SIMPLE IS BETTER

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SIMPLE IS BETTER – ISSUE -14 – DEMERGER

We have seen many companies are separating their business division to the different entities and many times, those different entities are getting managed differently. We also consider such step of the management as a shareholder-friendly and value creation for the shareholders of the company.

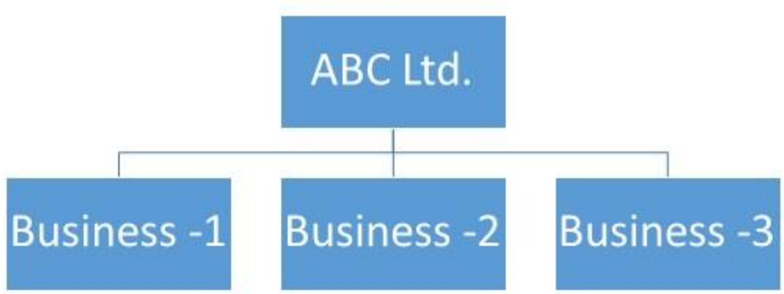
In this issue, I am going to explain what demerger is and how it can impact on the financial of a company?

Demerger –

"Demerger is the business strategy wherein company transfers one or more of its business undertakings to another company. In other words, when a company splits off its existing business activities into several components, with the intent to form a new company that operates on its own or sells or dissolve the unit so separated, is called a demerger." – Business Jargons

"A de-merger is a corporate restructuring in which a business is broken into components, either to operate on their own, to be sold or to be liquidated." – Investopedia

So that, companies have a different business into the one entity and company wants to separate those different businesses to the different entities which are known as a demerger.



When company separate businesses to the different entities, such as company have separated business -3 to the new entity name as XYZ Ltd. Now, XYZ Ltd. (Business-3) works as an independent entity.

Process of demerger

- Whether the article of association has authorization or not. If not then company need to pass a special resolution.
- Preparation of scheme of demerger
- Demerged company and resulting company both have to apply to the court
- Filing scheme with the stock exchange
- Court release notice
- The company need to arrange a meeting with the creditors, shareholders

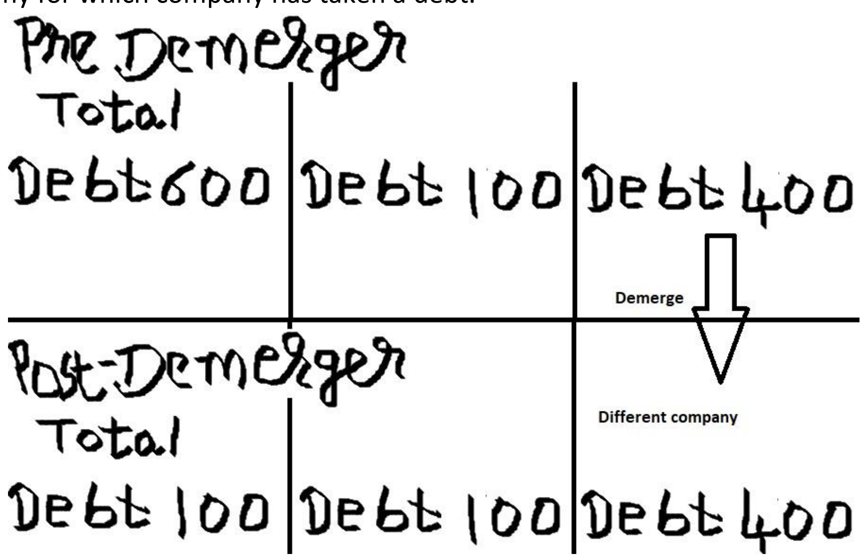
- The company has to file result of meeting to the court
- Petition to the court for approving demerger
- Obtain approval from the court for demerger
- Notice to Stock Exchange for Record Date to determine eligibility to receive shares of the Resulting Companies and voluntarily give advertisement of the Record Date in National Dailies (30-day notice)
- Prepare Information Memorandum (IM)
- Compliance with clause 49 for prerequisite for Listing
- File Information Memorandum with BSE and NSE

Why demerger?

- Focus on core business
- Attract investors
- Improve valuation
- Family settlement
- For Regulation
- Improve financial performance (Separating assets light business from asset-heavy business, cleaning up balance sheet)

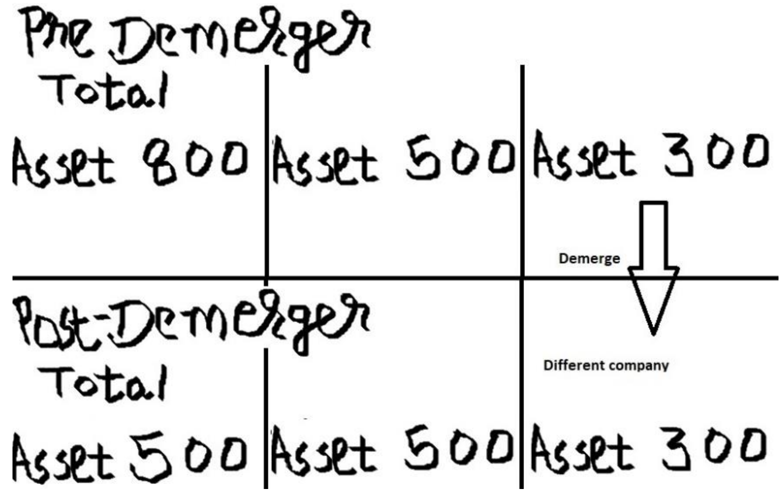
Impact of demerger to the financial aspects

1) **Transfer of borrowings**
The company has a different business segment and for one of the business, Segment Company has taken a huge debt so demerger of that division will reduce debt and debt of the segment get a transfer to the demerged company for which company has taken a debt.



It might be possible that strong business does not require a debt but due to the other business segment which requires debt and both are into the one company; strong business also has to stay under the interest burden. Demerge from high debt business segment will reduce interest burden for low or no debt business segment.

2) **Transfer of assets**
When Company has a more than one business segment then the company has bought different assets for all the different business segment. So demerger of the business segment will also get a transfer of assets to the company.



Sometimes, one of the business segment is asset light and another segment is an asset-heavy so that asset-light business has a depreciation burden due to operating into the one company with asset-heavy business segment. Demerge from asset-heavy business segment will reduce depreciation for the asset-light business segment.

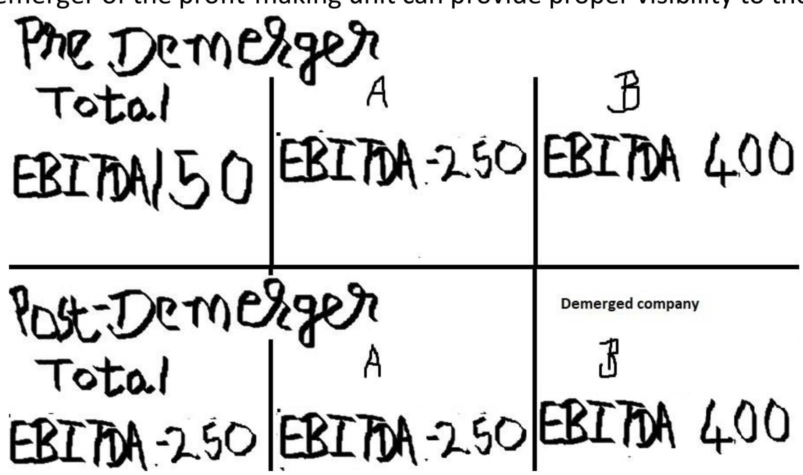
3) Transfer of shareholders fund

The company has two different business segments and company decided to demerge one of the business segment then the company has to transfer shareholders fund which is pertaining to the business is going to demerge. Sometimes, it might be possible that one of the business segment has accumulated losses and that has a negative impact on the shareholder's fund of the strong business also.

4) Improvement to the profitability

a) EBITDA

Many times, the company has a different segment from which few are generating losses which has a negative impact on the EBITDA and due to the demerger of loss-making division, we can have better visibility of the EBITDA and can see the profit which is generated by the company. Or company has a good EBITDA but due to the segment of the loss-making parent company EBITDA is get hidden to the losses so that demerger of the profit-making unit can provide proper visibility to the company's EBITDA.



b) EBITDAM (%)

As EBITDA of the company gets an improvement then it will impact to the improvement of EBITDAM (%).

Pre Demerger

Total	A	B
EBITDA 150	EBITDA -250	EBITDA 400
Sales 1000	Sales 1000	Sales 1000
EBITDA M% 15%	EBITDA M% -25%	EBITDA M% 40%

Post-Demerger

Total	A	Demerged company B
EBITDA -250	EBITDA -250	EBITDA 400
Sales 1000	Sales 1000	Sales 1000
EBITDA M% -25%	EBITDA M% -25%	EBITDA M% 40%

c) Profit After Tax

Many a time, company having a different segments from which few are generating losses on the net profit level or segment having a huge debt & interest burden brings entire company to the loss level or segment has a higher assets & higher deprecation brings losses to the entire company which has a negative impact on the entire net profit. And due to the demerger of the loss-making division, we can have better visibility of the net profit and can see the profit which is generated by the company.

Pre Demerger

Total	A	B
PAT 50	PAT -150	PAT 200

Post-Demerger

Total	A	Demerged company B
PAT -150	PAT -150	PAT 200

Now, due to demerger PAT of the division which is generating profit is get visible and get valued differently. Also, profit can be useful for the further growth of the company and for the reward to the shareholders.

d) PATM (%)

As Net profit of the company gets an improvement then it will impact the improvement of PATM (%).

Pre Demerger

Total	A	B
PAT 50	PAT -150	PAT 200
Sales 1000	Sales 1000	Sales 1000
PATM% 5%	PATM% -15%	PATM% 20%

Post-Demerger

Total	A	Demerged company B
PAT -150	PAT -150	PAT 200
Sales 1000	Sales 1000	Sales 1000
PATM% -15%	PATM% -15%	PATM% 20%

5) **Improvement of the per share value of the company**

a) **EPS**

Company demerges a segment of the company which is generating a loss which improves the net profit and which has a direct impact to the EPS of the company.

Pre Demerger

Total	A	B
PAT 50	PAT -150	PAT 200
Share 10	Share 10	Share 10
EPS 5	EPS -15	EPS 20

Post-Demerger

Total	A	Demerged company B
PAT -150	PAT -150	PAT 200
Share 10	Share 10	Share 10
EPS -15	EPS -15	EPS 20

Due to the demerger, EPS which is not visible on the account of losses to other division is visible now.

b) **Book Value**

Many a times company has a segment which has a huge debt and generating losses, so demerges of that segment will improve the book value of the company also.

6) **Improvement of the return ratio**

a) **ROE (%)**

Due to the demerger of the loss-making segment from the profit-making company or demerger of the profit-making segment from the loss-making company will improve the return on equity.

Pre Demerger

Total	A	B
PAT 50	PAT -150	PAT 200
Equity 2000	Equity 1000	Equity 1000
RoE% 2.5%	RoE% -15%	RoE% 20%

Post-Demerger

Total	A	Demerged company B
PAT -150	PAT -150	PAT 200
Equity 2000	Equity 1000	Equity 1000
RoE% 2.5%	RoE% -15%	RoE% 20%

b) ROCE (%)

Due to the demerger of the loss-making segment from the profit-making company or demerger of the profit-making segment from the loss-making company will improve the return on Capital Employed. Also, many a time due to the demerger, a debt of the company get a transfer to the other company which reduces the total capital employed to the company and leads to the improvement to the ROCE (%).

Pre Demerger

Total	A	B
EBIT 150	EBIT -250	EBIT 400
Capital Emp 3000	Capital Emp 1600	Capital Emp 1400
ROCE% 5%	ROCE% -16%	ROCE% 29%

Post-Demerger

Total	A	Demerged company B
EBITDA -250	EBITDA -250	EBITDA 400
Capital Emp 1600	Capital Emp 1600	Capital Emp 1400
ROCE% -16%	ROCE% -16%	ROCE% 29%

c) ROA (%)

Due to the demerger of the loss-making segment from the profit-making company or demerger of the profit-making segment from the loss-making company will improve the return on equity. Many a time, the company has an asset-heavy business and assets light business both combined into the one company so that visibility of the accurate Return on Asset will get impacted. So demerger of both segment will result in the improvement of the return on assets.

Pre Demerger

Total	A	B
PAT 50	PAT -150	PAT 200
Assets 5000	Assets 3000	Assets 2000
ROA% 1%	ROA% -5%	ROA% 10%

Post-Demerger

Total	A	Demerged company B
PAT -150	PAT -150	PAT 200
Assets 3000	Assets 3000	Assets 2000
ROA% -5%	ROA% -5%	ROA% 10%

7) Improvement of the cash conversion cycle

The company has a segment which has a higher cash conversion cycle so demerger of that segment or demerger of lower cash conversion cycle business from the company will improve the entire cash conversion cycle of the company.

	Post Demerger Parent Company			Pre Demerger Parent Company				
DESCRIPTION	Mar-2018	Mar-2017	Mar-2016	Mar-2015	Mar-2014	Mar-2013	Mar-2012	Mar-2011
Efficiency Ratios								
Receivable days	111.29	107.62	96.38	210.16	87.65	91.79	89.34	82.83
Inventory Days	57.45	53.14	40.99	93.50	42.95	41.64	37.91	39.40
Payable days	82.95	82.66	65.53	153.75	68.54	66.01	65.56	71.41
Cash Conversion Cycle	85.79	78.10	71.85	149.91	62.06	67.42	61.68	50.82

	Post Demerger Asset light business		
	Mar-2018	Mar-2017	Mar-2016
Efficiency Ratios			
Receivable days	45.63	40.41	81.37
Inventory Days	25.63	21.96	41.02
Payable days	49.92	48.19	102.25
Cash Conversion Cycle	21.35	14.18	20.14

8) Improvement to the Cash Flow from Operating activities

Different business segments are operated under the one company then it might be possible that one segment is not performing well and have a facing problem such as lower profitability, incurring losses, higher working capital requirement, etc. In other business segment does not face such problems and generating good cash flow then the company needs to demerge both the businesses otherwise strong cash flow will be going to utilize by the other segment and shareholders and strong business will not get any benefits.

Particulars	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Profit Before Tax	1229.13	549.74	64.04	494.72	356.84	180.01	106.61	-318.5
Adjustment	171.38	328.92	264.31	331.58	249.34	125.27	434.33	303.69
Changes In working Capital	-507.03	-227.73	247.97	-251.3	-1096.65	122.16	-502.55	537.39
Cash Flow after changes in Working Capital	893.48	650.93	576.32	575	-490.47	427.44	38.39	522.58
Cash From Operating Activities	566.87	413.33	425.06	319.55	-672.34	-60.78	-539.94	-360.11

Company demerge from the above company

Particulars	Mar-16	Mar-17	Mar-18
Profit Before Tax	157.68	425.04	485.44
Adjustment	36.42	88.94	104.51
Changes In working Capital	35.65	-54.83	-93.3
Cash Flow after changes in Working Capital	229.75	459.15	496.65
Cash From Operating Activities	175.71	312.56	315.41

9) Improvement to the Free Cash Flow

Different business segments are operated under the one company then it might be possible that one segment requires a higher capital expenditure for growing and sustaining a business so that generated strong cash flow from one of the business segment is keeps on getting utilized by the capital intensive business segment which resulted to the least or no free cash flow for the company. Due to such scenario, the company might have to bring external funding also to support capital intensive business so that other strong business also suffer to stay within the same company.

Cash Flow Statement

Rs Cr	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Total
Cash from Operating Activity (CFO)	944	1,056	567	413	425	320	-672	-61	-540	-360	2,092
% Growth YoY		12%	-46%	-27%	3%	-25%	-310%	-91%	788%	-33%	
CFO/Sales	11%	11%	6%	4%	4%	2%	-12%	-1%	-10%	-6%	
CFO/Net Profit	168%	123%	64%	112%	-1153%	124%	-3040%	13%	110%	31%	
Capex**	201	290	746	372	340	296	209	144	64	193	
FCF	743	766	-179	41	85	23	-881	-204	-604	-553	-763

Company demerge from the above company

Cash Flow Statement

Rs Cr	Mar-16	Mar-17	Mar-18	Total
Cash from Operating Activity (CFO)	176	313	315	804
CFO/Sales	10%	8%	8%	
CFO/Net Profit	167%	110%	97%	
Capex**	2	15	13	
FCF	174	298	302	774

10) Improvement to the valuation

Valuation of the company gets improves due to the improvement to the financial. As return ratio, profitability, and quality of balance sheet of the company get improve then valuation also will be improved.

I have explained the first example below where we can see that business having a good performance but it was operated with the business which has a troublesome period so that value of combined entity was Rs.11500 crore of Enterprise value whereas if we value both the business differently than a capital intensive business should get approx. value of Rs. 3300 crore of EV and asset-light business should get approx. value of Rs.9600 crore of EV, so the total value can be Rs.12900 crore. Asset light business does not require to make a huge Capex which will be resulted in good free cash flow and good market position which resulted in further growth. After the demerger currently combined the value of both the companies is at Rs.18725 crore of EV.

I have explained a third example where company getting a lease revenue from the plant and does not requires to make any Capex further which generate strong free cash flow so that it should be valued at a rate of AAA bond (consider 9%) so that value of the company should be approx. Rs.500 crore and which was available at approx. Rs.300 crore.

<u>Examples of the demerger of Indian Companies –</u>

The company has a two business - One is the capital intensive business and other is assets light business

	(Rs. in Cr.)								
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	CAGR
Power & Industrial System									
Total Sales	7984.39	9116.16	9502.97	12008.61	10781.36	5605.16	6119.75	6287.54	-3%
Other Income									
Total Revenue	7984.39	9116.16	9502.97	12008.61	10781.36	5605.16	6119.75	6287.54	-3%
Segment Results (PBIT)	**1045.98**	**453.42**	**114.75**	**364.63**	**237.11**	**319.40**	**540.93**	**480.91**	**-9%**
PBIT (%)	**13.10%**	**4.97%**	**1.21%**	**3.04%**	**2.20%**	**5.70%**	**8.84%**	**7.65%**	
Segment Assets	6756.66	6754.58	7971.92	10046.84	8700.04	9017.77	7810.11	7198.66	
Segment Liabilities	3060.50	3340.30	3653.61	4268.87	3471.95	3673.72	3155.28	3360.54	
Capital Employed	**3696.16**	**3414.28**	**4318.31**	**5777.97**	**5228.09**	**5344.05**	**4654.83**	**3838.12**	**0%**
		-8%	**26%**	**34%**	**-10%**	**2%**	**-13%**	**-18%**	
Capex	566.38	328.63	303.39	267.62	186.48	108.14	57.11	148.86	
Dep.	174.50	217.89	182.00	251.84	235.21	232.25	175.76	129.12	
FCF	**654.10**	**342.68**	**-6.64**	**348.85**	**285.84**	**443.51**	**659.58**	**461.17**	**-4%**
CFO (PBIT+Dep.)	**1220.48**	**671.31**	**296.75**	**616.47**	**472.32**	**551.65**	**716.69**	**610.03**	
RoCE (%) on EBITDA	28.30%	13.28%	2.66%	6.31%	4.54%	5.98%	11.62%	12.53%	
RoCE (%) on FCF	17.70%	10.04%	-0.15%	6.04%	5.47%	8.30%	14.17%	12.02%	

	(Rs. in Cr.)					
	FY11	FY12	FY13	FY14	FY15	CAGR
Consumer Product						
Total Sales	2020.72	2132.42	2591.47	2845.71	3231.78	12%
Other Income						
Total Revenue	2020.72	2132.42	2591.47	2845.71	3231.78	12%
Segment Results (PBIT)	**292.81**	**262.88**	**278.07**	**337.46**	**401.35**	**8%**
PBIT (%)	**14.49%**	**12.33%**	**10.73%**	**11.86%**	**12.42%**	
Segment Assets	409.30	445.11	585.26	628.01	680.97	
Segment Liabilities	328.74	353.09	474.93	506.85	1240.03	
Capital Employed	**80.56**	**92.02**	**110.33**	**121.16**	**-559.06**	
		14%	**20%**	**10%**	**-561%**	
Capex	11.18	11.57	18.43	28.65	4.31	
Dep.	19.13	7.25	7.85	10.30	12.24	
FCF	**300.76**	**258.56**	**267.49**	**319.11**	**409.28**	**8%**
CFO (PBIT+Dep.)	**311.94**	**270.13**	**285.92**	**347.76**	**413.59**	**7%**
RoCE (%) on EBITDA	363.47%	285.68%	252.03%	278.52%	-	
RoCE (%) on FCF	373.34%	280.98%	242.45%	263.38%	-	

	Post Demerger Parent Company			Pre Demerger Parent Company				
DESCRIPTION	**Mar-2018**	**Mar-2017**	**Mar-2016**	**Mar-2015**	**Mar-2014**	**Mar-2013**	**Mar-2012**	**Mar-2011**
Margin Ratios								
PBIDTM (%)	-3.64	-0.87	0.43	6.46	6.36	3.85	7.46	14.10
EBITM (%)	-10.71	-3.16	-1.98	4.82	4.49	1.27	5.22	11.86
Pre Tax Margin(%)	-13.33	-5.13	-2.67	3.02	3.52	0.51	4.73	11.53
PATM (%)	-13.91	-5.19	-3.94	0.38	1.84	-0.29	3.16	8.53
Performance Ratios								
ROA (%)	-12.21	-4.68	-4.09	0.20	2.52	-0.40	4.67	13.34
ROE (%)	-34.19	-11.25	-10.39	0.56	7.24	-1.03	10.72	30.64
ROCE (%)	-15.86	-4.69	-3.59	4.51	10.91	3.13	14.49	36.46
Efficiency Ratios								
Receivable days	111.29	107.62	96.38	210.16	87.65	91.79	89.34	82.83
Inventory Days	57.45	53.14	40.99	93.50	42.95	41.64	37.91	39.40
Payable days	82.95	82.66	65.53	153.75	68.54	66.01	65.56	71.41
Cash Conversion Cycle	85.79	78.10	71.85	149.91	62.06	67.42	61.68	50.82

	Post Demerger Asset light business		
	Mar-2018	**Mar-2017**	**Mar-2016**
Margin Ratios			
PBIDTM (%)	13.69	12.55	11.42
EBITM (%)	13.38	12.21	10.34
Pre Tax Margin(%)	11.83	10.58	8.44
PATM (%)	7.89	7.05	5.63
Performance Ratios			
ROA (%)	14.52	15.17	12.76
ROE (%)	54.48	79.15	92.72
ROCE (%)	42.19	48.12	44.33
Efficiency Ratios			
Receivable days	45.63	40.41	81.37
Inventory Days	25.63	21.96	41.02
Payable days	49.92	48.19	102.25
Cash Conversion Cycle	21.35	14.18	20.14

The company has a two business - One is the capital intensive & low margin business and other is assets light business with higher return ratio

	(Rs. in Cr.)								
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	CAGR
Capital Intensive logistics									
Total Sales	1422.53	1496.19	1626.25	1681.96	1809.99	1906.39	1976.09	2386.08	7%
Other Income									
Total Revenue	1422.53	1496.19	1626.25	1681.96	1809.99	1906.39	1976.09	2386.08	7%
Segment Results (PBIT)	**74.67**	**82.15**	**91.04**	**82.17**	**101.74**	**95.62**	**113.68**	**156.79**	**10%**
PBIT (%)	**5.25%**	**5.49%**	**5.60%**	**4.89%**	**5.62%**	**5.02%**	**5.75%**	**6.57%**	
Segment Assets	490.26	569.24	620.63	603.57	712.76	788.80	852.36	974.32	
Segment Liabilities	59.18	65.68	79.56	127.81	85.18	85.22	97.87	119.01	
Capital Employed	**431.08**	**503.56**	**541.07**	**475.76**	**627.58**	**703.57**	**754.49**	**855.31**	**9%**
		17%	**7%**	**-12%**	**32%**	**12%**	**7%**	**13%**	
Capex	66.74	67.43	43.37	50.66	102.48	108.16	512.34	138.44	
Dep.	29.68	36.25	41.96	42.43	48.51	53.16	57.09	68.65	
FCF	**37.61**	**50.97**	**89.63**	**73.94**	**47.77**	**40.63**	**-341.56**	**87.00**	**11%**
CFO (PBIT+Dep.)	**104.35**	**118.40**	**133.00**	**124.60**	**150.25**	**148.79**	**170.77**	**225.43**	
RoCE (%) on EBITDA	17.32%	16.31%	16.83%	17.27%	16.21%	13.59%	15.07%	18.33%	
RoCE (%) on FCF	8.72%	10.12%	16.56%	15.54%	7.61%	5.77%	-45.27%	10.17%	

	(Rs. in Cr.)						
	FY11	FY12	FY13	FY14	FY15	FY16	CAGR
Express							
Total Sales	459.52	495.32	556.41	601.02	660.24	666.95	8%
Other Income							
Total Revenue	459.52	495.32	556.41	601.02	660.24	666.95	8%
Segment Results (PBIT)	**34.89**	**38.18**	**41.05**	**43.86**	**45.91**	**48.77**	**7%**
PBIT (%)	**7.59%**	**7.71%**	**7.38%**	**7.30%**	**6.95%**	**7.31%**	
Segment Assets	100.20	97.45	108.40	112.97	132.86		
Segment Liabilities	14.42	14.99	21.12	20.92	27.90		
Capital Employed	**85.79**	**82.46**	**87.28**	**92.05**	**104.96**		
		-4%	**6%**	**5%**	**14%**		
Capex	5.84	5.47	3.73	3.70	5.30		
Dep.	5.64	5.32	4.44	4.39	6.00	5.79	
FCF	**34.69**	**38.04**	**41.76**	**44.55**	**46.61**	**54.56**	**9%**
CFO (PBIT+Dep.)	**40.53**	**43.50**	**45.49**	**48.25**	**51.91**	**54.56**	**6%**
RoCE (%) on EBITDA	40.67%	46.30%	47.04%	47.65%	43.74%	-	
RoCE (%) on FCF	40.44%	46.13%	47.85%	48.40%	44.41%	-	

	Post Demerger Parent Company		Pre Demerger Parent Company					
DESCRIPTION	**Mar-2018**	**Mar-2017**	**Mar-2016**	**Mar-2015**	**Mar-2014**	**Mar-2013**	**Mar-2012**	**Mar-2011**
Margin Ratios								
PBIDTM (%)	9.84	8.97	10.52	8.42	8.03	8.57	8.37	7.86
EBITM (%)	6.92	5.92	7.50	6.15	5.93	6.39	6.24	5.95
Pre Tax Margin(%)	5.54	4.37	6.05	4.73	4.46	4.74	4.38	4.42
PATM (%)	4.32	3.39	4.39	3.38	3.22	3.26	3.04	2.71
Performance Ratios								
ROA (%)	7.72	5.75	6.90	7.63	7.30	7.56	7.13	6.41
ROE (%)	14.44	10.81	12.96	15.24	16.07	17.81	17.70	15.94
ROCE (%)	14.30	11.52	13.99	17.15	16.62	18.40	18.34	17.90

	Post Demerger Asset light business	
	Mar-2018	**Mar-2017**
Margin Ratios		
PBIDTM (%)	10.48	8.43
EBITM (%)	9.89	7.86
Pre Tax Margin(%)	9.46	7.53
PATM (%)	6.60	5.00
Performance Ratios		
ROA (%)	19.85	16.93
ROE (%)	31.85	27.15
ROCE (%)	39.80	33.10

One of the business has become self-reliant then the company has decided to demerge it. Remaining business has not the involvement of huge expenses and Capex further, it has only having a rental income.

	(Rs. in Cr.)								
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	CAGR
Lease of plant									
Total Sales	40.00	40.00	40.00	40.00	40.00	45.83	53.47	60.26	5%
Other Income									
Total Revenue	40.00	40.00	40.00	40.00	40.00	45.83	53.47	60.26	5%
Segment Results (PBIT)	**36.54**	**37.31**	**36.73**	**35.37**	**30.72**	**42.38**	**50.58**	**60.57**	7%
PBIT (%)	**91.35%**	**93.28%**	**91.81%**	**88.44%**	**76.80%**	**92.46%**	**94.60%**	**100.51%**	

Description	Mar-2011	Mar-2012	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017	Mar-2018
Cash From Operating Activities	24.96	66.30	20.46	32.42	26.41	64.92	25.04	42.10
Purchase of Fixed Assets	-0.14	-5.99	-4.83	-0.09	-0.77	-6.58	-6.52	-1.89
FCF	24.83	60.31	15.64	32.34	25.64	58.34	18.53	40.21

	(Rs. in Cr.)						
	FY11	FY12	FY13	FY14	FY15	FY16	CAGR
Health Care							
Total Sales	156.68	189.13	216.33	261.16	367.37	400.45	21%
Other Income							
Total Revenue	156.68	189.13	216.33	261.16	367.37	400.45	21%
Segment Results (PBIT)	**8.99**	**15.19**	**14.90**	**19.46**	**31.47**	**33.26**	30%
PBIT (%)	**5.74%**	**8.03%**	**6.89%**	**7.45%**	**8.57%**	**8.30%**	
Segment Assets	285.21	284.77	287.39	313.23	330.96	345.29	
Segment Liabilities	154.51	149.41	144.67	157.20	156.49	160.72	
Capital Employed	**130.70**	**135.36**	**142.72**	**156.03**	**174.47**	**184.57**	
		4%	**5%**	**9%**	**12%**	**6%**	
Capex	0.99	5.16	7.60	6.44	16.26	16.71	
Dep.	8.74	9.01	9.58	9.05	12.61	12.58	
FCF	**16.75**	**19.04**	**16.88**	**22.06**	**27.82**	**29.12**	12%
CFO (PBIT+Dep.)	**17.73**	**24.20**	**24.48**	**28.51**	**44.08**	**45.83**	21%
RoCE (%) on EBITDA	6.88%	11.22%	10.44%	12.47%	18.04%	18.02%	
RoCE (%) on FCF	12.81%	14.07%	11.83%	14.14%	15.95%	15.78%	

The company has a good free cash flow but it was getting utilized for the development of other business. As other businesses become self-reliant then the company has demerger that health care business, so remaining lease business does not have any huge expenses and remain with the good free cash flow.

The company has a different nature business which is difficult to evaluate - one business is of Finance and other is of manufacturing. Or one business is of real estate and one business is of the retail segment. Such kind of companies also involves into the demerger for unlocking the value of shareholders, easy to understand financial, core focus on the business etc.

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Disclaimer

Above article is just my perception, and perception can be wrong. For me, my perception can be right but for others, it might be wrong.

I am Grateful to

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As a founder of Lucky Idiot; My mission through "Lucky Idiot" is to educate novice investors and to distribute learning to more and more people in a simple manner.

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