# Gateway Distriparks Ltd

Bloomberg Code: GDPL IN

India Research - Stock Broking

**BUY**

## Capacity Expansion to Aid Growth

**GDL's strategies to enhance its reach and capacity through organic and inorganic expansion would trigger growth:** GDL is consolidating its existing positions at various CFSs (Container Freight Stations) and ICDs (Inland Container Depots). Its expanding by setting up/acquiring new CFSs at major upcoming modern ports and ICDs at various industrial areas, connected through rail and roads. This will add business volume for GDL.

- It is expected that Krishnapatnam port becoming operational from H2FY17E which will boost business volume.
- GDL is likely to implement double stacking which could reduce its operational cost substantially.

**Government's various initiatives towards development of infrastructure to boost logistic industry:** 'Make-in-India' campaign backed by port capacity enhancement and construction of Dedicated Freight Corridor (DFC) to be catalyst to containerized logistics business. DFC Corridor will help promote more efficient haulage of containerized cargo by rail. GDL, with three synergetic business verticals including CFSs, ICDs and Cold Chain storage & logistics situated at strategic locations, is poised to get benefitted of these developments.

## Valuation and Outlook

The growth driver for GDL could be initiatives on the part of government to build DFC, enhancing port capacity along with the company's move to enhance capacities of its own CFSs and ICDs by way of going out for organic and inorganic growth. DFC is expected to facilitate double stack carriage which will reduce operational cost substantially. Besides, strong balance sheet of the company supports to premium valuation for the company's stock price. Given the strong fundamentals at domestic economy and the company level which is virtually debt free, we are initiating coverage with **"BUY"** recommendation on the backdrop that increased movement of containerized cargo benefitting GDL with synergetic business verticals. At CMP of Rs.289, the stock is trading at PE of 17.5x of FY18E earnings. We have assigned a 20.6x FY18E EPS for a target of Rs.340 representing an upside potential of 18%.

## Key Risks

1) Slow down in Global Economies. 2) Increased Competition. 3) High cost of setting up of CFSs and ICDs. 4) Heavy reliance on contract labour.

**Exhibit 1: Valuation Summary**

| YE Mar (Rs. Mn) | FY14 | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|---|
| Net Sales | 10128 | 11113 | 10509 | 11768 | 13104 |
| EBITDA | 2572 | 3267 | 2487 | 3024 | 3367 |
| EBITDA Margin (%) | 25.4 | 29.4 | 23.7 | 25.7 | 25.7 |
| Net Profit | 1358 | 1878 | 1096 | 1600 | 1793 |
| EPS (Rs.) | 12.6 | 17.3 | 10.1 | 14.7 | 16.5 |
| RoE (%) | 16.7 | 21.3 | 10.8 | 13.4 | 13.8 |
| PE (x) | 13.4 | 23.9 | 28.7 | 19.6 | 17.5 |

*Source: Company, Karvy Research, *Represents multiples for FY14, FY15 & FY16 are based on historic market price*



**Recommendation (Rs.)**

| | |
|---|---|
| CMP *(as on May 13, 2016)* | 289 |
| Target Price | 340 |
| Upside (%) | 18 |

**Stock Information**

| | |
|---|---|
| Mkt Cap (Rs.mn/US$ mn) | 31433 / 471 |
| 52-wk High/Low (Rs.) | 400 / 206 |
| 3M Avg. daily volume (mn) | 0.2 |
| Beta (x) | 0.8 |
| Sensex/Nifty | 25490 / 7815 |
| O/S Shares(mn) | 108.7 |
| Face Value (Rs.) | 10.0 |

**Shareholding Pattern (%)**

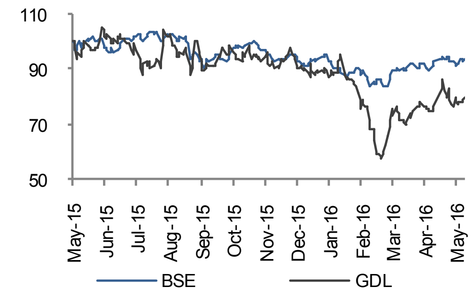
| | |
|---|---|
| Promoters | 25.2 |
| FIIs | 38.6 |
| DIIs | 26.6 |
| Others | 9.7 |

**Stock Performance (%)**

| | 1M | 3M | 6M | 12M |
|---|---|---|---|---|
| Absolute | 4 | 19 | (11) | (18) |
| Relative to Sensex | 5 | 8 | (10) | (12) |

*Source: Bloomberg*

**Relative Performance***




*Source: Bloomberg; *Index 100*

**Analyst Contact**

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## Company Financial Snapshot (Y/E Mar)

**Profit & Loss (Rs. Mn)**

| | FY16 | FY17E | FY18E |
|---|---|---|---|
| Net sales | 10509 | 11768 | 13104 |
| Optg. Exp (Adj for OI) | 8022 | 8744 | 9737 |
| EBITDA | 2487 | 3024 | 3367 |
| Depreciation | 805 | 871 | 965 |
| Interest | 184 | 121 | 97 |
| Other Income | 197 | 150 | 153 |
| PBT | 1695 | 2182 | 2458 |
| Tax | 671 | 655 | 737 |
| Adj. PAT | 1096 | 1600 | 1793 |
| **Profit & Loss Ratios** | | | |
| EBITDA Margin (%) | 23.7 | 25.7 | 25.7 |
| Net Margin (%) | 10.4 | 13.6 | 13.7 |
| P/E (x) | 28.7 | 19.6 | 17.5 |
| EV/EBITDA (x) | 12.9 | 10.6 | 9.5 |
| Dividend yield (%) | 2.4 | 2.4 | 2.4 |

*Source: Company, Karvy Research*

## Company Background

Incorporated in 1994, Gateway Distriparks Limited is one of the largest containerized logistics services providing companies which offers cargo loading and unloading, transportation, storage and custom clearance services. It has got three synergetic business verticals, catering to customers demands. It's CFSs handle loading and unloading of container vessels at seaports and also provide storage for import and export laden/empty containers at port along with custom clearances. The second vertical, Rail linked ICDs which operate through Gateway Rail Freight Limited, provides regular container train services from ICDs/Dry ports to the ports at JNPT, Mundra and Pipavav, transporting export and import as well as domestic containers. The third vertical consists of Cold Chain Logistics solutions which the company operates through its associate namely, Snowman Logistics Ltd, which offers services like storage facilities at cold stores and transportation of temperature controlled ambient products.

**Balance sheet (Rs. Mn)**

| | FY16 | FY17E | FY18E |
|---|---|---|---|
| **Total Assets** | **17308** | **18593** | **19036** |
| Net Fixed assets | 11659 | 12639 | 13148 |
| Current assets | 3377 | 3649 | 3536 |
| Other assets | 2273 | 2305 | 2352 |
| **Total Liabilities** | **17308** | **18593** | **19036** |
| Networth | 11103 | 12703 | 13266 |
| Debt | 1239 | 1096 | 886 |
| Current Liabilities | 1512 | 1340 | 1430 |
| Other Liabilities | 3454 | 3454 | 3454 |
| | | | |
| **Balance Sheet Ratios** | | | |
| RoE (%) | 10.8 | 13.4 | 13.8 |
| RoCE (%) | 15.2 | 16.7 | 18.1 |
| Debt/Equity | 0.1 | 0.1 | 0.1 |
| Equity/Total Assets | 0.6 | 0.7 | 0.7 |
| P/BV (x) | 2.8 | 2.5 | 2.4 |

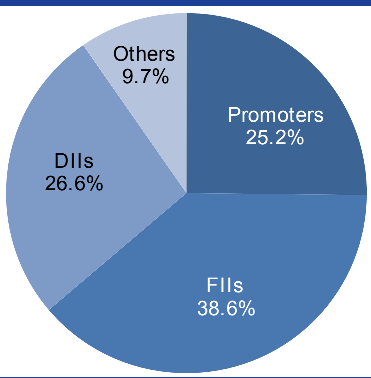
*Source: Company, Karvy Research*

**Cash Flow (Rs. Mn)**

| | FY16 | FY17E | FY18E |
|---|---|---|---|
| PBT | 1695 | 2182 | 2458 |
| Depreciation | 805 | 871 | 965 |
| Interest | 184 | 121 | 97 |
| Tax | (671) | (655) | (737) |
| Changes in WC | 27 | (271) | (39) |
| Others | (70) | (83) | (88) |
| **CF from Operations** | **1969** | **2165** | **2656** |
| Capex | (500) | (1000) | (1344) |
| Investment | 0 | (300) | (300) |
| **CF from Investing** | **(500)** | **(1300)** | **(1644)** |
| Change in Debt | (131) | (143) | (210) |
| Others | (184) | (121) | (97) |
| Dividends | (900) | (900) | (900) |
| **CF from Financing** | **(1215)** | **(1164)** | **(1207)** |
| Change in Cash | 254 | (299) | (195) |

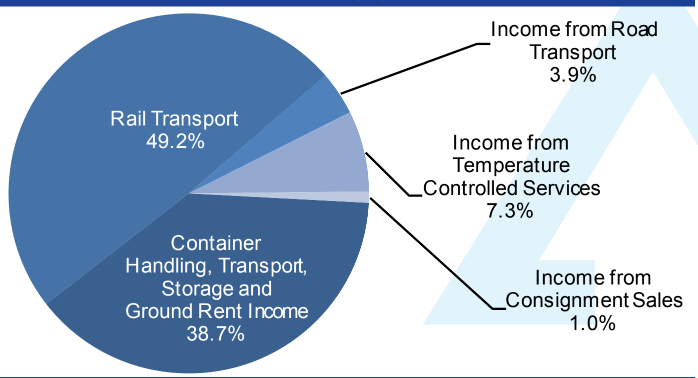
*Source: Company, Karvy Research*

## Exhibit 2: Shareholding Pattern (%)




*Source: BSE, Karvy Research*

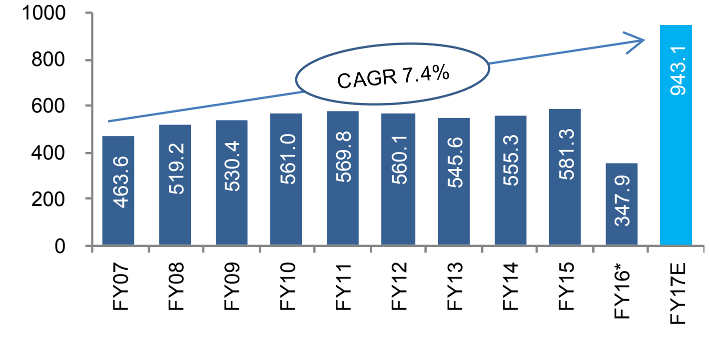
## Exhibit 3: Revenue Segmentation (%)




*Source: Company, Karvy Research*

## Government focus on building infrastructure to facilitate containerized logistics business:

**Exhibit 4: Cargo traffic at major ports (MMT)**




*Source: Indian Brand Equity Foundation (IBEF), Note: CAGR-Compound Annual Gorwth Rate, *FY16: From April-October 2015, Karvy Research*

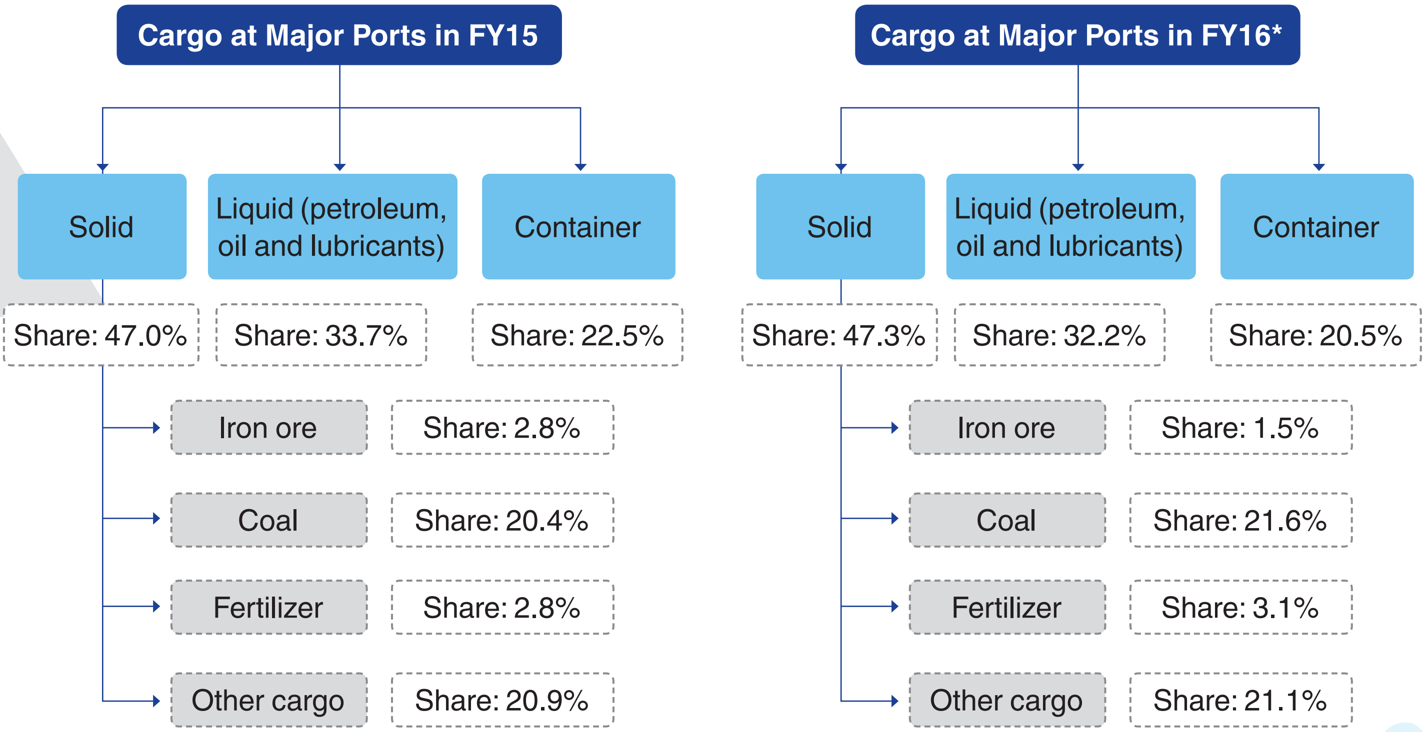
The central government has undertaken several initiatives which include, 100 percent Foreign Direct Investment (FDI) in Port under the automatic route, building/capacity enhancement and investment, shipping subsidy, 10 years tax holidays to the companies that develop, maintain and operate ports, privatization of container terminals, construction of DFC, etc.

The Ministry of Shipping has formulated a perspective plan 'Maritime Time Agenda 2010-20' to develop maritime sector. This Plan includes forecasts for traffic and capacity additions at the ports up to 2020. The estimated capacity of the ports would be 3130MMT by 2019-20. The Union Ministry of Shipping has chalked out a comprehensive plan to raise Rs.100 Bn (US $1.5 Bn) to develop ports and build ships.

According to the Ministry of Shipping, around 95 per cent of India's trading by volume and 70 per cent by value is done through maritime transport.

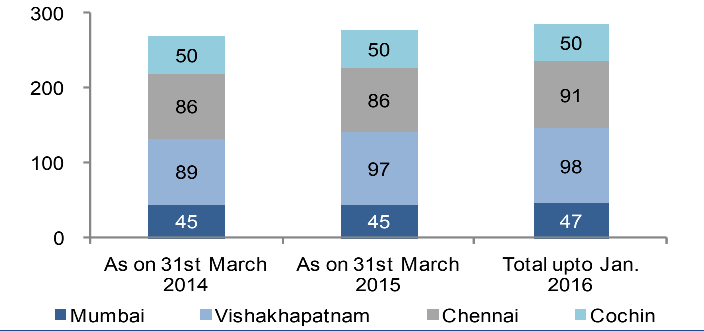
India has 12 major and 187 non-major ports. Cargo traffic, which recorded 1052 MMTs (Million Metric Tonnes) in 2015, is expected to reach 1758 MMTs by 2017.

## Cargo Profile at Major Ports in India




*Source: IBEF, Note: Other cargo includes Fertiliser Raw Material (dry) and food-grains; FY16*- April-October 2015*

**Exhibit 5: Report On Capacity Addition**




*Source: Company, Karvy Research*

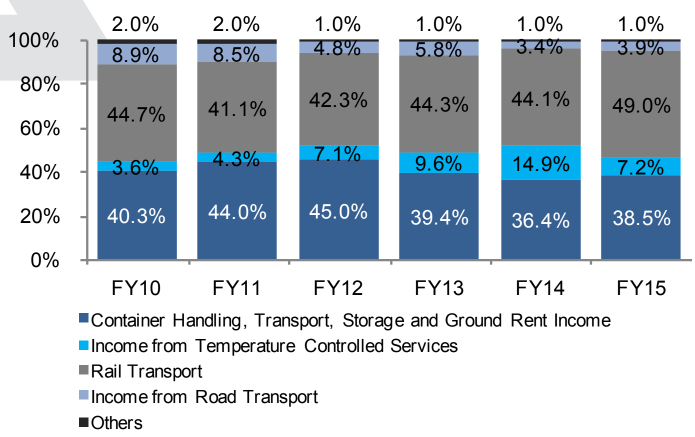
Central government aims at enhancing 4800000 TEUs (Twenty Foot Equivalent Units) capacity at JNPT (Jawaharlal Nehru Port Trust) and constructing DFCs such as North-south, East-West and East Coast through PPP (Public Private Partnerships) model.

Gateway Distriparks Limited has got pan-India presence with CFS located at Navi Mumbai, Chennai, Cochin, Vishakhapatnam and upcoming CFS at Krishnapatnam. The company's ICDs are located at industrial belts like Gurugram, Faridabad, Ludhiana and Kolamboli and en-route access to Western Gateway ports of Kandla, Pipavav and Mundra. It can effectively address the requirements of import/export container cargo from various strategic locations. Thus, it is poised for experiencing cargo volume growth at CAGR of 13%.

**Gateway Distriparks Limited's CFSs provide for services like stuffing/de-stuffing of cargo from containers, warehousing to loaded and empty containers at the yard and custom clearance. It has a total CFSs capacity of 600000 TEUs p.a. putting together two CFSs at Navi Mumbai, two at Chennai, one at Vishakhapatnam and one at Cochin. The CFS at Krishnapatnam Port will be seventh CFSs of the company. It has capacity of 1.2 Mn TEUs per annum and has been planned to scale up to 6 Mn TEUs in next few years. Construction activities are under progress and operations are expected to be started during current financial year.**

**Gateway Rail provides inter-model logistics and operates its rail linked ICDs at Garhi-Harsaru which is equipped to handle 260000 TEUs (Gurugram), Sahnewal is equipped with 300000 TEUs (Ludhiana), Faridabad Depot is equipped with 150000 TEUs and Kalamboli depot is equipped with 75000 TEUs. It has got a fleet of 21 trains, 235+ road trailers at its rail linked terminals. The construction at Viramgam is underway and is expected to be operational by Q3FY17E and would be primarily used to increase double stacking operations**.

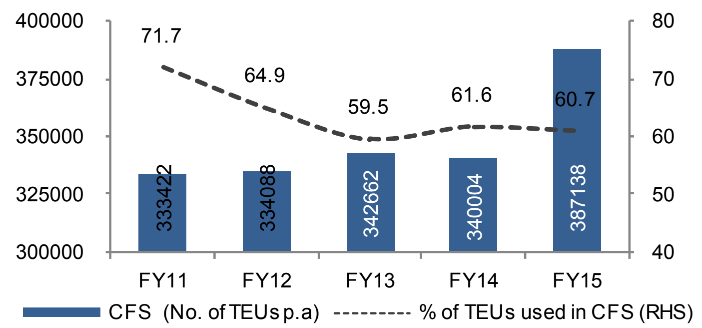
**Exhibit 6: Segmental Revenue (%)**




*Source: Company, Karvy Research*

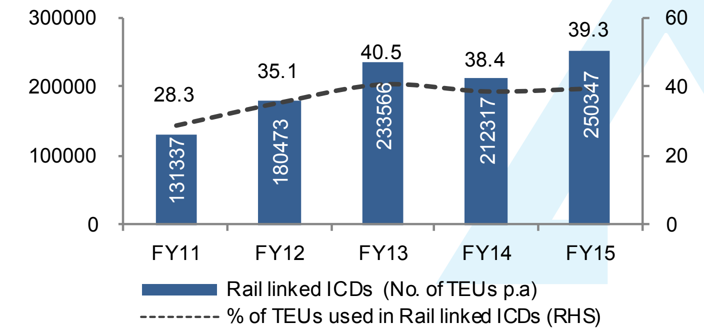
Most of the revenue of GDL comes from its Rail Transport (i.e. ICDs) and then from CFSs and Cold Chain. Usage of TEUs in CFSs and Rail linked ICDs has increased by 13.9% and 17.9% respectively, during FY15 in comparison to FY14.

**Exhibit 7: TEUs used in CFSs**




*Source: Company, Karvy Research*

**Exhibit 8: TEUs used in Rail linked ICDs**




*Source: Company, Karvy Research*

Given the backdrop of strong trend towards containerized cargo movements on railway network for saving cost and time, the rail business of GDL could grow rapidly. Initiatives from government like Port building and DFC will boost rail traffic in medium to long term.

GDL's associate Snowman Logistics Ltd has got pan-India presence with 500+ fleet and warehouses in 29 states. It distributes to 4400 outlets and 94500+ pallets capacity. The company has added capacity in Bangalore, Mumbai and Jaipur during this year. The Kochi facility will be commissioned during the year and with this, the total capacity of the company will cross 1 lakh pallets. The company has been doing good business with clientele like HUL, ITC, Baskin Robbins, Pizza Hut and Mother Dairy among others who would further enhance the same. It continues to be the market leader in the cold chain industry and is currently consolidating its position by changing the product mix in favour of high value products and by changing the transportation model from leased to owned vehicles to bring value to its core business of cold storage.

With such vast infrastructure, Gateway Distriparks Limited could be the major beneficiary of container logistics business especially in view of major impetus provided to this sector by the central government in terms of policy reforms and investment into building infrastructure.

## Revival in India's economy amidst largely sluggish world economies:

India has emerged as the fastest growing economy leaving China behind post-FY14. Even International Monetary Fund (IMF) has upwardly revised Indian GDP expected growth rate to 7.5% from 7.3% while lowering global growth rate of 3.2% for 2016 and 3.5% for 2017 from the earlier projections of 3.4% and 3.6% respectively, amidst loosing of economic dynamism by emerging economies in general and China's economy in particular. Fact is that, many economists/analysts count on India to be growth driver for the rest of global economies in the same manner in which China acted as growth driver during 2008 crisis.

The launching of Make-in-India campaign by the government of India has had positive bearing on pushing its economic growth. The essence of whole campaign is aimed at repositioning government as a business partner and not as a permit issuer. Such move has led to significant investment and growth in domestic manufacturing sector which will ultimately be resulting into Export and Import (EXIM) trade while infrastructure improvement will improve the share of containerized logistics service provider. Various industry estimates suggest to doubling of containerized cargo volume by 2019-20. As a matter of fact, growth of the logistics business is linked with economic activity. Empirical evidence suggests that the Indian Logistics industry grows at 1.5x to 2x of the GDP.

**Gateway Distriparks Limited being one of the largest players in CFS segment, with strategic locations at Mumbai (2 locations), Chennai (2 locations), Vishakhapatnam (1 location) and Kochi (1 location) which account for 83% of Ports container volume, is better placed to get benefitted of any revival in economic and EXIM activities.**

Building of DFC will help promote the more efficient haulage of containerized cargo by rail. The DFC is expected to result into high share of freight for operators; especially GDL since its ICD at Garhi-Harsaru (Gurugram) and Faridabad are in close proximity to the DFC alignment from Dadri. The company's ICD segment has adequate land bank which can take care of four fold volume with minimal capex. Besides, the company has implemented Hub-and-Spoke model and double stacking in Garhi-Harsaru and Pipavav routes which will reduce operational cost.

## Snowman Logistics:

The associate of Gateway Distriparks continues to be the market leader in the cold chain industry and is currently consolidating its position by changing the product mix in favor of high value products and by changing the transportation model from leased to owned vehicles to bring value to its core business of cold storage. Snowman has also added capacity in Bangalore, Mumbai and Jaipur during the year. The Kochi facility will be commissioned during the year and with this, the total capacity of the company will cross the milestone of 1 lakh pallets.

**With the Krishnapatnam CFS becoming operational, CFSs like JNPT and Chennai coming back on track (where business was temporarily suspended because of flood during July-Aug.15'), the completion of Viramgam terminal will increase the double stacking and result in 5% saving in haulage charges and reduction of rail business income tax from FY18E as the company will start receiving Section 80-IA benefits for a period of 10 years – all these developments may provide big push to volume growth.**

**Major shipping lines on clientele list;** The most important source of containerized logistic business is shipping lines. Gateway Distriparks Limited has tied up with world's leading shipping lines and continues to service them. There are around 12 major shipping lines and 25 other players. Major shipping lines on GDL's clientele list includes APL (American President Lines), P&O (Peninsular and Oriental Steam Navigation company) and CMA CGM.

In this chain of business, Custom House Agents and Consolidators are other key influencers of the business and GDL caters to their requirements and does business with them.

**Exhibit 9: Business Assumptions**

| Y/E Mar (Rs. Mn) | FY15 | FY16 | FY17E | FY18E | Comments |
|---|---|---|---|---|---|
| Revenue | 11113 | 10509 | 11768 | 13104 | Despite sluggishness in international trade, we believe that policy measures taken by the governments across the leading economies will facilitate global economic growth and trade. GDL will be beneficiary of any pick up in EXIM activities with strategically located CFSs and ICDs. |
| Revenue Growth (%) | 9.7 | (5.4) | 12.0 | 11.3 | |
| EBITDA | 3267 | 2487 | 3024 | 3367 | It is expected that Krishnapatnam port becoming operational from H2FY17E which will boost business volume. GDL is likely to implement double stacking which could reduce its operational cost substantially. We expect healthy margins and gradual expansion. |
| EBITDA Margins (%) | 29.4 | 23.7 | 25.7 | 25.7 | |
| PAT | 1878 | 1096 | 1600 | 1793 | |
| EPS (Rs.) | 17.3 | 10.1 | 14.7 | 16.5 | |
| Capex (ex. Acquisition) - cash capex | (1557) | (500) | (1000) | (1344) | The company has plans of organic and inorganic growth to be financed by internal accruals as it is near debt free company. |
| Net CFO | 2375 | 1969 | 2165 | 2656 | The company has been generating healthy cash flow and trend is likely to get extended with improvement in operational cost. |
| Debt | 1370 | 1239 | 1096 | 886 | |
| Free Cash Flow | 818 | 1469 | 1165 | 1312 | |

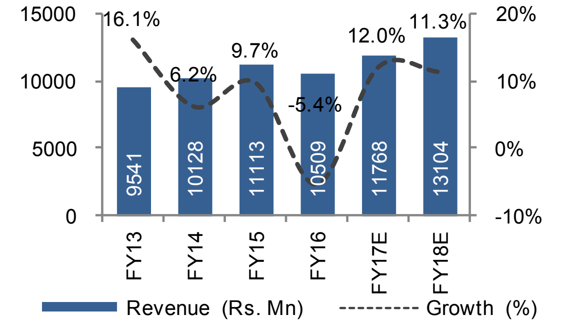
*Source: Company, Karvy Research*

**Exhibit 10: Karvy vs Consensus**

| | Karvy | Consensus | Divergence (%) | Comments |
|---|---|---|---|---|
| **Revenues (Rs. Mn)** | | | | **We presume:**<br>• Removal of port congestion charges of 10% to positively impact containerized domestic volume.<br>• New CFS Krishnapatnam becoming operational in H2FY17E and JNPT and Chennai CFSs resuming operation will help Scale-up its operational performances with the regaining business volume at JNPT and Chennai in medium to long term.<br>• The company's policy to acquire more CFSs and ICDs and capacity addition to drive volume growth. |
| FY17E | 11768 | 11827 | (0.5) | |
| FY18E | 13104 | 13443 | (2.6) | |
| **EBITDA (Rs. Mn)** | | | | |
| FY17E | 3024 | 2965 | 2.0 | |
| FY18E | 3367 | 3500 | (4.0) | |
| **EPS (Rs.)** | | | | |
| FY17E | 14.7 | 12.7 | 14.0 | |
| FY18E | 16.5 | 17.3 | (5.2) | |

*Source: Bloomberg, Karvy Research*

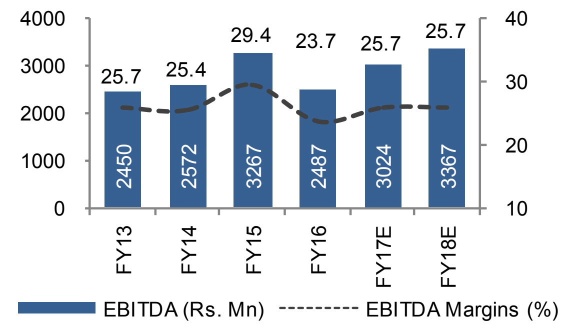
**Exhibit 11: Revenue (Rs. Mn) & Revenue Growth (%)**




*Source: Company, Karvy Research*

GDL has grown at CAGR of 12.6% during the period FY10-16. The revenue fell by -5.4% during FY16 YoY mainly on account of temporary shut down of services at two of major ports i.e. Mumbai and Chennai due to flood which negatively impacted the company's revenue. Further, revenue got adversely impacted of slow down in EXIM activities. We expect that the company to grow at a CAGR of 11.7% during FY16-FY18E on the back of CFSs at Mumbai and Chennai resuming operation and new CFS namely Krishnapatnam becoming operational in H2FY17E which will scale up the company's operational performance and increase business volume. Besides, government's initiatives in terms of Rail and Port infrastructure building, removal of congestion charges and reduction in rail business income tax under section 80-IA for 10 years period to positively impact overall revenue.

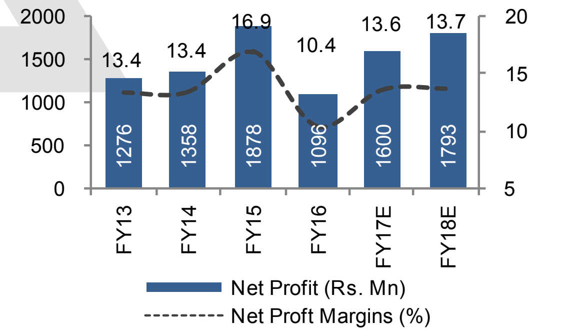
**Exhibit 12: EBITDA (Rs. Mn) & Margin (%)**




*Source: Company, Karvy Research*

EBITDA margin is likely to pick up going forward. The company's policy to acquire more CFSs and ICDs and capacity addition along with implementation of double stacking would reduce operation cost by 40 percent resulting into business volume growth.

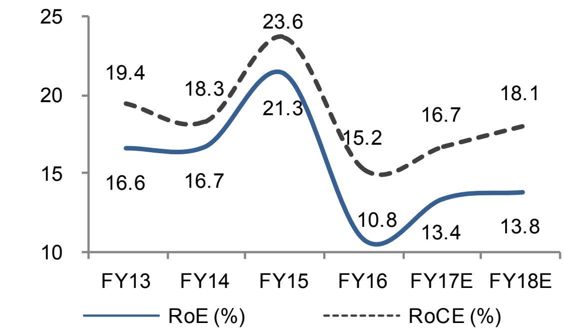
**Exhibit 13: Net Profit (Rs. Mn) & Margins (%)**




*Source: Company, Karvy Research*

The company's Net Profit has grown at CAGR of 7.5% over a period of FY10-FY16 and is likely to grow at 27.9% over a period of FY16-FY18E on account of improved infrastructure and manufacturing activities which may result into improved containerized cargo movements.

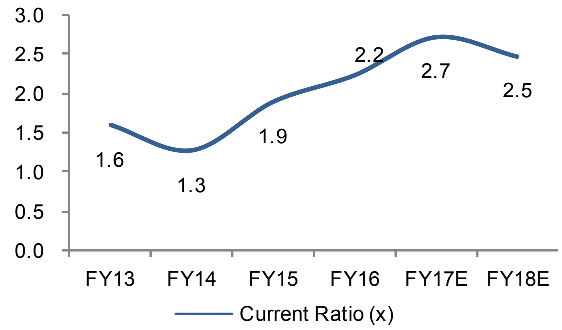
**Exhibit 14: RoE & RoCE (%)**




*Source: Company, Karvy Research*

The company has healthy balance sheet reflecting good returns as it has been generating on equity and capital employed. Going forward, RoE and RoCE would be improving to 13.8% and 18.1% respectively by FY18E.

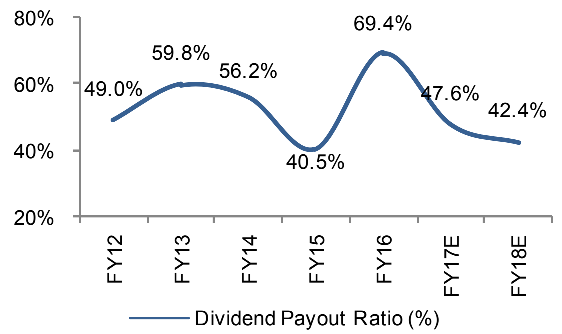
**Exhibit 15: Current Ratio (x)**




*Source: Company, Karvy Research*

Current ratio for the company has been healthy and is likely to grow to 2.7x and 2.5x during FY17E and FY18E respectively.

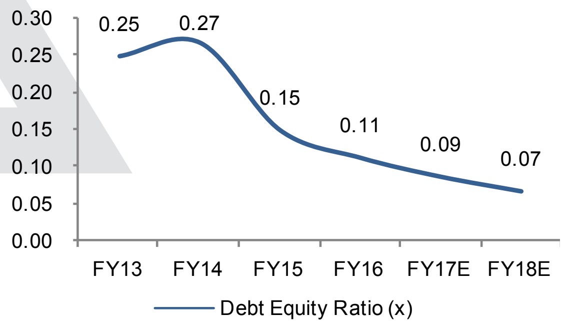
**Exhibit 16: Dividend Payout Ratio (%)**




*Source: Company, Karvy Research*

Historically, GDL is a good proxy for dividend and maintaining a healthy dividend payout ratio.

**Exhibit 17: Debt Equity Ratio (x)**




*Source: Company, Karvy Research*

Historically, GDL has maintained a healthy debt equity ratio. Virtually, GDL is a debt free company.

**Exhibit 18: Company Snapshot (Ratings)**

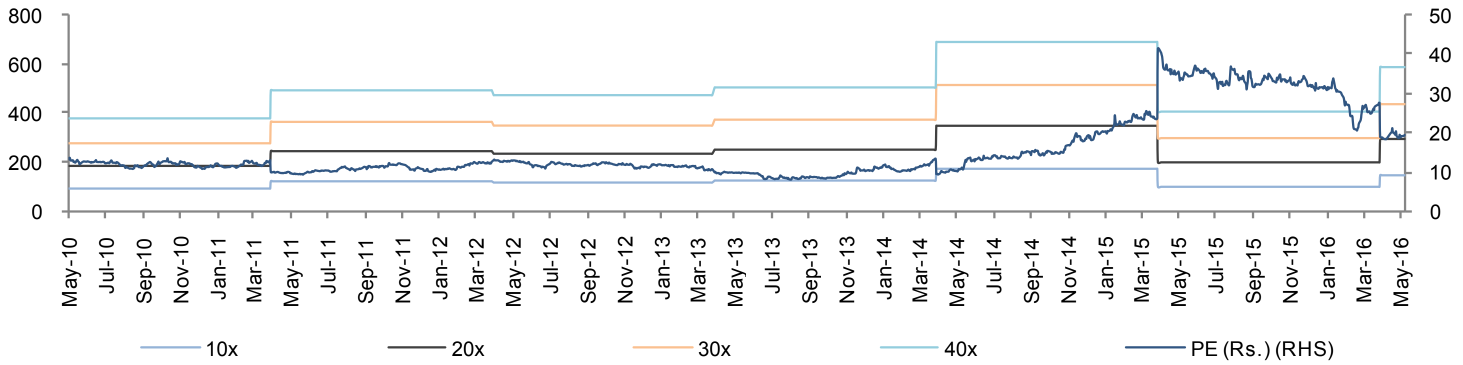
| | Low | | | | High |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Quality of Earnings | | | ✓ | | |
| Domestic Sales | | | | | ✓ |
| Exports | ✓ | | | | |
| Net Debt/Equity | | | | | ✓ |
| Working Capital Requirement | | | | ✓ | |
| Quality of Management | | | | ✓ | |
| Depth of Management | | | | ✓ | |
| Promoter | | | | ✓ | |
| Corporate Governance | | | | ✓ | |

*Source: Company, Karvy Research*

## Valuation & Outlook

The growth driver for GDL could be initiatives on the part of government to build DFC, enhancing port capacity along with the company's move to enhance capacities of its own CFSs and ICDs by way of going out for organic and inorganic growth. DFC is expected to facilitate double stack carriage which will reduce operational cost substantially. Besides, strong balance sheet of the company supports to premium valuation for the company's stock price. Given the strong fundamentals at domestic economy and the company level which is virtually debt free, we are initiating coverage with **"BUY"** recommendation on the backdrop that increased movement of containerized cargo benefitting GDL with synergetic business verticals. At CMP of Rs.289, the stock is trading at PE of 17.5x of FY18E earnings. We have assigned a 20.6x FY18E EPS for a target of Rs.340 representing an upside potential of 18%.

**Exhibit 19: PE Band**




*Source: BSE, Karvy Research*

## Key Risks

- **Slow down in Global Economies:** While long term growth outlook for the industry and for that matter the company appears to be bright, in the short term global economic slowdown is posing challenge to the industry. The international trade has been on decline and export volume has shown a sharper decline during the year. The demand from China, South East Asia and Middle East have significantly dropped. In addition, devaluation of Brazilian and Russian currencies have reduced the comparative advantage of India's export.
- **Increased Competition:** There has been increased competition not only from existing but also from new entrants which could negatively impact the profitability of the company. There are no restrictions on the entry of private, public and foreign players in CFSs/ICDs business.
- **High cost of setting up of CFSs and ICDs** which require a minimum 3 acres of land outside major cities; and inside cities a minimum area of 1 acre is required.
- **Heavy reliance on contract labour** for many of its operations which have helped improve its operating margin until now as it has been paying to labour contractors at flat rate on the basis of number of TEUs handled. But, an Industrial Court or Tribunal may direct that the contract labourers are required to be regularized. If it happens, then GDL will have to absorb labourers that can increase its expenses thereby adversely impacting its profitability.

# Financials

**Exhibit 20: Income Statement**

| YE Mar (Rs. Mn) | FY14 | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|---|
| Revenues | 10128 | 11113 | 10509 | 11768 | 13104 |
| Growth (%) | 6.2 | 9.7 | (5.4) | 12.0 | 11.3 |
| Operating Expenses | 7556 | 7846 | 8022 | 8744 | 9737 |
| EBITDA | 2572 | 3267 | 2487 | 3024 | 3367 |
| Growth (%) | 5.0 | 27.0 | (23.9) | 21.6 | 11.3 |
| Depreciation & Amortization | 801 | 889 | 805 | 871 | 965 |
| Other Income | 171 | 128 | 197 | 150 | 153 |
| EBIT | 1941 | 2506 | 1879 | 2303 | 2555 |
| Interest Expenses | 279 | 240 | 184 | 121 | 97 |
| PBT | 1662 | 2266 | 1695 | 2182 | 2458 |
| Tax | 190 | 441 | 671 | 655 | 737 |
| Adjusted PAT | 1358 | 1878 | 1096 | 1600 | 1793 |
| Growth (%) | 6.5 | 38.2 | (41.6) | 45.9 | 12.1 |

*Source: Company, Karvy Research*

**Exhibit 21: Balance Sheet**

| YE Mar (Rs. Mn) | FY14 | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|---|
| Cash & Cash Equivalents | 1149 | 744 | 1132 | 834 | 639 |
| Sundry Debtors | 1136 | 1064 | 1027 | 1318 | 1461 |
| Loans & Advances | 1012 | 969 | 1020 | 1028 | 1013 |
| Investments | 340 | 2253 | 2253 | 2553 | 2553 |
| Gross Block | 13777 | 17128 | 16098 | 17098 | 18442 |
| Net Block | 12028 | 9647 | 10810 | 11788 | 12290 |
| CWIP | 760 | 297 | 532 | 535 | 541 |
| Miscellaneous | 738 | 619 | 534 | 538 | 539 |
| **Total Assets** | **17163** | **15593** | **17308** | **18593** | **19036** |
| Current Liabilities & Provisions | 2253 | 1535 | 1512 | 1340 | 1430 |
| Debt | 2222 | 1370 | 1239 | 1096 | 886 |
| Other Liabilities | 3063 | 3195 | 3195 | 3195 | 3195 |
| **Total Liabilities** | **7538** | **6101** | **5946** | **5631** | **5511** |
| Shareholders Equity | 1086 | 1087 | 1087 | 1087 | 1087 |
| Reserves & Surplus | 7281 | 8146 | 10016 | 11616 | 12179 |
| **Total Networth** | **8367** | **9233** | **11103** | **12703** | **13266** |
| Minority Interest | 1257 | 259 | 259 | 259 | 259 |
| **Total Networth & Liabilities** | **17163** | **15593** | **17308** | **18593** | **19036** |

*Source: Company, Karvy Research*

**Exhibit 22: Cash Flow Statement**

| YE Mar (Rs. Mn) | FY14 | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|---|
| PBT | 1662 | 2266 | 1695 | 2182 | 2458 |
| Depreciation | 801 | 889 | 805 | 871 | 965 |
| Interest | 279 | 240 | 184 | 121 | 97 |
| Tax Paid | (405) | (615) | (671) | (655) | (737) |
| Inc/dec in Net WC | (132) | (304) | 27 | (271) | (39) |
| Other Income | (100) | (50) | (80) | (88) | (90) |
| Other non cash items | (7) | (52) | 9 | 5 | 3 |
| **Cash flow from operating activities** | **2098** | **2375** | **1969** | **2165** | **2656** |
| Inc/dec in capital expenditure | (1861) | (1554) | (500) | (1000) | (1344) |
| Inc/dec in investments | (534) | (335) | 0 | (300) | (300) |
| Others | 390 | 67 | 0 | 0 | 0 |
| **Cash flow from investing activities** | **(2005)** | **(1822)** | **(500)** | **(1300)** | **(1644)** |
| Inc/dec in borrowings | 675 | 428 | (131) | (143) | (210) |
| Issuance of equity | 10 | 12 | 0 | 0 | 0 |
| Dividend paid | (508) | (902) | (900) | (900) | (900) |
| Interest paid | (268) | (237) | (184) | (121) | (97) |
| **Cash flow from financing activities** | **(91)** | **(699)** | **(1215)** | **(1164)** | **(1207)** |
| Net change in cash | 2 | (147) | 254 | (299) | (195) |

*Source: Company, Karvy Research*

**Exhibit 23: Key Ratios**

| YE Mar | FY14 | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|---|
| EBITDA Margin (%) | 25.4 | 29.4 | 23.7 | 25.7 | 25.7 |
| EBIT Margin (%) | 19.2 | 22.5 | 17.9 | 19.6 | 19.5 |
| Net Profit Margin (%) | 13.4 | 16.9 | 10.4 | 13.6 | 13.7 |
| Dividend Payout Ratio (%) | 55.7 | 40.5 | 69.4 | 47.6 | 42.4 |
| Debt/Equity (x) | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 |
| RoE (%) | 16.7 | 21.3 | 10.8 | 13.4 | 13.8 |
| RoCE (%) | 18.3 | 23.6 | 15.2 | 16.7 | 18.1 |

*Source: Company, Karvy Research*

**Exhibit 24: Valuation Parameters**

| YE Mar | FY14 | FY15 | FY16 | FY17E | FY18E |
|---|---|---|---|---|---|
| EPS (Rs.) | 12.6 | 17.3 | 10.1 | 14.7 | 16.5 |
| DPS (Rs.) | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| BV (Rs.) | 76.8 | 84.9 | 102.1 | 116.8 | 122.0 |
| PE (x) | 13.4 | 23.9 | 28.7 | 19.6 | 17.5 |
| P/BV (x) | 2.2 | 4.9 | 2.8 | 2.5 | 2.4 |
| EV/EBITDA (x) | 8.2 | 14.1 | 12.9 | 10.6 | 9.5 |
| EV/Sales (x) | 2.1 | 4.1 | 3.0 | 2.7 | 2.5 |

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

| Stock Ratings | | Absolute Returns |
|---|---|---|
| Buy | : | > 15% |
| Hold | : | 5-15% |
| Sell | : | <5% |

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