



© 2019 Equirus All rights reserved

PSP Projects

3QFY19 Result: Estimate (↓), Target (↓), Rating (↔)

Regular Coverage

Absolute : LONG
Relative : Overweight
29% in 14 Months

Strong OB continues to offer medium-term revenue visibility – retain LONG

Construction

PSP's 3Q revenues came in at Rs 2.6bn, up 53% yoy and in line with EE led by strong execution ramp-up in the SDB project and improved traction in other projects. The company's OB currently stands at ~Rs 27bn and the book-to-bill ratio at ~2.8x on TTM revenues. We expect execution to remain strong ahead as well led by the SDB project, and the company to maintain a steady-state EBITDAM of 13.5-14%. We trim our FY20E standalone EBITDA estimates by 3% to factor in a slight dip in margins, and expect the company to post a revenue/EBITDA CAGR of 32%/31% over FY18-FY21E. Retain LONG with a Mar'20 TP of Rs 520 (Rs 544 earlier) set at a lower target multiple of 16x (18x earlier) Mar'20 TTM EPS to factor in the current industry dynamics.

Strong OB gives visibility for 2-3 years; incremental orders to aid growth ahead:

As on Sep'18, PSP's order book stood at ~Rs 27bn, implying a book-to-bill of 2.8x on TTM revenues with an avg. execution period of 18-30 months (EE: 25-30 months). The company has won Rs 8.2bn of additional orders in 9MFY19 (3QFY19: ~Rs 4bn). Besides, it has participated in another Rs 30bn of projects, has a historical strike ratio of 20% and is L1 in a ~Rs 800mn project. PSP also forayed into the Maharashtra market with its maiden order win of ~Rs 1.8bn in the affordable housing segment.

The Surat Diamond Bourse (SDB) project continues to see good revenue traction and generated Rs 2.3bn of revenues in 9MFY19. Management expects this project to generate revenues of ~Rs 3.5bn in FY19E and ~Rs 7.5bn in FY20E respectively. We feel its order pipeline would continue to swell with robust construction at GIFT, capex by Gujarat corporates and new orders from Gujarat/other states. Management remains confident of getting order inflows of ~Rs 13bn in FY20.

Strong B/S strong + stringent control on WC = confidence on capital allocation:

PSP had a cash position of Rs 2.1bn as of Sep'18, mostly used as collateral towards bank/performance guarantees for project execution. Strong inventory and receivable management, good creditor relations and selective bidding (in projects with upfront interest free mobilization advances of 5-10% while avoiding residential/other govt. projects) has helped maintain a negative WC over last 6 years. While WC cycle would stretch over next 3 years with a higher avg. ticket size of projects, strict WC control and positive cash flows would keep net cash balance steady at ~Rs 2.5bn by FY21E.

View: With a strong OB, good execution track record, a cash-rich B/S and upcoming opportunities in key markets, we remain positive on PSP's long-term business prospects. Retain LONG with a Mar'20 TP of Rs 520. **Risks:** Key man dependence, below-expected order inflows required to support growth post FY20, and addition of margin-dilutive orders.

Estimate Revision

(Rs mn)	Forecasts		% Change	
	FY19E	FY20E	FY19E	FY20E
Sales	10,960	15,049	1%	0%
EBITDA	1,517	2,017	1%	-3%
PAT	904	1,169	2%	-3%
EPS	25.1	32.5	2%	-2%

Consolidated Financials

Rs. Mn	YE Mar	FY18A	FY19E	FY20E	FY21E
Sales		7,516	10,960	15,049	16,822
EBITDA		1,046	1,517	2,017	2,254
Depreciation		115	237	292	328
Interest Expense		93	94	110	132
Other Income		186	213	212	214
Reported PAT		655	904	1,169	1,285
Recurring PAT		655	904	1,169	1,285
Total Equity		3,014	3,827	4,658	5,557
Gross Debt		281	327	417	507
Cash		2,431	1,990	2,461	3,105
Rs Per Share		FY18A	FY19E	FY20E	FY21E
Earnings		18.2	25.1	32.5	35.7
Book Value		84	106	129	154
Dividends		5.0	2.2	8.0	9.2
FCFF		-12.9	-9.3	21.9	28.5
P/E (x)		21.0	15.8	12.2	11.1
P/B (x)		4.6	3.7	3.1	2.6
EV/EBITDA (x)		12.8	8.3	6.1	5.2
ROE (%)		32%	26%	28%	25%
Core ROIC (%)		71%	66%	52%	49%
EBITDA Margin (%)		14%	14%	13%	13%
Net Margin (%)		9%	8%	8%	8%

Rating Information

Price (Rs)	396
Target Price (Rs)	520
Target Date	31st Mar'20
Target Set On	11th Feb'19
Implied yrs of growth (DCF)	10
Fair Value (DCF)	414
Fair Value (DDM)	207
Ind Benchmark	SPBSMIP
Model Portfolio Position	NA

Stock Information

Market Cap (Rs Mn)	14,256
Free Float (%)	26.72 %
52 Wk H/L (Rs)	596/358.3
Avg Daily Volume (1yr)	39,952
Avg Daily Value (Rs Mn)	18
Equity Cap (Rs Mn)	360
Face Value (Rs)	10
Bloomberg Code	PSPPL IN

Ownership

	Recent	3M	12M
Promoters	73.3 %	0.3 %	1.3 %
DII	6.2 %	-2.2 %	-3.2 %
FII	1.2 %	-0.1 %	-0.3 %
Public	19.4 %	2.0 %	2.2 %

Price %

	1M	3M	12M
Absolute	-8.0 %	2.8 %	-23.3 %
Vs Industry	-1.0 %	8.4 %	-8.2 %
AHLUCONT	-18.1 %	-18.2 %	-23.8 %
CAPACITE	-20.4 %	-8.4 %	-43.6 %

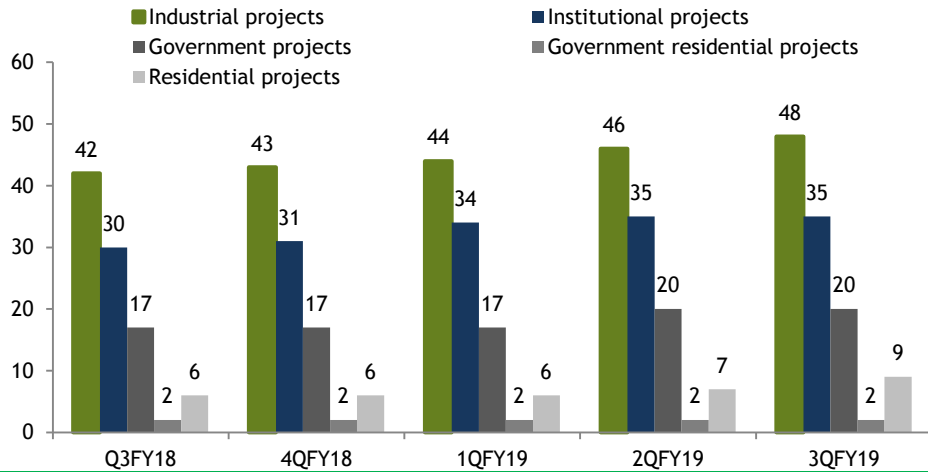
Standalone Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (18A)	3.8	3.5	4.2	6.4
EPS (19E)	5.9	4.9	6.0	8.4

Quarterly performance, standalone

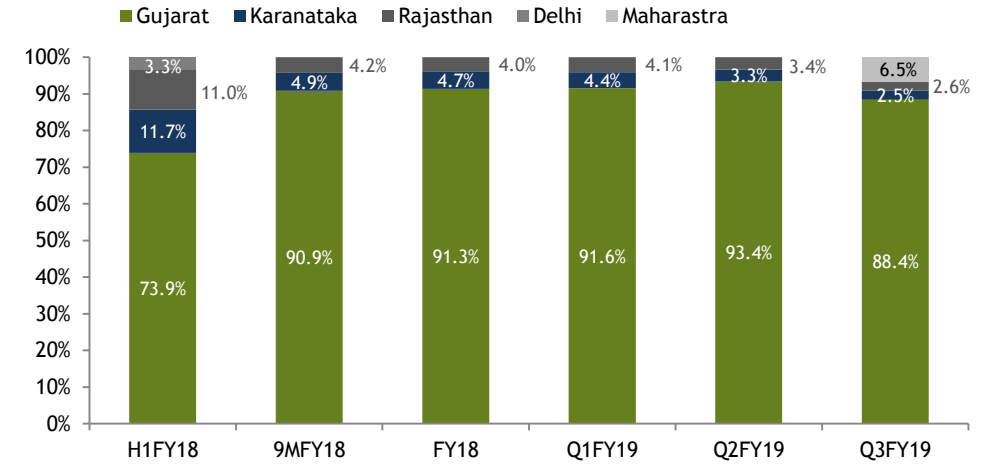
Particulars (Rs Mn)	3QFY19	3QFY19E	2QFY19	3QFY18	% Change			Comments
					3QFY19E	2QFY19	3QFY18	
Net Sales	2,611	2,562	2,099	1,708	2%	24%	53%	Execution ramp-up coming from SDB project
Raw materials consumed + Change in WIP	1,014	856	722	564	19%	40%	80%	
Subcontracting Expenses	481	530	376	300	-9%	28%	60%	
Construction Expenses	618	658	571	489	-6%	8%	27%	
Employee Cost	107	123	108	74	-13%	0%	45%	
Other expenses	23	38	29	16	-39%	-19%	51%	
Total Expenditures	2,244	2,206	1,806	1,442	2%	24%	56%	
EBITDA	367	356	294	266	3%	25%	38%	Largely in line with our estimates
Depreciation	62	64	58	28	-2%	7%	124%	
EBIT	305	293	236	238	4%	29%	28%	
Interest	23	27	23	23	-16%	-1%	-4%	
Other Income	48	33	54	32	47%	-11%	50%	
PBT	331	299	267	247	11%	24%	34%	
Tax	116	107	92	95	8%	26%	22%	
Recurring PAT	215	191	176	152	12%	22%	41%	PAT jumps on higher other income
Extraordinaries	0	0	0	0				
Reported PAT	215	191	176	152	12%	22%	41%	
EPS (Rs)	6.0	5.3	4.9	4.2	12%	22%	41%	
Gross Margin	19.1%	20.20%	20.51%	20.80%	-113 bps	-144 bps	-173 bps	
EBITDA Margin	14.1%	13.9%	14.0%	15.6%	15 bps	6 bps	-150 bps	
EBIT Margin	11.7%	11.4%	11.2%	13.9%	26 bps	44 bps	-226 bps	
PBT Margin	12.7%	11.7%	12.7%	14.5%	101 bps	-8 bps	-179 bps	
PAT Margin	8.2%	7.5%	8.4%	8.9%	76 bps	-14 bps	-67 bps	
Tax Rate	35.1%	36.0%	34.4%	38.5%	-91 bps	74 bps	-338 bps	

Exhibit 1: Projects classification (number of projects executed)



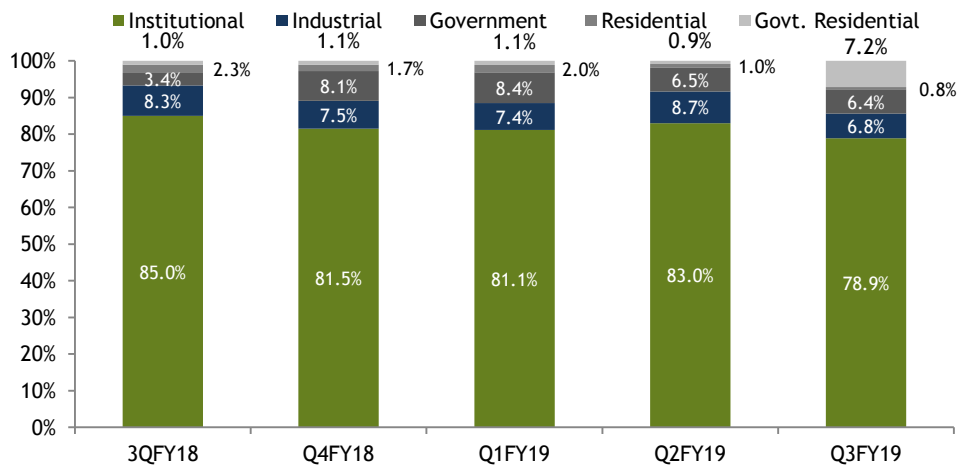
Source: Company, Equirus Securities

Exhibit 3: Geography-wise breakup of work on hand (standalone)



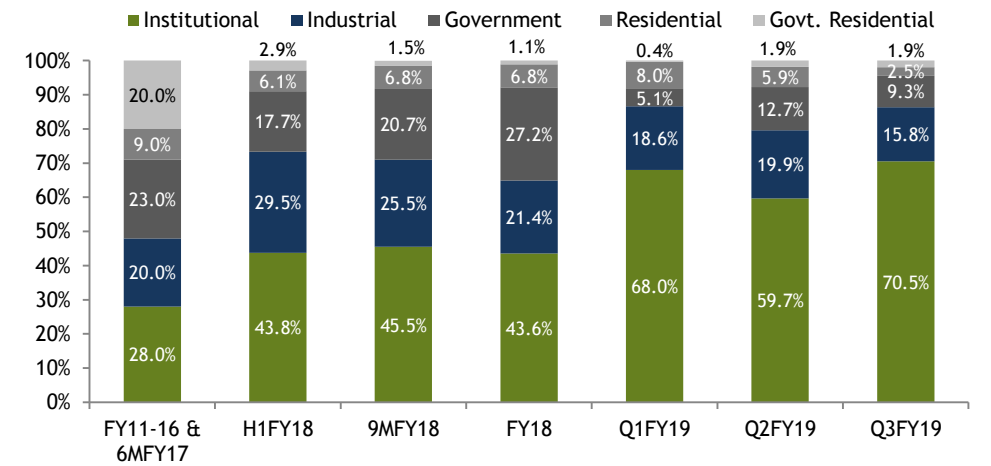
Source: Company, Equirus Securities

Exhibit 2: Order book breakup (standalone)

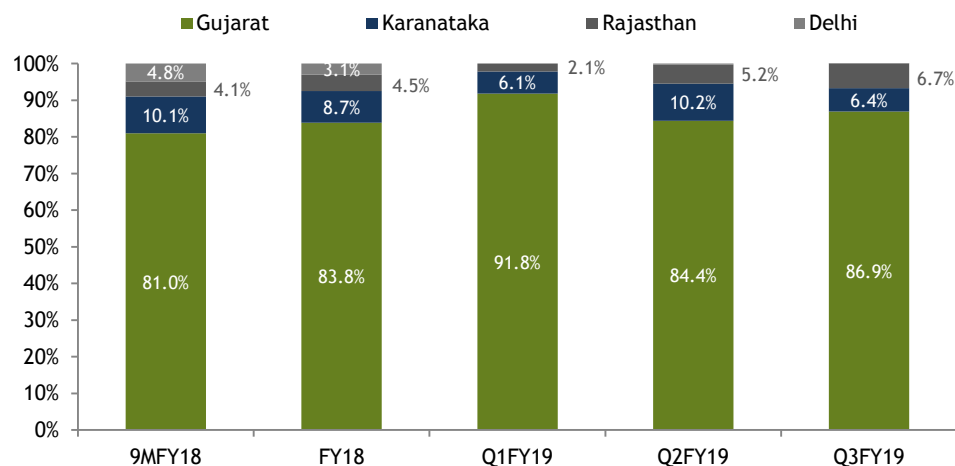


Source: Company, Equirus Securities

Exhibit 4: Revenue break-up



Source: Company, Equirus Securities

Exhibit 5: Geography-wise revenue break-up


Source: Company, Equirus Securities

Exhibit 6: Work on hand (Major projects)

Projects	Client	Project value (Rs mn)	O/S order book (Rs mn)
SDB contract work	SDB Diamond Bourse	15750	12839
Medical college and hospital at Dahod	Zydus Cadila group	2250	2129
Affordable housing at Pandharpur	Pandharpur Municipal Corporation	1765	1765
Office at GIFT city	DSCCSL	1305	1305
Zydus hospital at Baroda	Zydus hospital & Healthcare research	1016	1016
Factory building LMC plant at Dahej	MRF	839	739
Govt. Medical College at Bhavnagar	Bridge & Roof Ltd.	786	698
Hospital building at Surat	Tornascent care institute	679	658
Student Activity Center, Ahmedabad	Ahmedabad University	515	515

Source: Company, Equirus Securities

Earnings call takeaways
Financial update

- PSP's revenue growth during the quarter was largely attributable to revenue recognition at its Surat Diamond Bourse project, which contributed Rs 934mn during the quarter and thus, translate into a strong ~53% yoy growth.
- The margin contracted ~150ps yoy to 14%, while remained flat qoq.
- Increase in depreciation due to additions of fixed assets of Rs 520mn during Jan'18 to Dec'18 and reduction in useful life of certain assets.

Order backlog and bid pipeline

- For Q3FY19, the company had inflows of ~Rs 4bn. The total work orders received during 9MFY19 on standalone basis amounts to Rs 8.04bn.
- The end-Dec'18 order backlog of ~Rs 27bn which comprises Rs 12.8bn from SDB and rest from other projects implies healthy revenue assurance (3x book-to-bill).
- With the order backlog to be executed in the next 24-30 months and PSP's proven execution record, its growth momentum is expected to be robust.
- Excl. the SDB, the order backlog of ~Rs 14.2bn, across 40 projects, comprises ~59.8% institutional, ~12.9% industrial, ~12.2% government, ~13.7% govt. residential and the rest, residential projects.
- Company has successfully completed 4 more projects this quarter, total PSP has delivered 114 projects.
- Outside Gujarat, the company is implementing two dairy projects in Karnataka (one on the outskirts of Bengaluru, the other on the road to Mysuru), and two in Rajasthan (a medical college and a hospital). These projects, falling within its area of expertise, led it to consider them.
- The company has submitted bids of ~Rs 30bn (two projects of more than ~Rs 5bn size). The other projects are from 2-3 major developers in Ahmedabad and one Pune and Surat, and some institutional projects.
- Company is L-1 in one of the project worth ~Rs 800mn.

The Surat Diamond Bourse Project (SDB)

- Revenue of ~Rs 934mn was recognized from the SDB in Q3 and ~Rs 2.3bn in 9MFY19.
- Current monthly billing from the project is currently ~Rs 250mn-300mn, which would average ~Rs 0.8bn-0.9bn a quarter. The monthly run-rate will pick up in FY20 as project progresses.
- Currently, about 6,500 contract workers and 300 company employees have been deployed at the site.
- Foundation work for all the nine towers is progressing as per schedule. Basement, Ground and third & fourth floor have been constructed for all the towers whereas eight & ninth floor have been constructed for first five towers. Work is in progress as guided by the company.
- The project has a pass-through structure for all building and finishing materials (cement, steel, marble tiles, granite).
- Management remains confident on achieving ~Rs 3.5bn revenue from the project in FY19 and ~Rs 7-7.5bn in FY20 and rest in FY21.

Project Updates

- **BSE-forum project in GIFT city:** The Company had secured orders of ~Rs1.3bn. The design aspect of the project is completed and also got the approval. Management expects this project to begin construction work within 10-15 days. Timeline for this project is 18 months.
- Company bags 13 order worth ~Rs 3.99bn which includes projects (Hospital building near Sugan Mega Power project, Surat amounting to ~Rs 679mn) and Repeat order for Student activity center from Ahmedabad University worth ~Rs 515mn and first time order in Maharashtra for affordable housing at Pandharpur worth ~Rs 1.8bn (Timeline for this project is 30 months).
- Out of 13 Orders Company have received 9 orders on repeat basis.

Guidance

- The company had previously guided to a ~30-35% CAGR in revenue over a 2-3 year period. Given its targeted cash-flows from the SDB project and accelerating pace of execution of the OB, it seems on the path to achieve the targeted growth rate.
- PSP Projects sustained EBITDA margins guidance to 12-14% going forward.

- Management expects to cross the inflows of ~Rs10bn for FY19 & for FY20 ~Rs13-14bn.

Other commentary

- Mr. P.S Patel awarded “Most respected entrepreneur award - Construction by Hurun report India on 13th Dec 2018 at Mumbai.
- Company has terminated the recent work order of ~Rs 5.4bn from Sumer Corporation for construction of SRA Rehab building, Mumbai due to dissension with the client regarding certain financial terms and conditions during finalization of contract agreement.
- PSP Projects Inc (US Subsidiary), PSP Projects Limited has invested \$3.45 million till now. The Livermore projects (Includes two houses) are on completion and expecting those ready for sale by April 2019. Company expecting \$2.5mn from revenue from sale.
- PSP is trying to get the contract for interior work and landscaping of the project, which can be started parallel to the construction of office floors. However, tendering of the works is yet to be taken up by the Surat Diamond Association and discussion is under progress. Management expects to get some conclusion on the same by the end of current month.
- It incurred ~Rs 50mn capex in Q3 and ~Rs 380mn in 9MFY19. Company stated it incurs 3-4% of a new project as capex.
- Asset block stood at Rs 1.6bn as on Dec’19 stood.

Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY19E	25.1	24.1	4 %	
	FY20E	32.5	33.3	-2 %	
Sales	FY19E	10,960	10,653	3 %	
	FY20E	15,049	14,742	2 %	
PAT	FY19E	904	867	4 %	
	FY20E	1,169	1,197	-2 %	

Our Key Investment arguments:

- Large OB with 2.8x book-to-bill ratio gives strong revenue visibility over next 3 years. Expect company to post a 32%/31%/26% revenue/EBITDA/PAT CAGR over FY18-FY 21E.
- Strong reputation and good hold on the core Gujarat market, where several opportunities are expected, will drive order book growth going forward.
- Clear focus on selective bidding for industrial & institutional projects backed by reputed clients will help generate above-industry return ratios and WC control.

Key Assumptions

Particulars	2017	2018	2019E	2020E	2021E
Revenues	4,008	7,298	10,960	15,049	16,822
EBITDAM %	16.5%	13.9%	13.8%	13.4%	13.4%
PATM %	10.4%	8.8%	8.2%	7.8%	7.6%
Orderbook	7,290	26,440	26,480	24,431	23,609
Orderbook/Billing Ratio	1.8	3.6	2.4	1.6	1.4

Risk to Our View

Main risk is key man exposure and management bandwidth along with lower-than-expected order inflows.

Key Triggers

Comparable valuation		Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B			RoE			Div Yield	
Company	Reco.				CMP	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E	FY18A	FY19E	FY18A	FY19E	FY20E	FY18A	FY19E	FY20E	FY18A
PSP Projects	LONG	396	14,256	520	31st Mar'20	18.2	25.1	32.5	21.8	15.8	12.2	83.7	3.7	32 %	26 %	28 %	1.3 %	0.6 %		
Ahluwalia Cont.	NR	263	17,634	NR	NR	17.2	21.5	26.9	15.3	12.2	9.8	92.8	3.4	20 %	21 %	21 %	0.0 %	0.1 %		
Capacite Projects	NR	197	13,347	NR	NR	13.7	14.7	18.2	14.3	13.3	10.8	110.4	2.8	15 %	30 %	16 %	0.0 %	0.0 %		

- Inflows of any large orders like SDB will lead to OB stability and revenue visibility post FY20E

Sensitivity to Key Variables	% Change	% Impact on EPS
Sales	-5 %	-5 %
EBITDA Margin	-1 %	-8 %
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.7 %	1.0	13.7 %	3.0 %	15.1 %

-	FY19E	FY20E	FY21-23E	FY24-28E	FY29-33E
Sales Growth	46 %	37 %	5 %	6 %	6 %
NOPAT Margin	10 %	9 %	8 %	8 %	8 %
IC Turnover	4.55	5.08	5.41	6.34	7.27
RoIC	65.7 %	52.3 %	46.2 %	53.6 %	59.6 %

-	1	2	5	10	15
Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	261	304	313	351	379
Valuation as of Mar'20	302	351	363	405	438

Based on DCF, assuming 10 years of 6% CAGR growth and 54% average ROIC, we derive our current fair value of Rs 351 and a Mar'20 fair value of Rs 405.

Company Description:

PSP Projects is a Gujarat-based construction company and set up by Prahlad Patel in 2008. Its focus segments are industrial, institutional and selective residential and government projects. The company has developed a reputation for timely and quality execution, and posted strong return ratios in a relatively tough, commoditized and competitive industry. It has secured repeat orders from marquee clients like Nirma, Cadila, Torrent Pharma, Intas, and GIFT City.

Standalone Quarterly Earnings Forecast and Key Drivers

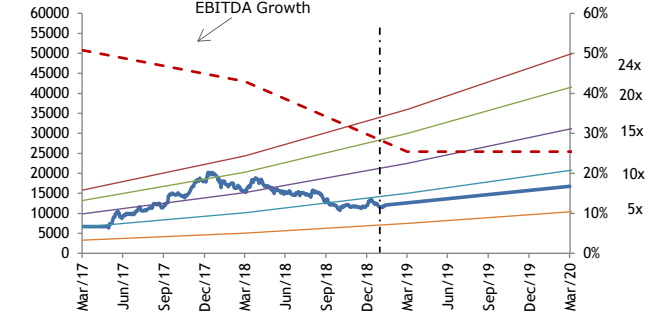
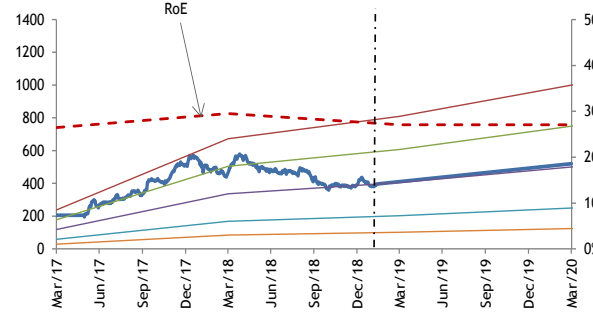
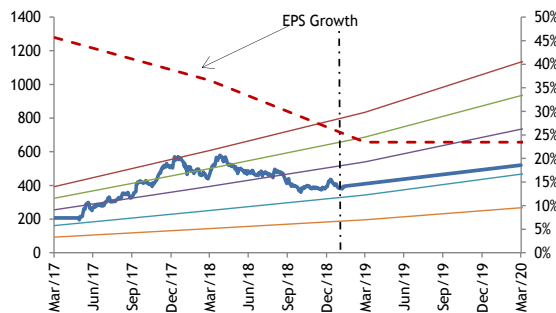
Rs in Mn	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E	FY18A	FY19E	FY20E	FY21E
Revenue	1,558	1,396	1,708	2,637	2,347	2,099	2,611	3,902	3,356	2,834	3,551	5,307	7,298	10,960	15,049	16,822
Subcontracting Expenses	166	165	300	597	245	376	481	710	644	544	682	1,019	1,229	1,812	2,889	3,230
Construction Expenses	411	323	489	671	482	571	618	925	795	672	842	1,258	1,979	2,597	3,567	3,970
Employee Cost	60	67	74	85	100	108	107	180	154	130	163	239	286	495	687	774
Other Expenses	50	36	16	29	27	29	23	39	37	31	39	64	86	119	171	202
EBITDA	199	186	266	363	330	294	367	527	450	380	476	711	1,014	1,517	2,017	2,254
Depreciation	18	23	28	43	48	58	62	69	70	69	73	80	112	237	292	328
EBIT	181	164	238	320	282	236	305	458	380	310	403	631	902	1,281	1,724	1,926
Interest	14	20	23	30	15	23	23	34	17	27	26	40	87	94	110	132
Other Income	41	52	32	59	61	54	48	49	59	55	49	50	184	213	212	214
PBT	208	195	247	349	328	267	331	473	422	339	426	640	999	1,399	1,827	2,008
Tax	72	69	95	119	117	92	116	170	152	122	153	231	355	495	658	723
Recurring PAT	136	127	152	230	211	176	215	303	270	217	272	410	644	904	1,169	1,285
Extraordinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	136	127	152	230	211	176	215	303	270	217	272	410	644	904	1,169	1,285
EPS (Rs)	3.77	3.52	4.22	6.38	5.86	4.88	5.96	8.41	7.50	6.02	7.57	11.38	17.88	25.11	32.47	35.70
Key Drivers																
Closing Order-book													26,440	26,480	24,431	23,609
OB/Revenues													3.6	2.4	1.6	1.4
-													-	-	-	-
-													-	-	-	-
-													-	-	-	-
-													-	-	-	-
Sequential Growth (%)																
Revenue	-4 %	-10 %	22 %	54 %	-11 %	-11 %	24 %	49 %	-14 %	-16 %	25 %	49 %	-	-	-	-
Raw materials consumed + Change in WIP	28 %	-8 %	-9 %	58 %	30 %	-38 %	40 %	50 %	-16 %	-16 %	25 %	49 %	-	-	-	-
EBITDA	-40 %	-6 %	43 %	37 %	-9 %	-11 %	25 %	44 %	-15 %	-16 %	25 %	49 %	-	-	-	-
EBIT	-42 %	-9 %	46 %	34 %	-12 %	-16 %	29 %	50 %	-17 %	-18 %	30 %	56 %	-	-	-	-
Recurring PAT	-32 %	-7 %	20 %	51 %	-8 %	-17 %	22 %	41 %	-11 %	-20 %	26 %	50 %	-	-	-	-
EPS	-32 %	-7 %	20 %	51 %	-8 %	-17 %	22 %	41 %	-11 %	-20 %	26 %	50 %	-	-	-	-
Yearly Growth (%)																
Revenue	81 %	80 %	127 %	63 %	51 %	50 %	53 %	48 %	43 %	35 %	36 %	36 %	82 %	50 %	37 %	12 %
EBITDA	68 %	66 %	181 %	9 %	66 %	58 %	38 %	45 %	36 %	29 %	30 %	35 %	54 %	50 %	33 %	12 %
EBIT	78 %	74 %	217 %	2 %	56 %	44 %	28 %	43 %	35 %	32 %	32 %	38 %	55 %	42 %	35 %	12 %
Recurring PAT	81 %	102 %	108 %	15 %	55 %	39 %	41 %	32 %	28 %	23 %	27 %	35 %	55 %	40 %	29 %	10 %
EPS	81 %	102 %	108 %	15 %	55 %	39 %	41 %	32 %	28 %	23 %	27 %	35 %	55 %	40 %	29 %	10 %
Margin (%)																
EBITDA	13 %	13 %	16 %	14 %	14 %	14 %	14 %	14 %	13 %	13 %	13 %	13 %	14 %	14 %	13 %	13 %
EBIT	12 %	12 %	14 %	12 %	12 %	11 %	12 %	12 %	11 %	11 %	11 %	12 %	12 %	12 %	11 %	11 %
PBT	13 %	14 %	14 %	13 %	14 %	13 %	13 %	12 %	13 %	12 %	12 %	12 %	14 %	13 %	12 %	12 %
PAT	9 %	9 %	9 %	9 %	9 %	8 %	8 %	8 %	8 %	8 %	8 %	8 %	9 %	8 %	8 %	8 %

Consolidated Financials Forecast

P&L (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Revenue	7,516	10,960	15,049	16,822
Op. Expenditure	6,470	9,442	13,032	14,568
EBITDA	1,046	1,517	2,017	2,254
Depreciation	115	237	292	328
EBIT	931	1,281	1,724	1,926
Interest Expense	93	94	110	132
Other Income	186	213	212	214
PBT	1,024	1,399	1,827	2,008
Tax	364	495	658	723
PAT bef. MI & Assoc.	660	904	1,169	1,285
Minority Interest	5	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	655	904	1,169	1,285
Extraordinaires	0	0	0	0
Reported PAT	655	904	1,169	1,285
FDEPS (Rs)	18.2	25.1	32.5	35.7
DPS (Rs)	5.0	2.2	8.0	9.2
CEPS (Rs)	21.4	31.7	40.6	44.8
FCFPS (Rs)	-12.9	-9.3	21.9	28.5
BVPS (Rs)	83.7	106.3	129.4	154.4
EBITDAM (%)	14 %	14 %	13 %	13 %
PATM (%)	9 %	8 %	8 %	8 %
Tax Rate (%)	36 %	35 %	36 %	36 %
Sales Growth (%)	69 %	46 %	37 %	12 %
FDEPS Growth (%)	58 %	38 %	29 %	10 %

Balance Sheet (Rs Mn)	FY18A	FY19E	FY20E	FY21E
Equity Capital	360	360	360	360
Reserve	2,654	3,467	4,298	5,197
Networth	3,014	3,827	4,658	5,557
Long Term Debt	281	327	417	507
Def Tax Liability	0	0	0	0
Minority Interest	11	11	11	11
Account Payables	1,271	1,712	2,433	2,719
Other Curr Liabi	1,436	1,589	2,182	2,355
Total Liabilities & Equity	6,013	7,466	9,701	11,149
Net Fixed Assets	781	1,140	1,298	1,269
Capital WIP	18	0	0	0
Others	947	947	947	947
Inventory	338	661	907	968
Account Receivables	1,235	1,742	2,433	2,673
Other Current Assets	264	986	1,655	2,187
Cash	2,431	1,990	2,461	3,105
Total Assets	6,013	7,466	9,701	11,149
Non-cash Working Capital	-870	88	380	754
Cash Conv Cycle	-42.3	2.9	9.2	16.4
WC Turnover	-8.6	124.8	39.6	22.3
FA Turnover	9.4	9.6	11.6	13.3
Net D/E	-0.7	-0.4	-0.4	-0.5
Revenue/Capital Employed	2.9	2.9	3.3	3.0
Capital Employed/Equity	1.3	1.1	1.1	1.1

Cash Flow (Rs Mn)	FY18A	FY19E	FY20E	FY21E
PBT	1,024	1,399	1,827	2,008
Depreciation	115	237	292	328
Others	-128	0	0	0
Taxes Paid	417	495	658	723
Change in WC	86	-958	-293	-373
Operating C/F	681	182	1,169	1,240
Capex	-475	-578	-450	-300
Change in Invest	-913	0	0	0
Others	182	0	0	0
Investing C/F	-1,207	-578	-450	-300
Change in Debt	-447	46	90	90
Change in Equity	1,421	0	0	0
Others	-161	-91	-338	-387
Financing C/F	813	-45	-248	-297
Net change in cash	287	-441	471	644
RoE (%)	32 %	26 %	28 %	25 %
RoIC (%)	28 %	26 %	27 %	25 %
Core RoIC (%)	71 %	66 %	52 %	49 %
Div Payout (%)	17 %	10 %	29 %	30 %
P/E	21.8	15.8	12.2	11.1
P/B	4.7	3.7	3.1	2.6
P/FCFF	-30.6	-42.5	18.1	13.9
EV/EBITDA	11.6	8.3	6.1	5.2
EV/Sales	1.6	1.1	0.8	0.7
Dividend Yield (%)	1.3 %	0.6 %	2.4 %	2.7 %



Historical Consolidated Financials

P&L (Rs Mn)	FY15A	FY16A	FY17A	FY18A
Revenue	2,805	4,760	4,448	7,516
Op. Expenditure	2,581	4,411	3,777	6,470
EBITDA	224	349	671	1,046
Depreciation	52	71	79	115
EBIT	172	277	592	931
Interest Expense	25	34	79	93
Other Income	65	103	134	186
PBT	213	347	647	1,024
Tax	72	127	231	364
PAT bef. MI & Assoc.	141	220	416	660
Minority Interest	0	-8	1	5
Profit from Assoc.	0	0	0	0
Recurring PAT	141	228	415	655
Extraordinaires	0	0	0	0
Reported PAT	141	228	415	655
EPS (Rs)	3.9	6.3	11.5	18.2
DPS (Rs)	0.0	0.0	2.5	5.0
CEPS (Rs)	5.3	8.3	13.7	21.4
FCFPS (Rs)	1.7	-0.7	-1.6	-12.9
BVPS (Rs)	13.0	17.6	29.1	83.7
EBITDAM (%)	8 %	7 %	15 %	14 %
PATM (%)	5 %	5 %	9 %	9 %
Tax Rate (%)	34 %	37 %	36 %	36 %
Sales growth (%)	0 %	70 %	-7 %	69 %
FDEPS growth (%)	0 %	62 %	82 %	58 %

Balance Sheet (Rs Mn)	FY15A	FY16A	FY17A	FY18A
Equity Capital	8	32	288	360
Reserve	461	601	759	2,654
Networth	469	633	1,047	3,014
Long Term Debt	329	459	731	281
Def Tax Liability	6	6	9	0
Minority Interest	0	5	6	11
Account Payables	631	818	744	1,271
Other Curr Liabi	428	574	745	1,436
Total Liabilities & Equity	1,864	2,495	3,281	6,013
Net Fixed Assets	332	525	521	781
Capital WIP	2	0	0	18
Others	142	354	688	947
Inventory	42	91	36	338
Account Receivables	239	201	583	1,235
Other Current Assets	140	208	246	264
Cash	966	1,115	1,207	2,431
Total Assets	1,864	2,495	3,281	6,013
Non-cash Working Capital	-639	-891	-623	-870
Cash Conv Cycle	-83.2	-68.4	-51.1	-42.3
WC Turnover	-4.4	-5.3	-7.1	-8.6
FA Turnover	8.4	9.1	8.5	9.4
Net D/E	-1.4	-1.0	-0.5	-0.7
Revenue/Capital Employed	3.5	5.0	3.1	2.9
Capital Employed/Equity	1.7	1.7	1.7	1.3

Cash Flow (Rs Mn)	FY15A	FY16A	FY17A	FY18A
PBT	213	347	647	1,024
Depreciation	52	71	79	115
Others	173	289	-71	-128
Taxes Paid	66	133	145	417
Change in WC	-71	-169	-585	86
Operating C/F	300	405	-75	681
Capex	-201	-273	-62	-475
Change in Invest	-113	-273	-104	-913
Others	59	95	131	182
Investing C/F	-256	-450	-35	-1,207
Change in Debt	78	130	282	-447
Change in Equity	0	0	0	1,421
Others	-38	-70	-62	-161
Financing C/F	41	60	220	813
Net change in cash	85	15	110	287
RoE (%)	0 %	41 %	49 %	32 %
RoIC (%)	0 %	26 %	32 %	28 %
Core RoIC (%)	276 %	-3,794 %	101 %	71 %
Div Payout (%)	0 %	0 %	0 %	17 %
P/E	0.0	62.4	34.3	0.0
P/B	0.0	22.5	13.6	0.0
P/FCFF	235.2	-591.7	-240.9	-30.6
EV/EBITDA	0.0	39.0	20.6	0.0
EV/Sales	0.0	2.9	3.1	0.0
Dividend Yield (%)	0.0 %	0.0 %	0.0 %	1.3 %

Equirus Securities						
Research Analysts	Sector/Industry	Email		Equity Sales	E-mail	
Abhishek Shindadkar	IT Services	abhishek.shindadkar@equirus.com	91-22-43320643	Vishad Turakhia	vishad.turakhia@equirus.com	91-22-43320633
Ashutosh Tiwari	Auto, Metals & Mining	ashutosh@equirus.com	91-79-61909517	Subham Sinha	subham.sinha@equirus.com	91-22-43320631
Bharat Celly	Healthcare	bharat.celly@equirus.com	91-79-61909524	Viral Desai	viral.desai@equirus.com	91-22-43320635
Depesh Kashyap	Mid-Caps	depesh.kashyap@equirus.com	91-22-43320671	Viraj Mehta	viraj.M@equirus.com	91-22-43320634
Dhaval Dama	FMCG, Mid-Caps	dhaval.dama@equirus.com	91-79-61909518	Ruchi Bhadra	ruchi.bhadra@equirus.com	91-22-43320601
Manoj Gori	Consumer Durables	manoj.gori@equirus.com	91-79-61909523	Cash Dealing Room		E-mail
Maulik Patel	Oil and Gas	maulik@equirus.com	91-79-61909519	Manoj Kejriwal	manoj.kejriwal@equirus.com	91-22-43320663
Pranav Mehta	Building Materials	pranav.mehta@equirus.com	91-79-61909514	Dharmesh Mehta	dharmesh.mehta@equirus.com	91-22-43320661
Praful Bohra	Healthcare	praful.bohra@equirus.com	91-22-43320611	Sarit Sanyal	sarit.sanyal@equirus.com	91-22-43320666
Rohan Mandora	Banking & Financial Services	rohan.mandora@equirus.com	91-79-61909529	Vikram Patil	vikram.patil@equirus.com	91-22-43320677
Associates		E-mail		Gaurav Mehta	gaurav.mehta@equirus.com	91-22-43320680
Ankit Choudhary		ankit.choudhary@equirus.com	91-79-61909533	Compliance Officer		E-mail
Dhairya Dhruv		dhairya.dhruv@equirus.com	91-79-61909528	Jay Soni	jay.soni@equirus.com	91-79-61909561
Harshit Patel		harshit.patel@equirus.com	91-79-61909522	Corporate Communications		E-mail
Nishant Bagrecha		nishant.bagrecha@equirus.com	91-79-61909526	Mahdokht Bharda	mahdokht.bharda@equirus.com	91-22-43320647
Prateeksha Malpani		prateeksha.malpani@equirus.com	91-79-61909532	Quant Analyst		E-mail
Ronak Soni		Ronak.soni@equirus.com	91-79-61909525	Kruti Shah	kruti.shah@equirus.com	91-22-43320632
Rushabh Shah		rushabh.shah@equirus.com	91-79-61909520	F&O Dealing Room		E-mail
Shreepal Doshi		shreepal.doshi@equirus.com	91-79-61909541	Kunal Dand	kunal.dand@equirus.com	91-22-43320678
Varun Baxi		varun.baxi@equirus.com	91-79-61909527	Dhananjay Tiwari	ghananjay.tiwari@equirus.com	91-22-43320668
Vikas Jain		vikas.jain@equirus.com	91-79-61909531	Mukesh Jain	Mukesh.jain@equirus.com	91-22-43320667
Rating & Coverage Definitions: Absolute Rating <ul style="list-style-type: none"> • LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies • ADD: ATR >= 5% but less than Ke over investment horizon • REDUCE: ATR >= negative 10% but <5% over investment horizon • SHORT: ATR < negative 10% over investment horizon Relative Rating <ul style="list-style-type: none"> • OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon • BENCHMARK: likely to perform in line with the benchmark • UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon Investment Horizon Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter. Lite vs. Regular Coverage vs. Spot Coverage We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.				Registered Office: Equirus Securities Private Limited Unit No. 1201, 12th Floor, C Wing, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai-400013. Tel. No: +91 - (0)22 - 4332 0600 Fax No: +91- (0)22 - 4332 0601		
				Corporate Office: 3rd floor, House No. 9, Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge, S.G. Highway Ahmedabad-380054 Gujarat Tel. No: +91 (0)79 - 6190 9550 Fax No: +91 (0)79 - 6190 9560		

© 2019 Equirus Securities Private Limited. All rights reserved. For Private Circulation only. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Equirus Securities Private Limited

Analyst Certification

I, Pranav Mehta, author to this report, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures

Equirus Securities Private Limited (ESPL) having Corporate Identification Number U65993MH2007PTC176044 is registered in India with Securities and Exchange Board of India (SEBI) as a trading member on the Capital Market (Reg. No. INB231301731), Futures & Options Segment (Reg. No. INF231301731) of the National Stock Exchange of India Ltd. (NSE) and on Cash Segment (Reg. No. INB011301737) of Bombay Stock Exchange Limited (BSE). ESPL is also registered with SEBI as Research Analyst under SEBI (Research Analyst) Regulations, 2014 (Reg. No. INH000001154), as a Portfolio Manager under SEBI (Portfolio Managers Regulations, 1993 (Reg. No. INP000005216) and as a Depository Participant of the Central Depository Services (India) Limited (Reg. No. IN-DP-324-2017). There are no disciplinary actions taken by any regulatory authority against ESPL. ESPL is a subsidiary of Equirus Capital Pvt. Ltd. (ECPL) which is registered with SEBI as Category I Merchant Banker and provides investment banking services including but not limited to merchant banking services, private equity, mergers & acquisitions and structured finance.

As ESPL and its associates are engaged in various financial services business, it might have: - (a) received compensation (except in connection with the preparation of this report) from the subject company for investment banking or merchant banking or brokerage services in the past twelve months; (b) managed or co-managed public offering of securities for the subject company in the past twelve months; or (c) have received a mandate from the subject company; or (d) might have other financial, business or other interests in entities including the subject company (ies) mentioned in this Report. ESPL & its associates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company (ies) mentioned herein. ESPL and its associates collectively do not own (in their proprietary position) 1% or more of the equity securities of the subject company mentioned in the report as the last day of the month preceding the publication of the research report. ESPL or its Analyst or Associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ESPL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ESPL has not been engaged in market making activity for the subject company.

The Research Analyst engaged in preparation of this Report:-

(a) has not received any compensation from the subject company in the past twelve months; (b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (f) might have served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

This document 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 ESPL and affiliates 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 a certain category of investors. Persons in whose possession of this document are required to inform themselves of, and to observe, such applicable restrictions. Please delete this document if you are not authorized to view the same. By reading this document you represent and warrant that you have full authority and all rights necessary to view and read this document without subjecting ESPL and affiliates to any registration or licensing requirement within such jurisdiction.

This document has been prepared solely for information purpose and does not constitute a solicitation to any person to buy, sell or subscribe any security. ESPL or its affiliates are not soliciting any action based on this report. The information and opinions contained herein is from publicly available data or based on information obtained in good faith from sources believed to be reliable but ESPL provides no guarantee as to its accuracy or completeness. The information contained herein is as on date of this report, and is subject to change or modification and any such changes could impact our interpretation of relevant information contained herein. While we would endeavour to update the information herein on reasonable basis, ESPL and its affiliates, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent ESPL and its group companies from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. 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. This document is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. ESPL and its group companies, employees, directors and agents accept no liability, and disclaim all responsibility, for the consequences of you or

anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. ESPL/its affiliates do and seek to do business with companies covered in its research report. Thus, investors should be aware that the firm may have conflict of interest.

A graph of daily closing prices of securities is available at <http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and www.bseindia.com (Choose a company from the list on the browser and select the “three years” period in the price chart).

Disclosure of Interest statement for the subject Company	Yes/No	If Yes, nature of such interest
Research Analyst’ or Relatives’ financial interest	No	
Research Analyst’ or Relatives’ actual/beneficial ownership of 1% or more	No	
Research Analyst’ or Relatives’ material conflict of interest	No	

Disclaimer for U.S. Persons

Equirus Securities Private Limited (ESPL) 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 ESPL 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 ESPL, 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., ESPL has entered into a chaperoning agreement with a U.S. registered broker-dealer name called Xtellus Capital Partners, Inc, (“XTELLUS”). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

“U.S. Persons” are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed “US Persons” under certain rules.

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, XTELLUS, 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.