

Initiating Coverage Note

Mahindra CIE

24th February 2020

Mahesh Bendre

Brief Overview

CMP (INR) (As on 24th Feb. 2020)	148
Target (INR)	241
Upside(%)	63%
Recommendation	Strong Buy
BSE Code	532756
NSE Code	MAHINDCIE
Reuters Ticker	MAHN.NS
Bloomberg Ticker	MACA.IN

Stock Scan

Market cap (INR bn)	56.1
Outstanding Shares (mn.)	379
Face Value (INR)	10
Dividend Yield(%)	-
TTM P/E (x)	12.2
Industry P/E (x)	26.3
Debt/Equity (x)	0.3
Beta vs. Nifty	1.0
52 Week High/ Low (INR)	255/135
Avg. Daily Volume (NSE)/1yr	230,143

Shareholding Pattern (%)

	Dec-2019	Sep-2019	Jun-2019
Promoters	67.69	67.69	67.69
Institutions	20.63	17.61	17.39
Non-Institution	11.68	14.70	14.92

Growth Oriented MNC at Reasonable Valuations

We believe MHCIE is likely to be a beneficiary of cyclical upturn in Indian auto sector from H2CY20 along with its strategy of penetrating into new customers and product technologies. We expect MHCIE to report 13.4% PAT CAGR through CY19-21E. In a stable state scenario MHCIE is expected to generate ~Rs19.6bn operating cash and ~Rs10bn free cash over CY19-21E. Its return ratios have been depressed due to goodwill on its balance sheet (Rs35.6bn -79% of its net worth). Net of goodwill it's ROE and ROCE stands at 26.3% and 21.6% by CY21. MHCIE Stock at Rs148 is trading at PE of 9.2x CY21E earnings and EV/EBITDA of 4.6x. We believe stock is highly undervalued. Initiate coverage on the stock with target price of Rs241 (PE of 15x CY21E)

- ◆ MHCIE is a most diversified India based auto MNC and only auto component Company in India which has a presence across manufacturing processes like Forging, Casting, Stamping and Magnetic Products.
- ◆ Post its alliance with CIE in 2014; the Company has consolidated its business model by improving its plant operations, adding new business segments and strengthening its balance sheet.
- ◆ Under a new phase, it is planning to expand its operations through combination of organic and inorganic route for (a) access to new customers especially Japanese and Korean OEMs in India (b) access to aluminum and plastics in India and (c) Access to ASEAN market.
- ◆ We believe MHCIE is also likely to have a strong head start to address EV component opportunity in India by leveraging its Parents expertise.
- ◆ We expect MHCIE to report 13.4% PAT CAGR through CY19-21E. MHCIE is expected to generate ~Rs19.6bn operating cash and ~Rs10bn free cash over CY19-21E which it plans to utilize for growth.
- ◆ Its return ratios have been depressed due to goodwill on its balance sheet (Rs35.6bn -79% of its net worth). Net of goodwill it's ROE and ROCE stands at 26.3% and 21.6% by CY21.
- ◆ Stock at Rs148 is trading at PE of 9.2x CY21E earnings and EV/EBITDA of 4.6x. We believe MHCIE is likely to be a beneficiary of cyclical upturn in Indian auto sector from H2CY20 along with its strategy of penetrating into new customers and product technologies. We initiate coverage on the stock with a target price of Rs241 (PE of 15x CY21E)

Financial Performance at a glance

Rs mn	CY17	CY18	CY19E	CY20E	CY21E
Net Sales	65,709	80,315	80,880	85,990	91,994
Growth %	10.5	17.1	-3.9	14	12.8
EBITDA	9,648	10,510	9,704	10,971	12,432
Margin (%)	14.7%	13.1%	12.0%	12.8%	13.5%
Net Profit	5,240	5,485	4,734	5,191	6,084
Margin (%)	8.0%	6.8%	5.9%	6.0%	6.6%
EPS	13.8	14.5	12.5	13.7	16.1
BVPS	98.2	113.2	125.7	139.4	155.5
P / E (x)	10.7	10.2	11.8	10.8	9.2
P / BV (x)	1.5	1.3	1.2	1.1	1.0
EV/EBITDA (x)	6.8	6.0	7.0	5.7	4.6
ROE (Net of Goodwill)	73.4%	49.1%	33.1%	29.7%	26.3%
ROCE (Net of Goodwill)	31.3%	25.3%	18.3%	19.5%	21.6%

Source: SMIFS Research

BUSINESS STRUCTURE

Following is the business structure of MHCIE across its business verticals and operational geography.

Geography	Verticals	CY18 Sales	%	Main Products	Focus Areas	Key Customers
India	Stampings Division	10,077	12%	Sheet Metal Stampings	PV & UV	M&M, Tata Motors
	Castings Division	5,269	6%	Turbocharger Housings, Axle & Transmission Parts	PV, UV and Tractors	M&M, Hyundai, JCB, Cummins Turbo
	Forgings Division	5,312	7%	Crankshafts, Stub Axles	PV, UV and Tractors	M&M, Maruti, Tata Motors
	Bill Forge Forgings Division	8,737	11%	2W-Steering Races & Engine Vavle, Steering Yokes, Wheel Hubs	PV & 2W	Hero, Bajaj, HMSI, TVS Ford, GKN, NTN, Nexteer, RaneNSK
	Gears Division	2,333	3%	Engine Gears, Transmission Gears	PV, UV and Tractors	M&M, Turner, Eaton, NHFI
	Magnetic Products Division	1,210	1%	Soft and Hard Magnets, Magnetic Induction Lighting	PV & UV, 2w, Exports	Denso TVS, Nippon Electricals, Bajaj Auto
	Composites Division	1,092	1%	Components and Products	Electrical Switchgear, Auto Components	L&T Switchgear, M&M, Volvo Eicher
Europe	Mahindra Forgings Europe	42,058	52%	Forged and Machined parts, Front Axle Beams and Pistons	Heavy Commercial Vehicles	Daimler AG, Scania, Man, DAF, KS, Mahle, ZF, KION, Linde, AGCO
	CIE Forgings			Crankshafts, Common Rail, Stubs	PV	VW, BMW, Mercedes, Audi, Reanult, Fiat
	Metal castello	5,572	7%	Engine Gears, Transmission Drive shafts	Tractors, Const & Earthmoving Equipment	John Deere, Eaton, CNH

Source: Company Data

Investment Positives

Strategic alliance – Entry into Elite MNC list

In December 2014, the Mahindra forging and CIE Automotive of Spain came together to form a strategic alliance wherein CIE Automotive became the majority shareholder in the new entity. New entity Mahindra CIE (MHCIE) is currently operating under new leadership of CIE Automotive Company (largest shareholder with 56% stake) followed by M&M (11% stake).

Cumulative performance Post Alliance FY15-CY18

Post its alliance in 2014, the combined entity (MHCIE) has reported highly impressive performance across multiple parameters. Following are the details over FY15-CY18

- Sales up by 44% (Rs55.7bn to Rs80.3bn)
- EBITDA margins up by 518bps (7.9% to 13%)
- PAT up by 271% (Rs 1.5bn to Rs5.5bn)
- ROE has improved from 11.6% to 13.7%
- Net Debt/ Equity down from 0.8 to 0.3.

Unique Product Portfolio in India

MHCIE is only auto Component Company in India which has a presence across various manufacturing processes like Forging, Casting, Stamping and Magnetic Products. Recently it has also entered into Aluminum Die Casting and Machining process in India. Going forward, the Company plans to enter into Plastic component segment for Automobile application. We believe, highly diversified product portfolio provides MHCIE an added advantage in terms of offering complete product solutions to Auto OEM's in India.

Manufacturing Process	Contribution to Sales
Forging	66%
Casting	13%
Stamping	9%
Gears (India)	9%
Magnetic (India)	1%
Composites (India)	1%
Total	100%

Source: Company Data

CIE Parentage benefit to MHCIE

CIE Parentage has opened up significant business opportunities for MHCIE in the medium to long term. These are as follows

- CIE is planning to use MHCIE as growth vehicle in Asia to tap opportunity organically and inorganically.
- CIE has already indicated that all its operations in Asia (MHCIE + CIE) are likely to be consolidated in MHCIE. (Merging of CIE's remaining forging plants in Brazil, Mexico and China with MHCIE).
- Introduction of CIE Stable products (including EV components) in India through MHCIE.
- CIE is likely to use MHCIE as a forgings component export hub due its cost competitiveness for its global operations.

We understand, MHCIE's relationship with CIE not only offers him growth opportunities but also enable it to improve its operational efficiency.

EV Component Supply – MHCIE to be at the front end

According to CIE Management, CIE has developed and supplying new electric vehicles (EVs) products in Europe as it foresee evolving high growth opportunities in the segment. These products are as follows

- Aluminum and Machining components (platine assemblies, battery supporter, end plate and housing trans case).
- Metal Stamping (battery structure, winding hub, battery cover),
- Stamping and Welding components (corners, skid plates, floor, battery wall, cross member)
- Rotor components.

CIE is currently supplying these products to leading international EV OEMs like Nissan, Renault, Bosch, Tesla, Mahindra Reva, Magneti Marelli etc. We understand, CIE's expertise in EV components is likely to help MHCIE to address the market opportunity in India and offer the product to Indian OEM's.

CIE Automotive – High Growth Oriented European Auto Component Company

Spain based CIE Automotive is an industrial group involved in supplying auto Components to the global automotive market. The Company has 113 manufacturing plants across Europe, USA, Asia and Africa. It has successful M&A track record with almost ~100 M&A transactions since 1996.

Product Portfolio	Forging	Aluminum	Casting	Machining	Stamping	Plastic	Roof Systems
CIE Automotive	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MHCIE	Yes	Yes	Yes	Yes	Yes	No	No

CIE is known for its disciplined investing and stringent return hurdles and has achieved ~12% sales CAGR and 15%+ EBITDA CAGR over CY02 -18. The Company remains highly profitable due to specialized factories, automation and sustainable plant efficiency. Over the last 16 years the company has to maintain its EBITDA margins in the range of 11.4% - 14.8% (average 14%) despite high business volatility.

CY18 (Rs Mn)	Sales	EBITDA	PAT	Mcap
CIE Automotive	239,331	41,791	19,181	204610
MHCIE	69,805	10,510	5,485	64,396
MHCIE % of CIE	29.2%	25.1%	28.6%	31.5%

Source: Company Data

Plastic and Aluminum casting - Entry into new Technologies

MHCIE's parent, CIE has identified 5 auto component manufacturing related technologies which it believes are likely to play important role globally going forward. These technologies are

- Forgings
- Machining
- Stamping & Casting
- Aluminum
- Plastics

At present MHCIE supplies products in the first four categories (i.e. Forgings, Machining, Stamping & Casting and Aluminum). However, MHCIE has nominal presence in the Aluminum and no presence in Plastic components. We understand, MHCIE is likely to follow inorganic route to develop its presence in plastic components related technologies in India. In addition it is also likely to get benefit from CIE's aluminum and plastic related technology expertise going forward.

High Growth prospects in Indian Operations

In India, MHCIE is planning to grow its operations by (1) enhancing penetration within its existing customers and products (2) adding new customers and products in its portfolio and (c) entry into plastics and aluminum segment in a major way. MHCIE also plans to grow its operations inorganically by selectively acquiring Companies which are likely to offer it (a) New customer base especially Japanese and Korean OEMs operating in India in India (b) Access to plastics and aluminum component technology and production facilities in India and (c) Market access in ASEAN market. The Company's top three customers include M&M (~14% of sales), Daimler (~13% of sales) and Renault Nissan (~6% of sales). Post CIE take over, MHCIE has added Ashok Leyland, Renault, Kia, PSA, ZF gears etc. as new customers. It has already started supplying Cast crankshafts to Kia Motors in its Indian operations. MHCIE has also been nominated by Kia for EV components supply in India. Recently MHCIE has closed down its UK plant (Stokes) and transferred some business to Bill Forge, its forging division in India. This transfer has added JLR, Volvo and Honda in to Bill Forge's portfolio. We expect MHCIE's Indian business to grow at 13.4% CAGR over CY19-21E without considering inorganic opportunity.

Acquisitions by MHCIE	Date	Consideration	Details
Bill Forge	Sep-16	Rs13.3bn	Leading precision forging company with 6 manufacturing facilities. It is a crucial supplier to a number of domestic and global two-wheeler and passenger car OEMs and Tier 1 auto component companies. It manufactures a variety of cold, warm, hot forged and machined components primarily for steering, transmission and wheel-related assemblies.
Aurangabad Electricals	Mar-19	Rs8.8bn	Aluminum die casting company for two wheelers & passenger cars primarily in the areas of body, brake & engine parts. AEL dependent on 2W market& especially Bajaj Auto

Source: Company Data

Stable European Business outlook

In the European business, MHCIE plans to grow its operations along with the market growth in Spain, UK, Lithuania and Italy geography by investing selectively. The Company is planning to reduce low volume and non-profitable business across its German plants related to CV market. At the same time it plans to scale up its PV and gears business in Europe. Thus decline in CV business is likely to be offset by PV segment. Its main focus is likely to be on refining existing product portfolio and optimizing existing product-process-locations resulting in improved operational and financial performance. We anticipate MHCIE's European business to grow at nominal 1% CAGR over CY19-21E.

Assumptions

MHCIE Snapshot	CY16	CY17	CY18	CY19E	CY20E	CY21E
Sales (Rs Mn)						
MHCIE (India)	18,864	26,293	33,525	35,839	40,961	46,065
MHCIE (Overseas)	34,335	37,986	46,790	45,041	45,028	45,929
MHCIE (Consolidate)	53,199	64,279	80,315	80,880	85,990	91,994
Contribution						
MHCIE (India)	35%	41%	42%	44%	48%	50%
MHCIE (Overseas)	65%	59%	58%	56%	52%	50%
MHCIE (Consolidate)	100%	100%	100%	100%	100%	100%
Growth						
MHCIE (India)	47.6%	39.4%	27.5%	6.9%	14.3%	12.5%
MHCIE (Overseas)	26.1%	10.6%	23.2%	-3.7%	0.0%	2.0%
MHCIE (Consolidate)	33.0%	20.8%	24.9%	0.7%	6.3%	7.0%
EBITDA						
India	1,444	2,500	3,042	3,062	3,894	4,749
Bill Forge	254	1,315	1,597	1,238	1,447	1,621
Europe	3,613	4,865	5,872	5,405	5,629	6,063
Total	5,311	8,680	10,511	9,705	10,970	12,432
Contribution						
India	27%	29%	29%	32%	35%	38%
Bill Forge	5%	15%	15%	13%	13%	13%
Europe	68%	56%	56%	56%	51%	49%
Total	100%	100%	100%	100%	100%	100%
Margins						
India	9.0%	14.5%	13.8%	12.0%	13.0%	13.8%
Europe	10.5%	12.8%	12.5%	12.0%	12.5%	13.2%
Total	10.0%	13.5%	13.1%	12.0%	12.8%	13.5%

Source: Company Data/ Stewart and Mackertich Estimates

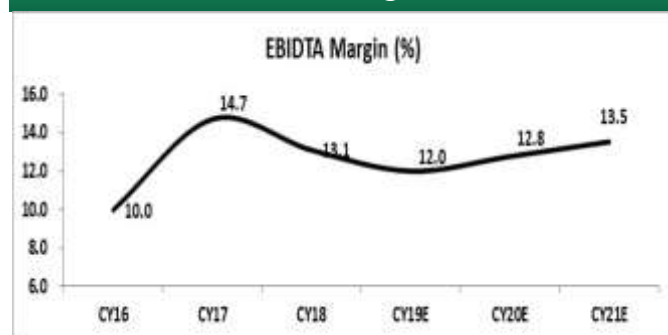
Financial Performance

Sales (Rs Bn)



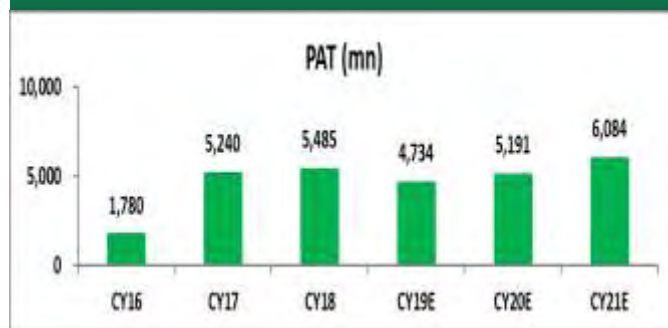
Source: Company Data and Stewart & Mackertich Estimates

EBITDA Margins %



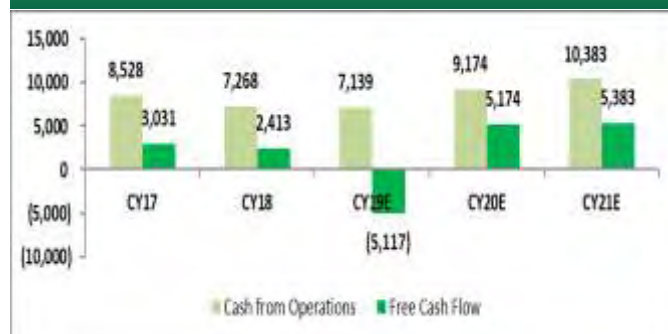
Source: Company Data and Stewart & Mackertich Estimates

PAT (Rs Mn)



Source: Company Data and Stewart & Mackertich Estimates

High Cash Generation:



Source: Stewart & Mackertich Estimates

Sales to grow at 6.6% CAGR over CY19-21E

We expect MHCIE to report 6.6% sales CAGR through CY19-21E. MHCIE's India operations (44% of CY19E consolidates sales) are expected to grow 13.4% sales CAGR led by MHCIE's overall business portfolio. We have not factored in any market share gains, exports ramp up from India and inorganic growth foray by the company in our MHCIE India sales estimates. Its European operations (56% of CY19E consolidates sales) are expected to grow at a flat rate through CY19-21E as the company plans to grow its operations in line with European automotive market with selective investment.

EBITDA Margins to Expand

We expect MHCIE to report 12.8% and 13.5% EBITDA margins in CY20 and CY21 respectively. MHCIE is expected to report 12% EBITDA margins in CY19E which we believe, is likely to keep improving on account of various cost cutting and productivity enhancement initiatives taken by the Company in its Indian and European units. Given the CIE's track record of maintaining 14%+ average margins over CY02-18 in European cost structure, we understand, MHCIE has all the ingredients and potential to achieve 14%+ margins over the next 2-3 years at consolidated level.

PAT to grow at 13.4% CAGR over CY19-21E

We expect MHCIE to report 13.4% PAT CAGR through CY19-21E on the back of 6.6% sales CAGR and 150bps EBITDA margin expansion during the same period.

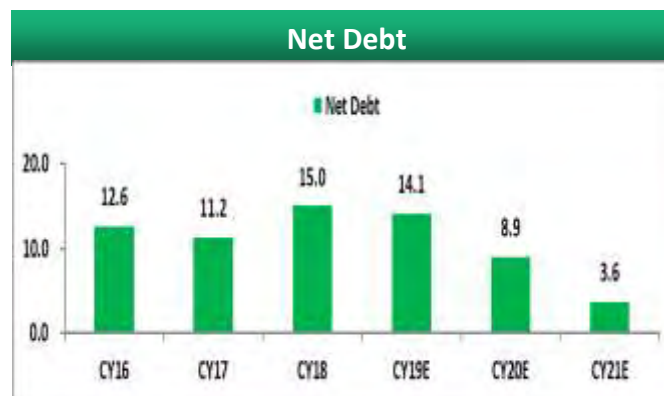
High Cash Generation

In a stable state scenario, MHCIE is expected to generate Rs9bn+ operating cash and Rs5bn+ free cash per year over the CY19-21E which the Company plans to utilize for growth and debt repayment.

Financial Performance

Journey towards Net-Debt Free Status

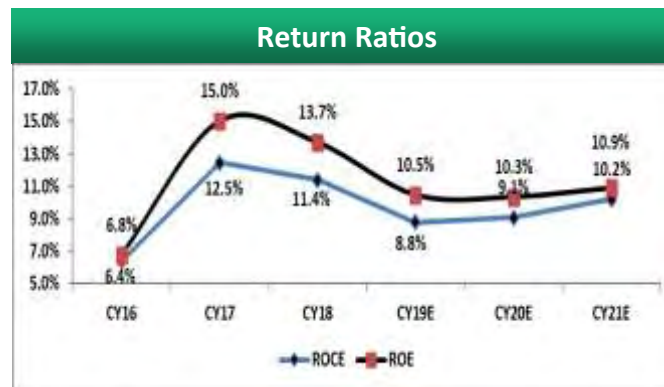
Based on strong operating cash flow generation and normal maintenance capex during CY19-21E, MHCIE is expected to become almost net debt free entity in CFY21.



Source: Company Data and Stewart & Mackertich Estimates

Return Ratios to improve further

Margin expansion, strong cash generation and decline in debt is likely to increase return on equity of MHCIE from 10.5% to 10.9% through CY19-21E. ROCE is also likely to inch up from 8.8% to 10.2%



Source: Company Data and Stewart & Mackertich Estimates

MHCIE's return ratios have been depressed due to goodwill on its balance sheet (Rs35.6bn -79% of its net worth). Net of goodwill it's ROE and ROCE stands at 26.3% and 21.6% by CY21

Rsmn	CY17	CY18	CY19E	CY20E	CY21E
Net worth	37,156	42,891	47,625	52,816	58,900
Goodwill	28,489	29,212	32,715	32,715	32,715
Goodwill % of Net-worth	77%	68%	69%	62%	56%
ROCE	12.5%	11.4%	8.8%	9.1%	10.2%
ROE	15.0%	13.7%	10.5%	10.3%	10.9%
ROE (Net of Goodwill)	73.4%	49.1%	33.1%	29.7%	26.3%
ROCE (Net of Goodwill)	31.3%	25.3%	18.3%	19.5%	21.6%

Source: Company Data and Stewart & Mackertich Estimates

Relative Valuations

Company	CMP	Mcap (Rs mn)
Bharat Forge	462	215,410
Motherson Sumi	114	361,878
Mahindra CIE	148	56,063
CIE Automotive**	27.58	3,576
Thyssen Krup**	22.72	12,897

Source: Stewart & Mackertich Estimate, Bloomberg, (** mn Euro)

Financial Metrics

Company	Sales (Rs mn)		EBITDA (%)		PAT (Rs mn)		ROE (%)	
	FY21E/ CY20E	FY22E/ CY21E	FY21E/ CY20E	FY22E/ CY21E	FY21E/ CY20E	FY22E/ CY21E	FY21E/ CY20E	FY22E/ CY21E
Bharat Forge	91,849	104,373	23.0%	23.5%	11,565	14,007	23%	24%
Motherson Sumi	715,173	765,205	9.2%	9.9%	20,480	24,818	16.3%	17.8%
Mahindra CIE	85,990	91,994	12.8%	13.5%	5,191	6,084	10.3%	10.9%
CIE Automotive**	304,818	321,512	17.5%	17.6%	24,577	26,741	30.0%	26.8%
Thyssen Krup**	3,289,778	3,285,759	5.9%	6.9%	41,889	60,824	28.3%	36.6%

Source: Stewart and Mackertich Estimates / Bloomberg Estimates (** mn Euro)

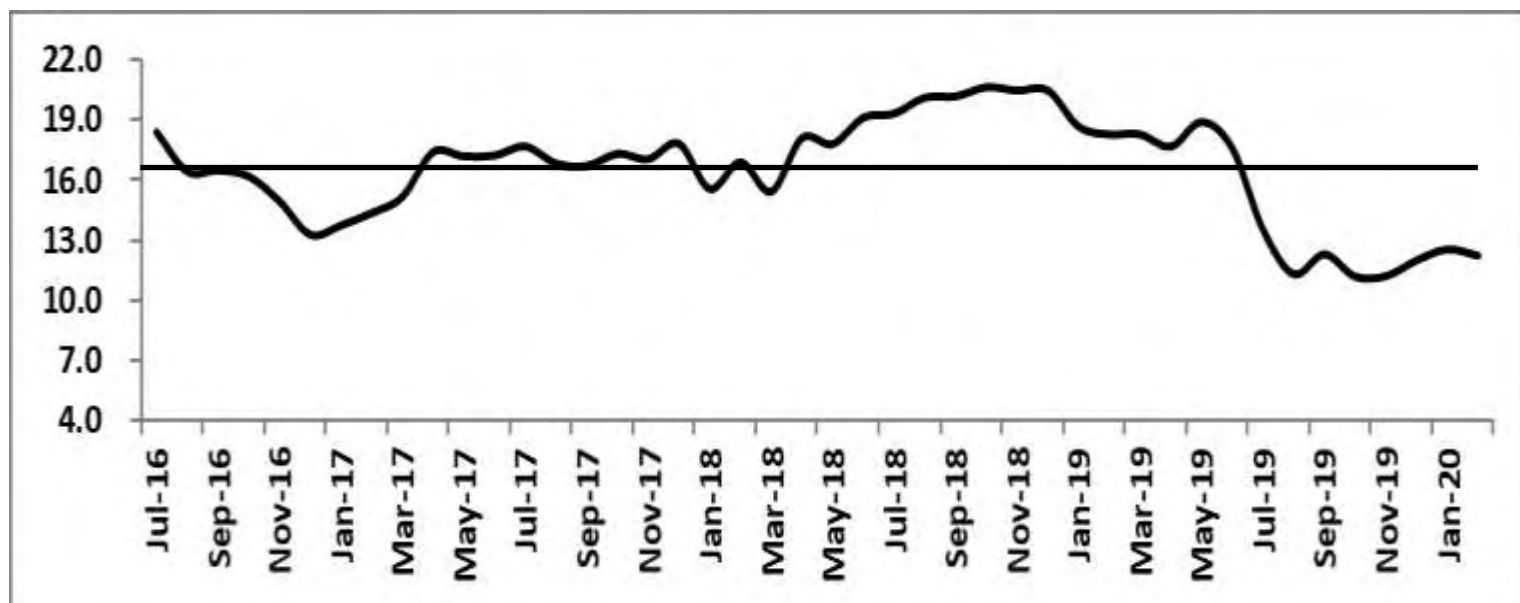
Valuation Metrics

Company	PE (x)		EV/EBITDA		P/B (x)	
	FY21E/CY20E	FY22E/CY21E	FY21E/CY20E	FY22E/CY21E	FY21E/CY20E	FY22E/CY21E
Bharat Forge	27.2	23.5	15.4	13.4	5.8	4.9
Motherson Sumi	17.2	14.9	6.9	6.1	5.5	5.1
Mahindra CIE	10.8	9.2	5.7	4.6	1.1	1.0
CIE Automotive	8.1	7.6	6.6	6.23	2.7	2.3
Thyssen Krup	12.3	8.1	4.8	4.03	2.4	1.8

Source: Stewart and Mackertich Estimates / Bloomberg Estimates

PE Band – Stock is at ~26% Discount

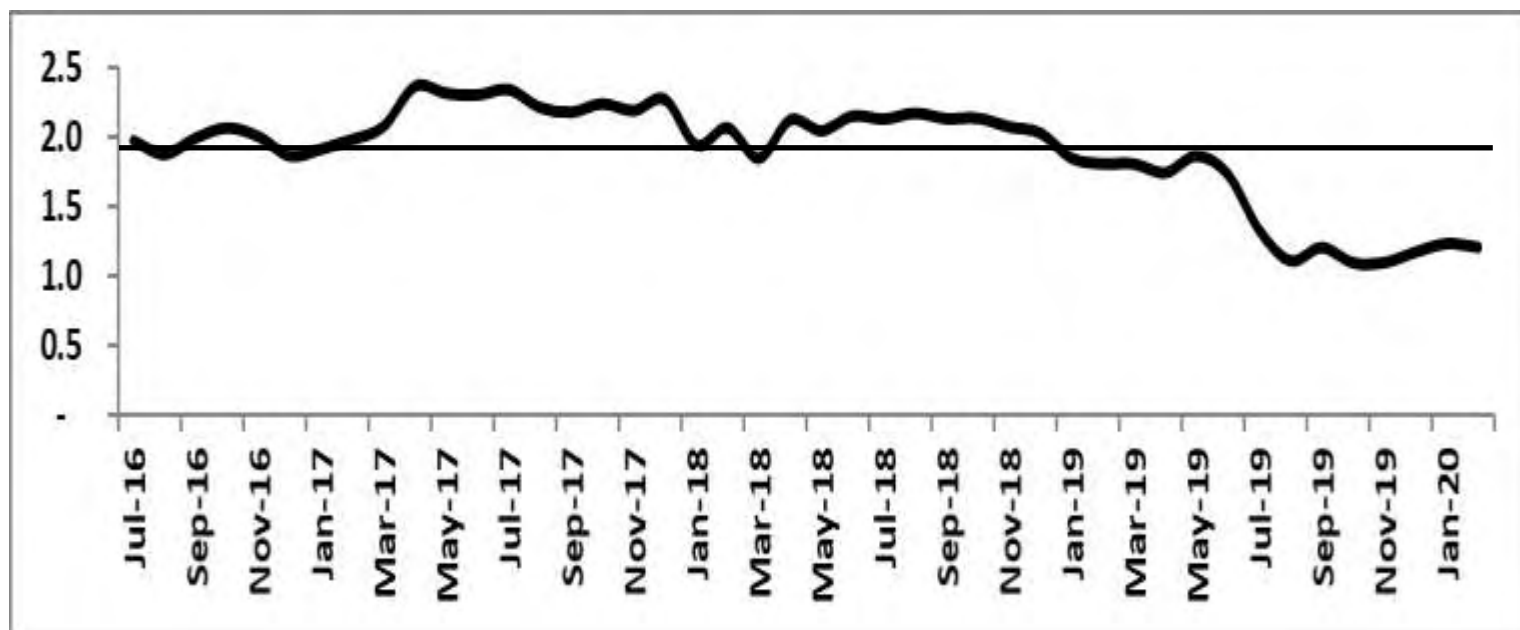
Over the last 3.5 years, MHCIE stock has traded at an average 12M forward PE of 16.4x. Based on our estimates, the stock is currently trading at ~26% discount to its long term average PER.



Source: Stewart and Mackertich

PB Band - Stock is at ~40% Discount

Over the last 3.5 years, MHCIE stock has traded at an average 12M forward P/B of 2x. Based on our estimates, the stock is currently trading at ~40% discount to its long term average P/B ratio.



Source: Stewart and Mackertich

Outlook and Valuations – Strong Buy

We believe MHCIE is likely to be a beneficiary of cyclical upturn in Indian auto sector from H2CY20 along with its strategy of penetrating into new customers and product technologies. We expect MHCIE to report 13.4% PAT CAGR through CY19-21E. In a stable state scenario MHCIE is expected to generate ~Rs19.6bn operating cash and ~Rs10bn free cash over CY19-21E. Its return ratios have been depressed due to goodwill on its balance sheet (Rs35.6bn - 79% of its net worth). Net of goodwill its ROE and ROCE stands at 26.3% and 21.6% by CY21. MHCIE Stock at Rs148 is trading at PE of 9.2x CY21E earnings and EV/EBITDA of 4.6x. We believe stock is highly undervalued. Initiate coverage on the stock with target price of Rs241 (PE of 15x CY21E).

Risk to Estimates and Recommendations

- MHCIE generates ~55%+ of its sales from European market. Any prolonged slowdown in the European market may likely to impact the Company's business and its operating business.
- Any extended impact of Corona virus breakout in china and other Asian countries could impact demand environment and its operating performance of MHCIE.

Financial Performance

Income Statement

Particulars	CY17	CY18	CY19E	CY20E	CY21E
Net sales	65,709	80,315	80,880	85,990	91,994
YoY (%)	23.5	22.2	0.7	6.3	7.0
Raw Material	28,162	36,316	37,785	39,742	42,425
Employee Cost	11,527	13,297	13,381	14,088	14,910
SGA cost	16,372	20,192	20,011	21,189	22,227
Total Expenses	56,061	69,805	71,176	75,018	79,561
EBIDTA	9,648	10,510	9,704	10,971	12,432
Margin (%)	14.7	13.1	12.0	12.8	13.5
Depreciation	2,683	2,867	3,188	3,757	4,160
EBIT	6,965	7,643	6,516	7,214	8,273
Interest	510	502	466	376	227
Other Income	268	387	525	372	405
PBT	6,723	7,528	6,575	7,209	8,450
(-) Tax	1,483	2,043	1,841	2,019	2,366
Tax/ PBT	22.1	27.1	28.0	28.0	28.0
PAT	5,240	5,485	4,734	5,191	6,084
YoY (%)	194.4	4.7	(13.7)	9.6	17.2
PAT (%)	8.0%	6.8%	5.9%	6.0%	6.6%
Extraordinary Items	-68	0	0	0	0
Reported PAT	5,172	5,485	4,734	5,191	6,084

Balance Sheet

Particulars	CY17	CY18	CY19E	CY20E	CY21E
Equity Capital	3,784	3,788	3,788	3,788	3,788
Reserves	33,372	39,103	43,837	49,028	55,112
Net worth	37,156	42,891	47,625	52,816	58,900
Total Loans	11,969	16,134	15,134	10,134	5,134
Def Tax Liability	(1630)	(1565)	(1565)	(1565)	(1565)
Total Liabilities	47,495	57,459	61,193	61,384	62,468
Gross Block	27,600	31,294	40,047	44,047	49,047
Acc. Depreciation	8,586	11,454	14,641	18,399	22,558
Net Block	19,014	19,840	25,406	25,649	26,489
CWIP	602	960	960	960	960
Investments and Other	2,006	8,428	2,428	2,428	2,429
Goodwill	28,489	29,212	32,715	32,715	32,715
Inventories	9,898	12,286	12,492	13,139	14,026
Debtors	5,984	7,414	6,746	7,173	7,673
Cash	719	1,127	1,010	1,184	1,566
Other Current Assets	3487	1410	2818	2996	3205
Loans and Advances	2,431	1,418	1,428	1,518	1,624
Current Assets	22,520	23,655	24,494	26,009	28,094
Current Liabilities	21,492	20,699	20,844	22,161	23,708
Provisions	3,644	3,937	3,965	4,215	4,510
Net Current Assets	(2,617)	(981)	(315)	(367)	(124)
Total Assets	47,495	57,459	61,193	61,384	62,468

Financial Performance

Cash Flow Statement

Particulars	CY17	CY18	CY19E	CY20E	CY21E
Net profit	5,172	5,485	4,734	5,191	6,084
Depreciation	2,683	2,867	3,188	3,757	4,160
Deferred tax	217	144	0	0	0
Change in working cap	456	(1,228)	(782)	226	139
Cash from Operations	8,528	7,268	7,139	9,174	10,383
Capex	(5,497)	(4,854)	(12,256)	(4,000)	(5,000)
Investments	(961)	(6,421)	6,000	0	(1)
Cash from Investments	(6,459)	(11,276)	(6,256)	(4,000)	(5,001)
Free Cash Flow	3,031	2,413	(5,117)	5,174	5,383
Dividend	0	0	0	0	0
Equity	(679)	251	0	0	0
Debt	(1,652)	4,165	(1,000)	(5,000)	(5,000)
Cash from Financing	(2,331)	4,415	(1,000)	(5,000)	(5,000)
Net change in cash	(262)	407	(117)	174	382
Opening cash	981	719	1,127	1,010	1,184
Closing cash	719	1,127	1,010	1,184	1,566

Valuation Ratios

Particulars	CY17	CY18	CY19E	CY20E	CY21E
EPS	13.8	14.5	12.5	13.7	16.1
Book value	98.2	113.2	125.7	139.4	155.5
DPS	0	0	0	0	0
P/E	10.7	10.2	11.8	10.8	9.2
EV/EBDITA (x)	6.8	6.0	7.0	5.7	4.6
P/B (x)	1.5	1.3	1.2	1.1	1.0
EV/Sales	1.1	0.9	0.9	0.8	0.7
ROCE	12.5%	11.4%	8.8%	9.1%	10.2%
ROE	15.0%	13.7%	10.5%	10.3%	10.9%
ROE (Net of Goodwill)	73.4%	49.1%	33.1%	29.7%	26.3%
Net Debt-Equity (x)	0.3	0.3	0.3	0.2	0.1
Gross Asset Turnover	2.6	2.7	2.3	2.0	2.0
Working Capital Days	-17	-12	-8	-6	-6
W/C % of sales	-5.1%	-2.6%	-1.6%	-2%	-2%

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