

Idea Cellular

BSE SENSEX	S&P CNX
35,160	10,739
Bloomberg	IDEA IN
Equity Shares (m)	3600.5
M.Cap.(INRb)/(USDb)	338.6/5.2
52-Week Range (INR)	124 / 72
1, 6, 12 Rel. Per (%)	-13/-10/-8
Avg Val, INRm	2034
Free float (%)	57.6

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	282.8	248.8	282.4
EBITDA	60.5	51.9	74.8
Adj PAT	-41.7	-53.8	-45.7
EPS (INR)	-9.6	-12.3	-10.5
Gr. (%)	762.5	29.0	-15.1
BV/Sh (INR)	62.5	50.2	40.3
RoE (%)	-16.0	-21.9	-23.2
RoCE (%)	-1.8	-2.9	-1.7
P/E (x)	-7.2	-5.6	-6.6
P/BV (x)	1.1	1.4	1.7
EV/EBITDA (x)	13.4	16.2	11.3

Estimate change



TP change



Rating change


CMP: INR69 TP: INR85 (+24%)
Buy

ARPU downtrading hurts earnings; merger synergies to support in FY19

One-offs provide solace to EBITDA: Consol. revenue declined 6% QoQ to INR61.4b (2% miss), led by ARPU downtrading (-8% QoQ to INR105). However, consol. EBITDA rose 18% QoQ to INR14.5b (39% beat), driven by a decline in opex cost (incl. INR4.4b provision reversal one-offs). Excluding one-offs, EBITDA stood at INR10.1b (-18% QoQ). Net loss narrowed to INR9.6b (est. of INR15.8b), led by better-than-expected EBITDA. For FY18, revenue declined 21% YoY to INR282.8b (1% miss), while EBITDA fell 41% to INR60.5b (6% beat). Net loss widened to INR41.7b in FY18 (INR4b in FY17).

Concall highlights: 1) INR20b synergies are expected on day 1 of merger, primarily from rationalization of overlapping sites. 2) Merged company's 270k 2G sites and 175k 3G sites are easily upgradable to 4G. 3) Given equity infusion and sale of standalone and Indus towers, IDEA is adequately funded for the medium term.

Merger synergies raise hopes of a better FY19: We have cut IDEA's revenue by 4% for FY19/20E, but increased EBITDA by 4%, building in merger synergies and cost-optimization benefits. For the combined entity, we expect revenue/EBITDA to decline 13%/15% to INR555.4b/INR115.8b in FY19, without building in any merger synergies in the first year. However, considering management guidance of the company deriving INR35b of total INR84b synergy gains in FY19, EBITDA could grow to INR150.8 in FY19. In FY20, we expect 11%/62% combined revenue/EBITDA growth, building in 30% EBITDA margin on the back of synergy gains and operating leverage from a market recovery. Our key concern is on net debt, which could potentially balloon to INR1,200b in FY19, as high capex and settlement charges may offset equity infusion of ~INR280b.

Valuation view: We believe headwinds from APRU downtrading would continue for the next few quarters. However, merger synergies should aid in fighting competition. The stock is trading at EV/EBITDA of 13.7x/8.5x on combined entity EBITDA of FY19/20E. With a cut in our estimates, we reduce TP to INR85 (INR91 earlier), assigning 9x to FY20E combined EBITDA of INR188b (including merger synergies). Maintain **Buy**.

Consolidated - Quarterly Earning Model

Y/E March	(INR m)											
	FY17				FY18				FY17	FY18	4Q FY18E	Est Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	94,866	93,002	86,627	81,261	81,665	74,655	65,096	61,373	3,55,758	2,82,789	62,383	-1.6
YoY Change (%)	7.9	7.0	-3.9	-14.3	-13.9	-19.7	-24.9	-24.5	12.7	-20.5	-23.2	
Total Expenditure	63,917	64,629	64,711	60,062	62,911	59,639	52,862	46,902	2,52,995	2,22,314	52,006	-9.8
EBITDA	30,949	28,374	21,916	21,199	18,754	15,016	12,234	14,471	1,02,763	60,475	10,377	39.4
Margins (%)	32.6	30.5	25.3	26.1	23.0	20.1	18.8	23.6	28.9	21.4	16.6	694bps
Depreciation	19,192	19,543	19,653	19,885	20,679	21,143	21,415	20,854	78,272	84,091	23,326	
Share in Profits from Asso.	1,035	1,057	1,144	983	818	843	818	745	4,218	3,224	834	
Net Finance Costs	9,429	8,726	9,494	9,366	11,539	11,829	11,490	9,742	37,342	44,600	11,408	
PBT	3,363	1,161	-6,087	-7,069	-12,646	-17,113	-19,853	-15,380	-8,633	-64,992	-23,522	-34.6
Tax	1,158	247	-2,248	-3,792	-4,497	-6,047	-7,008	-5,758	-4,636	-23,310	-7,762	-25.8
Rate (%)	34.4	21.3	36.9	53.6	35.6	35.3	35.3	37.4	53.7	35.9	33.0	
Reported PAT	2,205	914	-3,839	-3,277	-8,149	-11,066	-12,845	-9,622	-3,997	-41,682	-15,760	-38.9
YoY Change (%)	-74.2	-88.7	-150.2	-156.9	-469.6	-1,310.5	234.6	193.6	-117.3	942.8	380.9	
Margins (%)	2.3	1.0	-4.4	-4.0	-10.0	-14.8	-19.7	-15.7	-1.1	-14.7	-25.3	

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Valuation and view

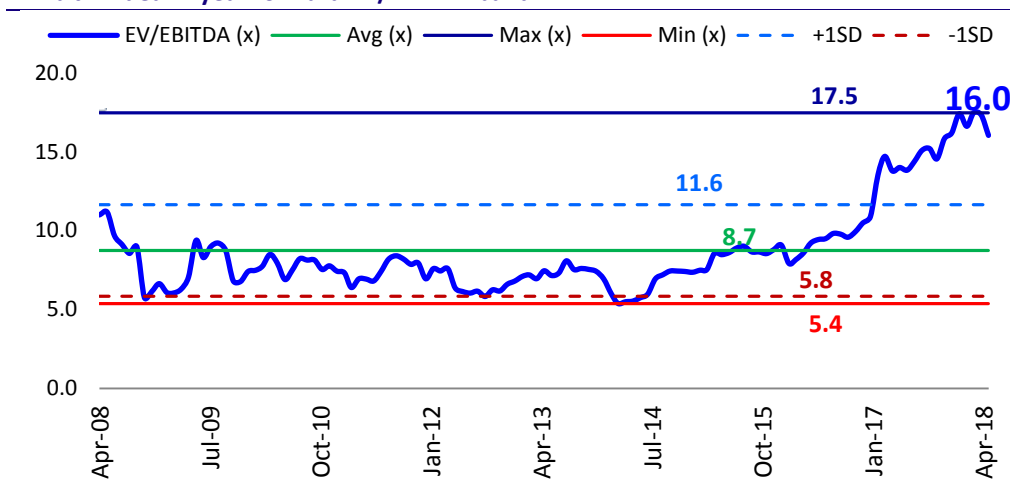
- Currently, the stock is trading at EV/EBITDA of 13.7x/8.5x on combined entity EBITDA of FY19/20E.
- Though ARPU is expected to remain under pressure, market recovery beyond the next 2-3 quarters should support growth.
- **Subsequently, we have cut Idea's revenue estimate by 4% for FY19/20, but increased EBITDA estimate by 4% factoring in merger synergies and cost-optimization benefits. Yet, the merged entity reporting may change our overall financial estimates.**
- Given the cut in estimates, we have reduced our TP to INR85 (INR91 earlier), assigning 9x to combined EBITDA of INR188b for FY20E. Maintain **Buy**.
- We expect the combined entity's EBITDA margin to improve from 21% now to 30% by FY20 on the back of network optimization and cost synergies. This is still lower than Bharti's India wireless' 33% margin at a similar market share.

Exhibit 1: Valuation based on FY20E combined EBITDA

	Methodology	Driver (INR b)	Multiple (x)	Fair Value (INR b)	Value/sh (INR)
Combined EBITDA	FY20 EV/EBITDA	188	9	1,735	199
Less Net debt				990	114
Total Value				745	85
Shares o/s (b)				8.7	
CMP (INR)					69
Upside (%)					24

Source: MOSL, Company

Exhibit 2: Idea: 1-year forward EV/EBITDA band



Source: Bloomberg, MOSL

Exhibit 3: Pro forma statement for Vodafone-Idea merged entity (INR b)

	Announced	Approval stage	Year 1	Year 2	Year 3	Year 4	Comments
	FY17	FY18	FY19E	FY20E	FY21E	FY22E	
Revenue	763.1	634.7	555.4	616.4	683.8	755.9	❖ Factoring in 500-600bp market share dilution for Vodafone and Idea over FY17-21E
<i>YoY Growth</i>	-3%	-17%	-13%	11%	11%	11%	
EBITDA	219.1	135.7	115.9	154.1	205.1	241.9	❖ Building recovery from FY20E
<i>EBITDA Margin</i>	29%	21%	21%	25%	30%	32%	
<i>YoY Growth</i>	-12%	-38%	-15%	33%	33%	18%	
Synergy		0	0	33.6	50.4	67.2	❖ Opex synergy is 60% of INR140b total. Building 0% synergy in FY19 and 80% synergy in 4th year - FY22
EBITDA (post synergy)	219.1	135.7	115.8	187.7	255.5	309.1	
<i>EBITDA margin (post synergy)</i>	29%	21%	21%	30%	37%	41%	
Net Debt	972.9	878.1	990.0	990.0	990.0	990.0	❖ Factoring debt reduction of INR78.5b due to tower sale in FY18
EV	1,574.8	1,479.9	1,591.9	1,591.9	1,591.9	1,591.9	
EV/EBITDA	7.2	10.9	13.7	8.5	6.2	5.2	❖ Value accretion only from FY20E
Net Debt to EBITDA	4.4	6.5	8.5	5.3	3.9	3.2	

Source: MOSL, Company

**4QFY18 Concall highlights****Key takeaways:**

- Synergies of INR20b are expected on Day 1 of merger, primarily from rationalization of overlapping sites.
- Together, merged co.'s 270k 2G sites and 175k 3G sites are easily upgradable to 4G.
- Management has matched the peer offerings of INR149/199 price plans. However, it is not competing on the INR49/99 price points, although it is observing closely the traction for INR99 price plan.
- Given the equity infusion and sale of standalone and Indus towers, the company is adequately funded for the medium term.

4QFY18 and FY18 performance

- Revenue declined 5.8% QoQ, of which 1) 2.7% is on account of ARPU downtrading, 2) 2.2% is due lesser no. of days in 4Q and 3) 0.8% decline is due to a cut in international IUC.
- Network expenses included one-off of INR2b due to reversal of provision, while employee cost included INR1.4b provision reversal.
- License fees and spectrum charges included one-off of INR1b on account of actualization of provision made in the earlier period.
- EBITDA margins stood at 23.6%.
- Depreciation and amortization is lower primarily due to lesser no. of days in 4QFY18.
- Cut in IUC (domestic and international) had an impact of INR18.5b/5.3b on revenue/EBITDA for FY18.
- IDEA witnessed 15m broadband subs additions in FY18, with wireless broadband subscriber base reaching 39.8m. Wireless broadband penetration increased from 13% (FY17) to 20.5%

- Idea's AGR market share dipped from 20.0% in CY16 to 19.5% in CY17. Its VLR subscriber market share improved from 19.4% (Feb-17) to 20.9% in Feb-18.

Idea Business Outlook

- Company's strategy for driving ARPU growth are:
 - Selling unlimited bundled - voice & data plans.
 - Selling attractive postpaid Nirvana plans - with data rollover, phone security, etc.
 - Targeting low APRU customers (not opting for unlimited plans) with aim to upgrade these customers to INR125-150 ARPU levels.
- According to management, ~3m new 4G smartphones are being added to Idea's network every month.
- Company intends to launch Volte in a phased manner from May-18.
- Given the equity infusion and sale of standalone and Indus towers, company is adequately funded for the medium term.
- Management has matched the peer offerings of INR149/199 price plans. However, it is not competing on the INR49/99 price points, although it is observing closely the traction for INR99 price plan.
- Given the restructured debt on account of relief from increased tenure for deferred spectrum payment to 16 years, the principal debt servicing for next three years is only INR35b.

Merged company Business Outlook:

- Awaiting final leg of regulatory approval 1) FDI approval (expect by May-18) 2) Licensees of Vodafone to merge with Idea, expected to be completed by 1HCY18; Vodafone-Idea would operate as one company from 2HCY18. New management is expected to take charge from merger transaction completion date.
- Merged co has no need to surrender spectrum as the spectrum limits has been revised.
- Synergies of INR20b are expected on Day 1 of merger, primarily from rationalization of overlapping sites.
- Network consolidation will be a seamless process without any disruption and is expected to take ~18months for completion.
- Merged co. has 2G voice coverage & capacity of ~270k GSM sites and data capacities of ~23petabyte per day. Spectrum consolidation would further augment data capacities.
- Merged co is already sharing 49k sites under their active 4G/2G ICR sharing arrangement.
- No capex guidance has been given for the merged co. Management's focus is to avoid duplication of capex investment.
- Together, merged co's 270k 2G sites and 175k 3G sites are upgradable to 4G.
- Of the combined ~300k broadband sites, most of these are currently deployed at same place. However, redeployment of these sites to uncovered areas will help in increasing coverage.
- Of the ~400m subscriber base of the merged co., ~25% are broadband subscribers.
- No guidance has been provided for spectrum liberalization charges.

Industry:

- Industry AGR (Adjusted Gross Revenue) fell by nearly INR322b, 21.7% YoY in CY17
- ~400m subscribers have opted for either of the top 4 operators bundled plans. ~35% subs of the total subs have migrated to unlimited bundled plans and expect the same to increase to 50%.
- Low price plans have led to 127m broadband subscriber adds in CY17.

Exhibit 4: Consolidated P&L (INR m)

	4QFY17	3QFY18	4QFY18	YoY%	QoQ%	4QFY18E	v/s est (%)
Revenue	81,261	65,096	61,373	-24.5	-5.7	62,383	-1.6
Operating expenses	60,062	52,862	46,902	-21.9	-11.3	52,006	-9.8
EBITDA	21,199	12,234	14,471	-31.7	18.3	10,377	39.4
EBITDA margin (%)	26.1	18.8	23.6	-251bps	478bps	16.6	694bps
Depreciation and amortization	19,885	21,415	20,854	4.9	-2.6	23,326	-10.6
EBIT	1,314	-9,181	-6,383	-585.8	-30.5	-12,948	-50.7
EBIT margin (%)	1.6	-14.1	-10.4	-1202bps	370bps	-20.8	1036bps
Net Finance Costs	9,366	11,490	9,742	4.0	-15.2	11,408	-14.6
Share of Associates	983	818	745	-24.2	-8.9	834	-10.7
Profit before Tax	-7,069	-19,853	-15,380	117.6	-22.5	-23,522	-34.6
Tax	-3,792	-7,008	-5,758	51.8	-17.8	-7,762	-25.8
Tax rate (%)	62.3	36.8	39.3	-2296bps	253bps	34.2	513bps
Profit after Tax	-3,277	-12,845	-9,622	193.6	-25.1	-15,760	-38.9

Source: Company, MOSL

Exhibit 5: Key Operating Metrics (QoQ)

	4QFY17	3QFY18	4QFY18	YoY%	QoQ%	4QFY18E	v/s est (%)
Subscribers (m)	190	189	195	2.6%	3.2%	196	-0.8%
ARPU (INR/sub/month)	142	114	105	-26.1%	-7.9%	104	0.9%
Voice metrics							
Voice revenues (INR m)	59,747	47,144	44,238	-26%	-6.2%	44,910	-1.5%
MOU (min/sub/month)	412	509	577	40.0%	13.4%	534	8.0%
RPM ex VAS (INR/min)	0.26	0.17	0.13	-48.3%	-19.8%	0.15	-8.4%
Total Minutes (b mins)	231	283	330	42.8%	16.9%	308	7.2%
Voice ARPU	107	86	78	-27.1%	-9.3%	78	0.2%
Data metrics							
Data Revenues (INR m)	14,607	11,426	11,453	-21.6%	0.2%	10,653	7.5%
data share of net revenues	18.3%	18.0%	18.8%	0.5%	0.8%	17.8%	5.9%
non voice contribution	24.9%	25.3%	25.8%	0.9%	0.5%	25.2%	2.5%
Data Subs (m)	42.2	42.6	46.8	10.8%	9.8%	45	4.6%
as a % of overall subs	22.3%	22.6%	24.1%	1.8%	1.5%	22.8%	5.5%
Broadband subs (3g/4g) (m)	24.6	34.8	39.8	61.4%	14.5%		
as a % of data subs	13.0%	18.5%	20.5%	7.5%	2.0%		
as a % of overall subs	110	95	83	-24.5%	-12.6%	81	2.1%
Data ARPU (INR)	0.115	0.020	0.014	-87.8%	-30.0%	0.015	-6.7%
Data ARMB (INR)	957	4742	6065	533.8%	27.9%	5421	11.9%
Data usage/subs (MB)	1,27,014	5,71,301	8,18,085	544.1%	43.2%	7,10,192	15.2%
Data traffic (m MBs)	14,607	11,426	11,453	-21.6%	0.2%	10,653	7.5%

Source: MOSL, Company

Exhibit 6: Summary of Estimate change

	FY18	FY19E	FY20E
Revenue (INR b)			
Old	284	259	293
Actual/New	283	249	282
Change (%)	-0.5	-3.8	-3.5
EBITDA (INR b)			
Old	57	50	72
Actual/New	60	52	75
Change (%)	6.4	4.1	3.5
EBITDA margin (%)			
Old	20.0	19.3	24.7
Actual/New	21.4	20.9	26.5
Change (bp)	139bps	159bps	179bps
Net Profit (INR b)			
Old	-47	-56	-43
Actual/New	-42	-54	-43
Change (%)	-12.0	-4.2	-0.2
EPS (INR)			
Old	-10.9	-12.9	-10.5
Actual/New	-9.6	-12.3	-10.5
Change (%)	-12.0	-4.3	-0.5

Source: MOSL, Company

Story in charts

Exhibit 7: Consol. revenue and EBITDA margin (INR b, %)

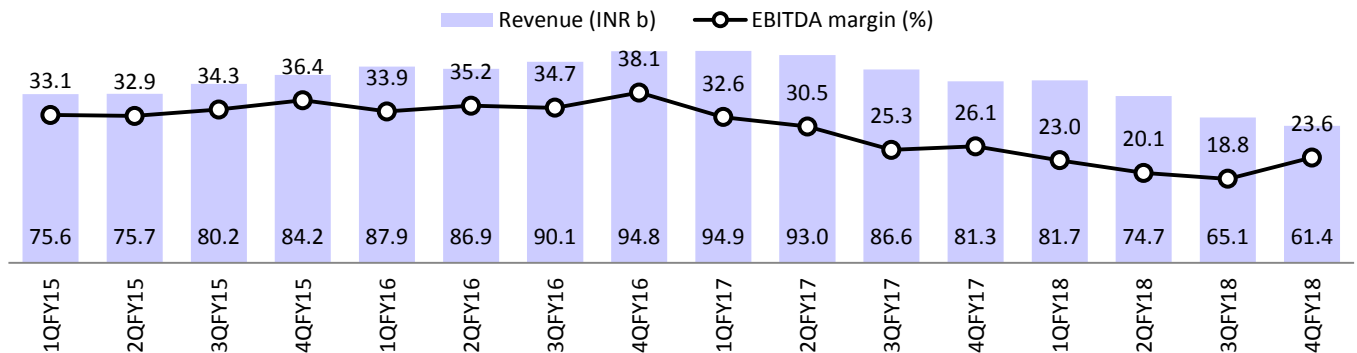


Exhibit 8: Subscribers and ARPU trend

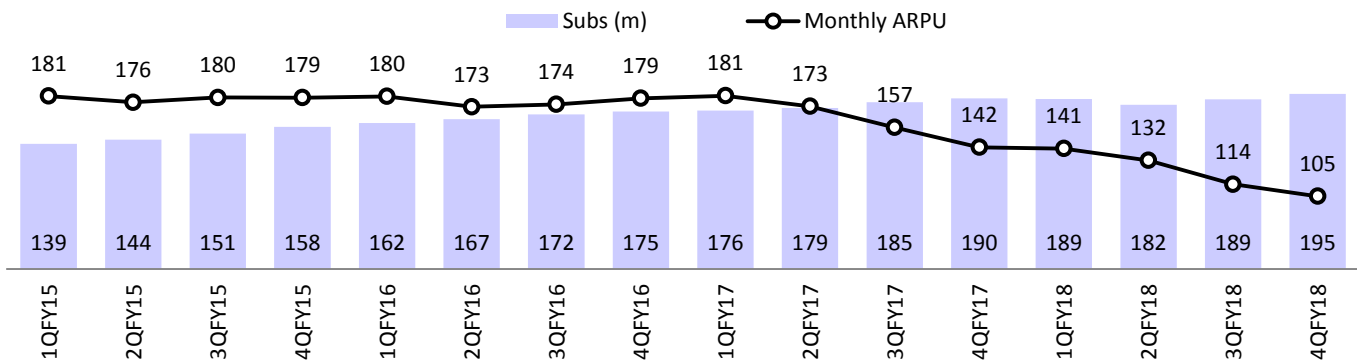
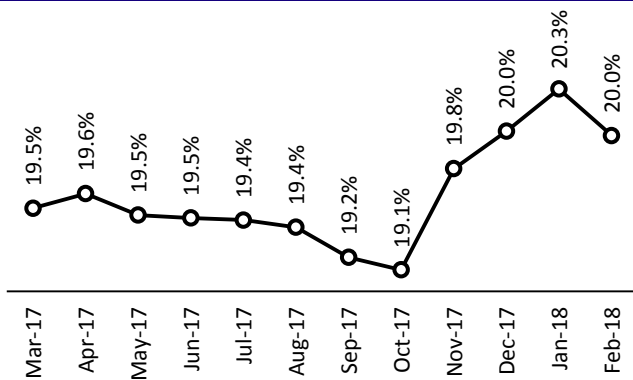


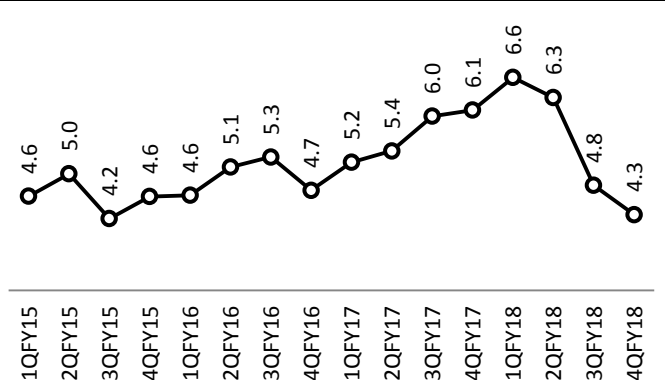
Exhibit 9: Idea: Active subscriber market share (%)



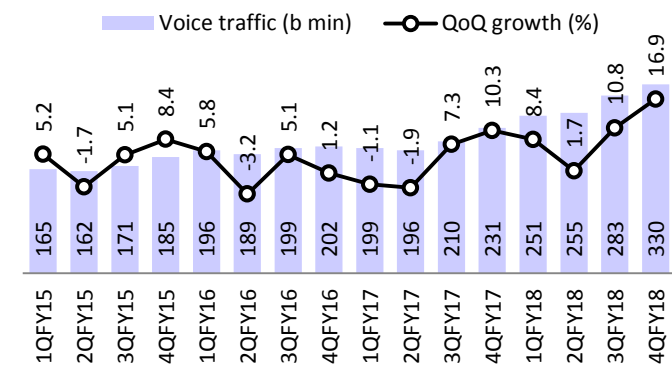
*Assuming Aircel's VLR data for Feb-18 same as Jan-18

Source: TRAI, MOSL

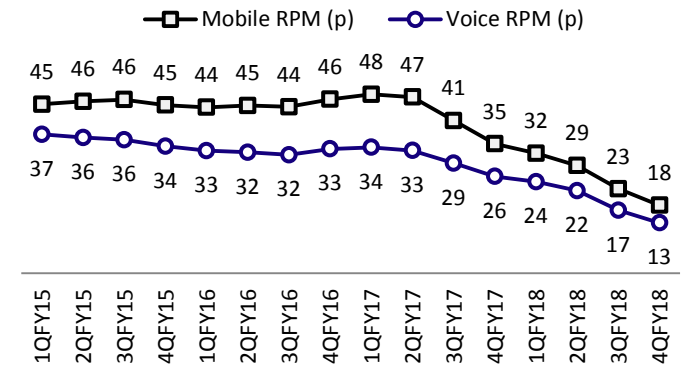
Exhibit 10: Idea: Monthly churn (%)



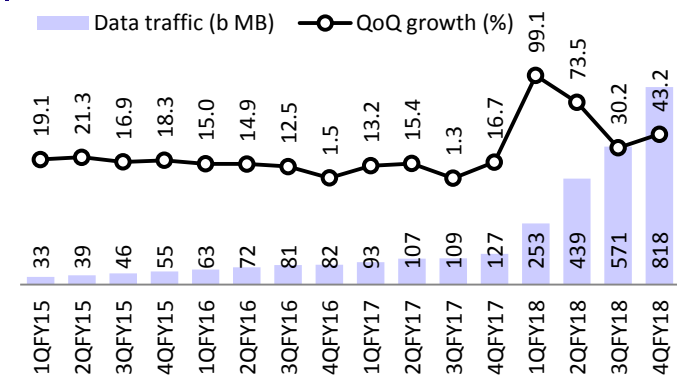
Source: Company, MOSL

Exhibit 11: Voice traffic and QoQ growth

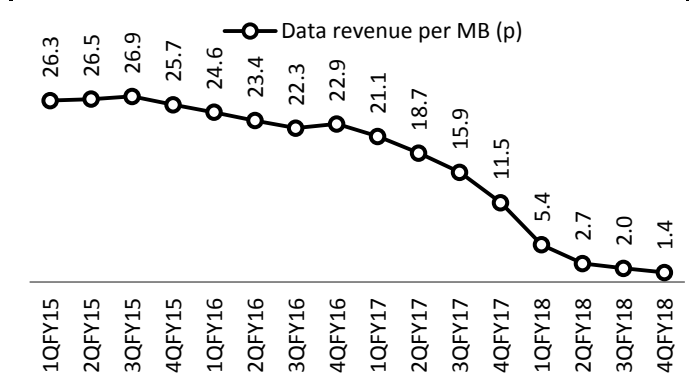
Source: Company, MOSL

Exhibit 12: Trend in Avg. realization per minute (paise)

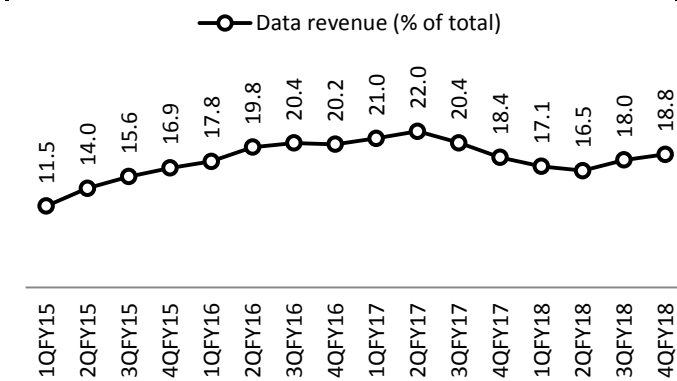
Source: Company, MOSL

Exhibit 13: Data traffic and QoQ growth

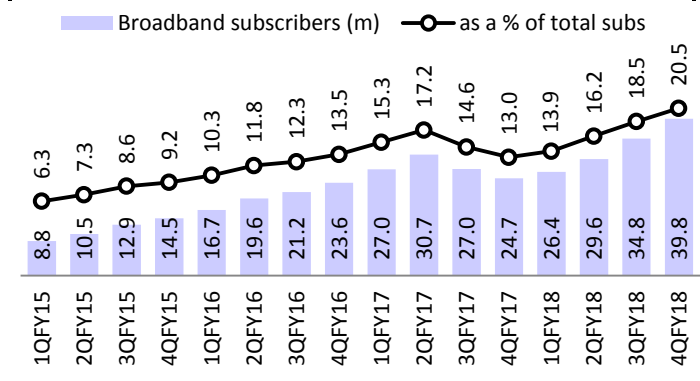
Source: Company, MOSL

Exhibit 14: Data revenue per MB (paise)

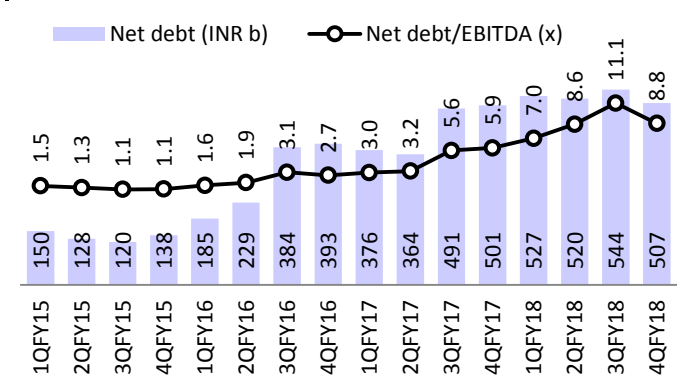
Source: Company, MOSL

Exhibit 15: Data revenue (% of total revenue)

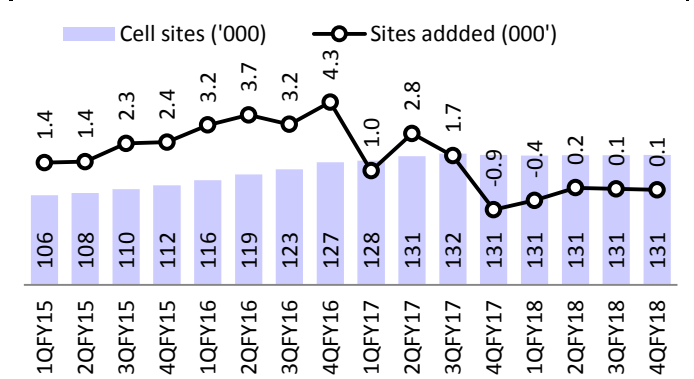
Source: Company, MOSL

Exhibit 16: Broadband subscriber base ramp-up

Source: Company, MOSL

Exhibit 17: Net debt and net debt/EBITDA

Source: Company, MOSL

Exhibit 18: 2G cell site base and quarterly additions

Source: Company, MOSL

Exhibit 19: Key Metrics (YoY)

	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Operating Metrics								
Subscribers (m)	122	136	158	175	190	195	203	206
YoY%		12%	16%	11%	8%	3%	4%	1%
Average Rev Per User (INR/month)	158	169	177	177	159	119	101	112
YoY%		7%	5%	0%	-10%	-25%	-15%	10%
Minutes of Use/Sub/Month	378	381	388	394	383	486	578	582
YoY%		1%	2%	1%	-3%	27%	19%	1%
Data usage/data sub/month (mb)	119	257	490	641	843	3895	7785	10077
YoY%		116%	91%	31%	32%	362%	100%	29%
Voice traffic (m min)	532	588	684	787	837	1,121	1,377	1,428
YoY%		11%	16%	15%	6%	34%	23%	4%
Data traffic (m MB)	37	79	173	298	436	2,081	5,387	9,780
YoY%		112%	117%	73%	46%	377%	159%	82%
Voice revenue per min (p)	35.4	37.2	35.6	32.4	30.2	18.6	12.3	11.7
YoY%		5%	-4%	-9%	-7%	-38%	-34%	-5%
Data revenue per MB (p)	32.3	29.1	26.3	23.2	16.4	2.3	1.0	0.9
YoY%		-10%	-10%	-12%	-29%	-86%	-55%	-9%
Financial Metrics								
Voice revenue (INR b)	188.4	218.8	243.7	255.1	252.6	208.0	169.4	166.8
YoY%		16%	11%	5%	-1%	-18%	-19%	-2%
Data revenue (INR b)	12.1	23.1	45.4	69.2	71.7	48.4	56.3	92.8
YoY%		92%	97%	52%	4%	-32%	16%	65%
Data revenue as % of total revenue	5.4	8.9	14.6	19.6	20.5	17.6	23.4	33.9
Non Data VAS revenue (INR b)	21.0	19.1	22.2	29.1	24.5	18.7	15.3	14.0
Capex (INR b)	57.1	44.4	-252.3	399.8	208.3	73.9	65.0	65.0
Capex / Sales (%)	25.8	17.0	-81.0	113.1	59.7	26.9	27.0	23.8

Source: MOSL, Company

Financials and Valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income from Operations	2,24,577	2,65,189	3,15,709	3,59,494	3,55,758	2,82,789	2,48,838	2,82,369
Change (%)	14.9	18.1	19.1	13.9	-1.0	-20.5	-12.0	13.5
Total Expenditure	1,64,531	1,81,852	2,07,592	2,39,818	2,52,995	2,22,314	1,96,916	2,07,536
% of Sales	73.3	68.6	65.8	66.7	71.1	78.6	79.1	73.5
EBITDA	60,045	83,337	1,08,117	1,19,676	1,02,763	60,475	51,922	74,833
Margin (%)	26.7	31.4	34.2	33.3	28.9	21.4	20.9	26.5
Depreciation	34,778	45,194	53,036	62,561	78,272	84,091	88,528	96,182
EBIT	25,268	38,143	55,081	57,115	24,491	-23,616	-36,607	-21,349
Int. and Finance Charges	9,495	7,700	5,755	18,831	37,342	44,600	46,787	46,787
PBT bef. EO Exp.	15,773	30,443	49,325	38,284	-12,851	-68,216	-83,393	-68,136
Share of profits of associates	0	0	0	4,217	4,218	3,224	3,132	3,390
PBT after EO Exp.	15,773	30,443	49,325	42,501	-8,633	-64,992	-80,261	-64,746
Total Tax	5,664	10,765	17,396	15,220	-4,636	-23,310	-26,486	-21,366
Tax Rate (%)	35.9	35.4	35.3	35.8	53.7	35.9	33.0	33.0
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	10,109	19,678	31,929	27,281	-3,997	-41,682	-53,775	-43,380
Adjusted PAT	10,109	19,678	31,929	24,574	-3,997	-41,682	-53,775	-45,651
Change (%)	39.8	94.7	62.3	-14.6	-114.7	942.8	29.0	-15.1
Margin (%)	4.5	7.4	10.1	7.6	-1.1	-14.7	-21.6	-16.2

Consolidated - Balance Sheet								(INR m)
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	33,143	33,196	35,978	36,005	36,053	43,593	43,593	43,593
Total Reserves	1,11,073	1,32,073	1,94,314	1,99,501	2,11,269	2,29,031	1,75,256	1,31,876
Net Worth	1,44,217	1,65,269	2,30,292	2,35,506	2,47,322	2,72,624	2,18,849	1,75,469
Total Loans	1,40,438	2,06,350	2,68,591	4,05,413	5,50,545	5,79,851	6,13,747	6,35,747
Deferred Tax Liabilities	11,180	18,133	19,015	19,539	13,218	-11,393	-11,393	-11,393
Capital Employed	2,95,834	3,89,752	5,17,898	6,60,458	8,11,085	8,41,082	8,21,203	7,99,823
Gross Block	4,67,357	5,16,970	6,18,207	7,13,532	9,06,838	10,20,216	10,85,216	11,50,216
Less: Accum. Deprn.	1,75,818	2,21,012	2,62,871	61,692	1,39,267	2,23,358	3,11,887	4,08,068
Net Fixed Assets	2,91,539	2,95,958	3,55,336	6,51,840	7,67,571	7,96,858	7,73,330	7,42,148
Goodwill on Consolidation	61	61	61	61	61	61	61	61
Capital WIP	8,811	1,14,194	51,405	60,397	75,351	35,853	35,853	35,853
Total Investments	10,280	2,155	1,15,267	34,709	63,783	72,905	72,905	72,905
Curr. Assets, Loans & Adv.	53,092	53,206	82,598	54,247	59,912	66,069	56,576	81,317
Inventory	726	683	710	1,065	588	367	926	542
Account Receivables	9,601	8,006	9,789	11,424	13,139	8,874	3,904	4,430
Cash and Bank Balance	1,429	1,881	15,537	7,691	827	291	254	16,963
Loans and Advances	41,336	42,636	56,562	34,067	45,358	56,537	51,491	59,383
Curr. Liability & Prov.	67,949	75,823	86,769	1,40,798	1,55,592	1,30,664	1,17,521	1,32,461
Account Payables	64,719	68,960	78,013	1,36,418	1,51,551	1,27,333	1,14,366	1,28,254
Provisions	3,230	6,863	8,756	4,380	4,041	3,331	3,155	4,206
Net Current Assets	-14,857	-22,616	-4,171	-86,550	-95,681	-64,595	-60,945	-51,143
Appl. of Funds	2,95,834	3,89,752	5,17,898	6,60,458	8,11,085	8,41,082	8,21,203	7,99,824

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)								
EPS	2.8	5.5	8.9	6.8	-1.1	-9.6	-12.3	-10.5
Cash EPS	13.5	19.5	23.6	24.2	20.6	9.7	8.0	11.6
BV/Share	43.5	49.8	64.0	65.4	68.6	62.5	50.2	40.3
DPS	0.3	0.4	0.6	0.6	0.0	0.0	0.0	0.0
Payout (%)	11.5	7.9	8.1	9.5	0.0	0.0	0.0	0.0
Valuation (x)								
P/E		18.8	7.8	10.1	-62.3	-7.2	-5.6	-6.6
Cash P/E			2.9	2.9	3.4	7.1	8.7	6.0
P/BV			1.1	1.1	1.0	1.1	1.4	1.7
EV/Sales			1.6	1.8	2.2	3.1	3.7	3.3
EV/EBITDA		6.9	3.6	5.1	7.2	13.4	16.2	11.3
Dividend Yield (%)	0.3	0.4	0.9	0.8	0.0	0.0	0.0	0.0
Return Ratios (%)								
RoE	7.4	12.7	16.1	10.6	-1.7	-16.0	-21.9	-23.2
RoCE	5.9	7.5	8.2	6.4	1.6	-1.8	-2.9	-1.7
RoIC	6.0	9.0	11.7	8.2	1.8	-2.2	-3.4	-2.1
Working Capital Ratios								
Fixed Asset Turnover (x)	0.5	0.5	0.5	0.5	0.4	0.3	0.2	0.2
Asset Turnover (x)	0.8	0.7	0.6	0.5	0.4	0.3	0.3	0.4
Inventory (Days)	1	1	1	1	1	0	1	1
Debtor (Days)	16	11	11	12	13	11	6	6
Leverage Ratio (x)								
Current Ratio	0.8	0.7	1.0	0.4	0.4	0.5	0.5	0.6
Interest Cover Ratio	2.7	5.0	9.6	3.0	0.7	-0.5	-0.8	-0.5
Net Debt/Equity	0.9	1.2	0.6	1.5	2.0	1.9	2.5	3.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	10,109	19,678	31,929	42,501	-8,632	-41,682	-53,775	-43,380
Depreciation	34,778	45,194	53,036	62,561	78,272	84,091	88,528	96,182
Interest & Finance Charges	9,963	8,564	9,337	20,685	39,736	44,600	46,787	46,787
Direct Taxes Paid	-4,110	-6,384	-11,043	-8,611	-6,808	0	0	0
(Inc)/Dec in WC	6,096	5,354	5,540	-3,980	6,960	-23,102	-12,221	6,906
CF from Operations	56,836	72,406	88,800	1,13,155	1,09,527	63,907	69,319	1,06,495
Others	6,135	9,786	15,379	-3,669	-4,154	-24,611	0	0
CF from Operating incl EO	62,971	82,192	1,04,179	1,09,486	1,05,373	39,296	69,319	1,06,495
(Inc)/Dec in FA	-34,766	-36,448	-41,576	-1,29,118	-1,26,319	-73,880	-65,000	-65,000
Free Cash Flow	28,205	45,744	62,603	-19,632	-20,946	-34,584	4,319	41,495
(Pur)/Sale of Investments	0	0	0	1,03,909	-33,472	-9,122	0	0
Others	657	-29,194	-15,680	2,835	4,626	-8,519	8,535	0
CF from Investments	-34,109	-65,642	-57,256	-22,373	-1,55,165	-91,521	-56,465	-65,000
Issue of Shares	248	263	37,374	175	-4,453	67,497	0	0
Inc/(Dec) in Debt	-10,368	-15,936	52,355	-86,485	84,297	29,306	33,896	22,000
Interest Paid	-9,283	-7,682	-6,656	-4,393	-32,800	-44,600	-46,787	-46,787
Dividend Paid	-250	-1,306	-2,792	-2,598	-2,599	0	0	0
Others	0	0	0	0	1	-513	0	0
CF from Fin. Activity	-19,653	-24,661	80,280	-93,301	44,445	51,690	-12,891	-24,787
Inc/Dec of Cash	9,209	-8,111	1,27,202	-6,188	-5,346	-535	-37	16,709
Opening Balance	1,521	10,729	3,543	13,879	6,174	827	291	254
Closing Balance	1,429	1,881	15,537	7,691	827	291	254	16,963

Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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