

**BUY** Ramkrishna Forgings

ASIAMONEY BROKERS POLL - 2023

Emkay Research

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**Strong performance; gaining structural strength**

Auto &amp; Auto Ancillaries ▶ Result Update ▶ July 22, 2023

**TARGET PRICE (Rs): 555**

**Ramkrishna Forgings (RKFL) reported a strong Q1FY24 performance, with revenue up 28% YoY (despite Q1 being seasonally weak; flat QoQ) and 25% YoY rise in volumes on stronger exports. RKFL is undertaking several initiatives (refer to our report) to structurally boost its growth prospects, thus moving into higher value-add assemblies and diversifying by exploring complementary products & assemblies, apart from future-proofing itself in the EV-shift together with high focus on BS deleveraging, even as it incurs calibrated growth capex/bolt-on acquisitions. Driven by healthy volume growth (15-20% guidance for 3-4 years), continued diversification, and improving financials (higher return ratios/reducing leverage), we increase our EV/EBITDA to 11x (~35% premium to the 5-year average of 8x; ~16.5x for BHFC), with 21% EPS CAGR over FY23-26E. We raise FY24E/FY25E EPS by 7%/5% and maintain our BUY rating with revised TP of Rs555/sh (Rs390 earlier).**

**Ramkrishna Forgings: Financial Snapshot (Standalone)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	22,854	30,010	36,418	40,291	42,751
EBITDA	5,270	6,682	8,247	9,290	9,961
Adj. PAT	2,065	2,356	3,645	4,129	4,321
Adj. EPS (Rs)	12.9	14.7	22.2	25.1	26.3
EBITDA margin (%)	23.1	22.3	22.6	23.1	23.3
EBITDA growth (%)	129.2	26.8	23.4	12.6	7.2
Adj. EPS growth (%)	637.6	14.1	50.4	13.3	4.6
RoE (%)	20.8	19.5	23.9	21.8	19.4
RoIC (%)	12.8	12.2	16.8	17.7	17.6
P/E (x)	39.1	34.3	22.8	20.1	19.2
EV/EBITDA (x)	18.1	13.9	11.4	10.1	8.9
P/B (x)	7.4	6.1	4.8	4.0	3.5
FCFF yield (%)	(2.7)	4.6	2.8	4.5	4.9

Source: Company, Emkay Research

**Strong performance in an otherwise seasonally-weak quarter:** Revenue grew 28% YoY (flat QoQ) to Rs8.4bn, at 6% above consensus estimate. EBITDA margin expanded by 40bps YoY (-10bps QoQ) to 22.4% (Emkay est.: 21.1%; Consensus est.: 20.8%), mainly led by positive operating leverage. 'Other income' grew 617% YoY (+178% QoQ) to Rs47mn, which was largely related to forex gain worth Rs30mn. Tax rate stood at 23.8%, as Management shifted to the lower tax regime in FY24. PAT increased to Rs0.8bn (Emkay: Rs0.4bn; Consensus: Rs0.6bn), beating estimates owing to both — higher operating profit and 'other income'.

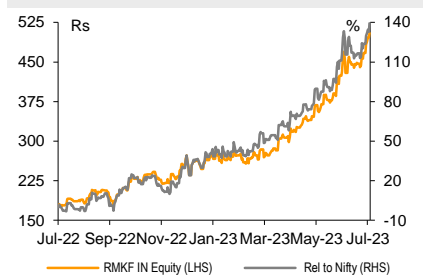
**Earnings-call KTAs:** i) Indicates robust demand outlook within India and North America, with volume growth guidance of 15-20% for FY24 as well as for the next 3-4 years. ii) Through a combination of organic and inorganic routes, the company is expanding its product portfolio (adding new verticals), geographical reach (more countries, deeper penetration) and foraying into higher-value sub-assemblies and assemblies. iii) Margin guidance for expansion by another 50-100bps from 1Q levels. iv) Recent expansion in: a) Cold forging with Rs1.25b capex will add 25k MT capacity; 100% capacity is booked, with revenue generating from Q1FY25; entirely for EVs and PVs. b) Warm forging with 56,300MT capacity for differential gears parts; commenced production in 1Q with supplies to CVs; full utilization expected in FY25E; to cater to CVs, tractors and PVs, with margin profile higher than that of current business. vi) Company announced the acquisition of Multitech (MAPL), which makes differential assembly & trailer axle assembly consisting of castings & forgings; the acquisition will expand Company's presence in B2C categories and help it to make entire assemblies (vs only components); as a result, Company expects additional revenue of Rs5-6bn over 2 years. During FY23, MAPL clocked revenue of Rs3bn, EBITDA margin of 14%, gross debt of Rs450mn, asset turnover of 1:3, and net working capital at 60 days. vii) Railways is expected to contribute 4-4.5% to the Company revenue in FY24. viii) FY24 revenue mix guidance of 60:40 (Domestic:Exports) and 70:30 (Auto:Non-Auto). ix) Management does not expect any equity dilution in the foreseeable future; cash-flows are strong enough to fund capex as well as help deleverage; Mgmt expects net debt:EBITDA to lower, from 1.55x to 1x in coming 6-8 quarters. x) FY24 capex guidance: Rs3-3.5bn.

Target Price – 12M	Jun-24
<b>Change in TP (%)</b>	<b>42.3</b>
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	10.0
CMP (21-Jul-23) (Rs)	504.7

Stock Data	Ticker
52-week High (Rs)	509
52-week Low (Rs)	164
Shares outstanding (mn)	159.9
Market-cap (Rs bn)	81
Market-cap (USD mn)	985
Net-debt, FY24E (Rs mn)	11,217
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	294.8
ADTV-3M (USD mn)	3.6
Free float (%)	53.6
Nifty-50	19,745
INR/USD	82.0
<b>Shareholding, Mar-23</b>	
Promoters (%)	46.3
FPIs/MFs (%)	14.8/4.8

**Price Performance**

(%)	1M	3M	12M
Absolute	7.5	58.6	191.4
Rel. to Nifty	2.7	41.6	145.1

**1-Year share price trend (Rs)****Chirag Jain**chirag.jain@emkayglobal.com  
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## Exhibit 1: Q1FY24 Quarterly Snapshot

(Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	YoY (%)	QoQ (%)
Revenue	6,507	7,625	7,523	8,354	8,359	28.5	0.1
Expenditure	5,071	5,925	5,860	6,472	6,484	27.9	0.2
<i>as % of sales</i>	77.9	77.7	77.9	77.5	77.6		
Consumption of RM	2,930	3,680	3,637	4,191	4,281	46.1	2.2
<i>as % of sales</i>	45.0	48.3	48.3	50.2	51.2		
Employee Cost	356	373	324	390	438	23.0	12.3
<i>as % of sales</i>	5.5	4.9	4.3	4.7	5.2		
Power Cost	458	433	461	526	508	10.9	(3.4)
<i>as % of sales</i>	7.0	5.7	6.1	6.3	6.1		
Other expenditure	1,326	1,439	1,438	1,365	1,257	(5.2)	(7.9)
<i>as % of sales</i>	20.4	18.9	19.1	16.3	15.0		
EBITDA	1,437	1,701	1,663	1,882	1,875	30.5	(0.3)
Depreciation	471	496	489	557	571	21.2	2.4
EBIT	966	1,204	1,173	1,325	1,305	35.0	(1.5)
Other Income	7	6	8	17	47	617.6	178.0
Interest	257	278	296	318	342	33.2	7.4
PBT	716	932	885	1,023	1,010	41.1	(1.3)
Total Tax	243	293	310	355	240	(1.2)	(32.3)
Adjusted PAT	473	639	576	668	770	62.9	15.2
Extra ordinary items Loss/(Gain)	0	0	0	0	0		
Reported PAT	473	639	576	668	770	62.9	15.2
Adjusted EPS (Rs)	3.0	4.0	3.6	4.2	4.8	62.9	15.2

(%)						(bps)	(bps)
EBITDA margin	22.1	22.3	22.1	22.5	22.4	35	(9)
EBIT margin	14.8	15.8	15.6	15.9	15.6	76	(25)
EBT margin	11.0	12.2	11.8	12.2	12.1	108	(17)
PAT margin	7.3	8.4	7.7	8.0	9.2	194	121
Effective Tax rate	34.0	31.4	35.0	34.7	23.8	(1,019)	(1,089)

Source: Company, Emkay Research

## Exhibit 2: Actual vs Estimates (Q1FY24)

(Rs mn)	Actual	Emkay Est	% variance	Consensus	% variance
Net sales	8,359	7,158	16.8	7,897	5.9
EBITDA	1,875	1,513	23.9	1,645	14.0
EBITDA margin (%)	22.4	21.1	129 bps	20.8	161 bps
Adj net income	770	448	71.9	647	19.0
FDEPS (Rs)	159.9	93.0	71.9	134.4	19.0

Source: Company, Emkay Research

## Exhibit 3: Change in estimates

(Rs mn)	FY24E				FY25E				FY26E	
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Introducing	% YoY
Revenue	34,747	36,418	4.8	21.4	38,713	40,291	4.1	10.6	42,751	6.1
EBITDA	7,872	8,247	4.8	23.4	8,891	9,290	4.5	12.6	9,961	7.2
EBITDA margin (%)	22.7	22.6	-1 bps	38 bps	23.0	23.1	9 bps	41 bps	23.3	24 bps
Net Profit	3,412	3,645	6.8	54.7	3,928	4,129	5.1	13.3	4,321	4.6
FDEPS (Rs)	20.7	22.2	6.8	50.4	23.9	25.1	5.1	13.3	26.3	4.6

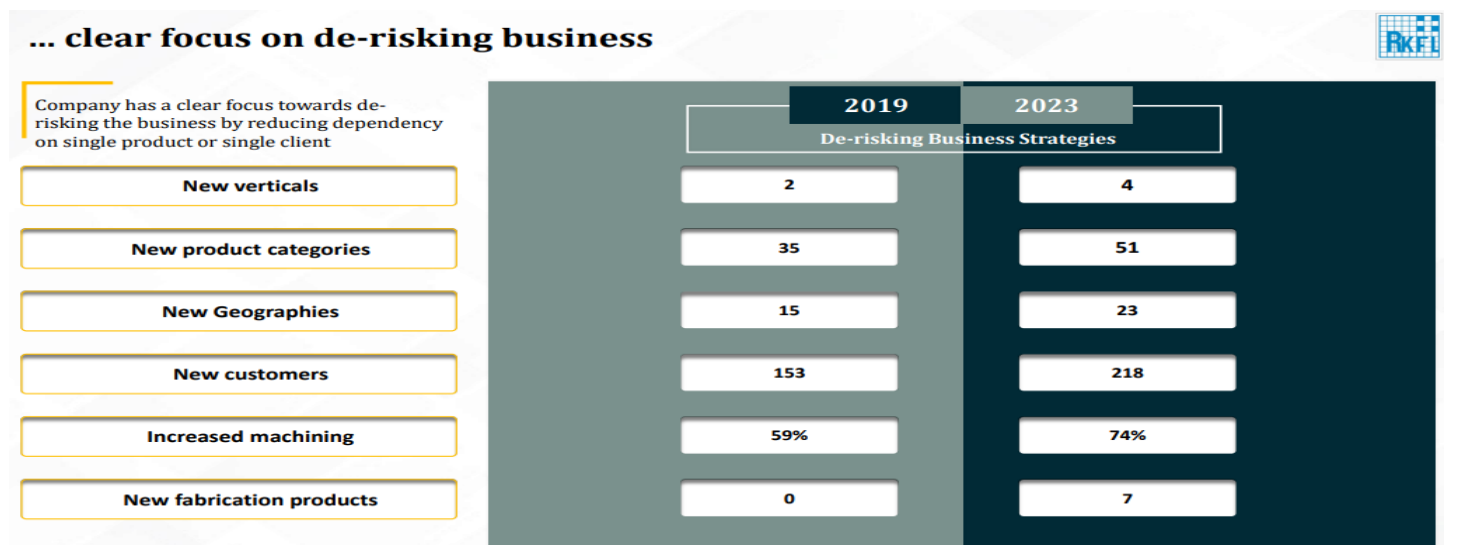
Source: Company, Emkay Research

Exhibit 4: Expect robust revenue growth of 13% over FY23-26E

Revenue Model (Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>12,884</b>	<b>22,854</b>	<b>30,010</b>	<b>36,418</b>	<b>40,291</b>	<b>42,751</b>
Growth YoY (%)	15.9	77.4	31.3	21.4	10.6	6.1
Domestic revenue	7,470	12,409	17,450	20,763	23,042	24,829
Growth YoY (%)	14.2	66.1	40.6	19.0	11.0	7.8
Export revenue	5,257	10,284	12,335	15,378	16,944	17,605
Growth YoY (%)	20.0	95.6	19.9	24.7	10.2	3.9
<b>EBITDA</b>	<b>2,299</b>	<b>5,270</b>	<b>6,682</b>	<b>8,247</b>	<b>9,290</b>	<b>9,961</b>
EBITDA margin (%)	17.8	23.1	22.3	22.6	23.1	23.3
EBIT	1,168	3,586	4,689	5,874	6,431	6,520
EBIT margin (%)	9.1	15.7	15.6	16.1	16.0	15.3
Interest	768	933	1,150	1,048	998	826
<b>PBT</b>	<b>414.8</b>	<b>2,661.7</b>	<b>3,556.5</b>	<b>4,871.5</b>	<b>5,518.2</b>	<b>5,774.6</b>
Tax rate (%)	32.6	22.4	33.8	25.2	25.2	25.2
PAT	280	2,065	2,356	3,645	4,129	4,321
PAT margin (%)	2.2	9.0	7.9	10.0	10.2	10.1
EPS (Rs)	1.8	12.9	14.7	22.2	25.1	26.3

Source: Company, Emkay Research

Exhibit 5: Company has been diversifying its business with aim to derisk



Source: Company

Exhibit 6: Multiple vectors to accentuate growth and profitability

### Multiple vectors to accentuate growth and increase profitability



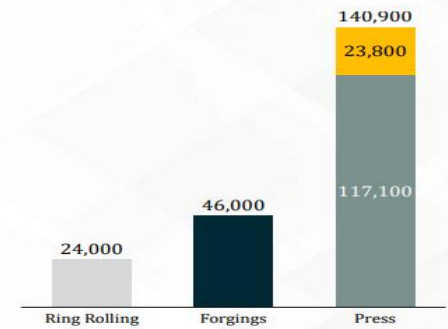
Source: Company

**Exhibit 7: Company has been diversifying into warm forgings which is margin accretive**

**Well positioned to capture future growth**

- ❖ The forging capacity of the company will be augmented by 56,300 Tons by addition of warm forging press, upset forgings, 6000T press line
- ❖ The company has commissioned 23,800T of capacity as on 18<sup>th</sup> July 2023 and the remaining 32,500T will be commissioned by September 2023. In addition, the company has planned to setup cold forging capacity of 25,000T
- ❖ The Company has sufficient capacity for the next phase of healthy & robust growth.
- ❖ Capacity ramp-up along with operating leverage will result in faster improvement in profitability
- ❖ Future growth capex through internal accruals

**Installed Capacity (in Tons)\***



\*As on 18<sup>th</sup> July 2023

**Leveraging Free Cash Flows generated to Fund Growth Capex**

Source: Company

**Exhibit 8: Company is entering into cold forging, where revenue will flow in from FY25**

**Cold forgings capability**

  
Total capacity of 25,000T will be added

  
The total project cost for the project will be ₹ 125 Cr

  
Cold Forging Press line to be commissioned by Q1FY25

  
Entire 100% capacity has been booked by an OEM, the contract of the same is valid for 7 years



Source: Company

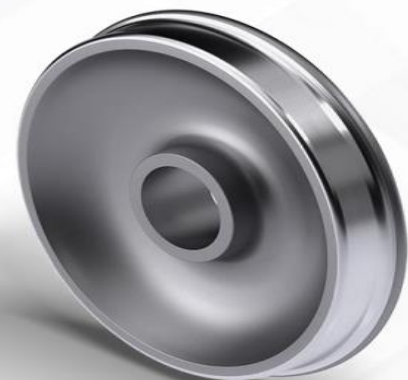
**Exhibit 9: Railways is a growth driver**

**Accelerated growth through organic route**

**COMBINING FORCES FOR SUCCESS**

**Rail Wheel Project**

- ❖ Ramkrishna Forgings & Titagarh Rail Systems Consortium receives LOA for Manufacturing and Supplying of Forged Wheels for the Indian Railways
- ❖ Ramkrishna Forgings holds 51% in the Joint Venture and is a lead partner in this railway contract
- ❖ It will establish a manufacturing plant in India for the production of 200,000 forged wheels per annum
- ❖ Expected to start operation by end of FY26



Source: Company

Exhibit 10: Bolt-on acquisition to drive revenue growth over & above guidance

Accelerated growth through inorganic route (1/2)

FORAYING INTO NEWER SEGMENTS

ACIL

- ❖ Lenders to ACIL Ltd have approved a resolution plan by Ramkrishna Forgings Limited
- ❖ The acquisition will help the company to foray into Tractors and PV segments
- ❖ It will be a forward integration which will enable the company to supply machined crankshafts, camshafts for tractors, PV, HCV, LCV as well as two wheelers. Besides, the company also manufactures various products which are used in Tractors and PV
- ❖ The acquisition will be financed through internal accruals and debt
- ❖ As of now Supreme Court decision is awaited to initiate the acquisition process, which is expected in Q3FY24

ACIL LTD.

ENHANCING PRODUCT PORTFOLIO

JMT Auto

- ❖ Lenders to JMT Auto, a unit of Amtek Auto group, have approved a resolution plan by Ramkrishna Forgings Limited
- ❖ The acquisition will help the company grow in terms of diversification & market reach as JMT Auto has significant expertise in the auto sector with capabilities in heat treatment and gear and in manufacturing a variety of components for the Oil and Gas industry
- ❖ The acquisition plan had been duly approved by 84.61% Committee of Creditors, subject to approval of NCLT Delhi
- ❖ The acquisition will be financed through internal accruals and debt
- ❖ They have 6 plants in Jamshedpur & 2 plants in Dharwad in western India
- ❖ NCLT order is expected to be received by Sept'23

JMT AUTOLT.D.  
An Amtek Group Company

EXPANDING THE EV PORTFOLIO

RKFL - TSUYO

- ❖ Ramkrishna Forgings to acquire upto 51% voting rights in TSUYO Manufacturing"
- ❖ Ramkrishna Forgings approved an investment to acquire upto 51% voting rights of TSUYO Manufacturing Private Limited ("TSUYO")
- ❖ It is a leading Mid-Drive BLDC, IPM and AC Induction based motor topologies & a Make-In-India start-up company engaged in powertrain solutions for electric vehicles
- ❖ It will aid in expanding its facilities for the manufacture of motors, controllers, E-axes, and differentials
- ❖ The Company plans to invest around Rs. 100 Crores over the next 5 (five) years that will generate a turnover of around Rs. 500 Crores by the end of the fifth year

Tsuyo

Source: Company

Exhibit 11: New acquisition to drive the growth and diversify Company operations

Accelerated growth through inorganic route (2/2)

Details & Rationale of the acquisition

- o Ramkrishna Forgings (RKFL) to acquire Multitech Auto Private Limited and its wholly owned subsidiary Mal Metalliks Private Limited with a capacity to manufacture 21,600 MT p.a of Machined SG & CI Castings and Bar Draw Facility of 6000 MT p.a.
- o This acquisition will help RKFL to manufacture and supply the entire differential assembly and trailer axle assembly consisting of Casting and Forgings
- o It will strengthen the presence of RKFL in Passenger Vehicles, Light Commercial Vehicles & Heavy Commercial Vehicles segment
- o This acquisition will additionally contribute Rs. 500-600 crores to the consolidated topline in the next 2 years and also achieve its target of increasing value add products and complete ready to mount assembly for MHCV
- o RKFL is also acquiring Mal Auto Products Private Limited with 10 acres land (4,30,000 sq. ft approx.) which will be used for further expansion
- o This acquisition will aid further value add combined with forgings to be value accretive



About Multitech Auto Private Limited

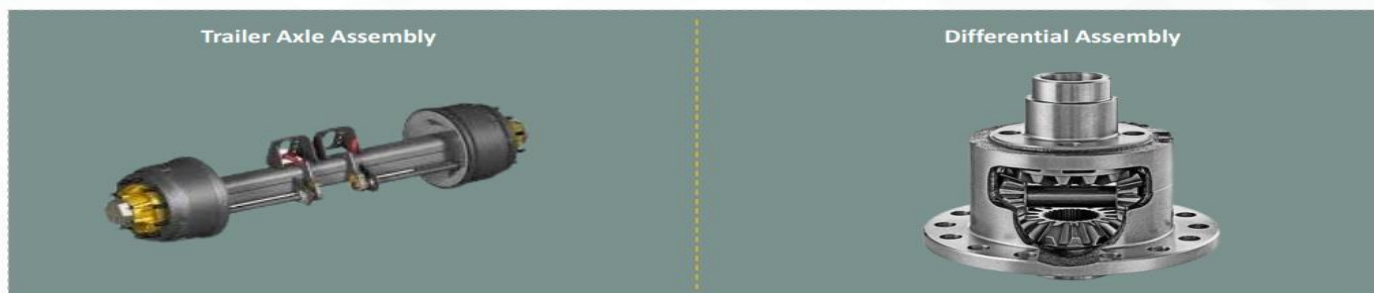
- o Multitech Auto Pvt. Ltd. (MAPL), incorporated in 1994 in Jamshedpur as a Machine Shop to supply high quality Machined part, have over the years been able to set up a wholly owned foundry and a cold drawing Bright Bar Unit.
- o It is an IATF 16949:2016 certified company
- o The company is one of the leading ADI Castings player in India
- o The company has a wide range of hi-tech, precision machined, heat treated and ground automobile components from bars, castings, primarily for brakes, gear boxes, axle and suspension parts of commercial vehicles and railway, having extensive and modern machining facilities, SCADA Controlled Heat Treatment facilities and well equipped inspection facilities for metrological, material testing and verification
- o The company Manufacture's machined cast parts for Medium and Heavy Commercial vehicles, Railways.

Source: Company

Exhibit 12: Company's vision for acquiring MAPL is to enter the Trailer Axle and Differential Assembly spaces

RKFL's vision on acquiring MAPL

- Ramkrishna Forgings aims to enter in the manufacturing of Trailer Axle Assembly and Differential Assembly with this acquisition.
- Market size of both the above products is very significant.
- The company aims to capture 20% of market share of Trailer Axle Assembly in next 3 years.



Source: Company

Exhibit 13: EVs to form 4.5% of Company's total revenue in FY24

### EV programs running globally



Source: Company

## Ramkrishna Forgings: Standalone Financials and Valuations

### Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>22,854</b>	<b>30,010</b>	<b>36,418</b>	<b>40,291</b>	<b>42,751</b>
Revenue growth (%)	77.4	31.3	21.4	10.6	6.1
<b>EBITDA</b>	<b>5,270</b>	<b>6,682</b>	<b>8,247</b>	<b>9,290</b>	<b>9,961</b>
EBITDA growth (%)	129.2	26.8	23.4	12.6	7.2
Depreciation & Amortization	1,691	2,014	2,415	2,887	3,471
<b>EBIT</b>	<b>3,579</b>	<b>4,668</b>	<b>5,833</b>	<b>6,402</b>	<b>6,489</b>
EBIT growth (%)	214.9	30.4	24.9	9.8	1.4
Other operating income	0	0	0	0	0
Other income	16	38	86	114	111
Financial expense	933	1,150	1,048	998	826
<b>PBT</b>	<b>2,662</b>	<b>3,556</b>	<b>4,872</b>	<b>5,518</b>	<b>5,775</b>
Extraordinary items	0	0	0	0	0
Taxes	597	1,201	1,226	1,389	1,453
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>2,065</b>	<b>2,356</b>	<b>3,645</b>	<b>4,129</b>	<b>4,321</b>
PAT growth (%)	638.7	14.1	54.7	13.3	4.6
<b>Adjusted PAT</b>	<b>2,065</b>	<b>2,356</b>	<b>3,645</b>	<b>4,129</b>	<b>4,321</b>
<b>Diluted EPS (Rs)</b>	<b>12.9</b>	<b>14.7</b>	<b>22.2</b>	<b>25.1</b>	<b>26.3</b>
Diluted EPS growth (%)	637.6	14.1	50.4	13.3	4.6
<b>DPS (Rs)</b>	<b>0.3</b>	<b>1.7</b>	<b>3.3</b>	<b>5.0</b>	<b>5.3</b>
<b>Dividend payout (%)</b>	<b>2.3</b>	<b>11.5</b>	<b>15.0</b>	<b>20.0</b>	<b>20.0</b>
EBITDA margin (%)	23.1	22.3	22.6	23.1	23.3
EBIT margin (%)	15.7	15.6	16.0	15.9	15.2
Effective tax rate (%)	22.4	33.8	25.2	25.2	25.2
<b>NOPLAT (pre-IndAS)</b>	<b>2,777</b>	<b>3,092</b>	<b>4,365</b>	<b>4,791</b>	<b>4,856</b>
Shares outstanding (mn)	159.9	159.9	164.5	164.5	164.5

Source: Company, Emkay Research

### Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	2,662	3,556	4,872	5,518	5,775
Others (non-cash items)	2,362	2,677	3,462	3,886	4,297
Taxes paid	(456)	(672)	(1,202)	(1,361)	(1,425)
Change in NWC	(4,177)	2,216	(2,889)	(1,131)	(781)
<b>Operating cash flow</b>	<b>391</b>	<b>7,778</b>	<b>4,243</b>	<b>6,912</b>	<b>7,865</b>
Capital expenditure	(2,984)	(3,531)	(1,598)	(2,683)	(3,529)
Acquisition of business	(561)	548	(1,500)	(2,250)	2,444
Interest & dividend income	11	10	0	0	0
<b>Investing cash flow</b>	<b>(3,535)</b>	<b>(2,973)</b>	<b>(3,098)</b>	<b>(4,933)</b>	<b>(1,085)</b>
Equity raised/(repaid)	18	236	943	0	0
Debt raised/(repaid)	3,765	(3,508)	(166)	(997)	(3,068)
Payment of lease liabilities	(5)	(73)	0	0	0
Interest paid	(942)	(1,088)	(1,048)	(998)	(826)
Dividend paid (incl tax)	(48)	(272)	(272)	(547)	(826)
Others	6	(71)	0	0	0
<b>Financing cash flow</b>	<b>2,800</b>	<b>(4,704)</b>	<b>(543)</b>	<b>(2,542)</b>	<b>(4,719)</b>
Net chg in Cash	(344)	101	602	(562)	2,061
OCF	391	7,778	4,243	6,912	7,865
Adj. OCF (w/o NWC chg.)	4,568	5,561	7,132	8,043	8,647
FCFF	(2,594)	4,247	2,645	4,229	4,336
FCFE	(3,516)	3,107	1,597	3,231	3,511
OCF/EBITDA (%)	7.4	116.4	51.4	74.4	79.0
FCFE/PAT (%)	(170.3)	131.9	43.8	78.2	81.2
<b>FCFF/NOPLAT (%)</b>	<b>(93.4)</b>	<b>137.3</b>	<b>60.6</b>	<b>88.3</b>	<b>89.3</b>

Source: Company, Emkay Research

### Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	320	320	329	329	329
Reserves & Surplus	10,621	12,929	16,962	20,265	23,722
<b>Net worth</b>	<b>10,941</b>	<b>13,249</b>	<b>17,291</b>	<b>20,594</b>	<b>24,051</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	793	1,172	1,196	1,224	1,252
<b>Total debt</b>	<b>15,774</b>	<b>12,410</b>	<b>12,244</b>	<b>11,247</b>	<b>8,179</b>
<b>Total liabilities &amp; equity</b>	<b>27,507</b>	<b>26,831</b>	<b>30,730</b>	<b>33,065</b>	<b>33,483</b>
Net tangible fixed assets	14,339	16,545	15,169	15,293	14,505
Net intangible assets	11	8	8	8	8
Net ROU assets	306	296	296	296	296
Capital WIP	1,251	851	1,410	1,081	1,927
Goodwill	0	0	0	0	0
Investments [JV/Associates]	194	194	1,694	3,944	1,500
<b>Cash &amp; equivalents</b>	<b>874</b>	<b>425</b>	<b>1,027</b>	<b>464</b>	<b>2,525</b>
Current assets (ex-cash)	17,386	17,988	22,228	24,592	26,093
Current Liab. & Prov.	6,854	9,475	11,102	12,614	13,372
<b>NWC (ex-cash)</b>	<b>10,533</b>	<b>8,513</b>	<b>11,126</b>	<b>11,978</b>	<b>12,721</b>
<b>Total assets</b>	<b>27,507</b>	<b>26,831</b>	<b>30,730</b>	<b>33,065</b>	<b>33,483</b>
Net debt	14,900	11,985	11,217	10,783	5,654
Capital employed	27,507	26,831	30,730	33,065	33,483
<b>Invested capital</b>	<b>25,189</b>	<b>25,361</b>	<b>26,599</b>	<b>27,576</b>	<b>27,530</b>
BVPS (Rs)	68.4	82.9	105.1	125.2	146.2
Net Debt/Equity (x)	1.4	0.9	0.6	0.5	0.2
Net Debt/EBITDA (x)	2.8	1.8	1.4	1.2	0.6
Interest coverage (x)	0.3	0.2	0.2	0.2	0.1
<b>RoCE (%)</b>	<b>13.0</b>	<b>15.4</b>	<b>15.3</b>	<b>0.0</b>	<b>0.0</b>

Source: Company, Emkay Research

### Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	39.1	34.3	22.8	20.1	19.2
P/CE(x)	21.5	18.5	13.7	11.8	10.7
P/B (x)	7.4	6.1	4.8	4.0	3.5
EV/Sales (x)	4.2	3.1	2.6	2.3	2.1
EV/EBITDA (x)	18.1	13.9	11.4	10.1	8.9
EV/EBIT(x)	26.7	19.9	16.2	14.7	13.7
EV/IC (x)	3.8	3.7	3.5	3.4	3.2
FCFF yield (%)	(2.7)	4.6	2.8	4.5	4.9
FCFE yield (%)	(4.4)	3.9	1.9	3.9	4.2
Dividend yield (%)	0.1	0.3	0.7	1.0	1.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	9.0	7.9	10.0	10.2	10.1
Total asset turnover (x)	0.9	1.1	1.3	1.3	1.3
Assets/Equity (x)	2.5	2.2	1.9	1.7	1.5
<b>RoE (%)</b>	<b>20.8</b>	<b>19.5</b>	<b>23.9</b>	<b>21.8</b>	<b>19.4</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	12.2	10.3	12.0	11.9	11.4
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>12.8</b>	<b>12.2</b>	<b>16.8</b>	<b>17.7</b>	<b>17.6</b>
<b>Operating metrics</b>					
Core NWC days	168.2	103.5	111.5	108.5	108.6
<b>Total NWC days</b>	<b>168.2</b>	<b>103.5</b>	<b>111.5</b>	<b>108.5</b>	<b>108.6</b>
Fixed asset turnover	1.2	1.3	1.4	1.4	1.4
Opex-to-revenue (%)	31.8	29.6	28.7	28.4	28.4

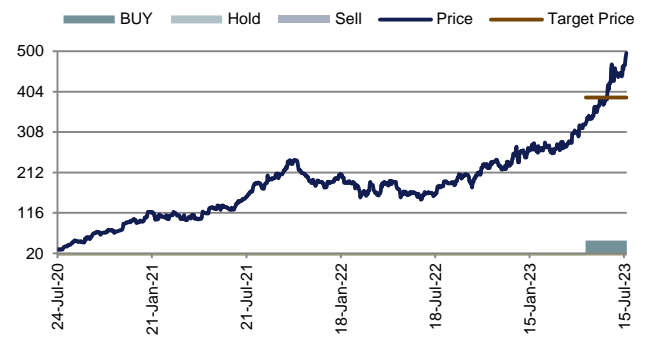
Source: Company, Emkay Research

**RECOMMENDATION HISTORY - DETAILS**

Date	CMP (INR)	TP (INR)	Rating	Analyst
02-May-23	329	390	Buy	Chirag Jain

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Bloomberg, Company, Emkay Research



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