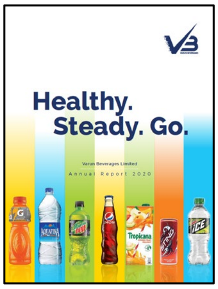
15 April 2021

Annual Report Update | Sector: Consumers

Varun Beverages

BSE SENSEX	S&P CNX
48,804	14,581



Stock Info

Bloomberg	VBL IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	287 / 3.8
52-Week Range (INR)	1096 / 547
1, 6, 12 Rel. Per (%)	6/26/15
12M Avg Val (INR M)	286
Free float (%)	33.6

Financials Snapshot (INR b)

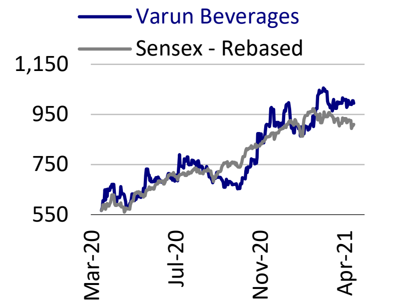
Y/E Dec	CY20	CY21E	CY22E
Sales	64.5	87.0	103.3
EBITDA	12.0	18.3	21.9
Adj. PAT	4.0	7.9	10.6
EBITDA (%)	18.6	21.0	21.2
EPS (INR)	13.7	27.5	36.7
EPS Gr. (%)	-15.7	100.4	33.8
BV/Sh. (INR)	122.1	146.9	180.9
Ratios			
Net D/E	0.9	0.4	0.2
RoE (%)	11.5	20.4	22.4
RoCE (%)	10.4	14.4	17.8
Payout (%)	21.9	9.5	7.6
Valuations			
P/E (x)	72.3	36.1	27.0
EV/EBITDA (x)	26.4	16.7	13.5
Div Yield (%)	0.3	0.3	0.3
FCF Yield (%)	2.5	5.0	4.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	66.4	66.4	68.4
DII	5.9	6.0	6.3
FII	20.5	20.8	19.4
Others	7.3	6.9	5.9

Note: FII includes depository receipts

Stock Performance (1-year)



CMP: INR994 TP: INR1,140 (+15%) Buy

Acquired geographies to lead next leg of growth

Our analysis of Varun Beverages' (VBL) CY20 annual report highlights the management's efforts to improve its presence, product mix, and utilization levels. Key insights mentioned below:

Lower consumption due to COVID-19 pandemic affected overall volumes

- Over CY13-20, volume mix of carbonated soft drinks (CSD) has fallen by ~10pp to 73% in CY20 (309m units). However, corresponding volume has grown at 13% CAGR over the same period. The drop in volume mix is due to increased focus of the management towards diversifying its product portfolio through the introduction of newer products in NCBs (non-carbonated Beverages).
- Volume mix of Water increased by 11.6pp to 21% over CY13-20 (90m units), with corresponding volumes growing at 30% CAGR over the same period. Robust growth in Water volumes was due to higher mix of Water in the acquired territories by VBL in India and launch of Water in Sri Lanka and Morocco. Its international volume share saw a significant jump (700bp) to 21% over CY13-20 (88m units in CY20), with volumes growing at 23% CAGR over the same period.
- The mix of NCBs has marginally contracted by 120bp over CY13-20 (26m units in CY20). With the commencement of operations at the new Pathankot facility and higher focus towards NCBs, volume mix of NCBs is expected to improve.
- We expect overall volumes to grow at 28% CAGR over CY20-22E on the back of increased penetration in the newly acquired territories of South and West India, ramp-up of operations at its new facility (at Pathankot), and new product launches.

VBL's share in PepsiCo's India sales volume surged to ~85%

- In CY19, VBL accounted for 80%+ of PepsiCo's India sales volume. Over CY15-19, its volume share increased to 80%+ in CY19 from ~45% in CY15, through inorganic acquisition of new territories, increased penetration due to higher operational efficiency, and a robust distribution network.
- In CY20, VBL's share (handling PepsiCo's India business) further increased by 500bp and currently accounts for ~85%+ of PepsiCo's India business.

Profitability affected due to COVID-19, better FCF on lower capex in CY20

- Revenue dropped by 9.5% YoY to INR64.5b on lower volumes. The same was affected due to COVID-led lockdown and slower ramp-up of operations from newly acquired territories.
- EBITDA margin contracted by 170bp to 18.6% and EBITDA/case dropped to INR28.3 in CY20 (v/s INR29.5 in CY19), which was due to lower volumes, leading to the absence of operating leverage.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

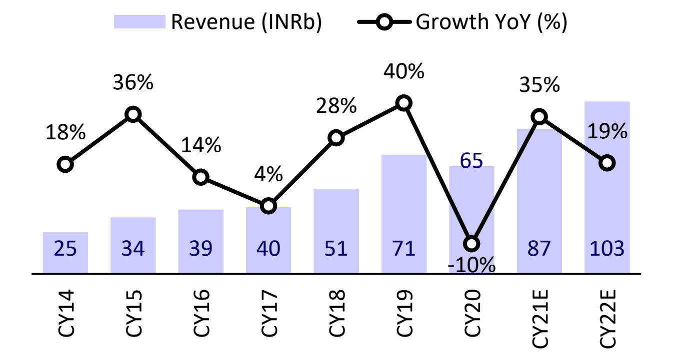
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Gross debt decreased by 6% YoY to INR32b in CY20 due to repayment of long-term debt (which reduced by INR2b in CY20).
- Operating cash flow declined 23% YoY to INR10b in CY20 v/s INR13b in CY19. This was due to a reduction in operating profit by 17% YoY to INR12b, coupled with an increase in working capital to INR6.6b in CY20 (v/s working capital of INR5.8b in CY19). Working capital days increased by seven days due to a seven/five-day increase in inventory/debtor days. This was partially offset by an increase in the payables cycle by four days. Cash conversion (CFO/EBITDA) was 84% in CY20 v/s 90% in CY19. FCF increased by 25% YoY to INR7.2b in CY20. This was mainly due to lower capex outflow.
- RoCE/RoE contracted by 140bp/610bp YoY to 10.4%/11.5% in CY20, due to lower profitability amid COVID-19 pandemic.
- Standalone revenue/EBITDA/adjusted PAT decreased by 13%/29%/35% YoY to INR48.8b/INR8.6b/INR2.9b, respectively.
- Government grants decreased by 45% YoY to INR656m. As a percentage of consolidated/standalone revenue, government grants stood at 1%/1.3% in CY20 (v/s 1.7%/2.1% in CY19).
- Subsidiary revenue increased by 4% YoY to INR15.7b. This was due to significant revenue jump (28% YoY) to INR7.2b in its Zimbabwe's subsidiary and amalgamation of Lunarmech Technologies Pvt in with Angelica Technologies Pvt (leading to increased revenue).
- Subsidiary EBITDA margin expanded by 570bp to 21.8% in CY20, whereas EBITDA jumped 40% YoY to INR3.4b. Adjusted PAT jumped 5x YoY to INR1b over the same period.

Valuation and view

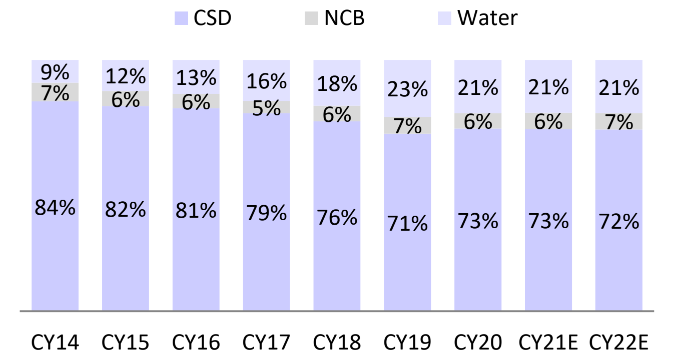
- With the integration of new territories, VBL has adequate capacity in place to meet growing demand (utilization during peak season ~60%). With an increase in demand, we expect sweating of assets to increase, leading to the kicking-in of operating leverage, thereby improving margin. Surge in on-the-go consumption and increasing demand from HORECA segment (6-7% of sales) is expected to complement volume growth in the medium-term.
- We expect strong demand traction over the next few years due to: a) VBL is a monopoly play in PepsiCo India's business, as the market increased to ~85%, b) increasing penetration in the newly acquired regions (South and West India) on the back of a robust distribution network, c) diversifying product portfolio, and d) greater Refrigerator penetration in rural/and semi-rural areas.
- We expect a CY20-22E revenue/EBITDA CAGR of 27%/35%. Based on future growth potential (namely acquisition of new territories in South and West India) and the return ration profile, we value the stock at 31x (in-line with its three-year average P/E of 32x) CY22E EPS of INR36.7 to arrive at our target price of INR1,140, implying an upside of 15%. Maintain Buy.

Exhibit 1: Expect 27% revenue CAGR over CY20-22E



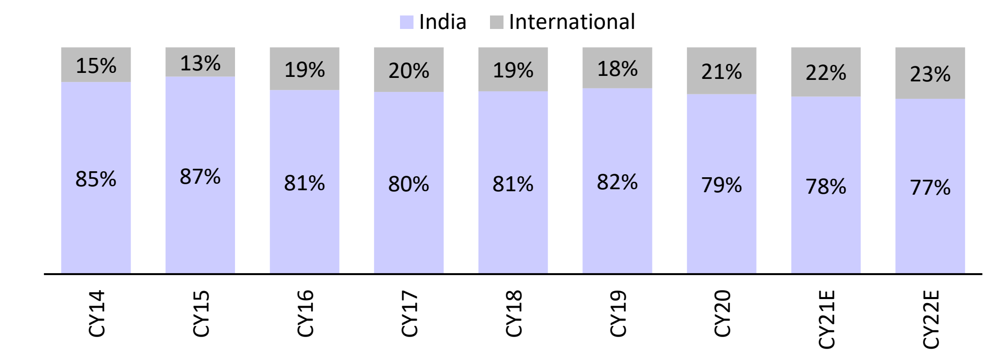
Source: Company, MOFSL

Exhibit 2: CSD dominating volume mix



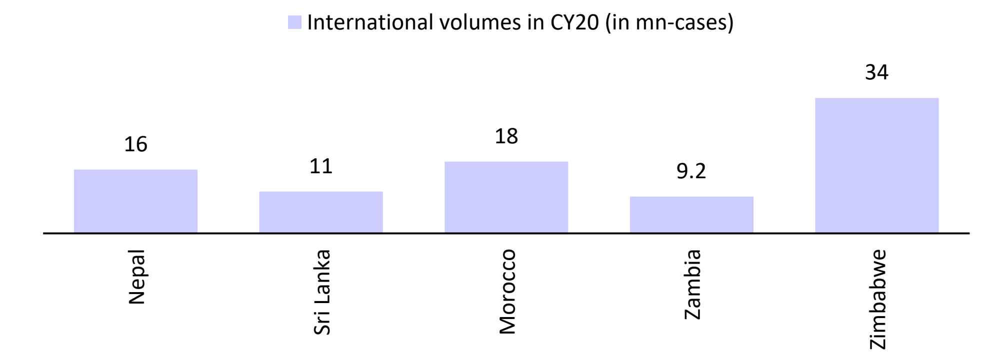
Source: Estimates, Company, MOFSL

Exhibit 3: Majority of revenue contributed by India



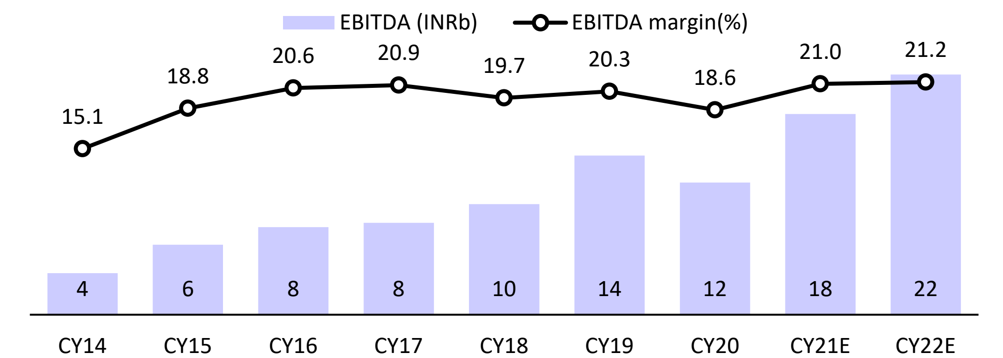
Source: Company, MOFSL

Exhibit 4: Zimbabwe a major (~39%) driver of international volumes



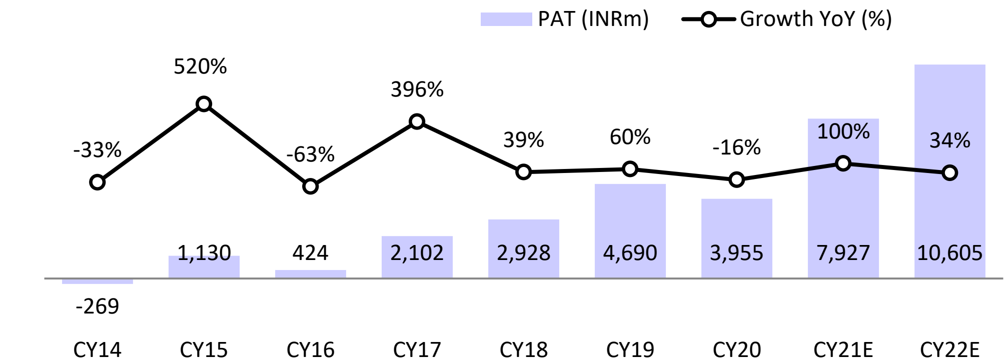
Source: Company, MOFSL

Exhibit 5: Expect 35% EBITDA CAGR over CY20-22E



Source: Company, MOFSL

Exhibit 6: Expect 64% PAT CAGR over CY20-22E



Source: Company, MOFSL

Exhibit 7: Performance data of subsidiaries

Subsidiaries - CY20 - (INR m)	Varun Beverages (Nepal) Pvt	Varun Beverages Lanka (Pvt)*	Varun Beverages Morocco SA	Varun Beverages (Zambia)*	Varun Beverages (Zimbabwe) (Pvt.)	Lunarmech Technologies Pvt.	Total (including Lunarmech)	Total (excluding Lunarmech)
Revenue	3,913	1,680	3,281	1,533	7,235	971	18,613	17,642
% of Consol. revenue	6%	3%	5%	2%	11%	2%	29%	27%
PBT	511	-8	-152	-414	1,721	214	1,872	1,658
Tax	215	19	18	-	-	56	308	252
PAT	296	-27	-170	-414	1,721	158	1,564	1,406
% of shareholding	100%	100%	100%	90%	85%	55%		
Subsidiaries - CY19 - (INR m)	**Varun Beverages (Nepal) Pvt**	**Varun Beverages Lanka (Pvt)***	**Varun Beverages Morocco SA**	**Varun Beverages (Zambia)***	**Varun Beverages (Zimbabwe) (Pvt.)**	**Angelica Technologies Pvt.**	**Total (including Lunarmech)**	**Total (excluding Lunarmech)**
Revenue	4,755	1,681	3,507	1,723	5,669	105	17,440	17,335
% of Consol. revenue	7%	2%	5%	2%	8%	0%	24%	24%
PBT	650	-23	-172	-131	-179	20	166	146
Tax	93	22	22	-	-	5	143	137
PAT	558	-45	-195	-131	-179	15	24	9
% of shareholding	100%	100%	100%	90%	85%	47%		
Revenue (Growth YoY %)	-18%	0%	-6%	-11%	28%	NA	7%	2%
PBT (Growth YoY %)	-21%	NA	NA	NA	NA	NA	NA	NA
PAT (Growth YoY %)	-47%	NA	NA	NA	NA	NA	NA	NA

Source: Company, MOFSL

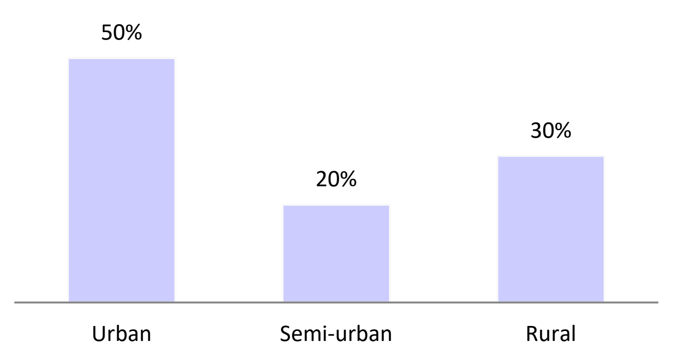
Key highlights from the Chairman Mr. Ravi Jaipuria's address

- Despite the COVID-led lockdown and travel restrictions forming a major part of CY20, especially during the seasonally strong 2Q (Apr-Jun'20), VBL managed to reduce downfall in volumes to just 13% at 425m cases. It managed to start manufacturing operations at all units by May'20 and was quickly able to ramp-up operations.
- The domestic market has seen a sharp revival in demand, driven by rural and semi-urban regions. Urban India is witnessing signs of a rebound in demand, with an increase in out-home-consumption. Opening of HORECA segment (which currently contributes 6-7%) is expected to support urban consumption.
- VBL is gaining market share in the highly under-penetrated domestic market, which provides a huge opportunity for increasing volumes.

India Beverage business – growth drivers and opportunities

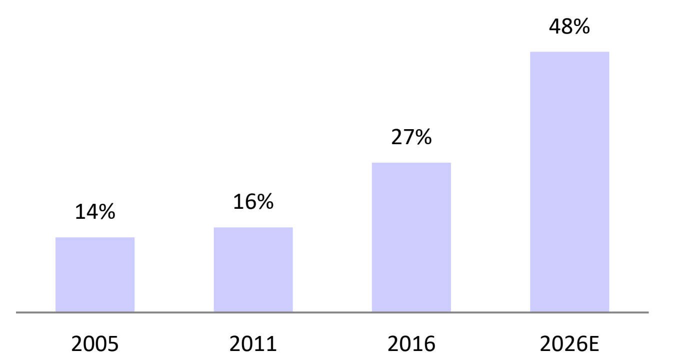
- **Growing per capita income and increasing urbanization:** Over 50% of India's population currently falls under the working age category. Increasing per capita income is expected to boost sale of Beverages as the cost of product is just a fraction of overall income. Increasing urbanization is expected to complement the purchasing power of consumers.
- **Uptick in rural demand and electrification:** Increasing electrification in India is expected to push sales of Refrigerators, which in turn is expected to drive Beverage sales, particularly in rural and semi-urban areas. Also, a) increasing number of hours of undisrupted electricity supply, and b) higher dispatches of visi-coolers to distributors and retailers (would improve consumption at the point of sale), are factors that could push sales.

Exhibit 8: Majority of VBL's volumes accrue from urban areas



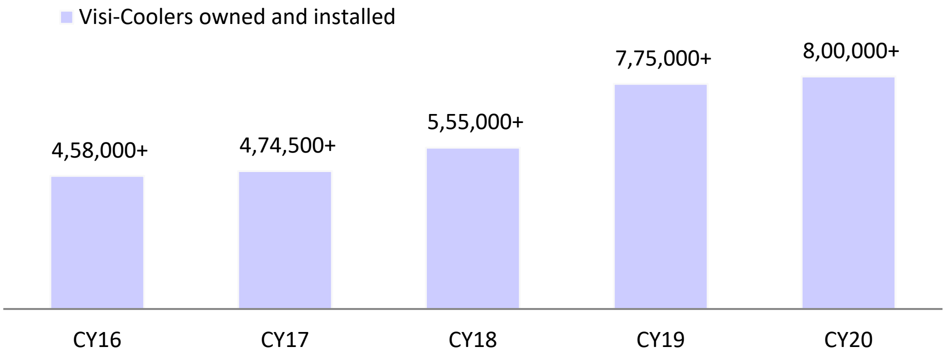
Source: Company, MOFSL

Exhibit 9: Growing penetration of refrigeration to support growth



Source: Industry data, MOFSL

Exhibit 10: Consistent increase in visi-coolers to drive retail demand



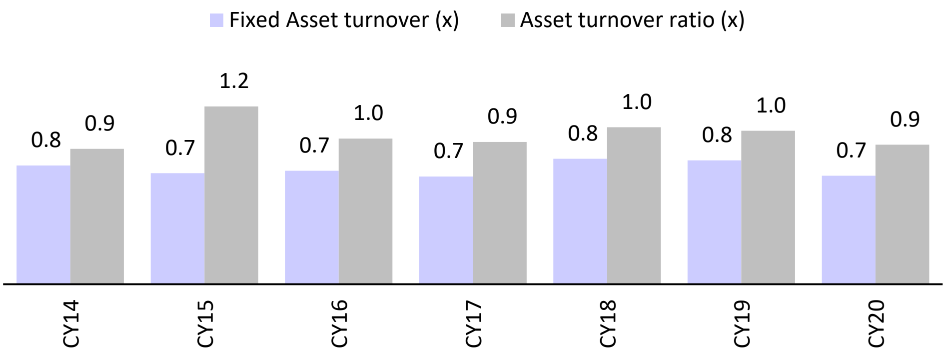
Source: Company, MOFSL

Financials

Drop in capex run-rate, focus shifts towards improving cash flows

- VBL incurred a capex of INR2.9b in CY20 v/s INR25.5b/INR5.3b/INR4.7b/INR5.3b in CY19/CY18/CY17/CY16. Increase in gross block was on account of: 1) addition to plant and equipment (INR3b), 2) addition to building at INR700m, 3) addition to vehicles at INR295m, and 4) INR257m expenditure on visi-coolers.
- Capex run-rate was significantly lower than average run-rate of INR11b over CY15-19. Majority of organic and inorganic expansion was completed by the company in the preceding years, and the focus was mainly towards improving utilization of assets. VBL is expected to maintain capex run-rate of INR4b over CY20-22E as utilization levels are very low and the management's focus will be towards increasing utilization levels.

Exhibit 11: Steady asset turnover ratio



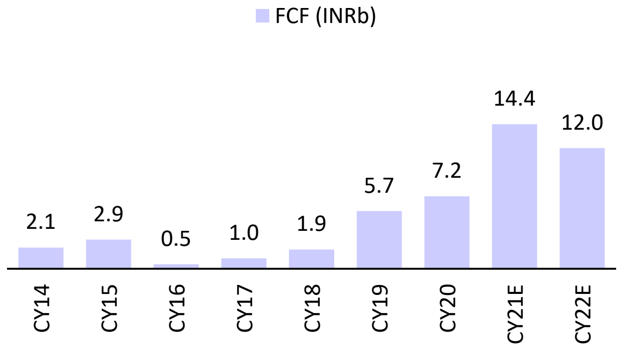
Source: Company, MOFSL

Operating cash flow declined due to fall in operating profit

- Operating cash flow declined 23% YoY to INR10b in CY20 v/s INR13b in CY19. This was due to a reduction in operating profit by 17% YoY to INR12b, coupled with an increase in working capital to INR6.6b in CY20 (v/s working capital of INR5.8b in CY19).
- Although inventory grew 5% YoY to INR9.3b in CY20, the corresponding increase in receivables was 40% to INR2.4b, leading to higher working capital outflow.
- VBL has maintained an average FCF annual run-rate of INR2.4b over CY15-19. FCF saw a sharp increase (25% YoY) to INR7.2b due to lower capex outflow of

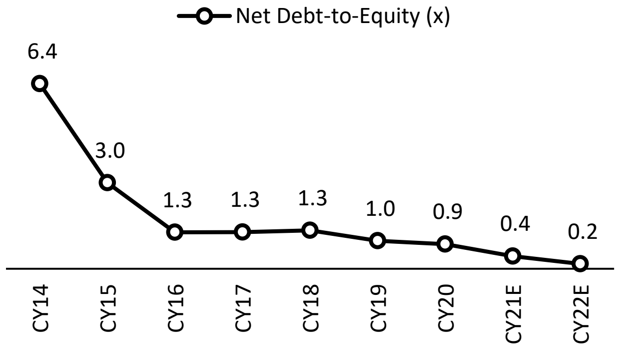
just INR2.9b in CY20 v/s capex outflow of INR25.5b in CY19. Going forward, the management plans to have lower capex outflow and focus on sweating of assets, thereby leading to higher FCF generation.

Exhibit 12: Strong FCF generation…



Source: Company, MOFSL

Exhibit 13: …to reduce debt burden



Source: Company, MOFSL

Exhibit 14: Strong FCF generation

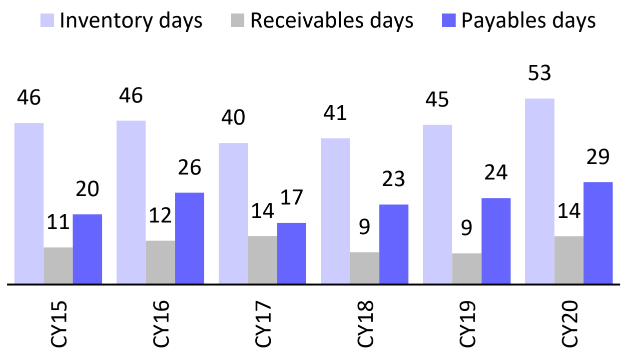
(INR m)	CY15	CY16	CY17	CY18	CY19	CY20	CY21E	CY22E
CFO	5,548	8,258	6,198	9,998	13,076	10,120	18,387	16,020
Capex	-2,645	-7,803	-5,165	-8,088	-7,331	-2,913	-4,000	-4,000
FCF	**2,903**	**455**	**1,033**	**1,910**	**5,745**	**7,207**	**14,387**	**12,020**

Source: Company, MOFSL

Working capital

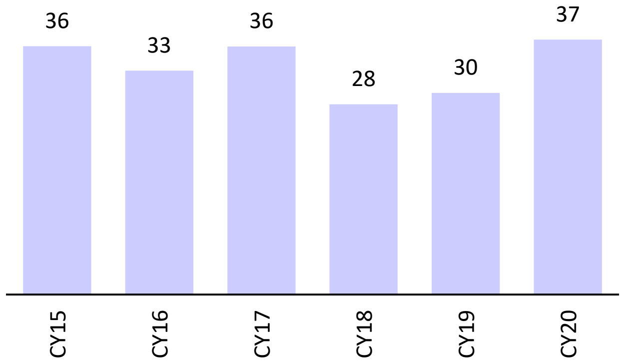
- Net working capital days has increased from its five-year average (over CY15-19) of 33 days to 37 days in CY20 primarily on account of lower sales due to pandemic.
- During the year, inventory rose by 5%, lower than account receivables/payables, which increased 40%/7%. The corresponding increase in inventory days was seven days to 53 days. The net increase in receivables/payable days was just five/four days to 14/29 days. Overall working capital days increased to 37 from 30 days.

Exhibit 15: Inventory/receivables and payable days



Source: Company, MOFSL

Exhibit 16: Working capital days



Source: Company, MOFSL

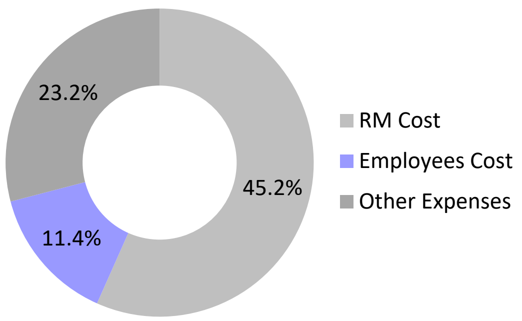
Related-party transactions

- Sales to related parties increased by 4.3x to INR688m in CY20 v/s INR160m in CY19. This was due to higher sales to Jai Beverages Pvt. Ltd. (PepsiCo's franchisee in J&K) as their plant was not operational during the COVID-19 led lockdown.
- Net receivable from related parties stood at INR80m in CY20 v/s net payables of INR4m in CY19.

Cost structure

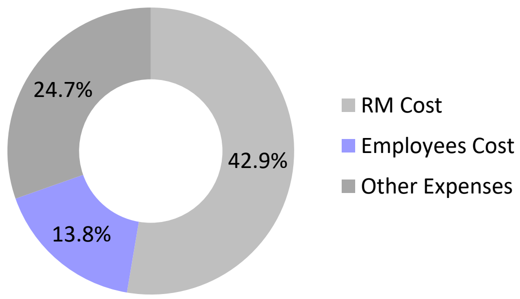
- EBITDA margin contracted by 170bp to 18.6%, with absolute EBITDA ~INR12b. Gross margin improved by 230bp to 57.1% (v/s 54.8% in CY19).
- As a percentage of sales, employee cost reported a sharp jump (240bp) to 13.8% in CY20 as compared to 11.4% in CY19. Although VBL reported a drop in total employee count in India, higher employee cost was due to lower sales due to COVID-19 pandemic (and higher employee fixed cost). Employee cost increased by 10% YoY to INR8.9b in CY20.
- Other expenses dropped by 3% YoY to INR16b in CY20 due to a 39% drop in traveling and conveyance charges to INR511m. As a percentage of sales, other expenses reported a jump of 160bp to 24.7% in CY20 v/s 23.2% in CY19.

Exhibit 17: Cost structure in CY19



Source: Company, MOFSL

Exhibit 18: Cost structure in CY20



Source: Company, MOFSL

Employee cost and salaries

- The number of permanent employees in India reduced by ~9% to 7,808 in CY20 (v/s 8,570 in CY19).
- Average percentage increase in staff salaries other than managerial employees in CY20 was 10.2% (v/s 10.8% in CY19). Increase in managerial remuneration for CY20 stood at 21% (v/s 12% in CY19).
- The percentage increase in median remuneration was 5.9% for CY20 (v/s 10.7% in CY19), reflecting the impact of lower employees in CY20.

Exhibit 19: Remuneration of KMPs (INR m)

	CY19	CY20	Growth YoY
Mr. Varun Jaipuria, WTD	31.5	43.7	39%
Mr. Raj Gandhi, WTD***	48.5	41.6	-14%
Mr. Kapil Agarwal, WTD and CEO	57.1	68.3	20%
Mr. Rajinder Jeet Singh Bagga, WTD*	18.4	31.6	NA
Mr. Vikas Bhatia, CFO**	7.7	22.5	NA

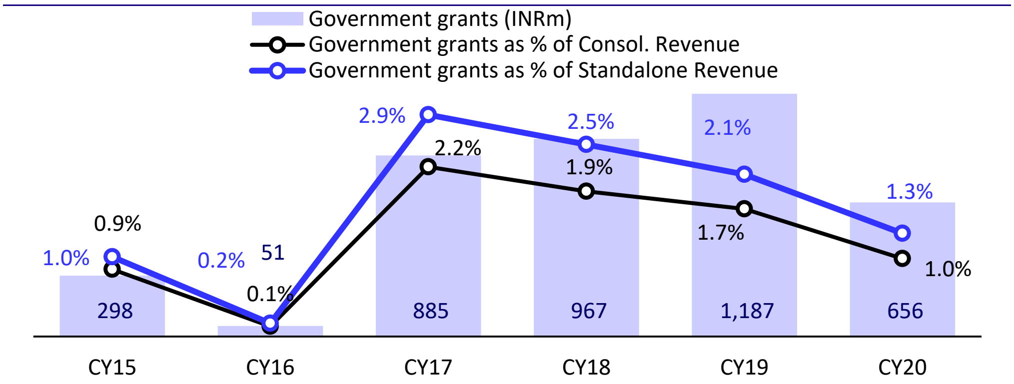
*Appointed with effect from 2nd May'19 Source: Company, MOFSL

**Appointed with effect from 1st Aug'19; ***Mr. Gandhi forego his performance bonus due to COVID-19 for FY20

Other highlights

- Standalone revenue/EBITDA/adjusted PAT decreased by 13%/29%/35% YoY to INR48.8b/INR8.6b/INR2.9b.
- Government grants decreased by 45% YoY to INR656m. As a percentage of consolidated/standalone revenue, government grants stood at 1%/1.3% in CY20 (v/s 1.7%/2.1% in CY19, respectively).
- Subsidiary revenue increased by 4% YoY to INR15.7b. This was due to significant revenue jump (28% YoY) to INR7.2b in its Zimbabwe's subsidiary and amalgamation of Lunarmech Technologies Pvt. in with Angelica Technologies Pvt. (leading to increased revenue).
- Subsidiary EBITDA margin expanded by 570bp to 21.8% in CY20, whereas EBITDA jumped 40% YoY to INR3.4b. Adjusted PAT jumped 5x YoY to INR1b over the same period.
- Loans to subsidiaries reduced sharply (59% YoY) to INR2.3b. The reduction was on account of conversion of loans to subsidiary into equity in Zambia, Morocco, and Sri Lanka.

Exhibit 20: Trend of government grant (INR m)



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement									(INR m)
Y/E December	**CY14**	**CY15**	**CY16**	**CY17**	**CY18**	**CY19**	**CY20**	**CY21E**	**CY22E**
Total Income from Operations	**25,010**	**33,941**	**38,612**	**40,035**	**51,053**	**71,296**	**64,501**	**86,999**	**1,03,273**
Change (%)	18.2	35.7	13.8	3.7	27.5	39.7	-9.5	34.9	18.7
RM Cost	13,766	17,165	17,379	18,101	22,441	32,194	27,639	38,283	46,989
Employees Cost	2,168	3,238	4,210	4,628	5,830	8,108	8,897	10,171	10,783
Other Expenses	5,303	7,168	9,063	8,947	12,716	16,517	15,946	20,284	23,649
Total Expenditure									
% of Sales	**21,237**	**27,571**	**30,652**	**31,676**	**40,987**	**56,819**	**52,483**	**68,738**	**81,422**
EBITDA	84.9	81.2	79.4	79.1	80.3	79.7	81.4	79.0	78.8
Margin (%)	**3,774**	**6,371**	**7,960**	**8,359**	**10,066**	**14,477**	**12,019**	**18,261**	**21,851**
Depreciation	15.1	18.8	20.6	20.9	19.7	20.3	18.6	21.0	21.2
EBIT	2,142	3,174	3,222	3,466	3,851	4,886	5,287	5,660	6,261
Int. and Finance Charges	**1,631**	**3,197**	**4,738**	**4,893**	**6,215**	**9,590**	**6,732**	**12,601**	**15,590**
Other Income	1,906	1,688	4,325	2,122	2,126	3,096	2,811	2,030	1,645
PBT bef. EO Exp.	167	143	357	125	218	425	370	249	310
EO Items	**-107**	**1,652**	**770**	**2,896**	**4,308**	**6,919**	**4,290**	**10,820**	**14,255**
PBT after EO Exp.	0	0	0	0	0	0	-665	0	0
Total Tax	**-107**	**1,652**	**770**	**2,896**	**4,308**	**6,919**	**3,625**	**10,820**	**14,255**
Tax Rate (%)	176	789	313	769	1,339	2,241	52	2,597	3,421
Share of profit from associates	-163.6	47.7	40.7	26.6	31.1	32.4	1.4	24.0	24.0
Minority Interest	19	13	24	14	30	44	0	0	0
Prior period items	0	0	57	39	70	32	283	297	229
Reported PAT	-5	255	0	0	0	0	0	0	0
Adjusted PAT	**-269**	**1,130**	**424**	**2,102**	**2,928**	**4,690**	**3,290**	**7,927**	**10,605**
Change (%)	**-269**	**1,130**	**424**	**2,102**	**2,928**	**4,690**	**3,955**	**7,927**	**10,605**
Margin (%)	-33.4	-520.2	-62.5	395.9	39.3	60.1	-15.7	100.4	33.8

Consolidated - Balance Sheet									(INR Million)
Y/E December	**CY14**	**CY15**	**CY16**	**CY17**	**CY18**	**CY19**	**CY20**	**CY21E**	**CY22E**
Equity Share Capital	1,338	1,338	1,823	1,826	1,826	2,887	2,887	2,887	2,887
Total Reserves	-131	905	15,113	15,866	18,158	30,397	32,353	39,529	49,326
Net Worth	**3,207**	**6,743**	**16,936**	**17,692**	**19,985**	**33,284**	**35,240**	**42,416**	**52,212**
Minority Interest	0	0	-129	-14	78	307	648	648	648
Total Loans	24,033	20,773	22,154	23,560	27,649	34,172	32,059	25,559	15,559
Deferred Tax Liabilities	750	1,429	1,218	1,422	1,588	2,697	2,149	2,149	2,149
Capital Employed	**27,990**	**28,945**	**40,179**	**42,659**	**49,299**	**70,459**	**70,096**	**70,772**	**70,569**
Gross Block	31,943	46,325	51,589	56,326	61,697	87,203	90,086	93,954	97,954
Less: Accum. Deprn.	8,870	11,369	14,434	16,540	17,847	22,655	26,242	31,902	38,163
Net Fixed Assets	**23,074**	**34,956**	**37,155**	**39,786**	**43,850**	**64,548**	**63,844**	**62,052**	**59,791**
Goodwill on Consolidation	0	0	0	19	19	242	242	242	242
Capital WIP	248	379	956	1,454	3,524	638	668	800	800
Total Investments	**3,040**	**33**	**69**	**82**	**112**	**0**	**0**	**0**	**0**
Current Investments	3,020	0	0	0	0	0	0	0	0
Curr. Assets, Loans&Adv.	**6,088**	**8,945**	**10,133**	**11,494**	**12,808**	**18,327**	**19,719**	**29,364**	**33,174**
Inventory	2,893	4,247	4,899	4,389	5,784	8,815	9,288	11,299	13,384
Account Receivables	973	979	1,313	1,503	1,280	1,726	2,418	2,860	3,395
Cash and Bank Balance	344	581	657	945	935	1,711	1,901	6,959	6,607
Loans and Advances	1,878	3,138	3,263	4,658	4,809	6,076	6,113	8,245	9,787
Curr. Liability & Prov.	**4,459**	**15,367**	**8,134**	**10,177**	**11,015**	**13,297**	**14,378**	**21,686**	**23,439**
Account Payables	1,833	1,846	2,746	1,909	3,168	4,777	5,114	6,026	6,915
Other Current Liabilities	2,213	12,707	4,627	7,392	6,435	6,517	6,893	13,920	14,458
Provisions	413	815	761	875	1,412	2,003	2,371	1,740	2,065
Net Current Assets	**1,629**	**-6,422**	**1,999**	**1,317**	**1,793**	**5,031**	**5,342**	**7,678**	**9,735**
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	**27,990**	**28,945**	**40,179**	**42,659**	**49,299**	**70,459**	**70,096**	**70,772**	**70,569**

Financials and valuations

Ratios

Y/E December	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21E	CY22E
Basic (INR)									
EPS	**-0.9**	**3.9**	**1.5**	**7.3**	**10.1**	**16.2**	**13.7**	**27.5**	**36.7**
Cash EPS	6.5	14.9	12.6	19.3	23.5	33.2	32.0	47.1	58.4
BV/Share	11.1	23.4	58.7	61.3	69.2	115.3	122.1	146.9	180.9
DPS	0.0	0.0	0.0	1.6	1.6	2.4	2.5	2.6	2.8
Payout (%)	0.0	0.0	0.0	26.1	17.5	16.7	21.9	9.5	7.6
Valuation (x)									
P/E		253.1	675.1	136.1	97.7	61.0	72.3	36.1	27.0
Cash P/E		66.5	78.5	51.4	42.2	29.9	31.0	21.1	17.0
P/BV		42.4	16.9	16.2	14.3	8.6	8.1	6.7	5.5
EV/Sales		9.0	8.0	7.7	6.1	4.5	4.9	3.5	2.9
EV/EBITDA		48.1	38.6	36.9	31.1	22.0	26.4	16.7	13.5
Dividend Yield (%)	0.0	0.0	0.0	0.2	0.2	0.2	0.3	0.3	0.3
FCF per share	7.3	10.1	1.6	3.6	6.6	19.9	25.0	49.8	41.6
Return Ratios (%)									
RoE	-10.4	22.7	3.6	12.1	15.5	17.6	11.5	20.4	22.4
RoCE	18.1	6.4	9.1	9.2	10.0	11.8	10.4	14.4	17.8
RoIC	18.1	7.3	9.1	9.1	10.1	11.5	9.8	14.7	18.8
Working Capital Ratios									
Fixed Asset Turnover (x)	0.8	0.7	0.7	0.7	0.8	0.8	0.7	0.9	1.1
Asset Turnover (x)	0.9	1.2	1.0	0.9	1.0	1.0	0.9	1.2	1.5
Inventory (Days)	42	46	46	40	41	45	53	47	47
Debtor (Days)	14	11	12	14	9	9	14	12	12
Creditor (Days)	27	20	26	17	23	24	29	25	24
Leverage Ratio (x)									
Current Ratio	1.4	0.6	1.2	1.1	1.2	1.4	1.4	1.4	1.4
Interest Cover Ratio	0.9	1.9	1.1	2.3	2.9	3.1	2.4	6.2	9.5
Net Debt/Equity	6.4	3.0	1.3	1.3	1.3	1.0	0.9	0.4	0.2

Consolidated - Cash Flow Statement **(INR Million)**

Y/E December	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21E	CY22E
OP/(Loss) before Tax	38	1,906	770	2,896	4,308	6,919	3,625	10,820	14,255
Depreciation	2,101	2,982	3,222	3,466	3,851	4,826	5,287	5,660	6,261
Interest & Finance Charges	1,746	1,424	4,166	1,972	1,986	2,948	2,441	1,781	1,335
Direct Taxes Paid	-108	-483	-581	-571	-733	-1,201	-52	-2,597	-3,421
(Inc)/Dec in WC	445	-419	637	-1,965	-501	-827	-1,181	2,723	-2,410
CF from Operations	**4,221**	**5,411**	**8,214**	**5,798**	**8,911**	**12,665**	**10,120**	**18,387**	**16,020**
Others	87	137	44	400	1,087	411	0	0	0
CF from Operating incl EO	**4,309**	**5,548**	**8,258**	**6,198**	**9,998**	**13,076**	**10,120**	**18,387**	**16,020**
(Inc)/Dec in FA	-2,197	-2,645	-7,803	-5,165	-8,088	-7,331	-2,913	-4,000	-4,000
Free Cash Flow	**2,112**	**2,903**	**455**	**1,033**	**1,910**	**5,745**	**7,207**	**14,387**	**12,020**
(Pur)/Sale of Investments	-2,940	-377	0	0	0	0	0	0	0
Others	86	71	-2,681	-2,332	-647	-15,862	-1,798	249	310
CF from Investments	**-5,051**	**-2,951**	**-10,484**	**-7,496**	**-8,734**	**-23,192**	**-4,711**	**-3,751**	**-3,690**
Issue of Shares	2,400	3,200	8,814	3,041	7	9,002	0	0	0
Inc/(Dec) in Debt	837	-6,652	-4,494	-572	4,566	6,487	-2,113	-6,500	-10,000
Interest Paid	-1,859	-1,408	-2,186	-1,557	-1,886	-3,011	-2,811	-2,030	-1,645
Dividend Paid	0	0	0	-456	-456	-690	-722	-751	-808
Others	-800	2,500	168	1,130	-3,505	-895	426	-297	-229
CF from Fin. Activity	**577**	**-2,360**	**2,302**	**1,586**	**-1,273**	**10,893**	**-5,219**	**-9,577**	**-12,682**
Inc/Dec of Cash	**-165**	**237**	**76**	**288**	**-10**	**776**	**190**	**5,059**	**-352**
Opening Balance	509	344	581	657	945	935	1,711	1,901	6,959
Closing Balance	**344**	**581**	**657**	**945**	**935**	**1,711**	**1,901**	**6,959**	**6,607**

NOTES

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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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