AMSEC
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Asian Markets Securities Pvt. Ltd.

Institutional Research

CMP (Rs)	**373**
Target (Rs)	**484**

Nifty: 11,028; Sensex: 35,965

Key Stock Data

BSE Code	533281
NSE Code	TECHNO
Bloomberg Code	TEEC IN
Shares o/s mn (FV Rs2)	112.7
Market Cap (Rs bn)	42.0
52-Week High / Low	439/312
3-M Daily Avg. Vol.	1,60,920

Relative Performance

(%)	1m	3m	12m
TEEC	(9.0)	3.6	5.9
NIFTY	4.7	6.7	28.8
SENSEX	5.6	8.3	30.0

Shareholding Pattern

(%)	Jun17	Sept17	Dec17
Promoter	58.8	58.8	58.8
FII	4.9	4.6	4.1
DII	17.8	17.5	18.1
Others	18.5	19.2	19.0

Amber Singhania
amber.singhania@amsec.in
+91 22 4343 5296

Suraj Sonulkar
suraj.sonulkar@amsec.in
+91 22 4343 5217

Techno Electric & Engineering Limited **BUY**

New business opportunities to drive growth in long term.....

Techno Electric & Engineering Limited (TEEC) is a leading provider of high quality engineering, procurement and construction (EPC) services to India's core sectors like Power, Refineries, Aluminum industries; both in the public and private domain. The order book stands at Rs23.5bn (1HFY18) and has a strong bidding pipeline. New emission control norms provide opportunity of over Rs1 trillion in next five years. The management continues to be positive on EPC segment and guiding FY18 EPC revenue at ~Rs12-12.5bn and is targeting doubling the EPC revenue in next 5 years owing to strong outlook from FGDs, Solar EPC, Industrial capex and Power T&D. Further the debt profile has improved considerably with current gross debt below Rs1bn Vs Rs3bn 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 reiterate BUY with TP of Rs484. We value TEEC on SOTP basis valuing EPC at 20x FY20E earnings (Rs415), wind business at DCF (Rs60) and the transmission BOT assets on the basis of BV (Rs9).

Decent order book and strong pipeline: TEEC firm order book orders stands at Rs23.5bn as on 1HFY18. The current order book reflects ~1.73x book-to-bill ratio suggesting visibility and growth in next two years. After the muted year in terms of orders award from PGCIL and SEBs due to GST transition; company expects strong order inflow in next 4-5 quarters and expects to close FY19 with order backlog of ~Rs35-40bn. We have factored in inflow of Rs17.9/18.8bn in FY19/20E.

New business opportunity to drive growth in long term: Apart from the regular orders in T&D from PGCIL and SEBs, TEEC is upbeat about new order inflows from Pollution control systems in Power Generation, Solar power EPC and industrial capex in refinery and aluminum space. TEEC with its vision to be technology oriented EPC company, has done international technological tie ups in the space of Aluminum smelters, Pollution Control System (SOX/NOX) and Solar Power. The recent tieups along with TEEC's inherent efficiency in EPC, makes it one of the biggest beneficiaries in the upcoming opportunities in India. In next 5 year; EPC T&D capex needed in country is Rs2.6tn and new emission control norms provide ~Rs1tn opportunity for SOX/NOX/ESP. Solar EPC is another growth area with NTPC floating tenders for 100MW of solar plant in Feb'18. TEEC Expects inflow of ~Rs10bn from new business opportunities in FY19.

Asset Ownership; wind assets yielding healthy returns: The Company owns 129.9MW of wind assets and 3 transmission projects with plans to invest steady cash flow of EPC business in long term annuity assets to reduce variability in earnings in long term. After an adverse phase of low ROCEs in wind business, it now has turned around completely owing to better evacuation of power, increased tariff and is generating over Rs1bn of free cash per year. The management is open to divest the wind asset in the long run and will focus more on EPC vertical and improve strength for bidding for more PPP projects in transmission sector.

Strong Balance Sheet: TEEC had reduced consolidated gross debt to below Rs1bn now Vs Rs3bn in FY17 and would be debt free by 1HFY19. Despite repayment, gross cash has gone up to ~Rs4 bn. Techno's strong cash flows would lead to a cash rich balance sheet with ~Rs7.37bn net cash in FY20E. TEEC has also improved its receivables both in Wind as well as EPC business. Consolidated Debtor days as on 1HFY18 stand at 142days Vs 151days in FY17 and is expected to improve further.

Outlook and Valuations: We have conservatively factored in 10% revenue CAGR with 15% EBITM for EPC segment during FY17-20E, whereas for wind power we factored in a 24% PLF going forward. The stock is trading at 20.3x/17.2x/14.9x in FY18/19/20E respectively. Given the strong EPC business, one of the most efficient EPC players, sizable cash balance, New business opportunities, 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 SOTP PT of Rs484; valuing EPC at 20x FY20E earnings, wind business at DCF and the transmission BOT assets on the basis of BV.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar (Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Sales	10,972	13,567	13,443	14,788	17,389
yoy (%)	*38.2*	*23.7*	*(0.9)*	*10.0*	*17.6*
EBITDA	2,206	3,125	2,899	3,161	3,455
yoy (%)	*4.3*	*41.6*	*(7.2)*	*9.1*	*9.3*
Adjusted PAT	1,043	2,024	2,072	2,441	2,814
yoy (%)	*10.8*	*61.3*	*9.1*	*17.8*	*15.3*
Equity	114	228	225	225	225
EPS	10.3	18.0	18.4	21.7	25.0

Source: Company, AMSEC Research

Exhibit 2: Key Ratios

Y/E Mar	FY16	FY17	FY18E	FY19E	FY20E
EBITDAM (%)	20.1	23.0	21.6	21.4	19.9
NPM (%)	10.2	14.6	15.0	16.1	15.7
Adjusted PER (x)	72.4	20.8	20.3	17.2	14.9
P/BV (x)	2.3	3.8	3.5	3.0	2.6
EV/Sales (x)	2.2	2.9	2.8	2.4	1.9
EV/ EBITDA (x)	10.8	12.8	13.0	11.3	9.8
Core RoACE (%)	8.1	15.6	21.5	24.7	27.0
Core RoANW (%)	13.8	30.9	28.8	29.1	31.2

Key takeaways of Techno Electric's Singapore road show

Industry Outlook:

Pre GST Tax – 14-15%
GST – 18%
Differential – 3%

Current scenario:

- *Now being born by the client in existing projects*
- *New projects to be at 18% GST (Pass on)*

- The tendering process was at a standstill post GST implementation due to lack of clarity on passing of the increased tax component to its vendors and contractors.
- PGCIL has now finalized its GST mechanism recently and the industry expects that, with clarity about tax, PGCIL would start the tendering process in the coming months. Though PGCIL would be falling short of achieving its annual tendering target of Rs220bn. we believe, given the lower tendering in FY18YTD, the bulk tenders may spill over to 1HFY19. Company expects awarding should start from Q1FY19 onwards in a major way.
- Other State Electricity Boards are expected to follow suit though with a lag effect. GST has impacted their tendering activity as well.
- State board tendering is expected to move up from ~Rs200bn earlier to ~Rs400-500bn/annum in the coming years. The Power T&D industry will see huge opportunity, FY18 was an exception due to GST.
- Net revenues would look optically low by 10% due to GST component becoming part of Gross Sales. However the EBITDAM would optically improve in percentage terms.
- New opportunities on thermal power generation space on account of pollution control systems (PCS) are: FGD (Rs2.5-3.0mn/MW), ESP (Rs1mn/MW), NOX (~Rs2mn/MW). Depending on how the model evolves in India, the total opportunity from PCS in next five year could be as high as Rs1 trillion.

Opportunity for the sector and Techno electric:

- The normal T&D capex from PGCIL and state boards will restart full pace in FY19. FY18 might remain weak due to GST impacting tendering severely. PGCIL ~Rs220bn /year and SEBs ~Rs400-500bn/year. (Of Rs500bn of SEB, 30% would be substations and TEEC's target market would be 1/3rd of this substation size)
- Techno is seeing opportunity from NTPC for Pollution control system (FGD/SOX, NOX, ESP) for thermal power plants.
  - As per the guidelines all the thermal power plants (~190-200GW) to have pollution control systems (PCS) retrofitted by December 2022. This opens up an opportunity of ~Rs1 trillion over a period of next five years. Major tenders to be awarded max by December'2020.
  - PCS an industry is an opportunity of at least ~Rs120-150bn/year (conservatively assuming 150GW at Rs4-5mn/MW) for next 5 year from existing power plants. TEEC is expecting ~Rs6-10bn of inflow from FGD every year.
  - The competition is high with 8-10 players in the bidding. However the opportunity is too huge for TEEC to get its targeted inflow. The other companies in the biddings are GE, ISGEC, L&T, BHEL, TATA, Thermax, SEPCO, Reliance Infra etc. All these companies have a technology partners with them.
  - The average cost for PCS including FGD, NOX and ESP is upwards of Rs5 mn. FGD solution is ~Rs2.5-4.0mn/MW; however recent tender of NTPC Telengana is won by GE at Rs2.35mn/MW. Techno's scope would be 70-85% of total tender size, rest will be of supplies. TEEC has collaborated with a South Korean company which also has experience in executing NTPC ESP projects.
  - Fuel Gas Desulphurization (FGD): NTPC has already floated two tenders for FGD having several packages in each tender. There are 7-8 qualified bidders and one bidder can get maximum of two tenders in each package. The company expects bids to be submitted in Q4FY18 and one package to open in 1QFY19. TEEC aiming order inflow of ~Rs6bn in FY19 from FGD.
  - Apart from FGD, few more ESP tenders are out for bidding in the states of Chhattisgarh, West Bengal, and Maharashtra etc.
- **Solar power generating capacity by NTPC:** Solar power generation from NTPC is also emerging as lucrative opportunity for TEEC as now NTPC is planning to provide solar panels on its own and call for separate tender for BOP. This will make TEEC more competent and preferred bidder in the space. In the near term NTPC is floating a tender for 133MW solar park in Rajasthan, bids to be submitted in Feb'18. The opportunity for TEEC is Rs25-30mn/MW of solar capacity.
- **Industries:** With the increase in commodity prices the core industries such as aluminum are also looking to expand capacity. TEEC having the monopoly in providing the power solution in this space is expecting some order inflow from private companies in future.

FGD tenders issued

Name of company	Capacity(GW)
NTPC bulk tender	17.0
NTPC bulk tender	7.2
NTPC North Karanpura	1.3
NTPC Khargone	1.3
GSECL Wanakbori (Unit 8)	0.8
GSECL Ukai	0.5
GSECL Sikka TPS	0.5
NTPC Ramagundem	1.6
NLC - Neyveli NTPP	1.0
NLC Ghatampur(1.98GW)	2.0
NLC TPS I expansion	0.4
NLC TPS II	1.5
NLC TPS II Expansion	0.5
NLC Barsingar TPP	0.3
Total	**35.9**

Source: Company, AMSEC Research

These orders though small in size have high margins of 25-35%. Vedanta, Nalco and Hindalco combined expanding capacity by 2MTPA, may create an opportunity of ~Rs2bn orders. Further TEEC has done a tie up with a Chinese smelter technology provider company GAMI, this will enable TEEC to move up in the value chain from just a power distribution solution provider to a smelter EPC company. Further the new capacity expansions in refineries also pose a healthy opportunity for TEEC.

- **TBCB:** TBCB continues to be a good opportunity for TEEC, recently Jharkhand has announced five new tenders under TBCB worth total Rs50bn. TEEC has two operational BOOT assets and has one BOOT asset yet to start construction in NAGALAND. Its Rs13bn projects with TEEC owning 26% stake. TEEC is expected to start construction in this asset from 2HFY19 and is planned to commission by May'20. Company targeting to bag one asset per year under TBCB mechanism.

Company Highlights:

- TEEC expects FY18 to be a year of consolidation wherein it tries to improve its working capital, cash collection and prepare itself for the next league of growth. It chooses FY18 for these in the light of macro industry was taking a pause due to GST in terms of awarding and Techno found it the best time to prepare for the next growth phase. TEEC targeting to close over 40 old sites and collect retention money on the same. It has already closed over 20-25 sites so far.
- In the light of the above FY18 might look like a slow year for TEEC's EPC business with muted revenue and PAT growth and will start picking up from FY19. FY20 would see a high growth as it aims over 25-30bn of inflow in FY19E. Company is confident of ~20% PAT CAGR for next 5year.
- The company has an order book of Rs23.5bn in 1HFY18 of which Transmission is ~Rs16.4bn, Generation Rs1.87bn and Distribution ~Rs5.2bn. Company aiming of order inflow of Rs25-30bn in FY19.
- GST may optically impact the revenue by 10 percent due to change in reporting net sales whereas EBITDAM would optically look better.
- Wind Business is seeing the best time at present with healthy wind condition taking the PLF higher and increased tariff is impacting the financials positively. The current tariff is at Rs3.12/unit increased from Rs2.97, w.e.f April'16. TEEC will have additional billing of arrears for the differential tariff from April'16. The billing is expected to happen in 2HFY18.
- TEEC has also sold significant part of its REC inventory in last few months and is expected to sell its entire inventory by March'18.
- Company has also prepaid over Rs2bn of debt in FY18YTD and is targeting to bring the total gross debt to below Rs1bn by March'18 from Rs3bn in March'17. Wind PLF is expected to be at 24-25% this year, and with increased tariff, TEEC is expecting to report strong PAT from core wind segment and another Rs100-150mn from collection of arrears & REC.
- Though the FY18 performance may look muted the company is consolidating its position and gearing up for the next phase of growth. We expect strong order inflow in FY19 would result in over 20% revenue growth in EPC segment from FY20 onwards.

Exhibit 3: Quarterly snapshot (Consolidated)

P&L (Rs mn)	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	yoy(%)	qoq (%)	1HFY17	1HFY18	yoy (%)
Net Sales	**3,676**	**3,563**	**3,619**	**4,123**	**2,542**	***(30.8)***	***(38.3)***	**6,385**	**6,665**	**4.4**
Cons of Raw Materials	2,269	2,560	2,745	2,793	1,483	*(34.6)*	*(46.9)*	4,020	4,275	*6.4*
Employee Cost	100	76	97	82	103	*2.3*	*24.9*	172	185	*7.1*
Other Expenditure	192	173	233	232	189	*(1.5)*	*(18.5)*	366	421	*14.8*
Total Expenditure	2,561	2,809	3,075	3,107	1,774	*(30.7)*	*(42.9)*	4,558	4,881	*7.1*
EBITDA	**1,115**	**754**	**544**	**1,016**	**768**	**(31.2)**	**(24.4)**	**1,827**	**1,784**	**(2.4)**
Add: Other Income	56	49	70	114	109	*92.9*	*(4.3)*	139	223	*60.6*
Interest	126	80	76	86	60	*(52.3)*	*(29.9)*	218	146	*(33.2)*
Depreciation	133	133	110	106	106	*(20.1)*	*0.3*	265	212	*(20.1)*
Exceptional item	(5)	-	233	-	-	*(100.0)*	-	(0)	-	*(100.0)*
Profit Before Tax	**918**	**590**	**662**	**939**	**711**	***(22.6)***	***(24.3)***	**1,483**	**1,649**	***11.3***
Provision for Taxation	200	185	367	245	106	*(46.8)*	*(56.6)*	284	352	*23.7*
Reported PAT	**718**	**405**	**295**	**693**	**604**	***(15.8)***	***(12.8)***	**1,198**	**1,298**	**8.3**
Share of profit /loss of associates	(12)	4	37	(3)	(4)	*(69.9)*	*17.9*	(12)	(7)	*(45.0)*
Adjusted PAT	**702**	**409**	**429**	**690**	**601**	***(14.5)***	***(13.0)***	**1,186**	**1,291**	**8.8**
Equity Capital (FQ Rs 2)	228	228	228	225	225			228	225	
Basic EPS (In Rs.)	**6.3**	**3.5**	**2.6**	**6.2**	**5.4**			**10**	**12**	
Adjusted EPS (In Rs.)	**6.2**	**3.6**	**3.8**	**6.1**	**5.3**			**10**	**11**	
EBITDA (%)	30.3	21.2	15.0	24.6	30.2	*(13bp)*	*556bp*	28.6	26.8	*(184bp)*
PAT (%)	21.2	12.8	13.1	18.1	26.9	*570bp*	*881bp*	18.2	18.7	*56bp*
Tax / PBT (%)	21.8	31.4	55.4	26.1	15.0	*(681bp)*	*(1117bp)*	19.2	21.3	*214bp*
Raw Mat / Net Sales (%)	61.7	71.8	75.9	67.7	58.3	*(339bp)*	*(942bp)*	63.0	64.2	*120bp*
Emp Cost/Net Sales (%)	2.7	2.1	2.7	2.0	4.0	*131bp*	*204bp*	2.7	2.8	*7bp*
Other Exp/Net Sales (%)	5.2	4.9	6.4	5.6	7.4	*221bp*	*181bp*	5.7	6.3	*57bp*

Source: Company, AMSEC Research

Exhibit 4: Quarterly segment (Consolidated)

Segment	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	yoy(%)	qoq (%)	1HFY17	1HFY18	yoy (%)
Revenue										
EPC (Construction)	2,968	3,258	3,572	3,681	2,014	*(32.2)*	*(45.3)*	5279	5695	*7.9*
Energy (Power)	708	304	47	442	528	*(25.4)*	*19.6*	1106	970	*(12.4)*
Corporate	56	49	70	114	109	*92.9*	*(4.3)*	139	223	*60.6*
Total	**3733**	**3611**	**3690**	**4237**	**2651**	**(29.0)**	***(37.4)***	**6524**	**6888**	**5.6**
EBIT										
EPC (Construction)	452	491	494	604	266	*(41.0)*	*(55.9)*	787	870	*10.5*
Energy (Power)	534	130	(59)	307	395	*(25.9)*	*28.9*	773	702	*(9.2)*
Corporate	44	49	70	114	109	*144.9*	*(4.3)*	*127*	223	76.0
Total	**1,030**	**670**	**505**	**1,024**	**771**			**1,687**	**1,795**	**6.4**
Sales Growth (%, y-y)										
EPC (Construction)	47.2	4.2	11.0	59.3	-32.2			39.1	7.9	
Energy (Power)	37.8	685.4	14.4	10.8	(25.4)			47.7	-12.4	
Corporate	(5.5)	(71.9)	(73.1)	38.4	92.9			30.7	60.6	
EBIT Margin (%)										
EPC (Construction)	15.2	15.1	13.8	16.4	13.2	*(199bp)*	*(317bp)*	14.9	15.3	*36bp*
Energy (Power)	75.4	42.8	-125.2	69.5	74.9	*(54bp)*	*542bp*	69.9	72.4	*255bp*
Corporate	78.7	99.8	100.0	100.0	100.0	*2126bp*	*(1bp)*	91.3	100.0	*874bp*
ROCE (%)										
EPC (Construction)	20.9	24.1	25.1	28.7	11.5	*(938bp)*	*(1726bp)*	36.3	37.5	*117bp*
Energy (Power)	5.0	1.3	-0.7	4.3	5.7	*64bp*	*137bp*	7.3	10.0	*279bp*
Corporate	11.7	3.0	3.2	3.4	3.1	*(861bp)*	*(28bp)*	33.3	6.3	(2698bp)

Source: Company, AMSEC Research

Exhibit 5: Yearly Revenue trend

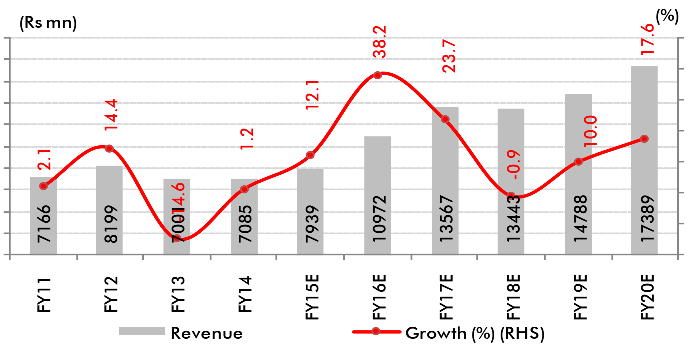

Exhibit 6: Yearly Revenue breakdown segment wise

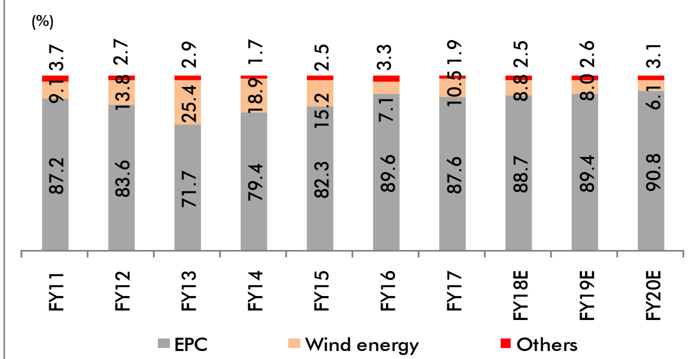

Exhibit 7: Yearly EBIDTA & EBITDAM Trend

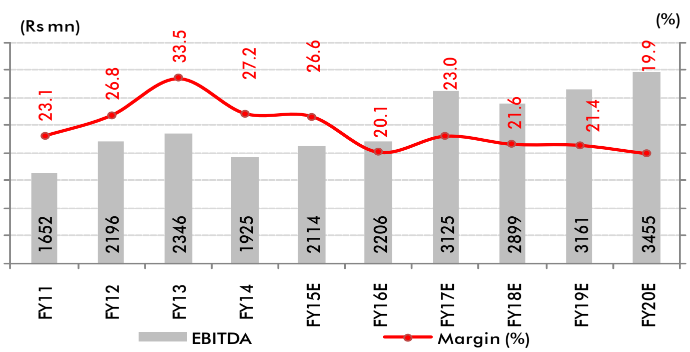

Exhibit 8: Yearly Net profit trend

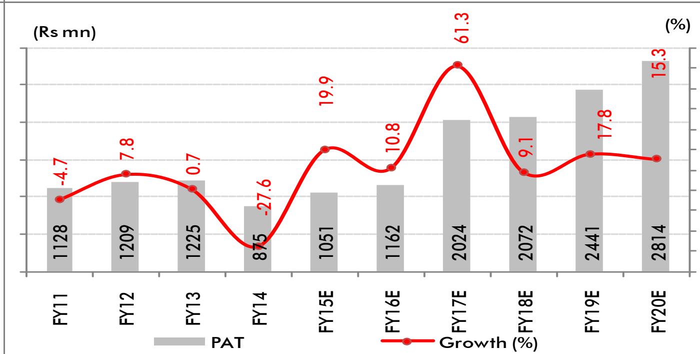

Exhibit 9: Yearly Quarterly EPC EBIT and EBITM %

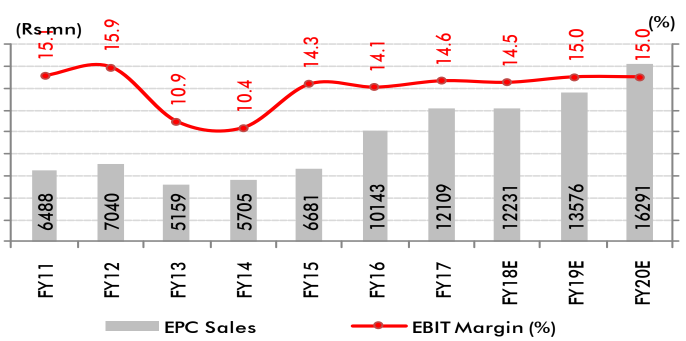

Exhibit 10: SOTP Valuations and PT based on FY19E

Business segment	Valuation methodology	Amount (Rs mn)	Per Share (Rs)
EPC	20x FY20E P/E	46,737	415
Wind power	DCF	6,709	60
Transmission business			
Jhajjar KT Transco	2x book value	760	7
Patran Power	1x book value	300	3
Total equity value		**54,506**	**484**
CMP			373
Upside (%)			30%

Source: Company, AMSEC Research

Exhibit 11: Yearly Segment Details

EPC segment	FY16	FY17	FY18E	FY19E	FY20E
Closing orderbook	25937	25541	23268	27614	30142
Order intake	15830	11714	9957	17922	18819
Sales	10143	12109	12231	13576	16291
EBITDA	1436	1781	1781	2044	2453
EBITDA margin %	14.2	14.7	14.6	15.1	15.1
Other Income	375	258	350	400	550
Adjusted PAT	1278	1468	1643	1892	2337

Wind business	FY16	FY17	FY18	FY19	FY20
Installed capacity (MW)	163	163	130	130	130
Units, mn p.a	198	315	273	273	273
PLF (%)	13.9	22.1	24.0	24.0	24.0
Average tariff	4.05	4.62	4.44	4.44	4.02
Revenues	801	1458	1212	1212	1098
EBITDA	744	1344	1117	1117	1003
PAT	-81	436	429	549	477

Source: Company, AMSEC Research

Financials (Consolidated) (Rs mn)

Profit & Loss Account

Particulars	FY16	FY17	FY18E	FY19E	FY20E
Net sales	10,972	13,567	13,443	14,788	17,389
Consumption of materials	7,816	9,325	9,275	10,278	12,085
Staff Expenses	299	346	336	370	435
Other operating expenses	652	772	933	979	1,414
Total Expenditure	8,766	10,442	10,544	11,626	13,933
EBITDA	**2,206**	**3,125**	**2,899**	**3,161**	**3,455**
Depreciation	495	508	414	414	415
Operating profit	**1,712**	**2,617**	**2,485**	**2,748**	**3,040**
Other income	375	258	350	400	550
EBIT	**2,087**	**2,875**	**2,835**	**3,148**	**3,590**
Interest	443	373	245	96	73
Exceptional items	254	233	-	-	-
Profit before tax	**1,898**	**2,502**	**2,590**	**3,051**	**3,518**
Tax	721	837	518	610	704
Reported net profit	**1,177**	**1,899**	**2,072**	**2,441**	**2,814**
Minority interest	23	29	-	-	-
Adjusted net profit	**1,043**	**2,024**	**2,072**	**2,441**	**2,814**
Share O/s mn	57	114	113	113	113
EPS Rs (adjusted)	10.3	18.0	18.4	21.7	25.0

Cash Flow Statement

Particulars	FY16	FY17	FY18E	FY19E	FY20E
PBT	1,898	2,502	2,590	3,051	3,518
Non-cash adjustments	495	508	414	414	415
Changes in working capital	(1,237)	1,434	317	(276)	(534)
Interest Paid	443	373	245	96	73
Tax Paid & Other Adj	(811)	(1,384)	(518)	(610)	(704)
Cashflow from operations	**788**	**3,433**	**3,048**	**2,675**	**2,767**
Capital exp. & Advances	1,553	2,051	(100)	(100)	(100)
Change in investments	(224)	(3,100)	300	(1,300)	(1,700)
Other investing cashflow	-	-	-	-	-
Cashflow from investing	**1,329**	**(1,049)**	**200**	**(1,400)**	**(1,800)**
Issue of equity	-	-	(578)	-	-
Issue/repay debt	(527)	(2,095)	(2,300)	(500)	-
Interest Paid	(443)	(373)	(245)	(96)	(73)
Dividends paid	(278)	-	(494)	(549)	(659)
Cashflow from financing	**(1,248)**	**(2,468)**	**(3,616)**	**(1,145)**	**(731)**
Change in cash & cash eq	**869**	**(84)**	**(368)**	**130**	**236**
Opening cash & cash eq	**247**	**1,116**	**1,032**	**664**	**793**
Closing cash & cash eq	**1,116**	**1,032**	**664**	**793**	**1,029**
Free cash flow to firm	**2,341**	**5,484**	**2,948**	**2,575**	**2,667**

Balance Sheet

Particulars	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS :					
Share Capital	114	228	225	225	225
Reserves	9,164	10,842	11,845	13,737	15,893
Minority Interest	-	-	-	-	-
Total Shareholders Funds	**9,279**	**11,070**	**12,071**	**13,963**	**16,118**
Non-Current Liabilities	**6,147**	**4,189**	**1,889**	**1,389**	**1,389**
Total borrowings	5,122	3,028	728	228	228
Deferred tax liability	1,025	1,161	1,161	1,161	1,161
Current Liabilities	**3,124**	**3,805**	**3,941**	**4,457**	**5,240**
Trade payables	3,081	3,699	3,793	4,254	5,002
Short term provisions	44	106	147	203	238
Total Equity & Liabilities	**18,550**	**19,064**	**17,900**	**19,808**	**22,747**
APPLICATION OF FUNDS :					
Non Current Assets	**8,871**	**7,276**	**6,962**	**6,648**	**6,333**
Goodwill	205	205	205	205	205
Gross block (Total)	10,886	8,835	8,935	9,035	9,135
Less : accumulated depreciation	2,855	2,553	2,967	3,381	3,796
Net block (Total)	8,032	6,282	5,968	5,655	5,340
Capital work in progress	-	-	-	-	-
Noncurrent investment	634	789	789	789	789
Current Assets	**9,679**	**11,787**	**10,938**	**13,160**	**16,414**
Current investment	926	3,871	3,571	4,871	6,571
Inventories	379	2	37	81	95
Sundry debtors	4,963	5,596	5,340	5,875	6,908
Cash and bank	1,116	1,032	664	793	1,029
Short loans and advances	551	238	258	324	381
Others current assets	1,744	1,048	1,068	1,215	1,429
Total Assets	**18,550**	**19,064**	**17,900**	**19,808**	**22,747**
Net Working Capital*	4,513	3,080	2,762	3,039	3,573
Total Gross Debt**	5,122	3,028	728	228	228
Total Net Debt	3,080	(1,876)	(3,507)	(5,437)	(7,373)
Capital Employed***	14,401	14,098	12,798	14,190	16,346

* WC = CA-CL (Excl short term & Curr. Mat. Long term debt)

** Total Debt = Long Term + short Term + Curr. Mat. Of Long Term Debt

*** Capital Employed = NW + Total Debt

Ratios

Particulars	FY16	FY17	FY18E	FY19E	FY20E
PER SHARE					
EPS Rs (adjusted)	10.3	18.0	18.4	21.7	25.0
CEPS Rs	29.3	21.4	22.1	25.3	28.7
Book Value Rs	162.5	98.2	107.1	123.9	143.0
VALUATION					
EV / Net Sales	2.2	2.9	2.8	2.4	1.9
EV / EBITDA	10.8	12.8	13.0	11.3	9.8
P / E Ratio	72.4	20.8	20.3	17.2	14.9
P / BV Ratio	2.3	3.8	3.5	3.0	2.6
GROWTH YOY%					
Sales Growth	38.2	23.7	(0.9)	10.0	17.6
EBITDA Growth	4.3	41.6	(7.2)	9.1	9.3
Net Profit Growth	10.8	61.3	9.1	17.8	15.3
PROFITABILITY (%)					
EBITDA / Net Sales	20.1	23.0	21.6	21.4	19.9
EBIT / Net sales	19.0	21.2	21.1	21.3	20.6
NPM / Total income	10.2	14.6	15.0	16.1	15.7
Raw Material/Net Sales	71.2	68.7	69.0	69.5	69.5
Int/PBIT	21.2	13.0	8.6	3.1	2.0
Core ROaNW (Ex cash)	13.8	30.9	28.8	29.1	31.2
Core ROaCE (Ex Cash)	8.1	15.6	21.5	24.7	27.0
ROaNW	13.1	19.9	17.9	18.8	18.7
ROaCE	9.4	15.6	22.5	26.1	29.0
Tax / PBT	38.0	33.4	20.0	20.0	20.0
TURNOVER					
Net Woking Cycle (Days)	150	83	75	75	75
Debtors Velocity (Days)	165	151	145	145	145
Inventory (Days)	13	0	1	2	2
Creditors Velocity (Days)	102	100	103	105	105
LIQUIDITY					
Gross Asset Ratio	0.9	1.4	1.5	1.6	1.9
Total Asset Ratio	0.6	0.7	0.7	0.8	0.8
Net Debt-Equity Ratio	0.3	(0.2)	(0.3)	(0.4)	(0.5)
Interest Coverage (x)	4.7	7.7	11.6	32.7	49.5
PAYOUT					
Payout %	23.6	-	23.8	22.5	23.4
Yield %	1.3	-	1.2	1.3	1.6

Source: Company, AMSEC Research;

Recommendation rationale

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

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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1 / 2 Athena House, Rajnigandha Complex, Gokuldham, Filmcity Road, Goregaon (East), Mumbai – 400 063. India Tel: +91 22 4343 5000 Fax: +91 22 4343 5043
research.amsec@amsec.in, Website: www.amsec.in