Asian Oilfield Services

NOT RATED

INDUSTRY			Oil & Gas
CMP *(as on 29 Nov 2017)*			Rs 201
Fair Value			Rs 312
Nifty			10,361
Sensex			33,603
KEY STOCK DATA			
Bloomberg			AOS IN
No. of Shares (mn)			29
MCap (Rs bn) / ($ mn)			6/92
6m avg traded value (Rs mn)			9
STOCK PERFORMANCE (%)			
52 Week high / low			**Rs 250/82**
	3M	6M	12M
Absolute (%)	11.5	6.4	136.5
Relative (%)	4.5	(1.6)	109.1
SHAREHOLDING PATTERN (%)			
Promoters			62.67
FIs & Local MFs			0.00
FPIs			0.00
Public & Others			37.33

Source : BSE

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Rishab Bothra
rishab.bothra @hdfcsec.com
+91-22-6171-7330

No looking back

Post the acquisition and change of management from Samara Capital to Oilmax Energy in August 2016, Asian Oilfield Services (AOS) has undergone a complete transformation. The company witnessed infusion of funds by the new promoters, and debt repayment of Rs 270mn. Also, reconciliation and settlement of old outstanding dues payable/ recoverable resulted in a cleanup of the balance sheet. The new management has focussed on ramping up domestic as well as overseas work contracts worth Rs 12.5bn.

- **Change in promoters and management:** Oilmax Energy is promoted by a pool of oil and gas industry veterans, having a successful track record of delivering value in projects. They have acquired 56.32% stake in AOS during FY17, and raised it to 62.67% by Sep 17.
- **Infusion of funds:** Oilmax Energy infused Rs 1,022mn via shares and warrants. On conversion of the pending 8.6mn warrants (4.5mn non-promoter), Rs 344mn will be further infused.
- **Retirement of high-cost borrowings:** AOS has retired high-cost borrowings, and has renegotiated interest rates. With a strong order book and healthy execution, we expect Operating Cash Flow (OCF) generation of Rs 6.7 bn over FY18-20E.
- **Cleansing of the balance sheet:** Settlement and repayment of old outstanding liabilities and writing-off non-recoverable amounts lying in debtors and advances (adverse net impact of Rs 222mn in FY17) resulted in balance sheet cleanup.
- **Business gaining momentum:** Post the ownership and management change in August 2016, AOS has won eight orders worth Rs 12.5bn, of which seven are seismic orders worth Rs 6.3bn, and an O&M contract in Nigeria worth Rs 6.2bn. The company had already mobilised resources for the four seismic contracts and also the O&M contract. The mobilisation process has commenced for two more seismic contracts.
- **Views and valuation:** Huge opportunities in the domestic seismic business and O&Ms in the overseas market will lead to earnings visibility and healthy cash flow generation. The stock is trading at 10.4x/5.3x FY18E/FY19E EPS. Our fair value for the stock is Rs 312 (10x Sep 19E EPS).

Financial Summary (Consolidated)

(Rs mn)	FY17	FY18E	FY19E	FY20E
Net Sales	1,243	3,754	7,876	5,656
EBITDA	229	1,126	3,894	3,228
APAT	38	751	1,462	917
Diluted EPS (Rs)	1.5	19.7	38.4	24.1
P/E (x)	137.6	10.2	5.2	8.3
EV / EBITDA (x)	25.1	4.0	3.0	3.1
RoE (%)	17.3	62.2	52.1	22.9

Source: Company, HDFC sec Inst Research

Order book of Rs 6.3bn with revenue visibility of 2 years

No capex requirement till revenue of Rs 3bn

As per management, domestic seismic business opportunity size is of Rs 160bn

Opening up of Indian seismic industry through NSP, OALP and NDR

Seismic business

- Post takeover by the new management, AOS has won seven orders, of which four were from Oil India (Rs 3,470mn), and one each from ONGC (Rs 1,090mn), Bashneft (Rs 480mn), and Stratum Energy (Rs 1,270mn). The contracts for Oil India, ONGC and Bashneft are expected to be executed during FY18 and FY19, while the Stratum Energy contract will be executed during FY19 and FY20. These contracts relate to ~8000 Line Kilometers (LKM) of 2D seismic survey in India, and 950 square kms of 3D seismic survey in Myanmar (220 sq.kms) and Romania (730 sq.kms).
- AOS is expected to operate at 30% operating margin and PAT margin of 15-17%. Mobilisation advances have been received from upstream companies to the tune of 10%, hence it operates with a low working capital requirement of 60 days. Upto Rs 3bn revenue per annum, there is no requirement of capex. However, for every additional revenue of Rs 1bn, capex of Rs 100mn will be required.

Opportunity in the seismic business

- India's 26 sedimentary basins covering 3.14mn square kms have not been exploited to optimum levels, and hence the government has launched a National Seismic Programme (NSP) to trace hydrocarbons. In this programme, Oil & Natural Gas Corporation (ONGC) and Oil India Limited (OIL) have been entrusted to conduct 2D Seismic acquisition, process and interpretation (API) across India. ONGC has been assigned to carry out the survey of 40,835 LKM in onland part of 26 sedimentary basins in 18 states and Union Territories. OIL has been assigned to carry out 2D seismic API of 7408 LKM in Assam, Manipur, Arunachal Pradesh, Mizoram and Nagaland. In addition to the above, significant opportunities are expected to unfold, owing to Open Acreage Licence Policy (OALP) and National Data Repository (NDR).
- The Cabinet Committee on Economic Affairs (CCEA) in Sep 17 approved Rs 30bn project, in respect of the appraisal of 48,243 LKM of 2D seismic data to be completed by FY20. Post the survey, OALP will come into force, and private players may award contracts for detailed studies. Management envisages a business opportunity of Rs 160bn from this.

62% Of India's Sedimentary Area Is Yet To Be Exploited

Category	Onland Area (Sq km)	Offshore Area (Sq km)	Total (Sq km)
Proven Commercial Productivity	346,000	172,500	518,500
Identified Prospectively	96,000	68,000	164,000
Prospective Basins	487,000	154,000	641,000
Potentially Prospective	461,200	-	461,200
Total (Sq km)	**1,390,200**	**394,500**	**1,784,700**

Source: Directorate General of Hydrocarbons (DGH), HDFC sec Inst Research

Single order of Rs 6.2bn in Nigeria, with revenue visibility of five years and strong cash-flow generation

Large order from sister concern of existing client expected soon

Gas compression and dehydration to add one more revenue stream

Operating and Maintenance (O&M) business

- AOS was predominantly focussing on the seismic business. However, to diversify and generate recurring cash-flows, it ventured into O&M business.

  It won a contract worth Rs 6.2bn in Nigeria, wherein it is operating a Mobile Offshore Production Unit (MOPU) and a Floating Storage & Offloading Unit (FSO) at the EBOK oilfield, to be executed in five years starting FY18 (~Rs 1.2bn revenue per annum).

  Based on oil reserves and the current production rate, the contract could be further extended for a period of two years i.e. till FY24.

- The company operates on an asset-light model, where the assets are owned by Koral Energy, Mauritius. The company expects a monthly revenue billing of Rs 100mn, with EBITDA margin in the range of 30-35%. Rs 35mn is the monthly operating profit which is expected to flow down to PAT, as depreciation, interest and taxes are minimal. This contact is routed through Dubai, and hence there is no tax incidence.

Opportunity in O&M business

- The company is expected to add another O&M contract from an existing client in Nigeria by the end of FY18. The contract is expected to be either on BOOT or Asset Ownership basis.

  O&M revenue visibility is expected to be Rs 1000mn p.a. for a period of five years. The O&M contract is expected to earn 30-35% operating margin and Rs 300mn net profit.

  The contract is also expected to include lease rental of Rs 2bn for the supply of floating production storage and offloading (FPSO) i.e. MOPU+ FSO (Mobile Offshore Production Unit + Floating, Storage & Offloading). This will require a capex of USD 140mn. The company is expected to earn an interest differential on the asset supply.

Gas compression and dehydration business

- Leveraging its experience in handling gas and dehydration in its O&M contract in Nigeria, the company is planning to enter into the domestic gas compression and dehydration business. The blast of natural gas pipeline at GAIL's site in Andhra Pradesh increased scrutiny on the processes followed by the producers and transporters of gas, and resulted in more stringent regulations. This necessitated gas producers to get dehydration units installed at the site before injecting gas in pipelines.

  An increase in domestic Coal Bed Methane (CBM) production and non-availability of a dehydration plant at most of the onshore assets gives opportunities for growth in this business. Moreover, a lot of gas is currently flaring up at small and marginal gas fields. The government is trying to tap this and reduce wastage, and is inviting private players to bid for this opportunity.

- AOS is expected to deploy about 8-10 gas compression and dehydration units over a period of four to five years. Each unit is expected to generate revenue of Rs 150mn, on a working capital requirement of Rs 10mn and investment of Rs 250-500mn. The operating margin is expected to be 35%.

Healthy mix of Seismic and O&M contracts

Order Book Break Up

Client Name	Location	Nature of Work	Amount (Rs mn)
Bashneft	Myanmar	Seismic	480
Oil India	Mizoram, India	Seismic	790
Oil India	Arunachal Pradesh, India	Seismic	610
Oil India	NC Hills, India	Seismic	640
Oil India	Manipur, India	Seismic	1,430
ONGC	Ganges, India	Seismic	1,090
Stratum Energy	Romania	Seismic	1,270
Koral Energy, Mauritius	EBOK field, Nigerian offshore water	O&M (3+1+1 years)	6,170
Total			**12,480**

Source: Company, HDFC sec Inst Research

Reconciliation Of Other Income And Net Impact

- AOS reported other income of Rs 39mn. One-time adjustment of settlement and repayment of old outstanding liabilities (Rs 192mn) and writing-off non-recoverable amounts lying in debtors and advances (Rs 414mn). This resulted in other income including Extra ordinary income of Rs (183)mn. The combined impact of these Extra ordinary items resulted in adverse net impact of Rs 222mn in FY17.

Other Income Reconciliation

Particulars (Rs mn)	FY17
Other Income reported by company	39
Adjustments (Extra ordinary items included in OI)	
Income: Write-back of ICD not payable	192
Loss: Bad Debt, PBDD&A, Impairment & Loss on Assets	(414)
Other Income (including Extra Ordinary Income)	**(183)**

Source: Company, HDFC sec Inst Research

Net Impact Of Extra Ordinary Item In FY17

Particulars (Rs mn)	FY17
Extra ordinary Item	
Income - Write-back of ICD not payable	192
Loss - Bad Debt, PBDD&A, Impairment & Loss on Assets	(414)
Net Adverse Impact	**(222)**

Source: Company, HDFC sec Inst Research

Strong order book and healthy execution to keep revenue momentum strong till FY19

We expect majority of current seismic order book to be executed by FY19

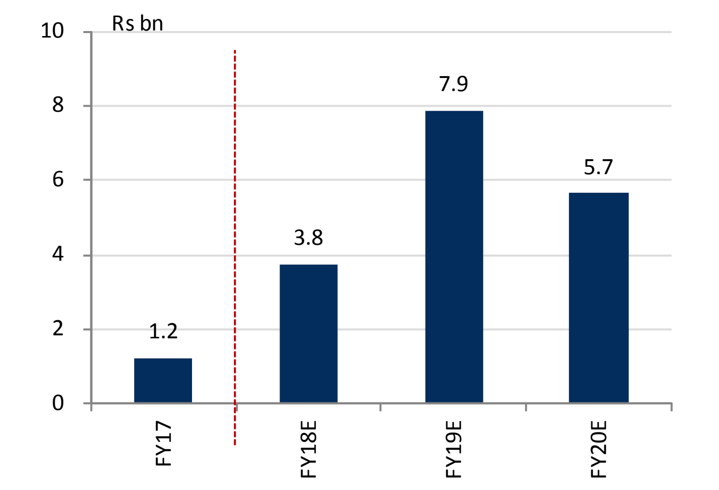
Diversification to mitigate revenue dependence on one business

Lease rental will boost margins above 30%

PAT to increase 4x in FY18 and thereafter 2x in FY19

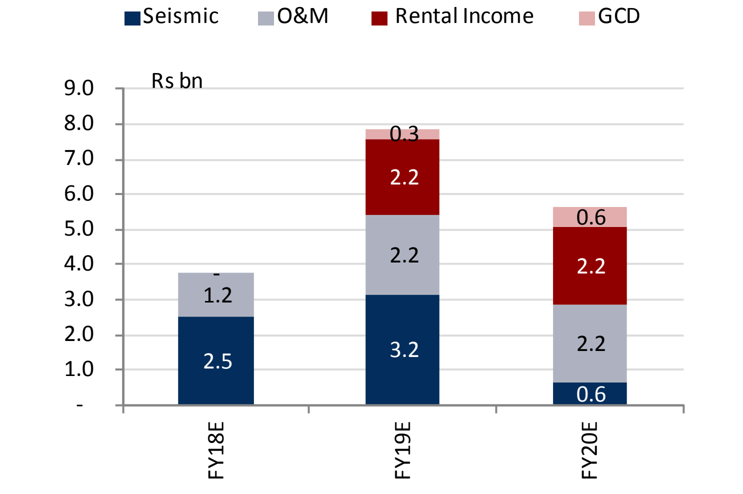
Yearly Performance

Net Revenue Increasing At A Healthy Pace



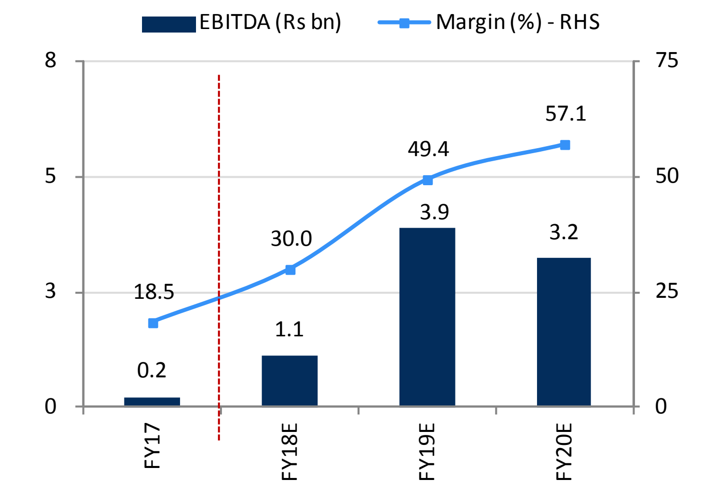
Source: Company, HDFC sec Inst Research

Revenue Break-up



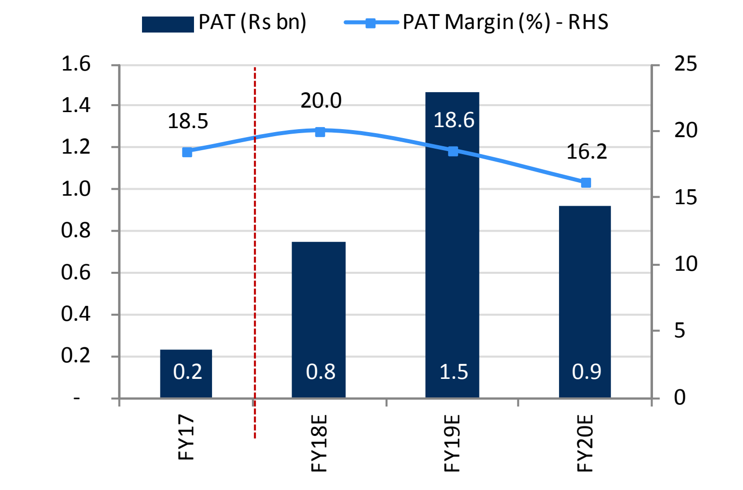
Source: Company, HDFC sec Inst Research

Lease Rental Boost EBITDA & EBITDA Margin



Source: Company, HDFC sec Inst Research

PAT Margin To Be In Excess Of 15%

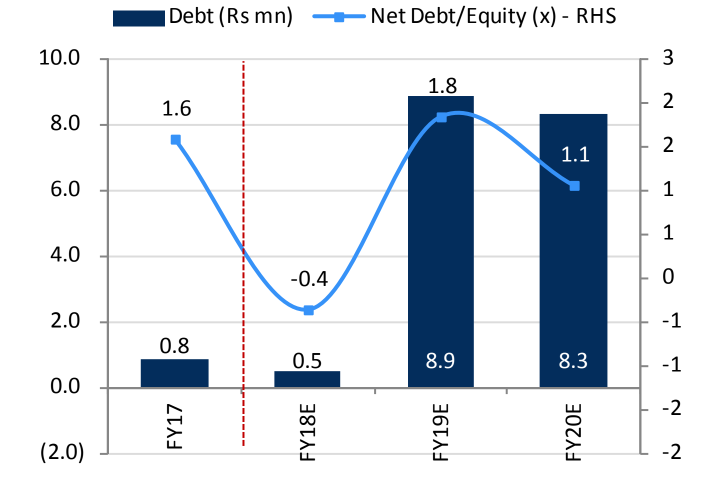


Source: Company, HDFC sec Inst Research

Debt to shoot up if company secures lease rental O&M contract in Nigeria in FY19

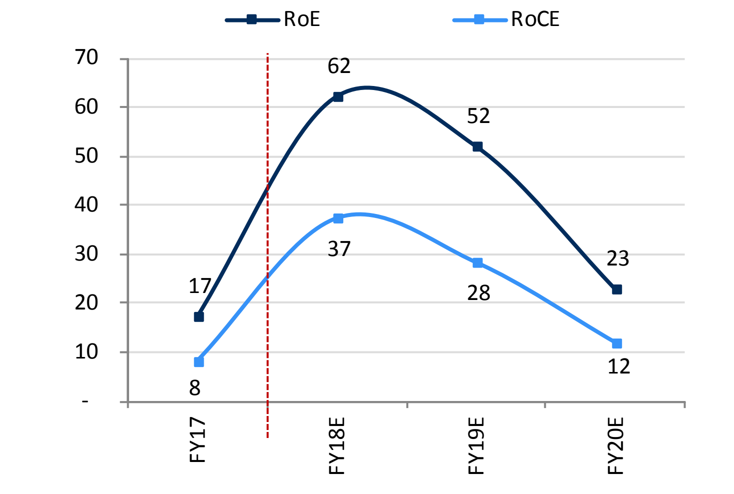
Return ratios to turn positive

Substantial Increase In Debt To Fund Capex



Source: Company, HDFC sec Inst Research

Return Ratios To Remain Healthy

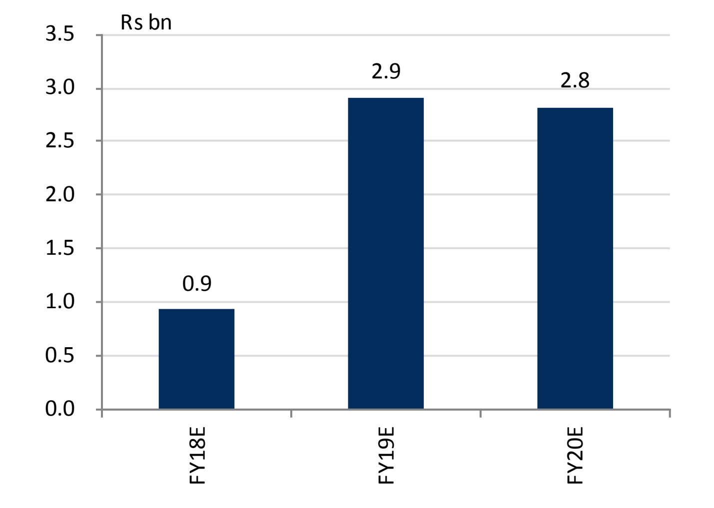


Source: Company, HDFC sec Inst Research

Operating cash flow generation of Rs 6.7bn over the next 3 years

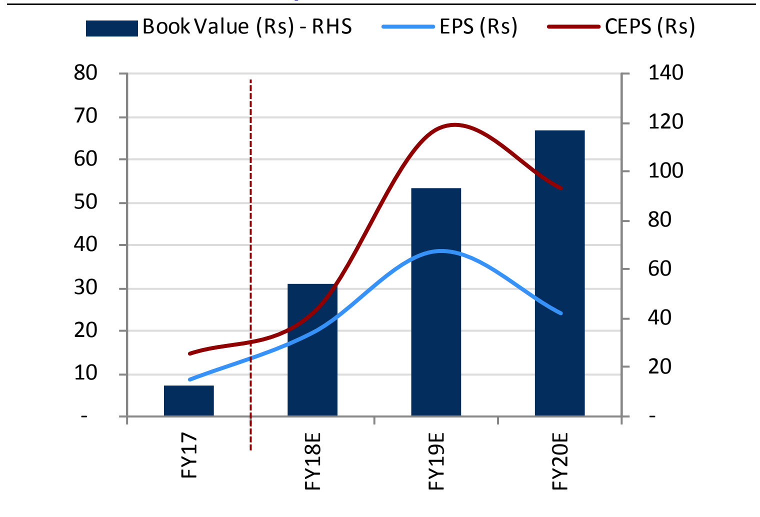
Fund infusion and positive earnings to increase book value

Strong Operating Cash Flow Generation Of Rs 6.7bn



Source: Company, HDFC sec Inst Research

EPS And BV On An Upward Trend



Source: Company, HDFC sec Inst Research

Company background

Oilmax Energy is a debt-free company, with a net worth of ~ Rs 2bn for FY17

- Incorporated in 1992, AOS is a seismic service provider, with an operating history of 25 years. It has a presence in Seismic and Oilfield Operations & Maintenance (O&M) services, and currently has an employee strength of ~350. The company has the experience of working in various terrains and adverse geo-political environments.
- **Strong promoters:** Oilmax Energy is an independent Oil & Gas company, with investments in and exposure to Oil & Gas (E&P) assets at various levels (production, development, appraisal and exploration). Oilmax Energy is promoted and supported by veterans of the Oil & Gas industry, and has a successful track record of delivering value in Oil & Gas projects. They have the capability and bandwidth to provide solutions and create value in the entire value chain in the upstream Oil & Gas business. Oilmax Energy, the promoter entity, is a debt-free company, with a net worth of ~ Rs 2bn for FY17.

Change in ownership and warrant conversion

- Oilmax Energy acquired 56.32% stake in the company from Samara Capital by Dec-16. The company allotted 10mn warrants to the promoters at Rs 80/share, 1.25mn warrants at Rs 165/share and 4.5mn warrants at Rs 80/share to non-promoters.

  During FY17, 3.75mn shares were allotted, of which 1.25mn shares were issued to non-resident investors at Rs 165/ share, and 2.5mn shares to promoters at Rs 80/share on the conversion of warrants. During FY18, the promoter further converted part of their warrants (3.4mn) on payment of the balance Rs 40/ share. Currently, Oilmax Energy holds 62.67% stake in the company, which will reduce to 59.29% (on further conversion of 4.1mn warrant), as the non-promoter warrant conversion of 4.5mn is also due.

Shareholding pattern during the last 6 quarters

Pre And Post Acquisition Shareholding Pattern

	Jun-16	Aug-16	Aug-16	Dec-16	Mar-17	Jun-17	Sep-17	Mar-18*
Oilmax Energy (%)	-	10.86	46.46	56.32	57.81	57.81	62.67	59.28
Samara Capital (%)	56.34	45.48	9.88	-	-	-	-	-
Public (%)	43.66	43.66	43.66	43.68	42.19	42.19	37.33	40.72
Total Shares (mn)	**22.32**	**22.32**	**22.32**	**22.32**	**26.07**	**26.07**	**29.47**	**38.07**

Note: * Denotes assumed warrant conversion of 4.1 mn and 4.5 mn issued to promoter and non promoters in Dec-2016.

Simple organisational structure

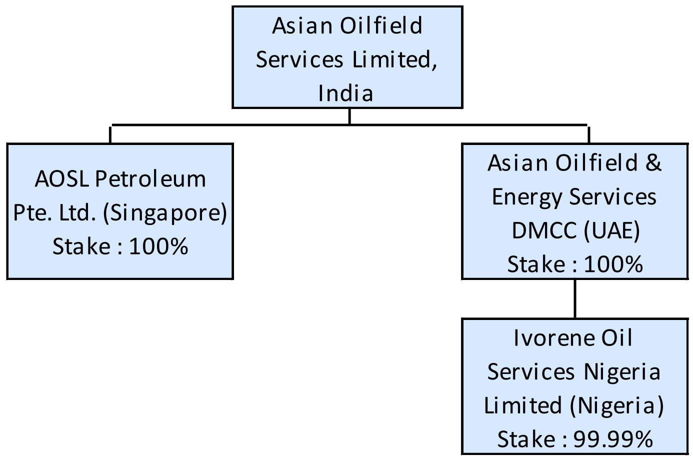
Highly qualified and experienced management team

Clientele includes leading global O&G major

Technology to enhance competitive advantage and reduce operating cost

Corporate structure

- The domestic business is conducted in the parent company i.e. Asian Oilfield Services, and the overseas business through wholly owned subsidiaries in Singapore and UAE.



The company has a strong management team, with a rich experience of working in the Oil & Gas industry.

- **Ashutosh Kumar, CEO:** An Electronics Engineer from Ranchi University, he has professional experience of over 25 years. He also has exposure of working with companies like ONGC, Enron, BG etc at various senior positions.
- **Rohit Agarwal, Director Seismic Business:** He has worked with consulting organisations such as Deloitte and Accenture, and has an experience of about 20 years in business management. He has worked with Oilmax Energy and gained experience in business development, budget planning and project management in the Oil & Gas business.
- **A K Singh, VP Technical:** He has over 20 years experience in project management and operations in the Oil & Gas industry. He has made a significant contribution in areas such as field development concepts, project assurance plans, and risk assessment, and has an exposure of working at various positions in companies like Reliance Industries, ONGC etc.
- **Vikas Kshirasagar, Country Manager Nigeria:** He has over 15 years of cross-cultural experience in managing engineering, procurement and construction projects. He has an exposure of working in various organisations in Nigeria and Middle East.
- **Rahul Jain, CFO:** A Chartered Accountant, with an experience of over nine years of working with Deloitte and KPMG and other large diversified corporates, both in India and overseas. He has expertise in fund raising, business restructuring, management reporting and accounting advisory roles.

Strong and marquee clientele

- AOS is being recognised by most global E&P players, and is pre-qualified by majors companies such as Petronas, Total, Gazprom, DNO, Genel, Hess, Marathon, Chevron, Oil Search, Bashneft, ONGC, OIL, Jubilant, Reliance, Essar and others. It offers its products and services to major global Oil & Gas giants.

Adoption of newer technology to drive cost efficiency

- As technology is the key differentiator, the company has been the first in the world to adopt, operate and execute a large multi-channel 3D cable-less real time seismic data acquisition technology. This is expected to have a lot of advantages such as (i) Drop-in replacement for time consuming and troublesome

Expected to bag an O&M contract worth Rs 5bn and lease rent of Rs 15.3 bn.

Expected to add 2 GCD units each year from FY19.

Operating margins to remain ~ at 30% (excluding lease rental business)

labour-intensive cabled system, (ii) Recording of information and data on a real time basis, instead of manual harvesting of data, (iii) improved subsurface imaging and ease of use in tough terrains.

Asset light model

- AOS sold non-strategic equipment to enhance its business, and replaced its business model from being capital-intensive to asset-light by adopting lease and subcontracting model. The company also has diversified into the O&M business to de-risk from the seasonality factor of seismic business (Q1 and Q2 lean period), and also to generate healthy recurring cash flows.

Cost reduction drive

- The company took a major drive to reduce non project-related expenses like corporate overheads, and general and administrative expenses. It started focussing on benchmarking expenses with industry peers to ensure competitiveness, as a result of which renegotiated and reworked all major costs related to the project.

Assumptions

(Rs mn)	FY17	FY18E	FY19E	FY20E
Order Intake				
Seismic	5,040	1,270	-	-
O&M	6,170	-	5,000	-
Rental Income	-	-	15,311	-
Gas Compression & Dehydration	-	-	300	600
Total	**11,210**	**1,270**	**20,611**	**600**
Order Book				
Seismic	5,040	3,790	635	-
O&M	6,170	4,936	7,702	5,468
Rental Income	-	-	13,124	10,936
Gas Compression & Dehydration	-	-	-	-
Total	**11,210**	**8,726**	**21,461**	**16,404**
Revenue				
Seismic	-	2,520	3,155	635
O&M	-	1,234	2,234	2,234
Rental Income	-	-	2,187	2,187
Gas Compression & Dehydration	-	-	300	600
Total	**-**	**3,754**	**7,876**	**5,656**

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Revenues	**777**	**1,243**	**3,754**	**7,876**	**5,656**
Growth (%)	***(44.9)***	***60.1***	***202.0***	***109.8***	***(28.2)***
Employee Expenses	175	225	657	924	520
Other Operating Expenses	165	228	563	853	520
Operating Profits	**(223)**	**229**	**1,126**	**3,894**	**3,228**
Operating Profit Margin (%)	***(28.7)***	***18.5***	***30.0***	***49.4***	***57.1***
EBITDA	**(223)**	**229**	**1,126**	**3,894**	**3,228**
EBITDA Margin (%)	***(28.7)***	***18.5***	***30.0***	***49.4***	***57.1***
EBITDA Growth (%)	***304.5***	***(202.8)***	***390.8***	***245.8***	***(17.1)***
Depreciation	178	151	173	1,098	1,116
EBIT	**(401)**	**78**	**953**	**2,795**	**2,112**
Other Income (Including EO Items)	258	(183)	65	39	28
Interest	109	77	51	885	830
PBT	**(252)**	**(182)**	**966**	**1,949**	**1,310**
Tax (Incl Deferred)	19	2	188	487	393
RPAT	**(271)**	**(184)**	**778**	**1,462**	**917**
EO (Loss) / Profit (Net Of Tax)	(27)	(222)	27	-	-
APAT	**(243)**	**38**	**751**	**1,462**	**917**
APAT Growth (%)	***(8.5)***	***(115.6)***	***1,874.7***	***94.7***	***(37.3)***
Adjusted EPS (Rs)	**(10.9)**	**1.5**	**19.7**	**38.4**	**24.1**
EPS Growth (%)	***(8.5)***	***(113.4)***	***1,252.2***	***94.7***	***(37.3)***
Diluted EPS	***(10.9)***	***1.0***	***19.7***	***38.4***	***24.1***

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
SOURCES OF FUNDS					
Share Capital - Equity	223	261	381	381	381
Reserves	(123)	77	1,695	3,157	4,075
Total Shareholders Funds	**101**	**338**	**2,076**	**3,538**	**4,455**
Minority Interest/Warrants	**-**	**480**	**-**	**-**	**-**
Long Term Debt	179	89	-	8,075	7,825
Short Term Debt	923	737	514	779	475
Total Debt	**1,102**	**827**	**514**	**8,854**	**8,300**
Other Non-current Liabilities & Provns	1	-	-	-	-
TOTAL SOURCES OF FUNDS	**1,203**	**1,644**	**2,590**	**12,392**	**12,756**
APPLICATION OF FUNDS					
Net Block	954	834	711	8,862	7,921
Other Non-current Assets	107	378	388	400	420
Total Non-current Assets	**1,061**	**1,212**	**1,098**	**9,262**	**8,341**
Cash & Equivalents	**97**	**291**	**1,266**	**2,353**	**3,593**
Inventories	57	16	51	78	48
Debtors	429	275	771	1,618	1,162
Other Current Assets	63	299	325	375	425
Total Current Assets	**548**	**590**	**1,148**	**2,071**	**1,635**
Creditors	273	354	771	1,169	713
Other Current Liabilities & Provns	230	94	150	125	100
Total Current Liabilities	**503**	**449**	**921**	**1,294**	**813**
Net Current Assets	**45**	**141**	**226**	**777**	**822**
TOTAL APPLICATION OF FUNDS	**1,203**	**1,644**	**2,590**	**12,392**	**12,756**

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

(Rs mn)	FY16	FY17	FY18E	FY19E	FY20E
Reported PBT	**(252)**	**(182)**	**966**	**1,949**	**1,310**
Interest Expenses	109	77	51	885	830
Depreciation	178	151	173	1,098	1,116
Working Capital Change	29	(88)	(73)	(538)	(40)
Tax Paid	(19)	(2)	(188)	(487)	(393)
OPERATING CASH FLOW (a)	**45**	**(44)**	**930**	**2,908**	**2,824**
Capex	(72)	(31)	(50)	(9,250)	(175)
Free Cash Flow (FCF)	*(27)*	*(75)*	*880*	*(6,342)*	*2,649*
Investments	-	-	-	-	-
Non-operating Income	-	(279)	(22)	(25)	(25)
INVESTING CASH FLOW (b)	**(72)**	**(311)**	**(72)**	**(9,275)**	**(200)**
Debt Issuance/(Repaid)	402	(275)	(312)	8,340	(554)
Interest Expenses	(109)	(77)	(51)	(885)	(830)
FCFE	*266*	*(427)*	*516*	*1,112*	*1,264*
Share Capital Issuance	-	886	480	-	-
Others	(199)	15	-	-	-
FINANCING CASH FLOW (c)	**94**	**550**	**116**	**7,455**	**(1,384)**
NET CASH FLOW (a+b+c)	**67**	**195**	**974**	**1,087**	**1,239**
Closing Cash & Equivalents	**97**	**291**	**1,266**	**2,353**	**3,593**

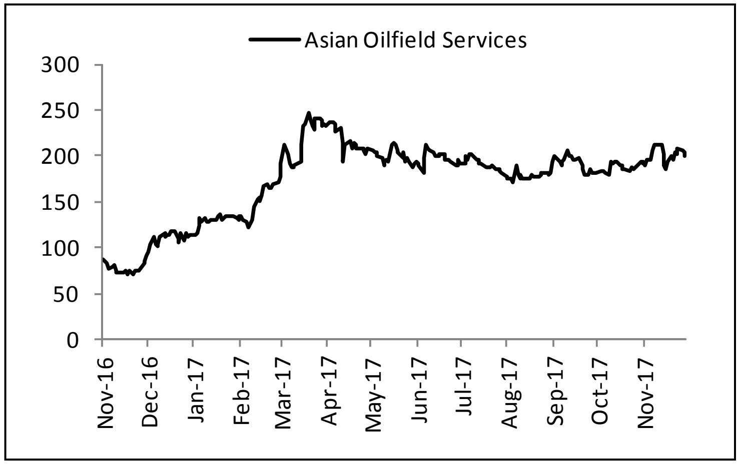
Source: Company, HDFC sec Inst Research

Key Ratios

	FY16	FY17	FY18E	FY19E	FY20E
PROFITABILITY (%)					
GPM	15.0	54.9	62.5	72.0	75.5
EBITDA Margin	(28.7)	18.5	30.0	49.4	57.1
EBIT Margin	(51.6)	6.3	25.4	35.5	37.3
APAT Margin	(31.3)	3.1	20.0	18.6	16.2
RoE	(102.9)	17.3	62.2	52.1	22.9
RoIC (or Core RoCE)	(36.7)	6.4	57.3	36.9	15.4
RoCE	(10.2)	8.1	37.4	28.4	11.9
EFFICIENCY					
Tax Rate (%)	(7.3)	(1.2)	19.4	25.0	30.0
Fixed Asset Turnover (x)	0.8	1.5	5.3	0.9	0.7
Inventory (days)	26.6	4.6	5.0	3.6	3.1
Debtors (days)	201.7	80.8	75.0	75.0	75.0
Other Current Assets (days)	29.4	87.9	22.9	12.6	19.9
Payables (days)	128.4	104.0	75.0	54.2	46.0
Other Current Liab & Provns (days)	108.0	27.7	14.6	5.8	6.5
Cash Conversion Cycle (days)	21.3	41.5	13.4	31.3	45.5
Debt/EBITDA (x)	(4.9)	3.6	0.5	2.3	2.6
Net D/E (x)	10.0	1.6	(0.4)	1.8	1.1
Interest Coverage (x)	(3.7)	1.0	18.5	3.2	2.5
PER SHARE DATA					
EPS (Rs/sh)	(10.9)	1.5	19.7	38.4	24.1
CEPS (Rs/sh)	(2.9)	7.3	24.3	67.3	53.4
BV (Rs/sh)	4.5	13.0	54.5	92.9	117.0
DPS (Rs/sh)	-	-	-	-	-
VALUATION					
P/E (x)	(18.4)	137.6	10.2	5.2	8.3
P/BV (x)	44.5	15.5	3.7	2.2	1.7
EV/EBITDA (x)	(28.0)	25.1	4.0	3.0	3.1
EV/Revenues (x)	8.0	4.6	1.2	1.5	1.8
OCF/EV (%)	0.7	(0.8)	20.8	24.8	28.4
FCF/EV (%)	(0.4)	(1.3)	19.6	(54.0)	26.6
FCFE/Mkt Cap (%)	5.1	(8.2)	9.9	21.3	24.2

Source: Company, HDFC sec Inst Research

1YR PRICE MOVEMENT



Rating Definitions

BUY	:	Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL	:	Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL	:	Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

Disclosure:

We, **Nilesh Ghuge, MMS** and **Rishab Bothra, B.Com (Hons)**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. 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.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock –No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently send or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: compliance officer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board : +91-22-6171 7330   www.hdfcsec.com