

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR146 TP: INR190 (+30%) Buy

Cost reduction surprises positively

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



Bloomberg	HNDL IN
Equity Shares (m)	2,229
M.Cap.(INRb)/(USD\$b)	328.2 / 4.3
52-Week Range (INR)	221 / 85
1, 6, 12 Rel. Per (%)	13/-11/-12
12M Avg Val (INR M)	1715

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	1,181.4	1,194.9	1,355.0
EBITDA	142.1	131.1	157.7
Adj. PAT	38.9	22.4	41.0
EBITDA Margin (%)	12.0	11.0	11.6
Cons. Adj. EPS (INR)	17.5	10.1	18.4
EPS Gr. (%)	-29.2	-42.4	82.8
BV/Sh. (INR)	171.8	162.5	178.2

Ratios

Net D:E	1.0	1.6	1.3
RoE (%)	10.1	6.0	10.8
RoCE (%)	8.5	5.9	7.5
Payout (%)	8.0	19.7	17.2

Valuations

P/E (x)	8.4	14.5	7.9
P/BV (x)	0.8	0.9	0.8
EV/EBITDA(x)	5.1	6.8	5.4
Div. Yield (%)	0.8	1.2	1.8
FCF Yield (%)	18.1	17.7	26.0

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	34.7	34.7	34.7
DII	26.7	25.3	22.4
FII	18.9	21.0	23.9
Others	19.7	19.1	19.1

FII Includes depository receipts

LME recovery holds key to further margin improvement

- Hindalco's (HNDL) 4QFY20 results highlight the potential for cost reduction in its India business as India EBITDA rose 18% QoQ despite weak LME. Aluminum costs declined 5% QoQ in 4QFY20 and should decline another 4-5% QoQ in 1QFY21, partly off-setting the impact of lower LME.
- We maintain our FY21/FY22E EBITDA estimates and reiterate our **Buy** rating on expected deleveraging in FY22E supported by lower capex, cost control and resilient volumes (exports and strong beverage can demand).

EBITDA improves led by lower aluminum cost of production (CoP)

HNDL India (standalone + Utkal) EBITDA was up 18% QoQ (6% YoY) to INR14.4b (v/s est. INR12.1b). After adjusting for hedging gain of INR1.0b in the copper business, Adj. EBITDA stood at INR13.4b, up 10% QoQ (down 3% YoY). The EBITDA beat was driven by lower cost of production (CoP) in aluminum business. Adj. PAT rose 47% QoQ (-36% YoY) to INR3.4b (v/s est. INR2.2b).

- Aluminum EBITDA was up 8% QoQ (3% YoY) to INR10.4b on 5% QoQ drop in CoP; EBITDA/t rose 11% QoQ to USD457 (v/s est. USD427). Realization was down 1% QoQ to USD2,322/t due to 3% QoQ decline in LME; however, it was offset by higher hedging gains and currency depreciation.
- Aluminum production was up 2% YoY (down 1% QoQ) to 327kt, whereas sales were down 3%/4% YoY/QoQ to 314kt, due to the lockdown in end-Mar'20. Aluminum VAP sales were up 1% QoQ (down 8% YoY) to 76kt accounting for 24% of aluminum volumes.
- Adj. EBITDA for copper (adj. for one-time hedging gain of INR1.0b) was up 20% QoQ (down 18% YoY) to INR3.0b (v/s est. INR2.3b). EBITDA/t stood at USD491/t, up 15% QoQ (-7% YoY).
- HNDL India FY20 revenue/EBITDA/Adj. PAT declined 12%/29%/65% YoY to INR403/INR48/INR9.3b due to lower commodity prices.
- HNDL's consolidated FY20 revenue/EBITDA/Adj. PAT declined at a lesser rate of 9%/8%/29% YoY to INR1,181b/INR142b/39b on strong margins at Novelis.
- FY20 OCF/FCF (post capex and interest) stood at INR127b/INR30b.

Management commentary – volumes resilient, CoP to decline further

- For FY21, management has guided for 1% YoY decline in aluminum volumes whereas copper volumes are expected to remain flat.
- Aluminum CoP declined by 5% QoQ in 4QFY20. Management has guided for a further 5% QoQ reduction in CoP in 1QFY21.
- Benchmark Tc/Rc for CY20 has settled at 15.9 cents/lb, down 23% YoY, which should impact FY21 margins of the copper business. The company has guided for average EBITDA of INR2.5b for each quarter in FY21.
- The Utkal alumina expansion of 500kt should get commissioned in 4QFY21.
- The company has lowered its capex guidance to INR15b for the India business, which includes INR3.5b for the Utkal expansion.
- Net debt:** Consolidated net debt stood at INR396b (v/s INR388b in Mar'19) implying Net Debt/EBITDA of 2.8x (v/s 2.5x in Mar'19).

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

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view – Robust business with attractive valuation; Maintain Buy

- Given HNDL's low-cost (top quartile globally) integrated aluminum operations in India, we believe it is well placed to withstand the impact of low LME. Moreover, we see profitability of the Indian aluminum business improving due to declining costs (on better linkage coal availability) and gradual improvement in LME prices (from improving demand).
- There is strong resilience in Novelis' beverage can business (two-third of volumes) where volumes have not been much impacted by the COVID-19 crisis. We, however, build in lower EBITDA margin of USD380/t for FY21E and USD400/t for FY22E (v/s USD441/t in FY20) for Novelis. This is on account of lower volumes in the high margin Auto/Aerospace business.
- With ~75% EBITDA contribution now coming in from non-LME business (Novelis + Aleris), we see relatively higher stability in HNDL's earnings.
- Moreover, lower capex and consistent FCF generation (even in FY21), should aid deleveraging.
- The stock trades at a reasonable valuation of 5.4x EV/EBITDA and 7.9x P/E on FY22E. We value it at INR190/share based on SOTP. Re-iterate **Buy**.

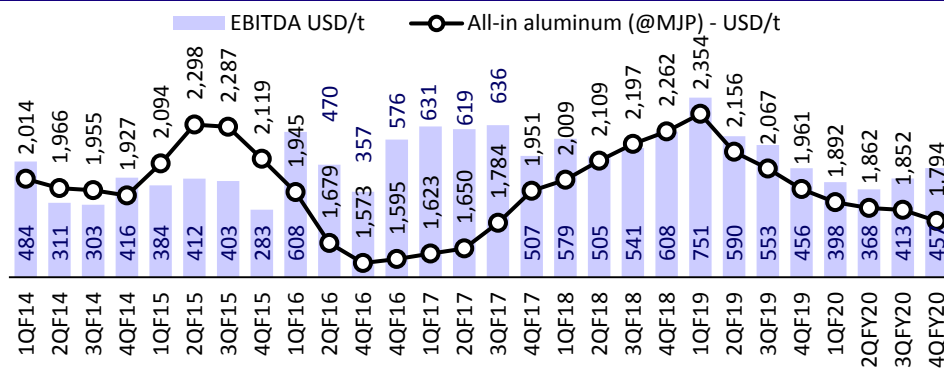
Quarterly performance (SA+Utkal)– INR m

Y/E March	FY19				FY20				FY19	FY20	vs Est 4QE (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	1,07,140	1,08,330	1,19,650	1,24,780	1,00,790	99,770	1,02,540	1,00,140	4,59,730	4,02,815	98,849	1
EBITDA	18,510	18,030	17,420	13,830	11,560	11,120	12,200	13,450	67,790	48,330	12,038	12
Aluminium	14,520	13,820	12,520	10,100	8,480	8,060	9,640	10,390	50,960	36,570	9,753	7
USD/t	722	605	538	441	379	349	413	457	572	399	427	7
Copper	3,990	4,210	4,900	3,730	3,080	3,060	2,560	3,060	16,830	11,760	2,285	34
Interest	4,650	4,790	4,780	4,590	4,710	4,790	4,780	4,380	18,810	18,660	4,762	-8
Depreciation	4,840	4,750	5,070	5,370	5,000	5,010	5,110	5,230	20,030	20,350	5,149	2
Other Income	630	1,190	2,030	3,770	720	1,580	1,190	1,290	7,620	4,780	1,190	
PBT (before EO item)	9,650	9,680	9,600	7,640	2,570	2,900	3,500	5,130	36,570	14,100	3,318	55
EO item					-220	-310	610	1,000		1,080		
PBT (after EO item)	9,650	9,680	9,600	7,640	2,350	2,590	4,110	6,130	36,570	15,180	3,318	85
Total Tax	2,840	2,430	2,390	2,370	940	830	1,490	2,340	10,030	5,600	1,095	114
% Tax	29.4	25.1	24.9	31.0	40.0	32.0	36.3	38.2	27.4	36.9	33.0	
Reported PAT	6,810	7,250	7,210	5,270	1,410	1,760	2,620	3,790	26,540	9,580	2,223	71
Adjusted PAT	6,810	7,250	7,210	5,270	1,696	1,914	2,310	3,386	26,540	9,306	2,223	52

Operational Performance (SA+Utkal)

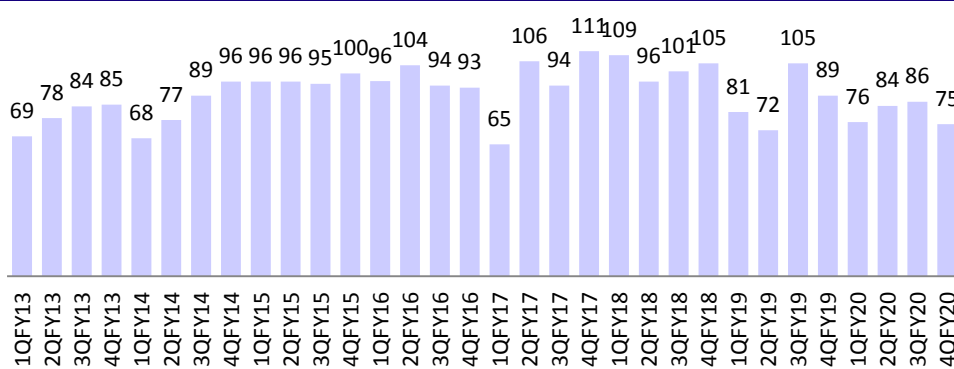
Y/E March	FY19				FY20				FY19	FY20	vs Est 4QE (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Aluminium (sales, kt)	300	326	323	325	320	328	328	314	1274	1290	315	0
Change (YoY %)	0.3	-0.9	-0.6		6.7	0.6	1.5	-3.4		1.3		
Change (QoQ %)	-7.7	8.7	-0.9	0.6	-1.5	2.5		-4.3				
Copper (sales, kt)	82	79	99	100	82	82	84	86	360	334	80	8
Change (YoY %)	-21.9	-15.1	-2.9	-7.4		3.8	-15.2	-14.0		-7.2		
Change (QoQ %)	-24.1	-3.7	25.3	1.0	-18.0		2.4	2.4				
Avg LME Aluminium (USD/T)	2,254	2,056	1,967	1,861	1,792	1,762	1,752	1,694	2,035	1,750	1,694	
Change (YoY %)	18.1	2.3	-6.2	-13.9	-20.5	-14.3	-10.9	-9.0		-14.0		
Change (QoQ %)	4.3	-8.8	-4.3	-5.4	-3.7	-1.7	-0.6	-3.3				
EBITDA-Aluminium (USD/Ton)	722	605	538	441	379	349	413	457	572	399	427	7
Change (YoY %)	23.0	15.5	-4.7	-27.0	-47.5	-42.3	-23.3	3.5		-30.2	315	0
Change (QoQ %)	25.5	-22.2	-6.3	-17.6	-12.7	-7.5	20.7	-1.7				

Exhibit 1: Aluminum (incl. Utkal) EBITDA and all-in LME



Source: MOFSL, Company

Exhibit 2: Copper production - kt



Source: MOFSL, Company

Management commentary highlights

Impact of COVID-19 on operations

- During Apr-May'20, the company operated aluminum smelter at optimum utilization, however, downstream operations were shut. Copper smelters were shut during Apr-May'20.
- The company expects volume loss of ~15kt from the aluminum segment, however, it does expect any volume decline in the copper segment over FY20 as copper operations were impacted by unplanned shutdowns in FY20.
- Novelis continues to operate beverage can facilities, however, its auto lines in North America and Europe were shut in Apr'20 and partly in May'20 due to auto customers taking shut-downs.
- The company exported nearly 85% of its volumes in Apr-May'20. It expects share of exports to decline to 65% in 2QFY21 and 60% in 3QFY21. Share of exports stood at 60% in FY20. Export sales realization stands lower by INR2,000-3,000/t compared to domestic realization.

Global Aluminum market update

CY19 v/s CY18

- Global consumption declined 1.6% in CY19 to 64.2mt.
- Consumption over the world (excl. China) declined in CY19 by 3.5% to 28.4mt.
- In China, consumption dipped marginally by 0.1% in CY19 to 35.8mt.
- Aluminum market remained in deficit of 1.1mt v/s 1.8mt in CY18.

1QCY20 consumption trend

- In 1QCY20, with the COVID-19 backdrop, global consumption declined 9.3% YoY to 13.9mt.
- World-wide consumption (excl. China) declined 8.6% YoY to 6.6mt, while consumption in China declined 9.8% YoY to 7.2mt.

FRP market outlook

- Overall demand is expected to remain soft. However, the company is seeing good demand from beverages and food packaging, and pharma industry.
- Beverage can demand remained resilient in North America and Europe.
- While automotive sheet demand in Asia remains strong, demand is returning in North America and Europe with automakers resuming operations.
- In the Aerospace segment, demand is likely to remain lower in the near term.

Global copper market update

- Global refined copper consumption declined 0.7% in CY19 to 23.3mt. China grew 1% to 11.8mt while the world (excl. China) dipped 2.3% to 11.5mt in CY19.
- Owing to the COVID crisis, global refined copper consumption plunged 10% YoY in 1QCY20 to 4.9mt. The entire decline has come from China, which slumped 22% to 2.0mt, whereas the world (excl. China) remained flat at 2.9mt.
- Concentrate consumption in CY19 increased 1.6% to 16.8mt. Market deficit in CY19 stood at 168kt (v/s surplus of 141kt in CY18).
- 1QCY20 saw dip in concentrate consumption by 2.7% YoY to 4.1mt.
- Benchmark Tc/Rc for CY20 settled at 15.9 cents/lb, lower by 23% from CY19.

Domestic market

- **Aluminum demand and imports:** Domestic demand for aluminum contracted by 11% YoY to 905kt in 4QFY20 and by 6% YoY to 3.7mt in FY20; imports (including scrap) declined by 4% YoY to 529kt in 4QFY20 and by 6% to 2.2mt in FY20. Domestic FRP demand contracted by 9% YoY in 4QFY20 and 3% YoY in FY20.
- **Copper demand and imports:** Domestic copper market size declined by 12% YoY to 172kt in 4QFY20, however, it increased 2.5% YoY to 750kt in FY20. Market share of imports decreased to 32% in 4QFY20 (v/s 37% in 4QFY19) owing to CVD imposed on imports from the ASEAN region.

4QFY20 insights

- Aluminum metal production stood at 327kt, up 2% YoY (down 1% QoQ).
- Aluminum sales stood at 314kt, down 4%/3% QoQ/YoY.
- Utkal alumina refinery recorded its highest quarterly production of 441kt.
- Copper production stood at 75kt, down 13%/16% QoQ/YoY.
- Copper sales stood at 86kt, up 2% QoQ (down 14% YoY). Share of CC rods stood at 88% v/s 69% QoQ.
- 4QFY20 cost of production declined 5% QoQ due to lower coal and other commodity costs.
- Copper segment's reported EBITDA includes hedging gain of INR1.0b due to sharp decline in copper prices during the quarter.
- Coal sourcing mix: Linkage – 60%, auction – 35%, Captive and Imports -5%.

Other highlights:

- Benchmark Tc/Rc for CY20 has settled at 15.9 cents/lb, down 23% YoY.
- The company expects another ~4% reduction in aluminum's CoP during 1QFY21 due to lower coal costs and other input commodity deflation.
- **The company has guided for average EBITDA of INR2.5b each quarter in FY21.**
- Capex guidance for FY21 has been lowered to INR15b (v/s earlier guidance of INR20b). Of this, INR3b would be spent on the Utkal expansion. The company has put other project capex on hold.
- **Update on projects:** Utkal's alumina capacity expansion of 500kt is on track; however, commissioning is expected to get delayed by a quarter to 4QFY21.
- **Volume guidance:** Aluminum volumes are expected to be lower by 15kt in FY21 whereas copper volumes should remain flattish YoY.
- The company has gained ~INR10b from hedging in FY20 using hedges across commodities like aluminum, coal, etc. and currency.
- For FY21, the company has hedged 38% of its aluminum volumes at USD1,732/t. Of this, 2% volumes are hedged at Rupee LME of INR170,640/t while 36% is only commodity hedge at USD1,711/t; 37% of currency is hedged at INR75.93/USD.

Novelis' performance remains strong

However, North America EBITDA declines

- Reported Adj. EBITDA at USD383m was up 7% YoY (+12% QoQ). After adjusting for one-time receipt of USD29m from a customer not fulfilling contract obligations in Europe, adj. EBITDA stood at USD354m (v/s est. USD346m), down 1% YoY (+3% QoQ).
- Volumes declined 7% YoY to 811kt, led by 6-9% decline across geographies, except in South America (148kt, +6% YoY) due to the shutdown taken by auto customers amid the COVID-19 pandemic.
- Adj. EBITDA/t stood at USD436/t (adj. for USD29m one-time benefit), well within the guided range of USD420-440/t (v/s est. USD415/t).
- FCF post capex stood at USD384m, down 6% YoY in FY20 despite an increase in capex to USD599m (v/s USD351m in FY19) due to an increase in EBITDA.
- Net debt reduced by USD0.29b over FY20 to USD3.15b at end-FY20.
- Net debt/EBITDA further reduced to 2.1x (v/s 2.5x last year).
- Liquidity profile remained strong at USD2.0b at end-Apr'20.

Novelis Performance – USD m

Y/E March	FY19				FY20				FY19	FY20	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales (000 tons)	797	807	800	870	830	835	797	811	3,274	3,273	835	-3
Change (YoY %)	1.5	0.6	0.5	8.1	4.1	3.5	-0.4	-6.8	2.7	0.0	-4.1	
Net Sales	3,097	3,136	3,009	3,084	2,925	2,851	2,715	2,726	12,326	11,217	2,795	-2
Change (YoY %)	16.0	12.2	-2.5	0.6	-5.6	-9.1	-9.8	-11.6	6.1	-9.0	-9.4	
EBITDA (adjusted)	334	355	322	357	368	378	343	354	1,368	1,443	346	2
Change (YoY %)	15.6	17.5	5.6	11.9	10.2	6.5	6.5	-0.8	12.6	5.5	-3.0	
EBITDA per ton (USD)	419	440	403	410	443	453	430	436	418	441	415	5
Interest	63	66	64	65	62	58	57	63	258	240	68	-7
Depreciation	86	86	88	90	88	88	91	94	350	361	87	9
PBT (before EO item)	185	203	170	202	218	232	195	197	760	842	192	3
Extra-ordinary Income	5	(23)	(55)	(51)	(28)	(60)	(39)	(113)	(124)	(240)	(30)	
PBT (after EO item)	190	180	115	151	190	172	156	84	636	602	162	-48
Total Tax	53	64	37	48	63	49	49	21	202	182	50	-58
Reported PAT	137	116	78	103	127	123	107	63	434	420	112	-44
Change (YoY %)	36	-62	-36	-8	-7	6	37	-39	-29	-3	9	
Adjusted PAT	132	139	133	154	155	183	146	176	558	660	142	24

Novelis

Management call highlights

Beverage can market

- Demand is resilient in North America and Europe due to strong in-house consumption trend.
- However, trade restrictions have limited the company's ability to sell in Asia. Reduced tourism, public events and consumer spending should impact demand in South America and Asia.

Auto market

- Due to Auto customer shutdowns in Europe and North America from late-Mar'20, Novelis' auto facilities have remained shut. Expect operations to restart in line with customer demand.
- In China, auto producers have started production in Mar'20 after shutdowns in Jan-Feb'20.
- Global recession concerns pose a threat to demand.

Specialties market

- Demand softening was seen at the beginning of late-Mar'20. Outlook remains weak.

Aerospace market

- Demand has been impacted significantly due to lower consumer travel trends. No guidance has been provided.

Guidance

- Management did not provide any volume guidance for FY21 as impact of COVID-19 remains uncertain.
- Management has maintained EBITDA/t guidance at USD420-440/t under normal circumstances; however, the same may be impacted severely in FY21E due to lower share of auto volumes in the mix and un-absorption of fixed cost owing to lower volumes. No guidance, however, was provided for FY21 margin.
- Management did not provide any guidance for Aleris' business. It would start providing guidance for Aleris post 1QFY21 results.
- Management has guided for FY21 capex spend of USD500m, lower by USD100m v/s FY20. Further, it is also working on fixed cost reduction of USD250m for FY21.

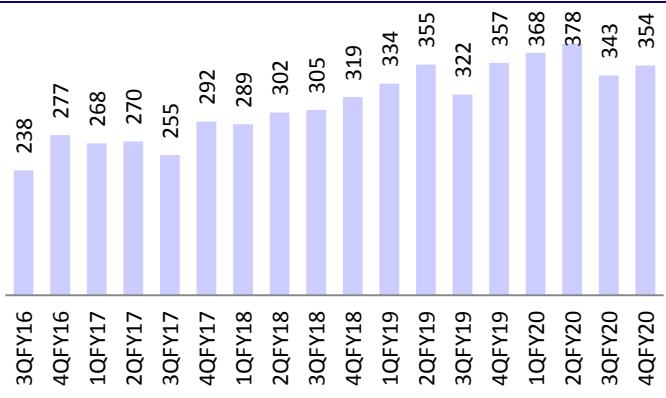
Aleris acquisition

- Novelis has completed the acquisition of Aleris in Apr'20 for a consideration of USD2.8b.
- The Duffel plant sale is pending approval from Chinese Authorities.
- The company expects to sell the Lewis Port asset in the next 12 months.
- From financial reporting point of view, operating results and assets of the Duffel plant and Lewis Port facility shall be disclosed as part of discontinuing operations.

Project expansion

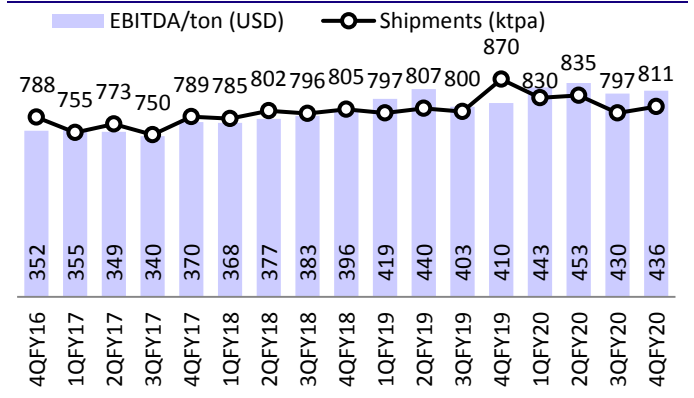
- The 100kt rolling capacity expansion in Brazil is on track and is expected to start in FY22E. However, management has delayed commissioning of the automotive finishing line of 200kt/100kt in the US/China to 2HFY21 in order to align with demand and reduce costs.

Exhibit 3: Novelis' adjusted EBITDA (USDm)



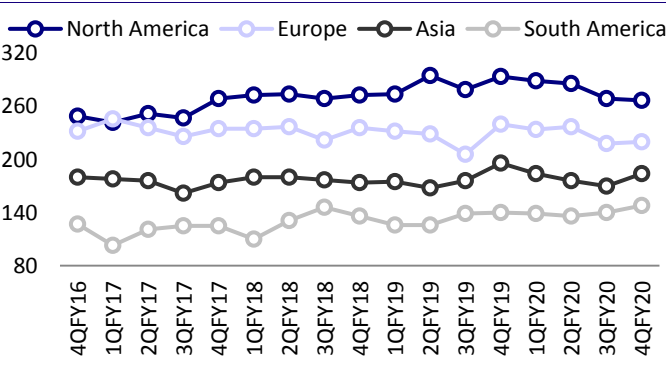
Source: MOFSL, Company

Exhibit 4: Novelis' EBITDA/t and shipments



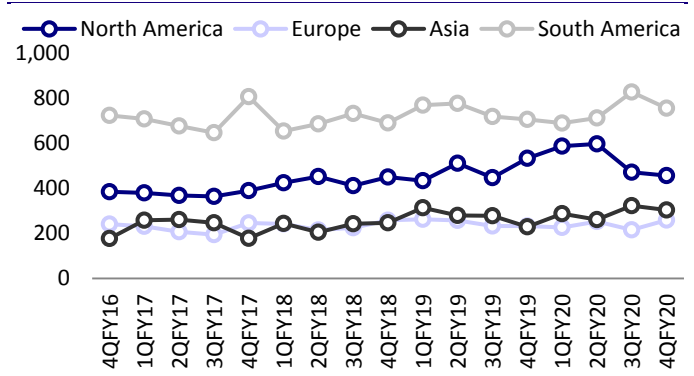
Source: MOFSL, Company

Exhibit 5: Novelis' FRP shipments (kt)



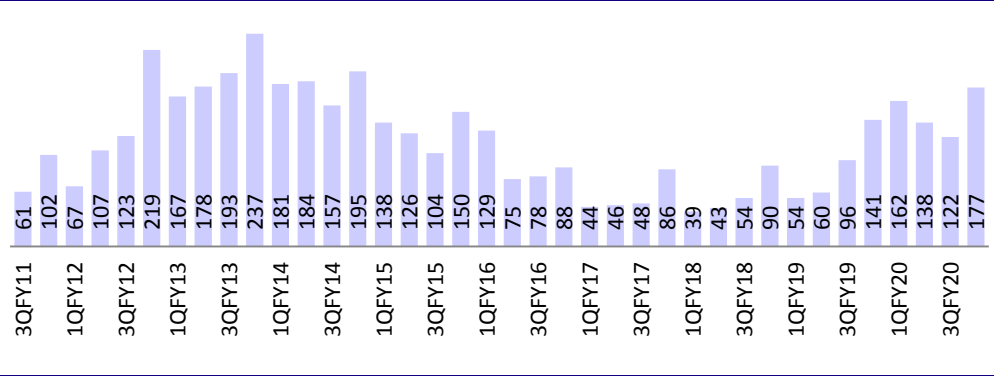
Source: MOFSL, Company

Exhibit 6: Novelis' regional EBITDA/t trends



Source: MOFSL, Company

Exhibit 7: Novelis' capex (USD m)



Source: MOFSL, Company

Valuation and view

- Due to weak demand on account of COVID-19, aluminum LME has corrected sharply this year. At current LME, nearly 10% of global aluminum smelters would be making cash losses, which we believe is unsustainable. Given HNDL's low-cost (top quartile globally) integrated aluminum operations in India, we believe it is well placed to withstand the impact of low LME. Moreover, we see profitability of Indian aluminum business improving from declining costs (better linkage coal availability) and the gradual improvement in LME prices.
- There is strong resilience in Novelis' beverage can business (two-third of volumes) where volumes have not been much impacted by the COVID-19 crisis. We, however, have built in lower EBITDA margin of USD380/t for FY21E and USD400/t for FY22E (v/s USD441/t in FY20) for Novelis due to lower volumes in the high margin Auto and Aerospace business.
- We have factored in EBITDA of USD210m/USD250m from Aleris' operations for FY21/FY22E. We have factored in earnings of Lewis Port under continued operations due to lack of clarity on its profitability.
- With ~75% EBITDA contribution now coming in from the non-LME business i.e. the conversion business (Novelis + Aleris), we see relatively higher stability in HNDL's earnings.
- With a long-dated debt maturity profile and ample liquidity in hand (~USD2b), HNDL should be able to tide over the current crisis comfortably. Moreover, consistent FCF generation (even in FY21) should aid deleveraging.
- The stock trades at a reasonable valuation of 5.4x EV/EBITDA and 7.9x P/E on FY22E. We value it at INR190/share based on SOTP. Re-iterate **Buy**.

Exhibit 8: Target price derivation

INR m	Multiple	FY22E EBITDA	EV	INR Per share
India operations	5.0	39,320	1,96,600	88
Aleris	6.0	18,976	1,13,858	51
Novelis	6.0	99,447	5,96,684	268
Enterprise Value			9,07,141	408
Net-Debt			5,19,758	234
Equity Value (a)			3,87,383	174
Investment in Listed securities @10% discount (b)			35,435	16
Target Price INR/sh. (a+b)				190

Source: MOSL

Financials and Valuations

Income Statement							(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Net sales	10,42,811	9,87,589	10,01,838	11,51,717	13,05,423	11,81,440	11,94,938	13,54,998
Change (%)	18.9	-4.1	1.4	15.0	13.3	-9.5	1.1	13.4
Total Expenses	9,53,365	9,01,047	8,77,479	10,13,513	11,50,317	10,39,380	10,63,881	11,97,255
EBITDA	89,446	86,542	1,24,359	1,38,204	1,55,105	1,42,060	1,31,057	1,57,744
% of Net Sales	8.6	8.8	12.4	12.0	11.9	12.0	11.0	11.6
Deprn. & Amortization	35,906	43,468	44,572	45,062	47,770	50,910	62,138	63,100
EBIT	53,540	43,074	79,786	93,141	1,07,335	91,150	68,918	94,644
Net Interest	41,784	51,338	57,424	39,107	37,780	41,970	47,388	46,743
Other income	11,047	11,888	11,110	10,046	11,271	11,860	11,893	12,406
PBT before EO	22,803	3,624	33,472	64,080	80,826	61,040	33,423	60,307
EO income (exp)	-19,401	-5,765	-76	17,742		-1,840		
PBT after EO	3,402	-2,141	33,395	81,821	80,826	59,200	33,423	60,307
Current tax	2,564	10,095	13,210	15,855	19,104	15,410	8,847	15,517
Deferred tax (net)		-5,110	1,116	4,887	6,777	6,160	2,212	3,879
Tax	2,564	4,984	14,326	20,742	25,881	21,570	11,058	19,397
Rate (%)	75.4	-232.8	42.9	25.4	32.0	36.4	33.1	32.2
Reported PAT	838	-7,125	19,069	61,080	54,945	37,630	22,365	40,910
Minority interests	-5,957	-4,508	-174	-1	-7			
Share of asso.	1,747	1,715	-251	-1,251	5	40	40	40
Adjusted PAT	27,943	4,863	19,069	42,088	54,957	38,884	22,405	40,950
Change (%)	8.7	-82.6	-22.9	120.7	30.6	-29.2	-42.4	82.8

Balance Sheet							(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	2,049	2,049	2,227	2,229	2,224	2,224	2,224	2,224
Reserves	4,04,484	4,04,017	4,58,361	5,46,289	5,72,793	5,80,950	5,99,574	6,34,519
Net Worth	4,06,533	4,06,066	4,60,588	5,48,518	5,75,017	5,83,174	6,01,798	6,36,743
Minority Interest	10,171	3,813	62	86	95	100	100	100
Total Loans	6,99,561	6,74,754	6,37,515	5,20,155	5,24,150	6,74,190	7,87,800	7,61,316
Deferred Tax Liability	28,256	20,970	20,168	31,333	36,505	37,610	39,822	43,701
Capital Employed	11,44,520	11,05,603	11,18,333	11,00,092	11,35,767	12,95,074	14,29,520	14,41,861
Gross Block	9,21,908	10,57,871	10,40,510	10,82,644	11,30,670	11,99,704	14,37,202	15,00,410
Less: Accum. Deprn.	3,21,454	3,78,494	3,64,991	4,10,054	4,57,824	5,08,734	5,70,872	6,33,971
Net Fixed Assets	6,00,454	6,79,377	6,75,518	6,72,590	6,72,846	6,90,970	8,66,330	8,66,438
Goodwill	1,65,300	1,77,353	1,71,350	1,78,294	1,85,746	2,00,980	2,40,355	2,40,355
Capital WIP	1,41,538	42,138	18,139	20,629	40,971	77,210	44,973	35,684
Investments	43,876	47,488	62,057	68,778	51,567	31,320	31,360	31,400
Working capital Assets	5,08,552	4,65,104	5,29,543	5,29,846	5,67,157	6,85,704	6,51,219	6,99,012
Inventory	1,97,125	1,67,873	1,82,914	2,16,314	2,21,938	2,23,840	2,22,619	2,45,013
Account Receivables	92,723	79,184	82,748	99,598	1,14,598	93,450	1,11,309	1,22,507
Cash and Bank Balance	1,20,951	1,20,962	1,72,129	1,19,612	1,36,419	2,78,480	2,27,357	2,41,558
Others (incl. LT)	97,753	97,085	91,752	94,322	94,203	89,934	89,934	89,934
Working capital liability	3,15,200	3,05,857	3,38,275	3,70,046	3,82,520	3,91,110	4,04,718	4,31,029
Account Payables	1,61,787	1,50,598	1,78,581	2,04,392	2,07,244	1,82,820	1,96,428	2,22,739
Others (incl. LT)	1,53,414	1,55,259	1,59,694	1,65,655	1,75,276	2,08,290	2,08,290	2,08,290
Net Working Capital	1,93,352	1,59,247	1,91,269	1,59,800	1,84,637	2,94,594	2,46,501	2,67,983
Appl. of Funds	11,44,520	11,05,603	11,18,333	11,00,092	11,35,767	12,95,074	14,29,520	14,41,861

Financials and Valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)								
EPS	13.6	2.4	8.6	18.9	24.7	17.5	10.1	18.4
Cash EPS	17.9	17.7	28.6	47.6	46.2	39.8	38.0	46.8
BV/Share (adj.)	117.7	111.6	129.9	166.1	175.0	171.8	162.5	178.2
DPS	1.0	1.0	1.1	1.4	1.2	1.2	1.7	2.7
Payout (%)	8.6	49.3	15.0	8.7	5.7	8.0	19.7	17.2
Valuation (x)								
P/E	10.7	61.5	17.1	7.7	5.9	8.4	14.5	7.9
Cash P/E	8.1	8.2	5.1	3.1	3.2	3.7	3.8	3.1
P/BV	1.2	1.3	1.1	0.9	0.8	0.8	0.9	0.8
EV/Sales	0.8	0.9	0.8	0.6	0.5	0.6	0.7	0.6
EV/EBITDA	9.8	9.9	6.4	5.3	4.6	5.1	6.8	5.4
Dividend Yield (%)	0.7	0.7	0.8	1.0	0.8	0.8	1.2	1.8
Return Ratios (%)								
EBITDA Margins (%)	8.6	8.8	12.4	12.0	11.9	12.0	11.0	11.6
Net Profit Margins (%)	2.7	0.5	1.9	3.7	4.2	3.3	1.9	3.0
RoE	11.7	2.2	7.1	12.8	14.5	10.1	6.0	10.8
RoCE (pre-tax)	5.7	4.9	8.2	9.3	10.6	8.5	5.9	7.5
RoC (pre-tax)	6.8	5.0	9.1	10.8	11.9	10.3	6.8	8.4
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	0.9	1.0	1.1	1.2	1.0	0.8	0.9
Asset Turnover (x)	0.9	0.9	0.9	1.0	1.1	0.9	0.8	0.9
Debtor (Days)	32.5	29.3	30.1	31.6	32.0	28.9	34.0	33.0
Inventory (Days)	69.0	62.0	66.6	68.6	62.1	69.2	68.0	66.0
Payable (Days)	56.6	55.7	65.1	64.8	57.9	56.5	60.0	60.0
Leverage Ratio (x)								
Current Ratio	1.6	1.5	1.6	1.4	1.5	1.8	1.6	1.6
Interest Cover Ratio	1.3	0.8	1.4	2.4	2.8	2.2	1.5	2.0
Debt/Equity	2.4	2.4	1.6	1.1	1.0	1.0	1.6	1.3

Cash Flow Statement

(INR Million)

Y/E March	2015	2016	2017	2018	2019	2020	2021E	2022E
EBITDA		86,542	1,24,359	1,38,204	1,55,105	1,42,060	1,31,057	1,57,744
XO Exp. (income)		1,543	3,622	2,617	439	-2,610	7	7
tax paid		-12,291	-7,797	-14,081	-18,883	-1,020	-8,847	-15,517
Change in WC		41,083	6,691	-17,862	-16,865	-11,780	-3,030	-7,281
CF from Op. Activity		1,16,877	1,26,875	1,08,877	1,19,795	1,26,650	1,19,187	1,34,952
(Inc)/Dec in FA + CWIP		-42,452	-29,376	-30,008	-60,053	-67,910	-61,652	-50,402
Free Cash Flow to firm		74,426	97,499	78,870	59,742	58,740	57,535	84,550
(Pur)/Sale of Inv. & yield		15,859	5,667	24,685	6,615	7,110	11,893	12,406
Others & M&A		6	3,524	8,052	5,110	10,111	-1,84,725	
CF from Inv. Activity		-26,586	-20,185	2,730	-48,328	-50,689	-2,34,484	-37,997
Equity raised/(repaid)		1	33,141	162	-1,176			
Debt raised/(repaid)		-36,003	-25,430	-1,22,863	-14,443	1,09,460	1,15,350	-30,000
Interest		-50,057	-60,754	-38,486	-35,813	-40,160	-47,388	-46,743
Dividend (incl. tax)		-2,558	-2,479	-2,938	-3,229	-3,200	-3,781	-6,005
CF from Fin. Activity		-88,619	-55,523	-1,64,124	-54,660	66,100	64,181	-82,747
(Inc)/Dec in Cash		1,673	51,167	-52,517	16,807	1,42,061	-51,116	14,208
Add: Opening Balance		1,19,289	1,20,962	1,72,129	1,19,612	1,36,419	2,78,480	2,27,357
Closing Balance		1,20,962	1,72,129	1,19,612	1,36,419	2,78,480	2,27,364	2,41,565

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
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