24 May 2019

4QFY19 Results Update | Sector: Others

Quess Corp

BSE SENSEX	S&P CNX
38,811	11,657
Bloomberg	QUESS IN
Equity Shares (m)	147
M.Cap.(INRb)/(USDb)	96.4 / 1.4
52-Week Range (INR)	1300 / 581
1, 6, 12 Rel. Per (%)	-4/-23/-54
12M Avg Val (INR M)	104
Free float (%)	28.6

Financials & Valuations (INR b)

Y/E Mar	2019E	2020E	2021E
Net Sales	85.4	105.7	123.6
EBITDA	4.7	6.4	8.0
PAT	3.3	4.7	6.2
EPS (INR)	22.3	32.0	42.6
Gr. (%)	2.2	43.6	33.0
BV/Sh (INR)	245.9	287.2	342.1
RoE (%)	16.5	10.8	14.9
RoCE (%)	14.6	10.5	14.1
P/E (x)	29.0	20.2	15.2
P/BV (x)	2.6	2.2	1.9

Estimate change	⟷
TP change	⟷
Rating change	⟷

CMP:INR660 TP:INR750 (+14%) Neutral

Cash flow takes priority over margins

- 4QFY19 revenue grew 21.4% YoY (v/s est. +23%) to INR22.9b and EBITDA grew 20.5% YoY (v/s est. +18%) to INR1.3b. EBITDA margin expanded ~30bp QoQ to 5.7% (~20bp beat), despite an additional INR80-90m expenditure towards ad campaigns for Monster.com, implying an even better operating performance in the non-internet businesses. PAT declined 0.3% YoY to INR755m (v/s est. of 4% YoY decline).
- **Organic growth in FY19 was driven by People and Services**: In FY19, revenue/EBITDA/PBT was up 38.3%/31.1%/14.2% YoY, while PAT was down 17.2% YoY. Organic growth for the year was 24% YoY, led by People and Services, which grew 35% YoY. General Staffing headcount grew 22% YoY to 192k, while EBIT margin in the segment was 4.7%, flat YoY. Revenue growth of ~50% YoY in GTS (33% of revenues) was led mainly by integration of Conneqt and DigiCare acquisitions — adjusting for this – growth was 9.5%, in our view. EBIT margin here declined 60bp YoY to 5.9%. EBIT margin for the overall company declined 50bp YoY, of which, 30bp was contributed by Monster.com's losses and 20bp from higher amortization charge on intangibles from acquired assets
- **Strong cash generation was the year's highlight**: Quess' Cash Flow from Operations (OCF) improved to 43% of EBITDA in FY19, up significantly from 29%/31% in FY17/18. More encouragingly, the conversion percentage in 4QFY19 was 59%. Management expects to maintain it at levels near 4QFY19. Executing on this metric takes precedence over operating margin
- **Valuation View:** We earlier downgraded Quess as impact of its aggressive inorganic foray had started to reflect negatively in its financial performance. Quess' efforts in margin improvement, cash conversion and turning around performance of its acquisitions has been impressive, which has resulted in improved performance. Though positive on the long-term prospects of Quess, we believe a wait-and-watch approach is needed for it to continue into FY20 on (a) its integration with another acquisition – Allsec BPO; (b) execution on overall margins, (c) cash generation, and (d) organic revenue growth. Our DCF-based price target for Quess is INR750/share (14% upside). Maintain **Neutral**.

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Quarterly Performance (Consolidated) (INR m)

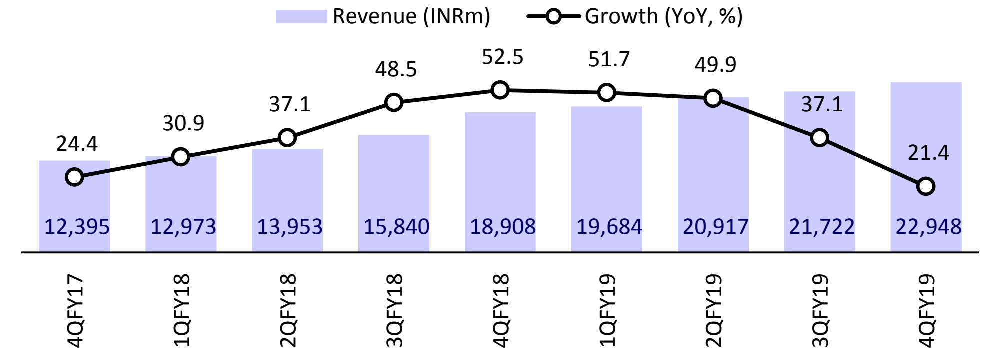
Y/E March	FY18				FY19				FY18	FY19E	Est.	Var. (% /
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	bp)
Net Sales	**12,973**	**13,953**	**15,840**	**18,908**	**19,684**	**20,917**	**21,722**	**22,948**	**61,673**	**85,270**	**23,218**	**-1.2**
YoY Change (%)	30.9	37.1	48.5	52.5	51.7	49.9	37.1	21.4	42.9	38.3	22.8	-143
Total Expenditure	12,221	13,164	14,930	17,814	18,659	19,797	20,538	21,630	58,129	80,624	21,930	-1.4
EBITDA	**752**	**789**	**909**	**1,093**	**1,025**	**1,120**	**1,183**	**1,318**	**3,544**	**4,646**	**1,287**	**2.3**
Margins (%)	5.8	5.7	5.7	5.78	5.2	5.36	5.45	5.74	5.7	5.4	5.5	20
Depreciation	136	144	183	285	299	291	317	325	747	1,232	317	2.6
Interest	170	157	177	252	261	282	280	321	755	1,144	282	13.8
Other Income	35	168	126	240	156	143	123	290	569	712	134	116.7
PBT before EO expense	**482**	**656**	**675**	**797**	**621**	**690**	**710**	**962**	**2,611**	**2,983**	**822**	**17.0**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**482**	**656**	**675**	**797**	**621**	**690**	**710**	**962**	**2,611**	**2,983**	**822**	**17.0**
Tax	31	-619	74	31	93	105	11	121	-483	329	90	
Rate (%)	6.4	-94.4	11.0	3.9	14.9	15.1	1.5	12.6	-18.5	11.0	11.0	157
MI & P/L of Asso. Cos.	-6	2	-9	8	-16	-31	49	86	-4	88	5	
Reported PAT	**457**	**1,274**	**610**	**758**	**544**	**616**	**650**	**755**	**3,098**	**2,565**	**726**	**4.0**
Adj PAT	**457**	**1,274**	**610**	**758**	**544**	**616**	**650**	**755**	**3,098**	**2,565**	**726**	**4.0**
YoY Change (%)	84.8	322.8	81.2	127.2	19.2	-51.6	6.5	-0.3	154.2	-17.2	-4.1	377
Margins (%)	3.5	9.1	3.9	4.0	2.8	2.9	3.0	3.3	5.0	3.0	3.1	19

E: MOFSL Estimates

EBITDA margin above estimate; revenue dragged by GTS

- Revenue grew 21.4% YoY to INR22.9b (1.2% miss). For FY19 revenue grew by 38.3% YoY, of which organic revenue growth was at 24% YoY.
- EBITDA margin at 5.74% was up 30bp QoQ (above our expectation of 5.5%). For FY19 margins stood at 5.4%, 30bp decline YoY majorly led by operating losses in Monster.com
- PAT was flat YoY at INR755m, tad above our estimate of INR726m. Flattish PAT YoY was due to lower ETR of 3.9% in 4QFY18. PBT for 4QFY19 increased by 20.7% YoY.

Exhibit 1: Revenue grew 21.4% YoY v/s est. of 22.8% YoY



Source: Company, MOFSL

Segmental Revenue performance

- People & Services (P&S) continued to exhibit strength, growing at 32% YoY (v/s estimate of +27%). Growth in this segment is entirely organic.
- Global Technology Solutions (GTS) grew in revenue by 17% YoY, below our (v/s estimate of +31.4%), lowest growth in past 12 quarters. 7-8% of the growth would have accrued from Digicare acquisition
- Integrated Facilities Management (IFM) grew by 14% YoY (v/s estimate of +14.4%)

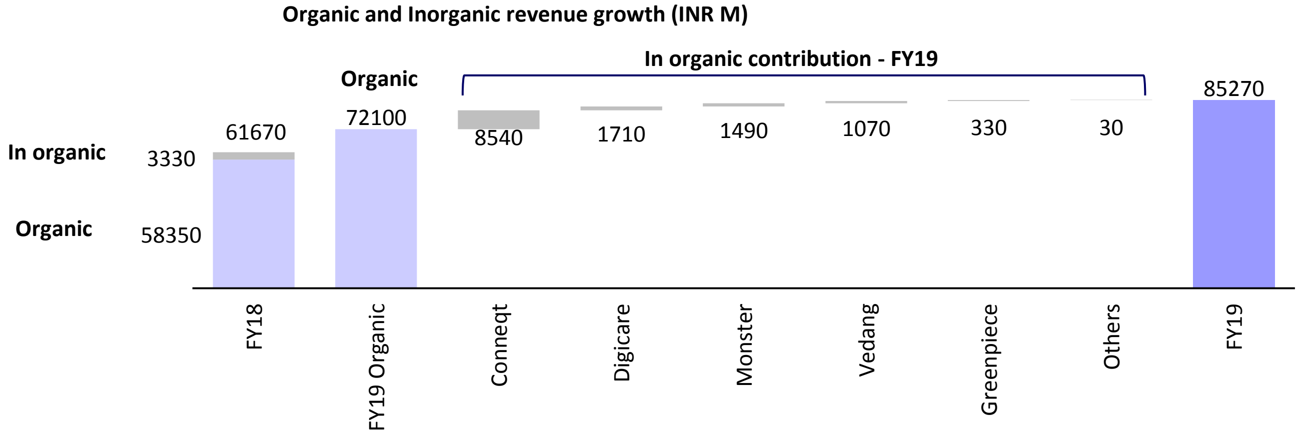
- Industrial Asset Management (IAM) declined 16% YoY (against our estimate of 30.5% decline)
- Internet business grew 65% YoY (vs our est. of +52.8%)

Exhibit 2: Strong organic growth

	FY18				FY19			
Revenue (INR m)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Global Technology Solutions	3,897	3,900	4,803	6,081	6,638	7,072	7,143	7,110
People & Services	6,194	6,833	7,356	8,399	8,693	9,129	9,909	11,071
Integrated Facility Management	2,277	2,469	2,634	2,891	2,789	3,112	3,117	3,283
Industrial Asset Management	605	751	1,046	1,303	1,196	1,230	1,195	1,099
Internet	-	-	-	234	369	374	357	385
Growth (YoY, %)								
Global Technology Solutions	41.9	40.3	71.1	73.9	70.3	81.3	48.7	16.9
People & Services	9.2	17.2	25.3	38.1	40.4	33.6	34.7	31.8
Integrated Facility Management	137.0	148.2	86.1	28.5	22.5	26.0	18.3	13.6
Industrial Asset Management	14.2	31.2	82.5	129.0	97.6	63.9	14.2	(15.7)
Internet	-	-	-	-	-	-	-	64.7

Source: MOFSL, Company

Exhibit 3: Organic growth stood at 24% YoY for FY19

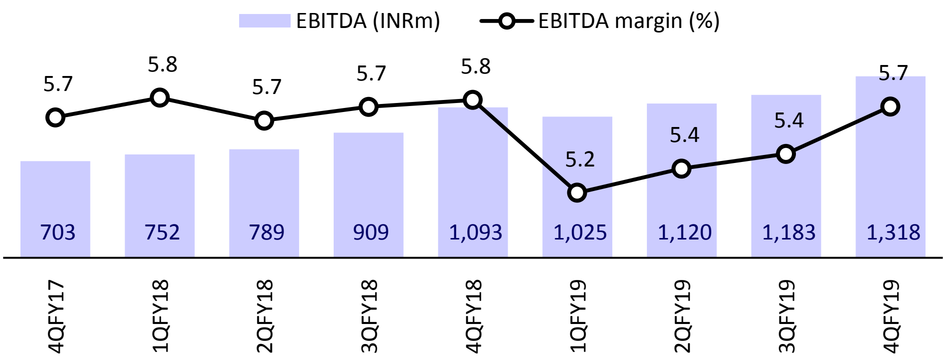


Source: Company, MOFSL

Segmental margins – People & Services and GTS expands, sharp decline in Internet business:

- People & Services EBIT expanded 30bp QoQ to 5.06%. This was on the back of strong revenue traction and some improvement in the training segment.
- GTS at 7% expanded 130bp sequentially. This was led mainly by Conneqt's 4Q seasonality.
- Internet business saw a sharp decline in margins to -37.6% vs. 12.8% in previous quarter, as marketing expenses picked up.
- IFM expanded 90bp QoQ to 7.8%, led mainly by efficiency gains. IAM margin declined to 2% from 3.4% in previous quarter.

Exhibit 4: Margins lower on a YoY basis



Source: Company, MOFSL

Exhibit 5: Increase in margins across P&S and GTS

	FY18				FY19			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
EBIT (INR m)								
Global Technology Solutions	235	279	310	385	346	396	402	497
People & Services	307	327	352	377	392	416	467	560
Integrated Facility Management	150	191	177	187	165	211	214	255
Industrial Asset Management	27	35	38	49	47	53	41	22
Internet	-	-	-	(36)	(59)	(56)	(46)	(145)
EBIT margin (%)								
Global Technology Solutions	6.0	7.2	6.5	6.3	5.2	5.6	5.6	7.0
People & Services	5.0	4.8	4.8	4.5	4.5	4.6	4.7	5.1
Integrated Facility Management	6.6	7.7	6.7	6.5	5.9	6.8	6.9	7.8
Industrial Asset Management	4.5	4.7	3.7	3.7	4.0	4.3	3.4	2.0
Internet	-	-	-	(15.5)	(16.0)	(14.8)	(12.8)	(37.6)

Source: MOFSL, Company

Business update

- Overall headcount: Overall employee headcount grew 22% YoY to 318,000 (up from 292,872 in the previous quarter). Net addition in employee headcount stood at 56,300 for FY19.
- **Improved cash flow**: Quess' Cash Flow from Operations (OCF) was INR780m for the quarter, compared to INR530m in the previous quarter, and for FY19 OCF stands at INR2.02b as against INR1.09b in FY18.
- **People Services headcount up by ~12k**: People services headcount was 192,000, compared to 180,000 in the previous quarter. During the quarter Quess added 24 new logos while it added in excess of 200 logos in FY19
- **Terrier:** Headcount in Terrier grew to 19,100 in 3QFY19 with total headcount addition of 2,400.
- **Trimax Smart Infraprojects Pvt Ltd (TSIPL):** Trimax is undergoing corporate insolvency resolution process, and Quess has total outstanding of INR1.5b As per a tripartite agreement between Quess' associate company TSIPL, Axis bank and Trimax, 99% of the proceeds from the Ahmedabad Smart City contract will accrue to TSIPL. Currently, Quess considers this amount as recoverable and hence has included in the sales for the quarter. If this amount fails to be recovered there will be additional provisioning for this amount.

Takeaways from management commentary

Global Technology Solutions (31% of revenues)

- IT Staffing India: Hiring sentiment in IT Services has improved. Magna is banking on Captives, Direct Enterprises and IT players. There are some green-shoots, but awaiting the extent of pick-up. Margins of 9-10% for Magna should continue, while in MFX, especially with the entities combined, margins should grow.
- Singapore: Comtel had a good year; but with the economy growing only 2-3%, hiring was a problem. Hiring per month has started increasing, and therefore, numbers will continue to get better in the next few months. A restriction on the EBIT has eased out. 7-8% margins should continue.

People and Staffing (48% of revenues)

- Much growth came into the BFSI segment while telecom, FMCG and retail have been traditionally strong. BFSI momentum should continue this year as well. Post GST, the Manufacturing sector is also opening up, which should lead the next set of growth numbers.

Collect-n-pay

- The initial target is to reach 75-80% (v/s current level of 65%). The model does not dilute margins. Efficiencies from technology, combined with cross-selling of managed services' sale can help margins and working capital.
- Core-to-associate ratio should continue to inch up (after spiking to 1:330 from 1:250 YoY).

Margins

- Sharper focus will be on maintaining current levels of cash flow conversion over expanding operating margins.
- Business mix is a challenge to the reported margins — P&S has been growing at a healthier pace while full-year margin was 4.7% in FY19.
- That said, there are some levers to offset the same: (1) AllSec — 20% margin, Conneqt — 8.5-9%, therefore combined BPM business should be in low double-digits, (2) Industrial Asset Management too should improve profitability next year.
- Target will be to reduce debt after making some payment for the AllSec acquisition; and thereby lower interest expenses.

Trimax

- Has gone into insolvency with NCLT. SCADL (Smart City Ahmedabad Development Ltd) is progressing well. Therefore, they will pay the money to the JV — TSIPL (Trimax Smart Infraprojects Private Ltd). Quess has had discussions with SCADL with the knowledge that the former is executing the project.
- Deloitte is the auditor. 270 days is the period for insolvency resolution, but the project is nearing completion. Most of the payments should be available in the next 60 days. Not seeing any issue of write-offs on this account. Money will be received in the next 1-2 quarters.

Monster.com

- Brand campaign called 'Work-Life Balance' has been launched, which escalated losses for the quarter by INR80-90m.
- Traffic is up 68% to 11m+ per month since the time of acquisition. New seeker registrations are up 28%.
- The differentiation that Monster has been trying to build is user experience.
- The burn-on marketing may be another INR300-400m; traction will take some time.
- Budgeting for EBITDA loss of INR200-250m in FY20.

Associate companies in 4QFY19

- East Bengal had a loss of ~INR100m. In FY20, cost should be INR150m, with revenues between INR50-70m.
- Terrier profit is ~INR70m and was offset by Heptagon losses (INR50m). Company is making higher investments in Terrier; its profits should increase in FY20.
- Heptagon losses were at ~INR50m, which too should decline next fiscal.

Industrial Asset management (5% of revenues)

- Not pursuing any further Smart City project. Margins in the Industrial segment should bounce back to 6-6.5%. Typically, Industrial has a long sales cycle. Revenue growth will be in low double-digits, but margins should expand.

Facilities management (14% of revenues)

- Indirect business is down to only ~10%, down from 30% 4-5 years ago.
- Current levels of margin at 7%+ can be sustained. With Greenpeace as a part of overall offering, there is some scope.

Allsec BPO acquisition

- Had acquired a company in the mortgage space couple of years back, therefore cleaning up the Balance Sheet before Quess takes over. No impact on the business.
- INR2.5-2.6b revenues with 20% margins. Operates mainly in three segments: CLM Manila, CLM India and HRO (35-40% margins in the latter).
- Allsec will lend exposure to international operations and the HRO segment. Payroll outsourcing is a large opportunity in India.

Change in estimates

- On the back of weaker-than-expected revenues and current softness in Magna (India IT Staffing) and IAM segment, our revenue estimates for FY20/21 are marginally lowered by 2.3%/2.1%.
- Given Quess focus on Cash conversion and commentary that margins may be in the range with a positive bias, we now expect EBIT margin to expand by 100bp over FY19-21 up to 5%, compared to earlier expectation of 150bp expansion.
- Lower margins and revenues drive 8% / 7% cut in our FY20/FY21 earnings estimates.

Exhibit 6: Change in estimates

	Revised			Earlier			Change		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue (m)	85,270	1,05,982	1,24,168	85,540	1,08,467	1,26,890	-0.3%	-2.3%	-2.1%
Rev. growth (%)	38.3	24.3	17.2	38.7	26.8	17.0	-44bp	-251bp	17bp
EBITDA (m)	4,646	6,438	7,833	4,616	6,989	8,450	0.7%	-7.9%	-7.3%
EBIT Margin (%)	4.0	4.7	5.0	3.9	5.0	5.4	11bp	-28bp	-34bp
EPS (INR)	17.5	29.2	39.0	15.9	31.7	41.8	10.3%	-7.8%	-6.7%

Source: MOFSL, Company

Valuation view

- Quess operates through four key business segments: [1] Global Technology Solutions (GTS), [2] People & Services (P&S), [3] Integrated Facility Management (IFM) and [4] Industrials. All of these areas have been witnessing high growth, which is expected to continue going forward as well.
- In terms of penetration, it has barely scratched the surface in its core staffing business as well as other areas. In general staffing, India's low penetration of 0.5% of working population (versus global average of 1.6%) itself should drive high velocity growth. In business services, Quess intends to be part of anything that is non-core to a business and that can be outsourced to a third party. While it has touched upon the areas of facilities management, catering, security and industrial asset management, the directions for further growth are ample.
- Inorganic growth has been a key component for Quess' growth, improvement in profitability and diversification. It has demonstrated successful integration with margin accretion and retention of management personnel. Validation also comes from the following examples;
  [1] Over the last eight years, revenue at Avon (a facilities management acquisition) has grown at a CAGR of 52% and EBITDA margin has expanded to 5.1% from 1.7% at the time of acquisition.
  [2] Magna (an acquired IT staffing company) has grown at 15% CAGR since acquisition and its margins have improved to 13% from 5.5% at the time of acquisition.
- However, recent acquisitions have grown larger in size, while maintaining the nature of diversity. This, combined with the fact that they're not in the best of health (Monster) may require additional resources (monetary and otherwise) for integration followed by growth. Their transitory burden on financial performance got reflected recently, where investments weighed upon profitability and non-cash items like amortization of customer contracts and non-controlling-interest put option hit the bottom line.
- The direction of several initiatives was encouraging in Quess, the fructification of which would result in a positive shade on performance and viewpoint. These include: (i) efforts to up EBITDA margins to 8% in a couple of years, (ii) aim to convert 50%+ of EBITDA to operating cash, (iii) merger of subsidiaries into the parent, and (iv) a more selective approach on acquisitions with the intent of not adding additional verticals
- We had downgraded Quess once the impact of aggressive inorganic foray started to reflect negatively in financial performance. The steps Quess is taking on improvement of margins, cash conversion and turning performance of acquisitions has been impressive. Progress on the same has started to reflect in

the form of improved performance. While we remain encouraged by the long-term prospects of Quess, we await and monitor if the same can be continued going into FY20, with the integration of another acquisition – Allsec BPO; along with execution on a combination of margins, cash generation and organic revenue growth. Our DCF-based price target for Quess is INR750/share (14% upside). Maintain Neutral.

Key triggers

- Sustained uptick in the organic business
- Turnaround in profitability across segments
- Positive outcomes and benefits from acquired entities

Key risks

- Issues in integration of current/future acquisitions
- Inability to manage diverse portfolio of businesses, leading to inferior growth
- Economic downturn, leading to a proportional and direct impact on business

Exhibit 7: Fair value of INR750/share based on DCF

Discount rate	12.0%
Terminal growth rate	5.0%
PV FCF	39,613
PV of terminal value	72,560
NPV	1,12,173
Cash and cash equivalents	5,855
Less: Debt	7,502
Total equity value	110,526
Per share	
PV FCF	270
PV of terminal value	495
NPV	766
Value of cash not utilized	40
Less: Debt	51
Total equity value	754
NOSH m	146
CMP	**660**
Target price	**750**
Upside (%)	**14%**

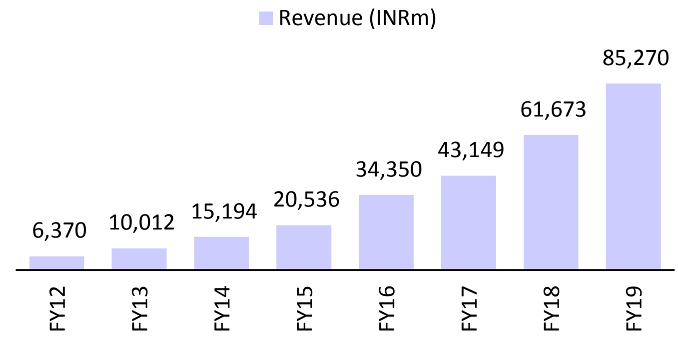
Source: MOFSL

Exhibit 8: We assume 12% WACC and 5% terminal growth rate

WACC/g	Sensitivity analysis				
720	**3.0%**	**4.0%**	**5.0%**	**6.0%**	**7.0%**
10%	860	960	1,110	1,320	1,680
11%	730	810	900	1,030	1,230
12%	640	690	750	840	970
13%	560	600	650	710	790
14%	500	530	560	610	660

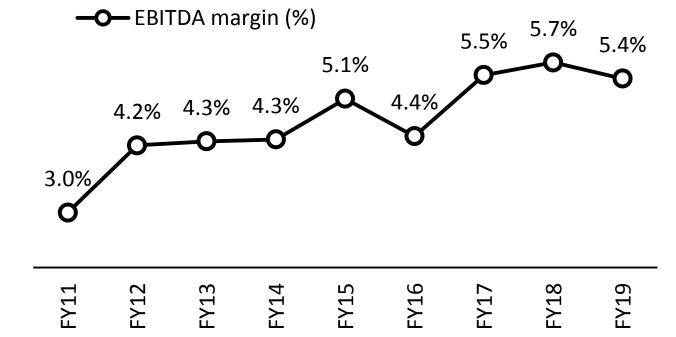
Story in charts

Exhibit 9: Healthy revenue growth over last five years



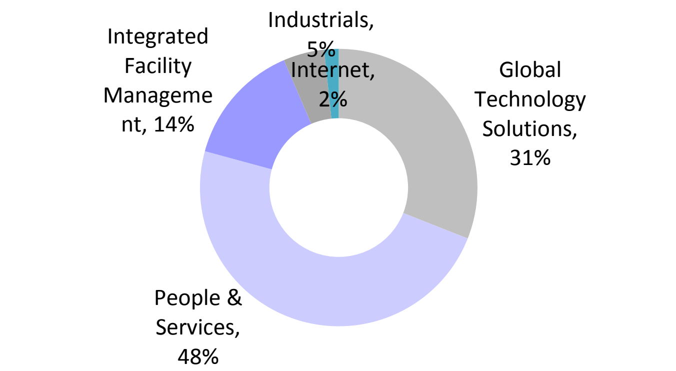
Source: Company, MOFSL

Exhibit 10: Margins have increased at a slower pace



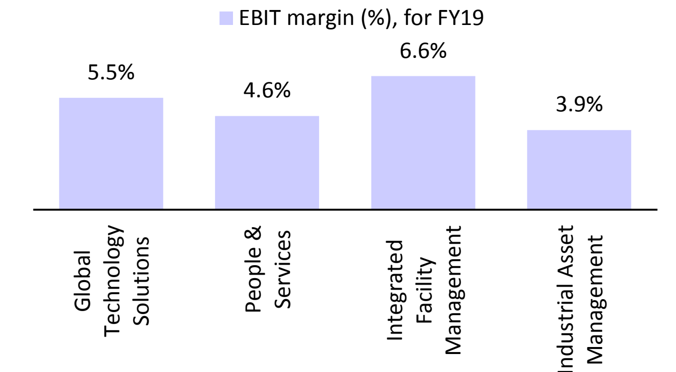
Source: Company, MOFSL

Exhibit 11: Growth has been organic and driven by acquisitions, enabling presence in multiple segments



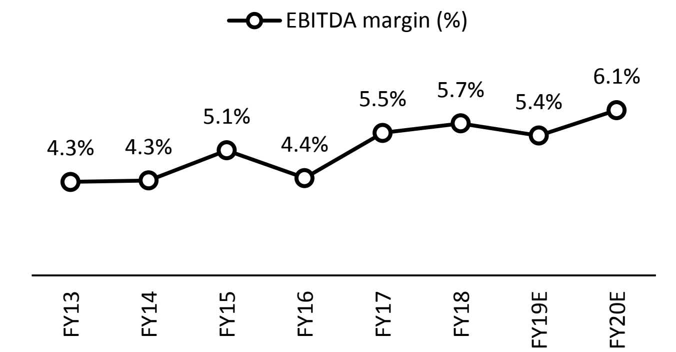
Source: Company, MOFSL

Exhibit 12: Addition of higher-margin businesses expected to further improve profitability



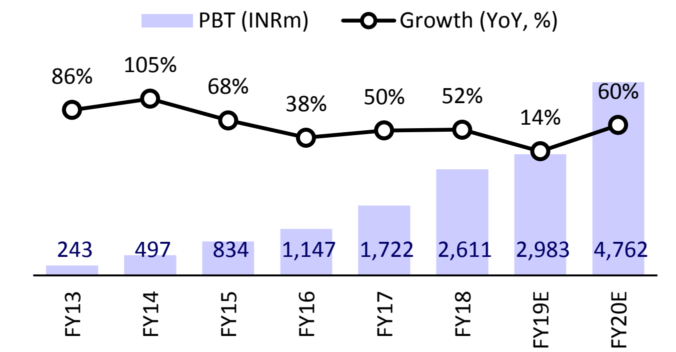
Source: Company, MOFSL

Exhibit 13: Margins impacted in recent quarters…



Source: Company, MOFSL

Exhibit 14: …resulting in impacted PBT growth



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	**10,060**	**25,671**	**34,350**	**43,149**	**61,673**	**85,407**	**1,05,659**	**1,23,567**
Change (%)	0.5	155.2	33.8	25.6	42.9	38.5	23.7	16.9
Total Expenditure	**9,662**	**24,366**	**32,839**	**40,771**	**58,129**	**80,739**	**99,234**	**1,15,575**
% of Sales	96.0	94.9	95.6	94.5	94.3	94.5	93.9	93.5
EBITDA	**398**	**1,305**	**1,511**	**2,378**	**3,544**	**4,667**	**6,425**	**7,992**
Margin (%)	4.0	5.1	4.4	5.5	5.7	5.5	6.1	6.5
Depreciation	42	101	144	275	747	1,179	1,268	1,297
EBIT	**356**	**1,203**	**1,367**	**2,103**	**2,796**	**3,488**	**5,157**	**6,694**
Int. and Finance Charges	88	218	310	471	755	1,123	909	891
Other Income	21	57	91	154	569	572	951	1,112
PBT bef. EO Exp.	**289**	**1,042**	**1,147**	**1,787**	**2,611**	**2,938**	**5,199**	**6,915**
PBT after EO Exp.	**289**	**1,042**	**1,147**	**1,787**	**2,611**	**2,938**	**5,199**	**6,915**
Total Tax	97	370	335	534	-483	-320	520	692
Tax Rate (%)	33.7	35.5	29.2	29.9	-18.5	-10.9	10.0	10.0
Minority Interest	13	0	0	-1	-4	0	0	0
Reported PAT	**179**	**672**	**812**	**1,254**	**3,098**	**3,258**	**4,679**	**6,224**
Change (%)	48.0	276.3	20.8	54.5	147.0	5.2	43.6	33.0
Margin (%)	1.8	2.6	2.4	2.9	5.0	3.8	4.4	5.0

Consolidated - Balance Sheet								(INR m)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	962	258	1,133	1,268	1,455	1,461	1,461	1,461
Total Reserves	884	2,267	2,433	11,780	23,153	26,411	31,090	37,314
Net Worth	**1,846**	**2,525**	**3,566**	**13,048**	**24,608**	**27,872**	**32,551**	**38,775**
Minority Interest	0	0	0	9	16	22	22	22
Total Loans	641	2,170	3,783	7,440	9,662	7,751	7,517	7,306
Deferred Tax Liabilities	-50	-35	-1,345	-1,633	-3,647	-4,388	-4,388	-4,388
Capital Employed	**2,437**	**4,660**	**6,005**	**18,864**	**30,638**	**31,256**	**35,701**	**41,714**
Gross Block	319	604	1,043	3,504	7,485	8,285	8,835	9,385
Less: Accum. Deprn.	201	415	541	976	2,126	3,304	4,572	5,870
Net Fixed Assets	**118**	**189**	**502**	**2,529**	**5,359**	**4,980**	**4,262**	**3,515**
Goodwill on Consolidation	729	1,104	2,020	9,187	10,959	11,776	11,776	11,776
Capital WIP	4	0	24	77	22	42	62	82
Total Investments	**0**	**0**	**37**	**776**	**888**	**30**	**30**	**30**
Curr. Assets, Loans&Adv.	**3,080**	**5,869**	**8,573**	**14,433**	**28,111**	**29,612**	**37,842**	**47,257**
Inventory	4	4	18	71	85	220	220	220
Account Receivables	1,246	2,755	6,926	8,966	13,936	16,330	22,869	29,453
Cash and Bank Balance	291	818	1,094	3,039	5,661	8,863	9,418	11,562
Loans and Advances	1,539	2,292	536	2,357	8,430	4,199	5,335	6,023
Curr. Liability & Prov.	**1,496**	**2,502**	**5,151**	**8,138**	**14,701**	**15,184**	**18,271**	**20,946**
Account Payables	48	414	674	778	1,481	1,928	2,370	2,760
Other Current Liabilities	1,413	1,941	4,138	6,825	12,166	12,066	14,356	16,380
Provisions	35	147	339	536	1,054	1,190	1,544	1,805
Net Current Assets	**1,585**	**3,367**	**3,423**	**6,294**	**13,411**	**14,429**	**19,571**	**26,312**
Appl. of Funds	**2,437**	**4,660**	**6,005**	**18,864**	**30,638**	**31,256**	**35,701**	**41,714**

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Basic (INR)								
EPS	**1.6**	**5.9**	**7.0**	**10.1**	**21.8**	**22.3**	**32.0**	**42.6**
Cash EPS	2.0	6.8	8.3	12.3	27.1	30.4	40.7	51.5
BV/Share	16.3	22.3	31.5	115.1	217.1	245.9	287.2	342.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E		109.1	91.9	63.9	29.6	29.0	20.2	15.2
Cash P/E		94.8	78.1	52.4	23.9	21.3	15.9	12.5
P/BV		29.0	20.5	5.6	3.0	2.6	2.2	1.9
EV/Sales		2.9	2.2	2.0	1.6	1.1	0.9	0.7
EV/EBITDA		57.3	51.2	35.5	27.0	20.0	14.4	11.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	0.5	-1.1	-6.2	2.4	1.1	4.2	5.1	14.6
Return Ratios (%)								
RoE	14.1	30.8	26.7	15.1	16.5	12.4	15.5	17.5
RoCE	12.4	22.6	17.1	11.4	14.6	12.9	14.5	16.3
RoIC	13.2	25.9	22.3	14.9	17.0	16.7	19.1	21.4
Working Capital Ratios								
Asset Turnover (x)	4.1	5.5	5.7	2.3	2.0	2.7	3.0	3.0
Debtor (Days)	45	39	74	76	82	70	79	87
Creditor (Days)	2	6	7	7	9	8	8	8
Leverage Ratio (x)								
Net Debt/Equity	0.2	0.5	0.7	0.3	0.1	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement **(INR m)**

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
OP/(Loss) before Tax	288	1,049	1,147	1,723	2,615	2,938	5,199	6,915
Depreciation	42	101	144	333	747	1,179	1,268	1,297
Interest & Finance Charges	88	218	310	479	755	1,123	909	891
Direct Taxes Paid	-249	-412	-482	-839	-744	320	-520	-692
(Inc)/Dec in WC	-52	-942	-1,622	-941	-1,858	-2,223	-4,588	-4,597
CF from Operations	**118**	**15**	**-503**	**755**	**1,515**	**3,336**	**2,268**	**3,816**
Others	35	9	8	-71	-428	-1,083	-951	-1,112
CF from Operating incl EO	**153**	**24**	**-495**	**684**	**1,087**	**2,253**	**1,317**	**2,704**
(Inc)/Dec in FA	-92	-145	-226	-383	-928	-1,637	-570	-570
Free Cash Flow	**61**	**-120**	**-721**	**301**	**159**	**616**	**747**	**2,134**
(Pur)/Sale of Investments	-657	-525	0	0	-1,808	5,036	0	0
Others	15	375	129	-5,434	-5,330	0	0	0
CF from Investments	**-734**	**-295**	**-97**	**-5,817**	**-8,066**	**3,399**	**-570**	**-570**
Issue of Shares	965	0	34	3,693	8,479	12	0	0
Inc/(Dec) in Debt	-237	1,015	1,137	3,816	1,785	-1,911	-234	-211
Interest Paid	-90	-217	-304	-443	-665	-1,123	-909	-891
Dividend Paid	0	0	0	0	0	0	0	0
Others	0	0	0	13	3	572	951	1,112
CF from Fin. Activity	638	798	867	7,079	9,602	-2,449	-192	10
Inc/Dec of Cash	**58**	**527**	**275**	**1,946**	**2,622**	**3,202**	**555**	**2,144**
Opening Balance	233	291	818	1,093	3,039	5,661	8,864	9,418
Closing Balance	**291**	**818**	**1,093**	**3,039**	**5,661**	**8,864**	**9,418**	**11,562**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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