

Estimate change



TP change



Rating change



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| | |
|-----------------------|-------------|
| Bloomberg | SRF IN |
| Equity Shares (m) | 297 |
| M.Cap.(INRb)/(USDb) | 678.9 / 8.5 |
| 52-Week Range (INR) | 2773 / 1515 |
| 1, 6, 12 Rel. Per (%) | -2/-3/39 |
| 12M Avg Val (INR m) | 2564 |

Financials & Valuations (INR b)

| Y/E Mar | 2022 | 2023E | 2024E |
|--------------|-------|-------|-------|
| Sales | 124.3 | 155.9 | 173.6 |
| EBITDA | 31.0 | 38.4 | 42.0 |
| PAT | 18.2 | 24.1 | 26.1 |
| EBITDA (%) | 25.0 | 24.7 | 24.2 |
| EPS (INR) | 61.1 | 81.2 | 87.6 |
| EPS Gr. (%) | 53.1 | 32.9 | 8.0 |
| BV/Sh. (INR) | 288 | 351 | 422 |

Ratios

| | | | |
|------------|------|------|------|
| Net D/E | 0.3 | 0.3 | 0.2 |
| RoE (%) | 23.6 | 25.4 | 22.7 |
| RoCE (%) | 17.2 | 19.1 | 18.1 |
| Payout (%) | 26.4 | 21.2 | 19.4 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 37.5 | 28.2 | 26.1 |
| EV/EBITDA (x) | 22.8 | 18.6 | 16.9 |
| Div Yield (%) | 0.7 | 0.7 | 0.7 |
| FCF Yield (%) | 0.4 | 0.1 | 1.8 |

Shareholding pattern (%)

| As On | Jun-22 | Mar-22 | Jun-21 |
|----------|--------|--------|--------|
| Promoter | 50.7 | 50.7 | 50.8 |
| DII | 9.4 | 8.7 | 11.9 |
| FII | 19.2 | 19.6 | 18.4 |
| Others | 20.7 | 21.0 | 18.9 |

Note: FII includes depository receipts

CMP: INR2,290 TP: INR2,510 (+10%)
Neutral
Chemicals business drives earnings growth
Earnings beat our estimates but valuation stretched; maintain Neutral

- SRF posted a strong 1QFY23 with revenue growing across all businesses, mainly driven by the Chemicals and Packaging segments.
- Healthy operating performance was primarily led by the Chemicals business (87% of total incremental EBIT YoY) followed by Packaging Film business (17% of total incremental EBIT YoY) in 1QFY23.
- Factoring in the 1QFY23 performance with higher-than-estimated EBIT across segments, we raise our FY23E/FY24E earnings by 10%/5%, respectively.
- We are encouraged by the long-term structural opportunity in the Chemicals sector. While we certainly believe the company can cash-in on these opportunities, we maintain our **Neutral** rating owing to its rich valuation, which has been priced into the near-term upside.

Chemicals segment margin aids operating performance

- SRF reported an overall revenue of INR38.95b (est. of INR34.8b) in 1QFY23, up 44% YoY. EBITDA margin expanded 160bp to 26.2% (est. of 26.1%), primarily led by margin expansion in Chemicals business. EBITDA was at INR10.2b (est. of INR9.1b), up 54% YoY. Adjusted PAT rose 63% YoY to INR6.3b (est. of INR5.7b) in 1QFY23.
- **Chemicals** revenue (44% of total sales in 1QFY23) grew 54% YoY to INR17.2b in 1QFY23, with EBIT growth of 2.3x YoY to INR5.2b. EBIT margin expanded 1,020bp YoY to 30.2% due to the strong performance of the **Fluorochemicals business** aided by better sales realizations across HFCs. The strong demand for flagship products and new agro product launch in this quarter augured well for the **Specialty Chemicals business**.
- **Packaging Film** revenue (38% of total sales in 1QFY23) grew 44% YoY to INR14.96b in 1QFY23 and EBIT was up 25% YoY to INR2.95b. However, margin contracted 300bp YoY to 19.7%. The demand of BOPP films remained buoyant. Improvement in revenue mix led by higher VAP sales aided the healthy quarterly performance.
- **Technical Textiles** revenue (15% of total sales in 1QFY23) grew 16% YoY to INR5.7b in 1QFY23; but EBIT margin contracted 680bp YoY to 20.4%. EBIT declined 13% YoY to INR1.16b. The segment witnessed strong export growth in the Belting Fabrics and the Nylon Tyre Cord Fabrics (NTCF) while domestic NTCF volumes were subdued with steady margins.

Highlights from the management commentary

- **Fluorochemicals business:** Positive trend likely to continue with demand in the refrigerants segment likely to remain healthy in the near to medium term.

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- **Margins:** Rising crude, logistics issues and global shortages of some key inputs are pushing up the raw material prices. However, a sudden drop in raw material prices will likely impact 2QFY23 for the Packaging Films business. 2HFY23 looks better.
- **Chemicals segment margin:** Management anticipates the Chemicals EBIT margin in FY23 to be higher than FY22 levels.
- **Capex:** Total FY23 capex will be in the range of INR31-33b (out of this total capex, INR23-25b will be in Chemicals segment). The company will be setting up a new and dedicated facility to produce 1,000 MT of an agrochemical intermediate per year at its Dahej plant at a projected cost of INR2.5b.

Valuation and view

- Specialty chemicals will maintain its growth momentum with robust demand for the flagship product as well as new product additions. Fluorochemicals would continue its positive trend with demand in the refrigerants segment expected to remain healthy in the near to medium term.
- Factoring in the 1QFY23 performance with higher-than-estimated EBIT across segments, we raise our FY23E/FY24E earnings by 10%/5%, respectively.
- We are encouraged by the long-term structural opportunity in the Chemicals sector. While we certainly believe the company can cash-in on these opportunities, we maintain our **Neutral** rating owing to its rich valuation, which has been priced into the near-term upside.

Consolidated - Quarterly Earnings

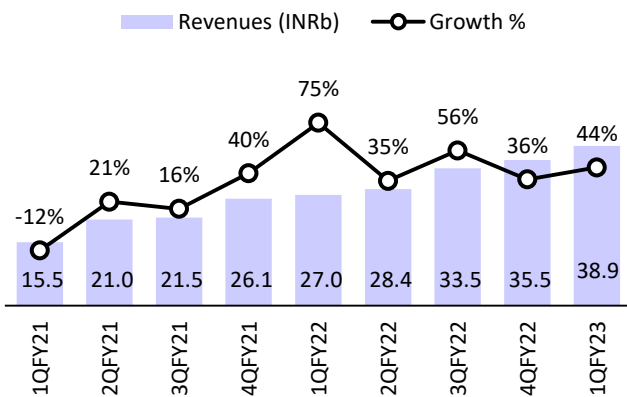
| Y/E March | (INR m) | | | | | | | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|-----------|
| | FY22 | | | | FY23 | | | | FY22 | FY23E | FY23E | Var |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1Q | % |
| Net Sales | 26,994 | 28,390 | 33,459 | 35,494 | 38,947 | 37,465 | 38,678 | 40,784 | 1,24,337 | 1,55,874 | 34,841 | 12 |
| YoY Change (%) | 74.7 | 35.1 | 55.9 | 36.1 | 44.3 | 32.0 | 15.6 | 14.9 | 48.0 | 25.4 | 33.1 | |
| Total Expenditure | 20,350 | 21,846 | 24,980 | 26,128 | 28,749 | 28,509 | 29,335 | 30,845 | 93,305 | 1,17,438 | 25,740 | |
| EBITDA | 6,644 | 6,544 | 8,479 | 9,366 | 10,198 | 8,956 | 9,343 | 9,939 | 31,032 | 38,436 | 9,100 | 12 |
| Margins (%) | 24.6 | 23.0 | 25.3 | 26.4 | 26.2 | 23.9 | 24.2 | 24.4 | 25.0 | 24.7 | 26.1 | |
| Depreciation | 1,230 | 1,303 | 1,324 | 1,316 | 1,307 | 1,420 | 1,500 | 1,550 | 5,172 | 5,777 | 1,360 | |
| Interest | 275 | 234 | 294 | 357 | 325 | 320 | 300 | 280 | 1,159 | 1,225 | 330 | |
| Other Income | 138 | 111 | 107 | 72 | 99 | 120 | 115 | 117 | 428 | 451 | 140 | |
| PBT before EO expense | 5,277 | 5,118 | 6,968 | 7,765 | 8,665 | 7,336 | 7,658 | 8,226 | 25,128 | 31,884 | 7,550 | |
| Extra-Ord expense & DO | -72 | -206 | -335 | -114 | 249 | 0 | 0 | 0 | -727 | 249 | 0 | |
| PBT | 5,349 | 5,324 | 7,303 | 7,879 | 8,416 | 7,336 | 7,658 | 8,226 | 25,856 | 31,636 | 7,550 | |
| Tax | 1,396 | 1,500 | 2,247 | 1,823 | 2,336 | 1,761 | 1,838 | 1,810 | 6,966 | 7,744 | 1,850 | |
| Rate (%) | 26.5 | 29.3 | 32.3 | 23.5 | 27.0 | 24.0 | 24.0 | 22.0 | 27.7 | 24.3 | 24.5 | |
| Reported PAT | 3,953 | 3,825 | 5,055 | 6,057 | 6,080 | 5,575 | 5,820 | 6,416 | 18,889 | 23,892 | 5,701 | |
| Adj PAT | 3,881 | 3,619 | 4,720 | 5,943 | 6,329 | 5,575 | 5,820 | 6,416 | 18,162 | 24,140 | 5,701 | 11 |
| YoY Change (%) | 108.7 | 11.2 | 55.9 | 59.6 | 63.1 | 54.1 | 23.3 | 8.0 | 53.1 | 32.9 | 38.1 | |
| Margins (%) | 14.4 | 12.7 | 14.1 | 16.7 | 16.2 | 14.9 | 15.0 | 15.7 | 14.6 | 15.5 | 14.8 | |

Key Performance Indicators

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23E |
|----------------------------------|-------|------|------|------|------|------|------|------|------|-------|
| Consolidated | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | |
| Segment Revenue Growth (%) | | | | | | | | | | |
| Technical Textile | 251.0 | 67.8 | 46.5 | 24.0 | 15.8 | 1.0 | 2.0 | 8.0 | 68.1 | 6.4 |
| Chemicals | 57.9 | 27.8 | 57.7 | 36.4 | 54.7 | 48.0 | 20.0 | 20.0 | 43.8 | 33.4 |
| Packaging Film | 53.7 | 28.7 | 59.1 | 41.9 | 43.7 | 33.0 | 17.0 | 12.0 | 45.2 | 24.9 |
| Segment EBIT Margins (%) | | | | | | | | | | |
| Technical Textile | 27.1 | 23.8 | 21.1 | 18.4 | 20.4 | 18.5 | 19.5 | 20.0 | 22.6 | 19.6 |
| Chemicals | 20.0 | 22.3 | 29.4 | 32.1 | 30.2 | 28.0 | 27.0 | 27.0 | 26.7 | 28.0 |
| Packaging Film | 22.7 | 16.7 | 19.9 | 19.8 | 19.7 | 17.0 | 18.0 | 18.0 | 19.8 | 18.2 |
| Cost Break-up | | | | | | | | | | |
| RM Cost (% of sales) | 49.3 | 50.4 | 49.1 | 46.9 | 47.7 | 48.0 | 48.9 | 48.9 | 48.8 | 48.4 |
| Staff Cost (% of sales) | 6.7 | 6.3 | 6.2 | 6.0 | 5.0 | 5.6 | 5.7 | 5.9 | 6.3 | 5.5 |
| Power and Fuel Cost (% of sales) | 8.6 | 9.3 | 9.0 | 9.6 | 10.5 | 11.0 | 10.5 | 10.0 | 9.1 | 10.5 |
| Other Cost (% of sales) | 10.7 | 11.0 | 10.4 | 11.2 | 10.6 | 11.5 | 10.8 | 10.8 | 10.8 | 10.9 |
| Gross Margin (%) | 50.7 | 49.6 | 50.9 | 53.1 | 52.3 | 52.0 | 51.1 | 51.1 | 51.2 | 51.6 |
| EBITDA Margin (%) | 24.6 | 23.0 | 25.3 | 26.4 | 26.2 | 23.9 | 24.2 | 24.4 | 25.0 | 24.7 |
| EBIT Margin (%) | 20.1 | 18.5 | 21.4 | 22.7 | 22.8 | 20.1 | 20.3 | 20.6 | 20.8 | 21.0 |

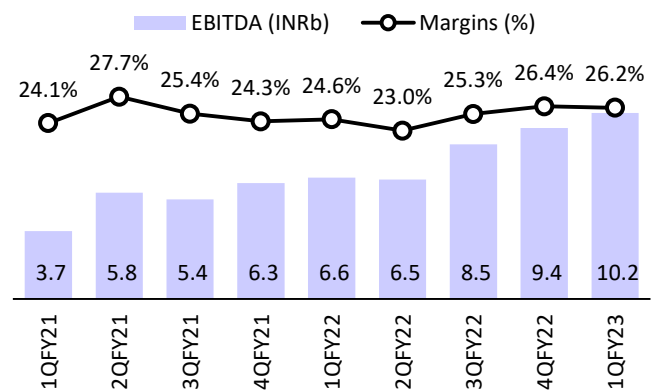
Key exhibits

Exhibit 1: Consolidated revenue trend



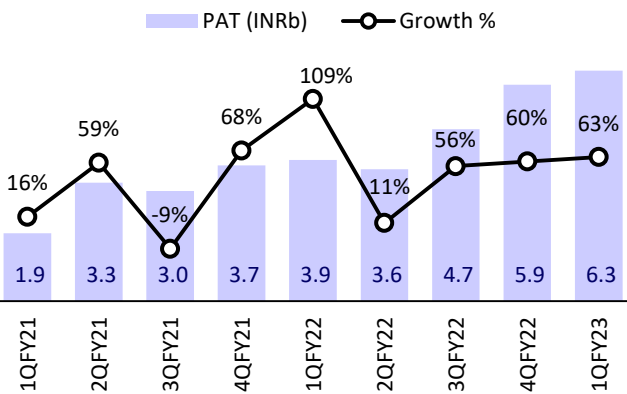
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



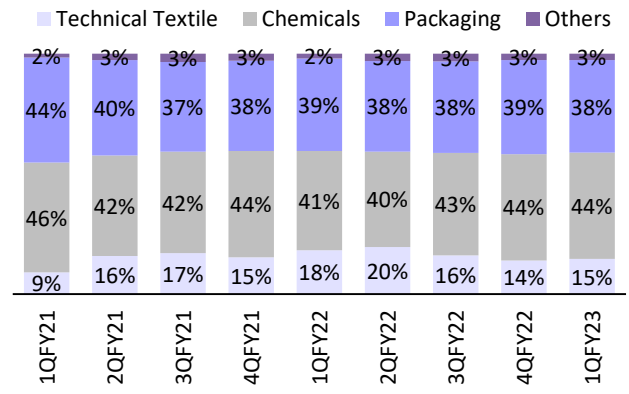
Source: Company, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



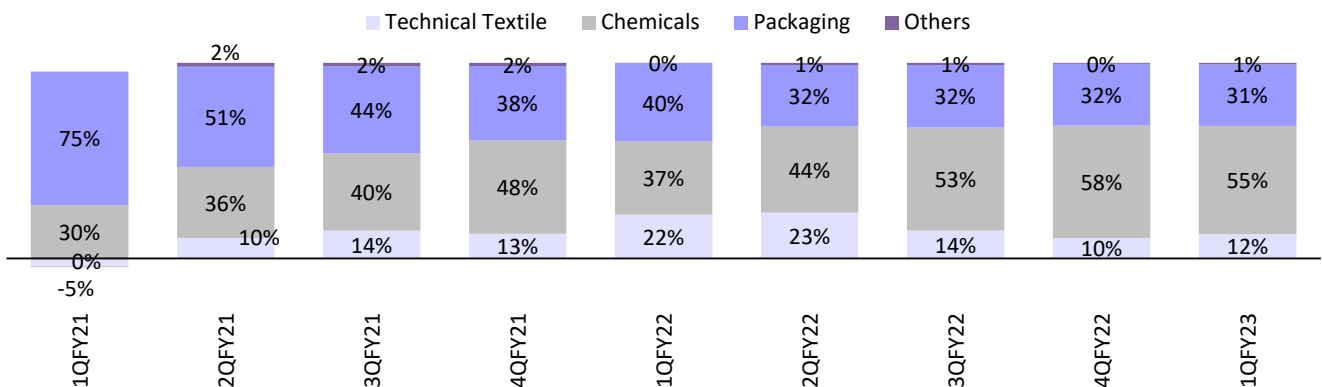
Source: Company, MOFSL

Exhibit 4: Revenue mix trend



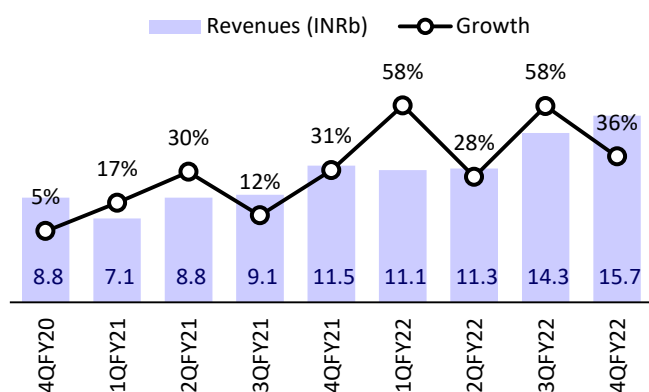
Source: Company, MOFSL

Exhibit 5: EBIT mix trend



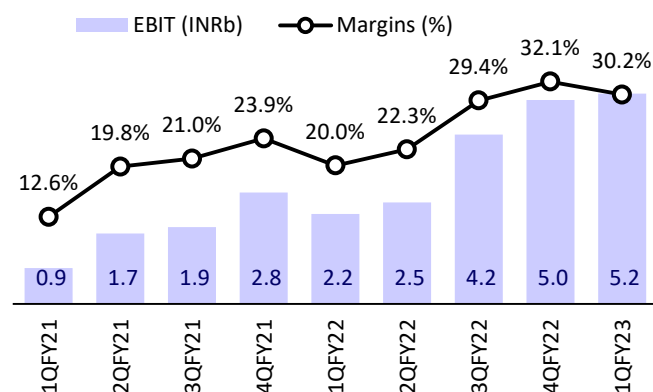
Source: Company, MOFSL

Exhibit 6: Revenue trend in Chemicals business



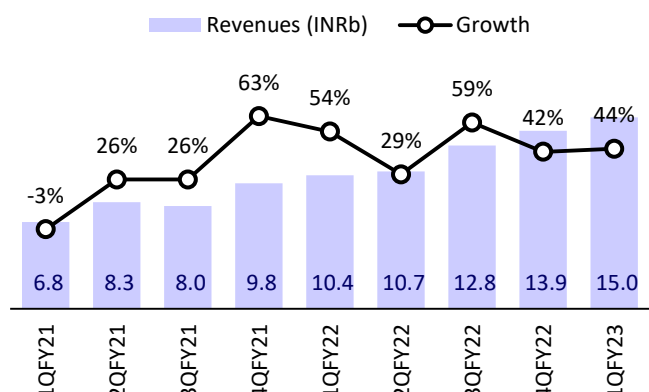
Source: Company, MOFSL

Exhibit 7: EBIT trend in Chemicals business



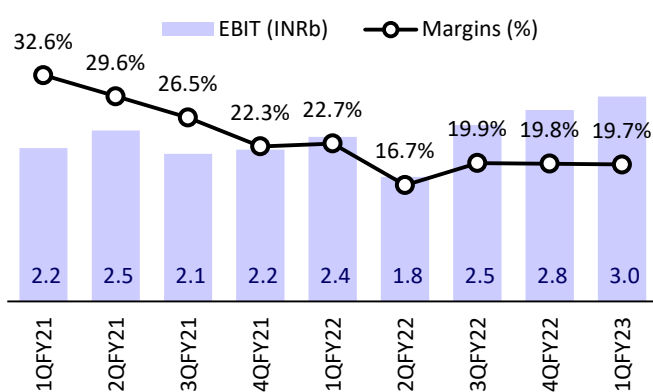
Source: Company, MOFSL

Exhibit 8: Revenue trend in Packaging Film business



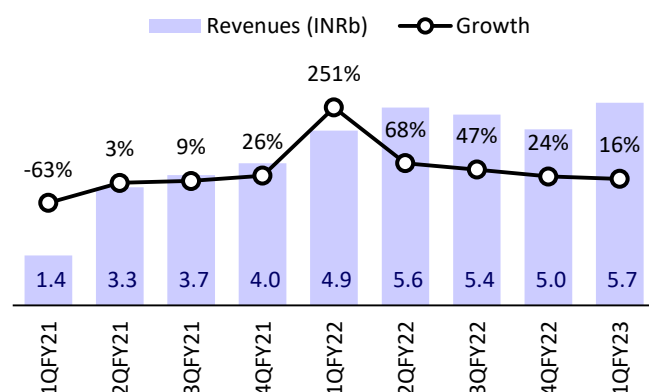
Source: Company, MOFSL

Exhibit 9: EBIT trend in Packaging Film business



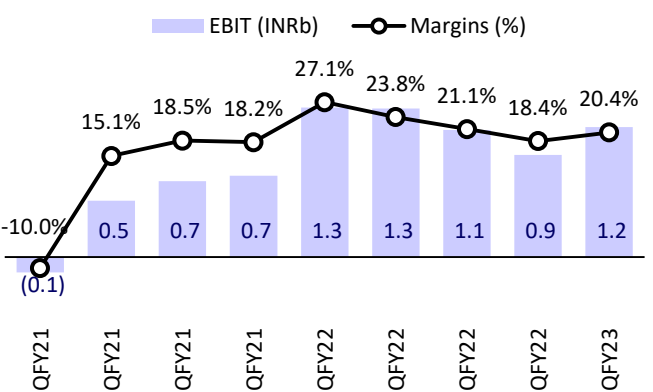
Source: Company, MOFSL

Exhibit 10: Revenue trend in Technical Textiles business



Source: Company, MOFSL

Exhibit 11: EBIT trend in Technical Textiles business



Source: Company, MOFSL



Key highlights from the management commentary

- **Chemicals segment:** The Fluorochemicals business performed exceedingly well in 1QFY23 owing to higher sales volumes in the refrigerants, pharma propellants, and the blends segments with better sales realizations, especially from the export markets.
- Positive trend in Fluorochemicals is likely to continue with demand in the refrigerants segment is expected to remain healthy in the near to medium term.
- Management is focusing on expanding in new markets/geographies and product offerings, and ramping up sales from refrigerants, blends and industrial solvents
- The Specialty Chemicals business performed well because of strong demand for flagship products and the downstream derivatives.
- The management guided for EBIT margins to be higher than FY22 levels
- SRF is continuing its efforts to diversify the portfolio of raw material suppliers to de-risk raw material availability
- Pricing and demand in HFCs to remain strong in the near term
- Dymel® HFA 134a/P (pharma grade gas) continued to do well and reported significant growth leading to improved market share.
- Under Fluorochemicals business, the 2HFY23 volumes are presently being contracted at the current prices for the US supplies. Typically contracts are not very long term in nature and the contracts for Oct-Dec'22 are being entered now.
- Additional volumes from chloromethane plant are likely to commission in two to three weeks. However, it will take time to stabilize the plant. The plant will focus on import substitution.

- **Packaging Film segment:** The business witnessed a slight slowdown in demand for BOPET and BOPP films in 1QFY23, which hurt the overall margins. Further, energy prices in Europe remained a challenge at SRF's Hungarian facility
- However, SRF's customer-centric approach of 'Easy to do Business With', and enhanced sales of VAP contributed positively to the overall performance.
- BOPET films likely to witness inventory impact due to sharp drop of raw material prices. Management is continuing its focus on efficiencies and cost-competitive procurement to ensure that SRF remains one of the lowest-cost producers globally.
- SRF's continuing focus on enhancing quality and delivery of products will increase engagement with multinational customers. Currently, the company is present in over 100 countries.
- BOPP Film line at Indore is expected to be commissioned in 2QFY23.

- **Technical Textiles segment:** The business has performed in line with expectations with increased export volumes from the NTCF and Belting Fabrics segments. However, the domestic demand for SRF' product portfolio remained muted.
- Business continues to actively focus on improving operational excellence and productivity parameters
- Belting fabrics segment is likely to witness robust demand as infrastructure spend revives
- Incremental investments in Belting Fabrics over the next three years is projected to bestow strong returns

- **Other Businesses:** Domestic demand for Coated Fabric is expected to remain healthy with good monsoons and resumption of events and outdoor activities
- In Laminated fabrics business, SRF maintained its price and volume leadership with the plant operating at full capacity in 1QFY23 and achieving its highest-ever sales when compared with CPLY. Realizations in this sector were adversely affected by the ongoing surplus supply scenario.
- **Outlook:** The outlook for Chemicals Business remains strong and management believes the investment intensity will increase in this segment.
- While Packaging Films business performed very well in 1QFY23, management sees strong headwinds for the business with weak global demand and inventory losses in the short term
- 'China plus one' strategy continues to support India's position as an alternate manufacturing base
- SRF is not witnessing any demand slowdown. From the US market perspective also, Fluorochemicals and ref gas demand remains strong.
- **Margins:** Rising crude, logistics issues and global shortages of some key inputs are pushing up the raw material prices.
- **Capex:** Total FY23 capex will be in the range of INR31-33b (out of this total capex, INR23-25b will be in Chemicals segment).
- Management has planned an overall INR12-15b capex in the Specialty chemical business over the next 12 to 18 months, which includes setting up a new and dedicated facility to produce 1,000 MT of an agrochemical intermediate per year at its Dahej plant at a projected cost of INR2.5b.
- Besides, it is expanding the capacity of an intermediate product that finds application in both agrochemical and pharma intermediates and related feedstock at Dahej, at a projected cost of INR720m.
- Further, it will create two technical structures of the new plant buildings for certain agrochemical products at a projected cost of INR780m. These products would cater to the growing requirements of new and upcoming plants at Dahej.
- In Technical Textiles Business, SRF will carry out a capacity expansion and modernization of belting fabrics operations at TTB-Viralimalai to 1,800 Metric Tons Per Month (MTPM) from 1,100 MTPM at a projected cost of INR1.62b to be spent over a period of three years.

Other highlights

- Management witnessed around 4.5% rupee depreciation against the USD in 1QFY23, amid a volatile geopolitical situation. This led to restatement of net USD-denominated liabilities, which created an exchange fluctuation loss of INR320m. However, this is likely to be a one-time impact.
- SRF is in the process of building a captive power plant that can be commissioned in the next three weeks. Therefore, the overall cost of the company will come down. Further, SRF is looking forward to obtain energy from hybrid methods.
- The company will pass on the RM inflation to the customers and will manage the rise in power cost on its own end.

Valuation and view

- Specialty chemicals will maintain its growth momentum with robust demand for the flagship product as well as new product additions. Fluorochemicals would continue its positive trend with demand in the refrigerants segment expected to remain healthy in the near to medium term.
- Chemicals EBIT margin in FY22 was 26.7% primarily due to higher refrigerant realizations in domestic as well as export markets. We expect the margin trajectory of chemicals business to be sustained at/above FY22 levels. We anticipate the Packaging Films business' EBIT margin to decline to 18.2%/18.0% in FY23/FY24, respectively, from 19.8% in FY22 due to expected pressure on BOPET margins with new capacities coming on stream. Going forward, we project SRF to register a revenue/EBITDA/PAT CAGR of 18%/16%/20% over FY22-24E, respectively.
- Factoring in the 1QFY23 performance with higher-than-estimated EBIT across segments, we raise our FY23E/FY24E earnings by 10%/5%, respectively.
- We are encouraged by the long-term structural opportunity in the Chemicals sector. While we certainly believe the company can cash-in on these opportunities, we maintain our **Neutral** rating owing to its rich valuation, which has been priced into the near-term upside.

Exhibit 12: Valuation methodology

| EV/EBITDA | FY24 EBITDA (INR m) | Multiple (x) | EV (INR m) |
|------------------------------|----------------------------|---------------------|-------------------|
| Technical Textiles | 5,205 | 10 | 52,263 |
| Chemicals | 25,538 | 23 | 5,87,367 |
| Packaging Films | 13,212 | 10 | 1,32,118 |
| Others | 620 | 5 | 3,098 |
| Total EV | | | 7,74,846 |
| Less: Debt | | | 32,394 |
| Add: Cash & Cash Equivalents | | | 4,102 |
| Target Mcap (INR m) | | | 7,46,554 |
| Outstanding share (m) | | | 297.4 |
| Target Price (INR) | | | 2,510 |

Source: MOFSL

Exhibit 13: Revisions to our estimates

| Earnings Change (INR m) | Old | | New | | Change (%) | |
|------------------------------------|--------------|--------------|--------------|--------------|-------------------|--------------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Revenue | 1,46,240 | 1,65,585 | 1,55,874 | 1,73,619 | 7 | 5 |
| EBITDA | 35,841 | 40,411 | 38,436 | 42,003 | 7 | 4 |
| Adj. PAT | 21,996 | 24,715 | 24,140 | 26,066 | 10 | 5 |

Source: MOFSL

Financials and valuations

Consolidated - Income Statement

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Income from Operations | 48,983 | 51,366 | 56,849 | 70,996 | 72,094 | 84,000 | 1,24,337 | 1,55,874 | 1,73,619 |
| Less: Excise Duty | 3,056 | 3,148 | 958 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Income from Operations | 45,927 | 48,218 | 55,890 | 70,996 | 72,094 | 84,000 | 1,24,337 | 1,55,874 | 1,73,619 |
| Change (%) | 1.2 | 5.0 | 15.9 | 27.0 | 1.5 | 16.5 | 48.0 | 25.4 | 11.4 |
| EBITDA | 9,728 | 9,694 | 9,062 | 13,209 | 14,584 | 21,333 | 31,032 | 38,436 | 42,003 |
| Margin (%) | 21.2 | 20.1 | 16.2 | 18.6 | 20.2 | 25.4 | 25.0 | 24.7 | 24.2 |
| Depreciation | 2,750 | 2,834 | 3,158 | 3,582 | 3,886 | 4,531 | 5,172 | 5,777 | 6,813 |
| EBIT | 6,979 | 6,859 | 5,904 | 9,627 | 10,698 | 16,803 | 25,860 | 32,659 | 35,189 |
| Int. and Finance Charges | 1,305 | 1,018 | 1,239 | 1,984 | 2,007 | 1,340 | 1,159 | 1,225 | 1,204 |
| Other Income | 278 | 730 | 688 | 280 | 491 | 545 | 428 | 451 | 541 |
| PBT bef. EO Exp. | 5,952 | 6,572 | 5,353 | 7,923 | 9,182 | 16,008 | 25,128 | 31,884 | 34,526 |
| EO Items | -103 | 0 | 463 | 262 | 997 | 116 | 727 | -249 | 0 |
| PBT after EO Exp. | 5,849 | 6,572 | 5,817 | 8,185 | 10,179 | 16,123 | 25,856 | 31,636 | 34,526 |
| Current Tax | 1,551 | 1,422 | 1,200 | 1,769 | 265 | 4,154 | 7,139 | 7,744 | 8,460 |
| Deferred Tax | 0 | 0 | 0 | 0 | -277 | -10 | -173 | 0 | 0 |
| Tax Rate (%) | 26.5 | 21.6 | 20.6 | 21.6 | -0.1 | 25.7 | 26.9 | 24.5 | 24.5 |
| Less: Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 4,299 | 5,150 | 4,617 | 6,416 | 10,191 | 11,979 | 18,889 | 23,892 | 26,066 |
| Adjusted PAT | 4,402 | 5,150 | 4,154 | 6,155 | 9,194 | 11,864 | 18,162 | 24,140 | 26,066 |
| Change (%) | 45.4 | 17.0 | -19.3 | 48.2 | 49.4 | 29.0 | 53.1 | 32.9 | 8.0 |
| Margin (%) | 9.6 | 10.7 | 7.4 | 8.7 | 12.8 | 14.1 | 14.6 | 15.5 | 15.0 |

Consolidated - Balance Sheet

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Equity Share Capital | 574 | 574 | 575 | 575 | 585 | 603 | 2,974 | 2,974 | 2,974 |
| Total Reserves | 27,055 | 31,252 | 35,071 | 40,718 | 48,748 | 67,962 | 82,679 | 1,01,514 | 1,22,524 |
| Net Worth | 27,630 | 31,826 | 35,646 | 41,293 | 49,333 | 68,564 | 85,654 | 1,04,489 | 1,25,499 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred Liabilities | 3,820 | 2,866 | 2,914 | 3,420 | 1,755 | 3,862 | 6,775 | 6,775 | 6,775 |
| Total Loans | 25,153 | 23,962 | 31,418 | 37,302 | 40,468 | 33,950 | 35,394 | 36,394 | 32,394 |
| Capital Employed | 56,602 | 58,655 | 69,978 | 82,014 | 91,556 | 1,06,376 | 1,27,822 | 1,47,657 | 1,64,667 |
| Gross Block | 71,410 | 77,169 | 87,502 | 68,322 | 76,934 | 96,167 | 1,06,943 | 1,31,943 | 1,51,943 |
| Less: Accum. Deprn. | 30,334 | 33,169 | 36,327 | 12,269 | 15,540 | 20,071 | 25,243 | 31,021 | 37,834 |
| Net Fixed Assets | 41,076 | 44,000 | 51,175 | 56,053 | 61,394 | 76,096 | 81,699 | 1,00,922 | 1,14,109 |
| Goodwill on Consolidation | 49 | 49 | 41 | 41 | 6 | 6 | 0 | 0 | 0 |
| Capital WIP | 1,174 | 2,586 | 5,588 | 7,536 | 13,933 | 7,723 | 16,716 | 22,716 | 18,716 |
| Current Investments | 1,606 | 1,708 | 1,217 | 1,005 | 1,985 | 4,125 | 3,167 | 1,667 | 1,667 |
| Total Investments | 1,649 | 1,959 | 1,218 | 1,006 | 2,027 | 4,167 | 3,209 | 1,209 | 1,209 |
| Curr. Assets, Loans&Adv. | 20,291 | 21,090 | 25,608 | 34,243 | 31,265 | 41,121 | 56,025 | 58,140 | 68,996 |
| Inventory | 6,711 | 8,381 | 9,582 | 12,247 | 12,012 | 14,658 | 21,385 | 21,695 | 24,548 |
| Account Receivables | 5,145 | 6,569 | 6,807 | 10,288 | 8,911 | 12,746 | 17,925 | 19,217 | 21,405 |
| Cash and Bank Balance | 3,399 | 961 | 967 | 1,989 | 1,255 | 2,820 | 4,594 | 2,075 | 4,102 |
| Loans and Advances | 5,036 | 5,178 | 8,252 | 9,719 | 9,088 | 10,898 | 12,123 | 15,153 | 18,942 |
| Curr. Liability & Prov. | 8,934 | 11,055 | 13,653 | 16,865 | 17,211 | 22,918 | 29,944 | 35,447 | 38,480 |
| Account Payables | 7,146 | 8,089 | 10,442 | 13,824 | 11,117 | 15,852 | 20,964 | 25,207 | 27,275 |
| Other Current Liabilities | 1,477 | 2,606 | 2,831 | 2,600 | 5,653 | 6,544 | 8,391 | 9,650 | 10,615 |
| Provisions | 312 | 359 | 380 | 441 | 442 | 522 | 590 | 590 | 590 |
| Net Current Assets | 11,357 | 10,035 | 11,955 | 17,378 | 14,054 | 18,203 | 26,081 | 22,693 | 30,516 |
| Appl. of Funds | 56,603 | 58,655 | 69,978 | 82,014 | 91,556 | 1,06,376 | 1,27,822 | 1,47,657 | 1,64,667 |

Financials and valuations

Ratios

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | | |
| EPS | 14.8 | 17.3 | 14.0 | 20.7 | 30.9 | 39.9 | 61.1 | 81.2 | 87.6 |
| Cash EPS | 24.0 | 26.8 | 24.6 | 32.7 | 44.0 | 55.1 | 78.5 | 100.6 | 110.5 |
| BV/Share | 92.9 | 107.0 | 119.8 | 138.8 | 165.9 | 230.5 | 288.0 | 351.3 | 421.9 |
| DPS | 1.9 | 2.3 | 3.1 | 3.9 | 2.8 | 4.9 | 16.8 | 17.0 | 17.0 |
| Payout (%) | 15.2 | 15.7 | 23.1 | 20.8 | 9.6 | 12.1 | 26.4 | 21.2 | 19.4 |
| Valuation (x) | | | | | | | | | |
| P/E | 154.8 | 132.3 | 164.0 | 110.7 | 74.1 | 57.4 | 37.5 | 28.2 | 26.1 |
| Cash P/E | 95.3 | 85.3 | 93.2 | 70.0 | 52.1 | 41.6 | 29.2 | 22.8 | 20.7 |
| P/BV | 24.7 | 21.4 | 19.1 | 16.5 | 13.8 | 9.9 | 8.0 | 6.5 | 5.4 |
| EV/Sales | 15.3 | 14.6 | 12.7 | 10.1 | 10.0 | 8.4 | 5.7 | 4.6 | 4.1 |
| EV/EBITDA | 72.1 | 72.5 | 78.4 | 54.2 | 49.3 | 33.2 | 22.8 | 18.6 | 16.9 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.7 | 0.7 | 0.7 |
| FCF per share | 17.2 | 0.2 | -20.3 | -5.3 | -2.3 | 19.1 | 9.7 | 2.6 | 41.3 |
| Return Ratios (%) | | | | | | | | | |
| EBITDA Margins (%) | 21.2 | 20.1 | 16.2 | 18.6 | 20.2 | 25.4 | 25.0 | 24.7 | 24.2 |
| Net Profit Margins (%) | 9.6 | 10.7 | 7.4 | 8.7 | 12.8 | 14.1 | 14.6 | 15.5 | 15.0 |
| RoE | 17.0 | 17.3 | 12.3 | 16.0 | 20.3 | 20.1 | 23.6 | 25.4 | 22.7 |
| RoCE | 10.5 | 11.0 | 8.5 | 10.7 | 13.3 | 13.4 | 17.2 | 19.1 | 18.1 |
| RoIC | 18.5 | 17.8 | 13.8 | 18.0 | 15.3 | 26.3 | 34.2 | 36.6 | 33.9 |
| Working Capital Ratios | | | | | | | | | |
| Fixed Asset Turnover (x) | 0.6 | 0.6 | 0.6 | 1.0 | 0.9 | 0.9 | 1.2 | 1.2 | 1.1 |
| Asset Turnover (x) | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 1.0 | 1.1 | 1.1 |
| Inventory (Days) | 105 | 126 | 115 | 113 | 119 | 133 | 129 | 105 | 108 |
| Debtor (Days) | 41 | 50 | 44 | 53 | 45 | 55 | 53 | 45 | 45 |
| Creditor (Days) | 112 | 122 | 126 | 127 | 110 | 144 | 126 | 122 | 120 |
| Leverage Ratio (x) | | | | | | | | | |
| Debt/Equity | 0.9 | 0.8 | 0.9 | 0.9 | 0.8 | 0.5 | 0.4 | 0.3 | 0.3 |

Consolidated - Cash Flow Statement

| Y/E March | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23E | FY24E |
|----------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| OP/(Loss) before Tax | 5,849 | 6,572 | 5,817 | 8,269 | 10,706 | 16,099 | 25,856 | 31,636 | 34,526 |
| Depreciation | 2,750 | 2,834 | 3,158 | 3,669 | 3,929 | 4,531 | 5,172 | 5,777 | 6,813 |
| Interest & Finance Charges | 1,305 | 1,018 | 1,239 | 2,016 | 2,016 | 1,340 | 1,159 | 1,225 | 1,204 |
| Direct Taxes Paid | -1,087 | -1,159 | -1,176 | -1,502 | -1,427 | -2,553 | -4,016 | -7,744 | -8,460 |
| (Inc)/Dec. in WC | 2,214 | -2,556 | -1,909 | -3,165 | -239 | -1,236 | -6,645 | 869 | -5,796 |
| CF from Operations | 11,030 | 6,709 | 7,129 | 9,286 | 14,984 | 18,181 | 21,527 | 31,763 | 28,287 |
| Others | -130 | -255 | -349 | -330 | -1,940 | -464 | -469 | 0 | 0 |
| CF from Operating incl EO | 10,901 | 6,454 | 6,780 | 8,956 | 13,044 | 17,717 | 21,057 | 31,763 | 28,287 |
| (Inc)/Dec. in FA | -5,789 | -6,409 | -12,829 | -10,526 | -13,730 | -12,047 | -18,171 | -31,000 | -16,000 |
| Free Cash Flow | 5,112 | 45 | -6,049 | -1,570 | -685 | 5,670 | 2,886 | 763 | 12,287 |
| (Pur)/Sale of Investments | -576 | 25 | 840 | 332 | -886 | -1,886 | 1,028 | 2,000 | 0 |
| Others | -303 | 251 | 35 | 53 | 2,813 | -1,064 | 1,265 | 0 | 0 |
| CF from Investments | -6,667 | -6,133 | -11,953 | -10,142 | -11,803 | -14,997 | -15,877 | -29,000 | -16,000 |
| Issue of Shares | 0 | 0 | 0 | 1 | 0 | 7,500 | 2 | 0 | 0 |
| Inc/(Dec) in Debt | 637 | -4,552 | 4,095 | 2,677 | 3,205 | -6,856 | 622 | 1,000 | -4,000 |
| Interest Paid | -1,324 | -1,109 | -1,299 | -2,241 | -2,040 | -1,574 | -1,173 | -1,225 | -1,204 |
| Dividend Paid | -692 | -829 | -829 | -836 | -803 | -1,408 | -2,117 | -5,056 | -5,056 |
| Others | -528 | 3,731 | 3,213 | 2,606 | -2,337 | 1,182 | -741 | 0 | 0 |
| CF from Fin. Activity | -1,907 | -2,760 | 5,179 | 2,207 | -1,975 | -1,155 | -3,406 | -5,281 | -10,260 |
| Inc/Dec of Cash | 2,326 | -2,438 | 6 | 1,021 | -734 | 1,565 | 1,774 | -2,519 | 2,027 |
| Opening Balance | 1,073 | 3,399 | 961 | 967 | 1,989 | 1,255 | 2,820 | 4,594 | 2,075 |
| Closing Balance | 3,399 | 961 | 967 | 1,989 | 1,255 | 2,820 | 4,594 | 2,075 | 4,102 |

NOTES

| 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 |

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