Stock Note

Sharda Cropchem Ltd.

July 03, 2023

RETAILRESEARCH

HDFC securities
Click. Invest. Grow.
20 YEARS

Sharda Cropchem Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Agriculture	Rs 553.7	Buy in the band of Rs 554-560 & add more on declines to Rs 490.5	Rs 606.5	Rs 645.5	3-4 quarters

HDFC Scrip Code	SHACROEQNR
BSE Code	538666
NSE Code	SHARDACROP
Bloomberg	SHCR IN
CMP Jun 30, 2023	553.7
Equity Capital (Rs cr)	90.2
Face Value (Rs)	10
Equity Share O/S (cr)	9.02
Market Cap (Rs cr)	4995
Book Value (Rs)	247
Avg. 52 Wk Volumes	531960
52 Week High	707
52 Week Low	369

Share holding Pattern % (Mar, 2023)	
Promoters	74.8
Institutions	15.1
Non Institutions	10.1
Total	100.0

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst
Kushal Rughani
kushal.rughani@hdfcsec.com

Our Take:

Sharda Cropchem has presence in both agrochemicals and non-agrochemicals business segments. Company pursues a differentiated asset light business model whereby it completely outsources manufacturing of agrochem to China and focuses on product registrations. The company is constantly focusing on identifying new products and registration opportunities.

It has 2,821 active registrations and a pipeline of 1,143 registrations mainly in the EU, US and LatAm. Company derived 83% of revenue from agrochemicals segment and 17% from the non-agrochem business in FY23. In terms of EBIT, Agrochem contribution stood at 62% and Non-agrochem at 38% for FY23. Total registrations have grown at a strong 9% CAGR over FY15-23. The registration process is extremely stringent and costly, especially in Europe.

Company has guided for 15-18% growth in revenue and margin at ~19% in FY24. The product base is large and the marketing network is wide with a geographically diversified clientele. Company is likely to maintain growth momentum due to rising wallet share in existing products, and new launches.

In the non-agro business, the company has seen improvement. It has registered 21% CAGR in sales over FY18-23. In this segment, the company has presence into conveyor belts, general chemicals, dyes and dye intermediates.

In agrochem, it caters to the markets across Europe, NAFTA, LatAm & RoW. The company invests heavily in registrations in Europe and NAFTA regions. The company guided that total expenditure in new registrations would be around Rs 350-400cr for FY24. Most of the investments made in registrations are expected to be funded through internal accruals.

We are positive on the company, given its asset light model, product registration-led growth, net cash balance sheet, and healthy return ratios. However El Nino may impact agro-chem players like Sharda in case, rains are deficient across the consuming regions.

Valuation & Recommendation:

Management has given a guidance of 15-18% growth for sales along with strong margin improvement for FY24. We estimate 13% CAGR in sales over FY23-25E led by new products launches and steady business from existing products. Gross margin & EBITDA margin witnessed sharp correction for FY23. We expect 17% rise in EBITDA and PAT over the next two years.

We believe that margin would improve gradually as RM prices have tapered down with RM availability issues subsiding, leading to China capacities gradually moving to normal operating levels. Even freight costs have also seen significant decline in the last 3 quarters.

Given healthy growth outlook, strong pipeline of formulations and active-ingredient registrations, better revenue mix across regions, strong B/S and return ratios, we remain positive on the company. Further, comfort levels remain high about a sustainable revenue steam, driven by a strong pipeline of registrations across regions.

Management has guided for an EBITDA margin in the range of 17-18% in the medium term. Sharda Cropchem continues to have a strong registration pipeline (1,143 products as on March-2023 at various stages of registration across different geographies). Europe and NAFTA regions will continue to be the growth drivers. Registration costs in Europe continue to rise, which would increase capex spends for the company. We believe that a strong pipeline of registrations would drive volume and sales growth. Company's asset light model, cash rich balance sheet and focus on registrations in stricter geographies augur well for incremental volume growth.

We feel investors can buy the stock in the band of Rs 554-560 and add more on declines to Rs 490.5 (9.5x FY25E EPS) for base case target of Rs 606.5 (11.75x FY25E EPS) and bull case target of Rs 645.5 (12.5x FY25E EPS) over the next 3-4 quarters.

Financial Summary

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Total Revenues	1482	1435	3.3	1017	45.7	1,998	2,003	2,396	3,580	4,045	4,551	5,156
EBITDA	318	290	9.7	207	53.8	322	282	437	683	643	759	877
Depreciation	68	72	-5.6	65	3.7	99	137	170	245	248	288	338
Other Income	7	3	159.3	3	159.3	21	42	46	29	40	61	76
Interest Cost	3	0.7	257.1	0.9	177.8	8	2	3	2	5	7	8
Tax	56	44	29.4	35	60.9	59	20	80	115	89	118	141
APAT	199	177	12.3	108	83.4	176	165	229	349	342	407	466
EPS (Rs)						19.5	18.3	25.4	38.7	37.9	45.1	51.6
RoE (%)						14.6	12.3	15.2	19.8	16.5	16.9	16.8
P/E (x)						28.2	30.2	21.7	14.3	14.6	12.2	10.7
EV/EBITDA (x)						15.1	17.2	11.1	7.1	7.5	6.4	5.5

(Source: Company, HDFC sec)

(Rs cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Agrochemicals	1316	1243	6	842	56
Non-Agrochemicals	166	191	-13	176	-6
Europe	912	665	37	357	155
NAFTA	420	597	-30	509	-17
LatAm	52	120	-57	56	-7
RoW	98	53	85	97	1

Q4 FY23 and FY23 Highlights

Revenue for the quarter was up 3% YoY at Rs 1481.8cr. Company derived 89% of revenue from Agrochem segment and the rest from non-agrochem in the quarter. Gross margin improved 240bps YoY at 31.6%. Adj. EBITDA margin slipped 110bps YoY at 21%. Forex gain for the quarter was at Rs 11.9cr as compared to loss of Rs 9.2cr in Q4FY22. Net profit increased 12% YoY at Rs 199cr.

For FY23, total revenue increased 13% YoY at Rs 4045cr. Gross margin contracted 90bps YoY at 29.3%. Adj. EBITDA margin slipped 280bps YoY at 17.6%. EBITDA margin contracted 320bps YoY at 15.9%.

PBT was mainly impacted by increased forex losses of Rs 58cr in FY23; excluding forex losses, PBT was up 2% in FY23. PAT declined 2% to Rs 342cr for FY23, mainly due to lower profitability in H1FY23.

Mr. Ashok Kumar Vashisht, CFO of the company has resigned from the post of Chief Financial Officer (CFO) due to personal reasons. Company is in the process of appointing a new CFO and the same will be communicated in due course.

Conference call highlights

- Revenue growth led by better product mix and price realization. Gross margin got impacted by weakening of €/$ leading to increased input cost mainly in H1FY23.
- EBIDTA margin got impacted due to lower gross margin on the back of weakening of €/$ leading to increased input cost, general inflation and strengthening of global workforce to support future growth.
- Unprecedented depreciation of Euro vs the USD led to forex losses of Rs 82cr in H1FY23.
- The Euro has rebounded to some extent and this has led to forex gain of Rs 24cr in H2FY23.

- Over 53% of FY23 Sales from Agrochemical business have been to the Europe whereas majority of the company's Raw Material is imported from China and payments are done in US Dollar. This has impacted the company's gross margin and overall profitability as the Euro had considerably depreciated against the dollar
- Management remained confident about 15% growth amid uncertain and challenging FY24. Raw material prices have started falling mainly due to increased supplies from China, which should work in favour of the company as its 98% sourcing is from China. However, with innovator players also reducing their prices and increasing competitive intensity, operating margin may remain under pressure.
- Prices of technicals are on a downward trend which could provide some short term benefits as there is a time lag in passing of costs to end customers.
- Management indicated that registration process for off patented agrochemicals is time consuming and costly compared to off patent pharma products. Post expiry of patents, the innovators continue to command a large market share of 70-80% for a long period as it takes time for generic players to get registrations and achieve the desired quality of product.
- Gross margin split during Q4FY24 vs Q4FY23: Europe – 36% vs 36%, NAFTA – 24% vs 26%, LATAM – 26.5% vs 15%, RoW – 22% vs 22%, Total – 31.6% vs 29.2% (up 235bps).
- Revenue growth for FY24 - 15-18%, will be driven by mix of volume + product mix/pricing gains. Gross margin at ~30% and EBITDA margin for FY24 in the range of 18-20%
- The price is set by the multinational companies, and they have a major share of the market, the innovators are still controlling more than 75% of the market share and the company puts price a little behind them at a maybe ~10% discount.
- Total registrations stood at 2,686 as on March 2022, with 1,130 applications in the pipeline. It stood at 2821 and 1143 as on Mar-2023 respectively.
- The registrations are as under- Europe at 1490, LatAm at 750, NAFTA 290, and the rest of the world 243, total 2,776. Pipeline, Europe at 700, LatAm at 175, NAFTA 150, and rest of the world at 105 as on Q3 FY23
- Around 90-95% sales was from formulation and the balance from AI. Company derived 61% of non-agrochem business from NAFTA, 20% from Europe, 15% from RoW markets and 5% from LatAm.
- Board declared final dividend of Rs 3 per equity share in addition to interim dividend of Rs 3 per equity shares, aggregating to total of Rs 6 per equity share for FY23.

Diversified geographies and robust product portfolio

Sharda Cropchem has a diversified portfolio and it is also expanding operations in over 80 countries throughout Europe, North America, Latin America, and the rest of the world. Company has developed a comprehensive understanding by efficiently addressing the needs of local demand with its extensive experience in various regions and products. Furthermore, the extensive collection of dossiers and IPRs enable to enter into untapped market.

The company is expected to spend around Rs 350-400 crore per annum towards new product registrations in order to sustain growth momentum. It has strong market position driven by increasing product registrations and growing presence in highly regulated markets. Product base is large (2,821 agrochemical registrations as on March-2023) and marketing network is spread across 80 countries. Increased investment, mainly in North America and Europe, should help further expand customer base over the medium term. Around 83-85% of revenues come from Europe and NAFTA and balance from Latin America/RoW.

Strong guidance for FY24

Though globally agrochemicals' raw materials prices are softening, mainly due to increased supplies from China, it is likely to trigger a fall in end product realisations and lead to margin pressure. However, Sharda expects this scenario to be favourable given its sourcing from China. Management is confident of clocking ~15-18% revenue growth, mainly led by healthy volumes. Also, Sharda is aggressively registering new products to drive future growth.

Over 53% of sales in FY23 of agrochemical has been in the Europe, whereas the majority of the company's raw materials are sourced from China in US dollars. This has impacted the company's gross margins and overall profitability. EBITDA declined 6% YoY due to significant drop in margin. This was due to lower gross margin driven by weakening dollar, euro leading to increased input costs, general inflation, and strengthening of global force.

Registrations

Company focuses on identifying generic molecules which are expected to go off-patent, for pursuing registrations to build on product pipeline. The huge database of existing dossiers helps in identifying newer formulations. This would help to build and expand portfolio across regions and develop a competitive edge in the industry.

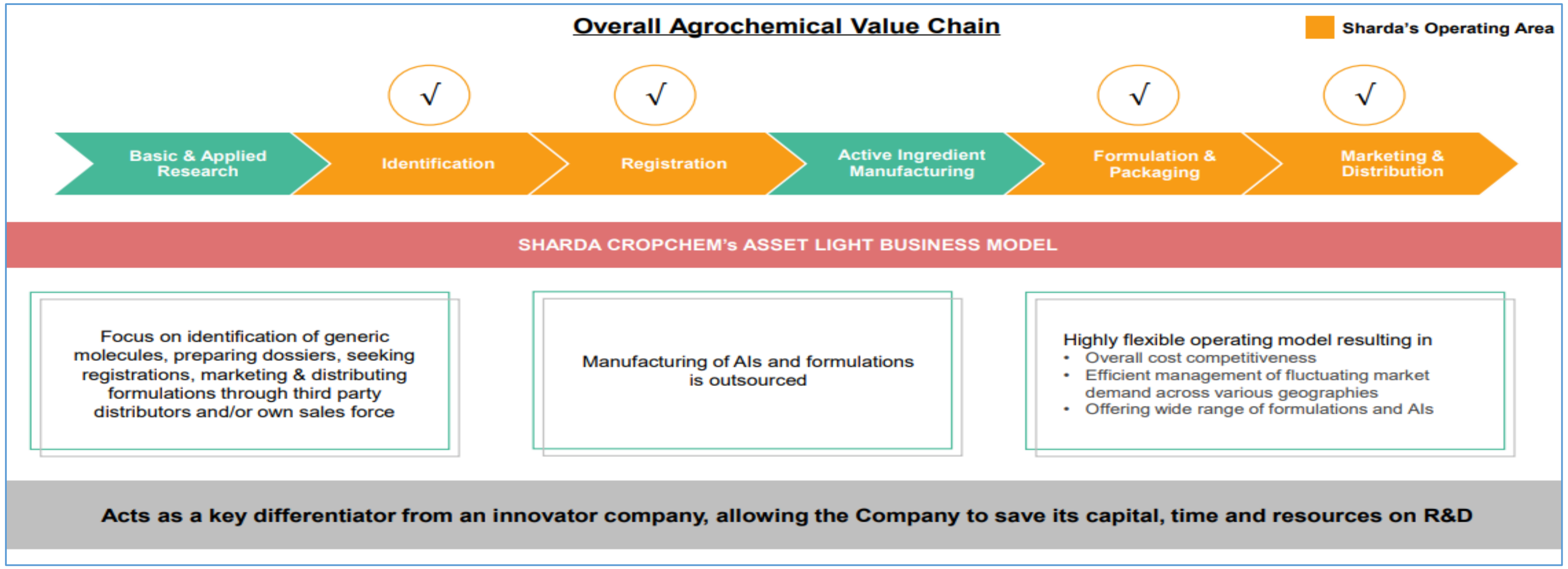
Preparation of dossiers involves gathering and developing formulation or generic active ingredient basis physical, chemical, and biological characteristics. For research and testing, the company follows stringent compliances and associates with Good Laboratory Practice (GLP) certified laboratories for superior results. In order to prepare such dossiers, it follows a five batch analysis, toxicity tests, physical-chemical testing, field trials, and risk assessments process.

Post identifying formulations and ingredients, the company reviews the relevant data and facts required to apply for registration in relevant jurisdictions.

In terms of a regional contribution to the total agrochemical business revenue, Europe contribution stood at 53%, NAFTA at 34%, LatAm at 7% and RoW at 6% of the agrochemical business.

Asset light business model

Unlike the innovators, Sharda Cropchem follows a unique asset light business model, facilitating its competitiveness in identifying generic molecules, preparing dossiers, seeking registrations, marketing and distributing formulations through third party distributors or through its own sales force. The asset light business model enables the company to focus and invest its scarce resources, i.e., capital and time for strengthening its registrations portfolio of generic active ingredients.



Widespread global distribution network

Sharda Cropchem is strengthening and widening its sales force in Europe, US, Canada, Mexico, Colombia, South Africa and other jurisdictions, in addition to third-party distributors with a goal to enhance its presence in the agrochemical value chain. It enables the company to penetrate its formulations and generic active ingredients in various countries backed by third-party distributors and the presence of its own sales force.

With its diversified range of formulations and generic active ingredients in fungicide, herbicide, insecticide and biocide segments, the company has grown by expanding its business operations in over 80 countries across Europe, NAFTA, Latin America and RoW. Backed by rich experience in multiple geographies and products, Sharda Cropchem has developed knowledge about the local weather and soil conditions, which aids to predict and meet the local demand. Additionally, the company's rich library of dossiers gives it an opportunity to enter untapped markets.

Working capital-intensive operations

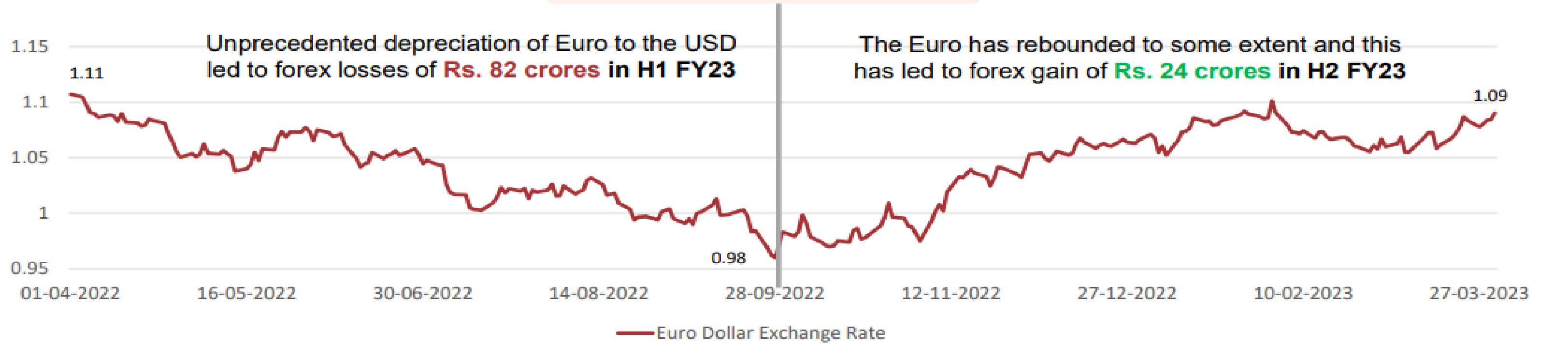
Sharda group's working capital requirement is typically higher than that of its peers because of broad product portfolio and wide geographic reach. It has a large inventory due to numerous stock keeping units and seasonality in geographies that the group operates in. Working capital cycle is likely to remain at the same level. Additionally, there are substantial receivables from certain overseas markets, especially Latin America. While it maintains liquid surplus to manage working capital requirement, any significant stretch in the working capital cycle may impact its balance sheet and cash flow.

Negative currency movements spoiled the show

Major currencies have depreciated vs the USD in the first six months of FY23 due to war between Russia & Ukraine. In the second half of FY23, there was a rebound of these currencies. Over 53% of FY23 Sales from Agrochemical business have been from Europe whereas majority of the company's RM is imported from China and payments are done in US Dollar. This had impacted the company's gross margin and overall profitability as the Euro had considerably depreciated against the dollar.

Euro currency saw a sharp fall compared to US Dollar in Q2FY23. This had a negative impact on the company's exports to Europe (~50% of share of Agrochemicals) and purchases from China (payments done in US Dollars). To deal with currency fluctuations, the company is taking measures like 1) increased sales focus on NAFTA region, 2) sourcing raw material in Euro currency, 3) hedging of currencies, and 4) price hikes.

USD / Euro Price Chart



Near term outlook

Global agrochemical companies reported subdued results in Q1CY23 largely due to muted demand across key regions of LatAm and NAFTA. Weak demand environment and high channel inventory in key markets further impacted product placements and exerted pressure on realizations. H1CY23 is expected to be muted impacted by a) inventory pile-up in key regions, b) low demand and c) pricing pressure. Recovery in demand environment likely to come from H2CY23. For domestic companies with exports exposure, near term commentary and outlook remained same citing high channel inventory and pricing pressure across key regions.

El Nino?

Indian agriculture has done well with an average annual growth of around 4.5 per cent in the past 5-6 years, including the pandemic years. It recorded a growth of 4 per cent in FY23. A good monsoon during the past four years (2019-22) has been largely attributed to the La Nina (means “little girl” in Spanish) effect, which is associated with copious rains in India. It looks like this fortunate pattern may come to an end and we may transit to El Nino (means “little boy” in Spanish) event this year if forecasts are correct. El Nino leads to abnormal warming of surface waters in the equatorial Pacific Ocean and is likely to bring less rain to India.

Australian Bureau of Meteorology said that there was a 70 per cent chance this year of an El Nino. The Bureau upgraded its status from “El Nino watch” to “El Nino alert”. The National Oceanic and Atmospheric Administration (NOAA) of the US also warned about El Nino this year. The statistical probability could be high given the four consecutive years of good monsoon from 2019-2022.

The impact of deficit rainfall on Indian agriculture and the economy - Of course, it depends on the intensity of the deficit. Indian agriculture has been somewhat resilient to a weak monsoon over time due to several factors. The area under irrigation, including micro irrigation, has been increasing. The irrigated area as a share of cultivated area is more than 50 per cent now. Second, there has been diversification of agriculture within the crop sector and into allied activities. Horticulture and livestock and fisheries are more resilient to deficient rainfall compared to food grains and other crops. The share of the rural non-farm sector in income and employment for rural households has been rising. Currently, the water storage in reservoirs is much higher than the 10-year average. The public stock of rice and wheat was more than three times higher than the norms on May 1, 2023.

Key Risks

Working capital-intensive operations: The working capital requirement of the group is larger than peers because of wide product portfolio and geographical reach. Inventory is sizeable due to numerous stock-keeping units and seasonality in the geographies the group operates in. Additionally, there are substantial receivables from certain overseas customers, especially in Latin America. However, it might be noted that revenue share from LatAm is at 9-10% currently. Though the group maintains liquid surplus to fund working capital requirement, any significant stretch in working capital cycle may temporarily (for one quarter) impact cash flow.

Weather: The crop protection industry has to contend with the vagaries of nature. Inclement weather can trigger pest infestations as well as affect demand for crop protection products. Adverse weather conditions in Sharda's regions will negatively affect the company's sales. Further, delayed or adverse monsoon could negatively affect collection of receivables. However, Sharda has presence in over 70 countries which minimises country specific risk and its impact on overall financials.

Genetically modified (GM) crops: The use of crop protection products is significantly less for GM crops. Hence, growing acceptance of GM crops by consumers may adversely affect Sharda's business.

Adverse currency movement: Sharda deals in multiple currencies across geographies. Any sharp movement could impact the company's earnings adversely. Further, its relatively long receivables cycle enhances the currency volatility risk. Moreover, Sharda's sales and purchases are in EUR/ USD and USD, respectively. Hence, it provides natural hedge to significant extent. However, we see major currency risk in term of EUR-USD movement.

Extension of patents - Company is exposed to a high risk from patent laws of different countries. Any extension of patents may adversely impact the business.

Changes in government policies - Sharda complies with the laws, rules and regulations of multiple countries due to its global presence, which may affect the decision making process. Any modifications in governmental policies related to agriculture and any adverse alterations in policies relating to the agro-sector, such as a government's reduction in agricultural expenditure, retraction of incentives and subsidy systems, new export policy for crops, fluctuation of commodities prices, could impact business and profitability. Howeber the company's strong geographic spread and diversified product portfolio reduces its reliance on any single country for selling its products.

Regulatory risk - Company operates in a highly regulated sector; if it fails to comply with regulations prescribed by authorities, its financials would be adversely affected. Any negative regulatory changes may adversely impact the industry as well as Sharda's financials. If any products registered by the company are banned or rendered obsolete by authorities, there can be a loss to the investment in those respective registrations. Also, constant increase in pricing of registrations and re-registrations in EU and US is a matter of concern for the company, which is likely to impact its cash flows.

Dependence on Chinese suppliers - Sharda is predominantly dependent on Chinese vendors for its sourcing. Issues like adverse movement in Chinese currency, rising labour costs, and heightened costs of environmental compliance could significantly impact the competitiveness of Chinese manufacturers. Any changes in import policies by the consuming countries could impact Sharda's revenue and margins.

Seasonality factor - Due to the nature of the business, the company derives 35-40% of its revenue and 50-55% of its net profit in the fourth quarter of the year.

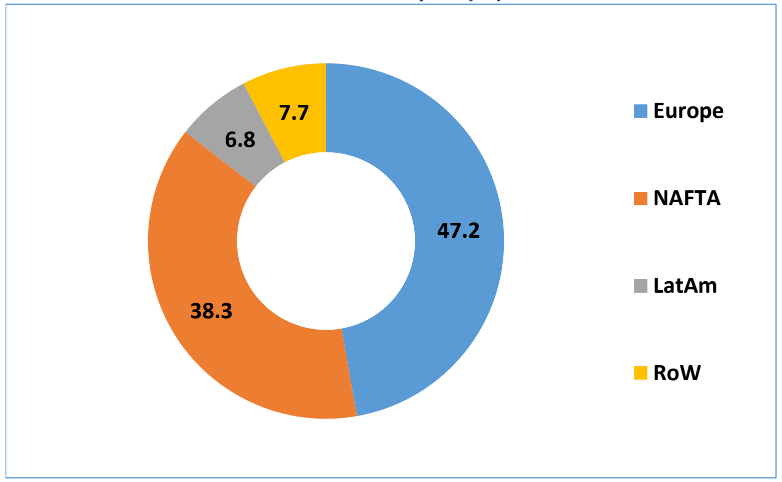
Valuation discount to peers: Sharda's peers quote at a little higher valuation as they play on India's core competency in manufacturing at competitive cost and tying up with MNCs for supplies. The peers have avoided the path of registrations abroad which is costly and could entail unknown risks as well. However, Sharda has laid the foundation of a strong asset light model which can do well in particular years depending on patent expiries, good demand situation abroad due to weather and farmer incomes and competitive manufacturing costs in China.

Company Background

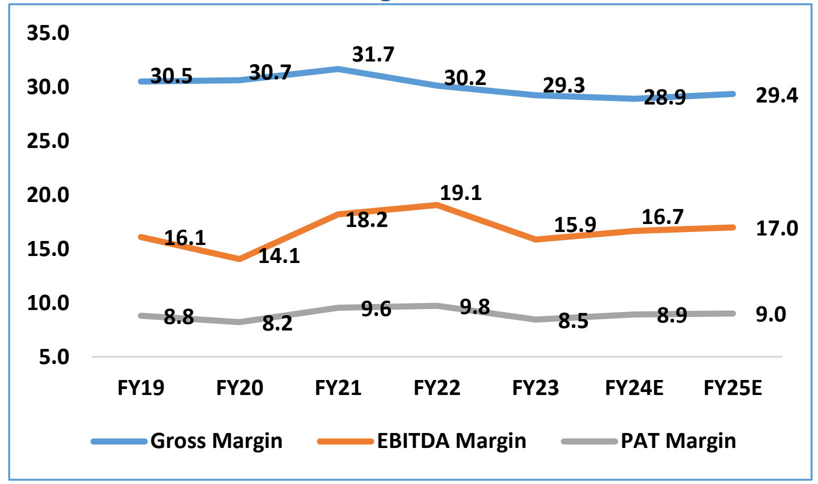
Sharda Cropchem is a crop protection chemical company, engaged into marketing and distribution of wide range of formulations and active ingredients globally. It also has a presence in the non-agrochem segment i.e., belts, general chemicals, dyes and intermediates. Agrochemical and non-agrochemical businesses contributed 83% and 17% to revenue in FY23. In terms of EBIT, Agrochem contribution stood at 62% and Non-agrochem at 38% for FY23. The company commenced operations via two sole proprietary firms, each set up by Mr. Ramprakash V. Bubna and Sharda R. Bubna. Under the asset light business model, the company offers a diversified range of formulations, without incremental manufacturing capex. It has a presence across fungicide, herbicide, and insecticide segments, which protect different kinds of crops; the turf and specialty markets; as well as disinfectants in the biocide segment. The company follows an asset light business model as they focus on Identification of generic molecules, preparing dossiers, seeking registrations, marketing & distributing formulation. The company outsources the manufacturing of AI's and other formulations and this has resulted in cost competitiveness across various geographies.

Sharda Cropchem Ltd.

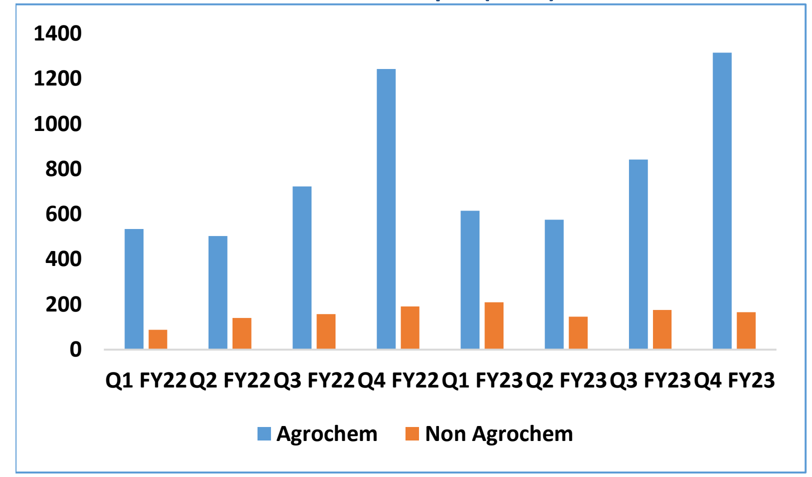
Revenue Split (%)



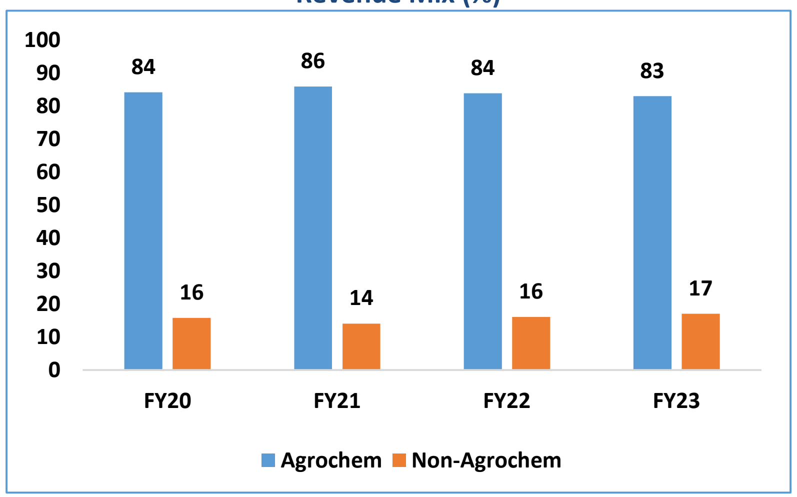
Margin Trend



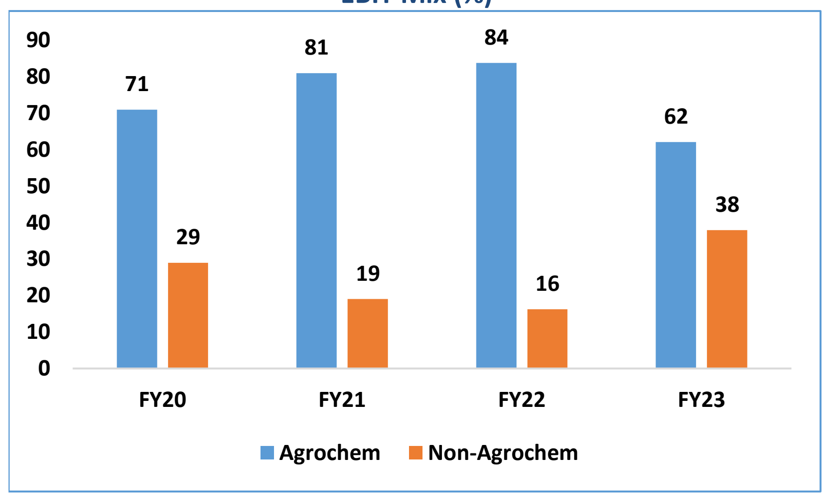
Revenue Split (Rs cr)



Revenue Mix (%)



EBIT Mix (%)



Consolidated Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Net Revenue	**2003**	**2396**	**3580**	**4045**	**4551**	**5156**
Growth (%)	0.3	19.6	49.4	13.0	12.5	13.3
Operating Expenses	1721	1959	2897	3402	3792	4279
EBITDA	**282**	**437**	**683**	**643**	**759**	**877**
Growth (%)	-12.5	54.8	56.4	-5.8	18.0	15.5
EBITDA Margin (%)	**14.1**	**18.2**	**19.1**	**15.9**	**16.7**	**17.0**
Depreciation	137	170	245	248	288	338
EBIT	145	266	438	395	471	538
Other Income	42	46	29	40	61	76
Interest expenses	2	3	2	5	7	8
PBT	185	309	464	431	525	606
Tax	20	80	115	89	118	141
RPAT	**165**	**229**	**349**	**342**	**407**	**466**
Growth (%)	-6.6	39.1	52.4	-2.0	19.0	14.4
EPS	18.3	25.4	38.7	37.9	45.1	51.6

Balance Sheet

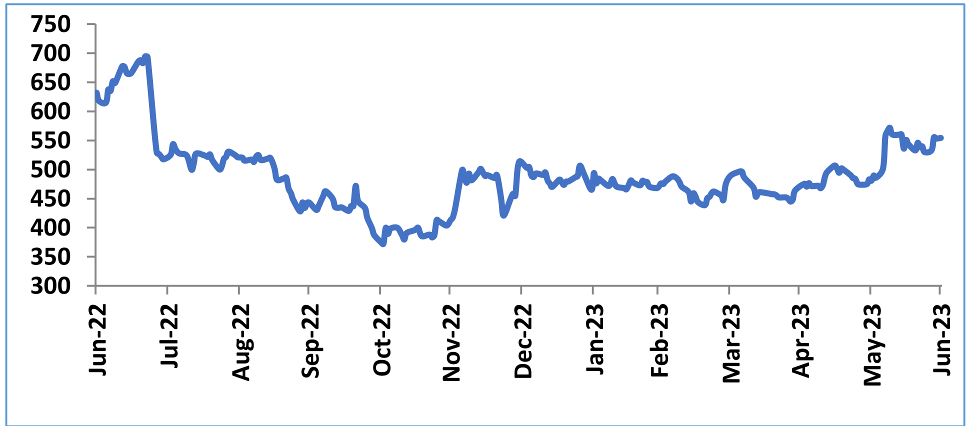
As at March	FY20	FY21	FY22	FY23P	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	90.2	90.2	90.2	90.2	90.2	90.2
Reserves	1313	1524	1822	2142	2485	2874
Shareholders' Funds	**1403**	**1614**	**1912**	**2232**	**2575**	**2964**
Net Deferred Taxes	-7	13	52	63	58	63
Long Term Provisions & Others	16	17	10	5	9	14
Total Source of Funds	**1412**	**1645**	**1974**	**2300**	**2642**	**3041**
APPLICATION OF FUNDS						
Net Block & Intangibles Assets	577	675	804	870	942	924
Other Non-current assets	12	9	11	143	149	156
Total Non Current Assets	**589**	**684**	**816**	**1013**	**1091**	**1080**
Current Investments	116	83	134	32	368	570
Inventories	382	526	893	1134	1035	1130
Trade Receivables	989	1163	1540	1834	2032	2331
Cash & Equivalents	154	261	166	182	169	183
Other Current Assets	41	68	117	77	93	113
Total Current Assets	**1682**	**2100**	**2850**	**3258**	**3697**	**4326**
Short-Term Borrowings	0	68	38	30	28	30
Trade Payables	689	807	1178	1378	1507	1671
Other Current Liab & Provisions	146	215	389	500	540	583
Short-Term Provisions	24	50	87	62	71	80
Total Current Liabilities	**859**	**1140**	**1692**	**1971**	**2145**	**2366**
Net Current Assets	823	961	1158	1287	1551	1961
Total Application of Funds	**1412**	**1645**	**1974**	**2300**	**2642**	**3041**

(Source: Company, HDFC sec)

Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	185	309	464	431	525	606
Non-operating & EO items	-42	-46	-29	-40	-61	-76
Interest Expenses	2	3	2	5	7	8
Depreciation	137	170	245	248	288	338
Working Capital Change	-73	-133	-341	-250	-277	-396
Tax Paid	-63	-58	-75	-65	-118	-141
OPERATING CASH FLOW (a)	**146**	**246**	**267**	**328**	**364**	**339**
Capex	-176	-232	-234	-244	-360	-320
Free Cash Flow	-30	14	33	84	4	19
Investments	66	-96	-3	58	-6	-7
Non-operating income	42	46	29	40	61	76
INVESTING CASH FLOW (b)	**-68**	**-282**	**-208**	**-145**	**-305**	**-250**
Debt Issuance / (Repaid)	-4	65	-34	-38	-1	10
Interest Expenses	-2	-3	-2	-5	-7	-8
FCFE	-35	77	-3	42	-4	21
Share Capital Issuance	0	0	0	0	0	0
Dividend	-54	-19	-55	-55	-64	-76
FINANCING CASH FLOW (c)	**-60**	**43**	**-91**	**-98**	**-72**	**-75**
NET CASH FLOW (a+b+c)	**27**	**8**	**-29**	**119**	**-13**	**14**

One Year Price Chart



Key Ratios

	FY20	FY21	FY22	FY23P	FY24E	FY25E
Profitability (%)						
Gross Margin	30.7	31.7	30.2	29.3	28.9	29.4
EBITDA Margin	14.1	18.2	19.1	15.9	16.7	17.0
EBIT Margin	7.2	11.1	12.2	9.8	10.4	10.4
APAT Margin	8.2	9.6	9.8	8.5	8.9	9.0
RoE	12.3	15.2	19.8	16.5	16.9	16.8
RoCE	9.7	15.4	21.3	16.6	17.3	17.2
Solvency Ratio						
Net Debt/EBITDA (x)	-1.0	-0.6	-0.4	-0.3	-0.7	-0.8
D/E	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E	-0.2	-0.2	-0.1	-0.1	-0.2	-0.2
PER SHARE DATA						
EPS	18.3	25.4	38.7	37.9	45.1	51.6
CEPS	33.5	44.3	65.9	65.4	77.0	89.1
BV	155	179	212	247	285	329
Dividend	4.0	5.0	6.0	6.0	6.8	8.0
Turnover Ratios (days)						
Debtor days	180	177	157	165	163	165
Inventory days	68	69	72	91	83	80
Creditors days	149	153	150.7	150	147	145
VALUATION						
P/E	30.2	21.7	14.3	14.6	12.2	10.7
P/BV	3.6	3.1	2.6	2.2	1.9	1.7
EV/EBITDA	17.2	11.1	7.1	7.5	6.4	5.5
EV / Revenues	2.4	2.0	1.4	1.2	1.1	0.9
Dividend Yield (%)	0.7	0.9	1.1	1.1	1.2	1.4
Dividend Payout	21.9	19.7	15.5	15.8	15.1	15.5

KUSHAL MAHENDRA RUGHANI

Digitally signed by KUSHAL MAHENDRA RUGHANI
Date: 2023.07.03 09:06:17 +05'30'

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 cyclicality 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, Kushal Rughani, Research Analyst, MBA, 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 have/ 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 have/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 solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. 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. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

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.

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 should not be construed as an invitation or solicitation to do business with HSL. 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. As regards the associates of HSL please refer the website.

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 t 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: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.