Ahluwalia Contracts (India)

India Research

INITIATION REPORT

Bloomberg: AHLU IN
Reuters: AHLU.BO

BUY

Regaining Strength

With successful turnaround during Q3FY14-Q3FY15, commonwealth games overhang becoming a non-issue; Ahluwalia Contracts (India) Ltd (ACIL) is focusing to grow its order book towards Government (Govt.) projects and escalation clauses. Further, ACIL is set to benefit from Govt.'s increased thrust on infrastructure. We initiate coverage on ACIL with a BUY rating on account of increased order inflows, better revenue visibility, improvement in EBITDA margin and superior return ratios.

Order inflows to pick-up led by Govt.'s increased thrust on infrastructure: We believe Govt.'s increased thrust on infrastructure as well as reduced competitive intensity in turnkey building orders for big-ticket projects would drive ACIL's order inflows. Accordingly, we expect order inflows of Rs15.2 bn/ Rs16.7 bn/ Rs20 bn in FY15E/ FY16E/ FY17E, respectively

Robust diversified order book to boost revenue visibility: ACIL's current orderbook of Rs33.2 bn (3.3x TTM revenues), L1 orders of Rs10.5 bn and pick-up in fresh inflows will drive 20.6% revenue CAGR during FY15-17E. Moreover, ACIL's emphasis to grow Govt. orders and escalation contracts support consistency and stability in execution.

Further scope of EBITDA margin improvement: With the rising share of government orders, projects with escalation clauses and operating efficiencies, we believe EBITDA margin will improve to 12.2% in FY17E from 4.3% in FY14, translating into a CAGR of 70.1% in the EBITDA during FY15-17E.

Financials continue to improve: ACIL reduced gross debt by Rs0.9 bn to Rs1.4 bn during Q3FY15 with the help of preferential allotment and internal accruals. We expect ACIL to be net debt free company by FY17E. The company's accelerated revenue growth and improved EBITDA margin will drive a CAGR of 146.6% in its adjusted net profit during FY15-17E. We, therefore, expect the RoCE and RoE to improve to 31.9%/24.2% in FY17E from 9.5%/10.1% in FY14.

Premium valuation on back of superior financials: At CMP, ACIL trades at attractive valuations of 19.2x/13.4x FY16E/17E EPS and 10.7x/7.8x FY16E/17E EV/EBITDA. We have valued ACIL at 16x FY17E EPS which is close to 15.6x 1-year forward average of last 9 months and slightly above than historical average of 15x during FY08-10 (business was reviving). **We initiate coverage on ACIL with a BUY rating and a price target of Rs283.**

Key Financials

Y/E March (Rsmn)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	13,882	9,603	11,087	13,333	16,864
EBITDA	(238)	417	1,242	1,536	2,054
EBITDA margin (%)	*(1.7)*	*4.3*	*11.2*	*11.5*	*12.2*
Net profit	(770)	76	729	825	1,186
EPS (Rs)	(11.5)	1.1	10.9	12.3	17.7
RoE (%)	(31.4)	10.1	23.1	21.2	24.2
RoCE (%)	(9.2)	9.5	23.4	27.0	31.9
P/E (x)	-	208.1	21.8	19.2	13.4
EV/EBITDA (x)	-	42.4	13.9	10.7	7.8

Source: Company, Karvy Stock Broking

Recommendation

CMP:	Rs237
Target Price:	Rs283
Upside (%)	19%

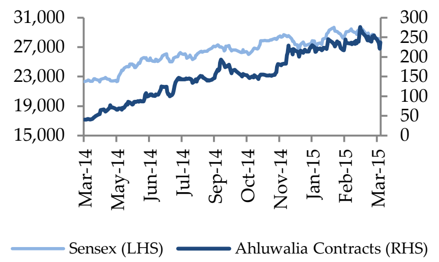
Stock Information

Market Cap. (Rs bn / US$ mn)	16/254
52-week High/Low (Rs)	282/40
3m ADV (Rs mn /US$ mn)	38/0.6
Beta	1.0
Sensex/ Nifty	27,459/8,341
Share outstanding (mn)	67

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	(1.7)	11.2	482.1	5.6
Rel. to Sensex	4.7	10.3	370.9	5.7

Performance



Source: Bloomberg

Analysts Contact

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Company Financial Snapshot

Profit & loss

Rsmn	FY14	FY15E	FY16E	FY17E
Net sales	**9,603**	**11,087**	**13,333**	**16,864**
EBIDTA	**417**	**1,242**	**1,536**	**2,054**
Depreciation	122	213	250	262
Interest Expense	363	350	245	150
PBT	218	809	1,176	1,790
Tax	1	80	350	604
Adj. PAT	**76**	**729**	**825**	**1,186**
EPS (Rs)	1.1	10.9	12.3	17.7
DPS (Rs)	-	-	-	-
Profit and Loss Ratios				
EBIDTA Margin %	4.3	11.2	11.5	12.2
Adj Net Margin %	0.8	6.5	6.1	7.0
Valuation Multiples				
P/E (X)	208.1	21.8	19.2	13.4
EV/EBIDTA (X)	42.4	13.9	10.7	7.8

Company Background

ACIL is mainly engaged in construction of building structures for residential and commercial segment such as malls, hospitals, hotels, corporate buildings, and multi storied complexes, etc. It also does civil works for infrastructure segment such as power, airport, roads, metro, urban infra, etc. Recently, the company has tied up with KUB-STORY (a Russian co.) for high speed precast construction for mass housing. It has various in-house capacities like design, ready mixed concrete plants, plumbing, electro mechanical and aluminium facades & building glasses which help timely execution. ACIL with more than 5 decades of experience and worked in more than 50 cities across 16 states, is currently working on more than 80 projects. The company has marquee clients both government and private. At the end of 3QFY15, ACIL had an order book of Rs33 bn, with the North region accounting for 56%. In 9MFY15, EBITDA margin improved by 839bps to 11.6% and PAT grew more than eight fold to Rs433 mn.

Balance Sheet

Rsmn	FY14	FY15E	FY16E	FY17E
Total Assets	**10,505**	**10,724**	**12,238**	**14,751**
Net Fixed Assets	1,984	1,941	1,891	1,829
Current Assets	8,344	8,639	10,283	12,902
Other Assets	15	15	15	15
Deferred Tax	162	129	49	5
Total Liabilities	**10,505**	**10,724**	**12,238**	**14,751**
Networth	2,262	3,489	4,314	5,500
Debt	2,446	1,465	1,265	1,065
Current Liabilities	5,798	5,771	6,659	8,186
Balance Sheet Ratios				
RoE %	10.1	23.1	21.2	24.2
RoCE %	9.5	23.4	27.0	31.9
Net Debt/Equity	0.8	0.2	0.1	(0.0)
Equity/Total Assets	0.2	0.3	0.4	0.4
P/BV (X)	7.0	4.6	3.7	2.9

Cash Flow

Rsmn	FY14	FY15E	FY16E	FY17E
PBT	218	809	1,176	1,790
Depreciation	122	213	250	262
Tax	(202)	(48)	(270)	(560)
Change in Wkg Cap	69	(256)	(359)	(930)
CF from Operations	**284**	**938**	**907**	**563**
Capex	(194)	(170)	(200)	(200)
Investments	20	-	-	-
CF from Investing	**(141)**	**(40)**	**(65)**	**(52)**
Change in Equity	-	499	-	-
Change in Debt	(142)	(981)	(200)	(200)
Int/Dividends & others	(312)	(350)	(245)	(150)
CF from Financing	**(453)**	**(832)**	**(445)**	**(350)**
Change in Cash	(310)	66	397	162
Opening Cash	855	545	611	1,008
Closing Cash	545	611	1,008	1,169

Investment Rationale

Order inflow to pick-up led by Govt.'s increased thrust on infrastructure

ACIL's order inflow declined sharply to Rs6.8 bn/Rs8.2 bn in FY13/FY14 from average of Rs16.5 bn during FY10-12 as it refrained from accepting private sector orders where company faced execution issues. Rather ACIL focused on executing existing fix priced contracts where it suffered losses. However, order inflow grew to Rs9.5 bn in 9MFY15. Moreover, the company is in L1 for projects worth ~Rs10.5 bn (Exhibit 5) at the end of Q3FY15 which are expected to be awarded in the coming months.

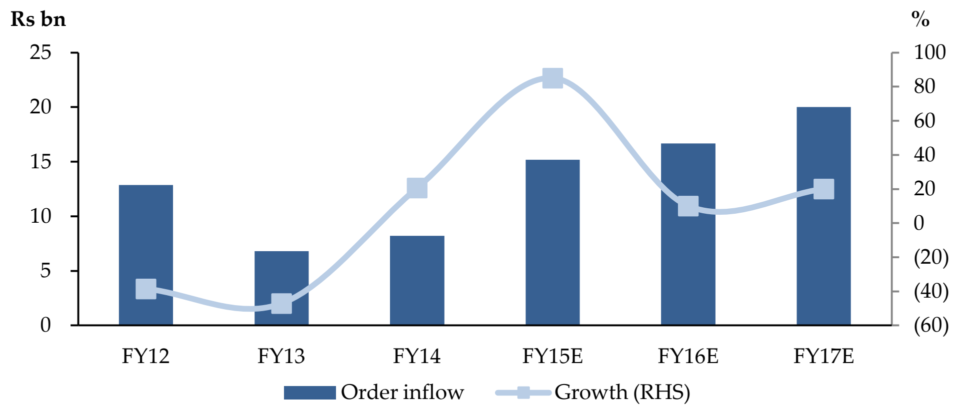
Exhibit 1: List of L1 orders worth Rs10.5 bn

Project	Rs bn
IIM Rohtak (Converted into inflow on 30 Mar'15)	3.1
AIIMS 1, Delhi	2.5
AIIMS 2, Delhi	2.5
NBCC Kolkata	0.8
Income Tax, Mumbai	1.6
Total	**10.5**

Source: Company, Karvy Stock Broking

We believe, new government's thrust on infrastructure such as (i) Rs700 bn increase in infra spending, (ii) 60 mn houses by 2020, (iii) 24.1% rise in spending on urban development in FY16, and (iv) constructing new hospitals, educational institutes and metro projects would accelerate business opportunity in term of fresh orders for ACIL. Additionally, we expect ACIL to benefit from redevelopment orders from government in Delhi region, primarily from NBCC and DDA (Delhi Development Authority) which announced tenders worth Rs50 bn. Recently, competitive intensity in turnkey building orders for big-ticket orders has declined due to (i) more strict rules by PSUs to weed out faltering contractors, (ii) many EPC players entered into CDR, (iii) reduced focus on building segment led by revival in other infra segments such as roads and metro, and (iv) lack of ability to execute composite projects in building segment by many contractors.

Exhibit 2: Order inflow to pick-up



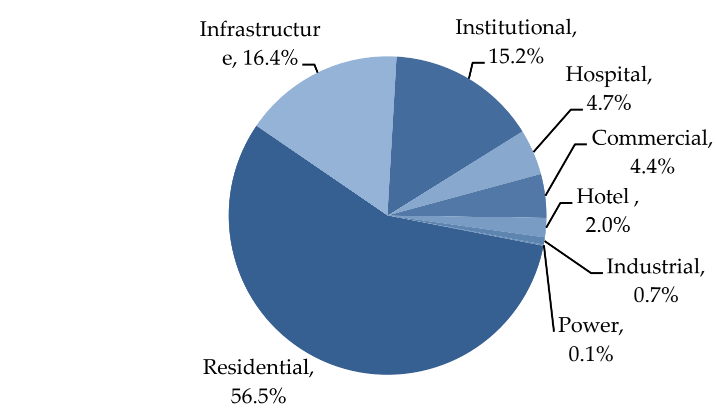
Source: Company, Karvy Stock Broking

We believe this reduction in competitive intensity is likely to benefit ACIL to win big-ticket orders. Considering these massive opportunities for ACIL, we expect pick-up in order inflows for the company to the tune of Rs15.2 bn/ Rs16.7 bn/ Rs20 bn in FY15E/ FY16E/ FY17E, respectively.

Robust diversified order book to boost revenue visibility

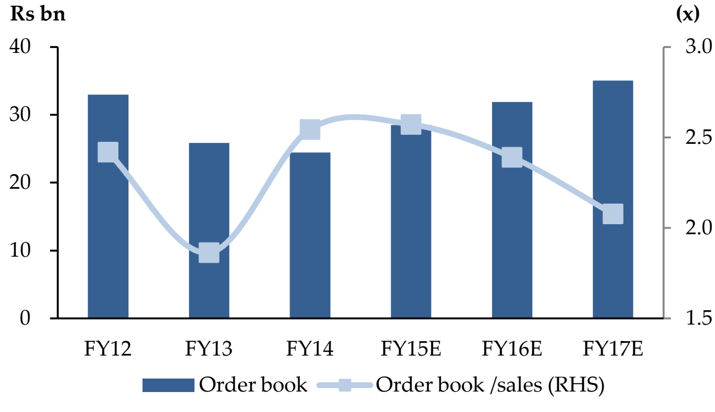
The company's order book stood at Rs33.2 bn (up 25.9% YoY) as of 3QFY15, the same is likely to be executed over the next 24-30 months implying a strong growth in revenue for the company. The current orderbook (excluding L1 orders of Rs10.5 bn) provides revenue visibility for 3.3x TTM revenues. ACIL's focus remained on order book diversification which includes business segment diversification, geographical diversification, client diversification (Govt. and private) and type of orders i.e. fix priced contracts and contracts having escalation clauses. Among business segments, Residential segment comprises the major share 56.5% of the orderbook, followed by Infrastructure (16.4%), Institutional (15.2%) and others (11.9%). Geographically, ACIL's order book is well spread with the North region accounting for 56% followed by East (23%), West (18%) and South (3%).

Exhibit 3: Well diversified Rs33.2 bn orderbook



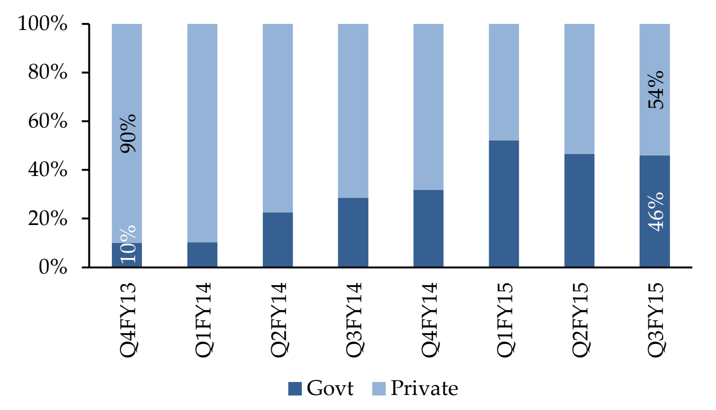
Source: Company, Karvy Stock Broking

Exhibit 4: Orderbook trend



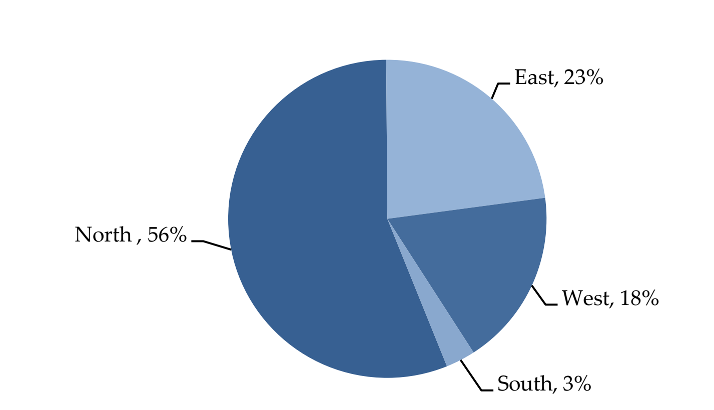
Source: Company, Karvy Stock Broking

Exhibit 5: Significant rise in Govt. share in order book



Source: Company, Karvy Stock Broking

Exhibit 6: Geographical diversification of order book



Source: Company, Karvy Stock Broking

ACIL over a period of time has consciously increased its exposure not only to government contracts v/s private-sector but also to escalation contracts compared to fix priced contracts. The reasons being higher execution scalability & predictability of Govt. contracts, lower capex by private sector, deteriorating payment cycle in private sector, more reliability and consistency in payment in

Govt. contracts, bitter experience of fix priced contracts and better margin with consistency in escalation contracts. The company has increased exposure to government contracts to 46% in Q3FY15 from mere 10% in Q4FY13 which would enhance security of payments. Further, reduction in share of fix priced contract to 8% in Q3FY15 from 22% in Q2FY13 would result in higher stability in margin. We believe given the thrust on civil infrastructure from GOI the order book would continue to tilt towards public sector orders instead of private in the future. This robust diversified orderbook as well as strong order inflow would not only increase the revenue visibility for the company, but also accelerate the revenue growth during FY16-17E. ACIL's order book is diversified across more than 80 contracts and many states which reduces risk due to delay from single contract/ state.

Exhibit 7: Top 10 ongoing projects – (Rs mn)

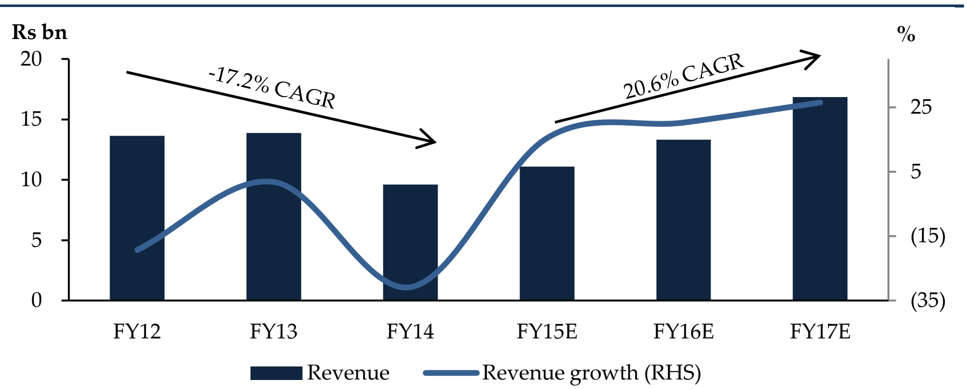
Project	Client	Balance Value
Construction of residential building at Mulund, Mumbai	HDIL	3,600
Construction of residential building at Narela, Delhi	DDA	3,389
Construction of Police Head Quarters at Patna	BCD, Patna	3,350
Construction of International Convention Centre at Patna	BCD, Patna	2,500
Construction of PNB Head Office Building at Dwarka, Delhi	CPWD	1,949
Civil & Structural work of multistory housing project, Ghaziabad	Parteek Group	1,780
Construction of Infrastructure Building for National Intelligence Grid	NBCC	1,542
Construction of Institutional Building for NIFTEM at Kundli	NBCC	1,475
Construction of Emergency Block of Safdarjung Hospital	HSCC	1,370
Construction of Monde De Housing at Gurgaon	Jasmine Buildmart	1,360

Source: Company, Karvy Stock Broking

Revenue to accelerate during Q4FY15E-17E

ACIL's revenue declined at -17.2% CAGR during FY12-14. However, the company's revenue grew 5% during 9MFY15. We expect the company's revenue to accelerate during Q4FY15E-17E due to a ramp-up in execution and new order inflow expected during Q4FY15-17E. We estimate ACIL's revenue to grow at 20.6% CAGR during FY15-17E.

Exhibit 8: Revenue to accelerate in FY16E and FY17E

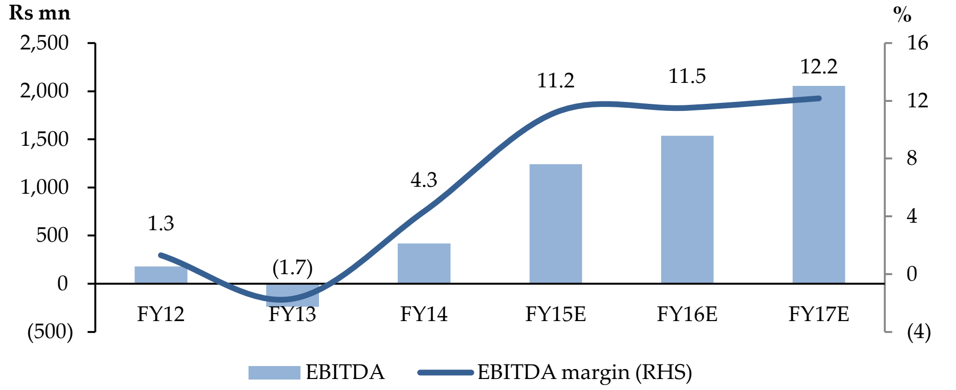


Source: Company, Karvy Stock Broking

Further scope of EBITDA margin improvement

ACIL successfully turned around itself during Q3FY14-Q3FY15 with EBITDA margin improving by 839bps to 11.6% for 9MFY15 from 1.3%/-1.7% for FY12/FY13. The company's EBITDA margin declined significantly during FY12-13 primarily due to slower execution of fix priced contracts of private sector. The company has executed most of the fix priced contracts and now balance ~Rs2.6 bn (as on Q3FY15) will be executed over the next couple of quarters. With the rising share of both government orders and projects with escalation clauses and operating efficiencies (better assets utilization), we believe EBITDA margin has further scope for improvement.

Exhibit 9: EBITDA margin continue to improve to 12.2% by FY17E



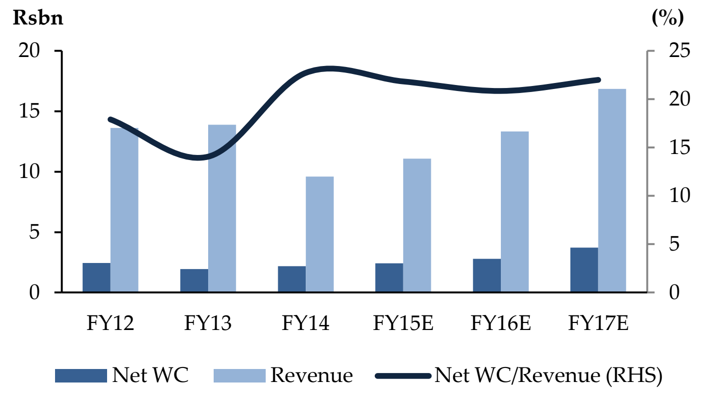
Source: Company, Karvy Stock Broking

We expect ACIL's EBITDA margin to improve to 12.2% in FY17E from 4.3% in FY14, translating into a CAGR of 70.1% in the EBITDA during FY15-17E, as against a CAGR decline of 35.5% during FY12-14.

Financials continue to improve

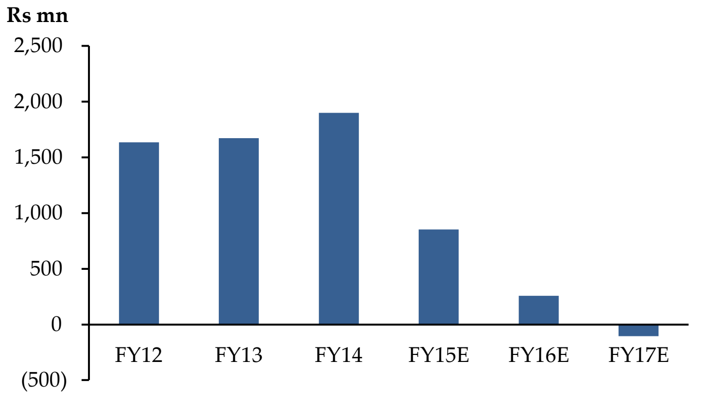
Despite 20.6% revenue CAGR during FY15-17E, we expect ACIL to maintain its investment in net working capital at comfortable level of 21.6% (as a percentage of revenue) during FY15-17E. The promoters have infused Rs499 mn at an issue price of Rs118 per equity share through preferential allotment in December 2014. The proceeds were utilized to reduce short term debt. ACIL reduced gross debt by Rs0.9 bn to Rs1.4 bn during Q3FY15 with the help of preferential allotment and internal accruals. The company is determined to further reduce the debt and thus would save on interest cost. We expect ACIL to be net debt free company by FY17E. Additionally, the company's accelerated revenue growth and improved EBITDA margin will drive a CAGR of 149.5% in its adjusted net profit during FY15-17E, as against a CAGR decline of 52.4% recorded during FY12-14. We, therefore, expect the RoCE and RoE to improve to 31.9%/24.2% in FY17E from 9.5%/10.1% in FY14.

Exhibit 10: Comfortable working capital



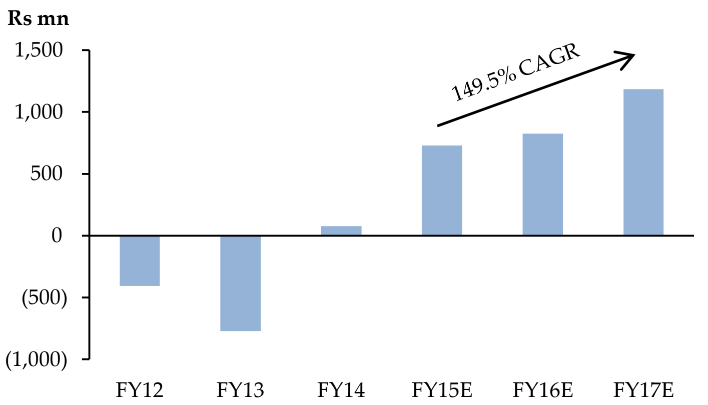
Source: Company, Karvy Stock Broking

Exhibit 11: Net debt free company by FY17E



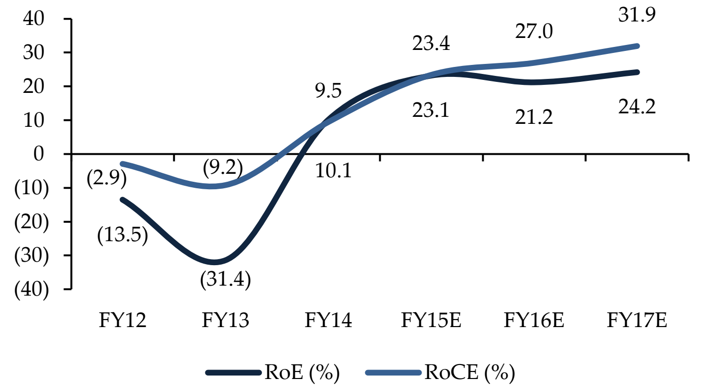
Source: Company, Karvy Stock Broking

Exhibit 12: 149.5% Adj. PAT CAGR during FY15-17E



Source: Company, Karvy Stock Broking

Exhibit 13: Significant improvement in return ratios



Source: Company, Karvy Stock Broking

Valuation: Initiating coverage with BUY in view of accelerated revenue growth, improving margins and superior return ratios

We expect ACIL to witness accelerated growth in revenue, expansion in EBITDA margin and superior return ratios (RoE and RoCE) during FY16-17E. At CMP, ACIL is trading at 19.2x/13.4x FY16E/FY17E EPS which is lower than FY08-10 1-year forward average of 15x. We believe FY08-FY10 is a better historical period to compare P/E multiple, because post that ACIL suffered losses due to external factors. We have valued ACIL at 16x FY17E EPS which is close to 15.6x 1-year forward average of last 9 months (July 2014 - March 2015) and slightly above than historical average of FY08-10. We believe ACIL is witnessing revival in business cycle, which it did during FY08-10 and hence should command the same P/E multiple which it used to get. **We initiate coverage on ACIL with a BUY rating and a target price of Rs283.**

Upside risk to our valuation

Kota BoT project: ACIL has ventured into asset ownership by bagging its first BOT project (KOTA Bus Terminal and commercial complex) from Rajasthan State Road Transport Corp (RSRTC) on 19th September, 2007. Now, as the company has repaid the entire debt of the project, the total project cost of Rs720 mn is funded through equity. The project was delayed by more than five years due to delay in various approvals and has now reached completion. ACIL would collect rentals for 40 years by leasing ~300,000 sqft of commercial space. ACIL has leased ~45% as on 3QFY15 and is expected to lease ~70-80% in next few months. ACIL is likely to receive ~Rs10 mn revenue per annum from this project. However, we have neither considered the revenue nor assigned any value in our target price

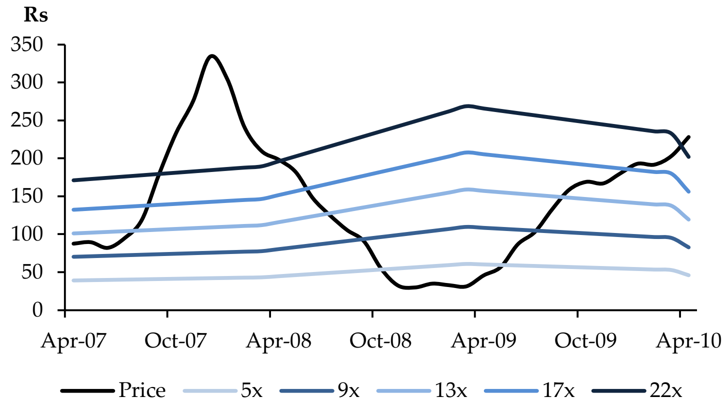
Downside risk to our valuation

Payment delay from clients: We expect debtors days to decline to 144 days in FY17E from 176 days in FY14. However, any delay in payments from clients other than our estimates, would increase working capital, delay execution and impact profitability.

Execution delay: Project delay due to a delay at the client's end or other regulatory bottlenecks could adversely affect ACIL's revenue and profitability.

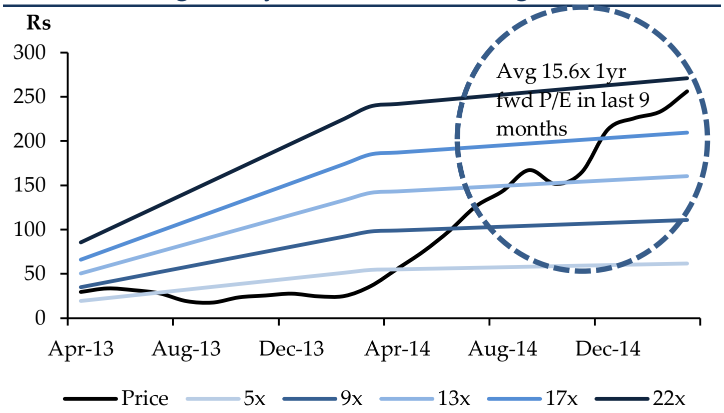
Delay in order intake: Any capex delay by the private and government sectors will lead to a delay in awarding of orders to ACIL, thereby negatively impacting its revenue and profitability.

Exhibit 14: Avg 15x 1yr forward P/E during FY08-10



Source: Bloomberg, Company, Karvy Stock Broking

Exhibit 15: Avg 8.8x 1yr forward P/E during FY13-15E



Source: Bloomberg, Company, Karvy Stock Broking

Exhibit 16: ACIL's Q3FY15 performance

Y/E March (Rsmn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	*YoY (%)*	*QoQ (%)*	9MFY14	9MFY15	*YoY (%)*
Total revenue	**2,408**	**2,498**	**2,389**	**2,398**	**2,672**	***11.0***	***11.4***	**7,105**	**7,458**	***5.0***
Operating expenditure	2,274	2,310	2,061	2,112	2,420	*6.4*	*14.6*	6,877	6,592	*(4.1)*
EBITDA	**134**	**189**	**328**	**285**	**252**	***88.6***	***(11.7)***	**229**	**865**	***278.6***
Depreciation	30	31	57	53	52	*70.6*	*(2.1)*	91	161	*77.5*
Operating profit	**103**	**158**	**271**	**233**	**200**	***93.9***	***(13.9)***	**138**	**704**	***411.2***
Other income	11	96	9	25	41	*261.5*	*62.6*	48	76	*57.6*
EBIT	**115**	**254**	**281**	**258**	**241**	***110.4***	***(6.4)***	**186**	**780**	***319.8***
Interest	84	92	102	93	93	*11.0*	*0.2*	271	288	*6.3*
Exceptional items	-	-	-	-	-	-	-	141	-	*(100.0)*
EBT	**31**	**162**	**179**	**165**	**148**	***381.3***	***(10.2)***	**56**	**492**	***775.3***
Income tax	6	(11)	10	3	47	*645.0*	*1,693.6*	12	60	*412.0*
Reported net income	**25**	**173**	**169**	**162**	**101**	***313.6***	***(37.6)***	**45**	**433**	***870.0***
Adjustments	-	-	-	-	-	-	-	(141)	-	-
Reported net income	**25**	**173**	**169**	**162**	**101**	***313.6***	***(37.6)***	**(97)**	**433**	**-**
EPS (Rs.)	**0.4**	**2.6**	**2.5**	**2.4**	**1.5**	***313.6***	***(37.6)***	**(1.4)**	**6.5**	**-**
						bps	*bps*			*bps*
EBITDA margin (%)	5.5	7.5	13.7	11.9	9.4	*388*	*(247)*	3.2	11.6	*839*
OPM (%)	4.3	6.3	11.4	9.7	7.5	*321*	*(221)*	1.9	9.4	*750*
NPM (%)	1.0	6.7	7.0	6.7	3.7	*272*	*(296)*	(1.3)	5.7	*709*
Tax/PBT (%)	20.4	(6.9)	5.6	1.6	31.6	*1,119*	*3,002*	20.7	12.1	*(858)*
Material cost/sales (%)	49.8	50.9	51.7	45.9	51.0	*118*	*504*	46.1	49.6	*351*

Source: Company, Karvy Stock Broking

Exhibit 17: Karvy vs Bloomberg consensus estimates

Particulars	KSBL estimates	BBG consensus	*% difference*
	FY15E	**FY15E**	
Revenue (Rsmn)	11,087	11,513	*(3.7)*
EBITDA (Rsmn)	1,242	1,275	*(2.6)*
EBITDA margin (%)	*11.2*	*11.1*	*13bps*
EPS (Rs)	10.9	11.5	*(5.1)*
	FY16E	**FY16E**	
Revenue (Rsmn)	13,333	14,075	*(5.3)*
EBITDA (Rsmn)	1,536	1,655	*(7.2)*
EBITDA margin (%)	*11.5*	*11.8*	*(24bps)*
EPS (Rs)	12.3	14.4	*(14.4)*
	FY17E	**FY17E**	
Revenue (Rsmn)	16,864	17,387	*(3.0)*
EBITDA (Rsmn)	2,054	2,138	*(3.9)*
EBITDA margin (%)	*12.2*	*12.3*	*(12bps)*
EPS (Rs)	17.7	18.9	*(6.4)*

Source: Bloomberg, Karvy Stock Broking

Our FY15E/FY16E/FY17E revenue estimates are 3.7%/5.3%/3.0% lower than Bloomberg's consensus estimates due to conservative execution estimate. Our EBITDA margin estimates are in line with Bloomberg's consensus estimates. Our FY15E/FY16E/FY17E EPS estimates are lower than Bloomberg's consensus estimate, primarily on account of lower execution.

Exhibit 18: Profit and Loss Statement

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	**13,882**	**9,603**	**11,087**	**13,333**	**16,864**
% growth	*1.8*	*(30.8)*	*15.4*	*20.3*	*26.5*
Operating expenditure	14,120	9,186	9,845	11,797	14,810
EBITDA	**(238)**	**417**	**1,242**	**1,536**	**2,054**
% growth	*(233.4)*	*(275.6)*	*597.4*	*23.6*	*33.7*
Depreciation	352	122	213	250	262
Other income	154	144	130	135	149
EBIT	(436)	440	1,159	1,421	1,940
Interest	334	363	350	245	150
Exceptional items	8	141	-	-	-
PBT	(762)	218	809	1,176	1,790
Tax	1	1	80	350	604
Reported PAT	**(762)**	**217**	**729**	**825**	**1,186**
Adjustments	(8)	(141)	-	-	-
Adjusted PAT	**(770)**	**76**	**729**	**825**	**1,186**
% growth	-	-	*854.2*	*13.3*	*43.6*

Source: Company, Karvy Stock Broking

Exhibit 19: Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Cash & cash equivalents	855	545	611	1,008	1,169
Trade receivables	4,651	4,707	4,767	5,400	6,745
Inventories	1,672	1,720	2,018	2,359	2,962
Loans & advances	1,117	1,235	1,122	1,416	1,925
Other assets	125	136	120	100	100
Investments	15	15	15	15	15
Fixed Assets	1,793	1,984	1,941	1,891	1,829
Deferred tax assets (net)	162	162	129	49	5
Total assets	**10,390**	**10,505**	**10,724**	**12,238**	**14,751**
Current liabilities & provisions	355	701	651	642	633
Other liabilities	5,463	5,096	5,119	6,016	7,553
Debt	2,527	2,446	1,465	1,265	1,065
Total liabilities	**8,345**	**8,244**	**7,236**	**7,924**	**9,251**
Shareholders' equity	126	126	134	134	134
Reserves & surpluses	1,919	2,136	3,355	4,180	5,366
Shareholders' funds	**2,044**	**2,262**	**3,489**	**4,314**	**5,500**
Total Equity and Liabilities	**10,390**	**10,505**	**10,724**	**12,238**	**14,751**

Source: Company, Karvy Stock Broking

Exhibit 20: Cash Flow Statement

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT	(762)	218	809	1,176	1,790
Depreciation	352	122	213	250	262
Interest/Financial Charges	293	315	350	245	150
Other income	(54)	(86)	(130)	(135)	(149)
Other non-cash adjustments	(38)	(152)	-	-	-
Tax paid	(285)	(202)	(48)	(270)	(560)
Change in working capital	340	69	(256)	(359)	(930)
Cash flow from operating activities	**(154)**	**284**	**938**	**907**	**563**
(Incr) / decr in capital expenditure	360	(194)	(170)	(200)	(200)
(Incr) / decr in investments	20	20	-	-	-
Others	24	33	130	135	149
Cash flow from investing activities	**404**	**(141)**	**(40)**	**(65)**	**(52)**
Incr / (decr) in borrowings	393	(142)	(981)	(200)	(200)
Issuance of equity	-	-	499	-	-
Dividend paid	-	-	-	-	-
Interest paid	(287)	(312)	(350)	(245)	(150)
Others	-	-	-	-	-
Cash flow from financing activities	**107**	**(453)**	**(832)**	**(445)**	**(350)**
Net change in cash	356	(310)	66	397	162
Opening Cash	499	855	545	611	1,008
Closing Cash	855	545	611	1,008	1,169

Source: Company, Karvy Stock Broking

Exhibit 21: Key Ratios

Y/E Mar (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA margin	(1.7)	4.3	11.2	11.5	12.2
EBIT margin	(3.1)	4.6	10.5	10.7	11.5
Net profit margin	(5.5)	0.8	6.5	6.1	7.0
Dividend payout ratio	-	-	-	-	-
Net debt: equity	0.8	0.8	0.2	0.1	(0.0)
Interest/EBIT	(76.6)	82.5	30.2	17.2	7.7
RoCE	(9.2)	9.5	23.4	27.0	31.9
RoE	(31.4)	10.1	23.1	21.2	24.2

Source: Company, Karvy Stock Broking

Exhibit 22: Valuation Parameters

Y/E Mar	FY13	FY14	FY15E	FY16E	FY17E
EPS (Rs)	(11.5)	1.1	10.9	12.3	17.7
DPS (Rs)	-	-	-	-	-
Book value per share (Rs)	30.5	33.8	52.1	64.4	82.1
P/E (x)	-	208.1	21.8	19.2	13.4
P/BV (x)	7.8	7.0	4.6	3.7	2.9
EV/EBITDA (x)	-	42.4	13.9	10.7	7.8
EV/Sales (x)	1.2	1.7	1.5	1.2	0.9

Source: Company, Karvy Stock Broking

Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	< 5%

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Disclosures Appendix

Analyst certification

The following analyst(s), who is (are) primarily responsible for this report and whose name(s) is/ are mentioned therein, certify (ies) that the views expressed herein accurately reflect his (their) personal view(s) about the subject security (ies) and issuer(s) and that no part of his (their) compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

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