MOTILAL OSWAL FINANCIAL SERVICES

24 May 2023

4QFY23 Results Update | Sector: Metals

Hindalco

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	HNDL IN
Equity Shares (m)	2247
M.Cap.(INRb)/(USDb)	914.7 / 11.1
52-Week Range (INR)	504 / 309
1, 6, 12 Rel. Per (%)	-8/-6/-12
12M Avg Val (INR M)	3840
Free float (%)	65.4

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	2,232	2,189	2,365
EBITDA	227	262	283
Adj. PAT	101	105	120
EBITDA Margin (%)	10	12	12
Cons. Adj. EPS (INR)	45	47	54
EPS Gr. (%)	-26	5	14
BV/Sh. (INR)	311	355	406
Ratios			
Net D:E	0.5	0.3	0.1
RoE (%)	16.3	14.2	14.1
RoCE (%)	11.0	11.3	11.5
Payout (%)	7.7	7.4	6.5
Valuations			
P/E (x)	9.0	8.6	7.6
P/BV (x)	1.3	1.1	1.0
EV/EBITDA(x)	5.6	4.4	3.6
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	10.4	18.2	17.8

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	34.6	34.6	34.6
DII	26.5	27.1	19.2
FII	30.3	30.0	29.2
Others	8.6	8.3	17.0

FII Includes depository receipts

CMP: INR407 TP: INR510 (+25%) Buy

Revenue in line, EBITDA below estimate; outlook positive

- Consolidated revenue was flat YoY at INR559b and was in line with our estimate of INR535b.
- Consolidated EBITDA was down 27% YoY at INR53b and was 13% below our estimate of INR61b due to higher input costs, an unfavorable macro-economic scenario and high employee costs, partially offset by lower power expenses.
- The finance cost was up 23% YoY at INR10b, while depreciation came in at INR19b (YoY +5%). APAT was down 42% at INR24b and was in line with our estimate of INR23b. A lower-than-expected tax rate aided APAT.
- FY23 revenue/EBITDA/APAT stood at INR2,232b/INR227b/INR101b (YoY up 14%/down 20%/down 26%).

Aluminum upstream business

- 4QFY23 shipments stood at 323kt, taking yearly shipments to 1.3mt (in line with estimate).
- Revenue for the upstream business was down 13% YoY at INR80.5b.
- EBITDA declined 41% YoY to INR22b, due to lower metal prices, higher input costs and unfavorable macros.
- EBITDA/t stood at USD825/t, one of the best in the industry.

Aluminum downstream business

- 4QFY23 shipments stood at 90kt, taking yearly shipments to 354mt (in line with estimate).
- Revenue for the downstream business was down 17% YoY at INR27b.
- EBITDA declined 20% YoY to INR1.1b, due to lower offtake from the consumer durable segment, an adverse sales mix, lower pricing and flat volumes.
- EBITDA/t stood at USD152/t.

Copper business

- 4QFY23 copper metal shipments were the highest ever at 117kt, taking yearly shipments to 439mt (9% above our estimate).
- Revenue was up 14% YoY at INR112b and EBITDA grew 55% YoY to INR6b. The performance was aided by higher global prices, better volumes and better TC/RC.

Highlights from the management commentary

- Aluminum CoP for 4QFY23 was down 6% and is expected to be at the similar level in 1QFY24.
- The Chakla mine is expected to come on stream in FY25, and the work is progressing as per the timeline.
- A 30kt extrusion facility at Silvassa is expected to come on stream in FY24.
- About 11% of the Indian aluminum business is hedged at USD2,755/t.

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- The Copper unit is currently under the planned maintenance shutdown, which will impact the margin in 1QFY24. Margin is expected to be in the range of USD350-400/t.
- Disciplined capital allocation will continue for both Indian operations and Novelis. New capex will be subject to incremental internal accruals only.
- Management expects the beverage can debottlenecking to continue in 1QFY24 and to start to stabilize from 2QFY24 onward.

Valuation and view

- The quarterly performance was largely in line, with a marginal miss in margin. Management has not guided for any CoP reduction and as the copper unit, which contributes substantially to domestic operations, is currently undergoing a scheduled maintenance shutdown until mid-Jun'23, which will impact margin to some extent. We have slightly lowered our FY24 consolidated EBITDA/APAT estimates by 2%/5%.
- We believe the stock has fully priced in headwinds, such as a slowdown in China, the impact of high interest rates and higher input costs. Robust demand in India, an increase in capacity utilization, higher spends on infrastructure, better business sentiment and moderating commodity prices should support the company's performance ahead. We remain confident about the company's long-term growth opportunities and believe that any weakness in the stock after 4Q results should be an opportunity to buy. We maintain our BUY rating with our SoTP-based TP at INR510.

Consolidated quarterly performance (INR b)

Y/E March	FY22				FY23				FY22	FY23	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**414**	**477**	**503**	**558**	**580**	**562**	**532**	**559**	**1,951**	**2,232**	**535.1**	**4.4**
Change (YoY %)	63.6	52.6	43.8	37.7	40.2	17.9	5.7	0.2	48.0	14.4		
Change (QoQ %)	2.1	15.2	5.5	10.9	4.0	-3.2	-5.4	5.1				
Total Expenditure	352	401	429	485	496	508	496	505	1,667	2,005	474.1	
EBITDA	**61**	**75**	**74**	**73**	**84**	**54**	**35**	**53**	**283**	**227**	**61.1**	**-12.8**
Change (YoY %)	218.8	55.9	41.8	29.4	37.5	-28.9	-51.9	-27.1	63.4	-20.0		
Change (QoQ %)	8.6	22.9	-2.2	-0.9	15.4	-36.4	-33.8	50.1				
As % of Net Sales	14.8	15.8	14.7	13.1	14.5	9.5	6.7	9.5	14.5	10.2		
Interest	8	13	9	8	9	9	9	10	38	36	9.3	
Depreciation	16	16	17	18	17	17	18	19	67	71	18.1	
Other Income	3	4	2	3	2	3	4	4	11	13	0.7	
PBT (before EO item)	39	51	50	50	60	31	12	28	**190**	**132**	**34.3**	
Extra-ordinary Income	6	0	2	-3	0	0	0	0	6	0	0.0	
PBT (after EO item)	**45**	**51**	**52**	**48**	**61**	**31**	**12**	**28**	**196**	**132**	**34.3**	
Current Tax	7	11	10	10	11	7	4	7	38	29	11.2	
Deferred Tax	6	5	5	-1	9	2	-5	-2	16	3	0.0	
Total Tax	13	16	15	9	20	9	-1	4	54	31	11.2	
% Tax	33.1	31.9	31.0	18.2	32.6	28.9	-12.2	15.1	27.5	23.8	32.5	
Reported PAT	**32**	**35**	**37**	**39**	**41**	**22**	**14**	**24**	**142**	**101**	**23.2**	
Adjusted PAT	**26**	**35**	**34**	**41**	**41**	**22**	**14**	**24**	**136**	**101**	**23.2**	**4.0**
Change (YoY %)	-1,854.0	78.7	55.5	115.3	55.0	-36.1	-60.3	-41.5	174.3	-26.2		
Change (QoQ %)	37.7	31.1	-0.8	20.2	-0.9	-45.9	-38.3	77.1				

Source: MOFSL, Company

Exhibit 1: Quarterly (SA+Utkal) (INR b)

Y/E March	FY22				FY23				FY22	FY23	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Aluminium sales vol (kt)	303	338	325	336	333	341	349	323	1,302	1,346	325	-0.6
Copper sales vol (kt)	80	110	110	105	101	112	109	117	405	439	107	9.3
Net Sales	**133**	**174**	**185**	**196**	**192**	**190**	**194**	**204**	**689**	**781**	**200**	**2.1**
Change (YoY %)	78.8	81.8	61.8	35.6	44.0	9.0	5.1	4.2	60.4	13	2.0	
Change (QoQ %)	-7.8	30.3	6.3	6.2	-2.0	-1.4	2.5	5.2			3.0	
EBITDA	**24**	**35**	**36**	**42**	**37**	**23**	**22**	**26**	**137**	**107**	**25**	**4.9**
Change (YoY %)	172.3	173.6	136.0	124.5	52.4	-34.5	-39.7	-38.9	146.5	-22	-41.8	
Change (QoQ %)	29.4	43.3	3.2	17.2	-12.1	-38.4	-4.9	18.7			13.2	
Interest	4	4	4	4	4	3	3	3	16	14	4	
Depreciation	5	6	5	6	6	6	6	6	22	24	6	
Other Income	1	2	0	0	0	0	0	0	3	0	1	
PBT (before EO item)	**16**	**27**	**26**	**33**	**28**	**13**	**13**	**16**	**102**	**70**	**16**	
EO item	0	0	0	-1	0	0	0	0	-1	0	0	
PBT (after EO item)	**16**	**27**	**26**	**32**	**28**	**13**	**13**	**16**	**101**	**70**	**16**	
Total Tax	6	9	9	11	10	4	1	4	35	20	5	
% Tax	35.8	33.5	34.1	36.4	36.4	30.8	7.0	27.7	34.9	28.0	33.0	
Reported PAT	**10**	**18**	**17**	**20**	**18**	**9**	**12**	**12**	**66**	**51**	**11**	**8.8**
Adjusted PAT	**10**	**18**	**17**	**21**	**18**	**9**	**12**	**12**	**67**	**50**	**11**	**8.8**
Change (YoY %)	846.2	374.1	222.0	224.5	69.7	-49.3	-31.1	-43.4	298.8	-24		
Change (QoQ %)	62.4	75.0	-4.5	19.5	-15.1	-47.7	29.8	-1.9				

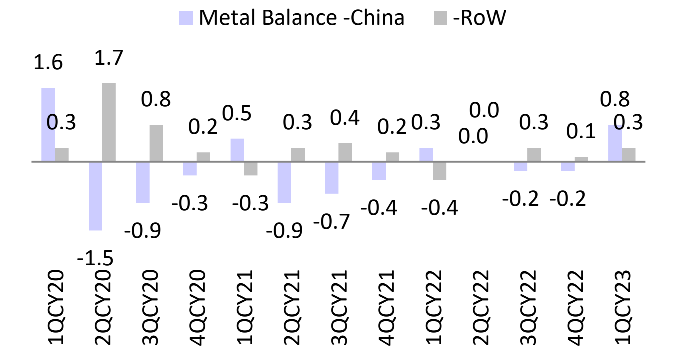
Source: MOFSL, Company

Exhibit 2: Quarterly performance for Novelis (USD m)

Y/E March	FY22				FY23				FY22	FY23	FY23	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			4QE	(%)
Sales (000 tons)	**973**	**968**	**930**	**987**	**962**	**984**	**908**	**936**	**3,858**	**3,790**	**975**	**-4.0**
Change (YoY %)	24.6	4.9	-0.3	0.4	-1.1	1.7	-2.4	-5.2	6.6	-1.8	-1.2	
Change (QoQ %)	-1.0	-0.5	-3.9	6.1	-2.5	2.3	-7.7	3.1	0.0	0.0	7.4	
Net Sales	**3,855**	**4,119**	**4,326**	**4,849**	**5,089**	**4,799**	**4,201**	**4,397**	**17,149**	**18,486**	**4,055**	**8.4**
Change (YoY %)	58.9	38.3	33.5	33.5	32.0	16.5	-2.9	-9.3	39.7	7.8	-16.4	
Change (QoQ %)	6.2	6.8	5.0	12.1	4.9	-5.7	-12.5	4.7	0.0	0.0	-3.5	
EBITDA (adjusted)	**508**	**553**	**506**	**430**	**561**	**502**	**341**	**403**	**1,997**	**1,807**	**452**	**-10.9**
Change (YoY %)	100.8	21.5	6.3	-14.9	10.4	-9.2	-32.6	-6.3	18.2	-9.5	5.2	
Change (QoQ %)	0.6	8.9	-8.5	-15.0	30.5	-10.5	-32.1	18.2	0.0	0.0	32.7	
EBITDA per ton (USD)	**522**	**571**	**544**	**436**	**583**	**510**	**376**	**431**	**518**	**477**	**464**	
Interest	56	59	54	54	58	65	69	70	223	262	69	
Depreciation	134	134	137	145	138	134	133	135	550	540	149	
PBT (before EO item)	**318**	**360**	**315**	**231**	**365**	**303**	**139**	**198**	**1,224**	**1,005**	**234**	
Extra-ordinary Income	30	(44)	36	(10)	28	(55)	(133)	(41)	12	(201)	-	
PBT (after EO item)	**348**	**316**	**351**	**221**	**393**	**248**	**6**	**157**	**1,236**	**804**	**234**	
Total Tax	108	79	89	5	87	65	-6	1	281	147	70	
% Tax	31.0	25.0	25.4	2.3	22.1	26.2	-100.0	0.6	22.7	18.3	30.0	
Reported PAT	**240**	**237**	**262**	**217**	**307**	**183**	**12**	**156**	**956**	**658**	**164**	
Change (YoY %)	-404	-741	47	23	28	-23	-95	-28	303	-31	-24	
Adjusted PAT	**210**	**281**	**226**	**227**	**279**	**238**	**145**	**197**	**944**	**859**	**164**	**20.2**
Change (YoY %)	116.5	58.8	14.7	26.1	32.9	-15.3	-35.8	-13.2	45.0	-9.0	-27.8	
Change (QoQ %)	16.7	33.8	-19.6	0.4	22.9	-14.7	-39.1	35.9			13.0	

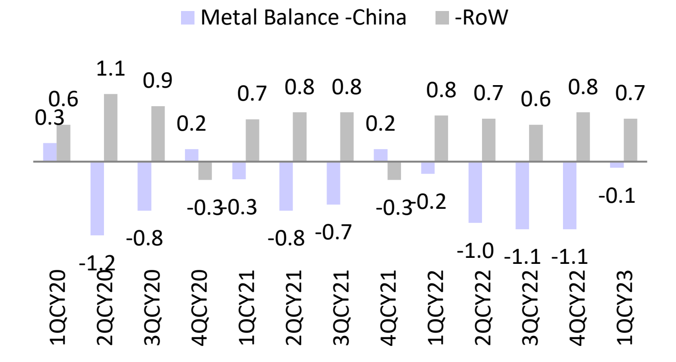
Source: MOFSL, Company

Exhibit 3: Aluminum market balance: Surplus/(deficit) (mt): China has a surplus of 0.8mt and ex-China surplus at 0.3mt



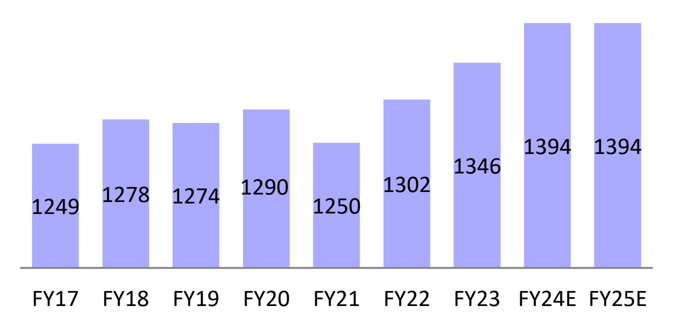
Source: MOFSL, Company

Exhibit 4: Copper market balance: Surplus/(deficit) (mt): net global deficit of 0.6mt



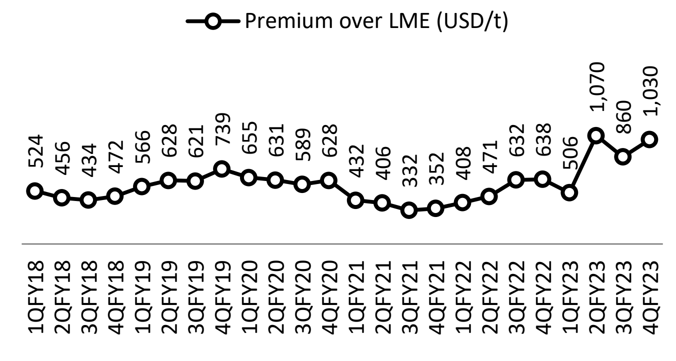
Source: MOFSL, Company

Exhibit 5: Al upstream production (kt) expected to improve in FY24



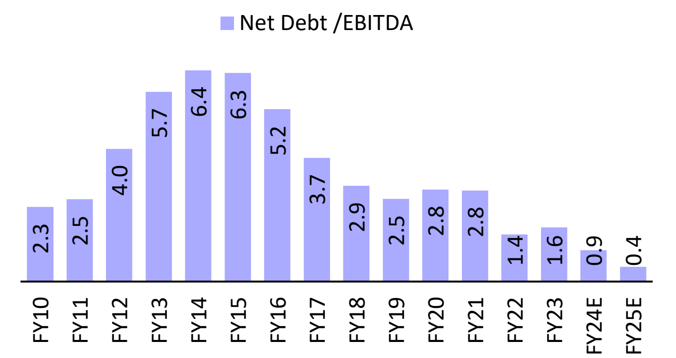
Source: MOFSL, Company

Exhibit 6: Aluminum premium over LME improved in 4QFY23 (incl. hedged gains/loss)



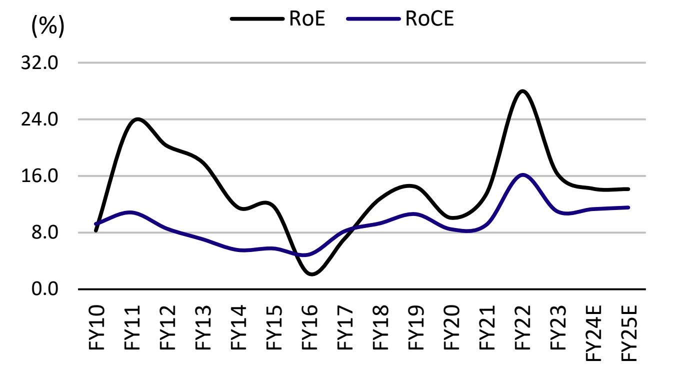
Source: MOFSL, Company

Exhibit 7: Leverage to remain at record low level



Source: MOFSL, Company

Exhibit 8: Returns to improve from FY24E onward



Source: MOFSL, Company

Highlights from the management commentary

Guidance:

- The Indian aluminum business is hedged at 11% at USD2,755/t and going forward, the management will hedge at USD2,500/t and above levels.
- It expects the beverage can debottlenecking to continue in 1QFY24 and will start to stabilize from 2QFY24 onward.
- With easing supply chain constraints and higher demand for value-addition products and light-weight metal, the automobile segment is witnessing huge demand and is expected to clock a CAGR of 11% over the next five years.

- The Copper unit is currently the under planned maintenance shutdown, which will impact the margin in 1QFY24. Margin is expected to be in the range of USD350-400/t.
- Aluminum CoP for 4QFY23 was down 6% and is expected to be in the similar range in 1QFY24.
- The Chakla mine is expected to come on stream in FY25 and the work is progressing as per the timeline.
- Disciplined capital allocation will continue for both Indian operations and Novelis. New capex will be subject to incremental internal accruals only.
- Treasury for FY24 is expected to be in similar range as FY23.

Copper Tc/Rc:

- HNDL has long-term linkages of up to 80% from Chile, Peru and Indonesia.
- Spot Tc/Rc stood at USD21c/lb in 4Q FY23 (v/s USD22/lb in 3Q FY23).

Capex:

- HNDL incurred INR30b of capex in FY23.
- The company is expected to incur INR50b in capex in FY24.
- The 30kt extrusion facility at Silvassa is expected to come on stream in FY24, which will augment the VAP downstream capacity of HNDL. Full benefits will accrue in FY25.

Coal linkages:

- During 4QFY23, ~52% of coal requirement was met via linkage, 44% via e-auction and the remaining via a mix of own mines and imports.
- E-auction premium, which was ~400% in previous quarters, has now declined and as the supply of coal improves, it is expected to normalize to pre-Covid levels.
- HNDL carries 22 days of coal inventory and even though the prices have cooled off, the management will build its coal inventory before the monsoon season to keep the coal cost unchanged in 1QFY24.
- As the Chakla mine comes on stream by FY25, it will reduce the dependency on procurement of coal from external sources.

Global/domestic demand:

- Global aluminum production for 1QCY23 (4QFY23) was up 2% YoY to 17.1mt, primarily driven by a 4% increase in production from China.
- Global aluminum consumption during the quarter was down 6% at 16mt, leading to a surplus metal balance of 1.1mt.
- Indian aluminum demand is expected to be ~1.17mt (up 13% YoY), primarily driven by higher demand from the packaging and construction sector, which was offset by lower demand from the consumer durable sector.
- Global copper production during the quarter grew by 4% YoY to 6.3mt and consumption grew by 2% YoY to 5.7mt, a surplus of 0.6mt. Market demand in India was relatively better at 199kt (up 16% YoY).
- Domestic demand is expected to be robust in India, with the thrust on infrastructure, better manufacturing sentiment, higher demand for automobiles, etc., which will keep the demand for copper and aluminum elevated.

Focus on value enhancement growth

- HNDL is focusing on organic growth and being a product plus solutions company.
- HNDL is expanding its downstream capacity in copper as well as aluminum.
- New strategic capex will be in line with cash flow generation.

Leverage position:

- Consolidated net debt stood at INR371b and net debt/EBITDA is 1.6x.

Takeaways from the Novelis' conference call

Guidance for FY24:

- Novelis has guided for healthy OCF in FY24 and will follow a disciplined approach to managing cash.
- It has guided for EBITDA/t of USD525/t by 4QFY24.
- Destocking in the beverage can segment will take one more quarter to normalize and it will start to fade from 2QFY24 onward.
- As 1Q and 2Q will face headwinds from the construction and beverage can segments and 3Q is usually a seasonally slower quarter, volume should pick up from 4QFY24 onward.
- Growth targets remain unchanged at 3% for the beverage can segment and 11% for the auto segment.
- New hedges will be done over the spot prices, which will help the company improve margins and EBITDA/t.
- Net leverage for FY24 will not cross 3x.
- No volume guidance was given for FY24.
- Novelis has a total manufacturing capacity of 1,000kt, which caters to the automotive sector and is currently operational at 75% capacity utilization. As demand for light-weight fuel-efficient vehicles increases, the capacity utilization is expected to improve.
- Long-term FRP demand fundamentals remain intact.

Capex

- Novelis has guided for a total capex of USD1.6-1.9b in FY24 (including USD300m of maintenance capex).
- The entire capex will be funded by internal accruals. Though short-term facilities may rise, the company will maintain its debt levels by the second half.
- The USD3.3b capex is spread across three major verticals: 1) USD2.5b fully integrated rolling and recycling facility at Bay Minette (USA), 2) USD415m recycling facilities at Guthrie (USA) and Ulsan (South Korea), and 3) USD350m debottlenecking at various locations.
- The Bay Minette facility will add 600kt of finished goods, which will cater to the beverage can market and the project is on track. The Bay Minette facility will be highly effective and help Novelis achieve its long-term FRP target in a sustainable manner.
- The Guthrie facility will cater to automotive recycling. The high-return deep debottlenecking projects undertaken across USA, South Korea and Brazil are expected to be commissioned by FY25.

Demand

- **Beverage Can**: The sector witnessed destocking in 3QFY23 and went under a structural shift following a decline in home consumption after people resumed offices post Covid lockdowns, especially in Asian countries. However, the impact of destocking has been gradually reducing and is expected to fade from 2QFY24 onward. The long-term growth targets for the beverage can segment remains intact at 3%. As the Bay Minette (USA) rolling and recycling facility is commissioned in FY25, Novelis will achieve its long-term FRP target in a sustainable manner.
- **Automobiles**: The demand for automobiles has been rising on the back of pent-up demand across different geographies, lower dealer inventory and a shift toward greener transportation. As the world moves toward lighter and more durable vehicles to improve the car performance and curb emissions, the demand for aluminium in the transportation sector increases. Novelis expects strong growth from this segment and expects a CAGR of 11% in demand. With healthy demand for light-weight vehicles, an increase in the number of EV launches and improved fuel efficiencies, the demand for aluminium is expected to remain high. Novelis expects no slowdown in this sector.
- **Speciality**: This segment is directly linked to the macro economy and housing demand of the country. The company is witnessing some softness in this segment and expects it to continue until 3QFY24. Novelis expects the demand to pick up in 4QFY24.
- **Aerospace**: This is a low-volume and high-value segment. Novelis expects robust demand form this segment as the air traffic increases.

Exhibit 9: Change in key assumptions and our estimates

		FY23E			FY24E			FY25E		
		New	Old	% change	New	Old	% change	New	Old	% change
Volumes	`									
Aluminium	kt	1,346	1,348	-0.1	1,394	1,397	-0.2	1,394	1,397	-0.2
Copper	kt	439	429	2.3	414	414	0.0	410	410	0.0
Novelis	kt	3,790	3,790	0.0	4,051	4,051	0.0	4,380	4,380	0.0
EBITDA/t										
Aluminium (incl Utkal)	USD/t	838	820	2.2	709	743	-4.5	787	827	-4.8
Copper	"	637	630	1.1	514	545	-5.8	564	564	0.0
Novelis	"	477	477	0.0	499	499	0.0	503	503	0.0
Consolidated Results										
Revenue	INR b	2,232	2,237	-0.2	2,189	2,190	0.0	2,365	2,366	0.0
EBITDA	"	227	230	-1.6	262	267	-2.0	283	288	-1.7
Consol PAT	"	101	102	-1.7	105	111	-5.1	120	124	-3.7

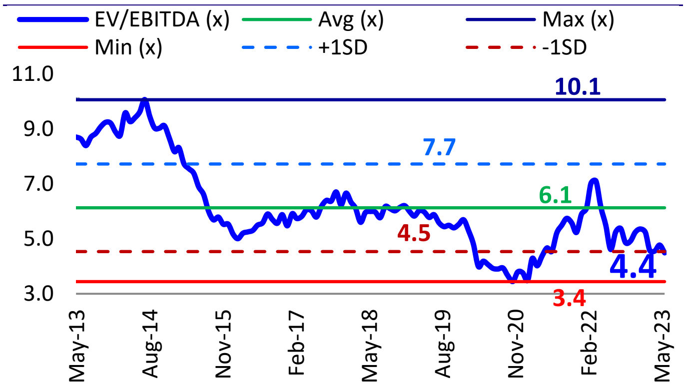
Source: MOFSL

Exhibit 10: Valuation

Y/E March	UoM	2024E
Hindalco - India		
Aluminum		
Volumes	kt	1,394
EBITDA	INR/t	59,849
EBITDA	USD/t	709
EBITDA	**INR m**	**75,255**
Copper		
Volumes	kt	414
EBITDA	INR/t	43,350
EBITDA	USD/t	514
EBITDA	**INR m**	**17,947**
Others (EBITDA)	INR m	-1,559
EBITDA Hindalco - India	**INR m**	91,642
EV/EBTIDA (x)	x	5.0
Target EV	INR m	4,54,545
Novelis		
Volumes	kt	4,051
EBITDA	USD/t	499
USD/INR	x	84.4
EBITDA	**INR m**	1,70,603
EV/EBTIDA (x)	x	5.0
Target EV	INR m	8,46,189
Target EV - Group	**INR m**	**13,00,734**
Net Debt	INR m	2,48,795
Equity Value	INR m	10,51,939
Equity Value	INR/sh	474
Investments (quoted)	INR m	82,992
Investments (quoted)	INR/sh	37
Target Price	**INR/sh**	**510**

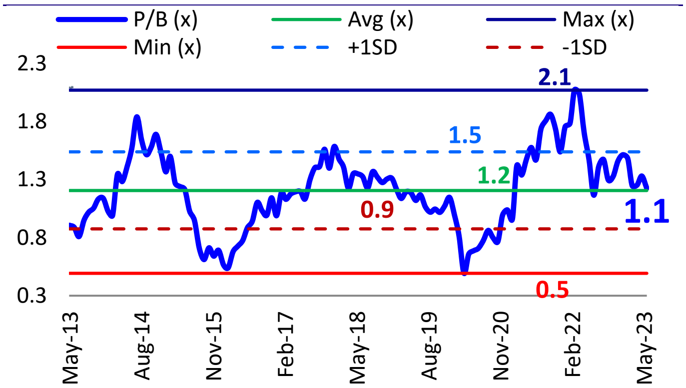
Source: MOFSL

Exhibit 11: Stock remains comfortable on EV/EBITDA valuation below -1SD…



Source: Company Data

Exhibit 12: … P/B near its LTA



Source: Company Data

Exhibit 13: Global comparable valuation

Company	M-Cap USD mn	P/E (x) CY21/ FY22	P/E (x) CY22/ FY23E	P/E (x) CY23/ FY24E	EV/EBITDA (x) CY21/ FY22	EV/EBITDA (x) CY22/ FY23E	EV/EBITDA (x) CY23/ FY24E	P/B (x) CY21/ FY22	P/B (x) CY22/ FY23E	P/B (x) CY23/ FY24E	RoE (%) CY21/ FY22	RoE (%) CY22/ FY23E	RoE (%) CY23/ FY24E
Hindalco*	**11,208**	**6.6**	**9.0**	**8.6**	**4.6**	**5.6**	**4.4**	**1.7**	**1.3**	**1.1**	**28.0**	**16.3**	**14.2**
Alcoa	6,310	9.5	56.0	7.0	3.6	7.1	3.6	1.2	1.3	1.2	14.1	1.6	12.7
Norsk Hydro	13,444	6.0	10.6	9.0	3.6	5.3	4.6	1.3	1.3	1.3	26.4	12.4	14.2
CHALCO	13,015	10.8	11.5	8.9	7.8	6.4	5.2	1.0	1.0	0.9	9.1	9.2	11.2
RUSAL	6,454	2.7	2.7	3.5	3.1	NA	NA	0.5	0.4	0.4	25.3	17.5	11.5
Alumina	2,802	25.4	43.9	14.6	20.1	28.9	11.4	1.7	1.8	1.6	7.9	3.7	11.6

Source: MOFSL, Company, Bloomberg (*) denotes MOFSL estimates

Financials and valuations

Consolidated Income Statement									(INR b)
Y/E March	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Net sales	**1,002**	**1,152**	**1,305**	**1,181**	**1,318**	**1,951**	**2,232**	**2,189**	**2,365**
Total Expenses	877	1,014	1,150	1,039	1,144	1,667	2,005	1,927	2,082
EBITDA	**124**	**138**	**155**	**142**	**174**	**283**	**227**	**262**	**283**
Depn. & Amortization	45	45	48	51	65	67	71	72	75
EBIT	**80**	**93**	**107**	**91**	**109**	**216**	**156**	**190**	**208**
Net Interest	57	39	38	42	37	38	36	35	36
Other income	11	10	11	12	12	11	13	0	4
PBT before EO	**33**	**64**	**81**	**61**	**83**	**190**	**132**	**155**	**176**
EO income (exp)	0	18	0	-2	-4	6	0	0	0
PBT after EO	**33**	**82**	**81**	**59**	**79**	**196**	**132**	**155**	**176**
Tax	14	21	26	22	27	54	31	50	56
Reported PAT	**19**	**61**	**55**	**38**	**52**	**142**	**101**	**105**	**120**
Minority interests	0	0	0	0	0	0	0	0	0
Share of asso.	0	-1	0	0	0	0	0	0	0
Adjusted PAT	**19**	**42**	**55**	**39**	**55**	**136**	**101**	**105**	**120**

Balance Sheet									(INR b)
Y/E March	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Share Capital	2	2	2	2	2	2	2	2	2
Reserves	458	546	573	581	663	780	946	1,044	1,157
Net Worth	**461**	**549**	**575**	**583**	**665**	**782**	**948**	**1,047**	**1,159**
Minority Interest	0	0	0	0	0	0	0	0	0
Total Loans	638	520	524	674	660	632	583	633	683
Deferred Tax Liability	20	31	37	38	36	44	73	73	73
Capital Employed	**1,118**	**1,100**	**1,136**	**1,295**	**1,361**	**1,459**	**1,605**	**1,753**	**1,916**
Gross Block	1,041	1,083	1,131	1,200	1,343	1,470	1,561	1,561	1,561
Less: Accum. Deprn.	365	410	458	509	574	641	712	784	859
Net Fixed Assets	**676**	**673**	**673**	**691**	**770**	**829**	**849**	**777**	**701**
Goodwill	171	178	186	201	233	240	257	257	257
Capital WIP	18	21	41	77	102	49	77	129	180
Investments	62	69	52	31	77	87	83	83	83
Working capital Assets	**530**	**530**	**567**	**686**	**706**	**1,014**	**969**	**1,130**	**1,349**
Inventory	183	216	222	224	307	445	430	421	455
Account Receivables	83	100	115	93	130	211	162	159	172
Cash and Bank Balance	172	120	136	278	182	228	212	385	557
Others (incl. LT)	92	94	94	90	88	130	165	165	165
Working capital liability	**338**	**370**	**383**	**391**	**527**	**760**	**630**	**622**	**655**
Account Payables	179	204	207	183	283	442	418	410	443
Others (incl. LT)	160	166	175	208	244	318	212	212	212
Net Working Capital	**191**	**160**	**185**	**295**	**180**	**254**	**339**	**508**	**694**
Appl. of Funds	**1,118**	**1,100**	**1,136**	**1,295**	**1,361**	**1,459**	**1,605**	**1,753**	**1,916**

Financials and valuations

Cash Flow Statement									(INR b)
Y/E March	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
EBITDA	124	138	155	142	174	283	227	262	283
XO Exp. (income)	4	3	0	-3	-3	15	-3	0	0
tax paid	-8	-14	-19	-1	-13	-38	-27	-50	-56
Change in WC	7	-18	-17	-12	14	-92	-5	3	-14
CF from Op. Activity	**127**	**109**	**120**	**127**	**172**	**168**	**192**	**216**	**213**
(Inc)/Dec in FA + CWIP	-29	-30	-60	-68	-56	-54	-98	-52	-52
Free Cash Flow to firm	**97**	**79**	**60**	**59**	**117**	**114**	**94**	**164**	**161**
(Pur)/Sale of Inv. & yield	6	25	7	7	9	-59	20	0	4
Others & M&A	4	8	5	10	-173	59	-26	0	0
CF from Inv. Activity	**-20**	**3**	**-48**	**-51**	**-220**	**-55**	**-105**	**-52**	**-48**
Equity raised/(repaid)	33	0	-1	0	0	-1	-1	0	0
Debt raised/(repaid)	-25	-123	-14	109	-10	-28	-55	50	50
Interest	-61	-38	-36	-40	-37	-33	-38	-35	-36
Dividend (incl. tax)	-2	-3	-3	-3	-2	-7	-9	-7	-7
CF from Fin. Activity	**-56**	**-164**	**-55**	**66**	**-49**	**-68**	**-103**	**8**	**8**
(Inc)/Dec in Cash	**51**	**-53**	**17**	**142**	**-96**	**46**	**-16**	**172**	**173**
Add: Opening Balance	121	172	120	136	278	182	228	212	385
Closing Balance	**172**	**120**	**136**	**278**	**182**	**228**	**212**	**385**	**557**

Ratios									
Y/E March	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Basic (INR)									
EPS	**8.6**	**18.9**	**24.7**	**17.5**	**24.6**	**61.3**	**45.3**	**47.3**	**53.8**
Cash EPS	28.6	47.6	46.2	39.8	52.5	94.3	77.4	79.9	87.7
BV/Share (adj.)	129.9	166.1	175.0	171.8	194.3	244.3	311.1	355.4	406.3
DPS	1.1	1.4	1.2	1.2	3.5	4.0	3.0	3.0	3.0
Payout (%)	15.0	8.7	5.7	8.0	16.7	7.6	7.7	7.4	6.5
Valuation (x)									
P/E	47.5	21.6	16.5	23.3	16.6	6.6	9.0	8.6	7.6
Cash P/E	14.2	8.5	8.8	10.2	7.8	4.3	5.3	5.1	4.6
P/BV	3.1	2.5	2.3	2.4	2.1	1.7	1.3	1.1	1.0
EV/Sales	1.4	1.1	1.0	1.1	1.0	0.7	0.6	0.5	0.4
EV/EBITDA	11.0	9.5	8.3	9.2	8.0	4.6	5.6	4.4	3.6
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.9	1.0	0.7	0.7	0.7
Return Ratios (%)									
EBITDA Margins (%)	12.4	12.0	11.9	12.0	13.2	14.5	10.2	12.0	12.0
Net Profit Margins (%)	1.9	3.7	4.2	3.3	4.1	7.0	4.5	4.8	5.1
RoE	7.1	12.8	14.5	10.1	13.4	28.0	16.3	14.2	14.1
RoCE (pre-tax)	8.2	9.3	10.6	8.5	9.1	16.1	11.0	11.3	11.5
RoIC (pre-tax)	9.1	10.8	11.9	10.3	11.5	21.6	14.6	15.9	18.4
Working Capital Ratios									
Fixed Asset Turnover (x)	1.0	1.1	1.2	1.0	1.0	1.3	1.4	1.4	1.5
Asset Turnover (x)	0.9	1.0	1.1	0.9	1.0	1.3	1.4	1.2	1.2
Debtor (Days)	30	32	32	29	36	39	27	27	27
Inventory (Days)	67	69	62	69	85	83	70	70	70
Payable (Days)	65	65	58	56	78	83	68	68	68
Leverage Ratio (x)									
Current Ratio	1.6	1.4	1.5	1.8	1.3	1.3	1.5	1.8	2.1
Interest Cover Ratio	1.4	2.4	2.8	2.2	2.9	5.7	4.3	5.4	5.8
Debt/Equity	1.6	1.1	1.0	1.0	1.1	0.7	0.5	0.3	0.1

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); 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.
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