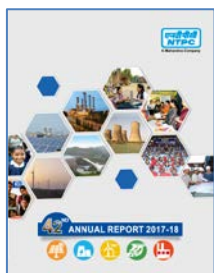


BSE SENSEX
36,526

S&P CNX
11,008

CMP: INR168 TP: INR195(+16%)

Buy



Stock Info

| | |
|-----------------------|---------------|
| Bloomberg | NTPC IN |
| Equity Shares (m) | 8,245 |
| M.Cap.(INRb)/(USD\$b) | 1373.7 / 18.9 |
| 52-Week Range (INR) | 188 / 149 |
| 1, 6, 12 Rel. Per (%) | 6/-12/-15 |
| 12M Avg. Val (INR M) | 1180 |
| Free float (%) | 37.7 |

Financials Snapshot (INR b)

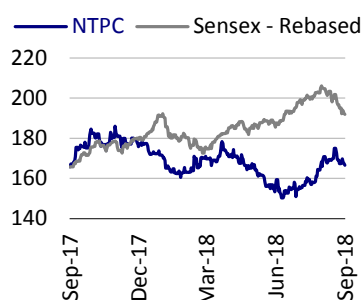
| Y/E Mar | 2018 | 2019E | 2020E |
|-------------|-------|-------|---------|
| Net Sales | 877.6 | 929.5 | 1,026.4 |
| EBITDA | 229.8 | 273.6 | 324.3 |
| PAT | 88.0 | 115.4 | 131.2 |
| EPS (INR) | 10.7 | 14.0 | 15.9 |
| Gr. (%) | -10.9 | 31.1 | 13.7 |
| BV/Sh (INR) | 125.6 | 133.2 | 141.9 |
| RoE (%) | 8.7 | 10.8 | 11.6 |
| RoCE (%) | 6.4 | 6.8 | 7.5 |
| P/E (x) | 15.7 | 12.0 | 10.5 |
| P/BV (x) | 1.3 | 1.3 | 1.2 |

Shareholding pattern (%)

| As On | Jun-18 | Mar-18 | Jun-17 |
|----------|--------|--------|--------|
| Promoter | 61.7 | 62.3 | 69.7 |
| DII | 23.6 | 22.8 | 17.0 |
| FII | 11.3 | 11.5 | 10.2 |
| Others | 3.4 | 3.4 | 3.0 |

FII Includes depository receipts

Stock Performance (1-year)



One-off income dilutes the impact of under-recoveries

Capitalization to drive strong PAT growth; Maintain Buy

We analyzed NTPC's FY18 annual report. Key highlights:

- Under-recoveries in fixed charge and employee cost led to ~9% decline in NTPC standalone's (NTPCsa) **core PAT**, as against an increase of ~16% in regulated equity in FY18. However, reported PAT was up ~10% YoY to INR103b, supported by prior-year items, provision reversal and one-off gains.
- Core RoE** declined ~300bp YoY to ~17% in FY18. Excluding under-recovery in fixed charge and employee cost, core RoE stood at ~20% (unchanged YoY). Underlying RoE (i.e., including equity invested as working capital) declined ~300bp YoY to ~12% in FY18.
- NTPCsa's **working capital** days increased from 74 to 91 days of revenue in FY18, driven by advance freight paid to railways (INR50b) and higher unbilled revenue. We expect some working capital borrowings in the next few years as incremental equity will be used to fund capex. This, in our view, will impact working capital incentive income.
- NTPCsa capex** (according to the balance sheet) stood at INR264b, but cash capex was lower at ~INR180b in FY18. NTPC continues squeezing project creditors (~INR52b in FY17 to ~INR91b in FY18) to fund part of capex.
- NTPCsa's **incremental regulated equity to gross block** was at 23% in FY18 – better than 19% in FY17, but still lower than the normative 30%. This could be due to certain capital disallowances and corporate capex.
- PAT of **subsidiaries and JVs** declined from INR5.5b to INR2b in FY18. All major JVs/subsidiaries reported a decline in PAT in FY18, primarily due to shortage of coal. Investment in JVs and subsidiaries increased 19% YoY to ~INR98b.

Cutting earnings; capitalization to drive strong PAT growth; Maintain Buy

- We cut our FY19/20 consolidated PAT estimate by ~9%/2% to INR115b/INR131b, based on details from the annual report and considering the lower profit at JVs/subsidiaries.
- We expect NTPCsa's core performance to improve sharply in FY19 as under-recoveries reduce. PAF is improving across power plants, according to the recent data. However, the reported performance will be muted due to a stronger base of FY18.
- NTPC has a healthy pipeline of projects. We expect ~16% CAGR (FY18-21) in NTPCsa's regulated equity. Consolidated PAT is expected to increase at a CAGR of ~13% over the same period. As capitalization outpaces capex, RoE will increase to ~12% by FY21.
- Our estimates factor in the cut in regulated RoE to 14% (from 15.5%) in the next tariff period starting FY20. However, with a rise in bond yield, a cut looks unlikely. Positive outcome on the GCV measurement can boost PAT by another ~8-10% ([link to report](#)). We value the stock at INR195/share. Maintain **Buy**.

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Core performance weak, but one-offs support reported performance

- NTPC's standalone (NTPCsa) core generation PAT (i.e. reported PAT excluding exceptional, prior-period, one-offs and other income) declined ~9% YoY, as against an increase of ~16% in regulated equity in FY18. This was due to under-recovery in fixed charge due to shortage of coal and shutdown at one of the plants, and under-recovery in employee cost due to pay hikes.
- Reported PAT, however, increased ~10% YoY to INR103b in FY18, led by the benefit from non-recurring items like reversal of earlier-year provisions (~INR11b), tax reversal for earlier years (~INR9.5b), income tax refund (~INR4.1b) and late payment surcharge income (~INR5.1b).
- Core RoE (i.e., generation PAT/regulated equity) declined ~300bp YoY to ~17%. Excluding under-recovery in fixed charge and employee cost, core RoE would have been unchanged YoY at ~20%.
- Underlying RoE (i.e., generation PAT/regulated equity and equity invested in working capital) declined ~300bp YoY to ~12%.
- We expect core generation PAT to increase sharply by ~25% YoY in FY19 as fixed-charge under-recoveries decline (from ~INR15b to INR8b in FY19) and with an increase in regulated equity by ~13%. However, the benefit of non-recurring items is unlikely to accrue again. We, thus, believe that PAT growth would be muted in FY19.

Exhibit 1: NTPCsa adjusted PAT – INR m

| | FY13 | FY14 | FY15 | FY16 | FY16 | FY17 | FY18 | FY19 | FY20 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | IGAAP | IGAAP | IGAAP | IGAAP | IND-AS | IND-AS | IND-AS | IND-AS | IND-AS |
| Reported PAT | 126,194 | 109,749 | 102,909 | 102,429 | 107,696 | 93,853 | 103,431 | 105,809 | 122,126 |
| YoY (%) | | -13.0 | -6.2 | -0.5 | 5.1 | -12.9 | 10.2 | 2.3 | 15.4 |
| Adjustments | | | | | | | | | |
| Reported XO | -17,138 | 128 | -3,338 | -2,082 | 0 | 7,830 | 0 | 0 | 0 |
| Prior period items in revenue | -14,879 | -18,168 | 7,198 | 16,429 | 16,429 | -9,956 | -13,757 | 4,255 | 0 |
| Expenses | 0 | 0 | 0 | -2,949 | -2,949 | 2,553 | 5,822 | 394 | 0 |
| taxes for prior period | -1,589 | -4,370 | -19,525 | -24,535 | -24,535 | -1,076 | -9,513 | -1,059 | 0 |
| Adjusted PAT | 92,588 | 87,340 | 87,243 | 89,292 | 96,641 | 93,203 | 85,983 | 109,401 | 122,141 |
| YoY (%) | | -5.7 | -0.1 | 2.3 | 10.8 | -3.6 | -7.7 | 27.2 | 11.6 |

Source: MOSL, Company

Exhibit 2: NTPCsa core PAT – INR m

| | FY13 | FY14 | FY15 | FY16 | FY16 | FY17 | FY18 | FY19 | FY20 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | IGAAP | IGAAP | IGAAP | IGAAP | IND-AS | IND-AS | IND-AS | IND-AS | IND-AS |
| Adjusted PAT | 92,588 | 87,340 | 87,243 | 89,292 | 96,641 | 93,203 | 85,983 | 109,404 | 122,141 |
| Less: Non-core incomes | | | | | | | | | |
| Oth. Income (ex-surcharge) | 31,188 | 26,459 | 21,163 | 11,893 | 10,231 | 6,295 | 12,482 | 12,385 | 10,582 |
| Consultancy revenue | 1,268 | 1,127 | 1,098 | 1,171 | 1,170 | 1,637 | 1,828 | 0 | 0 |
| Provision w/back | 9,078 | 1,999 | 1,862 | 1,545 | 1,545 | 1,625 | | 0 | 0 |
| Add: Non-core expenses | | | | | | | | | |
| Expenses | 1,327 | 1,107 | 2,424 | 2,204 | 2,007 | 2,286 | 4,746 | 314 | 323 |
| Tax on other income | 9,187 | 7,161 | 3,766 | 1,928 | 1,536 | 980 | 2,220 | 2,897 | 2,496 |
| Core PAT | 61,568 | 66,025 | 69,311 | 78,816 | 87,238 | 86,912 | 78,639 | 100,227 | 114,238 |
| YoY (%) | | 7.2 | 5.0 | 13.7 | 25.9 | -0.4 | -9.5 | 27.5 | 14.0 |

Source: MOSL, Company

Exhibit 3: NTPCsa core PAT break-up (INR m) and core RoE (%)

| | FY13 | FY14 | FY15 | FY16 | FY16 | FY17 | FY18 | FY19 | FY20 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | IGAAP | IGAAP | IGAAP | IGAAP | IND-AS | IND-AS | IND-AS | IND-AS | IND-AS |
| Core PAT | 61,568 | 66,025 | 69,311 | 78,816 | 87,238 | 86,912 | 78,639 | 100,227 | 114,238 |
| Base RoE | 46,297 | 52,496 | 55,859 | 60,711 | 60,711 | 66,239 | 73,938 | 83,046 | 88,299 |
| Working capital interest (net) | 15,889 | 16,370 | 17,935 | 16,869 | 21,327 | 23,608 | 23,272 | 21,307 | 22,615 |
| PLF incentive | 5,621 | 8,192 | 1,590 | 2,141 | 2,175 | 2,265 | 2,018 | 2,540 | 2,667 |
| Secondary fuel oil efficiency | 1,650 | 2,453 | 717 | 442 | 449 | 1,280 | 426 | 512 | 543 |
| Debt return on excess equity | 705 | 1,143 | 1,630 | 26 | 657 | 847 | 481 | 0 | 0 |
| Others | -8,593 | -14,629 | -8,421 | -1,373 | 1,920 | -7,326 | -21,497 | -7,178 | 115 |
| Equity (Regulated+WC) | 426,702 | 478,280 | 511,968 | 581,896 | 581,734 | 605,667 | 728,641 | 761,244 | 889,613 |
| Regulated Equity | 325,760 | 351,605 | 369,160 | 414,204 | 414,204 | 440,489 | 509,207 | 574,361 | 687,056 |
| Equity in NWC | 100,942 | 126,675 | 142,808 | 167,692 | 167,530 | 165,178 | 219,434 | 186,883 | 202,557 |
| Underlying RoE | | 14.6% | 14.0% | 14.4% | 16.0% | 14.6% | 11.8% | 13.5% | 13.8% |
| Core RoE | | 19.5% | 19.2% | 20.1% | 22.3% | 20.3% | 16.6% | 18.5% | 18.1% |

Source: MOSL, Company

Working capital increases due to advance freight to railways

- NTPCsa working capital days increased from 74 to 91 days of revenue in FY18. It was driven by advance freight to railways (~INR50b) and higher unbilled revenue. It has utilized half of the railway advance against freight charges by end-1HFY19.
- We expect some increase in working capital-related borrowings in the next few years, with capex run-rate remaining high and working capital requirement increasing due to the commissioning of new capacity. This will marginally impact growth in working capital incentive income.

Exhibit 4: NTPCsa working capital – INR m

| | FY13 | FY14 | FY15 | FY16 | FY16 | FY17 | FY18 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | IGAAP | IGAAP | IGAAP | IGAAP | IND-AS | IND-AS | IND-AS |
| Inventory, debtors., payables | 42,898 | 41,638 | 91,042 | 95,337 | 94,938 | 97,891 | 80,194 |
| Net advances | 1,802 | 18,567 | 26,742 | 22,820 | 23,058 | 10,101 | 63,494 |
| Unbilled revenue | 56,243 | 66,469 | 25,023 | 49,535 | 49,535 | 57,187 | 75,746 |
| Working capital | 100,942 | 126,675 | 142,808 | 167,692 | 167,530 | 165,178 | 219,434 |
| No. of days (of revenue) | 56 | 64 | 70 | 86 | 79 | 74 | 91 |

Source: MOSL, Company

Squeezing project creditors to fund capex

- NTPCsa's regulated equity increased INR69b in FY18. The increase in gross block @30% was INR88b. Regulated equity increase as a percentage of the gross block increase was 23% in FY18, as against 19% in FY17 and 23% in FY16.
- Part of the difference is due to the commissioning of solar capacity of 300MW, which is not part of regulated operation. However, excluding that (assuming INR60m/MW capex for solar), regulated equity growth was still lower than the increase implied by gross block. The difference is likely due to disallowance/corporate capex.
- Capex spend, according to the balance sheet (B/S), was INR264b, but cash capex was lower at ~INR180b. NTPC continues squeezing its project creditors to meet its capex requirement. Outstanding to project creditors increased from INR52b to INR91b in FY18.

Contribution from subsidiaries declines due to coal shortage and shutdown

- PAT of subsidiaries and JVs declined from INR5.5b to INR2b in FY18 due to coal shortages at some of its JV companies – this should normalize though going forward.
- Kanti Bijlee (subsidiary): Loss increased from INR0.2b to INR1.8b in FY18.
- NTPC SAIL (JV): Attributable PAT declined from INR1.9b to INR1.6b in FY18.
- NTPC Tamil Nadu (JV): Attributable PAT declined from INR0.9b to INR0.2b in FY18.
- Aravali Power (JV): Attributable PAT declined from INR3.9b to INR2.9b in FY18.
- Investment in JVs and subsidiaries increased 19% YoY to ~INR98b, which was used to fund ongoing projects.
- Consolidated reported PAT declined ~2% YoY to INR105b in FY18.

Exhibit 5: Performance of major subsidiaries and JVs (INR m)

| Name of the Company | FY16 | FY17 | FY18 |
|-----------------------------------|--------|-------|--------|
| Major subsidiaries | | | |
| Kanti Bijlee Utpadan Nigam | -378 | -219 | -1,811 |
| Bhartiya Rail Bijlee Company | 0 | 77 | 272 |
| Major JVs | | | |
| Ratnagiri Gas & Power Private Ltd | -2,762 | -470 | 165 |
| Konkam LNG | 0 | 0 | -1,957 |
| NTPC-SAIL Power Company Private | 1,234 | 1,944 | 1,659 |
| NTPC-Tamil Nadu Energy Company | -1,374 | 990 | 167 |
| Aravali Power Company Private | 3,505 | 3,936 | 2,889 |

Source: MOSL, Company

Exhibit 6: NTPC TP calculation

| | Case 1 | | Base | | Case 2 | | | | |
|-----------------------------|--------------|-----------------|---------------|----------------|--------------|----------------|-----|------------|----|
| Rf. Nominal risk free rate | (%) | 6.50 | (%) | 7.00 | (%) | 7.50 | | | |
| B. Beta | | 0.79 | | 0.79 | | 0.79 | | | |
| Km. Equity Risk premium | (%) | 5.00 | (%) | 5.00 | (%) | 5.00 | | | |
| Cost of equity (Rf+Km x B) | (%) | 10.45 | (%) | 10.95 | (%) | 11.45 | | | |
| DCF | INR m | INR/sh. | INR m | INR/sh. | INR m | INR/sh. | | | |
| A. FY19-22 | 125,778 | 15 | 124,909 | 15 | 124,049 | 15 | | | |
| | RoE | Re-Invst | Growth | | | | | | |
| | (%) | (%) | (%) | | | | | | |
| B. FY23-32 | 14.00 | 50 | 7.0 | 640,465 | 78 | 618,149 | 75 | 596,834 | 72 |
| C. Terminal Value | 12.00 | 25 | 3.0 | 978,838 | 119 | 864,967 | 105 | 767,580 | 93 |
| Target price (A+B+C) | | | | 212 | | 195 | | 181 | |
| CMP | | | | 168 | | 168 | | 168 | |
| Upside (%) | | | | 26.3 | | 16.4 | | 7.7 | |
| BV | | | | 126 | | 126 | | 126 | |
| P/BV | | | | 1.7 | | 1.6 | | 1.4 | |

Source: MOSL, Company

Exhibit 7: Utilities valuation

| | Rating | CMP (INR) | MCAP (USD M) | EPS | | | P/E (x) | | P/B(x) | | RoE (%) | |
|------------|---------|-----------|--------------|------|-------|-------|---------|-------|--------|-------|---------|-------|
| | | | | FY18 | FY19E | FY20E | FY19E | FY20E | FY19E | FY20E | FY19E | FY20E |
| Powergrid | Buy | 195 | 14,392 | 16.5 | 18.6 | 20.6 | 10.5 | 9.5 | 1.6 | 1.4 | 16.3 | 15.9 |
| NTPC | Buy | 168 | 19,516 | 10.7 | 13.8 | 15.9 | 12.1 | 10.5 | 1.3 | 1.2 | 10.7 | 11.6 |
| JSW Energy | Neutral | 63 | 1,457 | 3.0 | 3.9 | 4.8 | 16.3 | 13.0 | 0.9 | 0.9 | 5.7 | 6.9 |
| CESC | Buy | 871 | 1,639 | 75.5 | 97.5 | 106.7 | 8.9 | 8.2 | 0.9 | 0.9 | 11.0 | 11.0 |
| Tata Power | Neutral | 69 | 2,632 | 5.3 | 6.2 | 7.9 | 11.1 | 8.8 | 1.0 | 1.0 | 10.2 | 11.4 |
| NHPC | Buy | 23 | 3,580 | 2.4 | 2.5 | 3.0 | 9.3 | 7.6 | 0.8 | 0.7 | 8.3 | 9.9 |
| Coal India | Buy | 276 | 24,646 | 19.2 | 26.2 | 30.6 | 10.6 | 9.0 | 8.2 | 7.5 | 81.0 | 86.9 |

Source: MOSL, Company

Financials and Valuations

| Income Statement | | | | | | | (INR Million) | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Y/E Mar | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E |
| Net Sales | 657,370 | 789,506 | 806,220 | 727,055 | 817,171 | 877,622 | 929,516 | 1,026,373 |
| Change (%) | 5.9 | 20.1 | 2.1 | -9.8 | 12.4 | 7.4 | 5.9 | 10.4 |
| EBITDA | 170,672 | 197,106 | 171,941 | 179,569 | 218,300 | 229,808 | 273,580 | 324,312 |
| EBITDA Margin (%) | 26.0 | 25.0 | 21.3 | 24.7 | 26.7 | 26.2 | 29.4 | 31.6 |
| Depreciation | 33,968 | 47,700 | 55,646 | 52,240 | 60,099 | 74,599 | 82,950 | 95,976 |
| EBIT | 136,704 | 149,406 | 116,295 | 127,329 | 158,201 | 155,209 | 190,630 | 228,335 |
| Interest | 19,244 | 32,031 | 35,704 | 33,137 | 36,511 | 44,346 | 58,989 | 71,301 |
| Other Income | 31,188 | 27,601 | 20,789 | 10,576 | 9,668 | 15,583 | 10,102 | 8,429 |
| Extraordinary items | 17,138 | -119 | 3,182 | 0 | 0 | 0 | 0 | 0 |
| PBT | 165,786 | 144,858 | 104,562 | 104,768 | 131,358 | 126,446 | 141,742 | 165,464 |
| Tax | 39,592 | 30,824 | 4,638 | -1,628 | 30,467 | 25,881 | 35,481 | 41,601 |
| Tax Rate (%) | 23.9 | 21.3 | 4.4 | -1.6 | 23.2 | 20.5 | 25.0 | 25.1 |
| Min. Int. & Assoc. Share | 0 | 0 | 0 | -204 | -57 | -425 | -57 | -57 |
| Reported PAT | 126,194 | 114,034 | 99,924 | 108,012 | 107,196 | 105,440 | 111,787 | 131,232 |
| Adjusted PAT | 109,726 | 91,496 | 87,596 | 96,957 | 98,717 | 87,992 | 115,377 | 131,232 |
| Change (%) | 20.6 | -16.6 | -4.3 | 10.7 | 1.8 | -10.9 | 31.1 | 13.7 |

| Balance Sheet | | | | | | | (INR Million) | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Y/E Mar | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E |
| Share Capital | 82,455 | 82,455 | 82,455 | 82,455 | 82,455 | 82,455 | 82,455 | 82,455 |
| Reserves | 721,421 | 790,843 | 738,485 | 809,511 | 895,926 | 953,180 | 1,015,494 | 1,087,359 |
| Net Worth | 803,875 | 873,297 | 820,940 | 891,965 | 978,380 | 1,035,635 | 1,097,949 | 1,169,813 |
| Debt | 581,461 | 814,549 | 1,022,520 | 1,120,194 | 1,137,551 | 1,300,143 | 1,389,250 | 1,447,474 |
| Deferred Tax | 9,153 | 12,393 | 12,656 | 14,094 | 14,849 | 24,081 | 24,081 | 24,081 |
| Total Capital Employed | 1,394,489 | 1,707,044 | 1,864,995 | 2,035,181 | 2,138,812 | 2,369,337 | 2,520,758 | 2,650,846 |
| Gross Fixed Assets | 1,032,457 | 1,313,937 | 1,443,608 | 1,632,140 | 1,170,879 | 1,501,531 | 1,781,547 | 2,200,325 |
| Less: Acc Depreciation | 403,096 | 471,858 | 525,077 | 587,180 | 125,562 | 206,147 | 289,097 | 385,074 |
| Net Fixed Assets | 629,361 | 842,080 | 918,530 | 1,044,959 | 1,045,317 | 1,295,385 | 1,492,450 | 1,815,251 |
| Capital WIP | 371,094 | 538,250 | 675,547 | 815,497 | 868,957 | 820,931 | 772,425 | 559,648 |
| Investments | 91,376 | 16,635 | 141 | 148 | 78,023 | 92,515 | 97,765 | 102,736 |
| Current Assets | 519,333 | 603,487 | 601,543 | 543,886 | 492,677 | 534,851 | 525,342 | 546,111 |
| Inventory | 40,572 | 59,885 | 79,725 | 79,592 | 65,861 | 61,403 | 68,480 | 74,817 |
| Debtors | 53,650 | 67,257 | 92,499 | 101,740 | 89,995 | 88,122 | 90,777 | 99,316 |
| Cash & Bank | 184,902 | 186,876 | 161,390 | 57,370 | 33,015 | 43,876 | 24,635 | 30,528 |
| Loans & Adv, Others | 240,210 | 289,470 | 267,929 | 305,185 | 303,806 | 341,450 | 341,450 | 341,450 |
| Curr Liabs & Provns | 216,676 | 293,408 | 330,766 | 369,310 | 346,162 | 374,344 | 367,225 | 372,900 |
| Curr. Liabilities | 216,676 | 293,408 | 330,766 | 369,310 | 346,162 | 374,344 | 367,225 | 372,900 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Current Assets | 302,657 | 310,080 | 270,777 | 174,577 | 146,515 | 160,507 | 158,118 | 173,211 |
| Total Assets | 1,394,489 | 1,707,044 | 1,864,995 | 2,035,181 | 2,138,812 | 2,369,337 | 2,520,758 | 2,650,846 |

Financials and Valuations

Ratios

| Y/E Mar | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | |
| EPS | 13.3 | 11.1 | 10.6 | 11.8 | 12.0 | 10.7 | 14.0 | 15.9 |
| Cash EPS | 19.4 | 19.6 | 18.9 | 19.4 | 20.3 | 21.8 | 23.6 | 27.6 |
| Book Value | 97.5 | 105.9 | 99.6 | 108.2 | 118.7 | 125.6 | 133.2 | 141.9 |
| DPS | 5.8 | 5.8 | 5.8 | 3.4 | 4.8 | 4.5 | 5.0 | 6.0 |
| Payout (incl. Div. Tax.) | 37.6 | 41.6 | 47.4 | 25.6 | 36.8 | 35.2 | 36.9 | 37.7 |
| Valuation(x) | | | | | | | | |
| P/E | 11.0 | 12.1 | 13.8 | 12.8 | 12.9 | 13.1 | 12.4 | 10.5 |
| Cash P/E | 8.6 | 8.5 | 8.9 | 8.6 | 8.3 | 7.7 | 7.1 | 6.1 |
| Price / Book Value | 1.7 | 1.6 | 1.7 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 |
| EV/Sales | 2.7 | 2.5 | 2.8 | 3.4 | 3.0 | 3.0 | 3.0 | 2.7 |
| EV/EBITDA | 11.5 | 11.5 | 14.1 | 14.5 | 11.9 | 12.4 | 9.9 | 8.6 |
| Dividend Yield (%) | 3.4 | 3.4 | 3.4 | 2.0 | 2.9 | 2.7 | 3.0 | 3.6 |
| Profitability Ratios (%) | | | | | | | | |
| RoE | 12.0 | 10.9 | 10.0 | 11.3 | 10.6 | 8.7 | 10.8 | 11.6 |
| RoCE | 8.9 | 8.5 | 7.3 | 7.2 | 6.0 | 5.8 | 6.2 | 6.9 |
| RoIC | 16.0 | 13.7 | 11.2 | 11.8 | 10.5 | 9.6 | 9.4 | 9.5 |
| Turnover Ratios (%) | | | | | | | | |
| Asset Turnover (x) | 1.2 | 1.1 | 0.9 | 0.7 | 0.8 | 0.7 | 0.7 | 0.6 |
| Debtors (No. of Days) | 30 | 31 | 42 | 51 | 40 | 37 | 36 | 35 |
| Inventory (No. of Days) | 30 | 37 | 46 | 53 | 40 | 35 | 38 | 39 |
| Leverage Ratios (%) | | | | | | | | |
| Net Debt/Equity (x) | 0.5 | 0.7 | 1.0 | 1.2 | 1.1 | 1.2 | 1.2 | 1.2 |

Cash Flow Statement

(INR Million)

| Y/E Mar | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019E | 2020E |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Adjusted EBITDA | 154,204 | 174,568 | 159,613 | 168,514 | 209,821 | 212,360 | 277,171 | 324,312 |
| Non cash opr. exp (inc) | 64,572 | 49,633 | 35,881 | 35,146 | 23,574 | 38,815 | 6,511 | 8,429 |
| (Inc)/Dec in Wkg. Cap. | -5,971 | -13,109 | -11,694 | -36,422 | -2,073 | -58,298 | -16,851 | -9,200 |
| Tax Paid | -28,956 | -26,867 | -20,100 | -14,584 | -26,263 | 19,257 | -35,481 | -41,601 |
| Other operating activities | -28,896 | -18,917 | -16,242 | 1,452 | -3,395 | -15,508 | -10,102 | -8,429 |
| CF from Op. Activity | 154,952 | 165,308 | 147,459 | 154,106 | 201,666 | 196,627 | 221,248 | 273,510 |
| (Inc)/Dec in FA & CWIP | -162,912 | -189,485 | -191,772 | -232,470 | -243,451 | -187,559 | -231,511 | -206,000 |
| Free cash flows | -7,960 | -24,176 | -44,314 | -78,364 | -41,785 | 9,068 | -10,262 | 67,510 |
| (Pur)/Sale of Invt | 16,225 | 16,225 | 16,391 | 16,536 | 3,436 | 0 | 0 | 0 |
| Others | 6,519 | 37,017 | 17,182 | -6,986 | -17,558 | -8,539 | 10,377 | 10,828 |
| CF from Inv. Activity | -140,169 | -136,243 | -158,200 | -222,920 | -257,573 | -196,099 | -221,134 | -195,173 |
| Inc/(Dec) in Net Worth | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inc / (Dec) in Debt | 72,624 | 93,854 | 205,811 | 80,528 | 150,466 | 145,059 | 89,107 | 58,224 |
| Interest Paid | -39,461 | -62,429 | -72,371 | -83,473 | -75,645 | -86,058 | -58,989 | -71,301 |
| Divd Paid (incl Tax) & Others | -40,688 | -58,516 | -148,185 | -32,261 | -43,269 | -48,669 | -49,473 | -59,367 |
| CF from Fin. Activity | -7,524 | -27,091 | -14,745 | -35,206 | 31,552 | 10,333 | -19,355 | -72,444 |
| Inc/(Dec) in Cash | 7,259 | 1,975 | -25,486 | -104,021 | -24,355 | 10,861 | -19,241 | 5,893 |
| Add: Opening Balance | 177,643 | 184,902 | 186,876 | 161,390 | 57,369 | 33,015 | 43,876 | 24,635 |
| Closing Balance | 184,902 | 186,876 | 161,390 | 57,369 | 33,015 | 43,876 | 24,635 | 30,528 |

| 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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