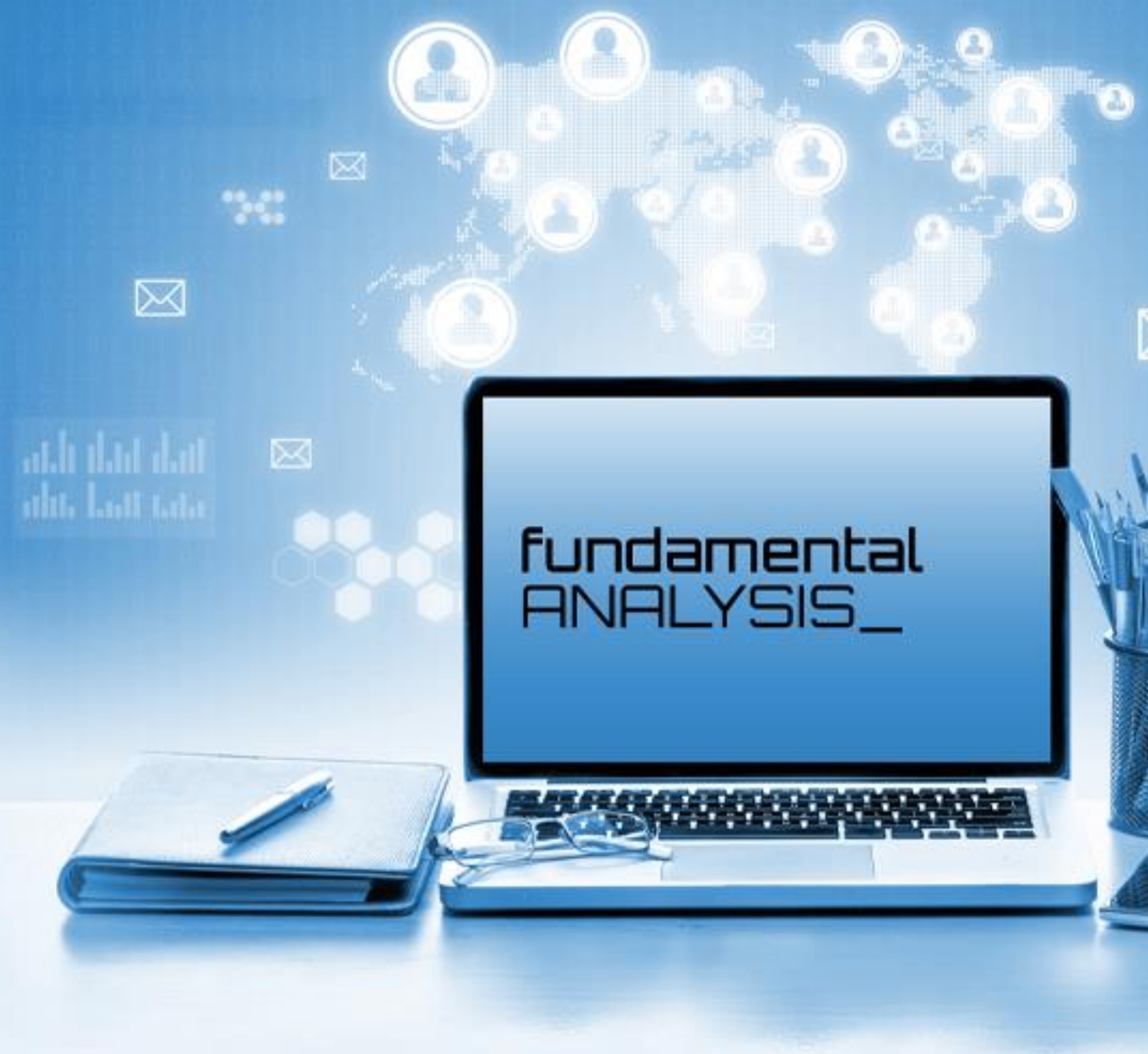
Stock Update

PCBL Ltd.

Sep 01, 2022



RETAILRESEARCH

PCBL Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Chemicals	Rs 137.5	Buy in the band of Rs 135-139 & add more on dips to Rs 120-123 band	Rs 153	Rs 165	3 quarters

HDFC Scrip Code	PCBLLTEQNR
BSE Code	506590
NSE Code	PCBL
Bloomberg	PCBL IN
CMP Aug 30, 2022	137.5
Equity Capital (Rs cr)	37.7
Face Value (Rs)	1
Equity Share O/S (cr)	37.7
Market Cap (Rs cr)	5,190
Book Value (Rs)	69.3
Avg. 52 Wk Volumes	1854775
52 Week High	139.5
52 Week Low	89.0

Share holding Pattern % (Jun 2022)	
Promoters	51.4
Institutions	17.5
Non Institutions	31.1
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

PCBL Ltd (erstwhile Phillips Carbon Black Limited) is the largest manufacturer of carbon black in India and 7th largest in the world, having an aggregate installed capacity of 603,000 MT per annum (with a dedicated capacity for specialty black of 72,000 MT) and total green power generation capacity of 91 MW. PCBL offers 75+ grades of carbon black including 40+ grades in specialty from its own R&D developments. The company has progressively climbed the value chain, expanding its portfolio of high-performance value-added grades for rubber and specialty black applications. Leveraging an efficient supply chain and distribution network, it has carved out its presence in 45+ countries. In the Carbon-Black market, PCBL enjoys a large 50% market share in India, 11%-globally and 17%-world ex-China.

Over the years, PCBL has built up its resilience by undertaking organisation-wide initiatives in areas of operational excellence, R&D driven new product development capability, rich talent pool, customer-centric approach, value-added product portfolio and a focus on specialty chemicals. The company is optimistic on opportunities in specialty carbon black as it plans to add two lines of 40000 MT through its brownfield expansion in Mundra dedicated towards specialty black capacity. Having more than 40+ grades and increase in R&D bandwidth, the company is set to roll new products every year. R&D team is working on applications in lithium ion battery for EV (conductivity applications). The management is confident on the specialty business and has guided an incremental volume of 10,000 MT per annum atleast for couple of years. In the long run, management aims to increase the share of specialty black in total volumes in order to further strengthen its margin.

We had issued initiating coverage report (link) on Aug 6, 2021. On account of its strong performance, focus on specialty business and industry tailwinds we are issuing stock update note.

Valuation & Recommendation:

PCBL expects to benefit from the completion of a strong capex cycle undertaken by the domestic tyre industry and remains positive about the growth momentum in automobile demand. Greenfield expansion provides visibility for growth in rubber and specialty carbon black segments. Power plant addition in existing facility would likely boost EBITDA. Its R&D investments has helped it to move up the value chain in Specialty Chemical & Rubber Blacks. R&D has been the key reason behind not only significantly improving profitability, but also sustaining it at higher levels. The demand dynamics remain stable; while supply disruption of carbon black due to ongoing consolidation in China's carbon black industry and trade sanctions on Russia could benefit large producers like PCBL. PCBL continues to focus on improving its operating efficiencies and improving its product mix. We expect revenue/EBITDA/PAT to grow at CAGR of 16%/20.5%/18% over FY22-

24E. **We think the base case fair value of the stock is Rs 153 (9.75x FY24E EPS) and the bull case fair value is Rs 165 (10.5x FY24E EPS) over the next three quarters. Investors can buy the stock in the band of Rs 135-139 (8.8x FY24E EPS) and add more on dips to Rs 120-123 band (7.75x FY24E EPS).**

Financial Summary

Particulars (Rs cr)	Q1FY23	Q1FY22	YoY-%	Q4FY22	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	1409.1	1003.9	40.4	1218.8	15.6	3,243.5	2,659.5	4,446.4	5,457.9	5,977.3
EBITDA	195.5	163.6	19.5	134.3	45.5	464.1	518.0	653.0	761.4	947.4
Depreciation	37.5	29.2	28.4	30.5	22.9	92.4	110.1	120.9	156.1	169.2
Other Income	11.7	3.8	209.5	12.1	-3.6	29.0	18.0	28.6	27.3	29.9
Interest Cost	8.9	7.6	16.3	6.9	28.4	45.9	33.9	29.1	43.7	47.3
Tax	34.6	26.1	32.4	20.8	65.8	67.3	78.1	105.2	129.5	167.4
PAT	126.3	104.5	20.9	88.3	43.1	287.5	314.0	426.3	459.3	593.4
Adjusted PAT	126.2	104.4	20.9	88.2	43.1	286.6	313.6	426.0	458.6	592.5
Diluted EPS (Rs)	3.3	3.0	10.4	2.3	43.1	8.3	9.1	5.9	12.1	15.7
RoE-%						17.1	17.3	18.7	16.7	19.2
P/E (x)						16.5	15.1	12.2	11.3	8.8
EV/EBITDA (x)						6.2	5.3	4.9	7.7	6.1

(Source: Company, HDFC sec)

Q1FY23 Result Review:

PCBL ltd reported robust revenues of Rs 1409cr (up 40.4%/15.6% YoY/QoQ) mainly on account of better realization with increased share of specialty black volumes. It saw modest volume growth of 5.5% YoY in domestic market, while it witnessed de-growth of 11.2% YoY in the exports volume. Demand softness in exports was mainly due to inflationary concerns. Total volume reported during the quarter was 109,377 MT (flat/-3.8% YoY/QoQ). Sales volume of specialty carbon black increased +35.5%/+5.5% YoY/QoQ to 9867 MT, with increased share in overall volumes to 9% in Q1FY23 as compared to 6.7% share in Q1FY22 (8.2% in Q4FY22). Carbon black realizations came in at Rs 125,611/tonne, up 39%/19.8% YoY/QoQ, on the back of better product mix and higher crude prices.

The power segment witnessed strong topline growth of 57.6% YoY to Rs 53.1cr. Power generation increased to 144 million units during the quarter with external sale volume of 86 million units. With rising demand for power in the country and consequent increase in power tariffs, PCBL's average realization against power sale jumped from Rs 2.65 kilowatt unit to Rs 4.06 per kilowatt unit YoY.

The company reported EBITDA of Rs 195.5cr, up 19.5%/45.5% YoY/QoQ. Despite steep increase in crude prices, its strong margin performance was led by high carbon black spot prices due to global supply issues and higher share of high-margin specialty grade carbon black. EBITDA margin stood at 13.9% as against 11% in the previous quarter, while it posted margin of 16.3% in the corresponding quarter last fiscal. Better realisation and positive operating leverage pulled up its EBITDA/tonne. The company posted PAT of Rs 126.2cr (+20.9%/+43.1% YoY/QoQ).

Capacity expansion of 147 KT at Greenfield project (at Tamil Nadu) through its wholly owned subsidiary PCBL (TN) ltd is on track and is expected to be completed by Dec 2022. It expects to start commercial production post stablisation time of 3-4 months. Work on brownfield project at Mudra for specialty carbon black is going on as per schedule and one line (phase 1 – 20,000 tonnes) is expected to be commissioned by March 2023. The 7 MW power plant in Kochi is under commissioning stage, post which power generation capacity will enhance from current 91 MW to 98 MW. The management continues to remain focused on expanding its product portfolio of high-performance high-margin grades for both rubber and specialty black applications. The management maintained its guidance of incremental 10,000 tonne of specialty carbon black volume per annum over the next couple of years.

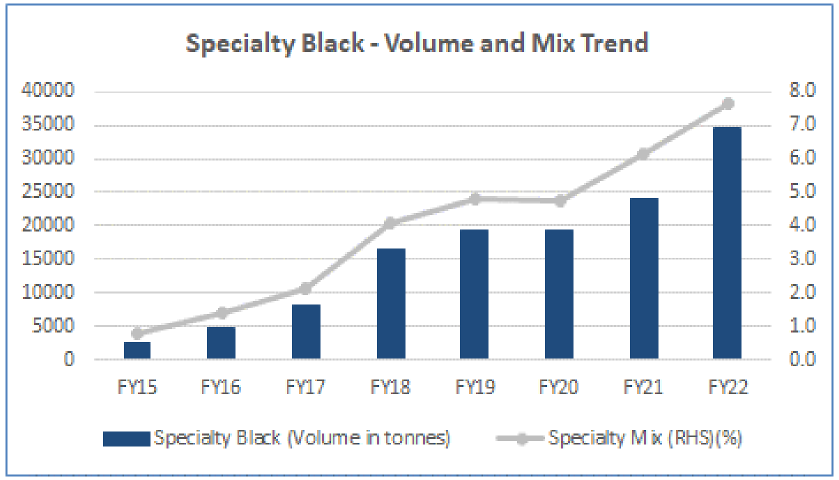
Key Triggers:

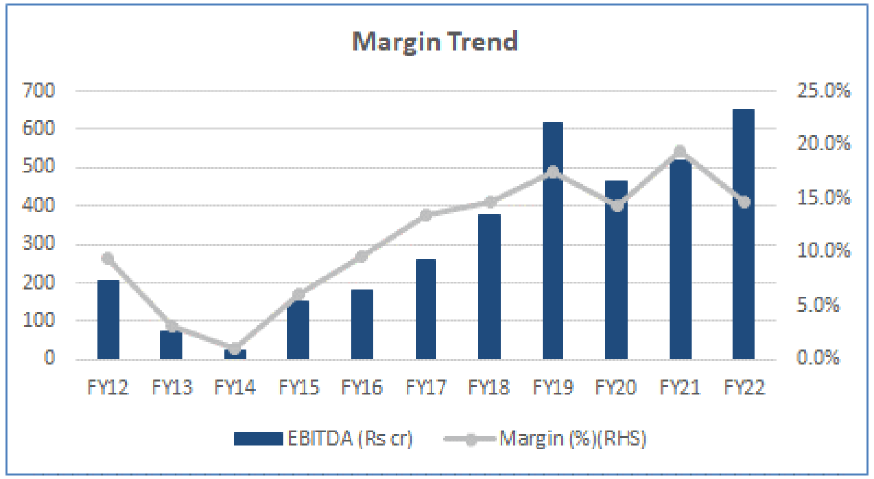
Strong focus on expanding of specialty carbon black and superior grade carbon black

PCBL's product mix has been changing in the last few years with a higher share of superior grade carbon blacks and specialty carbon blacks, which resulted in a steady improvement realization and EBITDA margin. Share of specialty black volume has gradually increased from 2.1% in FY17 to 7.6% in FY22. Specialty grade carbon blacks are value-added products that provide performance enhancing properties in a wide range of end use products including plastics, inks, pigments, adhesives, coatings, etc. PCBL is one of the few companies in the world to meet USFDA requirements for direct/indirect food contact applications. Its focus on higher grade carbon black application has not only plugged product portfolio gap compared to larger peers but also increased its addressable market while reducing dependence on auto industry and its cyclicality. Given their value enhancing properties, these specialty grades fetch higher EBITDA/tonne of ~2-2.5x compared to normal rubber grade carbon black; improving overall margins.

PCBL has been working on increasing product categories to serve needs of various customers and has built commercial business relationship with big names in plastic, paint, ink, coating industries. It continues to expand its product portfolio of high performance high-margin grades for both rubber and specialty black applications. PCBL has developed 40+ grades of specialty black, has 100+ customers and more than 60% of sales in this segment is from international market. PCBL currently caters to ~4% of specialty carbon black market globally. Given its strong R&D focus and customer centric application focus, it is set to improve its presence internationally.

The company is optimistic on opportunities in specialty carbon black as it plans to add two lines of 40000 MT through its brownfield expansion in Mundra dedicated towards specialty black capacity. Having more than 40+ grades and increase in R&D bandwidth, the company is set to roll new products every year. R&D team is working on applications in lithium ion battery for EV (conductivity applications). The management is confident on the specialty business and has guided an incremental volume of 10,000 MT per annum atleast for couple of years. In the long run, management aim to increase the share of specialty black in total volumes in order to further strengthen its margin.





(Source: Company, HDFC sec)

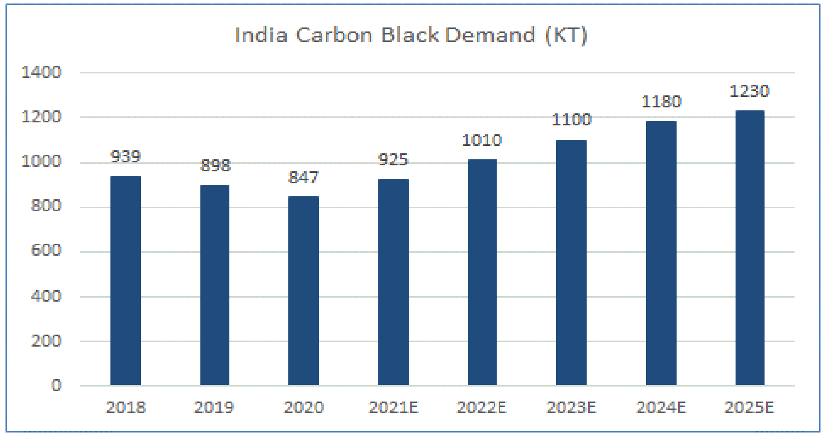
Capacity expansion to support domestic and export demand:
PCBL has four manufacturing units located in strategic proximity to customer locations and ports. Currently, the company has carbon black manufacturing capacity of 603,000 MT, of which specialty black capacity is 72,000 MT. The company's green power capacity is 91 MW. To strengthen its capabilities, the company announced two expansion projects. A greenfield project in Chennai, through its wholly owned subsidiary, PCBL (TN) Limited, which will add 147000 MTPA capacity of carbon black (includes independent lines for hard and soft black) and 24 MW of green power, is expected to be commissioned by Dec'22 (capital outlay of Rs 800cr). This capacity is targeted to enhance rubber carbon black production to meet growing demand in domestic market and emerging opportunities in exports. The company expects to benefit from the completion of a strong capex cycle undertaken by the domestic tyre industry and remains positive about the growth momentum in automobile demand. Tamil Nadu project also has a locational advantage with existing and upcoming capacities of major tyre companies being located in southern India.

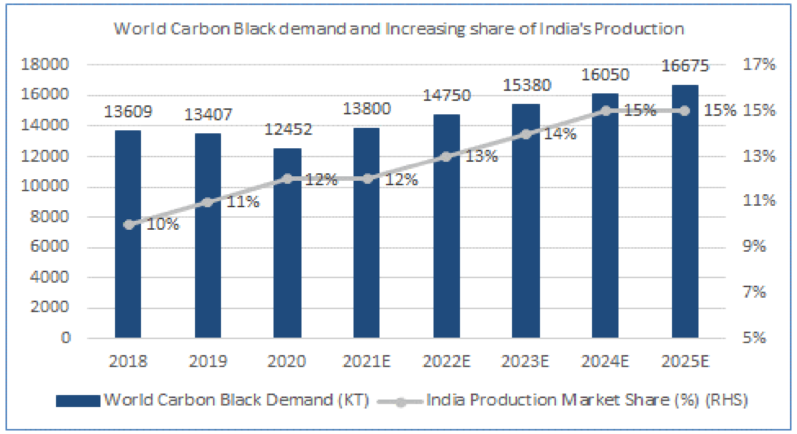
Location	Carbon Black (MT)	Power
Existing Capacities		
Durgapur, West Bengal	1,63,500	30 MW
Kochi, Kerala	92,500	10 MW
Palej, Gujarat	1,42,250	19 MW
Mundra, Gujarat	2,04,750	32 MW
Additional Capacities		
Chennai, Tamil Nadu	1,47,000	24 MW
Mundra, Gujarat	40,000	-
Kochi, Kerala	-	7 MW

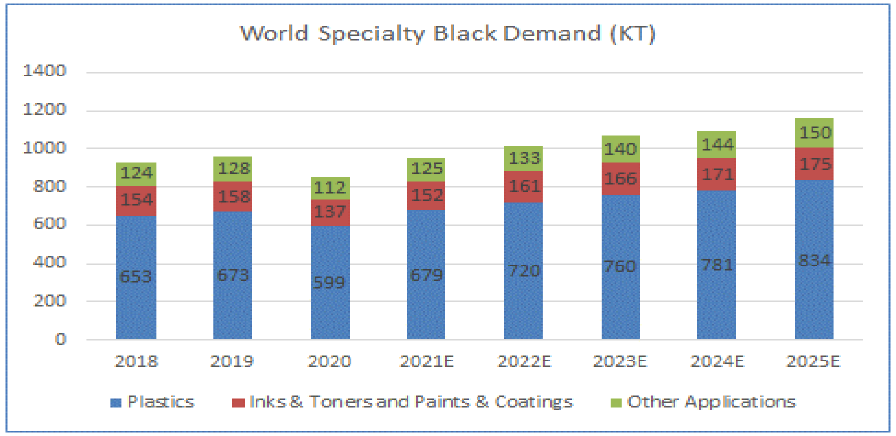
The company plans to increase share of specialty black in its portfolio along with other value-added grades. Brownfield project in Mundra that would have two lines with 40,000 MTPA capacity dedicated for specialty carbon black (specialty chemicals) which will be completed in two phases (capex of Rs 320cr). The first phase is expected to be completed by FY23-end. At this facility, the focus would be on conductive grades and other specialty applications. Additional Green Power capacity of 7 MW in Kochi, Kerala is in progress. With this, the total manufacturing capacity would be 7,90,000 MTPA (including specialty chemical capacity of 112,000 MTPA) and green power would be 122 MW. The capex is largely proposed to be funded from internal accruals. Greenfield expansion provides visibility for growth in rubber and specialty carbon black. Power plant addition in existing facility would likely boost EBITDA.

Industry tailwind (less competitive intensity from China & Russia):

Carbon black consumption is predominantly driven by growth in production of automobile tyres. Tyre demand is relatively stable due to higher contribution from replacement market and is unlikely to be disrupted by EV penetration. The growth in demand from non-tyre rubber applications will be led by growth in industrial and construction activities. Moreover, specialty carbon black demand is likely to benefit from rise in newer super conductive application (including EV), while coating and plastics have stable demand growth. Though the demand dynamics remain stable; supply disruption of carbon black due to ongoing consolidation in China's carbon black industry and trade sanctions on Russia could benefit large producers like PCBL. Although, the anti-dumping duty on carbon black imports from China and Russia has been removed (Jan 2021); China's competitiveness has declined due to relatively high production costs (partly due to increase in RM prices, higher environmental costs, wage inflation etc.). Chinese carbon black producers, who enjoyed significant advantage on feedstock from lower carbon black oil (raw material for carbon black) compared to fuel oil prices; were impacted following rising coal prices. Also, China is becoming relatively stringent on implementation of pollution norms. In case of Russia, out of their total capacities ~70% was for exports mainly to Europe.







(Source: Company - Notch Consulting, Inc., HDFC sec)

PCBL has stepped up by adding capacities and could gain from China + 1 strategy. Volume growth would provide operating leverage while rise in share of specialty carbon black (fetching a 2-2.5x higher margin versus traditional tyre industry) would mean margin expansion. Over the years, PCBL has built up its resilience by undertaking organisation-wide initiatives in areas of operational excellence, R&D driven new product development capability, rich talent pool, customer-centric approach, value-added product portfolio and a focus on specialty chemicals. The company has been growing organically through capacity expansions in line with market demand and focus on high margin performance and specialty chemicals; all this would help to retain its competitive edge over its peers.

Strong R&D focus would support sustaining higher profitability:

PCBL has sustained a strong focus on Research and Development (R&D). Over the last few years, PCBL has deepened its research commitment by making forward-looking investments in the development of infrastructure, human resources, and processes, which has strengthened the company's capabilities in product application, process efficiency and product customisation. It has a state-of-the-art R&D Centre (Sushila Goenka) at Palej and Innovation Centre in Belgium, Europe. The company has 40+ scientists & technical professionals in R&D and process technology, working in various areas like in product development, post treatment, fundamental research, raw material related initiatives. Typically, it adds 8-10 new grades of carbon black application each year. PCBL has commercialised 23 new grades of carbon-black in the last three years. It has won three patents and applications for four more are in the works. The company works closely with customers to understand their demanding technical requirements, with the objective to develop different carbon black grades. Its R&D investments has helped it to move up the value chain in Specialty Chemical & Rubber Blacks. R&D has been the key reason behind not only significantly improving profitability, but also sustaining it at higher levels.

Strong global footprint and marquee client base:

PCBL has strengthened its competitiveness by growing its global presence, diversifying its product portfolio and increasing investments in R&D. It is the largest exporter of carbon black from India having presence in 45+ countries; contributing 32% of its revenue in FY22 (vs 20% in FY17). It exported 145.6 KT in FY22 compared to 106.8 KT in FY21. To strengthen its global footprint, it is developing partnership based sales with sales office and warehouse in international market. It has offices in Japan, Germany, Belgium, China, South Korea and Vietnam among others; its strong distribution network enables to address needs of large customer base worldwide. Out of its export, major portion goes to Asia (Asia-Pacific region is ~80%) followed by Europe and US. Leveraging its capabilities and new capacities, the company plans to increase its export share to 40-50% share in the next few years.

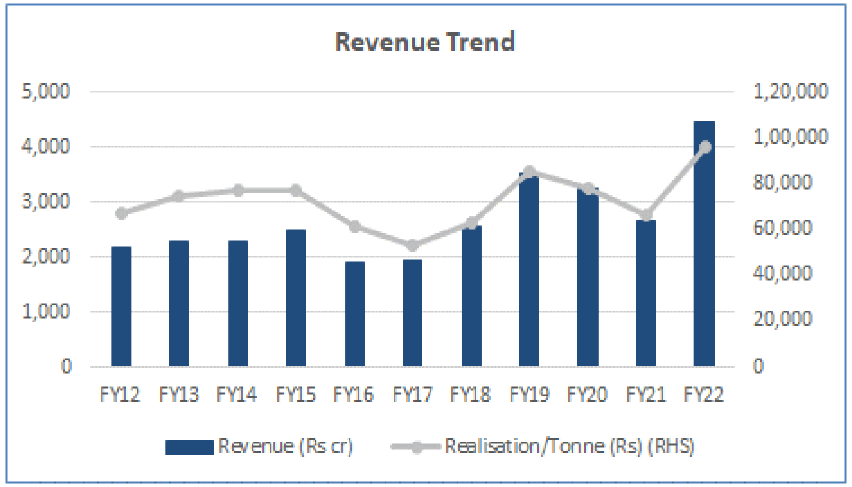
The rubber black portfolio caters to customers of all the renowned global tyres and industrial rubber goods, reinforcing the physical properties of their products. PCBL's clientele includes global and Indian tyre manufacturing giants such as MRF, CEAT, JK Tyre & Industries, Apollo Tyres, Bridgestone, Goodyear, Michelin, Yokohama, TVS Group, Continental, Toyo among others. Moreover, it caters to the specialty black needs of prominent Indian and global companies. It has strategically aligned its product portfolio with business needs of its customers. The company works closely with its customers and jointly develops products with customers for their customized requirement. The differentiated solutions lead to customer stickiness and generate repeat business. PCBL manufactures over 60 grades of rubber carbon black & specialty black and remains focused on high-performance and high-margin products under both carbon black and specialty black. Its wide portfolio of carbon black grades and its planned expansion for developing new grades will help the company in maintaining its leadership position going forward.

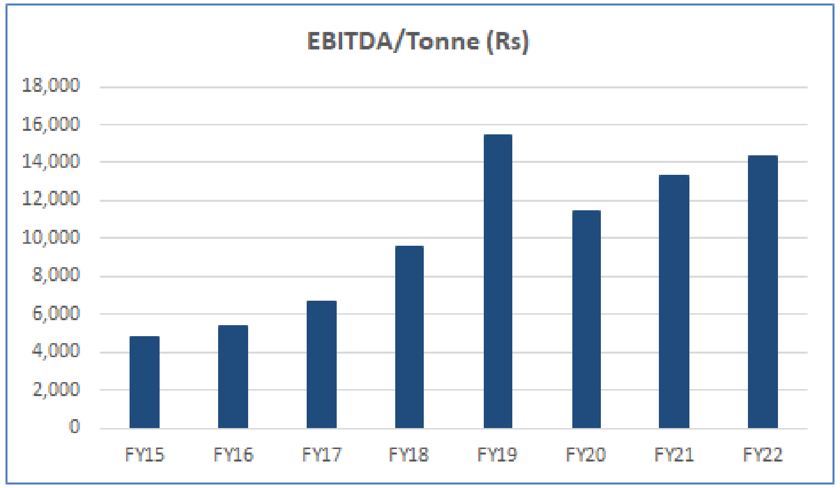
Steady source of revenue from the power segment:

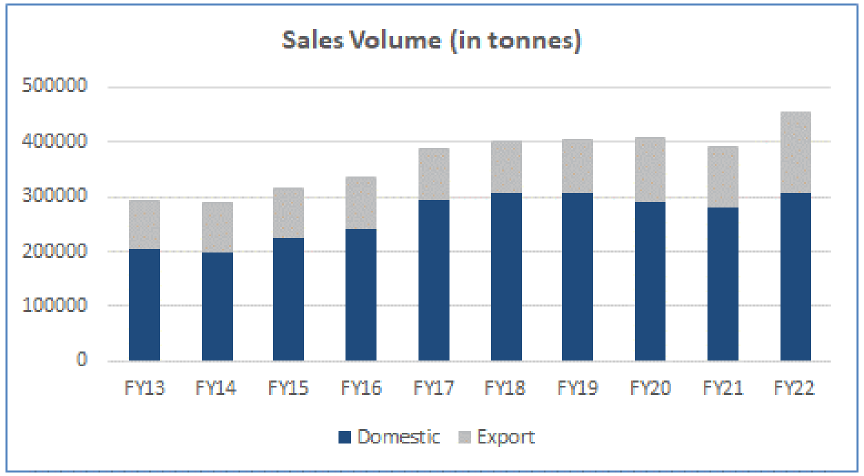
The company produces green power through co-generation power plants at each of the manufacturing facilities through the processing of tail gas released in the production of carbon black. The company has 91 MW of green power capacity. Capacity additions at new facilities and additional Green Power capacity of 7 MW in Kochi (Kerala) would take the green power capacity to 122 MW. Although power accounts for less than 5% of its revenue, sale of surplus power to the power grid provides some stability to the business contributing to the bottom line.

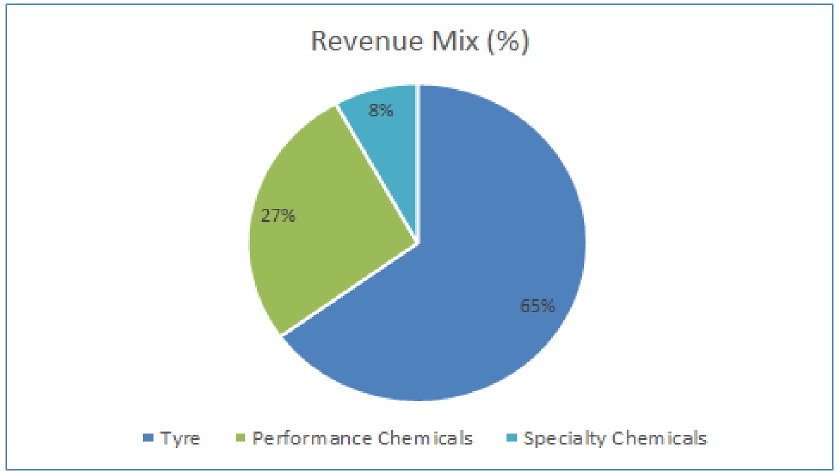
Improvement in margins:

The company has steadily improved operating efficiency in the past five years. Higher share of high-margin specialties black grades, yield improvement and feedstock efficiency due to its R&D focus; have improved its EBITDA margins. PCBL's EBITDA per ton has nearly tripled from Rs 5.3k in FY16 to Rs 14.4k in FY22. Strong management focus on enhancing operating efficiency and R&D capability, and increasing the revenue share of value-added products have helped in reducing the volatility in operating profitability. PCBL continues to focus on initiatives that improve operational efficiencies. These include measures for the improvement of yield, exploring new geographies for feedstock sourcing, and investment in technical capabilities for the development of new grades of high-performance rubber and non-rubber applications. It also benefits from the strategic location of its manufacturing facilities that are located near ports and customers resulting in easy access to raw materials and lower logistic costs. The company is gradually moving up the value chain not only in specialty, but in its rubber portfolio.









(Source: Company, HDFC sec)

Concerns:

Volatility in raw material (crude oil prices): Company's major raw material is carbon black feedstock (CBFS), which is a crude oil derivative and is mainly imported. Any adverse movements in crude oil prices would impact its operational profits for some period as these costs are largely passed on with some time lag. A significant portion of the sales of PCBL is to the tyre segment that operates as per pricing formulae, thereby reducing volatility in profits. Any decline in coal tar price in Chinese markets poses risk to margins as the government has removed anti-dumping duty on the imports.

Business growth susceptible to cyclicality in the domestic automobile industry: Demand for domestic carbon black depends on growth of the tyre industry, as 73% of overall production in India is consumed by tyre manufacturers. PCBL, generates about 70% of its revenue from the tyre industry. Its topline can be impacted by sluggish demand from tyre manufacturers, owing to slowdown in demand from automobile original equipment manufacturers (OEMs), or shutdown of tyre dealerships or automobile service stations. Semiconductor chips shortage could impact automobile industry growth and therefore the demand for carbon black. PCBL is, however, taking concrete steps to improve share of specialty black to further reduce the risk of cyclicality in the automobile industry.

Project risk of ongoing capex projects: PCBL is undertaking capex Rs 800cr for greenfield carbon black expansion in Tamil Nadu, adding capacity of 147,000 TPA and has outlay of Rs 320cr for brownfield expansion in Mundra (Gujarat), adding specialty carbon black capacity of 40,000 TPA. Any delay in operatilisation of the units could impact its performance.

Product development risk: Forays into new products and grades of carbon black in which it has limited experience and expertise may affect successful implementation and adversely affect business performance.

Exposure to foreign exchange fluctuation risk: The company imports significant portion of its raw material and is vulnerable to volatility in forex rates. However, the risk is mitigated to a considerable extent as exports account for ~30% of the company's revenue and it also follows a hedging policy.

Client concentration risk: Top 5 clients constitute 55-60% of revenue.

About the company:

PCBL Ltd (erstwhile Phillips Carbon Black Limited), incorporated in 1960 in collaboration with Phillips Petroleum Company, is a part of RP-Sanjiv Goenka Group. It is the largest manufacturer of carbon black in India and 7th largest in the world, having an aggregate installed capacity of 603,000 MT per annum (with a dedicated capacity for specialty black of 72,000 MT) and total green power generation capacity of 91 MW spread over four locations - Durgapur in West Bengal, Mundra and Palej in Gujarat and Kochi in Kerala. These manufacturing units are located in close proximity of ports & key national markets; and are backed by cutting-edge technology that helps switch seamlessly between alternative feedstock, make efficient use of resources, deliver a wide selection of grades, and accomplish high-quality standards. The company is further enhancing its capacity through a greenfield project in Chennai (through wholly-owned subsidiary) with capacity of 147 KT & green power capacity of 24 MW and a brownfield expansion in Mundra with estimated specialty chemical capacity of 40 KT. It offers wide product portfolio of carbon black having applications – tyres (65%), performance chemicals (27%) and specialty chemicals (8%).

Carbon black is used for the production of rubber-based products primarily as a reinforcing agent in tyres and for production of industrial rubber goods and for the production of non-rubber-based products including specialty chemicals (primarily where carbon black acts as a pigment, UV stabilizer, improving resilience of products, and also as a conductive agent). PCBL offers 75+ grades of carbon black including 40+ grades in specialty from its R&D investments. The company has progressively climbed the value chain, expanding its portfolio of high-performance value-added grades for rubber and specialty black applications. Its customers comprise some of the marquee domestic and global tyre companies. Besides, the company has established its position as a key player in the specialty black segment the world over. The company has strengthened its competitiveness by growing its global presence, diversifying its product portfolio and consistently improving its operational performance.

PCBL's wide portfolio of customized, high-performance products, certified by American Society for Testing and Materials (ASTM), address specific customer requirements. Over the decades, the company has built scale, expanded global footprint and set up world-class R&D facilities to address diverse customer requirements. It has strong focus on R&D through centers located in India and Belgium driving new grades development and process innovation. Leveraging an efficient supply chain and distribution network, PCBL has carved out its presence in 45+ countries.

Peer Comparison:

	Mcap (Rs cr)	Revenue				EBITDA Margin (%)				PAT			
		FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
PCBL	2,370	2,660	4,446	5,458	5,977	19.5	14.7	14.0	15.9	314	426	459	592
Himadri Speciality Chemicals	4,145	1,679	2,791	3,075	3,387	7.8	4.7	4.8	5.0	47	59	63	67

	RoE (%)				P/E (x)			
	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
PCBL	17.3	18.7	16.7	19.2	15.1	12.2	11.3	8.8
Himadri Speciality Chemicals	2.7	3.2	2.8	2.4	87.5	100.9	65.9	61.8

(Source: Bloomberg estimates, Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	**3243.5**	**2659.5**	**4446.4**	**5457.9**	**5977.3**
Growth (%)	**-8.1**	**-18.0**	**67.2**	**22.7**	**9.5**
Operating Expenses	2779.5	2141.5	3793.5	4696.5	5029.9
EBITDA	**464.1**	**518.0**	**653.0**	**761.4**	**947.4**
Growth (%)	**-24.7**	**11.6**	**26.0**	**16.6**	**24.4**
EBITDA Margin (%)	**14.3**	**19.5**	**14.7**	**14.0**	**15.9**
Depreciation	92.4	110.1	120.9	156.1	169.2
EBIT	**371.7**	**407.9**	**532.1**	**605.3**	**778.2**
Other Income	29.0	18.0	28.6	27.3	29.9
Interest expenses	45.9	33.9	29.1	43.7	47.3
PBT	**354.8**	**392.0**	**531.6**	**588.8**	**760.7**
Tax	67.3	78.1	105.2	129.5	167.4
RPAT	**287.5**	**314.0**	**426.3**	**459.3**	**593.4**
APAT	**286.6**	**313.6**	**426.0**	**458.6**	**592.5**
Growth (%)	**-25.3**	**9.5**	**35.8**	**7.6**	**29.2**
EPS	8.3	9.1	5.9	12.1	15.7

Balance Sheet

As at March (Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	34.5	34.5	37.8	37.8	37.8
Reserves	1664.7	1901.0	2576.2	2846.1	3249.9
Shareholders' Funds	**1699.1**	**1935.5**	**2614.0**	**2883.9**	**3287.6**
Minority's Interest	7.3	7.5	8.2	8.9	9.8
Long Term Debt	319.3	403.4	303.2	343.2	363.2
Net Deferred Taxes	254.9	271.4	276.3	276.3	276.3
Long Term Provisions & Others	2.0	0.9	8.5	0.6	0.6
Total Source of Funds	**2282.6**	**2618.6**	**3210.2**	**3512.8**	**3937.5**
APPLICATION OF FUNDS					
Net Block & Goodwill	1639.9	1742.4	1934.1	2178.0	2723.8
CWIP	305.6	266.8	175.3	425.3	125.3
Other Non-Current Assets	221.4	247.5	404.6	356.2	377.5
Total Non Current Assets	**2166.9**	**2256.7**	**2514.0**	**2959.5**	**3226.6**
Current Investments	0.0	0.0	330.0	180.0	180.0
Inventories	326.2	444.8	603.9	672.9	687.8
Trade Receivables	588.2	707.5	1105.1	1076.6	1179.1
Cash & Equivalents	152.1	264.4	159.1	192.6	299.6
Other Current Assets	77.3	52.6	72.7	119.6	131.0
Total Current Assets	**1143.8**	**1469.4**	**2270.8**	**2241.7**	**2477.5**
Short-Term Borrowings	329.7	256.9	482.6	522.6	522.6
Trade Payables	418.8	591.6	911.1	897.2	949.8
Other Current Liab & Provisions	279.7	258.9	180.8	268.6	294.2
Total Current Liabilities	**1028.1**	**1107.4**	**1574.5**	**1688.4**	**1766.6**
Net Current Assets	115.7	362.0	696.3	553.3	710.9
Total Application of Funds	**2282.6**	**2618.6**	**3210.2**	**3512.8**	**3937.5**

Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	354.8	392.0	531.6	588.8	760.7
Non-operating & EO items	-12.0	-17.1	-16.6	40.4	-21.3
Interest Expenses	42.4	28.3	22.5	43.7	47.3
Depreciation	92.4	110.1	120.9	156.1	169.2
Working Capital Change	120.9	-62.4	-264.4	-13.5	-50.5
Tax Paid	-66.4	-66.0	-103.6	-129.5	-167.4
OPERATING CASH FLOW (a)	**532.1**	**385.0**	**290.4**	**686.0**	**738.1**
Capex	-230.7	-114.1	-306.2	-650.0	-415.0
Free Cash Flow	301.4	270.9	-15.8	36.0	323.1
Investments	67.3	1.9	-320.5	150.0	0.0
Non-operating income	56.6	-90.5	86.0	0.0	0.0
INVESTING CASH FLOW (b)	**-106.8**	**-202.7**	**-540.7**	**-500.0**	**-415.0**
Debt Issuance / (Repaid)	-214.6	76.8	48.2	80.0	20.0
Interest Expenses	-31.1	-35.9	-32.8	-43.7	-47.3
FCFE	55.7	311.8	-0.5	72.2	295.8
Share Capital Issuance	0.0	0.0	390.1	0.0	0.0
Dividend	-145.4	-120.6	-188.7	-188.7	-188.7
Others	1.8	-99.8	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**-389.4**	**-179.5**	**216.7**	**-152.5**	**-216.1**
NET CASH FLOW (a+b+c)	**35.9**	**2.8**	**-33.6**	**33.5**	**107.0**

One Year Price Chart:

(Source: Company, HDFC sec)

Key Ratios

	FY20	FY21	FY22	FY23E	FY24E
PROFITABILITY RATIOS (%)					
EBITDA Margin	14.3	19.5	14.7	14.0	15.9
EBIT Margin	11.5	15.3	12.0	11.1	13.0
APAT Margin	8.8	11.8	9.6	8.4	9.9
RoE	17.1	17.3	18.7	16.7	19.2
RoCE	15.7	16.5	17.7	16.9	19.6
Solvency Ratio (x)					
Debt/EBITDA	1.4	1.3	1.2	1.1	0.9
D/E	0.4	0.3	0.3	0.3	0.3
PER SHARE DATA (Rs)					
EPS	8.3	9.1	11.3	12.1	15.7
CEPS	11.0	12.3	14.5	16.3	20.2
Dividend	3.5	3.5	5.0	5.0	5.0
BVPS	49.3	56.2	69.3	76.4	87.1
Turnover Ratios (days)					
Debtor days	70	89	74	73	69
Inventory days	44	53	43	43	42
Creditors days	52	69	62	60	56
VALUATION					
P/E (x)	16.5	15.1	12.2	11.3	8.8
P/BV (x)	2.8	2.4	2.0	1.8	1.6
EV/EBITDA (x)	6.2	5.3	4.9	7.7	6.1
EV/Revenues (x)	0.9	1.0	0.7	1.1	1.0
Dividend Yield (%)	2.5	2.5	3.6	3.6	3.6
Dividend Payout (%)	42.1	38.5	44.3	41.2	31.9

(Source: Company, HDFC sec)

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HDFC Sec Retail Research Rating description

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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.

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