BUY

Dalmia Bharat Ltd.

At inflection point

CMP: INR 721 **Target: INR 1030**

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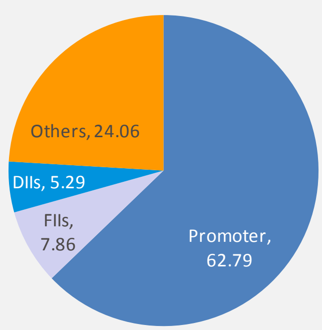
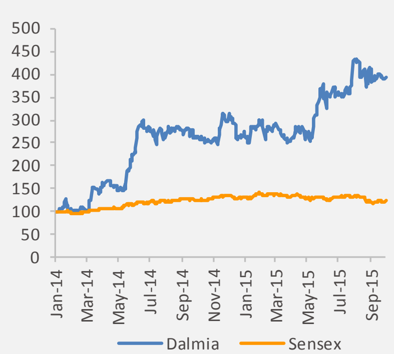
Bloomberg:	**DBEL:IN**
52-week range (INR):	733 / 356
Share in issue (crs):	8.1
M cap (INR crs):	5,854
Avg. Daily Vol. BSE/NSE :('000):	9/45





Date: 19th November 2015

Established in 1939, Dalmia Bharat Ltd. (DBL) has emerged as one of India's prominent cement companies over the past many decades. The company has now become India's 3rd largest cement group, with a capacity of 24 MT spread across South, East and North East (NE) regions. With the investment phase getting completed, the company is poised to reap the benefits of the economic upturn which is expected to materialize over the next few quarters. Given that DBL is currently operating at around~60% capacity utilization on an effective capacity of ~20.4 MT (ex Belgaum and Umrangshu which is still under trial runs), there is ample headroom for operating leverage to kick in once the demand scenario improves. We expect the company's return ratios to improve from ~4% in FY15 to ~13% in FY18E, as improved capacity utilization and lack of capex in the near term will yield higher free cash flows. As a result, DBL remains our preferred pick in the midcap cement space.

Third generation management ushering in a new era

In 2007, the 3rd generation of the promoters, Mr. Puneet Dalmia and Mr. Gautam Dalmia took charge of the company as Managing Directors, heralding a big change in the company. Various initiatives were undertaken by the new MDs to bring about scale and efficiency in the business, especially 1) restructuring of business 2) focusing on geographical diversification and 3) introduction of cost efficiency measures. The measures listed above have paid rich dividends, with DBL catapulting to the 3rd largest and one of the most cost-competitive cement groups in India.

Southern Recovery: Key catalyst to propel long-term growth

Demand in South India has grown at a CAGR of mere 2% over FY10-15, leading to low capacity utilization of 60% in the region. We believe that utilizations have bottomed out at current levels, given that capacity addition in the region will be negligible over FY16-FY18E. After a prolonged slowdown, cement demand in South India is expected to revive gradually on the back of recovery in infrastructure development and incremental demand arising from the split of Andhra Pradesh state. With 48% of the company's capacities concentrated in South India, DBL is well placed to tap into any demand uptick in the region. We expect DBL's South India operations to grow at 2%/7%/10% over FY16/17/18E, faster than the industry's South India growth rate of 2%/6%/8%, given that its Belgaum facility is yet to begin commercial production.

Turnaround in North East to drive near term growth

DBL forayed into the North East market in FY12 through its acquisition of Calcom Cement in Assam (76% subsidiary) and later, Adhunik Cement in Meghalaya (100% subsidiary) in FY13. The company has also taken various branding and marketing initiatives (including bringing in Mary Kom as a brand ambassador) to improve its NE market share, which currently stands at 15%, second only to Star Ferro. Going forward, the company aims to increase its NE market share to 21% by FY17E, with the EBITDA/tonne for NE operations expected to improve in line with improving utilizations.

Valuations

DBL is currently trading at an attractive valuation of 6.6x FY18E EV/EBITDA and a EV/tonne of USD 80/tonne. The company is trading at a discount of ~30% to the large-cap cement companies. We believe there are enough triggers for the business to get re-rated going forward, buoyed by expanded presence across most geographies in India, steady free cash flow generation and debt repayment. We value DBL at 8x FY18E EV/EBITDA - a ~30% discount to large-cap cement companies. We initiate coverage with a "BUY" rating and a price target of INR 1030/share.

Year to March (INR Crs.)	FY14	FY15E	FY15	FY16E	FY17E
Revenue	3,016	3,514	6,473	7,233	8,137
Revenue Growth (%)	8.1%	16.5%	84.2%	11.7%	12.5%
EBITDA	476	591	1,472	1,625	1,886
Net Profit	(87)	(63)	314	432	643
Profit Growth (%)	-110.1%	-141.2%	3126.2%	41.0%	54.1%
Shares Outstanding (crs.)	8.1	8.1	8.1	8.1	8.1
Diluted EPS (INR)	(2.5)	1.0	32.7	46.0	70.9
EPS Growth (%)	-110.1%	-141.2%	3126.2%	41.0%	54.1%
Diluted P/E (x)	(293.6)	712.1	22.1	15.7	10.2
EV/EBITDA (x)	18.6	21.0	8.7	7.5	6.1
RoE (%)	-0.6%	0.3%	8.2%	10.6%	14.4%

Third generation promoters ushering in a new era

DBL has been one of India's foremost cement companies since 1939. Despite its long history of existence, the company had initially been unable to grow in size vis-à-vis other cement players like ACC, Ambuja and Ultratech. However, despite a slow start, DBL has grown multifold over the last decade in line with peers like Shree Cement and has been able to increase its capacities significantly within a relatively shorter period of time.

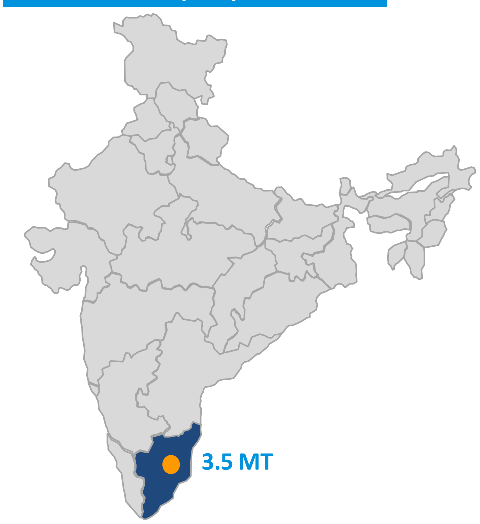
In 2007, the 3rd generation of the promoters, Mr. Puneet Dalmia and Mr. Gautam Dalmia took charge of the company as joint Managing Directors, proving to be harbingers of change. Subsequently, there was an increased focus on the cement business and various initiatives were undertaken to bring about scale and efficiency in the business, some of which include:

- Acquisition of a 21.7% stake in Orissa Cement Ltd. (OCL) in October 2007, progressively increasing the stake to 74.6% and diversifying the company's geographical risk by giving it access to the Eastern market with a 6.7 MT capacity
- Restructuring of the business in 2010 by splitting Sugar and Cement divisions into separate listed entities, thus unlocking shareholder value and streamlining business operations
- Foray into the lucrative but complex North East market as well as other regions like Jharkhand and Bihar, with low-cost acquisitions (Adhunik Cement in Meghalaya, Calcom Cement in Assam and the Bokaro plant of Jaiprakash Associates).
- Entry of global PE firm Kohlberg Kravis & Roberts (KKR) on the Board by diluting 15% stake in Dalmia Cement (Bharat) Ltd. for INR 500 cr. KKR brought in international best practices, besides improving efficiency through better processes and fast tracking integration of acquisitions.

All of these factors have catapulted DBL to the 3rd largest cement group in India with a capacity of 23.9 MT in 8 states, from a mere Tamil Nadu based 3.5 MT player in 2007.

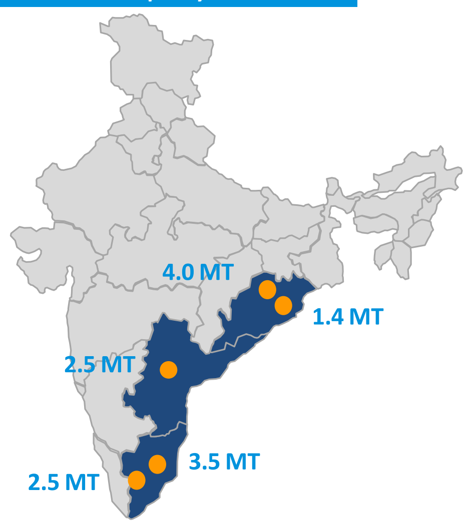
Capacity Over the Last 10 years

2007
Installed capacity: 3.5 MT



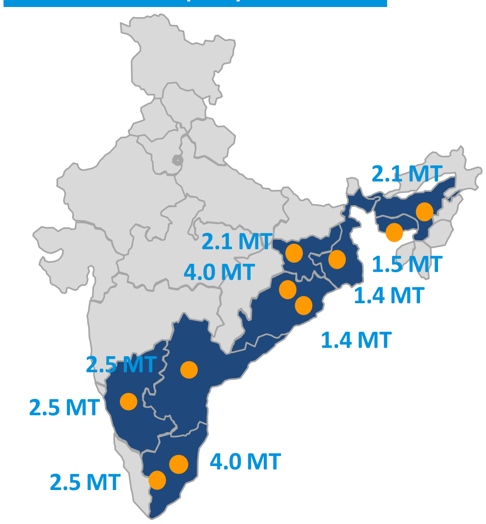
#1 plants in #1 states

2010
Installed capacity: 14.3 MT



#5 plants in #3states

2015
Installed capacity: 24 MT



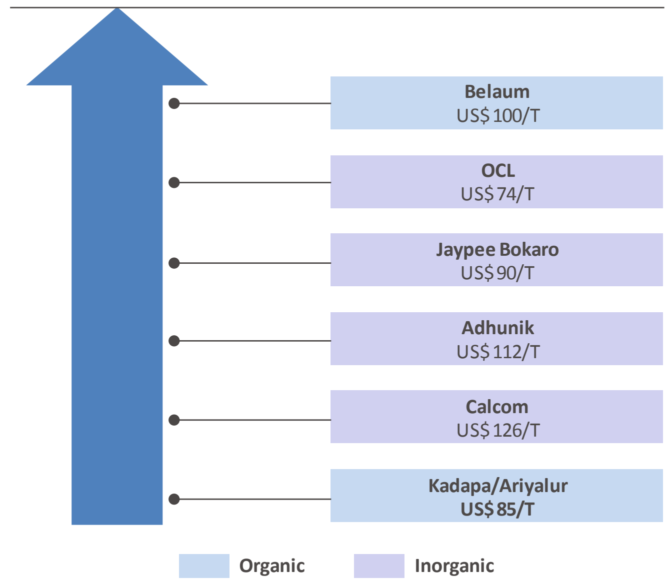
#11 plants in #8states

Source: Company, Edel Invest Research

State-wise Capacity Break-up

Location	State	Capacity (MT)	Power (MW)
Dalmiapuram	Tamil Nadu	4.0	45
Ariyalur	Tamil Nadu	2.5	27
Kadapa	Andhra Pradesh	2.5	
Belgaum	Karnataka	2.5	27
Lanka	Assam	2.1	
Lumshong	Meghalaya	1.5	25
Bokaro	Uttar Pradesh	2.1	
Rajgangpur	Odisha	4.0	54
Kapilas	Odisha	1.4	2.5
Medinipur	West Bengal	1.35	
Total		**23.9**	**180.5**

Expansions



Source: Company, Edel Invest Research

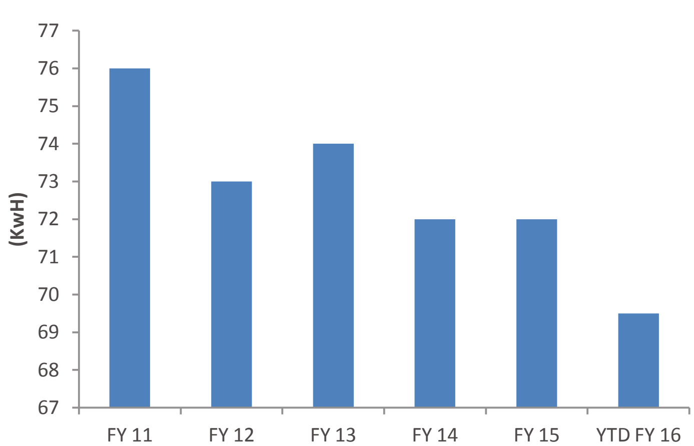
Continuous cost optimization: A key focus area

Operational efficiencies have always been a key focus area for the new management. Continuing with this key initiative, the company has taken various steps:

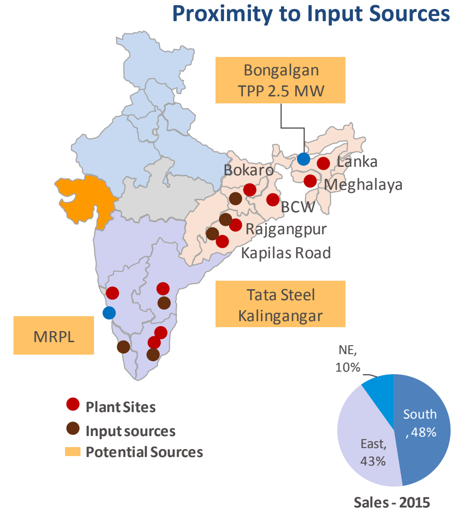
- Increased the Captive Power Plants (CPP) capacity from 27MW in FY07 to 180.5 MW currently
- Switched to alternate fuels, petcoke, lignite, etc. to reduce power cost. Pet coke consumption has increased to ~71% of the overall fuel requirement
- Increased the fly ash blending ratio to ~33% currently
- Increased slag blending in PSC from 48% to 61% currently

All the above measures helped the company to reduce its electricity consumption from 77 KwH in FY07 to 71 KwH in FY15 and 68KwH currently.

Electricity consumed/tonne

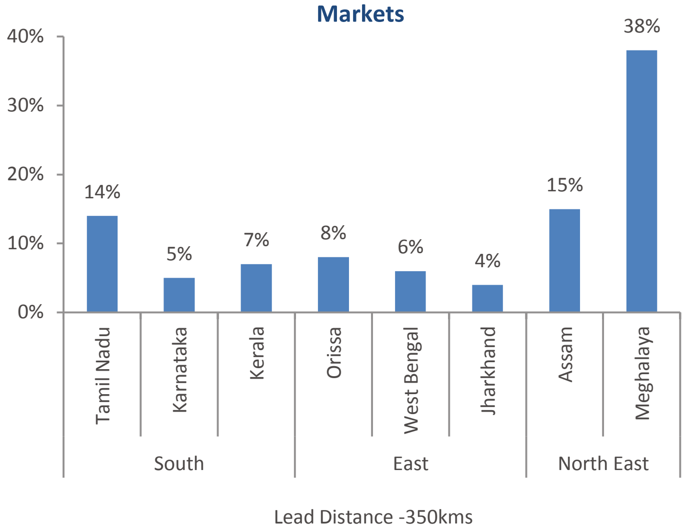


Proximity to Input Sources

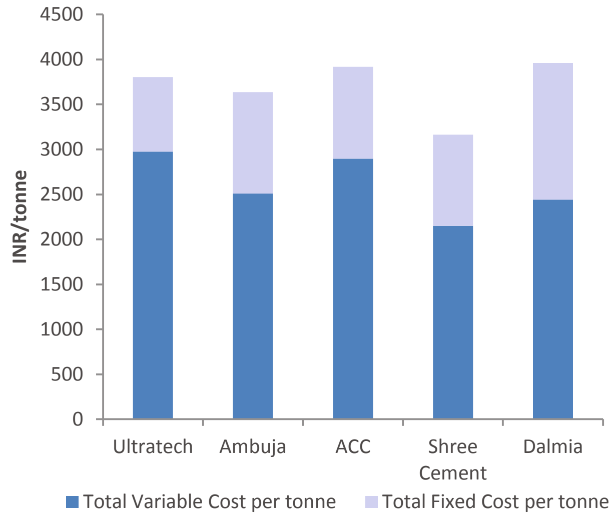


Source: Company, Edel Invest Research.

Logistics Savings vis-à-vis Competitors in Key Markets



Among the lowest variable costs in the industry



Source: Company, Edel Invest Research.

Moreover, the company has appointed Mr. Mahendra Singhi as the Group CEO (Cement) in FY14. Formerly Mr. Singhi was Executive Director with Shree Cement. Mr. Singhi had played an active role in making Shree Cement one of the most cost-efficient cement players in India. His addition to the Board is expected to further increase the company's cost competitiveness, thus improving overall profitability.

In the right place at the right time

Over FY05-FY15, DBL has transitioned from a 1.2 MT single-location cement company to a large 23.9 MT entity, growing aggressively through low-cost acquisitions as well as organic expansions. Currently, the company has presence in 18 states across the West, South, East and North East regions through its 11 plants. Our analysis of the key demand drivers of the industry, i.e Infrastructure and Housing suggest that these regions are poised to be the biggest beneficiaries of the impending demand recovery over the medium term, placing DBL at the forefront to tap the incremental opportunity.

Southern Recovery: Key catalyst to propel long term growth

Approximately 48% of the company's capacities are concentrated in South India, a region that has been the worst hit in the current economic downturn due to subdued demand and oversupply. Demand in South India has grown at a CAGR of mere 2% over FY10-15 due to political uncertainties in Andhra Pradesh and sand mining ban in Tamil Nadu, compared to an all-India average of 5%. This has led to an all-time low utilization level of ~60% in the region.

We believe that utilizations in South India have bottomed out at current levels, given that capacity addition in the region will be negligible over FY16-FY18E. Our scenario analysis suggests that even if growth remains muted over the next 3 years, there is limited downside to capacity utilizations from current levels. Thus, any uptick in demand is expected to lead to an improvement in utilization going forward.

South Scenario Analysis

	Bear Case	Base Case	Bull Case
Growth Assumptions			
FY 16E	2%	2%	2%
FY 17E	2%	6%	8%
FY 18E	2%	8%	10%
Capacity			
FY 16E	123.2	123.2	123.2
FY 17E	125.7	125.7	125.7
FY 18E	125.7	125.7	125.7
Production			
FY 16E	72.4	72.4	72.4
FY 17E	73.9	76.8	78.2
FY 18E	75.3	82.9	86.0
Utilization			
FY 16E	59%	59%	59%
FY 17E	59%	61%	62%
FY 18E	60%	66%	68%

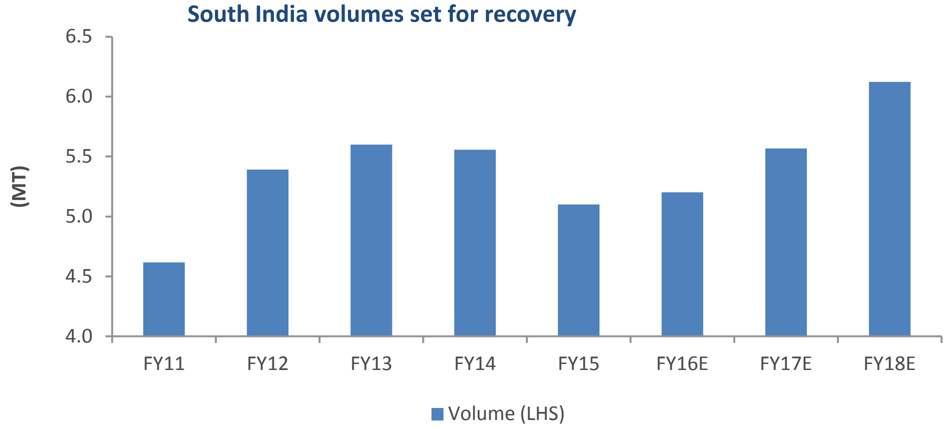
Source: Edel Invest Research.

While supply side concerns seem to be abating, greenshoots of demand revival witnessed in the region give us further comfort about impending recovery in South India. A major driver of cement industry growth in South India is expected to be the incremental demand arising from the split of Andhra Pradesh state into Telangana and Andhra Pradesh. Development of basic infrastructure and housing requirements of the new capital Amravathi and other cities is expected to trigger strong demand for cement in the coming years. The two states account for a combined 25% market share of the total South India cement consumption.

Apart from the AP split, there are various infrastructure projects being undertaken in South India that are expected to give further impetus to cement demand in the region going forward. These projects include irrigation projects in Telangana, building of cement concrete roads in AP, and ongoing metro projects in Bengaluru, Chennai, Kochi and Hyderabad.

Despite poor demand, South India has been able to maintain pricing discipline, with a 7% CAGR over FY11-15. With the impending demand revival, cement prices are expected to find support at these levels in the medium term. DBL is well placed to tap into any demand uptick in South India on the back of recent commissioning of its Belgaum plant in Karnataka and existing capacities in Tamil Nadu and Andhra Pradesh We expect DBL's South India operations to grow at 2%/7%/10% over FY16/17/18E, faster than the industry growth rate of 2%/6%/8%, given that its Belgaum facility is yet to begin commercial production.

South India volumes set for recovery



Source: Company, Edel Invest Research.

Turnaround in North East to drive near term growth

North East offers interesting opportunity

NE remains one of the most under-penetrated parts of the country in terms of cement demand. Per capita consumption of cement in NE stands at 142 kg/person v/s an all-India average of 210 kg/person. Despite the region (particularly Meghalaya) having superior quality limestone reserves, few cement companies have been able to set up local manufacturing units due to regulatory hurdles, geographical complexity and political instability. Currently, the top 3 players account for ~70% of the region's capacity.

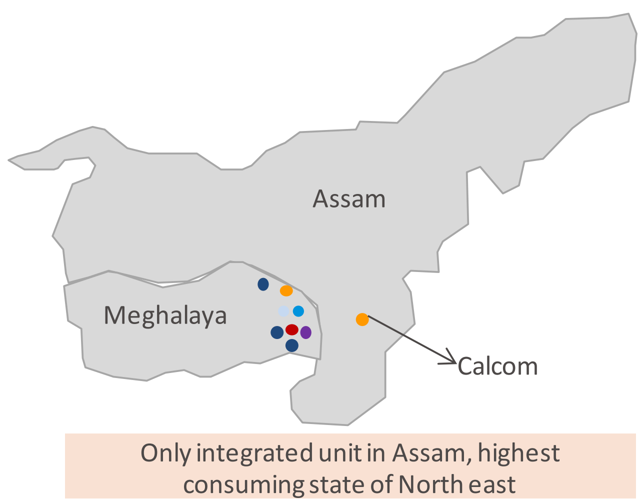
Player	Capacity (MT)	CPP
Dalmia Bharat	3.6	25MW
SFCL Cement	3	51MW
Meghalaya Cement	1.3	10MW
Others	3.1	N/A
Total NE	**11**	

Source: Company, Edel Invest Research.

Historically, NE has not received much Central Government attention vis-à-vis some of the other regions of the country, leading to slower development of this region v/s rest of India. In a bid to stimulate growth in NE, the Government introduced a variety of incentive packages to boost manufacturing and infrastructure development in these states, most notably the 'North East Industrial & Investment Promotion Policy (NEIIPP), 2007 and "Special Accelerated Road Development Programme in North East (SARDP-NE)".

EBITDA/tonne to see substantial uptick

DBL forayed into NE in FY12 through its acquisition of Calcom Cement in Assam (76% subsidiary) and later, Adhunik Cement in Meghalaya (100% subsidiary) in FY13 with a combined capacity of 2.8 MT. The company has struggled to scale up this business given the clinker capacity constraints in Calcom and breakdown at its Adhunik plant. Subsequently, the company has increased its capacity to 3.6 MT, besides adding an incremental 1 MT of clinker capacity, which will be operational in H2FY16E.



Source: Company.

Given the 15-20% cost differential in purchased clinker and captive capacity, the expanded clinker unit at Assam is expected to boost profitability substantially. The company expects EBITDA/tonne to improve in line with improving utilization for NE operations. The company has also taken various branding and marketing initiatives (including bringing in Mary Kom as a brand ambassador) to improve its market share, which stands at 15% currently, second only to Star Ferro. Going forward, DBL aims to increase its market share to 21% by FY17E, led by dwindling mainland dispatches and market share gains from the unorganized players.

Bokaro acquisition to provide impetus to Eastern operations

DBL chose to establish its presence in East India with its 74.6% stake in OCL and 100% stake in Bokaro (acquired from Jaypee). Overall, the company has ~37% of its capacities located in East India, with major presence in Odisha, West Bengal, Jharkhand and Bihar. DBL commands a market share of ~13% in East India, with Odisha being the main market where OCL has a market share of ~23% in FY15.

Following the acquisition of Bokaro plant from Jaypee in November 2014 and increase in its stake in OCL (from 48.4% to 74.6% in FY15), the company has laid greater stress on increasing its revenue share from East India, considering the region has outpaced industry growth over the last five years, growing at ~7% v/s an all-India growth rate of 5%. Going forward, cement demand in East India will remain strong driven by major projects like the Eastern Freight Corridor besides various upcoming ports and power projects.

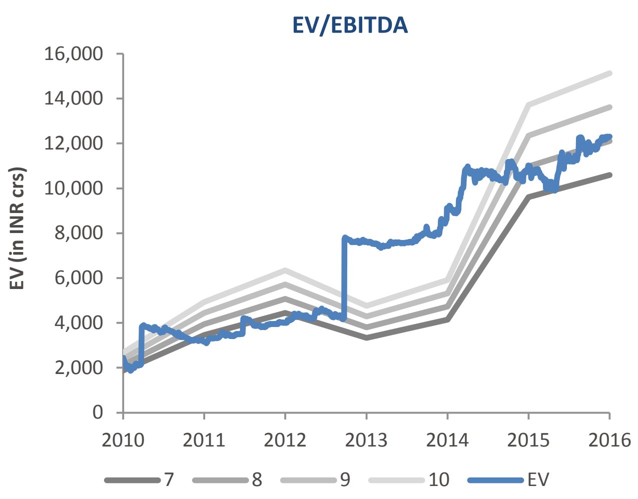
Valuations

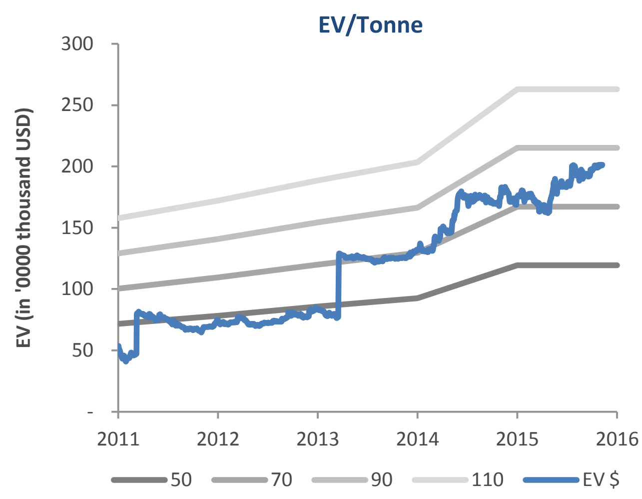
Since the involvement of the third generation of promoters in the business, DBL has been very aggressive in adding capacities and expanding its geographical presence. The company's capacities have increased from 1.5 MT in 2005 to 23.9 MT currently. It has thus transformed from a small South-based cement player to one with an expanding presence in East, North-East and West (these regions account for ~50% of India's total cement demand).

DBL has also sharpened its focus on branding and now has established brands across its target markets with special impetus on its premium category products. The company has roped in regional stars like Prakash Raj and Mary Kom among others to promote their brands. DBL is also focusing on improving process efficiencies and threby reducing its cost of production. It has already reduced its variable cost per tonne to ~INR 2443/tonne, which is second only to Shree Cement . To further improve efficiency, the company has inducted Mr. Mahendra Singhi as Group CEO. Mr. Singhi had served for 19 years at Shree Cement and has been instrumental in making Shree Cement a significant player in the Indian cement industry.

We expect DBL to grow revenues at a CAGR of 32.3% over FY15-FY18E, led primarily by higher volume CAGR of 26.4% and stable realizations. The volume growth will be driven by incremental demand from its new markets in East and North East regions, along with expected revival in demand in South India. Going forward, the expanded capacity in South India and higher utilization of its recently acquired facilities in the East and North East will help improve volume growth. This will be further supported by the expected pick-up in the construction activity.

DBL is currently trading at an attractive valuation of 6.6x FY18E EV/EBITDA and a EV/tonne of USD 80/tonne. The company is trading at a discount of ~30% to the large-cap cement companies. We believe there are enough triggers for the business to get re-rated going forward, spurred by the expanded presence across most Indian geographies, steady generation of free cash flows and debt repayment. We value DBL at 8x FY18E EV/EBITDA - a ~30% discount to large-cap cement companies. We initiate coverage with a "BUY" rating and a price target of INR 1030/share.





Source: Company, Edel Invest Research

Risks

Change in Investment plans

If the company announces fresh capex plans, it would put incremental stress on the balance sheet and impact our earnings estimates.

Inability to pass on increase in cost

If there are regulatory actions, leading to loss of pricing power, the company would not be able to pass on its cost increases efficiently to the end consumers, thus impacting our estimates.

Changes in macro environment

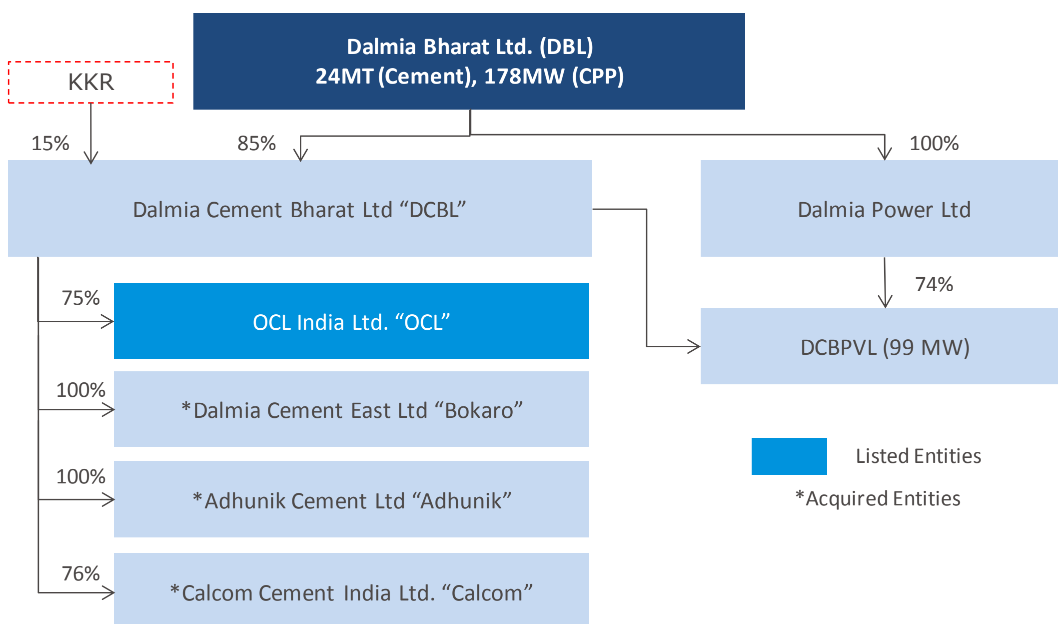
Any delay in recovery of demand in its target markets due to slow marco-economic revival would lead to change in our estimates.

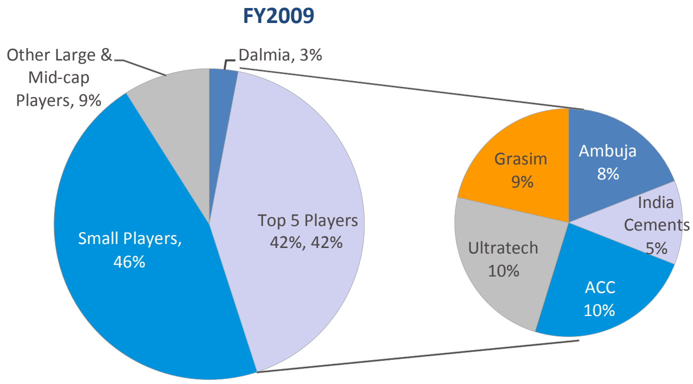
Company Profile

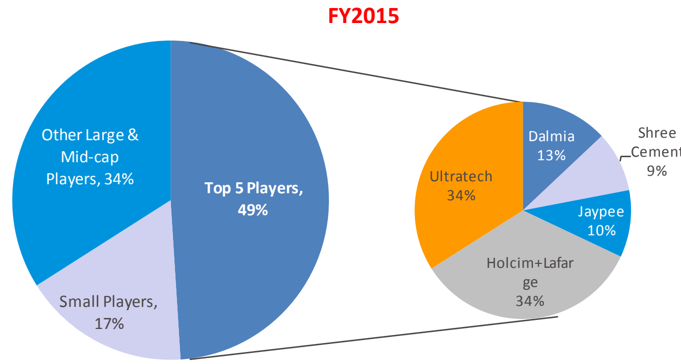
Established in 1935 by Jaidayal Dalmia, the Dalmia group is a diversified conglomerate with business interests in Cement, Sugar, Refractory and Power sectors across India. In 2010, the company's Cement, Refractory and Power businesses were demerged from the group through a restructuring process into a separate listed entity 'Dalmia Bharat Enterprises Ltd.' In FY13, the company was renamed 'Dalmia Bharat Ltd' (DBL). Currently, the company operates in two divisions - Cement and Power, with the Refractory business being discontinued in FY15. The Cement business operates under 'Dalmia Cement Bharat Ltd' (DCBL), where DBL has a 85% stake and PE Kohlberg Kravis & Roberts (KKR) has the balance 15%. The company also has captive power plants (CPP) totalling 180.5 MW, of which 99 MW is under a 100% owned subsidiary 'Dalmia Power Ltd'.

At the time of restructuring, the company had an installed capacity of 9 MT in Tamil Nadu and Andhra Pradesh, along with 45.4% stake in Orissa Cement Ltd (OCL), which had a capacity of 5.3 MT. Subsequently, the company has grown both organically and inorganically. It has acquired companies in the North East (Adhunik & Calcom Cement) and Jharkhand (Bokaro plant of Jaiprakash Associates) while also undertaking expansions in Karnataka and West Bengal. The company has also increased its stake in OCL to 74.6%, making it a wholly-owned subsidiary. Currently, the total group capacity stands at 23.9 MT, making DBL the 3rd largest cement group in India.

DBL is among the leading cement players in South India, with an 8% market share. The company is the 2nd largest player in the North East with a 15% market share and commands a 13% market share in the Eastern region. The company currently serves 18 states through a ~1600-strong dealer network and operates primarily in the premium segment. It also expanded its premium presence in east with the launch of 'Konark DSP' in Odhisa. South India accounts for 48% of the company's sales, while East and North East account for 43% and 10%, respectively.







Source: Company, Edel Invest Research.

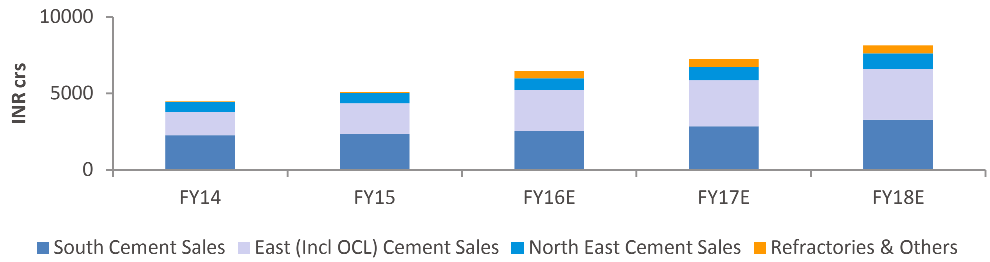
Management Profile

Name	Designation
Mr. Pradip Kumar Khaitan	Chairman
Mr. Jai Hari Dalmia	Promoter & Board Member
Mr. Yadu Hari Dalmia	Promoter & Board Member
Mr. Gautam Dalmia	Managing Director
Mr. Puneet Yadu Dalmia	Managing Director
Mr. Mahendra Singhi	Whole Time Director & Group CEO (Cement)
Mr. Jayesh Doshi	Whole Time Director & Group CFO

Financial Analysis

East to support near term growth

DBL has grown its core southern operations at a CAGR of 9% over FY11-15, mainly on account of a ~7% CAGR in realization. The company's investment in building scale in East & North East and the impending revival in South India are expected to incrementally add to its revenue growth. We expect growth for the company to be initially supported by growth in the East, which would later be complemented by an uptick in the South. Going forward, we expect the company to grow at a CAGR of 35.1% over FY15-18E.

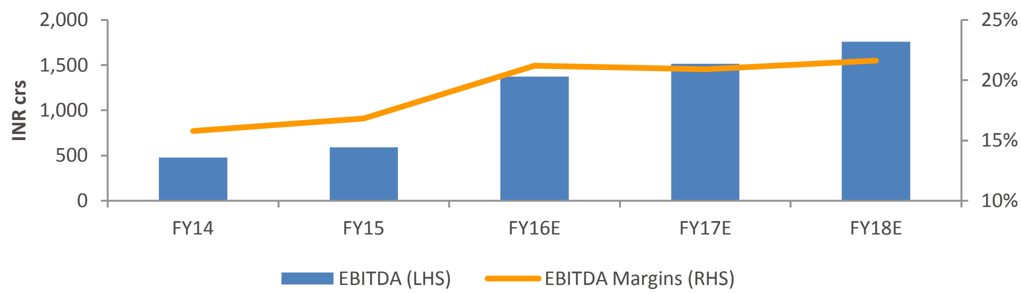


Source: Company, Edel Invest Research.

*Note: OCL was a associate in FY14

Sweating of assets to boost margin

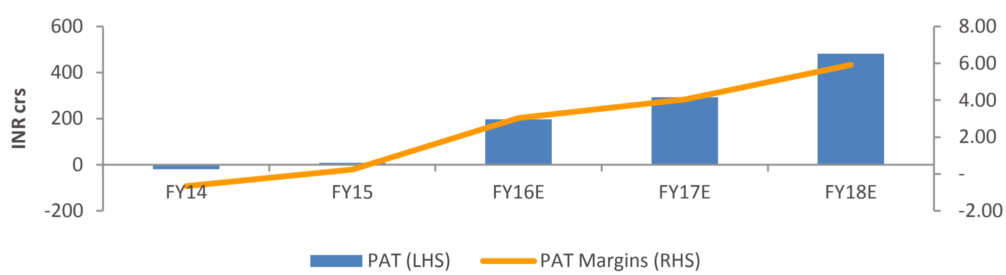
With its foray into the lucrative East and North-East regions (where realizations are more stable compared to rest of India), DBL is expected to witness higher EBITDA/tonne on a blended basis. Moreover, DBL's overall capacity utilization currently stands at 60% of the effective capacity, which we expect to improve over the next few years.



Source: Company, Edel Invest Research.

Improvement in margins to flow down to PAT

With the integration of all the acquired businesses and new greenfield capacities over, operating efficiencies and higher utilization (on the back of demand revival) would lead to higher absorption of fixed costs, thus improving margins. Lack of incremental capex/investment and only ~INR 1000 crs of debt repayment over the next 3 years will help in margin improvement flowing to the bottom line, which is expected to see a 288% CAGR over FY15-18E.

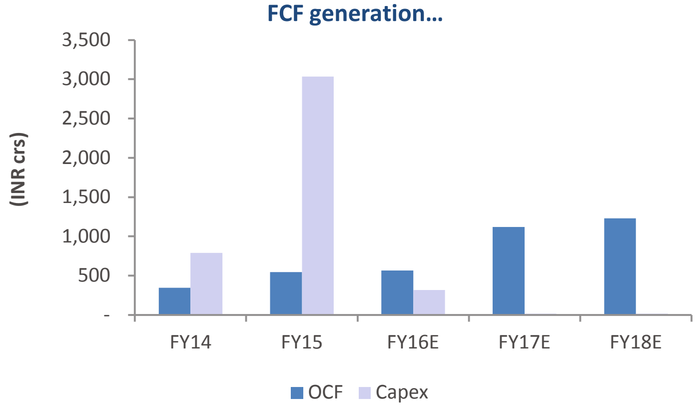


Source: Company, Edel Invest Research.

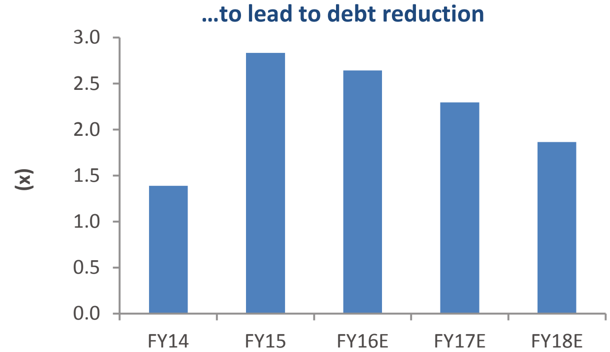
DBL to turn FCF positive in FY16E

With no major capex planned over the next few years and improvement in profitability on account of improving utilizations, we expect the company to turn FCF positive in FY16E.

FCF generation...



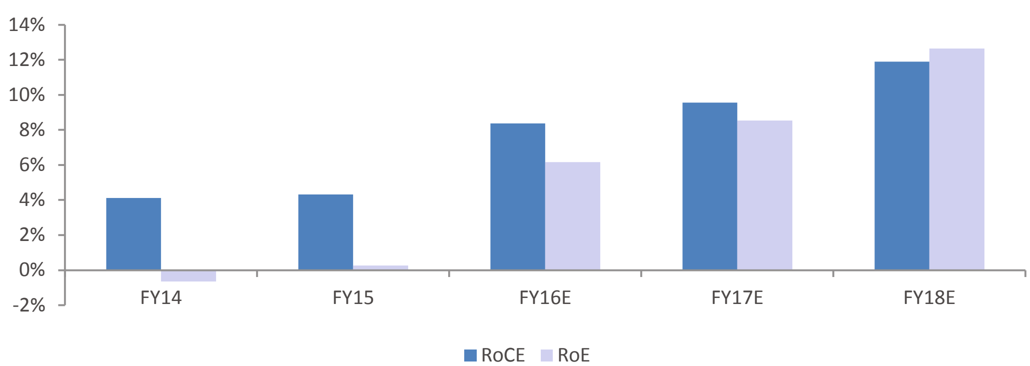
...to lead to debt reduction



Source: Company, Edel Invest Research

Return ratios to witness substantial uptick

With no fresh capex planned and higher utilization of assets, we expect RoCE to improve to ~13% in FY18E from ~4% in FY15.



Source: Company, Edel Invest Research

Financials

Income Statement

Year to March (INR Cr)	FY14	FY15	FY16E	FY17E	FY18E
Net revenue	3,016	3,514	6,473	7,233	8,137
Materials costs	401	528	880	989	1,118
Gross profit	2,615	2,986	5,594	6,244	7,019
Power & Fuel Cost	773	712	1,103	1,237	1,394
Freight Cost	531	625	1,206	1,357	1,460
Other Cost	834	1,058	1,812	2,025	2,278
EBITDA	476	591	1,472	1,625	1,886
Depreciation & Amortization	242	272	458	462	455
EBIT	234	320	1,014	1,163	1,432
Other income	70	93	85	85	85
Extraordinary Items	12	(5)	-	-	-
EBIT incl. other income	292	418	1,099	1,248	1,516
Interest expenses	315	434	630	603	557
Profit before tax	(23)	(16)	468	645	960
Provision for tax	64	47	155	213	317
Net profit	(87)	(63)	314	432	643
Minority Interest	(30)	(18)	49	58	67
Share in Profits of Associates	49	49	-	-	-
Adj Net Profit	(20)	8	265	374	576
Basic shares outstanding (crs)	8.1	8.1	8.1	8.1	8.1
EPS (Rs.)	(2.5)	1.0	32.7	46.0	70.9
Dividend per share (Rs.)	2.0	2.0	1.0	1.0	1.0
Dividend payout (%)	N/A	197.6%	3.1%	2.2%	1.4%

Common Size

Year to March	FY14	FY15	FY16E	FY17E	FY18E
Materials costs	13.3%	15.0%	13.6%	13.7%	13.7%
Depreciation	8.0%	7.7%	7.1%	6.4%	5.6%
EBITDA margins	15.8%	16.8%	22.7%	22.5%	23.2%
EBIT margins	7.8%	9.1%	15.7%	16.1%	17.6%
Net profit margins	-0.7%	0.2%	4.1%	5.2%	7.1%

Growth Ratios

Year to March	FY14	FY15	FY16E	FY17E	FY18E
Revenues	8.1%	16.5%	84.2%	11.7%	12.5%
EBITDA	-25.0%	24.2%	148.9%	10.4%	16.1%
PBT	-108.4%	-29.2%	-2984.9%	37.7%	48.9%
Net profit	-110.1%	-141.2%	3126.2%	41.0%	54.1%

Balance Sheet

As on 31st March	FY14	FY15	FY16E	FY17E	FY18E
Equity capital	17	17	17	17	17
Reserves & surplus	3,109	3,081	3,338	3,704	4,272
Borrowings	4,344	8,778	8,615	8,031	7,324
Deferred Tax Liabilities (Net)	156	401	401	401	401
Minority Interest	446	747	795	853	920
Sources of funds	**8,072**	**13,023**	**13,166**	**13,006**	**12,933**
Net Fixed Assets	5,966	9,702	9,644	9,282	8,928
Investments	1,234	1,691	1,691	1,691	1,691
Inventories	331	729	977	1,091	1,228
Sundry debtors	278	510	726	811	913
Cash & Bank Balances	84	528	41	23	43
Other Current assets	4	14	14	14	14
Loans and advances	858	1,233	1,926	2,152	2,421
Total current assets	1,556	3,015	3,684	4,091	4,619
Sundry creditors and others	619	1,285	1,754	1,960	2,205
Provisions	65	98	98	98	98
Total current liabilities & provisions	684	1,384	1,852	2,058	2,303
Net current assets	872	1,631	1,832	2,033	2,315
Uses of funds	**8,072**	**13,023**	**13,166**	**13,006**	**12,933**

Free cash flow

Year to March	FY14	FY15	FY16E	FY17E	FY18E
Net profit	(87)	(63)	314	432	643
Add : Depreciation	242	272	458	462	455
Others	277	267	546	519	472
Gross cash flow	432	476	1,317	1,413	1,570
Less: Changes in WC	(88)	69	(687)	(220)	(262)
Operating cash flow	344	545	630	1,193	1,308
Less: Capex	998	5,339	400	100	100
Free cash flow	(654)	(4,795)	230	1,093	1,208

Cash Flow Statement

Year to March	FY14	FY15	FY16E	FY17E	FY18E
Cash flow from operations	344	545	630	1,193	1,308
Cash Flow from investing activities	788	3,036	315	15	15
Cash Flow from financing activities	429	2,934	(801)	(1,196)	(1,272)
Capex	998	5,339	400	100	100
Dividends	-	(16)	(8)	(8)	(8)

Profitability & Efficiency Ratios

Year to March	FY14	FY15	FY16E	FY17E	FY18E
ROAE (%)	-0.6%	0.3%	8.2%	10.6%	14.4%
ROACE (%)	4.1%	4.3%	9.2%	10.5%	13.0%
ROIC (%)	3.8%	4.0%	8.4%	9.5%	11.7%
Inventory day	41	55	55	55	55
Debtors days	32	41	41	41	41
Payable days	71	99	99	99	99
Cash conversion cycle (days)	3	(3)	(3)	(3)	(3)
Current ratio	2.3	2.2	2.0	2.0	2.0
Debt/Equity	1.4	2.8	2.6	2.2	1.7

Turnover Ratios

Year to March	FY14	FY15	FY16E	FY17E	FY18E
Total asset turnover	0.4	0.3	0.4	0.5	0.5
Fixed asset turnover	0.5	0.4	0.6	0.7	0.7
Equity turnover	1.0	1.1	2.0	2.0	2.0

Du Pont Analysis

Year to March	FY14	FY15	FY16E	FY17E	FY18E
NP margin (%)	-0.7%	0.2%	4.1%	5.2%	7.1%
Total assets turnover	0.4	0.3	0.4	0.5	0.5
Leverage multiplier	2.7	3.7	4.6	4.3	3.8
ROAE (%)	-0.6%	0.3%	8.2%	10.6%	14.4%

Valuation Parameters

Year to March	FY14	FY15	FY16E	FY17E	FY18E
Diluted EPS (Rs.)	(2.5)	1.0	32.7	46.0	70.9
Y-o-Y growth (%)	-110.1%	-141.2%	3126.2%	41.0%	54.1%
Diluted PE (x)	(293.6)	712.1	22.1	15.7	10.2
Price/BV (x)	1.9	1.9	1.7	1.6	1.4
EV/Sales (x)	2.9	3.5	2.0	1.7	1.4
EV/ton (USD/tonne)	79	85	87	83	78
EV/EBITDA (x)	18.6	21.0	8.7	7.5	6.1
EBITDA/ton	711	842	1,196	1,233	1,329
Dividend yield (%)	0.1%	0.1%	0.1%	0.1%	0.1%

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