MOTILAL OSWAL

18 October 2021

2QFY22 Results Update | Sector: Cement

UltraTech Cement

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	UTCEM IN
Equity Shares (m)	288
M.Cap.(INRb)/(USDb)	2135.4 / 28.3
52-Week Range (INR)	8071 / 4440
1, 6, 12 Rel. Per (%)	-9/-16/11
12M Avg Val (INR M)	3594

Financial Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	447	542	603
EBITDA	116	131	142
Adj. PAT	55	67	74
EBITDA Margin (%)	26	24	23
Adj. EPS (INR)	190	231	258
EPS Gr. (%)	31	21	12
BV/Sh. (INR)	1,609	1,809	1,929
Ratios			
Net D:E	0.2	0.1	(0.0)
RoE (%)	13.2	14.2	14.1
RoCE (%)	10.3	11.6	12.4
Payout (%)	8.3	6.7	6.7
Valuations			
P/E (x)	38.8	32.0	28.7
P/BV (x)	4.6	4.1	3.8
EV/EBITDA(x)	19.1	16.6	14.9
EV/ton (USD)	273	261	222
Div. Yield (%)	0.5	0.5	0.7
FCF Yield (%)	5.0	2.4	3.6

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	60.0	60.0	59.9
DII	14.6	14.4	15.5
FII	16.6	16.7	15.4
Others	8.9	9.0	9.3

FII Includes depository receipts

CMP: INR7,398 TP: INR8,700 (+18%) Buy

Strong growth visibility; higher costs a near-term concern

Cost inflation impacts margin

- UTCEM reported an 8%/7% YoY growth in volume/blended realization. EBITDA margin declined by 339bp YoY to 22.6% due to energy cost inflation, which was further accentuated by higher maintenance and employee costs. EBITDA remained largely flat YoY at INR27.1b (-18% QoQ).
- Market share gains should continue, aided by the ongoing 20mtpa expansion program (1.2mtpa commissioned in Oct'21), which should drive a 10% volume CAGR over FY21-24E.
- We largely maintain our FY22-24E EPS estimates and expect 19% EPS CAGR over FY21-24E.

Margin misses our estimate by 222bp despite higher realization/other operating income

- Consolidated revenue/EBITDA/adjusted PAT rose 16%/1%/8% YoY to INR120.2b/INR27.1b/INR13.1b and was +4%/-5%/-13% against our estimate.
- Consolidated volumes rose 8% YoY to 21.64mt (v/s our expectation of 21.41mt), with India volumes up 8% YoY.
- EBITDA margin missed our estimate by 222bp and stood at 22.6% (-339bp YoY; -537bp QoQ) on the back of higher energy (increase in petcoke/coal prices), employee (increments were effective from 2QFY22), and other costs (due to annual plant maintenance).
- EBITDA/t declined by 7% YoY to INR1,254/t (-18% QoQ). Impact of energy cost inflation was partially offset by higher realization (Grey Cement realization fell 2.5% QoQ v/s our estimate of a 3% decline) and other operating income (incentives for Dhar plant and miscellaneous income).
- Finance cost fell 36% YoY to INR2.3b on a sharp debt reduction. Consolidated net debt inched up by INR3.5b QoQ to INR63.4b (implying 0.47x TTM EBITDA) due to higher working capital requirements.
- In 1HFY22, consolidated revenue/EBITDA/adjusted PAT rose 32%/26%/43% YoY to INR238.5b/INR60.2b/INR30.2b, whereas volume increased by 24% YoY to 43.17mt. EBITDA/t stood at INR1,395 v/s INR1,376 in 1HFY21.
- In 1HFY22, OCF/capex/FCF stood at INR34.6b/INR21.5b/INR13.2b v/s INR51.2b/INR5.2b/INR46b in 1HFY21. OCF was lower due to an INR1.8b increase in working capital.

Highlights from the management commentary

- Blended cost of fuel stood at USD120/t in 2Q and is expected to increase by USD20-30/t in 3QFY22, which will translate to an INR200/t increase in cost/t. The fuel price outlook for 4QFY22 remains uncertain. However, at current fuel prices, there could be further cost inflation of INR500/t. Usage of petcoke is cost competitive v/s other medium of fuels at current prices.

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- Demand is robust and volumes have started to pick up. It sees volume growth at 6-8% YoY in 2HFY22. In the medium-term, growth in industry demand should sustain at 6-7% YoY.
- In the second week of Oct'21, UTCEM undertook a price hike of INR10-15/bag across regions, which has been absorbed smoothly. However, recent price increases are not sufficient to cover cost inflation.
- Employee cost rose due to payment of incentives and wage hikes. The same is expected to be rationalized over the next few quarters. Higher maintenance costs impacted other expenses. However, overheads in FY22 will be maintained at FY20 levels.
- Bara grinding unit and Super Dalla clinker unit are expected to be commissioned by Mar'22. All other expansion projects are largely on track. Capex in FY22 should be at INR40-50b.

Growth at reasonable valuations – 19% EPS CAGR over FY21-24E

- We expect Cement demand to remain strong, led by the government's thrust on Infrastructure development and recent improvement in housing demand. UTCEM is in a strong position to gain market share, led by its strong distribution network.
- A strong pipeline of expansion projects and scope for improvement in utilization of existing capacities offers strong growth visibility.
- We estimate UTCEM to record an 12%/19% CAGR in consolidated EBITDA/adjusted PAT over FY21-24E, driven by 10% volume CAGR, better realizations, and lower interest costs. Higher fuel prices remain a key risk to earnings growth.
- The stock trades at 14.9x/12.6x FY23E/FY24E EV/EBITDA (v/s its 10-year average one-year forward EV/EBITDA of 14.3x). We value UTCEM at 16x Sep'23E EV/EBITDA to arrive at our TP of INR8,700. We reiterate our **Buy** rating.

Consolidated quarterly performance (INR m)

	FY21				FY22				FY21	FY22E	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**76,711**	**103,871**	**122,620**	**144,056**	**118,298**	**120,168**	**139,675**	**164,159**	**447,258**	**542,300**	**115,644**	4
YoY Change (%)	-33.1	7.4	17.5	32.7	54.2	15.7	13.9	14.0	5.4	21.2	11.3	
Total Expenditure	55,934	76,895	91,599	107,152	85,224	93,021	106,693	126,420	331,579	411,357	86,955	7
EBITDA	**20,777**	**26,977**	**31,022**	**36,904**	**33,075**	**27,147**	**32,982**	**37,740**	**115,679**	**130,944**	**28,689**	-5
Margin (%)	27.1	26.0	25.3	25.6	28.0	22.6	23.6	23.0	25.9	24.1	24.8	
Depreciation	6,512	6,771	6,739	6,980	6,598	6,774	6,900	7,012	27,002	27,284	6,750	0
Interest	3,943	3,579	3,563	3,772	3,261	2,300	2,150	2,054	14,857	9,765	2,150	7
Other Income	2,788	1,350	2,600	603	2,049	1,401	1,600	802	7,342	5,851	2,000	-30
PBT before EO expense	**13,110**	**17,977**	**23,320**	**26,755**	**25,265**	**19,474**	**25,532**	**29,476**	**81,162**	**99,746**	**21,789**	-11
Extra-Ord. expense	1,574	646	0	388	0	0	0	0	2,607		0	
PBT after EO Expense	**11,536**	**17,331**	**23,320**	**26,367**	**25,265**	**19,474**	**25,532**	**29,476**	**78,555**	**99,746**	**21,789**	-11
Tax	3,603	5,662	7,474	8,649	8,269	6,371	8,502	9,962	25,387	33,104	6,755	-6
Rate (%)	31.2	32.7	32.0	32.8	32.7	32.7	33.3	33.8	32.3	33.2	31.0	
Reported PAT	**7,933**	**11,670**	**15,846**	**17,719**	**16,995**	**13,103**	**17,030**	**19,514**	**53,168**	**66,642**	**15,035**	-13
Minority Interest	9	-6	(3)	34	31	33	(1)	(13)	34	44	(1)	
Adj. PAT	**8,882**	**12,161**	**15,781**	**18,142**	**17,026**	**13,135**	**17,028**	**19,501**	**54,967**	**66,686**	**15,033**	-13
YoY Change (%)	-38.4	71.9	77.2	57.2	91.7	8.0	7.9	7.5	31.0	21.3	23.6	

E: MOFSL estimates

Key operating parameters

	FY21				FY22				FY21	FY22E	FY22E	Var.
Per tonne analysis (INR)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3QE**	**4QE**			**2QE**	**(%)**
Volume (mt)	14.65	20.06	23.88	27.78	21.53	21.64	24.78	28.44	86.42	96.40	21.41	1
YoY change (%)	-31.0	8.4	14.3	28.0	47.0	7.9	3.8	2.4	5.0	11.5	6.7	
Realization (incl. RMC)	**5,236**	**5,178**	**5,135**	**5,186**	**5,495**	**5,553**	**5,636**	**5,772**	**5,175**	**5,626**	**5,402**	3
YoY change (%)	-3.0	-1.0	2.8	3.7	4.9	7.2	9.8	11.3	0.4	8.7	4.3	
RM Cost	822	835	751	868	674	799	799	846	820	785	730	9
Power and Fuel	942	920	1,006	973	1,127	1,165	1,365	1,450	964	1,292	1,156	1
Staff Cost	384	282	256	221	272	314	263	233	272	268	283	11
Freight and Forwarding	1,097	1,146	1,193	1,183	1,230	1,235	1,255	1,268	1,162	1,249	1,240	0
Other Expenditure	572	649	630	611	656	785	623	648	618	674	653	20
Total Expenditure	**3,818**	**3,833**	**3,836**	**3,857**	**3,958**	**4,299**	**4,305**	**4,445**	**3,837**	**4,267**	**4,062**	6
EBITDA	**1,418**	**1,345**	**1,299**	**1,328**	**1,536**	**1,254**	**1,331**	**1,327**	**1,339**	**1,358**	**1,340**	-6

CONFERENCE CALL

Highlights from the management commentary

Operational highlights

- White Cement volume/revenue rose 17%/16% YoY to 0.38mt/INR5.1b, while RMC revenue clocked 57% YoY growth at INR6.1b.
- Increase in diesel prices (up 21% YoY) was further accentuated by geographical mix (lead distance – 425km), but was partially offset by improved efficiency.
- Raw material cost was higher due to increase in slag and gypsum prices. Employee cost rose due to payment of incentives and wage hikes. The same is expected to be rationalized over the next few quarters.
- Energy cost inflation was partially mitigated by reduced Power consumption (down 4% YoY), while the green Power mix stood at 13.7%.
- Other expenses were higher due to normalization of fixed costs, increase in packaging cost, and annual plant maintenance. However, the management has guided at maintaining overheads (for FY22) at FY20 levels.
- Petcoke accounted for 19% of the fuel mix in 2QFY22. The management said it has increased petcoke usage as it offers better economic value as compared to other mediums of coal at current price levels.
- Domestic coal accounted for 17% of fuel requirements (including thermal plants), whereas alternate fuel accounted for 4.4% of fuel requirements in 2QFY22.
- Blended cost of fuel stood at USD120/t in 2Q (similar to 1Q levels) and is expected to increase by USD20-30/t in 3Q, which will translate to an INR200/t increase in cost/t, while the price outlook for 4QFY22 is uncertain.
- UTCEM enjoys the benefits of size and scale (annual consumption of fuel is 12-13mt), which led to lower procurement cost for petcoke and imported coal.
- Bicharpur coal block (production to be lower than 1mt p.a.) will be operational from 3QFY22 and will cater to the fuel requirements of Satna cluster (Maihar Power plant).
- Trade sales accounted for 67% of sales volume.
- UTCEM has maintained negative working capital of 8-9 days, despite a rise in working capital, which is expected to improve further on higher volumes.
- Other income was higher due to incentives for Dhar plant and miscellaneous income, but should normalize to a run-rate of INR60-70/t of sales volume.

Demand and pricing outlook

- In the second week of Oct'21, UTCEM undertook a price hike of INR10-15/bag across regions, which has been absorbed smoothly.
- The management expects to clock a growth of 6-8% YoY in 2HFY22 and has guided at a further round of price hikes to cover fuel cost inflation.
- In 2QFY22, pan India average prices were up 4-5% YoY, led by an increase of 2-3% in the North and East regions and a 5-7% increase in West India. Prices remained flat in the Central and South India.
- The management expects industry capacity addition of 20-25mt in FY22, which will decline over the medium term once production from auctioned limestone mines start (as costs will increase significantly due to higher premiums).
- In the medium-term, the management expects industry demand growth to sustain at 6-7% YoY which will be driven by the government's thrust on Infrastructure development (roads, highways, metros, and railways should aid growth in demand). Demand for IT Infrastructure has also started to pick up and will aid Commercial Real Estate, whereas urban housing is witnessing a good traction in Tier II/III markets.

Debt and capex

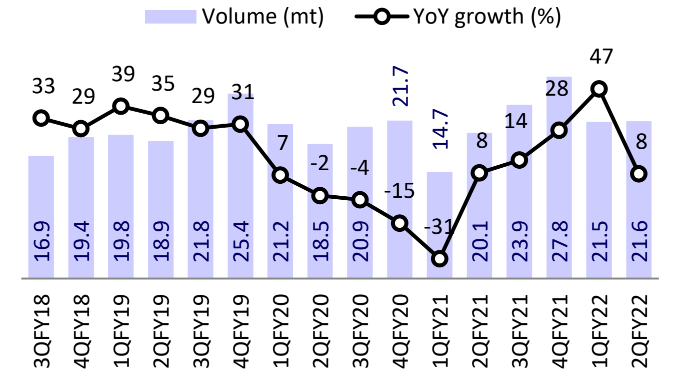
- Consolidated net debt stood at INR63.4b v/s INR249.8b in Dec'18. Net debt/EBITDA improved to 0.47x in Sep'21 from 3.55x in Dec'18.
- The management expects debt reduction to pick up over the next few years and leverage to rise for some time only if there is a big inorganic expansion. It is evaluating few inorganic opportunities of a smaller size.
- Bara grinding unit and Super Dalla clinker unit are expected to be commissioned by Mar'22.
- All expansion projects are progressing as per schedule and the management has guided at a capex of INR40-50b in FY22.

Other key highlights

- In 2QFY22, RMC capacity rose 33% YoY, whereas the number of UBS outlets increased by 14% YoY.
- In 2QFY22, 12MW/21MW WHRS/solar Power capacities were commissioned, which took the total WHRS/renewable Power capacity to 137MW/169MW, accounting for 15% of its Power requirements.
- Truckers' strike in Chhattisgarh had minimal impact on its operations due to presence of railway sidings at its plants. The management expects the situation to normalize by 19th Oct'21 as an agreement is being worked out.
- Overseas and export operations were impacted due to: 1) higher costs in the UAE, and 2) slowdown in exports to Sri Lanka from the Gujarat plant. The management expects the situation to ease out as prices in Sri Lanka have been decontrolled.

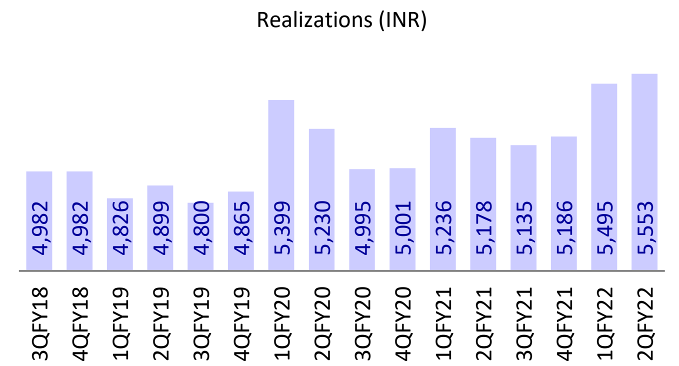
Key exhibits

Exhibit 1: Cement volumes up 8% YoY in 2QFY22



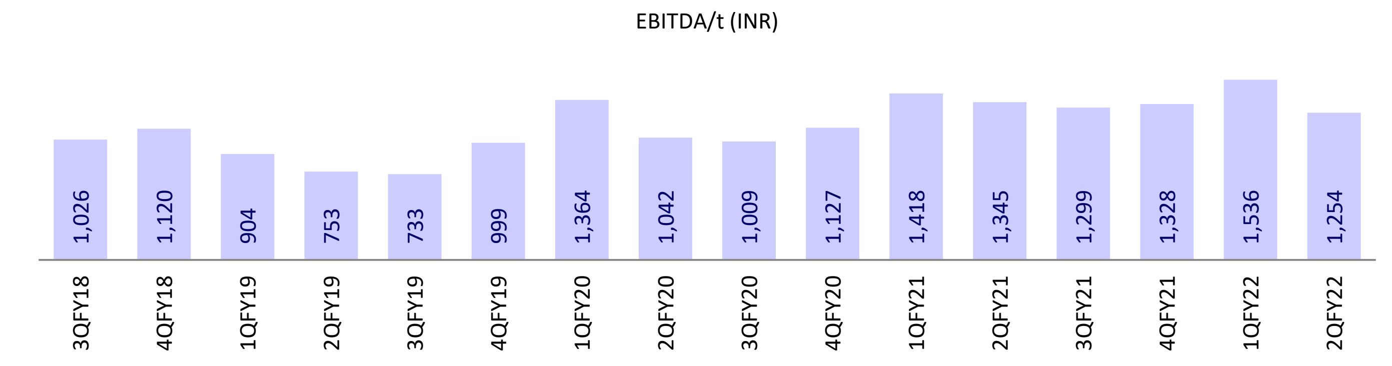
Source: Company, MOFSL

Exhibit 2: Blended realizations up 7% YoY in 2QFY22



Source: Company, MOFSL

Exhibit 3: Trend in EBITDA/t



Source: Company, MOFSL

Exhibit 4: Trend in key operating parameters

INR/t	2QFY22	2QFY21	YoY (%)	1QFY22	QoQ (%)
Realization	**5,553**	**5,178**	**7%**	**5,495**	**1%**
RM Cost	799	835	**-4%**	674	**19%**
Power and Fuel	1,165	920	**27%**	1,127	**3%**
Staff Cost	314	282	**11%**	272	**16%**
Freight and Forwarding	1,235	1,146	**8%**	1,230	**0%**
Other Expenditure	785	649	**21%**	656	**20%**
Total Expenditure	**4,299**	**3,833**	**12%**	**3,958**	**9%**
EBITDA	**1,254**	**1,345**	**-7%**	**1,536**	**-18%**

Source: Company, MOFSL

Valuation and view

Market share gains driven by capacity expansion: UTCEM enjoys leadership position across regions, with a capacity share of 12%/15%/23%/36%/39% in South/East/North/West/Central India, which helps it maintain its premium pricing in most markets. During FY12-21, capacity addition in the Cement industry grew at 5.2% CAGR, while UTCEM outpaced the industry with 9.8% CAGR in capacity addition, leading to significant market share gains for the company (35% in 4QFY21 v/s 27% in 1QFY15).

Capacity expansion to drive growth: UTCEM is setting up Cement capacities of 19.5mtpa, with 5.4mtpa capacity to be commissioned by FY22E and the balance in FY23E. The management had earlier mentioned that it would increase capacities to 160mtpa by FY30E through organic expansion. It will also continue to scout for inorganic expansion opportunities (~70% of capacity additions was though the inorganic route over FY12-21) and will maintain more than INR100b of liquid reserves. We expect UTCEM's sales volume to grow at 10% CAGR over FY21-24E.

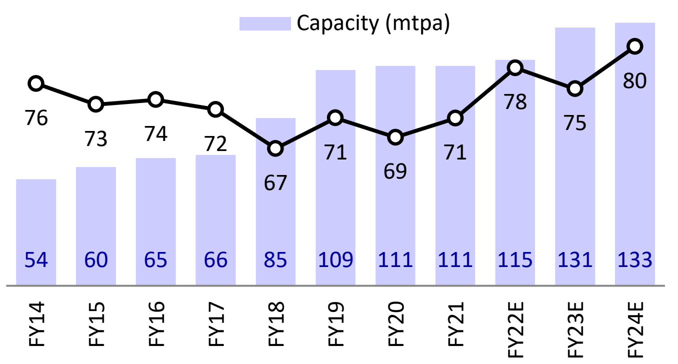
Cost savings to help improve profitability: Margin is expected to improve on account of: a) reduction in lead distance; b) increase in the green power mix; and c) control on fixed costs. Freight cost/t increased at 0.5% CAGR over FY16-21 v/s a 9% CAGR in diesel prices. The management plans to expand its WHRS and solar capacities to 302MW and 500 MW, respectively, by FY24, and achieve a green power mix of 34% (26% WHRS and 8% solar) by FY24 v/s 13% in FY21. We expect incremental cost savings of INR40/t through WHRS by FY25E. Fixed cost in FY21 remained unchanged at FY19 levels. The MMDR Amendment Act will result in savings of INR2b for UTCEM from FY22E onwards (INR21/t on FY22E sales volumes).

Leverage and return ratios continue to improve: UTCEM clocked 45% CAGR in OCF over FY19-21, led by an improvement in profitability and working capital reduction. This, in turn, led to a decline in debt and a significant improvement in net debt/EBITDA ratio, which stood at 0.66x in FY21 v/s 3.1x in FY19. We expect UTCEM to turn cash positive in FY24E. The company's RoE improved to 13.2% in FY21 v/s 10.1% in FY18 (8.4% in FY19) and is expected to improve further to 15% by FY24E on higher asset turnover, led by an enhancement in capacity utilization, continued debt reduction, and improvement in EBIT margin.

Valuation and view: We estimate UTCEM to record an 11.6%/18.6% CAGR in consolidated EBITDA/adjusted PAT over FY21-24E, driven by higher sales volume/realization and lower interest expenses. The company's improved earnings/RoE and improving leverage warrants higher multiples for the stock, which currently trades at 14.9x/12.6x FY23E/FY24E EV/EBITDA (average one-year forward EV/EBITDA of 14.3x for the last 10 years). We value the stock at 16x Sep'23E EV/EBITDA to arrive at our TP of INR8,700. We reiterate our Buy rating.

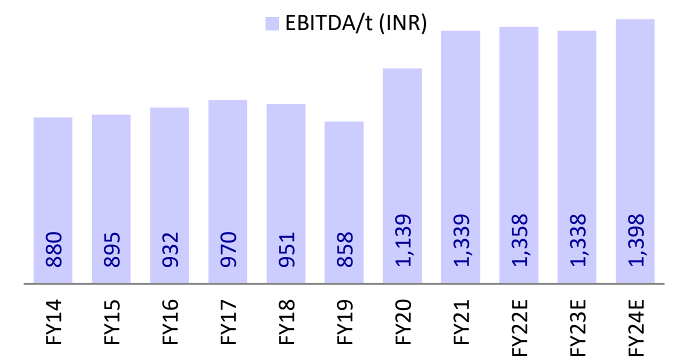
Story in charts

Exhibit 5: Utilization to rise in FY22E on strong growth



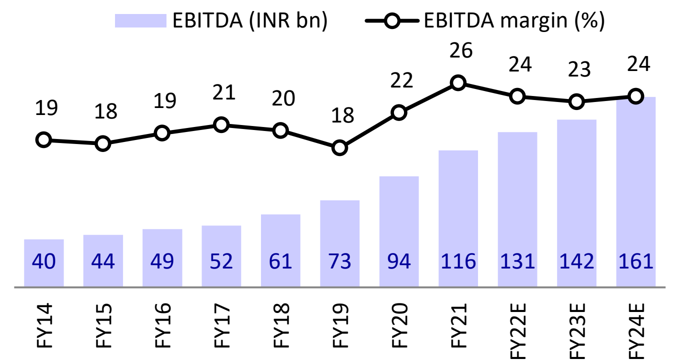
Source: Company, MOFSL

Exhibit 6: EBITDA/t to remain strong



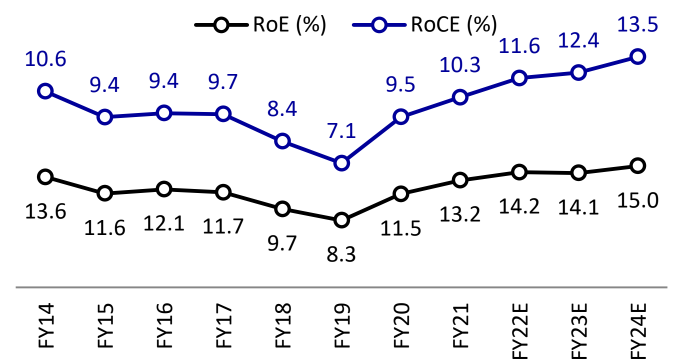
Source: Company, MOFSL

Exhibit 7: Expect 12% EBITDA CAGR over FY21-24E



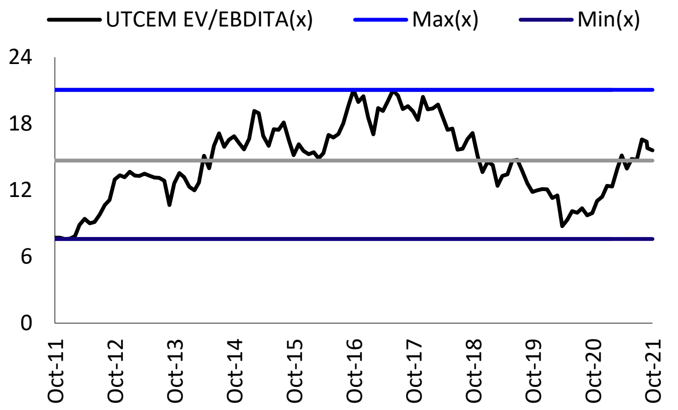
Source: Company, MOFSL

Exhibit 8: Return ratios to improve consistently



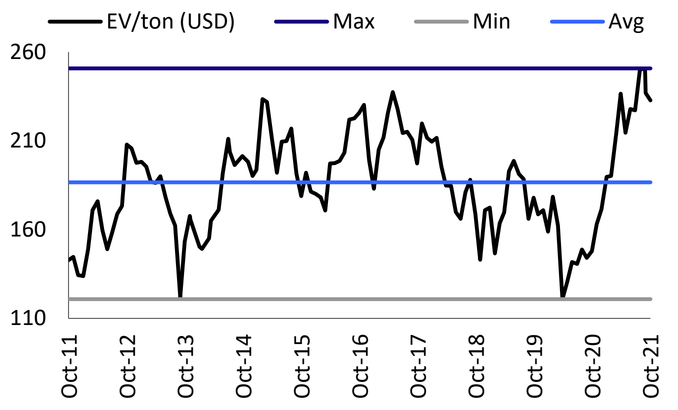
Source: Company, MOFSL

Exhibit 9: UTCEM's EV/EBITDA trend



Source: MOFSL, Company

Exhibit 10: UTCEM's EV/t trend



Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	**253,749**	**309,786**	**416,088**	**424,299**	**447,258**	**542,300**	**603,023**	**664,755**
Change (%)	0.9	22.1	34.3	2.0	5.4	21.2	11.2	10.2
Raw Materials	44,926	52,888	69,831	65,181	70,858	75,666	85,324	95,188
Employees Cost	15,223	18,102	22,911	25,199	23,530	25,788	27,548	29,428
Other Expenses	141,476	177,344	249,877	240,141	237,191	309,902	348,538	379,407
Total Expenditure	**201,625**	**248,335**	**342,619**	**330,520**	**331,579**	**411,357**	**461,410**	**504,023**
As a percentage of Sales	79.5	80.2	82.3	77.9	74.1	75.9	76.5	75.8
EBITDA	**52,124**	**61,452**	**73,469**	**93,779**	**115,679**	**130,944**	**141,613**	**160,733**
Margin (%)	20.5	19.8	17.7	22.1	25.9	24.1	23.5	24.2
Depreciation	13,484	18,479	24,507	27,227	27,002	27,284	28,754	30,120
EBIT	**38,640**	**42,972**	**48,962**	**66,552**	**88,677**	**103,660**	**112,859**	**130,613**
Int. and Finance Charges	6,401	12,376	17,779	19,917	14,857	9,765	7,238	6,124
Other Income	6,481	5,886	4,634	6,511	7,342	5,851	5,744	8,110
PBT bef. EO Exp.	**38,721**	**36,482**	**35,818**	**53,146**	**81,162**	**99,746**	**111,365**	**132,599**
EO Items	0	-3,466	-1,139	19,788	-2,607	0	0	0
PBT after EO Exp.	**38,721**	**33,016**	**34,679**	**72,934**	**78,555**	**99,746**	**111,365**	**132,599**
Total Tax	11,586	10,770	10,681	15,413	25,387	33,104	37,020	43,902
Tax Rate (%)	29.9	32.6	30.8	21.1	32.3	33.2	33.2	33.1
Minority Interest	-14	24	-37	-32	-34	-44	-44	-44
Reported PAT	**27,149**	**22,222**	**24,035**	**57,553**	**53,202**	**66,686**	**74,389**	**88,741**
Adjusted PAT	**27,149**	**24,557**	**24,823**	**41,946**	**54,967**	**66,686**	**74,389**	**88,741**
Change (%)	9.6	-9.5	1.1	69.0	31.0	21.3	11.6	19.3
Margin (%)	10.7	7.9	6.0	9.9	12.3	12.3	12.3	13.3

Consolidated Balance Sheet								(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	2,745	2,746	2,746	2,886	2,887	2,887	2,887	2,887
Total Reserves	241,171	261,066	334,738	388,269	438,860	494,000	553,956	625,378
Net Worth	**243,916**	**263,812**	**337,484**	**391,155**	**441,747**	**496,886**	**556,843**	**628,265**
Minority Interest	97	160	122	75	57	13	-31	-75
Total Loans	84,745	194,802	253,370	228,979	204,878	114,878	109,878	79,878
Deferred Tax Liabilities	27,824	31,827	63,856	49,120	60,407	70,378	81,528	94,752
Capital Employed	**356,582**	**490,601**	**654,832**	**669,329**	**707,089**	**682,155**	**748,218**	**802,820**
Gross Block	274,135	430,455	571,407	602,798	614,376	641,025	682,689	704,365
Less: Accum. Deprn.	25,943	43,665	68,172	95,399	122,401	149,685	178,439	208,559
Net Fixed Assets	**248,192**	**386,790**	**503,235**	**507,400**	**491,975**	**491,340**	**504,249**	**495,806**
Goodwill on Consolidation	10,851	10,363	62,989	62,525	62,199	62,199	62,199	62,199
Capital WIP	9,215	15,112	11,486	9,095	16,810	31,810	26,810	26,810
Current Investment	54,110	39,491	15,165	42,437	**108,939**	**54,939**	**114,939**	**164,939**
Non-current Investment	12,795	14,978	14,048	16,850	12,842	12,842	12,842	12,842
Curr. Assets, Loans, and Adv.	**86,926**	**104,677**	**158,335**	**144,307**	**159,034**	**177,219**	**181,119**	**199,904**
Inventory	24,006	32,676	40,990	41,483	40,180	46,624	51,752	56,931
Account Receivables	17,571	22,206	27,870	22,383	25,717	32,155	35,645	39,154
Cash and Bank Balance	22,488	2,191	7,397	5,392	20,076	19,895	15,270	25,459
Loans and Advances	22,861	47,604	82,079	75,049	73,061	78,545	78,452	78,359
Curr. Liability and Prov.	**65,605**	**80,904**	**110,548**	**119,152**	**152,307**	**155,793**	**161,540**	**167,281**
Account Payables	18,573	23,849	31,671	35,014	46,993	49,523	55,068	60,705
Other Current Liabilities	42,453	50,526	71,206	76,240	96,441	97,389	97,584	97,680
Provisions	4,579	6,529	7,671	7,898	8,873	8,881	8,888	8,895
Net Current Assets	**21,321**	**23,773**	**47,787**	**25,155**	**6,727**	**21,426**	**19,580**	**32,623**
Deferred Tax assets	98	94	121	60	72	73	74	75
Net Assets held for sale	0	0	0	5,808	7,526	7,526	7,526	7,526
Appl. of Funds	**356,582**	**490,601**	**654,832**	**669,329**	**707,089**	**682,155**	**748,218**	**802,820**

E: MOFSL estimates

Financials and valuations

Ratios								
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
Basic (INR)								
EPS	**98.9**	**89.4**	**90.4**	**145.3**	**190.4**	**231.0**	**257.7**	**307.4**
Cash EPS	148.0	156.7	179.6	239.7	284.0	325.5	357.3	411.8
BV/Share	889.4	961.4	1,229.8	1,424.9	1,608.6	1,809.2	1,929.3	2,176.6
DPS	9.4	9.5	10.5	11.5	37.0	40.0	50.0	60.0
Payout (%)	11.5	14.0	14.5	8.6	8.3	6.7	6.7	6.7
Valuation (x)								
P/E			81.8	50.9	38.8	32.0	28.7	24.1
Cash P/E			41.2	30.9	26.0	22.7	20.7	18.0
P/BV			6.0	5.2	4.6	4.1	3.8	3.4
EV/Sales			5.4	5.5	4.9	4.0	3.5	3.0
EV/t (USD)			284.0	285.5	272.6	260.6	221.8	208.4
EV/EBITDA			30.8	24.7	19.1	16.6	14.9	12.6
Dividend Yield (%)			0.1	0.2	0.5	0.5	0.7	0.8
FCF per share			156.8	249.4	369.4	177.7	264.3	365.6
Return Ratios (%)								
RoE	11.7	9.7	8.3	11.5	13.2	14.2	14.1	15.0
RoCE	9.7	8.4	7.1	9.5	10.3	11.6	12.4	13.5
RoIC	9.7	8.2	6.4	8.5	10.2	12.2	12.9	14.8
Working Capital Ratios								
Inventory (Days)	35	38	36	36	33	31	31	31
Debtor (Days)	25	26	24	19	21	22	22	21
Creditor (Days)	27	28	28	30	38	33	33	33
Leverage Ratio (x)								
Current Ratio	1.3	1.3	1.4	1.2	1.0	1.1	1.1	1.2
Interest Coverage Ratio	6.0	3.5	2.8	3.3	6.0	10.6	15.6	21.3
Net Debt/Equity	0.0	0.6	0.7	0.5	0.2	0.1	0.0	-0.2

Consolidated Cash Flow Statement								(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
OP/(Loss) before Tax	38,721	33,015	34,685	52,423	78,576	99,746	111,365	132,599
Depreciation	13,484	18,479	24,507	27,022	27,002	27,284	28,754	30,120
Interest and Finance Charges	5,822	12,376	17,779	19,917	14,857	9,765	7,238	6,124
Direct Taxes Paid	-7,437	-8,429	-7,101	-8,914	-12,910	-23,134	-25,870	-30,680
(Inc.)/Dec. in WC	5,176	-12,554	-6,957	4,503	23,289	-14,880	-2,778	-2,854
CF from Operations	**55,765**	**42,888**	**62,913**	**94,949**	**130,814**	**98,780**	**118,709**	**135,309**
Others	-8	-4,010	-3,356	-5,929	-5,785	-5,851	-5,744	-8,110
CF from Operations incl. EO	**55,756**	**38,877**	**59,557**	**89,020**	**125,030**	**92,929**	**112,965**	**127,199**
(Inc.)/Dec. in FA	-13,557	-18,828	-16,482	-17,037	-18,414	-41,649	-36,663	-21,677
Free Cash Flow	**42,199**	**20,050**	**43,075**	**71,983**	**106,616**	**51,280**	**76,302**	**105,522**
(Pur.)/Sale of Investments	-11,209	16,246	26,614	-26,266	-70,949	54,000	-60,000	-50,000
Others	0	21,197	1,007	1,210	773	5,851	5,744	8,110
CF from Investments	**-24,766**	**18,616**	**11,138**	**-42,093**	**-88,590**	**18,201**	**-90,919**	**-63,567**
Issue of Shares	66	157	52	27	70	0	0	0
Inc./(Dec.) in Debt	-22,297	-42,069	-46,482	-26,663	-25,149	-90,000	-5,000	-30,000
Interest Paid	0	-12,099	-16,850	-19,445	-14,805	-9,765	-7,238	-6,124
Dividend Paid	-3,119	-3,340	-3,462	-3,800	-3,748	-11,546	-14,433	-17,319
Others	0	0	-827	-31	68	0	0	0
CF from Fin. Activity	-25,350	-57,351	-67,568	-49,911	-43,565	-111,311	-26,670	-53,443
Inc./Dec. in Cash	**5,640**	**142**	**3,127**	**-2,984**	**-7,125**	**-181**	**-4,625**	**10,189**
Opening Balance	33,203	38,843	38,986	42,113	39,129	32,003	31,823	27,198
Closing Balance	**38,843**	**38,986**	**42,113**	**39,129**	**32,003**	**31,823**	**27,198**	**37,387**

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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