

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR5,406**
**TP: INR6,315 (+17%)**
**Buy**

## Strong show continues

### EBITDA in line; PAT below estimates

- SRF's 3QFY21 operating performance was robust on the back of a margin expansion seen across segments (on a YoY basis). Specialty Chemicals drove overall revenue in the Chemicals segment as the Fluorochemicals business revenue remained flat YoY. On a QoQ basis, EBIT margin moderated (-310bp QoQ) in the Packaging segment, but expanded 340bp in Technical Textiles.
- We largely maintain our FY21/FY22/FY23 estimates as operating performance was broadly in line with our estimates. Maintain **Buy**.

### Margin expands across segments

- Revenue grew 16% YoY to INR21.5b (v/s our estimate of INR23.3b) in 3QFY21, with EBITDA margin expansion of 430bp to 25.4% (v/s our estimate of 24.7%). EBITDA stood at INR5.4b (v/s our estimate of INR5.8b), up 40% YoY, while adjusted PAT decreased 9% YoY to INR3b (v/s our estimate of INR3.4b) on higher tax rate (28.1% v/s a tax benefit last year). This was offset by lower interest cost (-40% YoY) and higher other income (+290%).
- In 9MFY21, revenue/EBITDA/PAT grew 8%/40%/17%.
- The **Chemicals** business reported 12% YoY revenue growth to INR9.1b, with EBIT margin expansion of 330bp YoY to 21% (EBIT grew 33% YoY to INR1.9b). The **Specialty Chemicals** business performed well, owing to strong demand from the overseas markets, higher capacity utilization of dedicated/multipurpose facilities, and cost-savings across all product streams. The **Fluorochemicals** business saw a revival in demand for Refrigerants and healthy contribution from the Chloro-methane segment, leading to a much better overall performance.
- Revenue for **Packaging Films** segment grew 26% YoY to INR8b, with a margin expansion of 310bp YoY to 26.5% (EBIT grew 42% YoY to INR2.1b). On a QoQ basis, revenue/EBIT declined 4%/14%, with EBIT margin contracting 310bp. New capacities in Thailand and Hungary aided volume growth and both BOPET and BOPP segments witnessed a robust performance due to better operating leverage, improved margin, and a healthy demand from customers.
- The **Technical Textiles** business reported a 9% YoY increase in revenue to INR3.7b, with 760bp EBIT margin expansion to 18.5% (EBIT grew 86% to INR679m), due to faster than-expected recovery in the Tyre industry. The Belting Fabrics segment contributed significantly to overall performance.

### Highlights from the management commentary

- The management remains confident of achieving over 25% revenue growth in Specialty Chemicals.
- Large capex will be carried out in the Specialty Chemicals business in the next two years due to robust demand from global clients as higher demand in this segment is sustainable. As of 3QFY21, the company has deployed INR21b in the Specialty Chemicals business.

Bloomberg	SRF IN
Equity Shares (m)	59
M.Cap.(INRb)/(USD\$)	320.3 / 4.7
52-Week Range (INR)	6075 / 2492
1, 6, 12 Rel. Per (%)	-6/13/31
12M Avg Val (INR M)	1182

### Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	81.2	100.4	117.6
EBITDA	20.7	23.7	27.6
PAT	11.4	13.8	16.7
EBITDA (%)	25.5	23.6	23.5
EPS (INR)	193.0	233.3	282.3
EPS Gr. (%)	24.4	20.9	21.0
BV/Sh. (INR)	1,146	1,357	1,613

### Ratios

Net D/E	0.3	0.2	0.1
RoE (%)	19.3	18.6	19.0
RoCE (%)	13.4	14.8	16.3
Payout (%)	12.0	9.9	9.2

### Valuations

P/E (x)	28.0	23.2	19.1
EV/EBITDA (x)	16.6	14.3	12.0
Div Yield (%)	0.4	0.4	0.4
FCF Yield (%)	2.7	2.5	3.0

### Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	50.8	52.3	52.3
DII	11.2	11.3	11.6
FII	19.4	17.1	18.4
Others	18.6	19.2	17.7

Note: FII includes depository receipts

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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.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- All refrigerant gas capacities are currently operating at full utilization levels from Dec'20 onwards. The first two quarters (1Q and 2QFY21) saw an adverse impact due to COVID-19. Going forward, the management expects to report strong growth in Refrigerant gas during the next 12 months.
- Capex for FY22 (from already announced projects): INR12-13b.

#### Valuation and view

- SRF reported robust operating performance during 3QFY21, led by margin expansion across business segments.
- Strong revenue growth and margin expansion (on a YoY basis) was witnessed in the Packaging Films segment due to higher volumes (new capacities in Thailand and Hungary aided volume growth), better operating leverage, and a healthy demand from customers. On a QoQ basis, EBIT margin contracted 310bp. The moderation in margin was well guided by the management earlier.
- Technical Textiles surprised on the EBIT front, due to faster-than-expected recovery in the Tyre industry and initiatives to enhance operational performance.
- Growth in the Chemicals segment in 3QFY21 was driven by Specialty Chemicals as Fluorochemicals revenue remained flat YoY due to: i) weak demand for Refrigerants from the Automobile and Air Conditioning segments (both from OEM and replacement market), and ii) low prices.
- SRF plans to spend ~INR15-18b annually on capex over the next 2-3 years on the back of capital raised and CFO. About 60-70% capex would be utilized on the Specialty Chemicals business, 20-30% will be spent on Packaging, and the balance would be utilized for maintenance capex in Technical Textiles and other businesses. It is deploying majority of the incremental capital in the Specialty Chemicals segments, which is growing at a faster pace and yielding higher margin. We view the said move as a step in the right direction.
- We maintain our FY21/FY22/FY23 estimates as operating performance was broadly in line with estimates. Revenue/EBITDA/adjusted PAT is expected to grow at 20%/15%/21% CAGR over FY21-23E. We value the stock on a SoTP basis to arrive at our TP of INR6,315. Maintain Buy rating.

## Consolidated quarterly earning model

(INR m)

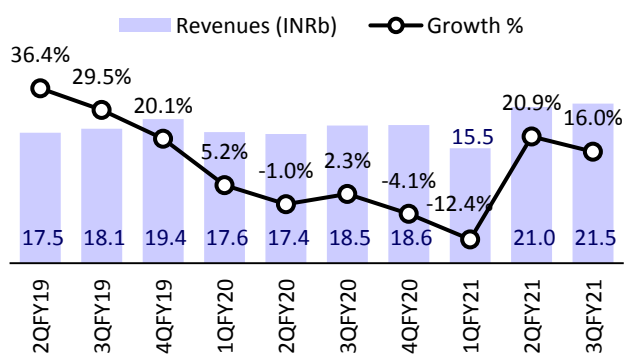
Y/E March	FY20				FY21				FY20	FY21E	3QFY21E	Variance (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net sales</b>	<b>17,633</b>	<b>17,378</b>	<b>18,505</b>	<b>18,578</b>	<b>15,452</b>	<b>21,008</b>	<b>21,464</b>	<b>23,249</b>	<b>72,094</b>	<b>81,173</b>	<b>23,290</b>	<b>-8</b>
YoY change (%)	5.2	-1.0	2.3	-4.1	-12.4	20.9	16.0	25.1	0.5	12.6	25.9	
Total expenditure	14,186	14,026	14,603	14,695	11,728	15,188	16,018	17,514	57,510	60,448	17,531	
<b>EBITDA</b>	<b>3,447</b>	<b>3,352</b>	<b>3,902</b>	<b>3,884</b>	<b>3,723</b>	<b>5,821</b>	<b>5,446</b>	<b>5,735</b>	<b>14,584</b>	<b>20,725</b>	<b>5,759</b>	<b>-5</b>
Margin (%)	19.5	19.3	21.1	20.9	24.1	27.7	25.4	24.7	20.2	25.5	24.7	
Depreciation	925	929	1,019	1,014	1,040	1,140	1,166	1,220	3,886	4,566	1,180	
Interest	515	550	475	466	432	362	285	270	2,007	1,348	230	
Other income	152	220	56	63	101	98	217	90	491	505	80	
<b>PBT before EO expense</b>	<b>2,159</b>	<b>2,093</b>	<b>2,463</b>	<b>2,467</b>	<b>2,353</b>	<b>4,417</b>	<b>4,212</b>	<b>4,335</b>	<b>9,182</b>	<b>15,317</b>	<b>4,429</b>	
Extra-ordinary expense and DO	-289	-960	-103	355	89	101	-220	0	-997	-30	0	
<b>PBT</b>	<b>2,448</b>	<b>3,053</b>	<b>2,566</b>	<b>2,112</b>	<b>2,264</b>	<b>4,316</b>	<b>4,432</b>	<b>4,335</b>	<b>10,179</b>	<b>15,347</b>	<b>4,429</b>	
Tax	556	41	-864	255	493	1,164	1,185	1,040	-12	3,882	1,063	
Rate (%)	25.8	2.0	-35.1	10.3	21.0	26.4	28.1	24.0	-0.1	25.3	24.0	
<b>Reported PAT</b>	<b>1,892</b>	<b>3,011</b>	<b>3,430</b>	<b>1,857</b>	<b>1,771</b>	<b>3,152</b>	<b>3,247</b>	<b>3,295</b>	<b>10,191</b>	<b>11,465</b>	<b>3,366</b>	
<b>Adjusted PAT</b>	<b>1,603</b>	<b>2,051</b>	<b>3,327</b>	<b>2,212</b>	<b>1,860</b>	<b>3,253</b>	<b>3,027</b>	<b>3,295</b>	<b>9,194</b>	<b>11,434</b>	<b>3,366</b>	<b>-10</b>
YoY change (%)	11.2	40.5	132.5	22.3	16.0	58.6	-9.0	48.9	49.7	24.4	1.2	
Margin (%)	9.1	11.8	18.0	11.9	12.0	15.5	14.1	14.2	12.8	14.1	14.5	

## Key performance indicators

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Consolidated</b>										
Segment revenue growth (%)										
Technical Textile	-23.8	-28.8	-26.1	-21.6	-63.2	2.9	9.3	10.0	<b>-25.1</b>	<b>-12.5</b>
Chemicals and Polymers	26.4	25.1	38.5	5.0	16.9	30.0	11.6	25.5	<b>21.7</b>	<b>21.0</b>
Packaging Films	11.1	-4.8	-9.2	-3.5	-3.5	25.7	25.7	33.0	<b>-1.9</b>	<b>19.5</b>
Segment EBIT margin (%)										
Technical Textile	14.9	6.5	10.9	11.7	-10.0	15.1	18.5	17.0	<b>0.0</b>	<b>0.0</b>
Chemicals and Polymers	13.0	19.3	17.6	18.0	12.6	19.8	21.0	21.0	<b>0.0</b>	<b>0.0</b>
Packaging Films	20.7	19.6	23.4	21.7	32.6	29.6	26.5	23.0	<b>0.0</b>	<b>0.0</b>
<b>Cost break-up</b>										
RM cost (% of sales)	54.1	50.8	50.4	49.4	48.0	45.5	47.5	49.0	<b>51.1</b>	<b>47.5</b>
Staff cost (% of sales)	7.3	7.4	7.4	7.9	8.9	7.2	7.4	6.6	<b>7.5</b>	<b>7.4</b>
Power and Fuel cost (% of sales)	8.8	9.4	9.8	9.2	8.0	9.0	9.1	8.7	<b>9.3</b>	<b>8.7</b>
Other cost (% of sales)	10.3	13.0	11.3	12.6	11.0	10.6	10.7	11.2	<b>11.8</b>	<b>10.9</b>
Gross margin (%)	45.9	49.2	49.6	50.6	52.0	54.5	52.5	51.0	<b>48.9</b>	<b>52.5</b>
EBITDA margin (%)	19.5	19.3	21.1	20.9	24.1	27.7	25.4	24.7	<b>20.2</b>	<b>25.5</b>
EBIT margin (%)	14.3	13.9	15.6	15.4	17.4	22.3	19.9	19.4	<b>14.8</b>	<b>19.9</b>

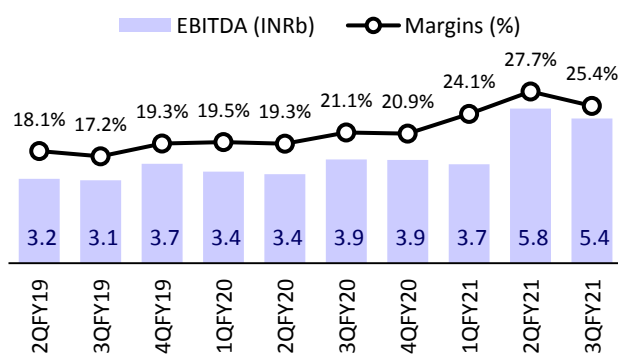
## Key exhibits

Exhibit 1: Consolidated revenue trend



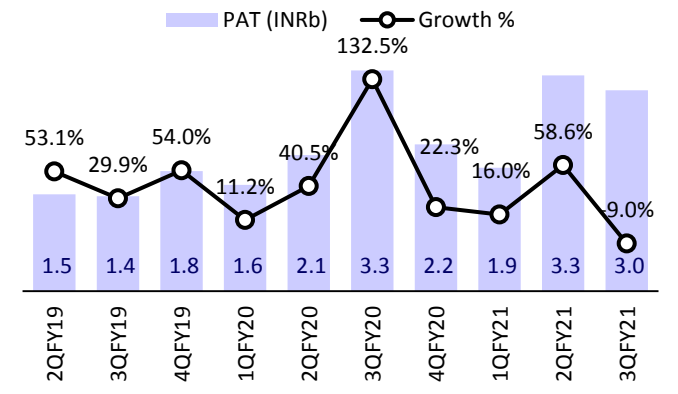
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



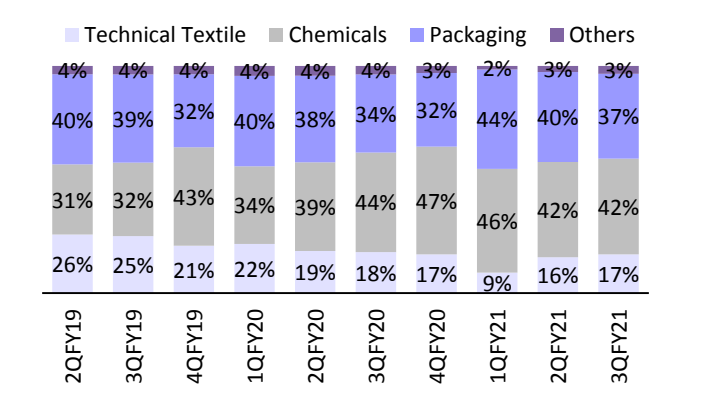
Source: Company, MOFSL

**Exhibit 3: Consolidated adjusted PAT trend**



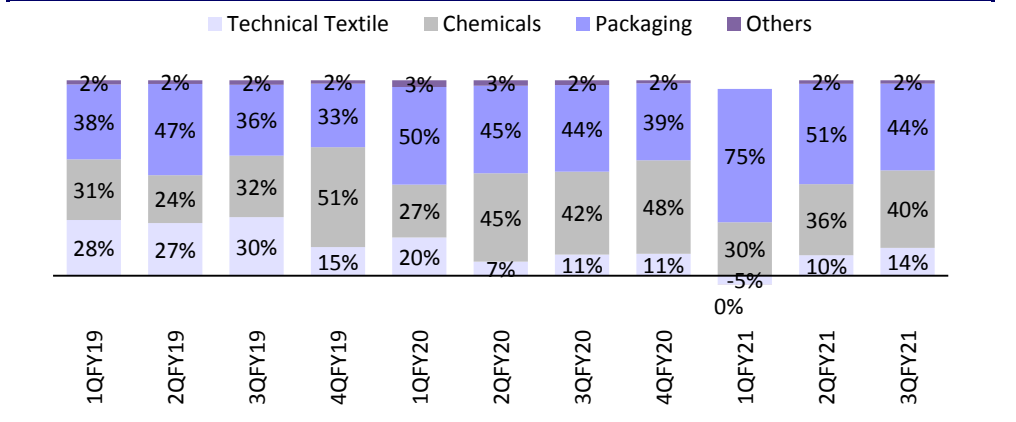
Source: Company, MOFSL

**Exhibit 4: Revenue mix trend**



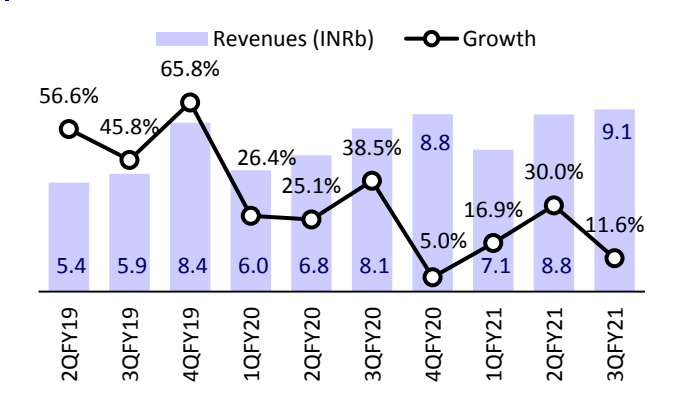
Source: Company, MOFSL

**Exhibit 5: EBIT mix trend**



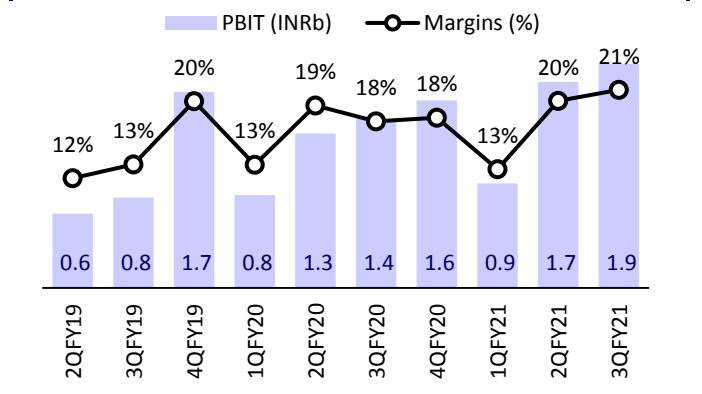
Source: Company, MOFSL

**Exhibit 6: Chemicals revenue trend**



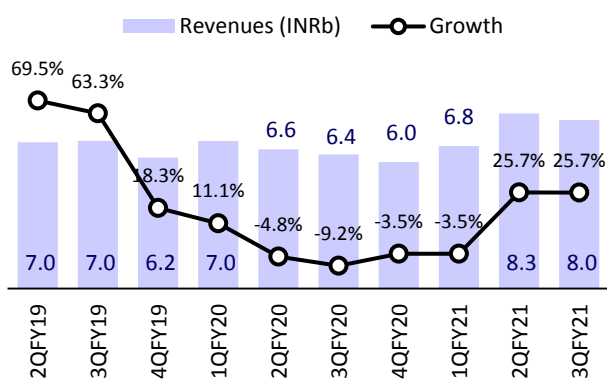
Source: Company, MOFSL

**Exhibit 7: Chemicals EBIT trend**



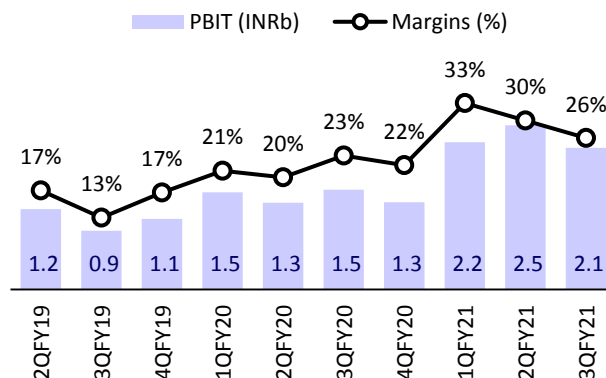
Source: Company, MOFSL

**Exhibit 8: Packaging Films revenue trend**



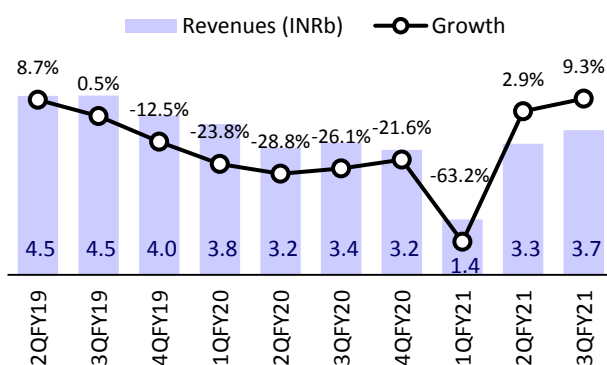
Source: Company, MOFSL

**Exhibit 9: Packaging Films EBIT trend**



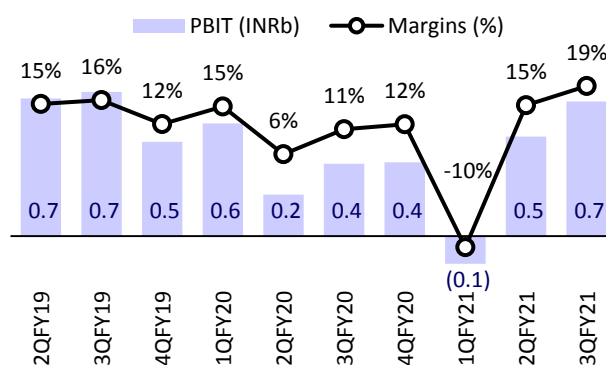
Source: Company, MOFSL

**Exhibit 10: Technical Textiles revenue trend**



Source: Company, MOFSL

**Exhibit 11: Technical Textiles EBIT trend**



Source: Company, MOFSL



## Highlights from the management conference call

### Specialty Chemicals

- The Chemicals business reported 12% YoY revenue growth to INR9.1b in 3QFY21. Operating profit increased 33% YoY to INR1.9b in 3QFY21.
- During the quarter gone by, the Specialty Chemicals business performed exceedingly well, owing to strong demand from the global customers, higher capacity utilization of dedicated/multipurpose facilities, resumption of services, and significant cost savings across all product streams.
- **High-end molecules:** The management aims to venture into complex products/chemicals to improve margin in the long-run.
- High growth was reported in Specialty Chemicals business, whereas the HFC business was affected due to COVID-19.
- **China+1:** The Specialty Chemicals business saw a slight push due to the China+1 strategy, or de-concentration carried out by major customers to lower dependence on China. The company is receiving higher orders from European players and a similar trend is expected to continue.
- India is being largely viewed as a promising alternate destination to China for sourcing Fine and Specialty Intermediates in both Agro and Pharma segments.
- **Capex:** Large capex will be carried out in the Specialty Chemicals business in the next two years due to robust demand from global clients as higher demand in this segment is sustainable. As of 3QFY21, the company has deployed INR21b in the Specialty Chemicals business.

- **New patents added in 3QFY21:** Three new process patents were granted in 3QFY21, taking the tally to 83 global patents to date. The company has applied for 298 patents.

### Fluorochemicals

- During 3QFY21, the company saw stable demand in this segment due to hardening of HFC prices.
- The Fluorochemicals business witnessed a revival in demand for Refrigerants and healthy contribution from the Chloro-methane segment, leading to a much better overall performance.
- In the Refrigerants segment, higher sales are recorded in the first and fourth quarter due to the seasonality factor. The company's inventory levels are in place to meet demand.
- **Capex:** The company plans to set-up HFC plant at an appropriate time and is reviewing regulations such as H-gas regulation in Europe, among others. Post the complete revision, a decision will be taken with respect to expansion.
- Replacement market dominates 60% of the overall Refrigerant market. The replacement and OEM market was adversely affected due to COVID-19. At present, both markets are also doing well as volumes have seen an uptrend with a resumption of services.
- All refrigerant gas capacities are currently operating at full utilization levels from Dec'20 onwards. The first two quarters (1Q and 2QFY21) saw an adverse impact due to COVID-19. Going forward, the management expects to report strong growth in Refrigerant gas during the next 12 months.

### Packaging

- New capacities in Thailand and Hungary aided volume growth and both BOPET and BOPP segments witnessed a robust performance due to better operating leverage, improved margin, and a healthy demand from customers. Another BOPP line in Indore is expected to commence operations from Jun'22 onwards.

### Technical Textile

- The Technical Textiles business reported a 9% YoY increase in revenue to INR3.7b in 3QFY21. Operating profit increased 86% YoY to INR0.7b due to faster-than-expected recovery in the Tyre industry. The Belting Fabrics segment contributed significantly to overall performance.
- Revenue from Technical Textile is a function of key RM prices. Variability in RM prices affected sales and margin, coupled with the impact of COVID-19.
- **Capex:** The company plans to set-up 400MT yarn capacity, which is expected to benefit the segment in the long-run.

### Other highlights

- **Drop in interest cost:** 3QFY21 saw a drop in interest cost due to fall in interest rates across the globe and repayment of loans on higher cash flows and QIP.
- RoCE is expected to be suppressed for a couple of quarters due to high capex in the next two years.
- Capex for FY22 (from already announced projects): INR12-13b.

## Valuation and view

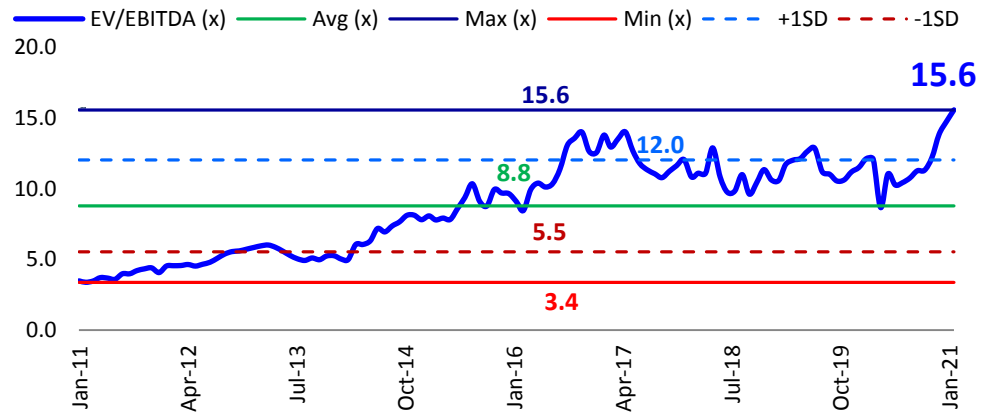
- SRF reported robust operating performance during 3QFY21, led by margin expansion across business segments.
- Strong revenue growth and margin expansion (on a YoY basis) was witnessed in the Packaging Films segment due to higher volumes (new capacities in Thailand and Hungary aided volume growth), better operating leverage, and a healthy demand from customers. On a QoQ basis, EBIT margin contracted 310bp. The moderation in margin was well guided by the management earlier.
- Technical Textiles surprised on the EBIT front, due to faster-than-expected recovery in the Tyre industry and initiatives to enhance operational performance.
- Growth in the Chemicals segment in 3QFY21 was driven by Specialty Chemicals as Fluorochemicals revenue remained flat YoY due to: i) weak demand for Refrigerants from the Automobile and Air Conditioning segments (both from OEM and replacement market), and ii) low prices.
- SRF plans to spend ~INR15-18b annually on capex over the next 2-3 years on the back of capital raised and CFO. About 60-70% capex would be utilized on the Specialty Chemicals business, 20-30% will be spent on Packaging, and the balance would be utilized for maintenance capex in Technical Textiles and other businesses. It is deploying majority of the incremental capital in the Specialty Chemicals segments, which is growing at a faster pace and yielding higher margin. We view the said move as a step in the right direction.
- We maintain our FY21/FY22/FY23 estimates as operating performance was broadly in line with our estimates. Revenue/EBITDA/adjusted PAT is expected to grow at 20%/15%/21% CAGR over FY21-23E. We value the stock on a SoTP basis to arrive at our TP of INR6,315. Maintain **Buy**.

### Valuation methodology

EV/EBITDA	FY23E EBITDA (INR m)	Multiple (x)	EV (INR m)
Technical Textiles	2,806	7	19,645
Chemicals and Polymers	15,816	18	2,87,857
Packaging Films	9,813	8	78,501
Others	431	5	2,154
<b>Total EV</b>			<b>3,88,157</b>
<b>Less: Debt</b>			<b>15,740</b>
<b>Less: Minority interest</b>			<b>-</b>
<b>Add: Cash and cash equivalents</b>			<b>1,722</b>
<b>Target m-cap (INR m)</b>			<b>3,74,140</b>
<b>Outstanding share (m)</b>			<b>59.2</b>
<b>Target price (INR)</b>			<b>6,315</b>

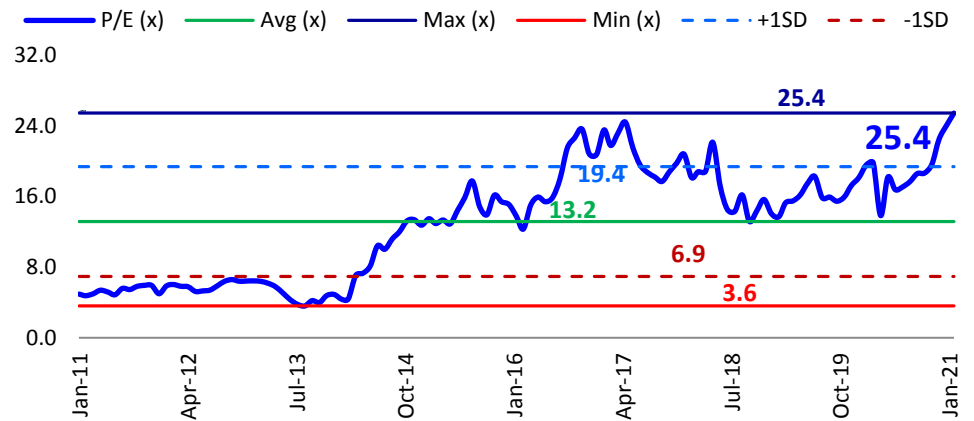
Source: MOFSL

**Exhibit 12: One-year forward EV/EBITDA (x)**



Source: MOSL

**Exhibit 13: One-year forward P/E (x)**



Source: MOSL

**Exhibit 14: Change in estimates**

Earnings change (INR m)	Old			New			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	84,432	1,04,205	1,20,038	81,173	1,00,364	1,17,621	-4%	-4%	-2%
EBITDA	21,166	24,530	28,339	20,725	23,670	27,595	-2%	-4%	-3%
Adjusted PAT	11,908	14,349	17,138	11,434	13,824	16,725	-4%	-4%	-2%

Source: MOFSL



## Financials and valuations

Consolidated Income Statement						(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Total Income from Operations</b>	<b>45,927</b>	<b>48,218</b>	<b>55,890</b>	<b>70,996</b>	<b>72,094</b>	<b>81,173</b>	<b>1,00,364</b>	<b>1,17,621</b>
Change (%)	1.2	5.0	15.9	27.0	1.5	12.6	23.6	17.2
<b>Total Expenditure</b>	<b>36,199</b>	<b>38,524</b>	<b>46,828</b>	<b>57,787</b>	<b>57,510</b>	<b>60,448</b>	<b>76,693</b>	<b>90,026</b>
% of Sales	78.8	79.9	83.8	81.4	79.8	74.5	76.4	76.5
<b>EBITDA</b>	<b>9,728</b>	<b>9,694</b>	<b>9,062</b>	<b>13,209</b>	<b>14,584</b>	<b>20,725</b>	<b>23,670</b>	<b>27,595</b>
Margin (%)	21.2	20.1	16.2	18.6	20.2	25.5	23.6	23.5
Depreciation	2,750	2,834	3,158	3,582	3,886	4,566	4,829	5,207
<b>EBIT</b>	<b>6,979</b>	<b>6,859</b>	<b>5,904</b>	<b>9,627</b>	<b>10,698</b>	<b>16,159</b>	<b>18,841</b>	<b>22,387</b>
Int. and Finance Charges	1,305	1,018	1,239	1,984	2,007	1,348	1,137	962
Other Income	278	730	688	280	491	505	606	728
<b>PBT bef. EO Exp.</b>	<b>5,952</b>	<b>6,572</b>	<b>5,353</b>	<b>7,923</b>	<b>9,182</b>	<b>15,317</b>	<b>18,310</b>	<b>22,153</b>
EO Items	-103	0	463	262	997	30	0	0
<b>PBT after EO Exp.</b>	<b>5,849</b>	<b>6,572</b>	<b>5,817</b>	<b>8,185</b>	<b>10,179</b>	<b>15,347</b>	<b>18,310</b>	<b>22,153</b>
Current Tax	1,551	1,422	1,200	1,769	265	3,882	4,487	5,428
Deferred Tax	0	0	0	0	-277	0	0	0
Tax Rate (%)	26.5	21.6	20.6	21.6	-0.1	25.3	24.5	24.5
Less: Minority Interest	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>4,299</b>	<b>5,150</b>	<b>4,617</b>	<b>6,416</b>	<b>10,191</b>	<b>11,464</b>	<b>13,824</b>	<b>16,725</b>
<b>Adjusted PAT</b>	<b>4,402</b>	<b>5,150</b>	<b>4,154</b>	<b>6,155</b>	<b>9,194</b>	<b>11,434</b>	<b>13,824</b>	<b>16,725</b>
Change (%)	45.4	17.0	-19.3	48.2	49.4	24.4	20.9	21.0
Margin (%)	9.6	10.7	7.4	8.7	12.8	14.1	13.8	14.2

Consolidated Balance Sheet						(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	574	574	575	575	575	592	592	592
Total Reserves	27,055	31,252	35,071	40,718	49,758	67,330	79,780	94,958
<b>Net Worth</b>	<b>27,630</b>	<b>31,826</b>	<b>35,646</b>	<b>41,293</b>	<b>50,333</b>	<b>67,923</b>	<b>80,372</b>	<b>95,551</b>
Minority Interest	0	0	0	0	0	0	0	0
Deferred Liabilities	3,820	2,866	2,914	3,420	1,755	1,755	1,755	1,755
Total Loans	25,153	23,962	31,418	36,993	40,240	27,740	22,740	15,740
<b>Capital Employed</b>	<b>56,602</b>	<b>58,655</b>	<b>69,978</b>	<b>81,706</b>	<b>92,328</b>	<b>97,418</b>	<b>1,04,867</b>	<b>1,13,046</b>
Gross Block	71,410	77,169	87,502	68,322	76,934	85,934	92,934	99,934
Less: Accum. Deprn.	30,334	33,169	36,327	12,269	15,540	20,106	24,936	30,143
<b>Net Fixed Assets</b>	<b>41,076</b>	<b>44,000</b>	<b>51,175</b>	<b>56,053</b>	<b>61,394</b>	<b>65,828</b>	<b>67,998</b>	<b>69,791</b>
Goodwill on Consolidation	49	49	41	41	41	41	41	41
Capital WIP	1,174	2,586	5,588	7,536	13,933	11,933	11,933	12,433
Current Investments	1,606	1,708	1,217	1,005	1,985	2,985	2,985	2,985
<b>Total Investments</b>	<b>1,649</b>	<b>1,959</b>	<b>1,218</b>	<b>1,006</b>	<b>2,027</b>	<b>3,027</b>	<b>3,027</b>	<b>3,027</b>
<b>Curr. Assets, Loans and Adv.</b>	<b>20,291</b>	<b>21,090</b>	<b>25,608</b>	<b>34,243</b>	<b>32,373</b>	<b>35,574</b>	<b>44,480</b>	<b>53,133</b>
Inventory	6,711	8,381	9,582	12,247	12,012	11,079	14,252	16,674
Account Receivables	5,145	6,569	6,807	10,288	8,911	10,452	12,649	14,823
Cash and Bank Balance	3,399	961	967	1,989	1,255	1,298	1,648	1,722
Loans and Advances	5,036	5,178	8,252	9,719	10,196	12,745	15,931	19,913
<b>Curr. Liability and Prov.</b>	<b>8,934</b>	<b>11,055</b>	<b>13,653</b>	<b>17,173</b>	<b>17,440</b>	<b>18,985</b>	<b>22,611</b>	<b>25,379</b>
Account Payables	7,146	8,089	10,442	13,824	11,117	12,662	16,289	19,056
Other Current Liabilities	1,477	2,606	2,831	2,908	5,881	5,881	5,881	5,881
Provisions	312	359	380	441	442	442	442	442
<b>Net Current Assets</b>	<b>11,357</b>	<b>10,035</b>	<b>11,955</b>	<b>17,070</b>	<b>14,934</b>	<b>16,590</b>	<b>21,868</b>	<b>27,754</b>
<b>Appl. of Funds</b>	<b>56,602</b>	<b>58,655</b>	<b>69,978</b>	<b>81,706</b>	<b>92,328</b>	<b>97,418</b>	<b>1,04,867</b>	<b>1,13,046</b>

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>74.3</b>	<b>86.9</b>	<b>70.1</b>	<b>103.9</b>	<b>155.2</b>	<b>193.0</b>	<b>233.3</b>	<b>282.3</b>
Cash EPS	124.5	139.0	127.2	169.4	227.6	270.1	314.8	370.2
BV/Share	481.2	554.3	620.1	718.4	875.7	1,146.5	1,356.6	1,612.8
DPS	9.5	11.4	15.5	19.4	14.0	20.0	20.0	22.5
Payout (%)	15.2	15.7	23.1	20.8	9.8	12.0	9.9	9.2
<b>Valuation (x)</b>								
P/E		62.2	77.1	52.0	34.8	28.0	23.2	19.1
Cash P/E		38.9	42.5	31.9	23.8	20.0	17.2	14.6
P/BV		9.8	8.7	7.5	6.2	4.7	4.0	3.4
EV/Sales		7.1	6.3	5.0	5.0	4.2	3.4	2.8
EV/EBITDA		35.2	38.6	26.8	24.5	16.6	14.3	12.0
Dividend Yield (%)		0.2	0.3	0.4	0.3	0.4	0.4	0.4
FCF per share		19.3	-112.4	435.7	-51.6	148.0	132.7	161.7
<b>Return Ratios (%)</b>								
EBITDA margin	21.2	20.1	16.2	18.6	20.2	25.5	23.6	23.5
Net Profit margin	9.6	10.7	7.4	8.7	12.8	14.1	13.8	14.2
RoE	17.0	17.3	12.3	16.0	20.1	19.3	18.6	19.0
RoCE	10.5	11.0	8.5	10.7	13.3	13.4	14.8	16.3
RoIC	18.5	17.8	13.8	18.1	15.3	26.7	28.6	31.3
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.6	0.6	0.6	1.0	0.9	0.9	1.1	1.2
Asset Turnover (x)	0.8	0.8	0.8	0.9	0.8	0.8	1.0	1.0
Inventory (Days)	105	126	115	113	119	105	105	105
Debtor (Days)	41	50	44	53	45	47	46	46
Creditor (Days)	112	122	126	127	110	120	120	120
<b>Leverage Ratio (x)</b>								
Debt/Equity	0.9	0.8	0.9	0.9	0.8	0.4	0.3	0.2

### Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	5,952	6,572	5,817	8,185	10,179	15,347	18,310	22,153
Depreciation	2,750	2,834	3,158	3,582	3,886	4,566	4,829	5,207
Interest and Finance Charges	1,305	1,018	1,239	1,984	2,007	1,348	1,137	962
Direct Taxes Paid	-1,551	-1,422	-1,200	-1,769	-265	-3,882	-4,487	-5,428
(Inc.)/Dec. in WC	703	-2,464	-2,138	-4,171	-3,762	-1,613	-4,929	-5,812
<b>CF from Operations</b>	<b>9,159</b>	<b>6,538</b>	<b>6,876</b>	<b>7,811</b>	<b>12,044</b>	<b>15,766</b>	<b>14,861</b>	<b>17,083</b>
Others	-947	1,742	0	0	0	0	0	0
<b>CF from Operating incl. EO</b>	<b>8,212</b>	<b>8,280</b>	<b>6,876</b>	<b>7,811</b>	<b>12,044</b>	<b>15,766</b>	<b>14,861</b>	<b>17,083</b>
(Inc.)/Dec. in FA	-4,771	-7,170	-13,335	17,232	-15,009	-7,000	-7,000	-7,500
<b>Free Cash Flow</b>	<b>3,441</b>	<b>1,110</b>	<b>-6,460</b>	<b>25,043</b>	<b>-2,965</b>	<b>8,766</b>	<b>7,861</b>	<b>9,583</b>
(Pur.)/Sale of Investments	0	0	0	212	-1,021	-1,000	0	0
Others	-707	-310	741	0	4,841	0	0	0
<b>CF from Investments</b>	<b>-5,477</b>	<b>-7,479</b>	<b>-12,595</b>	<b>17,444</b>	<b>-11,189</b>	<b>-8,000</b>	<b>-7,000</b>	<b>-7,500</b>
Issue of Shares	0	0	0	0	0	7,500	0	0
Inc./(Dec.) in Debt	1,053	-1,523	7,806	5,575	3,246	-12,500	-5,000	-7,000
Interest Paid	-1,305	-1,018	-1,239	-1,984	-2,007	-1,348	-1,137	-962
Dividend Paid	-664	-821	-1,085	-1,334	-995	-1,374	-1,374	-1,546
Others	507	123	243	-26,492	-1,834	0	0	0
<b>CF from Fin. Activity</b>	<b>-409</b>	<b>-3,238</b>	<b>5,726</b>	<b>-24,234</b>	<b>-1,589</b>	<b>-7,722</b>	<b>-7,511</b>	<b>-9,508</b>
<b>Inc./Dec. of Cash</b>	<b>2,326</b>	<b>-2,438</b>	<b>6</b>	<b>1,021</b>	<b>-734</b>	<b>43</b>	<b>350</b>	<b>74</b>
Opening Balance	1,073	3,399	961	968	1,988	1,255	1,298	1,648
<b>Closing Balance</b>	<b>3,399</b>	<b>961</b>	<b>968</b>	<b>1,988</b>	<b>1,255</b>	<b>1,298</b>	<b>1,648</b>	<b>1,722</b>

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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
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