

# Stock Note Finolex Cables Ltd.

Dec 11, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Cable Electricals	Rs. 1032.15	Buy in the Rs 1022-1042 band and add further on dips to Rs 894-912 band	Rs. 1145	Rs. 1220	2-3 quarters

HDFC Scrip Code	FINCABEQNR
BSE Code	500144
NSE Code	FINCABLES
Bloomberg	FNXC IN
CMP (Dec 08, 2023)	1032.15
Equity Capital (RsCr)	30.6
Face Value (Rs)	2.0
Equity Share O/S (Cr)	15.3
Market Cap (RsCr)	15786.7
Book Value (Rs)	256.0
Avg. 52 Wk Volumes	599,648
52 Week High	1219.1
52 Week Low	491.1

Share holding Pattern % (September, 2023)	
Promoters	35.9
Institutions	27.4
Non Institutions	36.7
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:

Finolex Cables Limited (FCL) was established in 1958 and has emerged as India's largest and leading manufacturer of electrical and telecommunication cables. By leveraging the latest technology, state-of-the-art manufacturing facilities, and technical knowhow, it has created a distinctive identity for itself as a manufacturer of the highest quality Cable and Wire (C&W) products. The company has forayed into the Fast-Moving Electrical Goods (FMEG) segment as well with an ambitious goal of becoming a one-stop shop solution for all electrical products requirements. The addition of a broad range of FMEG products to its well-established cables and wires portfolio has further bolstered its presence in the margin accretive B2C market.

The company's Goa plant manufactures Continuous Cast Copper Rods (CCC rods) that form a key raw material input for producing copper-based electrical and communication cables. This backward integration facilitates the company in achieving superior control over the quality of the final products and better margins through minimized raw material cost. While most of the production in Goa plant is used to fulfil the captive requirement of the company, the surplus share is sold to third parties, results of which are covered under 'Copper' segment results.

FCL continues to invest in upgrading its technologies and manufacturing facilities to be able to consistently provide higher quality products and adapt to the changing business dynamics. Further, it strives to enhance operational efficiencies and market reach to capitalize on the emerging growth opportunities in the C&W and FMEG industry.

### Valuation & Recommendation:

With its established capabilities, we believe that FCL is well-positioned to serve the growing cabling needs of the nation. Its extensive offerings in cables and wires segment suit diverse domestic and industrial requirements. The company's foray into consumer electricals segment is in line with its aim of becoming a complete electrical products company and develop the B2C business to address the growing customer aspirations. The company remain steadfast towards continuous product innovation, capacity and network expansion, and enhancing digitization and automation across all facets of business.

FCL took price cuts in C&W segment by 3-4% in October in line with most of its peers. Copper prices have also softened and stabilised and hence we do not see any major impact on margins due to this price cut.



Lack of clear direction amidst tussle amongst the promoter family has led to company's underperformance relative to its peers over FY17-21 which has resulted in de-rating of stock. During this period the company had reported revenue/ EBITDA/ APAT CAGR of 3.2%/ -1.7%/3.6% respectively. Demonstrating a turnaround, the company's revenue/EBITDA/PAT registered a CAGR of 27.2%/17.3%/35.1% over FY21-23. FCL has one of the strongest balance sheets and cash flows in the sector with ~Rs 2000 crore of cash and cash equivalents. FCL's product categories (current and planned), the inherent strength of its business model, improving distribution strength, and strong balance sheet and cash flow offer investment comfort.

**We think the base case fair value of the stock is Rs 1145 (23.5x FY25E EPS) and the bull case fair value is Rs 1220 (25x FY25E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 1022-1042 and add more on dips to Rs 894-912 band (18.5x FY25E EPS). At LTP, the stock is trading at 21.1x FY25E EPS.**

### Financial Summary

Particulars (Rs in Cr)	Q2FY24	Q2FY23	YoY-%	Q1FY24	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Operating Income	1187	1091	8.9%	1204	-1.4%	2,768	3,768	4,481	5,041	5,596
EBITDA	146	99	48.1%	147	-0.3%	370	429	509	620	716
APAT	184	55.4	232.3%	195.9	-6.1%	461	599	504	655	747
Diluted EPS (Rs)	10.1	3.6	178.5%	10.5	-3.9%	30.2	39.2	33.0	42.8	48.9
RoE-%						14.4	16.3	12.2	14.1	14.4
P/E (x)						34.2	26.3	31.3	24.1	21.1
EV/EBITDA						41.1	34.8	28.2	23.0	19.6

(Source: Company, HDFC sec)

### Q2FY24 Result Review

- FSL's revenue increased by 8.9% YoY to Rs 1187.4 crore, however it was down by 1.4% QoQ. Electrical Wires volume increased by 10% and Power Cable volume increased by 37% on YoY basis. New product offerings, such as Lighting, Conduit products, and Switches, had good volumes.
- In Q2, product sales amounted to Rs 1187 crore against Rs 1091 crore in Q2FY23. i.e. an increase of 9% YoY.
- Gross margin improved remarkably by 350 bps YoY /120 bps QoQ to 22.3% and EBITDA margin was up by 330 bps YoY to 12.3%.
- FSL's net profit stood at Rs 184 crore in Q2FY24 vs. Rs 55.4 crore in Q2FY23 and Rs 195.9 crore in Q1FY24. PAT margin was at 15.5% in Q2FY24.



**Key Triggers:**

**Comprehensive product portfolio**

FCL has a comprehensive product portfolio for diverse electrical requirements across commercial, industrial, and consumer markets. The company has been recognised as the ‘Total Cable Solutions’ provider because of its wide range of electrical and communication cables. Its FMEG product range complements the electric cables segment and is well positioned to drive business growth. The four major broad product groups of the company are: Electrical Cables, Communication Cables, Others (Consumer Electrical and Home Appliance), and Copper rods.

**Product portfolio and applications**

Product covered	Application
<b>Electrical Cables</b>	
1100V PVC insulated cables	Electrification of industrial establishments, used by construction industry, electrical panel wiring, and consumer electrical goods
Motor winding PVC insulated cables	Submersible pumps and electrical motors
Automotive/battery cables	Wiring harness for the automobile industry and battery cables for various applications
UPS cables	For providing power from the UPS to the computer/appliances in the networking environment
Heavy-duty, underground, low voltage, power and control cables	Connection to the user point from the main supply of power
Heavy-duty, underground, high voltage, power cable	Intra-city power distribution network
Elevator cables	For use by the elevator industry
Solar cables	Specially insulated cables for use in solar parks
<b>Communication Cables</b>	
Optic fiber cables	Networks requiring high-speed transfer of large bandwidth for voice image and data transmission
Optic fiber	The principal raw material for optic fiber cables
Coaxial cables	Cable TV network solutions, microwave communications, mobile towers
Local area network (LAN) cables	Indoor and outdoor networking, voice, and data transmission, broadband usage
CCTV cables	CCTV cables for a better quality of CCTV images



Speaker cables	Broadcasting applications in buildings and electronic goods
Jelly-filled telephone cables (JFTCs)	Telephone line connections to exchanges and users
PE insulated telephone cables (Switchboard cables)	Telephone instrument connections to EPABX
V-SAT cables	For connecting V-SAT dish to a base station
<b>Copper Rods</b>	
CCC rods of 8mm in diameter	The raw material for manufacturing copper-based cables
<b>Electrical Switches</b>	
Premium and classic switches, sockets, regulators, etc.	For power supply to equipment in domestic, commercial and industrial environment
<b>Lamp</b>	
Retrofit/non-retrofit CFL lamps and T5 tube lights and fittings, LED-based lighting solutions	Lighting for homes, hotels, shops, offices, and factories (both indoor and outdoor applications). Also available for streetlight applications
<b>Electrical Fans</b>	
Ceiling fans, table fans, wall fans, pedestal fans, exhaust fans	For use in domestic, commercial, and industrial environment
<b>Switchgear</b>	
Miniature circuit breaker (MCB), residual current circuit breaker (RCCB), moulded case circuit breaker (MCCB), distribution boards (DB)	For use in voltage surge protection and safety applications in the domestic and commercial environment
<b>Irons</b>	
Steam and dry irons	For use in the domestic and commercial environment
<b>Water Heater</b>	
Instant and storage water heaters	For use in the domestic and commercial environment
<b>Conduits</b>	
Conduit Pipes and Fittings	For use in domestic and commercial environment

Over its five-decade journey, FCL has created a unique brand presence. Furthermore, leveraging its brand recall and pan-India distribution network, it has successfully forayed into FMEG segment. This has enabled the company to establish itself as a ‘Superbrand’. The company continues to augment its brand visibility through visual and digital media marketing. For instance, the company had roped in Bollywood personalities, Kartik Aaryan and Kiara Advani to launch new marketing campaign ‘No Stress, Finolex’ to showcase its FMEG Products. Over the years, the company has also been associated with various IPL franchises.



### **Wide distribution network**

With the objective of penetrating further into the markets and enhancing its presence across newer territories, FCL has formed a two-tier network of distributors and retailers over the past few years. Every distributor is allocated a territory comprising about 400 retail counters and various initiatives are implemented to deepen FCL's connect with distributors and retailers. This strategy has helped the company build a network of more than 5,000 channel partners and more than 2,00,000 (from 90,000 in FY21) retail counters across 800+ districts of India, thereby creating a unique market presence across small and big Indian cities alike. It intends to increase reach to 2,50,000 touchpoints in FY23.

Further, it has also launched an e-retail site to seize the growing e-commerce trend and increase its presence in the retail segment. The company has 6 exclusive retail stores named 'Finolex House' and further plans to launch 15 stores by FY24E.

The company derives ~70% of its W&C sales through dealers/ distributors on a cash-and-carry basis – a key factor for its shorter receivables cycle (<25 days) vis-à-vis peers. However, strict adherence to this policy in times of weak demand has led to the company conceding market share even as peers offered extended credit periods to channel partners to win their loyalty.

### **Scaling of FMEG to drive the growth, enhance margin profile**

To diversify its product profile and leverage on the brand strength of Finolex, it entered other FMEG product categories gradually starting from FY14. The entry was marked by launch of lighting products with the portfolio gradually expanding to switches, switchgears, fans, MCBs, conduits, water heaters and other appliances. However, even after 10 years the company hasn't been able to scale its business. On the other hand, Polycab which entered these space 3 years after FCL had already crossed Rs 1,000 crore revenue mark in FY21. The poor performance of the company in this space can be attributed to its conservatism on product promotion. However, in recent past company has roped in celebrity endorsers for brand promotion and has launched many innovative products.

Notwithstanding the near-term demand concerns, the domestic demand for branded FMEG products is likely to remain robust. It will be driven by the government's thrust on supplying and ensuring energy supply across the nation, rising rural disposable income levels, growing urbanization and shift to value-added branded products. Furthermore, increasing share of women workforce in the country's demography has been resulting in improving spending power, triggering demand for household appliances. While India's fast growing FMEG industry offers tremendous opportunities, the competitive intensity is equally high with low entry barriers, and presence of multiple national and regional brands.

FCL has set an internal target of Rs 500 crore from the appliances business over the next 2-3 years. It is likely to break even when the annual revenue reaches ~Rs 180 crore. Once fans revenue crosses over Rs 100 crore (~Rs 52 crore in FY23), the company plans to start in-house manufacturing of fans. It also plans to introduce new products in this domain. The company is also likely to pursue inorganic growth opportunities in this segment.



### **JV for extra high voltage (EHV) cables not profitable even after 15 years**

FCL, in 2007, had entered into a 50:50 joint venture with J-Power Systems, Japan (a subsidiary of Sumitomo Electric Industries, Japan), under which it invested ~Rs 100 crore to set up an extra-high-voltage (EHV) cable plant to manufacture cables above 33kV. Notably, the JV could obtain final certification for 400kV-EHV cables only in 2017 after it was set up and struggling to get sizeable orders and reach breakeven. FCL has infused more than Rs 220.5 crore in the venture and holds 49% stake. It will have to invest further until the entity breaks even. Like the FMEG segment, its competitors which entered much later have taken significant lead. KEI Industries' revenues, for instance has already crossed Rs 500 crore and makes good profits.

### **Structural demand drivers for Indian wires & cables industry**

Increasing projects in areas of roads and highways, railways, power transmission and distribution, airports, and solar power, among others, will spur infrastructure and construction activities. Further, the Government has extended its Rs. 111 Lakh Crore (\$ 1.5 Trillion) National Infrastructure Pipeline, which is an umbrella program integrating multi-sector infrastructural projects, to cover more projects by 2025. The Production-Linked Incentive (PLI) Scheme will further encourage private players to enhance their domestic manufacturing capabilities. Moreover, focus on 100% electrification of existing railway network, rural electrification schemes, public charging infrastructure, growing demand for telecom and high-quality broadband services and laying optical fiber cables across the nation under Bharat Net project, and Smart city projects are some of the key factors which will augment the demand for cables and wires in India.

Further, the consumer electrical industry holds significant potential given India's huge consumption demand and growing shift towards branded products. A strong revival in the housing market, consumer preference towards bigger and comfortable houses in a work-from-home (WFH) scenario, premiumisation and under penetration in many product categories have set the tone for a sustainable growth story for the FMEG industry.

FCL's robust distribution network, proven capabilities, and strong brand positioning to capitalise on the thriving opportunities and drive a stronger future. The company's wide offerings in cables and wires segment suit diverse domestic and industrial requirements. FCL continues to aggressively expand its capabilities and capacities, widen retail footprint, enhance brand pull and customer engagement to augment its market positioning and scale consistent growth.

### **Financial Summary**

Revenue from the Electrical Cables segment in FY23 stood at Rs 3,683 crore (~64% of sales). Volume improvement and Network expansion contributed to the improvement. Going ahead, we expect the company to report 19% revenue CAGR for its W&C business over FY22-24E. However, we believe the company will find it difficult to reclaim its lost market share considering the aggressive plans of peers. Also, we expect a recovery in its EBIT margins to ~15% by FY25E, led by the strong demand outlook.



The communication cables segment (including optical fiber) recorded sales of Rs 579 crore (~10 % of sales). Fiber and fiber-based cables which almost doubled in volume and strong traction in optic fiber cables (52.5% YoY) contributed to revenue growth. Volume of all metal-based cables increased by 26%, and Optic Fiber cable volume grew by over 54.4%. However, margins in this segment were lower and more volatile than in wires. Communication cables continued to have poor profitability with EBIT margin of 2.2% compared to -3.4% in the previous year due to challenges faced by India's telecom sector.

The company's FMEG business is performing well and is likely to scale up further with an improving demand environment. In the FMEG space, the company's aim is to reach revenue of Rs 500 crore over the next two to three years. Lights, fans, and PVC conduit contribute largely to FMEG revenue. Once fans revenue crosses over Rs 100 crore, the company plans to start in-house manufacturing of fans.

Management has set a target of Rs 11,000 crore of revenue in the next five years driven by capacity addition, favourable demand environment and launch of new products. It expects to have margin of 13-14% in the wires & cables segment in the coming years.

**Capex** – FCL has planned a capital expenditure of Rs 500 crore over the next 18-20 months to expand its plant capacities in all product categories. It is also investing in backward integration to manufacture optical fiber preforms and expand fiber draw capacity. It is expanding auto cable capacity by 50% and building additional compound manufacturing capacity. The upcoming capacities are slated to be commercialised by H2FY25. Additionally, it is progressing with the establishment of an e-beam facility as part of its ongoing expansion plans.

**Focus on improving operational efficiencies** - FCL is working on monitoring inventory levels and streamlining cycles whenever feasible. In this regard, it has initiated a project aimed at optimising the end-to-end supply chain, leading to inventory reduction from raw materials to finished goods.

After lacklustre performance over FY17-21 (revenue/EBITDA/APAT CAGR of 3.2%/-1.7%/3.6% respt.), FCL reported a smart recovery in FY21-23 with 27% YoY revenue growth. Going ahead, we expect revenue/EBITDA/APAT CAGR of 11.7%/18.6%/21.7% for FCL over FY23-25E on improving industry outlook. However, we do not expect the company to recoup the market share loss witnessed over this period as competition from leading players remains daunting. However, it has potential for turnaround in EHV cables and FMEG segments.

With strong demand improvement in construction & infrastructure activity, we expect electrical W&C volumes to remain robust over near to medium term. However, Communication Cables may remain under pressure for time being given the stress in telecom sector. FCL has one of the strongest balance sheets and cash flows in the sector with ~Rs 2000 crore of cash & equivalents, as of Sept 30, 2023. FCL's product categories (current and planned), the inherent strength of its business model, improving distribution strength, and strong balance sheet and cash flow offer investment comfort.





## Key risks

**Dispute amongst the promoter group for wresting control over FCL is the single largest overhang on the stock.** The matter is being heard in the Bombay High Court. The past history of corporate battles suggests a long road ahead before an agreement can be reached. As a result, the stock may continue to trade at discount to its peers.

**Competition Risk:** FCL operates in an industry characterized by intense competition from both organized as well as unorganized players. The company's failure to supply differentiated products having consistently superior quality and competitive pricing may result in the loss of market share and profitability.

**Raw Material Fluctuation:** Fluctuations in prices of the raw materials such as copper, aluminium and fiber optics, and failure to procure these at competitive costs may significantly impact the company's ability to supply products at competitive rates. This may lead to loss in business and market share and affect the margins of the company.

**Currency Fluctuation:** The Company exports final products and imports key raw materials from the international markets, exposing it to foreign exchange rate fluctuation risk. An adverse change in the currency exchange rate may result in lower realizations or higher production costs leading to lower profit margins.

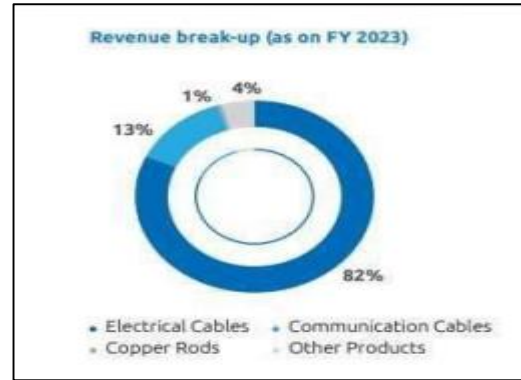
**Moderate return ratios:** Return ratios of the company has stayed in the 12-16% range as it is sitting on huge amount of cash on its Balance sheet on which it is earning sub optimal earnings.

## About the company

Established in 1958, Finolex Cables is India's largest and leading manufacturer of electrical and telecommunication cables. It has diversified into the fast-moving electrical goods (FMEG) segment to become a complete electrical products company. Over a five-decade-long journey is anchored on the pillars of manufacturing excellence, innovation focus and technology edge. By maintaining the highest standards of quality and service, they have built a strong relationship with institutional and retail customers. Finolex Cables has set up four modern state-of-the-art plants. These manufacturing plants are located in Pimpri (Pune), Urse (Pune), Goa & Roorkee (Uttarakhand).



## Revenue Mix-%



## Segment-wise Performance

Rs in Cr	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>Revenue</b>								
Electrical Cables	2094.0	2177.8	2306.2	2494.4	2361.1	2310.0	3193.2	3683.5
Communication Cables	345.5	368.5	476.9	488.8	408.9	321.5	379.8	579.0
Copper Rods	96.5	513.5	904.3	940.0	558.8	574.2	682.5	1267.8
Others (includes consumer appln.)	38.7	41.4	59.9	71.0	88.2	113.6	176.4	195.3
<b>Total Gross Revenue</b>	<b>2574.7</b>	<b>3101.2</b>	<b>3747.3</b>	<b>3994.3</b>	<b>3417.0</b>	<b>3319.3</b>	<b>4431.8</b>	<b>5725.7</b>
<b>EBIT</b>								
Electrical Cables	336.9	331.4	376.1	381.4	377.6	340.6	405.0	457.5
Communication Cables	40.1	33.4	46.7	66.0	25.9	8.4	-13.2	13.0
Copper Rods	1.8	1.6	9.7	9.7	3.4	1.1	2.6	2.9
Others	65.6	-15.8	-10.0	-12.0	-6.8	4.3	1.9	2.2

## Peer comparison (TTM basis):

Rs in Crore	Mkt Cap	Revenue	EBITDA	PAT	ROE-%	EPS-Rs	P/E-x
Finolex Cable	15787	4766	584	765	16.6	42.1	24.5
KEI Inds	26771	7468	768	528	18.5	58.6	50.7
Polycab	81767	16146	2264	1622	22.5	107.3	50.8



## Financials

### Income Statement

Particulars (Rs in Cr)	FY21	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>2768</b>	<b>3768</b>	<b>4481</b>	<b>5041</b>	<b>5596</b>
<b>Growth (%)</b>	<b>-3.8</b>	<b>36.1</b>	<b>18.9</b>	<b>12.5</b>	<b>11.0</b>
Operating Expenses	2398	3340	3972	4421	4880
<b>EBITDA</b>	<b>370</b>	<b>429</b>	<b>509</b>	<b>620</b>	<b>716</b>
<b>Growth (%)</b>	<b>-3.5</b>	<b>15.8</b>	<b>18.9</b>	<b>21.7</b>	<b>15.5</b>
<b>EBITDA Margin (%)</b>	<b>13.4</b>	<b>11.4</b>	<b>11.4</b>	<b>12.3</b>	<b>12.8</b>
Depreciation	39	39	46	48	53
Other Income	77	71	118	146	157
<b>EBIT</b>	<b>408</b>	<b>461</b>	<b>581</b>	<b>718</b>	<b>820</b>
Interest expenses	1	2	1	1	1
<b>PBT</b>	<b>407</b>	<b>460</b>	<b>579</b>	<b>717</b>	<b>819</b>
Tax	169	187	145	183	209
<b>PAT</b>	<b>238</b>	<b>272</b>	<b>434</b>	<b>534</b>	<b>610</b>
Share of Asso./Minority Int.	223	327	70	121	137
<b>Adj. PAT</b>	<b>461</b>	<b>599</b>	<b>504</b>	<b>655</b>	<b>747</b>
<b>Growth (%)</b>	<b>18.0</b>	<b>29.8</b>	<b>-15.8</b>	<b>29.9</b>	<b>14.1</b>
EPS	30.2	39.2	33.0	42.8	48.9

### Balance Sheet

As at March (Rs in Cr)	FY21	FY22	FY23	FY24E	FY25E
<b>SOURCE OF FUNDS</b>					
Share Capital	31	31	31	31	31
Reserves	3384	3891	4340	4873	5482
<b>Shareholders' Funds</b>	<b>3415</b>	<b>3922</b>	<b>4370</b>	<b>4903</b>	<b>5513</b>
Minority Interest	0	0	0	0	0
Total Debt	0	0	0	0	0
Net Deferred Taxes	204	262	270	216	189
<b>Total Sources of Funds</b>	<b>3619</b>	<b>4184</b>	<b>4640</b>	<b>5119</b>	<b>5702</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	394	380	434	460	471
CWIP	26	87	21	21	21
Investments	1571	2014	2610	2662	2795
Other Non-Curr. Assets	60	43	50	74	70
<b>Total Non Current Assets</b>	<b>2051</b>	<b>2524</b>	<b>3115</b>	<b>3218</b>	<b>3357</b>
Inventories	755	653	675	829	951
Debtors	177	177	218	276	322
Cash & Equivalents	54	38	73	167	340
Other Current Assets	849	1102	900	1008	1119
<b>Total Current Assets</b>	<b>1834</b>	<b>1970</b>	<b>1866</b>	<b>2280</b>	<b>2732</b>
Creditors	176	190	209	249	245
Other Current Liab & Provisions	91	120	132	130	142
<b>Total Current Liabilities</b>	<b>267</b>	<b>310</b>	<b>340</b>	<b>379</b>	<b>387</b>
Net Current Assets	1568	1660	1525	1901	2345
<b>Total Application of Funds</b>	<b>3619</b>	<b>4184</b>	<b>4640</b>	<b>5119</b>	<b>5702</b>

Source: Company, HDFC sec



## Cash Flow Statement

Particulars (Rs in Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	631	787	649	717	819
Non-operating & EO items	-232	-371	-176	96	143
Interest Expenses	-51	2	1	1	1
Depreciation	39	39	46	48	53
Working Capital Change	-156	149	-33	-282	-272
Tax Paid	-117	-132	-132	-183	-209
<b>OPERATING CASH FLOW ( a )</b>	<b>114</b>	<b>473</b>	<b>356</b>	<b>398</b>	<b>535</b>
Capex	-55	-67	-31	-85	-80
Free Cash Flow	59	406	325	313	455
Investments	-158	-183	-496	0	0
Non-operating income	-646	-128	301	-96	-143
<b>INVESTING CASH FLOW ( b )</b>	<b>-859</b>	<b>-378</b>	<b>-226</b>	<b>-181</b>	<b>-223</b>
Debt Issuance / (Repaid)	0	0	0	0	0
Interest Expenses	-1	-1	0	-1	-1
FCFE	-746	94	131	216	311
Share Capital Issuance	0	0	0	0	0
Dividend	-84	-84	-92	-122	-138
<b>FINANCING CASH FLOW ( c )</b>	<b>-85</b>	<b>-84</b>	<b>-92</b>	<b>-123</b>	<b>-139</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-830</b>	<b>10</b>	<b>39</b>	<b>94</b>	<b>174</b>

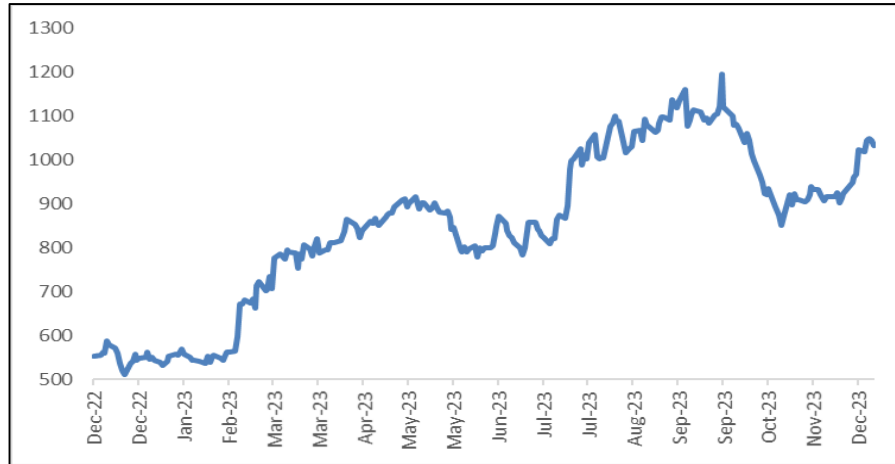
## Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
<b>Profitability Ratios (%)</b>					
EBITDA Margin	13.4	11.4	11.4	12.3	12.8
EBIT Margin	14.7	12.2	13.0	14.2	14.7
APAT Margin	16.7	15.9	11.3	13.0	13.4
RoE	14.4	16.3	12.2	14.1	14.4
RoCE	12.7	12.6	14.0	15.5	15.8
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	-0.1	-0.1	-0.1	-0.3	-0.5
Net D/E	0.0	0.0	0.0	0.0	-0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	30.2	39.2	33.0	42.8	48.9
CEPS	32.7	41.7	36.0	46.0	52.3
BV	223.2	256.4	285.7	320.6	360.4
Dividend	5.5	6.0	7.0	8.0	9.0
<b>Turnover Ratios (days)</b>					
Debtor days	24	17	16	18	20
Inventory days	89	68	54	54	58
Creditors days	22	18	16	17	16
<b>VALUATION (x)</b>					
P/E	34.2	26.3	31.3	24.1	21.1
P/BV	4.6	4.0	3.6	3.2	2.9
EV/EBITDA	41.1	34.8	28.2	23.0	19.6
EV / Revenues	5.5	4.0	3.2	2.8	2.5
Dividend Yield (%)	0.5	0.6	0.7	0.8	0.9
Dividend Payout (%)	18.2	15.3	21.2	18.7	18.4

Source: Company, HDFC sec



## One-year Price Chart



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. These 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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