

## Stock Note

# Gujarat Mineral Development Corporation Ltd (GMDC)

August 08, 2022





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Industrial Minerals	Rs 161.7	Buy in Rs 160-163 band and add on dips in Rs 144-147 band	Rs 179	Rs 195	2 quarters

HDFC Scrip Code	GUJMINEQNR
BSE Code	532181
NSE Code	GMDCLTD
Bloomberg	GMDC IN
CMP August 05, 2022	161.7
Equity Capital (Rs Cr )	63.6
Face Value (Rs)	2
Equity Share O/S (Cr)	31.8
Market Cap (Rs Cr)	5142.1
Book Value (Rs)	149.9
Avg. 52 Wk Volumes (NSE)	3749003
52 Week High	228.4
52 Week Low	57.6

Share holding Pattern % (Jun, 2022)	
Promoters	74.0
Institutions	5.7
Non Institutions	20.3
Total	100.0



HDFCsec Retail research  
stock rating meter  
for details about the ratings, refer at the end of the report

\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Pranav Jain

[pranav.jain@hdfcsec.com](mailto:pranav.jain@hdfcsec.com)

### Our take:

Gujarat Mineral Development Corporation Ltd. (GMDC) is one of India's leading mining and mineral processing companies. It is India's second largest Lignite-producing company. The company is also involved in the exploration of Bauxite, Fluorspar, Manganese, Silica Sand, Limestone, Bentonite and Ball Clay and also has a sizeable presence in energy sector. In FY22, the company posted its best ever annual results over the last 5 years and the 2nd best in the company's life so far after posting a shocking net loss in FY21. The company has embarked on a major transformative exercise to change its fortunes and has roped in four top global management consulting firms- Boston Consulting Group (BCG), McKinsey & Co, AT Kearney and Deloitte to achieve its targeted objectives, production diversity and increased profitability. Being the only miner of Lignite in Gujarat places it at an advantageous position with regards to its customers. Purchasing of coal from Coal India located about 700 km away proves to be a logistic issue as well as high transportation cost. Hence, they prefer Lignite produced by GMDC though lignite carries lower calorific value. GMDC's customers mainly comprise of small to medium players whose boilers are designed to run on domestic lignite. In FY22, ~90% of the revenue comes from mining.

### Valuation & Recommendation:

A change in the top management last year proved effective in turning around the company in FY22. Also, rise in prices of international coal prompts users to shift to cheaper sources like lignite, thereby raising demand. Further, the Russia-Ukraine war has shot up coal prices and global coal prices are expected to remain robust in the medium term as natural gas has become scarce due to export cutback by Russia. The demand for lignite in Gujarat is about 25-28 million tons (mt) and GMDC produces about 8.5mt. Hence, there is a huge scope for growth, given that the company targets volumes of about 10 MT for FY23. It is working on six new mining projects (having reserves of 540mt) with a capex of Rs 670 crores for FY23.

Management's focus is to diversify the revenue base of the company from lignite and so the company plans to foray into manufacturing of rare-earth elements, and non-lignite businesses such as silica sand, Fluorspar, multi metal, and limestone for which it has roped in BCG for feasibility study. In the coming years, it aims to earn at least ~50% revenue from the non-lignite portfolio. This will help the company to mitigate the risk of dependence on a single commodity and also improve the ESG rating of the company. The company is planning to develop 6 new mines over next 1.5-2 years to ensure that production stays above 10 million tons per annum (mtpa). Further, there is a distinct focus on value added products in Bauxite and other minerals.



We believe the base case fair value of the stock is Rs 179 (6.25x FY24E EV/EBITDA) and the bull case fair value of the stock is Rs 195 (6.85x FY24E EV/EBITDA). Investors can buy the stock in Rs 160-163 band (5.6x FY24E EV/EBITDA) and add on dips in Rs 144-147 (5x FY24E EV/EBITDA) band.

#### Financial Summary (Consolidated):

Particulars (Rs cr)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Operating Income	1057	566	86.9	725	45.9	1,339	2,732	3,276	3,565
EBITDA	420	32	1220.2	201	108.6	-10	679	770	848
APAT	177	-185	-	150	18.1	-39	405	608	679
Diluted EPS (Rs)	5.6	-5.8	-	4.7	18.1	-1.2	12.7	19.1	21.3
RoE-%						-	9.2	12.2	12.4
P/E (x)						-	12.7	8.5	7.6
EV/EBITDA						-	7.4	6.5	5.6

(Source: Company, HDFC sec)

#### Q4FY22 Result Update:

##### Financial Performance:

Consolidated Figures: Revenue from operations during the quarter stood at Rs 1057.3 crores, up by ~86.9% YoY. EBITDA during the quarter stood at Rs 420 crores, up by ~1220.2% YoY (Rs.31.8 crores in Q4FY21). EBITDA margin for the quarter was at ~39.7%. Adjusted PAT for the quarter stood at Rs 177 crores during the quarter vs net loss of Rs 184.6 crores in Q4FY21.

##### Operational Performance:

Particulars	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
<b>Sales Volume (Lakh MT)</b>					
Mining- Lignite & Bauxite	26.2	26.7	-1.7	23.0	13.9
<b>Power Generated (million units)</b>					
Thermal, Solar & Wind	289.1	110.7	161.1	227.6	27.0

(Source: Company, HDFC sec)

#### Key developments & triggers:

##### Change in leadership to strengthen existing operations & develop diversified business

Appointment of Mr. Raj Kumar (Add. Chief Secretary of Home Department, Government of Gujarat., Gujarat) as the Director and Chairman in July'22 and Mr. Roopwant Singh (The Commissioner of Geology and Mining, Gujarat) in June'21 (post a dismal performance in FY21) has been crucial in the company's turnaround plans. They have taken steps to maximize the strength of existing operations and also develop



diversified businesses and explore the rare earth business. While some of the endeavors are still in the bud, we believe that structured and earnest approach is likely to result in creation of long term shareholder value.

#### **Embarked on major transformative exercise**

GMDC posted a shocking loss in FY21- its first ever in 59-year history. The main reason for this loss was the company's Akrimota Thermal Power Station in Kutch, for which the company recorded impairment loss as it had incurred cash losses during the year. Since then the company has embarked on a major transformative exercise to change its fortunes and has roped in four top global management consulting firms- BCG, McKinsey, AT Kearney and Deloitte to achieve its targeted objectives, production diversity and increased profitability. Each of the four consulting firms have been allotted a specific role. BCG has been asked to look into the company's strategic transformation, from being known as a coal miner to its aspiration of becoming a diverse mineral resources player having interests in niche as well as volume segments. McKinsey & Co has been given the task to help the company build a portfolio of Rare Earth Elements (REE). AT Kearney will help the company to transform its thermal power projects. Deloitte's task is to speed-up its six new lignite mining projects.

#### **Plans to increase share of Rare Earth Elements (REM) and non-lignite minerals in its product portfolio**

The management intends to build-on its capabilities in other minerals and metals including REMs. In the associated minerals, GMDC has resources in silica sand, fluorspar, multi-metal, limestone which finds application across various industries like electronics, defence, laser and radar systems, etc. The company aims to increase the share to ~50% from these non-lignite segments. Currently, lignite business has ~90% share in its operations and will continue to be the major source of revenue for the company's operations. Top global management consulting firm-McKinsey & Co has been roped in to help the company to develop its product portfolio in REM space.

There are plenty of non-lignite prospects as Gujarat's northern district of Banaskantha has base metal deposits and GMDC holds a mining lease on about 184 hectares in the area. GMDC is in a process of starting a geological study of this area followed by geophysical mapping and drilling, having the base metal deposit of around ~10% out of which ~1.5% is copper, ~3.5% lead and rest is zinc. This in the management's view, will drive the company's objective to venture into high-value products.

In a reply to a question in the Lok Sabha on February 02, 2022, the Central Government said that as on Jan'22 end, rare earth oxide reserves in Ambadongar area of Chota Udepur district in Gujarat is pegged at 737,283 tons. This is more than twice the initial estimate of 346,000 tonw, mentioned by the Atomic Minerals Directorate in a report dated Nov'20. In the same reply, the government has mentioned about greater self-reliance in rare earth production and is targeting increasing rare earth oxide mining capability by 3x by CY32. The biggest advantage here is that rare earth deposits are contiguous to fluorspar deposits that GMDC is currently mining. Hence, we believe that GMDC will have a major role to play in any such Government's endeavor. Management expressed confidence that the initial indications are positive and concentration of rare earths in the contiguous areas is higher than the global average of 2%.



It is expected that government may allow private companies to mine the Rare Earth minerals in the country. As of now, India has explored a small Lithium Reserve in Karnataka. GMDC could be beneficiary of the same as it is having proven 11.6 million tons of Fluorite reserves and Rare Earth reserves, that has high concentration of Cerium (A rare Earth Mineral), in Ambaji Dungar in Gujarat, and is looking for global partnership for mining that. It would be interesting to see how the company proceeds with development, exploitation and commercialization of rare earths deposits. The company would need to augment its manpower and equipment fleet adequately. Furthermore, there might be radioactive elements as well whose disposal and handling requires specialization and advanced waste management techniques.

Mining of Fluorspar is another area where GMDC intends to foray into. It has got some good mines in Kadipani of Fluorspar Mineral. It has already floated an RFP (Request for Proposal) for PMC (Project Management Contract) of the plant. Fluorspar finds applications in industries like steel, aluminum, welding electrodes etc.

#### Transformation of loss-making thermal power projects

The company has decided to rope in Chicago-headquartered AT Kearney to transform its thermal power projects in order to achieve better efficiency and profitability. The consultant has completed the technical study, financial assessment of the plant with recommendations on improvements required. For the turnaround of its operation to remain sustainable, the company has realized it needs to strongly address the cash-burn operations, which includes, its 250 megawatt (2x125 MW) thermal power plant in Kutch. Even though the company uses its own lignite as fuel for the power plant, its performance was affected severely in FY21.

The company has certain short term and long terms plans in respect of its thermal plants. For the short term, it has corrected its major equipment defect like boilers and turbines as a trade auxiliary and found improvement in PLF.

#### Power operations:

Project	Installed Capacity (MW)	FY21			FY22			%	
		MU's Generated	Plant Load Factor (PLF)	Rs in Cr	MU's Generated	Plant Load Factor (PLF)	Rs in Cr	Change in Quantity	Change in Sales
Thermal Power	250	435.05	20%	71	589.69	27%	141	36%	99%
Wind Power	200.9	282.96	15%	115	326.27	19%	126	21%	9%
Solar Power	5	6.02	14%	9	7.03	16%	10	16%	17%
<b>Total</b>		<b>723.93</b>		<b>195</b>	<b>922.99</b>		<b>277</b>		

(Source: Company, HDFC sec)





### **Focus on increasing bauxite sales**

Bauxite operations are located in districts of Kutch as well as Devbhoomi Dwarka. The Bauxite deposits of Gujarat are clustered deposits with numerous pocket deposits present in near-by vicinity. GMDC is currently mining nine Bauxite deposits, of which eight are in Kutch and one is in Devbhoomi Dwarka. GMDC has started the process to aggressively sell inventories of 1.1mt of Bauxite which are lying at the various stacks since long and for that a Pan India Advertisement regarding the tender notice has been published. The company is getting responses and at the same time it's trying to analyse how it can attract the end users or customer for the same and so it has engaged BCG and is also chalking out the plan to actually increase the sale of bauxite in a big way.

### **Favorable demand scenario going forward**

Against the mineral demand of 25-28mt, GMDC produces 8.5mt, giving the company a comfortable demand environment. Apart from that there are certain associated minerals in over burden in these blocks. The major is the limestone deposit and in one of the blocks it's also getting silica sand. These blocks will be developed one by one within the next couple of years. GMDC has large amount of reserves of Limestone to the tune of 2000mt at its upcoming Lakhpat Punrajpur Mining, Panandhro Extension & Bharkandam and is approaching various cement companies across India for setting up of cement plant where GMDC will be a long term limestone supplier. As the market of overburden minerals like Silica Sand, Ball Clay & Bentonite is increasing, entering into the beneficiation Industry of these overburden minerals will have a larger scope in terms of revenue, customer base and market share and hence it is planning to enter into this beneficiation Industries by the way of long term supplies of respective minerals.

### **Lignite volume ramp-up due to surge in demand**

GMDC will expand its lignite coal production to gain from Small and Medium Enterprises (SMEs) looking for cheaper fuel. GMDC produced 8.5 million tons of lignite in FY22 and plans to reach 10 million tons in FY23. In the last few months, the company has added 400 more customers. Its customer base among Micro, Small and Medium Enterprises (MSMEs) in textiles, chemicals, and ceramics along with captive power plants is increasing since coal prices continue to remain high. GMDC'S existing mines have reserves of 110mt and average life of mine is 12 years. Two mines-Umarsar and Rajpardy are expected to exhaust their reserves within next 4-5 years. Average Gross calorific value (GCV) of lignite at Rajpardy mine is 5,000kcal and therefore, realization from this mine is much higher as compared to other mines on average. It is essential for the company to develop new mines as exhaustion of Rajpardy mine will have significant impact on the company's profitability. The company will add six more mines, leaving it with a total of nine in the next 4-5 years (with 3 out of 6 current mines reaching end of life). It has around 540 million tonnes of lignite reserves in these 6 new blocks. GMDC has appointed Deloitte for fast-tracking these new lignite mining projects. Management expects to develop these 6 new mines over next 1.5-2 years to ensure that production stays above 10mtpa.



Mines	Reserves (MT)	Life of the mine (Years)
Mata No Madh	30	9
Rajpardi	2	4
Tadkeshwar	8	6
Bhavnagar	60	40
Umarsar	10	4

New mines	Location
Panandhro Extension	Kutch
Bharkandam	Kutch
Ghala	Surat
Lakhpat Punrajpur	Kutch
EFG block Valia	Bharuch
Damlai	Bharuch

(Source: Company, HDFC sec)

#### Mining operations:

	FY21		FY22		%	
Location	MT (Lakh)	Rs (in cr)	MT (Lakh)	Rs (in cr)	Change in Quantity	Change in Sales
Mata No Madh	22.94	416	34.84	931	51.9	39.6
Rajpardi	5.78	156	7.11	319	23.0	54.2
Tadkeshwar	12.73	260	8.99	279	-29.4	20.9
Bhavnagar	4.92	96	16.37	460	232.7	92.5
Umarsar	13.67	233	18.2	486	33.1	34.6
<b>Total – Lignite</b>	<b>60.04</b>	<b>1161</b>	<b>85.51</b>	<b>2475</b>	<b>42.4</b>	<b>40.2</b>
Bauxite (Gadhsisa & Bhatia)	3.89	53	3.96	67	1.8	16.2
<b>Total</b>	<b>63.93</b>	<b>1214</b>	<b>89.47</b>	<b>2542</b>	<b>39.9</b>	<b>38.8</b>

(Source: Company, HDFC sec)

#### **Approval to mine up to 135 meters at Tadkeshwar lignite mine in Surat**

The Union Ministry of Environment and Forest approved an amendment to its environment clearance to GMDC, to mine up to a depth of 135 meters from its earlier approved depth of 94 meters from the lignite mines in Tadkeshwar of Surat district. The Lignite Mines in Tadkeshwar is strategically located in Surat, a large industrial belt. This is indeed a good development and will help the company cater to the constantly increasing demand-supply gap and the energy requirements in the state and across the country.”



### Capex and new projects

GMDC plans to invest Rs 670 crores in FY23. It looks to invest Rs 200 crores towards setting up beneficiation plants, with the remaining being land acquisition costs (including compensation) for new and old mining projects. The management said around Rs 270 crores will be spent towards the land acquisition cost for new mining projects, while another Rs 200 crores will be for existing or ongoing projects.

The company is in the process of setting up a Fluorspar Beneficiation plant at Kadipani, (a JV with Gujarat Fluorochemicals and Navin Fluorine International) having a capacity will be 40,000 tons per annum. Two bauxite beneficiation plants are expected, too, with an investment between Rs 15 crores and Rs 45 crores. Coal beneficiation plants are expected to come up in Bhavnagar and Kutch of Gujarat, each with an expected investment of Rs. 25-30 crores. Coal beneficiation plants will ensure a better price for its lignite offerings, especially considering the mineral is expected to witness an increased demand in the coming days. Beneficiation will lead to lesser clogging in furnaces and so it can easily command a better price at the auction. Better quality lignite also ensures higher customer retention.

The management highlighted that most of the investments are going to be from internal accruals and the company aims to remain debt free. Tenders for the beneficiation plants are already in the process. For the Bhavnagar coal beneficiation plant, the EoI is live, while for the Kutch one, it is expected to go live soon. Investments would also be made to ensure increased production of lignite from its Bhavnagar mines. During FY22, lignite production at Bhavnagar was 16.37 lakh tons, an increase of 11.45 lakh tons, as against 4.92 lakh tons in FY21.

### Net-debt free company

GMDC is a net-debt free with cash and investments worth Rs 668 crores at the end of Mar'22.

### Key risks & concerns:

**Competition from coal – local and imported:** GMDC faces competition from local and imported coal which puts pressure on lignite price. Also, increase in supply of cheaper Russian coal can have significant downward pressure on lignite prices. Lignite has lower calorific value and hence could face demand reduction when coal prices fall significantly.

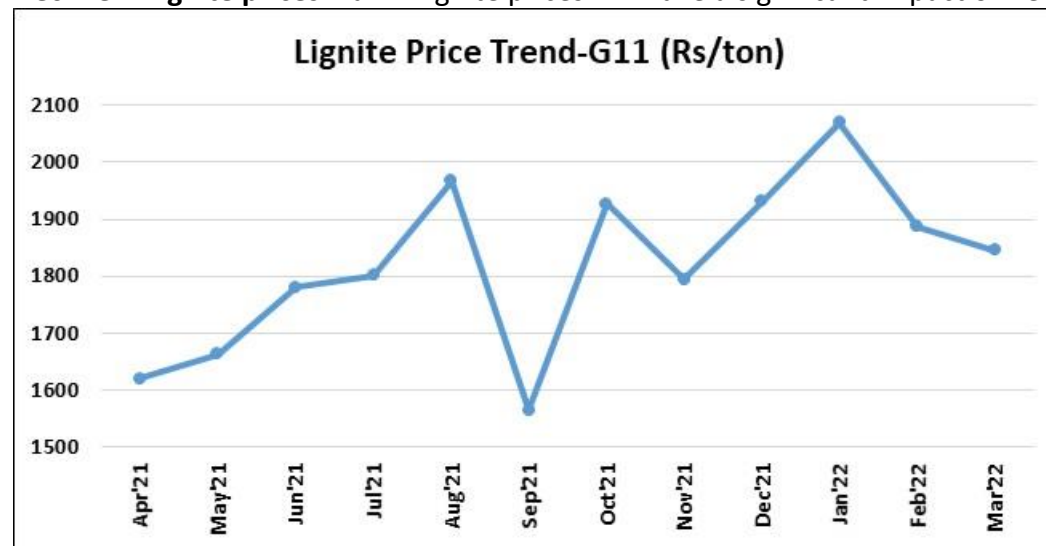
**Regulatory risk:** Changes in royalty, DMF and NMET regulations could affect the comparable cost efficiency of lignite vis-à-vis other competing fuels.

**Environmental concerns:** Lignite has high ash and sulphur content. ESG concerns can reduce lignite usage over the medium term.

**Land acquisition delays and impediments:** Delay in land acquisition and impediments by the state government can affect the operations of the company.



**Decline in lignite prices:** Fall in lignite prices will have a significant impact on revenue and profitability of the company.



(Source: Ministry of Coal)

**Investment in Gujarat State Financial Services:** Investment of Rs 700 crores in Gujarat State Financial Services (bearing interest @5.25% p.a.) due to directions of the State Govt may not be in the best interest of GMDC.

**Involvement of State Govt:** State Govt interference in the working/investment matters may not be in the interest of the minority shareholders.

**Change in leadership:** A change in top management can affect the performance of the company.

**Delay in encashment of rare earth minerals opportunity and/or delay in mine ramp up could postpone the revenue and profit growth.**

#### Peer Comparison

Company	M Cap (in Rs. Cr.)	Revenue (Rs cr)		EBITDA Margins (%)		APAT (Rs cr)		RoE (%)		EV/EBITDA(x)		P/E(x)	
		FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22
NLC India	10122.4	9846	11947.9	27.7	34.8	1323	1386.6	8.1	7.7	6.49	7.15	5.33	8.08
GMDC	5142.1	1469.8	2732.1	8.2	24.8	-39.1	405	-	9.2	-	7.4	-	12.7



## About the company:

Gujarat Mineral Development Corporation is primarily engaged in 2 sectors i.e. mining and power. It is involved in the exploration of Bauxite, Fluorspar, Manganese, Silica Sand, Limestone, Bentonite. Lignite mining continues to be the main operation of the company. The company operates over six lignite mines, namely, Panandhro, Mata-No-Madh, Rajpardi, Tadkeshwar, Bhavnagar and Umarsar, of which Panandhro is exhausted. Other than Lignite, GMDC is also operating Bauxite mines in Gujarat. The bauxite operations are located in districts of Kutch (8 mines) as well as Devbhoomi Dwarka (1 mine). GMDC Power Division consists of ATPS Thermal Power Plant, Wind Power Plants and Solar Power Plants. The thermal power capacity of GMDC is 250MW at Akrimota Thermal Power Station. GMDC operates wind and solar power in Gujarat with capacity of 200.5MW and 5MW capacity respectively.

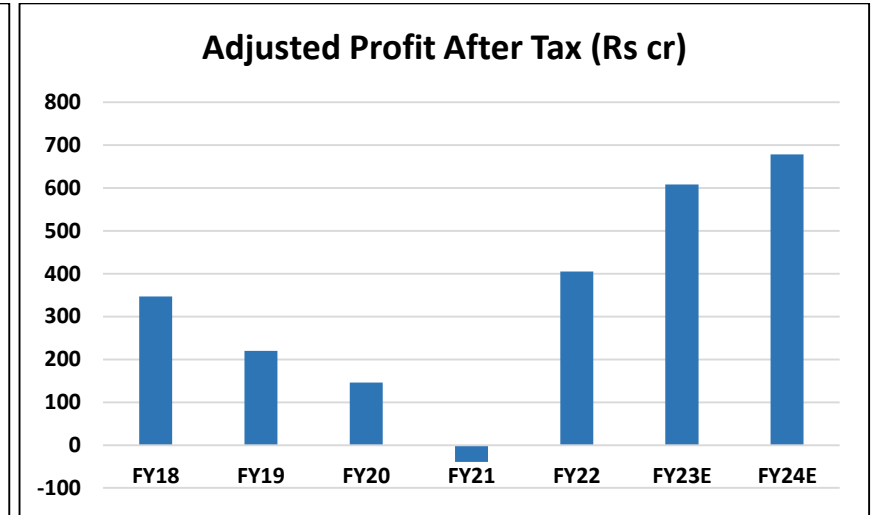
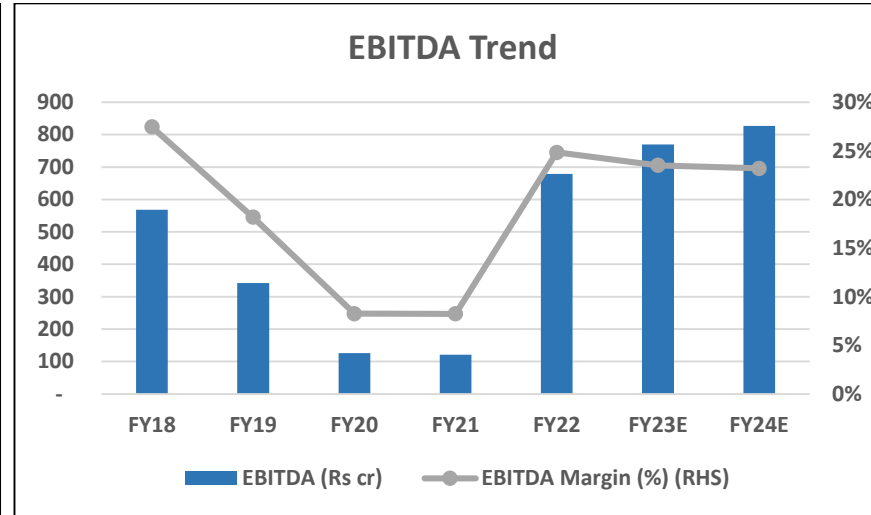
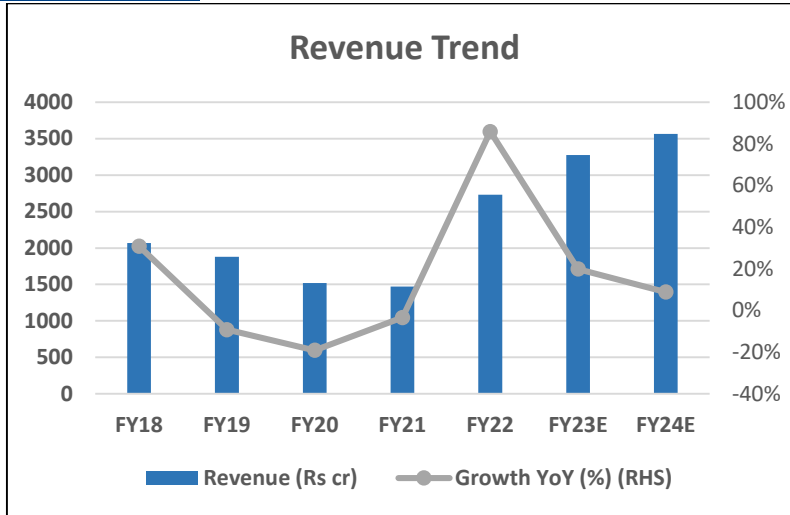
**About Lignite:** Lignite coal, also known as brown coal, is the lowest grade coal with the least concentration of carbon out of all the coal ranks (~25%-35%). Lignite has a low heating value and a high moisture content and is mainly used in electricity generation.

## Group Structure:

Name of Entity	Ownership interest-%	Relationship	Nature of business
GMDC Science & Research Centre	100	Wholly-owned entity	Mine research & development
Gujarat Mineral Research & Industrial Consultancy Society	100	Wholly-owned entity	Technical support for mineral administration
GMDC Gramya Vikas Trust	100	Wholly-owned entity	CSR Activities
Naini Coal Co Ltd	50	Joint Venture	Coal mining
Swarnim Gujarat Fluorspar Pvt Ltd	1.05	Joint Venture	Fluorspar beneficiation
Gujarat Foundation for Entrepreneurial Excellence	50	Joint Venture	Incubation center for entrepreneurship & development
Gujarat Jaypee Cement Infrastructure Ltd	26	Associate	Cement manufacturing (project not yet started)
Gujarat Credo Mineral Industries Ltd	26	Associate	Bauxite beneficiation
Aikya Chemicals Pvt Ltd	26	Associate	Manganese beneficiation

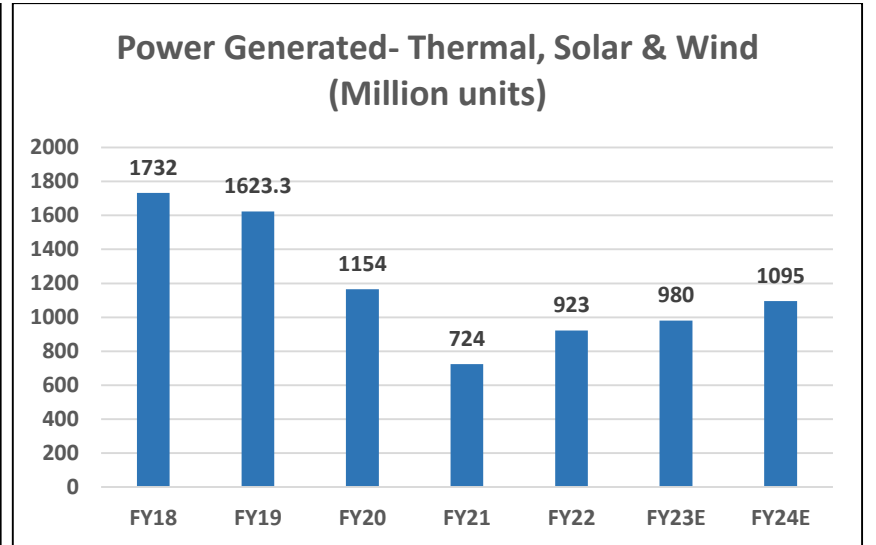
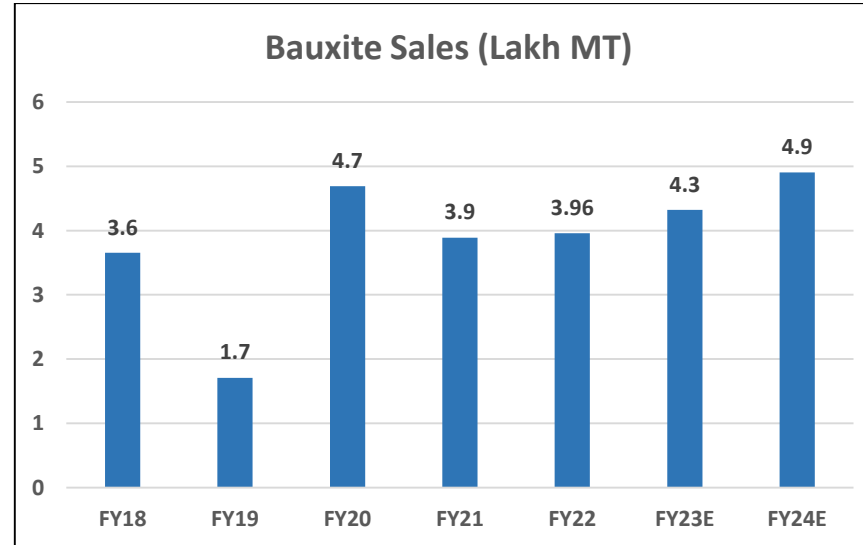
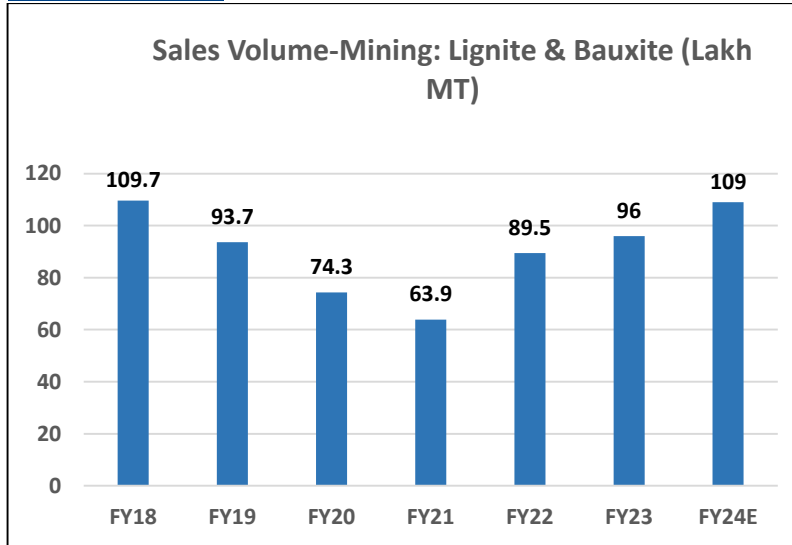
(Source: Company, HDFC sec)

### Story in charts:



(Source: Company, HDFC sec)

### Physical Metrics



(Source: Company, HDFC sec)



**Financials (Consolidated):**

**Income Statement**

(Rs cr)	FY20	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>1521</b>	<b>1339</b>	<b>2732</b>	<b>3276</b>	<b>3565</b>
<b>Growth (%)</b>	<b>-19.1</b>	<b>-11.9</b>	<b>104</b>	<b>19.9</b>	<b>8.8</b>
Operating Expenses	1395	1349	2054	2506	2716
<b>EBITDA</b>	<b>126</b>	<b>-10</b>	<b>679</b>	<b>770</b>	<b>848</b>
<b>Growth (%)</b>	<b>-63.2</b>	<b>-107.6</b>	<b>-</b>	<b>13.4</b>	<b>10.2</b>
<b>EBITDA Margin (%)</b>	<b>8.3</b>	<b>-0.7</b>	<b>24.8</b>	<b>23.5</b>	<b>23.8</b>
Depreciation	92	94	98	108	120
Other Income	173	153	158	174	182
<b>EBIT</b>	<b>207</b>	<b>49</b>	<b>739</b>	<b>835</b>	<b>910</b>
Interest expenses	2	2	2	3	3
<b>PBT</b>	<b>205</b>	<b>-349</b>	<b>737</b>	<b>833</b>	<b>907</b>
Tax	58	-308	332	225	228
<b>PAT</b>	<b>146</b>	<b>-42</b>	<b>405</b>	<b>608</b>	<b>679</b>
Share of Asso./Minority Int.	0	3	0	0	0
<b>Adj. PAT</b>	<b>146</b>	<b>-39</b>	<b>405</b>	<b>608</b>	<b>679</b>
<b>Growth (%)</b>	<b>-5.4</b>	<b>-126.7</b>	<b>-</b>	<b>50.1</b>	<b>11.7</b>
EPS	4.6	-1.2	12.7	19.1	21.3

**Balance Sheet**

As at March	FY20	FY21	FY22	FY23E	FY24E
<b>SOURCE OF FUNDS</b>					
Share Capital	64	64	64	64	64
Reserves	4032	4003	4703	5168	5688
<b>Shareholders' Funds</b>	<b>4096</b>	<b>4067</b>	<b>4767</b>	<b>5232</b>	<b>5751</b>
Minority Interest	0	0	0	0	0
Total Debt	0	1	1	1	1
Net Deferred Taxes	111	-55	81	81	81
Other Non-current Liab.	78	59	55	66	86
<b>Total Sources of Funds</b>	<b>4285</b>	<b>4072</b>	<b>4904</b>	<b>5380</b>	<b>5919</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	2058	1585	1522	1524	1699
CWIP	4	6	12	6	6
Investments	264	299	596	596	596
Other Non-Current Assets	1266	1357	2115	2300	2406
<b>Total Non-Current Assets</b>	<b>3592</b>	<b>3247</b>	<b>4244</b>	<b>4425</b>	<b>4707</b>
Inventories	95	99	90	108	117
Debtors	140	145	205	246	267
Cash & Equivalents	97	267	90	145	390
Other Current Assets	1134	1156	1288	1663	1868
<b>Total Current Assets</b>	<b>1465</b>	<b>1667</b>	<b>1672</b>	<b>2162</b>	<b>2643</b>
Creditors	137	176	209	260	313
Other Current Liab & Prov	635	665	803	947	1118
<b>Total Current Liabilities</b>	<b>772</b>	<b>841</b>	<b>1012</b>	<b>1207</b>	<b>1431</b>
Net Current Assets	693	826	660	955	1212
<b>Total Application of Funds</b>	<b>4285</b>	<b>4072</b>	<b>4904</b>	<b>5380</b>	<b>5919</b>



### Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	203	-350	735	833	907
Non-operating & EO items	-36	387	-12	-174	-88
Interest Expenses	-93	-78	-90	3	3
Depreciation	92	94	98	108	120
Working Capital Change	-6	-26	-724	-239	-13
Tax Paid	-159	128	-224	-225	-228
<b>OPERATING CASH FLOW ( a )</b>	<b>1</b>	<b>156</b>	<b>-215</b>	<b>306</b>	<b>702</b>
Capex	-10	-12	-40	-110	-295
Free Cash Flow	-9	144	-256	196	407
Investments	0	0	0	0	0
Non-operating income	93	90	63	81	89
<b>INVESTING CASH FLOW ( b )</b>	<b>84</b>	<b>78</b>	<b>23</b>	<b>-29</b>	<b>-206</b>
Debt Issuance / (Repaid)	0	0	0	0	0
Interest Expenses	0	0	0	-3	-3
FCFE	85	234	-193	274	492
Share Capital Issuance	0	0	0	0	0
Dividend	-77	-64	-6	-143	-159
Others	0	0	0	-75	-89
<b>FINANCING CASH FLOW ( c )</b>	<b>-77</b>	<b>-64</b>	<b>-7</b>	<b>-221</b>	<b>-251</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>8</b>	<b>170</b>	<b>-199</b>	<b>56</b>	<b>244</b>

### Key Ratios

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
<b>Profitability Ratios (%)</b>					
EBITDA Margin	8.3	-0.7	24.8	23.5	23.8
EBIT Margin	13.6	3.7	27	25.5	25.5
APAT Margin	9.6	-2.9	14.8	18.6	19
RoE	3.5	-	9.2	12.2	12.4
RoCE	4.9	1.2	16.7	16.7	16.6
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	-0.8	28	-0.1	-0.2	-0.5
Net D/E	0	-0.1	0	0	-0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	4.6	-1.2	12.7	19.1	21.3
CEPS	7.5	1.7	15.8	22.5	25.1
BV	128.8	127.9	149.9	164.5	180.9
Dividend	2	0.2	4.3	4.5	5
<b>Turnover Ratios (days)</b>					
Debtor days	34	39	23	25	26
Inventory days	23	26	13	11	12
Creditors days	30	43	26	26	29
<b>VALUATION</b>					
P/E	35.1	-	12.7	8.5	7.6
P/BV	1.3	1.3	1.1	1	0.9
EV/EBITDA	40.2	-	7.4	6.5	5.6
EV / Revenues	3.3	3.6	1.8	1.5	1.3
Dividend Yield (%)	1.2	0.1	2.7	2.8	3.1
Dividend Pay-out (%)	43.4	-16.3	33.8	23.5	23.4

(Source: Company, HDFC sec)



Stock Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclical of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.





#### Disclosure:

I, **Pranav Jain, Research Analyst, CA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

#### Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

#### Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.