

H.G. Infra Engineering Ltd

BUY

INDUSTRY	INFRASTRUCTURE		
CMP (as on 3 Sep 2018)	Rs 235		
Target Price	Rs 386		
Nifty	11,582		
Sensex	38,313		
KEY STOCK DATA			
Bloomberg	HGINFRA IN		
No. of Shares (mn)	34		
MCap (Rs bn) / (\$ mn)	16/220		
3m avg traded value (Rs mn)	30		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 356/231		
	3M	6M	12M
Absolute (%)	(24.6)	-	-
Relative (%)	(33.3)	-	-
SHAREHOLDING PATTERN (%)			
Promoters	73.74		
FIs & Local MFs	15.10		
FPIs	0.43		
Public & Others	10.73		
<i>Source : BSE</i>			

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Ready to bloom

HG Infra Engineering (HG) is an EPC company with focus on highways, roads and bridges in addition to civil works and water supply projects. It has been a sub-contractor for established players like L&T, Tata Projects and IRB Infra. Strong and persistent execution has helped it transform from a sub-contractor to a frontline EPC bidder. HG has grown to pre-qualify for projects up to Rs 11.2/16.0bn in EPC/HAM respectively. The transformation is visible, with HG quadrupling its revenues over FY13-18.

With a further pickup in NHA orders in 2HFY19E, EPC players will only add to their FY18E book/bill of ~ 3.3x. This should address longevity concerns on their earnings up-cycle. For HG, EPS should rise to Rs 24.7/sh in FY20E. HG has a firm grip over working capital (and hence, debt) and should deliver high RoEs >20%. We initiate coverage with a TP of Rs 386/sh (valuing core EPC operations at 15x FY20E EPS). BUY

Investment arguments

- **Healthy balance sheet:** Post the Rs 3bn IPO in Mar-18 and a portion being utilized towards debt reduction, we expect HG's net D/E to reduce from 1.1x in FY17 to 0.2x by FY19E. With stable EBITDA margins ~14-15%, tight control on finance costs (FY19/FY20E interest coverage – 6.4/7.0x), HG should deliver 38.3% FY18-20E EPS CAGR with PAT multiplying 1.9x.
- **Stable WC cycle:** HG's NWC cycle is one of the best in the industry and has averaged between 40-65days over FY13-17 (FY18 NWC of 96 days is an outlier as

execution was skewed sharply towards 4QFY18 – Rs 5.0bn). Along with execution, the low debtor days (25-50days over FY13-17; 73days in FY18) are also attributable to a large part of backlog from NHA/State Govt. with good payment terms.

- **Further sub-contracting to be only at juicy margins:** With HG now capable of independently winning big ticket road projects, it will bid conservatively. This can also be seen in the recent Rs 11.7bn IRB win where it provided a support bid at the pre-bid stage only.
- **Foray into HAM:** With >50% of big ticket NHA projects expected to be under HAM and with HG prequalified to bid independently, we expect HG to further add to its order backlog post the recent Gurgaon-Sohna package win of Rs 6.1bn.
- **Near-term outlook:** With (1) A steady flow of awards in the roads segment, (2) ~3.3x book to bill (excl. post FY18 wins) (FY18 revenue), (3) Steady 14-15% EBITDA margins and (4) Stable finance costs, we expect HG to post a 38% earnings CAGR over FY18-20E. This translates into >20% RoE and 17-20% RoIC over FY19-20E. HG is among our top picks in the small cap EPC space.

Financial Summary (Standalone)

(Rs mn)	FY17	FY18	FY19E	FY20E
Net Revenues	10,560	13,927	20,194	25,405
EBITDA	1,244	2,081	3,056	3,703
APAT	534	843	1,276	1,612
Diluted EPS (Rs)	29.6	12.9	19.6	24.7
P/E (x)	7.9	18.2	12.0	9.5
EV/EBIDTA (x)	4.9	8.5	5.5	4.5
RoE (%)	16.1	11.4	15.3	15.5

Source : Company, HDFC sec Inst Research

HG's order book/revenue grew ~9x/4x respectively over FY13-18, driven by Govt. lead focus on Roads Projects ordering

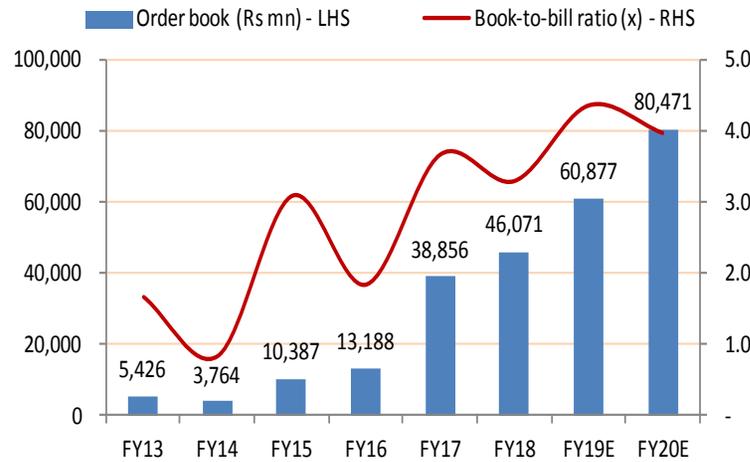
Bharatmala Pariyojana is expected to provide sustainable ordering visibility over FY19-21E and we model for 35% revenue CAGR over FY18-20E

HG is eyeing new HAM projects with 100-150bps higher than direct EPC project EBIDTA margins (which have high competitive intensity)

Even in EPC the subcontract jobs are at 13-14% EBIDTA margins as HG is giving its support bid at pre-bid level and partnering with developers

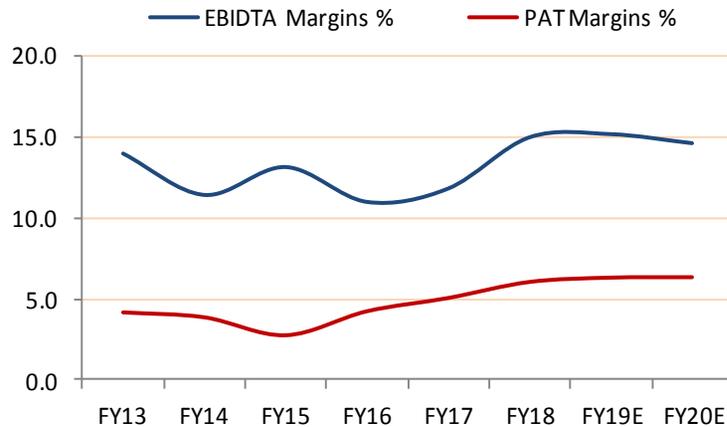
Expect HG to deliver high RoE in excess of 20% by FY20E on back of 38.3% EPS FY18-20E EPS CAGR

Order Book Trend – Multiplied 9x Over FY13-18



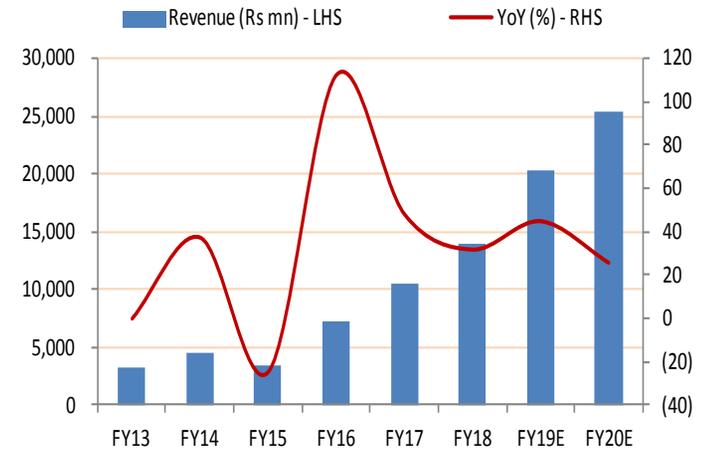
Source : Company, HDFC sec Inst Research

Margin Structure – Should Stabilize ~15-16%



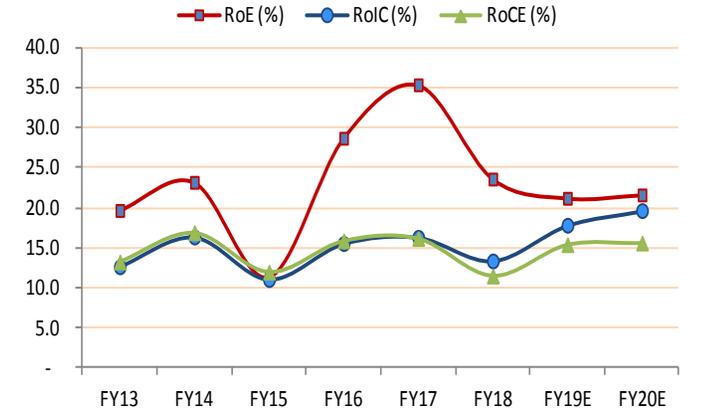
Source : Company, HDFC sec Inst Research

Revenue Trend – Multiplied 4x Over FY13-18



Source : Company, HDFC sec Inst Research

Return Ratios – RoE > 20%

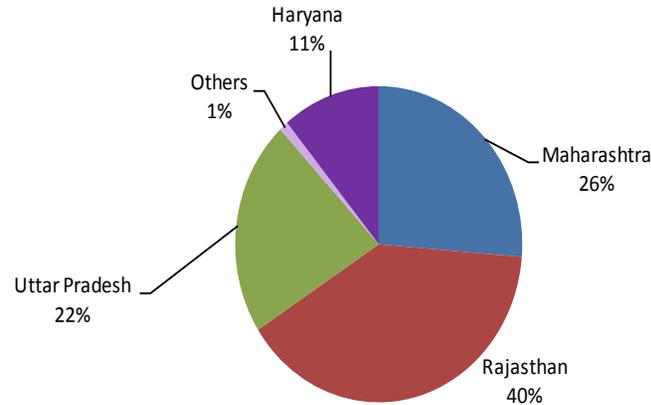


Source : Company, HDFC sec Inst Research

Rajasthan and Maharashtra continue to dominate with a large share of state PWD projects

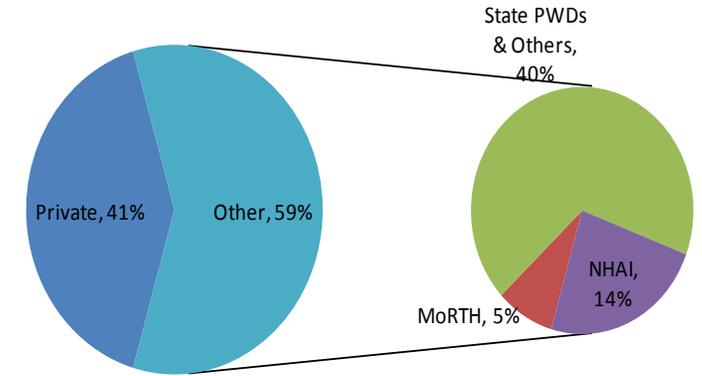
Private clients majorly include works from IRB and Tata Projects

Order Book – Geography Wise (West and North Dominate)



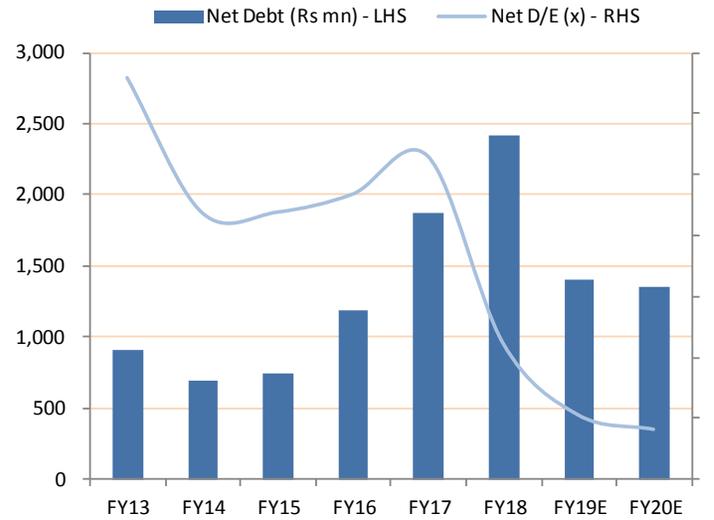
Source : Company, HDFC sec Inst Research

Order Book – Clients (% Breakup)



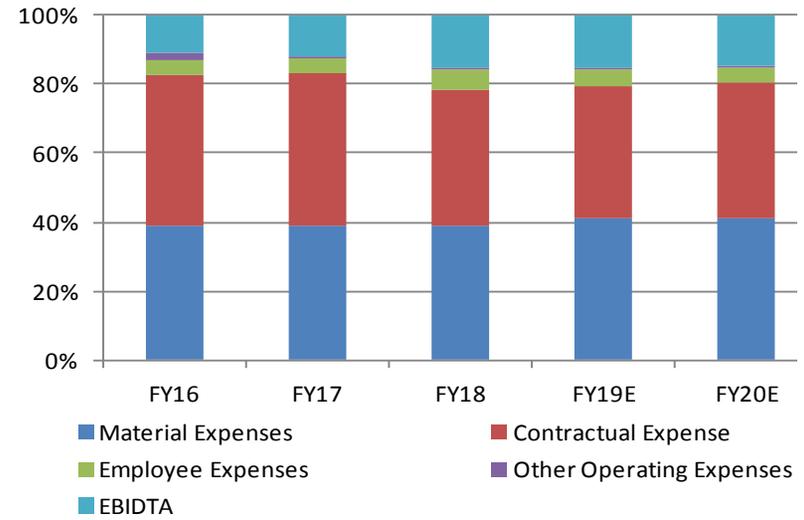
Source : Company, HDFC sec Inst Research

Debt Levels Improving Post IPO



Source : Company, HDFC sec Inst Research

Margin Breakup – Improving trend



Source : Company, HDFC sec Inst Research

Effectively Rs 33bn of orders were under execution

HAM package (~Rs 6.1bn) and the recently won IRB subcontracting work (~Rs 11.7bn) will move into execution only in 2HFY19E

Top 5 projects under execution

Sr.	Name of Work	Total contract value (Rs mn)	Balance work (Rs mn) (31-Mar-18)
1	Six laning of Gulabpura Chittorgarh Section-2	7,117	6,522
2	Six laning of Chittorgarh-Udaipur Section of NH-76	4,834	3,952
3	Rehabilitation and Up-gradation of Nagpur-Katol-Warud State Highway From Two lane with paved shoulder in Maharashtra on EPC Mode	3,142	2,693
4	Rehabilitation and Up-gradation of Nandurbar(Near Kolde)- Prakasha-Sahada-Khetia State Highway in Maharashtra on EPC Mode	2,981	2,545
5	Amarvati-Nandgaon-Morshi-warud-Pandhurna	2,945	2,346

Source: Company, HDFC sec Inst Research

Major Joint Ventures entered till date

Sr.	Name	Purpose	Year
1	HGIEPL – RPS	Development of the section from Bari- Baseri-Weir-Bhusawar-Chhonkarwara- Kherli-Nagar-Pahari Road up to Haryana Border against the tender invited by the Rajasthan State Road Development Corporation Limited, Jaipur	2013
2	MGCPPL – HGIEPL	Contract for rehabilitation and augmentation of two laning from Changlang District Boundary to the Khonsa section of the new National Highway 215 in Arunachal Pradesh on an EPC basis	2016
3	M/s HGIEPL – Colossal	Venture with M/s. Colossal Construction (“Colossal”) for carrying out construction activities.	2014
4	HGIEPL – Ranjit	Undertaking the four laning of Babatpur to Varanasi section of National Highway 56 in Uttar Pradesh on an EPC basis	2015
5	TPL – HGIEPL	Currently formed a joint venture for part of the six laning of the Chittorgarh – Udaipur section of National Highway 76 in the state of Rajasthan on EPC basis	2017

Source : Company, HDFC sec Inst Research

WC cycle to remain stable despite with execution ramp up

Working Capital Cycle (Standalone)

Particulars (days)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Inventory (days)	21	17	24	22	17	28	20	20
Debtors (days)	40	24	46	47	39	73	45	45
Payables (days)	27	21	22	24	30	73	40	40
Other Current Assets (days)	66	46	55	41	55	122	76	75
Other Current Liab (days)	40	28	39	33	26	55	38	38
Net Working Capital Cycle (Days)	61	37	64	53	55	96	63	62

Source: Company, HDFC sec Inst Research

- We expect the W/C cycle for HG to remain between 60-65 days despite scaling up operations significantly. Historically, NWC has ranged between 35-65 days over FY13-17 which is one of the best in the road construction industry. FY18 marked a significant increase in Debtors as well as Payables on account of significant execution ramp up to Rs 5bn in 4QFY18 (vs. Rs 8bn in 9MFY18), leading to bloating up of WC days.
- HG has traditionally been able to maintain a lean working capital cycle as roads projects are largely NHA/State funded and have 45-50days of payment period. On the private side, HG has well established relations with IRB, having successfully executed projects in the past and Government being the indirect client.
- With WC under control we expect HG to continue clocking positive operating cash flows over FY18-20E and positive FCFF over FY19-20E.
- Significant capex incurred in FY18 pre-IPO resulted in negative FCFF. We expect an annual capex outlay of Rs 0.8-1.1bn over FY19-20E.

Free Cash Flow (FCF) Generation (Standalone)

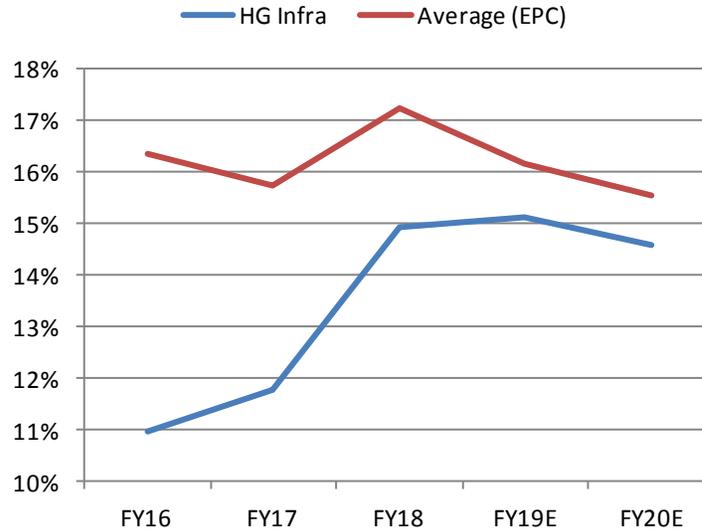
Particulars (Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
EBITDA	451	506	439	781	1,244	2,081	3,056	3,703
NWC Changes	(254)	45	(55)	(308)	(388)	(1,778)	75	(849)
Cash Flow From Operations	175	372	277	321	647	(35)	2,473	2,023
Capex	(163)	(15)	(175)	(609)	(1,086)	(2,526)	(801)	(1,064)
Free Cash Flow (FCFF)	12	357	102	(288)	(439)	(2,561)	1,672	959
Enterprise Value (EV)	4,722	4,511	4,554	5,511	6,194	18,053	17,045	16,992
FCF/EV (%)	0.2	7.9	2.2	(5.2)	(7.1)	(14.2)	9.8	5.6

Source: Company, HDFC sec Inst Research

With WC under control we expect HG to continue clocking positive operating cash flows over FY18-20E and positive FCFF over FY19-20E

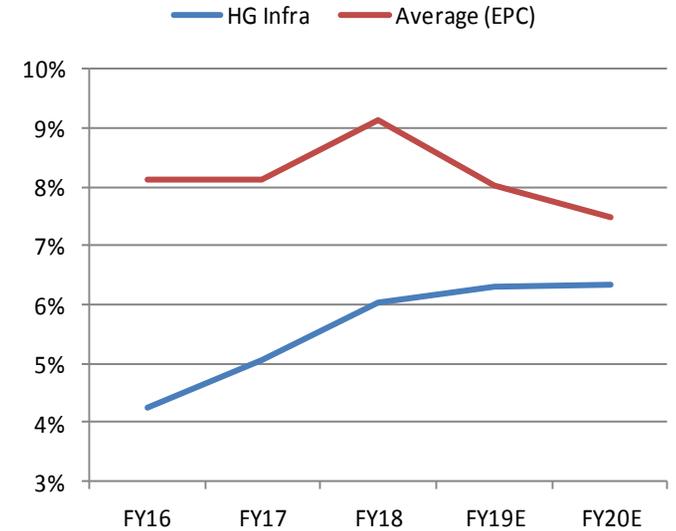
Over FY16-18 HG EBITDA margins expanded as it started winning NHAI/MoRTH contracts on its own (vs. subcontracting earlier)

EBITDA margins (%) vs Peers



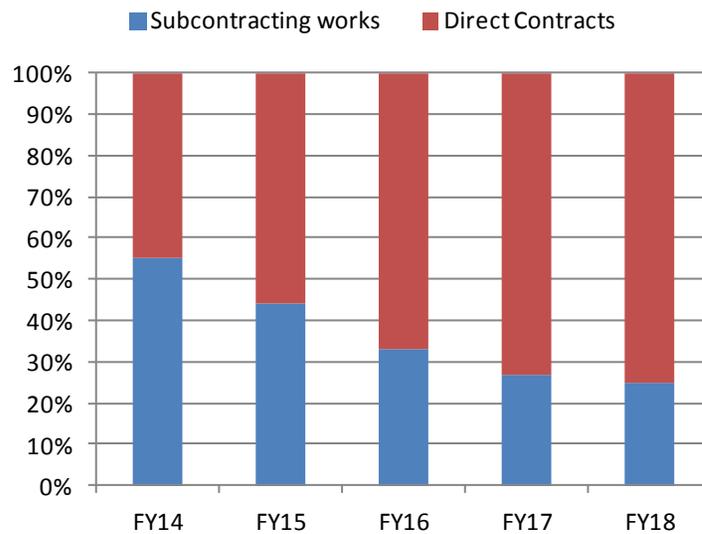
Source : Company, HDFC sec Inst Research

Net Margin (%) vs Peers



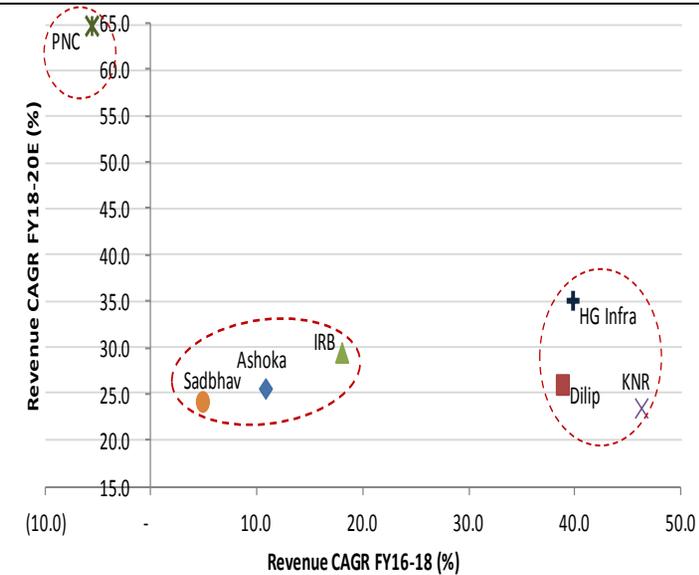
Source : Company, HDFC sec Inst Research

Increasing Direct orders leading to margin expansion



Source : Company, HDFC sec Inst Research

HG to clock 35.1% CAGR over FY18-20E



Source : Company, HDFC sec Inst Research

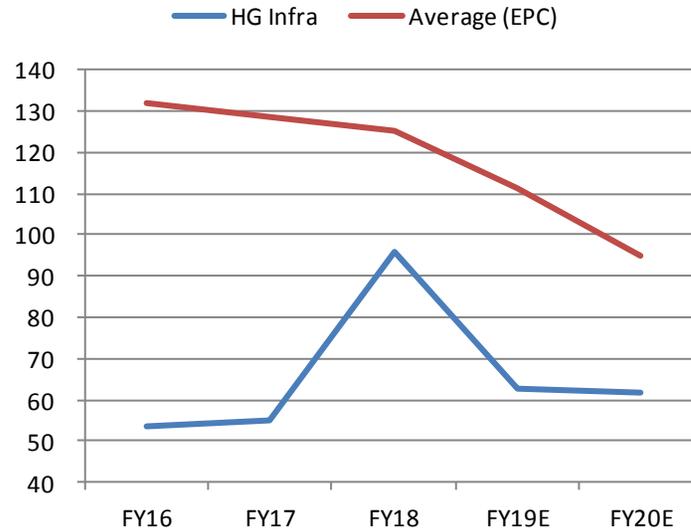
After clocking 39.8% revenue CAGR over FY16-18, we expect HG to clock revenue CAGR of 35.2% over FY18-20E

HG has maintained a leaner WC cycle vs its peers

Post the IPO in Mar 18, HG net D/E is 0.45x vs 1.1 in FY17. Net D/E would reduce further to 0.2x in FY19E

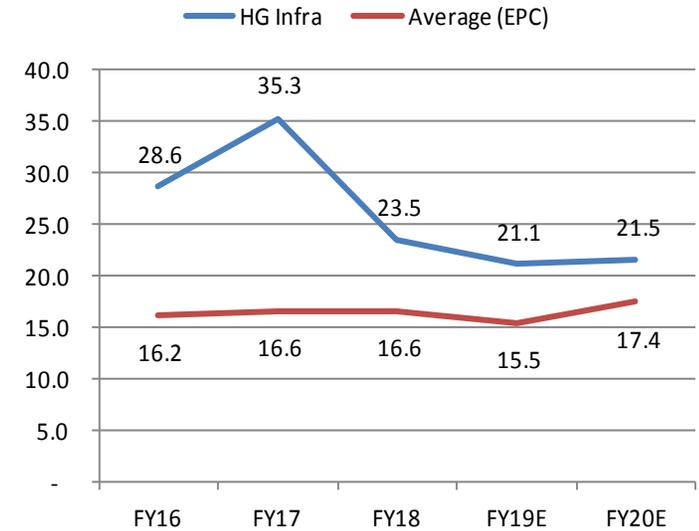
Expect debt to continue to remain low as any further HAM wins would have provision of 10% mobilization advance and tight WC management will keep WC debt in limits

NWC Days vs. Peers



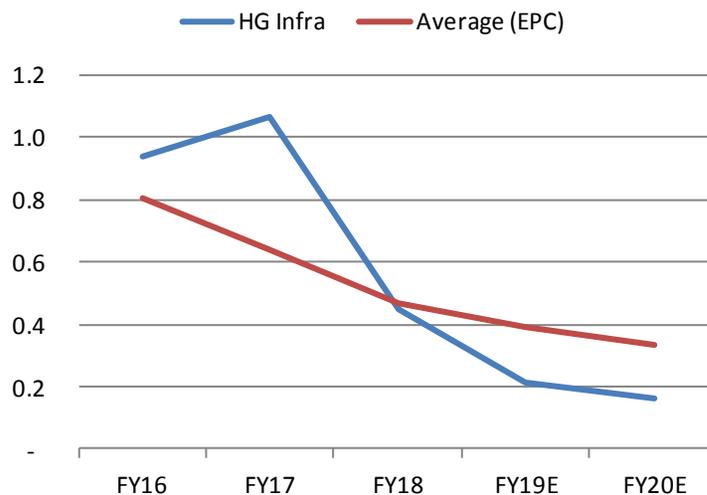
Source : Company, HDFC sec Inst Research

ROE (%) vs Peers



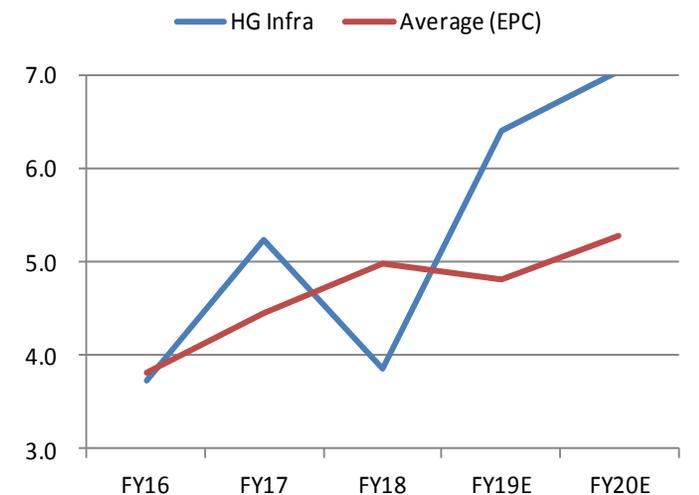
Source : Company, HDFC sec Inst Research

Net D/E (x) – vs Peers



Source : Company, HDFC sec Inst Research

Interest coverage (x) – vs Peers



Source : Company, HDFC sec Inst Research

FY18 book to bill stands comfortably at 3.3x (ex-YTDFY19 win of Rs 11.7bn from IRB) vs peer group average of 3.6x

Road sector – Historically high order books

- With NHAI awarding a record Rs 1.2tn of projects in FY18, the pace and scale was enough to lead to most road - EPC companies to bag a handful of orders.
- HG is comfortably placed with a 3.3x book to bill ratio before considering the Rs 11.7bn IRB contract.
- With another >7,000km of ordering likely by NHAI in FY19E, along with other opportunities in state road

projects and subcontracting works, we expect HG to have enough on its plate for the next 2-3 years.

- With the HAM model is seeing increasing acceptance among developers and with HG now prequalified to bid independently (HG has already won 1 HAM project in Gugaon-Sohna), we expect it to grab another package or so once the existing one moves into execution.

Book to bill (x) – Year end order book

	FY16	FY17	FY18	FY19E	FY20E
Ashoka Buildcon (S)	2.1	3.5	2.4	4.2	4.0
Dilip Buildcon	2.7	3.5	3.3	3.0	2.5
IRB Infrastructure (S)	3.0	3.0	3.5	3.5	3.5
KNR Constructions	3.8	2.4	3.3	3.5	3.3
PNC Infratech	2.7	5.3	5.9	4.7	3.2
Sadbhav Engineering	2.7	2.3	3.8	3.5	2.8
HG Infra	1.9	3.7	3.3	4.4	4.0
Average (EPC)	2.7	3.4	3.6	3.8	3.3

Source : Company, HDFC sec Inst Research

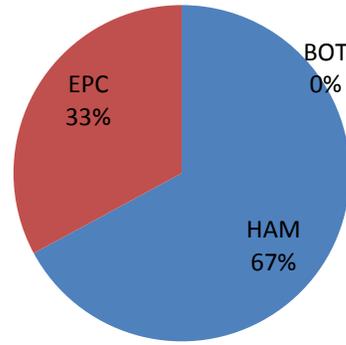
Ordering – to remain robust

NHAI has upcoming bids of ~Rs 57bn expected in the next 3 months (67% on HAM)

Key packages in Maharashtra (18%) and UP (14%)

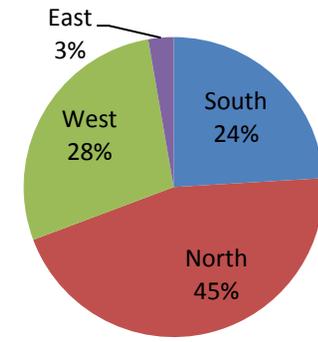
Additionally 3 packages of Mumbai Nagpur (MSRDC project) totaling ~Rs 7.2bn will be bid out in Sep-18 under EPC mode

NHAI Upcoming Bids By Type



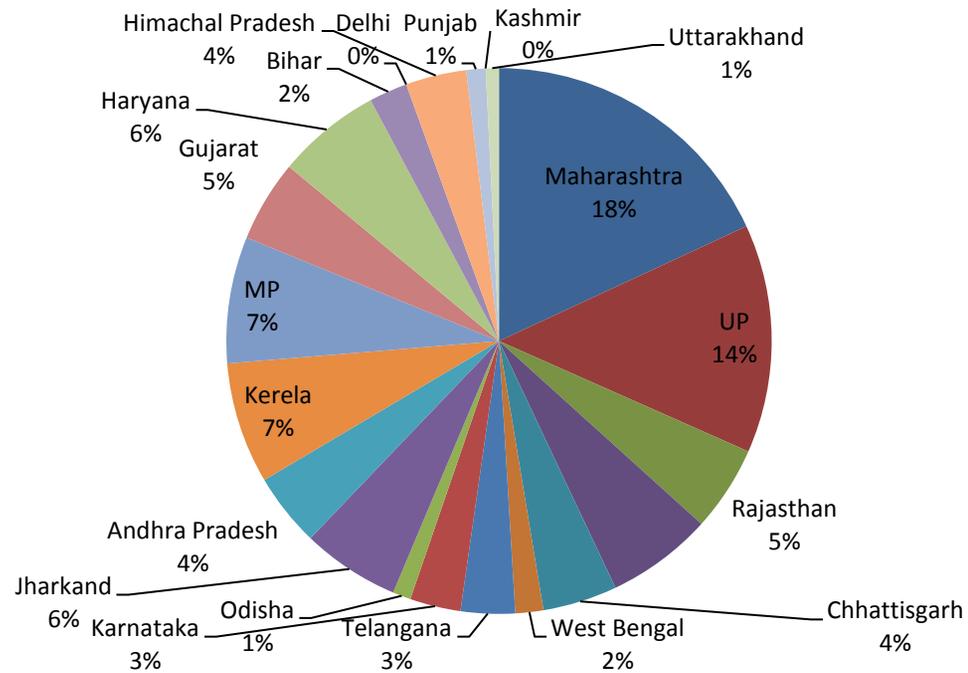
Source : Company, HDFC sec Inst Research

NHAI Upcoming Bids By Geography



Source : Company, HDFC sec Inst Research

NHAI Upcoming Bids By States



Source : Company, HDFC sec Inst Research

Order book to grow at a CAGR of 32.2% over FY18-20E

Revenue to grow at a CAGR of 35.1% over FY18-20E

EBITDA margins will be stable between 14.5-15% range

APAT will grow by 38.3% CAGR over FY18-20E

Key Assumptions And Estimates (Standalone)

Key Assumptions	FY19E	FY20E	Comments
Closing order book	60,877	80,471	Order book to grow at a CAGR of 32.2% over FY18-20E
Order book growth (%)	32.1	32.2	
New order booking	35,000	45,000	HG is expected to target one more HAM along with other EPC and subcontracting projects
Book to bill ratio	3.0	3.2	
Total Revenue	20,194	25,405	Revenue to grow at a CAGR of 35.1% over FY18-20E
Growth (%)	45.0	25.8	
EBIDTA	3,056	3,703	EBITDA to grow at a CAGR of 33.4% over FY18-20E
EBIDTA margin (%)	15.1	14.6	EBITDA margins will be stable between 14.5-15% range
Depreciation	858	954	Increased Capex for supporting execution ramp along with replacement capex up will significantly increase depreciation charge
Financial Charges	343	390	With debt levels to reduce from FY18 levels, expect financial charges to be insignificant
PBT	1,933	2,442	Significant generation of other non operating income from fixed deposits to result in 8-10% PBT margins
PBT margin (%)	9.6	9.6	
Tax	657.2	830.3	
Tax rate (%)	34.0	34.0	Company operates at a full tax rate and the same is expected to continue over FY18-20E
RPAT	1,276	1,612	
Net margin (%)	6.3	6.3	
Extraordinary	-	-	
Adjusted PAT	1,276	1,612	APAT will grow by 38.3% CAGR over FY18-20E
Gross Block Turnover	3.1	3.3	
Debtor days	45	45	
CFO - a	2,438	2,023	
CFI - b	(1,122)	(1,581)	
FCF - a+b	1,315	443	
CFF - c	(1,769)	102	
Total change in cash - a+b+c	(454)	544	

Source : HDFC sec Inst Research

HDFC sec vs. Consensus

Rs mn		Consensus	HDFC Sec	% Divergence
Sales	FY19E	19,184	20,194	5.3
	FY20E	25,263	25,405	0.6
EBITDA	FY19E	2,800	3,056	9.1
	FY20E	3,726	3,703	(0.6)
Net Profit	FY19E	1,250	1,276	2.1
	FY20E	1,788	1,612	(9.9)
Divergence (bps)				
EBITDA margin	FY19E	14.6%	15.1%	53.7
	FY20E	14.7%	14.6%	(17.3)
Net Margin	FY19E	6.5%	6.3%	(19.8)
	FY20E	7.1%	6.3%	(73.3)

Source: HDFC sec Inst Research

Peer Set Comparison: Core EPC

COMPANY	MCap (Rs bn)	CMP (Rs)	RECO	TP (Rs)	Adj. EPS (Rs/sh)			P/E (x)			EV/EBITDA (x)			ROE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Dilip Buildcon	111.8	818	BUY	1,434	46.5	63.1	68.5	16.8	12.3	11.4	9.6	7.7	6.1	14.6	14.4	14.6
IRB Infra Developers	66.4	189	BUY	328	19.7	16.4	21.0	3.1	3.8	2.9	3.4	3.5	2.8	30.3	25.3	30.9
NCC	62.5	104	BUY	174	5.2	7.2	8.6	18.2	13.2	11.0	9.0	6.8	5.9	4.2	4.3	4.2
Sadbhav Engineering	48.4	282	BUY	438	12.9	15.4	16.6	11.3	9.5	8.8	9.6	7.4	5.8	11.8	12.5	12.0
PNC Infratech	41.8	163	BUY	322	4.1	9.0	14.5	26.0	11.9	7.4	10.7	7.1	4.8	6.2	11.9	16.5
Ashoka Buildcon	39.0	139	BUY	225	8.4	9.3	9.6	7.7	7.0	6.8	6.3	5.7	5.0	12.5	12.8	11.8
KNR Constructions	36.0	256	BUY	392	13.6	10.1	14.9	13.0	17.6	11.9	6.9	7.4	5.4	18.7	11.3	14.3
ITD Cementation*	24.9	145	BUY	211	6.1	9.0	11.7	23.7	16.1	12.4	10.6	7.4	6.3	16.2	17.9	16.8
Ahluwalia Contracts	21.0	313	BUY	486	17.3	22.2	25.3	17.4	13.5	11.9	8.7	7.0	6.0	20.5	21.4	19.9
J. Kumar Infraprojects	19.4	256	BUY	415	18.1	22.2	27.7	14.2	11.5	9.3	7.5	5.8	5.1	9.4	10.7	12.2
JMC Projects	17.7	527	BUY	844	31.6	33.4	39.9	12.7	12.3	10.1	6.8	6.7	5.6	14.4	13.0	13.9
PSP Projects	17.8	495	BUY	639	18.0	27.7	35.5	27.4	17.9	13.9	15.4	10.1	7.5	31.7	28.4	28.2
HG Infra	15.3	235	BUY	386	12.9	19.6	24.7	18.2	12.0	9.5	8.5	5.5	4.5	23.5	21.1	21.5
Average (Core EPC)					16.5	20.4	24.5	16.1	12.2	9.8	8.7	6.8	5.5	16.4	15.8	16.7

Source: Company, HDFC sec Inst Research *ITD Cementation FY19E/FY20E should be read as 15MFY19E/FY20E, 16th August 2018 Prices

We have valued the core construction business at 15x one-year forward Mar-20E EPS at Rs 371/share and HAM equity invested at 1x P/BV – Rs 15/sh.

We arrive at SOTP based TP of Rs 386/sh

HG is trading at 9.5x FY20E earnings which is marginally higher than Roads - EPC peer average of 9.3x

Outlook And Valuation

Target Price of Rs 386/sh implies ~64% upside

Valuation methodology

- We have valued the core construction business at 15x one-year forward (a 15% discount to our peer average of 18x) Mar-20E EPS at Rs 371/share. Discount is attributable to (1) Large share of Revenue dependence on subcontracts from developers & (2) Limited listing history.
- Multiple revision in future is contingent to (1) A continual flow of awards in the roads segment, (2) More direct project wins, (3) EBITDA margins surprise beyond 14.5-15% EBITDA margins on new HAM wins,
- (4) Stable interest costs and a healthy balance sheet with net D/E likely to reduce to 0.2x by FY19E.
- With another round of 7,000km + awards by NHA likely in FY19E, we do not expect HG to face any serious challenge to further expand its order book.
- Given its strong credit history, a robust balance sheet, strong revenue visibility, control over WC and execution track record, we expect HG to continue to demonstrate exceptional execution and earnings growth trajectory.

Valuation

Particulars	Segments	Value (Rs mn)	Value per share (Rs)	Rationale
Standalone	Core construction business	31,048	371	At 15x Mar-20E EPS
	HAM Investments	1,000	15	At 1x book value of invested equity in FY20E
Total		32,048	386	

Source: HDFC sec Inst Research

Relative Valuation (Roads EPC)	P/E (x)			EV/EBITDA (x)			P/BV (x)		
	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Ashoka Buildcon (S)	7.7	7.0	6.8	6.3	5.7	5.0	1.0	0.9	0.8
Dilip Buildcon	16.8	12.3	11.4	9.6	7.7	6.1	12.3	9.4	8.5
KNR Constructions	13.0	17.6	11.9	6.9	7.4	5.4	2.9	2.5	2.1
PNC Infratech	26.0	11.9	7.4	10.7	7.1	4.8	2.3	2.0	1.7
Sadbhav Engineering	11.3	9.5	8.8	9.6	7.4	5.8	2.6	2.3	2.0
HG Infra	18.2	12.0	9.5	8.5	5.5	4.5	2.8	2.3	1.8
Average (EPC)	15.5	11.7	9.3	8.6	6.8	5.3	4.0	3.2	2.8

Source: HDFC sec Inst Research

Income Statement (Standalone)

Year ending March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Net Revenues (post JV partner share)	7,124	10,560	13,927	20,194	25,405
Growth (%)	112.5	48.2	31.9	45.0	25.8
Material Expenses	5,883	8,804	10,937	16,046	20,427
Employee Expenses	299	408	761	929	1,096
Other Operating Expenses	161	104	148	163	179
EBIDTA	781	1,244	2,081	3,056	3,703
EBIDTA (%)	11.0	11.8	14.9	15.1	14.6
EBIDTA Growth (%)	77.7	59.4	67.2	46.9	21.2
Depreciation	183	256	539	858	954
EBIT	597	988	1,542	2,198	2,749
Other Income (Incl. EO Items)	24	34	47	79	83
Interest	160	189	401	343	390
PBT	461	834	1,188	1,933	2,442
Tax	159	300	345	657	830
RPAT	302	534	843	1,276	1,612
EO items (net of tax)	-	-	-	-	-
APAT	302	534	843	1,276	1,612
APAT Growth (%)	227.3	76.9	57.8	51.4	26.3
EPS	16.7	29.6	12.9	19.6	24.7
EPS Growth (%)	177.0	76.9	(56.4)	51.4	26.3

Source: Company, HDFC sec Inst Research

Balance Sheet (Standalone)

As at March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital	180	180	652	652	652
Reserves	1,086	1,581	4,757	6,033	7,644
Total Shareholders Funds	1,266	1,761	5,409	6,684	8,296
Minority Interest					
Long Term Debt	284	635	1,247	661	789
Short Term Debt	943	1,405	2,822	1,981	2,345
Total Debt	1,227	2,040	4,069	2,642	3,134
Deferred Taxes	(6)	(23)	(61)	(61)	(61)
Other Non Current Liabilities	89	295	489	554	691
TOTAL SOURCES OF FUNDS	2,577	4,074	9,905	9,819	12,060
APPLICATION OF FUNDS					
Net Block	1,162	2,044	4,119	4,147	4,257
CWIP	48	7	86	-	-
Investments	4	-	-	400	1,000
Other Non Current Assets	281	257	392	569	710
Total Non-current Assets	1,495	2,308	4,597	5,116	5,967
Inventories	433	492	1,068	1,107	1,380
Debtors	927	1,128	2,802	2,490	3,106
Cash & Equivalents	41	170	1,656	1,238	1,782
ST Loans & Advances, Others	543	316	502	664	828
Other Assets	248	1,285	4,158	3,541	4,399
Total Current Assets	2,191	3,391	10,186	9,039	11,496
Creditors	460	869	2,793	2,213	2,761
Other Current Liabilities & Provns	649	755	2,085	2,123	2,642
Total Current Liabilities	1,109	1,625	4,879	4,336	5,402
Net Current Assets	1,082	1,766	5,307	4,703	6,093
Misc Expenses & Others	-	-	-	-	-
TOTAL APPLICATION OF FUNDS	2,577	4,074	9,905	9,819	12,060

Source: Company, HDFC sec Inst Research

Cash Flow (Standalone)

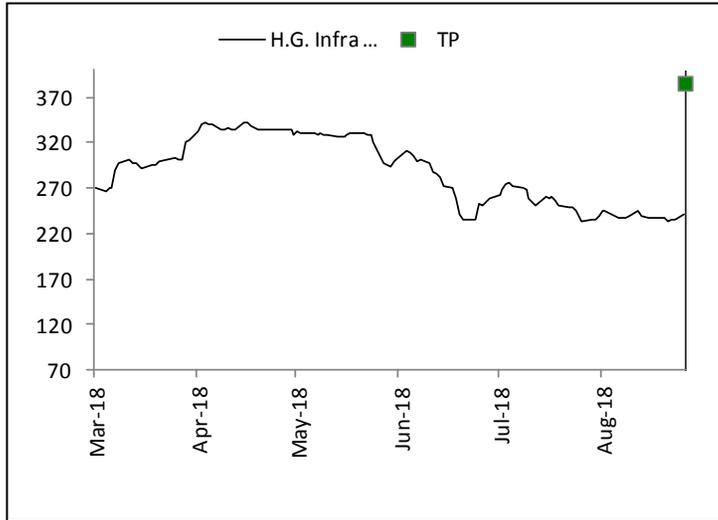
Year ending March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT	461	834	1,188	1,933	2,442
Non-operating & EO items	(27)	1	(29)	(80)	(83)
Interest expenses	160	189	401	343	390
Depreciation	183	256	539	858	954
Working Capital Change	(308)	(388)	(1,778)	75	(849)
Tax paid	(149)	(245)	(356)	(657)	(830)
OPERATING CASH FLOW (a)	321	647	(35)	2,473	2,023
Capex	(609)	(1,086)	(2,526)	(801)	(1,064)
Free cash flow (FCF)	(288)	(439)	(2,561)	1,672	959
Investments	(68)	(76)	(675)	(400)	(600)
Non operating income	20	24	38	79	83
INVESTING CASH FLOW (b)	(658)	(1,137)	(3,163)	(1,122)	(1,581)
Share capital Issuance	28	-	3,194	-	-
Debt Issuance	496	809	2,021	(1,427)	492
Interest expenses	(160)	(189)	(532)	(342)	(390)
Dividend	-	-	-	-	-
FINANCING CASH FLOW (c)	363	620	4,684	(1,769)	102
NET CASH FLOW (a+b+c)	27	130	1,486	(419)	544
Closing Cash & Equivalents	41	171	1,657	1,238	1,782

Source: Company, HDFC sec Inst Research

Key Ratios (Standalone)

Year ending March	FY16	FY17	FY18	FY19E	FY20E
PROFITABILITY (%)					
GPM	17.4	16.6	21.5	20.5	19.6
EBITDA Margin	11.0	11.8	14.9	15.1	14.6
EBIT Margin	8.4	9.4	11.1	10.9	10.8
APAT Margin	4.2	5.1	6.1	6.3	6.3
RoE	28.6	35.3	23.5	21.1	21.5
Core RoCE	15.4	16.2	13.3	17.7	19.6
RoCE	15.8	16.1	11.4	15.3	15.5
EFFICIENCY					
Tax Rate (%)	34.6	35.9	29.0	34.0	34.0
Asset Turnover (x)	3.6	3.5	2.5	3.1	3.3
Inventory (days)	22	17	28	20	20
Debtors (days)	47	39	73	45	45
Payables (days)	24	30	73	40	40
Other Current Assets (days)	41	55	122	76	75
Other Current Liab (days)	33	26	55	38	38
Net Working Capital Cycle (Days)	53	55	96	63	62
Debt/EBITDA (x)	1.6	1.6	2.0	0.9	0.8
Net D/E	0.9	1.1	0.4	0.2	0.2
Interest Coverage	3.7	5.2	3.8	6.4	7.0
PER SHARE DATA					
EPS (Rs/sh)	16.7	29.6	12.9	19.6	24.7
CEPS (Rs/sh)	26.9	43.8	21.2	32.7	39.4
DPS (Rs/sh)	0.0	0.0	0.0	0.0	0.0
BV (Rs/sh)	70	98	83	103	127
VALUATION					
P/E	14.0	7.9	18.2	12.0	9.5
P/BV	3.3	2.4	2.8	2.3	1.8
EV/EBITDA	6.9	4.9	8.5	5.5	4.5
OCF/EV (%)	5.9	0.1	(0.0)	0.1	0.1
FCF/EV (%)	(5.3)	(7.2)	(14.4)	10.0	5.8
FCFE/Market Cap (%)	1.1	4.3	(7.0)	(0.6)	6.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, HDFC sec Inst Research



Date	CMP	Reco	Target
3-Sep-18	235	BUY	386

Rating Definitions

- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH

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