28 September 2018

Update | Sector: Real Estate

Phoenix Mills

BSE SENSEX	S&P CNX
36,227	10,930

The Phoenix Mills Limited

CMP: INR547 TP: INR720 (+32%) Buy

Organic and inorganic opportunities driving aggressive growth

We analyzed Phoenix Mills' FY18 Annual Report and key takeaways are:

- **Performance highlights:** On a standalone basis (only High Street Phoenix (HSP) and Palladium, Mumbai), income from operations increased 6% YoY to INR3,972m in FY18 from INR3,759m in FY17. On a consolidated basis, income from operations decreased by 11 % to INR16,198m in FY18 from INR18,246m in FY17. The decrease in revenues was on account of the Classic Mall Development Company (PMC Chennai) being classified as an associate against a subsidiary previously. Total retail income from malls stood at INR10,595m, down 11% YoY. Hospitality and other revenue came in at INR3,429m, up 12% YoY. Revenue from residential projects stood at INR1,562m, while commercial revenue was INR611m. Consolidated EBITDA decreased by 8% to INR7,774m in FY18 from INR8,469m in FY17; however, consolidated margins have increased to 48% in FY18 from 46% in FY17.
- **Strong consumption growth across malls:** Consumption across malls was strong at INR63.2b, growing 9% from INR58b in FY18. Also, strong renewals across properties contributed to a superior operational performance. All the four Phoenix MarketCity hubs at Chennai, Pune, Mumbai and Bengaluru have completed their first five-year cycle and continue to be amongst the best performing retail destinations in their respective cities.
- **Canada Pension Plan Investment Board (CPPIB) deal, acquisitions to drive capacity and to fuel growth:** A key development during the year was the drawdown and deployment of funds; raised through IslandStar Mall Developers Private Limited (ISMDPL), the SPV which holds Phoenix MarketCity, Bengaluru. For this PHNX partnered with CPPIB, whose equity investment of INR16.6b for a 49% stake in ISMDPL enabled the alliance to acquire and develop greenfield land parcels and operational retail assets.
- Under this deal, the alliance acquired 1) a 15-acre land at Pune, Wakad, for INR1.9b with a development potential of 1.8 msf, 2) 13 acres at Hebbal in Bengaluru for INR6.93b with a development potential of 1.81 msf, and 3) an under-construction retail development in Indore spread over 19 acres of land to be developed as Phoenix MarketCity (PMC) for INR2.6b with a gross leasable area of 1.10 msf.
- Outside the CPPIB platform, it also acquired an under-construction mall in Lucknow, with a gross leasable area of 0.9 msf. PHNX also formed a 50:50 joint venture with Ahmedabad-based, BSafal Group. Through this a 5.16-acre land was acquired at Sarkhej-Gandhi Highway for a premium retail development of 0.6 msf.
- PHNX completed four acquisitions between April and July 2018 – land parcels in Bangalore and Ahmedabad, and under-construction retail assets in Lucknow and Indore. Together with Wakad (Pune), the above acquisitions should take its retail leasable portfolio, which is under development to 4.6m sq. ft.

Stock Info

Bloomberg	PHNX IN
Equity Shares (m)	153
M.Cap.(INRb)/(USDb)	83.8 / 1.2
52-Week Range (INR)	725 / 480
1, 6, 12 Rel. Per (%)	-3/-18/-6
12M Avg Val (INR M)	84
Free float (%)	37.2

Financials Snapshot (INR b)

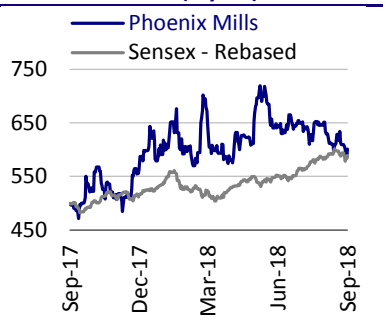
Y/E March	FY18	FY19E	FY20E
Sales	16.2	17.9	21.1
EBITDA	7.8	8.6	10.2
NP	2.4	2.8	3.7
EPS (INR)	15.8	18.2	24.3
EPS Growth (%)	44.2	14.9	33.6
BV/Share (INR)	186.3	223.6	244.8
P/E (x)	34.6	30.1	22.5
P/BV (x)	2.9	2.4	2.2
RoE (%)	9.7	8.9	10.4
RoCE (%)	7.9	6.8	7.6

Shareholding pattern (%)

As On	Jun-18	Mar-18	Jun-17
Promoter	62.8	62.8	62.9
DII	3.1	3.7	2.2
FII	28.8	29.1	30.3
Others	5.3	4.4	4.7

FII Includes depository receipts

Stock Performance (1-year)



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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Further, it sees a mixed-use development potential for most of these assets—PHNX expects a development potential of 1.3-1.4 msf, majority of which will be built on top of the retail podium, and will consist mostly offices. Upon stabilization (when the asset reaches 80-85% occupancy and above), PHNX expects revenues from new developments to the tune of ~INR5.6b. Total expected cost for the same is INR45b, of which the company has already incurred INR20b.
- **Phoenix MarketCity, Kurla at an inflection point:** PMC, Kurla had struggled in the past, but has now displayed strong operational performance with a 17% consumption growth, 19% rental income growth and 20% EBITDA growth. With a consistent rise in consumption and in trading density along with effective brand churning—it crossed the threshold trading density of INR1,000 psf, which indicates an inflection point in the mall's journey. PMC also completed refurbishment with new flooring, lighting and interior upgrades to provide a wholesome experience to consumers. 'Dublin Square' successfully conducted over 120 events and concerts by top Indian and international artists, and emerged as a favorite experience center. PMC, Mumbai is also the company's fastest growing 'MarketCity' asset**.**
- **Several upcoming lease renewals:** Annuity income is also expected to grow steadily, largely led by upcoming renewals. Over the next three years, about 60% area of HSP and Palladium, Mumbai and 60% area of PMC, Mumbai, are due for renewal, while PMC, Chennai, should see renewals for about 25% area. In PMC, Bangalore, about 36% area is due for renewal over the next three years, while PMC, Pune, should see a 60% area renewal.

PHNX to utilize free cash to develop additional FSI on existing assets

- Currently, the company has 1.16 msf of rent-generating commercial portfolio. It plans to utilize its free cash flows for expansion of the commercial segment at its existing assets to boost as well as expand the retail portfolio, thereby growing the annuity portfolio.
- The company has a clear focus to expand its commercial portfolio by leveraging available additional FSI at the MarketCity projects, augmenting its rent-generating commercial portfolio. It is also maximizing its potential by building "Grade A" offices at city-centric locations, catering to the inherent demand for such spaces in the commercial segment. It is adding commercial spaces atop operational malls in Pune (0.7 msf) and Chennai (0.4 msf), with the philosophy of developing a retail-led, mixed-use development.
- This is in addition to evaluating the inclusion of commercial spaces in High Street Phoenix, Mumbai, and at Phoenix MarketCity, Bengaluru; although, these are still in the planning stages. As these commercial built-ups will be atop existing operating retail assets, we expect them to be accretive to weekday consumption at malls. As the cost of the land has already been paid for, the returns from these assets are presumed to be meaningfully accretive.

Exhibit 1: Existing Commercial portfolio overview

	Total area (msf	Area sold (msf)	Net leasable area (msf)	Area leased (msf)	average rate (INR/sqft)
Phoenix House	0.14		0.14	0.13	110
Centrium	0.28	0.18	0.1	0.09	91
Art Guild House Phoenix	0.76	0.21	0.55	0.47	94
Paragon Plaza	0.42	0.05	0.37	0.12	101
	1.6	0.45	1.16	0.81	97

Source: Company, MOSL

Exhibit 2: Under Development-1.12msf

	msf
Phoenix MarketCity, Viman Nagar, Pune	0.7
Phoenix MarketCity, Chennai	0.4
Phoenix MarketCity, Bengaluru (Planned)	Planning
High Street Phoenix, Mumbai (Planned)	Planning

Source: Company, MOSL

Update on Mall performance

- **HIGH STREET PHOENIX AND PALLADIUM, MUMBAI:** It recorded its highest consumption of INR16,456m, with trading density of INR3,034 psf per month. Over 13 top fashion, F&B and jewelry brands were introduced in the 'North Sky Zone' (an area earlier occupied by a Department Store). Also, the F&B offerings were refreshed with popular concepts such as Farzi Café, The Wine Rack, Café Delhi Heights, Soda Bottle Openerwala, and The Runway Project by Pizza Express, etc. The mall reported a rental income of INR3022m, 11% CAGR over FY13-18.
- **PHOENIX MARKETCITY, CHENNAI:** Consumption stood at INR10,742m. It recorded 12% EBITDA growth at INR1,499m, while rental income was recorded at INR1,394m. Category changes in retail product mix had a positive impact on rental income. Consumption was temporarily impacted due to the planned category churn, but it should result into higher rental income in the future.
- **PHOENIX MARKETCITY, BENGALURU:** Consumption in FY18 was up 21% YoY at INR12,361m, while trading density was up 17% at INR 1,694 psf per month. Rental income was up 17% YoY at INR1,275m, while EBITDA was at INR1,228m, up 13% YoY. New brands were added such as Toys R US, Home Centre, Xiomi, Vivo, Crossword, amongst others. Over 30 concerts and events were organized in FY18, making PMC Bengaluru a preferred destination for events in the city.
- **PHOENIX MARKETCITY, PUNE:** Consumption was strong at INR10,828m, up 12% YoY. Trading density stood at INR1,244 psf per month. Sustained consumption and rental growth contributed to robust EBITDA growth of 17% for FY18 at INR1,252m. Additional floor with gross leasable area of 75,000 sq. ft. dedicated to fine dining became operational during the year. Over 25 concerts and events were organized through the year, making PMC, Pune, the preferred destination for events in the city.
- **PHOENIX MARKETCITY, MUMBAI:** Displayed strong operational performance with 17% consumption growth, 19% rental income growth and 20% EBITDA growth. Crossed the threshold trading density of INR1,000 psf, which indicates an inflection point in the mall's journey. PMC also completed refurbishment with new flooring, lighting and interior upgrades to provide a wholesome experience to consumers. 'Dublin Square' successfully conducted over 120 events and concerts by top Indian and international artists, and emerged as a favorite experience center. PMC, Mumbai is also the company's fastest growing 'MarketCity' asset.

- **PALLADIUM, CHENNAI:** The luxury offering, spread over 0.22 msf commenced full scale operations from February 2018. The mall houses premium brands such as H&M, Michael Kors, Tumi, and Coach amongst others, and has set new benchmarks for luxury shopping experience in the city.

Exhibit 3: Retail Portfolio overview

Mall	Leasable Area (msf)	No. of Stores	Trading Occupancy in FY18 (%)	Consumption (INR million)	Trading Density (psf)	Rental Rate (INR psf per month)	Rental Income (INR m)
HSP & Palladium, Mumbai	0.74	258	92	16,456	3,034	359	3,022
Phoenix MarketCity							
Bengaluru	0.99	297	93	12,361	1,694	114	1,275
Chennai	1	263	94	10,742	1,489	128	1,394
Pune	1.19	330	92	10,828	1,224	106	1,386
Mumbai	1.11	310	91	8,143	1,044	93	1,102
Phoenix United							
Bareilly	0.31	95	81	1,722	771	63	185
Lucknow	0.33	126	81	2,850	1,002	73	269
Palladium Chennai^	0.22	77	-	178	-	-	30
Total	**5.89**	**1756**		**63280**			**8663**

^ commenced full scale operations from February 2018 Source: Company, MOSL

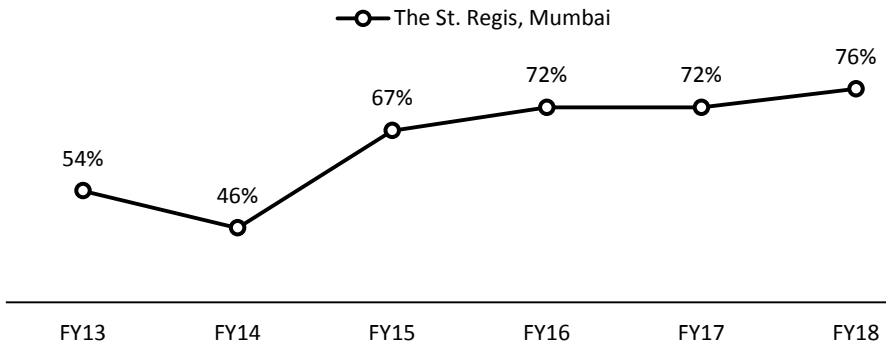
Exhibit 4: Retail Portfolio Under Development

Project name	msf
Phoenix MarketCity, Wakad, Pune	1.0
Phoenix MarketCity, Hebbal, Bengaluru	1.0
Phoenix MarketCity, Indore	1.1
Phoenix MarketCity,Lucknow	0.9
Premium RetailDevelopment,Ahmedabad	0.6
Total	**4.6**

Source: Company, MOSL

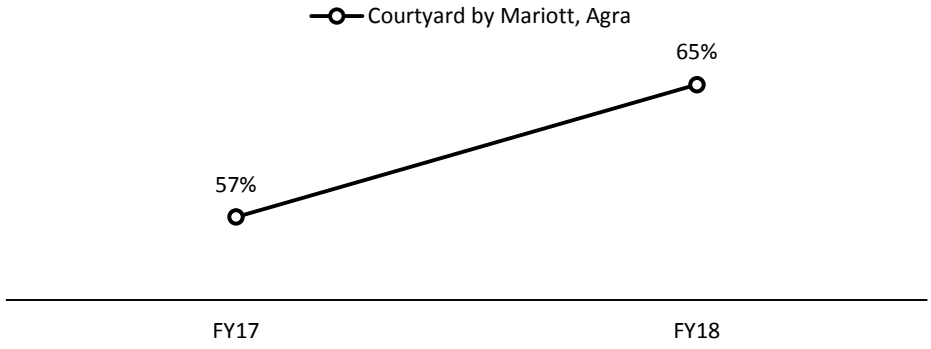
Rising occupancy levels at hotels: Rising revenues of hospitality assets were driven by robust performance of Rooms, F&B and Banquets. The 'St. Regis' is expected to sustain its strong performance, given the limited supply of luxury hotels in South Mumbai and growing demand from business travelers and tourists. 'Courtyard by Marriott' saw improved occupancy levels of 65% in FY18, compared to 57% in the previous year.

Exhibit 5: Hotel occupancy inching up



Source: Company, MOSL

Exhibit 6: Occupancy increased from 57% to 65% in FY18



Source: Company, MOSL

India retail market to grow at 16% CAGR over 2016-19

Currently, the total retail market size in the top-six retail markets of the country amounts to INR4,539b and this is projected to reach INR7,168b by 2019, as per a Knight Frank Report. Of the total retail spends in the top-six retail markets of India, modern retail amounts to INR871b. This is projected to reach INR1,718b by 2019. Penetration of modern retail should also witness a substantial rise, from the current 19%, rising to 24% over the next three years, largely driven by the omni-channel way of retailing.

Exhibit 7: Total Retail Market Size set to expand

Source: Company AR 2018

Exhibit 8: Category-wise Annual Modern Retail Potential

Category		INR b
Apparel	46%	292
Daily Needs	4%	2170
F&B	36%	234

Source: Company AR 2018

Exhibit 9: Penetration of Modern Retail

Cities	2016	2019 (P)
Mumbai	14%	17%
NCR-Delhi	26%	33%
Bengaluru	14%	31%
Chennai	14%	19%
Hyderabad	14%	12%
Pune	14%	26%
Top Urban Centres	**19%**	**24%**

Source: Company AR 2018

Rising private equity investments in Indian real estate: Private equity and debt investments in India's real estate sector grew 12% YoY to USD4.18b across 79 transactions in 2017, as per JLL. The report also highlights that affordable housing and warehousing segments will attract huge investments going forward. In 2017, M&A deals worth USD3.26b were made in India's real estate sector. Private equity investments in Indian retail assets increased 15% in CY17, to reach USD800m. India is expected to witness an upward rise in the number of real estate deals in 2018, on the back of policy changes that have made the market more transparent.

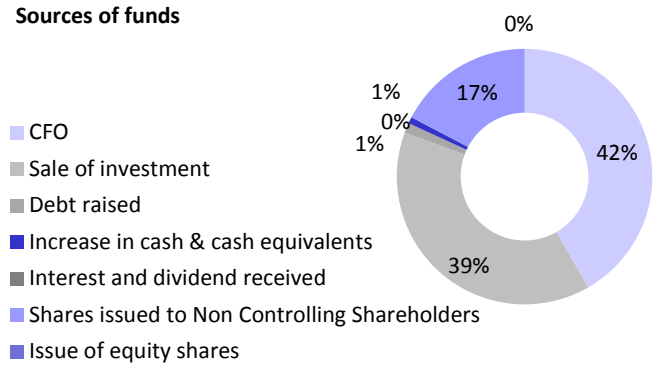
Cash flows deployed towards asset acquisitions

Historically, cash flows between FY13-18 have largely been deployed towards minority stake buyouts. In FY18, CFO (67%) and shares issued to non-controlling shareholders (28%) together accounted for 95% of the fund source. Purchase of fixed assets (66%) and investments (16%) together accounted for 82% of the application of funds. Purchase of fixed assets includes the Pune land – INR3.1b, Bangalore land – INR6.5b, Art Guild House – INR2.6b, Palladium construction – INR1.6b, Pune commercial – INR0.9b and Island Star – INR0.5b.

Exhibit 10: 17% funding raised from issue of shares to non-controlling shareholders

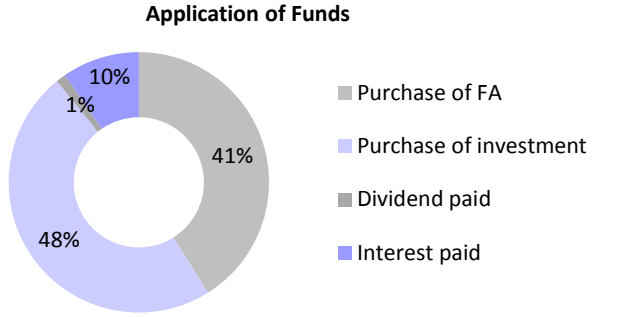
Fund flow	(INR m)	(%)
Sources of Funds		
CFO	15,177	67
Sale of fixed assets	2	-
Sale of investment	243	1
Debt raised	459	2
Increase in cash & cash equivalents	298	1
Interest and dividend received	127	-
Shares issued to non-controlling shareholders	6,298	28
Issue of equity shares	25	-
Total	**22,628**	**100**
Application of Funds		
Purchase of fixed assets	15,015	66
Purchase of investment	3,655	16
Dividend paid	442	2
Interest paid	3,516	16
Total	**22,628**	**100**

Exhibit 11: Sources of funds - FY18



Source: Company, MOSL

Exhibit 12: Application of funds - FY18

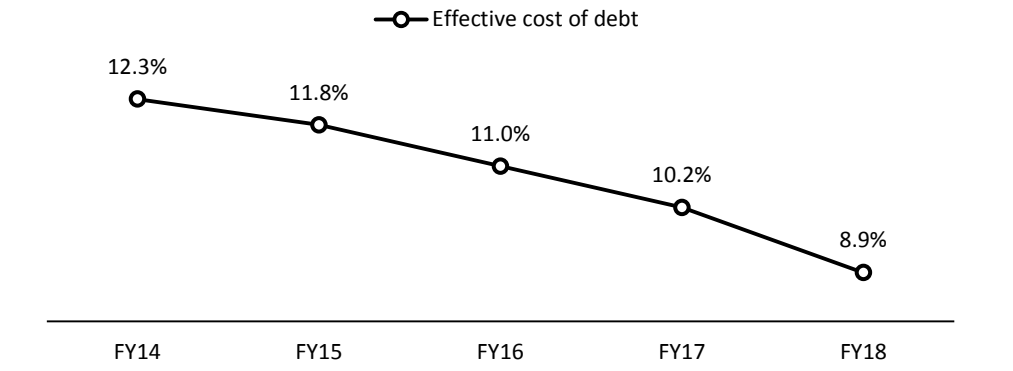


Source: Company, MOSL

Prudent capital management: Declining debt and improving net cash accruals

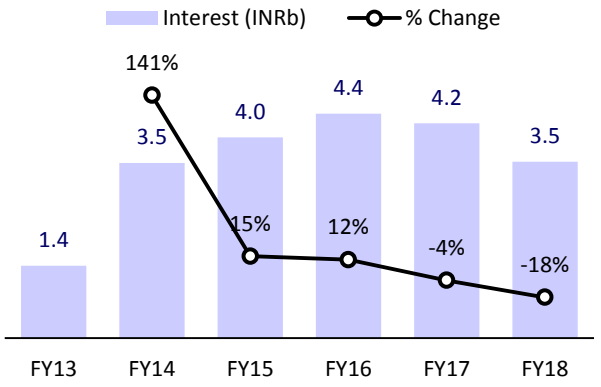
- As a result of declining interest costs and completion of payouts to minority stake purchases, we expect significant cash flow generation, which could be utilized to develop commercial portfolio in existing assets and to expand retail portfolio.
- The company's effective cost of debt has trended downwards from 12.3% in FY14 to 8.9% in FY18. Total outstanding debt has declined from INR39b in FY16 to INR 35b in FY18. Majority of the debt is in the form of LRDs, which are discounted against rent received from mall tenants.
  This has also resulted in declining interest and finance costs, which dropped from INR4.4b in FY16 to INR3.5b in FY18; interest and finance costs also declined sharply by 18% in FY18, YoY.
- The D/E ratio has improved from 1.8x in FY16 to 1.2x in FY18.

Exhibit 13: Declining effective cost of debt



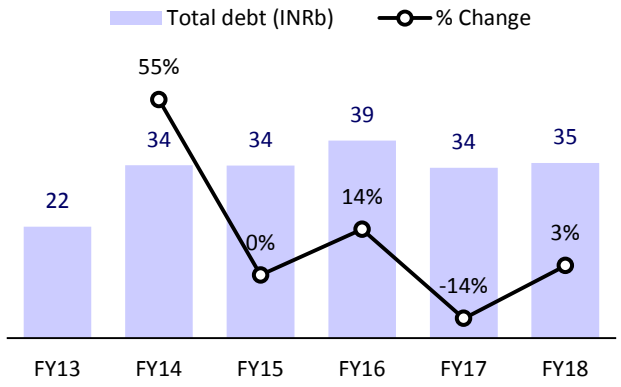
Source: Company, MOSL

Exhibit 14: Interest and finance costs declining



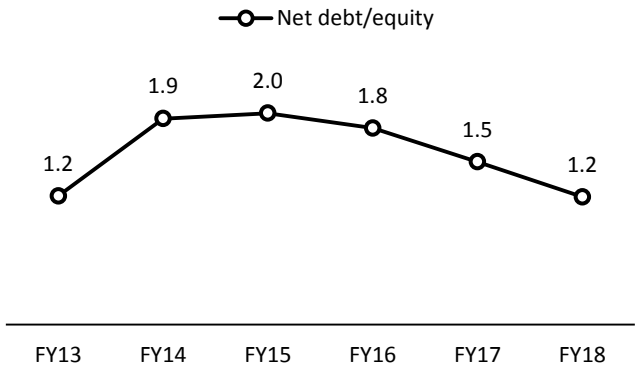
Source: Company, MOSL

Exhibit 15: Total debt on a declining trend



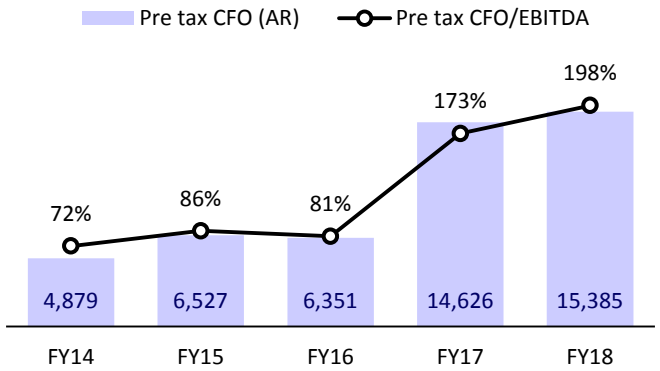
Source: Company, MOSL

Exhibit 16: Improving debt to equity ratio



Source: Company, MOSL

Exhibit 17: Superior cashflow to EBITDA trend



Source: Company, MOSL

Corporate governance

Directors are regular in attending meetings

- The Board comprises eight members, of which 50% are independent directors, and all the board members are regular in attending meetings.

Exhibit 18: 50% of the board is independent

Name of the director	Position	No of board meetings attended	Attendance at AGM
Mr. Ashok Kumar Ruia	Chairman & Managing Director	7 (7)	Yes
Mr. Atul Ruia	Joint Managing Director	7 (7)	Yes
Mr. Shishir Shrivastava	Joint Managing Director	7 (7)	Yes
Mr. PradumnaKanodia	Director- Finance	7 (7)	Yes
Mr. Amit Kumar Dabriwala	Non-Executive; Independent Director	7 (7)	Yes
Mr. Amit Dalal	Non-Executive; Independent Director	5 (7)	Yes
Mr. Sivaramakrishnan Iyer	Non-Executive; Independent Director	4 (7)	Yes
Ms. Shweta Vyas	Non-Executive; Independent Director	4 (7)	Yes

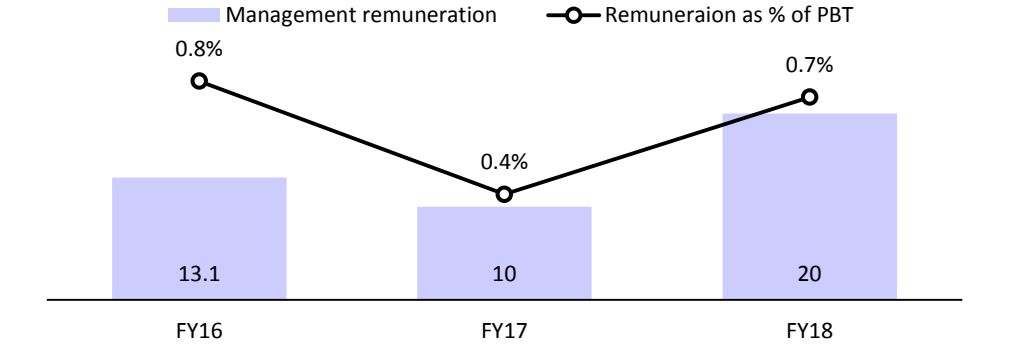
Source: Company, MOSL

Auditors: Since FY18, DTS & Associates are the statutory auditors. Prior to DTS & Associates, A. M. Ghelani & Company were the auditors of the company.

Executive remuneration has remained consistent

Executive remuneration is less than 1% of PBT over the past three years. Executive compensation has increased at 23% CAGR over the past three years.

Exhibit 19: Remuneration has remained consistent



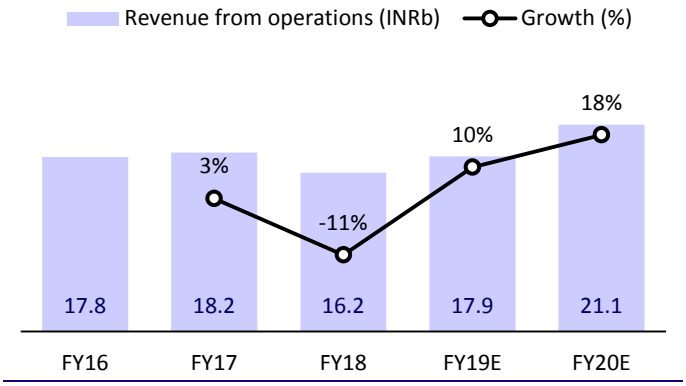
Source: MOSL, Company

Sustainability initiatives: The company has undertaken water conservation through rain water harvesting and manages to conserve 2,40,000 kl in 3-4 months. Its water-saving features include zero discharge of water by using 680kld STP plant and waterless urinals. Energy conserving initiatives such as adoption of LED lights at parking levels, timers, maintenance of power factor and escalators on power mode are employed. Moreover, the company undertakes conversion of wet garbage into manure through organic waste composter. The company has also installed electric-car charging stations and is prepared for the potential scale-up in electric vehicles.

Valuation view: We believe that PHNX provides a unique way to play India's retail growth story. We prefer PHNX due to its: (a) strong operational performance, (b) scalability (through the CPPIB deal), and (c) robust cash generation. We increase our discount rate and cap rate by 50 bp to factor in the rising interest rate in credit tightening environment. We value PHNX's retail assets based on DCF-based NAV approach, assuming a cap rate of 8.5% (HSP - 8%) and a discount rate of 13.5%. We maintain **Buy** with an SOTP-based target price of INR720 (upside 32%).

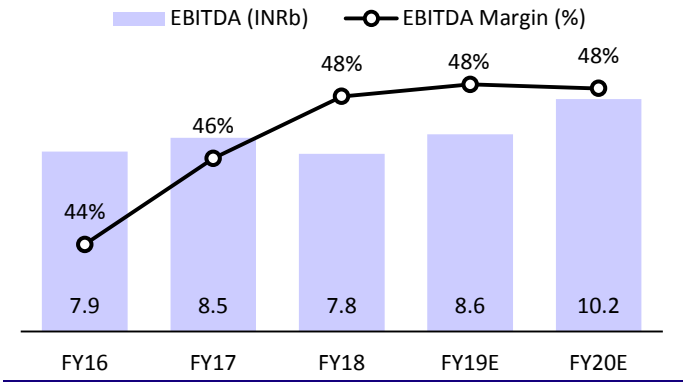
Story in Charts

Exhibit 20: Revenue to grow at 14% CAGR



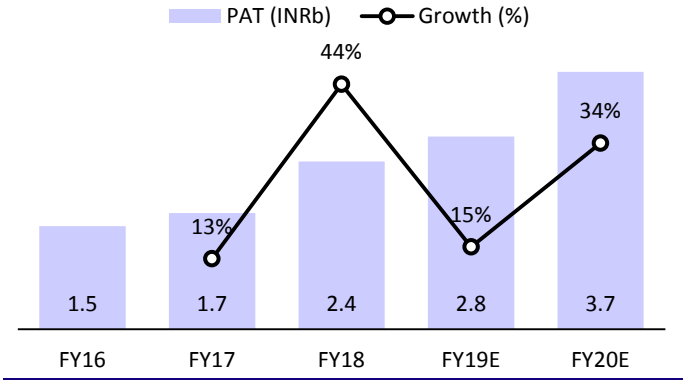
Source: MOSL, Company

Exhibit 21: EBITDA margins to remain flat



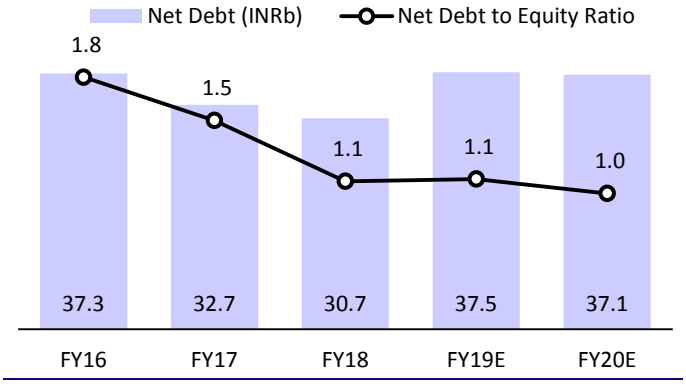
Source: MOSL, Company

Exhibit 22: PAT to grow at 24% CAGR



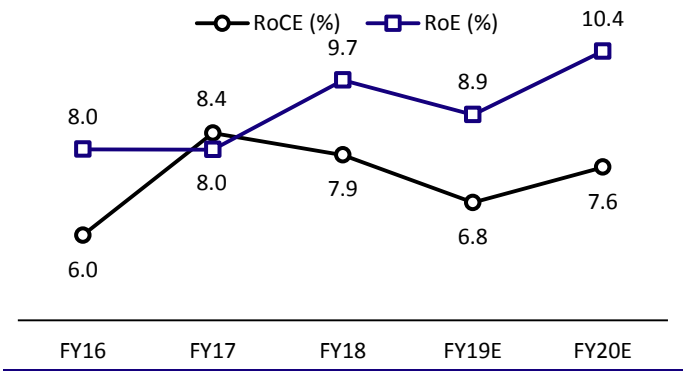
Source: MOSL, Company

Exhibit 23: Net debt to equity ratio to remain stable



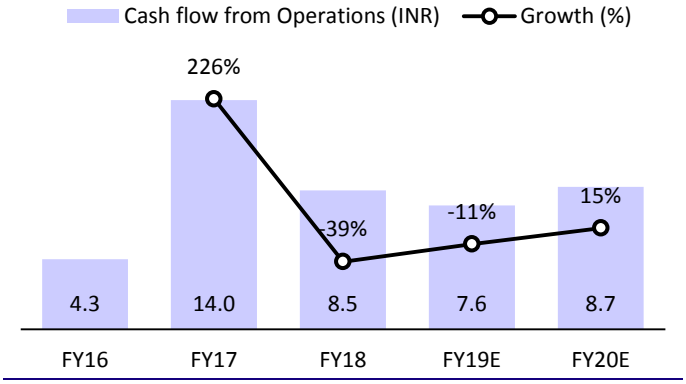
Source: MOSL, Company

Exhibit 24: ROE and ROCE trend



Source: MOSL, Company

Exhibit 25: Strong CFO generation over FY18-20E



Source: MOSL, Company

Financials and Valuation

Consolidated - Income Statement (INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income from Operations	**4,699**	**14,485**	**16,533**	**17,795**	**18,246**	**16,198**	**17,852**	**21,091**
Change (%)	19.1	208.3	14.1	7.6	2.5	-11.2	10.2	18.1
Cost of Materials/Construction	-39	3,500	2,813	2,848	2,466	1,319	1,446	1,793
Employees Cost	383	731	915	1,244	1,403	1,473	1,607	1,877
Power & Fuel Cost	772	1,426	1,790	1,983	2,027	1,775	1,946	2,278
Other Expenses	951	2,045	3,395	3,852	3,880	3,857	4,231	4,977
Total Expenditure	**2,068**	**7,701**	**8,914**	**9,926**	**9,777**	**8,424**	**9,230**	**10,925**
% of Sales	44.0	53.2	53.9	55.8	53.6	52.0	51.7	51.8
EBITDA	**2,631**	**6,784**	**7,620**	**7,869**	**8,469**	**7,774**	**8,623**	**10,166**
Margin (%)	56.0	46.8	46.1	44.2	46.4	48.0	48.3	48.2
Depreciation	474	1,055	1,681	1,773	1,953	1,983	2,222	2,233
EBIT	**2,157**	**5,729**	**5,939**	**6,096**	**6,516**	**5,791**	**6,400**	**7,933**
Int. and Finance Charges	1,430	3,451	3,956	4,425	4,230	3,476	3,191	3,383
Other Income	521	391	312	302	472	556	450	470
PBT bef. EO Exp.	**1,247**	**2,669**	**2,295**	**1,974**	**2,758**	**2,871**	**3,660**	**5,020**
EO Items	-7	84	-938	-387	0	0	0	0
PBT after EO Exp.	**1,241**	**2,753**	**1,357**	**1,587**	**2,758**	**2,871**	**3,660**	**5,020**
Total Tax	427	909	493	767	858	758	1,208	1,657
Tax Rate (%)	34.4	33.0	36.3	48.3	31.1	26.4	33.0	33.0
Minority Interest	-28	560	510	-470	221	-308	-330	-353
Reported PAT	**842**	**1,285**	**354**	**1,289**	**1,679**	**2,422**	**2,782**	**3,717**
Adjusted PAT	**846**	**1,228**	**952**	**1,489**	**1,679**	**2,422**	**2,782**	**3,717**
Change (%)	-19.9	45.2	-22.5	56.5	12.8	44.2	14.9	33.6
Margin (%)	18.0	8.5	5.8	8.4	9.2	15.0	15.6	17.6

Consolidated - Balance Sheet (INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	290	290	290	306	306	306	306	306
Total Reserves	17,397	16,948	16,447	19,967	21,194	28,211	33,922	37,160
Net Worth	**17,687**	**17,237**	**16,737**	**20,273**	**21,501**	**28,517**	**34,228**	**37,466**
Minority Interest	4,252	7,216	6,212	4,789	2,797	4,661	10,633	10,633
Total Loans	21,956	34,062	34,023	38,895	33,542	34,509	38,009	38,009
Deferred Tax Liabilities	-477	-858	-1,047	-1,096	-1,252	-846	-846	-846
Capital Employed	**43,418**	**57,657**	**55,925**	**62,861**	**56,587**	**66,841**	**82,024**	**85,262**
Gross Block	29,917	45,060	46,363	50,371	50,139	63,347	63,647	63,947
Less: Accum. Deprn.	2,079	3,363	5,061	6,824	8,400	10,383	12,605	14,838
Net Fixed Assets	**27,837**	**41,697**	**41,302**	**43,547**	**41,739**	**52,965**	**51,042**	**49,109**
Goodwill on Consolidation	0	0	2	1,933	3,273	3,711	3,711	3,711
Capital WIP	1,670	2,351	2,138	1,949	3,285	5,025	20,025	25,025
Total Investments	**5,554**	**3,544**	**1,997**	**1,611**	**4,096**	**4,978**	**4,978**	**4,978**
Curr. Assets, Loans&Adv.	**14,570**	**19,152**	**19,928**	**24,104**	**16,438**	**17,447**	**14,563**	**14,787**
Inventory	7,770	11,417	11,783	13,240	9,455	6,615	6,295	4,869
Account Receivables	846	1,968	2,192	2,786	1,470	1,292	1,369	1,618
Cash and Bank Balance	684	851	920	1,630	812	3,761	528	918
Loans and Advances	5,270	4,916	5,032	6,448	4,700	5,780	6,370	7,382
Curr. Liability & Prov.	**6,212**	**9,087**	**9,441**	**10,282**	**12,242**	**17,284**	**12,295**	**12,348**
Account Payables	1,415	2,018	1,462	1,616	1,116	1,048	1,138	748
Other Current Liabilities	4,141	6,546	7,217	8,115	10,338	11,459	5,891	5,695
Provisions	656	524	762	551	788	4,778	5,266	5,905
Net Current Assets	**8,358**	**10,065**	**10,487**	**13,822**	**4,196**	**163**	**2,268**	**2,439**
Appl. of Funds	**43,418**	**57,656**	**55,925**	**62,861**	**56,588**	**66,841**	**82,024**	**85,262**

Financials and Valuation

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)								
EPS	**5.5**	**8.0**	**6.2**	**9.7**	**11.0**	**15.8**	**18.2**	**24.3**
Cash EPS	8.6	14.9	17.2	21.3	23.7	28.8	32.7	38.9
BV/Share	115.6	112.6	109.4	132.5	140.5	186.3	223.6	244.8
DPS	2.1	2.1	2.1	2.2	0.4	2.6	2.6	2.6
Payout (%)	44.3	29.0	108.4	35.6	4.9	19.8	17.2	12.9
Valuation (x)								
P/E			88.0	56.2	49.9	34.6	30.1	22.5
Cash P/E			31.8	25.7	23.0	19.0	16.7	14.1
P/BV			5.0	4.1	3.9	2.9	2.4	2.2
EV/Sales			7.1	6.8	6.4	7.1	6.8	5.7
EV/EBITDA			15.3	15.4	13.7	14.7	14.1	11.9
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.1	0.5	0.5	0.5
Return Ratios (%)								
RoE	4.9	7.0	5.6	8.0	8.0	9.7	8.9	10.4
RoCE	4.8	9.0	7.8	6.0	8.4	7.9	6.8	7.6
RoIC	5.3	8.9	7.4	5.8	8.5	8.4	7.8	9.6
Working Capital Ratios								
Asset Turnover (x)	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Inventory (Days)	604	288	260	272	189	149	129	84
Debtor (Days)	66	50	48	57	29	29	28	28
Creditor (Days)	110	51	32	33	22	24	23	13
Leverage Ratio (x)								
Interest Cover Ratio	1.5	1.7	1.5	1.4	1.5	1.7	2.0	2.3
Net Debt/Equity	1.2	1.9	2.0	1.8	1.5	1.1	1.1	1.0

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	1,242	2,754	1,357	1,587	2,758	2,871	3,660	5,020
Depreciation	475	1,055	1,681	1,773	1,953	1,983	2,222	2,233
Interest & Finance Charges	1,057	3,241	3,777	4,237	3,909	2,920	2,741	2,913
Direct Taxes Paid	-492	-1,111	-891	-1,352	-438	-758	-1,208	-1,657
(Inc)/Dec in WC	-2,035	-2,187	-1,419	-1,940	5,853	1,481	162	219
CF from Operations	**248**	**3,751**	**4,505**	**4,304**	**14,035**	**8,497**	**7,577**	**8,728**
Others	-11	17	1,131	668	102	0	0	0
CF from Operating incl EO	**236**	**3,768**	**5,636**	**4,972**	**14,138**	**8,497**	**7,577**	**8,728**
(Inc)/Dec in FA	-4,411	-14,820	-1,074	-3,856	-1,847	-15,387	-15,300	-5,300
Free Cash Flow	**-4,174**	**-11,052**	**4,562**	**1,116**	**12,291**	**-6,889**	**-7,723**	**3,428**
(Pur)/Sale of Investments	-630	2,086	-1,326	96	-2,429	-883	0	0
Others	499	279	1,379	205	349	13,399	-5,050	470
CF from Investments	**-4,542**	**-12,456**	**-1,021**	**-3,555**	**-3,927**	**-2,870**	**-20,350**	**-4,830**
Issue of Shares	524	0	30	2,760	22	0	0	0
Inc/(Dec) in Debt	5,330	12,720	-188	1,729	-6,647	967	3,500	0
Interest Paid	-1,530	-3,493	-4,017	-4,469	-4,321	-3,476	-3,191	-3,383
Dividend Paid	-335	-371	-372	-727	-83	-479	-479	-479
Others	0	0	0	0	0	308	9,710	353
CF from Fin. Activity	**3,990**	**8,855**	**-4,546**	**-707**	**-11,029**	**-2,679**	**9,540**	**-3,508**
Inc/Dec of Cash	**-316**	**168**	**69**	**710**	**-818**	**2,948**	**-3,232**	**390**
Opening Balance	1,000	684	851	920	1,630	812	3,760	528
Closing Balance	**684**	**851**	**920**	**1,630**	**812**	**3,760**	**528**	**918**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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