

**BUY** Ultratech Cement

ASIAMONEY BROKERS POLL - 2023

Emkay Research

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## Higher cost led to EBITDA miss; market share gains likely to continue

Cement ▶ Result Update ▶ July 22, 2023

TARGET PRICE (Rs): 9,250

UltraTech Cement's consolidated EBITDA declined ~2% YoY/8% QoQ to Rs30.5bn in Q1FY24, coming in 8% below our estimates owing to higher than expected costs. Blended EBITDA/ton fell 18% YoY/3% QoQ to Rs1,018 (Emkay: Rs1,100). UltraTech is in the process of adding 4mt capacity in FY24 through debottlenecking and another 22.6mt capacity (under phase-II) by FY25/26 (vs current capacity of 131mt). Management expects cement prices to improve post the monsoons and input cost deflation to kick-in in coming quarters. We largely maintain our FY24-25 estimates. Given the company's strong growth/capex plans, pan-India presence, focus on cost efficiencies and strong balance sheet, we raise our target EV/E to 16x (earlier 15x). We maintain BUY on the stock, with revised Jun-24E TP of Rs9,250/share, post the quarterly roll-over.

## Ultratech Cement: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	5,25,988	6,32,400	7,04,778	7,72,804	8,58,428
EBITDA	1,15,143	1,06,198	1,40,306	1,59,906	1,80,617
Adj. PAT	56,665	50,639	79,485	93,337	1,09,731
Adj. EPS (Rs)	248.9	175.4	275.3	323.3	380.1
EBITDA margin (%)	21.9	16.8	19.9	20.7	21.0
EBITDA growth (%)	(0.5)	(7.8)	32.1	14.0	13.0
Adj. EPS growth (%)	35.0	(29.5)	57.0	17.4	17.6
RoE (%)	12.0	9.7	13.8	14.5	15.1
RoIC (%)	10.8	9.3	13.5	14.5	15.6
P/E (x)	41.4	46.3	29.5	25.1	21.4
EV/EBITDA (x)	20.7	22.3	16.7	14.5	12.6
P/B (x)	4.6	4.3	3.9	3.4	3.0
FCFF yield (%)	1.7	1.1	2.1	2.2	2.8

Source: Company, Emkay Research

## Result Summary

UltraTech's consolidated volume grew 20% YoY to 30mt, while blended realization declined 2.4% YoY/increased 0.7% QoQ to Rs5,847. Company's India operations' EBITDA remained flat YoY/declined 7% QoQ to Rs30bn, with EBITDA/ton at Rs1,034. Total cost/ton increased ~2% YoY/1% QoQ to Rs4,903 (Emkay: Rs4,732). Consolidated PAT increased 6% YoY/1% QoQ to Rs16.8bn. Net debt declined by Rs2.3bn to Rs27bn, as of Jun-23.

**What we liked:** Industry-leading volume growth; decline in net debt

**What we did not like:** Higher than expected cost

## Earnings-call KTAs:

1) Management expects demand growth to clock in double digits in FY24. 2) UltraTech maintained its FY24 capex guidance of Rs65-70bn. 3) Company has completed its phase-1 project by commissioning 4.3mt cement capacity in YTD-FY24, improving its domestic grey-cement capacity to ~131mt. Besides, UltraTech is in the process of adding 4mt capacity (primarily GUs) in FY24 through debottlenecking, with another 22.6mt capacity in phase-2 to be added by FY25/26. Additionally, Company is likely to announce the next phase of growth expansion in a couple of quarters. 4) Cement prices saw a marginal uptick in the North and West. Management expects cement prices to improve post the monsoon season. 5) Average fuel cost stood at Rs2.34/Kcal in Q1FY24 vs Rs2.5/Kcal in Q4FY23. Management expects benefits from input cost deflation to kick-in in coming quarters. 6) Clinker-to-Cement (CC) ratio improved by 0.04x YoY to 1.44x in Q1FY24. 7) Fuel mix for the quarter: imported coal at 46%, domestic coal at 7%, petcoke at 42%, and AFR at 5%. 8) Blended cement stood at 70%; trade sales stood at 68%; and premium products stood at ~22% of trade sales, in Q1FY24.

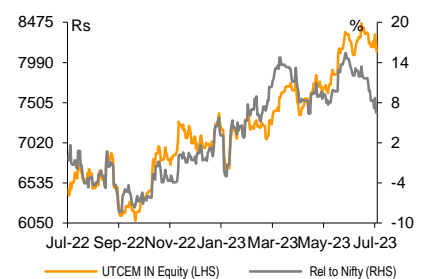
Target Price – 12M	Jun-24
Change in TP (%)	8.8
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	13.9
CMP (21-Jul-23) (Rs)	8,119.2

Stock Data	Ticker
52-week High (Rs)	8,501
52-week Low (Rs)	6,005
Shares outstanding (mn)	288.7
Market-cap (Rs bn)	2,344
Market-cap (USD mn)	28,599
Net-debt, FY24E (Rs mn)	-2,793
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	2,385.8
ADTV-3M (USD mn)	29.1
Free float (%)	40
Nifty-50	19,745
INR/USD	82.0
<b>Shareholding, Jun-23</b>	
Promoters (%)	60.0
FPIs/MFs (%)	15.8/16.6

## Price Performance

(%)	1M	3M	12M
Absolute	(1.5)	10.3	32.4
Rel. to Nifty	(5.9)	(1.5)	11.4

## 1-Year share price trend (Rs)



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## Quarterly Analysis

### Exhibit 1: Actual vs. Estimates (Q1FY24)

(Rs mn)	Actual	Variation (%)		
		Emkay	Emkay	
Net sales	175,190	172,679	1.5	Driven by healthy volumes
<b>EBITDA</b>	<b>30,492</b>	<b>32,947</b>	<b>(7.5)</b>	<b>Owing to higher than expected cost</b>
PAT	16,848	17,224	(2.2)	
Volumes (mt)	30.0	30.0	-	
Cement realization (Rs/ton)	5,847	5,764	1.5	
EBITDA (Rs/ton)	1,018	1,100	(7.5)	

Source: Emkay Research

### Exhibit 2: India Operations – Quarterly

India operations (Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Net Sales	1,45,430	1,31,760	1,47,550	1,78,850	1,70,070	16.9	(4.9)
Other operating income	1,460	2,710	2,340	2,270	2,180	49.3	(4.0)
<b>Revenue</b>	<b>1,46,890</b>	<b>1,34,470</b>	<b>1,49,890</b>	<b>1,81,120</b>	<b>1,72,250</b>	<b>17.3</b>	<b>(4.9)</b>
<b>Expenditure</b>	<b>1,16,840</b>	<b>1,16,410</b>	<b>1,27,450</b>	<b>1,48,810</b>	<b>1,42,250</b>	<b>21.7</b>	<b>(4.4)</b>
Total RM	21,540	19,550	21,290	30,240	27,680	28.5	(8.5)
Power & Fuel	38,600	41,030	46,550	51,080	47,300	22.5	(7.4)
Freight	32,700	30,130	34,440	41,580	40,690	24.4	(2.1)
Staff cost	6,090	6,600	6,640	6,880	6,760	11.0	(1.7)
Other expenditure	17,910	19,100	18,530	19,030	19,820	10.7	4.2
<b>EBITDA</b>	<b>30,050</b>	<b>18,060</b>	<b>22,440</b>	<b>32,310</b>	<b>30,000</b>	<b>(0.2)</b>	<b>(7.1)</b>
Depreciation	6,670	6,790	6,940	7,330	7,200	7.9	(1.8)
<b>EBIT</b>	<b>23,380</b>	<b>11,270</b>	<b>15,500</b>	<b>24,980</b>	<b>22,800</b>	<b>(2.5)</b>	<b>(8.7)</b>
Other Income	1,390	1,190	950	1,510	2,090	50.4	38.4
Interest	2,000	1,870	1,940	1,750	1,920	(4.0)	9.7
<b>PBT</b>	<b>22,770</b>	<b>10,590</b>	<b>14,510</b>	<b>24,740</b>	<b>22,970</b>	<b>0.9</b>	<b>(7.2)</b>
Total Tax	7,140	3,330	4,620	8,220	5,880	(17.6)	(28.5)
<b>Adjusted PAT</b>	<b>15,630</b>	<b>7,260</b>	<b>9,890</b>	<b>16,520</b>	<b>17,090</b>	<b>9.3</b>	<b>3.5</b>
<b>Adjusted EPS (Rs)</b>	<b>54.2</b>	<b>25.2</b>	<b>34.3</b>	<b>57.2</b>	<b>59.2</b>	<b>9.3</b>	<b>3.5</b>

Source: Company, Emkay Research

### Exhibit 3: India operations – Quarterly analysis on a per-ton basis

(Rs/ton)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Volumes (mt)	24.1	22.1	24.7	30.5	29.0	20.4	(4.9)
<b>Blended Realization</b>	<b>6,034</b>	<b>5,954</b>	<b>5,983</b>	<b>5,866</b>	<b>5,862</b>	<b>(2.8)</b>	<b>(0.1)</b>
Raw Material cost	894	883	863	992	954	6.8	(3.8)
Power & Fuel cost	1,602	1,854	1,888	1,675	1,630	1.8	(2.7)
Freight cost	1,357	1,362	1,397	1,364	1,403	3.4	2.9
Staff cost	253	298	269	226	233	(7.8)	3.3
Other expenditure	743	863	751	624	683	(8.1)	9.5
<b>Operating cost</b>	<b>4,848</b>	<b>5,260</b>	<b>5,168</b>	<b>4,881</b>	<b>4,903</b>	<b>1.1</b>	<b>0.5</b>
Other operating income	61	122	95	74	75	24.0	0.9
<b>EBITDA/ton</b>	<b>1,247</b>	<b>816</b>	<b>910</b>	<b>1,060</b>	<b>1,034</b>	<b>(17.1)</b>	<b>(2.4)</b>

Source: Company, Emkay Research

**Exhibit 4: We decrease our EBITDA by 2% for FY25E**

Earnings revision	FY24E			FY25E		
	Old	New	% chg	Old	New	% chg
Revenue (Rs mn)	6,86,806	7,04,778	2.6	7,63,296	7,72,804	1.2
<b>EBITDA (Rs mn)</b>	<b>1,38,937</b>	<b>1,40,306</b>	<b>1.0</b>	<b>1,62,589</b>	<b>1,59,906</b>	<b>(1.7)</b>
PAT (Rs mn)	78,467	79,485	1.3	95,186	93,337	(1.9)

Source: Emkay Research

**Exhibit 5: We maintain BUY on UltraTech Cement, with TP of Rs9,250/share, based on Jun-24E EV/E of 16x**

EV/E valuation, backed by DCF analysis	Jun-24E
Jun-25E EBITDA (Rs bn)	165
EV/E (x)	16
<b>Enterprise Value (Rs bn)</b>	<b>2,644</b>
Net debt (Mar-24E; Rs bn)	(26)
<b>Equity value (Rs bn)</b>	<b>2,670</b>
No. of shares (mn)	289
<b>Jun-24E Target Price (Rs/share)</b>	<b>9,250</b>

Source: Emkay Research

**Exhibit 6: Consolidated financials (quarterly)**

(Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Net Sales	1,50,070	1,35,960	1,52,990	1,84,360	1,75,190	16.7	(5.0)
Other operating income	1,570	2,967	2,219	2,264	2,181	38.9	(3.7)
<b>Revenue</b>	<b>1,51,640</b>	<b>1,38,927</b>	<b>1,55,209</b>	<b>1,86,624</b>	<b>1,77,371</b>	<b>17.0</b>	<b>(5.0)</b>
<b>Expenditure</b>	<b>1,20,691</b>	<b>1,20,261</b>	<b>1,31,851</b>	<b>1,53,399</b>	<b>1,46,879</b>	<b>21.7</b>	<b>(4.3)</b>
Total RM	22,826	20,177	22,437	31,711	29,440	29.0	(7.2)
Power & Fuel	40,131	42,961	48,731	53,089	48,812	21.6	(8.1)
Freight	32,906	30,437	34,794	41,954	41,008	24.6	(2.3)
Staff cost	6,371	6,912	6,942	7,164	7,070	11.0	(1.3)
Other expenditure	18,457	19,774	18,947	19,480	20,550	11.3	5.5
<b>EBITDA</b>	<b>30,949</b>	<b>18,666</b>	<b>23,359</b>	<b>33,225</b>	<b>30,492</b>	<b>(1.5)</b>	<b>(8.2)</b>
Depreciation	6,952	7,079	7,232	7,617	7,491	7.8	(1.7)
<b>EBIT</b>	<b>23,997</b>	<b>11,587</b>	<b>16,126</b>	<b>25,608</b>	<b>23,001</b>	<b>(4.1)</b>	<b>(10.2)</b>
Other Income	1,087	1,463	1,266	1,215	1,737	59.8	43.0
Interest	2,158	2,003	2,153	1,914	2,108	(2.3)	10.1
<b>PBT</b>	<b>22,926</b>	<b>11,047</b>	<b>15,240</b>	<b>24,909</b>	<b>22,631</b>	<b>(1.3)</b>	<b>(9.1)</b>
Total Tax	7,114	3,445	4,647	8,223	5,766	(19.0)	(29.9)
<b>Adjusted PAT</b>	<b>15,812</b>	<b>7,602</b>	<b>10,593</b>	<b>16,686</b>	<b>16,865</b>	<b>6.7</b>	<b>1.1</b>
(Profit)/loss from JVs/Ass/MI	28	(45)	(11)	(27)	(18)	(162.3)	(34.2)
PAT after MI	15,841	7,557	10,582	16,660	16,848	6.4	1.1
Extra ordinary items	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>15,841</b>	<b>7,557</b>	<b>10,582</b>	<b>16,660</b>	<b>16,848</b>	<b>6.4</b>	<b>1.1</b>
<b>Adjusted EPS (Rs)</b>	<b>54.9</b>	<b>26.2</b>	<b>36.7</b>	<b>57.7</b>	<b>58.4</b>		

(%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (bps)	QoQ (bps)
<b>EBITDAM</b>	<b>20.4</b>	<b>13.4</b>	<b>15.0</b>	<b>17.8</b>	<b>17.2</b>	<b>(322)</b>	<b>(61)</b>
EBITM	15.8	8.3	10.4	13.7	13.0	(286)	(75)
EBTM	15.1	8.0	9.8	13.3	12.8	(236)	(59)
PATM	10.4	5.5	6.8	8.9	9.5	(92)	57
Effective Tax rate	31.0	31.2	30.5	33.0	25.5		

Source: Company, Emkay Research

## Exhibit 7: Consolidated quarterly analysis on per-ton basis

(Rs/ton)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	YoY (%)	QoQ (%)
Volumes (mt)	25.0	23.1	25.9	31.7	30.0	19.6	(5.6)
<b>Blended Realization</b>	<b>5,993</b>	<b>5,886</b>	<b>5,918</b>	<b>5,809</b>	<b>5,847</b>	<b>(2.4)</b>	<b>0.7</b>
Raw Material cost	912	873	868	999	983	7.8	(1.6)
Power & Fuel cost	1,603	1,860	1,885	1,673	1,629	1.7	(2.6)
Freight cost	1,314	1,318	1,346	1,322	1,369	4.2	3.5
Staff cost	254	299	269	226	236	(7.3)	4.5
Other expenditure	737	856	733	614	686	(6.9)	11.8
<b>Operating cost</b>	<b>4,820</b>	<b>5,206</b>	<b>5,101</b>	<b>4,833</b>	<b>4,903</b>	<b>1.7</b>	<b>1.4</b>
Other operating income	63	128	86	71	73	16.1	2.1
<b>EBITDA/ton</b>	<b>1,236</b>	<b>808</b>	<b>904</b>	<b>1,047</b>	<b>1,018</b>	<b>(17.7)</b>	<b>(2.8)</b>

Source: Company, Emkay Research

## Exhibit 8: Annual Financials

Key Assumptions	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR (%)	
										FY18-23	FY23-26E
Capacity (mt)	86	100	115	118	121	138	142	157	165	10.0	6.0
Volumes (mt)	65	76	82	86	94	106	120	128	139	10.4	9.5
Utilization (%)	82	82	77	74	78	82	84	81	84		
Blended Realization (Rs/ton)	4,795	4,815	5,038	5,118	5,502	5,895	5,796	5,958	6,097	4.2	1.1
<b>EBITDA/ton (Rs)</b>	<b>951</b>	<b>889</b>	<b>1,144</b>	<b>1,338</b>	<b>1,225</b>	<b>1,004</b>	<b>1,170</b>	<b>1,250</b>	<b>1,300</b>	<b>1.1</b>	<b>9.0</b>
<b>P&amp;L (Rs bn)</b>											
Revenue	314	374	421	447	526	632	705	773	858	15.0	10.7
<b>EBITDA</b>	<b>61</b>	<b>68</b>	<b>94</b>	<b>116</b>	<b>115</b>	<b>106</b>	<b>140</b>	<b>160</b>	<b>181</b>	<b>11.6</b>	<b>19.4</b>
Adj. Net Profit	25	24	38	56	57	51	80	93	110	15.5	29.4
<b>Balance Sheet (Rs bn)</b>											
Equity	264	284	391	442	504	544	607	682	770		
Net Debt	141	196	169	67	39	27	(3)	(33)	(77)		
Net Debt:EBITDA	2.3	2.9	1.8	0.6	0.3	0.3	(0.0)	(0.2)	(0.4)		
Net Debt:Equity	0.5	0.7	0.4	0.2	0.1	0.0	(0.0)	(0.0)	(0.1)		
<b>Cash Flow (Rs bn)</b>											
OCF before NWC change	40	47	65	87	93	74	109	119	141		
Change in NWC	(8)	(9)	5	23	(5)	(3)	(0)	(3)	(10)		
Capex	(180)	(15)	(17)	(18)	(56)	(61)	(66)	(73)	(70)		
<b>FCF</b>	<b>(149)</b>	<b>23</b>	<b>53</b>	<b>91</b>	<b>32</b>	<b>10</b>	<b>43</b>	<b>44</b>	<b>61</b>		
<b>Return ratios (%)</b>											
RoE	9.7	8.9	11.4	13.4	12.0	9.7	13.8	14.5	15.1		
RoCE	7.6	6.8	8.6	11.6	10.4	8.9	12.8	13.9	15.1		
<b>RoIC</b>	<b>9.1</b>	<b>7.4</b>	<b>9.3</b>	<b>11.0</b>	<b>10.8</b>	<b>9.3</b>	<b>13.5</b>	<b>14.5</b>	<b>15.6</b>		
<b>Valuations (x)</b>											
PE						46.3	29.5	25.1	21.4		
<b>EV/EBITDA</b>						<b>22.5</b>	<b>16.9</b>	<b>14.7</b>	<b>12.8</b>		
EV/ton (USD)						210	201	180	168		

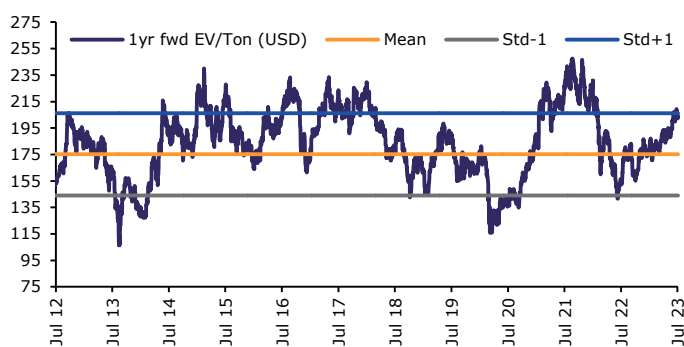
Source: Company, Emkay Research

Exhibit 9: Annual analysis on a per-ton basis

(Rs/ton)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Blended realization</b>	<b>4,795</b>	<b>4,815</b>	<b>5,038</b>	<b>5,118</b>	<b>5,502</b>	<b>5,895</b>	<b>5,796</b>	<b>5,958</b>	<b>6,097</b>
<b>% YoY</b>	<b>2.0</b>	<b>0.4</b>	<b>4.6</b>	<b>1.6</b>	<b>7.5</b>	<b>7.1</b>	<b>(1.7)</b>	<b>2.8</b>	<b>2.3</b>
Raw material cost	813	855	767	820	847	919	930	953	983
Power & fuel cost	981	1,103	1,029	964	1,291	1,749	1,534	1,548	1,575
Freight cost	1,132	1,158	1,181	1,162	1,246	1,325	1,302	1,342	1,365
Staff cost	280	270	305	272	270	259	236	237	233
Other expenses	706	619	691	618	717	725	704	710	720
<b>% YoY</b>	<b>(5.6)</b>	<b>(12.3)</b>	<b>11.6</b>	<b>(10.6)</b>	<b>15.9</b>	<b>1.2</b>	<b>(2.9)</b>	<b>0.9</b>	<b>1.5</b>
<b>Total Operating Cost</b>	<b>3,911</b>	<b>4,005</b>	<b>3,973</b>	<b>3,836</b>	<b>4,371</b>	<b>4,976</b>	<b>4,706</b>	<b>4,790</b>	<b>4,877</b>
Other operating income	68	79	79	56	95	85	80	81	80
<b>Blended EBITDA</b>	<b>951</b>	<b>889</b>	<b>1,144</b>	<b>1,338</b>	<b>1,225</b>	<b>1,004</b>	<b>1,170</b>	<b>1,250</b>	<b>1,300</b>
<b>% YoY</b>	<b>(2.6)</b>	<b>(6.6)</b>	<b>28.7</b>	<b>17.0</b>	<b>(8.5)</b>	<b>(18.0)</b>	<b>16.5</b>	<b>6.8</b>	<b>4.0</b>

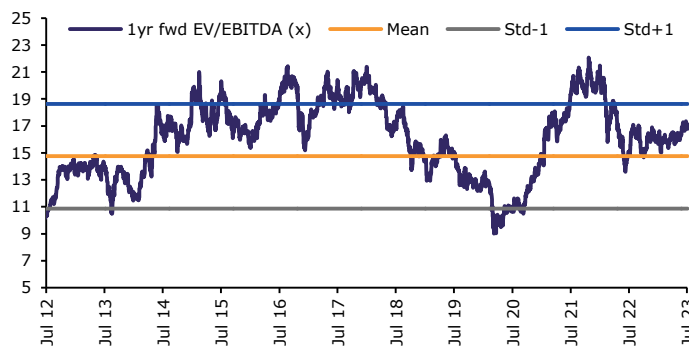
Source: Company, Emkay Research

Exhibit 10: One-year forward EV/ton



Source: Bloomberg, Emkay Research

Exhibit 11: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

## Ultratech Cement: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>5,25,988</b>	<b>6,32,400</b>	<b>7,04,778</b>	<b>7,72,804</b>	<b>8,58,428</b>
Revenue growth (%)	17.6	20.2	11.4	9.7	11.1
<b>EBITDA</b>	<b>1,15,143</b>	<b>1,06,198</b>	<b>1,40,306</b>	<b>1,59,906</b>	<b>1,80,617</b>
EBITDA growth (%)	(0.5)	(7.8)	32.1	14.0	13.0
Depreciation & Amortization	27,148	28,880	31,342	33,566	34,994
<b>EBIT</b>	<b>87,996</b>	<b>77,318</b>	<b>1,08,964</b>	<b>1,26,340</b>	<b>1,45,622</b>
EBIT growth (%)	(0.8)	(12.1)	40.9	15.9	15.3
Other operating income	8,908	9,020	9,561	10,326	11,152
Other income	5,078	5,031	5,322	5,936	6,733
Financial expense	9,447	8,227	7,800	7,239	5,363
<b>PBT</b>	<b>83,627</b>	<b>74,122</b>	<b>1,06,486</b>	<b>1,25,037</b>	<b>1,46,993</b>
Extraordinary items	15,179	0	0	0	0
Taxes	27,079	23,429	26,941	31,634	37,189
Minority interest	(118)	54	60	65	72
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>71,844</b>	<b>50,639</b>	<b>79,485</b>	<b>93,337</b>	<b>1,09,731</b>
PAT growth (%)	35.0	(29.5)	57.0	17.4	17.6
<b>Adjusted PAT</b>	<b>56,665</b>	<b>50,639</b>	<b>79,485</b>	<b>93,337</b>	<b>1,09,731</b>
<b>Diluted EPS (Rs)</b>	<b>248.9</b>	<b>175.4</b>	<b>275.3</b>	<b>323.3</b>	<b>380.1</b>
Diluted EPS growth (%)	35.0	(29.5)	57.0	17.4	17.6
<b>DPS (Rs)</b>	<b>38.0</b>	<b>55.1</b>	<b>64.7</b>	<b>76.1</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>15.3</b>	<b>31.4</b>	<b>23.5</b>	<b>23.5</b>	<b>0.0</b>
EBITDA margin (%)	21.9	16.8	19.9	20.7	21.0
EBIT margin (%)	16.7	12.2	15.5	16.3	17.0
Effective tax rate (%)	32.4	31.6	25.3	25.3	25.3
<b>NOPLAT (pre-IndAS)</b>	<b>59,502</b>	<b>52,880</b>	<b>81,396</b>	<b>94,376</b>	<b>1,08,780</b>
Shares outstanding (mn)	288.7	288.7	288.7	288.7	288.7

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	83,627	74,122	1,06,486	1,25,037	1,46,993
Others (non-cash items)	(212)	2,721	0	0	0
Taxes paid	(27,079)	(23,429)	(26,941)	(31,634)	(37,189)
Change in NWC	(8,984)	14,119	3,636	(4,122)	(7,711)
<b>Operating cash flow</b>	<b>94,165</b>	<b>99,555</b>	<b>1,15,994</b>	<b>1,23,113</b>	<b>1,34,648</b>
Capital expenditure	(52,356)	(72,855)	(65,834)	(73,300)	(70,326)
Acquisition of business	58,054	(1,065)	(5,000)	(5,000)	(5,000)
Interest & dividend income	5,078	5,031	5,322	5,936	6,733
<b>Investing cash flow</b>	<b>10,777</b>	<b>(68,889)</b>	<b>(65,512)</b>	<b>(72,364)</b>	<b>(68,593)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(1,02,699)	(3,021)	(18,000)	(15,000)	(11,000)
Payment of lease liabilities	(2,227)	0	0	0	0
Interest paid	(9,447)	(8,227)	(7,800)	(7,239)	(5,363)
Dividend paid (incl tax)	(10,970)	(10,970)	(15,909)	(18,680)	(21,961)
Others	1,689	(545)	(1,960)	126	133
<b>Financing cash flow</b>	<b>(1,21,425)</b>	<b>(22,762)</b>	<b>(43,669)</b>	<b>(40,794)</b>	<b>(38,191)</b>
Net chg in Cash	(16,484)	7,904	6,814	9,955	27,864
OCF	94,165	99,555	1,15,994	1,23,113	1,34,648
Adj. OCF (w/o NWC chg.)	1,03,149	85,436	1,12,358	1,27,234	1,42,359
FCFF	41,809	26,700	50,160	49,813	64,321
FCFE	(60,889)	23,680	32,160	34,813	53,321
OCF/EBITDA (%)	81.8	93.7	82.7	77.0	74.5
FCFE/PAT (%)	(107.5)	46.8	40.5	37.3	48.6
<b>FCFF/NOPLAT (%)</b>	<b>70.3</b>	<b>50.5</b>	<b>61.6</b>	<b>52.8</b>	<b>59.1</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	2,887	2,887	2,887	2,887	2,887
Reserves & Surplus	5,01,467	5,40,359	6,03,994	6,78,716	7,66,559
<b>Net worth</b>	<b>5,04,353</b>	<b>5,43,245</b>	<b>6,06,881</b>	<b>6,81,603</b>	<b>7,69,446</b>
Minority interests	(31)	556	616	681	753
Deferred tax liability (net)	60,169	62,536	60,516	60,577	60,637
<b>Total debt</b>	<b>1,02,028</b>	<b>99,008</b>	<b>81,008</b>	<b>66,008</b>	<b>55,008</b>
<b>Total liabilities &amp; equity</b>	<b>6,66,520</b>	<b>7,05,345</b>	<b>7,49,021</b>	<b>8,08,869</b>	<b>8,85,844</b>
Net tangible fixed assets	4,25,922	4,36,434	4,85,883	5,29,953	5,66,353
Net intangible assets	1,17,168	1,17,168	1,17,168	1,17,168	1,17,168
Net ROU assets	11,786	11,786	11,786	11,786	11,786
Capital WIP	47,773	40,349	26,398	23,100	23,100
Goodwill	62,502	63,293	63,293	63,293	63,293
Investments [JV/Associates]	3,931	12,478	12,478	12,478	12,478
<b>Cash &amp; equivalents</b>	<b>63,019</b>	<b>71,988</b>	<b>83,801</b>	<b>98,756</b>	<b>1,31,620</b>
Current assets (ex-cash)	1,37,565	1,60,310	1,77,672	1,98,347	2,32,659
Current Liab. & Prov.	1,71,595	2,08,459	2,29,458	2,46,011	2,72,612
<b>NWC (ex-cash)</b>	<b>(34,031)</b>	<b>(48,149)</b>	<b>(51,785)</b>	<b>(47,664)</b>	<b>(39,953)</b>
<b>Total assets</b>	<b>6,66,520</b>	<b>7,05,345</b>	<b>7,49,021</b>	<b>8,08,869</b>	<b>8,85,844</b>
Net debt	39,010	27,020	(2,793)	(32,748)	(76,612)
Capital employed	6,66,520	7,05,345	7,49,021	8,08,869	8,85,844
<b>Invested capital</b>	<b>5,51,798</b>	<b>5,80,531</b>	<b>6,26,344</b>	<b>6,74,535</b>	<b>7,18,647</b>
BVPS (Rs)	1,747.2	1,881.8	2,102.2	2,361.0	2,665.3
Net Debt/Equity (x)	0.1	0.0	0.0	0.0	(0.1)
Net Debt/EBITDA (x)	0.3	0.3	0.0	(0.2)	(0.4)
Interest coverage (x)	0.1	0.1	0.1	0.1	0.0
<b>RoCE (%)</b>	<b>13.6</b>	<b>12.0</b>	<b>15.7</b>	<b>17.0</b>	<b>18.0</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	41.4	46.3	29.5	25.1	21.4
P/CE(x)	28.0	29.5	21.2	18.5	16.2
P/B (x)	4.6	4.3	3.9	3.4	3.0
EV/Sales (x)	4.6	3.8	3.4	3.0	2.7
EV/EBITDA (x)	20.7	22.3	16.7	14.5	12.6
EV/EBIT(x)	27.4	30.8	21.5	18.3	15.6
EV/IC (x)	4.4	4.1	3.7	3.4	3.2
FCFF yield (%)	1.7	1.1	2.1	2.2	2.8
FCFE yield (%)	(2.5)	1.0	1.4	1.5	2.3
Dividend yield (%)	0.5	0.7	0.8	0.9	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	10.8	8.0	11.3	12.1	12.8
Total asset turnover (x)	0.8	0.9	1.0	1.0	1.0
Assets/Equity (x)	1.5	1.3	1.3	1.2	1.2
<b>RoE (%)</b>	<b>12.0</b>	<b>9.7</b>	<b>13.8</b>	<b>14.5</b>	<b>15.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	11.3	8.4	11.5	12.2	12.7
IC turnover (x)	1.0	1.1	1.2	1.2	1.2
<b>RoIC (%)</b>	<b>10.8</b>	<b>9.3</b>	<b>13.5</b>	<b>14.5</b>	<b>15.6</b>
<b>Operating metrics</b>					
Core NWC days	(23.6)	(27.8)	(26.8)	(22.5)	(17.0)
<b>Total NWC days</b>	<b>(23.6)</b>	<b>(27.8)</b>	<b>(26.8)</b>	<b>(22.5)</b>	<b>(17.0)</b>
Fixed asset turnover	0.7	0.8	0.8	0.8	0.9
Opex-to-revenue (%)	63.0	67.8	64.3	63.5	63.1

Source: Company, Emkay Research

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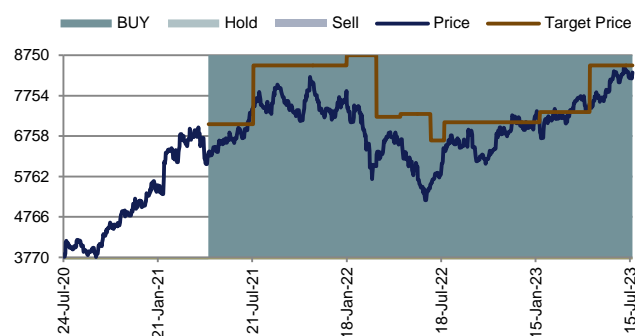
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Date	CMP (INR)	TP (INR)	Rating	Analyst
03-Jun-23	7,851	8,500	Buy	Dharmesh Shah
04-May-23	7,502	8,500	Buy	Dharmesh Shah
29-Apr-23	7,556	8,500	Buy	Dharmesh Shah
07-Apr-23	7,702	7,350	Buy	Dharmesh Shah
02-Mar-23	7,289	7,350	Buy	Dharmesh Shah
05-Feb-23	7,189	7,350	Buy	Dharmesh Shah
23-Jan-23	6,850	7,350	Buy	Dharmesh Shah
29-Dec-22	6,982	7,100	Buy	Dharmesh Shah
05-Dec-22	7,199	7,100	Buy	Dharmesh Shah
05-Nov-22	6,893	7,100	Buy	Dharmesh Shah
19-Oct-22	6,398	7,100	Buy	Dharmesh Shah
04-Oct-22	6,308	7,100	Buy	Dharmesh Shah
04-Sep-22	6,578	7,100	Buy	Dharmesh Shah
24-Jul-22	6,459	7,100	Buy	Dharmesh Shah
04-Jul-22	5,709	6,650	Buy	Dharmesh Shah
28-Jun-22	5,573	6,650	Buy	Dharmesh Shah
02-Jun-22	6,008	7,300	Buy	Dharmesh Shah
01-May-22	6,630	7,300	Buy	Dharmesh Shah
16-Mar-22	6,306	7,230	Buy	Dharmesh Shah
18-Jan-22	7,556	8,750	Buy	Dharmesh Shah
31-Dec-21	7,591	8,500	Buy	Dharmesh Shah
02-Dec-21	7,323	8,500	Buy	Dharmesh Shah
19-Oct-21	7,170	8,500	Buy	Dharmesh Shah
05-Sep-21	7,930	8,500	Buy	Dharmesh Shah
06-Aug-21	7,528	8,500	Buy	Dharmesh Shah
23-Jul-21	7,490	8,500	Buy	Dharmesh Shah
06-Jun-21	6,664	7,050	Buy	Dharmesh Shah
10-May-21	6,403	7,050	Buy	Dharmesh Shah
09-May-21	6,482	7,050	Buy	Dharmesh Shah
28-Apr-21	6,361	7,050	Buy	Dharmesh Shah

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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