

## Techno Electric & Engineering Limited

BUY



Asian Markets Securities Pvt. Ltd.

Healthy performance continues.....

### Institutional Research

|             |     |
|-------------|-----|
| CMP (Rs)    | 399 |
| Target (Rs) | 447 |

Nifty: 9,605; Sensex: 31,109

### Key Stock Data

|                       |          |
|-----------------------|----------|
| BSE Code              | 533281   |
| NSE Code              | TECHNO   |
| Bloomberg Code        | TEEC IN  |
| Shares o/s mn (FVRs2) | 114.2    |
| Market Cap (Rsbn)     | 45.3     |
| 52-Week High / Low    | 415/261  |
| 3-M Daily Avg. Vol.   | 1,01,643 |

### Relative Performance

| (%)    | 1m  | 3m  | 12m  |
|--------|-----|-----|------|
| TEEC   | 1.5 | 6.4 | 46.1 |
| NIFTY  | 3.2 | 8.2 | 17.8 |
| SENSEX | 4.0 | 8.2 | 16.7 |

### Shareholding Pattern

| (%)      | Sep16 | Dec16 | Mar17 |
|----------|-------|-------|-------|
| Promoter | 58.0  | 58.0  | 58.0  |
| FII      | 9.3   | 8.4   | 5.3   |
| DII      | 16.5  | 15.3  | 17.9  |
| Others   | 16.2  | 18.3  | 18.8  |

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Techno Electric & Engineering Co Ltd. (TEEC) reported healthy 4QFY17 results with Consolidated revenue increased by 11.0% yoy at Rs 3.6bn, in line with our estimate on the back of 11% growth in EPC segment. Consolidated EBITDA increased by 5.0% yoy & EBITDM decline by 86bp, owing to higher employee cost. APAT grew 429% yoy to Rs429mn on account of adjustment on Tax front. Q4FY16 financials are reinstated and the APAT has reduced from Rs276mn reported earlier to Rs81mn on account of addition of deferred tax of ~Rs190.4mn in Tax liability. The current order book stands healthy at Rs25.5bn and has a strong bidding pipeline. The management continues to be positive on EPC segment and looking at 15-20% revenue growth in FY18. We have incorporated FY17 reported financials, and factored in 17% EPC revenue CAGR during FY18-19 along with EPC EBITM of 14.5%; resulting in a EPS of Rs19.4 in FY18E and Rs23.1 in FY19E. The company has become net cash positive with net cash of ~Rs2bn in FY17. Given the strong order book, high EBITDA margins, efficient working capital management, T&D assets and strong and consistent free cash flow generation, we believe the business continues to be attractive. We maintain BUY with TP of Rs447. We value TEEC on SOTP basis valuing EPC at 20x FY19E earnings, wind business at DCF and the transmission BOT assets on the basis of BV.

**Healthy set of 4QFY17 Consolidated Results:** Consolidated net sales stood at Rs 3.6bn increased by 11% yoy, EBITDA increased by 5% yoy to 544mn in Q4FY17. EBITDAM declined by 86bp yoy to 15% yoy due to higher employee cost. Adjusted PAT stood at Rs429mn up 429% yoy, Q4FY16 financials are reinstated and the APAT has reduced from Rs276mn reported earlier to Rs81mn on account of addition of deferred tax of ~Rs190.4mn in Tax liability. Reported financials of 4QFY17 includes sale of 33MW wind power assets resulting a profit of Rs233mn. However in reported PAT there is a negative impact of this transaction, as the same has attracted higher tax of Rs330mn on this transaction. The same is been adjusted while calculating APAT. Tax is higher on account of higher profit as per Income tax calculation on wind assets sold.

**Segment Wise Performance in Q4FY17/FY17:** TEEC reported healthy 11% yoy growth in EPC revenues, whereas EBITM decline by 133bp yoy to 13.8%, mainly on account of project execution mix. For FY17, EPC revenue grew by 19.4% at Rs12.1bn with a healthy EBITM of 14.6% Vs14.1%. Wind segment revenue in 4QFY17 is up by 14.4% yoy to Rs47mn, whereas EBIT loss on the same after adjusting for profits from wind asset sale, has come down to loss of 59mn Vs loss of RS108mn. For FY17, wind segment revenue grew by 75.8% yoy to Rs1.5bn, on account of better PLF and higher tariff. EBITM also improved significantly in FY17 to 57.9% from 34.2% in FY16.

**Healthy order book and pipeline:** TEEC current order book including L1 orders stood at Rs25.5bn in FY17 end, owing to inflow of Rs11.7bn in FY17. The current order book along with L1 orders reflects ~2.1x book-to-bill ratio suggesting strong visibility and growth in next two years. L1 order include Rs3bn of orders from BOOT project recently won in JV with TEEC and Kalpataru Power.

**Outlook and Valuations:** Consolidated revenues and earnings are likely to increase by CAGR of 14.7% and 13.5% respectively over FY17-19E, lead by strong performance in EPC segment. We have factored in 17% revenue CAGR with 14.5% EBITM for EPC segment during FY17-19E, whereas for wind power we factored in a 20% PLF going forward. Given the strong EPC business, one of the most efficient EPC players, sizable cash balance, wind power assets and potential sale of the assets, value accretive BOOT assets in power T&D side and positive free cash flows; we remain positive on the business. We reiterate BUY with a revised PT of Rs447. We value TEEC on SOTP basis valuing EPC at 20x FY19E earnings, remaining wind business at DCF and the transmission BOT assets on the basis of Book Value.

### Exhibit 1: Key Financials (Consolidated)

| Y/E Mar (Rs mn) | FY15  | FY16   | FY17   | FY18E  | FY19E  |
|-----------------|-------|--------|--------|--------|--------|
| Sales           | 7,939 | 10,972 | 13,567 | 15,062 | 17,860 |
| yoy (%)         | 12.1  | 38.2   | 23.7   | 11.0   | 18.6   |
| EBITDA          | 2,114 | 2,206  | 3,125  | 3,084  | 3,500  |
| yoy (%)         | 9.8   | 4.3    | 41.6   | (1.3)  | 13.5   |
| Adjusted PAT    | 1,051 | 1,043  | 2,024  | 2,185  | 2,606  |
| yoy (%)         | 19.9  | 10.8   | 61.3   | 15.1   | 19.2   |
| Equity          | 114   | 114    | 228    | 225    | 225    |
| EPS             | 18.4  | 18.3   | 18.0   | 19.4   | 23.1   |

Source: Company, AMSEC Research

### Exhibit 2: Key Ratios

| Y/E Mar          | FY15 | FY16 | FY17 | FY18E | FY19E |
|------------------|------|------|------|-------|-------|
| EBITDAM (%)      | 26.6 | 20.1 | 23.0 | 20.5  | 19.6  |
| NPM (%)          | 12.9 | 9.2  | 14.6 | 14.2  | 14.3  |
| Adjusted PER (x) | 43.3 | 43.7 | 22.2 | 20.6  | 17.2  |
| P/BV (x)         | 2.5  | 2.5  | 4.1  | 3.7   | 3.2   |
| EV/Sales (x)     | 3.4  | 2.3  | 3.2  | 2.7   | 2.2   |
| EV/ EBITDA (x)   | 12.7 | 11.4 | 13.7 | 13.1  | 11.1  |
| Core RoACE (%)   | 10.0 | 8.2  | 15.7 | 23.3  | 27.3  |
| Core RoANW (%)   | 12.9 | 11.5 | 30.9 | 35.8  | 39.5  |

**Exhibit 3: Quarterly snapshot (Consolidated)**

| Y/E Mar (Rs mn)                     | 4QFY16       | 1QFY17       | 2QFY17       | 3QFY17       | 4QFY17       | yoy(%)       | qoq (%)       | FY16          | FY17          | yoy (%)     |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|-------------|
| <b>Net Sales</b>                    | <b>3,260</b> | <b>2,709</b> | <b>3,676</b> | <b>3,563</b> | <b>3,619</b> | <b>11.0</b>  | <b>1.6</b>    | <b>10,972</b> | <b>13,567</b> | <b>23.7</b> |
| Cons of Raw Materials               | 2,458        | 1,751        | 2,269        | 2,560        | 2,745        | 11.7         | 7.3           | 7,816         | 9,325         | 19.3        |
| Employee Cost                       | 73           | 72           | 100          | 76           | 97           | 33.0         | 27.4          | 299           | 346           | 15.8        |
| Other Expenditure                   | 211          | 174          | 192          | 173          | 233          | 10.3         | 34.5          | 652           | 772           | 18.3        |
| Total Expenditure                   | 2,742        | 1,998        | 2,561        | 2,809        | 3,075        | 12.2         | 9.5           | 8,766         | 10,442        | 19.1        |
| <b>EBITDA</b>                       | <b>518</b>   | <b>712</b>   | <b>1,115</b> | <b>754</b>   | <b>544</b>   | <b>5.0</b>   | <b>(27.8)</b> | <b>2,206</b>  | <b>3,125</b>  | <b>41.7</b> |
| Add: Other Income                   | 95           | 82           | 56           | 49           | 70           | (25.9)       | 43.8          | 375           | 258           | (31.2)      |
| Interest                            | 109          | 92           | 126          | 80           | 76           | (30.5)       | (5.1)         | 443           | 373           | (15.7)      |
| Depreciation                        | 140          | 133          | 133          | 133          | 110          | (21.3)       | (17.2)        | 494           | 508           | 2.8         |
| Exceptional item                    | -            | 4            | (5)          | -            | 233          | -            | -             | 254           | 233           | (8.1)       |
| <b>Profit Before Tax</b>            | <b>365</b>   | <b>565</b>   | <b>918</b>   | <b>590</b>   | <b>662</b>   | <b>81.6</b>  | <b>12.2</b>   | <b>1,898</b>  | <b>2,735</b>  | <b>44.1</b> |
| Provision for Taxation              | 268          | 84           | 200          | 185          | 367          | 37.0         | 98.3          | 721           | 837           | 16.1        |
| <b>Reported PAT</b>                 | <b>97</b>    | <b>480</b>   | <b>718</b>   | <b>405</b>   | <b>295</b>   | <b>205.3</b> | <b>(27.1)</b> | <b>1,177</b>  | <b>1,899</b>  | <b>61.3</b> |
| Share of profit /loss of associates | (16)         | (0)          | (12)         | 4            | 37           | (338.8)      | 896.3         | 23            | 29            | 24.1        |
| <b>Adjusted PAT</b>                 | <b>81</b>    | <b>484</b>   | <b>702</b>   | <b>409</b>   | <b>429</b>   | <b>428.8</b> | <b>4.9</b>    | <b>1,043</b>  | <b>2,024</b>  | <b>94.0</b> |
| Equity Capital (FQ Rs 2)            | 114          | 114          | 228          | 228          | 228          |              |               | 114           | 228           |             |
| <b>Basic EPS (In Rs.)</b>           | <b>1.7</b>   | <b>8.4</b>   | <b>6.3</b>   | <b>3.5</b>   | <b>2.6</b>   |              |               | <b>20.6</b>   | <b>16.6</b>   |             |
| <b>Adjusted EPS (In Rs.)</b>        | <b>1.4</b>   | <b>8.5</b>   | <b>6.2</b>   | <b>3.6</b>   | <b>3.8</b>   |              |               | <b>18.3</b>   | <b>17.7</b>   |             |
| EBITDA (%)                          | 15.9         | 26.3         | 30.3         | 21.2         | 15.0         | (86bp)       | (612bp)       | 20.1          | 23.0          | 293bp       |
| PAT (%)                             | 2.8          | 20.4         | 21.2         | 12.8         | 13.1         | 1035bp       | 31bp          | 9.2           | 14.6          | 545bp       |
| Tax / PBT (%)                       | 73.5         | 15.0         | 21.8         | 31.4         | 55.4         | (1805bp)     | 2406bp        | 38.0          | 30.6          | (738bp)     |
| Raw Mat / Net Sales (%)             | 75.4         | 64.6         | 61.7         | 71.8         | 75.9         | 46bp         | 401bp         | 71.2          | 68.7          | (250bp)     |
| Emp Cost/Net Sales (%)              | 2.2          | 2.7          | 2.7          | 2.1          | 2.7          | 44bp         | 54bp          | 2.7           | 2.5           | (17bp)      |
| Other Exp/Net Sales (%)             | 6.5          | 6.4          | 5.2          | 4.9          | 6.4          | (4bp)        | 157bp         | 5.9           | 5.7           | (26bp)      |

Source: Company, AMSEC Research, Note: Wind asset sale has attracted higher tax of Rs330mn on the transaction, the same is adjusted in APAT.

**Exhibit 4: Quarterly segment (Consolidated)**

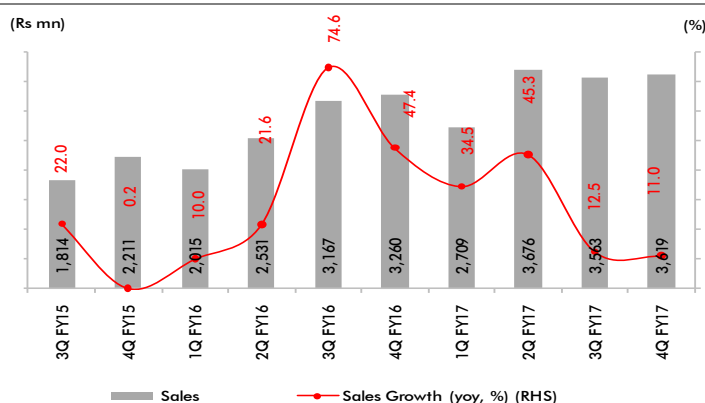
| Segment                | 4QFY16      | 1QFY17      | 2QFY17      | 3QFY17      | 4QFY17      | yoy(%)     | qoq (%)    | FY16         | FY17         | yoy (%)     |
|------------------------|-------------|-------------|-------------|-------------|-------------|------------|------------|--------------|--------------|-------------|
| <b>Revenue</b>         |             |             |             |             |             |            |            |              |              |             |
| EPC (Construction)     | 3,218       | 2,311       | 2,968       | 3,258       | 3,572       | 11.0       | 9.6        | 10,143       | 12,109       | 19.4        |
| Energy (Power)         | 41          | 399         | 708         | 304         | 47          | 14.4       | (84.4)     | 829          | 1,458        | 75.8        |
| Corporate              | 261         | 82          | 56          | 49          | 70          | (73.1)     | 43.8       | 375          | 258          | (31.2)      |
| <b>Total</b>           | <b>3521</b> | <b>2792</b> | <b>3733</b> | <b>3611</b> | <b>3690</b> | <b>4.8</b> | <b>2.2</b> | <b>11347</b> | <b>13825</b> | <b>21.8</b> |
| <b>EBIT</b>            |             |             |             |             |             |            |            |              |              |             |
| EPC (Construction)     | 488         | 335         | 453         | 491         | 494         | 1.2        | 0.5        | 1,429        | 1,773        | 24.1        |
| Energy (Power)         | (108)       | 239         | 534         | 130         | (59)        | (45.3)     | (145.5)    | 284          | 844          | 197.2       |
| Corporate              | 94          | 82          | 56          | 49          | 70          | (25.2)     | 44.0       | 628          | 258          | (59.0)      |
| <b>EBIT Margin (%)</b> |             |             |             |             |             |            |            |              |              |             |
| EPC (Construction)     | 15.2        | 14.5        | 15.3        | 15.1        | 13.8        | (133bp)    | (125bp)    | 14.1         | 14.6         | 56bp        |
| Energy (Power)         | -261.8      | 60.0        | 75.4        | 42.8        | -125.2      | 13659bp    | (16798bp)  | 34.2         | 57.9         | 2366bp      |
| Corporate              | 36.0        | 99.9        | 100.0       | 99.8        | 100.0       | 6395bp     | 13bp       | 167.5        | 99.9         | (6755bp)    |
| <b>ROCE (%)</b>        |             |             |             |             |             |            |            |              |              |             |
| EPC (Construction)     | 23.9        | 18.8        | 28.3        | 24.1        | 25.1        | 113bp      | 97bp       | 70.1         | 90.0         | 1993bp      |
| Energy (Power)         | (1.1)       | 2.2         | 5.2         | 1.3         | -0.7        | 40bp       | (193bp)    | 2.8          | 9.4          | 663bp       |
| Corporate              | 94.7        | 20.0        | 4.0         | 3.0         | 3.2         | (9151bp)   | 21bp       | 632.0        | 11.6         | (62038bp)   |

Source: Company, AMSEC Research

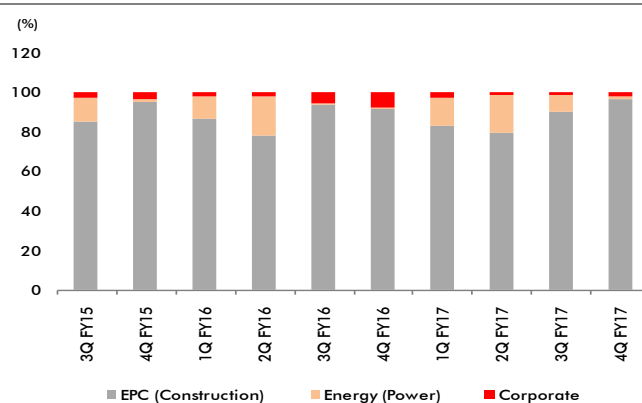
### Concall Highlights

- In FY17, PLF Stand at range of ~22-23%, Management expecting PLF to improve ~26% in FY18. However, we factoring lower PLF 20% in FY18.
- During Q4FY17, TEEC sold 33 MW of wind division assets at valuation of Rs1.65bn, resulting in the profit of Rs 233.4mn has been included under other income; however company incurred Rs330mn tax outgo for this transaction because of the higher profit as per Income tax calculation.
- The balance 12MW of the wind division asset transferred to Simran wind project (Subsidiary) at its Book value.
- Management gave guidance of 15-20% revenue growth in EPC, along with maintaining EBITM during FY18. Order Inflow guidance remains at Rs15-20bn for FY18.
- T&D outlook remain healthy, apart from PGCIL, management expecting healthy ordering pipeline from states like Jharkhand, UP, MP, Rajasthan and TN
- In FY17 Consolidated current maturity of long term debt is Rs900mn, ~Rs600mn in subsidiary level & remaining Rs300mn in parent level.

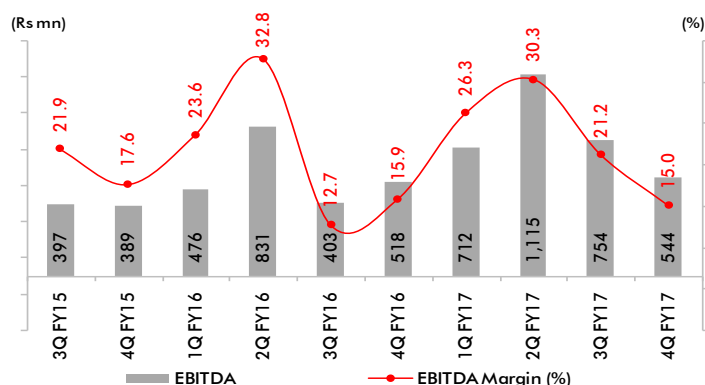
**Exhibit 5: Quarterly revenue trend**



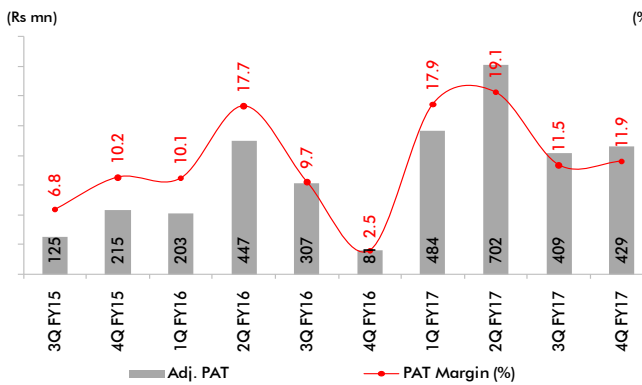
**Exhibit 6: Quarterly revenue breakdown segment wise**



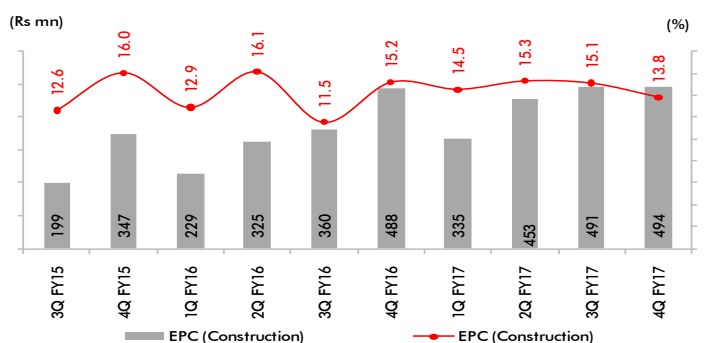
**Exhibit 7: Quarterly EBITDA margin Trend**



**Exhibit 8: Quarterly profit trend**



**Exhibit 9: Quarterly EPC EBIT and EBITM %**



**Exhibit 10: SOTP Valuations and PT based on FY18E**

| Business segment             | Valuation methodology | Amount (Rs mn) | Per Share (Rs) |
|------------------------------|-----------------------|----------------|----------------|
| EPC                          | 20x FY19E P/E         | 44,395         | 394            |
| Wind power                   | DCF                   | 4,869          | 43             |
| <b>Transmission business</b> |                       |                |                |
| Jhajjar KT Transco           | 2x book value         | 760            | 7              |
| Patran Power                 | 1x book value         | 300            | 3              |
| <b>Total equity value</b>    |                       | <b>50,324</b>  | <b>447</b>     |
| CMP                          |                       |                | 399            |
| Upside (%)                   |                       |                | 12%            |

Source: Company, AMSEC Research

## Financials (Consolidated)

(Rs mn)

| Profit & Loss Account   |               |               |               |               |               | Cash Flow Statement                 |                |                |                |                |                |
|---|---------------|---------------|---------------|---------------|---------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Particulars   | FY15          | FY16          | FY17          | FY18E         | FY19E         | Particulars                         | FY15           | FY16           | FY17           | FY18E          | FY19E          |
| Net sales   | 7,939         | 10,972        | 13,567        | 15,062        | 17,860        | PBT                                 | 1,248          | 1,898          | 2,502          | 2,732          | 3,257          |
| Consumption of materials  | 5,022         | 7,816         | 9,325         | 10,393        | 12,413        | Non-cash adjustments                | 603            | 495            | 508            | 414            | 414            |
| Staff Expenses  | 274           | 299           | 346           | 377           | 447           | Changes in working capital          | (1,590)        | (1,214)        | 1,323          | 452            | (728)          |
| Other operating expenses  | 529           | 652           | 772           | 1,209         | 1,501         | Interest Paid                       | 465            | 443            | 373            | 288            | 228            |
| Total Expenditure   | 5,825         | 8,766         | 10,442        | 11,978        | 14,360        | Tax Paid & Other Adj                | (277)          | 310            | (589)          | (546)          | (651)          |
| <b>EBITDA</b>   | <b>2,114</b>  | <b>2,206</b>  | <b>3,125</b>  | <b>3,084</b>  | <b>3,500</b>  | <b>Cashflow from operations</b>     | <b>449</b>     | <b>1,931</b>   | <b>4,118</b>   | <b>3,339</b>   | <b>2,521</b>   |
| Depreciation  | 603           | 495           | 508           | 414           | 414           | Capital exp. & Advances             | (91)           | 537            | 1,256          | (150)          | (150)          |
| <b>Operating profit</b>   | <b>1,511</b>  | <b>1,712</b>  | <b>2,617</b>  | <b>2,670</b>  | <b>3,086</b>  | Change in investments               | 522            | (213)          | (3,100)        | (500)          | (500)          |
| Other income  | 202           | 375           | 258           | 350           | 400           | Other investing cashflow            | -              | -              | -              | -              | -              |
| <b>EBIT</b>   | <b>1,713</b>  | <b>2,087</b>  | <b>2,875</b>  | <b>3,020</b>  | <b>3,486</b>  | <b>Cashflow from investing</b>      | <b>432</b>     | <b>324</b>     | <b>(1,844)</b> | <b>(650)</b>   | <b>(650)</b>   |
| Interest  | 465           | 443           | 373           | 288           | 228           | Issue of equity                     | -              | -              | -              | (578)          | -              |
| Exceptional items   | -             | 254           | 233           | -             | -             | Issue/repay debt                    | (427)          | (666)          | (1,984)        | (600)          | (600)          |
| <b>Profit before tax</b>  | <b>1,248</b>  | <b>1,898</b>  | <b>2,502</b>  | <b>2,732</b>  | <b>3,257</b>  | Interest Paid                       | (465)          | (443)          | (373)          | (288)          | (228)          |
| Tax   | 185           | 721           | 837           | 546           | 651           | Dividends paid                      | (223)          | (278)          | -              | (549)          | (659)          |
| <b>Reported net profit</b>  | <b>1,063</b>  | <b>1,177</b>  | <b>1,899</b>  | <b>2,185</b>  | <b>2,606</b>  | <b>Cashflow from financing</b>      | <b>(1,115)</b> | <b>(1,387)</b> | <b>(2,358)</b> | <b>(2,015)</b> | <b>(1,487)</b> |
| Minority interest   | 12            | 23            | 29            | -             | -             | <b>Change in cash &amp; cash eq</b> | <b>(234)</b>   | <b>868</b>     | <b>(83)</b>    | <b>674</b>     | <b>383</b>     |
| <b>Adjusted net profit</b>  | <b>1,051</b>  | <b>1,043</b>  | <b>2,024</b>  | <b>2,185</b>  | <b>2,606</b>  | <b>Opening cash &amp; cash eq</b>   | <b>481</b>     | <b>247</b>     | <b>1,116</b>   | <b>1,032</b>   | <b>1,707</b>   |
| Share O/s mn  | 57            | 57            | 114           | 113           | 113           | <b>Closing cash &amp; cash eq</b>   | <b>247</b>     | <b>1,116</b>   | <b>1,032</b>   | <b>1,707</b>   | <b>2,090</b>   |
| EPS Rs (adjusted)   | 9.3           | 9.3           | 18.0          | 19.4          | 23.1          | <b>Free cash flow to firm</b>       | <b>359</b>     | <b>2,468</b>   | <b>5,374</b>   | <b>3,189</b>   | <b>2,371</b>   |
| <b>Balance Sheet</b>  |               |               |               |               |               | <b>Ratios</b>                       |                |                |                |                |                |
| Particulars   | FY15          | FY16          | FY17          | FY18E         | FY19E         | Particulars                         | FY15           | FY16           | FY17           | FY18E          | FY19E          |
| <b>SOURCES OF FUNDS :</b>   |               |               |               |               |               | <b>PER SHARE</b>                    |                |                |                |                |                |
| Share Capital   | 114           | 114           | 228           | 225           | 225           | EPS Rs (adjusted)                   | 9.3            | 9.3            | 18.0           | 19.4           | 23.1           |
| Reserves  | 9,033         | 9,164         | 10,842        | 11,904        | 13,851        | CEPS Rs                             | 29.2           | 29.3           | 21.4           | 23.1           | 26.8           |
| Minority Interest   | 199           | -             | -             | -             | -             | Book Value Rs                       | 160.2          | 162.5          | 98.2           | 107.6          | 124.9          |
| <b>Total Shareholders Funds</b>                                       | <b>9,346</b>  | <b>9,279</b>  | <b>11,070</b> | <b>12,129</b> | <b>14,076</b> | <b>VALUATION</b>                    |                |                |                |                |                |
| <b>Non-Current Liabilities</b>  | <b>5,656</b>  | <b>6,009</b>  | <b>4,161</b>  | <b>3,561</b>  | <b>2,961</b>  | EV / Net Sales                      | 3.4            | 2.3            | 3.2            | 2.7            | 2.2            |
| Total borrowings  | 5,649         | 4,984         | 2,999         | 2,399         | 1,799         | EV / EBITDA                         | 12.7           | 11.4           | 13.7           | 13.1           | 11.1           |
| Deferred tax liability  | 7             | 1,025         | 1,161         | 1,161         | 1,161         | P / E Ratio                         | 85.5           | 86.2           | 22.2           | 20.6           | 17.2           |
| <b>Current Liabilities</b>  | <b>1,812</b>  | <b>3,263</b>  | <b>3,833</b>  | <b>5,200</b>  | <b>6,116</b>  | P / BV Ratio                        | 2.5            | 2.5            | 4.1            | 3.7            | 3.2            |
| Trade payables  | 1,657         | 3,219         | 3,727         | 5,034         | 5,872         | <b>GROWTH YOY%</b>                  |                |                |                |                |                |
| Short term provisions   | 155           | 44            | 106           | 165           | 245           | Sales Growth                        | 12.1           | 38.2           | 23.7           | 11.0           | 18.6           |
| <b>Total Equity &amp; Liabilities</b>                                 | <b>16,815</b> | <b>18,550</b> | <b>19,064</b> | <b>20,889</b> | <b>23,153</b> | EBITDA Growth                       | 9.8            | 4.3            | 41.6           | (1.3)          | 13.5           |
| <b>APPLICATION OF FUNDS :</b>   |               |               |               |               |               | Net Profit Growth                   | 19.9           | 10.8           | 61.3           | 15.1           | 19.2           |
| <b>Non Current Assets</b>   | <b>10,627</b> | <b>8,871</b>  | <b>7,276</b>  | <b>7,012</b>  | <b>6,748</b>  | <b>PROFITABILITY (%)</b>            |                |                |                |                |                |
| Goodwill  | 157           | 200           | 201           | 201           | 201           | EBITDA / Net Sales                  | 26.6           | 20.1           | 23.0           | 20.5           | 19.6           |
| Gross block (Total)   | 13,335        | 11,923        | 10,667        | 10,817        | 10,967        | EBIT / Net sales                    | 21.6           | 19.0           | 21.2           | 20.1           | 19.5           |
| Less : accumulated depreciati   | 3,283         | 3,886         | 4,381         | 4,795         | 5,209         | NPM / Total income                  | 12.9           | 9.2            | 14.6           | 14.2           | 14.3           |
| Net block (Total)   | 10,052        | 8,037         | 6,286         | 6,022         | 5,758         | Raw Material/Net Sales              | 63.3           | 71.2           | 68.7           | 69.0           | 69.5           |
| Capital work in progress  | 38            | -             | -             | -             | -             | Int/PBIT                            | 27.2           | 21.2           | 13.0           | 9.5            | 6.6            |
| Noncurrent investment   | 380           | 634           | 789           | 789           | 789           | Core ROaNW (Ex cash)                | 12.9           | 11.5           | 30.9           | 35.8           | 39.5           |
| <b>Current Assets</b>   | <b>6,188</b>  | <b>9,679</b>  | <b>11,787</b> | <b>13,877</b> | <b>16,405</b> | Core ROaCE (Ex Cash)                | 10.0           | 8.2            | 15.7           | 23.3           | 27.3           |
| Current investment  | 968           | 926           | 3,871         | 4,371         | 4,871         | ROaNW                               | 12.0           | 11.3           | 19.9           | 18.8           | 19.9           |
| Inventories   | 63            | 379           | 2             | 41            | 98            | ROaCE                               | 11.0           | 9.5            | 15.8           | 22.9           | 25.5           |
| Sundry debtors  | 3,449         | 4,963         | 5,596         | 6,272         | 7,487         | Tax / PBT                           | 14.8           | 38.0           | 33.4           | 20.0           | 20.0           |
| Cash and bank   | 247           | 1,116         | 1,032         | 1,707         | 2,090         | <b>TURNOVER</b>                     |                |                |                |                |                |
| Short loans and advances  | 1,040         | 551           | 238           | 289           | 391           | Net Working Cycle (Days)            | 145            | 146            | 82             | 63             | 68             |
| Others current assets   | 421           | 1,744         | 1,048         | 1,197         | 1,468         | Debtors Velocity (Days)             | 159            | 165            | 151            | 152            | 153            |
| <b>Total Assets</b>   | <b>16,815</b> | <b>18,550</b> | <b>19,064</b> | <b>20,889</b> | <b>23,153</b> | Inventory (Days)                    | 3              | 13             | 0              | 1              | 2              |
|   |               |               |               |               |               | Creditors Velocity (Days)           | 76             | 107            | 100            | 122            | 120            |
|   |               |               |               |               |               | <b>LIQUIDITY</b>                    |                |                |                |                |                |
| Net Working Capital*  | 3,160         | 4,375         | 3,051         | 2,600         | 3,327         | Gross Asset Ratio                   | 0.6            | 0.9            | 1.2            | 1.4            | 1.6            |
| Total Gross Debt**  | 5,649         | 4,984         | 2,999         | 2,399         | 1,799         | Total Asset Ratio                   | 0.5            | 0.6            | 0.7            | 0.8            | 0.8            |
| Total Net Debt  | 4,435         | 2,942         | (1,904)       | (3,678)       | (5,162)       | Net Debt-Equity Ratio               | 0.5            | 0.3            | (0.2)          | (0.3)          | (0.4)          |
| Capital Employed***   | 14,996        | 14,262        | 14,070        | 14,529        | 15,876        | Interest Coverage (x)               | 3.7            | 4.7            | 7.7            | 10.5           | 15.3           |
| * WC = CA-CL (Excl short term & Curr. Mat. Long term debt)            |               |               |               |               |               | <b>PAYOUT</b>                       |                |                |                |                |                |
| ** Total Debt = Long Term + short Term + Curr. Mat. Of Long Term Debt |               |               |               |               |               | Payout %                            | 20.9           | 23.6           | -              | 25.1           | 25.3           |
| *** Capital Employed = NW + Total Debt                                |               |               |               |               |               | Yield %                             | 1.0            | 1.3            | -              | 1.3            | 1.5            |

Source: Company, AMSEC Research;

## Recommendation rationale

|                                 |                                    |
|---------------------------------|------------------------------------|
| <b>Buy:</b> Potential upside of | > +15% (absolute returns)          |
| <b>Accumulate:</b>              | > +5 to +15%                       |
| <b>Reduce:</b>                  | +5 to -5%                          |
| <b>Sell:</b>                    | < -5%                              |
| <b>Not Rated (NR):</b>          | No investment opinion on the stock |

## Sector rating

|                     |  |
|---------------------|--|
| <b>Overweight:</b>  | The sector is expected to outperform relative to the Sensex.   |
| <b>Underweight:</b> | The sector is expected to underperform relative to the Sensex. |
| <b>Neutral:</b>     | The sector is expected to perform in line with the Sensex.     |

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