

Tata Communications

Estimate change	↓
TP change	↓
Rating change	↔

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Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USD\$b)	307.1 / 3.8
52-Week Range (INR)	1590 / 856
1, 6, 12 Rel. Per (%)	16/-16/-29
12M Avg Val (INR M)	831

Financials & Valuations (INR b)

INR million	FY22	FY23E	FY24E
Net Sales	167.2	180.2	199.4
EBITDA	42.3	46.4	54.1
Adj. PAT	14.8	18.4	23.4
EBITDA Margin (%)	25.3	25.8	27.1
Adj. EPS (INR)	51.8	64.5	82.1
EPS Gr. (%)	11.5	24.4	27.4
BV/Sh. (INR)	32.5	97.0	179.2

Ratios

Net D:E	6.0	0.8	-0.5
RoE (%)	283.3	99.5	59.5
RoCE (%)	18.6	21.5	23.4
Payout (%)	8.9	7.2	5.7

Valuations

EV/EBITDA (x)	9.0	7.4	5.5
P/E (x)	20.8	16.7	13.1
P/BV (x)	33.1	11.1	6.0
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	7.0	10.4	16.2

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	58.9	58.9	58.9
DII	12.9	11.5	7.4
FII	17.9	19.4	24.0
Others	10.3	10.3	9.8

FII Includes depository receipts

CMP: INR1,078 TP: INR1,100 (+2%) Neutral

Data segment yet to recover, but strong FCF yield and deleveraging continues

- TCOM's consolidated EBITDA grew 3%, led by a 63% jump in Voice EBITDA, even as Data EBITDA, the key valuation driver, remained muted. FCF remained strong, coupled with a healthy 9% deleveraging of INR6b.
- We have marginally reduced our consolidated EBITDA, factoring in 13% CAGR over FY22-24 and reduction in losses in the Incubation segment over time, even as the Digital Platform and Services has seen modest growth in the last couple of years. FCF generation and deleveraging remains the silver lining, aiding valuation. We maintain our Neutral rating.

EBITDA up 3% QoQ (in line) in the Voice business; strong FCF generation-led deleveraging continues

- Growth in consolidated revenue remained soft, inching up marginally by 1.1% QoQ to INR43.1b (2% miss), aided by a 4.6%/1.2% growth in revenue from Voice/Data. Other revenue declined by 3.7% QoQ.
- EBITDA increased by 3% QoQ to INR10.8b (2% miss), with a 50bp margin improvement to 25% on a sharp 64% QoQ jump in Voice EBITDA as Data EBITDA continued to remain flat in the last six quarters.
- Adjusted PAT (for exceptional items) increased by 39% QoQ (5% below our estimate), led by higher other income of INR2.3b, coupled with lower interest and depreciation cost.
- Healthy FCF post interest (adjusted for other income) of INR7.2b on strong EBITDA growth and lower capex down 34% QoQ to INR3.5b. This has continued to translate into a healthy deleveraging of INR6b, i.e. 9% with a net debt of INR61.3b.
- The company has reported an increase in RoCE to 29.1% in 1QFY23 from 26%/24.7% in 4QFY22/1QFY22.

Key takeaways from the management interaction

- The order book remains strong and grew by double-digits YoY, which led to a healthy funnel. The management expects the same to stay strong growing forward.
- It reiterated its margin guidance at 23-25%, despite a higher operating cost expectation in FY23.
- Capex was deferred in 1QFY23 due to supply-chain issues and delivery delays. However, capex spends will accelerate going forward.
- Monetization of 10-11 properties held for sale, with a book value of INR1.5b, should occur over the next 12 months.

Valuation and view

- The management's commentary on deal wins and funnel growth has been buoyant. However, revenue from Data (a major contributor to overall revenue) has seen muted growth in the last few quarters.

Aliasgar Shakir - Research Analyst (Aliasgar.Shakir@motilaloswal.com)

Research Analyst: Harsh Gokalgandhi (Harsh.Gokalgandhi@motilaloswal.com) | Tanmay Gupta (Tanmay.Gupta@motilaloswal.com)

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

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- We expect lower revenue growth visibility for the Connectivity segment (71% revenue mix). This, coupled with its flat EBITDA margin guidance of 23-25% v/s its FY22 high of 25.3% and overall double-digit EBITDA growth, may be challenging. We factor in an improvement in margin from the curbing of losses in the Incubation business and a favorable Data mix, building in 16% EBITDA CAGR over FY22-24.
- The continuous decrease in leverage should drive healthy PAT growth. However, the management's guidance of a 20% increase in capex to USD300-325m can curb an improvement in FCF going forward.
- Deal wins and a deal-to-revenue conversion will be key to it achieving double-digit earnings growth.
- We have marginally reduced our consolidated EBITDA estimate, factoring in 13% CAGR over FY22-24 and reduced losses in the Incubation segment over time.
- We maintain our Neutral rating with a TP of INR1,100/share (assigned 7.5x/3x EBITDA to the Data/Voice business).

Consolidated quarterly earnings

(INR m)

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue	41,028	41,740	41,849	42,630	43,105	44,466	45,666	46,955	1,67,247	1,80,192
Change (YoY %)	-6.8	-5.2	-0.9	4.7	5.1	6.5	9.1	10.1	-2.2	7.7
Total Expenditure	31,167	30,612	31,024	32,177	32,335	33,151	33,771	34,528	1,24,980	1,33,785
EBITDA	9,861	11,129	10,825	10,453	10,770	11,315	11,895	12,427	42,267	46,407
Change (YoY %)	-5.3	-3.9	3.5	3.0	9.2	1.7	9.9	18.9	-0.8	9.8
Depreciation	5,318	5,416	5,425	5,887	5,369	5,631	5,631	5,894	22,045	22,525
Interest	962	908	835	898	799	747	717	687	3,603	2,950
Other Income	134	364	188	2,635	2,340	342	342	342	3,321	3,366
PBT before EO expense	3,714	5,169	4,754	6,304	6,943	5,279	5,889	6,188	19,940	24,298
Exceptional (gain)/loss	-56	-127	-85	209	0	0	0	0	-60	0
PBT	3,771	5,296	4,839	6,095	6,943	5,279	5,889	6,188	20,000	24,298
Tax	793	1,038	958	2,433	1,591	1,329	1,482	1,557	5,221	5,960
Rate (%)	21.0	19.6	19.8	39.9	22.9	25.2	25.2	25.2	26.1	24.5
MI and P/L of Asso. Cos.	17	4	-72	12	-86	-10	-10	67	-39	-39
Reported PAT	2,961	4,254	3,952	3,651	5,438	3,960	4,417	4,563	14,817	18,377
Adj. PAT	2,905	4,126	3,867	3,860	5,438	3,960	4,417	4,563	14,758	18,377
Change (YoY %)	8.3	-5.9	20.6	29.5	87.2	-4.0	14.2	18.2	11.4	24.5

E: MOSL estimates

Segmental highlights

- Data revenue, which constitutes 77%/90% of consolidated revenue/EBITDA, grew 1.2% sequentially to INR33b (2% miss). EBITDA remained flat at INR9.7b, with margin falling 30bp lower sequentially to 29%.
- The growth in Data revenue is led by:
 - A 1% QoQ increase in Core Connectivity (constituting 69% of the Data business) to INR23.1b (in line). EBITDA grew marginally (up 0.8% QoQ) to INR9.8b, with a 10bp contraction in margin to 42.5%.
 - Digital Platform and Services (constituting 28% of the Data business) reported a marginal increase in revenue (up 0.8% QoQ to INR9.4b). EBITDA fell 2.3% to INR670m and EBITDA margin contracted by 20bp QoQ to 7.1%.
 - Revenue from the Incubation Services grew 10% QoQ. Its operating loss narrowed to INR800m (down 4% QoQ).
- Revenue from the Voice segment grew 4.6% QoQ to INR5.6b. EBITDA margin improved by 400bp QoQ to 11%. EBITDA grew 63%.

- Revenue from both Transformation and Payment Solutions declined. Revenue from the Transformation segment declined by 5% QoQ to INR3.2b. EBITDA jumped to INR160m (v/s INR74m in 4QFY22).
- Revenue from the Payment Solutions segment declined by 8% QoQ to INR440m, with EBITDA narrowing to INR10m (est. INR91m). This was on account of higher CRA expenses. This business segment continues to remain affected by the COVID-19 pandemic, though the franchise model is making steady progress. Average daily transactions in 1QFY23 stood at 49 v/s 59 in 1QFY22.

Exhibit 1: Valuation-based on FY24E EBITDA for the India business

Particulars	FY24E
EBITDA (INR m)	51,267
Multiple (x)	7.3
Voice EBITDA (INR m)	1,995
Multiple (x)	3.0
Data EBITDA (INR m)	49,272
Multiple (x)	7.5
Enterprise Value (INR m)	3,75,528
Net Debt (INR m)	61,340
Equity value (INR m)	3,14,188
No. of shares (m)	285
Equity value/share (INR)	1,100
Upside/(Downside) (%)	2%
CMP (INR)	1078
Upside/(Downside) (%)	2%

Source: MOFSL, Company



Key takeaways from the management interaction

Key highlights

- The order book remains strong and grew by double-digits YoY, which led to a healthy funnel. The management expects the same to stay strong growing forward.
- It reiterated its margin guidance at 23-25%, despite a higher operating cost in FY23.
- Capex was deferred in 1QFY23 due to supply-chain issues and delivery delays. However, capex spends will accelerate going forward.
- Monetization of 10-11 properties held for sale, with a book value of INR1.5b, should occur over the next 12 months.

Detailed notes

Deals and collaborations:

- The order book **improved by double-digits YoY** in India and in its International portfolio in 1QFY23. Its funnel book remained healthy, with an increase in Digital Platform and Services and Incubation Services.
- The company is reaping the benefits of sales and marketing advertisements undertaken in 3Q/4QFY22, as well as product launches. With these spends, funnel has emerged stronger.
- A good trend was witnessed in its new platform and series such as GlobalRapid, InstaSafe, and DIGO.
- New customer added include an Asian airline, a food service business in Japan, and the National Health Authority of India.
- Strong profit and FCF generation will help the company to explore, sustain, and profitably grow this opportunity.

Business performance

- **Net revenue grew faster than gross revenue** due to the product mix, i.e. more mix of on-net and less of off-net. With volumes coming back, it will be able to distribute its fixed cost, which, in turn, will lead to higher growth in net revenue.
- The Voice business continues to decline, in line with the industry trend.
- Revenue from the Data business grew 1.2% sequentially, despite the supply-chain and OEM lead time issue, which accounts for a 4x delay from the initial delay of ~12 weeks in 1QFY23.
 - Supply-chain issues can also weigh on revenue. However, the management has been building-up some of its inventory.
 - Due to the war between Russia and Ukraine, the semiconductor shortage will continue at OEMs. Till now, there is no clear outlook on when the supply-chain issue will get resolved.
 - The company is looking for an alternate solution to serve customers.
- **Why is revenue stagnant in the B2B industry?**
 - With more capacity building up and new technology entering into the space, it resulted in a technology disruption, which, in turn, led to a price erosion and stagnant revenue.
 - TCOM has sold its Data centers in the past, which was a revenue contributor. Revenue growth currently looks stagnant.
 - Hence, the company has initiated a new strategy to go beyond networks to platforms such as DIGO.
- **Digital Platform and Services:** Except for Collaboration, all sub-segments within Digital grew in double-digits, with some growing over 20%. The Collaboration segment was impacted as it is based on a usage-based application, which is rapidly changing.
- **Role in 5G:** The company has the required capability (infrastructure/platform services) to establish a 5G private network.
- The **Cloud business** grew 25% YoY and 9% QoQ. The company has tied up with the National Health Authority to deliver Health Cloud for an Insurance and IT scheme. This will enable the National Health Authority to offer Insurance to all citizens digitally, while significantly enhancing TCOM's Cloud book.
- The company has a multi-Cloud offering and can compete with the public Cloud. It is offering niche products in the Cloud market.
- Funnel and order book continues to remain healthy in this segment, with the help of variance such as IZO and SD-WAN.
- Revenue from Media Solutions grew 40.5% YoY and 60.8% QoQ. The Media business is witnessing traction from F1 to MotoGP.
- Revenue from Tata Communications Transformation Services (TCTS) declined by 4% YoY and 5% QoQ to INR3,170m due to lower project based revenue in 1QFY23. However, it has reported a positive EBITDA of INR160m in 1QFY23.
- The ATM business is progressing steadily, led by the franchise model.
- Other income includes a refund from the Income Tax authorities, with interest, for FY22.

Business outlook and guidance

- TCOM may see an increase in cost in FY23 due to the augmenting of staffing capacity and increase in travel due to the opening up of the economy. However, the company continues to operate in the **23-25% EBITDA margin range**.
- The management's focus is on its products to platform strategic shift. It is engaging more deeply with the customer, with a double-digit order pipeline that is yielding positive results.
- The variance in capex from 4QFY22 is due to the supply-chain issue and delayed delivery. **Capex spend will accelerate** as they progress further.
- The asset held for sale will generate more cash inflow into the business. It has classified 10-11 properties under the held for sale category. Realization may start from 2QFY23 and will complete within the next 12 months. The book value is INR1.5b. However, the realization value could be much higher (over 2% of gross debt).

Exhibit 2: Quarterly performance

	1QFY22	4QFY22	1QFY23	YoY (%)	QoQ (%)	1QFY23E	Var. (%)
Revenue	41,028	42,630	43,105	5.1	1.1	43,903	-1.8
Operating Expenses	31,167	32,177	32,335	3.7	0.5	32,963	-1.9
EBITDA	9,861	10,453	10,770	9.2	3.0	10,940	-1.6
EBITDA Margin (%)	24.0%	24.5%	25.0%	95bp	47bp	24.9%	7bp
Depreciation	5,318	5,887	5,369	1.0	-8.8	5,727	-6.3
Interest	962	898	799	-17.0	-11.0	885	-9.7
Other Income	134	2,635	2,340	1652.7	-11.2	250	835.1
Exceptional Items	-56	209	0	-100.0	-100.0	0	NM
PBT	3,771	6,095	6,943	84.1	13.9	4,578	51.6
Tax	793	2,433	1,591	100.8	-34.6	1,152	38.1
Effective Tax Rate (%)	21.0%	39.9%	22.9%			25.2%	
PAT	2,978	3,662	5,351	79.7	46.1	3,426	56.2
MI and P/L in Associates	-17	-12	86	-617.4	-851.3	10	
PAT after Minority	2961	3651	5,438	83.6	49.0	3,436	58.3
Adjusted PAT	2980	3860	5,438	82	41	3,436	58.3

Source: MOFSL, Company

Exhibit 3: Detailed segmental quarterly performance

Particulars	1QFY22	4QFY22	1QFY23	YoY (%)	QoQ (%)	1QFY23E	Var. (%)
Total Revenue	41,028	42,630	43,105	5.1	1.1	43,903	-1.8
Voice segment	5,892	5,369	5,614	-4.7	4.6	5,316	5.6
Data segment	31,045	33,014	33,397	7.6	1.2	34,131	-2.2
Core Connectivity	22,307	22,885	23,107	3.6	1.0	23,228	-0.5
Digital Platform and Services	8,369	9,321	9,402	12.3	0.9	9,974	-5.7
Incubation	369	808	888	140.7	9.9	929	-4.4
Others							
Transformation Service	3,303	3,337	3,170	-4.0	-5.0	3,470	-8.6
Tata Payment Solutions	376	477	440	17.1	-7.9	501	-12.2
Rental	413	485	484	17.2	-0.2	485	-0.2
EBITDA	9,861	10,453	10,770	9.2	3.0	10,940	-1.6
Voice segment	264	378	617	134.1	63.4	253	144.1
Data segment	9,317	9,669	9,693	4.0	0.2	10,176	-4.8
Core Connectivity	9,510	9,750	9,826	3.3	0.8	9,896	-0.7
<i>Margin (%)</i>	42.6	42.6	42.5	-11bp	-8bp	42.6	-8bp
Digital Platform and Services	751	686	667	-11.2	-2.7	933	-28.5
<i>Margin (%)</i>	9.0	7.4	7.1	-188bp	-26bp	9	-226bp
Incubation	(944)	(767)	(800)	-15.2	4.4	(653)	22.5
<i>Margin (%)</i>	NM	NM	NM	NM	NM	NM	NM
Transformation Service	(60)	74	156	-358.2	109.4	119	30.9
<i>Margin (%)</i>	(2)	2	4.9	674bp	268bp	3	148bp
Tata Payment Solutions	73	84	12	-83.3	-85.4	91	-86.5
<i>Margin (%)</i>	20	18	2.8	-1675bp	-1479bp	18.1	-1534bp
Rental	267	300	293	9.7	-2.6	301.1	-2.8
<i>Margin (%)</i>	64.6	61.9	60.5	-411bp	-148bp	62.1	-165bp

Exhibit 4: Summary of our change in estimates (INR b)

	FY23E	FY24E
Global Voice revenue (INR b)		
Old	20.4	18.1
Actual/New	21.5	19.1
Change (%)	5.6	5.5
Global Data revenue (INR b)		
Old	143.9	163.5
Actual/New	141.3	160.4
Change (%)	-1.8	-1.9
Core revenue (INR b)		
Old	183.0	203.0
Actual/New	180.2	199.4
Change (%)	-1.6	-1.8
Core EBITDA (INR b)		
Old	47.6	56.0
Actual/New	46.4	54.1
Change (%)	-2.5	-3.4
Voice EBITDA (INR b)		
Old	0.9	0.8
Actual/New	2.3	2.0
Change (%)	148.4	161.8
Data EBITDA (INR b)		
Old	44.3	52.1
Actual/New	41.9	49.3
Change (%)	-5.4	-5.5
Core EBITDA margin (%)		
Old	26.0	27.6
Actual/New	25.8	27.1
Change (%)	-26bp	-45bp
PAT (INR m)		
Old	16.7	24.7
Actual/New	18.4	23.4
Change (%)	9.9	-5.1
EPS (INR)		
Old	58.7	86.5
Actual/New	64.5	82.1
Change (%)	9.9	-5.1
Depreciation (INR b)		
Old	22.9	22.2
Actual/New	22.5	22.2
Change (%)	-1.7	0.0
Interest (INR b)		
Old	3.4	2.9
Actual/New	3.0	2.7
Change (%)	-13.9	-7.2

Source: MOFSL, Company

Story in charts

Exhibit 5: Core EBITDA margin up 25% in 1QFY23

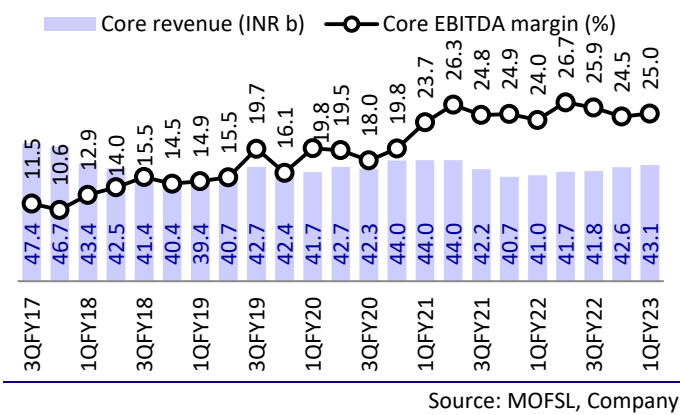


Exhibit 6: Revenue and EBITDA contribution from the Data business

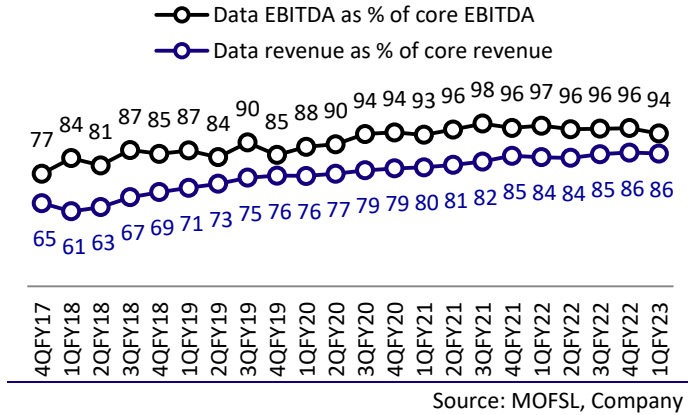


Exhibit 7: Revenue from Voice increases QoQ

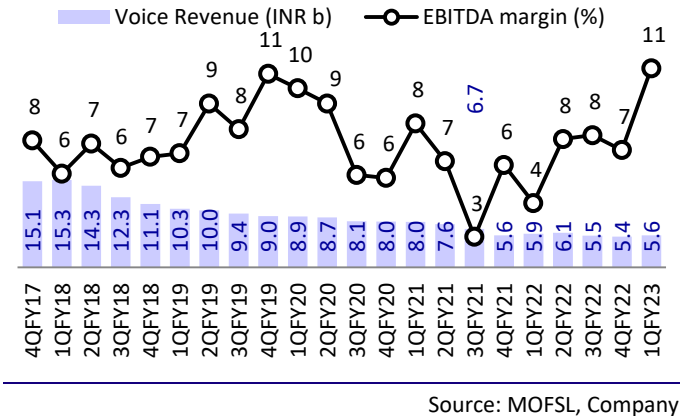


Exhibit 8: Revenue from Data up 2.9% QoQ

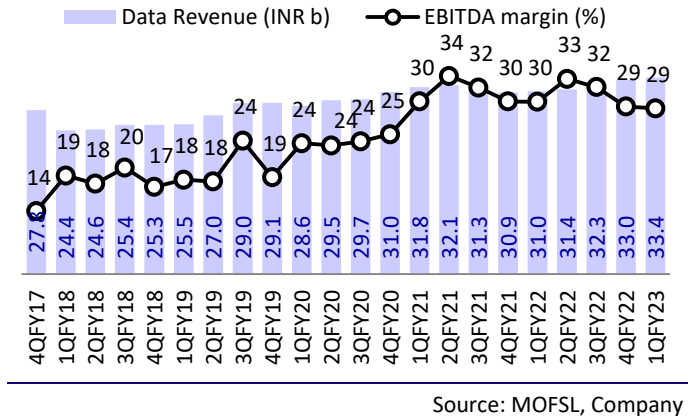
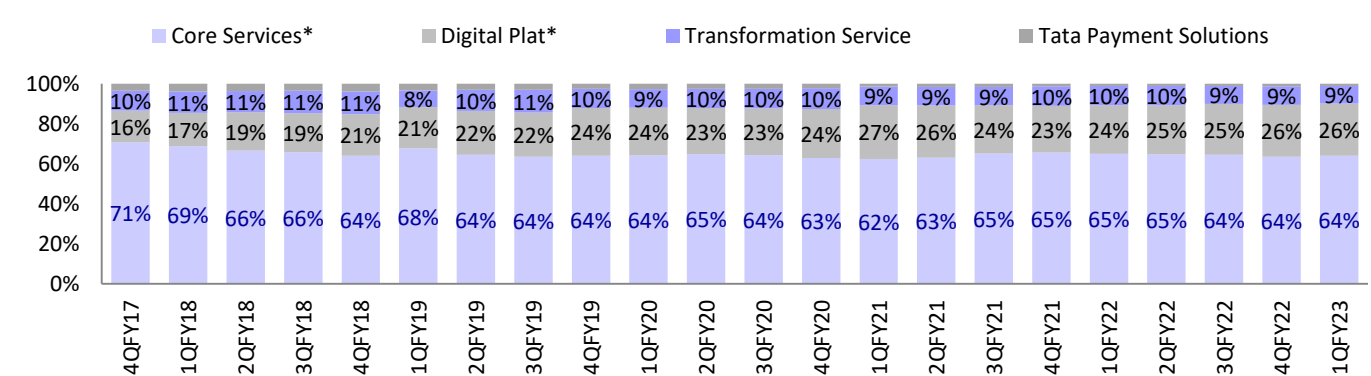
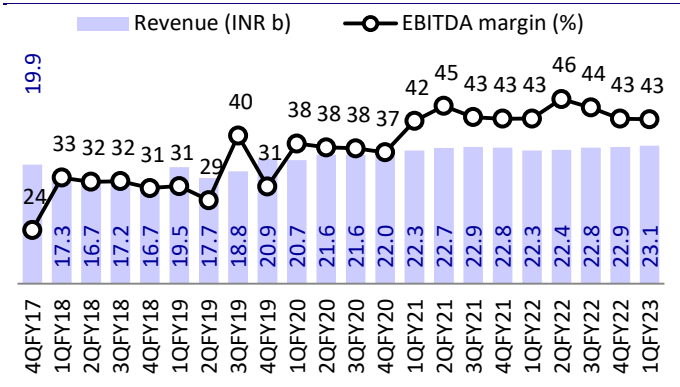


Exhibit 9: Revenue contribution from the various segments in 1QFY23 (%)



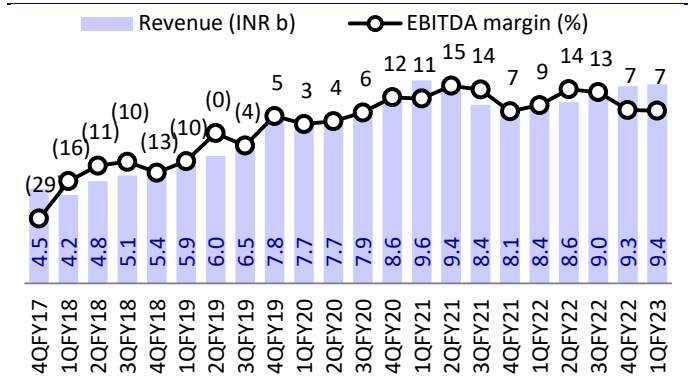
*revised as per the new reporting structure. Source: MOFSL, Company

Exhibit 10: Revenue and EBITDA margin trend for Core Services (traditional business)



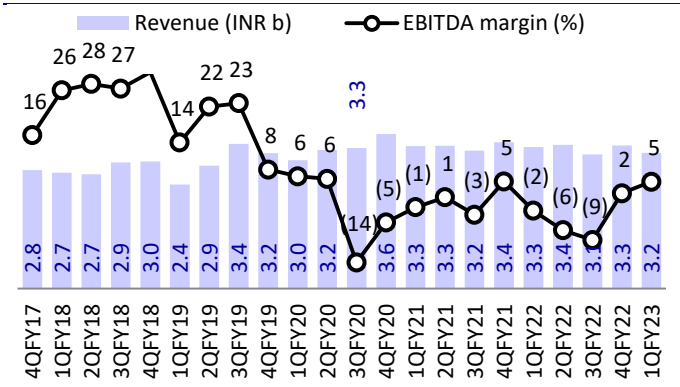
Source: MOFSL, Company

Exhibit 11: Digital Platform and Services (growth business)



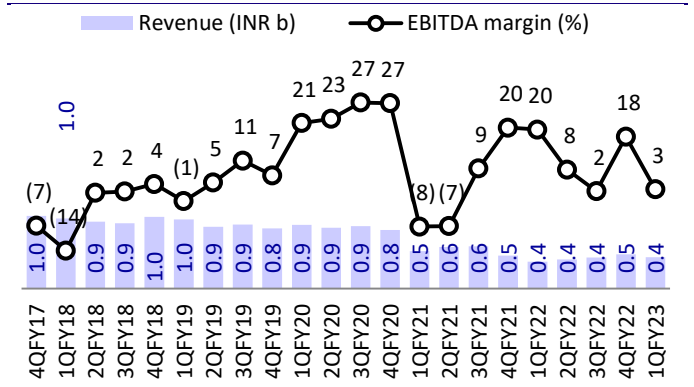
Source: MOFSL, Company

Exhibit 12: Revenue and EBITDA trend in the Transformation business



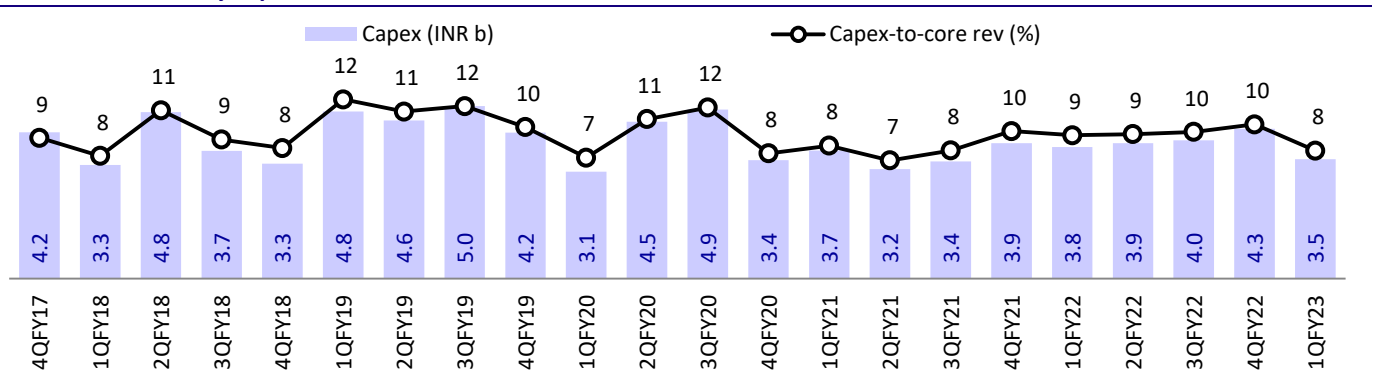
Source: MOFSL, Company

Exhibit 13: Revenue and EBITDA trend in the Payment Solutions business



Source: MOFSL, Company

Exhibit 14: Quarterly capex trend



Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	1,99,090	1,81,486	1,76,197	1,67,717	1,65,250	1,70,680	1,71,001	1,67,247	1,80,192	1,99,416
Change (%)	1.5	-8.8	-2.9	-4.8	-1.5	3.3	0.2	-2.2	7.7	10.7
Network Cost	1,05,543	96,724	88,119	79,032	71,620	67,776	63,333	61,995	64,543	71,275
Staff Cost	27,948	27,396	28,394	29,775	29,597	30,391	30,491	30,403	33,168	35,013
Operating and Other Expense	35,702	32,949	35,625	34,787	36,584	39,623	34,572	32,582	36,074	39,043
Total Expenditure	1,69,193	1,57,069	1,52,138	1,43,595	1,37,801	1,37,790	1,28,395	1,24,980	1,33,785	1,45,331
As a percentage of Sales	85.0	86.5	86.3	85.6	83.4	80.7	75.1	74.7	74.2	72.9
EBITDA	29,897	24,417	24,059	24,122	27,449	32,890	42,606	42,267	46,407	54,085
Margin (%)	15.0	13.5	13.7	14.4	16.6	19.3	24.9	25.3	25.8	27.1
Depreciation	21,611	18,643	18,658	19,063	20,676	23,577	23,139	22,045	22,525	22,153
EBIT	8,286	5,774	5,401	5,059	6,773	9,312	19,467	20,222	23,883	31,932
Int. and Finance Charges	7,508	4,091	3,672	3,445	3,966	4,707	4,202	3,603	2,950	2,713
Other Income	4,008	3,966	3,603	2,597	603	697	1,568	3,321	3,366	1,950
PBT bef. EO Exp.	4,786	5,650	5,332	4,211	3,410	5,302	16,833	19,940	24,298	31,169
EO Items	-1,052	-1,028	-10,633	-3,755	22	-3,905	-747	60	0	0
PBT after EO Exp.	3,734	4,622	-5,301	456	3,432	1,397	16,085	20,000	24,298	31,169
Total Tax	3,705	2,329	2,364	3,549	2,733	2,267	3,549	5,221	5,960	7,804
Tax Rate (%)	99.2	50.4	-44.6	778.2	79.6	162.3	22.1	26.1	24.5	25.0
Minority Interest	17	18	-25	193	1,523	-11	30	-39	-39	-39
Reported PAT	13	2,276	-7,640	-3,286	-824	-860	12,506	14,818	18,378	23,404
Adjusted PAT	3,027	973	3,016	331	-624	3,011	13,253	14,774	18,378	23,404
Change (%)	-43.2	-67.9	210.0	-89.0	-288.6	-582.2	340.2	11.5	24.4	27.4
Margin (%)	1.5	0.5	1.7	0.2	-0.4	1.8	7.8	8.8	10.2	11.7

Consolidated Balance Sheet

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	2,850	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	-1,695	6,426	24,804	48,208
Net Worth	3,215	-3,634	15,919	4,993	-1,818	-12,784	1,155	9,276	27,654	51,058
Minority Interest	59	69	184	45	58	48	282	285	285	285
Total Loans	1,30,757	1,51,181	99,516	95,395	1,06,844	81,575	98,011	78,968	75,320	63,320
Lease liabilities						39,938	14,351	12,248	12,248	12,248
Deferred Tax Liabilities	-2,015	-1,072	71	-477	-887	-2,495	-2,824	-1,868	-1,868	-1,868
Capital Employed	1,32,015	1,46,545	1,15,690	99,956	1,04,196	1,06,282	1,10,975	98,908	1,13,638	1,25,042
Gross Block	2,99,608	3,08,467	2,70,923	2,88,666	1,16,569	1,29,126	1,51,316	1,70,360	1,67,565	1,67,744
Less: Accum. Deprn.	1,56,419	1,67,208	1,61,638	1,80,701	5,006	28,583	51,722	73,767	96,292	1,18,445
Net Fixed Assets	1,43,190	1,41,259	1,09,285	1,07,965	1,11,563	1,00,543	99,594	96,593	71,273	49,299
Right to use assets						15,956	13,337	11,488	11,488	11,488
Goodwill on Consolidation	3,848	3,246	0	0	863	918	1,103	1,083	1,083	1,083
Capital WIP	6,383	7,998	7,509	5,203	4,082	4,466	6,091	8,723	8,723	8,723
Total Investments	17,675	18,306	24,340	12,502	14,913	15,631	22,334	15,652	15,652	15,652
Curr. Assets, Loans, and Adv.	68,841	79,095	69,199	69,425	67,205	72,016	67,773	60,968	96,256	1,33,862
Inventory	264	254	192	270	766	730	344	379	390	431
Account Receivables	24,870	30,189	25,900	28,912	29,685	32,289	26,077	25,821	29,621	32,781
Cash and Bank Balance	16,212	19,763	10,793	12,956	8,521	9,091	9,271	7,434	38,293	71,486
Loans and Advances	27,495	28,889	32,313	27,288	28,234	29,906	32,081	27,334	27,953	29,164
Curr. Liability and Prov.	1,07,922	1,03,359	94,643	95,139	94,429	1,03,248	99,257	95,599	90,836	95,064
Account Payables	36,697	35,764	35,814	34,716	36,885	38,450	32,395	30,065	29,621	30,049
Other Current Liabilities	61,538	61,748	53,142	54,759	51,527	57,252	59,981	57,868	56,773	60,098
Provisions	9,687	5,847	5,687	5,664	6,016	7,546	6,881	7,666	4,443	4,917
Net Current Assets	-39,081	-24,264	-25,444	-25,714	-27,224	-31,232	-31,484	-34,631	5,419	38,798
Appl. of Funds	1,32,015	1,46,545	1,15,690	99,956	1,04,196	1,06,282	1,10,975	98,908	1,13,638	1,25,042

E: MOSL estimates

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)										
EPS	10.6	3.4	10.6	1.2	-2.2	10.6	46.5	51.8	64.5	82.1
Cash EPS	86.4	68.8	76.0	68.0	70.4	93.3	127.7	129.2	143.5	159.9
BV/Share	11.3	-12.7	55.9	17.5	-6.4	-44.9	4.1	32.5	97.0	179.2
DPS	5.5	4.3	6.0	4.5	4.5	4.0	4.0	4.0	4.0	4.0
Payout (%)	13,711.6	64.2	-25.0	-45.4	-181.0	-154.2	10.6	8.9	7.2	5.7
Valuation (x)										
P/E ratio	101.5	315.7	101.9	927.9	-492.0	102.0	23.2	20.8	16.7	13.1
Cash P/E ratio	12.5	15.7	14.2	15.8	15.3	11.6	8.4	8.3	7.5	6.7
P/BV ratio	95.6	-84.6	19.3	61.5	-169.0	-24.0	266.1	33.1	11.1	6.0
EV/Sales ratio	2.1	2.4	2.2	2.3	2.5	2.2	2.3	2.3	1.9	1.5
EV/EBITDA ratio	14.1	18.0	16.5	16.2	14.8	11.5	9.3	9.0	7.4	5.5
Dividend Yield (%)	0.5	0.4	0.6	0.4	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	64.5	89.7	119.5	161.1
Return Ratios (%)										
RoE	54.0	-464.6	49.1	3.2	-39.3	-41.2	-227.9	283.3	99.5	59.5
RoCE	0.1	3.4	9.9	3.8	1.5	-7.2	19.5	18.6	21.5	23.4
RoIC	0.1	3.0	9.0	2.1	1.9	-7.5	20.2	21.3	30.5	59.7
Working Capital Ratios										
Fixed Asset Turnover (x)	0.7	0.6	0.7	0.6	1.4	1.3	1.1	1.0	1.1	1.2
Asset Turnover (x)	1.5	1.2	1.5	1.7	1.6	1.6	1.5	1.7	1.6	1.6
Inventory (Days)	0	1	0	1	2	2	1	1	1	1
Debtor (Days)	46	61	54	63	66	69	56	56	60	60
Creditor (Days)	67	72	74	76	81	82	69	66	60	55
Leverage Ratio (x)										
Current Ratio	0.6	0.8	0.7	0.7	0.7	0.7	0.7	0.6	1.1	1.4
Interest Coverage Ratio	1.1	1.4	1.5	1.5	1.7	2.0	4.6	5.6	8.1	11.8
Net Debt/Equity ratio	30.1	-31.1	4.0	14.0	-45.9	-4.4	57.5	6.0	0.8	-0.5

Consolidated Cash Flow Statement

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
(INR m)										
OP/(Loss) before Tax	3,734	2,626	20,188	456	3,432	-848	12,515	20,000	24,298	31,169
Depreciation	21,611	22,194	19,469	19,063	20,676	23,577	23,139	22,045	22,525	22,153
Interest and Finance Charges	6,680	7,151	6,875	3,445	3,966	4,707	4,202	3,603	2,950	2,713
Direct Taxes Paid	-1,120	-4,238	-7,404	-3,549	-2,733	-2,793	-4,964	887	-5,960	-7,804
(Inc.)/Dec. in WC	-1,339	-4,432	-227	2,433	-3,335	-2,513	-5,526	-4,718	-9,191	-185
CF from Operations	29,565	23,301	38,900	21,847	22,005	22,131	29,366	41,817	34,622	48,046
Others	718	326	-14,965	-8,796	-6,577	3,117	2,433	222	-3,366	-1,950
CF from Operations incl. EO	30,283	23,627	23,935	13,051	15,428	25,248	31,798	42,038	31,256	46,095
(Inc.)/Dec. in FA	-17,713	-20,287	-17,952	-15,437	-23,152	-14,856	-13,428	-16,468	2,796	-179
Free Cash Flow	12,570	3,340	5,983	-2,386	-7,724	10,392	18,371	25,570	34,052	45,916
(Pur.)/Sale of Investments	-1,720	-3,084	7,815	11,838	-2,411	-491	-6,916	9,441	0	0
Others	2,550	3,409	10,023	2,597	-260	49	298	-1,923	3,366	1,950
CF from Investments	-16,884	-19,963	-114	-1,003	-25,823	-15,298	-20,046	-8,950	6,161	1,771
Inc./(Dec.) in Debt	-5,088	7,602	-28,219	-4,121	11,448	-4,044	-8,381	-27,820	-3,648	-12,000
Interest Paid	-6,285	-5,807	-3,086	-3,445	-3,966	-3,850	-2,515	-2,476	-2,950	-2,713
Dividend Paid	-1,467	-1,873	-1,424	-1,988	0	-1,508	-1,140	-3,990	0	0
Others	-1,043	-34	-62	-332	-1,523	23	463	-639	39	39
CF from Fin. Activity	-13,883	-113	-32,791	-9,885	5,960	-9,379	-11,573	-34,926	-6,559	-14,674
Inc./Dec. in Cash	-483	3,551	-8,970	2,163	-4,435	571	180	-1,837	30,859	33,193
Opening Balance	16,695	16,211	19,763	10,793	12,956	8,521	9,091	9,271	7,434	38,293
Closing Balance	16,211	19,763	10,793	12,956	8,521	9,091	9,271	7,434	38,293	71,486

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.