

Stock Note

Rushil Decor Ltd.

Nov 14, 2022





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Building Materials	Rs 445.2	Buy in the band of Rs 442-450 & add more on dips to Rs 387-395 band	Rs 505	Rs 543	2-3 quarters

HDFC Scrip Code	RUSHILEQNR
BSE Code	533470
NSE Code	RUSHIL
Bloomberg	RDL IN
CMP Nov 11, 2022	445.2
Equity Capital (Rs cr)	19.9
Face Value (Rs)	10
Equity Share O/S (cr)	1.9
Market Cap (Rs cr)	886
Book Value (Rs)	170.6
Avg. 52 Wk Volumes	83751
52 Week High	675.4
52 Week Low	300.2

Share holding Pattern % (Sep 2022)	
Promoters	55.0
Institutions	1.8
Non Institutions	43.2
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:

Rushil Décor Ltd (RDL) is one of the leading manufacturers of laminates and MDF in India. Its facility is equipped to manufacture decorative (single-sided) as well as industrial (double-sided) laminates with a wide range of design, colour and finish and MDF boards of different sizes. Over the years, the company has built strong brand by offering 1200+ designs/SKUs in laminate sheets, providing competitive advantage. The company's laminate manufacturing facility in Gujarat has annual capacity of 34.92 lakh sheets per annum. In MDF segment, the Karnataka facility has an annual capacity of 90,000 cubic meters (CBM) per annum; and Andhra Pradesh plant has a capacity of 2,40,000 CBM per annum. Its strong dealer-value chain and brand recognition has allowed it to make its presence across India and abroad. With capacities in place, the company is strongly focusing on enhancing its brand and further strengthen its market reach through strong networking with distributors. It has a network of 12 branch & consignment agents, 540+ direct distributors, 4000+ retailers/dealers.

Valuation & Recommendation:

The company reported sharp jump in topline in FY22 mainly on account higher volumes on commencement of operations at new MDF plant and higher realizations. Increased share in MDF boards business (from 46.5% in FY21 to ~70% in FY22), resulted in improvement in overall margins. With its years of experience and expertise, the company has built wide product portfolio of laminates, MDF Boards, HDFWR (High Density Fiber Water Resistant) Boards, Pre-Laminated Decorative MDF Boards and PVC Boards; supported by robust after sales service network under VIR brand. We are positive on the company mainly due to MDF capacity and increasing efficiencies. After commencement of production of new MDF plant, it also started ramping up its exports. It has already built a strong position in south India market, and now plans to expand Pan-India for which is setting up infrastructure like warehousing, branches. Although the MDF business margin is much below its peers; it reported sizeable improvement in EBIT margins from 15% in Q4FY22 to 25.7% in Q2FY23. Improvement in operational efficiencies, utilization and economies of scale along with company's focus on improving share of value-added products makes a case of sustenance of margins going forward.

Going ahead, the company aims to expand distribution network by opening new marketing offices and appointing new distributors. It aims to enhance its brand presence by penetrating into smaller cities and towns, and enhance revenues going ahead. The company is catching up with its peers in terms of margins; we believe the valuation discount would narrow. We expect revenue/EBITDA/PAT to grow at CAGR of 20.8%/59.7%/109.9% over FY22-24E. **We think the base case fair value of the stock is Rs 505 (10x FY24E EPS) and the bull**



case fair value is Rs 543 (10.75x FY24E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 442-450 (8.8x FY24E EPS) and add more on dips to Rs 387-395 band (7.75x FY24E EPS).

Financial Summary

Particulars (Rs cr)	Q2FY23	Q2FY22	YoY-%	Q1FY23	QoQ-%	FY20	FY21	FY22	FY23E	FY24E
Total Operating Income	203.4	171.3	18.7	210.8	-3.5	335.6	335.4	624.2	815.0	910.5
EBITDA	47.1	21.9	115.1	47.5	-0.9	36.9	35.0	73.9	170.3	188.5
PAT	26.7	7.7	246.5	27.2	-1.9	23.1	12.2	22.8	90.8	100.5
Diluted EPS (Rs)	13.4	3.9	246.5	13.7	-1.9	15.4	8.1	11.5	45.6	50.5
RoE-%						10.6	5.6	8.3	27.4	23.6
P/E (x)						28.8	54.9	38.9	9.8	8.8
EV/EBITDA (x)						28.6	35.8	17.6	7.5	6.5

(Source: Company, HDFC sec)

Q2FY23 Result Review:

Rushil Décor Ltd (RDL) reported topline of Rs 203.4cr (+18.7%/-3.5% YoY/QoQ) driven by healthy growth in the MDF segment. The company reported sharp jump in EBITDA margin to 23.2% as compared to 12.8% in Q2FY22 (22.5% in Q1FY23). Better realization coupled with higher share of contribution from value added products improved the overall margins. Improving cost efficiencies and higher capacity utilization (71% in H1FY23 vs 56% in FY22) of Andhra Pradesh unit (MDF business) resulted in sharp uptick in EBITDA margin. It posted EBITDA of Rs 47.1cr (+115%/flat YoY/QoQ). RDL clocked PAT of Rs 26.7cr (-1.9% QoQ) as against profit of Rs 7.7cr in Q2FY22.

Laminate business reported revenue of Rs 52.8cr (+4%/11.3% YoY/QoQ). Volumes increase on sequential basis for both domestic and export market. Exports contributed 63.3% of topline and saw healthy realization per sheet (up 8.8% YoY). Domestic sales of laminated business declined 6.7% YoY due to marginal fall in volume offtake and average realization. Laminate business reported EBIT margin to 5.5% (+74bps/50bps YoY/QoQ).

MDF business clocked revenue growth of 23.1% YoY to Rs 149cr. Export's share increased to 14% (vs 5% in Q2FY22). Higher capacity utilization of AP unit (annual capacity of 240,000 CBM) provided a lever to scale up volumes and improve its domestic sales (Rs 127.8cr). Better realization (+27.4% YoY) in domestic market offset volume degrowth (12.6% YoY). Improving cost efficiencies and economies of scales supported dramatic improvement in EBIT margin (moving closer to peers). It posted EBIT margin of 25.7% compared to 11.8% in Q2FY22 (24.3% in Q1FY23). PVC board reported revenue of Rs 2.4cr, while it posted negative EBIT during the quarter. The board also



approved fund raising of upto Rs 200cr by way of rights issue. Plans for fund raising and related notice on rights issues is not yet announced; but some amount would be used to reduce debt.

Key Triggers:

MDF Business – Higher capacity utilisation and supply of value added products from the new plant to improve topline and bottomline:

Rushil Décor is the third largest manufacturer of boards in India. It manufactures thin and thick boards and pre-lam boards with thickness ranging from 2mm to 30mm. Its manufacturing facility at Chikmagalur, Karnataka has annual capacity of 90,000 cubic meter per annum. In March 2021, it operationalised a new manufacturing facility at Vishakhapatnam, Andhra Pradesh having annual installed capacity of 240,000 CBM per annum. The company has been supplying to OEMs and furniture online portals (~30% of volume) like Spacewood, Livspace. Although the realisations are a little lower compared to direct trade, this channel cannot be ignored.

The company reported sharp jump in topline in FY22 mainly on account higher volumes on commencement of operations at new plant and higher realizations. Increased share in MDF boards business (from 46.5% of sales in FY21 to ~70% in FY22), has resulted in improvement in overall margins. In FY22, Karnataka MDF plant saw capacity utilisation of 76% while the new Andhra Pradesh plant recorded capacity utilisation of 56%. The AP unit operated at 71% utilization in H1FY23 and the management has plans to increase to 75-80% in FY23-end. After commencement of production of new plant, it also started ramping up exports. It has already built a strong position in south India market, and now plans to expand Pan-India for which is setting up infrastructure like warehousing, branches. Although the MDF business margin is a little below its peers; it reported sizeable improvement in EBIT margins from 15% in Q4FY22 to 25.7% in Q2FY23. Improvement in operational efficiencies, utilization and economies of scale along with company’s focus on improving share of value-added products makes a case of sustenance of margins going forward. Currently, the value added product contribute ~28% and the management has set target of 40% in coming quarters. The company has further expanded its portfolio penetration as an extension in MDF panel products - PRELAM MDF, MAXPRO, and PROPLUS. Supplying more value added products from AP plants (currently selling interior grade products) would drive its topline and margins going ahead.

MDF Business	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Q1FY23	Q2FY23
MDF Sales (CBM)	61,661	69,097	77,276	84,526	79,585	83,952	77,520	1,76,545	58,745	54,344
YoY Growth-%	29.4%	12.1%	11.8%	9.4%	-5.8%	5.5%	-7.7%	127.7%	-	-
Sales (Rs cr)	105	143	157	173	156	167	156	434	161	149
YoY Growth-%	34.0%	36.0%	9.6%	10.1%	-9.3%	6.8%	-6.7%	178.6%	-	-
EBIT (Rs cr)	8.8	16.8	25.0	32.7	16.3	18.3	14.8	43.4	39.09	38.32
EBIT Margin (%)	8.4%	11.8%	16.0%	18.9%	10.4%	11.0%	9.5%	10.0%	24.3%	25.7%
Per unit (Rs per CBM)	17,046	20,694	20,268	20,410	19,408	19,733	20,041	24,416	27,362	27,418

(Source: Company, HDFC sec)



Laminate Business – Improving realisations but volume uptick (exports) needs to be seen:

The company manufactures single sided decorative as well as double sided industrial laminates with wide range of designs, colors and finishing spread across 3 manufacturing plants located at Gujarat with capacity of 34.92 lakh sheets per annum. Contributing ~30% of the topline in FY22 (52% in FY21), this business segment reported subdued growth topline of 1.4% CAGR over FY17-22. It posted revenue to the tune of Rs 189.7cr (up 8.1% YoY) due to better realization. The company has been finding it difficult to protect its margin against raw material pressures. It reported EBIT margin of 5.8% in FY22 as compared to earlier period 10-12% range. De-growth in export volumes in last couple of months due to higher freight costs and shipping charges impacted its overall performance. Although realization per sheet for exports have improved dramatically; volumes has not seen an uptick (especially post-covid).

Laminate Business	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Q1FY23	Q2FY23
Laminates Sales (Nos)	30,30,509	31,69,639	31,60,266	31,49,648	29,98,974	27,78,474	28,69,155	26,82,847	6,36,270	7,28,714
YoY Growth-%	5.2%	4.6%	-0.3%	-0.3%	-4.8%	-7.4%	3.3%	-6.5%	-	-
Sales (Rs cr)	163	170	177	181	183	163	176	190	47	53
YoY Growth-%	3.4%	4.3%	4.2%	2.3%	0.9%	-10.7%	7.5%	8.1%	-	-
EBIT (Rs cr)	18.9	16.1	21.9	21.8	19.4	16.1	17.4	11.0	2.39	2.91
EBIT Margin (%)	11.6%	9.5%	12.4%	12.0%	10.6%	9.9%	9.9%	5.8%	5.0%	5.5%
Per unit (Rs)	538	536	533	576	610	586	601	691	745	725

(Source: Company, HDFC sec)

Greenfield laminate expansion – to improve portfolio offerings and margins:

The company announced its plans to setup new greenfield unit in the vicinity of existing laminate plants in Gujarat for manufacture of decorative laminates including bigger size (Jumbo size) laminates having aggregate installed capacity of 1.2 million sheets per annum entailing capex of Rs 60cr, which will be funded by debt and internal accruals. Jumbo size laminates were missing in its portfolio; with this expansion it will be able to cater niche markets in US, Europe. The management alluded to Rs 100cr incremental revenue from this expansion, which is expected to operationalised by Q1FY25.

Focus on value-added product would improve its margin:

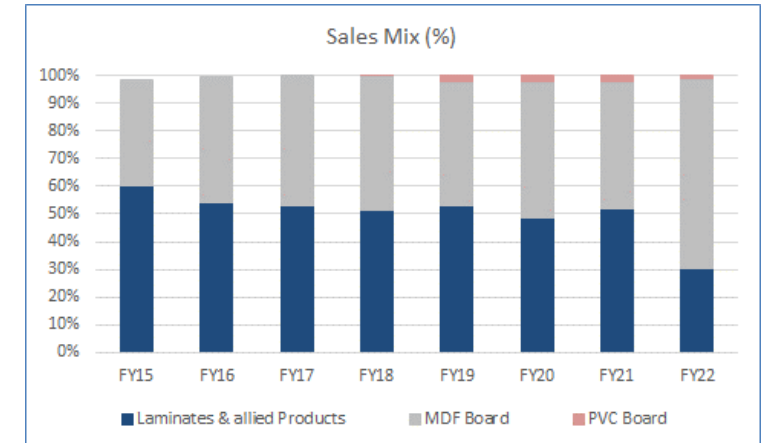
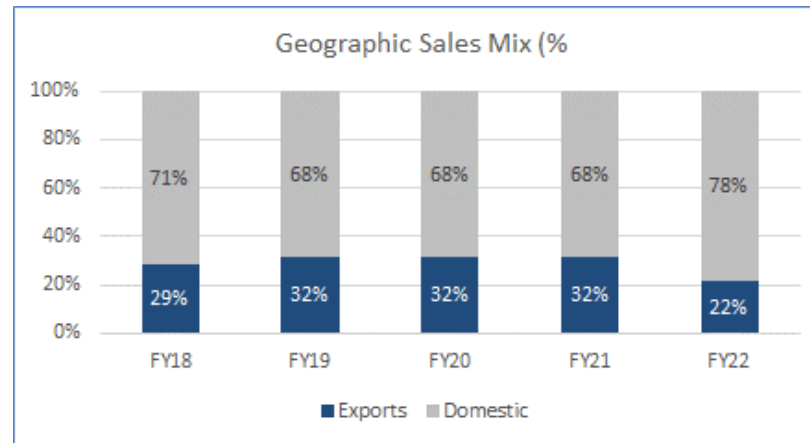
The company is focused on improving the share of value added products. Price hikes coupled with improving product mix led to better realisations in FY22. The company has added several value-added categories like PROMAX, PROPPLUS in MDF segment. In its first full year of operations at AP unit, the plan was to increase its capacity utilization thereby bringing additional efficiency. After having achieved 70%+ utilization levels; the company is focused on improving share of value added products especially from its AP unit. In the latest quarter, the company has increased its share to 28% from 23% in Q4FY22. The management targets to achieve 40% in FY23. Also, additional cost for



these value added products (pre-laminated MDF board, exterior grade, HDFWR grade) is low compared to the incremental realization; thereby improving its margins.

Strong distribution network and geographic diversification:

The company’s exports contributed ~31% over FY19-21, and its share dipped to 22% in FY22 mainly to due higher MDF sales from operationalisation of new plant. Most of the exports in the past was in the laminate business segment (60-65% of total laminate sales). It also ramped up export sales in MDF business in FY22 with operationalisation of new plant given its plant’s proximity to port. Exporting to 47 countries; its major export destinations are like Gulf and Middle East, Australia, Indonesia, US as well as European markets. Its strong dealer-value chain and brand recognition has allowed it to make its presence across India and abroad. With capacities in place, the company is strongly focusing on enhancing its brand and further strengthen its market reach through strong networking with distributors. It has a network of 12 branch & consignment agents, 540+ direct distributors, 4000+ retailers/dealers. The company has over 150+ showrooms under the brand ‘VIR STUDIO’ across country displaying entire product range under one roof.



(Source: Company, HDFC sec)

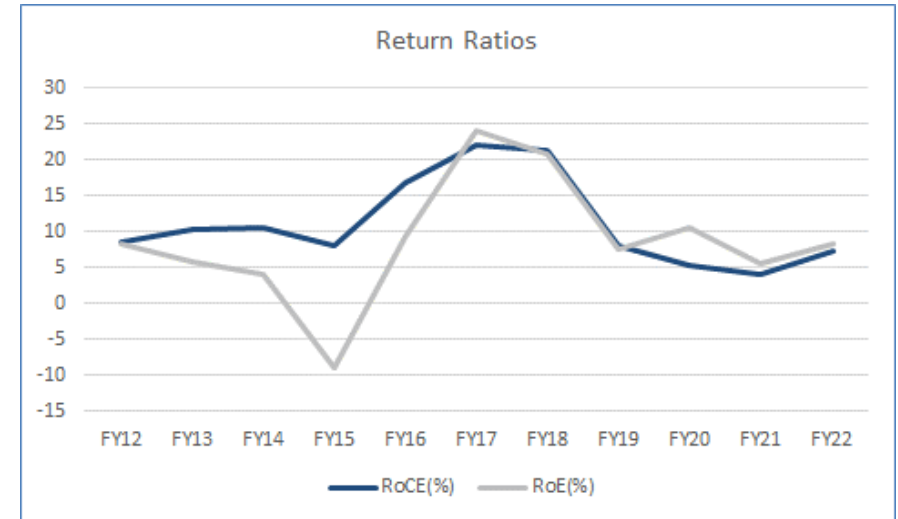
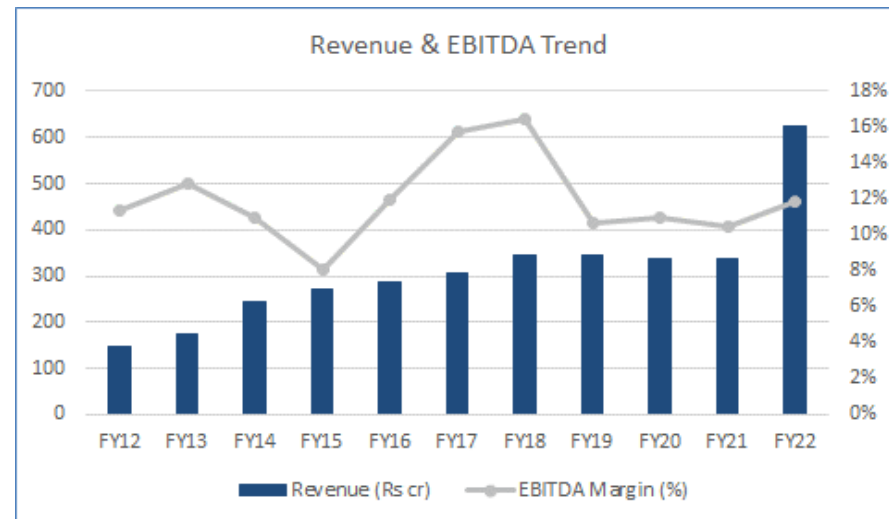
Fund raising; expansion plans could be in pipeline:

The company announced fund raising plans by way of rights issue for Rs 200cr in Aug 2022. Although the company has not highlighted any specific expansion plans; but a certain amount of the fund raise would be reserved for debt reduction. Currently the company is evaluating proposals for long term expansion.



Improving financial position:

Rushil Décor Ltd reported healthy topline growth of 86% YoY to Rs 624cr as it commenced operations at its new plant in Andhra Pradesh which achieved strong capacity utilisation of ~70%. Healthy growth in realisations also lifted topline in FY22. Revenue growth was affected as company's MDF Plant located at Chikmagalur, Karnataka was temporarily closed for manufacturing activities for approximately 60 days on account of planned preventive maintenance activities undertaken thereat as well as for replacement of some of the major parts of the plant. EBITDA margins remained flat YoY at 13.6%. The company has been striving to increase the capacity utilization at the AP plant and at the same time reducing the cost and increasing efficiencies. It is also putting up resin saving technology to save manufacturing costs. Furthermore, strategic location of facilities provides a significant competitive cost advantage in terms of raw material sourcing, manufacturing and labour costs. Although its return ratios have been subdued compared to its peers; focus on improving share of value added products would lift margins and returns ratios. The management is also focused to reduce debt; as some portion of the recent fund raising announcement would go for debt prepayment.



(Source: Company, HDFC sec)

Industry Insights:

Indian furniture market

The Indian furniture market size was estimated at USD 55 bn and is expected to clock a CAGR of 12.91% during 2020-24. The Indian furniture industry is expected to witness continuous growth on the back of rising per capita income levels, rapid urbanization and rise of consumer class. Post Covid-19, there has been a strong acceleration in the home decor industry. The industry offers enormous growth



opportunities in the form of import substitution, increasing exports and focus on home improvement in the wake of WFH/hybrid work culture. Besides, increasing real estate demand, Government's focus on housing, infrastructure & sanitation, and changing lifestyles also acts as important catalyst to the growth of the industry, especially for the players in the organised segment. Aligned to this growth opportunity, wood panel industry would be the largest beneficiary, followed by increasing and strong growth in laminates' exports and import replacement in MDF. Furthermore, the expansion of e-commerce channels has increased access to modern and affordable furniture for consumers in tier-II and tier-III cities, which is also a major driving factor. Organised players are likely to witness increased growth traction over the next few years driven by strong inherent demand and market share gains from their unorganised counterparts.

Laminates:

The decorative laminates market of India achieved a value of US\$ 0.7 Billion in 2021. It is predicted to reach US\$ 1.1 Billion by 2026, indicating a CAGR of 10% during 2022-26. Decorative laminates are referred to specially designed laminated sheets used as furniture surface materials, flooring and wall paneling. The growing standards of consumer living is driving the growth for the decorative laminates market. Laminates, with its new technological advancements and innovations, have emerged as an eco-friendly alternative to timber and this is expected to further drive the growth of laminates. There is a rising demand for decorative laminates in hotels, hospitals, shopping malls, airports, educational institutions and other commercial infrastructures owing to the wide availability of designs, colors and textures, among other factors.

Medium Density Fibreboard (MDF):

The global Medium Density Fibreboard (MDF) market was estimated to be US\$39.04 billion in 2021 and is expected to reach US\$57.11 billion in 2028, growing at a CAGR of 5.6%. MDF is a major focus of the mass manufacturing furniture industry and the preferred material among readymade furniture manufacturers. The demand for branded, ready-made, and low-maintenance furniture is increasing day-by-day, driving demand for MDF in furniture applications. Even though MDF has other applications such as doors, flooring, packaging, cabinets, and so on, the growth in the furniture industry is primarily driving the MDF market. Region-wise, the Asia-Pacific region dominated the global MDF market in 2021, accounting for more than 60% of the total market. Rising construction activities in China, India, and Japan is driving up demand for MDF in the region.

In India, consumers are increasingly shifting from plywood to MDF. Currently, MDF and plywood ratio across the world is nearly around 70:30; whereas in India, the ratio is approximately 20:80. According to industry experts, the MDF and plywood ratio in India is expected to become 50:50, indicating strong growth potential for the MDF industry. The demand for laminates and MDF is rising backed by increasing shift towards modular furniture. Superior attributes including resistance to moisture, easy installation, greater flexibility, and visual appeal



has helped in the growth of MDF. Moreover, strict government regulation on the plywood manufacturing to conserve the forest reserves in various countries leading to raw material insecurity is also likely to support the rise of demand for MDF in future. There has been an increasing preference for MDF-based furnishing over plywood, thus leading to a strong substitution opportunity. The Indian MDF industry was estimated to be Rs 3,000 crore in 2021 and is expected to grow at a CAGR of 15-20% over the next five years driven by rising demand for modular furniture, sustained replacement to cheap plywood and rising modular furniture exports from India.

Concerns:

Intense competitive pressure and increasing capacity expansion in MDF: The decorative laminate industry is highly competitive due to fragmented nature of presence of many unorganized players along with large established players. Further, the industry is exposed to threat from cheap imports from China, Malaysia, Vietnam, and Indonesia. In the MDF segment, existing big players (Century, Greenpanel) and new players (Greenply) have announced capacity expansion. Increasing supply in the next 2 years could result in some pressure on realisations and margins until the new capacity is absorbed in the market.

Raw material price volatility: Raw material cost formed about 50-55% of the total cost of sales for RDL during the last three fiscals. Main raw materials for manufacturing laminate i.e., base paper, kraft paper, phenol, formaldehyde, melamine, methanol and other allied chemicals are available locally; however, high-end and premium quality papers are imported. Methanol and Phenol being the primary chemical requirements, their availability and price has a significant impact on the operating margins of the company. For MDF manufacturing, wood resin and wax are main ingredient. The industry is largely dependent on natural forests (generally eucalyptus, silver, oak, poplar etc) for their raw material requirements. Any short supply of wood may lead to rise in price of raw materials.

Slowdown in realty sector: Growth of home décor companies is largely impacted by the slowdown in real estate activity. Demand has been rising lately on the back of a pickup in real estate activity. Any slowdown in realty sector can adversely impact the performance of home décor companies like Rushil Décor.

Exposure to foreign exchange fluctuation risk: RDL has sizable import along with foreign currency borrowings. The company enjoys a natural hedging due to its large amount of export revenue. However, the timing difference of the exports and imports exposes the company towards volatile foreign currency movement.

Promoter pledge: The promoter has pledge 9.98% of total holding (55% shareholding). Any correction in stock prices could invoke selling of shares in case of inadequate collaterals.



Minimal institutional shareholding: The shareholding pattern of Rushil Décor as on Sept 30, 2022 suggests that institutions own just 1.83% stake in the company, that reflects low interest from institutions in owning the stock.

High D/E ratio: The debt equity ratio of Rushil is 1.5:1 as on FY22. This could go down going forward as cashflows generated from the business can be used to repay the debt. However, in the meanwhile, if it faces rough times in its business, then the high D/E ratio could hurt its prospects.

About the company:

Rushil Décor Ltd (RDL) is one of the leading manufacturers of laminates and MDF in India. Its facility is equipped to manufacture decorative (single-sided) as well as industrial (double-sided) laminates with a wide range of design, colour and finish and MDF boards of different sizes. Over the years, the company has built strong brand by offering 1200+ designs/SKUs in laminate sheets, providing competitive advantage. The company laminate manufacturing facility in Gujarat has annual capacity of 34.92 lakh sheets per annum. In MDF segment, the Karnataka facility has an annual capacity of 90,000 cubic meters (CBM) per annum; and Andhra Pradesh plant has a capacity of 2,40,000 CBM per annum. RDL sells its products under its own brand name 'VIR LAMINATES' and 'VIR BOARDS' in the domestic and export markets. With its years of experience and expertise, the company has built wide product portfolio of laminates, MDF Boards, HDFWR (High Density Fiber Water Resistant) Boards, Pre-Laminated Decorative MDF Boards and PVC Boards; supported by robust after sales service network under VIR brand.

Peer Comparison:

	Mcap (Rs cr)	Sales			EBITDA Margin-%			PAT		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Rushil Décor Ltd	886	624	815	911	11.8	20.9	20.7	23	91	100
Centry Plyboards Ltd	13,226	3,027	3,631	4,196	17.5	17.8	17.9	313	419	485
Greenlam Industries Ltd	4,053	1,703	2,088	2,711	11.0	11.9	12.7	93	121	169
Greenpanel Industries Ltd	4,613	1,624	1,975	2,142	25.7	25.8	24.1	233	300	338

	RoE-%			P/E		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Rushil Décor Ltd	8.3	27.4	23.6	38.9	9.8	8.8
Centry Plyboards Ltd	22.2	23.8	22.3	42.3	31.6	27.3
Greenlam Industries Ltd	14.8	16.0	17.9	41.6	33.0	23.4
Greenpanel Industries Ltd	26.5	26.6	24.1	19.8	15.4	13.6

(Source: Bloomberg estimates, Company, HDFC sec)



Financials

Income Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	335.6	335.4	624.2	815.0	910.5
Growth (%)	-2.4	0.0	86.1	30.6	11.7
Operating Expenses	298.7	300.5	550.2	644.6	722.1
EBITDA	36.9	35.0	73.9	170.3	188.5
Growth (%)	0.8	-5.3	111.3	130.4	10.7
EBITDA Margin (%)	11.0	10.4	11.8	20.9	20.7
Depreciation	8.7	9.7	24.4	27.9	33.1
EBIT	28.2	25.3	49.6	142.4	155.4
Other Income	3.5	4.3	1.4	1.6	2.3
Interest expenses	12.0	12.4	20.3	22.7	23.4
PBT	19.7	17.2	30.7	121.4	134.3
Tax	-3.3	5.0	7.9	30.6	33.8
RPAT	23.1	12.2	22.8	90.8	100.5
APAT	23.1	13.7	22.8	90.8	100.5
Growth (%)	61.0	-40.5	66.1	298.3	10.7
EPS	15.4	8.1	11.5	45.6	50.5

Balance Sheet

As at March (Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	14.9	19.7	19.9	19.9	19.9
Reserves	213.5	244.4	266.9	356.7	456.1
Shareholders' Funds	228.4	264.1	286.8	376.6	476.0
Long Term Debt	338.9	295.2	286.2	246.2	216.2
Net Deferred Taxes	23.5	28.3	36.2	36.2	36.2
Long Term Provisions & Others	18.7	20.0	18.6	27.5	30.5
Total Source of Funds	609.5	607.6	627.7	686.4	758.8
APPLICATION OF FUNDS					
Net Block & Goodwill	197.3	587.2	593.8	636.3	653.3
CWIP	338.5	1.0	0.5	0.0	0.0
Other Non-Current Assets	56.9	27.7	15.8	24.5	29.1
Total Non Current Assets	592.7	615.9	610.1	660.8	682.4
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	85.6	84.3	155.4	196.5	214.5
Trade Receivables	61.2	57.5	82.6	111.6	129.7
Cash & Equivalents	5.8	11.6	6.1	13.5	29.6
Other Current Assets	40.6	39.1	32.6	42.4	47.4
Total Current Assets	193.1	192.5	276.7	364.1	421.3
Short-Term Borrowings	58.3	83.5	133.4	158.4	158.4
Trade Payables	95.8	79.8	87.9	127.3	129.7
Other Current Liab & Provisions	22.2	37.5	37.7	52.8	56.7
Total Current Liabilities	176.3	200.8	259.1	338.5	344.9
Net Current Assets	16.8	-8.3	17.6	25.6	76.4
Total Application of Funds	609.5	607.6	627.7	686.4	758.8



Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	19.7	18.7	30.7	121.4	134.3
Non-operating & EO items	0.4	-1.8	-0.1	-0.3	-1.8
Interest Expenses	12.0	12.4	20.3	22.7	23.4
Depreciation	8.7	9.7	24.4	27.9	33.1
Working Capital Change	7.9	41.2	-81.7	-25.0	-34.6
Tax Paid	-1.6	-3.1	-0.2	-30.6	-33.8
OPERATING CASH FLOW (a)	47.1	77.1	-6.7	116.1	120.5
Capex	-242.3	-60.7	-30.4	-70.0	-50.0
Free Cash Flow	-195.2	16.4	-37.1	46.1	70.5
Investments	0.0	0.0	0.0	0.0	0.0
Non-operating income	44.2	22.2	15.5	0.0	0.0
INVESTING CASH FLOW (b)	-198.2	-38.6	-14.9	-70.0	-50.0
Debt Issuance / (Repaid)	164.0	-48.3	41.0	-15.0	-30.0
Interest Expenses	-12.0	-12.4	-20.3	-22.7	-23.4
FCFE	-43.2	-44.4	-16.5	8.4	17.1
Share Capital Issuance	0.0	24.0	0.9	0.0	0.0
Dividend	-0.9	-0.9	-1.0	-1.0	-1.0
Others	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	151.0	-37.6	20.6	-38.7	-54.4
NET CASH FLOW (a+b+c)	0.0	0.9	-1.1	7.4	16.1

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY20	FY21	FY22	FY23E	FY24E
PROFITABILITY RATIOS (%)					
EBITDA Margin	11.0	10.4	11.8	20.9	20.7
EBIT Margin	8.4	7.5	7.9	17.5	17.1
APAT Margin	6.9	4.1	3.7	11.1	11.0
RoE	10.6	5.6	8.3	27.4	23.6
RoCE	5.3	4.0	7.3	19.1	19.0
Solvency Ratio (x)					
Debt/EBITDA	10.8	10.8	5.7	2.4	2.0
D/E	1.7	1.4	1.5	1.1	0.8
PER SHARE DATA (Rs)					
EPS	15.4	8.1	11.5	45.6	50.5
CEPS	21.3	11.8	23.7	59.6	67.1
Dividend	0.5	0.5	0.5	0.5	0.5
BVPS	153.0	132.7	144.1	189.2	239.1
Turnover Ratios (days)					
Debtor days	63	65	41	43	48
Inventory days	94	92	70	79	82
Creditors days	92	96	49	48	52
VALUATION					
P/E (x)	28.8	54.9	38.9	9.8	8.8
P/BV (x)	2.9	3.4	3.1	2.4	1.9
EV/EBITDA (x)	28.6	35.8	17.6	7.5	6.5
EV/Revenues (x)	3.1	3.7	2.1	1.6	1.4
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1
Dividend Payout (%)	3.2	7.3	4.4	1.1	1.0

(Source: Company, HDFC sec)



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 cyclicity 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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