



PHARMACEUTICALS



LEATHER



AUTOMOBILE



CERAMICS



GLASS



PIGMENTS & DYES



METALLURGY



STEEL

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Growth through process re-engineering

CMP: INR 707
Target Price: INR 1,513
Rating: BUY

Stock Info

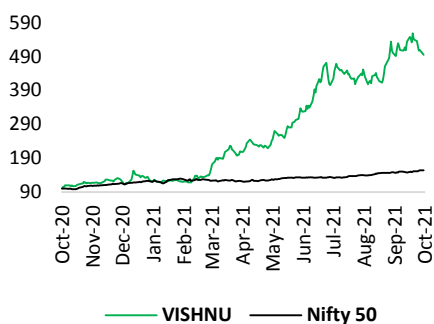
BSE	516072
NSE	VISHNU
Bloomberg	VICH:IN
Reuters	VICH.BO
Sector	Speciality Chemicals
Face Value (INR)	10
Equity Capital (INR Cr)	11.9
Mkt Cap (INR Cr)	845
52w H/L (INR)	815 / 138
Avg. Yearly Volume (in 000')	23.5

Shareholding Pattern %

(As on September, 2021)

Promoters	75.00
Public & Others	25.00

Vishnu Chemicals Vs Nifty



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Vishnu Chemicals Limited is in the business of manufacturing, marketing and export of chromium chemicals and other specialty chemicals. The Company's principal product/services include Basic Chromium Sulphate, Sodium Dichromate and Barium Carbonate. Its geographical segments include Domestic and International markets. Its manufacturing plants are located in Telangana, Andhra Pradesh and Chhattisgarh. It has an annual capacity of producing 70,000 MT of Sodium Dichromate and the facilities have high degree of flexibility to switch between products to meet client demand accordingly. We initiate coverage on the stock given its leadership position in its operating segment and improvement in financials post its completion of the capex program.

Backward integration in chromium chemicals to facilitate margin expansion

The company is undertaking backward integration to manufacture raw material – sodium carbonate. The facility is expected to be operational by Q4FY22 and the strategy is margin accretive in the long term.

Capacity expansion in Barium segment to drive volume growth

Barium products are relatively high margin products for the company. The company is increasing its capacity from 40,000 MTPA to 60,000 MTPA and the facility is expected to be operational by Q4FY22. Vishnu Chemicals will benefit from higher operating leverage and volume growth in Barium segment.

Debottlenecking to increase chromium plant utilization

Vishnu Chemicals completed debottlenecking exercise in its Chromium plant facility in FY21. The resultant advantage to the company will be an increase in the company's capacity utilization by 10-20% in FY22. Thus, it will benefit from operating leverage and volume growth in the Chromium segment.

Diversified and marquee clientele

The company has a strong product portfolio mix which includes base products and its derivatives. This gives the company a strategic advantage to diversify its customer base and cater to different industries. Also, the company is a preferred supplier to esteemed clients and exports contributes about 50% of the consolidated sales.

Valuation & Outlook

At the CMP of INR 707 per share, the stock is trading at a P/E multiple of 14.9x/8.4x/6.5x its FY22E/FY23E/FY24E EPS of INR 47.4/84.4/108.1 respectively. The company generated INR 679 Cr revenue in FY21 with 11.4% EBITDA margins. Chromium (80% revenue mix) has low double digit EBITDA margins while Barium (20% revenue mix) has ~20% plus EBITDA margins. The company is expected to deliver robust financial performance post completion of its capex projects in Q4FY22. For FY22, revenue is expected to reach ~ INR 860 Cr with operating margins of 14.5% and PAT of ~ INR 57 Cr. Similarly, FY23 will see the full effect of the company's future plans and revenue projected at ~INR 995 Cr with increase in operating margins to 18.8% and PAT of ~INR 101 Cr. Factoring in its sinewy growth, we value the company at a P/E multiple of 14x its FY24E EPS of INR 108.1 and arrive at a Target Price of INR 1,513 per share. Accordingly, we recommend a BUY rating on the shares of Vishnu Chemicals Ltd.

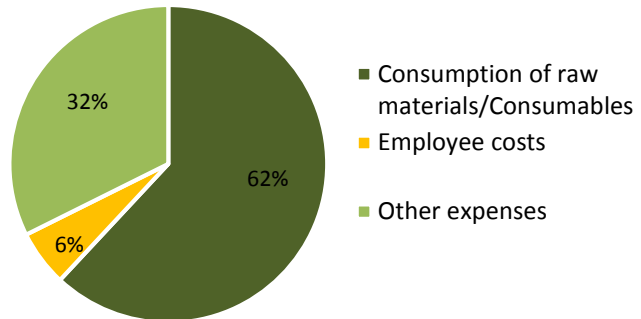
Investment Rationale

Backward integration in chromium chemicals to facilitate margin expansion

The company manufactures Chromium chemicals at its four manufacturing facilities, Vizag, Kazipally, Jeedimetla and Bhilai. The main raw materials required for manufacturing chromium chemicals are Chrome Ore and Sodium Carbonate. The company imports Chrome Ore from South Africa, while it procures Sodium Carbonate from USA and domestically.

Raw Material and Consumable constituted about 62% of total operating expenses in FY21.

Cost Structure (FY21) – Major component is Raw Material/Consumable

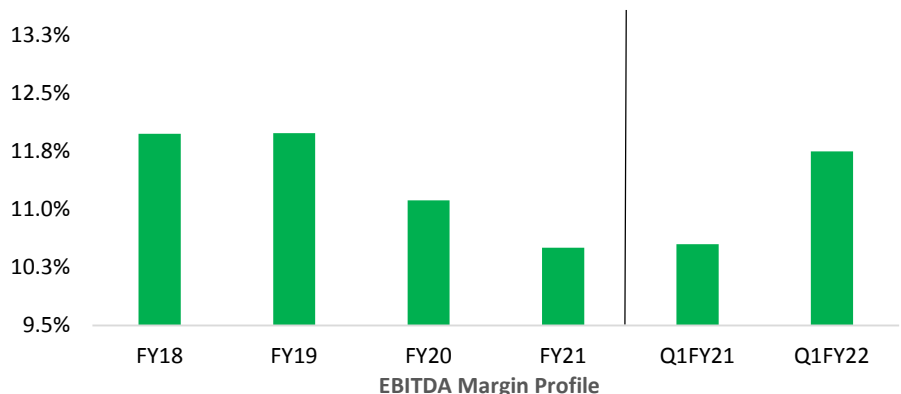


Source: Company filings, Arihant Research

Chrome Ore forms about 40% of raw material expenses. It is used to manufacture Sodium Dichromate and further downstream into various chromium derivative products. There is operational flexibility in the chromium chemical segment to switch between different products and derivatives.

Sodium carbonate is another important raw material which represents about 30% of the raw material cost. The company is looking to safeguard its interest in terms of supply of sodium carbonate. Accordingly, it is undertaking backward integration to manufacture sodium carbonate in-house. Majority of the capital expenditure towards the sodium carbonate backward integration plant is completed. It will be one of its kind and a highly complex infrastructure. It will manufacture sodium carbonate by utilizing waste which will substantially reduce its cost. The company expects to start the trial run in Q3FY22. With the successful completion of the backward integration strategy, the company will be able to meet 60% of its sodium carbonate requirement. This will lead to significant cost reduction and traction in operating margins from Q4FY22 onwards.

Chromium operating margins bottoming out with significant uptick going forward



Source: Company filings, Arihant Research

Improvement in Chromium PAT margins



Source: Company filings, Arianth Research

At the consolidated level, we expect margins to expand upto 500 basis points by FY23, while another 100-200 basis point increase is likely by FY24. Accordingly, operating margins will approach 14-15% and 18-19% in FY22 and FY23 respectively, while FY24 margins will be north of 20%. This improvement will be facilitated by the cost reduction initiatives taken by the company within the chromium chemical segment through the backward integration process. Net profit margin will also be positively impacted by the expansion in the operating margins. PAT margins for chromium business normalized from ~8% in Q1FY21 to 4.6% in Q1FY22 owing to the impact of deferred tax in the corresponding quarter last fiscal. At the consolidated level, net profit margin is expected to increase to lower double digit by FY24. Within the chromium chemicals business, the company will collect gas pollutants at its plant and recover carbon dioxide through the process. This carbon dioxide will be used as a raw material to replace sulphuric acid in the production of sodium dichromate. Thus, the company is holistically optimizing its raw material cost, thus benefitting from soda ash price inflation, supply consistency and low inventory. The company is also looking to optimize its cost towards consumption of consumables.

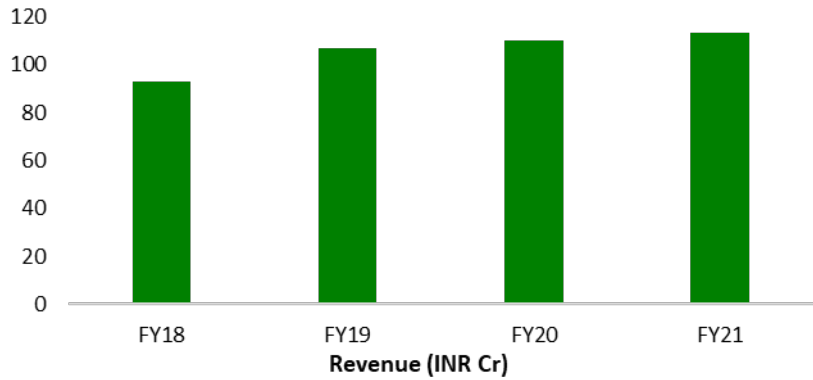
Debottlenecking to increase chromium plant utilization

During FY21, the company debottlenecked one of its plants at Vizag by vigorously employing superior engineering techniques to upgrade processes and replace equipments. This is expected to boost the production capacity and improve the quality of the products. The chromium plant utilization is expected to increase to about 90%, facilitating volume growth and increasing operating leverage. The increased chromium production will be utilized downstream to manufacture chromium derivatives. Since chromium derivatives are value-added products, this will further enhance the operating margins of the company. The overall effect of the exercise will positively impact the company financials in about two years.

Capacity expansion in Barium segment to drive volume growth

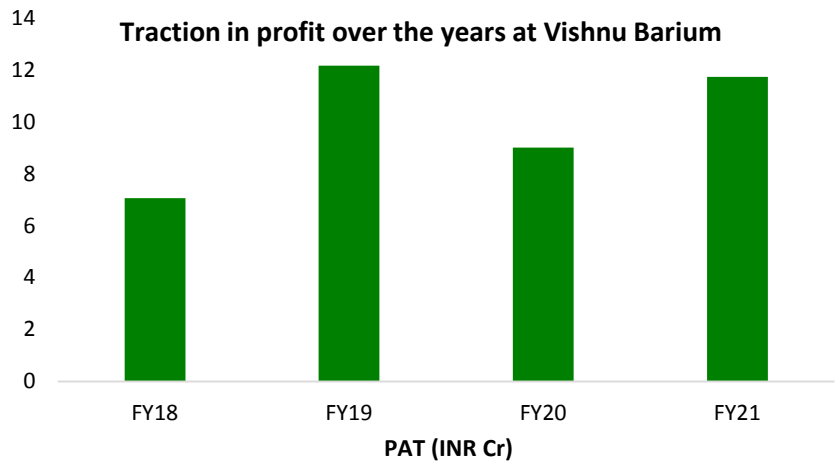
Vishnu Chemicals is the largest manufacturer of Barium chemicals in India. Other players have less than 1/10th of the company's current capacity. It had acquired the Hyderabad-based Solvay Vishnu Barium Private Ltd. in 2015. Solvay Vishnu Barium Private Ltd. is a joint venture company of Belgium's Solvay and Vishnu Chemicals. The company had made investments in Solvay Vishnu Barium and acquired 100% share capital of the said company by making it as subsidiary with 100% holding. Solvay Vishnu Barium has a manufacturing site located at Srikalahasti in Chittoor district of Andhra Pradesh. The facility has the capacity to manufacture 40,000 tonnes per annum of barium carbonate. Barium carbonate is mainly used in bricks, ceramic, glass and cement industries. From being a loss making facility during the acquisition from Solvay in 2015, the Barium subsidiary has been turnaround. In FY21, it contributes to over 30% of the consolidated profits of the company. The business has also improved significantly from the softness seen in Q1FY21 due to the lockdown imposed due to COVID-19 pandemic.

Stable revenue growth at Vishnu Barium



Source: Company filings, Aриhant Research

Traction in profit over the years at Vishnu Barium

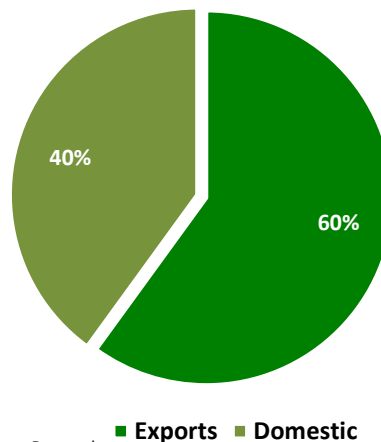


Source: Company filings, Aриhant Research

The company produces the best quality and specification of barium carbonate due to the technology it has acquired from Solvay, which is amongst the global leader in the chemical industry in 2015. It sources its raw material from the Mangampet deposit in Cuddapah district of Andhra Pradesh. It is the single largest barytes deposit in the world.

The barium plant facility is strategically located at a distance of 75 km from the raw material source. Also, it is located to other important seaports like Krishnapatnam (103 km), Chennai (123 km) and Katupalli (120 km). In FY21, exports was the major contributor to the overall revenue within the Barium segment. It constituted about In FY21, 60% of sales.

In FY21, exports constituted about 60% of sales



Source: Company filings, Aриhant Research

The company is increasing the capacity of Barium Carbonate by 50%. The current capacity would be augmented from 40,000 tonnes per annum to 60,000 tonnes per annum. The expansion is expected to be operational by Q4FY22. This will facilitate volume growth in the Barium segment, thus positively impacting the company's topline. Also, the demand for Barium products is strong and the additional volumes will be absorbed in the market.

With respect to realizations, Vishnu Chemicals is benefitting from higher realizations in the barium business. Per tonne, it has increased by 20% in the current fiscal and is likely to sustain going forward owing to following reasons:

- China plus 1 strategy has made the company a preferred vendor instead of being a second option for clients
- China's internal consumption of baryte has increased in drilling in their Oil & Gas industry. For example, China used to export USD 350 Mn of baryte in 2014 compared to USD 88 Mn in 2020
- Barium Carbonate is manufactured in Central China and the distance to Shanghai port is nearly 1,500 km. This makes their margin unsustainable
- Chinese currency continues to appreciate, which does not keep them competitive in export markets

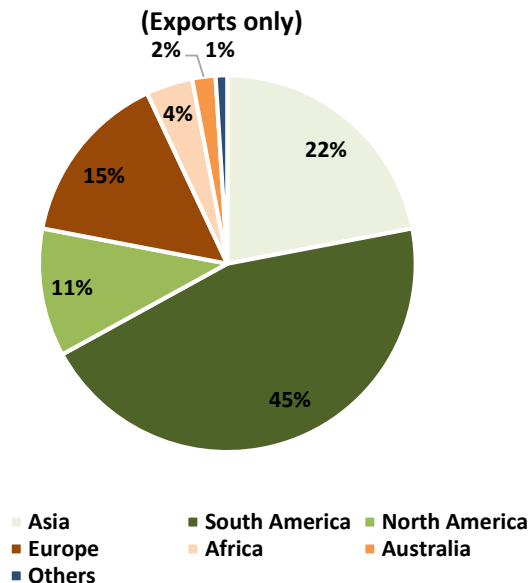
We expect EBITDA margin to increase by 5% in FY22 and further increase of 5% going forward, once the facility expansion is fully operational in the barium segment. This will be driven by higher realizations and economies of scale.

Diversified and marquee clientele

Vishnu Chemicals is a leading manufacturer of chromium and barium chemicals. It has a strong distribution network with marquee client base. In FY21, the company witnessed strong demand from both domestic and export markets and good level of enquiries from clients across industries and different regions. It sells its products in 57 countries and exports contributing about 50% of the consolidated sales in FY21.

The company has about 170 clients with top 10 customers contributing around 20% of total sales, while the main customer comprise just 5% of consolidated revenue. The company has built good infrastructure to cater to these clients. It has 4 overseas offices and 6 marketing and sales offices in India.

Diversified client-mix across geographies for chromium chemicals



Source: Company filings, Arianth Research

in INR Cr	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenue	652	769	674	679	858	994
EBITDA	79	99	79	77	124	186
EBITDA Margin (%)	12.0	12.9	11.7	11.4	14.5	18.8
PAT	14	24	22	34	57	101
PAT Margin (%)	2.2	3.2	3.3	5.1	6.6	10.1
EPS	12.1	20.4	18.6	28.9	47.4	84.4
PE(x)	58.6	34.7	38.0	24.5	14.9	8.4

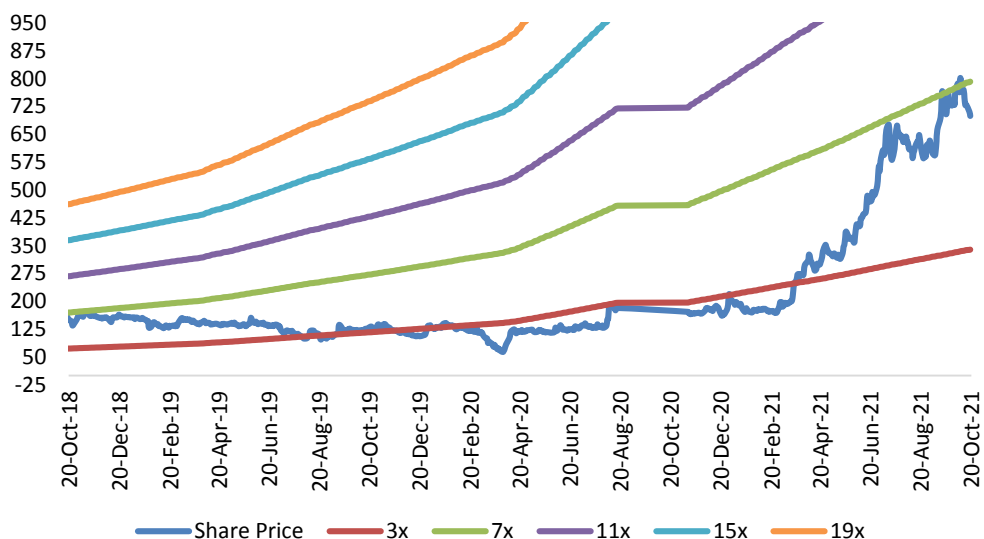
Source: Company, Arihant Research

Outlook & View

At the CMP of INR 707 per share, the stock is trading at a P/E multiple of 14.9x/8.4x/6.5x its FY22E/FY23E/FY24E EPS of INR 47.4/84.4/108.1 respectively. The company generated INR 679 Cr revenue in FY21 with 11.4% EBITDA margins. Chromium (80% revenue mix) has low double digit EBITDA margins while Barium (20% revenue mix) has ~20% EBITDA margins. Chromium capacity is being increased by 10% - 20% through debottlenecking and will start reflecting in performance from Q4FY22. Barium capacity is being increased by 50% (from 40,000 MTPA to 60,000 MTPA) and will start showing in numbers from Q4FY22. The company is undertaking backward integration for manufacturing raw material – sodium carbonate (within Chromium segment). Once fully operational, it will provide cost savings of up to INR 55-60 Cr per annum (5-6% increase in margins). Benefits would start flowing in from Q4FY22. The company is expected to deliver robust financial performance post completion of its capex projects in Q4FY22. For FY22, revenue is expected to reach ~INR 858 Cr with operating margins of 14.5% and PAT of ~INR 57 Cr. Similarly, FY23 will see the full effect of the company's future plans and revenue projected at ~INR 994 Cr with increase in operating margins to 18.8% and PAT of ~INR 101 Cr. Driven by strong earnings growth, we believe that the company deserves premium valuation compared to its global peers like Elementis whose 10-year median P/E multiple is 13x. Factoring in its sinewy growth, we value the company at a P/E multiple of 14x its FY24E EPS of INR 108.1 and arrive at a Target Price of INR 1,513 per share. Accordingly, we recommend a BUY rating on the shares of Vishnu Chemicals Ltd.

Valuation Plot

The market has noticed the growth prospects of the company and is factoring the value creation through its market capitalization. The company has completed its major capital expenditure and its positive impact will be seen in strong growth in topline and bottom-line in the near future. This will be the major catalyst for price appreciation of the company.



Source: Company filings, Arihant Research

Industry Overview:

Barium Chemicals:

The global barium carbonate market is estimated to expand at a CAGR of 7.5% during the period 2021 – 2026 (Source: Mordor Intelligence). The demand was negatively impacted by COVID-19 in 2020. Construction activities were temporarily halted due to government imposed lockdown owing to the pandemic situation. This led to lower consumption for Barium Carbonate which is primarily used to produce tiles, bricks, matt glazes and other components utilized in the construction sector.

- With robust recovery in the construction sector, the demand for ceramics and tiles is expected to increase, which will facilitate higher demand for Barium Carbonate products.
- Asia-Pacific region is the dominant and fastest growing barium carbonate market due to growing application in the construction and refurbishment activities in the constituent countries.
- India, China and Vietnam have been registering strong growth in the construction sector. Japan is also an important market, driven by redevelopment and natural disasters. Also, events such as Tokyo Olympics and World Expo - 2025 in Osaka are major drivers for the Japanese markets.

Challenges to the Barium Carbonate market include the toxic nature of the chemical, owing to which several governments in the developed world have imposed stringent regulations which can likely hinder its growth. Also, recently, the Finance Ministry of India removed the existing anti-dumping duty on barium carbonate. This would hurt small barium carbonate manufacturers in India due to cheaper imports from China. Vishnu Chemicals is fairly insulated as 60% of revenues is contributed by exports.

Chromium Chemicals:

The global demand for chromium chemicals is about 700,000 MTPA and is growing at 6% per annum. Demand in India is about 60,000 MTPA. This includes Sodium Dichromate and its derivatives.

Following are the main competitors in the industry:

- Sisecam (Turkey)
- Elementis (USA)
- Lanxess (South Africa)

Chromium chemicals find application in different industries due to the benefits of untarnished, uniform and corrosion-resistant properties. The end-user industries include pharmaceuticals, leather tanning, pigments and dyes, plastic, paper pulping and others.

The Indian chemical industry has been requesting the government to impose anti dumping duty on chromium chemicals, particularly from China.

Global Developments:

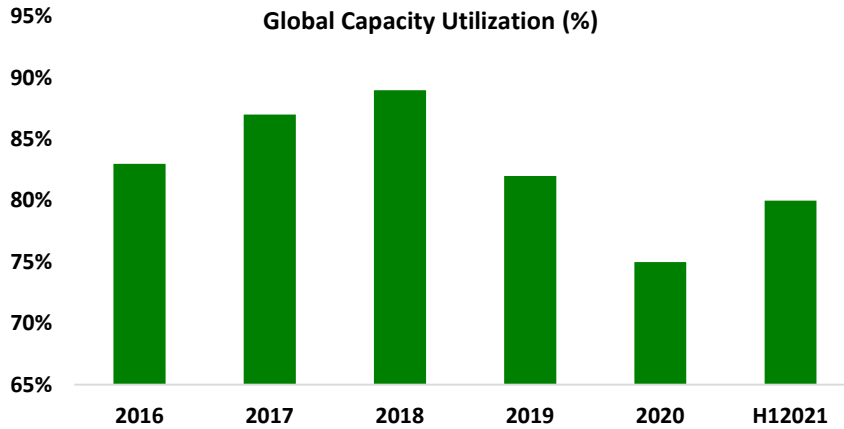
In 2019, specialty chemicals company Lanxess announced to sell its chrome chemicals business to Brother Enterprises, a Chinese leather chemicals producer. The segment generated EUR 100 million and produced chromium chemicals at two sites in South Africa.

Of late, Elementis is facing challenges related to its chromium segment in North America. The overhead costs are huge and the company is expected to make a major decision similar to Lanxess. In such a scenario, other global chromium manufacturers like Vishnu Chemicals stand to gain advantage. We see consolidation in the industry going forward which will benefit chromium suppliers. The exit or downsizing of a major competitor like Elementis in the chromium segment will be a huge business driver for Vishnu Chemicals.

Global Management Commentary:

Elementis has witnessed increased sales of 16% YoY in chromium business in H12021, alongwith with operating margin expansion of 110 basis point YoY. Chromium volumes were the highest in the last six quarters. The chromium industry capacity utilization is also steadily improving indicating increased demand for the product.

Increasing global chromium capacity utilization indicates strengthening product demand



Source: Elementis Company filings, Arihant Research

Sisecam is a Turkish manufacturer of chromium chemicals and is a global leader of basic chromium sulfate. Sales volume of chromium chemicals increased by about 6% YoY in H12021 for the company. The growth in sales volume was seen across both international and domestic markets. About 85-88% of the company’s chromium chemicals are sold in the international market. The company is witnessing strong demand for chromium issues but sees headwinds from logistical issues.

Improving trajectory of chromium sales volume



Source: Sisecam Company filings, Arihant Research

Overall, top global manufacturers of chromium chemicals are very positive on the demand of chromium chemicals in the coming quarters. But due to increase in freight cost, there are some logistical challenges.

Company Overview:

Business Model

Vishnu Chemicals is a pure play chemical player. It is a manufacturer of Chromium and Barium chemicals and is a dominant player in India in the respective chemicals.

Product Portfolio

Products	Portfolio	Application
Chromium Compounds	Sodium Dichromate	Used in making chromium based derivatives
	Basic Chromium Sulphate	Used in leather industry
	Chromic Acid	Used in manufacture of metal and plastic coatings
	Chrome Oxide Green	Used as inorganic pigment in paints, architectural coatings, plastics, roofing tiles and ceramic tiles
	Sodium Sulfate	wide range of applications
	Potassium Dichromate	used in manufacturing of matches
Barium Compounds	Barium Carbonate	used in manufacturing of electro-ceramic materials, glazes, bricks, frits and enamels

Raw Material Sourcing

In chromium chemicals, the major raw material includes chrome ore and sodium carbonate. The company sources chrome ore from South Africa and Sodium Carbonate from India and USA. Chrome ore contributes about 40% of raw material cost while Sodium Carbonate contributes about 30% of raw material expense..

Geographic Mix

Chromium chemicals revenue is well diversified with equal distribution between domestic and international markets. Within international markets, South America is the major region (45%), followed by Asia (22%) and Europe (15%). North America contributed about 11% of the overall sales in FY21.

Manufacturing Facilities

Vishnu Chemicals is the only major manufacturer of chromium chemicals in India and South Africa. The major product is Sodium Dichromate and the company has installed capacity of 70,000 MTPA. In FY21, the production was 51,000 MTPA, while the blended realization was INR 110,000 per tonne. It has 3 manufacturing units across Andhra Pradesh, Telangana and Chhattisgarh, which is dedicated to Chromium chemicals.

Vishnu Chemicals is the largest manufacturer of Barium chemicals in India. The company acquired the manufacturing facility from Solvay Germany in 2015. It turned around the acquired Barium manufacturing unit and currently, the segment contributes more than 30% of consolidated profits. The current installed capacity is 40,000 MTPA. Exports contribute major revenue source in this sub segment (about 60% of overall Barium sales).

Pricing

As of Q2FY22, prices of Chromium and Barium products have been increasing and is expected to trend higher in the forthcoming quarters. The input prices have also increased but the company has been able to pass the price hike.

Risks and Concerns:

- The company derives a significant portion of its revenue from exports. The current shipping and freight costs remain a challenge for all exporters. The company is able to mitigate higher expenses from rising freight costs. However, if the shipping and freight costs continue to rise further, it can negatively affect the operating margins of the company.
- The company is in the final stages of its expansion plan and will be starting the trial run and operations in the second half of FY2022. However, any delay in operationalization of this facility will affect company financials.

Company Board:

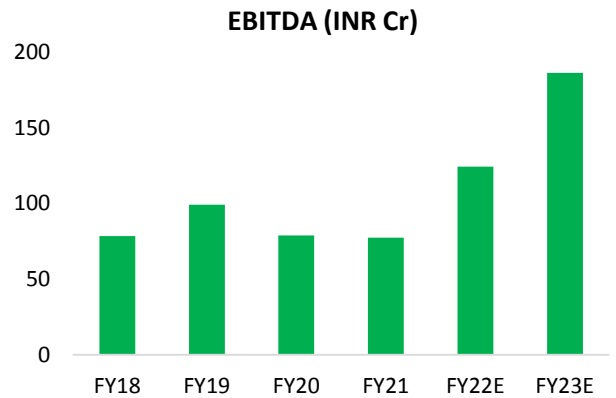
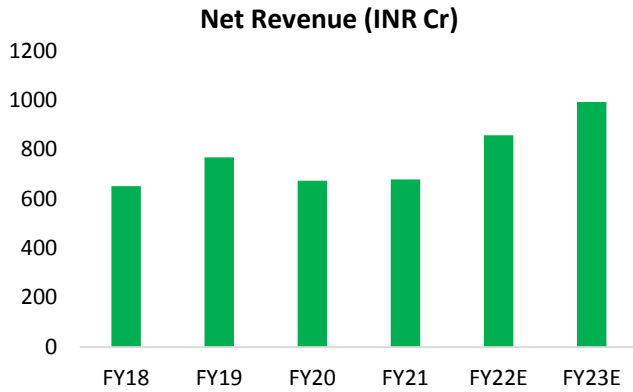
Personnel	Designation	Description
Ch. Krishna Murthy	Chairman and Managing Director	He has been instrumental in the growth and expansion of the company since its inception. He has transformed the company from a single product to becoming a leader in the specialty and fine chemicals. He guided the company to consolidate its position in the global markets. Mr. Murthy holds a postgraduate degree in Management.
Mrs. Ch. Manjula	Non-Executive Director	She is one of the promoters of the company and has been a guide and support to the organization for the last three decades with her rich organization skills in various fields. She plays a pivotal role in welfare policies of the company.
Ch. Siddartha Cherukuri	Joint Managing Director	He is the Joint Managing Director of Vishnu Chemicals Limited and Managing Director of Vishnu Barium Private Limited. He holds a Master's degree in Biotechnology from Northumbria University, UK and a MBA from Saginaw Valley State University, USA. He has shouldered multiple responsibilities and his experience in international marketing, sourcing and building highly effective teams to serve customers in chemical industry has helped the company achieve scale and leadership position in global markets.
CA Pradip Saha	Independent Director	He has more than 40 years of experience in fields of accounts, finance and taxation at reputed companies including Colgate Palmolive India Ltd, Hindustan Unilever, Union Carbide India Ltd and Shaw Wallace & Co Ltd. He also held the position of Director at Genelec Ltd, Henkel India Ltd and Calcutta Chemicals Co. Ltd, Detergents India Ltd, Camelot Investment Company Ltd, etc. Mr. Saha is a Fellow Member at the Institute of Chartered Accountants of India and The Institute of Company Secretaries of India.
Tirthankar Mitra	Independent Director	He is a Chemical Engineer from Indian Institute of Technology, Kharagpur. He has around four decades of professional expertise in Design, Operation & Management, Process Engineering, Project Management, Innovation, Cost Saving and Business turnaround plans, of Chemical units. During his tenure, he worked in various capacities including Executive Director, Director in Charge of Various speciality chemicals manufacturing companies and he retired as Managing Director of Solvay Vishnu Barium Pvt Limited, which is India's largest manufacturer of Barium Products; He was also instrumental in setting up green field project for manufacturing of chlorine based products (Hi-Strength Hypo chemicals), and turnaround strategy by optimizing the usage of raw materials. Currently, he is a technical advisor advising the management of the Companies on new project, process improvement, safety, expansion, cost savings and other technical matters etc.
Chetan Navinchandra Shah	Independent Director	He is a post graduate in business administration from University of Paisley, Scotland, UK. He is an alumnus of IIM – Ahmedabad, NM College of Commerce & Economics, Mumbai. He has an experience of over three decades in Finance. He worked in various capacities at BNP Paribas.

Source: Company, Aриhant Research

Synopsis in Charts

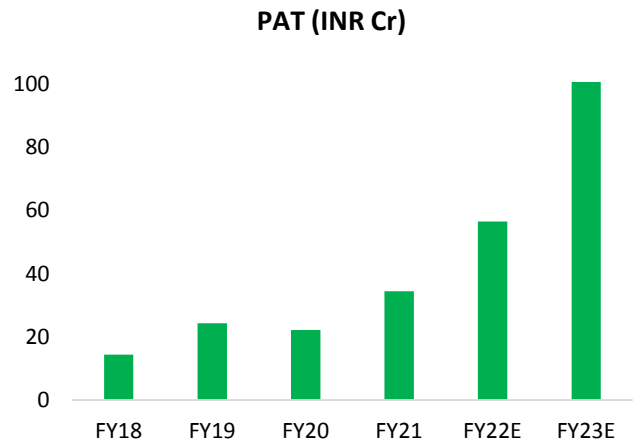
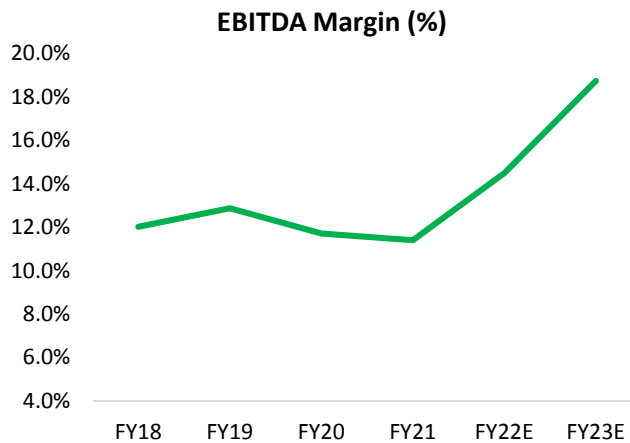
21% Revenue CAGR between FY21 and FY23E

55% EBITDA CAGR between FY21 and FY23E

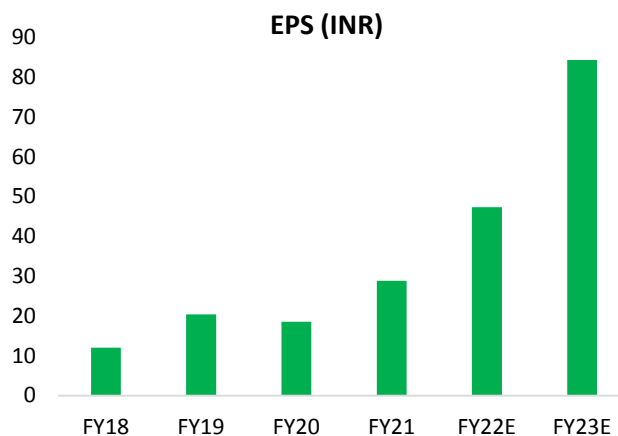


~700 bps expansion in margins between FY21 - FY23E

71% PAT CAGR between FY21 and FY23E



EPS to nearly triple between FY21 and FY23E



Source: Company, Arianth Research

Financials
Income Statement

Y/E March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenues	769	674	679	858	994	1,113
<i>Change (%)</i>	17.9%	-12.5%	0.8%	26.4%	15.8%	12.0%
Cost of Goods Sold	437	385	372	450	480	524
Employee costs	33	33	34	43	49	55
Other expenses	200	176	195	240	278	308
Total operating Expense	670	595	601	733	807	887
EBITDA	99	79	77	124	186	226
Other Income	3	7	3	3	3	3
Depreciation	21	20	20	24	26	28
Interest	44	36	26	27	27	27
PBT	37	30	34	76	136	174
Extra-ordinary	0	0	0	0	0	0
PBT after ext-ord.	37	30	34	76	136	174
Tax	13	8	0	20	35	45
<i>Rate (%)</i>	35.0%	26.7%	-1.4%	25.7%	25.7%	25.7%
PAT	24	22	34	57	101	129
<i>Change (%)</i>	68.9%	-8.8%	55.2%	64.0%	78.1%	28.2%

Source: Company, Aриhant Research

Balance Sheet

Y/E March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	12	12	12	12	12	12
Reserves & Surplus	130	148	184	241	342	471
Net Worth	142	160	196	253	353	483
Long term debt	168	174	175	150	125	100
Short term debt	158	141	131	172	199	223
Total Debt	326	315	306	321	324	322
Deferred Tax & other liabilities	76	69	70	75	80	70
Current liabilities	207	186	196	201	211	244
Provisions	6	5	4	6	6	8
Total Liabilities	757	735	773	857	975	1,128
Net Block	350	338	387	422	457	494
Capital Work-in-Progress	19	36	24	11	7	6
Other Non-Current Assets	14	14	12	10	4	2
Net fixed assets	383	389	423	444	468	502
Investments	1	1	1	1	1	1
Debtors	134	91	116	146	169	190
Inventories	189	208	191	231	246	268
Cash & bank balance	14	15	11	4	59	135
Loans & advances & other CA	35	31	31	31	31	31
Total current assets	374	347	349	413	507	625
Total Assets	757	735	773	857	975	1,128

Source: Company, Aриhant Research

Cash Flow Statement

Y/E March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
PBT	37	30	34	76	136	174
Depreciation	21	20	20	24	26	28
Interest & others	41	28	23	24	25	25
Cash flow before WC changes	99	79	77	124	186	226
(Inc)/dec in working capital	12	-21	-5	-71	-39	-43
Operating CF after WC changes	111	58	72	53	148	184
Less: Taxes	-12	-12	-7	-20	-35	-45
Operating cash flow	99	46	66	33	113	139
(Inc)/dec in F.A + CWIP	-25	-26	-54	-35	-35	-37
(Pur)/sale of investment	0	0	0	0	0	0
Cash flow from investing	-23	-22	-52	-28	-33	-35
Free cash flow (FCF)	74	20	11	-1	78	102
Loan raised/(repaid)	-35	9	5	15	2	-1
Equity raised	0	0	0	0	0	0
Interest & others	-42	-31	-23	-27	-27	-27
Dividend	0	0	0	0	0	0
Cash flow from financing activities	-77	-23	-19	-12	-25	-29
Net inc /(dec) in cash	-2	0	-5	-7	55	76
Opening balance of cash	3	1	1	11	4	59
Closing balance of cash	1	1	11	4	59	135

Source: Company, Arianth Research

Key Ratios

Y/E March	FY19	FY20	FY21	FY22E	FY23E	FY24E
Per share (Rs)						
EPS	20.4	18.6	28.9	47.4	84.4	108.1
CEPS	37.9	35.5	45.9	67.3	106.2	131.5
BVPS	119.2	133.9	164.2	211.5	295.9	404.0
Valuation (x)						
P/E	34.7	38.0	24.5	14.9	8.4	6.5
P/CEPS	18.7	19.9	15.4	10.5	6.7	5.4
P/BV	5.9	5.3	4.3	3.3	2.4	1.7
EV/EBITDA	11.7	14.5	14.7	9.3	6.0	4.6
Return Ratios (%)						
Gross Margin	43.3%	42.9%	45.1%	47.5%	51.7%	52.9%
EBIDTA Margin	12.9%	11.7%	11.4%	14.5%	18.8%	20.3%
PAT Margin	3.2%	3.3%	5.1%	6.6%	10.1%	11.6%
ROE	17.1%	13.9%	17.6%	22.4%	28.5%	26.8%
ROCE	16.7%	12.4%	11.4%	17.5%	23.7%	24.6%
Leverage Ratio (%)						
Total D/E	2.3	2.0	1.6	1.3	0.9	0.7
Turnover Ratios						
Asset Turnover (x)	1.0	0.9	0.9	1.0	1.0	1.0
Inventory Days	158	197	187	187	187	187
Receivable Days	64	49	62	62	62	62
Payable days	66	75	74	58	50	45

Source: Company, Arianth Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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