

# Tata Communications

Estimate change	↑
TP change	↑
Rating change	↔

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Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USDb)	152 / 1.8
52-Week Range (INR)	533 / 206
1, 6, 12 Rel. Per (%)	11/55/93
12M Avg Val (INR M)	100

## Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	170.7	185.7	200.1
EBITDA	32.9	39.4	44.9
Adj. PAT	3.0	7.8	11.7
EBITDA Margin (%)	19.3	21.2	22.4
Adj. EPS (INR)	10.6	27.4	41.0
EPS Gr. (%)	-582.2	158.9	50.0
BV/Sh. (INR)	-44.9	-17.5	23.5

## Ratios

RoE (%)	-41.2	-87.7	1,362.9
RoCE (%)	-5.7	10.5	14.5
Payout (%)	-178.0	19.6	13.1

## Valuations

EV/EBITDA (x)	7.0	5.5	4.4
P/E (x)	37.9	14.6	9.8
P/BV (x)	-8.9	-22.9	17.0
Div. Yield (%)	1.1	1.1	1.1
FCF Yield (%)	4.8	9.2	13.4

## Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	75.0	75.0	75.0
DII	1.8	1.8	2.5
FII	17.5	17.7	18.2
Others	5.8	5.6	4.4

FII Includes depository receipts

**CMP: INR 533 TP: INR 590 (+11%) Neutral**

## COVID-19 and new-age businesses aid earnings growth

### Higher EBITDA in Growth biz; lower losses in Innovation segment

- Data EBITDA growth at 15% QoQ was the strongest (without any one-offs) in the last 15-16 quarters, supporting 15% consol. EBITDA growth. But the traditional segment (contributing 60%/99% to revenue/EBITDA) saw flattish EBITDA, despite robust 24% QoQ traffic growth. Yet, new-age businesses (Growth and Innovation) benefited from the lockdown, contributing 60% of EBITDA growth.
- We increase our FY21/FY22E EBITDA estimates by 9% given the (a) better-than-expected EBITDA, (b) steady traditional business, and (c) management's confidence on improving trajectory in the new age business segments.

### Revenues up 4% QoQ (in-line), EBITDA up 14% (5% beat)

- Consolidated revenues were up 4% QoQ to INR44b (in line with est.) with voice segment revenue at INR8b (down 1% QoQ) and data segment revenue at INR36b (up 5% QoQ).
- On back of the COVID-19 crisis, there has been significant uptick in Internet traffic (+24% QoQ) and conferencing revenue (+20% QoQ), resulting from quick deployment of global work-from-home (WFH) measures and solutions.
- Consolidated EBITDA jumped 14.2% QoQ to INR8.7b (5% above est.); EBITDA margin expanded 180bp QoQ to reach 19.2%. On pre Ind-AS 116, EBITDA would stand at ~INR8b.
- TCOM has reported INR3.8b exceptional items in the form of provisions; this is toward licensee fees of INR3.4b (for the DoT demand in the AGR case) and INR0.4b toward staff optimization.
- Hence, net loss stood at INR2.7b, whereas adjusted PAT (for exceptional items) stood at INR1b, up 76% QoQ.
- Capex for 4QFY20 was INR3.4b (v/s INR4.9b in 3QFY20). Net debt as at 4QFY20 was USD1.26b, a decrease of USD41m QoQ. But in INR terms, net debt increased 2.4% to INR92.8b on account of 5.8% INR depreciation in 4QFY20. The company announced dividend of INR4/share.
- Data/voice segment EBITDA increased 15.6%/-3% QoQ to INR8.2b/INR460m; data segment EBITDA gained due to 94% jump in the Growth segment and partial recovery of losses in the Transformation segment.
- Traditional segment revenues (contributing ~two-third of data biz) grew 1.7% to INR21.9b with EBITDA up 2% to INR8.1b.

### Highlights from management commentary

- The company is aiming to consistently achieve double-digit profit growth in the overall data biz, which is expected from the Growth segment and improving margins; Transformation segment losses should fully recover by 1QFY21.

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

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- Innovation business has couple of products – (a) Move, and (b) Net Foundry, which is seeing healthy traction.
- Targeting net debt to EBITDA of ~2.5x for the longer-term business; the company would continue investing in business opportunities.

#### Valuation and view

- TCOM's EBITDA growth was surprising; however, the traditional segment continues to offer modest growth. The Growth segment too – which had earlier clocked >30% CAGR over FY15-19 – has now decelerated to mid-teens. Thus, future growth would hinge on improving EBITDA margin, which is expected from the Growth segment and reducing losses in the Innovation segment.
- We have revised our EBITDA estimates by 9% for FY21/22E on the back of better-than-expected results and management's positive commentary on future growth. Subsequently, we have built in double-digit EBITDA CAGR of 17% over FY20-22E. We have revised our TP to INR590 (v/s INR490 earlier and valuing it on SOTP basis, assigning 6x/2x multiple to data/voice EBITDA on FY22E basis).
- In the current weak earnings environment, a healthy double-digit EBITDA growth is a big welcome positive. However, consistency of the same is a key monitorable as TCOM's earnings have remained volatile. Further, its net debt has remained high and sticky, due to negative FCF and exceptional items.

**Maintain Neutral.**

#### Cons. Quarterly Earning Model

Y/E March	FY19				FY20				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY19	FY20	4Q	Est
Revenue	39,438	40,682	42,695	42,435	41,686	42,728	42,287	43,979	165,250	170,680	43,107	2
YoY Change (%)	-8.5	-4.2	3.8	5.0	5.7	5.0	-1.0	3.6	-1.5	3.3	1.6	
Total Expenditure	33,569	34,381	34,269	35,583	33,430	34,391	34,679	35,291	137,801	137,790	34,836	1
EBITDA	5,869	6,302	8,426	6,853	8,256	8,337	7,608	8,688	27,449	32,890	8,271	5
YoY Change (%)	5.1	6.0	37.5	16.7	40.7	32.3	-9.7	26.8	13.8	19.8	20.7	609bps
Depreciation	4,849	5,006	5,235	5,587	5,522	5,583	5,605	6,867	20,676	23,577	5,683	21
Interest	909	979	1,040	1,039	1,157	1,157	1,161	1,232	3,966	4,707	1,159	6
Other Income	-70	86	192	395	88	95	140	373	603	697	420	-11
PBT before EO expense	41	404	2,343	622	1,666	1,692	981	963	3,410	5,302	1,849	-48
Exceptional (gain)/loss	0	-16	0	-7	65	59	0	3,781	-22	3,905	0	
PBT	41	419	2,343	629	1,601	1,632	981	-2,818	3,432	1,397	1,849	-252
Tax	641	418	667	1,007	852	1,107	406	-98	2,733	2,267	610	
Rate (%)	1,560.6	99.6	28.5	160.1	53.2	67.8	41.3	3.5	79.6	162.3	33.0	
MI & P/L of Asso. Cos.	-15	-15	-58	1,610	-18	-14	-9	30	1,523	-11	-164	
Reported PAT	-585	16	1,733	-1,988	766	539	585	-2,750	-824	-860	1,403	-296
Adj PAT	-585	1	231	-271	796	598	585	1,031	-624	3,011	1,403	-27
YoY Change (%)	NM	NM	NM	-166.0	NM	NM	NM	-479.8	-288.6	-582.2	NM	

E: MOFSL Estimates

**Key Performance Indicators**

Y/E March	FY19				FY20				FY19	FY20	4Q FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
<b>Revenue Mix</b>											
Voice segment (%)	26.0	24.6	22.1	21.2	21.4	20.5	19.1	18.3	23.4	19.8	18.6
Data segment (%)	74.0	75.4	77.9	78.8	78.6	79.5	80.9	81.7	76.6	80.2	81.4
<b>EBITDA Margins</b>											
Voice Segment (%)	6.9	9.3	8.0	10.7	10.0	9.3	5.8	5.7	8.7	7.8	5.6
Data Segment (%)	17.7	17.5	23.1	17.6	22.5	22.1	20.9	22.9	19.0	22.1	22.3
EBITDA Margins (%)	14.9	15.5	19.7	16.1	19.8	19.5	18.0	19.8	16.6	19.3	19.2
EBIT Margin (%)	2.6	3.2	7.5	3.0	6.6	6.4	4.7	4.1	4.1	5.5	6.0
Adj. PAT Margins (%)	-1.5	0.0	0.5	-0.6	1.9	1.4	1.4	2.3	-0.4	1.8	3.3

E:MOFSL Estimates

**Segmental highlights**

- Data revenue up 5% QoQ to INR35.9b, while Data EBITDA was up 15.6% QoQ to INR8.2b. EBITDA margin was up 200bp to 23%.
- Traditional segment (contributing ~two-third of data revenue) grew 1.7% to INR21.9b, with EBITDA up 2% at INR8.1b. EBITDA margin at 37% dropped 70bp. This, despite the 24% growth in data traffic during the lockdown.
- Growth segment saw 9% revenue growth to INR8.6b, while EBITDA for the growth segment jumped 94% on a low base to INR990m (11.6% margin v/s 6.5% QoQ).
- Innovation segment (which was recently de-segmented from Growth biz), saw 65% growth in revenue to INR430m but EBITDA loss continued at INR1.3b (marginally lower v/s 1.5b QoQ). Combined EBITDA of Growth and Innovation segment remained in losses at INR340m but reduced v/s INR970m QoQ).
- Transformation segment saw 10% QoQ growth in revenue to INR3.6b; however, it posted EBITDA loss of INR160m (v/s EBITDA loss of INR460m in 3QFY20).
- Voice segment revenue/EBITDA was down 1%/3% QoQ to INR8b/INR460m.
- Payment solution segment revenue was down 6%/7% QoQ to INR820m/INR220m.

**COVID-19 response**

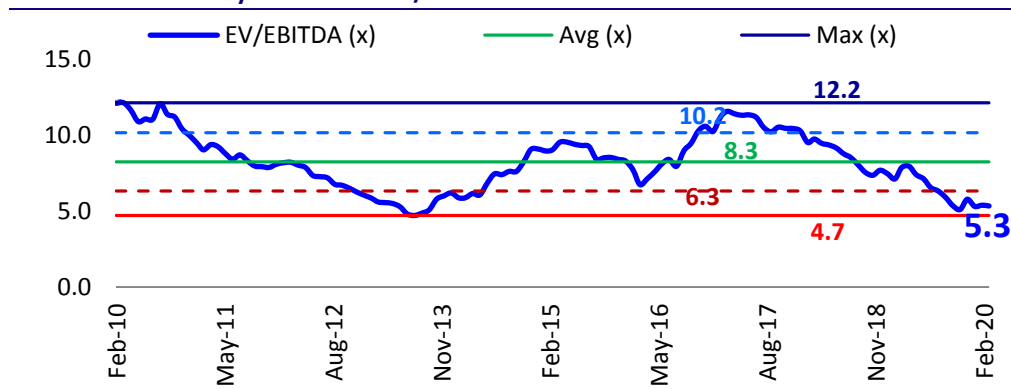
- TCom has delivered 650+ orders resulting from COVID-19, and has seen 30% growth in internet traffic on network in Mar'20 v/s Jan'20.
- On back of the COVID-19 crisis, there has been significant uptick in Internet traffic (+24% QoQ) and Conferencing revenue (+20% QoQ), resulting from quick deployment of global WFH measures and solutions.

**Exhibit 1: Valuation based on pre Ind-AS 116 FY22E EBITDA**

Particulars	FY22E
EBITDA (INR m)	41,832
multiple (x)	6.3
Voice EBITDA (INR m)	1,860
multiple (x)	2
Data EBITDA (INR m)	39,972
multiple (x)	6.5
<b>Enterprise Value (INR m)</b>	<b>2,63,349</b>
Net Debt (INR m)	95,193
<b>Equity value (INR m)</b>	<b>1,68,156</b>
No of shares (m)	285
<b>Equity value/share (INR)</b>	<b>590</b>
% Upside(Downside)	11%
Land Bank (INR)	176
<b>Fair Value (INR)</b>	<b>766</b>
CMP (INR)	533
<b>% Upside(Downside)</b>	<b>44%</b>

Source: MOFSL, Company

Exhibit 2: TCOM – 1-year forward EV/EBITDA



Source: MOFSL, Company



## Management call highlights

### Key Highlights

- Aiming to consistently achieve double-digit profit growth in the overall data business, which is expected from the Growth segment and improving margins; Transformation segment losses should fully recover by 1QFY21.
- Innovation business has couple of products – (a) Move, and (b) Net Foundry, which is seeing healthy traction.
- Targeting net debt to EBITDA of ~2.5x for the longer-term business. The company would continue investing in business opportunities.

Exhibit 3: Quarterly performance

	4QFY19	3QFY20	4QFY20	YoY(%)	QoQ (%)	4QFY20E	v/s est (%)
<b>Revenue</b>	<b>42,435</b>	<b>42,287</b>	<b>43,979</b>	<b>3.6</b>	<b>4.0</b>	<b>43,107</b>	<b>2.0</b>
Operating Expenses	35,583	34,679	35,291	-0.8	1.8	34,836	1.3
<b>EBITDA</b>	<b>6,853</b>	<b>7,608</b>	<b>8,688</b>	<b>26.8</b>	<b>14.2</b>	<b>8,271</b>	<b>5.0</b>
<b>EBITDA Margins (%)</b>	<b>16.1%</b>	<b>18.0%</b>	<b>19.8%</b>	<b>361bps</b>	<b>176bps</b>	<b>19.2%</b>	<b>57bps</b>
Depreciation	5,587	5,605	6,867	22.9	22.5	5,683	20.8
Interest	1,039	1,161	1,232	18.6	6.1	1,159	6.2
Other Income	395	140	373	-5.4	167.2	420	-11.1
Exceptional Items	-7	0	3,781		NM	0	NM
<b>PBT</b>	<b>629</b>	<b>981</b>	<b>-2,818</b>	<b>-548.1</b>	<b>-387.1</b>	<b>1,849</b>	<b>-252.4</b>
Tax	1,007	406	-98	-109.8	-124.3	610	-116.1
Effective Tax Rate (%)	160.1%	41.3%	3.5%			33.0%	
<b>PAT</b>	<b>-378</b>	<b>576</b>	<b>-2,720</b>	<b>619.7</b>	<b>NM</b>	<b>1,239</b>	<b>-319.5</b>
MI & P/L in Associates	-1610	9	-30	-98.1	-422.3	164	
<b>PAT after Minority</b>	<b>-1988</b>	<b>585</b>	<b>-2,750</b>	<b>38.3</b>	<b>-569.8</b>	<b>1,403</b>	<b>-296.0</b>
<b>Adjusted PAT</b>	<b>-271</b>	<b>585</b>	<b>1,031</b>	<b>-480</b>	<b>76</b>	<b>1,403</b>	<b>-26.5</b>

Source: MOFSL, Company

**Exhibit 4: Detailed segmental quarterly performance**

	4QFY19	3QFY20	4QFY20	YoY(%)	QoQ (%)	4QFY20E	v/s est (%)
<b>Total Revenue</b>	<b>42,435</b>	<b>42,287</b>	<b>43,979</b>	<b>3.6</b>	<b>4.0</b>	<b>43,107</b>	<b>2.0</b>
<b>Voice segment</b>	<b>9,008</b>	<b>8,090</b>	<b>8,030</b>	<b>-10.9</b>	<b>-0.7</b>	<b>8,011</b>	<b>0.2</b>
<b>Data segment</b>	<b>33,427</b>	<b>34,200</b>	<b>35,950</b>	<b>7.5</b>	<b>5.1</b>	<b>35,097</b>	<b>2.4</b>
Traditional services	20,865	21,590	21,960	5.2	1.7	21,806	0.7
Growth services	7,798	7,850	8,560	9.8	9.0	8,321	2.9
Innovation Service	425	260	430	1.2	65.4	273	57.5
Transformation Service	3,159	3,280	3,610	14.3	10.1	3,444	4.8
Tata Payment Solutions	844	870	820	-2.8	-5.7	903	-9.2
			-10	150	480	630	1080.3
<b>EBITDA</b>	<b>6,853</b>	<b>7,608</b>	<b>8,688</b>	<b>26.8</b>	<b>14.2</b>	<b>8271</b>	<b>5.0</b>
<b>Voice segment</b>	<b>966</b>	<b>470</b>	<b>460</b>	<b>-52.4</b>	<b>-2.1</b>	<b>451</b>	<b>2.0</b>
<b>Data segment</b>	<b>5,887</b>	<b>7,140</b>	<b>8,230</b>	<b>39.8</b>	<b>15.3</b>	<b>7,819</b>	<b>5.3</b>
Traditional services	6,526	8,130	8,120	24.4	-0.1	8,235	-1.4
Margin (%)	31	38	37.0	570bps	-68bps	37.8	-79bps
Growth services	417	510	990	137.4	94.1	582	70.0
Margin (%)	5	6	11.6	622bps	507bps	7.0	457bps
Innovation Service	(1,469)	(1,480)	(1,330)	-9.5	-10.1	(1,517)	-12.3
Margin (%)	NM	NM	NM	NM	NM	NM	NM
Transformation Service	246	(460)	-160	-165.0	-65.2	103	-254.9
Margin (%)	8	(14)	-4.4	-1222bps	959bps	3.0	-743bps
Tata Payment Solutions	57	240	220	286.0	-8.3	199	10.4
Margin (%)	7	28	26.8	2008bps	-76bps	22.1	477bps

Source: MOFSL, Company

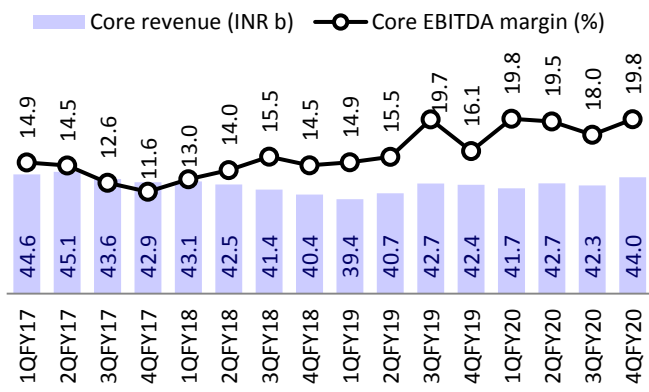
**Exhibit 5: Summary of estimate change (INR b)**

	FY21E	FY22E
<b>Core revenue (INR b)</b>		
Old	181.5	198.2
Actual/New	185.7	200.1
Change (%)	2.3	0.9
<b>Core EBITDA (INR b)</b>		
Old	36.2	41.1
Actual/New	39.4	44.9
Change (%)	9.0	9.1
<b>Core EBITDA margin (%)</b>		
Old	19.9	20.7
Actual/New	21.2	22.4
Change (%)	129bps	168bps
<b>PAT (INR m)</b>		
Old	7.3	10.8
Actual/New	7.8	11.7
Change (%)	7.1	8.2
<b>EPS (INR)</b>		
Old	25.5	37.9
Actual/New	27.4	41.0
Change (%)	7.1	8.2

Source: MOFSL, Company

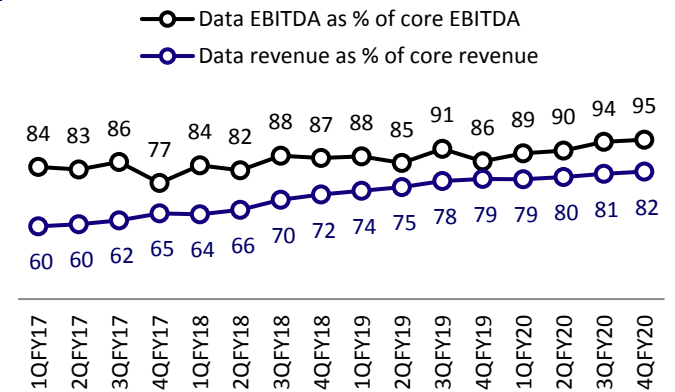
## Story in charts

**Exhibit 6: Core EBITDA margin at 20%**



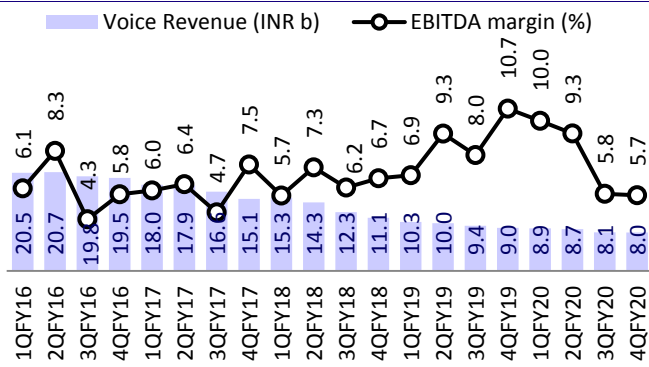
Source: MOFSL, Company

**Exhibit 7: Data biz revenue contribution continues to grow**



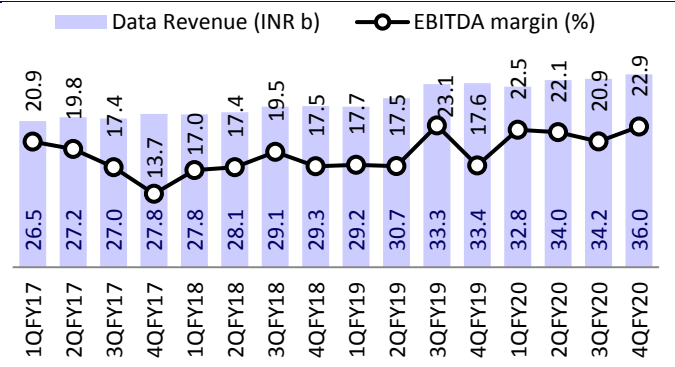
Source: MOFSL, Company

**Exhibit 8: Voice revenue continues to decline (INRb)**



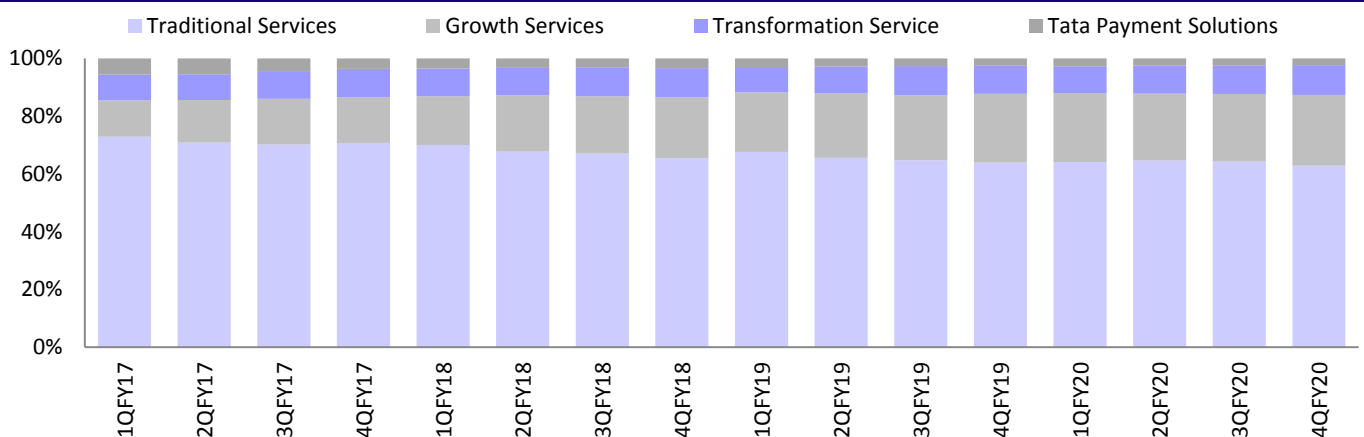
Source: MOFSL, Company

**Exhibit 9: Data revenue continues to grow (INR b)**



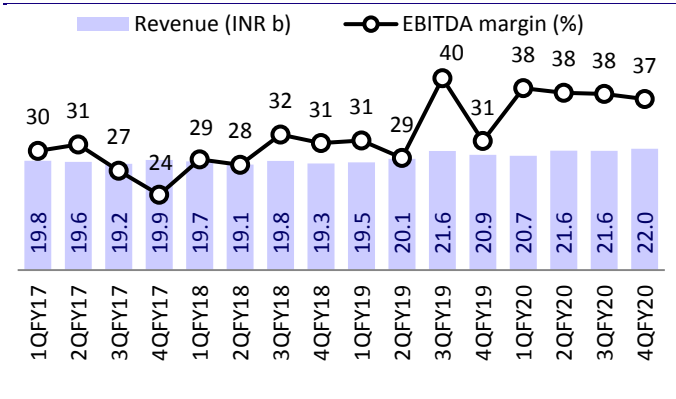
Source: MOFSL, Company

**Exhibit 10: Growth segmental revenue contribution increasing (%)**



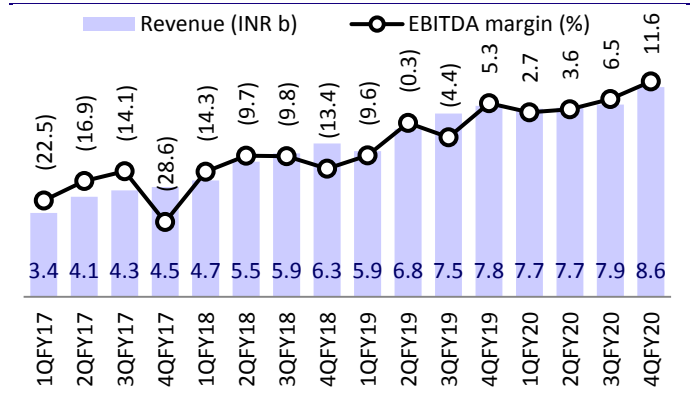
Source: MOFSL, Company

**Exhibit 11: Traditional business – revenue/EBITDA margin trend**



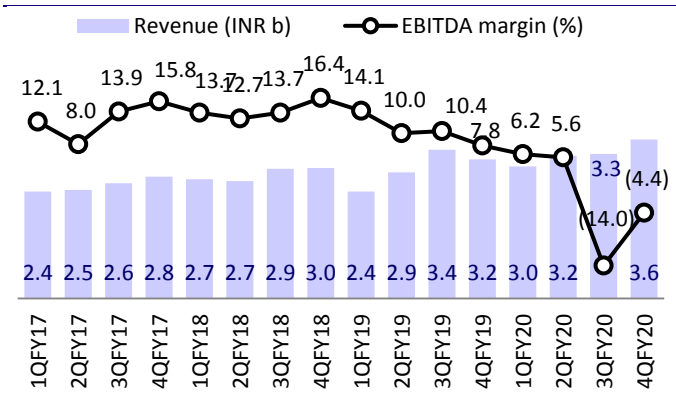
Source: MOFSL, Company

**Exhibit 12: Growth business – EBITDA margin improves steeply**



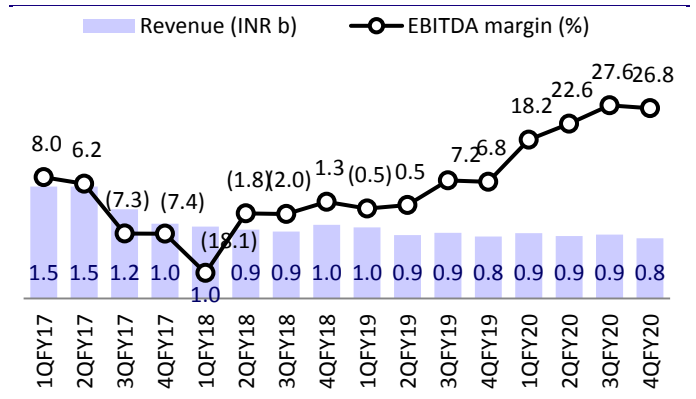
Source: MOFSL, Company

**Exhibit 13: Transformation business reported loss**



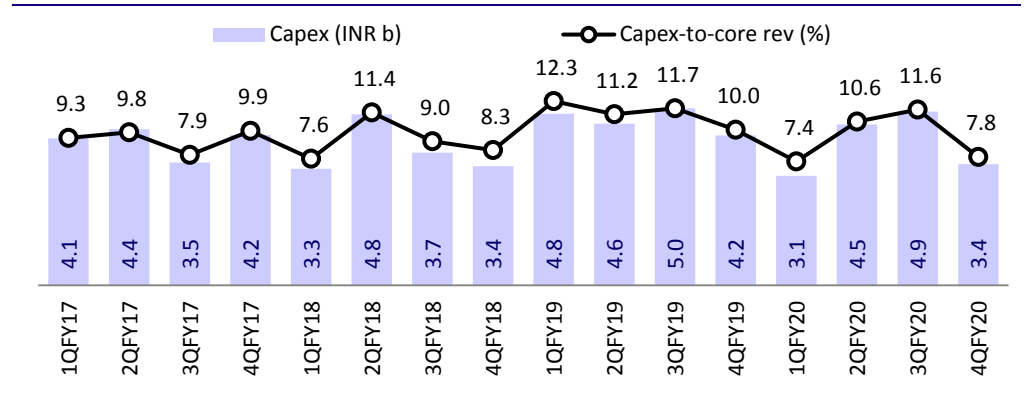
Source: MOFSL, Company

**Exhibit 14: Payment solution business revenue/EBITDA margin trend**



Source: MOFSL, Company

**Exhibit 15: Quarterly capex trend**



Source: MOFSL, Company

**Exhibit 16: Core segmental mix (INR m)**

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Revenues Segments</b>									
Voice	93,024	87,761	80,560	67,581	53,113	38,703	33,764	31,340	30,128
growth	8.6%	-5.7%	-8.2%	-16.1%	-21.4%	-27.1%	-12.8%	-7.2%	-3.9%
as a % of core	53.3%	49.4%	43.2%	38.4%	31.7%	23.4%	19.8%	16.9%	15.1%
Data	81,485	89,914	1,05,971	1,08,619	1,14,603	1,26,546	1,36,920	1,54,328	1,69,940
growth	20.7%	10.3%	17.9%	2.5%	5.5%	10.4%	8.2%	12.7%	10.1%
as a % of core	46.7%	50.6%	56.8%	61.6%	68.3%	76.6%	80.2%	83.1%	84.9%
<b>Core Revenues</b>	<b>1,74,509</b>	<b>1,77,675</b>	<b>1,86,531</b>	<b>1,76,200</b>	<b>1,67,716</b>	<b>1,65,249</b>	<b>1,70,684</b>	<b>1,85,668</b>	<b>2,00,069</b>
growth	13.9%	1.8%	5.0%	-5.5%	-4.8%	-1.5%	3.3%	8.8%	7.8%
<b>EBITDA Segments</b>									
Voice	8,292	6,359	4,963	4,140	3,437	3,359	2,634	2,060	1,860
margin	8.9%	7.2%	6.2%	6.1%	6.5%	8.7%	7.8%	6.6%	6.2%
growth	13.5%	-23.3%	-22.0%	-16.6%	-17.0%	-2.3%	-21.6%	-21.8%	-9.7%
as a % of Core EBITDA	35.0%	26.2%	18.2%	17.5%	14.2%	12.2%	8.0%	5.2%	4.1%
Data	15,418	17,885	22,242	19,459	20,685	24,089	30,258	37,306	42,972
margin	18.9%	19.9%	21.0%	17.9%	18.0%	19.0%	22.1%	24.2%	25.3%
growth	35.9%	16.0%	24.4%	-12.5%	6.3%	16.5%	25.6%	23.3%	15.2%
as a % of Core EBITDA	65.0%	73.8%	81.8%	82.5%	85.8%	87.8%	92.0%	94.8%	95.9%
<b>Core EBITDA</b>	<b>23,710</b>	<b>24,244</b>	<b>27,205</b>	<b>23,599</b>	<b>24,122</b>	<b>27,448</b>	<b>32,892</b>	<b>39,366</b>	<b>44,832</b>
margin	13.6%	13.6%	14.6%	13.4%	14.4%	16.6%	19.3%	21.2%	22.4%
growth	27.1%	2.3%	12.2%	-13.3%	2.2%	13.8%	19.8%	19.7%	13.9%

Source: Company, MOFSL



## Financials and Valuations

Consolidated - Income Statement								(INR Million)	
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Total Income from Operations</b>	<b>1,96,196</b>	<b>1,99,090</b>	<b>1,81,486</b>	<b>1,76,197</b>	<b>1,67,717</b>	<b>1,65,250</b>	<b>1,70,680</b>	<b>1,85,668</b>	<b>2,00,069</b>
Change (%)	14.0	1.5	-8.8	-2.9	-4.8	-1.5	3.3	8.8	7.8
Network Cost	1,07,457	1,05,543	96,724	88,119	79,032	71,620	67,776	69,931	74,971
Staff Cost	24,976	27,948	27,396	28,394	29,775	29,597	30,391	32,417	33,228
Operating & Other Expense	33,346	35,702	32,949	35,625	34,787	36,584	39,623	43,916	46,999
<b>Total Expenditure</b>	<b>1,65,779</b>	<b>1,69,193</b>	<b>1,57,069</b>	<b>1,52,138</b>	<b>1,43,595</b>	<b>1,37,801</b>	<b>1,37,790</b>	<b>1,46,264</b>	<b>1,55,199</b>
% of Sales	84.5	85.0	86.5	86.3	85.6	83.4	80.7	78.8	77.6
<b>EBITDA</b>	<b>30,416</b>	<b>29,897</b>	<b>24,417</b>	<b>24,059</b>	<b>24,122</b>	<b>27,449</b>	<b>32,890</b>	<b>39,404</b>	<b>44,870</b>
Margin (%)	15.5	15.0	13.5	13.7	14.4	16.6	19.3	21.2	22.4
Depreciation	20,914	21,611	18,643	18,658	19,063	20,676	23,577	23,339	23,307
<b>EBIT</b>	<b>9,502</b>	<b>8,286</b>	<b>5,774</b>	<b>5,401</b>	<b>5,059</b>	<b>6,773</b>	<b>9,312</b>	<b>16,065</b>	<b>21,563</b>
Int. and Finance Charges	7,617	7,508	4,091	3,672	3,445	3,966	4,707	4,994	4,814
Other Income	1,433	4,008	3,966	3,603	2,597	603	697	547	688
<b>PBT bef. EO Exp.</b>	<b>3,318</b>	<b>4,786</b>	<b>5,650</b>	<b>5,332</b>	<b>4,211</b>	<b>3,410</b>	<b>5,302</b>	<b>11,619</b>	<b>17,437</b>
EO Items	1,126	-1,052	-1,028	-10,633	-3,755	22	-3,905	0	0
<b>PBT after EO Exp.</b>	<b>4,444</b>	<b>3,734</b>	<b>4,622</b>	<b>-5,301</b>	<b>456</b>	<b>3,432</b>	<b>1,397</b>	<b>11,619</b>	<b>17,437</b>
Total Tax	3,433	3,705	2,329	2,364	3,549	2,733	2,267	3,834	5,754
Tax Rate (%)	77.2	99.2	50.4	-44.6	778.2	79.6	162.3	33.0	33.0
Minority Interest	-3	17	18	-25	193	1,523	-11	-11	-11
<b>Reported PAT</b>	<b>1,014</b>	<b>13</b>	<b>2,276</b>	<b>-7,640</b>	<b>-3,286</b>	<b>-824</b>	<b>-860</b>	<b>7,795</b>	<b>11,693</b>
<b>Adjusted PAT</b>	<b>5,333</b>	<b>3,027</b>	<b>973</b>	<b>3,016</b>	<b>331</b>	<b>-624</b>	<b>3,011</b>	<b>7,795</b>	<b>11,693</b>
Change (%)	-206.2	-43.2	-67.9	210.0	-89.0	-288.6	-582.2	158.9	50.0
Margin (%)	2.7	1.5	0.5	1.7	0.2	-0.4	1.8	4.2	5.8

Consolidated - Balance Sheet								(INR Million)	
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850
Total Reserves	5,145	365	-6,484	13,069	2,143	-4,668	-15,634	-7,839	3,854
<b>Net Worth</b>	<b>7,995</b>	<b>3,215</b>	<b>-3,634</b>	<b>15,919</b>	<b>4,993</b>	<b>-1,818</b>	<b>-12,784</b>	<b>-4,989</b>	<b>6,704</b>
Minority Interest	62	59	69	184	45	58	48	48	48
Total Loans	1,36,944	1,30,757	1,51,181	99,516	95,395	1,06,844	1,24,833	1,05,379	98,289
Deferred Tax Liabilities	-727	-2,015	-1,072	71	-477	-887	-2,495	-2,495	-2,495
<b>Capital Employed</b>	<b>1,44,274</b>	<b>1,32,015</b>	<b>1,46,545</b>	<b>1,15,690</b>	<b>99,956</b>	<b>1,04,196</b>	<b>1,09,602</b>	<b>97,943</b>	<b>1,02,546</b>
Gross Block	2,78,736	2,99,608	3,08,467	2,70,923	2,88,666	1,16,569	1,45,082	1,61,646	1,78,210
Less: Accum. Deprn.	1,35,779	1,56,419	1,67,208	1,61,638	1,80,701	5,006	28,583	51,922	75,229
<b>Net Fixed Assets</b>	<b>1,42,957</b>	<b>1,43,190</b>	<b>1,41,259</b>	<b>1,09,285</b>	<b>1,07,965</b>	<b>1,11,563</b>	<b>1,16,499</b>	<b>1,09,724</b>	<b>1,02,981</b>
Goodwill on Consolidation	6,185	3,848	3,246	0	0	863	918	918	918
Capital WIP	6,530	6,383	7,998	7,509	5,203	4,082	4,466	4,466	4,466
<b>Total Investments</b>	<b>17,582</b>	<b>17,675</b>	<b>18,306</b>	<b>24,340</b>	<b>12,502</b>	<b>14,913</b>	<b>15,631</b>	<b>15,631</b>	<b>15,631</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>74,431</b>	<b>68,841</b>	<b>79,095</b>	<b>69,199</b>	<b>69,425</b>	<b>67,205</b>	<b>72,016</b>	<b>67,339</b>	<b>83,712</b>
Inventory	506	264	254	192	270	766	730	813	877
Account Receivables	27,339	24,870	30,189	25,900	28,912	29,685	32,289	33,573	36,177
Cash and Bank Balance	16,695	16,212	19,763	10,793	12,956	8,521	9,091	3,568	16,484
Loans and Advances	29,891	27,495	28,889	32,313	27,288	28,234	29,906	29,385	30,174
<b>Curr. Liability &amp; Prov.</b>	<b>1,03,411</b>	<b>1,07,922</b>	<b>1,03,359</b>	<b>94,643</b>	<b>95,139</b>	<b>94,429</b>	<b>99,928</b>	<b>1,00,136</b>	<b>1,05,162</b>
Account Payables	40,403	36,697	35,764	35,814	34,716	36,885	38,450	38,151	38,369
Other Current Liabilities	56,324	61,538	61,748	53,142	54,759	51,527	53,932	54,937	59,198
Provisions	6,684	9,687	5,847	5,687	5,664	6,016	7,546	7,047	7,594
<b>Net Current Assets</b>	<b>-28,980</b>	<b>-39,081</b>	<b>-24,264</b>	<b>-25,444</b>	<b>-25,714</b>	<b>-27,224</b>	<b>-27,912</b>	<b>-32,796</b>	<b>-21,450</b>
<b>Appl. of Funds</b>	<b>1,44,274</b>	<b>1,32,015</b>	<b>1,46,545</b>	<b>1,15,690</b>	<b>99,956</b>	<b>1,04,196</b>	<b>1,09,602</b>	<b>97,943</b>	<b>1,02,546</b>

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>18.7</b>	<b>10.6</b>	<b>3.4</b>	<b>10.6</b>	<b>1.2</b>	<b>-2.2</b>	<b>10.6</b>	<b>27.4</b>	<b>41.0</b>
Cash EPS	92.1	86.4	68.8	76.0	68.0	70.4	93.3	109.2	122.8
BV/Share	28.1	11.3	-12.7	55.9	17.5	-6.4	-44.9	-17.5	23.5
DPS	4.5	5.5	4.3	4.5	4.5	4.5	4.5	4.5	4.5
Payout (%)	151.8	13,711.6	64.2	-20.0	-46.6	-185.7	-178.0	19.6	13.1
<b>Valuation (x)</b>									
P/E		37.7	117.3	37.8	344.7	-182.8	37.9	14.6	9.8
Cash P/E		4.6	5.8	5.3	5.9	5.7	4.3	3.7	3.3
P/BV		35.5	-31.4	7.2	22.9	-62.8	-8.9	-22.9	17.0
EV/Sales		1.1	1.4	1.2	1.2	1.3	1.3	1.2	1.0
EV/EBITDA		7.6	10.1	8.4	8.1	7.7	7.0	5.5	4.4
Dividend Yield (%)	1.1	1.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1
FCF per share	44.7	44.1	11.7	21.0	-8.4	-27.1	36.5	64.4	84.6
<b>Return Ratios (%)</b>									
RoE	48.0	54.0	-464.6	49.1	3.2	-39.3	-41.2	-87.7	1,362.9
RoCE	1.8	0.1	3.4	9.9	3.8	1.5	-5.7	10.5	14.5
RoIC	2.0	0.1	3.0	9.0	2.1	1.9	-7.4	13.9	20.6
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	0.7	0.7	0.6	0.7	0.6	1.4	1.2	1.1	1.1
Asset Turnover (x)	1.4	1.5	1.2	1.5	1.7	1.6	1.6	1.9	2.0
Inventory (Days)	1	0	1	0	1	2	2	2	2
Debtor (Days)	51	46	61	54	63	66	69	66	66
Creditor (Days)	75	67	72	74	76	81	82	75	70
<b>Leverage Ratio (x)</b>									
Current Ratio	0.7	0.6	0.8	0.7	0.7	0.7	0.7	0.7	0.8
Interest Cover Ratio	1.2	1.1	1.4	1.5	1.5	1.7	2.0	3.2	4.5
Net Debt/Equity	12.8	30.1	-31.1	4.0	14.0	-45.9	-7.8	-17.3	9.9

### Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	4,444	3,734	2,626	20,188	456	3,432	-848	11,619	17,437
Depreciation	20,914	21,611	22,194	19,469	19,063	20,676	23,577	23,339	23,307
Interest & Finance Charges	7,038	6,680	7,151	6,875	3,445	3,966	4,707	4,994	4,814
Direct Taxes Paid	-1,824	-1,120	-4,238	-7,404	-3,549	-2,733	-2,793	-3,834	-5,754
(Inc)/Dec in WC	228	-1,339	-4,432	-227	2,433	-3,335	-2,513	-639	1,570
<b>CF from Operations</b>	<b>30,800</b>	<b>29,565</b>	<b>23,301</b>	<b>38,900</b>	<b>21,847</b>	<b>22,005</b>	<b>22,131</b>	<b>35,478</b>	<b>41,374</b>
Others	-184	718	326	-14,965	-8,796	-6,577	3,117	-547	-688
<b>CF from Operating incl EO</b>	<b>30,616</b>	<b>30,283</b>	<b>23,627</b>	<b>23,935</b>	<b>13,051</b>	<b>15,428</b>	<b>25,248</b>	<b>34,931</b>	<b>40,686</b>
(Inc)/Dec in FA	-17,872	-17,713	-20,287	-17,952	-15,437	-23,152	-14,856	-16,564	-16,564
<b>Free Cash Flow</b>	<b>12,744</b>	<b>12,570</b>	<b>3,340</b>	<b>5,983</b>	<b>-2,386</b>	<b>-7,724</b>	<b>10,392</b>	<b>18,367</b>	<b>24,122</b>
(Pur)/Sale of Investments	-5,101	-1,720	-3,084	7,815	11,838	-2,411	-491	0	0
Others	1,675	2,550	3,409	10,023	2,597	-260	49	547	688
<b>CF from Investments</b>	<b>-21,298</b>	<b>-16,884</b>	<b>-19,963</b>	<b>-114</b>	<b>-1,003</b>	<b>-25,823</b>	<b>-15,298</b>	<b>-16,017</b>	<b>-15,876</b>
Issue of Shares	0	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	6,777	-5,088	7,602	-28,219	-4,121	11,448	-4,044	-19,454	-7,090
Interest Paid	-6,694	-6,285	-5,807	-3,086	-3,445	-3,966	-3,850	-4,994	-4,814
Dividend Paid	-964	-1,467	-1,873	-1,424	-1,988	0	-1,508	0	0
Others	-975	-1,043	-34	-62	-332	-1,523	62	11	11
<b>CF from Fin. Activity</b>	<b>-1,856</b>	<b>-13,883</b>	<b>-113</b>	<b>-32,791</b>	<b>-9,885</b>	<b>5,960</b>	<b>-9,340</b>	<b>-24,437</b>	<b>-11,894</b>
<b>Inc/Dec of Cash</b>	<b>7,462</b>	<b>-483</b>	<b>3,551</b>	<b>-8,970</b>	<b>2,163</b>	<b>-4,435</b>	<b>609</b>	<b>-5,523</b>	<b>12,916</b>
Opening Balance	9,233	16,695	16,211	19,763	10,793	12,956	7,891	9,091	3,568
<b>Closing Balance</b>	<b>16,695</b>	<b>16,211</b>	<b>19,763</b>	<b>10,793</b>	<b>12,956</b>	<b>8,521</b>	<b>9,091</b>	<b>3,568</b>	<b>16,484</b>

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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