PhillipCapital

Dish TV India Ltd (DITV IN)

Expensive deal, but long-term synergies are a positive

INDIA | MEDIA | Company Update

15 November 2016

Dish TV announced its merger with VideconD2H (VDTH) in an equity-swap deal. The merged entity would be the largest C&S pay-TV operator in India with a market share of 19% in Indian C&S TV households. VDTH shareholders will be issued ~858mn shares of the merged entity, making VDTH's equity value Rs 75bn and EV Rs 90.42bn (on Friday's closing prices) – which we feel are steep. However, the long-term synergies (both revenues and costs) should surprise earnings positively from FY19. We estimate synergy benefits of Rs 5bn in FY19, which would imply a 47% upside for DishTV investors. We retain our BUY rating with a DCF-based target of Rs 110 (unchanged) as we wait for clarity on the integration process.

Prima facie, the deal looks expensive: VDTH's implied equity value of Rs 75bn suggests a ~36% premium over its current market price. It is valued at 8.5x/7.4x FY17/18 EV/EBITDA, which is in line with Dish TV's current trading multiple. We believe that the deal value is marginally on the higher side, considering that VDTH was barely able to service its debts (FY16 capex was Rs 7bn, EBITDA was Rs 8bn, and interest expense was Rs 3bn); it is burdened with high-cost debt (Rs 15.4bn with average cost of debt at 16-17%).

However, long-term synergy benefits can overcome near-term valuation concerns: We believe there are enough synergy benefits for the merged entity, which will lead to value accretion for Dish TV's existing minority shareholders. Potential synergy benefits are as follows:

(1) **Reduced content cost for the merged entity:** In FY16, Dish TV/VDTH's content cost outgo per subscriber per month was Rs 52/77 – most of this disparity was because of inability to garner favourable terms from broadcasters. The merged entity's content cost per subscriber would converge towards Dish TV's existing content cost. Also, with a 27.6mn subscriber base, the merged entity would be eligible to all volume-based discounts that may be offered by broadcasters. Approximate cost saving would be Rs 1.5bn.

(2) **Reduced transponder cost:** Both VDTH and Dish TV spend Rs 1.5-1.7bn each towards transponder costs. Once the backend infrastructures of both companies are integrated, and dish antennas of VDTH customers are realigned, subscribers of both operators can receive signals from a single satellite and the merged entity can save on transponder costs. Approximate cost saving is Rs 1.5bn.

(3) **Increased revenue from alternate revenue streams:** We expect the merged entity to grow its alternate revenue streams like carriage, advertising, value-added services, and new channel launches – we expect it to double after the second year of the merger. These are highly margin accretive with incremental revenue potential of Rs 1bn.

(4) **Savings on IT support, admin, employee, and other backend costs**: Together, these costs (at Rs2.5bn), constitute 9% of total operating revenue or 12% of total operating expenditure. After the merger and integration of operations, we estimate a 10-15% cost savings on total expenditure. Approximate cost saving of Rs 750mn.

(5) **VDTH accumulated losses of Rs 18bn can be used to offset future tax liability**. Benefit could be Rs 5.4bn.

Valuation and impact on our estimates: Without any synergy benefit, the merger is going to be NPV decretive by 9% for existing Dish TV shareholders. However, long-term synergies (both revenues and cost) would surprise earnings positively from FY19. We estimate the merged entity to enjoy a synergy benefit of Rs 5bn at EBITDA level in FY19, which would imply an upside of 47% for DishTV's investors. We retain our BUY rating with a DCF-based price target of Rs 110 (unchanged).

BUY (Maintain)

CMP RS 87
TARGET RS 110 (+26%)

COMPANY DATA

O/S SHARES (MN) :	1066
MARKET CAP (RSBN) :	93
MARKET CAP (USDBN) :	1.4
52 - WK HI/LO (RS) :	110 / 65
LIQUIDITY 3M (USDMN) :	9.8
PAR VALUE (RS) :	1

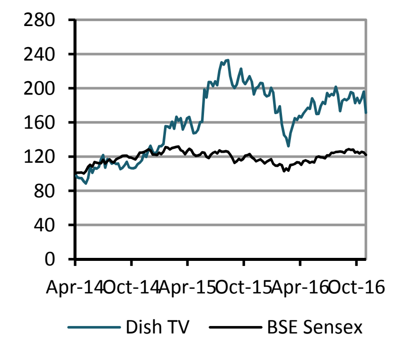
SHARE HOLDING PATTERN, %

	Sep 16	Jun 16	Mar 16
PROMOTERS :	64.4	64.5	64.5
FII / NRI :	20.1	19.4	19.7
FI / MF :	6.5	7.0	6.2
NON PRO :	4.7	5.5	5.8
PUBLIC & OTHERS :	4.3	3.7	3.9

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	-11.3	-2.1	-13.0
REL TO BSE	-6.8	1.6	-16.7

PRICE VS. SENSEX



Source: Phillip Capital India Research

KEY FINANCIALS

Rs mn	FY16E	FY17E	FY18E
Net Sales	30,599	32,740	37,555
EBIDTA	10,373	11,371	14,565
Net Profit	7,048	3,389	5,367
EPS, Rs	6.6	3.2	5.0
PER, x	13.3	27.7	17.5
EV/EBIDTA, x	9.5	8.4	6.2
P/BV, x	24.0	12.8	7.4
ROE, %	180.1	46.4	42.4
Debt/Equity (%)	237.6	113.7	37.9

Source: PhillipCapital India Research Est.

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Combined entity to have significant market share in Indian C&S homes

The combined entity will have a total active subscriber base of 27.6mn, including 2.5mn HD subscribers. Its market share would be 40% in DTH, 19% in Indian C&S TV households, and 16% in Indian TV households.

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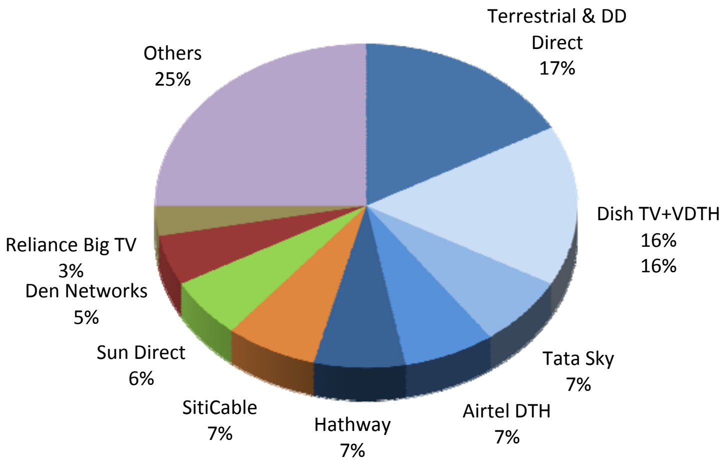
Total TV Households in India : 175 mn



Source: Company, PhillipCapital Research

Combined entity net debt at a comfortable level

The net debt of the combined entity would be Rs 21.9bn as on H1FY17 (Dish TV Rs 6.25bn, VDTH Rs 15.6bn). License-fee liability (provided in Dish TV's balance sheet and classified as contingent liability by VDTH) would be Rs 19bn. Net-debt-to-EBITDA ratio would stand at 1x (and 2x including license-fee liability), which is at a comfortable level.

Content cost of the merged entity can reduce significantly

There is a great disparity between VDTH and Dish TV in terms of content cost payout to broadcasters (see table below). On a per subscriber basis, VDTH's content payout is 60% higher than Dish TV's due to the following reasons: (1) VDTH has recently renegotiated its content-cost sharing agreement with most broadcasters; hence, the number is on the higher side, (2) VDTH's inability to get favourable terms from broadcasters (since the VDTH group is from a non-media background) also partly explains the disparity.

On a per subscriber basis, VDTH's content payout is 60% higher than Dish TV's

Estimated content cost payout – Dish TV and VDTH

VDTH	FY16	FY17E	FY18E	FY19E
Net subscriber(in mn)	11.9	13.3	14.5	15.6
Content cost(in Rs mn)	10,797	12,179	13,397	14,468
Content cost per sub(in Rs)	82	81	80	80
Dish TV	**FY16**	**FY17E**	**FY18E**	**FY19E**
Net subscriber(in mn)	14.5	16.1	17.3	18.4
Content cost(in Rs mn)	8,541	9,822	11,001	11,771
Content cost per sub(in Rs)	52	54	55	55

Source: Company, PhillipCapital Research

After the merger, all existing contracts will be renegotiated with broadcasters with a combined subscriber base of 27.6mn; hence, we believe that content cost for the merged entity can come down significantly, as it would be eligible for all volume-based discounts. Similarly, the revised deal structure would now mirror Dish TV's, and would be eligible to all terms that were previously not available to them. We anticipate the cost saving from FY19 onwards to be Rs 1.5bn per annum.

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Location of transponder: Dish TV and VDTH

Dish TV uses the NSS-6 satellite platform, along with the Asiasat 5, while VDTH uses 12 transponders in the ST-2 satellite platform. Dish TV's current dish antennas are tuned to receive signals from two separate satellites that are five degrees apart. A one-time antenna realignment of VDTH subscribers might be needed for them to receive from Dish TV's transponder, and could lead to savings on transponder costs.

Satellites used for broadcasting DTH signals in India

Name of the Satellite	Owned & operated by	Launch Date	Mission Life (years)	Geostationary position	Number of Ku band Indian transponders	Operators using the satellite
INSAT 4A	ISRO	22-12-05	12	83° East	12	Tata Sky
GSAT 10	ISRO	29-09-12	15	83° East	12	Tata Sky
ST 2	SingTel	20-05-11	15	88° East	12	VDTH
MEASAT 3	MEA Satellite systems	11-12-06	15	91.5° East	13	Reliance digital TV and Sun direct
GSAT 15	ISRO	10-11-15	12	93.5° East	24	DD free dish and Sun Direct
NSS 6	SES world skies	17-12-02	15	95° East	12	Dish TV
Asiasat 5	Asiasat telecom	11-08-09	15	100.5° East	4	Dish TV
SES 7	SES world skies	16-05-09	15	108.2° East	12	Airtel digital TV

Source: http://telecomtalk.info/

Currently, both Dish TV and VDTH pay Rs 1.7bn towards transponder capacity. Once the backend infrastructures of both companies are integrated and dish antennas of VDTH customers are realigned, subscribers of both operators can receive signals from a single satellite, and the merged entity can save on transponder costs; approximate cost saving per annum could be Rs 1.7bn.

The merged entity can save on transponder costs; approximate cost saving per annum could be Rs 1.7bn.

Increase in other ancillary revenue streams

Since the merged entity would command 19% market share in Indian C&S homes, it would be an attractive platform for both advertisers and FTA channels.

Currently, both Dish TV and VDTH receive Rs 1bn in carriage revenue, which is much lower compared to MSOs (despite the latter having a lower subscriber base). After the merger, the platform would be lucrative, as it would provide a gateway to 19% C&S households – the bargaining power of the merged entity would increase significantly. We expect carriage revenue to double by the second year after the merger is complete.

We expect carriage revenue and ad revenues to double by the second year after the merger is complete.

Similarly, ad-revenue potential of the merged platform would also improve significantly. Currently, Dish TV and VDTH get Rs 0.5bn and Rs 0.3bn as ad revenue, which we believe can accelerate significantly (combined) after the merger (to double by the second year after the merger is complete).

Detailed financials of VDTH

We expect VDTH's operating performance to keep on improving on higher subscriber additions and normalisation of content costs. VDTH has already tied up a content-cost sharing arrangement with most broadcasters (for the next 6-8 quarters); hence, we are not likely to see major uptick in content costs in the near term. We expect EBITDA margins to improve by 150bps over the next couple of years. We also expect net debt to reduce to Rs 8bn by FY19 from current Rs 15.6bn, primarily driven by robust EBITDA growth and moderate capex needs.

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Key financials – VDTH standalone

KPIs	FY16	FY17E*	FY18E	FY19E
Gross subscriber base(in mn)	15.74	18.20	20.57	23.03
Net subscriber base(in mn)	11.86	13.29	14.47	15.62
Gross add(in mn)	2.65	2.46	2.38	2.45
Net add(in mn)	1.68	1.43	1.18	1.15
Churn (% p.m.)	0.73%	0.73%	0.75%	0.75%
ARPU(in Rs)	207	193	196	198
P&L(in Rs mn)	**FY16**	**FY17E***	**FY18E**	**FY19E**
Subscription and activation revenue	26,068	29,069	32,646	35,747
Total operating revenue	**28,559**	**31,687**	**35,465**	**38,784**
Operating expense	16,493	16,406	18,006	19,446
Employee benefits expense	1,207	1,313	1,490	1,629
Administration and other expenses	705	752	851	931
Selling and distribution expenses	2,259	2,632	2,944	3,219
Total Operating expenditure	20,663	21,103	23,290	25,225
EBITDA	**7,895**	**10,584**	**12,175**	**13,560**
EBITDAM(%)	**27.6%**	**33.4%**	**34.3%**	**35.0%**
One-time expense	135	84	84	84
Adj EBITDA	**8,030**	**10,668**	**12,259**	**13,644**
Adj EBITDAM(%)	**28.1%**	**33.7%**	**34.6%**	**35.2%**
D&A expense	6,088	6,931	7,278	7,641
Interest expense	3,143	2,723	2,563	2,113
Other income	36.6	-	-	-
PBT	-1,299	930	2,334	3,805
Tax expense	-377	279	700	1,142
PAT	**-922**	**651**	**1,634**	**2,664**
Capex	**7,269**	**6,879**	**6,653**	**6,866**
Net debt	**16,651**	**15,584**	**12,542**	**7,877**

*- Entertainment tax is netted off from topline

Source: Company, PhillipCapital Research

DCF valuation indicates that the current deal is NPV decretive

We value VDTH on a DCF, using a WACC of 13.3% and terminal growth rate of 5%, to arrive at a March 2017 equity value of Rs 68.5bn – this indicates that the deal is 10% NPV decretive for existing Dish TV shareholders.

The deal is 10% NPV decretive for existing Dish TV shareholders.

Derivation of DCF valuation for VDTH's operations

Rs mn	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E
EBIT	1,941.9	3,737.2	4,981.0	5,977.2	6,993.3	8,042.3	9,007.4	9,908.1
Tax	-583	-1,121	-1,494	-1,793	-2,098	-2,413	-2,702	-2,972
D&A	6,088	6,931	7,278	7,132	6,989	6,850	6,713	6,578
Wcap changes	705.0	740.3	777.3	816.1	856.9	899.8	944.8	992.0
Capex	-7,269	-6,879	-6,653	-6,520	-6,455	-6,390	-6,326	-6,263
FCFF	883.8	3,408.6	4,888.4	5,612.1	6,286.8	6,988.7	7,636.2	8,242.9
Disc Factor	1.00	1.13	1.28	1.46	1.65	1.87	2.12	2.40
PV of FCF	884	3,007	3,805	3,854	3,809	3,736	3,601	3,430

WACC calculation	
Risk free rate	7.0%
Risk premium	6.0%
Beta	1.25
Cost of equity	14.5%
Post tax Cost of debt	11.0%
D/E ratio	0.33
WACC	**13.3%**
Terminal growth rate	**5.0%**

(in Rs mn)	3-31-17
PV of CF	43,063.8
TV of CF	43,154.7
FCFF	86,218.5
Net debt	-15,584.1
FCFE	70,634.4
One time license fee impact	7,500.0
One time tax benefit of acc. Losses	5,400.0
Equity value paid	75,185.3
Upside/downside	-8.8%

Source: PhillipCapital India Research

Pro-forma financials of the merged entity (without synergy benefits)

We expect the merged entity to clock revenue CAGR of 11% and EBITDA CAGR of 20% over FY16-19. EBITDA margin expansion of the merged entity would be driven by license fee savings from FY18 (we have 8% license-fee payout for Dish TV from FY18 vs. 10% currently; VDTH already pays 6% on adjusted gross revenue). We expect the merged entity to add 3.0/2.5mn net subscribers in FY17/18. Considering the significant EBITDA growth and moderate capex requirement, we expect the entity to generate significant cash flow (Rs 15bn annually) over the next couple of years.

Merged entity to clock revenue CAGR of 11% and EBITDA CAGR of 20% over FY16-19. to add 3.0/2.5mn net subscribers in FY17/18. to generate significant cash flow (Rs 15bn annually) over the next couple of years.

Key financials – merged entity (w/o synergy benefit)

KPIs	FY16	FY17E*	FY18E	FY19E
Gross subscriber base(in mn)	37.4	42.7	47.7	52.8
Net subscriber base(in mn)	26.3	29.3	31.7	34.0
Gross add(in mn)	5.4	5.3	5.0	5.2
Net add(in mn)	3.2	3.0	2.4	2.3
Churn(% p.m.)	0.72%	0.74%	0.75%	0.73%
P&L(in Rs mn)	**FY16**	**FY17E***	**FY18E**	**FY19E**
Total operating revenue	59,158	64,427	73,019	81,323
Operating expense	31,072	31,360	34,023	37,065
Employee benefits expense	2,436	2,714	3,058	3,386
Administration and other expenses	2,289	2,494	2,768	3,039
Selling and distribution expenses	5,094	5,935	6,528	7,246
Total Operating expenditure	40,890	42,503	46,377	50,735
EBITDA	18,268	21,924	26,643	30,587
EBITDAM (%)	30.9%	34.0%	36.5%	37.6%
One-time expense	135.17	84.00	84.00	84.00
Adj EBITDA	18,403	22,008	26,727	30,671
Adj EBITDAM (%)	31.1%	34.2%	36.6%	37.7%
D&A expense	11,995	13,128	14,383	15,206
Interest expense	5,230	4,521	4,198	3,593
Other income	677	1,140	1,320	1,082
PBT	1,719	5,415	9,382	12,870
Tax expense	-4,406	1,400	2,462	4,133
PAT	6,125	4,015	6,920	8,737
Capex	**14,589**	**14,652**	**14,543**	**15,101**

Source: PhillipCapital India Research

Derivation of DCF valuation for the merged entity's operation

Rs mn	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E
EBIT	7,116.6	12,440.8	16,135.5	19,362.6	22,654.2	26,052.4	29,178.7	32,096.5
Tax	-2,135	-3,732	-4,841	-5,809	-6,796	-7,816	-8,754	-9,629
D&A	11,995	13,128	14,383	14,383	14,383	14,383	14,383	14,383
Wcap changes	1,413.7	1,544.2	1,690.3	1,845.3	2,011.8	2,191.8	2,385.8	2,505.1
Capex	-14,589	-14,652	-14,543	-14,252	-13,967	-13,688	-13,414	-13,146
FCFF	3,802.0	8,728.5	12,824.9	15,529.7	18,285.4	21,123.5	23,779.6	26,209.7
Disc Factor	1.00	1.13	1.27	1.44	1.62	1.83	2.06	2.33
PV of FCF	3,802	7,737	10,077	10,816	11,289	11,560	11,535	11,270

DCF-based value reduces due to pricey acquisition without any synergy benefit

WACC calculation	
Risk free rate	7.0%
Risk premium	6.0%
Beta	1.2
Cost of equity	14.2%
Post tax Cost of debt	10.0%
D/E ratio	0.33
WACC	12.8%
Terminal growth rate	5.0%

(in Rs mn)	3-31-17
PV of CF	1,26,481
TV of CF	1,51,439
FCFF	2,77,920
Net debt	-20,584
FCFE	2,57,336
One time license fee impact	86,000
One time tax benefit of acc. Losses	8,400
Equity value paid	1,68,386
Upside/downside	**6.7%**

Source: PhillipCapital India Research

Pro-forma financials of the merged entity (with synergy benefits)

We have assumed that all synergy benefits would start accruing from FY19, because after the regulatory approval (expected by the end of FY17), the company would take another year to integrate its operations. We believe that the merged company would be able generate benefits worth Rs 5bn at the EBITDA level from FY19, driven by:

(1) Additional revenue from ancillary revenue streams such as carriage and advertisements.

(2) Content-cost savings driven by an increased user base.

(3) Reduced transponder costs driven by realignment of VDTH's dish antennas.

(4) Reduced admin, IT support, and other admin expenses due to scale benefits.

FY19 EBITDA margin would increase by 600bps because of these synergy benefits.

Key financials – merged entity (with synergy benefits)

KPIs	FY16	FY17E	FY18E	FY19E	
Gross subscriber base(in mn)	37.4	42.7	47.7	52.8	
Net subscriber base(in mn)	26.3	29.3	31.7	34.0	
Gross add(in mn)	5.4	5.3	5.0	5.2	
Net add(in mn)	3.2	3.0	2.4	2.3	
Churn(% p.m.)	0.72%	0.74%	0.75%	0.73%	
P&L(in Rs mn)	**FY16**	**FY17E**	**FY18E**	**FY19E**	**Comments**
Total operating revenue	59,158	64,427	73,019	82,323	Additional Rs 1bn of revenue due to higher carriage and ad revenue
Operating expense	31,072	31,360	34,023	33,735	Operating expense to reduce by Rs 3bn due to lower content cost (by Rs 1.5bn) and lower transponder cost (by Rs 17.bn)
Employee benefits expense	2,436	2,714	3,030	2,804	Assumed 15% cost saving on merged entity's employee expense
Administration and other expenses	2,289	2,463	2,699	2,665	Assumed 15% cost saving on merged entity's admin expense
Selling and distribution expenses	5,094	5,935	6,528	7,093	No synergy as the company would operate under three separate brands
Total Operating expenditure	40,890	42,472	46,280	46,297	
EBITDA	18,268	21,956	26,740	36,026	
EBITDAM (%)	30.9%	34.1%	36.6%	43.8%	
One-time expense	135.17	84.00	84.00	84.00	
Adj EBITDA	18,403	22,040	26,824	36,110	
Adj EBITDAM (%)	31.1%	34.2%	36.7%	43.9%	
D&A expense	11,995	13,128	14,383	15,206	
Interest expense	5,230	4,521	4,198	3,593	
Other income	677	1,142	1,331	1,129	
PBT	1,719	5,449	9,490	18,355	
Tax expense	-4,406	1,409	2,489	4,370	
PAT	6,125	4,040	7,001	13,985	
Capex	14,589	14,652	14,543	15,101	

Source: PhillipCapital India Research

With synergy benefit, upside potential in target price increases significantly

If we factor in the synergy benefit (mentioned in the previous section), our DCF-based price increases to Rs 130 (vs. Rs 110 now). However, we retain our BUY rating with a DCF-based price target of Rs 110 (unchanged).

Our DCF-based price increases to Rs 130 (vs. Rs 110 now). However, we retain our BUY rating with a DCF-based price target of Rs 110 (unchanged).

Derivation of our DCF valuation WITH synergy benefit

Rs mn	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E
EBIT	7,116.6	12,440.8	20,903.4	25,084.1	29,348.4	33,750.7	37,800.8	41,580.8
Tax	-2,135	-3,732	-6,271	-7,525	-8,805	-10,125	-11,340	-12,474
D&A	11,995	13,128	14,383	14,383	14,383	14,383	14,383	14,383
Wcap changes	1,413.7	1,544.2	1,690.3	1,845.3	2,011.8	2,191.8	2,385.8	2,505.1
Capex	-14,589	-14,652	-14,543	-14,252	-13,967	-13,688	-13,414	-13,146
FCFF	3,802.0	8,728.5	16,162.5	19,534.8	22,971.4	26,512.3	29,815.1	32,848.7
Disc Factor	1.00	1.13	1.27	1.44	1.62	1.83	2.06	2.33
PV of FCF	3,802	7,737	12,699	13,606	14,182	14,509	14,463	14,125

WACC calculation	
Risk free rate	7.0%
Risk premium	6.0%
Beta	1.2
Cost of equity	14.2%
Post tax Cost of debt	10.0%
D/E ratio	0.33
WACC	12.8%
Terminal growth rate	5.0%

(in Rs mn)	3-31-17
PV of CF	1,56,573
TV of CF	1,89,799
FCFF	3,46,372
Net debt	-20,584
FCFE	3,25,788
One time license fee impact	86,000
One time tax benefit of acc. Losses	8,400
Equity value paid	1,68,386
Upside/downside	47.4%

Source: PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY15	FY16e	FY17e	FY18e
Net sales	**27,816**	**30,599**	**32,740**	**37,555**
Growth, %	20	10	7	15
Total income	27,816	30,599	32,740	37,555
Raw material expenses	-57	-300	0	0
Employee expenses	-69	-263	-276	-290
Other Operating expenses	-20,359	-19,664	-21,093	-22,699
EBITDA (Core)	**7,331**	**10,373**	**11,371**	**14,565**
Growth, %	62.5	41.5	9.6	28.1
Margin, %	26.4	33.9	34.7	38.8
Depreciation	-6,138	-5,907	-6,197	-7,105
EBIT	**1,193**	**4,466**	**5,175**	**7,460**
Growth, %	(181.6)	274.4	15.9	44.2
Margin, %	4.3	14.6	15.8	19.9
Interest paid	-1,754	-2,087	-1,798	-1,635
Other Non-Operating Income	635	640	1,142	1,331
Pre-tax profit	**74**	**3,019**	**4,519**	**7,156**
Tax provided	-42	4,029	-1,130	-1,789
Profit after tax	**31**	**7,048**	**3,389**	**5,367**
Net Profit	**31**	**7,048**	**3,389**	**5,367**
Growth, %	(101.3)	22,345.5	(51.9)	58.4
Net Profit (adjusted)	**31**	**7,048**	**3,389**	**5,367**
Unadj. shares (m)	1,066	1,066	1,066	1,066
Wtd avg shares (m)	1,066	1,066	1,066	1,066

Balance Sheet

Y/E Mar, Rs mn	FY15	FY16e	FY17e	FY18e
Cash & bank	4,286	4,902	6,423	8,310
Marketable securities at cost	0	0	0	0
Debtors	637	701	750	860
Inventory	99	84	90	103
Loans & advances	3,909	4,301	4,601	5,278
Other current assets	216	237	254	291
Total current assets	9,147	10,224	12,118	14,841
Gross fixed assets	48,160	56,008	64,281	72,171
Less: Depreciation	-33,621	-40,056	-46,753	-53,858
Add: Capital WIP	4,972	4,972	4,972	4,972
Net fixed assets	19,510	20,923	22,500	23,284
Total assets	**31,663**	**34,153**	**37,623**	**44,683**
Current liabilities	34,548	27,991	28,072	27,213
Total current liabilities	34,548	27,991	28,072	27,213
Non-current liabilities	248	2,248	2,248	4,800
Total liabilities	34,796	30,239	30,320	32,013
Reserves & surplus	-3,134	3,914	7,303	12,670
Shareholders' equity	-3,134	3,914	7,303	12,670
Total equity & liabilities	**31,663**	**34,153**	**37,623**	**44,683**

Source: Company, PhillipCapital India Research Estimates

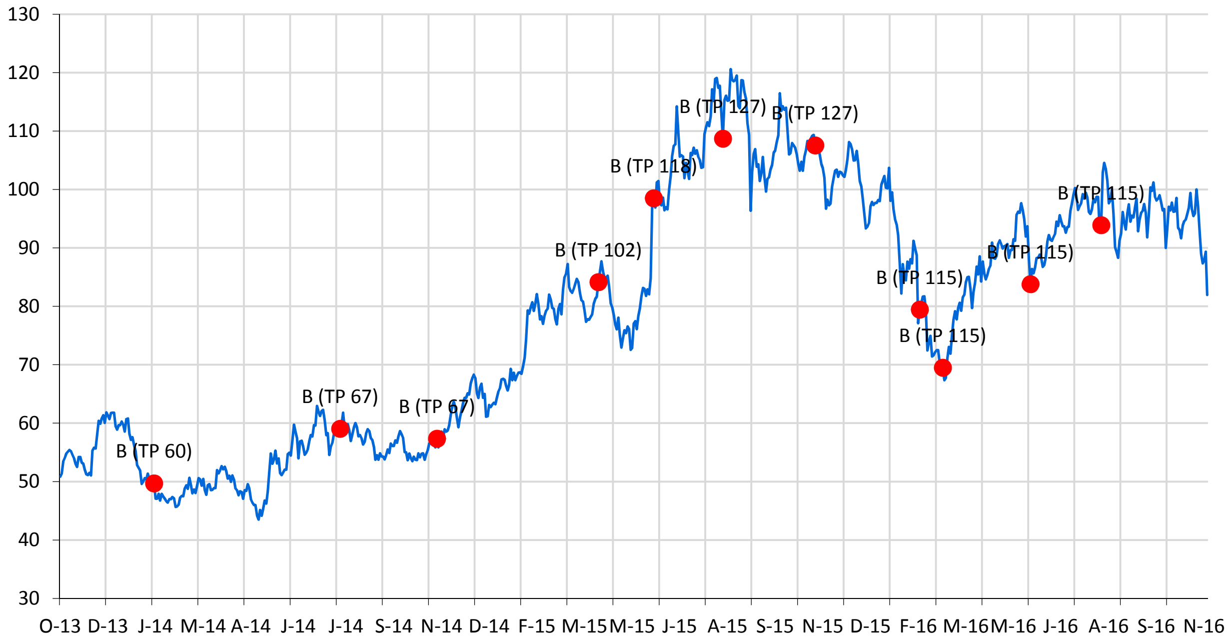
Cash Flow

Y/E Mar, Rs mn	FY15	FY16e	FY17e	FY18e
Pre-tax profit	74	3,019	4,519	7,156
Depreciation	6,138	5,907	6,197	7,105
Chg in working capital	1,338	520	709	1,856
Total tax paid & others	-42	4,029	-1,130	-1,789
Cash flow from operating activities	**7,507**	**13,475**	**10,295**	**14,328**
Capital expenditure	-7,852	-7,320	-7,773	-7,890
Chg in marketable securities	500	0	0	0
Cash flow from investing activities	**-7,352**	**-7,320**	**-7,773**	**-7,890**
Free cash flow	155	6,155	2,521	6,438
Equity raised/(repaid)	1	0	0	0
Debt raised/(repaid)	744	-5,539	-1,000	-1,000
Cash flow from financing activities	**744**	**-5,539**	**-1,000**	**-1,000**
Net chg in cash	900	616	1,521	5,438

Valuation Ratios

	FY15	FY16e	FY17e	FY18e
Per Share data				
EPS (INR)	0.0	6.6	3.2	5.0
Growth, %	(101.3)	22,345.5	(51.9)	58.4
Book NAV/share (INR)	(2.9)	3.7	6.9	11.9
CEPS (INR)	5.8	12.2	9.0	11.7
CFPS (INR)	7.0	12.0	8.6	14.5
Return ratios				
Return on assets (%)	3.9	25.5	12.6	16.2
Return on equity (%)	(1.0)	180.1	46.4	42.4
Return on capital employed (%)	81.2	511.7	57.5	47.2
Turnover ratios				
Asset turnover (x)	6.2	6.3	5.7	8.6
Sales/Total assets (x)	0.9	0.9	0.9	1.0
Sales/Net FA (x)	1.5	1.5	1.5	1.6
Working capital/Sales (x)	(1.1)	(0.7)	(0.7)	(0.6)
Working capital days	(389.6)	(270.4)	(249.5)	(201.0)
Liquidity ratios				
Current ratio (x)	0.3	0.4	0.4	0.5
Quick ratio (x)	0.3	0.4	0.4	0.5
Interest cover (x)	0.7	2.1	2.9	4.6
Total debt/Equity (%)	(473.5)	237.6	113.7	37.9
Net debt/Equity (%)	(336.7)	112.4	25.7	(27.7)
Valuation				
PER (x)	2,986.4	13.3	27.7	17.5
Price/Book (x)	(29.9)	24.0	12.8	7.4
EV/Net sales (x)	3.8	3.2	2.9	2.4
EV/EBITDA (x)	14.2	9.5	8.4	6.2
EV/EBIT (x)	87.5	22.0	18.5	12.1

Stock Price, Price Target and Rating History



Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year.

Rating	Criteria	Definition
BUY	>= +15%	Target price is equal to or more than 15% of current market price
NEUTRAL	-15% > to < +15%	Target price is less than +15% but more than -15%
SELL	<= -15%	Target price is less than or equal to -15%.

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