

## Technology

Target price Rs140

## Earnings revision

(%)	FY13E	FY14E
Sales	↓ 16.9	↓ 19.8
EBITDA	↓ 18.0	↓ 18.0
EPS	↓ 51.4	↓ 26.8

## Target price revision

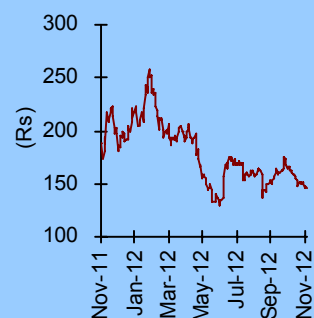
Rs140 from Rs150

## Shareholding pattern

	Mar '12	Jun '12	Sep '12
Promoters	49.5	49.2	43.4
Institutional investors	29.1	26.2	31.4
MFs and UTI	1.3	0.0	0
Insurance Cos.	0.0	0.0	0
FIs	27.8	26.2	31.4
Others	21.4	24.6	25.2

Source: www.nseindia.com

## Price chart



## Krupal Maniar, CFA

krupal.maniar@icicisecurities.com  
+91 22 6637 7254

## Kuldeep Koul

kuldeep.koul@icicisecurities.com  
+91 22 6637 7573

## Varun Sharma

varun.sharma@icicisecurities.com  
+91 22 6637 7180

INDIA

## Educomp Solutions

REDUCE

Maintained

Rs146

## Disappointment continues

Reason for report: Q2FY13 results review and earnings revision

**Educomp Solutions' (Educomp) Q2FY13 consolidated revenue was down 5.5% YoY to Rs3.02bn – the first ever YoY decline and well below our estimate of Rs3.78bn. Revenue from SmartClass declined 30% YoY / 11% QoQ to Rs1.33bn (I-Sec: Rs1.98bn) owing to 25% YoY / 17% QoQ decline in SmartClass additions to 5,112 classrooms while EBIT margin more than halved YoY to 25%. The management indicated FY13 and FY14 to be years of consolidation and bringing in operational efficiencies, and hence refrained from commenting on FY13 guidance (the management has earlier indicated revenue growth of 25-30% with EBITDA margin improvement of 150-250bps YoY). H1FY13 revenue growth was just 2% YoY with EBITDA margin down 1100bps YoY. With lower-than-expected margins in SmartClass, we cut our FY13-14E EBITDA by ~18%. We maintain REDUCE on Educomp but trim the target price to Rs140 (1x FY14E sales) from Rs150/share. Educomp is unlikely to turn FCF positive over the next two years. Recent cash infusion by promoters and others financial investors would limit the downside.**

- ▶ **SmartClass losing sheen – pressure on all fronts - volume, pricing / margins, and securitisation:** Revenue from SmartClass declined 31% YoY to Rs1.3bn with a 25% YoY decline in classroom additions (5,112 classrooms added versus 6,818 classrooms YoY). Competitive intensity in the industry remains high and pricing / revenue share of Educomp with third-party system-integrator seems to be adversely impacted vs. company's indication for better pricing QoQ. Even securitisation was lower owing to high cost of funding. Consequently, EBIT margin more than halved YoY to 25% (from 52.5% in Q2FY12). Though the management is hinting at pricing discipline among competition now, we remain sceptical about any improvement in pricing henceforth. Besides, Educomp plans to launch tablet PC and English language lab during H2FY13.
- ▶ **K-12 broadly on track – revenue up 23% YoY and EBIT up 39% YoY.** Educomp has 37,480 students in K-12 segment with another 7,000-8,000 students expected to be added in the next fiscal. Of the 66 operational schools, 14 schools have been operational for more than four years, while another eight schools have been operational for more than three years. Three schools moved out of Educomp's portfolio (mostly dry management) during Q2FY13. As K-12 segment is gaining mass, its contribution to overall revenue has inched up to 15-16% during H1FY13 vs. 12% in FY12 and just 10% in FY11.
- ▶ **Cash flow remains strained.** DSO increased to ~347days, while receivables increased by 40% from March '12 to Rs14.3bn owing to lower securitisation in SmartClass. Despite ~Rs4bn equity/cash infusion by the promoter group and financial investors recently, the net debt has increased by Rs1.8bn to Rs19bn in H1FY13.

Market Cap	Rs17.6bn/US\$0.3bn
Reuters/Bloomberg	EDSO.BO/EDSL IN
Shares Outstanding (mn)	119.4
52-week Range (Rs)	257/130
Free Float (%)	56.6
FII (%)	31.4
Daily Volume (US\$'000)	9,553
Absolute Return 3m (%)	(7.2)
Absolute Return 12m (%)	(32.9)
Sensex Return 3m (%)	5.9
Sensex Return 12m (%)	9.1

Year to March	FY11	FY12	FY13E	FY14E
Revenue (Rs mn)	13,509	14,913	15,193	16,601
Net Income (Rs mn)	3,334	1,663	891	1,324
EPS (Rs)	33.0	16.4	7.4	11.0
% Chg YoY	18.2	(50.5)	(54.8)	48.6
P/E (x)	4.4	8.9	19.8	13.3
CEPS (Rs)	41.3	26.9	17.8	23.1
EV/E (x)	4.9	7.4	8.6	7.3
Dividend Yield (%)	0.4	0.4	0.3	0.3
RoCE (%)	11.3	5.7	4.0	4.7
RoE (%)	17.4	7.1	3.3	4.5

Please refer to important disclosures at the end of this report

- **Consolidated EBITDA and PAT was down 44% YoY and 72% YoY** to Rs596mn and Rs36mn respectively. Revenue from other segments (higher learning solutions and online supplemental and global) was up 53% YoY to Rs870mn while EBIT losses from the same were lower at Rs161mn vs. Rs192mn YoY.

**Table 1: Q2FY13 results review (consolidated)***(Rs mn, year ending March 31)*

	Q2FY13	Q1FY13	Q2FY12	% chg (QoQ)	% chg (YoY)	I-Sec estimates	% Variance
<b>Total revenues</b>	<b>3,021</b>	<b>3,253</b>	<b>3,198</b>	<b>(7.1)</b>	<b>(5.5)</b>	<b>3,782</b>	<b>(20.1)</b>
(a) consumption of raw material	940	828	844	13.6	11.4	1,400	(32.8)
(b) Increase/Decrease in stock in trade	(69)	141	(97)	(148.7)	(28.7)	(100)	
(c) Staff Cost	884	821	813	7.7	8.7	850	4.0
(d) Forex Loss/(Gain)	-	-	-			-	
(e) Admin & other exp	669	594	580	12.7	15.5	640	4.6
<b>Total operating expenses</b>	<b>2,425</b>	<b>2,384</b>	<b>2,140</b>	<b>1.7</b>	<b>13.3</b>	<b>2,790</b>	<b>(13.1)</b>
<b>EBITDA</b>	<b>596</b>	<b>869</b>	<b>1,058</b>	<b>(31.4)</b>	<b>(43.6)</b>	<b>992</b>	<b>(39.9)</b>
Depreciation	307	302	260	1.7	18.3	313	(1.8)
<b>EBIT</b>	<b>289</b>	<b>568</b>	<b>798</b>	<b>(49.0)</b>	<b>(63.7)</b>	<b>679</b>	<b>(57.4)</b>
Interest	511	473	307	8.1	66.4	537	(4.8)
<b>OPBT</b>	<b>(222)</b>	<b>95</b>	<b>491</b>	<b>(334.3)</b>	<b>(145.2)</b>	<b>143</b>	<b>( )</b>
Other income	136	130	77	4.9	76.5	132	3.0
<b>PBT</b>	<b>(85)</b>	<b>225</b>	<b>568</b>	<b>(138.0)</b>	<b>(115.0)</b>	<b>275</b>	
Less : Tax provision	(4)	16	189	(126.3)	(102.2)	12	
<b>Net income</b>	<b>(81)</b>	<b>209</b>	<b>379</b>	<b>(138.9)</b>	<b>(121.4)</b>	<b>264</b>	
Less: Minority interest	4	(4)	(6)	(194.1)	(167.0)	(4)	
Less: Share of loss in associates	(1)	2	9	(132.7)	(108.0)	2	
<b>Net profit after minority interest</b>	<b>(85)</b>	<b>211</b>	<b>376</b>	<b>(140.1)</b>	<b>(122.5)</b>	<b>266</b>	
Forex gain / (loss)	121	(162)	(248)			-	
<b>Reported net profit</b>	<b>36</b>	<b>49</b>	<b>128</b>	<b>(25.6)</b>	<b>(71.5)</b>	<b>266</b>	
<b>Ratios:</b>							
EBITDA margin (%)	19.7	26.7	33.1			26.2	
EBIT margins (%)	9.6	17.4	25.0			18.0	
OPBT margins (%)	(2.8)	6.5	11.8			7.0	
PBT margins (%)	(7.3)	2.9	15.3			3.8	
Net margin (%)	(2.8)	6.9	17.8			7.3	
Effective tax rate (%)	4.8	6.9	33.2			4.2	

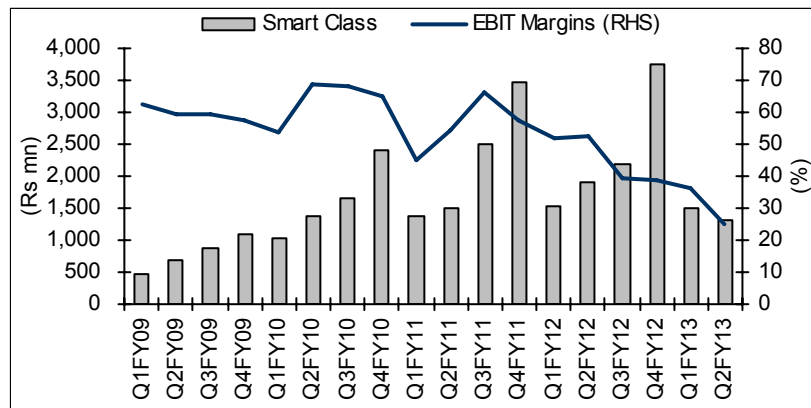
Source: Company data, I-Sec research

SmartClass was implemented in 5,112 classrooms across 787 schools in Q2FY13. Reported average pricing was up 8% QoQ in Q2FY13 to 0.346mn/classroom.

**Table 2: SmartClass performance**

(Nos.)	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
No. of classrooms implemented	6,818	10,102	17,815	6,151	5,112
No. of schools	905	1,923	2,622	853	787
No. of classrooms per school	7.5	5.3	6.8	7.2	6.5
Average fee per classroom (Rs)	404,000	336,000	367,000	320,000	346,000
Total no. of students (mn)	4.8	5.3	6.1	6.4	6.6

Source: Company data

**Chart 1: Declining SmartClass revenues and margins**

Source: Company data, I-Sec research

**Table 3: SmartClass assumptions based on new model**

(Rs mn)

Smart Class	FY11	FY12	FY13E	FY14E
Total no. of addressable private schools – assumed	77,250	79,568	81,955	84,413
No. of schools (at the year end) – Educomp	6,538	12,161	19,731	29,321
as a % of addressable private schools	8.5	15.3	24.1	34.7
<b>Total no. of schools added / renewed</b>	<b>3,461</b>	<b>5,623</b>	<b>7,570</b>	<b>9,590</b>
Total no. of addressable classrooms – Industry (in mn) - 75,000				
private schools with avg of 15 classrooms per school (assumed)	1.16	1.19	1.23	1.27
Total no. of classrooms (at the end) – Educomp	69,802	109,825	145,626	190,384
as a % of addressable classrooms	6.0	9.2	11.8	15.0
<b>No. of classrooms – SmartClass implementations</b>	<b>27,154</b>	<b>40,023</b>	<b>35,801</b>	<b>44,759</b>
YoY growth (%)	63.6	47.4	(10.5)	25.0
Average realisation per classroom (Rs)	383,756	362,588	300,588	291,570
<b>Average fee per student per month (Rs)</b>	<b>142</b>	<b>134</b>	<b>111</b>	<b>108</b>
Revenue from schools signed in the year – Edusmart model	5,471	7,047	5,075	5,873
Revenue from schools signed previous year – Edusmart model	462	2,345	3,020	2,175
Revenue from erstwhile BOOT model now securitised	2,939			
<b>Revenues (Rs mn)</b>	<b>8,872</b>	<b>9,392</b>	<b>8,095</b>	<b>8,047</b>
YoY growth (%)	37.6	5.9	(13.8)	(0.6)
<b>EBIT</b>	<b>5,107</b>	<b>4,128</b>	<b>2,920</b>	<b>3,023</b>
YoY growth (%)	22.2	(19.2)	(29.3)	3.5
EBIT margin (%)	57.6	44.0	36.1	37.6

Source: Company data, I-Sec research

The company added no school during the quarter and the cumulative number of students covered remained stable QoQ at 5.9mn.

**Table 4: ICT – School additions**

(Nos.)	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
School additions	-	582	185	1,054	-	-
Cumulative no. of schools	10,572	10,937	11,122	11,535	10,771	10,771

Source: Company data

**Table 5: ICT – slow growth**

(Rs mn)

	FY11	FY12	FY13E	FY14E
<b>Revenues (Rs mn)</b>	<b>1,117</b>	<b>1,064</b>	<b>1,137</b>	<b>1,300</b>
YoY growth (%)	(29.5)	(4.8)	6.9	14.3
<b>EBIT (Rs mn)</b>	<b>95</b>	<b>147</b>	<b>254</b>	<b>260</b>
YoY growth (%)	(69.3)	54.9	74.0	1.3
EBIT margin (%)	8.5	13.9	22.6	20.0

Source: Company data, I-Sec research

**Table 6: Operating metrics – K-12 schools and new businesses**

	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13
<b>Pre-schools</b>							
No. of <i>Roots to Wings</i> pre-schools	220	232	233	242	232	200	219
No. of <i>Eurokids</i> pre-schools	579	609	595	600	600	626	631
No. of total pre-schools	799	841	828	842	832	826	850
<b>K-12 Schools</b>							
<b>No. of K12 schools operational</b>	<b>56</b>	<b>59</b>	<b>63</b>	<b>67</b>	<b>69</b>	<b>69</b>	<b>66</b>
-No. of K12 schools operational under Educomp (Greenfield)	33	33	35	35	36	36	3
-No. of K12 schools operational under Educomp (Acquired)	2	2	2	2	2	2	2
-No. of K12 schools operational under Educomp (Dry Mgmt/JV)	10	10	12	16	17	17	14
No. of K12 schools operational under Euroschools	11	14	14	14	14	14	15
No. of K12 schools with visibility	83	86	99	110	112	117	114
<b>Breakup of Greenfield schools under Educomp:</b>							
No. of K12 schools operational in 0th year	9	9	4	4	4	-	-
No. of K12 schools operational in 1st year	8	8	9	9	10	4	4
No. of K12 schools operational in 2nd year	12	12	8	8	8	10	10
No. of K12 schools operational in 3rd year	1	1	11	11	11	8	8
No. of K12 schools operational in 4th year and above	3	3	3	3	3	14	14
<b>Higher education - Raffles JV</b>							
No. of Colleges (Raffles Millennium International)	7	8	8	8	8	8	7
<b>Vocational education - Pearson JV</b>							
No. of total <i>IndiaCan</i> points of presence	339	365	308	343	328	354	327
No. of students covered by <i>IndiaCan</i>	63,000	39,097	60,815	93,713	110,499	34,586	55,081
<b>Online and supplemental education</b>							
<b>Online users</b>							
No. of new registered users added (in mn)	0.43	0.58	0.29	0.43	0.50	0.6	0.4
Total no. of registered users (in mn)	2.90	3.50	3.80	4.20	4.70	5.3	5.5
<b>Vidyamandir Classes / LEAP</b>							
No. of VMC + LEAP centres operational	66	69	73	74	85	88	93
No. of students enrolled in VMC & LEAP programs	7,158	10,552	18,100	23,908	12,664	18,394	27,443

ND – Not Disclosed; Source: Company data

**Table 7: Segmental revenues and EBIT (stand-alone)**

<i>(Rs mn)</i>						
<b>Segment revenues – Standalone</b>	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13
School learning solutions	1,800	2,153	2,476	4,047	1,779	1,629
Higher learning solutions	42	28	36	30	23	24
K-12 schools	7	7	-	0	4	4
Online supplemental and global	8	4	122	4	270	104
<b>Total</b>	<b>1,857</b>	<b>2,193</b>	<b>2,634</b>	<b>4,082</b>	<b>2,077</b>	<b>1,761</b>
<b>Segment results – EBIT</b>						
School learning solutions	843	1,017	907	1,508	622	393
Higher learning solutions	20	6	12	6	5	2
K-12 schools	7	7	(0)	0	3	4
Online supplemental and global	(8)	(3)	(2)	(6)	6	(8)
<b>Total</b>	<b>862</b>	<b>1,027</b>	<b>916</b>	<b>1,509</b>	<b>635</b>	<b>392</b>
<b>Segment results – EBIT (%)</b>						
School learning solutions	46.8	47.3	36.6	37.3	35.0	24.1
Higher learning solutions	47.1	19.8	33.5	20.7	19.5	10.0
K-12 schools	99.9	97.7		99.6	74.1	100.0
Online supplemental and global	(89.2)	(75.9)	(1.9)	(152.0)	2.1	(7.6)
<b>Total</b>	<b>46.4</b>	<b>46.8</b>	<b>34.8</b>	<b>37.0</b>	<b>30.6</b>	<b>22.3</b>
Less:						
Interest (net)	203	175	219	272	267	314
Other unallocable expenses	166	164	199	178	141	169
Unallocable Income	74	24	26	30	35	34
<b>PBT</b>	<b>567</b>	<b>711</b>	<b>524</b>	<b>1,090</b>	<b>262</b>	<b>(57)</b>

Source: Company data, I-Sec research

**Table 8: Segmental revenues and EBIT (consolidated)***(Rs mn)*

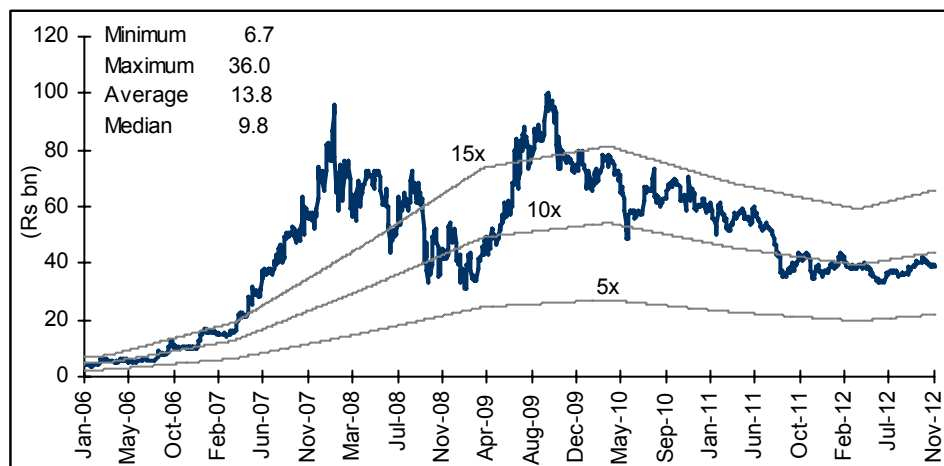
<b>Segment revenues – Standalone</b>	<b>Q2FY12</b>	<b>Q3FY12</b>	<b>Q4FY12</b>	<b>Q1FY13</b>	<b>Q2FY13</b>
School learning Solutions	2,187	2,498	4,079	1,796	1,671
Higher learning Solutions	89	151	151	141	227
K-12 schools	442	427	447	510	482
Online supplemental and global	480	579	460	805	642
<b>Total</b>	<b>3,198</b>	<b>3,655</b>	<b>5,136</b>	<b>3,253</b>	<b>3,021</b>
<b>Segment results – EBIT</b>					
School learning solutions	1,022	901	1,529	619	403
Higher learning solutions	(107)	(125)	(94)	(91)	(66)
K-12 schools	136	150	90	201	214
Online supplemental and global	(85)	(46)	(126)	(17)	(95)
<b>Total</b>	<b>967</b>	<b>880</b>	<b>1,399</b>	<b>712</b>	<b>456</b>
<b>Segment results – EBIT (%)</b>					
School learning solutions	47	36	37	34	24
Higher learning solutions	(120)	(83)	(62)	(64)	(29)
K-12 schools	31	35	20	39	44
Online supplemental and global	(18)	(8)	(27)	(2)	(15)
<b>Total</b>	<b>30</b>	<b>24</b>	<b>27</b>	<b>22</b>	<b>15</b>
Less:					
Interest (net)	307	354	409	473	511
Other unallocable expenses	541	182	293	307	45
Unallocable Income	77	65	102	130	136
<b>PBT</b>	<b>196</b>	<b>409</b>	<b>800</b>	<b>62</b>	<b>36</b>

Source: Company data, I-Sec research

## Valuation methodology and key risks

We maintain REDUCE on Educomp with revised target price of Rs140/share (earlier Rs150/share).

The key risks to our call are higher-than-expected classroom addition or better margins in SmartClass and any stake sale in subsidiaries.

**Chart 2: EV/E bands**

Source: Bloomberg, I-Sec research

## Financial summary (consolidated)

**Table 9: Profit and loss statement**
*(Rs mn, year ending March 31)*

	FY11	FY12*	FY13E	FY14E
<b>Operating Revenues (Sales)</b>	<b>13,509</b>	<b>14,913</b>	<b>15,193</b>	<b>16,601</b>
of which Standalone	10,207	10,765	9,993	9,958
of which subsidiaries	3,302	4,148	5,228	6,659
<b>Operating Expenses</b>	<b>8,084</b>	<b>10,363</b>	<b>11,248</b>	<b>11,942</b>
<b>EBITDA</b>	<b>5,425</b>	<b>4,550</b>	<b>3,945</b>	<b>4,659</b>
% margins	40.2	30.5	26.0	28.1
Depreciation & Amortisation	841	1,070	1,257	1,460
Gross Interest	962	1,399	2,036	2,147
Other Income	461	312	546	594
<b>Recurring PBT</b>	<b>4,083</b>	<b>2,393</b>	<b>1,198</b>	<b>1,647</b>
Add: Extraordinaries / forex loss	-	(324)	(41)	-
Less: Taxes	678	698	299	323
Less: Minority Interest	71	32	8	-
<b>Net Income (Reported)</b>	<b>3,334</b>	<b>1,339</b>	<b>850</b>	<b>1,324</b>
<b>Recurring Net Income</b>	<b>3,334</b>	<b>1,663</b>	<b>891</b>	<b>1,324</b>

\*excluding revenue / PAT from proposed strategic stake sale

Source: Company data, I-Sec research

**Table 10: Balance sheet**
*(Rs mn, year ending March 31)*

	FY11	FY12	FY13E	FY14E
<b>Assets</b>				
Total Current Assets	19,826	23,916	29,992	30,857
of which cash and deposits	3,466	2,205	3,514	1,490
Total Current Liabilities & Provisions	3,924	5,378	5,635	6,325
<b>Net Current Assets</b>	<b>15,902</b>	<b>18,539</b>	<b>24,357</b>	<b>24,533</b>
<b>Investments</b>	<b>1,235</b>	<b>989</b>	<b>1,006</b>	<b>1,006</b>
of which Strategic/Group	1,235	989	1,006	1,006
<b>Net Fixed Assets</b>	<b>18,425</b>	<b>23,330</b>	<b>25,955</b>	<b>28,095</b>
Goodwill	8,518	10,694	11,382	11,382
Capital Work-in-Progress	3,046	4,322	3,322	2,322
<b>Total Assets</b>	<b>38,608</b>	<b>47,180</b>	<b>54,640</b>	<b>55,956</b>
of which cash and equivalents	3,466	2,205	3,514	1,490
<b>Liabilities</b>				
<b>Borrowings</b>	<b>14,378</b>	<b>19,438</b>	<b>22,974</b>	<b>22,974</b>
Deferred Tax Liability	81	(65)	237	237
Minority Interest	2,365	2,762	2,681	2,673
Equity Share Capital	191	192	239	239
Face Value per share (Rs)	2	2	2	2
Reserves & Surplus*	21,593	24,853	28,510	29,834
<b>Net Worth</b>	<b>21,784</b>	<b>25,045</b>	<b>28,749</b>	<b>30,073</b>
<b>Total Liabilities</b>	<b>38,608</b>	<b>47,180</b>	<b>54,640</b>	<b>55,956</b>

\*Excluding revaluation reserves

Source: Company data, I-Sec research

**Table 14: Quarterly trend (consolidated)**
*(Rs mn, year ending March 31)*

	Dec-11	Mar-12	Jun-12	Sep-12
<b>Net sales</b>	<b>3,655</b>	<b>5,136</b>	<b>3,253</b>	<b>3,021</b>
% growth (YoY)	2.2	5.1	11.2	(5.5)
<b>EBITDA</b>	<b>963</b>	<b>1,476</b>	<b>869</b>	<b>596</b>
Margin (%)	26.3	28.7	26.7	19.7
Other income	46	128	118	130
Extraordinaries Inc / (Loss)	19	(78)	(162)	121
<b>Recurring Net Income</b>	<b>227</b>	<b>693</b>	<b>211</b>	<b>(85)</b>

Source: Company data, I-Sec research

**Table 11: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY11	FY12	FY13E	FY14E
<b>Operating Cash flow before W Cap changes</b>	<b>4,175</b>	<b>4,399</b>	<b>2,148</b>	<b>2,784</b>
Working Capital Inflow / (Outflow)	(5,862)	(2,948)	(5,474)	(2,126)
Capex	(7,940)	(3,652)	(2,881)	(2,600)
<b>Free Cash flow</b>	<b>(9,627)</b>	<b>(2,202)</b>	<b>(6,207)</b>	<b>(1,942)</b>
<b>Cash Flow from other Invst Act (Ex Capex)</b>	<b>(881)</b>	<b>(298)</b>	<b>(17)</b>	<b>-</b>
Proceeds from Issue of Share Capital	1,751	(27)	4,151	-
Inc/(Dec) in Borrowings	4,350	4,401	3,455	(8)
Dividend paid	(71)	(81)	(73)	(74)
<b>Increase/(Decrease) in Cash</b>	<b>-</b>	<b>(3,054)</b>	<b>-</b>	<b>-</b>

Source: Company data, I-Sec research

**Table 12: Key ratios**
*(Year ending March 31)*

	FY11	FY12	FY13E	FY14E
<b>Per Share Data (Rs)</b>				
EPS	33.0	16.4	7.4	11.0
Recurring Cash EPS	41.3	26.9	17.8	23.1
Dividend per share (DPS)	0.6	0.6	0.5	0.5
Book Value per share (BV)	131	141	144	155
<b>Growth Ratios (%)</b>				
Operating Income (Sales)	30.0	10.4	1.9	9.3
EBITDA	10.2	(16.1)	(13.3)	18.1
Recurring Net Income	18.3	(50.1)	(46.4)	48.6
Recurring EPS	18.3	(50.1)	(46.4)	48.6
Recurring CEPS	5.5	(35.0)	(33.7)	29.6
<b>Valuation Ratios (x)</b>				
P/E	4.4	8.9	19.8	13.3
P/CEPS	3.5	5.4	8.2	6.3
P/BV	1.1	1.0	1.0	0.9
EV / EBITDA	4.9	7.4	8.6	7.3
EV / Sales	2.0	2.3	2.2	2.0
EV / FCF	NA	NA	NA	NA
<b>Operating Ratio</b>				
Operating Expenses/Sales (%)	59.8	69.5	74.0	71.9
Other Income / PBT (%)	11.3	13.0	45.6	36.1
Effective Tax Rate (%)	16.6	29.2	25.0	19.6
NWC / Total Assets (%)	37.4	35.3	40.4	39.4
Fixed Asset Turnover (x)	0.7	0.6	0.6	0.6
Receivables (days)	165	252	328	338
Payables (days)	159	171	164	167
D/E Ratio (x)	0.7	0.8	0.8	0.8
<b>Return/Profitability Ratio (%)</b>				
Recurring Net Income Margins	24.7	11.2	5.9	8.0
RoIC	11.3	5.6	4.0	4.8
RoCE	11.3	5.7	4.0	4.7
RoNW	17.4	7.1	3.3	4.5
Dividend Payout Ratio	2.1	4.3	8.2	5.6
Dividend Yield	0.4	0.4	0.3	0.3
EBITDA Margins	40.2	30.5	26.0	28.1

Source: Company data, I-Sec research



This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 30 Cecil Street #15-29 Prudential Tower, Singapore 049712, Tel: +65 6232 2451 and email: ashvin\_patil@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

New I-Sec investment ratings (all ratings based on absolute return)

**BUY: >15% return; ADD: 5% to 15% return; REDUCE: Negative 5% to positive 5% return; SELL: < negative 5% return**

## ANALYST CERTIFICATION

We *Il, Krupal Maniar, CA, CFA; Kuldeep Koul, MBA (Finance) and Varun Sharma, PGDM*, research analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the ICICI Securities Inc.

### Disclosures:

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees ("ICICI Securities and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that *Krupal Maniar, CA, CFA; Kuldeep Koul, MBA (Finance) and Varun Sharma, PGDM*, research analysts and the authors of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its subsidiaries collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Krupal Maniar, CA, CFA; Kuldeep Koul, MBA (Finance) and Varun Sharma, PGDM*, research analysts and the authors of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.