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## India

### Materials

Reuters TRCE.NS  
Bloomberg TRCL IN

Priced on 30 October 2018  
CNX Nifty @ 10,198.4

12M hi/lo Rs860.95/561.30

12M price target Rs850.00  
±% potential +41%

Shares in issue 235.6m  
Free float (est.) 57.3%

Market cap US\$1,926m

3M ADV US\$3.0m

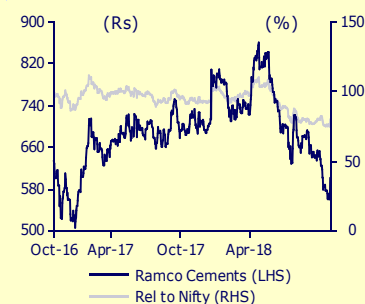
Foreign s'holding 11.9%

#### Major shareholders

Promoter 42.8%  
DII 22.9%

### Stock performance (%)

	1M	3M	12M
Absolute	(6.4)	(15.9)	(17.4)
Relative	0.3	(6.7)	(16.1)
Abs (US\$)	(7.5)	(21.4)	(26.8)



Source: Bloomberg

## A good show in tough times

### Flat unit Ebitda QoQ despite multiple external pressures

While Ramco's 2QFY19 results appear weak, as Ebitda declined 23% YoY to Rs2bn, partially due to a high base; nevertheless, they were ahead of forecasts. Cost agenda helped and better market mix drove realisation surprise and Ramco managed to maintain unit Ebitda QoQ, a positive. However, cement pricing and higher energy costs remain a challenge for the sector, which forces us to cut EPS by 12-18%. We however like Ramco's growth focus (20mt grinding capacity by FY20) and cost-saving agenda and retain BUY with a revised target price of Rs850 (from Rs960).

### 2Q results ahead, though sharp YoY earnings decline

Ramco's 2Q core Ebitda declined 23% YoY to Rs2bn which was 9% ahead of our estimates mainly on lower costs and slightly higher realisations. Depreciation and interest were in-line, while tax rate at 27.7% was a bit higher. Pre-ex earnings declined 28% YoY to Rs1.2bn, again a bit ahead.

### Miss on volumes, but better realisation

Double-digit growth continued, although Kerala did have an impact on 2Q volumes which rose 15% YoY to 2.5mt; this was lower than our expectations. 1HFY19 volume growth was at 18% YoY, benefitting from a strong growth trend in south as well as east; of course, low base also helped comps to some extent. Blended cement realisations rose 2% QoQ to Rs231/bag, which was ahead of our expectations; we believe Ramco continued to optimise its market mix which drove this surprise (and despite lower salience of Kerala).

### Unit Ebitda stayed flat QoQ, a positive

The focus on cost optimisation continued, also evident from a modest 2% QoQ increase in unit costs despite seasonality. Cost of manufacture (material + power & fuel) rose 3% QoQ mainly due to rise in petcoke prices and rupee depreciation. Freight rate declined 3% QoQ, although was up 6% YoY, but lower than our forecasts. Staff & other expenses rose 6-12% YoY and trailed volume growth. Unit Ebitda remained flat QoQ at Rs830/t despite cost headwinds, a positive.

### Cut estimates by 12-18%; BUY stays

We cut our EPS estimates by 12-18%, as we lower our realisation assumptions and also build in higher costs due to higher energy prices and rupee depreciation. This also results in a cut to our TP to Rs850 (15x Sep-20 Ebitda). We however retain BUY, as we like Ramco's focus on cost efficiency and growth as it plans to raise grinding capacity to 20mt by FY20 (from current ~17mt) which would be mainly funded from internal accruals.

### Financials

Year to 31 March	17A	18A	19CL	20CL	21CL
Revenue (Rsm)	38,568	43,203	49,498	57,714	68,842
Rev forecast change (%)	-	-	(1.2)	(2.5)	(0.8)
Net profit (Rsm)	6,472	5,768	5,528	7,078	9,754
NP forecast change (%)	-	-	(11.9)	(17.9)	(12.5)
EPS (Rs)	27.2	24.5	23.5	30.0	41.4
CL/consensus (19) (EPS%)	-	-	91	93	123
EPS growth (% YoY)	24.9	(9.9)	(4.2)	28.0	37.8
PE (x)	22.1	24.6	25.7	20.0	14.5
Dividend yield (%)	0.5	0.5	0.6	0.7	0.8
ROE (%)	18.9	14.8	12.9	14.7	17.6
Net debt/equity (%)	34.9	24.6	30.3	19.3	1.7

Source: www.clsa.com

## Financials at a glance

Year to 31 March	2017A	2018A	2019CL	(% YoY)	2020CL	2021CL
<b>Profit &amp; Loss (Rsm)</b>						
Revenue	38,568	43,203	49,498	14.6	57,714	68,842
Cogs (ex-D&A)	(6,649)	(7,120)	(7,873)		(9,100)	(10,711)
<b>Gross Profit (ex-D&amp;A)</b>	<b>31,919</b>	<b>36,084</b>	<b>41,625</b>	<b>15.4</b>	<b>48,614</b>	<b>58,131</b>
SG&A and other expenses	(20,900)	(25,971)	(31,867)		(36,378)	(42,294)
<b>Op Ebitda</b>	<b>11,019</b>	<b>10,112</b>	<b>9,758</b>	<b>(3.5)</b>	<b>12,236</b>	<b>15,836</b>
Depreciation/amortisation	(2,845)	(2,922)	(2,930)		(3,140)	(3,394)
<b>Op Ebit</b>	<b>8,174</b>	<b>7,190</b>	<b>6,828</b>	<b>(5)</b>	<b>9,095</b>	<b>12,442</b>
Net interest inc/(exp)	328	657	745	13.4	667	1,105
Other non-Op items	-	0	-		0	0
<b>Profit before tax</b>	<b>8,501</b>	<b>7,847</b>	<b>7,572</b>	<b>(3.5)</b>	<b>9,762</b>	<b>13,547</b>
Taxation	(2,029)	(2,079)	(2,045)		(2,685)	(3,793)
<b>Profit after tax</b>	<b>6,472</b>	<b>5,768</b>	<b>5,528</b>	<b>(4.2)</b>	<b>7,078</b>	<b>9,754</b>
Minority interest	0	0	0		0	0
<b>Net profit</b>	<b>6,472</b>	<b>5,768</b>	<b>5,528</b>	<b>(4.2)</b>	<b>7,078</b>	<b>9,754</b>
<b>Adjusted profit</b>	<b>6,472</b>	<b>5,768</b>	<b>5,528</b>	<b>(4.2)</b>	<b>7,078</b>	<b>9,754</b>
<b>Cashflow (Rsm)</b>						
<b>Operating profit</b>	<b>8,174</b>	<b>7,190</b>	<b>6,828</b>	<b>(5)</b>	<b>9,095</b>	<b>12,442</b>
Depreciation/amortisation	2,845	2,922	2,930	0.3	3,140	3,394
Working capital changes	848	1,564	(499)		(595)	(727)
Other items	(812)	(547)	(1,857)		(2,313)	(3,210)
<b>Net operating cashflow</b>	<b>11,054</b>	<b>11,129</b>	<b>7,402</b>	<b>(33.5)</b>	<b>9,328</b>	<b>11,900</b>
Capital expenditure	(3,043)	(4,942)	(11,000)		(5,251)	(3,000)
<b>Free cashflow</b>	<b>8,011</b>	<b>6,187</b>	<b>(3,598)</b>		<b>4,077</b>	<b>8,900</b>
M&A/Others	(1,152)	1,570	1,311	(16.5)	1,475	1,696
<b>Net investing cashflow</b>	<b>(4,195)</b>	<b>(3,372)</b>	<b>(9,689)</b>		<b>(3,776)</b>	<b>(1,304)</b>
Increase in loans	(6,531)	(5,274)	3,242		(3,805)	(6,089)
Dividends	0	(2,533)	(848)		(990)	(1,131)
Net equity raised/other	(55)	63	-		0	-
<b>Net financing cashflow</b>	<b>(6,586)</b>	<b>(7,744)</b>	<b>2,393</b>		<b>(4,795)</b>	<b>(7,219)</b>
Incr/(decr) in net cash	273	13	106	697.2	758	3,376
Exch rate movements	-	-	-		-	-
<b>Balance sheet (Rsm)</b>						
Cash & equivalents	1,181	1,194	1,300	8.9	2,058	5,434
Accounts receivable	5,549	4,423	5,068	14.6	5,909	7,048
Other current assets	8,843	8,964	10,116	12.9	11,551	13,401
Fixed assets	50,626	52,355	60,424	15.4	62,535	62,140
Investments	3,890	3,968	3,968	0	3,968	3,968
Intangible assets	0	0	0		0	0
Other non-current assets	0	0	0		0	-
<b>Total assets</b>	<b>70,089</b>	<b>70,904</b>	<b>80,877</b>	<b>14.1</b>	<b>86,021</b>	<b>91,991</b>
Short-term debt	6,345	5,826	5,826	0	5,826	4,326
Accounts payable	-	-	-		-	-
Other current liabs	10,643	11,183	12,423	11.1	14,042	16,234
Long-term debt/CBs	7,903	5,305	9,113	71.8	6,116	2,118
Provisions/other LT liabs	7,783	8,168	8,475	3.8	8,910	9,562
Shareholder funds	37,415	40,422	45,038	11.4	51,127	59,750
Minorities/other equity	0	0	0		0	0
<b>Total liabs &amp; equity</b>	<b>70,089</b>	<b>70,904</b>	<b>80,877</b>	<b>14.1</b>	<b>86,021</b>	<b>91,991</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	10.0	12.0	14.6		16.6	19.3
Ebitda margin (%)	28.6	23.4	19.7		21.2	23.0
Ebit margin (%)	21.2	16.6	13.8		15.8	18.1
Net profit growth (%)	24.9	(10.9)	(4.2)		28.0	37.8
Op cashflow growth (% YoY)	1.9	0.7	(33.5)		26.0	27.6
Capex/sales (%)	7.9	11.4	22.2		9.1	4.4
Net debt/equity (%)	34.9	24.6	30.3		19.3	1.7
Net debt/Ebitda (x)	1.2	1.0	1.4		0.8	0.1
ROE (%)	18.9	14.8	12.9		14.7	17.6
ROIC (%)	11.4	9.7	8.5		10.2	13.5

Source: www.clsa.com

We would like to thank Evalueserve for its help in preparing our research reports. Bhavik Mehta (IT); Kamal Verma (Banking & Financial Services); Kushal Shah (Midcaps), Mihir Manohar (Capital Goods, Utilities, Power); and Suraj Yadav (Cement, Oil & Gas) provide research support services to CLSA.

Figure 1

**Ramco 2QFY19 results summary**

(Rs m)	2QFY18	1QFY19	2QFY19	% YoY	% QoQ	1HFY18	1HFY19	% YoY
<b>Volumes</b>	<b>2.2</b>	<b>2.6</b>	<b>2.5</b>	<b>15</b>	<b>(6)</b>	<b>4.3</b>	<b>5.1</b>	<b>18</b>
<b>Net Sales</b>	<b>10,293</b>	<b>11,860</b>	<b>11,413</b>	<b>11</b>	<b>(4)</b>	<b>20,199</b>	<b>23,272</b>	<b>15</b>
Rs/tonne	4,783	4,537	4,622	(3)	2	4,695	4,578	(2)
Rs/bag	239	227	231			235	229	(2)
Raw Material Cons.	(1,288)	(1,599)	(1,378)	7	(14)	(2,678)	(2,977)	11
Stock Adjust.	154	234	(70)	(146)	(130)	361	164	(54)
Power, Oil & Fuel	(1,725)	(2,563)	(2,360)	37	(8)	(3,407)	(4,923)	45
Employee Exp.	(793)	(820)	(839)	6	2	(1,543)	(1,659)	8
Freight	(2,564)	(3,378)	(3,109)	21	(8)	(4,973)	(6,487)	30
Other Expenses	(1,431)	(1,571)	(1,608)	12	2	(2,794)	(3,179)	14
<b>Total exp.</b>	<b>(7,649)</b>	<b>(9,696)</b>	<b>(9,364)</b>	<b>22</b>	<b>(3)</b>	<b>(15,033)</b>	<b>(19,060)</b>	<b>27</b>
Rs/tonne	(3,554)	(3,709)	(3,793)	7	2	(3,494)	(3,750)	7
Rs/bag	(178)	(185)	(190)			(175)	(187)	
<b>Ebitda</b>	<b>2,644</b>	<b>2,164</b>	<b>2,049</b>	<b>(23)</b>	<b>(5)</b>	<b>5,166</b>	<b>4,212</b>	<b>(18)</b>
Rs/tonne	1,229	828	830	(32)	0	1,201	829	(31)
Depreciation	(718)	(735)	(728)	1	(1)	(1,438)	(1,463)	2
<b>Ebit</b>	<b>1,926</b>	<b>1,429</b>	<b>1,321</b>	<b>(31)</b>	<b>(8)</b>	<b>3,728</b>	<b>2,750</b>	<b>(26)</b>
Interest	(173)	(114)	(131)	(24)	15	(327)	(246)	(25)
Other Income	443	388	482	9	24	879	870	(1)
<b>PBT</b>	<b>2,197</b>	<b>1,703</b>	<b>1,671</b>	<b>(24)</b>	<b>(2)</b>	<b>4,279</b>	<b>3,374</b>	<b>(21)</b>
Taxes	(512)	(453)	(464)	(9)	2	(1,036)	(917)	(125)
% rate	23.3	26.6	27.7	446bps	113bps	24.2	27.2	297bps
<b>Pre -ex PAT</b>	<b>1,685</b>	<b>1,250</b>	<b>1,208</b>	<b>(28)</b>	<b>(3)</b>	<b>3,243</b>	<b>2,457</b>	<b>(24)</b>
Exceptional	0	0	(63)	NM	NM	0	(63)	NM
<b>Reported PAT</b>	<b>1,685</b>	<b>1,250</b>	<b>1,145</b>	<b>(32)</b>	<b>(8)</b>	<b>3,243</b>	<b>2,395</b>	<b>(74)</b>

Source: Company, CLSA

Figure 2

**Per tonne analysis**

(Rs/t)	2QFY18	1QFY19	2QFY19	% YoY	% QoQ	1HFY18	1HFY19	% YoY
Raw Material	527	522	586	11	12	538	553	10
Employee Expenses	369	314	340	(8)	8	359	326	(207)
Power, Oil & Fuel	802	980	956	19	(3)	792	969	(113)
Freight and Selling	1,192	1,292	1,259	6	(3)	1,156	1,276	(145)
Other Expenses	665	601	651	(2)	8	650	625	(497)
<b>Total</b>	<b>3,554</b>	<b>3,709</b>	<b>3,793</b>	<b>7</b>	<b>2</b>	<b>3,494</b>	<b>3,750</b>	<b>(66)</b>

Source: Company, CLSA

Volume growth remained strong...

...without compromising on realisations

Overall Ebitda was 9% ahead of estimates

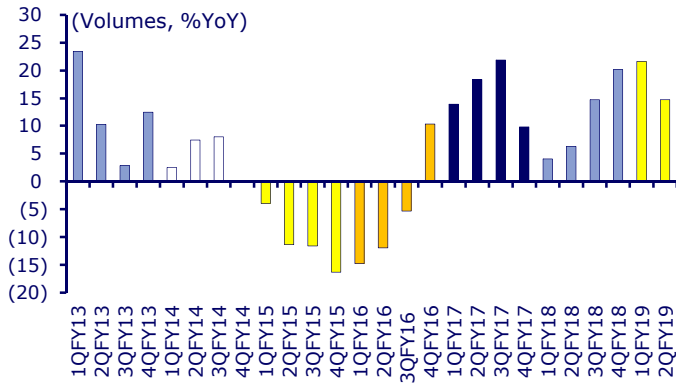
Tax rates have increased both on YoY and QoQ bases

Adjusted earnings were 10% ahead of our forecasts

Cost optimisation continued, which is evident from a modest 2% QoQ increase in unit costs

Figure 3

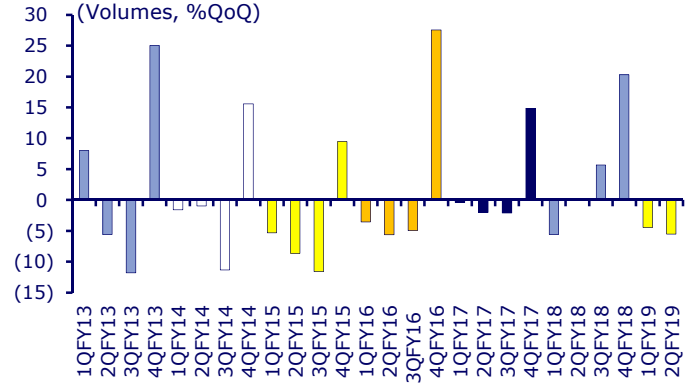
**Volume growth remained strong at 15% YoY...**



Source: Company, CLSA

Figure 4

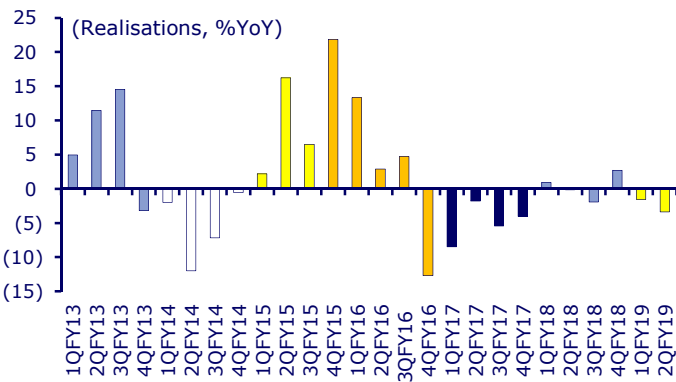
**... however declined 6% sequentially due to seasonality**



Source: Company, CLSA

Figure 5

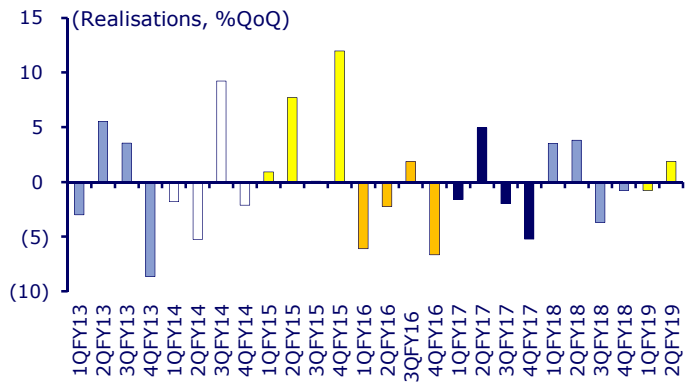
**Cement realisation fell 3% YoY...**



Source: Company, CLSA

Figure 6

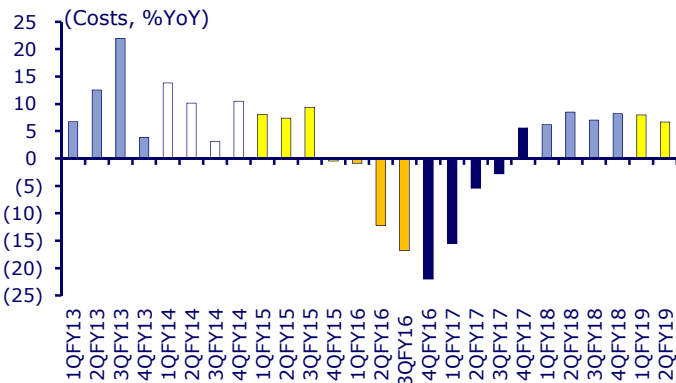
**... but increased 2% on a QoQ basis**



Source: Company, CLSA

Figure 7

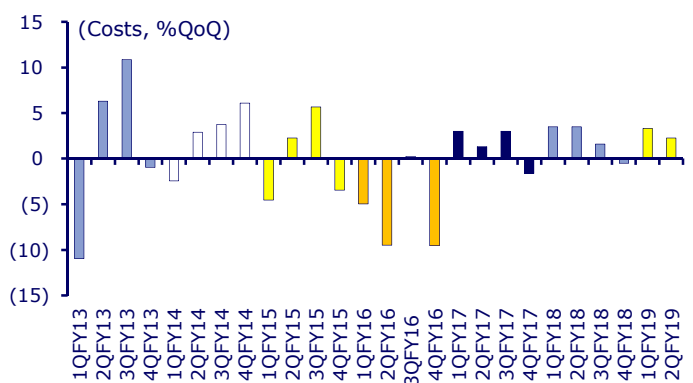
**Unit costs were up 7% YoY...**



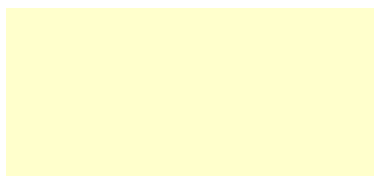
Source: Company, CLSA

Figure 8

**... and a modest 2% sequentially despite multiple cost headwinds**



Source: Company, CLSA

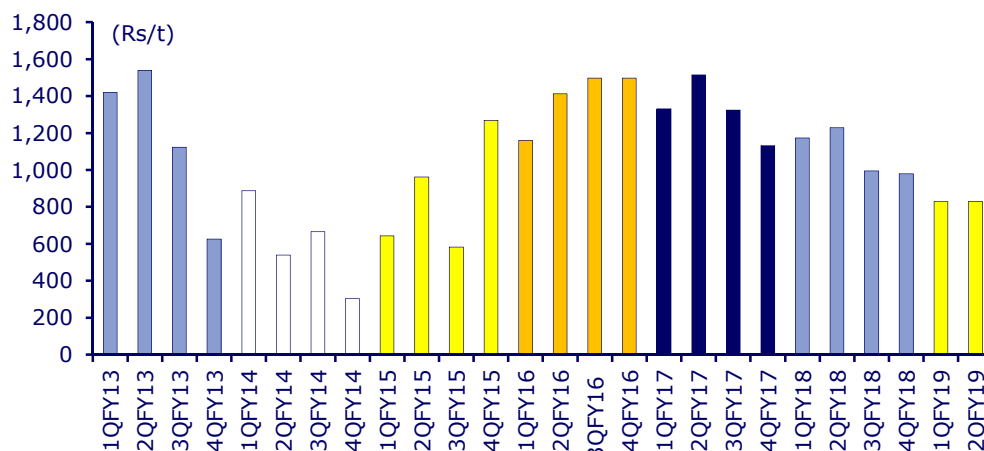


Unit Ebitda remained flat at Rs830/t despite multiple cost headwinds and a weak pricing environment

We forecast strong 10-14% volume growth rate over FY19-21CL

Earnings to expand at a 19% Cagr over FY19-21CL

Figure 9

**Trend in unit Ebitda**

Source: Company, CLSA

Figure 10

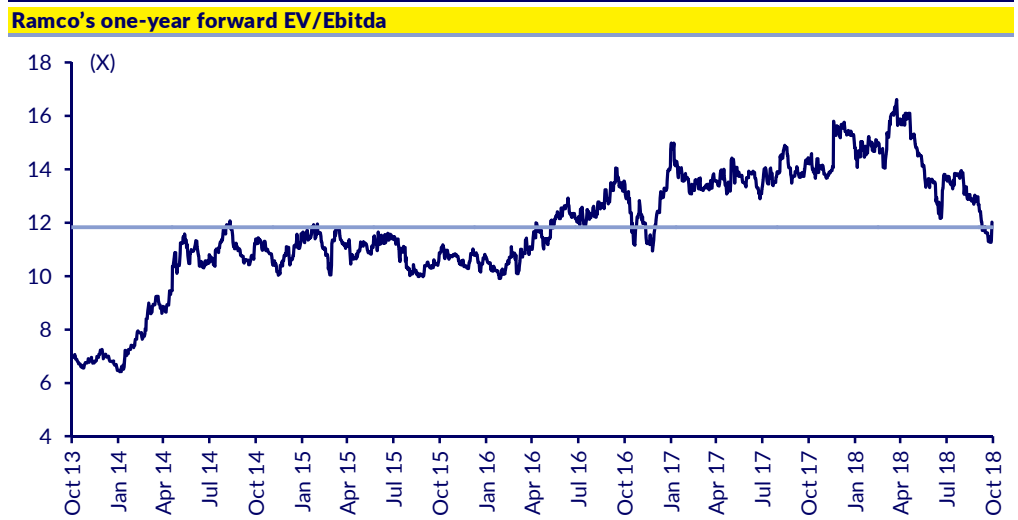
**Key assumptions**

(Rs)	FY16	FY17	FY18	19CL	20CL	21CL
<b>Total volumes (mt)</b>	7.2	8.3	9.3	10.6	11.7	13.1
% YoY	(6)	16	12	14	10	12
<b>Blended realisations (Rs/t)</b>	4,872	4,620	4,638	4,661	4,940	5,261
% YoY	4	(5)	0	0	6	7
Material (Rs/t)	(842)	(796)	(764)	(741)	(779)	(819)
Power & fuel (Rs/t)	(732)	(621)	(783)	(983)	(1,012)	(1,056)
Freight (Rs/t)	(933)	(884)	(996)	(1,031)	(1,083)	(1,137)
Others (Rs/t)	(968)	(998)	(1,009)	(986)	(1,020)	(1,040)
<b>Total cost (Rs/t)</b>	<b>(3,475)</b>	<b>(3,300)</b>	<b>(3,552)</b>	<b>(3,742)</b>	<b>(3,893)</b>	<b>(4,051)</b>
%YoY	(9)	(5)	8	5	4	4
<b>Ebitda (Rs/t)</b>	<b>1,397</b>	<b>1,320</b>	<b>1,085</b>	<b>919</b>	<b>1,047</b>	<b>1,210</b>
% YoY	62	(6)	(18)	(15)	14	16
<b>Total Ebitda</b>	<b>10,056</b>	<b>11,019</b>	<b>10,112</b>	<b>9,758</b>	<b>12,236</b>	<b>15,836</b>
%YoY	52	10	(8)	(4)	25	29
Depreciation	(3,048)	(2,845)	(2,922)	(2,930)	(3,140)	(3,394)
Interest	(1,819)	(1,035)	(592)	(566)	(808)	(591)
Other income	1,544	1,363	1,249	1,311	1,475	1,696
<b>PBT</b>	<b>6,734</b>	<b>8,502</b>	<b>7,847</b>	<b>7,572</b>	<b>9,762</b>	<b>13,547</b>
Tax	(1,550)	(2,029)	(2,079)	(2,045)	(2,685)	(3,793)
Tax rate (%)	23	24	26	27	28	28
<b>Pre ex PAT</b>	<b>5,184</b>	<b>6,473</b>	<b>5,768</b>	<b>5,528</b>	<b>7,078</b>	<b>9,754</b>
<b>EPS (Rs.sh)</b>	<b>21.8</b>	<b>27.2</b>	<b>24.5</b>	<b>23.5</b>	<b>30.0</b>	<b>41.4</b>
% YoY	120	25	(10)	(4)	28	38

Source: Company, CLSA

We value Ramco at 15x Sep-20CL Ebitda; retain BUY

Figure 11



Source: Bloomberg, CLSA

**Valuation details**

We value Ramco at 15x Sep-20CL EV/Ebitda which is at a premium to the historical average but broadly in-line with the front-line cement peers. We see strong expansion plans, focus on cost savings and improvement in industry fundamentals as key positives.

**Investment risks**

A slower-than-expected pick-up in volumes, weak pricing and a sharp rise in cost inflation are the key risks.

## Detailed financials

### Profit & Loss (Rsm)

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Revenue	35,939	35,073	38,568	43,203	49,498	57,714	68,842
Cogs (ex-D&A)	(6,931)	(5,861)	(6,649)	(7,120)	(7,873)	(9,100)	(10,711)
Gross Profit (ex-D&A)	29,008	29,212	31,919	36,084	41,625	48,614	58,131
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(5,101)	(4,380)	(5,556)	(6,360)	(7,076)	(8,036)	(9,188)
Other Op Expenses ex-D&A	(17,284)	(14,576)	(15,345)	(19,612)	(24,791)	(28,342)	(33,106)
Op Ebitda	6,622	10,257	11,019	10,112	9,758	12,236	15,836
Depreciation/amortisation	(2,499)	(3,248)	(2,845)	(2,922)	(2,930)	(3,140)	(3,394)
Op Ebit	4,123	7,009	8,174	7,190	6,828	9,095	12,442
Interest income	1,379	1,544	1,363	1,249	1,311	1,475	1,696
Interest expense	(1,938)	(1,819)	(1,035)	(592)	(566)	(808)	(591)
Net interest inc/(exp)	(559)	(275)	328	657	745	667	1,105
Associates/investments	-	-	-	-	-	-	-
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	3,564	6,734	8,501	7,847	7,572	9,762	13,547
Taxation	(1,204)	(1,550)	(2,029)	(2,079)	(2,045)	(2,685)	(3,793)
Profit after tax	2,361	5,184	6,472	5,768	5,528	7,078	9,754
Preference dividends	-	-	-	-	-	-	-
Profit for period	2,361	5,184	6,472	5,768	5,528	7,078	9,754
Minority interest	0	0	0	0	0	0	0
Net profit	2,361	5,184	6,472	5,768	5,528	7,078	9,754
Extraordinaries/others	63	238	20	(211)	(63)	0	0
Profit available to ordinary shares	2,424	5,422	6,493	5,557	5,465	7,078	9,754
Dividends	-	-	-	-	-	-	-
Retained profit	2,424	5,422	6,493	5,557	5,465	7,078	9,754
Adjusted profit	2,361	5,184	6,472	5,768	5,528	7,078	9,754
EPS (Rs)	9.9	21.8	27.2	24.5	23.5	30.0	41.4
Adj EPS [pre excep] (Rs)	9.9	21.8	27.2	24.5	23.5	30.0	41.4
Core EPS (Rs)	9.9	21.8	27.2	24.5	23.5	30.0	41.4
DPS (Rs)	1.5	3.0	3.0	3.0	3.5	4.0	5.0

### Profit & loss ratios

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	(1.1)	(2.4)	10.0	12.0	14.6	16.6	19.3
Ebitda growth (% YoY)	29.4	54.9	7.4	(8.2)	(3.5)	25.4	29.4
Ebit growth (% YoY)	100.8	70.0	16.6	(12.0)	(5.0)	33.2	36.8
Net profit growth (%)	119.4	119.6	24.9	(10.9)	(4.2)	28.0	37.8
EPS growth (% YoY)	119.4	119.6	24.9	(9.9)	(4.2)	28.0	37.8
Adj EPS growth (% YoY)	119.4	119.6	24.9	(9.9)	(4.2)	28.0	37.8
DPS growth (% YoY)	50.0	99.8	0.0	0.0	16.7	14.3	25.0
Core EPS growth (% YoY)	119.4	119.6	24.9	(9.9)	(4.2)	28.0	37.8
<b>Margins (%)</b>							
Ebitda margin (%)	18.4	29.2	28.6	23.4	19.7	21.2	23.0
Ebit margin (%)	11.5	20.0	21.2	16.6	13.8	15.8	18.1
Net profit margin (%)	6.6	14.8	16.8	13.3	11.2	12.3	14.2
Core profit margin	6.6	14.8	16.8	13.3	11.2	12.3	14.2
Op cashflow margin	26.6	30.9	28.7	25.8	15.0	16.2	17.3
<b>Returns (%)</b>							
ROE (%)	9.1	17.9	18.9	14.8	12.9	14.7	17.6
ROA (%)	4.0	7.8	9.0	7.5	6.6	7.9	10.1
ROIC (%)	4.7	9.7	11.4	9.7	8.5	10.2	13.5
ROCE (%)	7.8	13.5	16.1	14.3	12.5	15.2	20.4
<b>Other key ratios (%)</b>							
Effective tax rate (%)	33.8	23.0	23.9	26.5	27.0	27.5	28.0
Ebitda/net int exp (x)	11.8	37.3	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	15.1	13.8	11.0	12.3	14.9	13.3	12.1

Source: www.clsa.com

## Balance sheet (Rsm)

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Cash & equivalents	877	908	1,181	1,194	1,300	2,058	5,434
Accounts receivable	3,823	4,721	5,549	4,423	5,068	5,909	7,048
Inventories	5,206	5,490	5,754	5,599	6,415	7,480	8,922
Other current assets	4,026	3,627	3,089	3,365	3,701	4,071	4,478
<b>Current assets</b>	<b>13,932</b>	<b>14,746</b>	<b>15,573</b>	<b>14,581</b>	<b>16,484</b>	<b>19,518</b>	<b>25,883</b>
Fixed assets	51,255	50,480	50,626	52,355	60,424	62,535	62,140
Investments	3,710	3,716	3,890	3,968	3,968	3,968	3,968
Goodwill	0	0	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	-	0	0	0	0	0	-
<b>Total assets</b>	<b>68,897</b>	<b>68,942</b>	<b>70,089</b>	<b>70,904</b>	<b>80,877</b>	<b>86,021</b>	<b>91,991</b>
Short term loans/OD	5,003	6,306	6,345	5,826	5,826	5,826	4,326
Accounts payable	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	2,337	2,147	2,558	2,671	2,671	2,671	2,671
Other current liabs	5,609	7,091	8,085	8,512	9,752	11,371	13,563
<b>Current liabilities</b>	<b>12,948</b>	<b>15,544</b>	<b>16,988</b>	<b>17,010</b>	<b>18,250</b>	<b>19,869</b>	<b>20,561</b>
Long-term debt/leases/other	17,581	11,306	4,228	2,165	6,665	4,665	1,665
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	11,544	11,157	11,457	11,308	10,924	10,361	10,016
<b>Total liabilities</b>	<b>42,073</b>	<b>38,007</b>	<b>32,674</b>	<b>30,482</b>	<b>35,838</b>	<b>34,894</b>	<b>32,241</b>
Share capital	238	238	238	236	236	236	236
Retained earnings	26,586	30,697	37,177	40,186	44,803	50,891	59,514
Reserves/others	0	0	0	-	0	0	0
<b>Shareholder funds</b>	<b>26,824</b>	<b>30,935</b>	<b>37,415</b>	<b>40,422</b>	<b>45,038</b>	<b>51,127</b>	<b>59,750</b>
Minorities/other equity	0	0	0	0	0	0	0
<b>Total equity</b>	<b>26,824</b>	<b>30,935</b>	<b>37,415</b>	<b>40,422</b>	<b>45,038</b>	<b>51,127</b>	<b>59,750</b>
<b>Total liabs &amp; equity</b>	<b>68,897</b>	<b>68,942</b>	<b>70,089</b>	<b>70,904</b>	<b>80,877</b>	<b>86,021</b>	<b>91,991</b>
Total debt	26,572	21,230	14,248	11,132	14,940	11,942	6,445
Net debt	25,695	20,323	13,067	9,938	13,639	9,884	1,010
Adjusted EV	162,694	158,475	151,311	146,051	142,753	141,747	136,373
BVPS (Rs)	112.7	129.9	157.1	171.6	191.2	217.0	253.6

## Balance sheet ratios

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
<b>Key ratios</b>							
Current ratio (x)	1.1	0.9	0.9	0.9	0.9	1.0	1.3
Growth in total assets (% YoY)	0.3	0.1	1.7	1.2	14.1	6.4	6.9
Growth in capital employed (% YoY)	(1.8)	(2.4)	(1.5)	(0.2)	16.5	4.0	(0.4)
Net debt to operating cashflow (x)	2.7	1.9	1.2	0.9	1.8	1.1	0.1
Gross debt to operating cashflow (x)	2.8	2.0	1.3	1.0	2.0	1.3	0.5
Gross debt to Ebitda (x)	4.0	2.1	1.3	1.1	1.5	1.0	0.4
Net debt/Ebitda (x)	3.9	2.0	1.2	1.0	1.4	0.8	0.1
<b>Gearing</b>							
Net debt/equity (%)	95.8	65.7	34.9	24.6	30.3	19.3	1.7
Gross debt/equity (%)	99.1	68.6	38.1	27.5	33.2	23.4	10.8
Interest cover (x)	2.8	4.7	9.2	14.3	14.4	13.1	23.9
Debt Cover (x)	0.4	0.5	0.8	1.0	0.5	0.8	1.8
<b>Working capital analysis</b>							
Inventory days	317.6	322.1	308.7	291.0	278.5	278.7	279.5
Debtor days	34.8	44.5	48.6	42.1	35.0	34.7	34.3
Creditor days	-	-	-	-	-	-	-
Working capital/Sales (%)	14.2	13.1	9.7	5.1	5.6	5.9	6.1
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	68.4	68.4	76.4	85.8	84.4	94.6	113.3
EV/Capital employed (%)	309.8	309.2	299.7	290.0	243.3	232.3	224.4
Working capital/Capital employed (%)	9.7	9.0	7.4	4.4	4.7	5.6	6.9
Fixed capital/Capital employed (%)	97.6	98.5	100.3	104.0	103.0	102.5	102.3
<b>Other ratios (%)</b>							
EV/OCF (x)	17.0	14.6	13.7	13.1	19.3	15.2	11.5
EV/FCF (x)	31.4	19.6	18.9	23.6	(39.7)	34.8	15.3
EV/Sales (x)	4.5	4.5	3.9	3.4	2.9	2.5	2.0
Capex/depreciation (%)	175.5	85.3	107.0	169.1	375.4	167.2	88.4

Source: www.clsa.com



## Cashflow (Rsm)

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Operating profit	4,123	7,009	8,174	7,190	6,828	9,095	12,442
Operating adjustments	(1,246)	(1,758)	(1,532)	(1,634)	(1,363)	(2,018)	(2,688)
Depreciation/amortisation	2,499	3,248	2,845	2,922	2,930	3,140	3,394
Working capital changes	2,126	930	848	1,564	(499)	(595)	(727)
Interest paid / other financial expenses	1,769	1,441	694	341	(745)	(667)	(1,105)
Tax paid	-	-	-	-	-	-	-
Other non-cash operating items	290	(19)	26	746	251	372	584
<b>Net operating cashflow</b>	<b>9,561</b>	<b>10,851</b>	<b>11,054</b>	<b>11,129</b>	<b>7,402</b>	<b>9,328</b>	<b>11,900</b>
Capital expenditure	(4,386)	(2,771)	(3,043)	(4,942)	(11,000)	(5,251)	(3,000)
<b>Free cashflow</b>	<b>5,175</b>	<b>8,080</b>	<b>8,011</b>	<b>6,187</b>	<b>(3,598)</b>	<b>4,077</b>	<b>8,900</b>
Acq/inv/disposals	(319)	1,000	(1,493)	1,319	-	-	-
Int, invt & associate div	148	378	341	251	1,311	1,475	1,696
<b>Net investing cashflow</b>	<b>(4,557)</b>	<b>(1,392)</b>	<b>(4,195)</b>	<b>(3,372)</b>	<b>(9,689)</b>	<b>(3,776)</b>	<b>(1,304)</b>
Increase in loans	(3,900)	(8,336)	(6,531)	(5,274)	3,242	(3,805)	(6,089)
Dividends	(279)	(1,291)	0	(2,533)	(848)	(990)	(1,131)
Net equity raised/(buybacks)	(394)	198	(55)	63	-	0	-
<b>Net financing cashflow</b>	<b>(4,573)</b>	<b>(9,428)</b>	<b>(6,586)</b>	<b>(7,744)</b>	<b>2,393</b>	<b>(4,795)</b>	<b>(7,219)</b>
Incr/(decr) in net cash	431	31	273	13	106	758	3,376
Exch rate movements	-	-	-	-	-	-	-
<b>Opening cash</b>	<b>446</b>	<b>877</b>	<b>908</b>	<b>1,181</b>	<b>1,194</b>	<b>1,300</b>	<b>2,058</b>
<b>Closing cash</b>	<b>877</b>	<b>908</b>	<b>1,181</b>	<b>1,194</b>	<b>1,300</b>	<b>2,058</b>	<b>5,434</b>
OCF PS (Rs)	40.2	45.6	46.4	47.2	31.4	39.6	50.5
FCF PS (Rs)	21.7	33.9	33.6	26.3	(15.3)	17.3	37.8

## Cashflow ratio analysis

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	99.7	13.5	1.9	0.7	(33.5)	26.0	27.6
FCF growth (% YoY)	-	56.1	(0.9)	(22.8)	(158.2)	-	118.3
Capex growth (%)	(21.2)	(36.8)	9.8	62.4	122.6	(52.3)	(42.9)
<b>Other key ratios (%)</b>							
Capex/sales (%)	12.2	7.9	7.9	11.4	22.2	9.1	4.4
Capex/op cashflow (%)	45.9	25.5	27.5	44.4	148.6	56.3	25.2
Operating cashflow payout ratio (%)	3.7	6.6	6.5	6.4	11.1	10.1	9.9
Cashflow payout ratio (%)	-	-	-	-	-	-	-
Free cashflow payout ratio (%)	-	-	-	-	-	-	-

## DuPont analysis

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Ebit margin (%)	11.5	20.0	21.2	16.6	13.8	15.8	18.1
Asset turnover (x)	0.5	0.5	0.6	0.6	0.7	0.7	0.8
Interest burden (x)	0.9	1.0	1.0	1.1	1.1	1.1	1.1
Tax burden (x)	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Return on assets (%)	4.0	7.8	9.0	7.5	6.6	7.9	10.1
Leverage (x)	2.7	2.4	2.0	1.8	1.8	1.7	1.6
ROE (%)	9.1	17.9	18.9	14.8	12.9	14.7	17.6

## EVA® analysis

Year to 31 March	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Ebit adj for tax	2,731	5,395	6,223	5,285	4,984	6,594	8,958
Average invested capital	57,714	55,722	54,728	54,467	58,872	64,569	66,153
ROIC (%)	4.7	9.7	11.4	9.7	8.5	10.2	13.5
Cost of equity (%)	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Cost of debt (adj for tax)	6.0	6.9	6.9	6.6	6.6	6.5	6.5
Weighted average cost of capital (%)	13.3	13.4	13.4	13.3	13.3	13.3	13.3
EVA/IC (%)	(8.5)	(3.7)	(2.0)	(3.6)	(4.9)	(3.1)	0.2
EVA (Rsm)	(4,927)	(2,048)	(1,083)	(1,975)	(2,860)	(2,007)	149

Source: www.clsa.com



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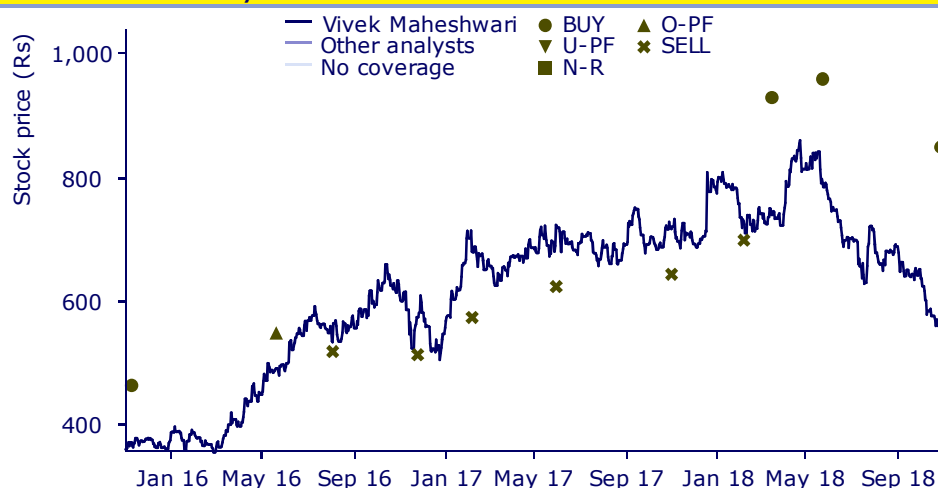
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Date	Rec	Target	Date	Rec	Target
LATEST	BUY	850.00	07 Feb 2017	SELL	575.00
24 May 2018	BUY	960.00	26 Nov 2016	SELL	515.00
17 Mar 2018	BUY	930.00	04 Aug 2016	SELL	520.00
07 Feb 2018	SELL	700.00	20 May 2016	O-PF	550.00
02 Nov 2017	SELL	645.00	08 Nov 2015	BUY	465.00
31 May 2017	SELL	625.00			

Source: CLSA

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