

FEBRUARY 15, 2019

	14-Feb	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
SENSEX Index	35,876	(0.4)	0.1	2.1
NIFTY Index	10,746	(0.4)	0.1	1.6
NSEBANK Index	26,971	0.3	(1.0)	4.0
NIFTY 500 Index	8,869	(0.2)	(2.0)	(0.6)
CNXMcap Index	16,372	0.6	(6.9)	(6.4)
BSESMCAP Index	13,364	0.2	(8.1)	(8.1)
<b>World Indices</b>				
Dow Jones	25,439	(0.4)	5.7	0.6
Nasdaq	7,427	0.1	5.7	2.3
FTSE	7,197	0.1	4.4	2.3
NIKKEI	21,140	(0.0)	1.6	(4.2)
Hangseng	21,140	(0.0)	1.6	(4.2)
Shanghai	28,432	(0.2)	4.4	7.3

<b>Value traded (Rs cr)</b>	<b>14-Feb</b>	<b>% Chg Day</b>
Cash BSE	2,525	24.3
Cash NSE	34,646	18.5
Derivatives	1,589,159	82.8

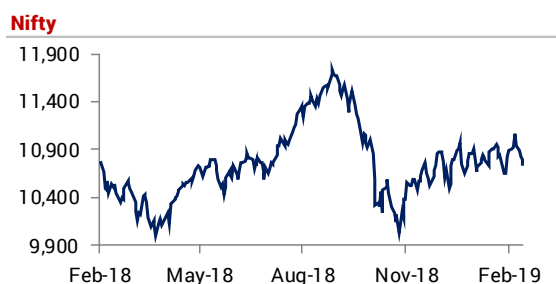
<b>Net inflows (Rs cr)</b>	<b>13-Feb</b>	<b>MTD</b>	<b>YTD</b>
FII	(856)	3,238	2,734
Mutual Fund	996	1,347	8,508

<b>Nifty Gainers &amp; Losers</b>	<b>Price</b>	<b>Chg</b>	<b>Vol</b>
<b>14-Feb</b>	<b>(Rs)</b>	<b>(%)</b>	<b>(mn)</b>
<b>Gainers</b>			
Yes Bank Ltd	221	30.6	264.7
Zee Entertainment	433	6.2	12.7
Indiabulls H	657	6.1	11.5
<b>Losers</b>			
BPCL	316	(4.2)	10.6
Indian Oil	125	(4.0)	24.8
Hindalco Ind	192	(3.3)	10.8

<b>Advances / Declines (BSE)</b>					
<b>14-Feb</b>	<b>A</b>	<b>B</b>	<b>T</b>	<b>Total</b>	<b>% total</b>
Advances	241	440	46	727	100
Declines	187	566	51	804	111
Unchanged	1	24	12	37	5

<b>Commodity</b>	14-Feb	% Chg		
		1 Day	1 Mth	3 Mths
Crude (US\$/BBL)	64.8	0.3	6.8	(2.8)
Gold (US\$/OZ)	1,312.6	0.5	1.8	8.2
Silver (US\$/OZ)	15.6	0.3	(0.1)	8.9

<b>Debt / forex market</b>	<b>14-Feb</b>	<b>1 Day</b>	<b>1 Mth</b>	<b>3 Mths</b>
10 yr G-Sec yield %	7.3	7.3	7.2	7.7
Re/US\$	71.2	70.8	70.9	72.3



Source: Bloomberg

## News Highlights

- ▶ The government announced a Rs 2 per kg, or seven per cent, increase in the minimum selling price (MSP) of sugar to Rs 31 per kg. Sugar mills are expected to get a benefit of Rs 60bn from this move. (BS)
- ▶ A government-appointed expert committee has proposed doubling the national-level minimum wage for a worker in the country to Rs 9,750 a month, up from a floor of Rs 4,576 at present. The committee has alternatively proposed a national minimum wage at various regional levels in the range of Rs 8,892-11,622 a month (depending on local factors) and suggested an additional house rent allowance for urban workers. (BS)
- ▶ The economic growth is likely to accelerate to 7.5 per cent in 2019-20, from 7.2 per cent projected for the current fiscal, Chief Economic Adviser KV Subramanian has said. (Moneycontrol)
- ▶ The Board of **Minda Industries Ltd. (MIL)**, flagship company of UNO MINDA, has approved proposed merger of **Harita Seating Systems Ltd. (HSSL)** with MIL. The transaction encompasses merger of HSSL into MIL; and its 51% holding in Harita Fehrer Limited (HFRL) which is a joint venture with Fehrer Automotive GmbH. (BSE)
- ▶ The board of **Jet Airways Ltd** has approved a plan by its lenders to resolve a near 85 billion rupee (\$1.19 billion) funding gap, which will make them the largest shareholders of India's biggest full-service carrier, Jet said. (ET)
- ▶ **Maruti Suzuki India Ltd** and **Mahindra and Mahindra Ltd** are working on plans to gradually reduce dependence on diesel cars as regulations and market sentiment builds up against the use of the fossil fuel in India. (Mint)
- ▶ **J. Kumar Infra** received order worth Rs4.45 bn for Mumbai Metro Rail Project. (Bloomberg Quint)
- ▶ **Reliance Communications (RCom)** said the telco and its units will pay principal and interest on non-convertible Debentures (NCD) only post the debt resolution process as directed by National Company Law Tribunal (NCLT). (ET)
- ▶ The telecom department has floated a cabinet note on proposed foreign fund infusion plans by **Vodafone Idea Ltd**, which is planning up to Rs 250bn rights issue, according to a source. (ET)
- ▶ US private equity firm KKR is in advanced negotiations to invest as much as Rs 20bn in the **Emami Group** through a structured credit deal, said people with knowledge of the matter. Emami is seeking to repay some of its high-cost debt and raise funds for working capital requirements. (ET)
- ▶ **Kridhan Infra's** Singapore based 100% subsidiary KH Foges Pte. Ltd. ("KH Foges") has been awarded a new order in Singapore worth S\$ 36 Million (INR 1,870mn).

## What's Inside

- ▶ **Result Update:** Asian Granito India Ltd, JK Paper Ltd & NBCC India Ltd

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

## Result Update

# ASIAN GRANITO INDIA LTD

### Stock Details

Market cap (Rs mn)	:	4603
52-wk Hi/Lo (Rs)	:	541 / 130
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	149,842
Shares o/s (mn)	:	30

Source: Bloomberg

### Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Sales	11,556	11,767	12,290
Growth (%)	8.6	1.8	4.4
EBITDA	1,390	941	1,106
EBITDA margin (%)	12.0	8.0	9.0
Net profit	526	255	349
EPS (Rs)	17.5	8.5	11.6
Growth (%)	16.9	-51.5	36.7
BVPS (Rs)	143.5	150.4	160.4
DPS (Rs)	1.3	1.3	1.3
ROE (%)	12.6	5.8	7.5
ROCE (%)	14.1	8.0	9.6
P/E (x)	8.7	18.0	13.2
EV/EBITDA (x)	5.6	8.3	7.1
P/BV (x)	1.1	1.0	1.0

Source: Company, Kotak Securities - PCG

### Shareholding Pattern (%)

(%)	Dec-18	Jun-18	Mar-18
Promoters	32.4	32.4	32.5
FII	2.0	3.4	4.5
DII	8.6	7.4	7.6
Others	56.9	56.6	55.4

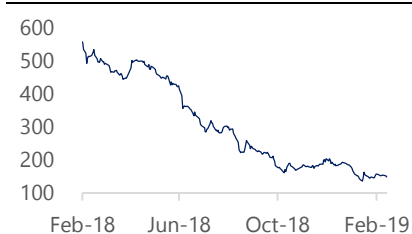
Source: Bloomberg, BSE

### Price Performance (%)

(%)	1M	3M	6M
Asian Granito India	12.3	(15.3)	(33.5)
Nifty	0.1	1.6	(6.0)

Source: Bloomberg

### Price chart (Rs)



Source: Bloomberg

PRICE RS.153

TARGET RS.150

SELL

Company's results came lower than our estimates due to increase in interest and depreciation charges. Volumes have started recovering and realizations, though stood flat YoY, have started improving on sequential basis. Gas prices have also come down so benefit should start getting reflected in few quarters. Acceptability of price hikes is likely to be watched out closely going forward owing to political uncertainty and lack of compliance towards e-way bill implementation.

### Key highlights

Asian Granito revenue for Q3FY19 was in line with our estimates and it was largely led by sharp jump in outsourced tile volume by 16.1% YoY and associate tile volumes by 17.4% YoY while own manufactured tiles have witnessed a lower growth in overall volumes. Overall volumes were up by 12% YoY. Operating margins declined sharply on yearly basis to 8% due to higher gas prices and higher proportion of outsourced tiles. Net profit performance stood lower than our expectations and was impacted by fall in margins and higher interest and depreciation charges.

### Valuation and recommendation

Stock is currently trading at valuations of 18x and 13.2x on FY19 and FY20 estimates respectively. We maintain our estimates but revise our valuation multiples downwards to factor in concerns related to search proceedings at its premises. We thus arrive at a revised price target of Rs 150 based on 13x FY20 estimated earnings (Rs 185 earlier based on 16x FY20 estimates). We recommend SELL rating on the stock.

### Consolidated financial highlights

(Rs mn)	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
<b>Net Sales</b>	<b>2962</b>	<b>2638</b>	<b>12.3%</b>	<b>2825</b>	<b>4.8%</b>
Total Expenditure	2722	2276	19.6%	2645	2.9%
<b>EBITDA</b>	<b>240</b>	<b>362</b>	<b>-33.8%</b>	<b>180</b>	<b>32.9%</b>
EBITDA %	8.1%	13.7%		6.4%	
Depreciation	75	60		68	
<b>EBIT</b>	<b>165</b>	<b>302</b>	<b>-45.4%</b>	<b>112</b>	<b>46.7%</b>
Interest	87	107		82	
EBT (Exc other income)	78	195	-60.3%	31	152.1%
Other Income	10	8		6	
<b>EBT</b>	<b>88</b>	<b>203</b>	<b>-56.8%</b>	<b>37</b>	<b>136.0%</b>
Tax	38	74		9	
Tax (%)	43.5%	36.6%		22.9%	
<b>PAT</b>	<b>50</b>	<b>129</b>	<b>-61.5%</b>	<b>29</b>	<b>73.0%</b>
Minority Interest After NP	13	13		-1	
Profit/Loss of Associate Company	10	-11		14	
<b>Net profit</b>	<b>46</b>	<b>104</b>	<b>-56%</b>	<b>44</b>	<b>4.8%</b>
Equity	300.9	300.9		300.9	
<b>EPS (Rs)</b>	<b>1.5</b>	<b>3.5</b>	<b>-56%</b>	<b>1.5</b>	<b>4.8%</b>

Source: Company

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### Revenue growth in line with our estimates

Asian Granito revenue for Q3FY19 was in line with our estimates and it was largely led by sharp jump in outsourced tile volume by 16.1% YoY and associate tile volumes by 17.4% YoY while own manufactured tiles have witnessed a lower growth in overall volumes. Overall volumes were up by 12% YoY. Volume was driven on account of good demand from government projects and large corporate clients. Company expects volume growth momentum to be maintained going forward.

Though average realizations are largely flat YoY at Rs 311 per sq m but sequentially realizations have improved by 2.5% led by price hikes taken by the company during past few quarters. There is still pressure being felt on the realization on account of higher revenue share from project business in Q3FY19.

### Segmental details on revenue and volumes

(Rs mn)	Q3FY18	Q3FY19	YoY (%)
<b>Revenues</b>			
Own manufacturing	1024	1040	1.6%
Outsourcing	890	1040	16.9%
Associate	670	810	20.9%
<b>Volumes (MSM)</b>			
Own manufacturing	2.9	3	3.4%
Outsourcing	3.1	3.6	16.1%
Associate	2.3	2.7	17.4%
<b>Realization (Rs per sq m)</b>			
Own manufacturing	353	347	-1.8%
Outsourcing	287	289	0.6%
Associate	291	300	3.0%
Average	311	311	-0.2%

Source: Company, Kotak securities – Private Client Research

Company has mentioned that demand for quartz has remained quite strong and quartz realization also remained strong in domestic and exports market. Company has also commissioned 3rd line of Camrolla Quartz which will stabilize production by March 2019. This has also resulted in sharp increase in quartz revenues during the quarter on account of consolidation of Camrolla quartz on YoY basis. Company expects the revenue contribution from Camrolla quartz to be around Rs 400 mn in FY19 and expects it to increase to Rs 1.5 bn by FY20.

There is currently no update on the anti-dumping duty decision by Gulf Cooperation Council against imports of ceramics and porcelain products of Indian, Chinese and Spanish origin to the GCC. We believe that imposition of anti-dumping duty, if implemented, would be negative for the sector and even for AGL.

We maintain our estimates and expect revenues to grow at a CAGR of 3.2% between FY18-20.

### **Operating margins and net profits impacted by higher gas prices**

Operating margins declined sharply on yearly basis to 8% due to higher gas prices and higher proportion of outsourced tiles. Net profit performance stood lower than our expectations and was impacted by fall in margins and higher interest and depreciation charges.

Gas price continue to remain high for the quarter compared to same period last year thereby impacting profitability. Average price of gas for the quarter remains higher by 10% on QoQ basis and around 37% YoY basis to Rs 37 per scm as compared to Rs 27 per scm during Q3FY18. However, now gas prices have started correcting and it has reduced to Rs 38 per scm from the peak of Rs 41 per scm in Q3FY19.

During Q3FY19, company also approved the raising of funds by way of issue of 20,00,000 convertible warrants to Santario Ceramics Private Limited and Oxento Ceramics Private Limited at a price of Rs. 245/- per Convertible Warrant. But due to negative developments related to search proceedings by Directorate of revenue intelligence at its office premises and arrest of promoter on the pretext of alleged undervaluation In respect of import of Crystallized Glass Panels from China during the years 2017 and 2018, Santario and Oxento ceramics withdrew its consent to subscribe to the warrants issue aggregating Rs 490 mn each. AGL has indicated that to fund the requirements, the promoters may infuse capital or raise their stake as and when the need arises.

Though company has paid an amount of Rs 35 mn towards differential customs duty under protest (equivalent to almost 14%/10% of the estimated profits of FY19/20 respectively) but these developments put a question mark on the corporate governance standards of the company. We view this development to be negative for Asian Granito and would restrict re-rating of valuation multiples even when industry environmental is showing signs of demand recovery and peaking out of costs.

Also, AGL had announced a lot of marketing initiatives and measures during Q1FY19 under newly appointed Sales and Marketing head who has also quit the company within few months itself. So it is difficult to ascertain sustainability of these measures.

### **Valuation and recommendation**

Stock is currently trading at valuations of 18x and 13.2x on FY19 and FY20 estimates respectively. We maintain our estimates but revise our valuation multiples downwards to factor in concerns related to search proceedings at its premises. We thus arrive at a revised price target of Rs 150 based on 13x FY20 estimated earnings (Rs 185 earlier based on 16x FY20 estimates). We recommend SELL rating on the stock.

### **About the company**

Asian Granito India Limited (AGL) was established in 2000 by Mr. Kamlesh Patel and Mr. Mukesh Patel. AGL is one of the top three Indian Ceramic Companies engaged in the business of manufacturing, and trading of Ceramic Wall, Floor, Vitrified Tiles, Marble & Quartz Headquartered in Gujarat. AGL has 8 manufacturing facilities in Gujarat. AGL has production of 1,02,900 sqm per day including outsourcing. Pan India marketing & distribution network of more than 6000 dealers and sub-dealers and over 231+ showrooms with global footprint with exports to over 55+ countries.

## Financials: Consolidated

### Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>10,639</b>	<b>11,556</b>	<b>11,767</b>	<b>12,290</b>
% change YoY	7.0	8.6	1.8	4.4
<b>EBITDA</b>	<b>1,271</b>	<b>1,390</b>	<b>941</b>	<b>1,106</b>
% change YoY	36.0	9.4	(32.3)	17.5
Other Income	35	29	20	25
Depreciation	242	254	273	290
<b>EBIT</b>	<b>1,064</b>	<b>1,166</b>	<b>688</b>	<b>841</b>
% change YoY	44.0	9.5	(41.0)	22.2
Net interest	396	365	357	352
<b>Profit before tax</b>	<b>668</b>	<b>800</b>	<b>331</b>	<b>488</b>
% change YoY	52.0	19.8	(58.7)	47.7
Tax	190	256	93	137
as % of PBT	28.4	32.0	28.0	28.0
<b>Profit after tax</b>	<b>478</b>	<b>544</b>	<b>238</b>	<b>352</b>
Minority interest	43	43	20	40
Share of profit of associates	15	25	37	37
<b>Net income</b>	<b>450</b>	<b>526</b>	<b>255</b>	<b>349</b>
% change YoY	61.0	16.9	(51.5)	36.7
Shares outstanding (m)	30.1	30.1	30.1	30.1
<b>EPS (reported) (Rs)</b>	<b>15.0</b>	<b>17.5</b>	<b>8.5</b>	<b>11.6</b>
CEPS (Rs)	23.0	25.9	17.6	21.2
DPS (Rs)	1.3	1.3	1.3	1.3

Source: Company, Kotak Securities – Private Client Research

### Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBIT	1,036	1,148	705	838
Depreciation	242	254	273	290
Change in working capital	(567)	93	(69)	(177)
Chgs in other net current assets	127	(84)	17	16
Operating cash flow	838	1,410	926	966
Interest	(396)	(365)	(357)	(352)
Tax	(190)	(287)	(108)	(152)
<b>Cash flow from operations</b>	<b>252</b>	<b>758</b>	<b>460</b>	<b>462</b>
Capex	(329)	(528)	(500)	(400)
(Inc)/dec in investments	(35)	(62)	-	-
<b>Cash flow from investments</b>	<b>(364)</b>	<b>(590)</b>	<b>(500)</b>	<b>(400)</b>
Proceeds from issue of equity	75	-	-	-
Increase/(decrease) in debt	149	73	-	(100)
Proceeds from share premium	(99)	(173)	-	-
Dividends	-	(46.9)	(46.9)	(46.9)
<b>Cash flow from financing</b>	<b>125</b>	<b>(147)</b>	<b>(47)</b>	<b>(147)</b>
Opening cash	173	186	208	121
<b>Closing cash</b>	<b>186</b>	<b>207</b>	<b>121</b>	<b>36</b>

Source: Company, Kotak Securities – Private Client Research

### Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	186	208	121	36
Accounts receivable	3,110	4,005	3,623	3,784
Inventories	2,734	2,759	2,797	2,921
Loans and Adv & Others	763	259	468	483
Current assets	6,793	7,230	7,008	7,223
Other non current assets	-	74	74	74
LT investments	165	227	227	227
Net fixed assets	4,064	4,338	4,565	4,675
<b>Total assets</b>	<b>11,022</b>	<b>11,870</b>	<b>11,875</b>	<b>12,199</b>
Payables	2,456	2,965	2,760	2,883
Others	354	335	335	335
Current liabilities	2,810	3,299	3,095	3,217
Provisions	144	113	114	114
LT debt	3,501	3,574	3,574	3,474
Min. int and def tax liabilities	557	566	566	566
Equity	301	301	301	301
Reserves	3,710	4,016	4,224	4,525
<b>Total liabilities</b>	<b>11,022</b>	<b>11,870</b>	<b>11,875</b>	<b>12,199</b>
BVPS (Rs)	133.3	143.5	150.4	160.4

Source: Company, Kotak Securities – Private Client Research

### Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	11.9	12.0	8.0	9.0
EBIT margin (%)	10.0	10.1	5.8	6.8
Net profit margin (%)	4.2	4.6	2.2	2.8
Receivables (days)	87.1	112.4	112.4	112.4
Inventory (days)	88.9	86.7	86.7	86.7
Sales/assets(x)	2.6	2.7	2.6	2.6
Interest coverage (x)	2.7	3.2	1.9	2.4
Debt/equity ratio(x)	0.9	0.8	0.8	0.8
ROE (%)	10.2	12.6	5.8	7.5
ROCE (%)	11.9	14.1	8.0	9.6
EV/ Sales (x)	0.7	0.7	0.7	0.6
EV/EBITDA (x)	6.1	5.6	8.3	7.1
Price to earnings (x)	10.2	8.7	18.0	13.2
Price to book value (x)	1.1	1.1	1.0	1.0
Price to Cash Earnings (x)	6.7	5.9	8.7	7.2

Source: Company, Kotak Securities – Private Client Research

## Result Update

## JK PAPER LTD

### Stock Details

Market cap (Rs mn)	:	23528
52-wk Hi/Lo (Rs)	:	194 / 97
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	1,011,450
Shares o/s (mn)	:	178

Source: Bloomberg

### Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Sales	28,775	33,271	33,061
Growth (%)	4.1	15.6	(0.6)
EBITDA	6,182	8,723	8,311
EBITDA Margin (%)	21.5	26.2	25.1
Net profit	2,605	4,327	4,087
EPS (Rs)	14.8	24.3	22.9
Growth (%)	32.7	63.6	(5.5)
BVPS (Rs)	93.8	112.4	131.9
DPS (Rs)	1.7	3.4	3.4
ROE (%)	15.83	21.60	17.39
ROCE (%)	18.41	24.38	19.68
P/E (x)	8.9	5.4	5.8
EV/EBITDA (x)	4.91	3.59	3.88
P/BV (x)	1.4	1.2	1.0

Source: Company, Kotak Securities - PCG

### Shareholding Pattern (%)

(%)	Dec-18	Jun-18	Mar-18
Promoters	48.4	48.4	48.4
FII	7.0	8.5	6.9
DII	2.5	2.4	7.9
Others	36.5	40.7	36.8

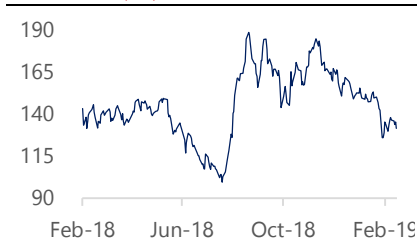
Source: Bloomberg, BSE

### Price Performance (%)

(%)	1M	3M	6M
JK Paper Ltd	(10.5)	(26.7)	(21.1)
Nifty	0.1	1.6	(6.0)

Source: Bloomberg

### Price chart (Rs)



Source: Bloomberg

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PRICE RS.132

TARGET RS.200

BUY

JK paper reported Q3FY19 revenue of Rs.8.70 bn, higher than our estimates led by improvement in realisations. On operating performance side, indigenous sourcing of raw material resulted in expansion of margins by ~240bps QoQ and ~900bps YoY to 28.5%.

### Key Highlights

- Sales realizations of the company for Q3FY19 was higher by ~15% YoY/~4% QoQ led by robust paper demand and high growth trajectory in global paper prices. Given the fall in the global pulp prices, we believe the same can weigh on paper prices in the near term.
- EBITDA margins expanded by ~240bps QoQ/~900bps Yoy driven by higher realisations, reduced raw material cost and higher operating leverage.
- Sirpur paper mills, acquired by the company in NCLT process, is expected to be operational from Q1FY20E. Plant has a capacity of ~1,44,000 units as against the company's current capacity of 4,55,000 tonnes

### Quarterly performance

(Rs mn)	3QFY19	2QFY19	QoQ (%)	3QFY18	YoY (%)
<b>Revenue</b>	<b>8,695</b>	<b>7,850</b>	<b>11</b>	<b>7,901</b>	<b>10</b>
Material cost	4,310	4,017	7	4,503	(4)
Operating profit	4,385	3,834	14	3,398	29
Employee cost	683	675	1	601	14
Power and fuel	656	619	6	644	2
Other expenses	571	493	16	615	(7)
<b>EBITDA</b>	<b>2,476</b>	<b>2,048</b>	<b>21</b>	<b>1,539</b>	<b>61</b>
EBITDA margin (%)	28.5	26.1		19.5	
Other Income	145	104	39	60	143
Depreciation	319	312	2	306	4
<b>EBIT</b>	<b>2,302</b>	<b>1,840</b>	<b>25</b>	<b>1,293</b>	<b>78</b>
Interest	314	280	12	370	(15)
<b>PBT</b>	<b>1,988</b>	<b>1,560</b>	<b>27</b>	<b>923</b>	<b>115</b>
Tax	785	464	69	225	249
<b>Adj. PAT</b>	<b>1,203</b>	<b>1,096</b>	<b>10</b>	<b>698</b>	<b>72</b>
PAT margin (%)	13.8	14.0		8.8	

Source: Company

### Valuation and outlook

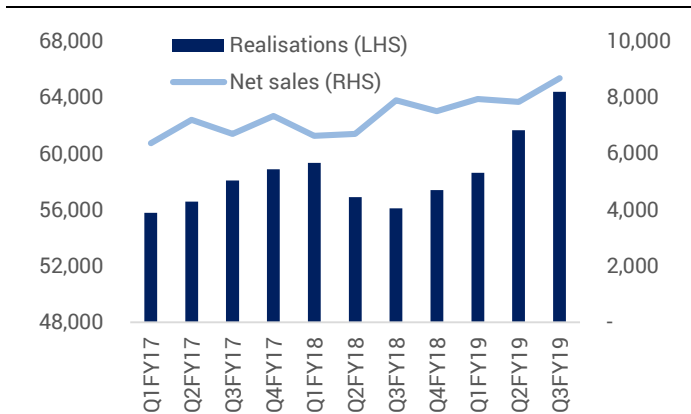
JK Paper is a leader in India's copier paper segment, the second-largest in the coated paper segment and a leading player in the packaging board segment. We believe that, given the robust paper demand and benefit of Sirpur paper mill to start accruing from 1QFY20E onwards, JK Paper growth rate is likely to be higher than the market and will also help the company to gain the market share. Besides this, the company's focus on increasing farm forestry to fulfill its raw material requirements and capacity expansion at Gujarat, augurs well for the company. We have revised our FY19E earnings to Rs. 24.3 (earlier Rs.22.9), post factoring 3QFY19 performance and kept FY20E and FY21E earnings, unchanged. We expect, EBITDA margin of ~27% in 9MFY18 is not sustainable, and expect a compression in FY20E and FY21E to ~25.1/24.7% respectively, as we expect realisation to decline in the coming quarters. At CMP, the stock trades at 5.9x/5.9x FY20E/21E earnings, factors in all the potential negatives. We

maintain our BUY rating on the stock with a target price of Rs.200, valuing on SoTP basis. Valuing standalone operations at 8x FY20E earnings (25% discount to its 10 years average) and Rs18 from Sirpur operation.

**Improved realisations resulted in higher top-line growth**

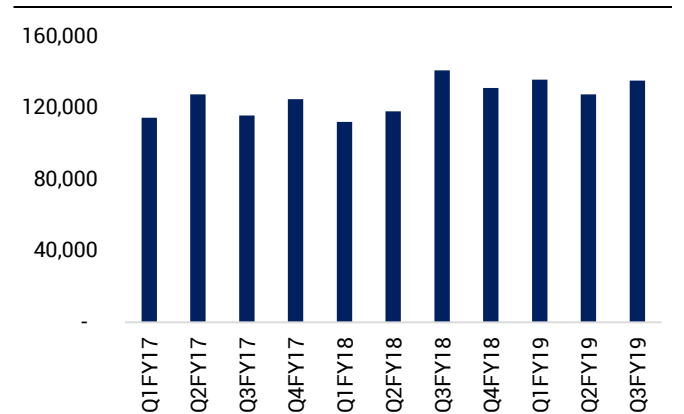
Revenue for the quarter grew by ~11% QoQ/~10% YoY to Rs.8.70 bn higher than our estimate of Rs.8.50 bn. Increase in revenue was primarily led by higher realisations (~15 YoY/~4% QoQ) ,resulting from robust paper demand and higher paper prices. Sales volume for the quarter was ~1,35,000 units (including trading sales volume of ~13,000 tonnes). Management expects the copier paper prices to stay stable and the coated paper prices have declined by 3-4 % compared to the 3QFY19.

**Revenue (Rs mn) and realization trend (Per tonne)**



Source: Company, Kotak Securities – Private Client Research

**Volume trend (Tonnes)**



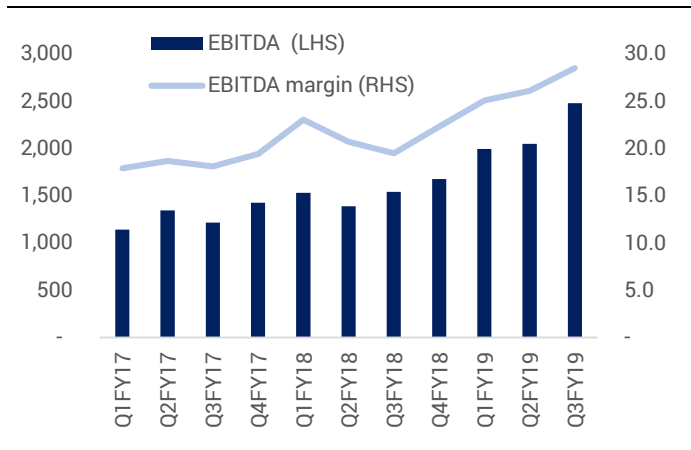
Source: Company, Kotak Securities – Private Client Research

**EBITDA margins expanded led by higher realisations and lower cost of production**

EBITDA for the quarter grew by ~61% YoY/~21% QoQ to Rs.2.48bn (vs our estimate of Rs.2.06bn) with EBITDA margins of 28.5% (vs our estimate of 24.2%). EBITDA margins for the quarter was primarily driven by 1) higher realisations in tandem with global pulp and paper prices 2) reduced cost of production due to indigenous sourcing of raw material and 3) positive operating leverage. Despite, the strong operating performance, the growth in PAT was restricted to 10% QoQ, due to increased deferred tax provisions. Given the fall in the global prices in the recent past, we believe the same can weigh on the paper prices. Copier paper prices in the domestic market are largely flat. However, coated paper prices have declined by 3-4% from the average of 3QFY19. The impact of decline in coated prices will be marginal for JK paper, as it accounts for 10% of the volume. We expect EBITDA margin to be in the range of 25.1% for FY20E, as against 27 % reported in 9MFY19.

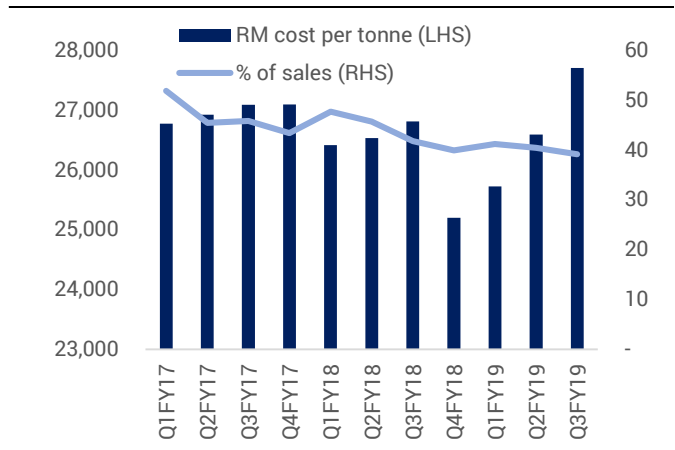
**Give cost trend also (cost of raw materials) + CHANGE 17Q1 to Q1FY17**

**EBITDA(Rs mn) and EBITDA margins (%)**



Source: Company, Kotak Securities – Private Client Research

**RM cost per tonne and RM cost as % of sales**



Source: Company, Kotak Securities – Private Client Research

**Sirpur Unit expected to be operational from April, 2019**

Company has currently started test production of 1 machine which is expected to stabilize within 10-12 days. Test production of 2nd machine is expected to be done in the month of March 19. Both these plants are expected to be operational from April 2019. Capacity of Sirpur plant is ~1,44,000 tonnes as against its current capacity of 4,55,000 tonnes. Company expects to generate revenue of ~Rs.35 bn resulting from ~1 lakh tonnes from the Sirpur plant and ~5 lakh tonnes from its current capacity.

**Company Background**

JK Paper, incorporated in 1960, is part of JK organization, which has business interests in automotive tyres, cement, v-belts, oil-seals, agri-seeds and pulp and paper. The company is India’s largest producer of branded paper and is a leading player in printing and writing segment. It operates two manufacturing facilities located at Rayagadh (Orissa) and Songadh (Gujarat). The production capacities of these facilities are 295,000 tonnes per annum and 160,000 tonnes per annum respectively. Paper produced by the company are sold under the brand names of JK copier, JK excel bond, JK bond, JK savannah, JK copier plus, JK east copier and JK mapiltho. JK Paper also imports coated paper and supply in the domestic market, maintaining the same quality and sells them under the JK brand.



## Financials: Consolidated

### Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19E	FY20E	FY21E
<b>Revenues</b>	<b>28,775</b>	<b>33,271</b>	<b>33,061</b>	<b>34,232</b>
% change YoY	4.1	15.6	-0.6	3.5
<b>EBITDA</b>	<b>6,183</b>	<b>8,723</b>	<b>8,311</b>	<b>8,486</b>
% change YoY	19.6	41.1	-4.7	2.1
Other income	225	404	298	292
Depreciation	1,223	1,223	1,245	1,270
<b>EBIT</b>	<b>5,184</b>	<b>7,904</b>	<b>7,363</b>	<b>7,508</b>
% change YoY	20.2	52.5	-6.8	2.0
Net interest	1,430	1,253	1,263	1,443
<b>Profit before tax</b>	<b>3,754</b>	<b>6,651</b>	<b>6,101</b>	<b>6,065</b>
% change YoY	54.2	77.2	-8.3	-0.6
Tax	1,149	2,324	2,013	2,001
as % of PBT	30.6	34.9	33.0	33.0
Profit after tax	2,605	4,327	4,087	4,064
Exceptional item	0	0	0	0
<b>Net income</b>	<b>2,605</b>	<b>4,327</b>	<b>4,087</b>	<b>4,064</b>
% change YoY	49.3	66.1	-5.5	-0.6
Shares outstanding (mn)	175.5	178.2	178.2	178.2
<b>EPS (reported) (Rs.)</b>	<b>14.8</b>	<b>24.3</b>	<b>22.9</b>	<b>22.8</b>
CEPS (Rs.)	21.8	31.1	29.9	29.9
DPS (Rs.)	1.7	3.4	3.4	3.4

Source: Company, Kotak Securities – Private Client Research

### Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19E	FY20E	FY21E
PBT	6,182	8,723	8,311	8,486
Others	26	0	0	0
CF before W.cap	6,208	8,723	8,311	8,486
Inc/dec in W.cap	86	(449)	(13)	(1,175)
Taxes paid	(691)	(2,324)	(2,013)	(2,001)
<b>Net CF From Operations</b>	<b>5,603</b>	<b>5,949</b>	<b>6,284</b>	<b>5,310</b>
(Inc)/dec in F.A + CWIP	(884)	(1,383)	(5,350)	(8,600)
(Inc)/dec in investments	1,224	(3,710)	0	0
Interest income	63	404	298	292
<b>CF from Invst Activities</b>	<b>403</b>	<b>(4,689)</b>	<b>(5,052)</b>	<b>(8,308)</b>
Loan Raised/(repaid)	(3,344)	186	1,500	2,500
Interest Paid	(1,435)	(1,253)	(1,263)	(1,443)
Dividend	(295)	(612)	(613)	(609)
<b>CF from Fin Activities</b>	<b>(5,073)</b>	<b>(1,679)</b>	<b>(376)</b>	<b>448</b>
Net inc /(dec) in cash	933	(419)	856	(2,551)
Op. bal of cash	301	1,234	2,075	2,650
Other bank balance	0	1,260	(281)	1,086
Cl. balance of cash	1,234	2,075	2,650	1,185

Source: Company, Kotak Securities – Private Client Research

### Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19E	FY20E	FY21E
Cash and cash equivalents	1,234	2,075	2,650	1,185
Accounts receivable	1,092	1,276	1,268	1,313
Inventories	3,942	4,102	4,076	4,220
Loans and Adv & others	984	1,164	1,157	1,198
Current assets	8,524	8,628	9,161	7,926
Other non current assets	240	399	727	753
Investments	1,519	3,967	3,967	3,967
Net fixed assets	26,908	27,069	31,174	38,504
<b>Total Assets</b>	<b>36,085</b>	<b>40,148</b>	<b>45,119</b>	<b>51,240</b>
Payables	2,553	2,917	2,898	3,001
Others	5,369	4,805	4,801	4,915
Current liabilities	7,922	7,722	7,700	7,916
Provisions	583	765	833	834
Debt	9,715	9,901	11,401	13,901
Min int and def tax liabilities	1,407	1,734	1,684	1,634
Equity	1,755	1,782	1,782	1,782
Reserves	14,703	18,244	21,719	25,173
<b>Total liabilities</b>	<b>36,085</b>	<b>40,148</b>	<b>45,119</b>	<b>51,240</b>
BVPS (Rs)	93.8	112.4	131.9	151.3

Source: Company, Kotak Securities – Private Client Research

### Ratio Analysis

(Year-end Mar)	FY18	FY19E	FY20E	FY21E
EBITDA margin (%)	21.5	26.2	25.1	24.8
EBIT Margin (%)	18.0	23.8	22.3	21.9
Net profit margin (%)	9.1	13.0	12.4	11.9
Receivables (days)	13.8	14.0	14.0	14.0
Inventory (days)	50.0	45.0	45.0	45.0
Payables (days)	41.2	43.0	42.7	42.5
Interest coverage (x)	3.6	6.3	5.8	5.2
Debt/Equity ratio (x)	0.6	0.5	0.5	0.5
ROE (%)	15.8	21.6	17.4	15.1
ROCE (%)	18.4	24.4	19.7	17.3
EV/Sales (x)	1.2	1.1	1.1	1.2
EV/EBITDA (x)	5.7	4.1	4.4	4.8
Price to earnings (x)	10.7	6.5	6.9	6.9
Price to book value (x)	1.7	1.4	1.2	1.0
Price to Cash Earnings (x)	7.3	5.1	5.3	5.3

Source: Company, Kotak Securities – Private Client Research

## Result Update

### Stock Details

Market cap (Rs mn)	:	88020
52-wk Hi/Lo (Rs)	:	112 / 47
Face Value (Rs)	:	1
3M Avg. daily vol (Nos)	:	9,129,097
Shares o/s (mn)	:	1800

Source: Bloomberg

### Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	59,050	74,863	91,806
Growth (%)	(6.0)	26.8	22.6
EBITDA	3,994	4,063	5,106
EBITDA margin (%)	6.8	5.4	5.6
PAT	3336	3841	4339
EPS	1.9	2.1	2.4
EPS Growth (%)	(5.0)	15.1	13.0
Book value (Rs/share)	10.1	11.1	12.3
Dividend per share (Rs)	1.0	1.1	1.3
ROE (%)	19.1	20.1	20.6
ROCE (%)	24.2	22.5	25.5
P/E (x)	26.4	23.0	20.3
EV/EBITDA (x)	17.8	16.7	12.7
P/BV (x)	4.8	4.4	4.0

Source: Company, Kotak Securities - PCG

### Shareholding Pattern (%)

(%)	Dec-18	Jun-18	Mar-18
Promoters	70.6	73.8	74.5
FII	4.1	4.5	5.8
DII	11.5	9.9	9.9
Others	13.9	11.8	9.8

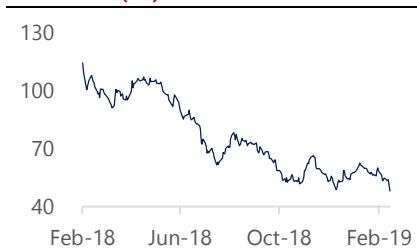
Source: Bloomberg, BSE

### Price Performance (%)

(%)	1M	3M	6M
NBCC India Ltd	(18.1)	(25.4)	(32.4)
Nifty	0.1	1.6	(6.0)

Source: Bloomberg

### Price chart (Rs)



Source: Bloomberg

## NBCC (INDIA) LTD (NBCC)

PRICE Rs.49

TARGET Rs.53

ADD

NBCC Q3FY19 results was above our estimates at Revenue and PAT level while margins continued to disappoint. Lower margins in PMC segment dragged the margins for the quarter.

### Key Highlights

- The standalone net revenue for the quarter grew by 25% yoy to Rs 16.5 bn on strong revenue from PMC and higher real estate revenue. PMC segment which contributes the largest pie, reported 24% yoy growth as against our estimates of 22% yoy growth.
- EBITDA for the quarter was Rs 734 mn, declined by 6.8% yoy despite strong execution, due to decline in EBIT margin in PMC segment. PAT for the quarter grew by 25.6% yoy to Rs 777 mn due to higher other income. NBCC has a robust total order book of Rs 850 bn which gives strong revenue growth visibility for the next 5 years.

### Valuation & outlook

The company has maintained guidance of over 30% yoy growth in FY19E revenue. We have cut our earnings estimates for FY20E factoring in lower margins reported by the company and delay in clearance of Nauroji Nagar project. We downgrade our rating on the stock to Add (Vs Buy earlier) with revised target price of Rs 53 (Vs Rs 83 earlier) valuing the stock at 22x FY20E EPS, factoring the near term risk related to project clearance and any possible diversification towards asset heavy model.

### Quarterly performance table (standalone)

Year to March (INR mn)	Q3FY19	Q3FY18	% Change	Q2FY19	% Change
<b>Net Revenues</b>	<b>16,516</b>	<b>13,215</b>	<b>25</b>	<b>15,821</b>	<b>4</b>
Materials/Work consultancy Cost	14,690	11,444	28	14,160	4
Gross Profit	1,826	1,771	3	1,661	10
Employee Expenses	634	751	-16	676	-6
Other Expenses	458	333	38	394	16
Operating Expenses	15,782	12,528	26	15,229	4
<b>EBITDA</b>	<b>734</b>	<b>687</b>	<b>6.8</b>	<b>591</b>	<b>24</b>
EBITDA margin (%)	4.4	5.2		3.7	
Depreciation	6	7	-17	6	-10
Other income	387	263	47	644	-40
Net finance expense	2	2		0	
<b>Profit before tax</b>	<b>1,114</b>	<b>942</b>	<b>18</b>	<b>1,229</b>	<b>-9</b>
Provision for taxes	336	323	4	369	-9
<b>Reported net profit</b>	<b>777</b>	<b>619</b>	<b>25.6</b>	<b>860</b>	<b>-10</b>
As % of net revenues					
COGS	88.9	86.6		89.5	
Employee cost	3.8	5.7		4.3	
Other Expenses	2.8	2.5		2	
Operating expenses	95.6	94.8		96.3	
Reported net profit	4.7	4.7		5.4	
Tax rate (% of PBT)	30.2	34.3		30.1	

Source: Company

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## Revenue growth driven by PMC and real estate segment

The standalone net revenue for the quarter grew by 25% yoy to Rs 16.5 bn (Vs our estimates of Rs 15.8 bn) on strong execution in PMC and increased contribution from Real estate segment. PMC segment which contributes the largest pie, reported 24% yoy growth as against our estimates of 22% yoy growth. Real estate business reported strong revenue in the quarter at Rs 740 mn driven by sale of commercial inventory. EPC segment witnessed 41% decline in revenue in the quarter and was below our estimates. The company expects revenue to grow at over 30% in FY19E.

## EBITDA margins below estimates

EBITDA for the quarter was Rs 734 mn, grew at lower rate by 6.8% yoy despite strong execution, due to 500 bps decline in EBIT margin in PMC segment. The margins in PMC division was below our estimates at 6% due to quarterly variations and large size redevelopment projects did not move in the quarter. As per the management, EBIT margins in PMC segment is expected to improve in the next year when the contribution from large redevelopment project will begin in meaningful manner. PAT for the quarter grew by 25.6% yoy to Rs 777 mn due to higher other income which is contributed by assured returns on upfront investment made by the company in the large redevelopment project.

## Segmental Performance

Year to March (INR mn)	Q3FY19	Q3FY18	% Change	Q2FY19	% Change
<b>Segmental Sales</b>					
Real Estate	740	19	3835	533	39
EPC	707	1202	-41	953	-26
PMC	14775	11905	24.1	13924	6
Total Sales	16223	13126	24	15411	5
<b>Segmental EBIT</b>					
Real Estate	384.3	9.7	3865	241	60
EPC	35.0	138.9	-75	27	28
PMC	884	1310	-33	1072	-18
Unallocated	-188	-516		-111	
Total EBIT	1115	943	18	1229	
<b>Segmental Margins (%)</b>					
Real Estate	51.9	51.5		45.1	
EPC	4.9	11.6		2.9	
PMC	6.0	11.0		7.7	

Source: Company

## Guided for 30% revenue growth for FY19E

NBCC has strong order book of Rs 850 bn which includes Rs 400-450 bn of self-revenue generating project (Redevelopment project). The present order book gives very strong revenue growth visibility for the next 5 years. The company management has targeted for over 30% revenue growth in FY19E despite its large size project of redevelopment of government colonies stuck due to NGT raising issue related to tree cutting. The Delhi High court has cleared two colonies Netaji Nagar and Sarojini Nagar and decision on Nauroji Nagar is expected to come in for next hearing by end of March 2019. The company expects contribution from these projects in FY20E. The management is confident of achieving over 30% growth in revenue in the next financial year as well, as its large size project will take-off.

### **Status of projects**

NBCC targets to award Rs 120-130 bn of work in FY19E of which it has already awarded Rs 70 bn of work and another Rs 50 bn of work is expected to be awarded in the Q4FY19. The company has awarded Rs 45-50 bn of work related to Nauroji Nagar project and expects to award fresh order post clearance from the court. Further, the company has order pipeline of Rs 50bn of new orders in Q4FY19 which is expected to be awarded to the company. The company is awaiting final terms from the court related to Amrapali project which has ~Rs 80 bn of construction work to be executed. The company would be doing this project on PMC basis and is not required to invest any amount in the same.

### **Risk of shift in focus towards asset heavy model**

The company is targeting to acquire Jaypee Infratech (which is under NCLT) and is submitting financial bid. We believe that any such step would result in company shifting focus towards asset heavy model. As per the company, the deal would go through only if the proposal submitted by the company gets accepted and if it is profitable to them. As per the company, there is huge real estate development potential associated with Jaypee Infratech which will make the deal profitable in the longer run. However we believe that the acquisition of Jaypee Infratech (if it bags) would require high upfront investment which increases risk of leveraged balance sheet with negative free cash flows in near term.

### **Other highlights**

- The company has consolidated HSCL, HSCC and two other small acquisitions from Q3FY19. The company would be cleaning up balance sheets of these companies and expects to report improvement in financials along with improved margins from FY20E.
- The company has already secured Rs 100 bn of work FY19 till date and is well positioned in projects of Rs 50 bn to be awarded in Q4FY19.

### **Outlook and valuation**

Based on strong current order book of Rs 850 bn and robust pipeline for future projects, we expect high growth in NBCC's revenue in next 5 years. But its large size project related to redevelopment of government colonies in Delhi is still under litigation. The company has maintained guidance of over 30% yoy growth in FY19E revenue despite delay in clearance of redevelopment project at Nauroji Nagar. We have cut our earnings estimates for FY20E factoring in impact of delay in clearance of redevelopment of colonies in Delhi due to legal hurdles and lower margins reported by the company. Further we also believe that any shift in strategy towards asset heavy model will negatively impact company's future cash flows and returns ratios. The stock is presently trading at PE of 23x and 20.3x based on FY19E & FY20E revised EPS of Rs 2.1 (vs 2.3 earlier) and Rs 2.6 (vs Rs 2.9 earlier) respectively. We downgrade our rating on the stock to Add (Vs Buy earlier) with revised target price of Rs 53 (Vs Rs 83 earlier) valuing the stock at 22x FY20E EPS, factoring the near term risk related to project clearance and any possible diversification towards asset heavy model.

### Change in Estimates

Particulars	Revised		Previous		% Change	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Revenue	74,863	91,806	73,367	95,472	2.0	(3.8)
EBITDA	4,063	5,106	4,427	5,852	(8.2)	(12.7)
EBITDA margin (%)	5.4	5.6	6	6.1	(57) bps	(54) bps
PAT	3,841	4,339	3,729	4,761	3.0	(8.9)
EPS	2.1	2.4	2.1	2.6	1.6	(7.3)

Source: Kotak Securities – Private Client Research

### Company Background

NBCC (India) Ltd is a Navratna PSU company engaged in the business of project management consultancy (PMC), EPC contract and Real Estate development. The PMC business involves concept to commissioning of civil construction projects from various government departments. The company gets PMC contracts mostly on nomination basis as it has been notified as Public Work Organization under revised Rule 126 (2) of General Financial Rules (GFR). The real estate business involves development of residential and commercial projects on government or PSUs land through Joint Development or Land bank based development model. The company has 150 acres land parcels spread across cities such as Delhi, Gurgaon, Kolkata, Kochi, Alwar, Meerut, Ghaziabad, Faridabad, Lucknow, Patna, etc. The company has a very small presence in EPC business where it undertakes EPC contracts involving civil structural work in power BOP space. The company is not much focused on this division. NBCC is designated as the implementing agency for executing projects under various government program such as Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Pradhan Mantri Gram Sadak Yojna (PMGSY), Solid Waste Management (SWM) and developmental work in North Eastern Region.

## Financials: Standalone

### Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>62,794</b>	<b>59,050</b>	<b>74,863</b>	<b>91,806</b>
% change yoy	8.0	(6.0)	26.8	22.6
<b>EBITDA</b>	<b>4,024</b>	<b>3,994</b>	<b>4,063</b>	<b>5,106</b>
% change yoy	31.1	(0.7)	1.7	25.7
Depreciation	26	27	27	27
<b>EBIT</b>	<b>3,998</b>	<b>3,967</b>	<b>4,036</b>	<b>5,079</b>
Other Income	886	1,061	1,698	1,400
Interest	7	2	2	3
<b>Profit Before Tax</b>	<b>4,877</b>	<b>5,026</b>	<b>5,732</b>	<b>6,477</b>
% change yoy	20.7	3.1	14.0	13.0
Tax	1,366	1,690	1,892	2,137
as % of EBT	28.0	33.6	33.0	33.0
<b>PAT</b>	<b>3,511</b>	<b>3,336</b>	<b>3,841</b>	<b>4,339</b>
% change yoy	22.3	(5.0)	15.1	13.0
Shares outstanding (mn)	1,800	1,800	1,800	1,800
<b>EPS (Rs)</b>	<b>2.0</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>
DPS (Rs)	1.0	1.0	1.1	1.3
CEPS (Rs)	2.0	1.9	2.1	2.4
BVPS (Rs)	9.3	10.1	11.1	12.3

Source: Company, Kotak Securities – Private Client Research

### Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Pre-Tax Profit	4,877	5,026	5,732	6,477
Depreciation	26	27	27	27
Change in WC	1901	(157)	1314	959
Other operating activities	(1745)	(1882)	(1892)	(2137)
<b>Operating Cash Flow</b>	<b>5,059</b>	<b>3,014</b>	<b>5,182</b>	<b>5,326</b>
Capex	(58)	(12)	(100)	(100)
Free Cash Flow	5,001	3,002	5,082	5,226
Change in Investments	1,259	462	0	0
<b>Investment cash flow</b>	<b>1,201</b>	<b>450</b>	<b>(100)</b>	<b>(100)</b>
Equity Raised	0	0	0	0
Debt Raised/Repaid	(116)	0	0	0
Dividend & Others	(2021)	(1858)	(2024)	(2287)
<b>CF from Financing</b>	<b>(2137)</b>	<b>(1858)</b>	<b>(2024)</b>	<b>(2287)</b>
Change in Cash	4,123	1,606	3,057	2,938
Opening Cash	11,406	15,530	17,135	20,193
<b>Closing Cash</b>	<b>15,530</b>	<b>17,135</b>	<b>20,193</b>	<b>23,131</b>

Source: Company, Kotak Securities – Private Client Research

### Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Paid - Up Equity Capital	1,800	1,800	1,800	1,800
Reserves	14,936	16,414	18,230	20,282
Net worth	16,736	18,214	20,030	22,082
Borrowings	-	-	-	-
<b>Total Liabilities</b>	<b>16,736</b>	<b>18,214</b>	<b>20,030</b>	<b>22,082</b>
Net block	650	635	708	781
Capital work in progress	-	-	-	-
Total fixed assets	650	635	708	781
Investments	1,048	586	586	586
Inventories	15,704	16,575	21,014	25,769
Sundry debtors	21,866	22,585	28,632	35,112
Cash and equivalents	15,530	17,135	20,193	23,131
Loans and advances & Others	9,039	17,400	20,879	25,055
Total current assets	62,138	73,695	90,718	1,09,068
Sundry creditors and others	47,453	56,781	71,986	88,278
Provisions	1,040	1,505	1,581	1,660
Total CL & provisions	48,493	58,287	73,567	89,938
Net current assets	13,645	15,408	17,151	19,130
Net Deferred tax	995	1,157	1,157	1,157
<b>Total Assets</b>	<b>16,736</b>	<b>18,214</b>	<b>20,030</b>	<b>22,082</b>

Source: Company, Kotak Securities – Private Client Research

### Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
<b>Profitability Ratios</b>				
EBITDA margin (%)	6.4	6.8	5.4	5.6
EBIT margin (%)	6.4	6.7	5.4	5.5
Net profit margin (%)	5.6	5.6	5.1	4.7
EPS growth (%)	22.3	(5.0)	15.1	13.0
<b>Balance Sheet Ratios:</b>				
Receivables (days)	127	140	140	140
Inventory (days)	91	102	102	102
Payable (days)	276	351	351	351
Cash Conversion Cycle (days)	(57)	(109)	(109)	(109)
Asset Turnover (x)	4.0	3.5	4.0	4.4
Net Debt/ Equity (x)	(0.9)	(0.9)	(1.0)	(1.0)
<b>Return Ratios:</b>				
RoCE (%)	26.5	24.2	22.5	25.5
RoE (%)	22.0	19.1	20.1	20.6
<b>Valuation Ratios:</b>				
P/E (x)	25.1	26.4	23.0	20.3
P/BV (x)	5.3	4.8	4.4	4.0
EV/EBITDA (x)	18.1	17.8	16.7	12.7
EV/Sales (x)	1.2	1.2	0.9	0.7

Source: Company, Kotak Securities – Private Client Research

## RATING SCALE

### Definitions of ratings

<b>BUY</b>	–	We expect the stock to deliver more than 15% returns over the next 12 months
<b>ADD</b>	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
<b>REDUCE</b>	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
<b>SELL</b>	–	We expect the stock to deliver < -5% returns over the next 12 months
<b>NR</b>	–	<b>Not Rated.</b> Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
<b>SUBSCRIBE</b>	–	We advise investor to subscribe to the IPO.
<b>RS</b>	–	<b>Rating Suspended.</b> Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
<b>NA</b>	–	<b>Not Available or Not Applicable.</b> The information is not available for display or is not applicable
<b>NM</b>	–	<b>Not Meaningful.</b> The information is not meaningful and is therefore excluded.
<b>NOTE</b>	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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