

Estimate change

TP change

Rating change



Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	BHEL IN
Equity Shares (m)	3,482
M.Cap.(INRb)/(USD\$b)	109.5 / 1.4
52-Week Range (INR)	76 / 19
1, 6, 12 Rel. Per (%)	38/-14/-39
12M Avg Val (INR M)	1027

**Financials & Valuations (INR b)**

Y/E Mar	2020	2021E	2022E
Sales	214.9	254.4	281.2
EBITDA	-2.3	10.2	13.7
PAT	-14.7	3.6	6.4
EBITDA (%)	-1.1	4.0	4.9
EPS (INR)	-4.2	1.0	1.8
EPS Gr. (%)	NA	NA	75.0
BV/Sh. (INR)	83.8	84.8	86.7

**Ratios**

Net D/E	-0.0	-0.1	-0.0
RoE (%)	-4.9	1.2	2.1
RoCE (%)	-4.4	1.2	1.9
Payout (%)	0.0	0.0	0.0

**Valuations**

P/E (x)	NA	30.1	17.2
P/BV (x)	0.4	0.4	0.4
EV/EBITDA (x)	NA	8.9	7.0
Div Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-25.5	4.8	-5.3

**Shareholding pattern (%)**

As On	Mar-20	Dec-19	Mar-19
Promoter	63.2	63.2	63.2
DII	17.8	19.2	18.5
FII	9.4	10.0	11.7
Others	9.7	7.6	6.6

FII Includes depository receipts

**CMP: INR31**
**TP: INR22 (-30%)**
**Downgrade to Sell**
**High fixed cost dents earnings as execution gets disrupted**
**Weak ordering and high receivables key challenges; Downgrade to Sell**

- BHEL's 4QFY20 earnings were disappointing as revenue plunged 51% YoY while FY20 revenue declined 29% YoY. Operating performance was below expectations with EBITDA loss. BHEL's management has refrained from providing any revenue guidance for FY21 due to the economic slowdown and as it is reviewing the COVID led impact. The company is yet to show any significant improvement on pending receivables, with net debtors slightly reducing from INR386b in FY19 to INR365b in FY20. Working capital as % of sales further declined from 63% of sales in FY19 to 99% of sales in FY20.
- We have cut our FY21E/FY22E earnings estimates by 46%/17% to account for the poor execution and weak ordering environment. While orders are few to come by, the pricing environment remains highly competitive, limiting scope for margin expansion. We expect the company's recent expression of diversification to materialize with a certain time lag owing to the subdued economic environment. We downgrade our rating to **Sell** with a TP of INR22, as any visible sign of improvement is still some time away.

**Revenue loss of INR40b attributable to COVID-19 pandemic**

- **4QFY20:** Lower execution in 4QFY20 led to 51% YoY decline in revenues to INR50.5b (48% below est.). BHEL lost ~INR40b revenue owing to the COVID-19 crisis due to disruption in supply chain, followed by the lockdown. EBITDA loss stood at INR5.6b (v/s profit of INR14b last year) due to lower absorption of fixed cost. The company has incorporated the new corporate tax rate impact entirely in 4QFY20, resulting in high tax expense in the quarter. Thus, the bottom line loss stood at INR15.3b (v/s profit of INR6.8b last year).
- **FY20:** Revenues were down 29% YoY to INR215b. **EBITDA losses stood at INR2.4b (v/s profit of INR21.3b in FY19).** Adj. PAT loss stood at INR14.7b (v/s profit of INR12.1b in FY19). Cash flow from operations stood at -INR29b (v/s -INR38.6b in FY19).
- **Segment highlights: (a) Power segment: 4QFY20** revenue down 61% YoY to INR31.7b. EBIT loss stood at INR79m. **FY20** revenue was down 36% YoY to INR150b. EBIT margin came in at 5% (v/s 12% YoY). **(b) Industry segment: 4Q** revenue was down 18% YoY to INR14.2b. EBIT loss stood at INR3.7b (v/s profit of INR349m in 4QFY19). **FY20** revenue was down 7% YoY to INR55b. EBIT loss came in at INR2.1b (v/s profit of INR4.4b in FY19).
- Order book stood flat YoY at INR1.1t, with OB/rev at 5.3x.

**Management commentary highlights**

- The company is L1 in Talcher order worth INR63b, with tendering under progress for 2\*880 MW NTPC Singroli.
- Total receivables remain elevated at INR365b, of which 12% is from the private sector, 47% is from state entities, 34% is from the Center and 7% is related to the international market.

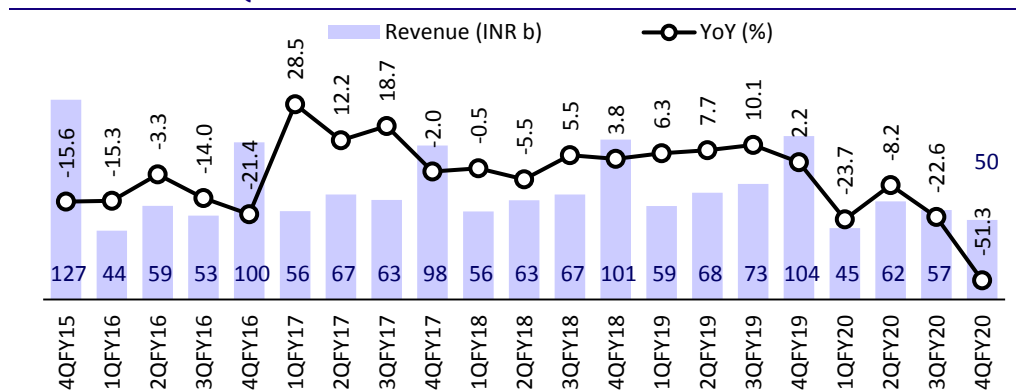
### Valuation and view – Downgrade to Sell

- BHEL continues to struggle on account of **(a)** the weak ordering environment in the power sector, **(b)** high receivables of INR365b, and **(c)** high FY20 employee cost at ~25% of sales. In FY20, working capital deteriorated to 99% of sales from 65% in FY19 on account of higher inventories, slow movement in receivables and poor execution.
- We have cut our FY21E/FY22E earnings estimates by 46%/17% to account for the poor execution and weak ordering environment. While orders are few to come by, the pricing environment remains highly competitive, limiting scope for margin expansion. We expect the company's recent expression of diversification to materialize with a certain time lag owing to the subdued economic environment. We downgrade our rating to **Sell** with a TP of INR22, as any visible sign of improvement is far away.

### Quarterly Performance

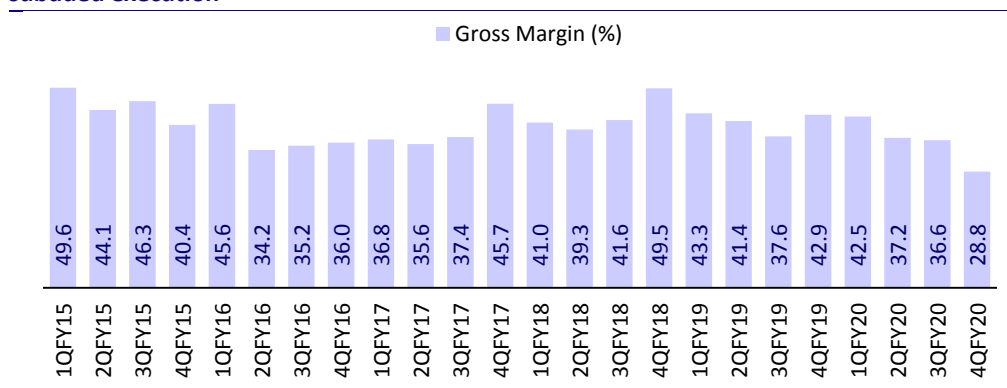
Y/E March	FY19				FY20				FY19	FY20	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			Est	Var.
<b>Sales (Net)</b>	<b>59,355</b>	<b>67,799</b>	<b>73,364</b>	<b>1,02,972</b>	<b>45,317</b>	<b>62,257</b>	<b>56,794</b>	<b>50,493</b>	<b>3,04,227</b>	<b>2,14,861</b>	<b>97,898</b>	<b>-48.4%</b>
Change (%)	6.3	7.7	10.1	1.5	-23.7	-8.2	-22.6	-51.0	5.2	-29.4	-4.9	
<b>EBITDA</b>	<b>2,872</b>	<b>2,408</b>	<b>2,187</b>	<b>13,952</b>	<b>-2,667</b>	<b>2,669</b>	<b>3,287</b>	<b>-5,617</b>	<b>21,320</b>	<b>-2,329</b>	<b>10,067</b>	<b>NA</b>
Change (%)	41.6	NA	-17.5	13.3	NA	10.8	50.3	NA	10.3	NA	-27.8	
As a % Sales	4.8	3.6	3.0	13.5	-5.9	4.3	5.8	-11.1	7.0	-1.1	10.3	
Interest	639	689	577	964	1,080	1,187	1,391	1,412	2,873	5,070	1,342	
Depreciation	1,761	521	1,124	1,342	1,148	1,193	1,145	1,543	4,748	5,029	1,276	
Other Income	1,786	1,517	2,265	1,209	1,455	1,356	1,512	1,482	6,776	5,806	1,119	
<b>PBT</b>	<b>2,259</b>	<b>2,715</b>	<b>2,751</b>	<b>12,854</b>	<b>-3,440</b>	<b>1,645</b>	<b>2,263</b>	<b>-7,090</b>	<b>20,475</b>	<b>-6,621</b>	<b>8,569</b>	<b>NA</b>
Tax	703	863	831	6,027	-1,277	459	675	8,252	8,389	8,109	2,418	
Effective Tax Rate (%)	31.1	31.8	30.2	46.9	37.1	27.9	29.8	-116.4	41.0	-122.5	28.2	
<b>Reported PAT</b>	<b>1,556</b>	<b>1,852</b>	<b>1,920</b>	<b>6,827</b>	<b>-2,162</b>	<b>1,186</b>	<b>1,588</b>	<b>-15,341</b>	<b>12,087</b>	<b>-14,730</b>	<b>6,151</b>	<b>NA</b>
Change (%)	92.5	60.4	25.3	49.3	NA	-36.0	-17.3	NA	49.8	NA	-9.9	
<b>Adj. PAT</b>	<b>1,556</b>	<b>1,852</b>	<b>1,920</b>	<b>6,827</b>	<b>-2,162</b>	<b>1,186</b>	<b>1,588</b>	<b>-15,341</b>	<b>12,087</b>	<b>-14,730</b>	<b>6,151</b>	<b>NA</b>
Change (%)	92.5	60.4	25.3	49.3	NA	-36.0	-17.3	NA	49.8	NA	-9.9	

**Exhibit 1: Execution hurdles, impact on supply chain and COVID led shutdown leads to 51% revenue decline in 4QFY20**



Source: MOFSL, Company

**Exhibit 2: Gross margin declined in 4QFY20 owing to rise in raw material cost coupled with subdued execution**

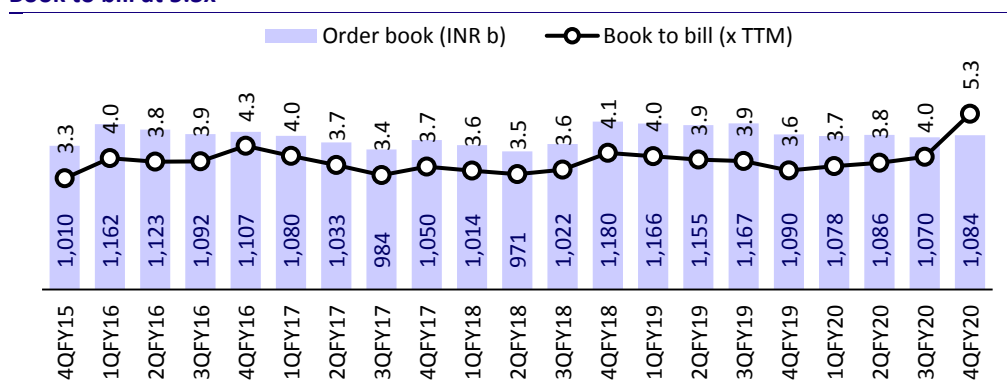


Source: MOFSL, Company

**Order book at INR1.1t, Book to bill at 5.3x in 4QFY20**

- Order book stood at INR1.1t, flat YoY. Order inflow was also flat YoY in FY20 at INR235b. We build in 9% YoY decline for order inflows in FY21E

**Exhibit 3: Though order book has remained flat YoY, lower execution has led to rise in Book to bill at 5.3x**



Source: MOFSL, Company

**Segmental performance: Revenues hit across segments; industrial segment profitability sees most impact**

- Power segment: 4QFY20** revenue down 61% YoY to INR31.7b. EBIT loss stood at INR79m. **FY20** revenue was down 36% YoY to INR150b. EBIT margin came in at 5% (v/s 12% YoY).
- Industry segment: 4Q** revenue was down 18% YoY to INR14.2b. EBIT loss stood at INR3.7b (v/s profit of INR349m YoY). **FY20** revenue was down 7% YoY to INR55b. EBIT loss came in at INR2.1b (v/s profit of INR4.4b YoY).

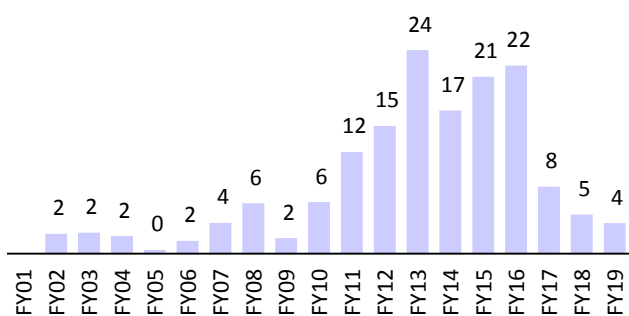
**Exhibit 4: Segmental revenues and margins**

INR m	FY18				FY19				FY20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Revenues</b>	<b>56,070</b>	<b>61,684</b>	<b>64,944</b>	<b>98,286</b>	<b>57,901</b>	<b>66,069</b>	<b>71,157</b>	<b>98,365</b>	<b>44,103</b>	<b>60,290</b>	<b>54,578</b>	<b>45,936</b>
Power	43,356	50,647	53,558	83,081	46,362	51,532	55,123	81,034	34,915	42,215	40,727	31,747
Growth (%)	0.0	(3.6)	5.1	2.5	6.9	1.7	2.9	(2.5)	(24.7)	(18.1)	(26.1)	(60.8)
Industry	12,714	11,037	11,386	15,205	11,539	14,538	16,035	17,331	9,188	18,075	13,851	14,189
Growth (%)	(8.2)	(27.7)	(16.8)	(13.9)	(9.2)	31.7	40.8	14.0	(20.4)	24.3	(13.6)	(18.1)
<b>EBIT</b>	<b>5,187</b>	<b>6,708</b>	<b>8,155</b>	<b>9,666</b>	<b>5,463</b>	<b>4,953</b>	<b>6,479</b>	<b>15,600</b>	<b>-193</b>	<b>4,883</b>	<b>5,085</b>	<b>-3,791</b>
Power	4,386	6,691	7,751	9,094	4,878	4,257	5,921	13,066	-541	4,337	4,326	-79
Growth (%)	41.5	32.4	31.3	(19.5)	11.2	(36.4)	(23.6)	43.7	(111.1)	1.9	(26.9)	NA
Industry	802	18	404	572	585	696	557	2,534	349	546	759	-3,712
Growth (%)	(5.5)	(80.5)	(134.3)	(78.7)	(27.1)	3,810.1	37.8	343.4	(40.3)	(21.5)	36.1	NA
<b>EBIT margin (%)</b>	<b>9.3</b>	<b>10.9</b>	<b>12.6</b>	<b>9.8</b>	<b>9.4</b>	<b>7.5</b>	<b>9.1</b>	<b>15.9</b>	<b>-0.4</b>	<b>8.1</b>	<b>9.3</b>	<b>-8.3</b>
Power	10.1	13.2	14.5	10.9	10.5	8.3	10.7	16.1	-1.6	10.3	10.6	-0.2
Industry	6.3	0.2	3.6	3.8	5.1	4.8	3.5	14.6	3.8	3.0	5.5	-26.2

Source: Company, MOFSL

**Exhibit 5: Thermal capacity averaged around 18GW between FY12-16 before falling to 4GW in FY19**

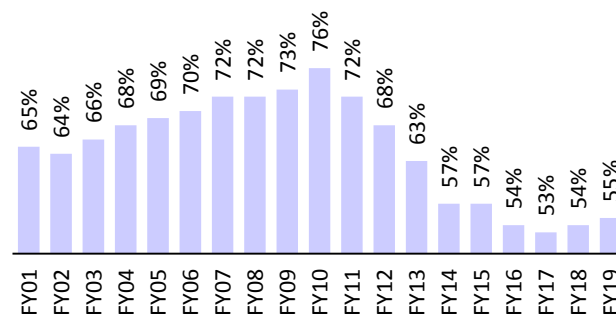
■ Thermal capacity addition (GB)



Source: MOFSL

**Exhibit 6: Thermal PLF has rapidly declined post FY10 indicating lower order inflows for BHEL**

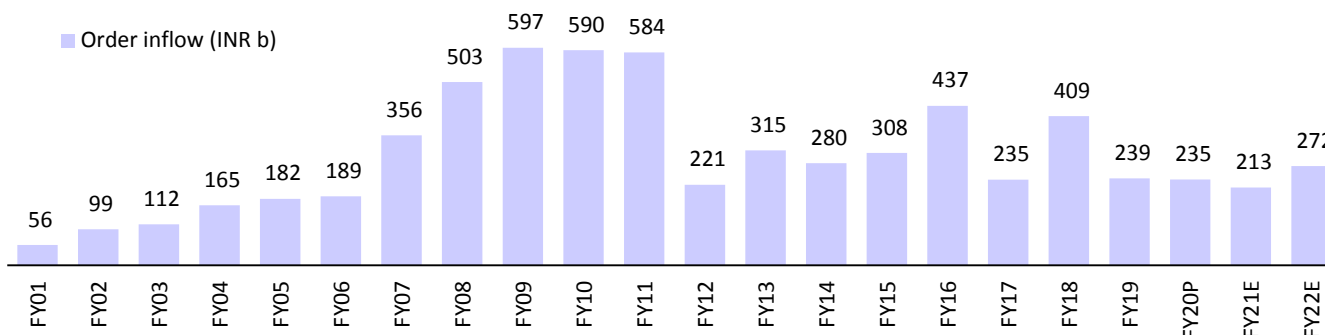
■ Thermal PLF (%)



Source: MOFSL

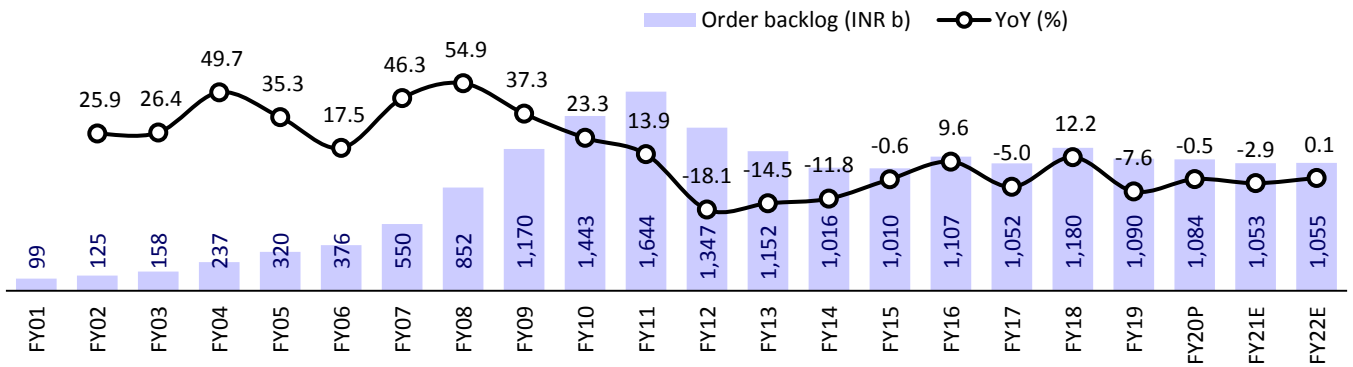
**Exhibit 7: Order inflows averaged to INR550b between FY08-11, while lower thermal PLF led to significant decline in ordering thereafter**

■ Order inflow (INR b)



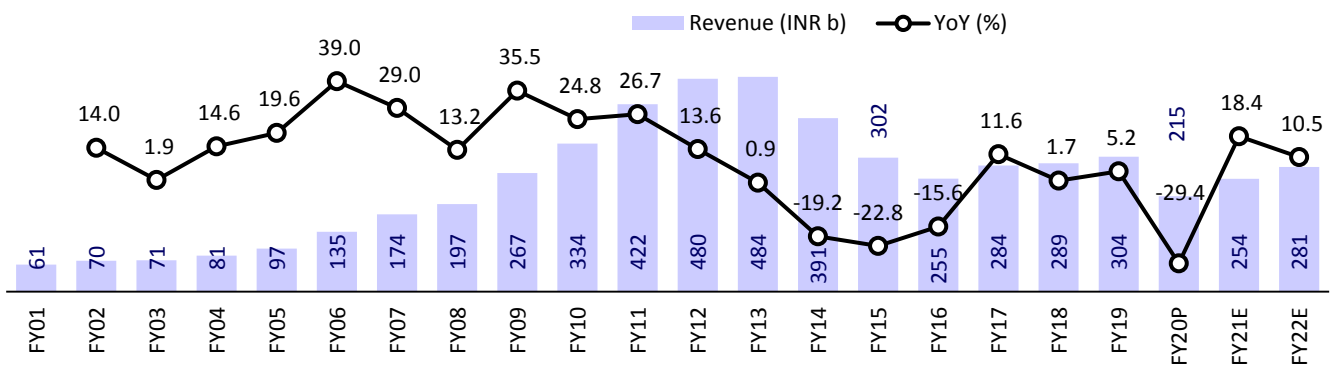
Source: MOFSL, Company

**Exhibit 8: Order backlog declined post FY11 on the back of lower order inflows and currently stood at INR1.1t in FY20, from the peak of INR1.6t in FY11**



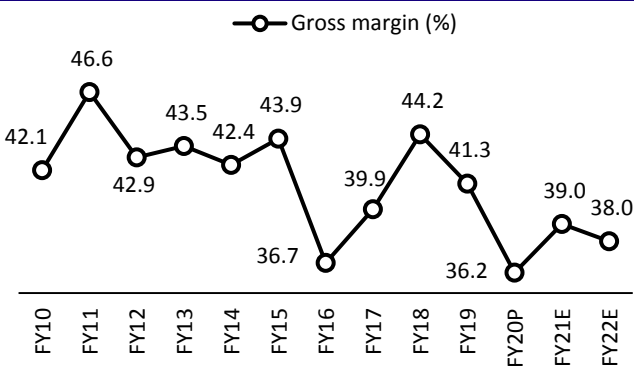
Source: MOFSL, Company

**Exhibit 9: Revenue CAGR stood at -10% over FY14-20 due to lower order inflows and weak order book**



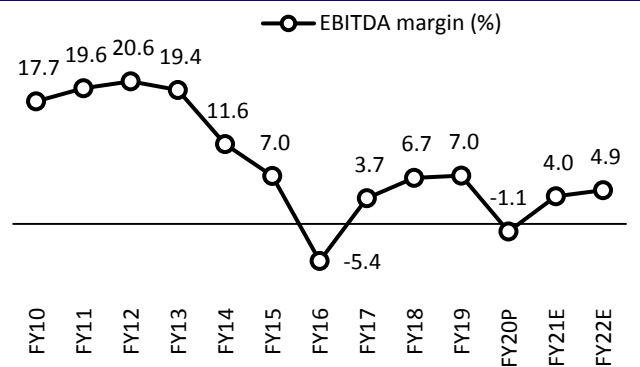
Source: MOFSL, Company

**Exhibit 10: Gross margins have been on the decline again since FY18...**



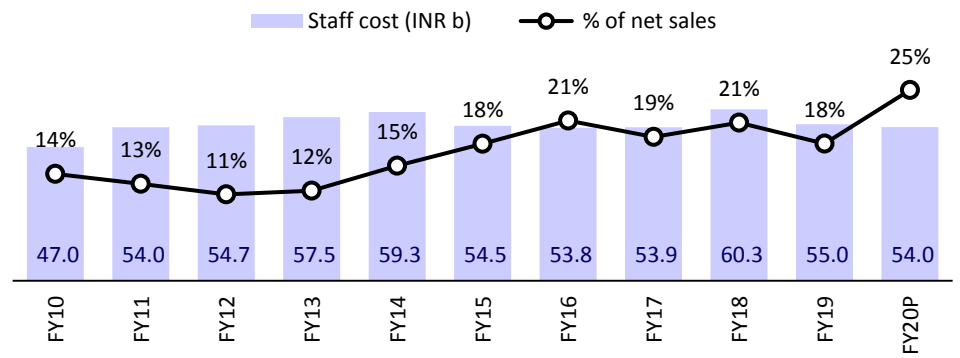
Source: MOFSL, Company

**Exhibit 11: ...with lower absorption of fixed costs leading to decline in FY20 EBITDA margin**



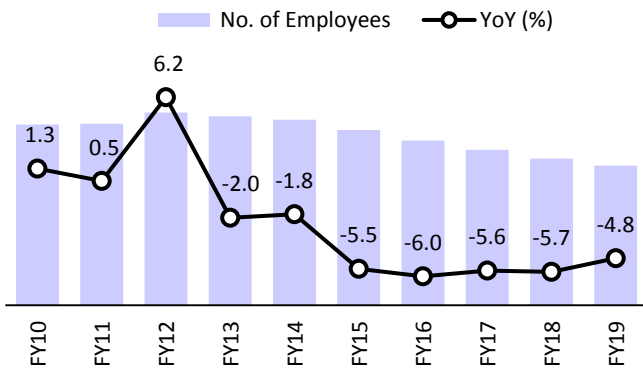
Source: MOFSL, Company

**Exhibit 12: Staff costs as % of sales stand at 25%, indicating key challenge for the company**



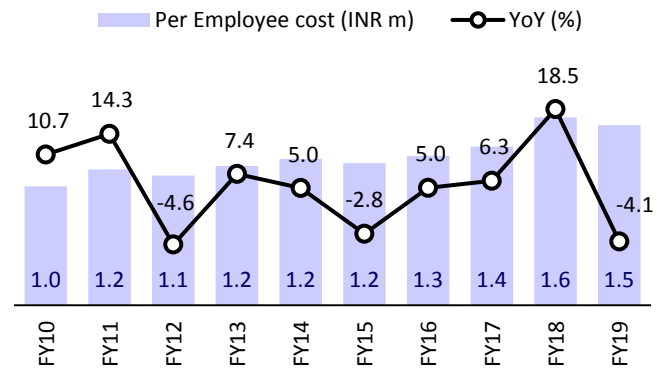
Source: MOFSL, Company

**Exhibit 13: Number of employees has steadily declined since FY12...**



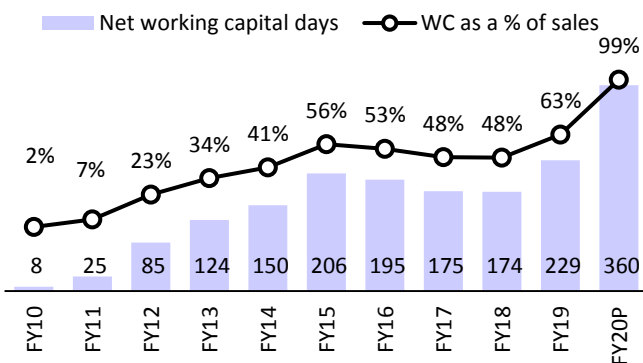
Source: MOFSL, Company

**Exhibit 14: ...however, wage inflation has led to rise in per employee cost from FY15**



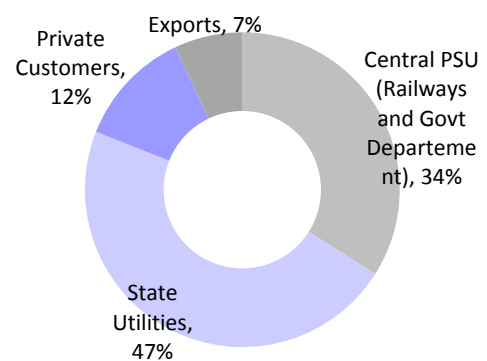
Source: MOFSL, Company

**Exhibit 15: Rise in debtors has led to elongated working capital cycle...**



Source: MOFSL, Company

**Exhibit 16: ...with state utilities forming 47% of the total debtors (INR365b) in FY20**



Source: MOFSL, Company

## Management commentary highlights

### COVID impact

- Lost ~INR40b in sales due to the COVID impact and disruption in supply chain even before the COVID-19 shutdown.

### Order inflows and backlog

- **FY20 order inflows:** INR235.5b (Power – INR137.8b, Industry – INR87.6b, Export – INR10.1b). Order inflows were the highest in the Industry segment in the last 9 years with Defense and Solar segment witnessing higher order booking.
- Key order received in Power segment – 2\*660MW Khurja, FGD 10GW, Boiler modification 3GW, ESG retrofit 3GW and Kudankulam units.
- BHEL has received permission to start 1\*660MW Sagardighi project (Project value: INR34.8b).
- **FY20 order book:** INR1,084.4b (Power – INR869.14b, Industry – INR133.5b, Export – INR81.8b).
- **L1 order:** 2\*660MW Talcher favorably placed.
- **Tendering in process:** 2\*800MW NTPC Singroli tendering in process.
- Management expects finalization of Singreni 1\*800MW project, with tenders expected to come in 2HFY21.

### Financial highlights

- Provision withdrawal stood at INR22b in FY20.
- **Net provision** - INR2.55b in FY20 (v/s INR18.56b in FY19).
- Cash collection to billing ratio stood at 114% in FY20.
- Operating expenses in FY20 stood lower by INR23b YoY.

### Revenue

- FY21 revenue target is under review.
- In main product areas like Power segment, BHEL is aiming to increase share of the services business.
- Technology development program for high efficiency power plant is progressing as per schedule.
- New areas of revenue generation: Defense and Aerospace.
- Management is working on its ongoing Asset management activity as a part of revenue generation.

### Working capital

- Net Debtor – INR364.7b in FY20 (v/s INR386.2b in FY19).
- Trade receivables – INR158b in FY20 (v/s INR126.8b in FY19).
- **Contract assets – up INR12.74b YoY in FY20.**
- Retention money – INR157b in FY20 (v/s INR149b in FY19).
- **Receivables break-up in FY20 (FY19): State – 47% (50%), Center – 34% (33%), Private – 12% (11%), Exports – 7% (6%).**
- Telangana, Tamil Nadu and Andhra Pradesh (AP) are key customers. The governments have been proactively supporting payment dues, but are unable to meet their own equity payment commitment in the project.

- States like Uttar Pradesh (UP) and Maharashtra are able to meet the fund requirements.

#### Diversification

- BHEL has received over 50 responses for its diversification project.
- 2 major segments in which responses are received: Defense Aerospace and Railways.
- The company has received a number of responses in Contract Manufacturing, and expects some quick action in this space.

#### FGD

- Flue gas discharge (FGD) equipment – 125GW of orders are in the market; of this, 80GW is finalized. BHEL won 30GW out of it.
- **BHEL has won 38% of total FGD orders awarded.**
- **Competition from GE and L&T exists in this segment.**
- Margins are thin in the FGD segment, and hence, it is a key area for cost rationalization.

#### Other

- Much work like Geotechnical outlay has been completed in the Sagardighi project.
- BHEL is scouting for local manpower from nearby areas for the Maitri project.
- UP and AP government have been proactive in labor related support, while the company has faced some issues in Tamil Nadu.
- BHEL will take some time to reach 80-90% operational level. Stabilization of ancillary suppliers is also key to ramping up.

#### Exhibit 17: We cut our FY21/FY22E EPS estimates by 46%/17% to account for poor execution and weak ordering in an economically challenging environment

Earnings Change	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	2,63,630	2,88,874	2,54,354	2,81,185	-4%	-3%
EBITDA	13,000	14,632	10,177	13,718	-22%	-6%
EBITDA margin	4.9%	5.1%	4.0%	4.9%	-0.9%	-0.2%
Adj. PAT	6,688	7,712	3,638	6,366	-46%	-17%

Source: MOFSL, Company

#### Valuations and view

- **Weak ordering outlook:** BHEL draws ~75% of its revenue from the power segment. The awarding run-rate of power equipment has fallen from annual run-rate of ~15GW to 4-5GW currently. The outlook on awarding remains weak with surplus power capacity in India. Note that thermal PLFs are at 55% as of FY19. Thus, we expect BHEL to continue operating at low capacity utilization.
- **Slow moving receivables:** BHEL's receivables stand at INR365b currently and the realization of the same remains slow. Of the total receivables, state players form 47%, the Center forms 34%, private players constitute 12% and exports form the remaining 7%. Due to slow-moving receivables and sluggish revenue, the working capital as % of sales stood high at 99% in FY20 (from 63% of sales in FY19).



- **Huge employee base to dent margins:** BHEL has an employee base of ~35k and employee cost formed 18%/25% of its sales in FY19/FY20. While we appreciate the fact that the company has been able to bring down the employee base from 46k in FY10, the wage inflation has negated benefit of the same. Also, declining level of revenue implies lower absorption of fixed costs, and hence, dents margins. Thus, BHEL posted EBITDA level losses in FY20 from the 16-20% EBITDA margin in the good years (during FY04-13).
- **Downgrade to Sell:** BHEL continues to struggle on account of (a) the weak ordering environment in the power sector, (b) high receivables of INR365b, and (c) high employee cost at ~25% of sales in FY20. In FY20, working capital deteriorated to 99% of sales from 65% in FY19 on account of higher inventories, slow movement in receivables and poor execution. We cut our FY21E/FY22E earnings estimates by 46%/17% to account for poor execution and the weak ordering environment. While orders are few to come by, the pricing environment remains highly competitive, limiting the scope for margin expansion. We expect the company's recent expression of diversification to materialize with a certain time lag owing to the subdued economic environment. We downgrade our rating to **Sell** with a TP of INR22, as any visible sign of improvement is still some time away.

## Financials and valuations

Income Statement						(INR M)	
Y/E March	2017	2018	2019	2020	2021E	2022E	
<b>Total Revenues</b>	<b>2,84,470</b>	<b>2,89,257</b>	<b>3,04,227</b>	<b>2,14,861</b>	<b>2,54,354</b>	<b>2,81,185</b>	
Change (%)	11.6	1.7	5.2	-29.4	18.4	10.5	
Staff cost	53,946	60,265	55,016	54,035	52,360	51,234	
Manufacturing expenses	1,71,100	1,61,435	1,78,465	1,37,116	1,55,156	1,74,335	
Other Expenses	48,811	48,229	49,426	26,039	36,661	41,899	
<b>EBITDA</b>	<b>10,614</b>	<b>19,329</b>	<b>21,320</b>	<b>-2,329</b>	<b>10,177</b>	<b>13,718</b>	
Change (%)	-177.7	82.1	10.3	NA	NA	34.8	
Margin (%)	3.7	6.7	7.0	-1.1	4.0	4.9	
Depreciation	8,488	7,864	4,748	5,029	5,304	5,595	
Interest	3,506	2,546	2,873	5,070	5,070	5,070	
Other income	7,659	6,931	6,776	5,806	5,059	5,453	
<b>PBT</b>	<b>6,278</b>	<b>15,850</b>	<b>20,475</b>	<b>-6,621</b>	<b>4,862</b>	<b>8,507</b>	
Tax	1,320	7,784	8,389	8,109	1,224	2,141	
Rate (%)	21.0	49.1	41.0	-122.5	25.2	25.2	
<b>Reported PAT</b>	<b>4,959</b>	<b>8,066</b>	<b>12,087</b>	<b>-14,730</b>	<b>3,638</b>	<b>6,366</b>	
<b>Adjusted PAT</b>	<b>4,959</b>	<b>8,066</b>	<b>12,087</b>	<b>-14,730</b>	<b>3,638</b>	<b>6,366</b>	
Change (%)	-165.5	62.7	49.8	NA	NA	75.0	

Balance Sheet						(INR M)	
Y/E March	2017	2018	2019	2020	2021E	2022E	
Share Capital	4,895	7,343	6,964	6,964	6,964	6,964	
Reserves	3,18,049	3,18,668	3,07,354	2,84,848	2,88,486	2,94,852	
<b>Net Worth</b>	<b>3,22,944</b>	<b>3,26,011</b>	<b>3,14,318</b>	<b>2,91,812</b>	<b>2,95,450</b>	<b>3,01,816</b>	
Loans	896	572	25,272	50,088	50,088	50,088	
Deferred Tax Liability	-38,414	-36,259	-34,974	-27,562	-27,562	-27,562	
<b>Capital Employed</b>	<b>2,85,426</b>	<b>2,90,324</b>	<b>3,04,616</b>	<b>3,14,338</b>	<b>3,17,976</b>	<b>3,24,342</b>	
Gross Fixed Assets	53,725	56,344	60,084	63,461	66,852	70,602	
Less: Depreciation	17,766	25,573	30,292	35,320	40,624	46,219	
<b>Net Fixed Assets</b>	<b>37,642</b>	<b>30,771</b>	<b>29,792</b>	<b>28,141</b>	<b>26,228</b>	<b>24,383</b>	
Capital WIP	1,683	1,945	2,232	3,140	3,140	3,140	
Investments	6,614	6,907	6,694	6,695	6,745	6,795	
<b>Curr. Assets</b>	<b>5,29,632</b>	<b>5,62,009</b>	<b>5,70,619</b>	<b>5,47,176</b>	<b>5,66,978</b>	<b>6,13,654</b>	
Inventory	73,724	62,588	77,973	89,055	90,592	1,00,148	
Debtors	3,18,633	3,54,935	1,57,960	1,23,781	1,46,532	1,61,990	
Cash & Bank Balance	1,04,918	1,12,912	75,033	64,186	69,433	63,624	
Loans & Advances	19,422	2,314	2,403	2,182	2,583	2,855	
Other Assets	12,935	29,261	2,57,250	2,67,974	2,57,838	2,85,037	
<b>Current Liab. &amp; Prov.</b>	<b>2,90,145</b>	<b>3,11,309</b>	<b>3,04,721</b>	<b>2,70,815</b>	<b>2,85,115</b>	<b>3,23,631</b>	
Creditors	93,403	1,09,969	1,17,944	1,03,159	93,248	1,06,429	
Other Liabilities	1,03,130	1,14,282	1,07,290	84,359	93,260	1,08,192	
Provisions	93,612	87,059	79,487	83,297	98,607	1,09,009	
<b>Net Current Assets</b>	<b>2,39,487</b>	<b>2,50,700</b>	<b>2,65,898</b>	<b>2,76,362</b>	<b>2,81,863</b>	<b>2,90,024</b>	
<b>Application of Funds</b>	<b>2,85,427</b>	<b>2,90,324</b>	<b>3,04,616</b>	<b>3,14,338</b>	<b>3,17,976</b>	<b>3,24,342</b>	

## Financials and valuations

<b>Ratios</b>						
<b>Y/E March</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>
<b>Basic (INR)</b>						
<b>Adj EPS</b>	<b>1.4</b>	<b>2.2</b>	<b>3.5</b>	<b>-4.2</b>	<b>1.0</b>	<b>1.8</b>
Cash EPS	3.7	4.3	4.8	-2.8	2.6	3.4
Book Value	88.0	88.8	90.3	83.8	84.8	86.7
DPS	0.8	1.8	2.0	0.0	0.0	0.0
Payout (incl. Div. Tax.)	59.3	82.8	57.6	0.0	0.0	0.0
<b>Valuation (x)</b>						
P/E	23.3	14.3	9.1	NA	30.1	17.2
Cash P/E	8.6	7.2	6.5	NA	12.2	9.2
EV/EBITDA	1.1	0.2	2.8	NA	8.9	7.0
EV/Sales	0.0	0.0	0.2	0.4	0.4	0.3
Price/Book Value	0.4	0.4	0.3	0.4	0.4	0.4
Dividend Yield (%)	2.5	5.8	6.4	0.0	0.0	0.0
<b>Profitability Ratios (%)</b>						
RoE	1.5	2.5	3.8	-4.9	1.2	2.1
RoCE	0.7	2.0	3.1	-4.4	1.2	1.9
RoIC	0.8	2.8	3.8	-6.0	1.4	2.2
<b>Turnover Ratios</b>						
Debtors (Days)	409	448	190	210	210	210
Inventory (Days)	95	79	94	151	130	130
Creditors (Days)	120	139	142	175	134	138
Asset Turnover (x)	7.2	8.8	9.5	6.9	8.7	10.2
<b>Leverage Ratio</b>						
Net Debt/Equity (x)	-0.3	-0.3	-0.2	0.0	-0.1	0.0

<b>Cash Flow Statement</b>						<b>(INR M)</b>
<b>Y/E March</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>
<b>PBT before EO Items</b>	<b>6,278</b>	<b>15,850</b>	<b>20,475</b>	<b>-6,621</b>	<b>4,862</b>	<b>8,507</b>
Depreciation	8,488	7,864	4,748	5,029	5,304	5,595
Direct Taxes Paid	3,141	5,629	7,103	697	1,224	2,141
(Inc)/Dec in WC	-76	-1,537	-53,076	-21,311	-254	-13,970
<b>CF from Operations</b>	<b>11,550</b>	<b>16,548</b>	<b>-34,957</b>	<b>-23,601</b>	<b>8,689</b>	<b>-2,010</b>
(Inc)/Dec in FA	-3,327	-2,938	-4,056	-4,285	-3,391	-3,749
<b>Free Cash Flow</b>	<b>8,223</b>	<b>13,610</b>	<b>-39,013</b>	<b>-27,886</b>	<b>5,297</b>	<b>-5,759</b>
(Pur)/Sale of Investments	27	-293	214	-2	-50	-50
<b>CF from Investments</b>	<b>-3,300</b>	<b>-3,231</b>	<b>-3,843</b>	<b>-4,287</b>	<b>-3,441</b>	<b>-3,799</b>
(Inc)/Dec in Networth	-473	170	-15,384	-7,776	0	0
(Inc)/Dec in Debt	-368	-324	24,700	24,816	0	0
Dividend Paid	3,352	5,170	8,396	0	0	0
<b>CF from Fin. Activity</b>	<b>-4,192</b>	<b>-5,324</b>	<b>921</b>	<b>17,039</b>	<b>0</b>	<b>0</b>
<b>Inc/Dec of Cash</b>	<b>4,058</b>	<b>7,993</b>	<b>-37,878</b>	<b>-10,848</b>	<b>5,247</b>	<b>-5,809</b>
Add: Beginning Balance	1,00,860	1,04,918	1,12,912	75,033	64,186	69,433
<b>Closing Balance</b>	<b>1,04,918</b>	<b>1,12,912</b>	<b>75,033</b>	<b>64,186</b>	<b>69,433</b>	<b>63,624</b>

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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