

Well placed for growth

We maintain BUY post a stable quarter. Our SOTP-based TP is maintained at Rs 652. We have increased our EPS estimate by 2/2.1% for FY20/21E.

HIGHLIGHTS OF THE QUARTER

- 1QFY20 Revenue/ EBITDA/ APAT came in 97/74/72% higher YoY at Rs 11.8/2.3/0.9bn. The company maintained pre-sales momentum with 1.06mn sqft of sales by volume (up 11% YoY) in 1QFY20 valued at Rs 7.78bn. SDL expects the sales momentum to buildup during FY20E.
- Bengaluru continues to be the key pre-sales driver with pre-sales volume/value of 0.74mn sqft/Rs 5.4bn. During 1QFY20, SDL tied up land parcels to the tune of 143 acres across geographies including Bengaluru, Gurugram, Hyderabad and Trivandrum for Rs 1.5bn consideration. In FY20E non-Bengaluru pre-sales is expected to be driven by Kochi, Pune, Gift City, Chennai and NCR.
- Net debt has increased by Rs 3.2bn QoQ to Rs 27.5bn and net D/E is now at 1.2x (vs 1.09x QoQ). This increase in debt was primarily towards acquisition of 143 acres of land parcels across geographies for its future

projects and a one-time consideration paid to JV partner in Gurugram project towards the integrated club-house. SDL has guided that debt may increase marginally from current levels but the company aims to maintain net D/E at 1.1x levels at the end of FY20E.

STANCE

SDL has ~17.1mn sqft of unsold area in ongoing projects and expects to add 10.7mn sqft from new projects in the pipeline, over the coming quarters. Whilst SDL has only 0.3 mnsqft of unsold completed inventory worth Rs 1.2bn we remain cautious on land bank addition of Rs 1.5bn during 1QFY20 (when SDL already has high unsold under construction inventory). Net D/E is expected to reduce to 1.1x by FY20E as there were delays in agreement registration in two projects, which resulted in slower collections. The contracting business is seeing good growth with an order book of Rs 22.3bn. We maintain BUY. Key risks: (1) Further deterioration in NBFC liquidity, (2) Weak order inflow in the contracting business, (3) Dip in collection momentum and (4) Any aggressive land bank addition.

Financial Summary (Consolidated)

YE March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY18	FY19	FY20E	FY21E
Net Sales	11,767	5,977	96.9	13,978	(15.8)	27,870	34,421	37,861	41,519
EBITDA	2,275	1,306	74.2	2,435	(6.6)	5,197	6,733	7,546	8,308
APAT	906	526	72.2	1,133	(20.0)	2,323	2,970	3,418	3,863
Diluted EPS (Rs)	9.6	5.5	72.2	11.9	(20.0)	24.5	31.3	36.0	40.7
P/E (x)						20.3	15.9	13.8	12.2
EV / EBITDA (x)						13.4	10.4	9.4	8.6
RoE (%)						8.0	11.9	14.5	14.6

Source: Company, HDFC sec Inst Research

INDUSTRY	REAL ESTATE
CMP (as on 13 Aug 2019)	Rs 501
Target Price	Rs 652
Nifty	10,926
Sensex	36,958

KEY STOCK DATA

Bloomberg	SOBHA IN
No. of Shares (mn)	95
MCap (Rs bn) / (\$ mn)	47/667
6m avg traded value (Rs mn)	161

STOCK PERFORMANCE (%)

52 Week high / low	Rs 588/380		
	3M	6M	12M
Absolute (%)	14.0	9.2	(0.3)
Relative (%)	15.4	7.0	2.1

SHAREHOLDING PATTERN (%)

	Mar-19	Jun-19
Promoters	55.97	51.75
FIs & Local MFs	13.67	15.56
FPIs	24.61	26.98
Public & Others	5.75	5.70
Pledged Shares	10.54	10.54

Source : BSE

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Revenue: Rs 11.7bn (+97/-16% YoY/QoQ, 30% beat)

EBITDA: Rs 2.3bn (+74/-7% YoY/QoQ, 27% beat)

EBITDA margin came in at 19.3% (-252bps/+191bps YoY/QoQ).

As a result APAT: Rs 0.9bn (+72/-20% YoY/QoQ, 17% beat)

Real Estate contributed 81% to the total revenue and has shown a 135% YoY growth

Contracts and Manufacturing contributed 19% to the total revenue and has shown a 39% YoY growth

Total collections during the quarter stood at Rs 8bn vs Rs 7.3bn YoY

1.06mn sqft of area was sold during the quarter with Bengaluru leading the way with ~70% of the total area sold

Quarterly Financial Snapshot (Consolidated)

Rs mn	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
Net Sales	11,767	5,977	96.9	13,978	(15.8)
Material Expenses	(6,921)	(3,156)	119.3	(9,522)	(27.3)
Employee Expenses	(646)	(517)	25.0	(656)	(1.5)
Other Operating Expenses	(1,925)	(998)	92.9	(1,365)	41.0
EBITDA	2,275	1,306	74.2	2,435	(6.6)
Interest Cost	(840)	(541)	55.3	(758)	10.8
Depreciation	(175)	(149)	17.4	(159)	10.1
Other Income	164	124	32.3	238	(31.1)
PBT	1,424	740	92.4	1,756	(18.9)
Tax	(518)	(214)	142.1	(623)	(16.9)
RPAT	906	526	72.2	1,133	(20.0)

Source: Company, HDFC sec Inst Research

Margin Analysis (Consolidated)

MARGIN ANALYSIS	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)
Material Expenses % Net Sales	58.8	52.8	601	68.1	(930)
Employee Expenses % Net Sales	5.5	8.6	(316)	4.7	80
Other Operating Expenses % Net Sales	16.4	16.7	(34)	9.8	659
EBITDA Margin (%)	19.3	21.9	(252)	17.4	191
Tax Rate (%)	36.4	28.9	746	35.5	90
APAT Margin (%)	7.7	8.8	(110)	8.1	(41)

Source: Company, HDFC sec Inst Research

Pre-sales Trend

Pre-sales trend	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
Sales Volume (mn sqft)	1.1	1.0	10.8	1.1	(5.8)
Sales Value (Rs mn)	7,777	7,624	2.0	9,206	(15.5)
Average Realization (Rs/sqft)	7,312	7,941	(7.9)	8,152	(10.3)

Source: Company, HDFC sec Inst Research

Consolidated Net D/E increased to ~1.19x vs ~1.09x QoQ

Net debt stood at Rs 27.5bn (+Rs 3.18bn QoQ).

Avg. cost of debt increased by 8bps QoQ to 9.8%

SDL's customer collections from real estate development were Rs 5.2bn in 1QFY20

The contractual segment witnessed collections of Rs 2.8bn

Consolidated net D/E has peaked to 1.19x

- Consolidated Net D/E increased to 1.19x vs 1.09x QoQ. Net debt stood at Rs 27.5bn (+Rs 3.18bn QoQ). Land payments during the quarter were Rs 1,537mn. These payments were towards the purchase of 143 acres of land identified for new opportunities. Additionally, the company also paid a consideration to its JV partner in Sobha International City Gurugram for the purchase of the club-house as a part of its residential project
- Despite an increase in Net D/E, the company has guided for maintaining Net D/E at 1.1x at the end of FY20E aided by robust cash flows from real estate/contractual business. SDL is also exploring options to monetize of non-core old land parcels.
- SDL highlighted that net debt may increase but net D/E should be ~1.1x.

Debt/Equity Ratio Trend (X) (Consolidated)

(Rs mn)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Net debt (Rs mn)	20,247	22,832	23,276	21,991	22,625	23,652	23,999	24,337	27,518
Net D/E (x) - IND AS 115					1.09	1.16	1.13	1.09	1.19
Cost of Debt %	10.06	9.88	9.74	9.39	9.31	9.30	9.57	9.72	9.8

Source: Company, HDFC sec Inst Research;

Real Estate collections improve

- SDL's customer collections from real estate development stood at Rs 5.2bn in 1QFY20. The contractual segment witnessed collections of Rs 2.8bn.
- SDL has new launches of ~10.65mn sqft in the pipeline over next 3-4qtrs across Bengaluru, Gurgaon, Chennai,

Thrissur and Ahmedabad in addition to 0.61mn sqft of new residential launches in 1QFY20. Unsold ready inventory stands at 0.24mn sqft with unsold area not released for sale in ongoing projects is 8.71mn sqft. This should aid in further increasing collection in FY20.

Customer Collections

(Rs mn)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Real Estate	5,740	4,330	4,870	5,980	5,030	5,400	5,580	5,760	5,210
Contractual	1,560	2,600	1,870	3,130	2,340	2,180	2,600	3,460	2,800
Total	7,300	6,930	6,740	9,110	7,370	7,580	8,180	9,229	8,010

Source: Company, HDFC sec Inst Research

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 8.71mn sqft. SDL has also planned new projects launch of 10.65mn 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	2,275	2,330	(3.7)	2.4	Interest to inch up slightly on the back of increased capex expected in FY19-21E for commercial/ APMC projects and new launches
Avg. interest rate (%)	9.2	9.2	(68.9)	(0.0)	Average interest cost lower, as we build in 30% interest cost capitalisation
PAT (Rs mn)	3,418	3,863	15	13	14% FY19-21E PAT CAGR
PAT Margin (%)	9.0	9.3	40.0	27.7	
EPS (Rs)	36.0	40.7	15.1	13.0	

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

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

Cash Flow Forecast

Rs mn	Estimates		Comments
	FY20E	FY21E	
Cash flows forecast			
CFO - a	5,114	5,738	
CFI - b	(2,768)	(3,414)	Capex of Rs 10bn to be incurred on the APMC project over 3-4 years starting from FY20E
FCF - a+b	2,346	2,324	
CFF-c	(2,569)	(2,347)	Interest outflow to impact cash flow negatively
Total change in cash - a+b+c	(223)	(23)	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	37,861	-	41,519	41,519	-
EBIDTA	7,546	7,546	-	8,308	8,308	-
EBIDTA Margins (%)	19.9	19.9	-	20.0	20.0	-
APAT	3,418	3,351	2%	3,863	3,764	2%

Source: HDFC sec Inst Research

We value the real estate business at Rs 224/share, future developable land bank at Rs 508/share, contracting and manufacturing business (C&M) at Rs 93/share, rental assets at Rs 46/share, refundable deposits at Rs 44/share to arrive at a gross NAV of Rs 914/share.

From the gross NAV, we deduct the net debt (Rs 248/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 508/share, contracting and manufacturing business (C&M) at Rs 93/share, rental assets at Rs 46/share, refundable deposits at Rs 44/share to arrive at a gross NAV of Rs 914/share. From the gross NAV, we deduct the net debt (Rs 248/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	21,134	224	DCF-based NAV.
Land Bank	48,155	508	At project discounted GAV
Contractual/Manufacturing	8,867	93	At 7x FY21E EV/EBIDTA
Rental assets/APMC	4,353	46	Discounting at 12% cap rate viz. school, hospital etc
Refundable JDA Deposits	4,182	44	Balance sheet number
Total Gross NAV	86,692	914	
Less net debt	(23,477)	(248)	Net debt as on Mar-20E
Unpaid land cost	(1,429)	(15)	
NAV	61,786	652	

Source: Company, HDFC sec Inst Research

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.

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

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	687	708
EBIT	3,947	5,149	6,845	7,454	8,184
Interest	1,497	1,978	2,362	2,275	2,330
PBT	2,450	3,171	4,482	5,179	5,854
Tax	970	1,002	1,512	1,761	1,990
PAT	1,480	2,169	2,970	3,418	3,863
Share of profits	129	-	-	-	-
EO items (net of tax)	58	154	-	-	-
APAT	1,666	2,323	2,970	3,418	3,863
APAT Growth (%)	13.4	39.4	27.9	15.1	13.0
EPS	17.3	24.5	31.3	36.0	40.7

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

As at March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital	963	948	948	948	948
Reserves	25,482	26,751	21,343	23,867	27,114
Total Shareholders Funds	26,445	27,699	22,291	24,815	28,062
Minority Interest	-	-	-	-	-
Long Term Debt	22,219	23,346	24,427	25,027	25,627
Short Term Debt	-	-	-	-	-
Total Debt	22,219	23,346	24,427	25,027	25,627
Deferred Taxes	2,684	2,521	-	-	-
Long Term Provisions & Others	163	185	121	133	146
TOTAL SOURCES OF FUNDS	51,511	53,751	46,838	49,975	53,835
APPLICATION OF FUNDS					
Net Block	3,173	2,796	2,848	2,255	1,747
CWIP	799	1,345	1,900	4,900	8,400
Goodwill	-	-	-	-	-
Investments	0.2	1,125.0	1,128.3	1,128.3	1,128.3
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	1,549	1,526
ST Loans & Advances, Others	23,423	25,333	22,881	23,831	24,781
Total Current Assets	78,118	78,148	93,098	89,862	95,631
Creditors	7,693	7,205	11,328	10,445	11,455
Other Current Liabilities & Provns	29,726	29,292	49,233	46,561	50,901
Total Current Liabilities	37,419	36,497	60,560	57,006	62,355
Net Current Assets	40,699	41,651	32,538	32,856	33,276
Misc Expenses & Others	-	-	-	-	-
TOTAL APPLICATION OF FUNDS	51,511	53,751	46,838	49,975	53,835

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

Year ending March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
PBT before minority and Share of profits	2,449	3,171	4,482	5,179	5,854
Non-operating & EO items	(326)	(340)	(369)	76	(584)
Taxes	(679)	(837)	(882)	(1,761)	(1,990)
Interest expenses	1,327	1,780	2,147	2,275	2,330
Depreciation	638	544	623	687	708
Working Capital Change	130	(888)	(3,942)	(1,341)	(579)
OPERATING CASH FLOW (a)	3,539	3,430	2,061	5,114	5,738
Capex	(316)	(617)	(1,150)	(3,100)	(3,700)
Free cash flow (FCF)	3,223	2,813	910	2,014	2,038
Investments	(199)	124	152	(264)	(298)
Others	534	331	388	595	584
INVESTING CASH FLOW (b)	20	(163)	(610)	(2,768)	(3,414)
Share capital Issuance	(582)	(620)	-	-	-
Debt Issuance	(40)	1,088	2,706	600	600
Interest expenses	(2,602)	(2,606)	(2,768)	(2,275)	(2,330)
Dividend	(232)	(290)	(800)	(894)	(617)
FINANCING CASH FLOW (c)	(3,455)	(2,428)	(862)	(2,569)	(2,347)
NET CASH FLOW (a+b+c)	103	840	589	(223)	(23)
Closing Cash & Equivalents	1,468	1,194	1,772	1,549	1,526

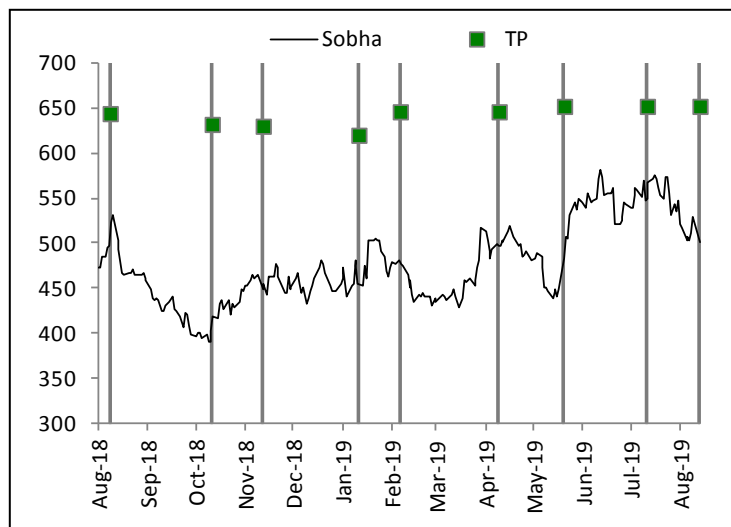
Source: Company, HDFC sec Inst Research

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	9.0	9.3
RoE	5.2	8.0	11.9	14.5	14.6
Core RoCE	7.8	9.9	13.9	15.8	16.1
RoCE	5.3	7.4	9.3	10.2	10.4
EFFICIENCY					
Tax Rate (%)	39.6	31.6	33.7	34.0	34.0
Asset Turnover (x)	0.4	0.5	0.8	0.8	0.8
Inventory (days)	761	650	602	605	550
Debtors (days)	39	36	35	36	38
Payables (days)	88	98	98	105	96
Cash Conversion Cycle (days)	711	589	538	536	492
Debt/EBITDA (x)	5.3	4.5	3.6	3.3	3.1
Net D/E	0.8	0.8	1.0	0.9	0.9
Interest Coverage	2.6	2.6	2.9	3.3	3.5
PER SHARE DATA					
EPS (Rs/sh)	17.3	24.5	31.3	36.0	40.7
CEPS (Rs/sh)	23.9	30.2	37.9	43.3	48.2
DPS (Rs/sh)	2.0	2.5	7.0	7.8	5.4
BV (Rs/sh)	274.6	292.0	235.0	261.6	295.9
VALUATION					
P/E	28.8	20.3	15.9	13.8	12.2
P/BV	1.8	1.7	2.1	1.9	1.7
EV/EBITDA	16.4	13.4	10.4	9.4	8.6
OCF/EV (%)	5.2	4.9	2.9	7.2	8.0
FCF/EV (%)	4.7	4.1	1.3	2.8	2.9
FCFE/Market Cap	6.6	8.3	7.7	5.5	5.6
Dividend Yield (%)	0.4	0.5	1.4	1.6	1.1

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
11-Jul-19	550	BUY	652
14-Aug-19	501	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

INSTITUTIONAL RESEARCH
Disclosure:

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