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INDIA

Ambuja Cements

BUY

Maintained

Rs380

Outperformance likely to continue

We expect Ambuja Cements (ACEM) to further improve its EBITDA/te (say by >Rs150/te over CY21-24E) led by a better market mix (rising share of North) and increased cost efficiencies, and narrow its EBITDA/te gap vs peers. The recent ~5mnte Marwa-Mundwa expansion would not only enable ACEM to sustain its market share, but also likely improve overall EBITDA/te by >Rs50/te, given higher profitability in North / West, better cost efficiencies of the new plant and additional government incentives. Increasing share of WHRS from 6MW to ~90MW by CY23E, and higher efficiencies via MSA with ACC could drive another >Rs100/te EBITDA/te expansion, in our view. Accordingly, ACEM's valuation gap vs larger peers may shrink further and its outperformance (seen over past two years) is likely to continue in the medium term. Maintain BUY with an unchanged target price of Rs464/sh (13x standalone CY23E EV/E). Key risk: Lower demand/prices.

- ▶ **~10mnte capacities would be commissioned by CY23E** between ACC and ACEM, providing reasonable volume growth visibility over CY21-24E. ACEM intends to increase its capacities to 50mnte from the current 31.5mnte over the medium term including exploring expansion at Bhatapara in East and Maratha in West. Improved execution on capacity creation & sustaining market share would be key for re-rating.
- ▶ **Recent North expansion likely to add >Rs50/te in overall EBITDA/te**, owing to higher profitability of North / West (say additional EBITDA/te of ~Rs100-150/te vs company average for ~4mnte volumes), increased cost efficiencies of newer plants (>Rs400mn), and additional government incentives (>Rs500mn).
- ▶ **Better cost efficiencies can drive additional EBITDA/te of >Rs100/te over CY21-CY24E.** ACEM plans to increase its WHRS capacity from the current 6MW to 60MW by Jun'22 and further to ~90MW by Dec'23. Similarly, the share of solar power is expected to rise to >10% by CY23E from the current 2%. This would translate into cost savings of >Rs2bn p.a. (~Rs70/te). Besides, other efficiency measures, including improving the blending ratio, higher direct despatches (currently 60%), source mix optimisation, fly-ash dryers, railway sidings at Rabriyawas, along with the MSA with ACC, could drive additional cost synergies, in our view.
- ▶ **Improved performance by subsidiary ACC.** ACC's EBITDA/te has improved from Rs736/te in CY18 to Rs1,124/te in 9MCY21E and likely to exceed Rs1,200/te by CY23E led by increased cost efficiencies. 5mnte Ametha expansion is expected to be operational by CY22-23E, improving volume growth and profitability prospects.
- ▶ **ACEM enjoys strong balance sheet and return ratios:** Standalone ACEM net cash is likely to rise from Rs29bn as at CY20 to Rs79bn as at CY23E. Hence, we see the possibility of higher dividend payout. Standalone ACEM also enjoys industry leading RoCE / RoE of >20%.

Market Cap	Rs754bn/US\$9.9bn
Reuters/Bloomberg	ABUJ.BO/ACEM IN
Shares Outstanding (mn)	1,985.6
52-week Range (Rs)	443/226
Free Float (%)	36.7
FII (%)	16.5
Daily Volume (US\$'000)	21,336
Absolute Return 3m (%)	(13.8)
Absolute Return 12m (%)	52.1
Sensex Return 3m (%)	1.0
Sensex Return 12m (%)	29.2

Year to Dec	CY20	CY21E	CY22E	CY23E
Revenue (Rs mn)	245,162	306,165	340,763	371,599
EBITDA (Rs mn)	50,056	66,534	74,778	83,126
Net Income (Rs)	25,401	32,589	37,008	41,332
% Chg YoY	35.2	37.8	13.6	11.8
P/E (x)	19.5	23.2	20.2	18.0
CEPS (Rs)	18.6	22.0	24.8	27.5
EV/E (x)	17.7	13.1	11.2	9.5
Dividend Yield	4.7	0.6	0.7	0.8
RoCE (%)	10.9	13.6	13.7	13.6
RoE (%)	10.8	13.5	13.6	13.5

Company update

Cement

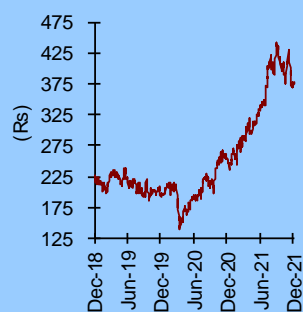
Target price: Rs464

Shareholding pattern

	Mar '21	Jun '21	Sep '21
Promoters	63.3	63.3	63.3
Institutional investors	29.9	29.9	29.9
MFs and others	4.9	6.3	5.6
FIs/Bank/Ins	7.2	5.9	7.8
FPI	17.8	17.7	16.5
Others	6.8	6.8	6.8

Source: NSE

Price chart



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Story in charts

Table 1: Likely to sustain volume market share over FY19-FY24E

(in mnte)	FY19	FY22E	FY24E	FY19- FY22E	FY19- FY24E
UTCEM (India)	82.2	90.0	108.8	3.1	5.8
SRCM (stand.)	25.9	28.5	36.4	3.3	7.0
ACEM*	24.3	26.9	31.3	3.5	5.2
ACC*	28.8	29.1	33.6	0.3	3.1
ACEM + ACC*	53.1	56.0	64.9	1.8	4.1
DALBHARA	18.7	22.3	29.0	6.1	9.2
TRCL	11.1	11.2	14.6	0.2	5.7
Industry est.	346.0	366.0	429.0	1.9	4.4

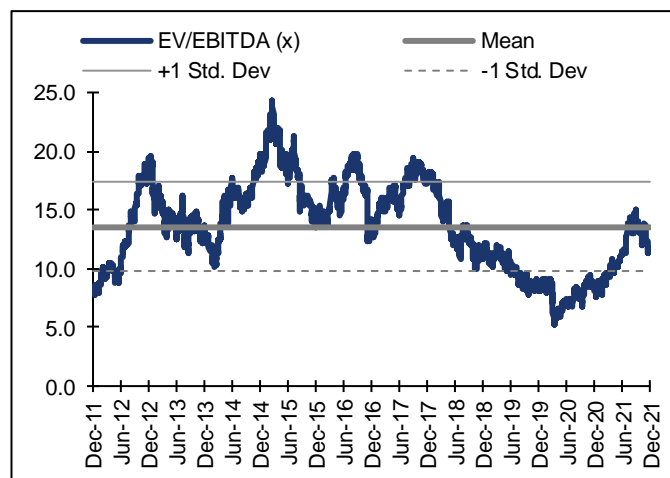
Source: Company Data, I-Sec research, *Dec year-ending

Table 3: Standalone ACEM to post industry leading 22% EBITDA CAGR over FY19-22E

(Rs mn)	FY19	FY22E	FY24E	FY19- FY22E	FY19- FY24E
UTCEM (India)	71,592	1,25,919	1,66,995	20.7	18.5
SRCM (stand.)	27,405	42,553	57,218	15.8	15.9
ACEM*	18,915	34,572	43,759	22.3	18.3
ACC*	21,185	31,883	40,617	14.6	13.9
ACEM + ACC	40,100	66,455	84,376	18.3	16.0
DALBHARA	19,510	26,237	34,392	10.4	12.0
TRCL	10,664	15,721	21,251	13.8	14.8
Coverage uni.	2,24,480	3,77,908	5,00,477	19.0	17.4

Source: Company Data, I-Sec research. *Dec year-ending

Chart 1: ACEM trading below 10 Year average EV/EBITDA



Source: Bloomberg, I-Sec research

Table 2: ACEM's EBITDA/te gap vs peers to narrow

(in Rs/te)	FY19	FY20	FY21	FY22E	FY24E
UTCEM (India)	871	1,153	1,373	1,399	1,499
SRCM (stand.)	989	1,449	1,470	1,478	1,558
ACEM* (stand.)	780	893	1,168	1,286	1,398
ACC*	736	818	960	1,095	1,207
ACEM* (consol.)	755	854	1,025	1,187	1,299
DALBHARA	1,044	1,092	1,346	1,175	1,199
TRCL	921	991	1,529	1,376	1,422

Source: Company Data, I-Sec research, *Dec year-ending

Table 4: Standalone ACEM enjoys industry leading ROCEs

(%)	FY19	FY20	FY21	FY22E	FY24E
UTCEM (consol.)	6.1	8.4	11.7	12.7	17.3
SRCM (stand.)	12.2	13.3	15.6	16.6	17.3
ACEM* (stand.)	11.9	12.8	17.7	23.5	20.7
ACC*	10.9	11.4	11.7	15.2	15.4
ACEM* (consol.)	6.9	8.1	10.9	13.6	13.6
DALBHARA	4.7	2.8	6.1	5.8	7.5
TRCL	8.7	8.2	8.9	8.7	11.3

Source: Company Data, I-Sec research, *Dec year-ending

Table 5: ACEM's stock outperformance likely to continue

	Absolute performance (%)			Relative to BSE Sensex (%)		
	6M	1yr	2yrs	6M	1yr	2yrs
UTCEM	11.2	46.3	81.8	0.2	20.3	39.7
SRCM	-6.7	11.4	29.7	-17.6	-14.6	-12.4
ACEM	11.6	54.2	92.0	0.7	28.2	49.9
ACC	12.5	42.2	56.7	1.6	16.1	14.6
DALBHARA	4.4	78.4	131.5	-6.5	52.4	89.4
TRCL	-1.0	17.6	26.8	-11.9	-8.4	-15.3

Source: I-Sec research

Sustaining volume market share

~10mnte capacities would be commissioned by CY23E between ACC and ACEM, which we believe provides reasonable volume growth visibility over CY21-24E. ACEM intends to increase its capacities to 50mnte from the current 31.5mnte over the medium term, including exploring expansions at Bhatapara in East and Maratha in West. Improved execution on capacity creation and sustaining market share would be key for re-rating, in our view.

Table 6: Likely to sustain volume market share over FY19-24E

(in mnte)	FY19	FY22E	FY24E	FY19-FY22E	FY19-FY24E
UTCEM (India)	82.2	90.0	108.8	3.1	5.8
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ACEM + ACC*	53.1	56.0	64.9	1.8	4.1
DALBHARA	18.7	22.3	29.0	6.1	9.2
TRCL	11.1	11.2	14.6	0.2	5.7
Industry est.	346.0	366.0	429.0	1.9	4.4

Source: Company Data, I-Sec research, *Dec year-ending

ACEM's EBITDA/te gap vs peers to narrow

Ambuja Cements (ACEM) is likely to further improve its profitability (say by >Rs150/te over CY21-24E) led by a better market mix (rising share of North) and increased cost efficiencies and narrow its EBITDA/te gap vs larger peers. **Accordingly, standalone ACEM's EBITDA/te is likely to inch closer to Rs1,400/te by CY23E.**

Table 7: ACEM's EBITDA/te gap vs peers to narrow

(in Rs/te)	FY19	FY20	FY21	FY22E	FY24E
UTCEM (India ops.)	871	1,153	1,373	1,399	1,499
SRCM (stand.)	989	1,449	1,470	1,478	1,558
ACEM* (stand.)	780	893	1,168	1,286	1,398
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TRCL	921	991	1,529	1,376	1,422







Source: Company Data, I-Sec research, *Dec year-ending

Recent North expansion likely to add >Rs50/te in overall EBITDA/te, owing to higher profitability of North / West (say additional EBITDA/te of ~Rs100-150/te vs company average for ~4mnte volumes), increased cost efficiencies of newer plants (>Rs400mn), and additional government incentives (>Rs500mn). Sustainable cost savings via the *I Can* programme, including increasing share of WHRS from 6MW to ~90MW by CY23E, and increased efficiencies via the MSA with ACC can drive another >Rs100/te EBITDA/te expansion, in our view.

Better cost efficiencies can drive additional EBITDA/te of ~Rs100/te over CY22-CY24E. The share of green power is expected to increase to 33% by Dec'23 from the current 5%. ACEM plans to increase its WHRS capacity from the current 6MW to 60MW by Jun'22 and further to 90MW by Dec'23. Similarly, the share of solar power is expected to rise to >10% by CY23E from the current 2%. This would translate into annual cost savings of >Rs2bn p.a., or ~Rs70/te. Besides, other efficiency measures, which include improving the blending ratio, higher direct despatches (from the current 60%), source mix optimisation, fly-ash dryers, reduction in energy consumption,

captive coal mining at Gare Palma coal block, railway sidings at Rabriyawas, along with the MSA with ACC, could drive additional cost synergies, in our view.

Chart 2: ACEM’s performance drivers

 <ul style="list-style-type: none"> Product premiumisation resulting in better pricing and improved margins MSA (Master Supply Agreement) leading to volume optimisation and increased profitability 	 <ul style="list-style-type: none"> Operational efficiencies through ICAN program aiding in mitigating cost headwinds Flyash dryers and Waste Heat Recovery Systems underway to attain cost savings 	 <ul style="list-style-type: none"> Marwar production commenced from September 2021 Commenced underground mining at Gare Palma Coal Block
 <ul style="list-style-type: none"> Geo tagging of channel partners for better reach Implementation of digitalisation tools at plants and mines for better performance 	 <ul style="list-style-type: none"> Innovative products under development for eco-friendly construction Performance improvement and cost optimisation for cool walls 	 <ul style="list-style-type: none"> Signed the Business Ambition for 1.5° C, with validated Science Based Targets, in line with Net Zero emission ambition Consistent improvement in Thermal Substitution Rate (TSR)

Source: Company data, I-Sec research

Chart 3: Sharpening competitive edge

<p>Operational Efficiency</p>  <ul style="list-style-type: none"> Increase in home market sales and reduction in lead distance Continuous improvement in clinker factor and blending ratio Reduction in energy consumption 	<p>Special / Value Added Products</p>  <ul style="list-style-type: none"> Ambuja’s Special / Value Added cement are widely accepted for its distinctive benefits Sales volume of special cement increasing on continuous basis “Kawach” sees robust volume growth 	<p>Competency Augmentation</p>  <ul style="list-style-type: none"> Waste Heat Recovery of –55 MW under implementation at various plants Fly ash dryers in progress to provide raw material flexibility Alternative Fuel feeding system to increase thermal substitution rate
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Source: Company data, I-Sec research

Chart 4: Digitisation and innovation

 <p>Manufacturing</p> <ul style="list-style-type: none"> Mines of Tomorrow (MOT) – Concept of connected mines being developed Drones being harnessed for confined space inspections Digital technology being harnessed through FinCEM for cement fineness prediction and management Analytics infrastructure (TIS, PACT, Edge AI) successfully implemented and adopted 	 <p>Logistics & Commercial</p> <ul style="list-style-type: none"> Continuous improvement through Transport Analytics Centre (TAC) to maintain a steady realisation of operational efficiency Electronic Proof of Delivery (EPOD) pilot to be launched shortly Geo tagging of channel partners for better reach Digital drive in commercial function through Dealer Connect app, Sales Force Automation and Contractor Loyalty solution 	 <p>Innovation & New Solutions</p> <ul style="list-style-type: none"> New & innovative products and solutions with sustainability focus Range of value added products under development, to strengthen the premium positioning Ambuja Cool Walls: Performance and cost optimisation measures underway Maturity Sensors: Helps in real time monitoring of strength development in structures
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Source: Company data, I-Sec research

Improved performance by subsidiary ACC. ACC's EBITDA/te has improved from Rs736/te in CY18 to Rs1,124/te in 9MCY21E and is likely to exceed Rs1,200/te by CY23E led by increased cost efficiencies. 5mnte Ametha expansion (Central region) is expected to be operational by CY22-23E, improving volume growth and profitability prospects. **Accordingly, consolidated ACEM's EBITDA/te is likely to inch closer to Rs1,300/te by CY23E.**

Table 8: Standalone ACEM to post industry leading 22% EBITDA CAGR over FY19-22E

(Rs mn)	FY19	FY22E	FY24E	FY19-FY22E	FY19-FY24E
UTCCEM (India)	71,592	1,25,919	1,66,995	20.7	18.5
SRCM (stand.)	27,405	42,553	57,218	15.8	15.9
ACEM*	18,915	34,572	43,759	22.3	18.3
ACC*	21,185	31,883	40,617	14.6	13.9
ACEM + ACC	40,100	66,455	84,376	18.3	16.0
DALBHARA	19,510	26,237	34,392	10.4	12.0
TRCL	10,664	15,721	21,251	13.8	14.8
Coverage uni.	2,24,480	3,77,908	5,00,477	19.0	17.4

Source: I-Sec research. *Dec year-ending

ACEM enjoys strong balance sheet and return ratios: Standalone ACEM net cash is likely to rise from Rs29bn as at CY20 to Rs79bn as at CY23E. Hence, we see the possibility of higher dividend payout. Standalone ACEM also enjoys industry leading RoCE / RoE of >20%. ACEM stock has outperformed peers over past 1-2 years given the narrowing of its EBITDA/te gap vs peers, and we expect similar trends to continue in the medium term.

Table 9: Industry leading ROCEs and ROEs

(%)	ROCE			ROE		
	FY19	FY22E	FY24E	FY19	FY22E	FY24E
UTCCEM (consol.)	6.1	12.7	17.3	8.4	14.3	16.5
SRCM (stand.)	12.2	16.6	17.3	11.7	16.8	17.1
ACEM*	11.9	23.5	20.7	11.8	23.4	20.6
ACC*	10.9	15.2	15.4	11.0	15.3	15.5
DALBHARA	4.7	5.8	7.5	2.9	7.4	9.4
TRCL	8.7	8.7	11.3	12.3	12.7	14.5

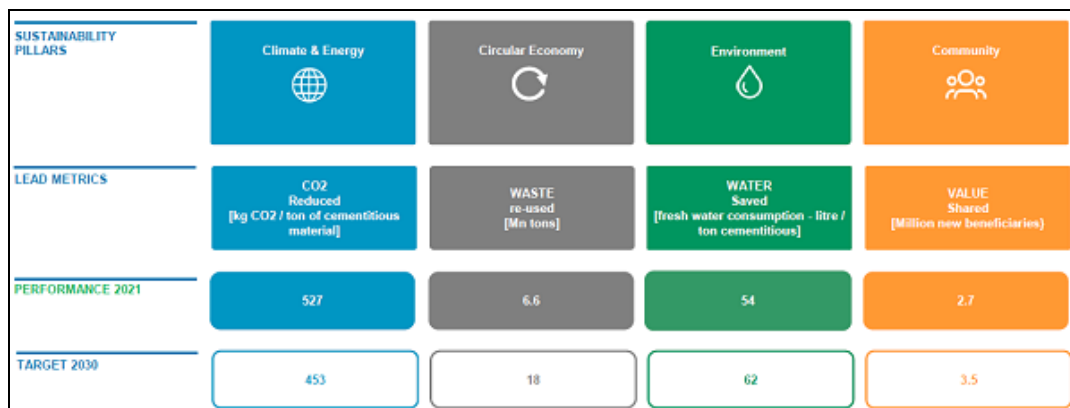
Source: Company Data, I-Sec research, *Dec year-ending

Table 10: ACEM's stock outperformance likely to sustain

	Absolute performance (%)			Relative to BSE Sensex (%)		
	6M	1yr	2yrs	6M	1yr	2yrs
UTCCEM	11.2	46.3	81.8	0.2	20.3	39.7
SRCM	-6.7	11.4	29.7	-17.6	-14.6	-12.4
ACEM	11.6	54.2	92.0	0.7	28.2	49.9
ACC	12.5	42.2	56.7	1.6	16.1	14.6
DALBHARA	4.4	78.4	131.5	-6.5	52.4	89.4
TRCL	-1.0	17.6	26.8	-11.9	-8.4	-15.3

Source: I-Sec research

Chart 5: Progress towards sustainable development



Source: Company data, I-Sec research

Table 11: Performance trend and assumptions for estimates (standalone)

(mnte)

	CY18	CY19	CY20	CY21E	CY22E	CY23E
Capacity	29.7	29.7	29.7	31.5	31.5	33.0
Production	24.2	24.0	22.6	26.6	29.2	31.0
Capacity utilisation (%)	87	86	76	86	94	95
Volume (incl clinker)	24.3	24.1	22.7	26.9	29.5	31.3
Growth (%)	5.4	(0.8)	(5.8)	18.6	9.9	5.9
Realisation (Rs/te)	4,525	4,717	4,930	5,164	5,421	5,567
Growth (%)	1.6	4.2	4.5	4.7	5.0	2.7

Source: Company data, I-Sec research

Table 12: Per-tonne analysis (standalone)

(Rs/te)

	CY18	CY19	CY20	CY21E	CY22E	CY23E
Net sales	4,525	4,717	4,930	5,164	5,421	5,567
Raw material consumed	696	755	832	758	802	827
Power & Fuel costs	1,051	1,075	994	1,182	1,306	1,345
Freight costs	1,044	998	951	951	971	987
Other expenses	1,111	1,127	1,073	1,043	1,053	1,060
Total operating expenses	3,902	3,955	3,849	3,934	4,133	4,218
Other operating income	157	131	87	55	51	49
EBITDA	780	893	1,168	1,286	1,340	1,398

Source: Company data, I-Sec research

Valuation methodology and key risks

We maintain **BUY** with unchanged target price of Rs464/sh based on 13x Dec'23E EV/E (standalone) on a quarterly rollover. Key risk: Lower demand/prices.

Table 13: SoTP-based valuation (standalone) at 13x Dec'23E EV/E

<i>(Rs mn)</i>	
Target EV/ EBITDA multiple (x)	13
Target EV (Rs mn)	568,861
Net debt / (cash) (Rs mn)	(78,714)
Target value (Rs mn)	647,575
No. of shares (mn)	1,986
Target price per share (Rs) for core ACEM	329
Proportionate 50% stake in ACC - per share	135
Target price per share (Rs)	464

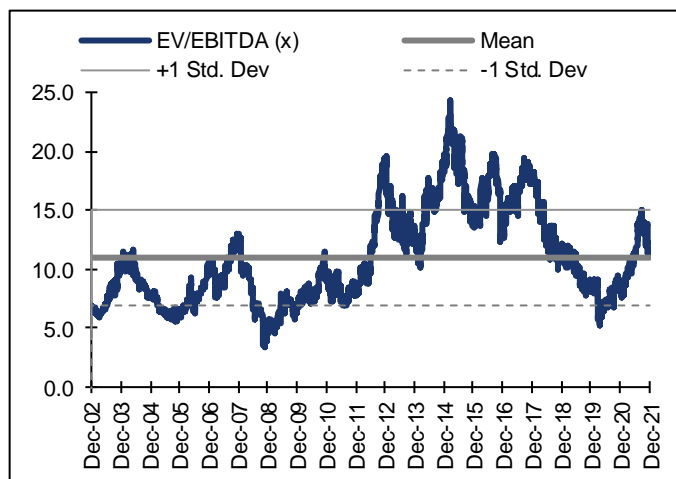
Source: I-Sec research

Table 14: Implied SoTP-based valuation (consolidated) at 12x Dec'23E EV/E

<i>(Rs mn)</i>	
Target multiple	12
Target EV	1,012,507
Add: Net cash	173,619
Target equity value	1,186,126
Target equity value/ share	599
Less: Minority interest in ACC at our target price	135
Target price per share (Rs)	464

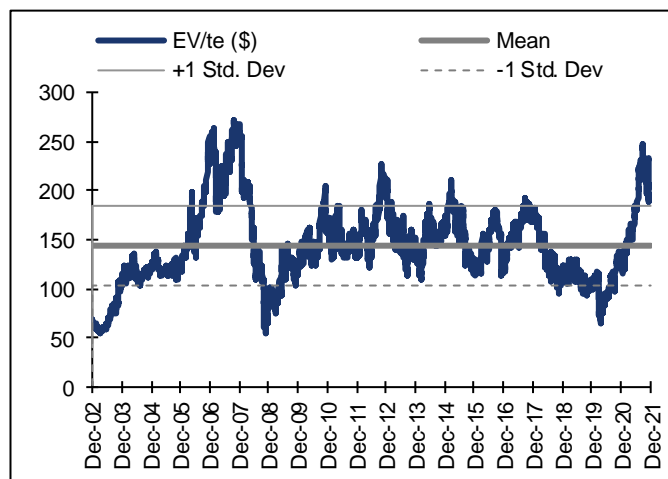
Source: I-Sec research

Chart 6: Rolling EV/EBITDA band



Source: I-Sec research

Chart 7: Rolling EV/te



Financial summary (standalone)

Table 15: Profit and loss statement

(Rs mn, year ending December 31)

	CY20	CY21E	CY22E	CY23E
Operating Income (Sales)	1,11,750	1,40,223	1,58,835	1,72,794
Other operating income	1,969	1,488	1,518	1,549
Operating Expenses	87,253	1,07,067	1,21,099	1,30,744
EBITDA	26,466	34,645	39,255	43,598
% margin	23.3	24.4	24.5	25.0
Depreciation & Amortisation	5,212	5,105	5,494	6,092
Gross Interest	831	841	851	861
Other Income	3,720	3,034	3,552	4,110
Recurring PBT	24,144	31,733	36,461	40,755
Add: Extraordinaries	-	-	-	-
Less: Taxes	6,243	8,250	9,480	10,596
- Current tax	6,520	8,204	9,432	10,547
- Deferred tax	(278)	46	48	49
Net Income (Reported)	17,901	23,482	26,981	30,159
Recurring Net Income	17,901	23,482	26,981	30,159

Source: Company data, I-Sec research

Table 16: Balance sheet

(Rs mn, year ending December 31)

	CY20	CY21E	CY22E	CY23E
Assets				
Total Current Assets	31,940	48,440	67,745	89,618
Current Liab. & Prov.	49,360	55,748	60,722	64,144
Net Current Assets	(17,420)	(7,309)	7,024	25,475
Investments of which	1,44,822	1,44,822	1,44,822	1,44,822
Strategic/Group	1,17,877	1,17,877	1,17,877	1,17,877
Marketable	26,944	26,944	26,944	26,944
Net Fixed Assets*	78,052	86,884	94,374	1,00,314
of which				
Capital Work-in-Progress	18,737	19,674	20,658	21,691
Total Assets	2,05,454	2,24,397	2,46,219	2,70,611
of which cash & cash equi.	29,288	42,429	59,172	78,858
Liabilities				
Borrowings	436	436	436	436
Deferred Tax Liability	1,860	1,906	1,954	2,002
Equity Share Capital	3,971	3,971	3,971	3,971
Face value per share (Rs)	2	2	2	2
Reserves & Surplus	1,99,187	2,18,084	2,39,858	2,64,201
Less: Misc. Exp	-	-	-	-
Net Worth	2,03,159	2,22,055	2,43,829	2,68,172
Total Liabilities	2,05,454	2,24,397	2,46,219	2,70,611

Source: Company data, I-Sec research

Table 17: Quarterly trend

(Rs mn, year ending December 31)

	Dec-20	Mar-21	Jun-21	Sep-21
Net sales	34,680	35,790	33,420	31,930
% growth (YoY)	14.2	29.7	55.8	14.0
Recurring EBITDA	7,677	9,768	9,597	7,033
Margin (%)	22.1	27.3	28.7	22.0
Other income	394	552	1610	362
Extraordinaries Inc / (Loss)	-	-	-	-
Recurring Net Income	4,970	6,646	7,231	4,413

Source: Company data

Table 18: Cashflow statement

(Rs mn, year ending December 31)

	CY20	CY21E	CY22E	CY23E
Operating Cashflow	21,921	26,729	30,144	32,379
Working Capital changes	3,676	1,899	1,238	1,046
Capital Commitments	(9,778)	(13,937)	(12,984)	(12,033)
Net Operating FCF	15,819	14,691	18,398	21,392
Investing Activities	3,363	3,034	3,552	4,110
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	26	-	-	-
Dividend paid	(36,646)	(4,586)	(5,207)	(5,816)
Others	(519)	0	0	(0)
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank	(17,957)	13,140	16,743	19,687

Source: Company data, I-Sec research

Table 19: Key ratios

(Year ending December 31)

	CY20	CY21E	CY22E	CY23E
Per Share Data (Rs)				
EPS(Basic)	9.0	11.8	13.6	15.2
Diluted Recurring EPS	9.0	11.8	13.6	15.2
Diluted Recurring CEPS	11.6	14.4	16.4	18.3
Dividend per share	18.0	2.3	2.6	2.9
Book Value	43	52	63	75.7
Growth Ratios (% YoY)				
Operating Income	(2.5)	24.6	13.2	8.7
EBITDA	23.2	30.9	13.3	11.1
Recurring Net Income	30.3	31.2	14.9	11.8
Diluted Recurring EPS	30.3	31.2	14.9	11.8
Diluted Recurring CEPS	20.5	23.7	13.6	11.6
Valuation Ratios (x)				
P/E	30.6	23.4	20.1	18.1
P/CEPS	23.7	19.2	16.7	15.0
P/BV	6.4	5.3	4.3	3.6
EV / EBITDA	18.8	14.2	12.0	10.4
EV / te (US\$)	226	209	202	185
EV / Operating Income	6.4	5.1	4.3	3.8
EV / Operating FCF	17.1	24.9	22.0	20.1
Operating Ratios (%)				
Raw Material / Sales	25	23	23	23
Other expenses / Sales	53	53	53	53
Other Income / PBT	15	10	10	10
Effective Tax Rate	26	26	26	26
NWC / Total Assets	(0.1)	(0)	(0)	(0)
Inventory (x)	6.6	8.6	8.5	8.3
Receivables (days)	12	6	8	8
Payable (days)	38	32	33	34
D/E Ratio (x)	(0.1)	(0.2)	(0.2)	(0.3)
Profitability Ratios (%)				
Rec. Net Income Margins	15.2	16.2	16.5	16.9
RoCE	17.7	23.5	22.2	20.7
RoNW	17.5	23.5	22.1	20.6
Dividend Payout	199.7	19.5	19.3	19.3

Source: Company data, I-Sec research

Financial summary (consolidated)

Table 20: Profit and loss statement

(Rs mn, year ending December 31)

	CY20	CY21E	CY22E	CY23E
Operating Income (Sales)	2,45,162	3,06,165	3,40,763	3,71,599
Operating Expenses	1,95,106	2,39,631	2,65,985	2,88,473
EBITDA	50,056	66,534	74,778	83,126
% margin	20.4	21.7	21.9	22.4
Depreciation & Amortisation	11,618	11,089	12,186	13,276
Gross Interest	1,174	1,458	1,474	1,490
Other Income	4,254	3,983	4,436	4,948
Recurring PBT	41,518	58,103	65,700	73,469
Add: Extraordinaries	(1,747)	-	-	-
Less: Taxes	8,848	15,156	17,165	19,213
- Current tax	12,004	14,557	16,503	18,475
- Deferred tax	(3,157)	599	662	738
Less: Minority interest	7,414	10,358	11,527	12,924
Net Income (Reported)	23,654	32,589	37,008	41,332
Recurring Net Income	25,401	32,589	37,008	41,332

Source: Company data, I-Sec research

Table 21: Balance sheet

(Rs mn, year ending December 31)

	CY20	CY21E	CY22E	CY23E
Assets				
Total Current Assets	82,569	1,11,700	1,45,192	1,87,256
Current Liab. & Prov.	99,526	1,10,984	1,20,209	1,27,997
Net Current Assets	(16,957)	716	24,983	59,259
Investments of which	85,530	85,199	85,199	85,199
Strategic/Group	1,546	1,170	1,170	1,170
Marketable	83,984	84,029	84,029	84,029
Net Fixed Assets*	1,50,317	1,69,347	1,85,950	1,97,391
of which				
Capital Work-in-Progress	24,219	21,647	22,237	22,954
Goodwill	78,761	78,761	78,761	78,761
Total Assets	2,97,652	3,34,022	3,74,893	4,20,610
of which cash & cash equi.	89,483	1,07,503	1,36,128	1,72,907
Liabilities				
Borrowings	436	436	436	436
Deferred Tax Liability	6,231	5,893	5,981	6,110
Minority Interest	63,409	72,113	81,096	91,167
Equity Share Capital	3,971	3,971	3,971	3,971
Face value per share (Rs)	2	2	2	2
Reserves & Surplus	2,23,605	2,51,608	2,83,409	3,18,925
Less: Misc. Exp	-	-	-	-
Net Worth	2,27,576	2,55,580	2,87,380	3,22,896
Total Liabilities	2,97,652	3,34,022	3,74,893	4,20,610

Source: Company data, I-Sec research

Table 22: Quarterly trend

(Rs mn, year ending December 31)

	Dec-20	Mar-21	Jun-21	Sep-21
Net sales	73,500	76,170	68,990	65,290
% growth (YoY)	5.6	24.3	51.8	7.5
Recurring EBITDA	14,714	18,385	18,273	14,163
Margin (%)	20.0	24.1	26.5	21.7
Other income	999	972	775	934
Extraordinary Inc / (Loss)	(3,049)	-	-	-
Recurring Net Income	10,372	9,472	8,767	6,658

Source: Company data, I-Sec research

Table 23: Cashflow statement

(Rs mn, year ending December 31)

	CY20	CY21E	CY22E	CY23E
Operating Cashflow	39,888	41,407	46,714	50,715
Working Capital changes	7,572	(919)	3,064	2,187
Capital Commitments	(17,253)	(29,633)	(28,789)	(24,717)
Net Operating FCF	30,207	10,854	20,988	28,185
Investing Activities	4,080	3,938	4,436	4,948
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc(Dec) in Borrowings	26	-	-	-
Dividend paid	(37,959)	(4,586)	(5,207)	(5,816)
Others	(765)	7,768	8,408	9,462
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank	(4,411)	17,974	28,625	36,780

Source: Company data, I-Sec research

Table 24: Key ratios

(Year ending December 31)

	CY20	CY21E	CY22E	CY23E
Per Share Data (Rs)				
EPS(Basic)	11.9	16.4	18.6	20.8
Diluted Recurring EPS	12.8	16.4	18.6	20.8
Diluted Recurring CEPS	18.6	22.0	24.8	27.5
Dividend per share	18.0	2.3	2.6	2.9
Book Value	115	129	145	163
Growth Ratios (% YoY)				
Operating Income	(9.5)	24.9	11.3	8.7
EBITDA	8.9	32.9	12.4	11.1
Recurring Net Income	35.2	37.8	13.6	11.8
Diluted Recurring EPS	35.2	28.3	13.6	11.7
Diluted Recurring CEPS	22.1	18.0	12.6	11.0
Valuation Ratios (x)				
P/E	19.5	23.2	20.2	18.0
P/CEPS	20.4	17.3	15.3	13.7
P/BV	3.3	3.0	2.6	2.3
EV / EBITDA	17.7	13.1	11.2	9.5
EV / te (US\$)	190	178	169	155
EV / Operating Income	2.7	2.1	1.8	1.6
EV / Operating FCF	15.4	15.9	12.3	10.9
Operating Ratios (%)				
Raw Material / Sales	18	16	16	16
Other expenses / Sales	54	51	51	51
Other Income / PBT	10	7	7	7
Effective Tax Rate	21	26	26	26
NWC / Total Assets	(0.1)	(0.1)	(0.1)	(0.1)
Inventory (x)	2.3	2.4	2.2	2.2
Receivables (days)	12	9	10	10
Payable (days)	43	37	38	38
D/E Ratio (x)	(0.4)	(0.4)	(0.5)	(0.5)
Profitability Ratios (%)				
Rec. Net Income Margins	10.2	10.5	10.7	11.0
RoCE	10.9	13.6	13.7	13.6
RoNW	10.8	13.5	13.6	13.5
Dividend Payout	140.7	14.1	14.1	14.1

Source: Company data, I-Sec research

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