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Sterlite Technologies Ltd.

3QFY19 Result: Estimate (↑), TP (↑), Rating (↔)

Regular Coverage

Absolute: LONG

Relative: Overweight

57% ATR in 14 Months

Services business ramping up quickly – maintain LONG

Telecom Services

| Rating Information | |
|-----------------------------|-------------|
| Price (Rs) | 291 |
| Target Price (Rs) | 480 |
| Target Date | 31st Mar'20 |
| Target Set On | 24th Jan'19 |
| Implied yrs of growth (DCF) | 15 |
| Fair Value (DCF) | 465 |
| Fair Value (DDM) | NA |
| Ind Benchmark | SPBSMIP |
| Model Portfolio Position | NA |

| Stock Information | |
|-------------------------|-----------|
| Market Cap (Rs Mn) | 1,16,551 |
| Free Float (%) | 46.17 % |
| 52 Wk H/L (Rs) | 415/255.4 |
| Avg Daily Volume (1yr) | 15,88,596 |
| Avg Daily Value (Rs Mn) | 516 |
| Equity Cap (Rs Mn) | 805 |
| Face Value (Rs) | 2 |
| Bloomberg Code | SOTL IN |

| Ownership | Recent | 3M | 12M |
|-----------|--------|--------|--------|
| Promoters | 53.8 % | 0.0 % | -0.3 % |
| DII | 12.1 % | -0.9 % | -0.1 % |
| FII | 6.2 % | -0.4 % | -0.9 % |
| Public | 27.9 % | 1.3 % | 1.3 % |

| Price % | 1M | 3M | 12M |
|-------------------|---------|---------|---------|
| Absolute | 2.3 % | -10.3 % | -29.1 % |
| Vs Industry | 4.3 % | -16.7 % | -11.8 % |
| HFCL | 5.4 % | 11.8 % | -27.7 % |
| Vindhya Telelinks | -13.1 % | 39.1 % | 46.3 % |

| Consolidated Quarterly EPS forecast | | | | |
|-------------------------------------|-----|-----|-----|-----|
| Rs/Share | 1Q | 2Q | 3Q | 4Q |
| EPS (18A) | 1.5 | 1.8 | 2.2 | 2.9 |
| EPS (19E) | 3.0 | 3.3 | 3.7 | 2.8 |

SOTL's 3QFY19 revenues jumped 60% yoy to ~Rs 13.3bn, 22% ahead of EE, with the beat largely led by increased service business contribution (to ~31% vs. 20-25% seen usually). On the products front, utilization in optic fiber cables (OFC) improved to ~95% (FY18:~70%) while was steady in optic fiber (OF) at ~100%. EBITDAM at ~22% plunged ~215bps qoq owing to higher contribution from the lower-margin services segment. With the recent addition of ~Rs 15bn BharatNet-II project in Maharashtra, the order book touched a record-high of ~Rs 102bn (2.5x order book to TTM revenue). We update our FY19/FY20 EPS estimates by +1%/+4% to factor in (a) better ramp-up in the services business and (b) a moderation in global OF prices. Maintain LONG with a Mar'20 TP of Rs 480 (rolled over from a Dec'19 TP of Rs 440) set at 30x TTM P/E (unchanged).

Focus on long-term contracts to counter impact of sharp fall in OF spot prices: Management indicated that global OF prices have come under pressure recently due to a temporary slowdown in Chinese demand with postponement of a China Mobile tender; the tender, expected in Nov'18, is now anticipated in 1QCY19. SOTL would largely be insulated from a sharp fall in spot prices as it only deals through long-term contracts which are re-negotiated in a tight range upon renewal. The company's OF capacity expansion remains on track, with ~10mn fkm likely to come on board during 4QFY19 and the remaining ~10mn fkm by Jun'19. In terms of OFC, capacity expansion of 15mn fkm will be commissioned by Jun'20. Overall, we estimate the products business to clock revenue CAGR of ~27% over FY18-FY21E.

EBITDAM to moderate going ahead on higher services contribution: With the addition of a ~Rs 15bn BharatNet-II implementation project in Maharashtra, SOTL's order book reached an all-time high of ~Rs 102bn (2.5x order book to TTM revenue). Management has guided for a ramp-up in Navy project execution (~75% of contract value) from 4QFY19 and completion by FY21. We estimate the services business to grow at a 46% CAGR over FY18-FY21E. Operating margins are likely to moderate to ~21% by FY21 from ~24% in FY19E due to (a) a higher revenue share of the services business, and (b) a possible sustained correction in OF prices due to a temporary slowdown in Chinese demand and matching of global demand-supply equation of preforms.

Maintain LONG; Mar'20 TP Rs 480: With an all-time high order book and upcoming capacity expansion offering good revenue visibility, we estimate overall revenue/EBITDA CAGR of 32%/27% over FY18-FY21E. Maintain LONG with a Mar'20 TP of Rs 480 (rolled over from a Dec'19 TP of Rs 440) set at a TTM P/E of 30x.

Estimate Revision

| (Rs. mn) | Forecasts | | % Change | |
|----------|-----------|--------|----------|-------|
| | FY19E | FY20E | FY19E | FY20E |
| Sales | 44,237 | 64,479 | 1% | 8% |
| EBITDA | 10,668 | 13,970 | 0% | 5% |
| PAT | 5,135 | 6,479 | 1% | 4% |
| EPS | 12.8 | 16.1 | 1% | 4% |

Consolidated Financials

| Rs. Mn YE Mar | FY18A | FY19E | FY20E | FY21E |
|-------------------|--------|--------|--------|--------|
| Sales | 31,771 | 44,237 | 64,479 | 72,581 |
| EBITDA | 7,494 | 10,668 | 13,970 | 15,474 |
| Depreciation | 1,822 | 2,046 | 2,839 | 3,143 |
| Interest Expense | 1,038 | 1,097 | 1,687 | 1,706 |
| Other Income | 393 | 305 | 357 | 427 |
| Reported PAT | 3,343 | 5,135 | 6,479 | 7,314 |
| Recurring PAT | 3,387 | 5,135 | 6,479 | 7,314 |
| Total Equity | 11,753 | 15,346 | 19,875 | 24,988 |
| Gross Debt | 11,775 | 20,100 | 23,100 | 20,600 |
| Cash | 2,935 | 2,627 | 3,611 | 5,373 |
| Rs Per Share | FY18A | FY19E | FY20E | FY21E |
| Earnings | 8.4 | 12.8 | 16.1 | 18.2 |
| Book Value | 29 | 38 | 49 | 62 |
| Dividends | 2.0 | 3.2 | 4.0 | 4.5 |
| FCFF | 5.6 | -13.1 | 6.9 | 23.2 |
| P/E (x) | 34.4 | 22.8 | 18.1 | 16.0 |
| P/B (x) | 9.9 | 7.6 | 5.9 | 4.7 |
| EV/EBITDA (x) | 16.9 | 12.7 | 9.8 | 8.6 |
| ROE (%) | 33 % | 38 % | 37 % | 33 % |
| Core ROIC (%) | 19 % | 20 % | 19 % | 19 % |
| EBITDA Margin (%) | 24 % | 24 % | 22 % | 21 % |
| Net Margin (%) | 11 % | 12 % | 10 % | 10 % |



Quarterly performance, consolidated

| Rs mn | 3QFY19 | 3QFY19E | 2QFY19 | 3QFY18 | % Change | | | Comments |
|---------------------------------------|---------------|--------------|--------------|--------------|------------|------------|------------|---|
| | | | | | 3QFY19E | 2QFY19 | 3QFY18 | |
| Net Sales | 13,349 | 10,939 | 10,843 | 8,352 | 22% | 23% | 60% | Top line beats estimate on higher services contribution |
| Cost of materials consumed | 6,300 | 4,355 | 4,337 | 3,351 | 45% | 45% | 88% | |
| Employee benefits expense | 1,493 | 1,124 | 1,343 | 908 | 33% | 11% | 64% | |
| Other expenses | 2,617 | 2,859 | 2,430 | 2,076 | -8% | 8% | 26% | |
| Total Operating Expenses | 10,410 | 8,337 | 8,111 | 6,335 | 25% | 28% | 64% | |
| EBITDA | 2,939 | 2,602 | 2,733 | 2,017 | 13% | 8% | 46% | EBITDA reached an all-time high |
| Depreciation | 512 | 509 | 492 | 448 | 1% | 4% | 14% | |
| EBIT | 2,427 | 2,093 | 2,241 | 1,569 | 16% | 8% | 55% | |
| Interest | 274 | 333 | 244 | 257 | -18% | 12% | 6% | |
| Other Income | 104 | 111 | 60 | 67 | -6% | 74% | 55% | |
| PBT | 2,257 | 1,871 | 2,057 | 1,379 | 21% | 10% | 64% | |
| Tax | 760 | 564 | 652 | 387 | 35% | 17% | 96% | |
| PAT before MI & Associates | 1,497 | 1,306 | 1,406 | 992 | 15% | 7% | 51% | |
| Minority Interest | -20 | -70 | -73 | -91 | -71% | -72% | -78% | |
| Profit from Assoc. | 0 | 0 | 0 | 0 | NA | NA | NA | |
| Recurring PAT | 1,477 | 1,237 | 1,333 | 901 | 19% | 11% | 64% | |
| Extraordinaries | 21 | 0 | 20 | 0 | NA | 3% | NA | |
| Reported PAT | 1,456 | 1,237 | 1,313 | 901 | 18% | 11% | 62% | |
| EPS (Rs) | 3.7 | 3.1 | 3.3 | 2.2 | 19% | 11% | 63% | |
| Gross Margin | 52.8% | 60.2% | 60.0% | 59.9% | -738 bps | -720 bps | -707 bps | |
| EBITDA Margin | 22.0% | 23.8% | 25.2% | 24.1% | -177 bps | -318 bps | -213 bps | Margins plunge on higher low-margin service revenues |
| EBIT Margin | 18.2% | 19.1% | 20.7% | 18.8% | -95 bps | -249 bps | -61 bps | |
| PBT Margin | 16.9% | 17.1% | 19.0% | 16.5% | -19 bps | -206 bps | 40 bps | |
| PAT Margin | 10.9% | 11.3% | 12.1% | 10.8% | -40 bps | -120 bps | 12 bps | |
| Tax Rate | 33.7% | 30.2% | 31.7% | 28.1% | 350 bps | 200 bps | 561 bps | |
| Cost items as % of Sales | | | | | | | | |
| Raw Materials | 47.2% | 39.8% | 40.0% | 40.1% | 738 bps | 720 bps | 707 bps | |
| Employee Cost | 11.2% | 10.3% | 12.4% | 10.9% | 92 bps | -120 bps | 31 bps | |
| Other Expenses | 19.6% | 26.1% | 22.4% | 24.9% | -653 bps | -281 bps | -525 bps | |

Earnings call takeaways

Products business

- Management believes that SOTL's strategy of evolving as a data network solutions provider has opened an addressable market of US\$ 75bn by FY23.
- The company has been working with global telcos, cloud companies and citizen networks to transform their networks for 5G, small cells, IoT, rural broadband and FTTX.
- Management stated that expansion of both OF capacity (to 50mn fkm by Jun'19) and OFC capacity (to 33mn fkm by Jun'20) is well on track and will come on board in a phased manner.
- The company's European sales grew by ~50% yoy in 3QFY19 with key order wins from tier-1 customers.
- During 3QFY19, capacity utilization for OF stood at ~100% and for OFC at ~95% (including Metallurgica Bresciana capacity of 3mn fkm).
- Global OF prices have come under pressure with postponement of the China Mobile tender from Nov'18 likely to the present quarter. There is increased volume availability in the Chinese market as of now.
- The company is largely insulated in all other markets as it operates only through long-term contracts.
- Long-term contracts have provisions of +5%/-5% with respect to pricing.
- Commissioning of the 10mn fkm OF capacity is under progress and would become fully operational in a few months, with 4QFY19 likely to see some volumes from the new capacity. Another 10mn fkm will come on board by Jun'19. The entire 50mn fkm OF capacity will reach full utilization by CY19-end.

Services business

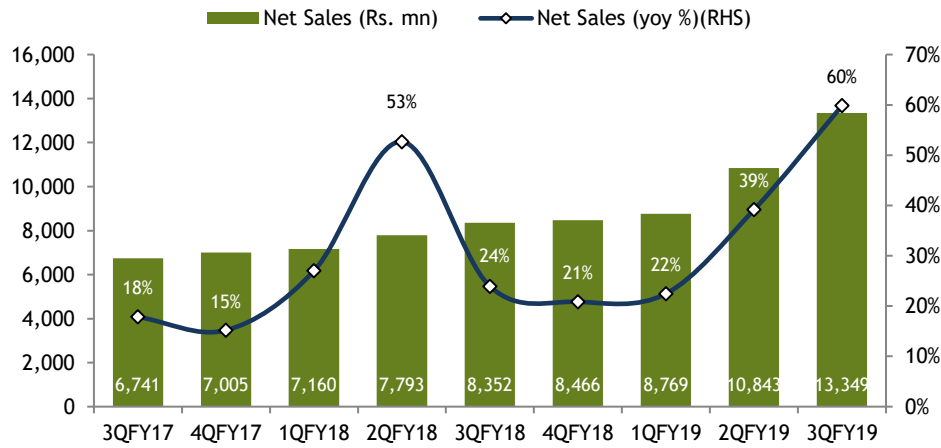
- Contribution of services & software in 3QFY19 stood at >30%.
- Execution of the MahaIT project will start from 1QFY20 onwards and would be completed in six quarters.
- Higher contribution from the services business (including execution of the Indian Navy contract) was the major reason behind margin contraction during 3QFY19.

- Gross margin compression was also related to higher contribution from the services business given higher COGS due to bought-outs.

Other highlights

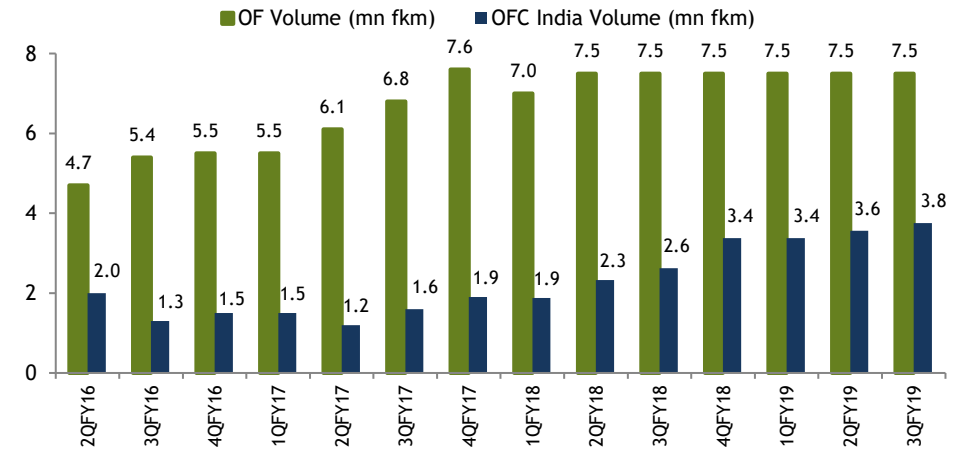
- Exports accounted for ~40% of revenues during 3QFY19.
- Acquisition of Metallurgica Bresciana has been completed on 20 Jul'18 and therefore 3QFY19 was the first full quarter of consolidation.
- As the company continues to innovate, revenue from new products touched >20% and patent count 234.
- Outstanding order book of ~Rs 102bn is almost equally divided between products and services.
- The company incurred a capex of ~Rs 7,500mn in 9MFY9; sustainable capex is Rs 800mn-1,000mn a year.
- Debt stood at ~Rs 18bn as on 31 Dec'18.

Exhibit 1: Revenue growth has been strong for the past two years



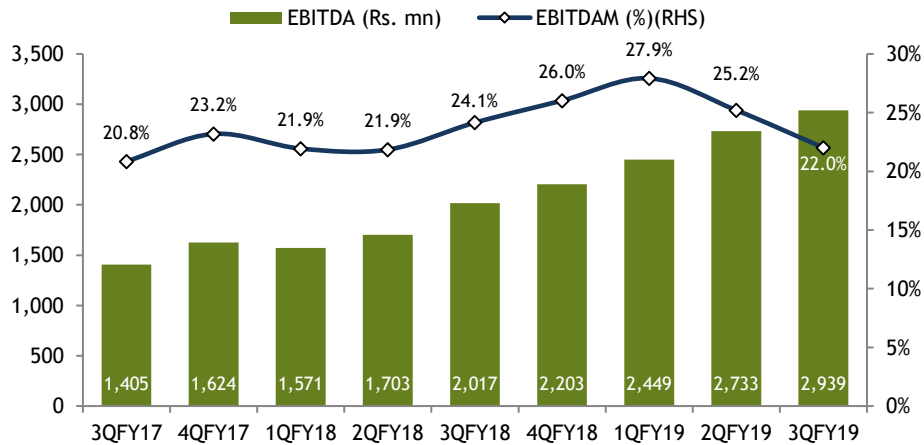
Source: Company, Equirus Securities

Exhibit 3: Both OF and OFC volumes are consistently improving



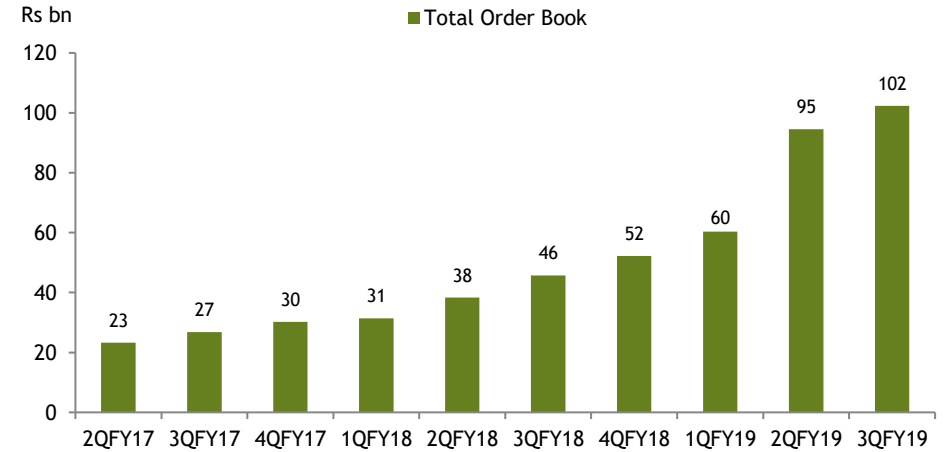
Source: Company, Equirus Securities

Exhibit 2: Operating margins have started moderating lately



Source: Company, Equirus Securities

Exhibit 4: Increasing order book reflects a predictable outlook for the company



Source: Company, Equirus Securities



Consolidated Quarterly Earnings Forecast and Key Drivers

| Rs in Mn | 1Q18A | 2Q18A | 3Q18A | 4Q18A | 1Q19A | 2Q19A | 3Q19A | 4Q19E | 1Q20E | 2Q20E | 3Q20E | 4Q20E | FY18A | FY19E | FY20E | FY21E |
|---|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 7,160 | 7,793 | 8,352 | 8,466 | 8,769 | 10,843 | 13,349 | 11,276 | 14,714 | 16,016 | 16,897 | 16,853 | 31,771 | 44,237 | 64,479 | 72,581 |
| Cost of materials consumed | 2,487 | 2,481 | 3,502 | 3,723 | 2,696 | 4,387 | 6,616 | 4,849 | 6,581 | 7,159 | 7,564 | 7,549 | 12,181 | 18,824 | 28,853 | 32,332 |
| Purchases of stock-in-trade | 78 | 24 | 137 | 92 | 55 | 33 | 167 | 0 | 0 | 0 | 0 | 0 | 330 | 0 | 0 | 0 |
| Change in inventories of finished goods, stock-in-trade and WIP | 374 | 628 | -287 | -556 | 588 | -84 | -484 | 0 | 0 | 0 | 0 | 0 | 159 | 0 | 0 | 0 |
| Other expenses | 1,861 | 2,054 | 2,076 | 2,058 | 2,056 | 2,430 | 2,617 | 2,356 | 3,359 | 3,654 | 3,859 | 3,851 | 8,120 | 9,458 | 14,724 | 16,841 |
| Employee benefits expense | 790 | 904 | 908 | 946 | 925 | 1,343 | 1,493 | 1,525 | 1,576 | 1,718 | 1,807 | 1,831 | 3,488 | 5,287 | 6,933 | 7,934 |
| EBITDA | 1,571 | 1,703 | 2,017 | 2,203 | 2,449 | 2,733 | 2,939 | 2,547 | 3,198 | 3,484 | 3,667 | 3,621 | 7,494 | 10,668 | 13,970 | 15,474 |
| Depreciation | 413 | 437 | 448 | 525 | 448 | 492 | 512 | 594 | 665 | 725 | 725 | 725 | 1,822 | 2,046 | 2,839 | 3,143 |
| EBIT | 1,158 | 1,266 | 1,569 | 1,679 | 2,001 | 2,241 | 2,427 | 1,953 | 2,533 | 2,760 | 2,942 | 2,896 | 5,671 | 8,622 | 11,131 | 12,331 |
| Interest | 285 | 243 | 257 | 253 | 231 | 244 | 274 | 349 | 422 | 422 | 422 | 422 | 1,038 | 1,097 | 1,687 | 1,706 |
| Other Income | 68 | 86 | 67 | 172 | 73 | 60 | 104 | 68 | 89 | 89 | 89 | 89 | 393 | 305 | 357 | 427 |
| PBT | 941 | 1,109 | 1,379 | 1,597 | 1,843 | 2,057 | 2,257 | 1,672 | 2,200 | 2,427 | 2,609 | 2,564 | 5,026 | 7,830 | 9,800 | 11,052 |
| Tax | 255 | 327 | 387 | 362 | 548 | 652 | 760 | 508 | 679 | 746 | 806 | 792 | 1,332 | 2,468 | 3,023 | 3,428 |
| PAT bef. MI & Assoc. | 685 | 782 | 992 | 1,235 | 1,295 | 1,406 | 1,497 | 1,165 | 1,522 | 1,681 | 1,804 | 1,772 | 3,694 | 5,362 | 6,778 | 7,624 |
| Minority Interest | 72 | 67 | 91 | 67 | 78 | 73 | 20 | 57 | 67 | 76 | 79 | 77 | 298 | 227 | 299 | 310 |
| Profit from Assoc. | -7 | -2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -9 | 0 | 0 | 0 |
| Recurring PAT | 606 | 712 | 901 | 1,168 | 1,217 | 1,333 | 1,477 | 1,108 | 1,455 | 1,605 | 1,725 | 1,695 | 3,387 | 5,135 | 6,479 | 7,314 |
| Extraordinaries | 0 | 0 | 0 | 44 | 10 | 20 | 21 | 0 | 0 | 0 | 0 | 0 | 44 | 0 | 0 | 0 |
| Reported PAT | 606 | 712 | 901 | 1,124 | 1,207 | 1,313 | 1,456 | 1,108 | 1,455 | 1,605 | 1,725 | 1,695 | 3,343 | 5,135 | 6,479 | 7,314 |
| EPS (Rs) | 1.51 | 1.78 | 2.25 | 2.91 | 3.02 | 3.31 | 3.67 | 2.75 | 3.61 | 3.99 | 4.29 | 4.21 | 8.45 | 12.76 | 16.10 | 18.17 |
| Key Drivers | | | | | | | | | | | | | | | | |
| Revenue from Products (Rs. mn) | - | - | - | - | - | - | - | - | - | - | - | - | 24,934 | 32,857 | 42,044 | 51,105 |
| - Optic fibre volume (mn fkm) | - | - | - | - | - | - | - | - | - | - | - | - | 30 | 31 | 44 | 54 |
| - Optic fibre cable volume (mn fkm) | - | - | - | - | - | - | - | - | - | - | - | - | 10 | 16 | 19 | 25 |
| Revenue from Services (Rs. mn) | - | - | - | - | - | - | - | - | - | - | - | - | 6,837 | 11,380 | 22,435 | 21,476 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sequential Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 2 % | 9 % | 7 % | 1 % | 4 % | 24 % | 23 % | -16 % | 30 % | 9 % | 5 % | 0 % | - | - | - | - |
| Cost of materials consumed | -39 % | 0 % | 41 % | 6 % | -28 % | 63 % | 51 % | -27 % | 36 % | 9 % | 6 % | 0 % | - | - | - | - |
| EBITDA | -3 % | 8 % | 18 % | 9 % | 11 % | 12 % | 8 % | -13 % | 26 % | 9 % | 5 % | -1 % | - | - | - | - |
| EBIT | -2 % | 9 % | 24 % | 7 % | 19 % | 12 % | 8 % | -20 % | 30 % | 9 % | 7 % | -2 % | - | - | - | - |
| Recurring PAT | -5 % | 18 % | 26 % | 30 % | 4 % | 10 % | 11 % | -25 % | 31 % | 10 % | 8 % | -2 % | - | - | - | - |
| EPS | -5 % | 18 % | 26 % | 30 % | 4 % | 10 % | 11 % | -25 % | 31 % | 10 % | 8 % | -2 % | - | - | - | - |
| Yearly Growth (%) | | | | | | | | | | | | | | | | |
| Revenue | 27 % | 53 % | 24 % | 21 % | 22 % | 39 % | 60 % | 33 % | 68 % | 48 % | 27 % | 49 % | 30 % | 39 % | 46 % | 13 % |
| EBITDA | 37 % | 67 % | 44 % | 36 % | 56 % | 61 % | 46 % | 16 % | 31 % | 27 % | 25 % | 42 % | 44 % | 42 % | 31 % | 11 % |
| EBIT | 48 % | 98 % | 57 % | 42 % | 73 % | 77 % | 55 % | 16 % | 27 % | 23 % | 21 % | 48 % | 58 % | 52 % | 29 % | 11 % |
| Recurring PAT | 61 % | 40 % | 83 % | 83 % | 101 % | 87 % | 64 % | -5 % | 20 % | 20 % | 17 % | 53 % | 68 % | 52 % | 26 % | 13 % |
| EPS | 61 % | 40 % | 83 % | 83 % | 100 % | 86 % | 63 % | -6 % | 20 % | 20 % | 17 % | 53 % | 68 % | 51 % | 26 % | 13 % |
| Margin (%) | | | | | | | | | | | | | | | | |
| EBITDA | 22 % | 22 % | 24 % | 26 % | 28 % | 25 % | 22 % | 23 % | 22 % | 22 % | 22 % | 21 % | 24 % | 24 % | 22 % | 21 % |
| EBIT | 16 % | 16 % | 19 % | 20 % | 23 % | 21 % | 18 % | 17 % | 17 % | 17 % | 17 % | 17 % | 18 % | 19 % | 17 % | 17 % |
| PBT | 13 % | 14 % | 17 % | 19 % | 21 % | 19 % | 17 % | 15 % | 15 % | 15 % | 15 % | 15 % | 16 % | 18 % | 15 % | 15 % |
| PAT | 8 % | 9 % | 11 % | 14 % | 14 % | 12 % | 11 % | 10 % | 10 % | 10 % | 10 % | 10 % | 11 % | 12 % | 10 % | 10 % |



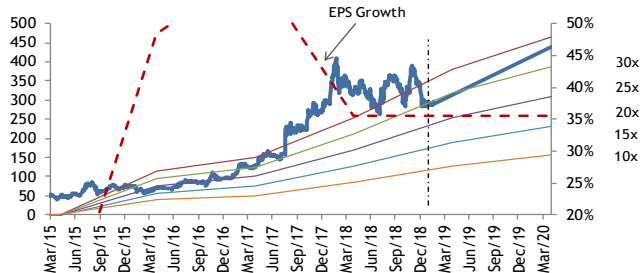
Consolidated Financials

| P&L (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|----------------------|--------|--------|--------|--------|
| Revenue | 31,771 | 44,237 | 64,479 | 72,581 |
| Op. Expenditure | 24,278 | 33,569 | 50,509 | 57,108 |
| EBITDA | 7,494 | 10,668 | 13,970 | 15,474 |
| Depreciation | 1,822 | 2,046 | 2,839 | 3,143 |
| EBIT | 5,671 | 8,622 | 11,131 | 12,331 |
| Interest Expense | 1,038 | 1,097 | 1,687 | 1,706 |
| Other Income | 393 | 305 | 357 | 427 |
| PBT | 5,026 | 7,830 | 9,800 | 11,052 |
| Tax | 1,332 | 2,468 | 3,023 | 3,428 |
| PAT bef. MI & Assoc. | 3,694 | 5,362 | 6,778 | 7,624 |
| Minority Interest | 298 | 227 | 299 | 310 |
| Profit from Assoc. | -9 | 0 | 0 | 0 |
| Recurring PAT | 3,387 | 5,135 | 6,479 | 7,314 |
| Extraordinaires | 44 | 0 | 0 | 0 |
| Reported PAT | 3,343 | 5,135 | 6,479 | 7,314 |
| FDEPS (Rs) | 8.4 | 12.8 | 16.1 | 18.2 |
| DPS (Rs) | 2.0 | 3.2 | 4.0 | 4.5 |
| CEPS (Rs) | 13.0 | 17.9 | 23.2 | 26.0 |
| FCFPS (Rs) | 5.6 | -13.1 | 6.9 | 23.2 |
| BVPS (Rs) | 29.3 | 38.1 | 49.4 | 62.1 |
| EBITDAM (%) | 24 % | 24 % | 22 % | 21 % |
| PATM (%) | 11 % | 12 % | 10 % | 10 % |
| Tax Rate (%) | 26 % | 32 % | 31 % | 31 % |
| Sales Growth (%) | 30 % | 39 % | 46 % | 13 % |
| FDEPS Growth (%) | 68 % | 51 % | 26 % | 13 % |

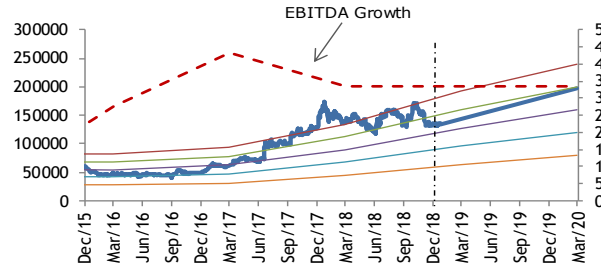
| Balance Sheet (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|----------------------------|--------|--------|--------|--------|
| Equity Capital | 802 | 805 | 805 | 805 |
| Reserve | 10,951 | 14,541 | 19,070 | 24,183 |
| Networth | 11,753 | 15,346 | 19,875 | 24,988 |
| Long Term Debt | 11,775 | 20,100 | 23,100 | 20,600 |
| Def Tax Liability | 1,200 | 1,200 | 1,200 | 1,200 |
| Minority Interest | 820 | 1,047 | 1,346 | 1,656 |
| Account Payables | 6,562 | 8,207 | 12,580 | 14,097 |
| Other Curr Liabi | 5,008 | 5,008 | 5,008 | 5,008 |
| Total Liabilities & Equity | 37,117 | 50,907 | 63,108 | 67,548 |
| Net Fixed Assets | 12,252 | 19,833 | 22,619 | 23,077 |
| Capital WIP | 3,570 | 3,500 | 3,500 | 2,500 |
| Others | 1,733 | 2,836 | 2,836 | 2,836 |
| Inventory | 3,379 | 5,415 | 8,300 | 9,301 |
| Account Receivables | 8,672 | 12,120 | 17,666 | 19,885 |
| Other Current Assets | 4,577 | 4,577 | 4,577 | 4,577 |
| Cash | 2,935 | 2,627 | 3,611 | 5,373 |
| Total Assets | 37,117 | 50,907 | 63,108 | 67,548 |
| Non-cash Working Capital | 5,058 | 8,897 | 12,955 | 14,659 |
| Cash Conv Cycle | 58.1 | 73.4 | 73.3 | 73.7 |
| WC Turnover | 6.3 | 5.0 | 5.0 | 5.0 |
| FA Turnover | 2.0 | 1.9 | 2.5 | 2.8 |
| Net D/E | 0.8 | 1.1 | 1.0 | 0.6 |
| Revenue/Capital Employed | 1.3 | 1.4 | 1.5 | 1.5 |
| Capital Employed/Equity | 2.3 | 2.3 | 2.4 | 2.1 |

| Cash Flow (Rs Mn) | FY18A | FY19E | FY20E | FY21E |
|--------------------|--------|---------|--------|--------|
| PBT | 5,026 | 7,830 | 9,800 | 11,052 |
| Depreciation | 1,822 | 2,046 | 2,839 | 3,143 |
| Others | 1,371 | 792 | 1,330 | 1,279 |
| Taxes Paid | 1,107 | 2,468 | 3,023 | 3,428 |
| Change in WC | 204 | -3,839 | -4,058 | -1,704 |
| Operating C/F | 7,316 | 4,361 | 6,889 | 10,342 |
| Capex | -4,559 | -10,660 | -5,625 | -2,600 |
| Change in Invest | -1,358 | 0 | 0 | 0 |
| Others | 68 | 305 | 357 | 427 |
| Investing C/F | -5,848 | -10,355 | -5,268 | -2,173 |
| Change in Debt | -184 | 8,325 | 3,000 | -2,500 |
| Change in Equity | 5 | 3 | 0 | 0 |
| Others | -1,337 | -2,642 | -3,637 | -3,906 |
| Financing C/F | -1,515 | 5,686 | -637 | -6,406 |
| Net change in cash | -47 | -308 | 984 | 1,762 |
| RoE (%) | 33 % | 38 % | 37 % | 33 % |
| RoIC (%) | 18 % | 19 % | 18 % | 18 % |
| Core RoIC (%) | 19 % | 20 % | 19 % | 19 % |
| Div Payout (%) | 29 % | 30 % | 30 % | 30 % |
| P/E | 34.4 | 22.8 | 18.1 | 16.0 |
| P/B | 9.9 | 7.6 | 5.9 | 4.7 |
| P/FCFF | 52.2 | -22.3 | 42.0 | 12.5 |
| EV/EBITDA | 16.9 | 12.7 | 9.8 | 8.6 |
| EV/Sales | 4.0 | 3.1 | 2.1 | 1.8 |
| Dividend Yield (%) | 0.7 % | 1.1 % | 1.4 % | 1.6 % |

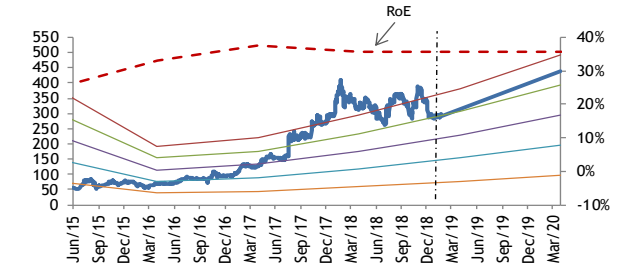
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE





Historical Consolidated Financials

| P&L (Rs Mn) | FY15A | FY16A | FY17A | FY18A | Balance Sheet (Rs Mn) | FY15A | FY16A | FY17A | FY18A | Cash Flow (Rs Mn) | FY15A | FY16A | FY17A | FY18A |
|----------------------|---------|----------|--------|--------|----------------------------|--------|--------|--------|--------|--------------------|----------|--------|--------|--------|
| Revenue | 30,971 | 21,440 | 24,489 | 31,771 | Equity Capital | 788 | 790 | 797 | 802 | PBT | 1 | 2,305 | 2,602 | 5,026 |
| Op. Expenditure | 26,364 | 16,848 | 19,299 | 24,278 | Reserve | 14,171 | 6,756 | 8,004 | 10,951 | Depreciation | 1,850 | 1,256 | 1,592 | 1,822 |
| EBITDA | 4,607 | 4,592 | 5,189 | 7,494 | Networth | 14,959 | 7,546 | 8,801 | 11,753 | Others | 2,998 | 1,240 | 1,027 | 1,371 |
| Depreciation | 1,850 | 1,256 | 1,592 | 1,822 | Long Term Debt | 53,163 | 10,852 | 10,925 | 11,775 | Taxes Paid | 220 | 487 | 763 | 1,107 |
| EBIT | 2,757 | 3,336 | 3,597 | 5,671 | Def Tax Liability | 1,797 | 1,680 | 1,495 | 1,200 | Change in WC | -702 | -2,167 | 427 | 204 |
| Interest Expense | 3,269 | 1,192 | 1,229 | 1,038 | Minority Interest | 230 | 312 | 452 | 820 | Operating C/F | 3,927 | 2,147 | 4,885 | 7,316 |
| Other Income | 513 | 162 | 235 | 393 | Account Payables | 8,997 | 3,722 | 4,486 | 6,562 | Capex | -11,512 | -2,303 | -2,138 | -4,559 |
| PBT | 1 | 2,305 | 2,602 | 5,026 | Other Curr Liabi | 4,775 | 2,133 | 2,951 | 5,008 | Change in Invest | -220 | 652 | -306 | -1,358 |
| Tax | 37 | 652 | 397 | 1,332 | Total Liabilities & Equity | 83,922 | 26,245 | 29,110 | 37,117 | Others | 14 | 96 | 121 | 68 |
| PAT bef. MI & Assoc. | -36 | 1,654 | 2,205 | 3,694 | Net Fixed Assets | 40,552 | 11,370 | 13,037 | 12,252 | Investing C/F | -11,718 | -1,555 | -2,323 | -5,848 |
| Minority Interest | -9 | 61 | 163 | 298 | Capital WIP | 21,926 | 1,723 | 659 | 3,570 | Change in Debt | 9,863 | 834 | 38 | -184 |
| Profit from Assoc. | 0 | -56 | -28 | -9 | Others | 1,812 | 796 | 686 | 1,733 | Change in Equity | 4,521 | 2 | 6 | 5 |
| Recurring PAT | -27 | 1,537 | 2,014 | 3,387 | Inventory | 4,149 | 2,053 | 3,335 | 3,379 | Others | -5,884 | -1,645 | -1,913 | -1,337 |
| Extraordinaires | 0 | 0 | 0 | 44 | Account Receivables | 8,344 | 7,084 | 6,867 | 8,672 | Financing C/F | 8,500 | -809 | -1,869 | -1,515 |
| Reported PAT | -27 | 1,537 | 2,014 | 3,343 | Other Current Assets | 2,791 | 2,443 | 2,802 | 4,577 | Net change in cash | 709 | -217 | 693 | -47 |
| EPS (Rs) | -0.1 | 3.8 | 5.0 | 8.4 | Cash | 4,347 | 777 | 1,724 | 2,935 | RoE (%) | 0 % | 22 % | 25 % | 33 % |
| DPS (Rs) | 0.6 | 1.0 | 1.3 | 2.0 | Total Assets | 83,922 | 26,245 | 29,110 | 37,117 | RoIC (%) | -185 % | 13 % | 15 % | 18 % |
| CEPS (Rs) | 4.6 | 7.1 | 9.1 | 13.0 | Non-cash Working Capital | 1,512 | 5,725 | 5,567 | 5,058 | Core RoIC (%) | -164 % | 6 % | 15 % | 19 % |
| FCFPS (Rs) | -317.7 | 3.7 | 9.1 | 5.6 | Cash Conv Cycle | 17.8 | 97.5 | 83.0 | 58.1 | Div Payout (%) | -1,074 % | 31 % | 30 % | 29 % |
| BVPS (Rs) | 38.0 | 19.1 | 22.1 | 29.3 | WC Turnover | 20.5 | 3.7 | 4.4 | 6.3 | P/E | -4,398.1 | 75.8 | 57.9 | 34.4 |
| EBITDAM (%) | 15 % | 21 % | 21 % | 24 % | FA Turnover | 0.5 | 1.6 | 1.8 | 2.0 | P/B | 7.7 | 15.2 | 13.2 | 9.9 |
| PATM (%) | 0 % | 7 % | 8 % | 11 % | Net D/E | 3.3 | 1.3 | 1.0 | 0.8 | P/FCFF | -0.9 | 79.3 | 32.0 | 52.2 |
| Tax Rate (%) | 3,690 % | 28 % | 15 % | 26 % | Revenue/Capital Employed | 0.5 | 0.5 | 1.2 | 1.3 | EV/EBITDA | 36.7 | 28.3 | 24.8 | 16.9 |
| Sales growth (%) | 21 % | -31 % | 14 % | 30 % | Capital Employed/Equity | 4.9 | 4.0 | 2.6 | 2.3 | EV/Sales | 5.5 | 6.1 | 5.3 | 4.0 |
| FDEPS growth (%) | -93 % | -5,900 % | 31 % | 68 % | | | | | | Dividend Yield (%) | 0.2 % | 0.3 % | 0.4 % | 0.7 % |

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