

JMC Projects

Long wait

JMC Project Ltd (JMC) 4QFY20 financial performance was impacted by ECL provisioning of Rs 795mn in the Kurukshetra Expressway BOT toll project. Adjusted for the same the APAT beat stood at 26.8%. Whilst FY20 saw weak order intake of Rs 33.6bn, 1QFY21 has started on strong footing with new order wins of Rs 11.3bn and L1 of Rs 18bn. We expect FY21E to be turnaround year for JMC as (1) Likely restructuring of 3 BOT assets will cut loss funding to Rs 500mn (vs. Rs 800mn for FY20) (2) New orders bookings have been strong for 1QFY21 & (3) International geographies have started contributing to order inflows. We maintain BUY with SOTP of Rs 69/sh.

- **One-offs impacted 4QFY20 financial performance:** During 4QFY20, JMC recorded Expected Credit Loss provision of Rs 795mn on loans given to its JV (49.5% JMC's share) Kurukshetra Expressway (BOT). JMC has been funding the liabilities servicing for this project through standalone. ECL provision is a step towards BOT restructuring. Adjusted for same Rev/EBIDTA/APAT beat/(miss) stood at (6)/5.5/27%. The 4 BOT Assets contributed Rs 376/1,530mn to the revenues and Rs 204/670mn net loss at a consolidated level in 4QFY20/FY20.
- **Gradual execution ramp up in place:** JMC has Rs 95.5bn of order backlog as of FY20 end (ex of Rs 11.3bn new wins in 1QFY21 and L1 of Rs 18bn). About 42% of the order book in infra (largely water) which has reached 80% utilization level. Balance 58% is Buildings and factories where labour force has reduced from 18,000 to 10,000 people. JMC expects 80-85% labour availability by 2QFY21 end. Hence, 1QFY21 will be severely impacted with JMC guiding for Rs 5-5.5bn of Revenue (50% of quarter average) and good improvement from 2QFY21.
- **Road BOT asset restructuring key for re-rating:** JMC is in advances stages of restructuring the 3BOT assets (Wainganga, Kurukshetra and Vidyanchal expressway). As a step towards same, JMC has already taken investment write off of Rs 795mn in Kurukshetra project during 4QFY20. We believe that FY21E will be crucial and this may be JMCs best chance to achieve the same. Banks need to take a final call on the same. Total equity exposure now stands at Rs 8.2bn including Rs 760mn loss funding investment for FY20. Resolution in these BOT assets continue to be a key monitorable.
- **We maintain BUY** on JMC as we see FY21E to be turnaround year for the company. Large part of BF order book ~85% is in Southern India which remains better placed for real estate recovery. New opportunities are being explored in Africa from order booking perspective. Net debt has increased by Rs 1bn YoY to Rs 7.8bn and net D/E is 0.8x, which is a cause of concern but manageable. FCFE for FY20 stood at Rs 425mn. Key risks (1) Delay in monetization/resolution of BOT assets (2) Leverage.

Financial summary

Year Ending March	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	9,386	9,375	0.1	9,288	1.1	32,528	37,130	33,528	39,450
EBITDA	1,065	974	9.3	1,030	3.3	3,371	4,114	3,371	4,261
APAT	451	487	(7.4)	387	16.5	1,423	1,585	725	1,269
Diluted EPS (Rs)	2.7	2.9	(7.4)	2.3	16.5	8.5	9.4	4.3	7.6
P/E (x)						4.1	3.7	8.1	4.6
EV / EBITDA (x)						3.8	3.3	4.0	2.8
RoE (%)						16.6	16.7	7.3	11.8

Source: Company, HSIE Research

BUY

CMP(as on 21 May 2020)	Rs 35
Target Price	Rs 69
NIFTY	9,106

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 73	Rs 69
	FY21E	FY22E
EPS %	42.2	-1.6

KEY STOCK DATA

Bloomberg code	JMCP IN
No. of Shares (mn)	168
MCap (Rs bn) / (\$ mn)	6/78
6m avg traded value (Rs mn)	10
52 Week high / low	Rs 151/30

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(53.0)	(66.4)	(69.7)
Relative (%)	(28.2)	(42.7)	(49.0)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	67.19	67.36
FIs & Local MFs	17.99	18.49
FPIs	0.53	0.50
Public & Others	14.29	13.65
Pledged Shares	0	0

Source : BSE

Parikshit D Kandpal, CFA
 parikshitd.kandpal@hdfcsec.com
 +91-22-6171-7317

Rohan Rustagi
 rohan.rustagi@hdfcsec.com
 +91-22-3021-7355

Revenue: Rs 9.4bn
(+0.1/+1.1% YoY/QoQ, 6% miss)

EBITDA: Rs 1bn
(+9.3/+3.3% YoY/QoQ, 5.5% beat). Margins were up 95/25bps YoY/QoQ at 11.3%

Depreciation at Rs 333mn
(+85/13% YoY/ QoQ) and **Interest at Rs 333mn**
(+57%/+10.6% YoY/QoQ) was in line with our estimate

The company made ECL provision of Rs 795mn towards loss funding provided to its JV (49.5% JMC's share) Kurukshetra Expressway (BOT)

Loss funding for 4QFY20/FY20 stands at Rs 95/785mn.

Consequently, adjusting for ECL provision, APAT came in at Rs 451mn(-7.4%/+16.5% YoY/QoQ, 27% beat)

We have recalibrated our revenue estimates for FY21/22E factor in better than expected execution recovery. This translates to 42.2% increase in our FY21E EPS estimate whilst FY22E remains largely unchanged

Quarterly Financials Snapshot – Standalone

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20	FY19	YoY (%)
Net Revenues	9,386	9,375	0.1	9,288	1.1	37,130	32,528	14.1
Material Expenses	(7,014)	(7,144)	(1.8)	(7,056)	(0.6)	(28,151)	(25,057)	12.3
Employee Expenses	(866)	(777)	11.3	(885)	(2.2)	(3,464)	(3,025)	14.5
Other Expenses	(443)	(480)	(7.8)	(317)	39.6	(1,402)	(1,077)	30.2
EBITDA	1,065	974	9.3	1,030	3.3	4,114	3,369	22.1
Depreciation	(333)	(180)	84.7	(295)	13.1	(1,173)	(781)	50.2
EBIT	731	794	(7.8)	736	(0.6)	2,940	2,588	13.6
Interest Cost	(338)	(216)	56.9	(306)	10.6	(1,252)	(950)	31.7
Other Income	83	60	38.1	55	51.5	274	248	10.6
EO Items	(795)	-	-	-	-	(795)	-	-
PBT	(319)	638	(149.9)	485	(165.8)	1,168	1,885	(38.0)
Tax	(25)	(151)	(83.5)	(98)	(74.4)	(378)	(464)	(18.6)
RPAT	(344)	487	(170.6)	387	(188.8)	790	1,421	(44.4)
EO Items	795	-	0.0	-	0.0	795	-	0.0
APAT	451	487	(7.4)	387	16.5	1,585	1,421	11.5

Source: Company, HSIE Research

Margin Analysis

Particulars (Rs mn)	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (bps)	FY20	FY19	YoY (bps)
Material Expenses % Net Sales	74.7	76.2	(147.7)	76.0	(124.7)	75.8	77.0	(121.6)
Employee Expenses % Net Sales	9.2	8.3	92.9	9.5	(30.4)	9.3	9.3	2.9
Other Expenses % Net Sales	4.7	5.1	(40.5)	3.4	130.2	3.8	3.3	46.5
EBITDA Margin (%)	11.3	10.4	95.2	11.1	24.8	11.1	10.4	72.2
Tax Rate (%)	(7.8)	23.7	(3,152.4)	20.1	(2,798.5)	32.3	24.6	773.5
APAT Margin (%)	(3.7)	5.2	(885.6)	4.2	(782.8)	2.1	4.4	(224.1)

Source: Company, HSIE Research

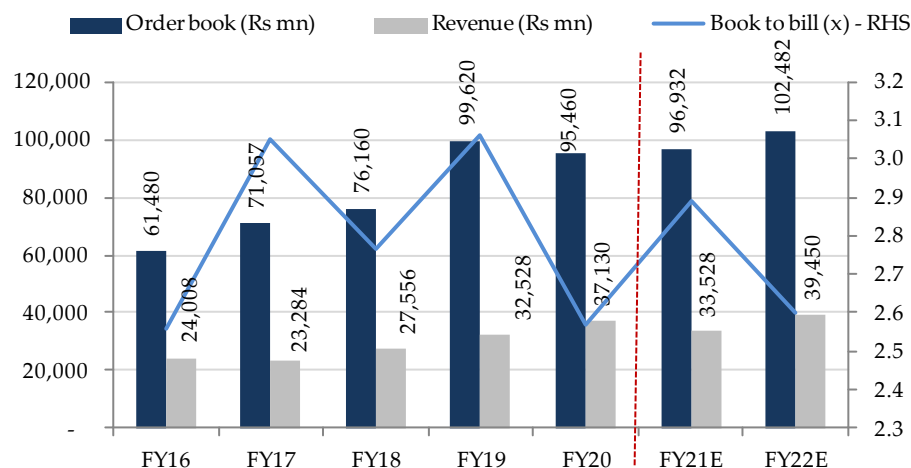
Change in Estimates

Standalone Rs Bn	FY21E			FY22E		
	Old	Revised	% Chg	Old	Revised	% Chg
Net Sales (Rs bn)	30,495	33,528	9.94	39,115	39,450	0.86
EBITDA (Rs bn)	3,124	3,371	7.92	4,264	4,261	-0.07
EBITDA Margin (%)	10.2	10.1	-18.88	10.9	10.8	-10.00
Adj PAT (Rs bn)	509	725	42.60	1,291	1,269	-1.68
AEPS (Rs)	3.0	4.3	42.60	7.7	7.6	-1.68
TP (Rs/share)	73	69	-4.87			

Source: Company, HSIE Research

Order Book, Revenues, Book-to-bill Ratio

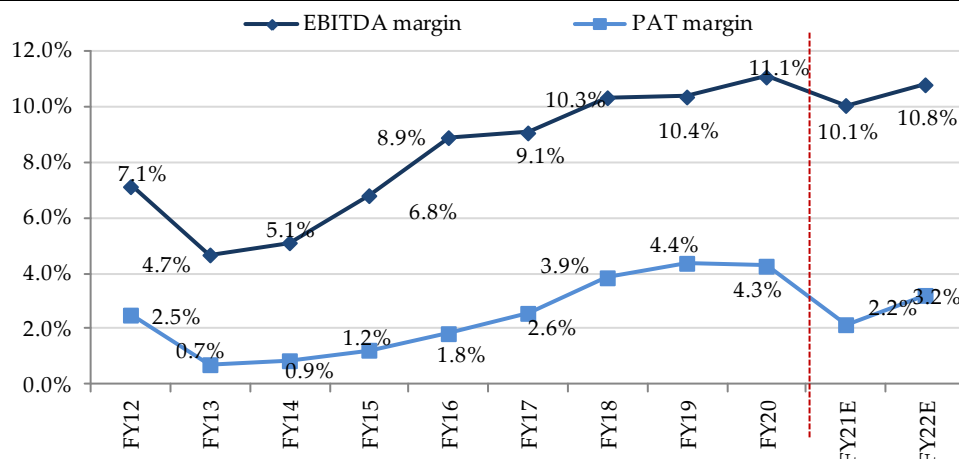
In 4QFY20 order inflow was Rs 6bn (4QFY20 order book stands at Rs 95bn)



Source : Company, HSIE Research

EBITDA And PAT Margins (%)

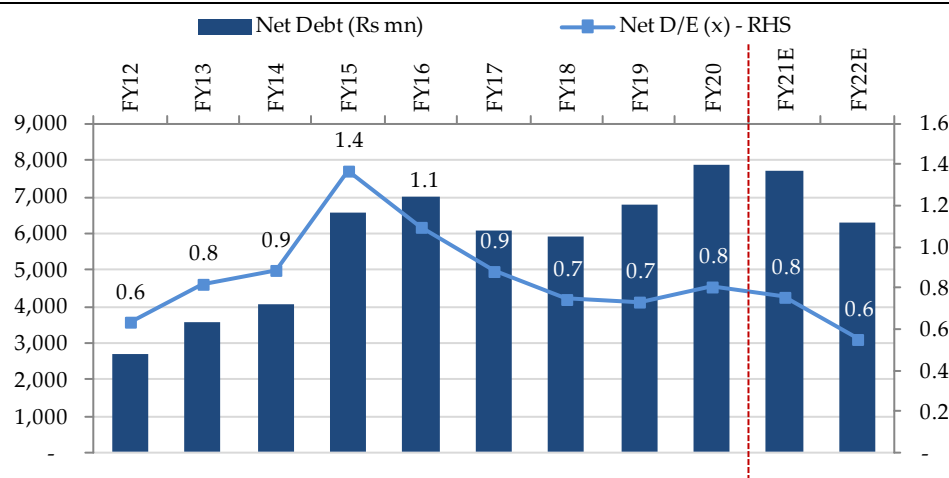
We expect the double digit margins to sustain in the future given the order mix and the company's continued focus on margin protection while bidding for new projects



Source : Company, HSIE Research

Net Debt And Net D/E

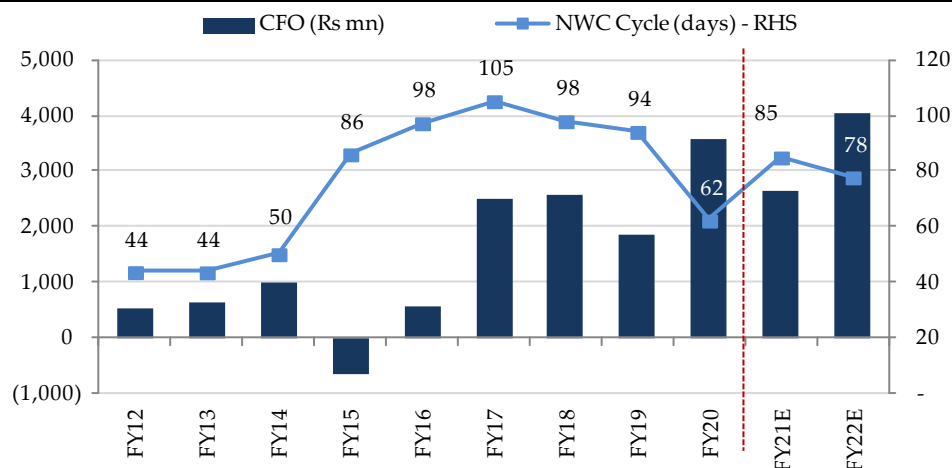
Net debt and Net D/E to gradually improve



Source : Company, HSIE Research

NWC to remain in 80-85days

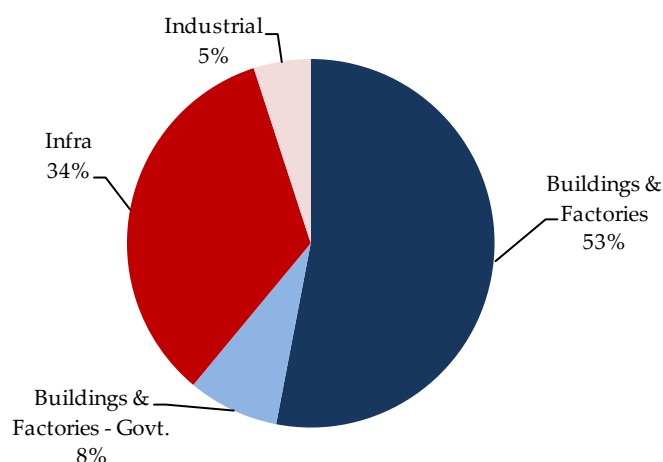
Cash Flow From Operations & NWC Cycle



Source : Company, HSIE Research

The company has an outstanding order book of ~Rs 95bn with company securing new order inflows of Rs 33.6bn during FY20. During 1QFY21 JMC has won new orders worth Rs 11.3bn and is L1 Rs 18bn.

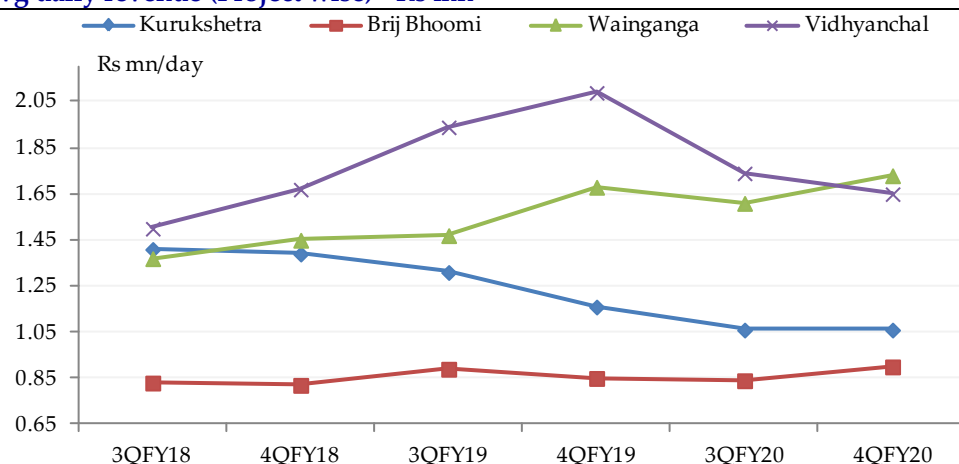
Order Book –4QFY20 split (%)



Source : Company, HSIE Research

The company is working towards monetizing/ refinancing/ restructuring its BOT assets and the same is expected to be finalized by 1QFY21 or early 2QFY21E. FY20 infusion towards loss funding and debt obligations was ~Rs 785mn and infusion of 500mn is expected in FY21E post restructuring

Avg daily revenue (Project wise) - Rs mn



Source : Company, HSIE Research

Key Assumptions & Estimates

Key Assumptions	FY20	FY21E	FY22E	Comments
Closing order book	95,460	96,932	1,02,482	Order book to grow at a CAGR of 2.4% over FY20-FY22E
Order book growth (%)	(4.2)	1.5	5.7	
New order booking	33,640	47,500	45,000	Rs 45bn order inflow expected in FY20 and FY21. JMC has already won Rs 11.3bn new orders in 1QFY21 and is L1 in Rs 18bn
Book to bill ratio	2.6	2.9	2.6	
Total Revenue	37,130	33,528	39,450	Revenue to grow at a CAGR of 2% over FY20-22E
Growth (%)	14.1	(9.7)	17.7	
EBIDTA	4,114	3,371	4,261	EBITDA to grow at a CAGR of 1.2% over FY20-22E
EBIDTA margin (%)	11.1	10.1	10.8	EBITDA margins expected to remain within 10.5-11% range over FY20-22E
Depreciation	1,173	1,378	1,514	Incremental capex to lead to increased depreciation
Financial Charges	1,252	1,342	1,349	
PBT	1,168	937	1,696	
PBT margin (%)	3.1	2.8	4.3	
Tax	377.8	211.7	426.9	
Tax rate (%)	32.3	22.6	25.2	Adoption of new ETR continues to be under evaluation. But current rates are closer to new ETR
RPAT	790	725	1,269	
Net margin (%)	2.1	2.2	3.2	
Extraordinary	795	-	-	
Adjusted PAT	1,585	725	1,269	APAT will degrow by 7.4% CAGR over FY20-22E
Gross Block Turnover	4.2	3.5	3.7	
Debtor days	89	100	90	
CFO - a	3,591	2,623	4,052	
CFI - b	(3,142)	(1,041)	(1,127)	Includes Annual Capex and investment towards BOT loss funding and debt servicing
FCF - a+b	449	1,582	2,925	
CFF - c	(761)	(1,603)	(2,165)	
Total change in cash - a+b+c	(312)	(21)	759	

Source: HSIE Research

We have valued the core construction business at 8x two-year forward Mar-22E EPS at Rs 60/share

We value BOT equity investments at Rs 9/share using NPV method

We arrive at SOTP valuation of Rs 69/share (vs Rs 73/sh earlier)

We have revised our estimates for FY21-22E APAT by +43/ -1.7% largely driven by increase in our FY21E revenue estimates

Outlook and valuation

Maintain BUY

Valuation methodology

- We value the core construction business at 8x two-year forward Mar-22E EPS at Rs 69/share. This multiple factors in (1) ~Rs 785mn of BOT infusion in FY20 and about Rs 500mn expected in FY21E (2) Delay in monetization of road assets (~Rs 8.2bn invested till FY20 including funding for debt servicing).
- Our Buy stance is based on (1) Order book of Rs 95bn as of FY20, order inflow of Rs 11.3bn in YTD FY21 coupled with Rs 18bn in L1 position and some high value international orders in the pipeline (2) Amongst the top 5 players in the Buildings segment with robust execution credentials and (3) Margin profile expected to remain consistent/ improve over the next 2 years.
- BOT equity monetization remains crucial for further re-rating.

We maintain BUY rating with a TP of Rs 69/sh (vs. Rs 73/sh earlier). TP cut largely on account of marginal 1.7% FY22E EPS cut. We value the core construction business at Rs 60/share (8x two-year forward Mar-22E EPS) and Equity invested in BOT at Rs 9/sh through NPV method.

SOTP Valuation

Particulars	Segments	Value (Rs mn)	Value per share (Rs)	Rationale
Standalone	Core construction business	10,154	60	At 8x Mar-22E EPS
BOT Assets	Roads toll	1,506	9	Value of equity invested using NPV method
Total		11,660	69	

Source: HSIE Research

Peer Set Comparison: Core EPC

Core EPC*	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	Adj. EPS (Rs/sh)			P/E (x)*			EV/EBITDA (x)*			ROE (%)*		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Dilip Buildcon	34.6	253	BUY	466	32.4	17.9	41.4	3.6	3.6	6.6	3.4	3.4	3.4	12.9	12.9	12.9
PNC Infratech	27.1	106	BUY	234	12.8	9.6	14.0	3.1	3.1	4.1	1.7	1.7	1.7	14.0	14.0	14.0
KNR	26.9	192	BUY	278	13.9	8.7	18.2	9.5	9.5	15.2	4.7	4.7	4.7	12.9	12.9	12.9
Ashoka Build	14.6	52	BUY	134	8.8	5.4	7.7	2.6	2.6	4.2	2.3	2.3	2.3	14.0	14.0	14.0
NCC	13.2	22	BUY	49	4.5	3.1	5.0	3.0	3.0	4.3	2.5	2.5	2.5	5.6	5.6	5.6
PSP Projects	11.7	325	ADD	380	35.4	27.5	38.0	9.2	9.2	11.8	6.6	6.6	6.6	30.1	30.1	30.1
Ahluwalia Contracts	11.1	165	BUY	265	12.4	14.3	25.2	12.3	12.3	10.6	4.7	4.7	4.7	10.7	10.7	10.7
HG Infra	10.2	157	BUY	337	25.7	20.6	28.1	4.5	4.5	5.6	2.9	2.9	2.9	22.3	22.3	22.3
Sadbhav Engineering	7.2	42	BUY	56	4.9	4.0	7.1	5.8	5.8	7.2	6.1	6.1	6.1	4.1	4.1	4.1
JMC Projects	5.9	35	BUY	69	9.4	4.3	7.6	2.8	2.8	6.0	3.0	3.0	3.0	16.7	16.7	16.7
ITD Cem	5.9	34	ADD	44	3.1	-2.9	5.5	11.1	11.1	-11.8	3.7	3.7	3.7	5.1	5.1	5.1
JKIL	5.3	78	BUY	144	25.5	14.2	24.0	3.0	3.0	5.5	2.4	2.4	2.4	11.1	11.1	11.1
Capacite	5.0	74	BUY	147	10.9	2.0	16.8	5.6	5.6	30.7	2.7	2.7	2.7	8.4	8.4	8.4
Average								5.2	5.2	6.8	3.3	3.3	3.3	12.9	12.9	12.9

Source: Company, HSIE Research; * excluding equity investments in SPVs

Financials

Standalone Income Statement

Year ending March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Revenues	24,008	23,284	27,556	32,528	37,130	33,528	39,450
<i>Growth (%)</i>	<i>0.0</i>	<i>(3.0)</i>	<i>18.3</i>	<i>18.0</i>	<i>14.1</i>	<i>(9.7)</i>	<i>17.7</i>
Material Expenses (incl. construction cost)	18,454	17,365	20,525	25,057	28,151	25,438	29,895
Employee Expenses	2,256	2,357	2,664	3,025	3,464	3,520	3,787
Other Operating Expenses	1,162	1,450	1,520	1,076	1,402	1,198	1,506
EBIDTA	2,136	2,111	2,848	3,371	4,114	3,371	4,261
<i>EBIDTA (%)</i>	<i>8.9</i>	<i>9.1</i>	<i>10.3</i>	<i>10.4</i>	<i>11.1</i>	<i>10.1</i>	<i>10.8</i>
<i>EBIDTA Growth (%)</i>	<i>30.7</i>	<i>(1.2)</i>	<i>34.9</i>	<i>18.4</i>	<i>22.0</i>	<i>(18.0)</i>	<i>26.4</i>
Depreciation	517	574	717	781	1,173	1,378	1,514
EBIT	1,619	1,538	2,131	2,589	2,940	1,993	2,746
Other Income (Incl. EO Items)	82	137	176	248	- 520	286	299
Interest	1,043	832	858	951	1,252	1,342	1,349
PBT	659	843	1,450	1,887	1,168	937	1,696
Tax	217	244	388	464	378	212	427
RPAT	442	599	1,061	1,423	790	725	1,269
EO items (net of tax)	-	-	-	-	795	-	-
APAT	442	599	1,061	1,423	1,585	725	1,269
<i>APAT Growth (%)</i>	<i>48.0</i>	<i>35.5</i>	<i>77.2</i>	<i>34.1</i>	<i>11.4</i>	<i>(54.2)</i>	<i>75.0</i>
EPS	2.6	3.6	6.3	8.5	9.4	4.3	7.6
<i>EPS Growth (%)</i>	<i>15.1</i>	<i>35.5</i>	<i>77.2</i>	<i>34.1</i>	<i>11.4</i>	<i>(54.2)</i>	<i>75.0</i>

Source: Company, HSIE Research

Standalone Balance Sheet

As at March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS							
Share Capital	336	336	336	336	336	336	336
Reserves	6,042	6,561	7,554	8,898	9,363	9,852	10,997
Total Shareholders Funds	6,378	6,897	7,890	9,233	9,699	10,187	11,333
Minority Interest	0	0	0	0	0	0	0
Long Term Debt	2,819	2,313	3,143	3,904	4,969	6,238	5,313
Short Term Debt	4,541	4,050	4,223	3,663	3,421	2,014	2,245
Total Debt	7,360	6,363	7,366	7,567	8,390	8,252	7,558
Deferred Taxes	(449)	(363)	(352)	(363)	(475)	(475)	(475)
Other Non Current Liabilities	3,688	5,242	5,860	5,796	4,981	5,585	6,536
TOTAL SOURCES OF FUNDS	16,977	18,140	20,764	22,234	22,596	23,550	24,953
APPLICATION OF FUNDS							
Net Block (incl. CWIP)	3,496	3,714	4,222	5,019	6,109	5,656	5,142
Investments	5,692	6,401	7,036	7,446	8,488	8,890	9,315
Other Non Current Assets	1,027	1,035	627	585	1,111	777	904
Total Non-current Assets	10,216	11,150	11,885	13,050	15,708	15,323	15,361
Inventories	1,586	1,795	1,923	2,481	2,412	2,572	2,702
Debtors	6,688	6,576	7,358	9,226	9,097	9,186	9,727
Cash & Equivalents	345	260	1,460	770	538	517	1,277
ST Loans & Advances	145	81	222	247	466	210	270
Other Assets	7,643	8,110	10,957	13,295	13,681	14,682	14,673
Total Current Assets	16,407	16,822	21,920	26,019	26,194	27,167	28,649
Creditors	6,764	7,439	8,286	11,722	11,626	11,482	10,808
Other Current Liabilities & Provns	2,881	2,394	4,755	5,113	7,678	7,341	8,130
Total Current Liabilities	9,645	9,833	13,041	16,835	19,304	18,824	18,939
Net Current Assets	6,762	6,989	8,879	9,184	6,888	8,341	9,707
Misc Expenses & Others	0	0	0	0	0	(114)	(115)
TOTAL APPLICATION OF FUNDS	16,978	18,140	20,764	22,234	22,596	23,550	24,953

Source: Company, HSIE Research

Standalone Cash Flow

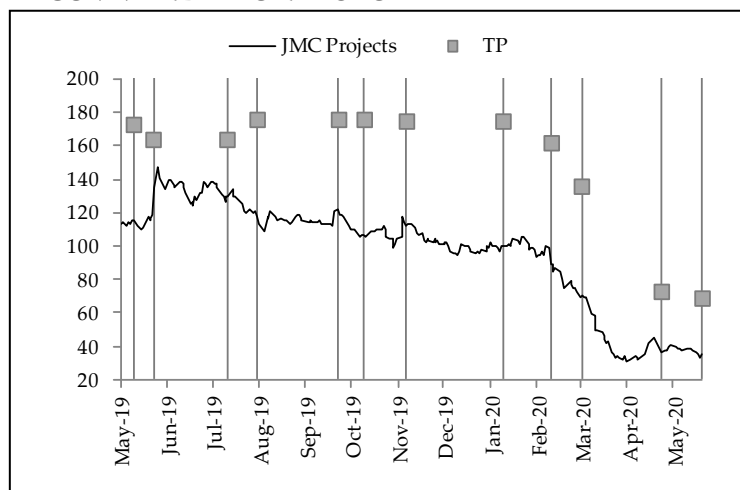
Year ending March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	659	843	1,450	1,887	1,168	937	1,696
Non-operating & EO items	(55)	(124)	470	(146)	705	(286)	(299)
Interest expenses	1,043	832	858	951	1,304	1,342	1,349
Depreciation	517	574	717	781	1,173	1,378	1,514
Working Capital Change	(1,097)	533	(713)	(1,095)	(768)	(537)	218
Tax paid	(512)	(158)	(223)	(519)	8	(212)	(427)
OPERATING CASH FLOW (a)	554	2,499	2,558	1,859	3,591	2,623	4,052
Capex	(817)	(771)	(899)	(1,504)	(1,862)	(926)	(1,000)
Free cash flow (FCF)	(262)	1,728	1,659	354	1,729	1,697	3,052
Investments	102	0	(635)	(410)	(785)	(401)	(426)
Interest Income	(445)	96	121	221	(495)	286	299
INVESTING CASH FLOW (b)	(1,159)	(675)	(1,413)	(1,693)	(3,142)	(1,041)	(1,127)
Share capital Issuance	1,487	0	0	0	0	0	0
Debt Issuance	578	(2,589)	984	291	839	(138)	(694)
Others inc. Interest paid	(1,232)	721	(858)	(1,025)	(1,304)	(1,342)	(1,349)
Dividend + Misc	(31)	(40)	(72)	(121)	(296)	(122)	(122)
FINANCING CASH FLOW (c)	802	(1,909)	54	(855)	(761)	(1,603)	(2,165)
NET CASH FLOW (a+b+c)	198	(85)	1,199	(690)	(312)	(21)	759
Closing Cash & Equivalents	345	260	1,459	770	538	517	1,277

Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PROFITABILITY (%)							
GPM	23.1	25.4	25.5	23.0	24.2	24.1	24.2
EBITDA Margin	8.9	9.1	10.3	10.4	11.1	10.1	10.8
EBIT Margin	6.7	6.6	7.7	8.0	7.9	5.9	7.0
APAT Margin	1.8	2.6	3.9	4.4	4.3	2.2	3.2
RoE	7.9	9.0	14.4	16.6	16.7	7.3	11.8
Core RoCE	15.0	17.5	24.3	23.8	23.2	18.0	26.3
RoCE	8.6	9.2	11.3	13.0	13.8	9.8	12.4
EFFICIENCY							
Tax Rate (%)	32.9	29.0	26.8	24.6	32.3	22.6	25.2
Asset Turnover (x)	6.1	5.2	5.1	4.7	4.2	3.5	3.7
Inventory (days)	24	28	25	28	24	28	25
Debtors (days)	102	103	97	104	89	100	90
Payables (days)	103	117	110	132	114	125	100
Cash Conversion Cycle (days)	23	15	13	(0)	(1)	3	15
Other Current Assets (days)	118	128	148	152	139	162	138
Other Current Liab (days)	44	38	63	57	75	80	75
Net Working Capital Cycle (Days)	98	105	98	94	62	85	78
Debt/EBITDA (x)	3.4	3.0	2.6	2.2	2.0	2.4	1.8
Net D/E	1.1	0.9	0.7	0.7	0.8	0.8	0.6
Interest Coverage	1.6	1.8	2.5	2.7	2.3	1.5	2.0
PER SHARE DATA							
EPS (Rs/sh)	2.6	3.6	6.3	8.5	9.4	4.3	7.6
CEPS (Rs/sh)	5.7	7.0	10.6	13.1	16.4	12.5	16.6
DPS (Rs/sh)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BV (Rs/sh)	38	41	47	55	58	61	67
VALUATION							
P/E	12.2	9.0	5.1	3.8	3.4	7.4	4.2
P/BV	0.8	0.8	0.7	0.6	0.6	0.5	0.5
EV/EBITDA	5.8	5.4	4.0	3.6	3.2	3.9	2.7
OCF/EV (%)	4.5	0.2	0.2	0.2	0.3	0.2	0.3
FCF/EV (%)	(2.1)	15.1	14.7	2.9	13.1	12.9	26.2
FCFE/Market Cap (%)	(17.0)	(2.6)	33.2	(7.1)	23.5	4.0	18.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
10-May-19	115	BUY	173
23-May-19	116	BUY	164
11-Jul-19	130	BUY	164
31-Jul-19	117	BUY	176
22-Sep-19	121	BUY	176
10-Oct-19	106	BUY	176
7-Nov-19	111	BUY	175
10-Jan-20	100	BUY	175
12-Feb-20	89	BUY	162
2-Mar-20	74	BUY	136
24-Apr-20	37	BUY	73
22-May-20	35	BUY	69

From 2nd March 2020, we have moved to new rating system

Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: >10% Downside return potential

Disclosure:

We, **Parikshit Kandpal, CFA & Rohan Rustagi, MBA**, 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.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com