Stock Update

NLC India Ltd

July 10, 2023

RETAILRESEARCH

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NLC India Ltd

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Power	Rs. 107.65	Buy in the band of Rs 106 – 109 and add on dips in the band of Rs 97 - 99	Rs. 118	Rs. 130	3 - 4 quarters

HDFC Scrip Code	NLCINDEQNR
BSE Code	513683
NSE Code	NLCINDIA
Bloomberg	NLC:IN
CMP Jul 07, 2023	107.65
Equity Capital (Rs cr)	1386.6
Face Value (Rs)	10.0
Equity Share O/S (cr)	138.6
Market Cap (Rs cr)	14920.2
Book Value (Rs)	109.4
Avg. 52 Wk Volumes	3497660
52 Week High	111.5
52 Week Low	65.0

Share holding Pattern % (Mar 2023)	
Promoters	79.2
Institutions	11.9
Non Institutions	8.9
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:

NLC India Ltd is an integrated power company having captive lignite and coalmines and a consolidated generation capacity of 6061 MW. It is a CPSE with 'Navratna' status under direct administrative control of the Ministry of Coal (MoC). The company was incorporated in 1956 and has a long operating history with significant contribution in lignite production in the country. It operates four open cast lignite mines with current capacity of 30.6 MTPA, namely Mine I, Mine IA, Mine II and Barsingsar Mine. It also operates an open cast coalmine, Talabira II & III having current capacity of 20.0 MTPA. NLC has lignite thermal power generation capacity of 3640 MW, with 4 pithead power plants at Neyveli, Tamil Nadu, 1 pithead power plant at Barsingsar, Rajasthan and a 1000 MW coal plant through JV (NTPL) in Tamil Nadu. The company operates on a cost plus basis with electricity tariff determined by CERC and lignite transfer price determined by MoC guidelines. The company also has solar energy capacity of 1370 MW and wind energy capacity of 51 MW.

NLC has achieved its all-time highest ever power generation of 30.08 BU and highest renewable power generation of 2.195 BU in FY23. The company is set to improve on this performance as it increases its mining activities and commissions new capacities in FY24 and FY25.

We had issued an initiating coverage report on NLC India Ltd dated Nov 21, 2022 and both targets were achieved in less than a month. NLC's regulated business model, planned capacity addition and reasonable valuations limit downside risk and make it an attractive investment idea.

Valuation & Recommendation:

NLC reported encouraging 2HFY23 numbers. Given the expansion of the company in coal based thermal plants, coal mining and significant renewable capacity addition, NLC is expected to continue to do well. Increasing electricity demand and power reforms undertaken by the government provide a stable business environment. The company is expected to exhibit considerable revenue and PAT growth from its existing level. We expect Revenue/EBITDA/PAT to increase at a CAGR of 13%/14%/26% over FY23-25E.

We think the base case fair value of the stock is Rs 118 (7.3x FY25E EPS and 0.9x FY25E BV) and the bull case fair value is Rs 130 (8.0x FY25E EPS and 1.0x FY25E BV) over the next three-four quarters. Investors can buy the stock in the band of Rs 106 – 109 (6.6x FY25E EPS and 0.8x FY25E BV) and add more on dips in the band of Rs 97 - 99 (6.0x FY25E EPS and 0.75x FY25E BV).

Financial Summary (Consolidated)

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Operating Income	5134	3086	66.4	3679	39.5	9,846	11,948	16,165	19,075	20,792
EBITDA	1722	1068	61.2	1360	26.7	2,803	4,163	5,841	6,867	7,527
APAT	837	331	152.6	-396	-311.1	1,314	1,116	1,426	2,032	2,252
EPS (Rs)	6.0	2.4	152.6	-2.9	-311.1	9.5	8.0	10.3	14.7	16.2
RoE-%						10.2	8.1	9.7	12.8	13.0
P/E (x)						11.4	13.4	10.5	7.3	6.6
EV/EBITDA						14.8	8.7	6.3	5.6	5.2

(Source: Company, HDFC sec)

Q4FY23 and FY23 Result Review:

Revenue from operations for the quarter grew 66.4% reaching Rs. 5134 Cr against Rs. 3086 Cr last year. EBITDA for the quarter stood at Rs. 1722 Cr (up 61.2% Y-o-Y). The company posted a profit after tax of Rs. 837 Cr vs a profit of Rs. 331 Cr in Q4FY22. Revenue from operation of the group for FY23 was Rs. 16165 Cr against Rs. 11948 Cr in FY22 (up 35.3% Y-o-Y). PAT for FY23 stood at Rs. 1426 Cr vs Rs. 1116 Cr in FY22, up 27.9%.

Mining production was the highest ever at 33.5 MT and coal production was 10.03 MT in FY23. This enabled the company to generate highest ever power at 30.08 Billion units. This included an all-time high power generation from green sources at 2.19 BU. Average PLF for the power plants stood at 68.86% vs an all India average of 64.15%.

Key Triggers:

Planned capacity addition provides earnings growth visibility

NLC will add 1980 MW coal based capacity in the current financial year taking the generation capacity from 6061 MW to 8041 MW. Additional renewable capacities will also come into the fold by FY25E. Capacity is set to increase to 17171 MW by FY2030 with 4960 MW lignite based power plants, 6180 MW coal based power plants and 6031 MW renewable projects. Additionally, work on a coalmine with a normative capacity of 9 MTPA is under progress while work on lignite mine having capacity of 11.5 MTPA is also under planning.

Projects under implementation and in pipeline:

- **1980 MW Ghatampur Thermal Power Plant (GTPP)**
  NUPPL, a Subsidiary Company is implementing the 3 x 660 MW Ghatampur Coal based Thermal Power Project in Uttar Pradesh at a projected cost of ~Rs. 19,406 Cr. As of June 2023, 80.2% physical progress and 77.9% financial progress has been achieved. Unit I of the

project is expected to be commissioned by July 2023 while commissioning of Unit II and III is expected by Oct 2023 and Dec 2023 respectively. Original commissioning for all units was planned by FY2021; however, the project was delayed due to financial stress faced by the Balance of Plant (BOP) contractor and stoppage of BOP work since August 2021. BOP work has restarted from September 2022. PPA has been signed with UP Power Corporation Ltd (UPPCL) and Assam Power Distribution Company Ltd (APDL) for offtake. The company has tied up for commissioning coal from subsidiaries of Coal India Limited. The linked mine, Pachwara South Coal Block is expected to start supplying coal from Jan 2024 and the company also has the option to send coal from Talabira mines to ensure there will be no generation loss on account of coal shortage.

- **2400 MW NLC Talabira Thermal Power Project (NTTPP)**
  This project is to be setup in at Jharsuguda, Odisha, linked to the captive Talabira Coalmines. The estimated project cost is ~Rs. 19,422 Cr. The proposed plants are to be Ultra Super-critical technology, compliant with latest emission norms. All statutory approvals for setting up the project including the Environmental Clearance have already been obtained. Power Purchase Agreement for the off-take of 2000 MW power from this project has already been signed with TANGEDCO (for 1500 MW), Puducherry Discom (for 100 MW) and KSEB Kerala (for 400 MW). Signing of PPAs with GRIDCO Odisha (for 400 MW) is expected shortly.

  Land acquisition for the project is in progress; the company was facing difficulty in land acquisition and expects physical possession of a substantial portion of the land by September 2023. Techno-commercial bids were submitted by BHEL and L&T; evaluation is under progress and the project may be awarded by November 2023. The first Unit of the project is scheduled to be commissioned in 52 months from the date of award of the EPC Contract and the other units with a phase shift of 6 months each. Coal for the plant will be supplied from the Talabira II and III blocks, which is also owned by the company.

- **1320 MW TPS II 2nd Expansion (TPS II SE)**
  TPS II SE is a lignite based thermal power plant of capacity 1320 MW with two units of 660 MW capacity each proposed to be set up at Mudanai village (near Neyveli), Tamil Nadu. Similar to NTTPP, this project is also proposed to be set up based on the state of the art Ultra Super-critical technology, compliant with latest emission norms. All necessary approvals for setting up the project including the Environmental Clearance have already been obtained. TANGEDCO has expressed their willingness to procure the entire 1320 MW from this proposed project. Land for the project is already in possession of the Company.

  The first unit of the project is scheduled to be commissioned in 50 months from the date of award of the Contract and the second unit with a phase shift of 6 months. The board has approved investment proposal for establishing the plant at an estimated cost of Rs. 11,189.2 Cr on July 21, 2022. The management is working on the tendering process and expects to award the plant by October 2023.

- **Expansion of Mine IA**
  This expansion project is being implemented to expand Mine IA from 3.0 MTPA to 7.0 MTPA at a cost Rs. 709.06 Cr. The project is expected to attain normative capacity of 7.0 MTPA by the year 2027-28. Acquisition of required land the capacity expansion was facing some issues and the same is being pursued with the authorities for resolution.

- **Pachwara South Coal Block**
  NUPPL (JV) has been allotted the Pachwara South Coal Block (PSCB), in the State of Jharkhand, with a capacity of 9.0 MTPA (Normative) & 13.50 MTPA (Peak), at an estimated cost of Rs. 1,795 Cr. MIPL GCL Infracontract Private Limited has been appointed as the Mine Developer Operator (MDO) to develop and operate the above Coal Block. MoC has approved the Geological Report (GR), Mining Plan & Mine Closure Plan. Statutory clearances (EC, FC) are in advanced stages and expected COD of the project is Mar 2024. This mine will supply coal to GTPP.

- **Mine III**
  The project with a peak rated capacity of 11.5 MTPA encompassing a project area of 4842 Ha is proposed to be commissioned to fuel the requirement of TPS II 2nd Expansion at an estimated cost of Rs. 4,842 Cr. The block has a mineable lignite reserve of 415 MT. Obtaining necessary approvals for commencement of mining project is in progress.

- **Renewable Projects**
  <u>150 MW ISTS-connected Wind-Solar Hybrid Power Projects</u>
  NLC had participated in the Wind & Solar Hybrid RfS floated by SECI for a capacity and emerged as a successful bidder for 150 MW with a quoted tariff of Rs. 2.34/ Unit. The estimated cost to set up the project is Rs. 922 Cr. Expected COD of the project is March 2024E.

  <u>510 MW grid connected solar power projects in India under CPSU scheme Phase – II</u>
  NLC has also bagged 510 MW capacity in the CPSU Scheme of IREDA for setting up Solar Projects. Discussions are being held with the prospective Government users for firming up of the Power Usage Agreement. Under this CPSE Scheme, Letter of Award has been issued for setting up 10 MW Solar Plant at Neyveli Township as part of Smart City initiatives. Estimated cost for 10 MW project is Rs. 42.9 Cr. The project was synchronized with the grid on June 23, 2023 and is likely to be completed by July 2023. EPC contract has also been awarded for 300 MW in March 2023 to M/s Tata, with a project cost of Rs. 1,755 Cr and anticipated COD of Sep 2024E. Tender for the remaining 200 MW has also been floated.

Assam – Solar 1000 MW

NLC has inked an MOU in Aug 2022 with Assam Power Distribution Company for development of 1000 MW renewable energy projects in Assam by forming a JV with 51% participation. The projects are to be developed in a phased manner at an estimated cost of Rs. 5500 Cr.

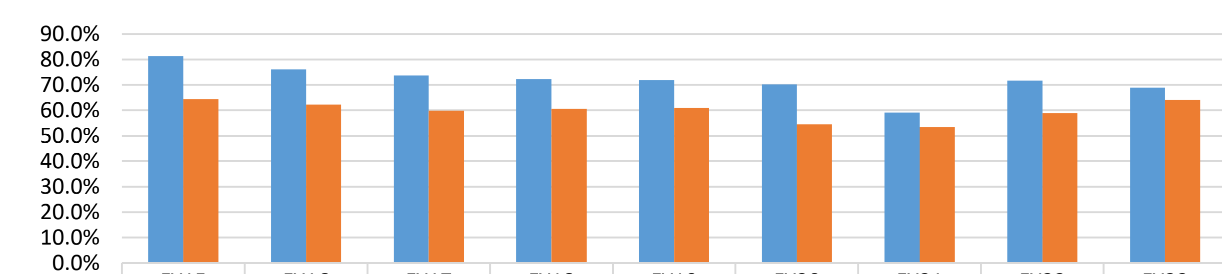
The company has envisaged a capex of ~Rs. 77,777 Cr up to FY2030 for the proposed capacity additions. Earnings will increase as the projects begin commercial operations.

Integrated Power Plants having Fuel Security

NLC owns the lignite and coal mines that provide fuel to its power plants. Owned mines helps the company mitigate risks related to availability and price of fuel. The integrated power generation plants allow the company to price its power lower than other suppliers in southern India, which makes it the preferred power supplier, and adds stability to cash flow.

Lignite is used at pithead thermal power stations having installed capacity of 3640 MW. These captive lignite mines have an average life span of more than 20 years. The company had a market share of 52% in Lignite mining in India during FY 2021-22. Fuel requirement for the coal-based NTPL plant is met via Talabira II and III coalmine and a swapping arrangement with MCL (Mahanadi Coalfields Ltd.).

These integrated power plants have a high merit order due to their low costs. This is reflected in the higher PLF for NLC's plants over the years, which has always been greater than All India PLF.



	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
NLC	81.4%	76.0%	73.7%	72.4%	72.0%	70.2%	59.1%	71.6%	68.9%
All India	64.5%	62.3%	59.9%	60.7%	61.1%	54.5%	53.4%	58.9%	64.2%

(Source: Company, HDFC sec)

Coal mining in FY23 was at a record high at 10.03 Million Tonnes. Revenue from coal mining stood at Rs. 1774 cr (up ~93% YoY) and PBT for coal mining stood at ~Rs. 600 Cr. Of the mined coal, ~0.72 MT was e-auctioned at an average realization of Rs. 3,860 per tonne, 5.35 MT was supplied to NTPC Ltd, 1.62 MT was supplied to NTPC Ltd under the swapping arrangement and 2.14 MU was used for captive consumption. The company has plans to produce 12 Million Tonnes of coal from Talabira in FY24E, providing further upside potential.

Regulated Business Model and PPAs ensure stability

Central Electricity Regulatory Council determines tariff of the thermal power plants and transfer price for supply of coal/lignite from the integrated mines. Tariff structure for generation plants is divided broadly into two parts: Capacity charges and Energy charges. Capacity charges includes recovery of overhead costs along with a fixed ROE, and are fully recovered if actual PAF is equal to or higher than normative PAF. Integrated mines provide fuel security ensuring no under-recoveries due to fuel shortage. Further, all capacities of NLC are tied up with long term PPAs assuring off-take and providing long term revenue and cash flow visibility.

Under recovery of annual fixed costs related to thermal plants for FY23, including JV, was Rs. 507 Cr vs Rs. 784 Cr in FY22. Under recovery from TPS 2 expansion was Rs. 294 Cr vs Rs. 305 Cr in FY22. The units were facing reliability issues and the company had taken short-term measures to improve the performance in consultation with the OEM. The management is also working on long-term measures to ensure complete reliability and availability of the equipment and has put in purchase and service orders for the same. Management expects the work to be completed by the end of current financial year and achieving zero under recovery from these units in FY25E.

Profitability was also affected in FY23 due to regulatory orders pertaining to prior periods, however, the company has filed review petitions with APTEL for the same. The Regulatory Deferral Account has a net credit balance of ~Rs. 3053 Cr in the standalone balance sheet, out of which the management expects a positive decision in favor of NLC from APTEL and reversal of ~Rs. 2,500 Cr provision in this financial year. However, we have not considered that in our estimates considering that the timeline for these orders are uncertain.

Other Diversification projects

NLC has undertaken some diversification projects, which include:

<u>Lignite to Methanol</u>

The company has approved the implementation of a lignite gasification based Methanol project at Neyveli with a capacity of 1200 Tonnes per day (TPD) on Lump sum turnkey basis, at an estimated cost of 4394 Cr. The company will receive support from the government of India in the form of VGF of ~Rs. 600 – 1000 Cr. Engineers India Limited have been appointed as the project management consultant for this project and tendering activities are in progress at an advanced stage. The site is also identified and site preparation activities are going on. The project is estimated to be completed within 42 months from the zero date. Commercial production is expected by March 2027E. 1200 MTPD Methanol will replace 1.5 MMSCMD Natural Gas and will annually save Rs. 1000 Cr of LNG import.

Overburden (OB) to Sand

OB removed during mining operations is dumped without any utilization. The company's internal research department, CARD had undertaken a research project jointly with IIT Madras for conversion of OB materials into aggregates. The preliminary study indicated that OB materials contain 40% – 70% sand and considerable quantity of clay. Based on the above research study and feasibility report, the company has decided to implement a sand beneficiation plant each at Mine I, Mine IA, and Mine II at Neyveli. The project has been awarded and work is about to be started.

Consultancy

The company was awarded with a work order for providing consultancy services to Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited for selection of MDO, supervision and monitoring of exploration and other site activities for its Saharpur Jamarpani coal block in Jharkand.

Others

Apart from these projects, the company also has the option to venture into power trading (already procured Category I License), export to power to neighboring countries and acquire stressed assets to grow. Work on Lignite to diesel will also be undertaken. NLC has also commissioned a battery storage system at Andaman and entered into EV charging segment on a pilot basis. The company is also planning to get into pumped storage system.

Risks and Concerns:

Challenges in Land Acquisition

Extensive land requirement for continuous mining necessitates invoking the law for the acquisition of private property leading to involuntary displacement of people. Resistance from landowners and its restricted availability leads to delay in operations. Rehabilitation and resettlement of displaced people while maintaining peace and law & order situation is also a challenging task. The company is facing a challenge at Neyveli for acquiring the required land for lignite mining. This has affected the production of lignite leading to shut downs of power stations as well as restricted the company's ability to sell lignite externally and complete contractual commitments. NLC has initiated various measures to tackle the issue including enhancing the compensation package and offering an attractive R&R and other welfare initiatives as well as holding meetings with the district and state authorities for resolving the challenges.

Time and Cost overrun

NLC has planned a sizable capex up to FY2030 and has various projects under execution. There is a possibility of time / cost overrun that may lead to disallowance of capital costs by the regulator and higher than estimated tariffs making the projects unviable.

Environmental Concerns

NLC uses lignite and coal (fossil fuels) for its thermal power plants, which cause pollution. Any lapse in discharging waste, emissions controls, or other non-compliance with environmental norms may attract significant penalties. Further, any adverse regulatory changes may pose a risk to its operations. The government has also mandated new thermal plants to install emission control equipment, which increase the cost of setting up a power plant.

Weak position of DISCOMS

Delay in payments by state owned DISCOMs hurts its receivables and working capital cycle. TANGEDCO (Tamil Nadu Generation and Distribution Corporation Ltd) is the main customer of NLC India. The credit risk profile of the counterparty is weak. However, the risk is mitigated by robust payment security mechanisms, which include letter of credit and tripartite agreement between State Government, RBI and GoI. Trade receivables have increased from Rs. 3,710 Cr in FY22 to Rs. 4,730 Cr in FY23. Some of the increase can be attributed to past receivables, which will be recovered in instalments. Discoms have started paying on time after the government introduced the late payment surcharge rules.

Regulatory orders

The company operates under a regulated business model, which leads to various litigations. The company has to file tariff petitions, review petitions before the CERC, and file appeals with APTEL for various matters. Pending disposal of these petitions/appeals, the company has to bill its customers on a provisional basis. Any adverse decisions may adversely affect the profitability of the company. These petitions/appeals present complexities and delay in clearing them creates uncertainties for investors and affects the cash flow of the company.

The company has filed appeals before the Appellate Authority of Electricity (APTEL) against CERC orders on various matters, which are pending disposal. The company has already considered impact of these orders against which appeals have been filed in the previous financial years. These matters include:

- Rejection of substitution of Actual Secondary fuel consumption (SFC) in place of Normative SFC in computing Energy Charge rate
- Disallowance of capitalization of LEP Assets
- Reduction of claim towards capital expenses while truing up for the tariff period 2009-14
- Disallowance of O &M escalation at 11.50% p.a as per MOC Guidelines considering FY 2008-09 as the base year for the tariff period 2009-14.
- Sharing of profits and incentives on additional generation in TS-II on adoption of pooled lignite price considering the cost of Mines - II Expansion.

In addition, the company has also filed various review petitions in respect of true up orders /tariff petition for input price determination before CERC, which are pending disposal. Also, tariff for the next 5 year period from FY24 – FY29 will be up for review in the upcoming months.

About the company:

For more than six decades, NLC India Limited has been a forerunner amongst the Public Sector Enterprises in the country in the energy sector, contributing to a major share in lignite production and significant share in thermal and renewable energy generation. The Company was incorporated on Nov 14, 1956. NLCIL is a Navratna Government of India Enterprise, under the administrative control of Ministry of Coal. Today, the company has set its footprints in Pan India mode in the states of TamilNadu, Rajasthan, Uttar Pradesh, Odisha, Jharkhand and Andaman & Nicobar Islands.

A pioneer among the Public Sector Undertakings in energy sector, NLCIL operates 3 opencast Lignite Mines of total installed capacity 28.50 Million Tonnes Per Annum (MTPA) at Neyveli, one opencast Lignite Mine at Barsingsar in Rajasthan with an installed capacity of 2.10 MTPA and an open cast coal mine at Talabira in Odisha with an installed capacity of 20 MTPA. The Company is also operating 4 Lignite based pit-head Thermal Power Stations with an aggregate capacity of 3390 Mega Watt (MW) at Neyveli and one 250 MW Lignite based Thermal Power Station (BTPS) at Barsingsar, Rajasthan. A 1000 MW Coal based Thermal Power Station is also in operation at Thoothukudi, Tamil Nadu through its subsidiary company, NLC Tamilnadu Power Limited (NTPL), a Joint Venture between NLCIL and TANGEDCO (equity participation in the ratio of 89:11).

NLCIL has also forayed into renewable energy sector. Presently, the Company is operating 1370 MW of Solar Power Plants in various Districts of Tamilnadu and Andaman & Nicobar Islands and 51 MW Wind Power Plant in Tirunelveli district of Tamilnadu. NLCIL is the first CPSE to cross 1 GW capacity in Solar Power Generation. The Company has become a member of International Solar Alliance (ISA). NLC has established itself as a premier integrated power generating company with its improved mining and project execution capabilities.

Segment Breakup:

	FY20	FY21	FY22	FY23
Revenue (incl. Inter Segment)				
Mining	5941.3	4542.4	6521.4	7724.5
Power Generation	10237.9	9922.8	10730.1	14332.7
PBIT				
Mining	1655.7	631.3	1202.9	1972.4
Power Generation	982.1	1384.5	1696.8	2782.7

(Source: Company, HDFC sec)

Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	**9846**	**11948**	**16165**	**19075**	**20792**
Growth (%)	***-4.6***	***21.3***	***35.3***	***18.0***	***9.0***
Operating Expenses	7043	7785	10324	12208	13265
EBITDA	**2803**	**4163**	**5841**	**6867**	**7527**
Growth (%)	***-18.6***	***48.5***	***40.3***	***17.6***	***9.6***
EBITDA Margin (%)	***28.5***	***34.8***	***36.1***	***36.0***	***36.2***
Depreciation	1611	1909	1801	2117	2530
Other Income	1952	598	1218	744	645
EBIT	**3144**	**2852**	**5259**	**5494**	**5641**
Interest expenses	1313	984	1012	1319	1459
PBT	**1760**	**2258**	**4235**	**4175**	**4182**
Tax	909	1488	1169	1252	1255
PAT	**1314**	**1115**	**1425**	**2032**	**2252**
Share of Asso./Minority Int.	0	1	1	0	0
Adj. PAT	**1314**	**1116**	**1426**	**2032**	**2252**
Growth (%)	***-9.6***	***-15.1***	***27.8***	***42.5***	***10.8***
EPS	9.5	8.0	10.3	14.7	16.2

Balance Sheet

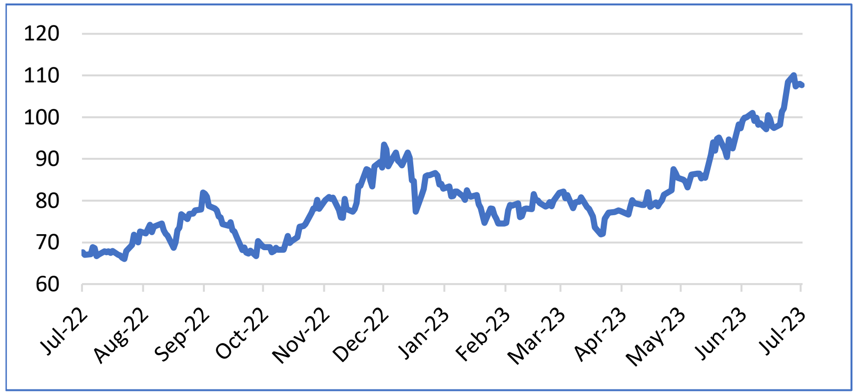
As at March (Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	1387	1387	1387	1387	1387
Reserves	12098	12803	13782	15190	16749
Shareholders' Funds	**13485**	**14189**	**15169**	**16577**	**18136**
Minority Interest	1897	2185	2457	2457	2457
Total Debt	27234	22086	22333	25633	27433
Net Deferred Taxes	2738	3054	3381	3381	3381
Other Non-curr. Liab.	1902	2559	4501	4659	4882
Total Sources of Funds	**47256**	**44074**	**47841**	**52708**	**56290**
APPLICATION OF FUNDS					
Net Block & Goodwill	25925	24989	24058	35955	37993
CWIP	11495	12909	14636	5123	4354
Investments	14	7	8	8	8
Other Non-Curr. Assets	1032	1186	2791	3093	3476
Total Non Current Assets	**38466**	**39090**	**41493**	**44178**	**45830**
Inventories	1629	1201	1183	1463	1709
Debtors	7522	3710	4264	4860	5241
Cash & Equivalents	785	769	251	1885	2932
Other Current Assets	2645	2340	4082	4188	4679
Total Current Assets	**12580**	**8020**	**9780**	**12397**	**14561**
Creditors	1896	1518	1985	2195	2279
Other Current Liab & Provisions	1894	1518	1447	1672	1823
Total Current Liabilities	**3790**	**3036**	**3432**	**3867**	**4101**
Net Current Assets	8790	4984	6348	8530	10459
Total Application of Funds	**47256**	**44074**	**47841**	**52708**	**56290**

(Source: Company, HDFC sec)

Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	1,760	2,258	2,056	4,175	4,182
Non-operating & EO items	1	274	-905	-367	-353
Interest Expenses	1,199	867	902	1,319	1,459
Depreciation	1,611	1,909	1,801	2,117	2,530
Working Capital Change	-338	2,983	73	-548	-883
Tax Paid	-307	-867	-165	-1,252	-1,255
OPERATING CASH FLOW (a)	**4,390**	**7,770**	**3,761**	**4,554**	**5,006**
Capex	-2,322	-914	-2,553	-4,500	-3,800
Free Cash Flow	2,068	6,856	1,208	54	1,206
Investments	0	7	0	0	0
Non-operating income	110	144	465	223	193
INVESTING CASH FLOW (b)	**-2,212**	**-763**	**-2,089**	**-4,277**	**-3,607**
Debt Issuance / (Repaid)	4	-5,172	247	3,300	1,800
Interest Expenses	-1,993	-1,702	-1,807	-1,319	-1,459
FCFE	188	133	113	2,258	1,740
Share Capital Issuance	99	306	253	0	0
Dividend	-146	-457	-428	-624	-693
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	**-2,037**	**-7,025**	**-1,735**	**1,357**	**-353**
NET CASH FLOW (a+b+c)	**140**	**-18**	**-62**	**1,634**	**1,047**

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Profitability Ratios (%)					
EBITDA Margin	28.5	34.8	36.1	36.0	36.2
EBIT Margin	31.9	23.9	32.5	28.8	27.1
APAT Margin	13.3	9.3	8.8	10.7	10.8
RoE	10.2	8.1	9.7	12.8	13.0
RoCE	8.1	7.4	14.3	13.8	12.9
Solvency Ratio (x)					
Net Debt/EBITDA	9.4	5.1	3.8	3.5	3.3
Net D/E	2.0	1.5	1.5	1.4	1.4
PER SHARE DATA (Rs)					
EPS	9.5	8.0	10.3	14.7	16.2
CEPS	21.1	21.8	23.3	29.9	34.5
BV	97.2	102.3	109.4	119.5	130.8
Dividend	1.0	3.0	3.5	4.5	5.0
Turnover Ratios (days)					
Debtor days	297.1	171.6	90.0	87.3	88.7
Inventory days	61.5	43.2	26.9	25.3	27.8
Creditors days	96.1	52.1	39.5	40.0	39.3
VALUATION					
P/E (x)	11.4	13.4	10.5	7.3	6.6
P/BV (x)	1.1	1.1	1.0	0.9	0.8
EV/EBITDA (x)	14.8	8.7	6.3	5.6	5.2
EV / Revenues (x)	4.2	3.0	2.3	2.0	1.9
Dividend Yield (%)	0.9	2.8	3.3	4.2	4.6
Dividend Payout (%)	10.6	37.3	34.0	30.7	30.8

(Source: Company, HDFC sec)

NIRMAM ANIL MEHTA

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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.