

## Stock Note

# Som Distilleries and Breweries Ltd.

May 08, 2023





# Som Distilleries and Breweries Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Alcobeve	Rs. 180.9	Buy in Rs. 179-184 band and add more on dips in Rs. 154-160 band	Rs. 199	Rs. 218	2 -3 quarters

HDFC Scrip Code	SOMDISEQNR
BSE Code	507514
NSE Code	SDBL
Bloomberg	SDB IN
CMP (May 05, 2023)	180.9
Equity Capital (RsCr)	36.9
Face Value (Rs)	5
Equity Share O/S (Cr)	7.4
Market Cap (RsCr)	1266
Book Value (Rs)	51
Avg. 52 Wk Volumes (in '000s)	699
52 Week High	183.7
52 Week Low	53.58

Share holding Pattern % (March, 2023)	
Promoters	33.11
Institutions	1.10
Non Institutions	65.79
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:

Som Distilleries & Breweries Limited (SDBL) is based in Bhopal and is one of the leading alcoholic beverages manufacturers in India. It is primarily engaged in production of beer (~91% of revenues) and blending and bottling of IMFL. It offers a broad line of products at every price point to cater to varied preferences of the consumers. The product portfolio consists of various options across beer, rum, brandy, vodka and whisky. The company has three key millionaire brands in beer (sales more than 1 mn cases per annum) – Hunter, Black Fort and Power Cool. In FY20, SDBL launched Woodpecker Wheat Beer, India's first filtered wheat beer. The brand has created significant traction in very short period and is expected to gain further momentum. The core markets of the company are Madhya Pradesh (~45-50% of total revenue; ~35% market share), Karnataka (~30-35% of total revenue; ~16% market share) and Odhisa (~10% of total revenue; ~12% market share). The company remains committed to its strategic objective of entering into new markets and further strengthen its foothold in existing markets. SDBL will continue to evaluate markets based on its potential and profitability. This will enable the Company to enhance its market share in medium to long term.

### Valuation & Recommendation:

SDBL's prospects seem exciting at this juncture as SDBL has delivered strong operating performance over the past few quarters and the management is aggressively targeting market expansion in a growing liquor market. We believe the domestic market offers various opportunities in term of sub-geographic penetration and market diversification. The management of SDBL is cognizant of the same as it intend to seize and increase the company's market share by exploring untapped markets, through product innovations and undertaking capex. **We think the base case fair value of the stock is Rs 199 (16x FY25E EPS) and the bull case fair value of is Rs 218 (17.5x FY25E EPS). Investors can buy the stock in Rs 179-184 band (14.5x FY25E EPS) and add more on dips in Rs 154-160 (13x FY25E EPS) band.**



### Financial Summary

Particulars (in Rs Cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY21	FY22	FY23P	FY24E	FY25E
Operating Income	253	146	73%	151	68%	288	363	807	954	1,168
EBITDA	28	12	139%	19	46%	-10	16	102	129	164
APAT	16	6	148%	11	51%	-31	-11	60	72	96
Diluted EPS (Rs)	2.2	1.0	124%	1.5	49%	-4.8	-1.6	8.2	9.3	12.4
RoE-%						-10.3	-3.9	18.1	16.4	17.7
P/E (x)						-37.8	-113.0	22.1	19.5	14.5
EV/EBITDA						-166.0	102.0	15.9	12.0	9.1

(Source: Company, HDFC sec)

### Q4FY23 results: Key Highlights

- Beer realization for Q4 FY23 was Rs. 488 per case compared to Rs. 454 in Q4FY22; primarily driven by rate increases and better product mix.
- IMFL realization for Q4FY23 was Rs. 742 per case as compared to Rs. 785 in Q4FY22 due to adverse product mix.
- Margins improved due to cost efficiencies achieved through better utilization. EBITDA margins for Q4FY23 was 11.3% compared to 8.1% in Q4FY22; PAT margins for Q4FY23 was 6.3% compared to 4.4% in Q4FY22.

### Key Triggers:

#### Emerging as a strong national player

SDBL has a diversified product portfolio consisting of beer, rum, brandy, vodka and whisky. Beer is the flagship product of the group and its Hunter, Black Forest and Black Fort beer have gained significant popularity in a short span of time.

The company derives majority of its revenue from the beer segment. Presence of IMFL brands compliments beer brands and reduces seasonality to a certain extent. While beer volumes jumped during summer months (April, May and June), IMFL sales increases around winter (mainly December and January). However a growing presence in southern markets offsets the seasonality effect to an extent due to mild winters there.

Overall, it has 2% market share in the beer segment on a pan India basis. Madhya Pradesh is the company’s core market. It has a 35% share in the beer segment. The company had entered Karnataka only a few years back and its market share here has increased from 3.9% in FY19 to 16.6% in February 2023. This is significant achievement considering Karnataka is highly competitive market and also a home state of United Breweries Ltd. Besides Madhya Pradesh and Karnataka, Orissa is the third biggest market for SDBL. These three markets collectively



contribute to ~90% of company's business. Going forward, the company plans to increase its penetration in these three core markets and gradually scale up its presence in Uttar Pradesh, Delhi and Telangana.

### SDBL's brand portfolio



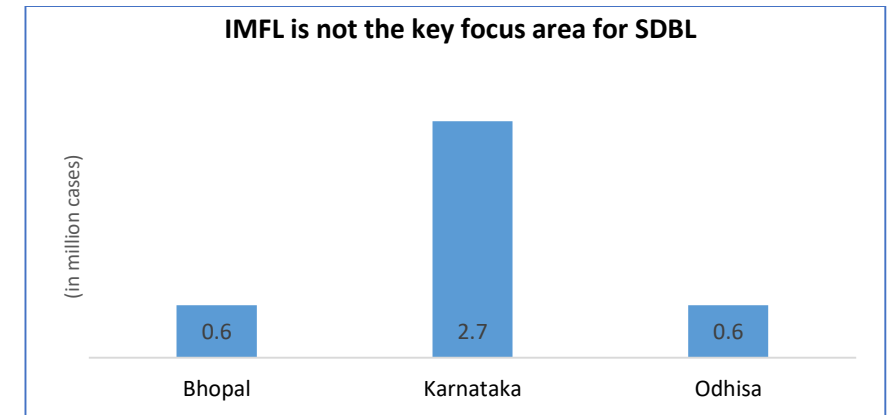
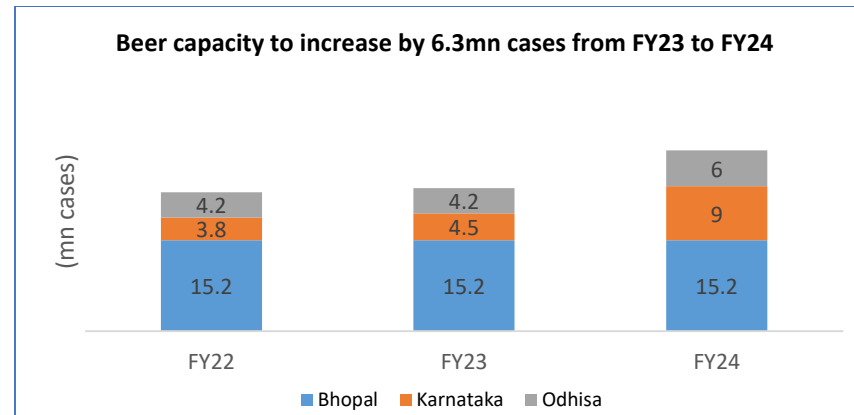
(Source: Company, HDFC sec)

**Portfolio Premiumisation:** The company predominantly caters to the strong beer segment. The company's mainline brand 'Hunter' caters to customers in the premium strong beer segment. In FY22, 'Hunter' achieved a market share of 55% in premium beer segment in MP. In FY21, the company has also launched 'Woodpecker' wheat beer in select markets in Northern India, which is India's first filtered wheat beer. In addition, the company has also launched new variant / limited editions of its existing brands on an ongoing basis to enhance its customer experience. SDBL's Genius Prestige whiskey gained 46% market share in its segment in Karnataka within 3 months of launch. Further, it received an approval for sales of Legend Brandy and Pentagon Whisky approved for supply in Canteen Stores Department (CSD)



### Capacity expansion to aid market penetration

SDBL had increased the capacity of its Karnataka plant from 34 lakh cases p.a. in FY22 to 45 lakh cases p.a. in FY23 through de-bottlenecking. It was able to quickly ramp up the utilisation on the back of continued strong demand. The company further undertook the brownfield expansion and doubled its capacity in Karnataka to 90 lakh cases p.a. which has been commercialised in May 2023. Further, the company is increasing the capacity of Odhisa plant from 42 lakh cases to 60 lakh cases at ~Rs 35 crore (Rs 25 Cr through debt). With the launch of canning line at Bhopal, SDBL is well-positioned to meet the growing demand for canned beers in the market. Noticeably, the realisations for canned beers is ~20% higher (due to lesser content compared to glass bottles) and can prices for the same are less volatile compared to glass bottle. Additionally, Uttar Pradesh market has higher sale of canned beers and new canning line shall help company sell more in the state. SDBL incurred ~Rs 100 cr for brownfield expansion in Karnataka and Odhisa and setting up of canning line in Bhopal.



(Source: Company, HDFC sec)

### Selectively Pursue Strategic Acquisitions in the medium term

SDBL is looking at strategic expansion plans through inorganic growth opportunities. Through strategic acquisitions, the company aims to increase scale of operations, access new clients and enter high growth geographies in a cost – effective manner. In 2018, SDBL acquired a brewery plant (for Rs 46 Cr with capacity of 42 lakh cases per annum) in Odisha which generated ~9-10% of revenues in FY23.

**Exports:** Besides expanding its presence in the domestic market, the company is also focused on expanding its exports portfolio. Recently, SDBL signed a Memorandum of Understanding (MOU) with Indian Fashion FZE, based out of the UAE for export of Beer and IMFL for West and Central Africa. Initially, the company plans to start supply of 'Blackfort' beer and based on the traction will gradually start supplying other brands over the period. Currently, exports contribute ~2% of FY23 sales.



### Volumes continue to be on an uptrend

Post opening up of economy after Covid restrictions, SDBL has reported tremendous volume growth in all key markets. In FY23, its beer volumes stood at whopping 1.5 crore cases which is significantly higher than its pre-pandemic run rate. In addition to the favourable demand scenario, the change in Madhya Pradesh excise policy and increase in the sale points particularly in the MP benefited its overall performance. The sales touch points in MP has increased by over 3x due to sales of beer and IMFL through IMIL/country liquor stores. Going ahead, we expect the momentum to continue primarily aided by capacity expansion in Karnataka/Odisha and higher utilisation of canning line at Bhopal. In FY23, SDBL operated at 62% utilisation on old capacities. Post the expansion it has a lot of headroom to grow volumes in FY24 and FY25.

In Q3FY23, the company has signed a contract with Radico Khaitan to manufacture their IMFL and RTD brands at Karnataka plant. This shall drive the utilisation of IMFL facility, however, we don't expect any material contribution from this arrangement in the near term. It has also in the past done bottling for 7 Inks beer, but the volumes has dipped substantially lately.

Realisations have remained stable as despite higher input costs, the company hasn't taken significant price hikes given its goal of increasing market share. We expect realisations to remain stable in near term while premiumisation as well as price hikes will drive the realisation higher over longer time. Additionally, commercialisation of new canning line and higher contribution from canned beer (realisations are ~20% higher vs glass bottles) will facilitate an increase in realisations. Currently, canned beers contribute less than 10% of volumes.

Thus, on overall basis we expect the company to report 20.3% CAGR in revenues over FY23-25E. We have built in ~18% Beer CAGR volume growth over FY23-25E.

Beer Sales	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Revenues (in crore)	179	156	171	191	201	302	326	381	236	319	730
Volumes (in lakh cases)	48.2	43.3	44.7	50.1	53.9	75	75.9	83.5	50.21	68.3	149.6
Realisation (in Rs/ case)	371	361	383	381	372	403	429	456	470	466	488

Brand (lakh cases)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Hunter	13.8	13.0	15.0	16.8	21.2	30.1	32.5	35.9	22.4	24.8	49.4
Power Cool	10.8	13.0	11.8	15.8	17.1	54.4	22.3	31.6	15.9	28.0	78.5
Black Fort	23.6	17.2	17.8	17.5	15.6	20.1	18.9	14.4	10.6	12.0	19.9



Brand (lakh cases)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Hunter	2.5	5.1	5.5	9.2	5	6	4.8	8.9	20	9	5.6	14.8
Power Cool	2	3.5	4.2	6.2	2.8	4.4	7.2	13.4	19.4	16	17	26.1
Black Fort	1.3	1.9	3.2	4.2	2	2.7	3.2	4.1	7.2	3.4	3.6	5.7

IMFL Sales	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Revenues (in crore)	46	44	48	62	79	52	44	70
Volumes (in lakh cases)	7.6	6.8	7.5	9.7	12.0	7.4	5.7	8.9
Realisation (in Rs/ case)	603	647	644	641	659	695	773	785

(Source: Company, HDFC sec)

### Focus on operational efficiencies to improve returns

SDBL is addressing the increase in operational output through continuous process improvements, quality check and technology development. Company has been working on revamping manufacturing strategies, sourcing strategies and cost reduction strategies to improve its operational efficiencies. This has helped company to report healthy EBITDA margin despite inflation in input costs. Going ahead, we expect the company to report EBITDA margin in 12-14% range.

### Key Concerns

**Disruption in key markets:** Madhya Pradesh, Odisha and Karnataka contribute >70% of company's sales. The alcobev industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising and distribution. Any negative policy developments in company's key markets could affect company's performance.

**Political Risk:** There is an increased tendency towards prohibition in an election year. Another concern emerges from the dependence on state governments to get price increases. Margins may get severely impacted in case of inflation in raw material costs or any increase in cost due to change in regulations.

**Seasonality:** Demand for beer is highest during the months of March to June, which results in peak sales during Q1 and Q4 of financial year.

**Volatility in Raw Material:** The beer and IMFL industry can be adversely impacted due to the volatility in key input raw material prices such as barley, ENA and glass bottles. Since the pricing power is limited, companies cannot fully pass on the higher costs to consumers thereby margins gets impacted.



**Competition:** Over last few years, many international companies have entered the Indian market due to the immense potential prevailing in the country. These players could impact volumes primarily in the metros as their products are well known among affluent or lifestyle seeking consumers. Furthermore, increasing trend of craft beer among urban population also increases the competition as beers can be manufactured with very limited investment in a smaller size brewery as compared to significant investment required in traditional breweries.

### **Aggressive expansion plans may lead to further equity dilution**

Over past few years SDBL has expanded its operations outside of its home state (MP) in Karnataka and Odhisa. Additionally, SDBL's operations are working capital intensive due to its requirement of upfront excise duty payment and high inventory holding. Since FY18, the company has used following source to fund its growth:

- Rs 100 cr of equity raised in 2018 via private placement by issuing shares to Karst Peak Asia Master Fund and Vermilion Peak Master Fund.
- Rs 35 cr of equity raised by issuing warrants to promoters in 2018
- Rs 17 cr rights issue in February 2022 at Rs 35/share
- Rs 27 cr of equity raised by issuing warrants to promoters and 3 non-promoter group in December 2022
- Rs 49 cr rights issue in April 2023 at Rs 140/share

Additionally, total debt of the company increased from Rs 75 cr in FY18 to Rs 241 cr in FY23.

Additionally, the company has been receiving consistent advances from the promoter group, along with credit period from its suppliers, to support the working capital requirement and capex.

Going ahead, the company may further need to raise funds for expansion purpose. In a recent [interview with CNBC TV18](#), Mr. Jagadish Arora (promoter) highlighted company's ambitions to set up a unit in Maharashtra which may require an investment of ~Rs 300 cr. He also stated that the company is eyeing other states such as Telangana, Tamil Nadu, and Uttar Pradesh for further expansion. Materialisation of such ambitious expansion plans may require significant equity infusion.

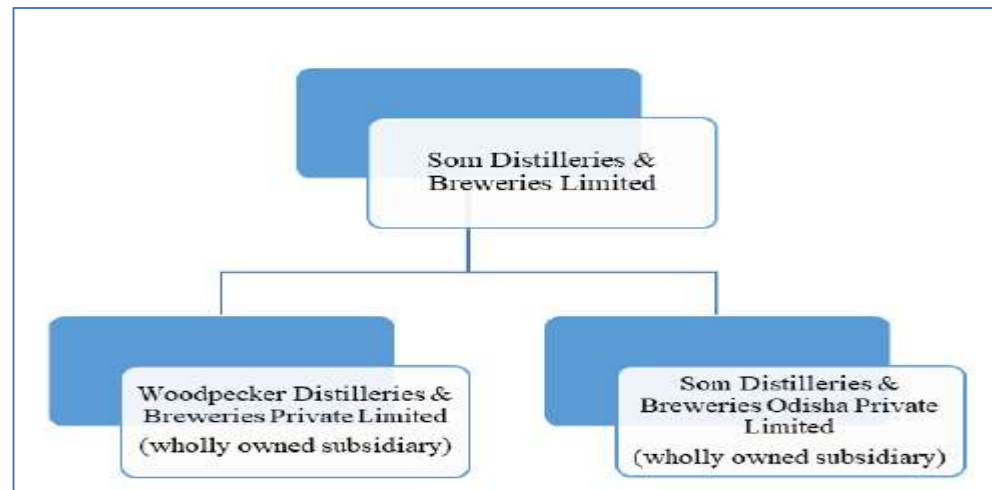
**The stock price of SDBL has risen since the lows of Covid and lately from the lows of late Feb 2023** reflecting the improving fundamentals and partly reflecting the recent creeping acquisition by promoters. Any untoward development in the risk appetite in the markets and/or the industry/company could result in sizeable correction. However, in absence of such an event, the stock has catching up to do in terms of earnings and valuations compared to its peers.





### About the company

Incorporated in 1993, Som Distilleries and Breweries Limited (SDBL) is primarily engaged in production of beer and blending and bottling of Indian Made Foreign Liquor (IMFL). It offers a broad portfolio of products at different price points to cater to varied preferences of consumers. SDBL's flagships brands include Hunter, Black Fort, Power Cool and Woodpecker in the Beer segment and Milestone 100 whisky and White Fox vodka in the IMFL segment. Other IMFL brands include Legend, Pentagon, Black Fort, Genius, Sunny, Gypsy and Blue Chip. Hunter and Woodpecker brands are supplied as draught beer to all major hotels in Madhya Pradesh and Karnataka. SDBL has recently launched 'Woodpecker' Wheat Beer, India's first filtered wheat beer. ~91% of revenues came from beer sales in FY23. SDBL's manufacturing unit is located at Bhopal (Madhya Pradesh). As on March 31, 2023, SDBL (standalone) has a total installed capacity of ~152 lakhs cases of beer per annum and ~6 lakhs cases per annum of IMFL (excluding our subsidiaries) which is sold to the domestic and international customers. Alongside, it has 2 100% subsidiary companies, Woodpecker Distilleries & Breweries Private Limited located at Hassan, Karnataka and Som Distilleries & Breweries Odisha Private Limited located at Barpada, Odisha.



(Source: Company, HDFC sec)

**Woodpecker Distilleries & Breweries Private Limited:** SDBL's wholly owned subsidiary Woodpecker Distilleries & Breweries Private Limited is located at Hasan, Karnataka and is engaged in manufacturing of beer and bottling/blending of IMFL. It started its commercial production in 2018 with a capacity of 34 lakhs cases per annum. Through de-bottlenecking the company increased the capacity to 45 lakh cases in FY23 and with recently concluded brownfield expansion the capacity has been doubled to 90 lakh cases p.a. Its IMFL capacity stood at 27.85 lakhs cases p.a.



# Som Distilleries and Breweries Ltd.

Som Distilleries & Breweries Odisha Private Limited: Som Distilleries & Breweries Odisha Private Limited is located at Barpada, Odisha and is engaged in manufacturing of beer. It started its commercial production in March 2019 with capacity of 42 lakhs cases per annum. The company is expanding its capacity to 60 lakhs cases p.a. which is likely to be commercialised in June 2023.

## Financials

### Income Statement

Particulars (in Rs Cr)	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>Net Revenues</b>	<b>393</b>	<b>460</b>	<b>288</b>	<b>363</b>	<b>807</b>	<b>954</b>	<b>1168</b>
<b>Growth (%)</b>	<b>12.2</b>	<b>16.9</b>	<b>-37.5</b>	<b>26.1</b>	<b>122.4</b>	<b>18.2</b>	<b>22.5</b>
Operating Expenses	344	416	297	347	705	825	1005
<b>EBITDA</b>	<b>49</b>	<b>44</b>	<b>-10</b>	<b>16</b>	<b>102</b>	<b>129</b>	<b>164</b>
<b>Growth (%)</b>	<b>-15.8</b>	<b>-10.1</b>	<b>-121.6</b>	<b>-262.1</b>	<b>557.5</b>	<b>26.1</b>	<b>27.0</b>
<b>EBITDA Margin (%)</b>	<b>12.5</b>	<b>9.6</b>	<b>-3.3</b>	<b>4.3</b>	<b>12.7</b>	<b>13.5</b>	<b>14.0</b>
Depreciation	9	12	13	17	17	20	22
Other Income	3	4	3	3	1	2	2
<b>EBIT</b>	<b>44</b>	<b>36</b>	<b>-20</b>	<b>1</b>	<b>86</b>	<b>111</b>	<b>144</b>
Interest expenses	12	15	19	15	16	16	15
<b>PBT</b>	<b>32</b>	<b>21</b>	<b>-39</b>	<b>-14</b>	<b>70</b>	<b>95</b>	<b>128</b>
Tax	22	14	-8	-3	10	23	32
<b>PAT</b>	<b>10</b>	<b>7</b>	<b>-31</b>	<b>-11</b>	<b>60</b>	<b>72</b>	<b>96</b>
Share of Asso./Minority Int.	0	0	0	0	0	0	0
<b>Adj. PAT</b>	<b>10</b>	<b>7</b>	<b>-31</b>	<b>-11</b>	<b>60</b>	<b>72</b>	<b>96</b>
<b>Growth (%)</b>	<b>-46.0</b>	<b>-29.4</b>	<b>-545.1</b>	<b>-64.0</b>	<b>-638.7</b>	<b>18.6</b>	<b>34.3</b>
EPS	1.5	1.1	-4.8	-1.6	8.2	9.3	12.4

### Balance Sheet

Particulars (in Rs Cr) - As at March	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>SOURCE OF FUNDS</b>							
Share Capital	32	32	32	35	37	39	39
Reserves	278	287	249	255	338	457	553
<b>Shareholders' Funds</b>	<b>311</b>	<b>320</b>	<b>282</b>	<b>290</b>	<b>375</b>	<b>496</b>	<b>592</b>
Minority Interest	0	0	0	0	0	0	0
Total Debt	149	199	208	197	242	177	148
Net Deferred Taxes	12	10	7	1	11	11	11
<b>Total Sources of Funds</b>	<b>472</b>	<b>529</b>	<b>497</b>	<b>488</b>	<b>629</b>	<b>684</b>	<b>751</b>
<b>APPLICATION OF FUNDS</b>							
Net Block & Goodwill	207	272	414	406	391	461	486
CWIP	150	142	2	0	97	42	21
Investments	0	0	0	0	0	0	0
Other Non-Curr. Assets	18	19	26	25	34	40	49
<b>Total Non Current Assets</b>	<b>374</b>	<b>433</b>	<b>442</b>	<b>431</b>	<b>522</b>	<b>543</b>	<b>555</b>
Inventories	95	104	68	85	135	159	195
Debtors	119	130	132	116	142	170	208
Cash & Equivalents	25	22	14	9	13	30	60
Other Current Assets	73	68	55	59	99	118	144
<b>Total Current Assets</b>	<b>312</b>	<b>324</b>	<b>269</b>	<b>268</b>	<b>389</b>	<b>477</b>	<b>607</b>
Creditors	64	87	89	69	110	131	160
Other Current Liab & Provisions	151	141	125	142	173	205	251
<b>Total Current Liabilities</b>	<b>215</b>	<b>228</b>	<b>215</b>	<b>211</b>	<b>283</b>	<b>336</b>	<b>411</b>
Net Current Assets	97	96	55	57	106	141	196
<b>Total Application of Funds</b>	<b>472</b>	<b>529</b>	<b>497</b>	<b>488</b>	<b>629</b>	<b>684</b>	<b>751</b>



## Cash Flow Statement

Particulars (in Rs Cr)	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	32	21	-39	-13	70	95	128
Non-operating & EO items	0	0	0	1	0	3	4
Interest Expenses	12	15	19	15	16	16	15
Depreciation	9	12	13	17	17	20	22
Working Capital Change	-39	17	33	-7	-46	-26	-38
Tax Paid	-10	-24	-3	-3	0	-23	-32
<b>OPERATING CASH FLOW ( a )</b>	<b>4</b>	<b>41</b>	<b>23</b>	<b>10</b>	<b>58</b>	<b>84</b>	<b>99</b>
Capex	-195	-67	-16	-7	-99	-35	-25
Free Cash Flow	-191	-25	7	4	-42	49	74
Investments	0	0	0	0	0	0	0
Non-operating income	-2	-4	3	1	-9	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-197</b>	<b>-70</b>	<b>-13</b>	<b>-6</b>	<b>-108</b>	<b>-35</b>	<b>-25</b>
Debt Issuance / (Repaid)	74	50	-14	-12	45	-65	-29
Interest Expenses	-12	-15	-19	-15	-16	-16	-15
FCFE	-132	6	-22	-23	-22	-32	30
Share Capital Issuance	135	0	0	18	0	49	0
Dividend	-4	-5	0	0	-2	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>192</b>	<b>30</b>	<b>-32</b>	<b>-10</b>	<b>27</b>	<b>-32</b>	<b>-44</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-1</b>	<b>1</b>	<b>-22</b>	<b>-6</b>	<b>-24</b>	<b>17</b>	<b>30</b>

## One-year share price chart



## Key Ratios

Particulars	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>Profitability Ratios (%)</b>							
EBITDA Margin	12.5	9.6	-3.3	4.3	12.7	13.5	14.0
EBIT Margin	11.2	7.9	-7.1	0.4	10.7	11.6	12.3
APAT Margin	2.5	1.5	-10.8	-3.1	7.5	7.5	8.2
RoE	4.2	2.2	-10.3	-3.9	18.1	16.4	17.7
RoCE	12.7	7.4	-4.0	0.3	15.7	17.2	20.3
<b>Solvency Ratio (x)</b>							
Net Debt/EBITDA	2.5	4.0	-20.2	12.1	2.2	1.1	0.5
Net D/E	0.4	0.6	0.7	0.6	0.6	0.3	0.1
<b>PER SHARE DATA (Rs)</b>							
EPS	1.5	1.1	-4.8	-1.6	8.2	9.3	12.4
CEPS	2.9	2.9	-2.7	0.8	10.5	11.8	15.3
BV	47.8	49.2	43.4	41.4	50.9	64.2	76.6
Dividend	0.0	0.0	0.0	0.0	0.3	0.0	0.0
<b>Turnover Ratios (days)</b>							
Debtor days	88	99	166	124	58	60	59
Inventory days	58	79	109	77	50	56	55
Creditors days	43	60	112	80	41	46	45
<b>Valuation (X)</b>							
P/E	118.9	168.4	-37.8	-113.0	22.1	19.5	14.5
P/BV	3.8	3.7	4.2	4.4	3.6	2.8	2.4
EV/EBITDA	30.8	35.5	-166.0	102.0	15.9	12.0	9.1
EV / Revenues	3.9	3.4	5.5	4.4	2.0	1.6	1.3

(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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