KRChoksey RESEARCH by DEVEN CHOKSEY

Varun Beverages Limited

Annual Report Round-Up

18th March 2024

- Varun Beverages Limited (VBL) continued to see strong growth in CY23, despite the impact of unseasonal rains during peak season. Net revenue from operations grew by 21.8% YoY, backed by volume growth of 13.9% YoY and realization per case growth of 7.0% YoY. Double-digit volume growth was seen in both Indian and international operations. Realization improvement was driven by improvements in the mix of smaller SKUs (250ml) in the Indian markets and higher realization per case in the international markets.
- The growth was driven by robust consumption patterns among consumers, newer products such as 'Sting', VBL's strategic capacity expansion program, and expansion in the distribution network and chilling infrastructure.
- The broader soft drinks market, encompassing carbonated soft drinks, juices, and bottled water, sustained growth during the year driven by favourable demographic shifts such as an increasing middle-cast population, and factors such as an increase in disposable incomes, urbanization, improved electricity supply in rural, and better cold storage and distribution capabilities.
- Due to the augmented realization per case and improved gross margins, VBL's EBITDA for CY23 improved by 29.5% YoY to INR 36,095 Mn, accompanied by an improvement in EBITDA margins by 133 bps to 22.5% in CY23. Net Profit grew at a strong rate of 37.3% YoY, driven by the growth in revenue from operations and improved profit margins.
- During CY23, VBL undertook 2 greenfield and 6 brownfield capacity expansions. Following the end of CY23, VBL commenced commercial production, including backward integration, at its new greenfield production facility in Supa, Maharashtra. For CY24E, VBL is concentrating on increasing its production capacities in the juices and value-added dairy segments.
- The combined capital expenditure for CY23 and CY24E is expected to boost the peak month capacity in India by approximately 45.0% over CY22. The capacity augmentation will act as a key driver for future growth.
- VBL has entered into a binding agreement to acquire 100.0% stake in The Beverage Company (Proprietary) Limited (BevCo) in South Africa for carrying out manufacturing and distribution activities and is a significant step towards expanding VBL's presence in the African market.
- VBL also incorporated a new subsidiary 'VBL Mozambique, SA' in Mozambique to carry on the distribution business of beverages.
- During the year, VBL received the esteemed recognition of PepsiCo's International Bottler of the Year 2022.
- During CY23, VBL implemented a sub-division/split of existing Equity Shares where each share with a face value of INR 10/- was split into 2 Equity Shares having a face value of INR 5/- each.

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Varun Beverages Ltd. – View & Recommendation

- Varun Beverages Limited (VBL) is a key player in the beverage industry and one of the largest franchisees of PepsiCo in the world (outside the USA).
- VBL has been associated with PepsiCo since the 1990s and has over two and half decades of business association with PepsiCo, increasing the number of licensed territories and sub-territories covered by the Company, producing and distributing a wider range of PepsiCo beverages, introducing various SKUs in the portfolio, and expanding the distribution network.
- VBL manufactures, distributes and sells a wide range of carbonated soft drinks (CSDs) that includes Pepsi, Pepsi Black, Mountain Dew, Sting, Seven Up, Mirinda Orange, Seven Up, Nimbooz Masala Soda, and Everess and a large selection of non-carbonated beverages (NCBs) such as Tropicana Slice, Tropicana Juices (100% and Delight), Seven-Up Nimbooz, Gatorade and packaged drinking water sold under trademarks owned by PepsiCo such as Aquafina.
- VBL has been granted franchisees for various PepsiCo products across 27 States and 7 Union Territories in India (responsible for ~90% beverage sales volume of PepsiCo India). VBL has also been granted the franchise for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. India is the largest market for VBL and contributed ~79% of revenues from operations on a net basis in CY23.

Key Information

Sector	**FMCG**
M-Cap (INR Mn)	18,47,091
52-week H/L (INR)	1,562/ 633
Volume Avg (3m K)	2,332
CMP (INR)	**1,434**
Target Price (INR)	**1,732**
Upside (%)	**20.8%**
Recommendation	**BUY**

Shareholding Pattern (%)

Particulars	CY23	CY22
Promoters	63.1	63.9
FIIs	26.6	26.5
DIIs	3.6	3.4
Others	6.8	6.2
Total	100.0	100.0

Source: BSE

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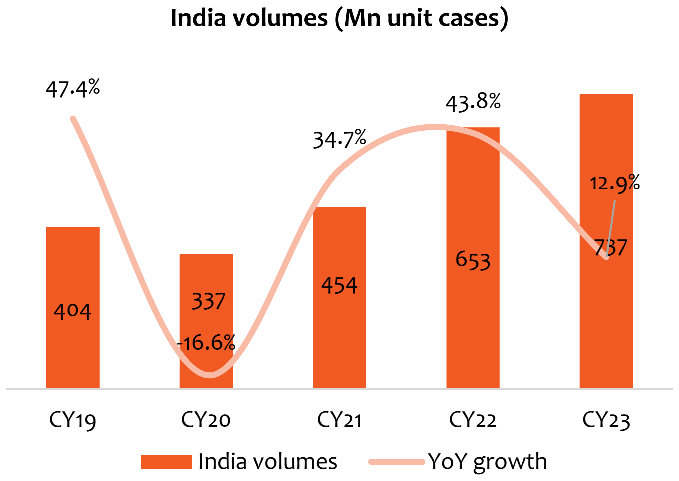
Strong double-digit topline growth continued

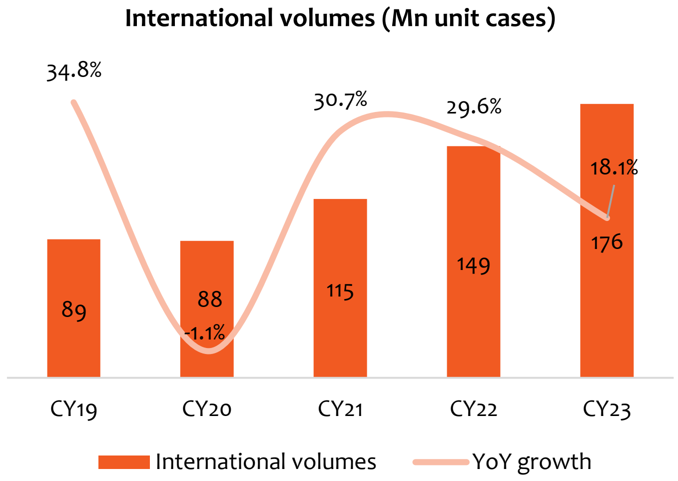
- VBL's net revenue from operations reached INR 160,426 Mn in CY23, up 21.8% YoY from INR 131,731 Mn recorded in CY22.
- Total sales volumes for CY23 grew by 13.9% YoY to 912.9 Mn cases from 801.8 Mn-unit cases sold in CY22, reflecting the strong and consistent demand for its products.
- VBL registered double-digit volume growth in both its Indian and international operations. Volumes in India grew by 12.9% YoY to 737 Mn unit cases and volumes in International markets grew by 18.0% YoY to 176 Mn unit cases.
- VBL's proactive approach in expanding its product portfolio, particularly with the addition of the energy drink 'Sting', and the Company's focus on Dairy, Hydration, and Juice segments, played a role in the robust growth.
- The robust growth was primarily driven by robust consumption patterns among consumers, despite the negative impact of abnormally high unseasonal rains in the peak season. The performance is a testament to the resilience and adaptability of the Company in navigating dynamic market conditions.
- The realization per case increased by 7.0% YoY to INR 175.7 in CY23, driven by improvements in the mix of smaller SKUs (250ml) in the Indian markets and higher realization per case in the international markets.
- One of the key objectives for VBL in CY23 was to build upon the strong demand experienced in CY22. To this end, VBL embarked on a strategic expansion program, commissioning multiple greenfield and brownfield facilities across India. Along with this, VBL also expanded its distribution network and chilling infrastructure. These strategic investments have not only fortified VBL's manufacturing footprint but also opened avenues into previously untapped markets, allowing it to extend its reach and enhance the Company's market presence.

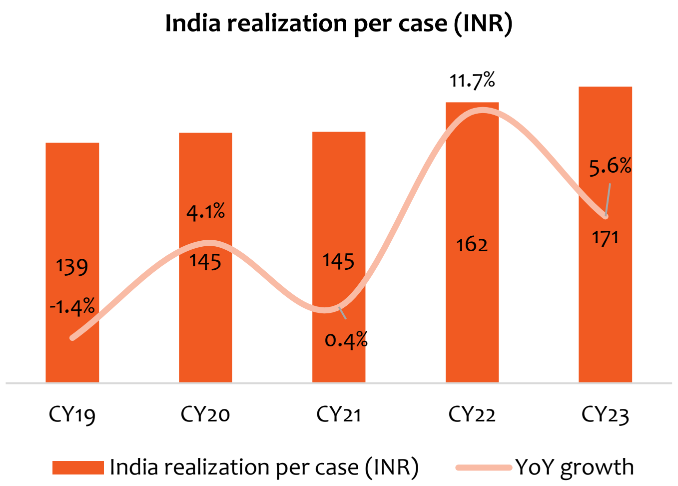
Particulars	CY23	CY22
Revenue net of excise (INR Mn)	160,426	131,731
YoY Growth (%)	21.8%	49.3%

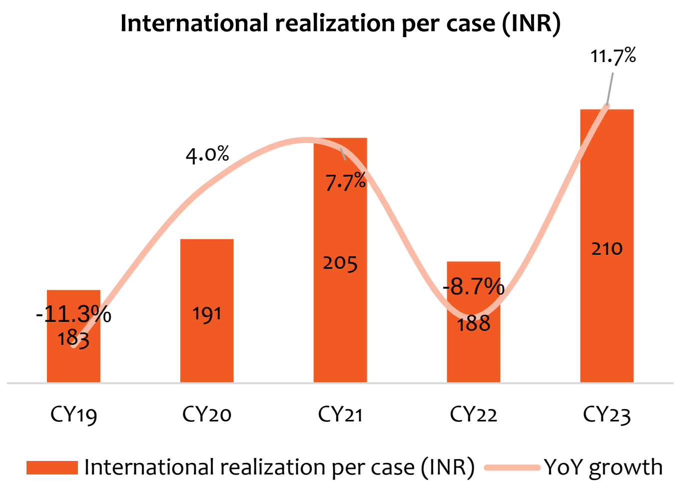
Source: Company, KRChoksey Research

Strong volume and realization for both India and International businesses









Source: Company, KRChoksey Research

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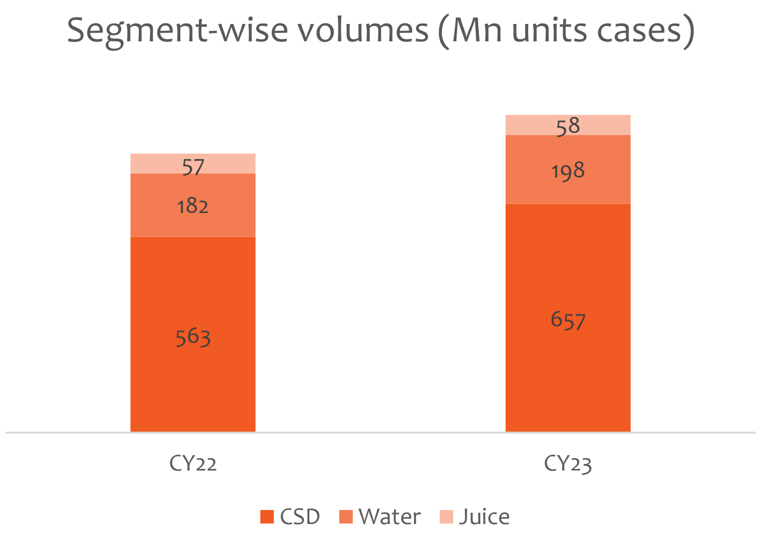
Segment volume growth- CSD leads the growth

Segment-wise volumes (Mn unit cases)	CY23	CY22
CSD	**657**	**563**
YoY growth	16.7%	40.8%
% share	72.0%	70.2%
Juice	**58**	**57**
YoY growth	1.8%	58.3%
% share	6.4%	7.1%
Water	**198**	**182**
YoY growth	8.7%	36.8%
% share	21.7%	22.7%
Total volumes	**913**	**802**
YoY growth	13.8%	40.9%



Source: Company, KRChoksey Research

- CSD constituted 72.0%, Juices 6.4%, and Packaged Drinking water 21.7% of total sales volumes in CY23.
- Growth was led by CSD at 16.7% YoY, followed by water at 8.7% YoY.
- CSD performance was driven by growth in energy drinks as well as the core CSD portfolio. The growth continues to be driven by VBL continuously strengthening its distribution network and chilling infrastructure.
- Growth in the Juice segment was limited at 1.8% YoY due to capacity constraints and weak demand in the peak season.

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Indian soft drinks industry continues to have tailwinds in the form of infrastructural advancements and demographic shifts

The industry continued to grow in CY23 despite weather patterns impacting sales in the peak season

- In CY23, the Indian soft drinks industry encountered a challenging yet progressive year. While CY22 growth was attributed to the resurgence of out-of-home consumption, CY23 saw sales disruption on account of unseasonal rains that disrupted sales during the critical summer season.
- Nevertheless, the sector adeptly adjusted to evolving consumer preferences and maintained a steady growth trajectory.
- This resilience was particularly evident in the energy drinks segment, which, after emerging as a growth category in CY22, continued its expansion through CY23.
- Industry growth was fueled by expanding demographic profiles and a burgeoning middle-class population. These demographic shifts, coupled with an increase in disposable income, spurred higher demand.
- Urbanization played a pivotal role as well, with more individuals relocating to urban areas, leading to greater exposure to and demand for diverse soft drink options.
- The advancement of electrification and improved electricity supply, especially in rural areas, contributed significantly to the industry's growth.
- Enhanced infrastructure facilitated better cold storage and distribution capabilities, crucial for the beverage industry, and enabled broader market reach and product availability in under-penetrated markets.
- This amalgamation of infrastructural advancements and demographic shifts bodes well for the prospects of India's dynamic and growing soft drinks industry.
- The soft drinks market in India is poised for substantial growth, driven by several key factors including a young population, accelerated urbanization, rising incomes, increased household spending, rural advancements and enhanced electrification, and innovative products.

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Focus on distribution and operational excellence

Strong distribution network continues to be a key lever of growth

- VBL has established a robust and well-entrenched distribution network covering urban, semi-urban and rural markets, catering to a diverse range of consumers.
- This strategically located distribution network aims to maximize market penetration across licensed sub-territories in India. Leveraging its strong production capabilities and distribution network, VBL effectively responds to competitive pressures, market demands and evolving consumer preferences across targeted territories.
- As of December 31, 2023, VBL has a robust supply chain, encompassing over 120 depots, a fleet of 2,500+ owned vehicles, 2,400+ primary distributors and over 1,000,000+ installed across various markets.
- VBL prioritizes driving growth and expanding market share across categories through various customer push strategies in licensed territories. These strategies include local-level promotions, in-store activations, customer relationship management, merchandizing, individual account management, and evaluation of high-demand regions for strategic placement of PMX machines and vis-coolers.

Strategic initiatives to enhance operational excellence

- VBL has also implemented several strategic initiatives aimed at enhancing operational excellence, such as backward integration of manufacturing processes and centralized raw material sourcing.
- Following the year ended December 31, 2023, the Company commenced commercial production, including backward integration, at its new greenfield production facility in Supa, Maharashtra.

Expanding capacities and territories for future growth

Accelerated Capacity Expansion by VBL

- For the CY23 season, VBL commissioned new production facilities at Bundi in Rajasthan and at Jabalpur in Madhya Pradesh. INR 8,500 Mn was allocated towards these 2 greenfield plants.
- Additionally, VBL also expanded its capacity at six existing locations namely Pathankot, Kosi, Bharuch, Tirunelveli, Begusarai and Guwahati. INR 8,000 Mn was allocated towards these brownfield expansions.
- Combining, the greenfield and brownfield expansions along with capex directed towards brownfield expansions in international markets, assets written off, and managing forex fluctuations, VBL's net capex for CY23 was INR 21,000 Mn.
- Furthermore, as part of its growth strategy, VBL also invested ~INR 1,500 Mn towards land acquisitions including Buxar in Bihar, and Kangra in Himachal Pradesh in anticipation of construction of plants in the future years.
- The commissioning of multiple greenfield and brownfield beverage manufacturing lines in CY23 was a significant step in enhancing VBL's operational capabilities. These expansions are vital for meeting increasing consumer demand and tapping into new market opportunities and have set the stage for VBL's continued growth in the beverage industry.
- Following the year ended December 31, 2023, VBL commenced commercial production, including backward integration, at its new greenfield production facility in Supa, Maharashtra.
- The combined capital expenditure for CY23 and CY24E is expected to boost the peak month capacity in India by approximately 45.0% over CY22.
- For CY24E, VBL is particularly concentrating on increasing its production capacities in the juices and value-added dairy products segments.

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Expanding capacities and territories for future growth

Expansion to new territories

- VBL has entered into a binding agreement to acquire 100.0% stake in The Beverage Company (Proprietary) Limited (BevCo) in South Africa for carrying out manufacturing and distribution activities.
- The BevCo acquisition is valued at ~ZAR 3 Bn (~INR 13.20 Bn) and is a significant step towards expanding VBL's presence in the African market.
- BevCo holds franchise rights from PepsiCo Inc. in South Africa, Lesotho and Eswatini, along with distribution rights for Namibia and Botswana.
- BevCo's own brands account for ~85.0% of total sales volumes. These include a popular energy drink – "Reboost" - and the other CSD brands such as "Refreshhh", "Coo-ee" and "Jive".
- This acquisition aligns perfectly with VBL's strategic goals and offers an excellent opportunity to significantly enhance its presence in the African market — a region known for high demand for soft drinks and favorable demographics. The integration of BevCo into VBL's operations is expected to yield substantial synergistic benefits in the future.
- VBL also incorporated a new subsidiary 'VBL Mozambique, SA' in Mozambique to carry on the distribution business of beverages.

Other acquisitions

- On October 16, 2023, VBL acquired 5.03% shareholding in Lunarmech Technologies Private Limited for a purchase consideration of INR 100 Mn. Following the acquisition, VBL now holds 60.07% of the effective equity share capital of Lunarmech Technologies Private Limited, which manufactures plastic closures for VBL.

Key Performance Drivers – New Launches

Category	New Product Launch
Energy Drink	Sting Blue
Value-added Dairy-based Beverages	New flavors in Cream Bell milkshakes- Rose and Butterscotch

Source: Company, KRChoksey Research

- In addition to product innovation, VBL is also innovating its packaging. During CY23, VBL introduced 100% recycled plastic (rPET) bottles for Pepsi Black in specific sub-territories.

Strong volume and realization growth along with margin improvement

- VBL's net revenue from operations reached INR 160,426 Mn in CY23, up 21.8% YoY from INR 131,731 Mn recorded in CY22. The robust growth was primarily driven by robust consumption patterns among consumers, despite the negative impact of abnormally high unseasonal rains in the peak season.

- Total sales volumes for CY23 grew by 13.9% YoY to 912.9 Mn cases from 801.8 Mn-unit cases sold in CY22, reflecting the strong and consistent demand for its products.
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- VBL registered double-digit volume growth in both its Indian and international operations. Volumes in India grew by 12.9% YoY to 737 Mn unit cases and volumes in International markets grew by 18.0% YoY to 176 Mn unit cases.

- The realization per case increased by 7.0% YoY to INR 175.7 in CY23, driven by improvements in the mix of smaller SKUs (250ml) in the Indian markets and higher realization per case in the international markets.

- VBL saw an improvement in operating profits with a 29.5% YoY growth in EBITDA and a 133 bps YoY expansion in EBITDA margin. Softening of PET chip prices and improvement in realization per case led to the margin improvement.

- The improvement in operating profits flowed down to the PAT level as well which grew by 37.3% YoY to INR 20,559 Mn and PAT margin expanded by 145 bps YoY to 12.8%.

	CY23	CY22
Revenue net of excise (INR Mn)	**160,426**	**131,731**
YoY Growth (%)	21.8%	49.3%
EBITDA (INR Mn)	**36,095**	**27,881**
YoY Growth (%)	29.5%	68.5%
EBITDA Margin	**22.5%**	**21.2%**
PAT (INR Mn)	**20,559**	**14,974**
YoY Growth (%)	37.3%	115.8%
PAT Margin	**12.8%**	**11.4%**

Source: Company, KRChoksey Research

- VBL's key commodities of PET chips and sugar saw diverging trends in pricing. PET chip prices softened while there was a slight uptick in sugar prices. The decline in PET chip prices more than mitigated the increase in sugar, leading to a decline in the overall Cost of Goods sold as % of sales from 47.5% in CY22 to 46.2% in CY23.

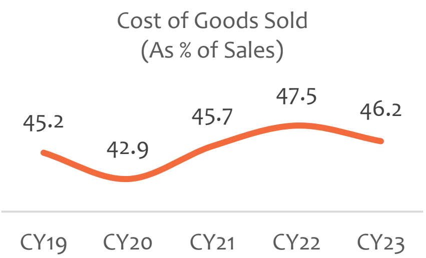
- The realization per case increased by 7.0% YoY to INR 175.7 in CY23 driven by improvements in the mix of smaller SKUs (250ml) in the Indian markets and higher realization per case in the international markets.

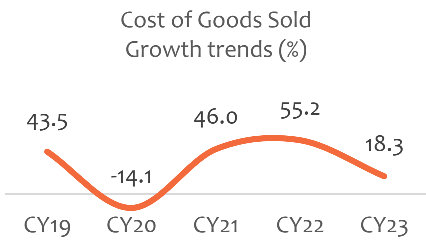
- Employee costs as % of sales declined marginally by 22 bps YoY to 9.0% in CY23.

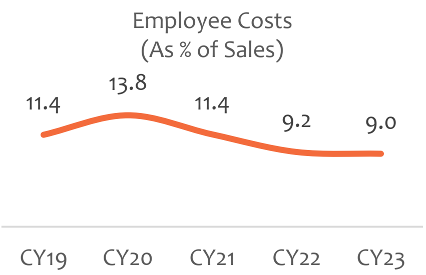
- Other expenses as % of sales increased marginally by 26 bps YoY to 22.3% in CY23.

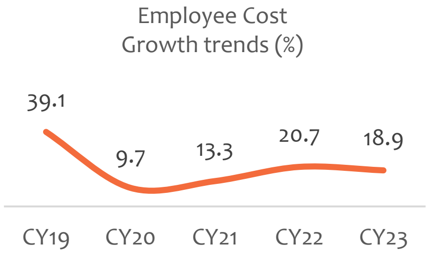
- As the movement in employee costs and other expenses as % of sales almost nullified each other, the improvement in gross margin was passed down to the EBITDA margin level.

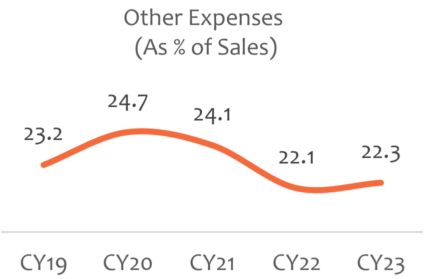
- Resultantly, due to the augmented realization per case and improved gross margins, EBITDA improved by 29.5% YoY to INR 36,095 Mn, accompanied by an improvement in EBITDA margins by 133 bps to 22.5% in CY23.

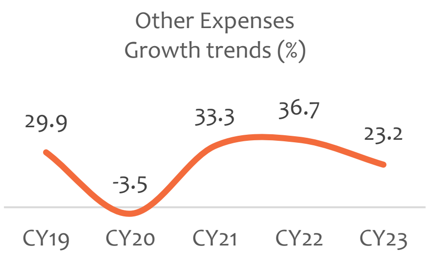






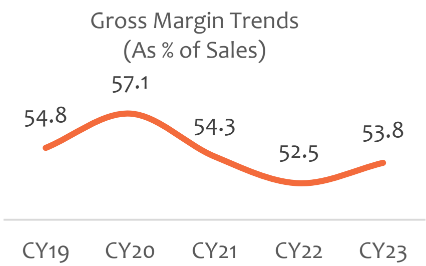


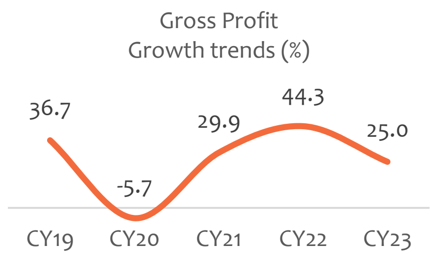


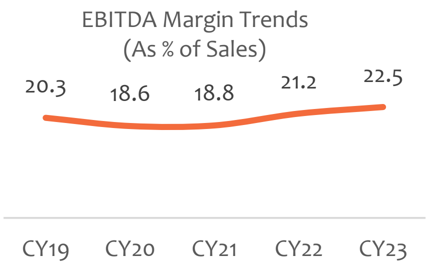


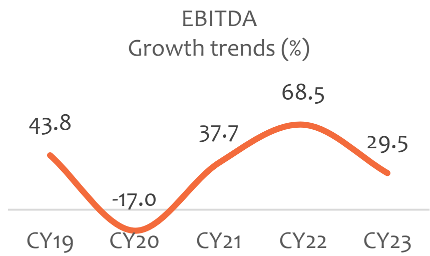
Source: Company, KRChoksey Research

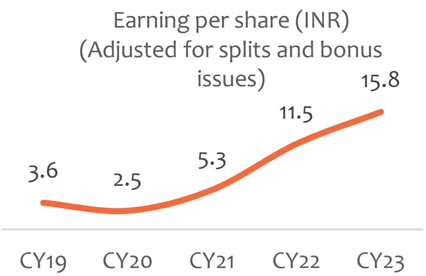
- VBL's Gross Margin for CY23 improved by 137 bps YoY to 53.8% due to softening of PET chip prices, partially offset by a slight uptick in sugar prices.
- Due to the augmented realization per case and improved gross margins, EBITDA improved by 29.5% YoY to INR 36,095 Mn, accompanied by an improvement in EBITDA margins by 133 bps to 22.5% in CY23.
- PAT for CY23 stood at INR 20,559 Mn, growing by 37.3% YoY, aided by the strong operating performance. Depreciation grew by 10.3% YoY in CY23, attributed to the capitalization of assets and the establishment of new production facilities. Finance costs increased by 44.0%, primarily due to the increase in average cost of borrowing by about 30.0%.
- EPS continued its positive trajectory in CY23 and grew by 37.3% YoY to INR 15.8.

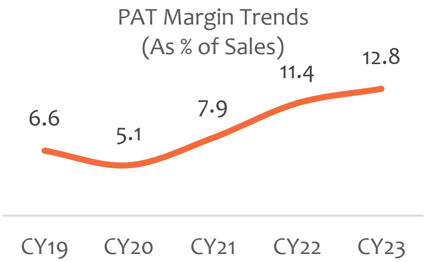


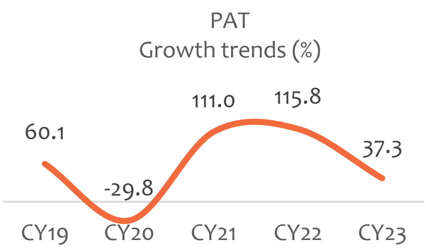












Source: Company, KRChoksey Research

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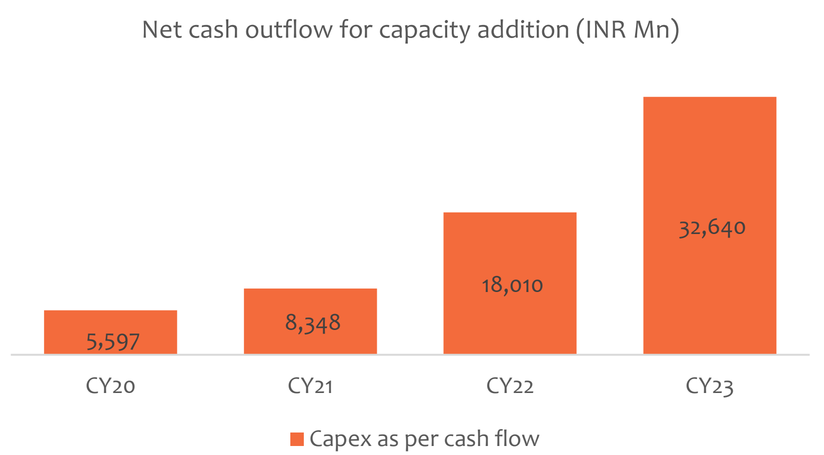
- As of December 31, 2023, net debt stood at INR 47,345 Mn, compared to INR 34,096 Mn on December 31, 2022. The primary driver behind this increase in net debt was the rise in CWIP and capital advances, which increased incrementally by INR 12,000 Mn. This escalation was largely due to the completion and initiation of production at the Supa plant in Maharashtra by year-end, which was scheduled to become operational on January 25, 2024.
- Looking ahead, an additional outlay of approximately INR 12,000 Mn for capex is anticipated for the CY24E season.
- The debt-to-equity ratio was maintained at a healthy 0.67x, and the Debt to EBITDA ratio was recorded at 1.31x as of the end of CY23.
- Cash flow from operating activities grew by 33.6% YoY to INR 23,908 Mn for CY23 from INR 17,900 Mn for CY22.
- Cash flow used in investing activities increased by 93.0% YoY to INR 32,899 Mn in CY23 vs. INR 17,046 Mn in CY22. This was on account of heavy investments in capacity expansion.
- Cash flow from financing activities was an inflow of INR 9,849 Mn in CY23 vs. an outflow of INR 179 Mn in CY22. VBL increased its borrowings in CY23 to support the capacity expansion plan, leading to the inflow from financing activities.
- Average net working capital days in CY23 increased slightly to 77 days from 76 days in CY22.



Source: Company, KRChoksey Research

- **Working capital:** VBL's working capital turned positive in CY23 due to a strong YoY increase in cash and equivalents and other financial assets and a decline in payables and current tax liabilities.

- **Dividend**: For CY23, the Board of Directors of VBL recommended a total dividend of INR 2.50 per equity share with a face value of INR 5 each. The total dividend included an interim dividend of INR 1.5 per share declared on August 3, 2023 and a final dividend of INR 1.25 per share.

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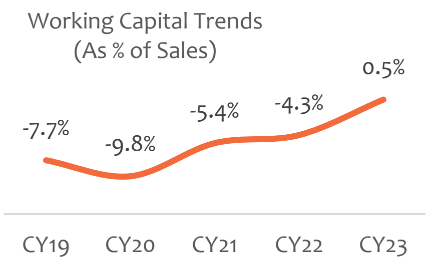
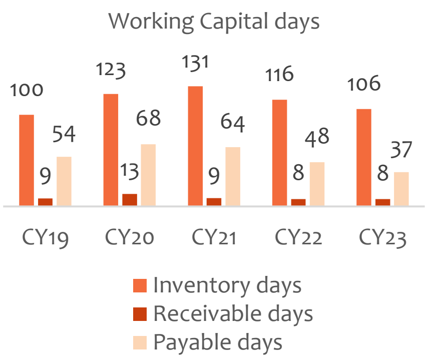
- **Corporate action:** During CY23, VBL decided to subdivide/ split its existing equity shares to broaden the shareholder base and increase the accessibility of its shares to a diverse range of investors. Each equity share, previously with a face value of INR 10 fully paid-up, was divided into two shares, each having a new face value of INR 5 fully paid-up, effective 15th June 2023.





Particulars	CY23	CY22*
Interim Dividend	1.25	1.25
Final Dividend	1.25	0.50
Dividend per share	**2.50**	**1.75**
YoY Growth	42.9%	110.0%#
Total (INR Mn)	**3,248**	**2,273**
YoY Growth	42.9%	110.0%

**CY22 per share dividend adjusted for Stock Split From INR 10/- to INR 5/- in June 2023*
#CY21 DPS also adjusted for the above Stock Split + Bonus issue 1:2 in June 2022.

Source: Company, KRChoksey Research

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Environment, Social, Governance Initiatives

- VBL's strategic ESG priorities include Environmental Protection, Inclusion & Diversity, Community and Governance.
- During CY23, VBL achieved a 9.0% YoY improvement in water used per litre of beverage production, 6.0% points YoY improvement in recycling of used PET bottles, 12.0% YoY reduction in carbon emissions/litre and 176.0% YoY increase in units from renewable resources.
- Environmental Initiatives:
  - 12.95 Bn Liters of water was recharged in CY23 against 6.39 Bn Liters consumed.
  - VBL reduced the water required per 1 liter of final product for beverage production by 9.0% YoY.
  - Introduced 100% recycled plastic PET (excluding label and cap) bottles for certain carbonated beverages. VBL has also established a target to incorporate 30.0% r-PET in its total PET packaging by CY25E through a joint venture (JV) with Indorama.
  - Between 2010 and 2023, undertook weight reduction of preforms by 10.0% to 20.0% in packs of 600 ml to 2.25 liters and by 20.0% to 25.0% in packs of CSD/Juices/Water.
  - VBL recycled 86.0% of the total PET bottles consumed during CY23, much ahead of the Extended Producer Responsibility (EPR) Regulations laid down by CPCB.
  - VBL is building a fleet of ~1,200 electric vehicles, in partnership with its distributors, directed towards sustainable last-mile delivery of beverages and reducing the Company's carbon footprint by 2 Mn ton carbon emissions per year.
- Social Initiatives:
  - Consumers, today, are choosing nutrient-rich food and beverages. By optimizing sugar content in products, VBL is keeping pace with the changing health preferences of its aspirational consumers. Low & No sugar products mix was at 40.2% in CY23 vs 35.7% in CY22.

Valuation

- VBL has continued to report strong volumes backed by an increasing distribution network and improving rural penetration in India along with strong growth in international business. Volume growth is expected to continue across segments due to big headroom for distribution expansion, strong capacity expansion undertaken in CY23 and CY24E and focus on incremental growth from smaller categories of juices, value-added dairy and Gatorade. The addition of BevCo will accomplish VBL's stated goal of entering new territories for incremental growth and reducing seasonality. BevCo margins are lower vs. VBL's current margins but there is scope for improvement due to operating efficiencies and proximity benefits from VBL's operations in countries like Zambia and Zimbabwe.
- We continue to like VBL as it has significant growth potential in India as well as international markets led by distribution expansion, capacity expansion, entry into new territories and products, and a strong financial position.
- We have retained our estimates for CY24E-CY25E. We expect Net Revenue/ EBITDA/ Adj. PAT to grow at CAGR of 24.8%/ 26.0%/ 29.8%, respectively over CY23-CY25E. We expect annual EBITDA margins to inch up over CY23-CY25E due to higher volumes, improving realizations and operating efficiencies offsetting the lower BevCo margins.
- **VBL is currently trading at 69.7x/ 53.8x its CY24E/ CY25E Adj. EPS. We assign a P/E multiple of 65.0x to CY25E EPS of INR 26.6 and assign a target price of INR 1,732 per share (unchanged), with a 20.8% upside from current levels. Accordingly, we maintain a BUY rating in the shares of Varun Beverages Ltd.**

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Exhibits: Quarterly Income Statement

KRChoksey RESEARCH by DEVEN CHOKSEY

Particulars (INR Mn)	Q4CY23	Q3CY23	Q4CY22	QoQ	YoY	CY23	CY22	YoY
Gross revenue	**27,310**	**39,378**	**22,572**	**-30.6%**	**21.0%**	**163,211**	**133,906**	**21.9%**
Excise duty	633	672	430	-5.9%	47.3%	2,785	2,174	28.1%
Revenue from Operations (net of excise duty)	**26,677**	**38,705**	**22,142**	**-31.1%**	**20.5%**	**160,426**	**131,731**	**21.8%**
Total Expenditure	**22,494**	**29,884**	**19,067**	**-24.7%**	**18.0%**	**124,331**	**103,850**	**19.7%**
Cost of Raw Materials	12,087	16,347	11,879	-26.1%	1.8%	70,265	64,171	9.5%
Purchase of Stock	1,022	1,098	424	-6.9%	141.2%	4,627	1,886	145.4%
Changes in Inventories	-1,540	-148	-2,624	-937.5%	41.3%	-843	-3,445	75.5%
Employee Cost	3,713	3,716	3,199	-0.1%	16.1%	14,466	12,166	18.9%
Other expenses	7,212	8,871	6,190	-18.7%	16.5%	35,816	29,072	23.2%
EBITDA	**4,183**	**8,821**	**3,075**	**-52.6%**	**36.0%**	**36,095**	**27,881**	**29.5%**
EBITDA Margin (%)	**15.7%**	**22.8%**	**13.9%**	**-711 bps**	**179bps**	**22.5%**	**21.2%**	**133 bps**
Depreciation	1,660	1,708	1,797	-2.8%	-7.6%	6,809	6,172	10.3%
EBIT	**2,523**	**7,113**	**1,278**	**-64.5%**	**97.4%**	**29,286**	**21,709**	**34.9%**
Interest Expense	737	625	475	17.9%	55.1%	2,681	1,861	44.0%
Other Income	91	185	92	-50.7%	-1.4%	794	388	104.3%
PBT	**1,878**	**6,673**	**896**	**-71.9%**	**109.5%**	**27,398**	**20,236**	**35.4%**
Exceptional Items	0	0	0	**NA**	**NA**	0	0	NA
Tax	442	1,529	81	-71.1%	447.4%	6,375	4,735	34.6%
Share in P&L / MI	-116	-134	-68	13.6%	-70.9%	-464	-527	12.0%
PAT	**1,320**	**5,011**	**748**	**-73.7%**	**76.5%**	**20,559**	**14,974**	**37.3%**
PAT Margin	**4.9%**	**12.9%**	**3.4%**	**-800 bps**	**157bps**	**12.8%**	**11.4%**	**145 bps**
Diluted EPS (INR)	**1.0**	**3.9**	**0.6**	**-73.5%**	**75.9%**	**15.8**	**11.5**	**37.3%**
Adj. PAT	**1,320**	**5,011**	**748**	**-73.7%**	**76.5%**	**20,559**	**14,974**	**37.3%**
Adj. PAT margin	**4.9%**	**12.9%**	**3.4%**	**-800 bps**	**157bps**	**12.8%**	**11.4%**	**145 bps**
Adj. EPS	**1.0**	**3.9**	**0.6**	**-73.7%**	**76.5%**	**15.8**	**11.5**	**37.3%**

Source: Company, KRChoksey Research

Exhibits: Income Statement

INR Mn	CY21	CY22	CY23	CY24E	CY25E
Net sales	**88,232**	**131,731**	**160,426**	**201,357**	**249,737**
COGS	40,347	62,612	74,049	91,522	113,572
Gross profit	**47,886**	**69,120**	**86,377**	**109,835**	**136,165**
Employee cost	10,077	12,166	14,466	17,998	22,128
Other expenses	21,262	29,072	35,816	45,775	56,722
EBITDA	**16,546**	**27,881**	**36,095**	**46,062**	**57,315**
EBITDA Margin	***18.8%***	***21.2%***	***22.5%***	***22.9%***	***23.0%***
Depreciation & amortization	5,313	6,172	6,809	8,537	9,963
EBIT	**11,234**	**21,709**	**29,286**	**37,525**	**47,352**
Interest expense	1,847	1,861	2,681	3,229	2,599
Other income	679	388	794	1,007	999
Exceptional items	0	0	0	0	0
PBT	**10,066**	**20,236**	**27,398**	**35,303**	**45,752**
Tax	2,606	4,735	6,375	7,943	10,294
Share of profit of associates/ Minority interest	-520	-527	-464	-646	-837
PAT	**6,941**	**14,974**	**20,559**	**26,714**	**34,621**
Adj. PAT	**6,941**	**14,974**	**20,559**	**26,714**	**34,621**
EPS (INR)	**5.3**	**11.5**	**15.8**	**20.6**	**26.6**
Adj. EPS	**5.3**	**11.5**	**15.8**	**20.6**	**26.6**

Source: Company, KRChoksey Research

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Exhibits: Income Statement (Other Expenses)

Other Expenses (INR Mn)	CY19	CY20	CY21	CY22	CY23
Power and fuel	2,791	2,670	3,299	4,792	5,503
Repairs	1,749	1,984	2,487	3,527	4,075
Consumption of stores and spares	705	660	797	1,194	1,296
Rent	559	511	497	542	802
Rates and taxes	92	110	847	205	902
Travelling and conveyance	840	511	675	1,064	1,215
Vehicle running and maintenance	191	145	163	180	594
Security and service charges	341	401	359	445	564
Legal, professional and consultancy	333	402	269	339	510
Advertisement and sales promotion	1,221	1,165	1,249	1,398	1,964
Freight, octroi and insurance paid (Net)	4,555	4,588	6,190	9,113	11,021
Delivery vehicle running and maintenance	757	1,017	657	842	832
Distribution expenses	116	103	1,440	2,101	2,250
Loading and unloading charges	338	305	474	681	882
Loss on disposal of property, plant and equipment (Net)	0	4	170	569	842
Net loss on foreign currency transactions and translations	824	90	0	65	575
General office and other miscellaneous	168	384	400	539	500
Miscellaneous	937	896	1,290	1,476	1,489
TOTAL	**16,517**	**15,946**	**21,262**	**29,072**	**35,816**

Source: Company, KRChoksey Research

INR Mn	CY21	CY22	CY23	CY24E	CY25E
Non-current assets					
Property, plant and equipment (incl. ROU)	57,280	63,571	78,378	94,841	93,878
Capital work-in-progress	4,966	6,066	19,222	7,222	3,000
Intangible assets (inc. Goodwill)	5,828	5,751	5,713	5,713	5,713
Investment property	0	0	0	0	0
Investment in Associate	0	0	179	179	179
Financial assets	445	487	654	654	654
Other non-current assets	1,839	6,267	5,368	6,741	8,369
Investment in acquisitions	0	0	0	13,200	13,200
Total non-current assets	**70,358**	**82,142**	**109,516**	**128,551**	**124,994**
Current assets					
Inventories	14,481	19,939	21,505	26,580	32,984
Financial assets					
Trade receivables	2,212	2,993	3,594	4,513	5,603
Cash and cash equivalents	1,508	1,543	2,422	2,345	12,335
Other Balances with Banks	1,859	1,309	2,177	2,177	2,177
Loans	0	0	0	0	0
Other financial assets	2,456	3,977	7,388	9,278	11,519
Current tax assets (Net)	11	0	3	3	3
Other current assets	2,935	4,278	5,267	6,614	8,212
Total current assets	**25,461**	**34,040**	**42,356**	**51,509**	**72,832**
TOTAL ASSETS	**95,819**	**116,182**	**151,872**	**180,060**	**197,827**

Source: Company, KRChoksey Research

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INR Mn	CY21	CY22	CY23	CY24E	CY25E
EQUITY AND LIABILITIES					
Equity					
Equity share capital	4,330	6,496	6,496	6,496	6,496
Other equity	36,469	44,528	62,869	90,268	125,776
Non-controlling interests	1,168	1,131	1,482	1,482	1,482
Total equity	**41,967**	**52,155**	**70,847**	**98,246**	**133,754**
LIABILITIES					
Non-current liabilities					
Financial liabilities					
Borrowings	18,133	17,270	31,889	31,889	21,889
Lease liabilities/ Other financial liabilities	313	1,654	1,979	1,979	1,979
Provisions	2,085	2,041	2,126	2,126	2,126
Deferred tax liabilities	3,111	3,368	3,430	3,430	3,430
Other non-current liabilities	7	6	68	68	68
Total non-current liabilities	**23,649**	**24,340**	**39,493**	**39,493**	**29,493**
Current liabilities					
Financial liabilities					
Borrowings	15,286	19,678	20,054	19,054	9,054
Lease liabilities	136	236	390	390	390
Trade payables	7,118	8,243	7,582	9,372	11,630
Other financial liabilities	3,930	5,594	7,638	7,638	7,638
Other current liabilities	3,734	5,937	5,866	5,866	5,866
Total current liabilities	**30,202**	**39,688**	**41,532**	**42,321**	**34,579**
Total liabilities	**53,852**	**64,028**	**81,025**	**81,815**	**64,072**
TOTAL EQUITY AND LIABILITIES	**95,819**	**116,182**	**151,872**	**180,060**	**197,826**

Source: Company, KRChoksey Research

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Cash Flow Statement INR Mn	CY21	CY22	CY23	CY24E	CY25E
Net Cash Generated From Operations	12,314	17,900	23,908	30,352	37,367
Net Cash Flow from/(used in) Investing Activities	(10,106)	(17,046)	(32,899)	(26,200)	(4,778)
Net Cash Flow from Financing Activities	(1,777)	(179)	9,849	(4,229)	(22,599)
Net Inc/Dec in cash equivalents	431	675	858	(77)	9,990
Opening Balance	1,046	1,508	1,543	2,422	2,345
Unrealised exchange differences on translation of cash and cash equivalent in subsidiaries (F)	31	(639)	21	0	0
Closing Balance Cash and Cash Equivalents	**1,508**	**1,543**	**2,422**	**2,345**	**12,335**

Key Ratio	CY21	CY22	CY23	CY24E	CY25E
EBITDA Margin (%)	18.8%	21.2%	22.5%	22.9%	23.0%
Tax rate (%)	25.9%	23.4%	23.3%	22.5%	22.5%
Net Profit Margin (%)	7.9%	11.4%	12.8%	13.3%	13.9%
RoE (%)	17.0%	29.3%	29.6%	27.6%	26.2%
RoCE (%)	17.1%	28.4%	26.5%	27.2%	29.0%
RoCE ex cash (%)	18.0%	29.5%	27.7%	28.2%	31.8%
Adj. EPS (INR)	5.3	11.5	15.8	20.6	26.6
Adj. P/E	268.4x	124.4x	90.6x	69.7x	53.8x

Source: Company, KRChoksey Research

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