

MAY 6, 2019

	3-May	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	38,963	(0.0)	0.2	6.8
NIFTY Index	11,712	(0.1)	0.6	7.5
NSEBANK Index	29,954	0.8	(0.5)	10.6
NIFTY 500 Index	9,625	(0.1)	(0.4)	6.3
CNXMcap Index	17,465	0.0	(3.7)	2.8
BSEMSCAP Index	14,548	(0.3)	(2.9)	4.3
World Indices				
Dow Jones	26,505	0.7	0.3	4.4
Nasdaq	8,164	1.6	2.8	10.7
FTSE	7,381	0.4	(0.9)	2.9
NIKKEI	22,308	0.5	5.0	7.7
Hangseng	30,082	0.5	(3.2)	3.6
Shanghai	3,078	0.5	(8.3)	11.0

Value traded (Rs cr)	3-May		% Chg Day
Cash BSE	2,071		(18.2)
Cash NSE	29,335		(13.2)
Derivatives	-		-

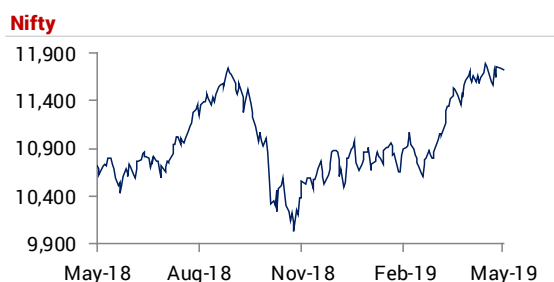
Net inflows (Rs cr)	2-May		
	MTD	YTD	
FII	545	0	68,221
Mutual Fund	(813)	(813)	(3,475)

Nifty Gainers & Losers	3-May		
	Price (Rs)	Chg (%)	Vol (mn)
Gainers			
Indiabulls Housing	706	3.8	10.4
Bharti Airtel	331	2.2	9.7
NTPC Ltd	135	1.8	9.2
Losers			
TCS	2,132	(3.8)	3.8
Britannia Ind	2,696	(3.1)	1.9
Tech Mahindra	817	(2.3)	2.3

Advances / Declines (BSE)					
3-May	A	B	T	Total	% total
Advances	194	351	53	598	100
Declines	266	586	62	914	153
Unchanged	1	42	11	54	9

Commodity	3-May	% Chg		
		1 Day	1 Mth	3 Mths
Crude (US\$/BBL)	69.4	(2.0)	(1.3)	10.8
Gold (US\$/OZ)	1,279.2	0.7	(0.7)	(1.8)
Silver (US\$/OZ)	14.9	2.1	(1.6)	(5.1)

Debt / Forex Market	3-May			
	1 Day	1 Mth	3 Mths	
10 yr G-Sec yield %	7.4	7.4	7.3	7.4
Re/US\$	69.2	69.4	68.4	71.8



Source: Bloomberg

News Highlights

- ▶ With an aim to enable the further recapitalization of public sector banks (PSBs), the Finance Ministry may seek a relaxation for PSBs in the market regulator Sebi's norms for entities requiring promoters to have 75 per cent holdings in them. (ET)
- ▶ **Tata Motors** may phase out small diesel cars from its portfolio as demand is expected to slow down due to upcoming BS-VI emission norms that would make such vehicles expensive. (Mint)
- ▶ **Oil and Natural Gas Corp** has received the green nod to drill six development wells in Assam at an estimated cost of Rs 2.4 Bn. The Union Environment Ministry has given the environment clearance for six development wells in five mining lease blocks in Jorhat and Golghat districts, according to an official document. (ET)
- ▶ **Lupin Somerset** is recalling the drug in various strengths due to "failed impurities/degradation specifications", the latest enforcement report by the US Food and Drug Administration (USFDA) said. (BL)
- ▶ India's government sees little hope of a bidder emerging for debt-laden **Jet Airways Ltd**, two senior finance ministry officials said. (Mint)
- ▶ **L&T MBDA Missile Systems Ltd**, a joint venture between L&T and France's missile systems manufacturer MBDA, has received in-principle approval from the government for its proposed unit for assembly of missile weapon systems at the Aspen Infrastructure Ltd Special Economic Zone (SEZ) in Coimbatore. (BL)
- ▶ ThyssenKrupp said that it still saw scope for agreement with European antitrust regulators on a planned joint venture with **Tata Steel** despite a Financial Times report that Brussels was likely to block the deal. (Mint)
- ▶ **Bajaj Auto Ltd** has made a strong comeback in the domestic motorcycle market. The company has steadily increased its market share to 20% in the fourth quarter of FY19, after sliding to a low of 14% seven quarters ago. (Mint)
- ▶ **Infibeam Avenues** said that it has terminated services of chartered accountancy firm S.R.B.C & Co. LLP as one of the joint statutory auditors of the company on grounds of sharing of unpublished price-sensitive information. (BS)
- ▶ Private power transmission companies have written to the Competition Commission of India, Comptroller and Auditor General and power regulator Central Electricity Regulatory Commission, alleging predatory pricing by **Power Grid Corp (PGCIL)** in the midst of auctions of some Rs 90 Bn projects. (ET)
- ▶ **Tata Power**, the country's largest integrated power company, has drawn a blueprint to collapse several of its estimated 95-plus subsidiaries with an eye on profitability and a nimbler operational structure. (ET)
- ▶ **Vodafone Idea Ltd.**'s Rs 250 Bn rights issue -- the largest so far by the company, received a good response from both foreign and public shareholders as the issue was oversubscribed nearly 1.08 times. (Mint)

What's Inside

- ▶ **Result Update:** Radico Khaitan Ltd, Blue Star Ltd, NIIT Technologies Ltd

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

Result Update

RADICO KHAITAN LTD

Stock Details

Market cap (Rs mn)	:	48304
52-wk Hi/Lo (Rs)	:	500 / 297
Face Value (Rs)	:	2
3M Avg. daily vol (Nos)	:	631,396
Shares o/s (mn)	:	133

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	20,969	23,014	25,576
Growth (%)	15.0	9.7	11.1
EBITDA	3,503	3,838	4,400
EBITDA margin (%)	16.7	16.7	17.2
PAT	1,881	2,226	2,664
EPS	14.1	16.7	20.0
EPS Growth (%)	52.3	18.4	19.7
Book value (Rs/share)	99	114	132
Dividend per share (Rs)	1.4	1.7	2.0
ROE (%)	15.3	15.7	16.3
ROCE (%)	17.1	19.1	21.3
P/E (x)	25.7	21.7	18.1
EV/EBITDA (x)	14.5	12.9	10.9
P/BV (x)	3.7	3.2	2.7

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	40.4	40.4	40.4
FII	22.7	23.3	24.3
DII	5.9	5.4	5.1
Others	28.8	28.6	27.4

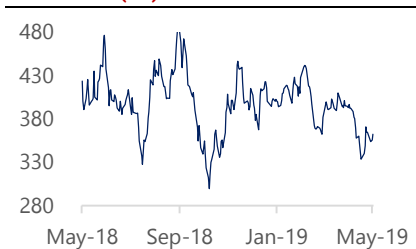
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Radico Khaitan Ltd	(8.7)	(15.3)	(8.8)
Nifty	0.6	7.5	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE Rs.362

TARGET Rs.440

BUY

Radico Khaitan Q4FY19 results was broadly inline with our estimates driven by strong volume growth in prestige and above category.

Key Highlights

- The net revenue for the quarter grew by 6.1% yoy to Rs 5.1 bn and was ahead of our estimates, driven by 6.2% yoy growth in IMFL volume which was at 5.1 mn cases. Volume in Prestige and above category grew at 22.1% yoy while Regular category grew at a slower pace of 1.3% yoy. Volume growth in regular category were slower due to company reducing focus on low price category.
- EBITDA margin at 14% was below our estimates of 14.8% due to 24% yoy increase in sales and distribution expenses. Gross margin improved by 200 bps on yoy despite rise in ENA and glass bottle prices due to better product mix.
- The company has maintained volume growth guidance of 8-9% with prestige and above category expected to grow at 13-15% in volume terms in FY20E. But, due to rise in raw material prices and continued focus on brand building, EBITDA margin for FY20E is expected to be flattish.

Quarterly performance table

Year to March (INR Mn.)	Q4FY19	Q4FY18	%Change	Q3FY19	%Change
Net Revenues	5,100	4,808	6.1	5,529	(7.8)
Raw Materials Cost	2,448	2,408	1.7	2,785	(12.1)
Gross Profit	2,652	2,400	10.5	2,744	(3.4)
Employee Expenses	451	414	9.2	433	4.3
Selling & Distribution exp	766	617	24.2	723	6.0
Other Expenses	717	704	1.9	630	13.8
Operating Expenses	4,383	4,142	5.8	4,571	(4.1)
EBITDA	717	665	7.7	958	(25.2)
EBITDA margin	14.0%	13.8%		17.3%	
Depreciation	109	102	6.1	107	1.6
Other income	36	101	(64.4)	28	30.3
Net finance expense	77	148	(47.8)	76	1.2
Profit before tax	567	516	9.9	802	(29.4)
Provision for taxes	176	174	1.3	281	(37.4)
Reported net profit	390	342	14.2	521	(25.1)
As % of net revenues					
Gross Profit	52.0	49.9		49.6	
Employee cost	8.9	8.6		7.8	
Selling & Admin exp	15.0	12.8		13.1	
Other Expenses	14.1	14.6		11.4	
Operating expenses	86.0	86.2		82.7	
Reported net profit	7.7	7.1	9.4		
Tax rate (% of PBT)	31.1	33.7		35.1	

Source: Company

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Valuation & outlook

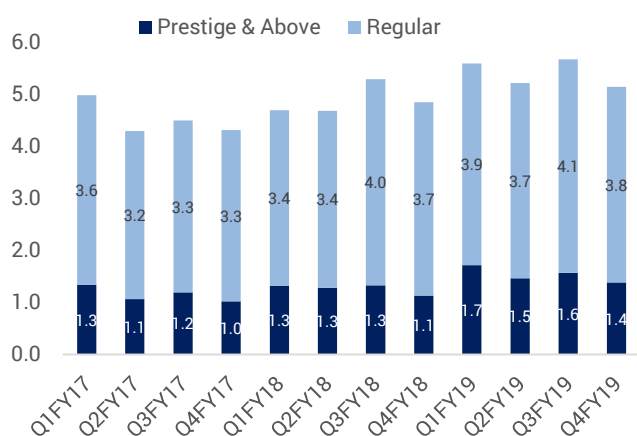
We have cut our margin estimates for FY20E by 130 bps and also reduced the volume growth estimates in regular category resulting in 9% reduction in EPS estimates. We have also introduced FY21E estimates. Based on FY20E/FY21E EPS of Rs 16.7/20, the stock is trading at PE of 21.7/18.1x. We maintain our BUY rating on the stock with revised target price of Rs 440 (Vs Rs460 earlier), valuing the stock at 22x FY21E EPS (Vs 25x FY20E), as we roll forward our valuation multiple to FY21E.

Revenue growth ahead of our estimates

Net revenue for the quarter grew by 6.1% yoy at Rs 5.1 bn Vs estimates of Rs 4.9 bn driven by 22.1% yoy volume growth in prestige and above category and 1.3% yoy volume growth in regular category. The slower growth in regular category was due to company reduced supply to southern states due to unattractive prices in those states after increased raw material prices. In terms of volume mix, prestige category contributed 26.7% of the quarterly volume and regular category contributed 73.2%. The mix changed in favour of prestige and above category. Contribution from prestige and above category continued to increase in FY19 as well and was at 28.3% in volume terms and 49.5% in value terms, as the company continued to increase focus towards this category.

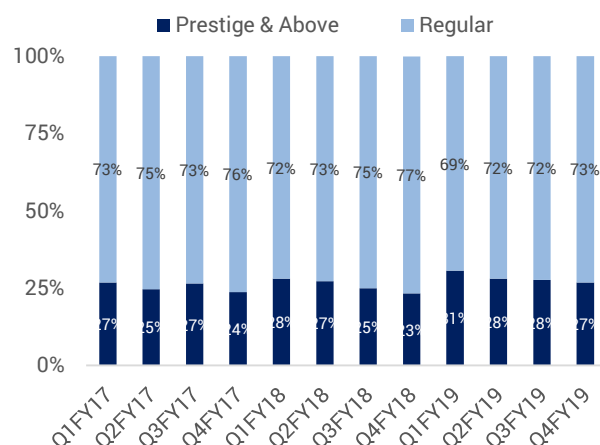
The growth in volume is driven by higher yoy growth rate in UP with increase in market share in the state, due to open market policy implemented the state government. Its recently launched brands 8PM Premium Black whisky and 1965- Spirit of Victory rum has gained traction in both consumers as well as the trade channels. The company is now distributing 8PM Premium Black in 8 northern states and intends to launch it in other states in FY20E. Magic Moment gained market share to 56% and achieved volume of over 4 mn cases based on continued focus towards branding. The repackaged premium version of Magic Moment Vodka, branded as Verve, grew faster and achieved 20% market share in premium vodka category. In addition, semi luxury variant of Morpheus brandy helped in growing this brand and achieved 56% market share in super premium brandy category in India.

Volume trend (mn cases)



Source: Company

Volume Mix (%)



Source: Company

EBITDA margin below our estimates

EBITDA for the quarter grew by 7.7% yoy with EBITDA margin at 14%, improved by 20 bps yoy and was below our estimates of 14.8%. Margin disappointment came in despite 200 bps improvement in gross margin in the challenging raw material price environment. This was primarily due to higher selling and distribution expenses which was up 24.2% yoy. The company continued to focus on marketing investments to build brands. The advertising and sales promotion expenses increased by 58.6% yoy to Rs. 1.4 bn in FY19 and has helped the company to sustain high growth in prestige and above category. Higher growth in prestige and above category helped the company to improve gross margin by 200 bps to 52% in Q4FY19. Raw material prices have increased in the recent past due to higher ENA prices and glass bottle prices. As per management, the company has sufficient low cost raw material inventory which can take care of its requirement for H1FY19. The company believes that molasses based ENA prices in future would depend upon the next sugar season. The company is also positive on price hikes from the state governments in future which can help it in improving margin further.

Reduced net debt by Rs 2.5 bn in FY19, Aims to be debt free in FY21E

Based on volumes and lower interest expenses on yoy, PAT for the quarter grew by 14.2% yoy to Rs 390 mn (Vs estimates of Rs 402 mn). The company has reduced its net debt by Rs 2.5bn in FY19 (vs Rs 2.76 bn in 9MFY19) to Rs 3.2 bn which was driven by strong operating and free cash flows. On qoq, the net debt has increased on account of increase in working capital due to delayed payment from some states. The company targets to reduce its debt further based on strong cash flows and intends to be net debt free in FY21E.

Targets 8-9% volume growth with flattish margin in FY20E

The management has maintained guidance of 8-9% growth in overall volume in FY20E with prestige & above category expected to grow at a faster pace of 13-15%, while regular category is expected to grow at lower single digit on yoy. The growth will be driven strong performance of existing brands in prestige and above category as well as further pickup in new brands. Its recent launches like 8PM Black which is premium variant of 8PM whisky and 1965 premium rum are doing well. The management is confident of improving its margins in the longer run based of improved realization led by better product mix. However, due to increased raw material prices and higher ad spend for brand building, the EBITDA margin for FY20E is estimated to be flattish (in the range of 16.5-17%).

Other highlights

- The gross debt of the company at the end of FY19 stood at Rs 3.37 bn which includes Rs 3.02 bn of working capital loan and Rs 0.35 bn of term loan.
- Last year UP market grew at 30% yoy due to ease in government policy towards liquor sales and distribution in the state. As per management, growth rate in UP is expected to moderate to ~10% in FY20E.
- On CPCB observations on zero liquid discharge system of one of RKL's plant, the company has submitted all required details to the authority and is awaiting further response from them. The company is positive on resolution of the issue in near future.

Outlook and valuation

We have cut our FY20E volume growth estimates to 7.1% (Vs 8.5% earlier) driven by lower growth rate of 4% (Vs 6% earlier) in regular category due to unfavorable prices. We have also cut our EBITDA margin estimates for FY20E by 130 bps to 16.7% by factoring in higher raw material prices and increased sales and promotion expenses. Based on this, we have cut our EPS estimates for FY20E by 9% on yoy to Rs 16.7 (Vs earlier estimates of Rs 18.4). We have also introduced FY21E estimates based on 8.7% growth in volume and 4.5% growth in average realization. Based on this, we expect RKL's net revenue and PAT to grow at a CAGR of 10% and 19% respectively in FY19-21E. Based on FY20E/FY21E EPS of Rs 16.7/20, the stock is trading at PE of 21.7/18.1x. We maintain our BUY rating on the stock with revised target price of Rs 440 (Vs Rs460 earlier), valuing the stock at 22x FY21E EPS (Vs 25x FY21E), as we roll forward our valuation multiple to FY21E.

Change in estimates

Particulars (Rs mn)	Previous estimates		Revised/Actual/New estimates			YoY (%)	
	FY19E	FY20E	FY19A	FY20E	FY21E	FY19A	FY20E
Revenue	20955	23259	20969	23014	25576	0.1	(1.1)
EBITDA margin (%)	17.2	18	16.7	16.7	17.2	(49) bps	(132) bps
PAT	1957	2453	1881	2226	2664	(4.0)	(9.3)
EPS (Rs)	14.7	18.4	14.1	16.7	20.0	(4.0)	(9.3)

Source: Kotak Securities - Private Client Research

Company Background

Radico Khaitan Ltd (RKL) is one of the largest players in the Indian spirits industry and owns brands like 8PM whisky, Magic Moments vodka, etc. The company was formerly known as Rampur Distillery which was established in 1943. The promoter Mr. Lalit Khaitan along with his father bought Rampur Distillery in 1972. The company was operating as bottler for other spirit companies till 1999, when it forayed into its own brand. Now, RKL has evolved from a distillery player to a branded IMFL player in India with presence across product categories and has 4 brands in 1mn cases annual sales category. It operates three distilleries and one JV with total capacity of 157 million liters (30 mn cases of IMFL and 7 mn cases of country liquor) and 33 bottling units spread across the country. It has strong sales network through over 55,000 retail outlets across India. It is presently the market leader in premium vodka category with its brand Magic Moments. The company is increasing focus on premium/prestige category (Price >Rs 300/750ml) which is contributing 28% of its volume and 49.5% in value terms while regular brands (Price <Rs300/750ml) contributes 72% in volume and 50.5% in value terms in FY19.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	18,228	20,969	23,014	25,576
% change yoy	8.5	15.0	9.7	11.1
EBITDA	2,698	3,503	3,838	4,400
% change yoy	28	30	10	15
Depreciation	409	424	431	451
EBIT	2,289	3,079	3,407	3,949
Other Income	267	133	133	133
Interest	682	355	159	35
Profit Before Tax	1,873	2,857	3,382	4,047
% change yoy	72.0	52.6	18.4	19.7
Tax	638	976	1,156	1,383
as % of EBT	34.1	34.2	34.2	34.2
PAT	1,235	1,881	2,226	2,664
% change yoy	54.1	52.3	18.4	19.7
Shares outstanding (mn)	133	133	133	133
EPS (Rs)	9.3	14.1	16.7	20.0
DPS (Rs)	0.7	1.4	1.7	2.0
CEPS (Rs)	12.3	17.3	19.9	23.4
BVPS (Rs)	85.7	98.6	113.7	131.7

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Pre-Tax Profit	1,873	2,857	3,382	4,047
Depreciation	409	424	431	451
Change in WC	705	978	-659	-917
Other operating activities	-377	-881	-1,156	-1,493
Operating Cash Flow	2,609	3,378	1,998	2,088
Capex	-405	-507	-300	-500
Free Cash Flow	2,205	2,871	1,698	1,588
Change in Investments	0	494	0	0
Investment cash flow	-405	-13	-300	-500
Equity Raised	1	0	0	0
Debt Raised	-2,065	-2,555	-1,700	-1,300
Dividend & others	-113	-153	-221	-265
CF from Financing	-2,178	-2,707	-1,921	-1,565
Change in Cash	27	658	-223	23
Opening Cash	141	168	825	603
Closing Cash	168	825	603	626

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Paid - Up Equity Capital	267	267	267	267
Reserves	11,155	12,883	14,887	17,287
Net worth	11,421	13,149	15,154	17,553
Borrowings	5,925	3,370	1,670	370
Net Deferred tax	925	1,125	1,125	1,125
Total Liabilities	18,271	17,645	17,949	19,049
Gross block	8,098	8,647	8,947	9,447
Depreciation	1,244	1,669	2,100	2,550
Net block	6,854	6,979	6,848	6,897
Capital work in progress	202	160	160	160
Total fixed assets	7,056	7,139	7,008	7,057
Investments	2,054	1,560	1,560	1,560
Inventories	3,109	3,597	3,948	4,387
Sundry debtors	6,300	6,417	7,043	7,827
Cash and equivalents	168	825	603	626
Loans and advances & Others	3,322	2,159	2,267	2,494
Total current assets	12,898	12,999	13,860	15,334
Sundry creditors and others	3,819	4,366	4,792	5,326
Provisions	914	787	787	787
Total CL & provisions	4,733	5,154	5,579	6,113
Net current assets	8,165	7,845	8,281	9,221
Other net assets	996	1,101	1,101	1,211
Total Assets	18,271	17,645	17,949	19,049

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Profitability Ratios				
EBITDA margin (%)	14.8	16.7	16.7	17.2
EBIT margin (%)	12.6	14.7	14.8	15.4
Net profit margin (%)	6.8	9.0	9.7	10.4
Adjusted EPS growth (%)	53.8	52.3	18.4	19.7
Balance Sheet Ratios:				
Receivables (days)	126.2	111.7	111.7	111.7
Inventory (days)	62.2	62.6	62.6	62.6
Loans & Advances	66.5	37.6	36.0	35.6
Payable (days)	76.5	76.0	76.0	76.0
Cash Conversion Cycle	178.4	135.9	134.3	133.9
Asset Turnover	1.0	1.2	1.3	1.3
Net Debt/ Equity	0.5	0.2	0.1	(0.0)
Return Ratios:				
RoCE (%)	12.3	17.1	19.1	21.3
RoE (%)	11.4	15.3	15.7	16.3
Valuation Ratios:				
P/E (x)	39.1	25.7	21.7	18.1
P/BV (x)	4.2	3.7	3.2	2.7
EV/EBITDA (x)	20.0	14.5	12.9	10.9
EV/Sales (x)	3.0	2.4	2.1	1.9

Source: Company, Kotak Securities – Private Client Research

Result Update

BLUE STAR LTD (BSL)

Stock Details

Market cap (Rs mn)	:	67270
52-wk Hi/Lo (Rs)	:	830 / 507
Face Value (Rs)	:	2
3M Avg. daily vol (Nos)	:	69,779
Shares o/s (mn)	:	95.3

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	47,830	56,440	65,202
Growth (%)	8.3	18.0	15.5
EBITDA	2,973	3,886	4,601
EBITDA margin (%)	6.2	6.9	7.1
PAT	945	2,052	2,457
EPS	12.7	21.5	25.8
EPS Growth (%)	-2.6	69.7	19.7
BV (Rs/share)	104.5	114.3	128.4
Dividend/share (Rs)	10.0	10.0	10.0
ROE (%)	12.2	19.7	21.2
ROCE (%)	12.7	17.1	19.2
P/E (x)	54.9	32.4	27.0
EV/EBITDA (x)	23.5	17.9	15.0
P/BV (x)	6.8	6.2	5.5

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	38.8	38.8	38.8
FII	8.5	8.5	8.3
DII	22.1	22.1	22.2
Others	30.6	30.6	30.7

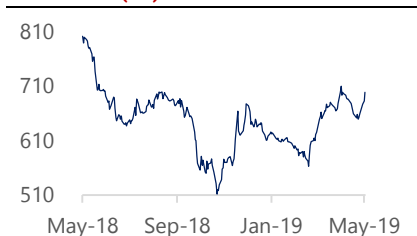
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Blue Star	0.8	16.3	22.6
Nifty	0.6	7.5	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE Rs.697

TARGET Rs.713

REDUCE

BSL reported good set of quarterly earnings. While revenue missed our estimates but margin gains in the Unitary Cooling business led to reported profits beating our profit forecast. Management commentary was positive on business outlook.

Key Highlights

- The Unitary Cooling segment reported margin gain of 370 bps on a y-o-y basis on account of 1) lower expenses on sales promotion 2) removal/reduction in discounts on products as inventory had normalized by the end of Q3FY19 itself 3) higher realizations on room ACs on account of increase in sales of Inverter ACs and 4) Price hikes taken in earlier quarters
- Order book at the end of Q4FY19 stands at Rs 24.3 bn, up 20.5% on a y-o-y basis.

Valuation and Outlook

- In terms of valuation, the stock is trading at 32.4x and 27.0x FY20E and FY21E earnings.
- We roll forward our earnings multiple to FY21E, post which our price target stands revised to Rs 713 (Rs 620 earlier).
- In view of modest upside, we downgrade the rating from "ADD" earlier to "Reduce".

Standalone Q4FY19 Results

(Rs mn)	Q4 FY19	Q4 FY18	YoY (%)
Net sales	14813	12445	19.0
Raw material costs	8140	4044	101.3
Purchase of Stock in Trade	3061	5221	-41.4
Staff costs	974	977	-0.3
Other expenditure	1747	1696	3.0
Total Expenditure	13921	11937	16.6
PBDIT	892	508	75.7
Other income	51	39	33.0
Depreciation	219	170	28.7
EBIT	724	376	92.6
Interest	110	92	20.0
PBT	614	285	116.0
Tax	174	81	114.7
PAT before non recurring items	441	204	116.5
Exceptional items	-26	53	-149.5
Reported PAT	414	256	61.7
EPS Rs per share	4.9	2.3	
PBDIT (%)	6.0%	4.1%	
Raw material cost to sales (%)	75.6%	74.4%	
Other expenditure to sales (%)	11.8%	13.6%	
Staff costs to sales (%)	6.6%	7.8%	
Tax rate (%)	28.3%	28.5%	

Source: Company

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Reported Vs Estimated performance

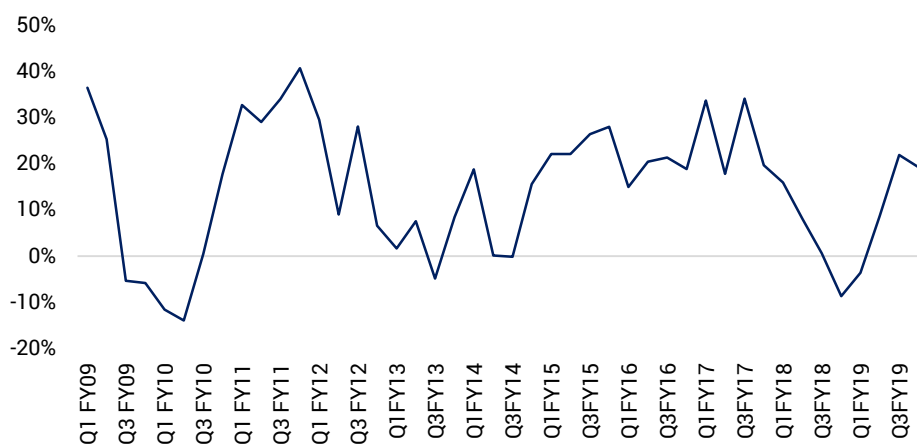
(Rs mn)	Reported	Estimated
Revenue	14,813	15,774
EBITDA %	6.0%	5.7%
Adj PAT	441	429

Source: Company and Kotak Securities – Private Client Research

Result Highlights

- BSL reported revenues of Rs 14.8 bn in Q4FY19, up 19% on a yoy basis.
- The Electro Mechanical Projects and Packaged Airconditioning Systems (MEP) business accounted for 52% of the total revenues in the quarter. Revenue growth in this segment remain was healthy at 19% on a y-o-y basis and was driven by the increased pace of execution of projects, and a pick-up in the central air conditioning business, especially chillers and VRF systems.
- The company continued to maintain leadership position in Electro Mechanical Projects and Packaged Airconditioning Systems. Further, it enhanced market share in VRF AC segment.
- Unitary Cooling Products segment (primarily Room ACs but also including commercial refrigeration products) accounted for 48% of the total revenues of the company during the quarter.
- While the room ACs revenue which accounts for bulk of the segment's revenue grew at a tepid pace of 6% y-o-y, the overall revenue growth of the segment was strong at 19% y-o-y as other product categories like the Deep freezers, Water dispensers and Water Purifiers recorded strong growth.
- Room AC revenues were bogged down by contraction in demand for ACs as volume degrew but higher realisations owing to improved product mix (higher share of inverter ACs) offset the impact.
- Nevertheless, BSL outperformed the industry in value terms, thus enhancing its market share further to 12.3% in FY19 (as against 11.5% in FY18).

YoY growth in "Unitary Cooling Products"



Source: Company

Segment Revenue

Rs mn	Q4 FY19	Q4FY18	YoY (%)
Electro- Mechanical Projects and Packaged Air Conditioning Systems	7775	6541	19%
Unitary Cooling products	7038	5900	19%

Source: Company

EBITDA margins came in line with expectations

EBITDA margins rose by 190 bps on a y-o-y basis to 6.0% despite contraction in gross margins by 200 bps y-o-y to 24% on the back of reduction in operating expenses and specifically the sales and advertisement expenses.

Segment-wise, the MEP (Mechanical Electrical & Plumbing) segment reported 100 bps contraction in EBIT margin, which the was due to fluctuations in project completion of various ongoing projects, the management indicated.

Segment margins in Unitary Cooling products business rose sharply due to 1) lower expenses on sales promotion 2) reduction in discounts on products as inventory had normalized by the end of Q3FY19 and 3) higher realisations on room ACs on account of increase in sales of Inverter ACs.

Segment margins

(%)	Q4 FY19	Q4FY18
Electro- Mechanical Projects and Packaged Air Conditioning Systems	3.6%	4.6%
Unitary Cooling products	10.4%	6.7%

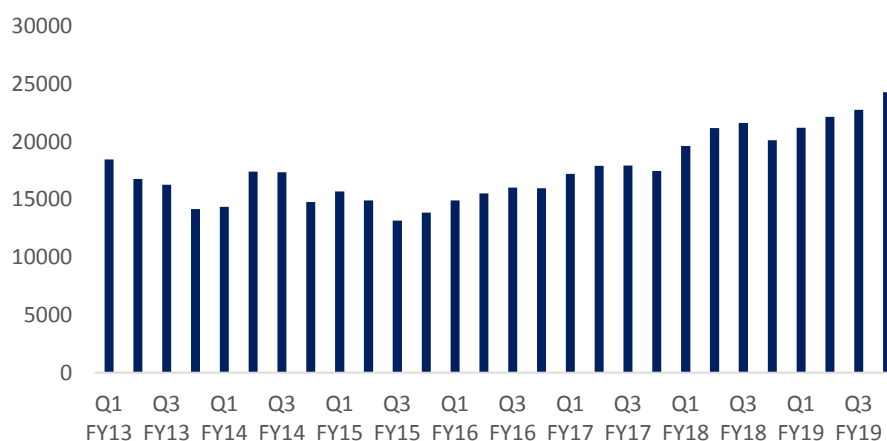
Source: Company

Order book up 21% y-o-y

Order book at the end of Q4FY19 stands at Rs 24.3 bn, up 20.5% on a y-o-y basis. Although the traditional drivers of the MEP segment (IT/ITES and Retail) have remain muted, the company is seeing traction in demand from Offices, industrial establishments, and Government-funded infrastructure projects like Metro and Healthcare.

Order intake in the FY19 stood at Rs 29.5 bn as against Rs 24.9 bn in FY18, registering a growth of 18.5%.

Order book (Rs mn)



Source: Company

Conference call highlights

- Working capital remained tightly managed despite challenging business environment. Consequently, net borrowings reduced to Rs 2.46 bn as on Mar 31, 2019 from Rs 2.9 bn as on Mar 31, 2018.
- Going ahead, the company intends to keep increasing the share of in-house manufacturing to reduce costs.
- The company has planned capex of Rs 750 mn in FY20E.
- From January 2020, efficiency rating change is scheduled to be implemented (The earlier rating change had taken place in January 2018). Based on this, there could be some competitive pressure in the third quarter as manufacturers would strive to clear out the inventory of low starred ACs which will get phased out from January 2020.

Guidance

In the Electro-Mechanical Projects and Packaged Air Conditioning Systems (MEP) segment, the management is forecasting healthy growth. It expects construction activity to gain momentum post the formation of the new government.

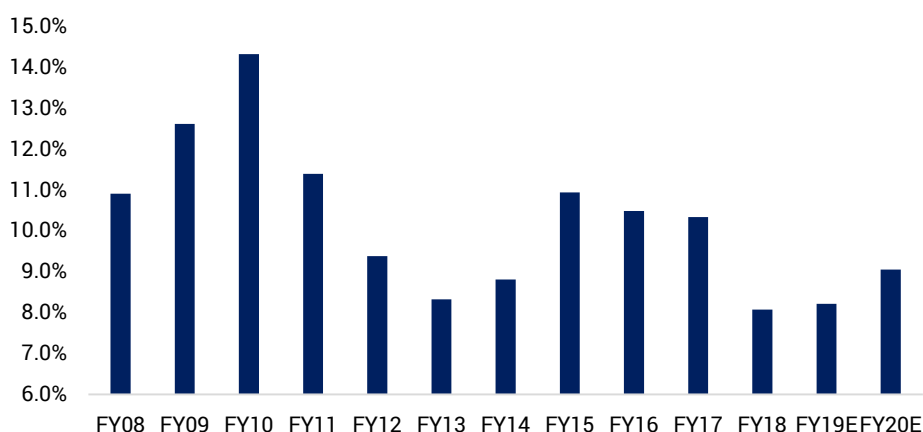
The management expects EBIT margins in Electro-Mechanical Projects and Packaged Air Conditioning Systems to inch closer to 6.0% as against 5.7% in FY19.

The management expects the room AC industry to return to its normalized growth of 10-12% in FY20E, though this number itself may turn out to be conservative as it is coming on the back of weak growth in FY19 as in all probability the industry growth expectations have moderated.

As in earlier fiscals, BSL's room AC volumes should continue to outperform market growth in FY20E as well, the management believes.

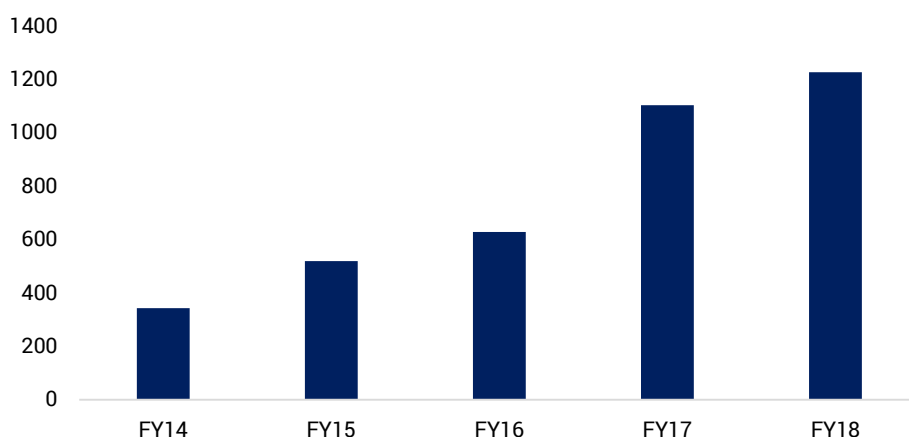
Segment margins in Unitary Cooling segments to remain inch closer to earlier 9-9.5% in FY20E, the management guided.

Segment margin in "Unitary Cooling"



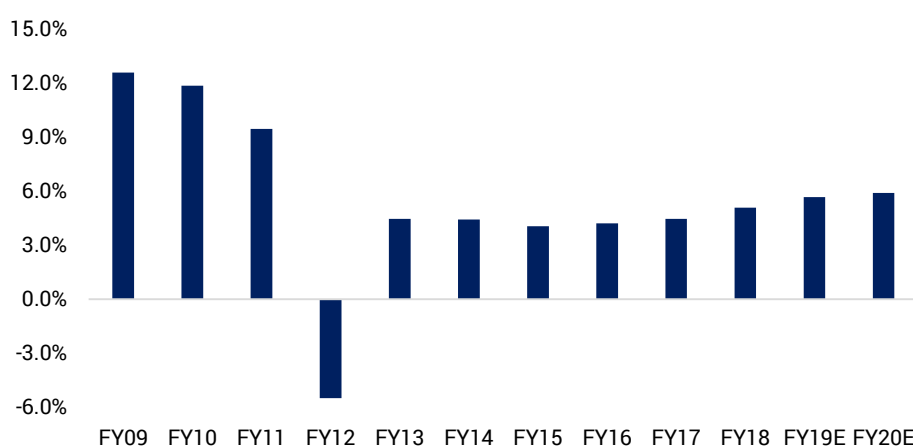
Source: Company and Kotak Securities – Private Client Research

Advertising and Sales promotion expenses (Rs mn)



Source: Company

Segment margins in Electromechanical projects



Source: Company and Kotak Securities – Private Client Research

Overall tax rate should inch up to 29% by FY20E, the management indicated.

Earnings Revision (FY20)

Rs mn	Earlier	Revised
Revenue	57070	56440
EBITDA (%)	6.8%	6.9%
EPS	23.20	21.5
% change		-7%

Source: Company and Kotak Securities – Private Client Research

Recommend “Reduce”

In terms of valuation, the stock is trading at 32.4x and 27.0x FY20E and FY21E earnings.

We roll forward our earnings to FY21E, post which our price target stands revised to Rs 713 (Rs 620 earlier).

In view of modest upside, we downgrade the rating from “ADD” earlier to “Reduce”.

SOTP valuation

Segment	Target PE	Est EPS (FY20E)	Target Price
Unitary Cooling Products	26	15.1	393
Electro- Mechanical Projects and Packaged Air Conditioning Systems	22	10.7	235
Subsidiary - BSEEL	18	4.7	85
Total			713

Source: Company and Kotak Securities – Private Client Research PCG

Company Background

Blue Star is India's leading air conditioning and commercial refrigeration company with close to 75 years of experience in providing expert cooling solutions, and has a network of 35 offices, 5 modern manufacturing facilities, 2200 dealers and 600 retailers. It fulfills the cooling requirements of a large number of corporate, commercial as well as residential customers. It also offers expertise in allied contracting activities such as mechanical, electrical, plumbing and fire-fighting services, in order to offer turnkey solutions, apart from execution of specialised industrial projects. The Company's integrated business model of a manufacturer, contractor and after-sales service provider enables it to offer an end-to-end solution to its customers, which has proved to be a significant differentiator in the market place. It has also recently forayed into the business of residential water purifiers as well as air purifiers and air coolers.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	44,160	47,830	56,440	65,202
% change yoy	7.5	8.3	18.0	15.5
EBITDA	2,452	2,973	3,886	4,601
% change yoy	22.9	21.2	30.7	18.4
Depreciation	606	692	750	889
EBIT	1,847	2,281	3,136	3,712
% change yoy	27.8	23.5	37.5	18.4
Net Interest	229	449	435	503
Other Income	161	231	190	300
Earnings Before Tax	1,779	2,063	2,890	3,510
% change yoy	20.0	15.9	40.1	21.4
Extraordinary income				
Tax	(538)	(854)	(838)	(1,053)
as % of EBT	-30.2	-41.4	-29.0	-30.0
PAT bef XO items	1,241	1,209	2,052	2,457
% change yoy	4.0	(2.6)	69.7	19.7
Extraordinary income/(loss)	179	(265)	-	-
Reported Net Income	1,420	945	2,052	2,457
Shares outstanding (m)	95.3	95.3	95.3	95.3
EPS (Rs)	13.0	12.7	21.5	25.8
DPS (Rs)	10.0	10.0	10.0	10.0
CEPS	17.9	19.9	29.4	35.1

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
PBDIT	2,452	2,973	3,886	4,601
Tax and adjustments	(276)	(1,179)	(838)	(1,053)
Cash flow from operations	2,176	1,794	3,048	3,548
Net Change in Working Capital	(1,912)	(2,701)	(523)	(976)
Net Cash from Operations	264	(906)	2,525	2,572
Capital Expenditure	(869)	(1,030)	(750)	(750)
Cash from investing	109	224	190	300
Net Cash from Investing	(760)	(806)	(560)	(450)
Interest paid	(229)	(449)	(435)	(503)
Issue of Shares	1	(1)	-	-
Dividends Paid	(864)	(1,115)	(1,115)	(1,115)
Debt Raised	1,708	444	(144)	(500)
Net cash from financing	616	(1,121)	(1,695)	(2,118)
Net change in cash	120	(2,833)	270	4
Free cash flow	(605)	(1,936)	1,775	1,822
Cash at end	646	280	550	555

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash and cash equivalents	646	280	550	555
Accounts receivable	9,548	10,160	11,133	12,862
Stocks	8,224	8,578	10,360	11,969
Loans and Advances	85	99	85	85
Others	2,430	5,485	5,952	6,952
Current Assets	20,934	24,150	27,629	31,970
Other non current assets	4,248	1,781	1,781	1,781
Intangible assets	631	606	606	606
LT investments	2,201	2,209	2,209	2,209
Net fixed assets	2,348	2,562	2,686	2,547
Deferred tax assets	878	779	779	779
CWIP	184	308	184	184
Total Assets	31,424	32,849	33,326	40,528
Payables	17,747	18,202	21,648	25,009
Others	334	761	-	-
Current liabilities	18,081	18,962	21,648	25,009
LT debt	3,200	3,644	3,500	3,000
Other liabilities	284	284	284	284
Equity & reserves	9,853	9,955	10,892	12,234
Total Liabilities	31,424	32,849	33,326	40,528
BVPS (Rs)	103.4	104.5	114.3	128.4

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBITDA margin (%)	5.6	6.2	6.9	7.1
EBIT margin (%)	4.2	4.8	5.6	5.7
Net profit margin (%)	2.8	2.5	3.6	3.8
Adjusted EPS growth (%)	4.0	-2.6	69.7	19.7
Receivables (days)	78.9	77.5	72.0	72.0
Inventory (days)	68.0	65.5	67.0	67.0
Sales / Net Fixed Assets (x)	18.8	18.7	21.0	25.6
ROE (%)	11.6	12.2	19.7	21.2
ROCE (%)	12.0	12.7	17.1	19.2
EV/ Sales	1.6	1.5	1.2	1.1
EV/EBITDA	28.1	23.5	17.9	15.0
Price to earnings (P/E)	60.1	54.9	32.4	27.0
Price to book value (P/B)	6.9	6.8	6.2	5.5
Price to cash earnings	38.8	34.9	23.7	19.9

Source: Company, Kotak Securities – Private Client Research

Result Update

NIIT TECHNOLOGIES LTD

Stock Details

Market cap (Rs mn)	:	78126
52-wk Hi/Lo (Rs)	:	1425 / 971
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	590,010
Shares o/s (mn)	:	62

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	36,762	42,983	50,207
Growth (%)	22.9%	16.9%	16.8%
EBITDA	6,452	7,696	9,030
EBITDA margin (%)	17.6	17.9	18.0
PAT	4,033	5,193	6,079
EPS	65.3	84.0	98.4
EPS Growth (%)	44%	29%	17%
BV (Rs/share)	335	396	469
Dividend/share (Rs)	18.0	21.0	23.7
ROE (%)	21.0	23.0	22.7
ROCE (%)	21.6	23.5	23.3
P/E (x)	19.4	15.1	12.9
EV/EBITDA (x)	11.2	9.1	7.5
P/BV (x)	3.8	3.2	2.7

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	30.6	30.7	30.7
FII	37.8	40.7	40.7
DII	18.2	15.3	15.3
Others	13.3	13.2	13.2

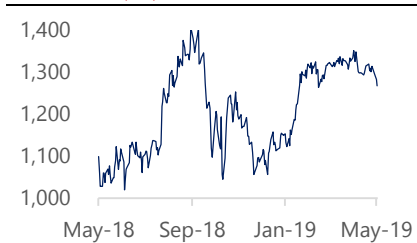
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
NIIT Technologies	(6.0)	(2.2)	8.6
Nifty	0.6	7.5	11.0

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

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PRICE RS.1268

TARGET RS.1377

ADD

NIIT Tech's Q4FY19 revenue grew by 2% qoq to USD138mn (13% yoy), above our estimate of USD136.3mn. Travel, Transportation & Hospitality vertical revenue was up 2.5% qoq. However, revenue from Insurance vertical was down 6.5% qoq (27.7% of revenue mix) which has impacted the overall performance in Q4FY19. Reported PAT has grown by mere 5% qoq (despite low base) due to rupee appreciation, higher SG&A expenses, and exceptional loss of Rs.56 mn.

NIIT Tech plans to invest Rs 700-800 mn in areas like digital capabilities, etc. in FY20E. The company expects improvement in operating margin to 18% in FY20. The company reported eight consecutive quarter of improvement in deal wins sequentially. In Q4FY19, order intake was USD170 mn leading to USD 390mn of firm business executable over the next 12 months, giving decent revenue visibility.

Key Highlights

- ❑ NIIT Tech's revenue at USD 138mn was up 2% sequentially (marginally above our estimates) driven by broad-based growth across verticals. Constant currency revenue growth stood at 1.3% sequentially.
- ❑ Revenue growth was led by continued growth in the largest focus vertical of transportation. Travel, Transportation & Hospitality (TTH) vertical revenue was up 2.5% qoq (contributed 27.1% v/s 26.5% in Q3FY19) due to continued ramp up in top accounts in US and EMEA. However, revenue from Insurance was down 6.5% qoq (27.7% v/s 29.6% in Q3FY19) on account of lower product revenue. Banking and Financial Services (BFS) revenue increased by 5.3% qoq on account of higher revenue in US and EMEA (16.2% v/s 15.4% in Q3FY19), and revenue from other verticals rose by 1.7% qoq (29.0% v/s 28.5% in Q3FY19) on account of growth in Digital and IMS.
- ❑ The company has signed a definitive agreement for the sale of entire 88.99% stake in Esri India Technologies Ltd (GIS business) on April 6, 2019 and hence from FY20, the business will be monitored excluding GIS. Hence, to that extent FY19&FY20 are not comparable.
- ❑ In Q4FY19, operating margins stood at 17.6%, lower by 42 bps yoy and 102 bps qoq due to non-recurring cost, excluding non-recurring cost it is 18.1% and on constant currency terms operating margins stood at 18.3%. The company expects improvement in operating margin in FY20.
- ❑ PAT excluding non-recurring cost at 1,143 mn, higher 32.8% yoy and 14.1% qoq.
- ❑ NIIT Tech continues to win USD 170mn deal during the quarter with 12 month executable order rising to USD 390mn from USD 375mn in previous quarter. Fresh order intake of USD 170mn includes US (USD 94 mn), EMEA (USD 45 mn), ROW (USD 31mn). Additionally, 11 new customers added: 6 in US and 5 in ROW.
- ❑ Digital revenues at 30%, reflecting sequential growth of 4% and 45% yoy. Decline in IMS due to lower revenue from India Govt business on account of elections. Decline in IP based due to lower revenue in NIIT Tech.

Valuation & outlook

We are introducing FY21E earnings and roll-forward our valuation on FY21E earnings. We expect NIITTECH to report an EPS of Rs.84/share (earlier Rs.79.8/-) in FY20E and an EPS of Rs. 98.4/share in FY21E supported by healthy order intake and margin improvement. We expect revenue to grow at CAGR of ~17% over FY19-21E. We maintain ADD with a revised target price of Rs.1377 (Rs.1356 earlier), valuing at 14x FY21E.

Quarterly result update

P&L A/C (Rs. Mn)	Mar-19	Dec-18	Mar-18	YoY (%)	QoQ (%)
Revenue (US\$ Mn)	138	135	122	13	2
Exch rate	70	72	64.55	9	(2)
Revenue growth in CC					1.3
Net Revenue	9,722	9,717	7,888	23	0
Direct cost	6,293	6,280	5,000	26	0
Gross Profit	3,429	3,437	2,888	19	(0)
Gross Margin (%)	35%	35.4%	37%	(0)	-0.001
Selling/General And Admin (SGA)	1,722	1,632	1,470	17	6
EBIDTA	1,707	1,805	1,418	20	(5)
EBIDTA MARGIN (%)	17.6%	18.6%	18%		
Depreciation	303	314	305	(1)	(4)
EBIT	1,404	1,491	1,113		
Other income	47	5	147	(68)	840
Interest-net	0	0	0		
PBT	1,451	1,496	1,260	15	(3)
Extra ordinary Exp/(Inc)	56	-	-		
Tax	296	445	288	3	(33)
PAT	1,099	1,051	973	13	5
Less: Minority Interest	44	49	112	(61)	(10)
Adj PAT (post MI)	1,055	1,002	861	23	5
EPS (Rs.)	17.1	16	14.0	23	5

Source: Company

Margin details

	Mar-19	Dec-18	Mar-18	YoY (bps)	QoQ (bps)
EBITDA Margin (%)	17.6	18.6	18.0	(42)	(102)
EBIT Margin (%)	14.4	15.3	14.1	33	(90)
Adj PAT Margin (%)	10.9	10.3	10.9	(6)	54
Other Income/PBT (%)	3.2	0.3	11.7	(843)	290
Tax/PBT (%)	20.4	29.7	22.8	(242)	(935)

Source: Company

Quarterly result analysis

- **Revenue in US dollar terms:** NIITTECH's Q4FY19 consolidated revenue increased by 2% qoq (+13% yoy) to US\$ 138mn (as against our expectation of US\$ 136.3 mn) driven by broad-based growth across verticals. Constant currency revenue growth was at 1.3% sequentially.
- Revenue growth was led by continued growth in the largest focus vertical of transportation. Travel, Transportation & Hospitality (TTH) vertical revenue was up 2.5% qoq due to continued ramp up in top accounts in US and EMEA, (contributed 27.1% v/s 26.5% in Q3FY19). However, revenue Insurance was down 6.5% qoq (27.7% v/s 29.6% in Q3FY19) on account of lower product revenue from NITL. Banking and Financial Services (BFS) revenue increased by 5.3% qoq on account of higher revenue in US and

EMEA (16.2% v/s 15.4% in Q3FY19), and revenue from other verticals rose by 1.7% qoq (29.0% v/s 28.5% in Q3FY19) on account of growth in Digital and IMS.

- **Revenue (Rupee terms):** Consolidated revenues increased by mere 0.1% qoq to Rs.9.7 bn (+23% yoy) due to rupee appreciation and lower revenue from Insurance business.
- **Direct cost:** Employee cost increased by mere 0.2% qoq to Rs.6.3 bn (26%) in Q4FY19 despite, 119 people were added during the quarter taking headcount to 10,263 by Q4FY19 end.
- **Sales and marketing expenses:** The Company's SG&A expenses increased meaningfully by 6% qoq to Rs.1.7 bn (+17 yoy). In Q4FY19, SG&A expenses as a percent of revenues increased by 90 bps qoq to 17.71%. The company has guided that SG&A expenses is expected to remain around these levels in FY20.
- **Operating profit (Rs. Mn):** NIITTECH reported decrease in EBIDTA qoq to Rs.1.7bn in Q4FY19 (-5% qoq and +20% yoy) due to flattish revenue growth, and higher SG&A expenses.
- **Operating margin (%):** In Q4FY19, operating margins stood at 17.6%, lower by 42 bps yoy and 102 bps qoq due to non-recurring cost, excluding non-recurring cost it is 18.1% and on constant currency terms operating margins stood at 18.3%. The company expects improvement in operating margin to 18% in FY20.
- **PAT:** Reported PAT has grown by 5% qoq (despite low base) due to flattish topline growth, higher SG&A expenses, and exceptional loss of Rs.56 mn. PAT excluding non-recurring cost at 1,143 mn, higher 32.8% yoy and 14.1% qoq.

Maintain ADD

We are introducing FY21E earnings and roll-forward our valuation on FY21E earnings. We expect NIITTECH to report an EPS of Rs.84/share (earlier Rs.79.8/-) in FY20E and an EPS of Rs. 98.4/share in FY21E supported by healthy order intake and margin improvement. We expect revenues to grow at CAGR of ~23% over FY19-21E. We maintain ADD with a revised target price of Rs.1377 (Rs.1356 earlier), valuing at 14x (same as earlier) FY21E.

Company Background

NIIT Technologies is a leading IT solutions organisation with customers across North America, Europe, Middle East, Asia and Australia. Company offers comprehensive end to end software solutions and services in Application Development, Managed Services, Cloud Computing, and Business Process Outsourcing. It primarily caters to companies across banking and financial, insurance, travel and transportation, manufacturing and government sector.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	29,914	36,762	42,983	50,207
% change YoY	6.8	22.9	16.9	16.8
EBITDA	5,012	6,452	7,696	9,030
% change YoY	3.4	28.7	19.3	17.3
Other Income	298	420	787	885
Depreciation	1,274	1,248	1,379	1,554
EBIT	4,036	5,624	7,104	8,361
% change YoY	15.1	39.3	26.3	17.7
Net interest	0	0	0	0
Profit before tax	4,036	5,624	7,104	8,361
% change YoY	15.1	39.3	26.3	17.7
Tax	949	1,403	1,769	2,132
as % of PBT	23.5	24.9	24.9	25.5
Profit after tax	3,087	4,221	5,335	6,229
Minority interest	285	188	150	150
Share of profit of associates				
Net income	2,802	4,033	5,185	6,079
% change YoY	12.0	43.9	28.6	17.2
Shares outstanding (m)	62	62	62	62
EPS (reported) (Rs)	45.3	65.3	83.9	98.4
CEPS (Rs)	66.0	85.5	106.2	123.5
DPS (Rs)	15.0	18.0	21.0	23.7

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBIT	4,036	5,624	7,104	8,361
Depreciation	1,274	1,248	1,379	1,554
Change in working capital	(734)	(1,435)	(865)	(1,262)
Chgs in other net current assets	-	-	-	-
Operating cash flow	4,576	5,437	7,618	8,652
Interest	-	-	-	-
Tax	(949)	(1,403)	(1,769)	(2,132)
Cash flow from operations	3,627	4,034	5,849	6,520
Capex	(1,598)	(681)	(1,379)	(1,554)
(Inc)/dec in investments	(494)	-	(150)	(150)
Cash flow from investments	(2,092)	(681)	(1,529)	(1,704)
Others	(1,117)	(46)	(75)	-
Increase/(decrease) in debt	105	(45)	(134)	-
Proceeds from share premium	-	-	-	-
Dividends	(415)	(1,339)	(1,560)	(1,762)
Cash flow from financing	(1,427)	(1,430)	(1,769)	(1,762)
Opening cash	4,075	4,183	6,106	8,656
Closing cash	4,183	6,106	8,656	11,711

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash and cash equivalents	4,183	6,106	8,656	11,711
Accounts receivable	5,911	6,189	7,236	8,666
Inventories	3	0	0	0
Loans and Adv & Others	4,149	4,554	5,325	6,220
Current assets	14,246	16,849	21,217	26,596
Misc exp.	0	0	0	0
LT investments	3,652	3,652	3,802	3,952
Net fixed assets	8,800	8,233	8,233	8,233
Total assets	26,698	28,734	33,252	38,781
Payables	1,453	1,453	1,699	1,964
Others	1,983	817	955	1,116
Current liabilities	3,436	2,270	2,654	3,080
Provisions	3,183	3,183	3,602	4,088
LT debt	179	134	0	0
Min. int and others	2,160	2,424	2,499	2,649
Equity	615	618	618	618
Reserves	17,125	20,105	23,879	28,346
Total liabilities	26,698	28,734	33,252	38,781
BVPS (Rs)	288	335	396	469

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBITDA margin (%)	16.8	17.6	17.9	18.0
EBIT margin (%)	13.5	15.3	16.5	16.7
Net profit margin (%)	9.4	11.0	12.1	12.1
Receivables (days)	72.1	61.4	61.4	63.0
Inventory (days)	0.0	-	-	-
Sales/gross assets(x)	1.6	1.8	1.8	1.8
Interest coverage (x)	NA	NA	NA	NA
Debt/equity ratio(x)	0.0	0.0	-	-
ROE (%)	16.2	21.0	22.9	22.7
ROCE (%)	17.5	21.6	23.5	23.3
EV/ Sales	2.5	2.0	1.6	1.3
EV/EBITDA	14.8	11.2	9.1	7.4
Price to earnings (P/E)	28.0	19.4	15.1	12.9
Price to book value (P/B)	4.4	3.8	3.2	2.7

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% 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.
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NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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