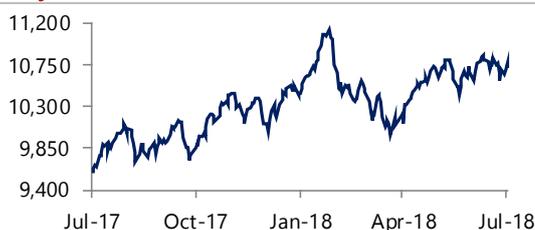


JULY 6, 2018

Equity	% Chg				
	5-Jul	1 Day	1 Mth	3 Mths	
<b>Indian Indices</b>					
SENSEX Index	35,575	(0.2)	1.9	5.9	
NIFTY Index	10,750	(0.2)	1.5	4.1	
NSEBANK Index	26,503	0.3	1.0	7.0	
NIFTY 500 Index	9,167	(0.3)	0.6	0.2	
CNXMcap Index	18,128	(0.7)	(0.4)	(6.6)	
BSESMCAP Index	15,986	(0.4)	(1.4)	(10.1)	
<b>World Indices</b>					
Dow Jones	24,357	0.8	(3.1)	1.8	
Nasdaq	7,586	1.1	(1.3)	9.7	
FTSE	7,603	0.4	(1.4)	5.8	
NIKKEI	21,547	(0.8)	(4.1)	0.6	
Hangseng	21,547	(0.8)	(4.1)	0.6	
Shanghai	28,182	(0.2)	(10.6)	(6.4)	
<b>Value traded (Rs cr)</b>		<b>5-Jul</b>	<b>% Chg Day</b>		
Cash BSE	2,073		(1.9)		
Cash NSE	26,064		3.8		
Derivatives	1,518,098		74.1		
<b>Net inflows (Rs cr)</b>		<b>4-Jul</b>	<b>MTD</b>	<b>YTD</b>	
FII	1,074	245	(4,594)		
Mutual Fund	2,353	0	68,279		
<b>Nifty Gainers &amp; Losers</b>		<b>Price</b>	<b>Chg</b>	<b>Vol</b>	
<b>5-Jul</b>		<b>(Rs)</b>	<b>(%)</b>	<b>(mn)</b>	
<b>Gainers</b>					
Yes Bank Ltd	349	3.9	21.2		
Ultratech Cement	3,936	3.8	0.5		
ITC Ltd	273	3.1	15.5		
<b>Losers</b>					
Titan Co	838	(5.5)	6.1		
Infosys Ltd	1,284	(4.6)	8.5		
Tata Steel	553	(3.1)	6.0		
<b>Advances / Declines (BSE)</b>					
<b>5-Jul</b>	<b>A</b>	<b>B</b>	<b>T</b>	<b>Total</b>	<b>% total</b>
Advances	138	396	60	594	100
Declines	251	600	82	933	157
Unchanged	-	24	12	36	6
<b>Commodity</b>		<b>% Chg</b>			
	<b>5-Jul</b>	<b>1 Day</b>	<b>1 Mth</b>	<b>3 Mths</b>	
Crude (US\$/BBL)	77.1	(0.3)	2.4	14.9	
Gold (US\$/OZ)	1,258	0.1	(3.4)	(5.9)	
Silver (US\$/OZ)	16.1	(0.1)	(4.4)	(2.6)	
<b>Debt / forex market</b>		<b>5-Jul</b>	<b>1 Day</b>	<b>1 Mth</b>	<b>3 Mths</b>
10 yr G-Sec yield %	7.9	7.9	7.8	7.1	
Re/US\$	68.9	68.7	67.2	65.0	

## Nifty



Source: Bloomberg

## News Highlights

- ▶ India may face greater scrutiny at WTO after 13% MSP hike for paddy. While India has maintained that its food subsidy for paddy is below 6%, against the permissible 10%, till 2015-16, and has notified WTO, the US has raised doubts about India's calculations. (Mint)
- ▶ Rising incidence of state governments exempting specific vehicle categories from toll payments is causing concern among road developers and concessionaires who fear loss of revenue. The practice, which is prominent in Bharatiya Janata Party-ruled states, was started in Maharashtra in 2015 and was followed by Gujarat the next year. (Mint)
- ▶ **Reliance Industries Ltd (RIL)** aims to double sales in about seven years, even as the company explores ways to boost profitability of its mainstay refinery and chemicals businesses. (Mint)
- ▶ A bad Brexit deal would put Jaguar Land Rover's (JLR's) plan to invest £80 bn (₹7.3 tn) more in the UK in the next five years in jeopardy. Jaguar Land Rover and Tata Motors have always maintained that the uncertainties from Brexit are avoidable and the business seeks clarity to ensure that industry takes timely and right decisions to manage the transition. (Mint)
- ▶ **Bombay Dyeing** eyes ₹5bn revenue by FY20. Bombay Dyeing, part of the Wadia Group, signed up one of the big four consulting firms about six weeks ago to look at both organic and inorganic growth options. (Mint)
- ▶ **Gujarat Gas Ltd (GGL)**, India's largest city gas distribution (CGD) company, is looking to pick up the entire 50% stake of GAIL Gas in Vadodara Gas Ltd (VGL) for ₹2-2.5 bn. (Mint)
- ▶ With the Indian Navy increasingly choosing the Ukrainian Zorya gas turbine to power its warships, **Bharat Heavy Electricals Ltd (BHEL)** is setting up a joint venture (JV) in India with the manufacturer, Zorya Mashproekt, to overhaul turbines in India. The navy will soon have 34 warships driven by Zorya turbines, with four turbines per vessel, adding up to 136 in-service turbines. (Mint)
- ▶ **Berger Paints** has signed a shareholder agreement with Rock Paint Co of Japan for setting up a joint venture company in India - Berger Rock Paints Pvt Ltd or any other name as may be approved by the Registrar of Companies. The JV will be engaged in developing, producing and selling superior automotive refinish paints in India and Nepal. (BS)
- ▶ **Shoppers Stop**, the country's oldest department store chain, plans to double its contribution from higher margin private labels, exclusively launch international and celebrity brands, renovate several stores, and strengthen management team, as the company looks to revive growth and boost its profitability. (BL)

## What's Inside

- ▶ **Company Update:** Dilip Buildcon Ltd

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

## Company Update

### Stock Details

Market cap (Rs mn)	:	89858
52-wk Hi/Lo (Rs)	:	1248 / 449
Face Value (Rs)	:	10
3M Avg. daily vol	:	638,648
Shares o/s (m)	:	137

Source: Bloomberg

### Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	77,459	98,137	122,823
Growth (%)	52.0	27.0	25.0
EBITDA	14,028	17,654	22,095
EBITDA margin (%)	18.1	18.0	18.0
PBT	6,789	9,662	13,702
Net profit	6,206	8,216	9,184
EPS(Rs)	45.4	60.1	67.1
Growth(%)	72%	32%	12%
BVPS(Rs)	179.6	239.7	306.9
DPS (Rs)	-	-	-
ROE (%)	28.8	28.6	24.6
ROCE (%)	22.5	24.1	26.9
P/E (x)	14.5	10.9	9.8
EV/EBITDA (x)	8.1	6.4	5.0
P/BV (x)	3.7	2.7	2.1

Source: Company

### Shareholding Pattern (%)

(%)	Mar-18	Dec-17	Sep-17
Promoters	75.6	75.6	75.6
FII	10.0	11.1	11.6
DII	6.6	4.7	5.1
Others	7.7	8.6	7.7

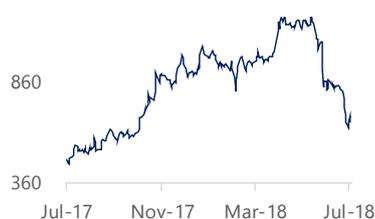
Source: Company

### Price Performance (%)

(%)	1M	3M	6M
Dilip Buildcon Ltd	(19.8)	(43.3)	(34.3)
Nifty	1.5	4.1	1.8

Source: Bloomberg

### Price chart



Source: Bloomberg

## DILIP BUILDCON LTD (DBL)

**PRICE RS.680**

**TARGET RS.1400**

**BUY**

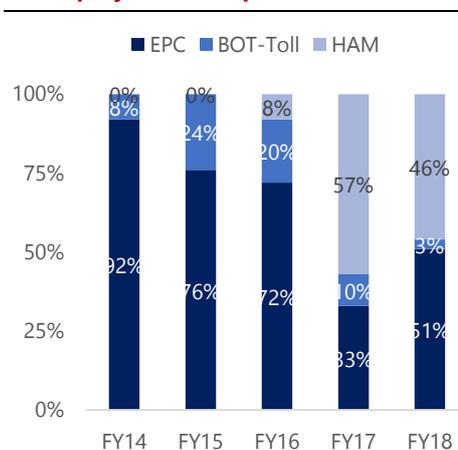
We interacted with the management of DBL in its analyst meet regarding future growth plan as well as progress on current projects. Company is confident of achieving financial closure of recently awarded HAM projects soon which will start contributing towards the EPC revenue growth. Better than expected order inflow and a robust order book provides healthy visibility of future earnings and company expects to achieve Rs 100 bn of revenues in FY19. We continue to remain positive on the company and maintain BUY with an unchanged price target of Rs 1400.

### Key highlights from the meeting

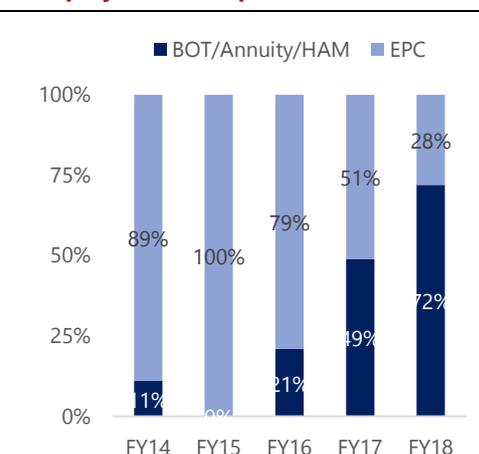
#### Significant opportunities likely to come from NHAH

The pace of awarding of NHAH has increased quite sharply during last year with NHAH alone awarding projects worth 7300 km out of the total awards of around 17000 km. The mode of awarding has also changed with larger proportion of HAM projects seen during last 2 years. We share a similar view as shared by the management that going forward a similar trend is expected to be maintained in terms of project mix owing to relatively lesser risks such as stable cash flow streams in terms of annuities, cost escalation in project cost and O&M.

#### NHAH project breakup



#### DBL project break up



Source: Company, NHAH

#### Details of the new HAM projects and status of financial closure

Company has received healthy order inflows of Rs 141 bn during Q4FY18 and further bagged a HAM and EPC project in Q1FY19. HAM project order book currently stands at Rs 163 bn and we estimate an equity requirement of Rs 13.2 bn which is likely to be funded from equity freed from operational projects and operational cash flows going forward. Further order inflows on the HAM side may entail some equity issuance from the company or asset divestment.

### Teena Virmani

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**DBL's HAM project details**

Project	Date of award	State	NHAI cost (Rs bn)	DBL bid cost (Rs bn)	Premium to NHAI cost (%)	Status
Rehabilitation and Up-gradation to Six laning of Chandikhole-Bhadrak Section	24th Jan	Odisha	12.1	15.22	25.8%	
Six laning of Anandapuram-Pendurthi-Anakapalli section (Bharatmala)	1st March	AP	19.59	20.13	2.8%	Sanction letter received for financial closure
Six laning of Bangalore-Nidagatta Section	1st March	Karnataka	19.84	21.9	10.4%	
Six- Laning from Nidagatta-Mysore Section	1st March	Karnataka	21.69	22.83	5.3%	
Six Laning of Gorhar to Khairatunda Section	6th March	Jharkhand	7.04	9.17	30.3%	Sanction letter received for financial closure
Four laning from Mangloor to Telangana/Maharashtra Border (Bharatmala)	26th March	Telangana	8.03	9.36	16.6%	
Four laning from Byrapura to Challakere sectio(Bharatmala)	27th March	Karnataka	6.44	8.42	30.7%	Sanction letter received for financial closure
Four laning of Sangli-Solapur Section - Package 1	28th March	Maharashtra	9.63	11.02	14.4%	
Four laning of Sangli-Solapur Section - Package 2	28th March	Maharashtra	9.38	10.29	9.7%	
Four laning of Sangli-Solapur Section - Package 3	28th March	Maharashtra	10.52	11.41	8.5%	
Construction of Road Tunnel, viaduct and Churhat Bypass of Rewa Sidhi Section	29th March	MP	7.42	10.04	35.3%	
Four Laning from Bellary to Byrapur (Bharatmala)	2nd June	Karnataka	10.28	13.14	27.8%	

Source: Company, Kotak Securities – Private Client Research

Out of these 12 projects, 3 have achieved financial closure in June, 2019 while 6 are likely to achieve financial closure by Q2FY19 and remaining 3 projects are likely to achieve financial closure by Q3FY19.

**Equity investment in new HAM projects**

Equity investment (Rs mn)	Total	FY19	FY20	FY21
Equity for existing HAM	3900	3900		
Investment for new HAM	13210	6600	3300	3300
Fund directly invested by Shrem	-3900			
Fund received from Shrem		-6100		
<b>Net investment</b>		<b>500</b>	<b>3300</b>	<b>3300</b>

Source: Project

**Status of Six HAM Projects (sold to SHREM)**

Project	Payment Milestone (Grant)	Appointed Date	Plan as per CA	Actual Completion		Early Achieved (Days)	% of work done as on 02-07-2018	
			Date	Days	Date			Days
Lucknow Sultanpur	3rd PM, 60% Physical Progress	08-May-17	15-Nov-18	556	18-Jun-18	406	150	62.03%
Tuljapur Ausa	2nd PM, 30% Physical Progress	22-Nov-17	27-Dec-18	400	05-Jun-18	195205	34.67%	
Wardha Butibori	2nd PM, 30% Physical Progress	30-Nov-17	05-Jan-19	401	25-Jun-18	207	194	31.64
Yavatmal Wardha	2nd PM, 30% Physical Progress	05-Feb-18	05-Feb-19	365	02-Jul-18	147218	30.20%	
Mahagaon Yavatmal	1st PM, 10% Physical Progress	28-Feb-18	14-Oct-18	228	02-Jul-18	124	104	10.30%
Kalmath Zarap	1st PM, 20% Physical Progress	01-Feb-18	28-Dec-18	330	15-Jun-18	134196	21.96%	

Source: Company

We believe that revenue growth of the company in FY19 would be led largely by execution of these HAM projects as well as EPC projects while the new projects are likely to start aiding revenues from Q3FY19/Q4FY19 onwards.

### **We also present below our take on past few events/concerns which impacted the stock price:**

Post the recent rumors about the company, DBL management has provided further details on the road project portfolio sale to Shrem group, working capital cycle, provision of impairment losses, auditors. We believe that infrastructure sector itself is a working capital intensive sector and in that environment, company has managed to reduce its working capital cycle much ahead of peers in past few years. Increase in the borrowings is in line with the capex requirements for better than expected order inflow during Q4FY18. With no sub-contracting and own fleet of equipments, margins are higher than peers but correspondingly depreciation is higher. With deferred tax credit and Section 80IA benefits, company enjoys tax benefits similar to other players in the industry and we expect effective tax rate to start increasing from FY20 onwards.

#### **a) Details of investment in projects sold to Shrem Group**

The management of SHREM group was also present in the meeting to address any concerns related to DBL - SHREM deal. About Shrem Group, it is a Family Wealth Office, established in 2010 and headquartered in Mumbai. The Group is managed by two brothers, Mr Nitin Chhatwal and Mr Hitesh Chhatwal. The group has presence in Infrastructure, Real Estate, hospitality & Finance sectors. Regarding further investments in road space, management of SHREM group mentioned that they would wait for few years to see the performance of existing road assets and would decide after that.

**Background:** Dilip Buildcon (DBL) had signed a term sheet with the Chahatwal Group Trust (Shrem Group) to divest its entire stake in 24 road BOT assets for a consideration of Rs16bn (1.05x P/BV). It would continue to do the EPC of the 10 under-construction projects and O&M worth Rs 40 bn.

DBL has invested Rs 11,661 mn in 24 projects sold to Shrem group as on 31st March. Shrem has paid to DBL Rs. 5,709 mn till 31 Mar 2018 towards the said transaction. DBL is not required to make any investment in these projects now. Shrem Group will further pay Rs 6,102 mn to DBL in FY19 thereby making a total payment of Rs 11811 mn.

Shrem has directly invested Rs. 316 Mn in one of the HAM projects i.e. DBL Tuljapur Ausa Highways Ltd. Shrem will also invest approximately Rs 3,900 Mn directly into 6 under construction HAM projects towards promoters contribution in FY 2018-19 to complete the project construction.

#### **Investment rationale**

<b>Investment (Rs mn)</b>	<b>Till FY18</b>	<b>FY19</b>	<b>Total</b>
DBL	11,661		11,661
Shrem	316	3,902	4,218
Total	11,977	3,902	15,879

*Source: Company*

Impairment provision during Q4FY18 – Company has provided for an impairment provision of Rs 152 mn during the quarter related to impairment of investment in subsidiaries. The portfolio has been sold at a valuation of 1.05x P/BV. Thus, there is an overall gain on the investment made when the deal was announced.

Some projects have been sold at loss and some at profit and overall portfolio is sold at a profit. Hence, their profit and loss will eventually offset each other over the period of completion of the transaction with eventual profit from the deal.

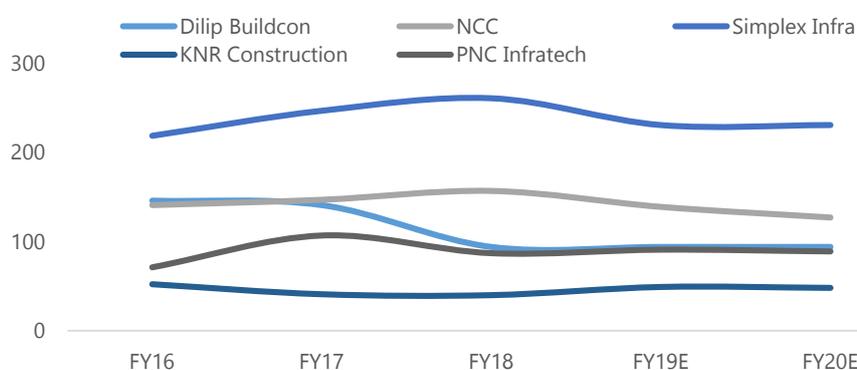
### Business interests of Shrem Group

- Successfully invested and exited from Grand Mercure Goa Shrem Resort and Novotel Goa Shrem Resort Hotel
- Successfully invested and exited from Nanavati Hospital (sold to KKR backed Radiant Life Care)
- Shrem group has diversified Real Estate Investment Holding across Mumbai, Pune, Goa, Bangalore & Delhi/NCR
- Successfully running an NBFC focused on lending to Real Estate and Manufacturing sectors Shrem group has been investing in Real Estate funds of ASK, Motilal Oswal and IIFL
- Recently ventured into the Infrastructure space with acquisition of 24 BOT Road assets across Madhya Pradesh, Uttar Pradesh, Maharashtra, Gujarat, Goa and Karnataka
- The group is currently at development stage of a 650-room Luxury Hotel (Fairmont) near International Airport Terminal 2, Mumbai

### b) Working capital cycle

Working capital cycle of DBL is better than similar sized peers and it has managed to reduce the average working capital cycle over past few years with significant reduction achieved in debtor days, inventory and loans and advances.

#### Average Working capital cycle (days)



Source: Kotak Securities – Private Client Research, Company

### c) Lower effective tax rate

The company is basically paying the MAT u/s 115 JB, the reason of the same is company is enjoying the benefit of Section 80-IA (4) of Income Tax Act. The claim of Sec 80-IA of company was confirmed by Hon'able Income Tax Settlement Commission, Delhi for FY 2012-13 via order dated 29th Sept, 2016. In our estimates, we expect the effective tax rate of the company to go up from FY20 onwards as the benefits from Section 80IA are expected to get over by then with the sunset clause getting over for projects awarded till April 2017. The total tax liability of company during FY 12-13 to 16-17 was amounting to Rs. 3.09 bn out of which company paid Rs. 595.1 mn as cash and claimed the TDS of Rs. 2.97 bn. Further this will result in refund of Rs. 458.7 mn in various years.

The provision of MAT is as follows:

- MAT is calculated u/s 115JB of the income tax Act. Every company should pay higher of the tax calculated under the Normal Tax Provision and MAT provision
- Further when any amount of tax is paid as MAT by the company, then it can claim the credit of Tax paid as per MAT calculation Less Income tax payable under normal provision of Income tax Act, 1961.
- Considering the above provision company is paying the MAT and due to difference between the tax as per Normal Provision and MAT provision generating the MAT credit Entitlement.
- So with respect to accounting entry, company is charging the current tax provision in books and parallel charging the MAT credit entitlement in books against the Tax expense, so the net tax effect comes in the profit and loss account.
- Again the normal tax provision of last years was nil due to Sec 80-IA benefit and so the total MAT will become the MAT credit entitlement. This will result in Nil charging of Tax expense in books of account.
- Players like KNR, PNC, Sadbhav also avail of similar benefits and hence their effective tax rate is also lower.

#### Actual cash tax of DBL

(Rs mn)	FY15	FY16	FY17	FY18
PBT	1950	2500	3600	6640
Tax paid - actual	610	590	840	1630
MAT/Deferred tax credit	-120	-300	-850	-1200
Tax expenses as per P&L	490	290	-10	430
PAT	1460	2210	3610	6210

Source: Company

#### Effective Tax rate (%)

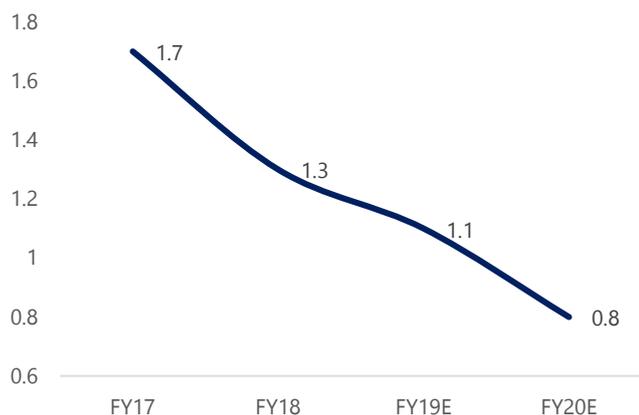
EPC companies	FY16	FY17	FY18	FY19E	FY20E
Dilip Buildcon	11.7	(0.2)	6.5	15.0	33.0
KNR Construction	23.8	3.0	(1.0)	10.0	20.0
PNC Infratech	(1.6)	21.7	21.5	22.0	25.0
Sadbhav Eng	22.6	0.9	-2.0	-	30.8

Source: Kotak Securities – Private Client Research, Company

#### d) Uptrend in borrowings in line with capex and investment in SPVs

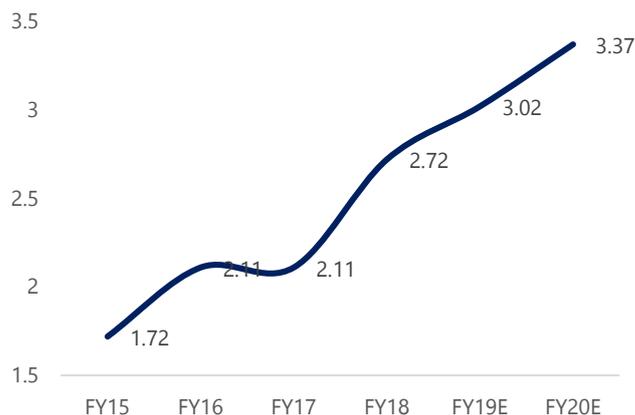
We have built in capex of Rs 4/4 bn for FY19/20 respectively to factor in the requirements related to new order inflows. With the current set of equipment getting depreciated, company also has an option to divest its gross block in a separate company and utilize the same for its O&M portfolio. Borrowings have moved up in FY18 in line with higher capex and investments required but with improvement in credit rating and refinancing of interest rates, average interest cost has come down.

**Leverage (x)**



Source: Company, Kotak Securities – Private Client Research

**Asset turnover ratio (x)**



Source: Company, Kotak Securities – Private Client Research

**e) Margins higher than peers**

DBL’s margins are higher than peers due to reasons attributed to early completion bonus, no sub-contracting, fleet of equipment as well as efficiencies achieved through early completion on other costs. Early completion bonus adds nearly 2-2.5%, no sub-contracting helps in adding 1.5-2% while company saves nearly 1-1.5% as it doesn’t hire equipment and another 0.5-1% on operational efficiencies on completing the project early.

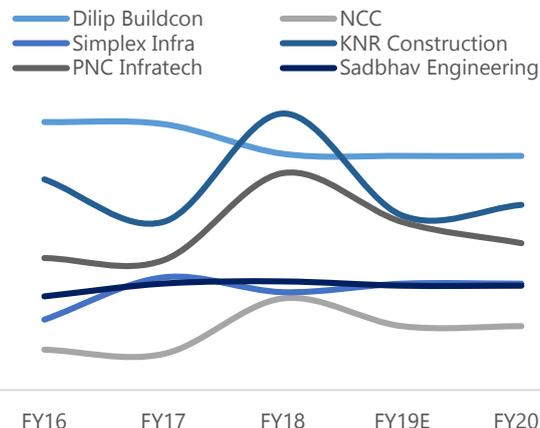
However, since company owns a fleet of equipment, the depreciation charges of DBL are higher than peers.

**Operating margins (%)**

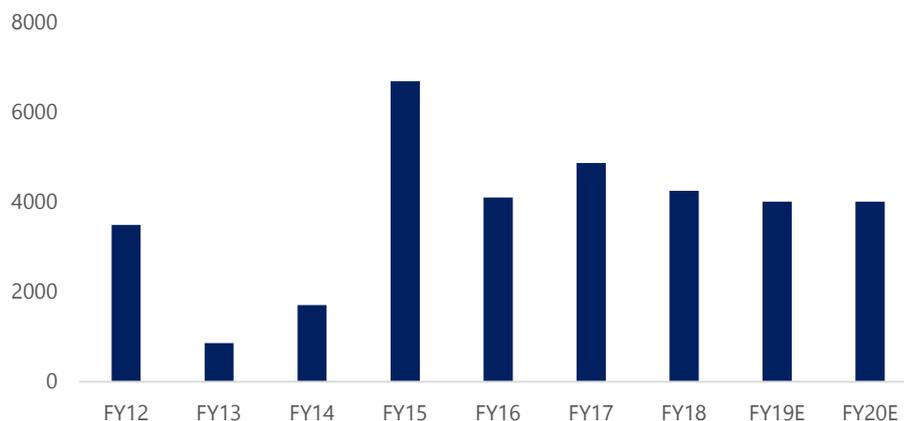


Source: Company, Kotak Securities – Private Client Research

**Comparative margins of peers**



### Capex trend of DBL (Rs mn)



Source: Company, Kotak Securities – Private Client Research

### f) Auditors

Company's joint auditors M/s Mukund M Chitale & Co, Chartered Accountants, Mumbai and M/s MSG and Associates, Chartered Accountants, Bhopal have issued a clarification statement that they continue to audit the accounts of DBL for FY19 and have not resigned. M/s Mukund M Chitale & Co auditor serves on the Boards of Larsen & Toubro Ltd, Larsen & Toubro Infotech Ltd, L&T General Insurance Company ASREC (India) Ltd, Shriram Transport Finance Co. Ltd, ONGC Petro Additions Ltd, ONGC Petrochemicals Ltd, ONCG Mangalore Petrochemicals Ltd, Atul Ltd, ITZ CashCard Ltd.

### Financial outlook

We expect an order inflow of Rs 100/115 bn for FY19/20 respectively for the company diversified across road/mining and irrigation. We thus maintain our estimates and expect revenues to grow at a CAGR of 26% between FY18-20.

We maintain our estimates and expect margins of 18% going forward. It expects to get nearly Rs 2.5-2.6 bn of early completion bonus over next two years if these projects get completed ahead of time.

We maintain our estimates and expect net profits to grow at a CAGR of 22.4% between FY18-20.

### Valuation and recommendation

At current price of Rs 657, stock is trading at 10.9x/9.8x P/E and 6.4x /5.0x EV/EBITDA on FY19/20 respectively. We value the company at 20x FY20 earnings and add value of the expected investments till FY20 and maintain our target price of Rs 1400 on FY20 estimates. We maintain BUY on the stock. We believe that DBL will continue to trade at premium multiples as compared to its peers owing to faster pace of execution, strong margins, excellent return ratios as well as lower leverage.

Key risk to our recommendation would come from lower than expected order inflow or slower execution. Along with this, high asset base of equipment may pose a challenge in difficult times owing to high depreciation costs.

**About the company**

Bhopal based Dilip Buildcon Limited (DBL) is one of the leading full service infrastructure company with construction capabilities in roads & bridges, mining, water sanitation, sewage, dams, irrigation, industrial, commercial and residential buildings with a presence in over 17 states. DBL is the largest owner of construction equipment's with 9,998 vehicles and largest employer in road construction industry with an employee base of 32,092 employees. DBL is known for its execution capabilities and has completed over 90% of projects before time and winning an early completion bonus of INR 4,047 Mn in the last 7 years.

## Financials: Standalone

### Profit and Loss Statement (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>50,976</b>	<b>77,459</b>	<b>98,137</b>	<b>122,823</b>
% change YoY	25	52	27	25
<b>EBITDA</b>	<b>9,923</b>	<b>14,028</b>	<b>17,654</b>	<b>22,095</b>
% change YoY	24	41	26	25
Other Income	115	155	125	140
Depreciation	2,274	2,750	3,168	3,584
<b>EBIT</b>	<b>7,763</b>	<b>11,434</b>	<b>14,611</b>	<b>18,651</b>
% change YoY	23	47	28	28
Net interest	4,162	4,644	4,949	4,949
Profit before tax	3,601	6,789	9,662	13,702
% change YoY	44	89	42	42
Tax	(9)	434	1,449	4,522
as % of PBT	(0)	6	15	33
<b>Profit after tax</b>	<b>3,610</b>	<b>6,355</b>	<b>8,213</b>	<b>9,181</b>
Other comp inc	2	3	3	3
Extra ordinary item	0	-152	0	0
Net income	3,608	6,206	8,216	9,184
% change YoY	63	72	32	12
Shares outstanding (m)	136.8	136.8	136.8	136.8
<b>EPS (reported) (Rs)</b>	<b>26.4</b>	<b>45.4</b>	<b>60.1</b>	<b>67.1</b>
CEPS (Rs)	43.0	65.5	83.2	93.4
DPS (Rs)	-	-	-	-

Source: Company, Kotak Securities – Private Client Research

### Cash flow Statement

(Year-end March)	FY17	FY18	FY19E	FY20E
EBIT	7,761	11,430	14,608	18,648
Depreciation	2,274	2,750	3,168	3,584
Change in working capital	(3,479)	(14,251)	(5,840)	(6,390)
Changes in other net current assets (497)	6,600	(421)	7	
Operating cash flow	6,059	6,528	11,515	15,848
Interest	(4,162)	(4,644)	(4,949)	(4,949)
Tax	9	(434)	(1,449)	(4,522)
<b>Cash flow from operations</b>	<b>1,906</b>	<b>1,450</b>	<b>5,117</b>	<b>6,377</b>
Capex	(4,847)	(4,243)	(4,000)	(4,000)
(Increase)/decrease in investments (1,797)	(702)	(500)	(3,300)	
<b>Cash flow from investments</b>	<b>(6,644)</b>	<b>(4,944)</b>	<b>(4,500)</b>	<b>(7,300)</b>
Proceeds from issue of equity	196	-	-	-
Increase/(decrease) in debt	520	4,102	-	-
Proceeds from share premium	4,100	-	-	-
Dividends	-	-	-	-
<b>Cash flow from financing</b>	<b>4,816</b>	<b>4,102</b>	-	-
Opening cash	1,059	1,137	1,744	2,361
Closing cash	1,137	1,744	2,361	1,438

Source: Company, Kotak Securities – Private Client Research

### Balance sheet (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	1,137	1,744	2,361	1,438
Accounts receivable	10,165	16,040	16,601	20,776
Inventories	16,639	20,262	23,376	29,256
Loans and Adv & Others	16,345	23,303	30,035	33,137
Current assets	44,286	61,350	72,373	84,608
Other non current assets	687	(4,293)	(4,293)	(4,293)
LT investments	4,695	5,397	5,897	9,197
Net fixed assets	16,825	18,318	19,150	19,567
<b>Total assets</b>	<b>66,493</b>	<b>80,772</b>	<b>93,127</b>	<b>109,078</b>
Payables	20,132	22,337	26,903	33,671
Others	1,135	1,135	1,135	1,135
Current liabilities	21,267	23,473	28,038	34,806
Provisions	304	732	304	304
LT debt	25,634	30,930	30,930	30,930
Min. int and def tax liabilities	759	1,067	1,067	1,067
Equity	1,368	1,368	1,368	1,368
Reserves	17,161	23,203	31,419	40,603
<b>Total liabilities</b>	<b>66,493</b>	<b>80,772</b>	<b>93,127</b>	<b>109,078</b>
BVPS (Rs)	135	180	240	307

Source: Company, Kotak Securities – Private Client Research

### Ratio Analysis

(Year-end March)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	19.5	18.1	18.0	18.0
EBIT margin (%)	15.2	14.8	14.9	15.2
Net profit margin (%)	7.1	8.0	8.4	7.5
Receivables (days)	69.0	61.7	61.7	61.7
Inventory (days)	116.1	86.9	86.9	86.9
Sales/gross assets(x)	2.1	2.7	3.0	3.4
Interest coverage (x)	1.9	2.5	3.0	3.8
Debt/equity ratio(x)	1.7	1.3	1.1	0.8
ROE (%)	24.8	28.8	28.6	24.6
ROCE (%)	19.1	22.5	24.1	26.9
EV/ Sales	2.2	1.5	1.1	0.9
EV/EBITDA	11.1	8.1	6.4	5.0
Price to earnings (P/E)	24.9	14.5	10.9	9.8
Price to book value (P/B)	4.8	3.7	2.7	2.1

Source: Company, Kotak Securities – Private Client Research

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- BUY** – We expect the stock to deliver more than 12% returns over the next 12 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 12 months
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