PL Mid and Small Cap Investor Day

Post Conference Notes

April 11, 2019

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Key Snapshots

Ashoka Buildcon

Rating: Not Rated | CMP: Rs130 | TP: NA

ASBL has delivered a Sale/PAT CAGR of 11%/23% over FY14-18 with average RoE/RoCE of 13%/17%. We believe that a strong order backlog & order inflow, along with pickup in execution, would drive its revenue growth and margins. Improving visibility/macro environment both in Road and T&D sector will develop prominence in EPC projects, thus benefiting the company.

Confidence Petroleum India

Rating: Not Rated | CMP: Rs45 | TP: NA

CPIL aims to increase the Auto LPG presence by targeting 500 filling stations, as against the current 186. LPG bottling units are likely to increase from 58 to 100 by FY2022. Rising LPG connections under Ujjwala will increase cylinder demand, in future.

Entertainment Network (India)

Rating: Accumulate | CMP: Rs526 | TP: Rs662

In light of renewed focus on non-FCT business, we turn apprehensive and cut our target EV/EBITDA multiple from 18.5x to 15.5x. This translates into per share value of Rs649 per share. Our DCF enabled per share value stands at Rs676 per share. We arrive at blended TP (50% weight to each methodology) of Rs662 per share. We maintain 'Accumulate' rating on the stock.

I.G. Petrochemicals

Rating: BUY | CMP: Rs311 | TP: Rs530

The company is on track to expand PAN capacity to 222,100MT by December 2019. Led by healthy downstream demand from paints, pigments and plasticizers users, the outlook for PAN demand remains robust. Moreover, limited capacity addition by global players add to sustainability of growth prospects. IGPL with timely capacity addition is well placed to capitalize on growth prospects. Maintain BUY.

Jindal Saw

Rating: Not Rated | CMP: Rs85 | TP: NA

2.5MT capacity with significant presence across steel pipe segments. Focus shifts to core pipes business, sells one US subsidiary. Aims at Rs2-2.5bn debt reduction/annum.

Maharashtra Seamless

Rating: BUY | CMP: Rs476 | TP: Rs551

Over FY19-21E, we expect MSL to grow standalone revenues/EBITDA/ PAT at 29.9%/30.1%/23.0% CAGR % to Rs 51179mn/Rs 9893mn/Rs 5,860mn respectively. The company is witnessing buoyancy in realisations due to higher crude and steel prices. Robust volume growth as well as better product mix is leading to a higher operating leverage and sustainable EBITDA, however we believe that high interest cost and depreciation will lower this growth. We have a BUY rating with a 12-month price target of Rs 551 (5x EV/EBITDA FY20E), indicating 17% upside.

Music Broadcast

Rating: BUY | CMP: Rs57 | TP: Rs81

Music Broadcast Ltd's (MBL) management stated that utilization rate in phase 3 stations is closer to 45-48% with EBITDA margins in the range of 15-18% (New stations contribute ~10% to the top-line). We value the stock at 15.5x FY20 EBITDA of Rs1.3bn to arrive at per share value of Rs80. Our DCF enabled per share value stands at Rs81. We arrive at blended TP (50% weight to each methodology) of Rs81 per share. Maintain BUY.

Navneet Education

Rating: BUY | CMP: Rs115 | TP: Rs157

Backed by these factors we expect revenues to grow at a CAGR of 13.9% over FY18-21E. Valuations at 12.5x FY20E appear attractive given 21.1% bottom line CAGR over FY18-21E, superior return ratios, average ~50% pay out over the last 5 years, additional revenue delta & diversification advantage coming in from ILL acquisition, and narrowing losses in E-sense. We value the stock at 18x FY20E EPS and arrive at a TP of Rs157. Maintain BUY.

Saregama India

Rating: Not Rated | CMP: Rs586 | TP: NA

Saregama plans to scale up the movie content business by capitalising on rising demand from OTT platforms like Netflix, Amazon, Voot and Hotstar. Saregama has sold 7.8lakh units of Carvaan in 9MFY19. The management expects to sell 50 lakh units of Carvaan in next 3 years. It is launching a new Carvaan variant which is portable and much smaller in appearance. The product will be of a small size mobile comprising of 3000 songs expected to be priced at Rs4000. This will enable the company to cater to 45-60 years old audience too, who are not that tech savvy but want to enjoy music on the go.

Welspun Corp

Rating: Not Rated | CMP: Rs140 | TP: NA

Order book position as on Q3FY19 in India/Middle East/USA stands at 600kt/700kt/400kt to be executed in 12/24/12 months across Oil & Gas and water projects amongst others. Total order book for Q3FY19 stands at 1,656kt (+29.5% YoY/↓3.8% QoQ) of which H-SAW Pipes outstanding order book stands at ~79%. Saudi Arabia region remains the key market with order book position of ~50%. Gross Debt/Net Debt in Q3FY19 reduced by 1.6%/↓21% QoQ to Rs14.6bn/Rs3.1bn. Funds received from divestment of Plate & Coil mill division will be partially utilized to pare debt. Stock is currently trading at 5.45x EV/EBITDA of FY19.

Welspun India

Rating: Not Rated | CMP: Rs58 | TP: NA

RoSCL scheme to impact profits positively. Higher cotton prices to impact margins from 3QFY20. The plant is expected to begin operations in October 2019 and it aims at sales of Rs2bn in FY20 due to a strong pan India distribution network. Similarly, at peak utilization levels this plant can generate revenues worth Rs22.0bn. The management has guided for 10-12% growth in topline for FY20E and margins in the range of 18-20%. At CMP, the stock trades at PER of 10.1x FY20E and 8.6xFY21E consensus EPS estimates.

COMPANIES

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Ashoka Buildcon (ASBL IN)

Rating: Not Rated | CMP: Rs130 | TP: NA

April 16, 2019

Post Conference Note

Management Representative:
Mr. Paresh Mehta - CFO

Key Financials

	FY15	FY16	FY17	FY18
Sales (Rs. m)	19,631	15,774	20,065	24,463
EBITDA (Rs. m)	2,498	2,478	2,427	2,934
Margin (%)	*12.7*	*15.7*	*12.1*	*12.0*
PAT (Rs. m)	1,422	1,483	1,761	2,370
EPS (Rs.)	6.0	5.0	6.3	8.4
Gr. (%)	*36.9*	*(17.2)*	*26.8*	*34.6*
DPS (Rs.)	1.4	1.5	1.6	0.8
Yield (%)	*0.8*	*0.9*	*0.8*	*0.3*
RoE (%)	*14.3*	*10.1*	*10.3*	*13.0*
RoCE (%)	*19.0*	*15.4*	*13.0*	*16.9*
EV/Sales (x)	1.7	2.3	1.9	1.9
EV/EBITDA (x)	10.6	10.4	12.0	11.9
PE (x)	21.7	26.0	20.6	15.5
P/BV (x)	2.7	1.9	2.1	2.4

Key Data	ABDL.BO | ASBL IN
52-W High / Low	Rs.197 / Rs.93
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.37bn/ $ 533m
Shares Outstanding	281m
3M Avg. Daily Value	Rs.75.18m

Shareholding Pattern (%)

Promoter's	54.26
Foreign	4.25
Domestic Institution	31.44
Public & Others	10.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.0)	13.8	(25.9)
Relative	(10.0)	1.9	(34.8)

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Ashoka Buildcon Ltd (ASBL) is a leading integrated player in EPC and BOT projects. While Roads and Power are their main business segments, recently they have entered into Railway Electrification segment which has an order book of Rs13bn. Along with traditional EPC business, the company has diversified into City Gas distribution business. ASBL has delivered a Sale/PAT CAGR of 11%/23% over FY14-18 with average RoE/RoCE of 13%/17%. We believe that a strong order backlog & order inflow, along with pickup in execution, would drive its revenue growth and margins. Improving visibility/macro environment both in Road and T&D sector will develop prominence in EPC projects, thus benefiting the company.

ASBL on strong footing due to robust order book: Overall outlook on the Road sector is positive, however order inflow during 4QFY19 was muted- ahead of general elections. The slowdown is expected to continue for 1QFY19 while 2QFY19 can witness recovery post formation of the government. The management expects order inflow of Rs50-60bn for Road and Rs10-15bn from Power T&D segment during FY20. Current order book of the company is Rs95bn (out of which BOT comprises 51%, roads EPC is 27% and Power T&D and Railways EPC is 22%) which delivers a strong visibility (3.7x FY18 revenue).

SBI-Macquarie exit on the table: ASBL (in August 2012) entered into share purchase agreement for its fully-owned subsidiary, Ashoka Concessions Limited (ACL) with Macquarie-SBI Infrastructure Investments (MSIIPL) and SBI Macquarie Infrastructure Trust (SMIT). As part of the agreement - MSIIPL and SMIT invested Rs8bn in ACL. The investments have taken form of equity share capital/compulsorily convertible debentures. For these new minority investors, Rs8bn would effectively translate into 39% stake and post the transaction ASBL would own residual stake of 61%. ASBL has assured a 12% IRR to MSIIPL and SMIT for the next 6.5 years.

Diversification into City gas distribution: ASBL has recently diversified into City Gas distribution under Unison Enviro Private Limited (UEPL). Morgan Stanley India Infrastructure (MSII) has committed Rs1.5bn of investment in the business (49% stake). The total investment in CGD business is Rs6.5bn (Rs2bn Equity and Rs4.5bn Debt), out of which Rs700mn is already spent. UEPL has started commercial operations of its first CGD project in Ratnagiri (Maharashtra). In the recently concluded ninth round of bidding for CGD licenses, UEPL has won two additional CGD licenses - Latur & Osmanabad in Maharashtra and Chitradurga & Davangere in Karnataka. The company has guided for a revenue of Rs7-8mn in FY19 and an incremental revenue of Rs1bn every year from FY20 onwards, as the scale increases in Ratnagiri and other locations start getting operational.

Lean balance sheet and stable margin: ASBL's standalone EBITDA margins are expected to remain in a historical range of 14-15%, backed by strong revenue growth and a high share of captive road projects (51% of overall order book) which carry ~100bps better margins than third-party EPC works. On the debt front, ASBL has prudently infused capital at regular intervals for a better leverage. We expect standalone leverage to remain in check, in the range of 0.4-05x, led by positive cash flows and limited incremental support for BOT assets.

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April 16, 2019

Post Conference Note

Management Representative:
Mr. Vimal Parwal – President (Corporate)

Key Financials

	FY15	FY16	FY17	FY18
Sales (Rs. m)	2,663	3,505	4,858	5,736
EBITDA (Rs. m)	312	344	408	686
Margin (%)	*11.7*	*9.8*	*8.4*	*12.0*
PAT (Rs. m)	-72	19	45	253
EPS (Rs.)	-0.9	0.1	0.2	1.0
Gr. (%)	*NA*	*108.1*	*141.2*	*461.0*
DPS (Rs.)	-	-	-	0.1
Yield (%)	-	-	-	*0.2*
RoE (%)	*NA*	*1.0*	*2.3*	*11.9*
RoCE (%)	*1.6*	*5.5*	*7.5*	*17.8*
EV/Sales (x)	0.3	0.5	0.5	1.4
EV/EBITDA (x)	2.8	4.6	5.8	11.5
PE (x)	-	67.2	44.3	30.5
P/BV (x)	0.3	0.6	1.0	3.4

Key Data	CONF.BO | CONF IN
52-W High / Low	Rs.57 / Rs.29
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.12bn/ $ 176m
Shares Outstanding	320m
3M Avg. Daily Value	Rs.12m

Shareholding Pattern (%)

Promoter's	51.49
Foreign	4.98
Domestic Institution	0.98
Public & Others	42.48
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.2	24.2	15.0
Relative	8.3	13.4	3.9

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Confidence Petroleum India (CONF IN)

Rating: Not Rated | CMP: Rs45 | TP: NA

Quick Pointers:

- CPIL aims to increase the Auto LPG presence by targeting 500 filling stations, as against the current 186.
- LPG bottling units are likely to increase from 58 to 100 by FY2022.
- Rising LPG connections under Ujjwala will increase cylinder demand, in future.

Confidence Petroleum India Ltd (CPIL) is a vertically integrated company, which is engaged in four aspects of LPG, (I) LPG cylinder manufacturing, (ii) LPG bottling, (iii) LPG marketing and (iv) Auto LPG dispensing stations. Company is on a strong growth path from its fast-growing auto LPG dispensing station business.

Conference highlights:

Auto LPG division to sustain high growth: Auto LPG segment currently has filling stations in Karnataka, Tamilnadu, Telangana, Andhra Pradesh and Maharashtra. Going forward, it plans to enter into UP, Bihar and Rajasthan. While CPIL (which has 186 filling stations) markets it as "Go GAS" aims to have 500 stations, in the near future. Auto LPG business is also gaining traction due to favorable economics, lower cost vis-a-vis competing fuel and low operating cost. Introduction of factory fitted LPG vehicles along with government's mandate for compulsory LPG usage in different states has opened up new growth opportunities. CPIL's existing chain of 58 bottling units along with low operational and conversion cost vis a vis CNG- offers a good scope to increase volumes in the coming years.

LPG marketing focusing on commercial segment: CPIL is an integrated player in the LPG space with a network of 58 LPG bottling plants. 30 units are catering to PSU's while 28 units are for selling LPG under its brand "GO GAS". The network gives an edge to CPIL for providing easy sourcing, storing as well as a hub & spoke model that gives a competitive advantage over other retailers. This also results in better inventory management and operational excellence, which further lead to better efficiency. Also, CPIL is focusing on the commercial segment as it does not have subsidy but still offers more scope of growth due to regular refills. It is aiming for larger geographical presence with 100 bottling units by 2022.

LPG cylinder manufacturing- CPIL is benefitting from rising LPG footprint across India due to government's thrust on providing cylinders to rural household under the Ujjwala scheme. Each new LPG connection requires 2.5 cylinders. India's current stock is 550mn cylinders which requires replacement after 10 years. In addition, 80mn new connections under Ujjwala Yojana has increased the demand for cylinders. This business has high entry barriers due to qualification and order procedures.

Entertainment Network (India) (ENIL IN)

Rating: ACCUMULATE | CMP: Rs526 | TP: Rs662

April 16, 2019

Post Conference Note

Management Representative:
Mr. Narayanan Subramanian - Group CFO

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	5,371	6,446	7,313	8,131
EBITDA (Rs. m)	1,166	1,389	1,828	2,114
Margin (%)	*21.7*	*21.6*	*25.0*	*26.0*
PAT (Rs. m)	352	513	794	989
EPS (Rs.)	7.4	10.8	16.6	20.8
Gr. (%)	*(35.5)*	*45.8*	*54.8*	*24.7*
DPS (Rs.)	1.0	1.0	1.0	1.5
Yield (%)	*0.2*	*0.2*	*0.2*	*0.3*
RoE (%)	*4.0*	*5.5*	*7.9*	*9.0*
RoCE (%)	*5.4*	*7.1*	*10.4*	*12.1*
EV/Sales (x)	4.5	3.7	3.1	2.6
EV/EBITDA (x)	20.9	17.1	12.3	9.9
PE (x)	71.3	48.9	31.6	25.3
P/BV (x)	2.8	2.7	2.5	2.3

Key Data	ENIL.BO | ENIL IN
52-W High / Low	Rs.765 / Rs.505
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.25bn/ $ 361m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.6.43m

Shareholding Pattern (%)

Promoter's	71.15
Foreign	8.79
Domestic Institution	13.03
Public & Others	7.03
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.7)	(14.1)	(24.4)
Relative	(3.0)	(23.0)	(33.5)

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Quick Pointers:

- Low margin non-FCT business to account for 50% of revenues in 4-5 years.
- Radio business topline to grow at 15% CAGR over FY18-21
- We cut EV/BIDTA multiples from 18.5x to 15.5x and rating to Accumulate

ENIL's management appeared confident in scaling the non-FCT business (30% revenues) to ~50% in the next 4-5 years. While non-FCT business is margin dilutive as compared to traditional air time sale on radio, gross margins (GM) have witnessed an uptrend over the last 3 years (19% in FY17 to ~28% now). Given low capex, minimal working capital requirements and strong talent pool of employees (350 people), non-FCT business will be a key driver even as the traditional radio business is under pressure (industry growth of 6-7% in FY19). While the non-FCT business provides diversity it has long gestation period and is cumbersome in nature, manpower intensive, requires high marketing budget and in depth knowledge about the product/geography.

In light of renewed focus on non-FCT business, we turn apprehensive and cut our target EV/EBITDA multiple from 18.5x to 15.5x. This translates into per share value of Rs649 per share. Our DCF enabled per share value stands at Rs676 per share. We arrive at blended TP (50% weight to each methodology) of Rs662 per share. We maintain Accumulate.

Improving utilization to aid growth in radio business: Inventory utilization for 35 phase 2 and 17 batch 1 stations is closer to ~85% and ~35% respectively. We expect the utilization levels to rise gradually to 85% (phase 2), 40% (batch 1) and 20% (batch 2) in FY20E. Rise in utilization and calibrated price hike is likely to drive top-line at a CAGR of 15% over FY18-21E.

Improved profitability of batch 1 stations to drive margins: Due to renewed focus on non-FCT business we expect EBITDA margins to decline 10 bps YoY to 21.6% in FY19E. However, we expect a sharp jump of 350 bps in FY20E to 25% given 1) improved profitability of batch 1 stations and 2) networking nature of 21 batch 2 stations.

Other highlights: 1) Non-FCT business contributed Rs1.6bn in top-line in FY18. Growth is expected to be in the region of 25% in FY19. 2) 85% of the non-FCT business comes from the top 8 markets 3) In the radio business no single category contributes more than 15% while no single advertiser contributes more than 3% to the top-line 4) TV Today acquisition is still pending, MIB is expected to take a call only post elections.

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	**5,371**	**6,446**	**7,313**	**8,131**
YoY gr. (%)	*(3.4)*	*20.0*	*13.5*	*11.2*
Cost of Goods Sold	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
Employee Cost	1,185	1,386	1,572	1,707
Other Expenses	1,926	2,175	2,377	2,602
EBITDA	**1,166**	**1,389**	**1,828**	**2,114**
YoY gr. (%)	*(7.4)*	*19.1*	*31.6*	*15.6*
Margin (%)	*21.7*	*21.6*	*25.0*	*26.0*
Depreciation and Amortization	635	673	728	737
EBIT	**532**	**716**	**1,100**	**1,377**
Margin (%)	*9.9*	*11.1*	*15.0*	*16.9*
Net Interest	47	50	44	41
Other Income	88	135	146	163
Profit Before Tax	**615**	**801**	**1,202**	**1,499**
Margin (%)	*11.4*	*12.4*	*16.4*	*18.4*
Total Tax	263	288	409	510
Effective tax rate (%)	*42.8*	*36.0*	*34.0*	*34.0*
Profit after tax	**352**	**513**	**794**	**989**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**352**	**513**	**794**	**989**
YoY gr. (%)	*(35.5)*	*45.8*	*54.8*	*24.7*
Margin (%)	*6.5*	*8.0*	*10.9*	*12.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**352**	**513**	**794**	**989**
YoY gr. (%)	*(35.5)*	*45.8*	*54.8*	*24.7*
Margin (%)	*6.5*	*8.0*	*10.9*	*12.2*
Other Comprehensive Income	2	(2)	-	-
Total Comprehensive Income	353	511	794	989
Equity Shares O/s (m)	**48**	**48**	**48**	**48**
EPS (Rs)	**7.4**	**10.8**	**16.6**	**20.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	**8,246**	**9,193**	**9,325**	**9,471**
Tangibles	950	1,241	1,350	1,472
Intangibles	7,295	7,953	7,975	7,999
Acc: Dep / Amortization	**1,507**	**2,180**	**2,909**	**3,646**
Tangibles	364	531	705	888
Intangibles	1,143	1,650	2,204	2,758
Net fixed assets	**6,738**	**7,013**	**6,416**	**5,826**
Tangibles	586	710	645	584
Intangibles	6,152	6,303	5,771	5,241
Capital Work In Progress	626	-	-	-
Goodwill	5	5	5	5
Non-Current Investments	293	328	326	347
Net Deferred tax assets	(246)	(80)	(96)	(112)
Other Non-Current Assets	221	238	234	252
Current Assets				
Investments	1,553	1,772	1,772	1,772
Inventories	-	-	-	-
Trade receivables	1,702	1,943	2,104	2,317
Cash & Bank Balance	180	292	1,375	2,663
Other Current Assets	211	226	241	260
Total Assets	**11,552**	**11,840**	**12,497**	**13,465**
Equity				
Equity Share Capital	477	477	477	477
Other Equity	8,366	8,829	9,575	10,493
Total Networth	**8,843**	**9,306**	**10,052**	**10,970**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	92	105	118	126
Current Liabilities				
ST Debt / Current of LT Debt	1,040	790	540	405
Trade payables	1,049	1,247	1,352	1,484
Other current liabilities	284	312	339	368
Total Equity & Liabilities	**11,552**	**11,840**	**12,497**	**13,465**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	615	801	1,202	1,499
Add. Depreciation	635	673	728	737
Add. Interest	47	50	44	41
Less Financial Other Income	88	135	146	163
Add. Other	(117)	(149)	31	27
Op. profit before WC changes	1,180	1,376	2,006	2,303
Net Changes-WC	(52)	(51)	(43)	(92)
Direct tax	(150)	(288)	(409)	(510)
Net cash from Op. activities	**977**	**1,036**	**1,555**	**1,702**
Capital expenditures	(255)	(948)	(132)	(146)
Interest / Dividend Income	-	-	-	-
Others	(396)	407	-	-
Net Cash from Invt. activities	**(651)**	**(541)**	**(132)**	**(146)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	(250)	(250)	(135)
Dividend paid	(57)	(48)	(48)	(72)
Interest paid	(1)	(50)	(44)	(41)
Others	(274)	(35)	2	(20)
Net cash from Fin. activities	**(333)**	**(383)**	**(340)**	**(268)**
Net change in cash	**(6)**	**112**	**1,083**	**1,288**
Free Cash Flow	617	780	1,278	1,428

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19E
Net Revenue	**1,216**	**1,225**	**2,009**	**1,996**
YoY gr. (%)	*16.4*	*(2.2)*	*35.9*	*25.2*
Raw Material Expenses	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
EBITDA	**284**	**273**	**404**	**428**
YoY gr. (%)	-	-	-	-
Margin (%)	*23.3*	*22.3*	*20.1*	*21.5*
Depreciation / Depletion	152	166	174	182
EBIT	**132**	**108**	**230**	**247**
Margin (%)	*10.8*	*8.8*	*11.5*	*12.4*
Net Interest	9	11	15	15
Other Income	28	33	42	33
Profit before Tax	**150**	**130**	**257**	**265**
Margin (%)	*12.3*	*10.6*	*12.8*	*13.3*
Total Tax	58	40	97	93
Effective tax rate (%)	*38.5*	*31.1*	*37.8*	*35.2*
Profit after Tax	**92**	**89**	**160**	**172**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**92**	**89**	**160**	**172**
YoY gr. (%)	*107.3*	*50.2*	*22.2*	*46.6*
Margin (%)	*7.6*	*7.3*	*7.9*	*8.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**92**	**89**	**160**	**172**
YoY gr. (%)	*107.3*	*50.2*	*22.2*	*46.6*
Margin (%)	*7.6*	*7.3*	*7.9*	*8.6*
Other Comprehensive Income	-	-	(2)	-
Total Comprehensive Income	**92**	**90**	**158**	**172**
Avg. Shares O/s (m)	48	48	48	48
EPS (Rs)	**1.9**	**1.9**	**3.3**	**3.6**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	7.4	10.8	16.6	20.8
CEPS	20.7	24.9	31.9	36.2
BVPS	185.5	195.2	210.9	230.1
FCF	12.9	16.4	26.8	30.0
DPS	1.0	1.0	1.0	1.5
Return Ratio(%)				
RoCE	5.4	7.1	10.4	12.1
ROIC	10.1	11.7	14.6	15.7
RoE	4.0	5.5	7.9	9.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.3)	(0.4)
Net Working Capital (Days)	44	39	38	37
Valuation(x)				
PER	71.3	48.9	31.6	25.3
P/B	2.8	2.7	2.5	2.3
P/CEPS	25.4	21.1	16.5	14.5
EV/EBITDA	20.9	17.1	12.3	9.9
EV/Sales	4.5	3.7	3.1	2.6
Dividend Yield (%)	0.2	0.2	0.2	0.3

Source: Company Data, PL Research

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April 16, 2019

Post Conference Note

Management Representative:
Mr. Pramod Bhandari - CFO

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	11,442	12,017	14,220	18,360
EBITDA (Rs. m)	2,674	2,317	2,449	3,146
Margin (%)	*23.4*	*19.3*	*17.2*	*17.1*
PAT (Rs. m)	1,466	1,332	1,357	1,726
EPS (Rs.)	47.6	43.3	44.1	56.0
Gr. (%)	*43.8*	*(9.1)*	*1.9*	*27.2*
DPS (Rs.)	4.8	4.3	4.4	5.6
Yield (%)	*1.5*	*1.4*	*1.4*	*1.8*
RoE (%)	*31.8*	*22.4*	*18.6*	*19.5*
RoCE (%)	*47.8*	*31.6*	*25.1*	*25.9*
EV/Sales (x)	0.8	0.8	0.7	0.6
EV/EBITDA (x)	3.6	4.0	4.3	3.5
PE (x)	6.5	7.2	7.1	5.6
P/BV (x)	1.8	1.4	1.2	1.0

Key Data	IGPT.BO | IGPL IN
52-W High / Low	Rs.798 / Rs.215
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.10bn/ $ 138m
Shares Outstanding	31m
3M Avg. Daily Value	Rs.24.32m

Shareholding Pattern (%)

Promoter's	68.90
Foreign	1.08
Domestic Institution	4.61
Public & Others	25.41
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.1)	(19.8)	(58.5)
Relative	(7.3)	(28.1)	(63.5)

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I.G. Petrochemicals (IGPL IN)

Rating: BUY | CMP: Rs311 | TP: Rs530

IGPL is one of the world's largest producer of Phthalic Anhydride (PAN) with capacity of 169,110MT. The company is on track to expand PAN capacity to 222,100MT by December 2019. Led by healthy downstream demand from paints, pigments and plasticizers users, the outlook for PAN demand remains robust. Moreover, limited capacity addition by global players add to sustainability of growth prospects. IGPL with timely capacity addition is well placed to capitalize on growth prospects. Maintain BUY.

Key Highlights

- **Phthalic Anhydride Spreads increase to USD150-160/ton:** IGPL management maintained that spreads have recovered to US$150-160/ton (August 2018 lows of US$105/ton) led by healthy demand revival. However, downstream demand remained robust with opportunities across paints, pigments and plasticizer industries.

- **Capex Program on Track**: Capex programme is on track and the 53,000tons Phthalic Anhydride (PAN) capacity addition will be commissioned by Dec 2019 while the 8,400 tons Plasticizer capacity will be commissioned by Mar 2020. The PAN capacity will replace some import volumes and also will be exported. However, the plasticizer capacity is targeted for use in the incense sticks (agarbati) industry.

- IGPL has already spent Rs2bn towards new capex. Total capex cost for the project stands at Rs3.4bn (Rs3.25bn for PAN and balance for Plasticizers) which will be funded by mix of internal accruals and debt.

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	**11,442**	**12,017**	**14,220**	**18,360**
YoY gr. (%)	*10.3*	*5.0*	*18.3*	*29.1*
Cost of Goods Sold	7,275	8,032	9,031	11,676
Gross Profit	4,167	3,984	5,189	6,684
Margin (%)	*36.4*	*33.2*	*36.5*	*36.4*
Employee Cost	558	586	693	895
Other Expenses	-	-	-	-
EBITDA	**2,674**	**2,317**	**2,449**	**3,146**
YoY gr. (%)	*58.9*	*(13.3)*	*5.7*	*28.5*
Margin (%)	*23.4*	*19.3*	*17.2*	*17.1*
Depreciation and Amortization	257	268	360	459
EBIT	**2,417**	**2,050**	**2,088**	**2,686**
Margin (%)	*21.1*	*17.1*	*14.7*	*14.6*
Net Interest	149	103	90	125
Other Income	40	42	28	15
Profit Before Tax	**2,309**	**1,989**	**2,026**	**2,576**
Margin (%)	*20.2*	*16.6*	*14.2*	*14.0*
Total Tax	843	656	669	850
Effective tax rate (%)	*36.5*	*33.0*	*33.0*	*33.0*
Profit after tax	**1,466**	**1,332**	**1,357**	**1,726**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,466**	**1,332**	**1,357**	**1,726**
YoY gr. (%)	*43.8*	*(9.1)*	*1.9*	*27.2*
Margin (%)	*12.8*	*11.1*	*9.5*	*9.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,466**	**1,332**	**1,357**	**1,726**
YoY gr. (%)	*43.8*	*(9.1)*	*1.9*	*27.2*
Margin (%)	*12.8*	*11.1*	*9.5*	*9.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,466	1,332	1,357	1,726
Equity Shares O/s (m)	**31**	**31**	**31**	**31**
EPS (Rs)	**47.6**	**43.3**	**44.1**	**56.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	**8,419**	**9,419**	**12,419**	**15,419**
Tangibles	8,419	9,419	12,419	15,419
Intangibles	-	-	-	-
Acc: Dep / Amortization	**4,411**	**4,679**	**5,039**	**5,498**
Tangibles	4,411	4,679	5,039	5,498
Intangibles	-	-	-	-
Net fixed assets	**4,008**	**4,740**	**7,380**	**9,921**
Tangibles	4,008	4,740	7,380	9,921
Intangibles	-	-	-	-
Capital Work In Progress	257	1,000	1,000	1,001
Goodwill	27	-	-	-
Non-Current Investments	502	502	502	502
Net Deferred tax assets	(371)	(868)	(1,375)	(2,019)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	944	1,119	1,324	1,709
Trade receivables	1,388	1,734	2,053	2,650
Cash & Bank Balance	212	992	410	352
Other Current Assets	179	206	237	273
Total Assets	**7,522**	**10,301**	**12,913**	**16,416**
Equity				
Equity Share Capital	308	308	308	308
Other Equity	4,973	6,305	7,663	9,389
Total Networth	**5,281**	**6,613**	**7,971**	**9,697**
Non-Current Liabilities				
Long Term borrowings	292	792	1,292	1,792
Provisions	-	-	-	-
Other non current liabilities	28	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	0	0	0	0
Trade payables	1,498	1,870	2,103	2,719
Other current liabilities	142	156	171	188
Total Equity & Liabilities	**7,612**	**10,301**	**12,913**	**16,416**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	2,309	1,989	2,026	2,576
Add. Depreciation	257	268	360	459
Add. Interest	-	-	-	-
Less Financial Other Income	40	42	28	15
Add. Other	109	61	62	110
Op. profit before WC changes	2,674	2,317	2,449	3,146
Net Changes-WC	(28)	(156)	(296)	(370)
Direct tax	(843)	(656)	(669)	(850)
Net cash from Op. activities	**1,803**	**1,504**	**1,485**	**1,926**
Capital expenditures	(1,181)	(1,716)	(3,000)	(3,001)
Interest / Dividend Income	-	-	-	-
Others	40	42	28	15
Net Cash from Invt. activities	**(1,141)**	**(1,674)**	**(2,972)**	**(2,986)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(332)	500	500	500
Dividend paid	(147)	(133)	(136)	(173)
Interest paid	(149)	(103)	(90)	(125)
Others	-	-	-	-
Net cash from Fin. activities	**(627)**	**264**	**274**	**202**
Net change in cash	**35**	**94**	**(1,214)**	**(858)**
Free Cash Flow	622	(212)	(1,515)	(1,075)

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19E
Net Revenue	**3,509**	**3,242**	**3,154**	**3,160**
YoY gr. (%)	*18.6*	*34.6*	*7.1*	*1.0*
Raw Material Expenses	2,262	2,067	2,415	2,304
Gross Profit	1,247	1,175	740	856
Margin (%)	*35.5*	*36.2*	*23.4*	*27.1*
EBITDA	**847**	**713**	**335**	**416**
YoY gr. (%)	*32.9*	-	-	-
Margin (%)	*24.1*	*22.0*	*10.6*	*13.2*
Depreciation / Depletion	63	65	68	70
EBIT	**784**	**648**	**267**	**346**
Margin (%)	*22.3*	*20.0*	*8.5*	*10.9*
Net Interest	25	48	17	20
Other Income	14	16	24	19
Profit before Tax	**679**	**616**	**274**	**345**
Margin (%)	*19.3*	*19.0*	*8.7*	*10.9*
Total Tax	276	211	99	117
Effective tax rate (%)	*40.7*	*34.2*	*35.9*	*34.0*
Profit after Tax	**402**	**405**	**176**	**228**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**402**	**405**	**176**	**228**
YoY gr. (%)	*2.8*	*20.3*	*(56.5)*	*(31.9)*
Margin (%)	*11.5*	*12.5*	*5.6*	*7.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**402**	**405**	**176**	**228**
YoY gr. (%)	*2.8*	*20.3*	*(56.5)*	*(31.9)*
Margin (%)	*11.5*	*12.5*	*5.6*	*7.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**402**	**405**	**176**	**228**
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	**-**	**-**	**-**	**-**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	47.6	43.3	44.1	56.0
CEPS	55.9	52.0	55.8	71.0
BVPS	171.5	214.7	258.8	314.9
FCF	20.2	(6.9)	(49.2)	(34.9)
DPS	4.8	4.3	4.4	5.6
Return Ratio(%)				
RoCE	47.8	31.6	25.1	25.9
ROIC	33.1	22.0	16.7	16.7
RoE	31.8	22.4	18.6	19.5
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.1	0.1
Net Working Capital (Days)	27	30	33	33
Valuation(x)				
PER	6.5	7.2	7.1	5.6
P/B	1.8	1.4	1.2	1.0
P/CEPS	5.6	6.0	5.6	4.4
EV/EBITDA	3.6	4.0	4.3	3.5
EV/Sales	0.8	0.8	0.7	0.6
Dividend Yield (%)	1.5	1.4	1.4	1.8

Source: Company Data, PL Research

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Jindal Saw (JSAW IN)

Rating: Not Rated | CMP: Rs85 | TP: NA

April 16, 2019

Post Conference Note

Management Representative:
Mr. Rajeev Goyal - AVP

Key Financials

	FY15	FY16	FY17	FY18
Sales (Rs. m)	66,036	61,196	56,957	72,866
EBITDA (Rs. m)	8,076	8,067	8,618	9,920
Margin (%)	*12.2*	*13.2*	*15.1*	*13.6*
PAT (Rs. m)	2,854	3,545	3,389	4,149
EPS (Rs.)	9.8	7.3	9.6	12.1
Gr. (%)	*88.4*	*(26.1)*	*32.4*	*25.4*
DPS (Rs.)	1.0	1.0	1.0	1.2
Yield (%)	*1.5*	*2.6*	*1.2*	*1.0*
RoE (%)	*6.0*	*4.1*	*5.7*	*6.7*
RoCE (%)	*9.0*	*8.6*	*8.8*	*9.9*
EV/Sales (x)	1.0	1.0	1.2	1.1
EV/EBITDA (x)	6.3	5.4	6.1	6.6
PE (x)	6.7	5.3	8.7	9.9
P/BV (x)	0.3	0.2	0.5	0.6

Key Data	JIND.BO | JSAW IN
52-W High / Low	Rs.137 / Rs.68
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.27bn/ $ 392m
Shares Outstanding	320m
3M Avg. Daily Value	Rs.70.7m

Shareholding Pattern (%)

Promoter's	63.01
Foreign	10.17
Domestic Institution	3.07
Public & Others	23.75
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.9)	2.1	(37.5)
Relative	(10.8)	(8.7)	(48.6)

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Quick Pointers:

- 2.5MT capacity with significant presence across steel pipe segments
- Focus shifts to core pipes business, sells one US subsidiary
- Aims at Rs2-2.5bn debt reduction/annum

Diversified business model: Jindal Saw Limited (JSAW) is the only domestic pipe producer having significant presence across all the Iron & Steel pipe segments. Company has manufacturing facilities in India, USA, Europe and UAE (MENA). It produces L-Saw, H-Saw, DI Pipes & fittings and Seamless Pipes in India with a total capacity of 2.5m tones. Key demand driver of its products include increased focus of Government on Infrastructure, Smart Cities, AMRUT Scheme, Oil & Gas projects, Water & Irrigation projects etc.

Order Book grew 5.8% QoQ to US$1.1bn: JSAW order book position as on Q3FY19 was at 1.14m tones valuing ~US$1.1bn (+1.4% YoY/+5.8% QoQ) to be executed within 12-18 months. Management expects a continuous flow of order book due to increase in Government spending on water and gas infrastructure, pickup in economic activities which is likely a future sales driver.

Focus on Core business of Pipes: Past 3 years have been instrumental for the company as it shifted its focus to Core business of pipes. JSAW has undergone a massive restructuring exercise to demerge majority of its non-core businesses. It has also reduced its equity stake in one of a high debt US subsidiary. It is now working to consolidate and strengthen its market position in core products.

Net Debt reduced by 16.5% YoY in Q3FY19: JSAW is scheduled to reduce term debt to the tune of Rs2-2.5bn annually. Net debt for Q3FY19 at Rs39.8bn (+4.2% QoQ) decline 16.5% YoY.

No Major capex in the near future: JSAW is not undertaking any major capex/projects in near future. The Company has also deferred its plans to implement Mini-Steel Plant at Bhilwara (Rajasthan) for the time being.

Valuation: JSAW trades at EV/EBITDA of 5.2x FY20e. Not rated

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Maharashtra Seamless (MHS IN)

Rating: BUY | CMP: Rs476 | TP: Rs551

April 16, 2019

Post Conference Note

Management Representative:
Mr. Ashok Soni - ED Finance

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	21,293	30,308	41,199	51,179
EBITDA (Rs. m)	3,062	5,846	8,118	9,893
Margin (%)	*14.4*	*19.3*	*19.7*	*19.3*
PAT (Rs. m)	1,984	3,872	4,929	5,860
EPS (Rs.)	29.6	57.8	73.6	87.5
Gr. (%)	*36.3*	*95.2*	*27.3*	*18.9*
DPS (Rs.)	5.0	2.5	2.5	2.5
Yield (%)	*1.1*	*0.5*	*0.5*	*0.5*
RoE (%)	*6.3*	*11.3*	*12.9*	*13.5*
RoCE (%)	*6.5*	*11.5*	*13.2*	*14.0*
EV/Sales (x)	1.5	1.0	0.9	0.7
EV/EBITDA (x)	10.4	5.4	4.4	3.4
PE (x)	16.0	8.2	6.4	5.4
P/BV (x)	1.0	0.9	0.8	0.7

Key Data	MHSM.BO | MHS IN
52-W High / Low	Rs.532 / Rs.406
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.33.6bn/ $ 485m
Shares Outstanding	67m
3M Avg. Daily Value	Rs.18.0m

Shareholding Pattern (%)

Promoter's	61.78
Foreign	2.28
Domestic Institution	7.89
Public & Others	27.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.6	2.0	3.6
Relative	0.7	(8.8)	(7.5)

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Maharashtra Seamless (MSL) is a market leader for manufacturing seamless pipes in India. For the past several years, the industry has been reeling under pressure from cheap Chinese Imports. However, with the finalization of Anti-Dumping Duty (ADD) on Chinese pipe imports, domestic industry has got a much needed relief.

International outlook for Indian manufactured pipes seems to be improving since USA, LatAm, Columbia and Canada have imposed ADD on Chinese pipes while Europe is also considering re-imposition of ADD. Domestic outlook is also strongly led by 1) replacement of the old oil & gas pipelines in Mumbai High & Gujarat, 2) government's focus on Pan-India gas pipeline connectivity, 3) revival of city gas projects in various cities and 4) increased emphasis on oil drilling in North Eastern India and cross-country pipeline connection.

Over FY19-21E, we expect MSL to grow standalone revenues/EBITDA/ PAT at 29.9%/30.1%/23.0% CAGR % to Rs 51179mn/Rs 9893mn/Rs 5,860mn respectively. The company is witnessing buoyancy in realisations due to higher crude and steel prices. Robust volume growth as well as better product mix is leading to a higher operating leverage and sustainable EBITDA, however we believe that high interest cost and depreciation will lower this growth. We have a BUY rating with a 12-month price target of Rs 551 (5x EV/EBITDA FY20E), indicating 17% upside.

EBITDA/ton higher due to better realisations and fixed cost absorption: Currently, MSL has capacities of 550,000 MTPA (post revival of 200,000 MTPA capacities) in seamless pipes and 250,000 MTPA in ERW (Electrical Resistance Welding) pipes. Seamless pipes capacity is operating at 65% utilization and ERW at 50% utilization. We expect the company to end the year with total volumes of 398,000tons and further grow by 28.4% CAGR by over FY19-21.

EBITDA/ton for both Seamless and ERW pipes have been on a rising trend on the back of higher realizations (~Rs 80,000/ton for Seamless and Rs 50,000/ton for ERW pipes), better yields as well as operating leverages. EBITDA/ton for PMFY19 improved from Rs 6,861/ton to Rs 16,661/ton for seamless pipes and from Rs 3,405/ton to Rs 5,486/ton on ERW pipes. Going forward we expect it to sustain at ~Rs17,000 and Rs 5,000 for ERW.

United Seamless likely to contribute from H2FY20E: MHS acquired 350,000 TPA seamless pipe capacity of United Seamless, a Hyderabad based company under NCLT for Rs 4.8bn (replacement cost of Rs 15-17bn). The plant was shut since 2015 and will require a further investment of Rs250mn to operationalise along with Rs1-1.2bn to set up the second finishing line (in FY21E). While the acquisition has largely been funded through borrowings, working capital and cost of the second finishing line will be funded through internal accruals.

This capacity will start contributing to volumes from H2FY20 and is likely to add incremental volumes of ~50,000 TPA in FY20E and ~150,000 in FY21E. The company has an obligation to export minimum 50% of its production for each of the next two years post which the company can either export or sell in the local market, to cater southern market demands. Exports are growing at 6-7% CAGR and hence the management is confident of achieving the said volumes from this plant. Currently MHS exports ~100,000 tons p.a.

Strong Order book position: Total order book as on date stands at ~Rs 13bn. MHS secured order worth Rs 9.2bn from ONGC during the quarter. 60% of the order is to be executed by April and balance by August. The order is part of the normal procurement done by ONGC and doesn't have any correlation with the oil prices. Of the total order- Rs300m is towards ERW pipes and balance for seamless. ONGC and Oil India together accounted for roughly 40% of their order book until September but now it is likely to increase to 50%, after this order.

Music Broadcast (RADIOCIT IN)

Rating: BUY | CMP: Rs57 | TP: Rs81

April 16, 2019

Post Conference Note

Management Representative:
Mrs. Sangeetha Kabadi - IR
Mr. Jimmy Oza - IR

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	2,983	3,294	3,696	4,166
EBITDA (Rs. m)	971	1,120	1,320	1,525
Margin (%)	*32.6*	*34.0*	*35.7*	*36.6*
PAT (Rs. m)	517	604	764	918
EPS (Rs.)	9.1	2.2	2.8	3.3
Gr. (%)	*41.1*	*(75.9)*	*26.5*	*20.2*
DPS (Rs.)	-	-	1.0	1.0
Yield (%)	-	-	*1.8*	*1.8*
RoE (%)	*8.6*	*9.2*	*10.8*	*11.9*
RoCE (%)	*10.9*	*12.5*	*14.7*	*16.0*
EV/Sales (x)	1.0	4.3	3.7	3.1
EV/EBITDA (x)	3.1	12.6	10.3	8.5
PE (x)	6.3	26.1	20.6	17.2
P/BV (x)	0.5	2.4	2.2	2.0

Key Data	MUSI.BO | RADIOCIT IN
52-W High / Low	Rs.79 / Rs.49
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.16bn/ $ 227m
Shares Outstanding	277m
3M Avg. Daily Value	Rs.17.63m

Shareholding Pattern (%)

Promoter's	73.65
Foreign	2.43
Domestic Institution	8.34
Public & Others	15.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.2)	(11.9)	(26.1)
Relative	(9.3)	(21.1)	(35.1)

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Music Broadcast Ltd's (MBL) management stated that utilization rate in phase 3 stations is closer to 45-48% with EBITDA margins in the range of 15-18% (New stations contribute ~10% to the top-line). In legacy stations utilization is ~73% while in the top 12 markets it is closer to 78-80%. Nonetheless, government and political advertising has been below expectations impacting utilization to some extent. As far as yields are concerned, there was a tactical hike in 3QFY19 (unsustainable in nature) and earlier in the year- benefit of 8% hike taken in top 12 markets has also been a key growth driver. Rising utilization of batch 1 stations (from a range of 35-40% in FY18 to 65% in FY21E) and increase in effective rate (5.4% CAGR over FY18-21E for 28 legacy stations) is expected to drive sales and PAT at a CAGR of 11.8% and 21.1% over FY18-21E. We value the stock at 15.5x FY20 EBITDA of Rs1.3bn to arrive at per share value of Rs80. Our DCF enabled per share value stands at Rs81. We arrive at blended TP (50% weight to each methodology) of Rs81 per share. Maintain BUY.

Formation of listenership body may take longer: Formation of listenership body is taking longer than expected as advertisers are unwilling to share the measurement process expenses (since radio spends are miniscule as compared to others mediums like print & TV). While the annual recurring measurement cost for top 12-15 markets is expected to be in the range of ~Rs150mn, at this point it is difficult to form a consensus amongst the participants to bear the cost wherein radio industry's FY19 growth has already slowed down to 6-7% (including new stations growth to be ~8%)

DAVP rates are intact: Unlike print where there has been a hike in government ad rates to the extent of 25%, DAVP rates for radio remain intact. Last hike happened ~2 years back and the industry is now engaging with DAVP to reconsider current rates. However, management stated that any decision will be taken only after the elections conclude. We believe DAVP rate hike, if taken, will benefit radio operators to a large extent as government contribution is in the range of ~10-15%.

Margin expansion to play out: MBL reported EBITDA margin of 32.9% in 3QFY19. However, the top 10-12 stations are operating at ~45% EBITDA margin. Management exuded confidence on the margin front given 1) incremental contribution coming from batch 1 stations that broke even in 4QFY18) 2) lower marketing spend (as batch 1 stations get matured) and networking advantage (results in opex cost savings).

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	**2,983**	**3,294**	**3,696**	**4,166**
YoY gr. (%)	*9.9*	*10.4*	*12.2*	*12.7*
Cost of Goods Sold	-	-	-	-
Gross Profit	2,983	3,294	3,696	4,166
Margin (%)	*100.0*	*100.0*	*100.0*	*100.0*
Employee Cost	689	718	806	896
Other Expenses	1,323	1,456	1,571	1,746
EBITDA	**971**	**1,120**	**1,320**	**1,525**
YoY gr. (%)	*6.4*	*15.3*	*17.8*	*15.5*
Margin (%)	*32.6*	*34.0*	*35.7*	*36.6*
Depreciation and Amortization	263	268	268	275
EBIT	**708**	**852**	**1,051**	**1,249**
Margin (%)	*23.7*	*25.9*	*28.4*	*30.0*
Net Interest	150	54	30	12
Other Income	194	132	118	133
Profit Before Tax	**752**	**929**	**1,140**	**1,370**
Margin (%)	*25.2*	*28.2*	*30.8*	*32.9*
Total Tax	235	325	376	452
Effective tax rate (%)	*31.2*	*35.0*	*33.0*	*33.0*
Profit after tax	**517**	**604**	**764**	**918**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**517**	**604**	**764**	**918**
YoY gr. (%)	*41.1*	*16.8*	*26.5*	*20.2*
Margin (%)	*17.3*	*18.3*	*20.7*	*22.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**517**	**604**	**764**	**918**
YoY gr. (%)	*41.1*	*16.8*	*26.5*	*20.2*
Margin (%)	*17.3*	*18.3*	*20.7*	*22.0*
Other Comprehensive Income	0	-	-	-
Total Comprehensive Income	518	604	764	918
Equity Shares O/s (m)	**57**	**277**	**277**	**277**
EPS (Rs)	**9.1**	**2.2**	**2.8**	**3.3**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	**3,594**	**3,673**	**3,762**	**3,862**
Tangibles	503	573	650	738
Intangibles	3,091	3,101	3,112	3,124
Acc: Dep / Amortization	**625**	**893**	**1,161**	**1,437**
Tangibles	91	159	228	303
Intangibles	534	734	934	1,134
Net fixed assets	**2,969**	**2,780**	**2,601**	**2,425**
Tangibles	412	413	423	435
Intangibles	2,557	2,367	2,178	1,991
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	1,666	1,193	1,202	1,217
Net Deferred tax assets	182	214	251	301
Other Non-Current Assets	84	92	111	133
Current Assets				
Investments	-	519	519	519
Inventories	-	-	-	-
Trade receivables	1,104	993	1,134	1,255
Cash & Bank Balance	762	1,360	1,732	2,425
Other Current Assets	182	184	203	217
Total Assets	**6,986**	**7,374**	**7,798**	**8,543**
Equity				
Equity Share Capital	571	553	553	553
Other Equity	5,428	6,032	6,519	7,161
Total Networth	**5,999**	**6,585**	**7,073**	**7,714**
Non-Current Liabilities				
Long Term borrowings	499	249	99	99
Provisions	-	-	-	-
Other non current liabilities	36	37	43	49
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	223	268	326	398
Other current liabilities	230	235	258	283
Total Equity & Liabilities	**6,986**	**7,374**	**7,798**	**8,543**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	752	929	1,140	1,370
Add. Depreciation	263	268	268	275
Add. Interest	150	54	30	12
Less Financial Other Income	194	132	118	133
Add. Other	(196)	(33)	(35)	(49)
Op. profit before WC changes	969	1,218	1,403	1,609
Net Changes-WC	(403)	156	(105)	(66)
Direct tax	(165)	(325)	(376)	(452)
Net cash from Op. activities	**401**	**1,049**	**921**	**1,091**
Capital expenditures	(58)	(79)	(89)	(100)
Interest / Dividend Income	-	-	-	-
Others	89	(49)	(14)	(21)
Net Cash from Invt. activities	**31**	**(128)**	**(103)**	**(121)**
Issue of share cap. / premium	-	(17)	-	-
Debt changes	-	-	-	-
Dividend paid	-	-	(277)	(277)
Interest paid	(156)	(54)	(30)	(12)
Others	(1,000)	(252)	(140)	12
Net cash from Fin. activities	**(1,156)**	**(324)**	**(446)**	**(277)**
Net change in cash	**(724)**	**598**	**372**	**693**
Free Cash Flow	232	899	799	970

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19E
Net Revenue	**757**	**801**	**870**	**865**
YoY gr. (%)	*7.6*	*5.7*	*14.2*	*14.0*
Raw Material Expenses	-	-	-	-
Gross Profit	757	801	870	865
Margin (%)	*100.0*	*100.0*	*100.0*	*100.0*
EBITDA	**261**	**266**	**286**	**308**
YoY gr. (%)	-	-	-	-
Margin (%)	*34.4*	*33.1*	*32.9*	*35.6*
Depreciation / Depletion	67	67	68	66
EBIT	**193**	**199**	**218**	**242**
Margin (%)	*25.5*	*24.8*	*25.1*	*27.9*
Net Interest	14	14	14	13
Other Income	24	36	45	27
Profit before Tax	**204**	**221**	**249**	**255**
Margin (%)	*26.9*	*27.6*	*28.6*	*29.5*
Total Tax	69	87	86	84
Effective tax rate (%)	*33.7*	*39.4*	*34.3*	*32.9*
Profit after Tax	**135**	**134**	**164**	**171**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**135**	**134**	**164**	**171**
YoY gr. (%)	*24.5*	*5.1*	*37.9*	*5.4*
Margin (%)	*17.8*	*16.7*	*18.8*	*19.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**135**	**134**	**164**	**171**
YoY gr. (%)	*24.5*	*5.1*	*37.9*	*5.4*
Margin (%)	*17.8*	*16.7*	*18.8*	*19.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**135**	**134**	**164**	**171**
Avg. Shares O/s (m)	57	57	55	277
EPS (Rs)	**2.4**	**2.3**	**3.0**	**0.6**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	9.1	2.2	2.8	3.3
CEPS	13.7	3.2	3.7	4.3
BVPS	105.1	23.8	25.6	27.9
FCF	4.1	3.3	2.9	3.5
DPS	-	-	1.0	1.0
Return Ratio(%)				
RoCE	10.9	12.5	14.7	16.0
ROIC	13.9	15.2	16.9	17.8
RoE	8.6	9.2	10.8	11.9
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	108	80	80	75
Valuation(x)				
PER	6.3	26.1	20.6	17.2
P/B	0.5	2.4	2.2	2.0
P/CEPS	4.2	18.1	15.3	13.2
EV/EBITDA	3.1	12.6	10.3	8.5
EV/Sales	1.0	4.3	3.7	3.1
Dividend Yield (%)	-	-	1.8	1.8

Source: Company Data, PL Research

April 16, 2019

Post Conference Note

Management Representative:
Mr. Roomy Mistry - IR

Key Financials

	FY18	FY19E	FY20E	FY21E
Sales (Rs. m)	12,040	14,039	15,798	17,810
EBITDA (Rs. m)	2,225	2,780	3,208	3,648
Margin (%)	*18.5*	*19.8*	*20.3*	*20.5*
PAT (Rs. m)	1,270	1,715	1,996	2,261
EPS (Rs.)	5.4	7.5	8.7	9.9
Gr. (%)	*(25.6)*	*37.7*	*16.4*	*13.3*
DPS (Rs.)	1.5	2.6	3.3	3.8
Yield (%)	*1.3*	*2.3*	*2.9*	*3.3*
RoE (%)	*17.6*	*21.4*	*22.1*	*22.2*
RoCE (%)	*23.8*	*26.3*	*26.8*	*26.9*
EV/Sales (x)	2.4	2.0	1.8	1.6
EV/EBITDA (x)	13.1	10.2	8.7	7.6
PE (x)	21.2	15.4	13.2	11.7
P/BV (x)	3.6	3.1	2.8	2.4

Key Data	NAVN.BO | NELI IN
52-W High / Low	Rs.156 / Rs.99
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.26bn/ $ 380m
Shares Outstanding	229m
3M Avg. Daily Value	Rs.10.65m

Shareholding Pattern (%)

Promoter's	61.89
Foreign	4.46
Domestic Institution	16.98
Public & Others	16.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.9	7.5	(25.7)
Relative	3.5	(3.7)	(34.7)

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Navneet Education (NELI IN)

Rating: BUY | CMP: Rs115 | TP: Rs157

Given the proposed syllabus changes for FY20E (3 classes in Maharashtra and much larger number in Gujarat) and FY21E (2 classes in Maharashtra; not yet communicated for Gujarat) the publishing business (ex-ILL) is expected to grow by 8-10% over the next 2-3 years. Launch of new titles in the ICSE space and plans to increase penetration (very few schools opted for more than 1 ILL series while the management is trying to add more series) is likely to result in 20-25% top-line growth for Indiannica Learning Ltd (ILL) in the next few years. As far as stationary business is concerned, growth will be driven by exports (demand from the US met by China (~90%) is now shifting to India, thus leading to rise in share).

Backed by these factors we expect revenues to grow at a CAGR of 13.9% over FY18-21E. Valuations at 12.5x FY20E appear attractive given 21.1% bottom line CAGR over FY18-21E, superior return ratios, average ~50% pay out over the last 5 years, additional revenue delta & diversification advantage coming in from ILL acquisition, and narrowing losses in E-sense. We value the stock at 18x FY20E EPS and arrive at a TP of Rs157. Maintain BUY.

ILL scale up is behind schedule: Topline of ILL is expected to fall short of guidance in FY19 since penetration is a challenge. However, launch of new titles and workbooks is likely to result in a steady growth of 20-25% for next few years. On a topline of Rs0.9-1bn the ILL business is estimated breakeven and start contributing towards the profitability.

KTS school management business on track: As of FY19, KTS business had 25 schools. The school business is expected to report EBITDA of Rs500mn in the next year and no additional investment lined up in the space. Approximately one school can accommodate 1,000 students with an average fee of Rs80,000- 100,000 per head.

Rising stationery exports to drive growth: In the domestic stationery business, Navneet faces a stiff competition from ITC (Classmate and PaperKraft brands). However, in the export market (products exported to the US, Latin America, Africa and Middle East) Navneet has made considerable inroads and the growth is expected to be upwards of 60% in FY19E.

Other highlights: 1) Publishing receivable cycle is 45-60 days while in case of stationery it is 75-90 days. 2) 10% of the stationary business is to schools. 30% of the stationery revenues comes from Maharashtra & Gujarat 3) Approximately 32% of ILL's sales is in Northern markets, balance is from 18 other states.

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Net Revenues	**12,040**	**14,039**	**15,798**	**17,810**
YoY gr. (%)	*2.7*	*16.6*	*12.5*	*12.7*
Cost of Goods Sold	5,849	6,795	7,599	8,567
Gross Profit	6,191	7,244	8,199	9,244
Margin (%)	*51.4*	*51.6*	*51.9*	*51.9*
Employee Cost	1,468	1,600	1,784	1,998
Other Expenses	2,499	2,864	3,207	3,598
EBITDA	**2,225**	**2,780**	**3,208**	**3,648**
YoY gr. (%)	*(18.8)*	*25.0*	*15.4*	*13.7*
Margin (%)	*18.5*	*19.8*	*20.3*	*20.5*
Depreciation and Amortization	307	331	349	374
EBIT	**1,918**	**2,450**	**2,860**	**3,274**
Margin (%)	*15.9*	*17.4*	*18.1*	*18.4*
Net Interest	77	100	102	103
Other Income	260	280	270	260
Profit Before Tax	**2,100**	**2,630**	**3,028**	**3,431**
Margin (%)	*17.4*	*18.7*	*19.2*	*19.3*
Total Tax	829	905	1,042	1,180
Effective tax rate (%)	*39.5*	*34.4*	*34.4*	*34.4*
Profit after tax	**1,272**	**1,725**	**1,986**	**2,251**
Minority interest	0	0	0	0
Share Profit from Associate	(1)	(10)	10	10
Adjusted PAT	**1,270**	**1,715**	**1,996**	**2,261**
YoY gr. (%)	*(25.6)*	*35.0*	*16.4*	*13.3*
Margin (%)	*10.5*	*12.2*	*12.6*	*12.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,270**	**1,715**	**1,996**	**2,261**
YoY gr. (%)	*(25.6)*	*35.0*	*16.4*	*13.3*
Margin (%)	*10.5*	*12.2*	*12.6*	*12.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,270	1,715	1,996	2,261
Equity Shares O/s (m)	**234**	**229**	**229**	**229**
EPS (Rs)	**5.4**	**7.5**	**8.7**	**9.9**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
Non-Current Assets				
Gross Block	**4,664**	**5,033**	**5,352**	**5,671**
Tangibles	3,991	4,330	4,619	4,908
Intangibles	673	703	733	763
Acc: Dep / Amortization	**2,574**	**2,947**	**3,340**	**3,760**
Tangibles	2,272	2,603	2,951	3,326
Intangibles	303	345	389	434
Net fixed assets	**2,089**	**2,085**	**2,011**	**1,911**
Tangibles	1,719	1,727	1,668	1,582
Intangibles	370	358	344	328
Capital Work In Progress	42	42	42	42
Goodwill	457	457	457	457
Non-Current Investments	667	667	667	667
Net Deferred tax assets	32	-	-	-
Other Non-Current Assets	108	125	130	130
Current Assets				
Investments	-	-	500	500
Inventories	4,282	4,616	5,194	5,855
Trade receivables	3,181	3,462	3,809	4,294
Cash & Bank Balance	68	551	673	1,347
Other Current Assets	536	589	648	713
Total Assets	**11,536**	**12,833**	**14,380**	**16,165**
Equity				
Equity Share Capital	467	458	458	458
Other Equity	7,053	8,047	9,133	10,362
Total Networth	**7,520**	**8,505**	**9,591**	**10,820**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	166	180	194	210
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,253	2,485	2,767	3,119
Trade payables	753	769	866	976
Other current liabilities	842	893	962	1,039
Total Equity & Liabilities	**11,536**	**12,833**	**14,381**	**16,165**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19E	FY20E	FY21E
PBT	2,099	2,630	3,028	3,431
Add. Depreciation	307	331	349	374
Add. Interest	77	100	102	103
Less Financial Other Income	260	280	270	260
Add. Other	(131)	(168)	(162)	(156)
Op. profit before WC changes	2,352	2,892	3,316	3,752
Net Changes-WC	(1,155)	(783)	(833)	(1,025)
Direct tax	(882)	(865)	(992)	(1,130)
Net cash from Op. activities	**315**	**1,245**	**1,492**	**1,597**
Capital expenditures	(550)	(327)	(275)	(273)
Interest / Dividend Income	187	168	162	156
Others	(8)	-	-	-
Net Cash from Invt. activities	**(371)**	**(159)**	**(113)**	**(117)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(9)	232	282	352
Dividend paid	(703)	(420)	(720)	(910)
Interest paid	(77)	(100)	(102)	(103)
Others	-	(9)	-	-
Net cash from Fin. activities	**(790)**	**(298)**	**(540)**	**(661)**
Net change in cash	**(846)**	**789**	**838**	**819**
Free Cash Flow	(46)	918	1,217	1,324

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY19	Q2FY19	Q3FY19	Q4FY19E
Net Revenue	**6,700**	**2,635**	**1,816**	**2,237**
YoY gr. (%)	*19.0*	*44.5*	*4.1*	*5.2*
Raw Material Expenses	3,525	1,207	836	1,074
Gross Profit	3,175	1,427	980	1,163
Margin (%)	*47.4*	*54.2*	*54.0*	*52.0*
EBITDA	**1,974**	**463**	**157**	**291**
YoY gr. (%)	*730.5*	-	-	-
Margin (%)	*29.5*	*17.6*	*8.6*	*13.0*
Depreciation / Depletion	57	60	62	62
EBIT	**1,917**	**403**	**95**	**229**
Margin (%)	*28.6*	*15.3*	*5.2*	*10.2*
Net Interest	42	23	11	11
Other Income	71	72	30	30
Profit before Tax	**1,946**	**451**	**113**	**247**
Margin (%)	*29.0*	*17.1*	*6.2*	*11.1*
Total Tax	683	162	38	84
Effective tax rate (%)	*35.1*	*35.9*	*33.5*	*34.0*
Profit after Tax	**1,263**	**289**	**75**	**163**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,263**	**289**	**75**	**163**
YoY gr. (%)	*15.2*	*73.9*	*(36.5)*	*8.4*
Margin (%)	*18.9*	*11.0*	*4.2*	*7.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,263**	**289**	**75**	**163**
YoY gr. (%)	*15.2*	*73.9*	*(36.5)*	*8.4*
Margin (%)	*18.9*	*11.0*	*4.2*	*7.3*
Other Comprehensive Income	(39)	(33)	80	-
Total Comprehensive Income	**1,224**	**256**	**156**	**163**
Avg. Shares O/s (m)	234	234	229	229
EPS (Rs)	**5.4**	**1.2**	**0.3**	**0.7**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Per Share(Rs)				
EPS	5.4	7.5	8.7	9.9
CEPS	6.8	8.9	10.2	11.5
BVPS	32.2	37.1	41.9	47.3
FCF	(0.2)	4.0	5.3	5.8
DPS	1.5	2.6	3.3	3.8
Return Ratio(%)				
RoCE	23.8	26.3	26.8	26.9
ROIC	19.3	21.7	22.3	22.6
RoE	17.6	21.4	22.1	22.2
Balance Sheet				
Net Debt : Equity (x)	0.3	0.2	0.2	0.1
Net Working Capital (Days)	203	190	188	188
Valuation(x)				
PER	21.2	15.4	13.2	11.7
P/B	3.6	3.1	2.8	2.4
P/CEPS	17.1	12.9	11.3	10.0
EV/EBITDA	13.1	10.2	8.7	7.6
EV/Sales	2.4	2.0	1.8	1.6
Dividend Yield (%)	1.3	2.3	2.9	3.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY18	FY19E	FY20E	FY21E
Segment Revenues				
Publishing	6,402	7,107	7,924	8,875
Stationery	5,010	6,137	6,873	7,698
EBIT				
Publishing	2,113	2,345	2,615	2,929
Stationery	501	626	701	785

Source: Company Data, PL Research

Saregama India (SARE IN)

Rating: Not Rated | CMP: Rs586 | TP: NA

April 16, 2019

Post Conference Note

Management Representative:
Mr. Vikram Mehra - MD
Mr. Vineet Garg - CFO

Key Financials

	FY15	FY16	FY17	FY18
Sales (Rs. m)	1,819	2,148	2,082	3,456
EBITDA (Rs. m)	168	151	78	341
Margin (%)	*9.2*	*7.0*	*3.8*	*9.9*
PAT (Rs. m)	183	171	100	305
EPS (Rs.)	9.0	4.3	5.8	17.5
Gr. (%)	*29.8*	*(51.9)*	*32.6*	*204.9*
DPS (Rs.)	1.5	1.5	1.5	3.0
Yield (%)	*1.2*	*0.6*	*0.7*	*0.5*
RoE (%)	*10.4*	*4.8*	*5.0*	*11.8*
RoCE (%)	*11.8*	*12.3*	*9.9*	*16.8*
EV/Sales (x)	1.2	2.1	1.9	3.3
EV/EBITDA (x)	9.1	17.8	16.4	23.8
PE (x)	13.8	62.3	40.3	37.5
P/BV (x)	1.4	2.9	1.7	4.1

Key Data	SARE.BO | SARE IN
52-W High / Low	Rs.871 / Rs.462
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.10bn/ $ 148m
Shares Outstanding	17.4m
3M Avg. Daily Value	Rs.13.2m

Shareholding Pattern (%)

Promoter's	59.11
Foreign	1.20
Domestic Institution	1.41
Public & Others	38.27
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.0	11.8	(22.1)
Relative	(1.9)	1.0	(33.2)

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OTT platforms to enable scale up in movie content business

- Saregama plans to scale up the movie content business by capitalising on rising demand from OTT platforms like Netflix, Amazon, Voot and Hotstar.
- Cheaper data has opened up OTT avenues for profitable monetisation of content driven films- more so from age group of 18-35 years, as against the earlier theatrical launch model.
- Saregama will now focus on movie production budgeted at ~Rs35-45m per film with an end to end production time of 6 to 9 months.
- It has sold digital rights of 5 movies to Netflix already and is in talks with Hotstar for 12 movies.
- Saregama has a capability to produce 18 -24 films/year. Going forward, it will be a title holder for all the movies.
- Saregama is aiming for 20-30% EBIDTA margins in this business.

Carvaan

- Saregama has sold 7.8lakh units of Carvaan in 9MFY19. The management expects to sell 50 lakh units of Carvaan in next 3 years.
- It is launching a new Carvaan variant which is portable and much smaller in appearance. The product will be of a small size mobile comprising of 3000 songs expected to be priced at Rs4000. This will enable the company to cater to 45-60 years old audience too, who are not that tech savvy but want to enjoy music on the go.
- Strong focus to monetise existing content with B2C products like Carvaan, music apps, music cards etc. are some key steps in that direction.

Contract with Saavn/Wynk and similar platforms

- Saregama gets paid via "Pay on per stream" basis from online platforms. It charges 10 paisa per stream + incremental share if streamed by subscribed customer + share in advertisement revenue
- Some contracts have some minimum guarantee varying from one player to another.

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POWERING YOUR FINANCIAL GROWTH

Welspun Corp (WLCO IN)

Rating: Not Rated | CMP: Rs140 | TP: NA

April 16, 2019

Post Conference Note

Management Representative:
Mr. Vipul Mathur - MD
Mr. Percy Birdy - CFO
Mr. Rupak Ghosh - Sr. VP - Finance & MIS
Mr. Harish Venkateswaran – Head IR

Key Financials

	FY15	FY16	FY17	FY18
Sales (Rs. m)	49,489	37,725	43,458	52,151
EBITDA (Rs. m)	2,827	1,627	5,023	4,489
Margin (%)	*5.7*	*4.3*	*11.6*	*8.6*
PAT (Rs. m)	-157	-1,232	1,746	1,258
EPS (Rs.)	-0.6	-4.6	6.6	4.7
Gr. (%)	-	-	-	*(27.9)*
DPS (Rs.)	0.5	0.5	0.5	0.5
Yield (%)	*0.9*	*0.5*	*0.6*	*0.4*
RoE (%)	*NA*	*NA*	*10.2*	*6.8*
RoCE (%)	*4.4*	*0.6*	*13.9*	*11.6*
EV/Sales (x)	0.7	1.2	0.8	0.8
EV/EBITDA (x)	7.8	16.0	5.0	7.0
PE (x)	-	-	12.6	28.4
P/BV (x)	0.8	1.6	1.2	1.9

Key Data	WGSR.BO | WLCO IN
52-W High / Low	Rs.187 / Rs.89
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.37bn/ $ 530m
Shares Outstanding	265m
3M Avg. Daily Value	Rs.102m

Shareholding Pattern (%)

Promoter's	48.65
Foreign	6.24
Domestic Institution	8.06
Public & Others	36.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	13.2	(7.3)	(10.7)
Relative	11.3	(18.0)	(21.8)

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Pipe manufacturer focused on Oil & Gas value chain: Welspun Corp is into manufacturing of Iron & Steel Pipes primarily for Oil & Gas and Water Distribution industries – mainly utilized for Exploration/Production, Transportation and Distribution. Company has manufacturing facilities in India, Middle East & USA with a total capacity of 2.45m tones. It produces L-Saw, H-Saw, ERW, Bends and Coated products in India with a total capacity of 1.6m tones.

Divestment of Plate & Coil Mill and power division for Rs9.4bn: In Apr19, Welspun Corp divested in two of the business divisions comprising of **a)** Plate & Coil mill with capacity of 1,500kt and **b)** Coal based Power division with capacity of 43MW. Plate & Coil mill located at Anjar (Gujarat) has been sold to Laptev Finance Pvt. Ltd for Rs8.74bn. Power plant has been divested to Welspun Captive Power Generation Limited at a valuation of Rs670mn and is expected to complete by Q1FY20e.

Firm Order book Position: Order book position as on Q3FY19 in India/Middle East/USA stands at 600kt/700kt/400kt to be executed in 12/24/12 months across Oil & Gas and water projects amongst others. Total order book for Q3FY19 stands at 1,656kt (+29.5% YoY/↓3.8% QoQ) of which H-SAW Pipes outstanding order book stands at ~79%. Saudi Arabia region remains the key market with order book position of ~50%.

Gross Debt/Net Debt reduced by 1.6%/↓21% QoQ: Gross Debt/Net Debt in Q3FY19 reduced by 1.6%/↓21% QoQ to Rs14.6bn/Rs3.1bn. Funds received from divestment of Plate & Coil mill division will be partially utilized to pare debt.

Margins to improve in USA post implementation of Tariff: US authorities imposed a tariff of 25% on imported steel products to promote manufacturing within USA. Welspun Corp has manufacturing capacity of 0.5m tones in USA, producing H-Saw, Wielded pipes and Coated products. With an increase in steel prices and tariff implementation, margins are further expected to improve in FY20e. However, margins in India are expected to remain range bound.

No Major Capex in the near term: Company is not undertaking any major capex programme in the near term in India as well as overseas, apart from annual maintenance capex of Rs0.75-Rs1bn.

Valuation: Stock is currently trading at 5.45x EV/EBITDA of FY19.

Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

April 16, 2019

Post Conference Note

Management Representative:
Mr. Altaf Jiwani - CFO
Mr. Harish Venkateswaran - IR

Key Financials

	FY15	FY16	FY17	FY18
Sales (Rs. m)	44,035	48,850	56,393	49,766
EBITDA (Rs. m)	10,383	12,674	13,694	8,937
Margin (%)	*23.6*	*25.9*	*24.3*	*18.0*
PAT (Rs. m)	5,101	6,483	7,671	3,041
EPS (Rs.)	5.1	6.5	3.1	3.0
Gr. (%)	*NA*	*27.1*	*(52.7)*	*(0.8)*
DPS (Rs.)	1.1	1.3	0.7	0.7
Yield (%)	*3.0*	*1.3*	*0.7*	*1.1*
RoE (%)	*41.1*	*38.9*	*15.0*	*13.1*
RoCE (%)	*23.9*	*25.3*	*20.7*	*9.6*
EV/Sales (x)	1.3	2.6	2.0	1.7
EV/EBITDA (x)	5.1	9.0	7.9	8.9
PE (x)	7.0	15.4	28.7	19.2
P/BV (x)	2.5	5.3	4.0	2.4

Key Data	WLSP.BO | WLSI IN
52-W High / Low	Rs.78 / Rs.46
Sensex / Nifty	38,906 / 11,690
Market Cap	Rs.58bn/ $ 840m
Shares Outstanding	1,000m
3M Avg. Daily Value	Rs.51.1m

Shareholding Pattern (%)

Promoter's	68.48
Foreign	8.30
Domestic Institution	9.71
Public & Others	12.91
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.0)	(14.4)	2.2
Relative	(6.9)	(25.2)	(8.9)

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Welspun India (WLSI IN)

Rating: Not Rated | CMP: Rs58 | TP: NA

RoSCL scheme to impact profits positively: The Ministry of Textiles has notified a new scheme to rebate all embedded state and central taxes and levies to enhance the competitiveness of Indian apparels and made-up exports. The maximum rate of rebate of State and Central Taxes and Levies on Export of Garments and Made-ups (RoSCTL) for apparel will now be 6.05%. In case of made-ups, it is 8.2%. The new scheme is already effective since March 7, 2019 and will remain in force upto March 31, 2020. Presently, home textile companies get 2.2% rebate under RoSL and 4% under MEIS (Merchandise Exports from India Scheme). While RoSCTL has increased to 8.2%, until now there is no hint to discontinue MEIS. Nevertheless, if the scheme continues, these companies will benefit to the tune of ~6% and if not, will benefit to the tune of 2%. We however believe MEIS is likely to get discontinued, as it is not WTO compliant. The rebate amount would be accounted as part of revenues which will directly flow to PBT.

Higher cotton prices to impact margins from 3QFY20: The cotton prices for Q4FY19E are at Rs43,000/candy levels. The company generally maintains an inventory for ~6months and the same is already stocked up to September 2019 at Rs43,000/candy. As on today the cotton prices have spurted to Rs47,000/candy. Generally, it takes about 5-6 months for any change in cotton prices to affect gross margins. Hence the effect of increase in cotton prices since April 2019 is expected to reflect in Q3FY20E margins.

Marketing initiatives to improve brand Image: The management focus is to build a strong brand perception and hence WLSI has been investing in marketing and branding via ad spends in Mumbai Local, Kumbh Mela etc. In FY19E, the marketing and branding expenses are likely to be ~Rs300m and the management has guided ~Rs1.0bn marketing expenses in FY20E.

Diversification into soft and hard flooring solutions by October 2019: The total investment for the flooring business is Rs11.0bn of which Rs9.0bn is for soft flooring and balance is for hard flooring. Soft flooring is used in commercial (offices) and hospitality sectors, while hard flooring is used in residential sector. Carpets are imported every year to the tune of USD150m (growing at ~25% CAGR) which attracts an import duty of 10%. This represents a huge opportunity for WLSI to substitute imports as well as to enter into replacement market. The plant is expected to begin operations in October 2019 and it aims at sales of Rs2bn in FY20 due to a strong pan India distribution network. Similarly, at peak utilization levels this plant can generate revenues worth Rs22.0bn.

Management Guidance: The management has guided for 10-12% growth in topline for FY20E and margins in the range of 18-20%.

Valuation: At CMP, the stock trades at PER of 10.1x FY20E and 8.6xFY21E consensus EPS estimates.

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Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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