

Prestige Estates Projects

Time to consolidate

We maintain BUY on PEPL with SOTP of Rs 280/sh. We have decreased our FY21/22E EPS estimates by 40%/31% to factor in protracted recovery from COVID-19 related slowdown in sales velocity as well as construction, and delayed launches. PEPL pre-COVID re-rating was backed by robust expansionary plans on asset build out and likely de-leveraging through REIT. New business development initiatives in Mumbai market and stake purchase in DIAL hotel in Delhi was being looked at geographical diversification. COVID-19 puts spanner in the wheel and we believe it's time for PEPL to refine capital allocation and restrict high exposure to hospitality and Mumbai premium/office projects. As such FY21E residential collections will remain subdued and headwinds like work from home & retail footfall/hotel occupancy normalization will take time. Nonetheless PEPL remain well placed to tide over near term weakness with timely fund raise of Rs9bn during 4QFY20 and likely pre REIT placement in FY21E.

- Weak 4QFY20 financial performance:** PEPL reported 4QFY20 Revenue/EBIDTA of Rs 19.8/5.0bn. EBIDTA margin came in at 25.2% (vs 24.7/26.8% YoY/QoQ). APAT stood at Rs 154mn (-89/-90% YoY/QoQ). Weak performance resulted in Rev/EBIDTA/APAT miss of 26/30/90% respectively vs. our estimates. Shutdown for the last 15 days of Mar-20 led to rev shortfall of ~2bn.
- COVID dampens sales as well as construction velocity:** Labor availability at 30-40% is gradually picking up. While things are looking up in Bengaluru already, PEPL has put on hold construction plans for Mumbai projects. As expected, Office Leasing continues to perform, Malls/Hospitality severely impacted & expected to pick up only in 2HFY21. Moratorium on interest availed for most projects as inflow has been virtually nil in Malls/Hospitality. However, few malls have started opening up with ~30% footfall, esp. in Bangalore, which is encouraging. While no signs of Hospitality picking up yet, costs have been brought down to ~20% level by firing all contractors, barely breaking even.
- Steady 4QFY20 pre-sales and collections:** PEPL gross pre-sales volume/value stood at 2.1mn sqft (+27% QoQ)/Rs 12.1bn (-8% QoQ, includes Rs 1.6bn commercial strata sales). The Company achieved FY20 gross pre-sales value of Rs 45.6bn (PEPL share Rs 37.8bn). The quarter saw strong collections (PEPL share) of Rs 10.9bn with the total collections for FY20 at Rs 37.6bn as guided.
- BS concerns receding as leverage moderates:** Net debt has reduced by Rs 10bn QoQ to Rs 76.7bn in 4QFY20. The Net D/E stands at 1.43x post Rs ~9bn equity infusion. However, (1) Recent allotment of preference shares to GIC for a consideration of Rs 4.2bn and further Rs 4.6bn equity raise from institutional investors, (2) Likely fund raise of ~Rs25bn (\$300-400mn) from -select PE investors pre-REIT, (3) REITs eventual listing in FY22E provides sufficient liquidity to PEPL capex plans while maintaining debt at current position, significantly improving the D/E structure. No further equity dilution planned at entity level.

Financial summary

YE March (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	19,823	19,793	0.2	26,809	(26)	51,719	81,248	66,875	78,116
EBITDA	4,996	4,879	2.4	7,188	(30)	14,538	23,560	18,001	21,342
APAT	154	1,391	(89)	1,618	(90)	2,368	3,651	617	2,367
Diluted EPS (Rs)	0.4	3.5	(89)	4.0	(90)	5.9	9.1	1.5	5.9
P/E (x)						37.4	24.3	143.5	37.4
EV / EBITDA (x)						11.4	7.0	9.5	8.1
RoE (%)						7.8	14.4	3.5	6.9

Source: Company, HSIE Research

BUY

CMP(as on 25 Jun 2020)	Rs 221
Target Price	Rs 280
NIFTY	10,289

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 279	Rs 280
	FY21E	FY22E
EPS %	(40.48)	(30.54)

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (Rs bn) / (\$ mn)	87/1,180
6m avg traded value (Rs mn)	163
52 Week high / low	Rs 426/134

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	28.1	(36.3)	(16.9)
Relative (%)	6.0	(20.3)	(5.3)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	70.00	65.48
FIs & Local MFs	3.72	3.86
FPIs	25.34	29.42
Public & Others	0.94	1.24
Pledged Shares	-	-

Source : BSE

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4QFY20 Revenue: Rs 19.8bn (+0.2%/-26% YoY/QoQ, 26% miss)

4QFY20 EBITDA: Rs 5.0bn (+2.4%/-30% YoY/QoQ, 30% miss). Margins came in at 25.2% (vs 24.7/26.8% YoY/QoQ)

Interest cost was Rs 2.6bn (+30%/-0.7% YoY/QoQ) in line. Depreciation at Rs 1.7bn also in line

Share of loss from associates at Rs 84mn, while Minority interest at Rs 357mn

4QFY20 ETR at 40% vs 34%/31% YoY/QoQ

Consequently RPAT/APAT came in at Rs 154mn (-90%/-90% YoY/QoQ, 90% miss)

4QFY20/FY20:

Pre-sales (PG share): Rs 9,963/37.805 mn

Collections (PG share): Rs 10,909/37,550 mn

Launches: 7.4/17.12 msf

Completions: 2.56/19.32msf

Quarterly Financials Snapshot – Consolidated

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20	FY19	YoY (%)
Net Sales	19,823	19,793	0.2	26,809	(26.1)	81,248	51,719	57.1
Material Expenses	(12,116)	(12,404)	(2.3)	(16,913)	(28.4)	(47,516)	(28,599)	66.1
Employee Expenses	(1,252)	(1,068)	17.2	(1,239)	1.0	(4,601)	(3,986)	15.4
Other Operating Expenses	(1,459)	(1,442)	1.2	(1,469)	(0.7)	(5,571)	(4,596)	21.2
EBITDA	4,996	4,879	2.4	7,188	(30.5)	23,560	14,538	62.1
Interest Cost	(2,584)	(1,983)	30.3	(2,602)	(0.7)	(10,233)	(7,228)	41.6
Depreciation	(1,771)	(1,018)	74.0	(1,655)	7.0	(6,667)	(3,229)	106.5
Other Income (including EO)	346	150	130.7	154	124.7	1,565	1,122	39.5
PBT	987	2,028	(51.3)	3,085	(68.0)	8,225	5,203	58.1
Minority Interest	357	28	1,175.0	546	(34.6)	1,455	263	453.2
Share of associates	(84)	75	(212.0)	31	(371.0)	44	307	(85.7)
Tax	(392)	(684)	(42.7)	(952)	(58.8)	(2,783)	(1,985)	40.2
RPAT	154	1,391	(88.9)	1,618	(90.5)	4,031	3,262	23.6
E/o (adj for tax)	-	-	-	-	-	(380)	(894)	-
APAT	154	1,391	(88.9)	1,618	(90.5)	3,651	2,368	54.2

Source: Company, HSIE Research

Margin Analysis

Particulars (Rs mn)	4Q FY20	4Q FY19	YoY (bps)	3Q FY20	QoQ (bps)	FY20	FY19	YoY (bps)
Material Expenses % Net Sales	61.1	62.7	(155)	63.1	(197)	58.5	55.3	319
Employee Expenses % Net Sales	6.3	5.4	92	4.6	169	5.7	7.7	(204)
Other Operating Expenses % Net Sales	7.4	7.3	7	5.5	188	6.9	8.9	(203)
EBITDA Margin (%)	25.2	24.7	55	26.8	(161)	29.0	28.1	89
Tax Rate (%)	39.7	33.7	599	30.9	886	33.8	38.2	(432)
APAT Margin (%)	0.8	7.0	(625)	6.0	(526)	5.0	6.3	(135)

Source: Company, HSIE Research

Change in Estimates

Consolidated Rs Mn	FY21E			FY22E		
	Old	Revised	% Chg	Old	Revised	% Chg
Net Sales	70,791	66,875	-5.53	81,595	78,116	-4.26
EBITDA	20,281	18,001	-11.24	24,176	21,342	-11.72
EBITDA Margin (%)	28.6	26.9	-173.22 bps	29.6	27.3	-230.88 bps
Adj PAT	1,037	617	-40.48	3,408	2,367	-30.54
AEPS (Rs)	2.6	1.5	-40.48	8.5	5.9	-30.54

Source: Company, HSIE Research

Real Estate Performance

Annuity (PG share): FY20 exit rental – Rs 10.5bn pa (Office+Malls)

Majority of the sales coming from ready ongoing projects; new launches over the past couple of years have been slow

Cash collections for Apr/May/Jun at Rs 0.8/2.5/3bn

Office capex of ~Rs 20bn to be incurred for ~15msf ongoing projects over the next 30 months. Strata sales: Leasing mix to be ~50:50.

Rental waiver (excl CAM charges) given during 1QFY21 for Malls, situation continues to evolve. Part MG/Rev share may be slightly higher rev share for recovery period depending on tenants and case to case

Hospitality: Rs 3.6bn rental pa operating portfolio

Land bank: 239 acres; Potential dev area of 24msf (PG share)

Projects under planning at 57msf; Ongoing at Rs 52msf

	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY20	FY19	YoY (%)
Overall Gross Sales (mn sqft)	2.1	2.4	(16)	1.6	27	6.5	7.1	(8)
Prestige Share (mn sqft)	1.7	2.1	(19)	1.3	29	5.4	5.7	(6)
Overall Gross Sales (Rs mn)	12,085	13,726	(12)	13,097	(8)	45,607	45,571	0
Prestige Share (Rs mn)	9,963	11,222	(11)	10,932	(9)	37,805	36,202	4
Gross Average Realization (Rs/sqft)	5,895	5,649	4	8,135	(28)	6,995	6,428	9
Collections - Prestige Share (Rs mn)	10,909	9,906	10	8,904	23	37,550	35,279	6

(Rs mn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Overall Pre-Sales - PS (msf)	1.11	1.33	1.21	2.08	1.21	1.18	1.31	1.69
Overall Sales Value - PS (Rs mn)	7,638	7,974	9,368	11,222	8,614	8,296	10,932	9,963
Realisation (Rs/sf)	6,881	5,995	7,742	5,395	7,119	7,031	8,345	5,895
Collections - PS (Rs mn)	7,546	8,493	9,334	9,906	9,058	8,679	8,904	10,909
Rental Income - PS (Rs mn)	1838	1817	1874	1958	2062	2229	2337	2580

Source: Company, HSIE Research

- During 4QFY20, pre-sales declined ~16% YoY to 2.1mn sqft with ~Rs 12.1bn in value (realization of Rs 5,895/sqft). Prestige’s rental income/quarter stood at Rs ~2.58bn. Prestige achieved overall gross pre-sales of 6.5mn sqft for FY20.
- PEPL launched 4.6mn sqft of residential Prestige Finsbury Park in Bengaluru during 4QFY20. It also launched 2.7msf Skytech in Hyderabad. PEPL has some key projects in the launch pipeline including Prestige Smart City (under the HDFC platform), Prestige Highline (Chennai), Prestige Tranquil (Hyderabad), Mumbai (Byculla), projects in Mangaluru and Goa with a total developable area of ~31mn sqft.

Net D/E improved to 1.43x post equity infusion

Debt/Equity Ratio Trend (x)

(Rs mn)	*1Q FY19	*2Q FY19	*3Q FY19	*4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20
Consol Net Worth	41,100	41,695	42,348	43,386	43,541	44,275	46,510	53,602
Consol Net Debt	72,786	75,714	75,651	75,817	81,162	84,698	86,740	76,761
Consol Net D/E (x)	1.77	1.82	1.79	1.75	1.86	1.91	1.86	1.43

Source: Company, *1QFY19 onwards leverage ratios are not strictly comparable with previous quarters on account of reversal in reserves of Rs 10.1bn on adoption of IND AS 115

- For 4QFY20, consolidated net debt stands at Rs 76.7bn. Net D/E now comfortable post equity infusion. This is expected to inch upwards slightly in FY21E due to capex/land commitments and interest moratorium that is availed.
- While we remain cautious of PEPL’s rising debt levels on account of outgo for land acquisitions and capex for annuity assets, we find comfort in the fact that debt is largely being backed by Rent securitization (about 60%). Residential debt is at 40% of total net debt.
- With a ramp-up in rental income (~Rs 2.58bn in 4QFY20) combined with monetization of residential inventory nearing completion, PEPL will have multiple avenues of further de-leveraging its balance sheet.

Cash Flow situation

PEPL Share (Rs mn)	FY21E	FY22E
Inflows:		
Customer collections	38.5	45.0
Rentals	10.0	12.7
Hospitality (net)	1.7	4.1
Property management (net)	5.0	5.6
Other income/deposits	1.3	1.5
IPO/IPP Proceeds	-	-
Total inflow	56.5	69.0
Outflows		
Construction outflow	22.0	26.0
Corporate and staff	9.0	10.0
Construction/overheads total	31.0	36.0
Operational Cash flows	25.6	32.9
Interest payments	10.6	11.2
Income taxes	0.6	1.6
Total financial outflows	11.2	12.7
Net cash flow (post interest)	14.3	20.2
Rental capex:		
Office	8.8	9.0
Retail	1.1	1.2
Hotels	2.0	4.0
Total capex	11.9	14.2
Cash flow post capex		
Land payments	5.0	5.0
Dividend paid	1.2	1.2
Capital outflows	6.2	6.2
Net inflows	(3.8)	(0.2)

Source: Company, HSIE Research

Summary Of Key Assumptions And Estimates

	Estimates		Growth (%)		Comments
	FY21E	FY22E	FY21E	FY22E	
Volume assumptions					
Overall (mn sqft)	4.3	6.1	(34.2)	41.9	New pre-sales will come from existing unsold inventory in addition to new launches
Average rate (Rs/sqft)	6,551	6,551	(6.2)	-	Price realization will remain muted as unsold inventory puts pressure on pricing of new launches
Sales value - Overall (Rs mn)	28,171	39,963	(38.2)	41.9	
Rental Income:					
Gross area for lease (mnsf)	18.7	18.7	15.2	-	
Prestige Share (mnsf)	13.0	12.3	(2.1)	(5.2)	Share split across economic interest
Average Occupancy (%)	96.0	96.0	100.0	-	
Prestige leased space (mnsf)	12.5	11.8	(1.0)	(5.2)	Multiplied by average occupancy
Average Rental (Rs/sqft/month)	62.31	82.65	(9.8)	32.6	Rental growth in line with product mix
Prestige share - rental income (Rs mn)	9,314	11,714	(10.7)	25.8	6% FY20-22E rental income CAGR
Earnings forecast					
Residential Sales (Rs mn)	50,604	57,584	(17.8)	13.8	
Rental income (Rs mn)	9,314	11,714	(10.7)	25.8	Drop in FY21E due to reduced lower Mall rental income owing to lockdown and slow consumption recovery
Others (Rs mn)	6,957	8,819	(24.9)	26.8	
Total	66,875	78,116	(17.7)	16.8	
EBIDTA (Rs mn)	18,001	21,342	(23.6)	18.6	
EBIDTA Margin (%)	26.9	27.3	(208.1)	40.4	Margins to compress on weak Mall and Hotel EBIDTA and lower residential revenue
Interest expense	10,572	11,190	3.3	5.8	Interest increase in line with capex
Cash flows forecast					
CFO - a	19,086	24,326			
CFI - b	(13,649)	(14,551)			
FCF - a+b	5,437	9,775			
CFF-c	(8,617)	(9,735)			
Total change in cash - a+b+c	(3,180)	40			

Source: Company, HSIE Research

Outlook and valuation

SOTP valuation –TP at Rs 280/sh; Maintain BUY

We value the residential real estate business at Rs 132/share

Commercial annuity assets at Rs 192/share, retail assets at Rs 48/share, hospitality at Rs 25/share, project management at Rs 12/share

Land bank at Rs 35/share

Adding all these we arrive at Gross Asset Value of Rs 444/sh

We reduce net debt at Rs 164/share to arrive at total NAV valuation of Rs 280/share for PEPL and Maintain BUY

- We have adopted the DCF methodology to arrive at PEPL's NAV/share. We value the residential real estate business at Rs 132/share, commercial annuity assets at Rs 192/share, retail assets at Rs 48/share, hospitality at Rs 25/share, project management at Rs 12/share, land bank at Rs 35/share, and reduced net debt at Rs 164/share to arrive at a NAV valuation of Rs 280/share for the company.
- The change in valuation factors in (1) Marginal re-calibration of property prices and (2) Addition of new lease assets.
- For land bank beyond five years, we have valued it at current market rates. **We maintain BUY on PEPL with SOTP valuation of Rs 280/share (vs Rs 279/sh earlier).**
- Net D/E now at a comfortable position with additional fund raise planned prior to planned REIT for the company's yielding assets to the tune of Rs ~15-20bn and the eventual listing of REIT planned for FY21/22, recent fund-raise from GIC & institutional investors to the tune of Rs 9bn and likely further stake dilution is likely to maintain leverage within comfortable levels.

SOTP Valuation

	Rs mn	Rs/share (New)	Comments
Residential - for sale	49,324	132	NAV based on the methodology discussed
Commercial – lease	72,061	192	NAV based on the methodology discussed
Retail – lease	17,852	48	NAV based on the methodology discussed
Hospitality	9,477	25	10x FY22E EV/EBIDTA
Project management	4,669	12	8x FY22E EV/EBIDTA
Land bank	13,105	35	At current market prices without incorporating construction margins
Total GAV (Rs mn)	1,66,489	444	Gross net asset value
Less: Net Debt – FY22E - Economic interest	61,409	164	Taken 80% PEPL share of the total net debt
NAV	1,05,080	280	
NAV discount (%)		-	
Final NAV	1,05,080	280	

Source: HSIE Research

We have used WACC assumption of 14% on account of high debt on books

In commercial office/retail space, we have discounted rentals using 14% WACC for the forecasted period and terminal value using the cap rate of 8.5%

We have valued hotel at 10x FY22E EV/EBIDTA and the project management business at 8x FY22E EV/EBIDTA

We have taken PEPL's share of economic interest in net debt at 80% to arrive at our NAV estimate of Rs 280/sh

Real estate development – NAV calculation methodology

- We have divided PEPL's entire land bank (with launch visibility of the next five years) into residential projects (based on the information given by the company).
- We have arrived at the sale price/sqft 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 assumed at 5% of the sales revenue.
- We have 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 14% (cost of equity 17% based on beta of 1.5x and debt/equity ratio of 0.67x). All the project-level NAVs have then been summed up to arrive at the NAV of the company.
- For commercial office/retail space, we have discounted rentals using 14% WACC for the forecasted period and terminal value using the cap rate of 8.5%.
- For land beyond a five-year visibility, we have valued at current market price.
- We have valued hotels at 10x FY22E EV/EBIDTA and the project management business at 8x FY22E EV/EBIDTA
- From the GNAV, we have deducted the net debt (80% PEPL economic share) as of FY22E to arrive at the NAV of the company.

Key valuation assumptions

- In the exhibit below, we highlight our sales and cost inflation forecasts. We expect property price appreciation in line with WPI inflation, i.e., 5%. We forecast other costs including marketing, SGA and employee costs at 5% of sales.

Base Case Assumptions (%)

Discount Rate	14.0
Annual Rate Of Inflation-Sales Price	5
Annual Rate Of Inflation-Cost Of Construction	6
Other Costs – Marketing, SGA, Emp Cost (as % of sales)	5

Source: HSIE Research

- In the exhibit below, we highlight our sales price and construction cost forecasts. Our pricing assumptions are moderate, and at a 0-10% discount to current prevailing prices.

Base Property Price And Construction Cost Assumptions

Location	Prices Rs/sqft	Cost Rs/sqft
Bangalore	4,300-10,000	3,000-3,500
Chennai	4,500-5,500	2,000-2,500
Kochi	4,500-8,500	2,500 -3,500
Hyderabad	4,200-6,000	2,000-2,500

Source: HSIE Research

NAV sensitivity analysis

Sensitivity to our assumption of property price

- Obviously, 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%.

% Change In Sale Price	-10%	-5%	0%	5%	10%
NAV/share (Rs)	211	245	280	314	349
Change In NAV (%)	-25%	-13%	0%	12%	25%

Source: HSIE Research

Sensitivity of NAV to changes in sales inflation

- In our base case, we have assumed an annual sale price inflation of 5% (see exhibit above). For every 100bps increase in the annual sales price inflation, the NAV will increase by approximately 4.3%.

NAV Sensitivity To Change In Sales Inflation

Sales inflation rates (%)	3%	4%	5%	6%	7%
NAV/share (Rs)	254	268	280	292	307
Change in NAV (%)	-9.3%	-4.2%	0.0%	4.3%	9.7%

Source: HSIE Research

Sensitivity of NAV to changes in cost inflation

- In our base case, we have assumed cost inflation to be 6% (see exhibit above). For every 100bps increase in construction cost inflation, the NAV will change by approximately 3.2%.

NAV Sensitivity To Change In Cost Inflation

Cost Inflation Rates (%)	4%	5%	6%	7%	8%
NAV/share (Rs)	296	289	280	271	264
Change in NAV (%)	5.8%	3.3%	0.0%	-3.2%	-5.7%

Source: HSIE Research

- The combined impact of a 100bps increase in sale price inflation and cost inflation will be a NAV increase of 1.1%.

Sensitivity of NAV to changes in discount rate

- In our base case, we have assumed a discount rate of 14%. For every 100bps increase in the discount rate, the NAV will fall by 4.2%.

NAV Sensitivity To Change In WACC

WACC Rates (%)	12%	13%	14%	15%	16%
NAV/share (Rs)	303	291	280	269	258
Change In NAV (%)	8.0%	3.9%	0.0%	-4.2%	-7.9%

Source: HSIE Research

Financials

Consolidated Income Statement

Year ending March (Rs mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	55,310	47,745	54,986	51,719	81,248	66,875	78,116
<i>Growth (%)</i>	61.7	(13.7)	15.2	(5.9)	57.1	(17.7)	16.8
Material Expenses	40,087	33,541	38,582	28,599	47,516	39,915	46,744
Employee Expenses	2,030	2,933	2,952	3,986	4,601	4,613	4,653
Other Operating Expenses	2,531	2,073	2,512	4,596	5,571	4,347	5,378
EBIDTA	10,662	9,198	10,940	14,538	23,560	18,001	21,342
<i>EBIDTA (%)</i>	19.3	19.3	19.9	28.1	29.0	26.9	27.3
<i>EBIDTA Growth (%)</i>	7.3	(13.7)	18.9	32.9	62.1	(23.6)	18.6
Other Income	2,831	872	679	1,122	1,565	1,288	1,505
Depreciation	1,274	1,637	1,547	3,229	6,667	6,800	6,936
EBIT	12,219	8,433	10,072	12,431	18,458	12,488	15,910
Interest	3,462	3,160	3,827	7,228	10,233	10,572	11,190
PBT	8,757	5,273	6,245	5,203	8,225	1,917	4,720
Tax	2,291	1,600	2,135	1,985	2,783	632	1,558
PAT	6,466	3,673	4,110	3,218	5,442	1,284	3,163
Minority Interest	(435)	(1,095)	(533)	(263)	(1,455)	(687)	(846)
Share of associates	67	121	136	307	44	20	50
EO items (net of tax)	2,106	160	95	(894)	(380)	-	-
APAT	3,992	2,539	3,618	2,368	3,651	617	2,367
<i>APAT Growth (%)</i>	20.1	(36.4)	42.5	(34.5)	54.2	(83.1)	283.4
EPS	10.0	6.3	9.0	5.9	9.1	1.5	5.9
<i>EPS Growth (%)</i>	12.4	(36.4)	42.5	(34.5)	54.2	(83.1)	283.4

Source: Company, HSIE Research

Consolidated Balance Sheet

Year ending March (Rs mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
SOURCES OF FUNDS							
Share Capital	3,750	3,750	3,750	3,750	4,009	4,009	4,009
Reserves	38,249	40,398	43,577	38,516	49,593	48,803	49,763
Total Shareholders Funds	41,999	44,148	47,327	42,266	53,602	52,812	53,772
Minority Interest	2,266	2,027	2,300	1,120	2,284	2,971	3,816
Secured	52,051	55,550	66,582	81,344	82,744	85,244	87,244
Unsecured	1,689	1,844	7,571	3,525	3,525	3,525	3,525
Total Debt	53,740	57,394	74,153	84,869	86,269	88,769	90,769
Deferred Taxes	1,814	1,722	1,745	(3,723)	(2,685)	(2,685)	(2,685)
Other Non Current Liabilities	2,166	1,771	1,863	1,744	10,162	12,194	14,633
TOTAL SOURCES OF FUNDS	1,01,985	1,07,062	1,27,388	1,26,276	1,49,631	1,54,061	1,60,306
APPLICATION OF FUNDS							
Net Block	6,250	6,124	12,849	19,957	22,834	33,090	39,953
CWIP	9,819	17,952	25,081	16,450	21,431	16,383	11,335
Goodwill	3,069	3,069	3,069	3,069	5,167	5,167	5,167
Investment Property	27,826	27,030	35,430	44,298	61,855	68,041	74,845
Other Non Current Assets	15,295	15,772	17,931	17,995	22,225	22,225	22,225
Investments, LT Loans & Advances	5,129	3,551	4,346	7,784	7,893	8,393	8,893
Inventories	67,148	66,919	57,127	1,31,501	1,13,750	1,20,292	1,25,505
Debtors	11,426	10,057	9,645	16,544	14,765	15,060	15,380
Cash & Equivalents	4,604	3,864	7,385	7,123	9,508	6,328	6,368
ST Loans & Advances, Others	14,030	13,964	16,162	15,887	12,648	13,031	13,425
Total Current Assets	97,208	94,804	90,319	1,71,055	1,50,671	1,54,711	1,60,678
Creditors	9,126	9,230	13,542	12,530	12,249	14,699	17,639
Other Current Liabilities & Provns	53,485	52,010	48,095	1,41,801	1,30,195	1,34,631	1,39,671
Total Current Liabilities	62,611	61,240	61,637	1,54,331	1,42,444	1,49,330	1,57,310
Net Current Assets	34,597	33,564	28,682	16,723	8,226	5,380	3,367
Misc Expenses & Others	-	-	-	-	-	(4,617)	(5,479)
TOTAL APPLICATION OF FUNDS	1,01,985	1,07,062	1,27,388	1,26,276	1,49,631	1,54,061	1,60,306

Source: Company, HSIE Research

Consolidated Cash Flow

Year ending March (Rs mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
PBT incl minority	8,757	5,273	6,381	6,404	8,225	1,917	4,720
Non-operating & EO items	(2,513)	(724)	(689)	(2,106)	(1,347)	(1,268)	(1,455)
Taxes	(3,264)	(3,238)	(2,844)	(2,330)	(3,033)	(632)	(1,558)
Interest expenses	3,462	3,160	3,827	7,228	10,233	10,572	11,190
Depreciation	1,274	1,637	1,547	3,229	6,667	6,800	6,936
Working Capital Change	(3,365)	(1,259)	664	(4,804)	1,518	1,698	4,492
OPERATING CASH FLOW (a)	4,351	4,849	8,886	7,621	22,263	19,086	24,326
Capex	(9,212)	(8,671)	(5,773)	(7,652)	(15,541)	(8,252)	(8,752)
Free cash flow (FCF)	(4,861)	(3,822)	3,113	(31)	6,722	10,834	15,574
Investments and Interest income	1,845	3,745	(5,778)	1,376	(7,955)	(5,397)	(5,799)
INVESTING CASH FLOW (b)	(7,367)	(4,926)	(11,551)	(6,276)	(23,496)	(13,649)	(14,551)
Share capital Issuance	0	-	-	-	8,939	-	-
Debt Issuance	6,901	2,359	15,907	8,550	5,133	2,500	2,000
Interest expenses	(3,432)	(3,156)	(3,937)	(7,137)	(10,149)	(10,572)	(11,190)
Dividend	(1,218)	-	(541)	(543)	(1,403)	(545)	(545)
FINANCING CASH FLOW (c)	2,251	(797)	11,429	870	2,520	(8,617)	(9,735)
NET CASH FLOW (a+b+c)	(765)	(874)	8,764	2,215	1,287	(3,180)	40
Non-operating and EO items	5,368	134	(5,243)	(2,477)	1,098	-	-
Closing Cash & Equivalents	4,604	3,864	7,385	7,123	9,508	6,328	6,368

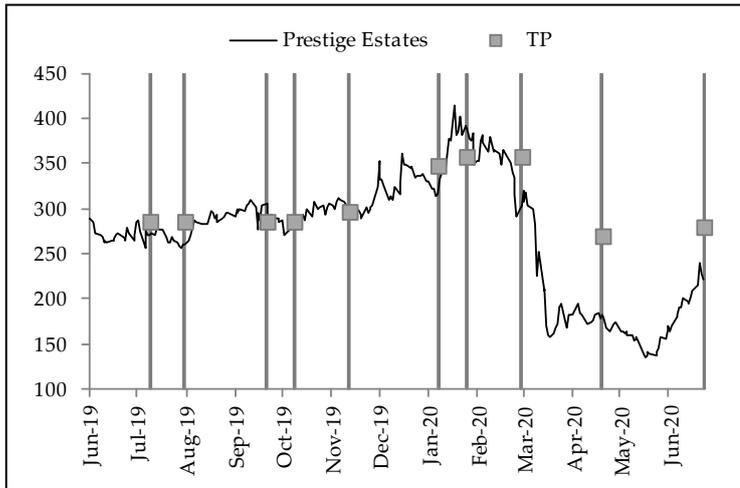
Source: Company, HSIE Research

Key Ratios

	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
PROFITABILITY (%)							
GPM	27.5	29.7	29.8	44.7	41.5	40.3	40.2
EBITDA Margin	19.3	19.3	19.9	28.1	29.0	26.9	27.3
APAT Margin	7.2	5.3	6.6	4.6	4.5	0.9	3.0
RoE	17.2	11.1	10.2	7.8	14.4	3.5	6.9
Core RoCE	13.9	8.4	8.9	10.3	14.2	8.7	10.7
RoCE	7.1	4.5	5.2	5.4	7.6	5.1	6.3
EFFICIENCY							
Tax Rate (%)	26.2	30.3	34.2	38.2	33.8	33.0	33.0
Asset Turnover (x)	0.6	0.5	0.4	0.4	0.6	0.5	0.5
Inventory (days)	362	512	412	666	551	639	574
Debtors (days)	69	82	65	92	70	81	71
Payables (days)	54	70	76	92	56	74	76
Cash Conversion Cycle (days)	377	524	402	666	566	647	570
Debt/EBITDA (x)	5.0	6.2	6.8	5.8	3.7	4.9	4.3
Net D/E	1.17	1.21	1.41	1.84	1.43	1.56	1.57
Interest Coverage	3.5	2.7	2.6	1.7	1.8	1.2	1.4
PER SHARE DATA							
EPS (Rs/sh)	10.0	6.3	9.0	5.9	9.1	1.5	5.9
CEPS (Rs/sh)	13.1	10.4	12.9	14.0	25.7	18.5	23.2
DPS (Rs/sh)	1.2	1.2	1.2	1.2	1.2	1.2	1.2
BV (Rs/sh)	104.8	110.1	118.1	105.4	133.7	131.7	134.1
VALUATION							
P/E	22.2	34.9	24.5	37.4	24.3	143.5	37.4
P/BV	2.1	2.0	1.9	2.1	1.7	1.7	1.6
EV/EBITDA	12.9	15.5	14.2	11.4	7.0	9.5	8.1
OCF/EV (%)	3.2	3.4	5.7	4.6	13.5	11.2	14.1
FCF/EV (%)	(3.5)	(2.7)	2.0	(0.0)	4.1	6.3	9.0
FCFE/Market Cap (%)	(1.6)	(5.2)	17.0	1.6	1.9	3.1	7.2
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Jul-19	271	NEU	286
3-Aug-19	260	NEU	286
22-Sep-19	302	NEU	286
10-Oct-19	277	NEU	286
15-Nov-19	300	NEU	297
9-Jan-20	314	NEU	348
28-Jan-20	389	NEU	358
2-Mar-20	290	ADD	358
22-Apr-20	181	BUY	270
26-Jun-20	221	BUY	280

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

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