

October 28, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	302		288	
Sales (Rs. m)	52,675	60,116	56,998	64,223
% Chng.	(7.6)	(6.4)		
EBITDA (Rs. m)	7,933	9,234	8,584	9,672
% Chng.	(7.6)	(4.5)		
EPS (Rs.)	10.9	12.4	11.7	13.0
% Chng.	(6.7)	(4.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	43,174	46,158	52,675	60,116
EBITDA (Rs. m)	5,849	6,028	7,933	9,234
Margin (%)	13.5	13.1	15.1	15.4
PAT (Rs. m)	4,733	4,939	6,745	7,681
EPS (Rs.)	7.7	8.0	10.9	12.4
Gr. (%)	101.8	4.4	36.6	13.9
DPS (Rs.)	3.3	2.9	4.6	5.2
Yield (%)	1.2	1.0	1.6	1.8
RoE (%)	9.0	8.3	10.5	11.4
RoCE (%)	8.2	7.7	9.9	11.1
EV/Sales (x)	3.7	3.3	2.9	2.5
EV/EBITDA (x)	27.4	25.6	19.2	16.2
PE (x)	37.1	35.6	26.0	22.9
P/BV (x)	3.1	2.8	2.7	2.5

Key Data

FINX.BO | FNXP IN

52-W High / Low	Rs.356 / Rs.186
Sensex / Nifty	79,402 / 24,181
Market Cap	Rs.176bn / \$ 2,091m
Shares Outstanding	620m
3M Avg. Daily Value	Rs.416.53m

Shareholding Pattern (%)

Promoter's	52.82
Foreign	6.89
Domestic Institution	11.96
Public & Others	28.32
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.6)	4.5	46.8
Relative	5.5	(2.1)	18.4

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Decent volume growth, margins impacted

Quick Pointers:

- Volume increased by 10.2% YoY in P&F segment in a seasonally weak quarter.
- P&F EBIT margin contracted by ~1,250bps to -4.7%.

P&F reported decent volume increase of 10.2% YoY in a seasonally weak quarter for agri business. The management indicated its non-agri (urban) segment volume grew by (+9-10% YoY) and agri segment by (+12% YoY). The company has guided for volume growth of 10-12% in FY25, which leads to 16-20% volume growth in H2FY25. EBIT/kg for the P&F segment rose to Rs5.6 with improvement in PVC-EDC spread, which decreased to USD509/MT (vs USD 533/571/MT in Q1FY25/Q2FY24), with operational efficiency and controlled discounts. We estimate revenue/EBITDA/adj PAT CAGR of 11.7%/16.4%/17.5% for FY24-27E with P&F volume CAGR of 13.1% and EBITDA margin of 15.4% by FY27E. We have downward revised our earnings estimates for FY25E/FY26E/FY27E by 10.4%/6.7%/4.5% and maintain 'HOLD' rating with revised TP of Rs302 (Rs288 earlier), based on 22x FY27E.

Revenue declines 6.2% YoY, P&F vol increases 10.2% YoY: FNXP revenue came in at Rs8.3bn (down 6.2% YoY, PL: Rs8.0bn). P&F revenue stood at Rs8.2bn (down by 4.4% YoY) with increase in volume by 10.2% YoY. Realizations stood at ~Rs118/kg, down by 13.2% YoY (PL: Rs125/kg). PVC resin segment posted revenue of Rs3.1bn (up 3.6% YoY), and volume increased by +7.3% YoY to 40,236MT. External sales volume was down by 63.6% YoY and external realization was down 6.7% YoY. Gross margin contracted by ~1,000bps YoY to 29.9% (PL: 37.0%). EBITDA declined by 89.7% to Rs106mn (PL: Rs883mn) with EBITDA margin of 1.3% (PL: 11.0%), which contracted by ~1,040bps YoY with fluctuation in PVC resin prices and contraction in PVC-EDC/PVC-VCM spread to USD509/USD130/MT as against USD571/USD157/MT in Q2FY24. P&F reported EBIT loss of Rs385mn with EBIT margin of -4.7%. PVC resin EBIT stood at Rs359mn with EBIT margin of 11.6%. Reported PAT at Rs407mn was down by 58.4% YoY (PL: Rs799mn).

Con call highlights: **1)** The management has guided for 10-12% volume growth in FY25. **2)** Margins in Q2FY25 were impacted by lower inventory levels and fluctuations in PVC resin prices. **3)** There was no inventory loss in Q2FY25. **4)** Volume growth for agri/non-agri stood at 12%/10%. **5)** Agri:non-agri mix for P&F stood at 60:40 in volume terms, which will improve to 50:50 in the next 3-4 years. **6)** In Q2FY25, the company saw robust growth in the non-agri business and expects the trend to continue throughout the year. Favorable rainfall is also anticipated to strengthen the agri-segment, enhancing liquidity and supporting overall growth. **7)** The company has reduced external sales of PVC and expects to bring down the share of external sales to 2-3% in future. **8)** FNXP has a capex plan of Rs1,500mn for FY25, aimed at expanding capacity by 50,000MT, which is expected to be operational by Q4FY25. **9)** The company plans a greenfield expansion, adding 100,000MT of capacity with an investment of Rs3-4bn. **10)** Mr Saurabh Dhanorkar, a Non-Executive Director, will assume the role of Managing Director of the company from 21st Nov'24. He previously served as MD from 1983 to 2016. **11)** The company expects the building and construction segment to grow by more than 15% over the next 5-10 years.

Exhibit 1: Q2FY25 Result Overview: Sales decline 6.2% YoY, EBITDA margin at 1.3%

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	8,284	8,832	(6.2)	11,405	(27.4)	19,689	20,623	(4.5)
Expenditure								
Operating & Manufacturing Expenses	5,811	5,306	9.5	6,686	(13.1)	12,497	13,108	(4.7)
% of Net Sales	70.1	60.1	10.1	58.6		63.5	63.6	
Gross Profit	2,473	3,526	(29.9)	4,719	(47.6)	7,192	7,515	(4.3)
% of Net Sales	29.9	39.9	(10)	41.4		36.5	36.4	
Personnel Cost	565	503	12.3	576	(2.0)	1,140	1,022	11.6
% of Net Sales	6.8	5.7	1.1	5.0		5.8	5.0	
Other Expenses	1,803	1,993	(9.5)	2,077	(13.2)	3,880	3,939	(1.5)
% of Net Sales	21.8	22.6	(0.8)	18.2		19.7	19.1	
Total Expenditure	2,368	2,496	(5.1)	2,653	(10.7)	5,020	4,961	1.2
EBITDA	106	1,030	(89.7)	2,067	(94.9)	2,172	2,555	(15.0)
Margin (%)	1.3	11.7	(10.4)	18.1		11.0	12.4	
Other income	826	614	34.7	549	50.5	1,375	1,016	35.3
Depreciation	264	274	(3.5)	261	1.3	525	618	(15.0)
EBIT	(159)	756	(121.0)	1,806	(108.8)	1,647	1,937	(15.0)
Interest	68	125	(45.4)	67	2.3	135	215	(37.4)
PBT	600	1,245	(51.8)	6,458	(90.7)	7,058	2,738	157.8
Total Taxes	213	354	(39.9)	1,456	(85.4)	1,668	770	116.8
ETR (%)	35.5	28.4		22.5		23.6	28	
Adj. PAT	387	891	(56.6)	5,002	(92.3)	5,389	1,969	173.8
Exceptional Items	-	-		(3,336)		(3,336)	-	
Reported PAT	407	980	(58.5)	1,671	(75.7)	2,078	2,133	(2.6)

Source: Company, PL

Exhibit 2: Segmental Breakup: P&F revenue down by 4.4%, while EBIT margin contracts by ~1,250bps YoY

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Revenues								
PVC	3,085	2,979	3.6	5,482	(43.7)	8,567	6,573	30.3
PVC Pipe & Fittings	8,196	8,572	(4.4)	11,234	(27.0)	19,430	20,114	(3.4)
EBIT								
PVC	359	204	76.0	691	(48)	1,050	235	346.5
EBIT margin (%)	11.6	6.8		12.6		12.3	3.6	
PVC Pipe & Fittings	(385)	676	(157.0)	1,344	(129)	959	1,940	(50.6)
EBIT margin (%)	(4.7)	7.9	(12.59)	12.0		4.9	9.6	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	43,174	46,158	52,675	60,116
YoY gr. (%)	(1.8)	6.9	14.1	14.1
Cost of Goods Sold	27,369	30,695	34,976	39,737
Gross Profit	15,805	15,463	17,699	20,379
Margin (%)	36.6	33.5	33.6	33.9
Employee Cost	2,114	2,049	2,339	2,669
Other Expenses	3,430	3,508	3,108	3,547
EBITDA	5,849	6,028	7,933	9,234
YoY gr. (%)	99.5	3.1	31.6	16.4
Margin (%)	13.5	13.1	15.1	15.4
Depreciation and Amortization	1,160	1,175	1,225	1,275
EBIT	4,688	4,853	6,707	7,958
Margin (%)	10.9	10.5	12.7	13.2
Net Interest	365	286	286	286
Other Income	1,800	1,940	2,210	2,210
Profit Before Tax	6,123	10,676	8,631	9,882
Margin (%)	14.2	23.1	16.4	16.4
Total Tax	1,773	2,783	2,269	2,583
Effective tax rate (%)	29.0	26.1	26.3	26.1
Profit after tax	4,351	7,893	6,362	7,298
Minority interest	-	-	-	-
Share Profit from Associate	382	382	382	382
Adjusted PAT	4,733	4,939	6,745	7,681
YoY gr. (%)	101.8	4.4	36.6	13.9
Margin (%)	11.0	10.7	12.8	12.8
Extra Ord. Income / (Exp)	-	3,336	-	-
Reported PAT	4,733	8,275	6,745	7,681
YoY gr. (%)	101.8	74.8	(18.5)	13.9
Margin (%)	11.0	17.9	12.8	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,733	8,275	6,745	7,681
Equity Shares O/s (m)	618	618	618	618
EPS (Rs)	7.7	8.0	10.9	12.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	26,848	27,986	29,176	30,366
Tangibles	26,848	27,986	29,176	30,366
Intangibles	-	-	-	-
Acc: Dep / Amortization	16,437	17,612	18,838	20,113
Tangibles	16,437	17,612	18,838	20,113
Intangibles	-	-	-	-
Net fixed assets	10,411	10,374	10,339	10,253
Tangibles	10,411	10,374	10,339	10,253
Intangibles	-	-	-	-
Capital Work In Progress	332	397	413	430
Goodwill	-	-	-	-
Non-Current Investments	27,204	27,204	27,204	27,204
Net Deferred tax assets	(2,120)	(2,120)	(2,120)	(2,120)
Other Non-Current Assets	394	394	394	394
Current Assets				
Investments	19,347	18,000	18,000	18,000
Inventories	7,280	7,923	9,103	10,342
Trade receivables	4,576	4,893	5,583	6,372
Cash & Bank Balance	22	6,880	9,289	12,209
Other Current Assets	-	-	-	-
Total Assets	70,579	77,134	81,514	86,531
Equity				
Equity Share Capital	1,237	1,237	1,237	1,237
Other Equity	55,106	61,214	64,516	68,302
Total Networth	56,343	62,450	65,753	69,539
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	233	233	233	233
Other non current liabilities	536	536	536	536
Current Liabilities				
ST Debt / Current of LT Debt	3,820	3,820	3,820	3,820
Trade payables	2,886	3,037	3,466	3,955
Other current liabilities	4,329	4,620	5,254	5,979
Total Equity & Liabilities	70,579	77,134	81,514	86,531

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	6,506	11,058	9,013	10,264
Add. Depreciation	1,160	1,175	1,225	1,275
Add. Interest	365	286	286	286
Less Financial Other Income	1,800	1,940	2,210	2,210
Add. Other	(2,173)	(6,110)	(2,210)	(2,210)
Op. profit before WC changes	5,857	6,410	8,315	9,616
Net Changes-WC	(876)	(567)	(914)	(934)
Direct tax	(1,448)	(2,783)	(2,269)	(2,583)
Net cash from Op. activities	3,533	3,060	5,133	6,098
Capital expenditures	(799)	(1,204)	(1,206)	(1,207)
Interest / Dividend Income	707	1,940	2,210	2,210
Others	(677)	-	-	-
Net Cash from Invst. activities	(769)	736	1,004	1,003
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,460)	-	-	-
Dividend paid	(928)	(2,167)	(3,442)	(3,894)
Interest paid	(345)	(286)	(286)	(286)
Others	-	-	-	-
Net cash from Fin. activities	(2,733)	(2,454)	(3,729)	(4,181)
Net change in cash	31	1,342	2,409	2,920
Free Cash Flow	2,734	1,856	3,927	4,891

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	7.7	8.0	10.9	12.4
CEPS	9.5	9.9	12.9	14.5
BVPS	91.1	101.0	106.3	112.5
FCF	4.4	3.0	6.4	7.9
DPS	3.3	2.9	4.6	5.2
Return Ratio(%)				
RoCE	8.2	7.7	9.9	11.1
ROIC	8.8	9.4	12.2	14.2
RoE	9.0	8.3	10.5	11.4
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	76	77	78	77
Valuation(x)				
PER	37.1	35.6	26.0	22.9
P/B	3.1	2.8	2.7	2.5
P/CEPS	29.8	28.7	22.0	19.6
EV/EBITDA	27.4	25.6	19.2	16.2
EV/Sales	3.7	3.3	2.9	2.5
Dividend Yield (%)	1.2	1.0	1.6	1.8

Source: Company Data, PL Research

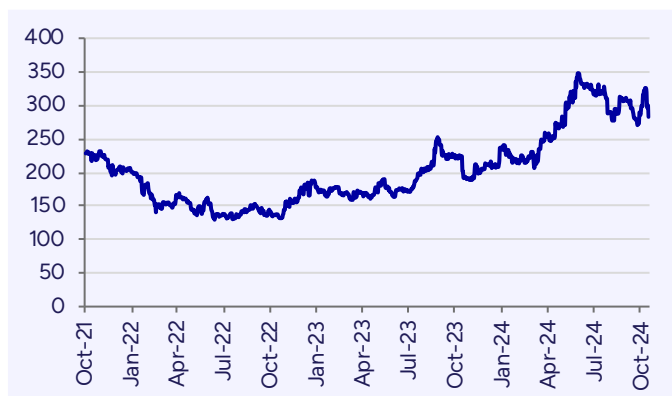
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	10,197	12,354	11,405	8,284
YoY gr. (%)	(9.3)	8.3	(3.3)	(6.2)
Raw Material Expenses	6,522	7,739	6,686	5,811
Gross Profit	3,675	4,615	4,719	2,473
Margin (%)	36.0	37.4	41.4	29.9
EBITDA	1,199	2,089	2,067	106
YoY gr. (%)	30.5	(3.9)	35.5	(89.7)
Margin (%)	11.8	16.9	18.1	1.3
Depreciation / Depletion	276	267	261	264
EBIT	923	1,823	1,806	(159)
Margin (%)	9.1	14.8	15.8	(1.9)
Net Interest	77	73	67	68
Other Income	351	438	549	826
Profit before Tax	1,198	2,187	6,458	600
Margin (%)	11.7	17.7	56.6	7.2
Total Tax	361	639	1,456	213
Effective tax rate (%)	30.1	29.2	22.5	35.5
Profit after Tax	837	1,548	5,002	387
Minority interest	-	-	-	-
Share Profit from Associates	117	101	5	20
Adjusted PAT	954	1,649	1,671	407
YoY gr. (%)	19.9	(1.0)	44.9	(58.5)
Margin (%)	9.4	13.3	14.7	4.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	954	1,649	1,671	407
YoY gr. (%)	19.9	(1.0)	44.9	(58.5)
Margin (%)	9.4	13.3	14.7	4.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	954	1,649	1,671	407
Avg. Shares O/s (m)	618	618	618	618
EPS (Rs)	1.5	2.7	2.7	0.7

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-24	Hold	288	290
2	29-Jul-24	Hold	321	328
3	07-Jul-24	Hold	312	323
4	13-May-24	Hold	270	271
5	11-Apr-24	Hold	251	259
6	23-Jan-24	Accumulate	247	234
7	02-Jan-24	Accumulate	242	209

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	2,214	1,888
2	Bajaj Electricals	Hold	980	923
3	Century Plyboard (I)	Hold	881	851
4	Cera Sanitaryware	Accumulate	9,190	7,746
5	Crompton Greaves Consumer Electricals	BUY	536	430
6	Finolex Industries	Hold	288	290
7	Greenpanel Industries	Accumulate	450	390
8	Havells India	Accumulate	2,036	1,845
9	Kajaria Ceramics	Accumulate	1,604	1,259
10	KEI Industries	BUY	5,265	4,058
11	Polycab India	BUY	8,741	7,120
12	R R Kabel	BUY	2,178	1,752
13	Supreme Industries	BUY	5,752	4,593
14	Voltas	Accumulate	1,945	1,801

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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