HDFC securities

INSTITUTIONAL RESEARCH

RESULTS REVIEW 4QFY19 | 21 MAY 2019

Sobha

BUY

Smart recovery

We maintain BUY post a robust quarter. Our SOTP-based TP has increased to Rs 652 (vs Rs 646 earlier). We have increased our EPS estimate by 3/3.3% for FY20/21E.

HIGHLIGHTS OF THE QUARTER

- 4QFY19 Revenue/ EBITDA/ APAT came in 64/35/42% higher YoY at Rs 14/2.4/1.1bn. Revenue/ APAT was higher by Rs 3.9/0.7bn on account of IND AS 115.
- There was a sharp recovery in pre-sales (1.1/4.0mn sqft in 4QFY19/FY19) led by higher launches (~7.4mn sqft launched in FY19). SDL expects the sales momentum to continue during FY20E.
- Non Bengaluru launches to grow faster than Bengaluru. SDL has tied up new land parcels in Delhi, Gurgaon and Manesar as it sees NCR as a major growth market (ex Bengaluru). SDL has ~5mn sqft of new projects in pipeline in NCR which are expected to be launched over FY20-21E. In FY20E non-Bengaluru pre-sales will be driven by Kochi, Pune, Gift City, Chennai and NCR.
- Pricing power remains muted and SDL is focusing on launching a mix of smaller sized apartments (<1000sqft) in its key markets. Sales momentum is stable in the Rs 10-20mn ticket size segment. GST rates have revised to 5% for newer projects while old projects will continue at 12%.
- Net debt has increased by Rs 344mn QoQ to Rs 24.3bn and net D/E is now at 1.09x (vs 1.13x QoQ). SDL has guided that debt may increase marginally from current levels but net D/E will remain sub 1x levels. APMC project's capex is expected to pick up from FY20E once all regulatory approvals are in place.

STANCE

SDL has ~17.5mn sqft of unsold area in ongoing projects and expects to add 4.2mn sqft from new projects in the pipeline. A well diversified product mix across different regions augurs well for pre-sales recovery. Brand pull will certainly aid pre-sales efforts. Despite capex commitment of Rs 10bn we expect consolidated net D/E to reduce to 0.9x by FY21E (vs. 1.09x now). The contracting business is seeing good growth with an order book of Rs 26bn. We maintain BUY. Key risks: (1) Further deterioration in NBFC liquidity, (2) Higher interest rate, (3) Weak order inflow in the contracting business; and (4) Delay in regulatory approvals.

Financial Summary (Consolidated)

YE March (Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY18	FY19P	FY20E	FY21E
Net Sales	13,978	7,696	*81.6*	7,879	*77.4*	27,870	34,421	37,861	41,519
EBITDA	2,435	1,364	*78.5*	1,590	*53.1*	5,197	6,733	7,546	8,308
APAT	1,133	654	*73.2*	698	*62.3*	2,323	2,971	3,351	3,764
Diluted EPS (Rs)	11.9	6.9	*73.2*	7.4	*62.3*	24.5	31.3	35.3	39.7
P/E (x)						19.8	15.5	13.7	12.2
EV / EBITDA (x)						13.1	10.4	9.3	8.5
RoE (%)						8.0	11.9	14.2	14.3

Source: Company, HDFC sec Inst Research

INDUSTRY	REAL ESTATE
CMP *(as on 20 May 2019)*	Rs 484
Target Price	Rs 652
Nifty	11,828
Sensex	39,353
KEY STOCK DATA	
Bloomberg	SOBHA IN
No. of Shares (mn)	95
MCap (Rs bn) / ($ mn)	46/657
6m avg traded value (Rs mn)	106
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 590/380

	3M	6M	12M
Absolute (%)	8.5	1.4	(8.9)
Relative (%)	(1.6)	(9.6)	(21.9)

SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	55.97	55.97
FIs & Local MFs	11.67	13.67
FPIs	26.95	24.61
Public & Others	5.41	5.75
Pledged Shares	10.54	10.54

Source : BSE

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The YoY revenue is not comparable due to implementation of IND AS 115. Revenue was higher by Rs 3.9bn due to IND AS 115

Dream acres and Indraprastha project was key driver of revenue for 4QFY19

EBIDTA margins contracted 30bps YoY on account of Rs 0.4bn of interest on customer advances getting added to revenue and netted off against expenses during 4QFY19. Though no impact on EBIDTA but higher sales owing to this impacted EBIDTA margins by 50bps

Reported PAT was higher by Rs 669mn on account of IND AS 115. SDL delivered Rev/PAT beat of 64/42%

For FY19, total presale was 4mn sqft (+11.2% YoY) against our full year estimate of 3.9mn sqft for FY19

Average realization came in at Rs 7,749/sqft (-1.8% YoY, +2% QoQ)

Quarterly Financial Snapshot (Consolidated)

Rs mn	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY19	FY18	YoY (%)
Net Sales	**13,978**	**7,696**	***81.6***	**7,879**	***77.4***	**34,421**	**27,870**	***23.5***
Material Expenses	(9,522)	(4,705)	*102.4*	(4,613)	*106.4*	(20,561)	(16,840)	*22.1*
Employee Expenses	(656)	(526)	*24.7*	(588)	*11.6*	(2,359)	(1,985)	*18.8*
Other Operating Expenses	(1,365)	(1,101)	*24.0*	(1,088)	*25.5*	(4,768)	(3,843)	*24.1*
EBITDA	**2,435**	**1,364**	***78.5***	**1,590**	***53.1***	**6,733**	**5,202**	***29.4***
Interest Cost	(758)	(518)	*46.3*	(531)	*42.7*	(2,362)	(1,978)	*19.4*
Depreciation	(159)	(135)	*17.8*	(161)	*(1.2)*	(623)	(544)	*14.5*
Other Income	238	196	*21.4*	198	*20.2*	735	490	*50.0*
PBT	**1,756**	**907**	***93.6***	**1,096**	***60.2***	**4,483**	**3,170**	***41.4***
Tax	(623)	(253)	*146.2*	(398)	*56.5*	(1,512)	(1,002)	*50.9*
RPAT	**1,133**	**654**	***73.2***	**698**	***62.3***	**2,971**	**2,168**	***37.0***

Source: Company, HDFC sec Inst Research

Margin Analysis (Consolidated)

MARGIN ANALYSIS	4QFY19	4QFY18	YoY (bps)	3QFY19	QoQ (bps)	FY19	FY18	YoY (bps)
Material Expenses % Net Sales	68.1	61.1	*699*	58.5	*957*	59.7	60.4	*(69)*
Employee Expenses % Net Sales	4.7	6.8	*(214)*	7.5	*(277)*	6.9	7.1	*(27)*
Other Operating Expenses % Net Sales	9.8	14.3	*(454)*	13.8	*(404)*	13.9	13.8	*6*
EBITDA Margin (%)	17.4	17.7	*(30)*	20.2	*(276)*	19.6	18.7	*90*
Tax Rate (%)	35.5	27.9	*758*	36.3	*(84)*	33.7	31.6	*212*
APAT Margin (%)	8.1	8.5	*(39)*	8.9	*(75)*	8.6	7.8	*85*

Source: Company, HDFC sec Inst Research

Pre-sales Trend

Pre-sales trend	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY19	FY18	YoY (%)
Sales Volume (mn sqft)	1.1	1.0	*11.2*	0.9	*24.3*	4.0	3.6	*11.2*
Sales Value (Rs mn)	9,205	8,118	*13.4*	6,988	*31.7*	31,225	28,612	*9.1*
Average Realization (Rs/sqft)	8,152	7,993	*2.0*	7,689	***6.0***	7,749	7,892	*(1.8)*

Source: Company, HDFC sec Inst Research

Consolidated Net D/E remained stable at ~1.1x QoQ

Net debt stood at Rs 24.3bn (+Rs 0.34bn QoQ).

Avg. cost of debt increased by 15bps QoQ to 9.72%

SDL's customer collections from real estate development have increased to Rs 5.8bn in 4QFY19

The contractual segment witnessed a spike in collections to Rs 3.5bn

During FY19 overall collection increased to Rs 32.4bn a growth of 7.5% YoY

Worst-case scenario: Consolidated net D/E has peaked to 1.09x

- Consolidated Net D/E remained stable at 1.09x QoQ. Net debt stood at Rs 24.3bn (+Rs 0.34bn QoQ). Pending land payment is Rs 1,429mn.
- Even with an outlay of Rs 10bn over next 3-4 years on APMC commercial project (starting only in FY20E; currently awaiting regulatory approvals), net debt may further inch up only marginally on account of the strong operating cash flows. Net operational cash flow after financial outflows was Rs 244mn in 4QFY19 (and Rs 1,472mn in FY19).
- We expect debt to remain at comfortable levels over FY20-21E. Net D/E may remain stable at 1x levels. SDL may not have near-term liquidity concerns, as cash flows from real estate/contractual business remains robust. SDL continues to explore options for monetization of non-core old land parcels.
- We expect consolidated gross debt to stabilize to Rs 25bn by FY21E. SDL highlighted that net debt may increase but net D/E should be ~1x.

Debt/Equity Ratio Trend (X) (Consolidated)

(Rs mn)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Net debt (Rs mn)	20,602	20,838	20,736	20,247	22,832	23,276	21,991	22,625	23,652	23,999	24,337
Net D/E (x) - IND AS 115								1.09	1.16	1.13	1.09
Cost of Debt %	11.26	10.99	10.42	10.06	9.88	9.74	9.39	9.31	9.30	9.57	9.72

Source: Company, HDFC sec Inst Research;

Real Estate collections improve

- SDL's customer collections from real estate development have increased to Rs 5.8bn in 4QFY19. The contractual segment witnessed a spike in collections to Rs 3.5bn.
- Collection has been lagging vs. pre-sales as under RERA the collections are back ended. Over last few quarters lower new launches has also impacted pace of collection. SDL expects acceleration in collection over next 1-1.5yrs.
- SDL has new launches of ~4.2mn sqft in the pipeline over next 3-4qtrs along with 17.5mn sqft unsold area in ongoing projects. This will also support acceleration in customer collections (specifically 8.1mn sqft area released but still unsold in existing under construction projects).

Customer Collections

(Rs mn)	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
Real Estate	4,131	4,907	4,331	4,860	5,740	4,330	4,870	5,980	5,030	5,400	5,580	5,760
Contractual	1,677	1,705	1,849	2,090	1,560	2,600	1,870	3,130	2,340	2,180	2,600	3,460
Total	5,808	6,612	6,180	6,950	7,300	6,930	6,740	9,110	7,370	7,580	8,180	9,229

Source: Company, HDFC sec Inst Research

Expect muted YoY growth in pre-sales as market share gain from unorganized to organized developers may be peaking

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

Margins have bottomed out and we expect higher share of residential revenue in mix will result in margin improvement

Key Assumptions And Estimates

	Estimates		Growth (%)		Comments
	FY20E	FY21E	FY20E	FY21E	
Volume assumptions					
Residential (mn sqft)	4.1	4.4	2.4	6.9	Expect muted 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. Total unsold area including area not opened for sale in existing projects is 17.5mn sqft. SDL has also planned new projects launch of 4.2mn sqft during FY20E
Total	4.1	4.4	2.4	6.9	
Realization					
Residential (Rs/sqft)	7,785	7,757	0.5	(0.4)	Absolute realization to remain flattish as pricing power still not on the horizon
Presales					
Rs mn	32,112	34,207	2.8	6.5	
Earnings forecast					
Sales (Rs mn)	26,219	28,947	15.7	10.4	
Contractual	11,641	12,571	(1.1)	8.0	
Total	**37,861**	**41,519**	**10.0**	**9.7**	**FY19-21E revenue CAGR of 9.8%**
EBIDTA Real estate (Rs mn)	6,381	7,051	14.9	10.5	
EBIDTA Contract (Rs mn)	1,164	1,257	(1.1)	8.0	De-growth in contracting EBIDTA, as non-Infosys business has about 200bps lower EBIDTA margins
Total EBIDTA (Rs mn)	**7,546**	**8,308**	**12.1**	**10.1**	**11.1% FY19-21E EBIDTA CAGR**
EBIDTA margin Real estate(%)	24.3	24.4	(18.9)	1.9	
EBIDTA margin Contract(%)	10.0	10.0	-	-	
EBIDTA Margin (%)	19.9	20.0	36.9	8.0	Margins have bottomed out and we expect increasing share of real estate contribution to drive the margins upwards
Net interest expense	2,431	2,486	2.9	2.3	Interest to inch up slightly on the back of increased capex expected in FY19-21E for commercial/ APMC projects
Avg. interest rate (%)	9.2	9.2	(34.9)	(0.0)	Average interest cost lower, as we build in 30% interest cost capitalisation
PAT (Rs mn)	**3,351**	**3,764**	**12.8**	**12.3**	**12.6% FY19-21E PAT CAGR**
PAT Margin (%)	8.9	9.1	22.1	21.3	Change in PAT margins in-line with overall estimates
EPS (Rs)	35.3	39.7	12.8	12.3	

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 borrowing

We have revised our estimate to factor in the revenue booking trends on account of IND AS 115

Cash Flow Forecast

Rs mn	Estimates		Comments
	FY20E	FY21E	
Cash flows forecast			
CFO - a	6,847	5,790	
CFI - b	(3,168)	(3,714)	Capex of Rs 10bn to be incurred on the APMC project over 3-4 years starting from FY20E
FCF - a+b	3,678	2,076	
CFF-c	(2,725)	(2,491)	Interest outflow to impact cash flow negatively
Total change in cash - a+b+c	953	(416)	The net change in cash doesn't impact the debt position materially

Source: Company, HDFC sec Inst Research

Change in Estimate

Rs mn	FY20E New	FY20E Old	*% Change/ bps*	FY21E New	FY21E Old	*% Change/ bps*
Revenues	37,861	34,471	*9.8*	41,519	37,704	*10.1*
EBIDTA	**7,546**	7,175	*5.2*	**8,308**	**7,906**	*5.1*
EBIDTA Margins (%)	19.9	20.8	*(88.6)*	20.0	21.0	*(95.9)*
APAT	**3,351**	3,254	*3.0*	**3,764**	**3,645**	*3.3*

Source: HDFC sec Inst Research

We value the real estate business at Rs 224/share, future developable land bank at Rs 512/share, contracting and manufacturing business (C&M) at Rs 93/share, rental assets at Rs 47/share, refundable deposits at Rs 44/share to arrive at a gross NAV of Rs 920/share.

From the gross NAV, we deduct the net debt (Rs 253/share) and unpaid land bank value (Rs 15/share), to arrive at increased TP of Rs 652/share

Valuation: NAV target Rs 652/sh

SoTP valuation

- We maintain BUY on SDL, with SOTP-based target price of Rs 652/share. We value the real estate business at Rs 224/share, future developable land bank at Rs 512/share, contracting and manufacturing business (C&M) at Rs 93/share, rental assets at Rs 47/share, refundable deposits at Rs 44/share to arrive at a gross NAV of Rs 920/share. From the gross NAV, we deduct the net debt (Rs 253/share) and unpaid land bank value (Rs 15/share), to arrive at Rs 652/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 due to minor hurdles and pending approvals, and serious outlay will only start in FY20E.

Sum Of The Parts

	Rs mn	Rs/share	Comments
Gross NAV Residential	21,205	224	DCF-based NAV.
Land Bank	48,593	512	At project discounted GAV
Contractual/Manufacturing	8,867	93	At 7x FY21E EV/EBIDTA
Rental assets/APMC	4,437	47	Discounting at 12% cap rate viz. school, hospital etc
Refundable JDA Deposits	4,182	44	Balance sheet number
Total Gross NAV	**87,285**	**920**	
Less net debt	(23,999)	(253)	Net debt as on Mar-20E
Unpaid land cost	(1,429)	(15)	
NAV	**61,857**	**652**	

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 FY20E, 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)	480	568	**652**	736	825
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)	411	529	**652**	785	933
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)	788	726	**652**	573	493
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)	717	684	**652**	622	595
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)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	**22,462**	**27,870**	**34,421**	**37,861**	**41,519**
Growth (%)	***14.8***	***24.1***	***23.5***	***10.0***	***9.7***
Material Expenses	13,190	16,840	20,561	21,587	23,639
Employee Expenses	1,779	1,985	2,359	2,656	2,913
Other Operating Expenses	3,294	3,848	4,768	6,072	6,658
EBIDTA	**4,199**	**5,197**	**6,733**	**7,546**	**8,308**
EBIDTA (%)	***18.7***	***18.6***	***19.6***	***19.9***	***20.0***
EBIDTA Growth (%)	***(5.2)***	***23.8***	***29.6***	***12.1***	***10.1***
Other Income	386	496	735	595	584
Depreciation	638	544	623	632	703
EBIT	3,947	5,149	6,845	7,509	8,189
Interest	1,497	1,978	2,362	2,431	2,486
PBT	**2,450**	**3,171**	**4,483**	**5,078**	**5,702**
Tax	970	1,002	1,512	1,726	1,939
PAT	**1,480**	**2,169**	**2,971**	**3,351**	**3,764**
Share of profits	129	-	-	-	-
EO items (net of tax)	58	154	-	-	-
APAT	**1,666**	**2,323**	**2,971**	**3,351**	**3,764**
APAT Growth (%)	***13.4***	***39.4***	***27.9***	***12.8***	***12.3***
EPS	**17.3**	**24.5**	**31.3**	**35.3**	**39.7**

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	963	948	948	948	948
Reserves	25,482	26,751	21,343	23,800	26,959
Total Shareholders Funds	**26,445**	**27,699**	**22,291**	**24,748**	**27,907**
Minority Interest	**-**	**-**	**-**	**-**	**-**
Long Term Debt	22,219	23,346	26,124	26,724	27,324
Short Term Debt	-	-	-	-	-
Total Debt	**22,219**	**23,346**	**26,124**	**26,724**	**27,324**
Deferred Taxes	**2,684**	**2,521**	**-**	**-**	**-**
Long Term Provisions & Others	**163**	**185**	**121**	**133**	**146**
TOTAL SOURCES OF FUNDS	**51,511**	**53,751**	**48,536**	**51,606**	**55,377**
APPLICATION OF FUNDS					
Net Block	**3,173**	**2,796**	**2,842**	**2,041**	**1,838**
CWIP	**799**	**1,345**	**1,900**	**4,900**	**8,400**
Goodwill	**-**	**-**	**-**	**-**	**-**
Investments	**0.2**	**1,125.0**	**1,128.0**	**1,128.0**	**1,128.0**
Investment Property	**1,979.5**	**1,961**	**2,029**	**2,293**	**2,591**
Other Non Current Assets	**4,860.4**	**4,873**	**6,395**	**6,542**	**6,693**
Inventories	50,960	48,349	65,173	60,325	64,765
Debtors	2,267	3,272	3,272	4,157	4,559
Cash & Equivalents	1,468	1,194	1,772	2,725	2,310
ST Loans & Advances, Others	23,423	25,333	22,886	23,836	24,786
Total Current Assets	**78,118**	**78,148**	**93,103**	**91,044**	**96,420**
Creditors	7,693	7,205	9,496	10,445	11,455
Other Current Liabilities & Provns	29,726	29,292	49,365	45,896	50,237
Total Current Liabilities	**37,419**	**36,497**	**58,861**	**56,342**	**61,691**
Net Current Assets	**40,699**	**41,651**	**34,242**	**34,702**	**34,728**
Misc Expenses & Others	**-**	**-**	**-**	**-**	**-**
TOTAL APPLICATION OF FUNDS	**51,511**	**53,751**	**48,536**	**51,606**	**55,377**

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
PBT before minority and Share of profits	2,449	3,171	4,483	5,078	5,702
Non-operating & EO items	(326)	(340)	(8,315)	76	(584)
Taxes	(679)	(837)	(1,512)	(1,726)	(1,939)
Interest expenses	1,327	1,780	2,362	2,431	2,486
Depreciation	638	544	623	632	703
Working Capital Change	130	(888)	3,880	357	(579)
OPERATING CASH FLOW (a)	**3,539**	**3,430**	**1,521**	**6,847**	**5,790**
Capex	(316)	(617)	(1,224)	(3,500)	(4,000)
Free cash flow (FCF)	3,223	2,813	297	3,347	1,790
Investments	(199)	124	(71)	(264)	(298)
Others	534	331	735	595	584
INVESTING CASH FLOW (b)	**20**	**(163)**	**(560)**	**(3,168)**	**(3,714)**
Share capital Issuance	(582)	(620)	-	-	-
Debt Issuance	(40)	1,088	2,778	600	600
Interest expenses	(2,602)	(2,606)	(2,362)	(2,431)	(2,486)
Dividend	(232)	(290)	(799)	(894)	(605)
FINANCING CASH FLOW (c)	**(3,455)**	**(2,428)**	**(383)**	**(2,725)**	**(2,491)**
NET CASH FLOW (a+b+c)	**103**	**840**	**578**	**953**	**(416)**
Closing Cash & Equivalents	1,468	1,194	1,772	2,725	2,310

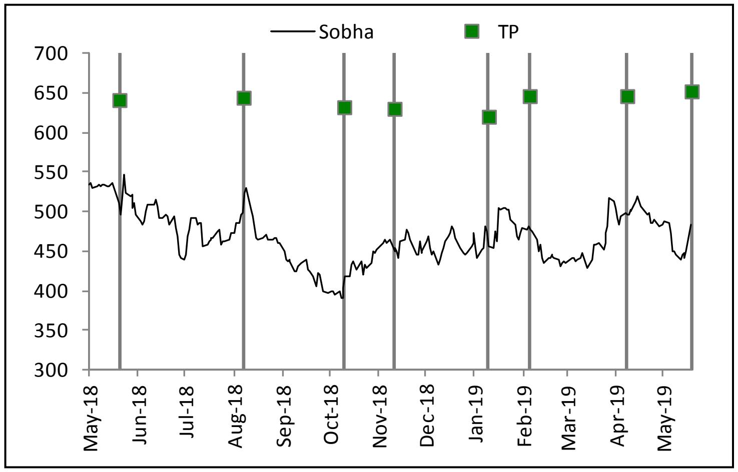
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19P	FY20E	FY21E
PROFITABILITY (%)					
GPM	41.3	39.6	40.3	43.0	43.1
EBITDA Margin	18.7	18.6	19.6	19.9	20.0
APAT Margin	7.4	8.3	8.6	8.9	9.1
RoE	5.2	8.0	11.9	14.2	14.3
Core RoCE	7.8	9.9	13.7	15.3	15.6
RoCE	5.3	7.4	9.1	9.9	10.1
EFFICIENCY					
Tax Rate (%)	39.6	31.6	33.7	34.0	34.0
Asset Turnover (x)	0.4	0.5	0.7	0.8	0.8
Inventory (days)	761	650	602	605	550
Debtors (days)	39	36	35	36	38
Payables (days)	88	98	89	96	96
Cash Conversion Cycle (days)	711	589	548	545	492
Debt/EBITDA (x)	5.3	4.5	3.9	3.5	3.3
Net D/E	0.8	0.8	1.1	1.0	0.9
Interest Coverage	2.6	2.6	2.9	3.1	3.3
PER SHARE DATA					
EPS (Rs/sh)	17.3	24.5	31.3	35.3	39.7
CEPS (Rs/sh)	23.9	30.2	37.9	42.0	47.1
DPS (Rs/sh)	2.0	2.5	7.0	7.8	5.3
BV (Rs/sh)	274.6	292.0	235.0	260.9	294.2
VALUATION					
P/E	28.0	19.8	15.5	13.7	12.2
P/BV	1.8	1.7	2.1	1.9	1.6
EV/EBITDA	16.0	13.1	10.4	9.3	8.5
OCF/EV (%)	5.3	5.0	2.2	9.8	8.2
FCF/EV (%)	4.8	4.1	0.4	4.8	2.5
FCFE/Market Cap	6.8	8.5	6.7	8.6	5.2
Dividend Yield (%)	0.4	0.5	1.4	1.6	1.1

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
22-May-18	511	BUY	641
9-Aug-18	495	BUY	644
11-Oct-18	391	BUY	632
13-Nov-18	445	BUY	630
11-Jan-19	476	BUY	620
7-Feb-19	480	BUY	646
9-Apr-19	497	BUY	646
21-May-19	484	BUY	652

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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