

# Balkrishna Industries

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	BIL IN
Equity Shares (m)	193
M.Cap.(INRb)/(USDb)	440.6 / 5.3
52-Week Range (INR)	2490 / 1801
1, 6, 12 Rel. Per (%)	7/12/-12
12M Avg Val (INR M)	711

## Financials & valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	100.2	106.1	110.8
EBITDA	19.7	25.6	28.3
Adj. PAT	10.1	15.7	17.8
EPS (INR)	52.1	81.3	91.9
EPS Growth (%)	-29.3	55.8	13.1
BV/Share (INR)	390.9	442.2	499.1

## Ratios

RoE (%)	13.9	19.5	19.5
RoCE (%)	10.9	13.7	14.2
Payout (%)	30.7	36.9	38.1

## Valuations

P/E (x)	43.7	28.0	24.8
P/BV (x)	5.8	5.2	4.6
Div. yield (%)	0.7	1.3	1.5
FCF yield (%)	-0.7	3.0	3.0

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	58.3	58.3	58.3
DII	20.3	20.2	11.8
FII	12.4	12.5	14.1
Others	9.0	9.0	15.9

FII Includes depository receipts

**CMP: INR2,279**      **TP: INR2,100 (-8%)**      **Neutral**

**Operationally in line; recovery to further delay in EU**

**Channel inventory de-stocking to continue till July**

- BIL's 4QFY23 performance was operationally in line. Moderating RM and freight cost led to 210bp QoQ improvement in EBITDA margin to 21.3%. While RM and freight costs are likely to see further moderation in FY24, we expect BIL to partially pass on the benefits, resulting in declining realizations in the coming quarters.
- We roll forward our valuation to June'25E EPS valuing BIL with a target price of INR2,100 ascribing it 22x (in line with 5 years LPA)

**Softening RM and freight costs led to EBITDA margin expansion**

- SA Revenue/EBITDA/adj.PAT declined 4%/14%/30.5% YoY to INR23.2b/INR4.9b/INR2.6b. FY23 revenue grew 4% YoY, while EBITDA / adj. PAT declined 7%/26% YoY.
- Despite traditionally being a robust quarter, volumes declined 6% YoY to 72.7k tons (in line) in 4Q, which is primarily due to channel inventory clearance in the end markets. Realizations remained flat YoY (down 4% QoQ) at INR319.9k/unit (v/s est. INR331.3k).
- Gross margin contracted 540bp YoY (up 70bp QoQ) to 49.3% (v/s est.50%). However, there was improved absorption of RM costs in the system.
- EBITDA margin declined 240bp YoY (up 215bp QoQ) to 21.3%. Sequential improvement could be attributed to better gross margin and lower freight costs as a percentage of sales (down 810bp YoY/ down 310bp QoQ).
- Further, higher-than-estimated interest costs, and lower 'other income' led to Adj. PAT declining 31% YoY/up 1.6x QoQ to INR2.6b (v/s est. INR2.7b).
- The board has declared a final dividend of INR4 for FY23 (total FY23 dividend stood at INR16 v/s FY22 dividend of INR28).
- There was a cash outflow of INR3b (v/s an outflow of INR6.8b in FY22). CFO improved to INR14.5b (v/s INR9.1b in FY22), which was offset by higher capex of INR17.5b (v/s INR15.9b in FY22).

**Highlights from the management commentary**

- **Demand outlook-** The management expects 2HFY23 to be better. The European market is expected to normalize by late FY24, while the performance of the India and US markets should sustain in FY24. Retail demand trend in the EU Agri market and the US OTR market is better than wholesales.
- **Realization-** The management expects some minor corrections in the near term. Realization level is expected to gradually decrease to around ~300k. The decrease in realizations in 4QFY23 was primarily attributed to changes in product mix and the impact of freight cost pass-through.
- **Inventory correction should largely get over June-July.** In 4QFY23, the de-stocking amount experienced a marginal decrease compared to the previous quarter. Currently, the company's finished goods inventory level stands at ~45 days and the company indicated that it plans to reduce this further to 40-42 days.

Jinesh Gandhi – Research Analyst (Jinesh@MotilalOswal.com)

Research Analyst: Amber Shukla (Amber.Shukla@MotilalOswal.com) | Aniket Desai (Aniket.Desai@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **EBITDA margin- Expect 200-300bp improvement in FY24.** The management expects RM costs to decline 1-2% in the next quarter. The company might partially pass on the benefits of softening RM.

#### Valuation and view

- We expect near-term headwinds to continue, led by uncertain delayed recovery in EU and likely channel de-stocking in 1QFY24 as well. This should delay EBITDA margin recovery in the near term. However, softening of RM costs and freight expenses, coupled with operating leverage, should drive margin recovery of ~600bp over FY23-FY25.
- Current valuations fairly reflect its industry-leading margin, FCF, and capital efficiencies. The stock currently trades at a P/E multiple of 28x/24.8x FY24E/FY25E EPS. We reiterate our **Neutral** stance on the stock.

#### Quarterly Earnings Model (Standalone)

Y/E March	FY22				FY23				(INR Million)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY22	FY23	4QE
<b>Volumes (Ton)</b>	<b>68,608</b>	<b>72,748</b>	<b>70,320</b>	<b>77,119</b>	<b>83,153</b>	<b>78,872</b>	<b>66,480</b>	<b>72,676</b>	<b>2,88,795</b>	<b>3,01,181</b>	<b>71,593</b>
YoY Change (%)	80.1	18.8	17.6	13.4	21.2	8.4	-5.5	-5.8	27.1	4.3	-7.2
<b>Realizations (INR '000/ton)</b>	<b>266.5</b>	<b>285.9</b>	<b>295.6</b>	<b>315.3</b>	<b>327.9</b>	<b>355.8</b>	<b>333.2</b>	<b>319.9</b>	<b>291.5</b>	<b>334.4</b>	<b>331.3</b>
YoY Change (%)	7.8	12.8	18.2	22.5	23.0	24.5	12.7	1.4	15.4	14.7	5.1
<b>Net Revenues</b>	<b>18,281</b>	<b>20,798</b>	<b>20,790</b>	<b>24,319</b>	<b>27,263</b>	<b>28,063</b>	<b>22,153</b>	<b>23,246</b>	<b>84,187</b>	<b>1,00,725</b>	<b>23,717</b>
YoY Change (%)	94.1	34.0	38.9	39.0	49.1	34.9	6.6	-4.4	46.7	19.6	-2.5
<b>EBITDA</b>	<b>5,339</b>	<b>5,642</b>	<b>5,064</b>	<b>5,763</b>	<b>5,470</b>	<b>5,640</b>	<b>4,233</b>	<b>4,942</b>	<b>21,817</b>	<b>20,284</b>	<b>4,978</b>
Margins (%)	29.2	27.1	24.4	23.7	20.1	20.1	19.1	21.3	25.9	20.1	21.0
Depreciation	1,041	1,085	1,145	1,167	1,262	1,341	1,449	1,515	4,438	5,566	1,464
Interest	21	18	18	21	27	43	136	250	79	456	97
Forex loss/(gain)	-170	-270	-170	210	-260	-490	1,660	-30	-390	880	250
Other Income	400	620	310	520	-150	580	430	280	1,850	1,140	526
<b>PBT before EI</b>	<b>4,847</b>	<b>5,429</b>	<b>4,381</b>	<b>4,884</b>	<b>4,290</b>	<b>5,327</b>	<b>1,417</b>	<b>3,487</b>	<b>19,541</b>	<b>14,521</b>	<b>3,694</b>
Extra-Ord expense	357	299	0	-40	0	0	0	23	615	23	0
<b>PBT</b>	<b>4,490</b>	<b>5,131</b>	<b>4,381</b>	<b>4,924</b>	<b>4,290</b>	<b>5,327</b>	<b>1,417</b>	<b>3,465</b>	<b>18,926</b>	<b>14,499</b>	<b>3,694</b>
Rate (%)	26.2	26.4	25.1	24.1	25.4	24.1	29.8	26.1	25.5	25.7	26.1
<b>Reported PAT</b>	<b>3,312</b>	<b>3,775</b>	<b>3,280</b>	<b>3,737</b>	<b>3,199</b>	<b>4,043</b>	<b>995</b>	<b>2,559</b>	<b>14,103</b>	<b>10,774</b>	<b>2,731</b>
<b>Adj PAT</b>	<b>3,575</b>	<b>3,994</b>	<b>3,280</b>	<b>3,707</b>	<b>3,199</b>	<b>4,043</b>	<b>995</b>	<b>2,576</b>	<b>14,562</b>	<b>10,791</b>	<b>2,731</b>
YoY Change (%)	193.0	17.4	1.8	-0.4	-10.5	1.2	-69.7	-30.5	26.1	-25.9	-26.3
Margins (%)	19.6	19.2	15.8	15.2	11.7	14.4	4.5	11.1	17.3	10.7	11.5

E: MOFSL Estimates

#### Key Performance Indicators

Y/E March	FY22				FY23				FY22	FY23E	4QE
	1Q	2QE	3Q	4Q	1Q	2Q	3Q	4Q			
<b>Volumes (Ton)</b>	<b>68,608</b>	<b>72,748</b>	<b>70,320</b>	<b>77,119</b>	<b>83,153</b>	<b>78,872</b>	<b>66,480</b>	<b>72,676</b>	<b>2,88,795</b>	<b>3,01,181</b>	<b>71,593</b>
YoY Change (%)	80.1	18.8	17.6	13.4	21.2	8.4	-5.5	-5.8	27.1	4.3	-7.2
<b>Realizations (INR '000/ton)</b>	<b>266.5</b>	<b>285.9</b>	<b>295.6</b>	<b>315.3</b>	<b>327.9</b>	<b>355.8</b>	<b>333.2</b>	<b>319.9</b>	<b>291.5</b>	<b>334.4</b>	<b>331.3</b>
YoY Change (%)	7.8	12.8	18.2	22.5	23.0	24.5	12.7	1.4	15.4	14.7	5.1
Gross Margins (%)	57.2	55.4	53.5	54.7	53.4	51.2	48.6	49.3	55.1	50.8	50.0
EBITDA Margins (%)	29.2	27.1	24.4	23.7	20.1	20.1	19.1	21.3	25.9	20.1	21.0
Gross Profit (INR '000/ton)	152.4	158.4	158.3	172.3	175.2	182.2	162.1	157.6	160.7	169.9	165.5
EBITDA (INR '000/ton)	77.8	77.6	72.0	74.7	65.8	71.5	63.7	68.0	75.5	67.3	69.5



## Highlights from the management commentary

- **Demand outlook-** The management expects 2HFY23 to be better. The European market is expected to normalize by late FY24, while the performance of the India and US markets should sustain in FY24. Retail demand trend in the EU Agri market and the US OTR market is better than wholesales.
- **Realization-** The management expects some minor corrections in the near term. Realization level is expected to gradually decrease to around ~300k. The decrease in realizations in 4QFY23 was primarily attributed to changes in product mix and the impact of freight cost pass-through.
- **The company aims for 10% market share over the next four-five years** (v/s 5% currently). While the company is not foreseeing any competition from Chinese players as of now, it will continue to maintain the pricing gap of 15% (lower) v/s other European competitors. The company currently holds a market share is 3-3.5% in the Indian market. However, it does not have any plans to expand into other businesses apart from carbon black.
- **Inventory correction should largely get over June-July.** In 4QFY23, the de-stocking amount experienced a marginal decrease compared to the previous quarter. Currently, the company's finished goods inventory level stands at ~45 days and the company indicated that it plans to reduce this further to 40-42 days. RM inventory typically ranges between 45 and 60 days; however in the recent past, it was relatively higher. It expects this to return to 60 days in the near term.
- **EBITDA margin- Expect 200-300bp improvement in FY24.** The company has incurred higher spends on brand building with an aim to increase market share. However, these higher expenses along with higher freight costs negatively impacted the margins. The management expects RM costs to decline 1-2% in the next quarter. The company might pass on some of the benefits resulting from softening RM costs.
- **Gross debt level stood at INR32b in FY23**, while gross cash and cash equivalents stood at INR20.75b. The management expects gross debt to decline further. The company intends to use cash reserves exclusively for expansion purposes or potential acquisition opportunities. It does not plan to allocate cash toward debt repayment.
- **Capex- FY24 guidance of INR5.5-6b** including maintenance capex of INR2.5-3b and new products such as rubber tracks and giant solid tyres.
  - The advanced carbon black project of 30k MT is delayed and the company expects to complete the same in 2HFY24.
  - The brownfield capacity of 25k MTPA at Waluj has been successfully completed. The full ramp-up of this capacity is expected to be achieved over a period of six months. Waluj has total capacity of 55k MT/annum. At the company level, the achievable capacity currently stands at 360k MTPA.
  - Ended the year with 301k MT in FY23. The company would need to increase its capacity to achieve its aim of 10% market share globally. There is ample room in Bhuj for further capacity expansion. Brownfield expansions will take 15-20 months to become operational.
- **Hedge rate for 4QFY23/FY23** was INR86.5/85.3. FY24 hedge rate should be INR88-89. The next 8-10 months have already been hedged (~80% of the exposure).
- **Carbon black sales to third parties** account for 6% of the company's total revenue for the full year. The utilization rate of the carbon black plant stands at 85-90%.

Key exhibits

Exhibit 1: Volume trend

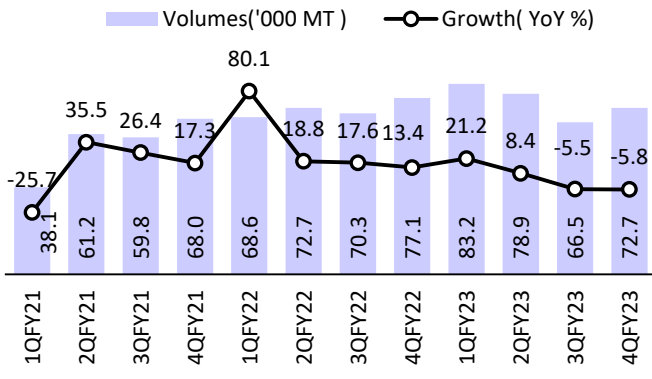


Exhibit 2: Trend in revenue

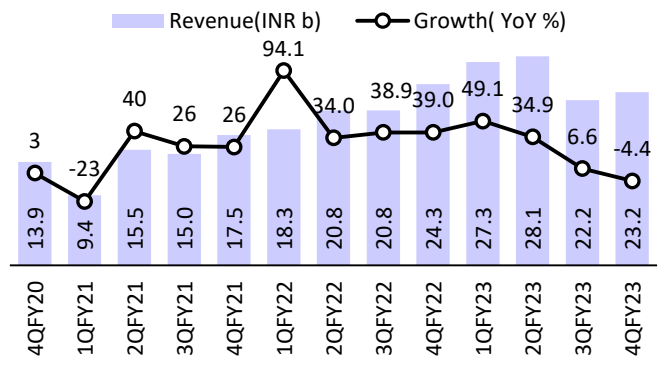


Exhibit 3: Net realization trend

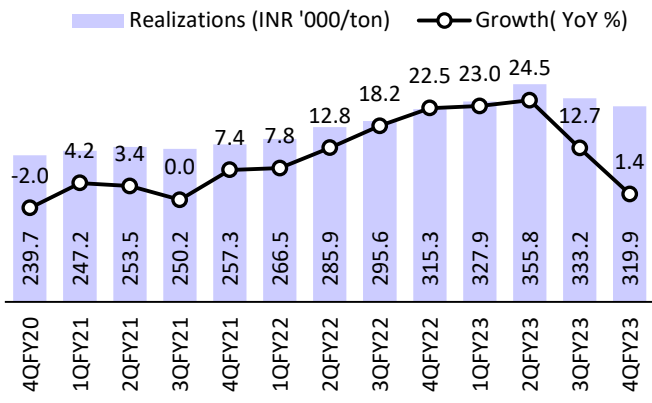


Exhibit 4: Gross profit margin trend

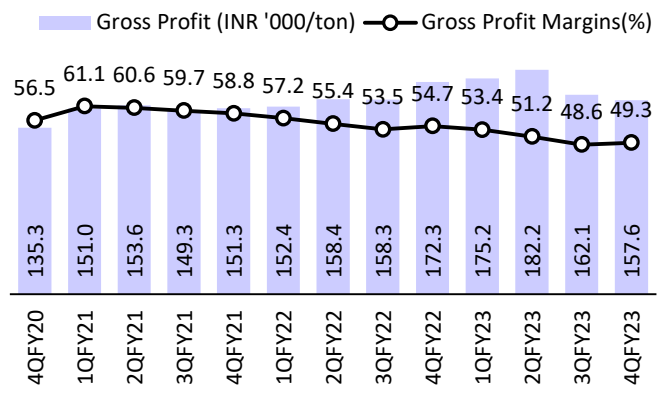


Exhibit 5: EBITDA margin trend

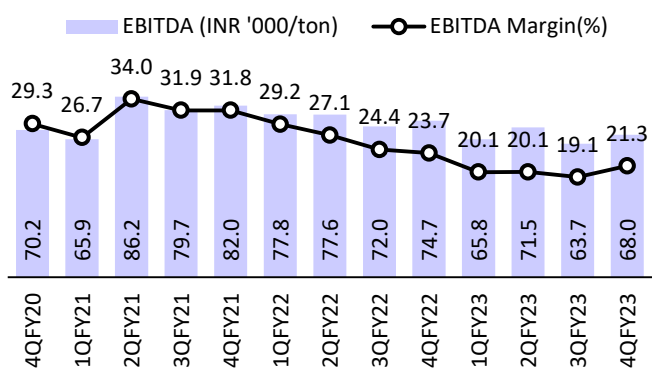


Exhibit 6: PAT and PAT growth trends

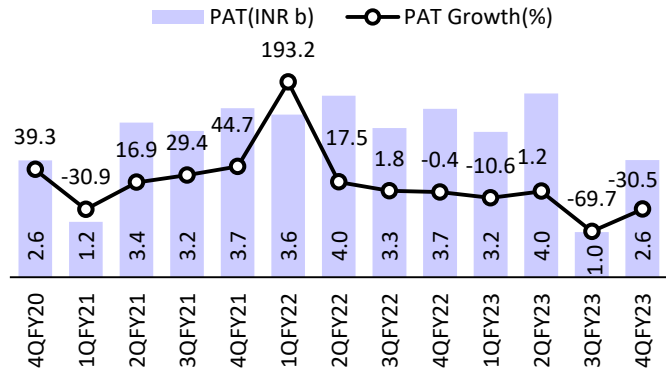


Exhibit 7: Geography-wise contribution

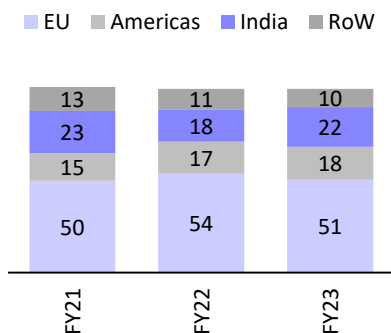


Exhibit 8: Channel-wise sales

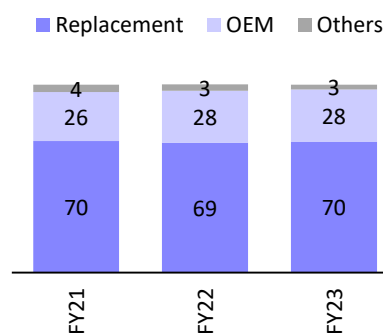
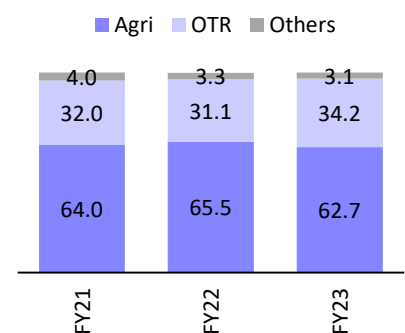


Exhibit 9: Segment-wise sales



Source: Company, MOFSL

## Valuation and view

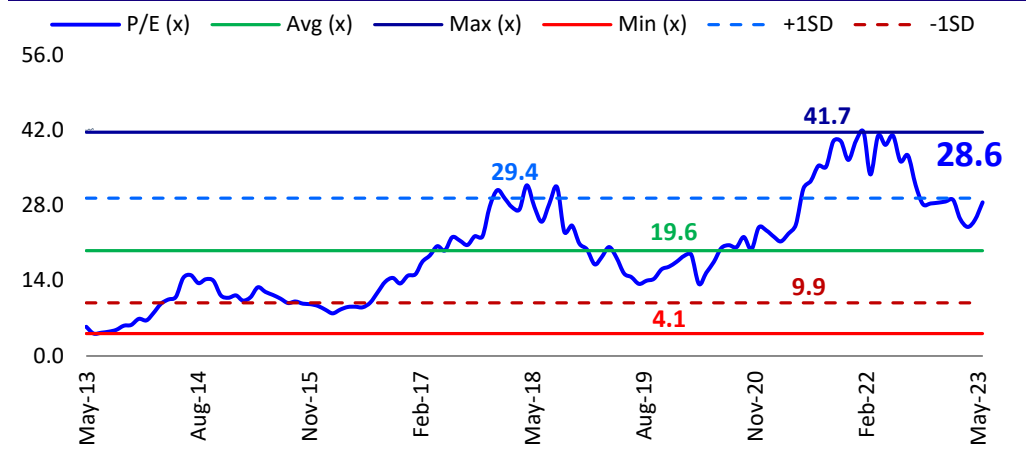
### Current valuation fairly reflects industry-leading margin, FCF, and capital efficiency

- Profitable market share gains to continue:** We expect BIL to continue outperforming the industry and further strengthen its competitive position. The company possesses a well-established competitive advantage, which has enabled consistent market share gains. Its competitive advantage is driven by: a) competitive costs and pricing, b) consistent product portfolio expansion, and c) expanding reach. With the current market share of ~5% in the USD15b global Specialty Tyre segment, BIL aspires to increase it to 10% over the next four-to-five years by: a) ramping-up in the OTR segment, which is much larger than Agri Tyres, b) strengthening its presence in North America and RoW markets, and c) gaining share with OEMs. We expect volume/revenue CAGR of ~7%/5% over FY23-25E.
- Investing to improve its competitiveness:** The management has invested over ~INR30b in the last three years toward expanding capacity in tyres as well as carbon black and modernization & automation. At the company level, achievable capacity stands at 360k MTPA. As a percentage of sales, capex intensity would start moderating in FY24-25 to ~6% of sales (v/s last five years average of 16%), driving improvement in FCF generation.
- Earnings growth to pick up:** We estimate EBITDA/PAT for BIL to grow at 20%/33% over FY23-25. Also, we estimate EBITDA margin expansion of ~600bp over FY23-25 to 25.6%. With lower capex intensity, we expect FCF generation to improve, resulting in FCF conversion (% of PAT) to average 78% over FY24-25 (v/s average ~2% for last five years).
- Valuations factor in a focused strong business model:** BIL ranks the highest among its domestic peers in terms of cost competitiveness and financial strength. In terms of valuation, it trades at a substantial premium to its mainstream peers. Its current valuation fairly reflects its industry-leading margin, FCF, and capital efficiencies. The stock currently trades at a P/E multiple of 28x/24.8x FY24E/FY25E EPS. We roll forward our valuation to June'25E EPS valuing BIL with a target price of INR2,100 ascribing it 22x (in line with 5 years LPA)

#### Exhibit 10: Revised forecast (Consol)

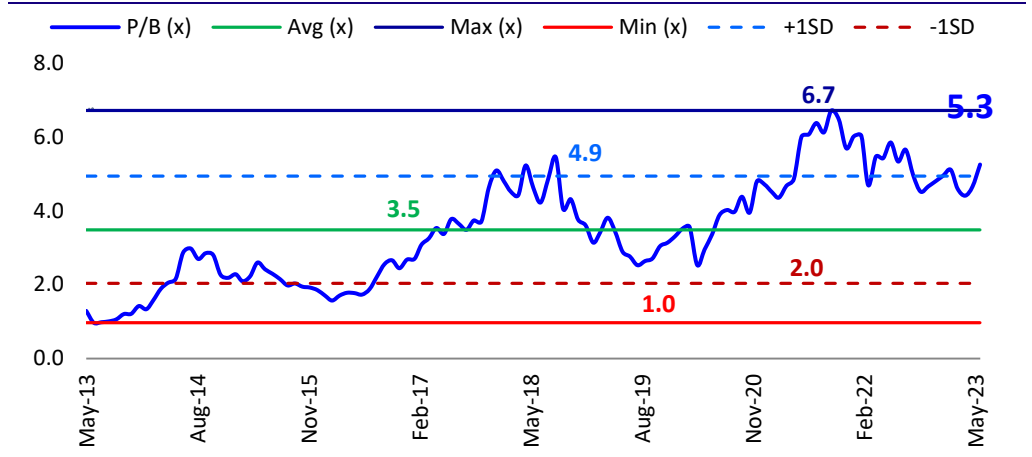
(INR M)	FY24E			FY25E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	1,06,147	1,08,599	-2.3	1,10,847	1,16,665	-5.0
EBITDA	25,560	25,988	-1.6	28,340	29,268	-3.2
EBITDA (%)	24.1	23.9	10bp	25.6	25.1	50bp
Adj. PAT	15,708	15,500	1.3	17,770	17,821	-0.3
EPS (INR)	81.3	80.2	1.3	91.9	92.2	-0.3

**Exhibit 11: One-year forward P/E**



Source: MOFSL, Company

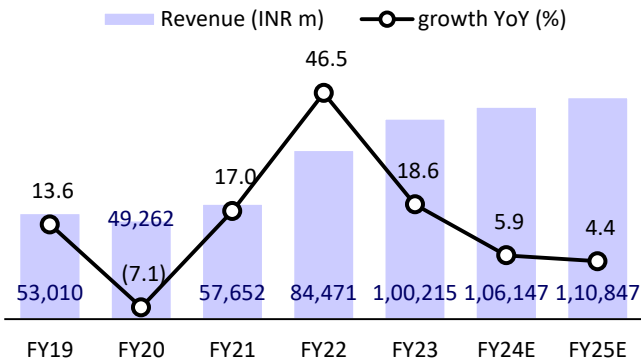
**Exhibit 12: One-year forward P/B band**



Source: MOFSL, Company

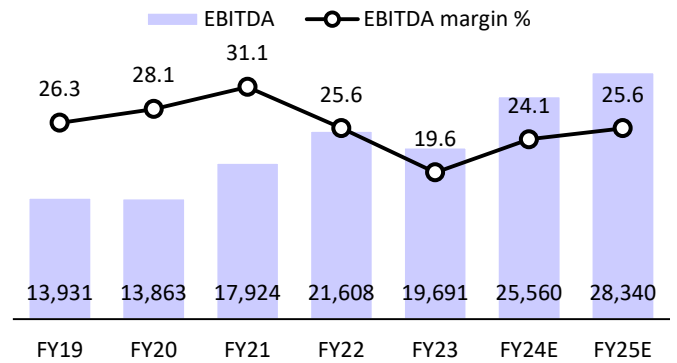
Story in charts

Exhibit 13: Revenue to witness a ~5 CAGR over FY23-25



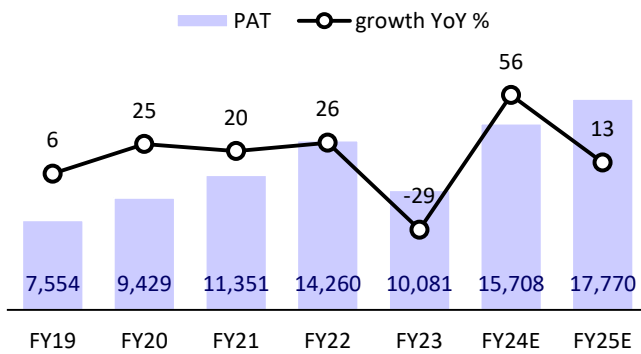
Source: Company, MOFSL

Exhibit 14: EBITDA margin to improve over FY23-25E



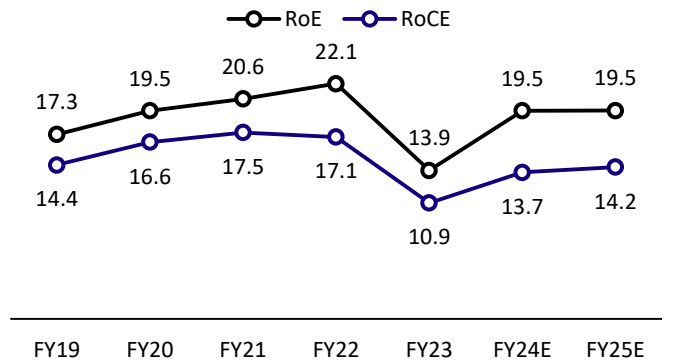
Source: Company, MOFSL

Exhibit 15: PAT to witness a CAGR of ~33% over FY23-25



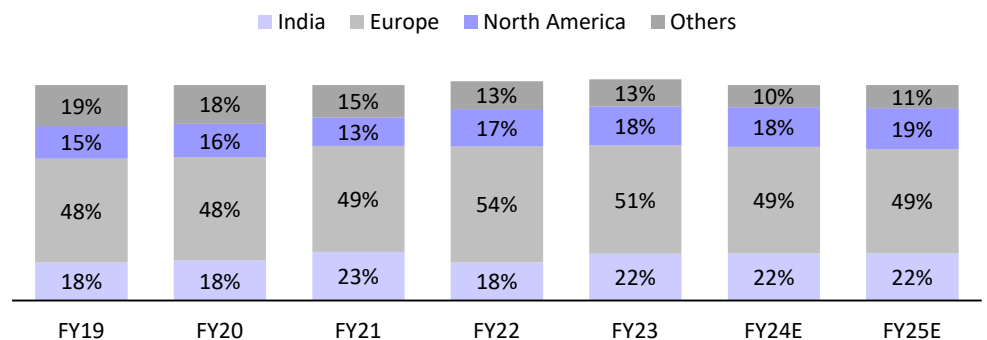
Source: Company, MOFSL

Exhibit 16: RoE to remain subdued



Source: Company, MOFSL

Exhibit 17: Market mix can potentially improve toward the US and India



Source: Company, MOFSL



## Financials and valuations

Consolidated - Income Statement						(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Adj. Net Revenues</b>	<b>53,010</b>	<b>49,262</b>	<b>57,652</b>	<b>84,471</b>	<b>1,00,215</b>	<b>1,06,147</b>	<b>1,10,847</b>
Change (%)	13.6	-7.1	17.0	46.5	18.6	5.9	4.4
Raw Materials	24,441	21,388	23,110	37,778	49,153	51,481	52,320
Employees Cost	2,992	3,286	3,709	4,301	4,594	4,870	4,967
Other Expenses	11,646	10,726	12,909	20,785	26,777	24,235	25,219
<b>Total Expenditure</b>	<b>39,079</b>	<b>35,400</b>	<b>39,728</b>	<b>62,864</b>	<b>80,524</b>	<b>80,586</b>	<b>82,506</b>
% of Sales	73.7	71.9	68.9	74.4	80.4	75.9	74.4
<b>EBITDA</b>	<b>13,931</b>	<b>13,863</b>	<b>17,924</b>	<b>21,608</b>	<b>19,691</b>	<b>25,560</b>	<b>28,340</b>
EBITDA Margin (%)	26.3	28.1	31.1	25.6	19.6	24.1	25.6
Depreciation	3,326	3,736	4,163	4,554	5,708	6,134	6,591
<b>EBIT</b>	<b>10,605</b>	<b>10,126</b>	<b>13,761</b>	<b>17,054</b>	<b>13,983</b>	<b>19,427</b>	<b>21,749</b>
EBIT Margin (%)	20.0	20.6	23.9	20.2	14.0	18.3	19.6
Int. and Finance Charges	111	89	114	92	480	418	418
Fx loss/(gain)	-100	0	-180	-390	880	-500	-500
Other Income	990	1,190	1,297	1,920	1,215	1,491	1,926
<b>PBT bef. EO Exp.</b>	<b>11,583</b>	<b>11,228</b>	<b>15,125</b>	<b>19,272</b>	<b>13,838</b>	<b>21,000</b>	<b>23,756</b>
EO Items	0	0	0	-615	-23	0	0
<b>PBT after EO Exp.</b>	<b>11,583</b>	<b>11,228</b>	<b>15,125</b>	<b>18,657</b>	<b>13,816</b>	<b>21,000</b>	<b>23,756</b>
Total Tax	4,029	1,799	3,774	4,852	3,751	5,292	5,987
Eff. Tax Rate (%)	34.8	16.0	25.0	26.0	27.2	25.2	25.2
Minority Interest	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>7,554</b>	<b>9,429</b>	<b>11,351</b>	<b>13,804</b>	<b>10,064</b>	<b>15,708</b>	<b>17,770</b>
<b>Adjusted PAT</b>	<b>7,554</b>	<b>9,429</b>	<b>11,351</b>	<b>14,260</b>	<b>10,081</b>	<b>15,708</b>	<b>17,770</b>
Change (%)	6.2	24.8	20.4	25.6	-29.3	55.8	13.1

Consolidated - Balance Sheet						(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	387	387	387	387	387	387	387
Total Reserves	46,150	49,696	59,612	68,944	75,183	85,092	96,096
<b>Net Worth</b>	<b>46,537</b>	<b>50,083</b>	<b>59,998</b>	<b>69,330</b>	<b>75,569</b>	<b>85,478</b>	<b>96,483</b>
Minority Interest	0	0	0	0	0	0	0
Total Loans	8,796	9,316	10,006	25,286	33,465	33,465	33,465
Deferred Tax Liabilities	3,255	1,783	2,035	2,509	2,419	2,419	2,419
<b>Capital Employed</b>	<b>58,588</b>	<b>61,182</b>	<b>72,039</b>	<b>97,125</b>	<b>1,11,453</b>	<b>1,21,362</b>	<b>1,32,366</b>
Gross Block	39,355	48,210	52,954	64,051	83,492	96,908	1,05,908
Less: Accum. Deprn.	12,264	15,992	20,115	24,651	30,359	36,492	43,084
<b>Net Fixed Assets</b>	<b>27,091</b>	<b>32,218</b>	<b>32,839</b>	<b>39,401</b>	<b>53,133</b>	<b>60,415</b>	<b>62,824</b>
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	6,004	5,866	8,555	12,584	13,916	5,500	5,500
Investment property	772	857	864	793	708	708	708
<b>Total Investments</b>	<b>10,826</b>	<b>10,625</b>	<b>14,177</b>	<b>18,967</b>	<b>20,367</b>	<b>20,367</b>	<b>20,367</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>20,099</b>	<b>18,498</b>	<b>25,230</b>	<b>38,045</b>	<b>35,353</b>	<b>49,513</b>	<b>58,779</b>
Inventory	7,587	6,156	9,397	16,721	16,674	14,541	15,184
Account Receivables	5,171	5,899	7,536	10,962	11,153	13,087	13,666
Cash and Bank Balance	656	691	780	517	763	8,799	16,263
Loans and Advances	6,684	5,752	7,517	9,846	6,763	13,087	13,666
<b>Curr. Liability &amp; Prov.</b>	<b>6,202</b>	<b>6,882</b>	<b>9,626</b>	<b>12,665</b>	<b>12,024</b>	<b>15,141</b>	<b>15,811</b>
Account Payables	3,861	3,837	6,550	8,293	4,921	10,178	10,629
Other Current Liabilities	2,073	2,746	2,750	4,056	6,754	4,362	4,555
Provisions	267	299	326	316	348	600	627
<b>Net Current Assets</b>	<b>13,897</b>	<b>11,616</b>	<b>15,604</b>	<b>25,380</b>	<b>23,330</b>	<b>34,372</b>	<b>42,968</b>
<b>Appl. of Funds</b>	<b>58,589</b>	<b>61,182</b>	<b>72,039</b>	<b>97,125</b>	<b>1,11,453</b>	<b>1,21,362</b>	<b>1,32,366</b>



## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>39.1</b>	<b>48.8</b>	<b>58.7</b>	<b>73.8</b>	<b>52.1</b>	<b>81.3</b>	<b>91.9</b>
Cash EPS	56.3	68.1	80.3	97.3	81.7	113.0	126.0
BV/Share	240.7	259.1	310.4	358.7	390.9	442.2	499.1
DPS	7.5	22.0	17.0	28.0	16.0	30.0	35.0
Payout (%)	23.1	54.4	29.0	39.2	30.7	36.9	38.1
<b>Valuation (x)</b>							
P/E	58.3	46.7	38.8	30.9	43.7	28.0	24.8
Cash P/E	40.5	33.5	28.4	23.4	27.9	20.2	18.1
P/BV	9.5	8.8	7.3	6.4	5.8	5.2	4.6
EV/Sales	8.5	9.1	7.8	5.5	4.7	4.4	4.1
EV/EBITDA	32.2	32.4	25.1	21.5	24.0	18.2	16.2
Dividend Yield (%)	0.3	1.0	0.7	1.2	0.7	1.3	1.5
FCF per share	4.4	20.2	21.5	-35.2	-15.7	67.5	67.4
<b>Return Ratios (%)</b>							
RoE	17.3	19.5	20.6	22.1	13.9	19.5	19.5
RoCE	14.4	16.6	17.5	17.1	10.9	13.7	14.2
RoIC	17.0	20.0	22.3	22.2	14.4	17.8	18.4
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	1.3	1.0	1.1	1.3	1.2	1.1	1.0
Asset Turnover (x)	0.9	0.8	0.8	0.9	0.9	0.9	0.8
Inventory (Days)	52	46	59	72	61	50	50
Debtor (Days)	36	44	48	47	41	45	45
Creditor (Days)	27	28	41	36	18	35	35
<b>Leverage Ratio (x)</b>							
Current Ratio	3.2	2.7	2.6	3.0	2.9	3.3	3.7
Interest Cover Ratio	95.3	113.8	120.9	186.4	29.1	46.4	52.0
Net Debt/Equity	-0.1	0.0	-0.1	0.1	0.2	0.1	0.0

### Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	11,863	11,393	15,541	19,207	14,326	21,000	23,756
Depreciation	3,326	3,736	4,163	4,554	5,708	6,134	6,591
Interest & Finance Charges	49	-135	-289	-324	116	-782	-1,202
Direct Taxes Paid	-4,076	-2,884	-3,510	-4,579	-3,429	-5,292	-5,987
(Inc)/Dec in WC	-1,934	544	-1,273	-8,289	-1,865	-3,007	-1,132
<b>CF from Operations</b>	<b>9,228</b>	<b>12,653</b>	<b>14,632</b>	<b>10,569</b>	<b>14,855</b>	<b>18,053</b>	<b>22,027</b>
Others	-1,024	-922	-1,242	-1,488	-376	0	0
<b>CF from Operating incl EO</b>	<b>8,204</b>	<b>11,731</b>	<b>13,390</b>	<b>9,080</b>	<b>14,480</b>	<b>18,053</b>	<b>22,027</b>
(Inc)/Dec in FA	-7,344	-7,830	-9,232	-15,889	-17,523	-5,000	-9,000
<b>Free Cash Flow</b>	<b>860</b>	<b>3,901</b>	<b>4,159</b>	<b>-6,809</b>	<b>-3,043</b>	<b>13,053</b>	<b>13,027</b>
(Pur)/Sale of Investments	877	863	-2,891	-3,516	-883	0	0
Others	108	190	388	431	575	1,200	1,620
<b>CF from Investments</b>	<b>-6,360</b>	<b>-6,778</b>	<b>-11,734</b>	<b>-18,975</b>	<b>-17,831</b>	<b>-3,800</b>	<b>-7,380</b>
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	213	279	857	15,498	7,097	0	0
Interest Paid	-115	-88	-114	-90	-420	-418	-418
Dividend Paid	-1,745	-5,126	-2,316	-5,603	-3,091	-5,799	-6,766
Others	0	-13	-3	0	-1	0	0
<b>CF from Fin. Activity</b>	<b>-1,647</b>	<b>-4,947</b>	<b>-1,575</b>	<b>9,804</b>	<b>3,585</b>	<b>-6,217</b>	<b>-7,184</b>
<b>Inc/Dec of Cash</b>	<b>197</b>	<b>7</b>	<b>81</b>	<b>-90</b>	<b>234</b>	<b>8,036</b>	<b>7,464</b>
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening Balance	265	462	468	549	459	693	8,729
<b>Closing Balance</b>	<b>462</b>	<b>468</b>	<b>549</b>	<b>459</b>	<b>693</b>	<b>8,729</b>	<b>16,193</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations). Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at

<http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances.

The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.