11 November 2021

2QFY22 Results Update | Sector: Consumer

Pidilite Industries

Estimate changes	↓
TP change	↔
Rating change	↔

Bloomberg	PIDI IN
Equity Shares (m)	513
M.Cap.(INRb)/(USDb)	1257 / 16.9
52-Week Range (INR)	2532 / 1502
1, 6, 12 Rel. Per (%)	1/10/21
12M Avg Val (INR M)	1273

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	72.9	94.4	109.8
Sales Gr. (%)	-0.6	29.5	16.3
EBITDA	16.8	17.7	23.1
EBITDA Margin (%)	23.0	18.8	21.1
Adj. PAT	11.3	11.5	15.4
Adj. EPS (INR)	22.2	22.5	30.3
EPS Gr. (%)	-7.3	1.8	34.3
BV/Sh.(INR)	110.1	125.0	140.7
Ratios			
RoE (%)	22.4	19.2	22.8
RoCE (%)	20.0	17.2	20.9
Payout (%)	33.6	35.5	39.6
Valuations			
P/E (x)	111.7	109.7	81.7
P/BV (x)	22.5	19.8	17.6
EV/EBITDA (x)	74.4	70.4	53.9

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	70.0	70.1	70.2
DII	7.3	7.2	8.7
FII	11.8	12.1	10.9
Others	10.9	10.6	10.2

FII includes depository receipts

CMP: INR2,474 TP: INR2,340 (-5%) Neutral

Sales beat impressive; pressure on margins to escalate

- While Pidilite Industries (PIDI)'s EBITDA and PAT were in-line, healthy sales momentum (two-year CAGR of ~21% in 2QFY22) led to a significant sales beat, even as material cost pressures remained high. VAM costs have nearly tripled in recent months over 1HFY21 levels after a relative drop over Jun–Jul'21.
- Good volume momentum and price increases (already healthy in the double digits, with more likely to come) would keep the sales momentum intact, even as margins continue to be under pressure. Three factors highlight that PIDI has been able to manage steep cost inflation better v/s paint companies (which also have a similarly large proportion of crude-related RMs): a) its near-monopoly in Adhesives, b) the absence of mix deterioration, and c) material costs peaking earlier compared with paint companies.
- PIDI has admittedly navigated the twin challenges of the second COVID wave and steep RM inflation reasonably well in the first half. However, the base for sales as well as EBITDA is extremely challenging for 2HFY22. In addition, material costs are increasing sharply. The valuation of 82x FY23E EPS is rich and leaves no room for an upside. We maintain **Neutral.**

Sales beat; profits in-line

- **Consolidated net sales grew 39.7% YoY to INR26.3b** (est. INR24.1b). EBITDA grew 7.2% YoY to INR5.5b (in-line). PBT grew 2.7% YoY to INR4.9b (in-line). Adj. PAT grew 5.4% YoY to INR3.7b (in-line).
- On a like-to-like basis (excluding PAPL) net sales / EBITDA / PBT / PAT came in at +33%/-2%/-7%/-4% YoY.
- Standalone sales volumes and mix growth stood at 25% YoY, with 25%/20% growth in sales volumes and the mix in Consumer & Bazaar (C&B) / B2B.
- Consolidated gross margins contracted 1050bp YoY to 45.4% on sharp escalation and volatility in input costs.
- As a percentage of sales, lower employee expenses (-250bp YoY to 10.4%) and other expenses (-170bp YoY to 14.1%) led to **consolidated EBITDA margin contraction of 630bp YoY to 20.9%** (est. 23.2%).
- Compared with 2QFY20, sales / EBITDA / adj. PAT grew 45%/49%/8%.
- 1HFY22 sales / EBITDA / adj. PAT grew 65.4%/55%/59%.
- **Segmental: a) C&B segment** revenues were up 39.5% YoY to INR21.3b, with segmental EBIT growing 9.5% YoY to INR5.8b. Segmental EBIT margins declined 750bp YoY to 27.4%. **b) B2B segment** revenues grew 41.2% YoY to INR5.3b, with segmental EBIT declining 9.4% YoY to INR263m.
- Subsidiaries' performances: Revenue from overseas subsidiaries grew 2.7% YoY to INR1.8b in 2QFY22. EBITDA declined 59.7% YoY to INR145m during the quarter. Revenue from domestic subsidiaries grew 148.5% YoY to INR3.1b, and EBITDA grew 682% YoY to INR557m in 2QFY22. Excluding PAPL (the Huntsman acquisition), revenue from domestic subsidiaries grew 38.2% YoY to INR1.7b and EBITDA grew 17.6% YoY to INR84m during the quarter.

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Highlights from management commentary

- Avg. VAM prices came in at USD2,071 per tonne in 2QFY22 (v/s USD840 in 2QFY21 and USD1,610 in 1QFY22). Current VAM prices stand at USD2300–2400.
- Organized real estate has picked up in the last 3–6 months. PIDI generally benefits more from new constructions than paint players.
- PIDI is gaining market share in this high-inflation environment as smaller players find it difficult to manage WC with limited pricing power.

Valuation and view

- Despite the beat on sales and good momentum expected going ahead, continued RM pressure has led to a ~15%/6% reduction in FY22/FY23 EPS.
- Importantly, over the next three quarters, PIDI faces an exceptionally high base in terms of sales growth, and the base on 3QFY22 margins is also exceptionally high.
- Topline growth in the past four quarters is a vindication of the latent growth opportunity in the Core, Pioneer, and Growth categories. Once material costs stabilize (unclear for now), earnings growth could potentially be healthy post FY22.
- While the structural investment case remains intact, valuations are expensive at 81.7x FY23E EPS. We maintain our **Neutral** stance, with TP of INR2,340 per share (65x Dec'23 EPS).

Consolidated - Quarterly earnings model (INR m)

Y/E March	FY21				FY22				FY21	FY22E	FY22	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	**8,778**	**18,803**	**22,990**	**22,355**	**19,368**	**26,264**	**26,439**	**22,356**	**72,927**	**94,426**	**24,068**	**9.1**
YoY change (%)	-56.5	4.1	19.3	44.7	120.6	39.7	15.0	0.0	-0.6	29.5	28.0	
Gross Profit	**4,694**	**10,520**	**12,588**	**11,359**	**9,511**	**11,924**	**12,162**	**11,125**	**39,160**	**44,721**	**12,275**	
Margin (%)	53.5	55.9	54.8	50.8	49.1	45.4	46.0	49.8	53.7	47.4	51.0	
EBITDA	**664**	**5,126**	**6,408**	**4,608**	**3,476**	**5,496**	**5,162**	**3,598**	**16,806**	**17,731**	**5,575**	**-1.4**
YoY change (%)	-85.0	39.2	38.4	53.1	423.7	7.2	-19.4	-21.9	4.0	5.5	8.7	
Margins (%)	7.6	27.3	27.9	20.6	17.9	20.9	19.5	16.1	23.0	18.8	23.2	
Depreciation	461	479	495	572	566	603	650	670	2,007	2,490	600	
Interest	91	87	121	74	96	124	110	104	372	434	80	
Other Income	200	217	204	173	61	139	150	160	794	510	180	
PBT	**312**	**4,778**	**5,997**	**4,135**	**2,875**	**4,908**	**4,552**	**2,983**	**15,221**	**15,318**	**5,075**	**-3.3**
Tax	159	1,220	1,548	1,038	721	1,159	1,174	805	3,964	3,860	1,279	
Rate (%)	50.8	25.5	25.8	25.1	25.1	23.6	25.8	27.0	26.1	25.2	25.2	
Adj PAT	**154**	**3,558**	**4,449**	**3,097**	**2,154**	**3,749**	**3,377**	**2,178**	**11,258**	**11,458**	**3,796**	**-1.2**
YoY change (%)	-94.8	2.8	29.1	63.6	1,303.0	5.4	-24.1	-29.7	-4.1	1.8	6.7	
Margins (%)	1.7	18.9	19.3	13.9	11.1	14.3	12.8	9.7	15.4	12.1	15.8	

E: MOFSL Estimates

Key performance indicators

Y/E March	FY21				FY22	
	1Q	2Q	3Q	4Q	1Q	2Q
2Y CAGR (%)						
Sales	-30.8	3.4	11.5	16.8	-2.0	20.6
EBITDA	-58.3	18.3	37.9	28.6	-11.5	22.2
PAT	-74.7	23.4	42.8	12.1	-14.4	4.1
% of Sales						
COGS	46.5	44.1	45.2	49.2	50.9	54.6
Operating Expenses	45.9	28.7	26.9	30.2	31.2	24.5
Depreciation	5.3	2.5	2.2	2.6	2.9	2.3
YoY change (%)						
COGS	-58.3	-1.6	16.8	59.5	141.3	73.1
Operating Expenses	-32.0	-9.5	7.8	21.8	49.8	19.2
Other Income	-49.8	-61.1	-48.8	24.1	-69.4	-35.9
EBIT	-95.0	41.7	40.4	60.9	1,335.4	5.3

Exhibit 1: Consolidated segmental performance

Segmental	2QFY19	3QFY19	4QFY19*	1QFY20*	2QFY20*	3QFY20*	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*	2QFY22*
Consumer and Bazaar													
Sales (INR m)	15,114	15,974	11,975	15,743	13,969	14,783	11,244	7,020	15,277	18,489	17,303	14,862	21,304
Sales growth (%)	15.0	22.1	-2.4	-1.2	-7.6	-7.5	-6.1	-55.4	9.4	25.1	53.9	111.7	39.5
EBIT (INR m)	3,661	3,584	2,874	4,423	3,782	4,494	2,787	1,305	5,324	6,451	4,692	3,704	5,827
Contribution (%)	90.1	92.5	84.0	87.3	86.2	86.8	79.4	124.3	94.7	92.1	89.7	84.5	61.7
EBIT growth (%)	-4.6	-2.7	1.9	9.7	3.3	25.4	-3.0	-70.5	40.7	43.5	68.4	180.6	9.5
EBIT margin (%)	24.2	22.4	24.0	28.1	27.1	30.4	24.8	18.6	34.8	34.9	27.1	24.9	27.4
Business-to-Business													
Sales (INR m)	2,537	2,618	4,549	4,592	4,333	4,626	4,411	1,882	3,771	4,751	5,350	4,820	5,324
Sales growth (%)	11.9	6.0	66.8	78.3	70.8	76.7	-3.0	-59.0	-13.0	2.7	21.3	156.1	41.2
EBIT (INR m)	420	309	565	653	629	681	732	-220	290	558	524	420	263
Contribution (%)	10.3	8.0	16.5	12.9	14.3	13.2	20.9	-21.0	5.2	8.0	10.0	9.6	2.8
EBIT growth (%)	28.6	-26.0	20.3	72.2	49.7	120.2	29.7	-133.7	-53.9	-18.1	-28.4	L/P	-9.4
EBIT margin (%)	16.6	11.8	12.4	14.2	14.5	14.7	16.6	-11.7	7.7	11.7	9.8	8.7	4.9

*reflects performance as per restructured segments

Source: Company, MOFSL

CONFERENCE CALL

Highlights from management commentary

Demand environment

- Organized real estate has picked up in the last 3–6 months. PIDI generally benefits more from new constructions than paint players.
- There is also considerable pent-up demand with the withdrawal of lockdown restrictions.
- Pioneer category products are scaling up well. Within these, B2B products have been laggards due to slower recovery in businesses during COVID.
- PIDI is gaining market share in this high-inflation environment as smaller players find it difficult to manage WC with limited pricing power. PIDI has been gaining market share from unorganized and regional players throughout COVID.

VAM prices

- VAM prices stood at USD930 per metric tonne in FY21.
- They inflated to USD2000 in Apr'21, but corrected to USD1600–1750 over Jul–Aug'21.
- Avg. VAM prices in 2QFY22 were USD2071 v/s USD840 in 2QFY21 and USD1610 in 1QFY22.
- Current VAM prices stand at USD2300–2400 per tonne.

Costs and margins

- It aims to have EBITDA margins of 20–24%.
- It is seeing inflation not only in VAM but also across other RMs (e.g., epoxy, freight).
- RM inflation is being driven by supply-side disruptions; we expect around 6 months to normalize.

- 70% inflation thus far is covered through price hikes. Going ahead, PIDI will pass on 70–75% of the RM inflation, but not 100%, so that demand is not significantly affected.
- A&P spends as % of sales have remained largely flat.

PAPL (Huntsman)

- PIDI has started selling Araldite in rural areas, leveraging its distribution network.
- Price increases in Araldite were taken earlier; therefore, margins were relatively stable v/s other businesses.
- The pricing power in Araldite is as good as other businesses.

Other points

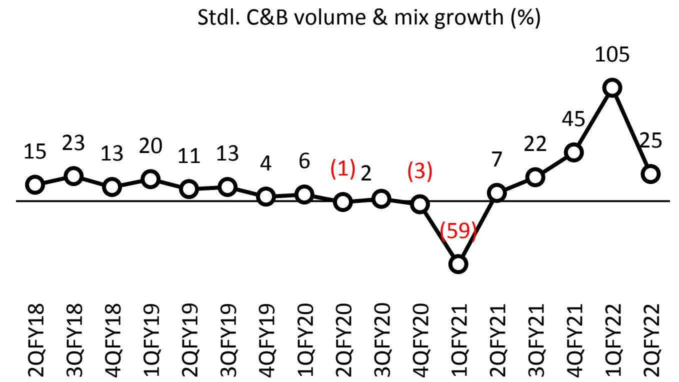
- PIDI is putting in significant efforts towards digitalization, which enables its performance. For example, masons, carpenters, etc., are now digitally connected with the company.
- Capex for FY22 would be 4–6% of sales.
- Rural and small towns contribute 30% to sales. These are growing 1.5x large cities (top 50–60 towns).

Key exhibits

Consolidated performance in 2QFY22

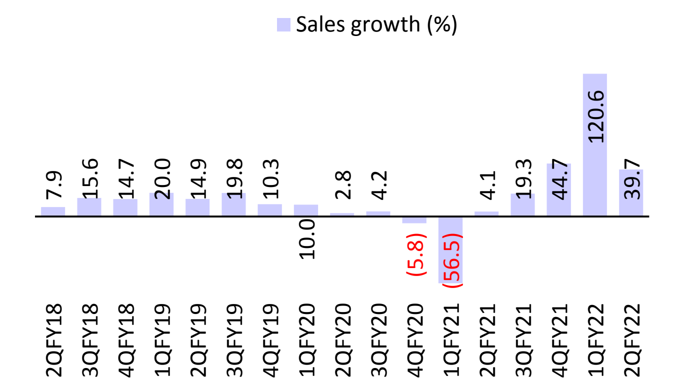
- **Net sales grew 39.7% YoY to INR26.3b** (est. INR24.1b).
- **On a like-to-like basis (excluding PAPL)** net sales / EBITDA / PBT / PAT stood at +33%/-2%/-7%/-4% YoY.
- Overall gross margins contracted 1050bp YoY to 45.4% on sharp escalation and volatility in input costs.
- As a percentage of sales, lower employee expenses (-250bp YoY to 10.4%) and other expenses (-170bp YoY to 14.1%) led to **EBITDA margin contraction of 630bp YoY to 20.9%** (est. 23.2%).
- **EBITDA grew 7.2% YoY to INR5.5b** (in-line). On a like-to-like basis (excluding PAPL), EBITDA declined 2% YoY.
- PBT grew 2.7% YoY to INR4.9b (in-line). On a like-to-like basis (excluding PAPL), PBT declined 7% YoY.
- **Adj. PAT grew 5.4% YoY to INR3.7b** (in-line). On a like-to-like basis (excluding PAPL), PAT declined 4% YoY.
- **Compared with 2QFY20**, sales / EBITDA / adj. PAT grew 45%/49%/8%.
- 1HFY21 sales / EBITDA / adj. PAT grew 65.4%/55%/59%.
- **Segmental**: a) **C&B segment** revenues were up 39.5% YoY to INR21.3b, with segmental EBIT growing 9.5% YoY to INR5.8b. Segmental EBIT margins declined 750bp YoY to 27.4%. b) **B2B segment** revenues grew 41.2% YoY to INR5.3b, with segmental EBIT declining 9.4% YoY to INR263m.

Exhibit 2: Standalone C&B volumes up 25% in 2QFY22



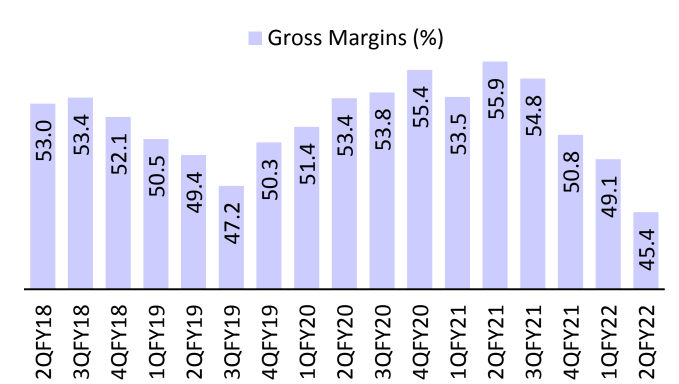
Source: Company, MOFSL

Exhibit 3: Consol. sales up 39.7% YoY to INR26.3b



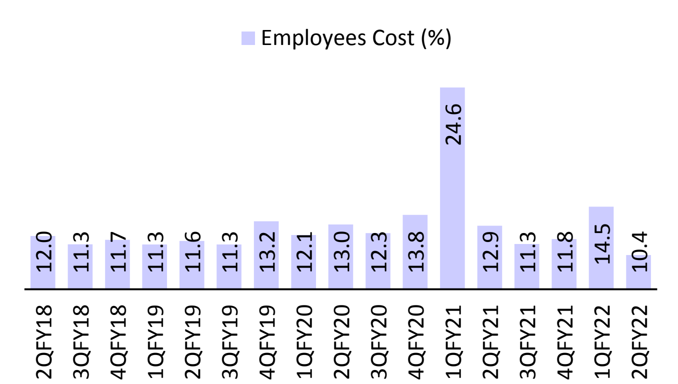
Source: Company, MOFSL

Exhibit 4: Consolidated gross margin contracts 1050bp YoY to 45.4% in 2QFY22



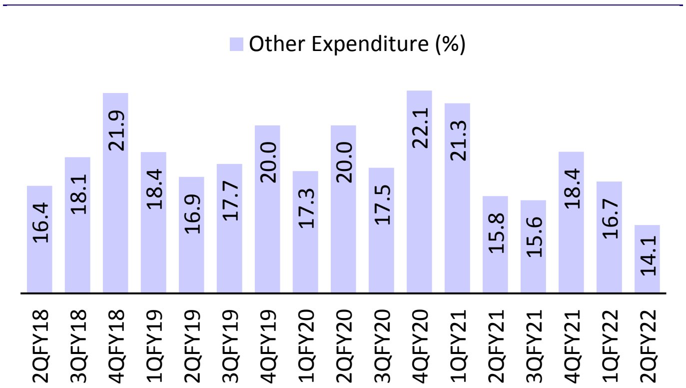
Source: Company, MOFSL

Exhibit 5: Consolidated employee expenses (as % of sales) fall 250bp YoY to 10.4%



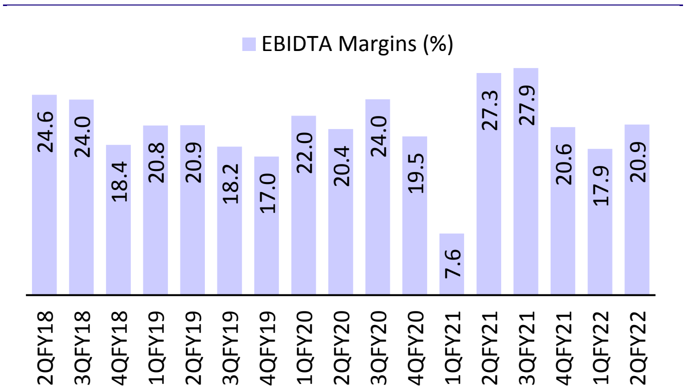
Source: Company, MOFSL

Exhibit 6: Consolidated other expenses (as a percentage of sales) fall 170bp YoY to 14.1%



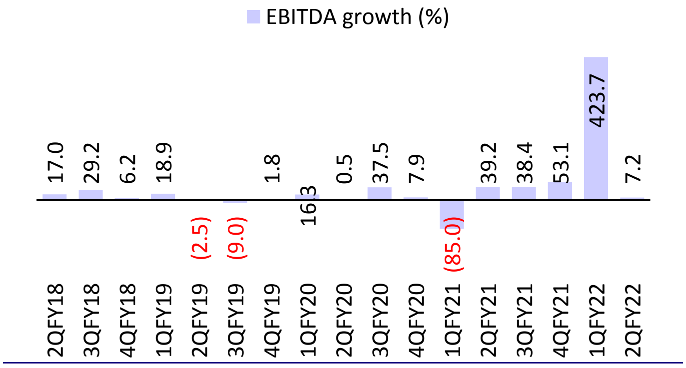
Source: Company, MOFSL

Exhibit 7: Consolidated EBITDA margin declines 630bp YoY to 20.9%



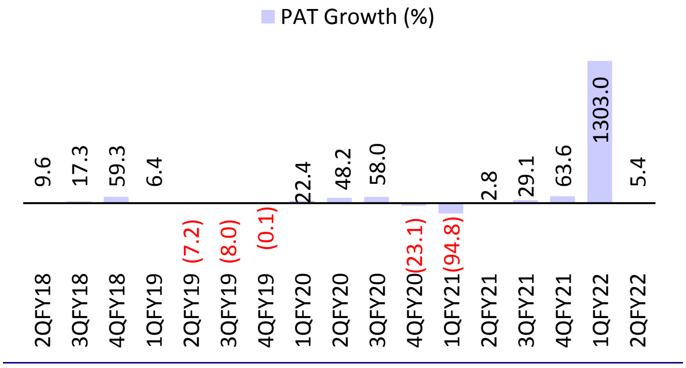
Source: Company, MOFSL

Exhibit 8: Consolidated EBITDA grows 7.2% YoY to INR5.5b



Source: Company, MOFSL

Exhibit 9: Consolidated adjusted PAT up 5.4% YoY to INR3.7b



Source: Company, MOFSL

Standalone performance for 2QFY22

- Overall sales volume and mix growth stood at 25% YoY, with 25%/20% sales volume and mix growth in C&B/B2B.
- Net sales grew 35.8% YoY to INR22.1b.
- Overall gross margins contracted 1,100bp YoY to 45.5%, and EBITDA margins contracted 730bp YoY to 21.6%.
- EBITDA grew 1.5% YoY to INR4.8b.
- PBT declined 2.9% YoY to INR4.4b.
- Adj. PAT was flat YoY at INR3.4b.
- Segmental: a) **C&B segment** revenues were up 35% YoY to INR18b. Segmental EBIT grew 4.7% YoY to INR5.1b. Segmental EBIT margins declined 820bp YoY to 28.5%. b) **B2B segment** revenues grew 39.5% YoY to INR4.4b. Segmental margins declined 420bp YoY to 9.7%.

Imputed subsidiary performance

- In 2QFY22, imputed subsidiary revenues / EBITDA / adj. PAT grew 65.1%/73.1%/113.7% YoY to INR4.1b/INR706m/INR355m (includes Huntsman numbers, hence not comparable YoY).

Standalone Quarterly Performance **(INR m)**

Y/E March	FY21				FY22	
	1Q	2Q	3Q	4Q	1Q	2Q
Sales	**7,724**	**16,302**	**19,567**	**18,570**	**16,261**	**22,134**
Change (%)	-56.6	3.7	17.6	40.8	110.5	35.8
Gross Profit	**4,210**	**9,213**	**10,777**	**9,627**	**8,004**	**10,082**
Gross Margin %	54.5	56.5	55.1	51.8	49.2	45.5
Operating Expenses	3,256	4,494	5,050	5,549	5,009	5,292
% of sales	42.2	27.6	25.8	29.9	30.8	23.9
EBITDA	**954**	**4,719**	**5,727**	**4,077**	**2,995**	**4,790**
EBITDA Margin %	12.4	28.9	29.3	22.0	18.4	21.6
Change (%)	-77.2	34.4	33.4	43.0	213.9	1.5
Depreciation	348	359	371	393	405	443
Interest	34	30	62	44	63	87
Other Income	197	225	195	119	1,020	164
PBT	**769**	**4,554**	**5,489**	**3,759**	**3,548**	**4,424**
Tax	202	1,162	1,394	994	663	1,030
Effective Tax Rate (%)	26.3	25.5	25.4	26.4	18.7	23.3
Adj PAT	**567**	**3,392**	**4,094**	**2,765**	**2,885**	**3,394**
Change (%)	-80.3	-2.1	23.9	40.6	408.7	0.1

Exhibit 10: Standalone segmental performance

Segmental	2QFY19	3QFY19	4QFY19*	1QFY20*	2QFY20*	3QFY20*	4QFY20*	1QFY21*	2QFY21*	3QFY21*	4QFY21*	1QFY22*	2QFY22*
Consumer and Bazaar													
Sales (INR m)	12,719	13,388	10,436	14,349	12,447	13,263	9,939	6,145	13,352	15,975	14,510	12,522	18,026
Sales growth (%)	10.7	17.3	2.7	4.9	-2.1	-0.9	-4.8	-57.2	7.3	20.4	46.0	103.8	35.0
EBIT (INR m)	3,743	3,607	2,843	4,378	3,692	4,426	2,832	1,464	4,911	5,911	4,295	3,295	5,143
Contribution (%)	90.3	92.6	85.0	88.8	85.0	88.6	79.4	98.2	91.7	91.2	87.4	85.8	92.5
EBIT growth (%)	-4.9	-1.0	6.0	3.8	-1.4	22.7	-0.4	-66.6	33.0	33.5	51.6	125.0	4.7
EBIT margin (%)	29.4	26.9	27.2	30.5	29.7	33.4	28.5	23.8	36.8	37.0	29.6	26.3	28.5
Business-to-Business													
Sales (INR m)	2,537	2,618	3,462	3,563	3,441	3,443	3,332	1,683	3,150	3,786	4,207	3,961	4,394
Sales Growth (%)	11.9	6.0	27.0	38.3	35.7	31.5	-3.7	-52.7	-8.5	10.0	26.3	135.3	39.5
EBIT (INR m)	420	309	516	566	679	570	746	62	438	576	606	541	426
Contribution (%)	10.1	7.9	15.4	11.5	15.6	11.4	20.9	4.1	8.2	8.9	12.3	14.1	7.7
EBIT growth (%)	28.6	-26.0	9.9	49.1	61.5	84.1	44.5	-89.1	-35.4	1.2	-18.8	779.5	-2.7
EBIT margin (%)	16.6	11.8	14.9	15.9	19.7	16.5	22.4	3.7	13.9	15.2	14.4	13.7	9.7

*reflects performance as per restructured segments Source: Company, MOFSL

Valuation and view

PIDI has done exceptionally well in the past 10 years

- Stringent focus on topline growth, market share gains, and pricing discipline have facilitated strong growth in the past decade. This has been aided, in recent years, by gains from the unorganized segment.
- Its pioneering advertising strategy has strengthened the brand in a perceived commoditized category.
- Consistently, uniform performance across lines is reflected in the ~13%/~15%/~16% sales/EBITDA/PAT CAGR in the 10 years ended FY20.
- Earnings growth in the past five years has been strong (~18% CAGR), but this has come on the back of a ~8% sales CAGR. This indicates further dependence on margin expansion over the second half of the decade.

Comments on valuations

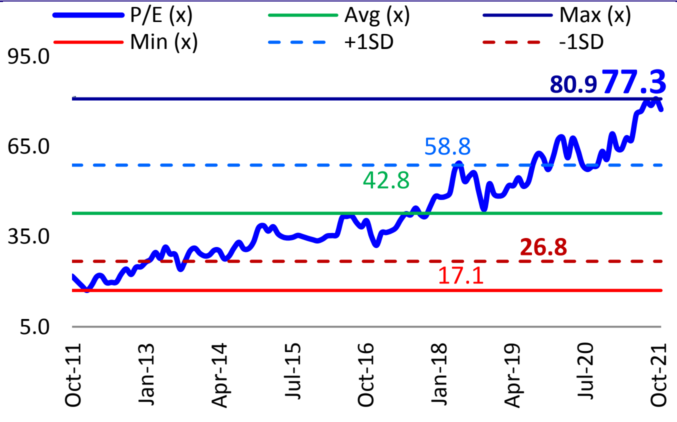
- Despite the beat on sales and good momentum expected going ahead, continued RM pressure has led to a ~15%/6% reduction in FY22/FY23 EPS.
- Importantly, over the next three quarters, PIDI faces an exceptionally high base in terms of sales growth, and the base on 3QFY22 margins is also exceptionally high.
- Topline growth in the past four quarters is a vindication of the latent growth opportunity in the Core, Pioneer, and Growth categories. Once material costs stabilize (unclear for now), earnings growth could potentially be healthy post FY22.
- While the structural investment case remains intact, valuations are expensive at 81.7x FY23E EPS. We maintain our **Neutral** stance, with TP of INR2,340 per share (65x Dec'23 EPS).

Exhibit 11: Cut our FY22E/FY23E EPS estimates by 15.4%/6.1% due to high RM inflation

(INR m)	New		Old		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Net Sales	94,426	109,848	91,411	102,180	3.3	7.5
EBITDA	17,731	23,130	20,160	23,923	(12.0)	(3.3)
Adjusted PAT	11,458	15,389	13,542	16,395	(15.4)	(6.1)

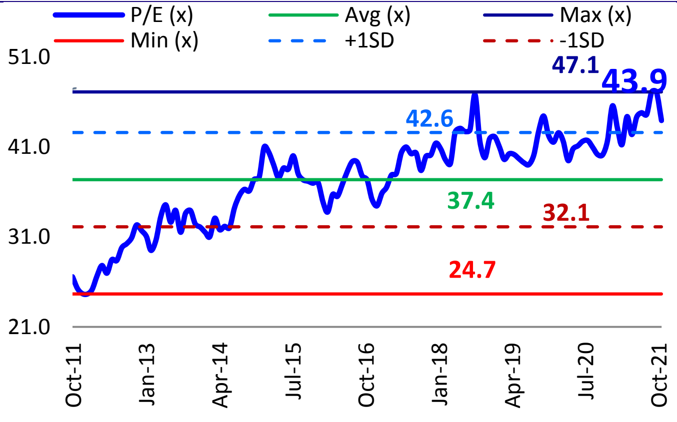
Source: Company, MOFSL

Exhibit 12: PIDI's P/E (x)



Source: Company, MOFSL

Exhibit 13: Consumer sector P/E (x)



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Net Sales	**56,168**	**60,784**	**70,780**	**73,348**	**72,927**	**94,426**	**109,848**
Change (%)	4.8	8.2	16.4	3.6	-0.6	29.5	16.3
Raw Materials	26,396	28,877	35,866	34,025	33,767	49,704	54,396
Gross Profit	**29,772**	**31,908**	**34,914**	**39,323**	**39,160**	**44,721**	**55,452**
Margin (%)	53.0	52.5	49.3	53.6	53.7	47.4	50.5
Operating Expenses	17,174	18,495	21,232	23,160	22,354	26,990	32,322
EBITDA	**12,598**	**13,412**	**13,682**	**16,163**	**16,806**	**17,731**	**23,130**
Change (%)	7.4	6.5	2.0	18.1	4.0	5.5	30.4
Margin (%)	22.4	22.1	19.3	22.0	23.0	18.8	21.1
Depreciation	1,151	1,199	1,327	1,699	2,007	2,490	2,720
Int. and Fin. Charges	139	155	261	336	372	434	481
Other Income	1,123	1,484	1,466	1,494	794	510	644
Profit before Taxes	**12,430**	**13,542**	**13,560**	**15,622**	**15,221**	**15,318**	**20,573**
Change (%)	9.3	8.9	0.1	15.2	-2.6	0.6	34.3
Margin (%)	22.1	22.3	19.2	21.3	20.9	16.2	18.7
Tax	3,851	3,927	4,132	3,477	3,964	3,860	5,184
Tax Rate (%)	31.0	29.0	30.5	22.3	26.0	25.2	25.2
Adj PAT	**8,579**	**9,615**	**9,428**	**12,145**	**11,258**	**11,458**	**15,389**
Change (%)	6.7	12.1	-1.9	28.8	-7.3	1.8	34.3
Margin (%)	15.3	15.8	13.3	16.6	15.4	12.1	14.0

Balance Sheet							(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Share Capital	513	508	508	508	508	508	508
Reserves	34,196	35,233	40,973	44,048	55,421	63,040	70,988
Net Worth	**34,709**	**35,740**	**41,481**	**44,556**	**55,930**	**63,548**	**71,497**
Loans	975	1,226	1,111	2,806	3,223	1,736	1,414
Deferred Liability	877	1,048	1,094	693	3,814	3,814	3,814
Minority Interest	1,273	1,750	2,072	2,157	2,400	2,400	2,400
Capital Employed	**37,835**	**39,764**	**45,757**	**50,211**	**65,367**	**71,499**	**79,125**
Gross Block	20,329	21,624	23,518	28,728	45,847	49,847	54,347
Less: Accum. Depn.	8,915	9,976	10,892	12,501	14,507	16,997	19,717
Net Fixed Assets	**11,414**	**11,648**	**12,626**	**16,227**	**31,340**	**32,850**	**34,630**
Capital WIP	1,477	2,277	2,421	2,593	2,939	2,939	2,939
Goodwill	1,338	1,774	1,850	1,840	12,840	12,840	12,840
Others	754	793	889	728	941	941	941
Investments	**14,431**	**12,459**	**15,477**	**11,862**	**5,160**	**6,367**	**7,710**
Curr. Assets, L&A	**18,290**	**23,034**	**25,775**	**31,977**	**34,919**	**34,894**	**42,094**
Inventory	7,209	8,043	9,345	9,295	12,342	12,032	14,596
Account Receivables	7,685	9,381	10,560	10,885	13,210	14,090	17,756
Cash and Bank Balance	999	1,636	1,904	7,033	4,515	3,515	4,017
Others	2,397	3,974	3,966	4,765	4,853	5,257	5,725
Curr. Liab. and Prov.	**9,870**	**12,222**	**13,281**	**15,016**	**22,771**	**19,331**	**22,027**
Current liabilities	9,231	11,573	12,534	14,194	21,942	18,424	21,012
Provisions	639	649	747	822	829	907	1,016
Net Current Assets	**8,420**	**10,812**	**12,494**	**16,961**	**12,148**	**15,563**	**20,067**
Application of Funds	**37,835**	**39,764**	**45,757**	**50,211**	**65,367**	**71,499**	**79,125**

E: MOFSL Estimates

Financials and valuations

Ratios							
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)							
EPS	**16.7**	**18.9**	**18.6**	**23.9**	**22.2**	**22.5**	**30.3**
Cash EPS	19.0	21.3	21.2	27.2	26.1	27.4	35.6
BV/Share	67.7	70.4	81.7	87.7	110.1	125.0	140.7
DPS	4.7	6.0	6.5	7.0	7.5	8.0	12.0
Payout %	28.2	31.5	35.0	29.3	33.6	35.5	39.6
Valuation (x)							
P/E	147.8	130.7	133.3	103.5	111.7	109.7	81.7
Cash P/E	130.4	116.2	116.9	90.8	94.8	90.1	69.4
EV/Sales	22.3	20.5	17.5	16.9	17.2	13.2	11.4
EV/EBITDA	99.5	92.7	90.7	76.8	74.4	70.4	53.9
P/BV	36.5	35.2	30.3	28.2	22.5	19.8	17.6
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.3	0.3	0.5
Return Ratios (%)							
RoE	28.1	27.3	24.4	28.2	22.4	19.2	22.8
RoCE	26.2	25.1	22.5	25.9	20.0	17.2	20.9
RoIC	40.2	39.1	34.8	41.1	26.9	20.5	24.8
Working Capital Ratios							
Debtor (Days)	50	56	54	54	66	54	59
Creditor (Days)	77	89	80	91	143	88	88
Asset Turnover (x)	2.8	2.7	2.8	2.2	1.7	2.0	2.0
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.1	0.1	0.0	0.0

Cash Flow Statement							(INR m)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
PBT before Extra Ord	12,483	13,588	13,416	14,698	15,225	15,318	20,573
Add: Depreciation	1,151	1,199	1,327	1,699	2,007	2,490	2,720
Interest Paid	80	81	55	211	204	434	481
Less: Taxes Paid	3,733	4,276	4,093	3,931	3,709	0	0
Non-operating income	645	854	467	448	73	510	644
(Incr)/Decr in WC	-1,399	-1,774	-1,791	565	268	-4,414	-4,002
CF from Operations	**7,938**	**7,964**	**8,448**	**12,796**	**13,921**	**13,317**	**19,128**
Incr in FA	-1,224	-1,760	-2,538	-4,439	-3,520	-4,000	-4,500
Acquisition of companies	0	0	0	0	-20,569	0	0
Free Cash Flow	**6,713**	**6,204**	**5,910**	**8,356**	**-10,167**	**9,317**	**14,628**
Pur of Investments	-6,613	2,896	-2,317	4,713	7,069	-1,207	-1,343
Others	-825	-566	281	551	1,343	-2,229	-4,541
CF from Invest.	**-8,662**	**570**	**-4,574**	**825**	**-15,677**	**-7,436**	**-10,384**
Change in share capital	0	0	0	28	-291	0	0
Incr in Debt	55	-4	-92	328	168	-1,487	-322
Dividend Paid	-316	-2,930	-3,635	-8,254	-7	-4,960	-7,440
Interest Paid	-139	-155	-167	-254	-293	-434	-481
Others	807	-4,808	287	-340	-339	0	0
CF from Fin. Activity	**407**	**-7,898**	**-3,606**	**-8,492**	**-762**	**-6,881**	**-8,243**
Incr/Decr of Cash	**-318**	**636**	**269**	**5,128**	**-2,518**	**-1,000**	**501**
Add: Opening Balance	1,318	999	1,636	1,904	7,033	4,515	3,515
Closing Balance	**999**	**1,636**	**1,904**	**7,032**	**4,515**	**3,515**	**4,016**

E: MOFSL Estimates

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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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