Confidence Petroleum India Ltd. (CONF IN)

Rating: BUY | CMP: Rs40 | TP: Rs65

January 1, 2019

Company Report

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	6,067	11,517	16,116	19,407
EBITDA (Rs. m)	710	1,393	1,992	2,535
Margin (%)	*11.7*	*12.1*	*12.4*	*13.1*
PAT (Rs. m)	268	666	1,073	1,433
EPS (Rs.)	1.0	2.4	3.7	4.9
Gr. (%)	*429.3*	*134.7*	*50.3*	*33.5*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*12.3*	*20.4*	*21.3*	*21.0*
RoCE (%)	*14.9*	*24.5*	*26.0*	*26.7*
EV/Sales (x)	1.6	0.9	0.6	0.5
EV/EBITDA (x)	13.4	7.0	4.7	3.5
PE (x)	40.0	16.6	10.8	8.2
P/BV (x)	3.7	2.5	1.7	1.4

Key Data	CONF.BO | CONF IN
52-W High / Low	Rs.57.00 / Rs.27.50
Sensex / Nifty	35,470 / 10,664
Market Cap	Rs.9.95bn/ $ 141.67m
Shares Outstanding	27.38m
3M Avg. Daily Value	Rs.7.3m

Shareholding Pattern (%)

Promoter's	51.18
Foreign	4.96
Domestic Institution	0.95
Public & Others	42.91
Promoter Pledge (Rs bn)	0.0682

Stock Performance (%)

	1M	6M	12M
Absolute	2.5	(21.1)	13.3
Relative	0.4	(20.5)	10.8

RSreesankar
rsreesankar@plindia.com | 91-22-66322214

Strong retail focus and cash flows, rising like a Phoenix

Confidence Petroleum India Ltd (CPIL) is a Nagpur based company promoted by the Khara Group engaged in four aspects of LPG, (I) LPG cylinder manufacturing, (ii) LPG bottling, (iii) LPG marketing and (iv) Auto LPG dispensing stations. Company is on a strong growth path and is expected to clock a strong growth in revenue to Rs19,407mn a CAGR of 47% from FY18-FY21 with growth mainly coming from the fast-growing auto LPG dispensing stations. Importantly, they are expanding in a high growth, cash flow positive retail foray in auto LPG dispensation where the payback period is under 18 months leading to high capital return ratios.

CPIL is a vertically integrated company with end to end infrastructure to sustain its operations. It is the leading private sector player in the auto LPG segment with over 150 stations in Andhra Pradesh, Karnataka, Tamil Nadu, Telangana and Maharashtra. They also have composite LPG cylinders under the brand name "Go Gas Elite" marketed in 22 states including highly populated states like Maharashtra, Andhra Pradesh, Karnataka, Uttar Pradesh, and West Bengal. They are also the largest LPG cylinder manufacturer in India with a capacity of 5 million cylinders per annum and also one of the largest LPG bottling assistances to all oil majors in India with end to end solutions with over 58 bottling pan India.

CPIL is expected to have strong earnings growth through to FY21 with earnings growing at 134.7% in FY19, 50.3% in FY20 and 33.5% in FY21 with ROEs of 20%+ in these years and ROCEs in excess of 25%, making it an attractive investment opportunity.

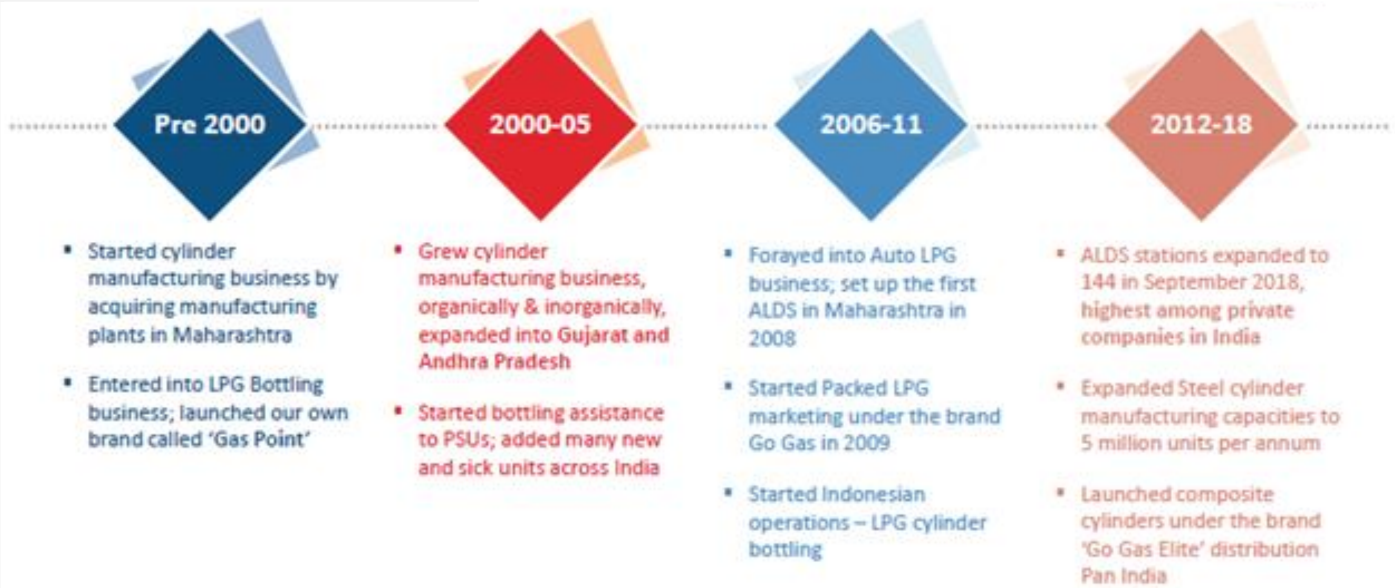
Valuations: CPIL is expected to have strong performance going forward. In 1HFY19, the company has reported over 50% growth in operating profits and we expect the trend to continue as the benefits from earlier capex starts getting reflected in the ensuing period. CPIL is expected to report an EPS of Rs2.4 for FY19, 3.7 for FY20 and 4.9 for FY21. The stock at the current price of Rs40, trades at a Target price of Rs65, trades at a PER of 17.5x FY20 earnings and 13.2x FY21 EPS. 'BUY'.

CPIL, the journey so far- A sedate one

CPIL has had a sedate performance till FY15. Pre 2000, started as a cylinder manufacturer by acquiring some businesses in Maharashtra. Subsequently entered into LPG bottling business under the brand “Gas Point”. However, due to the subsidies involved, the business didn’t take off the way it was anticipated, while the business of gas cylinder manufacturing grew both organically and inorganically in the states of Gujarat and Andhra Pradesh. They also started bottling assistance to PSU OMCs mainly HPCL BPCL and Reliance in private sector and added more units by acquiring sick units across India. In the period from FY06-11, the company forayed into the business of auto LPG dispensation by setting up their first plant in Maharashtra, started the packed LPG marketing under the brand name of “Go Gas” in 2009 and started the Indonesian cylinder and bottling operations as well for Pertamina. The business outlook underwent a big change with changes in the subsidy mechanism and introduction of DBT. The company has changed from a player dependent on PSU oil companies to a player who is focused to grow in retail segment in LPG packed cylinders (non subsidies for commercial and industrial segment) as well as ALDS. We expect these two to be the growth engines for the company going forward.

With an increased focus on green energy and lower pollution, various state governments have started an initiative having increased focus on lowering pollution. The government of India has focused to have more geographies covered by the PNG in the country. However, with restricted availability of PNG to only few cities like Mumbai, Delhi, Part of Pune and few districts of Gujarat as setting up PNG-CNG infrastructure is a time consuming process involving huge investments with longer payback period and other limitations like mother pipeline from ports to consuming centers, we believe it will be a while before that expectations gets materialized. In the meanwhile, the auto LPG market has taken off for three wheelers very well across the country. Moreover, the pricing dynamics too working in favor of auto LPG with the firmness in fuel prices and substantial savings to the users in excess of 40%, ALDS is a segment that is expected to see sharp growth going forward especially in Tier II and Tier III cities and towns.

Exhibit 1: Journey So Far



Source: Company, PL

Auto LPG Dispensing Stations (ALDS) – A Game changer, PSUs bane, CPLs gain

Auto LPG is an environmental friendly fuel and is also economical when compared to petrol. At the end of FY18, there were 1,087 ALDS stations in India. The number of ALDS stations in India has been more or less stagnant as the PSU oil majors have not been focusing on this segment and some of the major cities have been seeing a shift towards CNG. This has resulted in the overall volumes under ALDS remaining stagnant to seeing a small decline over the last five years. It is only in FY18 that we have seen an increase in the overall volumes, again due to the increased focus by CPIL. We believe it is the Tier II and Tier III cities that will see its shift towards auto LPG as a majority of auto rickshaws and many small cars are running on Auto LPG in Banglore, Chennai, Hyderabad and other cities. CPIL's auto LPG dispensing stations have been increasing in India with a dominant presence in the Southern states. Further, the state Governments of Karnataka, Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Rajasthan and West Bengal have made LPG mandatory for auto rickshaws leading to a higher demand for LPG in these states. Smaller towns with large population of petrol driven auto rickshaws and small size cars are also a large opportunity.

The economic potential and viability of auto LPG is illustrated in the annexure. It is clear that there is a potential for auto LPG and the challenge actually stems from increasing penetration of city gas distribution in the country. However, we believe that though the government has ambitious plans for city gas distribution, it will be a while, may be more than two decades before this find its way into Tier II and Tier III cities as the PNG availability is still in short supply.

Why ALDS didn't succeed for oil PSUs?

ALDS so far has not been a very exciting experience for the PSU oil majors. PSUs are not setting up standalone LPG stations while auto LPG stations require 7,000 sq ft spare land which is almost impossible in existing PSU stations. The overall sales of auto LPG vide ALDS has not been growing in the country for the last several years and even the number of dispensing stations have been stagnant. This we believe do not reflect the potential, but due to the inherent issues with the oil PSUs (such as supply chain, storage facilities near to consumption centers, franchise incentives and larger focus towards petrol and diesel) rather than the pure demand potential. Further, with auto LPG sales at a fraction of the overall LPG sales of oil PSUs at less than 1%, we believe it lacks focus and it is there CPIL derives its strength as a focused player. Lastly, CPIL has standalone auto LPG stations and having a strategically located storage infrastructure near consumption centers (58 bottling plants in 22 states of India).

Operating an ALDS as well as the dispensing stations for HSD and MS are two different environments altogether. While the dealer commission for HSD and MS stands around Rs2.50 per litre and Rs3.50 per litre at the current levels, the ALDS stations of CPIL commands a net margin of around Rs7 per litre. The operating environment is different to the existing petrol/diesel pumps and it is there CPIL scores over the oil PSUs with low cost operating stations and better and focused service as all of their stations are owned and operated by the Company contrary to the owned and dealership model of the oil PSUs.

Why will CPIL succeed where oil PSUs failed?

In our view, it is not the mere ALDS stations of CPIL which is the game changer, but the whole approach of CPIL towards ALDS. CPIL is an integrated player in the auto LPG segment. They have today 58 bottling plants, 30 of their own and 28 where they bottle for the oil PSUs. They are in the process of adding another 34 bottling plants and storage facilities, 26 of their own and an additional 8 for the oil PSUs over the next three years. It is this network which remains the game changer, as their pan India presence provides for easy sourcing, storing as well as a hub and spoke model giving a competitive advantage over other retailers leading to better inventory management and operation excellence which further lead to better efficiency.

Exhibit 2: Go Gas Station

Source: Company, PL

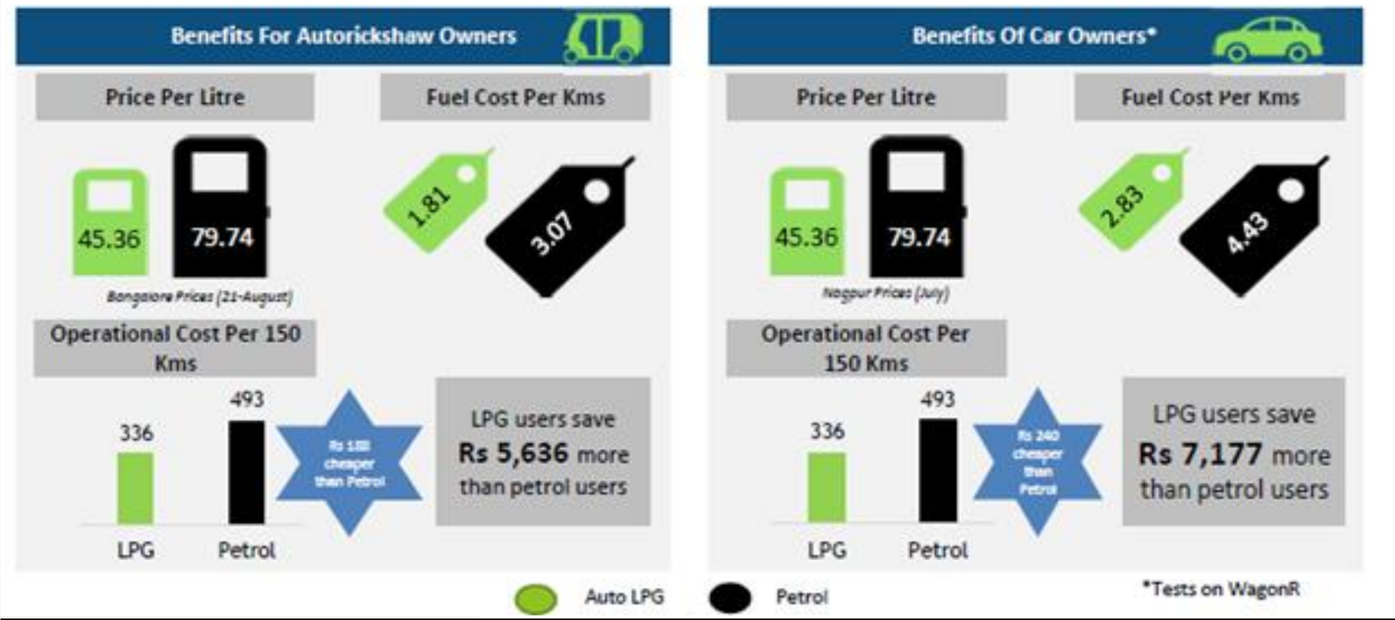
Why Auto LPG?

There has been increased stress on cleaner fuel and reduction in air pollution. As a step to reduce the air pollution, government as well as various regulatory authorities have been pushing towards the usage of cleaner fuel. This brings auto LPG into play. Auto LPG emits 68 percent less NOx than Petrol and 96 percent less NOx than Diesel. From a pricing perspective CNG may be a slightly better alternative, however due to the unavailability of CNG except in parts of Gujarat, Delhi, Mumbai and part of Pune, rest of India has to largely rely on LPG as an alternative. While the government has put in plans to improve the availability of CNG pan India, given the shortfall, we believe that it will be a while before CNG is available pan India to challenge auto LPG. We do not estimate any challenge for the next 15 years plus from CNG in Tier II and Tier II cities, though in some of the metros once the pipe network gets completed, auto LPG could see a challenge from CNG. However, with no better availability, better prices, low cost conversion and the lower weight of LPG cylinders gives an edge to Auto LPG over CNG. For example, in Hyderabad city almost 90% Auto Rickshaws are using auto LPG instead of CNG. Other factors like the Conversion cost for CNG is almost 3X of auto LPG conversion and the weight of the container is also more than 3X, dispensing time in case of CNG is approximately 4X leading to long queues and wait time on CNG stations. CPIL has standalone auto LPG stations resulting in lower dispensing time and shorter queues leading to the customers preferring using CPIL stations vis-à-vis PSU pumps and CNG.

The main reason for the growth of auto LPG is the price per unit of LPG being significantly lower than Diesel and Petrol. However, the running cost of CNG is the lowest among all. With the average retro fitment cost of CNG being relatively higher, auto LPG is highly competitive when compared to CNG due to high capex involved and longer payback time to set up infrastructure, pipelines and stations. Further, CNG require cryogenic vessels for storage and high conversion cost, while LPG is convenient and feasible to store, transport and dispense in any part of the country.

Globally, more than 26 million vehicles run on auto LPG supported by close to 71,000 LPG filling stations with consumption exceeding 26 million tonnes. India is a small player a 0.35 million tonnes annual consumption at this stage.

Exhibit 3: Fight for Cleaner Fuel: Auto LPG v/s Petrol

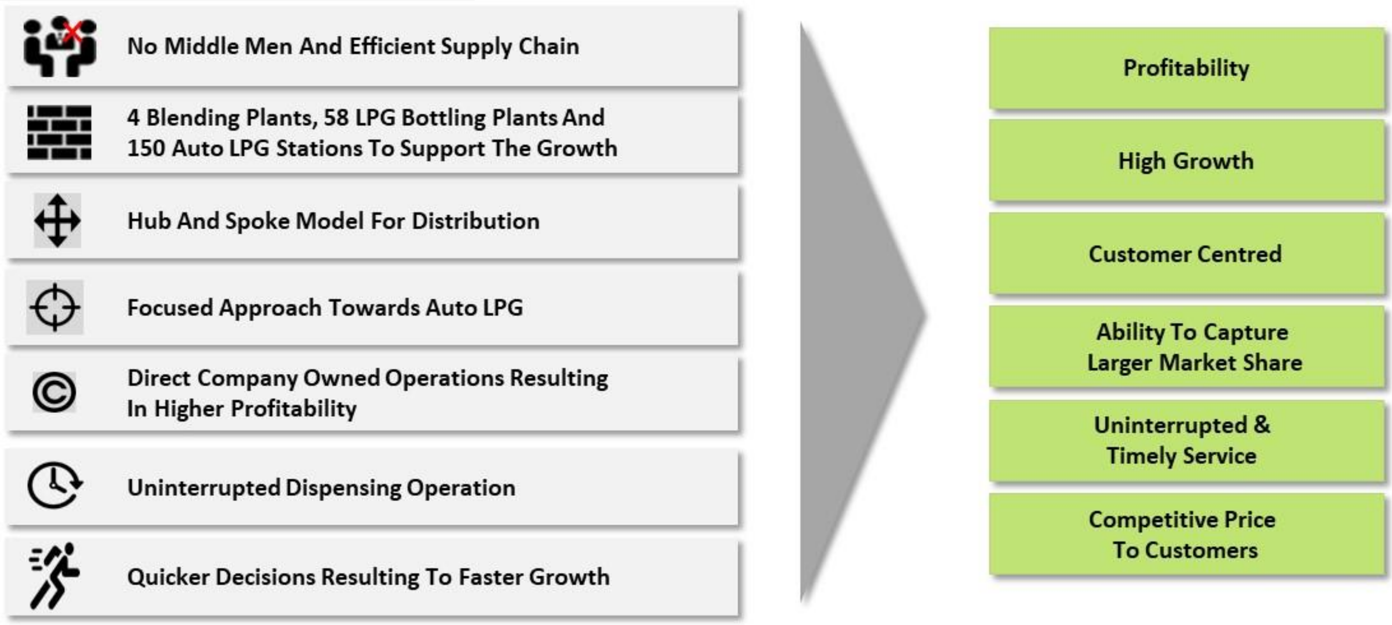


Source: Company, PL

Why CPIL has an advantage

CPIL had developed a well thought and self-owned infrastructure leading to an efficient supply chain for undertaking the auto LPG foray. Unlike the Ethanol blending issues where storage and availability at the retail outlets were an issue, CPIL has managed and set up the infrastructure first before getting into the auto LPG retail business. They have 4 LPG blending plants, 58 LPG bottling plants and over 150 auto LPG stations (company owned company, operated and technologically well monitored) for supporting their growth. They follow a Hub and Spoke model for distribution of LPG and they have a focused approach towards marketing auto LPG. It is our belief that with auto LPG at less than one percent of the overall LPG sales, the oil PSUs have no focus in marketing auto LPG and as a consequence, the overall volumes of the auto LPG business have stagnated and, in some cities, reduced. Cities like Mumbai and Pune have shifted to CNG and we believe that most Tier I cities will see a gradual shift and focus from auto LPG and auto LPG will be more focused on Tier II and Tier III cities. It is here that CPIL has focused and we expect the growth to be strong. The fast decision making and focused approach in standalone stations owned and company operated model results high margins and speedy growth. The existing bottling plants having storage tanks is crucial in supporting this division.

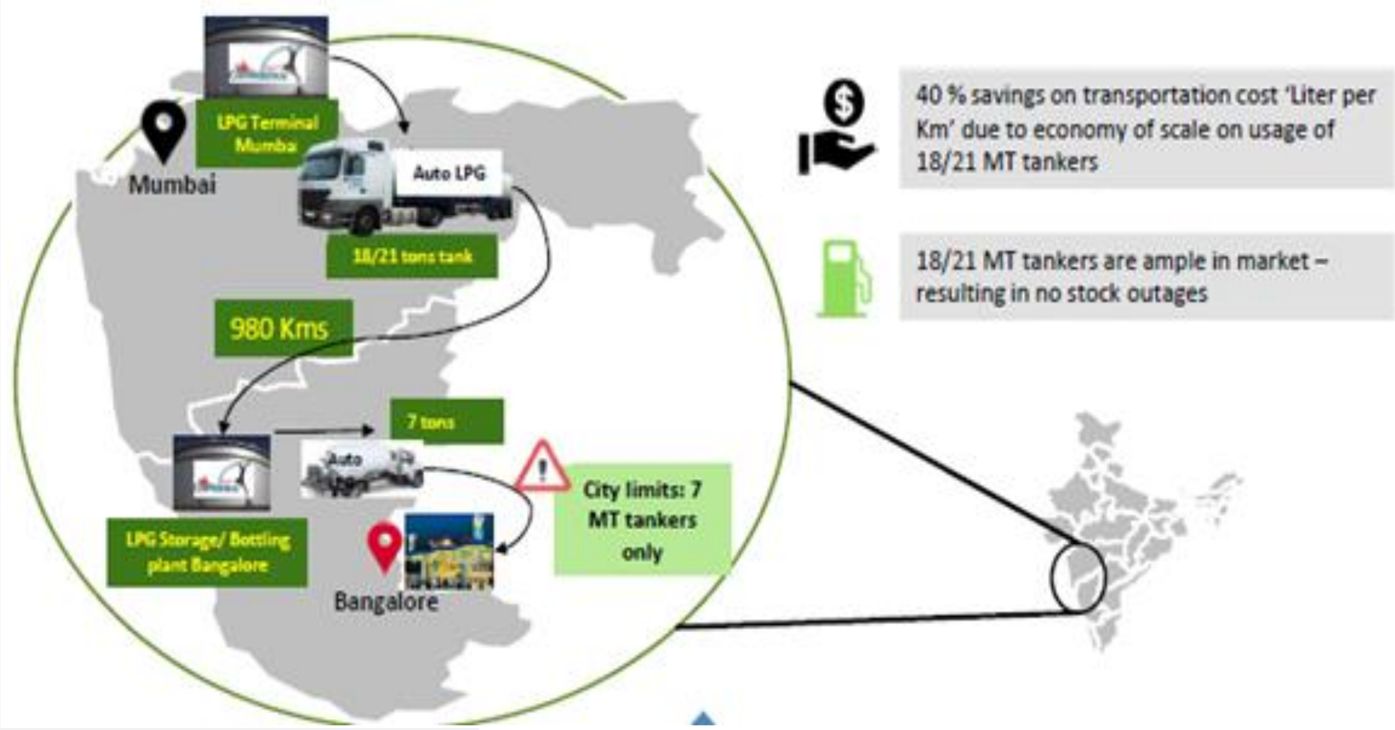
Exhibit 4: Advantage CPIL



Source: Company, PL

CPIL have an efficient supply chain as the Company's other division - LPG bottling indirectly supports the ALDS by creating storage facilities near to consumption centers, without any additional financial burden, this also contributes to low dry out situations in comparison to its competitors. Once CPIL imports auto LPG to the terminals in Mumbai and elsewhere, they transport the same through 18/21 MT tankers for better economies of scale to the LPG storage/bottling plants. Within city limits (example Bangalore), the auto LPG is transported through 7MT tankers, due to restrictions on entry of larger tankers within city limits. Here the availability of 58 bottling plants serves as a storage point for them leading to better inventory management and bringing in higher efficiencies.

Exhibit 5: How CPIL manages its Logistcs



Source: Company, PL

CPILs dominance have been increasing in the market place reflected by the steady increase in the number of auto LPG stations that they have set up. CPIL started setting up the auto LPG stations from 2008 and currently have 13% market share of the overall LPG stations in the country and is the largest and fastest growing among the private players. While NCR and Mumbai have relied more on CNG, the southern part of the country have taken a lead in terms of opening LPG stations. CPIL has a dominant presence in both southern and Western part of the country with 57% market share in Karnataka and Tamil Nadu.

With increased focus on profitability and with more granular analysis on setting up of ALDS in new locations, CPIL has started to move away from low catchment locations to newer locations with higher demand. With the better locations, the volume sales have seen a significant increase and the company has already added 17 new locations in 1HFY19. The ALDS revenues have seen a 5.5X increase in the last four years, primarily driven by higher volumes, though partly offset by lower prices. The capex per station is also low at Rs8-9 million, depending on the locations. CPIL plans to achieve a total roll out of 500 ALDS stations by FY22. While the average sales per station could be anywhere around 2000-2500 liters per station, there are stations where the daily sales have exceeded 7500-9500 liters.

LPG cylinder manufacturing – Bread and butter, a steady cash cow

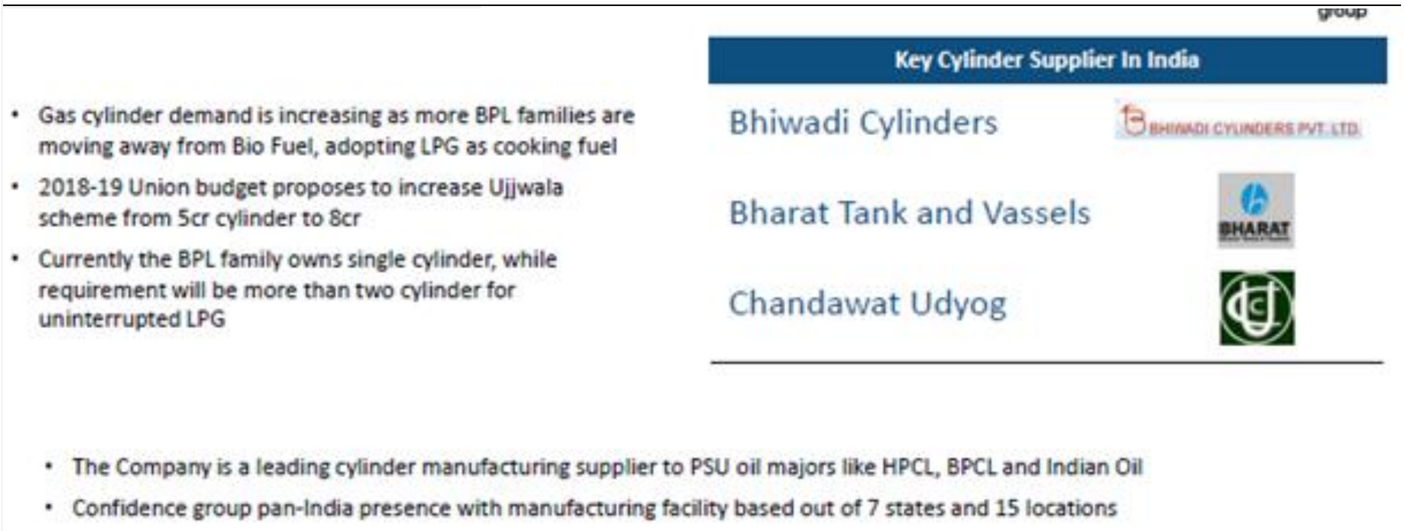
This has been the first business of the company and that is characterized by a strong client base and an own brand.

Exhibit 6: LPG Cylinder Customers

Source: Company, PL

Gas cylinder demand is increasing as more and more families are moving away from the traditional use of bio fuel to LPG as cooking fuel. Under the Ujjwala scheme, the number of free cylinders is expected to increase from 50 million to 80 million by FY19 for the BPL household in their effort to move towards providing a cleaner fuel to women and working towards a smoke free environment to insulate from respiratory problems. This has taken off well as the government is providing the first LPG free of cost as well as facilitating lucrative schemes for buying the refills and cook tops. As most BPL family owns only single cylinder and as the requirement increase to move into two cylinders, the demand is expected to increase.

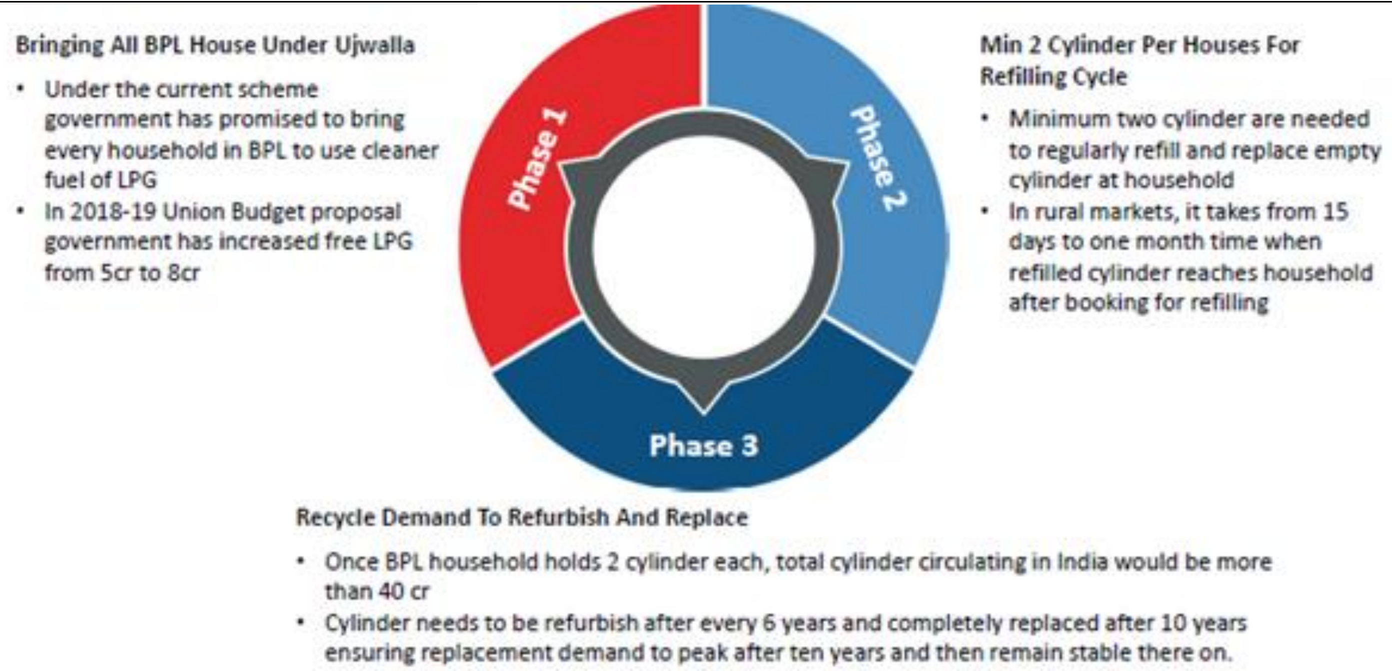
Exhibit 7: LPG Cylinder Manufacturers



Source: Company, PL

We expect to see a sustainable demand for the LPG cylinders as the government's target of bringing all households under the Ujjwala scheme gains momentum. It is estimated that a minimum of two cylinders per households are required. In rural markets, it takes more than 15 days to a month for refilling of the cylinders. It is estimated that once the BPL household holds two cylinders each, the total cylinders circulating in India would be more than 400 million. Every cylinder needs to be retested every six years and usually replaced after 10 years. This ensures a regular replacement demand and we expect the demand to peak in ten years and subsequently it is expected to remain stable. This at best is expected to remain as a steady cash generator with not much of a growth potential beyond the next three years. However, we do not view this as a structural growth story as over a period of time this will lead to saturation and growth can get moderated.

Exhibit 8: Ujjwala – Thrust to cylinder demand



Source: Company, PL

Bottling & Marketing

CPIL has a pan India presence in the bottling business. CPIL operates 58 bottling plants of which 28 cater to the oil PSUs while the others are used for catering to the industrial and commercial requirements of their own. The company has plans to set up another 34 new LPG bottling plants, of which the identified ones are expected to come in the outskirts of Ahmedabad, Kanpur, Jaipur, Belgaum, Jalpaiguri, Guwhati and Calicut. The "Go Gas" and "Go Gas Elite" cylinders cater to the increasing demand of hotels restaurants (HORECA) and industries (non-subsidized).

CPILs operational capabilities have resulted in low cost bottling operations. They operate the plants at a competitive level when compared to PSUs. CPIL is by far the largest private sector player in bottling operations with 58 plants with the second largest at 4 plants. The cost competitiveness of CPIL have resulted in CPIL managing the bottling for many of the oil PSUs. We believe, CPIL is by far the cheapest bottler in the country and has a tremendous price advantage over the competitors. Understanding of the market and being focused have helped CPIL stay ahead of the game. Benefits of the investments that they have made earlier is beginning to see the results with improving operational performances.

Bottling assistance to PSU Oil majors

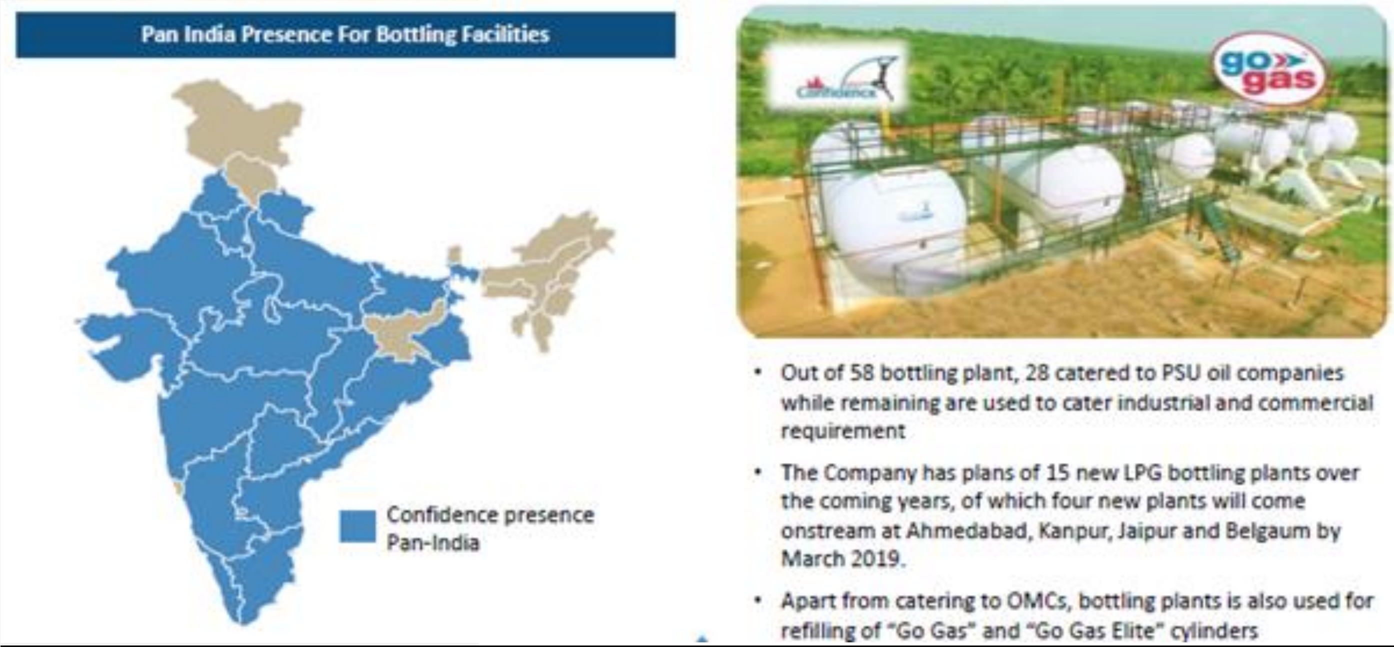
PSU oil companies are availing bottling assistance from private bottlers like CPIL to take full advantage of CPIL's bottling plant locations, logistic efficiency and lower operational cost because of lower capex. Hence PSUs are no more setting up their own bottling plant to meet the incremental bottling plant.

LPG Marketing in cylinders

CPIL is the largest bottler in India, having LPG bottling plants pan India, covering 22 states in India. CPIL is largely focused in selling cylinders of various sizes to meet the large demand of non-subsidized segment (HORECA and industries). The market size is approximately 8,50,000MT per month (Commercial and industrial segment) pan India. Presently, CPIL is selling approximately 4,500MT per month and there is a large scope for the Company to grow. CPIL plans to achieve selling 25,000MT per month in the coming three years. The Direct Benefit Transfer of LPG subsidies (DBTL) has been a game changer and has reduced diversion of subsidized gas for commercial use.

The Company plans to increase its volume sales by 6% to 8%, due to its better service, efficient supply chain and backward integration from its cylinder manufacturing and bottling plants. In comparison to PSU's, CPIL has lower overheads, higher operational efficiency and personalized services.

Exhibit 9: Pan India LPG Bottling Plants



Source: Company, PL

Composite cylinder, leap into the future

“Go Gas Elite” is a light weight blast proof cylinder made of Heavy-duty polyethylene treated with resins and chemicals and 50% lighter than the normal cylinders and this will be circulated through a network of 350 dealers across India. This composite cylinder has trendy looks with attractive color combination of red and green.

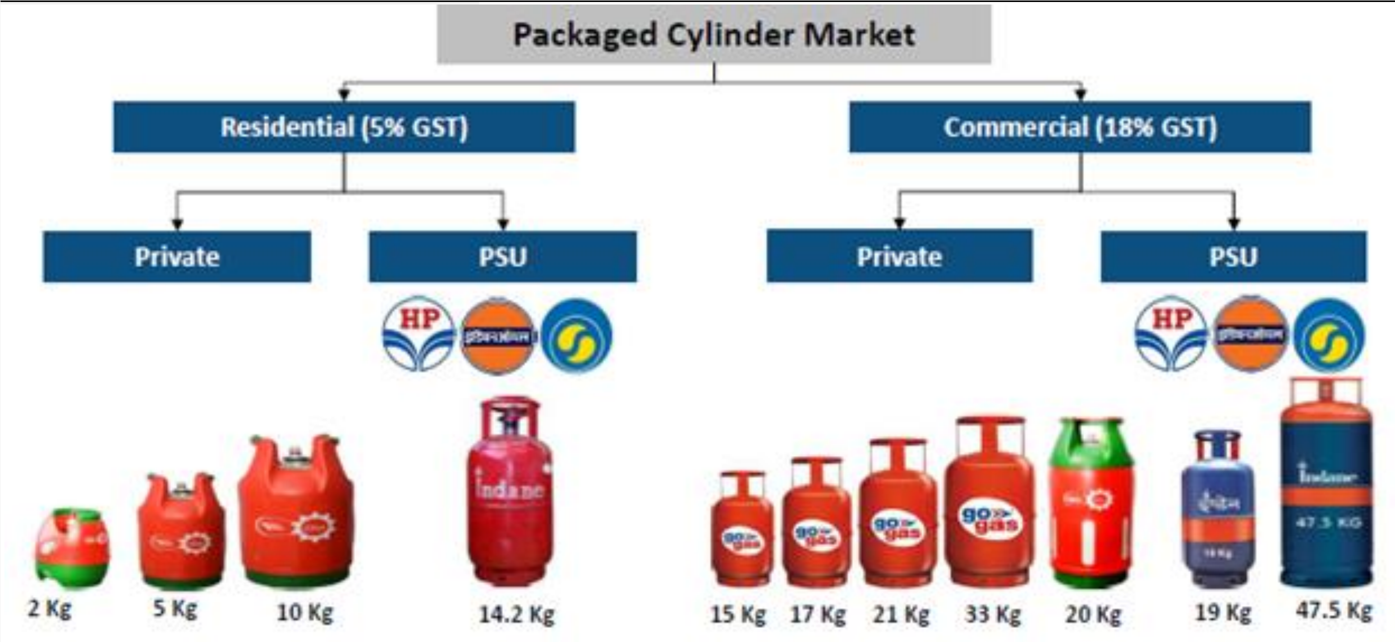
The Company has used the product to grab market share from the domestic segment, which has over 200 million families. Post subsidies regime the company would be the largest beneficiary.

Exhibit 10: Why “Go Gas Elite”

Source: Company, PL

The packaged cylinder market is divided into two broad segments of domestic and industrial. While the PSUs have one standard cylinder of 14.2 kgs for the domestic sector, CPIL have three different segments of 2kg, 5kg and 10 kg. In case of commercial, the PSUs have two cylinders of 19kg and 47.5 kg, CPIL have 15kg, 17 Kg, 21 Kg 33 Kg in Go Gas segment and a 20 Kg cylinder in the Go Gas Elite segment. Because of the element of subsidy involved, CPIL competes with the PSUs in the commercial segment only.

Exhibit 11: Different Options for the Customer



Source: Company, PL

Financial results

Till FY18, the company had a sedate performance. Once the ALDS operations commenced, the performance is seeing an improvement and we expect this to continue. In both 1QFY19 and 2QFY19, the performance has been far better as we saw roll out of more ALDS and we expect a significant improvement in performance. Though CPIL operates in four segments, the lever for growth is going to come from two major segments, packed LPG cylinders and ALDS. LPG retailing division has seen a tremendous improvement in profitability and scale up in operations. The very fact that the company is near zero debt company and has already raised the funds for the capex for the next three years have kept them ahead of the competition. As the roll out of new stations increase and as utilizations improve, we expect to see improving performance, higher economies of scale and improving return ratios from the company. We expect the company to generate free cash from FY21 onwards as the payback period for the ALDS are around 18 months in the current environment.

Cashflow generation, the beauty

CPIL is in a cash and carry model in case of the two major segments. As a result, their cash generation is going to be on the higher side and despite the large capex that they are undertaking, they should be generating free cash from FY20 onwards.

Capex Programme, FY18-21

Company has an ambitious capex programme in rolling out ALDS and as the stage is set up for lower subsidy regime, the roll out of packed LPG connections too should see an improvement. While the PSUs thrive in the subsidy regime in terms of market share, in a level playing field the private players have an added advantage of being nimble footed. CPIL by being an early entrant is ahead of the game and they stand to gain immensely leading to better profitability. The company has also been aggressively marketing themselves in the commercial LPG space taking away market share from the oil PSU majors. We expect this to continue going forward, as they tend to score in better customer service and turnaround time in addition to agility in operations, while the selling prices remain the same. In cities like Nagpur, they command 60% of the commercial market share for LPG cylinders.

The overall capex planned by the company is to the extent of Rs4.44bn spread over 36 months. This is spread over ALDS and bottling plants. The roll out of ALDS requires a capex of roughly Rs8-9 million a station, while the bottling plants could cost anywhere around Rs40 million a plant. For the successful implementation, the key is execution as well strong revenue generation. The company has already sourced part of the funding by way of a preferential issue of Rs780 mn as well as issues warrants to the promoters of Rs1.02bn, thereby raising over Rs1.8bn for the same. The remaining is expected to be generated through strong cash flows over the next 27 months.

Risks: In the last decade, the company has had a sedate to volatile performance. The company’s ability to execute the roll out of new ALDS and the bottling plants is key to the earnings estimate. Any delay in these is going to affect the projected performances and cash flows.

CPIL had raised Rs780mn vide a preferential issue of 15 million shares @ Rs52 per share and had also issued 20 million warrants to the promoters @Rs52 per share. We have assumed in our estimates for capex and cashflows the conversion of warrants as well. Any delay in this can also affect the project implementation and result in cost overrun.

Valuations

CPIL is expected to have strong performance going forward. In 1HFY19, the company has reported over 50% growth in operating profits and we expect the trend to continue as the benefits starts getting reflected in the ensuing period. CPIL is expected to report an EPS of Rs24 for FY19, 3.7for FY20 and 4.9 for FY21. The stock at the current price of Rs40, trades at a Target price of Rs65, trades at a PER of 17.5X FY20 earnings and 13.2X FY21 EPS, “BUY.”

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	**6,067**	**11,517**	**16,116**	**19,407**
YoY gr. (%)	*22.1*	*89.8*	*39.9*	*20.4*
Cost of Goods Sold	4,849	9,244	12,930	15,426
Gross Profit	1,218	2,273	3,186	3,981
Margin (%)				
Employee Cost	220	403	564	679
Other Expenses	289	477	630	767
EBITDA	**709**	**1,393**	**1,992**	**2,535**
YoY gr. (%)		*96.5*	*43.0*	*27.3*
Margin (%)	*11.7*	*12.1*	*12.4*	*13.1*
Depreciation and Amortization	245	360	400	450
EBIT	**464**	**1,033**	**1,592**	**2,085**
Margin (%)	*7.6*	*9.0*	*9.9*	*10.7*
Net Interest	121	100	80	60
Other Income	32	32	50	65
Profit Before Tax	**375**	**965**	**1,562**	**2,090**
Margin (%)	*6.2*	*8.4*	*9.7*	*10.8*
Total Tax	110	289	469	628
Effective tax rate (%)	*29.3*	*29.9*	*30.0*	*30.0*
Profit after tax	**265**	**676**	**1,093**	**1,462**
Minority interest		10	20	30
Share Profit from Associate	2.85			
Adjusted PAT	**268**	**666**	**1,073**	**1,432**
YoY gr. (%)		*148.6*	*61.1*	*33.5*
Margin (%)	*4.4*	*5.8*	*6.7*	*7.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**268**	**666**	**1,073**	**1,432**
YoY gr. (%)		*148.6*	*61.1*	*33.5*
Margin (%)	*4.4*	*5.8*	*6.7*	*7.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	**259**	**274**	**294**	**294**
EPS (Rs)	**1.03**	**2.43**	**3.65**	**4.87**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block				
Tangibles	4,670	5,430	6,850	7,930
Intangibles				
Acc: Dep / Amortization				
Tangibles	2,226	2,586	2,986	3,436
Intangibles				
Net fixed assets				
Tangibles	2,444	2,844	3,864	4,494
Intangibles				
Capital Work In Progress	234	410	250	520
Goodwill				
Non-Current Investments	128	158	175	200
Net Deferred tax assets				
Other Non-Current Assets	323	350	425	475
Current Assets				
Investments	15	20	22	25
Inventories	614	1,150	1,600	1,900
Trade receivables	622	950	1,150	1,350
Cash & Bank Balance	178	788	2,090	2,345
Other Current Assets	215	255	285	315
Total Assets	**4,773**	**6,925**	**9,861**	**11,624**
Equity				
Equity Share Capital	259	274	294	294
Other Equity	2,271	3,717	5,810	7,243
Total Networth	**2,530**	**3,991**	**6,104**	**7,537**
	194	**194**	**194**	**194**
Non-Current Liabilities				
Long Term borrowings	308	408	580	270
Provisions				
Other non current liabilities	707	813	963	1113
Current Liabilities				
ST Debt / Current of LT Debt	507	550	600	650
Trade payables	285	600	900	1,200
Other current liabilities	228	370	520	660
Total Equity & Liabilities	**4,773**	**6,926**	**9,861**	**11,624**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	376	965	1,562	2,090
Add. Depreciation	245	360	400	450
Add. Interest	121	100	80	60
Less Financial Other Income	19	32	50	65
Add. Other	-	-	-	-
Op. profit before WC changes	723	1,425	2,042	2,600
Net Changes-WC	(44)	452	232	93
Direct tax	110	290	469	627
Net cash from Op. activities	**656**	**684**	**1,341**	**1,880**
Capital expenditures	633	949	1,260	1,350
Interest / Dividend Income	-	-	-	-
Others	137	57	92	75
Net Cash from Invt. activities	**770**	**1,006**	**1,352**	**1,425**
Issue of share cap. / premium		811	1,040	-
Debt changes	(184)	248	372	(110)
Dividend paid	16	-	-	-
Interest paid	121	100	80	60
Others	-	-	-	-
Net cash from Fin. activities	**(351)**	**958**	**1,332**	**(170)**
Net change in cash	**(465)**	**636**	**1,321**	**285**
Free Cash Flow	(20)	(265)	81	530

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	1.0	2.4	3.7	4.9
CEPS	2.0	3.8	5.0	6.4
BVPS	9.8	14.6	20.8	25.7
FCF	-	0.5	0.7	1.8
DPS	-	-	-	-
Return Ratio(%)				
RoCE	14.9	24.5	26.0	26.7
ROIC	-	-	-	-
RoE	12.3	20.4	21.3	21.0
Balance Sheet				
Net Debt : Equity (x)	0.3	-	-	-
Net Working Capital (Days)	57.0	48.0	42.0	39.0
Valuation(x)				
PER	40.0	16.6	10.8	8.2
P/B	3.7	2.5	1.7	1.4
P/CEPS	18.1	9.6	7.2	5.6
EV/EBITDA	13.4	7.0	4.7	3.5
EV/Sales	1.6	0.9	0.6	0.5
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Net Revenue	**1,416**	**1,703**	**1,901**	**2,454**
YoY gr. (%)				
Raw Material Expenses	1,018	1,377	1,555	1,876
Gross Profit	399	326	346	578
Margin (%)	*28*	*19*	*18*	*24*
EBITDA	**182**	**179**	**184**	**223**
YoY gr. (%)				
Margin (%)	*12.9*	*10.5*	*9.7*	*9.1*
Depreciation / Depletion	59.8	53.3	62.9	63.9
EBIT	**122**	**126**	**121**	**159**
Margin (%)	*8.6*	*7.4*	*6.4*	*6.5*
Net Interest	26.5	20.1	27.46	26.8
Other Income	5	5	6	9
Profit before Tax	**101**	**111**	**184**	**223**
Margin (%)	*7.1*	*6.5*	*9.7*	*9.1*
Total Tax	31	32	57	62
Effective tax rate (%)	*30.3*	*29.2*	*30.8*	*28.0*
Profit after Tax	**70**	**79**	**128**	**161**
Minority interest				
Share Profit from Associates	0	0	6.05	1.5
Adjusted PAT	**70**	**79**	**134**	**162**
YoY gr. (%)				
Margin (%)	*4.9*	*4.6*	*7.0*	*6.6*
Extra Ord. Income / (Exp)				
Reported PAT	**70**	**79**	**134**	**162**
YoY gr. (%)				
Margin (%)	*4.9*	*4.6*	*7.1*	*6.6*
Other Comprehensive Income	0	0	0	0
Total Comprehensive Income	**70**	**79**	**134**	**162**
Avg. Shares O/s (m)	259	259	259	274
EPS (Rs)	**0.27**	**0.31**	**0.52**	**0.59**

Source: Company Data, PL Research

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Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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