

HOLD Indus Towers

Tower additions remain strong amid Vi concerns

Telecommunications ▶ Result Update ▶ October 26, 2023

TARGET PRICE (Rs): 195

Tenancy and tower additions for Indus Towers may remain elevated for the next few quarters, led by rural expansion, densification of urban area, and 5G rollouts. Also, 5G will require tower densification once the rollout is largely complete, which though will take some time. Moreover, if the fundraise for Vi materializes, it will alleviate concerns on: i) receivables and ii) long-term demand from a key client. In the interim, we see challenges for Indus, due to: 1) cash crunch for Vi, with no tariff hike; 2) competition from other players like Summit Digitel. We increase FY24E/FY25E/FY26E EBITDA by 0.4%/1.2%/1.5%, respectively, as we adjust for higher tower/tenancy additions. We raise our DCF-based target price to Rs195 /share (Rs185 earlier), as we roll forward our estimates by a quarter. We maintain HOLD on the stock.

Indus Towers: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,71,699	2,72,818	2,86,163	2,99,071	3,09,913
EBITDA	1,43,534	85,686	1,39,355	1,47,816	1,55,014
Adj. PAT	57,289	13,755	52,020	55,344	58,118
Adj. EPS (Rs)	23.3	7.6	19.3	20.5	21.6
EBITDA margin (%)	52.8	31.4	48.7	49.4	50.0
EBITDA growth (%)	9.6	(40.3)	62.6	6.1	4.9
Adj. EPS growth (%)	26.2	(67.5)	155.0	6.4	5.0
RoE (%)	30.1	6.4	24.9	28.4	31.9
RoIC (%)	18.0	5.3	14.6	16.1	18.0
P/E (x)	8.0	33.3	8.8	8.3	7.9
EV/EBITDA (x)	4.4	7.6	4.7	4.5	4.1
P/B (x)	2.1	2.2	2.2	2.5	2.5
FCFF yield (%)	(0.4)	1.2	4.5	7.7	10.4

Source: Company, Emkay Research

Q2 result—Miss on top-line and margin; gross additions improve further

Indus Towers' reported revenue was up 0.8% QoQ in Q2 (a 0.4%/1% miss on consensus/our estimates), led by lower rental revenue (+0.1% QoQ). Energy reimbursement was in-line (up 1.9% QoQ). There was a provision of doubtful debt in respect of receivables of Rs1,335mn from a customer (Vi) in Q2FY24 (vs. Rs870mn in Q1FY24); hence, reported EBITDA/margins are not comparable. Accounting for the provisioning, adjusted EBITDA margin was 49.8%, down by 56bps QoQ. Net tower and tenancy additions improved in Q2, standing at 5,928 and 5,583, respectively (addition of 5,410 towers and 5,410 tenancies in Q1FY24). Exit tenancies were higher at 840 in Q2 vs 518 in Q1. **Gross addition was up, at 6,423 vs. 5,566 in Q1—the highest gross addition in the last 8 quarters.** Consolidated Operating FCF for Q2 stood at Rs3.98bn vs. Rs5.35bn for Q1, on lower EBITDA and higher capex. On the balance sheet front, trade receivables increased to Rs61.9bn vs Rs53bn in Q1, due to delay in payment from one of its customers. This amount has already been cleared in the current month.

Vi fundraise to improve revenue visibility, amid concerns on receivables; HOLD

Indus is witnessing demand for rural expansion and densification in urban areas, particularly from Bharti Airtel. A successful fundraise by Vi will help Indus: i) to repay Indus Towers' dues; and ii) spend on capex for 4G and 5G which will provide revenue visibility for Indus Towers till the end of the moratorium in FY26. Further, 5G will require tower densification once the 5G rollout is largely complete, which will add to the demand. Demand setting would remain healthy for the next few quarters, led by rural expansion, densification of urban areas and 5G rollouts. We see challenges for Indus, due to: i) cash crunch for Vi, with no tariff hike/fund-raise; and ii) competition from other players like Summit Digitel. We increase FY24E/FY25E/FY26E EBITDA by 0.4%/1.2%/1.5%, respectively, as we adjust for higher tower/tenancy additions. We raise our DCF-based target price to Rs195/share (Rs185 earlier), as we roll forward our estimates by a quarter. We maintain HOLD on the stock.

Target Price – 12M	Sep-24
Change in TP (%)	5.4
Current Reco.	HOLD
Previous Reco.	HOLD
Upside/(Downside) (%)	14.6
CMP (26-Oct-23) (Rs)	170.2

Stock Data	Ticker
52-week High (Rs)	206
52-week Low (Rs)	135
Shares outstanding (mn)	2,694.9
Market-cap (Rs bn)	459
Market-cap (USD mn)	5,511
Net-debt, FY24E (Rs mn)	1,99,599
ADTV-3M (mn shares)	9
ADTV-3M (Rs mn)	1,698.2
ADTV-3M (USD mn)	20.4
Free float (%)	-
Nifty-50	18,857
INR/USD	83.2
Shareholding, Sep-23	
Promoters (%)	69.0
FPIs/MFs (%)	21.4/6.7

Price Performance

(%)	1M	3M	12M
Absolute	(10.3)	(5.8)	(9.0)
Rel. to Nifty	(6.4)	(1.2)	(14.8)

1-Year share price trend (Rs)**Santosh Sinha**

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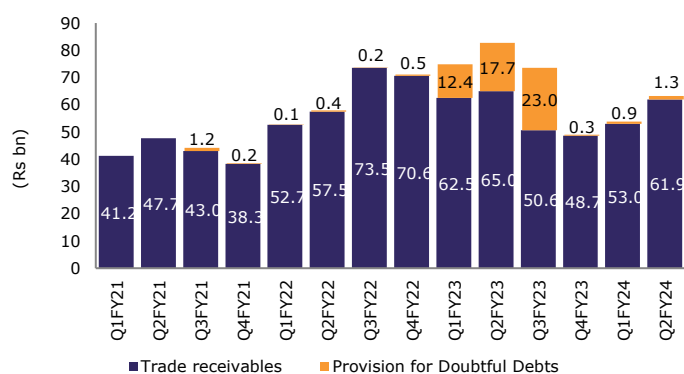
Key takeaways from the Q2FY24 earnings call

- 5G deployments happening at a fast clip:** 5G rollouts by the top-two operators continue to progress at a swift pace, with these operators now catering to over 50mn 5G customers each. The total number of 5G-based transceiver stations or BTS deployed stand at almost 340,000, with more than 7,000 BTSs being deployed per week in August. Indus’ tower revenue continues to increase, aided by the mentioned accelerated deployment of 5G on its sites. As the network matures, Company expects demand for new sites to increase in order to aid the network decongestion.
- Demand expected to sustain:** Demand for new towers from rural expansion and densification in urban areas remains robust. Indus Towers is witnessing good demand from one of its key customers, particularly for rural areas. Company believes 5G will require tower densification after a certain period. Management expects demand movement to remain healthy for the next two quarters at least, led by rural expansion, densification of urban areas and 5G rollouts. Order book is strong, as per the company.
- Indus has added more than 2,200 solar sites** during Q2FY24 and continues to convert tower sites from indoor to outdoor, which has aided the overall energy cost optimization.
- Company has seen drop in average revenue per tenancy.** While the underlying business growth continues as a result of the extra loading and tower rollouts, Indus saw some transactions related to customers, for whom the company deferred the recognition of revenue in Q2, thus leading to a decline in the average revenue per tenancy. But on an underlying basis, sequential growth sustains. This has not caused any cash-flow impact.
- Dividend:** The company’s dividend policy requires it to distribute 100% of the free cash. However, it is difficult for the company to predict the free cash flow for the whole year, given the number of moving parts, with CapEx on one hand and visibility of collections from a major customer (Vi) amid its funding plan on the other. Indus is working with the customer to improve its FCF.
- Capex will remain elevated** for the company for some time, amid high tower roll-out. A macro tower incurs capex of Rs1.5-2.5mn, while a lean tower incurs capex of Rs3.5-5mn. Returns from a lean tower are in mid double-digits, while those from a macro site are in a single digit (double digit in case of higher tenancies).

Indus Towers’ receivables remain elevated; provisioning may continue

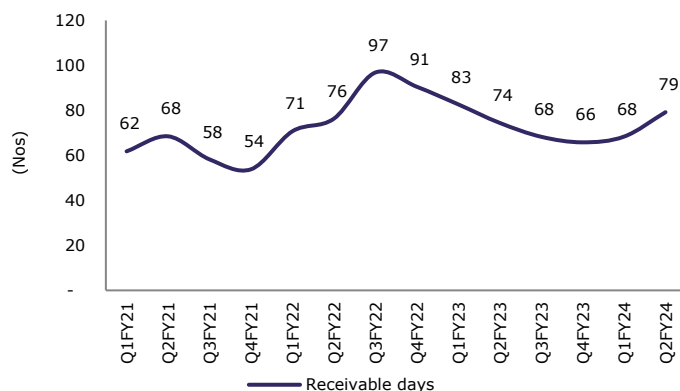
Trade receivables have increased to Rs61.9bn vs Rs53bn in the last quarter, despite additional provisioning. Company’s receivables increased by Rs8.8bn during Q2 (Rs4.3bn during Q1) due to delay in payment from one of its customers. This amount has already been cleared in the current month. Additionally, Company is still in active discussions with the customer for clearance of its past dues. Indus continues to keep a keen eye on the customer's fundraise plans. Company expects 100% payments to continue from the customer.

Exhibit 1: Provisioning for doubtful debt and trade receivables is again up in Q2FY24, for Indus Towers



Source: Company, Emkay Research

Exhibit 2: Number of receivable days increased, despite provisioning



Source: Company, Emkay Research

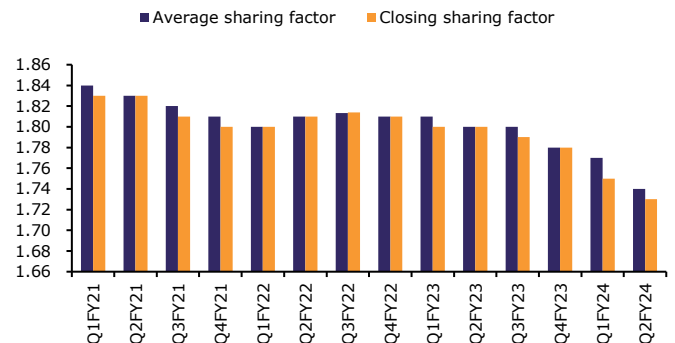
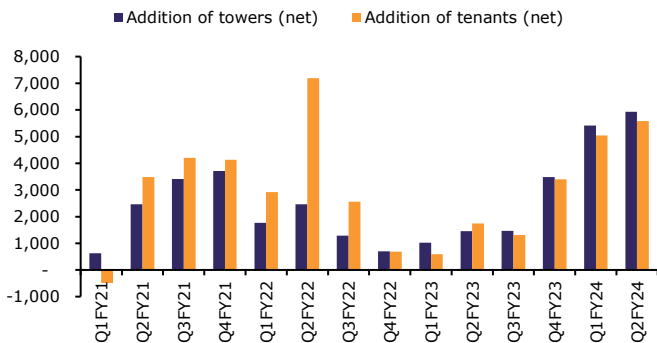
Number of receivable-days also remains elevated (79 days at end-Q2FY24). Provisioning of doubtful debt related to Vi continues, with provisioning of Rs1.3bn in Q2FY24 (vs. Rs0.9bn in Q1). Indus Towers has clocked provisioning of ~Rs55bn in the last 6 quarters. Provisioning may continue for Indus Towers against receivables if Vi is unable to raise a substantial amount from promoters/investors.

Tower densification to aid demand, though 5G densification will take time

Jio and Bharti Airtel are loading existing sites with the new radios which will not materially increase tenancies for Indus Towers. Moreover, the extra revenue generated from each new load is ~5-10% per tenancy. Thus, incremental revenue expected to be generated by Indus from the 5G rollout is likely to be minimal in the initial stage. We believe that the new tower additions will pick up, once the loading of existing towers with 5G radios is complete and data consumption increases, thus requiring more capacity on network. As the network matures with greater 5G adoption, there will be a need for increased capacity as well, thus driving demand for new sites. However, this may pan out over the 1-2 years.

Exhibit 3: Tower/tenant additions improve for Indus Towers

Exhibit 4: Sharing factor on the decline for Indus Towers



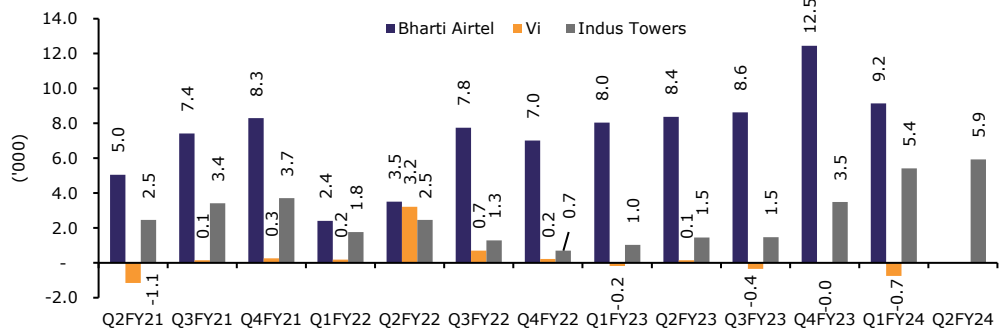
Source: Company, Emkay Research

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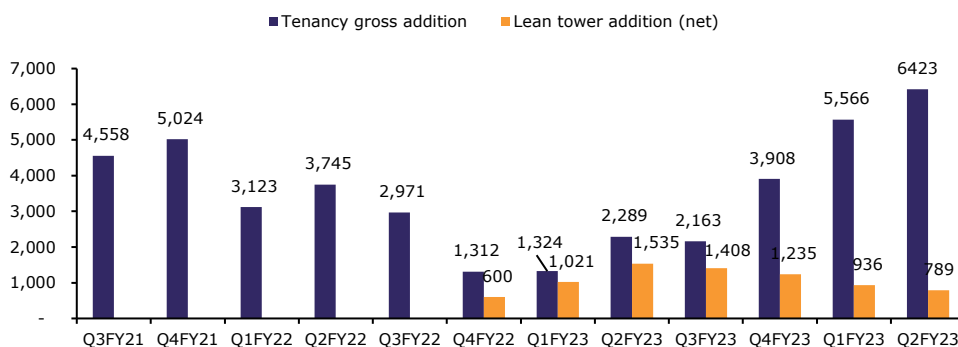
Competition from new players poses a challenge for Indus Towers

Indus has been facing competition from Summit Digital, as key client Bharti Airtel has also signed the Master Services Agreement (MSA) with Summit Digital in Feb-2022, per which the telecom operator will utilize Summit Digital's tower infrastructure as part of its wireless network rollout. Summit Digital enjoys a non-cancellable, 30-year contract (MSA) with RJio. By leveraging RJio as its anchor tenant on each site, supporting BSNL in tower additions and adding Airtel as one of its key partners, Summit Digital has increased competitive intensity for Indus Towers.

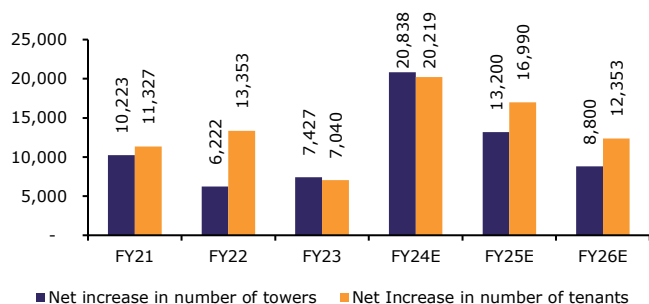
Exhibit 5: Net tower additions for Indus have been lagging those for Bharti Airtel



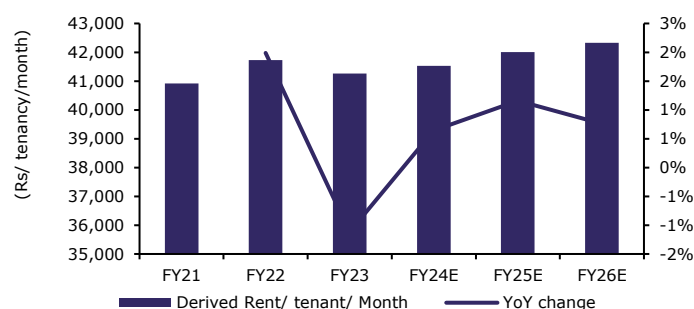
Source: Company, Emkay Research

Exhibit 6: Tenancy gross addition & lean tower addition have started to pick up pace for Indus

Source: Company, Emkay Research

Exhibit 7: Our forecast of tower & tenancy additions for Indus

Source: Company, Emkay Research

Exhibit 8: Rent per tenant per month

Source: Company, Emkay Research

Q2FY24 results—Miss on top-line and margin; gross additions improve further

- Miss on revenue:** Reported Consolidated revenues at Rs71.3bn was up 0.8% QoQ/3.9% YoY (a 0.4% miss on consensus and a 1% miss on our estimates). Rental revenue stood at Rs43.4bn, up 0.1% QoQ; this also includes exit penalties of Rs21mn versus Rs32mn in Q1. Energy re-imbursements were up 1.9% QoQ.
- Miss on margin:** Reported EBITDA stood at Rs34.2bn (-1.7% QoQ, 99.9% YoY), a 4% miss vs. our estimate. Adj. EBITDA stood at Rs35.5bn (-0.3% QoQ). Adj. EBITDA margin contracted by 56bps QoQ, coming in at 49.8% (106bps below our estimate of 50.9%). Reported margins are not comparable due to varying provisions in Q1 and Q2.
 - Energy margins stood at -2.2% vs. -3.1% in the previous quarter.
 - Power and Fuel cost was up 1% QoQ (+5.1% YoY). Employee cost was up 5.8% QoQ (flat YoY). Other operating expenses were up 13.6% YoY and included a doubtful debt provision of Rs1,335mn vs. Rs870mn in Q1.
 - Depreciation was up 11% QoQ at Rs15.5bn. Finance charge was down 29.9% QoQ to Rs2.5bn. Other income was up 72% QoQ.
 - ETR stood at 25.9% vs. 25.5% in Q1.

PAT stood at Rs12.9bn (vs. our estimate of Rs 14.1bn/Consensus: Rs14bn).**KPI: Tower & Tenancy additions pick up further**

- The company added 5,928 towers vs. 5,410/3,482/1,466 in Q1FY24/Q4FY23/Q3FY23. The total tower base stands at 204,212. Reported tenancy additions stood at 5,583 (5,048 in Q1) along with average tenancy factor of 1.74.
- Gross tenancy addition was 6,423 vs. addition of 5,566 in Q1FY24.
- Reported rental/tower/operator/month declined 2.7% QoQ. Derived rental revenue/tenant/month was down 1.4% QoQ.

Balance Sheet and cash flow

- Trade receivables have increased to Rs61.9bn vs Rs53bn in the last quarter, despite additional provisioning.
- Net Debt on the books (including lease liabilities) increased to Rs203.5bn at the end of Q2, from Rs189.6bn at the end of Q1.
- Cash and investments stood at R3.5bn vs Rs6bn in Q1FY24.
- Capex stood at Rs22.8bn as against Rs22.1bn in Q1, increasing due to higher gross tower additions.
- Consolidated Operating Free Cash Flows for the quarter stood at Rs3.98bn vs. Rs5.35bn in Q1, on higher capex and lower EBITDA.

Exhibit 9: Key performance indicators

KPI	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Total Towers (no. of)	1,87,926	1,89,392	1,92,874	1,98,284	2,04,212	8.7	3.0
Total tenants (no. of)	3,38,128	3,39,435	3,42,831	3,47,879	3,53,462	4.5	1.6
Tenancy (x)	1.80	1.80	1.78	1.77	1.74	(3.3)	(1.7)
Closing Tenancy (x)	1.80	1.79	1.78	1.75	1.73	(3.9)	(1.1)
Sharing revenue per tower/ month (Rs)	84,841	73,283	73,535	73,286	71,336	(15.9)	(2.7)
Sharing revenue / operator / month (Rs)	47,093	40,810	41,201	41,503	40,940	(13.1)	(1.4)
Net tower addition (no. of)	1,452	1,466	3,482	5,410	5,928		
Net tenant addition (no. of)	1,746	1,307	3,396	5,048	5,583		
Co-location reduction (no. of)	543	856	512	518	840		
Gross addition	2,289	2,163	3,908	5,566	6,423		
Lean product co-location net addition (no. of)	1,535	1,408	1235	936	789		

Source: Company

Exhibit 10: Energy spread remains negative for Indus Towers

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Energy reimbursements	26,321	25,902	25,030	27,414	27,936	6.1	1.9
Power and fuel costs	27,177	26,220	25,596	28,264	28,554	5.1	1.0
Spread	-856	-318	-566	-850	-618	(27.8)	(27.3)
Margin	-3.3%	-1.2%	-2.3%	-3.1%	-2.2%	104 bps	89 bps

Source: Company, Emkay Research

Exhibit 11: Capex trend for Indus Towers

Capex trend (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Capex	7,937	10,369	15,303	22,134	22,897	188.5	3.4
'-Maintenance & General Corporate Capex	2,051	2,088	2,211	2,806	2,996	46.1	6.8
No of towers added	1,452	1,466	3,482	5,410	5,928	308.3	9.6

Source: Company, Emkay Research

Exhibit 12: Q2FY24 financial results

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Rental Revenue*	42,345	41,748	42,499	43,345	43,389	2.5	0.1
Energy Re-imbursements	26,321	25,902	25,030	27,414	27,936	6.1	1.9
Net Sales	68,666	67,650	67,529	70,759	71,325	3.9	0.8
Power & Fuel	27,177	26,220	25,596	28,264	28,554	5.1	1.0
as % of sales	39.6	38.8	37.9	39.9	40.0		
Employee Expenses	1,957	2,000	1,950	1,850	1,957	-	5.8
as % of sales	2.9	3.0	2.9	2.6	2.7		
Other Exp	22,408	27,572	5,517	5,507	6,255	(72.1)	13.6
as % of sales	32.6	40.8	8.2	7.8	8.8		
Charity & Donation	12	232	137	343	344	2,766.7	0.3
as % of sales	0.0	0.3	0.2	0.5	0.5		
Total expenditure	51,554	56,024	33,200	35,964	37,110	(28.0)	3.2
Reported EBITDA	17,112	11,626	34,329	34,795	34,215	99.9	(1.7)
Provisions for doubtful debt	17,709	22,701	347	870	1,335		
Adjusted EBITDA	34,821	34,327	34,676	35,665	35,550	2.1	(0.3)
Depreciation	13,067	13,577	13,412	13,993	15,529	18.8	11.0
EBIT	4,045	-1,951	20,917	20,802	18,686	362.0	(10.2)
Other Income	629	898	1,161	565	972	54.5	72.0
Interest	3,924	3,540	3,355	3,516	2,464	(37.2)	(29.9)
Exceptional items	-11,000	4,928	-210	-252	-273		
PBT	11,750	-9,521	18,933	18,103	17,467	48.7	(3.5)
Tax	3,032	-2,439	4,942	4,624	4,520	49.1	(2.2)
PAT	8,718	-7,082	13,991	13,479	12,947	48.5	(3.9)
Margins (%)						(bps)	(bps)
EBITDA	24.9	17.2	50.8	49.2	48.0	2,305	(120)
Adj. EBITDA	50.7	50.7	51.3	50.4	49.8	(87)	(56)
EBIT	5.9	(2.9)	31.0	29.4	26.2	2,031	(320)
EBT	17.1	(14.1)	28.0	25.6	24.5	738	(109)
PAT	12.7	(10.5)	20.7	19.0	18.2	546	(90)
Effective Tax rate	25.8	25.6	26.1	25.5	25.9	7	33

Source: Company, Emkay Research

Exhibit 13: Changes in estimate

(Rs mn)	FY24E			FY25E			FY26E		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Towers (no. of)	2,10,484	2,13,712	1.5	2,21,684	2,26,912	2.4	2,29,484	2,35,712	2.7
Tenants (no. of)	3,59,865	3,63,050	0.9	3,70,816	3,80,040	2.5	3,78,180	3,92,393	3.8
Rental revenue	1,77,707	1,75,922	-1.0	1,87,571	1,87,286	-0.2	1,95,210	1,97,011	0.9
Energy reimbursement	1,07,121	1,10,241	2.9	1,09,263	1,11,784	2.3	1,11,449	1,12,902	1.3
Total Revenue	2,84,828	2,86,163	0.5	2,96,834	2,99,071	0.8	3,06,659	3,09,913	1.1
EBITDA	1,38,861	1,39,355	0.4	1,46,057	1,47,816	1.2	1,52,689	1,55,014	1.5
EBITDA margin (%)	48.8	48.7	-6 bps	49.2	49.4	22 bps	49.8	50.0	23 bps
PAT	51,520	52,020	1.0	56,586	55,344	-2.2	60,009	58,118	-3.2
EPS (Rs)	19.1	19.3	1.0	21.0	20.5	-2.2	22.3	21.6	-3.2

Source: Company, Emkay Research

Indus Towers: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	2,71,699	2,72,818	2,86,163	2,99,071	3,09,913
Revenue growth (%)	5.8	0.4	4.9	4.5	3.6
EBITDA	1,43,534	85,686	1,39,355	1,47,816	1,55,014
EBITDA growth (%)	9.6	(40.3)	62.6	6.1	4.9
Depreciation & Amortization	54,221	53,812	60,858	62,877	64,895
EBIT	89,313	31,874	78,496	84,939	90,119
EBIT growth (%)	15.1	(64.3)	146.3	8.2	6.1
Other operating income	0	0	0	0	0
Other income	3,525	3,613	3,200	3,600	4,000
Financial expense	14,973	14,539	11,746	14,580	16,453
PBT	77,865	20,948	69,950	73,960	77,667
Extraordinary items	5,473	6,645	0	0	0
Taxes	20,576	7,193	17,930	18,616	19,549
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	62,762	20,400	52,020	55,344	58,118
PAT growth (%)	26.2	(67.5)	155.0	6.4	5.0
Adjusted PAT	57,289	13,755	52,020	55,344	58,118
Diluted EPS (Rs)	23.3	7.6	19.3	20.5	21.6
Diluted EPS growth (%)	26.2	(67.5)	155.0	6.4	5.0
DPS (Rs)	11.0	0.0	5.0	6.0	6.0
Dividend payout (%)	47.2	0.0	25.9	29.2	27.8
EBITDA margin (%)	52.8	31.4	48.7	49.4	50.0
EBIT margin (%)	32.9	11.7	27.4	28.4	29.1
Effective tax rate (%)	26.4	34.3	25.6	25.2	25.2
NOPLAT (pre-IndAS)	65,712	20,929	58,376	63,560	67,436
Shares outstanding (mn)	2,694.9	2,694.9	2,694.9	2,694.9	2,694.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	77,865	20,948	69,950	73,960	77,667
Others (non-cash items)	0	0	0	0	0
Taxes paid	(20,576)	(7,193)	(17,930)	(18,616)	(19,549)
Change in NWC	(53,399)	(890)	(2,070)	(2,723)	(2,130)
Operating cash flow	51,281	69,162	93,897	97,614	1,02,070
Capital expenditure	(53,531)	(61,146)	(64,060)	(45,907)	(35,569)
Acquisition of business	6,193	13,765	0	0	0
Interest & dividend income	585	585	585	585	585
Investing cash flow	(43,813)	(43,768)	(60,860)	(42,307)	(31,569)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(6,564)	(4,709)	21,018	10,732	10,736
Payment of lease liabilities	8,273	3,033	1,018	732	736
Interest paid	(14,973)	(14,539)	(11,746)	(14,580)	(16,453)
Dividend paid (incl tax)	(29,644)	0	(13,475)	(16,169)	(16,169)
Others	1,41,836	(8,938)	(10,387)	(14,799)	(14,799)
Financing cash flow	90,655	(28,186)	(14,590)	(34,816)	(36,685)
Net chg in Cash	98,123	(2,792)	18,447	20,492	33,816
OCF	51,281	69,162	93,897	97,614	1,02,070
Adj. OCF (w/o NWC chg.)	(2,118)	68,272	91,827	94,891	99,940
FCFF	(2,250)	8,016	29,837	51,707	66,501
FCFE	(16,638)	(5,938)	18,676	37,713	50,633
OCF/EBITDA (%)	35.7	80.7	67.4	66.0	65.8
FCFE/PAT (%)	(26.5)	(29.1)	35.9	68.1	87.1
FCFF/NOPLAT (%)	(3.4)	38.3	51.1	81.4	98.6

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	26,949	26,949	26,949	26,949	26,949
Reserves & Surplus	1,94,556	1,84,146	1,79,390	1,56,138	1,53,960
Net worth	2,21,505	2,11,095	2,06,339	1,83,087	1,80,909
Minority interests	0	0	0	0	0
Deferred tax liability (net)	918	0	0	0	0
Total debt	1,97,260	1,92,551	2,13,569	2,24,301	2,35,037
Total liabilities & equity	4,19,683	4,03,646	4,19,907	4,07,388	4,15,946
Net tangible fixed assets	3,19,696	3,27,151	3,29,834	3,12,580	2,82,970
Net intangible assets	352	231	750	1,034	1,318
Net ROU assets	1,09,210	1,09,210	1,09,210	1,09,210	1,38,153
Capital WIP	1,787	3,546	3,546	3,546	3,546
Goodwill	352	231	750	1,034	1,318
Investments [JV/Associates]	16,521	2,756	2,756	2,756	2,756
Cash & equivalents	9,802	224	11,214	12,941	48,695
Current assets (ex-cash)	1,33,305	1,35,362	1,42,659	1,48,418	1,53,098
Current Liab. & Prov.	59,993	62,078	67,305	70,341	72,891
NWC (ex-cash)	73,312	73,284	75,354	78,077	80,207
Total assets	4,19,683	4,03,646	4,19,907	4,07,388	4,15,946
Net debt	1,70,937	1,89,571	1,99,599	2,08,604	1,83,587
Capital employed	4,19,683	4,03,646	4,19,907	4,07,388	4,15,946
Invested capital	3,91,573	3,97,120	4,02,392	3,88,145	3,60,949
BVPS (Rs)	82.2	78.3	76.6	67.9	67.1
Net Debt/Equity (x)	0.8	0.9	1.0	1.1	1.0
Net Debt/EBITDA (x)	1.2	2.2	1.4	1.4	1.2
Interest coverage (x)	0.2	0.4	0.1	0.2	0.2
RoCE (%)	23.7	8.6	19.8	21.4	22.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	8.0	33.3	8.8	8.3	7.9
P/CE(x)	4.1	6.8	4.1	3.9	3.7
P/B (x)	2.1	2.2	2.2	2.5	2.5
EV/Sales (x)	2.3	2.4	2.3	2.2	2.1
EV/EBITDA (x)	4.4	7.6	4.7	4.5	4.1
EV/EBIT(x)	7.0	20.3	8.4	7.9	7.1
EV/IC (x)	1.6	1.6	1.6	1.7	1.8
FCFF yield (%)	(0.4)	1.2	4.5	7.7	10.4
FCFE yield (%)	(3.6)	(1.3)	4.1	8.2	11.0
Dividend yield (%)	6.5	0.0	2.9	3.5	3.5
DuPont-RoE split					
Net profit margin (%)	21.1	5.0	18.2	18.5	18.8
Total asset turnover (x)	0.7	0.7	0.7	0.7	0.8
Assets/Equity (x)	2.1	1.9	2.0	2.1	2.3
RoE (%)	30.1	6.4	24.9	28.4	31.9
DuPont-RoIC					
NOPLAT margin (%)	24.2	7.7	20.4	21.3	21.8
IC turnover (x)	0.7	0.7	0.7	0.8	0.8
RoIC (%)	18.0	5.3	14.6	16.1	18.0
Operating metrics					
Core NWC days	98.5	98.0	96.1	95.3	94.5
Total NWC days	98.5	98.0	96.1	95.3	94.5
Fixed asset turnover	0.6	0.6	0.6	0.5	0.5
Opex-to-revenue (%)	47.2	68.6	51.3	50.6	50.0

Source: Company, Emkay Research

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Date	CMP (INR)	TP (INR)	Rating	Analyst
28-Jul-23	174	185	Hold	Santosh Sinha
05-May-23	152	160	Hold	Santosh Sinha

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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