

September 30, 2022

## Company Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	5,118		4,636	
Sales (Rs. m)	4,43,223	5,69,450	4,37,753	5,49,895
% Chng.	1.2	3.6		
EBITDA (Rs. m)	39,864	51,517	39,882	50,617
% Chng.	(0.0)	1.8		
EPS (Rs.)	39.3	51.3	38.2	49.2
% Chng.	2.9	4.2		

### Key Financials - Consolidated

Ye Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	3,09,763	4,43,223	5,69,450	7,09,540
EBITDA (Rs. m)	24,985	39,864	51,517	64,630
Margin (%)	8.1	9.0	9.0	9.1
PAT (Rs. m)	14,923	25,436	33,200	42,595
EPS (Rs.)	23.0	39.3	51.3	65.8
Gr. (%)	35.8	70.5	30.5	28.3
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	11.5	17.0	18.6	19.7
RoCE (%)	15.5	22.6	24.8	25.9
EV/Sales (x)	9.2	6.4	5.0	4.0
EV/EBITDA (x)	113.6	71.2	55.0	43.9
PE (x)	190.4	111.7	85.6	66.7
P/BV (x)	20.8	17.5	14.5	11.9

### Key Data

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52-W High / Low	Rs.5,900 / Rs.3,185
Sensex / Nifty	57,427 / 17,094
Market Cap	Rs.2,841bn/ \$ 34,930m
Shares Outstanding	648m
3M Avg. Daily Value	Rs.1795.6m

### Shareholding Pattern (%)

Promoter's	74.99
Foreign	8.83
Domestic Institution	6.77
Public & Others	9.42
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(3.2)	9.6	3.2
Relative	0.4	11.8	6.3

### Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

### Anushka Chhajed

anushkachhajed@plindia.com | 91-22-66322244

## Long runway to growth; BUY for long term

### Quick Pointers:

- D'Mart to see rising throughput in ~100 stores opened during Covid period
- Huge runway for growth with potential to open 1500 stores
- D'Mart Ready scaling up fast, expect EBIDTA breakeven by FY25

**We are upgrading our EPS estimates (2.8%/4.2% for FY23/24 and introduce FY25 EPS estimate) and our DCF based target price to Rs5120 (Rs4636 earlier). we believe D'Mart will gain significantly in FY23 from throughput in stores opened during covid. We remain confident that the company's strategy of "Everyday Low Prices" (EDLP) will push sales during current high inflation scenario and will attract the middle-class to organized retail from unorganized retail. With a strong balance sheet and the efficient execution capability of the management, we expect sustained growth in coming years.**

**We are positive on D'Mart Ready as sales double in FY22 (Rs1.4bn in FY19 to Rs16.6bn in FY22), operations extend in 12 cities and pick-up points increase to 519. Management seems more confident of the scalability of this format, we expect it to achieve sales of Rs54bn with EBIDTA breakeven in FY25.**

**Also with the festive demand hitting, D'Mart will witness strong growth in the zero covid restrictions environment. We believe D'Mart has a huge growth runway ahead given low probability of heightened competition in modern trade, 1500+ store potential in existing clusters (current stores 294) and gradual scale up in D'Mart Ready. We estimate 42% PAT CAGR over FY22-25 and retain BUY with rise in DCF based target price to Rs5118 (Rs4636 earlier).**

## D'Mart has long runway ahead for growth

### Consolidated industry with limited players

- Hypermarket and Food and Grocery modern retail has undergone considerable consolidation in past few years.
- The drive was led by Future Retail which absorbed Hypercity, Easy day, Nilgiri's, Big Apple and Heritage Fresh. More acquired Jubilant while Spencer's retail acquired Nature's basket.
- However, Future Group is no more relevant while More was acquired by a Samara Capital and Amazon. As of now, Jio Mart, D'Mart, More and Star Bazaar are the key players in the Hypermarket segment in India.
- Modern trade in Food and Grocery retailing has high entry barriers given low margins, tight cost control, real estate cost and availability and emerging competition from online retail. Given tough competition and high cash burn in initial years, we see low probability of new players in food and grocery retailing.

Exhibit 1 : Food and Grocery modern retail industry reduced to 4 key players vs 10-12 players earlier



Source: Company, PL

### D'Mart has huge scope to increase store numbers

- D'Mart has adopted a cluster approach and has been gradually building up on its entry in various states and geographies. D'Mart has increased its presence from 7 states and 110 stores in 2016 to 12 states and 284 stores in FY22.
- D'Mart estimates that there exists a potential to open upto 1500 stores (current stores 294) in India given low penetration and high entry barriers. We believe that the potential could be significantly higher given that it is present in limited number of states and the scope to open stores will increase as the economy progresses and consumer matures.
- D'Mart has opened its highest ever stores in FY22 (50) and is expected to continue the momentum with huge potential that India offers. We note that even if the company gradually increases store opening to 80-100 stores per year, it will take the company 12-15 years to reach the current estimated potential.

### D'Mart sustains "Everyday low Prices" amidst rising competition

- D'Mart follows "Everyday low pricing model" which has enabled the company to remain competitive at all times. Amid rising inflation, the middle-class segment is also looking hard for bargain deals which works to the advantage of D'Mart. Efficient sourcing and inventory management system which enables it to pass on cost savings to the consumers in the form of discounts.
- We analyzed prices across some key categories from D'Mart, JIO Mart and Big Basket. D'Mart beats Big Basket's prices in almost all the categories with a few exceptions in personal and home care products whereas Jio Mart's prices are more competitive.
- In the Dairy category, 4 out of 5 products are either cheaper or similarly priced at D'Mart vs Jio Mart, in packaged food category, the prices are similar for both D'Mart and Jio Mart while in Beverages category, D'Mart is the cheapest. In personal and home care, Jio Mart's prices are lower in 30-40% of products in comparison to D'Mart. However, on an overall basis, D'Mart remains the cheapest and most competitive.

**Exhibit 2: D'Mart Ready prices are lowest among its peers**

Particulars	Volume	MRP	D'Mart Ready	Jio Mart	D'Mart/ Jio (%)	Big Basket	D'Mart/ Big Basket (%)
<b>Dairy</b>							
Amul Butter	500 gm	255	245	245	0.0%	255	-4%
Amul cheese slices	200 gm	130	122	123	-0.8%	130	-6%
Britannia cheese slices	200 gm	165	130	140	-7.1%	153.45	-15%
Amul taaza toned milk	1 L	68	64	65	-2%	68	-6%
Amul fresh cream	1 litre	205	193	191	1%	205	-6%
<b>Packaged food</b>							
Britannia Goodday	600 gms	130	99	NA		110.5	-10%
Parle hide and seek	100 gms	30	27	27	0.0%	30	-10%
Cadbury Oreo	120 gms	30	27	27	0.0%	30	-10%
Lays	104 gm	50	33	33	0.0%	47	-30%
Maggi	560 gm	109	90	90	0.0%	109	-17%
<b>Beverages</b>							
Tata Tea	1 kg	550	355	389	-8.7%	418	-15%
Lipton green tea	25 bags	165	145	153	-5.2%	149	-2.4%
Horlicks Chocolate Delight	750 gm	345	241	245	-1.6%	309	-22.0%
<b>Personal Care &amp; Hygiene</b>							
Lux soap	3*150 gm	198	158	163	-3.1%	168.3	-6%
Vaseline body lotion	400 ml	335	295	235	25.5%	217.75	35%
Glow and lovely cream	110 gm	246	205	198	3.5%	198	4%
Parachute coconut oil	300 ml	115	105	101	4.0%	109	-4%
Sunsilk Shampoo	650 ml	615	307	307	0.0%	430	-29%
Garneir colour	50 gm	200	175	179	-2.2%	178	-2%
Colgate strong	200 gm	115	105	106	-0.9%	95	11%
Dettol handw ash	750 ml	109	94	109	-13.8%	104	-10%
Lifebuoy handw ash	750 ml	119	84	99.5	-15.6%	102.5	-18%
<b>Home care</b>							
Ariel detergent	1 kg	360	335	334	0%	360	-7%
Surf Excel liquid detergent	2 L	430	357	350	2%	375	-5%
Freshw rap	72 mtr	650	479	610	-21%	NA	0%
Vim bar	3*200 gm	65	57	59	-3%	57	0%
Lizol	2 L	399	349	359	-3%	387.03	-10%
Scotch brite steel scrubber	Pack of 3	120	111	108	3%	102	9%

Source: Company, PL

## D'Mart ready is creating a viable online retail model

D'Mart Ready emerged as an idea owing to the technological advancements that enabled door-to-door delivery. D'Mart Ready started as a pick-up service and adopted hub & spoke model with multiple small centers for pick-up before gradually moving to a home-delivery model. As of now also, D'Mart offers both pick-up and home delivery services.

### No free delivery

- The company entered into online delivery to stay relevant with the increasing competition, however, not at the expense of margins.

- D'Mart ready is clear in its focus to service customers who are looking for bargain deals and not get into instant delivery which is rather cash burning. D'Mart has not entered into a race to offer additional discounts on online retail in comparison to D'Mart stores.
- D'Mart does not have charges for pick up in D'Mart ready stores/pick up points. It used to charge 3% for home delivery which was later capped at Rs79. Minimum order value is Rs500. Currently it charges a flat Rs. 49 for delivery per order in comparison to most online retailers who offer free delivery on orders above Rs500/600.

**Exhibit 3: D'Mart Ready has minimum order along with delivery charges**

	D-Mart	Big Basket	Jio Mart	Star Bazaar/ Star Quik
Delivery time	1-2 days	Same day	1-2 days	Same day
Minimum order	Rs. 500	No minimum order	No minimum order	No minimum order
Delivery fees	Rs. 49 Flat	Rs50 below order value of Rs250; Rs30 between Rs251-600; Free delivery above Rs600	Free	Rs 50
Bank offers	None	Plenty	None	None

Source: PL, Company

**Hub and spoke model**

- The company operates D'Mart Ready only in cities where the company has the stores and the infra in place to service the online customers.
- D'Mart has converted 2 stores into distribution centres to cater to online warehouse requirements in Mumbai. D'Mart typically has 1-2 distribution centres in a city in comparison to other online retailers which have multiple dark stores to fulfill nearby demand and gradually move to instant delivery format.
- This model aids in managing the costs efficiently and deliver the best price and products to the customers.

**High throughput and lower losses**

- Although the start on the online business has been rather tricky for the company, but now after expanding into 12 cities, D'Mart Ready is more confident to scale-up the online business with reasonable cash burn
- D'Mart ready has scaled up sales from Rs3.5bn in FY20 to Rs16.7bn. GM has improved from 10.3% to 12.2% while EBIDTA loss has remained flattish at Rs396mn.
- Big Basket reported sales of Rs38/65/71bn in FY20/21/22 with EBIDTA loss of Rs4.9/2.05/bn in FY20/21 and PAT loss of Rs6.1/4.3/8.1bn in FY20/21/22. D'Mart Ready operates with much lower losses as compared to its peers owing to the execution excellence of its management
- We anticipate the topline from D'Mart Ready to more than triple to Rs54bn and the business to turn EBITDA positive at Rs211mn by FY25

**Exhibit 4: D'Mart Ready sales est at Rs54bn with positive EBIDTA by FY25**

Particulars	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales	3540	7913	16672	25008	37512	54393
% Growth	147%	124%	111%	50%	50%	45%
Gross Profit	363	1031	2042	3001	4877	7207
Gross Margin (%)	10.3%	13.0%	12.2%	12.0%	13.0%	13.3%
EBIDTA	-410	-294	-396	-551	-207	211
EBIDTA Margin (%)	-11.6%	-3.7%	-2.4%	-2.2%	-0.6%	0.4%
Adj PAT	-797	-806	-1421	-1680	-1451	-1158
PAT Margin (%)	-22.5%	-10.2%	-8.5%	-6.7%	-3.9%	-2.1%

Source: Company, PL

**Creating a viable neighborhood store model**

- Neighborhood store model is very difficult to crack in India where it competes with mom and pop stores who have very little rental and overhead costs. Subhiksha was a scaled up model which went bankrupt.
- Globally consumers are moving to smaller store format as they account for significant part of consumer spend and save a lot of time for consumers. D'Mart is looking at creating a viable small format store by using the infrastructure of D'Mart ready pick up points to scale up that format. Although it is too early as of now for it to claim any success in that model. However, ability to crack that model can significantly accelerate growth over long term.

**Expect strong growth in FY23 and beyond**
**First normal festival season to spur demand**

- Post covid, Q2FY23 & Q3FY23 are going to be the first non-disruptor festive quarters which is expected to bump up the sales of D'Mart by a decent margin.
- As the economy has opened in full fledge, strong consumption trends can be witnessed across the consumer segments. Hence, we anticipate the 110 new, better and bigger stores opened by D'Mart in the last 3 years to fully reflect the sales potential in FY23 and beyond.
- We expect D'Mart's topline to grow by 38% YoY in Q2FY23 and by 43% for FY2023 while the profits are expected to grow by 46% in Q2FY23 and by 70% for FY23. We expect a CAGR of 27% for revenue during FY23-25 and a CAGR of 29% for profits during the same period.

**Margin accretion from rise in General Merchandise & Apparel share**

- The General Merchandise and Apparel (GM&A) share, the high margin segment is at 22.4% in FY22 vs 27/28% pre-covid.
- With covid behind us and festive season ahead us, the GM&A share is expected to increase to pre-covid levels gradually and aid in improving margins from 8.1% in FY22 to 9.1% in FY25

**Inflation is retail friendly, to provide boost to sales growth**

- Inflation is double friendly for D'Mart, 1) it aids in increasing the bill value and topline; 2) with its everyday low prices, it attracts more customers who are looking for bargain deals.
- Hence, in a high inflationary environment, D'Mart stands to gain share not only from other modern trade stores but also from the traditional unorganized stores not able to cope with the rising inflation.

**Exhibit 5: Consolidated Revenues expected to grow by 38% YoY, EBITDA margins expanded by 40bps YoY**

Y/e March	2QFY23E	2QFY22	YoY gr. (%)	1QFY23	H1FY23E	H1FY22	YoY gr. (%)
<b>Net Sales</b>	<b>1,07,487</b>	<b>77,889</b>	<b>38.0</b>	<b>1,00,381</b>	<b>2,07,868</b>	<b>1,29,721</b>	<b>60.2</b>
Gross Profit	16,231	11,640	39.4	16,405	32,636	18,434	77.0
<i>% of NS</i>	<i>15.1</i>	<i>14.9</i>	<i>0.2</i>	<i>16.3</i>	<i>15.7</i>	<i>14.2</i>	<i>1.5</i>
<b>Other Expenses</b>	<b>6,557</b>	<b>4,954</b>	<b>32.3</b>	<b>6,323</b>	<b>12,879</b>	<b>9,506</b>	<b>35.5</b>
<i>% of NS</i>	<i>6.1</i>	<i>6.4</i>	<i>(0.3)</i>	<i>6.3</i>	<i>6.2</i>	<i>7.3</i>	<i>(1.1)</i>
<b>EBITDA</b>	<b>9,674</b>	<b>6,686</b>	<b>44.7</b>	<b>10,082</b>	<b>19,756</b>	<b>8,928</b>	<b>121.3</b>
<i>Margins (%)</i>	<i>9.0</i>	<i>8.6</i>	<i>0.4</i>	<i>10.0</i>	<i>9.5</i>	<i>6.9</i>	<i>2.6</i>
Depreciation	1,650	1,160	42.2	1,447	3,097	2,235	38.6
Interest	180	124	45.5	172	352	232	51.7
Other Income	300	275	9.1	291	591	590	0.3
<b>PBT</b>	<b>8,144</b>	<b>5,677</b>	<b>43.5</b>	<b>8,754</b>	<b>16,898</b>	<b>7,051</b>	<b>139.7</b>
Tax	2,036	1,499	35.8	2,325	4,361	1,919	127.2
<i>Tax rate (%)</i>	<i>25.0</i>	<i>26.4</i>	<i>(1.4)</i>	<i>26.6</i>	<i>25.8</i>	<i>27.2</i>	<i>(1.4)</i>
<b>Adjusted PAT</b>	<b>6,108</b>	<b>4,178</b>	<b>46.2</b>	<b>6,429</b>	<b>12,537</b>	<b>5,132</b>	<b>144.3</b>

Source: Company, PL

**Exhibit 6: Added 10 stores in 1QFY23; Cost of retail reduces by 248bps YoY, 20 bps QoQ**

	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
No of Stores	220	221	234	238	246	263	284	294
Area (mn Sq.ft.)	8.2	8.2	8.8	9.0	9.4	10.3	11.5	12.1
Sales/Ft	6364	9098	8280	5585	8138	8801	7484	8105
Gross Profit/Ft	894	1375	1192	690	1164	1310	1073	1282
EBIDTA/FT	396	896	699	246	713	843	645	833
Cost of retail %	8.3	6.4	6.5	8.8	6.4	6.0	6.5	6.3

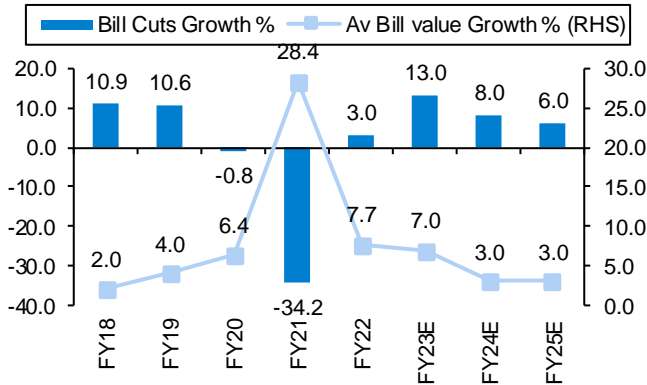
Source: Company, PL

**Exhibit 7: Gross Profit/Ft and EBIDTA/Ft to grow in FY23 due to low base in FY22**

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sales/Ft	32,719	35,647	32,879	27,306	27,454	33,931	36,887	39,834
Gross Profit/Ft	4,853	5,091	4,830	4,068	3,982	4,835	5,221	5,620
EBIDTA/FT	2,738	2,768	2,729	1,976	2,173	2,899	3,170	3,447
Capex/Ft	9,664	9,974	10,338	9,586	9,855	10,794	10,883	11,581
Cost of retail %	6.9%	6.9%	6.6%	7.6%	6.7%	6.0%	5.9%	0.0%
Working Cap/Ft	1,723	1,566	1,927	1,708	1,670	1,858	1,764	1,877

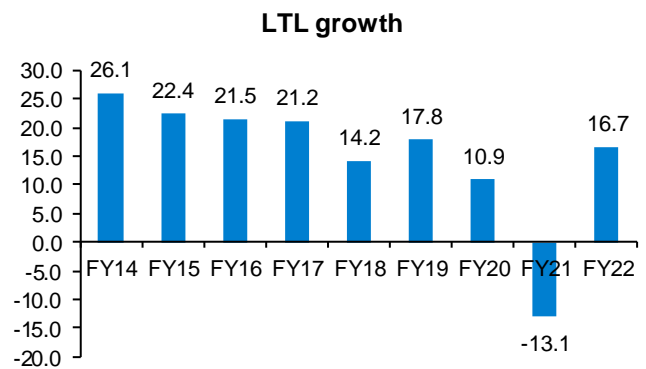
Source: Company, PL

**Exhibit 8: Bill Cut est growth for FY23 at 13%**



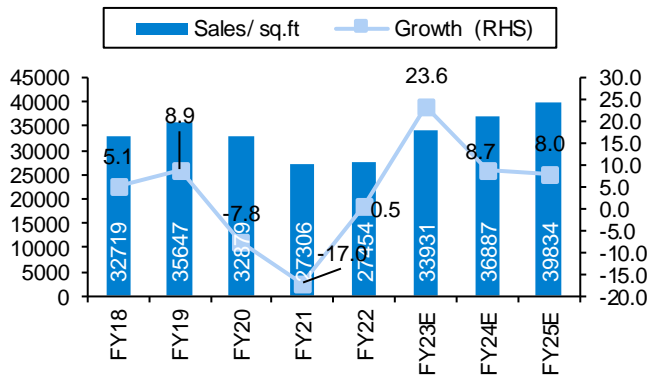
Source: Company, PL

**Exhibit 9: LTL growth improved sharply to 16.7% in FY22**



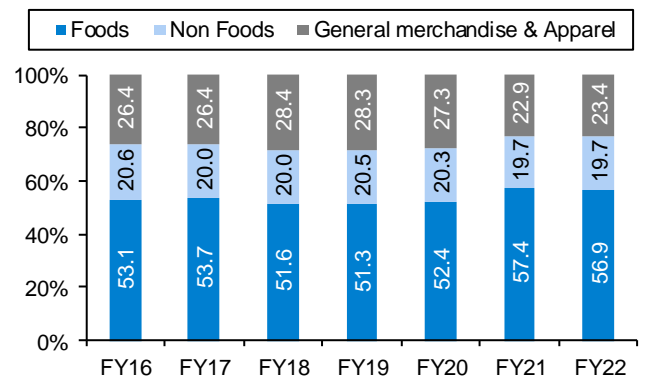
Source: Company, PL

**Exhibit 10: Sales/Sq. ft. to reach Rs39834 in FY25E**



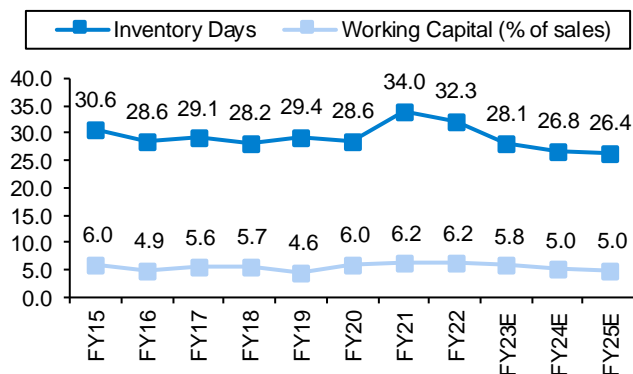
Source: Company, PL

**Exhibit 11: Foods continue to remain highest contributor**



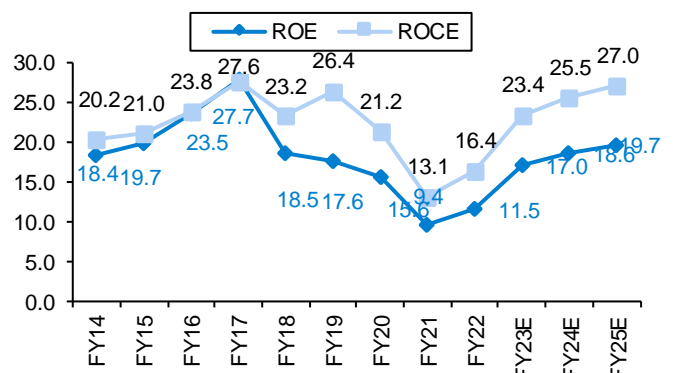
Source: Company, PL

**Exhibit 12: Inventory and working capital days to improve to pre-covid levels**



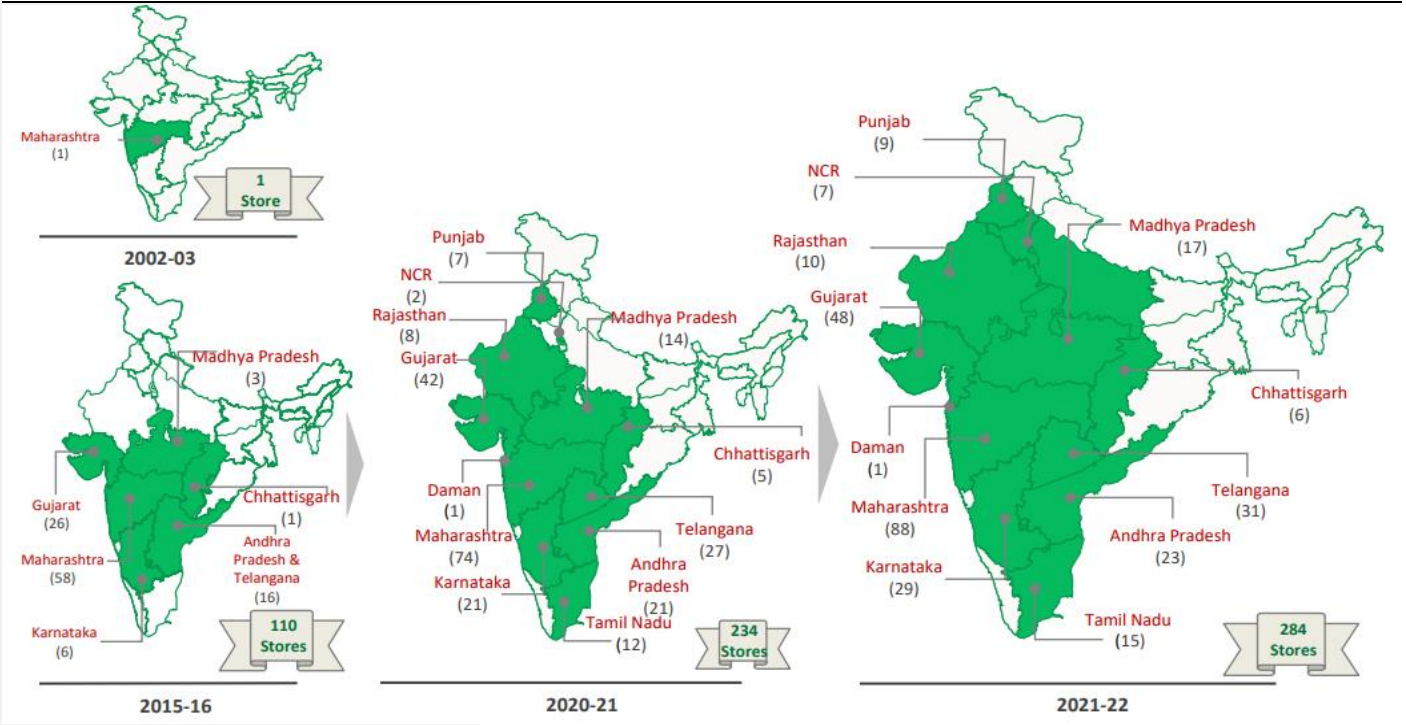
Source: Company, PL

**Exhibit 13: Consistent rise in returns expected over FY23-25**



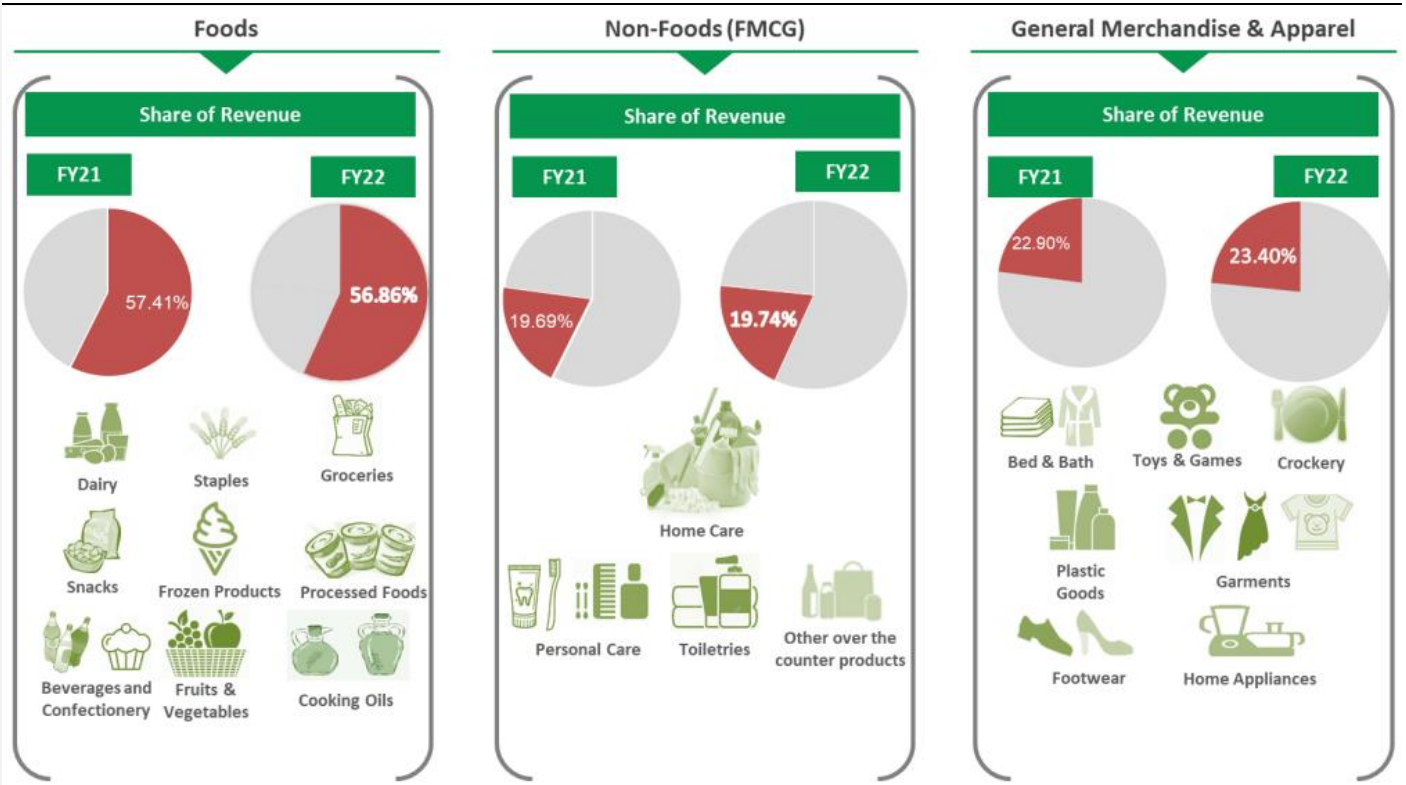
Source: Company, PL

Exhibit 14: Cluster based expansion strategy continues – Addition maximum Ex Maharashtra and Gujarat



Source: Company, PL

Exhibit 15: Share of General Merchandise & Apparel rose by 50bps in FY22 led by opening up of the economy



Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>3,09,763</b>	<b>4,43,223</b>	<b>5,69,450</b>	<b>7,09,540</b>
YoY gr. (%)	28.3	43.1	28.5	24.6
Cost of Goods Sold	2,63,974	3,76,739	4,84,602	6,04,173
Gross Profit	45,789	66,483	84,848	1,05,367
Margin (%)	14.8	15.0	14.9	14.9
Employee Cost	6,162	7,798	9,709	11,802
Other Expenses	14,642	18,822	23,623	28,935
<b>EBITDA</b>	<b>24,985</b>	<b>39,864</b>	<b>51,517</b>	<b>64,630</b>
YoY gr. (%)	43.3	59.5	29.2	25.5
Margin (%)	8.1	9.0	9.0	9.1
Depreciation and Amortization	4,981	6,065	7,239	8,487
<b>EBIT</b>	<b>20,004</b>	<b>33,798</b>	<b>44,277</b>	<b>56,142</b>
Margin (%)	6.5	7.6	7.8	7.9
Net Interest	538	797	1,038	1,304
Other Income	1,175	1,187	1,384	2,413
<b>Profit Before Tax</b>	<b>20,641</b>	<b>34,188</b>	<b>44,624</b>	<b>57,251</b>
Margin (%)	6.7	7.7	7.8	8.1
Total Tax	5,717	8,752	11,424	14,656
Effective tax rate (%)	27.7	25.6	25.6	25.6
<b>Profit after tax</b>	<b>14,924</b>	<b>25,436</b>	<b>33,200</b>	<b>42,595</b>
Minority interest	2	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>14,923</b>	<b>25,436</b>	<b>33,200</b>	<b>42,595</b>
YoY gr. (%)	35.8	70.5	30.5	28.3
Margin (%)	4.8	5.7	5.8	6.0
Extra Ord. Income / (Exp)	(50)	-	-	-
<b>Reported PAT</b>	<b>14,872</b>	<b>25,436</b>	<b>33,200</b>	<b>42,595</b>
YoY gr. (%)	35.5	71.0	30.5	28.3
Margin (%)	4.8	5.7	5.8	6.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14,872	25,436	33,200	42,595
<b>Equity Shares O/s (m)</b>	<b>648</b>	<b>648</b>	<b>648</b>	<b>648</b>
<b>EPS (Rs)</b>	<b>23.0</b>	<b>39.3</b>	<b>51.3</b>	<b>65.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>96,045</b>	<b>1,19,621</b>	<b>1,44,644</b>	<b>1,71,779</b>
Tangibles	95,157	1,18,600	1,43,470	1,70,428
Intangibles	888	1,021	1,174	1,351
<b>Acc: Dep / Amortization</b>	<b>18,114</b>	<b>22,436</b>	<b>27,537</b>	<b>33,463</b>
Tangibles	17,362	21,561	26,521	32,286
Intangibles	752	874	1,015	1,177
<b>Net fixed assets</b>	<b>77,931</b>	<b>97,186</b>	<b>1,17,108</b>	<b>1,38,315</b>
Tangibles	77,795	97,039	1,16,949	1,38,142
Intangibles	136	147	159	173
Capital Work In Progress	11,293	12,423	13,665	15,032
Goodwill	783	783	783	783
Non-Current Investments	12,627	9,477	16,270	29,686
Net Deferred tax assets	(640)	(948)	(1,350)	(1,865)
Other Non-Current Assets	17,647	21,274	23,833	25,961
<b>Current Assets</b>				
Investments	59	65	72	79
Inventories	27,427	34,132	41,795	51,260
Trade receivables	669	1,214	1,560	1,944
Cash & Bank Balance	2,986	3,404	5,467	6,257
Other Current Assets	2,030	2,662	3,420	4,260
<b>Total Assets</b>	<b>1,54,726</b>	<b>1,84,614</b>	<b>2,26,534</b>	<b>2,76,769</b>
<b>Equity</b>				
Equity Share Capital	6,478	6,478	6,478	6,478
Other Equity	1,30,299	1,55,734	1,88,935	2,31,530
<b>Total Network</b>	<b>1,36,776</b>	<b>1,62,212</b>	<b>1,95,413</b>	<b>2,38,008</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	49	56	64	75
Other non current liabilities	5,072	6,941	9,040	11,357
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,892	7,669	12,307	15,341
Other current liabilities	6,291	6,781	8,354	10,117
<b>Total Equity &amp; Liabilities</b>	<b>1,54,726</b>	<b>1,84,614</b>	<b>2,26,534</b>	<b>2,76,769</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	20,641	34,188	44,624	57,251
Add. Depreciation	4,981	6,065	7,239	8,487
Add. Interest	538	797	1,038	1,304
Less Financial Other Income	1,175	1,187	1,384	2,413
Add. Other	(2,919)	1,722	(6,843)	(12,701)
Op. profit before WC changes	23,241	42,772	46,058	54,342
Net Changes-WC	(4,132)	(6,349)	(3,123)	(6,523)
Direct tax	(5,717)	(8,752)	(11,424)	(14,656)
<b>Net cash from Op. activities</b>	<b>13,392</b>	<b>27,670</b>	<b>31,511</b>	<b>33,162</b>
Capital expenditures	(24,307)	(26,449)	(28,403)	(31,061)
Interest / Dividend Income	-	-	-	-
Others	(80)	(6)	(7)	(7)
<b>Net Cash from Inv. activities</b>	<b>(24,387)</b>	<b>(26,455)</b>	<b>(28,410)</b>	<b>(31,069)</b>
Issue of share cap. / premium	64	0	-	-
Debt changes	-	-	-	-
Dividend paid	-	-	-	-
Interest paid	(538)	(797)	(1,038)	(1,304)
Others	(2)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(475)</b>	<b>(797)</b>	<b>(1,038)</b>	<b>(1,304)</b>
<b>Net change in cash</b>	<b>(11,470)</b>	<b>418</b>	<b>2,063</b>	<b>790</b>
Free Cash Flow	(10,915)	1,221	3,107	2,101

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23E
<b>Net Revenue</b>	<b>92,178</b>	<b>87,865</b>	<b>1,00,381</b>	<b>1,07,487</b>
YoY gr. (%)	22.2	18.5	93.7	38.0
Raw Material Expenses	77,966	74,721	83,976	91,257
Gross Profit	14,212	13,144	16,405	16,231
Margin (%)	15.4	15.0	16.3	15.1
<b>EBITDA</b>	<b>8,665</b>	<b>7,393</b>	<b>10,082</b>	<b>9,674</b>
YoY gr. (%)	25.7	20.7	349.7	44.7
Margin (%)	9.4	8.4	10.0	9.0
Depreciation / Depletion	1,283	1,463	1,447	1,650
<b>EBIT</b>	<b>7,382</b>	<b>5,930</b>	<b>8,635</b>	<b>8,024</b>
Margin (%)	8.0	6.7	8.6	7.5
Net Interest	140	166	172	180
Other Income	260	326	291	300
<b>Profit before Tax</b>	<b>7,502</b>	<b>6,089</b>	<b>8,754</b>	<b>8,144</b>
Margin (%)	8.1	6.9	8.7	7.6
Total Tax	1,976	1,821	2,325	2,036
Effective tax rate (%)	26.3	29.9	26.6	25.0
<b>Profit after Tax</b>	<b>5,525</b>	<b>4,268</b>	<b>6,429</b>	<b>6,108</b>
Minority interest	-	(1)	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>5,526</b>	<b>4,268</b>	<b>6,429</b>	<b>6,108</b>
YoY gr. (%)	23.6	3.1	574.1	46.2
Margin (%)	6.0	4.9	6.4	5.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,526</b>	<b>4,268</b>	<b>6,429</b>	<b>6,108</b>
YoY gr. (%)	23.6	3.1	574.1	46.2
Margin (%)	6.0	4.9	6.4	5.7
Other Comprehensive Income	(16)	(4)	(13)	-
<b>Total Comprehensive Income</b>	<b>5,510</b>	<b>4,264</b>	<b>6,416</b>	<b>6,108</b>
Av g. Shares O/s (m)	648	648	648	648
<b>EPS (Rs)</b>	<b>8.5</b>	<b>6.6</b>	<b>9.9</b>	<b>9.4</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	23.0	39.3	51.3	65.8
CEPS	30.7	48.6	62.4	78.9
BVPS	211.1	250.4	301.7	367.4
FCF	(16.8)	1.9	4.8	3.2
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	15.5	22.6	24.8	25.9
ROIC	13.2	18.7	20.0	20.8
RoE	11.5	17.0	18.6	19.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	0.0	0.0	0.0
Net Working Capital (Days)	26	23	20	19
<b>Valuation(x)</b>				
PER	190.4	111.7	85.6	66.7
P/B	20.8	17.5	14.5	11.9
P/CEPS	142.8	90.2	70.3	55.6
EV/EBITDA	113.6	71.2	55.0	43.9
EV/Sales	9.2	6.4	5.0	4.0
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Aug-22	BUY	4,636	4,239
2	10-Jul-22	BUY	4,636	3,942
3	07-Jul-22	BUY	4,340	3,851
4	14-May-22	BUY	4,651	3,231
5	08-Apr-22	Accumulate	5,345	4,146
6	10-Jan-22	Accumulate	5,345	4,731
7	06-Jan-22	Accumulate	5,364	4,687
8	16-Oct-21	Accumulate	5,359	5,324
9	06-Oct-21	BUY	4,601	4,219

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,363	3,109
2	Avenue Supermarts	BUY	4,636	4,239
3	Britannia Industries	Hold	3,880	3,775
4	Colgate Palmolive	Accumulate	1,701	1,564
5	Dabur India	Accumulate	603	574
6	Emami	Accumulate	611	452
7	Hindustan Unilever	Accumulate	2,699	2,568
8	ITC	Accumulate	327	308
9	Jubilant FoodWorks	BUY	700	565
10	Kansai Nerolac Paints	Accumulate	558	499
11	Marico	Hold	523	523
12	Mold-tek Packaging	Accumulate	830	765
13	Nestle India	Accumulate	19,721	19,112
14	Pidilite Industries	Hold	2,673	2,641
15	Restaurant Brands Asia	Accumulate	156	129
16	Titan Company	Accumulate	2,608	2,433
17	Westlife Development	BUY	847	689

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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