

# Indus Towers

## Estimate changes

TP change

Rating change



Bloomberg	INDUSTOW IN
Equity Shares (m)	1,897
M.Cap.(INRb)/(USDb)	624.4 / 8.9
52-Week Range (INR)	275 / 121
1, 6, 12 Rel. Per (%)	2/-4/-18
12M Avg Val (INR M)	2353

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	201.0	259.5	277.8
EBITDA	99.0	131.2	144.6
Adj. PAT	41.7	49.0	56.1
EBITDA Margin (%)	49.3	50.6	52.0
Adj. EPS (INR)	15.5	18.2	20.8
EPS Gr. (%)	13.7	17.6	14.5
BV/Sh. (INR)	65.7	55.8	60.5

## Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	25.9	29.9	35.8
RoCE (%)	22.5	24.8	29.0
Payout (%)	71.6	154.4	77.4

## Valuations

EV/EBITDA (x)	6.7	5.0	4.4
P/E (x)	15.0	12.7	11.1
P/BV (x)	3.5	4.2	3.8
Div. Yield (%)	4.1	10.5	6.0

## Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	69.9	53.5	53.5
DII	2.8	4.3	2.6
FII	26.6	40.9	43.3
Others	0.7	1.3	0.6

FII Includes depository receipts

**CMP: INR232**
**TP: INR245 (+6%)**
**Neutral**

## Healthy earnings growth on high exit penalty and decent tenancy adds

- Indus Towers (INDUSTOW) reported healthy revenue/EBITDA growth of 5.9%/15.6% QoQ owing to a high exit penalty of INR4b and healthy 4.2k tenancy adds. However, EBITDA grew at just 3% QoQ, excluding the exit penalty changes.
- Our estimates are now realigned with that of the merged entity – which now includes Bharti Infratel, along with 100% of Indus Towers (v/s only 42% earlier). Subsequently, we estimate an LTL FY21–23E revenue/EBITDA CAGR of 4.3%/5.5%.

## Proforma consol. revenue/EBITDA up 5.9%/15.6% QoQ

- Consol. revenue increased 5.9% QoQ to INR67.4b (in-line on LTL comparison). Rental revenue increased 7.4% QoQ to INR43b (5.4% above LTL est.), led by high INR4b exit penalty charges and healthy 4.2k tenancy adds (1.3% QoQ). Energy revenue also improved 3.5% QoQ to INR24b (2.1% below our LTL estimate).
- Consol. EBITDA increased 15.6% QoQ to INR35.5b (8% beat on LTL), led by 13% growth in rental EBITDA and reduction in losses in Energy EBITDA.
- Rental EBITDA grew 12.8% QoQ to INR36.1b on INR4b exit penalty charges and healthy margin improvement. Energy EBITDA loss also reduced to INR562m v/s INR1.3b in 2QFY21.
- The EBITDA margin improved 440bp QoQ to 52.7% on a 400bp improvement in the Rental EBITDA margin (83.7%), attributable to high exit penalties and slower loss in Energy EBITDA.
- PBT/PAT was up 21.2%/20.3% QoQ to INR18.4b/INR13.6b (8.7%/7.7% beat on LTL).
- Capex for 3QFY21 stood at INR10.9b (INR8.7b/INR7.2b in 2QFY21/3QFY20) – the QoQ increase was due to nationwide lockdown; the count of towers added in 3QFY21 stood at 3,416 (v/s 2,464 in 2QFY21), totaling 175,510.
- Consol net tenancy stood at 4.2k in 3QFY21 v/s 3.5k in 2QFY21. Gross co-location exits were at 354. Thus, gross adds stood at 4,558. The average sharing factor remained flat at 1.82x in 3QFY21.
- The rental per tenant (per month) increased 6.3% QoQ to INR44,845, primarily on the inclusion of exit charges. Excluding this, the rental per tenant was in-line (+1% QoQ).

## Highlights from management commentary

- **Operating metrics:** The company saw the highest quarterly co-location additions in the past three years coming equally from the increased densification and expansion of coverage to tier 2/3 cities (lowest churn).

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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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **New growth opportunity:** The company is revalidating its growth strategy and believes future growth is hinged on small cells, smart cities, fiber, WiFi, data centers, and the macro tower business.
- **Exit penalty:** Indus has received a large portion of the exit penalty from VIL. It should receive INR1.8b quarterly up to 3QFY23, following which the penalty should be less than INR1b annually for another year.

#### Valuation and view

- Indus Tower reported earnings improvement, primarily led by high exit penalty charges, excluding which EBITDA growth was moderate.
- Management indicated the 5G and fiber opportunities should continue to drive growth in the future; tenancy adds have also improved over the last couple of quarters.
- However, given that VIL is a significant contributor to the company's revenue – which is facing liquidity risk due to its huge cash obligations – long-term concerns still prevail. Furthermore, RJio's increased focus on infrastructure may weaken Indus' positioning. Thus, the long-term overhang of business viability continues.
- We factor in a revenue/EBITDA CAGR of 4.3%/5.5% over FY21–23E and roll forward our valuation to FY23 to arrive at TP of INR245 – implying EV/tenancy of 1.9m and EV/EBITDA of 5.7x and P/E of 11.6x. The stock garners healthy dividend yield of 6%, which could cushion against a further downside. Maintain **Neutral**.

#### Quarterly Performance

Quarterly Performance												(INR m)
Y/E March (Consolidated)	FY20				FY21				FY20	FY21E	3Q FY21E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from operations	37,119	36,376	64,432	63,063	60,859	63,591	67,361	67,725	2,00,990	2,59,536	38,173	76.5
YoY Change (%)	1.0	-0.8	77.0	75.2	64.0	74.8	4.5	7.4	37.8	1,634.5	-40.8	
Total Expenditure	18,164	17,593	31,708	34,527	30,279	32,854	31,837	33,343	1,01,992	1,28,313	18,778	69.5
EBITDA	18,955	18,783	32,724	28,536	30,580	30,737	35,524	34,381	98,998	1,31,222	19,396	83.2
YoY Change (%)	24.7	26.4	117.6	91.4	61.3	63.6	8.6	20.5	65.0	1,804.5	-40.7	
Depreciation	7,425	7,453	12,470	13,453	12,681	13,088	14,302	14,189	40,801	54,260	7,391	93.5
Interest	1,125	1,251	3,012	2,760	3,205	3,297	3,900	3,900	8,148	14,302	1,552	151.3
Other Income	651	349	562	840	339	816	1,056	1,152	2,402	3,363	430	145.5
PBT	11,056	10,428	17,804	13,163	15,033	15,168	18,378	17,444	52,451	66,023	10,883	68.9
Tax	2,186	793	4,496	3,299	3,827	3,861	4,778	4,535	10,774	17,001	2,768	
Rate (%)	19.8	7.6	25.3	25.1	25.5	25.5	26.0	26.0	20.5	25.8	25.4	
Reported PAT	8,870	9,635	13,308	9,864	11,206	11,307	13,600	12,909	41,677	49,022	8,115	67.6
Adj PAT	8,870	9,635	13,308	9,864	11,206	11,307	13,600	12,909	41,677	49,022	8,115	67.6
YoY Change (%)	39.0	55.0	105.2	62.3	26.3	17.4	2.2	30.9	65.7	533.5	-39.0	

E: MOFSL Estimates

## Key Performance Indicators

Y/E March	FY20				FY21				FY20	FY21E	3Q FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
Bharti Infratel Standalone											
Total Towers (nos)	40,636	41,050	41,471	42,053	42,339	43,110	43,510	43,910	42,053	43,910	43,510
Total Co-locations (nos)	76,119	76,176	76,322	75,715	75,435	76,565	77,165	77,765	75,715	77,765	77,165
Average sharing factor	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Sharing revenue per operator per month (INR)	44,623	46,095	45,018	45,715	45,173	47,400	47,874	48,353	45,442	47,048	47,874.0
Rental EBITDA margin (%)	82.2	85.9	106.1	70.9	81.7	81.0	84.8	80.8	81.5	82.1	81.8
Energy EBITDA margin (%)	5.4	(0.3)	0.2	5.2	(3.3)	(5.4)	(2.3)	-	2.6	(2.7)	2.5
EBITDA Margins (%)	51.1	51.6	50.8	45.2	50.2	48.3	52.7	50.8	49.3	50.6	50.8
EBIT Margin (%)	31.1	31.1	31.4	23.9	29.4	27.8	31.5	28.8	29.0	29.4	31.4
Adj. PAT Margins (%)	23.9	26.5	20.7	15.6	18.4	17.8	20.2	18.3	20.7	18.7	21.3

E:MOFSL Estimates

## Key operating metrics

- The company received notices for 4,474 co-location exits, but actual exits are yet to happen.

## Others

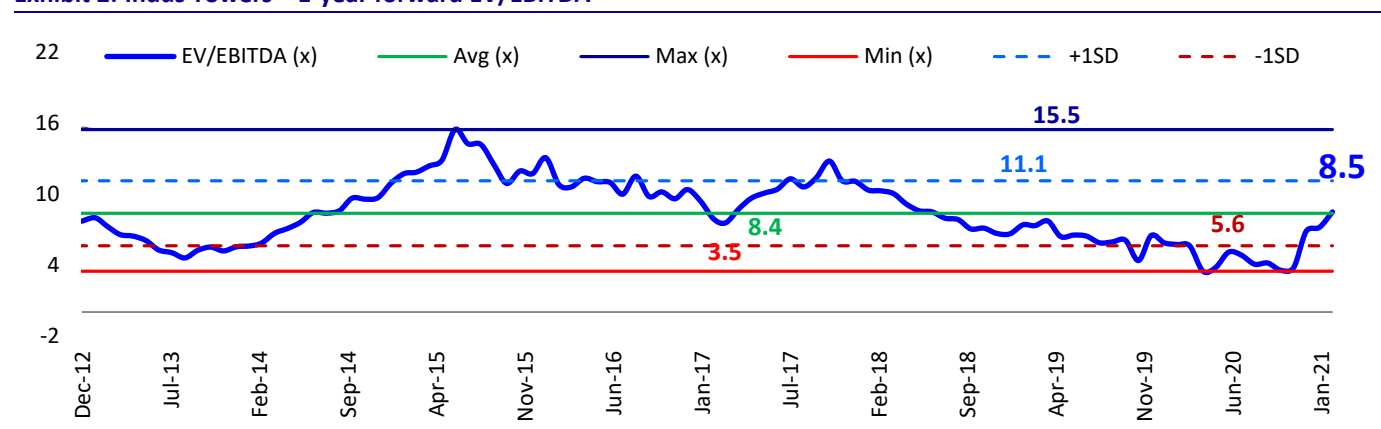
- The board has declared interim dividend of INR17.82/share. Thus, the total outflow of dividends would be INR48b in FY21.
- The company had net debt of INR1.5b, v/s INR33b on LTL in 2QFY21, and a net cash position of INR13b for the pre-merger entity.

## Exhibit 1: Bharti Infratel – Valuation

	Value (INR b)	Value (INR/sh)	Implied FY23 EV/Tenancy (INR m)	Implied FY23 EV/EBITDA (x)
Total Enterprise value	826	306	2.5	5.7
Net Debt	166	62		
Shares o/s (b)	2.7			
Fair value	659	245	1.9	5.7
CMP		232		
Upside		6%		

Source: MOFSL, Company

## Exhibit 2: Indus Towers – 1-year forward EV/EBITDA



Source: MOFSL, Company



## Management call highlights

### Key highlights

- **Operating metrics:** The company saw the highest quarterly co-location additions in the past three years coming equally from the increased densification and expansion of coverage to tier 2/3 cities (lowest churn in last four years).
- **New growth opportunity:** The company is revalidating its growth strategy and believes future growth is hinged on small cells, smart cities, fiber, WiFi, data centers, and the macro tower business.
- **Exit penalty:** Indus has received a large portion of the exit penalty from VIL. It should receive INR1.8b quarterly up to 3QFY23, following which the penalty should be less than INR1b annually for another year.

### Operating performance

- **Operating FCF:** This declined 4% YoY to INR18.76b.
- **Return profile:** In 3QFY21, the company's RoCE pre-tax / RoE post-tax stood at 21%/26%.
- **Prepayment from VIL:** The company completed its merger in 3QFY21, and as a part of the security package, received a prepayment of INR24b from VIL toward future obligations.
- **EBITDA benefit:** In 3QFY21, Indus recognized a one-time benefit of INR800m on EBITDA on aligning the accounting post the merger. It recognized an INR1.5b impact on depreciation due to the accounting alignment.
- **Energy EBITDA:** Indus is reporting loss in Energy EBITDA as operators move to the pass-through model. However, the management believes the fixed energy model is more sustainable, and it is working closely with operators to bring them back on this model. Furthermore, it is willing to invest in power projects to make the entire ecosystem conducive for fixed energy models.
- **Exit penalty:** Indus has received a large portion of the exit penalty from VIL. It is now expected to receive an INR1.8b quarterly exit penalty from VIL up to 3QFY23, following which the penalty would be less than INR1b annually for a year.
- **Special dividend:** This is a one-time dividend and would not impact FY21 or any future dividends.

### Growth opportunity

- **Revalidating strategy:** The company is looking to revalidate its growth strategy and would update this over the next few quarters.
- **Data expansion:** India continues to witness strong data growth trends, with industry-wide data volumes up 25–30% YoY in 2QFY20. This provides ample growth opportunity for tower companies.
- **5G opportunity:** The 5G opportunity would be carried out in three phases – a) the initial phase would be the loading requirement, b) the second growth phase would cover the requirement of densification and inner coverage, and c) the last phase would constitute the rollout of mission-critical services, potentially driving demand for data centers – Indus could play a big part in this.
- **Fiber opportunity:** Fiber has not grown the way the management anticipated earlier. However, there is still enough opportunity in connecting towers – India

has less than 30% of connected towers. Indus is looking to connect the last mile and tap into the remaining opportunity in this area.

- **Loading opportunity:** Loading revenue is highly relevant in 4G, and the company's MSA protects this. The management believes MSA would cushion the loading revenue component in the 5G services.

### Exhibit 3: Proforma consolidated performance (INR m)

	3QFY20	2QFY21	3QFY21	YoY%	QoQ%	3QFY21E	v/s est (%)	LtL variance (%)
<b>Consolidated Revenue</b>	<b>64,432</b>	<b>63,591</b>	<b>67,361</b>	<b>4.5</b>	<b>5.9</b>	<b>38,173</b>	<b>76.5</b>	<b>0.0</b>
-Rent	40,149	40,176	43,137	7.4	7.4	23,642	82.5	5.4
-Energy and other reimbursements	24,283	23,415	24,224	-0.2	3.5	14,531	66.7	-2.1
Operating Expenses	31,708	32,854	31,837	0.4	-3.1	18,778	69.5	-3.1
<b>Consolidated EBITDA</b>	<b>32,724</b>	<b>30,737</b>	<b>35,524</b>	<b>8.6</b>	<b>15.6</b>	<b>19,396</b>	<b>83.2</b>	<b>8.1</b>
<b>EBITDA margin (%)</b>	<b>50.8</b>	<b>48.3</b>	<b>52.7</b>	<b>195bps</b>	<b>440bps</b>	<b>50.8</b>	<b>193bps</b>	<b>273bps</b>
<b>Consolidated EBITDA pre IND AS 116</b>	<b>14,764</b>	<b>15,181</b>	<b>19,968</b>	<b>35.2</b>	<b>31.5</b>	<b>15,386</b>	<b>29.8</b>	<b>21.0</b>
<b>EBITDA margin (%)</b>	<b>22.9</b>	<b>23.9</b>	<b>29.6</b>	<b>673bps</b>	<b>577bps</b>	<b>40.3</b>	<b>-1066bps</b>	<b>453bps</b>
Depreciation and amortization	12,470	13,088	14,302	14.7	9.3	7,391	93.5	7.4
<b>EBIT</b>	<b>20,254</b>	<b>17,649</b>	<b>21,222</b>	<b>4.8</b>	<b>20.2</b>	<b>12,005</b>	<b>76.8</b>	<b>8.7</b>
Net finance cost	2,450	2,481	2,844	16.1	14.6	1,122	153.5	8.4
<b>Profit Before Taxes &amp; Exceptional items</b>	<b>17,804</b>	<b>15,168</b>	<b>18,378</b>	<b>3.2</b>	<b>21.2</b>	<b>10,883</b>	<b>68.9</b>	<b>8.7</b>
Exceptional item	0	0	0	NM	NM	0	NM	NM
<b>Profit Before Taxes</b>	<b>17,804</b>	<b>15,168</b>	<b>18,378</b>	<b>3.2</b>	<b>21.2</b>	<b>10,883</b>	<b>68.9</b>	<b>8.7</b>
Tax	4,496	3,861	4,778	6.3	23.8	2,768	72.6	11.7
Effective Tax Rate (%)	25.3	25.5	26.0	75bps	54bps	25.4	56bps	71bps
<b>Proforma Profit After Tax</b>	<b>13,308</b>	<b>11,307</b>	<b>13,600</b>	<b>2.2</b>	<b>20.3</b>	<b>8,115</b>	<b>67.6</b>	<b>7.7</b>
<b>Adj. PAT</b>	<b>13,308</b>	<b>11,307</b>	<b>13,600</b>	<b>2.2</b>	<b>20.3</b>	<b>8,115</b>	<b>67.6</b>	<b>7.7</b>

Source: MOFSL, Company

### Exhibit 4: Segmental performance (INR m)

Energy/Non-energy mix	3QFY20	2QFY21	3QFY21	YoY%	QoQ%
Rental EBITDA	32,687	32,001	36,086	10.4	12.8
Rental EBITDA margin (%)	81.4	79.7	83.7	224bps	400bps
Energy EBITDA	37	-1,264	-562	-1618.9	-55.5
Energy EBITDA margin (%)	0.2	-5.4	-2.3	-247bps	308bps

Source: MOFSL, Company

### Exhibit 5: KPI performance

Revenue Drivers	3QFY20	2QFY21	3QFY21	YoY%	QoQ%
<b>Consolidated</b>					
Total Towers (nos)	1,67,120	1,72,094	1,75,510	5.0	2.0
Total Co-locations (nos)	3,09,246	3,14,106	3,18,310	2.9	1.3
Average sharing factor	1.85	1.83	1.82	-1.6	-0.5
Sharing revenue per operator per month (INR)	42,555	42,168	44,845	5.4	6.3

Source: MOFSL, Company

Exhibit 6: Rental revenue/EBITDA ex-exit charges

	3QFY20	2QFY21	3QFY21	YoY%	QoQ%
Rental revenue	40,149	40,176	43,137	7.4	7.4
Exit penalty charges	1,752	684	4,002	128.4	485.1
<b>Rental revenue (ex-exit charges)</b>	<b>38,397</b>	<b>39,492</b>	<b>39,135</b>	<b>1.9</b>	<b>-0.9</b>
<b>Rental EBITDA (ex-exit charges)</b>	<b>30,935</b>	<b>31,317</b>	<b>32,084</b>	<b>3.7</b>	<b>2.4</b>
<b>EBITDA margin (%)</b>	<b>80.6%</b>	<b>79.3%</b>	<b>82.0%</b>	142bps	268bps
Sharing revenue per operator per month (INR)	41,392	40,360	40,764	-1.5	1.0

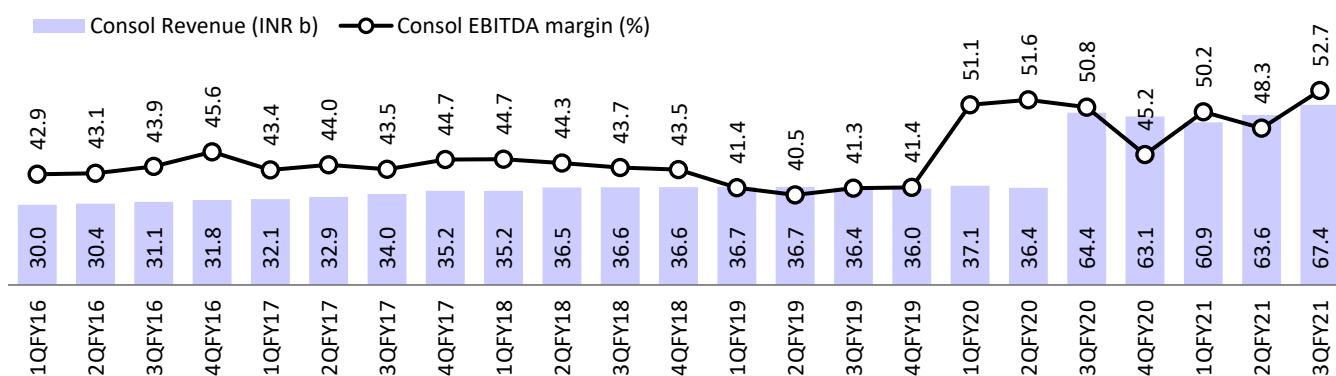
Source: MOFSL, Company

Exhibit 7: Summary of estimate change

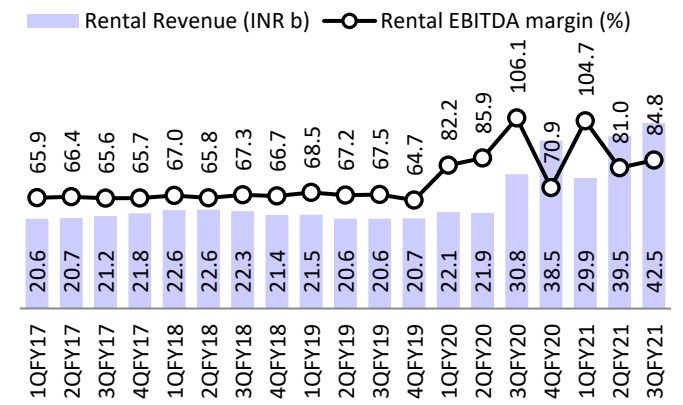
	FY21E	FY22E		FY21E	FY22E
<b>Total towers (000's)</b>			<b>Revenue (INR b)</b>		
Old	98.4	100.7	Old	148.8	158.0
Actual/New	177.0	180.2	Actual/New	259.5	277.8
Change (%)	79.9	79.0	Change (%)	74.5	75.8
<b>Total co-locations (000's)</b>			<b>EBITDA (INR b)</b>		
Old	178.3	180.5	Old	74.8	79.9
Actual/New	320.8	330.8	Actual/New	131.2	144.6
Change (%)	79.9	83.3	Change (%)	75.4	80.9
<b>Sharing revenue per operator (INR 000's/month)</b>			<b>EBITDA margin (%)</b>		
Old	43.3	44.6	Old	50.3	50.6
Actual/New	43.0	45.0	Actual/New	50.6	52.0
Change (%)	-0.6	0.7	Change (%)	28bps	146bps
<b>EPS (INR)</b>			<b>PAT (INR b)</b>		
Old	16.5	18.2	Old	30.5	33.7
Actual/New	18.0	20.6	Actual/New	48.5	55.6
Change (%)	16.5	18.2	Change (%)	59.2	64.9

## Story in charts

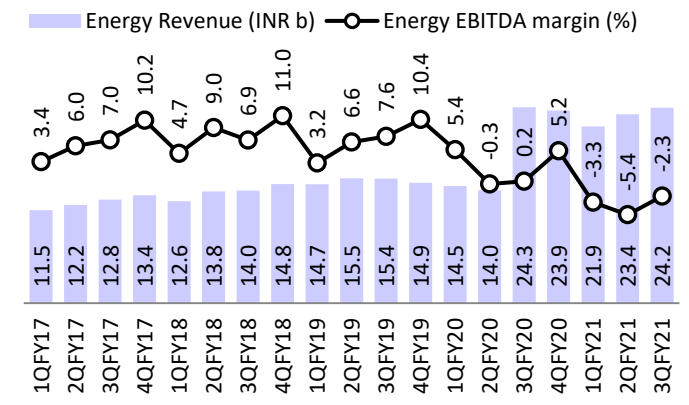
Exhibit 8: Consol. revenue up 5.9%; consol. EBITDA margin improved 440bp (INR b, %)



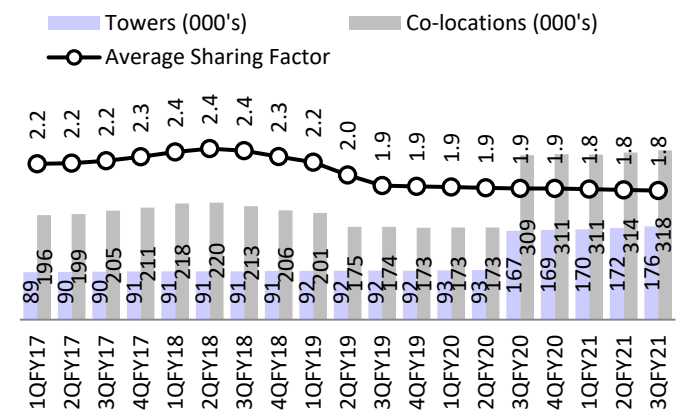
Source: MOFSL, Company

**Exhibit 9: Rental revenue increased 7.4% QoQ (INR b, %)**

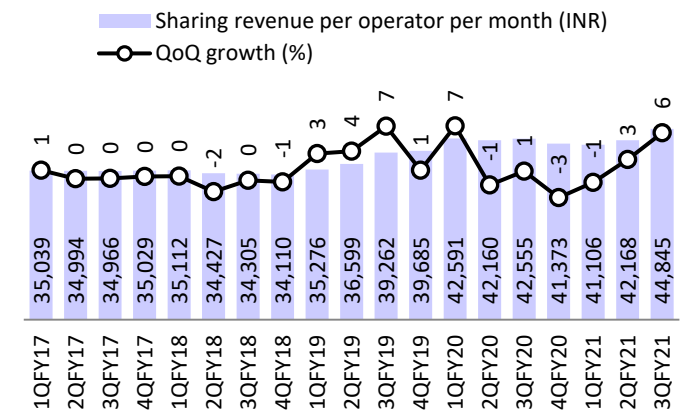
Source: MOFSL, Company

**Exhibit 10: Energy revenue increased 3.5% QoQ (INR b, %)**

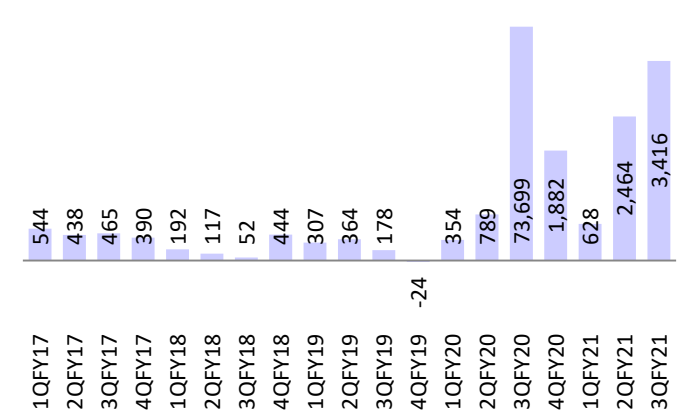
Source: MOFSL, Company

**Exhibit 11: Tenancies remained flat QoQ**

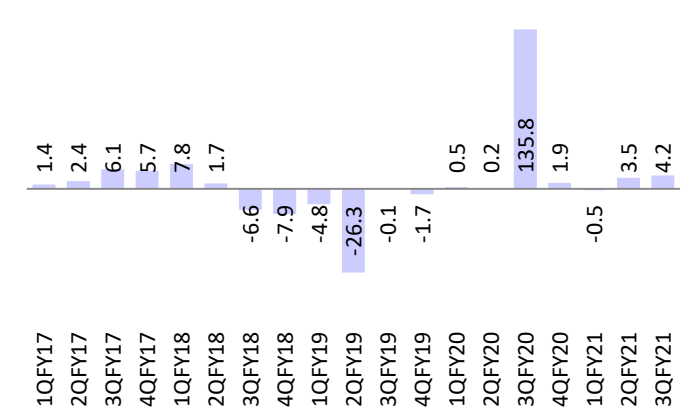
Source: MOFSL, Company

**Exhibit 12: Sharing revenue/operator/month was up 6% QoQ**

Source: MOFSL, Company

**Exhibit 13: Witnessed 3,416 tower adds QoQ**

Source: MOFSL, Company

**Exhibit 14: Witnessed net 4.2k tenancy adds ('000)**

Source: MOFSL, Company

## Financials and valuations

Cons. – Income Statement							(INR m)		
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E
<b>Total Income from Operations</b>	<b>1,16,683</b>	<b>1,23,314</b>	<b>1,34,237</b>	<b>1,44,896</b>	<b>1,45,823</b>	<b>2,00,990</b>	<b>2,59,536</b>	<b>2,77,806</b>	<b>2,82,235</b>
Change (%)	7.8	5.7	8.9	7.9	0.6	37.8	29.1	7.0	1.6
Power and fuel	41,950	42,598	46,533	50,772	56,384	74,667	96,653	97,332	99,076
Rent	9,460	10,322	11,628	12,615	12,551	0	0	0	0
Employee benefits expenses	3,997	4,279	4,679	5,002	4,914	6,019	8,131	8,960	9,061
Other Expenses	11,235	12,006	12,428	12,706	11,962	21,306	23,529	26,924	28,028
<b>Total Expenditure</b>	<b>66,642</b>	<b>69,205</b>	<b>75,268</b>	<b>81,095</b>	<b>85,811</b>	<b>1,01,992</b>	<b>1,28,313</b>	<b>1,33,217</b>	<b>1,36,165</b>
% of Sales	57.1	56.1	56.1	56.0	58.8	50.7	49.4	48.0	48.2
<b>EBITDA</b>	<b>50,041</b>	<b>54,109</b>	<b>58,969</b>	<b>63,801</b>	<b>60,012</b>	<b>98,998</b>	<b>1,31,222</b>	<b>1,44,589</b>	<b>1,46,070</b>
Margin (%)	42.9	43.9	43.9	44.0	41.2	49.3	50.6	52.0	51.8
Depreciation	21,847	22,235	22,626	23,462	22,239	40,801	54,260	57,485	61,016
<b>EBIT</b>	<b>28,194</b>	<b>31,874</b>	<b>36,343</b>	<b>40,339</b>	<b>37,773</b>	<b>58,197</b>	<b>76,962</b>	<b>87,104</b>	<b>85,054</b>
Int. and Finance Charges	2,902	-1,847	-4,414	0	-1,571	8,148	14,302	15,446	16,218
Other Income	5,223	2,048	1,455	2,423	2,034	2,402	3,363	3,363	3,363
<b>PBT bef. EO Exp.</b>	<b>30,515</b>	<b>35,769</b>	<b>42,212</b>	<b>42,762</b>	<b>41,378</b>	<b>52,451</b>	<b>66,023</b>	<b>75,021</b>	<b>72,198</b>
EO Items	0	0	0	-500	-357	0	0	0	0
<b>PBT after EO Exp.</b>	<b>30,515</b>	<b>35,769</b>	<b>42,212</b>	<b>42,262</b>	<b>41,021</b>	<b>52,451</b>	<b>66,023</b>	<b>75,021</b>	<b>72,198</b>
Total Tax	10,591	13,293	14,742	17,325	16,083	10,774	17,001	18,883	18,172
Tax Rate (%)	34.7	37.2	34.9	41.0	39.2	20.5	25.8	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>19,924</b>	<b>22,476</b>	<b>27,470</b>	<b>24,937</b>	<b>24,938</b>	<b>41,677</b>	<b>49,022</b>	<b>56,138</b>	<b>54,026</b>
<b>Adjusted PAT</b>	<b>19,924</b>	<b>22,476</b>	<b>27,470</b>	<b>25,232</b>	<b>25,155</b>	<b>41,677</b>	<b>49,022</b>	<b>56,138</b>	<b>54,026</b>
Change (%)	31.3	12.8	22.2	-8.1	-0.3	65.7	17.6	14.5	-3.8
Margin (%)	17.1	18.2	20.5	17.4	17.3	20.7	18.9	20.2	19.1

Cons. – Balance Sheet							(INR m)		
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Equity Share Capital	18,938	18,967	18,496	18,496	18,496	26,949	26,949	26,949	26,949
Total Reserves	1,51,262	1,64,512	1,36,369	1,51,048	1,26,749	1,50,132	1,23,440	1,36,126	1,46,699
<b>Net Worth</b>	<b>1,70,200</b>	<b>1,83,479</b>	<b>1,54,865</b>	<b>1,69,544</b>	<b>1,45,245</b>	<b>1,77,081</b>	<b>1,50,389</b>	<b>1,63,075</b>	<b>1,73,648</b>
Total Loans	17,131	10,767	22,249	22,402	29,242	76,372	76,372	76,372	76,372
Lease liabilities						1,29,275	1,29,275	1,29,275	1,29,275
Deferred Tax Liabilities	12,247	12,249	7,150	6,223	6,153	795	795	795	795
<b>Capital Employed</b>	<b>1,99,578</b>	<b>2,06,495</b>	<b>1,84,264</b>	<b>1,98,169</b>	<b>1,80,640</b>	<b>3,83,523</b>	<b>3,56,831</b>	<b>3,69,517</b>	<b>3,80,090</b>
<b>Net Fixed Assets</b>	<b>1,48,121</b>	<b>1,44,868</b>	<b>1,36,326</b>	<b>1,30,740</b>	<b>1,25,871</b>	<b>2,19,574</b>	<b>1,91,710</b>	<b>1,65,928</b>	<b>1,36,838</b>
Capital WIP	2,260	2,245	2,568	4,066	2,485	2,928	2,928	2,928	2,928
Right of use assets						99,603	99,603	99,603	99,603
<b>Total Investments</b>	<b>58,822</b>	<b>38,811</b>	<b>56,211</b>	<b>67,850</b>	<b>47,973</b>	<b>39,382</b>	<b>39,382</b>	<b>39,382</b>	<b>39,382</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>62,344</b>	<b>83,265</b>	<b>53,350</b>	<b>37,207</b>	<b>46,167</b>	<b>1,01,604</b>	<b>1,04,422</b>	<b>1,47,028</b>	<b>1,87,695</b>
Account Receivables	3,532	1,916	3,664	9,185	14,883	34,529	36,975	39,578	40,209
Cash and Bank Balance	9,120	31,916	22,970	759	1,371	2,825	109	23,481	48,519
Loans and Advances	49,692	49,433	26,716	27,263	29,913	64,250	67,338	83,969	98,967
<b>Curr. Liability &amp; Prov.</b>	<b>71,969</b>	<b>62,694</b>	<b>64,191</b>	<b>41,694</b>	<b>41,856</b>	<b>79,568</b>	<b>81,214</b>	<b>85,353</b>	<b>86,356</b>
Account Payables	1,342	959	17,387	18,580	20,991	33,454	34,605	37,041	37,631
Other Current Liabilities	43,694	41,139	40,699	16,448	13,547	31,300	31,609	33,254	33,652
Provisions	26,933	20,596	6,105	6,666	7,318	14,814	15,000	15,058	15,072
<b>Net Current Assets</b>	<b>-9,625</b>	<b>20,571</b>	<b>-10,841</b>	<b>-4,487</b>	<b>4,311</b>	<b>22,036</b>	<b>23,208</b>	<b>61,676</b>	<b>1,01,339</b>
<b>Appl. of Funds</b>	<b>1,99,578</b>	<b>2,06,495</b>	<b>1,84,264</b>	<b>1,98,169</b>	<b>1,80,640</b>	<b>3,83,523</b>	<b>3,56,831</b>	<b>3,69,517</b>	<b>3,80,090</b>

E: MOFSL Estimates

## Financials and valuations

<b>Ratios</b>									
<b>Y/E March</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
<b>Basic (INR)</b>									
<b>EPS</b>	<b>10.5</b>	<b>11.8</b>	<b>14.9</b>	<b>13.6</b>	<b>13.6</b>	<b>15.5</b>	<b>18.2</b>	<b>20.8</b>	<b>20.0</b>
Cash EPS	22.1	23.6	27.1	26.3	25.6	30.6	38.3	42.2	42.7
BV/Share	89.9	96.7	83.7	91.7	78.5	65.7	55.8	60.5	64.4
DPS	11.0	3.0	16.0	14.0	15.0	9.5	24.2	13.9	13.9
Payout (%)	121.0	29.2	125.0	120.5	129.1	71.6	154.4	77.4	80.4
<b>Valuation (x)</b>									
P/E	22.0	19.6	15.6	17.0	17.0	15.0	12.7	11.1	11.6
Cash P/E	10.5	9.8	8.6	8.8	9.0	7.6	6.0	5.5	5.4
P/BV	2.6	2.4	2.8	2.5	3.0	3.5	4.2	3.8	3.6
EV/Sales	3.3	3.1	2.8	2.6	2.8	3.3	2.5	2.3	2.2
EV/EBITDA	7.8	7.0	6.3	6.0	6.8	6.7	5.0	4.4	4.2
Dividend Yield (%)	4.7	1.3	6.9	6.0	6.5	4.1	10.5	6.0	6.0
FCF per share	11.5	12.9	10.6	9.1	1.3	5.9	31.1	29.3	30.2
<b>Return Ratios (%)</b>									
RoE	11.4	12.7	16.2	15.6	16.0	25.9	29.9	35.8	32.1
RoCE	11.1	11.2	13.2	13.7	13.2	22.5	24.8	29.0	27.0
RoIC	13.6	15.2	20.0	20.9	18.1	19.8	17.5	21.1	21.5
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	0.8	0.9	1.0	1.1	1.2	0.9	1.4	1.7	2.1
Asset Turnover (x)	0.6	0.6	0.7	0.7	0.8	0.5	0.7	0.8	0.7
Inventory (Days)	0	0	0	0	0	0	0	0	0
Debtor (Days)	11	6	10	23	37	63	52	52	52
Creditor (Days)	4	3	47	47	53	61	49	49	49
<b>Leverage Ratio (x)</b>									
Current Ratio	0.9	1.3	0.8	0.9	1.1	1.3	1.3	1.7	2.2
Interest Cover Ratio	9.7	-17.3	-8.2	NA	-24.0	7.1	5.4	5.6	5.2
Net Debt/Equity	-0.3	-0.3	-0.4	-0.3	-0.1	0.2	0.2	0.1	-0.1

<b>Cons. – Cash Flow Statement</b>									<b>(INR m)</b>
<b>Y/E March</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
OP/(Loss) before Tax	30,515	36,207	35,797	42,262	41,021	37,875	66,023	75,021	72,198
Depreciation	21,847	22,693	11,657	23,462	22,239	12,815	54,260	57,485	61,016
Interest & Finance Charges	2,946	2,181	365	0	-1,571	3,350	14,302	15,446	16,218
Direct Taxes Paid	-8,420	-11,547	-7,961	-17,325	-16,083	-5,465	-17,001	-18,883	-18,172
(Inc)/Dec in WC	-1,655	630	-1,017	-28,565	-8,186	-5,370	-3,888	-15,095	-14,625
<b>CF from Operations</b>	<b>45,233</b>	<b>50,164</b>	<b>38,841</b>	<b>19,834</b>	<b>37,420</b>	<b>43,205</b>	<b>1,13,696</b>	<b>1,13,974</b>	<b>1,16,635</b>
Others	-5,338	-6,218	-10,179	16,430	-19,158	-20,054	-3,363	-3,363	-3,363
<b>CF from Operating incl EO</b>	<b>39,895</b>	<b>43,946</b>	<b>28,662</b>	<b>36,264</b>	<b>18,262</b>	<b>23,151</b>	<b>1,10,333</b>	<b>1,10,611</b>	<b>1,13,273</b>
(Inc)/Dec in FA	-18,144	-19,433	-9,060	-19,374	-15,789	-7,288	-26,396	-31,703	-31,927
<b>Free Cash Flow</b>	<b>21,751</b>	<b>24,513</b>	<b>19,602</b>	<b>16,890</b>	<b>2,473</b>	<b>15,863</b>	<b>83,937</b>	<b>78,908</b>	<b>81,346</b>
(Pur)/Sale of Investments	17,588	25,887	8,913	-11,639	19,877	-3,686	0	0	0
Others	-8,818	-3,975	-2,287	2,423	2,034	852	3,363	3,363	3,363
<b>CF from Investments</b>	<b>-9,374</b>	<b>2,479</b>	<b>-2,434</b>	<b>-28,590</b>	<b>6,122</b>	<b>-10,122</b>	<b>-23,034</b>	<b>-28,340</b>	<b>-28,564</b>
Issue of Shares	490	338	-19,969	0	0	-39	0	0	0
Inc/(Dec) in Debt	-7,601	-8,755	0	154	6,840	23,853	0	0	0
Interest Paid	-3,010	-2,180	0	0	1,571	-4,682	-14,302	-15,446	-16,218
Dividend Paid	-21,755	-15,676	-6,679	-30,038	-32,183	-30,986	-75,714	-43,453	-43,453
<b>CF from Fin. Activity</b>	<b>-31,876</b>	<b>-26,273</b>	<b>-26,648</b>	<b>-29,885</b>	<b>-23,772</b>	<b>-11,854</b>	<b>-90,016</b>	<b>-58,899</b>	<b>-59,671</b>
<b>Inc/Dec of Cash</b>	<b>-1,355</b>	<b>20,152</b>	<b>-420</b>	<b>-22,211</b>	<b>612</b>	<b>1,175</b>	<b>-2,716</b>	<b>23,372</b>	<b>25,038</b>
Opening Balance	1,640	285	20,133	19,713	-2,498	-54	1,121	-809	22,563
<b>Closing Balance</b>	<b>285</b>	<b>20,437</b>	<b>19,713</b>	<b>-2,498</b>	<b>-1,886</b>	<b>1,121</b>	<b>-809</b>	<b>22,563</b>	<b>47,601</b>
<b>Other bank balance</b>	<b>8,835</b>	<b>11,479</b>	<b>3,257</b>	<b>3,257</b>	<b>3,257</b>	<b>918</b>	<b>918</b>	<b>918</b>	<b>918</b>
<b>Closing balance (incl. other bank balance)</b>	<b>9,120</b>	<b>31,916</b>	<b>22,970</b>	<b>759</b>	<b>1,371</b>	<b>2,039</b>	<b>109</b>	<b>23,481</b>	<b>48,519</b>

NOTES

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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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