

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
36,154	10,831
<b>Bloomberg</b>	<b>HNDL IN</b>
Equity Shares (m)	2,229
M.Cap.(INRb)/(USDb)	446 / 6.3
52-Week Range (INR)	267 / 193
1, 6, 12 Rel. Per (%)	-4/-6/-24
Avg Val, INRm/ Vol m	2449
Free float (%)	65.3

### Financials & Valuations (INR b)

Y/E Mar	2019E	2020E	2021E
Net Sales	1,294	1,523	1,562
EBITDA	159.8	193.4	200.1
PAT	59.2	64.5	70.4
EPS (INR)	26.6	29.0	31.6
Gr. (%)	40.8	8.9	9.1
BV/Sh (INR)	188.7	215.7	245.3
RoE (%)	15.0	14.3	13.7
RoCE (%)	10.6	11.0	10.6
P/E (x)	7.5	6.9	6.3
P/BV (x)	1.1	0.9	0.8

Estimate change 

TP change 

Rating change 

**CMP: INR199**

**TP: INR302(+52%)**

**Buy**

## Operationally in line; input costs appear to have peaked

### Valuations attractive: Maintain Buy

**Hindalco India (standalone + Utkal):** 3QFY19 EBITDA of INR17.2b (-1% QoQ) came in 5% higher than our estimate of INR16.7b owing to the better-than-expected copper business performance. Finance cost was flat QoQ at INR4.8b, while other income increased 13% QoQ to INR2.1b. PAT declined 2% QoQ to INR7.1b (consol. PAT up by 45% YoY to INR46b YTD).

- Aluminum EBITDA/t declined 6% QoQ to USD551 (our estimate: USD532) due to lower LME prices, partly offset by lower cost of production and positive hedging impact (+INR900m). Aluminum production and sales were largely stable QoQ at 324kt and 323kt, respectively.
- Aluminum CoP reduced by USD59 QoQ with input costs reaching peak levels. CoP in 4Q is expected to be flat or slightly lower, given the fall in CPC and caustic prices, and flattish oil and coal costs.
- Copper production increased 46% QoQ to 105kt post maintenance shutdown. Sales rose 25% QoQ to 99kt. Copper EBITDA/t was lower by 14% QoQ; however, copper EBITDA increased 11% QoQ to INR4.3b due to higher volumes.
- Consol. EBITDA declined 4% QoQ (+14% YoY) to INR39.7b on the back of lower LME and tapering of recycling spreads at Novelis.

### Robust business with attractive valuations; Maintain Buy

- We expect the aluminum business margins to improve, as input prices have peaked. Copper business continues benefiting from strong by-product prices.
- Hindalco continues focusing on high-IRR projects – expansion of Utkal Alumina and downstream projects in India. Acquisition of Aleris is strategic and value-accretive, in our view, and it too will be FCF-positive at margin.
- We raise our FY19/20 EPS estimates by 3%/4% to factor in higher other income and hedging gains. Despite upgrade to earnings, we cut our TP to INR302 (prior: INR338) due to reducing EV/EBITDA valuation multiple from 6.5x to 6x, given the general de-rating of metal stocks and accounting for the INR6.5b outgo on the rights issue of Idea. The stock trades at attractive valuations of 5.1x EV/EBITDA and 6.8x P/E on FY20E. If Hindalco were to avoid growth capex, the stock is trading at an FCF yield of 18-20%. Maintain **Buy**.

### Quarterly Performance (Consolidated)

Y/E March	INR million											
	FY18				FY19				FY18	FY19E	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
<b>Net Sales</b>	<b>262,980</b>	<b>277,910</b>	<b>303,354</b>	<b>307,294</b>	<b>313,431</b>	<b>328,477</b>	<b>336,657</b>	<b>339,882</b>	<b>1,151,717</b>	<b>1,294,186</b>	<b>331,772</b>	<b>1</b>
<b>EBITDA</b>	<b>32,411</b>	<b>34,931</b>	<b>34,744</b>	<b>35,942</b>	<b>40,089</b>	<b>41,477</b>	<b>39,727</b>	<b>33,749</b>	<b>138,204</b>	<b>159,847</b>	<b>39,116</b>	<b>2</b>
Novelis	18,631	19,630	19,764	20,524	22,244	24,921	23,252	22,953	78,552	93,413	22,763	2
India	14,387	15,909	15,587	16,025	18,452	17,163	17,083	11,403	62,081	64,101	16,961	1
Aluminium	11,412	11,409	11,627	12,694	15,205	13,490	12,860	7,689	47,314	49,244	13,247	-3
USD/t	592	534	552	615	756	589	551	316	572	544	559	-1
Standalone	8,502	9,399	9,157	9,244	10,006	7,234	5,059	3,234	36,474	25,533	6,667	-24
Utkal Alumina	2,910	2,010	2,470	3,450	5,199	6,256	7,801	4,455	10,840	23,711	6,580	19
Copper S/A	2,975	4,499	3,961	3,331	3,247	3,673	4,223	3,714	14,766	14,857	3,713	14
US cent/lb	19.9	33.8	27.2	21.7	26.8	30.0	26.8	23.4	25.4	26.6	23	
Others	-607	-607	-607	-607	-607	-607	-607	-607	-2,429	2,333	-607	
<b>adj. PAT</b>	<b>9,943</b>	<b>10,324</b>	<b>12,693</b>	<b>11,498</b>	<b>16,050</b>	<b>17,008</b>	<b>16,734</b>	<b>14,518</b>	<b>42,088</b>	<b>59,238</b>	<b>14,241</b>	<b>18</b>

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

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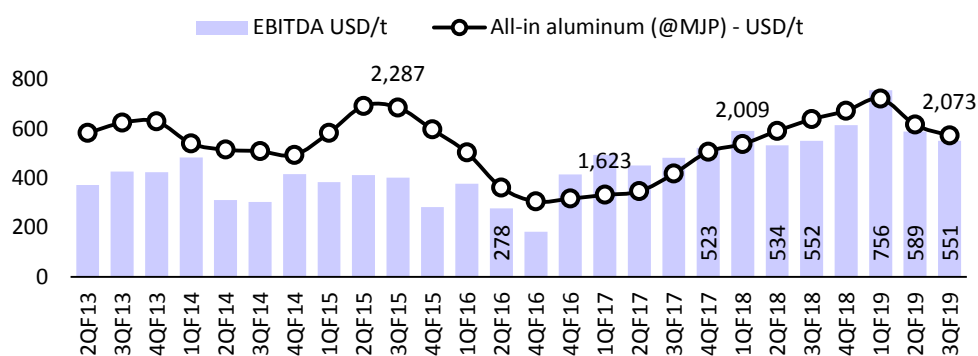
**Other highlights for the quarter:**

- **Aluminum (India + Utkal):** Aluminum realization decreased ~USD97 QoQ to USD2,578/t. Derived cost of production, considering Utkal as integrated operation, declined ~USD59/t QoQ to USD2,027/t. Aluminum production and sales remained largely stable QoQ at 324kt and 323kt, respectively. EBITDA per ton decreased USD38 QoQ to USD551 on account of lower realizations.
- **Copper:** Production was up 46% QoQ/4% YoY to 105kt post maintenance shutdown in 2Q. Sales were up 25% QoQ (-3% YoY) to 99kt. Copper EBITDA rose 11% QoQ (+2% YoY) to INR4.3b on higher volumes.
- Depreciation cost increased 6% QoQ to INR5.1b due to higher mining and higher depreciation rate post write down of some old assets. Interest cost was flat QoQ at INR4.8b.
- Other income increased 13% QoQ to INR2.1b.

**Exhibit 1: Quarterly performance (standalone + Utkal) – INR million**

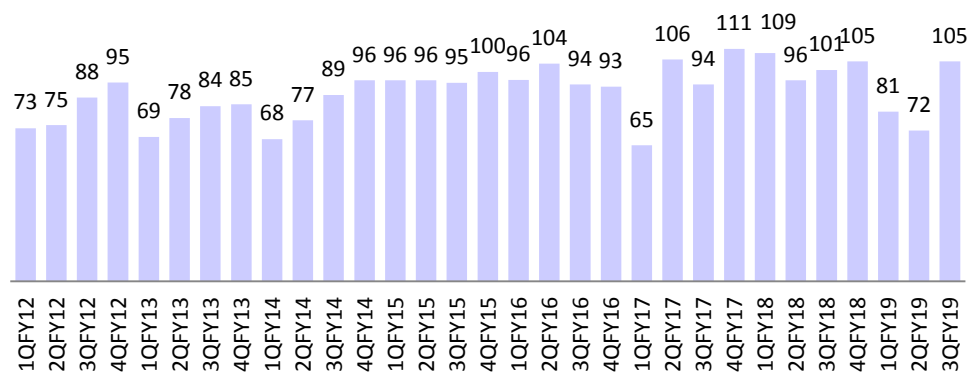
Y/E March	FY18				FY19				FY18	FY19E	3QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Aluminum (sales, kt)	299	329	325	321	300	326	323	338	1,274	1,287	328	-2
Copper (sales, kt)	105	93	102	108	82	79	99	100	408	360	100	-1
<b>Net Sales</b>	<b>97,770</b>	<b>103,120</b>	<b>110,440</b>	<b>116,810</b>	<b>106,700</b>	<b>108,330</b>	<b>119,380</b>	<b>120,920</b>	<b>428,140</b>	<b>455,330</b>	<b>118,847</b>	0
<b>EBITDA</b>	<b>14,540</b>	<b>16,290</b>	<b>16,090</b>	<b>15,940</b>	<b>18,590</b>	<b>17,370</b>	<b>17,170</b>	<b>16,512</b>	<b>62,860</b>	<b>69,642</b>	<b>16,418</b>	5
Aluminum	11,320	11,070	11,880	12,650	15,240	13,490	12,860	12,697	46,920	54,287	12,605	2
USD/t	587	518	564	612	758	589	551	521	570	599	532	4
Copper	3,220	5,220	4,210	3,290	3,350	3,880	4,310	3,814	15,940	15,354	3,813	13
Interest	6,030	5,720	5,400	5,000	4,640	4,790	4,770	4,814	22,150	19,014	4,701	1
Depreciation	4,590	4,600	4,620	5,350	4,800	4,750	5,050	4,867	19,160	19,467	4,562	11
Other Income	2,070	1,960	2,510	2,140	920	1,850	2,090	1,200	8,680	6,060	637	228
<b>PBT (before EO item)</b>	<b>5,990</b>	<b>7,930</b>	<b>8,580</b>	<b>7,730</b>	<b>10,070</b>	<b>9,680</b>	<b>9,440</b>	<b>8,031</b>	<b>30,230</b>	<b>37,221</b>	<b>7,792</b>	21
EO item	-1,040	-940	-1,150						-3,130			
<b>PBT (after EO item)</b>	<b>4,950</b>	<b>6,990</b>	<b>7,430</b>	<b>7,730</b>	<b>10,070</b>	<b>9,680</b>	<b>9,440</b>	<b>8,031</b>	<b>27,100</b>	<b>37,221</b>	<b>7,792</b>	21
Total Tax	1,310	2,290	2,590	1,570	2,730	2,430	2,310	2,329	7,760	9,799	2,260	2
% Tax	26.5	32.8	34.9	20.3	27.1	25.1	24.5	29.0	28.6	26.3	29.0	-16
<b>Reported PAT</b>	<b>3,640</b>	<b>4,700</b>	<b>4,840</b>	<b>6,160</b>	<b>7,340</b>	<b>7,250</b>	<b>7,130</b>	<b>5,702</b>	<b>19,340</b>	<b>27,422</b>	<b>5,532</b>	29
<b>Adjusted PAT</b>	<b>4,680</b>	<b>5,640</b>	<b>5,990</b>	<b>6,160</b>	<b>7,340</b>	<b>7,250</b>	<b>7,130</b>	<b>5,702</b>	<b>22,470</b>	<b>27,422</b>	<b>5,532</b>	29

Source: MOSL, Company

**Exhibit 2: Aluminum (incl. Utkal) EBITDA and all-in LME**

Source: MOSL, Company

Exhibit 3: Copper production - kt



Source: MOSL, Company

### Conference call highlights

- **Demand and pricing:** Domestic demand for both aluminum and copper remained strong. Aluminum demand grew 11% in 9MFY19. Demand is likely to grow 7-8% in FY20, driven by transportation segment. However, inflow of low-cost imports (scrap & semis) has increased and limited domestic producers' ability to gain share. China has closed 3mt of capacity in CY18. Expects aluminum prices at USD1,800-2,000/t in CY19.
- Domestic demand for copper increased ~15% in 9MFY19. Copper market is still in surplus. Overall, copper metal production was up by 3% in CY18 – with a surplus of 200kt. Copper TcRc stood at US\$21.98/lb in 3Q v/s US\$23/lb in 2Q.
- **Aluminum hedging:** For 4QFY19, 27.5% of volumes are hedged for commodity and currency at INR141.7k/t and 11% is hedged for commodity at USD2,287/t. The hedging gain stood at INR900m in 3Q.
- **Value-added products:** Production of aluminum value-added products (VAP) lowered due to a cut-back on wire rod production on account of higher imports from Malaysia in the market. Step up in VAP volumes would be gradual. Currently, the company is focused on quality improvement.
- **Cost of production:** Expect cost of production for aluminum to remain flat to slightly lower in 4Q. Caustic costs have started to come down. Oil costs remain high, while coal costs have been flattish.
- **Coal consumption:** Total coal consumed stood at 4.5mt in 3Q. Of this, 13% came from captive coal mines, 60% from linkage, 21% from E-auction and rest 5% were imports. The company expects consumption from linkage and captive mines to improve in 4Q.
- **Net debt:** Net debt stood at INR 162b (~INR 8b lower YTD). This comprises gross debt of INR227b (Long term: 181b, Short term: 46b) and cash equivalents of INR65b.
- **Guidance:**
  - FY20 hedges: 11% of volumes for commodity and currency at INR152.4k/t and 4% is hedged for commodity at USD2,421/t.
  - Dumri captive coal mine to start production in June 2019.
  - TcRC CY19 is at US\$20.7/lb.
  - One of the small copper smelters shut-down is planned in 4QCY19, which will have marginal impact on volumes.
  - Capex of INR13b for FY19 and INR20b for FY20.
  - Company expects to maintain margins for Novelis' large auto contract up for renewal over the next 12 months.
  - Vodafone IDEA: The company will subscribe to the rights issue to maintain stake at 2.6%.

## Novelis 3Q: Performance strong despite some headwinds

- **Strong 3QFY19:** Novelis continues reporting a strong operating performance. Adjusted EBITDA increased 6% YoY to USD322m led by strong demand across product segments, operating efficiencies and favorable recycling spreads, partially offset by some temporary headwinds in autos (China & UK) and a transport strike. USD2.3b funding has been arranged for Aleris acquisition.
- **FCF generation robust despite growth capex:** Novelis generated FCF of USD23m in 3Q (after USD96m capex) and USD127m in 9MFY19 (after USD210m capex and USD360m WC increase). Net debt declined USD14m QoQ, but increased USD131m in 9MFY19, primarily for USD239m payout toward buyout of a leased facility in Switzerland.
- **Outlook remains robust for Novelis:** Barring temporary pull-back in the auto market in the UK and China, the earnings outlook remains robust on the back of tightening in the beverage can market and operating efficiencies. Despite tapering of recycling spreads, management guided for robust EBITDA/t of USD400/t, which is still 3% better than our FY20 estimates.

Exhibit 4: Novelis performance – USD m

Y/E March	FY18				FY19				FY18	FY19E	vs Est (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	3QE			
<b>Sales (000 tons)</b>	785	802	796	805	797	807	800	821	3,188	3,252	812	-1
Change (YoY %)	4.0	3.8	6.1	2.0	1.5	0.6	0.5	2.0	3.9	2.0	2.0	
<b>Net Sales</b>	2,669	2,794	3,085	3,066	3,097	3,136	3,009	3,069	11,614	12,311	2,939	2
Change (YoY %)	16.2	18.3	33.4	17.0	16.0	12.2	-2.5	0.1	21.1	6.0	-4.7	
<b>EBITDA (adjusted)</b>	289	302	305	319	332	355	322	319	1,215	1,328	315	2
Change (YoY %)	7.8	11.9	19.6	9.2	14.9	17.5	5.6	-0.1	12.0	9.3	3.4	
As % of Net Sales	10.8	10.8	9.9	10.4	10.7	11.3	10.7	10.4	10.5	10.8	10.7	
<b>EBITDA per ton (USD)</b>	368	377	383	396	417	440	403	388	381	408	388	4
Interest	62	62	62	60	63	66	64	60	246	253	60	7
Depreciation	90	91	86	87	86	86	88	89	354	349	88	0
<b>PBT (before EO item)</b>	137	149	157	172	183	203	170	170	615	726	168	1
Extra-ordinary Income	7	274	(32)	(9)	7	(23)	(55)	-	240	(71)	-	
<b>PBT (after EO item)</b>	144	423	125	163	190	180	115	170	855	655	168	-31
Total Tax	43	116	20	54	53	64	37	48	233	202	47	-21
% Tax	29.9	27.4	16.0	33.1	27.9	35.6	32.2	28.0	27.3	30.8	28.0	
<b>Reported PAT</b>	101	307	121	112	137	116	78	122	609	453	121	
Change (YoY %)	321	-445	92	138	36	-62	-36	9	1,253	-26	0	
<b>Adjusted PAT</b>	94	83	121	121	130	139	133	122	369	524	121	10

Source: MOSL, Company

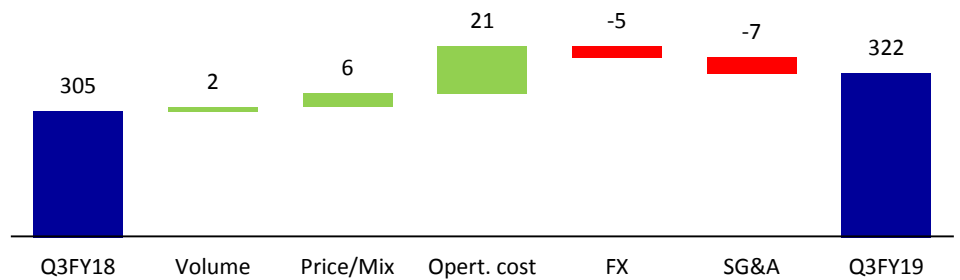
### Conference call highlights

- Tightening in the scrap markets is being witnessed. Recycling spreads have softened in South American and Asian markets, and the trend is likely to continue in 4Q. Spreads though are still sustaining in North America.
- Product mix is unlikely to change significantly in the coming quarters.
- Ban of plastic in packaging is likely to switch the focus on aluminum, although it is difficult to quantify the size of opportunity at this early stage.
- **Guidance**
  - **EBITDA per ton** is likely to sustain at USD400/t for at least 2-3 quarters, as operational efficiencies, absence of transport strike and tighter beverage can market will offset tapering abnormal metal recycling spreads and some pull-back in the auto market in China.

- **Aleris** acquisition is likely to be completed by 2QFY20. The company has secured USD1.5b of bridge financing with one year of maturity and USD775m of term loan with five years maturity.
- **Capex** for the year is estimated at USD400m v/s its earlier guidance of USD450m.
- **Outlook**
  - **North America:** Product mix has improved as the company is selling to larger vehicles with higher aluminum requirement. Contracts for US auto sheet markets are likely to be renewed in 2019. The company does expect some margin pressure post their renewal.
  - **South America:** Demand for can segment has been strong -particularly in the beer category where usage of aluminum cans has risen. The company expects demand for aluminum products in Brazil to grow at 4-5%.
  - **Europe:** Overall market conditions remain positive. However, mix shift within specialty products is ongoing. Performance in 3Q was impacted by issues for one of its largest customers in the UK.
  - **Asia:** Focus on high-amperage electric vehicles (for which aluminum is an important component) in China is likely keep driving demand in the region.

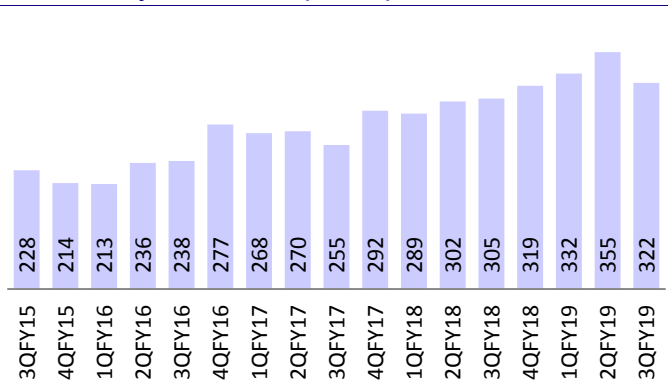
Operating costs benefit led by higher operational efficiency, better metal mix and favorable scrap market conditions drove adj. EBITDA growth

**Exhibit 5: EBITDA bridge (3QFY19) – USD m**



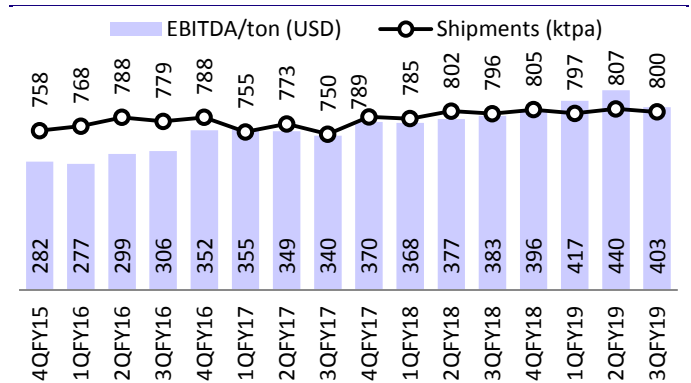
Source: MOSL, Company

**Exhibit 6: Adjusted EBITDA (USD m) was USD322m**



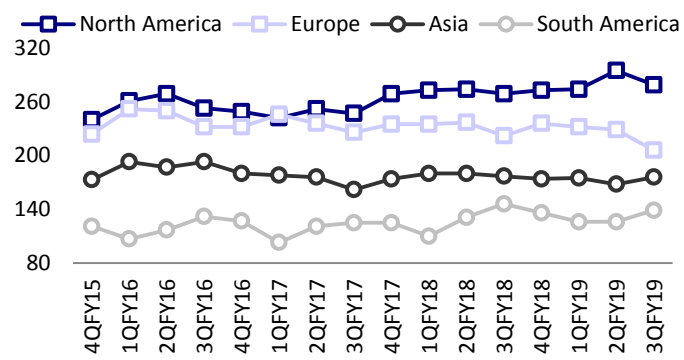
Source: MOSL, Company

**Exhibit 7: EBITDA/t was USD403/ton**



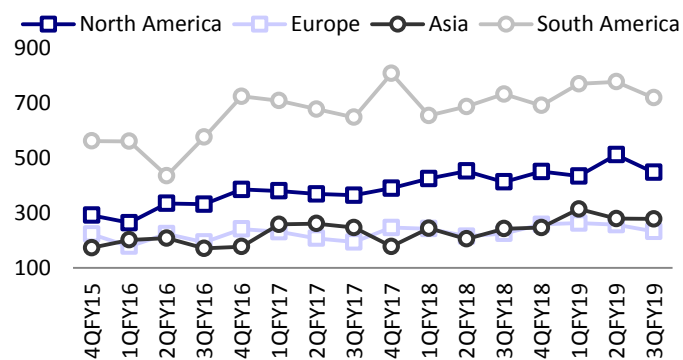
Source: MOSL, Company

**Exhibit 8: FRP shipments (kt) decreased in Europe (kt)**



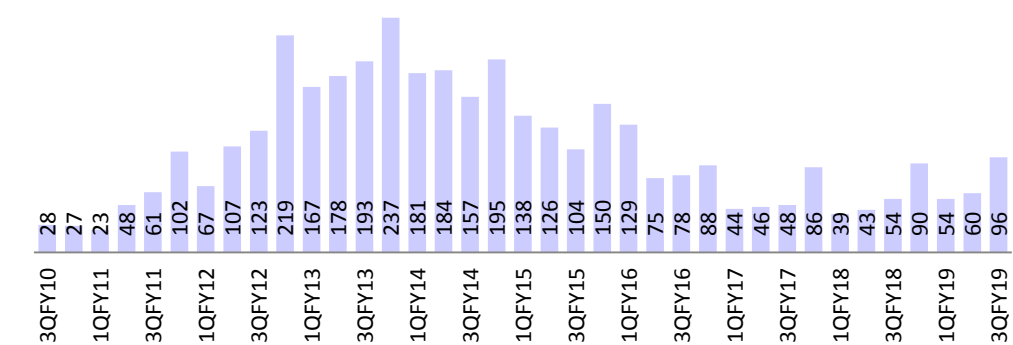
Source: MOSL, Company

**Exhibit 9: EBITDA/t dipped QoQ on some spread softening**



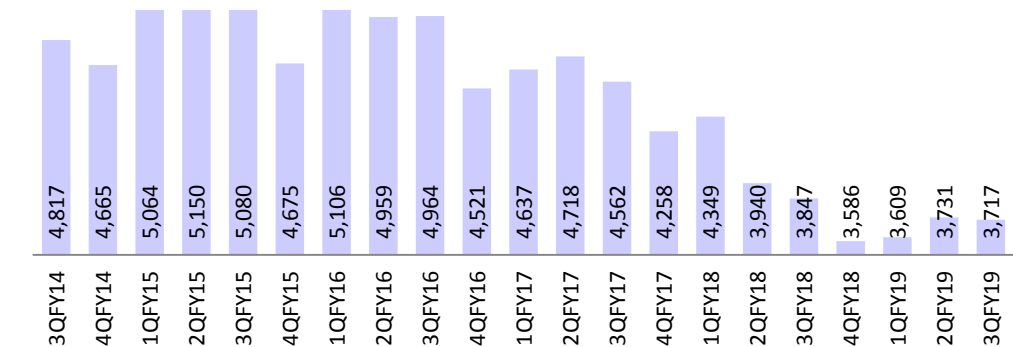
Source: MOSL, Company

**Exhibit 10: Capex (USD m)**



Source: MOSL, Company

**Exhibit 11: Net debt (USD m)**



Source: Company, MOSL

**Exhibit 12: Target price derivation**

Y/E March	2016	2017	2018	2019E	2020E
<b>EBITDA</b>	<b>86,542</b>	<b>124,359</b>	<b>138,204</b>	<b>159,847</b>	<b>193,352</b>
EV/EBITDAx			6.0	6.0	6.0
Target EV			829,222	959,082	1,160,111
Net Debt	553,792	465,385	400,543	416,412	548,148
EQ = (EV-net Debt)			428,679	542,670	611,963
A. INR/share(EQ)			192	243	275
CWIP			20,629	35,802	60,134
AA. INR/share (CWIP)			9	16	27
<b>Eq. Value (A+AA) INR/sh.</b>			<b>202</b>	<b>260</b>	<b>302</b>
<b>Assumptions</b>					
USD/INR		67.1	64.7	70.4	73.4
LME		1,687	2,044	2,058	2,000
<b>Net debt/EBITDA (x)</b>	<b>6.4</b>	<b>3.7</b>	<b>2.9</b>	<b>2.6</b>	<b>2.8</b>

Source: MOSL, Company

## Exhibit 13: Metals valuation

	Rating	CMP (INR)	MCAP (USD M)	EPS			P/E (x)		EV/EBITDA (x)		P/B(x)	
				FY18E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
<b>Steel</b>												
Tata Steel	Sell	488	6,658	56.0	88.7	72.0	5.5	6.8	5.9	6.7	0.9	1.0
JSW Steel	Buy	272	9,229	23.4	30.6	20.7	8.9	13.1	6.5	8.0	2.1	1.9
JSPL	Buy	141	1,815	-8.5	2.3	3.8	61.3	37.6	6.5	6.1	0.4	0.4
SAIL	Neutral	47	2,742	0.3	6.3	6.1	7.6	7.8	6.5	6.0	0.5	0.5
<b>Non-Ferrous</b>												
Hindalco	Buy	199	5,762	18.9	26.6	29.0	7.5	6.8	5.4	5.1	1.1	0.9
Nalco	Buy	52	1,884	5.1	8.9	5.1	5.8	10.1	2.6	5.0	1.0	1.0
Vedanta	Sell	153	6,368	20.4	13.8	21.5	11.1	7.1	5.8	4.4	0.9	0.9
Rain Ind.	Buy	100	474	23.7	27.6	24.4	3.6	4.1	4.3	4.5	0.8	0.7
<b>Mining</b>												
Coal India	Buy	223	19,782	19.2	25.7	28.7	8.7	7.8	4.3	3.9	6.5	6.0
Hindustan Zinc	Neutral	250	14,848	21.1	19.5	23.1	12.8	10.8	7.9	6.4	3.1	2.7
NMDC	Buy	95	5,291	13.1	13.6	10.1	7.0	9.5	3.9	5.3	1.1	1.1

Source: MOSL, Company

## Financials and Valuations

Income Statement								(INR m)
Y/E Mar	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net Sales</b>	<b>876,955</b>	<b>1,042,811</b>	<b>987,589</b>	<b>1,001,838</b>	<b>1,151,717</b>	<b>1,294,186</b>	<b>1,522,917</b>	<b>1,561,859</b>
Change (%)	9.4	18.9	-5.3	1.4	15.0	12.4	17.7	2.6
<b>EBITDA</b>	<b>82,863</b>	<b>89,446</b>	<b>86,542</b>	<b>124,359</b>	<b>138,204</b>	<b>159,847</b>	<b>193,352</b>	<b>200,092</b>
EBITDA Margin (%)	9.4	8.6	8.8	12.4	12.0	12.4	12.7	12.8
Depreciation	35,528	35,906	43,468	44,572	45,062	47,017	59,763	60,704
<b>EBIT</b>	<b>47,335</b>	<b>53,540</b>	<b>43,074</b>	<b>79,786</b>	<b>93,141</b>	<b>112,830</b>	<b>133,589</b>	<b>139,388</b>
Interest	27,016	41,784	51,338	57,424	39,107	37,866	48,910	47,449
Other Income	10,172	11,047	11,888	11,110	10,046	7,426	6,480	6,892
Extraordinary items	-3,960	-19,401	-5,765	-76	17,742	-4,995	0	0
<b>PBT</b>	<b>26,531</b>	<b>3,402</b>	<b>-2,141</b>	<b>33,395</b>	<b>81,821</b>	<b>77,395</b>	<b>91,158</b>	<b>98,830</b>
Tax	5,249	2,564	4,984	14,326	20,742	21,901	25,370	27,169
Tax Rate (%)	19.8	75.4	-232.8	42.9	25.4	28.3	27.8	27.5
Min. Int. & Assoc. Share	-468	-7,704	-6,223	77	1,250	1,250	1,250	1,250
<b>Reported PAT</b>	<b>21,750</b>	<b>8,542</b>	<b>-902</b>	<b>18,992</b>	<b>59,829</b>	<b>54,243</b>	<b>64,538</b>	<b>70,411</b>
<b>Adjusted PAT</b>	<b>25,710</b>	<b>27,943</b>	<b>4,863</b>	<b>19,069</b>	<b>42,088</b>	<b>59,238</b>	<b>64,538</b>	<b>70,411</b>
Change (%)	-20.9	8.7	-82.6	292.1	120.7	40.8	8.9	9.1

Balance Sheet								(INR m)
Y/E Mar	2014	2015	2016	2017	2018	2019E	2020E	2021E
Share Capital	2,065	2,065	2,049	2,227	2,229	2,229	2,229	2,229
Reserves	403,984	381,220	404,017	458,361	546,289	596,554	656,847	722,749
<b>Net Worth</b>	<b>406,048</b>	<b>383,285</b>	<b>406,066</b>	<b>460,588</b>	<b>548,518</b>	<b>598,783</b>	<b>659,076</b>	<b>724,978</b>
Minority Interest	17,805	9,561	3,813	62	86	86	86	86
Debt	646,952	684,050	674,754	637,515	520,155	537,555	678,174	608,174
Deferred Tax	31,750	25,552	20,970	20,168	31,333	35,713	40,787	46,221
<b>Total Capital Employed</b>	<b>1,102,555</b>	<b>1,102,448</b>	<b>1,105,603</b>	<b>1,118,333</b>	<b>1,100,092</b>	<b>1,172,136</b>	<b>1,378,123</b>	<b>1,379,459</b>
Gross Fixed Assets	748,947	887,802	1,057,871	1,040,510	1,082,644	1,150,461	1,365,976	1,394,326
Less: Acc Depreciation	267,361	299,816	378,494	364,991	410,054	457,071	516,834	577,538
<b>Net Fixed Assets</b>	<b>481,586</b>	<b>587,986</b>	<b>679,377</b>	<b>675,518</b>	<b>672,590</b>	<b>693,390</b>	<b>849,142</b>	<b>816,788</b>
Goodwill on consolidation	169,371	165,651	177,353	171,350	178,294	178,294	178,294	178,294
Capital WIP	230,593	141,113	42,138	18,139	20,629	35,802	60,134	84,466
Investments	23,381	23,216	47,488	62,057	68,778	74,027	72,777	71,526
<b>Current Assets</b>	<b>474,889</b>	<b>499,495</b>	<b>465,104</b>	<b>529,543</b>	<b>529,846</b>	<b>557,624</b>	<b>623,822</b>	<b>640,578</b>
Inventory	166,943	184,511	167,873	182,914	216,314	232,495	267,872	274,722
Debtors	92,348	91,864	79,184	82,748	99,598	109,665	131,603	134,968
Cash & Bank	117,121	119,289	120,962	172,129	119,612	121,142	130,026	136,566
Loans & Adv, Others	98,477	103,830	97,085	91,752	94,322	94,322	94,322	94,322
<b>Curr Liabs &amp; Provns</b>	<b>277,263</b>	<b>315,011</b>	<b>305,857</b>	<b>338,275</b>	<b>370,046</b>	<b>367,002</b>	<b>406,046</b>	<b>412,193</b>
<b>Net Current Assets</b>	<b>197,626</b>	<b>184,484</b>	<b>159,247</b>	<b>191,269</b>	<b>159,800</b>	<b>190,623</b>	<b>217,776</b>	<b>228,385</b>
<b>Total Assets</b>	<b>1,102,555</b>	<b>1,102,448</b>	<b>1,105,603</b>	<b>1,118,333</b>	<b>1,100,092</b>	<b>1,172,136</b>	<b>1,378,123</b>	<b>1,379,459</b>



## Financials and Valuations

### Ratios

Y/E Mar	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Basic (INR)</b>								
EPS	12.5	13.5	2.4	8.6	18.9	26.6	29.0	31.6
Cash EPS	27.5	17.8	17.7	28.6	47.6	46.0	56.3	59.4
Book Value	114.6	105.4	111.6	129.9	166.1	188.7	215.7	245.3
DPS	1.0	1.0	1.0	1.1	1.4	1.5	1.6	1.7
Payout (incl. Div. Tax.)	9.4	8.6	49.3	15.0	8.7	6.6	6.5	6.3
<b>Valuation(x)</b>								
P/E	15.9	14.7	83.7	23.2	10.5	7.5	6.9	6.3
Cash P/E	7.2	11.2	11.2	7.0	4.2	4.3	3.5	3.3
Price / Book Value	1.7	1.9	1.8	1.5	1.2	1.1	0.9	0.8
EV/EBITDA	11.3	10.9	11.1	7.3	6.1	5.4	5.1	4.6
Dividend Yield (%)	0.5	0.5	0.5	0.6	0.7	0.8	0.8	0.9
<b>Profitability Ratios (%)</b>								
RoE	11.6	12.3	2.2	7.1	12.8	15.0	14.3	13.7
RoCE	5.5	5.9	4.9	8.2	9.3	10.6	11.0	10.6
RoIC (pre-tax)	7.6	6.9	5.0	9.1	10.8	12.3	13.0	12.7
<b>Turnover Ratios (%)</b>								
Asset Turnover (x)	0.8	0.9	0.9	0.9	1.0	1.1	1.1	1.1
Debtors (No. of Days)	38	32	29	30	32	31	32	32
Inventory (No. of Days)	69	65	62	67	69	66	64	64
Creditors (No. of Days)	54	54	56	65	65	57	58	58
<b>Leverage Ratios (%)</b>								
Net Debt/Equity (x)	2.2	2.6	2.4	1.6	1.1	1.0	1.1	0.9

### Cash Flow Statement

Y/E Mar	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>(INR m)</b>								
Adjusted EBITDA	82,863	89,446	86,542	124,359	138,204	159,847	193,352	200,092
Non cash opr. exp (inc)	-4,821	-5,872	1,543	3,622	2,617	-4,995	0	0
(Inc)/Dec in Wkg. Cap.	9,623	-863	41,083	6,691	-17,862	-29,293	-18,271	-4,068
Tax Paid	-9,586	-11,280	-12,291	-7,797	-14,081	-17,521	-20,296	-21,735
Other operating activities	0	0	0	0	0	0	0	0
<b>CF from Op. Activity</b>	<b>78,079</b>	<b>71,431</b>	<b>116,877</b>	<b>126,875</b>	<b>108,877</b>	<b>108,039</b>	<b>154,785</b>	<b>174,290</b>
(Inc)/Dec in FA & CWIP	-94,236	-59,776	-42,452	-29,376	-30,008	-59,997	-52,682	-52,682
<b>Free cash flows</b>	<b>-16,156</b>	<b>11,655</b>	<b>74,426</b>	<b>97,499</b>	<b>78,870</b>	<b>48,042</b>	<b>102,103</b>	<b>121,607</b>
(Pur)/Sale of Invt	10,910	15,680	15,859	5,667	24,685	7,426	6,480	6,892
Others	1,672	-796	6	3,524	8,052	-6,500	-191,024	0
<b>CF from Inv. Activity</b>	<b>-81,655</b>	<b>-44,892</b>	<b>-26,586</b>	<b>-20,185</b>	<b>2,730</b>	<b>-59,071</b>	<b>-237,227</b>	<b>-45,791</b>
Inc/(Dec) in Net Worth	16,305	47	1	33,141	162	0	0	0
Inc / (Dec) in Debt	48,689	28,323	-36,003	-25,430	-122,863	-5,593	144,478	-70,000
Interest Paid	-46,919	-50,253	-50,057	-60,754	-38,486	-37,866	-48,910	-47,449
Divd Paid (incl Tax) & Others	-3,149	-2,488	-2,558	-2,479	-2,938	-3,979	-4,244	-4,509
<b>CF from Fin. Activity</b>	<b>14,926</b>	<b>-24,371</b>	<b>-88,619</b>	<b>-55,523</b>	<b>-164,124</b>	<b>-47,438</b>	<b>91,324</b>	<b>-121,958</b>
<b>Inc/(Dec) in Cash</b>	<b>11,351</b>	<b>2,168</b>	<b>1,673</b>	<b>51,167</b>	<b>-52,517</b>	<b>1,530</b>	<b>8,883</b>	<b>6,540</b>
Add: Opening Balance	105,771	117,121	119,289	120,962	172,129	119,612	121,142	130,026
<b>Closing Balance</b>	<b>117,121</b>	<b>119,289</b>	<b>120,962</b>	<b>172,129</b>	<b>119,612</b>	<b>121,142</b>	<b>130,025</b>	<b>136,566</b>

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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