HDFC securities

INSTITUTIONAL RESEARCH

RESULTS REVIEW 4QFY18 | 22 MAY 2018

Sobha

BUY

INDUSTRY	REAL ESTATE
CMP *(as on 21 May 2018)*	**Rs 511**
Target Price	**Rs 641**
Nifty	10,517
Sensex	34,616
KEY STOCK DATA	
Bloomberg	SOBHA IN
No. of Shares (mn)	95
MCap (Rs bn) / ($ mn)	49/712
6m avg traded value (Rs mn)	317

STOCK PERFORMANCE (%)

52 Week high / low	Rs 695/345		
	3M	6M	12M
Absolute (%)	(7.1)	(3.2)	27.7
Relative (%)	(9.4)	(6.6)	14.1

SHAREHOLDING PATTERN (%)

Promoters	55.94
FIs & Local MFs	10.65
FPIs	28.53
Public & Others	4.88

Source : BSE

Parikshit Kandpal
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Kunal Bhandari
kunal.bhandari@hdfcsec.com
+91-22-6639-3035

Strong performance

Sobha Developers' (SDL) 4QFY18 net profit came in at Rs 0.7bn vs. our estimate of Rs 0.4bn. SDL recorded a healthy 1.02mn sqft of pre-sales for 4QFY18. Pre-sales value (SDL's share) was Rs 6.6bn, which is 30% higher YoY.

SDL sold 3.63mn sqft in FY18 (+21% YoY), beat vs our estimate of 3.40mn sqft. Cost of funds reduced to 9.39% vs 10.42% YoY. Net D/E reduced from 0.86x to 0.79x QoQ. Net debt stood at Rs 22bn (vs Rs 23.3bn in 3QFY18). Improvement was also led by Rs 9.1bn of collections vs 6.7bn QoQ.

SDL is sitting on 14.8mn sq ft of unsold inventory and has 6-8 new launches in the pipeline across existing locations with 3-4 projects in advanced stages of hitting the market. Management has guided for 3-4mn sqft of new area releases in FY19E. Bengaluru realty market is stable, SDL has gained market share in absence of significant competitive launches. Maintain BUY with an increased NAV of Rs 641/share.

Key highlights

- **Net D/E reduced to 0.79x:** Aided by robust real estate collections net debt/equity has stabilized at 0.79x. Further land monetization will aid the capex requirements required for APMC/ commercial in the coming 3-4 years, ~Rs 1.5bn expected receipt for 5 acres of SDLs land acquired by Bengaluru metro.
- **Other segments continue to grow:** Contractual and manufacturing segments continue to do well (4QFY18 revenue – Rs 2.7bn; +23.9% YoY). The interiors division is seeing increased traction. Post FY18, SDL has won Rs 5.6bn project for Azim Premji University (contractual). This shall lend growth visibility to SDL contractual segment.
- **Near-term outlo*ok:*** SDL is working towards accelerating nearing completion inventory monetization while continuing to test new geographies like GIFT city. With margins bottoming out, rising collections, aggressive marketing and likely pre-sales improvement in NCR, we remain positive.

Financial Summary*

Rs mn	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)	FY17	FY18	FY19E	FY20E
Net Sales	7,696	5,888	*30.7*	6,919	*11.2*	22,462	27,870	30,993	33,512
EBITDA	1,364	1,202	*13.5*	1,375	*(0.8)*	4,199	5,197	6,301	6,948
APAT	654	470	*39.1*	534	*22.5*	1,667	2,168	2,669	3,020
Diluted EPS (Rs)	6.9	5.0	*39.1*	5.6	*22.5*	17.6	22.9	28.1	31.8
P/E (x)						28.8	22.1	18.0	15.9
EV / EBITDA (x)						16.4	13.4	11.3	10.3
RoE (%)						5.2	8.0	9.3	9.8

Source: Company, HDFC sec Inst Research, * Consolidated

Revenue, EBIDTA & Net Profit grew 30.7%, 13.5% & 39.1% yoy to Rs 7.7/1.4/0.7bn, ahead of our estimates by 38.9%, 25.2% & 76% respectively

SDL recorded healthy 1.02mn sqft of pre-sales for 4QFY18 (+40% YoY, +9% QoQ)

Pre-sales value (SDL's share) was Rs 6.6bn (SDL's share) (+30% YoY, +7% QoQ).

For FY18, total sale was 3.63mn sqft (+21% YoY) against our estimate of 3.4mn sqft

Improvement of average realisation from Rs 6,032/sqft in FY17 to 6,680/sqft in FY18 reflects change in product mix towards premium segment

Quarterly Financial Snapshot (Consolidated)

Particulars	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)	FY18	FY17	YoY (%)
Net Sales	**7,696**	**5,888**	***30.7***	**6,919**	***11.2***	**27,870**	**22,461**	***24.1***
Material Expenses	(4,705)	(3,436)	*36.9*	(4,250)	***10.7***	(16,840)	(13,191)	*27.7*
Employee Expenses	(526)	(432)	*21.8*	(473)	***11.2***	(1,985)	(1,779)	*11.6*
Other Operating Expenses	(1,101)	(818)	*34.6*	(821)	***34.1***	(3,848)	(3,294)	*16.8*
EBITDA	**1,364**	**1,202**	***13.5***	**1,375**	***(0.8)***	**5,197**	**4,197**	***23.8***
Interest Cost	(518)	(397)	*30.5*	(498)	***4.0***	(1,978)	(1,497)	*32.1*
Depreciation	(135)	(173)	*(22.0)*	(137)	***(1.5)***	(544)	(638)	*(14.7)*
Other Income	196	125	*56.8*	85	***130.6***	495	386	*28.2*
PBT	**907**	**757**	***19.8***	**825**	***9.9***	**3,170**	**2,448**	***29.5***
Share of jointly controlled entity	-	10	-	-	-	-	129	*(100.0)*
Tax	(253)	(297)	*(14.8)*	(291)	***(13.1)***	(1,002)	(970)	*3.3*
RPAT	**654**	**470**	***39.1***	**534**	***22.5***	**2,168**	**1,607**	***34.9***

Source: Company, HDFC sec Inst Research

Margin Analysis (Consolidated)

	4QFY18	4QFY17	YoY (bps)	3QFY18	QoQ (bps)	FY18	FY17	YoY (bps)
Material Expenses % Net Sales	61.1	58.4	*278*	61.4	*(29)*	60.4	58.7	*169*
Employee Expenses % Net Sales	6.8	7.3	*(50)*	6.8	*(0)*	7.1	7.9	*(80)*
Other Operating Expenses % Net Sales	14.3	13.9	*41*	11.9	*244*	13.8	14.7	*(86)*
EBITDA Margin (%)	17.7	20.4	*(269)*	19.9	*(215)*	18.6	18.7	*(4)*
Tax Rate (%)	27.9	39.2	*(1,134)*	35.3	*(738)*	31.6	39.6	*(802)*
APAT Margin (%)	8.5	8.0	*52*	7.7	*78*	7.8	7.2	*62*

Source: Company, HDFC sec Inst Research

Pre-sales Trend

Pre-sales trend	4QFY18	4QFY17	YoY (%)	3QFY18	QoQ (%)	FY18	FY17	YoY (%)
Sales Volume (mn sqft)	1.0	0.7	*40.4*	0.9	*8.8*	3.6	3.0	*20.8*
Sales Value (Rs mn) (SDL's share)	6,558	4,496	*45.9*	6,105	*7.4*	24,218	18,108	*33.7*
Average Realization (Rs/sqft) (SDL's share)	6,457	6,216	*3.9*	6,541	*(1.3)*	6,680	6,032	*10.7*

Source: Company, HDFC sec Inst Research

Net D/E decreased from 0.86x to 0.79x QoQ. Net debt stood at Rs 22.0bn (-Rs 1.3bn QoQ)

Cost of debt has been consistently reducing for SDL (cumulative reduction of 275bps over the last 10 quarters), and stands at 9.39% as of end-4QFY18, a reduction of 103bps YoY

SDL's customer collections from real estate development have increased in 4QFY18, and stand at Rs 5.98bn. The contractual segment witnessed an increase in collections to ~Rs 3.13bn.

Worst-case scenario: Consolidated net D/E peaks at 0.8x

- Net D/E decreased from 0.86x to 0.79x QoQ. Net debt stood at Rs 22.0bn (vs 23.3bn QoQ). This was in line with investment in new opportunities. Customer collections improved significantly to Rs 9.1bn for 4QFY18 vs 3QFY18 – Rs 6.7bn.
- With an outlay of Rs 10bn over next 3-4 years expected for the APMC commercial project, net debt may further inch up only marginally on account of the strong operating cash flows. In FY18 commercial capex was Rs 288mn vs 180mn YoY.
- We expect debt to remain at comfortable levels over FY19-20E. Net D/E may remain stable in the 0.7-0.8x range. SDL may not have near-term liquidity concerns, as cash flows from real estate/contractual business continue to be robust. SDL continues to explore options for monetization old land parcels where development is still suspect.
- We expect consolidated gross debt to stabilize at the current level of Rs 24.7bn by FY20E. Net D/E will peak at 0.8x in a worst-case scenario.

Debt/Equity Ratio Trend (X) (Consolidated)

(Rs mn)	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Net debt (Rs mn)	20,968	20,666	20,604	20,250	20,602	20,838	20,736	20,247	22,832	23,276	21,991
Net D/E (x)	0.83	0.81	0.80	0.78	0.81	0.80	0.78	0.75	0.84	0.86	0.79
Cost of Debt %	12.14	11.98	11.83	11.58	11.26	10.99	10.42	10.06	9.88	9.74	9.39

Source: Company, HDFC sec Inst Research

Real Estate collections improve

- SDL's customer collections from Real Estate development have increased in 4QFY18, and stand at Rs 5.98bn. The contractual segment witnessed a significant increase in collections QoQ to ~Rs 3.13bn.
- Collection demand will be higher for mid-cycle projects. This will alleviate pressure on the balance sheet and induce deleveraging.
- SDL has 6-8 new launches in the pipeline across existing locations with 3-4 projects in advanced stages. Management has guided for 3-4mn sqft of new area releases in FY19E. This will also support acceleration in customer collections. Collections in the contractual segment have also been strong.

Customer Collections

(Rs mn)	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
Real Estate	4,134	4,021	3,964	4,131	4,907	4,331	4,860	5,740	4,330	4,870	5,980
Contractual	1,987	1,691	1,833	1,677	1,705	1,849	2,090	1,560	2,600	1,870	3,130
Total	6,121	5,712	5,797	5,808	6,612	6,180	6,950	7,300	6,930	6,740	9,110

Source: Company, HDFC sec Inst Research

Expect volume uptick on (1) Improving market in Bengaluru (2) 3-4 launches are in advanced stages and (3) Company has moved past the GST and RERA headwinds

Absolute realization to remain flattish as pricing comfort recovery still not on the horizon

Margins have bottomed out and we expect increasing share of real estate contribution to drive the margins upwards

Key Assumptions And Estimates

Summary Of Key Assumptions And Estimates

	Estimates		Growth (%)		Comments
	FY19E	FY20E	FY19E	FY20E	
Volume assumptions					
Residential (mn sqft)	3.9	4.1	27.8	6.4	Expect volume uptick on (1) Improving market in Bangalore (2) 3-4 launches are in advanced stages and (3) Company has moved past the GST and RERA headwinds
Total	3.9	4.1	27.8	6.4	
Realization					
Residential (Rs/sqft)	7,849	7,785	2.2	(0.8)	Absolute realisation to remain flattish as pricing comfort still not on the horizon
Presales					
Rs mn	30,432	32,112	30.7	5.5	
Earnings forecast					
Sales (Rs mn)	23,330	26,219	32.2	12.4	
Contractual	7,663	7,293	5.0	(4.8)	Flattish growth in contracting business as Infosys business decreasing
Total	**30,993**	**33,512**	**24.3**	**8.1**	**FY19-20E revenue growth at 8.1%**
EBIDTA Real estate (Rs mn)	5,152	5,854	25.6	13.6	
EBIDTA Contract (Rs mn)	1,150	1,094	5.0	(4.8)	De-growth in contracting EBIDTA, as non-Infosys business has about 200bps lower EBIDTA margins
Total EBIDTA (Rs mn)	**6,301**	**6,948**	**21.2**	**10.3**	**10.3% FY19-20E EBIDTA growth**
EBIDTA margin Real estate(%)	22.1	22.3	(116.8)	24.6	
EBIDTA margin Contract(%)	15.0	15.0	-	-	
EBIDTA Margin (%)	20.3	20.7	(50.5)	40.2	Margins have bottomed out and we expect increasing share of real estate contribution to drive the margins upwards
Net interest expense*	2,170	2,244	9.7	3.4	Interest to inch up slightly on the back of increased capex expected in FY19-20E for commercial/ APMC projects
Avg. interest rate (%)	9.2	9.2	46.8	0.0	Average interest cost lower, as we build in 30% interest cost capitalisation
PAT (Rs mn)	**2,669**	**3,020**	**23.1**	**13.1**	**13.1% FY19-20E PAT growth**
PAT Margin (%)	8.6	9.0	(8.0)	39.9	Change in PAT margins in-line with overall estimates
EPS (Rs)	28.1	31.8	23.1	13.1	

Source: Company, HDFC sec Inst Research

Strong cash flows from operations to be spent on land acquisition, Rs 10bn capex on APMC project and interest payment

Cash flow shortfall to be made up with higher borrowings. We expect net D/E to reduce to 0.7x during FY20E

We have revised our estimates to factor in the improving sales traction, new 7-8 launches in the pipeline and increasing margins due to better product mix

Cash Flow Forecast

Rs mn	Estimates		Comments
	FY19E	FY20E	
Cash flows forecast			
CFO - a	3,611	5,782	
CFI - b	(1,979)	(3,290)	Capex of Rs 10bn to be incurred on the APMC project over 3-4 years
FCF - a+b	1,632	2,492	Strong cash flow recovery during FY19-20E
CFF-c	(1,969)	(2,447)	Interest outflow to impact cash flow negatively
Total change in cash - a+b+c	(337)	45	The net change in cash doesn't impact the debt position materially

Source: Company, HDFC sec Inst Research

Change in estimates

Rs mn	FY19E New	FY19E Old	% Change / bps	FY20E New	FY20E Old	% Change / bps
Revenues	30,993	27,407	13.1	33,512	31,624	6.0
EBIDTA	**6,301**	**5,331**	**18.2**	**6,948**	**6,009**	**15.6**
EBIDTA Margins (%)	20.3	19.5	87.9bps	20.7	19.0	173.1bps
APAT	**2,669**	**2,136**	**25.0**	**3,020**	**2,569**	**17.5**
Adj. EPS (INR)	28.14	22.5	25.0	31.84	27.1	17.5

Source: Company, HDFC sec Inst Research

We value the real estate business at Rs 222/share, future developable land bank at Rs 501/share, contracting and manufacturing business (C&M) at Rs 82/share, rental assets at Rs 45/share, refundable deposits at Rs 44/share to arrive at a gross NAV of Rs 893/share.

From the gross NAV, we deduct the net debt (Rs 245/share) and unpaid land bank value (Rs 7/share), to arrive at Rs 641/share as our NAV-based target price

Valuation: NAV target Rs 641/sh

SoTP valuation

- We maintain BUY on SDL, with an increased SOTP-based target price of Rs 641/share. We value the real estate business at Rs 222/share, future developable land bank at Rs 501/share, contracting and manufacturing business (C&M) at Rs 82/share, rental assets at Rs 45/share, refundable deposits at Rs 44/share to arrive at a gross NAV of Rs 893/share. From the gross NAV, we deduct the net debt (Rs 245/share) and unpaid land bank value (Rs 7/share), to arrive at Rs 641/share as our NAV-based target price.
- **We don't assign any NAV discount to SDL, as we have only valued the projects that have visibility over the next five years.** For the land bank beyond that period, we ascribed the current market value.
- We have also incorporated the valuation of SDL's upcoming APMC commercial project. This project envisages a Rs 10bn outlay for developing ~2.8mn sq ft lease area (~0.7mn sqft will be handed over to APMC). SDL will be leasing 2.1mn sq ft at an average rate of ~Rs 50/sq ft/month. The work is taking place, albeit slowly, and serious outlay will only start late FY19E.

Sum Of The Parts

	Rs mn	Rs/share	Comments
Gross NAV Residential	21,033	222	DCF-based NAV.
Land Bank	47,531	501	At project discounted GAV
Contractual/Manufacturing	7,750	82	At 7x FY19E EV/EBIDTA
Rental assets/APMC	4,234	45	Discounting at 12% cap rate viz. school, hospital etc
Refundable JDA Deposits	3,059	44	Balance sheet number
Total Gross NAV	**84,730**	**893**	
Less net debt	(23,230)	(245)	Net debt as on Mar-19E
Unpaid land cost	(692)	(7)	
NAV	**60,808**	**641**	

Source: Company, HDFC sec Inst Research

Our base property price assumption is at a 10-20% discount to current prices in SDL's key macro markets

Real estate development: NAV calculation methodology

- We have divided SDL's entire land bank into current and future developments (based on information from the company).
- We have arrived at the sales price/sq ft and the anticipated sales volumes for each project, based on our discussions with industry experts.
- We have deducted the cost of construction, based on our assumed cost estimates, which have been arrived at after discussions with industry experts.
- We have further deducted marketing and other costs, which have been assumed at 5% of the sales' revenue.
- We have then deducted income tax, based on the tax applicable for the project.
- The resultant cash inflows at the project level have been discounted based on WACC of 13.5% (cost of equity 17.2% based on beta of 1.5, cost of debt 13% and debt/equity ratio of 0.85x). All the project-level NAVs have been summed up to arrive at the NAV of the company.
- In case of a future land bank, we have valued at 20% discount to current prices, and not taken into account construction margins.
- For annuity income-generating assets, we have valued cash flows at a cap rate of 12%.
- From the NAV, we have deducted the net debt as of FY19E, to arrive at the final valuation of the company.

Key valuation assumptions

- In the exhibit below, we highlight our sales and cost inflation forecasts. We expect property prices to appreciate in-line with WPI inflation, i.e. 5%, and the cost of construction to grow at 6%. We forecast other costs including marketing, SGA and employee cost at 5% of sales.

Base Case Assumptions (%)

Discount rate	16.1
Annual rate of inflation-sales price	5
Annual rate of inflation-cost of construction	6
Other costs – marketing, SGA, employee cost (as % of sales)	5
Tax rate (%)	33

Source: Company, HDFC sec Inst Research

- In the exhibit below, we highlight our sales price and construction cost forecasts. Our pricing assumptions are at 10-20% discount to the currently prevailing prices.

Base Price And Construction Cost Assumptions

Location	Prices Rs/sq ft	Cost Rs/sq ft
Bangalore	5,500	2,400
Mysore	3,700	1,800
Pune	4,800	2,200
Chennai	4,900	2,200
Kochi	6,500	3,000
Hosur	4,500	1,800
Thrissur	4,500	2,200
Coimbatore	4,400	2,200
Gurgaon	7,500	3,425
Calicut	4,500	1,800

Source: Company, HDFC sec Inst Research

1% increase in average base sales price impacts our NAV positively by 2.5%

Every 100bps increase in sales price inflation impacts our NAV positively by 20.4%

100bps increase in cost inputs decreases our NAV by 12.1%

100bps increase in discounting rate impacts our NAV negatively by 4.7%

NAV sensitivity analysis

Sensitivity to our assumption of property prices

- Our model is sensitive to changes in the assumptions regarding property prices. For every 1% change in the base property prices, the NAV will change by approximately 2.5%.

NAV Sensitivity To Change In Average Sale Price

% change in sale price	(10)	(5)	0	5	10
NAV/share (Rs)	472	559	**641**	723	811
Change in NAV (%)	(26.4)	(12.9)	-	12.8	26.5

Source: Company, HDFC sec Inst Research

Sensitivity of NAV to changes in sales inflation

- In our base case, we have assumed an annual sales price inflation of 5%. For every 100bps increase in the annual sale price inflation, the NAV will increase by approximately 20.4%.

NAV Sensitivity To Change In Sales Inflation

Sales inflation rates (%)	3	4	5	6	7
NAV/share (Rs)	404	520	**641**	772	917
Change in NAV (%)	(37.0)	(18.8)	-	20.4	43.0

Source: Company, HDFC sec Inst Research

Sensitivity of NAV to changes in cost inflation

- In our base case, we have assumed cost inflation to be 6%. For every 100bps increase in construction cost inflation, the NAV will change by approximately 12.1%.

NAV Sensitivity To Change In Cost Inflation

Cost inflation rates (%)	4	5	6	7	8
NAV/share (Rs)	775	714	**641**	563	484
Change in NAV (%)	20.8	11.3	-	(12.1)	(24.4)

Source: Company, HDFC sec Inst Research

The combined impact of a 100bps increase in sales price inflation and cost inflation will be an increase in NAV of 8.3%.

Sensitivity of NAV to changes in discount rate

- In our base case, we have assumed a discount rate of 15%. For every 100bps increase in the discount rate, NAV will fall by 4.7%.

NAV Sensitivity To Change In WACC

WACC rates (%)	12	13	14	15	16
NAV/share (Rs)	705	672	**641**	611	585
Change in NAV (%)	10.0	4.9	-	(4.7)	(8.8)

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

Year ending March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	**19,566**	**22,462**	**27,870**	**30,993**	**33,512**
Growth (%)	***(19.8)***	***14.8***	***24.1***	***11.2***	***8.1***
Material Expenses	10,243	13,190	16,840	18,958	20,854
Employee Expenses	1,762	1,779	1,985	2,170	2,351
Other Operating Expenses	3,131	3,294	3,848	3,564	3,359
EBIDTA	**4,429**	**4,199**	**5,197**	**6,301**	**6,948**
EBIDTA (%)	***22.6***	***18.7***	***18.6***	***20.3***	***20.7***
EBIDTA Growth (%)	***(28.2)***	***(5.2)***	***23.8***	***21.2***	***10.3***
Other Income	343	386	495	507	498
Depreciation	597	638	544	594	627
EBIT	4,175	3,947	5,148	6,214	6,819
Interest	1,637	1,497	1,978	2,170	2,244
PBT	**2,539**	**2,450**	**3,170**	**4,044**	**4,575**
Tax	1,188	970	1,002	1,375	1,556
PAT	**1,350**	**1,480**	**2,168**	**2,669**	**3,020**
Share of profits	30	129	-	-	-
EO items (net of tax)	89	58	-	-	-
APAT	**1,469**	**1,667**	**2,168**	**2,669**	**3,020**
APAT Growth (%)	***(38.3)***	***13.4***	***30.1***	***23.1***	***13.1***
EPS	**15.0**	**17.3**	**22.9**	**28.1**	**31.8**
EPS Growth (%)	***(38.3)***	***15.5***	***32.1***	***23.1***	***13.1***

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	981	963	948	948	948
Reserves	24,667	25,482	26,751	28,621	30,837
Total Shareholders Funds	**25,648**	**26,445**	**27,699**	**29,569**	**31,785**
Minority Interest	**-**	**-**	**-**	**-**	**-**
Long Term Debt	20,586	22,219	23,087	24,087	24,687
Short Term Debt	1,216	-	-	-	-
Total Debt	**21,803**	**22,219**	**23,087**	**24,087**	**24,687**
Deferred Taxes	**2,361**	**2,684**	**2,521**	**3,025**	**3,630**
Long Term Provisions & Others	**249**	**163**	**185**	**204**	**224**
TOTAL SOURCES OF FUNDS	**50,062**	**51,511**	**53,492**	**56,885**	**60,326**
APPLICATION OF FUNDS					
Net Block	**3,729**	**3,173**	**2,796**	**2,933**	**2,806**
CWIP	**454**	**799**	**1,345**	**2,845**	**5,845**
Goodwill	**-**	**-**	**-**	**-**	**-**
Investments	**293.9**	**0.2**	**1,125.0**	**1,125.0**	**1,125.0**
Investment Property	**1,997.0**	**1,979.5**	**1,961**	**2,216**	**2,504**
Other Non Current Assets	**4,888.3**	**4,860.0**	**4,873**	**5,092**	**5,209**
Inventories	42,649	50,960	48,349	59,732	58,276
Debtors	2,522	2,267	3,272	3,397	3,681
Cash & Equivalents	1,185	1,468	1,194	857	902
ST Loans & Advances, Others	22,906	23,423	25,332	26,982	27,932
Total Current Assets	**69,262**	**78,118**	**78,147**	**90,967**	**90,791**
Creditors	3,182	7,693	7,205	8,551	9,246
Other Current Liabilities & Provns	27,380	29,726	29,550	39,743	38,709
Total Current Liabilities	**30,563**	**37,419**	**36,755**	**48,293**	**47,954**
Net Current Assets	**38,699**	**40,699**	**41,392**	**42,673**	**42,837**
Misc Expenses & Others	**-**	**-**	**-**	**-**	**-**
TOTAL APPLICATION OF FUNDS	**50,062**	**51,511**	**53,492**	**56,885**	**60,326**

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Year ending March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT before minority and Share of profits	2,539	2,449	3,170	4,044	4,575
Non-operating & EO items	(245)	(326)	(495)	(507)	(498)
Taxes	(617)	(679)	(764)	(1,375)	(1,556)
Interest expenses	1,459	1,327	1,978	2,170	2,244
Depreciation	597	638	544	594	627
Working Capital Change	151	130	(1,121)	(1,315)	390
OPERATING CASH FLOW (a)	**3,884**	**3,539**	**3,312**	**3,611**	**5,782**
Capex	(1,076)	(316)	(712)	(2,232)	(3,500)
Free cash flow (FCF)	2,808	3,223	2,599	1,379	2,282
Investments	(1,841)	(199)	(1,106)	(255)	(288)
Others	467	534	495	507	498
INVESTING CASH FLOW (b)	**(2,451)**	**20**	**(1,324)**	**(1,979)**	**(3,290)**
Share capital Issuance	-	(582)	(862)	-	-
Debt Issuance	1,964	(40)	868	1,000	600
Interest expenses	(2,464)	(2,602)	(1,978)	(2,170)	(2,244)
Dividend	(827)	(232)	(290)	(799)	(803)
FINANCING CASH FLOW (c)	**(1,327)**	**(3,455)**	**(2,262)**	**(1,969)**	**(2,447)**
NET CASH FLOW (a+b+c)	**106**	**103**	**(274)**	**(337)**	**45**
Closing Cash & Equivalents	1,185	1,468	1,194	857	902

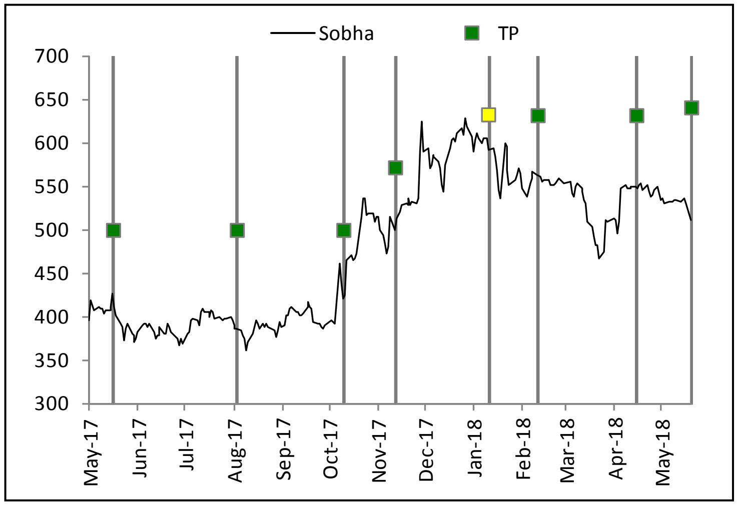
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY16	FY17	FY18	FY19E	FY20E
PROFITABILITY (%)					
GPM	47.6	41.3	39.6	38.8	37.8
EBITDA Margin	22.6	18.7	18.6	20.3	20.7
APAT Margin	7.5	7.4	7.8	8.6	9.0
RoE	5.3	5.2	8.0	9.3	9.8
Core RoCE	8.7	7.8	9.9	11.5	11.9
RoCE	5.1	5.3	7.1	7.9	8.2
EFFICIENCY					
Tax Rate (%)	46.8	39.6	31.6	34.0	34.0
Asset Turnover (x)	0.4	0.4	0.5	0.6	0.6
Inventory (days)	652	761	650	636	643
Debtors (days)	49	39	36	39	39
Payables (days)	74	88	98	93	97
Cash Conversion Cycle (days)	627	711	589	583	584
Debt/EBITDA (x)	4.9	5.3	4.4	3.8	3.6
Net D/E	0.8	0.8	0.8	0.8	0.7
Interest Coverage	2.6	2.6	2.6	2.9	3.0
PER SHARE DATA					
EPS (Rs/sh)	15.0	17.3	22.9	28.1	31.8
CEPS (Rs/sh)	21.1	23.9	28.6	34.4	38.4
DPS (Rs/sh)	7.0	2.0	2.5	7.0	7.0
BV (Rs/sh)	261.5	274.6	292.0	311.7	335.1
VALUATION					
P/E	33.8	29.2	22.1	18.0	15.9
P/BV	1.9	1.8	1.7	1.6	1.5
EV/EBITDA	15.9	16.5	13.4	11.3	10.3
OCF/EV (%)	5.5	5.1	4.7	5.1	8.1
FCF/EV (%)	4.0	4.6	3.7	1.9	3.2
FCFE/Market Cap	9.6	6.5	7.2	5.0	6.0
Dividend Yield (%)	1.4	0.4	0.5	1.4	1.4

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
17-May-17	421	BUY	500
8-Aug-17	384	BUY	500
11-Oct-17	421	BUY	500
13-Nov-17	500	BUY	572
12-Jan-18	592	NEU	632
13-Feb-18	561	BUY	632
16-Apr-18	550	BUY	632
22-May-18	511	BUY	641

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period

NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period

SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com **Phone: (022) 3045 3600**

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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel,Mumbai - 400 013
Board : +91-22-6171 7330www.hdfcsec.com