

Siti Networks Ltd | HOLD

Video has turned, but broadband is in doldrums—upgrade to Hold

Siti stock has declined 38% since we initiated with a Sell nine months ago. We lower our TP to INR 16 (Jun-19) from INR 19 (Mar-19), noting poor growth outlook for broadband, but upgrade Siti to a Hold, based on: (1) in-line, 52% EBITDA growth in FY18, albeit off a low base; (2) sustainable turnaround in video/cable business, driven by improving monetisation [subscription revenue up 41% yoy in FY18], moderation in content cost growth [c.16% vs. 41% in FY17], and optimisation in non-content opex or NCO; (3) a modest 3-4% upside potential on TP; and (4) reasonable valuations—just under 7x EV/EBITDA on FY20 forecasts.

Last month, Madras High Court upheld TRAI's TV tariff order [TTO]. Notwithstanding further court delays (Tata Sky, Airtel have challenged the TTO in Delhi HC), we see limited upside potential from any future implementation as: (1) 15% cap on bouquet discount has not been upheld—may result in TTO dilution; (2) real bottleneck is/remains getting a higher/fair share of customer ARPU from LCOs; and (3) our forecasts already bake-in a significant growth in net video ARPUs (i.e. net of content and carriage)—we forecast Siti's net ARPU to increase from INR 42/month in FY18, to INR 50/55 in FY20/22. The only material TTO upside could be front-loading of ARPU growth for the MSOs. Downside risk to our Siti TP is higher capex. We believe the company needs to focus on minimising video capex and boosting BB investments with renewed focus, or pursue M&A opportunities to create LT shareholder value.

- Video—sustainable margin repair; phase III and IV markets still under-monetised:** FY18 marked a major turning point for Siti, as video subscription gross margin [SGM] expanded to 27% from 11% in FY17; video subscription revenue [VSR] growth accelerated to 41% yoy from 29%, whereas growth in content cost [or pay channel cost] slowed to 15.5% from 41% in FY17. In fact, even NCC growth [PC cost less C&P revenue] was lower than VSR growth; thus, NCC was 35.3% of VSR in FY18, down from 36.4% in FY17. We forecast SGM expansion to continue, and peak-out at 38-39% in FY20. Growth in NCO was 6.4% yoy in FY18, and we expect it would continue to lag revenue growth over the next couple of years, thanks to on-going efforts of Siti to reduce and optimise the costs.
- Broadband—weak growth outlook; cutting forecasts:** BB revenues had doubled yoy in FY17, but growth was merely 4% in FY18, driven by ARPU-erosion (Jio 4G launch, rising competition). Growth outlook is weak in our view, given challenges on all major fronts—strategy, execution, competition and funding. We forecast BB revenues to be stagnant in FY19 and FY20, compared to our previous forecast of 20% CAGR. BB revenues of INR 1.0bn in FY18 were based on an average of 176K active subs during the year [250K gross EOP subs] and ARPU of INR 478 [exit quarter ARPU was INR 460].
- Key forecasts and revisions:** We see two more years of super-normal growth in video business, driven by c.26% CAGR in VSR and 14.5% CAGR in PC cost over FY19/FY20. Monetisation or ARPU (based on active digital subs) in Phase I/II/III/IV is likely to reach INR 115/95/80/65 in FY20 from 105/85/57/43 in 4QFY18, resulting in monthly blended ARPU of around INR 77-78 in FY20, up from INR 65 in FY18.

Exhibit 1. Siti Networks—key consolidated financials (IND AS)

INR mn, FY-end March	FY17	FY18	FY19E	FY20E	FY21E
Revenues	11,949	14,104	16,257	18,322	19,621
Revenue growth (%)	4.3	18.0	15.3	12.7	7.1
EBITDA	2,028	3,085	4,103	4,799	5,097
EBITDA margin (%)	17.0	21.9	25.2	26.2	26.0
EBITDA (ex-activation)	327	1,347	2,507	3,718	4,077
Adj. EBITDA margin (%)	3.2	10.9	17.1	21.6	21.9
EBITDA growth (%)	(18)	52	33	17	6
EBIT	(331)	(106)	639	1,372	1,838
Adj. PAT	(1,683)	(1,775)	(1,087)	(623)	(118)
EV/EBITDA (x)	14.3	9.4	7.5	6.85	6.6
U-FCFF yield (%)	(16.6)	(0.1)	(1.3)	3.3	8.1
RoAIC (%)	(2.0)	(0.6)	3.0	5.9	7.8

Source: Company, JM Financial.



Sanjay Chawla

sanjay.chawla@jmf.com | Tel: (91 22) 66303155

Shilpa Pattnaik

shilpa.pattnaik@jmf.com | Tel: (91 22) 66303134

Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	SELL
Current Price Target (12M)	16.0
Upside/(Downside)	3.2%
Previous Price Target	19.0
Change	-15.8%

Key Data – SITINET IN

Current Market Price	INR15.5
Market cap (bn)	INR13.5/US\$0.2
Free Float	26.55%
Shares in issue (mn)	872.1
Diluted share (mn)	872.7
3-mon avg daily val (mn)	INR3.6/US\$0.1
52-week range	32/10
Sensex/Nifty	35,600/10,808
INR/US\$	67.6

Price Performance

%	1M	6M	12M
Absolute	-6.1	-40.3	-47.8
Relative*	-6.2	-44.5	-54.4

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters
S&P Capital IQ and FactSet

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Key forecasts and revisions (continued): We have raised FY19E/20E adjusted EBITDA by 11%/7%, but reduced the longer-term forecasts, incorporating a much weaker BB growth outlook. We forecast Siti's EBITDA to grow 33%/17% yoy in FY19/20, and adjusted EBITDA [ex activation] to grow 86%/48%. **EBIT is likely to turn positive in FY19, but PAT losses would continue for another 2-3 years.** We model INR 3.1bn of capex for FY19, driven by cable [2.75mn STB seedings]. Net debt was INR 13.3bn as of end-FY18 (almost same as Siti's current market-cap), and we forecast ND to increase in FY19, and peak at around INR 15.0bn by Mar-20 [3.1x ND to trailing EBITDA].

Exhibit 2. Siti Networks—consolidated DCF summary

INR mn, year-end March

	FY16	FY17	FY18	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E
Key assumptions (%)											
Revenue growth	26.5	4.3	18.0	15.3	12.7	7.1	3.8	4.5	4.5	4.4	4.4
EBITDA growth	79	(18)	52	33	17	6.2	(0.4)	3.7	4.6	5.1	4.7
Adj. EBITDA growth ex-activation	25	(65)	312	86	48	9.7	2.2	3.8	4.8	5.7	5.3
EBITDA margin	21.5	17.0	21.9	25.2	26.2	26.0	24.9	24.7	24.7	24.9	25.0
FCF growth	32	132	(104)	(133)	(2,027)	111	8	0	(6)	(4)	2
FCF margin	(19)	(43)	2	(0)	7	15	15	15	13	12	12
FCFF as % of EBITDA	(89)	(250)	7	(2)	28	56	61	59	53	48	47
RoAIC	7	(2)	(1)	3	6	8	9	11	14	16	19
DCF											
EBIT X (1-tax rate)	889	(331)	(106)	543	1,098	1,379	1,448	1,580	1,788	1,948	2,169
Depreciation & Amortization	1,655	2,412	3,262	3,539	3,504	3,339	3,227	3,089	2,941	2,876	2,808
Change in net working capital	4,679	(2,616)	1,102	(1,016)	(1,559)	(161)	90	302	260	135	129
Operating FCF	7,222	(535)	4,257	3,066	3,043	4,556	4,765	4,972	4,989	4,959	5,106
Capex	(9,414)	(4,544)	(4,045)	(3,137)	(1,680)	(1,680)	(1,671)	(1,868)	(2,079)	(2,171)	(2,267)
Free cash flows [FCFF]	(2,192)	(5,079)	212	(71)	1,363	2,876	3,094	3,104	2,910	2,787	2,839

DCF for Siti Networks	Jun-19E
WACC (%)	11.5
Terminal growth (%)	4.5
Implied Exit EV/FCF multiple (X)	14.3
Implied Exit EV/EBITDA multiple (X)	6.7
PV of cash flows (2019E-2026E)	12,572
PV of Terminal value	20,312
Gross Enterprise Value (GEV)	32,884
Terminal value as % of EV	62
Less: Effective net debt/(cash)	14,931
Value attributed to minority interest	3,996
Equity value (INR mn)	13,957
Equity value (USD mn)	205
Number of shares (mn)	872
DCF equity value (INR/share)	16.0
Jun-19E TP (INR/share)	16

Source: Company, JM Financial.

Sensitivity of Jun-19E DCF value to WACC, Terminal Growth

	WACC (%)				
	10.5	11.0	11.5	12.0	12.5
3.5	18	15	13	11	9
4.0	20	17	14	12	10
4.5	22	19	16	14	11
5.0	25	21	18	15	13
5.5	28	24	20	17	14

Sensitivity of EV/EBITDA multiple to WACC, Terminal growth

	WACC (%)				
	10.5	11.0	11.5	12.0	12.5
3.5	6.7	6.3	5.9	5.5	5.2
4.0	7.2	6.7	6.3	5.9	5.5
4.5	7.8	7.2	6.7	6.3	5.9
5.0	8.5	7.8	7.2	6.7	6.3
5.5	9.4	8.5	7.8	7.2	6.7

Exhibit 3. Siti Networks—net video ARPU based on active digital subs

INR per sub per month

	FY17	FY18	FY19E	FY20E	FY21E	FY22E
Video ARPU	55	65	68	77	84	88
Less: PC cost	49	48	45	47	51	54
C&P ARPU	29	25	21	20	20	21
Video ARPU (net of content, C&P)	34.8	42.1	44.0	50.1	53.2	54.7

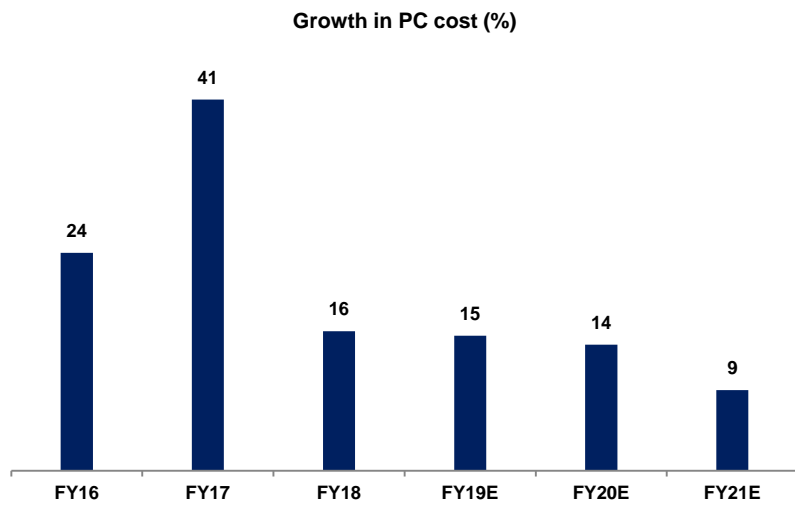
Source: Company, JM Financial.

Exhibit 4. Siti Networks—key assumptions and forecasts

	FY17	FY18	FY19E	FY20E	FY21E	FY22E	FY23E
Video segment							
Video universe (mn)	13.2	13.2	15.8	16.6	17.1	17.3	17.6
Digital subs incl. inactive (mn)	10.0	13.1	15.8	16.6	17.1	17.3	17.6
Digitised base (%)	76	99	100	100	100	100	100
Effective video subscription ARPU (INR)	37	50	58	65	68	70	73
ARPU growth (%)	15	35	16	11	6	3	3
Active STBs (mn)	9.0	11.5	13.5	13.7	13.8	13.8	13.8
Video ARPU on active subs (INR/month)	55	65	68	77	84	88	93
C&P revenue per sub (INR/month)	20	19	18	17	16	16	17
Activation fee per STB (INR)	875	771	561	593	768	893	919
Video subscription gross margin (%)	11	27	34	39	39	39	38
Pay channel cost per sub (INR/month)	33	37	39	39	41	43	45
Net content cost per sub (INR/month)	14	18	21	23	25	27	28
Net Video ARPU (INR/month)	24	32.7	37.8	42	43	44	44
Bad debt expense-to-video revenues (%)	3.8	6.9	4.8	4.5	4.1	3.8	3.6
Broadband segment							
Homes passed (mn)	1.6	1.7	1.7	1.7	1.8	1.8	1.8
BB HPs to digital video subs (%)	16	13	11	10	10	10	10
BB subs incl. inactive ('000)	228	250	260	270	280	290	300
Home pass penetration (%)	14.2	14.9	15.3	15.5	15.8	16.0	16.3
Gross ARPU (INR/month)	448	351	320	322	325	328	333
ARPU growth (%)	12	(22)	(9)	1	1	1	1
Revenue growth (%)							
Video subscription (net of LCO share)	29	41	27	24	10	5	5
C&P income	23	1	4	2	2	2	2
Broadband subscription	99	4	(3)	5	5	5	5
Other forecasts							
Share of BB in adjusted revenues (%)	9	8	7	6	6	6	6
Growth in pay channel costs (%)	41	16	15	14	9	7	6
Growth in net content cost (%)	81	36	27	24	14	9	8
Growth in non content opex (%)	(10)	6.4	5	8	5	4	3
Content cost-to-revenue (%)	42	42	41	42	43	44	44
NCO-to-revenue (%)	41	37	33	32	31	31	31
EBITDA margin (%)	17.0	21.9	25.2	26.2	26.0	24.9	24.7
Adjusted EBITDA margin (%)	3.2	10.9	17.1	21.6	21.9	21.4	21.3
Capex-to-revenue (%)	38.0	28.7	19.3	9.2	8.6	8.2	8.8

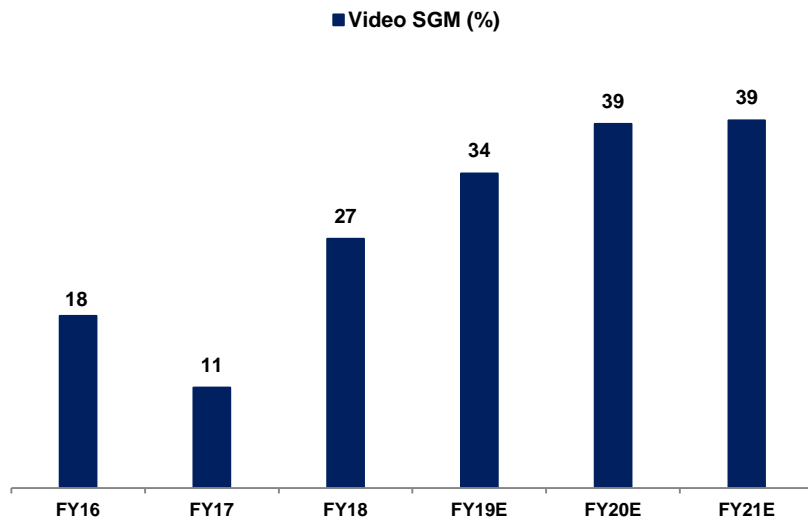
Source: Company, JM Financial.

Exhibit 5. Siti Networks—growth in pay channel cost unlikely to exceed 15%



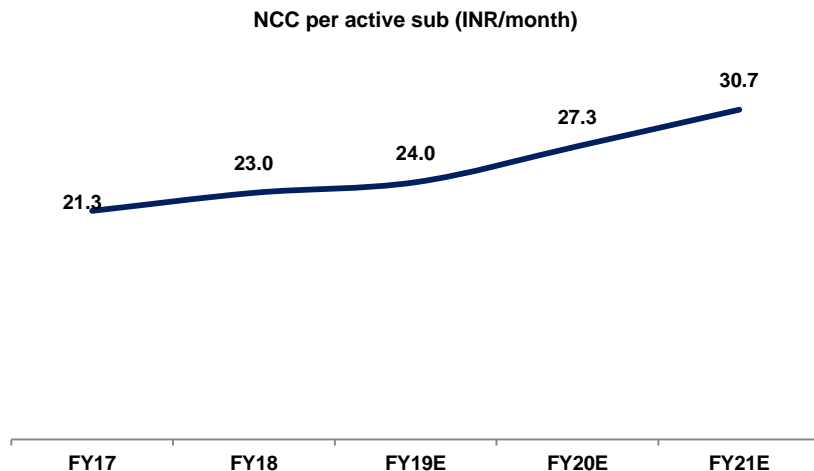
Source: Company, JM Financial.

Exhibit 6. Siti Networks—video subscription margin turned around in FY18



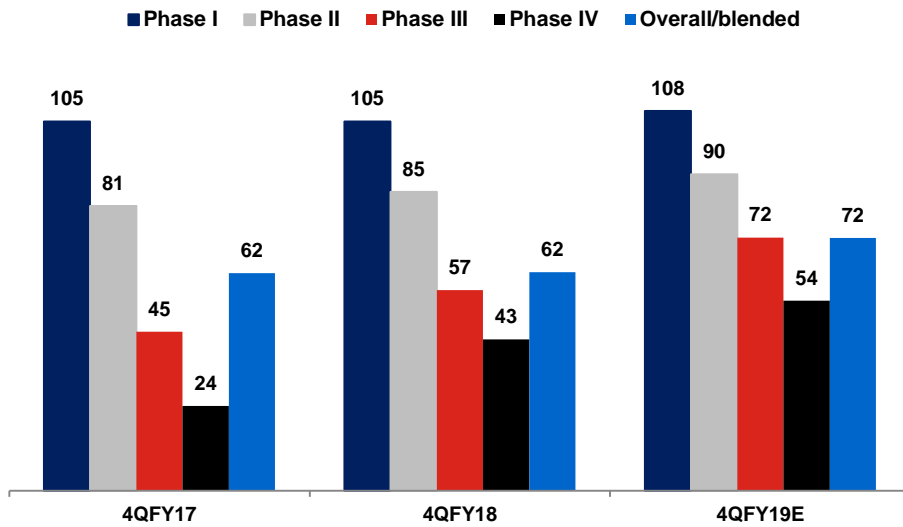
Source: Company, JM Financial.

Exhibit 7. Siti Networks—net content cost per active digital subscriber



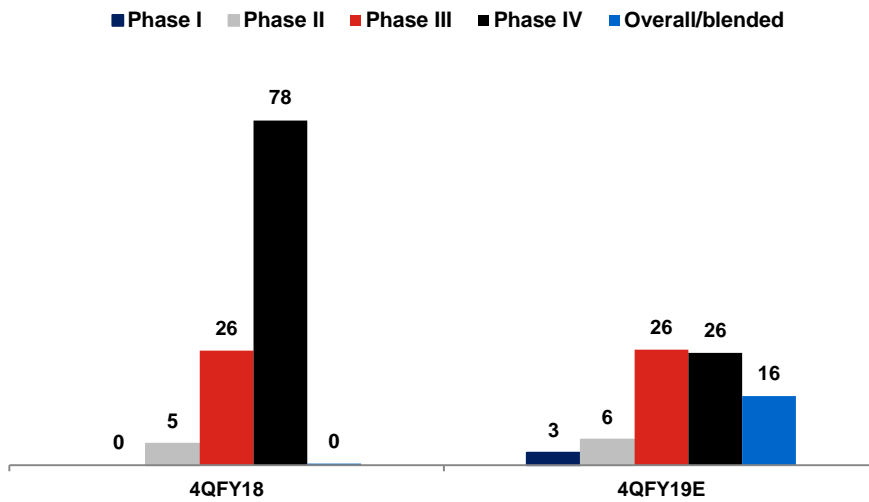
Source: Company, JM Financial.

Exhibit 8. Siti Networks—phase wise ARPU based on active STBs (INR/month)



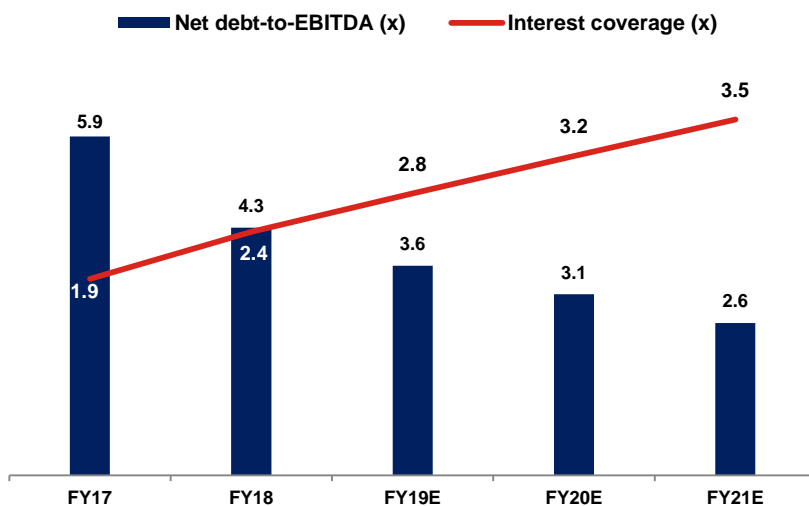
Source: Company, JM Financial.

Exhibit 9. Siti Networks—phase wise ARPU growth (% YoY)



Source: Company, JM Financial.

Exhibit 10. Siti Networks—leverage ratio headed down, interest coverage up



Source: Company, JM Financial.

Exhibit 11. Siti Networks profit and loss statement—losses to decline but PAT break-even only towards end of FY21

Year-end March, INR mn	FY17	FY18	FY19E	FY20E	FY21E	FY22E	CAGR (%) FY18-21E
CATV subscription	5,858	7,997	10,171	12,613	13,828	14,546	20
Carriage & Placement	3,001	3,034	3,150	3,229	3,309	3,392	3
Broadband subscription	969	1,007	980	1,024	1,073	1,123	2
Activation	1,701	1,739	1,596	1,081	1,020	908	(16)
Other revenues	421	328	360	375	390	405	6
Revenues	11,949	14,104	16,257	18,322	19,621	20,374	12
Revenue (ex-activation)	10,248	12,366	14,661	17,241	18,601	19,467	15
Pay channel cost	(5,070)	(5,857)	(6,736)	(7,681)	(8,371)	(8,920)	13
Employee costs	(833)	(905)	(851)	(863)	(930)	(988)	1
SG&A & other opex	(4,018)	(4,257)	(4,567)	(4,979)	(5,223)	(5,391)	7
Total operating costs	(9,921)	(11,019)	(12,154)	(13,523)	(14,524)	(15,299)	10
EBITDA	2,028	3,085	4,103	4,799	5,097	5,075	18
EBITDA margin (%)	17.0	21.9	25.2	26.2	26.0	24.9	
EBITDA (ex-activation)	327	1,347	2,507	3,718	4,077	4,167	45
Depreciation & Amortisation	(2,412)	(3,262)	(3,539)	(3,504)	(3,339)	(3,227)	1
EBIT	(384)	(176)	564	1,294	1,758	1,848	(315)
Other income	53	70	75	78	80	82	5
Finance income	206	90	70	60	58	76	(13)
Finance cost	(1,274)	(1,395)	(1,564)	(1,600)	(1,525)	(1,375)	3
PBT	(1,399)	(1,412)	(855)	(168)	372	631	(164)
Share of JV/associate profits	2	(6)	0	0	0	0	
Exceptional & prior period items	(202)	(163)	0	0	0	0	
Total tax	(193)	(118)	(32)	(245)	(269)	(296)	
Minority Interest	(93)	(240)	(200)	(210)	(220)	(230)	
Reported PAT	(1,885)	(1,939)	(1,087)	(623)	(118)	105	(61)
Adjusted net profit	(1,683)	(1,775)	(1,087)	(623)	(118)	105	
Cash profit	909	1,777	2,482	3,091	3,441	3,561	
Shares outstanding (mn)	833	872	872	873	873	873	
EPS (INR)	(2.0)	(2.0)	(1.2)	(0.7)	(0.1)	0.1	(60)
Growth rates (%)							
Revenue	4	18	15	13	7	4	
EBITDA	(18)	52	33	17	6	(0)	
Revenue (ex-activation)	3	21	19	18	8	5	
EBITDA (ex-activation)	(65)	312	86	48	10	2	
Cost-to-revenue ratio (%)							
Pay channel cost	42	42	41	42	43	44	
Employee costs	7	6	5	5	5	5	
SG&A & other opex	34	30	28	27	27	26	
Margins (%)							
EBITDA margin	17	22	25	26	26	25	
EBITDA (ex-activation)	3	11	17	22	22	21	
EBIT	(3)	(1)	3	7	9	9	
Net profits	(14)	(13)	(7)	(3)	(1)	1	

Source: Company, JM Financial.

Exhibit 12. Siti Networks—balance sheet

Year-end March, INR mn	FY17	FY18	FY19E	FY20E	FY21E	FY22E
Equity						
Share capital	873	873	873	873	873	873
Reserves & surplus	4,501	2,557	1,470	847	730	834
Total equity	5,373	3,430	2,343	1,720	1,602	1,707
Minority Interest	920	1,160	1,360	1,570	1,790	2,020
Deferred Tax Liability	120	124	124	124	124	124
Total debt	13,725	14,521	16,000	16,000	14,500	13,000
Total capital	20,139	19,235	19,827	19,415	18,017	16,851
Assets						
Cash & cash equivalents	1,795	1,261	1,069	921	1,020	1,501
Inventories	93	145	153	160	168	177
Trade Receivables	3,631	3,688	4,231	4,518	4,838	5,024
Other Current assets	3,474	3,131	3,225	3,334	3,446	3,562
Total Current assets (ex-cash)	7,199	6,964	7,609	8,012	8,452	8,763
Current liabilities and provisions	11,259	11,667	11,296	10,140	10,420	10,820
Net Current Assets (ex-cash)	(4,060)	(4,703)	(3,688)	(2,128)	(1,967)	(2,058)
Net fixed assets	20,823	21,297	20,895	19,071	17,413	15,857
Long term investments	47	47	47	47	47	47
Goodwill on consolidation	583	540	540	540	540	540
Other non-current assets	945	783	783	783	783	783
Deferred tax assets	6	10	180	180	180	180
Total assets	20,139	19,235	19,827	19,415	18,017	16,851
Gearing and profitability ratios (%)						
Net worth	5,373	3,430	2,343	1,720	1,602	1,707
Invested capital	18,224	17,850	18,634	18,370	16,872	15,226
Net debt/(cash)	11,931	13,260	14,931	15,079	13,480	11,499
Debt/Equity	255	423	683	930	905	762
Net-debt/Equity	190	289	403	458	397	309
Net-debt/capital	65	74	80	82	80	76
Net-debt/EBITDA (x)	5.9	4.3	3.6	3.1	2.6	2.3
Interest coverage (x)	1.9	2.4	2.8	3.2	3.5	4.0
RoE	(31)	(52)	(46)	(36)	(7)	6
RoAE	(30)	(40)	(38)	(31)	(7)	6
RoACE	(1.7)	(0.5)	2.8	5.6	7.4	8.3
RoAIC	(2.0)	(0.6)	3.0	5.9	7.8	9.0

Source: Company, JM Financial.

Exhibit 13. Siti Networks—cash flow statement

Year-end March, INR mn

	FY17	FY18	FY19E	FY20E	FY21E	FY22E
Profit before tax	(1,600)	(1,412)	(855)	(168)	372	631
Depreciation & amortisation	2,412	3,262	3,539	3,504	3,339	3,227
Interest Income	(80)	(90)	(70)	(60)	(58)	(76)
Interest expense	949	1,395	1,564	1,600	1,525	1,375
Interest paid	(1,004)	(1,395)	(1,564)	(1,600)	(1,525)	(1,375)
Profit on sale of fixed assets/investments	0	0	0	0	0	0
Other non-cash items	629	(163)	0	0	0	0
Taxes paid	25	(73)	(202)	(245)	(269)	(296)
Working capital changes	(2,616)	1,102	(1,016)	(1,559)	(161)	90
CF from operations	(1,284)	2,626	1,396	1,472	3,222	3,576
Purchase of Fixed assets	(4,544)	(4,045)	(3,137)	(1,680)	(1,680)	(1,671)
Proceeds from sale of PP&E	0	0	0	0	0	0
Other investments, JV, minorities	(100)	88	0	0	0	0
Interest/dividend received	49	90	70	60	58	76
CF from investments	(4,595)	(3,867)	(3,067)	(1,621)	(1,622)	(1,595)
Net proceeds from issue of equity	1,548	0	0	0	0	0
Net proceeds from borrowings	2,360	796	1,479	0	(1,500)	(1,500)
CF from financing	3,908	796	1,479	0	(1,500)	(1,500)
Net change in cash balance	(1,972)	(446)	(192)	(148)	100	481
Opening Cash	3,678	1,707	1,261	1,069	921	1,020
Closing cash balance	1,707	1,261	1,069	921	1,020	1,501

Source: Company, JM Financial.

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Sales	11,949	14,104	16,257	18,322	19,621	
Sales Growth	4.3%	18.0%	15.3%	12.7%	7.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	11,949	14,104	16,257	18,322	19,621	
Cost of Goods Sold/Op. Exp	5,971	6,379	7,406	8,405	9,144	
Personnel Cost	833	905	851	863	930	
Other Expenses	3,117	3,735	3,897	4,255	4,449	
EBITDA	2,028	3,085	4,103	4,799	5,097	
EBITDA Margin	17.0%	21.9%	25.2%	26.2%	26.0%	
EBITDA Growth	-17.5%	52.1%	33.0%	17.0%	6.2%	
Depn. & Amort.	2,412	3,262	3,539	3,504	3,339	
EBIT	-384	-176	564	1,294	1,758	
Other Income	259	160	145	138	138	
Finance Cost	1,274	1,395	1,564	1,600	1,525	
PBT before Excep. & Forex	-1,399	-1,412	-855	-168	372	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	-1,399	-1,412	-855	-168	372	
Taxes	193	118	32	245	269	
Extraordinary Inc./Loss(-)	-202	-163	0	0	0	
Assoc. Profit/Min. Int.(-)	95	234	200	210	220	
Reported Net Profit	-1,885	-1,939	-1,087	-623	-118	
Adjusted Net Profit	-1,683	-1,775	-1,087	-623	-118	
Net Margin	-14.1%	-12.6%	-6.7%	-3.4%	-0.6%	
Diluted Share Cap. (mn)	872.1	872.1	872.7	872.7	872.7	
Diluted EPS (INR)	-1.9	-2.0	-1.2	-0.7	-0.1	
Diluted EPS Growth	0.0%	0.0%	0.0%	0.0%	0.0%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Profit before Tax	-1,600	-1,412	-855	-168	372	
Depn. & Amort.	2,412	3,262	3,539	3,504	3,339	
Net Interest Exp. / Inc. (-)	869	1,306	1,494	1,540	1,467	
Inc (-) / Dec in WCap.	-2,616	1,102	-1,016	-1,559	-161	
Others	629	-163	0	0	0	
Taxes Paid	25	-73	-202	-245	-269	
Operating Cash Flow	-280	4,021	2,960	3,072	4,747	
Capex	-4,544	-4,045	-3,137	-1,680	-1,680	
Free Cash Flow	-4,824	-24	-177	1,392	3,066	
Inc (-) / Dec in Investments	-100	88	0	0	0	
Others	49	90	70	60	58	
Investing Cash Flow	-4,595	-3,867	-3,067	-1,621	-1,622	
Inc / Dec (-) in Capital	1,548	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	2,360	796	1,479	0	-1,500	
Others	-1,004	-1,395	-1,564	-1,600	-1,525	
Financing Cash Flow	2,904	-600	-85	-1,600	-3,025	
Inc / Dec (-) in Cash	-1,972	-446	-192	-148	100	
Opening Cash Balance	3,678	1,707	1,261	1,069	921	
Closing Cash Balance	1,707	1,261	1,069	921	1,020	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Shareholders' Fund	5,373	3,430	2,343	1,720	1,602	
Share Capital	873	873	873	873	873	
Reserves & Surplus	4,501	2,557	1,470	847	730	
Preference Share Capital	0	0	0	0	0	
Minority Interest	920	1,160	1,360	1,570	1,790	
Total Loans	13,725	14,521	16,000	16,000	14,500	
Def. Tax Liab. / Assets (-)	114	114	-56	-56	-56	
Total - Equity & Liab.	20,133	19,225	19,647	19,234	17,836	
Net Fixed Assets	20,823	21,297	20,895	19,071	17,413	
Gross Fixed Assets	21,738	27,536	30,090	31,300	32,228	
Intangible Assets	3,721	4,309	4,759	5,159	5,509	
Less: Depn. & Amort.	8,928	12,081	15,454	18,588	21,324	
Capital WIP	4,292	1,532	1,500	1,200	1,000	
Investments	135	47	47	47	47	
Current Assets	10,433	9,548	10,001	10,256	10,796	
Inventories	93	145	153	160	168	
Sundry Debtors	3,631	3,688	4,231	4,518	4,838	
Cash & Bank Balances	1,707	1,261	1,069	921	1,020	
Loans & Advances	2,848	2,500	2,625	2,734	2,846	
Other Current Assets	2,154	1,955	1,923	1,923	1,923	
Current Liab. & Prov.	11,259	11,667	11,296	10,140	10,420	
Current Liabilities	4,087	5,256	5,161	5,557	5,969	
Provisions & Others	7,171	6,411	6,135	4,583	4,451	
Net Current Assets	-826	-2,119	-1,295	116	377	
Total - Assets	20,133	19,225	19,647	19,234	17,836	

Source: Company, JM Financial

Du-pont Analysis						
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
Net Margin	-14.1%	-12.6%	-6.7%	-3.4%	-0.6%	
Asset Turnover (x)	0.6	0.7	0.8	0.9	1.0	
Leverage Factor (x)	3.4	4.5	6.8	9.7	11.3	
RoE	-30.4%	-40.3%	-37.7%	-30.7%	-7.1%	

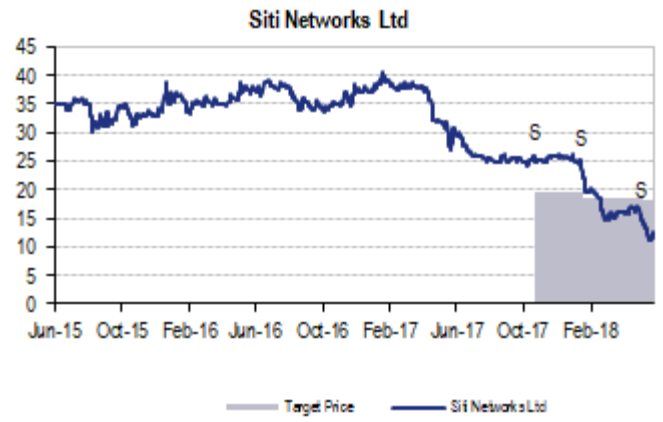
Key Ratios						
Y/E March	FY17A	FY18A	FY19E	FY20E	FY21E	
BV/Share (INR)	6.4	3.9	2.7	2.0	1.8	
ROIC	-2.0%	-0.6%	3.0%	5.9%	7.8%	
ROE	-30.4%	-40.3%	-37.7%	-30.7%	-7.1%	
Net Debt/Equity (x)	2.2	3.9	6.4	8.8	8.4	
P/E (x)	-8.3	-7.9	-12.8	-22.4	-118.4	
P/B (x)	2.5	4.1	6.0	8.1	8.7	
EV/EBITDA (x)	13.2	9.2	7.4	6.4	5.7	
EV/Sales (x)	2.2	2.0	1.9	1.7	1.5	
Debtor days	111	95	95	90	90	
Inventory days	3	4	3	3	3	
Creditor days	150	174	155	150	150	

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
7-Nov-17	Sell	20	
30-Jan-18	Sell	19	-5.4
18-May-18	Sell	19	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

(formerly known as JM Financial Securities Limited)

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

Registered Office: 7th Floor, Energy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +9122 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sunny Shah | Tel: +91 22 6630 3383 | Email: sunny.shah@jmfl.com

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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