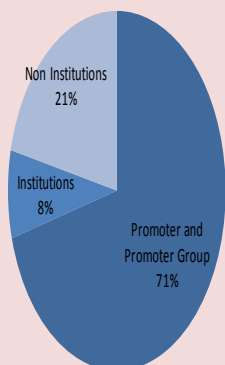


STRONG BUY

Market Data

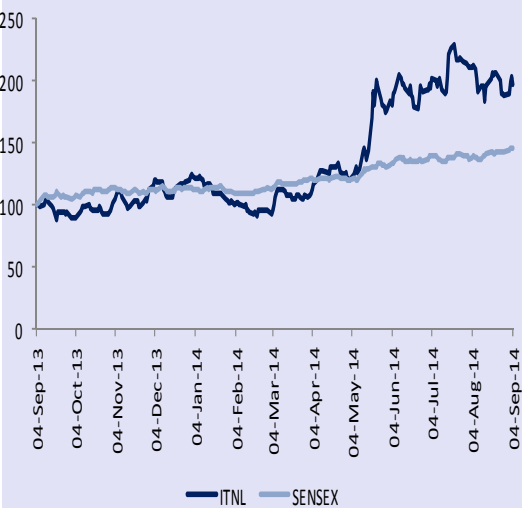
Current Market Price (INR)	214.0
Price Objective(INR)	286.8
Upside Potential (%)	34.0%
52 Week High (INR)	257.5
52 Week Low (INR)	97.1
Market Capitalization (In INR Cr)	5,279.4

Shareholding



STOCK SCAN

BSE Code	533177
NSE Code	IL&FSTRANS
Bloomberg Ticker	ILFT IN
Reuters Ticker	ILFT.BO
Face Value (INR)	10.0
Equity Share Capital (In INR Cr)	246.7
Average P/E	9.1x
Beta vs Sensex	1.2
Average Daily Volume (000's)	38.1
Dividend Payout Ratio	17.7%
PEG Ratio	NA



Analyst: Anik Das
Email id: adas4@microsec.in

5th Sept 2014

Sector – Infrastructure

IL&FS Transportation Networks (ITNL), a **“STRONG BUY”**. ITNL, a leading road infrastructure company, with an illustrious parentage (IL&FS), a sharply focused business model and comfortable funding position, is all set to ride benefits emanating from the robust momentum in NHAI road project awards. ITNL has followed a disciplined bidding strategy to maintain its IRR, based on which it has judiciously built a balanced road portfolio comprising a mix of annuity & toll, spread across the breadth of the country. **Earlier we have recommended the stock on our ICR report dated 29th June 2012 at a price of INR 182 and since then we have maintain our positive bias on the stock. We see upside momentum of ITNL’s earning for FY15E. Therefore we recommend a “STRONG BUY” with a target price of INR 287.**

Investment Highlights

Order book of INR 115 Bn provides strong revenue visibility over next 2 years- ITNL’s order backlog stands at INR 115 Bn which provides significant visibility to growth prospects for the company in FY15E & FY16E. ITNL has received necessary approval for starting execution on the Barwa Adda and Khed Sinnar Projects. The Company will see substantial growth in its order book mainly due to the expected increase in project awarding by the NHAI. We expect order book to grow at a CAGR of 14.3% over FY2014-17E on the back of higher orders expected to be bagged from NHAI and the state governments. Pertinently, we have assumed that ITNL would maintain its share 10% of orders from NHAI going ahead and bag decent orders from the state government as well.

Poised to benefit from strong momentum in road project awards: Activity in the road space expected to pick up as over the last two years NHAI has faltered in awarding new project, key bottlenecks were administrative and decision making slowdown. NHAI needs to sustain ordering at close to the FY12 peak. The recently appointed central government determined to construct road 30 Km/ a day, as a result NHAI expected to award 5,000kms worth of projects on average per annum over the next three years. NHAI aims to tender projects worth 2300 Km via the EPC route and we expect NHAI will award projects through the EPC route and potential re-bidding of stalled contracts.

Parentage helps in qualifying for large projects: ITNL’s parent, the IL&FS Group, has been a prominent player in promoting and financing public infrastructure projects in India for over 22 years and a pioneer of public private partnership projects. IL&FS’s strong balance sheet and vast experience will help ITNL to pre-qualify for large projects.

Risk diversification through good mix of annuity, toll projects-ITNL has a good mix of annuity and toll projects, which positions it well to benefit from any upside in toll collection due to accelerated economic growth; at the same time, the company is able to enjoy stable cash flows from annuity projects. Its annuity portfolio is amongst the largest in the country, both in terms of project size and lane km, lending stability to cash flows.

Key Financials Highlights

(Figure in INR CR)

Key Financials *	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Net sales	4048.23	5605.62	6644.90	6587.04	7430.18	8195.49	9015.04
%Growth		38.47%	18.54%	-0.87%	12.80%	10.30%	10.00%
EBITDA	1154.32	1465.55	1840.44	1889.68	2409.22	2778.17	2947.92
EBITDA Margin %	28.51%	26.14%	27.70%	28.69%	32.42%	33.90%	32.70%
Adjusted PAT	432.88	496.95	520.21	463.05	508.06	611.27	623.35
%Growth		14.80%	4.68%	-10.99%	9.72%	20.31%	1.98%
Net profit margin %	10.69%	8.87%	7.83%	7.03%	6.84%	7.46%	6.91%
EPS (based on Adj.Pat)*	22.28	25.58	26.78	23.84	20.59	24.78	25.27
Book value per share *	115.26	142.27	187.36	257.57	220.10	241.22	262.64
Return on equity	20.08%	19.50%	14.86%	9.12%	9.49%	10.39%	9.73%
P/E	9.30	8.10	6.34	9.69	10.39	8.64	8.47
P/BV	1.80	1.46	0.91	0.90	0.97	0.89	0.81
EV/EBITDA	9.06	10.87	10.55	14.13	11.52	10.93	11.00

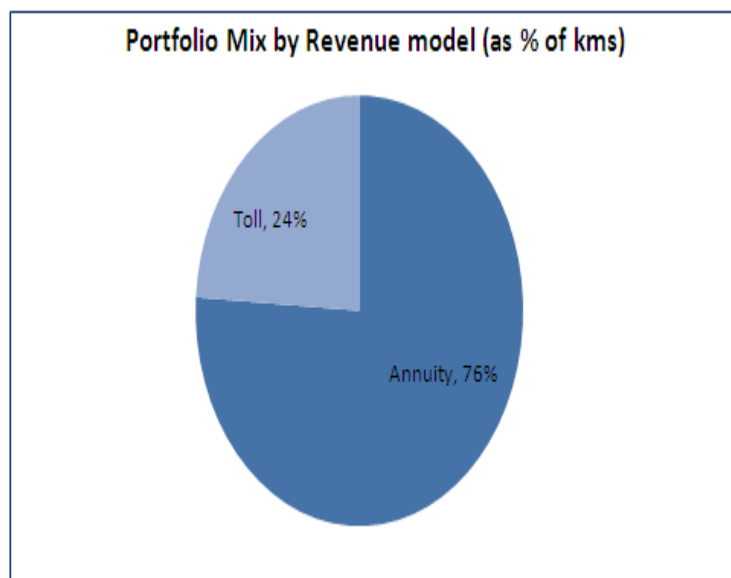
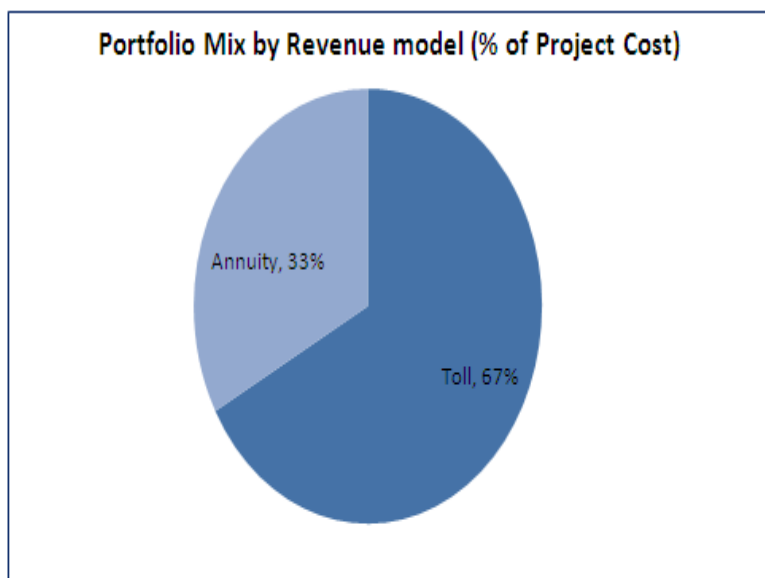
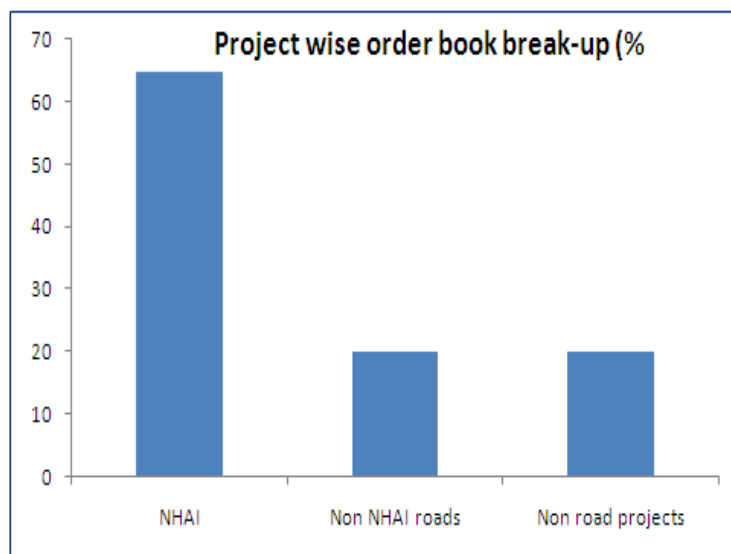
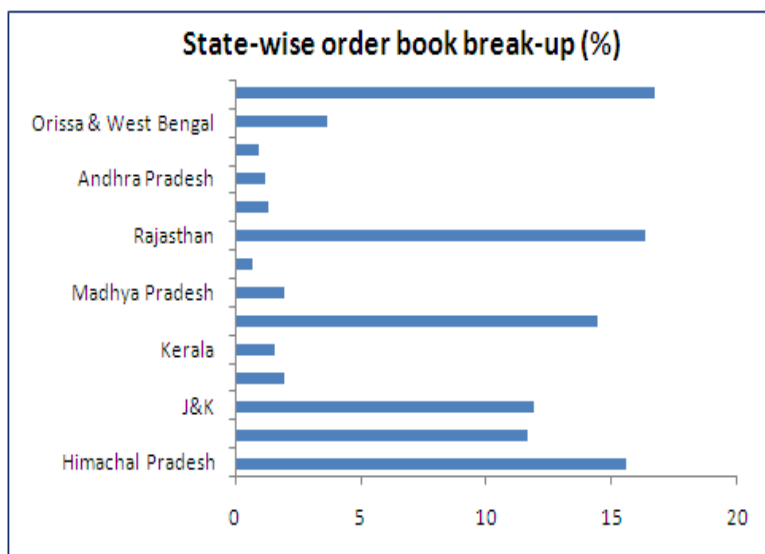
Source: Company, Microsec Research

Investment Rationale

Order book of INR 115 Bn provides strong revenue visibility over next 2years –

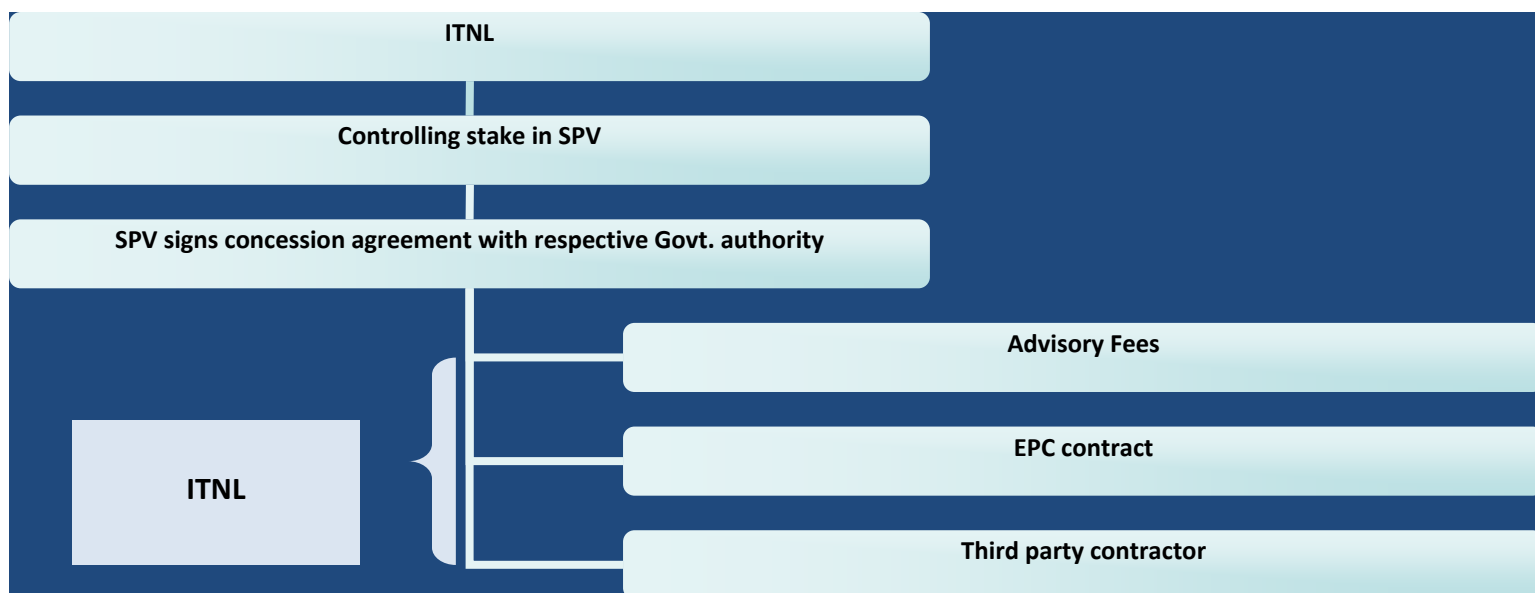
ITNL is a pioneer in the road BOT space and has been involved in the development and operation of roads and highways for the past two decades. The company has an established track record of having successfully bid, developed and operating road BOT projects on a commercial basis. ITNL is the largest BOT road player in India with 13,161 lane km of projects under its portfolio. ITNL has 25 road projects spread across the length and breadth of the country. Company has bagged the projects in difficult areas like J&K, Meghalaya and Jharkhand which indicates company's ability to execute the projects. Besides that company is also diversified across other segments like railways (metro), airports, and bus terminals.

ITNL's order backlog stands at INR 115 Bn which provides significant visibility to growth prospects for the company in FY15E & FY16E. ITNL has received necessary approval for starting execution on the Barwa Adda and Khed Sinnar Projects. The Company will see substantial growth in its order book mainly due to the expected increase in project awarding by the NHAI. We expect order book to grow at a CAGR of 14.3% over FY2014-17E on the back of higher orders expected to be bagged from NHAI and the state governments. Pertinently, we have assumed that ITNL would maintain its share 10% of orders from NHAI going ahead and bag decent orders from the state government as well.



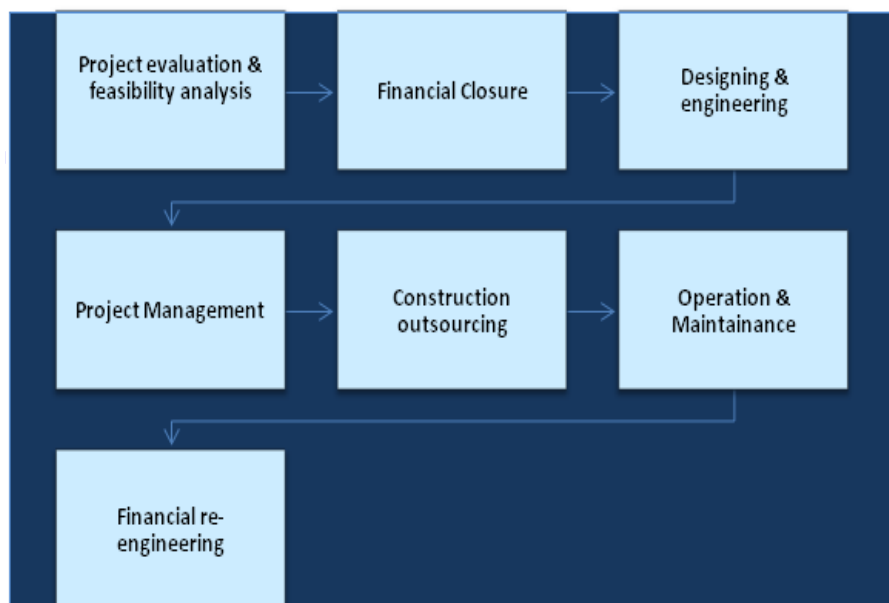
Source: Company, Microsec Research

Business Model-



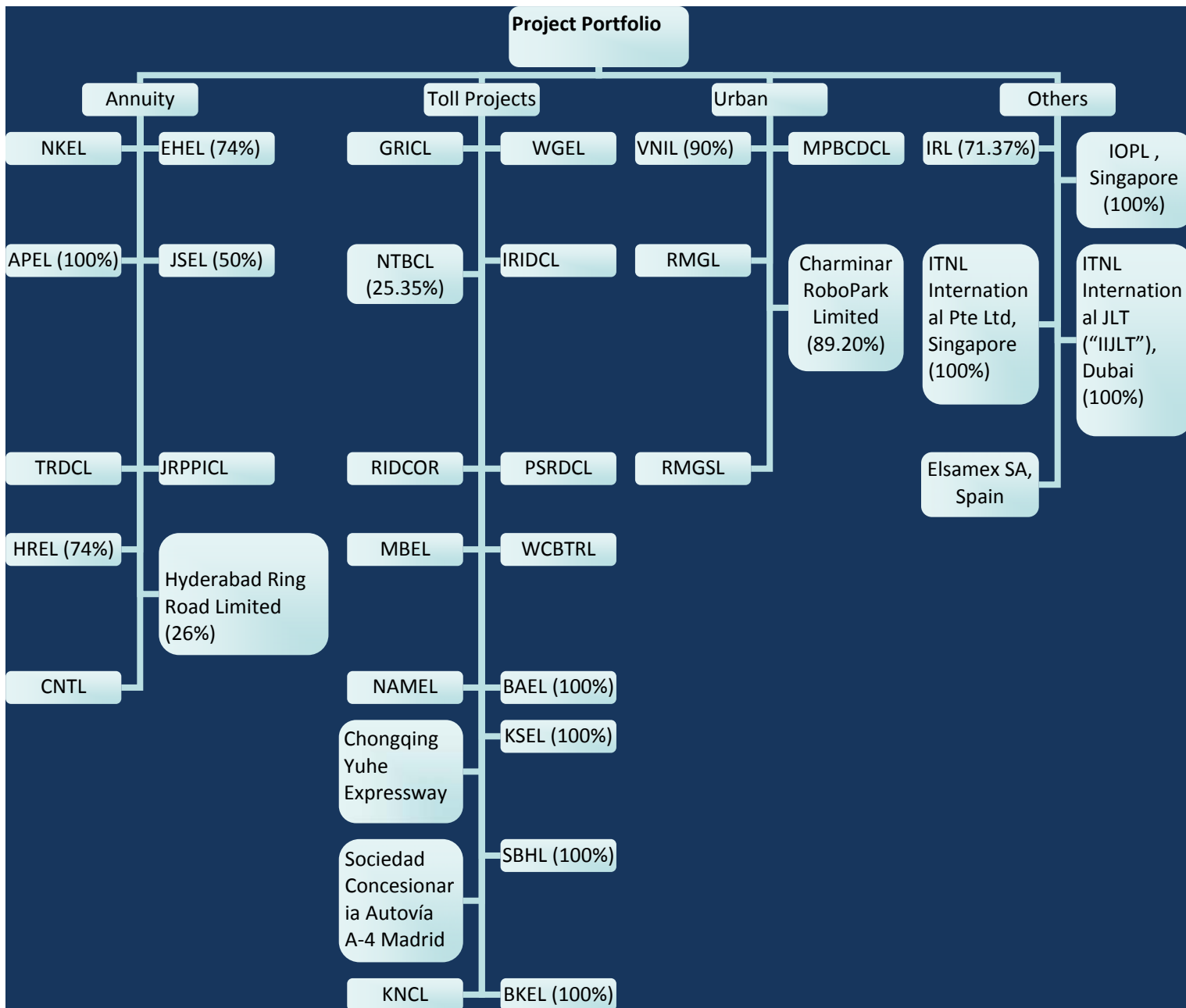
- ✓ ITNL's revenue comes from annuity receipts, toll collections, operations & maintenance activities and advisory & project management fees.
- ✓ The company undertakes most of its projects through a two-stage competitive bidding process comprising pre-qualification and commercial bidding.
- ✓ Upon the award of a project, an SPV is created which houses the project and develops, maintains and operates the concession.
- ✓ After the letter of award is received and the concession agreement is signed, the process of financial closure of the project begins.
- ✓ Once construction is complete and the project becomes operational, the SPV earns annuity/toll revenues till the end of the concession period.
- ✓ At the end of the concession period the road project is handed over by the concessionaire to the concessioning authority.

ITNL'S Value Chain



- ✓ ITNL undertakes complete project management from bid evaluation to designing to O&M post construction.
- ✓ However, as it does not have in-house construction expertise, company only does designing and project management services (PMS).
- ✓ Thus, when the SPV is awarded a project, it gives an EPC order to the holding company.
- ✓ Thereon, the holding company does the designing/engineering and project management services, while construction is sub-contracted to local/smaller players.

Project Portfolio-

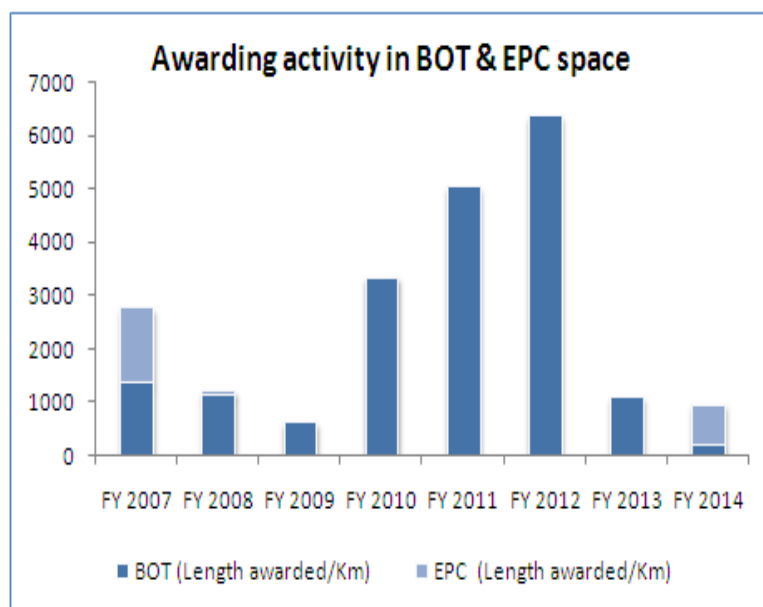
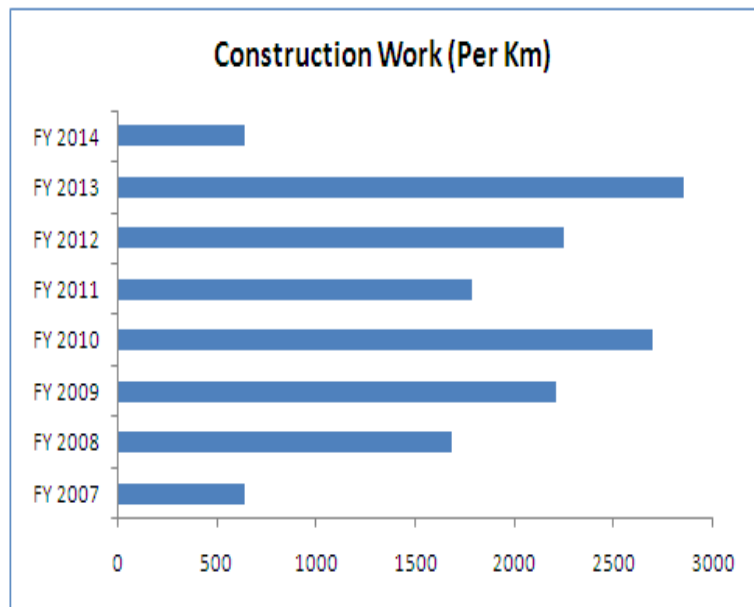


Source: Company, Microsec Research

Industry snapshot-

The Indian road network comprises expressways, national highways, state highways, major district roads and rural and other roads. National Highways are the key constituents of India's road network since they carry 40% of the total road traffic although they constitute only 2% of the total road network. The Indian Government has envisaged the National Highways Development Project (NHDP), which is being implemented through the National Highways Authority of India (NHAI). The NHDP provides a significant opportunity for the development of National Highways including construction of bridges, flyovers and elevated structures. The 13th Finance Commission has decided to provide a central grant of INR 199.30 billion over the period 2011 -15 for development of state roads across the country. This is in addition to the normal expenditure that is undertaken. Private sector participation is expected to be 35% of overall investments. BOT is the most favored PPP format with 75% projects being awarded on this model.

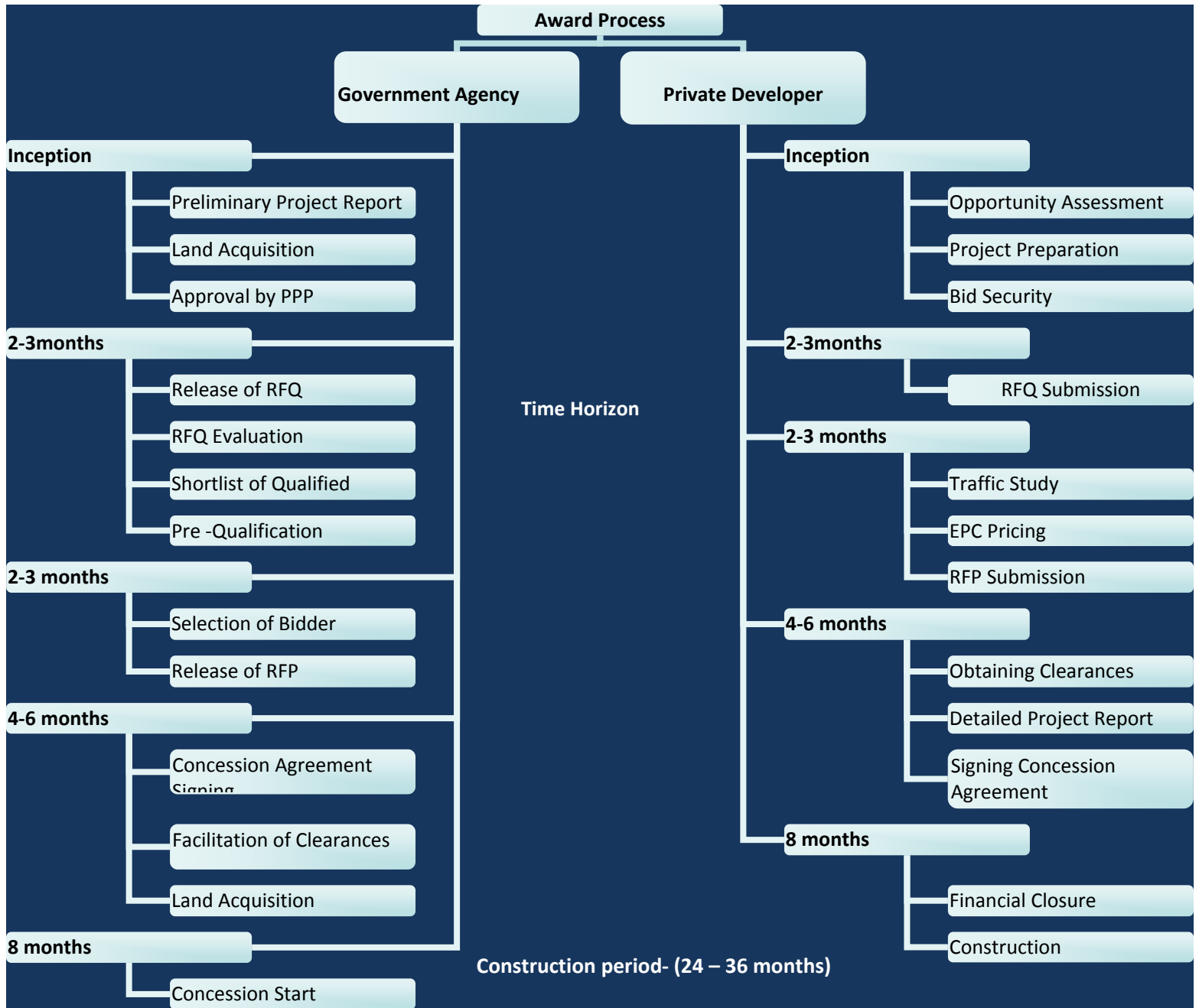
Activity in the road space expected to pick up as over the last two years NHAI has faltered in awarding new project, key bottlenecks were administrative and decision making slowdown. NHAI needs to sustain ordering at close to the FY12 peak. The recently appointed central government determined to construct road 30 Km/ a day, as a result NHAI expected to award 5,000kms worth of projects on average per annum over the next three years.



Source: Company, Microsec Research

- ✓ For the last two years project award activity fell discernibly and NHAI now targets to push 6000 Km of projects on an urgent basis. Tendering would be done on BOT & EPC basis. During FY 2013-14, both BOT and EPC project awards by the NHAI declined to 1116km/213km in FY13/FY14 V/S 6380km in FY12. In FY13-14, NHAI awarded only 1116km of BOT projects as against the original target of 8800km. NHAI aims to tender projects worth 2300 Km via the EPC route and we expect NHAI will award projects through the EPC route and potential re-bidding of stalled contracts.
- ✓ NHAI has bring a notable changes in the premiums rescheduling scheme to resolved the much needed cash flow mismatch. From now on developers will be able to reschedule their premium dues to NHAI into a loan. Earlier methodology was, developers could defer premium payment to 75% during first 3 years of the construction period and 50% of the premium for the remaining years for six-laning projects.

Road sector (Award Process)-



Source: Company, Microsec Research

Quarterly results

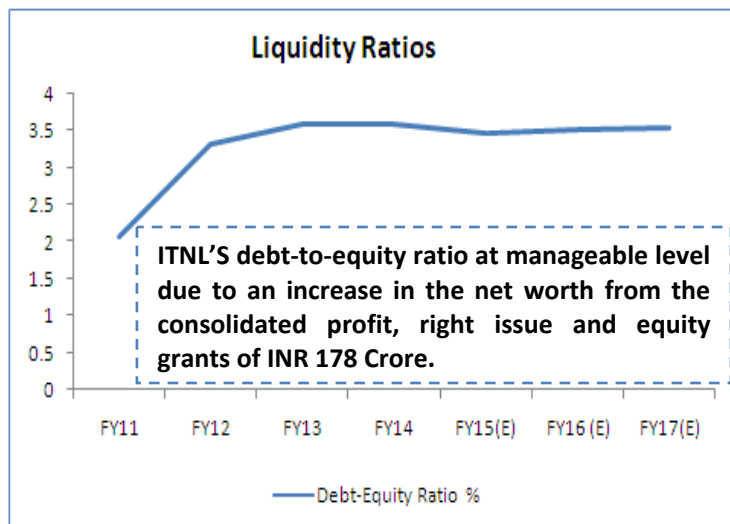
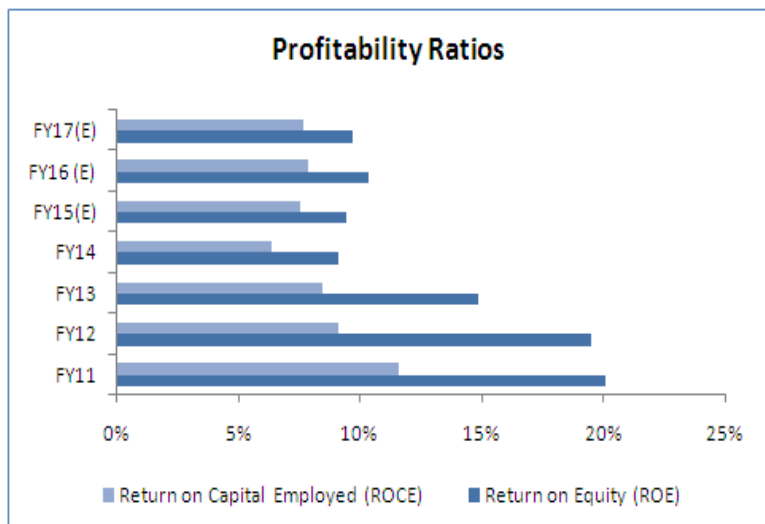
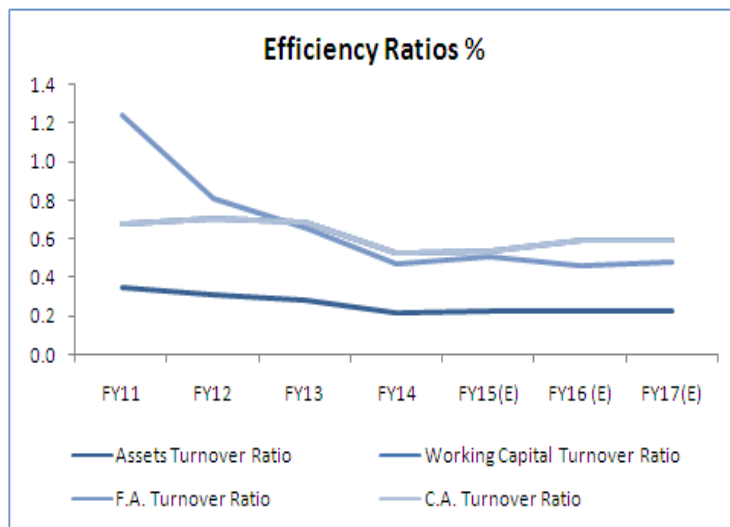
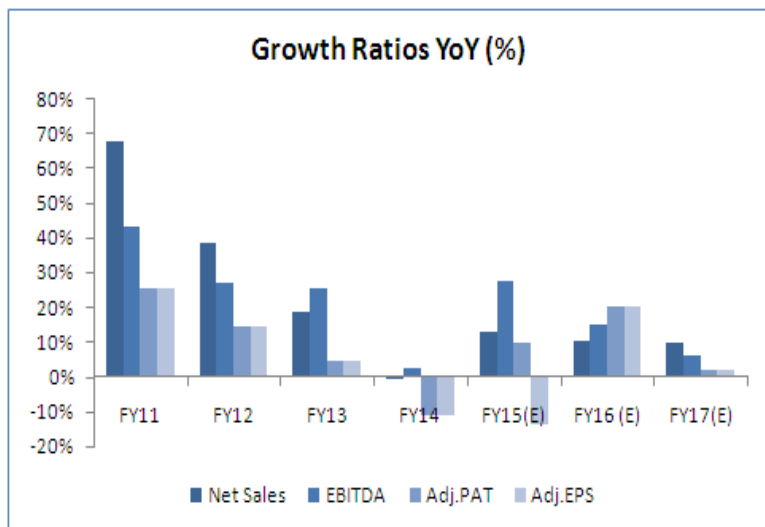
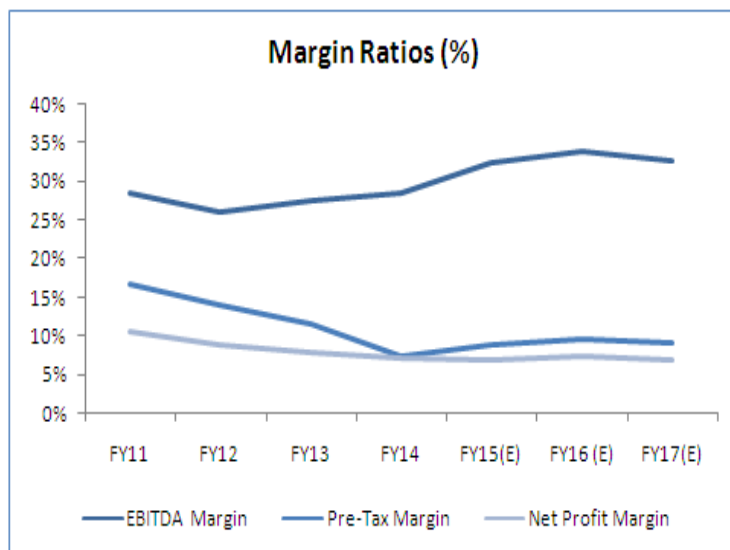
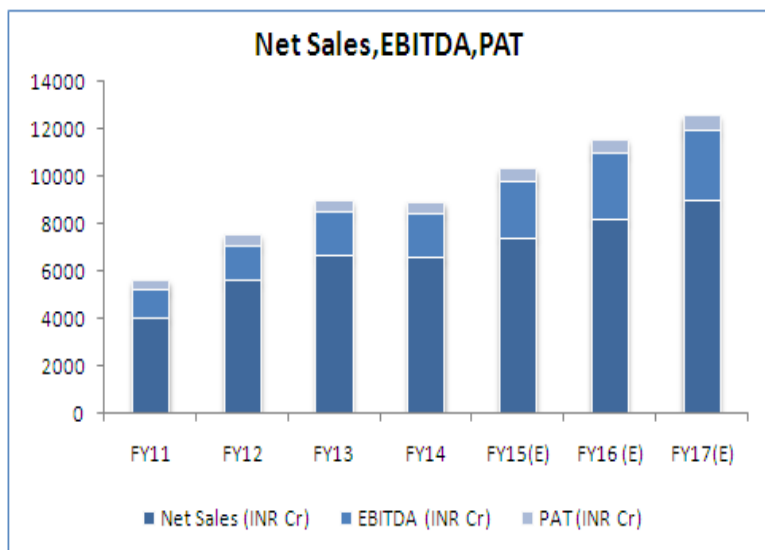
(Figure in INR Cr)

IL&FS Transportation Networks Ltd. Quarterly-Q-O-Q(%)-Consolidated- [INR-Crore]					
DESCRIPTION	Q1 15	Q1 14	Q4 14	YOY	QOQ
Revenues	1564.16	1451.11	1829.31	7.79%	-14.49%
Total Expenditure	1000.09	930.74	1446.74	7.45%	-30.87%
Cost of services & Raw Materials	24.01	28.52	118.26		
% of Total Expenditure	2%	3%	8%		
(Increase) / Decrease In Stocks	1.16	0.02	0.39		
% of Total Expenditure	0%	0%	0%		
Purchase of Finished Goods	0.97	2.68	2.38		
% of Total Expenditure	0%	0%	0%		
Operating & Manufacturing Expenses	861.06	803.49	1224.70		
% of Total Expenditure	86%	86%	85%		
Employee Cost	112.89	96.03	101.01		
% of Total Expenditure	11%	10%	7%		
EBITDA	564.07	520.37	382.57	8.40%	47.44%
EBIDTA Margins	36.06%	35.86%	20.91%	20.20 BPS	1,514.88 BPS
Other Income	83.86	28.70	122.17		
Operating Profit	647.93	549.07	504.74		
Interest	452.49	324.67	367.66		
Exceptional Items					
PBDT	195.44	224.40	137.08		
Depreciation	47.59	26.01	53.88		
PBT	147.85	198.39	83.20		
Tax	19.88	67.79	-26.36	-70.67%	-175.42%
Profit After Tax	127.97	130.60	109.56	-2.01%	16.80%
Minority Interest	0.95	-4.86	6.36		
Shares of Associates	-8.83	-1.21	1.50		
Consolidated Net profit	137.75	124.53	117.42	10.62%	17.31%
PAT Margins	8.81%	8.58%	6.42%	22.49 BPS	238.78 BPS
Equity Capital	246.72	246.72	246.72		
Face Value (In Rs)	10.00	10.00	10.00		
No of shares	24.67	24.67	24.67		
Diluted EPS	5.58	5.05	4.76	10.62%	17.31%

Source: Company, Microsec Research

- ✓ ITNL posted revenue of INR 1564 Crore for 1QFY15, increased by 8% YoY, due to higher revenue contribution from build-operate-transfer segment. BOT income included the recently operational Pune-Sholapur project, Rapid Metro phase-I after its commercial operations date (CoD) in November 2013 and the Madhya Pradesh border check post. EBITDA margin improved by 1514 Bps on account of the higher contribution from the BOT income. ITNL has reported a PAT of INR 138 Cr which was aided by other income & tax reversals.
- ✓ ITNL's order backlog stands at INR 115 Bn which provides significant visibility to growth prospects for the company in FY15E & FY16E. ITNL has received necessary approval for starting execution on the Barwa Adda and Khed Sinnar Projects. The Company will see substantial growth in its order book mainly due to the expected increase in project awarding by the NHAI. We expect order book to grow at a CAGR of 14.3% over FY2014-17E on the back of higher orders expected to be bagged from NHAI and the state governments. Pertinently, we have assumed that ITNL would maintain its share 10% of orders from NHAI going ahead and bag decent orders from the state government as well.

Financial Performance



Source: Company, Microsec Research

Peer Comparison

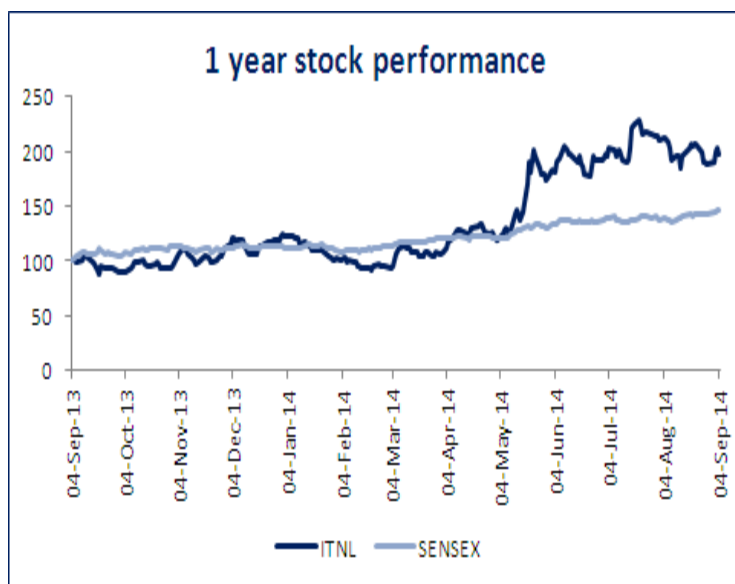
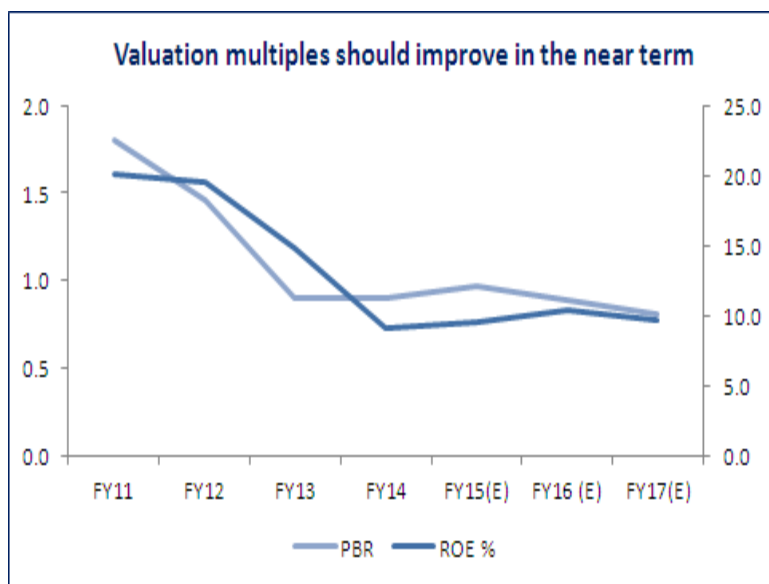
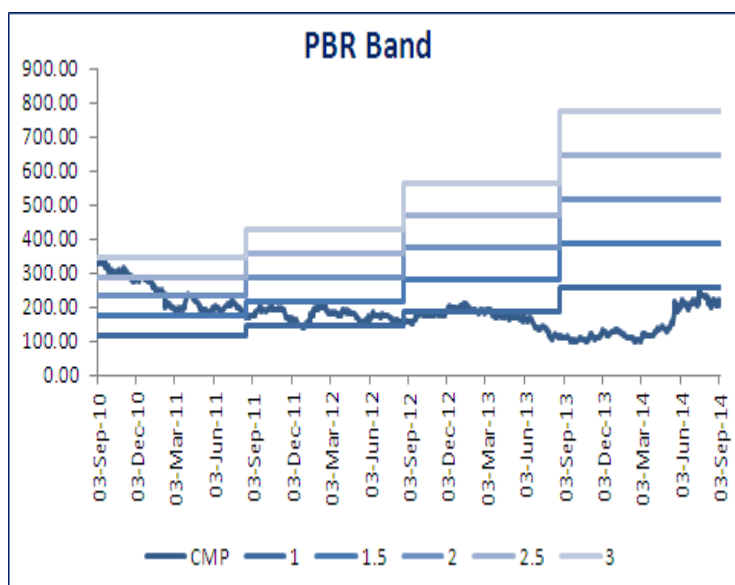
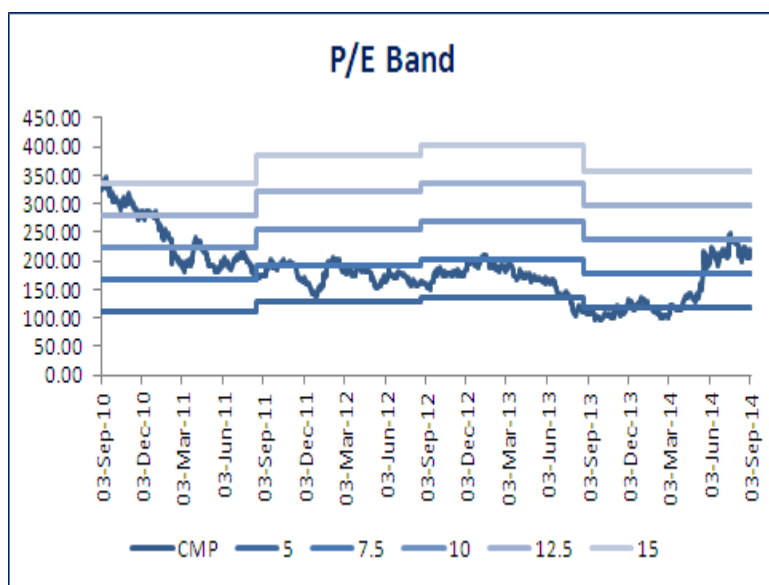
Company (India)	CMP (INR)	M-Cap Rs cr	EBITDA %	PAT %	D/E	P/E (x)		P/BV (x)		ROE (%)	
						FY 15E	FY 16E	FY 15E	FY 16E	FY 15E	FY 16E
IRB Infrastructure Developers Ltd	257.8	8568.2	47.0	12.3	2.9	15.3	14.0	2.07	1.85	14.3%	14.6%
Sadbhav Engineering Ltd	210.5	3193.3	16.3	1.0	3.8	53.7	27.7	2.34	2.09	6.5%	10.3%
Ashoka Buildcon Ltd	140.1	2213.0	22.0	3.5	2.4	18.0	16.5	1.48	1.37	8.6%	8.6%
Pratibha Industries Ltd.	52.9	534.6	12.9	0.7	2.2	8.2	5.2	0.79	0.70	9.9%	14.1%
Simplex Infrastructures Ltd	285.1	1415.5	9.3	1.0	2.1	21.6	11.6	0.96	0.89	4.1%	6.5%
IL&FS Transportation Networks Ltd	214.0	5279.4	28.7	7.0	3.6	10.4	8.6	0.97	0.89	9.5%	10.4%

Note: All figures are on Consolidated, Figures represent FY14 figures

Source: Company, Microsec Research

Why we are positive on the stock ?

We remain positive on ITNL due to an improving medium- long term outlook. Likely changes in model concession agreement, government’s renewed vigor on faster clearances and expected pick up in the road award activity by NHAH would act as key catalysts for ITNL. We believe a surge in the BOT income and a better execution will improve its balance sheet gradually. We expect 8 road projects of ITNL likely to get operationalise over the next two years and these projects would enable an improving operating cash flows for ITNL. **For 10% overall ROE, 2.1% dividend yield and 15% net worth CAGR over FY14-17E, the stock trades at 0.9x FY16E P/B. We believe it should trade at a premium to its peers.**



Source: Company, Microsec Research

Valuation & View

At the CMP of INR 214 per share, ITNL is quoting at 0.97x and 0.89x its FY15E and FY16E price to book value (P/B), respectively.

We have used the discounted cash flow (DCF) method to value ITNL. We have assigned a WACC of 11.40% and assumed a terminal growth rate of 3%. Our DCF based price target is INR 287 which shows an upside potential of 34% from the current market price of INR 214. Hence we recommend a **“STRONG BUY”** for the stock from long term perspective.

Key Risks

Risk associated with BOT projects-

ITNL is involved in development of PPP road projects; it is exposed to risks associated with gaining right-of-way on land stretches, execution risk, and ‘force majeure’ risk, among others

Interest Rate Risk-

BOT projects are inherently high-leverage projects. Hence, ITNL’s business model is vulnerable to interest rate fluctuations and any hike in interest rates could increase the company’s interest costs.

Income Statement

Particulars	FY11	FY12	FY13	FY14	FY15(E)	FY16 (E)	FY17(E)
Net Sales	4048.2	5605.6	6644.9	6587.0	7430.18	8195.49	9015.04
% Growth	0%	38.47%	18.54%	-0.87%	12.80%	10.30%	10.00%
Total Revenue	4048.2	5605.6	6644.9	6587.0	7430.2	8195.5	9015.0
% Growth	0%	38.47%	18.54%	-0.87%	12.80%	10.30%	10.00%
EXPENDITURES							
Operating & Manufacturing expense	2404.7	3646.5	4266.8	4055.9	4261.2	4618.2	5188.2
% of Net Sales	59%	65.05%	64.21%	61.57%	57.35%	56.35%	57.55%
Employee Cost	352.2	369.4	381.9	414.2	482.96	520.41	572.45
% of Net Sales	9%	6.59%	5.75%	6.29%	6.50%	6.35%	6.35%
Cost of services and raw materials	135.9	131.5	139.8	219.2	267.5	278.6	306.5
% of Net Sales	3%	2.35%	2.10%	3.33%	3.60%	3.40%	3.40%
Other Expenses	1.1	-7.3	15.9	8.1	9.3	10.30%	
% of Net Sales	0%	0%	0%	0%	0%	0%	0%
Total Expenditures	2893.9	4140.1	4804.5	4697.4	5021.0	5417.3	6067.1
% of Net Sales	71.5%	73.9%	72.3%	71.3%	67.6%	66.1%	67.3%
EBITDA	1154.3	1465.6	1840.4	1889.7	2409.2	2778.2	2947.9
EBITDA Margin %	28.5%	26.1%	27.7%	28.7%	32.4%	33.9%	32.7%
Growth %		27.0%	25.6%	2.7%	27.5%	15.3%	6.1%
Depreciation & Amortisation	61.4	76.6	94.4	151.0	213.8	247.0	279.0
EBIT	1092.9	1389.0	1746.0	1738.7	2195.4	2531.2	2668.9
Financial Charges	498.1	728.2	1119.0	1471.0	1761.1	1958.6	2078.3
Other Income	79.1	123.8	141.4	215.4	215.0	215.0	215.0
PBT	674.0	784.6	768.4	483.1	649.3	787.6	805.6
Pre-tax Margin %	16.6%	14.0%	11.6%	7.3%	8.7%	9.6%	8.9%
Tax	224.2	245.7	227.4	26.6	134.0	169.0	175.0
Effective Tax Rate %	33.3%	31.3%	29.6%	5.5%	20.6%	21.5%	21.7%
PAT	449.7	538.9	541.0	456.6	515.3	618.6	630.6
Minority Interest	-12.1	-45.8	-25.5	1.4	-1.4	-1.5	-1.5
Shares of Associates	-4.8	3.9	4.7	5.1	-5.8	-5.8	-5.8
Adjusted PAT	432.9	497.0	520.2	463.0	508.1	611.3	623.3
Net Profit Margin %	10.7%	8.9%	7.8%	7.0%	6.8%	7.5%	6.9%
Growth in Adjusted PAT %	0.0%	14.8%	4.7%	-11.0%	9.7%	20.3%	2.0%
Shares In Issue	19.4	19.4	19.4	19.4	24.7	24.7	24.7
Adjusted EPS	22.3	25.6	26.8	23.8	20.6	24.8	25.3
Growth %	0.0%	14.8%	4.7%	-11.0%	-13.6%	20.3%	2.0%
Dividend paid	68.0	77.7	77.7	77.7	82.0	90.0	95.0
Dividend pay out ratio	15.7%	15.6%	14.9%	16.8%	16.1%	14.7%	15.2%
Net profit transferred to Reserves Account	364.9	419.2	442.5	385.3	426.1	521.3	528.3

Source: Company, Microsec Research

Balance Sheet

Particulars	FY10	FY11	FY12	FY13	FY14	FY15(E)	FY16 (E)	FY17(E)
Gross Asset	2184.44	2046.13	3891.30	4016.42	13536.56	13900.36	15890.98	16880.08
Accumulated Depreciation	295.46	364.64	478.28	579.92	0.00	0.00	0.00	0.00
Capital WIP	5.68	1576.61	3500.79	6744.58	575.32	780.07	1978.20	2176.02
Net Fixed Asset	1,894.67	3,258.10	6,913.81	10,181.08	14,111.88	14,680.43	17,869.18	19,056.09
Investments & Deposits	433.05	200.92	395.41	687.13	485.78	480.00	490.00	490.00
Current Asset	3,718.91	5,951.91	7,938.25	9,710.99	12,535.31	13,935.11	13,757.64	15,199.07
Cash	550.21	527.55	283.79	455.24	671.28	729.03	635.56	667.99
Inventories	29.16	26.22	21.01	16.89	17.15	22.08	22.08	22.08
Trade Debtors	647.81	748.90	882.01	751.70	987.54	1,446.00	1,150.00	1,259.00
Loans and Advances	992.21	1685.46	1742.11	1504.21	2076.30	2,950.00	3,350.00	3,450.00
Other Current Assets	1499.53	2963.78	5009.33	6982.95	8783.04	8,788.00	8,600.00	9,800.00
Current Liabilities & Provisions	786.78	2199.48	2819.23	3313.08	3989.61	4560.00	5060.00	5160.00
Net Current Asset Excluding Cash	3,168.70	5,424.36	7,654.46	9,255.75	11,864.03	13,206.08	13,122.08	14,531.08
Miscellaneous Items								
Capital Deployed	6,046.53	9,410.92	15,247.46	20,579.20	27,132.97	29,090.83	32,116.81	34,745.16
Non-Current Liabilities								
Secured Debt	1753.10	3132.22	5693.45	9255.70	12503.27	14,503.00	15,503.00	16,503.00
Non-secured debt & Trade deposit	1568.43	1490.30	3473.39	3781.45	5358.55	4,325.00	5,325.00	6,325.00
Deferred Tax Liabilities	77.87	132.19	204.13	231.45	-181.04	-185.00	-180.00	-180.00
Trade Payables	495.46	988.47	1130.44	1106.67	3,449.01	3,450.00	3,950.00	4,050.00
Other current liabilities	156.35	1,098.74	1,549.27	2,008.46	295.98	850.00	850.00	850.00
Short term Provisions	134.97	112.27	139.52	197.95	244.62	260.00	260.00	260.00
Total Liabilities	4,186.17	6,954.19	12,190.20	16,581.66	21,670.39	23,203.00	25,708.00	27,808.00
Share Capital	229.27	194.27	194.27	194.27	194.27	246.70	246.70	246.70
Preference capital	45.00	0.00	0.00	0.00	376.46	323.96	323.67	323.96
Reserve and Surplus	1474.37	2044.95	2569.52	3445.55	4433.11	4,859.17	5,380.44	5,908.79
Total Stock Holder's Equity	1,748.64	2,239.22	2,763.79	3,639.81	5,003.84	5,429.83	5,950.81	6,479.45
Minority Interest	111.73	217.51	293.47	357.72	458.75	458.00	458.00	458.00
Capital Employed	6,046.53	9,410.92	15,247.46	20,579.20	27,132.97	29,090.83	32,116.81	34,745.16

Source: Company, Microsec Research

Cash Flow Statement

INR Cr

Cash Flow from Operating Activities	FY12	FY13	FY14	FY15(E)	FY16 (E)	FY17(E)
PAT	496.95	520.21	463.05	508.06	611.27	623.35
Depreciation	113.64	101.63	-579.92	0.00	0.00	0.00
Interest Expense	728.21	1119.01	1470.96	1761.14	1958.61	2078.28
Other Non-Cash Charges	0.00	0.00	0.00	0.00	0.00	0.00
Direct taxes paid	245.72	227.40	26.55	134.00	169.00	175.00
Operating Profit Before WC Changes	1584.52	1968.25	1380.64	2403.20	2738.88	2876.63
Changes in Current Assets (excluding cash)	(2230.10)	(1601.29)	(2608.28)	(1342.05)	84.00	(1409.00)
Changes in Current Liabilities	619.75	493.84	676.54	570.39	500.00	100.00
Changes In WC	(1610.35)	(1107.45)	(1931.75)	(771.66)	584.00	(1309.00)
Cash Generated From Operations	-25.83	860.81	-551.10	1631.54	3322.88	1567.63
Direct Taxes Paid	245.72	227.40	26.55	134.00	169.00	175.00
Others (provision for deferred tax)	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash Generated From Operations	-271.55	633.41	-577.65	1497.54	3153.88	1392.63
Cash Flow from Investing Activities						
Capital Expenditure (CAPEX)	(3769.35)	(3368.91)	(3350.88)	(568.55)	(3188.74)	(1186.92)
Investments	(194.50)	(291.71)	201.35	5.78	(10.00)	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash Used In Investing Activities	(3963.84)	(3660.62)	(3149.54)	(562.77)	(3198.74)	(1186.92)
Cash Flow from Financing Activities						
Change in Debt	4544.32	3870.30	4824.67	966.18	2000.00	2000.00
Change in Equity	0.00	0.00	376.45	-0.06	0.00	0.00
Dividends Paid	(77.71)	(77.71)	(77.71)	(82.00)	(90.00)	(95.00)
Interest Paid	(728.21)	(1119.01)	(1470.96)	(1761.14)	(1958.61)	(2078.28)
Others	105.33	433.52	602.23	(0.00)	0.00	0.00
Net Cash used in Financing Activities	3843.73	3107.10	4254.68	(877.02)	(48.61)	(173.28)
Net Increase in Cash and Cash Equivalents	(391.66)	79.89	527.49	57.75	(93.47)	32.43
Cash and cash equivalents At the beginning	527.546	283.787	455.242	671.28	729.03	635.56
Net Increase in Cash and Cash Equivalents	-391.66	79.89	527.49	57.75	-93.47	32.43
Cash and cash equivalents At the end	283.79	455.24	671.28	729.03	635.56	667.99

Source: Company, Microsec Research

Financial Ratios

	FY11	FY12	FY13	FY14	FY15(E)	FY16 (E)	FY17(E)
Profitability Ratios							
Return on Assets (ROA)	3.87%	2.98%	2.26%	1.47%	1.53%	1.66%	1.58%
Return on Equity (ROE)	20.08%	19.50%	14.86%	9.12%	9.49%	10.39%	9.73%
Return on Capital Employed (ROCE)	11.61%	9.11%	8.48%	6.41%	7.55%	7.88%	7.68%
Dupont Analysis-ROE Decomposition							
PAT/PBT (Tax Efficiency)	0.67	0.69	0.70	0.95	0.79	0.79	0.78
PBT/EBIT (Interest Burden)	0.62	0.56	0.44	0.28	0.30	0.31	0.30
EBIT/Sales (OPM)	0.27	0.25	0.26	0.26	0.30	0.31	0.30
Sales/Total Assets (Asset Turnover)	0.35	0.31	0.28	0.21	0.22	0.22	0.23
TA/NW (Financial Leverage)	5.19	6.54	6.56	6.22	6.20	6.25	6.16
ROE	20.08	19.50	14.86	9.12	9.49	10.39	9.73
Liquidity Ratios							
Current Ratio	2.71	2.82	2.93	3.14	3.06	2.72	2.95
Acid Test Ratio	2.69	2.81	2.93	3.14	3.05	2.71	2.94
Debt-Equity Ratio	2.06	3.32	3.58	3.57	3.47	3.50	3.52
Efficiency Ratios							
Assets Turnover Ratio	0.35	0.31	0.28	0.21	0.22	0.22	0.23
Working Capital Turnover Ratio	0.68	0.71	0.68	0.53	0.53	0.60	0.59
F.A. Turnover Ratio	1.24	0.81	0.65	0.47	0.51	0.46	0.47
C.A. Turnover Ratio	0.68	0.71	0.68	0.53	0.53	0.60	0.59
Debtors Velocity	67.52	57.43	41.29	54.72	71.03	51.22	50.97
Margin Ratios (%)							
EBITDA Margin	28.51%	26.14%	27.70%	28.69%	32.42%	33.90%	32.70%
Pre-Tax Margin	16.65%	14.00%	11.56%	7.33%	8.74%	9.61%	8.94%
Net Profit Margin	10.69%	8.87%	7.83%	7.03%	6.84%	7.46%	6.91%
Growth Ratios YoY (%)							
Net Sales	68.12%	38.47%	18.54%	-0.87%	12.80%	10.30%	10.00%
EBITDA	43.51%	26.96%	25.58%	2.68%	27.49%	15.31%	6.11%
Adj.PAT	25.69%	14.80%	4.68%	-10.99%	9.72%	20.31%	1.98%
Adj.EPS	25.69%	14.80%	4.68%	-10.99%	-13.60%	20.31%	1.98%
Working Ratios (Days)							
Inventory	2.36	1.37	0.93	0.95	1.08	0.98	0.89
Debtors	67.52	57.43	41.29	54.72	71.03	51.22	50.97
Net Working Capital Excluding Cash	5424.36	7654.46	9255.75	11864.03	13206.08	13122.08	14531.08
Other Ratios (%)							
Other Income/PBT	11.74%	15.78%	18.40%	44.59%	33.11%	27.30%	26.69%
Per Share (Rs.)							
Adj.EPS	22.28	25.58	26.78	23.84	20.59	24.78	25.27
CEPS	25.44	29.52	31.64	31.61	29.26	34.79	36.58
DPS	3.50	4.00	4.00	4.00	3.32	3.65	3.85
BVPS	115.26	142.27	187.36	257.57	220.10	241.22	262.64
Cash Per Share	27.16	14.61	23.43	34.55	29.55	25.76	27.08
Valuation Parameters							
P/E	9.30	8.10	6.34	9.69	10.39	8.64	8.47
P/CEPS	8.15	7.02	5.36	7.30	7.31	6.15	5.85
P/BV	1.80	1.46	0.91	0.90	0.97	0.89	0.81
EV/EBITDA	9.06	10.87	10.55	14.13	11.52	10.93	11.00
EV/SALES	2.58	2.84	2.92	4.05	3.74	3.70	3.60

Source: Company, Microsec Research

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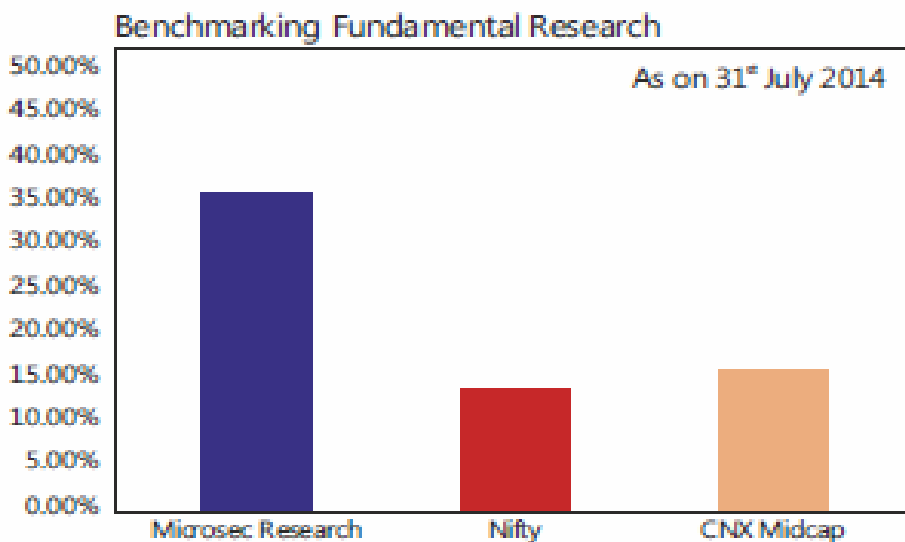
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Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Underperform	between 0% and -10%
Sell	< -10%

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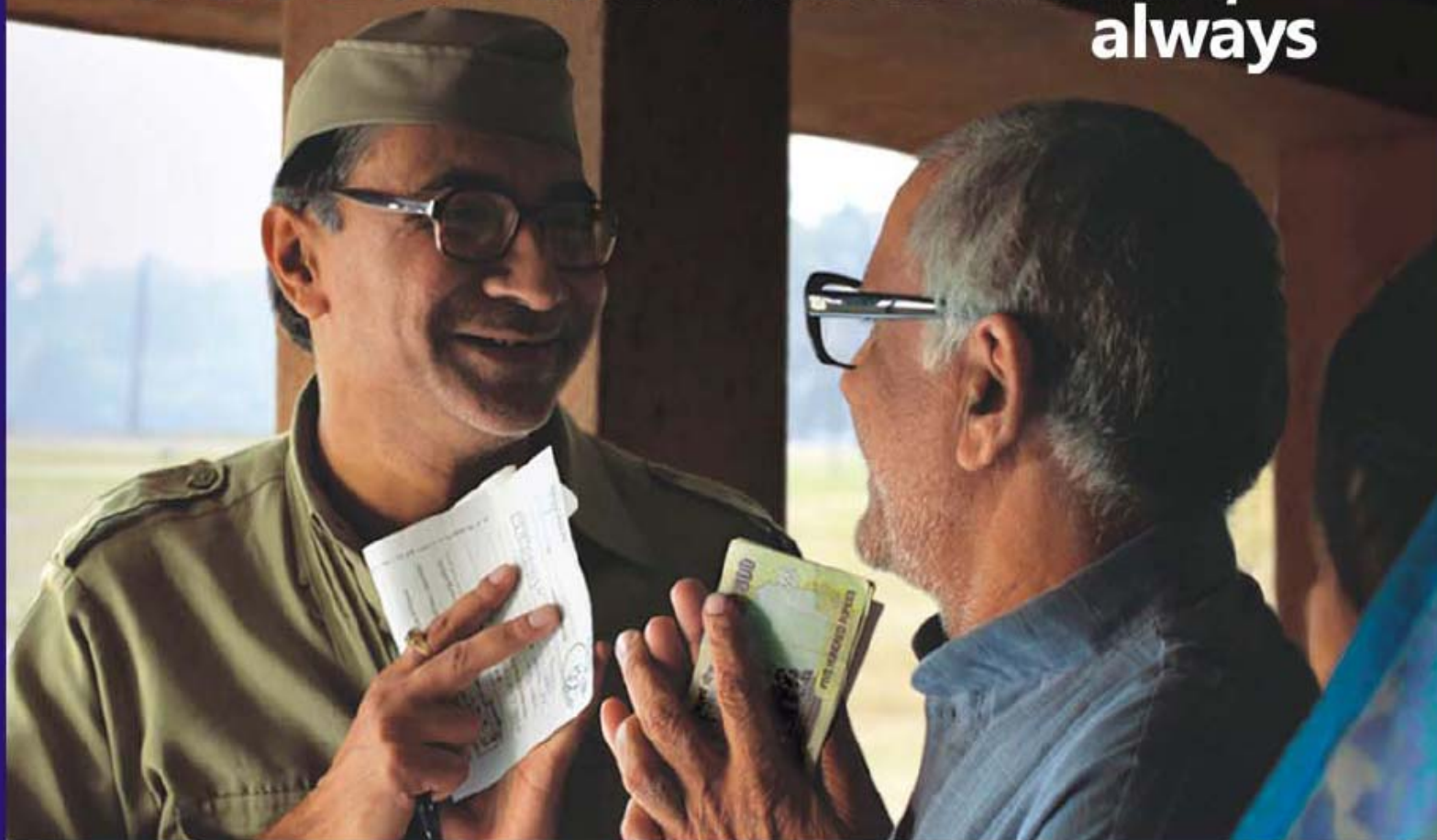
An amount of ₹ 1,00,000 invested individually in all 293 stocks ie, ₹ 2,93,00,000 investment as and when recommended has appreciated to ₹ 3,97,23,649 giving a return of 35.6 percent. On the same basis Nifty has given a return of 13 percent and CNXMID CAP has given a return of 15.2 percent.

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