Initiating Coverage

Patanjali Foods Ltd.

September 15, 2022

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Patanjali Foods Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
FMCG	Rs. 1352	Buy in Rs. 1341-1363 band and add more on dips in Rs. 1180-1200 band	Rs. 1490	Rs. 1602	2 quarters

HDFC Scrip Code	PATANJALI
BSE Code	500368
NSE Code	PATANJALI
Bloomberg	PATANJAL.IN
CMP (Sept 14, 2022)	1352
Equity Capital (RsCr)	72.4
Face Value (Rs)	2
Equity Share O/S (Cr)	36.2
Market Cap (RsCr)	48943
Book Value (Rs)	209
Avg. 52 Wk Volumes	546880
52 Week High	1415
52 Week Low	706

Share holding Pattern % (Jun, 2022)	
Promoters	80.82
Institutions	4.62
Non Institutions	14.56
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

In less than three years since the Patanjali Group acquired Ruchi Soya Industries Ltd. under insolvency process, it has led an encouraging turnaround. Besides, it has put in place structural drivers for future growth. In June 2022, the name of the company has been changed from Ruchi Soya Industries Ltd. (RSIL) to Patanjali Foods Ltd. (PFL).

Diversifying from edible oil business and expanding its presence into FMCG, the company acquired Biscuits, Cookies and Rusk business in May, 2021 and Breakfast Cereals and Noodles business in June, 2021 from Patanjali Ayurveda Ltd. (PAL). It also launched Nutraceutical products in June, 2021. Further, in Q1FY23, the company has also acquired Food business from Patanjali Ayurved Limited (PAL) that has over 500 SKUs across 8 product categories including ghee, honey, spices, juices and atta. We expect this move to reposition PFL from a largely commodity-based company to a leading FMCG and FMHG company in India, well poised to leverage the enormous opportunity for high-quality branded food products. The company's strategy to leverage the Patanjali brand and enhance synergies with PAL will further boost the growth. It is also aiming to explore new synergistic product lines to harness the burgeoning opportunity for long-term growth.

The company is market leader in the branded TSP (Textured Soya Protein) space, under Nutrela brand, it is one India's largest integrated edible oil company having presence across the entire value chain of palm and soya segment with a healthy mix of upstream and downstream business. Besides the consumer facing business, PFL is one of the largest oil palm plantation companies in India with allocated area of ~5 lakh hectares across 10 states.

In March 2022, PFL completed a FPO of Rs. 4,300 Cr. which helped it to become debt free. Thus, strong brand proposition backed by developed distribution network, established presence across business verticals with robust growth prospects and leaner balance sheet makes PFL an attractive bet.

Valuation & Recommendation:

The powerful competitive edge which PFL gets from parentage given its strong brand equity, pan-India distribution network, its capabilities and product synergies has been further enhanced by the company's acquisition of Patanjali's complete foods portfolio. Over the medium term, we expect the company to witness a transformation from commodity based company to a large FMCG & Wellness company facilitated by focusing on important strategic priorities, creating seamless integrated organisation structure where all BUs and functions operate in coherent manner to achieve larger objectives, investing in talent and capacity building, focus on leveraging digital technology, putting in place stringent corporate governance framework. With these building blocks in place, we believe, PFL is well positioned for accelerated growth and consistent value creation for shareholders going forward.

In the near term, the company's focus would remain on strengthening the existing business segments, increase market share and profitability, while venturing into new synergetic segments that are aligned strategically, to enhance the business profitability. Going ahead, we expect the company to achieve 22% CAGR growth in its revenues largely driven by foods business which is expected to nearly grow ~4x on the account of the recent acquisition and scaling up of the same. This shall increase the contribution of the foods business to ~20% in FY24 from 14% in FY22. Oils business is expected to grow by 14% CAGR over FY22-24E with higher realisations. The volume growth is expected to be in mid-single digits and better than industry growth as it piggybacks on Patanjali's vast distribution network.

Since Patanjali's takeover in FY19, the company's margins have improved from 1% to 6.1% in FY22. Going ahead, on account of increasing contribution from foods business and with better realisation of synergies, we expect 46 bps margin expansion over FY22-24. Higher revenue growth, improving profitability and lower finance cost could drive PAT growth by 43% CAGR over FY22-24E.

Given the predominance of oil business even after 2 years from now, the valuations of PFL may still be short of its peer FMCG companies. However, it may grow much faster than its peers over the next two years. We have taken this into account while arriving at the price targets. **We think the base case fair value of the stock is Rs 1490 (32.5x FY24E EPS) and the bull case fair value of is Rs 1602 (35x FY24E EPS). Investors can buy the in stock Rs 1341-1363 band (29.5x FY24E EPS) and add more on dips in Rs 1180-1200 band (26x FY24E EPS) band.**

Financial Summary

Particulars (in Rs Cr)	Q1FY23	Q1FY22	YoY-%	Q4FY22	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Operating Income	7211	5266	37%	6664	8%	13,118	16,319	24,205	31,104	35,770
EBITDA	392	331	18%	402	-2%	401	954	1,487	1,928	2,361
APAT	241	174	39%	234	3%	15,120	681	806	1,315	1,658
Diluted EPS (Rs)	6.7	4.8	39%	6.5	3%	511	23	27	36	46
RoE-%						-	18.3	15.8	14.9	13.6
P/E (x)						2.6	58.8	49.6	37.2	29.5
EV/EBITDA						129.9	54.5	34.0	24.0	19.3

(Source: Company, HDFC sec)

Q1FY23 Result Update

In Q1FY23, PFL delivered a revenue of Rs 7211 Cr, reflecting a growth of 8% on QoQ basis and 37% on YoY basis. The growth was largely driven by Oils and Vanaspati division which reported 33.5% YoY growth aided by higher realisation. The Foods business grew 1.6X on the back of recent acquisitions. The EBITDA stood at Rs. 392 Cr with EBITDA margin at 5.4% compared to 6.3% in Q1FY22. The PAT grew by 39% YoY to Rs. 241 Cr in Q1FY23.

In April 2022, PFL completed its FPO of Rs 4,300 Cr and the proceeds of the issue were majorly utilized for 100% repayment of the outstanding obligations and partial repayment of redeemable Preference shares resulting in company achieving debt free status.

On 18th May 2022, PFL signed the Business Transfer Agreement (BTA) with Patanjali Ayurved Limited (PAL) to acquire food business portfolio along with manufacturing plants at Padartha, Haridwar & Newasa, Maharashtra as a going concern on a slump sale basis for a consideration for Rs. 690 Cr. The business got acquired with effect from 1st July 2022. The addition of foods business with marquee product range will add width and depth to company's portfolio.

Key Triggers

What went wrong with Ruchi Soya?

Starting its journey in 1986 at Indore, Ruchi Soya Industries Ltd (RSIL), evolved as an integrated player with a presence across the entire value chain, from farm to fork with secured access to oil palm plantations in India. It established itself as one of the India's leading FMCG players in India as the manufacturer and marketer of consumer products viz. edible oils, vanaspati, bakery fat and a pioneer of soya foods. PFL is pioneer of Soya foods in India. With access to more than two lac hectares of land for oil palm plantation and exclusive procurement rights thereof, it is one of the largest palm plantation companies in India. It had 23 strategically located plants at 23 across India.

The company operated its business under various business segments - Crushing, Refining, Soya Products (food), Wind Power Generation and Palm plantations. With more than 3.3 million MTPA of edible oil refining capacity and 3.7 million MTPA of oilseed extractions capacity, it was one of the largest edible oil players in the country.

Further, it had more than 150 registered brand names - Nutrela (premium segment), Mahakosh, Sunrich, Ruchi Gold, Ruchi Star, Soyumm, Ruchi No. 1, and Bakefat being active ones.

Key reasons leading to downfall

Castor Seeds Trading - In 2015, prices of castor seeds rose to ~Rs. 50,000/MT. Because of the bullish market scenario, the company had booked sizeable long positions in Castor Seed Contracts with the expectation to book huge profits. It held ~40% of the total market open position in February 2016 without hedging any of its exposure. However, on account of bumper new crop arrival of castor seeds and weak global demand, the February 2016 contract for castor seed fell by 20% in January 2016 leaving the company with huge cash loss in Q4FY16. Further, being in violation to the norms of Forward Market Commission (FMC), it was suspended from trading in securities market.

Low Capacity Utilisation - The widening disparity between international and domestic prices of Soyabean since 2015 reduced the competitiveness of exports of Soyabean from India. Consequently, several crushing plants of Ruchi Soya became non-viable due to low-capacity utilisation. Even at the peak turnover in 2015, the combined capacity utilisation of refineries was only 67%, which further dropped to 35% in 2017, and that of crushing units was 23% which dropped to a meagre 13%. As India suffered from consecutive droughts, the supply of raw material significantly reduced which added to decline in capacity utilisation of the crushing business segment.

Inadequate working capital – The EBITDA margins in edible oil are wafer thin. Due to business being high volume driven and working capital intensive, the losses on account of castor trading (discussed above) led to working capital constraints, and consequently lower capacity utilisation /operating leverage– further deteriorating EBITDA margins. Further due to weak economic outlook, the realisation of debtors was delayed leading to elongated working capital cycle. This led to an acute shortage of working capital required to run the business operations.

With mounting financial troubles, the company defaulted on meeting its multiple financial obligations, thereby forcing the lender banks to refer the company to NCLT under the IBC.

Patanjali's acquisition of Ruchi Soya

The NCLT via its order dated December 15, 2017 under the Corporate Insolvency Resolution Process against RSIL and the resolution plan submitted by Patanjali was approved on April 30, 2019.

Patanjali's resolution plan

Category of Lenders to RSIL	Owed Amount (in Rs Cr.)	Settled Amount (in Rs Cr.)
Secured Financial Creditors	8377.42	4053.19
Unsecured Financial Creditors	1007.32	40
Government Authorities	44.96	25
Operational Creditors	2716.61	90
Employee dues		14.92
Total	**12146.31**	**4223.11**
Equity Infusion		115

Foods business to drive the growth and uplift the profitability

To strengthen its FMCG play, the company forayed into biscuits, cookies, rusk and other associated bakery products category in May 2021 by acquiring it from Patanjali Natural Biscuits Private Limited for lumpsum consideration of Rs 60 Cr. Further, it acquired the breakfast cereals and atta (wheat) noodles product category, in June 2021, from PAL. Recently, in July 2022, PAL executed a complete transfer of its food business as part of its goal to concentrate on non-food, traditional medicine and wellness business. As per the agreement, the acquisition has been undertaken on slump sale basis for a consideration of Rs. 690 Cr and includes transfer of manufacturing plants located at Haridwar, and Maharashtra.

Now with Patnjali's complete food portfolio under its belt, PFL has an access to over 500 SKUs across 8 food categories. viz, Staples, Oils, Beverages, Spices & Condiments, Ghee, Honey, Herbal Products and Dry Fruits. The Cow Ghee has annual sales on over Rs 1000 Cr while company enjoys favourable market position across categories such as chyawanprash, honey and aloe vera juice. The food portfolio is diversified and comprises of both high volume – low margin – moderate growth products such as Staples, Edible Oils etc. and high margin – high growth products such as Cow ghee, Beverages, Dry fruits etc.

Given the growth in India's FMCG market, and the strength and reach of Patanjali, we expect robust growth in company's food business. It is also aiming to explore new synergistic product lines to harness the burgeoning opportunity for long-term growth. Increasing contribution from foods business will have positive impact on margin profile and will re-position PFL from largely commodity oriented company to leading FMCG player.

Additionally, having entered into brand license agreement with PAL to use 'Patanajali' brand, the company is liable to pay 0.5% of sales for biscuits, cookies, rusks, noodles and cereals and 1% of sales for nutracetical and wellness products on quarterly basis.

PFL has gradually built its FMCG portfolio with series of acquisitions and launches

Within the overall portfolio, edible oil is the largest category, accounting for ~ 35% share, followed by Cow Ghee at 31% share in total revenue. Within the edible oil, mustard oil account for 60% share. Edible oil segment will get strong growth impetus by riding on the widespread and robust edible oil distribution network of Ruchi Soya.

In FY22, PFL's recently acquired food business cloaked revenue of Rs. 4,174 Cr (out of Rs.10605 cr for the entire PAL), registering 28% YoY growth. The company is expected to continue growth momentum reporting double-digit growth over medium term with increasing distribution reach, higher marketing spends and new product launches.

PFL is pioneer in soya foods

PFL pioneered soya chunks with a leading ~40% market share in India through its brand 'Nutrela', which was launched three decades ago. Soya flour, a high protein flour, is produced from the soybean extract being ground to flour after the oil has been extracted. Soya flour can be further processed into textured soy protein (TSP). TSP is essentially soya flour which has been processed and dried to give a substance with a sponge-like texture and is a good source of fibre and protein. Besides, it is largest volume of soya shipments from India, exporting value-added products to more than 31 countries across the globe. India is a preferred country for soya products due to its soy's non-GMO origin.

Within soya product markets, soya chunks have a huge opportunity size. The soya chunks retail market in India is estimated to be around Rs 2,000 Cr and is expected to jump to Rs 3,422 Cr by FY 2024-25. We feel PSL's brand Nutrela is positioned well to tap the growing opportunity.

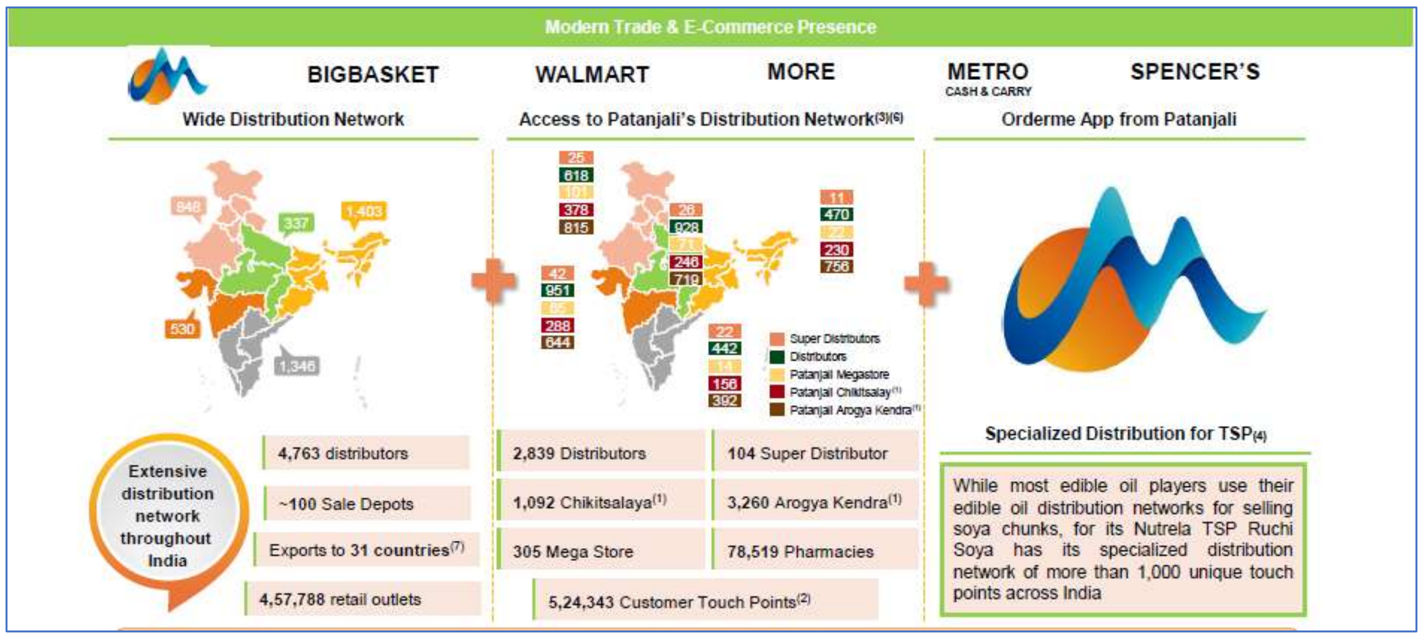
Foray into health and wellness space with launch of Nutraceuticals

On the back of Covid led tailwinds, the company entered nutraceuticals space in June 2021. Its products here are marketed under Nutrela and Patanjali joint branding. We believe that nutraceutical products contain tremendous growth opportunities with change in consumer lifestyle, increasing incidence of lifestyle diseases, awareness about preventive healthcare. PFL current has 18 products in its basket and is looking to add more value-added products which yield better margins.

Established and extensive distribution network

PFL has an established pan India network of around 4,763 distributors who in turn reach out, directly to 0.5 mn retail outlets in addition to increasing focus on modern trade and e-commerce platform. For TSP, it has a specialized distribution network in comparison with other players who tend to use their edible oil distribution network for selling soya chunks.

PFL also has entered into a distributor agreement with Patanjali Ayurved Ltd. which gives it an access to ~5.5 mn outlets including Patanjali's arogya kendra, chikitsalaya and Patanjali mega stores. Further, the company is adding 10,000 retail outlets every month in nutraceutical business. In the biscuits business, it is expanding its presence in towns with population over 20,000.



Edible Oil, its By-products and Derivatives

PSL is one of the largest integrated oil seed solvent extraction and edible oil refining companies in India. It has presence across a wide spectrum of products including (a) Edible oil (b) Hydrogenated fats (vanaspati) and bakery fats and (c) By-products and derivatives of edible oil.

It is recognized amongst the largest branded oil companies with a robust brand portfolio of cooking oils including soya bean, mustard, sunflower, palm, cottonseed and groundnut oil.

Portfolio of established brands: Its robust brands portfolio of Mahakosh, Ruchi Gold, Ruchi Star, Sunrich, Soyumm, Tulsi, Ruchi No.1, Bakefat, Avanti, and vanaspati and other brands, are well positioned in the market. Ruchi Gold is India's highest selling palm oil brand. With focus on premiumisation, it has capitalized on the brand strength of Nutrela brand as an umbrella brand which offers products across health and wellness segments.

By-products and derivatives of edible oil are divided into (a) crushing by-products and (b) refining by-products which find usage in various industries such as cattle feed etc.

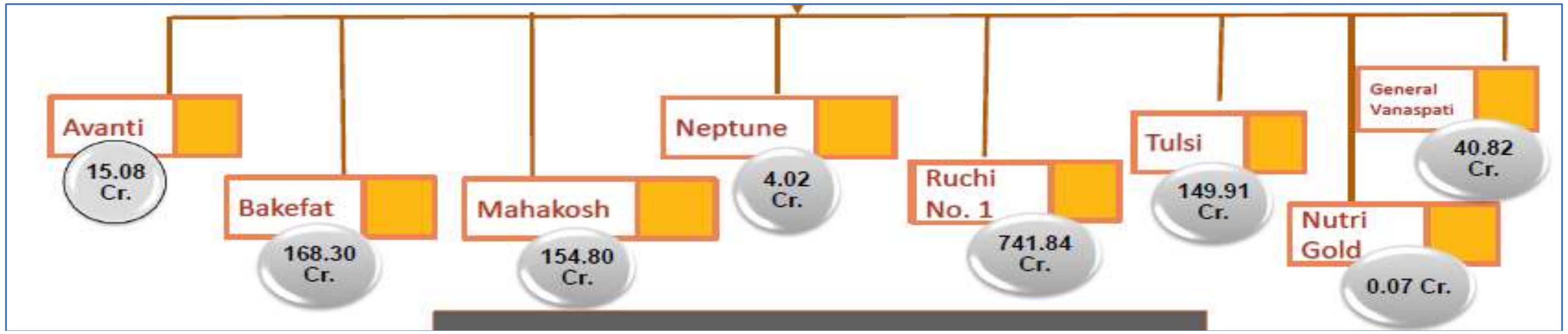
Strong sourcing network and manufacturing infrastructure gives PSL an edge

PSL has one of the largest refining capabilities (of 11,000 TPD) along with oleochem division that uses the by-products of oil palm refining. Its inland oilseed crushing plants generally process oilseeds harvested in India and are located in the key soybean and mustard seed producing states of India. The refining plants primarily use crude edible oil as a raw material, and this is typically imported by sea. All of its refining plants are therefore located at or near to ports. Two of its port-based refining plants, have direct pipelines arrangements connecting from the port up to plant for faster and more efficient transportation of oil.

PSL's pan-India operations also mean that it has proximity to regional markets. Thus, established brands, strong infrastructure and Patanjali's pan-India distribution network makes the company one of the biggest beneficiaries of formailsation of industry.

PFL's consumer brand sale

PFL's instituional sale



India's largest oil palm plantation company, strong backward linkages

Being the largest palm oil plantation company, PFL has access to palm plantation across 11 states and works with ~43,000 farmers having 60,000 ha area under palm plantation. It operates under Public Private Partnership Business model, allows company to maintain an asset-light business model. It has committed itself to Government's NMEO-OP program and plant to undertake large scale cultivation of oil palm plantation on additional 5 lakh ha area in India over next 5 years.

The company plans to complete its plantation gradually over next 5 years. Plants starts bearing fruits after fifth year and continue to do so for next 30 years with minimum maintenance. The investment in this business is largely limited to plant seeds while it could generate annuity income for next 25-30 years. As per the exclusive agreement between farmers and the company, PFL would pay farmers 75% of the import price for the assurance of purchase of full output. According to the management, it has potential to generate 20-25% EBITDA margin.

Financial Triggers

Revenues to grow by 22% CAGR over FY22-24E - PFL has led an impressive turnaround post its acquisition of troubled Ruchi Soya. In addition to delivering encouraging financial performance, the company has put in place structural drivers for future growth. As discussed above, the company has gradually acquired the entire foods portfolio of Patanjali and has also entered Nutraceutical space. Company has led out Value Creation Plan to drive its growth over next 5 years. It has envisaged higher marketing spends, leveraging Patanjali's brand equity and distribution network for higher penetration across India and scaling up its e-commerce presence. Going ahead we expect the company to report, 22% CAGR growth in its revenues largely driven by foods business which is expected to nearly grow ~4x on the account of the recent acquisition and scaling up of the same. This shall increase the contribution of the foods business to ~29% in FY24 from 7% in FY22. Oils business is expected to grow by 14% CAGR over FY22-24E with higher realisations. The volume growth is expected to be in mid-single digits and better than industry growth as it piggybacks on Patanjali's vast distribution network.

Increasing contribution of foods business to aid the margin growth – Since Patanjali's takeover in FY19, the company's margins have improved from 1% to 6.1% in FY22. Going ahead, on an account of increasing contribution from foods business and with better realisation of synergies, we expect 46 bps margin expansion over FY22-24.

Higher revenue growth, improving profitability and lower finance cost could drive PAT growth by 43% CAGR over FY22-24E.

Expect a robust cash flow generation

We expect the company to generate operating cashflows of ~Rs 4400 Cr over FY22-24E. With no major capex commitment barring ~Rs 690 Cr outflow for its recent acquisition, it is likely to witness higher FCF. With this, the company is also scouting for inorganic opportunities that strategically fit with its business model.

Key Concerns

Inherent agriculture-based commodity type risks: Operations are exposed to the inherent risks associated with the agriculture-based commodity business, such as good rain, good crop produce, availability of raw materials, fluctuations in prices, and changes in government regulations. For instance, the solvent extraction business is exposed to availability of soyabean seeds in domestic market as well as the international prices of degummed soya oil and crude palm oil that are imported. Further, the demand-supply of soya bean oil and De-oiled cake (DOC) is affected by change in regulations in exporting and importing countries.

Failure to realise synergies: Being a part of the Patanjali group which has a presence across health and ayurvedic products, cosmetics, processed food, beverages and juices, and personal and home care products through Patanjali Ayurveda Ltd, we expect the company to derive synergy benefits from PAL's sourcing capabilities and robust distribution network. Lower synergies could impact the growth and profitability of company's food business.

Government policies and levies: The Government of India imposes import duty on certain raw materials. Similarly, multiple tariffs are imposed by the exporting nations. Such import duty and tariffs are revised by the Indian and other governments on a time-to-time basis and can materially affect the size of operations of the company. For example, in April 2022, Indonesia and Malaysia imposed a very high export tax/levy on CPO (raw material) and a very low tariff on RBD Palmolein. Indonesia, the major supplier of Palm oil, imposed an export tax plus levy at USD 575 per MT on CPO USD 408 per MT on RBD Palmolein, and $ 386 for refined Palm Oil. These countries are incentivizing exports of Finished Product (Refined Palmolein) at the cost of Raw Material (CPO). The move impacts the availability of crude palm oil and the prices of refined palm oil.

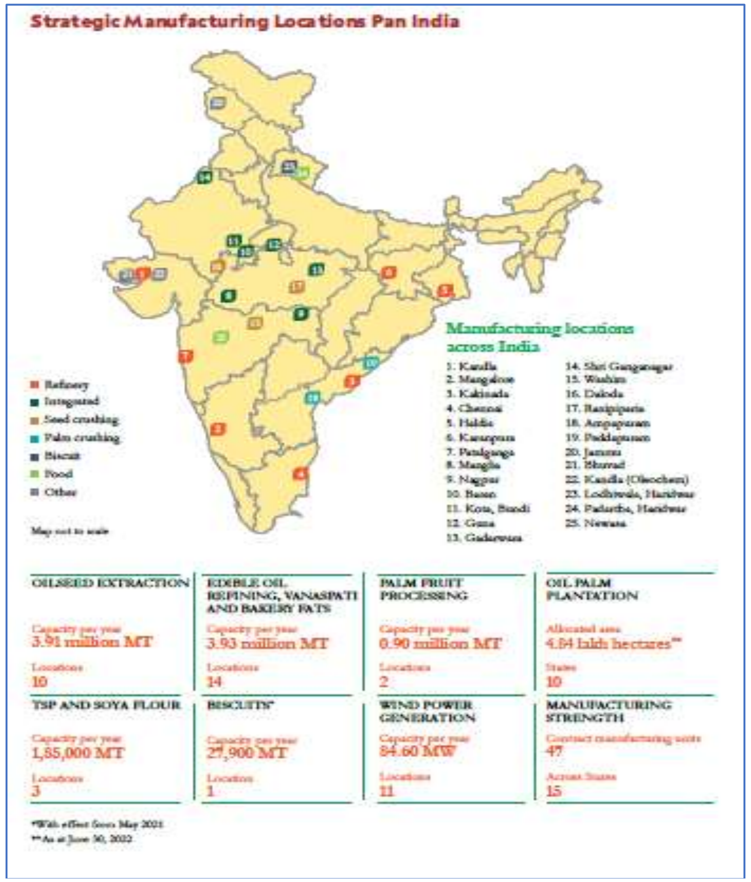
Increasing competitive intensity: Consumer sector in India is highly competitive with presence of many international and national players along with plethora of regional brands. Besides, large conglomerates such as Adani through Adani Wilmar and Reliance through Reliance Retail have ambitious plans in FMCG. Unwarranted competition can lead to price competition, lower growth and impact profitability.

The board of PFL needs to move towards highest standards of corporate governance. This could help attract institutional investments and further re-rating of the stock.

The promoters of PFL have to bring down their shareholding by 5.82% to meet the SEBI norms by Dec 2022. This could remain as an overhang on the stock.

Company Background

Patanjali Foods Limited (formerly known as Ruchi Soya Industries Limited), a part of Patanjali Group offers food products across multiple categories, price points and segments to cater to a wide spectrum of consumer preferences. The recent acquisition of the food business from PAL shall further consolidate the position of the Company as a leading FMCG & FMHG player. Besides, it is the one of the largest fully integrated edible oil refining companies in India and the largest oil palm plantation company in India, with allocated area of ~5 lakh hectares, of which ~60,000 hectares is currently developed.



	FY18	FY19	FY20	FY21	FY22
Revenue (in Rs Cr)					
Seed Extraction	2106	2862	2672	2894	3103
YoY Growth	*-18.2%*	*35.9%*	*-6.7%*	*8.3%*	*7.2%*
% of revenues	*15%*	*19%*	*17%*	*16%*	*12%*
Vanaspati and Oils	10894	11527	11885	14636	21292
YoY Growth	*-27.6%*	*5.8%*	*3.1%*	*23.1%*	*45.5%*
% of revenues	*78%*	*76%*	*78%*	*80%*	*81%*
Others (Food Products)	891	641	702	641	1979
YoY Growth		*-28.1%*	*9.5%*	*-8.8%*	*209.0%*
% of revenues	*6%*	*4%*	*5%*	*4%*	*7%*
Wind Turbine Power Generation	57	59	58	47	53
YoY Growth	*-7.6%*	*3.4%*	*-1.5%*	*-18.0%*	*12.6%*
% of revenues	*0%*	*0%*	*0%*	*0%*	*0%*
EBIT (in Rs Cr)					
Seed Extraction	1.42	6.35	67.42	124.41	228.75
% of revenues	*0.1%*	*0.2%*	*2.5%*	*4.3%*	*7.4%*
Vanaspati and Oils	159.66	101.61	206.67	666.15	983.89
% of revenues	*1.5%*	*0.9%*	*1.7%*	*4.6%*	*4.6%*
Others (Food Products)	-154.86	-50.67	5.45	48.7	202.59
% of revenues	*-17.4%*	*-7.9%*	*0.8%*	*7.6%*	*10.2%*
Wind Turbine Power Generation	25.13	27.27	37.85	10.62	17.48
% of revenues	*44.2%*	*46.4%*	*65.4%*	*22.4%*	*32.7%*

Peer Comparison

Company	Mcap (Rs. Cr)	Sales (Rs. Cr)			EBITDA (in Rs Cr)			APAT (in Rs Cr)			ROCE (%)			P/E (x)		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
PFL	48943	24205	31104	35770	1487	1928	2361	806	1315	1658	16.4	18.0	18.1	49.6	37.2	29.5
Dabur	100343	10888	11808	12893	2254	2413	2730	1739	1966	2240	57	61.3	68.3	58	52	45
Marico	68913	9538	9994	10996	1681	1952	2277	1226	1402	1642	58.7	61.2	79.3	56	49	42
Britannia	90317	14136	15587	16936	2202	2495	2928	1515	1781	2136	49.6	49.6	53.2	60	51	42

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Financials

Income Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	**13118**	**16319**	**24205**	**31104**	**35770**
Growth (%)	***3.1***	***24.4***	***48.3***	***28.5***	***15.0***
Operating Expenses	12717	15365	22718	29175	33409
EBITDA	**401**	**954**	**1487**	**1928**	**2361**
Growth (%)	***228.8***	***138.0***	***55.9***	***29.7***	***22.4***
EBITDA Margin (%)	***3.1***	***5.8***	***6.1***	***6.2***	***6.6***
Depreciation	136	133	137	150	164
Other Income	7505	64	79	218	107
EBIT	**7770**	**885**	**1429**	**1997**	**2304**
Interest expenses	112	371	355	244	93
PBT	**15106**	**514**	**1074**	**1753**	**2211**
Tax	-14	-166	268	438	553
PAT	**15120**	**681**	**806**	**1315**	**1658**
Share of Asso./Minority Int.	0	0	0	0	0
Adj. PAT	**15120**	**681**	**806**	**1315**	**1658**
Growth (%)	***19610.2***	***-95.5***	***18.4***	***63.0***	***26.2***
EPS	511.2	23.0	27.3	36.3	45.8

Balance Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	59	59	59	72	72
Reserves	3312	4003	6112	11460	12756
Shareholders' Funds	**3371**	**4062**	**6171**	**11532**	**12828**
Minority Interest	0	0	0	0	0
Total Debt	3584	3490	3695	740	290
Net Deferred Taxes	0	0	0	0	0
Total Sources of Funds	**6955**	**7553**	**9866**	**12272**	**13118**
APPLICATION OF FUNDS					
Net Block & Goodwill	5070	4954	4900	5591	5571
CWIP	25	27	28	28	28
Investments	20	30	42	42	42
Other Non-Curr. Assets	156	321	167	260	343
Total Non-Current Assets	**5272**	**5332**	**5137**	**5920**	**5984**
Inventories	1355	2363	2905	3835	4410
Debtors	274	438	796	1023	1176
Cash & Equivalents	455	387	2016	3299	3711
Other Current Assets	512	488	625	982	1041
Total Current Assets	**2596**	**3676**	**6343**	**9139**	**10338**
Creditors	165	661	898	1278	1372
Other Current Liab & Provisions	748	796	716	1509	1832
Total Current Liabilities	**913**	**1456**	**1614**	**2788**	**3204**
Net Current Assets	1683	2220	4729	6352	7134
Total Application of Funds	**6955**	**7553**	**9866**	**12272**	**13118**

Cash Flow Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	7,658	514	1,074	1,753	2,211
Non-operating & EO items	-7,415	3	-70	37	-13
Interest Expenses	80	333	355	244	93
Depreciation	136	133	137	150	164
Working Capital Change	-516	-732	-655	-469	-440
Tax Paid	-3	-5	-117	-438	-553
OPERATING CASH FLOW (a)	**-61**	**247**	**724**	**1,276**	**1,461**
Capex	-19	-20	-94	-840	-145
Free Cash Flow	-80	227	630	436	1,316
Investments	0	1	0	0	0
Non-operating income	-6	-25	-1,291	0	0
INVESTING CASH FLOW (b)	**-26**	**-44**	**-1,384**	**-840**	**-145**
Debt Issuance / (Repaid)	-497	26	18	-2,956	-450
Interest Expenses	-75	-336	-299	-244	-93
FCFE	-658	-107	-941	-2,764	774
Share Capital Issuance	205	0	1,297	4,300	0
Dividend	0	0	0	-253	-362
FINANCING CASH FLOW (c)	**-367**	**-310**	**1,016**	**847**	**-905**
NET CASH FLOW (a+b+c)	**-454**	**-107**	**356**	**1,283**	**412**

One-year Price Data

Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
Profitability Ratios (%)					
EBITDA Margin	3.1	5.8	6.1	6.2	6.6
EBIT Margin	59.2	5.4	5.9	6.4	6.4
APAT Margin	115.3	4.2	3.3	4.2	4.6
RoE		18.3	15.8	14.9	13.6
RoCE		12.2	16.4	18.0	18.1
Solvency Ratio (x)					
Net Debt/EBITDA	7.8	3.3	1.1	-1.3	-1.4
Net D/E	0.9	0.8	0.3	-0.2	-0.3
PER SHARE DATA (Rs)					
EPS	511.2	23.0	27.3	36.3	45.8
CEPS	515.8	27.5	31.9	40.5	50.4
BV	114.0	137.4	208.7	318.7	354.5
Dividend	0.0	0.0	5.0	7.0	10.0
Turnover Ratios (days)					
Debtor days	7	8	9	11	11
Inventory days	36	42	40	40	42
Creditors days	33	9	12	13	14
VALUATION					
P/E	2.6	58.8	49.6	37.2	29.5
P/BV	11.9	9.8	6.5	4.2	3.8
EV/EBITDA	129.9	54.5	34.0	24.0	19.3
EV / Revenues	4.0	3.2	2.1	1.5	1.3
Dividend Yield (%)	0.0	0.0	0.4	0.5	0.7
Dividend Payout	0.0	0.0	18.3	19.3	21.8

(Source: Company, HDFC sec)

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RETAILRESEARCH

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.

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