

BSE SENSEX  
35,457

S&P CNX  
10,682

**CMP: INR334 TP: INR390 (+17%)**

**Buy**



**Stock Info**

Bloomberg	BHARTI IN
Equity Shares (m)	3,997
M.Cap.(INRb)/(USD\$b)	1333.5 / 18.6
52-Week Range (INR)	547 / 277
1, 6, 12 Rel. Per (%)	13/-10/-39
12M Avg Val (INR M)	2842
Free float (%)	32.9

**Financials Snapshot (INR b)**

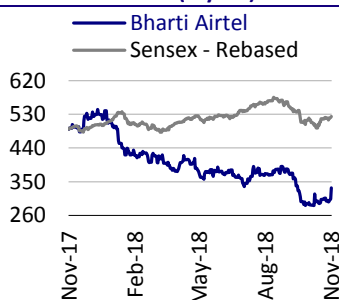
Y/E Mar	2018	2019E	2020E
Net Sales	836.9	823.4	894.3
EBITDA	300.8	258.7	285.5
NP	14.0	-23.0	-12.0
EPS (INR)	3.5	-5.8	-3.0
EPS Gr. (%)	-68.6	-264.9	-47.9
BV/Sh. (INR)	173.9	121.9	118.9
RoE (%)	2.0	-3.9	-2.5
RoCE (%)	4.6	0.5	2.1
P/E (x)	95.5	NM	NM
P/BV (x)	1.9	2.7	2.8
EV/EBITDA (x)	7.7	10.0	9.1

**Shareholding pattern (%)**

As On	Sep-18	Jun-18	Sep-17
Promoter	67.1	67.1	67.1
DII	12.7	12.6	9.9
FII	18.4	18.3	16.4
Others	1.8	2.0	6.6

FII Includes depository receipts

**Stock Performance (1-year)**



**Well prepared to take on competition**

At its recently-held investor day, Airtel elaborated on the positives, including the possibility of the industry nearing its trough and network investment tapering. Further, the company highlighted its five-pronged strategy for the near future to: a.) Win 4G customers b.) Build new monetization opportunities beyond simply ARPU accretion 3.) War on waste 4.) Smart investments in network and 5.) Win with people. Management also indicated that it would raise equity if needed to address leverage and bridge the cash burn in a disruptive market environment. The key highlights of the discussion were:

- **Industry bottoming out:** Bharti has reiterated that it is looking to gain market share as the largest operator is going through the tumultuous exercise of network integration. ARPUs have largely bottomed out, which should see revenue growth supporting potential EBITDA growth.
- **Earnings revival in store:** Airtel’s minimum recharge plan of INR35 targeting an estimated 100m sub-INR10 ARPU subscribers could drive a revenue revival as ARPU accretion is likely to offset subs churn. Further, consumer upgradation to smartphone from feature phone should improve ARPUs.
- **Capex intensity to taper:** Management did not provide any capex guidance for the next fiscal, but indicated that all the heavy lifting in terms of network investment has concluded and capex efficiency should improve, going forward, as investment towards 900mhz/2100mhz refarming, increased sectorization, massive MIMO, small cells, carrier aggregation, and VoLTE should be capex light, while adding multi-fold capacity.
- **AirtelThanks premium services:** In order to woo premium customers (40% subs contribute 80% of its revenue), Bharti has launched ‘AirtelThanks’ plans which offer premium entertainment content and other varied services through its smart recommendation engine.
- **Building alternate monetization opportunities:** We are happy to see the change in Bharti’s mindset to build revenue streams beyond data ARPU plans by mining its 80m+ (and growing) My Airtel app subscribers through varied service offerings. It has initiated an open telco partnership-based platform to offer banking, insurance, lending, travel, food and multiple services which opens up a plethora of subscription- and ad-based revenue opportunities.
- **Gearing up for Home market:** Bharti’s Home business is gearing up to take on the competition through Hybrid boxes (launch in March 2019) offering linear and non-linear content, apart from other Home solutions. The Home broadband market opportunity is likely to increase to 36m by 2020. The company plans to continue doubling home passes annually (currently 2m) by targeting high-rises instead of undertaking rampant expansion in low tier towns.

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

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**Our view:** The battle for market share with low ARPU plans continues unabated in the telecom industry. Since the launch of Rjio, Bharti has maintained its market share for the last two years. Strong network investments and customer insights has allowed it to restrict customer churn. We expect Bharti's market share to remain firm as it has the opportunity to gain during a period when the largest industry player is in the middle of a huge network integration exercise. However, on the flip side, falling operating cashflow, high capex and ballooning debt (net debt of INR1150b) create urgency for raising equity through Africa IPO and Bharti Infratel stake sale.

**Valuation:** We maintain our positive stance on Bharti with a valuation of 10x each ascribed to the India/Africa business FY20E EBITDA and a TP of INR390. The Africa business has turned into a strong value-generating asset, thereby garnering healthy valuations. This, in turn, has improved its India valuation to ~8x despite its depressed EBITDA. Given Bharti's strong network and product capabilities, we believe that the industry revival could drive a strong earnings recovery for the company.

**Management has stated its five-pronged strategy to: a.) Win 4G decisively (four sub adds) b.) Win with brilliant experience (network) c.) Build new revenues d.) War on waste (improve operating costs) e.) Win with people.**

### **Better days expected ahead - Industry bottoming out; investments should taper**

Bharti has reiterated that the ARPU downtrading cycle is reaching its end in the prepaid market, while there could be some subscriber downtrading left in the postpaid segment. However, this should be offset by consumer upgrades to high ARPU smartphones from feature phones. Airtel's recently launched minimum recharge of INR35 targeting an estimated 100m sub-INR10 ARPU subscribers could drive a revenue revival for Bharti as ARPU accretion is likely to offset subscriber churn. Management is gearing to revenue market share gain as the largest operator is going through a tumultuous task of network integration exercise.

### **Investments – Heavy lifting over; will spend less but add more capacity**

Management has indicated that the majority of the heavy lifting has been completed in the last 2-3 years as the company has added nearly two lac sites in the last 2 years. Going forward, its capex efficiency should improve although the company will continue to expand its coverage and create more data capacity. This will be done through a.) Maximizing coverage and capacity for 4G by refarming liberalized 900mhz/2100mhz spectrum in 10/21 circles b.) Addressing hyper capacity sites through increased sectorization from the current three to four-five and deploying massive MIMO which should increase its capacity by 2-5x c.) Using small cells in high traffic public outdoor locations and indoor corporate offices d.) Carrier aggregation to increase capacity by 3x e.) Strengthening backhaul through both increased fiberization and high capacity microwave. Management has highlighted that the focus now is to improve its network experience instead of merely adding capacity by using predictive experience management layers and deploying self-optimizing network products, which should improve its capex and opex efficiency.

**Roll out of 'Airtel Thanks' to help win 4G battle with premium customers**

Management has indicated that 40% of its customers contribute 80% of its revenues. Hence, in order to attract and retain these premium customers, it has launched AirtelThanks. Using data science and customer insights, these customers are offered preferred services, device options and network experience. Through the MyAirtel app, based on different price plans these customers would get a.) Premium content, payment banks product and a gamut of new services which it plans to launch b.) Premium devices acquisition support, including financing c.) Priority resolution of network issues. All this will be delivered through a seamless omnichannel network. Typically, a pure play telco customer's churn rate reduces to 0.4x as the customer goes on to become a digital and video content user on the telco platform, thus adopting content laddering on Airtel TV which offers limited content to a basic prepaid subscriber and complete premium offerings (content + Fintech services) to a high ARPU postpaid subscriber.

**New capabilities, revenue streams in wireless segment**

In order to reduce concerns of remaining a dumb pipe, Bharti is building new capabilities to support customer stickiness, drive ARPU accretion as well as capitalize on other monetization (ad and subscription) opportunities by tapping its strong 100m/80m Wink 80m Airtel TV customers. The company has already started in-app advertisements (currently generating USD7-9m revenue) through cross pollination of services by integrating the app with seamless recommendation engine and smart ad targeting. Bharti is building an open telco platform through which it plans to expand in Fintech services (banking, lending and insurance), travel, food and other gamut of offerings, thus turning myAirtel into a product/service gateway. The company is digitizing its operating systems and building analytics using its customers' profiles to offer customized offerings and network solutions.

**Hybrid Home to witness focused expansion**

Out of 65m/18m DTH/broadband households, Airtel presently has 15m/2.2m DTH/broadband (V-Fiber) subscribers. There are currently 30m affluent HH (income >INR10lac p.a.) which will increase to 36m by 2020 who need converged home solutions, including high speed connectivity, linear & non-linear VOD and security surveillance. In order to leverage its current assets and tap this opportunity, the company has integrated its DTH product with home broadband through Hybrid boxes (to be launched in March 2019) and Android TV Sticks in line with its peers' offerings. On the DTH front, with digitization now completed, it now plans to grab share from the 50m CAS III and IV market through device tie-ups and leverage its direct customer reach vs. MSOs. On the V-Fiber front, it plans to undertake focused expansion and continue doubling its home passes to reach 4m by next fiscal – FY20. However, the company plans to target more high-rises instead of lower tier towns where the project is unviable.

**Payment banks, B2B products**

Airtel has a huge opportunity as compared to a bank with its 10x distribution and 3x customer base. Globally, telcos offering payments bank derive one-fourth of their revenue from the business. Bharti has 0.6m banking points with Airtel retailers

operating as a hub for its services and enjoys a 10% share in the remittance market. It continues to cater to a.) Large institutions market with INR240b cash handling, dropping services and small businesses and merchants. However, there exists a huge opportunity for Bharti to bring 90m unbanked customers at the bottom of the pyramid into its digital ecosystem and tap its existing 80m Airtel digital customers for offering full payments and financial services products (savings account, remittances, insurance, repayments and loans, investments and b2b products).

In the enterprise segment, Bharti is already a leader in the institutional enterprise segment and now plans to target 10m MSME customers with a market size of INR100b and growing at 20% annually. In order to improve connectivity, the company is partnering with 80,000 ISPs in the country and leveraging its FTTH network strength. Further, the company's data center business is witnessing a strong growth with recent wins from Microsoft and is now venturing into the IOT space.

## Meeting notes

### Industry trends, network requirement

- The industry is nearing a trough. Pricing is unlikely to fall. Device subsidy is not viable, but remains a risk.
- Data growth at 20% may not climb to 40-50%. The worst phase of the last 2 years is over.
- 5G auction unlikely in the next 1 year, though 5G will arrive in 3-4 years.
- Opex headwinds likely due to rise in diesel rates and massive deployment. The high opex in the last quarter may not be the new normal and the company is making efforts to reduce other spends and S&A, automation, and digitization costs.
- Bharti is winning in the 4G market in the top 1,000 towns.
- The downtrading cycle is almost over in the prepaid segment and to some extent in the postpaid segment. The shift from feature phones to smartphones will improve ARPU which will be partly offset by postpaid ARPU downtrading.

### Win with 4G

- Bharti plans to win customers with:
  - 100m+ wynk customers, 80m+ Airtel TV and MyAirtel
  - Launch of new price plans
  - Premium services
- Postpaid price plan of INR399 offerings include Netflix and Amazon Prime Video services, etc.
- Prepaid price plan of INR199 offerings include ZEE5 and HOOQ services, etc
- Basic prepaid price plans offerings include Live TV and VOD – Airtel TV, EROS and Alt Balaji services, etc.
- 40% of customers contribute 80% of its revenues.
- **Content:** 375 linear channels and over 10k movies and shows. 1.3b minutes watch time/month
- Wynk has more than 7-8 languages, streamlined by artist-wise, album- and song-wise.

- It also includes regional content, voice search, integrated audio and video, vernacular content

### **Building superior network**

- Network capacity is far below 50%.
- Maximizing spectrum for 4G – Five layers of spectrum vs. (900, 1800, 2100, 2300, LAA – unlicensed bands) vs. only two layers earlier (1800mhz and 2300mhz)
- Sectorization will provide 2x capacity and additional indoor capacity – 4-5x sectors instead of 3x sectors – that can almost double capacity.
- Massive MIMO can give 3x-5x capacity gain near IPL venues.
- Extending of 4G coverage in sub-ghz 900mhz will be done over the next few months for all 10 circles where it has liberalized.
- Small cells for coverage and capacity – Outdoor hotspot, inside shopping malls, high traffic locations, public location corporate offices and tourist places
- Carrier aggregation – LTE advanced – 4.5g - 3x increase in peak throughputs
- Backhaul – Getting sites ready for Massive MIMO 4G capacity – most sites are 200mbps ready and some are 1gbps ready
- To improve operational efficiency - single ran, outdoor sites and outdoor microwave
- Taking content closer to the customer instead of keeping it far away in the data center through cache, reducing latency

### **DTH/Home opportunity**

- Win from Cable – Conversion Opportunity – 70m cable HH. How to Win – 93% sold are LED, industry alliance, and best-in-class customer service. Hybrid box launch in March 2019.
- Airtel V Fiber + Airtel DTH + Airtel Home. Piloted in AP.
- Home products: Premium 4K Hybrid box, Mass HD Hybrid box, Android TV Stick, Mesh and Extenders and 1gbps routers
- Services: Catch up TV, voice assistant integration, video calling, IOT, smart homes, cloud DVR, gaming, and security and surveillance

### **Enterprise Segment**

- 90% of the content viewed in India does not belong to India. Google and FB have now begun shifting to India.
- Data center – Cable business provides advantage and the reach is strong. Adding new DCs with 8,000+ racks, capabilities
- Unlocking MSME potential – Leveraging and linking Homes FTTH network. Third-party partnerships with 80,000 ISPs. Go-to-market strategy is to sell them through online packs and improving procurement.

### **Airtel Payments Bank**

- 190m underbanked Indians, 30m non-tax merchants, 30m merchants not digital, 3.6-3.7% insurance penetration
- 150m people – urban immigrants sending money to rural areas
- Globally, telcos offering payment banks derive one-fourth of their revenue from the financial business.

- 0.6m banking points, 17+ transactions/sec, USD7.5b fund flow.
- Airtel holds a share of more than 10% of the total remittances in the market.
- 90m+ unbanked customers at the bottom of the pyramid. The company is targeting to provide financial services to poor urban migrants and rural residents.
- Enabling industries and institutions – INR240b + monthly institutional cash handling. Cash drop services for the government, NBFCs and large institutional, digital cash handling services.
- Airtel digital ecosystem – 80m Airtel digital customers. 300m smartphones, Airtel app users to enjoy full payment and financial services products.

**Digitization of Network**

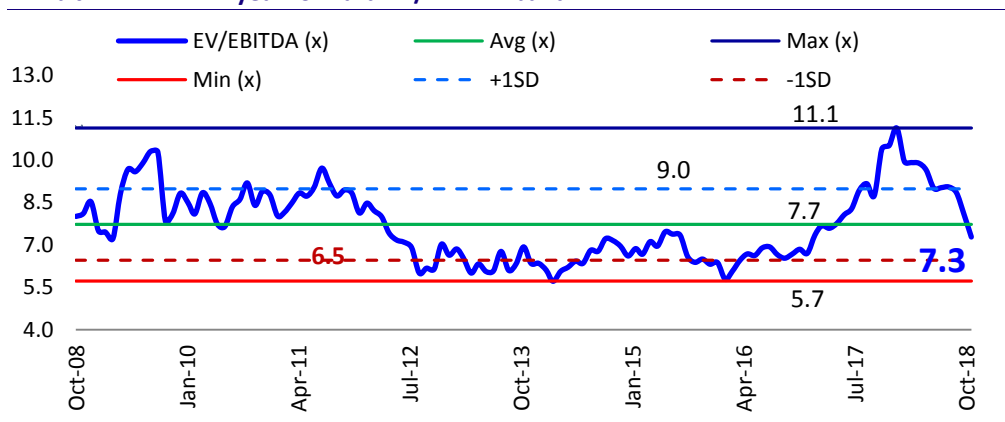
- Open Network - 2.0 provides Coverage quality, real time alerts for degrades, personalized intimation and trouble shooting.
- Voice bots apart from chat bots for offering service suggestions and also activating service based on requests
- Customer 360 – Initiating open telco platform strategy. Partnering with third-party players in banking, finance, travel and entertainment.
- Currently deriving USD7-9m of ad revenues

**Exhibit 1: Bharti Airtel: SOTP-based on FY20**

	EBITDA (INR b)	Ownership (%)	Proportionate EBITDA (INR b)	EV/ EBITDA (x)	Fair Value (INR b)	Value/ Share (INR)
India SA business (excl. towers)	159	100%	159	10	1,664	416
Tower business (15% discount to fair value)		54%			244	61
Africa business	93	100%	93	10	927	232
Less net debt					1276	319
<b>Total Value</b>					<b>4,111</b>	<b>390</b>
Shares o/s (b)	4.0					
CMP						<b>334</b>
<b>Upside (%)</b>						<b>17</b>

Source: Company, MOSL

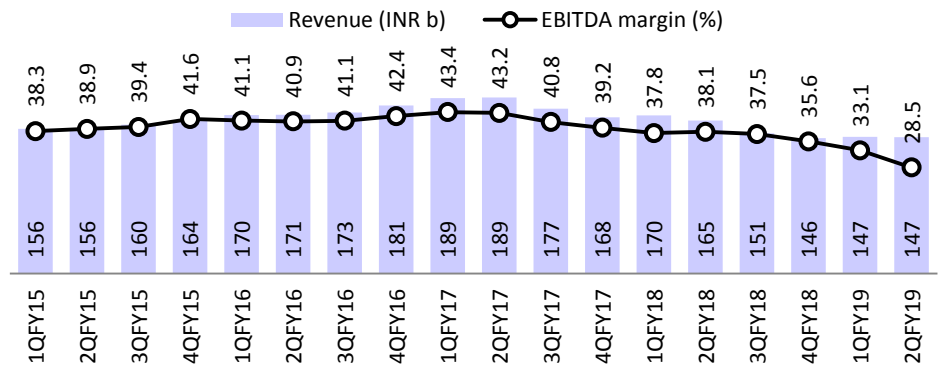
**Exhibit 2: BHARTI: 1-year forward EV/EBITDA band**



Source: Bloomberg, MOSL

## Bharti's India portfolio

Exhibit 3: Bharti – India business revenue and margins



Source: MOSL, Company

Exhibit 4: India mobile revenue and EBITDA margin

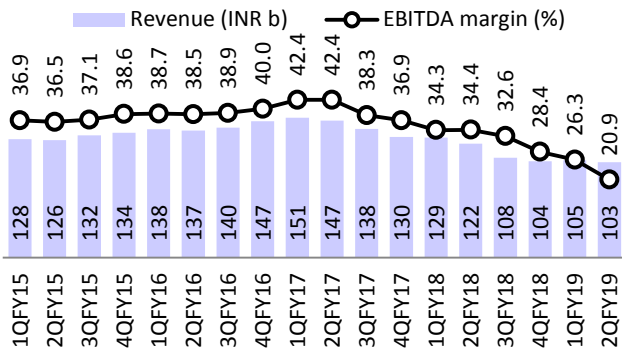


Exhibit 5: India mobile subs and ARPU

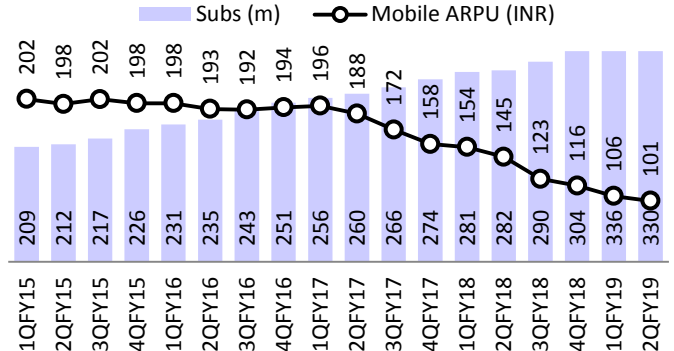
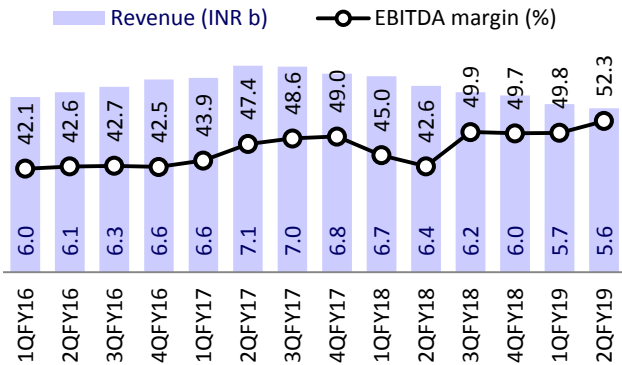
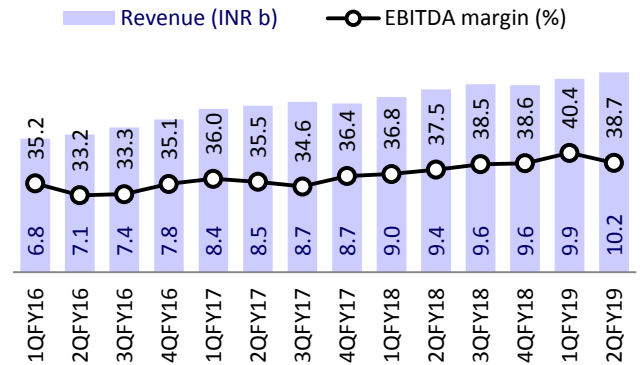


Exhibit 6: Bharti India home broadband business revenue and EBITDA margin



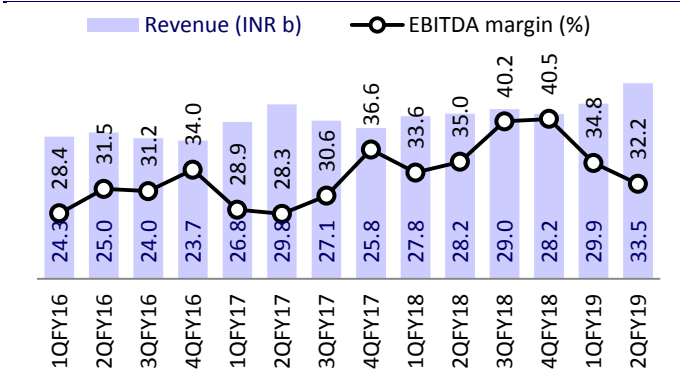
Source: Company, MOSL

Exhibit 7: Bharti India digital business revenue and EBITDA margin



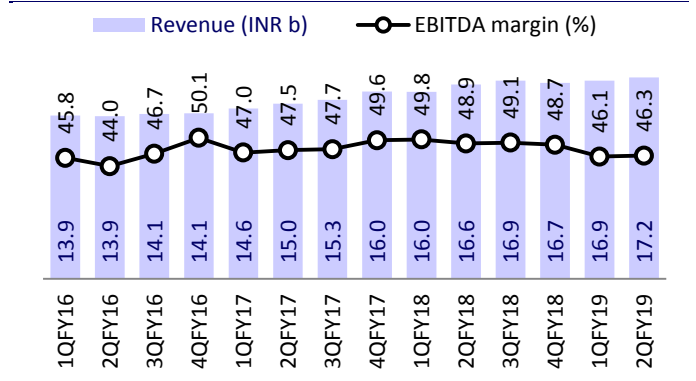
Source: Company, MOSL

**Exhibit 8: Bharti India enterprise business revenue and EBITDA margin**



Source: Company, MOSL

**Exhibit 9: Bharti India passive infra business revenue and EBITDA margin**



Source: Company, MOSL

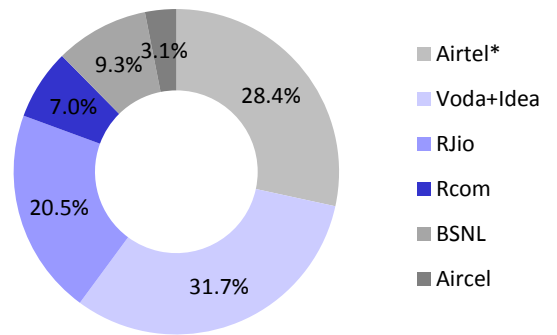
**Mobile business**

**Exhibit 10: Bharti India's spectrum network**

Band	Footprint	Holding per circle
Low band	15 circles	5-10Mhz
Mid band	Pan India	15-25Mhz*
High band	Pan India	20-30Mhz

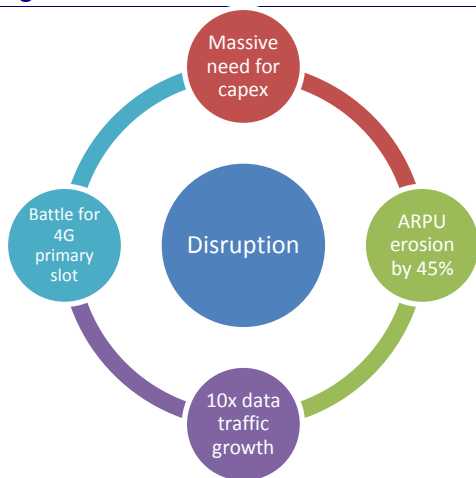
\*Except for Kolkata (9 Mhz) and West Bengal (6.2 Mhz) Source: Company, MOSL

**Exhibit 11: Bharti India has a 28.4% share of the industry liberalized spectrum**



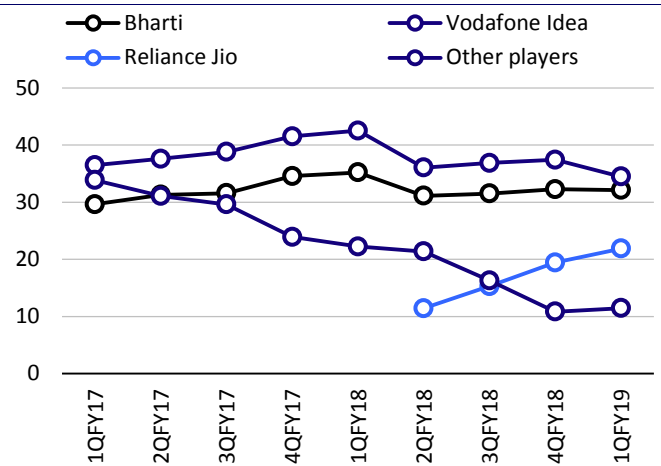
\*Includes liberalized spectrum of Tata Source: Company, MOSL

**Exhibit 12: Indian telecom business environment remains challenging**



Source: Company, MOSL

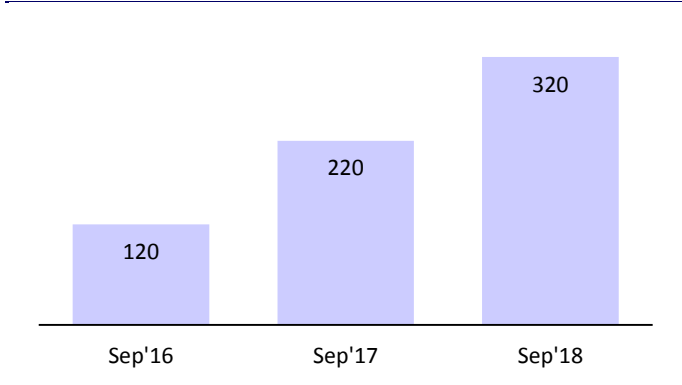
**Exhibit 13: Bharti's adj. RMS\* stands at ~32% as on Jun-19**



\*Includes NLD and ILDS Source: TRAI, Company, MOSL

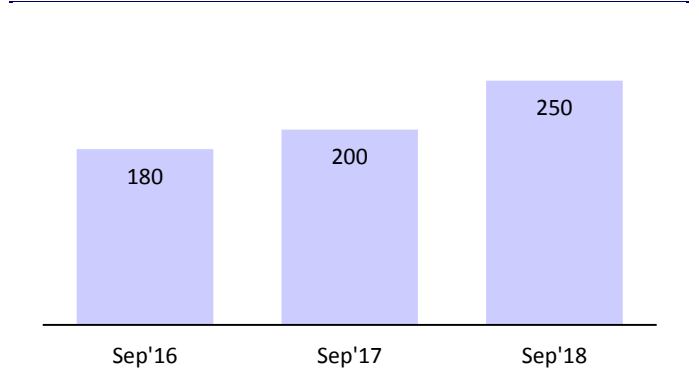


**Exhibit 14: Count of 4G phones in India increasing rapidly (m)**



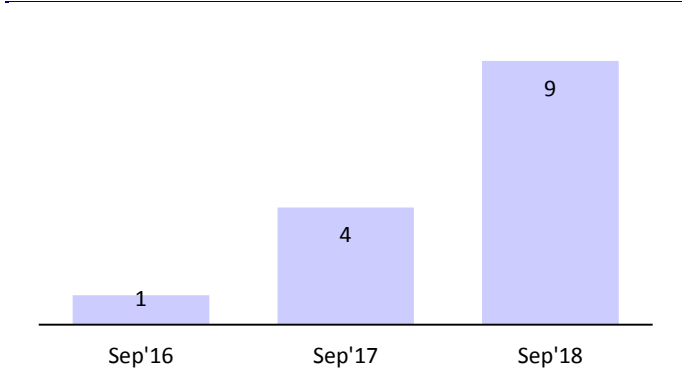
Source: Company, MOSL

**Exhibit 15: Average time spent by customer on mobile on the rise (mins/day)**



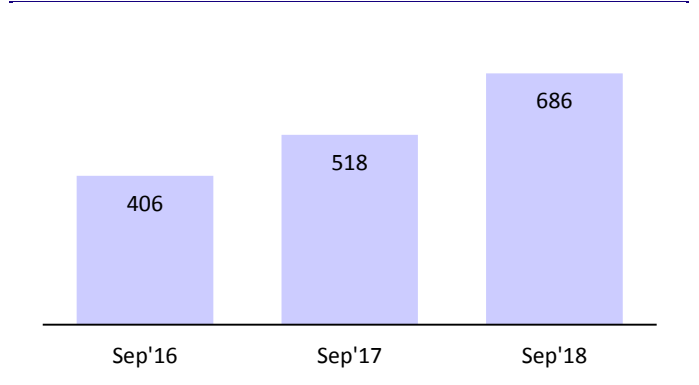
Source: Company, MOSL

**Exhibit 16: Industry data usage per subscriber per month witnesses stupendous growth (GBs)**



Source: Company, MOSL

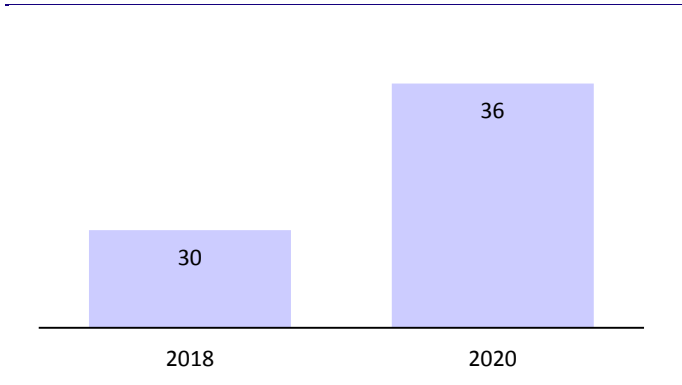
**Exhibit 17: Voice mins per month per subscriber rising steeply (min)**



Source: Company, MOSL

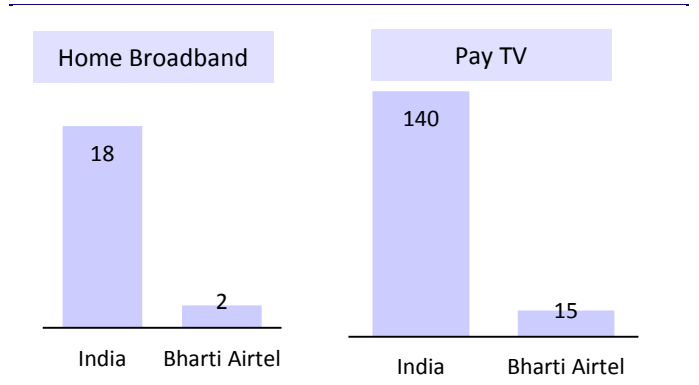
## Home business

**Exhibit 18: Indian households with INR1m+ annual income expected to increase (m)**



Source: Company, MOSL

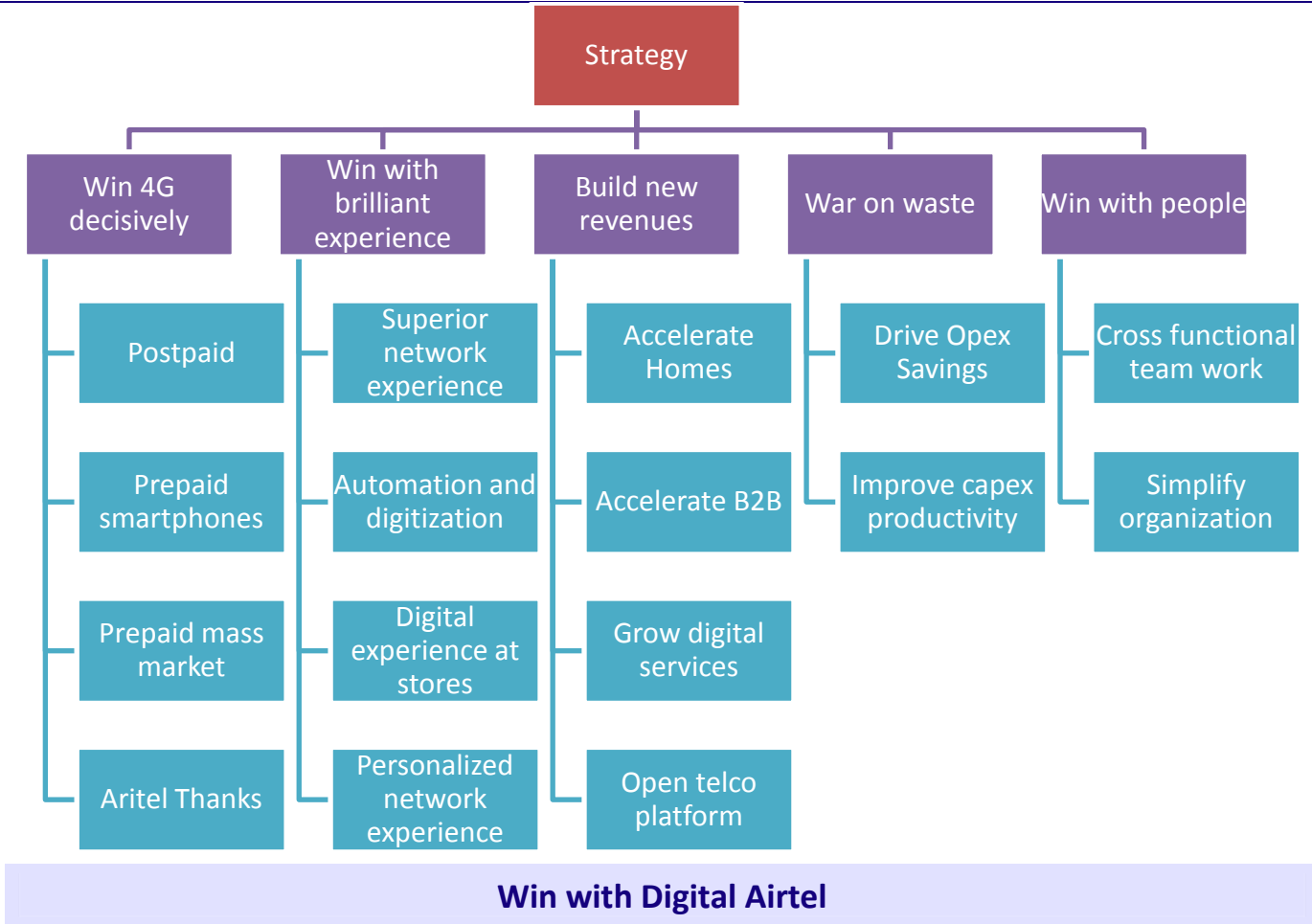
**Exhibit 19: Significant opportunity exists for tapping home broadband and pay TV market in India**



Source: Company, MOSL

## Airtel's India strategy

Exhibit 20: Bharti Airtel's India strategy



Source: MOSL, Company

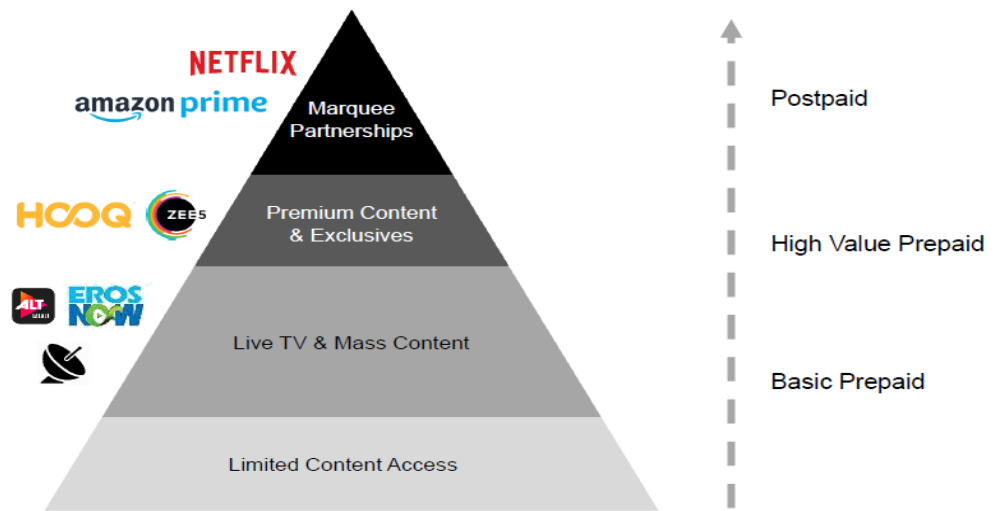
Exhibit 21: 'AirtelThanks' – a bouquet of benefits for subscribers

# #airtelTh❤nks



Source: MOSL, Company

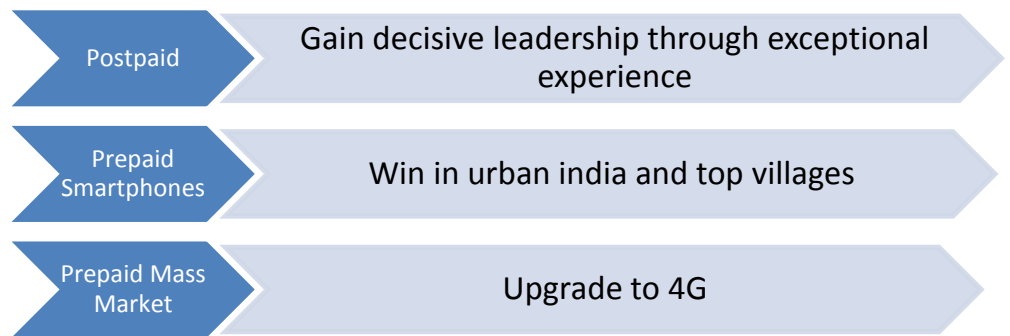
Exhibit 22: Using content laddering to drive ARPU higher



Source: MOSL, Company

### Wining 4G decisively

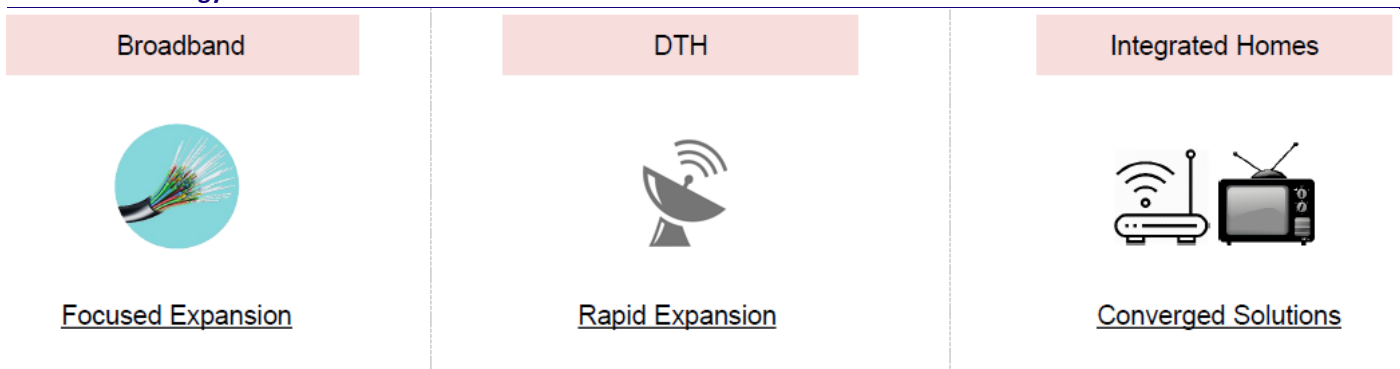
Exhibit 23: Strategy for wining 4G decisively



Source: MOSL, Company

### Building New Revenues

Exhibit 24: Strategy under Accelerate Homes



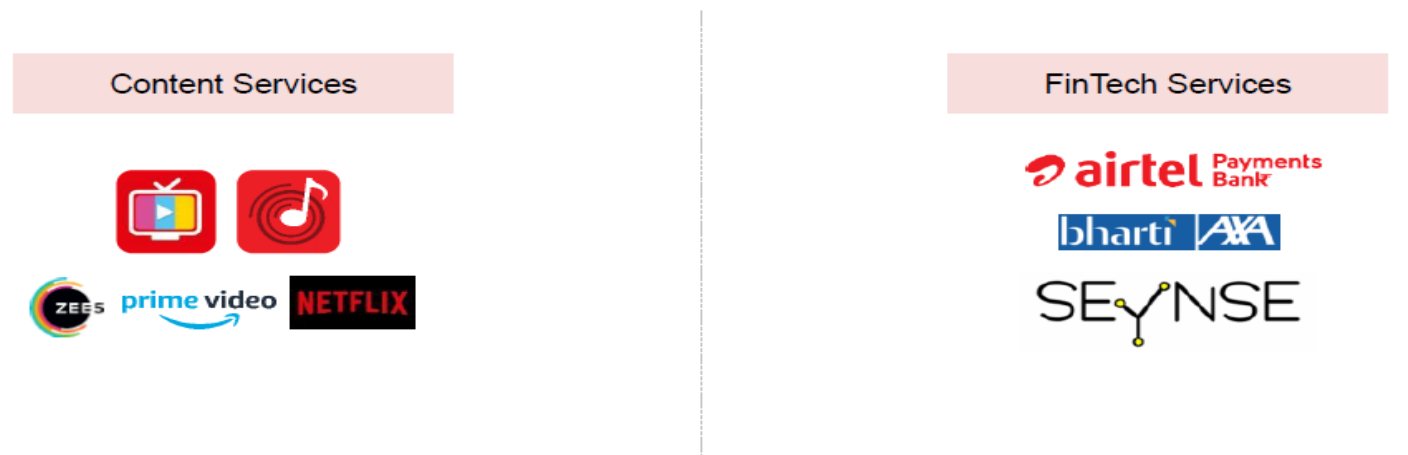
Source: MOSL, Company

Exhibit 25: Strategy under Accelerate B2B business



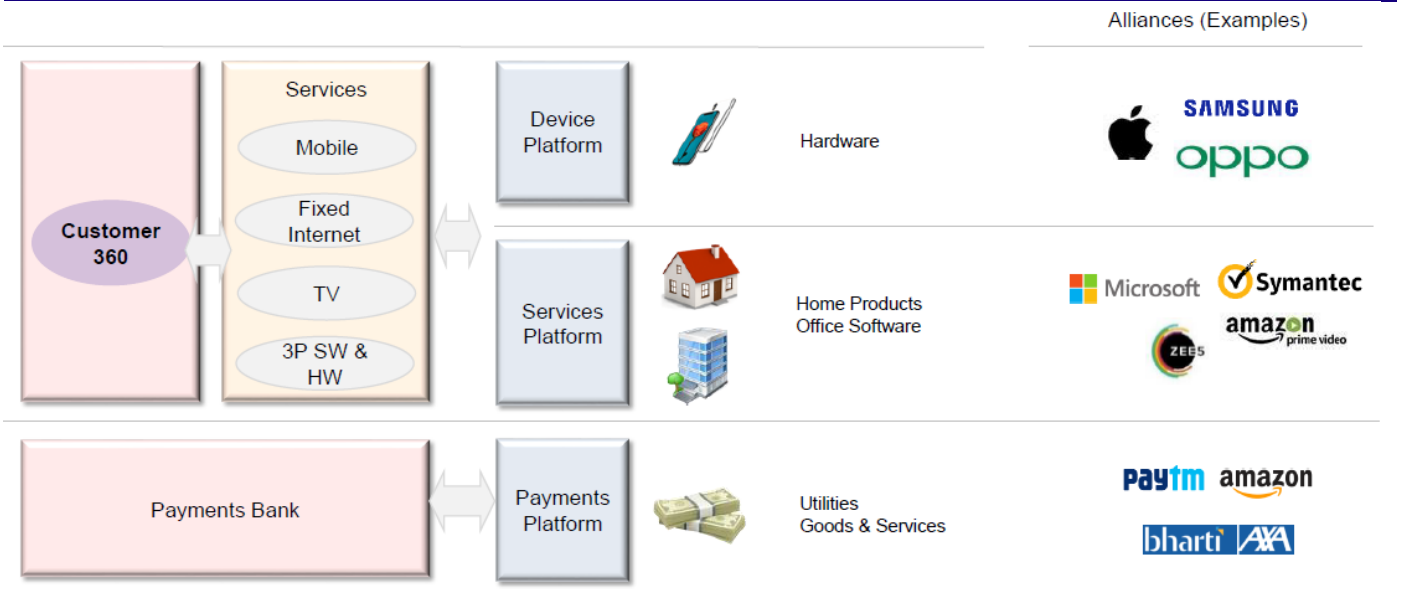
Source: MOSL, Company

Exhibit 26: Strategy for growing digital services



Source: MOSL, Company

Exhibit 27: Strategy under 'The Open Telco Platform'

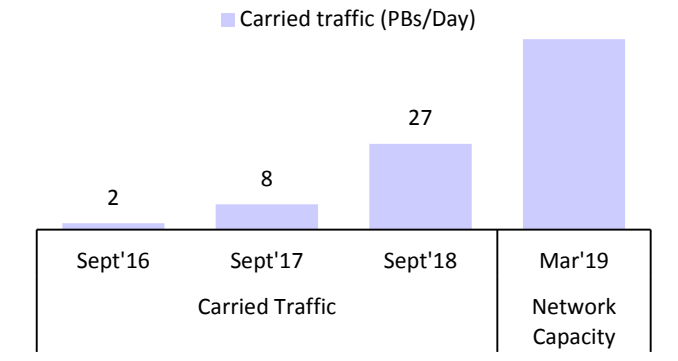


Source: MOSL, Company

## Building Next Generation Network

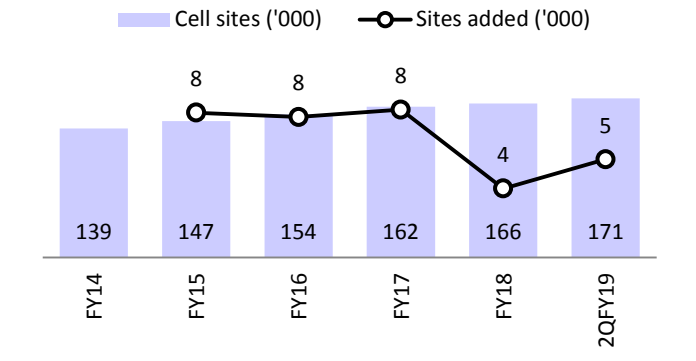
### Sufficient network capacity

**Exhibit 28: Bharti has sufficient network capacity for carrying the burgeoning traffic**



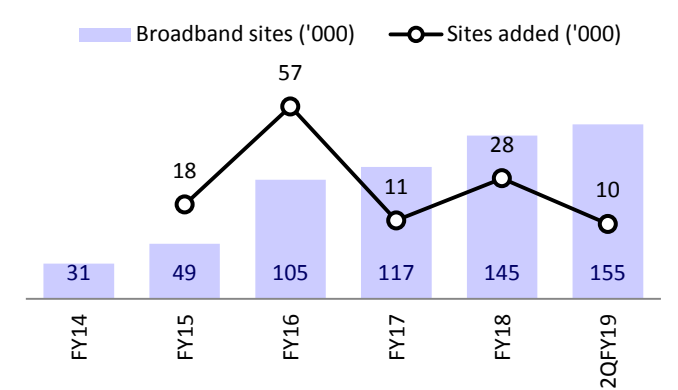
Source: Company, MOSL

**Exhibit 29: Bharti India: Mobile total cell site base and additions**



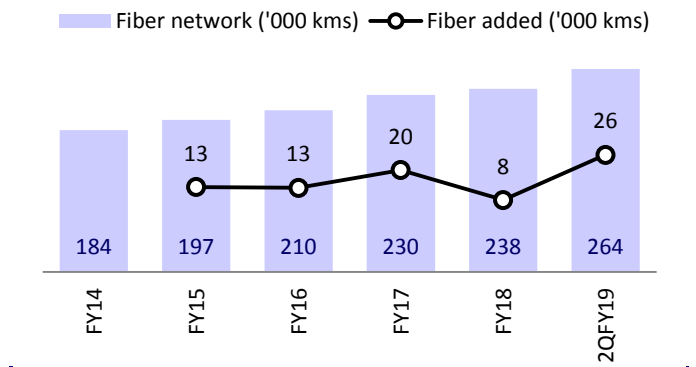
Source: Company, MOSL

**Exhibit 30: Bharti India: Mobile broadband sites base and additions**



Source: Company, MOSL

**Exhibit 31: Bharti India: Fiber network and additions**



Source: Company, MOSL

### Augmenting capacity by...

**Exhibit 32: Maximizing spectrum for 4G from two layers to five layers**

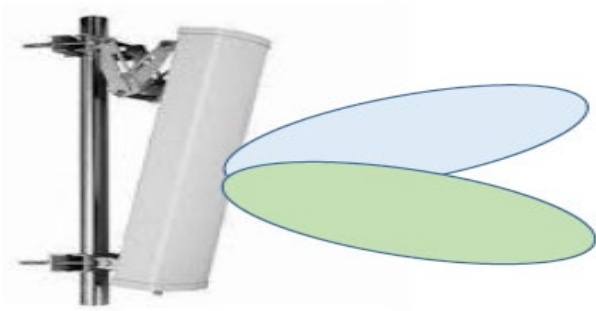


LAA – Licensed Assisted Access

Source: MOSL, Company

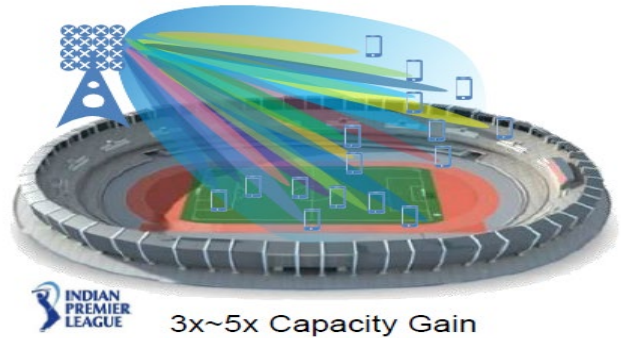
Addressing hyper capacity sites by...

Exhibit 33: Sectorization and...



Source: Company, MOSL

Exhibit 34: Massive MIMO



Source: Company, MOSL

Increasing 4G coverage and capacity by...

Exhibit 35: Extending 4G coverage to 900Mhz and...



Source: Company, MOSL

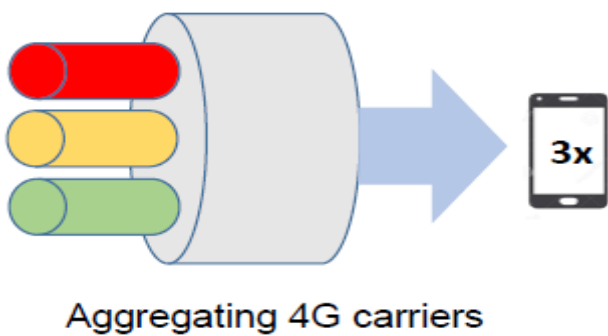
Exhibit 36: ... adding small cells (eg. outdoor hotspots, inside shopping malls, etc.)



Source: Company, MOSL

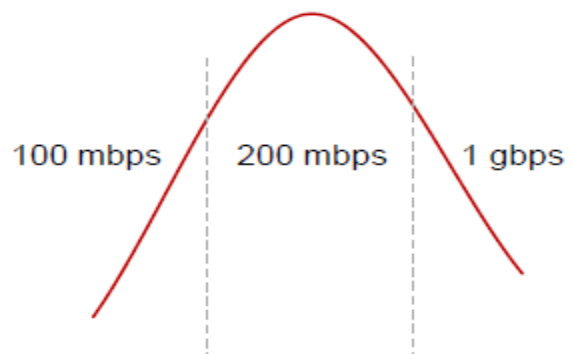
Getting LTE-advanced and backhaul ready

Exhibit 37: Building 4.5G network



Source: Company, MOSL

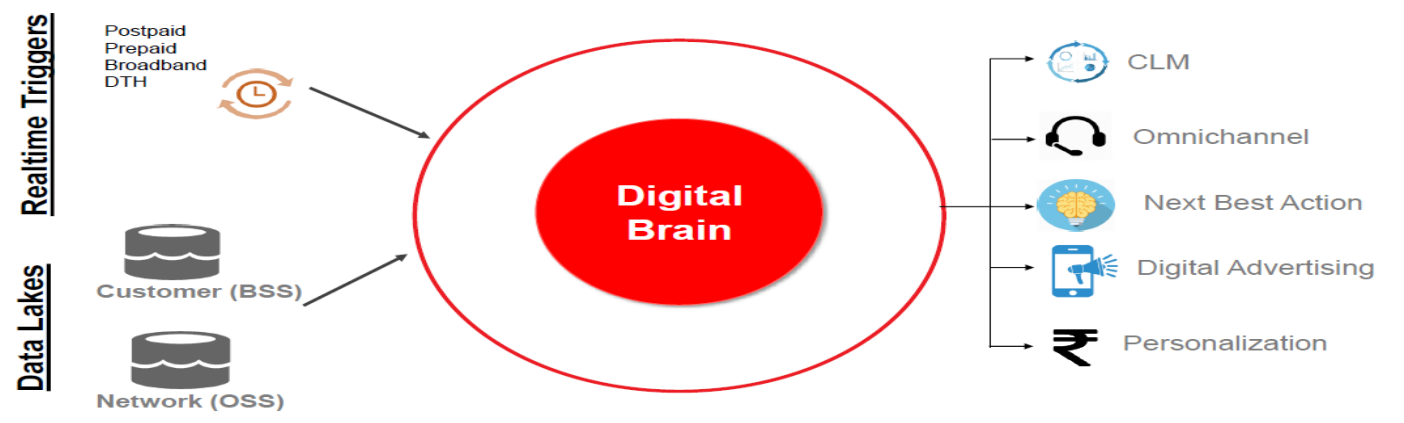
Exhibit 38: Bulk of sites are 200+ Mbps



Source: Company, MOSL

## Digitization – A key catalyst

Exhibit 39: Exploiting data using the digital brain



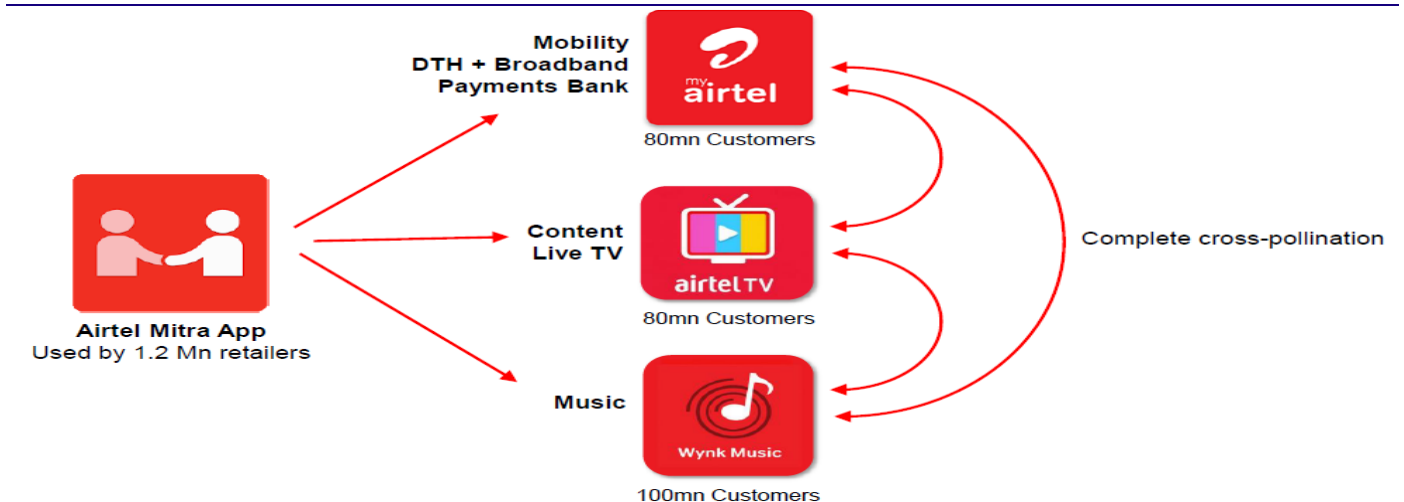
Source: MOSL, Company

Exhibit 40: Airtel Open Telco Platform Strategy



Source: MOSL, Company

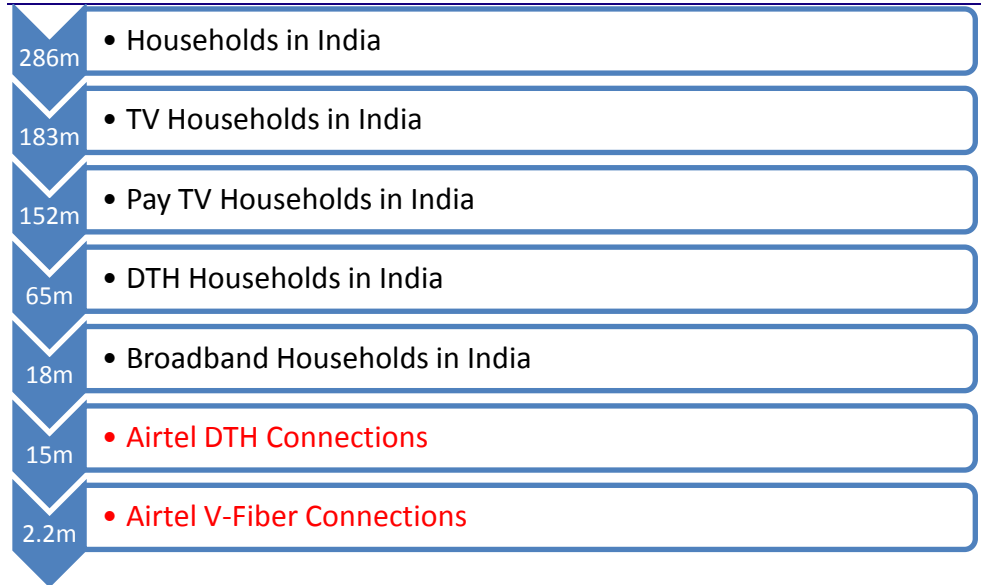
Exhibit 41: Extended reach using digital



Source: MOSL, Company

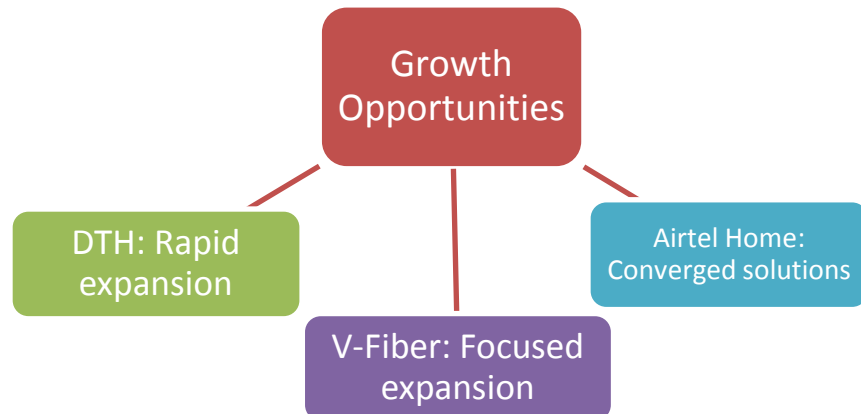
## Home market

**Exhibit 42: Significant opportunities exist for tapping home market in India**



Source: MOSL, Company

**Exhibit 43: Growth opportunities in home market**

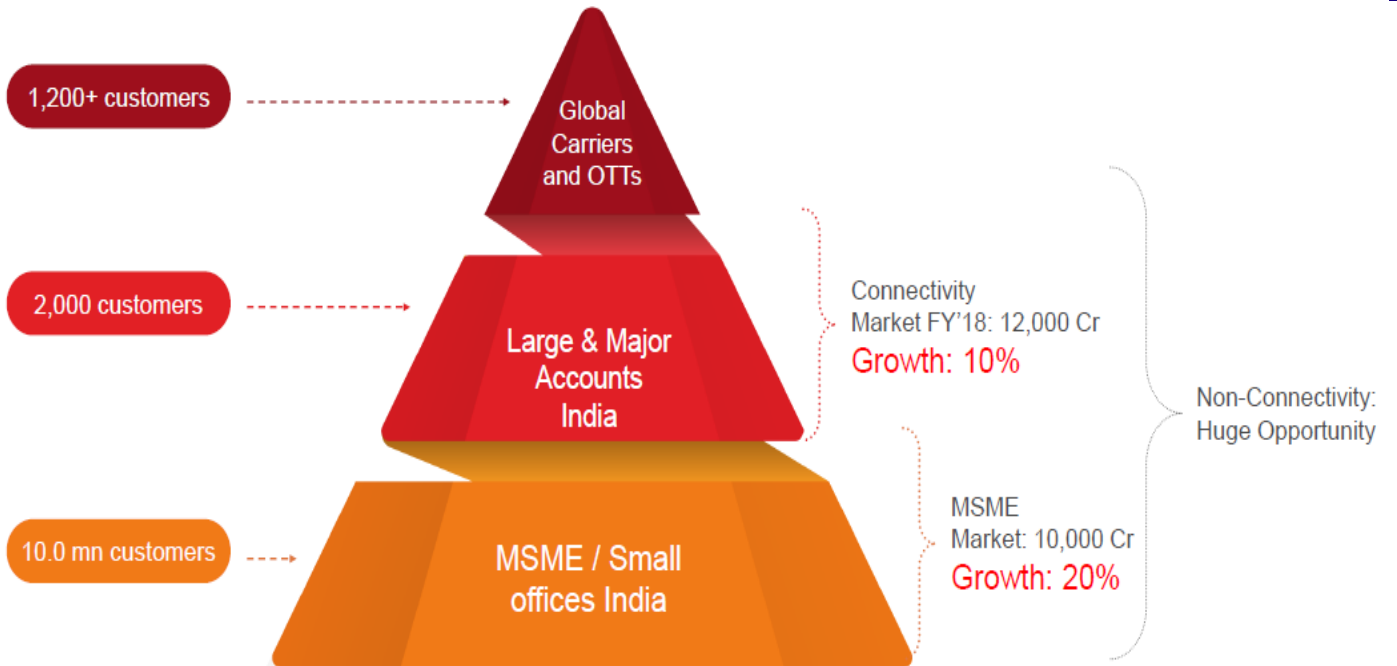


Source: MOSL, Company



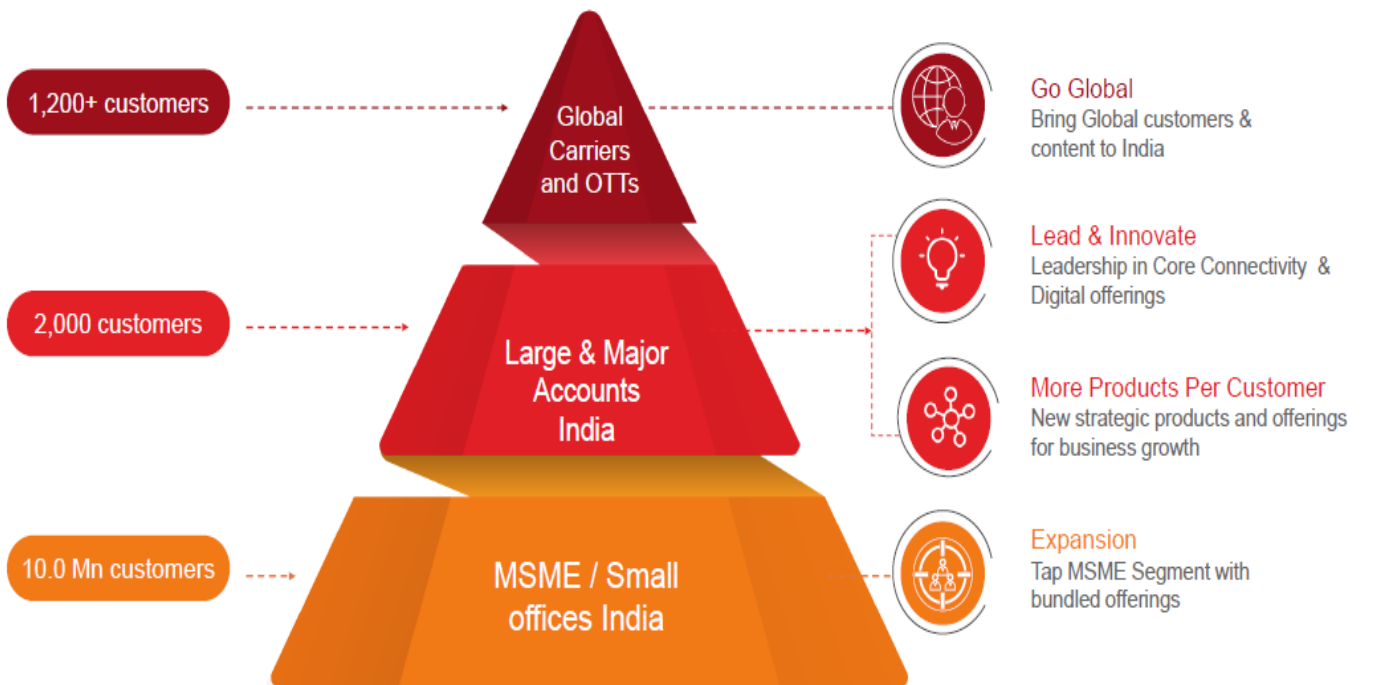
**Enterprise market**

**Exhibit 44: Enterprise market snapshot**



Source: MOSL, Company

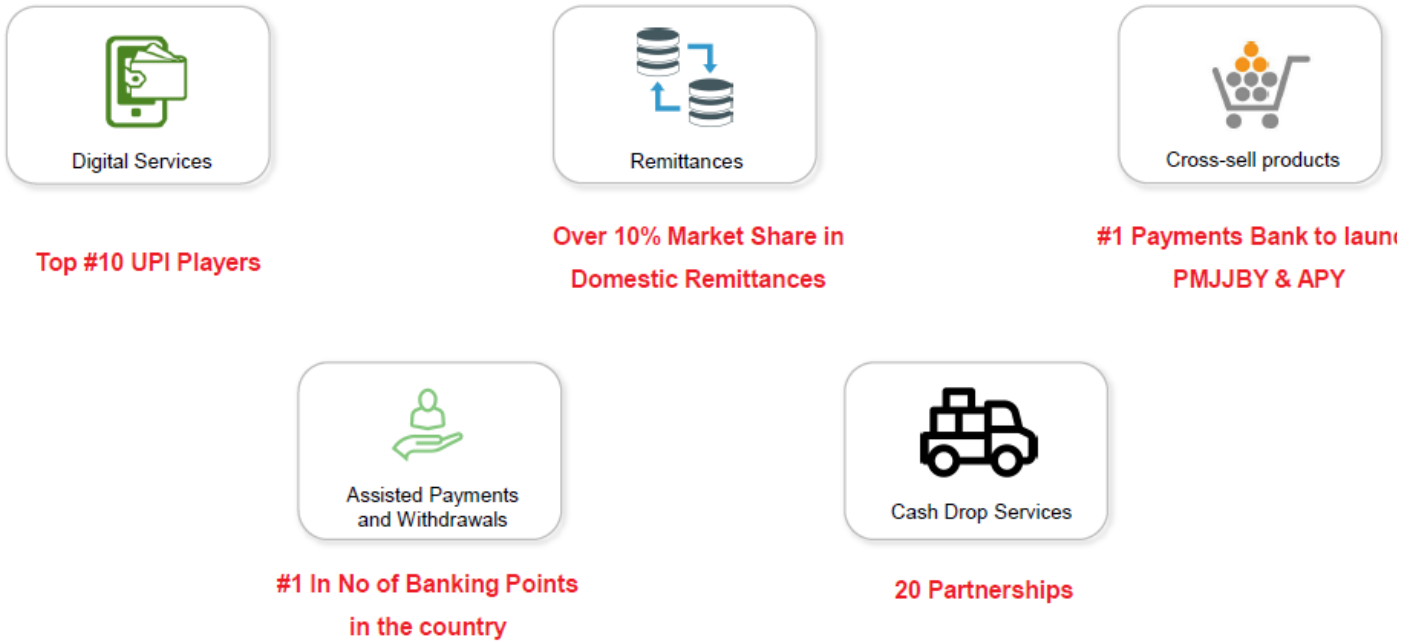
**Exhibit 45: Airtel's strategy to tap Enterprise market**



Source: MOSL, Company

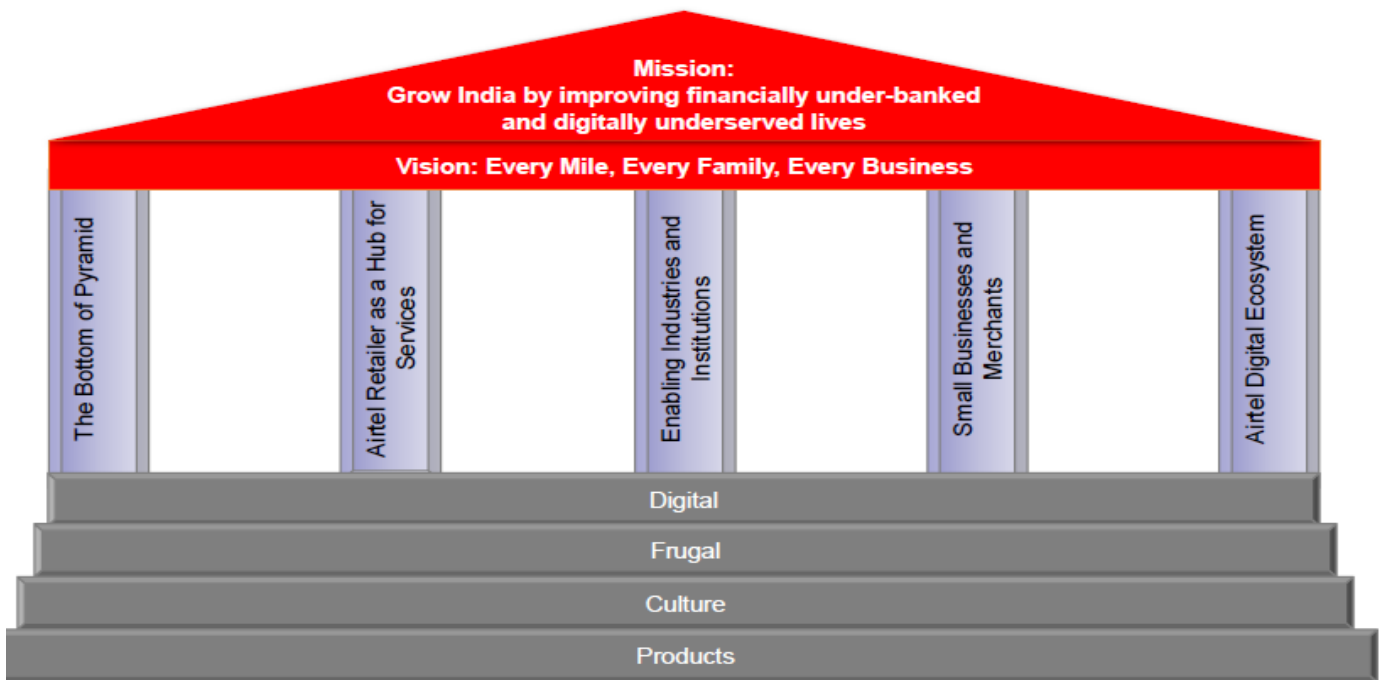
## Airtel Payments Bank

Exhibit 46: Airtel's current position



Source: MOSL, Company

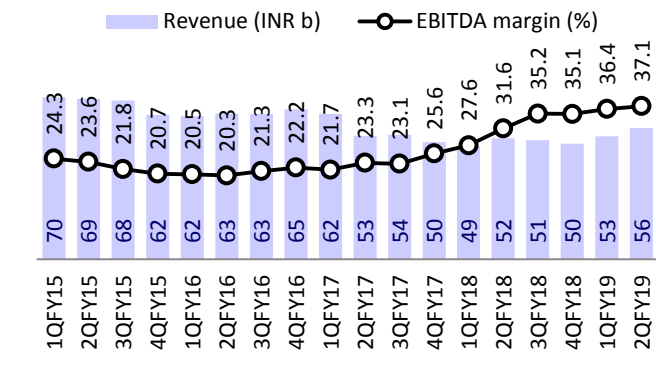
Exhibit 47: Airtel's strategy to tap market



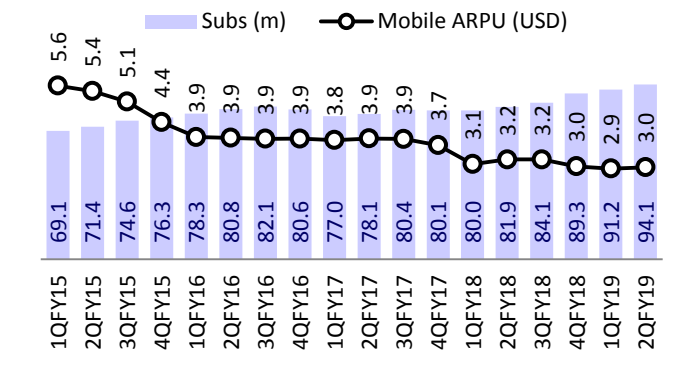
Source: MOSL, Company

**Bharti Africa**

**Exhibit 48: Africa revenue and EBITDA margin**

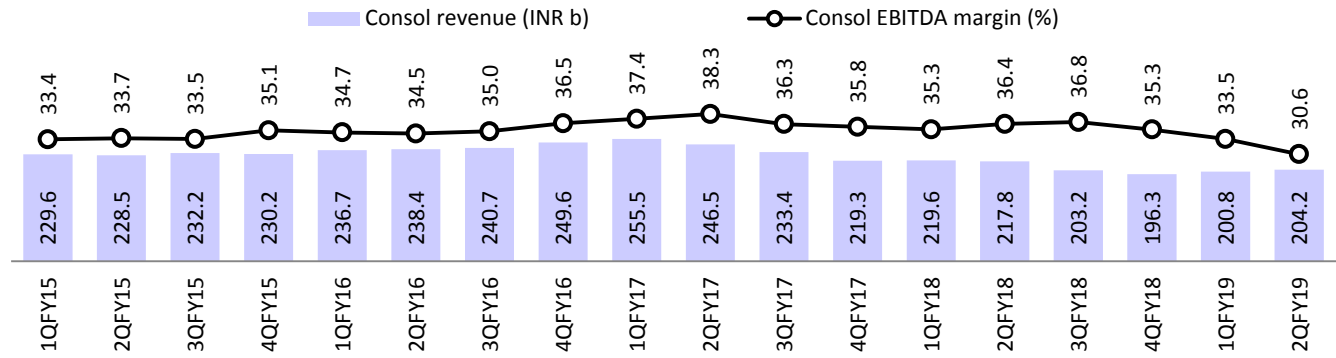


**Exhibit 49: Africa subs and ARPU**



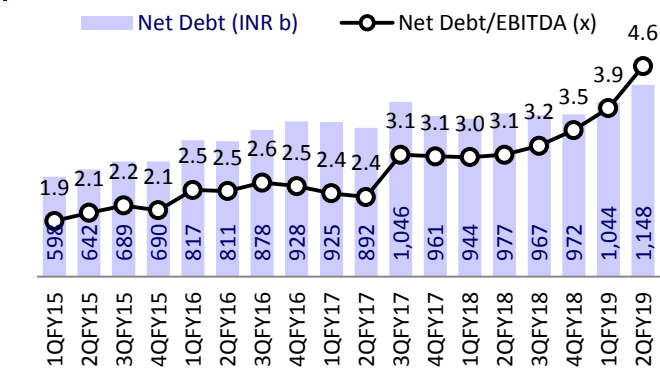
**Bharti Consolidated**

**Exhibit 50: Consol. revenue and EBITDA margin (INR b, %)**

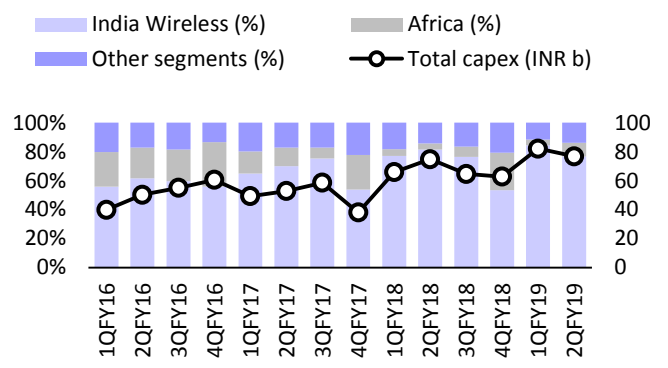


Source: MOSL, Company

**Exhibit 51: Consolidated net debt and net debt/EBITDA**



**Exhibit 52: Bharti Airtel – Segmental capex trend (INR b)**



## Financials and Valuations

Consolidated - Income Statement							(INR Million)	
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Total Income from Operations</b>	<b>7,69,045</b>	<b>8,57,461</b>	<b>9,20,394</b>	<b>9,65,321</b>	<b>9,54,683</b>	<b>8,36,879</b>	<b>8,23,432</b>	<b>8,94,289</b>
Change (%)	7.6	11.5	7.3	4.9	-1.1	-12.3	-1.6	8.6
<b>Total Expenditure</b>	<b>5,36,891</b>	<b>5,80,865</b>	<b>6,08,118</b>	<b>6,25,479</b>	<b>6,01,386</b>	<b>5,36,088</b>	<b>5,64,688</b>	<b>6,08,801</b>
% of Sales	69.8	67.7	66.1	64.8	63.0	64.1	68.6	68.1
<b>EBITDA</b>	<b>2,32,154</b>	<b>2,76,596</b>	<b>3,12,276</b>	<b>3,39,842</b>	<b>3,53,297</b>	<b>3,00,791</b>	<b>2,58,743</b>	<b>2,85,488</b>
Margin (%)	30.2	32.3	33.9	35.2	37.0	35.9	31.4	31.9
Depreciation	1,48,147	1,56,496	1,55,311	1,74,498	1,97,730	1,92,431	2,11,860	2,27,943
<b>EBIT</b>	<b>84,007</b>	<b>1,20,100</b>	<b>1,56,965</b>	<b>1,65,344</b>	<b>1,55,567</b>	<b>1,08,360</b>	<b>46,883</b>	<b>57,545</b>
Int. and Finance Charges	40,084	48,381	48,463	69,135	76,974	80,715	1,03,107	95,915
Other Income	423	6,385	6,588	10,513	10,336	12,956	5,778	4,724
<b>PBT bef. EO Exp.</b>	<b>44,346</b>	<b>78,104</b>	<b>1,15,090</b>	<b>1,06,722</b>	<b>88,929</b>	<b>40,601</b>	<b>-50,445</b>	<b>-33,646</b>
EO Items	0	538	-7,960	21,741	-11,697	-7,931	-5,070	0
<b>PBT after EO Exp.</b>	<b>44,346</b>	<b>78,642</b>	<b>1,07,130</b>	<b>1,28,463</b>	<b>77,232</b>	<b>32,670</b>	<b>-55,515</b>	<b>-33,646</b>
Total Tax	25,183	48,449	54,047	59,533	34,819	10,835	-45,367	-13,459
Tax Rate (%)	56.8	61.6	50.4	46.3	45.1	33.2	81.7	40.0
Minority Interest	-88	2,467	1,248	8,163	4,416	10,845	-1,941	-8,184
<b>Reported PAT</b>	<b>19,251</b>	<b>27,726</b>	<b>51,835</b>	<b>60,767</b>	<b>37,997</b>	<b>10,990</b>	<b>-8,207</b>	<b>-12,004</b>
<b>Adjusted PAT</b>	<b>19,251</b>	<b>27,519</b>	<b>55,779</b>	<b>49,101</b>	<b>44,421</b>	<b>13,960</b>	<b>-23,021</b>	<b>-12,004</b>
Change (%)	-54.8	43.0	102.7	-12.0	-9.5	-68.6	-264.9	-47.9
Margin (%)	2.5	3.2	6.1	5.1	4.7	1.7	-2.8	-1.3

Consolidated - Balance Sheet							(INR Million)	
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	18,988	19,987	19,987	19,987	19,987	19,987	19,987	19,987
Total Reserves	4,84,229	5,77,573	5,99,577	6,47,706	6,54,576	6,75,357	4,67,150	4,55,146
<b>Net Worth</b>	<b>5,03,217</b>	<b>5,97,560</b>	<b>6,19,564</b>	<b>6,67,693</b>	<b>6,74,563</b>	<b>6,95,344</b>	<b>4,87,137</b>	<b>4,75,133</b>
Minority Interest	40,886	42,102	48,525	54,981	68,750	88,139	86,198	78,014
Total Loans	6,67,363	7,58,958	8,06,839	10,04,526	10,72,877	11,13,335	12,92,114	13,09,395
Deferred Tax Liabilities	-45,935	-45,777	-44,392	-34,226	-16,766	-22,118	-22,118	-22,118
<b>Capital Employed</b>	<b>11,65,531</b>	<b>13,52,843</b>	<b>14,30,536</b>	<b>16,92,974</b>	<b>17,99,424</b>	<b>18,74,700</b>	<b>18,43,330</b>	<b>18,40,424</b>
<b>Net Fixed Assets</b>	<b>12,86,663</b>	<b>14,06,145</b>	<b>15,01,440</b>	<b>17,79,948</b>	<b>18,90,736</b>	<b>15,89,357</b>	<b>20,62,156</b>	<b>20,44,214</b>
<b>Total Investments</b>	<b>77,098</b>	<b>1,55,308</b>	<b>1,70,357</b>	<b>1,19,671</b>	<b>1,81,552</b>	<b>1,80,406</b>	<b>1,11,428</b>	<b>1,11,428</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,70,001</b>	<b>2,07,692</b>	<b>2,26,519</b>	<b>3,10,876</b>	<b>2,34,170</b>	<b>3,26,564</b>	<b>2,62,756</b>	<b>2,94,344</b>
Inventory	1,109	1,422	1,339	1,692	488	693	470	793
Account Receivables	67,824	62,441	67,252	55,039	47,402	58,830	53,969	68,537
Cash and Bank Balance	16,078	49,808	11,719	37,087	12,817	47,886	8,026	8,360
Loans and Advances	84,990	94,021	1,46,209	2,17,058	1,73,462	2,19,155	2,00,291	2,16,654
<b>Curr. Liability &amp; Prov.</b>	<b>3,68,231</b>	<b>4,16,302</b>	<b>4,67,781</b>	<b>5,17,520</b>	<b>5,07,034</b>	<b>6,01,786</b>	<b>5,93,010</b>	<b>6,09,562</b>
Account Payables	3,56,719	4,04,533	4,59,472	5,07,838	4,97,348	5,77,285	5,69,248	5,80,907
Provisions	11,512	11,769	8,309	9,682	9,686	24,501	23,762	28,654
<b>Net Current Assets</b>	<b>-1,98,230</b>	<b>-2,08,610</b>	<b>-2,41,262</b>	<b>-2,06,645</b>	<b>-2,72,865</b>	<b>-2,75,222</b>	<b>-3,30,254</b>	<b>-3,15,218</b>
<b>Appl. of Funds</b>	<b>11,65,531</b>	<b>13,52,843</b>	<b>14,30,536</b>	<b>16,92,974</b>	<b>17,99,424</b>	<b>18,74,700</b>	<b>18,43,330</b>	<b>18,40,424</b>

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>4.8</b>	<b>6.9</b>	<b>14.0</b>	<b>12.3</b>	<b>11.1</b>	<b>3.5</b>	<b>-5.8</b>	<b>-3.0</b>
Cash EPS	41.9	46.0	52.8	55.9	60.6	51.6	47.2	54.0
BV/Share	125.9	149.5	155.0	168.8	168.8	173.9	121.9	118.9
DPS	0.9	1.8	2.2	1.4	1.0	1.0	0.0	0.0
Payout (%)	22.9	30.2	19.9	10.8	12.7	43.8	0.0	0.0
<b>Valuation (x)</b>								
P/E			23.9	27.2	30.0	95.5	-57.9	-111.1
Cash P/E			6.3	6.0	5.5	6.5	7.1	6.2
P/BV			2.2	2.0	2.0	1.9	2.7	2.8
EV/Sales			2.3	2.4	2.5	2.9	3.2	2.9
EV/EBITDA			6.8	6.8	6.5	7.7	10.0	9.1
Dividend Yield (%)			0.7	0.4	0.3	0.3	0.0	0.0
<b>Return Ratios (%)</b>								
RoE	3.8	5.0	9.2	7.6	6.6	2.0	-3.9	-2.5
RoCE	3.1	3.8	5.8	6.1	5.3	4.6	0.5	2.1
RoIC	3.3	4.2	6.5	6.4	5.4	4.5	0.5	2.0
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.7	0.6	0.6	0.6	0.5	0.4	0.4	0.5
Debtor (Days)	32	27	27	21	18	26	24	28
<b>Leverage Ratio (x)</b>								
Net Debt/Equity	1.1	0.9	1.0	1.3	1.3	1.3	2.4	2.5

### Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	47,853	78,643	1,07,130	1,28,463	77,233	32,670	-55,515	-33,646
Depreciation	1,48,148	1,56,496	1,55,311	1,74,498	1,97,730	1,92,431	2,11,860	2,27,943
Interest & Finance Charges	45,187	58,788	73,252	85,461	95,466	93,255	1,16,547	1,14,013
Direct Taxes Paid	-31,294	-35,039	-46,111	-46,836	-31,587	-13,723	45,367	13,459
(Inc)/Dec in WC	19,634	17,533	-1,639	-3,955	-27,429	5,906	15,172	-14,702
<b>CF from Operations</b>	<b>2,29,528</b>	<b>2,76,421</b>	<b>2,87,943</b>	<b>3,37,631</b>	<b>3,11,413</b>	<b>3,10,539</b>	<b>3,33,430</b>	<b>3,07,067</b>
Others	-1,829	-14,095	-11,925	-58,208	-19,104	-12,001	0	0
<b>CF from Operating incl EO</b>	<b>2,27,699</b>	<b>2,62,326</b>	<b>2,76,018</b>	<b>2,79,423</b>	<b>2,92,309</b>	<b>2,98,538</b>	<b>3,33,430</b>	<b>3,07,067</b>
(Inc)/Dec in FA	-1,30,063	-1,74,659	-2,09,786	-2,70,967	-3,84,045	-2,67,262	-3,04,500	-2,10,000
<b>Free Cash Flow</b>	<b>97,636</b>	<b>87,667</b>	<b>66,232</b>	<b>8,456</b>	<b>-91,736</b>	<b>31,276</b>	<b>28,930</b>	<b>97,067</b>
(Pur)/Sale of Investments	-56,568	-36,886	-11,649	68,115	-817	-33,322	68,978	0
Others	14,637	-27,955	14,088	60,595	69,308	40,326	19,418	19,418
<b>CF from Investments</b>	<b>-1,71,994</b>	<b>-2,39,500</b>	<b>-2,07,347</b>	<b>-1,42,257</b>	<b>-3,15,554</b>	<b>-2,60,258</b>	<b>-2,16,104</b>	<b>-1,90,582</b>
Issue of Shares	-579	67,956	0	984	1,245	21	0	0
Inc/(Dec) in Debt	-24,026	14,252	-72,451	-1,17,833	9,353	40,073	1,78,779	17,281
Interest Paid	-34,339	-37,620	-33,887	-32,890	-58,566	-44,041	-1,16,547	-1,14,013
Dividend Paid	-5,538	-6,735	-21,399	-15,304	-9,168	-32,652	0	0
Others	17,203	-12,182	31,210	46,925	52,866	56,085	-2,00,000	0
<b>CF from Fin. Activity</b>	<b>-47,279</b>	<b>25,671</b>	<b>-96,527</b>	<b>-1,18,118</b>	<b>-4,270</b>	<b>19,486</b>	<b>-1,37,768</b>	<b>-96,732</b>
<b>Inc/Dec of Cash</b>	<b>8,426</b>	<b>48,497</b>	<b>-27,856</b>	<b>19,048</b>	<b>-27,515</b>	<b>57,766</b>	<b>-20,442</b>	<b>19,753</b>
Opening Balance	7,652	1,311	39,575	-1,413	17,635	-9,880	28,468	-11,392
<b>Closing Balance</b>	<b>16,078</b>	<b>49,808</b>	<b>11,719</b>	<b>37,087</b>	<b>12,817</b>	<b>47,886</b>	<b>8,026</b>	<b>8,360</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

\*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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