

# Ashoka Buildcon

## Core remains strong

We maintain BUY on Ashoka Buildcon with revised TP of Rs 141/sh. Adjusting for ~Rs 1bn release of contingencies in revenue from some of the projects, ABL missed our earnings estimate by 18% on account of weak execution and lower than expected EBITDA margin. Labour availability is 50-65% as of now and sites are working at 50-65% efficiency. Tolling has reached 85% of pre-Covid-19 level within three week of resumption. NWC days improvement, low net D/E of 0.04x and comfortable liquidity insulates ABL from COVID-19 headwinds. We revise our FY21E/FY22 EPS by 6/34% and increase our TP to Rs 141/sh (vs Rs 134/sh earlier).

- Weak execution and margin compression led to earnings miss:** Adjusting for the one-off related to contingencies, ABL reported Rev/EBITDA/APAT of Rs 11.5/1.3/0.9bn, missing our estimates by 16/26/18%. EBITDA margin contraction (-271/-148bps YoY/QoQ) was largely led by increase in other expenses (+420/+333bps YoY/QoQ, Rs 570mn of debtor provisioning). Management believes labor shortage will last throughout 1H due to onset of monsoon and normalize in 3-4 months. Hence, company expects 1QFY21 revenue to be 50% of 1QFY20 and FY21E Revenue to be flattish YoY. We remain conservative and build in 3% de-growth in FY21E revenue.
- Order book at Rs 89bn dominated by road segment:** Orderbook stood at Rs 89bn including HAM TS-3 package. ABL expects to win Rs 55-60bn of projects from prospective bid pipeline of Rs 1.1tn (700/300/100bn from NHAI/UP/Railways) once tendering activity picks up pace. Financial closure of TS-III (89% 3H land), TS-IV (64% 3H land) and Kandi project (93% 3H land) was supposed to be achieved by June'20 but got delayed and is now expected by Sep'20. These projects could start contributing to ABL topline from as early as Oct'20.
- Liquidity position comfortable:** At standalone level, NWC days fell to 16 days (vs 38 days at FY19 end). Gross debt was ~Rs 4bn and net debt was Rs 1.1bn at the end of FY20. While ABL has not availed loan moratorium, it has applied for release of retention money to help with cashflow. ABL will put in Rs 3bn equity in HAM projects during FY21E. On consolidated basis, ASBL had gross debt of Rs 58bn and cash of Rs 7.5bn. Company believes, ACL has sufficient cash in hand and will not require additional loss funding from parent entity for BOT projects. With resumption of tolling operation and moratorium on principle repayment, company has sufficient liquidity to service interest payments of BOT. Although ACL asset monetization process is on hold for now, we expect meaningful progress by FY21E end.

### Financial summary

Y/E March (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	11,548	13,074	(11.7)	9,836	17.4	49,301	50,705	48,112	54,506
EBITDA	1,289	1,814	(28.9)	1,243	3.7	13,943	15,752	12,658	14,072
APAT	892	1,051	(15.1)	855	4.3	267	1,653	(1,556)	(596)
Diluted EPS (Rs)	3.2	3.7	(15.1)	3.0	4.3	1.0	5.9	(5.5)	(2.1)
P/E (x)						58.8	9.5	(10.1)	(26.4)
EV / EBITDA (x)						5.0	4.2	6.5	6.2
RoE (%)						1.6	8.9	(8.5)	(3.6)

Source: Company, HSIE Research

## BUY

CMP (as on 16 June 2020)	Rs 56
Target Price	Rs 141
NIFTY	9,914

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 134	Rs 141
EPS %	FY21E	FY22E
	6.2	34.1

### KEY STOCK DATA

Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (Rs bn) / (\$ mn)	16/208
6m avg traded value (Rs mn)	63
52 Week high / low	Rs 151/37

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.7)	(39.4)	(59.8)
Relative (%)	(21.8)	(21.5)	(45.0)

### SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	54.26	54.33
FIs & Local MFs	32.78	30.81
FPIs	3.74	5.47
Public & Others	9.22	9.39
Pledged Shares	-	-

Source : BSE

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*Adjusting for ~Rs 1bn release of contingencies in revenue from some of the projects*

*Revenue: Rs 11.5bn (-12/+17% YoY/QoQ, 16% miss)*

*EBITDA: Rs 1.29bn (-29% YoY, +4% QoQ, 26% miss)*

*EBITDA margins: 11.2% (-271bps YoY, -148bps QoQ), driven by 420bps/333bps YoY/QoQ increase in other expenses*

*Other expenses increased due to Rs 140mn of ECL provisions and Rs 430mn of debtors impairment in Eastern peripheral roads and one Jharkhand project. ABL will continue to pursue debtors from NHAI*

*Interest cost decreased 43% YoY to Rs 209mn*

*APAT came in at Rs 892mn (-15%/+4% YoY/QoQ, 18% miss)*

*Company expects labour shortage to persist throughout 1H, impacting revenue severally*

### Quarterly Financials Snapshot - Standalone

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20	FY19	YoY (%)
Net Sales	11,548	13,074	(11.7)	9,836	17.4	38,374	38,094	0.7
Material Expenses	9,063	10,525	(13.9)	7,734	17.2	29,975	30,300	(1.1)
Employee Expenses	424	412	3.0	529	(19.8)	1,820	1,491	22.1
Other Operating Expenses	771	323	138.7	329	134.6	1,732	1,265	37.0
<b>EBITDA</b>	<b>1,289</b>	<b>1,814</b>	<b>(28.9)</b>	<b>1,243</b>	<b>3.7</b>	<b>4,847</b>	<b>5,039</b>	<b>(3.8)</b>
Depreciation	290	260	11.6	283	2.4	1,111	764	45.5
<b>EBIT</b>	<b>999</b>	<b>1,554</b>	<b>(35.7)</b>	<b>960</b>	<b>4.1</b>	<b>3,736</b>	<b>4,275</b>	<b>(12.6)</b>
Other Income (incl. EO)	1,346	307	338.4	369	264.5	2,449	798	207.1
Interest Cost	209	367	(42.9)	200	4.7	845	907	(6.8)
<b>PBT</b>	<b>2,136</b>	<b>1,494</b>	<b>43.0</b>	<b>1,129</b>	<b>89.1</b>	<b>5,340</b>	<b>4,165</b>	<b>28.2</b>
Tax	493	516	(4.4)	274	80.2	1,468	1,307	12.3
<b>RPAT</b>	<b>1,642</b>	<b>978</b>	<b>68.0</b>	<b>855</b>	<b>92.0</b>	<b>3,871</b>	<b>2,858</b>	<b>35.5</b>
EO Items	(750)	73	NA	-	NA	(661)	359	0.0
<b>APAT</b>	<b>892</b>	<b>1,051</b>	<b>(15.1)</b>	<b>855</b>	<b>4.3</b>	<b>3,211</b>	<b>3,217</b>	<b>(0.2)</b>

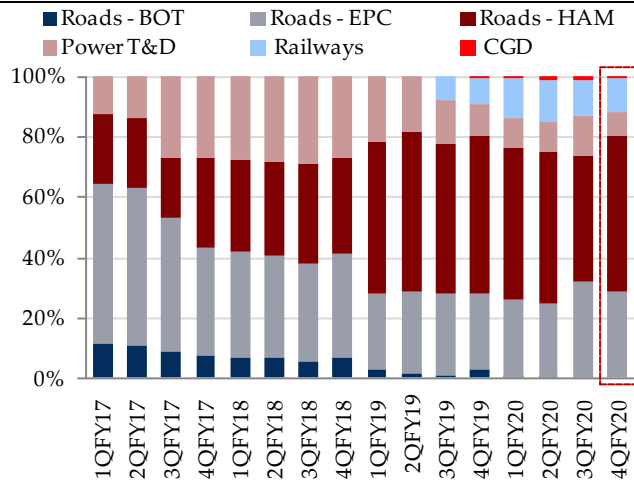
Source: Company, HSIE Research

### Margin Analysis

MARGIN ANALYSIS	4Q FY20	4Q FY19	YoY (bps)	3Q FY20	QoQ (bps)	FY20	FY19	YoY (bps)
Material Expenses % Net Sales	78.5	80.5	(202)	78.6	(15)	78.1	79.5	(143)
Employee Expenses % Net Sales	3.7	3.2	52	5.4	(171)	4.7	3.9	83
Other Operating Expenses % Net Sales	6.7	2.5	420	3.3	333	4.5	3.3	119
<b>EBITDA Margin (%)</b>	<b>11.2</b>	<b>13.9</b>	<b>(271)</b>	<b>12.6</b>	<b>(148)</b>	<b>12.6</b>	<b>13.2</b>	<b>(60)</b>
Tax Rate (%)	23.1	34.5	(1,145)	24.2	(115)	27.5	31.4	(389)
<b>APAT Margin (%)</b>	<b>7.7</b>	<b>8.0</b>	<b>(31)</b>	<b>8.7</b>	<b>(97)</b>	<b>8.4</b>	<b>8.4</b>	<b>(8)</b>

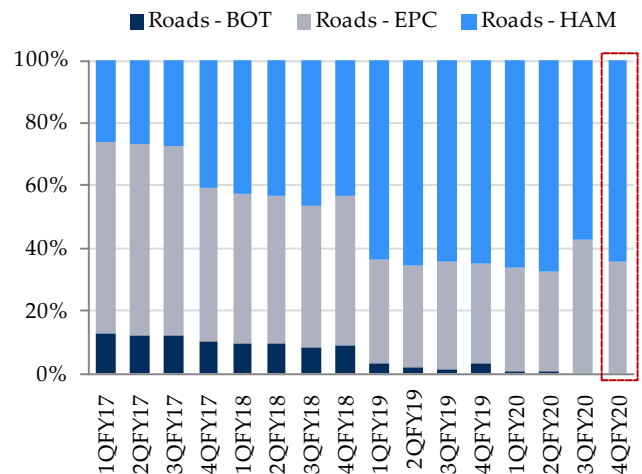
Source: Company, HSIE Research

**Order Book Skewed Towards Roads – EPC and HAM**



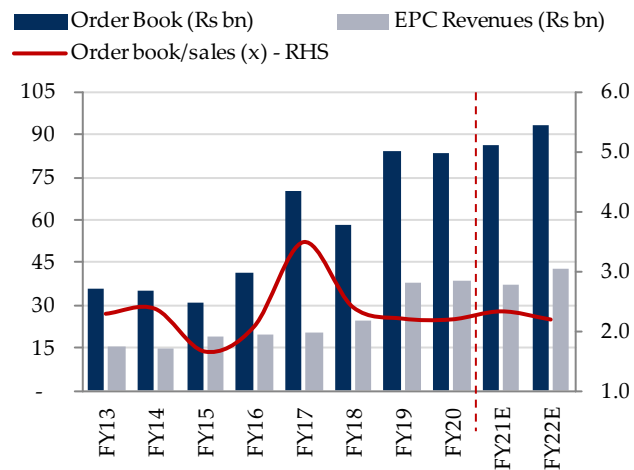
Source : Company, HSIE Research

**Within Roads – HAM Captive Increasing**



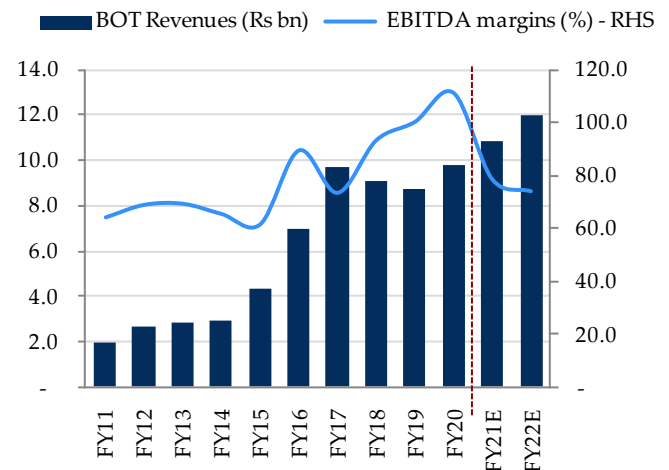
Source : Company, HSIE Research

**EPC-Order Book To Multiply 1.12x Over FY20-22E**



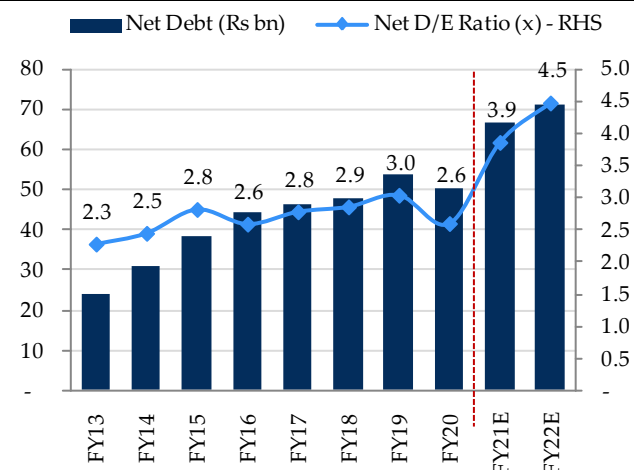
Source : Company, HSIE Research

**BOT EBIDTA Margins To Reduce To 74% By FY22E**



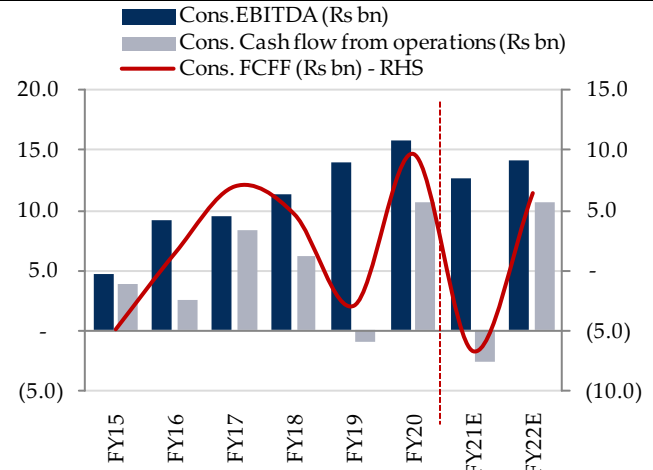
Source : Company, HSIE Research

**Consolidated Net D/E Ratio To Increase to 4.5x**



Source : Company, HSIE Research

**ABL To generate FCFF Of ~Rs 6bn In FY22E**



Source : Company, HSIE Research

## Key Assumptions &amp; Estimates: Standalone

(Rs mn)	FY21E	FY22E	Growth (% YoY)		Comments
			FY21E	FY22E	
Order-book assumptions (INR mn)					
Opening Order Book	83,792	86,487			
Add: New Order Wins	40,000	50,000	32.3	25.0	Expect ABL to win Rs 4bn of orders in FY21 and Rs 4bn in FY22
Less: Orders Executed	37,305	42,901			
Closing Order Book	86,487	93,586	3.2	8.2	
Trailing Order Book/Sales (x)	2.3	2.2			
Revenue	37,305	42,901	(2.8)	15.0	Execution would rebound in FY22 on lower base
EBIDTA EPC	4,179	5,234	16.2	(20.1)	9.0% FY15-18E EPC EBIDTA CAGR
EBIDTA margins EPC	11.2	12.2	(145.2)	99.7	EBIDTA margins in FY21 to contract on account of revenue loss in 1H, to normalize from FY22
Depreciation	1,229	1,365	10.6	11.0	
Financial Charges	954	973	11.7	2.0	Finance cost to remain elevated
Other income	1,080	1,134	(55.9)	5.0	
PBT	3,076	4,030	(42.4)	31.0	
PBT margin (%)	8.2	9.4	(40.7)	13.9	
Tax	800	1,048			
Tax rate (%)	26.0	26.0	(150.0)		- Company has opted for new lower tax regime
PAT	2,276	2,982	(41.2)	31.0	Profitability to be impacted in FY21; Margins to recover sharply in FY22
PAT margin (%)	6.1	7.0	(398.7)	85.0	
Exceptional	634	534			Removed excess other income on L&A given to SPVs for equity/loss funding as cash flow may not come
APAT	1,642	2,448			

Source: HSIE Research

## Consolidated: Change in estimates

Particulars	FY21E			FY22E		
	New	Old	% Change	New	Old	% Change
Revenues (Rs mn)	48,112	48,112	-	54,506	54,506	-
EBITDA (Rs mn)	12,658	12,193	3.8	14,072	14,065	0.0
APAT (Rs mn)	(1,556)	(1,658)	6.2	(596)	(905)	34.1
EPS (Rs)	(5.5)	(5.9)	6.2	(2.1)	(3.2)	34.1

Source: HSIE Research

## Standalone: Change in estimates

Particulars	FY21E			FY22E		
	New	Old	% Change	New	Old	% Change
Revenues (Rs mn)	37,305	37,305	0.0	42,901	42,901	0.0
EBITDA (Rs mn)	4,179	4,179	0.0	5,234	5,234	(0.0)
APAT (Rs mn)	1,642	1,515	(8.4)	2,448	2,170	(12.8)
EPS (Rs)	5.8	5.4	(8.4)	8.7	7.7	(12.8)

Source: HSIE Research

ABL expects to win Rs 55-60bn of projects from prospective bid pipeline of Rs 1.1tn across roads and railways

Financial closure of TS-III, TS-IV and Kandi project was supposed to be achieved by Jun'20-end but got delayed and is now expected by Sep'20 end. These projects could start contributing to ABL top-line from as early as Oct'20

Asset monetization process is on hold for now, company expects it to start soon but does not rule out revaluation given changing scenario

We change ABL consolidated estimates for FY21/FY22 by 6/34% to factor in better EBIDTA margins, lower depreciation and interest expense

We have valued ABL's 61% stake in ACL projects at Rs 17/sh (net of valuation shortfall of Rs 7.3bn in ACL valuation) and the direct BOTs at Rs 26/sh. The total asset portfolio is valued at Rs 43/sh

We raises our TP to Rs 141/sh (vs. Rs 134/sh earlier)

## Outlook and valuation

### Maintain BUY– Target Price of Rs 141/sh

- We valued ABL standalone on P/E basis at 8x Mar-22E EPS. ABL multiple re-rating is contingent on SBIM exit nearing Rs 30bn+ range for ACL 7 Assets. Further, multiple downside is protected owing to ABL's (1) Diversified presence in roads and T&D segments, the biggest beneficiary of government spending (2) Strong execution capability, and (3) Likely support from captive order book in lieu of any contraction in future roads EPC orders. The government-led spends in the infrastructure sector will continue to drive stock performance and ABL, with its strong credentials, will likely benefit from the pick-up in ordering activity.
- We have valued toll business separately under Ashoka Concessions and ABL's direct projects. We have used 14% discount rate for arriving at NPV of the projects. Our estimates for Sambalpur/ Dhankuni/Belgaum are lower vs. consensus. We value the BOT business at Rs 43/sh.
- We maintain BUY with an increased TP of Rs 141/share (vs. Rs 134/sh earlier). We peg (1) Standalone EPC business at Rs 70/share (8x Mar-22E EPS) and (2) ABL BOT projects at Rs 43/share (3) Land at 0.5x historical costs at Rs 5/share & (4) Likely equity investments of Rs 24/sh at 1x P/BV to be invested over FY20-22E.

### Valuation

Segment	Value for ABL (Rs mn) @ 61% stake	Per share value (Rs/sh)	Comments
Ashoka Concessions Ltd	4,737	17	DCF using 14% WACC
ABL direct Projects	7,229	26	DCF using 14% WACC
<b>Total BOT Value</b>	<b>11,966</b>	<b>43</b>	
<b>Standalone construction - EPC</b>	<b>19,585</b>	<b>70</b>	<b>Standalone 8x Mar-22E EPS</b>
Land	1,391	5	0.5x P/BV
New HAM and CGD Equity	6,706	24	1x P/BV of likely equity investment in FY20-22E
<b>SOTP Value</b>	<b>48,061</b>	<b>141</b>	

Source: HSIE Research

### BOT Project Valuation

BOT Project – Valuation	Stake (%)	WACC (%)	Project Value (Rs mn)	Value for ABL (Rs mn)	Per share value (Rs/sh)
NH-4-Belgaum Dharwad	100	14	1,786	1,090	3.9
NH-6-Sambalpur Baragarh	100	14	782	477	1.7
NH-6-Dhankuni Kharagpur	100	14	9,027	5,506	19.6
NH-6-Durg (Chattisgarh - Maharashtra)	51	14	2,102	654	2.3
NH-6-Bhandara (Maharashtra – Chattisgarh)	51	14	502	156	0.6
SH-31-Jaora Nayagaon	38	14	15,649	3,603	12.8
Chennai ORR	50	14	1,810	552	2.0
<b>Total – Ashoka Concessions @ 61% stake</b>		<b>14</b>	<b>31,658</b>	<b>12,038</b>	<b>42.9</b>
<b>Exit shortfall vs our SBIM ACL valuation</b>				<b>7,300</b>	
<b>ABL Stake Valuation</b>				<b>4,737</b>	<b>17</b>
ABL-Ahmednagar-Aurangabad	100	14	365	365	1.3
ABL-Nashirabad	100	14	120	120	0.4
VHPL-Indore – Edalabad	100	14	851	851	3.0
JAIPL-Wainganga	50	14	707	353	1.3
SH-31-Jaora Nayagaon	36	14	15,649	5,665	20.2
<b>Total – ABL Projects</b>			<b>17,693</b>	<b>7,355</b>	<b>26.2</b>
<b>TOTAL BOT Value</b>				<b>12,092</b>	<b>43.2</b>

Source: HSIE Research

## Peer Set Comparison: Core EPC

Core EPC	Mcap (Rs bn)	CMP (Rs/sh)	Reco	TP	Adj. EPS (Rs/sh)			P/E (x)			EV/EBITDA (x)			ROE (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Dilip Buildcon	36.2	265	BUY	466	30.4	17.9	41.4	4.3	7.3	3.1	3.3	4.1	2.9	12.2	6.4	13.3
KNR	30.5	217	BUY	279	15.5	12.8	17.4	9.5	11.4	8.4	4.6	5.0	3.8	14.3	10.5	12.8
PNC Infratech	32.6	127	BUY	234	12.8	9.6	14.0	4.8	6.3	4.3	2.4	3.1	2.5	14.0	9.2	12.2
NCC	17.2	28	BUY	48	4.9	2.2	5.1	4.2	9.4	4.0	2.8	3.9	2.9	6.0	2.6	5.8
<b>Ashoka Build</b>	<b>15.8</b>	<b>56</b>	<b>BUY</b>	<b>141</b>	<b>8.8</b>	<b>5.4</b>	<b>7.7</b>	<b>3.0</b>	<b>4.9</b>	<b>3.4</b>	<b>2.5</b>	<b>3.2</b>	<b>2.5</b>	<b>14.0</b>	<b>8.3</b>	<b>9.6</b>
PSP Projects	13.7	381	REDUCE	370	35.9	18.4	37.0	10.6	20.7	10.3	7.2	12.5	7.0	31.2	13.7	23.5
Ahluwalia Contracts	12.4	185	BUY	265	12.4	14.3	25.2	13.9	12.0	6.8	5.4	5.3	3.4	10.7	11.1	17.1
HG Infra	11.6	178	BUY	337	25.7	20.6	28.1	4.8	6.0	4.4	3.1	3.2	2.3	22.3	14.7	17.2
JMC Projects	7.4	44	BUY	69	9.4	4.3	7.6	3.7	8.1	4.6	3.3	4.0	2.9	16.7	7.3	11.8
Sadbhav Engineering	7.3	43	BUY	56	4.9	4.0	7.1	6.0	7.3	4.1	6.2	5.5	3.8	4.1	3.2	5.5
ITD Cementation	6.9	40	ADD	44	3.1	-2.9	5.5	13.1	-13.9	7.3	4.0	7.7	3.7	5.1	-4.8	8.9
JKIL	5.9	87	BUY	144	25.5	14.2	24.0	3.4	6.1	3.6	2.6	3.2	2.3	11.1	5.8	9.3
Capacite Infraprojects	6.8	100	BUY	147	10.9	2.0	16.8	8.0	43.5	5.2	3.4	4.8	2.6	8.4	1.5	11.7
<b>Average</b>								<b>6.3</b>	<b>9.1</b>	<b>4.9</b>	<b>3.7</b>	<b>4.7</b>	<b>3.0</b>	<b>13.1</b>	<b>6.9</b>	<b>12.2</b>

Source: Company, HSIE Research

## Financials

### Consolidated Income Statement

Year ending March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Revenues	28,249	29,797	36,030	49,301	50,705	48,112	54,506
<i>Growth (%)</i>	21.8	5.5	20.9	36.8	2.8	(5.1)	13.3
Material Expenses	17,022	18,245	22,264	31,915	30,204	30,340	35,028
Employee Expenses	959	1,182	1,411	1,884	2,933	3,226	3,452
Other Operating Expenses	1,085	863	959	1,559	1,816	1,888	1,954
<b>EBIDTA</b>	<b>9,183</b>	<b>9,506</b>	<b>11,396</b>	<b>13,943</b>	<b>15,752</b>	<b>12,658</b>	<b>14,072</b>
<i>EBIDTA Margin (%)</i>	32.5	31.9	31.6	28.3	31.1	26.3	25.8
<i>EBIDTA Growth (%)</i>	94.1	3.5	19.9	22.4	13.0	(19.6)	11.2
Depreciation	2,690	2,640	2,914	2,582	2,998	3,193	3,506
<b>EBIT</b>	<b>6,492</b>	<b>6,866</b>	<b>8,482</b>	<b>11,361</b>	<b>12,754</b>	<b>9,465</b>	<b>10,566</b>
Other Income (Incl EO items)	240	815	515	1,372	817	828	838
Interest	7,996	9,078	9,938	10,213	10,426	10,850	10,679
<b>PBT</b>	<b>(1,263)</b>	<b>(1,397)</b>	<b>(941)</b>	<b>2,520</b>	<b>3,146</b>	<b>-558</b>	<b>725</b>
Tax	974	698	837	1,709	1,659	1,077	1,421
Minority Interest/Share of associates	(1,383)	(194)	(55)	(68)	(50)	(79)	(100)
<b>RPAT</b>	<b>(854)</b>	<b>(1,901)</b>	<b>(1,723)</b>	<b>879</b>	<b>1,537</b>	<b>(1,556)</b>	<b>(596)</b>
Share Profit/(loss) from associates	-	(151)	592	(10)	117	-	-
EO Items	299	-	-	(601)	-	-	-
<b>APAT</b>	<b>(555)</b>	<b>(2,052)</b>	<b>(1,131)</b>	<b>267</b>	<b>1,653</b>	<b>(1,556)</b>	<b>(596)</b>
<i>APAT Growth (%)</i>	(168)	270	(45)	(124)	518	(194)	(62)
<b>Adjusted EPS (Rs/sh)</b>	<b>(3)</b>	<b>(11.0)</b>	<b>(6.0)</b>	<b>1.0</b>	<b>5.9</b>	<b>(5.5)</b>	<b>(2.1)</b>
<i>EPS Growth (%)</i>	(202)	269.6	(44.9)	(115.8)	518.4	(194.1)	(61.7)

Source: Company, HSIE Research

### Consolidated Balance Sheet

As at March	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>SOURCES OF FUNDS</b>							
Share Capital	936	936	936	1,404	1,404	1,404	1,404
Reserves	16,210	15,607	15,816	16,281	17,999	15,787	14,534
<b>Total Shareholders Funds</b>	<b>17,146</b>	<b>16,543</b>	<b>16,751</b>	<b>17,685</b>	<b>19,403</b>	<b>17,190</b>	<b>15,937</b>
Minority Interest	5,625	1,169	937	1,189	1,280	1,200	1,100
Long Term Debt	42,294	45,488	48,704	54,074	56,446	64,946	68,446
Short Term Debt	4,625	2,056	2,311	3,284	1,716	3,366	5,016
<b>Total Debt</b>	<b>46,920</b>	<b>47,544</b>	<b>51,014</b>	<b>57,358</b>	<b>58,162</b>	<b>68,312</b>	<b>73,462</b>
Net Deferred Taxes	(221)	(327)	(394)	(555)	(828)	(828)	(828)
Other Non Current Liabilities	27,307	28,486	30,076	29,524	30,099	30,469	30,844
<b>TOTAL SOURCES OF FUNDS</b>	<b>96,775</b>	<b>93,415</b>	<b>98,385</b>	<b>1,05,202</b>	<b>1,08,116</b>	<b>1,16,344</b>	<b>1,20,516</b>
<b>APPLICATION OF FUNDS</b>							
Net Block	85,148	80,161	78,748	78,737	76,834	80,321	80,889
CWIP/Intangible assets under development	200	366	464	581	865	935	1,045
Investments	1,573	1,462	1,964	1,670	1,794	4,000	4,000
Other Non Current Assets	5,480	5,268	10,107	15,299	21,088	22,588	24,088
<b>Total Non-current Assets</b>	<b>92,401</b>	<b>87,257</b>	<b>91,283</b>	<b>96,287</b>	<b>1,00,580</b>	<b>1,07,843</b>	<b>1,10,021</b>
Inventories	5,251	3,596	4,195	4,264	4,348	6,768	7,029
Debtors	5,161	3,609	6,890	10,483	9,091	10,152	10,543
Cash & Equivalents	2,412	1,424	3,040	3,507	7,613	1,847	2,072
Other Current Assets	4,325	11,830	9,692	15,908	13,879	19,794	20,877
<b>Total Current Assets</b>	<b>17,150</b>	<b>20,459</b>	<b>23,817</b>	<b>34,162</b>	<b>34,930</b>	<b>38,562</b>	<b>40,520</b>
Creditors	5,400	5,744	6,493	10,250	7,381	15,567	16,166
Other Current Liabilities & Provn's	7,375	8,557	10,221	11,217	20,015	8,539	8,555
<b>Total Current Liabilities</b>	<b>12,775</b>	<b>14,301</b>	<b>16,714</b>	<b>21,467</b>	<b>27,396</b>	<b>24,106</b>	<b>24,721</b>
<b>Net Current Assets</b>	<b>4,375</b>	<b>6,158</b>	<b>7,102</b>	<b>12,696</b>	<b>7,534</b>	<b>14,456</b>	<b>15,799</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>96,775</b>	<b>93,415</b>	<b>98,385</b>	<b>1,08,983</b>	<b>1,08,116</b>	<b>1,16,344</b>	<b>1,20,516</b>

Source: Company, HSIE Research

## Consolidated Cash Flow

Year ending March	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Reported PBT	(1,263)	(1,397)	(349)	1,306	3,262	(558)	725
Non-operating & EO items	(566)	(673)	463	415	(73)	(828)	(838)
Interest expenses	7,996	9,078	9,938	10,210	10,424	10,426	10,850
Depreciation	2,690	2,640	2,914	2,582	2,998	3,193	3,506
Working Capital Change	(6,524)	(442)	(5,557)	(13,595)	(3,877)	(13,736)	(2,203)
Tax Paid	(1,095)	(933)	(1,196)	(1,822)	(2,044)	(1,077)	(1,421)
Minority Interest and other misc items	1,270	0	0	0	0	0	0
<b>OPERATING CASH FLOW ( a )</b>	<b>2,507</b>	<b>8,274</b>	<b>6,212</b>	<b>(903)</b>	<b>10,690</b>	<b>(2,580)</b>	<b>10,619</b>
Capex	(1,089)	(1,317)	(1,591)	(2,095)	(1,035)	(4,225)	(4,225)
Free cash flow (FCF)	1,418	6,957	4,621	(2,997)	9,655	(6,805)	6,394
Investments	(1,506)	531	(1,094)	312	(31)	(2,206)	0
Dividend Income	20						
Interest Income	305	157	(463)	(661)	(100)	828	838
<b>INVESTING CASH FLOW ( b )</b>	<b>(2,595)</b>	<b>(629)</b>	<b>(3,148)</b>	<b>(2,444)</b>	<b>(1,166)</b>	<b>(5,603)</b>	<b>(3,387)</b>
Share capital Issuance	4,916	-	-	350	141	-	-
Debt Issuance	3,826	599	4,324	8,866	454	11,500	6,500
Interest expenses	(7,996)	(9,078)	(5,097)	(5,961)	(6,307)	(10,426)	(10,850)
Dividend	(495)	(180)	(211)	(150)	0	(657)	(657)
<b>FINANCING CASH FLOW ( c )</b>	<b>250</b>	<b>(8,659)</b>	<b>(984)</b>	<b>3,105</b>	<b>(5,711)</b>	<b>418</b>	<b>(5,007)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>162</b>	<b>(1,014)</b>	<b>2,081</b>	<b>(241)</b>	<b>3,813</b>	<b>(7,766)</b>	<b>2,225</b>
EO Items, Others	704	876	374			2,000	
Closing Cash & Equivalents	2,412	1,425	3,040	3,507	7,613	1,847	2,072

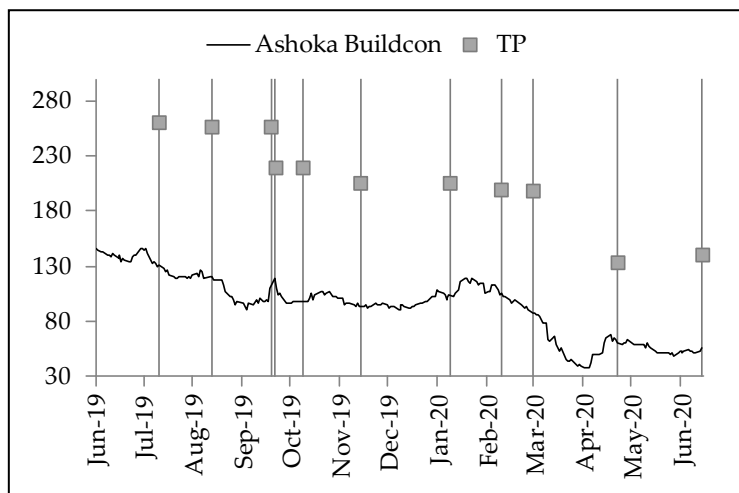
## Key Ratios

	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>PROFITABILITY (%)</b>							
GPM	39.7	38.8	38.2	35.3	40.4	36.9	35.7
EBITDA Margin	32.5	31.9	31.6	28.3	31.1	26.3	25.8
EBIT Margin	23.0	23.0	23.5	23.0	25.2	19.7	19.4
APAT Margin	(2.0)	(6.9)	(3.1)	0.5	3.3	(3.2)	(1.1)
RoE	(3.6)	(12.2)	(6.8)	1.6	8.9	(8.5)	(3.6)
RoIC	15.6	11.2	17.4	3.7	6.0	26.5	(9.0)
RoCE	17.7	12.2	18.4	3.4	6.1	27.0	(9.2)
<b>EFFICIENCY</b>							
Tax Rate (%)	(77.1)	(50.0)	(88.9)	67.8	52.7	(193.2)	196.1
Fixed Asset Turnover (x)	0.3	0.3	0.4	0.5	0.5	0.5	0.5
Inventory (days)	68	44	42	32	31	51	47
Debtors (days)	67	44	70	78	65	77	71
Other Current Assets (days)	56	145	98	118	100	150	140
Payables (days)	70	70	66	76	53	118	108
Other Current Liab & Provns (days)	63	75	81	66	128	48	43
Cash Conversion Cycle (days)	58	88	64	85	16	113	107
Debt/EBITDA (x)	5.1	5.0	4.5	4.1	3.7	5.4	5.2
Net D/E	2.6	2.8	2.9	3.0	2.6	3.9	4.5
Interest Coverage	0.8	0.8	0.9	1.1	1.2	0.9	1.0
<b>PER SHARE DATA</b>							
EPS (Rs/sh)	(3.0)	(11.0)	(6.0)	1.0	5.9	-5.5	-2.1
CEPS (Rs/sh)	7.6	2.1	6.4	10.2	16.6	5.8	10.4
DPS (Rs/sh)	1.8	2.0	2.0	2.0	2.0	2.0	2.0
BV (Rs/sh)	61.1	58.9	59.7	63.0	69.1	61.2	56.8
<b>VALUATION</b>							
P/E	(18.9)	(5.1)	(9.3)	58.8	9.5	(10.1)	(26.4)
P/BV	0.9	1.0	0.9	0.9	0.8	0.9	1.0
EV/EBITDA	6.6	6.5	5.6	5.0	4.2	6.5	6.2
EV/Revenues	2.1	2.1	1.8	1.4	1.3	1.7	1.6
OCF/EV (%)	0.0	0.1	0.1	(0.0)	0.2	(0.0)	0.1
FCF/EV (%)	2.4	11.2	7.3	(4.3)	14.6	(8.3)	7.3
FCFE/Market Cap (%)	(17.5)	(9.7)	24.5	(0.6)	24.2	(36.5)	13.0
Dividend Yield (%)	3.1	3.6	3.6	3.6	3.6	3.6	3.6

Source: Company, HSIE Research



**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
13-Jul-19	130	BUY	261
16-Aug-19	120	BUY	257
22-Sep-19	110	BUY	257
23-Sep-19	110	BUY	220
10-Oct-19	98	BUY	220
18-Nov-19	94	BUY	206
10-Jan-20	102	BUY	206
12-Feb-20	105	BUY	200
2-Mar-20	90	BUY	199
24-Apr-20	61	BUY	134
17-Jun-20	56	BUY	141

From 2<sup>nd</sup> March 2020, we have moved to new rating system

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential

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