Morning Insight

JULY 20, 2018

Equity	19-Jul	% Chg 1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	36,351	(0.1)	3.0	5.6
NIFTY Index	10,957	(0.2)	2.3	3.7
NSEBANK Index	26,790	(0.3)	2.0	6.6
NIFTY 500 Index	9,236	(0.4)	0.0	(1.3)
CNXMcap Index	17,887	(0.7)	(3.4)	(10.4)
BSESMCAP Index	15,657	(1.0)	(5.8)	(13.9)
World Indices				
Dow Jones	25,065	(0.5)	1.6	2.5
Nasdaq	7,825	(0.4)	0.6	9.5
FTSE	7,684	0.1	0.7	4.3
NIKKEI	22,765	(0.1)	0.4	2.1
Hangseng	22,765	(0.1)	0.4	2.1
Shanghai	28,011	(0.4)	(6.2)	(8.4)

Value traded (Rs cr)	19-Jul	% Chg Day
Cash BSE	2,549	(13.2)
Cash NSE	28,177	(4.9)
Derivatives	1,820,234	(23.9)

Net inflows (Rs cr)	18-Jul	MTD	YTD
FII	(2)	(2,355)	(7,194)
Mutual Fund	(29)	3,625	72,228

Nifty Gainers & Losers 19-Jul	Price (Rs)	Chg (%)	Vol (mn)
Gainers			
Titan Co Ltd	870	2.8	3.9
Bharti Airtel	345	2.4	4.5
Yes Bank	392	2.3	17.1
Losers			
Hindalco Ind	198	(7.0)	33.2
Bharti Infra	285	(4.7)	2.2
Kotak Mahindra Bank	1,347	(3.7)	6.0

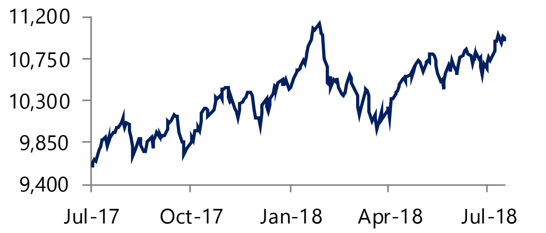
Advances / Declines (BSE)

19-Jul	A	B	T	Total	% total
Advances	138	254	44	436	100
Declines	245	797	95	1,137	261
Unchanged	6	25	9	40	9

Commodity	19-Jul	% Chg 1 Day	1 Mth	3 Mths
Crude (US$/BBL)	72.6	(0.0)	(2.9)	(2.0)
Gold (US$/OZ)	1,223	(0.4)	(3.9)	(8.8)
Silver (US$/OZ)	15.3	(1.6)	(6.1)	(10.7)

Debt / forex market	19-Jul	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.8	7.8	7.9	7.6
Re/US$	69.1	68.6	68.4	65.8

Nifty



Source: Bloomberg

News Highlights

- New H-1B visa rules add a layer of instability for employers. In April, the USCIS said it received 105,000 more H-1B applications than it can grant, according to a National Foundation for American Policy report. (Mint)
- Lenders will need to seek prior approval of the competition regulator before finalising resolution plans, according to amendments to the Insolvency and Bankruptcy Code (IBC) that were approved by the cabinet. The measure seeks to prevent litigation that can derail the resolution process at a later stage.(ET)
- The National Company Law Tribunal (NCLT) has approved the bid of AION Capital-JSW Steel to acquire **Monnet Ispat & Energy Ltd,** providing major relief to the consortium. (Mint)
- **Mindtree** donates $2 million to Stanford University to boost artificial intelligence study.The endowment would be used by Stanford's School of Engineering to establish a faculty chair with focus on AI. (Mint)
- **Bharti Airtel Ltd** is looking to slash its debt by half over the next 18 months by raising a total of ₹560 bn from the sale of a stake in its African unit and a phased sale of its holding in the entity created by the merger of Indus Towers and Bharti Infratel Ltd. (mint)
- **Infosys** struggles to sell distressed asset Panaya. It is now valued at less than half the price Infosys paid for it in 2015. (Mint)
- The Reserve Bank of India (RBI) has given an in-principle nod to Life Insurance Corporation (LIC) for acquiring a majority stake in **IDBI Bank**. The government-owned insurance behemoth had sought the banking regulator's nod before it had approached the Insurance Regulatory and Development Authority (IRDAI) for seeking regulatory approvals. (BS)
- The Centre is likely to divest 5% to 10% of **Coal India's** equity through an offer for sale in an effort to comply with the norm requiring listed companies to have at least 25% public shareholding. (ET)
- **JK Paper** said the NCLT has approved its Rs 3.71 bn bid for debt-ridden Sirpur Paper Mills under the insolvency resolution process. (ET)
- The board of directors of Novelis, a subsidiary of **Hindalco,** will take a call on whether to go ahead with its proposed acquisition of Aleris Corp for $2.5 billion. The acquisition of Aleris, a US-based aluminium rolling firm, if approved, will require additional fundraising, including via American depository receipts, by Novelis. (BS)
- **Hatsun Agro Product Ltd** proposes to set up a dairy manufacturing plant in the State of Maharashtra and has identified the location for construction of the Plant. The installation of the dairy plant is expected to be commissioned before end of December 2019.(BS)

What's Inside

- **Initiating Coverage:** Central Depository Services (India) Ltd
- **Result Update:** Ultratech Cement 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

Initiating Coverage

CENTRAL DEPOSITORY SERVICES (INDIA) LTD

PRICE RS. 254 **TARGET RS.320** **BUY**

Stock Details

Market cap (Rs mn)	:	26543
52-wk Hi/Lo (Rs)	:	398 / 252
Face Value (Rs)	:	10
3M Avg. daily vol	:	386,767
Shares o/s (m)	:	105

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	1,910	2,089	2,366
Growth (%)	30.8	9.4	13.2
EBITDA	1,137	1,230	1,401
EBITDA margin (%)	59.5	58.9	59.2
PAT	1,032	1,105	1,251
EPS	9.9	10.6	12.0
EPS Growth (%)	20.3	7.1	13.2
BV (Rs/share)	10	11	12
Dividend/share (Rs)	3.5	4.2	4.8
ROE (%)	17.2	16.6	16.9
ROCE (%)	17.8	17.1	17.4
P/E (x)	25.7	24.0	21.2
EV/EBITDA (x)	18.4	16.7	14.3
P/BV (x)	4.4	4.0	3.6

Source: Kotak Securities - PCG; Company

Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoters	24.0	24.0	24.0
FII	1.6	2.2	2.3
DII	48.7	48.0	48.9
Others	25.7	25.8	24.8

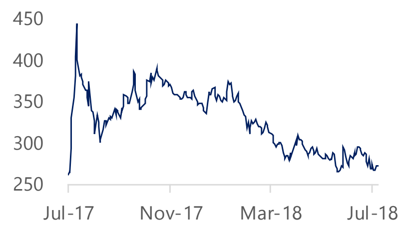
Source: Company

Price Performance (%)

(%)	1M	3M	6M
Central Dep Ser	(13.3)	(11.5)	(27.7)
Nifty	2.3	3.7	0.6

Source: Bloomberg

Price chart



Source: Bloomberg

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Central Depository Services (India) (CDSL) stable revenue base and fixed cost model enables the company to register strong margins in line with revenue growth. Repeat business in multiple offerings across DP's, corporate, capital market intermediaries, insurance companies and others has enabled the company to clock ~21% CAGR top-line growth over FY14-FY18, while cost (employee) increased by only 14% during the same period. High FCF generation, stable dividend policy (~40%) and a strong balance sheet (net cash of Rs5.5bn, at end of FY18) provide further support. Stable growth in annual issuer charges, increased market traction, higher number of IPO and inflow in MFs (KYC), is expected to help the company deliver revenue CAGR of 11.3% over FY18-20E. EBITDA is expected to increase at a CAGR of 11% and margin is likely to remain strong in the range of ~59%. We forecast ~10% EPS CAGR over FY18-FY20E and value the core earnings at 32x FY20E and add back net cash to arrive at a target price of Rs320/share, implying an upside of 26%.

Key investment argument

- **Repeat business in multiple offerings provides stability to operating income:** CDSL has a high stability of operating income from the fixed annual charges collected from its diversified client base. The revenue stream is diversified, with 52% of revenues being market-linked (transaction charges/IPO & corporate action/KYC are 21/11/13% of revenues). Annual issuer charges (~29% of rev) are determined by SEBI and collected from a diversified base of issuers (~9.8K), providing stability. The remaining 19% of revenue is derived from other services like e-voting, e-CAS, account maintenance etc. The company has clocked ~21% CAGR top-line over the past four years. We expect revenue to grow at 11.3% CAGR during the FY18-FY20E period.

- **Market share doubled in last decade:** Despite being a late entrant in the market, CDSL has been gaining market share from NSDL. CDSL BO accounts market share stands at 46.5% in FY18 (almost doubled in 10 years) and market share in incremental account additions is ~60%. DP friendly culture, flexible tariff structure, low cost offerings and retail focus are the prime reasons for market share gain.

- **Strong operating activities and limited capex to keep FCF strong:** CDSL operates in largely fixed operating cost environment, with employee expenses and software development (IT)/maintenance costs constituting ~50% of its total costs. CDSL's costs recorded an 8% CAGR over FY14-18, while its revenue increased 21% CAGR over the same period, resulting in its EBITDA margin increasing from 39.4% in FY13 to 59.5% in FY18, as revenue growth surpassed cost inflation. Given the diversified but stable revenue stream, we expect EBITDA margin to remain strong. Besides this, downward revision in contribution to the Investor Protection Fund (IPF) in FY16 to 5% from 25% (of PBT, excluding other income), has also given a boost to cash flow. High cash flow from operations and limited capex is expected to keep CDSL's free cash flow positive around ~Rs1bn going forward.

Outlook and Valuation

CDSL's annuity based revenue stream, new growth avenues of Insurance & Academics, fixed operating costs, robust cash flow generation coupled with a strong balance sheet and stable dividend policy is likely to drive earnings growth and keep valuation at the higher side. Return ratios are optically suppressed due to net cash of Rs5.5bn (of which Rs2.2bn is on account of regulatory requirements) in the Balance Sheet. We forecast ~10% EPS CAGR over FY18-FY20E and value the core earnings at 32x FY20E and add net cash (~Rs64/share) to arrive at a target price of Rs320/share, implying an upside of 26%. Higher multiples is on account of strong balance sheet, healthy return ratios after adjusting for cash, strong free cash flow generation and healthy operating margin. Besides this, compulsory demat of unlisted companies (if it materialises), will further support higher valuation. At CMP, the stock is trading at 24x and 21.2x FY19E and FY20E earnings, respectively.

Key Risks

a) Low pricing power, b) dependence on capital market volume, c) regulatory oversight, d) loss of KYC business after the appointment of Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) are the key risks to our estimates.

Result Update

ULTRATECH CEMENTS LTD

PRICE RS.3857 **TARGET RS.4726** **BUY**

Key Highlights

- Ultratech Cement revenues were ahead of our estimates led by better than expected realization. Volumes registered an improvement of 33% YoY due to ramp up of acquired plants of Jaiprakash Associates. Blended realizations declined by 1.6% YoY while corresponding increase of 4.6% YoY in costs resulted in putting pressure on margins.
- Power and fuel cost and freight cost per tonne had moved up in line with higher pet coke prices (up 35% YoY) as well as higher diesel prices (up 20% YoY). We expect costs to remain high going forward owing to higher power and fuel and freight costs per tonne but improvement in blended realizations going forward is likely to aid margins. Net profit performance was marginally ahead of our estimates.

Valuation & Outlook

At current price of Rs 3857, stock is trading at 34.9x/27.7x P/E and 16.1x/13.7x EV/EBITDA on FY19/FY20 estimates. We tweak our estimates to factor in slightly lower margins and higher volumes and arrive at a revised price target of Rs 4726 based on average of 17x EV/EBITDA and $200 per tonne EV/Tonne for FY20. (Rs 4978 earlier). We maintain BUY on Ultratech Cements. Key risk to our estimates would come from ban on pet coke usage in captive power plants or ban on import of pet coke and usage in kiln, lower than expected demand revival, steep increase in costs or pressure on cement prices.

Revenue growth boosted by incremental volumes

Company's revenues for Q1FY19 were ahead of our estimates due to better than expected realization. Total volumes including exports were up by 32.7% YoY and includes the volume of acquired JP assets. Blended realizations declined by 1.6% YoY. Company's blended realizations (including RMC and white cement) during Q1FY19 stood at Rs 4946 per tonne as against Rs 5024 per tonne in Q1FY18. Sequentially, the realizations are up by 1.5%. Cement volumes including cement and clinker exports stood at 17.5 MT for Q1FY19 as against 13.2 MT during Q1FY18. Company has also enhanced the end-consumer connect through UBS ramp up and added nearly 40 stores during the quarter.

Cement prices witnessed an increase of 4-5% in central and western markets while declined marginally in northern and southern markets. Prices in eastern markets were steady on sequential basis. However, the June exit prices are higher than the Q1FY19 average prices across regions and prices are further expected to move up post monsoons.

Capacity utilization at the acquired JP Associates plants stood at 70% during Q1FY19 and company has improved the operational efficiencies of these plants by reducing costs by 20% and increasing pet coke usage to 83% vs 75% in Q4FY18. These capacities are likely to achieve PBT break even by Q4FY19/Q1FY20.

We tweak our estimates and expect cement volumes of 67/73 MT and blended realization of Rs 5235/5313 per tonne for FY19/20 respectively. We thus expect revenues to grow at a CAGR of 14% between FY18-20.

Stock Details

Market cap (Rs mn)	:	1059275
52-wk Hi/Lo (Rs)	:	4600 / 3563
Face Value (Rs)	:	10
3M Avg. daily volume	:	331,740
Shares o/s (m)	:	275

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	297,901	350,756	387,838
Growth (%)	24.7	17.7	10.6
EBITDA	58,833	71,701	81,968
EBITDA margin (%)	19.7	20.4	21.1
PAT	24,869	30,386	38,295
EPS (Rs)	90.6	110.7	139.5
EPS Growth (%)	-5.1	22.1	26.0
BV (Rs/share)	944.3	1042.0	1168.8
Dividend/share (Rs)	10.5	10.5	10.5
ROE (%)	10.0	11.1	12.6
ROCE (%)	12.6	12.9	15.0
P/E (x)	42.6	34.9	27.7
EV/EBITDA (x)	20.1	16.1	13.7
P/BV (x)	4.1	3.7	3.3

Source: Company

Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoters	62.0	62.0	62.1
FII	21.2	22.3	22.6
DII	6.8	5.8	5.8
Others	9.4	9.9	9.6

Source: Company

Price Performance (%)

(%)	1M	3M	6M
Ultratech Cement	5.7	(6.0)	(10.3)
Nifty	2.3	3.7	0.6

Source: Bloomberg

Price chart

Source: Bloomberg

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Financial highlights

(Rs mn)	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Net Sales	**86,550**	**66,265**	**30.6**	**90,025**	**-3.9**
Expenditure	70,312	50,664		72,997	
Inc/Dec in trade	-1,056	-681		93	
RM	11,726	9,040		11,751	
As a % of net sales	13.5	13.6		13.1	
Purchase of finished goods	2,972	1,188		2,943	
As a % of net sales	3.4	1.8		3.3	
Staff cost	4,684	3,803		4,192	
As a % of net sales	5.4	5.7		4.7	
Power and fuel	18,676	12,174		18,980	
As a % of net sales	21.6	18.4		21.1	
Transportation & Handling	22,295	15,880		22,750	
As a % of net sales	25.8	24.0		25.3	
Other expenditure	11,016	9,261		12,289	
As a % of net sales	12.7	14.0		13.7	
Operating Profit	**16,238**	**15,601**	**4.1**	**17,028**	**-4.6**
Operating Profit Margin	18.8	23.5		18.9	
Depreciation	4,860	3,098		4,806	
EBIT	**11,378**	**12,503**	**-9.0**	**12,222**	**-6.9**
Interest	3,356	1,285		3,348	
EBT(exc other income)	8,022	11,218	-28.5	8,874	-9.6
Other Income	731	1,652		-1,204	
EBT	**8,753**	**12,870**	**-32.0**	**7,671**	**14.1**
Tax	2,769	3,963		2,791	
Tax Rate (%)	31.6	30.8		36.4	
PAT	**5,984**	**8,906**	**-32.8**	**4,880**	**22.6**
Other comprehensive income	-130	75		-352	
Net Profit	**6,114**	**8,832**	**-30.8**	**5,231**	**16.9**
NPM (%)	7.1	13.3		5.8	
Equity Capital	2,746.2	2,745.2		2,746.1	
EPS	**21.8**	**32.4**		**17.8**	**22.6**

Source: Company

Demand scenario: Demand in northern region during Q1FY19 was led by infrastructure spend, rural spend and individual housing spend and momentum is likely to be maintained going forward. Western region demand was led by pickup in affordable housing demand and infrastructure push while southern region demand was led by IHB as well as development of infrastructure in AP/Telangana. Demand in eastern region was led by low cost housing and rural housing projects. The momentum is expected to be maintained in FY19 and going forward also.

Company management is quite optimistic about the demand growth going forward and expects demand to grow by 9-10% going forward. Company expects the supply growth of 3-4% in next 2-3 years with incremental supplies of 40-45MT while expects demand to grow by 9-10% which would result in narrowing the DD-SS gap and hence improve the capacity utilization. Demand growth of 9-10% is likely to be led by continued push of government towards infrastructure projects, metro projects, upcoming Bharatmala road project awarding, affordable housing, rural demand pick up etc.

Capex plan and merger details with Century cement assets: Company commissioned second cement grinding capacity at Dhar - 1.75 MTPA and the Bara plant of 4MT is expected to be commissioned by Q4FY19. Ultratech's capex of Rs1.94bn towards a 0.4mtpa wall care putty plant is expected to be commissioned by Q2FY20.

During Q1FY19, Ultratech Cements had announced the merger of cement assets of 13.4MT of Century Textiles with itself at a valuation of $106 per tonne and translating into 16.5x EV/EBITDA on FY18 earnings. We view this deal to be positive for Ultratech Cements as the assets are already operational and are going to be profit accretive right from merger and are likely to be earnings accretive within one year of merger.

The Cement business of Century Textiles consists of 3 integrated cement units in MP, Chattisgarh and Maharashtra with a total capacity of 11.4 MT and a grinding unit in West Bengal of 2 MT. It also has limestone reserves of 439 MT that will last for more than 35 years. This division operated at capacity utilization of 75% and reported revenues of Rs 43 bn and EBITDA of Rs 4.9 bn for FY18. The deal is likely to get completed by Jan-Mar, 2019 and post that company is likely to spend nearly Rs 5 bn to upgrade the capacities as well as for completing the land acquisition for mines in Chattisgarh.

The deal will include issue of 1 equity share of Ultratech Cements for 8 equity shares of Century Textiles and Industries Limited. Total new shares to be issued by Ultratech Cements would be 14mn, thereby enhancing its equity capital by 5.08%. We would incorporate the upside in volumes, operating profit and equity capital after we reach closer to the completion of deal.

Operating margins impacted by higher costs on YoY basis but operational efficiencies improved performance sequentially

- Operating margins for the quarter stood at 18.8% against 18.9% in Q4FY18/23.5% in Q1FY18. Margin decline on yearly basis was mainly led by higher costs. Realizations per tonne declined by 1.6% YoY and cost per tonne moved up by 4.6% YoY. Company is trying to strengthen the cost efficiencies by reducing lead distance, reducing power consumption, usage of alternative additives and increased usage of low cost fuel.
- Raw material cost including finished goods cost moved up on yearly basis due to additional royalty on limestone mine transfer as well as higher additive costs.
- Power and fuel cost per tonne witnessed an increase on YoY basis during the quarter due to higher pet coke prices as well as rupee depreciation. Average pet coke price during Q1FY19 stood at $114 per tonne while current prices range around $119 per tonne. The differential between pet coke prices and domestic/imported coal has increased and company may shift a few of its plants to domestic/imported fuel in order to save power costs. Current pet coke usage in kilns is 75%. Company is also setting up new WHRS capacities of 62MW which post commissioning will meet 15% of the power requirement.
- Freight costs per tonne on yearly basis have moved up due to higher diesel prices but company achieved reduction in overall lead distance by 6% during Q1FY19.
- EBITDA per tonne for Q1FY19 stood at Rs 928 per tonne as against Rs 922 per tonne in Q4FY18 and Rs 1183 per tonne in Q1FY18.

Sales and cost break up

Per tonne analysis (Rs)	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Dispatches (mn tonne)	17.50	13.19	32.7	18.47	-5.3
Blended Realisation/tonne	4946	5024	-1.6	4874	1.5
Cost per tonne	**4018**	**3841**	**4.6**	**3952**	**1.7**
Raw material	610	634		641	
Finished goods	170	90		159	
Staff cost	268	288		227	
Power and fuel	1067	923		1028	
Transportation &Handling	1274	1204		1232	
Other expenditure	629	702		665	
EBITDA per tonne	**928**	**1183**	**-21.6**	**922**	**0.6**

Source: Kotak Securities – Private Client Research

We tweak our estimates and expect margins of 20.4%/21.1% for FY19/20 respectively.

Net profit performance marginally ahead of our estimates

Net profit performance was marginally ahead of our estimates led by healthy volume growth and operational efficiencies. We tweak our estimates to factor in higher volumes and slightly lower realizations and expect net profits to grow at a CAGR of 30% between FY18-20.

Valuation and recommendation

At current price of Rs 3857, stock is trading at 34.9x/27.7x P/E and 16.1x/13.7x EV/EBITDA on FY19/FY20 estimates. We tweak our estimates to factor in slightly lower margins and higher volumes and arrive at a revised price target of Rs 4726 based on average of 17x EV/EBITDA and $200 per tonne EV/Tonne for FY20. (Rs 4978 earlier). We maintain BUY on Ultratech Cements. Key risk to our estimates would come from ban on pet coke usage in captive power plants or ban on import of pet coke and usage in kiln, lower than expected demand revival, steep increase in costs or pressure on cement prices.

About the company

UltraTech Cement (UCL) is the largest pan-India cement company with cement capacity of 96.5 mtpa. In FY18, UltraTech expanded capacity by acquiring 21.2mtpa from Jaiprakash Associates. Company also has 80% stake in Dubai-based Star Cement, which has 3mtpa cement capacity comprising 2.1mtpa in the Middle East, 0.5mtpa cement grinding capacity in Bangladesh and 0.4mtpa cement grinding capacity in Bahrain.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
Revenues	**238,914**	**297,901**	**350,756**	**387,838**
% change YoY	0.8	24.7	17.7	10.6
EBITDA	**49,690**	**58,833**	**71,701**	**81,968**
% change YoY	7.4	18.4	21.9	14.3
Other Income	6,600	5,947	6,000	6,000
Depreciation	12,679	17,636	19,798	20,588
EBIT	**43,610**	**47,144**	**57,903**	**67,380**
% change YoY	14.5	8.1	22.8	16.4
Net interest	5,714	11,863	14,913	13,091
Profit before tax	**37,896**	**35,281**	**42,989**	**54,289**
% change YoY	14.9	(6.9)	21.8	26.3
Tax	11,482	10,706	12,897	16,287
as % of PBT	30.3	30.3	30.0	30.0
Profit after tax	**26,414**	**24,576**	**30,093**	**38,002**
Other Comprehensive income	(196)	293	293	293
Net income	**26,218**	**24,869**	**30,386**	**38,295**
% change YoY	10.5	(5.1)	22.2	26.0
Shares outstanding (m)	274.4	274.5	274.6	274.6
EPS (reported) (Rs)	95.5	90.6	110.7	139.5
CEPS (Rs)	141.7	154.8	182.7	214.4
DPS (Rs)	10.00	10.50	10.50	10.50

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end March)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	509	639	1,168	533
Accounts receivable	12,762	17,142	17,298	19,126
Inventories	22,250	31,015	30,751	34,002
Others	15,781	12,808	16,160	16,668
Current assets	51,301	61,604	65,378	70,330
Good will&Other non CA	4,525	26,895	26,895	26,895
LT investments	95,755	66,894	66,894	66,894
Net fixed assets	241,169	387,271	387,472	386,884
Total assets	**392,750**	**542,664**	**546,639**	**551,003**
Payables	17,138	23,435	24,024	26,564
Others	35,859	33,087	33,087	33,087
Current liabilities	52,997	56,523	57,112	59,651
Provisions	4,302	6,221	9,693	9,693
LT debt	62,716	188,950	161,950	128,950
Other liabilities	33,325	31,741	31,741	31,741
Equity	2,745	2,746	2,746	2,746
Reserves	236,665	256,484	283,398	318,222
Total liabilities	**392,750**	**542,664**	**546,639**	**551,003**
BVPS (Rs)	872.4	944.3	1,042.0	1,168.8

Source: Company, Kotak Securities – Private Client Research;

Cash flow Statement

(Year-end March)	FY17	FY18	FY19E	FY20E
EBIT	43,414	47,437	58,196	67,673
Depreciation	12,679	17,636	19,798	20,588
Change in working capital	6,154	(3,876)	(2,655)	(3,048)
Chg in other current and non current assets	6,589	(26,552)	3,472	-
Operating cash flow	68,836	34,645	78,811	85,213
Interest	(5,714)	(11,863)	(14,913)	(13,091)
Tax	(11,482)	(10,706)	(12,897)	(16,287)
CF from operations	**51,640**	**12,077**	**51,001**	**55,836**
Capex	(12,672)	(163,738)	(20,000)	(20,000)
(Inc)/dec in investments	(16,229)	28,861	-	-
CF from investments	**(28,901)**	**(134,877)**	**(20,000)**	**(20,000)**
Proceeds from issue of equity	-	-	-	-
Inc/(dec) in debt	(19,849)	126,234	(27,000)	(33,000)
Proceeds from share premium	-	-	-	-
Dividends	(3,138.9)	(3,304.1)	(3,471.6)	(3,471.6)
CF from financing	**(22,988)**	**122,930**	**(30,472)**	**(36,472)**
Opening cash	758	509	639	1,168
Closing cash	509	639	1,168	533

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end March)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	20.8	19.7	20.4	21.1
EBIT margin (%)	18.3	15.8	16.5	17.4
Net profit margin (%)	11.0	8.3	8.7	9.9
Receivables (days)	18.3	18.0	18.0	18.0
Inventory (days)	32.6	32.0	32.0	32.0
Sales/Net fixed assets(x)	1.0	0.8	0.9	1.0
Interest coverage (x)	7.6	4.0	3.9	5.1
Debt/equity ratio (x)	0.3	0.5	0.6	0.5
ROE (%)	11.5	10.0	11.1	12.6
ROCE (%)	14.5	12.6	12.9	15.0
EV/Tonne ($)	228.8	245.5	178.3	173.3
EV/ Sales (x)	4.3	4.0	3.3	2.9
EV/EBITDA(x)	20.6	20.1	16.1	13.7
Price to earnings (x)	40.4	42.6	34.9	27.7
Price to book value (x)	4.4	4.1	3.7	3.3

Source: Company, Kotak Securities – Private Client Research

Forthcoming events

Date	Event
20-Jul	Bajaj Auto, Havells India, Kansai Nerolac earnings expected
21-Jul	HDFC Bank earnings expected
23-Jul	ACC, Hindustan Zinc, Saregama earnings expected
24-Jul	Asian Paint, Century Ply, Kajaria Ceramics, Radico Khaitan earnings expected
25-Jul	Crompton Greaves, Hero MotoCorp, JSW Steel, KPIT, L&T earnings expected
26-Jul	Biocon, Colgate Palmolive, Concor, Dr. Reddy's, Eveready Ind, ITC, Jindal Stainless (Hisar), Maruti Suzuki India, Petronet LNG, Tata Power earnings expected
27-Jul	Bank of Baroda, Genus Power, HCL Tech, ICICI Bank earnings expected
28-Jul	Balmer Lawrie, JK Cement, Persistent earnings expected
30-Jul	Axis Bank, GSPL, HDFC, IDFC, IDFC Bank, Shree Cement, Tech Mahindra earnings expected
31-Jul	BEL, Bludart, Castrol India, Dabur, MGL, Redington, Supreme Ind, Tata Motors, Tech Mahindra, Vedanta,

Source: www.bseindia.com

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Definitions of ratings

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
REDUCE	–	We expect the stock to deliver 0% - 5% returns over the next 12 months
SELL	–	We expect the stock to deliver negative returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	-	We advise investor to subscribe to the IPO.
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NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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