

# Power Grid

BSE SENSEX  
38,980

S&P CNX  
11,516

**CMP: INR168**
**TP: INR223 (+32%)**
**Buy**

## Expect double-digit IRR to continue on TBCB projects

**New awarding critical even as valuations remain attractive**

### Expect double-digit IRR to continue on TBCB projects

- We analyzed details of Power Grid (PWGR)'s tariff-based competitive bidding (TBCB) projects from their annual reports. At an aggregate level, in our view, PWGR should be able to generate ~14% equity IRR (assuming a debt-to-equity ratio of 80:20 for its 11 under-construction projects). Equity IRR for its eight commissioned TBCB projects varies in the range of 2–27%.
- TBCB currently remains small in the overall context (3% FY20 PAT; 5% gross block). However, with increased awarding at the interstate/intrastate level on a TBCB basis, its pie would eventually grow. Over the past one year, PWGR has won ~7 projects on a TBCB basis. We expect profits from TBCB projects to rise to INR7.8b in FY23 from INR3.7b as new projects get commissioned.
- PWGR also seeks to monetize its TBCB assets through the InvIT mode and has acquired an in-principle approval from the board and the cabinet. The company has stated it plans to use the proceeds from this monetization primarily to invest in upcoming projects. Excess cash available, in the event of fewer-than-expected investment opportunities, could be paid out as dividends. PWGR's eight commissioned projects account for a gross block of ~INR125b. We await details on the transfer of such assets.

### Awarding of new projects keenly awaited

- The govt. had identified ~INR430b of transmission works for awarding under a renewable integration scheme. Of this, ~INR250b is yet to be awarded (under TBCB) and presents sound opportunity for PWGR to bag wins. However, delays have been witnessed due to: (a) changes in the approval process, (b) revised land allocation, (c) uncertainty over RE generation capacities, and (d) hold-up in survey works due to COVID.
- Of these projects, ~INR160b is currently in the bidding stage and it would be critical for such awards to come through soon – given PWGR's declining order book. We build-in INR70–80b wins from these awards for PWGR in FY21.

### Strong business, attractive valuations; maintain Buy

- From a longer term perspective, though, investment in renewable energy and growth in power demand would continue to drive the need for transmission works. Intrastate projects, too, are coming up for bidding on a TBCB basis – which expands the pie for PWGR and is a positive. PWGR's recent project award wins (7 of 13 projects in which it participated in FY20) highlight its competitive positioning to win such projects as they arrive.
- A declining order book and capitalization schedule do bring the risk of slowdown in terms of growth. However, subsequent lower capital expenditure (along with the removal of DDT) also implies potential for higher dividends. We expect DPS to rise to INR14.3/sh in FY22, from INR10/sh in FY20, implying FY22 dividend yield of ~8%. PWGR's stock trades at just 1.2x FY22E P/BV for steady long-term growth and an underpenetrated market. Maintain Buy, with DCF-based TP of INR223/sh.



#### Stock Info

|                       |              |
|-----------------------|--------------|
| Bloomberg             | PWGR IN      |
| Equity Shares (m)     | 5,232        |
| M.Cap.(INRb)/(USDb)   | 880.7 / 12.2 |
| 52-Week Range (INR)   | 211 / 130    |
| 1, 6, 12 Rel. Per (%) | -8/-24/-23   |
| 12M Avg Val (INR M)   | 2131         |
| Free float (%)        | 48.7         |

#### Financials Snapshot (INR b)

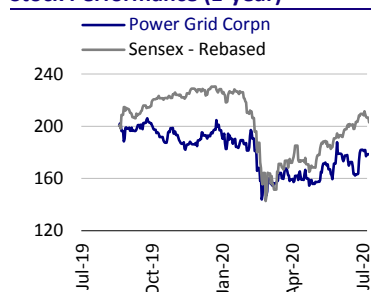
| Y/E Mar     | 2020  | 2021E | 2022E |
|-------------|-------|-------|-------|
| Net Sales   | 394.3 | 412.7 | 444.7 |
| EBITDA      | 346.2 | 366.6 | 395.6 |
| PAT         | 110.6 | 120.1 | 129.3 |
| EPS (INR)   | 21.1  | 23.0  | 24.7  |
| Gr. (%)     | 10.2  | 8.6   | 7.6   |
| BV/Sh (INR) | 123.7 | 132.3 | 142.7 |
| RoE (%)     | 17.9  | 17.9  | 18.0  |
| RoCE (%)    | 7.9   | 8.1   | 8.7   |
| P/E (x)     | 8.0   | 7.4   | 6.8   |
| P/BV (x)    | 1.4   | 1.3   | 1.2   |

#### Shareholding pattern (%)

| As On    | Jun-20 | Mar-20 | Jun-19 |
|----------|--------|--------|--------|
| Promoter | 51.3   | 51.3   | 55.4   |
| DII      | 18.3   | 16.7   | 12.2   |
| FII      | 25.3   | 27.0   | 28.0   |
| Others   | 5.0    | 5.0    | 4.5    |

FII Includes depository receipts

#### Stock Performance (1-year)



**Analysis of TBCB projects: Expect IRR of ~14%**

- On analyzing TBCB projects from the annual reports of its subsidiaries, we estimate PWGR to earn equity IRR of ~14% on its TBCB projects at an aggregate level. It is generating equity IRR in the range of 2–27% on the eight projects that are fully commissioned.
- Project cost estimates for its 11 under-construction subsidiaries are based on the amount already spent, the capital commitment remaining (based on the numbers reported in the FY20 Annual Report), and estimated additional capex needed. We assume a debt-to-equity ratio of 80:20 for these projects.
- For nine of its recently awarded projects, we take cost at 5% higher than the above est. and assume a 6- to 12-month execution delay given the challenges related to COVID and tight commissioning timelines. We continue to believe PWGR has a competitive edge in TBCB projects, given its (a) lower funding cost owing to a strong balance sheet, (b) low equipment cost on account of a dominant position with suppliers, and (c) the ability to leverage its vast geographical spread, which would continue to drive healthy IRR in the TBCB projects.
- TBCB currently remains small for PWGR in the overall context (3% FY20 PAT; 5% gross block). However, with an increase in awarding at the interstate/intrastate level on a TBCB basis, the pie would eventually grow. We expect profits from TBCB projects to rise to INR7.8b in FY23 from INR3.7b as the current set of projects gets commissioned.

**Exhibit 1: TBCB projects: Build-in IRR of ~14% for PWGR**

|                         | Proj. cost<br>Est.<br>INR m | Scheduled<br>CoD | Actual/<br>Est<br>CoD | Level.<br>Tariff<br>INR m | Revenue<br>Yield<br>% | IRR<br>%  | FY20           |                   |              |
|-------------------------|-----------------------------|------------------|-----------------------|---------------------------|-----------------------|-----------|----------------|-------------------|--------------|
|                         |                             |                  |                       |                           |                       |           | Debt<br>INR m  | Networth<br>INR m | PAT<br>INR m |
| NM Transmission         | 13,465                      | Dec-15           | Jan-19                | 987                       | 7                     | 2         | 10,889         | 833               | -295         |
| Vizag                   | 13,098                      | Aug-16           | Sep-16                | 2,311                     | 18                    | 25        | 8,215          | 3,730             | 1,518        |
| Unchahar Transmission   | 729                         | Sep-16           | Dec-16                | 168                       | 23                    | 27        | 403            | 244               | 96           |
| Kala AMB                | 3,196                       | Jul-17           | Jul-17                | 594                       | 19                    | 23        | 2,033          | 814               | 234          |
| Jabalpur Transmission   | 15,284                      | Jun-18           | Jan-19                | 2,110                     | 14                    | 20        | 12,216         | 2,419             | 484          |
| Parli (Gadarwara)       | 18,483                      | Jan-18           | Jun-18                | 2,567                     | 14                    | 19        | 29,305         | 8,374             | 1,553        |
| Warora (Gadarwara)      | 22,294                      | Jan-18           | Jul-18                | 2,901                     | 13                    |           |                |                   |              |
| Southern Interconnector | 36,916                      | Apr-19           | Jan-20                | 3,593                     | 10                    | 9         | 27,807         | 7,161             | 87           |
| Medinipur-Jeerat        | 29,728                      | Jul-20           | Jan-21                | 4,987                     | 17                    | 24        | 21,111         | 2,893             | 0            |
| Mithilanchal Trans.     | 10,964                      | Mar-21           | Sep-21                | 1,386                     | 13                    | 12        | 6,480          | 1,200             | 0            |
| Varanasi Trans.         | 8,848                       | Jul-21           | Jan-22                | 927                       | 10                    | 8         | 5,363          | 1,250             | 0            |
| Jawaharpur Firozabad    | 4,459                       | Mar-21           | Sep-21                | 538                       | 12                    | 13        | 2,113          | 0                 | 0            |
| Khetri Transco          | 9,127                       | Dec-20           | Sep-21                | 1,220                     | 13                    | 16        | 2,125          | 0                 | -3           |
| Bhind Guna Trans.       | 5,024                       | Aug-22           | Dec-22                | 687                       | 14                    | 14        | 480            | -6                | 1            |
| Ajmer Phagi             | 6,411                       | Dec-20           | Dec-21                | 613                       | 10                    | 7         | 1,627          | -3                | -3           |
| Bhuj Transmission       | 10,173                      | Dec-20           | Dec-21                | 1,238                     | 12                    | 12        | 830            | 0                 | 0            |
| Fatehgarh-II            | 7,982                       | Dec-20           | Dec-21                | 716                       | 9                     | 5         | 1,468          | 0                 | 0            |
| Rampur Sambhal          | 7,123                       | Aug-21           | Feb-22                | 1,029                     | 14                    | 18        | 151            | -8                | -7           |
| Meerut-Simbhawali       | 8,953                       | Aug-21           | Feb-22                | 1,159                     | 13                    | 13        | 310            | 0                 | 0            |
| <b>Total</b>            | <b>232,257</b>              |                  |                       | <b>29,731</b>             | <b>13</b>             | <b>14</b> | <b>132,925</b> | <b>28,903</b>     | <b>3,664</b> |

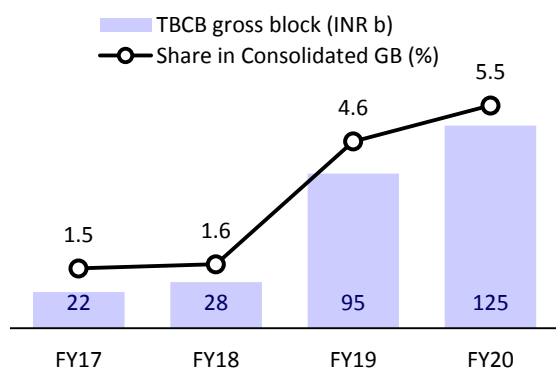
Note: Rows highlighted are commissioned projects. CoD dates in Red are our est of expected commissioning

Source: MOFSL, Company

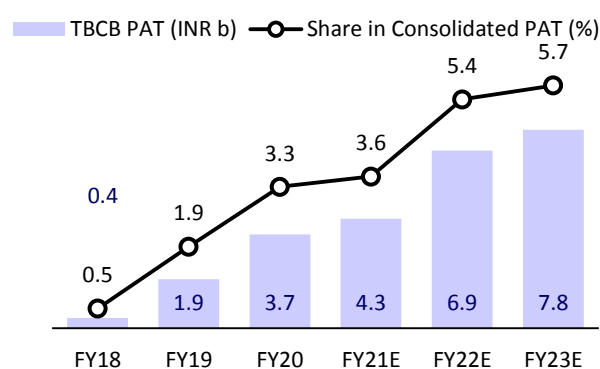
**Exhibit 2: Project cost estimates for PWGR's TBCB projects**

|                         | Gross block<br>INR m | CWIP<br>INR m | Adv.<br>INR m | Capital<br>Commit. as per FY20 AR<br>INR m | Proj. cost<br>INR m | Proj. cost<br>Est.<br>INR m |
|-------------------------|----------------------|---------------|---------------|--|---------------------|-----------------------------|
| Vizag                   | 13,098               | 0             | 0             | 0  | 13,098              | 13,098                      |
| NM Transmission         | 13,445               | 20            | 0             | 0  | 13,465              | 13,465                      |
| Unchahar Transmission   | 729                  | 0             | 0             | 0  | 729                 | 729                         |
| Parli                   | 18,469               | 0             | 0             | 14   | 18,483              | 18,483                      |
| Warora                  | 22,289               | 6             | 0             | 0  | 22,294              | 22,294                      |
| Kala AMB                | 3,196                | 0             | 0             | 0  | 3,196               | 3,196                       |
| Jabalpur Transmission   | 15,210               | 0             | 0             | 74   | 15,284              | 15,284                      |
| Southern Interconnector | 36,822               | 6             | 9             | 79   | 36,916              | 36,916                      |
| Medinipur Jeerat        | 766                  | 25,536        | 116           | 3,310                                      | 29,728              | 29,728                      |
| Mithilanchal Trans.     | 412                  | 8,147         | 118           | 2,286                                      | 10,964              | 10,964                      |
| Varanasi Trans.         | 0                    | 7,472         | 125           | 830  | 8,427               | 8,848                       |
| Meerut-Simbhawali       | 0                    | 217           | 161           | 8,148                                      | 8,526               | 8,953                       |
| Rampur -Sambhal         | 52                   | 93            | 31            | 6,609                                      | 6,784               | 7,123                       |
| Fategarh- II            | 0                    | 1,455         | 308           | 5,838                                      | 7,602               | 7,982                       |
| Bhuj -II                | 70                   | 540           | 306           | 8,773                                      | 9,689               | 10,173                      |
| Ajmer Phagi             | 0                    | 1,715         | 289           | 4,102                                      | 6,105               | 6,411                       |
| Bhind Guna              | 0                    | 560           | 0             | 4,225                                      | 4,785               | 5,024                       |
| Khetri Transco          | 0                    | 2,199         | 395           | 6,098                                      | 8,692               | 9,127                       |
| Jawaharpur Firozabad    | 23                   | 2,672         | 0             | 1,552                                      | 4,247               | 4,459                       |

Source: MOFSL, Company

**Exhibit 3: TBCB projects remain small currently, accounting for ~5% of overall gross block**

Source: MOFSL, Company

**Exhibit 4: Expect profits from TBCB to rise as new projects get commissioned**

Source: MOFSL, Company

**Awarding of new projects keenly awaited**

- In 2018, the government envisaged the construction of transmission projects related to 66.5GW of renewable (RE) generation capacities. This move was planned to ensure adequate transmission evacuation for these RE capacities as and when they come up. Accordingly, a plan was put in place to award transmission projects worth ~INR430b.
- However, awarding under the renewable integration scheme has seen delays. As per our interaction, there was a change in the approval process, through which the mode of implementation of the project (TBCB or RTM) would now be decided by the Ministry of Power and would not depend on the NCT/ECT recommendation. Furthermore, transmission schemes for wind projects in Maharashtra have been deferred due to uncertainties surrounding upcoming generation projects and land issues. Land allocation for Gujarat projects has also changed, necessitating a possible shift in the location of these transmission schemes.

- Nevertheless, ~INR160b of these projects are currently in the bidding stage. The awarding for these projects has been partly delayed due to hold-ups in the survey and preparation works in the wake of COVID. It would be critical for such awards to come through soon – given PWGR's declining order book. We build-in INR70–80b wins from these awards for PWGR in FY21.

**Exhibit 5: Awarding of transmission projects under renewable energy scheme**

|                            | Capacity (GW) | Projects                    | Cost (INR b) | o/w RTM     | o/w TCB      |
|----------------------------|---------------|-----------------------------|--------------|-------------|--------------|
| <b>Awarded</b>             | 3.50          | Bhuj: 2GW,<br>Dwarka: 1.5GW | 36.8         | 0.8         | 36.1         |
|                            | 8.90          | Rajasthan: 8.9GW            | 70.0         | 31.7        | 38.3         |
|                            | 2.00          | Lakadia: 2GW                | 10.8         | 0.0         | 10.8         |
|                            | 0.50          | Tuticorin: 0.5GW            | 0.4          | 0.4         | 0.0          |
|                            | 2.50          | Kurnool: 2.5GW              | 26.8         | 26.8        | 0.0          |
| <b>Total Awarded</b>       | <b>17.4</b>   |                             | <b>144.8</b> | <b>59.6</b> | <b>85.1</b>  |
| <b>Under Bidding</b>       |               |                             |              |             |              |
|                            | 2.50          | Koppal: 2.5GW               | 8.2          | 0.0         | 8.2          |
|                            | 2.50          | Karur: 2.5GW                | 5.8          | 0.0         | 5.8          |
|                            | 1.00          | Osmanabad: 1GW              | 0.2          | 0.2         | 0.0          |
|                            | 2.50          | Rajgarh: 2.5GW              | 6.4          | 0.0         | 6.4          |
|                            | 2.50          | Gadag: 2.5GW                | 11.1         | 5.5         | 5.5          |
|                            | 2.50          | Bidar: 2.5GW                | 13.7         | 0.0         | 13.7         |
|                            | 8.10          | Rajasthan: 8.1GW            | 121.8        | 11.6        | 110.2        |
|                            | 3.50          | AP: 3.5GW                   | 8.2          | 0.0         | 8.2          |
| <b>Total Under Bidding</b> | <b>25.1</b>   |                             | <b>175.3</b> | <b>17.3</b> | <b>158.0</b> |
| <b>In pipeline</b>         |               |                             |              |             |              |
|                            | 4.00          | Dhulera: 4GW                | 14.2         | 0.0         | 14.2         |
|                            | 1.00          | Solapur: 1GW                | 0.1          | 0.1         | 0.0          |
|                            | 1.50          | Solapur: 1.5GW              | 5.0          | 0.0         | 5.0          |
|                            | 2.50          | Wardha: 2.5 GW              | 4.7          | 0.0         | 4.7          |
|                            | 2.50          | Khandwa: 2.5GW              | 5.3          | 0.7         | 4.5          |
|                            | 5.00          | Lakadia: 2GW;<br>Rapar: 3GW | 45.9         | 1.2         | 44.7         |
|                            | 2.50          | Jamnagar: 2.5GW             | 13.5         | 0.0         | 13.5         |
|                            | 2.50          | Radhanesda: 2.5GW           | 5.0          | 1.9         | 3.1          |
|                            | 0.50          | Dwarka: 0.5GW               | 1.7          | 1.7         | 0.0          |
|                            |               | System Str.                 | 12.0         | 12.0        | 0.0          |
| <b>In pipeline</b>         | <b>22.0</b>   |                             | <b>107.3</b> | <b>17.6</b> | <b>89.6</b>  |
| <b>Total</b>               | <b>64.5</b>   |                             | <b>427.3</b> | <b>94.6</b> | <b>332.7</b> |

Source: MOFSL, Company

**Long-term story intact; valuations remain attractive**

- From a longer term perspective, investment in renewable energy and growth in power demand would continue to drive the need for transmission works. As per PWGR, the co. believes India's vision to reach 450GW of RE capacity by 2030 (from est. of 175GW in 2022) would necessitate incremental investments of INR2.8t within Transmission. Overall, the Transmission sector is likely to grow at a pace of 8–9% for the next 10 years, providing the basis for long-term growth for the sector, as per PWGR.

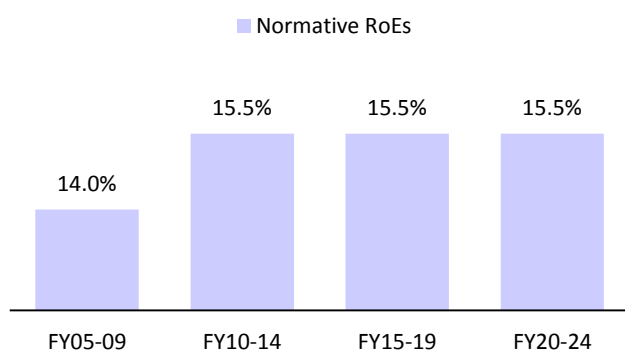
**Exhibit 6: PWGR sees potential for INR2.86t incremental transmission works**

|   | 2019           | 2022              | 2030                       |
|---|----------------|-------------------|----------------------------|
| <b>GENERATION vis-à-vis POWER &amp; ENERGY DEMAND</b> |                |                   |                            |
| Generation (GW)                                       | 356            | 479               | 900                        |
| RE (GW)   | 77.6           | 175               | 450                        |
| Demand (GW)   | 177.5          | 225               | 373                        |
| Annual Energy (BU)                                    | 1,267          | 1,566             | 2,606                      |
| <b>TRANSMISSION</b>                                   |                |                   |                            |
| Trans. System   | GEC-I & GEC-II | REZ based systems | Perspective                |
| ckm   | 5,070          | 16,500            | 63,200-HVAC<br>10,800-HVDC |
| MVA   | 30,500         | 1,10,500          | 66,000-HVAC<br>24,000-HVDC |
| Cost (₹ in crore)                                     | 15,660         | 43,200            | 2,86,000                   |

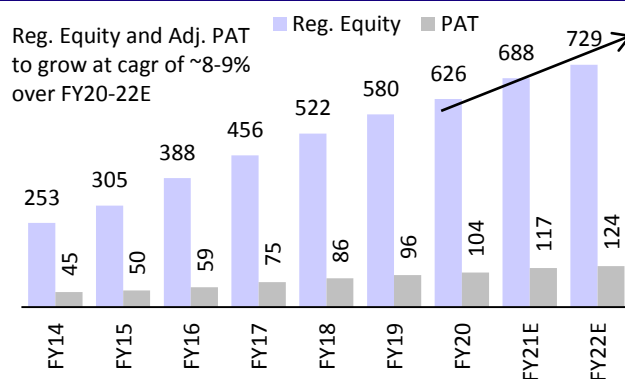
Source: Company Estimates

Source: Company

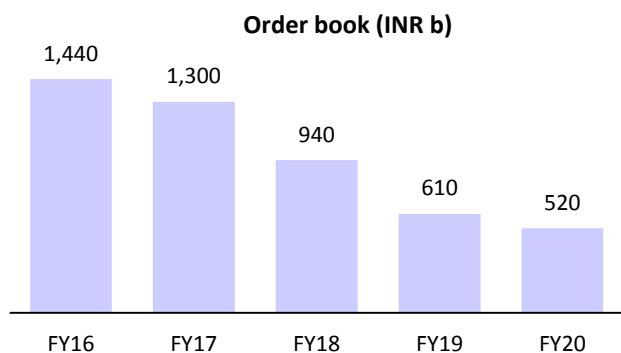
- Intrastate projects, too, are coming up for bidding on a TBCB basis, with six projects of ~INR70b up for bidding in MP and Jharkhand. Furthermore, discussions are underway to increase the cross-border power transfer to countries such as Sri Lanka and Myanmar. Such opportunity expands the pie for PWGR and is a positive. In our view, its recent project award wins (7 of 13 projects in which it participated in FY20) highlight its competitive positioning to win such projects as they come.
- A declining order book and capitalization schedule do bring the risk of slowdown in terms of growth. However, subsequent lower capital expenditure (along with the removal of DDT) also implies potential for higher dividends. We expect DPS to rise to INR14.3/sh in FY22, from INR10/sh in FY20, implying FY22 dividend yield of ~8%. PWGR's stock trades at just 1.2x FY22E P/BV for steady long-term growth and an underpenetrated market. Maintain Buy, with DCF-based TP of INR223/sh.

**Exhibit 7: Regulations lend visibility to RoE**

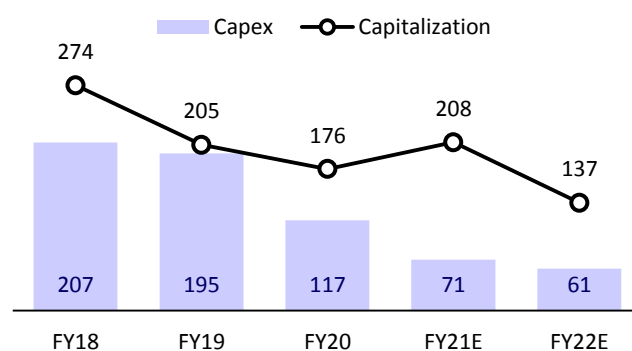
Source: MOFSL, Company

**Exhibit 8: Continued capitalization to drive S/A PAT**

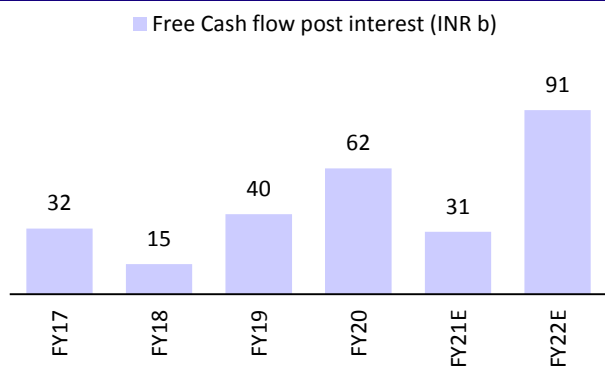
Source: MOFSL, Company

**Exhibit 9: While order book has declined...**

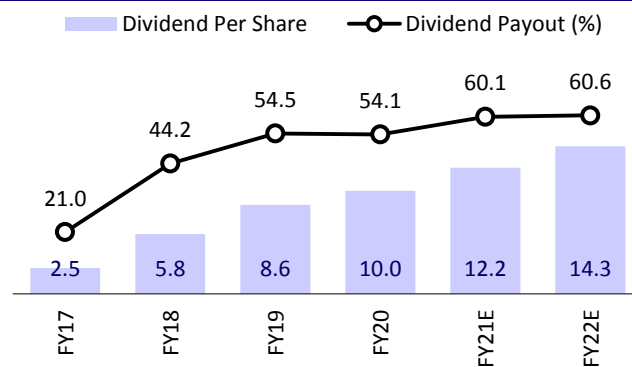
Source: MOFSL, Company

**Exhibit 10: ...pace of S/A capitalization & capex would be lower**

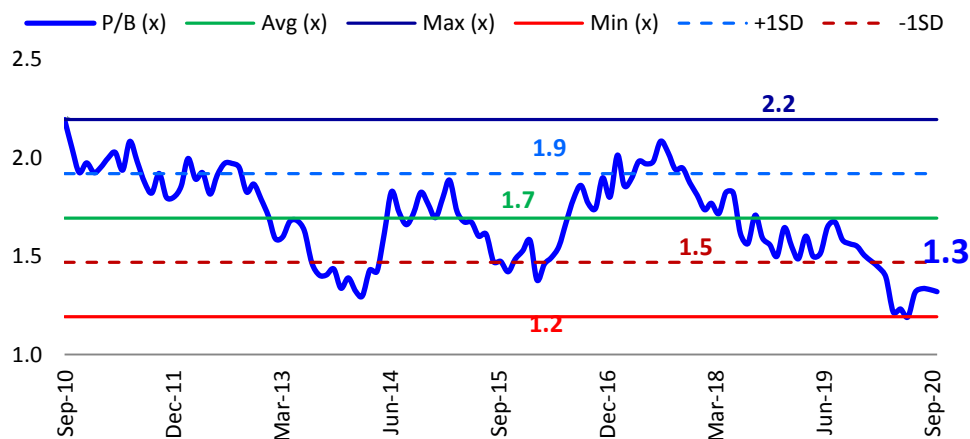
Source: MOFSL, Company

**Exhibit 11: But, free cash flow at group level to be strong...**

Source: MOFSL, Company

**Exhibit 12: ...leading to potential for higher dividends**

Source: MOFSL, Company

**Exhibit 13: Stock trades well below historical average**

Source: MOFSL, Bloomberg

## Financials and valuations

| Income Statement       |                |                |                |                |                |                |                | (INR m)        |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March              | 2016           | 2017           | 2018           | 2019           | 2020           | 2021E          | 2022E          | 2023E          |
| <b>Net Sales</b>       | <b>206,521</b> | <b>257,039</b> | <b>299,415</b> | <b>325,323</b> | <b>394,269</b> | <b>412,712</b> | <b>444,709</b> | <b>465,380</b> |
| Change (%)             | 17.0           | 24.5           | 16.5           | 8.7            | 21.2           | 4.7            | 7.8            | 4.6            |
| <b>EBITDA</b>          | <b>182,581</b> | <b>226,572</b> | <b>263,119</b> | <b>276,937</b> | <b>346,236</b> | <b>366,636</b> | <b>395,647</b> | <b>412,706</b> |
| % of Net Sales         | 88.4           | 88.1           | 87.9           | 85.1           | 87.8           | 88.8           | 89.0           | 88.7           |
| Depreciation           | 61,818         | 77,223         | 92,310         | 105,410        | 116,070        | 125,875        | 135,765        | 143,623        |
| Interest               | 50,862         | 62,036         | 73,241         | 87,366         | 95,090         | 95,299         | 97,918         | 98,469         |
| Other Income           | 4,663          | 5,838          | 4,891          | 6,022          | 9,274          | 1,668          | -549           | -221           |
| <b>PBT before EO</b>   | <b>74,563</b>  | <b>93,153</b>  | <b>102,459</b> | <b>90,184</b>  | <b>144,350</b> | <b>147,130</b> | <b>161,415</b> | <b>170,393</b> |
| EO income (expense)    | 0              | 0              | 0              | 0              | 0              | -10,750        | 0              | 0              |
| <b>PBT after EO</b>    | <b>74,563</b>  | <b>93,153</b>  | <b>102,459</b> | <b>90,184</b>  | <b>144,350</b> | <b>136,380</b> | <b>161,415</b> | <b>170,393</b> |
| Tax                    | 16,129         | 20,063         | 21,955         | -8,864         | 35,308         | 28,455         | 33,631         | 35,511         |
| Rate (%)               | 21.6           | 21.5           | 21.4           | -9.8           | 24.5           | 20.9           | 20.8           | 20.8           |
| <b>Reported PAT</b>    | <b>58,434</b>  | <b>73,090</b>  | <b>80,504</b>  | <b>99,047</b>  | <b>109,043</b> | <b>107,925</b> | <b>127,784</b> | <b>134,881</b> |
| Share of JVs and asso. |                | 1,418          | 1,479          | 1,288          | 1,551          | 1,420          | 1,486          | 1,453          |
| <b>Adjusted PAT</b>    | <b>58,434</b>  | <b>74,507</b>  | <b>86,513</b>  | <b>100,335</b> | <b>110,594</b> | <b>120,095</b> | <b>129,270</b> | <b>136,334</b> |
| Change (%)             | 14.8           | 27.5           | 16.1           | 16.0           | 10.2           | 8.6            | 7.6            | 5.5            |

| Balance Sheet               |                  |                  |                  |                  |                  |                  |                  | (INR m)          |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Y/E March                   | 2016             | 2017             | 2018             | 2019             | 2020             | 2021E            | 2022E            | 2023E            |
| Share Capital               | 52,316           | 52,316           | 52,316           | 52,316           | 52,316           | 52,316           | 52,316           | 52,316           |
| Reserves                    | 387,383          | 446,339          | 491,944          | 538,568          | 594,638          | 640,017          | 694,388          | 744,149          |
| <b>Net Worth</b>            | <b>439,699</b>   | <b>498,655</b>   | <b>544,260</b>   | <b>590,884</b>   | <b>646,954</b>   | <b>692,333</b>   | <b>746,704</b>   | <b>796,464</b>   |
| Loans                       | 1,085,449        | 1,189,879        | 1,315,030        | 1,463,764        | 1,482,696        | 1,446,725        | 1,382,561        | 1,315,873        |
| Deferred Rev. & tax         | 82,169           | 74,184           | 74,509           | 194,755          | 221,448          | 221,448          | 221,448          | 221,448          |
| <b>Capital Employed</b>     | <b>1,607,318</b> | <b>1,762,718</b> | <b>1,933,798</b> | <b>2,249,403</b> | <b>2,351,098</b> | <b>2,360,505</b> | <b>2,350,713</b> | <b>2,333,786</b> |
| Gross Fixed Assets          | 1,214,908        | 1,519,616        | 1,798,900        | 2,072,146        | 2,275,432        | 2,510,934        | 2,721,534        | 2,831,760        |
| Less: Depreciation          | 63,965           | 142,837          | 236,914          | 344,750          | 464,311          | 590,186          | 725,950          | 869,573          |
| <b>Net Fixed Assets</b>     | <b>1,150,942</b> | <b>1,376,779</b> | <b>1,561,986</b> | <b>1,727,396</b> | <b>1,811,121</b> | <b>1,920,748</b> | <b>1,995,584</b> | <b>1,962,186</b> |
| Capital WIP                 | 354,021          | 296,750          | 289,496          | 262,311          | 284,492          | 155,488          | 25,291           | 5,174            |
| Investments                 | 9,185            | 11,650           | 12,240           | 12,964           | 14,311           | 14,311           | 14,311           | 14,311           |
| <b>Other Assets</b>         | <b>278,769</b>   | <b>271,272</b>   | <b>279,548</b>   | <b>470,904</b>   | <b>456,609</b>   | <b>446,175</b>   | <b>473,035</b>   | <b>524,634</b>   |
| Inventory                   | 109,163          | 94,963           | 97,683           | 126,472          | 81,617           | 81,964           | 82,350           | 83,368           |
| Debtors                     | 27,395           | 31,319           | 36,400           | 47,281           | 50,407           | 55,678           | 52,416           | 53,295           |
| Cash & Bank Balance         | 22,434           | 33,536           | 21,890           | 43,367           | 54,390           | 24,241           | 41,093           | 74,459           |
| Other Current Assets        | 82,260           | 71,952           | 85,246           | 154,238          | 155,906          | 169,892          | 183,626          | 197,530          |
| Loans & Advances            | 37,518           | 39,501           | 38,329           | 99,547           | 114,289          | 114,400          | 113,550          | 115,981          |
| <b>Other Liabilities</b>    | <b>185,600</b>   | <b>193,732</b>   | <b>209,468</b>   | <b>224,173</b>   | <b>215,434</b>   | <b>176,217</b>   | <b>157,508</b>   | <b>172,519</b>   |
| <b>Net Current Assets</b>   | <b>93,170</b>    | <b>77,539</b>    | <b>70,080</b>    | <b>246,731</b>   | <b>241,174</b>   | <b>269,958</b>   | <b>315,526</b>   | <b>352,115</b>   |
| <b>Application of Funds</b> | <b>1,607,318</b> | <b>1,762,718</b> | <b>1,933,801</b> | <b>2,249,402</b> | <b>2,351,098</b> | <b>2,360,505</b> | <b>2,350,713</b> | <b>2,333,786</b> |



## Financials and valuations

### Ratios

| Y/E March                       | 2016        | 2017        | 2018        | 2019        | 2020        | 2021E       | 2022E       | 2023E       |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>              |             |             |             |             |             |             |             |             |
| <b>EPS</b>                      | <b>11.2</b> | <b>14.2</b> | <b>16.5</b> | <b>19.2</b> | <b>21.1</b> | <b>23.0</b> | <b>24.7</b> | <b>26.1</b> |
| Cash EPS                        | 23.0        | 29.0        | 34.2        | 39.3        | 43.3        | 47.0        | 50.7        | 53.5        |
| Book Value                      | 84.0        | 95.3        | 104.0       | 112.9       | 123.7       | 132.3       | 142.7       | 152.2       |
| DPS                             | 2.1         | 2.5         | 5.8         | 8.6         | 10.0        | 12.2        | 14.3        | 16.5        |
| Div.Payout (incl. Tax.)         | 0.0         | 21.0        | 44.2        | 54.5        | 54.1        | 60.1        | 60.6        | 66.7        |
| <b>Valuation (x)</b>            |             |             |             |             |             |             |             |             |
| P/E                             | 15.1        | 11.9        | 10.2        | 8.8         | 8.0         | 7.4         | 6.8         | 6.5         |
| Cash P/E                        | 7.4         | 5.8         | 4.9         | 4.3         | 3.9         | 3.6         | 3.3         | 3.2         |
| EV/EBITDA                       | 10.7        | 9.0         | 8.3         | 8.3         | 6.7         | 6.3         | 5.6         | 5.2         |
| Price/Book Value                | 2.0         | 1.8         | 1.6         | 1.5         | 1.4         | 1.3         | 1.2         | 1.1         |
| Dividend Yield (%)              | 1.2         | 1.5         | 3.4         | 5.1         | 5.9         | 7.2         | 8.5         | 9.8         |
| <b>Profitability Ratios (%)</b> |             |             |             |             |             |             |             |             |
| RoE                             | 14.2        | 15.9        | 16.6        | 17.7        | 17.9        | 17.9        | 18.0        | 17.7        |
| RoCE                            | 6.5         | 7.2         | 7.5         | 9.3         | 7.9         | 8.1         | 8.7         | 9.1         |
| RoIC                            | 8.6         | 8.9         | 8.9         | 10.6        | 8.9         | 9.2         | 9.3         | 9.4         |
| <b>Turnover Ratios</b>          |             |             |             |             |             |             |             |             |
| Debtors (Days)                  | 48          | 44          | 44          | 53          | 47          | 49          | 43          | 42          |
| Inventory (Days)                | 94          | 70          | 64          | 84          | 59          | 58          | 57          | 55          |
| Current Liabilities (Days)      | 160         | 142         | 136         | 149         | 155         | 124         | 109         | 113         |
| Asset Turnover (x)              | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         |
| <b>Leverage Ratio</b>           |             |             |             |             |             |             |             |             |
| Net Debt/EBITDA                 | 5.8         | 5.1         | 4.9         | 5.1         | 4.1         | 3.9         | 3.4         | 3.0         |
| Debt/Equity (x)                 | 2.5         | 2.4         | 2.4         | 2.5         | 2.3         | 2.1         | 1.9         | 1.7         |

### Cash Flow Statement

| Y/E March                    | 2016            | 2017            | 2018            | 2019            | 2020            | 2021E           | 2022E           | 2023E           |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>(INR m)</b>               |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>PBT before EO Items</b>   | <b>75,597</b>   | <b>94,369</b>   | <b>103,938</b>  | <b>84,531</b>   | <b>149,465</b>  | <b>147,130</b>  | <b>161,415</b>  | <b>170,393</b>  |
| Depreciation                 | 61,818          | 77,223          | 92,310          | 105,410         | 116,070         | 125,875         | 135,765         | 143,623         |
| Interest                     | 50,862          | 62,036          | 73,241          | 87,366          | 95,090          | 95,299          | 97,918          | 98,469          |
| Others                       | -4,730          | -3,264          | -3,616          | 33,927          | -28,805         | -12,418         | 549             | 221             |
| (Inc)/Dec in WC              | -19,310         | 4,495           | -16,181         | -54,619         | 4,271           | -58,933         | -28,717         | -3,222          |
| Direct Taxes Paid            | -14,156         | -18,714         | -22,591         | -22,808         | -25,687         | -28,455         | -33,631         | -35,511         |
| <b>CF from Operations</b>    | <b>150,082</b>  | <b>216,144</b>  | <b>227,101</b>  | <b>233,807</b>  | <b>310,405</b>  | <b>268,498</b>  | <b>333,300</b>  | <b>373,973</b>  |
| (Inc)/Dec in FA              | -216,795        | -239,244        | -261,799        | -224,507        | -113,671        | -106,498        | -80,404         | -90,108         |
| (Pur)/Sale of Investments    | 1,030           | 495             | 4,784           | 36,137          | 3,249           | 3,088           | 937             | 1,231           |
| <b>CF from Investments</b>   | <b>-215,765</b> | <b>-238,749</b> | <b>-257,015</b> | <b>-188,370</b> | <b>-110,423</b> | <b>-103,411</b> | <b>-79,467</b>  | <b>-88,877</b>  |
| Equity raised                | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               |
| Grants etc                   | 0               | 0               | 0               | 0               | 0               | 0               | 0               | 0               |
| (Inc)/Dec in Debt            | 117,171         | 112,506         | 119,924         | 133,169         | -17,317         | -35,972         | -64,164         | -66,687         |
| Interest Paid                | -47,584         | -57,000         | -70,480         | -102,924        | -117,301        | -95,299         | -97,918         | -98,469         |
| Dividend Paid                | -13,379         | -15,921         | -36,598         | -54,554         | -53,440         | -63,965         | -74,899         | -86,573         |
| <b>CF from Fin. Activity</b> | <b>56,208</b>   | <b>39,586</b>   | <b>12,847</b>   | <b>-24,308</b>  | <b>-188,058</b> | <b>-195,236</b> | <b>-236,981</b> | <b>-251,729</b> |
| <b>Inc/Dec of Cash</b>       | <b>-9,475</b>   | <b>16,980</b>   | <b>-17,067</b>  | <b>21,129</b>   | <b>11,924</b>   | <b>-30,149</b>  | <b>16,852</b>   | <b>33,366</b>   |
| Add: Beginning Balance       | 31,909          | 16,556          | 38,957          | 22,237          | 42,466          | 54,390          | 24,241          | 41,093          |
| <b>Closing Balance</b>       | <b>22,434</b>   | <b>33,536</b>   | <b>21,890</b>   | <b>43,367</b>   | <b>54,390</b>   | <b>24,241</b>   | <b>41,093</b>   | <b>74,459</b>   |



| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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