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16 March 2018

India Materials

Reuters TRCE.NS
Bloomberg TRCL IN

Priced on 16 March 2018
CNX Nifty @ 10,195.2

12M hi/lo Rs809.50/634.70

12M price target Rs930.00
±% potential +26%

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

Market cap US\$2,716m

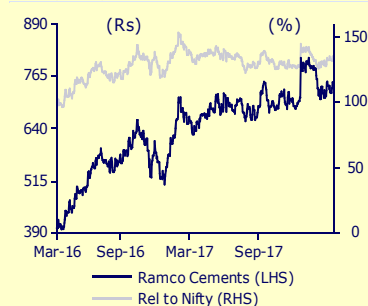
3M ADV US\$4.1m

Foreign s'holding 16.5%

Major shareholders
Promoter 42.8%
DII 16.5%

Stock performance (%)

	1M	3M	12M
Absolute	2.2	4.9	15.1
Relative	4.8	6.3	3.4
Abs (US\$)	0.5	3.9	16.3



Source: Bloomberg

Cementing growth

Upgrade to BUY with Rs930 target; top pick in the sector

Ramco Cements had a weak FY18CL due to a confluence of pressures in Tamil Nadu, weak pricing and cost pressures, resulting in a mild EPS decline. Outlook is improving, as channel checks indicate demand pick-up in Tamil Nadu, a key state for Ramco. Costs have also peaked and ongoing efforts should drive savings (blending, logistics and energy). Volume growth would also improve as new units come on-stream in the next 12-18 months. Net debt to Ebitda would also fall to sub-0.5x by 20CL. We upgrade FY19-20CL EPS by 3-6% and raise multiple to 15x FY20CL Ebitda (from 12x), in line with frontline names, to derive Rs930 TP.

Already among the most efficient

With an integrated capacity of 12.5mt and a total of 16.5mt, Ramco is a leading player in the south with a presence in the east as well. The company is in the midst of raising grinding capacity by ~3.5mt to reach 20mt by 2020, which should also raise salience of east, aiding volume growth and optimising market mix. We also note that Ramco's clinker capacity has been near-flat over the past five years and excess grinding signals a likely clinker expansion which should be brownfield since the company has infrastructure (grinding, land, limestone) in place.

Raise EPS by 3-6% - expect 25%+ growth

Ramco had a challenging FY18CL, with a 6% decline in EPS due to weak pricing and cost pressures. We expect a rebound in unit Ebitda from Rs1,125/t led by margin-accretive prices hikes - input costs also seem to have peaked for now. Increased blending in east as well as coast-based grinding opens up an avenue for moving clinker through sea; investments in waste heat recovery would drive savings in power & fuel. Recent channel checks also indicate a pick-up in demand in Tamil Nadu, a key market for Ramco, which also improves outlook.

Strong and improving balance sheet

Over the past five years, Ramco has strengthened its balance sheet, as absolute net debt has halved, with net debt to Ebitda down to 1.4x. We believe that despite ongoing capex, external debt should be negligible by Mar-20. After a drop in RoE to 15.4% in FY18CL, we expect a 3ppts expansion in the next two years.

Upgrade to BUY

We upgrade Ramco from SELL to BUY and raise TP to Rs930 (from Rs700) on a higher multiple at 15x FY20CL as earnings growth accelerates and balance sheet strengthens. Weak demand growth, price-led competition are key downside risks.

Financials

Year to 31 March	16A	17A	18CL	19CL	20CL
Revenue (Rsm)	35,073	38,568	42,906	49,351	57,814
Rev forecast change (%)	-	-	0.1	0.1	2.4
Net profit (Rsm)	5,376	6,472	6,031	7,539	9,579
NP forecast change (%)	-	-	(1.2)	2.8	5.9
EPS (Rs)	21.8	27.2	25.6	32.0	40.7
CL/consensus (19) (EPS%)	-	-	101	103	109
EPS growth (% YoY)	119.6	24.9	(5.8)	25.0	27.1
PE (x)	34.0	27.3	28.9	23.1	18.2
Dividend yield (%)	0.4	0.4	0.4	0.5	0.7
ROE (%)	18.6	18.9	15.4	17.0	18.5
Net debt/equity (%)	65.7	34.9	35.5	21.0	6.7

Source: www.clsa.com

Financials at a glance

Year to 31 March	2016A	2017A	2018CL	(% YoY)	2019CL	2020CL
Profit & Loss (Rsm)						
Revenue	35,073	38,568	42,906	11.2	49,351	57,814
Cogs (ex-D&A)	(5,861)	(6,459)	(6,978)		(7,919)	(9,154)
Gross Profit (ex-D&A)	29,212	32,109	35,928	11.9	41,432	48,660
SG&A and other expenses	(18,956)	(21,083)	(25,653)		(28,903)	(33,365)
Op Ebitda	10,257	11,026	10,276	(6.8)	12,528	15,295
Depreciation/amortisation	(3,248)	(2,845)	(2,915)		(3,137)	(3,377)
Op Ebit	7,009	8,181	7,361	(10)	9,392	11,918
Net interest inc/(exp)	(275)	321	574	79.1	660	939
Other non-Op items	0	-	0		-	0
Profit before tax	6,734	8,501	7,936	(6.7)	10,051	12,857
Taxation	(1,358)	(2,029)	(1,905)		(2,513)	(3,279)
Profit after tax	5,376	6,472	6,031	(6.8)	7,539	9,579
Minority interest	0	0	0		0	0
Net profit	5,376	6,472	6,031	(6.8)	7,539	9,579
Adjusted profit	5,184	6,472	6,031	(6.8)	7,539	9,579
Cashflow (Rsm)						
Operating profit	7,009	8,181	7,361	(10)	9,392	11,918
Depreciation/amortisation	3,248	2,845	2,915	2.4	3,137	3,377
Working capital changes	930	813	(621)		(822)	(1,019)
Other items	(336)	(785)	(1,669)		(2,211)	(2,828)
Net operating cashflow	10,851	11,054	7,986	(27.8)	9,495	11,447
Capital expenditure	(2,771)	(3,043)	(7,500)		(4,797)	(5,000)
Free cashflow	8,080	8,011	486	(93.9)	4,698	6,447
M&A/Others	1,378	(1,152)	1,225		1,348	1,482
Net investing cashflow	(1,392)	(4,195)	(6,275)		(3,450)	(3,518)
Increase in loans	(8,336)	(6,531)	101		(1,380)	(6,540)
Dividends	(1,291)	0	(848)		(848)	(1,131)
Net equity raised/other	198	(55)	(1,686)		0	-
Net financing cashflow	(9,428)	(6,586)	(2,433)		(2,228)	(7,671)
Incr/(decr) in net cash	31	273	(722)		3,817	259
Exch rate movements	-	-	-		-	-
Balance sheet (Rsm)						
Cash & equivalents	908	1,181	459	(61.1)	4,276	4,535
Accounts receivable	4,721	5,549	6,173	11.2	7,100	8,318
Other current assets	9,117	8,843	9,800	10.8	11,101	12,737
Fixed assets	50,480	50,626	55,212	9.1	56,873	58,496
Investments	3,716	3,890	3,890	0	3,890	3,890
Intangible assets	0	0	0		0	0
Other non-current assets	0	0	-		-	-
Total assets	68,942	70,089	75,533	7.8	83,240	87,976
Short-term debt	6,306	6,345	6,345	0	6,345	4,345
Accounts payable	-	-	-		-	-
Other current liabs	9,238	10,643	11,553	8.5	12,904	14,678
Long-term debt/CBs	14,924	7,903	8,655	9.5	7,963	3,965
Provisions/other LT liabs	7,539	7,783	7,992	2.7	8,349	8,860
Shareholder funds	30,935	37,415	40,989	9.6	47,679	56,127
Minorities/other equity	0	0	0		0	0
Total liabs & equity	68,942	70,089	75,533	7.8	83,240	87,976
Ratio analysis						
Revenue growth (% YoY)	(2.4)	10.0	11.2		15.0	17.1
Ebitda margin (%)	29.2	28.6	23.9		25.4	26.5
Ebit margin (%)	20.0	21.2	17.2		19.0	20.6
Net profit growth (%)	127.7	20.4	(6.8)		25.0	27.1
Op cashflow growth (% YoY)	13.5	1.9	(27.8)		18.9	20.6
Capex/sales (%)	7.9	7.9	17.5		9.7	8.6
Net debt/equity (%)	65.7	34.9	35.5		21.0	6.7
Net debt/Ebitda (x)	2.0	1.2	1.4		0.8	0.2
ROE (%)	18.6	18.9	15.4		17.0	18.5
ROIC (%)	9.7	11.4	9.8		11.6	14.0

Source: www.clsa.com

We would like to thank Evalueserve for its help in preparing our research reports. Bhavik Mehta (Autos, 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.

After a lacklustre FY18, we expect an improvement in realisations

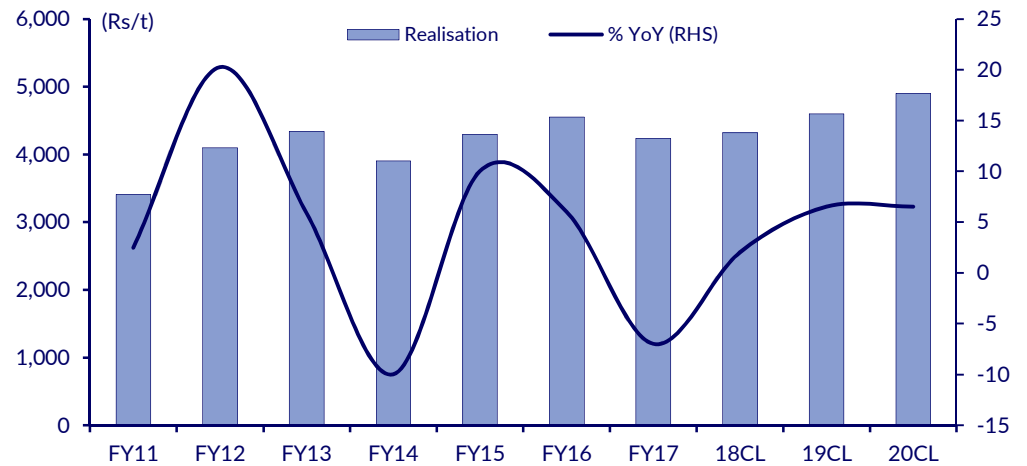
We also forecast a slight acceleration in volume growth to 10% by FY20CL aided by new capacities as well as better industry demand trends

After a decline in FY18, we believe unit Ebitda should rise at 10% Cagr over next 2Y

Improving realisations expected to boost unit Ebitda

Figure 1

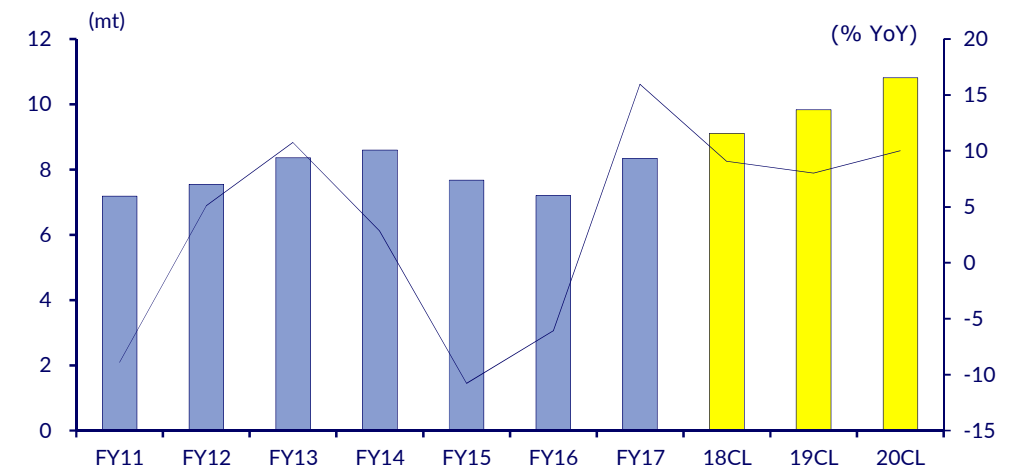
Trend in realisations



Source: CLSA, Company

Figure 2

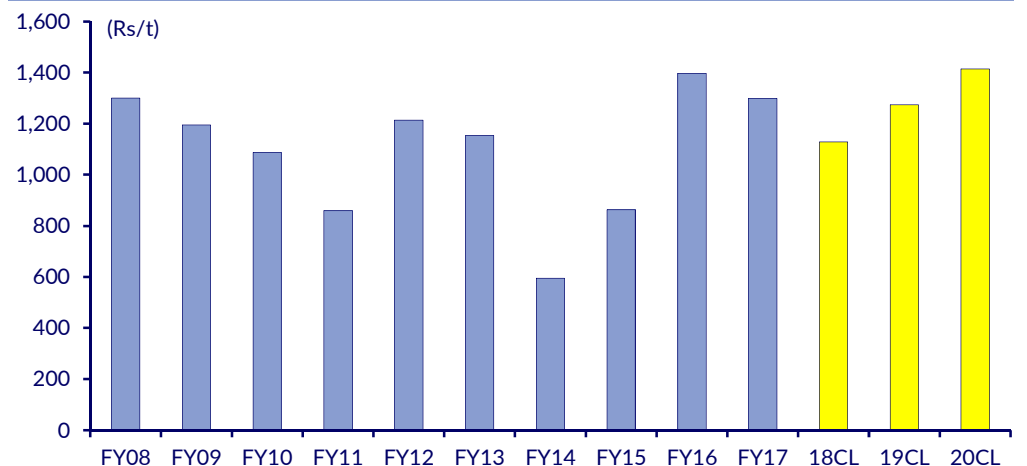
Trend in volume growth



Source: CLSA, Company

Figure 3

Trend in unit Ebitda

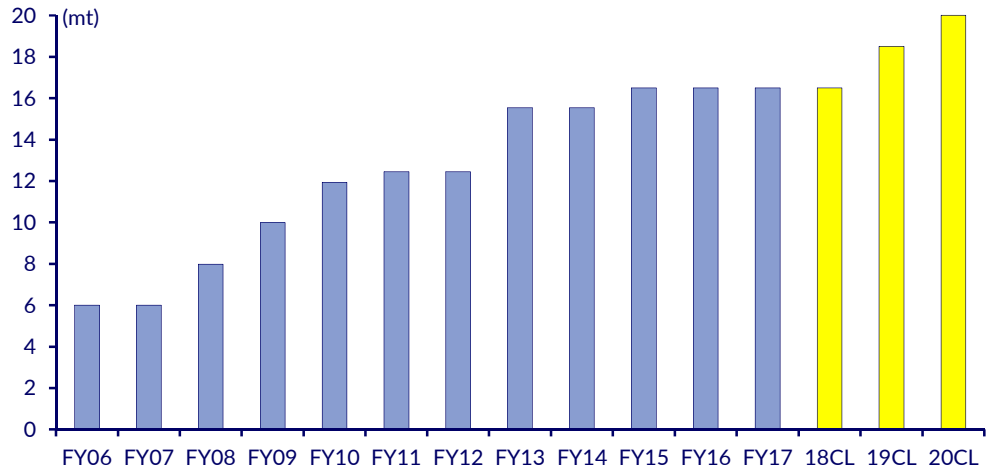


Source: CLSA, Company

One of the largest players in India and second largest in the south region

Figure 4

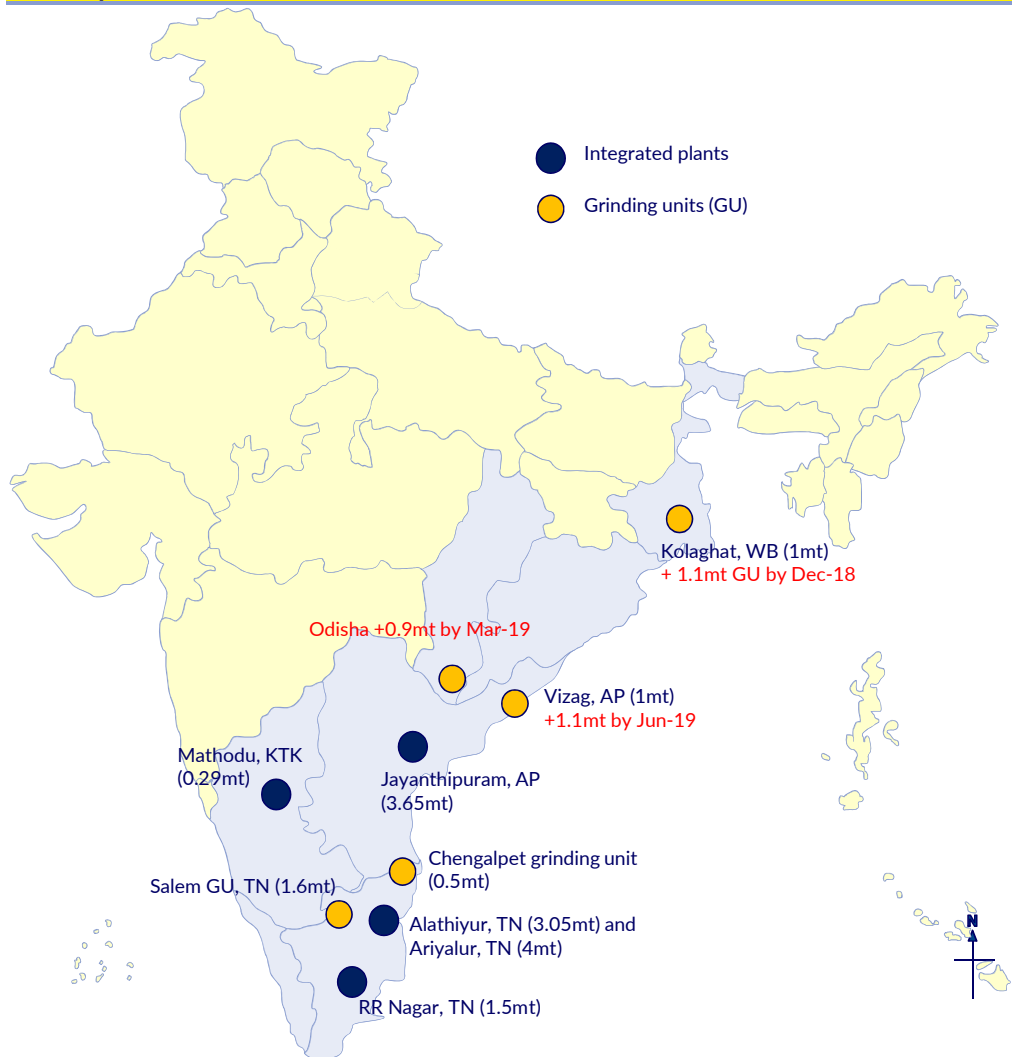
Trend in capacity



Source: Company, CLSA

Figure 5

Ramco's plant locations



Note: Red denotes work in progress; Source: Industry, Company, CLSA

The company has target to reach 20mt by 2020 through 3.5mt of new grinding units

While there has not been any formal announcement on clinker-line, we see this as highly likely in the context of grinding capacity and available infra at existing units

Total capacity to reach 20mt by FY20CL

The company has strong network of coast-based grinding units which would allow for freight optimisation through waterways

Higher exposure to Tamil Nadu should also help as demand environment appears to have improved

Foray of Shree Cement into Karnataka is less of a concern for Ramco as the overlap would be limited

Tamil Nadu is the most important market for Ramco

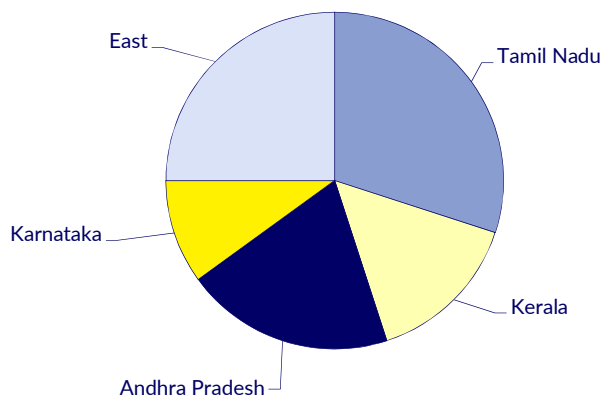
Our channel checks indicate that demand growth has picked up for south region as well as Tamil Nadu, which is good news for Ramco

There has been pricing pressures for most part of FY18, but we believe that cement prices are close to bottoming out now

Channel checks indicate better demand and pricing environment in Tamil Nadu

Figure 6

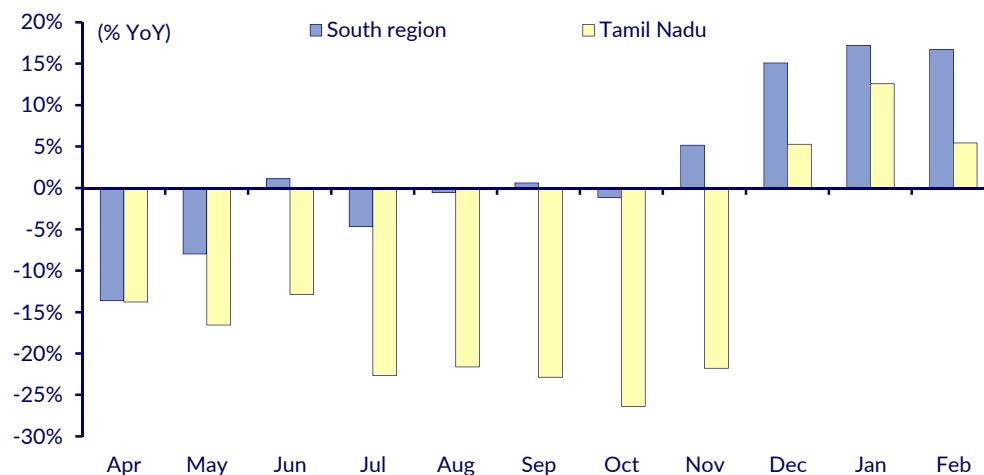
Estimated sales volume break-down by region



Source: Company, CLSA

Figure 7

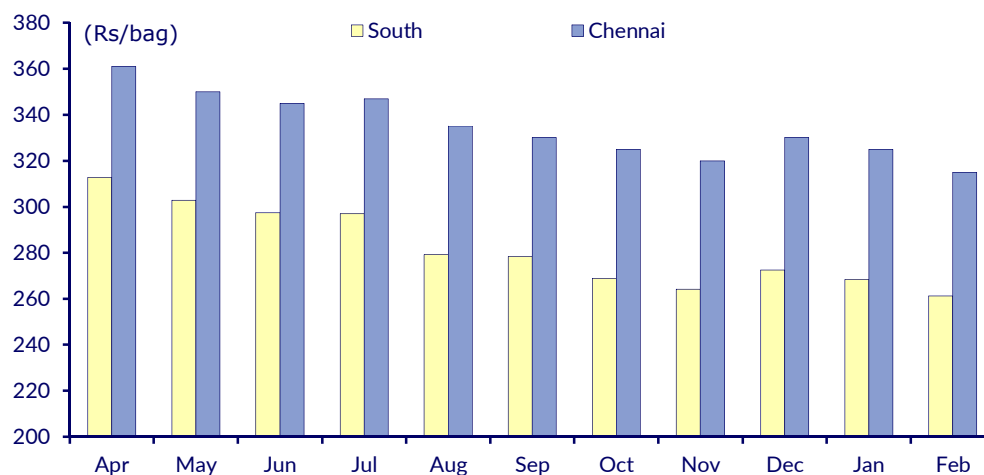
Trend in monthly demand during FY18 - south region and Tamil Nadu



Source: Industry, CLSA

Figure 8

Trend in South and Chennai retail cement prices



Source: CLSA

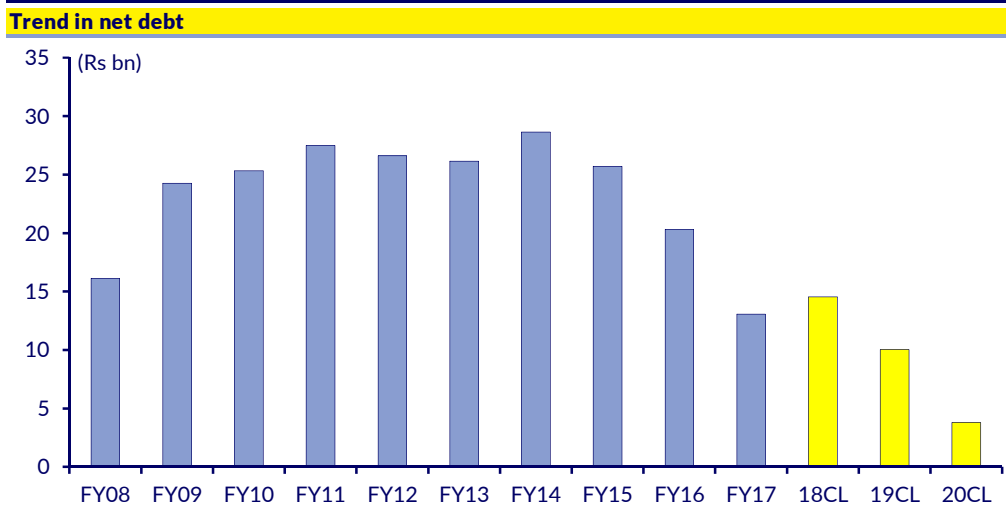
We estimate net debt to decline to around Rs4bn by FY20CL...

...which would lead to a decline in gearing to 0.1x

Strong Ebitda growth and decline in debt to drive down net debt to Ebitda to less than 0.5x

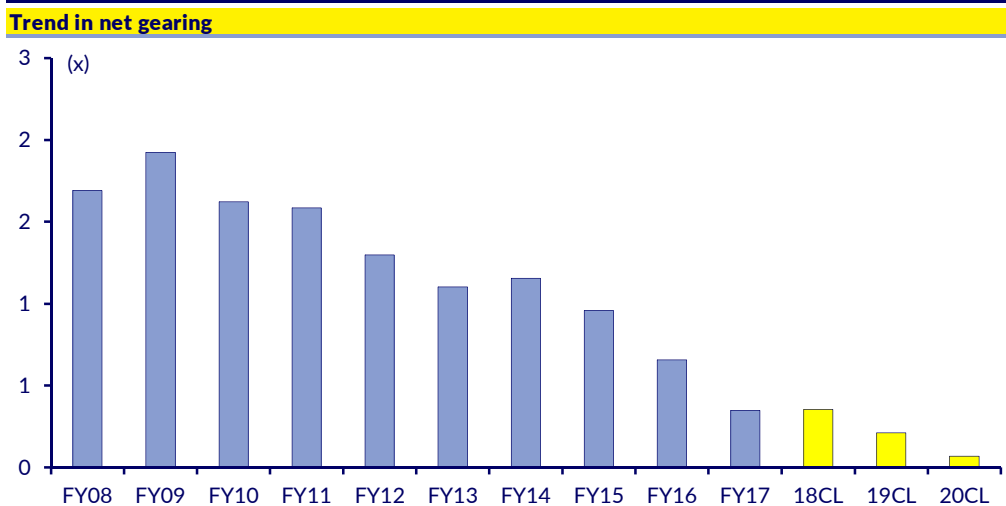
Strong cashflows to drive down net debt

Figure 9



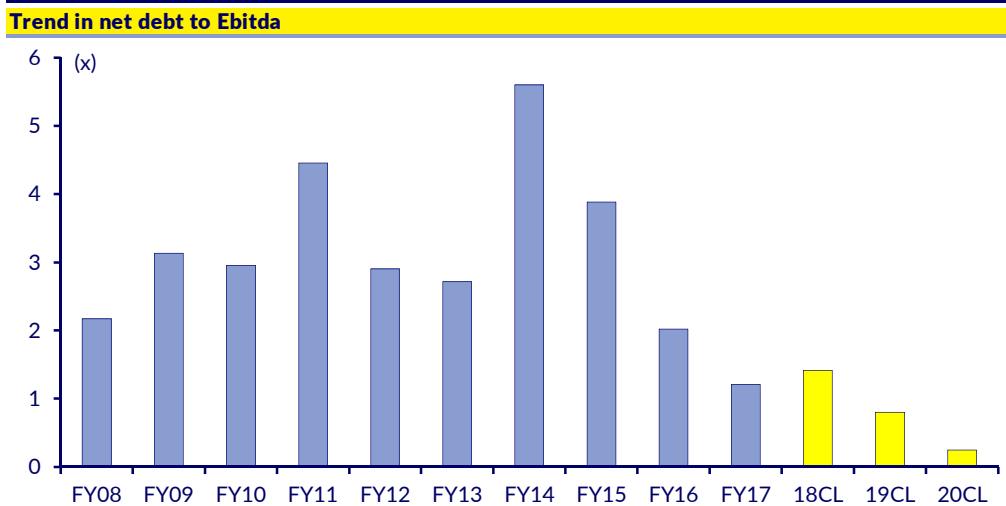
Source: Company, CLSA

Figure 10



Source: Company, CLSA

Figure 11



Source: Company, CLSA

Return ratios to improve by nearly 300-500bp by FY20CL

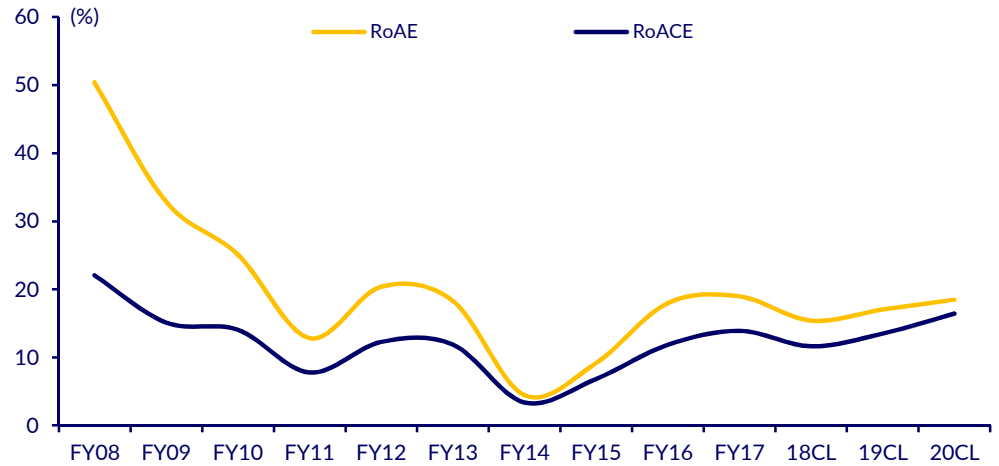
Improved margins and decline in leverage to boost ROE's

Strong cashflow generation despite expansions

Return ratios should also improve in coming years

Figure 12

Trend in RoAE and RoACE



Source: Company, CLSA

Figure 13

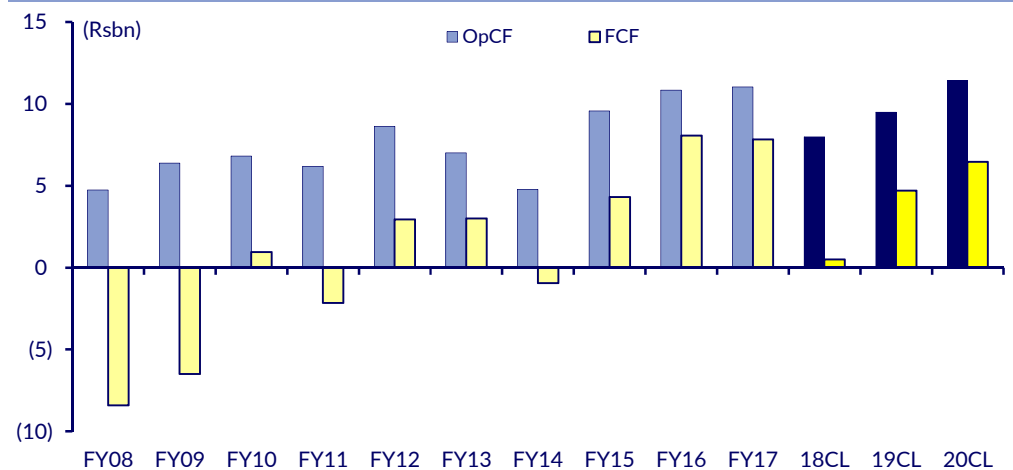
Dupont analysis

	FY15	FY16	FY17	18CL	19CL	20CL
Ebit Margin (%)	11.5	20.0	21.2	17.2	19.0	20.6
Asset Turnover (x)	0.6	0.6	0.7	0.7	0.7	0.8
Financial Leverage (x)	2.4	2.1	1.7	1.6	1.5	1.4
Interest burden (x)	0.9	1.0	1.0	1.1	1.1	1.1
Tax Burden (x)	0.7	0.8	0.8	0.8	0.8	0.7
RoAE	9.4	17.9	18.9	15.4	17.0	18.5

Source: Company, CLSA

Figure 14

Trend in cashflows



Source: Company, CLSA

We forecast better pricing environment in FY19-20CL

We expect unit Ebitda to bounce back after contraction in FY18

We forecast 25%+ EPS growth

Upgrade to BUY with Rs930 TP

Figure 15

Summary Income statement

	FY15	FY16	FY17	18CL	19CL	20CL
Volumes	7.7	7.2	8.3	9.1	9.8	10.8
% YoY	(11)	(6)	16	9	8	10
Blended realisations	4,687	4,872	4,620	4,712	5,019	5,345
% YoY	11	4	(5)	2	7	7
Material (Rs/t)	(904)	(842)	(796)	(766)	(805)	(846)
Power & fuel (Rs/t)	(918)	(732)	(621)	(785)	(830)	(880)
Freight (Rs/t)	(1,038)	(933)	(884)	(973)	(1,017)	(1,062)
Others (Rs/t)	(963)	(968)	(1,020)	(1,060)	(1,092)	(1,142)
Total cost (Rs/t)	(3,823)	(3,475)	(3,322)	(3,584)	(3,745)	(3,931)
%YoY	5	(9)	(4)	8	4	5
Ebitda (Rs/t)	864	1,397	1,298	1,129	1,274	1,414
% YoY	45	62	(7)	(13)	13	11
Total Ebitda	6,622	10,056	10,836	10,276	12,528	15,295
%YoY	29	52	8	(5)	22	22
Depreciation	(2,499)	(3,048)	(2,655)	(2,915)	(3,137)	(3,377)
Interest	(1,938)	(1,819)	(1,035)	(651)	(688)	(543)
Other income	1,379	1,544	1,356	1,225	1,348	1,482
PBT	3,564	6,734	8,502	7,936	10,051	12,857
Tax	(1,204)	(1,550)	(2,029)	(1,905)	(2,513)	(3,279)
Tax rate (%)	34	23	24	24	25	26
Pre ex PAT	2,361	5,184	6,473	6,031	7,539	9,579
EPS (Rs.sh)	9.9	21.8	27.2	25.6	32.0	40.7
% YoY	119	120	25	(6)	25	27

Source: CLSA

Figure 16

Cement valuation table for our coverage

	Price (Rs/sh)	Mcap (\$bn)	EV/t (\$)	PE (x)			EV/Ebitda (x)			Relative perf (%)				EPS		
				FY18	FY19	FY20	FY18	FY19	FY20	1m	3m	ytd	12m	18CL	19CL	20CL
UltraTech	4,026	17	194	45	30	22	22	15	12	(1)	(5)	(5)	(12)	89.7	134.3	185.4
Ambuja	235	7.2	127	32	24	20	19	14	12	(6)	(10)	(19)	(12)	7.3	9.8	11.6
ACC	1,568	4.5	121	32	24	20	17	14	11	(3)	(6)	(15)	(1)	48.7	64.4	79.8
Shree	16,424	8.8	194	37	27	22	22	16	13	(1)	(6)	(13)	(12)	446.3	604.5	758.5
Dalmia	2,842	3.9	170	48	32	21	14	12	9	4	(10)	(1)	37	59.1	88.9	136.5
Ramco	741	2.7	182	29	23	18	19	15	12	5	6	(2)	4	25.6	32	40.7
India Cement	147	0.7	68	43	27	18	14	12	10	(3)	(10)	(24)	(22)	3.8	6.1	9.2
Aggregate/ Mean		44.8	171	39	28	21	20	15	12	(1)	(6)	(10)	(6)			

Source: Bloomberg, Companies, CLSA

Valuation details

We value Ramco at 15x Mar-20 EV/Ebitda which is at a premium to historical average but broadly in-line with frontline cement peers. Strong expansion plans, focus on cost savings, improvement in industry fundamental are key positives.

Investment risks

Slower than expected pick-up in volumes, weak pricing and sharp rise in cost inflation are key risks to our positive view.

Detailed financials

Profit & Loss (Rsm)

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Revenue	36,321	35,939	35,073	38,568	42,906	49,351	57,814
Cogs (ex-D&A)	(7,587)	(6,931)	(5,861)	(6,459)	(6,978)	(7,919)	(9,154)
Gross Profit (ex-D&A)	28,734	29,008	29,212	32,109	35,928	41,432	48,660
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(4,819)	(5,101)	(4,380)	(5,738)	(6,605)	(7,361)	(8,504)
Other Op Expenses ex-D&A	(18,799)	(17,284)	(14,576)	(15,345)	(19,047)	(21,543)	(24,861)
Op Ebitda	5,117	6,622	10,257	11,026	10,276	12,528	15,295
Depreciation/amortisation	(3,063)	(2,499)	(3,248)	(2,845)	(2,915)	(3,137)	(3,377)
Op Ebit	2,054	4,123	7,009	8,181	7,361	9,392	11,918
Interest income	1,147	1,379	1,544	1,356	1,225	1,348	1,482
Interest expense	(1,881)	(1,938)	(1,819)	(1,035)	(651)	(688)	(543)
Net interest inc/(exp)	(735)	(559)	(275)	321	574	660	939
Associates/investments	-	-	-	-	-	-	-
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	1,319	3,564	6,734	8,501	7,936	10,051	12,857
Taxation	(243)	(1,204)	(1,358)	(2,029)	(1,905)	(2,513)	(3,279)
Profit after tax	1,076	2,361	5,376	6,472	6,031	7,539	9,579
Preference dividends	-	-	-	-	-	-	-
Profit for period	1,076	2,361	5,376	6,472	6,031	7,539	9,579
Minority interest	0	0	0	0	0	0	0
Net profit	1,076	2,361	5,376	6,472	6,031	7,539	9,579
Extraordinaries/others	301	63	238	20	77	0	0
Profit avail to ordinary shares	1,377	2,424	5,615	6,493	6,108	7,539	9,579
Dividends	-	-	-	-	-	-	-
Retained profit	1,377	2,424	5,615	6,493	6,108	7,539	9,579
Adjusted profit	1,076	2,361	5,184	6,472	6,031	7,539	9,579
EPS (Rs)	4.5	9.9	21.8	27.2	25.6	32.0	40.7
Adj EPS [pre excep] (Rs)	4.5	9.9	21.8	27.2	25.6	32.0	40.7
Core EPS (Rs)	4.5	9.9	22.6	27.2	25.6	32.0	40.7
DPS (Rs)	1.0	1.5	3.0	3.0	3.0	4.0	5.0

Profit & loss ratios

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Growth (%)							
Revenue growth (% YoY)	(4.1)	(1.1)	(2.4)	10.0	11.2	15.0	17.1
Ebitda growth (% YoY)	(47.5)	29.4	54.9	7.5	(6.8)	21.9	22.1
Ebit growth (% YoY)	(69.9)	100.8	70.0	16.7	(10.0)	27.6	26.9
Net profit growth (%)	(73.4)	119.4	127.7	20.4	(6.8)	25.0	27.1
EPS growth (% YoY)	(73.4)	119.4	119.6	24.9	(5.8)	25.0	27.1
Adj EPS growth (% YoY)	(73.4)	119.4	119.6	24.9	(5.8)	25.0	27.1
DPS growth (% YoY)	(66.7)	50.0	99.8	0.0	0.0	33.3	25.0
Core EPS growth (% YoY)	(73.4)	119.4	127.7	20.4	(5.8)	25.0	27.1
Margins (%)							
Ebitda margin (%)	14.1	18.4	29.2	28.6	23.9	25.4	26.5
Ebit margin (%)	5.7	11.5	20.0	21.2	17.2	19.0	20.6
Net profit margin (%)	3.0	6.6	15.3	16.8	14.1	15.3	16.6
Core profit margin	3.0	6.6	15.3	16.8	14.1	15.3	16.6
Op cashflow margin	13.2	26.6	30.9	28.7	18.6	19.2	19.8
Returns (%)							
ROE (%)	4.4	9.1	18.6	18.9	15.4	17.0	18.5
ROA (%)	2.5	4.0	7.8	9.0	7.7	8.9	10.4
ROIC (%)	2.9	4.7	9.7	11.4	9.8	11.6	14.0
ROCE (%)	4.0	7.8	13.5	16.1	13.9	16.6	20.3
Other key ratios (%)							
Effective tax rate (%)	18.4	33.8	23.0	23.9	24.0	25.0	25.5
Ebitda/net int exp (x)	7.0	11.8	37.3	-	-	-	-
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	22.2	15.1	13.8	11.0	11.7	12.5	12.3

Source: www.clsa.com

Balance sheet (Rsm)

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Cash & equivalents	446	877	908	1,181	459	4,276	4,535
Accounts receivable	3,040	3,823	4,721	5,549	6,173	7,100	8,318
Inventories	6,855	5,206	5,490	5,754	6,402	7,363	8,626
Other current assets	5,557	4,026	3,627	3,089	3,398	3,738	4,111
Current assets	15,898	13,932	14,746	15,573	16,432	22,477	25,590
Fixed assets	49,953	51,255	50,480	50,626	55,212	56,873	58,496
Investments	2,834	3,710	3,716	3,890	3,890	3,890	3,890
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	-	-	-
Total assets	68,686	68,897	68,942	70,089	75,533	83,240	87,976
Short term loans/OD	7,236	5,003	6,306	6,345	6,345	6,345	4,345
Accounts payable	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	1,759	2,337	2,147	2,558	2,558	2,558	2,558
Other current liabs	4,582	5,609	7,091	8,085	8,995	10,346	12,120
Current liabilities	13,577	12,948	15,544	16,988	17,898	19,249	19,023
Long-term debt/leases/other	17,488	17,581	11,306	4,228	5,514	5,514	2,514
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	12,799	11,544	11,157	11,457	11,132	10,797	10,311
Total liabilities	43,865	42,073	38,007	32,674	34,544	35,560	31,848
Share capital	238	238	238	238	236	236	236
Retained earnings	24,583	26,586	30,697	37,177	40,753	47,444	55,892
Reserves/others	0	0	0	0	0	-	-
Shareholder funds	24,821	26,824	30,935	37,415	40,989	47,679	56,127
Minorities/other equity	0	0	0	0	0	0	0
Total equity	24,821	26,824	30,935	37,415	40,989	47,679	56,127
Total liabs & equity	68,686	68,897	68,942	70,089	75,533	83,240	87,976
Total debt	29,102	26,572	21,230	14,248	15,000	14,308	8,310
Net debt	28,656	25,695	20,323	13,067	14,541	10,032	3,776
Adjusted EV	198,594	195,742	191,523	184,360	177,964	179,157	170,401
BVPS (Rs)	104.3	112.7	129.9	157.1	174.0	202.4	238.3

Balance sheet ratios

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Key ratios							
Current ratio (x)	1.2	1.1	0.9	0.9	0.9	1.2	1.3
Growth in total assets (% YoY)	6.1	0.3	0.1	1.7	7.8	10.2	5.7
Growth in capital employed (% YoY)	7.3	(1.8)	(2.4)	(1.5)	10.0	3.9	3.8
Net debt to operating cashflow (x)	6.0	2.7	1.9	1.2	1.8	1.1	0.3
Gross debt to operating cashflow (x)	6.1	2.8	2.0	1.3	1.9	1.5	0.7
Gross debt to Ebitda (x)	5.7	4.0	2.1	1.3	1.5	1.1	0.5
Net debt/Ebitda (x)	5.6	3.9	2.0	1.2	1.4	0.8	0.2
Gearing							
Net debt/equity (%)	115.4	95.8	65.7	34.9	35.5	21.0	6.7
Gross debt/equity (%)	117.2	99.1	68.6	38.1	36.6	30.0	14.8
Interest cover (x)	1.7	2.8	4.7	9.2	13.2	15.6	24.7
Debt Cover (x)	0.2	0.4	0.5	0.8	0.5	0.7	1.4
Working capital analysis							
Inventory days	308.0	317.6	322.1	308.7	317.9	317.2	318.8
Debtor days	30.5	34.8	44.5	48.6	49.9	49.1	48.7
Creditor days	-	-	-	-	-	-	-
Working capital/Sales (%)	25.1	14.2	13.1	9.7	10.3	10.7	11.0
Capital employed analysis							
Sales/Capital employed (%)	67.9	68.4	68.4	76.4	77.3	85.5	96.5
EV/Capital employed (%)	371.4	372.7	373.7	365.2	320.5	310.4	284.5
Working capital/Capital employed (%)	17.0	9.7	9.0	7.4	8.0	9.2	10.6
Fixed capital/Capital employed (%)	93.4	97.6	98.5	100.3	99.4	98.5	97.7
Other ratios (%)							
EV/OCF (x)	41.5	20.5	17.7	16.7	22.3	18.9	14.9
EV/FCF (x)	(254.6)	37.8	23.7	23.0	365.9	38.1	26.4
EV/Sales (x)	5.5	5.4	5.5	4.8	4.1	3.6	2.9
Capex/depreciation (%)	181.8	175.5	85.3	107.0	257.3	153.0	148.1

Source: www.clsa.com

Cashflow (Rsm)

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Operating profit	2,054	4,123	7,009	8,181	7,361	9,392	11,918
Operating adjustments	(908)	(1,246)	(1,758)	(1,539)	(1,253)	(1,853)	(2,339)
Depreciation/amortisation	3,063	2,499	3,248	2,845	2,915	3,137	3,377
Working capital changes	(1,062)	2,126	930	813	(621)	(822)	(1,019)
Interest paid / other financial expenses	1,413	1,769	1,441	694	(574)	(660)	(939)
Tax paid	-	-	-	-	-	-	-
Other non-cash operating items	228	290	(19)	60	159	302	451
Net operating cashflow	4,788	9,561	10,851	11,054	7,986	9,495	11,447
Capital expenditure	(5,568)	(4,386)	(2,771)	(3,043)	(7,500)	(4,797)	(5,000)
Free cashflow	(780)	5,175	8,080	8,011	486	4,698	6,447
Acq/inv/disposals	(209)	(319)	1,000	(1,493)	-	-	-
Int, invt & associate div	368	148	378	341	1,225	1,348	1,482
Net investing cashflow	(5,410)	(4,557)	(1,392)	(4,195)	(6,275)	(3,450)	(3,518)
Increase in loans	807	(3,900)	(8,336)	(6,531)	101	(1,380)	(6,540)
Dividends	(279)	(279)	(1,291)	0	(848)	(848)	(1,131)
Net equity raised/(buybacks)	-	(394)	198	(55)	(1,686)	0	-
Net financing cashflow	528	(4,573)	(9,428)	(6,586)	(2,433)	(2,228)	(7,671)
Incr/(decr) in net cash	(93)	431	31	273	(722)	3,817	259
Exch rate movements	-	-	-	-	-	-	-
Opening cash	540	446	877	908	1,181	459	4,276
Closing cash	446	877	908	1,181	459	4,276	4,535
OCF PS (Rs)	20.1	40.2	45.6	46.4	33.9	40.3	48.6
FCF PS (Rs)	(3.3)	21.7	33.9	33.6	2.1	19.9	27.4

Cashflow ratio analysis

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Growth (%)							
Op cashflow growth (% YoY)	(31.7)	99.7	13.5	1.9	(27.8)	18.9	20.6
FCF growth (% YoY)	(126.1)	-	56.1	(0.9)	(93.9)	865.9	37.3
Capex growth (%)	38.5	(21.2)	(36.8)	9.8	146.5	(36.0)	4.2
Other key ratios (%)							
Capex/sales (%)	15.3	12.2	7.9	7.9	17.5	9.7	8.6
Capex/op cashflow (%)	116.3	45.9	25.5	27.5	93.9	50.5	43.7
Operating cashflow payout ratio (%)	5.0	3.7	6.6	6.5	8.8	9.9	10.3
Cashflow payout ratio (%)	-	-	-	-	-	-	-
Free cashflow payout ratio (%)	-	-	-	-	-	-	-

DuPont analysis

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Ebit margin (%)	5.7	11.5	20.0	21.2	17.2	19.0	20.6
Asset turnover (x)	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Interest burden (x)	0.6	0.9	1.0	1.0	1.1	1.1	1.1
Tax burden (x)	0.8	0.7	0.8	0.8	0.8	0.8	0.7
Return on assets (%)	2.5	4.0	7.8	9.0	7.7	8.9	10.4
Leverage (x)	2.7	2.7	2.4	2.0	1.9	1.8	1.6
ROE (%)	4.4	9.1	18.6	18.9	15.4	17.0	18.5

EVA[®] analysis

Year to 31 March	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Ebit adj for tax	1,675	2,731	5,395	6,228	5,594	7,044	8,879
Average invested capital	57,641	57,714	55,722	54,728	57,004	60,901	63,522
ROIC (%)	2.9	4.7	9.7	11.4	9.8	11.6	14.0
Cost of equity (%)	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Cost of debt (adj for tax)	7.3	6.0	6.9	6.9	6.8	6.8	6.7
Weighted average cost of capital (%)	13.8	13.7	13.8	13.8	13.8	13.8	13.8
EVA/IC (%)	(10.9)	(9.0)	(4.1)	(2.4)	(4.0)	(2.2)	0.2
EVA (Rsm)	(6,308)	(5,190)	(2,301)	(1,327)	(2,274)	(1,358)	118

Source: www.clsa.com



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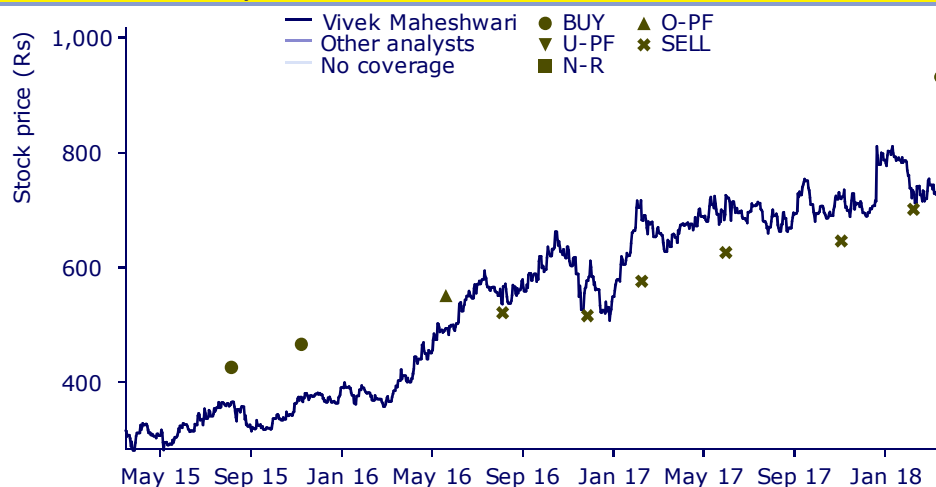
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Date	Rec	Target	Date	Rec	Target
LATEST	BUY	930.00	26 Nov 2016	SELL	515.00
07 Feb 2018	SELL	700.00	04 Aug 2016	SELL	520.00
02 Nov 2017	SELL	645.00	20 May 2016	O-PF	550.00
31 May 2017	SELL	625.00	08 Nov 2015	BUY	465.00
07 Feb 2017	SELL	575.00	06 Aug 2015	BUY	425.00

Source: CLSA

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