

Tata Communications

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USD\$)	299.6 / 4.4
52-Week Range (INR)	1169 / 206
1, 6, 12 Rel. Per (%)	-1/17/119
12M Avg Val (INR M)	123

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	170.7	173.2	178.9
EBITDA	32.9	43.5	47.3
Adj. PAT	3.0	13.7	16.7
EBITDA Margin (%)	19.3	25.1	26.4
Adj. EPS (INR)	10.6	48.1	58.7
EPS Gr. (%)	-582.2	355.4	22.0
BV/Sh. (INR)	NM	0.6	59.3

Ratios

RoE (%)	NM	NM	196.0
RoCE (%)	NM	19.6	18.3
Payout (%)	NM	10.2	7.9

Valuations

EV/EBITDA (x)	11.3	8.3	7.2
P/E (x)	99.5	21.8	17.9
P/BV (x)	NM	1,743.5	17.7
Div. Yield (%)	0.4	0.4	0.4

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	75.0	75.0	75.0
DII	1.4	1.5	1.8
FII	17.7	17.6	17.7
Others	6.0	6.0	5.6

FII Includes depository receipts

CMP: INR1,051 TP: INR950 (-10%) Neutral

Seasonality, slower deal conversions impact earnings

- Tata Communications (TCOM)'s 3QFY21 revenue/EBITDA was a miss due to lower-than-expected earnings reported in both the Data and Voice segments – due to seasonality and slower deal conversions. However, excluding a one-time cost benefit from 2QFY21, the EBITDA miss stands at 5.9% (v/s 9.5% on total EBITDA).
- We reduce our revenue/EBITDA estimates for FY21 by 3%/4% and for FY22 by 7%/5% due to lower-than-expected earnings and slower deal conversions.

Revenue/EBITDA miss of 5.6%/9.5%

- Consolidated revenues fell 4.1% QoQ to INR42.2b (5.6% miss) on the back of decline in the Voice and Data segments. The Voice segment's revenue stood at INR6.7b (11.2% down QoQ) and Data segment's revenue was down 2.6% QoQ to INR35.5b. This was attributable to factors such as seasonality and COVID-related weakness in deal conversions.
- EBITDA declined 9.6% QoQ to INR10.5b (9.5% miss), weighed by 60%/7.4% decline in Voice/Data to INR200m/INR10.3b. Subsequently, the EBITDA margin shrank 150bp to 24.8%. Adjusted for a ~INR700m one-off benefit in 2QFY21 related to COVID and another one-time benefit, EBITDA declined 4% QoQ.
- Other income declined 89% QoQ to INR82m. Subsequently, TCOM's PAT decreased 19.6% QoQ to INR3.1b; adjusted PAT (for exceptional items) stood at INR3.2b – down 27% QoQ, indicating a 13% miss.
- Capex stood at INR3.4b in 3QFY21 v/s INR3.2b in 2QFY21. Net debt fell by INR6.6b QoQ to INR79.7b.
- Data revenue / EBITDA declined 2.6%/7.4% QoQ to INR35.5b/INR10.3b (contributing 98% to total EBITDA), with margins at 28.9%. Revenue was lower due to a seasonally weak quarter and fewer deal conversions (COVID-related). Adjusted for an INR430m one-off benefit in 2QFY21, EBITDA declined 4% QoQ.
- The Traditional segment (contributing ~two-thirds to data revenue) grew 0.7% QoQ to INR22.9b, led by growth in the Enterprise and OTT segments. EBITDA fell 3.4% to INR9.8b and the EBITDA margin shrank 190bp QoQ to 42.9%.
- The Growth segment posted 10.7%/16% revenue/EBITDA decline to INR8.1b/INR1.3b due to seasonality and slower deal conversions (COVID-related); the EBITDA margin shrank 100bp to 15.6%.
- The Transformation segment saw QoQ revenue decline of 3.3% to INR3.2b; it once again turned EBITDA-negative, with loss of INR90m (v/s EBITDA of INR40m in 2QFY21). This segment's revenue/profitability is impacted due to lower transaction volumes, while transaction costs continue. The company has deals in the order book, but the execution is taking longer as COVID restrictions persist.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from management commentary

- **Cost:** TCOM's costs should increase from 3QFY21 levels as the unwinding of some portion of costs – which had been saved earlier due to the lockdown – is remaining.
- **Deal conversions:** While these are still happening at a slower pace, the company is witnessing early signs of recovery. The order book is growing with participation in large deals.
- **Capex:** Capex should increase in 4QFY21; however, the management would remain watchful of the situation.

Valuation and view

- TCOM's data revenue/EBITDA declined in 3QFY21 despite the expectation of higher data usage during COVID.
- Management commentary on the quality and size of deal biddings has been encouraging and indicates potential for growth. Despite this optimistic outlook, overall data revenue growth came in fairly flat at a 7% CAGR over FY19-21E.
- Over the last seven quarters, the EBITDA margin has improved around 500bp and company posted 27% EBITDA growth, two-thirds of which has been driven by cost reduction initiatives. The Data segment's EBITDA margin is 28.9%; incremental improvement hereafter could be limited, which could curtail the pace of growth.
- We think continued investment is needed in the Innovative business to achieve scale, and slow pickup in the Transformation segment may weigh on incremental margin improvement. Thus, we revise down our revenue/EBITDA estimates for FY21 by 3%/4% and for FY22 by 7%/5%.
- We have rolled out our EV/EBITDA multiple to FY23. We assign 7x/2x to Data/Voice business EBITDA, with implied EV/EBITDA of 5.9x, arriving at TP of INR950 (earlier INR940). **Maintain Neutral.**

Cons. Quarterly Perf.

(INR m)

Y/E March	FY20				FY21E				FY20	FY21E	3Q	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue	41,686	42,728	42,287	43,979	44,029	44,011	42,228	42,896	1,70,680	1,73,166	44,742	-6
YoY Change (%)	5.7	5.0	-1.0	3.6	5.6	3.0	-0.1	-2.5	3.3	1.5	5.8	
Total Expenditure	33,430	34,391	34,679	35,291	33,612	32,436	31,767	31,825	1,37,790	1,29,640	33,185	-4
EBITDA	8,256	8,337	7,608	8,688	10,418	11,575	10,461	11,070	32,890	43,526	11,556	0
YoY Change (%)	40.7	32.3	-9.7	26.8	26.2	38.8	37.5	27.4	19.8	32.3	51.9	-1440bps
Depreciation	5,522	5,583	5,605	6,867	5,899	5,719	5,570	5,833	23,577	23,021	5,756	-3
Interest	1,157	1,157	1,161	1,232	1,163	1,064	1,044	1,007	4,707	4,279	1,054	-1
Other Income	88	95	140	373	147	761	82	357	697	1,347	225	-63
PBT before EO expense	1,666	1,692	981	963	3,503	5,553	3,929	4,587	5,302	17,573	4,970	-21
Exceptional (gain)/loss	65	59	0	3,781	105	540	114	0	3,905	759	0	
PBT	1,601	1,632	981	-2,818	3,398	5,013	3,815	4,587	1,397	16,814	4,970	-23
Tax	852	1,107	406	-98	812	1,153	711	1,193	2,267	3,869	1,292	
Rate (%)	53.2	67.8	41.3	3.5	23.9	23.0	18.6	26.0	162.3	23.0	26.0	
MI & P/L of Asso. Cos.	-18	-14	-9	30	8	15	12	-46	-11	-11	3	
Reported PAT	766	539	585	-2,750	2,578	3,845	3,092	3,440	-860	12,954	3,681	-16
Adj PAT	796	598	585	1,031	2,683	4,384	3,206	3,440	3,011	13,713	3,681	-13
YoY Change (%)	NM	NM	NM	-479.8	236.9	632.8	447.6	233.7	-582.2	355.4	528.7	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY20				FY21E				FY20	FY21E	3Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Revenue Mix											
Voice segment (%)	21.4	20.5	19.1	18.3	18.1	17.2	16.0	15.3	19.8	16.7	16.8
Data segment (%)	78.6	79.5	80.9	81.7	81.9	82.8	84.0	84.7	80.2	83.3	83.2
EBITDA Margins											
Voice Segment (%)	10.0	9.3	5.8	5.7	8.4	6.6	3.0	6.6	7.8	6.2	6.8
Data Segment (%)	22.5	22.1	20.9	22.9	27.1	30.4	28.9	29.3	22.1	28.9	29.7
EBITDA Margins (%)	19.8	19.5	18.0	19.8	23.7	26.3	24.8	25.8	19.3	25.1	25.8
EBIT Margin (%)	6.6	6.4	4.7	4.1	10.3	13.3	11.6	12.2	5.5	11.8	13.0
Adj. PAT Margins (%)	1.9	1.4	1.4	2.3	6.1	10.0	7.6	8.0	1.8	7.9	8.2

E:MOFSL Estimates

Financials

- TCOM reported exceptional items of INR114m toward interest on unpaid provisions for licensee fees. The company made provisions of INR3.4b for this toward the DoT's demands in the AGR case in 4QFY20 and an additional INR223m in 1HFY21.

Segmental highlights

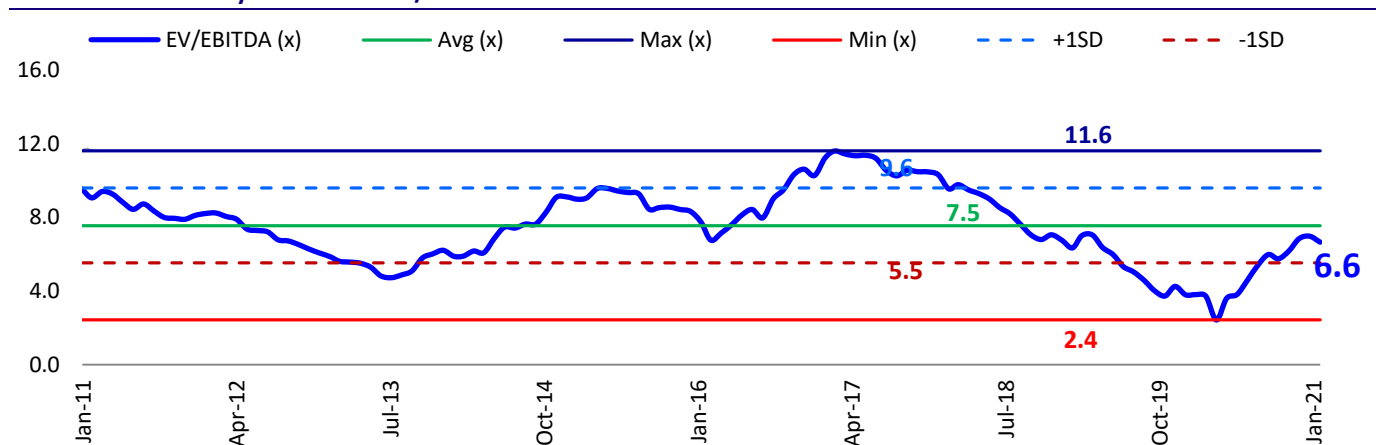
- The Innovation segment's revenue decreased 11.1% QoQ to INR320m and EBITDA loss increased to INR1.03b (v/s loss of INR800m in 2QFY21).
- The Voice segment's revenue/EBITDA declined 11.2%/60% QoQ to INR6.7b/INR200m. Adjusted for an INR310m one-off benefit in 2QFY21, due to the timing of the booking cost, EBITDA grew 5% QoQ.
- The Payment Solutions segment's revenue was up 1.7% QoQ to INR590m, and EBITDA turned positive at INR50m (v/s EBITDA loss of INR40m in 2QFY21). Revenue was affected by the lockdown as average transactions fell to 77 in 3QFY21 (v/s 89 in 3QFY20).

Exhibit 1: Valuation based on FY22E EBITDA

Particulars	FY23E
EBITDA (INR m)	52,630
multiple (x)	6.9
Voice EBITDA (INR m)	1,291
multiple (x)	2
Data EBITDA (INR m)	51,339
multiple (x)	7
Enterprise Value (INR m)	3,65,293
Net Debt (INR m)	94,581
Equity value (INR m)	2,70,712
No of shares (m)	285
Equity value/share (INR)	950
% Upside(Downside)	-10%
Land Bank (INR)	176
Fair Value (INR)	1,126
CMP (INR)	1051
% Upside(Downside)	7%

Source: MOFSL, Company

Exhibit 2: TCOM – 1-year forward EV/EBITDA



Source: MOFSL, Company



Management call highlights

Key highlights

- **Cost:** TCOM's costs should increase from 3QFY21 levels as the unwinding of some portion of costs – which had been saved earlier due to the lockdown – is remaining
- **Deal conversions:** While these are still happening at a slower pace, the company is witnessing early signs of recovery. The order book is growing with participation in large deals.
- **Capex:** Capex should increase in 4QFY21; however, the management would remain watchful of the situation
- **Tax rate:** TCOM would start using accumulated loss as the international business starts delivering profit. Tax rate should be in the range of 22–25%.

Operational performance

- **Revenue:** TCOM's revenue was lower in 3QFY21, weighed by a seasonally weak quarter; usage-based revenue was also lower.
- **Growth Services:** This was largely impacted as a large portion of the revenue from the segment is usage-based. COVID-19 has impacted the Media and Mobility businesses within Growth Services – Mobility has been impacted by lower roaming and usage charges.
- **Voice revenue:** This has been impacted by an increase in IUC charges for India and the ban on Chinese OTT players in India (TCOM's customers).
- **RoCE:** RoCE for trailing 12 months stood at 21.1%.
- **Cost increases:** TCOM saw an INR500m cost benefit in each of the last two quarters due to the COVID-led lockdown. The company has resumed the portion of its costs directly linked to revenue growth. In 4QFY21, costs should increase further due to the resumption of remaining costs.

Product portfolio

- **Network:** This is the largest portfolio and biggest strength for the company. TCOM is enhancing its network portfolio and transforming it to make the portfolio future-ready.

- **UCC:** There are three components of this portfolio – a) deployment and management apps, b) cloud-based solutions, and c) SIP trunking (~two-thirds of the UCC portfolio). Most of the customers in this portfolio are large cloud service providers. Furthermore, TCOM has a competitive edge as it provides fraud management services in this portfolio. The outlook remains strong as TCOM is transforming this portfolio for cloud and enterprise customers.
- **Cloud Hosting and Security:** The company has integrated its security services in cloud solutions. It has a strong funnel, and opportunities for these solutions are expanding.
- **Mobility and IoT:** This product portfolio should drive growth for the company. It is working on three areas in this portfolio a) Airlines – signed some large customers, b) Auto OEMs – signed some new customers, but the scale-up is low, and c) Semi-conductors and Industrials – a new segment.
- **Enterprise solutions:** Momentum from this segment is maintained and showing an upward trend. TCOM is working with customers in the Banking, Retail, and Automobile segments, and expects to close some deals in the near future.

Outlook

- **Deal conversions:** While these are still happening at a slower pace, the company is witnessing early signs of recovery. The order book is growing YoY, and TCOM is participating in larger and complex deals. Furthermore, its enhanced ISO and ISO VAN portfolios with security overlay should increase earnings in the longer term.
- **Cost:** TCOM has realized cost benefit of INR1b/quarter from a change in the employee mix, and 3QFY21 should now be the new base.
- **Tax rate:** TCOM would start using accumulated losses as the international business starts delivering profit. Tax rate should be in the range of 22–25%.
- **Earnings recovery:** QoQ growth in the Data business should reach previous levels of 6–7% within a few quarters.
- **Capex:** Capex should increase in 4QFY21; however, the management would remain watchful of the situation.

Exhibit 3: Quarterly performance

	Q3FY20	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	Q3FY21E	v/s est (%)
Revenue	42,287	44,011	42,228	-0.1	-4.1	44,742	-5.6
Operating Expenses	34,679	32,436	31,767	-8.4	-2.1	33,185	-4.3
EBITDA	7,608	11,575	10,461	37.5	-9.6	11,556	-9.5
EBITDA Margins (%)	18.0%	26.3%	24.8%	678bps	-153bps	25.8%	-106bps
Depreciation	5,605	5,719	5,570	-0.6	-2.6	5,756	-3.2
Interest	1,161	1,064	1,044	-10.1	-1.9	1,054	-0.9
Other Income	140	761	82	-41.2	-89.2	225	-63.4
Exceptional Items	0	540	114	NM	-78.8	0	NM
PBT	981	5,013	3,815	288.7	-23.9	4,970	-23.2
Tax	406	1,153	711	75.4	-38.3	1,292	-45.0
Effective Tax Rate (%)	41.3%	23.0%	18.6%			26.0%	
PAT	576	3,860	3,104	438.8	-19.6	3,678	-15.6
MI & P/L in Associates	9	-15	-12	-227.7	-21.1	3	
PAT after Minority	585	3845	3,092	428.1	-19.6	3,681	-16.0
Adjusted PAT	585	4384	3,206	448	-27	3,681	-12.9

Source: MOFSL, Company

Exhibit 4: Detailed segmental quarterly performance

	Q3FY20	Q2FY21	Q3FY21	YoY(%)	QoQ (%)	Q3FY21E	v/s est (%)
Total Revenue	42,287	44,011	42,228	-0.1	-4.1	44,742	-5.6
Voice segment	8,090	7,590	6,740	-16.7	-11.2	7,516	-10.3
Data segment	34,200	36,420	35,490	3.8	-2.6	37,226	-4.7
Traditional services	21,590	22,710	22,880	6.0	0.7	22,937	-0.2
Growth services	7,850	9,030	8,060	2.7	-10.7	9,301	-13.3
Innovation Service	260	360	320	23.1	-11.1	432	-25.9
Transformation Service	3,280	3,330	3,220	-1.8	-3.3	3,497	-7.9
Tata Payment Solutions	870	580	590	-32.2	1.7	650	-9.2
EBITDA	7,608	11,575	10,461	37.5	-9.6	11556	-9.5
Voice segment	470	500	200	-57.4	-60.0	507	-60.6
Data segment	7,140	11,080	10,260	43.7	-7.4	11,054	-7.2
Traditional services	8,130	10,160	9,810	20.7	-3.4	9,885	-0.8
Margin (%)	38	45	42.9	522bps	-186bps	43	-22bps
Growth services	510	1,500	1,260	147.1	-16.0	1,564	-19.4
Margin (%)	6	17	15.6	914bps	-98bps	17	-118bps
Innovation Service	(1,480)	(800)	(1,030)	-30.4	28.8	-709	45.4
Margin (%)	NM	NM	NM	NM	NM	NM	NM
Transformation Service	(460)	40	(90)	-80.4	-325.0	129	NM
Margin (%)	(14)	1	-2.8	1123bps	-400bps	4	NM
Tata Payment Solutions	240	(40)	50	-79.2	-225.0	-41	NM
Margin (%)	28	(7)	8	-1911bps	1537bps	-6.3	NM

Source: MOFSL, Company

Exhibit 5: Summary of estimate change (INR b)

	FY21E	FY22E
Core revenue (INR b)		
Old	178.3	191.5
Actual/New	173.2	178.9
Change (%)	-2.9	-6.6
Core EBITDA (INR b)		
Old	45.2	50.0
Actual/New	43.5	47.3
Change (%)	-3.7	-5.4
Core EBITDA margin (%)		
Old	25.4	26.1
Actual/New	25.1	26.4
Change (%)	-22bps	33bps
PAT (INR m)		
Old	14.0	18.8
Actual/New	13.0	16.7
Change (%)	-7.1	-11.0
EPS (INR)		
Old	49.0	66.0
Actual/New	45.5	58.7
Change (%)	-7.1	-11.0

Source: MOFSL, Company

Story in charts

Exhibit 6: Core EBITDA margin at 24.8%

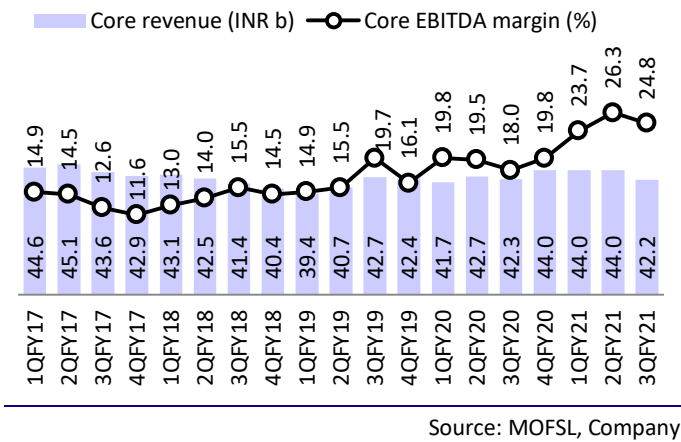


Exhibit 7: Data biz revenue contribution continues to rise

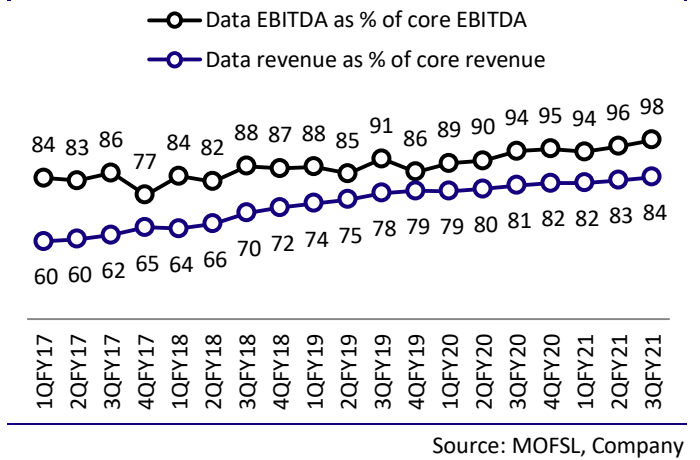


Exhibit 8: Voice revenue / EBITDA margin declines (INR b)

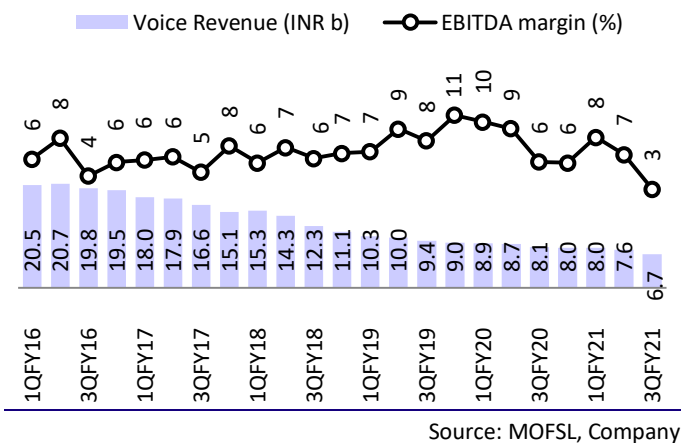


Exhibit 9: Data revenue declines with margin contraction (INR b)

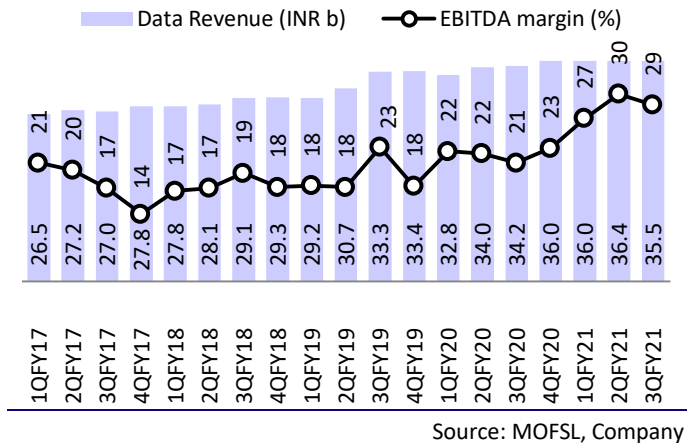


Exhibit 10: Growth segment's revenue contribution declines in 3QFY21 (%)

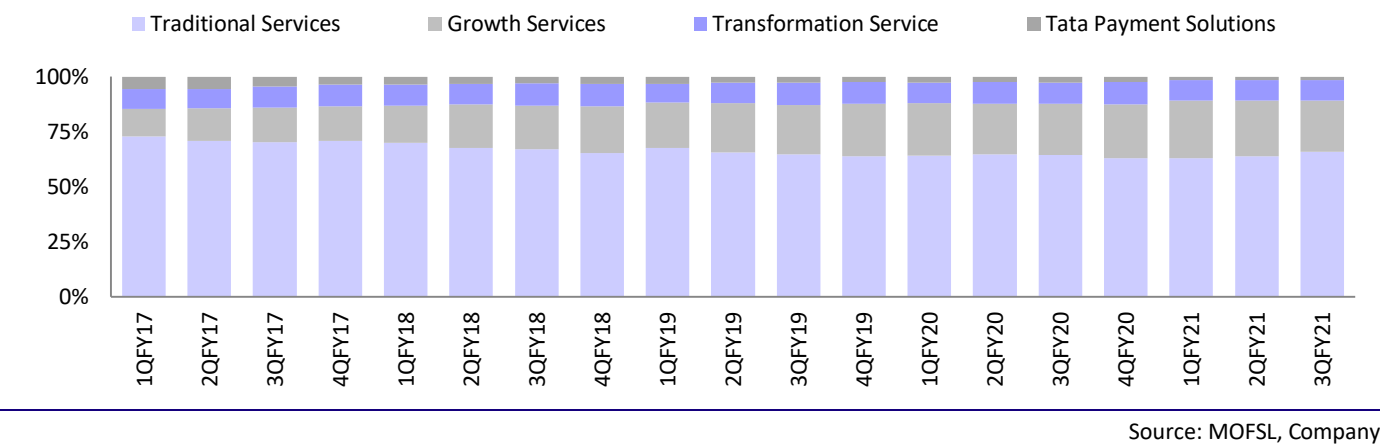
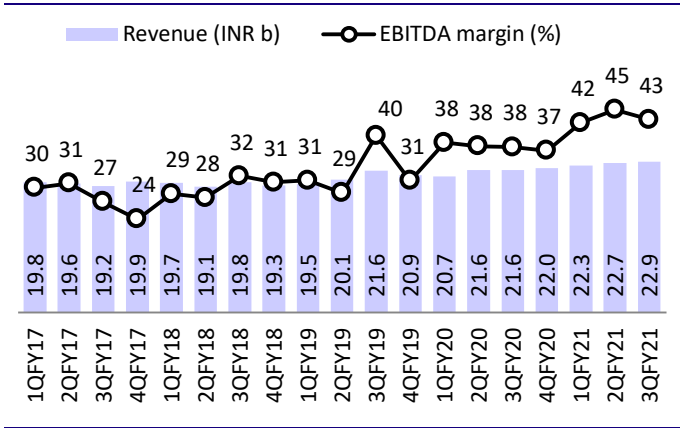
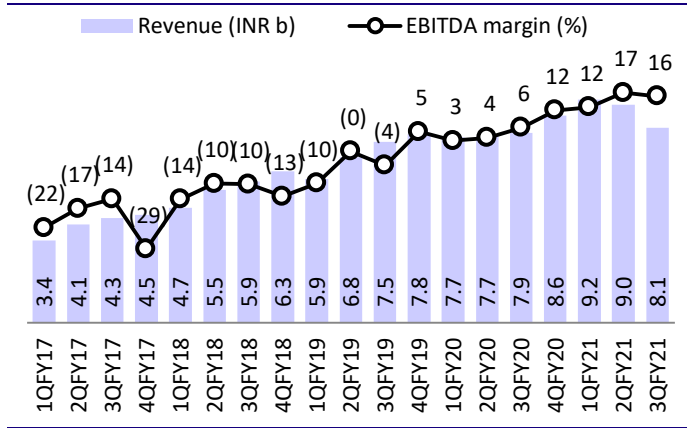


Exhibit 11: Traditional business – revenue/EBITDA margin trend



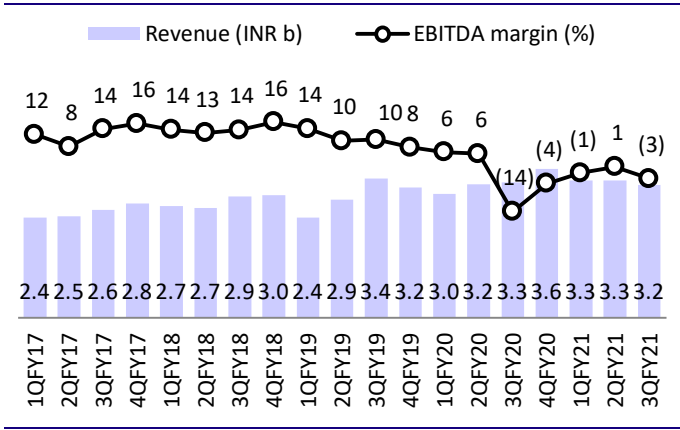
Source: MOFSL, Company

Exhibit 12: Growth business – EBITDA margin declines



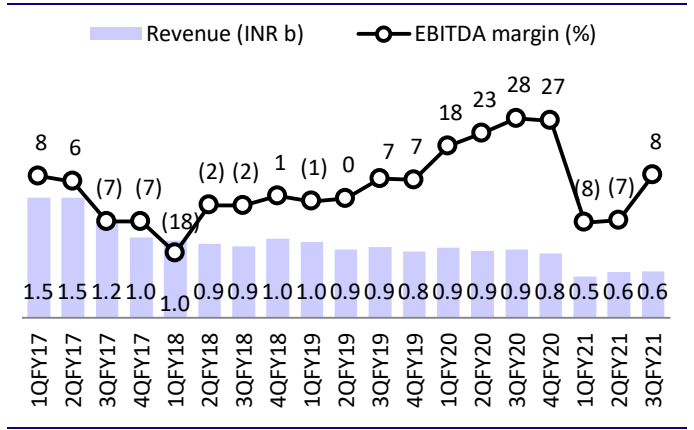
Source: MOFSL, Company

Exhibit 13: Transformation business turns to loss again



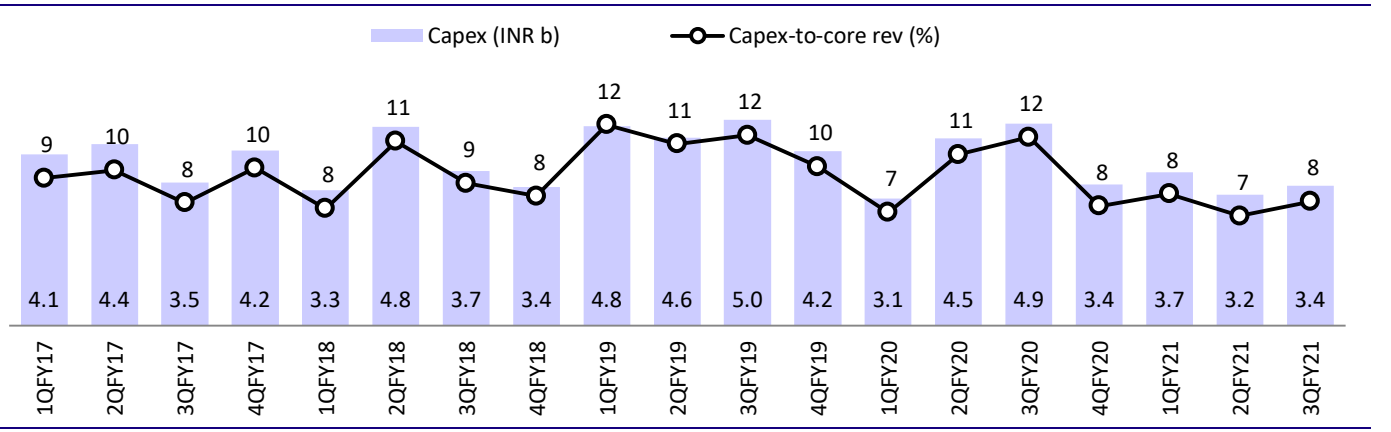
Source: MOFSL, Company

Exhibit 14: Payment Solutions business turns profitable



Source: MOFSL, Company

Exhibit 15: Quarterly capex trend



Source: MOFSL, Company

Exhibit 16: Core segmental mix (INR m)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Revenues Segments									
Voice	87,761	80,560	67,581	53,113	38,703	33,764	28,862	24,307	21,586
growth	-5.7%	-8.2%	-16.1%	-21.4%	-27.1%	-12.8%	-14.5%	-15.8%	-11.2%
as a % of core	49.4%	43.2%	38.4%	31.7%	23.4%	19.8%	16.7%	13.6%	11.2%
Data	89,914	1,05,971	1,08,619	1,14,603	1,26,546	1,36,920	1,44,303	1,54,584	1,70,585
growth	10.3%	17.9%	2.5%	5.5%	10.4%	8.2%	5.4%	7.1%	10.4%
as a % of core	50.6%	56.8%	61.6%	68.3%	76.6%	80.2%	83.3%	86.4%	88.8%
Core Revenues	1,77,675	1,86,531	1,76,200	1,67,716	1,65,249	1,70,684	1,73,166	1,78,891	1,92,171
growth	1.8%	5.0%	-5.5%	-4.8%	-1.5%	3.3%	1.5%	3.3%	7.4%
EBITDA Segments									
Voice	6,359	4,963	4,140	3,437	3,359	2,634	1,803	1,551	1,291
margin	7.2%	6.2%	6.1%	6.5%	8.7%	7.8%	6.2%	6.4%	6.0%
growth	-23.3%	-22.0%	-16.6%	-17.0%	-2.3%	-21.6%	-31.5%	-14.0%	-16.8%
as a % of Core EBITDA	26.2%	18.2%	17.5%	14.2%	12.2%	8.0%	4.1%	3.3%	2.5%
Data	17,885	22,242	19,459	20,685	24,089	30,258	41,724	45,701	51,339
margin	19.9%	21.0%	17.9%	18.0%	19.0%	22.1%	28.9%	29.6%	30.1%
growth	16.0%	24.4%	-12.5%	6.3%	16.5%	25.6%	37.9%	9.5%	12.3%
as a % of Core EBITDA	73.8%	81.8%	82.5%	85.8%	87.8%	92.0%	95.9%	96.7%	97.5%
Core EBITDA	24,244	27,205	23,599	24,122	27,448	32,892	43,528	47,251	52,630
margin	13.6%	14.6%	13.4%	14.4%	16.6%	19.3%	25.1%	26.4%	27.4%
growth	2.3%	12.2%	-13.3%	2.2%	13.8%	19.8%	32.3%	8.6%	11.4%

Source: Company, MOFSL

Financials and Valuations - Consolidated

Income Statement									(INR Million)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Total Inc. from Operations	1,99,090	1,81,486	1,76,197	1,67,717	1,65,250	1,70,680	1,73,166	1,78,891	1,92,171
Change (%)	1.5	-8.8	-2.9	-4.8	-1.5	3.3	1.5	3.3	7.4
Network Cost	1,05,543	96,724	88,119	79,032	71,620	67,776	64,711	63,614	67,420
Staff Cost	27,948	27,396	28,394	29,775	29,597	30,391	30,680	31,269	31,956
Operating & Other Expense	35,702	32,949	35,625	34,787	36,584	39,623	34,249	36,745	40,154
Total Expenditure	1,69,193	1,57,069	1,52,138	1,43,595	1,37,801	1,37,790	1,29,640	1,31,629	1,39,530
% of Sales	85.0	86.5	86.3	85.6	83.4	80.7	74.9	73.6	72.6
EBITDA	29,897	24,417	24,059	24,122	27,449	32,890	43,526	47,262	52,641
Margin (%)	15.0	13.5	13.7	14.4	16.6	19.3	25.1	26.4	27.4
Depreciation	21,611	18,643	18,658	19,063	20,676	23,577	23,021	22,709	23,821
EBIT	8,286	5,774	5,401	5,059	6,773	9,312	20,504	24,553	28,820
Int. and Finance Charges	7,508	4,091	3,672	3,445	3,966	4,707	4,279	3,884	3,594
Other Income	4,008	3,966	3,603	2,597	603	697	1,347	1,631	1,282
PBT bef. EO Exp.	4,786	5,650	5,332	4,211	3,410	5,302	17,573	22,300	26,508
EO Items	-1,052	-1,028	-10,633	-3,755	22	-3,905	-759	0	0
PBT after EO Exp.	3,734	4,622	-5,301	456	3,432	1,397	16,814	22,300	26,508
Total Tax	3,705	2,329	2,364	3,549	2,733	2,267	3,869	5,575	6,905
Tax Rate (%)	99.2	50.4	-44.6	778.2	79.6	162.3	23.0	25.0	26.0
Minority Interest	17	18	-25	193	1,523	-11	-11	-11	-11
Reported PAT	13	2,276	-7,640	-3,286	-824	-860	12,955	16,735	19,613
Adjusted PAT	3,027	973	3,016	331	-624	3,011	13,713	16,735	19,613
Change (%)	-43.2	-67.9	210.0	-89.0	-288.6	-582.2	355.4	22.0	17.2
Margin (%)	1.5	0.5	1.7	0.2	-0.4	1.8	7.9	9.4	10.2

Balance Sheet									(INR Million)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Equity Share Capital	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850
Total Reserves	365	-6,484	13,069	2,143	-4,668	-15,634	-2,678	14,057	33,670
Net Worth	3,215	-3,634	15,919	4,993	-1,818	-12,784	172	16,907	36,520
Minority Interest	59	69	184	45	58	48	48	48	48
Total Loans	1,30,757	1,51,181	99,516	95,395	1,06,844	81,575	1,02,550	95,170	87,790
Lease liabilities						39,938	39,938	39,938	39,938
Deferred Tax Liabilities	-2,015	-1,072	71	-477	-887	-2,495	-2,495	-2,495	-2,495
Capital Employed	1,32,015	1,46,545	1,15,690	99,956	1,04,196	1,06,282	1,40,212	1,49,568	1,61,801
Gross Block	2,99,608	3,08,467	2,70,923	2,88,666	1,16,569	1,29,126	1,44,350	1,60,191	1,76,032
Less: Accum. Deprn.	1,56,419	1,67,208	1,61,638	1,80,701	5,006	28,583	51,605	74,314	98,135
Net Fixed Assets	1,43,190	1,41,259	1,09,285	1,07,965	1,11,563	1,00,543	92,745	85,877	77,898
Right to use assets						15,956	15,956	15,956	15,956
Goodwill on Consolidation	3,848	3,246	0	0	863	918	918	918	918
Capital WIP	6,383	7,998	7,509	5,203	4,082	4,466	4,466	4,466	4,466
Total Investments	17,675	18,306	24,340	12,502	14,913	15,631	15,631	15,631	15,631
Curr. Assets, Loans&Adv.	68,841	79,095	69,199	69,425	67,205	72,016	1,04,432	1,17,389	1,44,333
Inventory	264	254	192	270	766	730	759	784	842
Account Receivables	24,870	30,189	25,900	28,912	29,685	32,289	32,261	33,328	35,802
Cash and Bank Balance	16,212	19,763	10,793	12,956	8,521	9,091	41,289	52,794	76,369
Loans and Advances	27,495	28,889	32,313	27,288	28,234	29,906	30,123	30,484	31,321
Curr. Liability & Prov.	1,07,922	1,03,359	94,643	95,139	94,429	1,03,248	93,936	90,671	97,402
Account Payables	36,697	35,764	35,814	34,716	36,885	38,450	35,582	33,818	36,328
Other Current Liabilities	61,538	61,748	53,142	54,759	51,527	57,252	52,661	52,442	56,335
Provisions	9,687	5,847	5,687	5,664	6,016	7,546	5,693	4,411	4,738
Net Current Assets	-39,081	-24,264	-25,444	-25,714	-27,224	-31,232	10,495	26,718	46,931
Appl. of Funds	1,32,015	1,46,545	1,15,690	99,956	1,04,196	1,06,282	1,40,212	1,49,568	1,61,801

E: MOFSL Estimates

Financials and Valuations - Consolidated

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Basic (INR)									
EPS	10.6	3.4	10.6	1.2	-2.2	10.6	48.1	58.7	68.8
Cash EPS	86.4	68.8	76.0	68.0	70.4	93.3	128.9	138.4	152.4
BV/Share	11.3	-12.7	55.9	17.5	-6.4	-44.9	0.6	59.3	128.1
DPS	5.5	4.3	6.0	4.5	4.5	4.0	4.0	4.0	4.0
Payout (%)	13,711.6	64.2	NM	NM	NM	NM	10.2	7.9	6.8
Valuation (x)									
P/E	99.0	307.9	99.3	904.9	NM	99.5	21.8	17.9	15.3
Cash P/E	12.2	15.3	13.8	15.4	14.9	11.3	8.2	7.6	6.9
P/BV	93.2	NM	18.8	60.0	NM	NM	1,743.5	17.7	8.2
EV/Sales	2.1	2.4	2.2	2.3	2.4	2.2	2.1	1.9	1.6
EV/EBITDA	13.9	17.7	16.1	15.8	14.5	11.3	8.3	7.2	5.9
Dividend Yield (%)	0.5	0.4	0.6	0.4	0.4	0.4	0.4	0.4	0.4
FCF per share	44.1	11.7	21.0	-8.4	-27.1	36.5	49.6	74.1	116.7
Return Ratios (%)									
RoE	54.0	NM	49.1	3.2	NM	NM	NM	196.0	73.4
RoCE	0.1	3.4	9.9	3.8	1.5	NM	19.6	18.3	18.8
RoIC	0.1	3.0	9.0	2.1	1.9	NM	20.2	23.7	30.0
Working Capital Ratios									
Fixed Asset Turnover (x)	0.7	0.6	0.7	0.6	1.4	1.3	1.2	1.1	1.1
Asset Turnover (x)	1.5	1.2	1.5	1.7	1.6	1.6	1.2	1.2	1.2
Inventory (Days)	0	1	0	1	2	2	2	2	2
Debtor (Days)	46	61	54	63	66	69	68	68	68
Creditor (Days)	67	72	74	76	81	82	75	69	69
Leverage Ratio (x)									
Current Ratio	0.6	0.8	0.7	0.7	0.7	0.7	1.1	1.3	1.5
Interest Cover Ratio	1.1	1.4	1.5	1.5	1.7	2.0	4.8	6.3	8.0
Net Debt/Equity	30.1	NM	4.0	14.0	NM	NM	265.5	1.6	-0.1

Cash Flow Statement

(INR Million)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E
OP/(Loss) before Tax	3,734	2,626	20,188	456	3,432	-848	16,814	22,300	26,508
Depreciation	21,611	22,194	19,469	19,063	20,676	23,577	23,021	22,709	23,821
Interest & Finance Charges	6,680	7,151	6,875	3,445	3,966	4,707	4,279	3,884	3,594
Direct Taxes Paid	-1,120	-4,238	-7,404	-3,549	-2,733	-2,793	-3,869	-5,575	-6,905
(Inc)/Dec in WC	-1,339	-4,432	-227	2,433	-3,335	-2,513	-9,530	-4,718	3,362
CF from Operations	29,565	23,301	38,900	21,847	22,005	22,131	30,715	38,600	50,380
Others	718	326	-14,965	-8,796	-6,577	3,117	-1,347	-1,631	-1,282
CF from Operating incl EO	30,283	23,627	23,935	13,051	15,428	25,248	29,368	36,969	49,098
(Inc)/Dec in FA	-17,713	-20,287	-17,952	-15,437	-23,152	-14,856	-15,224	-15,841	-15,841
Free Cash Flow	12,570	3,340	5,983	-2,386	-7,724	10,392	14,144	21,128	33,257
(Pur)/Sale of Investments	-1,720	-3,084	7,815	11,838	-2,411	-491	0	0	0
Others	2,550	3,409	10,023	2,597	-260	49	1,347	1,631	1,282
CF from Investments	-16,884	-19,963	-114	-1,003	-25,823	-15,298	-13,877	-14,210	-14,559
Issue of Shares	0	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-5,088	7,602	-28,219	-4,121	11,448	-4,044	20,975	-7,380	-7,380
Interest Paid	-6,285	-5,807	-3,086	-3,445	-3,966	-3,850	-4,279	-3,884	-3,594
Dividend Paid	-1,467	-1,873	-1,424	-1,988	0	-1,508	0	0	0
Others	-1,043	-34	-62	-332	-1,523	23	11	11	11
CF from Fin. Activity	-13,883	-113	-32,791	-9,885	5,960	-9,379	16,707	-11,254	-10,964
Inc/Dec of Cash	-483	3,551	-8,970	2,163	-4,435	571	32,198	11,505	23,575
Opening Balance	16,695	16,211	19,763	10,793	12,956	8,521	9,091	41,289	52,794
Closing Balance	16,211	19,763	10,793	12,956	8,521	9,091	41,289	52,794	76,369

NOTES

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Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
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