,288

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	19.0	18.3	19.2	18.8	19.1
EBIT Margin	13.2	12.2	12.3	12.0	12.3
Effective Tax Rate	31.9	30.5	33.0	33.0	33.0
Net Margin	7.8	7.8	7.4	7.5	7.9
ROCE	19.0	18.7	17.8	18.3	19.8
ROE	19.2	17.4	15.4	15.3	16.3
RoIC	20.2	18.2	18.2	19.2	21.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	5.3	5.6	5.6	6.4	7.5
CEPS	9.2	10.1	10.9	12.3	14.1
BVPS	30.7	33.0	39.8	43.8	48.7
DPS	0.8	1.1	1.5	2.2	2.4

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	20.8	20.0	19.8	17.3	14.7
P/CEPS	11.4	10.5	9.7	8.6	7.5
P/BV	3.6	3.4	2.8	2.5	2.3
EV / Sales	1.9	1.8	1.6	1.4	1.2
EV / EBITDA	9.9	9.6	8.4	7.5	6.3
Dividend Yield (%)	0.7	1.0	1.4	1.9	2.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.5	0.6	0.3	0.3	0.1
Net Debt/EBIDTA	1.3	1.4	0.9	0.7	0.3
Working Cap Cycle (days)	88.4	70.4	70.7	68.7	65.5

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(8.4)	8.2	5.3	12.2	11.6
EBITDA	1.9	4.3	10.3	10.2	12.9
EBIT	6.1	(0.3)	6.4	9.3	14.8
PAT	20.8	11.9	(9.8)	17.4	17.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	5,607	6,397	5,951	6,284	6,354
EBITDA	1,019	1,324	1,143	1,162	1,116
EBITDA Margin (%)	18.2	20.7	19.2	18.5	17.6
PAT	343	530	400	448	413
EPS (Rs)	2.2	3.4	2.5	2.9	2.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Dec-17	Mar-18	Jun-18	Jun-18
Promoters	57.2	57.2	57.2	57.2	57.2
FII	14.5	15.5	15.4	15.2	14.7
DII	5.3	5.1	5.0	5.0	5.6
Public and Others	23.0	22.3	22.4	22.6	22.6

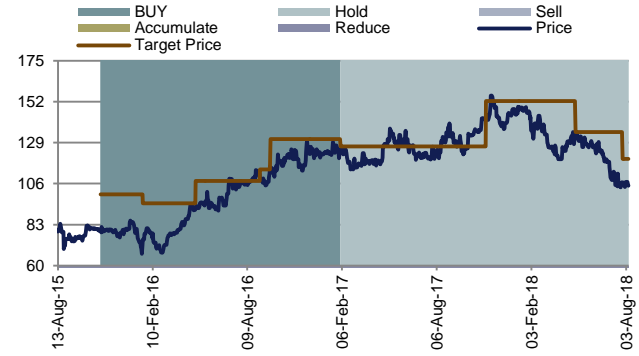
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
27-Jul-18	107	120	12m	Hold	Ashit Desai
28-Apr-18	135	135	12m	Hold	Ashit Desai
08-Nov-17	144	153	12m	Hold	Amit Purohit
11-Aug-17	123	127	12m	Hold	Dhaval Mehta
25-May-17	130	127	12m	Hold	Dhaval Mehta
12-Apr-17	116	127	12m	Hold	Dhaval Mehta
03-Feb-17	124	127	12m	Hold	Dhaval Mehta
28-Oct-16	121	131	12m	Buy	Dhaval Mehta
22-Sep-16	115	131	12m	Buy	Dhaval Mehta
02-Sep-16	108	114	12m	Buy	Dhaval Mehta
02-May-16	93	108	12m	Buy	Prashant Kutty
22-Jan-16	75	95	12m	Buy	Prashant Kutty
02-Nov-15	79	100	12m	Buy	Prashant Kutty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Gravita India

Refer to important disclosures at the end of this report

Lead recycler - one of a kind

We hosted Mr Navin Sharma- CEO and Mr Sunil Kansal, CFO of Gravita India Ltd at our India Conference to share company/ industry insights.

Key Meeting Takeaways

- Gravita India operates in four segments: (a) Lead Acid Battery recycling, (b) Aluminium recycling, (c) Plastic recycling and (d) Turn-key projects. In the last three years, the company has worked on more than 50 projects in the 4th segment. Gravita has also been doing consultancy job in Lead recycling.
- The company expects the Govt to soon formulate a National Recycling Policy, which will help organized players, thereby making the market more matured. Smaller and unorganized players may find it difficult to remain in business. As per Govt rule, battery makers are supposed to buy back 100% of their battery sales, but the directive is not being followed.
- Last year, the company collected 66kt scrap, which is likely to rise up to 100kt. Battery constitutes 80-85% of total lead scrap. The company has entered into a contract with Amara Raja Batteries Ltd to collect abandoned batteries; it recovers lead from them and returns the same to Amara Raja.
- The company follows hedging policy to mitigate risk from LME price movement. The price is locked on the same day when the metal is booked. In case of lead, 60% supply comes through recycling only, as there is no dedicated lead mine globally.
- Gravita has presence in three continents: (a) Americas - Nicaragua, Jamaica and upcoming ventures in Costa Rica and The Dominican Republic; (b) Africa - Ghana, Senegal, Mozambique and upcoming plants in Tanzania, Mauritania and Mali; (c) Asia - India (Jaipur, Chittoor, Kathua and Gandhidham), Sri Lanka and upcoming plant in Mundra, India.
- The management expects ROCE to improve from 20% to 28% on the back of three major drivers: (a) upcoming Mundra plant (28kt) can generate 8-9% EBITDA margin; (b) Ghana plant (12kt) with EBITDA margin of 11% and (c) agreement with Amara Raja (15% volume in FY19 and 40% volume in FY20).
- Total capex is envisaged at Rs2bn for the next three years. On an average, the run-rate per year will be Rs500-600bn. In Mundra, the capex would be Rs550mn, while in Ghana it will be Rs300mn.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	3996	5172	5013	4312	6557
EBITDA	355	390	195	173	575
EBITDA Margin (%)	8.9	7.5	3.9	4.0	8.8
APAT	188	254	73	54	313
EPS (Rs)	2.7	3.7	1.1	0.8	4.5
EPS (% chg)		35.3	-71.2	-25.7	477.6
ROE (%)	18.9	24.0	6.4	4.6	23.3
P/E (x)	56.7	41.9	145.6	196.1	33.9
EV/EBITDA (x)	31.6	29.1	59.4	66.4	20.9
P/BV (x)	10.7	9.5	9.2	8.9	7.1

Source: Company, Emkay Research

CMP	Target Price
Rs 154	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	GRAV IN
Face Value (Rs)	2
Shares outstanding (mn)	69
52 Week H/L	205/85
M Cap (Rs bn/USD bn)	11/0.2
Daily Avg Volume (nos.)	158,921
Daily Avg Turnover (US\$ mn)	0.4

Shareholding Pattern Jun'18

Promoters	72.8%
FIIIs	0.1%
DIIIs	3.3%
Public and Others	23.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	0	-15	-1	45
Rel. to Nifty	-5	-21	-10	23

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	3996	5172	5013	4312	6557
Expenditure	3804	4825	4913	4060	6030
EBITDA	355	390	195	173	575
Depreciation	22	60	64	67	66
EBIT	334	330	131	105	509
Other Income	30	15	46	42	10
Interest expenses	91	100	105	88	106
PBT	273	245	72	60	412
Tax	38	29	-24	5	83
Extraordinary Items	3	-41	-7	-11	-10
Minority Int. /Income from Assoc.	45	3	30	11	27
Reported Net Income	190	213	66	44	303
Adjusted PAT	188	254	73	54	313

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	136	136	137	137	137
Reserves & surplus	858	981	1024	1055	1363
Net worth	994	1118	1160	1192	1500
Minority Interest	80	58	74	50	48
Loan Funds	751	817	1029	990	1543
Net deferred tax liability	-12	-14	19	19	-24
Total Liabilities	1827	1997	2273	2243	3108
Net block	441	606	539	539	746
Investment	87	0	0	0	0
Current Assets	1404	1427	1777	1626	2338
Cash & bank balance	37	35	67	127	148
Other Current Assets	1367	1392	1710	1499	2190
Current liabilities & Provision	323	187	227	154	332
Net current assets	1080	1240	1550	1472	2006
Misc. exp	0	0	0	0	0
Total Assets	1827	1997	2273	2243	3108

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	56	37	35	67	85
Net Cash from Operations	191	180	-3	289	62
Net Cash Used in Investing	-114	-83	-24	-104	-469
Net Cash Used in Financing	-96	-98	58	-166	424
Net Inc/(Dec) in Cash	-19	-2	31	19	17
Closing Cash	37	35	67	85	103

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	8.9	7.5	3.9	4.0	8.8
EBIT Margin	8.3	6.4	2.6	2.4	7.8
Effective Tax Rate	13.9	11.8	-	8.1	20.0
Net Margin	4.7	4.9	1.5	1.3	4.8
ROCE	18.3	17.3	6.1	4.7	19.0
ROE	18.9	24.0	6.4	4.6	23.3
RoIC	22.1	19.8	6.7	5.1	21.4

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	2.7	3.7	1.1	0.8	4.5
CEPS	3.0	4.6	2.0	1.8	5.5
BVPS	14.4	16.2	16.8	17.3	21.7
DPS		0.8	0.2	0.2	0.6
Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	56.7	41.9	145.6	196.1	33.9
P/CEPS	50.7	33.8	77.8	87.6	28.1
P/BV	10.7	9.5	9.2	8.9	7.1
EV / Sales	2.8	2.2	2.3	2.7	1.8
EV / EBITDA	31.6	29.1	59.4	66.4	20.9
Dividend Yield (%)	0.0	0.5	0.1	0.1	0.4
Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	0.6	0.7	0.8	0.7	0.9
Net Debt/EBITDA	1.8	2.0	4.9	5.0	2.4
Working Cap Cycle (days)	95.3	85.0	108.0	113.9	103.4
Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	29.4	-3.1	-14.0	52.1
EBITDA	0.0	9.8	-50.2	-11.4	233.0
EBIT	0.0	-1.0	-60.3	-19.5	382.6
PAT	0.0	35.3	-71.2	-25.7	477.6
Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,894	2,247	2,409	3,624	3,050
EBITDA	189	258	191	250	226
EBITDA Margin (%)	10.0	11.5	7.9	6.9	7.4
PAT	109	142	105	120	120
EPS (Rs)	1.6	2.1	1.5	1.7	1.7
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	73.0	72.8	72.8	72.8	72.8
FII	4.5	0.1	0.0	0.3	0.1
DII	0.1	1.9	2.0	2.2	3.3
Public and Others	22.4	25.2	25.2	24.7	23.8

Info Edge India

Refer to important disclosures at the end of this report

Reaping benefits of leadership in recruitment space

Key Meeting Takeaways

- Currently, out of the Internet businesses, only Naukri has positive EBITDA. Naukri has 72% traffic share in its segment as of March'18. It has an average job listings of 0.5mn on a given day. It has a base of ~57mn resumes with ~16,600 resumes added and 0.3mn resumes modified daily.
- Naukri has 76,000 unique clients in FY18 v/s 70,500 clients in FY17 (based on IND-AS revenue). Naukri revenue from the B2B segment is ~90%, which includes the following services - Resume Database Access, Job Listing, Employer Branding, Career Site Manager - and Others (Resume Short Listing & Screening, Campus Recruitment etc).
- 99acres.com is the online Real Estate listing site. Real Estate is one of the largest advertisement spenders in print media. The company estimates that spends on online Real Estate portals would be ~Rs3.5-4bn in FY19 (ex-Google and Facebook).
- While 99acres.com was under pressure due to Demonetization, GST and RERA, it believes that the worst is over and is witnessing recovery in the industry for the last few quarters.
- Matrimonial business is dominated by 3 companies – Bharat Matrimony (market leader), followed by Shaadi and Jeevansaathi. InfoEdge's Jeevansaathi leads in certain North Indian communities and states.
- Shiksha is a website that helps students to take an informed decision on undergraduate and post-graduate options. Shiksha' business model includes Branding and Advertising for colleges & universities and lead generation.
- The company has no plans of monetizing its strategic investments in the foreseeable future as it sees immense growth potential in all of them.

Financial Snapshot (Consolidated)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	5672	7325	7475	8876	9882
EBITDA	941	157	632	1485	1841
EBITDA Margin (%)	16.6	2.1	8.5	16.7	18.6
APAT	846	343	1524	-6983	2522
EPS (Rs)	6.9	2.8	12.5		20.7
EPS (% chg)	-14.4	-59.4	344.2	-	-
ROE (%)	13.2	3.3	10.3	-	13.9
P/E (x)	214.1	527.5	118.8	-	71.8
EV/EBITDA (x)	183.3	1057.4	274.6	116.0	88.8
P/BV (x)	26.9	12.8	11.7	11.4	8.9

Source: Company, Emkay Research

CMP	Target Price
Rs 1484 as of (August 8, 2018)	NA
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates

	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	INFOE IN
Face Value (Rs)	10
Shares outstanding (mn)	122
52 Week H/L	1502/919
M Cap (Rs bn/USD bn)	181/2.6
Daily Avg Volume (nos.)	135,272
Daily Avg Turnover (US\$ mn)	2.5

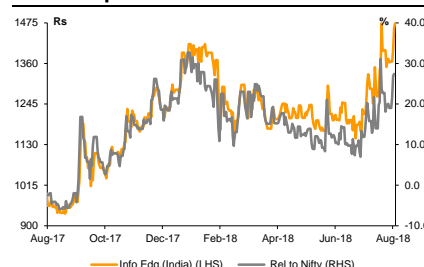
Shareholding Pattern Jun'18

Promoters	41.4%
FIIIs	33.2%
DIIIs	14.5%
Public and Others	11.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	22	22	20	43
Rel. to Nifty	15	14	9	21

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	5672	7325	7475	8876	9882
Expenditure	4732	7169	6843	7391	8041
EBITDA	941	157	632	1485	1841
Depreciation	212	469	238	328	296
EBIT	729	-313	394	1158	1545
Other Income	502	946	1392	-1067	4361
Interest expenses	30	38	34	39	51
PBT	1201	596	1752	51	5855
Tax	591	740	574	478	845
Extraordinary Items	51	-103	-169	6747	2598
Minority Int. /Income from Assoc.	-292	-385	-177	-190	-110
Reported Net Income	897	241	1356	-237	5120
Adjusted PAT	846	343	1524	-6983	2522

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	1092	1202	1207	1211	1216
Reserves & surplus	5628	12949	14219	14714	19234
Net worth	6720	14151	15426	15925	20450
Minority Interest	1392	4188	-177	-154	-153
Loan Funds	10	7	8	10	8
Net deferred tax liability	64	64	513	269	478
Total Liabilities	8190	18481	15365	15881	20414
Net block	1486	5756	821	1573	879
Investment	5380	11745	5675	5509	15650
Current Assets	3347	4244	10388	12186	6432
Cash & bank balance	3072	3582	1541	3032	1599
Other Current Assets	276	662	8846	9154	4832
Current liabilities & Provision	2410	3688	3890	4644	5549
Net current assets	937	556	6498	7541	882
Misc. exp	0	0	0	0	0
Total Assets	8190	18481	15365	15881	20414

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	515	585	386	491	556
Net Cash from Operations	808	510	782	2,134	2,535
Net Cash Used in Investing	-2,035	-10,509	-15	-1,650	-1,494
Net Cash Used in Financing	1,297	10,250	-661	-420	-748
Net Inc/(Dec) in Cash	70	251	105	65	293
Closing Cash	585	835	491	556	849

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	16.6	2.1	8.5	16.7	18.6
EBIT Margin	12.9	-4.3	5.3	13.0	15.6
Effective Tax Rate	49.2	124.2	32.7	935.4	14.4
Net Margin	14.9	4.7	20.4	-78.7	25.5
ROCE	10.1	-	2.3	7.4	8.5
ROE	13.2	3.3	10.3	-	13.9
RoIC	26.5	-	5.5	13.4	26.6

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	6.9	2.8	12.5		20.7
CEPS	8.7	6.7	14.4	-54.6	23.1
BVPS	55.1	116.0	126.4	130.5	167.6
DPS	2.5	3.0	3.0	4.5	5.5

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	214.1	527.5	118.8	-	71.8
P/CEPS	171.3	222.8	102.7		64.2
P/BV	26.9	12.8	11.7	11.4	8.9
EV / Sales	30.4	22.6	23.2	19.4	16.6
EV / EBITDA	183.3	1057.4	274.6	116.0	88.8
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.4

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	-1.3	-1.1	-0.5	-0.5	-0.8
Net Debt/EBITDA	-9.0	-97.9	-11.4	-5.7	-9.4
Working Cap Cycle (days)	-137.4	-150.8	242.0	185.4	-26.5

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	20.1	29.1	2.1	18.7	11.3
EBITDA	-3.4	-83.4	304.0	134.9	24.0
EBIT	-14.8	-	-	193.8	33.4
PAT	-14.4	-59.4	344.2	-	-

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	2,225	2,252	2,272	2,407	2,595
EBITDA	703	847	619	-110	683
EBITDA Margin (%)	31.6	37.6	27.3	-4.6	26.3
PAT	642	814	646	369	739
EPS (Rs)	5.3	6.7	5.3	3.0	6.1

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	42.0	41.9	41.5	41.4	41.4
FIIIs	33.5	32.4	32.7	32.8	33.2
DIIIs	13.4	14.4	14.9	14.9	14.5
Public and Others	11.1	11.3	10.9	10.9	11.0

Invested Capital	2486	6376	7832	9383	2239
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Kajaria Ceramics

Refer to important disclosures at the end of this report

Business prospects to improve going ahead

We hosted Mr Sanjeev Agarwal, CFO and Ms. Pallavi Bhalla, DGM - Investor Relations at our Annual India Conference to share company/industry insights.

Key Meeting Takeaways

- The company continues to guide for 10-12% volume growth for FY19. EBIDTA margin in FY19 should be 16%+. The company has taken a price hike in ceramic tiles to the extent of 3%. In the PVT category, prices seem to have bottomed out and there is no further scope for prices to fall.
- Demand continues to remain challenging, particularly from retail customers' standpoint, as they have postponed their renovations. Additionally, Real Estate demand has also not picked up, except in some pockets like Pune, Mumbai, Hyderabad etc.
- The much awaited shift from unorganized to organized segment has not materialized even after the implementation of E-way Bill. However, the management is hopeful that gradually the organized segment should benefit.
- In the GVT segment, the company is planning a small price hike of 1%.
- The company has recently exited a JV (Soriso JV-3.6 msm capacity) because it was making losses. Capacity for the same would be offset by outsourcing. Andhra Pradesh plant should become operational by Q4FY19; post which no new capex is planned in the Tiles division.
- Total capex for FY19 would be Rs1.2-1.3bn.
- Losses from JV segment is coming down. In Q1FY19, there was a loss of Rs50mn, which should reduce to Rs10mn in Q2FY19. JVs are expected to become profitable from Q3FY19.
- Focus would be on improving realizations for which 300 new SKUs have been launched.
- There are talks doing round that Natural Gas would be brought under GST. If this happens, the company could see 100bps EBIDTA margin expansion. However, there has been no notification as yet on this.
- In the Sanitary & Bathware segment, revenue grew by 70% in Q1FY19. This segment is expected to achieve break-even in Q2FY19E.
- The company has entered the Plywood segment on a pilot basis. As of now, they are using the outsourcing model in this segment.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	24,135	25,496	27,100	29,893	34,078
EBITDA	4,575	4,963	4,558	4,821	5,883
EBITDA Margin (%)	19.0	19.5	16.8	16.1	17.3
APAT	2,448	2,686	2,345	2,503	3,236
EPS (Rs)	15.4	16.9	14.8	15.7	20.4
EPS (% chg)	35.0	9.7	(12.7)	6.8	29.3
ROE (%)	28.6	25.0	18.5	17.3	19.5
P/E (x)	28.1	25.6	29.3	27.4	21.2
EV/EBITDA (x)	15.5	14.0	15.1	14.2	11.4
P/BV (x)	7.1	5.8	5.1	4.5	3.8

Source: Company, Emkay Research

CMP	Target Price
Rs 432	Rs 509 (■)
as of (August 13, 2018)	12 months
Rating	Upside
ACCUMULATE (■)	17.8 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	15.7	20.4
Consensus	15.6	19.4
Mean Consensus TP (12M)	Rs 534	

Stock Details

Bloomberg Code	KJC IN
Face Value (Rs)	2
Shares outstanding (mn)	159
52 Week H/L	768 / 414
M Cap (Rs bn/USD bn)	69 / 1.00
Daily Avg Volume (nos.)	540,120
Daily Avg Turnover (US\$ mn)	3.9

Shareholding Pattern Jun '18

Promoters	47.6%
FIIIs	26.1%
DIIIs	9.6%
Public and Others	16.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(18)	(30)	(32)
Rel. to Nifty	(13)	(23)	(36)	(42)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	24,135	25,496	27,100	29,893	34,078
Expenditure	19,560	20,533	22,542	25,073	28,195
EBITDA	4,575	4,963	4,558	4,821	5,883
Depreciation	726	814	885	944	1,030
EBIT	3,849	4,149	3,672	3,877	4,853
Other Income	104	154	108	84	90
Interest expenses	345	340	227	167	99
PBT	3,608	3,963	3,554	3,794	4,844
Tax	1,112	1,264	1,267	1,338	1,664
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	48	13	(59)	(47)	(55)
Reported Net Income	2,448	2,686	2,345	2,503	3,236
Adjusted PAT	2,448	2,686	2,345	2,503	3,236

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	159	159	159	159	159
Reserves & surplus	9,560	11,592	13,376	15,218	17,697
Net worth	9,719	11,751	13,535	15,377	17,856
Minority Interest	761	760	701	654	599
Loan Funds	2,622	1,809	1,409	1,009	509
Net deferred tax liability	949	1,106	1,106	1,106	1,106
Total Liabilities	14,051	15,427	16,751	18,146	20,070
Net block	11,205	11,770	11,731	12,164	12,734
Investment	296	308	308	308	308
Current Assets	7,620	8,253	9,498	10,689	12,238
Cash & bank balance	215	520	928	1,138	1,647
Other Current Assets	17	15	15	15	15
Current liabilities & Provision	5,149	4,987	4,962	5,115	5,309
Net current assets	2,471	3,266	4,536	5,574	6,928
Misc. exp	0	0	0	0	0
Total Assets	14,051	15,427	16,751	18,146	20,070

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	3,504	3,809	3,445	3,710	4,754
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(851)	(333)	(861)	(828)	(845)
Operating Cashflow	2,612	3,366	2,429	2,655	3,374
Capital expenditure	(2,631)	(1,383)	(941)	(1,300)	(1,600)
Free Cash Flow	(19)	1,983	1,489	1,355	1,774
Investments	115	(12)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,412)	(1,241)	(832)	(1,216)	(1,510)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	299	(813)	(400)	(400)	(500)
Dividend paid (incl tax)	(478)	(658)	(567)	(662)	(756)
Other Financing Cash Flow	428	(10)	6	0	0
Financing Cashflow	(96)	(1,821)	(1,189)	(1,229)	(1,355)
Net chg in cash	103	304	408	210	509
Opening cash position	112	215	520	928	1,138
Closing cash position	215	519	928	1,138	1,647

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	19.0	19.5	16.8	16.1	17.3
EBIT Margin	15.9	16.3	13.6	13.0	14.2
Effective Tax Rate	30.8	31.9	35.7	35.3	34.3
Net Margin	10.3	10.6	8.4	8.2	9.3
ROCE	31.4	29.2	23.5	22.7	25.9
ROE	28.6	25.0	18.5	17.3	19.5
RoIC	33.0	29.7	24.6	24.3	28.0

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	15.4	16.9	14.8	15.7	20.4
CEPS	20.0	22.0	20.3	21.7	26.8
BVPS	61.1	73.9	85.1	96.7	112.3
DPS	2.5	3.0	3.0	3.5	4.0

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	28.1	25.6	29.3	27.4	21.2
P/CEPS	21.6	19.6	21.3	19.9	16.1
P/BV	7.1	5.8	5.1	4.5	3.8
EV / Sales	2.9	2.7	2.5	2.3	2.0
EV / EBITDA	15.5	14.0	15.1	14.2	11.4
Dividend Yield (%)	0.6	0.7	0.7	0.8	0.9

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.2	0.1	0.0	0.0	(0.1)
Net Debt/EBIDTA	0.5	0.2	0.0	(0.1)	(0.2)
Working Cap Cycle (days)	34.1	39.3	48.6	54.2	56.6

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	10.4	5.6	6.3	10.3	14.0
EBITDA	29.2	8.5	(8.2)	5.8	22.0
EBIT	29.0	7.8	(11.5)	5.6	25.2
PAT	39.4	9.7	(12.7)	6.8	29.3

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	6,282	6,712	6,612	7,500	6,570
EBITDA	1,043	1,220	1,100	1,201	968
EBITDA Margin (%)	16.6	18.2	16.6	16.0	14.7
PAT	505	637	543	660	456
EPS (Rs)	6.4	8.0	6.8	8.3	5.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	47.4	47.6	47.6	47.6	47.6
FIIIs	24.0	27.6	28.7	28.1	26.1
DIIIs	5.3	6.2	7.4	8.9	9.6
Public and Others	23.3	18.7	16.3	15.4	16.8

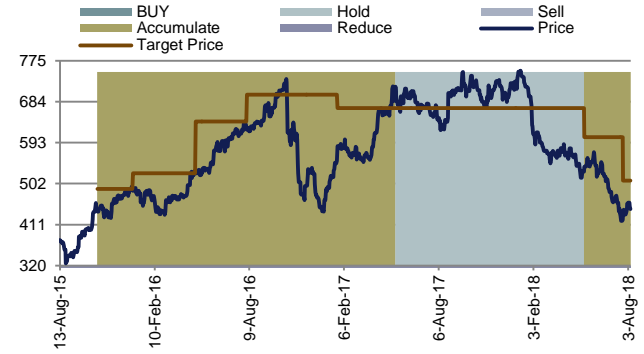
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
24-Jul-18	434	509	12m	Accumulate	Sanjeev Kumar Singh
11-May-18	539	605	12m	Accumulate	Sanjeev Kumar Singh
30-Oct-17	684	670	12m	Hold	Amit Purohit
10-Aug-17	635	670	12m	Hold	Amit Purohit
15-May-17	718	670	12m	Hold	Amit Purohit
24-Jan-17	586	670	12m	Accumulate	Sneha Talreja
21-Oct-16	615	700	12m	Accumulate	Rohan Gupta
4-Aug-16	622	700	12m	Accumulate	Rohan Gupta
12-Jul-16	613	640	12m	Accumulate	Rohan Gupta
10-May-16	524	640	12m	Accumulate	Rohan Gupta
28-Apr-16	533	640	12m	Accumulate	Rohan Gupta
28-Jan-16	478	525	12m	Accumulate	Rohan Gupta
30-Dec-15	486	525	12m	Accumulate	Rohan Gupta
23-Oct-15	440	490	12m	Accumulate	Rohan Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Kamdhenu Ltd.

Refer to important disclosures at the end of this report

Branding matters

We hosted Mr Satish Agarwal- CMD and Mr Harish Agarwal- CFO of Kamdhenu Ispat at our India Conference to share company/ industry insights.

Key Meeting Takeaways

- The company operates in asset light/ franchise based model. It manufactures TMT bars under the Kamdhenu brand and sells largely in the Northern parts of India. It has 75 franchises under its belt with a cumulative capacity of 2.4 mt. It also has a captive manufacturing unit at Bhiwadi with a capacity of 75kt. Kamdhenu also has a paints division having a presence in the decorative segment with a capacity of 45MT
- Kamdhenu has 65% market share in the North for its TMT products. The company boasts of a strong dealer/ distributor connect in its steel business with over 6500 dealers pan India. It is a B toC player with over 90 pct sales from retail.
- It has good Competitive edge in the business as it can sell as low as 2-5 tonnes and hence has carved out a niche in the mkt over last 20 years. The products sell at a premium of Rs. 1500 to 2500/ tonne.
- The company earns a royalty of Rs 360-400/ tonne on its franchise sale. In FY18 they earned 60 crs in royalty income which is 0.8 to 1% of the total brand turnover. Last year they sold over 17.6 lakh tonnes through their franchise route.
- In FY18, the company clocked a revenue of Rs 12 bn, of which Rs 9.8 bn was from steel business and Rs 2 bn from paints. Out of Rs 9.8 bn Rs 2bn was from own manufacturing, Rs 7.2 bn from trading and balance Rs 600 mn was from royalty income. EBITDA margin in the steel business is 4-5%. This is low as the company spends Rs 600-700 mn on branding and advertising. On the paints side they make EBITDA margin of 4.4 to 5%. The company has no long term debt and only Rs 1bn of working capital in the business.
- The company aims to garner Rs 1bn from royalty income by FY20 and will double the franchise capacity to 0.5 mt in 2-3 years. It also targets to sell over 220 kt next year. In the paints business it aims to have Rs 5-6 bn revenue in 3- 4 years' time with a 8-10% EBITDA margin and Rs 500-600 mn bottom line.

CMP	Target Price
Rs 228	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	KAMD IN
Face Value (Rs)	10
Shares outstanding (mn)	23
52 Week H/L	291/111
M Cap (Rs bn/USD bn)	5/0.1
Daily Avg Volume (nos.)	23,985
Daily Avg Turnover (US\$ mn)	0.1

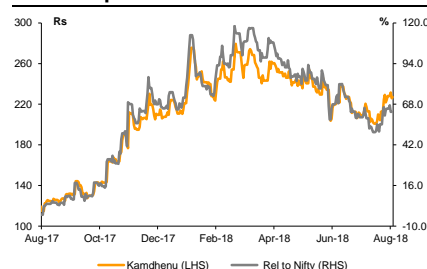
Shareholding Pattern Jun'18

Promoters	66.8%
FIIIs	0.0%
DIIIs	1.2%
Public and Others	32.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	-8	-6	76
Rel. to Nifty	3	-14	-14	50

Relative price chart



Source: Bloomberg

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Financial Snapshot

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	5475	9217	9680	8412	8255
EBITDA	214	253	302	319	334
EBITDA Margin (%)	3.9	2.7	3.1	3.8	4.0
APAT	50	63	81	81	98
EPS (Rs)	2.2	2.8	3.5	3.5	4.3
EPS (% chg)		26.4	27.6	0.7	20.9
ROE (%)	5.7	7.0	8.3	7.9	8.9
P/E (x)	104.7	82.9	64.9	64.5	53.3
EV/EBITDA (x)	28.0	23.9	20.5	19.6	18.7
P/BV (x)	6.0	5.6	5.3	5.0	4.5

Source: Company, Emkay Research

Key Financials

Income Statement

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	5475	9217	9680	8412	8255
Expenditure	5364	8982	9484	8173	8034
EBITDA	214	253	302	319	334
Depreciation	43	47	54	52	54
EBIT	171	206	247	267	280
Other Income	9	4	4	5	4
Interest expenses	113	117	132	147	139
PBT	66	92	119	124	145
Tax	18	33	39	43	46
Extraordinary Items	-2	-4	0	0	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	48	60	80	82	98
Adjusted PAT	50	63	81	81	98

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	234	234	234	234	234
Reserves & surplus	646	706	761	823	921
Net worth	880	940	995	1057	1155
Minority Interest	0	0	0	0	0
Loan Funds	771	869	989	1078	1064
Net deferred tax liability	-46	-50	-44	-42	-37
Total Liabilities	1740	1959	2121	2243	2333
Net block	480	493	477	468	435
Investment	18	42	34	34	34
Current Assets	2092	2057	2241	2394	2674
Cash & bank balance	90	89	101	102	98
Other Current Assets	2002	1968	2140	2292	2576
Current liabilities & Provision	890	679	669	675	826
Net current assets	1202	1378	1572	1719	1848
Misc. exp	0	0	0	0	0
Total Assets	1740	1959	2121	2243	2333

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	35	89	89	100	100
Net Cash from Operations	161	76	54	117	182
Net Cash Used in Investing	-56	-60	-33	-41	-25
Net Cash Used in Financing	-51	-17	-10	-75	-167
Net Inc/(Dec) in Cash	55	-0	11	1	-10
Closing Cash	89	89	100	100	90

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	3.9	2.7	3.1	3.8	4.0
EBIT Margin	3.1	2.2	2.6	3.2	3.4
Effective Tax Rate	27.3	35.6	32.5	34.3	32.0
Net Margin	0.9	0.7	0.8	1.0	1.2
ROCE	9.8	11.1	12.1	12.2	12.2
ROE	5.7	7.0	8.3	7.9	8.9
RoIC	10.4	11.9	12.9	12.8	12.7

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	2.2	2.8	3.5	3.5	4.3
CEPS	4.1	4.8	5.9	5.8	6.6
BVPS	38.3	40.9	43.3	45.9	50.2
DPS		0.0	0.7	0.7	0.8

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	104.7	82.9	64.9	64.5	53.3
P/CEPS	56.2	47.4	38.9	39.2	34.4
P/BV	6.0	5.6	5.3	5.0	4.5
EV / Sales	1.1	0.7	0.6	0.7	0.8
EV / EBITDA	28.0	23.9	20.5	19.6	18.7
Dividend Yield (%)	0.0	0.0	0.3	0.3	0.4

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	0.8	0.8	0.9	0.9	0.8
Net Debt/EBITDA	3.1	2.9	2.8	3.0	2.8
Working Cap Cycle (days)	74.2	51.0	55.5	70.2	77.4

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	68.3	5.0	-13.1	-1.9
EBITDA	0.0	18.6	19.0	5.8	4.7
EBIT	0.0	20.8	20.0	7.8	5.0
PAT	0.0	26.4	27.6	0.7	20.9

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	2,282	2,709	3,051	3,756
EBITDA	91	97	111	137
EBITDA Margin (%)	4.0	3.6	3.6	3.7
PAT	28	31	41	57
EPS (Rs)	1.2	1.4	1.8	2.5

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18
Promoters	69.6	69.6	69.6	69.6
FIIIs	0.0	0.1	0.0	0.0
DIIIs	0.1	0.1	0.0	0.9
Public and Others	30.2	30.3	30.4	29.4

Orient Refractories

Refer to important disclosures at the end of this report

Transforming into Behemoth; Maintain BUY

We hosted Mr. Sanjeev Bharadwaj, CFO, Orient Refractories Ltd's management in our India Conference to share company/industry insights.

Key Meeting Takeaways

- After the merger of Orient Refractories with RHI India and RHI Clasil, management expects its consolidated top line to reach Rs23bn by FY22E from Rs13.5bn in FY18.
- Management also expects significant operational synergies from this merger both on revenue growth and operational fronts. After the merger, growth will likely come from geographic expansion, product expansion and marketing expansion.
- After the merger of RHI India and RHI Clasil with Orient, cost savings are expected across the company's distribution and marketing channels. As a result, the company is confident about maintaining EBITDA margins in the range of 16-17% even after merging the relatively low-margin businesses.
- The merger is likely to be completed by FY19-end. Q1FY20 will be the first quarter of the consolidation the financials of the two companies into Orient.
- Exports contribute 45% of RHI Clasil's total revenue, RHI India contributes another 45% and the domestic business the rest 10%. RHI India is a trading company mainly involved in the trading of Magnesita from China.
- The significant margin expansion in RHI India to 15.7% in FY18 from 5.7% in FY17 is likely to sustain in the range of 10-15% due to the consolidation in Magnesita mines and stricter pollution control norms in China.
- The company is planning to increase its capacity in the Isostatic product line from 11,700 MTPA to 14,100 MTPA. These two rounds of expansion can contribute additional revenue of ~Rs1bn to Rs3bn (v/s Rs2bn earlier) at full capacity.
- Management also intends to expand the larger-size slide gate refractories business. The consolidated company should be able to increase its market share in the blast furnace business, which is currently dominated by Vesuvius India.

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	4,589	5,194	6,268	7,400	8,733
EBITDA	852	1,034	1,270	1,466	1,730
EBITDA Margin (%)	18.6	19.9	20.3	19.8	19.8
APAT	558	689	858	941	1,173
EPS (Rs)	4.6	5.7	7.1	7.8	9.8
EPS (% chg)	5.6	23.5	24.6	9.6	24.7
ROE (%)	29.8	28.8	28.8	26.5	27.3
P/E (x)	49.5	40.1	32.2	29.4	23.5
EV/EBITDA (x)	31.6	25.7	20.8	18.0	15.1
P/BV (x)	13.5	10.1	8.6	7.1	5.8

Source: Company, Emkay Research

CMP	Target Price
Rs 230 as of (August 11, 2018)	Rs 293 (■) 12 months
Rating	Upside
BUY (■)	27.4 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	7.8	9.8
Consensus	8.6	10.1
Mean Consensus TP (12M)	Rs 263	

Stock Details

Bloomberg Code	ORIENT IN
Face Value (Rs)	1
Shares outstanding (mn)	120
52 Week H/L	251 / 125
M Cap (Rs bn/USD bn)	28 / 0.40
Daily Avg Volume (nos.)	1,11,478
Daily Avg Turnover (US\$ mn)	0.3

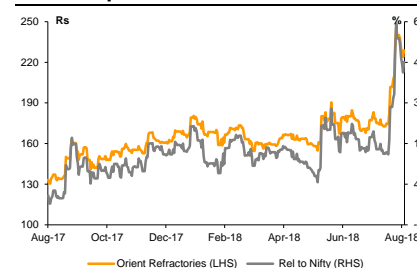
Shareholding Pattern Jun '18

Promoters	69.6%
FIIIs	5.1%
DIIIs	5.8%
Public and Others	19.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	26	45	38	71
Rel. to Nifty	20	36	26	47

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	4,589	5,194	6,268	7,400	8,733
Expenditure	3,737	4,160	4,997	5,934	7,002
EBITDA	852	1,034	1,270	1,466	1,730
Depreciation	59	63	68	138	81
EBIT	793	971	1,202	1,328	1,649
Other Income	54	83	106	120	131
Interest expenses	0	0	0	0	0
PBT	846	1,053	1,308	1,447	1,780
Tax	288	364	450	507	607
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	558	689	858	941	1,173
Adjusted PAT	558	689	858	941	1,173

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	120	120	120	120	120
Reserves & surplus	1,926	2,613	3,108	3,749	4,622
Net worth	2,047	2,733	3,228	3,869	4,742
Minority Interest	0	0	0	0	0
Loan Funds	32	9	9	9	9
Net deferred tax liability	0	0	0	0	0
Total Liabilities	2,078	2,742	3,237	3,878	4,751
Net block	399	419	542	904	1,222
Investment	13	49	52	52	52
Current Assets	2,642	3,130	3,879	4,338	5,122
Cash & bank balance	765	1,108	1,204	1,220	1,442
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	975	857	1,236	1,416	1,645
Net current assets	1,667	2,274	2,644	2,922	3,477
Misc. exp	0	0	0	0	0
Total Assets	2,078	2,742	3,237	3,878	4,751

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	793	970	1,202	1,328	1,649
Other Non-Cash items	0	0	0	0	0
Chg in working cap	224	(263)	(274)	(263)	(332)
Operating Cashflow	802	740	591	816	923
Capital expenditure	(86)	(84)	(191)	(500)	(400)
Free Cash Flow	716	656	400	316	523
Investments	10	(36)	(3)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(42)	(156)	(196)	(500)	(400)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(52)	(23)	0	0	0
Dividend paid (incl tax)	174	240	300	300	300
Other Financing Cash Flow	(424)	(480)	(601)	(601)	(601)
Financing Cashflow	(250)	(240)	(300)	(300)	(300)
Net chg in cash	511	344	95	16	223
Opening cash position	261	765	1,108	1,204	1,220
Closing cash position	772	1,108	1,204	1,220	1,442

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	18.6	19.9	20.3	19.8	19.8
EBIT Margin	17.3	18.7	19.2	17.9	18.9
Effective Tax Rate	34.1	34.6	34.4	35.0	34.1
Net Margin	12.2	13.3	13.7	12.7	13.4
ROCE	43.9	43.7	43.8	40.7	41.3
ROE	29.8	28.8	28.8	26.5	27.3
RoIC	56.6	67.3	67.4	57.9	56.3

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	4.6	5.7	7.1	7.8	9.8
CEPS	5.1	6.3	7.7	9.0	10.4
BVPS	17.0	22.8	26.9	32.2	39.5
DPS	1.5	2.0	2.5	2.5	2.5

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	49.5	40.1	32.2	29.4	23.5
P/CEPS	40.1	32.9	26.7	22.9	19.7
P/BV	13.5	10.1	8.6	7.1	5.8
EV / Sales	5.9	5.1	4.2	3.6	3.0
EV / EBITDA	31.6	25.7	20.8	18.0	15.1
Dividend Yield (%)	0.6	0.9	1.1	1.1	1.1

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)
Net Debt/EBIDTA	(0.9)	(1.1)	(0.9)	(0.8)	(0.8)
Working Cap Cycle (days)	71.8	81.9	83.8	84.0	85.0

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	1.7	13.2	20.7	18.1	18.0
EBITDA	5.8	21.4	22.9	15.4	18.1
EBIT	5.6	22.4	23.9	10.4	24.2
PAT	5.6	23.5	24.6	9.6	24.7

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,417	1,484	1,578	1,789	1,741
EBITDA	238	292	331	409	285
EBITDA Margin (%)	16.8	19.7	21.0	22.9	16.4
PAT	163	201	220	275	219
EPS (Rs)	1.4	1.7	1.8	2.3	2.3

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	69.6	69.6	69.6	69.6	69.6
FII	5.6	5.3	4.9	5.1	5.1
DII	4.9	5.1	5.1	5.2	5.8
Public and Others	19.9	20.0	20.3	20.0	19.5

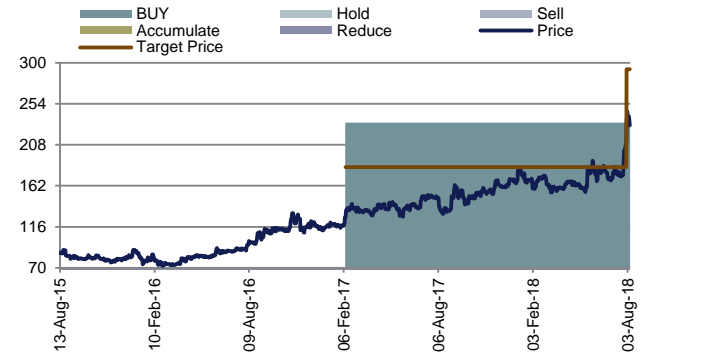
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
01-Aug-18	233	293	12m	Buy	Amar Mourya
17-May-18	160	183	12m	Buy	Amar Mourya
12-Feb-18	168	183	12m	Buy	Amar Mourya
10-Nov-17	155	183	12m	Buy	Amar Mourya
13-Sep-17	148	183	12m	Buy	Amar Mourya
31-May-17	135	183	12m	Buy	Amar Mourya
09-Feb-17	127	183	12m	Buy	Amar Mourya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Stylam Industries

Refer to important disclosures at the end of this report

Moving up the value chain

We recently hosted Mr. Jagdish Rai Gupta, Managing Director of Stylam Industries Ltd to share company insights:

Key Meeting Takeaways

- Started in 1991, Stylam Industries Ltd (Stylam) manufactures high pressure decorative laminates used in Home and Industry segments. It is one of the top 3 exporters from India, deriving 70% of its revenue from exports spread over 60 countries.
- The company has always focused on the export markets with export revenue contributing Rs2.2bn to total FY18 revenue. Revenue from the Domestic market stood at Rs1.25bn in FY18. Within the total exports, ~50% products are sold under its own brand "STYLAM" while the balance are sold directly to OEMs. Margins are higher in the export markets with minimal differential in pricing in both the categories.
- Stylam has a state-of-the-art plant with latest sophisticated moulds of various finishes imported from France & Germany at Panchkula near Chandigarh.
- In FY18, the company expanded capacity from 4.5mn sheets to 11mn sheets (capacity is based on 1mn sheet size) at a capex of Rs800mn.
- The new plant is capable of operating 6 machines, but the company has installed only 4 machines as of now. Additional 2 machines will be used for value-added products and will require an additional capex of Rs70-100mn.
- As a part of its strategy to monetize its non-core assets, Stylam is in the process of selling its Panchkula Technology IT Park, which would help it to reduce its current debt of Rs1.15bn by Rs0.5bn.
- Stylam announced the amalgamation of Golden Chemtech Ltd. with the company in Dec'17 for an equity dilution of 3.8% at a valuation of ~Rs350mn. Currently, it is awaiting approval from NCLT and expects the merger process to be completed by end-FY19.
- Management has given revenue guidance of Rs4.5-5bn for FY19 while EBITDA margin is expected to be over 16%.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	1849	2142	2657	2943	3380
EBITDA	180	228	301	458	493
EBITDA Margin (%)	9.7	10.6	11.3	15.6	14.6
APAT	62	94	122	196	201
EPS (Rs)	7.8	11.7	15.2	24.6	25.1
EPS (% chg)	58.4	51.3	29.7	61.3	2.1
ROE (%)	19.9	23.9	24.3	29.6	18.1
P/E (x)	91.5	60.5	46.6	28.9	28.3
EV/EBITDA (x)	35.7	28.6	22.8	16.5	13.2
P/BV (x)	16.4	12.9	10.1	7.4	3.9

Source: Company, Emkay Research

CMP	Target Price
Rs 710	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SYIL IN
Face Value (Rs)	10
Shares outstanding (mn)	8
52 Week H/L	825/600
M Cap (Rs bn/USD bn)	6/0.1
Daily Avg Volume (nos.)	4,004
Daily Avg Turnover (US\$ mn)	0.0

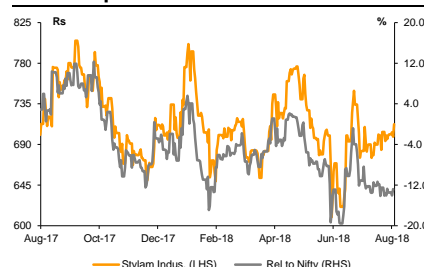
Shareholding Pattern Jun'18

Promoters	52.7%
FIIIs	3.3%
DIIIs	2.8%
Public and Others	41.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	-7	3	-3
Rel. to Nifty	-2	-14	-6	-18

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	1849	2142	2657	2943	3380
Expenditure	1688	1927	2392	2485	2887
EBITDA	180	228	301	458	493
Depreciation	33	42	47	57	108
EBIT	147	186	255	401	384
Other Income	20	3	7	11	23
Interest expenses	67	49	65	100	77
PBT	100	139	197	312	331
Tax	32	45	75	115	130
Extraordinary Items	6	0	0	0	0
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	68	94	122	196	201
Adjusted PAT	62	94	122	196	201

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	73	73	73	73	82
Reserves & surplus	273	367	489	692	1375
Net worth	347	441	562	765	1456
Minority Interest	0	0	0	0	0
Loan Funds	733	817	1168	1838	1290
Net deferred tax liability	-15	-16	-20	-27	-62
Total Liabilities	1080	1258	1738	2593	2684
Net block	507	487	563	797	1367
Investment	0	0	0	0	490
Current Assets	602	701	988	1142	1239
Cash & bank balance	36	19	17	14	9
Other Current Assets	567	681	971	1128	1231
Current liabilities & Provision	218	221	353	355	412
Net current assets	384	480	635	787	827
Misc. exp	0	0	0	0	0
Total Assets	1079	1258	1738	2593	2684

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	12	36	19	17	-
Net Cash from Operations	199	57	111	258	-
Net Cash Used in Investing	-208	-123	-376	-758	-
Net Cash Used in Financing	32	50	262	497	-
Net Inc/(Dec) in Cash	23	-16	-3	-2	-
Closing Cash	36	19	17	14	-

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	9.7	10.6	11.3	15.6	14.6
EBIT Margin	7.9	8.7	9.6	13.6	11.4
Effective Tax Rate	31.7	32.5	38.3	37.0	39.3
Net Margin	3.4	4.4	4.6	6.7	5.9
ROCE	14.6	15.9	17.0	18.5	14.6
ROE	19.9	23.9	24.3	29.6	18.1
RoIC	18.4	20.3	24.0	29.9	25.6

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	7.8	11.7	15.2	24.6	25.1
CEPS	11.8	17.0	21.0	31.7	38.6
BVPS	43.3	55.1	70.3	95.7	182.0
DPS	0.0	0.0	0.0	0.0	-

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	91.5	60.5	46.6	28.9	28.3
P/CEPS	60.0	41.8	33.8	22.4	18.4
P/BV	16.4	12.9	10.1	7.4	3.9
EV / Sales	3.5	3.0	2.6	2.6	1.9
EV / EBITDA	35.7	28.6	22.8	16.5	13.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	-

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	2.0	1.8	2.0	2.4	0.5
Net Debt/EBIDTA	3.9	3.5	3.8	4.0	1.6
Working Cap Cycle (days)	68.7	78.5	84.9	95.9	88.4

Growth (%)	FY14	FY15	FY16	FY17	-
Revenue	31.9	15.8	24.1	10.8	14.8
EBITDA	44.1	26.7	32.5	51.9	7.6
EBIT	56.5	26.2	37.4	57.2	-4.1
PAT	58.4	51.3	29.7	61.3	2.1

Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Revenue	804	751	785	819	1,025
EBITDA	142	114	115	109	154
EBITDA Margin (%)	17.7	15.2	14.7	13.4	15.0
PAT	55	48	44	45	63
EPS (Rs)	6.9	6.0	5.5	5.7	7.9

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	52.7	52.7	52.7	52.7	52.7
FIIIs	0.9	0.8	1.0	1.8	3.3
DIIIs	0.0	0.0	0.0	2.7	2.8
Public and Others	46.4	46.5	46.3	42.8	41.2

Sunteck Realty

Refer to important disclosures at the end of this report

Solid foundation

We hosted Mr. Kamal Khaitan, CMD of Sunteck Realty (SRIN) in our India Conference to get company/industry insights.

Key Meeting Takeaways:

- SRIN, a Mumbai focused developer, has expertise in buying low cost land parcels & developing them into high end housing projects.
- SRIN is a dominant player in 2 micro markets - BKC and Goregaon West
- SRIN articulated its three-year strategy on the sale of BKC inventory and launch of new phases in Goregaon West and Naigaon.
- SRIN enjoys considerable dominance in the premium residential market in BKC (Mumbai's CBD). It has completed inventory of INR26b, which will be sold in the next three years.
- Selling price for BKC units rose 8% during the past one year. SRIN is all set to launch its next three phases at Goregaon since most government approvals are in place.
- The demand for mid-end housing units (priced between INR13-25m) is strong in Goregaon. Further, the much awaited flyover connecting SRIN's project site to the Western Expressway has now become operational.
- Pricing power should translate into better margins and ROIC than peers.
- Among Indian developers with large backlogs, SRIN stands out for its strong balance sheet. Net gearing is only 0.2x.
- SRIN has fully paid for its land and will launch its new projects within two years.

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	302	9256	3029	2434	9522
EBITDA	32	2785	1339	239	3481
EBITDA Margin (%)	10.7	30.1	44.2	9.8	36.6
APAT	16	1503	682	230	2048
EPS (Rs)	0.1	10.3	4.7	1.6	14.0
EPS (% chg)		9209.7	-54.6	-66.3	791.6
ROE (%)	0.3	26.7	6.5	1.5	12.1
P/E (x)	3944.0	42.4	93.4	277.2	31.1
EV/EBITDA (x)	2107.4	24.8	54.6	298.9	19.7
P/BV (x)	13.0	10.0	4.3	4.0	3.5

Source: Company, Emkay Research

CMP	Target Price
Rs 436	NA
as of (August 8, 2018)	
Rating	Upside
NOT RATED	NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	SRIN IN
Face Value (Rs)	1
Shares outstanding (mn)	146
52 Week H/L	485/214
M Cap (Rs bn/USD bn)	64/0.9
Daily Avg Volume (nos.)	283,685
Daily Avg Turnover (US\$ mn)	1.7

Shareholding Pattern Jun'18

Promoters	66.8%
FIIIs	24.2%
DIIIs	4.0%
Public and Others	5.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	16	1	12	75
Rel. to Nifty	10	-6	3	49

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Net Sales	302	9256	3029	2434	9522
Expenditure	270	6471	1689	2195	6041
EBITDA	32	2785	1339	239	3481
Depreciation	14	14	20	22	23
EBIT	18	2771	1320	217	3458
Other Income	200	127	140	162	31
Interest expenses	111	170	176	169	455
PBT	107	2728	1284	210	3033
Tax	62	900	470	-63	872
Extraordinary Items	24	7	0	0	-8
Minority Int. /Income from Assoc.	5	318	132	44	122
Reported Net Income	40	1510	682	230	2040
Adjusted PAT	16	1503	682	230	2048

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	120	120	120	120	120
Reserves & surplus	3884	5358	14583	15865	17826
Net worth	4898	6372	14703	15985	17953
Minority Interest	4	322	629	584	706
Loan Funds	5083	5921	10706	12340	9440
Net deferred tax liability	-7	-3	-2	242	234
Total Liabilities	10082	12685	26073	28946	28123
Net block	744	739	730	475	459
Investment	365	296	300	3691	3479
Current Assets	25098	26609	40980	37227	32528
Cash & bank balance	413	223	1092	917	986
Other Current Assets	24685	26387	39888	36311	31542
Current liabilities & Provision	17048	15843	16123	12781	8647
Net current assets	8050	10766	24857	24446	23881
Misc. exp	0	0	0	0	0
Total Assets	10082	12685	26073	28946	28123

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Opening Cash	238	336	122	1,024	657
Net Cash from Operations	1,242	-1,039	-853	-1,280	2,427
Net Cash Used in Investing	429	170	-1,579	-765	882
Net Cash Used in Financing	-1,573	655	3,346	1,678	-3,371
Net Inc/(Dec) in Cash	98	-214	913	-367	-61
Closing Cash	336	122	1,035	657	595

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	10.7	30.1	44.2	9.8	36.6
EBIT Margin	6.0	29.9	43.6	8.9	36.3
Effective Tax Rate	57.7	33.0	36.6	-	28.7
Net Margin	5.3	16.2	22.5	9.4	21.5
ROCE	0.2	24.3	6.8	0.8	12.1
ROE	0.3	26.7	6.5	1.5	12.1
RoIC	0.2	27.3	7.1	0.9	13.9

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	0.1	10.3	4.7	1.6	14.0
CEPS	0.2	10.4	4.8	1.7	14.2
BVPS	33.6	43.6	100.7	109.5	123.0
DPS		0.3	0.0	2.0	3.0
Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	3944.0	42.4	93.4	277.2	31.1
P/CEPS	2105.0	42.0	90.7	252.6	30.7
P/BV	13.0	10.0	4.3	4.0	3.5
EV / Sales	225.3	7.5	24.1	29.4	7.2
EV / EBITDA	2107.4	24.8	54.6	298.9	19.7
Dividend Yield (%)	0.0	0.1	0.0	0.5	0.7
Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	0.9	0.8	0.6	0.5	0.3
Net Debt/EBIDTA	133.3	1.9	7.0	32.3	1.4
Working Cap Cycle (days)	9226.4	415.8	2864.2	3528.9	877.6
Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	0.0	2963.8	-67.3	-19.6	291.3
EBITDA	0.0	8522.3	-51.9	-82.1	1355.1
EBIT	0.0	15124.7	-52.4	-83.6	1494.2
PAT	0.0	9209.7	-54.6	-66.3	791.6
Quarterly (Rs mn)	Q4FY17	Q1FY18	Q2FY18	Q3FY18	
Revenue	1,379	1,334	3,467	2,015	
EBITDA	725	705	950	884	
EBITDA Margin (%)	52.5	52.9	27.4	43.9	
PAT	290	397	643	585	
EPS (Rs)	2.0	2.7	4.4	4.0	
Shareholding Pattern (%)	Sep-17	Oct-17	Dec-17	Mar-18	
Promoters	73.8	65.7	66.8	66.8	
FIIs	10.0	18.3	17.3	22.3	
DIIIs	4.1	7.3	7.8	5.9	
Public and Others	12.1	8.7	8.2	5.0	

Time Technoplast

Refer to important disclosures at the end of this report

The time is right for TIME

We hosted Mr. Bharat Vagheria, Director - Finance and Mr. Niklank Jain, Vice President of Time Technoplast Ltd in our Annual India Conference to get company/industry insights.

Key Meeting Takeaways:

- TIME's dominance in IP products space and rapid growth in Pipes stem from its robust manufacturing capabilities, extensive distribution reach and consistent new launches.
- VAP category's contribution increased to 19% in Q1FY19 (v/s 18% in FY18). VAP growth will continue to be driven by increasing demand for products and adequate capacity additions. We believe that Fixed Asset Turnover will also improve gradually to 1.7x by FY20E from 1.5x in FY18 on account of enhanced capacity utilisation of overseas plants and ramp-up of new units.
- TIME has done a greenfield expansion at Silvassa (India) in IBCs, Drum & Jerry Cans and Brownfield expansion at overseas locations for future growth.
- TIME has healthy order book of ~17,000MT (Rs2.25bn) in PE Pipes business and ~1,500MT (Rs180m) in DWC Pipes. In Q1FY19, TIME launched new generation multi-layer pipes for Power/Communications Cable Ducts with silicon in-lining. These Pipes/Ducts have substantial business potential, especially in the development of Smart Cities.
- Management remains fairly confident about the Composite Cylinder business, especially with private gas distribution companies now promoting & distributing these cylinders in several states.
- TIME is developing innovative new applications of MOX Films, besides launching new products like Truck Covers, Pond Liners, Mulching Films and Poly House Films. MOX is likely to grow faster than others. Any price competition in the market is unlikely as TIME is keen on widening the usage of these films. It is and also looking at tapping the exports markets.
- Management indicated that working capital intensity might reduce with the increase in VAP contribution in the revenue mix over the next few years. However, Industrial Packaging is working capital heavy business and in order to manage fluctuations in availability of RM and its landed costs, it is essential to keep sufficient inventory. Moreover, being a B2B business, the burden of FG inventory and receivables cannot be passed on to the distribution channel.
- The capex guidance for FY19 is ~Rs2bn, of which ~50% would be towards regular maintenance. TIME continues to work on the innovative products pipeline and should introduce new products at an appropriate time. However, borrowings are not likely to increase as most of the capex should be funded through internal accruals.

Financial Snapshot (Consolidated)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	24,227	27,546	31,027	35,932	42,123
EBITDA	3,688	4,067	4,731	5,487	6,520
EBITDA Margin (%)	15.2	14.8	15.2	15.3	15.5
APAT	1,218	1,469	1,804	2,343	3,064
EPS (Rs)	5.8	6.5	8.0	10.4	13.5
EPS (% chg)	11.1	12.1	22.8	29.9	30.8
ROE (%)	11.1	11.9	12.9	14.8	16.8
P/E (x)	26.0	23.2	18.9	14.5	11.1
EV/EBITDA (x)	10.4	10.0	8.7	7.4	6.2
P/BV (x)	2.7	2.6	2.3	2.0	1.7

Source: Company, Emkay Research

CMP	Target Price
Rs 151	Rs 272 (■)
as of (August 10, 2018)	12 months
Rating	Upside
BUY (■)	80.6 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	10.4	13.5
Consensus	9.8	12.0
Mean Consensus TP (12M)	Rs 228	

Stock Details

Bloomberg Code	TIME IN
Face Value (Rs)	1
Shares outstanding (mn)	226
52 Week H/L	233 / 116
M Cap (Rs bn/USD bn)	34 / 0.49
Daily Avg Volume (nos.)	3,45,314
Daily Avg Turnover (US\$ mn)	0.7

Shareholding Pattern Jun '18

Promoters	52.4%
FIIIs	19.3%
DIIIs	9.0%
Public and Others	19.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	2	(18)	(9)
Rel. to Nifty	5	(4)	(25)	(22)

Relative price chart



Source: Bloomberg

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	24,227	27,546	31,027	35,932	42,123
Expenditure	20,539	23,479	26,297	30,445	35,603
EBITDA	3,688	4,067	4,731	5,487	6,520
Depreciation	988	1,155	1,372	1,398	1,514
EBIT	2,685	2,887	3,358	4,089	5,006
Other Income	21	22	21	24	26
Interest expenses	962	901	875	844	776
PBT	1,744	2,009	2,504	3,269	4,256
Tax	288	494	652	883	1,149
Extraordinary Items	164	2	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,381	1,471	1,804	2,343	3,064
Adjusted PAT	1,218	1,469	1,804	2,343	3,064

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	210	226	226	226	226
Reserves & surplus	11,472	13,039	14,605	16,681	19,438
Net worth	11,682	13,265	14,831	16,907	19,664
Minority Interest	761	384	405	384	384
Loan Funds	7,462	7,221	7,775	6,900	6,600
Net deferred tax liability	391	471	581	471	471
Total Liabilities	20,295	21,341	23,593	24,662	27,119
Net block	11,494	11,004	11,997	12,814	13,605
Investment	0	0	0	0	0
Current Assets	11,998	13,840	15,982	16,702	19,241
Cash & bank balance	702	656	740	239	539
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	3,903	4,372	5,326	5,723	6,596
Net current assets	8,095	9,468	10,655	10,979	12,645
Misc. exp	0	0	0	0	0
Total Assets	20,296	21,341	23,593	24,662	27,119

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	1,723	1,986	2,483	3,245	4,230
Other Non-Cash items	(6)	(2)	0	0	0
Chg in working cap	(595)	(1,419)	(1,099)	(830)	(1,366)
Operating Cashflow	2,831	2,232	3,091	3,664	4,005
Capital expenditure	(1,217)	(886)	(2,526)	(2,144)	(2,305)
Free Cash Flow	1,614	1,346	565	1,520	1,700
Investments	0	0	0	0	0
Other Investing Cash Flow	10	25	0	0	0
Investing Cashflow	(1,185)	(839)	(2,505)	(2,120)	(2,279)
Equity Capital Raised	0	1,476	0	0	0
Loans Taken / (Repaid)	(582)	(240)	554	(875)	(300)
Dividend paid (incl tax)	(108)	(120)	(186)	(229)	(306)
Other Financing Cash Flow	17	(1,654)	4	(97)	(43)
Financing Cashflow	(1,635)	(1,439)	(503)	(2,045)	(1,426)
Net chg in cash	11	(46)	84	(501)	300
Opening cash position	691	702	656	740	239
Closing cash position	702	657	740	239	539

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	15.2	14.8	15.2	15.3	15.5
EBIT Margin	11.1	10.5	10.8	11.4	11.9
Effective Tax Rate	16.5	24.6	26.0	27.0	27.0
Net Margin	6.0	5.5	6.0	6.6	7.4
ROCE	13.7	14.0	15.1	17.0	19.4
ROE	11.1	11.9	12.9	14.8	16.8
RoIC	14.5	15.0	16.1	18.0	20.3

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	5.8	6.5	8.0	10.4	13.5
CEPS	10.6	11.7	14.0	16.5	20.2
BVPS	55.1	58.3	65.6	74.8	87.0
DPS	0.5	0.5	0.7	0.9	1.1

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	26.0	23.2	18.9	14.5	11.1
P/CEPS	14.2	12.9	10.7	9.1	7.4
P/BV	2.7	2.6	2.3	2.0	1.7
EV / Sales	1.6	1.5	1.3	1.1	1.0
EV / EBITDA	10.4	10.0	8.7	7.4	6.2
Dividend Yield (%)	0.3	0.4	0.4	0.6	0.7

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	0.6	0.5	0.5	0.4	0.3
Net Debt/EBIDTA	1.8	1.6	1.5	1.2	0.9
Working Cap Cycle (days)	26.2	53.1	61.4	57.6	59.3

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	(2.2)	13.7	12.6	15.8	17.2
EBITDA	8.4	10.3	16.3	16.0	18.8
EBIT	6.9	7.5	16.3	21.8	22.4
PAT	26.0	6.5	22.6	29.9	30.8

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	6,806	7,248	7,547	9,427	7,815
EBITDA	1,015	1,094	1,163	1,459	1,204
EBITDA Margin (%)	14.9	15.1	15.4	15.5	15.4
PAT	363	420	467	554	433
EPS (Rs)	1.6	1.9	2.1	2.4	1.9

Source: Company, Emkay Research

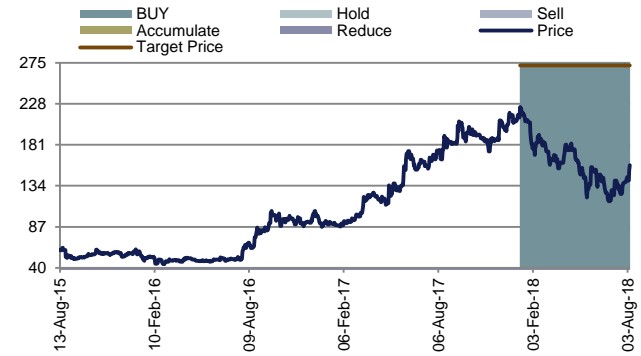
Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	52.6	52.6	52.5	52.4	52.4
FII	19.5	19.4	19.2	19.4	19.3
DII	8.8	9.1	9.1	9.1	9.0
Public and Others	19.1	18.9	19.2	19.2	19.3

Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
03-Aug-18	140	272	12m	Buy	Nitesh Dhoot
29-May-18	153	272	12m	Buy	Nitesh Dhoot
16-Feb-18	188	272	12m	Buy	Nitesh Dhoot
09-Jan-18	224	272	12m	Buy	Nitesh Dhoot

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART

Source: Bloomberg, Company, Emkay Research

Trident

Refer to important disclosures at the end of this report

On the road to recovery

We hosted Mr. Pawan Jain, Director – Corporate Affairs and Mr. Vipul Garg, Vice President – Corporate Affairs in our Annual India Conference to get company/industry insights.

Key Meeting Takeaways:

- Trident (TRID) is well positioned to drive growth in future and is indicating improved performance delivery in FY19, as green-shoots of recovery are already visible. Key markets, including US and Europe, have started showing strength in the recent quarters.
- TRID performed well in FY18 in spite of several headwinds. The company's Bed Linen segment showed resilience with 44% capacity utilization in FY18 (v/s 29% in FY17). Paper segment delivered robust performance with EBITDA increasing 18% to Rs3.6bn.
- Terry Towel segment's capacity utilization is hovering at ~45%. Recovery is expected to be gradual in this segment. Utilization should improve to 55%, backed by restocking by the major US retailers.
- Outlook for Bed Linen is positive, whereby capacity utilization reached 55% in Q1FY19 v/s 44% in FY18. Going forward, realizations should improve led by better product mix.
- Operating leverage benefits to kick in with increasing capacity utilization and better product mix. Increase in yarn's captive utilization will lower price volatility risk and lead to margin improvement. Improving cash flows and prudent capital allocation will be key focus areas.
- Paper business continues to do extremely well. Paper segment recorded the highest-ever EBITDA/tonne of Rs23000, with utilization steady at ~90%. There are no capacity expansion plans in this segment currently.
- TRID plans to set up a captive Cogen Steam (2 x 150tph) and Power plant (2 x 30MW) at its Budhni facility at a capex of Rs5.5bn by FY21E. Margin improvement of 200bps is likely due to cost reduction.
- Home Textiles forms 1/3rd of the global Textiles & Apparel industry and is expected to be US\$131bn in size by 2020E, growing at over 3.5%.
- Bed Linen & Bed Spread constitutes 44% of Home Textiles and is the largest application segment. It is expected to grow at 4.4% CAGR to reach US\$60bn by 2020E.
- Bed & Bath Linen put together forms 2/3rd of Home Textiles industry and is expected to reach US\$87bn by 2020E, growing at over 4.1%.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15	FY16	FY17
Revenue	33,353	38,689	37,536	36,835	46,866
EBITDA	5,554	7,276	6,606	7,194	8,886
EBITDA Margin (%)	16.7	18.8	17.6	19.5	19.0
APAT	486	2,003	1,174	2,280	3,370
EPS (Rs)	1.6	6.4	2.3	4.5	6.6
EPS (% chg)	0.0	311.9	(64.1)	93.9	47.8
ROE (%)	7.2	24.5	9.8	14.5	18.7
P/E (x)	45.3	11.0	30.7	15.8	10.7
EV/EBITDA (x)	7.9	5.5	9.4	9.6	7.1
P/BV (x)	3.1	2.4	2.5	2.1	1.9

Source: Company, Emkay Research

CMP

Rs 71

as of (August 7, 2018)

Rating

NOT RATED

Target Price

NA (NA)

12 months

Upside

NA

Change in Estimates

EPS Chg FY18E/FY19E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates	
	FY18E FY19E
Emkay	- -
Consensus	7.7 8.9
Mean Consensus TP (12M)	Rs 82

Stock Details

Bloomberg Code	TRID IN
Face Value (Rs)	10
Shares outstanding (mn)	510
52 Week H/L	110 / 51
M Cap (Rs bn/USD bn)	36 / 0.52
Daily Avg Volume (nos.)	6,13,014
Daily Avg Turnover (US\$ mn)	0.5

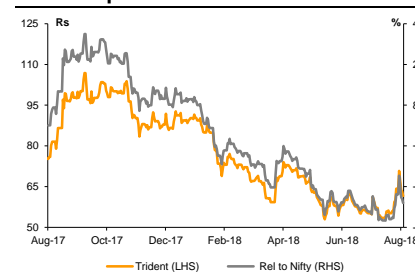
Shareholding Pattern Jun '18

Promoters	67.8%
FIIIs	1.3%
DIIIs	2.1%
Public and Others	28.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	28	6	3	(18)
Rel. to Nifty	21	(1)	(5)	(27)

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Revenue	33,353	38,689	37,536	36,835	46,866
Expenditure	27,799	31,413	30,929	29,641	37,980
EBITDA	5,554	7,276	6,606	7,194	8,886
Depreciation	2,614	2,684	3,213	3,376	4,124
EBIT	2,939	4,592	3,393	3,817	4,761
Other Income	224	163	345	316	1,034
Interest expenses	2,353	2,103	2,060	1,364	1,410
PBT	811	2,652	1,678	2,769	4,385
Tax	318	681	500	485	1,015
Extraordinary Items	8	(33)	4	5	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	493	1,970	1,178	2,285	3,370
Adjusted PAT	486	2,003	1,174	2,280	3,370

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
Equity share capital	3,108	3,111	5,086	5,094	5,096
Reserves & surplus	3,954	6,198	9,467	11,723	22,149
Net worth	7,063	9,309	14,553	16,817	27,245
Minority Interest	0	0	0	0	0
Loan Funds	22,441	18,668	26,207	34,366	28,659
Net deferred tax liability	1,070	1,082	1,242	1,727	1,657
Total Liabilities	30,574	29,059	42,002	52,909	57,561
Net block	19,682	17,956	28,865	38,346	43,575
Investment	645	1,187	314	567	748
Current Assets	12,262	12,339	13,868	16,753	16,107
Cash & bank balance	331	245	168	818	1,324
Other Current Assets	18	22	22	15	0
Current liabilities & Provision	2,295	2,786	3,037	3,329	3,967
Net current assets	9,966	9,553	10,831	13,424	12,140
Misc. exp	0	0	0	0	0
Total Assets	30,574	29,059	42,002	52,909	57,561

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15	FY16	FY17
PBT (Ex-Other income) (NI+Dep)	587	2,489	1,333	2,453	3,351
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,970)	936	(1,188)	(2,695)	1,708
Operating Cashflow	3,577	7,544	5,078	4,498	9,509
Capital expenditure	(885)	(1,642)	(15,571)	(11,013)	(1,747)
Free Cash Flow	2,691	5,901	(10,493)	(6,515)	7,762
Investments	(88)	(543)	874	(253)	(182)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(749)	(2,022)	(14,352)	(10,950)	(895)
Equity Capital Raised	64	433	4,088	11	2
Loans Taken / (Repaid)	(438)	(3,775)	7,179	8,480	(5,763)
Dividend paid (incl tax)	0	(162)	(329)	(539)	(937)
Other Financing Cash Flow	0	0	319	514	0
Financing Cashflow	(2,727)	(5,608)	9,197	7,102	(8,108)
Net chg in cash	101	(86)	(77)	650	506
Opening cash position	230	331	245	168	818
Closing cash position	331	245	168	818	1,324

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY13	FY14	FY15	FY16	FY17
EBITDA Margin	16.7	18.8	17.6	19.5	19.0
EBIT Margin	8.8	11.9	9.0	10.4	10.2
Effective Tax Rate	39.2	25.7	29.8	17.5	23.2
Net Margin	1.5	5.1	3.1	6.2	7.2
ROCE	10.4	15.9	10.5	8.7	11.3
ROE	7.2	24.5	9.8	14.5	18.7
RoIC	14.6	23.0	11.4	10.0	12.5

Per Share Data (Rs)	FY13	FY14	FY15	FY16	FY17
EPS	1.6	6.4	2.3	4.5	6.6
CEPS	10.0	15.1	8.6	11.1	14.7
BVPS	22.7	29.9	28.6	33.0	37.8
DPS	0.4	0.9	0.9	1.5	1.8

Valuations (x)	FY13	FY14	FY15	FY16	FY17
PER	45.3	11.0	30.7	15.8	10.7
P/CEPS	7.2	4.7	8.3	6.4	4.8
P/BV	3.1	2.4	2.5	2.1	1.9
EV / Sales	1.3	1.0	1.6	1.9	1.4
EV / EBITDA	7.9	5.5	9.4	9.6	7.1
Dividend Yield (%)	0.6	1.3	1.3	2.1	2.5

Gearing Ratio (x)	FY13	FY14	FY15	FY16	FY17
Net Debt/ Equity	3.1	1.9	1.8	2.0	1.4
Net Debt/EBIDTA	3.9	2.5	3.9	4.6	3.1
Working Cap Cycle (days)	105.4	87.8	103.7	124.9	84.2

Growth (%)	FY13	FY14	FY15	FY16	FY17
Revenue	22.1	16.0	(3.0)	(1.9)	27.2
EBITDA	85.1	31.0	(9.2)	8.9	23.5
EBIT	217.6	56.2	(26.1)	12.5	24.7
PAT	0.0	299.4	(40.2)	93.9	47.5

Quarterly (Rs mn)	Q1FY18	Q4FY18	Q1FY19	Q4FY18	Q1FY19
Revenue	11,981	11,803	10896	11,803	10896
EBITDA	2,594	2,115	1,955	2,115	1,955
EBITDA Margin (%)	21.7	17.9	17.9	17.9	17.9
PAT	889	509	592	509	592
EPS (Rs)	1.7	1.0	1.2	1.0	1.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	67.8	67.8	67.8	67.8	67.8
FII	1.5	1.6	1.5	1.3	1.3
DII	2.1	2.3	2.4	2.3	2.1
Public and Others	28.6	28.3	28.4	28.6	28.8

Source: Capitaline

V2 Retail

Refer to important disclosures at the end of this report

Solid improvement in profitability and scale

We hosted Mr. Akash Agarwal, a director of V2 Retail Ltd (VREL), at our India Conference to share company insights.

Key Meeting Takeaways

- VREL's 1Q revenue increased 32% YoY/48% QoQ to Rs1.8bn, driven by the opening of new stores and the ramp-up of existing stores. The company is on track to open 50 stores in FY19 and has already opened 17. It has also finalized the locations for 24 new stores.
- The average monthly revenue per sq. ft. from the new stores is higher than management's expectation of Rs850/sq. ft. Management has disclosed that consumer response to its new stores was better than its expectations.
- 1QFY19 same-store sales growth (SSG) was -2% vs. -4% YoY due to 1) shorter wedding season and 2) the delay in consumer spending caused by the late arrival of monsoons.
- The company is benefitting from vendor consolidation and economies of scale in purchases. 1QFY19 gross margins improved 222bps YoY to 33.5%. Management has guided gross margins to be in the range of 31-32% going forward.
- In 1QFY19, VREL's inventory days were reduced to 100 from 105 in the prior quarter despite an aggressive store roll-out aided by robust inventory MIS.
- VREL is maintaining a sharp focus on per-square-foot profitability and has initiated a number of technology projects to drive efficiency throughout its supply chain. Management is currently implementing more than 30 technology projects across the supply chain to streamline MIS and make VREL a process-driven organization.
- Management views Karnataka as the next growth state for the company and plans to open 10-12 stores in the next 12 months. VREL has got encouraging response for its pilot store in Hubli, and management is confident of replicating the success across the southern markets.
- Management plans to enter the B2B segment in future and believes that there is significant opportunity in that space. VREL intends to cater to all platforms, such as MBO and EBO, in the B2B segment.
- The company's net cash on balance sheet as of 1QFY19 was Rs610m.

Financial Snapshot (Standalone)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	4,720	5,594	8,246	12,791	16,333
EBITDA	415	517	804	1,311	1,715
EBITDA Margin (%)	8.8	9.2	9.8	10.3	10.5
APAT	157	311	442	736	967
EPS (Rs)	4.6	9.2	12.8	21.1	27.3
EPS (% chg)	88.7	100.4	40.1	64.3	29.5
ROE (%)	6.9	14.4	15.1	21.4	22.9
P/E (x)	92.3	46.1	32.9	20.0	15.5
EV/EBITDA (x)	35.0	25.8	17.8	11.2	8.6
P/BV (x)	9.2	5.2	4.7	3.9	3.2

Source: Company, Emkay Research

CMP

Rs 422
as of (August 8, 2018)

Rating

BUY (■)

Target Price

Rs 590 (■)
12 months

Upside

39.8 %

Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	12.8	21.1
Consensus	13.3	21.2
Mean Consensus TP (12M)	Rs 600	

Stock Details

Bloomberg Code	VREL IN
Face Value (Rs)	10
Shares outstanding (mn)	34
52 Week H/L	556 / 262
M Cap (Rs bn/USD bn)	14 / 0.21
Daily Avg Volume (nos.)	81,121
Daily Avg Turnover (US\$ mn)	0.5

Shareholding Pattern Jun '18

Promoters	51.1%
FIIIs	9.8%
DIIIs	1.2%
Public and Others	37.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	8	(1)	8	51
Rel. to Nifty	2	(8)	-	32

Relative price chart



Source: Bloomberg

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	4,720	5,594	8,246	12,791	16,333
Expenditure	4,305	5,077	7,442	11,480	14,618
EBITDA	415	517	804	1,311	1,715
Depreciation	61	84	158	202	252
EBIT	354	433	646	1,109	1,462
Other Income	16	33	34	36	38
Interest expenses	86	6	0	12	12
PBT	284	460	680	1,133	1,488
Tax	126	149	238	397	521
Extraordinary Items	233	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	390	311	442	736	967
Adjusted PAT	157	311	442	736	967

Balance Sheet

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	309	339	339	339	339
Reserves & surplus	1,273	2,400	2,769	3,432	4,326
Net worth	1,582	2,740	3,108	3,771	4,665
Minority Interest	0	0	0	0	0
Loan Funds	86	0	0	150	0
Net deferred tax liability	(196)	(48)	(48)	(48)	(48)
Total Liabilities	1,472	2,692	3,061	3,874	4,618
Net block	508	625	1,237	1,485	1,758
Investment	124	124	124	124	124
Current Assets	1,528	3,030	3,442	4,956	6,167
Cash & bank balance	62	944	218	269	251
Other Current Assets	284	436	894	1,248	1,524
Current liabilities & Provision	729	1,154	1,743	2,692	3,432
Net current assets	799	1,876	1,699	2,264	2,736
Misc. exp	0	0	0	0	0
Total Assets	1,472	2,692	3,061	3,874	4,618

Cash Flow

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
PBT (Ex-Other income) (NI+Dep)	268	428	646	1,097	1,450
Other Non-Cash items	0	0	0	0	0
Chg in working cap	41	(195)	(549)	(514)	(489)
Operating Cashflow	330	173	17	400	705
Capital expenditure	(281)	(227)	(704)	(450)	(525)
Free Cash Flow	49	(54)	(687)	(50)	180
Investments	129	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(136)	(195)	(670)	(414)	(487)
Equity Capital Raised	396	816	0	0	0
Loans Taken / (Repaid)	(890)	(86)	0	150	(150)
Dividend paid (incl tax)	0	0	(73)	(73)	(73)
Other Financing Cash Flow	417	179	0	0	0
Financing Cashflow	(163)	904	(73)	65	(235)
Net chg in cash	31	882	(726)	51	(17)
Opening cash position	31	62	944	218	269
Closing cash position	62	944	218	269	251

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY17	FY18	FY19E	FY20E	FY21E
EBITDA Margin	8.8	9.2	9.8	10.3	10.5
EBIT Margin	7.5	7.7	7.8	8.7	9.0
Effective Tax Rate	44.6	32.4	35.0	35.0	35.0
Net Margin	3.3	5.6	5.4	5.8	5.9
ROCE	25.8	22.4	23.6	33.0	35.3
ROE	6.9	14.4	15.1	21.4	22.9
RoIC	30.6	30.9	30.2	35.8	37.9

Per Share Data (Rs)	FY17	FY18	FY19E	FY20E	FY21E
EPS	4.6	9.2	12.8	21.1	27.3
CEPS	6.4	11.6	17.4	26.9	34.4
BVPS	46.0	80.8	90.3	108.0	131.7
DPS	0.0	1.8	1.8	1.7	1.7

Valuations (x)	FY17	FY18	FY19E	FY20E	FY21E
PER	92.3	46.1	32.9	20.0	15.5
P/CEPS	61.8	33.8	22.6	14.6	11.4
P/BV	9.2	5.2	4.7	3.9	3.2
EV / Sales	3.1	2.4	1.7	1.1	0.9
EV / EBITDA	35.0	25.8	17.8	11.2	8.6
Dividend Yield (%)	0.0	0.4	0.4	0.4	0.4

Gearing Ratio (x)	FY17	FY18	FY19E	FY20E	FY21E
Net Debt/ Equity	0.0	(0.3)	(0.1)	0.0	(0.1)
Net Debt/EBIDTA	0.1	(1.8)	(0.3)	(0.1)	(0.1)
Working Cap Cycle (days)	57.0	60.8	65.6	56.9	55.5

Growth (%)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	47.5	18.5	47.4	55.1	27.7
EBITDA	32.1	24.6	55.4	63.1	30.8
EBIT	30.9	22.5	49.0	71.8	31.8
PAT	220.8	(20.4)	42.2	66.7	31.3

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	1,423	1,375	1,524	1,266	1,878
EBITDA	154	100	227	30	199
EBITDA Margin (%)	10.8	7.3	14.9	2.4	10.6
PAT	87	50	137	36	112
EPS (Rs)	3.7	2.1	5.8	1.5	4.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Oct-17	Dec-17	Mar-18	May-18	Jun-18
Promoters	51.0	51.0	51.4	51.1	51.1
FII's	6.0	8.8	9.4	9.4	9.8
DII's	2.1	2.6	2.0	1.9	1.2
Public and Others	40.9	37.6	37.2	37.5	37.9

Source: Capitaline

Visaka Industries

Refer to important disclosures at the end of this report

ACS segment to drive growth

We recently hosted Mr. Vepa Vallinath, Whole Time Director & CFO of Visaka Industries Ltd to share company insights:

Key Meeting Takeaways

- Visaka Industries (Visaka) is India's second largest producer of asbestos-cement roofing sheets (ACS), which is largely used in rural housing, and cement boards & panels (CBP), which is majorly used in urban & commercial buildings.
- As per the management, the demand outlook remains strong and conducive across all the business segments - ACS, CBP and Yarn Spinning, which is reflected in quarterly numbers (registered 9% yoy volume growth).
- The company has guided for 6% volume growth in ACS over the next two years, led by strong demand amid the onset of good monsoon, better rural income and higher steel prices.
- On the CBP sales front, the management believes that the strong demand growth will continue and expects to grow at 10%+. With its greenfield CBP plant in Haryana (50K MT) expected to be operational w.e.f. Sep'18, the company is confident of delivering 20% volume CAGR in this segment.
- Further, the company is adding 10K mt of Cement Panels in Haryana (by end-FY19), which will further accelerate CBP sales from the Haryana plant.
- The company was able to take a small price hike during Q1FY19 on the back of strong demand in the CBP segment, which helped to moderate the impact of increase in pulp prices, INR depreciation (impacting both chrysotile and pulp fibre) and rising diesel prices.
- Solar panel embedded roofing sheets (non-asbestos) - a niche, patented product (brand name ATUM) - is the latest offering, which is expected to go commercial from Sep'18. As per the management, the company would target institutional clients in the factory/warehouse roofing segment.
- ATUM is expected to be a high asset turn and high ROCE business. It can potentially achieve ~Rs750mn of revenue in few years (on the base of its current revenue of ~Rs100mn).

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	8921	10211	10049	9606	10123
EBITDA	573	959	952	1172	1502
EBITDA Margin (%)	6.4	9.4	9.5	12.2	14.8
APAT	120	216	245	428	662
EPS (Rs)	7.5	13.5	15.3	26.7	41.4
EPS (% chg)	-76.3	79.4	13.3	74.9	54.6
ROE (%)	3.6	6.5	7.2	11.6	15.8
P/E (x)	83.0	46.2	40.8	23.3	15.1
EV/EBITDA (x)	21.2	13.0	12.9	9.9	8.0
P/BV (x)	3.0	3.0	2.9	2.5	2.2

Source: Company, Emkay Research

CMP

Rs 624

as of (August 8, 2018)

Target Price

NA

Rating

NOT RATED

Upside

NA

Change in Estimates

EPS Chg FY19E/FY20E (%)	NA
Target Price change (%)	NA
Target Period (Months)	NA
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	-	-
Consensus	-	-
Mean Consensus TP (12 M)	-	-

Stock Details

Bloomberg Code	VSKI IN
Face Value (Rs)	10
Shares outstanding (mn)	16
52 Week H/L	840/405
M Cap (Rs bn/USD bn)	10/0.1
Daily Avg Volume (nos.)	58,597
Daily Avg Turnover (US\$ mn)	0.5

Shareholding Pattern Jun'18

Promoters	41.3%
FIIIs	5.8%
DIIIs	0.1%
Public and Others	52.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	16	-17	-8	32
Rel. to Nifty	10	-22	-16	12

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Net Sales	8921	10211	10049	9606	10123
Expenditure	8007	9537	8958	8459	8700
EBITDA	573	959	952	1172	1502
Depreciation	225	431	363	341	348
EBIT	348	528	589	831	1153
Other Income	54	24	27	57	46
Interest expenses	214	220	213	196	183
PBT	188	332	404	692	1016
Tax	68	120	159	264	351
Extraordinary Items	-1	-4	0	0	4
Minority Int. /Income from Assoc.	0	0	0	0	0
Reported Net Income	120	212	244	428	666
Adjusted PAT	120	216	245	428	662

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Equity share capital	159	159	159	159	159
Reserves & surplus	3175	3163	3311	3767	4297
Net worth	3334	3322	3471	3926	4457
Minority Interest	0	0	0	0	0
Loan Funds	2649	3044	3210	2131	2411
Net deferred tax liability	-297	-258	-222	-184	-174
Total Liabilities	6219	6631	6681	6060	6872
Net block	3345	3121	2941	3268	3216
Investment	151	146	101	0	0
Current Assets	3407	4438	4820	4058	4587
Cash & bank balance	261	281	750	383	229
Other Current Assets	3145	4157	4070	3675	4358
Current liabilities & Provision	768	1013	1286	1360	1799
Net current assets	2639	3425	3534	2697	2788
Misc. exp	0	0	0	0	0
Total Assets	6220	6631	6681	6060	6872

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16	FY17	FY18
Opening Cash	336	261	281	729	359
Net Cash from Operations	1,213	76	893	1,527	880
Net Cash Used in Investing	-906	-213	-284	-619	-1,052
Net Cash Used in Financing	-382	157	-139	-1,278	12
Net Inc/(Dec) in Cash	-75	20	469	-370	-160
Closing Cash	261	281	750	359	199

Key Ratios

Profitability (%)	FY14	FY15	FY16	FY17	FY18
EBITDA Margin	6.4	9.4	9.5	12.2	14.8
EBIT Margin	3.9	5.2	5.9	8.7	11.4
Effective Tax Rate	36.3	36.1	39.5	38.2	34.5
Net Margin	1.3	2.1	2.4	4.5	6.5
ROCE	5.6	8.2	8.9	13.0	17.8
ROE	3.6	6.5	7.2	11.6	15.8
RoIC	6.2	8.8	9.4	13.8	19.9

Per Share Data (Rs)	FY14	FY15	FY16	FY17	FY18
EPS	7.5	13.5	15.3	26.7	41.4
CEPS	21.6	40.4	38.0	48.0	63.1
BVPS	208.4	207.6	216.9	245.4	278.5
DPS	2.5	5.0	5.0	6.0	7.0

Valuations (x)	FY14	FY15	FY16	FY17	FY18
PER	83.0	46.2	40.8	23.3	15.1
P/CEPS	28.9	15.4	16.4	13.0	9.9
P/BV	3.0	3.0	2.9	2.5	2.2
EV / Sales	1.4	1.2	1.2	1.2	1.2
EV / EBITDA	21.2	13.0	12.9	9.9	8.0
Dividend Yield (%)	0.4	0.8	0.8	1.0	1.1

Gearing Ratio (x)	FY14	FY15	FY16	FY17	FY18
Net Debt/ Equity	0.7	0.8	0.7	0.4	0.5
Net Debt/EBIDTA	3.9	2.7	2.5	1.5	1.5
Working Cap Cycle (days)	97.3	112.4	101.1	87.9	92.3

Growth (%)	FY14	FY15	FY16	FY17	FY18
Revenue	-2.6	14.5	-1.6	-4.4	5.4
EBITDA	-46.3	67.4	-0.7	23.0	28.1
EBIT	-60.0	51.6	11.6	41.0	38.8
PAT	-76.3	79.4	13.3	74.9	54.6

Quarterly (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Revenue	3,092	2,011	2,418	2,596	3,457
EBITDA	467	333	344	357	532
EBITDA Margin (%)	15.1	16.6	14.2	13.8	15.4
PAT	230	141	143	152	303
EPS (Rs)	14.4	8.8	8.9	9.5	19.0

Shareholding Pattern (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoters	41.2	41.2	41.3	41.3	41.3
FIIIs	5.7	6.5	6.9	6.3	5.8
DIIIs	2.6	0.9	1.0	0.8	0.1
Public and Others	50.5	51.4	50.8	51.6	52.8

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

Completed Date: 12 Aug 2018 21:04:39 (SGT)
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Sources for all charts and tables are Emkay Research unless otherwise specified.

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