

May 13, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	270		251	
Sales (Rs. m)	49,857	56,998	49,762	56,886
% Chng.	0.2	0.2		
EBITDA (Rs. m)	7,309	8,584	6,947	8,112
% Chng.	5.2	5.8		
EPS (Rs.)	9.9	11.7	9.3	10.8
% Chng.	6.9	8.1		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	43,971	43,174	49,857	56,998
EBITDA (Rs. m)	2,925	5,849	7,309	8,584
Margin (%)	6.7	13.5	14.7	15.1
PAT (Rs. m)	2,339	4,733	6,136	7,221
EPS (Rs.)	3.8	7.7	9.9	11.7
Gr. (%)	(70.3)	102.4	29.7	17.7
DPS (Rs.)	1.5	3.3	3.5	4.9
Yield (%)	0.6	1.2	1.3	1.8
RoE (%)	5.3	9.0	10.3	11.2
RoCE (%)	4.2	8.2	9.6	10.7
EV/Sales (x)	3.5	3.5	2.9	2.5
EV/EBITDA (x)	52.9	26.0	20.1	16.8
PE (x)	71.7	35.4	27.3	23.2
P/BV (x)	3.4	3.0	2.7	2.5

Key Data

FINX.BO | FNXP IN

52-W High / Low	Rs.288 / Rs.163
Sensex / Nifty	72,776 / 22,104
Market Cap	Rs.168bn/ \$ 2,014m
Shares Outstanding	620m
3M Avg. Daily Value	Rs.365.43m

Shareholding Pattern (%)

Promoter's	52.81
Foreign	5.51
Domestic Institution	12.26
Public & Others	29.41
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.1	41.3	49.3
Relative	11.3	26.1	27.3

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Finolex Industries (FNXP IN)

Rating: HOLD | CMP: Rs271 | TP: Rs270

Healthy volume growth, improvement in margins

Quick Pointers:

- Volume grew +23% YoY in P&F segment in a seasonally strong quarter.

We upward revise our FY25/FY26E adjusted earnings by 6.9%/8.1% on account of improvement in margins with operational efficiency and stable PVC-EDC spread, which expected to continue. FNXP reported healthy volume growth of 23.0% YoY in its seasonally strong quarter for agri. business. Management indicated high single-digit volume growth in its agri. business (~68% cont. in FY24) and ~20% growth in non-agri pipes and fittings segment. Company reported improvement in EBIT/Kg to Rs 13.3 in P&F segment even after correction in PVC-EDC spread which was reduced to USD 427/MT in Q4FY24 (vs USD 465/632/MT in Q3FY24/Q4FY24), with operational efficiency and correction in fuel expenses. We estimate Revenue/EBITDA/PAT CAGR of 14.9%/21.1%/23.5% for FY24-26E with P&F volume CAGR of 13.0% and EBITDA margin of 15.1% by FY26E. We have also accounted exceptional gain of Rs 4.17bn in FY25 on account of sale of leasehold rights on lands at Chinchwad, Pune. Maintain 'HOLD' rating with revised TP to Rs270 (Rs251 earlier), based on 21x FY26E EPS plus 50% discount to Finolex Cables' stake.

Revenues grew 8.3% YoY; P&F vol. grew by 23% YoY: FNXP revenue came in at Rs12.4bn (up by 8.3% YoY, PLe: Rs11.7bn). The P&F revenue at Rs11.8bn (up by 7.3% YoY) with 23.0% volume growth YoY. The realizations stood at ~Rs118 per Kg down by 12.8% YoY (PLe: Rs127 per Kg). PVC resin segment posted revenue of Rs5.1bn (up 1.2% YoY), volume up by +19.1% YoY to 69,215MT. The external sales vol. was up by 91.8% YoY and external realization was down 28.7% YoY. Gross margin contracted by 490bps YoY to 37.2% (PLe: 40%). EBITDA decline by 3.9% to 2.1bn (PLe: Rs1.9bn) with EBITDA margin of 16.9% (PLe:16.1%) with operational efficiency and correction in fuel expenses even after reduction in PVC-EDC/PVC-VCM spread for Q4FY24 to USD 427/USD135 per MT as against USD 632/USD154 per MT in Q4FY23. P&F business reported EBIT of Rs1.3bn with EBIT margin of 11.2%. PVC resin EBIT stood at Rs656mn with EBIT margin of 12.9%. Reported PAT of Rs1.65bn down by 1% YoY (PLe: Rs1.5bn).

Con call highlights: 1) Mgmt. guided higher single digit/20% volume growth in agri/non agri business in FY25. Also, guided 10-15% revenue growth in coming 3-5 years. 2) P&F segment has agri:non-agri mix of 70:30 in volume terms which will improve to 50:50 in next 3-4 years, 3) Company plans capacity enhancement of Pipes and Fittings in existing plants with planned capex of Rs 1.5bn in FY25, 4) Mgmt indicated no inventory loss/gain in Q4FY24, 5) It also maintains guidance of EBIT/Kg to be at Rs10-Rs12 per kg in FY25 for P&F, 6) PVC prices have improved to USD 800/MT from USD 785/MT in Q4FY24 while its range bound (USD750/MT-USD800/MT) and company expects it to remain the same for short term, 7) Company expects increase in PVC resin external sales in FY25, back to FY23 level of 25-26kMT which was impacted in FY23 due to RM supply issue, 8) New fittings' plant started in Mar'23 with Rs1bn investment; reached to its peak capacity with production of 1000MT/month.

Exhibit 1: Q4FY24 Result Overview: Sales decline 8.3% YoY, EBITDA margin of 16.9%

Y/e March (Rs mn)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	12,354	11,411	8.3	10,197	21.2%	43,174	43,971	(1.8)
Expenditure								
Operating & Manufacturing Expenses	7,739	6,592	17.4	6,522	18.7%	27,369	30,721	(10.9)
<i>% of Net Sales</i>	<i>62.6</i>	<i>57.8</i>	<i>4.9</i>	<i>64.0</i>		<i>63.4</i>	<i>69.9</i>	
Gross Profit	4,615	4,819	(4.2)	3,675	25.6%	15,805	13,250	19.3
<i>% of Net Sales</i>	<i>37.4</i>	<i>42.2</i>	<i>(4.9)</i>	<i>36.0</i>		<i>36.6</i>	<i>30.1</i>	
Personnel Cost	567	480	18.2	526	7.8%	2,114	1,897	11.5
<i>% of Net Sales</i>	<i>4.6</i>	<i>4.2</i>	<i>0.4</i>	<i>5.2</i>		<i>4.9</i>	<i>4.3</i>	
Other Expenses	1,959	2,165	(9.5)	1,950	0.5%	7,843	8,428	(6.9)
<i>% of Net Sales</i>	<i>15.9</i>	<i>19.0</i>	<i>(3.1)</i>	<i>19.1</i>		<i>18.2</i>	<i>19.2</i>	
Total Expenditure	2,526	2,644	(4.5)	2,476	2.0%	37,326	41,045	(9.1)
EBITDA	2,089	2,174	(3.9)	1,199	74.3%	5,849	2,925	99.9
<i>Margin (%)</i>	<i>16.9</i>	<i>19.1</i>	<i>(2.1)</i>	<i>11.8</i>		<i>13.5</i>	<i>6.7</i>	
Other income	438	292	50.0	351	24.7%	1,800	1,209	48.8
Depreciation	267	238	12.1	276	-3.2%	1,160	892	30.1
EBIT	1,823	1,936	(5.9)	923	97.4%	4,688	2,033	130.6
Interest	73	65	13.2	77	-4.6%	365	272	33.9
PBT	2,187	2,164	1.1	1,198	82.6%	6,123	2,970	106.2
Total Taxes	639	633	0.9	361	77.0%	1,773	874	102.8
<i>ETR (%)</i>	<i>29.2</i>	<i>29.3</i>		<i>30.1</i>				
Adj. PAT	1,548	1,531	1.2	837	85.0%	4,733	2,339	102.4
Exceptional Items	-	-		-		-	-	
Reported PAT	1,649	1,665	(1.0)	954	72.9%	4,733	2,339	102.4

Source: Company, PL

Exhibit 2: Segmental Breakup: P&F revenue up 1.2%, while EBIT margin expanded by 310bps YoY

Y/e March (Rs mn)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenues								
PVC	5,075	5,013	1.2	3,211	58.1	14,858	22,710	(34.6)
PVC Pipe & Fittings	11,822	11,021	7.3	9,916	19.2	41,852	41,130	1.8
EBIT								
PVC	656	1,173	NA	309	113	1,200	919	NA
<i>EBIT margin (%)</i>	<i>12.9</i>	<i>23.4</i>		<i>9.6</i>		<i>8.1</i>	<i>4.0</i>	
PVC Pipe & Fittings	1,328	901	NA	742	79	4,011	1,540	NA
<i>EBIT margin (%)</i>	<i>11.2</i>	<i>8.2</i>		<i>7.5</i>		<i>9.6</i>	<i>3.7</i>	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	43,971	43,174	49,857	56,998
YoY gr. (%)	(5.4)	(1.8)	15.5	14.3
Cost of Goods Sold	30,721	27,369	33,155	37,847
Gross Profit	13,250	15,805	16,702	19,151
Margin (%)	30.1	36.6	33.5	33.6
Employee Cost	1,897	2,114	2,214	2,531
Other Expenses	3,889	4,130	2,991	3,363
EBITDA	2,925	5,849	7,309	8,584
YoY gr. (%)	(71.8)	99.9	25.0	17.4
Margin (%)	6.7	13.5	14.7	15.1
Depreciation and Amortization	892	1,160	1,189	1,239
EBIT	2,033	4,688	6,120	7,345
Margin (%)	4.6	10.9	12.3	12.9
Net Interest	272	365	286	286
Other Income	1,209	1,800	1,940	2,210
Profit Before Tax	2,970	6,123	11,943	9,268
Margin (%)	6.8	14.2	24.0	16.3
Total Tax	874	1,773	3,102	2,429
Effective tax rate (%)	29.4	29.0	26.0	26.2
Profit after tax	2,096	4,351	8,841	6,839
Minority interest	-	-	-	-
Share Profit from Associate	243	382	382	382
Adjusted PAT	2,339	4,733	6,136	7,221
YoY gr. (%)	(70.4)	102.4	29.7	17.7
Margin (%)	5.3	11.0	12.3	12.7
Extra Ord. Income / (Exp)	-	-	3,087	-
Reported PAT	2,339	4,733	9,223	7,221
YoY gr. (%)	(78.3)	102.4	94.9	(21.7)
Margin (%)	5.3	11.0	18.5	12.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,339	4,733	9,223	7,221
Equity Shares O/s (m)	618	618	618	618
EPS (Rs)	3.8	7.7	9.9	11.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	25,993	27,181	28,317	29,504
Tangibles	25,993	27,181	28,317	29,504
Intangibles	-	-	-	-
Acc: Dep / Amortization	15,610	16,770	17,959	19,198
Tangibles	15,610	16,770	17,959	19,198
Intangibles	-	-	-	-
Net fixed assets	10,384	10,411	10,358	10,306
Tangibles	10,384	10,411	10,358	10,306
Intangibles	-	-	-	-
Capital Work In Progress	606	332	397	413
Goodwill	-	-	-	-
Non-Current Investments	22,216	27,204	27,204	27,204
Net Deferred tax assets	(1,248)	(2,120)	(2,120)	(2,120)
Other Non-Current Assets	476	394	394	394
Current Assets				
Investments	18,191	19,347	18,000	18,000
Inventories	6,732	7,280	8,558	9,851
Trade receivables	2,975	4,576	5,285	6,042
Cash & Bank Balance	86	22	6,903	9,488
Other Current Assets	-	-	-	-
Total Assets	62,830	70,579	78,236	82,966
Equity				
Equity Share Capital	1,237	1,237	1,237	1,237
Other Equity	47,794	55,106	61,704	65,253
Total Network	49,031	56,343	62,941	66,490
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	181	233	233	233
Other non current liabilities	662	536	536	536
Current Liabilities				
ST Debt / Current of LT Debt	5,264	3,820	3,820	3,820
Trade payables	2,893	2,886	3,280	3,750
Other current liabilities	3,182	4,329	4,980	5,675
Total Equity & Liabilities	62,830	70,579	78,236	82,966

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	3,213	6,506	12,325	9,650
Add. Depreciation	892	1,160	1,189	1,239
Add. Interest	272	365	286	286
Less Financial Other Income	1,209	1,800	1,940	2,210
Add. Other	(1,209)	(2,173)	(6,110)	(2,210)
Op. profit before WC changes	3,168	5,857	7,691	8,966
Net Changes-WC	814	(876)	(1,050)	(1,000)
Direct tax	(706)	(1,448)	(3,102)	(2,429)
Net cash from Op. activities	3,277	3,533	3,539	5,537
Capital expenditures	(1,855)	(799)	(1,202)	(1,203)
Interest / Dividend Income	1,209	707	1,940	2,210
Others	(10,146)	(677)	-	-
Net Cash from Invst. activities	(10,792)	(769)	738	1,007
Issue of share cap. / premium	-	-	-	-
Debt changes	2,505	(1,460)	-	-
Dividend paid	(1,119)	(928)	(2,625)	(3,673)
Interest paid	(272)	(345)	(286)	(286)
Others	-	-	-	-
Net cash from Fin. activities	1,113	(2,733)	(2,912)	(3,959)
Net change in cash	(6,402)	31	1,365	2,585
Free Cash Flow	1,422	2,734	2,337	4,334

Source: Company Data, PL Research

Key Financial Metrics

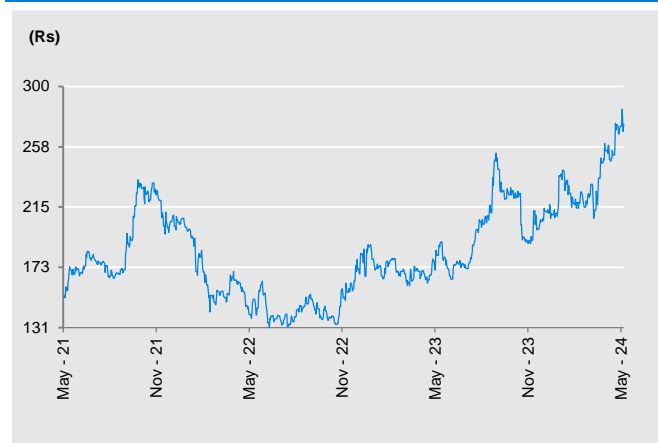
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	3.8	7.7	9.9	11.7
CEPS	5.2	9.5	11.8	13.7
BVPS	79.3	91.1	101.8	107.5
FCF	2.3	4.4	3.8	7.0
DPS	1.5	3.3	3.5	4.9
Return Ratio(%)				
RoCE	4.2	8.2	9.6	10.7
ROIC	4.8	8.8	11.7	13.2
RoE	5.3	9.0	10.3	11.2
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	57	76	77	78
Valuation(x)				
PER	71.7	35.4	27.3	23.2
P/B	3.4	3.0	2.7	2.5
P/CEPS	51.9	28.5	22.9	19.8
EV/EBITDA	52.9	26.0	20.1	16.8
EV/Sales	3.5	3.5	2.9	2.5
Dividend Yield (%)	0.6	1.2	1.3	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	11,792	8,832	10,197	12,354
YoY gr. (%)	(0.9)	(6.2)	(9.3)	8.3
Raw Material Expenses	7,802	5,306	6,522	7,739
Gross Profit	3,989	3,526	3,675	4,615
Margin (%)	33.8	39.9	36.0	37.4
EBITDA	1,525	1,030	1,199	2,089
YoY gr. (%)	21.1	(172.2)	30.5	(3.9)
Margin (%)	12.9	11.7	11.8	16.9
Depreciation / Depletion	344	274	276	267
EBIT	1,181	756	923	1,823
Margin (%)	10.0	8.6	9.1	14.8
Net Interest	90	125	77	73
Other Income	403	614	351	438
Profit before Tax	1,493	1,245	1,198	2,187
Margin (%)	12.7	14.1	11.7	17.7
Total Tax	416	354	361	639
Effective tax rate (%)	27.8	28.4	30.1	29.2
Profit after Tax	1,078	891	837	1,548
Minority interest	-	-	-	-
Share Profit from Associates	76	89	117	101
Adjusted PAT	1,153	980	954	1,649
YoY gr. (%)	15.2	(202.7)	19.9	(1.0)
Margin (%)	9.8	11.1	9.4	13.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,153	980	954	1,649
YoY gr. (%)	15.2	(202.7)	19.9	(1.0)
Margin (%)	9.8	11.1	9.4	13.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,153	980	954	1,649
Av g. Shares O/s (m)	618	618	618	618
EPS (Rs)	1.9	1.6	1.5	2.7

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-24	Hold	251	259
2	23-Jan-24	Accumulate	247	234
3	02-Jan-24	Accumulate	242	209
4	24-Oct-23	Accumulate	238	203
5	09-Oct-23	Accumulate	243	227
6	20-Jul-23	Accumulate	197	184
7	04-Jul-23	Accumulate	194	175
8	23-May-23	Accumulate	194	182

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	2,244	1,995
2	Bajaj Electricals	Hold	997	996
3	Century Plyboard (I)	BUY	848	644
4	Cera Sanitaryware	Accumulate	8,486	7,190
5	Crompton Greaves Consumer Electricals	BUY	359	281
6	Finolex Industries	Hold	251	259
7	Greenpanel Industries	Accumulate	355	310
8	Havells India	Accumulate	1,774	1,664
9	Kajaria Ceramics	Accumulate	1,318	1,184
10	KEI Industries	Hold	4,032	3,893
11	Polycab India	BUY	7,086	6,156
12	R R Kabel	BUY	1,857	1,558
13	Safari Industries (India)	BUY	5,188	4,338
14	Supreme Industries	BUY	5,094	4,110
15	Voltas	Hold	1,241	1,276

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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