Initiating Coverage
Savita Oil Technologies Ltd.

Dec 05, 2022

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Savita Oil Technologies Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Lubricants	Rs. 324.6	Buy in the Rs. 322-328 band & add more on dips to Rs. 289-295 band	Rs. 369	Rs. 394	2 quarters

HDFC Scrip Code	SAVOIL
BSE Code	524667
NSE Code	SOTL
Bloomberg	STEC IN
CMP Dec 02, 2022	324.6
Equity Capital (Rs Cr)	13.8
Face Value (Rs)	2.0
Equity Share O/S (Cr)	6.9
Market Cap (Rs Cr)	2243.0
Book Value (Rs)	200.3
Avg. 52 Wk Volumes	74,955
52 Week High	412.0
52 Week Low	184.0

Share holding Pattern % (Sept, 2022)	
Promoters	71.8
Institutions	9.2
Non Institutions	19.0
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Savita Oil Technologies (SOTL), is engaged in manufacturing petroleum derivatives specialty products like transformer oil, liquid paraffin, petroleum jelly, white mineral oil, automotive and other industrial lubricants. The products manufactured have wide industrial applications in pharmaceuticals, cosmetic, plastic, power, industrial and automotive industries. SOTL operates four world-class manufacturing facilities across Navi Mumbai and Mahad in Maharashtra and Silvassa in Dadra and Nagar Haveli and Daman and Diu, with combined refining capacities of 450,000 kilolitres per annum. With a sales volume in excess of 3,00,000 KL, Savita Oil Technologies Ltd is one of the largest manufacturers of Petroleum Speciality Oils and Lubricants in India. It is the market leader in Transformer Oil and White Oils. The company also operates wind power plant, with a capacity of 53.80 MW.

SOTL is one of the major players in auto and industrial lubricants sector and has been in the business of manufacturing lubricants for over 58-years. It has recently tied up with Tata motors, M&M, Swaraj tractors and Aegis Logistics for supply. It has taken the initiative to sell Farm based bio-degradable oils even though these are slightly expensive.

Diversity in end-user base and geographical reach lends stability to SOTL's revenue profile. The company's products (transformer oil, white oil, and lubricants) primarily cater to three different end-user segments: power and distribution transformers, cosmetics and healthcare, and automotive and industrial lubricants, respectively. Exports, which contribute around 18% to overall revenue in FY22, also enhance geographical outreach. Furthermore, SOTL's wind power plants, aggregating 53.80 megawatt (MW), generated Rs 32 crore as revenue in FY22 from sale to SEBs and others. However, due to rising input cost pressure, margins may be impacted for a couple of quarters. However, we expect volumes to grow well with easing of restrictions. We expect that SOTL could report revenue growth by 17.8% and 10.9% in FY23E and FY24E, respectively.

Valuation & Recommendation:

SOTL has balanced product portfolio through increasing proportion of its white oils and lubricating oils business. Sustained growth in performance of its key business segment of transformer oils along with longstanding client relationships, should support recovery in demand. We expect improvement in both volumes and realisations on account of recovery in auto industry, benefits accruing from global base oil shortage and potential of increased market share due to consumer shift towards organised sector.

Despite volatile oil prices and rupee depreciation, growth momentum in the business has been robust over the last few quarters backed by healthy volume and better product mix. The company reported robust performance in Q2FY23. SOTL is investing Rs. 50 crores for setting up manufacturing facilities for new products and capacity expansion. Its margins have improved post acquisition of Savita Polymers and in FY23, they have improved even more post rise in volumes, realisations and better product mix. Considering the company's strong financial profile, led by healthy profitability levels and return indicators and a comfortable capital structure, we have a positive view on the stock. Its valuations are cheaper compared to its MNC peer and the company has been consistently paying dividend and offered buybacks to the shareholders.

Investors could buy in the Rs 322-328 band and add more on dips to Rs. 289-295 band (5.75x FY24E EPS). Base case fair value of the stock is Rs 369 (7.25x FY24E EPS) and the bull case fair value of the stock is Rs 394 (7.75x FY24E EPS) over the next 2 quarters. At the CMP of Rs 324.6 the stock trades at 6.4x FY24E EPS.

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY21	FY22	FY23E	FY24E
Total Operating Income	865	712	26.5	901	-3.9	2,001	2,938	3,461	3,839
EBITDA	98	78	69.4	132	-25.7	311	358	443	495
Depreciation	5	5	-8.8	5	3.1	21	21	21	21
Other Income	10	10	-56.5	5	122.4	39	31	29	25
Interest Cost	10	4	116.4	8	26.9	9	19	28	25
Tax	23	21	54.7	33	-29.3	83	88	108	123
RPAT	70	58	56.2	91	-23.1	276	291	345	376
APAT	70	58	56.2	91	-23.1	237	260	316	351
Diluted EPS (Rs)	10.1	8.4	56.2	13.1	-23.1	33.7	37.6	45.7	50.8
RoE-%						22.3	22.5	22.6	20.9
P/E (x)						9.6	8.6	7.1	6.4
EV/EBITDA (x)						6.9	6.1	4.8	4.3

(Source: Company, HDFC sec)

Q2FY23 Result Update

- Savita Oil reported strong performance in Q2FY23, consolidated revenue surged 26.5% YoY to Rs 865 crore, driven by a combination of volume and pricing growth across petroleum specialty oil and lubricating oils.
- EBITDA increased to 69.4% YoY to Rs 98 crore, with an EBITDA margin of 11.3% and EBITDA margin was up by 40 bps YoY. EBITDA per KL/MT came in at Rs. 9,904 for Q2FY23 and at Rs. 11,768 for H1FY23.
- SOTL reported 56.2% YoY growth in net profit to Rs 70 crore in Q2FY23.

Recent Triggers

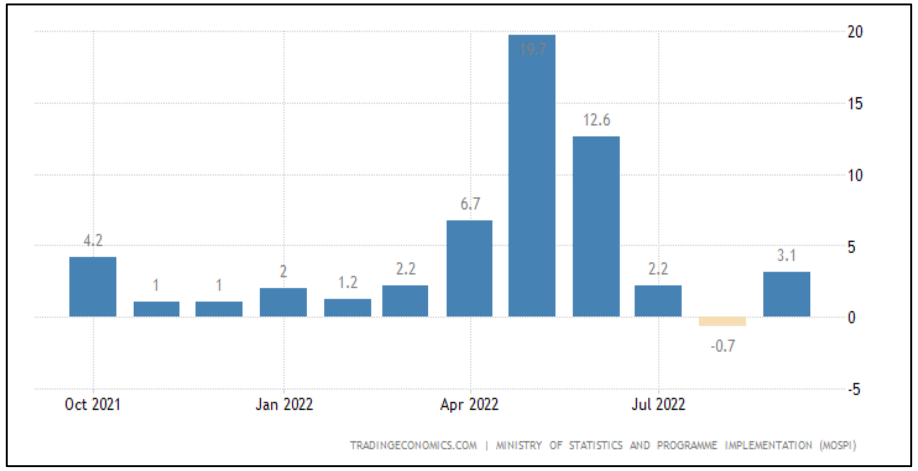
Expectation of more volume recovery due to demand resurrection across the sectors

The two-wheeler, passenger car, utility vehicle and industrial lubricants category are now seeing a demand resurrection as the recovery builds up. While the long-term outlook is positive, SOTL could continue to drive growth in this segment backed by a wide distribution reach, strong brand building and leveraging the growth of synthetic oils. In commercial vehicles, despite short term challenges, this segment is expected to gradually pick up momentum.

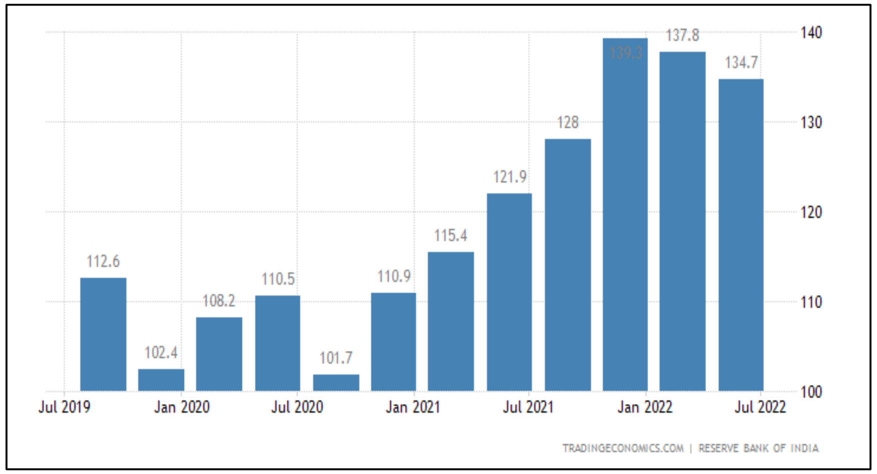
Growth in construction and off-highway sectors due to investment in infrastructure is also likely to lead to lubricants demand growth in this category. With the food & farming sector remaining resilient and growing, good lubricant demand growth is expected from the agricultural sector (including tractors).

Besides, the Government of India has planned to spend US$ 1.4 trillion in the next 10 years in the infrastructure sector. Government's continued emphasis to drive India's Infrastructure sector will provide impetus to Commercial Vehicle Sector. Beyond the increased need for lubricants in a commercial vehicle, there will be an increase in demand for industrial lubricants too. The need for gear oil, transmission fluid, metalworking fluid, and grease will see an upsurge in demand.

IIP numbers



Business Expectations Index



Industrial production has registered a consistent growth trend through 2021. In Sept 2022, IIP had reported a 3.1% growth vs negative 0.7% growth in Aug 2022. We expect IIP growth has bottomed out and it could continue to report positive numbers going forward. The Business Expectations Index has also trended positively and as activities build further momentum, the demand for industrial lubricants is expected to grow with optimistic prospects for the long term.

Government of India has launched the scheme "Sahaj Bijli Har Ghar Yojana (Saubhagya)" and "Deendayal Upadhyaya Gram Jyoti Yojana" for rural electrification. Rural electrification would ensure higher power demand. Because of higher demand of power, there will be more demand of Transformer Oil.

This apart, rural demand and higher rural income would be positive for FMCG products specially Skin care, Hair care, Cosmetic and Personal Care products. White Oil and Liquid Paraffin oil is used for manufacturing of these products.

Continuing with the government's vision of developing world-class infrastructure and additional push with the PM Gati Shakti plan focusing on roads, ports, railways, logistics, etc, the demand for high quality, synthetic industrial lubricants and oils will witness growth, SOTL is strategically positioned to cater to the growing market consumption in the construction segment.

Merger of Savita Polymers could help to expand product portfolio, market reach and generate revenue going forward

On July 20, 2021, SOTL has acquired the entire shareholding of Savita Polymers Ltd. (SPL) at a consideration of Rs 124.6 crore, other than the shares of SPL already held by the company. While, SOTL had a minority holding in it before, now it is a 100% subsidiary company. On May 30, 2022, SOTL received the approval received from their Board of Directors regarding the amalgamation of SPL with SOTL. Post this restructuring, the entire assets and liabilities will be transferred to SOTL. The merger is likely to take 6-12 months' subject to necessary statutory and regulatory approvals from stock exchanges, National Company Law Tribunal, minority shareholders, lenders, and creditors.

SPL incorporated in 1989 as a division of SOTL, SPL was divested from SOTL in 1992 and manufactures cable-filling compounds, petroleum jellies, micro-crystalline waxes, and specialty oils such as transformer and white oil. SPL also started manufacture and sale of natural ester dielectric fluid, under the brand, BioTransol, which is an eco-friendly, biodegradable and fire safe alternative to conventional mineral oils used in transformers. Its facility is at Mahad in Raigad, Maharashtra.

SPL is engaged in manufacturing of specialised waxes, emulsions and optic fibre filling and flooding compounds, this company is strategically important to SOTL. It will help in participating in multiple high growth potential opportunities, including the ambitious 5G rollout as well as participating in synthetic esters which are the Next Generation of transformer insulating fluids. SOTL will have better control on effective decision-making to drive its growth and unlock greater value for shareholders. SPL had reported revenue at Rs 124 crore and net profit of Rs 9.2 crore in FY22. Its total assets stood at Rs 135 crore and total liabilities at Rs 30 crore and net worth at Rs 105 crore, as on March 31, 2022.

The objective of this merger is to consolidate operations under a single roof, which will provide higher diversification of product offerings and improve operating efficiencies and cost competitiveness as they are involved in similar line of business.

Collaboration with OEM, auto companies, and logistic companies could add market share going forward

SOTL is one of the major players in auto and industrial lubricants sector and has been in the business of manufacturing lubricants for over 60 years.

The company has renewed its agreement with Mahindra Group's Swaraj Tractors to manufacture and supply company branded engine oils for the Swaraj tractor range. SOTL will also continue to supply Swaraj Genuine oils for their authorized service stations and Swaraj company branded oil with SAVSOL brand for the market. M&M has also joined hand with SOTL to meet the customers' need to use the recommended engine oils by OEMs. Both the companies have core strength in their respective fields.

SOTL signed an agreement with Tata Motors to manufacture and supply original oils for the Passenger Vehicles segment under the brand – 'Tata Motors Original Oils'. It will ensure easy availability of recommended engine oils for car buyers, for the long-term health and maintenance of their vehicles. Furthermore, with the association with SOTL, customers will receive the better quality of product which will in turn help them extract the best performance out of their engines. This partnership will also help Tata Motors deliver original products at the right price and will ensure easy availability through the bazaar channel, essential to building and maintaining the trust that customers have for the Tata brand. These products will be supplied by the authorised parts distributors of Tata Motors for after-market or replacement market (bazaar trade in industry parlance). The new range of engine oils will complement the existing original parts business for the company's channel partners.

SOTL's partnership with OEMs bring the commitment towards quality, technological advancement and heightened customer engagement. We expect that, it could create right value for stakeholders.

Foray into electric vehicle battery charging point

SOTL is planning to an investment upto Rs 35 crores in 'two or more tranches in equity shares and/or preference shares in Tesco Charge Zone Ltd, a Vadodra, Gujarat based company. Tesco Charge Zone Ltd. is one of the leading companies in EV charging services across Fleet Electrification (B2B) and Inter-City Retail EV Charging (B2C) along with complete end-to-end Services, from captive charger installation to maintenance. The company owns a fully integrated technology, powered by software systems with hardware and renewable energy capabilities. Tesco is engaged in the business of electric vehicle charging services through fast DC/AC chargers as well as battery swapping stations for electric vehicles amongst related activities. The company also provides EV chargers.

Tesco is looking to achieve aims to be a vertically integrated EV charging company, as India has aspirational target to serve through ONE MILLION charging points by 2030.

Long term Triggers

Established market position, experienced management and strong clientele to expand its presence

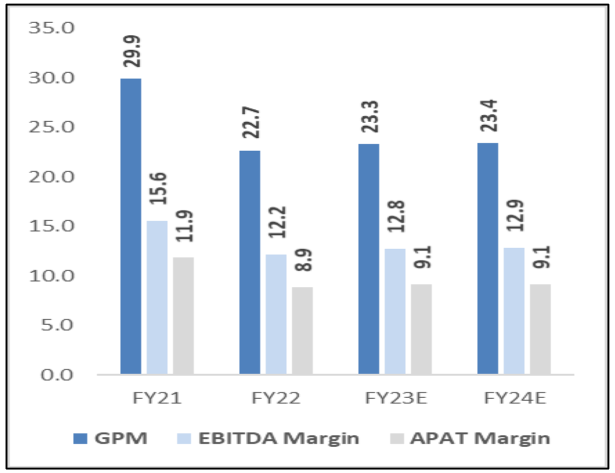
SOTL has a strong market position with a market share of one-third in the domestic transformer oil and white oil segments. The company has established an extensive portfolio of Transformer Oils, Liquid Paraffins, White Oils, Automotive and Industrial Lubricants, Coolants and Greases. Its market share is relatively lower in the lubricant industry.

SOTL caters to an established clientele, including Hindustan Unilever Ltd, Dabur India Limited, ABB India Ltd, in addition to various state electricity boards (SEBs). The company accelerated expansion of industrial distribution through an extensive pan-India network of distributors and retailers. SOTL exports its products to global clients across 75+ countries. Demand for white oils continues to remain stable and steady with strong ability to pass on increase in material costs.

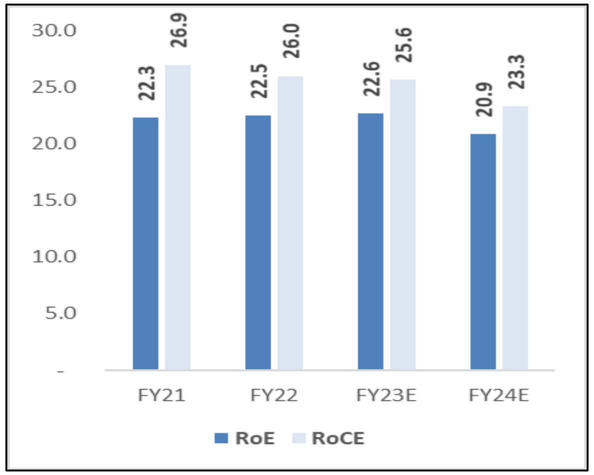
Sound financial profile

- SOTL's financial profile has been robust led by negligible debt, healthy cash generating ability and consistent dividend payment to shareholders over the past. Financial flexibility is strong, supported by robust liquidity.
- SOTL's standalone revenue rose from Rs 1485 crore in FY17 to Rs 2807 crore in FY22 - ~13.5% CAGR over the period. The company reported EBITDA margin at a range of 8-12% and PAT margin at a range of 5-11% over the last five years. We expect that the company could report consolidated revenue ~14% CAGR over the FY22 to FY24E and 12.8% and 12.9% EBITDA margin in FY23E and FY24E, respectively.
- The working capital has remained positive and the capex has also remained stable over the years. However, the growth is slowing down for the company due to market saturation, improved product quality requiring late replacement of lubes and electrification in India.
- The company has zero debt. The company has no further plans to raise any debt going forward. Capital structure is expected to remain comfortable and debt protection metrics could also be healthy going forward.
- The company has sufficient cash and cash equivalent for further investment to expand its business going forward. As on Sept 30, 2022, the company has cash and cash equivalent of Rs 194 crore. Cash per share for FY24E works out to a healthy ~24% of its CMP.
- The company has always been generous in declaring dividends and buy back offers, announced buy back offer three times over the past five years. The company has a track record of consistent on dividend payout to its shareholders over the periods. The board has recommended a final dividend of Rs 5/share (post-split) and the dividend payout amounts to close to ~15% of the post-tax profit and the company has been maintaining dividend yield at 1.5% in FY22.
- The inventory days has decreased from 115 days to 74 days, payable decreased from 106 days to 79 days, and the receivable days from 103 days to 73 days as on March 31, 2022. With rise in profitability as well as better return ratios in the future, we expect RoE at a range of 21% to 22.5% in FY23E and FY24E, respectively.

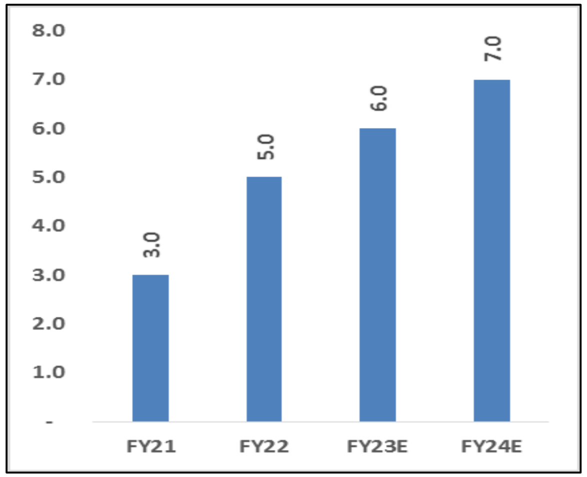
Margins (%)



Return Ratio(%)



Dividend per Share (Rs)



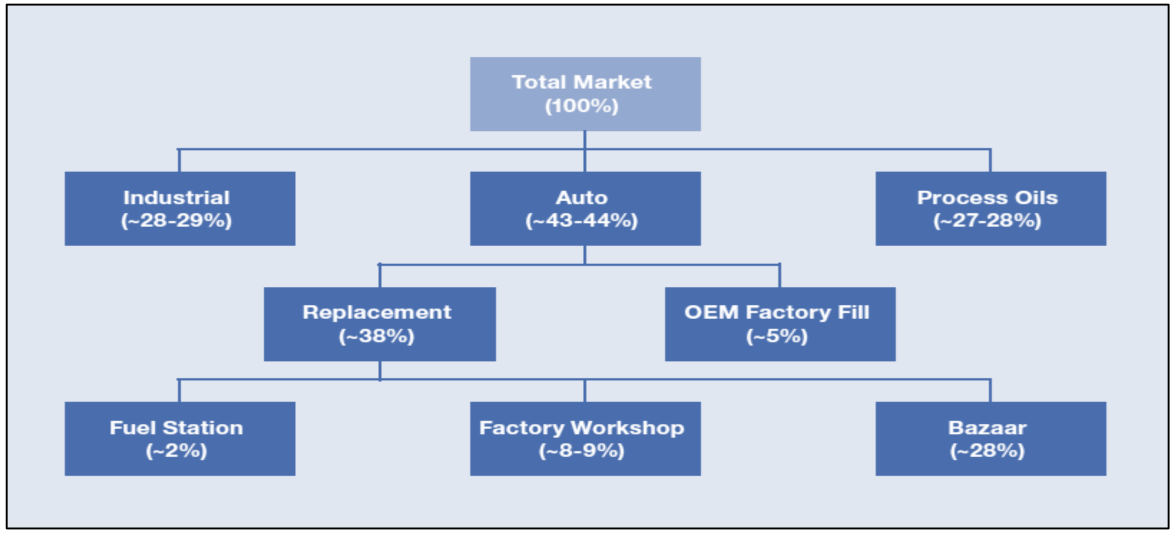
Industry Overview

The Indian finished lubricants market is the third-largest and one of the fastest growing lubricant market in the world with the growing of demand of vehicles and their spare parts, it is expected to grow at a CAGR of 4.77% by 2027. The major factors contributing the growth are the increasing infrastructural and construction activities. The automotive lubricant segment constitutes a large contributor of Indian lubricant market. Automotive industry is expected to grow at a CAGR of 3.9% by 2027. Over the short-term lubricants manufacturing and marketing in India is stable with projected growth now reducing to 2-3% over the next 5 years. Although it is expected that the market will become more competitive, growth is still expected even with the arrival or electric vehicles.

Growth Drivers

- Personal mobility: With the growth of new segments such as SUVs, increasing usage of passenger vehicles in smaller towns and a high percentage of personal vehicle owners being first-time users,
- With adoption of BS-VI specifications, the need for advanced engine oils is expected to rise.
- Stricter emission norms resulting in newer technologies for trucks,
- Growing farm mechanization in the Indian agricultural sector,
- Original Equipment Manufacturer (OEM) alliances,
- Apart from mobility, new age energy storage solutions are also an emerging area.
- Digitally enabled service ecosystems are an emerging business opportunity.

India's Lubricant Industry



What could go wrong?

- Stiff competition in the lubricants market, slowdown in volume growth due to lower demand/high refill intervals due to technology improvement and poor growth in auto industry and strict government's emission norms are key concerns.
- Supply disruptions on account of base oil and raw materials availability, logistics challenges and rupee depreciation are likely to adversely impact demand and supply.
- SOTL faces high competitive pressures in domestic market, largely dominated by PSU oil marketing companies, apart from established private players in the industry. SOTL may not be able to adapt to Electrical Vehicle launches etc, as its brand lacks the strength of many competitors like Castrol, Mobil and even Veedol.
- The company's operation could continue to depend on demand indicators from the auto/power sector. Over the last two to three years' demand in the automobile sector has been stagnant. Further fall in demand in the industry could impact its volume growth going forward.
- Base oil is a crude oil based product and thus its prices are volatile in nature. Though directionally the base oil prices follow crude oil prices, timing wise and proportion wise, it may vary with that of crude oil trend. Hence, the profitability of the company is contingent upon its ability to pass on any fluctuations in input prices to its end-users.
- The company meets about 80-85% of its base oil requirement through imports. Moreover, owing to limited exports, it lacks any natural hedge against forex fluctuations. However, it remains exposed to sharp adverse fluctuations in forex rates. Against this, exports comprise only around 25% of total imports. However, SOTL covers 50-60% of forex exposure through forward contracts, options, and a natural hedge.

Company Profile:

Savita Oil Technologies Ltd (SOTL) is one of the leading company in manufacturing and selling of transformer oil, white oil and industrial and automotive lubricants. These products are essentially obtained through refining base oil, and topped with additives. The company operates four world-class manufacturing facilities across Navi Mumbai and Mahad in Maharashtra and Silvassa in Dadra and Nagar Haveli and Daman and Diu, with combined refining capacities of 450,000 kilolitres per annum. The company also has wind power capacity of 53.80 MW; this power is sold to SEBs and other users, under long-term agreements. Savita Greentec Ltd, a wholly owned subsidiary of SOTL, was incorporated on Oct 03, 2022. SGL is yet to commence its business operations.

The company has wide presence across the country and it has strong relationship with B2B customers in India and globally as well as for B2C consumers.

Business Overview

Transformer Oil: Transformer oils are used as an insulating and cooling medium in distribution, power and instrumentation transformers. SOTL offers a wide range under 'TRANSOL' brand, customised as per the specifications of domestic and global customers.

White and Mineral Oil: The company manufactures a range of highly refined specialty mineral oil-based products finding application in technical, consumer and pharmaceutical uses. SOTL also offers custom-formulated products for cosmetics, personal care, plastics, pharmaceutical, agriculture and food industries.

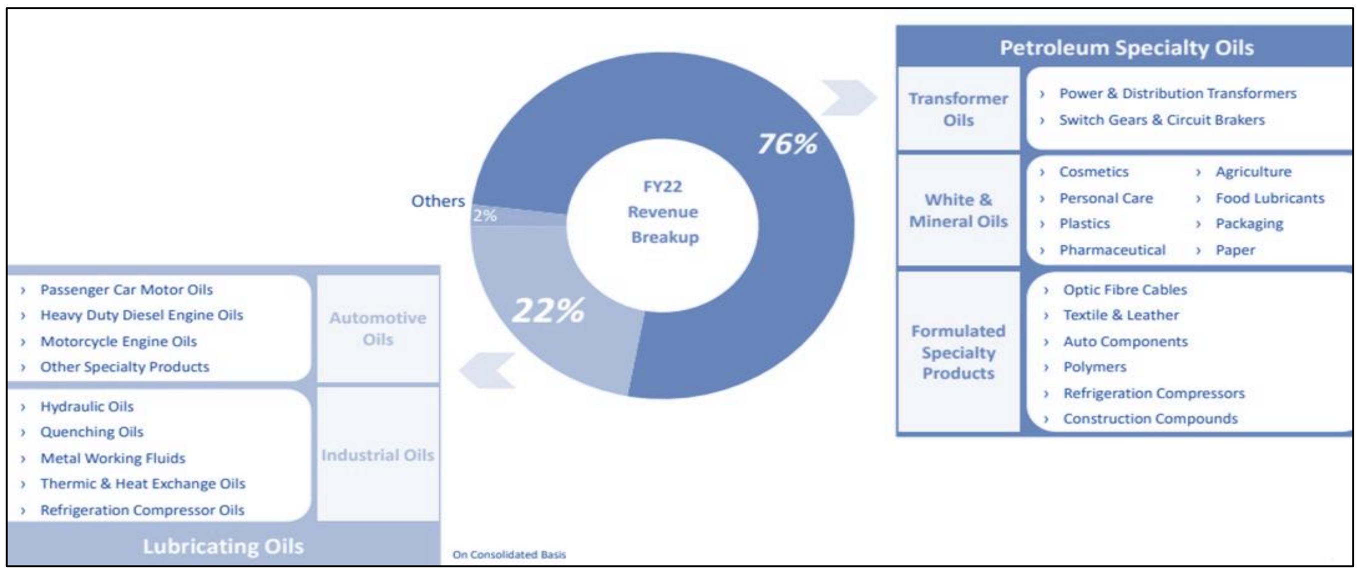
Automotive Oils: SOTL offers a wide range of automobile lubricants for both B2B and B2C segments, products including Motorcycles and Scooter Engine (4T and 2T) Oils, Passenger Car Motor Oils, Tractors and Farm Oils, Heavy- Duty Diesel Engine Oils, Gear Oils, Power Steering Fluids, Automatic Transmission Fluids, Greases and Coolants. Its B2C brand SAVSOL is amongst the fastest growing lubricant brands in India, with products meeting BS VI emission norms. In the B2B space, the company has trusted and preferred supplier partner to leading automotive OEMs.

Industrial Oils: SOTL offers a wide range of industrial lubricants including Hydraulic Oils, Industrial Gear Oils, Refrigeration Compressor Oils, Quenching Oils, Thermic and Heat Exchange Oils, Greases, Metal Working Fluids, etc. The company has a trusted partner to industrial OEMs for high-quality products that deliver excellent lubrication, performance and protection to machines and industrial equipment.

Specialised Waxes and Emulsions: The product offerings under this include Oxidised wax emulsions, Microcrystalline wax, Polyethylene wax, Oxidised Polyethylene wax and a range of wax emulsions.

Cable Filling and Optic Fibre Compounds: The company offer a range of cable filling and flooding compounds for copper cables and optic fibre cables which ensure protection against moisture ingress, softness and stability at extreme temperatures.

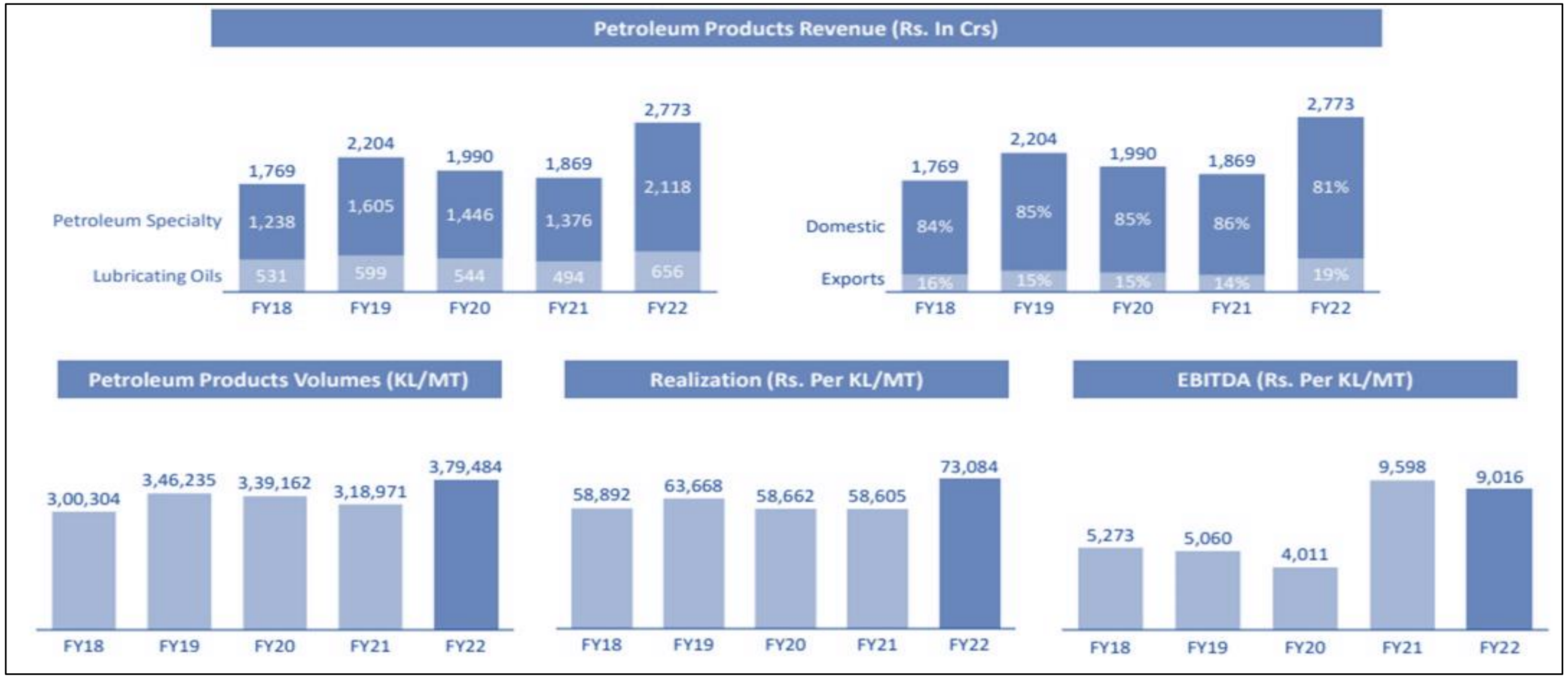
Product portfolio and presence



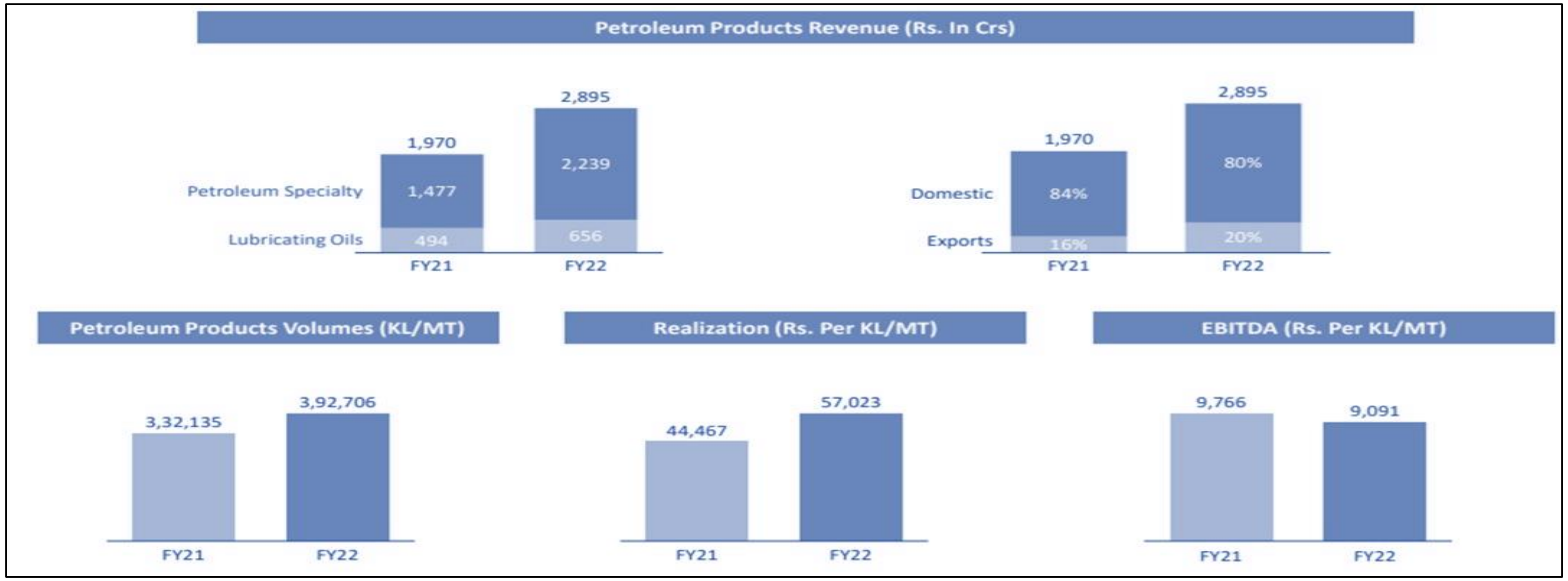
Products, Brands and End Users

Category	Brands	End Users
Transformer Oils	Transol, bioTransol	Transformer Manufacturers, Electricity Boards, Power Plant Operators
White & Mineral Oils	TECHNOL, SAVONOL, SAVOGEL	Personal Care, Pharmaceutical, Plastics, Elastomers Rubber Compound
Formulated & Specialty Products	VITAGEL, SAVOFIL, SAVOFLOD	Optic Fibre Cables, Textile & Leather, Auto components, Polymers, Refrigeration Compressors, Construction
Automotive Oil	SAVSOL	B2C, (Two Wheelers, Four Wheelers, Commercial Vehicles, Farm Equipment)
Industrial Oil	SAVSOL	Industrial Machines & Equipment

Standalone Historical Financial Highlights (Petroleum Products)

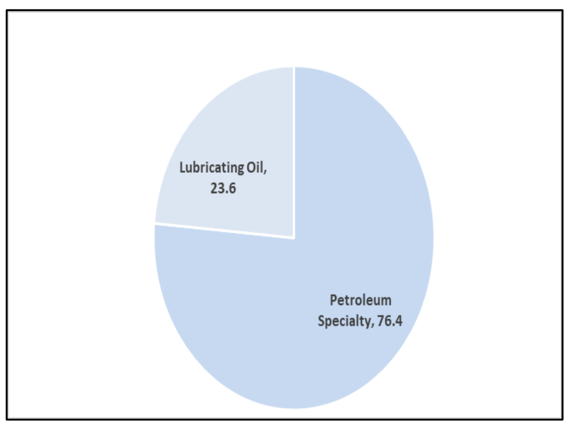


Consolidated Historical Financial Highlights (Petroleum Products)

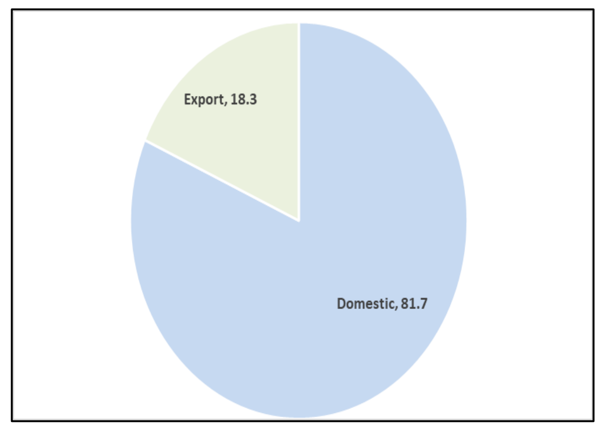


Revenue Mix (FY22)-%

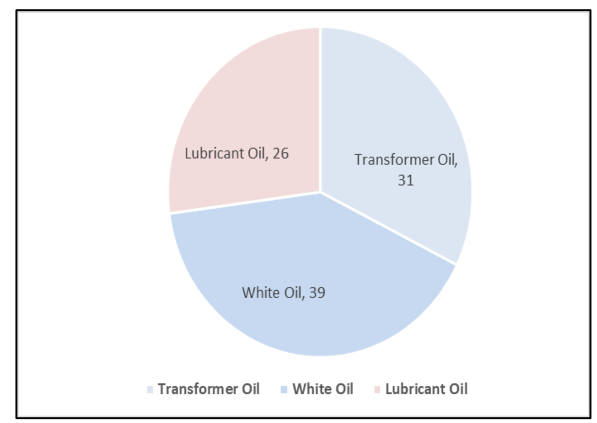
Segment wise



Geography wise



Product wise



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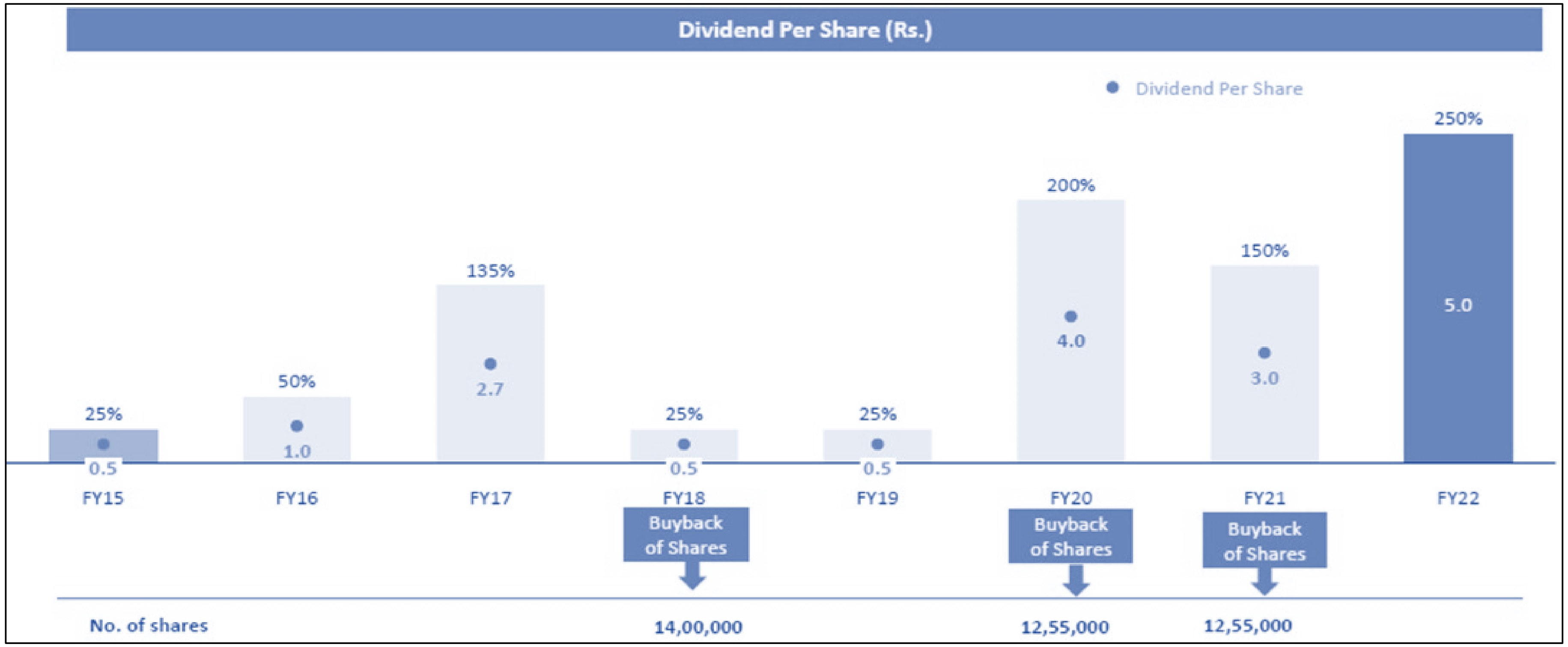
Consistent Record of Dividends Since Listing in 1994



Peer Comparison

Company	Mkt Cap-Cr	Sales			EBITDA			PAT			RoE-%			P/E-x		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Savita Oil	2243	2001	3461	3839	358	443	495	260	316	351	22.5	22.6	20.9	8.6	7.1	6.4
Gulf Oil Lub	2235	2192	2766	3025	286	332	372	211	233	262	22.1	20.8	20.3	10.6	9.6	8.5
		CY21	CY22E	CY23E	CY21	CY22E	CY23E	CY21	CY22E	CY23E	CY21	CY22E	CY23E	CY21	CY22E	CY23E
Castrol	12837	4,192	4,840	4,750	1,066	1,290	1,400	758	940	1,020	41.9	49.1	52.5	16.9	13.7	12.6

Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E
Net Revenues	**2001**	**2938**	**3461**	**3839**
Growth (%)	-	46.8	17.8	10.9
Operating Expenses	1690	2580	3018	3344
EBITDA	**311**	**358**	**443**	**495**
Growth (%)	**-**	**15.0**	**23.7**	**11.8**
EBITDA Margin (%)	**15.6**	**12.2**	**12.8**	**12.9**
Depreciation	21	21	21	21
EBIT	**329**	**368**	**452**	**499**
Other Income	39	31	29	25
Interest expenses	9	19	28	25
PBT	**359**	**379**	**453**	**499**
Tax	83	88	108	123
RPAT	**276**	**291**	**345**	**376**
APAT	**237**	**260**	**316**	**351**
Growth (%)	-	9.8	21.2	11.2
EPS	33.7	37.6	45.7	50.8

Balance Sheet

As at March	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS				
Share Capital	14	14	14	14
Reserves	1048	1244	1518	1821
Shareholders' Funds	**1063**	**1258**	**1532**	**1835**
Long Term Debt	0	0	0	0
Net Deferred Taxes	5	4	4	4
Long Term Provisions & Others	6	7	8	8
Minority Interest	**0**	**0**	**0**	**0**
Total Source of Funds	**1074**	**1269**	**1544**	**1847**
APPLICATION OF FUNDS				
Net Block & Goodwill	194	184	176	176
CWIP	2	5	5	4
Other Non-Current Assets	62	89	93	88
Total Non Current Assets	**257**	**278**	**273**	**268**
Current Investments	232	385	327	427
Inventories	631	591	800	908
Trade Receivables	563	590	790	897
Cash & Equivalents	81	68	103	108
Other Current Assets	88	78	70	84
Total Current Assets	**1595**	**1711**	**2090**	**2424**
Short-Term Borrowings	0	0	0	0
Trade Payables	579	633	715	730
Other Current Liab & Provisions	199	87	104	115
Total Current Liabilities	**778**	**720**	**819**	**845**
Net Current Assets	**817**	**991**	**1270**	**1579**
Total Application of Funds	**1074**	**1269**	**1544**	**1847**

(Source: Company, HDFC sec)

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E
Reported PBT	320	348	424	474
Non-operating & EO items	-14	-12	-29	-25
Interest Expenses	8	18	28	25
Depreciation	21	21	21	21
Working Capital Change	-122	81	-302	-203
Tax Paid	-79	-86	-108	-123
OPERATING CASH FLOW (a)	**134**	**370**	**33**	**168**
Capex	-11	-15	-20	-15
Free Cash Flow	241	172	431	317
Investments	-72	-286	62	-100
Non-operating income	1	1	30	25
INVESTING CASH FLOW (b)	**-82**	**-300**	**72**	**-90**
Debt Issuance / (Repaid)	-1	0	0	0
Interest Expenses	-9	-19	-28	-25
FCFE	120	18	373	262
Share Capital Issuance	0	0	0	0
Dividend	0	-21	-41	-48
Other	-9	-35	0	0
FINANCING CASH FLOW (c)	**-19**	**-75**	**-70**	**-74**
NET CASH FLOW (a+b+c)	**32**	**-5**	**35**	**5**

Key Ratios

Particulars	FY21	FY22	FY23E	FY24E
Profitability Ratio (%)				
EBITDA Margin	15.6	12.2	12.8	12.9
EBIT Margin	16.5	12.5	13.0	13.0
APAT Margin	11.9	8.9	9.1	9.1
RoE	22.3	22.5	22.6	20.9
RoCE	26.9	26.0	25.6	23.3
Solvency Ratio (x)				
Net Debt/EBITDA	-1.0	-1.3	-1.0	-1.1
Net D/E	-0.3	-0.4	-0.3	-0.3
PER SHARE DATA (Rs)				
EPS	33.7	37.6	45.7	50.8
CEPS	37.4	40.8	48.7	53.8
Dividend	3.0	5.0	6.0	7.0
BV	153.8	182.0	221.7	265.5
Turnover Ratios (days)				
Debtor days	103	73	83	85
Inventory days	115	73	84	86
Creditors days	106	79	75	69
VALUATION (x)				
P/E	9.6	8.6	7.1	6.4
P/BV	2.1	1.8	1.5	1.2
EV/EBITDA	6.9	6.1	4.8	4.3
EV / Revenues	1.1	0.7	0.6	0.6
Dividend Yield (%)	0.9	1.5	1.8	2.2

One Year Price Chart

HDFC Sec Retail Research Rating description

Green Rating stocks

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

Yellow Rating stocks

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

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling 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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