

21 September 2015

# The Lucky 13: Mid-cap Redux #3

## A stock-picker's market

Our [first edition](#) (Apr'13) of *Lucky 13* mid-cap ideas has returned 104% since inception vs. 72% for the CNX Midcap index, and our [second edition](#) (Apr'14) has yielded a bumper 86% vs. 43% for the index. Historically, mid-caps have always bested the broader market in the long run, especially in an improving macro climate. With macro trends looking up, we line up a fresh selection of 13 high-conviction, high-quality mid-caps – ASFI, BATA, CESC, CIFIC, GOLIL, NJCC, NTCPH, ORCMNT, SHEM, SKF, SOMC, STR, VMART.

- ➔ **Mid-caps have outperformed large-caps YTD:** Hopes of a recovery in the domestic economy due to steps taken by the Modi-led government had sparked a strong market rally over 2013-15, taking the Sensex and Nifty to lifetime highs, before the recent correction erased some gains. Even amid this market volatility, mid-caps have outperformed large-caps YTD, with the CNX Midcap index delivering returns of +1.4% vs. -3.6% for the Nifty.
- ➔ **Mid-caps pip large-caps over medium/long term:** Mid-caps typically tend to outperform large-caps in the medium to long run in India. Over the past 10 years (Aug'05-Aug'15), the CNX Mid-cap basket of 100 stocks has delivered returns of 257% vs. 234% for the Nifty. This outperformance is visible in the past five-year period (Aug'10-Aug'15: CNX Mid-cap 50%, Nifty 48%) and also from the recent lows of Aug'13 (Aug'13- Aug'15: CNX Mid-cap 98%, Nifty 46%). With macro prospects improving at the margin, we expect mid-cap outperformance to continue over the long term.
- ➔ **The Lucky 13 – our mid-cap picks for FY16:** Key themes behind our stock selection include economic recovery plays, robust earnings profiles, improving business fundamentals, and attractive valuations. Based on these, we have 13 mid-cap ideas:
  - 1) **ASFI:** healthy delivery momentum and strong acquisition pipeline;
  - 2) **BATA:** expanding store footprint to accelerate growth;
  - 3) **CESC:** compelling valuation with multiple growth catalysts;
  - 4) **CIFIC:** structural improvement in profitability ahead;
  - 5) **GOLIL:** growing market share and margins to drive re-rating;
  - 6) **NJCC:** deleveraging to aid cash flows and profits;
  - 7) **NTCPH:** domestic oncology market leader with robust undervalued US pipeline;
  - 8) **ORCMNT:** volume boost as expansion coincides with demand recovery;
  - 9) **SHEM:** new media platforms to leapfrog growth;
  - 10) **SKF:** market leader in a high-entry barrier business;
  - 11) **SOMC:** profitable asset-light model;
  - 12) **STR:** Shasun merger to fortify business model; and
  - 13) **VMART:** early mover in India's fast growing organised apparel market.



### REPORT AUTHORS

**Arun Baid**  
+91 22 6766 3446  
arun.baid@religare.com

### Top 13 mid-cap picks

Company	Ticker	Upside
Ashiana Housing	ASFI IN	76%
Bata India	BATA IN	49%
CESC	CESC IN	28%
Cholamandalam Investment	CIFIC IN	49%
Gulf Oil Lubricants	GOLI IN	19%
NCC Limited	NJCC IN	51%
Natco Pharma	NTCPH IN	33%
Orient Cement	ORCMNT IN	44%
Shemaroo Entertainment	SHEM IN	54%
SKF India	SKF IN	32%
Somany Ceramic	SOMC IN	53%
Strides Acrolab	STR IN	46%
V-Mart Retail Ltd	VMART IN	64%

Source: RCML Research



## The Lucky 13 – Valuations

Fig 1 - Top 13 mid-cap picks – returns

Company	Ticker	Price* (Rs)	Mkt cap (Rsmn)	Target Price (Rs)	Rating	Upside (%)
Ashiana Housing	ASFI IN	165	16,847	290	BUY	76.2
Bata India	BATA IN	1,141	73,341	1,700	BUY	49.0
CESC	CESC IN	526	69,791	675	BUY	28.3
Cholamandalam Investment	CIFC IN	604	86,900	900	BUY	48.9
Gulf Oil Lubricants	GOLI IN	499	24,700	595	BUY	19.3
NCC Limited	NJCC IN	66	36,912	100	BUY	50.6
Natco Pharma	NTCPH IN	2,257	75,000	3,005	BUY	33.1
Orient Cement	ORCMNT IN	159	32,666	230	BUY	44.2
Shemaroo Entertainment	SHEM IN	272	7,429	420	BUY	54.4
SKF India	SKF IN	1,228	64,718	1,620	BUY	31.9
Somany Ceramic	SOMC IN	350	13,598	535	BUY	52.9
Strides Acrolab	STR IN	1,152	68,700	1,685	BUY	46.3
V-Mart Retail Ltd	VMART IN	487	8,781	800	BUY	64.3

Source: Bloomberg, RCML Research \* Closing price as on 18th Sept,2015

Fig 2 - Top 13 mid-cap picks – valuations

Company	CMP* (Rs)	Mkt Cap (Rsmn)	PE(x)		P/BV (x)		EV/EBIDTA		ROE FY18E (%)	ROCE FY18E (%)	Div. Yield FY18E (%)	EPS CAGR FY15-18 (%)
			FY17E	FY18E	FY17E	FY18E	FY17E	FY18E				
Ashiana Housing	165	16,847	9.2	9.2	1.9	1.6	5.4	6.0	23.4	19.4	0.9	55.8
Bata India	1,141	73,341	26.0	21.0	5.3	4.4	16.0	13.2	22.9	22.4	1.1	20.5
CESC	526	69,791	10.9	10.1	0.8	0.7	8.5	8.2	7.5	6.1	2.2	(0.2)
Cholamandalam Invst	604	86,900	13.7	10.7	2.2	1.9	NA	NA	19.0	NA	0.8	23.0
Gulf Oil Corp	499	24,700	21.7	18.5	8.0	6.4	13.5	11.5	41.1	38.2	2.0	20.0
NCC	66	36,912	31.5	17.6	1.4	1.3	7.8	5.9	7.5	9.5	0.6	33.0
Natco Pharma	2,257	75,000	36.2	29.6	6.6	5.5	23.5	20.1	20.2	17.1	1.0	25.1
Orient Cement	159	32,666	10.7	6.9	2.4	1.8	7.5	5.4	29.8	20.2	0.9	34.2
Shemaroo Ent	272	7,429	10.7	9.1	1.7	1.4	6.7	5.7	17.5	17.5	0.6	20.0
SKF	1,228	64,718	25.6	22.0	3.7	3.3	15.4	13.0	15.8	12.7	1.1	13.2
Somany Ceramic	350	13,598	17.0	12.3	3.7	3.0	9.4	7.4	26.60	17.9	1.2	36.0
Strides Acrolab	1,152	68,700	16.8	14.4	4.0	3.1	10.8	9.3	24.2	12.6	1.9	42.6
V-Mart Retail	487	8,781	15.4	12.1	3.0	2.4	8.0	6.3	22.2	20.6	0.6	23.0

Source: Bloomberg, RCML Research \* Closing price as on 18th Sept,2015

Fig 3 - Latest ownership of the Lucky 13

Company	ASFI IN	BATA IN	CESC IN	CIFC IN	GOLI IN	NJCC IN	NTCPH IN	ORCMNT IN	SHEM IN	SKF IN	SOMC IN	STR IN	VMART IN
Date	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15	Jun-15
Promoters	61.0	53.0	49.9	57.7	64.9	20.7	53.8	37.5	65.8	53.6	56.2	27.7	57.6
<b>Public Shareholding</b>	<b>39.0</b>	<b>47.0</b>	<b>50.0</b>	<b>42.3</b>	<b>35.1</b>	<b>79.3</b>	<b>46.3</b>	<b>62.5</b>	<b>34.2</b>	<b>46.4</b>	<b>43.8</b>	<b>72.4</b>	<b>42.4</b>
Institutions	13.0	27.9	40.6	35.4	18.5	41.0	15.0	36.8	12.5	32.1	8.9	45.9	29.9
Non Institution	26.0	19.1	9.4	6.9	16.6	38.3	31.2	25.7	21.7	14.4	34.9	26.4	12.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: RCML Research, Capitaline



## Performance of past Lucky 13 editions

**Fig 4 - Performance of our 1<sup>st</sup> edition of Lucky 13 stocks (released on 14 Apr 2013)**

Company	Ticker	Price (as of 11 Apr 2013)	Price (as of 18 Sept 2015)	% change in price
Voltas	VOLT IN	78	251	224
Crompton Greaves	CRG IN	90	182	101
Satyam *	SCS IN	117	264	126
Bata	BATA IN	736	1,141	55
JK Lakshmi Cement	JKLC IN	88	370	319
Redington	REDI IN	74	107	43
Cummins	KKC IN	492	1,117	127
HPCL	HPCL IN	291	760	161
IGL	IGL IN	284	476	68
PFC	POWF IN	189	231	22
Bajaj Corp	BJCOR IN	230	468	103
Bank of India	BOI IN	297	140	(53)
Dish TV	DITV IN	70	109	56
<b>Average performance</b>				<b>104</b>
<b>CNX Midcap Index</b>		<b>7,426</b>	<b>12,757</b>	<b>72</b>

Source: NSE, RCML Research \*Satyam price calculated from TECHM using 8.5 shares multiple

**Fig 5 - Performance of our 2<sup>nd</sup> edition of Lucky 13 stocks (released on 29 Apr 2014)**

Company	Ticker	Price on 28 April 2014	Price (as of 18 Sept 2015)	% change in price
Ashok Leyland	AL IN	23	88	282
Bata India	BATA IN	1,099	1,141	4
Elgi Equipments	ELEQ IN	101	125	24
Finolex Industries	FNXP IN	223	254	14
Firstsource Soln	FSOL IN	32	26	(18)
Gateway Distriparks	GDPL IN	178	331	86
Grindwell Norton	GWN IN	316	726	130
Gulf Oil Corp	GULF IN	128	499	290
Indoco Remedies	INDR IN	134	334	149
Muthoot Finance	MUTH IN	174	154	(11)
Repco Finance	REPCO IN	380	659	73
Sunteck Realty	SRIN IN	312	219	(30)
Symphony	SYML IN	836	1,894	127
<b>Average Performance</b>				<b>86</b>
<b>CNX Midcap Index</b>		<b>8,900</b>	<b>12,757</b>	<b>43</b>

Source: NSE, RCML Research



# Companies

21 September 2015

**BUY**

TP: INR 290.00

▲ 76.2%

# Ashiana Housing

ASFI IN

## Revenue boost from higher project delivery

We maintain **BUY** on ASFI with a Mar'17 TP of Rs 290 (76% upside) as we expect (1) a strong revenue/PAT (pre-minority) CAGR of 78%/58% over FY15-FY18, (2) healthy delivery momentum (~8msf in FY16-FY18), and (3) value accretion through low-cost project acquisition. The company is planning on-time delivery of nine projects in FY16 – this would boost revenues and help strengthen its brand equity across existing markets, besides giving it a foothold in new cities. We set our TP at 1x DCF-based NAV.

- ➔ **Deliveries to lead revenue in FY16:** ASFI plans to deliver nine projects across its major markets in FY16 (Rajasthan: Bhiwadi, Neemrana, Jaipur, Jodhpur; Gujarat: Halol; Maharashtra: Lavasa). This should lead to a surge in revenue booked upon project completion. Further, the on-time delivery of its first projects in the cities of Neemrana and Halol should help the company establish its brand there and capitalise on the same in years to come. We expect a revenue/PAT CAGR of 78%/58% over FY15-FY18.
- ➔ **Weak markets support project acquisition:** Given sluggish market conditions and a comfortable cash position, ASFI is well placed to scoop up value-accretive land and projects to fuel mid-to-long term growth. Management has indicated a strong acquisition pipeline, which will be a key stock trigger once profitability improves.
- ➔ **Volumes depend on market sentiments:** ASFI reported an 18% YoY drop in volumes in FY15 (to 1.81msf vs. 2.2msf in FY14) due to weak markets. We expect moderate volumes in 9MFY16 and a steady recovery starting Q4FY16 on the back of macro improvement and increased launches (Chennai, Kolkata).
- ➔ **Maintain BUY:** We expect FY16 to be a year of project completions and hence factor in healthy revenue growth for the company. Further, valuations are expected to improve once project acquisitions gather pace in FY16. We value the company at 1x Mar'18 NAV of Rs 290. Maintain BUY.

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	1,107	1,427	6,119	8,087	8,064
EBITDA (INR mln)	197	372	2,686	3,220	3,001
Adjusted net profit (INR mln)	219	464	1,874	1,829	1,838
Adjusted EPS (INR)	3.9	4.8	18.3	17.9	18.0
Adjusted EPS growth (%)	(78.0)	21.4	285.3	(2.4)	0.5
DPS (INR)	0.5	0.8	1.2	1.5	1.5
ROIC (%)	7.0	12.1	42.8	27.5	20.0
Adjusted ROAE (%)	7.9	11.5	30.7	23.4	19.4
Adjusted P/E (x)	42.0	34.6	9.0	9.2	9.2
EV/EBITDA (x)	83.3	44.1	6.2	5.4	6.0
P/BV (x)	5.4	3.2	2.4	1.9	1.6

Source: Company, Bloomberg, RCML Research



### REPORT AUTHORS

Arun Aggarwal

+91 22 6766 3440

arun.aggarwal@religare.com

PRICE CLOSE (18 Sep 15)

INR 164.60

MARKET CAP

INR 16.8 bln

USD 256.5 mln

SHARES O/S

102.4 mln

FREE FLOAT

33.0%

3M AVG DAILY VOLUME/VALUE

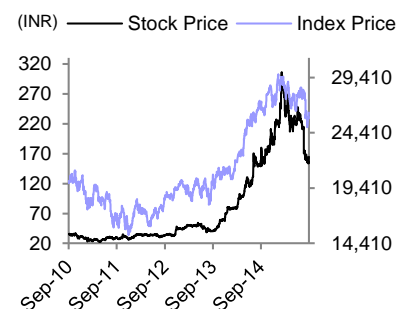
0.1 mln / USD 0.2 mln

52 WK HIGH

INR 327.70

52 WK LOW

INR 148.05



**BUY**

TP: INR 290.00

▲ 76.2%

# Ashiana Housing

ASFI IN



Company Update

INDIA

REAL ESTATE

## Per Share Data

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	3.9	4.8	18.3	17.9	18.0
Adjusted EPS	3.9	4.8	18.3	17.9	18.0
DPS	0.5	0.8	1.2	1.5	1.5
BVPS	30.6	51.1	68.2	84.6	101.0

## Valuation Ratios

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	14.9	11.5	2.7	2.2	2.2
EV/EBITDA	83.3	44.1	6.2	5.4	6.0
Adjusted P/E	42.0	34.6	9.0	9.2	9.2
P/BV	5.4	3.2	2.4	1.9	1.6

## Financial Ratios

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	17.8	26.1	43.9	39.8	37.2
EBIT margin	15.1	20.5	42.6	38.7	36.0
Adjusted profit margin	19.8	32.5	30.6	22.6	22.8
Adjusted ROAE	7.9	11.5	30.7	23.4	19.4
ROCE	5.0	6.6	27.3	23.7	17.9
<b>YoY Growth (%)</b>					
Revenue	(25.6)	29.0	328.8	32.1	(0.3)
EBITDA	(43.4)	88.6	621.4	19.9	(6.8)
Adjusted EPS	(78.0)	21.4	285.3	(2.4)	0.5
Invested capital	20.0	6.6	172.5	55.4	9.4
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	36	30	8	6	6
Inventory (days)	1,613	2,671	967	850	1,025
Payables (days)	696	1,430	523	244	208
Current ratio (x)	1.8	1.4	2.0	2.9	2.8
Quick ratio (x)	0.2	0.1	0.1	0.2	0.3
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	1.8	1.8	6.4	7.0	6.0
Total asset turnover	0.2	0.2	0.5	0.6	0.5
Net interest coverage ratio	9.1	15.4	23.9	15.1	13.1
Adjusted debt/equity	(0.2)	(0.1)	0.1	0.1	0.0

## DuPont Analysis

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	84.4	94.7	72.0	61.0	64.9
Interest burden (PBT/EBIT)	155.2	167.9	100.0	95.8	97.6
EBIT margin (EBIT/Revenue)	15.1	20.5	42.6	38.7	36.0
Asset turnover (Revenue/Avg TA)	21.7	15.9	49.0	59.9	52.4
Leverage (Avg TA/Avg equities)	184.2	221.7	204.6	172.6	162.0
Adjusted ROAE	7.9	11.5	30.7	23.4	19.4

**BUY**

TP: INR 290.00

▲ 76.2%

# Ashiana Housing

ASFI IN



Company Update

INDIA

REAL ESTATE

## Income Statement

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>1,107</b>	<b>1,427</b>	<b>6,119</b>	<b>8,087</b>	<b>8,064</b>
EBITDA	197	372	2,686	3,220	3,001
EBIT	167	292	2,604	3,129	2,900
Net interest income/(expenses)	(18)	(19)	(109)	(207)	(221)
Other income/(expenses)	121	217	109	76	152
Exceptional items	(11)	0	0	0	0
EBT	270	490	2,604	2,998	2,831
Income taxes	(40)	(26)	(729)	(839)	(793)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	(330)	(200)
<b>Reported net profit</b>	<b>219</b>	<b>464</b>	<b>1,874</b>	<b>1,829</b>	<b>1,838</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>219</b>	<b>464</b>	<b>1,874</b>	<b>1,829</b>	<b>1,838</b>

## Balance Sheet

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	2,630	5,636	4,205	2,301	3,472
Other current liabilities	271	359	391	429	475
Provisions	80	100	112	127	145
Debt funds	91	340	1,340	1,840	1,840
Other liabilities	207	224	224	224	224
Equity capital	186	205	205	205	205
Reserves & surplus	2,658	5,024	6,775	8,450	10,135
Shareholders' fund	2,845	5,229	6,980	8,655	10,340
<b>Total liabilities and equities</b>	<b>6,093</b>	<b>11,804</b>	<b>13,169</b>	<b>13,823</b>	<b>16,943</b>
Cash and cash eq.	572	635	832	788	1,735
Accounts receivables	96	136	136	136	136
Inventories	3,780	6,243	8,545	9,822	11,510
Other current assets	776	1,377	1,644	1,965	2,349
Investments	333	2,722	1,222	222	222
Net fixed assets	557	657	757	857	957
CWIP	13	56	56	56	56
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(34)	(23)	(23)	(23)	(23)
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>6,093</b>	<b>11,804</b>	<b>13,169</b>	<b>13,823</b>	<b>16,943</b>

## Cash Flow Statement

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	249	545	1,956	1,920	1,940
Interest expenses	18	19	109	207	221
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(266)	(11)	(3,983)	(3,467)	(838)
Other operating cash flows	(1)	(11)	0	330	200
<b>Cash flow from operations</b>	<b>1</b>	<b>541</b>	<b>(1,917)</b>	<b>(1,010)</b>	<b>1,523</b>
Capital expenditures	(133)	(224)	(181)	(191)	(201)
Change in investments	215	(2,389)	1,500	1,000	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>82</b>	<b>(2,613)</b>	<b>1,319</b>	<b>809</b>	<b>(201)</b>
Equities issued	0	2,000	0	0	0
Debt raised/repaid	(19)	249	1,000	500	0
Interest expenses	(15)	(28)	(109)	(207)	(221)
Dividends paid	(55)	(73)	(117)	(162)	(180)
Other financing cash flows	19	(26)	21	26	26
<b>Cash flow from financing</b>	<b>(71)</b>	<b>2,122</b>	<b>795</b>	<b>158</b>	<b>(374)</b>
<b>Changes in cash and cash eq</b>	<b>13</b>	<b>50</b>	<b>196</b>	<b>(44)</b>	<b>947</b>
<b>Closing cash and cash eq</b>	<b>589</b>	<b>623</b>	<b>832</b>	<b>788</b>	<b>1,735</b>



21 September 2015

**BUY**

TP: INR 1,700.00

▲ 49.0%

## Bata India

BATA IN

### Expanding footprint to accelerate growth

**We remain positive on BATA given an expected recovery in SSSg in FY16 to 7-8% (from 3-4% currently) as demand picks up. We also expect the company to post a strong ~21% earnings CAGR over FY15-FY18 led by ~17% sales CAGR and operating leverage benefits from product mix changes and traction in new large-format stores. Valuations at 35.4x FY16E, 26x FY17E and 21x FY18E earnings are reasonable. Maintain BUY with a Mar'17 TP of Rs 1,700.**

- ➔ **Sales CAGR at ~17% over FY15-FY18:** BATA enjoys a strong brand franchise in the highly fragmented Indian footwear segment and is the market leader with 20-25% share in the branded segment with over 1,400 stores spread across the country. We expect the company to deliver a ~16% topline CAGR over FY15-FY18 led by healthy 7-8% SSSg as demand picks up. Store additions are likely to continue apace at an estimated 100 stores p.a. over the next 2-3 years with a focus on tier II/III cities. Notably, BATA has been closing down all non-profitable stores while opening larger format outlets.
- ➔ **Earnings CAGR of ~21% over FY15-FY18:** We forecast a ~300bps increase in BATA's EBITDA margins over FY15-FY18 on product mix changes coupled with operating leverage kicking in on back of improvement in SSSg. This should fuel a robust ~21% earnings CAGR over FY15-FY18.
- ➔ **Strong balance sheet; healthy cash flow generation:** We expect FCF generation to improve from ~Rs 527mn in FY15 to ~Rs 2.2bn in FY18. Given its healthy cash generation ability, BATA is likely to fund new-store capex via internal accruals.
- ➔ **Maintain BUY:** We value the stock at 30x Mar'18 earnings to arrive at a Mar'17 TP of Rs 1,700 (49% upside). Key risks to our BUY call are: (a) a protracted recovery in SSSg, (b) large format stores being unprofitable, and (c) an increase in competitive intensity.

#### Financial Highlights

Y/E 31 Mar	CY13A	FY15A*	FY16E	FY17E	FY18E
Revenue (INR mln)	20,640	26,920	25,079	29,317	34,179
EBITDA (INR mln)	3,207	3,329	3,383	4,396	5,279
Adjusted net profit (INR mln)	2,008	1,996	2,071	2,817	3,495
Adjusted EPS (INR)	30.7	31.1	32.2	43.8	54.4
Adjusted EPS growth (%)	15.1	1.0	3.8	36.0	24.1
DPS (INR)	6.5	6.5	7.0	9.0	12.0
ROIC (%)	33.0	24.6	21.3	26.2	29.0
Adjusted ROAE (%)	26.1	21.4	18.8	21.9	22.9
Adjusted P/E (x)	37.1	36.7	35.4	26.0	21.0
EV/EBITDA (x)	22.3	21.2	21.0	16.0	13.2
P/BV (x)	8.7	7.2	6.2	5.3	4.4

Source: Company, Bloomberg, RCML Research | \*FY15 is 15 months due to change in YE from Dec to Mar



#### REPORT AUTHORS

**Gaurang Kakkad**

+91 22 6766 3470

gaurang.kakkad@religare.com

**Premal Kamdar**

+91 22 6766 3469

premal.kamdar@religare.com

PRICE CLOSE (18 Sep 15)

INR 1,140.60

MARKET CAP

INR 73.3 bln

USD 1.1 bln

SHARES O/S

64.3 mln

FREE FLOAT

48.0%

3M AVG DAILY VOLUME/VALUE

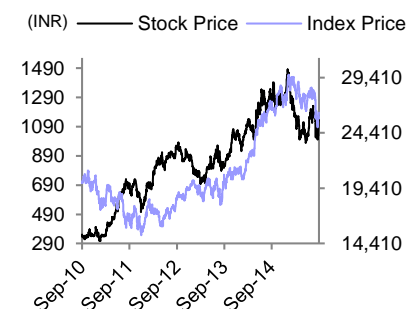
0.2 mln / USD 3.8 mln

52 WK HIGH

INR 1,496.00

52 WK LOW

INR 942.20





**BUY**

TP: INR 1,700.00

▲ 49.0%

**Bata India**

BATA IN



Company Update

INDIA

RETAIL

**Per Share Data**

Y/E 31 Mar (INR)	CY13A	FY15A	FY16E	FY17E	FY18E
Reported EPS	29.7	36.0	32.2	43.8	54.4
Adjusted EPS	30.7	31.1	32.2	43.8	54.4
DPS	6.5	6.5	7.0	9.0	12.0
BVPS	130.9	159.1	183.4	217.1	258.0

**Valuation Ratios**

Y/E 31 Mar (x)	CY13A	FY15A	FY16E	FY17E	FY18E
EV/Sales	3.5	2.6	2.8	2.4	2.0
EV/EBITDA	22.3	21.2	21.0	16.0	13.2
Adjusted P/E	37.1	36.7	35.4	26.0	21.0
P/BV	8.7	7.2	6.2	5.3	4.4

**Financial Ratios**

Y/E 31 Mar	CY13A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	15.5	12.4	13.5	15.0	15.4
EBIT margin	12.7	9.4	10.6	12.3	13.0
Adjusted profit margin	9.7	7.4	8.3	9.6	10.2
Adjusted ROAE	26.1	21.4	18.8	21.9	22.9
ROCE	23.3	18.3	16.5	19.6	20.6
<b>YoY Growth (%)</b>					
Revenue	12.1	30.4	(6.8)	16.9	16.6
EBITDA	17.4	3.8	1.6	30.0	20.1
Adjusted EPS	15.1	1.0	3.8	36.0	24.1
Invested capital	14.2	39.1	11.5	13.7	12.4
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	8	7	9	8	8
Inventory (days)	201	190	226	210	210
Payables (days)	67	63	76	71	71
Current ratio (x)	1.9	1.9	2.1	2.2	2.3
Quick ratio (x)	0.5	0.3	0.5	0.5	0.7
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	3.6	4.2	3.3	3.2	3.2
Total asset turnover	1.6	1.8	1.5	1.5	1.5
Net interest coverage ratio	201.3	145.0	151.6	205.5	253.1
Adjusted debt/equity	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)

**DuPont Analysis**

Y/E 31 Mar (%)	CY13A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	68.6	67.2	68.5	70.0	71.0
Interest burden (PBT/EBIT)	111.9	117.1	114.0	111.9	111.1
EBIT margin (EBIT/Revenue)	12.7	9.4	10.6	12.3	13.0
Asset turnover (Revenue/Avg TA)	164.3	178.3	146.6	152.0	151.9
Leverage (Avg TA/Avg equities)	163.1	162.1	155.4	149.9	147.3
Adjusted ROAE	26.1	21.4	18.8	21.9	22.9

**BUY**

TP: INR 1,700.00

▲ 49.0%

**Bata India**

BATA IN



Company Update

INDIA  
RETAIL**Income Statement**

YE 31 Mar (INR mln)	CY13A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>20,640</b>	<b>26,920</b>	<b>25,079</b>	<b>29,317</b>	<b>34,179</b>
EBITDA	3,207	3,329	3,383	4,396	5,279
EBIT	2,615	2,537	2,653	3,596	4,429
Net interest income/(expenses)	(13)	(18)	(18)	(18)	(18)
Other income/(expenses)	325	451	388	446	511
Exceptional items	0	0	0	0	0
EBT	2,927	2,971	3,023	4,024	4,923
Income taxes	(919)	(975)	(952)	(1,207)	(1,428)
Extraordinary items	(101)	315	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>1,907</b>	<b>2,311</b>	<b>2,071</b>	<b>2,817</b>	<b>3,495</b>
Adjustments	101	(315)	0	0	0
<b>Adjusted net profit</b>	<b>2,008</b>	<b>1,996</b>	<b>2,071</b>	<b>2,817</b>	<b>3,495</b>

**Balance Sheet**

YE 31 Mar (INR mln)	CY13A	FY15A	FY16E	FY17E	FY18E
Accounts payables	3,654	4,545	4,440	5,190	6,051
Other current liabilities	0	0	0	0	0
Provisions	1,763	1,608	1,608	1,608	1,608
Debt funds	0	0	0	0	0
Other liabilities	0	0	0	0	0
Equity capital	643	643	643	643	643
Reserves & surplus	7,767	9,579	11,144	13,310	15,938
Shareholders' fund	8,410	10,221	11,786	13,953	16,581
<b>Total liabilities and equities</b>	<b>13,828</b>	<b>16,374</b>	<b>17,834</b>	<b>20,751</b>	<b>24,240</b>
Cash and cash eq.	2,557	2,100	2,740	3,674	5,039
Accounts receivables	509	584	619	723	843
Inventories	5,827	7,047	7,080	8,277	9,649
Other current assets	1,505	2,169	2,169	2,169	2,169
Investments	49	50	50	50	50
Net fixed assets	2,462	3,067	3,819	4,500	5,132
CWIP	237	482	482	482	482
Intangible assets	0	0	0	0	0
Deferred tax assets, net	681	876	876	876	876
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>13,828</b>	<b>16,374</b>	<b>17,834</b>	<b>20,751</b>	<b>24,240</b>

**Cash Flow Statement**

YE 31 Mar (INR mln)	CY13A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	2,499	3,103	2,801	3,617	4,345
Interest expenses	13	0	18	18	18
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(620)	(945)	(173)	(551)	(632)
Other operating cash flows	(64)	(973)	0	0	0
<b>Cash flow from operations</b>	<b>1,828</b>	<b>1,185</b>	<b>2,646</b>	<b>3,084</b>	<b>3,731</b>
Capital expenditures	(787)	(1,336)	(1,482)	(1,482)	(1,482)
Change in investments	(380)	677	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(1,167)</b>	<b>(659)</b>	<b>(1,482)</b>	<b>(1,482)</b>	<b>(1,482)</b>
Equities issued	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(13)	0	(18)	(18)	(18)
Dividends paid	(449)	(487)	(506)	(651)	(868)
Other financing cash flows	(13)	(18)	0	0	0
<b>Cash flow from financing</b>	<b>(475)</b>	<b>(504)</b>	<b>(524)</b>	<b>(668)</b>	<b>(885)</b>
<b>Changes in cash and cash eq</b>	<b>186</b>	<b>22</b>	<b>641</b>	<b>934</b>	<b>1,365</b>
<b>Closing cash and cash eq</b>	<b>2,057</b>	<b>2,580</b>	<b>2,740</b>	<b>3,674</b>	<b>5,039</b>

Note: FY15 is 15 months due to change in YE from Dec to Mar

**BUY**

TP: INR 675.00

▲ 28.3%

**CESC**

CESC IN

## Multiple triggers for a re-rating – BUY

**CESC is our top pick in the private IPP space. We see several re-rating triggers, including (a) clarity on FSA/PPA tie-ups for the Chandrapur plant, (b) potential recovery of the Govt.'s additional levy on CESC's de-allocated coal mine, and (c) likely permission from WBERC for sale of 15% power on merchant basis. Importantly, losses have ebbed at Spencer's and the Haldia plant would be profitable from FY16E onwards. Even upon excluding these catalysts, we find the risk-reward favourable. BUY with a Mar'17 TP of Rs 675.**

- ➔ **Kolkata business – strong cash flows despite negative bid:** CESC's integrated Kolkata operations, being regulated under WBERC norms, ensure steady cash flows. Despite the negative bid to regain its Sarisatolli coal mine, we expect CESC to report standalone PAT of Rs 5.7bn in FY16E, with annual CFO of ~Rs 10bn and core ROE of ~15% over FY16-FY17E. Profitability could be augmented if the company is allowed to sell 15% power on merchant basis to compensate for the negative bid.
- ➔ **Chandrapur – closer to resolution:** After substantial deliberations and court process, the coal ministry has approved the fuel supply agreement (FSA) for the Chandrapur plant. This is subject to go-ahead by the Dept. of Law, which should come through in the next 3-6 months. CESC has a 100MW PPA with Tangedco and is trying to revive its 190MW PPA with Noida Power, which should help the Chandrapur plant break even.
- ➔ **Spencer's performance improves:** CESC's retail arm, Spencer's, reported sharp improvement with 10%/7.5% YoY growth in overall/same sales per sqft in Q1FY16. Consequently, monthly EBITDA/sqft shot up 51% YoY to Rs 100. Importantly, management stated that Spencer's has achieved cash breakeven in Q1FY16.
- ➔ **Upside triggers ahead; BUY:** Our SOTP-based Mar'17 TP of Rs 675 implies 28% upside (Fig 1). Improvement in Spencer's performance and resolution of issues at Chandrapur would lead to a re-rating of the stock. Reiterate BUY.

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	55,099	61,888	65,470	70,460	74,669
EBITDA (INR mln)	14,325	15,489	15,047	15,986	16,816
Adjusted net profit (INR mln)	6,519	6,977	5,760	6,441	6,929
Adjusted EPS (INR)	51.9	52.4	43.2	48.4	52.0
Adjusted EPS growth (%)	5.4	0.9	(17.4)	11.8	7.6
DPS (INR)	8.1	9.0	10.8	12.1	13.0
ROIC (%)	8.9	9.0	7.8	8.1	8.3
Adjusted ROAE (%)	9.6	9.2	7.0	7.4	7.5
Adjusted P/E (x)	10.1	10.0	12.2	10.9	10.1
EV/EBITDA (x)	8.0	7.8	8.9	8.5	8.2
P/BV (x)	0.9	0.9	0.8	0.8	0.7

Source: Company, Bloomberg, RCML Research

21 September 2015



#### REPORT AUTHORS

Pawan Parakh

+91 22 6766 3438

pawan.parakh@religare.com

Misal Singh

+91 22 6766 3466

misal.singh@religare.com

PRICE CLOSE (18 Sep 15)

INR 526.25

MARKET CAP

INR 69.8 bln

USD 1.1 bln

SHARES O/S

133.2 mln

FREE FLOAT

50.5%

3M AVG DAILY VOLUME/VALUE

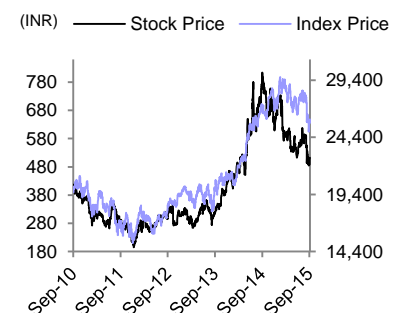
0.4 mln / USD 3.4 mln

52 WK HIGH

INR 803.00

52 WK LOW

INR 452.00



**BUY**

TP: INR 675.00

▲ 28.3%

**CESC**

CESC IN



Company Update

INDIA  
UTILITIES**Fig 1 - SOTP valuation – Scenario analysis**

(Rs mn)			Worst case			Base case			Bull case		
SOTP valuations	Methodology	BV	Multiple	Value	Rs/sh	Multiple	Value	Rs/sh	Multiple	Value	Rs/sh
<b>Power generation</b>											
Distribution (Regulated)	Multiple to regulated equity	37,221	1.20	44,665	335	1.30	48,387	363	1.60	63,276	447
Chandrapur	Multiple to regulated equity	12,300	0.20	2,460	18	0.50	6,150	46	0.75	9,225	69
Haldia	Multiple to regulated equity	11,500	1.00	11,500	86	1.10	12,650	95	1.30	14,950	112
<b>Power business</b>				<b>58,625</b>	<b>440</b>		<b>67,187</b>	<b>504</b>		<b>87,451</b>	<b>628</b>
Spencer's	EV/ Sales		0.30	768	6	0.40	2,696	20	0.50	4,624	35
Mall	P/B	1,759	0.70	1,231	9	1.00	1,759	13	1.20	2,110	16
Firstsource Solutions	CMP and hold co. discount		50.0%	5,423	41	30.0%	7,592	57	20.0%	8,677	65
<b>Non Power business Total</b>				<b>7,422</b>	<b>56</b>		<b>12,047</b>	<b>90</b>		<b>15,412</b>	<b>116</b>
Cash on books		10,490	1.00	10,490	79	1.00	10,490	79	1.00	10,490	79
<b>Fair value (rounded off)</b>				<b>76,538</b>	<b>575</b>		<b>89,724</b>	<b>675</b>		<b>113,352</b>	<b>825</b>

Source: RCML Research

**BUY**

TP: INR 675.00

▲ 28.3%

**CESC**

CESC IN



Company Update

INDIA  
UTILITIES**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	51.9	52.4	43.2	48.4	52.0
Adjusted EPS	51.9	52.4	43.2	48.4	52.0
DPS	8.1	9.0	10.8	12.1	13.0
BVPS	560.4	606.5	637.1	671.3	708.1

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	2.1	1.9	2.1	1.9	1.9
EV/EBITDA	8.0	7.8	8.9	8.5	8.2
Adjusted P/E	10.1	10.0	12.2	10.9	10.1
P/BV	0.9	0.9	0.8	0.8	0.7

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	26.0	25.0	23.0	22.7	22.5
EBIT margin	19.9	19.5	17.4	17.2	17.1
Adjusted profit margin	11.8	11.3	8.8	9.1	9.3
Adjusted ROAE	9.6	9.2	7.0	7.4	7.5
ROCE	7.0	6.8	5.8	6.0	6.1
<b>YoY Growth (%)</b>					
Revenue	3.6	12.3	5.8	7.6	6.0
EBITDA	8.2	8.1	(2.8)	6.2	5.2
Adjusted EPS	5.4	0.9	(17.4)	11.8	7.6
Invested capital	1.0	16.4	2.4	3.3	3.8
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	79	76	79	77	78
Inventory (days)	44	44	44	44	44
Payables (days)	0	0	0	0	0
Current ratio (x)	2.0	2.9	2.5	2.3	2.5
Quick ratio (x)	0.5	0.5	0.4	0.3	0.5
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	0.4	0.4	0.4	0.4	0.4
Total asset turnover	0.4	0.4	0.3	0.3	0.4
Net interest coverage ratio	3.0	3.0	2.3	2.4	2.5
Adjusted debt/equity	0.7	0.8	0.8	0.8	0.7

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	79.0	79.0	79.0	79.0	79.0
Interest burden (PBT/EBIT)	75.4	73.2	64.1	67.1	68.5
EBIT margin (EBIT/Revenue)	19.9	19.5	17.4	17.2	17.1
Asset turnover (Revenue/Avg TA)	35.3	35.1	33.7	34.7	35.2
Leverage (Avg TA/Avg equities)	230.8	233.1	234.2	233.0	230.5
Adjusted ROAE	9.6	9.2	7.0	7.4	7.5

**BUY**

TP: INR 675.00

▲ 28.3%

**CESC**

CESC IN



Company Update

INDIA  
UTILITIES**Income Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>55,099</b>	<b>61,888</b>	<b>65,470</b>	<b>70,460</b>	<b>74,669</b>
EBITDA	14,325	15,489	15,047	15,986	16,816
EBIT	10,939	12,058	11,378	12,152	12,805
Net interest income/(expenses)	(3,687)	(4,079)	(4,986)	(5,048)	(5,134)
Other income/(expenses)	997	848	900	1,050	1,100
Exceptional items	0	0	0	0	0
EBT	8,249	8,827	7,291	8,153	8,771
Income taxes	(1,730)	(1,850)	(1,531)	(1,712)	(1,842)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>6,519</b>	<b>6,977</b>	<b>5,760</b>	<b>6,441</b>	<b>6,929</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>6,519</b>	<b>6,977</b>	<b>5,760</b>	<b>6,441</b>	<b>6,929</b>

**Balance Sheet**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	0	0	0	0	0
Other current liabilities	11,344	10,314	13,453	14,478	15,343
Provisions	3,211	3,558	3,587	3,861	4,091
Debt funds	57,786	71,831	72,712	73,593	75,174
Other liabilities	20,569	22,677	24,277	25,877	27,477
Equity capital	1,256	1,332	1,332	1,332	1,332
Reserves & surplus	69,130	79,467	83,542	88,099	93,002
Shareholders' fund	70,386	80,799	84,874	89,432	94,334
<b>Total liabilities and equities</b>	<b>163,294</b>	<b>189,179</b>	<b>198,903</b>	<b>207,240</b>	<b>216,419</b>
Cash and cash eq.	7,814	7,377	6,653	5,329	8,834
Accounts receivables	11,848	13,817	14,350	15,443	16,366
Inventories	3,456	4,055	4,305	4,633	4,910
Other current assets	6,635	14,699	16,534	17,108	17,592
Investments	43,248	54,276	58,776	63,276	63,276
Net fixed assets	86,189	92,338	95,669	98,834	102,824
CWIP	4,105	2,617	2,617	2,617	2,617
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>163,295</b>	<b>189,179</b>	<b>198,903</b>	<b>207,240</b>	<b>216,419</b>

**Cash Flow Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	9,905	10,408	9,430	10,275	10,939
Interest expenses	0	0	0	0	0
Non-cash adjustments	0	0	0	0	0
Changes in working capital	2,753	(11,314)	550	(697)	(588)
Other operating cash flows	367	376	600	600	600
<b>Cash flow from operations</b>	<b>13,024</b>	<b>(530)</b>	<b>10,580</b>	<b>10,178</b>	<b>10,951</b>
Capital expenditures	(8,698)	(8,748)	(7,000)	(7,000)	(8,000)
Change in investments	(10,635)	(11,028)	(4,500)	(4,500)	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(19,333)</b>	<b>(19,776)</b>	<b>(11,500)</b>	<b>(11,500)</b>	<b>(8,000)</b>
Equities issued	0	4,908	0	0	0
Debt raised/repaid	6,746	16,397	1,881	1,881	2,581
Interest expenses	0	0	0	0	0
Dividends paid	(1,188)	(1,436)	(1,685)	(1,884)	(2,027)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>5,558</b>	<b>19,869</b>	<b>196</b>	<b>(3)</b>	<b>554</b>
<b>Changes in cash and cash eq</b>	<b>(750)</b>	<b>(436)</b>	<b>(724)</b>	<b>(1,325)</b>	<b>3,506</b>
<b>Closing cash and cash eq</b>	<b>7,814</b>	<b>7,378</b>	<b>6,653</b>	<b>5,329</b>	<b>8,834</b>



**BUY**

TP: INR 900.00  
▲ 48.9%

## Cholamandalam Investment and Finance

CIFC IN

### Structural growth ahead

**CIFC is our top mid-cap NBFC pick and offers over 48% upside at our Mar'17 TP of Rs 900. We expect higher NIMs and rising operating efficiency to support ~100bps expansion in ROA to 3% over the next five years. CIFC's loan growth would also remain ahead of peers led by expansion across geographies and products. The stock is trading at 2.2x/1.9x FY17E/FY18E P/B and we expect a re-rating given the structural improvement in profitability ahead.**

- ➔ **Five-year journey towards 3% ROA:** We expect CIFC's ROA to improve from 1.8% in FY14 to 2.5% by FY17 and ~3% by FY19 led by better margins and stronger operating ratios. Also, a shift in funding mix towards fixed-rate products over the next 2-3 years and higher capital adequacy would lower the cost of funds and reduce margin volatility.
- ➔ **CV/auto cycle recovery augurs well for growth:** We expect CIFC to continue posting stronger loan growth than peers (at ~20% CAGR over FY15-FY18) given the ongoing revival in the CV/auto cycle, its pan-India presence (~530 branches in FY15 from 170 in FY10), and market share gains in new products (tractors, used vehicles). Recent capital infusion via a US\$ 83mn CCPS issue should ensure adequate capital for growth.
- ➔ **Strong promoter profile:** CIFC is a part of the Murugappa group, a leading business conglomerate founded in 1900. The promoter has stood by the company during difficult times, with a buyback of DBS' 37.5% stake in CIFC for Rs 3.8bn in FY10 when profitability hit a record low and staunch support during top management churn.
- ➔ **BUY, TP Rs 900:** We think current valuations (1.9x FY18E P/B) are cheap and earnings growth (25%+ CAGR over FY15-FY18E) should support a re-rating. We have valued the stock at 2.8x FY18E P/B. BUY.

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Net interest income (INR mln)	14,605	17,039	19,508	22,792	26,612
Net revenues (INR mln)	14,918	17,308	19,802	23,122	26,988
Pre-provision profits (INR mln)	8,335	9,819	11,970	14,687	18,059
Adj. PAT (INR mln)	3,640	4,351	5,338	6,898	8,806
Adj. EPS (INR)	25.4	30.3	34.2	44.2	56.4
ROE (%)	17.1	17.5	16.9	17.5	19.0
ROA (%)	1.8	1.9	2.1	2.5	2.8
Gross NPA (%)	1.9	2.5	2.5	2.3	2.2
CAR (%)	0.7	1.4	1.0	0.8	0.8
P/BV (x)	3.8	3.2	2.6	2.2	1.9
P/E (x)	23.8	20.0	17.7	13.7	10.7

Source: Company, Bloomberg, RCML Research

21 September 2015



#### REPORT AUTHORS

Parag Jariwala

+91 22 6766 3442

parag.jariwala@religare.com

Vikesh Mehta

+91 22 6766 3474

vikesh.mehta@religare.com

PRICE CLOSE (18 Sep 15)

INR 604.25

MARKET CAP

INR 86.9 bln

USD 1.3 bln

SHARES O/S

143.7 mln

FREE FLOAT

42.3%

3M AVG DAILY VOLUME/VALUE

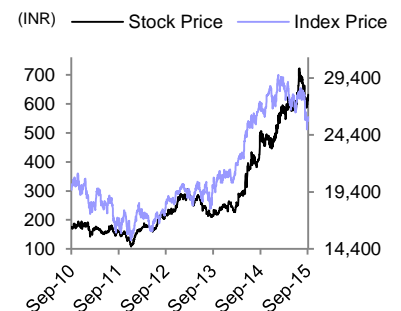
0.1 mln / USD 0.6 mln

52 WK HIGH

INR 744.00

52 WK LOW

INR 432.60





## Disbursements

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Disbursements	1,31,142	1,28,076	1,44,726	1,67,882	1,98,101
Growth (%)	8.2	(2.3)	13.0	16.0	18.0
AUM/Sanctions	2,32,530	2,54,525	2,83,442	3,20,941	3,71,409
Growth (%)	22.4	9.5	11.4	13.2	15.7

## Per Share Data

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	25.4	30.3	34.2	44.2	56.4
Adjusted EPS	25.4	30.3	34.2	44.2	56.4
DPS	4.1	4.2	4.8	5.1	5.1
Book value	160.2	186.0	232.8	271.9	323.2
Adjusted book value	150.7	164.4	218.1	258.7	308.0

## Valuation Ratios

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
P/E	23.8	20.0	17.7	13.7	10.7
P/BV	3.8	3.2	2.6	2.2	1.9
P/ABV	4.0	3.7	2.8	2.3	2.0

## Financial Ratios

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Spread Analysis</b>					
Interest spreads	7.1	7.1	7.4	8.2	8.3
Yield on advances	17.9	17.5	17.7	18.4	18.4
Yield on assets	15.3	15.0	14.9	14.9	14.8
Cost of funds	10.6	10.4	10.2	10.1	10.0
NIMs	8.0	8.1	8.6	9.3	9.5
<b>Operating Ratios</b>					
Operating cost to income	44.1	43.3	39.5	36.5	33.1
Operating expenses / Avg assets	3.3	3.3	3.1	3.1	2.9
<b>Asset Quality and Capital</b>					
Gross NPA	1.9	2.5	2.5	2.3	2.2
Net NPA	0.7	1.4	1.0	0.8	0.8
CAR	63.4	42.5	58.7	63.9	63.9
<b>Growth Ratios</b>					
Net interest income	31.9	16.7	14.5	16.8	16.8
Non-interest income	(16.3)	(13.8)	9.4	12.0	14.2
Pre-provisioning profit	44.9	17.8	21.9	22.7	23.0
Net profit	18.7	19.5	22.7	29.2	27.7
Assets	18.5	10.8	9.6	11.4	14.9
Advances	17.5	14.9	3.1	11.6	15.7
Book value	16.7	16.1	25.2	16.8	18.9
EPS	18.7	19.1	13.0	29.2	27.7

## DuPont Analysis

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Net interest income / Assets	7.4	7.5	7.8	8.2	8.5
Non-interest income / Assets	0.2	0.1	0.1	0.1	0.1
Operating expenses / Assets	3.3	3.3	3.1	3.1	2.9
Provisions / Assets	1.4	1.4	1.6	1.5	1.5
Taxes / Assets	0.9	1.0	1.1	1.3	1.4
ROA	1.8	1.9	2.1	2.5	2.8
Equity / Assets	11.6	14.0	16.5	17.2	17.7
ROAE	17.1	17.5	16.9	17.5	19.0

**BUY**

TP: INR 900.00

▲ 48.9%

**Cholamandalam  
Investment and Finance**

CIFC IN



Company Update

INDIA

NBFC

**Income Statement**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Interest income	32,316	36,643	40,079	44,875	51,234
Interest expense	(17,711)	(19,604)	(20,571)	(22,083)	(24,622)
Net interest income	14,605	17,039	19,508	22,792	26,612
Non-interest income	312	269	294	329	376
Net revenue	14,918	17,308	19,802	23,122	26,988
Operating expenses	(6,582)	(7,489)	(7,832)	(8,434)	(8,929)
Pre-provisioning profits	8,335	9,819	11,970	14,687	18,059
Provisions & contingencies	(2,833)	(3,247)	(3,883)	(4,236)	(4,717)
PBT	5,502	6,572	8,087	10,451	13,342
Extraordinaries	0	0	0	0	0
Income tax	(1,862)	(2,221)	(2,750)	(3,553)	(4,536)
Reported PAT	3,640	4,351	5,338	6,898	8,806
<b>Adj. net profit</b>	<b>3,640</b>	<b>4,351</b>	<b>5,338</b>	<b>6,898</b>	<b>8,806</b>

**Balance Sheet**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Advances	1,95,141	2,22,659	2,30,505	2,57,791	2,98,329
Investments	824	675	751	851	985
Current assets	11,355	6,828	20,788	21,926	22,955
Net block (inc CWIP)	729	683	761	862	997
Goodwill	0	0	0	0	0
Other assets	7,418	7,887	8,783	9,945	11,509
<b>Total Assets</b>	<b>2,15,468</b>	<b>2,38,732</b>	<b>2,61,588</b>	<b>2,91,375</b>	<b>3,34,774</b>
Share capital	1,433	1,437	1,560	1,560	1,560
Options/warrants/others	0	5,000	5,000	5,000	5,000
Reserves & surplus	21,515	25,296	34,761	40,862	48,872
Net worth	22,947	31,733	41,321	47,423	55,432
Total borrowings	1,81,258	1,95,178	2,07,103	2,29,047	2,62,093
Current liabilities	92,760	78,892	1,04,643	1,13,692	1,30,234
Provisions	3,515	3,858	4,296	4,865	5,630
Deferred tax liabilities	0	0	0	0	0
Other liabilities	7,748	7,962	8,867	10,040	11,619
<b>Total Equity &amp; Liabilities</b>	<b>2,15,468</b>	<b>2,38,732</b>	<b>2,61,588</b>	<b>2,91,375</b>	<b>3,34,774</b>

21 September 2015

**BUY**

TP: INR 595.00

▲ 19.3%

# Gulf Oil Lubricants

GOLI IN

## Re-rating to continue; reiterate BUY

**GOLIL has delivered 150% returns since we initiated coverage in Apr'14. Initially a story of value-unlocking, GOLIL has now transformed into a tale of margin expansion and volume growth. The stock is trading at 19x FY18E earnings, a significant discount to market leader Castrol (28x CY17E). We expect a further re-rating on the back of growing market share coupled with margin expansion led by softer raw material prices and stronger brand traction. Maintain BUY with a Mar'17 TP of Rs 595 set at 22x FY18E earnings.**

- ➔ **Lower raw material cost to support margins:** Base oil prices have corrected by ~30% YoY, in sync with the decline in crude oil prices. This is yet to reflect in GOLIL's EBITDA margin as high priced inventory and sluggish sales in FY15 have weighed on margins thus far. Despite a pass-along of RM cost savings to consumers, we expect GOLIL to post margin gains as sale volumes pick up on the back of inventory restocking.
- ➔ **Brand initiative and additional capacity to be margin accretive:** *Gulf Oil* is already recognised as among the top 3 brands in most lubricant segments. As brand monetisation progresses (aiding market share gains), promotional discounts should moderate, in turn aiding margins. In addition, commissioning of the 50ktpa production facility at Chennai by FY16-end could save upto Rs 4/ltr in transportation cost as a large part of sales originate in South India, potentially improving margins by 200-250bps.
- ➔ **Growing market share:** GOLIL's topline has grown at 8% p.a. (FY10-FY14), faster than industry growth of 3%. We expect the company to deliver 2-3 times the industry growth rate over FY16-FY18, buoying market share (currently ~7% in 'Bazaar' trade).
- ➔ **Reiterate BUY, TP Rs 595:** We expect EBITDA margins to expand to 16-18% over FY16-FY18 from 13-14% now, and reiterate BUY with a DCF-based Mar'17 TP of Rs 595. Our TP implies a target P/E multiple of ~22x FY18E, 21% discount to market leader Castrol (28x CY17E).

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	8,815	9,675	9,958	10,938	12,011
EBITDA (INR mln)	1,071	1,294	1,607	1,875	2,176
Adjusted net profit (INR mln)	671	774	978	1,139	1,335
Adjusted EPS (INR)	13.6	15.6	19.7	23.0	27.0
Adjusted EPS growth (%)	(6.3)	15.3	26.3	16.5	17.3
DPS (INR)	5.0	5.5	6.9	8.0	9.4
ROIC (%)	28.7	34.6	40.1	37.8	38.9
Adjusted ROAE (%)	43.5	46.8	45.3	41.1	38.2
Adjusted P/E (x)	36.8	31.9	25.3	21.7	18.5
EV/EBITDA (x)	23.9	19.9	15.6	13.4	11.5
P/BV (x)	17.2	13.2	10.1	8.0	6.4

Source: Company, Bloomberg, RCML Research



### REPORT AUTHORS

Nitin Tiwari

+91 22 6766 3437

nitin.tiwari@religare.com

PRICE CLOSE (18 Sep 15)

INR 498.90

MARKET CAP

INR 24.7 bln

USD 376.6 mln

SHARES O/S

49.6 mln

FREE FLOAT

35.7%

3M AVG DAILY VOLUME/VALUE

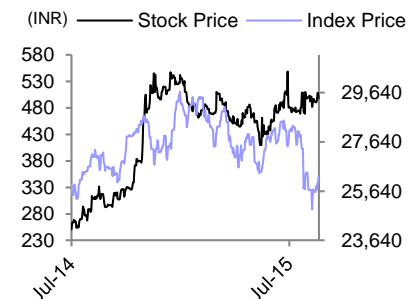
0.0 mln / USD 0.2 mln

52 WK HIGH

INR 565.50

52 WK LOW

INR 284.50





## Valuation

### Earnings CAGR of ~21%, dividend payout in 30-40% range

We expect GOLIL to clock an earnings CAGR of ~20% over FY15-FY18 on the back of (a) a sales volume CAGR of 7-8%, (b) sustained EBITDA margins in the range of 16-18%, and (c) a focus on strengthening its brand and distribution network. Robust earnings growth should support a handsome dividend payout of 30-40% (of PAT) and also help generate FCF in the range of Rs 500mn-1,200mn over FY16-FY18E.

Pick-up in volumes, likely improvement in margins and brand focus to support earnings

### We value GOLIL at Rs 595/sh on DCF basis – BUY

Our DCF valuation gives us a Mar'17 TP of Rs 595 for GOLIL (WACC: 12%), implying target multiples of 22x FY18E and 26x FY17E earnings – a 21% discount to market leader Castrol. We expect growing market share and margin expansion to drive a re-rating of trading multiples for GOLIL, narrowing the ~33% valuation gap to Castrol.

We value the stock at 21% discount to market leader Castrol

Fig 1 - Valuation summary

	(Rs mn)
Sum of Projected C/F	11,787
Terminal Value	17,947
<b>Total EV</b>	<b>29,734</b>
Net Debt (FY 17)	311
Equity Value	29,423
<b>Value (Rs/sh): Mar'17</b>	<b>595</b>
<b>Assumptions for Valuation (%)</b>	
Terminal Growth Rate (%)	3
Tax Rate (%)	34
WACC (%)	12
Cost of Debt (%)	9
Cost of Equity (%)	14
Beta (GULF)	0.9
Risk Free rate	7.5
MRP	7.5
Long-term Capital Structure Assumed (%)	
Debt	25
Equity	75

Source: RCML Research



## Per Share Data

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	13.6	15.6	19.7	23.0	27.0
Adjusted EPS	13.6	15.6	19.7	23.0	27.0
DPS	5.0	5.5	6.9	8.0	9.4
BVPS	29.0	37.8	49.3	62.7	78.4

## Valuation Ratios

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	2.9	2.7	2.5	2.3	2.1
EV/EBITDA	23.9	19.9	15.6	13.4	11.5
Adjusted P/E	36.8	31.9	25.3	21.7	18.5
P/BV	17.2	13.2	10.1	8.0	6.4

## Financial Ratios

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	12.1	13.4	16.1	17.1	18.1
EBIT margin	11.8	12.9	15.6	16.5	17.3
Adjusted profit margin	7.6	8.0	9.8	10.4	11.1
Adjusted ROAE	43.5	46.8	45.3	41.1	38.2
ROCE	19.4	23.2	23.0	22.4	22.0
<b>YoY Growth (%)</b>					
Revenue	4.5	9.8	2.9	9.8	9.8
EBITDA	(10.4)	20.8	24.2	16.7	16.0
Adjusted EPS	(6.3)	15.3	26.3	16.5	17.3
Invested capital	11.3	(9.7)	24.9	21.1	5.0
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	46	46	41	39	39
Inventory (days)	93	89	91	85	85
Payables (days)	34	39	39	35	48
Current ratio (x)	1.2	1.2	1.4	1.5	1.6
Quick ratio (x)	0.2	0.5	0.6	0.7	0.8
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	13.0	9.0	7.4	5.8	4.9
Total asset turnover	1.9	1.9	1.7	1.6	1.5
Net interest coverage ratio	47.5	14.6	21.5	24.1	37.6
Adjusted debt/equity	0.8	0.2	0.2	0.1	(0.1)

## DuPont Analysis

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	65.7	66.7	66.0	66.0	66.0
Interest burden (PBT/EBIT)	97.9	93.2	95.3	95.9	97.3
EBIT margin (EBIT/Revenue)	11.8	12.9	15.6	16.5	17.3
Asset turnover (Revenue/Avg TA)	189.3	193.9	166.7	161.0	154.1
Leverage (Avg TA/Avg equities)	301.8	301.7	277.0	245.0	223.0
Adjusted ROAE	43.5	46.8	45.3	41.1	38.2





## Income Statement

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>8,815</b>	<b>9,675</b>	<b>9,958</b>	<b>10,938</b>	<b>12,011</b>
EBITDA	1,071	1,294	1,607	1,875	2,176
EBIT	1,044	1,246	1,554	1,800	2,079
Net interest income/(expenses)	(22)	(85)	(72)	(75)	(55)
Other income/(expenses)	0	0	0	0	0
Exceptional items	0	0	0	0	0
EBT	1,022	1,160	1,481	1,725	2,023
Income taxes	(350)	(386)	(504)	(587)	(688)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>671</b>	<b>774</b>	<b>978</b>	<b>1,139</b>	<b>1,335</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>671</b>	<b>774</b>	<b>978</b>	<b>1,139</b>	<b>1,335</b>

## Balance Sheet

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	838	968	836	904	978
Other current liabilities	391	345	355	365	376
Provisions	0	253	240	228	217
Debt funds	1,668	2,183	2,404	2,659	2,821
Other liabilities	0	26	26	26	26
Equity capital	99	99	99	99	99
Reserves & surplus	1,337	1,772	2,342	3,007	3,786
Shareholders' fund	1,436	1,871	2,441	3,106	3,885
<b>Total liabilities and equities</b>	<b>4,333</b>	<b>5,645</b>	<b>6,302</b>	<b>7,288</b>	<b>8,304</b>
Cash and cash eq.	583	1,804	2,029	2,348	3,120
Accounts receivables	1,273	1,141	1,104	1,212	1,332
Inventories	1,463	1,416	1,323	1,432	1,549
Other current assets	196	273	260	265	270
Investments	0	0	0	0	0
Net fixed assets	578	984	1,025	1,950	1,952
CWIP	241	26	561	81	81
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>4,333</b>	<b>5,645</b>	<b>6,302</b>	<b>7,288</b>	<b>8,304</b>

## Cash Flow Statement

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	699	822	1,031	1,214	1,433
Interest expenses	216	178	206	228	247
Non-cash adjustments	0	0	0	0	0
Changes in working capital	19	438	9	(155)	(168)
Other operating cash flows	0	26	0	0	0
<b>Cash flow from operations</b>	<b>933</b>	<b>1,463</b>	<b>1,246</b>	<b>1,287</b>	<b>1,512</b>
Capital expenditures	(302)	(240)	(628)	(521)	(100)
Change in investments	291	0	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(11)</b>	<b>(240)</b>	<b>(628)</b>	<b>(521)</b>	<b>(100)</b>
Equities issued	0	0	0	0	0
Debt raised/repaid	(640)	515	221	255	163
Interest expenses	(216)	(178)	(206)	(228)	(247)
Dividends paid	(290)	(325)	(407)	(474)	(556)
Other financing cash flows	(594)	(15)	0	0	0
<b>Cash flow from financing</b>	<b>(1,740)</b>	<b>(2)</b>	<b>(393)</b>	<b>(447)</b>	<b>(640)</b>
<b>Changes in cash and cash eq</b>	<b>(818)</b>	<b>1,221</b>	<b>225</b>	<b>319</b>	<b>771</b>
<b>Closing cash and cash eq</b>	<b>583</b>	<b>1,804</b>	<b>2,029</b>	<b>2,348</b>	<b>3,120</b>

**BUY**

TP: INR 100.00

▲ 50.6%

**NCC**

NJCC IN

## Deleveraging to aid profitability

**We like NJCC for the scale of its core EPC business and its deleveraging focus – positives which would lead to cash-flow and ROCE-accretion over the long term. Initial triggers could be in the form of loan recovery from subsidiaries and order book expansion (8% CAGR over FY15-FY18E). Also, a progressively lighter balance sheet would lower interest costs, shoring up PAT to Rs 2.6bn in FY18 (33% CAGR). We reiterate BUY on the stock with a Mar'17 TP of Rs 100.**

- ➔ **Scale in EPC business:** NJCC is India's leading EPC contractor with a presence across the building, roads, water and electrical segments. The company has an order book of Rs 193bn, spread across 200 projects. Apart from L&T, NJCC is one of the few listed players in the sector to successfully demonstrate and sustain such scale, which highlights its superior project management capabilities.
- ➔ **Order inflows to increase by >10% in FY16:** While FY16 sales are likely to decline to Rs 72.5bn (-13% YoY) due to faster execution of an in-house power project in FY15, we expect order inflows of Rs 80bn in FY16 led by the building and road segments. We model for consol. order book expansion from Rs 193bn in FY15 to Rs 219bn in FY17.
- ➔ **Deleveraging to aid cash flows, profits:** NJCC is deleveraging its balance sheet by (1) divesting its stake in BOT road projects (51%/26% in Western UP Tollways/ Bangalore Elevated Tollways), (2) lowering loan exposure to NCC Urban Infra, and (3) selling non-core assets. Working capital intensity could ease in FY16/FY17 due to a temporary dip in sales. This along with deleveraging measures would lead to cash inflows of Rs 7.5bn over FY15-FY18E. Also, a progressively lighter balance sheet would bring down interest costs, supporting a PAT CAGR of 33% over FY15-FY18.
- ➔ **View:** We value NJCC at an SOTP-based Mar'17 TP of Rs 100, ascribing 8x FY18E EV/EBITDA or Rs 70/sh to the standalone business and book value or Rs 30/sh to subsidiaries. BUY.

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	61,173	82,969	72,461	75,288	89,707
EBITDA (INR mln)	4,049	6,493	5,797	6,400	8,074
Adjusted net profit (INR mln)	405	1,118	983	1,471	2,638
Adjusted EPS (INR)	1.6	2.0	1.8	2.6	4.7
Adjusted EPS growth (%)	(35.3)	27.4	(12.0)	49.6	79.4
DPS (INR)	0.2	0.4	0.4	0.4	0.4
ROIC (%)	9.0	9.9	8.4	10.1	13.2
Adjusted ROAE (%)	1.6	3.9	3.0	4.4	7.5
Adjusted P/E (x)	42.1	33.0	37.5	25.1	14.0
EV/EBITDA (x)	14.0	9.1	9.5	7.8	5.9
P/BV (x)	0.7	1.2	1.1	1.1	1.0

Source: Company, Bloomberg, RCML Research

21 September 2015



### REPORT AUTHORS

Misal Singh

+91 22 6766 3466

misal.singh@religare.com

Prashant Tiwari

+91 22 6766 3485

prashant.tiwari@religare.com

PRICE CLOSE (18 Sep 15)

INR 66.40

MARKET CAP

INR 36.9 bln

USD 562.1 mln

SHARES O/S

555.9 mln

FREE FLOAT

79.0%

3M AVG DAILY VOLUME/VALUE

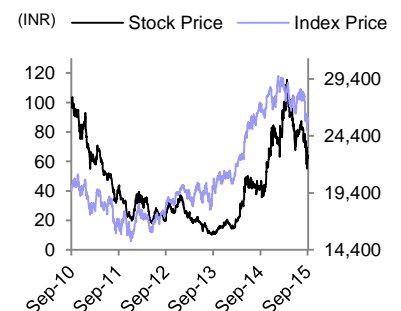
4.2 mln / USD 4.9 mln

52 WK HIGH

INR 118.20

52 WK LOW

INR 34.00



**BUY**

TP: INR 100.00

▲ 50.6%

**NCC**

NJCC IN

**Company Update****INDIA**CONSTRUCTION  
INFRASTRUCTURE**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	1.6	2.0	1.8	2.6	4.7
Adjusted EPS	1.6	2.0	1.8	2.6	4.7
DPS	0.2	0.4	0.4	0.4	0.4
BVPS	98.2	57.6	58.9	61.1	65.4

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	0.9	0.7	0.8	0.7	0.5
EV/EBITDA	14.0	9.1	9.5	7.8	5.9
Adjusted P/E	42.1	33.0	37.5	25.1	14.0
P/BV	0.7	1.2	1.1	1.1	1.0

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	6.6	7.8	8.0	8.5	9.0
EBIT margin	5.2	6.5	6.4	6.9	7.6
Adjusted profit margin	0.7	1.3	1.4	2.0	2.9
Adjusted ROAE	1.6	3.9	3.0	4.4	7.5
ROCE	6.7	7.6	6.3	7.2	9.5
<b>YoY Growth (%)</b>					
Revenue	6.9	35.6	(12.7)	3.9	19.2
EBITDA	(14.0)	60.4	(10.7)	10.4	26.2
Adjusted EPS	(35.3)	27.4	(12.0)	49.6	79.4
Invested capital	12.3	7.1	(8.9)	(4.4)	7.3
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	74	59	71	77	73
Inventory (days)	105	87	107	94	75
Payables (days)	94	79	100	98	85
Current ratio (x)	1.1	1.3	1.3	1.3	1.4
Quick ratio (x)	0.0	0.0	0.1	0.1	0.0
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	5.4	7.1	6.0	6.0	6.9
Total asset turnover	0.7	0.9	0.8	0.8	0.9
Net interest coverage ratio	0.7	0.9	0.9	1.1	1.5
Adjusted debt/equity	0.9	0.6	0.4	0.3	0.3

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	1401.9	70.3	68.3	68.3	68.3
Interest burden (PBT/EBIT)	0.9	29.6	31.0	41.4	56.3
EBIT margin (EBIT/Revenue)	5.2	6.5	6.4	6.9	7.6
Asset turnover (Revenue/Avg TA)	70.9	89.4	75.9	79.2	93.4
Leverage (Avg TA/Avg equities)	345.9	324.2	294.7	284.9	273.1
Adjusted ROAE	1.6	3.9	3.0	4.4	7.5

**BUY**

TP: INR 100.00

▲ 50.6%

**NCC**

NJCC IN

**Company Update****INDIA****CONSTRUCTION  
INFRASTRUCTURE****Income Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>61,173</b>	<b>82,969</b>	<b>72,461</b>	<b>75,288</b>	<b>89,707</b>
EBITDA	4,049	6,493	5,797	6,400	8,074
EBIT	3,153	5,375	4,640	5,205	6,860
Net interest income/(expenses)	(4,660)	(5,736)	(4,927)	(4,672)	(4,669)
Other income/(expenses)	1,535	1,951	1,726	1,620	1,671
Exceptional items	0	0	0	0	0
EBT	29	1,590	1,440	2,153	3,862
Income taxes	376	(472)	(456)	(683)	(1,224)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>405</b>	<b>1,118</b>	<b>983</b>	<b>1,471</b>	<b>2,638</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>405</b>	<b>1,118</b>	<b>983</b>	<b>1,471</b>	<b>2,638</b>

**Balance Sheet**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	15,390	17,656	18,916	17,914	19,892
Other current liabilities	26,542	24,153	25,878	24,506	27,212
Provisions	126	339	339	339	339
Debt funds	23,059	19,252	17,252	15,252	13,252
Other liabilities	954	888	1,513	1,513	1,513
Equity capital	513	1,112	1,112	1,112	1,112
Reserves & surplus	24,690	30,932	31,656	32,866	35,244
Shareholders' fund	25,203	32,044	32,767	33,978	36,355
<b>Total liabilities and equities</b>	<b>91,275</b>	<b>94,332</b>	<b>96,665</b>	<b>93,502</b>	<b>98,564</b>
Cash and cash eq.	688	1,127	4,008	4,805	2,684
Accounts receivables	13,410	13,632	14,700	17,009	18,995
Inventories	15,988	18,031	18,351	14,838	16,441
Other current assets	38,774	40,697	39,723	37,760	42,167
Investments	11,643	11,568	11,568	11,568	11,568
Net fixed assets	6,867	6,198	5,442	4,647	3,834
CWIP	104	203	0	0	0
Intangible assets	50	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	3,752	2,875	2,875	2,875	2,875
<b>Total assets</b>	<b>91,275</b>	<b>94,332</b>	<b>96,665</b>	<b>93,502</b>	<b>98,564</b>

**Cash Flow Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	1,300	2,236	2,140	2,665	3,851
Interest expenses	4,660	5,736	4,927	4,672	4,669
Non-cash adjustments	4	0	0	0	0
Changes in working capital	(916)	(3,307)	2,573	792	(3,312)
Other operating cash flows	(1,349)	(1,951)	(1,726)	(1,620)	(1,671)
<b>Cash flow from operations</b>	<b>3,699</b>	<b>2,715</b>	<b>7,913</b>	<b>6,509</b>	<b>3,537</b>
Capital expenditures	(762)	(400)	(400)	(400)	(400)
Change in investments	(750)	1,241	0	0	0
Other investing cash flows	(220)	1,662	1,726	1,620	1,671
<b>Cash flow from investing</b>	<b>(1,731)</b>	<b>2,503</b>	<b>1,326</b>	<b>1,220</b>	<b>1,271</b>
Equities issued	0	5,987	0	0	0
Debt raised/repaid	2,496	(3,904)	(2,000)	(2,000)	(2,000)
Interest expenses	(4,574)	(5,736)	(4,927)	(4,672)	(4,669)
Dividends paid	(90)	(60)	(260)	(260)	(260)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(2,167)</b>	<b>(3,713)</b>	<b>(7,187)</b>	<b>(6,932)</b>	<b>(6,929)</b>
<b>Changes in cash and cash eq</b>	<b>(200)</b>	<b>1,505</b>	<b>2,052</b>	<b>797</b>	<b>(2,121)</b>
<b>Closing cash and cash eq</b>	<b>600</b>	<b>2,192</b>	<b>3,179</b>	<b>4,805</b>	<b>2,684</b>

21 September 2015

**BUY**

TP: INR 3,005.00

▲ 33.1%

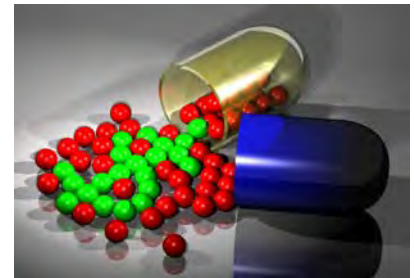
# Natco Pharma

NTCPH IN

## More than a Copaxone story

**Natco is a dual play on its leadership position in the domestic oncology market and a robust US product pipeline, backed by strong R&D capabilities. While the stock has re-rated on the likely launch of generic Copaxone, we note that the remaining pipeline is equally robust though underappreciated. Unlike the street, we think the company can sustain its growth momentum over the next 2-3 years and further gain from the Sovaldi franchise. BUY with a Mar'17 TP of Rs 3,005.**

- ➔ **Robust US pipeline to drive growth:** Natco's US pipeline is a mix of blockbuster drugs (*Copaxone 20mg/40mg, Revlimid*) and limited competition products (*Tamiflu, Tracleer, Nexavar, Doxil, Vidaza*). As the pipeline unfolds over the next few years, we expect significant value unlocking from FY16 onwards.
- ➔ **Sovaldi launch to materially influence earnings growth:** The launch of Hepatitis-C drug *Sovaldi* can significantly shore up earnings given the huge pool of 100mn patients in 91 licenced countries. So far, Natco has launched the drug in India and Nepal (~15mn patients) and we expect the company to garner ~Rs 1bn/Rs 1.5bn in FY16/FY17 sales. ROW market launch (not factored in) would lead to further earnings upsides.
- ➔ **Expect 25% EPS CAGR over FY15-FY18 in base business:** Led by a steady domestic oncology business (~30% market share, 18% CAGR), a ramp-up in exports and the *Sovaldi* launch/ramp-up in additional emerging markets, we expect Natco's base business to record a 25% EPS CAGR over FY15-FY18. Monetisation of the US pipeline would further aid base business revenues.
- ➔ **Mar'17 TP of Rs 3,005; BUY:** We recommend BUY on the stock with a Mar'17 TP of Rs 3,005, valuing the base business at Rs 2,568 (18x FY18E EPS) and the para IV pipeline at a one-time NPV of Rs 437 (see next page).



### REPORT AUTHORS

Praful Bohra

+91 22 6766 3463

praful.bohra@religare.com

PRICE CLOSE (18 Sep 15)

INR 2,257.10

MARKET CAP

INR 75.0 bln

USD 1.1 bln

SHARES O/S

33.2 mln

FREE FLOAT

46.3%

3M AVG DAILY VOLUME/VALUE

0.1 mln / USD 3.0 mln

52 WK HIGH

INR 2,709.85

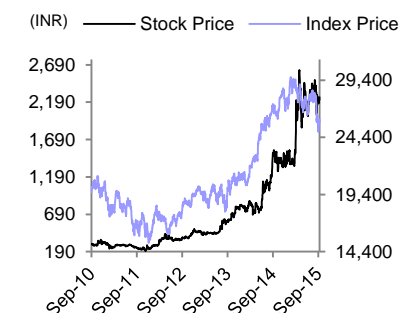
52 WK LOW

INR 1,240.25

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	7,389	8,302	10,532	12,399	14,605
EBITDA (INR mln)	1,794	2,117	2,633	3,100	3,651
Adjusted net profit (INR mln)	1,027	1,295	1,682	2,076	2,535
Adjusted EPS (INR)	31.1	38.9	50.5	62.4	76.2
Adjusted EPS growth (%)	171.2	25.3	29.9	23.4	22.1
DPS (INR)	0.5	0.6	0.8	0.8	0.8
ROIC (%)	12.4	13.7	15.5	16.8	18.4
Adjusted ROAE (%)	16.3	16.6	18.7	19.6	20.2
Adjusted P/E (x)	72.7	58.0	44.7	36.2	29.6
EV/EBITDA (x)	40.0	34.4	27.6	23.5	20.1
P/BV (x)	10.3	9.0	7.7	6.6	5.5

Source: Company, Bloomberg, RCML Research



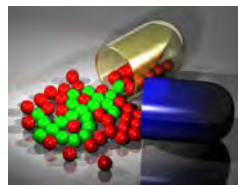
**BUY**

TP: INR 3,005.00

▲ 33.1%

**Natco Pharma**

NTCPH IN



Company Update

INDIA

PHARMACEUTICALS

**Fig 1 - Target price calculation**

(Recurring Earnings)	FY16E	FY17E	FY18E
Base Business	51	62	76
Copaxone - 20 mg	46	22	22
Tamiflu	-	3	2
Tykerb	-	-	1
Fosrenol	1	1	-
Gleevec	-	29	12
Entocort EC	-	15	9
Vidaza	-	-	11
Bosentan	15	27	10
Total	112	159	143
Multiple (x)	18	18	18
<b>Total (A)</b>	<b>2,021</b>	<b>2,860</b>	<b>2,568</b>
<b>Para IV (Non-recurring Earnings valued at 1x)</b>			
Treanda			1
Copaxone - 40 mg			34
Zortress			2
Nexavar			41
Revlimid (at 70% probability)			256
Gilenya			98
Javtana			5
<b>Total (B)</b>			<b>437</b>
<b>Target Price (A+B)</b>			<b>3,005</b>

Source: RCML Research, Company



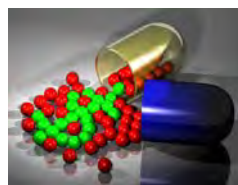
**BUY**

TP: INR 3,005.00

▲ 33.1%

**Natco Pharma**

NTCPH IN



Company Update

INDIA

PHARMACEUTICALS

**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	31.1	38.9	50.5	62.4	76.2
Adjusted EPS	31.1	38.9	50.5	62.4	76.2
DPS	0.5	0.6	0.8	0.8	0.8
BVPS	219.5	250.1	291.3	344.4	411.3

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	9.7	8.8	6.9	5.9	5.0
EV/EBITDA	40.0	34.4	27.6	23.5	20.1
Adjusted P/E	72.7	58.0	44.7	36.2	29.6
P/BV	10.3	9.0	7.7	6.6	5.5

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	24.3	25.5	25.0	25.0	25.0
EBIT margin	20.2	21.3	21.4	21.7	22.0
Adjusted profit margin	13.9	15.6	16.0	16.7	17.4
Adjusted ROAE	16.3	16.6	18.7	19.6	20.2
ROCE	12.2	13.4	15.0	16.1	17.1
<b>YoY Growth (%)</b>					
Revenue	14.0	12.4	26.9	17.7	17.8
EBITDA	30.1	18.0	24.4	17.7	17.8
Adjusted EPS	171.2	25.3	29.9	23.4	22.1
Invested capital	10.6	11.5	11.5	8.8	9.0
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	61	61	63	65	66
Inventory (days)	81	79	70	73	74
Payables (days)	70	70	67	70	70
Current ratio (x)	1.5	1.8	2.0	2.3	2.6
Quick ratio (x)	0.0	0.1	0.1	0.2	0.4
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	1.0	1.0	1.1	1.2	1.3
Total asset turnover	0.7	0.7	0.8	0.8	0.9
Net interest coverage ratio	7.5	9.3	14.2	30.0	155.9
Adjusted debt/equity	0.3	0.3	0.2	0.1	0.0

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	79.6	82.2	80.4	79.9	79.6
Interest burden (PBT/EBIT)	86.6	89.2	93.0	96.7	99.4
EBIT margin (EBIT/Revenue)	20.2	21.3	21.4	21.7	22.0
Asset turnover (Revenue/Avg TA)	67.5	69.1	78.9	82.6	86.3
Leverage (Avg TA/Avg equities)	173.8	154.3	148.2	141.9	134.6
Adjusted ROAE	16.3	16.6	18.7	19.6	20.2

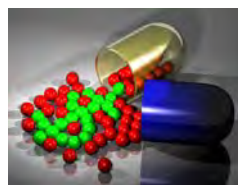
**BUY**

TP: INR 3,005.00

▲ 33.1%

**Natco Pharma**

NATCPH IN



Company Update

INDIA

PHARMACEUTICALS

**Income Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>7,389</b>	<b>8,302</b>	<b>10,532</b>	<b>12,399</b>	<b>14,605</b>
EBITDA	1,794	2,117	2,633	3,100	3,651
EBIT	1,489	1,766	2,251	2,686	3,207
Net interest income/(expenses)	(199)	(191)	(159)	(90)	(21)
Other income/(expenses)	0	0	0	0	0
Exceptional items	0	0	0	0	0
EBT	1,290	1,576	2,092	2,597	3,186
Income taxes	(309)	(331)	(460)	(571)	(701)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	46	50	50	50	50
<b>Reported net profit</b>	<b>1,027</b>	<b>1,295</b>	<b>1,682</b>	<b>2,076</b>	<b>2,535</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,027</b>	<b>1,295</b>	<b>1,682</b>	<b>2,076</b>	<b>2,535</b>

**Balance Sheet**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	1,098	1,282	1,638	1,928	2,271
Other current liabilities	558	83	83	83	83
Provisions	128	111	112	113	114
Debt funds	2,404	2,641	2,578	2,178	1,778
Other liabilities	10	10	10	10	10
Equity capital	331	331	331	331	331
Reserves & surplus	6,928	7,991	9,363	11,130	13,356
Shareholders' fund	7,259	8,321	9,694	11,460	13,686
<b>Total liabilities and equities</b>	<b>11,527</b>	<b>12,518</b>	<b>14,184</b>	<b>15,841</b>	<b>18,011</b>
Cash and cash eq.	110	304	385	703	1,364
Accounts receivables	1,188	1,582	2,034	2,412	2,860
Inventories	1,811	1,774	2,281	2,706	3,207
Other current assets	1,111	1,253	1,611	1,911	2,265
Investments	19	19	19	19	19
Net fixed assets	6,447	6,896	7,314	7,701	8,056
CWIP	1,238	1,088	938	788	638
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(431)	(431)	(431)	(431)	(431)
Other assets	32	32	32	32	32
<b>Total assets</b>	<b>11,527</b>	<b>12,518</b>	<b>14,184</b>	<b>15,841</b>	<b>18,011</b>

**Cash Flow Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	1,332	1,646	2,064	2,489	2,980
Interest expenses	199	191	159	90	21
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(115)	(807)	(961)	(812)	(959)
Other operating cash flows	25	0	0	0	0
<b>Cash flow from operations</b>	<b>1,440</b>	<b>1,030</b>	<b>1,262</b>	<b>1,767</b>	<b>2,041</b>
Capital expenditures	(1,122)	(650)	(650)	(650)	(650)
Change in investments	5	0	0	0	1
Other investing cash flows	28	100	125	150	175
<b>Cash flow from investing</b>	<b>(1,089)</b>	<b>(550)</b>	<b>(525)</b>	<b>(500)</b>	<b>(474)</b>
Equities issued	1,085	0	0	0	0
Debt raised/repaid	(973)	237	(63)	(400)	(400)
Interest expenses	(366)	(291)	(284)	(240)	(196)
Dividends paid	(193)	(232)	(309)	(309)	(309)
Other financing cash flows	94	0	0	0	0
<b>Cash flow from financing</b>	<b>(353)</b>	<b>(286)</b>	<b>(656)</b>	<b>(949)</b>	<b>(905)</b>
<b>Changes in cash and cash eq</b>	<b>(2)</b>	<b>194</b>	<b>81</b>	<b>318</b>	<b>662</b>
<b>Closing cash and cash eq</b>	<b>102</b>	<b>296</b>	<b>377</b>	<b>695</b>	<b>1,357</b>

**BUY**

TP: INR 230.00

▲ 44.2%

## Orient Cement

ORCMNT IN

### Well-timed expansion drive

**We reiterate BUY on ORCMNT with a Mar'17 TP of Rs 230 given (1) a likely boost to volumes post the expansion drive at Karnataka, (2) an expected demand recovery in the southern market led by infrastructure-led Govt. spending in the new Telangana state and (3) strong profitability, ahead of most mid-cap peers. We build in a 23% CAGR in cement volumes and 28%/34% CAGR in revenue/PAT over FY15-FY18. Despite the stock's run-up, we see 45% upside from current levels.**

- ➔ **Karnataka expansion on track:** With the demand cycle set to recover over H2FY16, ORCMNT's ongoing expansion of 3mtpa at Karnataka (on track to commence by H1FY16) would boost the company's volumes – particularly with the Andhra Pradesh government likely to lead fund allocation for infrastructure projects in the new Telangana region. With this expansion, ORCMNT's southern market exposure should increase to ~41% from ~30% now. At project debt funding of Rs 13bn-14bn (of Rs ~20bn project cost), we expect D/E to touch 0.8x by FY17.
- ➔ **High cost efficiency lends a key edge:** ORCMNT is amongst the most efficient cement mid-caps owing to (1) its lower lead distance to market (~300km) as strategic plant locations ensure coverage of the southern (30%), western (65%) and other markets (5%) – this also enables it to capitalise on the best pricing across regions, (2) proximity to limestone/coal mines, and (3) a PPC mix of 73-74%, above the industry average. With utilisation in the southern region expected to touch 68% in FY17 from 57% in FY14, the accompanying rise in pricing should boost EBITDA/t.
- ➔ **Reiterate BUY:** We expect a topline/EBITDA/PAT CAGR of 28%/40%/34% over FY15-FY18 led by higher volumes and margins, and set our Mar'17 TP of Rs 230 at 7x FY18E EV/EBITDA. We believe ORCMNT is well placed with its cost-efficient structure and well-timed capacity expansion drive that will coincide with a potential demand recovery in the southern market. BUY.

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	14,302	15,353	16,869	25,097	32,100
EBITDA (INR mln)	2,065	2,950	3,401	5,969	8,134
Adjusted net profit (INR mln)	1,010	1,948	1,553	3,056	4,713
Adjusted EPS (INR)	4.9	9.5	7.6	14.9	23.0
Adjusted EPS growth (%)	(37.5)	92.8	(20.3)	96.8	54.2
DPS (INR)	1.2	1.2	1.2	1.2	1.2
ROIC (%)	12.4	13.3	9.7	15.8	21.0
Adjusted ROAE (%)	12.7	21.6	15.0	24.9	29.8
Adjusted P/E (x)	32.3	16.8	21.0	10.7	6.9
EV/EBITDA (x)	15.7	11.9	12.7	7.5	5.4
P/BV (x)	3.9	3.3	3.0	2.4	1.8

Source: Company, Bloomberg, RCML Research

21 September 2015



### REPORT AUTHORS

Mihir Jhaveri

+91 22 6766 3459

mihir.jhaveri@religare.com

Siddharth Vora

+91 22 6766 3435

siddharth.vora@religare.com

PRICE CLOSE (18 Sep 15)

INR 159.45

MARKET CAP

INR 32.7 bln

USD 497.4 mln

SHARES O/S

204.9 mln

FREE FLOAT

62.5%

3M AVG DAILY VOLUME/VALUE

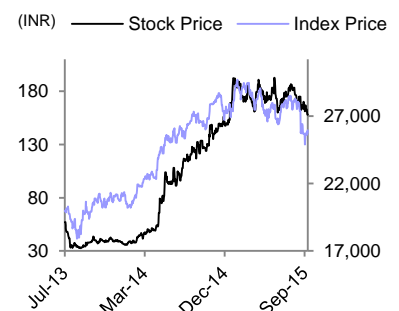
0.1 mln / USD 0.2 mln

52 WK HIGH

INR 200.00

52 WK LOW

INR 118.00



**BUY**

TP: INR 230.00

▲ 44.2%

**Orient Cement**

ORCMNT IN



Company Update

INDIA  
CEMENT**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	4.9	9.5	7.6	14.9	23.0
Adjusted EPS	4.9	9.5	7.6	14.9	23.0
DPS	1.2	1.2	1.2	1.2	1.2
BVPS	40.5	47.6	53.4	66.6	87.9

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	2.3	2.3	2.6	1.8	1.4
EV/EBITDA	15.7	11.9	12.7	7.5	5.4
Adjusted P/E	32.3	16.8	21.0	10.7	6.9
P/BV	3.9	3.3	3.0	2.4	1.8

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	14.4	19.2	20.2	23.8	25.3
EBIT margin	10.5	16.1	16.1	19.5	21.9
Adjusted profit margin	7.1	12.7	9.2	12.2	14.7
Adjusted ROAE	12.7	21.6	15.0	24.9	29.8
ROCE	10.1	11.9	9.6	15.7	20.2
<b>YoY Growth (%)</b>					
Revenue	(3.7)	7.4	9.9	48.8	27.9
EBITDA	(31.5)	42.9	15.3	75.5	36.3
Adjusted EPS	(37.5)	92.8	(20.3)	96.8	54.2
Invested capital	11.0	143.8	13.8	7.3	2.8
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	18	18	16	11	12
Inventory (days)	24	27	27	21	22
Payables (days)	25	28	31	30	31
Current ratio (x)	0.6	1.1	1.2	1.3	1.9
Quick ratio (x)	0.2	0.1	0.1	0.1	0.4
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	1.1	1.2	0.8	0.8	1.0
Total asset turnover	1.1	0.8	0.7	0.9	1.0
Net interest coverage ratio	10.4	17.5	3.1	4.4	7.4
Adjusted debt/equity	0.3	1.1	1.1	0.8	0.4

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	65.9	77.5	78.0	78.0	76.0
Interest burden (PBT/EBIT)	102.1	101.4	73.2	79.9	88.4
EBIT margin (EBIT/Revenue)	10.5	16.1	16.1	19.5	21.9
Asset turnover (Revenue/Avg TA)	111.6	79.2	65.4	88.6	104.1
Leverage (Avg TA/Avg equities)	161.7	214.8	249.2	230.4	194.9
Adjusted ROAE	12.7	21.6	15.0	24.9	29.8

**BUY**

TP: INR 230.00

▲ 44.2%

**Orient Cement**

ORCMNT IN



Company Update

INDIA  
CEMENT**Income Statement**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>14,302</b>	<b>15,353</b>	<b>16,869</b>	<b>25,097</b>	<b>32,100</b>
EBITDA	2,065	2,950	3,401	5,969	8,134
EBIT	1,501	2,477	2,719	4,903	7,016
Net interest income/(expenses)	(144)	(141)	(879)	(1,120)	(950)
Other income/(expenses)	175	176	151	135	135
Exceptional items	0	0	0	0	0
EBT	1,532	2,512	1,991	3,919	6,201
Income taxes	(522)	(564)	(438)	(862)	(1,488)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>1,010</b>	<b>1,948</b>	<b>1,553</b>	<b>3,056</b>	<b>4,713</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,010</b>	<b>1,948</b>	<b>1,553</b>	<b>3,056</b>	<b>4,713</b>

**Balance Sheet**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	880	1,028	1,248	1,856	2,199
Other current liabilities	1,108	1,629	1,629	1,629	1,629
Provisions	331	464	331	331	331
Debt funds	3,277	11,045	12,545	11,545	9,545
Other liabilities	464	484	484	484	484
Equity capital	205	205	205	205	205
Reserves & surplus	8,083	9,551	10,744	13,441	17,794
Shareholders' fund	8,288	9,755	10,949	13,646	17,999
<b>Total liabilities and equities</b>	<b>14,347</b>	<b>24,406</b>	<b>27,187</b>	<b>29,492</b>	<b>32,188</b>
Cash and cash eq.	816	427	294	290	1,932
Accounts receivables	647	832	601	894	1,143
Inventories	713	1,099	922	1,310	1,642
Other current assets	724	1,564	2,493	3,187	3,778
Investments	0	0	0	0	0
Net fixed assets	11,532	8,907	23,567	24,502	24,384
CWIP	0	12,268	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(1,266)	(1,250)	(1,250)	(1,250)	(1,250)
Other assets	1,181	559	559	559	559
<b>Total assets</b>	<b>14,347</b>	<b>24,407</b>	<b>27,187</b>	<b>29,492</b>	<b>32,188</b>

**Cash Flow Statement**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	1,574	2,421	2,235	4,122	5,831
Interest expenses	144	141	879	1,120	950
Non-cash adjustments	0	0	0	0	0
Changes in working capital	272	(1,005)	500	(766)	(829)
Other operating cash flows	(68)	1	(51)	(35)	(35)
<b>Cash flow from operations</b>	<b>1,922</b>	<b>1,558</b>	<b>3,563</b>	<b>4,440</b>	<b>5,916</b>
Capital expenditures	(3,296)	(9,222)	(4,000)	(2,000)	(1,000)
Change in investments	466	(8)	0	0	0
Other investing cash flows	38	14	43	35	35
<b>Cash flow from investing</b>	<b>(2,793)</b>	<b>(9,215)</b>	<b>(3,957)</b>	<b>(1,965)</b>	<b>(965)</b>
Equities issued	0	0	0	0	0
Debt raised/repaid	1,797	7,771	1,500	(1,000)	(2,000)
Interest expenses	(217)	(141)	(879)	(1,120)	(950)
Dividends paid	(656)	(362)	(360)	(360)	(360)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>925</b>	<b>7,268</b>	<b>262</b>	<b>(2,479)</b>	<b>(3,309)</b>
<b>Changes in cash and cash eq</b>	<b>53</b>	<b>(389)</b>	<b>(133)</b>	<b>(4)</b>	<b>1,642</b>
<b>Closing cash and cash eq</b>	<b>816</b>	<b>427</b>	<b>294</b>	<b>290</b>	<b>1,932</b>

**BUY**

TP: INR 420.00

▲ 54.4%

# Shemaroo Entertainment

SHEM IN

## Content monetisation play backed by large library

Apart from its traditional business of television broadcast syndication, SHEM offers 3,000 movies on digital platforms and is an apt fit for our theme of content monetisation led by higher mobile data consumption in India (see [India TMT: The data revolution starts now!](#)). Given plans to expand the content library to 5,000 titles by 2019, along with a rising share of the high-margin new media (internet) business, we model for solid revenue/earnings CAGR of 17%/20% over FY15-FY18. BUY with a Mar'17 TP of Rs 420 set at 14x fwd PE.

- ➔ **New media platforms the next growth driver...:** We expect wireless internet connections in India to grow at a 38% CAGR (FY15-FY20) to 550mn connections in FY20 led by strong growth in smartphone penetration and rollout of data networks. Various platforms such as YouTube (where SHEM runs 32 channels with 2.5mn hits per day), IPTV and MVAS offer scope for robust growth among players who own content, by opening up newer avenues for monetising their content libraries.
- ➔ **...share of new media to grow:** SHEM's new media segment has clocked an impressive 53% revenue CAGR over FY11-FY15 and we expect the strong growth trajectory to continue at 41% over FY15-FY18, given increased mobile internet penetration and growing smartphone usage. Already, revenue share from new media has risen from 4% in FY11 to 11% in FY15 and we model for a 20% share by FY18.
- ➔ **Increased operating efficiency:** SHEM's EBITDA margin has improved steadily over the last five years to 27% in FY15, as operating profit clocked a 28% CAGR (FY11-FY15) versus a 20% revenue CAGR, driven by growth in the new media segment. We expect 120bps EBITDA margin expansion over FY15-FY18 as the new platforms gain traction.
- ➔ **View:** We are positive on content owners as they stand to benefit from the emergence of multiple monetisation platforms. Valuations at 10x/9x FY17E/FY18E EPS are reasonable. BUY with a Mar'17 TP of Rs 420 set at 14x one-year fwd P/E.



### REPORT AUTHORS

Rumit Dugar  
+91 22 6766 3444  
rumit.dugar@religare.com

Saumya Shrivastava  
+91 22 6766 3445  
saumya.shrivastava@religare.com

PRICE CLOSE (18 Sep 15)

INR 272.05

MARKET CAP

INR 7.4 bln

USD 112.6 mln

SHARES O/S

27.2 mln

FREE FLOAT

33.0%

3M AVG DAILY VOLUME/VALUE

0.1 mln / USD 0.2 mln

52 WK HIGH

INR 321.85

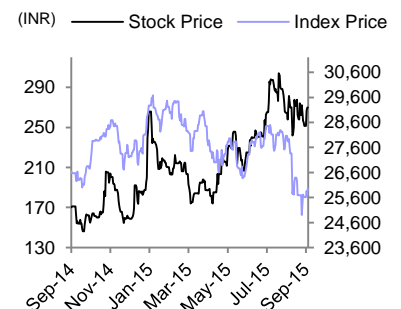
52 WK LOW

INR 144.00

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	2,646	3,235	3,826	4,527	5,250
EBITDA (INR mln)	644	869	1,037	1,297	1,474
Adjusted net profit (INR mln)	282	421	520	701	829
Adjusted EPS (INR)	13.7	17.4	18.7	25.4	30.0
Adjusted EPS growth (%)	15.2	26.8	8.0	35.3	18.4
DPS (INR)	0.5	1.2	1.5	1.5	1.5
ROIC (%)	13.4	14.8	14.9	16.4	17.0
Adjusted ROAE (%)	17.5	17.1	15.2	17.5	17.5
Adjusted P/E (x)	19.9	15.7	14.5	10.7	9.1
EV/EBITDA (x)	13.2	10.2	8.1	6.7	5.7
P/BV (x)	3.7	2.0	2.0	1.7	1.4

Source: Company, Bloomberg, RCML Research



**BUY**

TP: INR 420.00

▲ 54.4%

**Shemaroo  
Entertainment**

SHEM IN



Company Update

INDIA  
MEDIA**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	13.7	17.4	18.7	25.4	30.0
Adjusted EPS	13.7	17.4	18.7	25.4	30.0
DPS	0.5	1.2	1.5	1.5	1.5
BVPS	74.0	134.6	136.0	161.2	189.8

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	3.2	2.8	2.2	1.9	1.6
EV/EBITDA	13.2	10.2	8.1	6.7	5.7
Adjusted P/E	19.9	15.7	14.5	10.7	9.1
P/BV	3.7	2.0	2.0	1.7	1.4

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	24.3	26.9	27.1	28.6	28.1
EBIT margin	23.2	25.7	26.3	27.8	28.1
Adjusted profit margin	10.7	13.0	13.6	15.5	15.8
Adjusted ROAE	17.5	17.1	15.2	17.5	17.5
ROCE	13.2	14.5	14.5	15.8	16.1
<b>YoY Growth (%)</b>					
Revenue	23.2	22.2	18.3	18.3	16.0
EBITDA	12.3	34.9	19.4	25.0	13.7
Adjusted EPS	15.2	26.8	8.0	35.3	18.4
Invested capital	29.7	26.9	17.8	10.2	15.6
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	146	151	135	138	140
Inventory (days)	381	440	470	451	431
Payables (days)	43	42	27	27	27
Current ratio (x)	1.7	2.7	2.6	2.9	2.9
Quick ratio (x)	0.0	0.0	0.0	0.1	0.1
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	1.7	1.8	3.8	NA	NA
Total asset turnover	0.7	0.7	0.7	0.7	0.7
Net interest coverage ratio	3.4	4.2	4.2	5.7	6.0
Adjusted debt/equity	0.9	0.3	0.3	0.2	0.2

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	64.1	65.9	67.2	67.0	67.0
Interest burden (PBT/EBIT)	71.7	76.7	77.1	83.0	84.0
EBIT margin (EBIT/Revenue)	23.2	25.7	26.3	27.8	28.1
Asset turnover (Revenue/Avg TA)	74.8	71.8	72.0	74.1	74.6
Leverage (Avg TA/Avg equities)	219.1	183.1	155.3	152.4	148.4
Adjusted ROAE	17.5	17.1	15.2	17.5	17.5



**BUY**

TP: INR 420.00

▲ 54.4%

**Shemaroo  
Entertainment**

SHEM IN



Company Update

INDIA  
MEDIA**Income Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>2,646</b>	<b>3,235</b>	<b>3,826</b>	<b>4,527</b>	<b>5,250</b>
EBITDA	644	869	1,037	1,297	1,474
EBIT	614	832	1,004	1,260	1,474
Net interest income/(expenses)	(179)	(200)	(237)	(222)	(245)
Other income/(expenses)	0	0	0	0	0
Exceptional items	5	6	7	8	9
EBT	436	633	767	1,038	1,229
Income taxes	(165)	(222)	(261)	(353)	(418)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	1	(1)	0	0	0
<b>Reported net profit</b>	<b>277</b>	<b>415</b>	<b>513</b>	<b>693</b>	<b>820</b>
Adjustments	5	6	7	8	9
<b>Adjusted net profit</b>	<b>282</b>	<b>421</b>	<b>520</b>	<b>701</b>	<b>829</b>

**Balance Sheet**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	306	165	195	231	267
Other current liabilities	469	416	491	582	674
Provisions	0	0	0	0	1
Debt funds	1,512	1,057	1,313	1,244	1,441
Other liabilities	91	74	74	74	74
Equity capital	198	272	272	272	272
Reserves & surplus	1,546	2,902	3,399	4,082	4,853
Shareholders' fund	1,744	3,174	3,671	4,354	5,125
<b>Total liabilities and equities</b>	<b>4,123</b>	<b>4,885</b>	<b>5,744</b>	<b>6,483</b>	<b>7,583</b>
Cash and cash eq.	9	25	48	165	305
Accounts receivables	1,405	1,268	1,572	1,861	2,157
Inventories	2,005	2,887	3,354	3,597	4,171
Other current assets	264	170	201	248	288
Investments	98	168	168	168	168
Net fixed assets	341	295	330	372	421
CWIP	0	0	0	0	1
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	72	72	72	72
<b>Total assets</b>	<b>4,123</b>	<b>4,885</b>	<b>5,745</b>	<b>6,483</b>	<b>7,583</b>

**Cash Flow Statement**

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	302	446	539	722	811
Interest expenses	0	0	0	0	0
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(760)	(1,204)	(440)	(522)	(583)
Other operating cash flows	187	(2,216)	0	0	0
<b>Cash flow from operations</b>	<b>(271)</b>	<b>(2,973)</b>	<b>99</b>	<b>200</b>	<b>228</b>
Capital expenditures	(19)	(30)	(35)	(42)	(49)
Change in investments	0	0	0	0	0
Other investing cash flows	7	(896)	0	0	0
<b>Cash flow from investing</b>	<b>(13)</b>	<b>(926)</b>	<b>(35)</b>	<b>(42)</b>	<b>(49)</b>
Equities issued	0	1,200	0	0	0
Debt raised/repaid	415	0	0	0	0
Interest expenses	(192)	0	0	0	0
Dividends paid	(12)	(28)	(41)	(41)	(41)
Other financing cash flows	(7)	0	0	0	0
<b>Cash flow from financing</b>	<b>204</b>	<b>1,172</b>	<b>(41)</b>	<b>(41)</b>	<b>(40)</b>
<b>Changes in cash and cash eq</b>	<b>(80)</b>	<b>(2,728)</b>	<b>23</b>	<b>117</b>	<b>140</b>
<b>Closing cash and cash eq</b>	<b>3,981</b>	<b>1,822</b>	<b>3,565</b>	<b>5,114</b>	<b>8,488</b>

**BUY**
**TP: INR 1,620.00**
**▲ 31.9%**

## SKF India

**SKF IN**

### Solid economic moats; maintain BUY

**SKF is well placed to leverage on the improvement in bearings demand over FY15-FY17E given its broad product profile and diverse end-use customer base. The company has posted an average ROCE of 29% over FY04-FY14 while consistently maintaining a leadership position in the bearings industry. In our view, SKF has established solid economic moats by virtue of a strong product profile, brand and distribution channel in India. Our Mar'17 TP of Rs 1,620 is set at 29x CY17E P/E, implying 32% upside from current levels.**

- ➔ **Pole position in a high-entry barrier business:** SKF has long held a dominant 35–40% market share in India's organised bearings market, with high ROCE (>20%) and an impressive growth profile (sales/PAT CAGR of 17%/19% for the last ten years). Given steep entry barriers to the technology- and asset-led bearings business, we believe the company's strong growth trajectory is sustainable.
- ➔ **Balanced revenue exposure:** The industrial and automotive sectors each account for 45% of SKF's revenue (balance 10% comes from exports, largely automotive). Since bearings are an essential component for any industry which involves rotating machines, we expect industrial demand for bearings to pick up over CY16-CY17 as the economy recovers off a low base. Automotive demand too is likely to be driven by a growth revival in commercial vehicles, passenger vehicles and two-wheelers.
- ➔ **Debt-free balance sheet; capacity expansion largely over:** SKF has a debt-free balance sheet, stable working capital position and robust free cash flows. It added a greenfield manufacturing facility in Haridwar in CY10 and also expanded capacity at its Bengaluru unit. With capacity utilisation now in the range of 75-90%, management expects no further greenfield capacity addition in the next couple of years.
- ➔ **Reiterate BUY:** At our estimates, the stock trades at a P/E of 26x/22x for CY16E/CY17E. While valuations appear expensive, we see upside risk to earnings. BUY.

#### Financial Highlights

Y/E 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue (INR mln)	22,750	24,156	26,310	30,355	35,316
EBITDA (INR mln)	2,612	2,832	3,109	3,739	4,350
Adjusted net profit (INR mln)	1,888	2,028	2,106	2,530	2,943
Adjusted EPS (INR)	31.6	38.5	39.9	48.0	55.8
Adjusted EPS growth (%)	(12.3)	21.6	3.8	20.1	16.3
DPS (INR)	7.5	10.0	9.5	11.4	13.2
ROIC (%)	22.9	23.4	26.1	30.8	32.7
Adjusted ROAE (%)	15.5	15.1	14.1	15.2	15.8
Adjusted P/E (x)	38.8	31.9	30.8	25.6	22.0
EV/EBITDA (x)	23.6	21.5	19.1	15.4	13.0
P/BV (x)	5.1	4.6	4.1	3.7	3.3

Source: Company, Bloomberg, RCML Research

**21 September 2015**


#### REPORT AUTHORS

**Misal Singh**

+91 22 6766 3466

misal.singh@religare.com

**Prashant Tiwari**

+91 22 6766 3485

prashant.tiwari@religare.com

PRICE CLOSE (18 Sep 15)

**INR 1,228.05**

MARKET CAP

**INR 64.8 bln**
**USD 986.1 mln**

SHARES O/S

**52.7 mln**

FREE FLOAT

**48.7%**

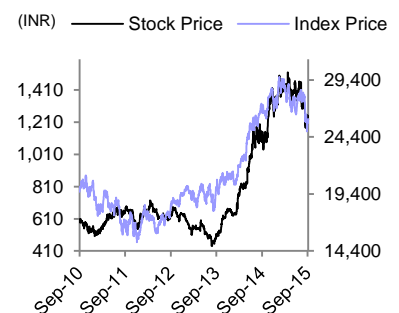
3M AVG DAILY VOLUME/VALUE

**0.0 mln / USD 0.7 mln**

52 WK HIGH

**INR 1,540.35**

52 WK LOW

**INR 1,005.15**


**BUY**

TP: INR 1,620.00

▲ 31.9%

**SKF India**

SKF IN



Company Update

INDIA

CAPITAL GOODS

**Per Share Data**

Y/E 31 Dec (INR)	FY13A	FY14A	FY15E	FY16E	FY17E
Reported EPS	31.6	38.5	39.9	48.0	55.8
Adjusted EPS	31.6	38.5	39.9	48.0	55.8
DPS	7.5	10.0	9.5	11.4	13.2
BVPS	241.9	268.6	297.4	332.1	372.4

**Valuation Ratios**

Y/E 31 Dec (x)	FY13A	FY14A	FY15E	FY16E	FY17E
EV/Sales	2.7	2.5	2.3	1.9	1.6
EV/EBITDA	23.6	21.5	19.1	15.4	13.0
Adjusted P/E	38.8	31.9	30.8	25.6	22.0
P/BV	5.1	4.6	4.1	3.7	3.3

**Financial Ratios**

Y/E 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	11.5	11.7	11.8	12.3	12.3
EBIT margin	9.3	9.5	9.6	10.1	10.1
Adjusted profit margin	8.3	8.4	8.0	8.3	8.3
Adjusted ROAE	15.5	15.1	14.1	15.2	15.8
ROCE	12.0	11.3	11.2	12.2	12.7
<b>YoY Growth (%)</b>					
Revenue	2.1	6.2	8.9	15.4	16.3
EBITDA	1.1	8.4	9.8	20.3	16.3
Adjusted EPS	(12.3)	21.6	3.8	20.1	16.3
Invested capital	6.7	(0.1)	(2.9)	9.0	10.1
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	52	53	52	50	49
Inventory (days)	64	67	66	62	62
Payables (days)	47	50	55	54	53
Current ratio (x)	2.5	2.6	2.8	3.0	3.1
Quick ratio (x)	0.9	1.1	1.3	1.4	1.5
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	2.2	2.3	2.4	2.7	2.9
Total asset turnover	1.4	1.3	1.3	1.4	1.4
Net interest coverage ratio	0.0	0.0	0.0	0.0	0.0
Adjusted debt/equity	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)

**DuPont Analysis**

Y/E 31 Dec (%)	FY13A	FY14A	FY15E	FY16E	FY17E
Tax burden (Net income/PBT)	68.6	66.2	66.2	66.2	66.2
Interest burden (PBT/EBIT)	129.9	133.6	126.1	124.8	124.8
EBIT margin (EBIT/Revenue)	9.3	9.5	9.6	10.1	10.1
Asset turnover (Revenue/Avg TA)	138.2	133.9	131.4	137.3	143.0
Leverage (Avg TA/Avg equities)	135.5	134.0	134.2	133.2	132.9
Adjusted ROAE	15.5	15.1	14.1	15.2	15.8

**BUY**

TP: INR 1,620.00

▲ 31.9%

**SKF India**

SKF IN



Company Update

INDIA

CAPITAL GOODS

**Income Statement**

Y/E 31 Dec (INR mln)	FY13A	FY14A	FY15E	FY16E	FY17E
<b>Total revenue</b>	<b>22,750</b>	<b>24,156</b>	<b>26,310</b>	<b>30,355</b>	<b>35,316</b>
EBITDA	2,612	2,832	3,109	3,739	4,350
EBIT	2,118	2,292	2,522	3,061	3,562
Net interest income/(expenses)	0	0	0	0	0
Other income/(expenses)	634	769	658	759	883
Exceptional items	0	0	0	0	0
EBT	2,751	3,062	3,179	3,820	4,444
Income taxes	(863)	(1,034)	(1,074)	(1,290)	(1,501)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>1,888</b>	<b>2,028</b>	<b>2,106</b>	<b>2,530</b>	<b>2,943</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>1,888</b>	<b>2,028</b>	<b>2,106</b>	<b>2,530</b>	<b>2,943</b>

**Balance Sheet**

Y/E 31 Dec (INR mln)	FY13A	FY14A	FY15E	FY16E	FY17E
Accounts payables	2,527	3,367	3,661	4,190	4,875
Other current liabilities	1,647	1,582	1,582	1,582	1,582
Provisions	0	0	0	0	0
Debt funds	0	0	0	0	0
Other liabilities	40	1	1	1	1
Equity capital	527	527	527	527	527
Reserves & surplus	12,228	13,635	15,156	16,984	19,110
Shareholders' fund	12,755	14,162	15,683	17,511	19,637
<b>Total liabilities and equities</b>	<b>16,969</b>	<b>19,112</b>	<b>20,927</b>	<b>23,284</b>	<b>26,095</b>
Cash and cash eq.	3,758	5,348	7,058	8,320	9,755
Accounts receivables	3,298	3,730	3,827	4,416	5,137
Inventories	2,552	2,930	2,980	3,411	3,968
Other current assets	816	934	953	1,100	1,279
Investments	2,535	2,320	2,320	2,320	2,320
Net fixed assets	4,011	3,850	3,788	3,718	3,635
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>16,969</b>	<b>19,112</b>	<b>20,927</b>	<b>23,284</b>	<b>26,095</b>

**Cash Flow Statement**

Y/E 31 Dec (INR mln)	FY13A	FY14A	FY15E	FY16E	FY17E
Net income + Depreciation	3,025	3,601	3,767	4,498	5,233
Interest expenses	0	0	0	0	0
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(429)	(154)	128	(637)	(774)
Other operating cash flows	(820)	(995)	(1,074)	(1,290)	(1,501)
<b>Cash flow from operations</b>	<b>1,776</b>	<b>2,453</b>	<b>2,821</b>	<b>2,571</b>	<b>2,958</b>
Capital expenditures	(506)	(506)	(526)	(607)	(706)
Change in investments	(102)	215	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(608)</b>	<b>(290)</b>	<b>(526)</b>	<b>(607)</b>	<b>(706)</b>
Equities issued	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(463)	(617)	(584)	(702)	(817)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(463)</b>	<b>(617)</b>	<b>(584)</b>	<b>(702)</b>	<b>(817)</b>
<b>Changes in cash and cash eq</b>	<b>705</b>	<b>1,546</b>	<b>1,711</b>	<b>1,262</b>	<b>1,435</b>
<b>Closing cash and cash eq</b>	<b>3,758</b>	<b>5,348</b>	<b>7,058</b>	<b>8,320</b>	<b>9,755</b>

**BUY**

TP: INR 535.00

▲ 52.9%

# Somany Ceramics

SOMC IN

## Profitable asset-light model

**SOMC is the third largest organised tiles player in India with a focus on tier-2 and 3 cities. The company has more than doubled capacity to 42.5msm over FY10-FY15 and plans to ramp up to ~55msm by FY17. SOMC's mix of own and JV-led manufacturing underpins an ROE-accretive asset-light model, even as growing realisations from a focus on value-added products and portfolio extension should support a revenue/PAT CAGR of 19%/36% over FY15-FY18. Maintain BUY with a Mar'17 TP of Rs 535.**

- ➔ **Strong organised player in a growing market:** India's tiles market has grown at ~17% CAGR during FY09-FY15 to ~Rs 240bn. The organised segment accounts for ~50% of the industry with the top 6 players holding 78% market share. Large organised players such as Kajaria Ceramics (KJC, 19% share) and SOMC (12%) have grown ahead of the industry due to their wide distribution networks, branding focus and strong balance sheets. Structural enablers such as rising incomes, urbanisation, housing shortage and a growing replacement market in India should ensure continued demand for tiles.
- ➔ **Capacity expansion to fuel revenue/PAT CAGR of 19%/36%:** SOMC is raising capacity by 30% to 55msm by FY17, which should support a revenue CAGR of 19% over FY15-FY18. We expect a 36% CAGR in PAT led by EBITDA margin/PBT margin expansion of 145bps/160bps due to a higher share of value-added products and lower input cost.
- ➔ **Return ratios to improve significantly:** SOMC's asset-light expansion drive primarily through joint venture partners (~70% new capacity is in JVs, implying low capital cost for the company) and improving profitability should aid return ratios. We expect ROE/ROCE to increase from 18.4%/12.1% in FY15 to 26.6%/17.9% in FY18.
- ➔ **Valuations attractive:** The stock is trading at 17x/12.3x FY17E/FY18E P/E which is attractive given a PAT CAGR of 36% during FY15-FY18E with improving return ratios. We value SOMC at 19x P/E and reiterate BUY with a Mar'17 TP of Rs 535.

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	12,630	15,374	18,244	21,785	26,116
EBITDA (INR mln)	837	1,045	1,332	1,688	2,155
Adjusted net profit (INR mln)	314	442	590	800	1,104
Adjusted EPS (INR)	8.1	11.4	15.2	20.6	28.4
Adjusted EPS growth (%)	0.8	40.8	33.5	35.5	38.0
DPS (INR)	1.5	2.0	2.3	3.1	4.3
ROIC (%)	11.3	12.6	14.7	17.4	20.8
Adjusted ROAE (%)	16.7	18.4	20.9	23.6	26.6
Adjusted P/E (x)	43.3	30.7	23.0	17.0	12.3
EV/EBITDA (x)	17.9	14.0	11.3	9.4	7.4
P/BV (x)	6.1	5.3	4.4	3.7	3.0

Source: Company, Bloomberg, RCML Research

21 September 2015



### REPORT AUTHORS

**Arun Baid**

+91 22 6766 3446

arun.baid@religare.com

PRICE CLOSE (18 Sep 15)

INR 350.00

MARKET CAP

INR 13.6 bln

USD 204.6 mln

SHARES O/S

38.8 mln

FREE FLOAT

43.8%

3M AVG DAILY VOLUME/VALUE

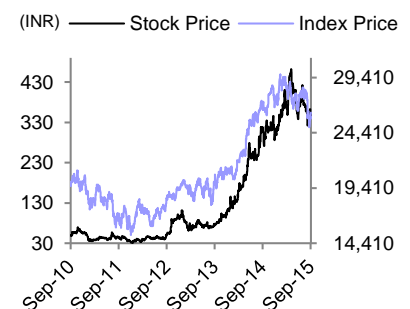
0.0 mln / USD 0.1 mln

52 WK HIGH

INR 535.20

52 WK LOW

INR 264.00



**BUY**

TP: INR 535.00

▲ 52.9%

# Somany Ceramics

SOMC IN



Company Update

INDIA

INDUSTRIALS

## Per Share Data

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	7.4	11.9	15.2	20.6	28.4
Adjusted EPS	8.1	11.4	15.2	20.6	28.4
DPS	1.5	2.0	2.3	3.1	4.3
BVPS	57.5	66.4	78.8	95.4	118.4

## Valuation Ratios

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	1.2	0.9	0.8	0.7	0.6
EV/EBITDA	17.9	14.0	11.3	9.4	7.4
Adjusted P/E	43.3	30.7	23.0	17.0	12.3
P/BV	6.1	5.3	4.4	3.7	3.0

## Financial Ratios

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	6.6	6.8	7.3	7.7	8.3
EBIT margin	4.9	5.1	5.8	6.3	6.9
Adjusted profit margin	2.5	2.9	3.2	3.7	4.2
Adjusted ROAE	16.7	18.4	20.9	23.6	26.6
ROCE	10.8	12.1	13.9	15.5	17.9
<b>YoY Growth (%)</b>					
Revenue	20.0	21.7	18.7	19.4	19.9
EBITDA	(1.4)	24.8	27.4	26.8	27.6
Adjusted EPS	0.8	40.8	33.5	35.5	38.0
Invested capital	22.0	18.9	14.2	9.7	14.2
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	56	56	56	54	52
Inventory (days)	49	44	37	35	35
Payables (days)	53	49	49	49	48
Current ratio (x)	1.2	1.2	1.1	1.1	1.1
Quick ratio (x)	0.2	0.1	0.0	0.0	0.0
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	3.0	3.3	3.6	3.8	4.1
Total asset turnover	1.8	1.9	2.0	2.0	2.1
Net interest coverage ratio	3.3	3.8	4.4	4.9	6.0
Adjusted debt/equity	0.4	0.6	0.8	0.6	0.5

## DuPont Analysis

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	68.2	67.2	67.8	69.0	70.1
Interest burden (PBT/EBIT)	75.1	84.5	82.9	84.8	87.5
EBIT margin (EBIT/Revenue)	4.9	5.1	5.8	6.3	6.9
Asset turnover (Revenue/Avg TA)	184.6	190.7	196.0	204.9	212.1
Leverage (Avg TA/Avg equities)	363.4	334.9	330.1	314.2	296.5
Adjusted ROAE	16.7	18.4	20.9	23.6	26.6



**BUY**

TP: INR 535.00

▲ 52.9%

# Somany Ceramics

SOMC IN



Company Update

INDIA

INDUSTRIALS

## Income Statement

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>12,630</b>	<b>15,374</b>	<b>18,244</b>	<b>21,785</b>	<b>26,116</b>
EBITDA	837	1,045	1,332	1,688	2,155
EBIT	613	779	1,050	1,365	1,799
Net interest income/(expenses)	(185)	(205)	(238)	(276)	(299)
Other income/(expenses)	33	84	58	69	75
Exceptional items	0	0	0	0	0
EBT	460	658	871	1,158	1,575
Income taxes	(170)	(221)	(287)	(371)	(488)
Extraordinary items	(25)	22	0	0	0
Min. int./Inc. from associates	23	5	7	12	17
<b>Reported net profit</b>	<b>289</b>	<b>464</b>	<b>590</b>	<b>800</b>	<b>1,104</b>
Adjustments	25	(22)	0	0	0
<b>Adjusted net profit</b>	<b>314</b>	<b>442</b>	<b>590</b>	<b>800</b>	<b>1,104</b>

## Balance Sheet

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	1,783	2,079	2,499	2,865	3,434
Other current liabilities	641	793	800	836	1,002
Provisions	778	951	766	915	1,097
Debt funds	1,707	1,912	2,490	2,620	2,820
Other liabilities	284	287	287	287	287
Equity capital	78	78	78	78	78
Reserves & surplus	2,157	2,502	2,982	3,629	4,523
Shareholders' fund	2,235	2,580	3,060	3,707	4,600
<b>Total liabilities and equities</b>	<b>7,471</b>	<b>8,655</b>	<b>9,962</b>	<b>11,302</b>	<b>13,330</b>
Cash and cash eq.	717	447	142	239	357
Accounts receivables	2,149	2,591	3,049	3,402	4,078
Inventories	906	1,364	1,449	1,731	2,075
Other current assets	1,087	1,409	1,449	1,731	2,075
Investments	177	198	666	866	1,066
Net fixed assets	2,375	2,601	2,670	3,297	3,142
CWIP	29	8	500	0	500
Intangible assets	31	36	36	36	36
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>7,471</b>	<b>8,655</b>	<b>9,962</b>	<b>11,302</b>	<b>13,330</b>

## Cash Flow Statement

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	513	730	872	1,123	1,459
Interest expenses	185	205	238	276	299
Non-cash adjustments	0	0	0	0	0
Changes in working capital	37	(600)	(341)	(365)	(447)
Other operating cash flows	92	11	0	0	0
<b>Cash flow from operations</b>	<b>827</b>	<b>346</b>	<b>769</b>	<b>1,033</b>	<b>1,311</b>
Capital expenditures	(567)	(477)	(842)	(450)	(700)
Change in investments	(461)	81	(200)	(200)	(200)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(1,027)</b>	<b>(396)</b>	<b>(1,042)</b>	<b>(650)</b>	<b>(900)</b>
Equities issued	485	0	0	0	0
Debt raised/repaid	83	206	578	130	200
Interest expenses	(185)	(205)	(238)	(276)	(299)
Dividends paid	(68)	(91)	(104)	(140)	(194)
Other financing cash flows	(27)	(26)	0	0	0
<b>Cash flow from financing</b>	<b>288</b>	<b>(117)</b>	<b>236</b>	<b>(286)</b>	<b>(293)</b>
<b>Changes in cash and cash eq</b>	<b>88</b>	<b>(167)</b>	<b>(37)</b>	<b>97</b>	<b>118</b>
<b>Closing cash and cash eq</b>	<b>346</b>	<b>179</b>	<b>142</b>	<b>239</b>	<b>357</b>



21 September 2015

**BUY**

TP: INR 1,685.00

▲ 46.4%

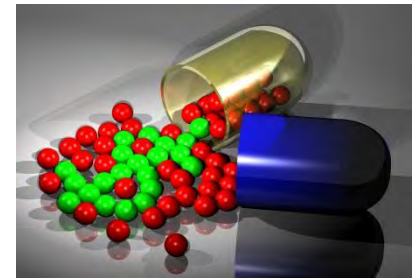
## Strides Arcolab

STR IN

### Striding ahead

We reiterate BUY on STR with a Mar'17 TP of Rs 1,685 (46% upside) as we see vertical integration and other strategic benefits for the company post its merger with Shasun, even as Arrow's acquired portfolio provides sustainable cash flows. STR is set to report a 43% earnings CAGR over FY15-FY18E (incl. acquisitions) led by the US, EM & institutional business, and better margins. This along with improving return ratios should narrow the valuation discount (40%) to peers. Upside from the *Sovaldi* option value lends further comfort.

- ➔ **Shasun merger to strengthen business model:** From a strategic perspective, Shasun's merger is critical in our view as it (a) adds vertical integration benefits, (b) provides access to quality infrastructure and a strong R&D pipeline, and (c) offers significant scope for margin expansion given Shasun's inflated cost base.
- ➔ **Strong earnings visibility:** We expect STR's earnings to grow at 43% CAGR over FY15-FY18 led by (a) 32% revenue CAGR driven by the US business, the institutional business & emerging markets and (b) 170bps margin expansion over our forecast period owing to a better business mix. We also expect Shasun's margins to expand from 11.5% in FY16E to 13% in FY18E as it streamlines its UK CRAMS business and launches key APIs (*Sevelemer*, *Celecoxib*, *Pregablin*) in the US.
- ➔ **Sovaldi – huge option value:** Given the large target market for Hepatitis C in EMs (~100mn patients), we expect *Sovaldi* to emerge as a key growth driver for STR. We value *Sovaldi* at Rs 84/sh, assuming peak revenues of US\$ 100mn in FY20.
- ➔ **Scope for re-rating:** Excluding Rs 84 for the *Sovaldi* option value, STR trades at 15x/13x FY17E/FY18E EPS – a steep 40% discount to peers which should narrow given (a) a strong business model with vertical integration, (b) 43% earnings CAGR (FY15-FY18E) and (c) improving return ratios with 910bps ROAE expansion through FY18E. We value the stock at 20x FY18E EPS and add Rs 84/sh for *Sovaldi* to arrive at a TP of Rs 1,685.



#### REPORT AUTHORS

Praful Bohra

+91 22 6766 3463

praful.bohra@religare.com

PRICE CLOSE (18 Sep 15)

INR 1,151.65

MARKET CAP

INR 68.7 bln

USD 1.0 bln

SHARES O/S

59.6 mln

FREE FLOAT

28.5%

3M AVG DAILY VOLUME/VALUE

0.6 mln / USD 11.4 mln

52 WK HIGH

INR 1,374.10

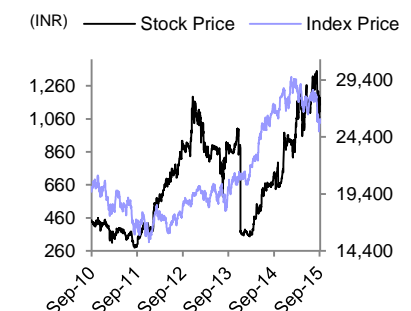
52 WK LOW

INR 542.65

#### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	13,410	11,958	35,676	44,431	50,570
EBITDA (INR mln)	2,234	2,289	6,256	8,955	10,500
Adjusted net profit (INR mln)	774	1,624	3,288	5,536	6,447
Adjusted EPS (INR)	13.0	27.3	40.8	68.7	80.0
Adjusted EPS growth (%)	522.9	109.7	49.7	68.3	16.5
DPS (INR)	505.0	107.0	1.5	1.5	1.5
ROIC (%)	(18.9)	0.1	14.0	13.0	13.9
Adjusted ROAE (%)	5.1	15.1	22.3	26.6	24.2
Adjusted P/E (x)	88.6	42.2	28.2	16.8	14.4
EV/EBITDA (x)	37.1	31.4	12.2	10.8	9.3
P/BV (x)	6.8	6.0	5.1	4.0	3.1

Source: Company, Bloomberg, RCML Research



**BUY**

TP: INR 1,685.00

▲ 46.4%

**Strides Arcolab**

STR IN



Company Update

INDIA

PHARMACEUTICALS

**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	(39.1)	0.3	40.8	68.7	80.0
Adjusted EPS	13.0	27.3	40.8	68.7	80.0
DPS	505.0	107.0	1.5	1.5	1.5
BVPS	169.0	192.2	224.6	291.5	369.8

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	6.2	6.0	2.1	2.2	1.9
EV/EBITDA	37.1	31.4	12.2	10.8	9.3
Adjusted P/E	88.6	42.2	28.2	16.8	14.4
P/BV	6.8	6.0	5.1	4.0	3.1

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	16.7	19.1	17.5	20.2	20.8
EBIT margin	12.4	13.8	13.6	16.8	17.7
Adjusted profit margin	5.8	13.6	9.2	12.5	12.7
Adjusted ROAE	5.1	15.1	22.3	26.6	24.2
ROCE	(15.9)	0.1	11.7	11.9	12.6
<b>YoY Growth (%)</b>					
Revenue	39.4	(10.8)	198.3	24.5	13.8
EBITDA	122.1	2.4	173.4	43.1	17.3
Adjusted EPS	522.9	109.7	49.7	68.3	16.5
Invested capital	(72.9)	37.4	249.0	14.8	5.8
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	115	115	70	103	119
Inventory (days)	84	59	41	55	57
Payables (days)	119	95	63	88	90
Current ratio (x)	1.0	0.9	1.6	2.0	2.2
Quick ratio (x)	0.2	0.1	0.2	0.2	0.3
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	1.0	1.3	1.8	1.5	1.7
Total asset turnover	0.4	0.5	0.8	0.7	0.7
Net interest coverage ratio	3.4	18.6	4.9	7.6	6.9
Adjusted debt/equity	0.3	0.7	1.6	1.3	0.9

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	84.4	109.3	85.1	85.2	84.4
Interest burden (PBT/EBIT)	55.0	90.1	79.8	86.8	85.4
EBIT margin (EBIT/Revenue)	12.4	13.8	13.6	16.8	17.7
Asset turnover (Revenue/Avg TA)	39.1	52.2	83.8	68.6	69.8
Leverage (Avg TA/Avg equities)	226.3	212.9	288.1	311.3	271.8
Adjusted ROAE	5.1	15.1	22.3	26.6	24.2

**BUY**

TP: INR 1,685.00

▲ 46.4%

**Strides Arcolab**

STR IN



Company Update

INDIA

PHARMACEUTICALS

**Income Statement**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>13,410</b>	<b>11,958</b>	<b>35,676</b>	<b>44,431</b>	<b>50,570</b>
EBITDA	2,234	2,289	6,256	8,955	10,500
EBIT	1,669	1,648	4,845	7,483	8,948
Net interest income/(expenses)	(486)	(89)	(979)	(984)	(1,306)
Other income/(expenses)	0	0	0	0	0
Exceptional items	(266)	(74)	0	0	0
EBT	1,183	1,560	3,865	6,499	7,643
Income taxes	(3,245)	(1,476)	(577)	(963)	(1,196)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	6	0	0	0
<b>Reported net profit</b>	<b>(2,328)</b>	<b>15</b>	<b>3,288</b>	<b>5,536</b>	<b>6,447</b>
Adjustments	19,995	8,434	0	0	0
<b>Adjusted net profit</b>	<b>774</b>	<b>1,624</b>	<b>3,288</b>	<b>5,536</b>	<b>6,447</b>

**Balance Sheet**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	2,679	2,345	7,739	9,371	10,466
Other current liabilities	821	662	1,236	1,236	1,237
Provisions	1,155	974	1,063	1,063	1,066
Debt funds	5,466	9,082	31,742	33,692	32,692
Other liabilities	0	175	175	175	175
Equity capital	596	596	806	806	806
Reserves & surplus	9,473	10,853	17,287	22,684	28,989
Shareholders' fund	10,068	11,449	18,093	23,489	29,795
<b>Total liabilities and equities</b>	<b>20,946</b>	<b>24,874</b>	<b>60,234</b>	<b>69,213</b>	<b>75,618</b>
Cash and cash eq.	2,311	1,469	3,632	4,193	6,440
Accounts receivables	3,640	3,899	9,839	15,302	17,549
Inventories	1,760	2,077	5,956	7,413	8,436
Other current assets	2,281	2,338	7,194	8,963	10,202
Investments	4,430	6,300	762	762	762
Net fixed assets	4,511	6,695	17,967	17,695	17,744
CWIP	995	995	2,137	2,137	1,737
Intangible assets	1,034	1,034	12,534	12,534	12,534
Deferred tax assets, net	(17)	54	213	213	213
Other assets	0	13	0	0	0
<b>Total assets</b>	<b>20,946</b>	<b>24,874</b>	<b>60,234</b>	<b>69,213</b>	<b>75,618</b>

**Cash Flow Statement**

YE 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	(1,763)	656	4,700	7,007	7,999
Interest expenses	486	89	979	984	1,306
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(89)	(1,098)	(3,890)	(7,057)	(3,413)
Other operating cash flows	(9,938)	670	0	0	0
<b>Cash flow from operations</b>	<b>(11,303)</b>	<b>317</b>	<b>1,789</b>	<b>935</b>	<b>5,891</b>
Capital expenditures	27,489	(2,824)	(20,200)	(1,200)	(1,200)
Change in investments	(4,430)	(1,870)	5,612	0	0
Other investing cash flows	602	386	845	998	909
<b>Cash flow from investing</b>	<b>23,662</b>	<b>(4,308)</b>	<b>(13,742)</b>	<b>(202)</b>	<b>(291)</b>
Equities issued	(1)	0	210	0	0
Debt raised/repaid	(10,478)	3,616	15,586	1,950	(999)
Interest expenses	(1,089)	(474)	(1,825)	(1,982)	(2,215)
Dividends paid	(137)	(348)	(139)	(139)	(139)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(11,705)</b>	<b>2,793</b>	<b>13,832</b>	<b>(172)</b>	<b>(3,353)</b>
<b>Changes in cash and cash eq</b>	<b>654</b>	<b>(1,198)</b>	<b>1,879</b>	<b>561</b>	<b>2,247</b>
<b>Closing cash and cash eq</b>	<b>2,311</b>	<b>1,116</b>	<b>3,633</b>	<b>4,193</b>	<b>6,440</b>

**BUY**

TP: INR 800.00

▲ 64.3%

## V-Mart Retail

VMART IN

### Dressed for success

**VMART retails apparel and non-apparel products through medium-sized hypermarket stores, with a focus on tier II & III cities. With 110 stores covering ~0.9msf of retail space in 92 cities, the company is a play on the growing organised apparel market, high aspirational demand and rising purchasing power of middle-class India. Plans to widen its footprint to 177 stores by FY18 should support a robust revenue/PAT CAGR of 28%/23% over FY15-FY18. BUY with a Mar'17 TP of Rs 800.**

- ➔ **Early mover in a high-growth market:** India's organised apparel market is expected to grow by ~80% to Rs 1,060bn over FY15-FY20 driven by increasing penetration in tier II & III cities. Rapid urbanisation, higher purchasing power and growing aspirational demand are likely to induce a shift from the unorganised to the organised market. VMART has been an early mover in tier II & III cities with 90 stores as of 31 March and will gain from the growing demand.
- ➔ **Revenue/PAT CAGR of 28%/23% during FY15-FY18:** VMART plans to increase its store count by ~2x to 177 over FY15-FY18, with steady same-store sales growth (SSSg) of ~7%. We expect margins to remain at ~9.4% due to controlled costs and higher revenue per square foot, thus resulting in strong PAT growth too.
- ➔ **Return ratios to improve significantly:** VMART's return ratios are expected to improve materially due to strong revenue growth, stable operating margins and improving working capital. Utilisation of the full IPO proceeds by FY16 to open new stores will further enhance return ratios. We expect ROE/ROCE to increase from 20.5%/17.9% in FY15 to 22.2%/20.6% in FY18.
- ➔ **Attractive valuations:** VMART is trading at a P/E of 15.4x/12.1x FY17E/FY18E which is attractive given its growth prospects and improving return ratios. We maintain BUY on the stock with a Mar'17 TP of Rs 800 (20x FY18E P/E).

### Financial Highlights

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (INR mln)	5,750	7,205	9,220	11,993	14,944
EBITDA (INR mln)	521	641	864	1,128	1,408
Adjusted net profit (INR mln)	251	385	412	569	723
Adjusted EPS (INR)	13.9	21.4	22.9	31.6	40.2
Adjusted EPS growth (%)	44.4	53.4	7.2	38.0	27.1
DPS (INR)	1.0	1.5	2.0	2.5	3.0
ROIC (%)	14.5	18.1	16.8	19.5	21.6
Adjusted ROAE (%)	15.8	20.5	18.5	21.3	22.2
Adjusted P/E (x)	35.0	22.8	21.3	15.4	12.1
EV/EBITDA (x)	16.4	13.8	10.2	8.0	6.3
P/BV (x)	5.2	4.3	3.6	3.0	2.4

Source: Company, Bloomberg, RCML Research

21 September 2015



### REPORT AUTHORS

Arun Baid

+91 22 6766 3446

arun.baid@religare.com

PRICE CLOSE (18 Sep 15)

INR 486.95

MARKET CAP

INR 8.9 bln

USD 133.8 mln

SHARES O/S

18.0 mln

FREE FLOAT

41.5%

3M AVG DAILY VOLUME/VALUE

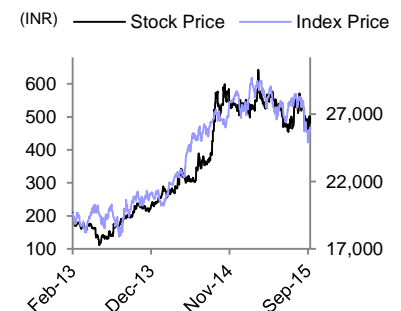
0.0 mln / USD 0.1 mln

52 WK HIGH

INR 652.00

52 WK LOW

INR 430.70



**BUY**

TP: INR 800.00

▲ 64.3%

**V-Mart Retail**

VMART IN



Company Update

INDIA  
RETAIL**Per Share Data**

Y/E 31 Mar (INR)	FY14A	FY15A	FY16E	FY17E	FY18E
Reported EPS	14.0	20.7	22.9	31.6	40.2
Adjusted EPS	13.9	21.4	22.9	31.6	40.2
DPS	1.0	1.5	2.0	2.5	3.0
BVPS	94.4	113.8	134.3	163.0	199.6

**Valuation Ratios**

Y/E 31 Mar (x)	FY14A	FY15A	FY16E	FY17E	FY18E
EV/Sales	1.5	1.2	1.0	0.8	0.6
EV/EBITDA	16.4	13.8	10.2	8.0	6.3
Adjusted P/E	35.0	22.8	21.3	15.4	12.1
P/BV	5.2	4.3	3.6	3.0	2.4

**Financial Ratios**

Y/E 31 Mar	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Profitability &amp; Return Ratios (%)</b>					
EBITDA margin	9.1	8.9	9.4	9.4	9.4
EBIT margin	7.2	8.3	7.0	7.2	7.4
Adjusted profit margin	4.4	5.3	4.5	4.7	4.8
Adjusted ROAE	15.8	20.5	18.5	21.3	22.2
ROCE	13.8	17.9	16.4	18.9	20.6
<b>YoY Growth (%)</b>					
Revenue	49.9	25.3	28.0	30.1	24.6
EBITDA	38.6	22.9	34.8	30.7	24.7
Adjusted EPS	44.4	53.4	7.2	38.0	27.1
Invested capital	26.5	9.5	18.1	17.4	12.9
<b>Working Capital &amp; Liquidity Ratios</b>					
Receivables (days)	0	0	0	0	0
Inventory (days)	126	126	125	125	125
Payables (days)	35	39	39	39	39
Current ratio (x)	1.8	1.9	1.8	2.0	2.1
Quick ratio (x)	0.3	0.2	0.1	0.1	0.1
<b>Turnover &amp; Leverage Ratios (x)</b>					
Gross asset turnover	6.3	5.8	5.9	6.4	6.9
Total asset turnover	2.2	2.3	2.5	2.7	2.8
Net interest coverage ratio	11.1	13.8	15.9	21.6	34.0
Adjusted debt/equity	0.0	0.0	0.1	0.0	0.0

**DuPont Analysis**

Y/E 31 Mar (%)	FY14A	FY15A	FY16E	FY17E	FY18E
Tax burden (Net income/PBT)	66.5	67.4	66.0	67.0	67.0
Interest burden (PBT/EBIT)	91.6	95.9	97.3	98.0	97.7
EBIT margin (EBIT/Revenue)	7.2	8.3	7.0	7.2	7.4
Asset turnover (Revenue/Avg TA)	219.7	231.5	249.9	268.3	280.4
Leverage (Avg TA/Avg equities)	164.7	166.0	165.1	166.9	163.2
Adjusted ROAE	15.8	20.5	18.5	21.3	22.2



## Income Statement

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
<b>Total revenue</b>	<b>5,750</b>	<b>7,205</b>	<b>9,220</b>	<b>11,993</b>	<b>14,944</b>
EBITDA	521	641	864	1,128	1,408
EBIT	412	595	642	867	1,105
Net interest income/(expenses)	(37)	(43)	(40)	(40)	(32)
Other income/(expenses)	2	19	23	23	7
Exceptional items	0	0	0	0	0
EBT	378	571	625	849	1,080
Income taxes	(127)	(186)	(212)	(280)	(356)
Extraordinary items	1	(11)	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>252</b>	<b>374</b>	<b>412</b>	<b>569</b>	<b>723</b>
Adjustments	(1)	11	0	0	0
<b>Adjusted net profit</b>	<b>251</b>	<b>385</b>	<b>412</b>	<b>569</b>	<b>723</b>

## Balance Sheet

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Accounts payables	641	752	1,016	1,284	1,582
Other current liabilities	101	119	184	210	281
Provisions	55	68	55	55	55
Debt funds	438	302	415	365	295
Other liabilities	0	0	0	0	0
Equity capital	180	180	180	180	180
Reserves & surplus	1,522	1,869	2,240	2,756	3,416
Shareholders' fund	1,702	2,049	2,420	2,936	3,596
<b>Total liabilities and equities</b>	<b>2,936</b>	<b>3,290</b>	<b>4,090</b>	<b>4,850</b>	<b>5,810</b>
Cash and cash eq.	366	252	169	229	284
Accounts receivables	0	0	0	0	0
Inventories	1,677	1,832	2,584	3,160	3,997
Other current assets	162	212	268	356	422
Investments	0	0	0	0	0
Net fixed assets	691	981	1,056	1,092	1,094
CWIP	10	7	7	7	7
Intangible assets	9	0	0	0	0
Deferred tax assets, net	22	6	6	6	6
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>2,936</b>	<b>3,290</b>	<b>4,090</b>	<b>4,850</b>	<b>5,810</b>

## Cash Flow Statement

Y/E 31 Mar (INR mln)	FY14A	FY15A	FY16E	FY17E	FY18E
Net income + Depreciation	361	419	634	830	1,026
Interest expenses	37	43	40	40	32
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(270)	(63)	(491)	(371)	(533)
Other operating cash flows	(14)	15	0	0	0
<b>Cash flow from operations</b>	<b>113</b>	<b>415</b>	<b>183</b>	<b>500</b>	<b>525</b>
Capital expenditures	(331)	(324)	(297)	(297)	(305)
Change in investments	64	124	148	(70)	120
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(267)</b>	<b>(199)</b>	<b>(149)</b>	<b>(367)</b>	<b>(185)</b>
Equities issued	0	1	0	0	0
Debt raised/repaid	83	(136)	114	(50)	(70)
Interest expenses	(37)	(43)	(40)	(40)	(32)
Dividends paid	(27)	(32)	(42)	(53)	(63)
Other financing cash flows	0	6	0	0	0
<b>Cash flow from financing</b>	<b>20</b>	<b>(204)</b>	<b>31</b>	<b>(143)</b>	<b>(166)</b>
<b>Changes in cash and cash eq</b>	<b>(134)</b>	<b>11</b>	<b>65</b>	<b>(10)</b>	<b>175</b>
<b>Closing cash and cash eq</b>	<b>23</b>	<b>34</b>	<b>99</b>	<b>89</b>	<b>264</b>

# RESEARCH TEAM

ANALYST	SECTOR	EMAIL	TELEPHONE
Mihir Jhaveri	Auto, Auto Ancillaries, Cement, Logistics	mihir.jhaveri@religare.com	+91 22 6766 3459
Siddharth Vora	Auto, Auto Ancillaries, Cement, Logistics	siddharth.vora@religare.com	+91 22 6766 3435
Misal Singh	Capital Goods, Infrastructure, Utilities	misal.singh@religare.com	+91 22 6766 3466
Prashant Tiwari	Capital Goods, Infrastructure	prashant.tiwari@religare.com	+91 22 6766 3485
Gaurang Kakkad	Consumer	gaurang.kakkad@religare.com	+91 22 6766 3470
Premal Kamdar	Consumer	premal.kamdar@religare.com	+91 22 6766 3469
Nitin Tiwari	Energy	nitin.tiwari@religare.com	+91 22 6766 3437
Parag Jariwala	Financials	parag.jariwala@religare.com	+91 22 6766 3442
Vikesh Mehta	Financials	vikesh.mehta@religare.com	+91 22 6766 3474
Rumit Dugar	IT, Telecom, Media	rumit.dugar@religare.com	+91 22 6766 3444
Saumya Shrivastava	IT, Telecom, Media	saumya.shrivastava@religare.com	+91 22 6766 3445
Pritesh Jani	Metals	pritesh.jani@religare.com	+91 22 6766 3467
Arun Baid	Mid-caps	arun.baid@religare.com	+91 22 6766 3446
Praful Bohra	Pharmaceuticals	praful.bohra@religare.com	+91 22 6766 3463
Arun Aggarwal	Real Estate	arun.aggarwal@religare.com	+91 22 6766 3440
Pawan Parakh	Utilities	pawan.parakh@religare.com	+91 22 6766 3438
Jay Shankar	Economics & Strategy	shankar.jay@religare.com	+91 11 3912 5109
Megha Arora	Economics & Strategy	megha.arora@religare.com	+91 22 6766 3433



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