

Gateway Distriparks

Strengthening the balance sheet

We upgrade Gateway Distriparks (GDL) to BUY (from ADD earlier) as the company has completed its fundraise, the proceeds of which will be used to deleverage the balance sheet. We expect the gearing ratio to reduce to ~0.5x in FY21E (from 0.7x) as GDL repays Rs 1.15bn of high-cost NCDs. The company is also in the process of simplifying its group structure with plans to merge the Rail business and the CFS operations under a single umbrella, which will drive operational synergies. The much-awaited Dedicated Freight Corridor (DFC) stretch between Haryana (Rewari) to Gujarat (Palanpur) of 650kms is expected to be commissioned by CY20 as trial runs have commenced. This will lead to a 10% increase in productivity of the operators at a time when EXIM traffic volumes are improving from trough levels (+40% QoQ).

- **Balance sheet deleveraging:** GDL has successfully raised Rs 1.15bn via a rights issue, the fund proceeds of which will be used towards deleveraging. GDL will repay high-cost debentures of Rs 1.15bn on 25th Sep 2020 (out of current outstanding of Rs 4.15bn), which will save interest costs by over Rs 100mn p.a.
- **Simplification of group structure:** The company is restructuring operations by planning to merge the Rail/CFS segments, which will drive group synergies. Further, Gateway is selling down stakes across its non-core activities (Snowman) and smaller CFS' (Chandra).
- **DFC – connectivity to Gujarat ports in CY20:** The DFC connectivity with the Gujarat Ports of Mundra and Pipavav is expected to be commissioned shortly (end of CY20). DFCCIL has successfully conducted the engine train trial run between the 342.5km long New Palanpur to Durai stretch. With this link, the Rewari (Haryana) to Palanpur (Gujarat) route of ~650kms is almost completed. This is expected to increase the productivity of the operators by 10%.
- **Pick-up in EXIM traffic:** Port traffic is now improving from trough levels of 1QFY21. Container TEU loading at major ports has risen from 542k TEUs in Apr-20 to 763k units in Aug-20; +40% from trough levels.
- **Upgrade to BUY:** We expect volume recovery over FY22/23E and are factoring in growth of 16/18% in rail segment, aided by a pick-up in economic activities as well as commissioning of the DFC. We are raising EPS estimates by 21/7% over FY22/23E to factor in savings from lower interest cost payout. We set a revised Sep-22 target price of Rs 125. We value the Rail business at 8.5x EV/EBITDA (8x earlier) to factor in the improving demand outlook.
- **Key risks:** Slower-than-expected recovery, delays in commissioning of DFC, and a substantial increase in capex requirement/inefficient capital allocation.

Financial Summary (Consolidated)

Year Ending March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	3,955	4,306	12,372	10,877	11,989	13,868
EBITDA	844	824	2,586	2,370	2,640	3,055
APAT	827	1,688	983	272	553	833
Adj. EPS (Rs)	7.6	15.5	9.0	2.2	4.4	6.7
P/E (x)	11.8	5.8	9.9	41.0	20.2	13.4
EV/EBITDA (x)	11.3	21.1	7.2	7.3	6.2	4.9
RoE (%)	8.2	14.5	7.4	2.0	3.8	5.5

Source: Company, HSIE Research

BUY

CMP (as on 18 Sep 2020)	Rs 89
Target Price	Rs 125
NIFTY	11,505

KEY CHANGES	OLD	NEW
Rating	ADD	BUY
Price Target	Rs 104	Rs 125
EPS %	FY21E 87%	FY22E 21%

KEY STOCK DATA

Bloomberg code	GDPL IN
No. of Shares (mn)	125
MCap (Rs bn) / (\$ mn)	11/152
6m avg traded value (Rs mn)	14
52 Week high / low	Rs 138/69

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	8.1	0.3	(10.6)
Relative (%)	(5.5)	(34.2)	(16.8)

SHAREHOLDING PATTERN (%)

	Jun-20	Aug-20
Promoters	30.2	32.1
FIs & Local MFs	28.9	27.6
FPIs	26.9	26.3
Public & Others	14.0	14.0
Pledged Shares	0.0	6.0

Source : BSE

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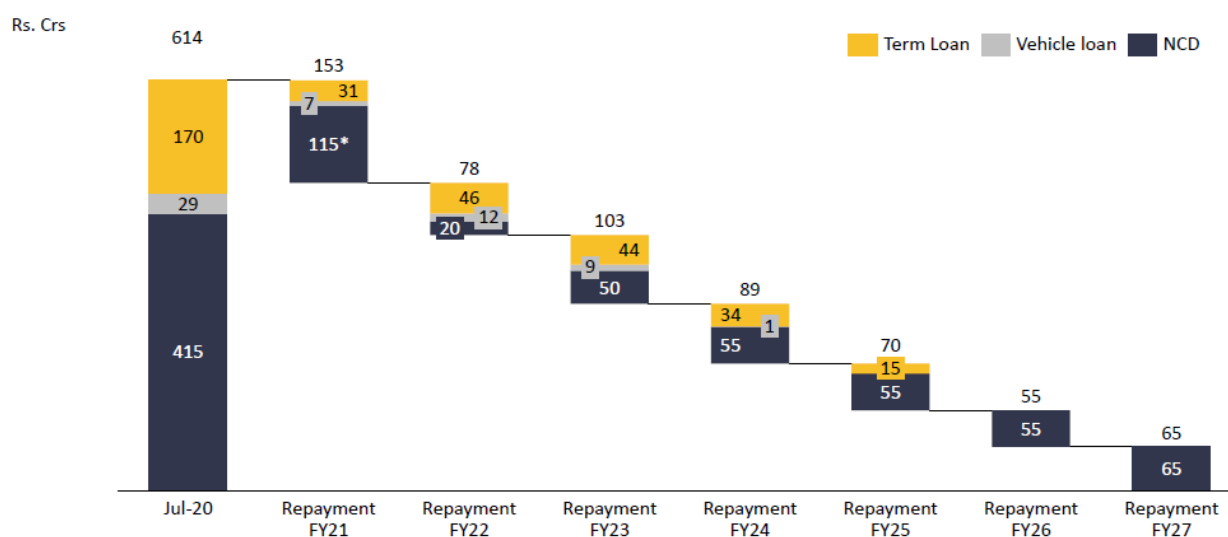
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Deleveraging - on the right track

- Gateway Distriparks has successfully raised Rs 1.15bn via a rights issue, the fund proceeds of which will be used towards deleveraging the balance sheet. The amount is being utilised to repay the outstanding debentures, particularly at a time when the Snowman deal has been called off with Adani. Gateway will part repay the high-cost NCDs of Rs 1.15bn on 25th Sep-20 (out of current outstanding of Rs 4.15bn).
- The rights issue was priced at Rs 72 per share (which was at a 15-20% discount to the prevailing stock price). The dilution of ~15% will be more than offset by the interest cost savings, in our view.

Debt payment schedule

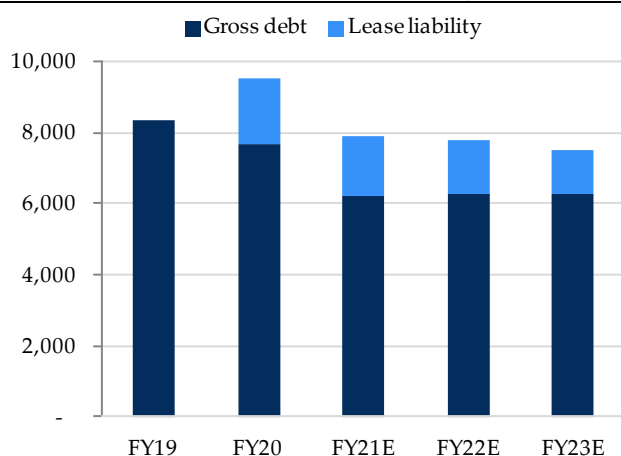


* - NCDs worth Rs. 115 crs will be redeemed on 25th September 2020

Source: Company, HSIE Research

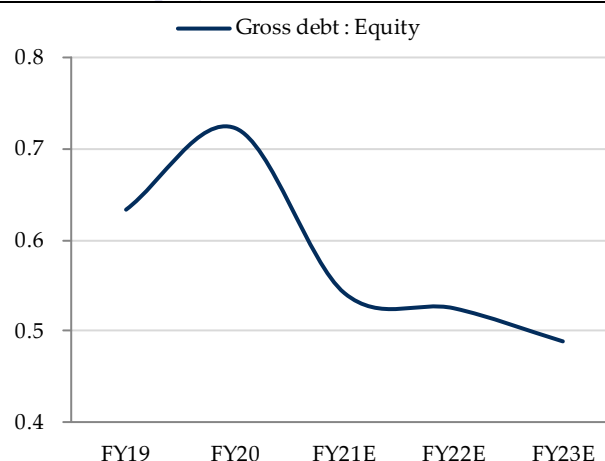
- The company has a consolidated debt of ~Rs 7.6bn as of FY20 (excluding the lease liabilities). As Gateway repays the NCDs and other outstanding loans, the debt will reduce to ~Rs 6.2bn, resulting in an interest cost saving in excess of Rs 100mn. Moreover, it will enable the deleveraging of the balance sheet. The gearing ratio is expected to moderate to 0.5x (vs. 0.7x currently).

GDL's debt will reduce over the coming years (Rs mn)



Source: Company, HSIE Research

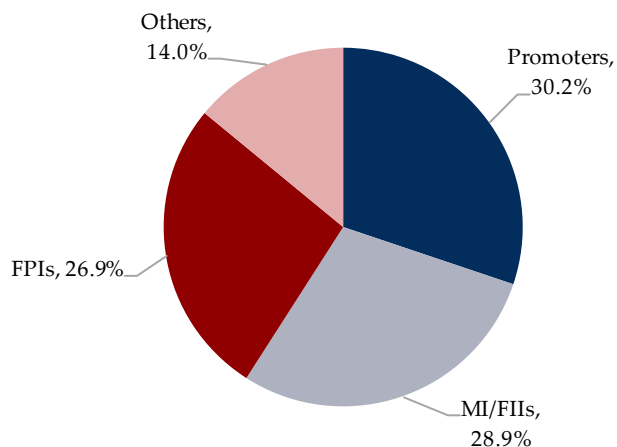
Gross debt : Equity ratio (x) to moderate to 0.5x



Source: Company, HSIE Research

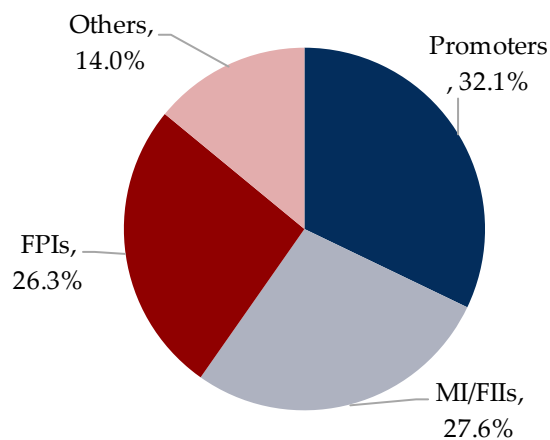
- The promoter shareholding has risen to 32.1% post the fundraise (from 30.2% in Jun-20), which is reflective of the managements intent to strengthen the balance sheet. The company had raised debt to purchase the stake of Blackstone in the Gateway Rail business.

Shareholding pattern before fundraise (Jun-20)



Source: BSE, Company, HSIE Research

Promoter holding has risen to 32.1% post the fundraise



Source: BSE, Company, HSIE Research

Simplification of group structure

- Gateway is selling down stakes across its non-core activities (Snowman) and smaller CFS' (Chandra). The company is also planning to restructure its operations going ahead which will encourage synergies through common branding of services across railways and CFS'. Further, it will also bring in potential cost benefits.
- The Board of Directors (on 3rd Sept-20) has approved to explore various structures for streamlining the businesses currently being carried out by different group entities of the company, including Gateway Rail Freight Ltd, Gateway East India Private Ltd and evaluation of options for undertaking internal group restructuring. This could include an option for mergers, reverse mergers or any other form of business restructuring, which is beneficial to the company.
- As the Dedicated Freight Corridor (DFC) is close to being commissioned, the management bandwidth will be required on expanding the existing railway business. A simplified structure will better enable management to focus on the growth opportunities ahead.
- CFS operations:** Gateway has a combined CFS capacity of ~700,000 TEUs at its various locations across Mumbai, Chennai and other ports in southern India. (The current volumes from CFS are ~400k TEUs in FY20). The merger of the entities with the standalone will result in a simplified group structure.

GDL's container freight stations – holding structure

Name of CFS	Stake
Vishakhapatnam (Gateway East)	100% Subsidiary
Kochi	60% Subsidiary
Chandra	Sold holding to Team Global Logistics Pvt. Ltd. in Nov-19 for a consideration of Rs 470mn
Nava Sheva, Mumbai	Standalone operations
Punjab Conware, Mumbai (O&M)	Standalone operations
Chennai	Standalone operations
Krishnapatnam	Standalone operations

Source: Company, HSIE Research

Container Freight Station (CFS) capacity details

	Nava Sheva, Mumbai	Punjab Conware, Mumbai (O&M)	Chennai	Vishakhapatnam	Kochi	Krishnapatnam
Area	<ul style="list-style-type: none"> Plot area of ~1,41,700 sq mt; Paved area: 87,000 sqmt; 	<ul style="list-style-type: none"> Paved area 60,000 sq mt 	<ul style="list-style-type: none"> Paved area: 6,00,000 sq ft 	<ul style="list-style-type: none"> Paved Area: 60,000 sq mt Open yard for empty container: 4000 sq mt 	<ul style="list-style-type: none"> Plot Area of ~26,300 sq mt Covered area of 13,500 sq ft for EXIM cargo 	<ul style="list-style-type: none"> Land area ~93,000 acres Paved area 215,600 sq ft
Capacity (TEUs)	216,000	120,000	150,000	70,000	50,000	50,000
Warehouse Capacity (in Sq. mtr.)	~43,000	~41,200	6,500	3,000	1,000	~4,600
Bonded Warehouse	Yes	Yes	Yes	No	No	Yes
Part of	Standalone	Standalone	Standalone	Consolidated	Consolidated	Standalone
Stake	-	-	-	100% Subsidiary	60% Subsidiary	-

Source: Company, HSIE Research

- **Rail business:** The railway business is currently a subsidiary of Gateway Distriparks. The rail linked ICD capacity is at ~700,000 TEU's spread across its terminals in northern India. The company has set up a terminal in Viramgam to facilitate as a hub for traffic at the western ports.
- As current rail volumes are 257,000 TEUs (in FY20), there is ample growth opportunity once the DFC is commissioned. Further, the company is also contemplating a Capex of Rs 1.2bn to build two satellite terminals in north India, which will serve as spokes (volumes will be aggregated at Garhi Harsaru).

Rail linked ICD capacity details

Rail Linked ICD Infrastructure	Garhi Harsaru, Gurugram	Piyala, Faridabad	Sahnawal, Ludhiana	Viramgam, Ahmedabad	Kalamboli Domestic Terminal, Navi Mumbai
Land (Acres)	90	65	60	40	15
Installed Capacity (TEUs)	250,000	150,000	150,000	100,000	50,000
Design Capacity (TEUs)	500,000	300,000	300,000	200,000	100,000
Warehouse Capacity (in Sq. mtr.)	21,500	14,370	4,500	2,400	4,500
Train Services	Daily Service to Mundra and Pipavav Alternate Day Service to Nhava Sheva Alternate Day Service to Kalamboli				
Coverage	North India Hub; NCR, Haryana, Uttar Pradesh particularly Gurgaon, Manesar, Bhiwadi, Bawal, Dharuhera industrial areas	Delhi Agra Industrial belt including Faridabad, Palwal, NOIDA, Greater Noida	Punjab, Haryana, Jammu & Kashmir, Himachal Pradesh, Chandigarh, Uttarakhand and Uttar Pradesh	Second Hub in western part closer to the Port locations	Terminal in Domestic Tariff Area (DTA) for empty container sourcing and Domestic/Cabotage Cargo
Market Share	~13%		~35%		

Source: Company, HSIE Research

- **Snowman Logistics:** Recently, Gateway Distriparks (GDL) and Adani Logistics have resolved the dispute over the Snowman deal, which allows GDL to search for other strategic investors in the company. Gateway's management is keen on exiting this non-core segment. Snowman is an asset that is 'Held for Sale'.
- Adani Logistics Ltd in Dec-19 had entered into a deal to acquire the 40.25% promoter stake in Snowman Logistics Ltd, along with an open offer to acquire another 26% from public shareholders. Adani was to pay Rs 2.96bn to acquire the promoter share. However, the deal had fallen through subsequently, post which the matter had gone into arbitration.

DFC – Gujarat ports to be connected by year-end

- DFC connectivity to Gujarat Ports to be provided in CY20:** The Dedicated Freight Corridor Corporation of India Limited (DFCCIL) is close to establishing connectivity with the Gujarat Ports of Mundra and Pipavav. The DFC has successfully conducted the engine train trial run between the 342.5km long New Palanpur (Gujarat) to Durai (Rajasthan) stretch. With this link, the work on the Rewari (Haryana) to Palanpur (Gujarat) route of ~650kms is now almost completed. The entire stretch is expected to be commissioned by year-end.

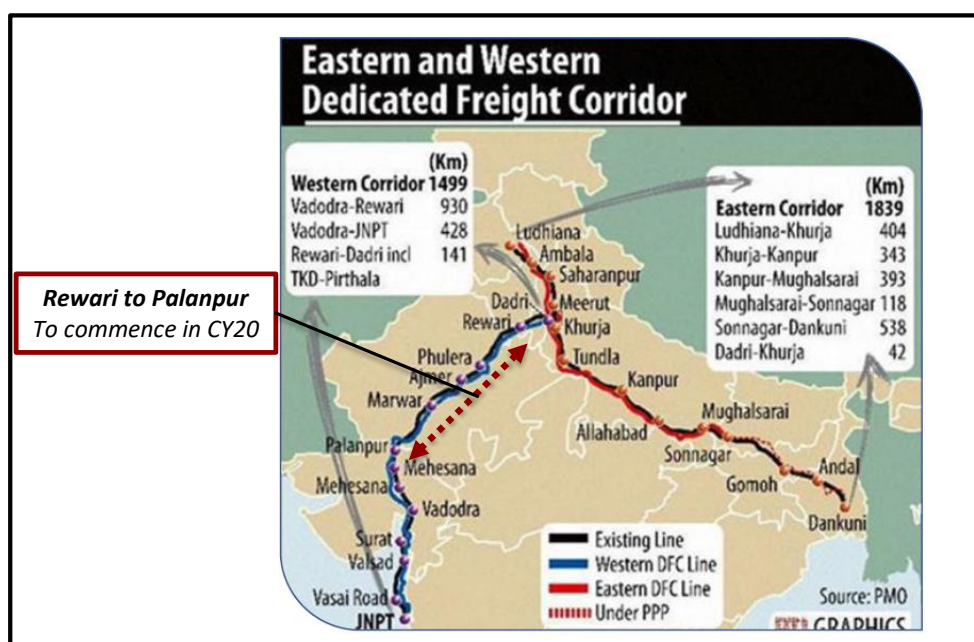
Western DFC timeline: Rewari to Palanpur link to be commissioned in CY20

From	To	Distance (in km)	Comments
Rewari (Haryana)	Madar (Rajasthan)	306	Line is commissioned
Madar (Rajasthan)	Palanpur (Gujarat)	342	342km New Palanpur-Durai trial run commenced in Aug-2020
- Durai	- Marwar	135	
- Marwar	- Palanpur	207	
Dadri (UP)	Rewari (Haryana)	127	Key 1km tunnel at Sonha executed (tunnel breaking achieved)
Palanpur (Gujarat)	Baroda (Gujarat)	402	Work is ongoing – expected in CY21
Baroda (Gujarat)	JNPT (Maharashtra)	401	Work is ongoing

Source: DFCCIL, HSIE Research

- With this, Gateway Rail will be able to benefit from faster movement between the NCR region and the Gujarat based ports. This is expected to increase the productivity of the operators by 10%.
- Further, the overall journey time to JNPT port will also be reduced as over 40% of the corridor will now be operational. The current rail coefficient at these ports is ~ 25%, which is expected to improve once the DFC is operational.

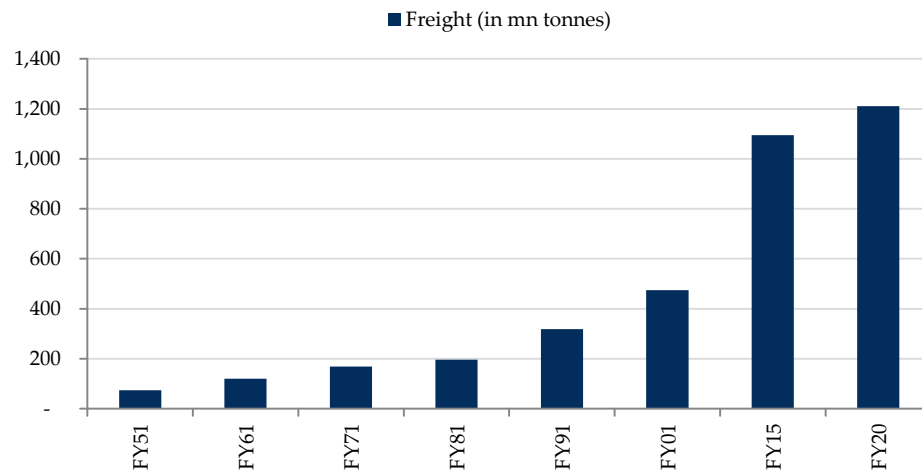
DFC - Rewari to Palanpur section (650kms) to commence soon



Source: Company, HSIE Research

- DFC targets 15% additional freight loading:** The entire DFC is expected to be commissioned by 2022. This will entail a significant growth in railway-based traffic. Currently, the Railways transport ~1,200MT of cargo annually and they expect to carry an incremental 15% of cargo volumes post the detailed commissioning of the same.

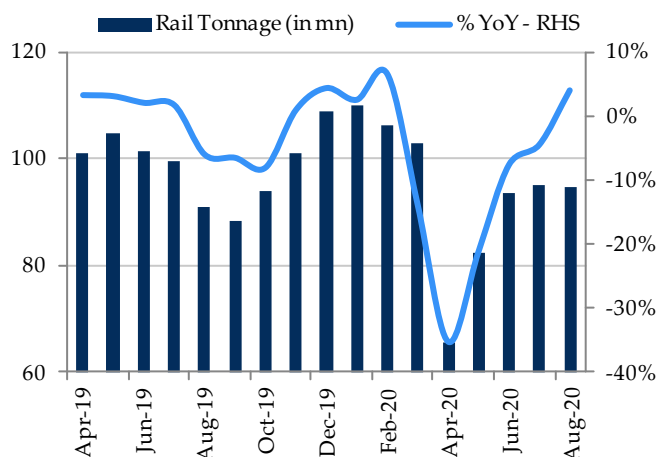
Railway freight



Source: India Railways, HSIE Research

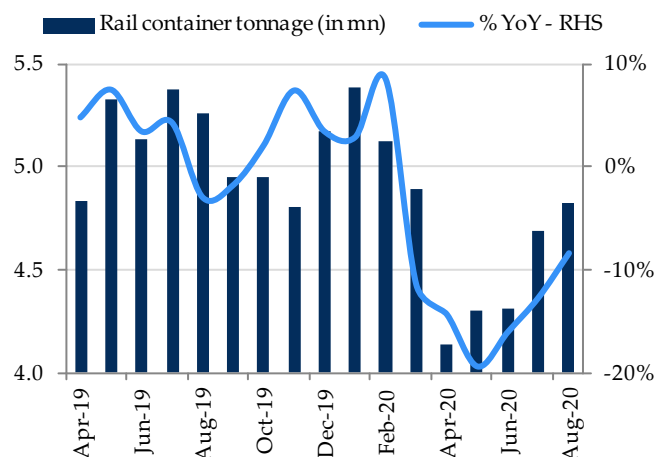
- Transit times to reduce to 24 hours:** Even before the commissioning of the DFC, the turnaround time of railways has improved significantly to 24 hours (as against 60 hours earlier) in the downturn from Delhi (NCR) to western ports. We expect similar efficiency levels once the DFC operations start over the next 3-24 months. As the passenger trains have started operating again, the duration of freight trains has risen to ~36 hours (which is yet faster than the earlier turnaround times of ~60 hours).
- Railways has gained share:** The railways has reported traffic growth of 4% in Aug-20. We believe the Indian Railways has gained market share due to its improved turnaround times and customer-centric services (Kisan Rail, timetabled trains, lower charges).

Rail freight has grown by 4% in Aug-20



Source: Indian Railways, HSIE Research

Container volumes are improving MoM

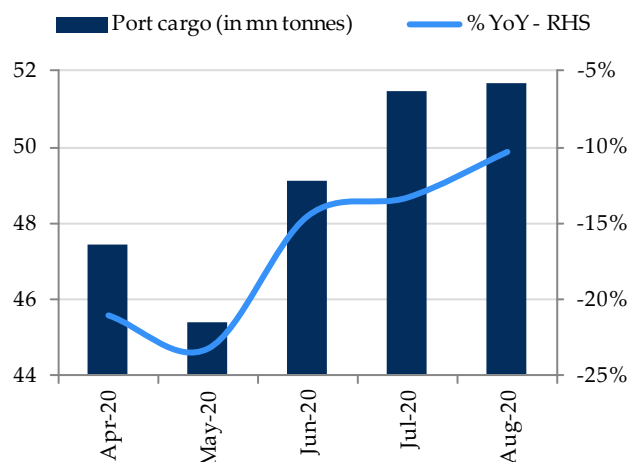


Source: Indian Railways, HSIE Research

Improvement in EXIM volumes

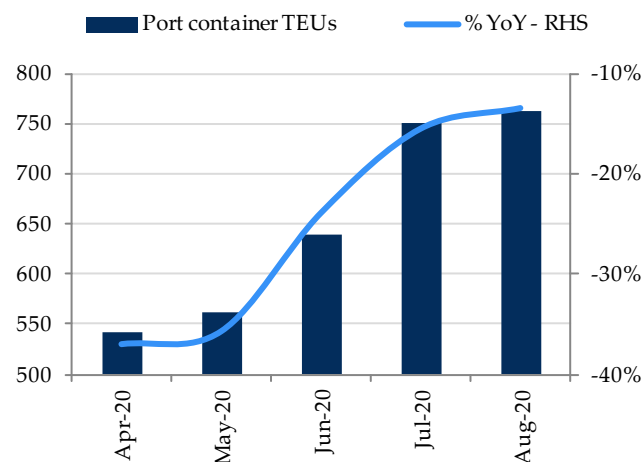
- The port traffic is now improving from trough levels of 1QFY21. As economies around the world are opening up post the initial outbreak of the COVID-19 pandemic, the EXIM volumes are improving QoQ. Container TEU loading at the major ports has risen from 542k TEUs in Apr-20 to 763k units in Aug-20 - volumes are up 40% from trough levels (though overall volumes are down ~14% YoY in Aug-20).

Port cargo volumes are witnessing MoM improvement



Source: IPA, HSIE Research

Port container volumes are picking up



Source: IPA, HSIE Research

- We expect volumes to recover over FY22/23E and we are factoring in a 16/18% growth in rail segment volumes, aided by a pick-up in economic activity as well as the commissioning of the DFC.

GDL's volume assumptions

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Volumes (in TEUs)							
CFS	382,186	400,543	449,371	395,152	325,210	348,950	376,866
% YoY	6	5	12	(12)	(18)	7	8
Rail	219,064	229,833	236,810	257,030	218,476	253,432	299,049
% YoY	8	5	3	9	(15)	16	18
Total	601,250	630,376	686,181	652,182	543,686	602,382	675,916
% YoY	7	5	9	(5)	(17)	11	12
Realisations (in Rs)							
CFS	10,293	9,875	9,311	9,326	10,631	9,568	9,578
% YoY	(4)	(4)	(6)	0	14	(10)	0
Rail	34,847	34,321	36,629	33,794	33,963	34,133	34,303
% YoY	(5)	(2)	7	(8)	1	1	1

Source: Company, HSIE Research

Valuation and target price

- We upgrade Gateway Distriparks to BUY (ADD earlier) as the company has successfully completed its fundraise and the management will use the funds to deleverage the balance sheet. We expect the gearing ratio to reduce to ~0.5x in FY21E (from 0.7x). Gateway is also in the process of simplifying its group structure with plans to merge the Rail business and the CFS' operations under a single umbrella, which will drive operational synergies.
- The much-awaited DFC stretch between Haryana (Rewari) to Gujarat (Palanpur) of 650kms is expected to be commissioned by CY20 as trial runs have commenced. This will lead to a 10% increase in productivity of the operators. Further, the EXIM traffic volumes are now improving from trough levels of 1Q as several countries are opening up (post the COVID outbreak).
- We are raising our EPS estimates by 21/7% over FY22/23E to factor in savings from lower interest cost payout. We set a revised Sep-22 target price of Rs 125. We value the Rail business at 8.5x EV/EBITDA (8x earlier) to factor in the improving demand outlook and the CFS business at 3.5x.
- Key risks are slower-than-expected recovery, delays in commissioning of DFC, and a substantial increase in Capex requirements/inefficient capital allocation by the company.

SOTP Valuation

Valuation summary	Sep-22	Multiple (x)	Rs mn
EBITDA			
Rail Business	2,071	8.5	17,606
CFS Business	776	3.5	2,716
Enterprise value			20,322
Gross Debt			7,651
Less: Cash			3,244
Net Debt			4,407
Total Value			15,915
No of shares (in mn)			125
Value per share			125

Source: HSIE Research

Change in estimates

Rs mn	NEW			OLD			% change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Revenue	10,877	11,989	13,868	10,934	12,446	14,390	(1)	(4)	(4)
EBITDA	2,370	2,640	3,055	2,274	2,610	3,043	4	1	0
EBITDA margin (%)	21.8	22.0	22.0	20.8	21.0	21.1	99 bps	105 bps	88 bps
PAT	272	553	833	127	399	680	114	39	23
EPS (Rs)	2.2	4.4	6.7	1.2	3.7	6.3	87	21	7

Source: HSIE Research

Peer set comparison

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP (Rs)	Adj EPS (Rs/sh)			P/E (x)			RoE (%)			EV/EBITDA (x)		
					FY 21E	FY 22E	FY 23E	FY 21E	FY 22E	FY 23E	FY 21E	FY 22E	FY 23E	FY 21E	FY 22E	FY 23E
LOGISTICS																
CONCOR	237	389	ADD	400	10.6	16.5	22.0	36.9	23.6	17.7	6.3	9.5	12.1	20.3	14.4	10.9
Gateway	11	89	BUY	125	2.2	4.4	6.7	41.0	20.2	13.4	2.0	3.8	5.5	7.3	6.2	4.9

Source: HSIE Research

Financials

Consolidated Income Statement

Year ending March (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	3,934	3,955	4,306	12,372	10,877	11,989	13,868
Growth (%)	1.4	0.5	8.9	187.3	-12.1	10.2	15.7
Operating expenses	2,372	2,452	2,672	8,198	6,979	7,721	8,975
Employee Cost	198	203	236	598	544	575	653
Other Expenses	453	457	574	991	985	1,053	1,186
Total Expenditure	3,023	3,111	3,482	9,786	8,508	9,349	10,813
EBITDA	911	844	824	2,586	2,370	2,640	3,055
EBITDA Margin (%)	23.2	21.3	19.1	20.9	21.8	22.0	22.0
EBITDA Growth (%)	(10.6)	(7.4)	(2.3)	213.9	(8.4)	11.4	15.7
Depreciation	265	304	326	1,333	1,351	1,375	1,432
EBIT (incl. SEIS income)	646	540	498	1,801	1,019	1,265	1,623
Other Income (Including EO Items)	123	138	2,933	256	193	197	201
Interest	53	108	128	1,026	907	767	754
Share of net profit of associates and JV	176	402	649	-	-	-	-
PBT	892	971	3,951	1,031	305	695	1,069
Tax (Incl Deferred)	150	139	300	(63)	30	141	235
Minority Interest	(2)	4	1	55	2	1	1
RPAT	741	832	3,652	1,094	274	554	834
EO (Loss) / Profit (Net Of Tax)	-	-	1,963	57	-	-	-
APAT	744	827	1,688	983	272	553	833
APAT Growth (%)	(93.8)	11.2	104.0	(41.8)	(72.3)	103.1	50.6
Adjusted EPS (Rs)	6.8	7.6	15.5	9.0	2.2	4.4	6.7
EPS Growth (%)	(93.8)	11.2	104.0	(41.8)	(75.9)	103.1	50.6

Source: Company, HSIE Research

Consolidated Balance Sheet

As at March (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS							
Share Capital - Equity	1,087	1,087	1,087	1,087	1,248	1,248	1,248
Reserves	9,091	9,005	12,131	12,080	13,322	13,581	14,121
Total Shareholders Funds	10,179	10,092	13,218	13,167	14,570	14,830	15,369
Minority Interest	84	89	98	106	108	109	110
Total Debt	1,331	1,520	8,377	7,662	6,217	6,280	6,304
Lease liability	-	-	-	1,864	1,678	1,510	1,208
Deferred Tax Liability	23	51	189	38	39	39	40
TOTAL SOURCES OF FUNDS	11,617	11,752	21,882	22,839	22,612	22,768	23,032
APPLICATION OF FUNDS							
Net Block	2,547	2,987	15,188	16,567	15,637	14,684	13,677
CWIP	375	5	16	54	49	44	40
Goodwill	241	241	3,228	3,032	3,032	3,032	3,032
Investments	6,863	5,660	1,465	1,410	1,012	1,036	1,036
Other Non-current Assets	981	949	1,038	1,148	1,263	1,389	1,528
Total Non-current Assets	11,007	9,841	20,935	22,211	20,992	20,185	19,312
Cash & Equivalents	295	1,729	697	679	1,715	2,684	3,804
Debtors	455	537	1,274	1,298	1,132	1,248	1,444
Other Current Assets	177	115	359	174	192	213	237
Total Current Assets	927	2,380	2,330	2,151	3,039	4,145	5,484
Creditors	164	286	744	911	745	821	950
Other Current Liabilities & Provns	153	184	640	612	673	741	815
Total Current Liabilities	317	470	1,384	1,523	1,418	1,562	1,765
Net Current Assets	610	1,911	947	628	1,621	2,583	3,720
TOTAL APPLICATION OF FUNDS	11,617	11,752	21,882	22,839	22,612	22,768	23,032

Source: Company, HSIE Research

Consolidated Cash Flow

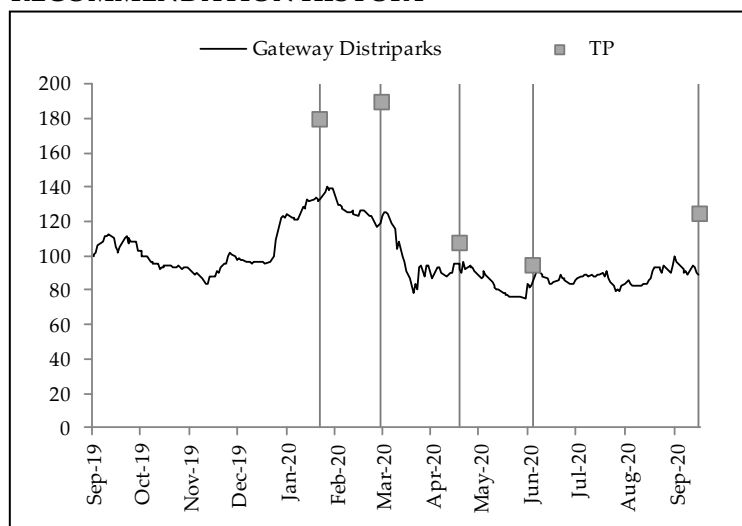
Year ending March (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	892	971	3,951	1,031	305	695	1,069
Non-operating & EO Items	(123)	(138)	(2,933)	(256)	(193)	(197)	(201)
Interest Expenses	53	108	128	1,026	907	767	754
Depreciation	265	304	326	1,333	1,351	1,375	1,432
Working Capital Change	(61)	134	(68)	300	43	7	(17)
Tax Paid	(127)	(111)	(162)	(87)	(30)	(141)	(235)
OPERATING CASH FLOW (a)	899	1,268	1,243	3,347	2,383	2,506	2,803
Capex	(827)	(375)	(15,525)	(2,554)	(415)	(418)	(420)
Free Cash Flow (FCF)	72	893	(14,282)	793	1,968	2,088	2,383
Investments	(194)	1,236	4,106	(55)	283	(150)	(139)
Non-operating Income	123	138	2,933	256	193	197	201
INVESTING CASH FLOW (b)	(898)	999	(8,487)	(2,352)	61	(371)	(358)
Debt Issuance/(Repaid)	723	188	6,858	1,149	(1,631)	(106)	(277)
Interest Expenses	(53)	(108)	(128)	(1,026)	(907)	(767)	(754)
FCFE	742	974	(7,552)	916	(570)	1,216	1,351
Share Capital Issuance	162	(14)	(28)	(561)	1,160	(0)	-
Dividend	(916)	(900)	(489)	(575)	(29)	(293)	(293)
FINANCING CASH FLOW (c)	(84)	(833)	6,212	(1,013)	(1,408)	(1,166)	(1,325)
NET CASH FLOW (a+b+c)	(83)	1,434	(1,031)	(18)	1,036	969	1,120
Closing Cash & Equivalents	295	1,729	697	679	1,715	2,684	3,804

Key Ratios

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
PROFITABILITY (%)							
GPM	39.7	38.0	37.9	33.7	35.8	35.6	35.3
EBITDA Margin	23.2	21.3	19.1	20.9	21.8	22.0	22.0
EBIT Margin	16.4	13.6	11.6	14.6	9.4	10.6	11.7
APAT Margin	18.9	20.9	39.2	7.9	2.5	4.6	6.0
RoE	7.3	8.2	14.5	7.4	2.0	3.8	5.5
RoIC (or Core RoCE)	4.9	4.3	3.0	8.8	4.3	4.9	6.4
RoCE	7.0	7.9	7.0	9.4	4.8	5.1	6.2
EFFICIENCY							
Tax Rate (%)	16.9	14.4	7.6	(6.1)	10.0	20.3	22.0
Fixed Asset Turnover (x)	1.5	1.3	0.3	0.7	0.7	0.8	1.0
Inventory (days)	-	-	-	-	-	-	-
Debtors (days)	42.2	49.5	108.0	38.3	38.0	38.0	38.0
Other Current Assets (days)	16.5	10.6	30.5	5.1	6.4	6.5	6.2
Payables (days)	15.2	26.4	63.0	26.9	25.0	25.0	25.0
Other Current Liab & Provns (days)	14.2	16.9	54.3	18.1	22.6	22.6	21.4
Cash Conversion Cycle (days)	29.3	16.8	21.1	(1.5)	(3.2)	(3.1)	(2.2)
Debt/EBITDA (x)	1.5	1.8	10.2	3.0	2.6	2.4	2.1
Net D/E (x)	0.1	(0.0)	0.6	0.7	0.4	0.3	0.2
Interest Coverage (x)	12.2	5.0	3.9	1.8	1.1	1.6	2.2
PER SHARE DATA (Rs)							
EPS	6.8	7.6	15.5	9.0	2.2	4.4	6.7
CEPS	9.3	10.4	18.5	21.3	13.0	15.4	18.1
Dividend	7.0	7.0	4.5	4.5	0.2	2.0	2.0
Book Value	94	93	122	121	117	119	123
VALUATION							
P/E (x)	13.1	11.8	5.8	9.9	41.0	20.2	13.4
P/BV (x)	1.0	1.0	0.7	0.7	0.8	0.8	0.7
EV/EBITDA (x)	11.8	11.3	21.1	7.2	7.3	6.2	4.9
EV/Revenues (x)	2.7	2.4	4.0	1.5	1.6	1.4	1.1
OCF/EV (%)	8.4	13.3	7.1	18.0	13.7	15.4	18.8
FCF/EV (%)	0.7	9.4	(82.1)	4.3	11.3	12.8	16.0
FCFE/Mkt Cap (%)	7.6	10.0	(77.7)	9.4	(5.1)	10.9	12.1
Dividend Yield (%)	7.8	7.8	5.0	5.0	0.2	2.2	2.2

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
24-Jan-20	132	BUY	180
2-Mar-20	130	BUY	190
20-Apr-20	96	ADD	108
6-Jun-20	82	ADD	95
21-Sep-20	89	BUY	125

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:

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