

Grasim Industries

Refer to important disclosures at the end of this report

OPM below estimates, upgrade to HOLD on receding concerns

- Grasim Industries' Q4 result was below estimates with EBITDA at Rs5.3bn (vs Rs6bn estimated) as EBITDA/kg of VSF was at Rs26/kg against estimated Rs34.4/kg. Operations at captive pulp plant at Harihar was suspended from Feb-17 (impact of Rs450mn).
- VSF realization was up 10.8% YoY due to higher mix of specialty fibres and increase in prices in international markets. Sales volume was up 2% YoY to 133KT, EBITDA was up 29.2% YoY. EBITDA/kg was at Rs26 against Rs20.5/Rs33 in Q4FY16/Q3FY17.
- Sales volume of Caustic soda was down 6% YoY due to lower demand for chlorine. EBITDA of the segment was down 7.9% YoY due to higher coal price and electricity charges. OPM was down 417bps YoY/44bps QoQ to 19.8%.
- We upgrade our rating on the stock to HOLD from Reduce based on SOTP valuation as we assign HoldCo discount of 40% against 50% earlier as concerns related to investments into Idea Cellular are over now.

VSF segment's margin declines QoQ

VSF realization was up 10.8% YoY due to higher mix of specialty fibres and increase in prices in international markets. Sales volume was up 2% YoY to 133KT. Share of specialty fibre in sales mix improved to 36% against 33% in FY16. Sales mix in the domestic market was at 71% against 64% in Q3FY17. Revenue/EBITDA of VSF was up 12.5%/29.2% YoY due to better realization. Opex/kg of VSF increased 8.7% QoQ due to increase in pulp prices and suspension of production from captive pulp plant at Harihar from Feb-17. Suspension of production of pulp from Harihar plant had an impact of Rs450mn on VSF's profits and the production will start when the monsoon sets in. EBITDA/kg was at Rs26 against Rs20.5/Rs33 in Q4FY16/Q3FY17. Revenue for Chemical segment was up 11.6% YoY led by 5.6% YoY increase in realization of Caustic soda, however, volume was down 6% YoY as lower demand for chlorine impacted performance. EBITDA of the segment was down 7.9% YoY to Rs2.1bn. OPM was down 417bps YoY/44bps QoQ to 19.8%.

Upgrade rating to HOLD due to receding concerns

Our estimates for FY18E/FY19E are largely in-tact for standalone business. The company has plans to increase capacity of both Caustic Soda and VSF segments in the 12-18 months through brownfield expansions which would help improvement in profitability of standalone business. We expect improvement in profitability of VSF business due to our expectation of stable pricing scenario and decline in pulp prices. We believe that concerns related to any investments in Idea Cellular are over which is comforting. We assign 40% HoldCo discount against 50% earlier for its holding in UltraTech, listed Investments and ABFSL. We have arrived at a SOTP based price target of Rs1,084 (Exhibit: 10) and upgrade rating on the stock to HOLD from Reduce earlier.

Financial Snapshot (Consolidated)

(Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Revenue	3,24,287	3,62,177	3,60,684	4,32,475	5,16,155
EBITDA	47,348	79,547	73,851	83,438	1,07,467
EBITDA Margin (%)	14.6	22.0	20.5	19.3	20.8
APAT	17,533	40,462	31,673	29,750	38,250
EPS (Rs)	38.2	86.7	67.9	63.7	81.9
EPS (% chg)	(15.4)	127.1	(21.7)	(6.1)	28.6
ROE (%)	7.8	16.5	11.6	9.9	11.6
P/E (x)	29.4	12.9	16.5	17.6	13.7
EV/EBITDA (x)	12.2	7.3	7.5	8.2	6.4
P/BV (x)	2.2	2.0	1.8	1.7	1.5

Source: Company, Emkay Research

CMP	Target Price
Rs 1,120 as of (5/19/2017)	Rs 1,084 (▲) 12 months
Rating	Upside
HOLD (▲)	(3.3) %

Change in Estimates

EPS Chg FY18E/FY19E (%)	-/-
Target Price change (%)	23.7
Target Period (Months)	12
Previous Reco	REDUCE

Emkay vs Consensus

EPS Estimates		
	FY18E	FY19E
Emkay	63.7	81.9
Consensus	75.6	96.4
Mean Consensus TP (12M)	Rs 1,173	

Stock Details

Bloomberg Code	GRASIM IN
Face Value (Rs)	2
Shares outstanding (mn)	467
52 Week H/L	1,237 / 782
M Cap (Rs bn/USD bn)	523 / 8.08
Daily Avg Volume (nos.)	17,65,183
Daily Avg Turnover (US\$ mn)	28.9

Shareholding Pattern Mar '17

Promoters	31.3%
FIIIs	28.1%
DIIIs	16.5%
Public and Others	24.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	8	37	32
Rel. to Nifty	-	1	17	10

Relative price chart



Source: Bloomberg

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Exhibit 1: Actual vs. Estimates

(in Rs mn)	Actual	Estimate		% variation		Comment
		(Emkay)	Consensus	Emkay	Consensus	
Sales	28,761	28,637	36,413	0.4	-21.0	In-line with estimates
EBITDA	5,254	6,040	5,444	-13.0	-3.5	Lower profits of both VSF and Chemical segments
EBITDA margin (%)	18.3	21.1	15.0	-282bps	332bps	
Adj. PAT	3,155	4,488	4,334	-29.7	-27.2	Led by lower operating profit and other income

Source: Company, Emkay Research

Exhibit 2: Standalone Quarterly Results

(Y/E Mar, Rs mn)	Q4FY16	Q3FY17	Q4FY17	YoY (%)	QoQ (%)	YTD FY17	YTD FY16	YoY (%)
Net Sales	25,429	25,260	28,761	13.1%	13.9%	1,02,866	88,959	15.6%
Total Expenditure	21,599	19,831	23,507	8.8%	18.5%	81,909	74,854	9.4%
as % of sales	85%	79%	82%			80%	84%	-5.4%
stock	702	-964	1,489	112.2%	-254.4%	955	-68	-1497.8%
as % of sales	3%	-4%	5%			1%	0%	
raw material consumption	11,858	11,966	12,388	4.5%	3.5%	46,803	43,830	6.8%
as % of sales	47%	47%	43%			45%	49%	
purchase of traded goods	27	136	171	527.5%	26.3%	597	472	26.4%
as % of sales	0%	1%	1%			1%	1%	
payment to employees	1,581	1,728	1,865	17.9%	7.9%	6,780	6,167	9.9%
as % of sales	6%	7%	6%			7%	7%	
power and fuel	3,567	3,832	3,836	7.6%	0.1%	14,903	14,037	6.2%
as % of sales	14%	15%	13%			14%	16%	
freight and handling	410	472	532	29.9%	12.8%	1,803	1,591	13.3%
as % of sales	2%	2%	2%			2%	2%	
other expenditure	3,455	2,662	3,227	-6.6%	21.2%	10,069	8,824	14.1%
as % of sales	14%	11%	11%			10%	10%	
EBIDTA	3,830	5,428	5,254	37.2%	-3.2%	20,957	14,104	48.6%
Depreciation	1258	1106	1133	-9.9%	2.4%	4,461	4,447	0.3%
EBIT	2,572	4,322	4,121	60.2%	-4.6%	16,496	9,657	70.8%
Other Income	574	553	304	-47.0%	-45.0%	5,330	4,288	24.3%
Interest	268	107	83	-69.1%	-22.5%	576	1,474	-60.9%
PBT	2,878	4,768	4,343	50.9%	-8.9%	21,249	12,472	70.4%
Tax	759	1455	1188	56.4%	-18.3%	5,649	2,588	118.3%
Adjusted PAT	2,119	3,314	3,155	48.9%	-4.8%	15,600	9,883	57.8%
APAT after MI	2,119	3,314	3,155	48.9%	-4.8%	15,600	9,883	57.8%
Extra ordinary items	-292	0	0			0	0	
Reported PAT	1,827	3,314	3,155	72.7%	-4.8%	15,600	9,591	62.6%
Reported EPS	3.9	7.1	6.8	72.7%	-4.8%	33	21	62.2%

Margins (%)

EBIDTA	15.1%	21.5%	18.3%	320	-322.2	20.4%	15.9%	452
EBIT	10.1%	17.1%	14.3%	421	-278.1	16.0%	10.9%	518
EBT	11.3%	18.9%	15.1%	378	-377.7	20.7%	14.0%	664
EAT	8.3%	13.1%	11.0%	264	-214.9	15.2%	11.1%	406
Tax rate	26.4%	30.5%	27.4%	97	-315.5	26.6%	20.8%	583

Source: Company, Emkay Research

Exhibit 3: Segmental breakup - Standalone

(Rs mn)	Q4FY16	Q3FY17	Q4FY17	YoY (%)	QoQ (%)	YTDFY17	YTDFY16	YoY (%)
Sales								
VSF	17290	17620	19450	12.5%	10.4%	71011	60219	17.9%
Chemical	9570	9210	10680	11.6%	16.0%	38125	31332	21.7%
EBIDTA								
VSF	2670	4020	3450	29.2%	-14.2%	14400	9250	55.7%
Chemical	2290	1860	2110	-7.9%	13.4%	8420	6690	25.9%
EBIDTA (%)								
VSF	15.4%	22.8%	17.7%	229.5	-507.7	20.3%	15.4%	491.8
Chemical	23.9%	20.2%	19.8%	-417.2	-43.9	22.1%	21.4%	73.3

Source: Company, Emkay Research

Exhibit 4: Quarterly Results - Consolidated

(Y/E Mar, Rs mn)	Q4FY16	Q3FY17	Q4FY17	YoY (%)	QoQ (%)	YTDFY17	YTDFY16	YoY (%)
Net Sales	94,546	86,014	99,954	5.7%	16.2%	3,58,937	3,47,298	3.4%
Total Expenditure	76,013	68,897	81,222	6.9%	17.9%	2,86,877	2,85,444	0.5%
as % of sales	80%	80%	81%			279%	321%	-13.1%
stock	1,118	-1,483	2,543	127.5%	-271.5%	1,661	-472	-452.0%
as % of sales	1%	-2%	3%			2%	-1%	
raw material consumption	22,892	21,925	23,354	2.0%	6.5%	86,889	85,599	1.5%
as % of sales	24%	25%	23%			84%	96%	
purchase of traded goods	1,436	1,468	1,710	19.1%	16.5%	6,244	5,851	6.7%
as % of sales	2%	2%	2%			6%	7%	
payment to employees	5,390	5,826	5,732	6.3%	-1.6%	22,656	21,994	3.0%
as % of sales	6%	7%	6%			22%	25%	
power and fuel	14,755	14,558	16,468	11.6%	13.1%	57,954	60,661	-4.5%
as % of sales	16%	17%	16%			56%	68%	
freight and handling	16,979	14,241	17,363	2.3%	21.9%	60,921	61,978	-1.7%
as % of sales	18%	17%	17%			59%	70%	
other expenditure	13,444	12,361	14,052	4.5%	13.7%	50,552	49,832	1.4%
as % of sales	14%	14%	14%			49%	56%	
EBIDTA	18,533	17,118	18,732	1.1%	9.4%	72,060	61,854	16.5%
Depreciation	5080	4500	4721	-7.1%	4.9%	4364	4019	8.6%
EBIT	13,453	12,618	14,012	4.2%	11.1%	53,985	43,338	24.6%
Other Income	1973	1665	2692	36.4%	61.7%	6,912	5,199	32.9%
Interest	1566	1557	1763	12.6%	13.2%	7,024	7,281	-3.5%
PBT	13,861	12,726	14,941	7.8%	17.4%	58,229	45,199	28.8%
Tax	3583	3473	4291	19.8%	23.6%	17,067	12,219	39.7%
Adjusted PAT	10278	9253	10650	3.6%	15.1%	41,162	32,980	24.8%
(Profit)/loss from JV's/Ass/MI	2704	2087	2904	7.4%	39.2%	9,489	8,208	
APAT after MI	7575	7166	7745	2.3%	8.1%	31,673	24,771	27.9%
Extra ordinary items	-279	0	0			0	-279	
Reported PAT	7,296	7,166	7,745	6.2%	8.1%	31,673	24,493	29.3%
Reported EPS	15.6	15.4	16.6	6.2%	8.1%	68	53	27.9%

Margins (%)

EBIDTA	19.6%	19.9%	18.7%	-86	-116	20.1%	17.8%	227
EBIT	14.2%	14.7%	14.0%	-21	-65	15.0%	12.5%	256
EBT	14.7%	14.8%	14.9%	29	15	16.2%	13.0%	321
EAT	10.9%	10.8%	10.7%	-22	-10	11.5%	9.5%	197
Tax rate	25.8%	27.3%	28.7%	287	143	29.3%	27.0%	228

Source: Company, Emkay Research
Change in estimates

Exhibit 5: Segmental break-up - Consolidated

(Rs mn)	Q4FY16	Q3FY17	Q4FY17	YoY (%)	QoQ (%)	YTDFY17	YTDFY16	YoY (%)
Sales								
VSF	21,506	19,029	21,151	-1.6%	11.2%	77146	66949	15.2%
Cement	69,201	67,610	79,240	14.5%	17.2%	286459	267955	6.9%
Chemical	9,561	10,082	11,678	22.1%	15.8%	41796	35913	16.4%
EBIT								
VSF	2552	3433	2841	11.4%	-17.2%	12061	7478	61.3%
Cement	10895	8457	11336	4.1%	34.0%	40653	37353	8.8%
Chemical	1692	1362	1610	16.9%	18.2%	6399	5444	17.6%
EBIT (%)								
VSF	11.9%	18.0%	13.4%	157	-461	15.6%	11.2%	446
Cement	15.7%	12.5%	14.3%	-144	180	14.2%	13.9%	25
Chemical	17.7%	13.5%	13.8%	-391	27	15.3%	15.2%	15

Source: Company, Emkay Research

Consolidated revenue estimate for FY18E/FY19E is getting revised downwards by 4.6%/0.2% due to 6.5% downward revision in revenue estimates for UltraTech for FY18E. EBITDA estimate for FY18E is getting revised downwards by 2.7%, however, estimate for FY19E is in-tact. EPS estimates are getting revised upwards by 4.2% for FY18E due to higher other income, however, considering higher tax rate, there has been a downwards revision of 1.3% for FY19E.

Exhibit 6: Revision in Estimates

Rs mn	FY18E			FY9E		
	Earlier	Revised	change	Earlier	Revised	change
Sales	4,53,474	4,32,475	-4.6%	5,17,431	5,16,155	-0.2%
EBIDTA	85,777	83,438	-2.7%	1,07,509	1,07,467	0.0%
EBIDTA (%)	18.9	19.3	38	20.8	20.8	4
Net Profit	28557	29750	4.2%	38748	38250	-1.3%
EPS (Rs)	61.2	63.7	4.2%	83.0	81.9	-1.3%

Source: Company, Emkay Research

Exhibit 7: Key Assumptions

Particulars	FY15	FY16	FY17	FY18E	FY19E
VSF Volume (tonne)	4,02,802	4,67,528	4,99,842	5,01,000	5,04,960
Realization/kg	123	129	136	138	143

Source: Company, Emkay Research

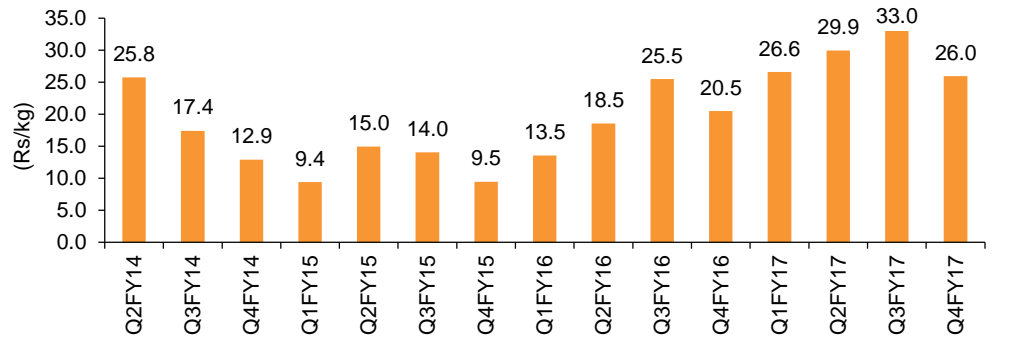
Con-call highlights

- **Outlook on VSF:** The Management expects the performance of VSF segment to remain stable due to lack of capacity additions globally. It believes that there will not be meaningful capacity additions in VSF over next 12-18 months (3-4% in CY17E). However, there could be short term variations in utilization rate and prices of VSF. Capacity utilization in China is at 85% which may increase to 90% going forward. Though, in Chinese markets VSF prices have come down by 12-13% in last 2 months, prices continue to remain firm in domestic markets. The company has increased its sales in domestic markets VSF prices are expected to remain stable in global markets as lower cotton production over last two years has led to a decline in cotton inventory (17mt from 22 mt earlier).
- **Trend in pulp prices and impact of closure of Harihar plant:** Pulp prices have come down to US\$860/tn from US\$925/tn and hence, there should be softening in input costs going ahead. Operations at captive pulp plant at Harihar was suspended from Feb-17 which had an impact of Rs450mn on the profits of VSF segment. Production at this plant will start when the monsoon sets in.
- **Capacity addition in VSF:** The company has identified brownfield capacity addition of 220 tonnes/day (14.5% of total installed capacities). The company is in the process of acquiring environmental clearance for this expansion and has already started work on capacity addition of 50-60 tonnes/day (required minimal capex). Environmental clearance for expansion at Vilayat plant is expected by year-end post which the work will start there.
- **Chemical business:** Caustic soda prices have moved up but chlorine is in excess supply. New capacity additions in chlorine and lower chlorine demand due to demonetization impacted the performance of this segment. Chlorine realization continues to remain under pressure. Operating margin of the segment was impacted due to increase in energy costs.
- **Capacity addition in Chemical segment:** Caustic soda capacity is expected to increase to 1,048 KT per annum in FY18 from 840 KT per annum as of now. Civil work has already started for the expansion plans. It is expected to be commissioned by Q4FY18. Phosphoric acid capacity is expected to be increased to 54 KT from 25KT by Q2FY18.
- **Merger of Aditya Birla Nuvo and listing of Aditya Birla Financial Services:** The process of merger of Aditya Birla Nuvo and listing of Aditya Birla Financial Services is expected to get completed by Q2FY18. The company has received approvals from shareholders and creditors and they are awaiting approvals from National Company Law Tribunal (expected in 3-4 weeks).

Segmental Performance

VSF segment – Strong performance led by robust realization growth

- VSF sales volume grew 2% YoY to 133K tonnes (vs estimate of 134K tonnes). Share of domestic sales volume was at 71% in Q4 against 64% in Q3FY17. Share of specialty fibre improved to 36% against 33% in FY17.
- Realization improved 10.8% YoY to Rs141.2/kg (vs. estimate of Rs142.5/kg) due increase in global prices and higher share of specialty fibres.
- Revenue of the segment was up 12.5% YoY to Rs19.5bn led by higher sales volume and realization.
- EBITDA for the segment witnessed robust growth of 29.2% YoY to Rs3.5bn led by a) strong volume/realization growth, b) improvement in the operating efficiencies and c) incremental volume from Vilayat plant. However, performance of the segment missed our estimates due to increase in pulp prices and suspension of operations from captive pulp plant at Harihar- impact of Rs450mn on the profitability of VSF segment. Production from Harihar units will start when the monsoon sets in.
- EBITDA/kg was at Rs26 (our estimate: Rs34.4/kg) against Rs20.5/Rs33 in Q4FY16/Q3FY17. Adjusted for the impact of closure of Harihar plant, EBITDA/kg should have been at Rs29.3/kg.

Exhibit 8: EBITDA/kg trend for VSF- sequential decline in profits

Source: Company, Emkay Research

Exhibit 9: VSF segment's performance

VSF segment	Q4FY16	Q3FY17	Q4FY17	YoY (%)	QoQ (%)	YTDFY17	YTDFY16	YoY (%)
Sales volume (Ton)	130335	121907	132941	2.0%	9.1%	499842	467528	6.9%
Realisation (Rs/Kg)	127.4	139.0	141.2	10.8%	1.6%	136.6	123.0	11.1%
EBIDTA (%)	15.4%	22.8%	17.7%	230	-508	20.3%	15.4%	492
EBIDTA/Kg	20.5	33.0	26.0	26.7%	-21.3%	28.8	19.8	45.6%
Op Cost /Kg	107.0	106.0	115.2	7.7%	8.7%	107.8	103.2	4.5%

Source: Company, Emkay Research

In the Chemical segment, revenue was up 11.6% YoY to Rs10.7bn led by 5.6% YoY increase in realization of caustic soda. Sales volume was down 6% YoY to 194K tonnes due to lower chlorine offtake which impacted caustic soda production. EBITDA of the segment was down 7.9% YoY to Rs2.1bn led by increase in power cost due to higher coal prices and electricity rates. Segmental OPM was down 417bps YoY to 19.82% due to higher energy costs.

The Management expects demand for Caustic soda to remain strong going forward supported by growth in the user industry (Textile, Aluminum, Paper, Soap and Detergent etc.) and in order to reap the benefit, the company has planned to increase capacity from 804K TPA to 1,048K TPA by FY18E through a) 144K TPA brownfield expansion at Vilayat at a capex of Rs1.5bn b) 100K TPA debottlenecking at three plants at an estimated capex of Rs1.75bn.

Exhibit 10: SOTP value for Grasim

Particulars	Valuation method	Unit	(Rsmn)	(Rs)
UltraTech's Mcap based on our target price		Rs mn	9,71,166	
HoldCo discount		%	40	
Grasim's stake		%	60.25	
Value of cement stake		Rs mn	3,51,076	
Value/share	40% HoldCo discount to our PT	Rs		534
Value of Grasim's standalone business		Rs mn	1,87,244	
Value/share	6.5x for standalone business			285
Value of listed investments (except AB Nuvo)		Rs mn	30,315	
HoldCo discount		%	40	
Value of listed investments post HoldCo		Rs mn	18,189	
Value/share	40% HoldCo discount on CMP	Rs		28
VSF & Fibre JV		Rs mn	7,750	
Value/share	1x P/BV	Rs		12
Standalone Net Debt of Grasim		Rs mn	(3,023)	
Value/share		Rs		(5)
Aditya Birla Financial Services		Rs mn	2,06,251	
HoldCo discount		%	40	
Grasim's stake		%	57	
Value of ABFSL's stake in Grasim		Rs mn	70,538	
Value/share	Inputs from Banking analyst	Rs		107
Idea Mcap		Rs mn	3,49,370	
Stake transfer from AB Nuvo		%	23.26	
HoldCo discount		%	40	
Value of Idea's transferred stake		Rs mn	48,758	
Value/share	40% HoldCo discount on CMP	Rs		74
Aditya Birla Fashion Ltd Mcap		Rs mn	1,31,661	
Stake transfer from AB Nuvo		%	11.4	
HoldCo discount		%	40	
Value of Aditya Birla Fashion's transferred stake		Rs mn	9,006	14
Value/share				
Standalone business of ABNL- EV	5x EV/EBITDA	Rs mn	38,200	
Net Debt		Rs mn	21,920	
Value for Grasim		Rs mn	16,280	
Value/share		Rs		25
Target price		Rs		1,084
CMP		Rs		1,120
UP/(down)side		%		(3.3)

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Revenue	3,24,287	3,62,177	3,60,684	4,32,475	5,16,155
Expenditure	2,76,939	2,82,630	2,86,833	3,49,037	4,08,688
EBITDA	47,348	79,547	73,851	83,438	1,07,467
Depreciation	15,632	18,338	18,076	24,863	27,301
EBIT	31,715	61,209	55,775	58,575	80,165
Other Income	9,487	6,616	9,478	11,054	12,242
Interest expenses	6,674	7,181	7,024	15,336	21,463
PBT	34,528	60,644	58,229	54,294	70,945
Tax	10,159	12,246	17,067	16,288	21,283
Extraordinary Items	(95)	(279)	0	0	0
Minority Int./Income from Assoc.	1,542	1,930	1,294	1,423	1,566
Reported Net Income	17,438	40,184	31,673	29,750	38,250
Adjusted PAT	17,533	40,462	31,673	29,750	38,250

Balance Sheet

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Equity share capital	919	934	934	934	934
Reserves & surplus	2,30,479	2,57,373	2,85,523	3,11,927	3,46,531
Net worth	2,31,398	2,58,307	2,86,456	3,12,861	3,47,464
Minority Interest	76,818	84,845	95,045	1,04,141	1,16,535
Loan Funds	1,19,302	1,28,407	95,148	2,33,419	2,21,719
Net deferred tax liability	34,103	42,256	42,256	42,256	42,256
Total Liabilities	4,61,620	5,13,814	5,18,905	6,92,676	7,27,973
Net block	3,18,282	3,55,437	3,56,417	5,27,443	5,19,142
Investment	73,194	77,261	73,261	75,261	75,261
Current Assets	1,21,303	1,45,170	1,62,410	1,70,322	2,12,840
Cash & bank balance	4,397	24,247	13,461	18,116	11,245
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	78,708	82,410	86,850	91,937	93,596
Net current assets	42,595	62,760	75,561	78,385	1,19,243
Misc. exp	0	0	0	0	0
Total Assets	4,61,620	5,13,814	5,18,905	6,92,677	7,27,973

Cash Flow

Y/E Mar (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
PBT (Ex-Other income) (NI+Dep)	34,434	54,028	48,751	43,239	58,702
Other Non-Cash items	(4,114)	16,371	711	840	982
Chg in working cap	(2,948)	(315)	(23,586)	1,830	(47,729)
Operating Cashflow	45,776	83,357	33,910	69,820	39,437
Capital expenditure	(32,794)	(49,669)	(14,366)	0	(21,740)
Free Cash Flow	12,982	33,688	19,543	0	17,697
Investments	10,354	(4,067)	4,000	(2,000)	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(22,095)	2,549	13,478	9,054	12,242
Equity Capital Raised	57	3	0	0	0
Loans Taken / (Repaid)	(13,206)	9,105	(33,259)	1,38,271	(11,700)
Dividend paid (incl tax)	(2,898)	(2,208)	(3,524)	(3,345)	(3,647)
Other Financing Cash Flow	117	0	0	0	0
Financing Cashflow	(23,251)	(281)	(43,807)	1,19,590	(36,810)
Net chg in cash	430	35,956	(10,786)	4,655	(6,871)
Opening cash position	3,967	4,397	24,247	13,461	18,116
Closing cash position	4,397	40,353	13,461	18,116	11,245

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY15	FY16	FY17	FY18E	FY19E
EBITDA Margin	14.6	22.0	20.5	19.3	20.8
EBIT Margin	9.8	16.9	15.5	13.5	15.5
Effective Tax Rate	29.4	20.2	29.3	30.0	30.0
Net Margin	7.5	13.4	11.4	8.8	9.6
ROCE	9.5	13.9	12.6	11.5	13.0
ROE	7.8	16.5	11.6	9.9	11.6
RoIC	9.8	16.3	13.7	11.6	13.2

Per Share Data (Rs)	FY15	FY16	FY17	FY18E	FY19E
EPS	38.2	86.7	67.9	63.7	81.9
CEPS	72.2	126.0	106.6	117.0	140.4
BVPS	503.7	553.4	613.7	670.2	744.4
DPS	3.7	3.6	6.3	6.0	6.5

Valuations (x)	FY15	FY16	FY17	FY18E	FY19E
PER	29.4	12.9	16.5	17.6	13.7
P/CEPS	15.5	8.9	10.5	9.6	8.0
P/BV	2.2	2.0	1.8	1.7	1.5
EV / Sales	1.8	1.6	1.5	1.6	1.3
EV / EBITDA	12.2	7.3	7.5	8.2	6.4
Dividend Yield (%)	0.3	0.3	0.6	0.5	0.6

Gearing Ratio (x)	FY15	FY16	FY17	FY18E	FY19E
Net Debt/ Equity	0.3	0.2	0.1	0.5	0.5
Net Debt/EBIDTA	1.4	0.7	0.4	2.0	1.5
Working Cap Cycle (days)	43.0	38.8	62.8	50.9	76.4

Growth (%)	FY15	FY16	FY17	FY18E	FY19E
Revenue	11.8	11.7	(0.4)	19.9	19.3
EBITDA	3.0	68.0	(7.2)	13.0	28.8
EBIT	1.1	93.0	(8.9)	5.0	36.9
PAT	(15.8)	130.4	(21.2)	(6.1)	28.6

Quarterly (Rs mn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
Revenue	25,429	23,959	24,887	25,260	28,761
EBITDA	3,830	4,975	5,301	5,428	5,254
EBITDA Margin (%)	15.1	20.8	21.3	21.5	18.3
PAT	1,827	3,209	5,923	3,314	3,155
EPS (Rs)	19.6	34.4	63.4	35.5	33.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoters	31.1	31.3	31.3	31.3	31.3
FIs	22.8	22.9	26.3	21.8	28.1
DIs	17.2	16.8	15.1	19.7	16.5
Public and Others	28.9	29.0	27.4	27.2	24.2

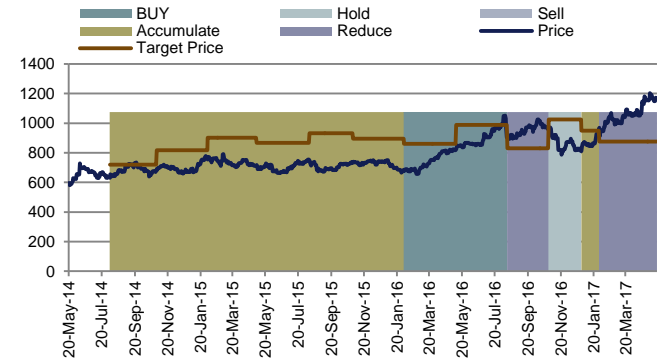
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jan-17	970	876	12m	Reduce	Sanjeev Kumar Singh
28-Dec-16	811	950	12m	Accumulate	Sanjeev Kumar Singh
28-Oct-16	965	1,026	12m	Hold	Sanjeev Kumar Singh
23-Sep-16	980	831	12m	Reduce	Sanjeev Kumar Singh
09-Sep-16	941	831	12m	Reduce	Sanjeev Kumar Singh
12-Aug-16	908	831	12m	Reduce	Sanjeev Kumar Singh
13-May-16	846	989	12m	Buy	Sanjeev Kumar Singh
09-May-16	823	989	12m	Buy	Sanjeev Kumar Singh
22-Apr-16	799	860	12m	Buy	Sanjeev Kumar Singh
21-Mar-16	743	860	12m	Buy	Sanjeev Kumar Singh
09-Feb-16	676	860	12m	Buy	Sanjeev Kumar Singh
02-Feb-16	685	860	12m	Buy	Sanjeev Kumar Singh
18-Jan-16	697	895	12m	Accumulate	Sanjeev Kumar Singh
11-Dec-15	721	895	12m	Accumulate	Sanjeev Kumar Singh
30-Oct-15	739	895	12m	Accumulate	Sanjeev Kumar Singh
28-Sep-15	687	932	12m	Accumulate	Sanjeev Kumar Singh
10-Aug-15	747	932	12m	Accumulate	Sanjeev Kumar Singh
04-May-15	718	868	12m	Accumulate	Sanjeev Kumar Singh
10-Mar-15	732	901	12m	Accumulate	Sanjeev Kumar Singh
02-Feb-15	754	901	12m	Accumulate	Sanjeev Kumar Singh
22-Dec-14	677	817	12m	Accumulate	Sanjeev Kumar Singh
30-Oct-14	681	817	12m	Accumulate	Sanjeev Kumar Singh
04-Aug-14	632	720	12m	Accumulate	Ajit Motwani

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

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BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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