

Kolte Patil Developers

BUY

INDUSTRY	REAL ESTATE		
CMP (as on 6 Jun 2017)	Rs 177		
Target Price	Rs 195		
Nifty	9,637		
Sensex	31,191		
KEY STOCK DATA			
Bloomberg	KPDL IN		
No. of Shares (mn)	76		
MCap (Rs bn) / (\$ mn)	13/208		
6m avg traded value (Rs mn)	83		
STOCK PERFORMANCE (%)			
52 Week high / low	Rs 204/78		
	3M	6M	12M
Absolute (%)	54.9	77.8	42.9
Relative (%)	47.5	59.6	26.4
SHAREHOLDING PATTERN (%)			
Promoters	74.54		
FIs & Local MFs	0.02		
FPIs	9.16		
Public & Others	16.28		
<i>Source : BSE</i>			

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Strong recovery

Kolte Patil Developers Ltd. (KPDL) delivered strong 4QFY17 revenue growth of 62.5% YoY. Outperformance was led by Life Republic, Mirabilis and Corolla projects. The impact of demonetization seems to be largely behind with KPDL pre-sales rebounding 72% QoQ to 0.55mn sqft (last 12 quarters average run-rate).

KPDL achieved 2mn sqft of pre-sales during FY17 and in base case expects similar run-rate during FY18E. Uncertainties around new launch approval (~4.5mn sqft) timeline under RERA remain key unknown. Hence, KPDL has not given any formal pre-sales guidance for FY18E.

KPDL with 70% of launch portfolio (~7.5mn sqft) under LIG/MIG segment will be key beneficiary of Government affordable housing stimulus. This shall result in strong pre-sales recovery from FY19E. We upgrade KPDL to BUY from NEU, increase NAV based TP to Rs 195/sh (vs Rs 177/sh earlier).

Financial Summary*

(Rs mn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY16	FY17E	FY18E	FY19E
Net Sales	3,334	2,051	62.5	2,264	47.2	7,538	9,656	8,674	11,100
EBITDA	684	567	20.5	555	23.2	1,984	2,400	2,290	3,048
APAT	311	186	66.8	193	61.1	596	875	829	1,254
Diluted EPS (Rs)	4.1	2.5	66.8	2.5	61.1	7.9	11.5	10.9	16.5
P/E (x)						22.5	15.3	16.2	10.7
EV / EBITDA (x)						9.3	7.6	8.0	5.7
RoE (%)						6.9	9.6	8.5	11.8

Source: Company, HDFC sec Inst Research, * Consolidated

Highlights of the Quarter

- Robust financial performance:** Consolidated Revenue/EBIDTA/APAT grew 62.5/20.5/66.8% YoY. Mirabilis project hit revenue recognition during 4QFY17, Life Republic and Corolla projects were other key revenue driver. Pre-sales volume/value came in at 0.55mn sqft/Rs 3.3bn a growth of 72/68% QoQ.
- High LIG/MIG share; product reconfiguration key to future growth:** To play on Government affordable stimulus theme, KPDL is launching <Rs 5.5mn ticket size product in Pune (Corolla-1.3mn sqft, Life Republic-1.3mn sqft) during FY18E. This shall help drive pre-sales during FY18-19E.
- Annual Surplus to aid deleveraging:** We expect KPDL to generate Rs 1.3-1.4bn/annum FCF which may be utilized towards balance sheet deleveraging. We remain constructive.

Revenue, EBIDTA & Net Profit grew 62.5%, 20.5% & 66.8% yoy. Revenue was driven by Life Republic, Corolla and first time revenue recognition in Mirabillis Bengaluru

EBIDTA margins contracted 715bps YoY to 20.5% owing to 1,229/(308)/(206)bps increase/(decrease) in material/employee/other expenses

Mirabillis and Wakad projects had lower margins and impacted EBIDTA

Net profit came in at Rs 311mn on account of lower interest costs/taxes

Pre-sales momentum rebounded post demonet with 71.9% QoQ growth to 0.55mn sqft. Average realization stood at Rs 5,956/sqft

Collection stood at Rs 2,542mn

Quarterly Financial Snapshot (Consolidated)

Particulars (Rs mn)	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY17	FY16	YoY (%)
Net Sales	3,334	2,051	62.5	2,264	47.2	9,656	7,538	28.1
Material Expenses	(2,300)	(1,163)	97.8	(1,415)	62.6	(6,082)	(4,252)	43.0
Employee Expenses	(103)	(127)	(18.5)	(121)	(14.5)	(422)	(480)	(12.2)
Other Operating Expenses	(247)	(194)	27.2	(174)	41.8	(753)	(821)	(8.3)
EBITDA	684	567	20.5	555	23.2	2,400	1,984	21.0
Interest Cost	(224)	(233)	(4.1)	(216)	3.7	(860)	(840)	2.4
Depreciation	(42)	(50)	(15.6)	(35)	20.2	(149)	(152)	(2.2)
Other Income	34	42	(18.4)	12	196.5	82	165	(50.3)
PBT	452	326	38.6	316	43.2	1,473	1,157	27.3
OCI	13	6	123.2	34	(63.1)	26	(27)	(196.7)
Tax	(154)	(145)	5.8	(157)	(1.9)	(624)	(535)	16.8
APAT	311	186	66.8	193	61.1	875	596	46.9

Source: Company, HDFC sec Inst Research

Margin Analysis (Consolidated)

MARGIN ANALYSIS	4QFY17	4QFY16	YoY (bps)	3QFY17	QoQ (bps)	FY17	FY16	YoY (bps)
Material Expenses % Net Sales	69.0	56.7	1,229	62.5	652	63.0	56.4	657
Employee Expenses % Net Sales	3.1	6.2	(308)	5.3	(223)	4.4	6.4	(200)
Other Operating Expenses % Net Sales	7.4	9.5	(206)	7.7	(28)	7.8	10.9	(310)
EBITDA Margin (%)	20.5	27.7	(715)	24.5	(400)	24.9	26.3	(147)
Tax Rate (%)	34.0	44.6	(1,054)	49.7	(1,563)	42.4	46.2	(382)
APAT Margin (%)	9.3	9.1	24	8.5	80	9.1	7.9	116

Source: Company, HDFC sec Inst Research

Pre – Sales Trend

Pre-sales trend	4QFY17	4QFY16	YoY (%)	3QFY17	QoQ (%)	FY17	FY16	YoY (%)
Sales Volume (mn sqft)	0.55	0.57	(3.5)	0.32	71.9	2.09	2.04	2.5
Sales Value (Rs mn)	3,267	3,790	(13.8)	1,948	67.7	12,202	12,626	(3.4)
Average Realization (Rs/sqft)	5,956	6,649	(10.4)	6,150	(3.2)	5,836	6,198	(5.8)
Collections (Rs mn)	2,542	2,610	(2.6)	2,470	2.9	9,647	9,369	3.0

Source: Company, HDFC sec Inst Research

Strong collections and limited capex on land/rental/fixed assets to help deleverage balance sheet

We expect KPDL to be net cash surplus annually by Rs 1.3-1.4bn

Surplus cashflows – to help deleverage balance sheet

- In the exhibit below, we highlight KPDL's proforma cashflows. We expect KDPL to achieve Rs 10-11bn of real estate collections annually. The spend on construction is pegged at Rs 5-7bn/annum. This will result in gross surplus of Rs 4-5bn from real estate operations
- Employee cost and over head will consume about Rs 1.2-1.3bn annually whilst outgo on interest servicing shall be Rs 0.8-0.9bn. With limited outflow on maintenance/new land capex, KPDL would be Rs 1.3-1.4bn/annum cash surplus.
- KPDL doesn't have any large maintenance/fixed assets capex and the company neither has big planned outlay on rental asset business. The current approval pipeline remains strong (~10.9mn sqft) and doesn't require any aggressive land capex to be incurred.
- The deleveraging efforts seem to be reasonable on back of strong real estate collections and limited capex.

Proforma Cashflows

Rs mn	FY17E	FY18E	FY19E
Real Estate Collections	9,647	10,160	11,392
Construction Spend	5,100	5,610	6,620
Operating Cash flows - Dev Co	4,547	4,550	4,772
Employes+Other Expenses	1,175	1,168	1,285
Taxes	740	601	873
Total OCF	2,633	2,781	2,613
Less: Assets Capex	-	100	100
Less: Land Capex	900	500	250
Net OCF	1,733	2,181	2,263
Less: Interest Outgo	950	950	969
FCFE	783	1,231	1,294
Other Income	82	113	119
Net Surplus	865	1,344	1,413

Source: Company, HDFC sec Inst Research

We expect consolidated Net D/E to remain <0.5x

Cash surplus to be utilized towards debt reduction

We have cut our volume and realization estimates to factor in impact delays in new project approvals and shift to affordable segment

KPDL will have to shift strategy to affordable segment

We have revised estimate marginally higher by 2-4%

NET D/E: – may have peaked – to remain at <0.5x

(Rs mn)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	FY18E	FY19E	Comments
Gross Debt	6,070	5,930	7,640	7,690	7,740	7,580			
Structure NCD's	(1,030)	(1,030)	(1,970)	(2,340)	(2,340)	(2,330)			Deducting NCD & CCD as they are equity structured as debt by KPDL and JVs
Cash	650	820	680	431	820	730			
Current investments	240	30	400	236					
Net debt	4,150	4,050	4,590	4,684	4,580	4,520	4,811	3,936	Debt reduction from FY19E on back of cash surplus
Net Worth	8,970	8,770	8,860	8,370	8,520	8,630	10,077	11,165	
Net Debt/ equity (x)	0.46	0.46	0.52	0.56	0.54	0.52	0.48	0.35	

Source: Company, HDFC sec Inst Research

Change in Estimates

	FY18E New	FY18E Old	% Change	FY19E New	FY19E Old	% Change	Comments
Pre-sales (mn sqft)	2.4	2.4	(1.9)	2.5	3.0	(15.2)	
Realization (Rs/sqft)	5,807	5,491	5.7	5,947	5,416	9.8	Realization to improve as new mumbai launches happen at higher realization (3x of Pune)
Pre-sales (Rs mn)	13,673	13,189	3.7	15,136	16,186	(6.5)	
Revenues (Rs mn)	8,674	8,386	3.4	11,100	10,870	2.1	Marginal revision higher
EBITDA (Rs mn)	2,290	2,285	0.2	3,048	3,029	0.6	
APAT (Rs mn)	829	806	2.9	1,254	1,206	4.0	
EPS (Rs)	10.9	10.6	2.9	16.5	15.9	4.0	

Source: HDFC sec Inst Research

We forecast FY17-19E pre-sales CAGR of 10.4% on back of unsold inventory of 3mn sqft and 4.5mn sqft of new launches. RERA will impact launch schedule and we have factored same in our assumptions

Key launches in affordable segment Corolla (<Rs5mn, 1.3mn sqft) and Life Republic (<Rs 6mn, 1.3mn sqft) will drive pre-sales in 2HFY18E

Back-ended new launches to result in 7.2% FY17-19E revenue CAGR

19.7% FY17-19E PAT CAGR in line with robust execution and higher share of own projects/lower minority interest outgo

Strong free cash-flow recovery from FY18E

Key assumptions and estimates

	FY17	FY18E	FY19E	Growth (%)			Comments
				FY17E	FY18E	FY19E	
Volume assumptions							
Residential (mn sqft)	2.1	2.4	2.5	2.0	12.7	8.1	We forecast FY17-19E pre-sales CAGR of 10.4% on back of unsold inventory of 3 mnsqft and 4.5mn sqft of new launches
Residential (Rs/sqft)	5,836	5,807	5,947	(5.5)	(0.5)	2.4	Realization to remain muted
Total pre-sales	12,202	13,673	15,136	(3.6)	12.1	10.7	
Earnings forecast							
Sales (Rs mn)	9,656	8,674	11,100	28.1	(10.2)	28.0	Back-ended new launches to result in 7.2% FY17-19E revenue CAGR
EBIDTA (Rs mn)	2,400	2,290	3,048	21.0	(4.6)	33.1	Stable margins to result in 12.7% FY17-19E EBIDTA CAGR
EBIDTA Margin (%)	24.9	26.4	27.5	(147)	155	106	Expansion on account of contribution from Mumbai projects
Net interest expense	860	741	712	2.4	(13.9)	(4.0)	No new land acquisition and robust proceeds from collections to result in reduction in debt and resultant interest expense
PAT (Rs mn)	875	829	1,254	46.9	(5.2)	51.2	19.7% FY17-19E PAT CAGR in line with robust execution and higher share of own projects/lower minority interest outgo
PAT Margin (%)	9.1	9.6	11.3	116	50	174	Increase in PAT margins in line with EBIDTA expansion and lower financial cost
EPS (Rs)	11.5	10.9	16.5	46.9	(5.2)	51.2	
Cash flows forecast							
CFO - a	1,132	950	1,854				
CFI - b	1	(27)	(101)				
FCF - a+b	1,134	923	1,753				Sharp free cash-flow recovery during FY17-19E
CFF-c	(1,827)	(782)	(1,377)				
Total change in cash - a+b+c	(693)	141	375				

Source: Company, HDFC sec Inst Research

GNAV mix – Rs 23.3bn

Rs mn	Rs/sh	%
Pune	249	81.0
Bengaluru	37	11.9
Mumbai	18	5.8
Land Bank	4	1.2
Total GAV	307	100

Source: Company, HDFC sec Inst Research

We have reduced our WACC from 16.1% to 14% on expectation of lower cost of capital under the RERA regime. This has resulted in NAV target increase to Rs 195/sh

KPDL is resizing 2.1mn sqft in Rs 5.5mn ticket size. This will drive FY18E volumes

KPDL has about 70% portfolio in LIG/MIG with ticket size <Rs 5.5mn. Lower mortgage rate ~100bps reduction can drive volumes 12-13% higher

We upgrade KPDL to BUY from NEU

Valuation – Increased NAV target to Rs 195/share

Target Price of Rs 195/sh implies 10.3% upside

- We have valued KPDL using DCF and arrived at a target price of Rs 195/share. Our valuation is based on 0.8x our end-FY19E NAV forecast. We have given a NAV discount of 20% to KPDL. This is to factor in uncertainty around RERA. Our base prices factor in a 0-10% price correction in the Pune market on account of RERA. We have not considered the likely upside in saleable area once the township FSI increases from 0.5x to 1x.
- The State government has already increased FSI for non-agricultural land based township and is in the final stages of implementing it for townships on agricultural land. KPDL's key projects that will be affected are (1) Life Republic Township, and (2) Sanjivani township. In terms of value, this could add about Rs64/share to NAV and about ~20mn sqft to the gross saleable area or (~10mn sqft KPDL share).

Rs mn	New NAV	Old NAV	Change (%)	Comments
Gross NAV	23,256	21,545	7.9	
Less Net debt	(4,811)	(4,860)	(1.0)	Net Debt as on end FY18E
Current Investments	47.6	47.6		
NAV	18,493	16,732	10.5	Change higher than GAV owing to increase in Debt
Shares outstanding (mn)	76	76		As of Mar-17
NAV/share (Rs)	244	221	10.5	
Discount to NAV	20%	20%		NAV discount (1) due to delays in launches (2) 0-10% further correction in property prices & (3) longer sales cycle
Target Price (Rs)	195	177	10.5	

Source: Company, HDFC sec Inst Research

- The impact of demonetization seems to be largely behind as KPDL show sharp 71.9% QoQ growth in pre-sales during 4QFY17. RERA implementation and compliance will result in new launches getting delayed. This shall result in collection velocity slowing down.
- Our channel checks suggest that over next 6-12month there could be (1) delay in deal closure (2) longer sales cycle (3) reduction in new launches. This would impact cash flows timing.
- We expect ~0-10% correction in Pune primary market. Value will be driven by resizing products lower. KPDL is resizing 2.1mn sqft in Rs 5.5mn ticket size. This will drive FY18E volumes.
- Further, stimulus on affordable housing will benefit KPDL as it has about 70% portfolio in LIG/MIG with ticket size Rs 5.5mn. Lower mortgage rate (~100bps reduction) can drive volumes 12-13% higher.

Real estate development – NAV calculation methodology

- We have divided KPDL's entire land bank (with launch visibility over the next 5 years) into residential projects (based on the information given by the company).
- We have arrived at the sale price/sq ft. and the anticipated sales volumes for each project based on our discussions with industry experts.
- We have deducted the cost of construction based on our assumed cost estimates, which have been arrived at after discussions with industry experts.
- We have further deducted marketing and other costs that have been assumed at 5% of the sales revenue.
- We have then deducted income tax based on the tax applicable for the project.
- The resultant cash inflows at the project level have been discounted based on WACC of 14% (cost of equity 16.91% based on beta of 1.4x & debt/equity ratio of 0.4x). All the project level NAVs have then been summed up to arrive at the NAV of the company.
- From the NAV, we have deducted the net debt and likely outgo on balance land payments as of FY18E to arrive at the final valuation of the company.

Our pricing assumptions are moderate and at a 5-10% discount to the current prevailing prices.

Key valuation assumptions

- In the exhibit below we highlight our sales and cost inflation forecasts. We expect property price appreciation in line with WPI inflation, i.e. 5% and peg cost inflation slightly higher at 6%. We forecast other costs including marketing, SGA and employee costs at 15% of sales. We have discounted the cash flows using 16.7% as hurdle rate.

Base Case Assumptions

Assumptions	%
Discount rate	17
Annual rate of inflation - sales price	5
Annual rate of inflation - cost of construction	6
Other costs - marketing, SGA, employee cost (as % sales)	15
Tax rate	33

Source: Company, HDFC sec Inst Research

- Our pricing assumptions are moderate and at a 5-10% discount to the current prevailing prices. Construction cost assumptions are higher than the KPDL estimates.

Base Property Price And Construction Cost Assumptions

Location	City	Prices Rs/sqft	Cost Rs/sqft
Wagholi	Pune	3,750	1,800
Hinjewadi	Pune	4,900	2,100
Kharadi	Pune	5,000	2,200
Undri-NIBM	Pune	4,500	2,200
Mohamad Wadi	Pune	4,500	2,200
Aundh Annexe	Pune	5,200	2,500
Boat Club Road	Pune	9,100	3,500
Kondhwa	Pune	3,900	2,000
Viman Nagar	Pune	8,600	3,500
Aundh	Pune	6,700	2,600
Kalyani Nagar	Pune	7,500	2,800
Bavdhan	Pune	4,600	2,000
Atria	Pune	7,200	2,800
Wakad	Pune	5,400	2,500
Andheri	Mumbai	14,500	7,500
Vile Parle	Mumbai	20,000	9,500
Koramangla Block III	Bangalore	6,200	2,400
Hosur Road	Bangalore	5,700	2,300
Kannur Road	Bangalore	3,750	1,800

Source: Company, HDFC sec Inst Research

1% increase in average base sale price impacts our NAV positively by 2.7%

Every 100bps increase in sale price inflation impacts our NAV positively by 6.9%

100bps increase in cost inputs decreases our NAV by 4.5%

100bps increase in discounting rate impacts our NAV negatively by 5.1%

NAV sensitivity analysis

Sensitivity to our assumption of property price

- Our model is sensitive to changes in the assumptions regarding property prices. For every 1% change in the base property prices, the NAV will change by approximately 2.7%.

NAV Sensitivity To Changes In Base Sale Price

% change in sale price	(10)	(5)	0	5	10
NAV/share (Rs)	142	169	195	222	246
Change in NAV (%)	(27.1)	(13.4)	-	13.5	26.1

Source : Company, HDFC sec Inst Research

Sensitivity of NAV to changes in sale inflation

- In our base case, we have assumed annual sale price inflation of 5%. For every 100bps increase in the annual sale price inflation, the NAV will increase by approximately 6.9%.

NAV Sensitivity To Change In Sales Inflation

Sales inflation rates (%)	3	4	5	6	7
NAV/share (Rs)	169	182	195	209	222
Change in NAV (%)	(13.4)	(6.7)	-	6.9	13.7

Source: Company, HDFC sec Inst Research

Sensitivity of NAV to changes in cost inflation

- In our base case, we have assumed cost inflation to be 6%. For every 100bps increase in construction cost inflation, the NAV will change by approximately 4.5%.

NAV Sensitivity To Change In Cost Inflation

Cost inflation rates (%)	4	5	6	7	8
NAV/share (Rs)	213	204	195	186	177
Change in NAV (%)	9.2	4.6	-	(4.5)	(9.1)

Source : Company, HDFC sec Inst Research

The combined impact of a 100bps increase in sale price inflation and cost inflation will be a NAV increase of 2.4%.

Sensitivity of NAV to changes in discount rate

- In our base case, we have assumed a discount rate of 14%. For every 100bps increase in the discount rate, the NAV will fall by ~5.1%.

NAV Sensitivity To Change In Wacc

WACC rates (%)	12	13	14	15	16
NAV/share (Rs)	215	205	195	185	175
Change in NAV (%)	10.3	5.2	-	(5.1)	(10.2)

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	6,966	7,538	9,656	8,674	11,100
Growth (%)	(8.8)	8.2	28.1	(10.2)	28.0
Material Expenses	3,798	4,252	6,082	5,216	6,767
Employee Expenses	428	480	422	450	496
Other Operating Expenses	696	821	753	718	790
EBIDTA	2,044	1,984	2,400	2,290	3,048
EBIDTA (%)	29.3	26.3	24.9	26.4	27.5
EBIDTA Growth (%)	(7.5)	(2.9)	21.0	(4.6)	33.1
Other Income	117	165	82	113	119
Depreciation	101	152	149	160	157
EBIT	2,060	1,998	2,334	2,243	3,010
Interest	440	840	860	741	712
PBT	1,621	1,157	1,473	1,502	2,298
Tax	602	535	624	601	873
PAT	1,018	623	849	901	1,425
Minority Interest	(365)	(27)	26	(72)	(171)
APAT	653	596	875	829	1,254
APAT Growth (%)	(29.0)	(8.8)	46.9	(5.2)	51.2
EPS	8.6	7.9	11.5	10.9	16.5
EPS Growth (%)	(29.0)	(8.8)	46.9	(5.2)	51.2

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
SOURCES OF FUNDS					
Share Capital	758	758	758	758	758
Reserves	7,657	8,016	8,631	9,320	10,408
Total Shareholders Funds	8,415	8,774	9,389	10,077	11,165
Minority Interest	1,926	2,886	2,964	3,036	3,207
Long Term Debt	3,387	5,932	4,982	5,082	4,582
Short Term Debt	398	-	-	-	-
Total Debt	3,785	5,932	4,982	5,082	4,582
Deferred Taxes	(60)	(66)	(66)	(66)	(66)
Long Term Provisions & Others	-	-	-	-	-
TOTAL SOURCES OF FUNDS	14,065	17,527	17,270	18,131	18,890
APPLICATION OF FUNDS					
Net Block	972	1,066	1,066	1,026	1,069
CWIP	109	126	126	126	126
Goodwill	218	1,192	1,192	1,192	1,192
Inv, LT Loans & Advances	61	28	48	68	88
Inventories	14,672	17,382	19,447	20,914	21,288
Debtors	1,009	1,418	1,621	1,545	1,825
Cash & Equivalent	405	823	130	271	647
ST Loans & Advances, Others	3,922	3,517	3,545	3,748	3,601
Total Current Assets	20,008	23,139	24,743	26,478	27,361
Creditors	1,175	1,400	1,540	1,694	1,863
Other Current Liabilities & Provns	6,127	6,625	8,365	9,066	9,083
Total Current Liabilities	7,302	8,024	9,904	10,759	10,946
Net Current Assets	12,706	15,115	14,838	15,719	16,415
TOTAL APPLICATION OF FUNDS	14,065	17,527	17,270	18,131	18,890

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

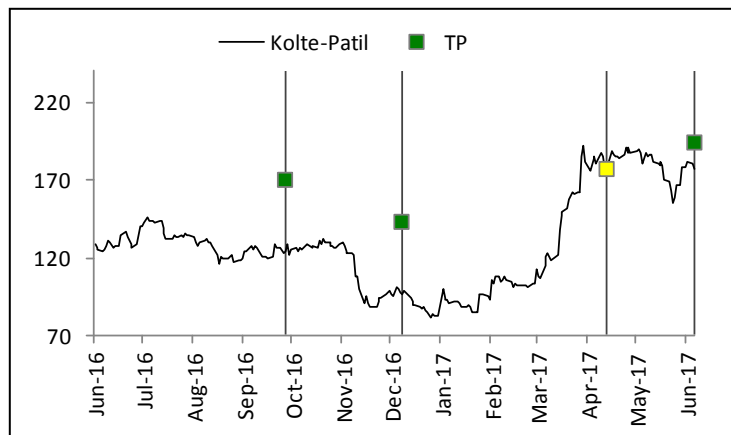
Y/E March (Rs mn)	FY15	FY16	FY17E	FY18E	FY19E
PBT before minority	1,621	1,282	1,348	1,502	2,298
Non-operating & EO items	(106)	(121)	(161)	(113)	(119)
Taxes	(595)	(622)	(566)	(601)	(873)
Interest expenses	440	591	788	741	712
Depreciation	101	116	140	160	157
Working Capital Change	(1,116)	(1,027)	(416)	(740)	(321)
OPERATING CASH FLOW (a)	344	219	1,132	950	1,854
Capex	(144)	(215)	(140)	(120)	(200)
Free cash flow (FCF)	200	4	992	830	1,654
Investments	148	(1,517)	141	93	99
INVESTING CASH FLOW (b)	4	(1,732)	1	(27)	(101)
Share capital Issuance	-	-	-	-	-
Debt Issuance	239	2,770	(950)	100	(500)
Interest expenses	(527)	(528)	(788)	(741)	(712)
Dividend	(246)	(421)	(89)	(141)	(166)
FINANCING CASH FLOW (c)	(534)	1,822	(1,827)	(782)	(1,377)
NET CASH FLOW (a+b+c)	(186)	310	(693)	141	375
Opening Cash	691	405	823	130	271
Closing Cash & Equivalents	505	715	130	271	647

Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

Y/E March	FY15	FY16	FY17E	FY18E	FY19E
PROFITABILITY (%)					
GPM	45.5	43.6	37.0	39.9	39.0
EBITDA Margin	29.3	26.3	24.9	26.4	27.5
EBIT Margin	29.6	26.5	24.2	25.9	27.1
APAT Margin	9.4	7.9	9.1	9.6	11.3
RoE	7.9	6.9	9.6	8.5	11.8
Core RoCE	17.4	11.2	15.0	14.1	19.0
RoCE	15.3	12.7	13.4	12.7	16.3
EFFICIENCY					
Tax Rate (%)	37.2	46.2	42.4	40.0	38.0
Asset Turnover (x)	0.5	0.4	0.6	0.5	0.6
Inventory (days)	717	776	696	849	694
Debtors (days)	49	59	57	67	55
Payables (days)	60	62	56	68	58
Cash Conversion Cycle (days)	706	772	698	848	691
Debt/EBITDA (x)	1.9	3.0	2.1	2.2	1.5
Net D/E	0.4	0.6	0.5	0.5	0.4
Interest Coverage	4.7	2.4	2.7	3.0	4.2
PER SHARE DATA					
EPS (Rs/sh)	8.6	7.9	11.5	10.9	16.5
CEPS (Rs/sh)	9.9	9.9	13.5	13.1	18.6
DPS (Rs/sh)	1.3	1.2	1.9	2.2	3.3
BV (Rs/sh)	111.1	115.8	123.9	133.0	147.4
VALUATION					
P/E	20.5	22.5	15.3	16.2	10.7
P/BV	1.6	1.5	1.4	1.3	1.2
EV/EBITDA	8.2	9.3	7.6	8.0	5.7
OCF/EV (%)	2.0	1.2	0.1	0.1	0.1
FCF/EV (%)	1.2	0.0	5.4	4.6	9.5
FCFE/Market Cap	3.3	20.7	0.3	6.9	8.6
Dividend Yield (%)	0.7	0.7	1.0	1.2	1.9

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY


Date	CMP	Reco	Target
26-Sep-16	123	BUY	171
7-Dec-16	98	BUY	144
13-Apr-17	177	NEU	177
7-Jun-17	177	BUY	195

Rating Definitions

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

INSTITUTIONAL RESEARCH

Disclosure:

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