

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR1,132      TP: INR1,250 (+10%)      Neutral**

## Europe and Kenya Outperformed

### Operating performance below our expectations

- Tata Chemicals (TTCH)'s 2QFY23 consolidated EBITDA missed our estimate due to planned plant shutdown taken by the company in TCNA (US) and the India region, resulting in a total volume loss of ~60KT. Barring that, operating performance in TCEHL (Europe) and TCAHL (Kenya) were strong with higher Soda Ash realization and improved EBITDA/MT.
- Globally, demand-supply scenario for Soda Ash has been buoyant and is expected to remain favorable in the near term. All plants across the industry are running at optimum utilization levels.
- Factoring in 2QFY23 performance, we largely maintain our FY23/FY24 EBITDA estimates. **We reiterate our Neutral rating with an SoTP-based TP of INR1,250.**

### Plant Shutdown in TCNA and India led to miss vs our expectation

- TTCH reported revenue of INR42.4b (est. INR42.1b) in 2QFY23, up 40% YoY. EBITDA margin expanded 510bp YoY to 21.7% (est. 23.5%). EBITDA stood at INR9.2b (est. INR9.9b). Adjusted PAT jumped 3x YoY to INR6.3b (est. INR5.4b) due to lower other and employee expenses as a percentage of sales and lower effective tax.
- Basic Chemistry/Specialty Products grew 45%/27% YoY to INR32.2b/INR10b, respectively; their EBIT margins expanded 740bp/170bp YoY to 20%/9.1%, respectively, in 2QFY23.
- India standalone/TCNA/TCEHL/TCAHL revenue rose 40%/36%/56%/79% YoY to INR11.9b/INR11.8b/INR6.5b/INR2.5b, respectively, in 2QFY23. Their EBITDA margins expanded/(contracted) 210/(470)/2610/2,980bp to 24.8%/17.9%/21.8%/53.4%, respectively, led by improvement in realizations that offset surge in raw material prices and energy costs.
- For 1HFY23, Revenue/EBITDA/Adj. PAT were up 37%/76%/2.5x YoY. CFO/Net Debt as on 30th Sept'22 is ~INR12.2b/INR44b, up 74%/4% YoY, respectively.

### Highlights from the management commentary

- **Capex:** TTCH has incurred a capex of INR18.5b until Sep'22 and the remaining INR10.5b would be spent by Mar'24. Apart from this, TTCH is adding 50KT of capacity in Silica business in two tranches of 25KT each. Overall capex for this project is expected to be ~INR4b, which will be funded internally. The project is expected to take ~30 months to execute.
- In 3Q and 4QFY23, the share of India and TCNA is expected increase, led by better margins on the back of optimum plant utilization, new pricing contracts, and omission of one-time maintenance cost incurred in 2QFY23.
- **Market Outlook:** Soda Ash price environment is likely to stay robust over the next 18-24 months and the demand-supply dynamics are forecasted to remain favorable until FY25-FY26.

Bloomberg	TTCH IN
Equity Shares (m)	255
M.Cap.(INRb)/(USD\$b)	288.3 / 3.5
52-Week Range (INR)	1215 / 774
1, 6, 12 Rel. Per (%)	2/14/27
12M Avg Val (INR M)	1798

### Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Sales	126.2	165.5	169.0
EBITDA	23.0	38.1	36.1
PAT	12.6	22.7	18.3
EBITDA (%)	18.3	23.0	21.3
EPS (INR)	49.6	89.0	71.9
EPS Gr. (%)	392.9	79.4	(19.2)
BV/Sh. (INR)	716	792	851

### Ratios

Net D/E	0.2	0.2	0.1
RoE (%)	7.8	11.8	8.8
RoCE (%)	6.2	9.8	8.0

### Valuations

P/E (x)	22.8	12.7	15.7
EV/EBITDA (x)	14.8	8.6	8.7
Div Yield (%)	1.1	1.1	1.1
FCF Yield (%)	(2.6)	6.3	8.0

### Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	38.0	38.0	38.0
DII	19.2	19.9	19.7
FII	15.0	13.6	13.0
Others	27.9	28.5	29.3

**Valuation and view**

- We expect the favorable soda ash demand-supply dynamics to sustain in the medium term, aided by emergence of newer applications, such as solar glass and lithium Ion batteries. However, on a one-year forward basis, TTCH is trading at an average EV/EBITDA of 8.4x, which is at par with its last 10-year average.
- We expect a revenue/EBITDA/PAT CAGR of 16%/25%/20% over FY22-24, respectively.
- Factoring in 2QFY23 performance, we largely maintain our FY23/FY24 EBITDA estimates. **We reiterate our Neutral rating with an SoTP-based TP of INR1,250.**

**Consolidated - Quarterly Earnings Model****(INRb)**

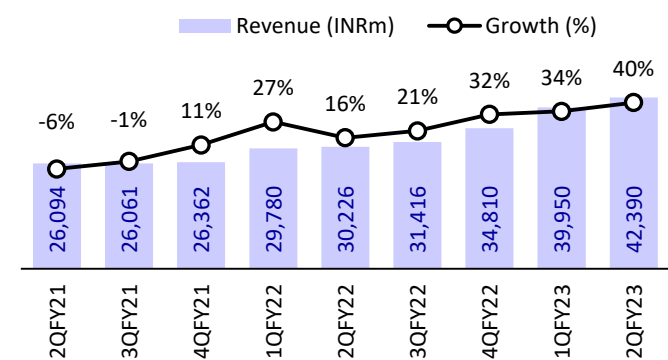
Y/E March	FY22				FY23				FY22	FY23E	FY23E	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2Q		
<b>Net Sales</b>	<b>29.8</b>	<b>30.2</b>	<b>31.4</b>	<b>34.8</b>	<b>40.0</b>	<b>42.4</b>	<b>42.3</b>	<b>40.8</b>	<b>126.2</b>	<b>165.5</b>	<b>42.0</b>	<b>1</b>
YoY Change (%)									23.8	31.1	39.1	
Total Expenditure	23.8	25.2	26.0	28.2	29.8	33.2	32.7	31.7	103.2	127.4	32.2	
<b>EBITDA</b>	<b>6.0</b>	<b>5.0</b>	<b>5.5</b>	<b>6.6</b>	<b>10.2</b>	<b>9.2</b>	<b>9.6</b>	<b>9.1</b>	<b>23.0</b>	<b>38.1</b>	<b>9.9</b>	<b>-7</b>
Margins (%)	20.2	16.6	17.4	18.9	25.4	21.7	22.6	22.4	18.3	23.0	23.5	
Depreciation	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	8.1	<b>8.6</b>	<b>2.1</b>	
Interest	0.8	0.8	0.7	0.7	0.8	0.9	0.8	0.8	3.0	<b>3.3</b>	<b>0.8</b>	
Other Income	0.5	0.6	0.4	1.1	0.5	0.6	0.4	0.5	2.6	2.0	0.6	
<b>PBT before EO expense</b>	<b>3.8</b>	<b>2.7</b>	<b>3.1</b>	<b>4.9</b>	<b>7.7</b>	<b>6.8</b>	<b>7.0</b>	<b>6.7</b>	<b>14.5</b>	<b>28.1</b>	<b>7.5</b>	
Extra-Ord expense	0.0	0.1	0.0	0.3	0.0	0.1	0.0	0.0	0.4	0.1	0.0	
<b>PBT</b>	<b>3.8</b>	<b>2.6</b>	<b>3.1</b>	<b>4.6</b>	<b>7.6</b>	<b>6.7</b>	<b>7.0</b>	<b>6.7</b>	<b>14.2</b>	<b>28.0</b>	<b>7.5</b>	
Tax	0.9	0.7	0.7	0.4	1.6	0.4	1.7	1.6	2.7	5.3	1.8	
Rate (%)	22.8	27.5	21.2	9.3	20.4	5.7	24.5	24.5	18.9	18.9	24.5	
MI & Profit/Loss of Asso. Cos.	0.0	-0.1	-0.5	-0.2	0.2	0.1	0.0	0.0	-0.8	0.2	0.2	
<b>Reported PAT</b>	<b>2.9</b>	<b>2.0</b>	<b>3.0</b>	<b>4.4</b>	<b>5.9</b>	<b>6.3</b>	<b>5.3</b>	<b>5.1</b>	<b>12.3</b>	<b>22.6</b>	<b>5.4</b>	
<b>Adj PAT</b>	<b>2.9</b>	<b>2.1</b>	<b>3.0</b>	<b>4.6</b>	<b>5.9</b>	<b>6.3</b>	<b>5.3</b>	<b>5.1</b>	<b>12.6</b>	<b>22.7</b>	<b>5.4</b>	<b>17</b>
YoY Change (%)	2,068.7	200.5	87.1	3,833.7	105.9	198.9	76.7	9.9	392.9	79.4	156.1	
Margins (%)	9.7	7.0	9.6	13.3	14.8	14.9	12.6	12.5	10.0	13.7	12.9	
<b>Profits from Discontinued Operations(DO)</b>	<b>52.5</b>	<b>38.3</b>	<b>1.1</b>	<b>2.0</b>	<b>52.5</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

**Key Performance Indicators**

Y/E March	FY22				FY23				FY22	FY23E
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
<b>Sales Volume (000'MT)</b>										
North America	578	613	586	615	568	561	598	621	2,392	2,348
Europe	191	175	188	192	181	183	191	193	746	748
Africa	83	86	73	75	83	73	86	86	317	328
<b>EBITDA/MT</b>										
North America (USD)	40.6	43.3	32.9	60.2	63.0	47.3	60.0	62.0	44.4	58.2
Europe (GBP)	14.7	-10.0	34.4	20.9	51.1	83.7	40.0	40.0	15.5	53.4
Africa (USD)	40.9	51.9	46.1	107.7	186.0	230.6	170.0	155.0	60.9	183.6
<b>Cost Break-up</b>										
RM Cost (% of sales)	21.9	22.9	18.9	20.1	19.9	23.0	23.0	23.0	20.9	22.3
Staff Cost (% of sales)	12.6	12.4	12.5	11.4	10.2	9.4	9.6	10.2	12.2	9.8
Power and Fuel Cost (% of sales)	13.4	16.2	18.4	18.6	15.5	17.3	17.0	17.0	16.7	16.7
Freight and Distribution Cost (% of sales)	14.2	14.5	14.0	14.5	12.9	12.5	13.0	13.5	14.3	13.0
Other Cost (% of sales)	17.8	17.4	18.9	16.5	16.1	16.2	14.8	13.9	17.6	15.3
Gross Margins (%)	78.1	77.1	81.1	79.9	80.1	77.0	77.0	77.0	79.1	77.7
EBITDA Margins (%)	20.2	16.6	17.4	18.9	25.4	21.7	22.6	22.4	18.3	23.0
EBIT Margins (%)	13.6	10.0	10.9	13.0	20.1	16.6	17.6	17.1	11.9	17.8

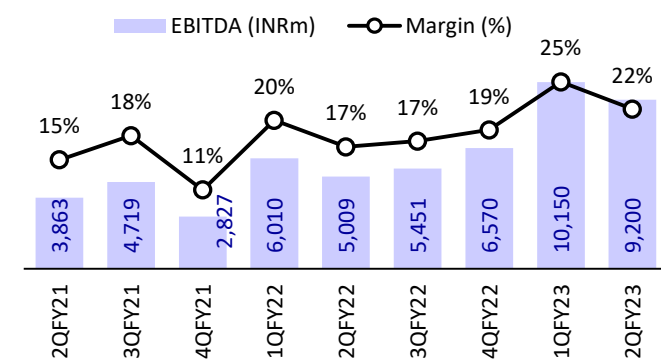
**Key exhibits**

**Exhibit 1: Consolidated revenue trend**



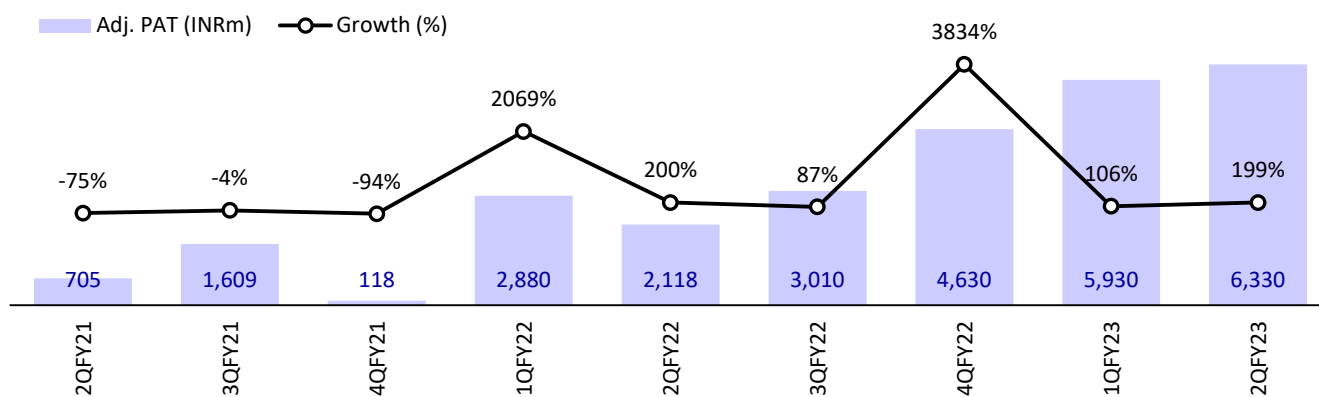
Sources: Company reports, MOFSL

**Exhibit 2: Consolidated EBITDA trend**



Sources: Company reports, MOFSL

**Exhibit 3: Consolidated adjusted PAT trend**



Sources: Company reports, MOFSL

**Exhibit 4: Consolidated segmental revenue**

INR m	2QFY22	1QFY23	2QFY23	%YoY	%QoQ
Revenue					
Basic Chemistry products	22,349	30,600	32,420	45%	6%
Specialty products	7,861	9,340	9,990	27%	7%
Less: Inter-segment revenue	27	50	90		
Add: Unallocated	44	60	70		
<b>Total revenue</b>	<b>30,226</b>	<b>39,950</b>	<b>42,390</b>	<b>40%</b>	<b>6%</b>

Sources: Company reports, MOFSL

**Exhibit 5: Consolidated segmental EBIT**

INR m	2QFY22	1QFY23	2QFY23	%YoY	%QoQ
EBIT					
Basic Chemistry products	2,791	7,650	6,450	131%	-16%
<i>Margin</i>	<i>12.5%</i>	<i>25.0%</i>	<i>19.9%</i>		
Specialty products	581	780	910	57%	17%
<i>Margin</i>	<i>7.4%</i>	<i>8.4%</i>	<i>9.1%</i>		
Total EBIT	3,372	8,430	7,360	118%	-13%
Less: Finance Cost	838	800	860		
Less: Unallocated (income)/expense	-91	-50	-260		
PBT	2,625	7,680	6,760	158%	-12%

Sources: Company reports, MOFSL

**Exhibit 6: Standalone operational performance trend**

INR m	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	%YoY	%QoQ
Soda Ash sales volume ('000MT)	151	178	184	167	178	156	176	169	154	-13	-9
Sodium Bicarbonate sales volume ('000MT)	25	26	31	28	27	33	29	30	28	4	-7
Salt sales volume ('000MT)	295	319	302	312	320	294	325	330	303	-5	-8
Realization-Basic Chemistry Products (INR/MT)	14,363	14,621	15,315	15,168	15,066	17,983	19,736	21,815	23,443	56	7
Net sales	7,170	8,120	8,410	8,280	8,470	9,310	11,150	12,250	11,850	40	-3
EBITDA	1,160	1,750	1,640	2,390	1,920	2,440	2,770	3,980	2,940	53	-26
EBITDA (%)	16.2	21.6	19.5	28.9	22.7	26.2	24.8	32.5	24.8		
PBT	1,658	1,477	1,582	2,820	1,971	2,136	3,100	4,950	2,770	41	-44
PAT	1,351	1,156	1,196	2,280	1,346	1,557	2,680	3,810	2,430	81	-36

Sources: Company reports, MOFSL

**Exhibit 7: Performance trend in its North American operations**

INR m	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	%YoY	%QoQ
Soda Ash utilization (%)	72%	79%	87%	91%	97%	92%	96%	92%	88%		
Sales volume ('000MT)	475	474	566	578	613	586	615	568	561	-8	-1
Realization (INR/MT)	14,968	15,654	14,258	14,481	14,144	15,205	17,756	19,701	21,016	49	7
Realization (USD/MT)	199	210	192	196	191	205	239	256	264	38	3
EBITDA/MT (USD)	27	45	15	41	43	33	60	63	47	9	-25
Net sales	7,110	7,420	8,070	8,370	8,670	8,910	10,920	11,190	11,790	36	5
EBITDA	960	1,580	630	1,730	1,960	1,430	2,750	2,760	2,110	8	-24
EBITDA (%)	13.5%	21.3%	7.8%	20.7%	22.6%	16.0%	25.2%	24.7%	17.9%		
PAT	-440	190	-520	510	660	250	1,740	1,410	820	24	-42

Sources: Company reports, MOFSL

**Exhibit 8: Performance trend in its Europe operations**

INR m	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	%YoY	%QoQ
Soda Ash volume ('000MT)	67	70	67	68	68	71	71	65	69	1%	6%
Sodium Bicarbonate volume ('000MT)	27	28	29	27	25	28	30	28	30	20%	7%
Total sales volume ('000MT)	181	197	191	191	175	188	192	181	183	5%	1%
Realization (INR/MT)	18,619	18,985	20,052	21,309	23,771	29,309	30,000	29,337	35,574	50%	21%
Realization (GBP/MT)	196	198	207	207	232	287	294	277	384	66%	39%
EBITDA/MT (GBP)	27	24	10	15	-10	34	21	51	84	NA	64%
Net sales	3,370	3,740	3,830	4,070	4,160	5,510	5,760	5,310	6,510	56%	23%
EBITDA	460	450	190	290	-180	660	410	980	1,420	NA	45%
EBITDA (%)	13.6%	12.0%	5.0%	7.1%	-4.3%	12.0%	7.1%	18.5%	21.8%		
PAT	20	20	-440	-180	-670	130	-120	490	990	NA	102%

Sources: Company reports, MOFSL

**Exhibit 9: Performance trend in its Africa operations**

INR m	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	%YoY	%QoQ
Soda ash utilization (%)	74%	80%	81%	73%	91%	79%	80%	95%	83%		
Sales volume ('000MT)	51	56	68	83	86	73	75	83	73	-15%	-12%
Realization (INR/MT)	17,843	19,107	16,912	16,145	16,279	18,082	22,800	29,639	34,384	111%	16%
Realization (USD/MT)	238	256	228	219	220	243	307	384	432	96%	12%
EBITDA/MT (USD)	16	62	40	41	52	46	108	186	231	344%	24%
Net sales	910	1,070	1,150	1,340	1,400	1,320	1,710	2,460	2,510	79%	2%
EBITDA	60	260	200	250	330	250	600	1,190	1,340	306%	13%
EBITDA (%)	6.6%	24.3%	17.4%	18.7%	23.6%	18.9%	35.1%	48.4%	53.4%		
PAT	-50	160	100	160	110	180	510	1,110	1,540	1300%	39%



Sources: Company reports, MOFSL

**Exhibit 10: Volume trend in Soda Ash**



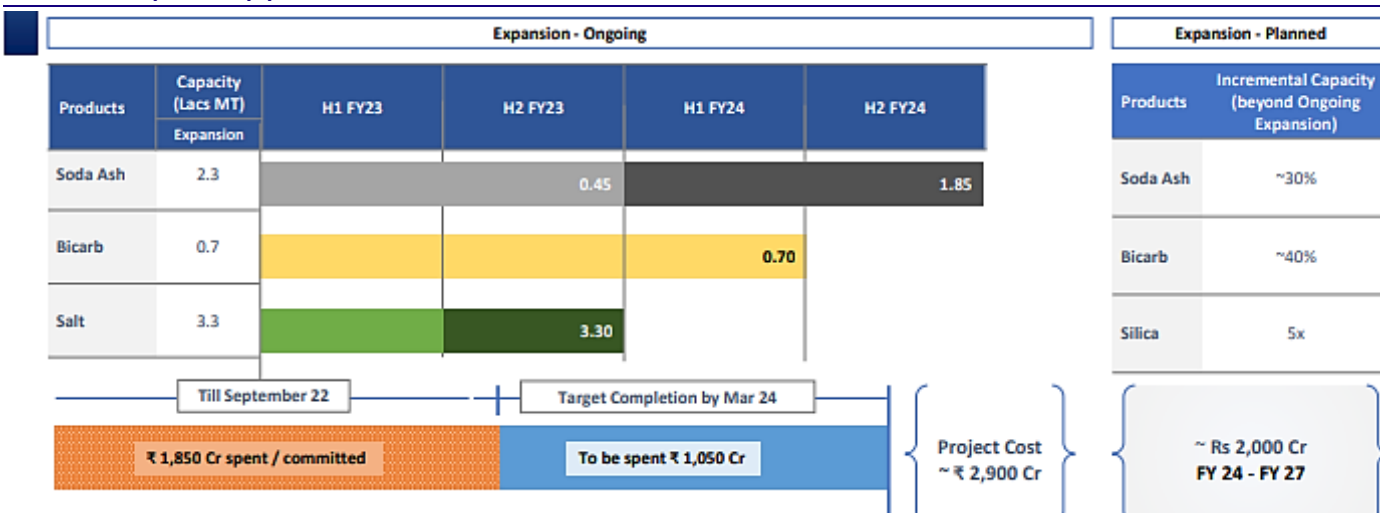
Sources: Company reports, MOFSL

**Exhibit 11: Strategic priorities of TTCH**

	<b>TCL</b>	<ul style="list-style-type: none"> <li>• Deliver consistent market and customer delivery performance through customer engagement</li> <li>• Deliver capacity expansions on schedule - Soda Ash, Bicarb &amp; Salt expansion on stream by FY23 &amp; FY24</li> <li>• Continue focus on cost management</li> </ul>
	<b>Rallis</b>	<ul style="list-style-type: none"> <li>• Extend Portfolio offerings: New product introductions, plug portfolio gaps</li> <li>• Strengthen Manufacturing: Invest in manufacturing and registrations</li> </ul>
	<b>US</b>	<ul style="list-style-type: none"> <li>• Maximize plant output &amp; ensure customer demand is fully met</li> <li>• Generate cash and repay debt</li> </ul>
	<b>UK</b>	<ul style="list-style-type: none"> <li>• Maximize volumes and ensure operating performance is in line with market dynamics</li> <li>• Operational efficiencies and cost structure rationalization</li> <li>• Manage energy &amp; carbon cost pressures and continuous cost focus</li> </ul>
	<b>Kenya</b>	<ul style="list-style-type: none"> <li>• Sustain volume delivery to customers</li> <li>• Continuous cost focus</li> <li>• Generate cash</li> </ul>

Sources: Company reports, MOFSL

**Exhibit 12: Expansion pipeline of TTCH**



Sources: Company reports, MOFSL



**Highlights from the management commentary**

**India**

- The growth in India was mainly on the back of higher realizations. Volumes were adversely impacted due to planned shutdown.
- The shutdown was longer than planned due to the onset of heavy monsoon. Currently, the plants are operational and running at normal utilization levels.
- Overall total volume loss of ~60KMT is estimated due to the planned shutdown in India and the US. Both the regions witnessed lower EBITDA/MT due to the higher fixed cost on the back of maintenance shutdown.
- Management expects margins to improve going forward in the absence of such maintenance cost and volume loss due to shut down.
- Management expects the momentum to continue in domestic business going forward.

**TCNA**

- In **North America**, revenue growth of 36% YoY was mainly due to improvement in realization, while volumes were lower by 8% to 561KMT.
- The volumes during the quarter were down due to planned shut down during the quarter.
- Realization remained at elevated levels of USD264/MT (up 38%/3% YoY/QoQ). The realizations is expected improve from 4QFY23, driven by increase in prices of the contracts
- Realization - Exports continue to see an uptick in the pricing (every quarter, it is expected to see improvement), followed by a big jump in Q4 with domestic pricing coming in force.
- EBIDTA/MT declined 25% QoQ to USD47/MT, mainly led by higher input costs; however, it is up 9% YoY
- Total debt of ~USD125m was repaid in 1HFY23.
- Tata Chemicals (Soda Ash) Partners, US subsidiary, has entered into a multi-year Logistics Services and Membership Withdrawal Agreement with American Natural Soda Ash Corporation (“ANSAC”). This transition is part of Tata Chemicals’ approach to build a world class integrated customer-centric organization, from its locations in India, UK, Kenya, and the US.

**TCEHL**

- Soda Ash volumes increased 1%/6% YoY/QoQ to 69KT. Sodium Bicarb Volumes increased 20%/7% YoY/QoQ to 30KT.
- Blended Realization increased to GBP384/MT (up 50%/21% YoY/QoQ).
- EBIDTA/MT came in at GBP84/MT, up 64% QoQ.
- The UK witnessed improved margins, on the back of new contracts, business restructuring benefits, and better product mix. Further, it has recorded one-time hedging benefits during the quarter
- The benefit of hedging positions will be seen in the UK and Kenya in 2Q and 3QFY23. The benefit is expected to be range bound and will start tapering post 3QFY23.
- The gas prices have increased sharply, but the company is well covered in terms of managing the high cost. Energy prices have cooled down from its peak
- The company has not seen any customers in the region reducing their volumes.
- Capacities - the combined heat & power, carbon plant and salt plant is commissioned fully.
- Pharma grade salt plant is expected to get commissioned in the next 18-24 months

**TCAHL**

- Volumes decreased 15%/12% YoY/QoQ to 73KT, while realization improved to USD432/MT (up 96%/12% YoY/QoQ).
- EBIDTA/MT improved to USD231/MT, up 4.3x/24% YoY/QoQ
- The manufacturing facility in Kenya, one of the lowest cost manufacturing units, benefits the most from incremental volumes.
- Tax rate in Kenya was not normalized rates, owing to the deferred tax assets as the company made profits for the first time in the region.

### Other Highlights

- **Rallis:** Growth was driven by strong performance in the international business.
- **Demand:** Overall the market situation continues to remain tight. Although talks of inflation and slowdown have been floating around, the management has not yet seen any on ground slowdown. Generally, the detergent market is soft in monsoon; the management is seeing demand picking up in the segment. Salt business remains stable across regions, while the Silica business is also doing well. Overall business outlook remains positive across all products. Volumes are expected to grow at historical levels (excluding for additional capacity coming in India)
- **Exports:** Exports business continues to see uptick and is expected to witness improvement each quarter going ahead. Exports pricing is renewed in SE Asia and LATAM on quarterly basis, while in the domestic business, it is renewed on an annual basis
- **Capex:** TTCH is adding 50,000 tons of capacity in Silica business in two tranches of 25,000 tons each. Overall capex for the project will be ~INR4b and it will be funded via internal accruals. The project will require ~30 months for execution. TTCH is expected to incur a total capex of ~INR10.5b in the next one year (up to 1HFY24)
- **New Global capacity:** ~1 to 1.5 MMT of capacity, believed to come in Mangolia by around CY26/CY27, is expected to be used for internal purposes. Further, ~4-5MMT of capacity is expected to come in the US by CY30. Apart from these, the management doesn't expect any major capacities to come in the near term.
- **Others:** While the share of the US is expected to improve in 2HFY23, the contribution from the UK and Kenya is expected to flatten out
- Overall international prices have remained stable. In some regions, landed cost has reduced due to reduction in freight charges
- Net debt rose to INR44.1b in Sept'22 v/s INR42.3b as of Mar'22.

### Valuation and view

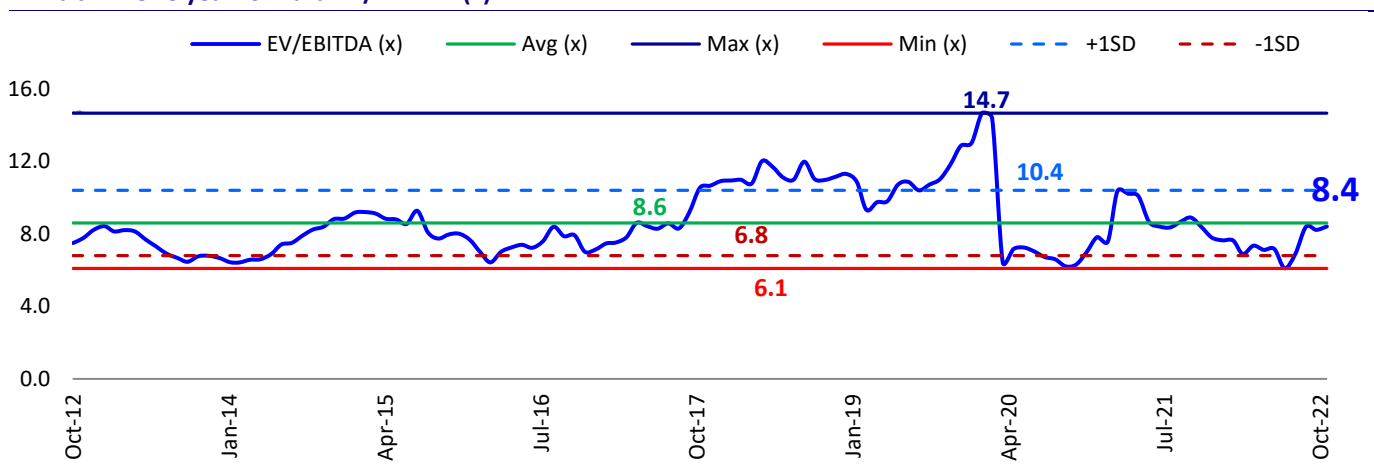
- We expect the favorable soda ash demand-supply dynamics to sustain in the medium term, aided by emergence of newer applications, such as solar glass and lithium Ion batteries. However, on a one-year forward basis, TTCH is trading at an average EV/EBITDA of 8.4x, which is at par with its last 10-year average.
- We expect a revenue/EBITDA/PAT CAGR of 16%/25%/20% over FY22-24, respectively.
- Factoring in in 2QFY23 performance, we largely maintain our FY23/FY24 EBITDA estimates. **We reiterate our Neutral rating with an SoTP-based TP of INR1,250.**



**Exhibit 13: Valuation methodology**

Business	Methodology	Metrics	FY24	Multiple (x)	EV/MCAP (INR m)
<b>Commodity (INR m)</b>					
Inorganic Chemical India (Soda Ash and others) (Including manufacture of Salt)	EV/EBITDA (x)	EBITDA	15,035	11	1,65,089
Tata Chemicals North America	EV/EBITDA (x)	EBITDA	10,590	10	1,05,899
Tata Chemicals Europe and Tata Chemicals Africa	EV/EBITDA (x)	EBITDA	6,459	5	32,295
<b>Sub Total</b>					<b>3,03,284</b>
<b>Specialty and Consumer (INR m)</b>					
Rallis India (Tata Chemicals holds 50% stake) (INR m)	20% discount to Current MCAP	Attributable m-cap	44,106	0.8	17,642
<b>Total EV (INR m)</b>					<b>3,20,926</b>
Less: Debt (INR m)					57,417
Less: Minority Interest (INR m)					9,045
Less: Pension liability (INR m)					14,665
Add: Cash and liquid investment (INR m)					42,467
Add: Value of quoted investment (INR m)		M-cap	45,258	0.8	36,206
<b>Target m-cap (INR m)</b>					<b>3,18,472</b>
Outstanding share (m)					254.82
Target price (INR)					1,250

Source: MOFSL

**Exhibit 14: One year forward EV/EBITDA (x)**

Source: MOFSL

**Exhibit 15: Changes to our earnings estimates**

Earnings Change (INR m)	Old		New		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	1,63,096	1,68,372	1,65,492	1,69,016	1	0
EBITDA	37,311	35,292	38,077	36,077	2	2
Adj. PAT	20,691	17,681	22,667	18,322	10	4

Source: MOFSL

## Financials and valuations

Consolidated - Income Statement								(INRb)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>103.5</b>	<b>102.7</b>	<b>103.4</b>	<b>103.6</b>	<b>102.0</b>	<b>126.2</b>	<b>165.5</b>	<b>169.0</b>
Change (%)	-32.0	-0.7	0.7	0.2	-1.5	23.7	31.1	2.1
Raw Materials	20.7	17.6	20.0	19.7	24.0	26.4	36.8	38.0
Employees Cost	12.6	12.7	13.2	13.8	14.0	15.4	16.2	18.6
Power, Oil & Fuel	11.6	12.7	14.8	14.5	14.4	21.1	27.7	27.2
Freight & forwarding charges	15.3	15.8	16.1	15.5	14.6	18.1	21.4	23.7
Other Expenses	22.2	22.0	21.5	20.6	20.1	22.2	25.3	25.4
<b>Total Expenditure</b>	<b>82.5</b>	<b>80.8</b>	<b>85.6</b>	<b>84.1</b>	<b>87.0</b>	<b>103.2</b>	<b>127.4</b>	<b>132.9</b>
% of Sales	79.8	78.7	82.8	81.2	85.3	81.7	77.0	78.7
<b>EBITDA</b>	<b>20.9</b>	<b>21.9</b>	<b>17.8</b>	<b>19.5</b>	<b>15.0</b>	<b>23.0</b>	<b>38.1</b>	<b>36.1</b>
Margin (%)	20.2	21.3	17.2	18.8	14.7	18.3	23.0	21.3
Depreciation	5.1	5.2	5.7	6.7	7.6	8.1	8.6	9.3
<b>EBIT</b>	<b>15.8</b>	<b>16.7</b>	<b>12.1</b>	<b>12.8</b>	<b>7.4</b>	<b>15.0</b>	<b>29.5</b>	<b>26.8</b>
Int. and Finance Charges	3.0	3.3	3.5	3.4	3.7	3.0	3.3	3.4
Other Income	1.7	1.6	4.1	3.1	2.3	2.6	2.0	2.0
<b>PBT bef. EO Exp.</b>	<b>14.5</b>	<b>15.1</b>	<b>12.7</b>	<b>12.5</b>	<b>6.1</b>	<b>14.5</b>	<b>28.1</b>	<b>25.4</b>
EO Items	0.0	0.6	0.7	0.0	0.0	-0.1	-0.1	0.0
<b>PBT after EO Exp.</b>	<b>14.5</b>	<b>15.7</b>	<b>13.4</b>	<b>12.5</b>	<b>6.1</b>	<b>14.4</b>	<b>28.0</b>	<b>25.4</b>
Total Tax	3.5	0.6	2.7	2.2	2.0	2.7	5.3	6.2
Tax Rate (%)	23.8	3.8	20.5	17.5	32.5	18.5	18.9	24.5
MI & Profit/Loss of Asso. Cos.	2.3	2.2	1.3	2.3	1.5	-0.8	0.2	0.8
<b>Reported PAT - Continuing Ops.</b>	<b>8.8</b>	<b>12.9</b>	<b>9.3</b>	<b>8.1</b>	<b>2.6</b>	<b>12.5</b>	<b>22.6</b>	<b>18.3</b>
<b>Adjusted PAT - Continuing Ops.</b>	<b>8.8</b>	<b>12.3</b>	<b>8.6</b>	<b>8.1</b>	<b>2.6</b>	<b>12.6</b>	<b>22.7</b>	<b>18.3</b>
Change (%)	26.3	39.4	-29.7	-6.4	-68.2	392.9	79.4	-19.2
Margin (%)	8.5	11.9	8.3	7.8	2.5	10.0	13.7	10.8
Reported PAT - Discontinuing Ops.	1.1	11.4	2.2	62.0	0.0	0.0	0.0	0.0
<b>Reported PAT</b>	<b>9.9</b>	<b>24.3</b>	<b>11.6</b>	<b>70.1</b>	<b>2.6</b>	<b>12.6</b>	<b>22.6</b>	<b>18.3</b>
<b>Adjusted PAT</b>	<b>9.9</b>	<b>23.7</b>	<b>10.9</b>	<b>70.1</b>	<b>2.6</b>	<b>12.7</b>	<b>22.7</b>	<b>18.3</b>

Consolidated - Balance Sheet								(INRb)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Reserves	76.5	108.5	120.9	126.4	140.4	180.0	199.2	214.3
<b>Net Worth</b>	<b>79.1</b>	<b>111.0</b>	<b>123.4</b>	<b>129.0</b>	<b>142.9</b>	<b>182.5</b>	<b>201.8</b>	<b>216.8</b>
Minority Interest	26.2	27.2	29.1	7.6	8.5	9.0	9.0	9.0
Total Loans	70.5	64.2	61.4	77.0	69.3	70.3	67.4	57.4
Lease liability	0.0	0.0	0.0	1.9	1.9	1.4	1.9	1.9
Deferred Tax Liabilities	12.4	11.9	13.0	14.4	15.7	20.4	20.4	20.4
<b>Capital Employed</b>	<b>188.2</b>	<b>214.3</b>	<b>227.0</b>	<b>229.9</b>	<b>238.4</b>	<b>283.5</b>	<b>300.5</b>	<b>305.5</b>
Gross Block	120.0	126.1	138.1	161.5	168.2	183.5	205.4	216.4
Less: Accum. Deprn.	10.6	15.8	21.5	28.1	35.7	43.8	52.4	61.7
<b>Net Fixed Assets</b>	<b>109.4</b>	<b>110.3</b>	<b>116.6</b>	<b>133.3</b>	<b>132.4</b>	<b>139.7</b>	<b>153.0</b>	<b>154.7</b>
Goodwill on Consolidation	17.0	17.3	18.6	19.5	19.2	19.7	19.7	19.7
Capital WIP	3.3	4.1	7.7	8.4	10.9	16.7	7.8	6.8
Current Investments	2.2	0.9	22.5	16.0	15.6	13.3	13.3	13.3
<b>Total Investments</b>	<b>27.9</b>	<b>28.7</b>	<b>56.4</b>	<b>43.1</b>	<b>58.7</b>	<b>77.4</b>	<b>77.4</b>	<b>77.4</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>78.5</b>	<b>98.4</b>	<b>69.6</b>	<b>72.6</b>	<b>62.1</b>	<b>84.9</b>	<b>107.6</b>	<b>115.4</b>
Inventory	13.9	14.6	17.3	18.7	16.9	22.9	27.7	28.7
Account Receivables	20.9	13.1	14.5	15.8	14.0	19.3	24.0	24.5
Cash and Bank Balance	16.6	44.8	19.5	20.8	14.1	13.1	22.8	29.2
Loans and Advances	27.0	25.9	18.3	17.3	17.2	29.6	33.1	33.0
<b>Curr. Liability &amp; Prov.</b>	<b>47.9</b>	<b>44.5</b>	<b>42.1</b>	<b>47.0</b>	<b>45.0</b>	<b>54.9</b>	<b>65.0</b>	<b>68.4</b>
Account Payables	13.2	14.8	14.8	16.3	16.8	24.4	30.3	31.3
Other Current Liabilities	14.1	10.9	9.5	11.4	8.5	13.9	14.9	15.2
Provisions	20.6	18.8	17.8	19.3	19.6	16.5	19.9	22.0
<b>Net Current Assets</b>	<b>30.5</b>	<b>53.9</b>	<b>27.6</b>	<b>25.6</b>	<b>17.1</b>	<b>30.1</b>	<b>42.6</b>	<b>46.9</b>
Misc Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Appl. of Funds</b>	<b>188.2</b>	<b>214.3</b>	<b>227.0</b>	<b>229.9</b>	<b>238.4</b>	<b>283.5</b>	<b>300.5</b>	<b>305.5</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>34.5</b>	<b>48.1</b>	<b>33.8</b>	<b>31.7</b>	<b>10.1</b>	<b>49.6</b>	<b>89.0</b>	<b>71.9</b>
Cash EPS	54.6	68.5	56.1	57.8	39.9	81.2	122.8	108.3
BV/Share	310.3	435.7	484.3	506.1	560.8	716.3	791.9	850.8
DPS	11.0	22.0	12.5	11.0	10.0	12.5	13.0	13.0
Payout (%)	39.2	53.4	42.0	42.7	122.3	31.3	14.7	18.1
<b>Valuation (x)</b>								
P/E	32.8	23.5	33.5	35.8	112.5	22.8	12.7	15.7
Cash P/E	20.7	16.5	20.2	19.6	28.4	13.9	9.2	10.4
P/BV	3.6	2.6	2.3	2.2	2.0	1.6	1.4	1.3
EV/Sales	3.5	3.3	3.3	3.2	3.3	2.7	2.0	1.8
EV/EBITDA	17.5	15.2	18.9	17.3	22.4	14.8	8.6	8.7
Dividend Yield (%)	1.0	1.9	1.1	1.0	0.9	1.1	1.1	1.1
FCF per share	113.3	76.9	19.7	-16.3	45.0	-29.1	71.2	90.3
<b>Return Ratios (%)</b>								
RoE	11.9	12.9	7.4	6.4	1.9	7.8	11.8	8.8
RoCE	8.6	10.9	7.2	6.7	3.1	6.2	9.8	8.0
Core RoCE	10.8	15.6	11.2	10.5	5.1	10.2	16.4	13.8
RoIC	8.1	11.6	6.9	7.0	3.2	7.4	13.0	10.5
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.9	0.8	0.7	0.6	0.6	0.7	0.8	0.8
Asset Turnover (x)	0.5	0.5	0.5	0.5	0.4	0.4	0.6	0.6
Inventory (Days)	244	304	315	347	257	317	275	275
Debtor (Days)	74	46	51	56	50	56	53	53
Creditor (Days)	232	307	269	302	256	338	300	300
<b>Leverage Ratio (x)</b>								
Current Ratio	1.6	2.2	1.7	1.5	1.4	1.5	1.7	1.7
Interest Cover Ratio	5.3	5.1	3.4	3.8	2.0	4.9	9.0	7.8
Net Debt/Equity	0.7	0.2	0.2	0.3	0.3	0.2	0.2	0.1
	86	43	97	100				

### Consolidated - Cash Flow Statement

(INRb)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	16.5	15.1	17.3	12.5	6.1	14.5	28.1	25.4
Depreciation	5.5	5.2	5.7	6.7	7.6	8.1	8.6	9.3
Interest & Finance Charges	4.6	1.7	3.7	0.3	1.3	0.5	1.3	1.4
Direct Taxes Paid	-4.5	-0.6	-4.8	-2.2	-2.0	-2.7	-5.3	-6.2
(Inc)/Dec in WC	12.1	4.8	-2.1	0.5	7.3	-6.1	-2.9	2.1
<b>CF from Operations</b>	<b>34.3</b>	<b>26.1</b>	<b>19.7</b>	<b>17.8</b>	<b>20.4</b>	<b>14.3</b>	<b>29.9</b>	<b>32.0</b>
Others	1.0	0.6	-3.9	0.0	0.0	-0.1	1.3	1.0
<b>CF from Operating incl EO</b>	<b>35.3</b>	<b>26.7</b>	<b>15.8</b>	<b>17.8</b>	<b>20.4</b>	<b>14.2</b>	<b>31.1</b>	<b>33.0</b>
(Inc)/Dec in FA	-6.4	-7.1	-10.8	-22.0	-8.9	-21.6	-13.0	-10.0
<b>Free Cash Flow</b>	<b>28.9</b>	<b>19.6</b>	<b>5.0</b>	<b>-4.2</b>	<b>11.5</b>	<b>-7.4</b>	<b>18.1</b>	<b>23.0</b>
(Pur)/Sale of Investments	-2.1	-0.8	-19.7	13.4	-15.6	-18.7	0.0	0.0
Others	0.6	1.6	10.9	-15.1	13.2	31.9	2.0	2.0
<b>CF from Investments</b>	<b>-7.9</b>	<b>-6.3</b>	<b>-19.6</b>	<b>-23.7</b>	<b>-11.3</b>	<b>-8.4</b>	<b>-11.0</b>	<b>-8.0</b>
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Debt	-14.1	-6.3	-5.7	12.6	-7.7	0.9	-2.9	-10.0
Interest Paid	-4.5	-3.3	-2.9	-3.4	-3.7	-3.0	-3.3	-3.4
Dividend Paid	-3.1	-6.9	-6.7	-3.4	-3.1	-3.9	-3.3	-3.3
Others	-1.8	24.2	-6.2	1.4	-1.3	-0.8	-1.0	-1.9
<b>CF from Fin. Activity</b>	<b>-23.4</b>	<b>7.7</b>	<b>-21.5</b>	<b>7.2</b>	<b>-15.8</b>	<b>-6.9</b>	<b>-10.4</b>	<b>-18.6</b>
<b>Inc/Dec of Cash</b>	<b>4.0</b>	<b>28.2</b>	<b>-25.3</b>	<b>1.3</b>	<b>-6.7</b>	<b>-1.0</b>	<b>9.7</b>	<b>6.5</b>
Opening Balance	12.7	16.6	44.8	19.5	20.8	14.1	13.1	22.8
<b>Closing Balance</b>	<b>16.6</b>	<b>44.8</b>	<b>19.5</b>	<b>20.8</b>	<b>14.1</b>	<b>13.1</b>	<b>22.8</b>	<b>29.2</b>

**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

\*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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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