15 February 2022

3QFY22 Results Update | Sector: Hotels

# Kaveri Seeds

| | |
|---|---|
| Estimate change | ⟷ |
| TP change | ⟷ |
| Rating change | ⟷ |

| | |
|---|---|
| Bloomberg | KSCL IN |
| Equity Shares (m) | 63 |
| M.Cap.(INRb)/(USDb) | 30.9 / 0.4 |
| 52-Week Range (INR) | 816 / 469 |
| 1, 6, 12 Rel. Per (%) | -2/-26/-14 |
| 12M Avg Val (INR M) | 200 |

**Financials & Valuations (INR b)**

| Y/E Mar | 2022E | 2023E | 2024E |
|---|---|---|---|
| Sales | 9.7 | 11.8 | 13.0 |
| EBITDA | 2.0 | 3.0 | 3.3 |
| PAT | 2.1 | 3.0 | 3.4 |
| EBITDA (%) | 20.1 | 25.1 | 25.2 |
| EPS (INR) | 35.4 | 51.6 | 57.7 |
| EPS Gr. (%) | (33.4) | 46.0 | 11.9 |
| BV/Sh. (INR) | 222 | 264 | 313 |
| **Ratios** | | | |
| Net D/E | (0.5) | (0.5) | (0.5) |
| RoE (%) | 16.3 | 21.2 | 20.0 |
| RoCE (%) | 17.7 | 23.9 | 22.6 |
| Payout (%) | 19.9 | 18.2 | 16.2 |
| **Valuations** | | | |
| P/E (x) | 14.5 | 9.9 | 8.9 |
| EV/EBITDA (x) | 16.4 | 10.8 | 9.6 |
| Div Yield (%) | 1.2 | 1.6 | 1.6 |
| FCF Yield (%) | 4.7 | 7.3 | 9.1 |

**Shareholding pattern (%)**

| As On | Dec-21 | Sep-21 | Dec-20 |
|---|---|---|---|
| Promoter | 57.4 | 57.3 | 55.5 |
| DII | 6.7 | 7.5 | 12.2 |
| FII | 19.1 | 18.2 | 14.1 |
| Others | 16.8 | 17.0 | 18.1 |

**CMP: INR512 TP: INR635 (+24%) Buy**

## Better maize and selection rice volumes drive performance

**Operating performance better than our expectation**

- Kaveri Seeds (KSCL) reported in-line sales in 3QFY22 with higher sales growth in selection rice (+44 % YoY) and maize (13% YoY). Its operating performance was better than our estimate.
- We largely retain our FY22E/FY23E/FY24E earnings for KSCL. Its 3QFY22 revenue contributed to just 13% of its total annual revenue. We value the stock at 11x FY24E EPS to arrive at our TP of INR635. Reiterate **BUY** with a 24% potential upside.

### Non-cotton seeds continue to drive sales

- Consolidated revenue rose 6% YoY to INR1.3b (est. of INR1.3b) in 3QFY22. EBITDA declined 28% YoY to INR74m (est. of INR65m). EBITDA margin contracted 270bp YoY to 5.9% (est. of 5.0%). Gross margin stood at 51.8% (-10bp YoY). As a percentage of sales, employee cost was at 20.9% (v/s 20.7% YoY), while other expenses stood at 25.1% (v/s 22.6% YoY). Adjusted PAT stood at INR76m, down 16% YoY (est. of INR87m).
- Revenue/EBITDA/PAT declined 7%/32%/32% YoY to INR9.0b/INR2.1b/ INR2.2b in 9MFY22, respectively.
- Cotton seed volumes dropped 26% YoY to 5.2m packets in 9MFY22, leading to a 24% decline in revenue to INR3.3b. KSCL gained cotton seed market share in Gujarat, Maharashtra and Haryana, while it lost share in Andhra Pradesh and Telangana. The contribution from new products in Maize rose to 25.49% from 9.55% of volumes. Maize seed volumes dipped 24% YoY to 7,649MT and revenue declined 13% YoY to INR1,630m in 9MFY22.
- Hybrid rice volumes rose 22% to 6,834m packets in 9MFY22, leading to a revenue growth of 32% YoY to INR1,730m. Introduction of new hybrid 7299, 471, and 473 led to strong growth in this segment. Selection rice volumes grew 7% at 15,685MT in 9MFY22, while topline increased 21% YoY to INR1,150m in 9MFY22.
- Revenue from vegetable seeds rose 8% YoY to INR330m in 9MFY22, driven by a 2% growth in volumes to 183m packets.

### Highlights from the management commentary

- The management expects a 10% growth for cotton seeds in FY23 over FY22. 1HFY22 was impacted by increasing unbranded cotton seed sales. The management believes that margins would reach normalized levels in FY23.
- Despite a decline in volumes and revenue, KSCL gained market share in cotton seed in Gujarat, Maharashtra and Haryana. The company reported a drop in sales in Andhra Pradesh and Telangana.
- Adding new crops such as mustard and wheat, which have a great potential in the years to come, would be the next growth engine for the company.

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## Valuation and view

- KSCL is well on track to diversify from cotton seed sales by increasing the share of higher margin rice and vegetables, which are growing at a faster pace.
- KSCL's operating performance was better than our estimate.
- We largely maintain our FY22E/FY23E/FY24E earnings for KSCL. Its 3QFY22 revenue contributed to just 13% of its total annual revenue. We value the stock at 11x FY24E EPS to arrive at our TP of INR635. Reiterate BUY with a 24% potential upside.

### Quarterly – Consolidated (INR m)

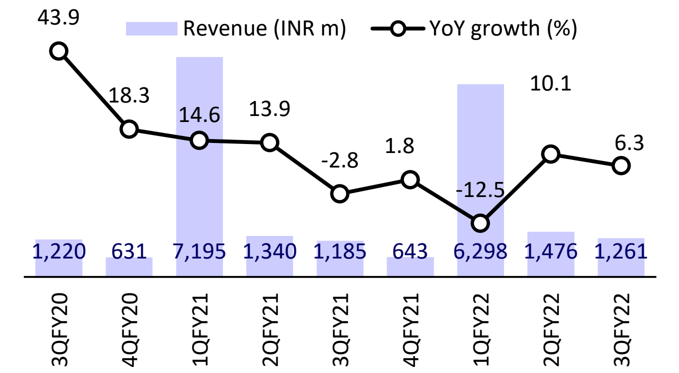
| Y/E March | FY21 | | | | FY22 | | | | FY21 | FY22E | FY22 | Var |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | 3QE | % |
| **Net Sales** | **7,195** | **1,340** | **1,185** | **643** | **6,298** | **1,476** | **1,261** | **677** | **10,363** | **9,711** | **1,297** | **-3** |
| YoY Change (%) | 14.6 | 13.9 | -2.8 | 1.8 | -12.5 | 10.1 | 6.3 | 5.4 | 11.4 | -6.3 | 9.4 | |
| Total Expenditure | 4,325 | 1,174 | 1,083 | 801 | 4,302 | 1,412 | 1,187 | 858 | 7,383 | 7,758 | 1,232 | |
| **EBITDA** | **2,869** | **167** | **102** | **-158** | **1,996** | **64** | **74** | **-181** | **2,980** | **1,953** | **65** | **13** |
| Margin (%) | 39.9 | 12.4 | 8.6 | -24.6 | 31.7 | 4.3 | 5.9 | -26.7 | 28.8 | 20.1 | 5.0 | |
| Depreciation | 55 | 56 | 56 | 56 | 48 | 50 | 55 | 56 | 222 | 208 | 55 | |
| Interest | 1 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 5 | 1 | 1 | |
| Other Income | 235 | 105 | 75 | 42 | 151 | 151 | 68 | 47 | 457 | 416 | 83 | |
| **PBT before EO expense** | **3,049** | **214** | **121** | **-174** | **2,099** | **165** | **87** | **-191** | **3,210** | **2,160** | **93** | |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **PBT** | **3,049** | **214** | **121** | **-174** | **2,099** | **165** | **87** | **-191** | **3,210** | **2,160** | **93** | |
| Tax | 84 | -20 | 30 | 4 | 52 | 37 | 16 | -11 | 98 | 93 | 6 | |
| Rate (%) | 2.8 | -9.4 | 24.4 | -2.4 | 2.5 | 22.3 | 18.7 | 6.0 | 3.1 | 4.3 | 6 | |
| MI & Profit/Loss of Asso. Cos. | -11 | 1 | 0 | 4 | -10 | 0 | 6 | 4 | -7 | 0 | 0 | |
| **Reported PAT** | **2,953** | **235** | **91** | **-174** | **2,037** | **128** | **76** | **-175** | **3,105** | **2,067** | **87** | **-12** |
| **Adj PAT** | **2,953** | **235** | **91** | **-174** | **2,037** | **128** | **76** | **-175** | **3,105** | **2,067** | **87** | **-12** |
| YoY Change (%) | 28.6 | 72.1 | 10.4 | -329.3 | -31.0 | -45.3 | -16.1 | 0.8 | 19.9 | -33.4 | -5 | |
| Margins (%) | 41.0 | 17.5 | 7.7 | -27.0 | 32.4 | 8.7 | 6.1 | -25.9 | 30.0 | 21.3 | 6.7 | |

### Key Performance Indicators

| Y/E March | FY21 | | | | FY22 | | | | FY21 | FY22E |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | |
| **Segment Revenue Growth (%)** | | | | | | | | | | |
| Cotton seed | 4.8 | (69.3) | (114.5) | 30.9 | (27.5) | 87.4 | (431.2) | 4.0 | (2.2) | (23.6) |
| Hybrid Rice | 53.2 | (65.7) | 427.2 | (50.5) | 43.3 | 107.8 | (62.1) | 7.1 | 55.9 | 31.6 |
| Maize Seeds | 8.7 | 112.7 | (26.0) | 95.7 | (7.8) | (38.3) | 13.4 | (11.9) | 18.4 | (12.4) |
| Cotton Seed Vol (m packets) | 7.0 | 0.1 | (0.1) | 0.0 | 5.0 | 0.3 | 0.0 | 0.0 | (1.9) | (25.2) |
| **Cost Break-up** | | | | | | | | | | |
| RM Cost (% of sales) | 52.4 | 57.5 | 48.1 | 45.8 | 55.9 | 61.9 | 48.2 | 46.8 | **52.2** | **55.2** |
| Staff Cost (% of sales) | 2.3 | 15.7 | 20.7 | 35.4 | 3.2 | 15.4 | 20.9 | 37.0 | **8.2** | **9.7** |
| Other Cost (% of sales) | 5.4 | 14.4 | 22.6 | 43.4 | 9.2 | 18.3 | 25.1 | 43.0 | **10.9** | **15.0** |
| Gross Margins (%) | 47.6 | 42.5 | 51.9 | 54.2 | 44.1 | 38.1 | 51.8 | 53.2 | **47.8** | **44.8** |
| EBITDA Margins (%) | 39.9 | 12.4 | 8.6 | -24.6 | 31.7 | 4.3 | 5.9 | -26.7 | **28.8** | **20.1** |
| EBIT Margins (%) | 42.4 | 16.1 | 10.3 | -26.8 | 33.3 | 11.2 | 6.9 | -28.1 | **34.6** | **20.9** |

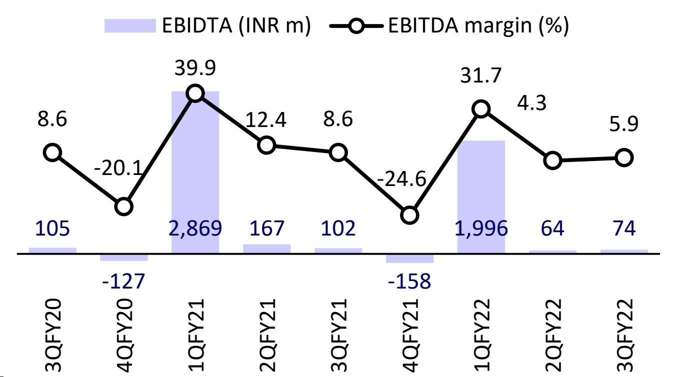
# Key Exhibits

**Exhibit 1: Revenue trend**



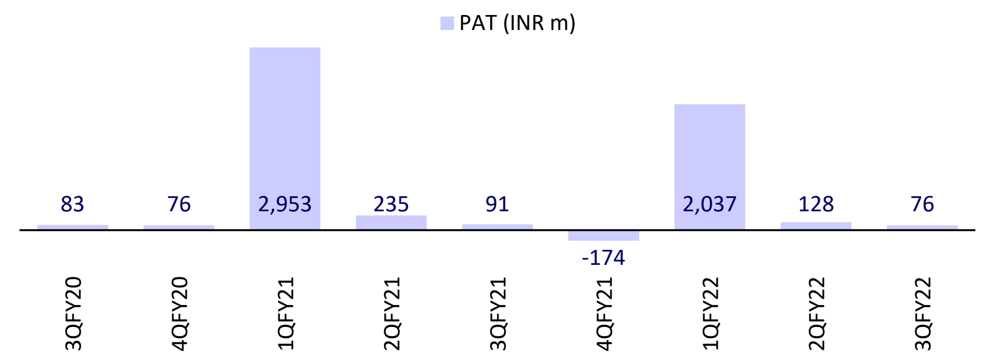

Source: Company, MOFSL

**Exhibit 2: EBITDA margin trend**



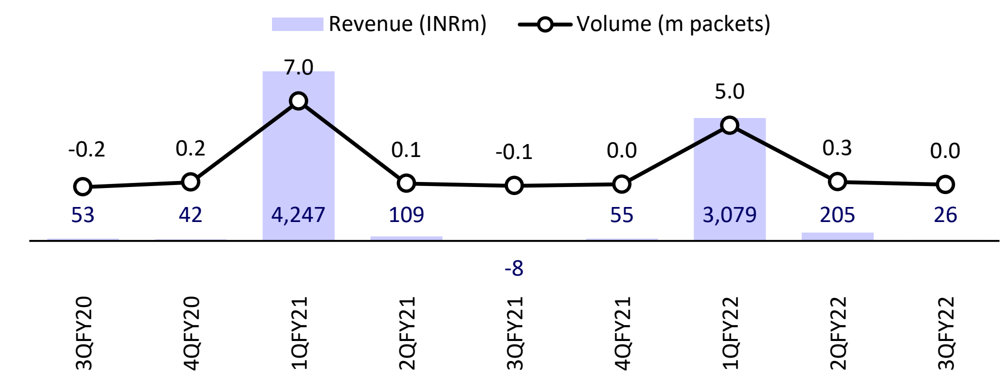

Source: Company, MOFSL

**Exhibit 3: Adj. PAT trend**



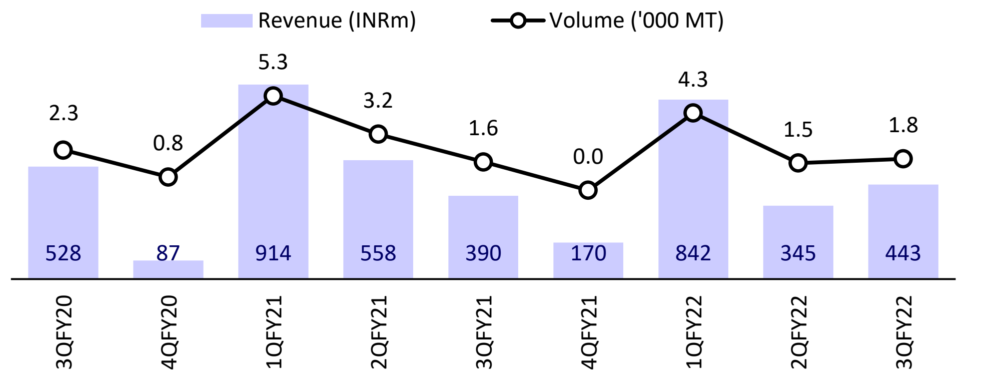

Source: Company, MOFSL

**Exhibit 4: Cotton revenue and volume trends**



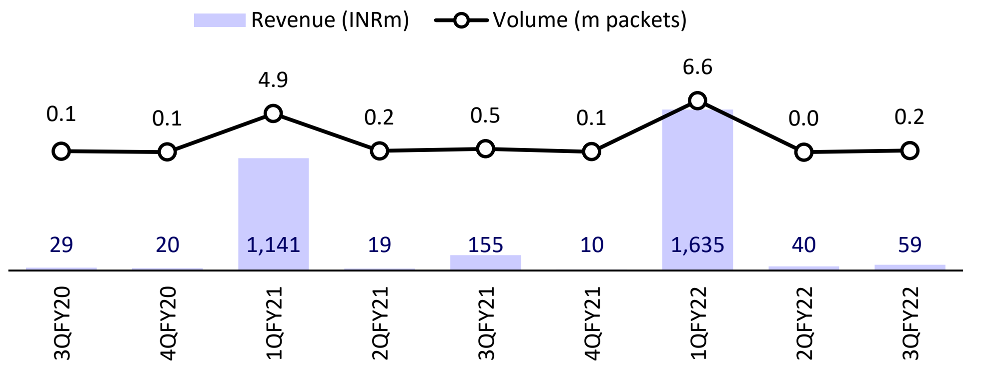

Source: Company, MOFSL

**Exhibit 5: Maize revenue and volume trends**




Source: Company, MOFSL

**Exhibit 6: Hybrid rice revenue and volume trends**




Source: Company, MOFSL

## Conference call highlights

### Cotton

- Cotton continues to face significant challenges as the share of illegal cotton seed sale has hampered 1HFY22 performance. The company expects this situation to improve going ahead as there is a shift towards branded cotton.
- KSCL registered volume de-growth of 26% in 9MFY22 in the cotton seed segment, with corresponding revenue dropping 24% YoY over the same period.
- Despite drop in volumes and revenue, KSCL gained market share in cotton seed in Gujarat, Maharashtra and Haryana. It reported a sales drop in Andhra Pradesh and Telangana.
- The company has a saleable cotton inventory of 8m to 9m packets, which is in line with last year’s inventory.
- The management expects a 10% growth over FY22 for cotton seeds. 1HFY22 was impacted by increasing unbranded cotton seed sales. The management believes that margins would reach normalized levels in FY23.
- In line with the company’s focus, the contribution from non-cotton segment in 9MFY22 has increased to 62% from 53% in 9MFY21.

### Maize

- Maize seed segment reported 11% volume growth and 13% revenue growth during the quarter.
- The contribution from new products in Maize rose to 25.49% from 9.55% of volumes.

### Hybrid rice

- Hybrid Rice volumes increased 22.38% in 9MFY22 along with a 32% revenue growth to INR1.7b in 9MFY22.
- The introduction of the new hybrids KPH471, KPH473 & KRH7299 has helped to achieve this strong growth.
- The contribution of new hybrid rice products rose to 75.68% from 67.93%.
- Revenue from the selection rice surged 21% in 9MFY22 with 7% volume growth.

### Vegetables

- Vegetables sales revenue increased by 8% in 9MFY22, despite excess rain in North East and South India resulting in lower Okra sales in the quarter.
- The management has guided for a better 4QFY22 on a YoY basis.

### Other highlights

- In line with 1HFY22, 3QFY22 also saw the non-cotton portfolio performing much better against cotton. Despite a decline in the overall market of Rice (~5%), KSCL registered significant (20%-25%) growth in this segment.
- Erratic rainfall in 3QFY22 across all major states adversely affected vegetable sowing thereby impacting the vegetable seed business across industry.
- **Cash:** Cash stood at INR3.14b as on Dec’21 v/s INR3.74b in Sep’21.
- **Volume mix:** Currently share of non-cotton products is ~60%; going forward, the share is further expected to improve.

- **Export:** KSCL is shifting its focus towards exports and gaining traction in the Middle East and Africa markets as it aims to form a significant chunk of revenue from exports in the near term.
- **Buyback:** The company completed a buyback of 2m equity shares from the open market worth INR1.2b in the quarter.
- Contribution from new products across seed segments remained stable during the year; this should move upwards during the next year and could be the biggest driver for the company.
- Conversion from traditional seeds to hybrids in rice, maize and vegetables and increased demand consumption of healthy foods would improve demand for non-cotton, margin-accretive seeds.
- Adding new crops such as mustard and wheat, which have a great potential in the years to come, would be the next growth engine for the company.
- The company is expecting large contributing States to resume the tendering process for seeds during the next year, as the pandemic recedes.
- KSCL expects the provision reversal income of INR150m to be received from the government in early H1FY22, which would directly impact its profit level.

## Valuation and view

- KSCL is well on track to diversify from cotton seed sales by increasing the share of higher margin rice and vegetables, which are growing at a faster pace.
- KSCL's operating performance was better than our estimate.
- We largely maintain our FY22E/FY23E/FY24E earnings for KSCL. Its 3QFY22 revenue contributed to just 13% of its total annual revenue. We value the stock at 11x FY24E EPS to arrive at our TP of INR635. Reiterate BUY with a 24% potential upside.

**Exhibit 7: Change in estimates**

| Earnings Change | Old | | | New | | | Change (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| (INR m) | FY22E | FY23E | FY23E | FY22E | FY23E | FY24E | FY22E | FY23E | FY24E |
| Revenue | 9,749 | 11,858 | 13,099 | 9,711 | 11,766 | 12,999 | 0 | -1 | -1 |
| EBITDA | 1,936 | 3,019 | 3,349 | 1,953 | 2,952 | 3,275 | 1 | -2 | -2 |
| Adj. PAT | 2,070 | 3,064 | 3,429 | 2,067 | 3,017 | 3,376 | 0 | -2 | -2 |

Source: MOFSL

# Financials and valuations

**Consolidated Income Statement** (INR m)

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|---|---|---|---|
| **Net Sales** | **7,449** | **7,050** | **8,192** | **8,094** | **9,303** | **10,363** | **9,711** | **11,766** | **12,999** |
| Change (%) | -35.9 | -5.4 | 16.2 | -1.2 | 14.9 | 11.4 | -6.3 | 21.2 | 10.5 |
| **EBITDA** | **1,875** | **1,395** | **2,218** | **2,116** | **2,532** | **2,980** | **1,953** | **2,952** | **3,275** |
| Margin (%) | 25.2 | 19.8 | 27.1 | 26.1 | 27.2 | 28.8 | 20.1 | 25.1 | 25.2 |
| Depreciation | 274 | 302 | 251 | 230 | 257 | 222 | 208 | 256 | 275 |
| **EBIT** | **1,601** | **1,093** | **1,967** | **1,887** | **2,275** | **2,758** | **1,745** | **2,696** | **3,000** |
| Int. and Finance Charges | 2 | 2 | 6 | 5 | 5 | 5 | 1 | 6 | 6 |
| Other Income - Rec. | 131 | 344 | 237 | 430 | 456 | 457 | 416 | 520 | 599 |
| **PBT bef. EO Exp.** | **1,729** | **1,435** | **2,198** | **2,311** | **2,727** | **3,210** | **2,160** | **3,210** | **3,592** |
| EO Expense/(Income) | 0 | 592 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **PBT after EO Exp.** | **1,729** | **843** | **2,198** | **2,311** | **2,727** | **3,210** | **2,160** | **3,210** | **3,592** |
| Current Tax | 58 | 75 | 87 | 117 | 118 | 67 | 93 | 193 | 216 |
| Deferred Tax | -3 | -5 | -3 | 20 | 10 | 31 | 0 | 0 | 0 |
| Tax Rate (%) | 3.2 | 8.3 | 3.8 | 5.9 | 4.7 | 3.1 | 4.3 | 6.0 | 6.0 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 8.7 | 7.1 | -0.3 | 0.0 | 0.0 |
| **Reported PAT** | **1,675** | **773** | **2,114** | **2,174** | **2,590** | **3,105** | **2,067** | **3,017** | **3,376** |
| **PAT Adj for EO items** | **1,675** | **1,316** | **2,114** | **2,174** | **2,590** | **3,105** | **2,067** | **3,017** | **3,376** |
| Change (%) | -44.4 | -21.4 | 60.6 | 2.8 | 19.1 | 19.9 | -33.4 | 46.0 | 11.9 |
| Margin (%) | 22.5 | 18.7 | 25.8 | 26.9 | 27.8 | 30.0 | 21.3 | 25.6 | 26.0 |

**Consolidated Balance Sheet** (INR m)

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
|---|---|---|---|---|---|---|---|---|---|
| Equity Share Capital | 138 | 138 | 132 | 126 | 121 | 121 | 117 | 117 | 117 |
| Total Reserves | 9,134 | 10,005 | 9,992 | 9,942 | 9,466 | 12,325 | 12,876 | 15,345 | 18,174 |
| **Net Worth** | **9,272** | **10,143** | **10,124** | **10,069** | **9,587** | **12,445** | **12,993** | **15,462** | **18,291** |
| Minority Interest | -2 | -7 | -6 | -6 | 2 | 10 | 10 | 10 | 10 |
| Deferred Liabilities | 0 | 0 | 168 | 202 | 182 | 157 | 157 | 157 | 157 |
| Total Loans | 16 | 46 | 29 | 68 | 58 | 11 | 11 | 11 | 11 |
| **Capital Employed** | **9,286** | **10,182** | **10,315** | **10,332** | **9,829** | **12,622** | **13,170** | **15,639** | **18,468** |
| Gross Block | 3,033 | 3,322 | 3,463 | 4,199 | 4,551 | 4,733 | 5,133 | 5,533 | 5,933 |
| Less: Accum. Deprn. | 1,018 | 1,320 | 1,571 | 1,800 | 2,057 | 2,279 | 2,488 | 2,744 | 3,019 |
| **Net Fixed Assets** | **2,015** | **2,002** | **1,892** | **2,399** | **2,494** | **2,454** | **2,645** | **2,789** | **2,914** |
| Capital WIP | 197 | 340 | 376 | 384 | 185 | 311 | 194 | 235 | 260 |
| **Total Investments** | **5,064** | **6,569** | **6,226** | **5,096** | **3,839** | **5,990** | **5,690** | **7,190** | **8,990** |
| **Curr. Assets, Loans&Adv.** | **6,327** | **6,358** | **6,153** | **7,626** | **9,255** | **10,850** | **10,666** | **12,624** | **14,259** |
| Inventory | 5,044 | 4,478 | 4,428 | 5,612 | 6,391 | 7,195 | 6,752 | 7,934 | 8,765 |
| Account Receivables | 804 | 854 | 859 | 846 | 1,180 | 1,057 | 1,064 | 1,289 | 1,425 |
| Cash and Bank Balance | 94 | 210 | 139 | 87 | 81 | 141 | 325 | 459 | 820 |
| Loans and Advances | 386 | 817 | 727 | 1,081 | 1,603 | 2,457 | 2,525 | 2,942 | 3,250 |
| **Curr. Liability & Prov.** | **4,320** | **5,095** | **4,340** | **5,180** | **5,957** | **6,997** | **6,041** | **7,215** | **7,971** |
| Account Payables | 4,237 | 3,026 | 2,202 | 2,411 | 2,669 | 3,584 | 2,862 | 3,363 | 3,715 |
| Provisions | 83 | 9 | 116 | 72 | 68 | 117 | 71 | 86 | 95 |
| Other current liabilities | 0 | 2,060 | 2,022 | 2,696 | 3,221 | 3,296 | 3,108 | 3,765 | 4,160 |
| **Net Current Assets** | **2,007** | **1,263** | **1,814** | **2,446** | **3,297** | **3,852** | **4,625** | **5,409** | **6,288** |
| **Appl. of Funds** | **9,286** | **10,182** | **10,315** | **10,332** | **9,829** | **12,622** | **13,170** | **15,639** | **18,468** |

# Financials and valuations

| Ratios | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21** | **FY22E** | **FY23E** | **FY24E** |
| **Basic (INR)** | | | | | | | | | |
| **EPS** | **28.6** | **22.5** | **36.2** | **37.2** | **44.3** | **53.1** | **35.4** | **51.6** | **57.7** |
| Cash EPS | 33.3 | 27.7 | 40.4 | 41.1 | 48.7 | 56.9 | 38.9 | 56.0 | 62.4 |
| BV/Share | 158.6 | 173.5 | 173.1 | 172.2 | 163.9 | 212.8 | 222.2 | 264.4 | 312.8 |
| DPS | 5.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 | 6.0 | 8.0 | 8.0 |
| Payout (%) | 24.7 | 32.2 | 11.7 | 11.3 | 9.5 | 8.8 | 19.9 | 18.2 | 16.2 |
| **Valuation (x)** | | | | | | | | | |
| P/E | 17.9 | 22.8 | 14.2 | 13.8 | 11.6 | 9.6 | 14.5 | 9.9 | 8.9 |
| Cash P/E | 15.4 | 18.5 | 12.7 | 12.5 | 10.5 | 9.0 | 13.2 | 9.2 | 8.2 |
| P/BV | 3.2 | 3.0 | 3.0 | 3.0 | 3.1 | 2.4 | 2.3 | 1.9 | 1.6 |
| EV/Sales | 4.3 | 4.6 | 3.9 | 4.0 | 3.5 | 3.1 | 3.3 | 2.7 | 2.4 |
| EV/EBITDA | 17.2 | 23.1 | 14.5 | 15.3 | 12.8 | 10.8 | 16.4 | 10.8 | 9.6 |
| Dividend Yield (%) | 1.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.8 | 1.2 | 1.6 | 1.6 |
| FCF per share | 37.1 | 26.8 | 23.8 | 8.5 | 29.3 | 36.6 | 24.0 | 37.4 | 46.4 |
| **Return Ratios (%)** | | | | | | | | | |
| EBITDA Margins (%) | 25.2 | 19.8 | 27.1 | 26.1 | 27.2 | 28.8 | 20.1 | 25.1 | 25.2 |
| Net Profit Margins (%) | 22.5 | 18.7 | 25.8 | 26.9 | 27.8 | 30.0 | 21.3 | 25.6 | 26.0 |
| RoE | 19.9 | 13.6 | 20.9 | 21.5 | 26.4 | 28.2 | 16.3 | 21.2 | 20.0 |
| RoCE | 21.2 | 16.0 | 22.5 | 24.2 | 28.9 | 30.0 | 17.7 | 23.9 | 22.6 |
| RoIC | 42.0 | 33.8 | 61.5 | 47.9 | 45.4 | 47.7 | 27.7 | 38.8 | 39.4 |
| **Working Capital Ratios** | | | | | | | | | |
| Fixed Asset Turnover (x) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Asset Turnover (x) | 0.8 | 0.7 | 0.8 | 0.8 | 0.9 | 0.8 | 0.7 | 0.8 | 0.7 |
| Inventory (Days) | 247 | 232 | 197 | 253 | 251 | 253 | 254 | 246 | 246 |
| Debtor (Days) | 39 | 44 | 38 | 38 | 46 | 37 | 40 | 40 | 40 |
| Creditor (Days) | 208 | 157 | 98 | 109 | 105 | 126 | 108 | 104 | 104 |
| Working Capital Turnover (Days) | 94 | 55 | 75 | 106 | 126 | 131 | 162 | 154 | 154 |
| **Leverage Ratio (x)** | | | | | | | | | |
| Current Ratio | 1.5 | 1.2 | 1.4 | 1.5 | 1.6 | 1.6 | 1.8 | 1.7 | 1.8 |
| Interest Cover Ratio | 670 | 453 | 326 | 345 | 476 | 546 | 1,329 | 415 | 462 |
| Debt/Equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| Consolidated Cash Flow Statement | | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21** | **FY22E** | **FY23E** | **FY24E** |
| Net P / L Bef. Tax and Eo Items | 1,729 | 1,435 | 2,198 | 2,311 | 2,727 | 3,210 | 2,160 | 3,210 | 3,592 |
| Depreciation | 274 | 302 | 251 | 230 | 257 | 222 | 208 | 256 | 275 |
| Interest & Finance Charges | 2 | 2 | 6 | 5 | 5 | 5 | 1 | 6 | 6 |
| Direct Taxes Paid | 58 | 75 | 87 | 117 | 118 | 67 | 93 | 193 | 216 |
| (Inc)/Dec in WC | 407 | 860 | -621 | -1,150 | -952 | -852 | -589 | -650 | -519 |
| **CF from Operations** | **2,355** | **2,525** | **1,747** | **1,279** | **1,918** | **2,519** | **1,688** | **2,629** | **3,140** |
| EO Expense | 467 | -245 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CF from Operating incl EO** | **2,822** | **2,280** | **1,747** | **1,279** | **1,918** | **2,519** | **1,688** | **2,629** | **3,140** |
| (inc)/dec in FA | -262 | -432 | -177 | -744 | -153 | -308 | -283 | -441 | -425 |
| **Free Cash Flow** | **2,560** | **1,848** | **1,570** | **535** | **1,765** | **2,211** | **1,405** | **2,188** | **2,715** |
| (Pur)/Sale of Investments | -2,114 | -1,505 | 343 | 1,130 | 1,257 | -2,151 | 300 | -1,500 | -1,800 |
| Others | -4 | -5 | 2 | 438 | 21 | 286 | 0 | 0 | 0 |
| **CF from Investments** | **-2,380** | **-1,943** | **168** | **824** | **1,125** | **-2,173** | **17** | **-1,941** | **-2,225** |
| Issue of Shares | -5 | 0 | -2,000 | -2,000 | -2,404 | 0 | -1,108 | 0 | 0 |
| (Inc)/Dec in Debt | 2 | 30 | -18 | 39 | -10 | -47 | 0 | 0 | 0 |
| Interest Paid | -2 | -2 | -6 | -5 | -5 | -5 | -1 | -6 | -6 |
| Dividend Paid | -414 | -249 | -247 | -247 | -247 | -274 | -411 | -548 | -548 |
| **CF from Fin. Activity** | **-415** | **-221** | **-1,985** | **-2,156** | **-3,049** | **-285** | **-1,520** | **-554** | **-554** |
| **Inc/Dec of Cash** | **28** | **116** | **-71** | **-52** | **-6** | **60** | **184** | **134** | **360** |
| Add: Beginning Balance | 66 | 94 | 210 | 139 | 87 | 81 | 141 | 325 | 459 |
| **Closing Balance** | **93** | **210** | **139** | **87** | **81** | **141** | **325** | **459** | **820** |

| 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 |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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