Initiating Coverage

ADF Foods Ltd.

April 08, 2022

RETAILRESEARCH

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ADF Foods Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Packaged Foods	Rs. 770.7	Buy in Rs 765-775 band and add more on dips in Rs 701-713 band	Rs. 842	Rs. 898	2 quarters

HDFC Scrip Code	ADFFOOEQNR
BSE Code	519183
NSE Code	ADFFOODS
Bloomberg	ADFL IN
CMP (Apr 07, 2022)	770.7
Equity Capital (RsCr)	21
Face Value (Rs)	10
Equity Share O/S (Cr)	2.09
Market Cap (RsCr)	1614
Book Value (Rs)	170
Avg. 52 Wk Volumes	36120
52 Week High	1049
52 Week Low	675

Share holding Pattern % (Mar 16th, 2022)	
Promoters	33.58
Institutions	16.01
Non Institutions	50.41
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

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Our Take:

Started in 1932 as a small retail store selling dry fruits and nuts under the name of American Dry Fruit Stores in Mumbai, from where it gets its current name, ADF Foods Ltd. (ADF) today is a market leader in the prepared ethnic food segment with products spanning across a wide range of categories from ready-to-eat to frozen foods and meal accompaniments. With a strong portfolio of 7 brands including Ashoka, Truly Indian, Camel, Aeroplane, ADF Soul, Nate's and PJ's Organics and a global presence in 55+ countries, ADF has a developed a strong global footprint with 98%+ of revenues coming from exports across the globe, the largest contribution being from North America, Europe and GCC Markets.

The rise in urban working culture and fast-paced lifestyles, processed foods such as ready-to-eat products are increasingly becoming the go to food for most meals for millennials, a trend which further received a thrust from Covid-19 led lockdowns. ADF, with its strong portfolio, established distribution network backed by renewed aggression looks well placed to capture this trend.

In addition to the business of prepared ethnic food, ADF also has an "Agency Distribution" Segment which was introduced in FY20 where it would act as distribution agent of food products for a Fortune 500 FMCG global firm across the USA and UK markets. Starting with Unilever by undertaking distribution for its beverages in USA, the company has widened its product baskets with addition of newer categories. Recently, it has entered into an exclusive distribution agreement with Patanjali for UK and Western European markets. This new vertical gives the company a wider product portfolio to offer to its distributors (better market penetration) as well as enables it to tap the existing network of the FMCG global firm for its own products.

Valuation & Recommendation:

Ethnic food has made deep inroads into the global metropolitan culture all over the world and has proliferated enormously in the last few years. ADF has been one of the early entrants in this space. The array of quality products, continuous product development and innovation, strong brand reputation, and robust distribution network have helped the company to reach consumers across the globe.

Over FY11-18, the company's topline grew at mere 6.5% CAGR while profits were essentially flat with 0.5% CAGR growth. The dismissal performance could be attributed to failed acquisition and lack of direction amidst promoter family split. However, post FY18, there has been a strong turnaround with 22.5%/40.4% CAGR growth over FY18-21 in revenues and PAT respectively. Besides the renewed aggression in its core business of exports, the company entered into Agency Distribution business in FY20, which contributed Rs 32 Cr/ 76

Cr /66 Cr in FY20/FY21/9MFY22 respectively. ADF has embarked on capex (Rs 70-90 Cr over FY22-24) to fuel its growth. Additionally, with strong balance sheet, the company is actively scouting for inorganic growth opportunities. It has also increased focus on the domestic business (<2% revenue contribution) with appointment of new India Head whose only focus would be building domestic business, as company seeks to ride the tailwinds of Indian packaged food industry. Thus, on the back of multiple triggers, our conservative estimates anticipate 18%/19%/20% CAGR in revenues/EBIDTA/PAT respectively over FY21-24E.

With the strength of its product portfolio, strong industry demand drivers, resilient business model, and strong balance sheet, ADF looks a formidable bet. **We think the base case fair value of the stock is Rs 842 (22x FY24E EPS) and the bull case fair value of is Rs 898 (23.5x FY24E EPS). Investors can buy the in stock Rs 765-775 band (20x FY24E EPS) and add more on dips in Rs 701-713 band.**

Financial Summary

Particulars (Rs cr)	Q3FY22	Q3FY21	YoY-%	Q2FY22	QoQ-%	FY20	FY21	FY22E	FY23E	FY24E
Operating Income	117.1	98.6	19%	109.4	7%	285.2	369.3	429.3	501.6	607.6
EBITDA	18.5	20.2	-8%	18.6	-1%	52.8	67.8	70.0	94.3	114.8
APAT	13.6	13.9	-2%	12.5	9%	43.1	50.1	53.2	70.4	85.5
Diluted EPS (Rs)	6.5	6.8	-4%	5.9	9%	19	22	25	31	38
RoE-%						22.9	20.9	17.2	18.0	18.0
P/E (x)						36.5	31.4	29.6	22.3	18.4
EV/EBITDA						32.0	24.2	23.3	16.9	13.7

(Source: Company, HDFC sec)

Q3FY22 Result Update

ADF reported a revenue growth of 18.7% YoY in Q3FY22 with 67% YoY growth in Agency Distribution business which stood at Rs 25.8 Cr (22% of revenues). The Processed Foods business grew at ~10% to contribute Rs 91.3 Cr to Q3FY22 revenues. Gross margins improved significantly to 53.9% in Q3FY22 from 41.9% in Q3FY21 on the back of better sales mix, price increases and manufacturing optimizations. However, EBITDA margins dropped by 361 bps (YoY) to 15.8% primarily due to sharp rise in freight costs which as a % of revenue increased from 4% in Q3FY21 to 13% in Q3FY22, while for 9MFY22, freight increased from 3% in 9MFY21 to 10% in 9MFY22. It maintains a robust balance sheet with a net cash position of the Rs 48.4 Cr.

Key Triggers

From a small retail store to one of India's largest processed food company…

ADF started off as a small retail store (American Dry Fruits Stores) in 1932 by Mr. Hariram Thakkar, selling dry fruits and nuts at Flora Fountain (now Hutatma Chowk) in Mumbai

In 1965, the company acquired the pickle brand Camel from a local merchant at Crawford Market in Mumbai. The brand was quite popular among Arabs who used to buy it during their visit to India. This marked the foray of the company into the processed foods business.

After the success of Camel, ADF planned to launch a brand for Indian diaspora. So, brand Aeroplane was born which was targeted at Indian labourers who went to Gulf and other countries.

In 1988, ADF Foods launched ethnic Indian food brand Ashoka. This became company's flagship brand with a strong presence in the US, Europe and Australia.

ADF opened its India account in 1991 with the launch of pickle and ready-to-eat brand—Mother's Recipe. But after a decade, it sold the brand to Pune-based Desai Brothers to focus on its core strength—overseas market. However, it re-entered the domestic market with Soul—an umbrella brand for packaged ethnic Indian & International food.

In 2010-11, it acquired US-based Elena's Food Specialities Inc. which brought in international brands like PJ's Organic and Nate to its basket

Strong portfolio of brands

Brand	Positioning	Products	Geographies	Retail Channel
ASHOKA THE ORIGINAL INDIAN TASTE	Flagship brand primarily targeted at Indian diaspora worldwide	Frozen snacks, frozen breads, frozen vegetables, RTE, meal accompaniments, pastes, sauces, spices, milk drinks	USA, Canada, UK and APAC	70-90% from ethnic stores across geographies and rest from mainstream/modern trade stores
truly indian INDIA'S PREMIUM CHOICE	Primarily targeted at Non-Indian consumers	RTE, meal accompaniments, pastes, sauces	Germany and USA	100% from mainstream/ modern trade stores
جمل CAMEL®	Premium brand targeted at Arabic diaspora	Meal accompaniments, pastes sauces	Middle East	95% from mainstream modern trade stores

AEROPLANE	Economy brand	Meal accompaniments, pastes sauces	Middle East	65% from mainstream/ modern trade stores ; 35% general trade
PJ's ORGANICS	Organic, made with USDA certified organic ingredients	Hand rolled burritos	USA	100% from mainstream modern trade stores
Nate's	Non-GMO, all natural, vegan vegetarian	Meatless meatballs	USA	100% from mainstream modern trade stores
SOUL BINDASS KHAO	Primarily targeting urban Indian customers	Meal accompaniments, pastes sauces	Sold and marketed primarily in Mumbai, India	Available in Reliance Retail, Sahakari Bhandar & Haiko; and select online platforms

ADF is further planning to venture into meat based products under 'Khansaama' brand which will cater to USA and UK markets. The manufacturing of these products, like PJ's and Nate's will be outsourced while ADF will undertake repackaging and distribution.

Multi-year tailwinds for Indian ethnic food market:

With a strong portfolio of 7 brands and global presence, ADF is a well placed to ride on the tailwinds for the prepared food market. The company's biggest USP is that it is 99% export oriented and the Indian diaspora with its wings spread wide provides huge opportunity for them to grow.

As a matter of fact, there are 32 million NRIs (Non-Resident Indians) and PIOs (Persons of Indian Origin) residing outside India, and overseas Indians comprise world's largest overseas diaspora. Every year 2.5 million Indians migrate overseas, which is the highest annual number of migrants in the world.

India's large diaspora is distributed across the United Arab Emirates (UAE), the United States of America (USA) and Saudi Arabia, while Australia, Canada, Kuwait, Oman, Qatar and the United Kingdom are some of the other countries hosting large numbers of Indian migrants. In addition, Pakistan and Bangladesh which have similar cuisines, also have sizeable diaspora.

The global ethnic food market is expected to be valued at USD 50.5 billion in 2021 and is projected to register a CAGR of 11.8%, to reach USD 71 billion in 2024. Apart from the benefit of massive Indian diaspora, the other factors aiding the rapid industry growth include:

Evolving consumer tastes and preferences offering opportunities for innovations: Consumers demand healthy and authentic food alternatives with fewer artificial ingredients. Ongoing trends, such as non-GMO and vegan products, have accelerated as consumers focus on boosting their immunity and overall health to help stave off illness.

Strong preference of convenience RTE food by millennials: In addition to being readily available and having longer storage life than fresh foods, RTE foods which comes in various ethnicities such as Italian, Indian, Chinese and others are increasingly becoming the go to food for most meals for millennials. The rise in the number of nuclear families, lack of sufficient cooking skills and longer working hours are the primary factors responsible for the increase in the ready-to-eat food market.

Emerging importance of a balanced healthy diet: With people becoming more aware and more compassionate, they are beginning to care about what they are eating and the source of their food products. Plant based meat alternatives are witnessing a rising number of consumer demand with the aim to provide health, sustainability, transparency, food safety and animal welfare, while maintaining consumer taste preferences.

Positive impact of Covid-19 on sector: With most restaurants continuing to remain closed and public gathering discouraged the ready to eat market has witnessed accelerated growth during the pandemic. This shift in consumer behaviour and preferences is expected to become the new normal as more and more countries and workplaces are adapting to a work from home culture.

Government Initiatives for Food Processing Sector: The Government of India authorized the inclusion of food processing sector in its Production Linked Incentive (PLI) scheme. The outlay for this sector is capped at Rs 10,900 Cr. The introduction of this scheme would enable Indian players to gain recognition on the global platform.

Increasing focus on domestic business

ADF had relatively established brand under “Mother’s Recipe” in domestic market which it sold in 2002 to Desai Brothers, a Pune-based group, ADF re-entered domestic market under Soul brand in 2011, however, the contribution is substantially low as it wanted to focus on its core strength i.e. international operations.

The ready-to-eat food that was first introduced in India in the face of instant noodles has come a long way from its arrival. There is now a whole range of ready-to-eat meals customized for the Indian populace, from palak paneer to idli sambar, from burger patties to plant-based meat items like jackfruit, you name it and the Indian food industry will have it in store for you. This change could be attributed to the fast-moving millennials, the rapid urbanization, or the growth in income, changing middle-class population, and changing taste inclinations of Indian buyers. Realizing, the massive potential the India’s food industry offers, ADF has aggressively increased its focus on the domestic business with expectation of it contributing 10-15% to the consolidates sales over next 4-5 years.

ADF has hired a new Head of India business who will be solely responsible for building and scaling the domestic business. ADF is currently working on the strategy to build the right basket of products which it plans to launch in the next few quarters. Apart from condiments, the company with its global experience plans to introduce international cuisines targeting millenials with ‘healthy and tasty’ brand proposition In the initial phase, it plans to launch its produce through e-commerce and modern trade channels while the focus will remain on urban India. It is also making focused efforts to increasingly cater to HoReCa channel, not just in India but even in international markets. In India, it is focused on tapping Quick Service Restaurants (QSRs) / cloud kitchens given the exponential growth the industry is witnessing.

We haven’t accounted for any growth in India business in our estimates but will closely monitor the company’s performance here. The Indian markets has many established players and would not be easy to crack into. Faster than expected scale up of India business could be a positive surprise.

A new growth lever – Agency Distribution business

In FY20, ADF added a new business vertical of ‘Agency Distribution’. Under this, the company would act as distribution agent of food products for a Fortune 500 FMCG global firm across the US and UK markets. This new vertical gives the company a wider product portfolio to offer to its distributors as well as enables it to tap the existing network of the FMCG global firm for its own products. It’s highly synergistic business as the company sells these goods through its current network of sub-distributors which helps in reducing the overall selling costs and offers cross-selling opportunities for company’s own brands.

The company started its distribution business by entering into an agreement with Unilever for distribution of its Indian tea and coffee products in the USA. Later, the arrangement was extended to include products under the brands Knorr, Kisan Atta, etc and company was granted rights for distribution in UK. In December 2021, ADF has entered into an exclusive distribution agreement with Patanjali Ayurved Limited (Patanjali) which agreement entails the distribution of Patanjali consumer goods in the geographic regions of Western Europe and United Kingdom.

It has been investing in building a robust distribution network with uninterrupted supply as a precursor to their increasing capacities. In Q4FY21, the company had leased warehouse of 66,000 Sq. ft. in New Jersey (USA), which serves as a distribution center for the company and in Q2FY22, it further leased warehouse center in Georgia, USA with an area of 33,000 Sq. Ft. It has also recently made additions in the senior sales and marketing team.

2010-2018: Family split and failed acquisition

Over FY11-18, ADF grew its revenues at mere 6.5% CAGR while profits were essentially flat with 0.5% CAGR growth. The dismissal performance could be attributed to failed acquisition and lack of direction amidst promoter family split.

As discussed above ADF acquired Elena Foods in FY11 to foray in the Mexican foods products with brands PJ's Organics and Nate. It was acquired for less than USD 5 mn for 89% stake in the company having sales revenues of below USD 9 mn in 2010. The remaining stake of 11% is held by previous owners of the company with callable option (it was later acquired by ADF).

However, ADF incurred cumulative loss of ~Rs 35 Cr during the period FY11-16 due to operational losses and product recalls. ADF's US business faced a further setback when some manufacturing machinery for burritos (hand-made earlier) was not delivered on time in 2016 because of bankruptcy filing by the manufacturing company. In December 2016, the company decided to shut down manufacturing at Elena and transitioned from self-manufacturing to third party contract manufacturing which helped it to make considerable savings (an asset light based model) and improve gross margins (by 10-12%).

The Split: While ADF started its journey in 1932 as retail store founded by Mr. Hariram Thakkar (Mr. Bimal Thakkar's grandfather), it was in 1990-92 period that company was incorporated as a public limited company and went public.

Mr. Ramesh H. Thakkar (Mr. Bimal's father) was the chairman of the company until his death in FY14. Thereafter, his brother Mr. Ashok H. Thakkar became the chairman of the company, and along with Mr. Bimal and Mr. Bhavesh R. Thakkar (Mr Bimal's brother) ran the business.

However, in May 2018, Mr. Ashok and Mr. Bhavesh left the company. Subsequently, they sold their stakes to the extent of ~24% in market transactions. As a result, the promoter holding came down to 30.5% in June 2018 from 54.3% in March 2017.

Renewed aggression leading strong turnaround post 2018

Post multiple setbacks, as discussed above, Mr. Bimal Thakkar assumed full responsibilities and has led a commendable turnaround with revenues growing at 22.5% CAGR over FY18-21 phase while operating margins improved from 8.5% in FY18 to 18.3% in FY21. This has been facilitated with renewed aggression in terms of product launches, investments in distribution network backed by higher marketing spends, geographical extensions and entry into 'agency distribution'. Going ahead we expect ADF to report revenue CAGR growth of ~18% over FY21-24E driven by:

i) **Increasing capacities:** ADF has two manufacturing plants located in Nashik, Maharashtra and Nadiad, Gujarat, with a total manufacturing capacity of ~28,000 MTPA running at optimal utilisation levels. In FY21, the company has setup a manufacturing facility with 1,950 MTPA capacity in Surat on lease. This leasing option is an interim arrangement until further Greenfield expansion plans of the company become operational and was established in response to the increased demand for the company's core products.

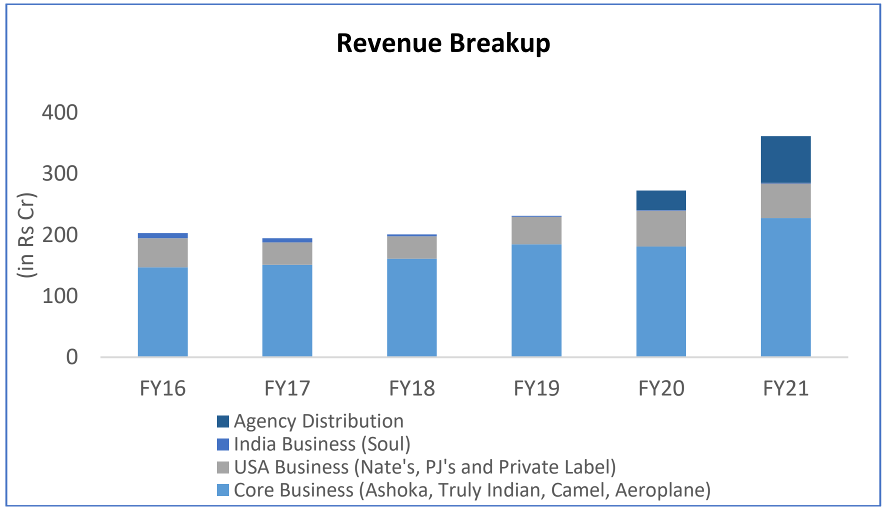
   ADF is currently undertaking brownfield and debottlenecking efforts at existing plants which will unlock additional capacities of ~20%. Further, it has planned a greenfield expansion with an investment of ~ Rs 60 Cr to add capacities for frozen foods and RTE products. In first phase, it will be adding ~10,000 MTPA. The commercialisation of greenfield capacities is expected by Q2FY24 and will generate Rs 150 - 200 Cr revenues at 2.5-3x asset turns.

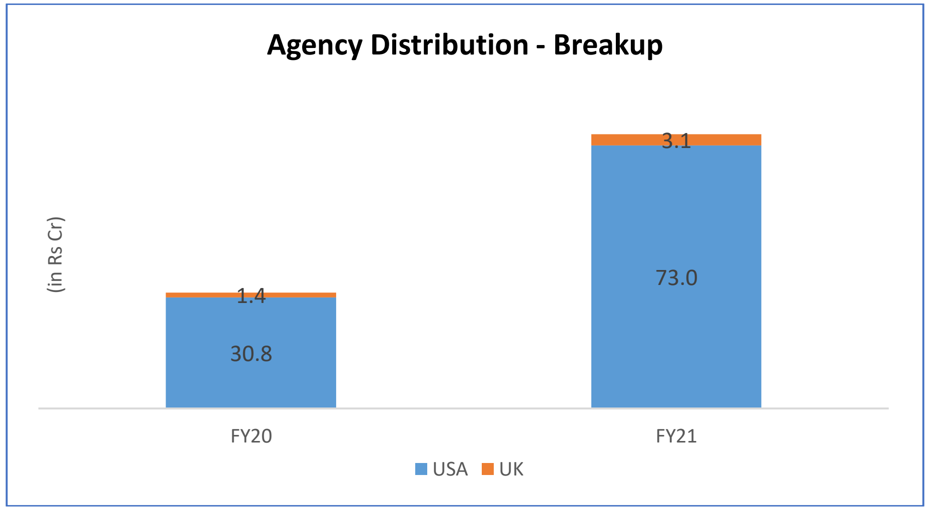
ii) **Introduction of new products:** ADF has edged up its R&D game as it aggressively plans to launch new products, new recipes across especially in the premium segment and across markets. For instance, it has entered into meat based products under 'Khansaama' brand.

iii) **Broadening distribution network:** ADF aims to expand the distribution network to increase direct reach to retailers and consumers by investing in own depots, warehouses and channel distributions, thereby cutting down intermediary costs and improving margins. Additionally, this will help consolidate the sales of company's own brands. It has also gained additional listings in supermarkets in Canada and USA and has witnessed good product offtake from this channel.

iv) **Strengthening agency distribution segment:** The company aims to increase the product offerings in the distribution business. In this endeavour, it plans to add more products in the product basket of the company's existing Agency Distribution business. Additionally, ADF aims to target similar strategic tie-ups (recently with Patanjali for European markets) for complimentary products across geographies.

Additionally, with strong balance sheet, ADF is hunting for inorganic opportunities, specifically in USA markets. Any development could be another kicker for the growth.





<u>Expect the company to maintain 18-20% EBIDTA margins</u>: The operating margins for ADF have significantly improved from 9.5% in FY18 to 18.5% in FY21. Going ahead, we expect the company to maintain the margins in the range of 18-20%. The company expects to maintain 11-13% margins in the distribution business while the margins for food business are >22% and increasing contribution from high-margin frozen foods and premium products will add to margin expansion.

Further, company plans to add more warehouses, in addition to the ones at New Jersey and Georgia for distribution of its own product as well as agency products. The internal target is 5-6 additional warehouses over 18 months which would account for 70-80% of US business. This distributors make ~10% net margins which ADF intends to capture. USA accounts for majority of ADF's business and this is likely to give a boost to the company's blended margins

Impressive return ratios and superior balance sheet

ADF has a strong balance sheet with a net cash position of Rs 48.4 Cr as on 31st December, 2021. Additionally, it has allotted warrants worth Rs 70.6 Cr (19,50,000 convertible warrants at Rs 362/warrant) through issue of warrants on preferential basis to promoters and other KMPs. 9,43,500 warrants (Rs 34.2 Cr) have already been converted while remaining conversion is due by April 30th, 2022. Further, the promoter holding is likely to inch up to 36.6% assuming full conversion.

Besides the company continues to generate robust cashflows and we expect it generate cumulative operating cashflows of ~Rs 160 Cr over FY21-24E. This along with existing cash reserves and warrant money would be the currency for greenfield expansion and acquisitions. With improved profitability and better management of working capital, the company is likely to maintain 25%+ RoCE.

Key Concerns

Currency fluctuation Risk: The company being engaged in exports, derives approximately 95% of its revenue from export sales and mitigates only ~50% of forex risk through hedging program, leaving it vulnerable to sharp fluctuations in currency.

Competitive Intensity: ADF earns significant part of its revenues from exports they compete with global players from India (MTR, ITC etc.), rest of Asia and the Middle East. Sustenance of Revenue growth while maintaining their profit margins needs to be monitored.

Vulnerability to volatility in raw material prices: Key raw materials include agro-based products such as mangoes, chillies, edible oil, and sugar. As raw material prices largely depend on inflation, monsoon, and government policies, the group remains exposed to any sharp fluctuations. Further, any hike in input cost cannot be entirely passed on to customers, given the competitive environment.

To subscribe to the warrants, further, the promoters may have to borrow money for which their shares will have to be pledged. This raises the risk of sudden fall in stock price if the promoters are not able to repay the loan in time due to underperformance of the stock price or otherwise.

Company Background

ADF Foods Limited (ADF) is a leading player in the prepared ethnic food market. The Company is primarily engaged in manufacturing and exporting of ready-to-eat food, ready-to-cook food, frozen food, frozen vegetables, and meal accompaniments like pickles, sauces and pastes. ADF has well established brands with international presence in 55+ countries and strong network with 180+ distributors across Europe, USA, Middle East, Australia, Canada and Asia. The Company has established a strong position in the growing prepared food industry through customer centric approach and continuous innovations.

Financials

Income Statement

(Rs cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	**231**	**285**	**369**	**429**	**502**	**608**
Growth (%)	*15*	*23*	*29*	*16*	*17*	*21*
Operating Expenses	203	232	302	359	407	493
EBITDA	**29**	**53**	**68**	**70**	**94**	**115**
Growth (%)	*51.6*	*82.9*	*28.4*	*3.3*	*34.8*	*21.8*
EBITDA Margin (%)	***12.5***	***18.5***	***18.3***	***16.3***	***18.8***	***18.9***
Depreciation	4	6	6	7	9	11
Other Income	14	9	6	9	10	11
EBIT	**39**	**57**	**68**	**72**	**95**	**115**
Interest expenses	1	1	1	1	1	1
PBT	**38**	**55**	**67**	**71**	**94**	**114**
Tax	12	12	17	18	24	29
PAT	**25**	**43**	**50**	**53**	**70**	**86**
Share of Asso./Minority Int.	0	0	0	0	0	0
Adj. PAT	**25**	**43**	**50**	**53**	**70**	**86**
Growth (%)	*40.1*	*70.3*	*16.1*	*6.3*	*32.3*	*21.6*
Diluted EPS	11	19	22	25	31	38

Balance Sheet

As at March	FY19	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS						
Share Capital	20	20	20	20	20	20
Reserves	151	184	253	325	414	492
Shareholders' Funds	**172**	**204**	**274**	**346**	**437**	**514**
Total Debt	0	23	0	14	8	4
Net Deferred Taxes	9	7	8	8	8	8
Total Sources of Funds	**181**	**235**	**281**	**368**	**452**	**526**
APPLICATION OF FUNDS						
Net Block & Goodwill	69	77	77	68	97	119
Investments	0	18	17	17	17	17
Other Non-Curr. Assets	19	15	11	21	20	23
Total Non-Current Assets	**89**	**112**	**105**	**106**	**135**	**159**
Inventories	35	55	73	82	89	103
Debtors	44	53	65	75	93	117
Cash & Equivalents	18	37	65	87	125	141
Other Current Assets	18	15	20	26	28	34
Total Current Assets	**115**	**160**	**222**	**271**	**335**	**395**
Creditors	14	21	35	36	41	50
Other Current Liab & Provisions	9	16	11	18	21	23
Total Current Liabilities	**23**	**37**	**46**	**54**	**63**	**73**
Net Current Assets	92	122	176	216	273	322
Total Application of Funds	**181**	**235**	**281**	**368**	**452**	**526**

ADF Foods Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	38	55	67	71	94	114
Non-operating & EO items	-2	-3	-1	-10	1	-3
Interest Expenses	0	0	0	1	1	1
Depreciation	14	6	6	7	9	11
Working Capital Change	-17	-15	-22	-18	-19	-33
Tax Paid	-14	-13	-13	-18	-24	-29
OPERATING CASH FLOW (a)	**20**	**31**	**36**	**32**	**62**	**61**
Capex	-4	-10	-3	-19	-38	-32
Free Cash Flow	15	21	32	13	24	29
Investments	0	-18	2	0	0	0
Non-operating income	3	-10	-7	-24	0	0
INVESTING CASH FLOW (b)	**-1**	**-39**	**-9**	**-43**	**-38**	**-32**
Debt Issuance / (Repaid)	-1	23	-23	14	-6	-4
Interest Expenses	-1	-1	-1	-1	-1	-1
Others	-30	-2	17	26	27	0
Dividend	0	-6	0	-6	-7	-8
FINANCING CASH FLOW (c)	**-32**	**14**	**-7**	**33**	**13**	**-13**

One-year Share Price Movement

Key Ratios

Particulars	FY19	FY20	FY21	FY22E	FY23E	FY24E
Profitability Ratios (%)						
EBITDA Margin	12.5	18.5	18.3	16.3	18.8	18.9
EBIT Margin	16.7	19.9	18.4	16.7	19.0	18.9
APAT Margin	10.9	15.1	13.6	12.4	14.0	14.1
RoE	14.6	22.9	20.9	17.2	18.0	18.0
RoCE	22.2	28.4	27.1	22.7	23.6	23.9
Solvency Ratio (x)						
Net Debt/EBITDA	-0.6	-0.3	-1.0	-1.0	-1.2	-1.2
Net D/E	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3
PER SHARE DATA (Rs)						
Diluted EPS	11	19	22	25	31	38
CEPS	14.5	23.8	27.4	29.4	38.7	47.2
BV	84.2	100.2	134.1	169.7	214.1	252.0
Dividend	0.0	3.0	3.0	3.0	3.5	4.0
Turnover Ratios (days)						
Debtor days	68	62	58	60	61	63
Inventory days	46	57	63	66	62	58
Creditors days	22	22	28	30	28	27
VALUATION						
P/E	62.1	36.5	31.4	29.6	22.3	18.4
P/BV	9.2	7.7	5.7	4.5	3.6	3.1
EV/EBITDA	59.1	32.0	24.2	23.3	16.9	13.7
EV / Revenues	7.4	5.9	4.4	3.8	3.2	2.6
Dividend Yield (%)	0.0	0.4	0.4	0.4	0.5	0.5

(Source: Company, HDFC sec)

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.

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