

04 May 2018

Infrastructure Results Update

Key Statistics

CMP (INR)*	262
Upside/downside (%)	12.6
Market Cap (INR/USDmn)	93,749/ 1,400
Shares outstanding (mn)	351
3 months avg volume (mn)	1.48
Dividend Yield (FY18, %)	1.9
52 Wk high/low	286/194
Sensex/Nifty	34,941/10,622
Bloomberg Code	IRB IN

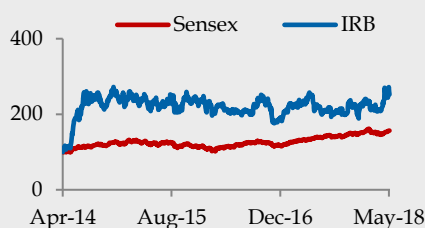
Performance (%)*	1M	3M	12M
Absolute (%)	8.3	17.1	(1.1)
Rel. to Sensex (%)	3.1	17.0	(18.5)

*Closing prices as on 3rd May 2018

Sh. Pattern, % (as on March-2018)

Promoter	57.37
FII	24.06
DII	12.03
Other	6.54
Total	100.0

Stock Price Performance*



* Rebased to 100 | Based on daily closing prices

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FY18 – A Transformational Year

FY18 was a transformational year for IRB on many counts with the group completing 1st year of InvIT launch, making its foray into the growing HAM space and the overhang of the CBI case getting resolved. IRB shares have seen strong performance and are up 23% since we initiated on the stock on 28th March 2018 outperforming the NIFTY index by 17%. The Company has reported robust FY18 results with a ~5% beat at the adj. EPS due to lower than expected interest expenses as the credit rating improved by two notches. IRB's order book of INR 151 bn as of 31st March 2018 should provide sufficient revenue visibility over the next three years. The management has set an ambitious "100/10" targets by 2020e (i.e.) INR 100 bn of revenues and INR 10 bn of net profit by FY20e. We maintain our ACCUMULATE rating with an unchanged target price of INR 295.

- ✓ **5% EPS Beat driven by Lower Interest Expenses:** IRB reported robust FY18 results with revenues a slight miss but ~5% beat at the adj. EPS due to lower than expected D&A and interest expenses. FY18 Revenues came in at INR 5,863 mn (-2% YoY) and adj. EBITDA at INR 2,848 mn (our estimates of INR 2,950 mn; Consensus at INR 2,726 mn) with 48.6% EBITDA margin (vs. 51.4% in FY17 and vs. our estimates of 47.4% margin; consensus at 47.8%). Adj. EPS was INR 26.17 in FY18 (+29% YoY) vs. our estimates of INR 25.0 and consensus estimates of INR 24.9. Leverage position improved with net debt of INR 106.7 bn at end of FY18 (from INR 151.5 bn at the end of FY17) with ND/Equity of 1.87x (down from 2.87x in FY17) driven by transfer of assets and debt to InvIT with credit rating improving by two notches to A+ from A-.
- ✓ **Foray into HAM:** In FY18, IRB forayed in the HAM space and garnered a 7% market share. The company had bid for 30 HAM projects and won 3 (two projects in Tamil Nadu for INR 35 bn and one project for INR 20.43 bn in Gujarat). The management asserted that they continue to bid rationally for HAM projects while maintaining a PAT margin of 10-11% and gross equity IRR of 10-11%. We continue to believe that IRB's foray into HAM with more assured cash flows and the upcoming TOT opportunity should provide the next leg of growth and drive re-rating for the stock.
- ✓ **Robust Order Book.** In FY18, IRB won new order wins of INR 89 bn with a balanced mix of BOT and HAM. The order book has more than doubled to INR 151 bn as of 31st March 2018 from INR 74.0 bn as of December 31, 2017. We believe the present order backlog would provide sufficient revenue visibility over the next three years.
- ✓ **"100/10" by 2020:** The management has set a target of "100/10" by 2020 (i.e.) INR 100 bn of revenues and INR 10 bn of net profit by FY20e (INR 58.6 bn and INR 9.2 bn in FY18, respectively implying revenue and PAT CAGR of +31% and +4% for FY18-FY20e). Divisionally, Construction revenues are expected to grow at a CAGR of +37% with 10-11% PAT margins (based on current order book) and BOT asset base is expected to grow at a CAGR of +17% to reach INR 230 bn by FY20e.
- ✓ **Reiterate ACCUMULATE.** We reiterate ACCUMULATE rating with a TP of INR 295 (+13% upside) with BOT business valued at INR 103 per share and EPC at INR 173. Our TP implies FY19e EV/EBITDA of 7.5x and P/E of 9.3x.

Year End (31 Mar)	FY16	FY17	FY18E	FY19E	FY20E
Revenues (INR mn)	52,551	59,691	62,210	72,865	75,515
EBITDA (INR mn)	27,874	31,715	29,499	35,706	35,012
EBITDA Margin (%)	53.0%	53.1%	47.4%	49.0%	46.4%
Diluted adj. EPS (INR)	18.2	20.4	25.0	31.7	28.7
P/E (x)	14.4	12.9	10.5	8.3	9.1
P/BV (x)	1.9	1.7	1.5	1.3	1.2
EV/EBITDA (x)	8.4	7.5	8.0	7.1	7.6

Source: Company, YSL estimates; Note: Valuations as on 3rd May 2018

FY18 - A Transformational Year

FY18 was a transformational year for IRB on many counts with the group completing 1st year of InvIT launch, foraying into the growing HAM space and the overhang of CBI case coming to an end. The company sustained its leadership position in the tolled road assets with 13,400 km of projects completed or under operations / development.

IRB's reported robust FY18 results with adj. PBT 6% ahead of our estimates and 10% ahead of consensus estimates and a 5% EPS beat to our and consensus expectations (FY18 adj. EPS at INR 26.17 vs. our estimates of INR 25.0 and consensus estimates of INR 24.9). This was primarily driven by continued strong growth in the underlying BOT portfolio and lower than expected interest expense as IRB successfully reduced interest rate on Ahmedabad Vadodara toll portfolio by 2.25% to 9.25% leading to INR 700 mn of cost saving.

The table below shows divergence of FY18 results versus FY17 and a comparison with our and consensus estimates.

Exhibit 1: FY18 Divergence Table

	Actual	YSL	Consensus	Actual			
	FY17	FY18E	FY18E	FY18	YoY	vs. YSL	vs. Consensus
Revenue	59,691	62,210	57,025	58,628	-2%	-6%	3%
EBITDA	31,715	29,499	27,259	28,489	10%	-3%	5%
PBT	10,582	13,819	13,314	14,640	38%	6%	10%
PAT	7,897	8,771	8,914	9,197	16%	5%	3%
Adj. EPS	20.4	25.0	25.0	26.2	29%	5%	5%
EBITDA margin	53.1%	47.4%	47.8%	48.6%			

Source: Company, Bloomberg, YSL

Exhibit 2: FY18 Results Summary

In INR mn	4Q FY17	FY17	3Q FY18	4Q FY18	QoQ	YoY	FY18	YoY	FY18E	vs. YSL
Group										
Revenue	1,656	5,969	1,342	1,432	7%	-14%	5,863	-2%	6,221	-6%
EBITDA	851	3,171	676	709	5%	-17%	2,848	-10%	2,950	-3%
EBITDA Margin (%)	51.4%	53.1%	50.4%	49.5%	-9 bps	-19 bps	48.6%	-46 bps	47.4%	12 bps
Financial Expenses	326	1,333	237	209	-12%	-36%	967	-27%	1,018	-5%
D&A	226	855	121	115	-5%	-49%	544	-36%	550	-1%
Profit Before Tax	298	984	318	384	21%	29%	1,464	49%	1,382	6%
PBT Margin (%)	18.0%	16.5%	23.7%	26.8%	32 bps	88 bps	25.0%	85 bps	22.2%	28 bps
Tax Expenses	91	269	111	145	31%	59%	544	103%	505	8%
Tax rate	31%	27%	35%	38%	28 bps	71 bps	37%	99 bps	37%	6 bps
PAT	207	715	207	240	16%	16%	920	29%	877	5%
PAT Margin (%)	12.5%	12.0%	15.5%	16.7%	13 bps	42 bps	15.7%	37 bps	14.1%	16 bps

Source: Company, YSL

SEGMENT INFORMATION

Construction Segment

- ✓ FY18 Construction revenues grew +11% YoY to INR 39,734 mn in FY18 with EBITDA of INR 12,544 mn (+10% YoY). Sequentially, construction revenues were up +7% YoY to INR 9,184 mn in 4QFY18.
- ✓ Construction margins were broadly flat YoY at 31.6% in FY18 versus 31.7% in FY17. However, 4Q FY18 Construction margins were down to 30.2% (from 31.6% in 4Q FY17 and 32.5% in 3Q FY18).
- ✓ The Construction segment PAT was down 2% YoY to INR 1,285 mn in 4QFY18 with a PAT margin of 14.0% (vs. 16.5% in 3QFY18). FY18 Construction segment PAT was INR 6,932 mn (+51% YoY) with 17.4% margin (vs. 12.8% last year).
- ✓ The management is guiding EPC segment to see a robust growth with a +37% CAGR over FY18-FY20e with PAT margin of 10-11% based on the current order book.

Exhibit 3: Construction Segment Summary

In INR mn	4Q FY17	FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	QoQ	YoY	FY18	YoY
Construction										
Revenue	10,619	35,912	13,623	9,600	8,593	9,184	7%	-14%	39,734	11%
EBITDA	3,353	11,366	4,348	3,899	2,789	2,774	-1%	-17%	12,544	10%
EBITDA Margin (%)	31.6%	31.7%	31.9%	40.6%	32.5%	30.2%	-23 bps	-14 bps	31.6%	-1 bps
Profit Before Tax	2,189	6,957	3,187	2,795	1,943	2,024	4%	-8%	9,948	43%
PBT Margin (%)	20.6%	19.4%	23.4%	29.1%	22.6%	22.0%	-6 bps	14 bps	25.0%	57 bps
PAT	1,312	4,602	2,117	2,111	1,419	1,285	-9%	-2%	6,932	51%
PAT Margin (%)	12.4%	12.8%	15.5%	22.0%	16.5%	14.0%	-25 bps	16 bps	17.4%	46 bps

Source: Company, YSL

BOT Segment

- ✓ BOT headline numbers for 4QFY18 are not comparable on YoY basis due to transfer of seven BOT assets to IRB InvIT. That said, on a sequential basis the BOT revenues were up +7% to INR 5,137 mn with EBITDA of INR 4,313 mn (+9% sequentially) with margin of 84.0% (vs. 82.3% in 3Q FY18).
- ✓ Stripping the assets transferred to InvIT, on a LFL basis the gross toll revenues grew 48% YoY to INR 17,159 mn in FY18 incl. new projects. On a more comparable basis, gross toll revenues from the mature BOT portfolio (12 months operations for FY17 and FY18 each) grew +25% YoY with Mumbai Pune growing +32% YoY, Ahmedabad Vadodara +15% YoY, Thane Ghodbunder +18% YoY, Pune Nashik +16% YoY, Pune Solapur +12% YoY.
- ✓ BOT Segment delivered PAT of INR 1,113 mn in 4QFY18 (vs. INR 654 mn in 3Q FY18) driven by lower D&A and interest expenses with a PAT margin of 21.7% (vs. 13.6% in FY17). FY18 PAT was INR 2,264 mn (down 11% YoY) with a PAT margin of 12% (vs. 10.5% in FY17).

- ✓ The management is guiding BOT asset base to grow at a 17% CAGR to INR 230 bn by FY20e.

Exhibit 4: BOT Segment Summary

In INR mn	4Q FY17	FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	QoQ	YoY	FY18	YoY
BOT										
Revenue	5,942	23,779	5,081	3,853	4,824	5,137	7%	-14%	18,894	-21%
EBITDA	5,154	20,348	4,365	3,290	3,968	4,313	9%	-16%	15,937	-22%
EBITDA Margin (%)	86.8%	85.6%	85.9%	85.4%	82.3%	84.0%	17 bps	-28 bps	84.3%	-12 bps
Profit Before Tax	795	2,883	857	778	1,236	1,821	47%	129%	4,692	63%
PBT Margin (%)	13.4%	12.1%	16.9%	20.2%	25.6%	35.4%	98 bps	221 bps	24.8%	127 bps
PAT	760	2,553	261	236	654	1,113	70%	46%	2,264	-11%
PAT Margin (%)	12.8%	10.7%	5.1%	6.1%	13.6%	21.7%	81 bps	89 bps	12.0%	12 bps

Source: Company, YSL

- ✓ **Mumbai Pune:** Mumbai Pune toll revenues were up 24% YoY in 4QFY18 and +32% YoY in FY18. Mumbai Pune contributed to 47% share of gross tolling revenues in FY18. However, with commissioning of new projects and toll starting for three Rajasthan projects, the share is expected to reduce to 38% by FY19e.
- ✓ **Ahmedabad Vadodara:** Ahmedabad Vadodara toll revenues grew +11% YoY in 4QFY18 and +15% YoY in FY18. IRB successfully reduced interest rate on Ahmedabad Vadodara toll portfolio by 2.25% to 9.25% leading to INR 700 mn of cost saving. The Company continues to be in active discussion with concerned parties for loss in revenues due to competing state highway and a claim has been filed with NAHI. The Company expects a resolution in next 2-3 months.
- ✓ **Agra Etawah:** Agra Etawah 4QFY18 revenues were down 5% YoY and down 14% sequentially. Effective 20th January 2018, the Company started tolling at the concessionary rate of 75% and is witnessing a bit of traffic divergence. The management expects this to reverse when the express way starts tolling at full 100% tolling in three months' time.
- ✓ **Solapur Yedeshi:** Solapur Yedeshi contributed to INR 47 mn of revenues in 4QFY18 (nil in 3QFY18). The project is performing in line with management expectations with 93% tolling.
- ✓ **Kaithal Rajasthan:** Kaithal Rajasthan contributed to INR 161 mn of revenues in 4QFY18 (nil in 4QFY17). Sequentially, the revenues were down 4% over 3QFY18. Kaithal Rajasthan is currently being tolled at 83%. The project is being impacted as the stretch from Ambala to Kaithal is still under construction and traffic is not plying to the full potential. The project is expected to go to full potential once the section gets completed. Also, Kaithal Rajasthan is part of one of the two key shortest route Economic corridor identified by the government as part of Bharatmala project. Kaithal Rajasthan is expected to benefit immensely as and when these connecting routes develop.
- ✓ **The Three Rajasthan Projects.** The Three Rajasthan projects namely Udaipur – Gujarat, Gulabpura – Chittorgarh and Kishangarh – Gulabpura all started tolling in FY18 and are performing in line with expectations. None of these projects have

premium outgo until FY21e and hence are expected to significantly contribute to cash flows.

- ✓ **Thane Ghodbunder:** Thane Ghodbunder 4QFY18 revenues grew +24% YoY (+3% sequentially) and was up +18% YoY in FY18.
- ✓ **Pune Solapur:** Pune Solapur 4QFY18 revenues grew +4% YoY (down -3% sequentially) and were up +12% YoY in FY18.
- ✓ **Pune Nashik:** Pune Nashik 4QFY18 revenues grew +7% YoY (down -3% sequentially) and was up +16% YoY in FY18.

Exhibit 5: Gross Tolling Revenues – Annual basis

Revenues (INR mn)	Mar'12	Mar'13	Mar'14	Mar'15	Mar'16	Mar'17	Mar'18	YSL Mar'18E
Mumbai - Pune	3,977	4,162	4,377	5,673	6,331	6,819	9,016	9,129
Ahmedabad - Vadodara	-	291	1,219	1,566	2,187	3,309	3,808	3,794
Kaithal – Rajasthan Border	-	-	-	-	-	-	369	377
Thane Ghodbunder	292	312	328	396	328	307	363	348
Pune - Nashik	226	235	227	243	268	281	326	319
Pune - Solapur	170	176	189	216	234	224	250	266
IRDP Kolhapur BOT Project	-	-	25	41	23	-	-	-
Agra Etawah	-	-	-	-	-	636	1,022	945
Udaipur – Gujarat Border	-	-	-	-	-	-	888	926
Gulabpura – Chittorgarh	-	-	-	-	-	-	917	823
Goa / Karnataka Border to Kundapur	-	-	-	-	-	-	-	111
Solapur Yedeshi	-	-	-	-	-	-	47	66
Yedeshi Aurangabad	-	-	-	-	-	-	-	-
Kishangarh - Gulabpura	-	-	-	-	-	-	153	127
Total excl transferred to InvIT	4,665	5,176	6,366	8,135	9,371	11,576	17,159	17,232

Source: Company, YSL

Exhibit 6: Gross Tolling Revenues – Quarterly basis

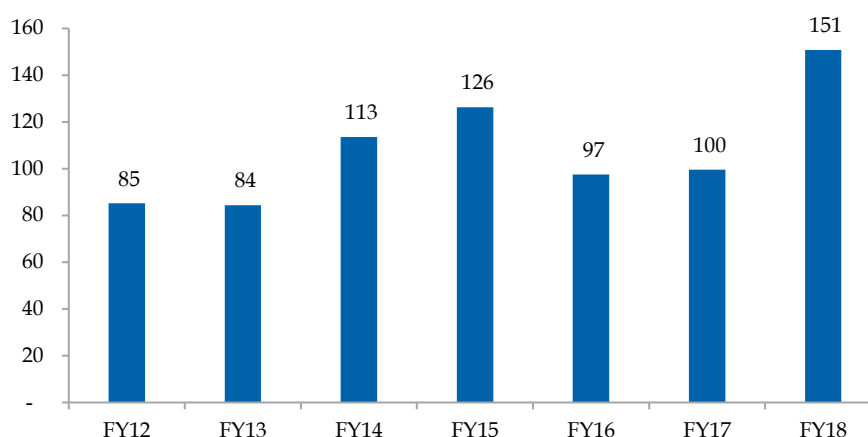
Revenues (INR mn)	Mar'17	Jun'17	Sep'17	Dec'17	Mar'18	YoY	QoQ	YSL Mar'18E
Mumbai - Pune	1,833	2,278	2,134	2,332	2,271	24%	-3%	2,385
Ahmedabad - Vadodara	917	916	865	1,007	1,020	11%	1%	1,005
Kaithal – Rajasthan Border	-	-	42	167	161	na	-4%	168
Thane Ghodbunder	82	83	78	99	102	24%	3%	87
Pune - Nashik	76	79	80	84	82	7%	-3%	75
Pune - Solapur	61	64	58	65	63	4%	-3%	80
Agra Etawah	261	246	243	286	247	-5%	-14%	170
Udaipur – Gujarat Border	-	-	115	388	386	na	-1%	423
Gulabpura – Chittorgarh	-	-	-	343	574	na	67%	480
Goa / Karnataka Border to Kundapur	-	-	-	-	-	na	na	111
Solapur Yedeshi	-	-	-	-	47	na	na	66
Yedeshi Aurangabad	-	-	-	-	-	na	na	-
Kishangarh - Gulabpura	-	-	-	-	153	na	na	127
Total excl. In	3,230	3,667	3,616	4,771	5,106	58%	7%	5,179

Source: Company, YSL

Order book

In FY18, IRB won new order wins of INR 89 bn with a balanced mix of BOT and HAM. The Company's order book has more than doubled to INR 151 bn as of 31st March 2018 from INR 74.0 bn as of December 31, 2017. We believe the present order backlog would provide sufficient revenue visibility over the next three years.

Exhibit 7: Order book (INR bn)



Source: Company, YSL

Equity Commitment

IRB has an equity commitment of INR 26,689 mn over the next three years with equity commitment of INR 8,575 mn in FY19e, INR 13,374 mn in FY20e and INR 4,920 mn in FY21E.

Exhibit 8: Equity Commitment (INR mn)

INR million	Total Equity Commitment	FY19E	FY20E	FY21E
Agra Etawah	3,108	3,108		
Udaipur RJ border	2,819	953	1,866	
Gulabpura - Chittorgarh	2,207	207	2,000	
Kishangarh - Gulabpura	2,724	767	1,957	
Hapur Moradabad	11,354	2,908	5,161	3,285
Puducherry Poondiankuppam	1,090	142	525	423
Poondiankuppam Sattanathpuram	1,809	228	857	724
Vadodara Mumbai Expressway	1,758	262	1,008	488
Total	26,669	8,575	13,374	4,920

Source: Company, YSL

Valuation methodology

We value the company using the sum-of the-parts (SOTP) methodology:

- ✓ **BOT business:** For the BOT business we calculate the NPV of the future cash flows of each project by applying cost of equity of 13.5% for new projects and projects under implementation. For operational projects, we apply a discount of 50 bps due to higher certainty of toll collection and base traffic. Our valuation for the BOT business stands at INR 103 per share.
- ✓ **EPC business:** We apply an EV/EBITDA multiple of 5.0x to arrive at a valuation of INR 173 per share for the EPC business.
- ✓ **InVIT:** Whilst we acknowledge the long-term nature of IRB InvIT and its recent underperformance, we value IRB's current stake in InvIT at current market price (INR 26 per share) as it best reflects the valuation on a 12-month forward basis.
- ✓ **Ex-BOT debt adjustment:** Adjusting for net debt for non-BOT business we arrive at our TP of INR 295 per share, implying a potential return of 13%.

Exhibit 9: Valuation

Project	Client	State	Project Cost (INR mn)	Loan Outstanding (INR mn)	Equity Value (INR mn)	Per share value (INR)
Mumbai - Pune	MSRDC	Maharashtra	13,016	342	13,622	39
Ahmedabad - Vadodara	NHAI	Gujarat	48,800	31,717	(331)	(1)
Kaithal - Rajasthan Border	NHAI	Haryana	22,900	13,716	5,212	15
Thane Ghodbunder	MSRDC	Maharashtra	2,462	625	83	0
Pune - Nashik	MOSRT&H	Maharashtra	737	738	243	1
Pune - Solapur	MOSRT&H	Maharashtra	630	511	(186)	(1)
Agra Etawah	NHAI	Uttar Pradesh	25,230	7,173	669	2
Udaipur - Gujarat Border	NHAI	Rajasthan / Gujarat	20,879	2,649	1,667	5
Gulabpura - Chittorgarh	NHAI	Rajasthan	20,900	na	4,469	13
Goa / Karnataka Border to Kundapur	NHAI	Karnataka	28,390	13,093	1,214	3
Solapur Yedeshi	NHAI	Maharashtra	14,920	8,322	2,680	8
Yedeshi Aurangabad	NHAI	Maharashtra	33,770	15,988	4,014	11
Kishangarh - Gulabpura	NHAI	Rajasthan	15,260	na	2,686	8
BoT Assets (INR mn)			247,894	94,874	36,044	103
InvIT (INR mn)					7,997	23
Construction business (INR mn)					60,771	173
Other income (excl. Invit)					6,064	17
Net Debt (Cash) excl BOT loan portfolio (INR mn)					(7,777)	(22)
Valuation (INR)						293
Target Price (rounded) (INR)						295

Source: YSL

INCOME STATEMENT

(INR Millions)

Year ending March	FY16	FY17	FY18E	FY19E	FY20E
Revenues	52,551	59,691	62,210	72,865	75,515
Growth (%)	32.6	13.6	4.2	17.1	3.6
EBITDA	27,874	31,715	29,499	35,706	35,012
EBITDA margin (%)	53.0	53.1	47.4	49.0	46.4
Growth (%)	19.8	13.8	-7.0	21.0	-1.9
Depreciation & amortization	(8,533)	(8,548)	(5,501)	(4,947)	(4,699)
EBIT	19,341	23,167	23,998	30,759	30,313
EBIT margin (%)	36.8	38.8	38.6	42.2	40.1
Interest	(10,389)	(12,585)	(10,180)	(13,187)	(14,433)
Other income	-	-	-	-	-
Profit before tax	8,952	10,582	13,819	17,572	15,880
Tax	(2,306)	(2,685)	(5,048)	(6,420)	(5,801)
Less: Minority interest	6,646	7,897	8,771	11,153	10,079
Reported net profit	6,646	7,897	8,771	11,153	10,079
Extraordinary items	-	-	-	-	-
Adjusted net profit	6,646	7,897	8,771	11,153	10,079
Adjusted net margin (%)	12.6	13.2	14.1	15.3	13.3
Diluted EPS (INR)	18.2	20.4	25.0	31.7	28.7
Growth (%)	11.4	12.0	22.6	27.2	(9.6)

BALANCE SHEET

(INR Millions)

Year ending March	FY16	FY17	FY18E	FY19E	FY20E
TOTAL ASSETS					
PPE	2,698	2,412	2,118	1,851	1,563
Capital work-in-progress	784	610	640	640	640
Goodwill	1,121	1,115	1,115	1,115	1,115
Toll Collection Rights	347,669	240,350	234,849	229,903	225,204
Intangible assets	39,414	67,454	92,821	126,740	152,062
Other non-current assets	4,562	5,107	12,856	11,983	11,195
Total Non-Current assets	396,248	317,048	344,399	372,233	391,779
Total Current assets	25,411	22,525	28,301	29,921	31,389
Assets Held for sale	-	126,836	-	-	-
TOTAL ASSETS	421,660	466,409	372,700	402,154	423,167
TOTAL LIABILITIES	(338,955)	(279,652)	(284,245)	(303,917)	(316,796)
Financial liabilities	(1,278)	(841)	(751)	(751)	(751)
Provisions	(42)	-	-	-	-
Deferred tax liabilities (net)	(340,276)	(280,494)	(284,995)	(304,667)	(317,546)
Total Non-current liabilities	(32,666)	(31,140)	(28,119)	(28,648)	(28,780)
Total Current liabilities	-	(102,059)	-	-	-
Liabilities held for sale	(372,942)	(413,693)	(313,114)	(333,316)	(346,326)
TOTAL LIABILITIES	(338,955)	(279,652)	(284,245)	(303,917)	(316,796)
Equity share capital	3,515	3,515	3,515	3,515	3,515
Securities premium	44,848	49,201	56,072	65,324	73,327
Non-controlling interests	355	-	-	-	-
TOTAL EQUITY	48,718	52,716	59,586	68,838	76,841

CASH FLOW STATEMENT

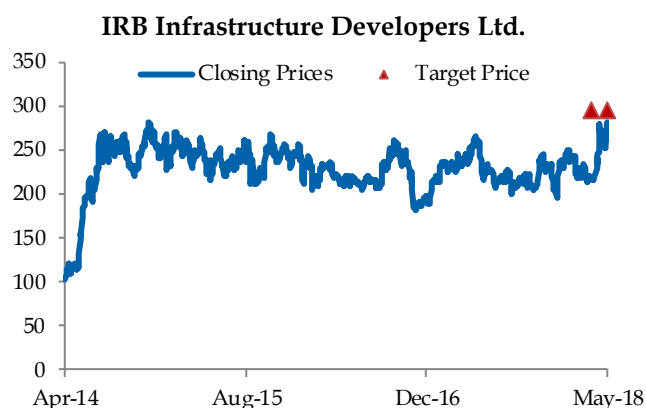
(INR Millions)

Year ending March	FY16	FY17	FY18E	FY19E	FY20E
Profit before tax	870	984	1,382	1,757	1,588
Depreciation and amortization	853	855	615	563	541
Finance cost	1,064	1,333	1,018	1,319	1,443
Others	(87)	(55)	-	(0)	0
Movement in working capital:	(48)	403	(1,486)	(54)	(13)
Cash generated from operations	2,652	3,520	1,528	3,585	3,559
Taxes paid (net)	(313)	(311)	(436)	(555)	(501)
Cash flow from operating activities	2,340	3,209	1,092	3,030	3,058
Purchase of PPE	(3,159)	(2,780)	(2,575)	(3,433)	(2,575)
Other investing activities	15	(218)	2,478	-	-
Cash flow from investing activities	(3,144)	(2,998)	(97)	(3,433)	(2,575)
Net borrowings	2,360	1,634	235	1,967	1,288
Interest paid	(1,435)	(1,751)	(1,018)	(1,319)	(1,443)
Dividend paid on equity shares	(254)	(85)	(190)	(190)	(208)
Cash flows from financing activities	671	(202)	(973)	458	(363)
Change in cash and cash equivalents	(133)	9	21	55	120
Cash at the beginning of the year	(133)	9	21	55	120
Cash at the end of the year	410	276	231	252	308

KEY RATIOS

Year ending March	FY16	FY17	FY18E	FY19E	FY20E
PROFITABILITY RATIOS					
EBITDA Margin (%)	53.0	53.1	47.4	49.0	46.4
Adjusted net margin (%)	12.6	13.2	14.1	15.3	13.3
Return on invested capital (%)	8.2	8.9	7.6	9.0	8.0
Return on equity (%)	13.8	14.2	15.6	17.4	13.8
EFFICIENCY RATIOS					
Net Debt to EBITDA (x)	5.08	4.62	4.86	4.55	4.98
Net Debt to Equity (x)	2.93	2.78	2.41	2.36	2.27
EBIT to Interest (x)	1.86	1.84	2.36	2.33	2.10
Inventory days	21.2	21.3	24.6	24.6	24.6
Receivable days	0.6	4.3	11.5	11.5	11.5
Payable days	21.2	27.2	17.9	17.9	17.9
PER SHARE DATA					
Diluted EPS (INR)	18.2	20.4	25.0	31.7	28.7
Book value per share (INR)	138.6	150.0	169.5	195.9	218.6
DPS (INR)	4.0	5.0	5.0	5.0	5.5
VALUATION RATIOS					
P/E (x)	14.4	12.9	10.5	8.3	9.1
P/BV (x)	1.9	1.7	1.5	1.3	1.2
EV/EBITDA (x)	8.4	7.5	8.0	7.1	7.6
Dividend Yield (%)	1.5	1.9	1.9	1.9	2.1

Recommendation History



Date	Rating	Target Price	Closing Price*
26-Mar-18	ACCUMULATE	295	216
04-May-18	ACCUMULATE	295	262

*Closing prices as on 3rd May 2018

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Analysts assign ratings to the stocks according to the expected upside/ downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

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NEUTRAL: expected point to point returns in the range of -10% and +15%

REDUCE: expected point to point decline of 10% or more

NO VIEW: Not in regular research coverage

SUSPENDED: The rating as well as the target price has been suspended temporarily. This could be due to events that made coverage impracticable or to comply with applicable regulations and/or company policies.

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