INSTITUTIONAL RESEARCH

Capacite Infraprojects

Long road to recovery

BUY

Whilst Capacite Infraprojects Ltd (CIL) delivered Rev/EBIDTA/PAT beat of 19/35/100% the headline numbers remain weak. COVID-19 pandemic resulted in CIL missing Mar-20, 2nd half billing, migrant labour issues led to further challenges. We expect CIL 1HFY21 financial performance to be weak with gradual return to normalcy by 3QFY21 end. Building EPC Players have been hit hard as labour availability has dropped to ~15-20% of pre Covid levels. Urban areas turned into containment zones and State Govt imposed restrictions on labour movement. This resulted in projects coming to halt. Stable balance sheet, strong order book (7x FY20 Rev) and gradual unlocking towards normalcy will lead to CIL re-rating. Maintain BUY with Rs 147/sh TP.

- **Weak 4QFY20 performance**: CIL reported 12 quarters low execution despite order book multiplying 2.5 times over the same period. COVID-19 pandemic led to State Govts stopping all construction activities. Later when lockdown was relaxed, site labor reduced from ~10,000 to ~1,000 and are now at ~2,000 levels. Peak labor requirement will be 13-14,000 when entire order backlog moves into execution. Gradually the labor has started returning and CIL expects situation to normalize over next 40-45days. CIL is focusing on Top 15 projects which constitute about 85% of the order book. Work has started on 5 sites viz. Oberoi Skycity, Commerz 3, MCGM, Raymonds etc and may start contributing Rs 750mn/month from 2QFY21 (Aug-20). This shall get ramped up to Rs 2bn/month execution by Dec/Jan-21.
- **CIDCO project (Rs 45bn, 43% order book) approvals in place:** CIL has received CRZ/EC approvals for all 7 sites. Except for Vashi site with Rs 8bn work value, other sites (Rs 37bn) have been handed over. Vashi site will be handed once lockdown gets eased further. CIL expects to start CIDCO execution from Jul-20 once labor is arranged. Meaningful contribution from CIDCO is expected from 4QFY21.
- **Balance sheet debt stable, NWC deteriorates:** Gross debt is stable at Rs 3.1bn vs Rs 2.8bn QoQ, gross D/E stood at 0.3x. NWC has deteriorated from 101 days in FY19 to 135 days in FY20, largely on account of CWIP which couldn't get billed to clients towards Mar-20 end. Collections got impacted due to clients' offices shutting due to lockdown. CIL has Tier 1 clients like Oberoi, Godrej, Brigade, CIDCO, BSNL, K Raheja, Brookfield etc and hence we believe NWC will reduce once clients make payments.
- CIL has de-risked its business model with Govt clients' share in order book increasing from 0% in FY18 to 13% in FY19 and 54% in FY20. CIL needs to manage 1HFY21 headwinds and keeping costs under control. We expect recovery from Oct-20 onwards. We Maintain BUY. Key risks (1) Slowdown in real estate (2) Delay in debtors' recovery & (3) Slowdown in Govt Capex.

Summary (Standalone)

YE March (Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Revenues	3,072	4,976	(38.3)	4,049	(24.1)	17,876	15,287	11,137	21,708
EBITDA	476	669	(28.9)	722	(34.1)	2,485	2,567	1,377	3,408
APAT	38	259	(85.4)	234	(83.9)	956	756	39	1,143
Diluted EPS (Rs)	0.6	3.8	(85.4)	3.5	(83.9)	14.1	11.1	0.6	16.8
P/E (x)						8.1	10.2	199.1	6.8
EV/EBITDA (x)						3.9	3.8	7.8	3.4
RoE (%)						12.0	8.5	0.4	11.8

Source: Company, HSIE Research

CMP *(as on 19 June 2020)*	**Rs 113**
Target Price	**Rs 147**
NIFTY	**10,244**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 147	Rs 147
	FY21E	FY22E
EPS %	(71.3)	(0.1)

KEY STOCK DATA	
Bloomberg code	CAPACITE IN
No. of Shares (mn)	68
MCap (Rs bn) / ($ mn)	8/101
6m avg traded value (Rs mn)	11
52 Week high / low	Rs 284/70

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	29.0	(38.0)	(57.7)
Relative (%)	6.3	(21.3)	(46.5)

SHAREHOLDING PATTERN (%)	Dec-19	Mar-20
Promoters	43.79	43.79
FIs & Local MFs	8.09	10.73
FPIs	7.73	5.72
Public & Others	39.98	39.76
Pledged Shares	7.36	7.36

Source : BSE

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Revenue: Rs 3.1bn (-38/-24% YoY/QoQ, 19% beat)

EBITDA: Rs 476mn (-29/-34% YoY/QoQ, 35% beat). EBIDTA margins came in at 15.5% (+203/-235bps YoY/QoQ, better than estimate of 13.6%). This was largely due to 558bps reduction in material costs. High margin super high rise segment is improving in mix and legacy orders are nearing completion

Loss of oplev on low revenue base led to PBT decline of 87% to Rs 47mn.

Adjusted PAT at Rs 38mn (-85/-84% YoY/QoQ, better than our estimate of Rs 21mn)

We have cut our FY21E estimates to factor in weak execution owing to migrant labour issues. CIL is focusing on executing top 5 projects which may contribute Rs 750mn revenue/month from Aug-20. This is expected to ramp up to Rs 2bn/month from Dec/Jan-21 when larger projects like CIDCO, MCGM etc start contributing meaningfully

Quarterly Financials Snapshot - Standalone

Particulars (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20	FY19	YoY (%)
Net Sales	**3,072**	**4,976**	**(38.3)**	**4,049**	**(24.1)**	**15,287**	**17,876**	**(14.5)**
Material Expenses	2,132	3,731	(42.9)	2,784	(23.4)	10,640	13,205	(19.4)
Employee Expenses	316	378	(16.5)	352	(10.3)	1,370	1,462	(6.3)
Other Operating Expenses	149	198	(24.7)	192	(22.3)	710	725	(2.1)
EBITDA	**476**	**669**	**(28.9)**	**722**	**(34.1)**	**2,567**	**2,484**	**3.3**
Depreciation	301	246	22.3	298	1.0	1,142	889	28.4
EBIT	**175**	**423**	**(58.7)**	**424**	**(58.8)**	**1,425**	**1,595**	**(10.6)**
Other Income	56	96	(41.4)	49	15.1	254	369	(31.2)
Interest Cost	184	151	21.8	162	13.9	645	491	31.3
PBT	**47**	**368**	**(87.3)**	**311**	**(85.0)**	**1,034**	**1,472**	**(29.8)**
Tax	9	109	(91.9)	77	(88.6)	125	517	(75.8)
RPAT	**38**	**259**	**(85.4)**	**234**	**(83.9)**	**909**	**956**	**(4.9)**
Exceptional		**-**				**(153)**		
APAT	**38**	**259**	**(85.4)**	**234**	**(83.9)**	**756**	**956**	**(20.9)**

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	69.4	75.0	(558.2)	68.8	64.7	69.6	73.9	(426.9)
Employee Expenses % Net Sales	10.3	7.6	267.5	8.7	158.6	9.0	8.2	78.6
Other Operating Expenses % Net Sales	4.8	4.0	87.5	4.7	11.4	4.6	4.1	58.6
EBITDA Margin (%)	**15.5**	**13.5**	**203.2**	**17.8**	**(234.7)**	**16.8**	**13.9**	**289.7**
Tax Rate (%)	18.8	29.6	(1,075.4)	24.6	(582.5)	12.1	35.1	(2,301.5)
APAT Margin (%)	1.2	5.2	(397.3)	5.8	(455.7)	4.9	5.3	(40.0)

Source: Company, HSIE Research

Change in estimates

Particulars	FY21E			FY22E		
	FY21E New	FY21E Old	*% Change*	FY22E New	FY22E Old	*% Change*
Revenue	11,137	14,558	(23.5)	21,708	21,708	0.0
EBITDA	1,377	1,807	(23.8)	3,408	3,408	0.0
EBITDA (%)	12.4	12.4	(5.3bps)	15.7	15.7	0.0
PBT	53	183	(71.3)	1,544	1,545	(0.1)
Reported PAT	39	135	(71.3)	1,143	1,143	(0.1)

Source: HSIE Research

Other buildings share has gone up due to Rs 45bn of new CIDCO affordable housing project awarded during 2QFY20

The total order book stands at Rs 104.8bn. CIL won ~Rs 60bn of new orders for FY20

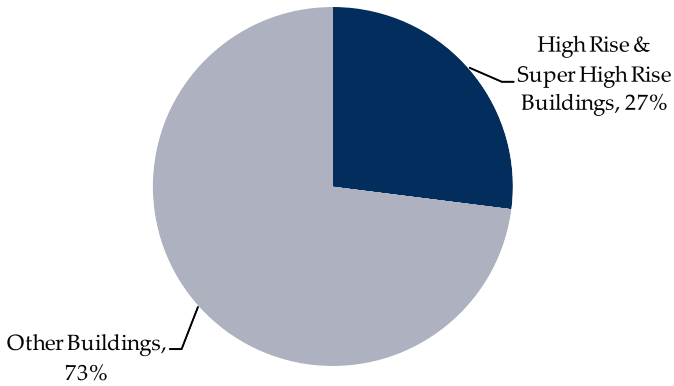
CIL won new orders worth Rs 7.6bn during 4QFY20

Apart from the Rs 104.8bn outstanding order book, the company also has an outstanding order book of Rs 43.5bn in MHADA projects (executed through an integrated SPV)

Mixed use projects are 53% of the order book

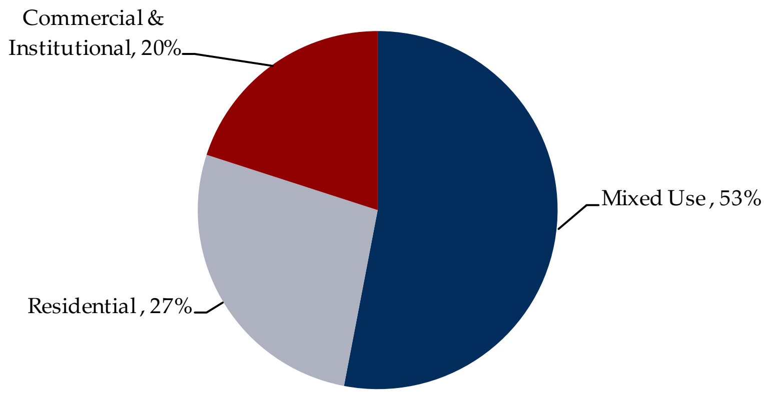
Public clients contribute 54% to the order book vs Nil/13% during FY18/19

4QFY20 Order Book: Structure Wise



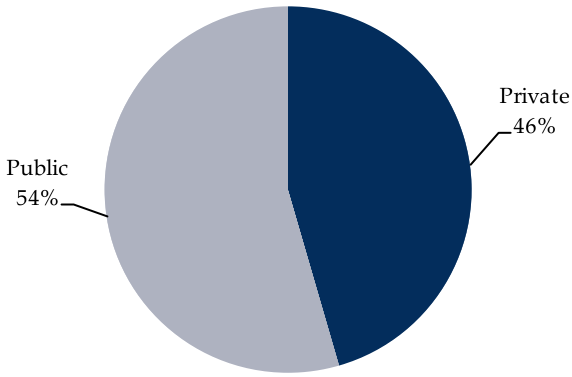
Source : Company, HSIE Research

4QFY20 Order Book: Segment Wise



Source : Company, HSIE Research

4QFY20 Order Book: By Counter-party



Source : Company, HSIE Research

Key Assumptions & Estimates

Rs mn	FY20	FY21E	FY22E	Comments
Closing order book	104,840	125,703	141,994	
Order book growth (%)	46%	20%	13%	
New order booking	60,000	32,000	38,000	After strong order inflows during FY20 led by CIDCO order of Rs 45bn we expect. We expect muted pvt ordering for FY21E and CIL order wins will largely be from Govt
Book to bill ratio	6.9	11.3	6.5	Strong book to bill due to weak execution on account of migrant labour issues
Total Revenue	**15,287**	**11,137**	**21,708**	19.2% Revenue CAGR over FY20-22E
Growth (%)	(14.5)	(27.1)	94.9	
EBIDTA	**2,567**	**1,377**	**3,408**	
EBIDTA margin (%)	16.8	12.4	15.7	Margins expected to stabilize around 15-16% post dip in FY21E due to idling costs
Depreciation	1,142	913	1,274	Depreciation to increase as site establishment expenses are now amortized over the project life
Financial Charges	645	641	747	We expect debt to marginally increase with the company winning large projects in Govt sector. BG charges contribution to finance costs is also expected to go up
Other Income	254	230	156	
PBT	**1,034**	**53**	**1,544**	**22.2% PBT CAGR over FY20-22E**
PBT margin (%)	6.8	0.5	7.1	
Tax	125	14	401	
Tax rate (%)	12.1	26.0	26.0	CIL has adopted new corporate tax rate and hence tax rate has come down
RPAT	**909**	**39**	**1,143**	**12.1% RPAT CAGR over FY20-22E due to tax reversals for FY20**
Net margin (%)	5.9	0.3	5.3	
Extraordinary	(153.0)	-	-	One time deferred tax liability write back of Rs 117mn and Rs 36mn profit reversal for 1QFY20 during 2QFY20 we have treated this as exceptional
Adjusted PAT	**756**	**39**	**1,143**	**22.9% APAT CAGR**
Gross Block Turnover	1.8	1.2	2.1	
Debtor days	91	125	95	Debtor Days including retentions to stabilize
CFO - a	3,520	769	1,708	
CFI - b	(2,754)	(1,081)	(1,664)	Majorly consist of capex for formworks, investment in MHADA project and capitalization of site establishment expenses
FCFF	867	(276)	(230)	
CFF - c	13	(247)	(251)	
Total change in cash - a+b+c	**779**	**(560)**	**(207)**	

Source: HSIE Research

We value the EPC business at 8x one-year forward Mar-22E EPS at Rs 135/share

We add NPV of BDD project at Rs 13/sh to arrive at SOTP TP of Rs 147/sh

Outlook And Valuation

Maintain BUY with TP of Rs 147/sh

- We have valued the core construction business at 8x (1/3rd discount to 12x 1yr-fwd-target-P/E for near debt free companies like KNR/PNC) one-year forward Mar-22E EPS at Rs 135/share and NPV of BDD project at Rs 13/sh. We arrive at SOTP value of Rs 147/sh. We have ascribed 33% discount on account of likely few months delay in large CIDCO project (43% of order book), elevated NWC days and tight liquidity situation to works slowing down on back of migrant labour issue.
- Multiple revision in future is contingent on (1) CIDCO project execution rampup, (2) Sustainable launches by Tier 1 developers, (3) Easier access to liquidity for the real estate sector (4) Further improvement in EBIDTA margins (ex other income) beyond 14-15% as share of super high rise increases in order book, (5) Improvement in NWC days as retentions are replaced with BG's & (6) Further deleveraging and gross debt free status over the next 2-3yrs.
- CIL has been able to mine a better order book share in existing clients and has very limited competition in the super high-rise segment with tickets values >Rs 4bn. CIL has been bidding conservatively for new orders as the current backlog is already robust.
- Given its strong operational credentials, a stable balance sheet, strong revenue visibility, we expect CIL to continue to demonstrate exceptional execution and earnings growth trajectory once the COVID-19 pandemic normalizes.

Valuation

Particulars	Segments	Value (Rs mn)	Value per share (Rs)	Rationale
Standalone	Core construction business	9,140	135	At 8x Mar-22 EPS
Associate (Effective Share)	BDD – MHADA	857	13	DCF Valuation
Total		**9,998**	**147**	

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	37.9	277	BUY	466	30.4	17.9	41.4	4.7	7.9	3.4	3.4	4.2	3.0	12.2	6.4	13.3
KNR	31.1	221	BUY	279	15.5	12.8	17.4	9.7	11.8	8.7	4.7	5.1	3.9	14.3	10.5	12.8
PNC Infratech	33.9	132	BUY	234	12.8	9.6	14.0	5.1	6.8	4.7	2.6	3.3	2.6	14.0	9.2	12.2
NCC	19.1	31	BUY	48	4.9	2.2	5.1	4.8	10.8	4.6	3.0	4.2	3.0	6.0	2.6	5.8
Ashoka Build	18.2	65	BUY	134	11.4	5.8	8.7	5.7	11.1	7.4	4.0	4.8	4.0	16.1	8.4	10.2
PSP Projects	13.2	368	REDUCE	370	35.9	18.4	37.0	10.2	19.9	10.0	6.9	12.1	6.8	31.2	13.7	23.5
Ahluwalia Contracts	12.9	192	BUY	265	12.4	14.3	25.2	14.4	12.5	7.1	5.7	5.6	3.6	10.7	11.1	17.1
HG Infra	12.0	184	BUY	337	25.7	20.6	28.1	5.0	6.3	4.6	3.2	3.3	2.4	22.3	14.7	17.2
JMC Projects	8.2	49	BUY	69	9.4	4.3	7.6	4.2	9.3	5.3	3.5	4.3	3.1	16.7	7.3	11.8
Sadbhav Engineering	7.5	44	BUY	56	4.9	4.0	7.1	6.2	7.6	4.3	6.2	5.6	3.8	4.1	3.2	5.5
ITD Cementation	8.5	49	ADD	54	4.9	0.4	6.8	10.0	135.0	7.3	3.5	4.8	3.0	8.2	0.6	10.4
JKIL	6.4	95	BUY	144	25.5	14.2	24.0	3.7	6.7	3.9	2.7	3.4	2.5	11.1	5.8	9.3
Capacite Infraprojects	**7.7**	**113**	**BUY**	**147**	**11.1**	**0.6**	**16.8**	**9.0**	**175.8**	**6.0**	**2.7**	**5.0**	**2.0**	**8.5**	**0.4**	**11.8**
Average								**7.0**	**30.6**	**6.1**	**4.0**	**4.9**	**3.4**	**13.5**	**7.2**	**12.4**

Source: HSIE Research

Financials

Standalone Income Statement

Year ending March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Net Revenues	**1,735**	**5,052**	**8,040**	**11,251**	**13,356**	**17,876**	**15,287**	**11,137**	**21,708**
Growth (%)	6,549.8	191.2	59.1	39.9	18.7	33.8	(14.5)	(27.1)	94.9
Material Expenses	1,230	3,831	5,936	7,955	9,663	13,204	10,640	8,358	16,129
Employee Expenses	227	458	684	867	1,166	1,462	1,370	981	1,411
Other Operating Expenses	130	171	375	458	494	725	710	422	760
EBIDTA	**148**	**592**	**1,045**	**1,971**	**2,033**	**2,485**	**2,567**	**1,377**	**3,408**
EBIDTA (%)	***8.5***	***11.7***	***13.0***	***17.5***	***15.2***	***13.9***	***16.8***	***12.4***	***15.7***
EBIDTA Growth (%)	***(725.0)***	***300.7***	***76.4***	***88.6***	***3.1***	***22.2***	***3.3***	***(46.4)***	***147.6***
Depreciation	24	87	153	651	672	890	1,142	913	1,274
EBIT	**124**	**506**	**892**	**1,320**	**1,361**	**1,595**	**1,425**	**463**	**2,134**
Other Income (Incl. EO Items)	13	70	129	151	244	369	254	230	156
Interest	28	132	294	417	398	491	645	641	747
PBT	**110**	**444**	**726**	**1,054**	**1,207**	**1,473**	**1,034**	**53**	**1,544**
Tax	59	136	249	362	420	517	125	14	401
RPAT	**51**	**308**	**477**	**692**	**787**	**956**	**909**	**39**	**1,143**
EO items (net of tax)	-	-	-	-	-	-	(153)	-	-
APAT	**51**	**308**	**477**	**692**	**787**	**956**	**756**	**39**	**1,143**
APAT Growth (%)	**(317.5)**	**508.9**	**55.0**	**45.1**	**13.7**	**21.5**	**(20.9)**	**(94.9)**	**2,839.0**
EPS	**6**	**62**	**61**	**15.9**	**11.6**	**14.1**	**11.1**	**0.6**	**16.8**
EPS Growth (%)	*(176.3)*	*953.8*	*(1.4)*	*(74.1)*	*(27.0)*	*21.5*	*(20.9)*	*(94.9)*	*2,839.0*

Standalone Balance Sheet

As at March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
SOURCES OF FUNDS									
Share Capital	86	49	78	436	679	679	679	679	679
Reserves	146	520	1,626	2,552	6,816	7,752	8,580	8,469	9,607
Total Shareholders Funds	**231**	**569**	**1,704**	**2,988**	**7,495**	**8,431**	**9,259**	**9,148**	**10,286**
Minority Interest	-	-	-	-	-	-	-	-	-
Long Term Debt	473	590	643	670	480	580	935	1,200	1,000
Short Term Debt	368	503	1,096	1,282	1,908	2,156	2,145	2,378	3,078
Total Debt	**841**	**1,093**	**1,738**	**1,952**	**2,388**	**2,735**	**3,080**	**3,578**	**4,078**
Other Non Current Liabilities	754	1,273	1,019	1,099	1,035	1,198	3,405	1,384	1,522
Deferred Taxes	26	76	113	258	404	569	387	569	569
TOTAL SOURCES OF FUNDS	**1,853**	**3,011**	**4,574**	**6,297**	**11,322**	**12,934**	**16,131**	**14,679**	**16,455**
APPLICATION OF FUNDS									
Net Block	838	1,655	2,290	3,255	4,099	5,406	6,459	6,597	7,262
CWIP	3	-	83	67	1	43	48	43	43
Investments	122	194	245	269	420	123	111	378	260
Other Non Current Assets	118	42	174	478	1,139	1,558	2,797	1,708	1,892
Total Non-current Assets	**1,081**	**1,891**	**2,793**	**4,069**	**5,659**	**7,129**	**9,416**	**8,725**	**9,455**
Inventories	381	998	2,005	1,704	2,156	911	1,041	915	1,189
Debtors	748	1,442	2,645	3,578	4,147	5,289	3,820	3,814	5,650
Cash & bank balances	525	367	31	131	2,561	835	1,076	516	309
Cash FDR			330	370	680	1100	1553	1700	1800
Other Current Assets	195	296	650	928	2,132	5,236	6,732	5,736	7,851
Total Current Assets	**1,848**	**3,103**	**5,661**	**6,711**	**11,676**	**13,370**	**14,222**	**12,682**	**16,799**
Creditors	776	1,665	2,967	3,097	4,468	5,335	6,189	5,340	7,137
Other Current Liabilities & Provns	301	318	913	1,387	1,545	2,231	1,317	1,343	2,617
Total Current Liabilities	**1,076**	**1,983**	**3,880**	**4,484**	**6,013**	**7,566**	**7,507**	**6,682**	**9,754**
Net Current Assets	**771**	**1,119**	**1,781**	**2,227**	**5,664**	**5,805**	**6,715**	**6,001**	**7,045**
Misc Expenses & Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(46)**	**(45)**
TOTAL APPLICATION OF FUNDS	**1,853**	**3,011**	**4,574**	**6,296**	**11,322**	**12,934**	**16,131**	**14,679**	**16,455**

Source: Company, HSIE Research

Standalone Cash Flow

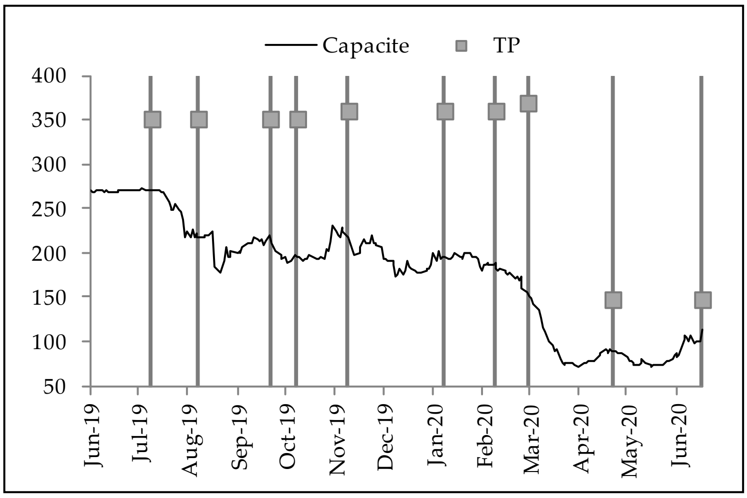
Year ending March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	110	444	726	1,054	1,207	1,473	1,034	53	1,544
Non-operating & EO items	(8)	(36)	(31)	(59)	(208)	(261)	(72)	(230)	(156)
Interest expenses	28	132	294	417	398	491	645	641	747
Depreciation	24	87	153	651	672	890	1,142	913	1,274
Working Capital Change	308	(67)	(1,094)	(609)	(917)	(1,546)	1,141	(594)	(1,298)
Tax paid	(41)	(101)	(157)	(239)	(241)	(408)	(370)	(14)	(401)
OPERATING CASH FLOW (a)	**420**	**458**	**(108)**	**1,215**	**911**	**640**	**3,520**	**769**	**1,708**
Capex	(801)	(762)	(763)	(1,075)	(1,368)	(2,240)	(2,653)	(1,045)	(1,938)
Free cash flow (FCF)	(381)	(304)	(871)	140	(457)	(1,600)	867	(276)	(230)
Investments	(97)	(65)	(450)	(58)	(611)	-99	12	-266	118
Non operating income	0	33	31	42	183	351	(113)	230	156
INVESTING CASH FLOW (b)	**(898)**	**(794)**	**(1,181)**	**(1,092)**	(1,796)	**(1,988)**	**(2,754)**	**(1,081)**	**(1,664)**
Share capital Issuance	119	21	630	595	3,744	-	-	-	-
Dividend payment				-	(31)	(82)	(82)	(105)	(5)
Debt Issuance	760	290	626	(236)	(14)	195	758	498	500
Interest expenses	(28)	(132)	(302)	(382)	(384)	(490)	(663)	(641)	(747)
FINANCING CASH FLOW (c)	**851**	**179**	**954**	**(23)**	**3,315**	**(378)**	**13**	**(247)**	**(251)**
NET CASH FLOW (a+b+c)	**373**	**(157)**	**(336)**	**100**	**2,430**	**(1,727)**	**779**	**(560)**	**(207)**
Opening Cash & Equivalents	152	525	367	31	131	2,561	835	1,076	516
Others - Margin & IPO deposits (cl. Bal)	480	355	(16)	16	2,428	534	(538)		-
Closing Cash & Equivalents	525	368	31	131	2,561	834	1,076	516	309

Key Ratios

NWC Working	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PROFITABILITY (%)									
GPM	29.1	24.2	26.2	29.3	27.7	26.1	30.4	25.0	25.7
EBITDA Margin	8.5	11.7	13.0	17.5	15.2	13.9	16.8	12.4	15.7
EBIT Margin	7.2	10.0	11.1	11.7	10.2	8.9	9.3	4.2	9.8
APAT Margin	2.9	6.1	5.9	6.2	5.9	5.3	4.9	0.3	5.3
RoE	34.5	76.9	42.0	29.5	15.0	12.0	8.5	0.4	11.8
Core RoCE	27.7	43.0	26.3	21.5	14.7	11.4	11.2	2.9	11.8
RoCE	10.4	29.2	26.3	23.0	14.1	12.1	11.3	4.1	12.5
EFFICIENCY									
Tax Rate (%)	53.9	30.7	34.3	34.3	34.8	35.1	12.1	26.0	26.0
Asset Turnover (x)	2.0	2.9	3.1	2.9	2.6	2.5	1.8	1.2	2.1
Inventory (days)	80	72	91	55	59	19	25	30	20
Debtors (days)	157	104	120	116	113	108	91	125	95
FDR Cash			15	12	19	22	37	56	30
Payables (days)	163	120	135	100	122	109	148	175	120
Cash Conversion (days)	***74***	***56***	***91***	***83***	***69***	***40***	***5***	***36***	***25***
Other Current Assets (days)	41	21	30	30	58	107	161	188	132
Other Current Liab (days)	63	23	41	45	42	46	31	44	44
Net Working Capital Cycle (Days)	**52**	**54**	**79**	**68**	**85**	**101**	**135**	**180**	**113**
Debt/EBITDA (x)	5.7	1.8	1.7	1.0	1.2	1.1	1.2	2.6	1.2
Net D/E	1.4	1.3	1.0	0.6	0.3	0.3	0.2	0.3	0.4
Interest Coverage	4.5	3.8	3.0	3.2	3.4	3.2	2.2	0.7	2.9
PER SHARE DATA									
EPS (Rs/sh)	5.9	62.3	61.4	15.9	11.6	14.1	11.1	0.6	16.8
CEPS (Rs/sh)	8.7	79.8	81.1	30.8	21.5	27.2	28.0	14.0	35.6
DPS (Rs/sh)	-	-	-	-	0.5	1.2	1.2	1.5	0.1
BV (Rs/sh)	27	115	219	69	110	124	136	135	152
VALUATION									
P/E	19.3	1.8	1.9	7.2	9.8	8.1	10.2	199.1	6.8
P/BV	4.2	1.0	0.5	1.7	1.0	0.9	0.8	0.8	0.8
EV/EBITDA	8.7	2.2	2.5	3.4	3.7	3.9	3.8	7.8	3.4
OCF/EV (%)	32.5	35.5	(4.2)	17.9	12.0	6.6	36.1	7.1	14.8
FCF/EV (%)	(29.5)	(23.5)	(33.6)	2.1	(6.0)	(16.6)	8.9	(2.6)	(2.0)
FCFE/Market Cap (%)	36.0	(25.9)	(61.8)	(9.6)	(11.0)	(24.5)	12.4	(5.4)	(6.2)
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.4	1.1	1.1	1.4	0.1

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Jul-19	272	BUY	351
10-Aug-19	218	BUY	351
22-Sep-19	213	BUY	351
10-Oct-19	196	BUY	351
11-Nov-19	218	BUY	360
10-Jan-20	195	BUY	360
12-Feb-20	189	BUY	360
2-Mar-20	159	BUY	369
24-Apr-20	90	BUY	147
20-Jun-20	113	BUY	147

From 2nd 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

Disclosure:

We, **Parikshit Kandpal, CFA & Rohan Rustagi, MBA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Any holding in stock –No

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