

# Asian Paints

Estimate change



TP change



Rating change



Bloomberg	APNT IN
Equity Shares (m)	959
M.Cap.(INRb)/(USDb)	2957.9 / 38.3
52-Week Range (INR)	3588 / 2522
1, 6, 12 Rel. Per (%)	5/9/11
12M Avg Val (INR M)	4275

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
Sales	291.0	349.2	384.8
Sales Gr. (%)	34.0	20.0	10.2
EBITDA	48.0	66.3	77.7
EBIT Margin (%)	16.5	19.0	20.2
Adj. PAT	32.0	46.0	54.4
Adj. EPS (INR)	33.4	47.9	56.7
EPS Gr. (%)	-0.2	43.7	18.3
BV/Sh.(INR)	144.0	158.9	171.8

## Ratios

RoE (%)	24.0	31.7	34.3
RoCE (%)	21.0	27.5	29.9
Payout (%)	57.4	75.1	77.6

## Valuation

P/E (x)	92.4	64.3	54.4
P/BV (x)	21.4	19.4	18.0
EV/EBITDA (x)	60.9	43.6	37.1
Div. Yield (%)	0.6	1.2	1.4

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	52.6	52.6	52.8
DII	7.6	7.2	7.4
FII	19.5	20.5	20.4
Others	20.3	19.7	19.5

FII Includes depository receipts

**CMP: INR3,084**

**TP: INR3,120 (+1%)**

**Neutral**

## Beat on our forecast; expensive valuations limit upside

- Demand has been fairly resilient, with 8% volume growth in 4QFY22, despite a cumulative price increase of ~20% in FY22. In Tier I and II cities, the price rise has been absorbed, but there has been some impact on demand in smaller cities.
- The impact of raw material inflation in 4QFY22 was lower than our estimate. However, the management said APNT is witnessing a 5-7% sequential increase in its raw material basket against which it is taking a 2% price increase in May'22 and Jun'22.
- The current valuations of ~54.4x FY24E PE fully capture the upside over the next one-year. We maintain our Neutral rating.

## Beat on all fronts led by sales

- **Net sales grew 18.7% YoY to INR78.9b (est. INR73.3b).** Volume growth stood at 8% (est. -8%) in the Domestic Decorative paints business.
- Gross margin fell 450bp YoY to 38.7%. As a percentage of sales, lower employee costs (-40bp YoY) and other expenses (-250bp) led to a 150bp contraction in EBITDA margin to 18.3% (est. 18.1%).
- EBITDA grew 9.5% YoY to INR14.4b (est. INR13.2b).
- PBT grew 12.6% YoY to INR13b (est. INR11.7b).
- Sales grew 34% YoY in FY22. EBITDA declined by 1.1%, while adjusted PAT remained flat YoY.

## Highlights from the management commentary

- Volume growth was affected in Jan'22 due to the Omicron COVID wave. It clocked double-digit volume growth in Feb-Mar'22.
- Though growth in the International business was good in 4QFY22, profitability was affected by its inability to fully pass on the increase in cost and the currency devaluation in Sri Lanka, Egypt and Ethiopia, which is likely to continue. These three countries account for 40-45% of its international business, which forms 11-12% of its consolidated numbers.
- It is witnessing a 5-7% sequential cost increase in its raw material basket in 1QFY23. In 4QFY22, the raw material cost increase was small. It is taking a cumulative price increase of ~2% in early May'22 and in Jun'22.
- Gross margin, even after the recovery, may only return to 41-42% levels as against the 43-44% achieved in the deflationary raw material cycle. The management doesn't want to raise prices by too much as it does not want to give opportunity to competition. EBITDA margin is expected to be in the 18-20% range once the commodity costs stabilize.

## Valuation and view

- A better-than-expected near-term margin outlook has led to a 14%/6% increase in our FY23/FY24 EPS estimate.

- We have assumed FY24 margin at the top end of the management's stated gross/EBITDA margin threshold of 41-42%/18-20%.
- While APNT's demand outlook is better than its FMCG peers, despite the high price increases, valuations at 54.4x FY24E PE are expensive. We maintain our **Neutral** rating.

**Consolidated quarterly performance**

(INR m)

Y/E March	FY21				FY22				FY21	FY22	FY22E 4QE	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Est. Dom. Deco. Vol. growth (%)</b>	<b>-38.0</b>	<b>11.0</b>	<b>33.0</b>	<b>48.0</b>	<b>106.0</b>	<b>34.0</b>	<b>18.0</b>	<b>8.0</b>	<b>7.0</b>	<b>31.0</b>	<b>-8.0</b>	
<b>Net Sales</b>	<b>29,227</b>	<b>53,502</b>	<b>67,885</b>	<b>66,514</b>	<b>55,854</b>	<b>70,960</b>	<b>85,272</b>	<b>78,927</b>	<b>2,17,128</b>	<b>2,91,013</b>	<b>73,311</b>	<b>7.7%</b>
Change (%)	-42.7	5.9	25.2	43.5	91.1	32.6	25.6	18.7	7.4	34.0	10.2	
<b>Gross Profit</b>	<b>13,077</b>	<b>23,758</b>	<b>30,600</b>	<b>28,721</b>	<b>21,464</b>	<b>24,656</b>	<b>31,339</b>	<b>30,546</b>	<b>96,156</b>	<b>1,08,005</b>	<b>26,658</b>	
Gross Margin (%)	44.7	44.4	45.1	43.2	38.4	34.7	36.8	38.7	44.3	37.1	36.4	
<b>EBITDA</b>	<b>4,843</b>	<b>12,652</b>	<b>17,879</b>	<b>13,183</b>	<b>9,136</b>	<b>9,045</b>	<b>15,423</b>	<b>14,433</b>	<b>48,556</b>	<b>48,036</b>	<b>13,239</b>	<b>9.0%</b>
Margin (%)	16.6	23.6	26.3	19.8	16.4	12.7	18.1	18.3	22.4	16.5	18.1	
Change (%)	-58.2	32.5	50.3	53.4	88.7	-28.5	-13.7	9.5	16.7	-1.1	0.4	
Interest	201	205	211	299	215	239	275	226	916	954	302	
Depreciation	1,912	1,936	1,932	2,134	2,006	2,028	2,079	2,051	7,913	8,164	2,109	
Other Income	471	826	979	754	896	1,382	718	804	3,031	3,800	903	
<b>PBT</b>	<b>3,200</b>	<b>11,337</b>	<b>16,715</b>	<b>11,505</b>	<b>7,811</b>	<b>8,160</b>	<b>13,788</b>	<b>12,960</b>	<b>42,758</b>	<b>42,719</b>	<b>11,730</b>	<b>10.5%</b>
Tax	862	2,936	4,314	2,864	2,043	2,211	3,624	3,151	10,976	11,029	2,577	
Effective Tax Rate (%)	26.9	25.9	25.8	24.9	26.2	27.1	26.3	24.3	25.7	25.8	22.0	
<b>Adjusted PAT</b>	<b>2,196</b>	<b>8,519</b>	<b>12,654</b>	<b>8,699</b>	<b>5,743</b>	<b>6,052</b>	<b>10,313</b>	<b>9,898</b>	<b>32,068</b>	<b>32,005</b>	<b>9,346</b>	<b>5.9%</b>
Change (%)	-67.4	0.8	62.3	81.1	161.5	-29.0	-18.5	13.8	15.4	-0.2	7.4	

E: MOFSL estimates

**Consolidated key performance indicators**

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Realization growth (%)</b>	<b>-4.7</b>	<b>-5.1</b>	<b>-7.8</b>	<b>-4.5</b>	<b>-14.9</b>	<b>-1.4</b>	<b>7.6</b>	<b>10.7</b>
<b>Average growth in the last two years (%)</b>								
Volume	-11.0	12.5	22.0	25.3	34.0	22.5	25.5	28.0
Sales	-13.2	7.7	14.1	18.2	24.2	19.3	25.4	31.1
EBITDA	-16.8	22.8	29.0	25.2	15.2	2.0	18.3	31.4
PAT	-24.6	34.0	41.3	39.7	47.0	-14.1	21.9	47.5
<b>Average growth in the last three years (%)</b>								
Volume	-4.0	12.0	21.7	20.2	28.0	19.7	20.7	19.5
<b>As a percentage of Sales</b>								
COGS	55.3	55.6	54.9	56.8	61.6	65.3	63.2	61.3
Operating Expenses	28.2	20.8	18.7	23.4	22.1	22.0	18.7	20.4
Depreciation	6.5	3.6	2.8	3.2	3.6	2.9	2.4	2.6
<b>YoY change (%)</b>								
COGS	-43.9	2.3	20.7	50.5	112.9	55.7	44.7	28.0
Operating Expenses	-23.0	-6.6	11.4	22.8	49.7	40.6	25.1	3.7
Other Income	-35.9	-21.4	40.2	35.1	90.3	67.3	-26.7	6.6
EBIT	-69.7	41.4	60.7	66.1	143.3	-34.5	-16.3	12.1

**Exhibit 1: Consolidated segmental performance**

INR m	4QFY21	3QFY22	4QFY22
<b>Segmental Revenue</b>			
Paints	64,672	83,194	76,637
Home Improvement	1,859	2,093	2,324
<b>Total</b>	<b>66,531</b>	<b>85,287</b>	<b>78,961</b>
<b>Segmental revenue growth (%)</b>			
Paints	42.7	25.4	18.5
Home Improvement	81.0	36.4	25.0
<b>Total</b>	<b>43.5</b>	<b>25.6</b>	<b>18.7</b>
<b>EBIT</b>			
Paints	12,297	14,488	12,741
Home Improvement	(15)	14	(23)
<b>Total</b>	<b>12,282</b>	<b>14,502</b>	<b>12,718</b>
<b>EBIT margin</b>			
Paints	19.0	17.4	16.6
Home Improvement	(0.8)	0.7	(1.0)
<b>Total</b>	<b>18.5</b>	<b>17.0</b>	<b>16.1</b>

Source: Company, MOFSL

**Standalone performance**

- Standalone net sales grew 19.2% YoY to INR67.6b.
- Gross margin declined 500bp YoY to 39.7% and EBITDA margin declined 140bp YoY to 20.2%.
- EBITDA grew 11.5% YoY to INR13.6b.
- PBT grew 13.8% YoY to INR12.6b.
- Adj. PAT grew 16.4% YoY to INR9.5b.
- FY22 sales /EBITDA/adj. PAT grew by 36%/2.1%/4.5% YoY.

**Standalone quarterly performance**

(INR b)

Y/E March	FY21				FY22			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net Sales</b>	<b>24.5</b>	<b>45.3</b>	<b>58.7</b>	<b>56.7</b>	<b>47.9</b>	<b>61.5</b>	<b>74.9</b>	<b>67.6</b>
Change (%)	-44.1	5.8	26.1	46.2	95.6	35.9	27.6	19.2
<b>Gross Profit</b>	<b>11.3</b>	<b>20.6</b>	<b>27.1</b>	<b>25.4</b>	<b>18.9</b>	<b>21.9</b>	<b>28.1</b>	<b>26.8</b>
Gross Margin (%)	46.3	45.4	46.1	44.7	39.6	35.7	37.5	39.7
<b>EBITDA</b>	<b>4.7</b>	<b>11.5</b>	<b>16.5</b>	<b>12.2</b>	<b>8.8</b>	<b>8.7</b>	<b>14.7</b>	<b>13.6</b>
Margin (%)	19.1	25.4	28.2	21.6	18.4	14.2	19.6	20.2
Change (%)	-57.2	31.6	48.0	57.6	88.9	-23.9	-11.2	11.5
Interest	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Depreciation	1.7	1.7	1.7	1.9	1.8	1.8	1.8	1.8
Other Income	0.5	0.9	1.2	1.0	1.1	1.5	1.0	0.9
<b>PBT</b>	<b>3.4</b>	<b>10.6</b>	<b>15.9</b>	<b>11.0</b>	<b>7.9</b>	<b>8.3</b>	<b>13.7</b>	<b>12.6</b>
Tax	0.9	2.7	4.0	2.8	2.0	2.1	3.5	3.0
Effective Tax Rate (%)	25.3	25.2	25.3	25.7	25.0	25.4	25.4	24.1
<b>Adjusted PAT</b>	<b>2.5</b>	<b>7.9</b>	<b>11.9</b>	<b>8.2</b>	<b>6.0</b>	<b>6.2</b>	<b>10.2</b>	<b>9.5</b>
Change (%)	-61.4	0.3	56.5	68.9	136.6	-22.0	-14.1	16.4

**Exhibit 2: Imputed subsidiary quarterly performance**

INR m	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Sales	7,566	4,761	8,235	9,157	9,807	7,995	9,442	10,361	11,331
Sales growth (%)	(3.4)	(34.3)	6.6	19.9	29.6	67.9	14.6	13.2	15.5
EBITDA	838	173	1,156	1,337	958	315	295	741	806
EBITDA margin (%)	11.1	3.6	14.0	14.6	9.8	3.9	3.1	7.2	7.1
PAT	282	(323)	588	774	503	(218)	(135)	110	2,055

Source: Company, MOFSL



## Highlights from the management commentary

### Performance and outlook

- Management is pleased with 8% volume growth in 4QFY22 on a high base.
- Three-year volume/value CAGR stood at 16%/17%.
- Volume growth was affected in Jan'22 due to the Omicron COVID wave. It clocked double-digit volume growth in Feb-Mar'22.
- Tier I and II cities did double-digit volume growth much better than the rest of the country. Regionally, West and East India did better.
- Tier III and IV cities witnessed impact of price increases (over 20%) and due to this there has been some down-trading. Tier III and IV cities have a larger share of revenues compared to Tier I and II.
- Though growth in the International business was good in 4QFY22, profitability was affected by its inability to fully pass on the increase in cost and the currency devaluation in Sri Lanka, Egypt and Ethiopia, which is likely to continue. These three countries account for 40-45% of its international business, which forms 11-12% of its consolidated numbers.
- Global market challenges will continue in near term.
- Near term demand conditions are tough given the macro-economic factors. However, the management is heartened by its performance in Feb-Mar'22.
- If there is a good monsoon, it could help revive demand in smaller centers, unless raw material inflation goes haywire.

### New products and distribution

- New products contribute 14% of sales. Many of these are based on technological superiority.
- The company has 145,000 distributor footprints across their businesses. Big city suburbs and Tier III and IV were key focused.
- There are 29 stores in entire home décor (all products in one roof) space. By the end of FY23, it will have 70 stores, and APNT will be India's biggest home décor retailer by then.
- Home décor is 4% of overall decorative business and management targets it to be 8-10% in few years.
- APNT is investing in a greenfield facility for designer and general tiles and in a manufacturing facility for wallpapers as well.

### Kitchen and Bath business

- Kitchen equipment/Bath business posted over INR1b sales each for third consecutive quarter/second consecutive quarter respectively.
- Currently, Kitchen equipment business is still marginally loss making while bath business is profitable.
- Management expects profitability in kitchen equipment in FY23.

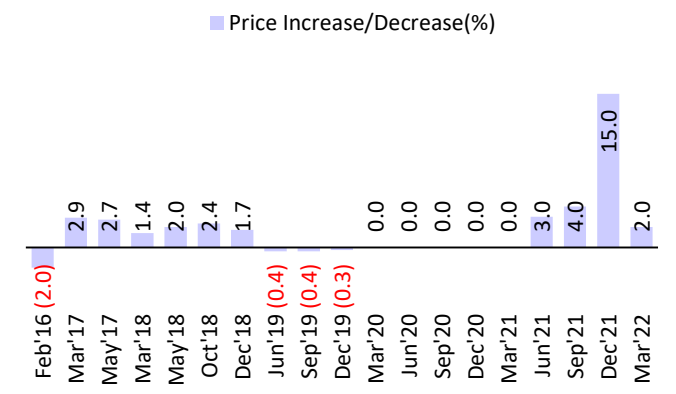
### Cost and margin

- It is witnessing a 5-7% sequential cost increase in its raw material basket in 1QFY23. In 4QFY22, the raw material cost increase was small. It is taking a cumulative price increase of ~2% in early May'22 and in Jun'22.
- Management will assess what measures to take to combat ongoing material cost increase in 1QFY23.

- Raw material prices increased 32-34% YoY against which company has taken only 23-24% effective price increases over the past 12 months.
- Gross margin, even after the recovery, may only return to 41-42% levels as against the 43-44% achieved in the deflationary raw material cycle. The management doesn't want to raise prices by too much as it does not want to give opportunity to competition.
- EBITDA margin is expected to be in the 18-20% range once the commodity costs stabilize.
- Longer term upgradation of customers will contribute to margin improvement.

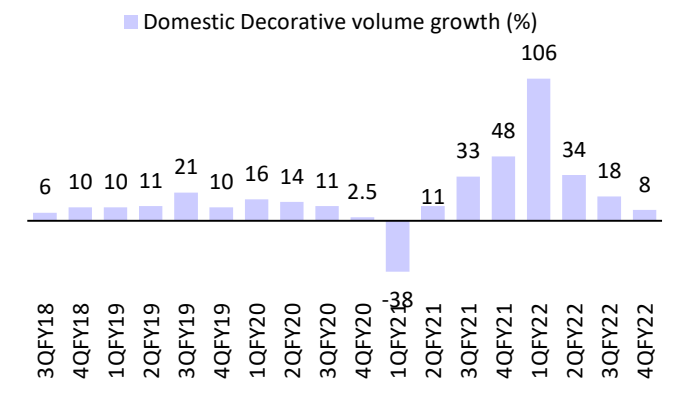
Key exhibits

Exhibit 3: APNT raises prices by ~2% in 4QFY22



Source: Company, MOFSL

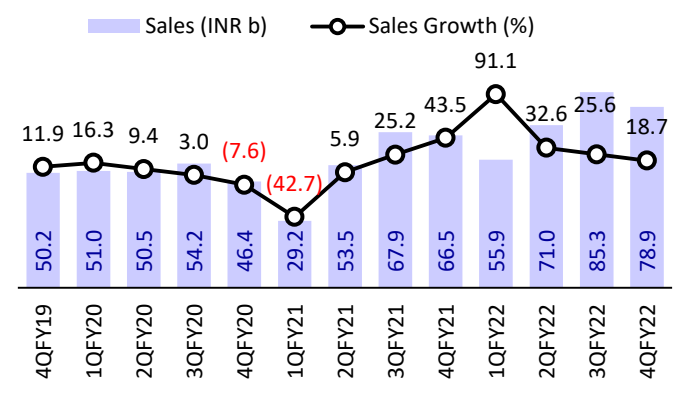
Exhibit 4: Volume growth in the domestic Decorative business stood at 8% in 4QFY22



Source: Company, MOFSL

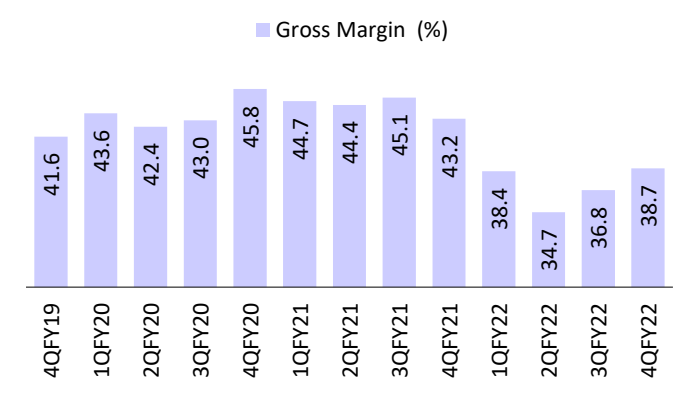
- **Consolidated gross margin fell 450bp YoY to 38.7%.** As a percentage of sales, lower employee costs (-40bp YoY) and other expenses (-250bp YoY) meant that **EBITDA margin contracted by 150bp YoY to 18.3%** (est. 18.1%).

Exhibit 5: Consolidated sales up 18.7% YoY to INR78.9b



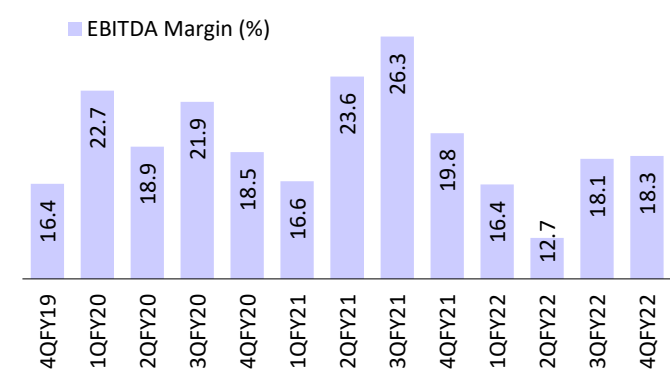
Source: Company, MOFSL

Exhibit 6: Gross margin contracts by 450bp YoY to 38.7%



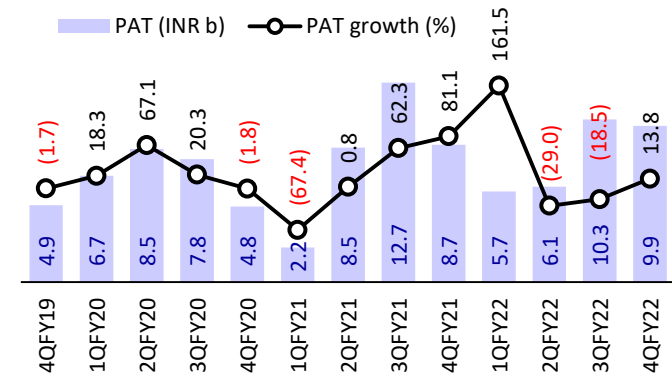
Source: Company, MOFSL

Exhibit 7: EBITDA margin contracts by 150bp YoY to 18.3%



Source: Company, MOFSL

Exhibit 8: PAT grew 13.8% YoY to INR13.8b



Source: Company, MOFSL

## Valuation and view

### APNT has been a wealth creator in the past decade

- Despite having an already sizeable sales base of ~INR67b in FY10, APNT reported a healthy (12-13%) sales/EBITDA/PAT CAGR for the decade ended FY20.
- A widening dealer network and an increased thrust in non-metro cities led to a faster shift from the unorganized Paints business, which still constitutes ~30% of the market.
- Categories such as 'Putty' and 'Waterproofing' have been new growth engines for the company.

### Growth momentum in revenue to continue

- The Paints segment continues to be one of the few categories where double-digit revenue growth, led by volumes, is possible. This is especially true as top players have started gaining share from the unorganized market (post the GST rollout) and offering superior growth opportunities in the hinterland.
- While the Real Estate market continues to see a strong recovery in the near term, longer term prospects for Decorative Paints remains attractive (on account of recovery in this segment).
- Over the past few years, APNT has done well in terms of widening its distribution network and expanding its product portfolio. It has been in the midst of a massive expansion (it is nearly doubling capacity), which would create further entry barriers for peers.

### Concerns persist despite superior performance v/s peers

- **Deteriorating RoCE over the past decade:** From over 45% in FY10, RoCE has fallen to the early 20s in recent years, weighed by a) a declining net fixed asset turnover, b) slowing sales and EBIT growth, and c) a worsening cash conversion cycle.
- **Valuations:** Despite modest earnings growth for five years in succession (FY16–21 PBT/earnings CAGR of 10.8%/12.5%, with the latter boosted by corporate tax cuts) and declining RoCE, valuations at 66x/57x FY23E/FY24E EPS seem high v/s the five/ten/fifteen-year average of 56x/47x/39x.

**Valuation and view**

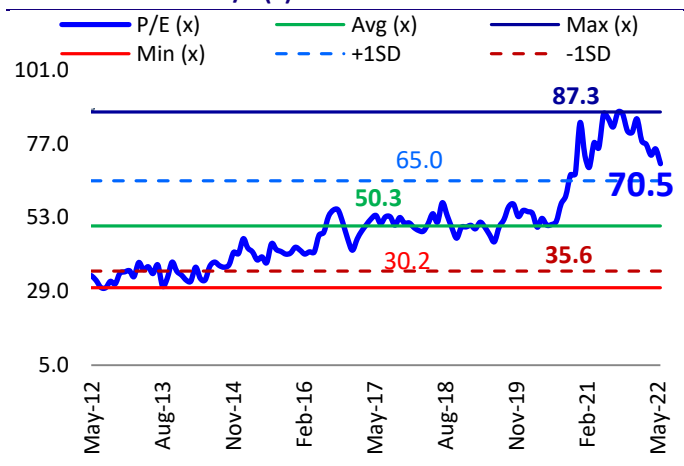
- Changes to the model have resulted in 14%/6% increase in FY23/FY24 EPS due to a better than expected near term margin outlook.
- We have assumed FY24 margins at the top end of the management’s stated threshold of 41-42% on gross margins and 18-20% on EBITDA margins.
- While the demand outlook is better than FMCG peers, despite high price increases, valuations of 54.4x FY24 are expensive. We maintain our **Neutral** rating.

**Exhibit 9: Raise our FY23/FY24 EPS forecast by 14%/5.9%**

INR b	New		Old		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Sales	349.2	384.8	338.4	369.0	3.2	4.3
EBITDA	66.3	77.7	58.7	73.8	12.8	5.3
PAT	46.0	54.4	40.3	51.4	14.0	5.9

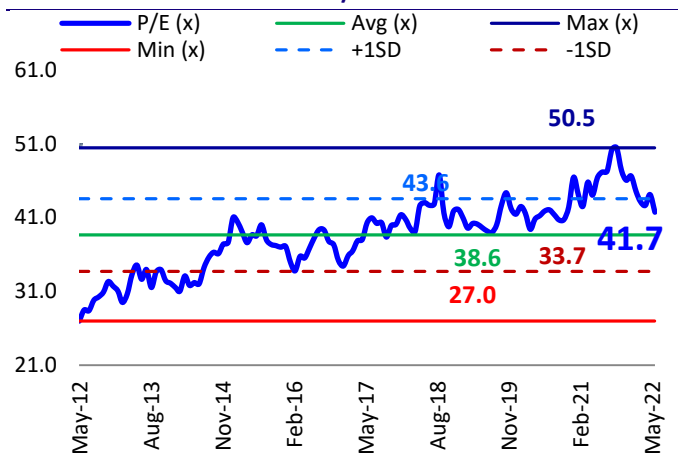
Source: Company, MOFSL

**Exhibit 10: APNT’s P/E (x)**



Source: Bloomberg, Company, MOFSL

**Exhibit 11: Consumer sector P/E**



Source: Bloomberg, Company, MOFSL

## Financials and valuations

Income Statement consol.							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
<b>Net Sales</b>	<b>1,68,246</b>	<b>1,92,401</b>	<b>2,02,113</b>	<b>2,17,128</b>	<b>2,91,013</b>	<b>3,49,242</b>	<b>3,84,805</b>	
Change (%)	11.7	14.4	5.0	7.4	34.0	20.0	10.2	
Raw Materials	96,912	1,12,646	1,13,835	1,20,972	1,83,008	2,09,619	2,23,285	
<b>Gross Profit</b>	<b>71,334</b>	<b>79,756</b>	<b>88,278</b>	<b>96,156</b>	<b>1,08,005</b>	<b>1,39,622</b>	<b>1,61,520</b>	
Margin (%)	42.4	41.5	43.7	44.3	37.1	40.0	42.0	
Operating Expenses	39,358	42,100	46,660	47,600	59,969	73,336	83,838	
<b>EBITDA</b>	<b>31,976</b>	<b>37,655</b>	<b>41,618</b>	<b>48,556</b>	<b>48,036</b>	<b>66,286</b>	<b>77,682</b>	
Change (%)	7.1	17.8	10.5	16.7	-1.1	38.0	17.2	
Margin (%)	19.0	19.6	20.6	22.4	16.5	19.0	20.2	
Depreciation	3,605	6,221	7,805	7,913	8,164	8,599	8,984	
Int. and Fin. Charges	351	1,053	1,023	916	954	1,163	1,241	
Other Income	2,206	2,330	3,043	3,031	3,800	4,338	4,597	
<b>Profit before Taxes</b>	<b>30,227</b>	<b>32,712</b>	<b>35,833</b>	<b>42,758</b>	<b>42,719</b>	<b>60,862</b>	<b>72,054</b>	
Change (%)	4.8	8.2	9.5	19.3	-0.1	42.5	18.4	
Margin (%)	18.0	17.0	17.7	19.7	14.7	17.4	18.7	
Tax	10,414	9,428	9,501	11,218	11,644	15,337	18,158	
Deferred Tax	-5	1,553	-953	-242	-614	0	0	
Tax Rate (%)	34.4	33.6	23.9	25.7	25.8	25.2	25.2	
<b>PAT Before Minority</b>	<b>19,817</b>	<b>21,731</b>	<b>27,284</b>	<b>31,782</b>	<b>31,689</b>	<b>45,525</b>	<b>53,897</b>	
Minority Interest	-458	-407	-507	-286	-316	-465	-489	
<b>Adjusted PAT</b>	<b>20,275</b>	<b>22,138</b>	<b>27,791</b>	<b>32,068</b>	<b>32,005</b>	<b>45,990</b>	<b>54,386</b>	
Change (%)	1.9	9.2	25.5	15.4	-0.2	43.7	18.3	
Margin (%)	12.1	11.5	13.8	14.8	11.0	13.2	14.1	
<b>Reported PAT</b>	<b>20,275</b>	<b>22,080</b>	<b>27,742</b>	<b>32,068</b>	<b>30,848</b>	<b>45,990</b>	<b>54,386</b>	

Balance Sheet							(INR m)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	
Share Capital	959	959	959	959	959	959	959	
Reserves	83,143	93,746	1,00,342	1,27,104	1,37,156	1,51,463	1,63,822	
<b>Net Worth</b>	<b>84,102</b>	<b>94,706</b>	<b>1,01,302</b>	<b>1,28,063</b>	<b>1,38,116</b>	<b>1,52,423</b>	<b>1,64,781</b>	
Loans	5,334	6,156	3,401	3,402	7,757	7,757	7,757	
Other Liability	4,011	12,137	11,984	11,538	11,362	11,689	12,958	
Minority Interest	3,277	3,613	4,035	4,229	3,875	4,341	4,830	
<b>Capital Employed</b>	<b>96,724</b>	<b>1,16,611</b>	<b>1,20,722</b>	<b>1,47,232</b>	<b>1,61,109</b>	<b>1,76,209</b>	<b>1,90,326</b>	
Gross Block	43,781	66,983	69,895	71,910	76,675	79,675	83,675	
Less: Accum. Deprn.	9,731	13,942	19,573	24,807	32,970	41,570	50,554	
<b>Net Fixed Assets</b>	<b>34,050</b>	<b>53,041</b>	<b>50,322</b>	<b>47,103</b>	<b>43,705</b>	<b>38,105</b>	<b>33,121</b>	
Capital WIP	14,051	2,097	1,402	1,830	4,264	4,264	4,264	
Right to Use Assets	0	8,711	9,201	8,456	9,058	9,058	9,058	
<b>Investments</b>	<b>21,407</b>	<b>25,686</b>	<b>20,189</b>	<b>47,368</b>	<b>32,475</b>	<b>48,713</b>	<b>58,456</b>	
Current	10,567	11,745	5,125	32,671	21,807	32,711	34,452	
Non-current	10,840	13,941	15,064	14,697	10,668	16,002	24,004	
<b>Curr. Assets, L&amp;A</b>	<b>64,854</b>	<b>69,740</b>	<b>77,066</b>	<b>95,770</b>	<b>1,37,654</b>	<b>1,57,175</b>	<b>1,71,199</b>	
Inventory	26,583	31,499	33,898	37,986	61,530	58,366	63,256	
Account Receivables	17,371	19,134	17,994	26,051	38,738	42,100	46,387	
Cash and Bank Balance	4,047	4,449	7,828	6,108	8,643	24,889	24,773	
Others	16,854	14,659	17,345	25,626	28,743	31,819	36,783	
<b>Curr. Liab. and Prov.</b>	<b>40,911</b>	<b>45,878</b>	<b>40,658</b>	<b>56,322</b>	<b>68,475</b>	<b>74,476</b>	<b>79,143</b>	
Account Payables	21,600	23,943	21,366	33,787	41,643	45,944	48,939	
Other Liabilities	17,344	19,617	16,860	19,538	23,952	24,671	25,904	
Provisions	1,967	2,318	2,432	2,996	2,880	3,862	4,300	
<b>Net Current Assets</b>	<b>23,944</b>	<b>23,863</b>	<b>36,408</b>	<b>39,449</b>	<b>69,179</b>	<b>82,698</b>	<b>92,056</b>	
Godwill on Cons.	3,273	3,213	3,200	3,026	2,429	2,429	2,429	
<b>Application of Funds</b>	<b>96,724</b>	<b>1,16,611</b>	<b>1,20,722</b>	<b>1,47,232</b>	<b>1,61,109</b>	<b>1,76,209</b>	<b>1,90,326</b>	



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>21.1</b>	<b>23.1</b>	<b>29.0</b>	<b>33.4</b>	<b>33.4</b>	<b>47.9</b>	<b>56.7</b>
Cash EPS	24.9	29.6	37.1	41.7	41.9	56.9	66.1
BV/Share	87.7	98.7	105.6	133.5	144.0	158.9	171.8
DPS	12.4	10.7	21.8	4.9	19.2	36.0	44.0
Payout %	58.6	46.4	75.3	14.5	57.4	75.1	77.6
<b>Valuation (x)</b>							
P/E	145.9	133.6	106.4	92.2	92.4	64.3	54.4
Cash P/E	123.9	104.3	83.1	74.0	73.6	54.2	46.7
EV/Sales	17.5	15.2	14.5	13.4	10.0	8.3	7.5
EV/EBITDA	91.9	77.9	70.5	59.9	60.9	43.6	37.1
P/BV	35.2	31.2	29.2	23.1	21.4	19.4	18.0
Dividend Yield (%)	0.4	0.3	0.7	0.2	0.6	1.2	1.4
<b>Return Ratios (%)</b>							
RoE	25.3	24.8	28.4	28.0	24.0	31.7	34.3
RoCE	21.6	21.0	23.6	24.2	21.0	27.5	29.9
RoIC	23.7	22.1	23.2	24.1	20.6	29.2	33.3
<b>Working Capital Ratios</b>							
Debtor (Days)	38	36	32	44	49	44	44
Asset Turnover (x)	1.7	1.6	1.7	1.5	1.8	2.0	2.0
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.1	0.1	0.0	0.0	0.1	0.1	0.0

### Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>(INR m)</b>							
OP/(loss) before Tax	31,391	33,107	36,283	43,044	41,877	60,862	72,054
Depreciation	3,605	4,307	7,819	7,913	8,164	8,599	8,984
Net interest	-422	-282	96	165	-125	-3,174	-3,356
Others	-1,835	-896	-401	-1,426	-342	0	0
Direct Taxes Paid	-10,807	-9,820	-10,108	-10,797	-11,757	-15,337	-18,158
(Incr)/Decr in WC	-797	-4,274	-7,371	-2,065	-27,952	2,726	-9,474
<b>CF from Operations</b>	<b>21,134</b>	<b>22,143</b>	<b>26,319</b>	<b>36,834</b>	<b>9,865</b>	<b>53,676</b>	<b>50,051</b>
Incr in FA	-14,088	-11,336	-3,669	-2,543	-4,987	-3,000	-4,000
<b>Free Cash Flow</b>	<b>7,047</b>	<b>10,807</b>	<b>22,650</b>	<b>34,291</b>	<b>4,878</b>	<b>50,676</b>	<b>46,051</b>
Pur of Investments	426	1,602	-2,536	-3,679	973	-16,238	-9,743
Others	2,353	-3,177	7,918	-25,829	14,761	15,923	5,184
<b>CF from Invest.</b>	<b>-11,309</b>	<b>-12,911</b>	<b>1,713</b>	<b>-32,050</b>	<b>10,747</b>	<b>-3,314</b>	<b>-8,558</b>
Incr in Debt	-440	631	-2,614	257	3,247	0	0
Dividend Paid	-12,178	-10,487	-21,207	-4,994	-17,628	-34,531	-42,205
Net interest Paid	-352	-512	-1,009	-893	-936	3,174	3,356
Others	-822	1,539	178	-875	-2,759	-2,759	-2,759
<b>CF from Fin. Activity</b>	<b>-13,791</b>	<b>-8,830</b>	<b>-24,652</b>	<b>-6,504</b>	<b>-18,076</b>	<b>-34,116</b>	<b>-41,608</b>
<b>Incr/Decr of Cash</b>	<b>-3,966</b>	<b>402</b>	<b>3,380</b>	<b>-1,721</b>	<b>2,536</b>	<b>16,246</b>	<b>-116</b>
Add: Opening Balance	8,012	4,047	4,449	7,828	6,108	8,643	24,889
<b>Closing Balance</b>	<b>4,047</b>	<b>4,449</b>	<b>7,828</b>	<b>6,108</b>	<b>8,643</b>	<b>24,889</b>	<b>24,773</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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