

## The Indian Hume Pipe Co. Ltd. (IHP)

|                                 |                |
|---------------------------------|----------------|
| No. of shares (m)               | 48.4           |
| Mkt cap (Rs crs/\$m)            | 1206/168.2     |
| Current price (Rs/\$)           | 249/3.5        |
| Price target (Rs/\$)            | 305/4.3        |
| 52 W H/L (Rs.)                  | 370/226        |
| Book Value (Rs/\$)              | 107/1.5        |
| Beta                            | 1.1            |
| Daily NSE volume (avg. monthly) | 17620          |
| P/BV (FY20e/21e)                | 2.1/1.8        |
| EV/EBITDA (FY20e/21e)           | 7.5/6.8        |
| P/E (FY20e/21e)                 | 12.9/11.5      |
| EPS growth (FY19/FY20e/21e)     | -6.1/15.9/12.6 |
| OPM (FY19/FY20e/21e)            | 11.4/11.5/11.5 |
| ROE (FY19/FY20e/21e)            | 17.3/17.5/17.2 |
| ROCE(FY19/FY20e/21e)            | 13.2/13.0/13.4 |
| D/E ratio (FY19/FY20e/21e)      | 1.0/0.9/0.7    |
| BSE Code                        | 504741         |
| NSE Code                        | INDIANHUME     |
| Bloomberg                       | INHNP IN       |
| Reuters                         | IHME.NS        |

## Shareholding pattern %

|                             |              |
|-----------------------------|--------------|
| Promoters                   | 69.9         |
| MFs / Banks / FIs           | 3.8          |
| Foreign Portfolio Investors | 0.4          |
| Govt. Holding               | -            |
| Total Public                | 25.9         |
| <b>Total</b>                | <b>100.0</b> |

As on June 30, 2019.

## Recommendation

**BUY**

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## Company Brief

The company is actively involved in various fields like water supply, irrigation, drainage, power generation by executing numerous turnkey pipeline projects for water supply, sewerage and hydroelectric power generation.

## Quarterly Highlights

- A 2018 report by WaterAid, a global advocacy group on water and sanitation, reveals that India harbours 163 mn people who do not have access to clean water, the highest in the world followed by Ethiopia with over 60 mn people. Just under two-thirds of the world's population, or close to 4 billion people, live in water-scarce areas, where for at least part of the annual demand exceeds supply.
- Good execution helped the company post revenue growth of 38% in the first quarter- revenue for the quarter stood at Rs 463.19 crs versus Rs 335.61 crs in Q1FY19. The order book was also up 26% in Q1 compared to the same period last year due to new orders from Gujarat and Madhya Pradesh which has also helped the company diversify its order book.
- The operating margin declined slightly despite a fall in construction expenses (71.5% of sales in Q1FY20 vs 72.8% in the same period last year)- OPM stood at 11.1% in Q1FY20 vs 11.5% in the same period last year. The Operating profit grew by 33% y-o-y to 51.3 crores in Q1FY20.
- The net profit margin also contracted by 54 basis points y-o-y to settle at 4.52% in Q1FY20 partly contributed by higher finance costs- the short term debt of the company increased drastically from Rs. 333 crores in FY18 to Rs. 471 crores in FY19 resulting in finance cost going up by more than 50% to Rs. 15.89 crores in the first quarter of FY20 from Rs. 10.44 crores in the same period last year.
- The stock currently trades at 12.9x FY20e EPS of Rs 19.32 and 11.5x FY21e EPS of Rs 21.75. Despite strong order inflow and good execution, high receivables and increasing debt remain a cause of concern and could be a stress area for the company going forward. Governments' continued focus on infrastructure and water supply schemes would further spur order inflows. In view of growth prospects, we advise buying the stock with a target price of Rs 305 (previous target: 386) based on 14.0x FY21e EPS over a period of 9-12 months.

| Standalone (Rs crs)            | FY17    | FY18    | FY19    | FY20e   | FY21e   |
|--------------------------------|---------|---------|---------|---------|---------|
| Income from operations         | 1704.31 | 1525.97 | 1628.93 | 1853.34 | 2042.85 |
| Other Income                   | 2.92    | 2.59    | 11.52   | 4.44    | 5.54    |
| EBITDA (other income included) | 209.24  | 154.11  | 197.58  | 217.57  | 240.47  |
| Profit after EO                | 99.51   | 85.96   | 80.75   | 93.60   | 105.35  |
| EPS(Rs)                        | 20.54   | 17.74   | 16.67   | 19.32   | 21.75   |
| EPS growth (%)                 | 243.1   | -13.6   | -6.1    | 15.9    | 12.6    |

## Outlook & Recommendation

### Industry Overview

Infrastructure development of a country is essential for the overall growth of its economy. India needs to spend 7-8% of its GDP on infrastructure annually which translates into annual infrastructure investment of USD 200 billion currently. However, India has been able to spend only about USD 100-110 billion per annum leaving a deficit of around USD 90 billion per annum according to the recently published Economic Survey 2018-19. According to Business Standard, India needs to spend 700 billion dollars in infrastructure development by 2022.

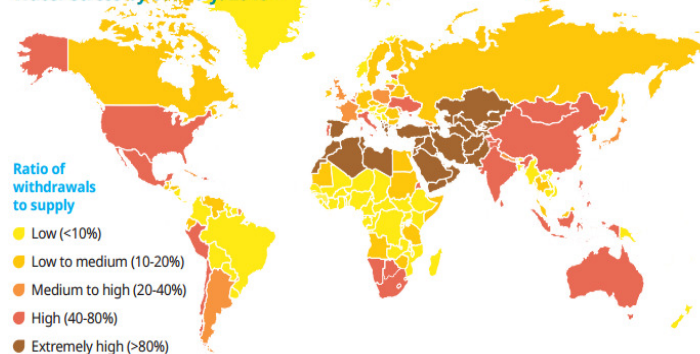
The UN Department of Economic and Social Affairs postulated that India's population could transcend that of China by 2024 and is projected to touch 1.5 bn in 2030. The 2030 Water Resources Group has estimated that India's water demand will outrun its supply by 50% by 2030. Therefore there is a need to increase conservation of water across operations and regions. Water Aid, an international organization working for water sanitation and hygiene, observed that 80% of India's surface water is polluted, most of which is a result of domestic sewerage. The World Health Organization finds that water-borne diseases lead to about 1.6 million deaths every year – 90% of them being children under the age of 5, due to lack of safe drinking water and basic sanitation.

#### Countries with large populations living with physical water scarcity

| Country    | Population living with water scarcity during at least one part of the year <sup>18</sup> | National water footprint (litres per person per day including virtual) <sup>19</sup> | % of water from inside the country/ % imported <sup>20</sup> |
|------------|--|--|--|
| India      | 1 billion  | 3,000  | 97/3   |
| China      | 900 million  | 2,900  | 90/10  |
| Bangladesh | 130 million  | 2,100  | 83/17  |
| USA        | 130 million  | 7,800  | 80/20  |
| Pakistan   | 120 million  | 3,600  | 84/16  |
| Nigeria    | 110 million  | 3,400  | 95/5   |
| Mexico     | 90 million   | 5,400  | 57/43  |

Source: WaterAid Report 2019

#### Water stress by country: 2040<sup>21</sup>



Source: WaterAid Report 2019

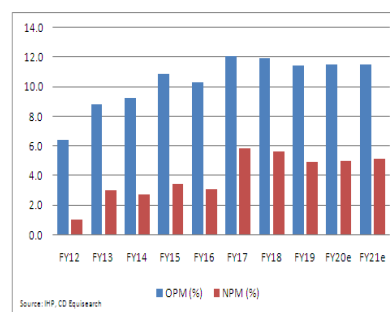
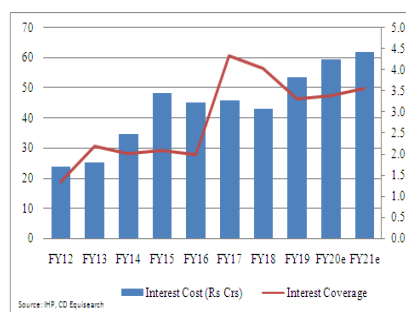
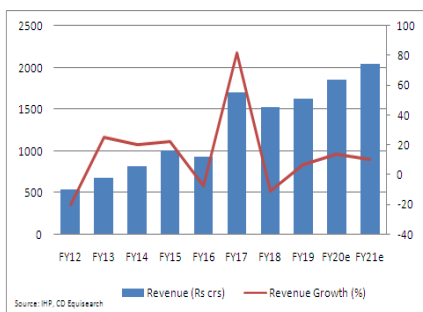
Despite having ~18% of the global population, India only harbours 4% of the world's freshwater. Growing population, rapid industrialization, urbanization and climate change has led to declining per capita availability of water for diverse uses. This has raised concerns with regard to water planning, development and management, and after decades of neglect, the seriousness of the challenges associated with water supply and sanitation is being acknowledged in India. Acknowledging the role of cleanliness in healthy living, the government launched the "Swachh Bharat Mission" on October 2, 2014, in order to accelerate the efforts to achieve universal sanitation coverage. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) was launched in 2015 to establish and renew urban infrastructure to ensure robust sewage network and adequate water supply to urban India.

To ensure optimal water supply and demand management in future cities where freshwater sources may be insufficient to keep pace with population growth, infrastructure needs careful assessment and revamp. It is also essential that necessary technologies, capabilities, water management processes and water supply projects are undertaken to cope with increasing demand. There is also a need to recognize water as a scarce and vulnerable resource and improve governance in the water segment.

## Financials & Valuations

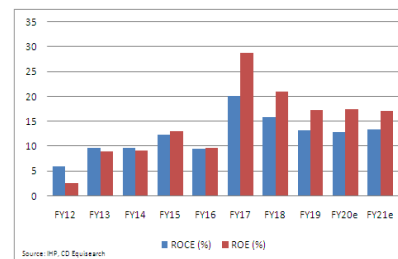
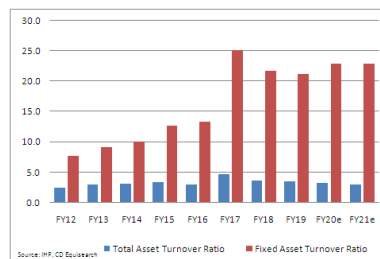
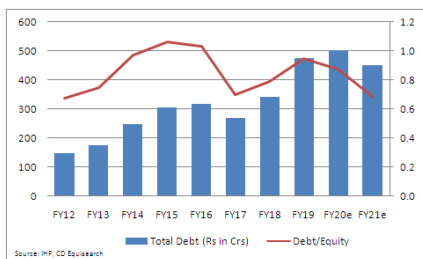
IHP's order book stood Rs. 4,355 crores in Q1FY20 as against Rs. 3,459 crores in the same period last year. This huge increase was mainly due to a range of new projects in Gujarat, Karnataka and Madhya Pradesh accounting for bulk of the new orders. The largest order in all 3 categories (completed, on going & new projects) was related to providing drinking water to habitations which also hints towards the growing requirement of such projects in the country.

3 new orders from Gujarat combining to Rs. 660 crores (which contributed a meagre 3.5% of the new orders last year) in FY19 made up for a reduction in orders from two of the highest contributing states last year- Karnataka and Chhattisgarh. There was a decrease in the order book in Andhra Pradesh in the first quarter due to cancellation of orders by the new state government. Generally, there is a lag of 6 months in order reward in case of a new state government while the period is close to 3 months if the existing government comes back to power.



The short term borrowings increased to Rs. 471 crores in FY19 from Rs. 333 crores in FY18 mainly on account of delayed payments from clients in a few key states. The high interest could have a bearing on the earnings and returns of the firm going forward. The receivables of the company are also at very high levels (Debtor Days at 120 for FY19), which signal a delay in payments from the clients. Albeit, the cash conversion cycle was at similar levels in FY19- 17.7 vs 17.4 in FY18.

The operating margin decreased to 11.4% in FY19 from 11.9% in FY18 despite a reduction in cost of raw materials by 120 bps. Operating profit was at Rs. 186 crores in FY19, an increase of a mere 2% y-o-y on an adjusted basis. Other income of the company jumped to 11.52 crores because of an extraordinary compensation of 8.31 crores received on fair value of land parcels acquired by government. Going forward, the company is expected to maintain current level of margins (11.5% operating margin in FY20 and FY21) and return on capital (13.0 & 13.4% ROCE in FY20 & FY21 respectively).



The stock currently trades at 12.9x FY20e EPS of Rs 19.32 and 11.5x FY21e EPS of Rs 21.75. Not oblivious of risks- increased competition from medium/large scale construction entities and availability of substitutes such as alternative pipe materials like ductile iron pipes, spirally welded steel pipes and H.D.P. E. pipes are perceived as one of the threat to the company. Another cause is prices of key raw materials namely steel, steel wires, HT wires and cement, which has remained volatile and uncertain during last year. Yet, with the increased need for investment in water supply projects, government focus on initiatives like Swachh Bharat are likely to get a boost and auger well for the company. Weighing odds, we advise 'buying' the stock with a revised target price of Rs. 305 (previous target: 386) based on 14.0x FY21e EPS over a period of 9-12 months. For more information, refer to our November 2018 report.

# CD Equisearch Pvt Ltd

## Cross Sectional Analysis

| Company | Equity* | CMP | Mcap* | Sales* | Profit* | OPM (%) | NPM (%) | Int Cov | ROE (%) | Mcap/Sales | P/BV | P/E  |
|---------|---------|-----|-------|--------|---------|---------|---------|---------|---------|------------|------|------|
| IHP     | 10      | 249 | 1206  | 1757   | 85      | 11.3    | 4.8     | 3.2     | 17.5    | 0.7        | 2.3  | 14.2 |
| NCC Ltd | 120     | 56  | 3370  | 12729  | 619     | 12.3    | 4.8     | 2.8     | 14.3    | 0.3        | 0.7  | 5.4  |

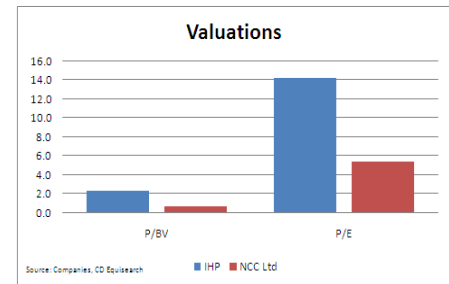
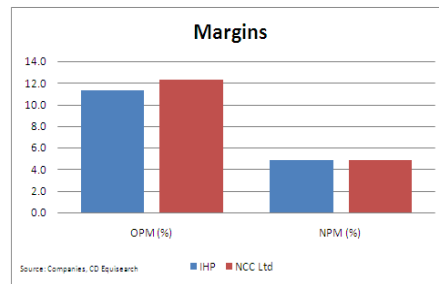
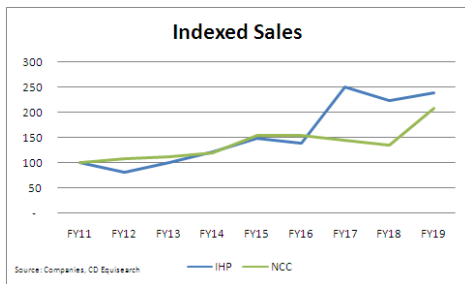
\*figures in crores; calculations on ttm basis

Book value adjusted for goodwill and revaluation reserve wherever applicable;

NCC Limited, one of the largest construction players in India, enjoys a well-diversified business portfolio that is spread across nine verticals – buildings & housing, roads, water & environment, electrical, irrigation, metals, mining, power and railways – where buildings and water & railways constitute almost two-thirds of its revenue and order book (on a standalone basis) in FY19. The company secured new orders worth Rs. 25612 crores in FY19 and its order book at the end of the period stood at Rs. 39216 crores on a consolidated basis. The share of water division in the order book increased from Rs. 6227 crores in FY18 to Rs. 9317 crores in FY19.

In the first quarter of FY20, the company secured new orders worth Rs. 636 crore and the order book stood at Rs. 33495 crore on a consolidated basis. The company doesn't plan to increase its order book substantially in FY20 after a couple of years of high growth but rather wants to stabilize the orders and focus on 10-15% growth on the topline while improving their operating margin. The company expects at worst a delay of 2-3 months in its project execution in Andhra Pradesh due to a change in government but does not expect any problems relating to execution or payments.

Based on the policy rate reduction by RBI and with the rating upgrade, the company expects its borrowing costs to go down from the current level of 9.8%. The company has also planned a debt reduction of Rs. 200-300 crores (Rs. 2362 crore at the end of FY19 on a consolidated basis) and has a planned capital expenditure close to Rs. 350 crores for FY20.



## Financials

### Quarterly Results - Standalone

Figures in Rs crs

|                                       | Q1FY20        | Q1FY19        | % chg       | FY19           | FY18           | % chg       |
|---------------------------------------|---------------|---------------|-------------|----------------|----------------|-------------|
| <b>Income From Operations (Net)</b>   | <b>463.19</b> | <b>335.61</b> | <b>38.0</b> | <b>1628.93</b> | <b>1525.97</b> | <b>6.7</b>  |
| Other Income                          | 0.85          | 0.61          | 40.6        | 11.52          | 2.59           | 344.1       |
| <b>Total Income</b>                   | <b>464.05</b> | <b>336.22</b> | <b>38.0</b> | <b>1640.45</b> | <b>1528.56</b> | <b>7.3</b>  |
| Total Expenditure                     | 411.90        | 297.03        | 38.7        | 1442.87        | 1374.45        | 5.0         |
| <b>EBITDA (other income included)</b> | <b>52.15</b>  | <b>39.19</b>  | <b>33.1</b> | <b>197.58</b>  | <b>154.11</b>  | <b>28.2</b> |
| Interest                              | 15.89         | 10.44         | 52.2        | 53.58          | 42.88          | 24.9        |
| Depreciation                          | 3.83          | 2.46          | 55.9        | 11.73          | 10.84          | 8.2         |
| <b>PBT</b>                            | <b>32.43</b>  | <b>26.29</b>  | <b>23.4</b> | <b>132.27</b>  | <b>100.38</b>  | <b>31.8</b> |
| Tax                                   | 11.48         | 9.30          | 23.4        | 45.96          | 34.32          | 33.9        |
| <b>PAT</b>                            | <b>20.94</b>  | <b>16.99</b>  | <b>23.3</b> | <b>86.31</b>   | <b>66.06</b>   | <b>30.7</b> |
| Extraordinary Item                    | -             | -             | -           | 5.56           | -19.90         | -127.9      |
| <b>Adjusted Net Profit</b>            | <b>20.94</b>  | <b>16.99</b>  | <b>23.3</b> | <b>80.75</b>   | <b>85.96</b>   | <b>-6.1</b> |
| EPS (Rs)                              | 4.32          | 3.51          | 23.3        | 16.67          | 17.74          | -6.1        |

### Income Statement - Standalone

Figures in Rs crs

|                                       | FY17           | FY18           | FY19           | FY20e          | FY21e          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Income From Operations (Net)</b>   | <b>1704.31</b> | <b>1525.97</b> | <b>1628.93</b> | <b>1853.34</b> | <b>2042.85</b> |
| Growth (%)                            | 81.5           | -10.5          | 6.7            | 13.8           | 10.2           |
| Other Income                          | 2.92           | 2.59           | 11.52          | 4.44           | 5.54           |
| <b>Total Income</b>                   | <b>1707.23</b> | <b>1528.56</b> | <b>1640.45</b> | <b>1857.78</b> | <b>2048.40</b> |
| Total Expenditure                     | 1497.99        | 1374.45        | 1442.87        | 1640.21        | 1807.93        |
| <b>EBITDA (other income included)</b> | <b>209.24</b>  | <b>154.11</b>  | <b>197.58</b>  | <b>217.57</b>  | <b>240.47</b>  |
| Interest                              | 45.71          | 42.88          | 53.58          | 59.47          | 61.99          |
| Depreciation                          | 10.53          | 10.84          | 11.73          | 15.20          | 18.86          |
| <b>PBT</b>                            | <b>153.00</b>  | <b>100.38</b>  | <b>132.27</b>  | <b>142.90</b>  | <b>159.62</b>  |
| Tax                                   | 53.33          | 34.32          | 45.96          | 49.30          | 54.27          |
| <b>PAT</b>                            | <b>99.68</b>   | <b>66.06</b>   | <b>86.31</b>   | <b>93.60</b>   | <b>105.35</b>  |
| Extraordinary Item                    | 0.17           | -19.90         | 5.56           | -              | -              |
| <b>Adjusted Net Profit</b>            | <b>99.51</b>   | <b>85.96</b>   | <b>80.75</b>   | <b>93.60</b>   | <b>105.35</b>  |
| EPS (Rs)                              | 20.54          | 17.74          | 16.67          | 19.32          | 21.75          |

## Balance Sheet

Figures in Rs crs

|  | FY17           | FY18           | FY19           | FY20e          | FY21e          |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Sources of Funds</b>                      |                |                |                |                |                |
| Share Capital                                | 9.69           | 9.69           | 9.69           | 9.69           | 9.69           |
| Reserves                                     | 390.42         | 443.40         | 509.91         | 582.49         | 665.64         |
| <b>Total Shareholders' Funds</b>             | <b>400.10</b>  | <b>453.09</b>  | <b>519.60</b>  | <b>592.18</b>  | <b>675.33</b>  |
| Long Term Debt                               | 8.16           | 2.66           | 2.29           | 51.54          | 50.62          |
| <b>Total Liabilities</b>                     | <b>408.26</b>  | <b>455.76</b>  | <b>521.89</b>  | <b>643.72</b>  | <b>725.95</b>  |
| <b>Application of Funds</b>                  |                |                |                |                |                |
| Gross Block                                  | 78.27          | 86.53          | 111.17         | 121.67         | 161.67         |
| Less: Accumulated Depreciation               | 7.80           | 16.65          | 27.98          | 43.18          | 62.04          |
| <b>Net Block</b>                             | <b>70.48</b>   | <b>69.88</b>   | <b>83.19</b>   | <b>78.49</b>   | <b>99.64</b>   |
| Capital Work in Progress                     | 0.96           | 2.22           | 17.87          | 40.00          | 10.00          |
| Investments                                  | 9.83           | 9.20           | 9.25           | 9.51           | 9.79           |
| <b>Current Assets, Loans &amp; Advances</b>  |                |                |                |                |                |
| Inventory                                    | 59.97          | 47.29          | 70.85          | 77.94          | 85.73          |
| Trade receivables                            | 400.71         | 474.90         | 598.56         | 628.49         | 653.63         |
| Cash and Bank                                | 42.42          | 18.84          | 39.15          | 48.81          | 55.06          |
| Short term loans (inc. other current assets) | 646.69         | 876.65         | 874.31         | 964.00         | 1019.83        |
| <b>Total CA</b>                              | <b>1149.79</b> | <b>1417.69</b> | <b>1582.87</b> | <b>1719.24</b> | <b>1814.25</b> |
| Current Liabilities                          | 829.72         | 1031.14        | 1201.25        | 1231.65        | 1234.61        |
| Provisions-Short term                        | 57.51          | 47.25          | 56.22          | 55.06          | 60.92          |
| <b>Total Current Liabilities</b>             | <b>887.23</b>  | <b>1078.40</b> | <b>1257.47</b> | <b>1286.71</b> | <b>1295.53</b> |
| Net Current Assets                           | 262.56         | 339.29         | 325.40         | 432.53         | 518.72         |
| Net Deferred Tax                             | 2.25           | 9.35           | 8.70           | 10.00          | 9.88           |
| Long term assets (net of liabilities)        | 62.19          | 25.81          | 77.48          | 73.19          | 77.92          |
| <b>Total Assets</b>                          | <b>408.26</b>  | <b>455.76</b>  | <b>521.89</b>  | <b>643.72</b>  | <b>725.95</b>  |

## Key Financial Ratios

|                          | FY17  | FY18  | FY19  | FY20e | FY21e |
|--------------------------|-------|-------|-------|-------|-------|
| <b>Growth Ratios (%)</b> |       |       |       |       |       |
| Revenue                  | 81.5  | -10.5 | 6.7   | 13.8  | 10.2  |
| EBITDA                   | 109.4 | -11.8 | 2.6   | 15.1  | 10.5  |
| Net Profit               | 243.1 | -13.6 | -6.1  | 15.9  | 12.6  |
| EPS                      | 243.1 | -13.6 | -6.1  | 15.9  | 12.6  |
| <b>Margins (%)</b>       |       |       |       |       |       |
| Operating Profit Margin  | 12.1  | 11.9  | 11.4  | 11.5  | 11.5  |
| Gross profit Margin      | 9.6   | 9.3   | 8.3   | 8.5   | 8.7   |
| Net Profit Margin        | 5.8   | 5.6   | 5.0   | 5.1   | 5.2   |
| <b>Return (%)</b>        |       |       |       |       |       |
| ROCE                     | 20.2  | 16.0  | 13.2  | 13.0  | 13.4  |
| ROE                      | 28.7  | 21.0  | 17.3  | 17.5  | 17.2  |
| <b>Valuations</b>        |       |       |       |       |       |
| Market Cap/ Sales        | 1.1   | 1.0   | 0.9   | 0.7   | 0.6   |
| EV/EBITDA                | 10.3  | 10.0  | 9.8   | 7.5   | 6.8   |
| P/E                      | 19.3  | 17.6  | 17.6  | 12.9  | 11.5  |
| P/BV                     | 5.0   | 3.5   | 2.9   | 2.1   | 1.9   |
| <b>Other Ratios</b>      |       |       |       |       |       |
| Interest Coverage        | 4.3   | 4.0   | 3.3   | 3.4   | 3.6   |
| Debt Equity              | 0.7   | 0.8   | 1.0   | 0.9   | 0.7   |
| Net Debt-Equity Ratio    | 0.6   | 0.7   | 0.9   | 0.8   | 0.6   |
| Current Ratio            | 1.3   | 1.3   | 1.2   | 1.3   | 1.4   |
| <b>Turnover Ratios</b>   |       |       |       |       |       |
| Fixed Asset Turnover     | 25.1  | 21.7  | 21.3  | 22.9  | 22.9  |
| Total Asset Turnover     | 4.8   | 3.7   | 3.5   | 3.3   | 3.1   |
| Inventory Turnover       | 28.3  | 25.1  | 24.4  | 22.0  | 22.1  |
| Debtors Turnover         | 4.6   | 3.5   | 3.0   | 3.0   | 3.2   |
| Creditor Turnover        | 5.2   | 3.6   | 3.1   | 3.2   | 3.4   |
| <b>WC Ratios</b>         |       |       |       |       |       |
| Inventory Days           | 12.9  | 14.6  | 14.9  | 16.6  | 16.5  |
| Debtor Days              | 78.7  | 104.7 | 120.3 | 120.8 | 114.5 |
| Creditor Days            | 70.0  | 101.9 | 117.5 | 113.1 | 107.8 |
| Cash Conversion Cycle    | 21.5  | 17.4  | 17.7  | 24.3  | 23.3  |



## Cumulative Financial Data

| Figures in Rs crs         | FY10-12 | FY13-15 | FY16-18 | FY19-21e |
|---------------------------|---------|---------|---------|----------|
| Income from operations    | 1789    | 2517    | 4169    | 5525     |
| Operating profit          | 181     | 246     | 485     | 634      |
| EBIT                      | 168     | 227     | 462     | 601      |
| PBT                       | 100     | 118     | 328     | 426      |
| PAT                       | 62      | 78      | 214     | 280      |
| Dividends                 | 17      | 22      | 49      | 67       |
| OPM (%)                   | 10.1    | 9.8     | 11.6    | 11.5     |
| NPM (%)                   | 3.5     | 3.1     | 5.1     | 5.1      |
| Interest coverage         | 2.5     | 2.1     | 3.5     | 3.4      |
| Debt-equity*              | 0.7     | 1.1     | 0.8     | 0.7      |
| ROE (%)                   | 10.7    | 10.3    | 19.9    | 17.2     |
| ROCE (%)                  | 9.7     | 10.4    | 14.7    | 14.0     |
| Fixed asset turnover      | 9.5     | 11.7    | 19.2    | 21.7     |
| Debtors turnover          | 7.2     | 3.5     | 3.4     | 3.3      |
| Creditors turnover        | 4.5     | 4.3     | 3.7     | 3.3      |
| Debtor days               | 50.7    | 103.1   | 106.4   | 111.8    |
| Creditor days             | 81.9    | 84.8    | 98.8    | 109.7    |
| Dividend payout ratio (%) | 23.3    | 24.6    | 25.2    | 23.3     |

FY10-12 implies three year period ending fiscal 12

\*as on terminal year

Geographical diversification of its order book over the years across states like Karnataka, Tamil Nadu, Gujarat, Chhattisgarh, Madhya Pradesh, Andhra Pradesh and Rajasthan has helped IHP contain its business risk and fortified its order book. Stable execution of orders along with an influx of new orders will help in recognition of steady revenues that would enable cumulative revenue growth of 33% in FY19-21e period.

Going forward, stabilization of margins over the next two years would assist in cumulative post tax earnings growth of over 30% in FY19-21. High debt levels could impact the ROE of the company (17.2% in FY19-21 from 19.9% in the previous period) while higher creditor days (110 in FY19-21 vs 98.8 in the previous period) could release some of the strain on liquidity arising from higher receivables.



## Financial Summary- US dollar denominated

| million \$                    | FY17  | FY18  | FY19  | FY20e | FY21e |
|-------------------------------|-------|-------|-------|-------|-------|
| Equity Share capital          | 1.5   | 1.5   | 1.4   | 1.4   | 1.4   |
| Shareholders' funds           | 59.5  | 66.6  | 72.1  | 79.5  | 90.9  |
| Total debt                    | 41.4  | 52.6  | 68.6  | 70.1  | 63.0  |
| Net fixed assets (incl. CWIP) | 11.0  | 11.1  | 14.6  | 16.5  | 15.3  |
| Investments                   | 1.5   | 1.4   | 1.3   | 1.3   | 1.4   |
| Net Current assets            | 38.3  | 49.1  | 44.0  | 57.2  | 69.1  |
| Total Assets                  | 60.8  | 67.0  | 72.4  | 86.7  | 98.0  |
| Revenues                      | 254.0 | 236.8 | 233.1 | 258.5 | 284.9 |
| EBITDA                        | 31.1  | 28.6  | 27.1  | 30.3  | 33.5  |
| EBDT                          | 24.3  | 21.9  | 19.4  | 22.0  | 24.9  |
| PBT                           | 22.8  | 20.3  | 17.7  | 19.9  | 22.3  |
| PAT                           | 14.8  | 13.3  | 11.6  | 13.1  | 14.7  |
| EPS(\$)                       | 0.31  | 0.28  | 0.24  | 0.27  | 0.30  |
| Book value (\$)               | 1.23  | 1.37  | 1.49  | 1.64  | 1.88  |

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 71.70/\$). All dollar denominated figures are adjusted for extraordinary items.

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buy: >20%    accumulate: >10% to ≤20%    hold: ≥-10% to ≤10%    reduce: ≥-20% to <-10%    sell: <-20%

Exchange Rates Used- Indicative

| Rs/\$    | FY14 | FY15  | FY16  | FY17  | FY18  | FY19  |
|----------|------|-------|-------|-------|-------|-------|
| Average  | 60.5 | 61.15 | 65.46 | 67.09 | 64.45 | 69.89 |
| Year end | 60.1 | 62.59 | 66.33 | 64.84 | 65.04 | 69.17 |

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.