

Skipper

Refer to important disclosures at the end of this report

Forex losses weigh in on earnings

- Skipper reported a profit in Q2, and results were in line with our expectations but fell short of Street estimates.** While operational performance was broadly in line, the profitability was impacted by MTM losses of ~Rs116mn on forex derivatives.
- Engineering Product (EP) segment revenues grew 3% yoy, while revenues of the Polymer Product (PP) segment declined 16% yoy.** Excluding the impact of MTM losses, EBITDAM of the EP segment was 11% (12.9% yoy), while it was a mere 1.6% (11.1% yoy) for the PP segment.
- Management has reduced the guidance for the EP segment: ~10% revenue growth vs. 15% earlier, with EBITDAM of ~11% vs. 13% earlier.** Skipper has also approved the demerger of the PP division into Skipper Pipes Ltd (appointed date is April 1, 2018).
- We are cutting our FY19/20 EPS estimates by 26%/34% to factor in lower revenues and margins in the EP and PP segments.** We introduce FY21 estimates, factoring in revenue growth of 16.3% over FY20E and EBITDAM of 11.3%. Maintain Buy, with a target price of Rs135 (based on SoTP method).
- Sluggish performance:** Skipper's reported revenues of Rs5.2bn (+1.6% yoy) were below our estimates due to delays in project execution in the EP segment. While revenues of the EP segment increased 3% yoy to Rs4.8bn, the PP segment's revenues declined 16% yoy to Rs359mn. EBITM in the EP segment was down 513bps to 7.9% on MTM losses stemming from forex derivatives, higher commodity prices in fixed-price contracts, and delays in execution. Excluding the MTM losses, EP segment EBITDAM stood at 11%. Management commentary indicates that the aggregate MTM losses of ~Rs200mn in 1HFY19 would likely get reversed over the next few quarters as a major portion of the export backlog gets executed in 2HFY19 and 1HFY20.
- Maintain Buy:** The order backlog in the EP segment remains steady at ~Rs24bn (1.35x FY18 EP sales), ensuring good revenue visibility over the next 12-15 months. While order flows in the domestic T&D have been receding in the last few quarters, management commentary suggests that major domestic orders worth Rs850bn are under the bidding stage (Rs100bn for Transmission projects in Northeast India, Rs250bn for the Raigarh Pugalur HVDC Transmission project, and Rs500bn of Green Corridor projects). In the international segment, the company had bid for tenders worth Rs18bn and is hopeful of a better strike rate in light of the recent sharp depreciation of the INR. We believe that the diversification into non-T&D businesses such as Railways, Telecom, and Solar structures will help Skipper mitigate the decline in the domestic T&D. While Telecom and Solar are inherently low-margin businesses, Skipper would likely have to sacrifice margins in the initial orders in the Railway segment as it is in the process of building up references and qualifications. Going forward, we expect EP segment EBITM to settle at ~11% vs. the 14-15% range which the company had been reporting in the last four years. We maintain Buy, with a revised target price of Rs135. We derived the TP using the SoTP method based on FY21E EPS.

Financial Snapshot (Standalone)

| (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------|--------|--------|--------|--------|--------|
| Net Sales | 16,646 | 20,737 | 23,025 | 26,509 | 30,839 |
| EBITDA | 2,722 | 3,025 | 2,420 | 2,866 | 3,470 |
| EBITDA Margin (%) | 16.4 | 14.6 | 10.5 | 10.8 | 11.3 |
| APAT | 1,242 | 1,178 | 618 | 833 | 1,263 |
| EPS (Rs) | 12.1 | 11.5 | 6.0 | 8.1 | 12.3 |
| EPS (% chg) | 30.6 | (5.4) | (47.5) | 34.8 | 51.5 |
| ROE (%) | 27.2 | 20.1 | 9.4 | 11.7 | 15.9 |
| P/E (x) | 7.8 | 8.3 | 15.8 | 11.7 | 7.7 |
| EV/EBITDA (x) | 4.5 | 4.3 | 6.0 | 4.9 | 3.9 |
| P/BV (x) | 1.8 | 1.5 | 1.4 | 1.3 | 1.2 |

Source: Company, Emkay Research

| | |
|---|--------------------------------|
| CMP | Target Price |
| Rs 95 as of (November 13, 2018) | Rs 135 (▼) 12 months |
| Rating | Upside |
| BUY (■) | 41.3 % |

Change in Estimates

| | |
|-------------------------|-----------|
| EPS Chg FY19E/FY20E (%) | (26)/(34) |
| Target Price change (%) | (18.4) |
| Target Period (Months) | 12 |
| Previous Reco | BUY |

Emkay vs Consensus

| EPS Estimates | | |
|-------------------------|--------|-------|
| | FY19E | FY20E |
| Emkay | 6.0 | 8.1 |
| Consensus | 10.3 | 14.0 |
| Mean Consensus TP (12M) | Rs 188 | |

Stock Details

| | |
|------------------------------|------------|
| Bloomberg Code | SKIPPER IN |
| Face Value (Rs) | 1 |
| Shares outstanding (mn) | 103 |
| 52 Week H/L | 293 / 83 |
| M Cap (Rs bn/USD bn) | 10 / 0.13 |
| Daily Avg Volume (nos.) | 2,39,935 |
| Daily Avg Turnover (US\$ mn) | 0.4 |

Shareholding Pattern Sep '18

| | |
|-------------------|-------|
| Promoters | 71.4% |
| FIIIs | 6.6% |
| DIIIs | 9.5% |
| Public and Others | 12.5% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|----------------------|----|------|------|------|
| Absolute | 2 | (21) | (50) | (63) |
| Rel. to Nifty | 1 | (16) | (49) | (64) |

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

John Perinchery

 john.perinchery@emkayglobal.com
 +91-022-66121374

Nilesh Soni

 Nilesh.Soni@emkayglobal.com
 +91-022-66121262

Exhibit 1: Actual vs. Estimates

| (Rs mn) | Actual | Estimates | | % variation | | Comment |
|----------------|--------|-----------|-----------|-------------|-----------|--|
| | | Emkay | Consensus | Emkay | Consensus | |
| Sales | 5,240 | 5,570 | 5,114 | (6) | 2 | Lower than expected execution in EP segment |
| EBITDA | 388 | 453 | 473 | (14) | (18) | MTM losses on forex derivatives impacts EBITDA |
| EBITDA, margin | 7.4% | 8.1% | 9.2% | -73bps | -184bps | |
| PAT | 25 | 19 | 97 | 31 | (74) | MTM losses and interest cost drags profitability |

Source: Company, Emkay Research

Exhibit 2: Quarterly Financials - Standalone

| Rs mn | Q2FY19 | Q2FY18 | Q1FY19 | YoY (%) | QoQ (%) | YTD FY18 | YTD FY19 | YoY (%) |
|--------------------|--------|--------|--------|------------|------------|----------|----------|------------|
| Revenues | 5,240 | 5,156 | 4,787 | 1.6 | 9.5 | 9,144 | 10,027 | 9.6 |
| Material cost | 3,630 | 3,458 | 3,253 | 5.0 | 11.6 | 5,928 | 6,883 | 16.1 |
| as % of sales | 69.3 | 67.1 | 68.0 | 222 bps | 133 bps | 64.8 | 68.6 | 382 bps |
| Employee Cost | 236 | 251 | 235 | (6.0) | 0.7 | 461 | 471 | 2.0 |
| as % of sales | 4.5 | 4.9 | 4.9 | -37 bps | -39 bps | 5.0 | 4.7 | -35 bps |
| Other expenditure | 985 | 765 | 850 | 28.9 | 16.0 | 1,557 | 1,835 | 17.9 |
| as % of sales | 18.8 | 14.8 | 17.8 | 398 bps | 106 bps | 17.0 | 18.3 | 128 bps |
| Total expenditure | 4,852 | 4,473 | 4,337 | 8.5 | 11.9 | 7,945 | 9,189 | 15.6 |
| EBITDA | 388 | 683 | 450 | (43.2) | (13.7) | 1,199 | 838 | (30.1) |
| Depreciation | 97 | 121 | 115 | (19.9) | (16.2) | 228 | 212 | (7.1) |
| EBIT | 291 | 562 | 335 | (48.2) | (12.9) | 971 | 626 | (35.5) |
| Other Income | 3 | 3 | 3 | 3.4 | 4.0 | 11 | 7 | (38.7) |
| Interest | 257 | 200 | 274 | 28.1 | (6.4) | 369 | 531 | 43.8 |
| PBT | 38 | 365 | 64 | (89.5) | (39.9) | 613 | 102 | (83.3) |
| Taxes | 13 | 133 | 19 | (89.9) | (28.9) | 221 | 32 | (85.4) |
| Reported PAT | 25 | 232 | 45 | (89.3) | (44.6) | 392 | 70 | (82.2) |
| Adjusted EPS | 0.2 | 2.3 | 0.4 | (89.3) | (44.6) | 3.8 | 0.7 | (82.2) |
| Margins (%) | | | | | | | | |
| | | | | bps | bps | | | bps |
| Gross Margins | 30.7 | 32.9 | 32.0 | (222) | (133) | 35.2 | 31.4 | (382) |
| EBIDTAM | 7.4 | 13.2 | 9.4 | (584) | (199) | 13.1 | 8.4 | (476) |
| EBITM | 5.6 | 10.9 | 7.0 | (534) | (143) | 10.6 | 6.2 | (438) |
| PBTM | 0.7 | 7.1 | 1.3 | (635) | (60) | 6.7 | 1.0 | (569) |
| PATM | 0.4 | 4.4 | 0.9 | (403) | (46) | 4.2 | 0.6 | (354) |
| Effective Tax rate | 34.9 | 36.4 | 29.5 | (150) | 542 | 36.0 | 31.5 | (452) |

Source: Company, Emkay Research

Exhibit 3: Segmental performance - Standalone

| Rs in mn | Q2FY19 | Q2FY18 | Q1FY19 | YoY (%) | QoQ (%) | YTD FY18 | YTD FY19 | YoY (%) |
|------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|---------------|
| Segment Revenue | | | | | | | | |
| Engineering Products | 4,776 | 4,634 | 4,041 | 3.1 | 18.2 | 8,285 | 8,817 | 6.4 |
| PVC Products | 359 | 428 | 561 | (16.1) | (36.0) | 861 | 920 | 6.8 |
| Infrastructure Projects | 105 | 95 | 185 | 10.4 | (43.6) | 338 | 290 | (14.2) |
| Total | 5,240 | 5,156 | 4,787 | 1.6 | 9.5 | 9,483 | 10,027 | 5.7 |
| Less : inter segment revenue | - | - | - | - | - | - | - | - |
| Total | 5,240 | 5,156 | 4,787 | 1.6 | 9.5 | 9,483 | 10,027 | 5.7 |
| Segment Results | | | | | | | | |
| Engineering Products | 380 | 606 | 402 | (37.4) | (5.5) | 1,046 | 782 | (25.2) |
| PVC Products | (11) | 28 | (7) | (138.3) | 45.1 | 59 | (18) | (130.9) |
| Infrastructure Projects | 0 | 11 | 24 | (96.2) | (98.2) | 41 | 24 | (40.5) |
| Total | 369 | 645 | 418 | (42.8) | (11.7) | 1,145 | 787 | (31.2) |
| Less- Unall (Exp) | 78 | 83 | 84 | (6.4) | (7.1) | 174 | 162 | (7.3) |
| Add Other Income | 3 | 3 | 3 | 3.4 | 4.0 | 11 | 7 | (38.7) |
| Less- Interest Exp | 257 | 200 | 274 | 28.1 | (6.4) | 369 | 531 | 43.8 |
| Other Exceptional Item | - | - | - | - | - | - | - | - |
| PBT | 38 | 365 | 64 | (89.5) | (39.9) | 613 | 102 | (83.3) |
| Segment Margins (%) | | | | | | | | |
| | | | | bps | bps | | | bps |
| Engineering Products | 7.9 | 13.1 | 9.9 | -513 | -200 | 12.6 | 8.9 | -376 |
| PVC Products | (3.0) | 6.6 | (1.3) | -960 | -168 | 6.9 | (2.0) | -885 |
| Infrastructure Projects | 0.4 | 11.9 | 12.9 | -1,147 | -1,244 | 12.1 | 8.4 | -370 |
| Average | 7.0 | 12.5 | 8.7 | -547 | -169 | 12.1 | 7.9 | -422 |

Source: Company, Emkay Research

Exhibit 4: Adjusted segmental performance (excluding the impact of forex gains/loss)

| Segment | Financial Summary | Q2FY19 | Q2FY18 | Change % | H1FY19 | H1FY18 | Change % |
|-------------------------|------------------------|--------|--------|----------|--------|--------|----------|
| Engineering Products | Net Revenue | 4,776 | 4,634 | 3.1% | 8,817 | 7,995 | 10.3% |
| | EBITDA (without Forex) | 527 | 600 | -12.2% | 1,005 | 940 | 6.8% |
| | EBITDAM | 11.0% | 12.9% | | 11.4% | 11.8% | |
| PVC Products | Net Revenue | 359 | 428 | -16.1% | 920 | 812 | 13.3% |
| | EBITDA (without Forex) | 6 | 48 | -87.6% | 12 | 83 | -85.1% |
| | EBITDAM | 1.6% | 11.1% | | 1.3% | 10.3% | |
| Infrastructure Projects | Net Revenue | 105 | 95 | 10.3% | 290 | 338 | -14.2% |
| | EBITDA (without Forex) | 2 | 11 | -79.5% | 26 | 41 | -36.8% |
| | EBITDAM | 2.1% | 11.5% | | 9.0% | 12.2% | |
| Total | Net Revenue | 5,240 | 5,156 | 1.6% | 10,027 | 9,145 | 9.6% |
| | EBITDA (without Forex) | 535 | 658 | -18.8% | 1,043 | 1,065 | -2.0% |
| | EBITDAM | 10.2% | 12.8% | | 10.4% | 11.6% | |

Source: Company, Emkay Research

Exhibit 5: Revision in earnings estimates

| Y/E, Mar (Rs. mn) | FY19E | | | FY20E | | | FY21E |
|-------------------|---------|---------|----------|---------|---------|----------|-----------|
| | Earlier | Revised | % Change | Earlier | Revised | % Change | Introduce |
| Revenues | 24,858 | 23,025 | -7% | 29,914 | 26,509 | -11% | 30,839 |
| EBITDA | 2,724 | 2,420 | -11% | 3,507 | 2,866 | -18% | 3,470 |
| EBITDAM (%) | 11.0% | 10.5% | -45 bps | 11.7% | 10.8% | -91 bps | 11.3% |
| APAT | 839 | 618 | -26% | 1,266 | 833 | -34% | 1,263 |
| EPS (Rs) | 8.2 | 6.0 | -26% | 12.3 | 8.1 | -34% | 12.3 |

Source: Company, Emkay Research

Exhibit 6: Revenues and profitability assumptions

| Particulars | FY2016 | FY2017 | FY2018 | FY2019E | FY2020E | FY2021E |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Segment Revenues | | | | | | |
| Engineering Products | 13,260 | 15,034 | 18,072 | 19,709 | 22,703 | 26,090 |
| Growth % | 13% | 13% | 20% | 9% | 15% | 15% |
| Infrastructure Projects | 277 | 805 | 855 | 898 | 988 | 1,087 |
| Growth % | -40% | 191% | 6% | 5% | 10% | 10% |
| PVC Products | 1,525 | 2,132 | 2,149 | 2,417 | 2,818 | 3,662 |
| Growth % | 70% | 40% | 1% | 12% | 17% | 30% |
| Total | 15,062 | 17,972 | 21,076 | 23,025 | 26,509 | 30,839 |
| Segment EBITM | | | | | | |
| Engineering Products | 14.6% | 15.5% | 14.7% | 11.0% | 11.0% | 11.0% |
| Infrastructure Projects | 15.5% | 14.2% | 12.6% | 7.5% | 10.0% | 10.0% |
| PVC Products | 10.8% | 7.8% | 7.0% | 1.0% | 3.0% | 7.5% |
| Segment EBIT | | | | | | |
| Engineering Products | 1,937 | 2,336 | 2,648 | 2,168 | 2,497 | 2,870 |
| Infrastructure Projects | 43 | 114 | 108 | 67 | 99 | 109 |
| PVC Products | 165 | 166 | 151 | 24 | 85 | 275 |
| Total | 2,145 | 2,616 | 2,907 | 2,260 | 2,681 | 3,253 |
| Corporate Expenditure | 194 | 209 | 340 | 350 | 350 | 350 |
| Operating Income | 1,951 | 2,406 | 2,566 | 1,910 | 2,331 | 2,903 |
| EBITDAM | 14.6% | 16.4% | 14.6% | 10.5% | 10.8% | 11.3% |
| OPM | 13.0% | 14.5% | 12.4% | 8.3% | 8.8% | 9.4% |
| Other Income | 52 | 32 | 22 | 10 | 14 | 12 |
| Finance & interest cost | 570 | 671 | 784 | 968 | 1,063 | 973 |
| PBT (Before Exceptional) | 1,433 | 1,767 | 1,804 | 951 | 1,282 | 1,943 |
| Taxes | 482 | 525 | 626 | 333 | 449 | 680 |
| Tax Rate | 34% | 30% | 35% | 35% | 35% | 35% |
| PAT | 951 | 1,242 | 1,178 | 618 | 833 | 1,263 |

Source: Company, Emkay Research

Exhibit 7: Segment PAT (FY2021)

| Rs mn | Engineering | Infrastructure | Polymer | Other Inc | Total |
|-----------------------------|--------------|----------------|-----------|-----------|--------------|
| EBIT | 2,870 | 109 | 275 | 12 | 3,265 |
| Less: Corporate expenditure | 264 | 26 | 60 | | 350 |
| Less: Interest | 732 | 73 | 167 | | 973 |
| PBT | 1,874 | 9 | 47 | 12 | 1,943 |
| Less: Tax | 656 | 3 | 17 | 4 | 680 |
| PAT | 1,218 | 6 | 31 | 8 | 1,263 |

Source: Company, Emkay Research

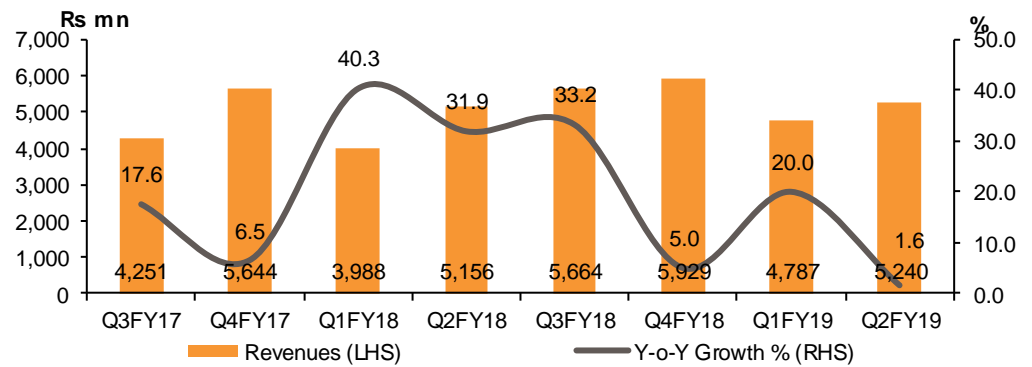
Exhibit 8: Valuation summary (FY2021)

| Valuation Summary (FY21) | PAT | P/E (x) | Valuation | per share |
|--------------------------|-------|---------|------------|-----------|
| Engineering | 1,218 | 11.0 | 13,399 | 131 |
| Infrastructure | 6 | 7.0 | 43 | 0 |
| Polymer | 31 | 12.0 | 369 | 4 |
| Total Value | | | 13,810 | |
| No of Shares | | | 103 | |
| Target Price | | | 135 | |

Source: Company, Emkay Research

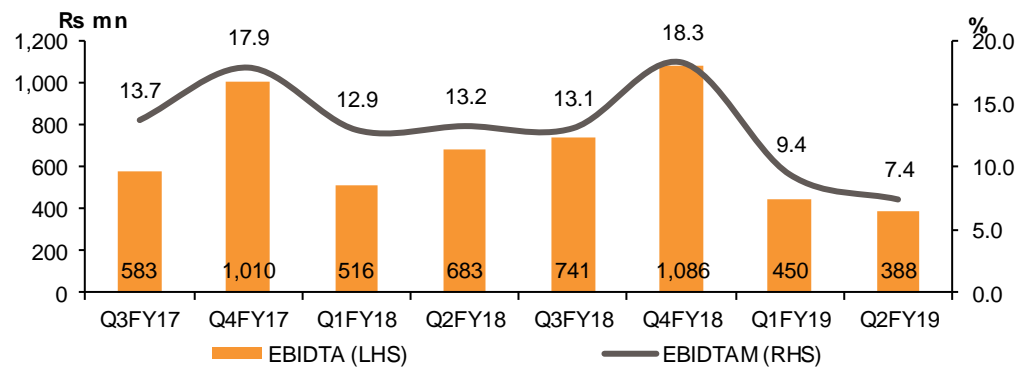
Quarterly Financials

Exhibit 9: Revenues



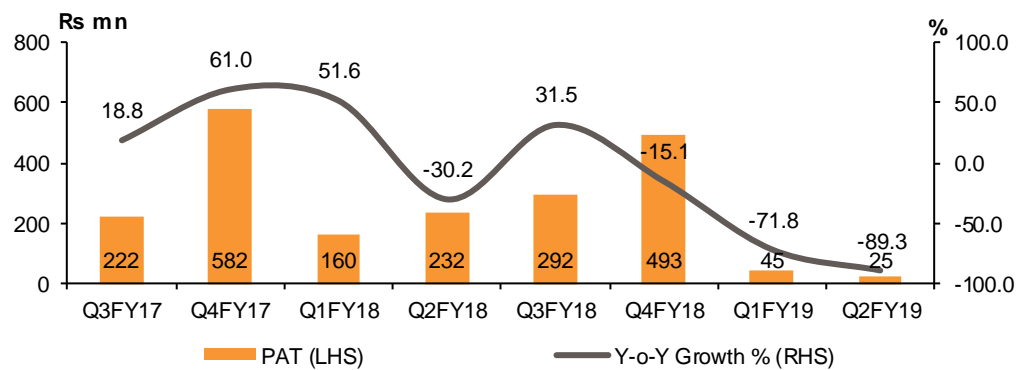
Source: Company, Emkay Research

Exhibit 10: EBIDTA and EBIDTAM

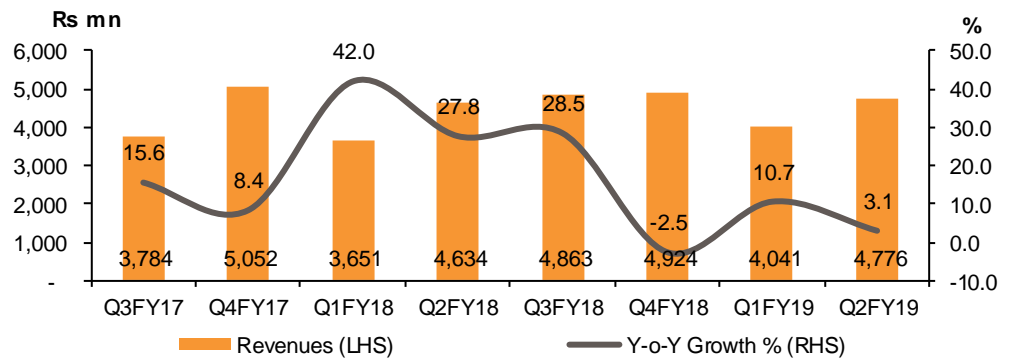


Source: Company, Emkay Research

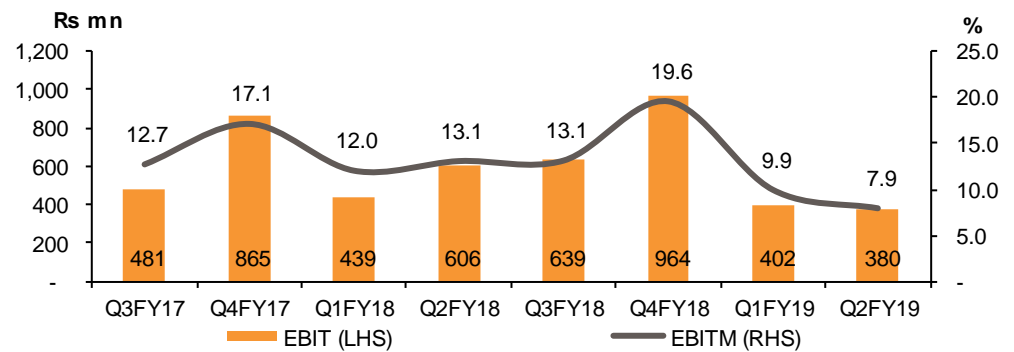
Exhibit 11: PAT



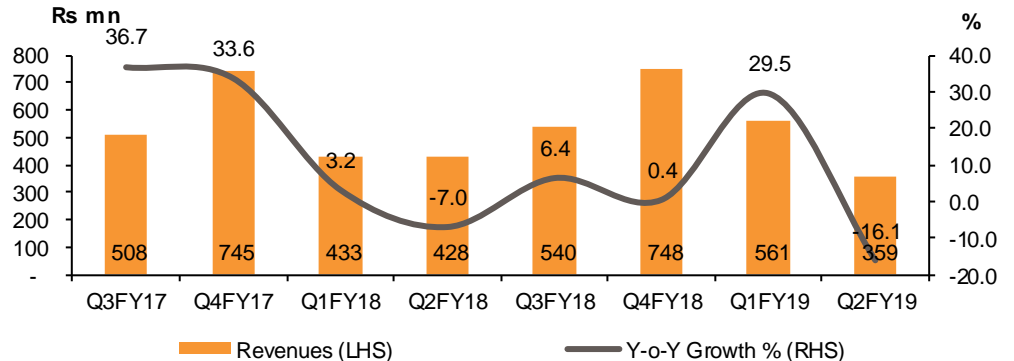
Source: Company, Emkay Research

Exhibit 12: Engineering Product - Revenues

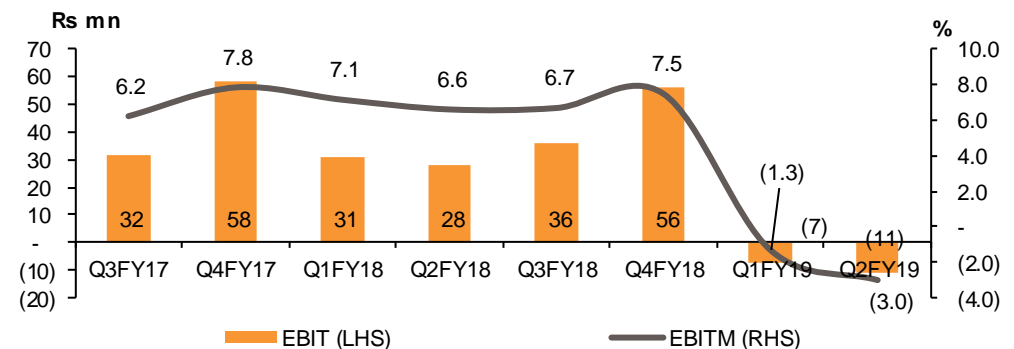
Source: Company, Emkay Research

Exhibit 13: Engineering Product - EBIT and EBITM

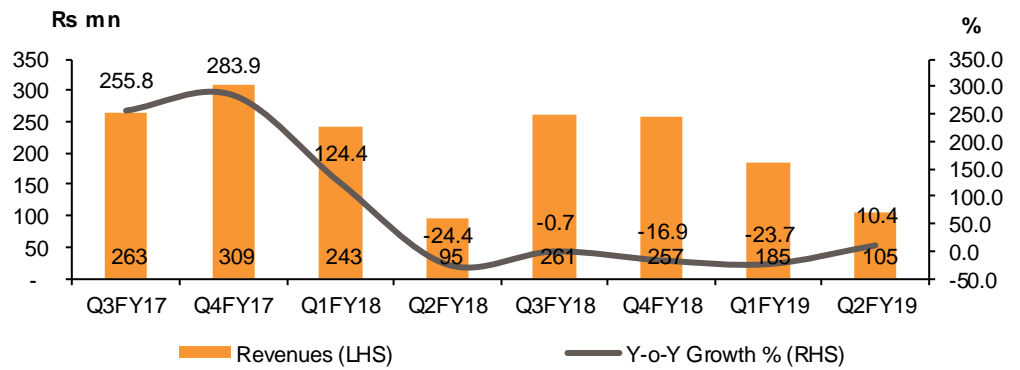
Source: Company, Emkay Research

Exhibit 14: PVC Product - Revenues

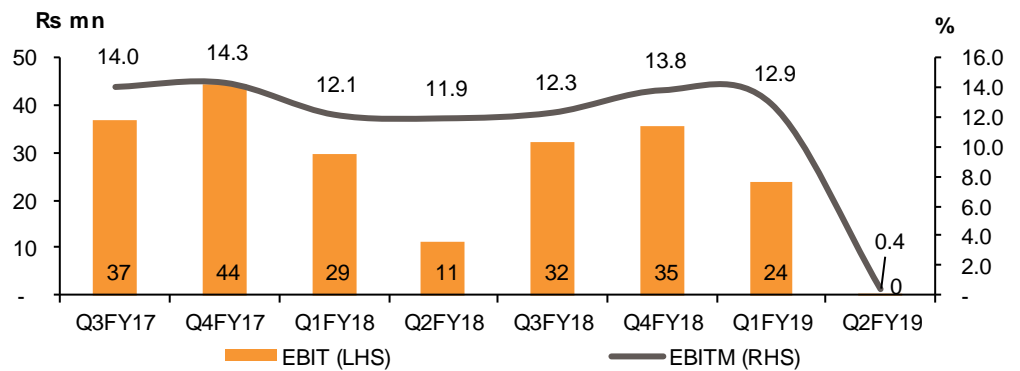
Source: Company, Emkay Research

Exhibit 15: PVC Product - EBIT and EBITM

Source: Company, Emkay Research

Exhibit 16: Infrastructure Projects - Revenues

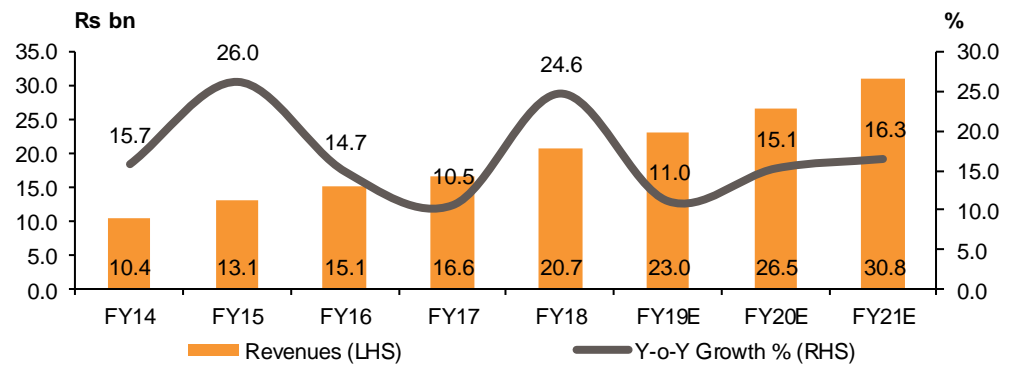
Source: Company, Emkay Research

Exhibit 17: Infrastructure Projects - EBIT and EBITM

Source: Company, Emkay Research

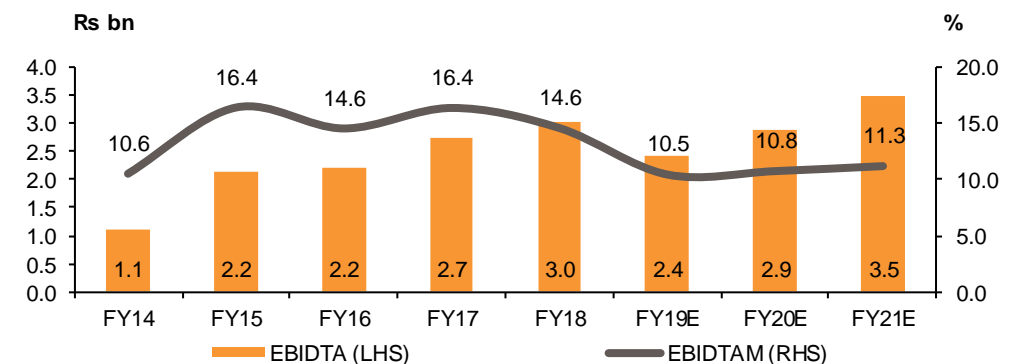
Financials

Exhibit 18: Revenues



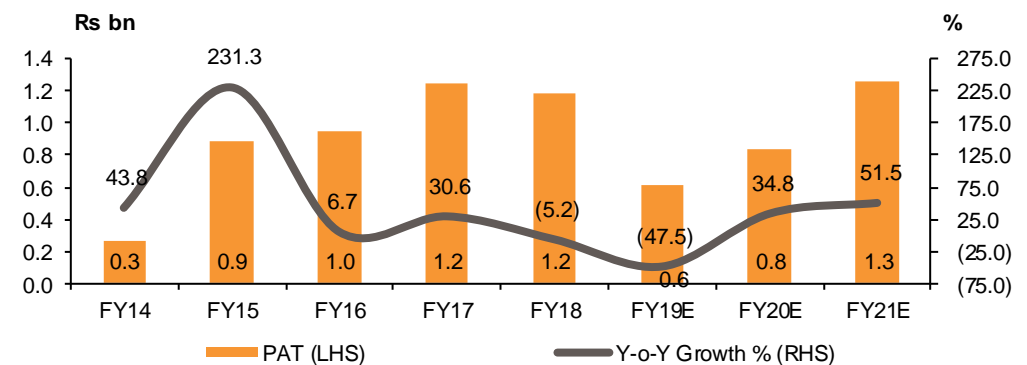
Source: Company, Emkay Research

Exhibit 19: EBIDTA and EBIDTAM



Source: Company, Emkay Research

Exhibit 20: PAT



Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

| Y/E Mar (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 16,646 | 20,737 | 23,025 | 26,509 | 30,839 |
| Expenditure | 13,924 | 17,712 | 20,604 | 23,643 | 27,369 |
| EBITDA | 2,722 | 3,025 | 2,420 | 2,866 | 3,470 |
| Depreciation | 316 | 459 | 511 | 535 | 567 |
| EBIT | 2,406 | 2,566 | 1,910 | 2,331 | 2,903 |
| Other Income | 32 | 22 | 10 | 14 | 12 |
| Interest expenses | 671 | 784 | 968 | 1,063 | 973 |
| PBT | 1,767 | 1,804 | 951 | 1,282 | 1,943 |
| Tax | 525 | 626 | 333 | 449 | 680 |
| Extraordinary Items | 0 | 0 | 0 | 0 | 0 |
| Minority Int./Income from Assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported Net Income | 1,242 | 1,178 | 618 | 833 | 1,263 |
| Adjusted PAT | 1,242 | 1,178 | 618 | 833 | 1,263 |

Balance Sheet

| Y/E Mar (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|--|--------------|---------------|---------------|---------------|---------------|
| Equity share capital | 102 | 103 | 103 | 103 | 103 |
| Reserves & surplus | 5,219 | 6,270 | 6,704 | 7,340 | 8,357 |
| Net worth | 5,321 | 6,373 | 6,806 | 7,443 | 8,459 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Loan Funds | 2,618 | 3,305 | 5,000 | 4,500 | 4,000 |
| Net deferred tax liability | 626 | 539 | 539 | 539 | 539 |
| Total Liabilities | 8,565 | 10,217 | 12,345 | 12,481 | 12,998 |
| Net block | 4,968 | 5,209 | 5,048 | 4,862 | 4,746 |
| Investment | 0 | 0 | 0 | 0 | 0 |
| Current Assets | 8,796 | 12,211 | 12,515 | 14,513 | 16,611 |
| Cash & bank balance | 249 | 176 | 214 | 350 | 136 |
| Other Current Assets | 1,095 | 1,204 | 1,325 | 1,525 | 1,774 |
| Current liabilities & Provision | 5,344 | 7,219 | 5,218 | 6,894 | 8,359 |
| Net current assets | 3,453 | 4,992 | 7,297 | 7,619 | 8,252 |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 8,565 | 10,217 | 12,345 | 12,481 | 12,998 |

Cash Flow

| Y/E Mar (Rs mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|---------------------------------------|----------------|--------------|--------------|----------------|----------------|
| PBT (Ex-Other income) (NI+Dep) | 1,736 | 1,782 | 941 | 1,268 | 1,931 |
| Other Non-Cash items | 0 | 0 | 0 | 0 | 0 |
| Chg in working cap | 1,169 | (1,700) | (2,267) | (185) | (848) |
| Operating Cashflow | 1,760 | 804 | (179) | 2,232 | 1,942 |
| Capital expenditure | (1,176) | (571) | (334) | (350) | (450) |
| Free Cash Flow | 584 | 233 | (514) | 1,882 | 1,492 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Other Investing Cash Flow | 353 | 131 | 0 | 0 | 0 |
| Investing Cashflow | (791) | (419) | (325) | (336) | (438) |
| Equity Capital Raised | 0 | 0 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | (2,064) | 687 | 1,695 | (500) | (500) |
| Dividend paid (incl tax) | (172) | (191) | (185) | (197) | (246) |
| Other Financing Cash Flow | 1,807 | (105) | 0 | 0 | 0 |
| Financing Cashflow | (1,100) | (392) | 542 | (1,760) | (1,719) |
| Net chg in cash | (132) | (7) | 38 | 136 | (215) |
| Opening cash position | 498 | 249 | 176 | 214 | 350 |
| Closing cash position | 366 | 243 | 214 | 350 | 136 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 16.4 | 14.6 | 10.5 | 10.8 | 11.3 |
| EBIT Margin | 14.5 | 12.4 | 8.3 | 8.8 | 9.4 |
| Effective Tax Rate | 29.7 | 34.7 | 35.0 | 35.0 | 35.0 |
| Net Margin | 7.5 | 5.7 | 2.7 | 3.1 | 4.1 |
| ROCE | 28.1 | 27.6 | 17.0 | 18.9 | 22.9 |
| ROE | 27.2 | 20.1 | 9.4 | 11.7 | 15.9 |
| RoIC | 29.9 | 28.2 | 17.2 | 19.2 | 23.2 |

| Per Share Data (Rs) | FY17 | FY18 | FY19E | FY20E | FY21E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 12.1 | 11.5 | 6.0 | 8.1 | 12.3 |
| CEPS | 15.2 | 16.0 | 11.0 | 13.3 | 17.8 |
| BVPS | 52.0 | 62.1 | 66.4 | 72.6 | 82.5 |
| DPS | 1.9 | 2.0 | 1.8 | 1.9 | 2.4 |

| Valuations (x) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 7.8 | 8.3 | 15.8 | 11.7 | 7.7 |
| P/CEPS | 6.3 | 6.0 | 8.7 | 7.1 | 5.3 |
| P/BV | 1.8 | 1.5 | 1.4 | 1.3 | 1.2 |
| EV / Sales | 0.7 | 0.6 | 0.6 | 0.5 | 0.4 |
| EV / EBITDA | 4.5 | 4.3 | 6.0 | 4.9 | 3.9 |
| Dividend Yield (%) | 2.0 | 2.1 | 1.9 | 2.0 | 2.5 |

| Gearing Ratio (x) | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.4 | 0.5 | 0.7 | 0.6 | 0.5 |
| Net Debt/EBIDTA | 0.9 | 1.0 | 2.0 | 1.4 | 1.1 |
| Working Cap Cycle (days) | 70.2 | 84.8 | 112.3 | 100.1 | 96.1 |

| Growth (%) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 10.5 | 24.6 | 11.0 | 15.1 | 16.3 |
| EBITDA | 24.2 | 11.1 | (20.0) | 18.4 | 21.1 |
| EBIT | 23.3 | 6.6 | (25.6) | 22.1 | 24.6 |
| PAT | 30.6 | (5.2) | (47.5) | 34.8 | 51.5 |

| Quarterly (Rs mn) | Q2FY18 | Q3FY18 | Q4FY18 | Q1FY19 | Q2FY19 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 5,156 | 5,664 | 5,929 | 4,787 | 5,240 |
| EBITDA | 683 | 741 | 1,086 | 450 | 388 |
| EBITDA Margin (%) | 13.2 | 13.1 | 18.3 | 9.4 | 7.4 |
| PAT | 232 | 292 | 493 | 45 | 25 |
| EPS (Rs) | 2.3 | 2.9 | 4.8 | 0.4 | 0.2 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 70.4 | 70.4 | 70.2 | 70.2 | 71.4 |
| FIs | 2.4 | 6.2 | 6.2 | 6.3 | 6.6 |
| DIs | 11.5 | 9.9 | 11.0 | 11.1 | 9.5 |
| Public and Others | 15.8 | 13.6 | 12.7 | 12.4 | 12.5 |

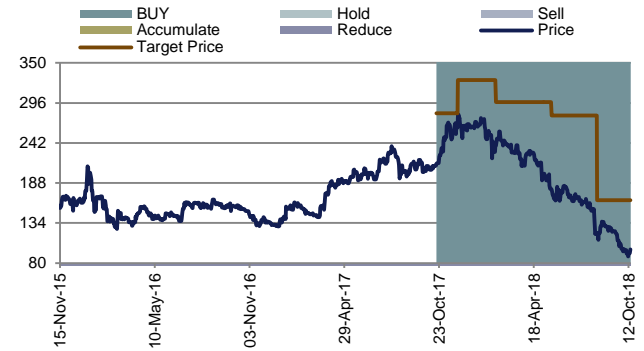
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-----|-----------------|--------|-----------------|
| 14-Aug-18 | 119 | 165 | 12m | Buy | John Perinchery |
| 21-May-18 | 179 | 279 | 12m | Buy | John Perinchery |
| 20-Mar-18 | 229 | 297 | 12m | Buy | John Perinchery |
| 06-Feb-18 | 238 | 297 | 12m | Buy | John Perinchery |
| 30-Jan-18 | 221 | 327 | 12m | Buy | John Perinchery |
| 14-Dec-17 | 259 | 327 | 12m | Buy | John Perinchery |
| 27-Nov-17 | 277 | 327 | 12m | Buy | John Perinchery |
| 18-Oct-17 | 214 | 282 | 12m | Buy | John Perinchery |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

| | |
|------------|--|
| BUY | Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months. |
| ACCUMULATE | Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months. |
| HOLD | Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months. |
| REDUCE | Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months. |
| SELL | The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months. |

Completed Date: 14 Nov 2018 11:16:21 (SGT)

Dissemination Date: 14 Nov 2018 11:17:21 (SGT)

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

SINGAPORE**DBS Bank Ltd**

Contact: Janice Chua
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

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Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Nagkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
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Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel. 62 21 3003 4900
Fax: 62 21 3003 4943
e-mail: research@id.dbsvickers.com



John Perinchery, CMA., CA

john.perinchery@emkayglobal.com

+91-022-66121374