IRB Infrastructure Developers

BUY

INDUSTRY	INFRASTRUCTURE
CMP *(as on 30 Oct 2018)*	Rs 126
Target Price	Rs 256
Nifty	10,198
Sensex	33,891
KEY STOCK DATA	
Bloomberg	IRB IN
No. of Shares (mn)	351
MCap (Rs bn) / ($ mn)	44/602
6m avg traded value (Rs mn)	467

STOCK PERFORMANCE (%)

52 Week high / low — **Rs 286/117**

	3M	6M	12M
Absolute (%)	(37.7)	(55.2)	(46.9)
Relative (%)	(28.1)	(51.6)	(48.8)

SHAREHOLDING PATTERN (%)

Promoters	57.54
FIs & Local MFs	13.27
FPIs	21.02
Public & Others	8.17

Source : BSE

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Strong outperformance

IRB's 2QFY19 Revenue, EBIDTA and PAT came in 17/30/62% ahead of our estimates at Rs 14.3/6.7/1.7bn. 2QFY19 toll revenues (affected by 8 days of transport strike) were 5.3% lower QoQ (post adj. for exempt Rs 96mn claim in 1QFY19). Ahmedabad Vadodara toll revenue grew 13.5% YoY whereas Kaithal Rajasthan grew 13.8% QoQ as major structures are completed

EPC segment will be bolstered from 2HFY19E with 4 large projects contributing and also Yedeshi Aurangabad and Karwar - Kundapur in advanced stages now. The EPC EBIDTA margins would see a dip vs earlier years as HAM projects have ~17% margin profile vs >25% in BOT earlier. IRB claims to have a 10-12% PAT margin/12-13% Equity IRR in HAM.

The stock has corrected ~55% over last 6 months. With the HAM projects well placed to start within expected timeline, we expect IRB to meet its revenue guidance. Maintain BUY with SOTP of Rs 256/sh (EPC at EPC standalone at 7.5x Mar-20E EPS and ~60% discount to peers).

Highlights of the Quarter

- **Uptick in EPC revenues from 3QFY19E:** With all 3 HAM projects achieving FC on time despite a hostile environment (at ~9.75% cost of debt), execution would start from end-3QFY19E. IRB has guided Hapur BOT to also contribute from 4QFY19E. These projects will provide good EPC visibility for the next 2-3 years.
- **NHAI tendering yet to start:** 2QFY19 construction order backlog is Rs 132bn (3.4x FY18 EPC revenue), despite no wins in this quarter. While IRB has guided for Rs 70bn of inflows, this is highly contingent on NHAI resuming ordering in the 2nd half. The subdivision between EPC/HAM also remains to be seen.
- **Near Term Outlook:** While BOT toll growth in Vadodara and Kaithal has been encouraging, we expect toll growth recovery in existing projects to partially make up for the Mum-Pune revenue loss from next year. We will be keenly monitoring IRB's bidding activity once tendering picks up steam.

Financial Summary (Consolidated)

Year Ending March (Rs mn)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	FY17	FY18	FY19E	FY20E
Net Sales	14,323	11,227	*27.6*	15,380	*(6.9)*	58,459	56,941	69,195	83,573
EBITDA	6,701	5,724	*17.1*	7,467	*(10.3)*	30,483	26,795	31,562	31,341
APAT	1,730	1,311	*31.9*	2,501	*(30.9)*	7,004	7,931	8,920	6,921
Diluted EPS (Rs)	4.9	3.7	*31.9*	7.1	*(30.9)*	19.9	22.6	25.4	19.7
P/E (x)						6.3	5.6	5.0	6.4
EV / EBITDA (x)						5.6	6.3	5.2	5.7
RoE (%)						13.9	14.5	14.8	10.4

Source: Company, HDFC sec Inst Research

Revenue: 17% ahead of estimates at Rs 14.3bn (+28% YoY, -7%QoQ)

BOT Revenue: Rs 4.9bn (+37% YoY, -6%QoQ). EPC Revenue: Rs 9.3bn (vs Rs 10.0bn QoQ, Rs 8.2bn YoY)

EBITDA: 30% estimate beat; Rs 6.7bn (+17% YoY, -10% QoQ)

Other income: Rs 532mn (+17%QoQ) and finance cost came in at Rs 2.7bn (+10% QoQ)

APAT: 62% ahead of estimates at Rs 1.7bn (+31% YoY, -31% QoQ)

Consolidated Quarterly Financial

Particulars (Rs mn)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	1HFY18	1HFY17	YoY (%)
Net Sales	**14,323**	**11,227**	***27.6***	**15,380**	***(6.9)***	**29,702**	**30,157**	***(1.5)***
Material Expenses	5,895	4,456	*32.3*	6,266	*(5.9)*	12,161	13,481	*(9.8)*
Employee Expenses	855	644	*32.9*	770	*11.1*	1,625	1,215	*33.7*
Other Operating Expenses	872	403	*116.2*	876	*(0.5)*	1,748	1,558	*12.2*
EBITDA	**6,701**	**5,724**	***17.1***	**7,467**	***(10.3)***	**14,168**	**13,903**	***1.9***
Depreciation	1,372	1,260	*8.9*	1,345	*2.1*	2,717	3,076	*(11.7)*
EBIT	**5,329**	**4,464**	***19.4***	**6,122**	***(13.0)***	**11,451**	**10,827**	***5.8***
Other Income (including E.O)	532	1,465	*(63.7)*	453	*17.4*	985	2,000	*(50.8)*
Interest Cost	2,719	2,356	*15.4*	2,477	*9.8*	5,195	5,211	*(0.3)*
PBT	**3,141**	**3,573**	***(12.1)***	**4,098**	***(23.3)***	**7,241**	**7,616**	***(4.9)***
Tax	1,412	1,225	*15.2*	1,597	*(11.6)*	3,009	2,890	*4.1*
RPAT	**1,730**	**2,347**	***(26.3)***	**2,501**	***(30.9)***	**4,232**	**4,726**	***(10.5)***
EO Items	-	(1,036)	***0.0***	-	***0.0***	-	(1,267)	***0.0***
APAT	**1,730**	**1,311**	***(26.3)***	**2,501**	***(30.9)***	**4,232**	**3,459**	***22.3***

Source: Company, HDFC sec Inst Research

Margin Analysis

MARGIN ANALYSIS	2QFY19	2QFY18	YoY (bps)	1QFY19	QoQ (bps)	1HFY18	1HFY17	YoY (bps)
Material Expenses % Net Sales	41.2	39.7	*147*	40.7	*41*	40.9	44.7	*(376)*
Employee Expenses % Net Sales	6.0	5.7	*24*	5.0	*96*	5.5	4.0	*144*
Other Operating Expenses % Net Sales	6.1	3.6	*250*	5.7	*39*	5.9	5.2	*72*
EBITDA Margin (%)	**46.8**	**51.0**	***(420)***	**48.6**	***(176)***	**47.7**	**46.1**	***160***
Tax Rate (%)	44.9	34.3	*1,064*	39.0	*598*	41.6	37.9	*361*
APAT Margin (%)	12.1	11.7	*40*	16.3	*(419)*	14.2	11.5	*278*

Source: Company, HDFC sec Inst Research

On segmental front BOT Revenue improved 32.9% YoY to Rs 4.9bn

EPC revenue came in at Rs 9.4bn in 2QFY19 (+13.9% QoQ,-7.5% YoY)

Segmental Performance

Particulars (Rs mn)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	1HFY18	1HFY17	YoY (%)
Total Revenue	14,325	11,959	*19.8*	15,382	*(6.9)*	29,707	30,091	*(1.3)*
Construction	9,386	8,244	*13.9*	10,151	*(7.5)*	19,537	21,417	*(8.8)*
BOT	4,939	3,715	*32.9*	5,232	*(5.6)*	10,171	8,674	*17.3*
EBITDA (incl OI)	6,702	5,696	*17.7*	7,470	*(10.3)*	14,172	13,837	*2.4*
Construction	2,400	2,543	*(5.6)*	2,805	*(14.4)*	5,205	6,441	*(19.2)*
BOT	4,302	3,154	*36.4*	4,665	*(7.8)*	8,967	7,396	*21.2*
EBITDA Margin (%)	46.8	47.6	*(84.6)*	48.6	*(177.4)*	47.7	46.0	*171.9*
Construction (%)	25.6	30.8	*(527.3)*	27.6	*(206.2)*	26.6	30.1	*(343.2)*
BOT (%)	87.1	84.9	*221.8*	89.2	*(206.3)*	88.2	85.3	*288.9*
EBIT	5,330	4,436	*20.2*	6,125	*(13.0)*	11,455	10,761	*6.4*
Construction	2,291	2,334	*(1.8)*	2,706	*(15.3)*	4,997	5,989	*(16.6)*
BOT	3,039	2,102	*44.6*	3,419	*(11.1)*	6,458	4,772	*35.3*
EBIT Margins (%)	37.2	37.1	*11.4*	39.8	*(261.0)*	38.6	35.8	*279.6*
Construction (%)	24.4	28.3	*(390.2)*	26.7	*(224.9)*	25.6	28.0	*(238.7)*
BOT (%)	61.5	56.6	*495.0*	65.4	*(382.1)*	63.5	55.0	*847.7*

Source: Company, HDFC sec Inst Research

2QFY19 toll revenues (affected by 8 days of transport strike) were 5.3% lower QoQ (post adj. for exempt Rs 96mn claim in 1QFY19)

Ahmedabad Vadodara toll revenue grew 13.5% YoY whereas Kaithal Rajasthan grew 13.8% QoQ as major structures were completed

Project Wise BOT Revenue Trend

Particulars (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Mumbai - Pune	1,735	1,372	1,832	2,278	2,134	2,332	2,271	2,309	2,148
Surat - Dahisar BOT Project	1,484	1,114	1,475	-	-	-	-	-	-
Tumkur Chitradurga	497	399	543	-	-	-	-	-	-
Bharuch Surat Project	470	372	500	-	-	-	-	-	-
TBB - 4 (Mumbra)	188	152	202	-	-	-	-	-	-
Thane - Ghodbunder	83	52	82	84	78	99	102	195*	99
Pune - Nashik	77	59	76	79	80	84	82	83	91
Pune - Solapur	55	45	61	64	58	65	63	63	58
Namakkal - Ommalur	192	149	193	-	-	-	-	-	-
Ahmedabad - Vadodara	826	690	917	916	865	1,007	1,020	1,041	982
Talegoan Amravati	117	102	148	-	-	-	-	-	-
Jaipur Deoli	267	224	312	-	-	-	-	-	-
Amritsar Pathankot	279	238	271	320	278	-	-	-	-
Udaipur - Gujarat	-	-	-	-	115	388	386	383	353
Kaithal Rajasthan	-	-	-	-	42	167	161	166	189
Agra Etawah	167	208	261	247	243	286	247	231	204
Chittorgarh – Gulabpura	-	-	-	-	-	343	574	533	504
Kishangarh – Gulabpura	-	-	-	-	-	-	153	344	342
Solapur - Yedeshi	-	-	-	-	-	-	47	174	169
Total (Rs mn)	**6437.8**	**5176.4**	**6873.0**	**3,988.0**	**3,893.0**	**4,771.0**	**5,106.0**	**5,522.0**	**5,138.0**

Source: Company, HDFC sec Inst Research, Amritsar Pathankot has been transferred to IRB InvIT from 28th Sep 2017, *Includes Exempt car claim of Rs 96.0mn

We value IRB's BOT portfolio at Rs 92/share

We value standalone EPC business at 7.5x Mar-20E EPS to arrive at EPC value of Rs 129/share

We value the 15% stake in InvIT at BV value of units held at Rs 25/sh

Real Estate land holding at Rs 10/share

Maintain BUY with a SOTP-based target price of Rs 256/share

Outlook And Valuation

Maintain BUY, Target Price Rs 256/sh

- We have valued BOT projects on DCF basis with 12.5-14% WACC. We arrive at Rs 92/sh valuation for IRB's BOT portfolio.
- We have valued EPC standalone at 7.5x Mar-20E Earnings. This is ~60% discount to peers like KNR, Dilip, PNC etc. as IRB subcontracts large part of projects to other EPC players and it doesn't directly bid for third party EPC projects.
- We maintain BUY with a TP of Rs 256/share. We peg (1) BOT projects at Rs 92/share, (2) EPC business at Rs 129/share (7.5x Mar-20E EPS), (3) InvIT stake at Rs 25/sh and (4) Real estate at Rs 10/sh.

SOTP Valuation

SPV	Asset Operated	Holding	Valuation Measure	Disc rate	Value (Rs mn)	Value /Share
BOT						
Mhaiskar Infrastructure	Mumbai Pune Expressway	100%	FCFE	12.5%	7,700	21.9
IRB Infrastructure	Kharpada-Patalganga Bridge	100%	FCFE	13.0%	263	0.7
Ahmedabad Vadodara	Ahmedabad Vadodara	100%	FCFE	14.0%	(6,425)	(18.3)
ATR Infrastructure	Pune Nashik	100%	FCFE	13.0%	315	0.9
Aryan Toll Road	Pune Sholapur	100%	FCFE	13.0%	1,297	3.7
Agra Etawah	Agra Etawah	100%	FCFE	13.5%	(481)	(1.4)
Kaithal Rajasthan	Kaithal Rajasthan	100%	FCFE	13.5%	5,642	16.1
Goa - Kundapur	Goa - Kundapur	100%	FCFE	13.5%	7,522	21.4
Thane Ghodbunder Toll Road	Thane Ghodbunder	100%	FCFE	13.0%	689	2.0
Yadeshi Aurangabad	Yadeshi Aurangabad	100%	FCFE	13.5%	9,209	26.2
Solapur yadeshi	Solapur yadeshi	100%	FCFE	13.5%	3,988	11.3
NKT Road & Toll	Ahmednagar Tembhurni Road	100%	FCFE	13.0%	(24)	(0.1)
IRB Kolhapur IRDC	Kolhapur City Roads	100%	FCFE	12.5%	2,580	7.3
BOT FCFE	**Gross value of BOT - (I)**				**32,275**	**92**
EPC						
Modern Road Makers	EPC Business	100%	P/E(x)	7.5	45,468	129.4
Value of EPC segment	**(II)**				**45,468**	**129.4**
Add : INVIT investment value	**Gross value of Units at BV - (III)**		**Unit Value**	**15% stake**	**8,890**	**25**
Add : Real Estate	**Gross value of Real Estate - (IV)**				**3,500**	**10**
Total	**Total Value - (I)+(II)+(III)+(IV)**				**90,133**	**256**

Source: HDFC sec Inst Research

We have not changed estimates for IRB in FY19/20E

Peer set comparison: Core EPC

COMPANY	MCap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	Adj. EPS (Rs/sh)			P/E (x)			EV/EBITDA (x)			ROE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Dilip Buildcon	54.8	401	BUY	1060	46.5	53.8	54.1	6.8	5.9	5.8	5.6	4.2	3.5	29.5	26.0	20.8
IRB Infra Developers	44.3	126	BUY	256	19.7	14.5	17.2	(0.1)	(0.1)	(0.1)	1.5	1.7	1.5	30.2	22.0	24.4
NCC	45.0	75	BUY	136	5.2	6.5	7.1	12.7	10.1	9.3	6.7	5.5	5.1	8.1	8.8	8.8
PNC Infratech	34.4	134	BUY	270	4.1	8.6	13.0	19.1	9.1	6.0	7.9	5.7	4.2	6.2	11.4	15.1
Sadbhav Engineering	33.8	197	BUY	375	12.9	14.0	14.9	7.2	6.6	6.2	7.4	5.9	4.8	11.8	11.5	11.0
Ashoka Buildcon	31.1	111	BUY	210	8.4	8.4	7.9	5.0	5.1	5.4	4.2	4.2	3.6	13.0	11.6	9.9
KNR Constructions	24.7	176	BUY	304	13.4	9.6	13.5	8.7	12.1	8.6	4.7	5.1	3.9	18.3	10.8	13.1
ITD Cementation *	19.9	116	BUY	185	6.1	8.2	10.3	19.0	14.1	11.3	8.7	6.3	5.6	16.2	16.5	15.0
Ahluwalia Contracts	18.9	282	BUY	431	17.3	21.2	23.2	15.6	12.7	11.6	7.8	6.5	5.8	20.5	20.5	18.6
JMC Projects	13.9	83	BUY	135	6.3	5.7	6.1	9.2	10.2	9.5	5.5	5.8	5.2	14.4	11.4	11.0
PSP Projects	13.2	367	BUY	581	18.0	26.6	32.4	20.3	13.8	11.3	10.9	7.5	5.9	31.7	27.4	26.2
HG Infra	11.6	178	BUY	366	12.9	18.5	23.4	13.8	9.6	7.6	6.7	4.4	3.7	23.5	20.0	20.7
J. Kumar Infraprojects	9.2	122	BUY	306	17.5	21.0	25.6	7.0	5.8	4.8	4.1	3.3	2.9	9.2	10.1	11.4
Average					**14.5**	**16.7**	**19.1**	**11.1**	**8.9**	**7.5**	**6.3**	**5.1**	**4.3**	**17.9**	**16.0**	**15.9**

Source: Company, HDFC sec Inst Research *ITD Cementation FY19E/FY20E should be read as 15MFY19E/FY20E

Income Statement (Consolidated)

Year ending March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Revenues	**51,279**	**58,459**	**56,941**	**69,195**	**83,573**
Growth (%)	***33.3***	***14.0***	***(2.6)***	***21.5***	***20.8***
Material Expenses	20,538	22,867	23,965	31,626	44,629
Employee Expenses	2,465	2,726	2,914	3,022	3,949
Other Operating Expenses	1,673	2,384	3,267	2,984	3,653
EBIDTA	**26,603**	**30,483**	**26,795**	**31,562**	**31,341**
EBIDTA Margin (%)	***51.9***	***52.1***	***47.1***	***45.6***	***37.5***
EBIDTA Growth (%)	***20.3***	***14.6***	***(12.1)***	***17.8***	***(0.7)***
Depreciation	8,533	8,548	5,440	6,528	7,181
EBIT	**18,069**	**21,935**	**21,355**	**25,034**	**24,160**
Other Income (Incl EO items)	1,272	1,232	2,954	1,434	1,462
Interest	10,639	13,327	9,667	13,734	15,697
PBT	**8,702**	**9,839**	**14,642**	**12,734**	**9,926**
Tax	2,306	2,685	5,444	3,820	2,978
RPAT	**6,395**	**7,154**	**9,198**	**8,914**	**6,948**
Minority Interest/Share of associates	4	(1)	-	(6)	27
EO Items	155	150	(1,267)	-	-
APAT	**6,236**	**7,004**	**7,931**	**8,920**	**6,921**
APAT Growth (%)	**14.9**	**12.3**	**13.2**	**12.5**	**(22.4)**
Adjusted EPS (Rs/sh)	17.7	19.9	22.6	25.4	19.7
EPS Growth (%)	***14.9***	***12.3***	***13.2***	***12.5***	***(22.4)***

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY16	FY17E	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	3,515	3,515	3,515	3,515	3,515
Reserves	44,848	49,201	53,410	60,260	65,576
Total Shareholders Funds	**48,363**	**52,716**	**56,925**	**63,775**	**69,090**
Minority Interest	355	-	-	-6	21
Long Term Debt	132,840	120,897	118,313	141,035	153,680
Short Term Debt	23,421	18,734	19,944	9,867	9,867
Total Debt	**156,261**	**139,631**	**138,257**	**150,902**	**163,547**
Net Deferred Taxes	(3,480)	(3,901)	(3,205)	(3,205)	(3,205)
OtherNon Current Liabilities & Provisions	207,393	159,596	156,465	188,412	187,913
TOTAL SOURCES OF FUNDS	**408,892**	**348,042**	**348,441**	**399,878**	**417,367**
APPLICATION OF FUNDS					
Net Block (Inc CWIP)	391,687	311,942	367,191	404,543	424,649
Investments	362	1,459	7,617	7,617	7,617
Other Non Current Assets	1,177	1,244	712	712	712
Total Non-current Assets	**393,226**	**314,644**	**375,520**	**412,872**	**432,978**
Inventories	3,088	3,527	4,873	3,118	4,217
Debtors	87	705	1,326	724	741
Cash & Equivalents	15,008	13,077	14,516	32,170	29,960
Other Current Assets	6,430	28,005	4,449	4,449	4,449
Total Current Assets	**24,613**	**45,313**	**25,164**	**40,461**	**39,367**
Current liabilities	8,855	11,828	52,150	53,362	54,885
Provisions	92	87	93	93	93
Total Current Liabilities	**8,947**	**11,914**	**52,243**	**53,455**	**54,978**
Net Current Assets	**15,666**	**33,399**	**(27,079)**	**(12,994)**	**(15,610)**
Misc Expenses & Others	**-**	**-**	**-**	**-**	**-**
TOTAL APPLICATION OF FUNDS	**408,892**	**348,043**	**348,441**	**399,878**	**417,367**

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Year ending March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Reported PBT	8,702	9,839	14,642	12,734	9,926
Non-operating & EO items	(869)	(548)	(2,347)	(1,434)	(1,462)
Interest expenses	10,639	13,327	9,667	13,734	15,697
Depreciation	8,533	8,548	5,440	6,528	7,181
Working Capital Change	(482)	4,032	(1,062)	35,517	(92)
Tax Paid	(3,125)	(3,106)	(5,015)	(3,820)	(2,978)
OPERATING CASH FLOW (a)	**23,398**	**32,093**	**21,325**	**63,259**	**28,272**
Capex	(31,591)	(27,790)	(39,701)	(43,880)	(27,286)
Free cash flow (FCF)	*(8,193)*	*4,303*	*(18,376)*	*19,379*	*985*
Investments	151	(2,192)	13,485	1,434	1,462
INVESTING CASH FLOW (b)	**(31,440)**	**(29,982)**	**(26,216)**	**(42,447)**	**(25,824)**
Share capital Issuance	-	-	-	-	-
Debt Issuance	23,601	16,339	16,431	12,645	12,645
Interest expenses	(14,355)	(17,509)	(8,946)	(13,734)	(15,697)
Dividend	(2,538)	(846)	(3,384)	(2,069)	(1,606)
FINANCING CASH FLOW (c)	**6,709**	**(2,016)**	**4,102**	**(3,158)**	**(4,657)**
NET CASH FLOW (a+b+c)	**(1,333)**	**94**	**(789)**	**17,654**	**(2,210)**
EO Items, Others	12,244	10,218	2,229	-	-
Closing Cash & Equivalents	15,008	13,077	14,516	32,170	29,960

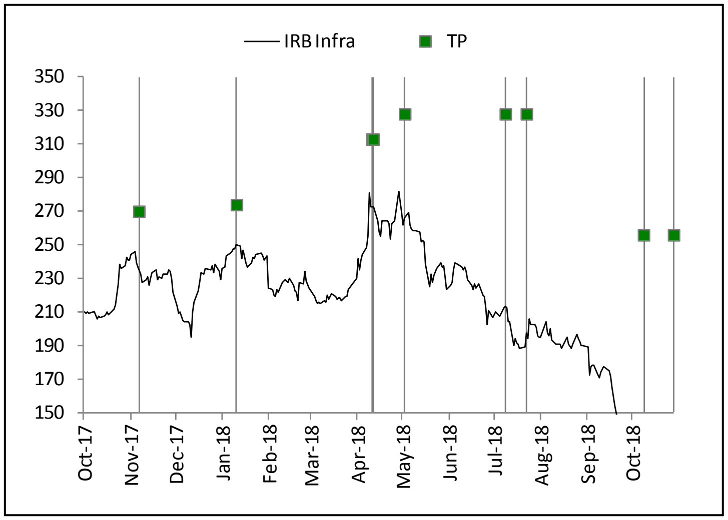
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY16	FY17	FY18	FY19E	FY20E
PROFITABILITY (%)					
GPM	59.9	60.9	57.9	54.3	46.6
EBITDA Margin	51.9	52.1	47.1	45.6	37.5
EBIT Margin	35.2	37.5	37.5	36.2	28.9
APAT Margin	12.2	12.0	13.9	12.9	8.3
RoE	13.6	13.9	14.5	14.8	10.4
RoIC	3.5	4.4	4.1	5.1	4.6
RoCE	3.5	4.4	4.0	5.0	4.4
EFFICIENCY					
Tax Rate (%)	26.5	27.3	37.2	30.0	30.0
Fixed Asset Turnover (x)	0.1	0.2	0.2	0.2	0.2
Inventory (days)	*22.0*	*22.0*	*31.2*	*16.4*	*18.4*
Debtors (days)	*0.6*	*4.4*	*8.5*	*3.8*	*3.2*
Other Current Assets (days)	*45.8*	*174.7*	*28.5*	*23.5*	*19.4*
Current Liab (days)	*63.0*	*73.8*	*334.3*	*281.5*	*239.7*
Provision (days)	*0.7*	*0.5*	*0.6*	*0.5*	*0.4*
Cash Conversion Cycle (days)	*4.7*	*126.7*	*(266.6)*	*(238.2)*	*(199.0)*
Debt/EBITDA (x)	5.9	4.6	5.2	4.8	5.2
Net D/E	2.9	2.4	2.2	1.9	1.9
Interest Coverage	1.7	1.6	2.2	1.8	1.5
PER SHARE DATA					
EPS (Rs/sh)	17.7	19.9	22.6	25.4	19.7
CEPS (Rs/sh)	42.0	44.3	38.0	44.0	40.1
DPS (Rs/sh)	4.0	4.1	5.2	5.1	3.9
BV (Rs/sh)	137.6	150.0	162.0	181.5	196.6
VALUATION					
P/E	7.1	6.3	5.6	5.0	6.4
P/BV	0.9	0.8	0.8	0.7	0.6
EV/EBITDA	7.0	5.6	6.3	5.2	5.7
EV/Revenues	3.6	2.9	3.0	2.4	2.1
OCF/EV (%)	0.1	0.2	0.1	0.4	0.2
FCF/EV (%)	(4.4)	2.5	(10.9)	11.9	0.6
FCFE/Market Cap (%)	2.4	7.1	(24.6)	41.3	(4.7)
Dividend Yield (%)	3.2	3.2	4.2	4.0	3.1

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
8-Nov-17	236	BUY	270
12-Jan-18	244	BUY	274
12-Apr-18	273	BUY	313
14-Apr-18	272	BUY	313
4-May-18	266	BUY	328
10-Jul-18	212	BUY	328
25-Jul-18	191	BUY	328
11-Oct-18	135	BUY	256
30-Oct-18	126	BUY	256

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:

We, **Parikshit Kandpal, CFA** and **Kunal Bhandari**, **ACA,** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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