

# Barbeque Nation Hospitality

Estimate change

TP change

Rating change



|                             | BARBEQUE IN |
|-----------------------------|-------------|
| Bloomberg Equity Shares (m) | 39          |
| M.Cap.(INRb)/(USD)          | 32.8 / 0.4  |
| 52-Week Range (INR)         | 1440 / 815  |
| 1, 6, 12 Rel. Per (%)       | -10/-28/-42 |
| 12M Avg Val (INR M)         | 185         |

## Financials & Valuations (INR b)

| Y/E March      | FY23E | FY24E | FY25E |
|----------------|-------|-------|-------|
| Sales          | 12.6  | 15.4  | 18.1  |
| Sales Gr. (%)  | 46.4  | 22.6  | 17.3  |
| EBITDA         | 2.5   | 3.1   | 3.8   |
| Margins (%)    | 19.8  | 20.2  | 20.9  |
| Adj. PAT       | 0.3   | 0.5   | 0.7   |
| Adj. EPS (INR) | 6.7   | 13.1  | 19.0  |
| EPS Gr. (%)    | L/P   | 96.3  | 44.6  |
| BV/Sh.(INR)    | 105.9 | 119.0 | 138.0 |

## Ratios

|          |     |      |      |
|----------|-----|------|------|
| RoE (%)  | 6.3 | 11.0 | 13.8 |
| RoCE (%) | 7.7 | 9.5  | 10.8 |

## Valuation

|                          |       |      |      |
|--------------------------|-------|------|------|
| P/E (x)                  | 125.9 | 64.1 | 44.4 |
| P/BV (x)                 | 8.0   | 7.1  | 6.1  |
| EV/EBITDA (x)            | 12.4  | 9.7  | 7.7  |
| Pre-IND AS EV/EBITDA (x) | 20.8  | 14.8 | 13.5 |

## Shareholding pattern (%)

| As On    | Dec-22 | Sep-22 | Dec-21 |
|----------|--------|--------|--------|
| Promoter | 33.8   | 33.8   | 34.5   |
| DII      | 27.3   | 28.0   | 17.0   |
| FII      | 16.4   | 15.4   | 11.6   |
| Others   | 22.5   | 22.9   | 36.9   |

FII Includes depository receipts

CMP: INR842

TP: INR870 (+3%)

Neutral

## Weak SSSG dents margins; outlook uncertain

- BARBEQUE's 3QFY23 results were below expectations with subdued operating environment and higher-than-expected impact of new stores on margins, which led to absolute EBITDA declining ~6% YoY to INR620m (18% below our expectations).
- Management commentary on demand in Jan'23 did not offer scope for optimism from a near-term perspective.
- Valuations are fair at 14.8x FY24E and 13.5x FY25 pre-Ind AS EV/EBITDA. **We reiterate our Neutral rating on the stock with a TP of INR870, based on 14x FY25 Pre Ind-AS EV/EBITDA.**

## Weak results on all fronts

- BARBEQUE's reported sales grew 14.5% YoY, and 5.7% QoQ to INR3,282m (est. INR3,497m).
- SSSG stood at -1.2% YoY (est. 4%) in 3QFY23.
- BARBEQUE opened 10 Barbeque Nation (BBQN) stores, taking the number of stores to **192 in India and 6 globally** at the end of 3QFY23. It has **12 extension kitchens** for BBQN and **14 Toscano** outlets at the end of 3QFY23. Total metro and tier-1 accounted for 156 stores and tier 2/3 accounted for 56 stores.
- Gross margin was up 90bp YoY/ 60bp QoQ to 66.7% (est. 66.5%).
- EBITDA grew 18.9% YoY to INR620m (est. 756m).
- EBITDA margin came in at 18.9% v/s 22.9% YoY and 18.8% QoQ (est. 21.6%).
- Adj. PAT declined 66.1% YoY to INR50m (est. 174m).
- 9MFY23 sales/EBITDA grew 56.4%/113.8% to INR9,535m/1,907m, respectively. Adj. PAT came in at INR252m v/s loss of INR262m.

## Highlights from the management commentary

- **Demand** - Subdued demand environment was witnessed during the quarter, which led to a SSSG decline. Demand environment remains uncertain as Jan'23 was lower than management's expectations after taking into account Omicron impact in the base.
- **Some cannibalization** - There has been some impact on SSSG, after the opening of a second store in some cities in non-metro locations.
- **Expansion** - Management reiterated its target of expansion of 35-40 stores in both FY24 and FY25.
- **Factors affecting margins** - EBITDA margins were down YoY, due to lower SSSG, unfavorable change in mix of old and new stores, and higher corporate expenses as a percentage of sales in 3QFY23.
- **New stores impact** - Mature stores to new stores mix now at 20:80 v/s 5:95 last year. FY24 margins will also experience some negative impact of new stores before it starts to recover in FY25.

**Valuation and view**

- Changes to our model led to a ~6% decline each in our FY23/FY24 EBITDA forecasts.
- We reiterate our Neutral rating on fair valuations, inherently lower return ratios as compared to QSRs, and its potential vulnerability of its higher ticket size delivery business in an inflationary environment. We reiterate our **neutral rating on the stock with a TP of INR870 based on 14x FY25 Pre Ind-AS EV/EBITDA.**

**Quarterly Performance**

| Y/E March       | (INR m) |       |       |        |       |       |       |       |       |        |       |          |
|-----------------|---------|-------|-------|--------|-------|-------|-------|-------|-------|--------|-------|----------|
|                 | FY22    |       |       |        | FY23  |       |       |       | FY22  | FY23E  | FY23  | Var. (%) |
|                 | 1Q      | 2Q    | 3Q    | 4Q     | 1Q    | 2Q    | 3Q    | 4QE   |       | 3QE    |       |          |
| SSSG (%)        | 960.0   | 184.0 | 42.7  | 5.5    | 182.0 | 23.4  | -1.2  | 5.0   | 64.7  | 16.6   | 4.0   |          |
| No. of stores   | 166     | 167   | 174   | 185    | 195   | 205   | 212   | 225   | 185   | 225    | 215   |          |
| Net Sales       | 1,020   | 2,209 | 2,867 | 2,510  | 3,149 | 3,105 | 3,282 | 3,062 | 8,606 | 12,597 | 3,497 | -6.2     |
| YoY change (%)  | 939.1   | 190.3 | 47.1  | 10.9   | 208.8 | 40.6  | 14.5  | 22.0  | 69.7  | 46.4   | 22.0  |          |
| Gross Profit    | 600     | 1,450 | 1,886 | 1,622  | 2,103 | 2,051 | 2,189 | 2,022 | 5,558 | 8,364  | 2,326 |          |
| Margin (%)      | 58.9    | 65.6  | 65.8  | 64.6   | 66.8  | 66.1  | 66.7  | 66.0  | 64.6  | 66.4   | 66.5  |          |
| EBITDA          | -178    | 413   | 657   | 445    | 705   | 583   | 620   | 583   | 1,337 | 2,491  | 756   | -18.0    |
| EBITDA growth % | N/M     | N/M   | 59.6  | -2.1   | N/M   | 41.1  | -5.7  | 31.0  | 188.3 | 86.2   | 15.0  |          |
| Margin (%)      | -17.5   | 18.7  | 22.9  | 17.7   | 22.4  | 18.8  | 18.9  | 19.1  | 15.5  | 19.8   | 21.6  |          |
| Depreciation    | 289     | 304   | 340   | 340    | 352   | 350   | 382   | 400   | 1,273 | 1,483  | 370   |          |
| Interest        | 166     | 153   | 172   | 162    | 175   | 180   | 183   | 204   | 653   | 741    | 190   |          |
| Other Income    | 74      | 85    | 45    | 59     | 30    | 16    | 12    | 30    | 263   | 88     | 30    |          |
| PBT             | -559    | 41    | 190   | 2      | 208   | 69    | 67    | 10    | -326  | 354    | 226   | -70.5    |
| Tax             | -120    | 10    | 44    | -3     | 48    | 26    | 17    | 2     | -69   | 94     | 52    |          |
| Rate (%)        | 21.5    | 24.9  | 23.2  | -109.0 | 23.1  | 38.3  | 25.7  | 21.1  | 21.1  | 26.5   | 23.0  |          |
| Adjusted PAT    | -439    | 31    | 146   | 5      | 160   | 43    | 50    | 8     | -257  | 260    | 174   | -71.5    |
| YoY change (%)  | N/M     | L/P   | L/P   | -92.4  | N/M   | 39.2  | -66.1 | 60.8  | -     | -      | 19.0  |          |

E: MOSL Estimates

**Key Performance Indicators**

| Y/E March                    | FY22  |        |       |       | FY23   |       |       |
|------------------------------|-------|--------|-------|-------|--------|-------|-------|
|                              | 1Q    | 2Q     | 3Q    | 4Q    | 1Q     | 2Q    | 3Q    |
| <b>Channel mix (%)</b>       |       |        |       |       |        |       |       |
| Dine-in                      | 45.0  | 76.8   | 83.7  | 82.2  | 86.6   | 87.4  | 86.3  |
| Delivery                     | 55.0  | 23.2   | 16.3  | 17.8  | 13.4   | 12.6  | 13.7  |
| <b>2Y average growth (%)</b> |       |        |       |       |        |       |       |
| Sales                        | 939.1 | 190.3  | 47.1  | 14.7  | 573.9  | 115.4 | 30.8  |
| EBITDA                       | -     | -      | 59.6  | 40.0  | -      | -     | 27.0  |
| PAT                          | -     | -      | -     | -92.4 | -      | -     | -     |
| <b>% of Sales</b>            |       |        |       |       |        |       |       |
| COGS                         | 41.1  | 34.4   | 34.2  | 35.4  | 33.2   | 33.9  | 33.3  |
| Operating Expenses           | 76.3  | 46.9   | 42.9  | 46.9  | 44.4   | 47.3  | 47.8  |
| Depreciation                 | 28.3  | 13.8   | 11.9  | 13.5  | 11.2   | 11.3  | 11.6  |
| <b>YoY change (%)</b>        |       |        |       |       |        |       |       |
| COGS                         | 511.9 | 163.5  | 46.4  | 17.5  | 149.3  | 38.8  | 11.4  |
| Operating Expenses           | 99.4  | 101.3  | 41.8  | 11.8  | 79.6   | 41.6  | 27.7  |
| Other Income                 | -51.5 | -27.1  | -47.6 | -44.2 | -59.4  | -81.2 | -73.5 |
| EBIT                         | -29.9 | -131.7 | 221.6 | -35.4 | -175.5 | 113.7 | -25.0 |



## Key takeaways from the management interaction

### Operating environment

- Subdued demand environment during the quarter led to a marginal SSSG decline. Demand environment continues to remain uncertain.
- Jan'23 was lower than expectations on SSSG.
- There has been some impact on SSSG after the opening of a second store in some non-metro cities.
- Dine sales were up 18% up YoY and 4.4% sequentially. Delivery sales was up sequentially but down on a YoY basis.
- Corporate business is not back to pre-covid levels, but is improving YoY.
- Metro demand is reasonable; however, it is not the case in Tier 2/3 cities.
- Demand in South is decent, but in the East, it is weak.

### Stores and expansion

- Opened 10 restaurants and closed 3 in the quarter.
- As of now, there are 16 restaurants under construction and the management targets to meet 40 openings in FY23.
- FY24, 35-40 new restaurants to be opened. Metro- and Tier 1 will be 70% of expansion and 30% will be Tier 2/3.
- 'Dumsafar' Biryani is available in 50% of outlets and has received a good rating response. It will be rolled out to all their Barbeque Nation outlets. In the initial stores where it was launched, it is adding ~INR7000 ADS per day.

### Costs and margins

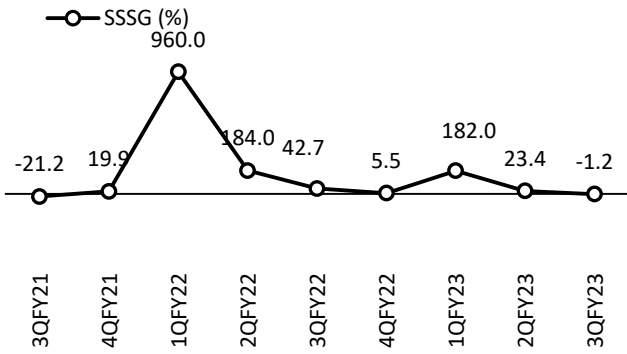
- Gross margins improved sequentially because of stable RM costs.
- EBITDA margins were down YoY due to lower SSSG, unfavorable mix of old and new stores, and higher corporate expenses as a percentage of sales.
- Mature stores to new store mix is now 20:80 v/s 5:95 last year.
- FY24 margins will also experience some negative impact of new stores before margin recovery in FY25.
- There has been no price hike in the last eight months.

### Other points

- 5.4m cumulative app downloads and ~27% of system revenues come from the app.
- Capex incurred in 9MFY23 stood at ~INR 1.1.b compared to OCF of INR1.05b.

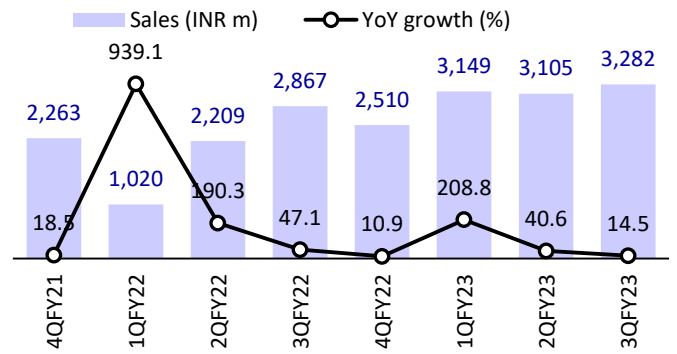
Key Exhibits

Exhibit 1: YoY SSSG stood at -1.2% in 3QFY23



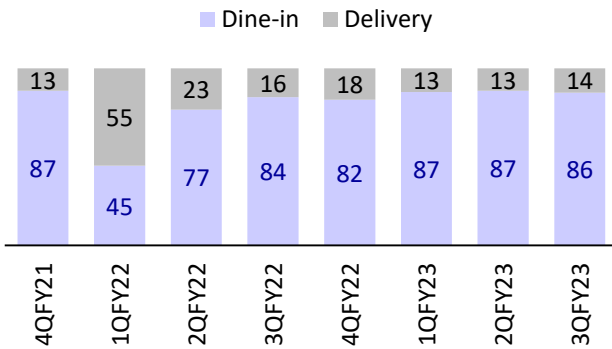
Source: Company, MOFSL

Exhibit 2: Net sales grew 14.5% YoY to INR3.3b in 3QFY23



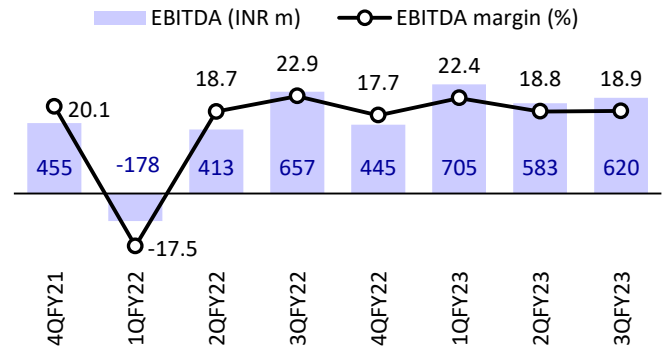
Source: Company, MOFSL

Exhibit 3: Dine-in contribution stood at 86% in 3QFY23



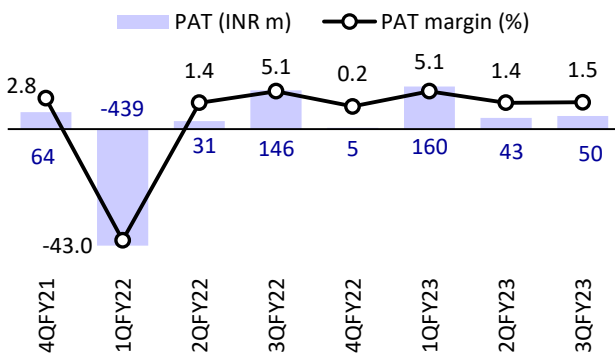
Source: Company, MOFSL

Exhibit 4: EBITDA margin came in at 18.9% in 3QFY23



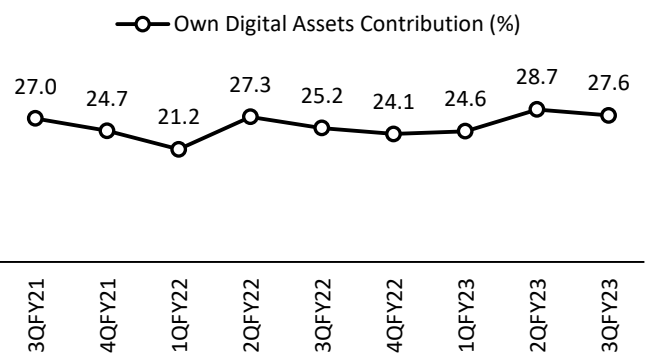
Source: Company, MOFSL

Exhibit 5: Adjusted PAT came in at INR50m in 3QFY23



Source: Company, MOFSL

Exhibit 6: Contribution from its own digital assets stood at 27.6% in 3QFY23



Source: Company, MOFSL

## Valuation and view

- Changes to our model led to a ~6% decline each in our FY23/FY24 EBITDA forecasts.
- We reiterate our Neutral rating on fair valuations, inherently lower return ratios as compared to QSRs, and its potential vulnerability of its higher ticket size delivery business in an inflationary environment. **We reiterate our neutral rating with a TP of INR870, based on 14x FY25 Pre Ind-AS EV/EBITDA.**

**Exhibit 7: We decrease our EBITDA forecast for FY23/FY24/FY25 by 6%/5.8%/3.5%, respectively**

| INR m  | New    |        |        | Old    |        |        | Change (%) |       |       |
|--------|--------|--------|--------|--------|--------|--------|------------|-------|-------|
|        | FY23E  | FY24E  | FY25E  | FY23E  | FY24E  | FY25E  | FY23E      | FY24E | FY25E |
| Sales  | 12,597 | 15,446 | 18,116 | 12,961 | 15,847 | 18,546 | -2.8       | -2.5  | -2.3  |
| EBITDA | 2,491  | 3,117  | 3,782  | 2,649  | 3,308  | 3,918  | -6.0       | -5.8  | -3.5  |
| PAT    | 260    | 511    | 739    | 430    | 664    | 851    | -39.5      | -23.1 | -13.2 |

Source: Company, MOFSL

## Financials and valuations

| Income Statement         |              |              |              |               |              |               | (INR m)       |               |  |
|--------------------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|---------------|--|
| Y/E March                | 2018         | 2019         | 2020         | 2021          | 2022         | 2023E         | 2024E         | 2025E         |  |
| <b>Net Sales</b>         | <b>5,863</b> | <b>7,390</b> | <b>8,470</b> | <b>5,071</b>  | <b>8,606</b> | <b>12,597</b> | <b>15,446</b> | <b>18,116</b> |  |
| Change (%)               | 19.8         | 26.0         | 14.6         | -40.1         | 69.7         | 46.4          | 22.6          | 17.3          |  |
| Material Consumed        | 1,978        | 2,476        | 2,922        | 1,782         | 3,047        | 4,233         | 5,175         | 6,069         |  |
| <b>Gross Profit</b>      | <b>3,885</b> | <b>4,914</b> | <b>5,548</b> | <b>3,288</b>  | <b>5,558</b> | <b>8,364</b>  | <b>10,272</b> | <b>12,047</b> |  |
| Gross Margin %           | 66.3         | 66.5         | 65.5         | 64.8          | 64.6         | 66.4          | 66.5          | 66.5          |  |
| Operating expenses       | 2,522        | 3,455        | 3,906        | 2,825         | 4,221        | 5,874         | 7,155         | 8,265         |  |
| <b>EBITDA</b>            | <b>1,363</b> | <b>1,459</b> | <b>1,642</b> | <b>464</b>    | <b>1,337</b> | <b>2,491</b>  | <b>3,117</b>  | <b>3,782</b>  |  |
| Change (%)               | 15.9         | 7.0          | 12.6         | -71.8         | 188.3        | 86.2          | 25.1          | 21.3          |  |
| Margin (%)               | 23.2         | 19.7         | 19.4         | 9.1           | 15.5         | 19.8          | 20.2          | 20.9          |  |
| Depreciation             | 703          | 895          | 1,340        | 1,212         | 1,273        | 1,483         | 1,801         | 2,073         |  |
| Int. and Fin. Ch.        | 536          | 564          | 756          | 849           | 653          | 741           | 771           | 840           |  |
| Other Non-recurring Inc. | 41           | 35           | 38           | 460           | 263          | 88            | 139           | 120           |  |
| <b>PBT</b>               | <b>165</b>   | <b>35</b>    | <b>-415</b>  | <b>-1,136</b> | <b>-326</b>  | <b>354</b>    | <b>683</b>    | <b>988</b>    |  |
| Change (%)               | 26.6         | -79.1        | P/L          | -             | -            | L/P           | 92.9          | 44.6          |  |
| Margin (%)               | 2.8          | 0.5          | -4.9         | -22.4         | -3.8         | 2.8           | 4.4           | 5.5           |  |
| Tax                      | 124          | 144          | 78           | -197          | -69          | 94            | 172           | 249           |  |
| Tax Rate (%)             | 74.9         | 416.8        | -18.8        | 17.3          | 21.1         | 26.5          | 25.2          | 25.2          |  |
| <b>Adjusted PAT</b>      | <b>41</b>    | <b>-109</b>  | <b>-493</b>  | <b>-940</b>   | <b>-257</b>  | <b>260</b>    | <b>511</b>    | <b>739</b>    |  |
| Change (%)               | -37.5        | P/L          | -            | -             | -            | L/P           | 96.3          | 44.6          |  |
| Margin (%)               | 0.7          | -1.5         | -5.8         | -18.5         | -3.0         | 2.1           | 3.3           | 4.1           |  |
| <b>Reported PAT</b>      | <b>-58</b>   | <b>-384</b>  | <b>-324</b>  | <b>-905</b>   | <b>-257</b>  | <b>260</b>    | <b>511</b>    | <b>739</b>    |  |

| Balance Sheet                |              |              |              |              |               |               | (INR m)       |               |  |
|------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|--|
| Y/E March                    | 2018         | 2019         | 2020         | 2021         | 2022          | 2023E         | 2024E         | 2025E         |  |
| Share Capital                | 138          | 140          | 140          | 170          | 195           | 195           | 195           | 195           |  |
| Reserves                     | 1,312        | 1,176        | -81          | 2,269        | 3,665         | 3,926         | 4,437         | 5,175         |  |
| <b>Net Worth</b>             | <b>1,450</b> | <b>1,316</b> | <b>59</b>    | <b>2,439</b> | <b>3,860</b>  | <b>4,120</b>  | <b>4,631</b>  | <b>5,370</b>  |  |
| Loans                        | 1,277        | 1,579        | 2,450        | 1,528        | 218           | 400           | 400           | 400           |  |
| Lease Liabilities            | 3,507        | 4,200        | 4,816        | 4,498        | 5,887         | 6,342         | 6,883         | 7,526         |  |
| Others                       | 0            | 0            | 52           | 38           | 93            | 93            | 93            | 93            |  |
| <b>Capital Employed</b>      | <b>6,234</b> | <b>7,095</b> | <b>7,377</b> | <b>8,503</b> | <b>10,057</b> | <b>10,956</b> | <b>12,007</b> | <b>13,390</b> |  |
| Gross Block                  | 7,446        | 9,619        | 11,910       | 12,049       | 14,728        | 16,251        | 17,768        | 19,566        |  |
| Less: Accum. Depn.           | 2,197        | 2,986        | 4,507        | 5,456        | 6,728         | 8,934         | 10,495        | 12,358        |  |
| <b>Net Fixed Assets</b>      | <b>5,249</b> | <b>6,634</b> | <b>7,404</b> | <b>6,593</b> | <b>8,000</b>  | <b>7,317</b>  | <b>7,273</b>  | <b>7,208</b>  |  |
| Capital WIP                  | 185          | 159          | 109          | 60           | 212           | 212           | 212           | 212           |  |
| Goodwill                     | 230          | 190          | 723          | 723          | 723           | 723           | 723           | 723           |  |
| Investments                  | 0            | 0            | 0            | 0            | 0             | 1,300         | 1,600         | 1,410         |  |
| <b>Curr. Assets, L&amp;A</b> | <b>1,568</b> | <b>1,209</b> | <b>1,319</b> | <b>4,002</b> | <b>2,478</b>  | <b>2,997</b>  | <b>4,074</b>  | <b>5,975</b>  |  |
| Inventory                    | 190          | 193          | 149          | 202          | 358           | 380           | 508           | 596           |  |
| Account Receivables          | 56           | 49           | 22           | 26           | 57            | 79            | 85            | 99            |  |
| Cash and Bank Balance        | 436          | 120          | 147          | 2,455        | 853           | 966           | 1,438         | 2,623         |  |
| Others                       | 886          | 847          | 1,001        | 1,319        | 1,210         | 1,573         | 2,044         | 2,658         |  |
| <b>Curr. Liab. and Prov.</b> | <b>945</b>   | <b>1,057</b> | <b>2,167</b> | <b>2,855</b> | <b>1,356</b>  | <b>1,593</b>  | <b>1,874</b>  | <b>2,138</b>  |  |
| Other Current Liabilities    | 152          | 141          | 894          | 1,237        | 199           | 209           | 213           | 217           |  |
| Creditors                    | 673          | 768          | 1,125        | 1,468        | 988           | 1,208         | 1,481         | 1,737         |  |
| Provisions                   | 120          | 148          | 148          | 150          | 168           | 177           | 180           | 184           |  |
| <b>Net Curr. Assets</b>      | <b>623</b>   | <b>152</b>   | <b>-848</b>  | <b>1,147</b> | <b>1,122</b>  | <b>1,404</b>  | <b>2,200</b>  | <b>3,837</b>  |  |
| Current tax liabilities      | -53          | -40          | -11          | -20          | 0             | 0             | 0             | 0             |  |
| <b>Appl. of Funds</b>        | <b>6,234</b> | <b>7,095</b> | <b>7,377</b> | <b>8,503</b> | <b>10,057</b> | <b>10,956</b> | <b>12,007</b> | <b>13,390</b> |  |

E: MOSL Estimates

## Financials and valuations

### Ratios

| Y/E March                     | 2018  | 2019  | 2020   | 2021  | 2022 | 2023E | 2024E | 2025E |
|-------------------------------|-------|-------|--------|-------|------|-------|-------|-------|
| <b>Basic (INR)</b>            |       |       |        |       |      |       |       |       |
| EPS                           | 1.5   | -3.9  | -17.6  | -27.7 | -6.6 | 6.7   | 13.1  | 19.0  |
| BV/Share                      | 52.5  | 47.0  | 2.1    | 71.9  | 99.2 | 105.9 | 119.0 | 138.0 |
| DPS                           | 0.0   | 0.0   | 0.0    | 0.0   | 0.0  | 0.0   | 0.0   | 0.0   |
| Payout %                      | 0.0   | 0.0   | 0.0    | 0.0   | 0.0  | 0.0   | 0.0   | 0.0   |
| <b>Valuation (x)</b>          |       |       |        |       |      |       |       |       |
| P/E                           | 560.5 | N/M   | N/M    | N/M   | N/M  | 125.9 | 64.1  | 44.4  |
| EV/Sales                      | 4.1   | 3.4   | 3.1    | 5.5   | 3.7  | 2.5   | 2.0   | 1.6   |
| EV/EBITDA                     | 17.7  | 17.2  | 15.8   | 59.6  | 24.0 | 12.4  | 9.7   | 7.7   |
| P/BV                          | 16.0  | 17.9  | 398.5  | 11.7  | 8.5  | 8.0   | 7.1   | 6.1   |
| <b>Return Ratios (%)</b>      |       |       |        |       |      |       |       |       |
| RoE                           | 2.9   | -8.3  | -833.5 | -38.5 | -6.7 | 6.3   | 11.0  | 13.8  |
| RoCE                          | 3.2   | -28.5 | 5.6    | -3.0  | 2.8  | 7.7   | 9.5   | 10.8  |
| RoIC                          | 3.3   | -28.7 | 5.2    | -9.4  | 0.7  | 8.5   | 11.4  | 14.3  |
| <b>Working Capital Ratios</b> |       |       |        |       |      |       |       |       |
| Debtor (Days)                 | 3     | 2     | 1      | 2     | 2    | 2     | 2     | 2     |
| Inventory (Days)              | 12    | 10    | 6      | 15    | 15   | 11    | 12    | 12    |
| Creditor (Days)               | 42    | 38    | 48     | 106   | 42   | 35    | 35    | 35    |
| Asset Turnover (x)            | 0.9   | 1.0   | 1.1    | 0.6   | 0.9  | 1.1   | 1.3   | 1.4   |
| <b>Leverage Ratio</b>         |       |       |        |       |      |       |       |       |
| Debt/Equity (x)               | 0.9   | 1.2   | 41.4   | 0.6   | 0.1  | 0.1   | 0.1   | 0.1   |

### Cash Flow Statement

| Y/E March                    | 2018         | 2019          | 2020          | 2021         | 2022          | 2023E         | 2024E         | 2025E         |
|------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|
| <b>(INR m)</b>               |              |               |               |              |               |               |               |               |
| OP/(loss) before Tax         | 66           | -295          | -251          | -1,115       | -321          | 354           | 683           | 988           |
| Int./Div. Received           | 8            | 207           | -149          | -412         | -137          | -88           | -139          | -120          |
| Depreciation & Amort.        | 753          | 1,022         | 1,340         | 1,212        | 1,273         | 1,483         | 1,801         | 2,073         |
| Interest Paid                | -472         | -488          | -659          | -739         | -500          | -741          | -771          | -840          |
| Direct Taxes Paid            | 145          | 143           | 78            | -12          | 31            | 94            | 172           | 249           |
| Inc/(Dec) in WC              | -121         | 57            | -291          | -244         | 686           | 169           | 324           | 452           |
| <b>CF from Operations</b>    | <b>1,275</b> | <b>1,223</b>  | <b>1,811</b>  | <b>679</b>   | <b>598</b>    | <b>2,227</b>  | <b>2,620</b>  | <b>3,081</b>  |
| Inc/(Dec) in FA              | -1,010       | -1,299        | -840          | -143         | -932          | -1,522        | -1,517        | -1,798        |
| <b>Free Cash Flow</b>        | <b>266</b>   | <b>-76</b>    | <b>971</b>    | <b>536</b>   | <b>-334</b>   | <b>705</b>    | <b>1,103</b>  | <b>1,283</b>  |
| Others                       | 42           | 7             | -678          | 71           | 30            | 3,048         | 2,222         | 2,336         |
| Pur of Investments           | 3            | 0             | 0             | 0            | 0             | -1,300        | -300          | 190           |
| <b>CF from Invest.</b>       | <b>-965</b>  | <b>-1,292</b> | <b>-1,518</b> | <b>-72</b>   | <b>-902</b>   | <b>226</b>    | <b>406</b>    | <b>727</b>    |
| Issue of Shares              | 478          | 320           | 1             | 1,495        | 1,844         | 0             | 0             | 0             |
| Incr in Debt                 | 405          | 302           | 876           | 73           | -1,310        | 182           | 0             | 0             |
| Dividend Paid                | -33          | -34           | -34           | 0            | 0             | 0             | 0             | 0             |
| Others                       | -778         | -836          | -1,109        | 133          | -1,832        | -2,524        | -2,554        | -2,623        |
| <b>CF from Fin. Activity</b> | <b>73</b>    | <b>-247</b>   | <b>-265</b>   | <b>1,700</b> | <b>-1,298</b> | <b>-2,341</b> | <b>-2,554</b> | <b>-2,623</b> |
| <b>Incr/Decr of Cash</b>     | <b>384</b>   | <b>-316</b>   | <b>27</b>     | <b>2,308</b> | <b>-1,602</b> | <b>112</b>    | <b>472</b>    | <b>1,185</b>  |
| Add: Opening Balance         | 53           | 436           | 120           | 147          | 2,455         | 853           | 966           | 1,438         |
| <b>Closing Balance</b>       | <b>436</b>   | <b>120</b>    | <b>147</b>    | <b>2,455</b> | <b>853</b>    | <b>966</b>    | <b>1,438</b>  | <b>2,623</b>  |

E: MOSL Estimates

NOTES



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

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