



Choice

Nurturing Financial Excellence

IPO REPORT

**“Subscribe with Caution” to
Chalet Hotels Ltd.**

Salient features of the IPO:

- **Chalet Hotels Ltd.** (Chalet) a group company of K. Raheja Corp. is planning to raise around Rs. 16.2-16.4bn through an IPO by offering 58.6-59.2mn shares between the price range Rs. 275 - 280 per share.
- The IPO consists of fresh issue and OFS. Net proceeds from the fresh issue would be largely utilized for the repayment/prepayment of debt availed by the company.

Key competitive strengths:

- High-end branded hotels strategically located in key metro cities
- Active asset management model
- Well positioned to benefit from industry trends
- Experienced management team
- Backed by leading Indian real estate developer

Risk and concerns:

- Slowdown in the economy
- Seasonal business
- Change in consumer demand
- Unexpected rise in land cost, and other operating costs
- Competition

Peer comparison and valuation: At the higher price band of Rs. 280 per share, Chalet's share is valued at a cash P/E multiple of 38.7x (to its restated FY18 cash EPS of Rs. 7.2) as compared to peer average of 27.8x.

Below are few key observations of the issue: (continued in next page)

- Indian hotel industry is at an inflexion point. In the past, over FY07-16, the hotel room supply growth was in excess to the demand growth, which led to lower occupancy levels and lower room rates. Since last 18-24 months there is a gradual improvement in the room demand growth. Consequently, the hotel room demand growth is exceeding supply growth, thereby increasing the occupancy levels across the industry. The management anticipates that this positive trend is likely in the foreseeable future, as slower inventory creation is expected to continue up to FY21. Improved occupancy levels are expected to improve the room rates going forward. On an average the hotel room occupancy levels are likely to improve from 65% in FY17 to 71% and 73% in FY19 and FY20, respectively, for the industry. Currently, the room rates across the segments are at a significant discount to historical peak levels, thereby indicating a significant headroom for growth.
- Chalet is an owner, developer and an active asset manager of high-end hotels in India. With 2,328 hotel rooms across five hotel properties, it had a market share of around 4.4% in the luxury-upper scale segment in FY18. Its hotel properties are managed by Marriott. In aggregate, the company shares 8-12% of the hotel revenue with Marriott. Of the total hotel rooms, 93.5% is managed by Marriott, while the rest is self managed by Chalet. Managed hotel contributed 93.9% of the hotel revenue in FY18.
- Managed hotel brands are the globally recognized i.e. JW Marriott, Westin, Marriott, Marriott Executive Apartments and Renaissance. Self managed hotel is operated under the brand name Four Points by Sheraton. The company has a long relationship with Marriott since 2001.
- The company has developed its hotels at strategic locations generally with high entry barriers and in high density business districts of metros like – Mumbai, Bangalore, Hyderabad and Navi Mumbai. As of FY18, Chalet had 64.9% of the hotel rooms in Mumbai and Navi Mumbai, characterized by high room rates in India.
- It generally develops hotel on large land parcels, thereby enabling it to situate a greater number of rooms, as well as provide a wide range of amenities, such as, fine dining and specialty restaurants, large banquet and outdoor spaces. All the third party managed hotel are built on self owned lands, while the Navi Mumbai hotel is on leased land. The lease period is for 60 years, and as on 30th Sept. 2018, it had a residual period of 45 years.
- Since it is backed by a leading real estate developer i.e. K. Raheja Corp., Chalet has low development cost in the industry. For instance, it has developed its luxury hotel at Sahar, Mumbai at an average development cost per room of Rs. 14mn. As of 30th Sept. 2018, the company has spent Rs. 2.1bn towards land acquisition for the hotel properties.
- The company has an efficient cost structure, thereby leading it to report a superior operating performance. Chalet has staff to room ratio of around 1.22x across the hotels as compared to an average 2x of all the hotel operating in the same category. Moreover, it is among the efficient energy user, its energy consumption per room has declined by 9% and 23% in FY18 from FY16 levels. As a result of this, the company has an EBITDA margin, which is premium to the hotel operating in the same category.

Recommendation	Subscribe with Caution
Price Band (Rs.)	Rs. 275 - 280 per Share
Face Value (Rs.)	Rs. 10
Shares for Fresh Issue (mn)	33.93 - 34.55mn Shares
Shares for OFS (mn)	24.69mn Shares
Fresh Issue Size (Rs. mn)	Rs. 9,500mn
OFS Issue Size (Rs. mn)	Rs. 6,788.4 - 6,911.8mn
Total Issue Size (Rs. mn)	58.61 - 59.23mn Shares (Rs. 16,288.4 - 16,411.8mn)
Bidding Date	29 th Jan. - 31 st Jan. 2019
MCAP at Higher Price Band	Rs. 57,407mn
Enterprise Value at Higher Price Band	Rs. 74,843mn
Book Running Lead Manager	JM Financial Ltd.; Axis Capital Ltd. and Morgan Stanley India Company Pvt. Ltd.
Registrar	Karvy Fintech Pvt. Ltd.
Sector/Industry	Hotels

Promoters	Ravi C. Raheja, Neel C. Raheja, K. Raheja Corp. Pvt. Ltd., K. Raheja Pvt. Ltd., Ivory Properties and Hotels Pvt. Ltd., Genext Hardware & Parks Pvt. Ltd., Touchstone Properties & Hotels Pvt. Ltd., Cape Trading LLP, Capstan Trading LLP, Casa Maria Properties LLP, Anbee Constructions LLP, Palm Shelter Estate Development LLP, Raghukool Estate Development LLP and Ivory Property Trust
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Pre and post - issue shareholding pattern		
	Pre – Issue	Post - Issue
Promoter and Promoter Group	100.00%	71.41%
Public	0.00%	28.59%
Total	100.00%	100.00%

Retail Application Money at Higher Cut-Off Price per Lot

Number of Shares per Lot	53
Application Money	Rs. 14,840 per Lot

Analyst

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Peer comparison and valuation (Contd...):

Company Name	Face Value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock Return (%)				Total Operating Revenue (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	Cash PAT (Rs. mn)	EBITDA Margin (%)	PAT Margin (%)	Cash PAT Margin (%)
					1M	3M	6M	1Y							
Chalet Hotels Ltd.	10	280	57,407	74,843					8,737.8	2,944.2	365.7	1,482.0	33.7%	4.2%	17.0%
EIH Ltd.	2	180	103,111	105,181	-6.0%	11.8%	12.3%	-8.5%	15,984.4	2,989.4	1,792.0	2,965.4	18.7%	11.2%	18.6%
Hotel Leela Venture Ltd.	2	15	9,175	40,849	-8.8%	12.0%	-5.5%	-36.9%	7,185.4	1,942.3	(232.2)	1,022.1	27.0%	-3.2%	14.2%
The Indian Hotels Company Ltd.	1	134	159,123	176,456	-8.1%	4.3%	2.7%	-10.5%	41,035.5	6,703.5	1,008.7	4,020.7	16.3%	2.5%	9.8%
Average													20.7%	3.5%	14.2%

Company Name	EPS (Rs.)	Cash EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt Equity Ratio	Fixed Asset Turnover Ratio	RoE (%)	RoCE (%)	P / E (x)	Cash P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning Yield (x)	EV / Room (Rs. mn)
Chalet Hotels Ltd.	1.8	7.2	70.8	0.0	1.9	0.3	2.5%	4.5%	157.0	38.7	4.0	8.6	25.4	6.6	0.6%	32.1
EIH Ltd.	3.1	5.2	51.7	0.9	0.1	0.6	6.1%	5.3%	57.5	34.8	3.5	6.6	35.2	6.5	1.7%	23.1
Hotel Leela Venture Ltd.	(0.4)	1.6	6.1	0.0	8.3	0.2	-6.0%	1.9%	(39.5)	9.0	2.4	5.7	21.0	1.3	-2.5%	
The Indian Hotels Company Ltd.	0.8	3.4	41.7	0.3	0.5	0.5	2.0%	4.8%	157.8	39.6	3.2	4.3	26.3	3.9	0.6%	10.5
Average					3.0	0.4	0.7%	4.0%	58.6	27.8	3.0	5.5	27.5	3.9	-0.1%	16.8

Note: All financials and ratio based on FY18 data; Source: Choice Broking Research

- The company follows an active asset management model for its hotels operated by third parties, pursuant to which it closely monitors and exercises regular oversight over the performance of the hotel properties. According to the company, active asset management model, premium location of hotels, large room inventory and large function spaces, together with long relationship with international hospitality brands, has allowed Chalet hotels to achieve competitive financial and operational parameters. Across, the hotel properties, the company had market leading operating metric in FY18. For instance, four of its five hotels operated at higher metric like average daily rates, occupancy levels and Rev PAR.
- The financial performance of the company is not encouraging. Despite reporting 17.6% CAGR increase in the total operating revenue over FY14-18, it has reported net loss during FY14-16. However, with the turnaround in the hotel industry, it reported net profit over FY17-18. Nevertheless, the profitability in FY17 was supported by higher other income arising from sale of investments. Through efficient operations, consolidated EBITDA increased by 32.7% over FY14-18, with margin expanding from 20.7% in FY14 to 33.7% in FY18. EBITDA margin was leading in the industry. Due to its highly leveraged balance sheet, interest cost (which formed around 32% of the top-line) increased by 11.5% CAGR. Average RoE and RoCE over the profitable period i.e. FY17-18 stood at 17.9% and 4.4%, respectively. In Hi FY19, the company reported a net loss of Rs. 436.7mn on a revenue of Rs. 4,698.7mn.
- Chalet is in the process of expanding its hotel operations by adding 588 hotel rooms by Sept. 2021, spread across three greenfield hotel properties. Of these, two hotel properties are on leased land, while one is on owned land.
- Anticipating no material room inventory addition over FY18-20, we are estimating a 10.4% and 9.2% rise in the top-line, which would be mainly backed by higher hotel room tariff and occupancy levels. EBITDA is forecasted to decline by 3.4% in FY19, whereas increase by 11.8% in FY20. EBITDA margin to contract by over 4ppts in FY19 to 29.5%. EBITDA margin is anticipated at 30.2% in FY20. Additionally, with full benefit of lower debt levels coming in FY20, the company is expected to report a net loss of Rs. 362.8mn in FY19, whereas a net profit of Rs. 504.8mn in FY20. RoE and RoCE is anticipated to decline to 3.4% and 5.7%, respectively, in FY20 as compared to 7.3% and 5.8% in FY18.

Hotel industry is asset heavy industry. As hotel assets mature over the period, its value also appreciates. Thus, we feel the better metric to evaluate the hotel industry would be the cash profit or EV/EBITDA. Over FY14-18, Chalet has reported negative cash profit in FY15 and FY16, else for the other years, it reported positive cash profit. On valuation front, at higher price band, the company is demanding a cash P/E valuation of 38.7x (to its restated cash EPS of Rs. 7.2), which is at a premium to the peer average of 27.8x. Moreover, on EV/EBITDA front, it is demanding a valuation of 25.4x as compared to peers average of 27.5x. Thus, issue seems to be fairly priced, leaving limited room for share price appreciation. However, considering the future industry outlook, relatively lower room rates as compared to historical peak, efficient operations and industry leading operating margin, we assign a **"Subscribe with Caution"** rating to the issue.

About the issue:

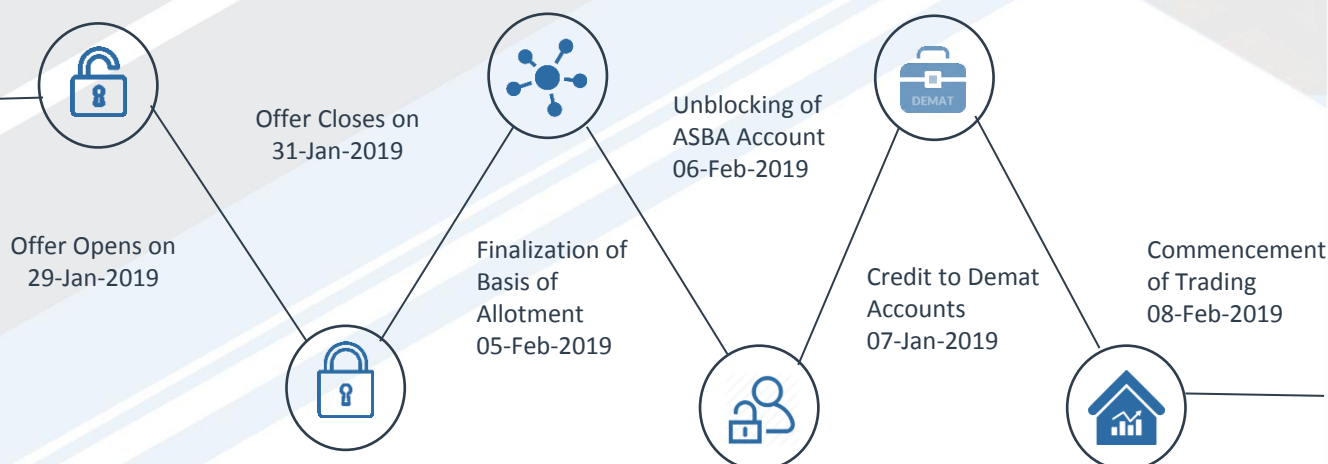
- Chalet is coming up with an initial public offering (IPO) with 58.61 - 59.23mn shares (fresh issue: 33.93 - 34.55mn shares; OFS shares: 24.69mn shares) in offering. The offer represents around 28.59% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 16,288.4 - 16,411.8mn.
- The issue will open on 29th Jan. 2019 and close on 31st Jan. 2019.
- The issue is book building with a price band of Rs. 275 - 280 per share.
- The IPO consists of fresh issue and OFS. Net proceeds from the fresh issue would be largely utilized for the repayment/prepayment of debt availed by the company. Residual funds would be utilized towards general corporate purposes.
- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.
- Promoter holds 100% stake in the company and post IPO this will come down to 71.41%. Public holding will increase from current nil to 28.59%.

Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group (%)	100.00%	71.41%
Public (%)	0.00%	28.59%

Source: Choice Equity Broking

Indicative IPO process time line:



Company introduction:

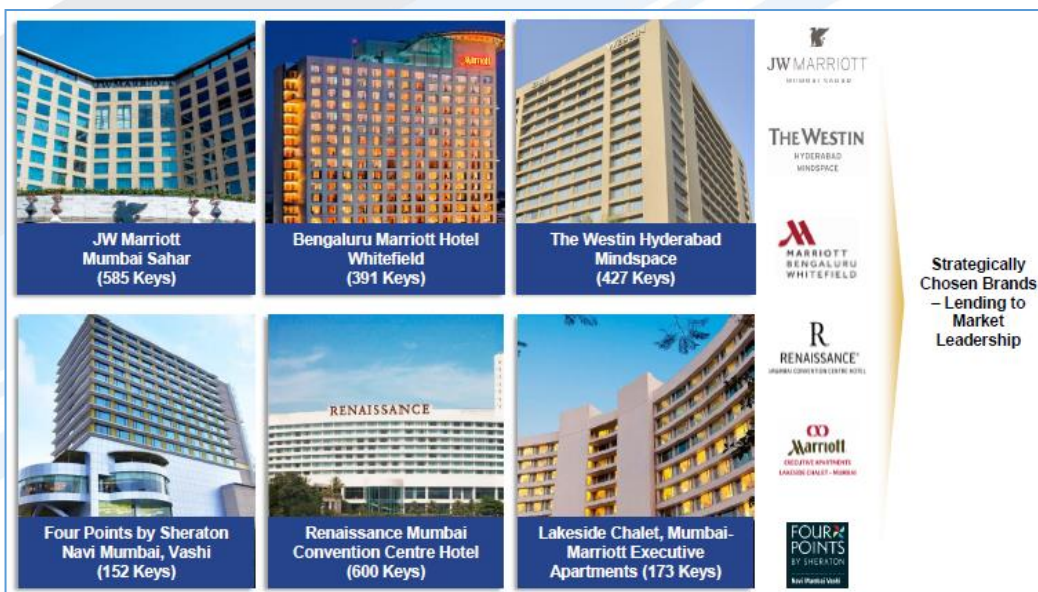
Chalet is an owner, developer and asset manager of high-end hotels in key metro cities in India. As on 30th Sept. 2018, its hotel platform comprises five operating hotels, including a hotel with a co-located serviced residence, located in the Mumbai Metropolitan Region, Hyderabad and Bengaluru, representing 2,328 keys. According to the Horwath Report, the company's hotels are branded with globally recognized hospitality brands and are in the luxury-upper upscale and upscale hotel segments. Chalet's hotel platform emphasizes strategic locations, efficient design & development, appropriate positioning in hotel segments together with branding and operational tie-ups with leading hospitality companies. The company uses its experience to actively manage the hotel assets to drive performance. Additionally, it has developed commercial and retail spaces, in close proximity to certain of its hotels.

According to the Horwath Report, Chalet has developed its hotels at strategic locations generally with high barriers-to-entry and in high density business districts of their respective metro cities. The company generally develops its hotels on large land parcels, allowing it to situate a greater number of rooms, as well as provide a wide range of amenities, such as, fine dining and specialty restaurants, large banquet and outdoor spaces. Chalet endeavors to build its hotels to superior standards targeting the luxury-upper upscale and upscale hotel segments at an efficient gross built up area and development cost per key.

Chalet seeks to brand its hotels with leading global hospitality brands, which it believes are well matched to the location, size, target customer base and intended hotel segment of its hotel properties. This allows the company to save on the time and cost required to build, develop and maintain its own hotel brand. Chalet's hotels are currently branded with global brands such as JW Marriott, Westin, Marriott, Marriott Executive Apartments, Renaissance and Four Points by Sheraton which are held by Marriott Hotels India Pvt. Ltd. and its affiliates (collectively "Marriott"). Currently, its hotel at Vashi, Navi Mumbai, is operated by it under a license agreement with Marriott. Four of the company's hotels, including the serviced residence, are operated pursuant to hotel operation and related agreements with Marriott.

The company follows an active asset management model for its hotels operated by third parties, pursuant to which it closely monitors and exercises regular oversight over the performance of the hotel properties. Among other things, Chalet discuss and agree on budgeting, operational & financial targets, review performance reports, engage with the hotel management team at each hotel by conducting detailed monthly performance review meetings and provide regular inputs on cost saving initiatives & potential improvements. It believes that its active asset management model, the premium location of hotels, large room inventory and large function spaces, together with the relationship with international hospitality brands, has allowed its hotels to achieve competitive financial and operational parameters. For example, according to the Horwath Report, for FY18, most of Chalet's hotels had higher average daily rates (ADR), occupancies and revenue per available room (RevPAR) compared to the average of other hotels in their respective micro-markets and hotel segments.

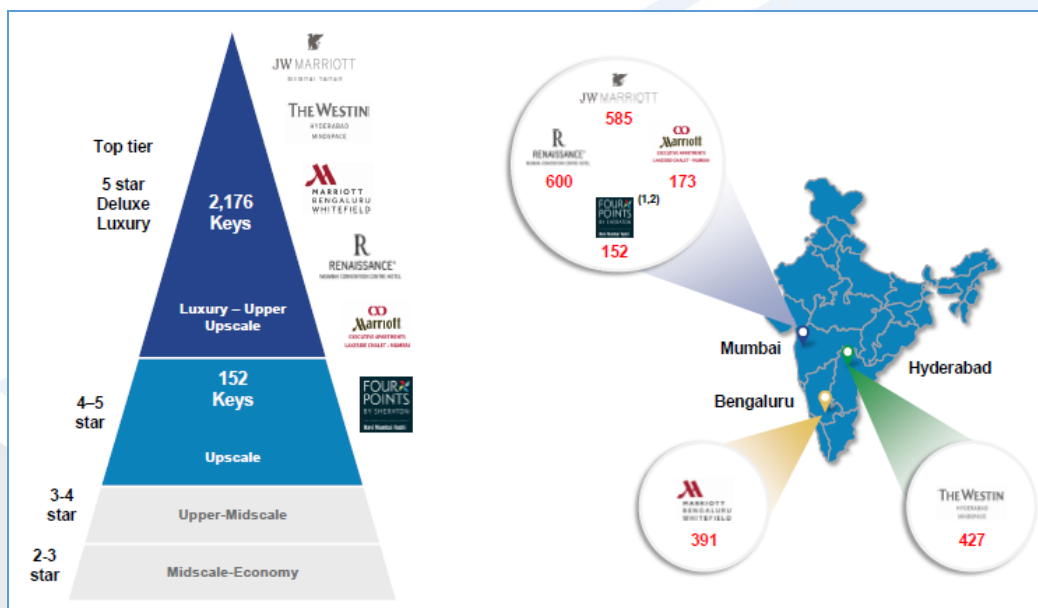
Chalet's operational assets:



Source: Company RHP

Company introduction (Contd...):

Portfolio of high-end, globally recognized, branded hotels:



Source: Company RHP

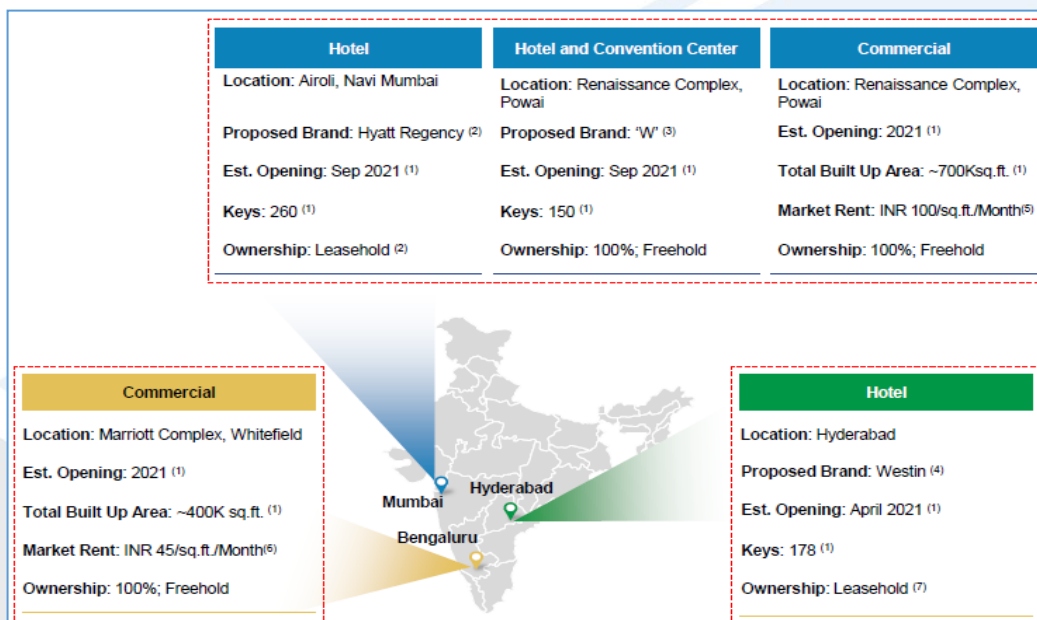
Hotel-led complementary mixed-use commercial and retail developments:

Commercial Projects		Retail Projects	
Whitefield, Bengaluru		Inorbit Mall, Whitefield, Bengaluru	
109K sq.ft.	Leasable Area ⁽¹⁾	260K sq.ft.	Leasable Area
100%	Occupancy (FY18/ 1H FY19)	89%/ 91%	Occupancy (FY18/ 1H FY19)
~INR 55/ 33 MM	Revenue (FY18/ 1H FY19)	~INR 186/ 113 MM	Revenue (FY18/ 1H FY19)
Business Centre and Office, Sahar, Mumbai		The Orb, Sahar, Mumbai	
374K sq.ft.	Leasable Area	123K sq.ft.	Leasable Area
Sep 2019	Commence Operations	Mar 2019	Commence Operations
Pre-Leased to WPP	10 Year Lease Term		
INR115/SF/Month	Market Rent ⁽²⁾		
<ul style="list-style-type: none">✓ Opportunistically utilized Floor Space Index (FSI) in hotel projects to create an additional and diversified revenue stream✓ ~866K Sq.ft. of leasable area is expected to realize substantial growth in income as assets achieve stabilized occupancy✓ Strategy of co-locating commercial and retail real estate projects helps the hotels benefit from business travel demand			

Source: Company RHP

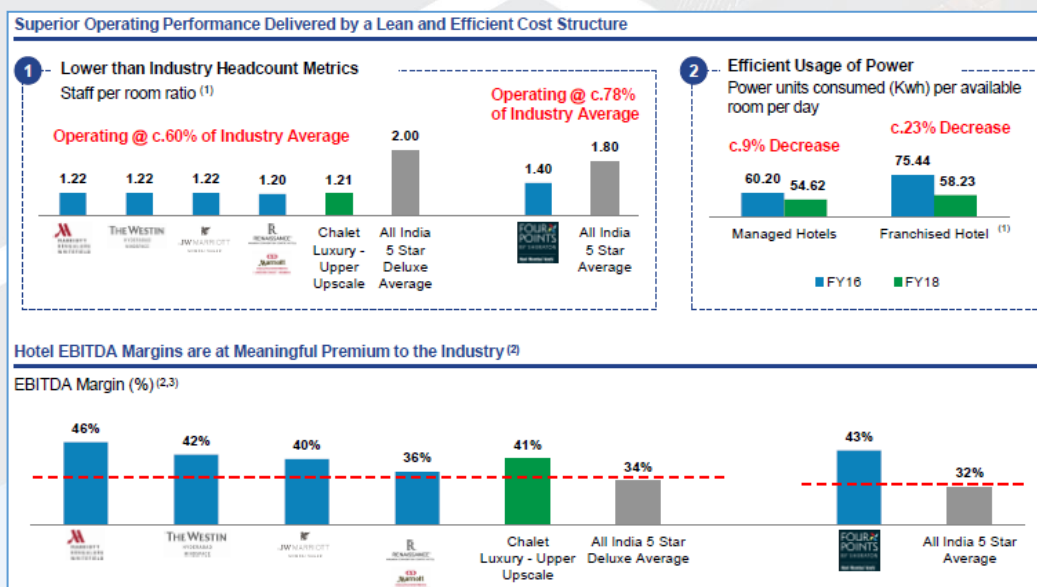
Company introduction (Contd...):

Development pipeline in highly attractive markets:



Source: Company RHP

Industry leading operating performance:



Source: Company RHP

Competition: Chalet's hotels operate in the luxury-upper upscale and upscale hotel segments in India. The hotel industry in India is intensely competitive and the company competes with large multinational and Indian companies in each of the regions in which it operates. It experiences competition from other chain affiliated and independent hotels in the segments in which it operates, as well as certain hotels in the upper-midscale segments. Chalet's success is largely dependent upon its ability to compete in areas such as location of the property, room rates, quality of accommodation, service level, and the quality and scope of other amenities, including food and beverage facilities.

Company introduction (Contd...):

Financial performance: On the back of increased rooms capacity and likely increase in the average daily rates over FY14-18, Chalet reported a 17.6% CAGR rise in consolidated operating revenue to Rs. 8,737.8mn in FY18. Business from the Hospitality segment (which contributed around an average 95% of total revenue over the period) increased by 19.3% CAGR. In H1 FY19, total revenue stood at Rs. 4,698.7mn, of which the business from the Hospitality segment stood at Rs. 4,244.2mn.

Operating expenditure increased by 12.4% CAGR and stood at around an average of 75.6% of the revenue over FY16-18. Employee benefit and other expenses (which stood at 16.9% and 38.9%, respectively, of the operating revenue) increased by 17.5% each during FY14-18. As a result consolidated EBITDA increased by 32.7% CAGR to Rs. 2,944.2mn in FY18. EBITDA margin expanded from 20.7% in FY14 to 33.7% in FY18. H1 FY19 consolidated EBITDA stood at Rs. 1,067.8mn with a margin of 22.7%.

Depreciation & amortization charges and finance cost increased by 17% and 11.5% CAGR, respectively, during the period. Consequently, for a period over FY14-16, the company was at a loss on pre-tax level, while in FY17 and FY18, it reported a pre-tax profit of Rs. 791.2mn and Rs. 211.9mn, respectively. Reported PAT was at loss over FY14-16, while on the back of tax credit - it stood at Rs. 1,342.2mn and Rs. 365.7mn in FY17 and FY18, respectively.

Cash flow from operations was positive over FY14-18 (except for FY15) with an average annual cash flow of Rs. 1.2-1.5bn. Average RoE over FY17-18 was around 17.9%. Average RoCE over FY14-18 was around 2.3%.

	FY14	FY15	FY16	FY17	FY18	H1 FY19	CAGR (%)	Y-o-Y (%)
Hospitality	4,141.4	4,293.9	5,644.3	6,806.9	8,394.9	4,244.2	19.3%	23.3%
Retail & commercial: Lease Rent		7.1	7.7	114.2	166.4	119.2		45.6%
Real Estate	434.8	104.6	77.4	111.4	102.1	284.6	-30.4%	-8.4%
Retail & Commercial	0.0	0.0	0.0	26.3	74.4	50.7		183.1%
Revenue from Operations	4,576.2	4,405.6	5,729.4	7,058.8	8,737.8	4,698.7	17.6%	23.8%
EBITDA	949.0	633.0	1,312.8	2,121.7	2,944.2	1,067.8	32.7%	38.8%
Adjusted PAT	(155.3)	(1,181.3)	(1,052.7)	1,342.2	365.7	(436.7)		
Restated Adjusted EPS	(0.8)	(5.8)	(5.1)	6.5	1.8	(2.1)		-72.8%
Cash Flow from Operating Activities	932.8	(123.0)	793.4	2,012.2	2,489.1	1,486.9	27.8%	23.7%
NOPLAT	277.6	13.8	220.0	1,298.1	1,166.8	346.5	43.2%	-10.1%
FCF		(207.3)	75.2	4,190.1	(1,084.9)			-125.9%
RoIC (%)	1.2%	0.1%	0.9%	4.8%	4.0%	1.2%	274 bps	(86) bps
Revenue Growth Rate (%)		-3.7%	30.0%	23.2%	23.8%			
EBITDA Growth Rate (%)		-33.3%	107.4%	61.6%	38.8%			
EBITDA Margin (%)	20.7%	14.4%	22.9%	30.1%	33.7%	22.7%	1,296 bps	364 bps
Adjusted PAT Growth Rate (%)		660.9%	-10.9%	-227.5%	-72.8%			
Adjusted PAT Margin (%)	-3.4%	-26.8%	-18.4%	19.0%	4.2%	-9.3%	758 bps	(1,483) bps
Inventories Turnover Ratio (x)	1.1	1.1	1.3	1.6	2.1	1.2	16.1%	25.9%
Trade Receivable Turnover Ratio (x)	29.2	34.2	40.6	29.6	20.9	8.8	-8.0%	-29.2%
Accounts Payable Turnover Ratio (x)	7.8	7.4	9.2	9.4	10.2	5.8	7.2%	8.8%
Fixed Asset Turnover Ratio (x)	0.2	0.2	0.2	0.2	0.3	0.2	5.7%	24.6%
Total Asset Turnover Ratio (x)	0.1	0.1	0.2	0.2	0.2	0.1	11.9%	20.8%
Current Ratio (x)	1.6	1.2	1.2	0.8	1.2	1.2	-6.8%	42.9%
Debt to Equity (x)	2.6	3.3	4.5	5.6	5.4	5.8	19.6%	-3.0%
Net Debt to EBITDA (x)	17.5	32.2	17.6	12.3	9.1	24.8	-14.9%	-25.4%
RoE (%)	-2.3%	-18.6%	-20.2%	28.5%	7.3%	-9.3%	962 bps	(2,121) bps
RoA (%)	-0.5%	-3.4%	-3.0%	3.6%	1.0%	-1.2%	145 bps	(264) bps
RoCE (%)	1.5%	0.1%	1.2%	3.0%	5.8%	1.6%	433 bps	284 bps

Source: Choice Equity Broking



Competitive strengths:

- High-end branded hotels strategically located in key metro cities of India
- Active asset management model
- Well positioned to benefit from industry trends
- Experienced management team
- Backed by leading Indian real estate developer

Business strategy:

- Focus on maximizing performance in existing portfolio through active asset management
- Disciplined development of assets in the current pipeline
- Expand portfolio by way of opportunistic and accretive acquisitions
- Maintain a sustainable capital structure and ensure prudent capital allocation
- Opportunity for reflagging hotels or renegotiating hotel operation contracts



Risk and concerns:

- Slowdown in the economy
- Adverse government regulations and policies
- Seasonal business
- Change in consumer demand
- Inability to enter into a new contract or renew the existing hotel operator post completion of term
- Unexpected rise in land cost, and other cost related to the operations of hotels
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. mn)

	FY14	FY15	FY16	FY17	FY18	H1 FY19	CAGR over FY14 - 18 (%)	Annual Growth over FY17 (%)
Revenue from Operations	4,576.2	4,405.6	5,729.4	7,058.8	8,737.8	4,698.7	17.6%	23.8%
Real Estate Development Costs	(696.4)	(350.0)	(253.6)	(208.0)	(194.8)	(316.8)	-27.3%	-6.3%
Food and Beverages Consumed	(409.0)	(426.8)	(603.9)	(667.4)	(765.7)	(431.0)	17.0%	14.7%
Operating Supplies Consumed	(122.0)	(306.0)	(190.1)	(218.4)	(256.2)	(118.5)	20.4%	17.3%
Employee Benefits Expense	(679.7)	(861.8)	(1,067.2)	(1,188.3)	(1,295.6)	(726.9)	17.5%	9.0%
Other Expenses	(1,720.0)	(1,828.0)	(2,302.0)	(2,655.1)	(3,281.5)	(2,037.7)	17.5%	23.6%
EBITDA	949.0	633.0	1,312.8	2,121.7	2,944.2	1,067.8	32.7%	38.8%
Depreciation and Amortization Expense	(596.0)	(617.7)	(988.1)	(1,269.8)	(1,116.3)	(569.3)	17.0%	-12.1%
EBIT	353.0	15.3	324.7	852.0	1,827.8	498.6	50.8%	114.5%
Finance Costs	(1,368.8)	(1,605.7)	(2,158.7)	(2,179.6)	(2,119.2)	(1,398.7)	11.5%	-2.8%
Other Income	590.7	264.9	246.2	2,186.6	557.3	271.8	-1.4%	-74.5%
Exceptional Items	(838.6)	(82.6)	(72.2)	(67.8)	(54.1)		-49.6%	-20.2%
Share of Profit of Equity Accounted Investees		(0.0)						
PBT	(1,263.7)	(1,408.1)	(1,660.0)	791.2	211.9	(628.4)		-73.2%
Tax Expenses	269.9	144.2	535.1	483.2	99.7	191.7	-22.0%	-79.4%
Reported PAT	(993.8)	(1,263.9)	(1,124.9)	1,274.4	311.6	(436.7)		-75.5%
Adjusted PAT	(155.3)	(1,181.3)	(1,052.7)	1,342.2	365.7	(436.7)		

Consolidated balance sheet statement (Rs. mn)

	FY14	FY15	FY16	FY17	FY18	H1 FY19	CAGR over FY14 - 18 (%)	Annual Growth over FY17 (%)
Equity Share Capital	1,521.4	1,521.4	1,521.4	1,521.4	1,711.0	1,711.0	3.0%	12.5%
Other Equity	5,124.9	4,840.3	3,690.7	3,190.3	3,312.7	2,963.4	-10.3%	3.8%
Long Term Borrowings	16,178.0	18,907.8	20,923.2	23,111.3	25,618.9	25,698.9	12.2%	10.9%
Other Financial Liabilities	15.4	26.6	53.0	119.0	151.8	115.8	77.2%	27.6%
Long Term Provisions	36.8	51.2	55.7	57.6	38.1	43.0	0.9%	-33.9%
Deferred Tax Liabilities (Net)	1,018.2	1,201.6	1,078.7	699.2	592.2	621.1	-12.7%	-15.3%
Other Non Current Liabilities				21.2	28.1	33.7		32.8%
Short Term Borrowings	1,414.5	1,807.7	2,583.2	3,247.5	1,634.2	1,195.1	3.7%	-49.7%
Trade Payables	589.4	598.7	651.9	846.7	858.8	804.7	9.9%	1.4%
Other Current Financial Liabilities	422.0	781.7	418.5	432.6	294.2	358.0	-8.6%	-32.0%
Other Current Liabilities	3,955.1	3,493.3	3,333.9	2,984.6	3,101.8	2,860.6	-5.9%	3.9%
Short Term Provisions	1,190.9	1,171.2	1,219.3	1,148.5	958.7	983.0	-5.3%	-16.5%
Total Liabilities	31,466.4	34,401.5	35,529.5	37,379.9	38,300.4	37,388.2	5.0%	2.5%
Property, Plant and Equipment	11,118.5	19,369.3	19,302.2	21,706.1	21,210.8	20,929.2	17.5%	-2.3%
Other Intangible Assets	6.3	40.9	37.9	29.8	18.5	12.4	31.2%	-37.8%
Capital Work-in-Progress	5,773.8	545.3	373.8	269.2	275.9	227.6	-53.2%	2.5%
Investment Property	1,596.4	3,503.0	4,525.0	6,424.2	6,736.7	6,710.3	43.3%	4.9%
Goodwill	36.7	36.7	36.6	226.1	226.1	226.1	57.6%	0.0%
Long Term Investments	115.4	128.4	474.2	3.1	43.2	43.2	-21.8%	1301.6%
Long Term Loans and Advances	156.4	110.8	117.2	105.5	114.1	101.7	-7.6%	8.1%
Other Non Current Financial Assets					50.0	50.1		
Deferred Tax Assets (Net)	407.4	448.6	834.2	981.8	952.3	1,174.9	23.7%	-3.0%
Other Non Current Assets	294.0	252.0	115.7	111.0	91.9	105.7	-25.2%	-17.2%
Non Current Tax Assets (Net)	81.6	165.6	213.6	339.0	463.0	458.0	54.3%	36.6%
Inventories	4,021.1	4,290.5	4,330.7	4,264.0	4,189.0	3,975.0	1.0%	-1.8%
Trade Receivables	157.0	100.8	181.4	296.2	539.1	533.7	36.1%	82.0%
Cash and Bank Balances	1,024.4	318.0	346.6	331.7	316.7	361.7	-25.4%	-4.5%
Short Term Loans and Advances	1,835.0	971.8	1,355.6	1,793.5	2,349.3	1,633.4	6.4%	31.0%
Current Financial Assets	188.7	11.7		38.8	207.2	285.7	2.4%	434.2%
Other Current Assets	307.7	344.2	414.5	460.0	516.6	559.6	13.8%	12.3%
Assets Classified as Held for Sale	4,346.2	3,763.9	2,870.3				-100.0%	
Total Assets	31,466.4	34,401.5	35,529.5	37,379.9	38,300.4	37,388.2	5.0%	2.5%

Source: Company RHP

Financial statements:

Consolidated cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY14	FY15	FY16	FY17	FY18	H1 FY19	CAGR over FY14 - 18 (%)	Annual Growth over FY17 (%)
Cash Flow Before Working Capital Changes	1,074.6	797.7	1,404.5	2,315.7	2,952.9	1,537.2	28.8%	27.5%
Change in Working Capital	(114.5)	(835.9)	(563.1)	(236.3)	(339.8)	(55.2)	31.3%	43.8%
Cash Flow from Operating Activities	932.8	(123.0)	793.4	2,012.2	2,489.1	1,486.9	27.8%	23.7%
Purchase of Property , Plant & Equipment	(2,905.9)	(3,198.7)	(1,788.9)	(1,145.8)	(622.1)	(126.3)	-32.0%	-45.7%
Cash Flow from Investing Activities	(1,212.4)	(1,896.0)	(1,722.8)	3,249.4	(1,290.0)	643.2	1.6%	-139.7%
Cash Flow from Financing Activities	(629.7)	1,490.0	530.4	(4,633.7)	(1,566.8)	(2,339.5)	25.6%	-66.2%
Net Cash Flow	(909.3)	(528.9)	(399.0)	627.9	(367.7)	(209.3)	-20.3%	-158.6%
Opening Balance of Cash and Bank Balances	1,310.7	381.5	(147.4)	(548.5)	119.8	(138.0)	-45.0%	-121.8%
Closing Balance of Cash and Bank Balances	381.5	(147.4)	(548.5)	119.8	(138.0)	(347.3)		-215.2%

Consolidated financial ratios

Particulars (Rs. mn)	FY14	FY15	FY16	FY17	FY18	H1 FY19
Revenue Growth Rate (%)		-3.7%	30.0%	23.2%	23.8%	
EBITDA Growth Rate (%)		-33.3%	107.4%	61.6%	38.8%	
EBITDA Margin (%)	20.7%	14.4%	22.9%	30.1%	33.7%	22.7%
EBIT Growth Rate (%)		-95.7%	2017.9%	162.4%	114.5%	
EBIT Margin (%)	7.7%	0.3%	5.7%	12.1%	20.9%	10.6%
Adjusted PAT Growth Rate (%)		660.9%	-10.9%	-227.5%	-72.8%	
Adjusted PAT Margin (%)	-3.4%	-26.8%	-18.4%	19.0%	4.2%	-9.3%

Liquidity ratios

Current Ratio	1.6	1.2	1.2	0.8	1.2	1.2
Debt Equity Ratio	2.6	3.3	4.5	5.6	5.4	5.8
Net Debt to EBITDA	17.5	32.2	17.6	12.3	9.1	24.8

Turnover ratios

Inventories Days	320.7	344.3	274.6	222.2	176.6	
Debtor Days	12.5	10.7	9.0	12.3	17.4	
Payable Days	(47.0)	(49.2)	(39.8)	(38.7)	(35.6)	
Cash Conversion Cycle	286.2	305.8	243.8	195.8	158.4	
Fixed Asset Turnover Ratio (x)	0.2	0.2	0.2	0.2	0.3	
Total Asset Turnover Ratio (x)	0.1	0.1	0.2	0.2	0.2	

Return ratios

RoE (%)	-2.3%	-18.6%	-20.2%	28.5%	7.3%	
RoA (%)	-0.5%	-3.4%	-3.0%	3.6%	1.0%	
RoCE (%)	1.5%	0.1%	1.2%	3.0%	5.8%	

Per share data

Restated Reported EPS (Rs.)	(0.8)	(5.8)	(5.1)	6.5	1.8	
Restated DPS (Rs.)	0.0	0.0	0.0	0.0	0.0	
Restated BVPS (Rs.)	32.4	31.0	25.4	23.0	24.5	
Restated Operating Cash Flow Per Share (Rs.)	4.5	(0.6)	3.9	9.8	12.1	
Restated Free Cash Flow Per Share (Rs.)	0.0	(1.0)	0.4	20.4	(5.3)	
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	

Note: Ratios calculated on pre-issue data;

Source: Company RHP



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