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Solar Industries India

4QFY19 Result: Estimates(↓),PT(↓),Rating(↔)

Regular Coverage

Absolute : LONG

Relative : Overweight

13% ATR in 11 Months

Broadly in-line quarter; Defense business does well during the year - maintain LONG

Chemicals

Rating Information	
Price (Rs)	1,063
Target Price (Rs)	1,182
Target Date	31st Mar' 20
Target Set On	12th May'19
Implied yrs of growth (DCF)	20
Fair Value (DCF)	688
Fair Value (DDM)	230
Ind Benchmark	SPBSMIP
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	96,168
Free Float (%)	26.85 %
52 Wk H/L (Rs)	1320/923.6
Avg Daily Volume (1yr)	18,763
Avg Daily Value (Rs Mn)	20
Equity Cap (Rs Mn)	181
Face Value (Rs)	2
Bloomberg Code	SOIL IN

Ownership	Recent	3M	12M
Promoters	73.2 %	0.0 %	0.0 %
DII	20.3 %	0.1 %	0.2 %
FII	1.4 %	0.0 %	-0.1 %
Public	5.2 %	-0.1 %	-0.1 %

Price %	1M	3M	12M
Absolute	-0.4 %	8.7 %	-0.7 %
Vs Industry	6.3 %	6.2 %	11.3 %
-	-	-	-
-	-	-	-

Consolidated Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (18A)	7.7	5.7	7.6	8.6
EPS (19E)	9.8	7.7	8.3	10.0

Solar Industries India's (SOIL) 4Q revenues grew by 17% yoy to Rs 6.73bn, 6% below EE, mainly led by lower pricing in Bulk & Cartridge explosives on qoq basis. Domestic cartridge volumes continued to remain strong driven by infra segment. Consolidated EBIDTA increased by 20% yoy and came in at Rs. 1.42bn in-line with EE. Growth in accessories remained strong during the quarter. Defence business revenues has picked up during FY19 and revenues from the same stood at Rs. 1.7bn with order book of Rs. 4bn at the end of FY19. We fine tune our FY20/FY21 revenue estimates to factor in the current pricing of end products by -2%/-6% and broadly maintain our EPS estimates for FY20. We expect earnings momentum to continue and maintain our LONG rating with a Mar'20 TP of Rs 1,182 (Rs 1,211 prev) set at 33x TTM EPS of Rs 35.8.

Cartridge and bulk explosives volume growth steady, while accessories continue to grow at a healthy pace: Standalone revenues grew 22% yoy to Rs 4.82bn. Domestic revenue growth during 4Q was led by strong growth from CIL (19% growth) and housing & infra segments (43% growth yoy). Overall volumes for explosives grew by 10% on yoy basis and stood at 105,224MT and remained steady (FY19 volume growth of 9%). Realizations in explosives were up 5% yoy and came in at Rs. 36,342 per MT (previous quarter Rs. 36,920 per MT). Sales of accessories increased by 24% on yoy basis and stood at Rs. 760mn while for FY19 sales increased by 30%. Standalone business EBITDA margins stood at 20.4% and standalone EBIDTA at Rs 984mn (+42% yoy). We are building in low double-digit volume growth in explosives business for FY20 considering the strong order book visibility.

Overseas subsidiary biz, exports impacted during the quarter: Exports and overseas revenues for 4Q stood at Rs 1.7bn (-16% yoy), and was mainly impacted by situation in Turkey and Zambia. Turkey business was impacted on account of extended snowfall while the company purposely reduced supplies to Zambia on account of local economic conditions. We believe that overseas business will be one of the major growth drivers for the company given the new locations coming up in Australia and Ghana in FY20; while SOIL plans to open manufacturing facilities in some other countries also. EBIDTA margins for the subsidiary business stood at 23% (-380bps yoy) due to higher raw material costs and currency translation loss while absolute EBDITA at Rs 439mn was 10% lower on yoy basis.

Defense execution delivers a strong FY19: SOIL indicated that the defense business order book stood at ~Rs 4bn (previous quarter ~Rs. 4.3bn) and the company executed orders worth Rs 573mn during the quarter (Rs. 410mn in 3QFY19). The company has reduced its guidance on defense revenue execution for FY20 citing delay in new RFP. We reduce our revenue estimates for defense business for FY20 from Rs. 3.5bn to Rs. 2.8bn.

Estimate Revision

(Rs mn)	Forecasts		% Change	
	FY20E	FY21E	FY20E	FY21E
Sales	29,498	34,742	-2%	-6%
EBITDA	6,099	7,037	1%	-6%
PAT	3,242	3,832	-2%	-10%
EPS	35.8	42.3	-2%	-10%

Consolidated Financials

Rs. Mn YE Mar	FY19A	FY20E	FY21E	FY22E
Sales	24,616	29,498	34,742	40,235
EBITDA	5,019	6,099	7,037	8,134
Depreciation	589	699	782	841
Interest Expense	499	529	461	368
Other Income	147	174	200	220
Reported PAT	2,144	3,242	3,832	4,613
Recurring PAT	2,677	3,242	3,832	4,613
Total Equity	12,383	15,135	18,422	22,490
Gross Debt	4,685	4,115	3,215	2,315
Cash	1,218	1,113	861	1,855
Rs Per Share	FY19A	FY20E	FY21E	FY22E
Earnings	29.6	35.8	42.3	51.0
Book Value	137	167	204	249
Dividends	7.0	4.5	5.0	5.0
FCFF	9.5	12.6	20.0	33.0
P/E (x)	35.9	29.7	25.1	20.8
P/B (x)	7.8	6.4	5.2	4.3
EV/EBITDA (x)	20.1	16.5	14.2	12.0
ROE (%)	23 %	24 %	23 %	23 %
Core ROIC (%)	18 %	19 %	19 %	19 %
EBITDA Margin (%)	20 %	21 %	20 %	20 %
Net Margin (%)	11 %	11 %	11 %	11 %



Quarterly Result Table (Consolidated)

	4QFY19	4QFY19E	3QFY19	4QFY18	% Change			Comments
					4QFY19E	3QFY19	4QFY18	
Net Sales	6,730	7,177	6,530	5,753	-6%	3%	17%	Below EE
Raw materials	3,968	4,055	3,749	3,312	-2%	6%	20%	
Employee Cost	480	547	466	326	-12%	3%	47%	
Other Expenses	859	1,158	1,101	934	-26%	-22%	-8%	
Total Expenditures	5,307	5,760	5,316	4,572	-8%	0%	16%	
EBITDA	1,423	1,417	1,215	1,181	0%	17%	20%	In line with EE
Depreciation	148	176	150	123	-16%	-1%	20%	
EBIT	1,275	1,241	1,065	1,058	3%	20%	20%	
Interest	106	114	146	84	-7%	-27%	27%	
Other Income	26	55	34	38	-53%	-23%	-31%	
PBT	1,194	1,182	952	1,012	1%	25%	18%	
Tax	382	380	216	334	0%	77%	14%	
PAT before MI & Associates	813	802	737	678	1%	10%	20%	
Minority Interest	-37	-40	-51	-19	-8%	-28%	94%	
Profit from Assoc.	0.0	0	0	0	-	-	-	
Recurring PAT	776	762	686	659	2%	13%	18%	In line with EE
Extraordinaries	151	0	-67	39	-	-327%	287%	
Reported PAT	625	762	752	620	-18%	-17%	1%	
EPS (Rs)	8.6	8.4	7.6	7.3	2%	13%	18%	
EBITDA Margin	21.1%	19.7%	18.6%	21%	140 bps	255 bps	61 bps	EBITDAM beat due to lower other expenses
EBIT Margin	18.9%	17.3%	16.3%	18.4%	164 bps	263 bps	54 bps	
PBT Margin	17.7%	16.5%	14.6%	17.6%	128 bps	316 bps	15 bps	
PAT Margin	9.3%	10.6%	11.5%	10.8%	-134 bps	-223 bps	-149 bps	
Tax Rate	31.9%	32.1%	22.6%	33.0%	-17 bps	930 bps	-109 bps	

Earnings call takeaways

FY19

- During FY19, domestic business witnessed strong demand from infrastructure sector especially road construction. However, demand from the coal mining sector was subdued.
- SOIL expects a strong demand from coal mining customers like Coal India and SCCL (Singareni Collieries Company Ltd) in FY20 as they have a strong growth outlook.
- SOIL's exports and overseas business witnessed strong growth of 20%. Overseas business grew by 21.3% growing from Rs 5.8bn in FY18 to Rs 7bn in FY19. Exports business grew from Rs 1.45bn in FY18 to Rs 1.66bn in FY19 registering a growth of 14.5%.
- Defence products sales stood at Rs 1.7bn during FY19 as against Rs 370mn in FY18 registering a growth of 358%.
- Explosives/Initiating systems revenues grew from Rs 10.5bn/Rs 1.97bn in FY18 to Rs 12.73bn/Rs 2.57bn in FY19 registering a growth of 21%/30%.
- Explosives volumes grew by 9% from 329,953MT in FY18 to 359,116MT in FY19. Realizations of explosives have grown by ~11% yoy.
- Non-CIL and institutional segment witnessed a degrowth of 11% in FY19 on account of loss of some orders in SCCL and discontinuation of supplies to some customers due to delays in payments.
- Material costs increased by 141bps on account of change in product mix and higher ammonium nitrate (AN) prices (AN prices have increased from Rs 22,721/MT to Rs 25,337/MT) and rise in commodity prices (both globally as well as domestically). This has led to a squeeze in EBITDAM by 112bps from 22.11% to 21%.
- Total borrowing has increased by ~26% from ~Rs 5.14bn to ~Rs 6.5bn.
- The total working capital requirement has increased from ~Rs 2.3bn in FY18 to ~Rs 3.6bn in FY19. Overseas working capital has increased by ~Rs. 1.16bn. However, working capital days have decreased from 105 days in FY18 to 90 days in FY19.
- Capex in FY19 stood at Rs 2.7bn of which domestic/overseas/defence contribution was Rs 1.2bn/Rs 842mn/Rs 673mn.
- The total orderbook currently stands at ~Rs 11.5bn of which Coal India/SCCL/defence stands at Rs 5.3bn/Rs 2.2bn/Rs 3.96bn.

- The working capital days have decreased yoy from 105 to 90. The reasons for high working capital days are (1) higher initial inventories needed as there are some projects in the starting phase (2) need to stock AN as SOIL does not manufacture it (3) higher lead times for exports of some of the subsidiaries of SOIL leading to higher inventories. The management expects the working capital days to reduce in the future.
- Forex loss during the year was Rs 237.4mn.

4QFY19

- Defence revenues grew from Rs 190mn in 4QFY18 to Rs 570mn in 4QFY19 registering a growth of ~200%.
- Explosives revenues grew from Rs 3.31bn in 4QFY18 to Rs 3.83bn in 4QFY19 registering a growth of 15.5%.
- Initiating systems registered a growth of 24% rising from Rs 610mn in 4QFY18 to Rs 760mn in 4QFY19.
- Explosives volumes grew by 10% from 96057MT in 4QFY18 to 105244MT in 4QFY19. Explosives realization grew by ~5.4%.
- Raw material cost as a % of sales increased by 139bps yoy from 57.57% to 58.96% on account of change in product mix, rising AN prices and lower exports in 4QFY19.
- Employee expenses increased 147bps yoy on account of global recruitment with increasing presence in South Africa and Australia. There have also been new recruitments in defence and initiating systems.
- Other expenses decreased by 347bps yoy on account of lower exports in 4QFY19 thereby reducing the distribution costs.
- Exports revenue declined on account of decline in Turkey and Zambia. Turkey was impacted due to extended snowfall and municipal elections. SOIL purposely reduced supplies to Zambia on account of the local economic conditions prevailing there however, with the improvement in the conditions, the supplies are expected to pick up.
- Overseas business revenues during 4QFY19 stood at Rs 1.4bn against Rs 1.5bn in 4QFY18
- Forex loss during the quarter was Rs 16.8mn.

Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY20E	35.8	36.6	-2 %	We are expect lower sales and profitability in FY21E.
	FY21E	42.3	47.6	-11 %	
Sales	FY20E	29,498	30,031	-2 %	
	FY21E	34,742	36,686	-5 %	
PAT	FY20E	3,242	3,317	-2 %	
	FY21E	3,832	4,313	-11 %	

Our Key Investment arguments:

- SOIL to benefit from demand in domestic mining driven by CIL & foray into iron ore & limestone segments
- Overseas expansion to increase revenues and profitability for SOIL
- High potential defence business to propel revenues & margins
- Long term prospects remain good, however current valuations offer limited room for upside

Key Assumptions:

Particular (Rs. Mn)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Revenues	15,800	19,161	24,616	29,498	34,742	40,235
EBIDTA	3,239	4,116	5,019	6,099	7,037	8,134
PAT	1,854	2,206	2,677	3,242	3,832	4,613

Key Triggers

- Commissioning of defence capacity to drive future revenues and earnings.
- Pick up in mining activities on account of increase in commodity prices.

Comparable valuation		Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B		RoE			Div Yield	
Company	Reco.				CMP	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E
Solar Industries	LONG	1,063	96,168	1,182	31st Mar' 20	29.6	35.8	42.3	35.9	29.7	25.1	136.8	6.4	23 %	24 %	23 %	0.7 %	0.4 %	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Sensitivity to Key Variables	% Change	% Impact on EPS
EBITDA Margin	1 %	6 %
-	-	-
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.4 %	0.9	12.6 %	3.0 %	13.6 %

-	FY19E	FY20E	FY21-28E	FY29-33E	FY33-37E
Sales Growth	28 %	20 %	15 %	11 %	6 %
NOPAT Margin	12 %	12 %	12 %	12 %	12 %
IC Turnover	1.36	1.41	1.47	1.47	1.47
RoIC	17.9%	18.8%	19.4%	19.2%	18.7%

Years of strong growth	1	2	10	15	20
Valuation as on date (Rs)	273	290	470	575	619
Valuation as of Mar'20	303	322	522	638	688

Based on DCF, assuming 20 years of 15.6% CAGR growth and 20% average ROIC, we derive current fair value of Rs 619 and a Mar'20 fair value of Rs 688.

Company Description: Headquartered in Nagpur, Solar industries is India's largest manufacturer, supplier and exporter of commercial Explosives and Explosive Accessories in India. The Company offers high-quality products and services that are backed by stringent safety standards, a robust infrastructure, and a proven quality management system. Solar Industries supports major mining & infrastructure companies like Coal India, Tata, Jindal, SAIL, L&T and others. The Company is spreading its global presence with two well established manufacturing units in Africa & further planning to cater Europe market aggressively.



Consolidated Quarterly Earnings Forecast

Rs in Mn	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	FY19A	FY20E	FY21E	FY22E
Revenue	6,147	5,209	6,530	6,730	7,461	6,625	7,374	8,037	8,790	7,819	8,686	9,448	24,616	29,498	34,742	40,235
Raw materials	3,485	2,807	3,749	3,968	4,196	3,657	4,164	4,639	4,904	4,280	4,865	5,412	14,009	16,656	19,462	22,601
Power and Fuel Cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Cost	463	433	466	480	552	508	552	592	649	600	649	696	1,842	2,204	2,594	2,987
Other Expenses	917	901	1,101	859	1,082	1,108	1,217	1,131	1,438	1,317	1,412	1,482	3,745	4,539	5,649	6,514
Excise Duty	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	1,282	1,068	1,215	1,423	1,631	1,352	1,442	1,675	1,798	1,621	1,758	1,859	5,019	6,099	7,037	8,134
Depreciation	140	151	150	148	165	172	178	184	190	194	197	201	589	699	782	841
EBIT	1,143	916	1,065	1,275	1,466	1,180	1,264	1,491	1,609	1,428	1,561	1,658	4,431	5,400	6,255	7,293
Interest	119	127	146	106	134	134	132	129	125	120	112	104	499	529	461	368
Other Income	77	43	34	26	43	43	43	45	50	50	50	50	147	174	200	220
PBT	1,100	832	952	1,194	1,375	1,089	1,175	1,406	1,534	1,358	1,499	1,604	4,079	5,045	5,995	7,145
Tax	371	283	216	382	442	348	377	456	491	433	481	518	1,251	1,624	1,923	2,292
PAT bef. MI & Assoc.	729	550	737	813	932	741	798	951	1,043	925	1,018	1,086	2,829	3,422	4,072	4,853
Minority Interest	34	30	51	37	45	45	45	45	60	60	60	60	152	180	240	240
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	696	519	686	776	887	696	753	906	983	865	958	1,026	2,677	3,242	3,832	4,613
Extraordinaries	156	292	-67	151	0	0	0	0	0	0	0	0	533	0	0	0
Reported PAT	540	227	752	625	887	696	753	906	983	865	958	1,026	2,144	3,242	3,832	4,613
EPS (Rs)	7.69	5.74	7.57	8.57	9.80	7.69	8.32	10.01	10.86	9.56	10.59	11.34	29.58	35.82	42.34	50.97
Key Drivers																
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Sequential Growth (%)																
Revenue	7 %	-15 %	25 %	3 %	11 %	-11 %	11 %	9 %	9 %	-11 %	11 %	9 %	-	-	-	-
Raw materials	5 %	-19 %	34 %	6 %	6 %	-13 %	14 %	11 %	6 %	-13 %	14 %	11 %	-	-	-	-
EBITDA	9 %	-17 %	14 %	17 %	15 %	-17 %	7 %	16 %	7 %	-10 %	8 %	6 %	-	-	-	-
EBIT	8 %	-20 %	16 %	20 %	15 %	-19 %	7 %	18 %	8 %	-11 %	9 %	6 %	-	-	-	-
Recurring PAT	0 %	-25 %	32 %	13 %	14 %	-22 %	8 %	20 %	8 %	-12 %	11 %	7 %	-	-	-	-
EPS	6 %	-25 %	32 %	13 %	14 %	-22 %	8 %	20 %	8 %	-12 %	11 %	7 %	-	-	-	-
Yearly Growth (%)																
Revenue	32 %	28 %	40 %	17 %	21 %	27 %	13 %	19 %	18 %	18 %	18 %	18 %	28 %	20 %	18 %	16 %
EBITDA	26 %	22 %	16 %	20 %	27 %	27 %	19 %	18 %	10 %	20 %	22 %	11 %	22 %	22 %	15 %	16 %
EBIT	28 %	23 %	18 %	20 %	28 %	29 %	19 %	17 %	10 %	21 %	24 %	11 %	23 %	22 %	16 %	17 %
Recurring PAT	7 %	2 %	12 %	11 %	28 %	34 %	10 %	17 %	11 %	24 %	27 %	13 %	21 %	21 %	18 %	20 %
EPS	27 %	14 %	27 %	18 %	28 %	34 %	10 %	17 %	11 %	24 %	27 %	13 %	21 %	21 %	18 %	20 %
Margin (%)																
EBITDA	21 %	20 %	19 %	21 %	22 %	20 %	20 %	21 %	20 %	21 %	20 %	20 %	20 %	21 %	20 %	20 %
EBIT	19 %	18 %	16 %	19 %	20 %	18 %	17 %	19 %	18 %	18 %	18 %	18 %	18 %	18 %	18 %	18 %
PBT	18 %	16 %	15 %	18 %	18 %	16 %	16 %	17 %	17 %	17 %	17 %	17 %	17 %	17 %	17 %	18 %
PAT	11 %	10 %	10 %	12 %	12 %	11 %	10 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %



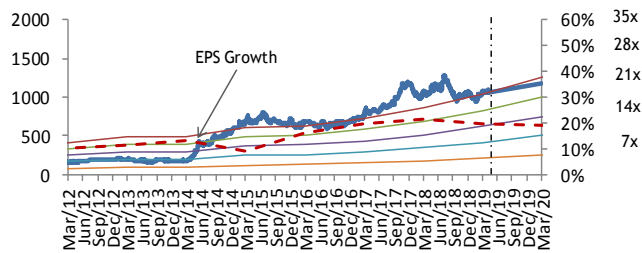
Consolidated Financials

P&L (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Revenue	24,616	29,498	34,742	40,235
Op. Expenditure	19,596	23,398	27,705	32,101
EBITDA	5,019	6,099	7,037	8,134
Depreciation	589	699	782	841
EBIT	4,431	5,400	6,255	7,293
Interest Expense	499	529	461	368
Other Income	147	174	200	220
PBT	4,079	5,045	5,995	7,145
Tax	1,251	1,624	1,923	2,292
PAT bef. MI & Assoc.	2,829	3,422	4,072	4,853
Minority Interest	152	180	240	240
Profit from Assoc.	0	0	0	0
Recurring PAT	2,677	3,242	3,832	4,613
Extraordinaires	533	0	0	0
Reported PAT	2,144	3,242	3,832	4,613
FDEPS (Rs)	29.6	35.8	42.3	51.0
DPS (Rs)	7.0	4.5	5.0	5.0
CEPS (Rs)	36.1	43.5	51.0	60.3
FCFPS (Rs)	9.5	12.6	20.0	33.0
BVPS (Rs)	136.8	167.2	203.6	248.5
EBITDAM (%)	20 %	21 %	20 %	20 %
PATM (%)	11 %	11 %	11 %	11 %
Tax Rate (%)	31 %	32 %	32 %	32 %
Sales Growth (%)	28 %	20 %	18 %	16 %
FDEPS Growth (%)	21 %	21 %	18 %	20 %

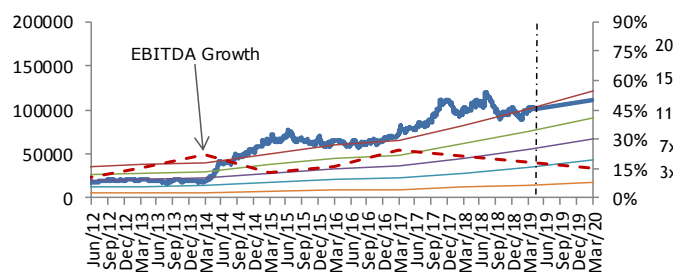
Balance Sheet (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Equity Capital	181	181	181	181
Reserve	12,202	14,954	18,241	22,309
Networth	12,383	15,135	18,422	22,490
Long Term Debt	4,685	4,115	3,215	2,315
Def Tax Liability	1,202	1,372	1,072	772
Minority Interest	476	656	896	1,136
Account Payables	1,633	1,825	2,133	2,477
Other Curr Liabi	2,442	3,278	3,860	4,471
Total Liabilities & Equity	22,820	26,380	29,597	33,660
Net Fixed Assets	10,429	12,680	14,198	15,457
Capital WIP	1,665	575	575	575
Others	1,042	1,932	1,632	1,532
Inventory	2,827	3,394	3,998	4,630
Account Receivables	3,990	5,657	6,663	7,716
Other Current Assets	1,648	1,029	1,670	1,895
Cash	1,218	1,113	861	1,855
Total Assets	22,820	26,380	29,597	33,660
Non-cash Working Capital	4,391	4,977	6,338	7,294
Cash Conv Cycle	65.1	61.6	66.6	66.2
WC Turnover	5.6	5.9	5.5	5.5
FA Turnover	2.0	2.2	2.4	2.5
Net D/E	0.3	0.2	0.1	0.0
Revenue/Capital Employed	1.4	1.5	1.5	1.6
Capital Employed/Equity	1.5	1.5	1.3	1.2

Cash Flow (Rs Mn)	FY19A	FY20E	FY21E	FY22E
PBT	4,079	5,045	5,995	7,145
Depreciation	589	699	782	841
Others	-533	0	0	0
Taxes Paid	1,251	1,624	1,923	2,292
Change in WC	-422	-586	-1,360	-956
Operating C/F	2,462	3,534	3,493	4,738
Capex	-1,949	-2,776	-2,000	-2,000
Change in Invest	5	26	0	0
Others	0	0	0	0
Investing C/F	-1,944	-2,750	-2,000	-2,000
Change in Debt	432	-570	-900	-900
Change in Equity	164	0	0	0
Others	-729	-320	-845	-845
Financing C/F	-134	-890	-1,745	-1,745
Net change in cash	384	-106	-252	994
RoE (%)	23 %	24 %	23 %	23 %
RoIC (%)	17 %	18 %	18 %	19 %
Core RoIC (%)	18 %	19 %	19 %	19 %
Div Payout (%)	36 %	15 %	14 %	12 %
P/E	35.9	29.7	25.1	20.8
P/B	7.8	6.4	5.2	4.3
P/FCFF	111.4	84.1	53.3	32.2
EV/EBITDA	20.1	16.5	14.2	12.0
EV/Sales	4.1	3.4	2.9	2.4
Dividend Yield (%)	0.7 %	0.4 %	0.5 %	0.5 %

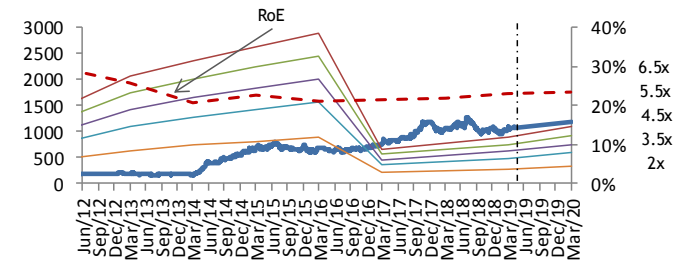
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

P&L (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Balance Sheet (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Cash Flow (Rs Mn)	FY16A	FY17A	FY18A	FY19A
Revenue	14,486	15,800	19,161	24,616	Equity Capital	181	181	181	181	PBT	2,642	2,715	3,396	4,079
Op. Expenditure	11,444	12,561	15,046	19,596	Reserve	7,874	9,105	10,658	12,202	Depreciation	328	387	513	589
EBITDA	3,043	3,239	4,116	5,019	Networth	8,055	9,286	10,839	12,383	Others	187	-218	530	-533
Depreciation	328	387	513	589	Long Term Debt	3,437	4,090	4,254	4,685	Taxes Paid	470	590	895	1,251
EBIT	2,714	2,852	3,603	4,431	Def Tax Liability	776	840	1,018	1,202	Change in WC	-255	-1,118	-628	-422
Interest Expense	204	269	327	499	Minority Interest	478	403	474	476	Operating C/F	2,433	1,176	2,916	2,462
Other Income	133	132	121	147	Account Payables	1,080	893	1,433	1,633	Capex	-1,400	-1,740	-2,227	-1,949
PBT	2,642	2,715	3,396	4,079	Other Curr Liabi	1,309	1,762	1,934	2,442	Change in Invest	63	-8	453	5
Tax	867	767	1,061	1,251	Total Liabilities & Equity	15,135	17,273	19,951	22,820	Others	-72	43	31	0
PAT bef. MI & Assoc.	1,775	1,947	2,336	2,829	Net Fixed Assets	7,028	7,768	9,233	10,429	Investing C/F	-1,408	-1,704	-1,743	-1,944
Minority Interest	138	82	130	152	Capital WIP	304	909	968	1,665	Change in Debt	-39	978	-216	432
Profit from Assoc.	0	0	0	0	Others	1,313	1,277	1,579	1,042	Change in Equity	0	0	54	164
Recurring PAT	1,637	1,865	2,206	2,677	Inventory	1,599	1,811	2,324	2,827	Others	-877	-446	-746	-729
Extraordinaires	0	541	-80	533	Account Receivables	2,710	3,191	3,636	3,990	Financing C/F	-916	533	-907	-134
Reported PAT	1,637	1,325	2,285	2,144	Other Current Assets	1,505	1,427	1,376	1,648	Net change in cash	108	5	266	384
EPS (Rs)	18.1	20.6	24.4	29.6	Cash	676	891	835	1,218	RoE (%)	21 %	22 %	22 %	23 %
DPS (Rs)	4.5	3.0	6.0	7.0	Total Assets	15,135	17,273	19,951	22,820	RolC (%)	15 %	15 %	16 %	17 %
CEPS (Rs)	108.6	31.1	30.0	36.1	Non-cash Working Capital	3,424	3,773	3,969	4,391	Core RolC (%)	16 %	15 %	16 %	18 %
FCFPS (Rs)	64.2	-4.6	15.4	9.5	Cash Conv Cycle	86.3	87.2	75.6	65.1	Div Payout (%)	30 %	25 %	29 %	36 %
BVPS (Rs)	445.0	102.6	119.8	136.8	WC Turnover	4.2	4.2	4.8	5.6	P/E	58.8	51.6	43.6	35.9
EBITDAM (%)	21 %	20 %	21 %	20 %	FA Turnover	2.0	1.8	1.9	2.0	P/B	2.4	10.4	8.9	7.8
PATM (%)	11 %	12 %	12 %	11 %	Net D/E	0.3	0.3	0.3	0.3	P/FCFF	16.6	-229.7	68.8	111.4
Tax Rate (%)	33 %	28 %	31 %	31 %	Revenue/Capital Employed	1.7	1.5	1.6	2.0	EV/EBITDA	33.0	31.2	24.7	20.1
Sales growth (%)	7 %	9 %	21 %	28 %	Capital Employed/Equity	1.8	1.7	1.7	1.6	EV/Sales	6.9	6.4	5.3	4.1
FDEPS growth (%)	4 %	14 %	18 %	21 %						Dividend Yield (%)	0.4 %	0.3 %	0.6 %	0.7 %

Rating & Coverage Definitions:**Absolute Rating**

- LONG : Over the investment horizon, ATR \geq Ke for companies with Free Float market cap $>$ Rs 5 billion and ATR \geq 20% for rest of the companies
- ADD: ATR \geq 5% but less than Ke over investment horizon
- REDUCE: ATR \geq negative 10% but $<$ 5% over investment horizon
- SHORT: ATR $<$ negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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