

# Bharti Airtel

BSE SENSEX

39,097

S&amp;P CNX

11,588



Bloomberg	BHARTI IN
Equity Shares (m)	5,131
M.Cap.(INRb)/(USDb)	1789 / 25.2
52-Week Range (INR)	379 / 254
1, 6, 12 Rel. Per (%)	-9/13/-1
12M Avg Val (INR M)	2562
Free float (%)	37.3

## Financials & Valuations (INR b)

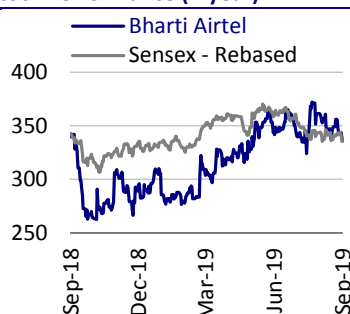
Y/E Mar	2019	2020E	2021E
Net Sales	807.8	836.4	919.8
EBITDA	258.2	332.1	382.3
PAT	-35.0	-26.3	-3.6
EPS (INR)	-8.8	-5.1	-0.7
Gr. (%)	NM	NM	NM
BV/Sh (INR)	178.7	179.9	179.3
RoE (%)	-5.0	-3.2	-0.4
RoCE (%)	1.9	1.9	1.9
P/E (x)	NM	NM	NM
P/BV (x)	2.0	1.9	1.9
EV/EBITDA (x)	9.7	8.7	7.3

## Shareholding pattern (%)

As On	Jun-19	Mar-19	Jun-18
Promoter	62.7	67.1	67.1
DII	13.1	13.3	12.6
FII	22.1	17.6	18.3
Others	2.1	2.0	2.0

FII Includes depository receipts

## Stock Performance (1-year)


**CMP: INR349**
**TP: INR420 (+20%)**
**Buy**

## Stability emerging

### Competitive threat in wireline biz subsiding

The Indian telecom industry is continuing to grapple with disruption with changing customer demands and cut-throat competition. Against this backdrop, we met Bharti Airtel's (BHARTI) management to understand the current industry trends along with the company's earnings outlook and capex plans. Key takeaways:

- Management mentioned that the impact from downtrading and the minimum recharge plans is now largely behind. Moreover, even though the second quarter is seasonally weak, BHARTI is likely to benefit from TTSL merger revenue contribution and network cost efficiencies (incremental EBITDA margin at 70%). Accordingly, we expect wireless revenue/EBITDA to remain flat in 2QFY20.
- BHARTI has set a target to capture 35-40% of incremental MBB subscriber share. It also aims to pick a similar share from VIL's subscriber churn. Meanwhile, it is benefiting from a healthy upgrade in voice ARPU from ~INR60 to ~INR120.
- The launch of RJio's fiber-to-the-home (FTTH) services has had a limited impact on BHARTI. In fact, the company cited that 35-40% of renewals have been on annual plans over the last few months. In our view, RJio's foray has not been as disruptive for BHARTI as the latter boasts of a strong product portfolio and has a limited price differential with the former.
- There are no plans of Fiber InvIT or Bharti Infratel stake sale over the near term. The company is comfortable with current leverage (net debt-to-EBITDA at 3.2x, incl. Africa IPO funds). Furthermore, capex intensity is likely to remain significantly low with meager 5k new site adds annually.
- However, we note of two key big-ticket capital requirements potentially facing the company – (i) spectrum renewal cost of INR100-120b which is likely come in FY21 in eight circles and (ii) potential risk of license fee payment of INR60b (INR210b incl. penalties and interest payment); BHARTI is awaiting the Supreme Court verdict on this.
- We maintain our TP of INR420, ascribing 13x EV/EBITDA to the subdued India business and 5x to the Africa business on FY21. Maintain Buy.

### Encouraging revenue/ARPU trends

The impact from downtrading and the minimum recharge plans has largely played out in the subscriber and ARPU trends. Notably, even post the roll out of the minimum recharge program, the company has retained 50-60m of the total 100-120m low-ARPU (i.e. INR10-15) subscribers, which has driven a 3-4x rise in ARPUs. This apart, tariff upgrades (some minor tweaks in price plans/validity) and Airtel Thanks are contributing to incremental ARPUs.

Even though the second quarter is seasonally weak, BHARTI is likely to benefit from TTSL merger revenue contribution and network cost efficiencies (incremental EBITDA margin at 70%). Accordingly, we expect wireless revenue/EBITDA to remain flat in 2QFY20.

Aliasgar Shakir – Research Analyst (Aliasgar.Shakir@motilaloswal.com); +91 22 6129 1565

Suhel Shaikh – Research Analyst (Suhel.Ahmad@MotilalOswal.com); +91 22 5036 2611

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Limited impact on wireline broadband biz

BHARTI has deployed ~12m home passes, of which 2.5m are FTTH based and the rest are copper based. The subscriber-to-home pass ratio stands at 20%. In contrast to fears, the company has witnessed only limited churn post RJio's recent Jio fiber launch (35-40% of recent plan renewals were annual). In fact, the recently launched 'Xstream' website and app (rebranded version of Airtel Thanks) offer wide content, which should further increase FTTH subscriber stickiness. However, note that the enterprise segment may see some impact within the SME portion (estimated share of below 20%) with RJio's launch and its commoditized offering.

### Capex intensity to be lower; 5G – a far cry

Capex intensity is likely to be lower in FY20 with meager 4-5k site adds, limited 4G site loading and moderate fiber rollout. We have factored in capex of INR220b (which has a downward bias) compared to INR300b in FY19. The Indian government is keen to conduct spectrum auction this fiscal, but BHARTI will not be considering investment in 5G over the next 1-2 years, at least.

We note that 57mhz of spectrum renewal is due in eight circles in Sept'21 (Tamil Nadu spectrum – 900Mhz, rest – 1,800mhz), which could cost INR100-120b based on the previous auction prices. The current leverage position is comfortable at 3.2x, and thus, there are no plans of Fiber InvIT or Bharti Infratel stake sale over the near term.

### Our view

Based on the above factors, we note that BHARTI's cash requirement (capex + interest cost) could reduce to ~INR270-280b v/s our current estimate of INR312b due to (a) lower capex intensity and (b) the reduction in interest cost (given the fall in net debt from a peak of INR1,132b in 2QFY19 to INR885b in 1QFY20). This should be manageable from its EBITDA (pre-Ind-AS 116 basis) of INR271b in FY20. Thus, in FY20, the company should reach FCF breakeven (v/s our expectation of INR30-40b negative FCF) and comfortable debt-to-EBITDA (pre-Ind-AS 116) of ~3x (v/s ~5x just three quarters back). The postponement of the mobile termination rate based on the TRAI's consultation paper floated on 18<sup>th</sup> September could further lift EBITDA by INR10b. Irrespective of a price increase, BHARTI should now be able to sustain at the prevailing low ARPUs. Further, ARPU accretion from broadband subscribers (2x ARPU v/s voice only subs) is likely to contribute to growth. We expect ARPU to remain flattish in FY20 and increase by 10% in FY21 led by price actions. We expect consol. EBITDA CAGR of 12% over FY19-21 on a pre-Ind-AS 116 basis which has a strong upward bias in case of a price increase.

### Valuation

We maintain our TP at INR420, ascribing 13x EV/EBITDA to the subdued India business and 5x to the Africa business. While the steady EBITDA performance, deleveraging and the improving FCF position have protected the stock even in the current weak market, an incremental upside would hinge on pricing actions and a favorable verdict by the Supreme Court on the AGR case, in our view. **Maintain Buy.**

### Encouraging revenue/ARPU trends

- Downtrading and minimum recharge factors have largely played out in subscriber and ARPU trends. Now on, tariff plan upgrades and 'Airtel Thanks' are expected to contribute to incremental ARPU improvement.
- The company introduced two initiatives last quarter that positively supported ARPUs, such as (a) change in the INR119 plan to INR129 plan, and (b) the grace period being reduced to 7 days (from 15 days) for minimum recharge plan of INR35.
- The integration of the TTSL business from 1<sup>st</sup> Jul'19 with 10m subscribers and revenue of INR1.5b (ARPU of INR50), which excludes revenue already accounted through Airtel roaming, suggests an increase in revenues by ~2%. However, there could be some ARPU dilution of ~2%, after assuming 3% subscribers with 50-60% lower ARPUs. EBITDA impact should be neutral.
- The 2% TTSL revenue uplift should offset the seasonal revenue weakness of ~2%, thus keeping revenue flat in 2QFY20.
- 40% subscribers are still on voice-only packs.
- The minimum recharge program has retained 50-60m subscribers out of the total 100-120m low ARPU (INR10-15) subscribers in 2QFY19. The retained customers have given ARPUs of 3-4x, thus showing a positive gain of ~5-7%.
- Voice-only subscribers using feature phones of the INR65 plan are now upgrading to the INR129 plan with 2GB data/month, thus offering 2x ARPUs. Note that many subscribers of the INR129 plan with 2GB data/month prefer the 1-month plan over the 3-month plan.

### Margin improvement potential healthy

- Out of the incremental revenue growth, we expect 70% to flow to EBITDA. Wireless EBITDA should remain at a similar level QoQ in 2QFY20, due to the arrest in revenue decline and lower costs.
- Network cost should increase by only 2-3% due to 5-6k site addition (1-1.2k quarterly run-rate). Of the total 181k unique sites, 177k sites have MBB towers, so not much capex/opex is left to load broadband sites on existing 2G layer.
- Large part of the cost efficiency is attributed to lower growth in network cost.

### Taking a fair share of the broadband market

- Of the 8-10m monthly MBB industry addition, Bharti is targeting to garner 2.5-3m monthly (35-40%). Bharti and RJio are equally taking share from VIL and also adding new broadband connections.
- Bharti (Airtel) has an edge in gaining subscribers from VIL as 2G-3G device owners need to change their device in order to switch to Jio. The company is also focusing to take equal market share from VIL's subscriber churn.
- While VIL's market share might settle at ~25%, Bharti's share should remain at ~30-31%.

### Limited impact on wireline broadband business

- Bharti's wireline home passes stand at 12m; of this, 2.5m are FTTH-based while the rest are copper-based. Of the 12m home passes, its subscriber base stands at 20% or 2.34m.
- So far, the launch of RJio's fiber service has not had any impact on Bharti. New acquisition of wireline subscribers in the last couple of months has seen 35-40% opting for annual plans.
- Bharti is aiming to expand its wireline to 400 cities v/s 1,600 cities of RJio. We believe that customers in some of the smaller cities will not be willing to pay INR700-800 ARPU, especially when wireless broadband connections are much cheaply available.
- Currently, SMEs contribute ~15-20% to Bharti's total enterprise business. However, this could get impacted post the launch of RJio.
- The recently launched Xstream website and app is a rebranded version of 'Airtel Thanks' offering all the AVOD and low SVOD OTT content (excluding Netflix and Amazon Prime), which is complementary to all broadband customers. It otherwise has a subscription price of INR999.
- Xstream offers two products – the Xtreme set-top box and the Xstream stick. The Xtreme set-top box is a hybrid box offering connectivity to both linear and non-linear content. It costs INR2,249 for DTH customer upgrade and INR3,999 for new users. Xstream stick is similar to Amazon firestick and offers access to non-linear OTT connectivity for INR3,999.

### Capex & Leverage position comfortable

- Capex intensity should be significantly lower in FY20 v/s FY19. Capex should be lower in 2QFY20 due to monsoons, but is expected to pick up post 2HFY20.
- Bharti does not plan to monetize additional stake in Bharti Infratel from current levels.
- Net debt to EBITDA stands at a comfortable 3.3-3.4x as of 1QFY20. Including IPO proceeds from Africa, net debt/EBITDA will be 3.17x.
- Currently, there is no requirement to go for InVITs and the company might consider fiber asset monetization in the long term.
- We note that 57mhz of spectrum renewal is due in eight circles in Sept'21 (Tamil Nadu spectrum – 900Mhz, rest – 1,800mhz), which could cost INR100-120b based on the previous auction prices.

### Capex intensity to be lower; 5G – a far cry

- While the government is keen to conduct spectrum auction in the current fiscal, Bharti is not looking at investment in 5G over the next 1-2 years. The government is yet to decide on the 5G technology for India.
- Auction would be in 3,300-3,600Mhz; the price for 100mhz is INR500-550b, much higher than the price in other countries.
- RJio may be interested in 5G auctions as spectrums owned by RCom is expiring. Government may offer some spectrum for 5G trial to players, however, auction of the spectrum looks difficult this year.

**Airtel Africa seeing moderate growth**

- Airtel Africa revenue/EBITDA should grow in low single-digit QoQ.
- 'Airtel Money' is growing at 70% annually in Africa, while voice is growing at 4-5%. EBITDA should also expand in high single-digits.

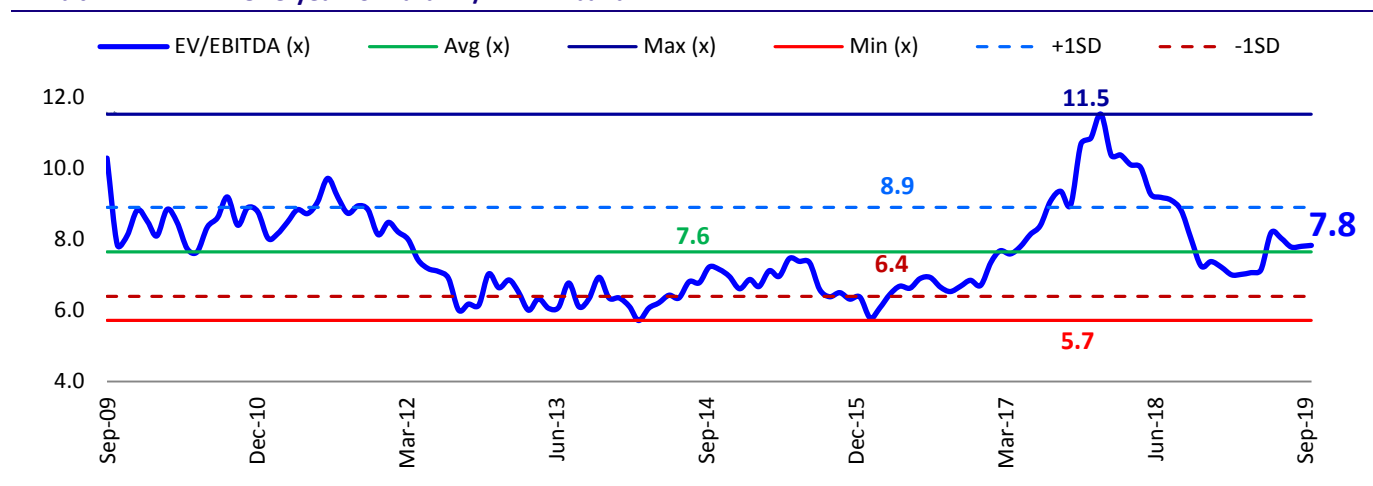
**AGR case a big concern**

- The license fee liability excluding interest and penalties stand at INR60b. The final hearing was held on 1<sup>st</sup> Aug'19 and the Supreme Court (SC) verdict is expected in two months.
- With TRAI and TDSAT in favor of telecom companies, we expect the SC verdict to be in our favor. If the license fee ruling favors DOT, then the spectrum fees case may also go into litigation, thus creating additional liabilities.

**Exhibit 1: Bharti Airtel — SOTP-based on FY21**

	EBITDA (INR b)	Ownership (%)	Proportionate EBITDA (INR b)	EV/ EBITDA (x)	Fair Value (INR b)	Value/ Share (INR)
India SA business (excl. towers)	174	100%	174	13	2,344	457
Tower business (15% discount to fair value)		53.5%			244	48
Africa business	111	55.2%	61	5	306	63
Less net debt					746	149
<b>Total Value</b>					<b>2148</b>	<b>420</b>
Shares o/s (b)	5.1					
<b>CMP</b>						<b>349</b>
<b>Upside (%)</b>						<b>20</b>

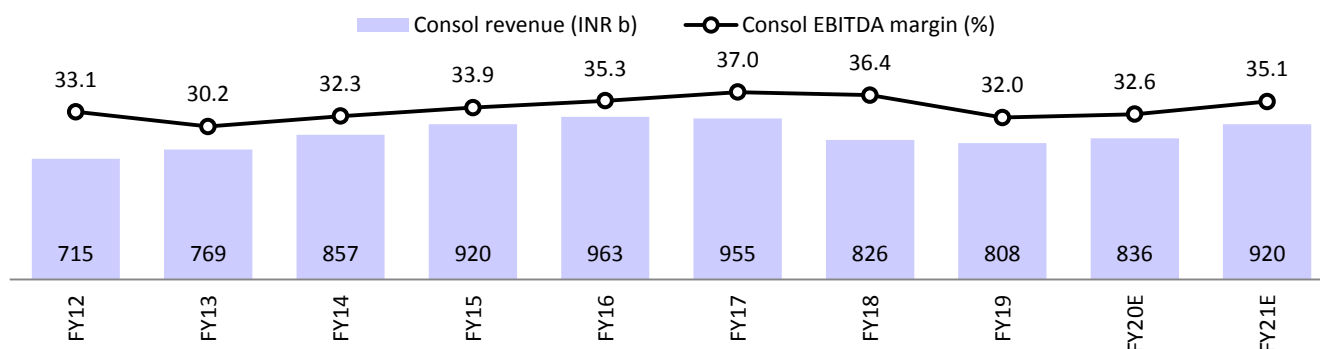
Source: Company, MOFSL

**Exhibit 2: BHARTI — One-year forward EV/EBITDA band**

Source: Bloomberg, MOFSL

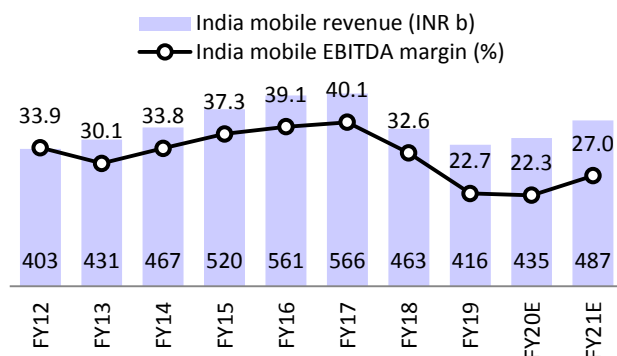
## Story in charts

**Exhibit 3: Consol. revenue and EBITDA margin to gradually inch up (INR b, %)**

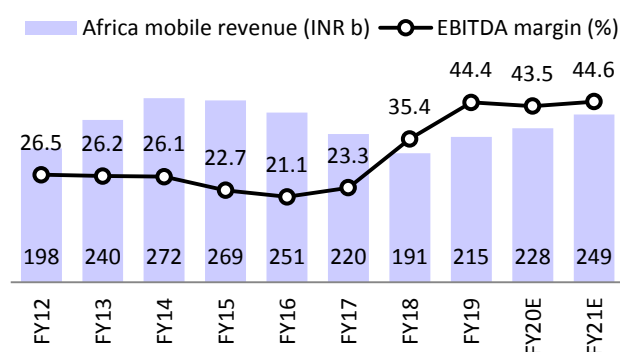


\* Pre IND-AS 116

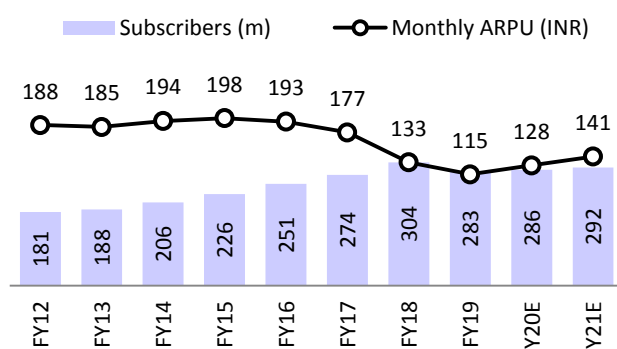
**Exhibit 4: India mobile revenue and margin to rise gradually**



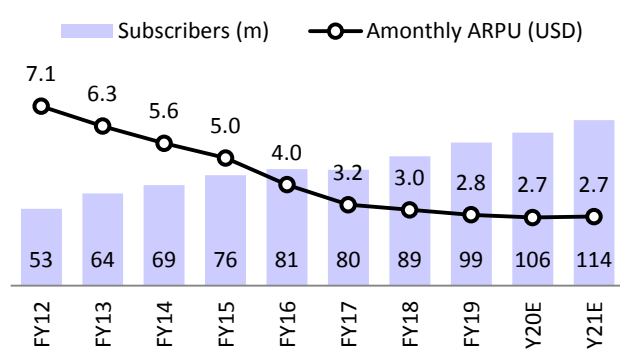
**Exhibit 5: Africa revenue and EBITDA margin to reach new highs**

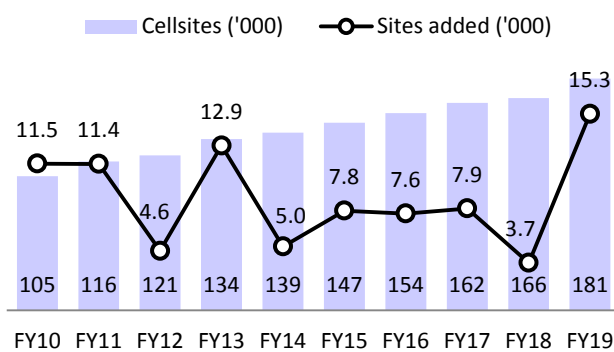


**Exhibit 6: India ARPU to rise gradually over FY19-21E**

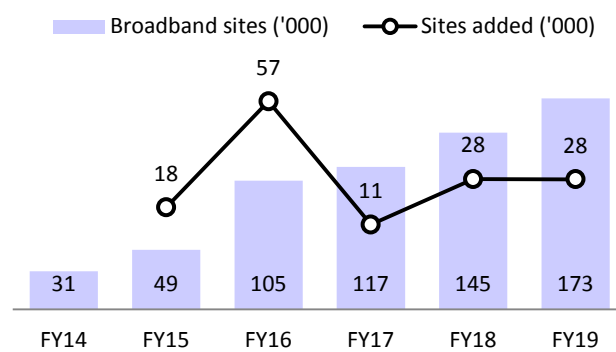


**Exhibit 7: Expect Africa ARPU to remain steady**

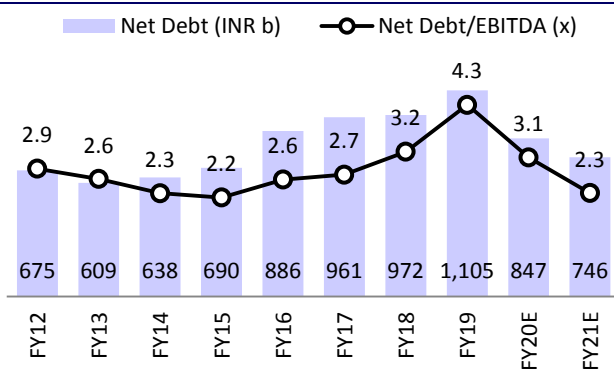


**Exhibit 8: India mobile total cell site base and additions**

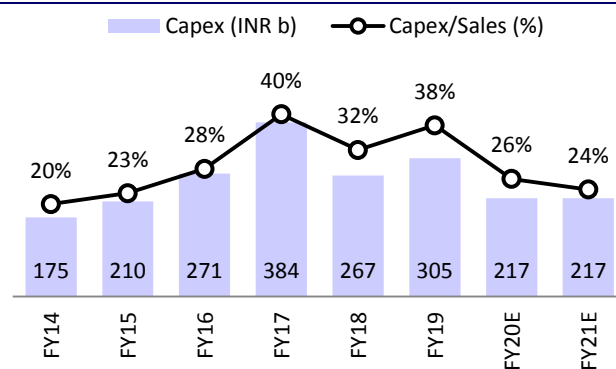
Source: Company, MOFSL

**Exhibit 9: India mobile broadband sites base and additions**

Source: Company, MOFSL

**Exhibit 10: Consolidated net debt and net debt/EBITDA**

Source: Company, MOFSL

**Exhibit 11: Capex as a % of revenue to come down over FY19-21**

Source: Company, MOFSL

**Exhibit 12: Business mix**

<b>Revenue (INR b)</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
India Mobile	467	520	561	566	463	416	435	487
Telemedia	39	44	25	28	25	22	23	25
Enterprise	63	67	97	109	113	125	131	145
Passive Infrastructure	51	54	56	61	66	68	71	75
Others (incl. South Asia)	41	43	49	49	46	47	35	37
Africa	272	269	251	220	191	215	228	249
Total revenue	934	998	1039	1032	904	892	923	1018
Eliminations and others	-77	-77	-76	-78	-78	-84	-87	-98
<b>Consolidated revenue</b>	<b>857</b>	<b>920</b>	<b>963</b>	<b>955</b>	<b>826</b>	<b>808</b>	<b>836</b>	<b>920</b>
<b>YoY%</b>	<b>11</b>	<b>7</b>	<b>5</b>	<b>-1</b>	<b>-13</b>	<b>-2</b>	<b>4</b>	<b>10</b>
<b>EBITDA (INR b)</b>								
India Mobile	158	194	219	227	151	94	97	132
Telemedia	15	18	11	13	12	11	12	12
Enterprise	14	14	30	34	42	41	39	43
Passive Infrastructure	0	0	26	29	33	32	36	38
Others (incl. South Asia)	2	5	8	10	10	13	20	22
Africa	71	61	53	51	68	95	99	111
Total EBITDA	259	292	347	364	315	287	304	358
Eliminations and others	-6	-5	-7	-11	-14	-29	-31	-35
<b>Consolidated EBITDA</b>	<b>254</b>	<b>287</b>	<b>340</b>	<b>353</b>	<b>301</b>	<b>258</b>	<b>273</b>	<b>323</b>
<b>YoY%</b>	<b>27</b>	<b>13</b>	<b>19</b>	<b>4</b>	<b>-15</b>	<b>-14</b>	<b>6</b>	<b>18</b>
<b>Consolidated EBITDA margin (%)</b>	<b>32.3</b>	<b>33.9</b>	<b>35.2</b>	<b>37.0</b>	<b>36.4</b>	<b>32.0</b>	<b>39.7</b>	<b>41.6</b>
<b>Capex (INR b)</b>								
Consolidated capex	175	210	271	384	267	349	217	217
YoY%	34	20	29	42	-30	30	-38	0
Capex/Sales (%)	20	23	28	40	32	43	26	24

FY19 Segmental EBITDA has been derived from segmental EBIT and depreciation working

Source: Company, MOFSL



## Standalone Financials – Pre Ind-As 116 Basis

(INR Millions)	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Revenue from operations	857,461	920,394	965,321	954,683	826,388	807,802	835,294	918,742
YoY growth	11%	7%	5%	-1%	-13%	-2%	3%	10%
Access Charges	111,923	112,759	109,423	102,786	90,446	93,521	100,441	101,285
License Fee	76,631	87,469	94,928	92,760	75,558	69,426	71,983	79,560
Network Operating	197,202	203,944	201,567	209,154	197,520	223,900	191,837	205,033
Cost of Goods sold	902	1,290	0	0	0	0	0	0
Personnel	46,228	47,123	49,108	43,032	39,771	37,975	34,926	38,457
SG&A	147,979	155,533	170,453	153,653	122,302	124,791	105,070	113,209
Total Operating expenses	580,865	608,118	625,479	601,386	525,597	549,613	563,690	596,977
EBITDA	276,596	312,276	339,842	353,297	300,791	258,189	271,604	321,765
EBITDA margin	32%	34%	35%	37%	36%	32%	33%	35%
D&A expense	156,496	155,311	174,498	197,730	192,431	213,475	234,891	269,208
EBIT	120,100	156,965	165,344	155,567	108,360	44,714	36,713	52,557
EBIT Margin %	14%	17%	17%	16%	13%	6%	4%	6%
Add: Other income	1,174	957	871	1,206	2,488	2,912	2,912	2,912
Less: Interest expense	62,859	80,317	69,135	76,974	80,715	95,894	94,426	70,741
Share of loss/(gain) in associates	-5,211	-7,223	-10,666	-10,449	-10,609	-3,556	-3,724	-3,724
Non-operating expense	0	1,592	1,024	1,319	141	1,894	1,844	1,844
PBT	63,626	83,236	106,722	88,929	40,601	-46,606	-52,921	-13,393
Less: Exceptional items	-538	7,960	-21,741	11,697	7,931	-29,288	14,694	0
Less: Provision for Tax	48,449	54,047	59,533	34,819	10,835	-34,193	-19,632	-3,948
Tax Rate (%)	76%	65%	56%	39%	27%	73%	37%	29%
PAT	15,715	21,229	68,930	42,413	21,835	16,875	-47,983	-9,445
% of sales	2%	2%	7%	4%	3%	2%	-6%	-1%

Key Parameters	FY20E	FY21E
Total Assets	27,14,619	26,65,593
Share Capital	10,54,941	10,48,940
Total Debt (Long term & Short Term)	9,18,964	8,77,474
Capital Employed	19,73,905	19,26,414
RoCE	2%	3%
RoE	-5%	-1%
Operating CF before WC	2,73,484	3,23,645
Operating CF	2,63,541	3,27,592
Total CAPEX	2,17,000	2,17,000
FCF (Free Cash Flow)	46,541	1,10,592

## Financials and Valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Total Income from Operations</b>	<b>8,57,461</b>	<b>9,20,394</b>	<b>9,65,321</b>	<b>9,54,683</b>	<b>8,36,879</b>	<b>807,802</b>	<b>836,354</b>	<b>919,802</b>
Change (%)	11.5	7.3	4.9	-1.1	-12.3	-2.2	3.5	10.0
<b>Total Expenditure</b>	<b>5,80,865</b>	<b>6,08,118</b>	<b>6,25,479</b>	<b>6,01,386</b>	<b>5,36,088</b>	<b>549,613</b>	<b>504,258</b>	<b>537,545</b>
% of Sales	67.7	66.1	64.8	63.0	64.1	68.0	60.3	58.4
<b>EBITDA</b>	<b>2,76,596</b>	<b>3,12,276</b>	<b>3,39,842</b>	<b>3,53,297</b>	<b>3,00,791</b>	<b>258,189</b>	<b>332,096</b>	<b>382,257</b>
Margin (%)	32.3	33.9	35.2	37.0	35.9	32.0	39.7	41.6
Depreciation	1,56,496	1,55,311	1,74,498	1,97,730	1,92,431	213,475	272,043	306,360
<b>EBIT</b>	<b>1,20,100</b>	<b>1,56,965</b>	<b>1,65,344</b>	<b>1,55,567</b>	<b>1,08,360</b>	<b>44,714</b>	<b>60,053</b>	<b>75,897</b>
Int. and Finance Charges	48,381	48,463	69,135	76,974	80,715	95,894	114,322	90,637
Other Income	6,385	6,588	10,513	10,336	12,956	4,574	4,792	4,792
<b>PBT bef. EO Exp.</b>	<b>78,104</b>	<b>1,15,090</b>	<b>1,06,722</b>	<b>88,929</b>	<b>40,601</b>	<b>-46,606</b>	<b>-49,477</b>	<b>-9,949</b>
EO Items	538	-7,960	21,741	-11,697	-7,931	29,288	-14,694	0
<b>PBT after EO Exp.</b>	<b>78,642</b>	<b>1,07,130</b>	<b>1,28,463</b>	<b>77,232</b>	<b>32,670</b>	<b>-17,318</b>	<b>-64,171</b>	<b>-9,949</b>
Total Tax	48,449	54,047	59,533	34,819	10,835	-34,193	-19,632	-3,948
Tax Rate (%)	61.6	50.4	46.3	45.1	33.2	197.4	30.6	39.7
Minority Interest	2,467	1,248	8,163	4,416	10,845	12,780	-3,620	-2,433
<b>Reported PAT</b>	<b>27,726</b>	<b>51,835</b>	<b>60,767</b>	<b>37,997</b>	<b>10,990</b>	<b>4,095</b>	<b>-40,919</b>	<b>-3,569</b>
<b>Adjusted PAT</b>	<b>27,519</b>	<b>55,779</b>	<b>49,101</b>	<b>44,421</b>	<b>13,960</b>	<b>-35,026</b>	<b>-26,260</b>	<b>-3,569</b>
Change (%)	43.0	102.7	-12.0	-9.5	-68.6	-350.9	-25.0	-86.4
Margin (%)	3.2	6.1	5.1	4.7	1.7	-4.3	-3.1	-0.4

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	19,987	19,987	19,987	19,987	19,987	19,987	25,655	25,655
Total Reserves	5,77,573	5,99,577	6,47,706	6,54,576	6,75,357	694,235	8,97,648	8,94,079
<b>Net Worth</b>	<b>5,97,560</b>	<b>6,19,564</b>	<b>6,67,693</b>	<b>6,74,563</b>	<b>6,95,344</b>	<b>714,222</b>	<b>9,23,303</b>	<b>9,19,734</b>
Minority Interest	42,102	48,525	54,981	68,750	88,139	135,258	1,31,638	1,29,206
Total Loans	7,58,958	8,06,839	10,04,526	10,72,877	11,13,335	1,254,283	12,30,997	11,89,507
Deferred Tax Liabilities	-45,777	-44,392	-34,226	-16,766	-22,118	-82,556	-82,556	-82,556
<b>Capital Employed</b>	<b>13,52,843</b>	<b>14,30,536</b>	<b>16,92,974</b>	<b>17,99,424</b>	<b>18,74,700</b>	<b>2,021,207</b>	<b>22,03,382</b>	<b>21,55,891</b>
<b>Net Fixed Assets</b>	<b>14,06,145</b>	<b>15,01,440</b>	<b>17,79,948</b>	<b>18,90,736</b>	<b>15,89,357</b>	<b>1,683,662</b>	<b>22,63,105</b>	<b>21,73,745</b>
<b>Total Investments</b>	<b>1,55,308</b>	<b>1,70,357</b>	<b>1,19,671</b>	<b>1,81,552</b>	<b>1,80,406</b>	<b>157,110</b>	<b>1,29,812</b>	<b>1,29,812</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>2,07,692</b>	<b>2,26,519</b>	<b>3,10,876</b>	<b>2,34,170</b>	<b>3,26,564</b>	<b>400,829</b>	<b>4,45,814</b>	<b>4,86,148</b>
Inventory	1,422	1,339	1,692	488	693	884	749	1,047
Account Receivables	62,441	67,252	55,039	47,402	58,830	43,006	48,649	52,151
Cash and Bank Balance	49,808	11,719	37,087	12,817	47,886	81,055	1,02,505	1,62,271
Loans and Advances	94,021	1,46,209	2,17,058	1,73,462	2,19,155	275,884	2,93,911	2,70,679
<b>Curr. Liability &amp; Prov.</b>	<b>4,16,302</b>	<b>4,67,781</b>	<b>5,17,520</b>	<b>5,07,034</b>	<b>6,01,786</b>	<b>641,389</b>	<b>6,35,349</b>	<b>6,33,814</b>
Account Payables	4,04,533	4,59,472	5,07,838	4,97,348	5,77,285	621,206	6,09,268	6,09,015
Provisions	11,769	8,309	9,682	9,686	24,501	20,183	26,080	24,799
<b>Net Current Assets</b>	<b>-2,08,610</b>	<b>-2,41,262</b>	<b>-2,06,645</b>	<b>-2,72,865</b>	<b>-2,75,222</b>	<b>-240,560</b>	<b>-1,89,535</b>	<b>-1,47,666</b>
<b>Appl. of Funds</b>	<b>13,52,843</b>	<b>14,30,536</b>	<b>16,92,974</b>	<b>17,99,424</b>	<b>18,74,700</b>	<b>2,021,207</b>	<b>22,03,382</b>	<b>21,55,891</b>

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>6.9</b>	<b>14.0</b>	<b>12.3</b>	<b>11.1</b>	<b>3.5</b>	<b>-8.8</b>	<b>-5.1</b>	<b>-0.7</b>
Cash EPS	46.0	52.8	55.9	60.6	51.6	44.6	47.9	59.0
BV/Share	149.5	155.0	168.8	168.8	173.9	178.7	179.9	179.3
DPS	1.8	2.2	1.4	1.0	1.0	0.0	0.0	0.0
Payout (%)	30.2	19.9	10.8	12.7	43.8	0.0	0.0	0.0
<b>Valuation (x)</b>								
P/E				29.1	92.5	NM	NM	NM
Cash P/E				5.3	6.3	7.9	7.4	6.0
P/BV				1.9	1.9	2.0	2.0	2.0
EV/Sales				2.5	2.9	3.2	3.5	3.1
EV/EBITDA				6.4	7.5	9.7	8.7	7.3
Dividend Yield (%)		0.7	0.5	0.3	0.3	0.0	0.0	0.0
<b>Return Ratios (%)</b>								
RoE	5.0	9.2	7.6	6.6	2.0	-5.0	-3.2	-0.4
RoCE	3.8	5.8	6.1	5.3	4.6	-2.5	2.2	2.3
RoIC	4.2	6.5	6.4	5.4	4.5	-2.6	2.3	2.4
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.4
Debtor (Days)	27	27	21	18	26	19	21	21
<b>Leverage Ratio (x)</b>								
Net Debt/Equity	0.9	1.0	1.3	1.3	1.3	1.4	1.1	1.0

### Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	78,643	1,07,130	1,28,463	77,233	32,670	-17,318	-64,171	-9,949
Depreciation	1,56,496	1,55,311	1,74,498	1,97,730	1,92,431	213,475	2,72,043	3,06,360
Interest & Finance Charges	58,788	73,252	85,461	95,466	93,255	110,134	1,33,921	1,08,735
Direct Taxes Paid	-35,039	-46,111	-46,836	-31,587	-13,723	34,193	19,632	3,948
(Inc)/Dec in WC	17,533	-1,639	-3,955	-27,429	5,906	-35,439	-29,575	17,897
<b>CF from Operations</b>	<b>2,76,421</b>	<b>2,87,943</b>	<b>3,37,631</b>	<b>3,11,413</b>	<b>3,10,539</b>	<b>305,045</b>	<b>3,31,850</b>	<b>4,26,991</b>
Others	-14,095	-11,925	-58,208	-19,104	-12,001	-60,438	0	0
<b>CF from Operating incl EO</b>	<b>2,62,326</b>	<b>2,76,018</b>	<b>2,79,423</b>	<b>2,92,309</b>	<b>2,98,538</b>	<b>244,607</b>	<b>3,31,850</b>	<b>4,26,991</b>
(Inc)/Dec in FA	-1,74,659	-2,09,786	-2,70,967	-3,84,045	-2,67,262	-348,616	-4,30,491	-2,17,000
<b>Free Cash Flow</b>	<b>87,667</b>	<b>66,232</b>	<b>8,456</b>	<b>-91,736</b>	<b>31,276</b>	<b>-104,009</b>	<b>-98,641</b>	<b>2,09,991</b>
(Pur)/Sale of Investments	-36,886	-11,649	68,115	-817	-33,322	23,296	46,232	0
Others	-27,955	14,088	60,595	69,308	40,326	12,669	24,806	24,806
<b>CF from Investments</b>	<b>-2,39,500</b>	<b>-2,07,347</b>	<b>-1,42,257</b>	<b>-3,15,554</b>	<b>-2,60,258</b>	<b>-312,651</b>	<b>-3,59,453</b>	<b>-1,92,194</b>
Issue of Shares	67,956	0	984	1,245	21	0	2,50,000	0
Inc/(Dec) in Debt	14,252	-72,451	-1,17,833	9,353	40,073	140,948	-23,286	-41,490
Interest Paid	-37,620	-33,887	-32,890	-58,566	-44,041	-110,134	-1,33,921	-1,08,735
Dividend Paid	-6,735	-21,399	-15,304	-9,168	-32,652	0	0	0
Others	-12,182	31,210	46,925	52,866	56,085	89,817	0	0
<b>CF from Fin. Activity</b>	<b>25,671</b>	<b>-96,527</b>	<b>-1,18,118</b>	<b>-4,270</b>	<b>19,486</b>	<b>120,631</b>	<b>92,794</b>	<b>-1,50,226</b>
<b>Inc/Dec of Cash</b>	<b>48,497</b>	<b>-27,856</b>	<b>19,048</b>	<b>-27,515</b>	<b>57,766</b>	<b>52,587</b>	<b>65,190</b>	<b>84,571</b>
Opening Balance	1,311	39,575	-1,413	17,635	-9,880	28,468	37,315	77,699
<b>Closing Balance</b>	<b>49,808</b>	<b>11,719</b>	<b>37,087</b>	<b>12,817</b>	<b>47,886</b>	<b>81,055</b>	<b>1,02,505</b>	<b>1,62,271</b>

E: MOFSL Estimates

## 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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com).CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.: 022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.