

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
38,991	11,527
<b>Bloomberg</b>	<b>SRF IN</b>
Equity Shares (m)	59
M.Cap.(INRb)/(USD\$)	248.5 / 3.3
52-Week Range (INR)	4437 / 2492
1, 6, 12 Rel. Per (%)	7/7/52
12M Avg Val (INR M)	1092
Free float (%)	47.7

#### Financials Snapshot (INR b)

Y/E MARCH	FY21E	2022E	2023E
Sales	78.3	98.8	118
EBITDA	17	22	26.5
Adj. PAT	8.58	12.2	15.5
EBITDA Margin (%)	21.7	22.2	22.5
Cons. Adj. EPS (INR)	147	209	265
EPS Gr. (%)	-6.63	42.1	27
BV/Sh. (INR)	982	1,168	1,407

#### Ratios

Net D:E	0.61	0.45	0.32
RoE (%)	15.9	19.4	20.6
RoCE (%)	10.9	13.8	15.6
Payout (%)	16	11.1	9.85

#### Valuations

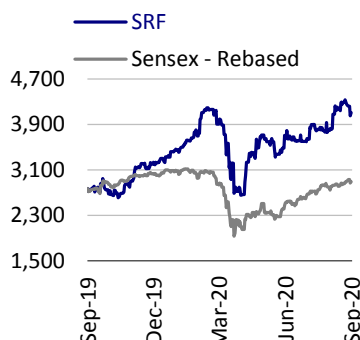
P/E (x)	29.4	20.7	16.3
EV/EBITDA (x)	16.9	12.9	10.5
Div. Yield (%)	0.46	0.46	0.52
FCF Yield (%)	2.98	2.85	3.26

#### Shareholding pattern (%)

As On	Jun-20	Mar-20	Jun-19
Promoter	52.3	52.3	52.3
DII	11.3	11.3	11.3
FII	17.1	18.3	18.2
Others	19.3	18.1	18.2

FII Includes depository receipts

#### Stock Performance (1-year)


**CMP: INR4,323 TP: INR5,170 (+20%)**
**Buy**

### Investing heavily in Chemicals; Returns to accrue going forward

#### Technical Textiles/Packaging capex in self-sustaining mode

- SRF incurred total capex of INR84b over the last 10 years, of which 57% was deployed toward the Chemicals segment. Of the total capex, 63% was incurred in the past 5 years itself.
- Additionally, on 31<sup>st</sup> Aug'20, the SRF board approved fund raise of INR7.5b through QIP and INR2.5b through issuance of listed redeemable secured non-convertible debentures by way of private placement.
- In this report, we analyse SRF's capex over the past decade and the company's plans in the future.

#### Capex accelerates over last 5 years; higher capital invested in Chemicals

- Over FY11-20, SRF's cumulative capex stood at INR84b with the company delivering revenue of 11% CAGR to INR72b. Of the total capex incurred over the last 10 years, 57% has been deployed toward Chemicals, resulting in 16% revenue CAGR to INR29.8b.
- Over the last 10 years, incremental revenue/EBITDA stood at INR47.1b/INR8.4b while the company incurred capex of INR56.4b over FY11-18 (assuming lag effect of 2 years due to monetization i.e. capex of 8 years is considered for calculating ratios). Thus, translating into incremental revenue/EBITDA to capex of 0.83x/0.15x.
- Over the last 5 years, SRF has incurred capex of INR53b – constituting 63% of the capex incurred over the last decade. Thus, capex intensity has increased in the last 5 years.
- Average asset turnover/fixed asset turnover for the last 10 years stood at 0.9x/0.8x, signifying the capital heavy nature of certain business segments.
- Average consol. capital employed (CE) to EBITDA for the last 10/5 years stood at 6.2x/6.4x. For the Chemicals segment, average CE to EBITDA over the last 5 years was reported at 6.2x (v/s average CE of Technical Textiles/Packaging films of 4.4x/5.4x over the same period).
- SRF plans to spend INR12-13b on capex in FY21 across geographies and segments.

#### Capex in Technical textiles/Packaging largely self-sustainable

- According to our observations in the past – for the Packaging segment – whenever EBITDA performance improved substantially, it was followed by higher capex in the following years. For instance, in FY11 when the segment's EBITDA increased 6.2x YoY to INR3.8b, SRF incurred capex of INR7b over FY13-14. The same was witnessed in FY20 – on the back of 47% EBITDA CAGR over FY18-20 to INR6.4b in FY20 – the company incurred capex of INR11b (in FY20). Against this backdrop, the segment's EBITDA less capex for the last 10/5 years is negative at INR3.4b/1.1b.

- SRF's Chemicals segment has not only witnessed higher capex intensity v/s other segments, but also seen higher spends over the last 5 years. In the past decade, SRF incurred capex of INR48.3b for the Chemicals segment, of which, 61% was incurred in the last 5 years itself. Average CE to EBITDA over FY10-13 stood at 2.2x, which deteriorated to 6.2x over FY16-20.
- Incremental revenue/EBITDA in the Chemicals business over the last 10 years stood at INR23.2b/INR4.5b, while SRF incurred capex of INR34.9b over FY11-18 (assuming lag effect of 2 years due to monetization i.e. capex of 8 years is considered for calculating ratios). Thus, translating into incremental revenue/EBITDA to capex of 0.66x/0.13x (*Refer Exhibit 9*).
- The Technical textiles business has been SRF's cash cow. It incurred an average annual capex of INR527m over the last 10 years with largely flat revenue over FY10-20. Over the same period, EBITDA declined at 5% CAGR. However, excluding FY20 EBITDA (as it was impacted by the auto slowdown), EBITDA has been more or less flat over the last 10 years. EBITDA less capex for the segment over the last 10/5 years stood at INR20.5b/INR10.7b, which means the segment generates enough EBITDA to sustain its capital requirement.

#### Recently completed major capex provides revenue visibility

- In Aug'20, SRF commissioned and capitalized a facility at SRF's Chemical Complex in Dahej, Gujarat, at a cost of INR1,570m to produce specialty chemicals (P-33) for the agro industry. Assuming 10-year average asset turn for chemicals of 0.64x, it has revenue potential of INR1,005m.
- In Oct'19, the company enhanced its HFC capacity from 17,500MT to 34,500MT at a cost of INR4,770m, which is expected to generate revenue of INR3,053m assuming an asset turn of 0.64x.
- Thus, ramping up of the above key capacities in chemicals provides revenue visibility of INR4,058m.
- Additionally, SRF Europe Kft (a wholly-owned subsidiary) has also completed the BOPET film line in Hungary. The said project has been capitalized and was commissioned in Aug'20 at a cost of EUR80m.
- In May'20, SRF commissioned a BOPET film line in Thailand (at a cost of USD51m), which would further strengthen its presence in the South East Asian region and expand its customer base in new geographies.

#### Key projects announced by SRF recently

- The SRF board has approved the setting up of an additional facility to produce 100kMT of Chloromethanes at Dahej, which is expected to be completed by end-Jan'22. The projected cost stands at INR3.2b and would be funded through a mix of debt and internal accruals.
- SRF already has 95kMT of Chloromethanes capacity, which is operating at 100% utilization. The capex would provide significant opportunity for import substitution in Methylene Chloride (MDC) and Carbon Tetrachloride (CTC) as India is still a large importer and Chloroform is used for captive requirements.
- Additionally, SRF is also setting up dedicated facilities to produce intermediates catering to the agro-chemicals segment at an aggregate cost of INR2,380m.

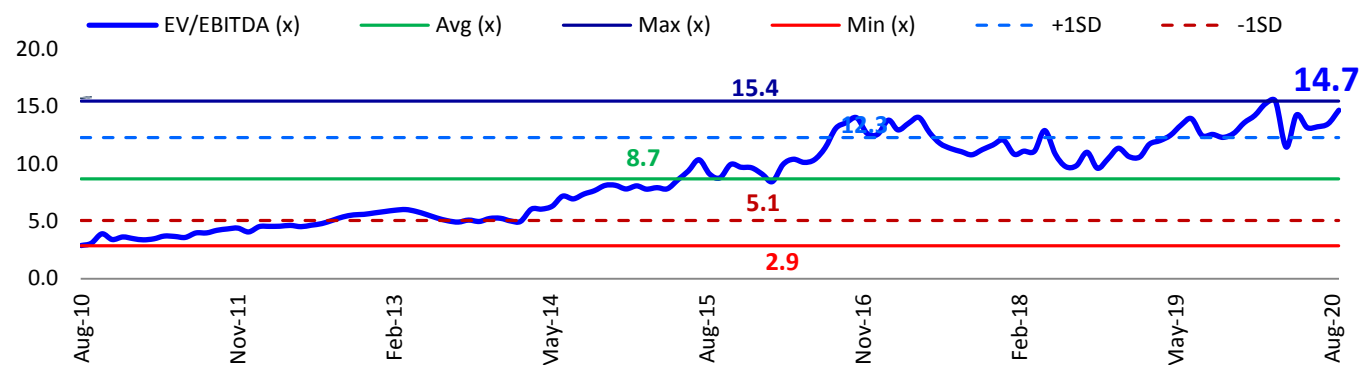
**Valuation and view**

- Over the last five years, SRF has deployed higher capital toward the Chemicals segment, which requires higher capex for the amount of EBITDA it generates v/s the Packaging and Technical Textiles segments.
- Performance of SRF in the near term should be impacted due to COVID-19 and the auto slowdown. While sluggishness in autos would dent performance of the Technical Textiles business, the slowdown in white goods/autos should impact the Refrigerants business.
- Increase in replacement demand (when normalcy is achieved) from the auto/white goods sector (for refrigerants) should boost performance of Technical Textiles/Refrigerants.
- However, margin expansion witnessed in 1QFY21 in the Packaging Film segment due to demand-supply mismatch and higher share of value-added products is unlikely to sustain. However, in May'20/Aug'20, SRF commenced the BOPET film line in Thailand/Europe, which should aid in driving FY21 volumes.
- Additionally, management remains confident of achieving 20-25% revenue growth in the Specialty Chemicals segment (forms 23% of FY20 sales). It expects HFC gas demand to improve in 2HFY21 on the back of export opportunities, which are opening up for the company due to the current geopolitical issues.
- Further, company has received approval from its Board to raise INR10b (equity of INR7.5b and balance through issuance of listed redeemable secured non-convertible debentures). We believe this is likely to be deployed toward the Chemicals segment. SRF has recently completed capacity expansion in the Packaging films segment.
- We value SRF on an SOTP basis to arrive at Sep'22E target price of INR5,170. Maintain **Buy**.

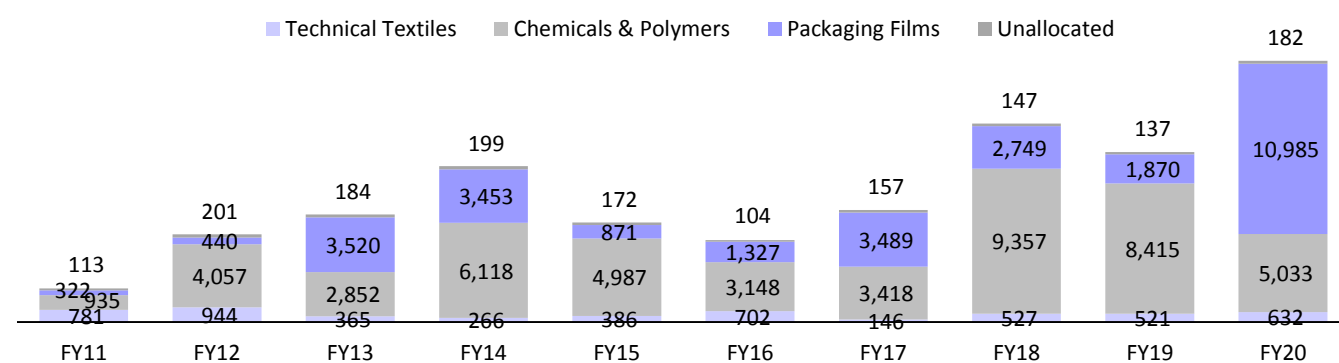
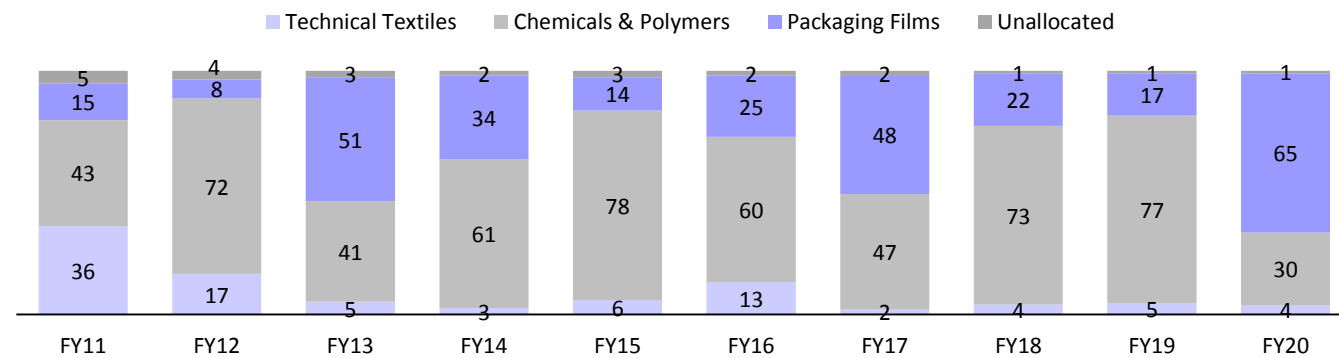
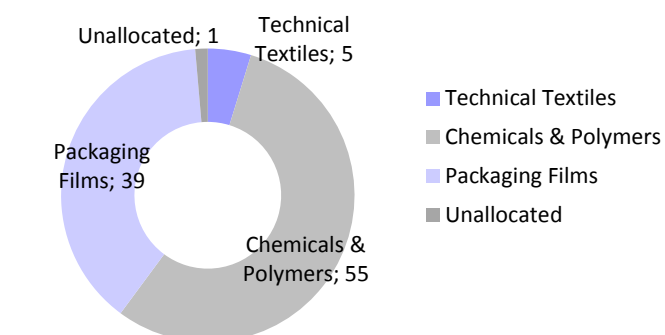
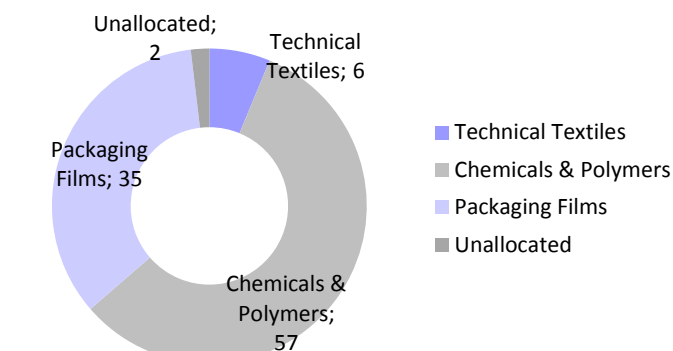
**Exhibit 1: SOTP Valuation**

EV/EBITDA	Sept'22 EBITDA (INR m)	Multiple (x)	EV (INR m)
Technical Textiles	2,012	7	14,081
Chemicals & Polymers	14,335	17	2,43,701
Packaging Films	8,907	8	71,257
Others	403	5	2,016
<b>Total EV</b>			<b>3,31,054</b>
Less: Debt			33,240
Less: Minority Interest			-
Add: Cash & Cash Equivalents			4,650
<b>Target Mcap (INR m)</b>			<b>3,02,464</b>
<b>Outstanding share (m)</b>			<b>58.5</b>
<b>Target Price (INR)</b>			<b>5,170</b>
<b>CMP (INR)</b>			<b>4,323</b>
<b>Upside (%)</b>			<b>20</b>

Source: MOFSL

**Exhibit 2: One year fwd EV/EBITDA (x)**

Source: MOFSL

**Exhibit 3: Segment-wise capex trend (INR m)****Exhibit 4: Segment-wise capex mix trend (%)****Exhibit 5: Cumulative capex spend mix (in last 5 years, %)****Exhibit 6: Cumulative capex spend mix (in last 10 years, %)**

**Exhibit 7: Segment revenue trend**

INR m	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	10 yr CAGR	5 yr CAGR
Technical Textiles	15,242	18,615	21,467	21,313	21,857	20,396	19,050	20,102	18,388	17,349	13,576	-1%	-8%
Chemicals & Polymers	6,578	7,467	12,041	10,350	9,563	12,634	16,398	17,214	16,114	24,454	29,750	16%	19%
Packaging Films	3,365	8,713	6,602	6,208	8,830	12,460	13,606	14,092	17,823	26,532	26,040	23%	16%
Others	(197)	(59)	(101)	(41)	(69)	(91)	(3,127)	(3,190)	3,566	2,660	2,729		
<b>Total</b>	<b>24,987</b>	<b>34,735</b>	<b>40,010</b>	<b>37,830</b>	<b>40,181</b>	<b>45,398</b>	<b>45,927</b>	<b>48,218</b>	<b>55,890</b>	<b>70,996</b>	<b>72,094</b>	<b>11%</b>	<b>10%</b>

**Exhibit 8: Segment EBITDA trend**

INR m	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	10 yr CAGR	5 yr CAGR
Technical Textiles	3,193	2,820	2,212	2,385	2,541	2,603	2,364	3,088	2,932	2,964	1,862	-5%	-6%
Chemicals & Polymers	3,092	3,239	6,331	4,063	2,635	4,219	5,520	4,950	4,545	6,059	7,568	9%	12%
Packaging Films	605	3,755	575	351	488	1,109	2,443	2,544	2,984	4,945	6,419	27%	42%
Others	(703)	(805)	(803)	(656)	(611)	(756)	(599)	(888)	(1,399)	(759)	(1,264)		
<b>Total</b>	<b>6,187</b>	<b>9,009</b>	<b>8,314</b>	<b>6,143</b>	<b>5,053</b>	<b>7,175</b>	<b>9,728</b>	<b>9,694</b>	<b>9,062</b>	<b>13,209</b>	<b>14,584</b>	<b>9%</b>	<b>15%</b>

Source: Company, MOFSL

**Exhibit 9: Chemicals & Polymers**

INR m	10 year	5 year
Total Capex (INR m)	48,319	29,371
Incremental Revenue (INR m)	23,172	17,116
Incremental EBITDA (INR m)	4,476	3,349
Incremental Sales/Capex (x)	0.48	0.58
Incremental EBITDA/Capex (x)	0.09	0.11
Average Capital Employed (INR m)	25,037	35,646
Incremental Capital Employed (INR m)	42,089	24,712
Average EBIT (INR m)	3,605	3,772
Incremental EBIT (INR m)	2,347	2,132
<b>ROCE (Average in %)</b>	<b>14.4%</b>	<b>10.6%</b>
<b>ROCE (on incremental Capital Employed)</b>	<b>5.6%</b>	<b>8.6%</b>

**Assuming 2 year lag for monetisation of capex**

Total Capex (8 year- FY11-18)	34,872
Incremental Sales/Capex (x)	0.66
Incremental EBITDA/Capex (x)	0.13
Capital Employed (8 Year average)	19,786
Capital Employed (on 8 Year incremental-FY11-18)	29,246
<b>ROCE (Average in %)</b>	<b>18.2%</b>
<b>ROCE (on incremental Capital Employed)</b>	<b>8.0%</b>

Source: Company, MOFSL

**Exhibit 10: Packaging Films**

INR m	10 year	5 year
Total Capex (INR m)	29,026	20,420
Incremental Revenue (INR m)	22,675	13,580
Incremental EBITDA (INR m)	5,814	5,310
Incremental Sales/Capex (x)	0.78	0.67
Incremental EBITDA/Capex (x)	0.20	0.26
Average Capital Employed (INR m)	14,135	19,805
Incremental Capital Employed (INR m)	25,350	16,557
Average EBIT (INR m)	2,028	3,184
Incremental EBIT (INR m)	5,149	4,920
<b>ROCE (Average in %)</b>	<b>14.3%</b>	<b>16.1%</b>
<b>ROCE (on incremental Capital Employed)</b>	<b>20.3%</b>	<b>29.7%</b>

**Assuming 2 year lag for monetisation of capex**

Total Capex (8 year- FY11-18)	16,171
Incremental Sales/Capex (x)	1.40
Incremental EBITDA/Capex (x)	0.36
Capital Employed (8 Year average)	11,438
Capital Employed (on 8 Year incremental-FY11-18)	16,540
<b>ROCE (Average in %)</b>	<b>17.7%</b>
<b>ROCE (on incremental Capital Employed)</b>	<b>31.1%</b>

Source: Company, MOFSL

**Exhibit 11: Capex announcements made by SRF**

TIME OF APPROVAL OF CAPEX BOD	CAPEX (INR M)	SEGMENT	CAPEX SPECIFICATION
1QFY21	3,150	Chemicals	❖ Setting up of an additional facility to produce 100,000MT of Chloromethanes at Dahej
3QFY20	655	Chemicals	❖ Debottleneck the HFC capacity at Dahej
3QFY20	2,380	Chemicals	❖ To set up dedicated facilities to produce intermediates catering to the agro-chemicals segment
2QFY20	400	Chemicals	❖ Expand the capacity for production of a high volume specialty product finding application in agro, pharma and other specialty industries
2QFY20	USD50m	Packaging	❖ Setting BOPP film line in Thailand by SRF Industries (Thailand) Ltd
2QFY20	1,250	Technical Textiles	❖ Capacity enhancement cum modernization of the Tyre Cord Fabric value chain. This is an enhancement of the capex of INR810m approved by the Board at its meeting held on February 4, 2019 to cater to the customer requirements as the Technical Textiles Business operations of SRF Industries (Thailand) Ltd. at Rayong, Thailand have been shut down.
1QFY20	4,240	Chemicals	❖ Integrated PTFE plant along with R22 plant as feedstock
3QFY19	800	Technical Textiles	❖ Install additional spinning and textile capacity at the Technical Textiles Plants in Manali and Gwalior (to be incurred over three years)
3QFY19	1,400	Chemicals	❖ Debottlenecking in specialty chemical plants to increase the production capacity at Dahej
3QFY18	Euro 58m	Packaging	❖ BOPET film line and a Metallizer in Eastern Europe
3QFY18	810	Chemicals	❖ Construct a dedicated facility to produce P34, Carbon Monoxide (CO) generation and Ethylene pipeline, all at Dahej

TIME OF APPROVAL OF CAPEX BOD	CAPEX (INR M)	SEGMENT	CAPEX SPECIFICATION
3QFY18	320	Technical Textiles	❖ Installation of a dipping line brought over from SRF's Overseas erstwhile operations in Dubai, UAE at its Technical Textiles Business manufacturing plant in Gwalior
2QFY18	3,560	Chemicals	❖ Setting up of an integrated facility to produce HFCs and AHF. The overall project entails acquisition, setting-up and the conversion of capacities of HFC 125, 32, AHF and 134a, with an aim of doubling existing capacities.
2QFY18	169	Technical Textiles	❖ Capacity expansion and modernization of Belting Fabric operations at TTB, Viralimalai site
Q1FY18	850	Chemicals	❖ Setting up of a facility to produce specialty chemicals (P-33) for agro industry at SRF's Chemical Complex in Dahej, Gujarat
4QFY17	2,000	Chemicals	❖ To create production capability to produce new agrochemical with a peak production capacity of 250 MT and carry out modifications in the P 11/12 plant with the objective of improving capacities to meet R 134a production requirements, both at Dahej, Gujarat
2QFY17	1,280	Chemicals	❖ For augmenting new facilities and the production of new products in existing Flexible Multi-Purpose Plants (FMPs) and the setting up of cGMP (Current Good Manufacturing Practices) plant to tap upcoming business opportunities in the Pharma sector that require cGMP compliance at its Dahej, Gujarat facility.
4QFY16	2,690	Packaging	❖ Setting up a 'BOPP Film Line and a Metallizer' in the existing Domestic Tariff Area (DTA) campus at Indore.
1QFY16	3,940	Chemicals	❖ Board has approved three separate capex proposals aggregating INR3940m, (i) setting up a new greenfield packaging film line in the Domestic Tariff Area at a new location near the company's Indore plant in SEZ at cost of INR3,560m; (ii) setting up a R-134a Pharma Grade Manufacturing and Filling facility meeting cGMP requirements at the existing Chemical Complex at Dahej at cost of INR260m; and (iii) for converting the HFC 134a plant at Bhiwadi into a swing plant at cost of INR120m to produce both HFC 134a and HFC 32.
4QFY15	540	Chemicals	❖ Board approved two separate capex proposals, one for setting up a dedicated plant at Dahej to manufacture existing range of specialty chemicals being produced at its Bhiwadi plant to cater to the increasing demand from pharma sector and the other for improving the product development capability in Engineering Plastics
3QFY15	250	Chemicals	❖ Enhancing the R&D capability of the chemical business for faster turnaround of customer requests.
3QFY15	660	Technical Textiles	❖ Modernization of Technical Textile Plant at Gwalior was also approved.
1QFY15	1,130	Chemicals	❖ Proposal for setting up of a new specialty chemical plant at its Chemical Complex at Dahej in Gujarat
4QFY14	1,400	Chemicals	❖ Setting up a second multi-purpose plant to create additional capacity to manufacture specialty chemicals at Dahej in Gujarat.
3QFY14	110	Chemicals	❖ Augmenting production facility for specialty chemicals at SRF's Chemical Complex in Dahej, Gujarat
	220	Technical Textiles	❖ Quality of power for Gwalior unit
1QFY14	500	Chemicals	❖ Set up a new plant under the second Flexible Multi-purpose Plant at the company's newly developed chemical complex at Dahej in Gujarat. The new plant will manufacture specialty chemicals that will essentially cater to the agrochemical industry
4QFY13	900	Chemicals	❖ Two separate proposals for setting up two plants with a combined capacity of 2000 tonnes per annum for producing speciality chemicals at SRF's Chemical Complex in Dahej, Gujarat
1QFY13	430	Chemicals	❖ Set up a Fluorinated Speciality Plant at the company's new Chemical Complex at Dahej in Gujarat.

Source: Company, MOFSL



## Financials and valuations

### Consolidated - Income Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Total Income from Operations</b>	<b>45,927</b>	<b>48,218</b>	<b>55,890</b>	<b>70,996</b>	<b>72,094</b>	<b>78,335</b>	<b>98,794</b>	<b>1,18,108</b>
Change (%)	1.2	5.0	15.9	27.0	1.5	8.7	26.1	19.5
<b>Total Expenditure</b>	<b>36,199</b>	<b>38,524</b>	<b>46,828</b>	<b>57,787</b>	<b>57,510</b>	<b>61,333</b>	<b>76,813</b>	<b>91,558</b>
% of Sales	78.8	79.9	83.8	81.4	79.8	78.3	77.8	77.5
<b>EBITDA</b>	<b>9,728</b>	<b>9,694</b>	<b>9,062</b>	<b>13,209</b>	<b>14,584</b>	<b>17,002</b>	<b>21,981</b>	<b>26,549</b>
Margin (%)	21.2	20.1	16.2	18.6	20.2	21.7	22.2	22.5
Depreciation	2,750	2,834	3,158	3,582	3,886	4,300	4,472	4,822
<b>EBIT</b>	<b>6,979</b>	<b>6,859</b>	<b>5,904</b>	<b>9,627</b>	<b>10,698</b>	<b>12,702</b>	<b>17,509</b>	<b>21,727</b>
Int. and Finance Charges	1,305	1,018	1,239	1,984	2,007	1,992	1,993	1,928
Other Income	278	730	688	280	491	491	540	594
<b>PBT bef. EO Exp.</b>	<b>5,952</b>	<b>6,572</b>	<b>5,353</b>	<b>7,923</b>	<b>9,182</b>	<b>11,202</b>	<b>16,056</b>	<b>20,393</b>
EO Items	-103	0	463	262	997	-89	0	0
<b>PBT after EO Exp.</b>	<b>5,849</b>	<b>6,572</b>	<b>5,817</b>	<b>8,185</b>	<b>10,179</b>	<b>11,113</b>	<b>16,056</b>	<b>20,393</b>
Current Tax	1,551	1,422	1,200	1,769	265	2,617	3,853	4,894
Deferred Tax	0	0	0	0	-277	0	0	0
Tax Rate (%)	26.5	21.6	20.6	21.6	-0.1	23.5	24.0	24.0
Less: Mionrity Interest	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>4,299</b>	<b>5,150</b>	<b>4,617</b>	<b>6,416</b>	<b>10,191</b>	<b>8,496</b>	<b>12,203</b>	<b>15,499</b>
<b>Adjusted PAT</b>	<b>4,402</b>	<b>5,150</b>	<b>4,154</b>	<b>6,155</b>	<b>9,194</b>	<b>8,585</b>	<b>12,203</b>	<b>15,499</b>
Change (%)	45.4	17.0	-19.3	48.2	49.4	-6.6	42.1	27.0
Margin (%)	9.6	10.7	7.4	8.7	12.8	11.0	12.4	13.1

### Consolidated - Balance Sheet

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	584	584	584	585	585	585	585	585
Total Reserves	27,045	31,242	35,061	40,708	49,748	56,887	67,732	81,705
<b>Net Worth</b>	<b>27,630</b>	<b>31,827</b>	<b>35,645</b>	<b>41,293</b>	<b>50,333</b>	<b>57,472</b>	<b>68,317</b>	<b>82,290</b>
Minority Interest	0	0	0	0	0	0	0	0
Deferred Liabilities	3,820	2,866	2,914	3,420	1,755	1,755	1,755	1,755
Total Loans	25,153	23,962	31,418	36,993	40,240	37,740	34,740	31,740
<b>Capital Employed</b>	<b>56,603</b>	<b>58,655</b>	<b>69,978</b>	<b>81,706</b>	<b>92,328</b>	<b>96,967</b>	<b>1,04,812</b>	<b>1,15,784</b>
Gross Block	71,410	77,169	87,502	68,322	76,934	85,934	92,934	99,934
Less: Accum. Deprn.	30,334	33,169	36,327	12,269	15,540	19,840	24,313	29,135
<b>Net Fixed Assets</b>	<b>41,076</b>	<b>44,000</b>	<b>51,175</b>	<b>56,053</b>	<b>61,394</b>	<b>66,094</b>	<b>68,622</b>	<b>70,799</b>
Goodwill on Consolidation	49	49	41	41	41	41	41	41
Capital WIP	1,174	2,586	5,588	7,536	13,933	11,933	11,933	12,433
Current Investments	1,606	1,708	1,217	1,005	1,985	0	0	0
<b>Total Investments</b>	<b>1,649</b>	<b>1,959</b>	<b>1,218</b>	<b>1,006</b>	<b>2,027</b>	<b>2,027</b>	<b>2,027</b>	<b>2,027</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>20,291</b>	<b>21,090</b>	<b>25,608</b>	<b>34,243</b>	<b>32,373</b>	<b>36,008</b>	<b>44,640</b>	<b>56,036</b>
Inventory	6,711	8,381	9,582	12,247	12,012	10,677	12,767	16,024
Account Receivables	5,145	6,569	6,807	10,288	8,911	9,658	12,180	14,561
Cash and Bank Balance	3,399	961	967	1,989	1,255	2,929	3,762	5,538
Loans and Advances	5,036	5,178	8,252	9,719	10,196	12,745	15,931	19,913
<b>Curr. Liability &amp; Prov.</b>	<b>8,934</b>	<b>11,055</b>	<b>13,653</b>	<b>17,173</b>	<b>17,440</b>	<b>19,136</b>	<b>22,449</b>	<b>25,552</b>
Account Payables	7,146	8,089	10,442	13,824	11,117	12,813	16,127	19,229
Other Current Liabilities	1,477	2,606	2,831	2,908	5,881	5,881	5,881	5,881
Provisions	312	359	380	441	442	442	442	442
<b>Net Current Assets</b>	<b>11,357</b>	<b>10,035</b>	<b>11,955</b>	<b>17,070</b>	<b>14,934</b>	<b>16,873</b>	<b>22,190</b>	<b>30,485</b>
Deferred Tax assets	1,297	26	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>56,603</b>	<b>58,655</b>	<b>69,978</b>	<b>81,706</b>	<b>92,328</b>	<b>96,967</b>	<b>1,04,812</b>	<b>1,15,784</b>



## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>75.3</b>	<b>88.1</b>	<b>71.1</b>	<b>105.2</b>	<b>157.2</b>	<b>146.7</b>	<b>208.6</b>	<b>264.9</b>
Cash EPS	122.4	136.6	125.1	166.4	223.6	220.3	285.0	347.4
BV/Share	472.8	544.6	609.9	705.9	860.4	982.4	1,167.8	1,406.7
DPS	9.8	11.8	16.0	20.0	14.0	20.0	20.0	22.5
Payout (%)	15.5	15.9	23.5	21.2	9.6	16.0	11.1	9.9
<b>Valuation (x)</b>								
P/E		48.9	60.7	41.0	27.4	29.4	20.7	16.3
Cash P/E		31.6	34.5	25.9	19.3	19.6	15.1	12.4
P/BV		7.9	7.1	6.1	5.0	4.4	3.7	3.1
EV/Sales		5.7	5.0	4.0	4.0	3.7	2.9	2.4
EV/EBITDA		28.2	31.1	21.7	19.8	16.9	12.9	10.5
Dividend Yield (%)		0.3	0.4	0.5	0.3	0.5	0.5	0.5
FCF per share		19.0	-110.5	428.1	-50.7	128.6	122.8	140.7
<b>Return Ratios (%)</b>								
EBITDA Margins (%)	21.2	20.1	16.2	18.6	20.2	21.7	22.2	22.5
Net Profit Margins (%)	9.6	10.7	7.4	8.7	12.8	11.0	12.4	13.1
RoE	17.0	17.3	12.3	16.0	20.1	15.9	19.4	20.6
RoCE	10.5	11.0	8.5	10.7	13.3	10.9	13.8	15.6
RoIC	18.5	17.8	13.8	18.1	15.3	21.0	26.8	30.3
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.6	0.6	0.6	1.0	0.9	0.9	1.1	1.2
Asset Turnover (x)	0.8	0.8	0.8	0.9	0.8	0.8	0.9	1.0
Inventory (Days)	105	126	115	113	119	100	95	100
Debtor (Days)	41	50	44	53	45	45	45	45
Creditor (Days)	112	122	126	127	110	120	120	120
<b>Leverage Ratio (x)</b>								
Debt/Equity	0.9	0.8	0.9	0.9	0.8	0.7	0.5	0.4

### Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	5,952	6,572	5,817	8,185	10,179	11,113	16,056	20,393
Depreciation	2,750	2,834	3,158	3,582	3,886	4,300	4,472	4,822
Interest & Finance Charges	1,305	1,018	1,239	1,984	2,007	1,992	1,993	1,928
Direct Taxes Paid	-1,551	-1,422	-1,200	-1,769	-265	-2,617	-3,853	-4,894
(Inc)/Dec in WC	703	-2,464	-2,138	-4,171	-3,762	-265	-4,484	-6,519
<b>CF from Operations</b>	<b>9,159</b>	<b>6,538</b>	<b>6,876</b>	<b>7,811</b>	<b>12,044</b>	<b>14,523</b>	<b>14,184</b>	<b>15,730</b>
Others	-947	1,742	0	0	0	0	0	0
<b>CF from Operating incl EO</b>	<b>8,212</b>	<b>8,280</b>	<b>6,876</b>	<b>7,811</b>	<b>12,044</b>	<b>14,523</b>	<b>14,184</b>	<b>15,730</b>
(inc)/dec in FA	-4,771	-7,170	-13,335	17,232	-15,009	-7,000	-7,000	-7,500
<b>Free Cash Flow</b>	<b>3,441</b>	<b>1,110</b>	<b>-6,460</b>	<b>25,043</b>	<b>-2,965</b>	<b>7,523</b>	<b>7,184</b>	<b>8,230</b>
(Pur)/Sale of Investments	0	0	0	212	-1,021	0	0	0
Others	-707	-310	741	0	4,841	0	0	0
<b>CF from Investments</b>	<b>-5,477</b>	<b>-7,479</b>	<b>-12,595</b>	<b>17,444</b>	<b>-11,189</b>	<b>-7,000</b>	<b>-7,000</b>	<b>-7,500</b>
Issue of Shares	0	0	0	1	0	0	0	0
Inc/(Dec) in Debt	1,053	-1,523	7,806	5,575	3,246	-2,500	-3,000	-3,000
Interest Paid	-1,305	-1,018	-1,239	-1,984	-2,007	-1,992	-1,993	-1,928
Dividend Paid	-664	-821	-1,085	-1,357	-983	-1,357	-1,357	-1,527
Others	507	123	243	-26,469	-1,846	0	0	0
<b>CF from Fin. Activity</b>	<b>-409</b>	<b>-3,238</b>	<b>5,726</b>	<b>-24,234</b>	<b>-1,590</b>	<b>-5,849</b>	<b>-6,350</b>	<b>-6,455</b>
<b>Inc/Dec of Cash</b>	<b>2,326</b>	<b>-2,438</b>	<b>6</b>	<b>1,021</b>	<b>-734</b>	<b>1,674</b>	<b>833</b>	<b>1,776</b>
Opening Balance	1,073	3,399	961	968	1,989	1,255	2,929	3,762
<b>Closing Balance</b>	<b>3,399</b>	<b>961</b>	<b>968</b>	<b>1,989</b>	<b>1,255</b>	<b>2,929</b>	<b>3,762</b>	<b>5,538</b>

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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