18 April 2022

Update | Sector: Cement

Dalmia Bharat

BSE SENSEX	S&P CNX
57,167	17,174

CMP: INR1,601 TP: INR2,000 (+25%) BUY

Growth insights are in place; valuations attractive

- DALBHARA is a dominant player in East India with a clinker/grinding capacity share of 18%/17%. The company will be a beneficiary of: 1) improved consolidation in the region, which should aid an improvement in Cement prices and 2) recent increase in Cement prices in East India.
- The management has set yet another aggressive capacity addition target to emerge a pan-India player and achieve a grinding capacity of 110-130mtpa by CY31 (at a 14-15% CAGR). In the first phase, it will expand its capacities to 48.5mtpa from 35.9mtpa at present.
- DALBHARA is a long-term play, backed by: a) robust growth plans, along with diversification in its market presence; b) locational advantages in East India (having clinker facilities in Odisha and Bihar), and c) its commitment to ESG, which will aid cost reductions.
- We expect DALBHARA to clock a revenue/EBITDA/PAT CAGR of 11%/18%/21% over FY22-24. Its net debt/EBITDA ratio is estimated to stay below 1x by FY24.

Improving regional dynamics; well placed with a leadership position in East India

- Our channel checks indicate that Cement demand improved in East India in 4QFY22, with an improvement in sand, labor availability, and revival in construction works.
- Cement prices declined by 15% over Apr-Dec'21 in East India. However, prices rose 14% over Jan-Mar'22, with further price increase of 7-8% in Apr'22.
- The region witnessed increasing consolidation after the acquisition of Emami Cement by Nuvoco. The higher consolidation will help improve pricing power in the region in the medium term. Capacity share of the top five players in the region now stands at 72% v/s 63% in FY20.

Accelerates growth with an aim to become a pure-play Cement company

- DALBHARA through its capital allocation policy outlined its aims to: a) increase capacities by 14-15% CAGR over the next decade to clock 110-130mtpa capacity by CY31, b) emerge a pan-India company with a focus on the Cement business, c) improving shareholders' return: 10% of OCF to be returned to shareholders through a mix of dividends and share buybacks, d) maintain its strong Balance Sheet with a target net debt/EBITDA ratio of sub-2x (any deviation will be only in exceptional cases for large inorganic opportunities).
- It plans to increase its grinding capacities to 48.5mtpa/60mtpa by FY24/FY25 from 35.9mtpa at present. Though the company has not yet revealed its roadmap of increasing capacities to 60mtpa (from 48.5mtpa), we believe it may enter into the North and Central markets in this phase of expansion. We expect a 10% sales volume CAGR over FY22-24.

Stock Info

Bloomberg	DALBHARA IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	300 / 3.9
52-Week Range (INR)	2547 / 1279
1, 6, 12 Rel. Per (%)	11/-16/-14
12M Avg Val (INR M)	531
Free float (%)	44.0

Financials Snapshot (INR b)

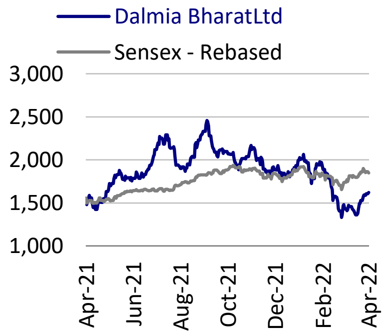
Y/E MARCH	2022E	2023E	2024E
Sales	110.2	123.1	135.5
EBITDA	22.7	23.3	31.5
Adj. PAT	7.0	7.3	10.2
EBITDA Margin (%)	20.6	18.9	23.3
Adj. EPS (INR)	37.7	39.6	55.2
EPS Gr. (%)	-29.8	5.2	39.4
BV/Sh. (INR)	716.2	750.9	801.2
Ratios			
Net D:E	0.0	0.1	0.2
RoE (%)	5.4	5.4	7.1
RoCE (%)	5.2	4.9	6.6
Payout (%)	8.0	10.2	7.3
Valuations			
P/E (x)	42.5	40.4	29.0
P/BV (x)	2.2	2.1	2.0
EV/EBITDA(x)	12.5	12.8	10.3
EV/ton (USD)	103.2	108.4	88.0
Div. Yield (%)	0.2	0.3	0.3
FCF Yield (%)	-1.0	-4.3	-1.4

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	56.0	56.0	56.1
DII	6.6	6.1	4.0
FII	13.5	13.8	13.5
Others	24.0	24.2	26.4

FII Includes depository receipts

Stock performance (one-year)



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Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

Focus on cost efficiencies and sustainable growth

- DALBHARA is focused on sustainable growth and has taken several initiatives (increase in sales of blended Cement, higher usage of a Waste Heat Recovery System/solar power, and greater use of alternative fuel) to reduce its carbon footprint. These initiatives will help to improve the company's cost structure, apart from achieving its aim to become carbon negative by CY40.
- The management has committed to become a 100% blended Cement manufacturer (v/s 80% at present) over the next five years. Increase in capacities in East India will help the company to further improve its mix of blended Cement sales.
- The management plans to raise its WHRS/solar power capacity to 72MW/87MW by FY23 from 22MW/10MW in FY21 (9.4 MW/37.7MW commissioned in 3QFY22). This will result in incremental cost savings of ~INR50/t for the company.
- It aims to become carbon negative by CY40. It has reduced its carbon emissions by 9% over FY18-3QFY22 and aims to reduce it further by 24% by CY30E.

Valuations attractive; reiterate Buy

- The stock trades at 12.8x/10.3x FY23/FY24 EV/EBITDA ratio and an EV/t of USD108/USD88. It traded at an average EV/EBITDA ratio of 10.1x/9x in the last five/10 years. With an expected improvement in earnings (21% CAGR over FY22-24E) and its focus on continuous capacity expansions, without leveraging its Balance Sheet, we expect the stock to trade at higher multiples.
- The stock has corrected 28% from Aug'21 to Mar'22 due to weak demand and pricing in the industry and a sharp rise in fuel prices. The latter remains at an elevated level. However, Cement demand and pricing has started to improve.
- We value DALBHARA at 12.5x FY24E EV/EBITDA to arrive at our TP of INR2,000, an upside of 25% from current levels. We maintain our Buy rating on the stock.

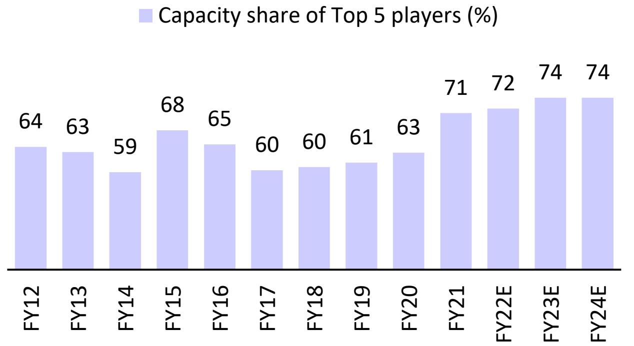
Exhibit 1: Valuation matrix

	M-cap (USD b)	CMP (INR)	Rating	P/E (x)		EV/EBITDA (x)		EV/t (USD)		RoE (%)		Net debt/EBITDA (x)	
				FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
UltraTech Cement	25.1	6,638	Buy	32.5	24.8	16.2	12.6	192	180	11.5	13.6	0.2	(0.4)
Shree Cement	12.0	25,437	Neutral	45.1	37.8	22.9	18.0	218	207	11.2	12.2	(2.2)	(2.0)
Ambuja Cements	9.5	363	Neutral	24.9	22.1	16.2	12.9	191	187	19.1	19.9	(1.7)	(1.3)
ACC	5.3	2,154	Buy	27.4	19.4	12.9	9.6	118	111	10.3	13.5	(2.5)	(2.4)
Dalmia Bharat	4.0	1,601	Buy	40.4	29.0	12.8	10.3	108	88	5.4	7.1	0.8	0.8
The Ramco Cements	2.5	804	Buy	42.6	23.7	18.4	12.7	146	138	7.0	11.7	3.2	1.8
JK Cement	2.8	2,723	Neutral	31.9	23.7	13.9	12.2	162	146	14.7	17.6	1.8	1.4
Birla Corporation	1.1	1,128	Buy	44.9	17.8	11.3	8.2	80	78	3.3	8.0	3.7	2.6
India Cements	0.9	217	Neutral	49.3	22.8	14.8	10.7	77	75	2.4	5.0	4.6	3.1
JK Lakshmi	0.7	462	Buy	15.7	11.9	8.0	6.3	54	49	13.8	16.0	0.2	(0.3)
Grasim Industries	15.0	1,740	Buy	42.8	40.0	29.1	27.1	N/A	N/A	13.5	12.8	(0.4)	(1.0)

Source: MOFSL, Company

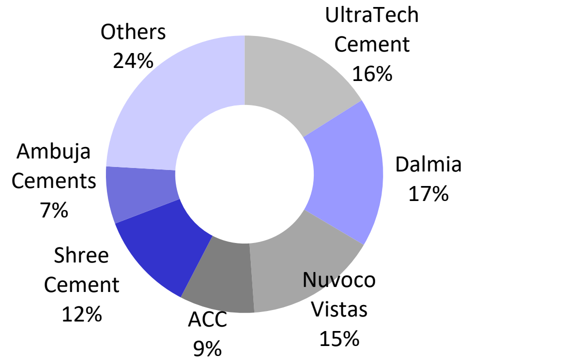
Story in charts

Exhibit 2: Cement capacity share of the top five players in East India



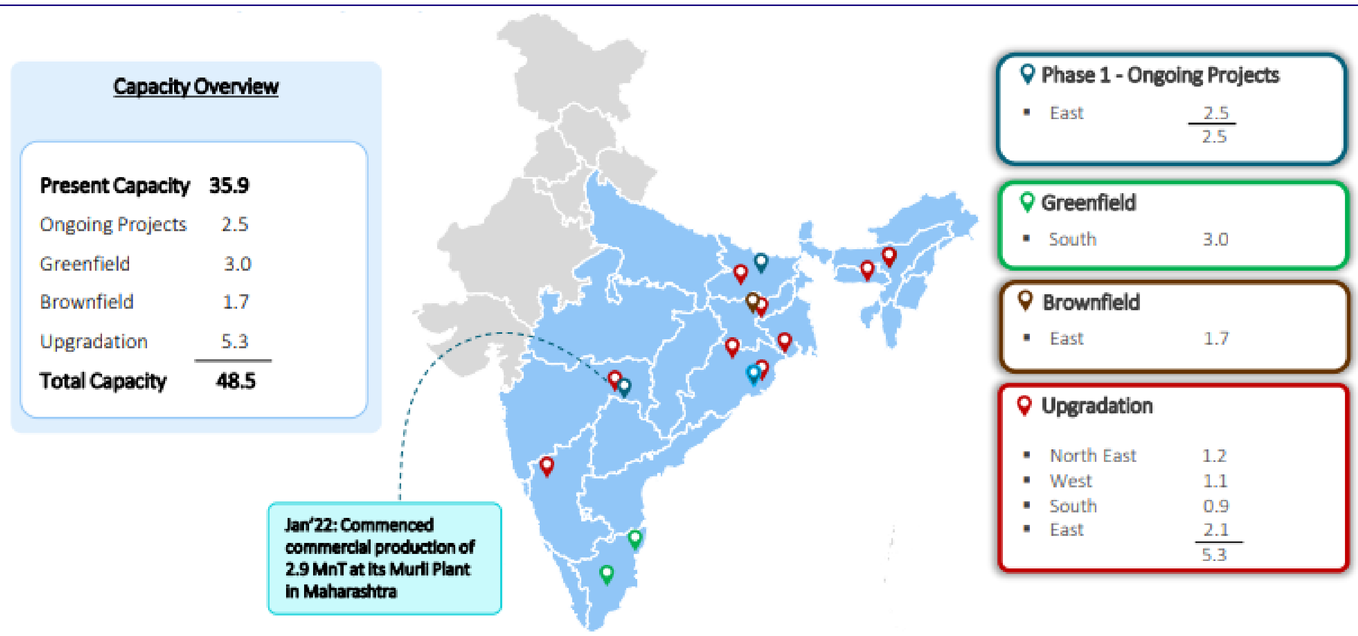
Source: MOFSL, Company

Exhibit 3: Player-wise Cement capacity share in East India (FY22)



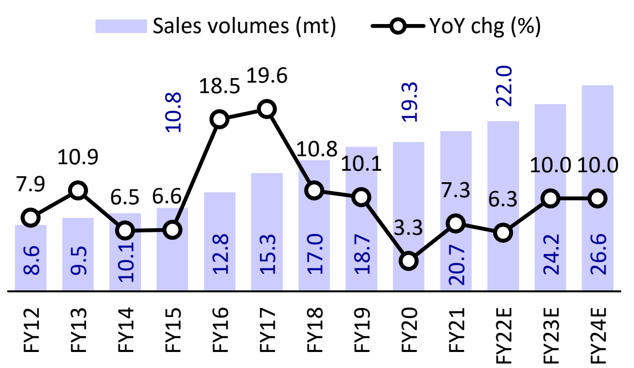
Source: MOFSL, Company

Exhibit 4: Snapshot of DALBHARA's announced expansion plans



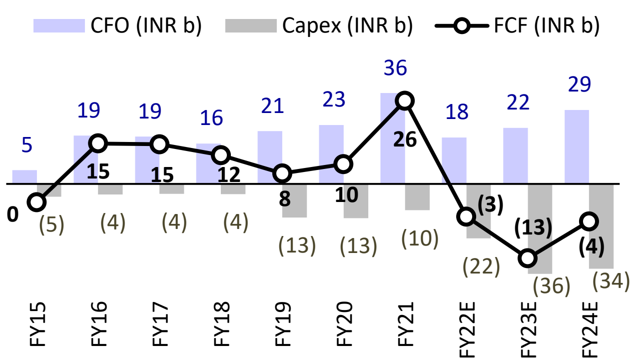
Source: MOFSL, Company

Exhibit 5: Expect 10% volume CAGR over FY22-24



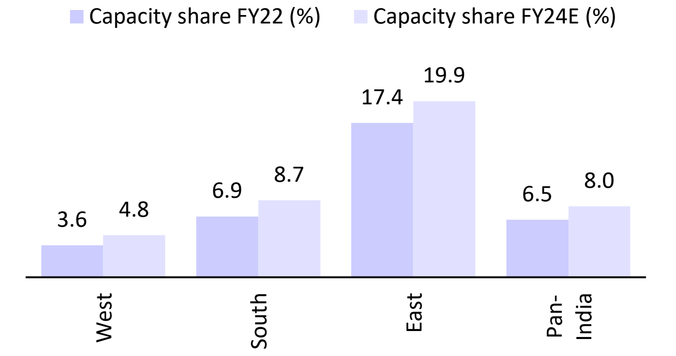
Source: MOFSL, Company

Exhibit 6: Expect a higher capex over FY22-24



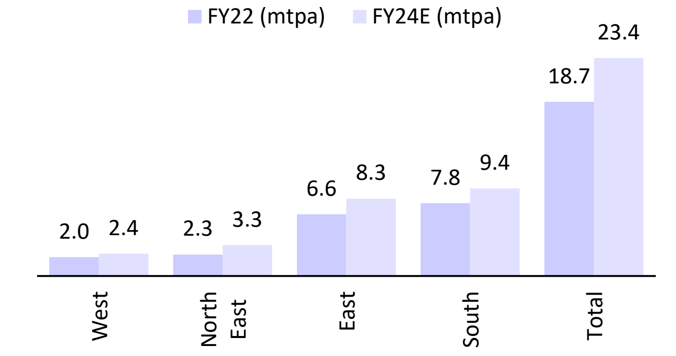
Source: MOFSL, Company

Exhibit 7: Region-wise capacity share of DALBHARA



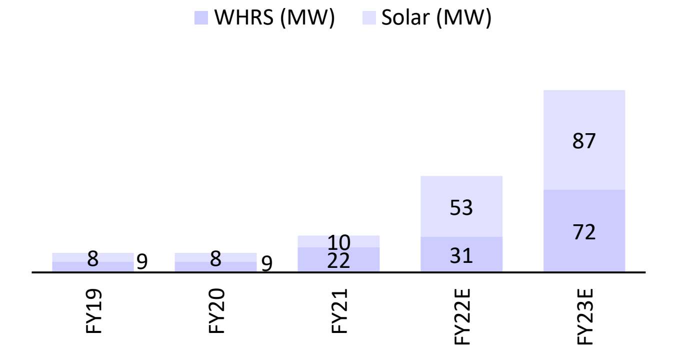
Source: MOFSL, Company

Exhibit 8: DALBHARA's clinker capacity expansion plans



Source: MOFSL, Company

Exhibit 9: Increase in WHRS/solar power capacities…



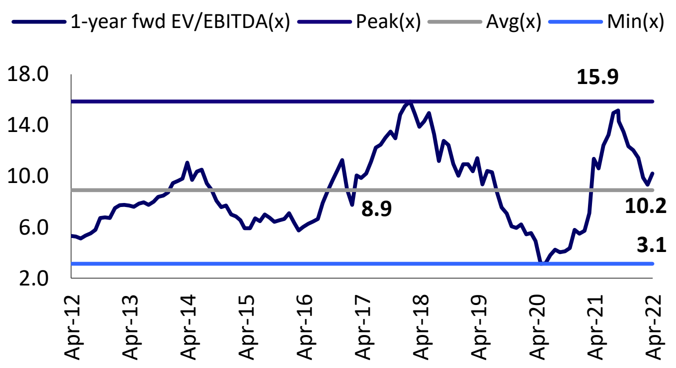
Source: Company, MOFSL

Exhibit 10: …to aid INR50/t in cost reductions

	WHRS	Solar Power
Incremental capacity (MW)	50	77
PLF assumed (%)	70	25
Power generation (m kwh)	254	140
Cost savings (INR/kwh)	4.0	2.5
Total savings (INR m)	1016	349
Cost reduction (INR/t)	38	13

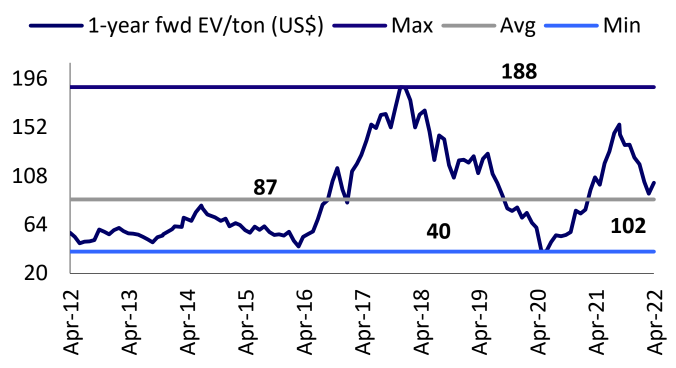
Source: Company, MOFSL

Exhibit 11: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 12: One-year forward EV/t

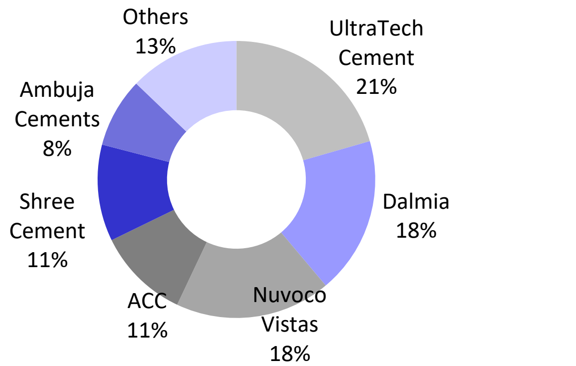


Source: MOFSL, Company

A dominant player in East India, regional dynamics should improve

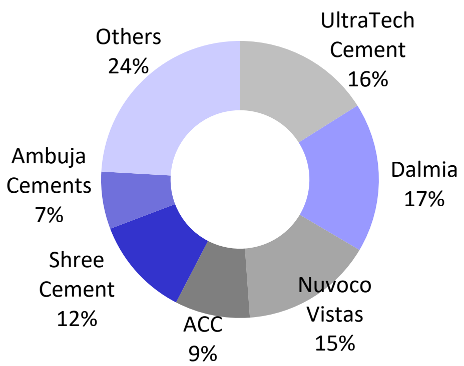
- DALBHARA is a dominant player in East India, with a clinker/grinding capacity share of 18%/17% in FY22. We expect a clinker capacity share of 20% by FY24 – the second highest in the region. We estimate a grinding capacity share of 20% in FY24 (UTCEM/ DALBHARA will have almost equal capacities of 26.1mtpa/26.6mtpa).

Exhibit 13: Clinker capacity share in East India (FY22)



Source: MOFSL, Company, Industry

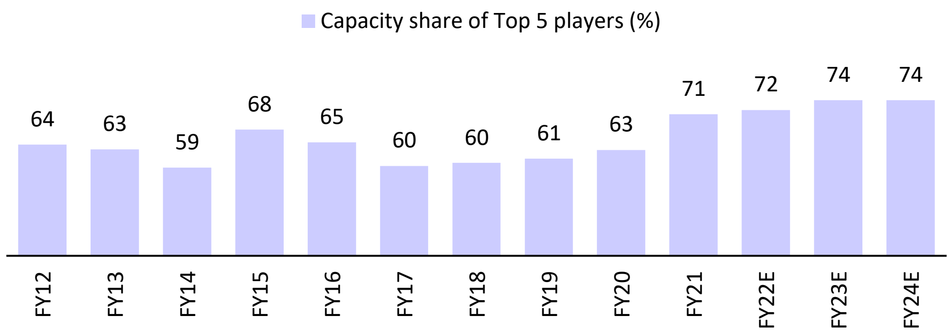
Exhibit 14: Grinding capacity share in East India (FY22)



Source: MOFSL, Company, Industry

- The region saw the entry of a few new players, with one such player emerging dominant in the market. SRCM entered East India in FY14 and has a current grinding capacity of 13.9mtpa. Nuvoco Vistas acquired Lafarge and Emami Cement's operations in FY17/FY21 and has a capacity of 18.5mtpa at present. Capacity share of the top five players in the region improved to 72% in FY22E from 63% in FY20. We expect higher consolidation to result in an improvement in pricing power.

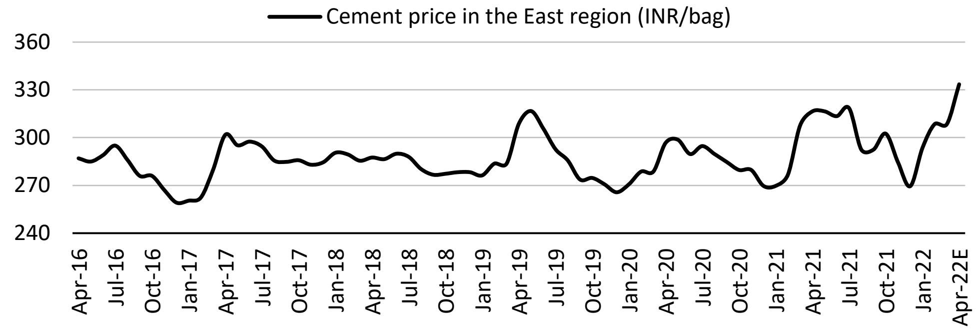
Exhibit 15: Capacity share of the top five players increase in East India



Source: MOFSL, Company

- Cement demand was impacted in East India in FY22, led by a ban on sand mining in Bihar and a surge in the price of sand and other building material products. Cement demand in East India estimated to fell by 9%/16% YoY in 2Q/3QFY22. This, in turn, led to a sharp correction in Cement prices in East India.
- Our channel checks indicate that Cement demand in the region improved in 4QFY22, which led to a rise in prices.

Exhibit 16: Cement prices fell 15% over Apr-Dec'21, but improved over Jan-Apr'22



Source: MOFSL, Cement Dealers

- DALBHARA's clinker facilities at Odisha benefit from the lowest inter-clinker transfer cost. It supplies clinker to its grinding units in East India from its Rajgangpur plant in Odisha, given the significantly lower lead distance (less than 400km) compared to most of its peers, which supply from plants that are 600-900km away in Chhattisgarh and Andhra Pradesh. Similarly, its integrated Cement plant in Kalyanpur benefits from the lowest delivery cost in Bihar as compared to its peers.

Divestment of its non-core business and building of a pure-play Cement company

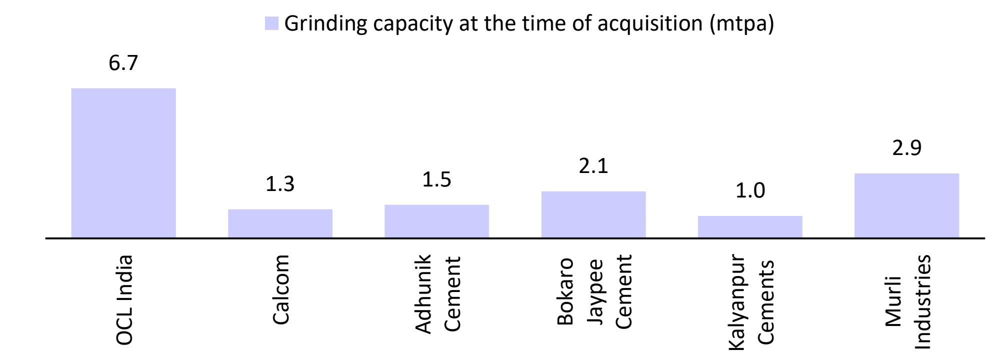
It intends to be a pan-India pure-play Cement company. The management has approved the divestment of its non-core business/assets (Hippo Stores – a Retail business, the refectory business, and its stake in IEX). These initiatives were taken under its capital allocation policy, with an aim to improve its governance practices.

- DALBHARA sold a 5.2% stake in 1HFY22 (0.7%/4.5% in 2Q/1QFY22) in IEX and cut its holding in IEX to 14.81%. The management reiterated its commitment to building a pan-India pure-play Cement company and said it will continue to revisit its investment in IEX.
- It completed the divestment of Hippo Stores in Dec'21 by way of slump sale to Hippostores Technology Pvt., a promoter group entity, for INR1.55b. It received INR350m and issued NCDs for the balance amount, which carry a coupon rate of 10% p. a. These NCDs will be redeemable after two years. It netted a pre-tax gain of INR60m on the Hippo Stores sale.
- The management approved the transfer of the refractory business to Dalmia Bharat Refractories in FY20 by way of slump sale on a going concern basis. The scheme has been approved and sanctioned by NCLT and will turn operative from 1st Mar'22.

Expanding its size and scalability

- DALBHARA has been consistent and aggressive in expanding capacity. It raised its grinding capacities to 35.9mtpa in FY22 from 1.2mtpa in FY06. Capacity expansion has been achieved through the organic and the inorganic route (45% of capacity expansions).

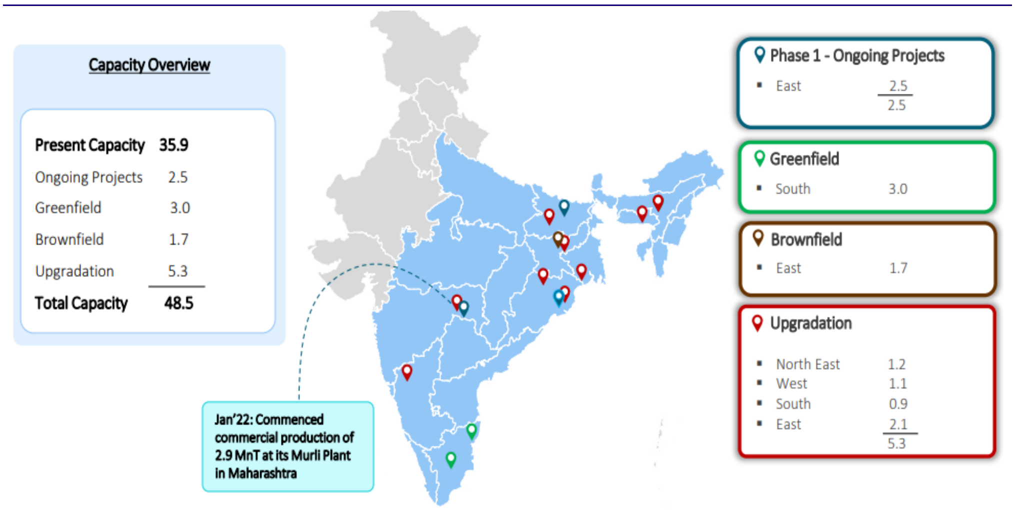
Exhibit 17: Acquisitions undertaken by DALBHARA



Source: MOFSL, Company

- DALBHARA aspires to become a pan-India Cement player and has embarked on an aggressive capacity expansion plan. It is targeting capacity additions of 14-15% CAGR over the next decade to reach 110-130mtpa by CY31. In the first phase of this expansion journey, it plans to expand its Cement capacity to 48.5mtpa by FY24 from 35.9mtpa at present.
- It is yet to commission a grinding unit (2.5mtpa capacity) in Bihar, which was announced earlier (clinker capacity of 3mtpa has been commissioned in Odisha, while grinding capacities have risen by 4.5mtpa in Odisha and West Bengal).
- Other expansion plans include a greenfield plant (3mtpa capacity) in South India, which will be used to cater to the markets of Tamil Nadu and Kerala; a brownfield expansion of 1.7mtpa in the East, and de-bottlenecking of capacities in the South (0.9mtpa), West (1mtpa), Northeast (1.2mtpa) and East (2.1mtpa) regions.

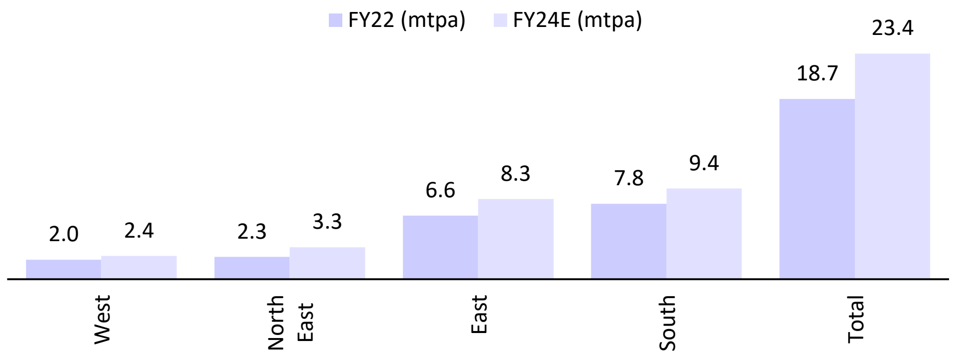
Exhibit 18: Snapshot of DALBHARA's announced expansion plans



Source: MOFSL, Company

- Clinker capacity will increase to 23.4mtpa in FY24E from 18.9mtpa in FY22. This will be achieved through debottlenecking of capacities in South (1.6mtpa), in East (1.7mtpa), Northeast (1mtpa) and West India (0.42mtpa). Capex to achieve 9.9mtpa grinding capacity expansion stands at INR47-50b (~USD65/t).

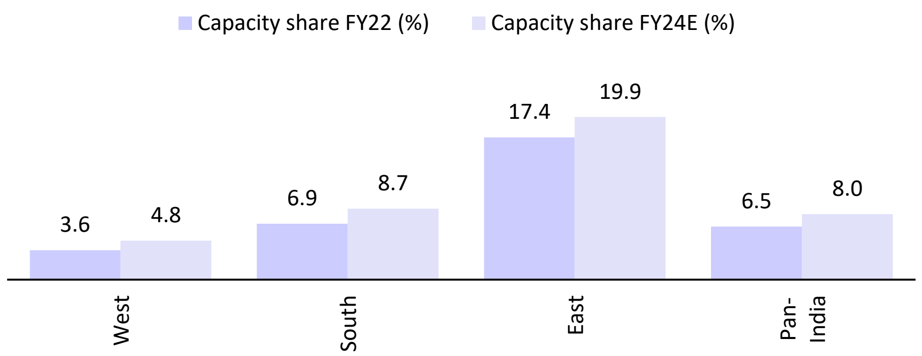
Exhibit 19: Clinker capacity expansion plans of the company



Source: MOFSL, Company

- The announced expansion plans will help DALBHARA to retain its leadership position in East India (in terms of grinding capacities; UTCEM will retain the leadership position in terms of clinker capacities) and rank third (considering the announced expansion plans of the companies till date) on a pan-India basis by FY24E. The acquisition of Murli Industries' plant has enabled the company's foray into West India.

Exhibit 20: Region-wise capacity share for DALBHARA



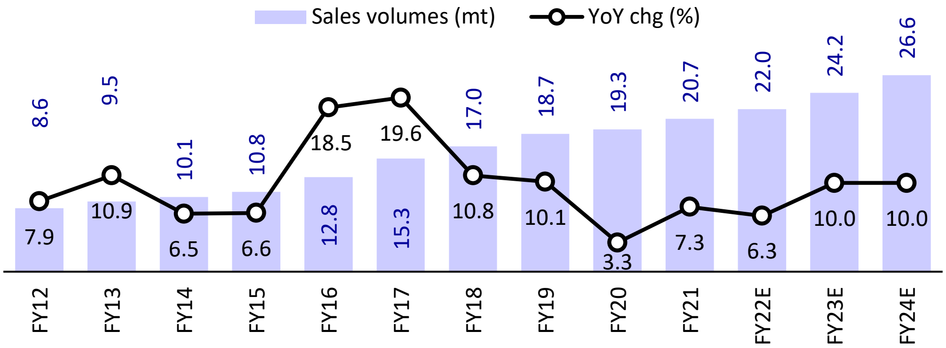
Source: MOFSL, Company

- In the second phase of its expansion plans, the management aims to achieve a grinding capacity of 60mtpa by FY25. It is yet to disclose the location of this phase of expansion. We believe it may enter the North and Central regions.
- DALBHARA acquired Murli Industries (Cement grinding capacity of 2.9mtpa in Chandrapur, Maharashtra and a thermal Power plant of 50MW) for INR4b through a bidding process in Dec'17 by submitting a resolution plan. It infused INR4b for refurbishment and other costs to make the plant operational. Limestone reserves at this plant stood at 27mt, which the management plans to raise by 30-50% and will be sufficient for 20 years of operations. It will need to mix sweetener (high-grade limestone) with existing limestone for which

arrangements are already in place. Murli Industries has fiscal incentives of ~INR12b, which could be utilized over the next 10 years.

- Capacity expansions and the acquisition of Murli Industries' plant will aid volume growth. We have estimated 10% volume CAGR over FY22-24.

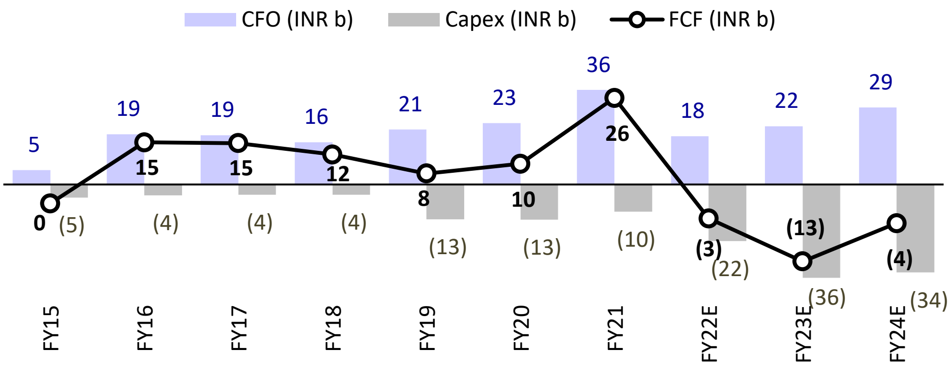
Exhibit 21: Clocks 10% volume CAGR over FY12-21, expect a similar run-rate over FY22-24



Source: MOFSL, Company

- DALBHARA is expected to incur INR90b on cumulative capex over FY22-24. This includes: 1) INR58b for its announced expansion plans, 2) INR7b for land acquisition at multiple locations, 3) INR10b towards sustainable initiatives (such as installation of WHRS, solar Power plants, and carbon reduction through enhancing waste utilization), and 4) INR10b for routine maintenance. The balance INR5b was towards expansions completed in FY22 (GU at Kapilas, Odisha, and a revival of Murli Industries).
- It incurred a capex of INR13b in 9MFY22, which was almost half of its yearly capex guidance. The lower capex spends in 9MFY22 was largely due to delays in land acquisitions. However, the management is confident of escalating its capex spends over coming quarters. We estimate a capex of INR21.5b in FY22 and INR35b each in FY23/FY24.

Exhibit 22: Expect higher capex over FY22-24



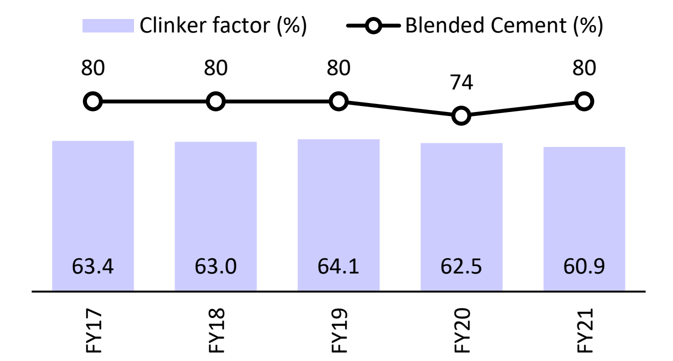
Source: MOFSL, Company

Focus on sustainable growth and cost efficiencies

DALBHARA is focused on sustainable growth and has taken several initiatives (increase in sales of blended Cement, higher usage of a WHRS/solar power, and greater use of alternative fuel) to reduce its carbon footprint. These initiatives will help to improve the company's cost structure, apart from achieving its aim to become carbon negative by CY40.

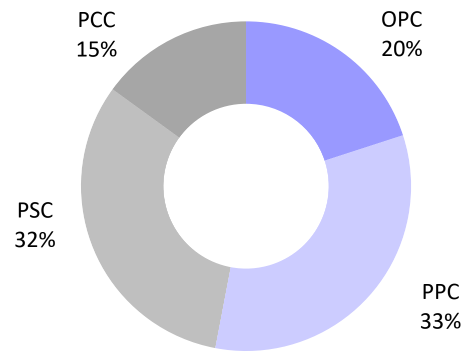
- The management has committed to become a 100% blended Cement manufacturer over the next five years. At present, it has a blended Cement share of ~80%. However, its clinker consumption has reduced in the last few years to 60.9% in FY21 from 64.1% in FY19 (clinker-to-cement conversion ratio improved to 1.64x in FY21 v/s 1.56x in FY19). A higher share of slag Cement (32% in FY21 v/s 28% in FY20) has helped lower its clinker consumption. Increase in capacities in East India will help the company to further improve its mix of blended Cement sales.

Exhibit 23: Improvement in clinker consumption; blended Cement sales stand at 80%



Source: Company, MOFSL

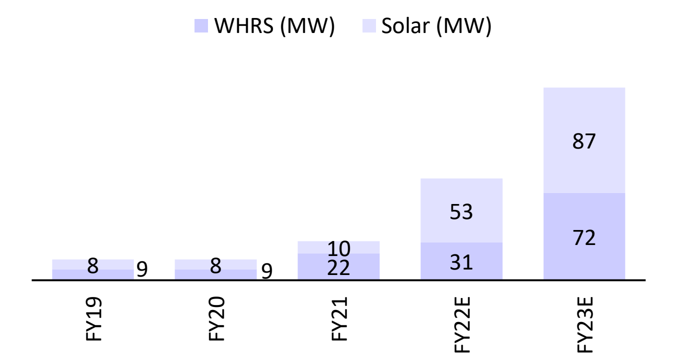
Exhibit 24: Higher slag and composite Cement helps to reduce clinker consumption



Source: Company, MOFSL

- The management plans to raise its WHRS/solar power capacity to 72MW/87MW by FY23 from 22MW/10MW in FY21 (9.4 MW/37.7MW commissioned in 3QFY22). Increasing power generation through green sources (WHRS +Solar) will lead to incremental cost savings of ~INR50/t for the company.

Exhibit 25: Increase in WHRS/solar power capacities…



Source: Company, MOFSL

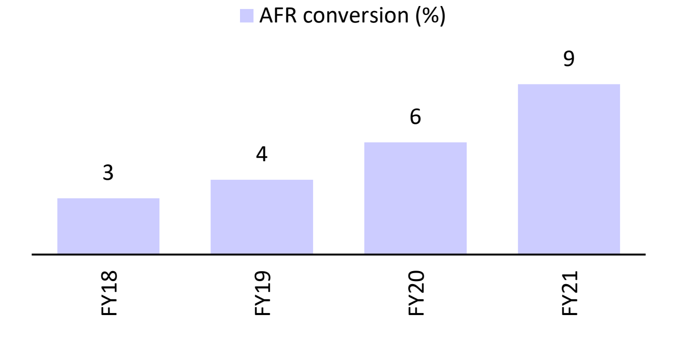
Exhibit 26: …to aid INR50/t in cost reductions

	WHRS	Solar Power
Incremental capacity (MW)	50	77
PLF assumed (%)	70	25
Power generation (m kwh)	254	140
Cost savings (INR/kwh)	4.0	2.5
Total savings (INR m)	1016	349
Cost reduction (INR/t)	38	13

Source: Company, MOFSL

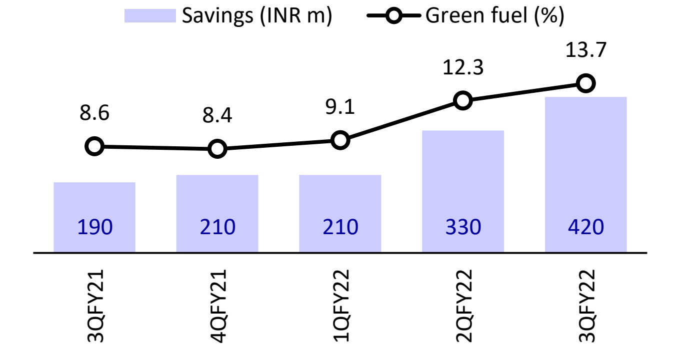
- DALBHARA has increased the usage of AFR (alternative fuel) over the last few years (to 13.7% in 3QFY22 from 9% in FY21 and 3% in FY18). This has aided cost savings. The management highlighted cost savings of INR960m in 9MFY22. Its long-term vision includes enhancing the use of sustainable biomass and believes that alternative fuel should replace 100% fossil fuels by CY35.

Exhibit 27: Increasing usage of alternative fuels…



Source: Company, MOFSL

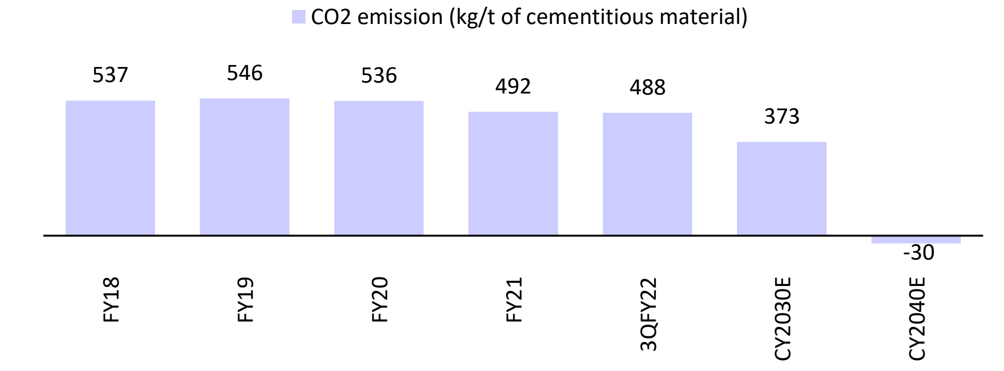
Exhibit 28: …led to cost savings in 9MFY22



Source: Company, MOFSL

- It has committed to invest up to 10% of its operating cash flows towards an innovation and green energy fund, which will be channelized towards focused R&D in the area of climate change and technology advancement.
- DALBHARA is signatory to RE100, EP100 and EV100 collectively. It is committed to doubling energy productivity (EP100), a fourfold increase in renewable energy (RE100) and a significant transition towards electric vehicles (EV100) by CY30.
- It aims to become carbon negative by CY40. It has reduced its carbon emissions by 9% over FY18-3QFY22 and aims to reduce it further by 24% by CY30E.

Exhibit 29: DALBHARA commits to become carbon negative by CY40

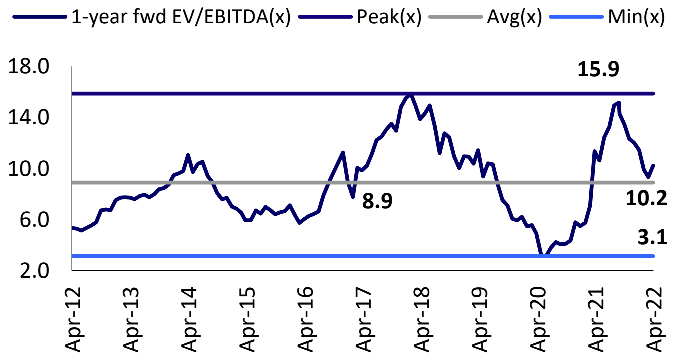


Source: MOFSL, Company

Valuations attractive, reiterate Buy

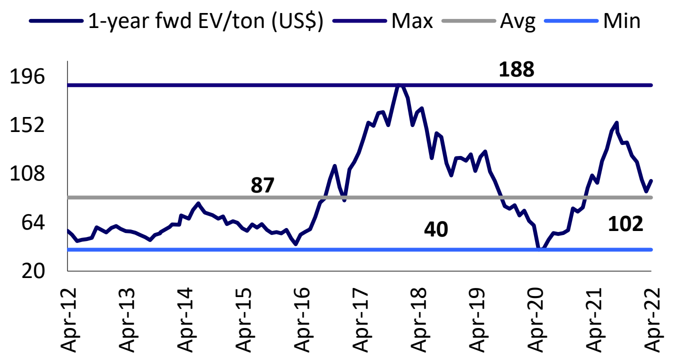
- DALBHARA has raised capacities to 35.9mtpa in FY22E from 1.2mtpa in FY06 and has plans to achieve a production capacity of 48.5mtpa by FY24E. It has set an ambitious target of achieving a Cement production capacity of 110-130mtpa by CY31.
- It is one of the few Cement companies that have completed the buyback of equity shares (6.17m shares at an average price of INR531.96/share in FY21). It has announced plans to return up to 10% of its operating cash flow to shareholders through dividends and share buybacks.
- The company has continuously improved its leverage after FY15. Its net debt fell to INR1.2b in FY21 (including the value of IEX shares which amounts to INR21.1b) from INR63.7b in FY15. Net debt/EBITDA ratio for the company improved to 0.2x in FY21 from 3.8x in FY15. We estimate a net debt/EBITDA ratio of 0.8x in FY24.
- The stock trades at 12.8x/10.3x FY23/FY24 EV/EBITDA ratio and an EV/t of USD108/ USD88. It traded at an average EV/EBITDA ratio of 10.1x/9x in the last five/10 years. With an expected improvement in earnings (21% CAGR over FY22-24E) and its focus on continuous capacity expansions, without leveraging its Balance Sheet (targets to maintain net debt/EBITDA ratio below 2x; any deviation will only be for large inorganic opportunities), we expect the stock to trade at higher multiples. We value DALBHARA at 12.5x FY24E EV/EBITDA to arrive at our TP of INR2,000, an upside of 25% from current levels. We maintain our Buy rating on the stock.

Exhibit 30: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 31: One-year forward EV/t



Source: MOFSL, Company

Financials and Valuations (Consolidated)

Income Statement								(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
Net Sales	**74,470**	**85,800**	**94,840**	**96,740**	**1,00,970**	**1,10,192**	**1,23,147**	**1,35,462**
Change (%)	16.2	15.2	10.5	2.0	4.4	9.1	11.8	10.0
EBITDA	**18,940**	**20,360**	**19,420**	**21,060**	**27,620**	**22,690**	**23,279**	**31,532**
Margin (%)	25.4	23.7	20.5	21.8	27.4	20.6	18.9	23.3
Depreciation	12,260	12,130	12,960	15,280	12,500	12,098	12,490	14,975
EBIT	**6,680**	**8,230**	**6,460**	**5,780**	**15,120**	**10,592**	**10,789**	**16,557**
Int. and Finance Charges	8,560	7,080	5,510	4,380	2,940	1,918	1,511	3,349
Other Income - Rec.	2,960	2,740	2,440	2,170	1,800	1,320	1,250	1,300
PBT bef. EO Exp.	**1,080**	**3,890**	**3,390**	**3,570**	**13,980**	**9,995**	**10,528**	**14,508**
EO Expense/(Income)	0	0	0	0	-2,290	60	0	0
PBT after EO Exp.	**1,080**	**3,890**	**3,390**	**3,570**	**16,270**	**9,935**	**10,528**	**14,508**
Current Tax	740	1,080	1,120	1,140	220	2,699	2,843	3,917
Deferred Tax	0	-100	-1,220	50	3,720	0	0	0
Tax Rate (%)	68.5	27.8	33.0	31.9	1.4	27.2	27.0	27.0
Reported PAT	**340**	**2,910**	**3,490**	**2,380**	**12,330**	**7,236**	**7,685**	**10,591**
Minority and Associates	100	10	-410	-140	-120	-330	-360	-380
PAT Adj. for EO items	**440**	**2,920**	**3,080**	**2,240**	**9,920**	**6,966**	**7,325**	**10,211**
Change (%)	-76.8	563.6	5.5	-27.3	342.9	-29.8	5.2	39.4
Margin (%)	0.6	3.4	3.2	2.3	9.8	6.3	5.9	7.5

Balance Sheet								(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**	**FY24E**
Equity Share Capital	385	385	390	390	370	370	370	370
Total Reserves	95,905	1,02,965	1,06,000	1,05,220	1,25,890	1,32,121	1,38,547	1,47,858
Net Worth	**96,290**	**1,03,350**	**1,06,390**	**1,05,610**	**1,26,260**	**1,32,491**	**1,38,917**	**1,48,228**
Deferred capital investment subsidy	1,120	1,200	1,290	1,400	1,240	1,240	1,240	1,240
Deferred Liabilities	12,860	13,250	11,880	12,050	15,700	15,700	15,700	15,700
Minority Interest	-290	-300	110	250	370	700	1,060	1,440
Total Loans	80,390	72,660	58,780	60,440	37,240	36,240	51,240	55,740
Capital Employed	**1,90,370**	**1,90,160**	**1,78,450**	**1,79,750**	**1,80,810**	**1,86,371**	**2,08,157**	**2,22,348**
Gross Block	1,69,740	1,62,870	1,66,210	1,66,440	1,88,180	1,89,310	2,24,810	2,78,310
Less: Accum. Deprn.	14,580	22,500	30,470	40,890	50,800	62,398	74,887	89,862
Net Fixed Assets	**1,55,160**	**1,40,370**	**1,35,740**	**1,25,550**	**1,37,380**	**1,26,912**	**1,49,923**	**1,88,448**
Capital WIP	1,280	1,730	5,200	17,400	10,130	30,000	30,000	10,000
Current Investment	**26,410**	**34,080**	**23,150**	**26,980**	**32,930**	**28,042**	**28,042**	**25,542**
Non-current Investment	990	970	1,090	930	960	960	960	960
Curr. Assets, Loans and Adv.	**27,920**	**35,510**	**39,300**	**34,530**	**36,060**	**34,364**	**37,126**	**39,082**
Inventory	6,520	7,790	10,320	9,740	9,240	9,057	10,122	11,134
Account Receivables	5,300	5,640	5,490	3,970	6,880	5,434	6,073	6,680
Cash and Bank Balance	1,750	3,540	4,690	4,030	3,110	2,846	3,502	3,455
Loans and Advances	14,350	18,540	18,800	16,790	16,830	17,027	17,430	17,812
Curr. Liability and Prov.	**21,390**	**22,500**	**26,030**	**25,640**	**36,650**	**33,907**	**37,894**	**41,683**
Account Payables	19,140	20,970	23,430	23,600	33,780	30,775	34,394	37,833
Provisions	2,250	1,530	2,600	2,040	2,870	3,132	3,500	3,850
Net Current Assets	**6,530**	**13,010**	**13,270**	**8,890**	**-590**	**457**	**-768**	**-2,602**
Appl. of Funds	**1,90,370**	**1,90,160**	**1,78,450**	**1,79,750**	**1,80,810**	**1,86,371**	**2,08,157**	**2,22,348**

E: MOFSL estimates

Financials and Valuations (Consolidated)

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)*								
EPS	**2.3**	**15.2**	**15.8**	**11.5**	**53.6**	**37.7**	**39.6**	**55.2**
Cash EPS	66.0	78.1	82.3	89.8	121.2	103.0	107.1	136.1
BV/Share	500.6	536.2	545.6	541.6	682.5	716.2	750.9	801.2
DPS	2.2	1.7	2.0	2.0	1.3	3.0	4.0	4.0
Payout (%)	96.4	11.2	12.5	17.2	2.5	8.0	10.2	7.3
Valuation (x)*								
P/E			101.4	139.4	29.9	42.5	40.4	29.0
Cash P/E			19.5	17.8	13.2	15.5	15.0	11.8
P/BV			2.9	3.0	2.3	2.2	2.1	2.0
EV/Sales			3.5	3.3	3.0	2.6	2.4	2.4
EV/EBITDA			17.2	15.2	10.8	12.5	12.8	10.3
EV/t (USD)			165	158	127	103	108	88
Dividend Yield (%)			0.1	0.1	0.1	0.2	0.3	0.3
Return Ratios (%)								
RoIC	1.5	3.8	2.9	2.8	11.2	5.9	5.8	7.3
RoE	0.6	2.9	2.9	2.1	8.6	5.4	5.4	7.1
RoCE	2.0	4.5	3.5	3.3	10.1	5.2	4.9	6.6
Working Capital Ratios								
Asset Turnover (x)	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Inventory (Days)	32	33	40	37	33	30	30	30
Debtor (Days)	26	24	21	15	25	18	18	18
Leverage Ratio (x)								
Current Ratio	1.3	1.6	1.5	1.3	1.0	1.0	1.0	0.9
Debt/Equity ratio	0.8	0.7	0.6	0.6	0.3	0.3	0.4	0.4

Cash Flow Statement **(INR m)**

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	1,080	3,890	3,390	3,570	14,080	9,995	10,528	14,508
Depreciation	12,260	12,130	12,960	15,280	12,620	12,098	12,490	14,975
Interest and Finance Charges	8,560	7,080	5,510	3,640	3,190	1,918	1,511	3,349
Direct Taxes Paid	-190	-860	-240	-660	430	-2,699	-2,843	-3,917
(Inc.)/Dec. in WC	-280	-3,590	1,500	2,740	7,520	-1,500	1,740	1,654
CF from Operations	**21,430**	**18,650**	**23,120**	**24,570**	**37,840**	**19,811**	**23,427**	**30,569**
Others	-2,680	-2,590	-2,220	-1,190	-1,880	-1,380	-1,250	-1,300
CF from Operations incl. EO	**18,750**	**16,060**	**20,900**	**23,380**	**35,960**	**18,431**	**22,177**	**29,269**
(Inc.)/Dec. in FA	-3,920	-3,930	-13,290	-13,450	-10,380	-21,500	-35,500	-33,500
Free Cash Flow	**14,830**	**12,130**	**7,610**	**9,930**	**25,580**	**-3,069**	**-13,323**	**-4,231**
(Pur.)/Sale of Investments	1,680	3,950	10,320	-4,970	6,740	4,902	-106	2,399
Others	394	1,350	2,870	300	420	1,320	1,250	1,300
CF from Investments	**-1,846**	**1,370**	**-100**	**-18,120**	**-3,220**	**-15,278**	**-34,356**	**-29,801**
Issue of Shares	-390	40	40	0	-4,000	0	0	0
Inc./(Dec.) in Debt	-9,000	-7,730	-13,870	120	-25,250	-825	15,246	4,734
Interest Paid	-8,100	-7,620	-5,420	-4,680	-3,960	-1,918	-1,511	-3,349
Dividend Paid	0	-330	-400	-930	0	-675	-900	-900
Others	0	0	0	-430	-450	0	0	0
CF from Fin. Activity	**-17,490**	**-15,640**	**-19,650**	**-5,920**	**-33,660**	**-3,417**	**12,835**	**485**
Inc./Dec. in Cash	**-586**	**1,790**	**1,150**	**-660**	**-920**	**-263**	**655**	**-47**
Opening Balance	2,336	1,750	3,540	4,690	4,030	3,110	2,846	3,502
Closing Balance	**1,750**	**3,540**	**4,690**	**4,030**	**3,110**	**2,846**	**3,502**	**3,455**

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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