Stock Note

Mangalore Refinery & Petrochemicals Ltd.(MRPL)

Sept 01, 2023

RETAILRESEARCH

Mangalore Refinery & Petrochemicals Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Refineries & Marketing	Rs. 95.25	Buy in the Rs. 93-97 band & add more on dips to Rs. 82-85 band	Rs. 106	Rs. 117	2-3 quarters

HDFC Scrip Code	MANREFEQNR
BSE Code	500109
NSE Code	MRPL
Bloomberg	MRPL IN
CMP Aug 31, 2023	Rs. 95.25
Equity Capital (Rs Cr)	1752.6
Face Value (Rs)	10.0
Equity Share O/S (Cr)	175.3
Market Cap (Rs Cr)	16693.5
Book Value (Rs)	56.3
Avg. 52 Wk Volumes	2808893
52 Week High	96.9
52 Week Low	49.2

Share holding Pattern % (June, 2023)	
Promoters	88.6
Institutions	1.8
Non Institutions	9.6
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

Fundamental Research Analyst
Abdul Karim
Abdul.karim@hdfcsec.com

Our Take:

MRPL is one of the leading refineries in India, established in 1988. MRPL's refinery is capable of producing almost a full range of petroleum products like Naphtha, LPG, Motor Spirit, High-Speed Diesel, Kerosene, Aviation Turbine Fuel, Sulphur, Xylene, Bitumen along with Pet Coke and Polypropylene. With a 15.0 MMTPA refinery to process crude oil of various API (American Petroleum Institute) gravity, the company's refinery is located in Dakshina Kannada District of Karnataka State (India). Apart from the refinery capacity, the company is also into manufacturing of value-added petrochemical product and has a polypropylene plant. Furthermore, MRPL's refinery has a high Nelson Complexity Index of 10.6 which enables it to process heavy oil with high quality. It can process crude oil of various API gravity and thus deliver a variety of products such as High-Speed Diesel (HSD), Petrol /Motor spirit (MS), Aviation Turbine Fuel (ATF) etc.

MRPL's GRM was at US$9.8/bbl in Q1FY24 vs. US$15.1 in Q4FY23 and US$24.5 a year ago. The core GRM was at $11.5/bbl vs. $16.8 in Q4FY23 and US$20.2 a year back, it was at a premium of US$ 7.4 to the benchmark Singapore GRM US$4.1. GRM was supported by higher cracks for major products: gasoil US$14/bbl, ATF US$14.3, gasoline US$12.2; and by crude discounts from Russia and possible Iraqi crude. In Q1FY24, benchmark Singapore GRM stood at US$ 4.1/bbl vs. US$ 8.3 in Q4FY23 and US$ 21.5 in Q1FY23. Singapore GRMs have recovered back sharply since July'23 and are currently at around US$14.3/bbl which could help MRPL to report strong GRMs in the coming quarters.

MRPL incurred capex at Rs 640 crore in FY23 vs. Rs 750 crore of earlier guidance for FY23. The company is planning to incur capex at Rs 1600 crore in FY24, an additional Rs 800 crore due to the 45-day shutdown in Phase 3 units (~20% capacity) that was earlier planned for Aug-Sep'23. These are turnaround shutdowns every four years. Besides, MRPL has been adding retail pumps to expand marketing margins domestically and in exports, along with the B2B segment, with a few other measures. The company plans to phase out fuel exports in the next two to three years and also plans to expand its retail outlets in southern India to 1800 by 2027 from about 71 now. This will enable it to diversify its sources of revenue and give it a natural hedge by earning marketing margins.

Valuation & Recommendation:

Considering the strategic importance of MRPL's refinery in the southern India, expansion plan and strong promoter back ground, we expect the financial performance and valuation to improve in the medium term. MRPL's ongoing enhancement projects and expectation of sustained bounce back in GRM could lead to strong earning visibility and RoE improvement going forward. MRPL has strong asset profile, led by the superior processing capabilities of its refinery as reflected by high Nelson Complexity index, its experienced management team and favourable location, being close to the port.

Considering its smaller size and volatile refining margin profile (almost nil marketing margins), the stock is trading at lower valuation than other refiners. Expectations of strong revenue growth and margins expansion (including marketing margins over 2-3 years), combined with healthy RoE make a case for higher multiple. **Investors can buy the stock in the Rs 93-97 band and add more on dips to Rs. 82-85 band (3.5x FY25E EPS, 2.3x FY25E EV/EBITDA). Base case fair value of the stock is Rs 106 (4.5x FY25E EPS, 2.8x FY25E EV/EBITDA) and the bull case fair value of the stock is Rs 117 (5x FY25E EPS, 3.1x FY25E EV/EBITDA) over the next two to three quarters. At the CMP of Rs 95.25 the stock trades at 4x FY25E EPS & 2.6x FY25E EV/EBITDA.**

Financial Summary (Consolidated)

Particulars (Rs cr)	Q1FY24	Q1FY23	YoY-%	Q4FY23	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Total Operating Income	21173	32290	-34.4	25401	-16.6	31,959	69,758	1,08,856	91,468	99,450
EBITDA	2068	4714	-56.1	3490	-40.7	697	4,901	6,494	7,153	7,996
Depreciation	294	296	-0.5	296	-0.7	1,158	1,088	1,187	1,190	1,232
Other Income	52	37	41.0	86	-39.8	97	106	229	192	224
Interest Cost	267	302	-11.5	330	-19.0	554	1,207	1,280	1,113	923
Tax	546	1445	-62.2	1042	-47.6	-154	-247	1,600	1,614	1,925
APAT	1013	2708	-62.6	1908	-46.9	-765	2,958	2,655	3,429	4,139
Diluted EPS (Rs)	5.8	15.4	-62.6	10.9	-46.9	-4.4	17.0	15.2	19.6	23.6
RoE-%						-14.4	52.1	31.1	30.0	27.7
P/E (x)						NA	5.6	6.3	4.9	4.0
EV/EBITDA (x)						58.4	7.7	5.2	4.4	3.5

(Source: Company, HDFC sec)

Q1FY24 Result Update

- MRPL's revenue was in line with estimates in Q1FY24, but missed on profitability due to lower-than-estimated reported gross refining margin of $9.8/barrel (bbl) oil in Q1FY24.
- MRPL's consolidated net revenue was down by 34.4% YoY to Rs 21,173 crore. The company's EBITDA decreased to Rs 2068 crore vs. Rs 4714 crore in Q1FY23 and EBITDA margin was at 9.8% in Q1FY24 vs. 14.6% in Q1FY23. MRPL's net profit stood at Rs 1013 crore in Q1FY24, vs. Rs 2708 crore in Q1FY23.
- Refining crude throughput was in line at 4.36 Million Metric Tons (MMT) vs. 4.41 MMT in Q4FY23 and 4.29 MMT in Q1FY23. MRPL's gross refining margin was at US$ 9.8/bbl in Q1FY24 vs. US$15.12/bbl in Q4FY23 and $24.45 in Q1FY23.
- High crude prices between Q4FY22 to Q4FY23 led to abnormally high Singapore GRM - refining margins, which later fell to abnormally low of $2.5-4 in April-May 2023. It has since recovered.
- The Domestic Refinery Transfer Price (RTP) for MRPL decreased because of SAED and RIC (Road and Infrastructure Cess) imposed by the Government in July 22. Total retail outlets stood at 71 as of now vs. 63 at end of FY23.

Recent Triggers

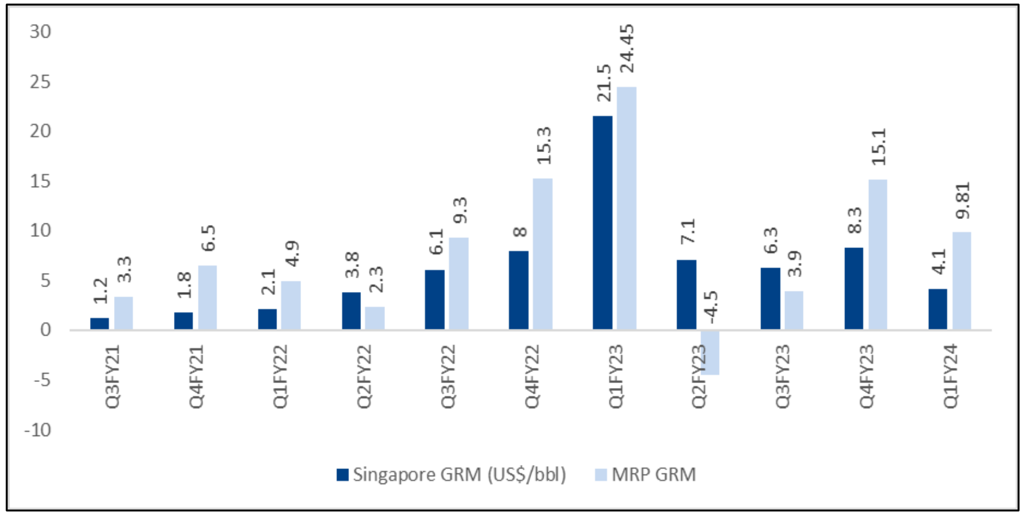
Expectation of healthy throughput and rise in GRMs

MRPL's throughput was impacted in FY21 due to sharp decrease in demand for petroleum products at the time of covid-19 pandemic induced lockdowns. However, it reported a rebound in throughput in FY22 to 15.04 million tons (MTs) from 11.5 MTs in FY21. It registered highest ever throughput of 17.14 MTs in FY23. Accordingly, the capacity utilization also improved to 103% in FY22 from 76.7% in FY21 and further increased to 114.3% in FY23. On account of improved capacity utilisation along with higher crude prices, the company reported total operating income of Rs 108,856 crore in FY23 as against Rs 69,813 crore in FY22.

MRPL's GRMs improved to US$ 9.88/bbl in FY23 from US$ 8.72/bbl in FY22 on the back of higher operating GRMs of US$ 11.30 per barrel and inventory loss was 1.42 US$ per barrel. Furthermore, MRPL's refinery has a high Nelson Complexity Index of 10.6 which enables it to process heavy oil with high quality. It can process crude oil of various API and thus deliver a variety of products such as High-Speed Diesel (HSD), Petrol /Motor spirit (MS), Aviation Turbine Fuel (ATF) etc.

Increasing demand for petroleum products and cheaper oil imports from Russia helped refineries run by public sector oil marketing companies (OMC) to witness a surge in gross refining margins (GRM) during the last financial year and in H1FY24. Growth in GRM has come on the back of strong demand for diesel, petrol and aviation turbine fuel (ATF) last year, more so in the Q4FY23. The GRMs improved to US$ 9.88/bbl in FY23, driven by healthy crack spreads in Q1 and Q4 of FY23. However, the GRMs were impacted in Q2 and Q3FY23 due to the moderation in crack spreads and the levy of special additional excise duty (SAED) and road & infrastructure cess (RIC) on the export of high-speed diesel, aviation turbine fuel and petrol.

MRPL GRM and Singapore GRM-US$/bbl



MRPL's GRM was at $9.8/bbl vs. US$15.1 in Q4FY23 and US$24.5 a year ago. The core GRM was at $11.5/bbl vs. $16.8 in Q4FY23 and US$20.2 a year back, it was at a premium of US$ 7.4 to the benchmark Singapore GRM US$4.1. GRM was supported by higher cracks for major products: gasoil US$14/bbl, ATF US$14.3, gasoline US$12.2; and by crude discounts from Russia and possible Iraqi crude. Inventory loss was US$1.7/bbl (Rs4.7bn). There was a slight impact of Special Additional Excise Duty (SAED).

Benchmark Singapore's gross refining margin (GRM) stood at US$ 4.1/bbl in Q1FY24 vs. 8.3% in Q4FY23 and US$ 21.5 in Q1FY23 and Singapore complex GRM is trading at US$ 14.3/bbl in Q2FY24TD vs US$4.7/bbl/US$6.9/bbl in Q1FY24/Q2FY23. Singapore GRMs have also recovered back sharply, which could help MRPL to report strong GRMs in the coming quarters. Refining margin is expected to improve on the back of rising Singapore GRMs and discounted Russian crude benefit, however windfall taxes could limit the gains. We expect that the MRPL could continue to get the benefit of discount on Russian crude oil in Q2FY24 – though on a lower scale, and better demand environment of various spreads could help to report better GRM going forward.

MRPL processed 1.439 MMT of crude in July 2023. Barring the impact of shutdown, whose time line is uncertain, it could continue to process crude at a high capacity utilisation.

Focus on expansion of petrochemical business to de-risk its business

Indian and Chinese refiners along with majors such as Exxon Mobil Corp. are betting on petrochemicals to underpin future oil demand as the transition to electric vehicles chips away at consumption of transport fuels. India is a net-importer of petrochemicals and the country is facing a make-or-buy decision. There is better value to capture production locally.

MRPL has planned refinery expansion to focus on boosting its petrochemical production capacity, which may cost as much as Rs. 47,000 crores ($5.7 billion). A shifting energy landscape primarily driven by the uptake of electric vehicles has prompted MRPL to focus its efforts on increasing output of chemicals that can be used for plastics and paints. The company's major investment will be on a new production plant in Karnataka. The new MRPL plant is likely to be operational in the next three to five years. MRPL has planned to spend around Rs 30,000-40,000 crore on the new plant, and a further Rs. 6000-7000 crore on smaller petrochemical units. However, MRPL shelved plans to boost the capacity of its refinery on the west coast to 18 million tons a year from 15 million tons, the plant is still running above operational levels. The refinery operated at a record average of 17.1 mt in FY23. The investment will contribute to ONGC's overall spend of 1 trillion rupees to expand its petrochemical capacity to 8 million tons a year by 2030, from 3.4 million tons. The investment will help to de-risk MRPL's future during the energy transition.

Phase four expansion and commissioning of Ethanol plant could help to generate its revenue

MRPL is committed to take up its fourth phase expansion. With the government's push for electric vehicles and those run by natural gas, the MRPL is mulling over focusing more on petrochemicals than fuel when phase-four expansion becomes a reality. The land acquisition process has been initiated for the this and MRPL could later decide about the use of land (for refining or petrochemicals). About 850 acres will be acquired in Permude and Kuthethur areas.

MRPL is awaiting an environmental clearance for its second generation ethanol plant in Harihara in Davangere district. The project is likely to executed at an estimated cost of about Rs 1,000 crore. Land has been acquired for the project, and the plant is expected to be commissioned in 2025. The project could help to produce 60,000 litres of ethanol per day. The feed stocks for the plant will be based on agro residues, like corn cob, cotton stalk and so on. This will also reduce import dependence and accelerate the promotion of biofuels apart from helping to reduce the greenhouse gas emission.

Long term Triggers

Healthy operational profile and supported by ONGC, India's one of the largest Oil & Gas PSU company

MRPL is one of the leading oil refining companies in India, based on South India and the current operating capacity stood at 15mtpa. The company is promoted by ONGC. MRPL has a versatile design with complex secondary processing units and high flexibility to process crudes of various API gravity, delivering a variety of quality products.

- It produces a full range of petroleum products such as naphtha, LPG, motor spirits, high-speed diesel, kerosene, aviation turbine fuel, sulphur, Xylene, bitumen along with petcoke and polypropylene.
- MRPL's 440 KTA Novolen gas-phase Polypropylene Plant using Zeigler Natta catalyst is capable of producing the complete range of homo polymer grades.
- MRPL operates an Aromatic Complex, a petrochemical unit, producing 0.905 MMTPA of Para Xylene and 0.273 MMTPA of Benzene, this complex is situated in the Mangalore Special Economic Zone (MSEZ) and is fully integrated with MRPL.
- MRPL has Two Captive Jetties in NMPT, Single Point Mooring Facility, White Oil Loading Facility, Rail Wagon Loading Silo for Petcoke, and Truck Loading Silos for Petcoke. MRPL is having Marketing Infrastructure Depots in Kasargod (Kerala), Hindupur (AP), and Hosur (TN).
- Shell MRPL Aviation Fuels and Services Ltd (SMA) is a 50:50 joint venture between MRPL and Shell Gas B.V. (Shell), a step-down subsidiary of Royal Dutch Shell Plc, Netherlands markets aviation turbine fuel (ATF) to airlines, both domestic as well as international carriers. SMA currently procures ATF from MRPL Refinery Complex and supplies at various airports like Bengaluru, Goa, Mangalore, Hyderabad, Chennai, Calicut, Madurai, Trichy, Coimbatore, Kannur, etc. SMA enables Indian carriers to fuelling requirements across International Airports.

MRPL's refinery has been operating at 100%+ capacity utilisation over the past, delivered a healthy ramp up in operations since the commissioning of the Phase-III expansion and its polypropylene unit. In FY20 and FY21, capacity utilisation was impacted due to issues with locals, water shortage, landslides, and Covid-19, though the demand and utilisation levels have improved since Q3FY21. The utilisation for

FY23 was ~114% vs. 99% in FY22, supported by healthy demand for petroleum products in the domestic and export markets. Besides, the amalgamation of OMPL is also expected to provide some synergy as the combined entity will run its operations in an integrated manner.

MRPL has a strong parentage, ONGC is holding 71.63% equity stake and 16.96% is held by ONGC's another subsidiary HPCL. The company is of strategic importance to ONGC, being a key component in the downstream segment of its integrated oil and gas value chain. Besides strategic linkages, there are also strong management linkages between the two entities. Mr Arun Kumar Singh, Chairman of ONGC, is also the Chairman on the Board of MRPL. The company also gets support in terms of managerial expertise from the senior management of ONGC. Apart from managerial and Board's support, ONGC has supported the company financially and MRPL has received loans in past for undertaking its capex plans at favourable interest rates.

The company purchases around 10-15% of its crude oil requirement from ONGC. Furthermore, ONGC has extended guarantee to one of the foreign crude oil suppliers of the company with respect to the payments of MRPL's crude purchases.

Advantageous location

MRPL is located on the western coast of India, with its sourcing of crude as well as product exports being handled through the New Mangalore Port Trust. The location of the refinery provides it strategic advantages in terms of sourcing of crude oil, better suitability for export markets and provides a better reach in the southern part of domestic market. In FY23, MRPL sourced around 80% of its crude oil requirement through imports. It also derived around 39% of its revenue from exports during the year. With the merger of OMPL with it, MRPL now has presence in the petrochemical business which is envisaged to lend benefits of forward integration to it.

Expectation of merger of MRPL with HPCL could add investors value going forward

ONGC acquired HPCL five years ago. After the acquisition of HPCL by ONGC, there were plans for the merger of HPCL and MRPL. However, it took five years for the ministry to start the execution of the plan. Now the ministry is working on the HPCL and MRPL merger, which will mainly be a share-swap deal. It is expected that the government is likely to merge MRPL with HPCL and ONGC could start working on the process soon. This move could help ONGC to streamline its downstream vertical.

Before the beginning of MRPL's merger with HPCL, the former had completed the acquisition of OMPL. Multiple mergers and acquisitions reflect the oil ministry's effort to bring most of its energy entities under a single umbrella. OMPL was also jointly promoted by ONGC and MRPL. Their shareholding stood at a ratio of 49% and 51%. The acquisition of OMPL into MRPL was completed in December last year with 100% of compulsorily convertible debentures. OMPL mainly produces paraxylene and benzene, which are mainly exported by the company.

The merger of MRPL with HPCL is expected to boost the refining capacity of HPCL, which is capable of selling extra in the market, despite its current limitation of refining capacity. It could take longer for ONGC to complete the merger, given the long process of documentation and approvals given that MRPL, HPCL, and ONGC are also listed companies.

Sound financial profile

- MRPL's operational performance improved in FY23 with a throughput of 114% (99% in FY22) and gross refining margin (GRM) of $9.88/bbl ($8.60/bbl in FY22). On a consolidated basis, reported total net operating income of Rs 108,856 crore in FY23 as against Rs 69,758 crore in FY22.
- The oil & gas industry is a capital-intensive industry, which requires large funds and substantial time to develop a sound infrastructure. The interest coverage ratio also remained comfortable at 4.1x in FY23 vs. 3.2x in FY22. We expect it could be at 4.1x in FY24E and it could rise to 5.4x in FY25E.
- Net borrowings decreased to Rs 16,939 crore as on March 31, 2023, from Rs 21,310 crore a year ago. Over the medium term, the gradual revival in economy and improvement in operating performance should reduce the dependence on working capital borrowings. However, liquidity is largely supported by MRPL's status as a subsidiary of ONGC.
- The company's consolidated financial performance recovered in FY23 with the improvement in cash accruals. It has large repayment obligations in FY24E and FY25E, these are expected to be met partly from accruals and partly refinanced.
- Better profitability could help to report healthy returns going forward.
- Compared to other refiners MRPL maintains an extra 20-25 days inventory of crude oil as its plant is located on southern region. This leads to higher inventory gains/losses for the company compared to the other refiners. Inventory days stood at 23 days in FY23.

What could go wrong?

- Economic slowdown, volatility in oil and gas prices and regulatory changes in Oil and Gas industry could impact its growth story in the future. The changing macro-economic scenario can have an impact on the growth plan of the company.
- Given the volatility in Crude oil and petroleum product prices, inventory gains/losses in each quarter can be large affecting the estimates. Any decrease in the price of the crude oil may hamper the profitability of the company. The Russia-Ukraine conflict had resulted in crude oil prices soaring to more than $120/bbl, however, prices fell to $82 in Aug 2023. Price of crude oil depends on demand and supply and OPEC policy.
- MRPL imports around 80% of its crude oil requirement, any volatility in oil prices impacts operating performance while also exposing it to fluctuations in foreign exchange rates.
- The drop in GRM can be attributed to a slowdown in fuel consumption and rise in supply of refined products in the global market. A lower GRM means refiners earn less for processing every barrel of crude. Refining margins could remain volatile from quarter to quarter based on the demand supply dynamics.
- Any adverse government policy impacting refineries like subsidy sharing etc could impact its profitability. However, we believe going forward the Oil sector could see much more freedom than in the past.
- MRPL has not been consistent in paying dividend over the past and its profitability has been volatile over the period. Further, the company has not paid any dividend for FY23E.

- Any significant reduction in MRPL's shareholding by ONGC or weakening of the linkages between MRPL and ONGC.
- Higher than expected debt funded capital expenditure plans leading to sustained pressure on the capital structure marked by total Debt/EBITDA exceeding 4 times.
- MRPL could face asset concentration risk due to single location of its refinery; albeit it has adequate insurance cover.
- Falling crude oil price discount from Russia could impact its purchase price and pressurize its margins.
- Inadequate rainfall and low reservoir levels could lead to performance disruption.

Company Profile

MRPL is one of the leading refineries in India, established in 1988. MRPL's Refinery is capable of producing almost a full range of petroleum products like Naphtha, LPG, Motor Spirit, High-Speed Diesel, Kerosene, Aviation Turbine Fuel, Sulphur, Xylene, Bitumen along with Pet Coke and Polypropylene. With a 15.0 MMTPA refinery to process crude oil of various API grades, the company's refinery is located in Dakshina Kannada District of Karnataka State (India). Apart from the refinery capacity, the company is also into manufacturing of value-added petrochemical product and has a polypropylene plant.

MRPL sources its requirement of crude oil from India and various national oil companies of exporting countries on term basis and from open market on spot basis. It sells to PSU oil marketing companies (OMCs) as well as derives income through exports. The company also has 71 retail outlets in Karnataka and Kerala states at present.

ONGC acquired a 51% stake in MRPL in March 2003, and later increased its stake to 72%. With a change in management, fund infusion by ONGC and the upturn in the refining margin cycle, the company made a financial turnaround in the subsequent periods. The refining capacity was enhanced to 15 MMTPA from 11.82 MMTPA in March 2012 with the commissioning of Phase-III. It also commissioned a 440-KTPA polypropylene unit. In July 2015, MRPL's board approved the merger of its subsidiary, viz. ONGC Mangalore Petrochemicals Limited (OMPL). In January 2021, MRPL acquired ONGC's stake in OMPL, increasing its stake in OMPL to 99.99% from 51%. The Ministry of Corporate Affairs, vide its final order dated April 14, 2022, approved the amalgamation of ONGC Mangalore Petrochemicals Limited with MRPL with April 01, 2021 as the appointed date and the effective date for the scheme of amalgamation as May 01, 2022.

Operating Metrics

Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Refining Capacity - MMT	15	15	15	15	15	15	15	15	15	15	15
Crude Throughput-MMT)	14.4	14.55	14.65	15.53	16.3	16.3	16.4	14.10	11.50	14.90	17.2
Core GRM-US$/bbl	2.9	1.5	4.4	7.7	6.3	6.8	3.4	2.2	0.7	4.3	11.3
Capacity Utilisation-%	96	97	97.7	103.5	108.7	108.7	109.3	94	76.7	99.3	114.7

Crude Oil WTI Fut-US$/bbl

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)		
		FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
CPCL	6254	**76735**	**73062**	**71083**	5697	2975	3043	3526	1642	1689	74.5	22.8	19.5	1.8	3.8	3.7
MRPL	16694	108856	91468	99450	5307	5963	6764	2657	3429	4139	31.1	30.0	27.7	6.3	4.9	4.0

Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	**31959**	**69758**	**108856**	**91468**	**99450**
Growth (%)		**118.3**	**56.0**	**-16.0**	**8.7**
Operating Expenses	31262	64857	102362	84315	91455
EBITDA	**697**	**4901**	**6494**	**7153**	**7996**
Growth (%)		**603.4**	**32.5**	**10.1**	**11.8**
EBITDA Margin (%)	**2.2**	**7.0**	**6.0**	**7.8**	**8.0**
Depreciation	1158	1088	1187	1190	1232
EBIT	**-461**	**3813**	**5307**	**5963**	**6764**
Other Income	97	106	229	192	224
Interest expenses	554	1207	1280	1113	923
PBT	**-919**	**2711**	**4256**	**5043**	**6064**
Tax	-154	-247	1600	1614	1925
RPAT	**-765**	**2958**	**2655**	**3429**	**4139**
APAT	**-765**	**2983**	**2657**	**3429**	**4139**
Growth (%)		-489.9	-10.9	29.1	20.7
EPS	**-4.4**	**17.0**	**15.2**	**19.6**	**23.6**

Balance Sheet

As at March	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	1753	1753	1753	1753	1753
Reserves	2495	5457	8112	11278	15154
Shareholders' Funds	**4248**	**7209**	**9865**	**13031**	**16907**
Long Term Debt	15907	14417	12624	10774	8524
Net Deferred Taxes	-1378	-2100	-1243	-1305	-1371
Long Term Provisions & Others	481	488	607	613	607
Minority Interest	**0**	**0**	**0**	**0**	**0**
Total Source of Funds	**19258**	**20014**	**21852**	**23112**	**24667**
APPLICATION OF FUNDS					
Net Block & Goodwill	19596	21384	20396	20531	20549
CWIP	2343	170	475	342	414
Other Non-Current Assets	1159	997	1116	1261	1155
Total Non Current Assets	**23099**	**22551**	**21986**	**22134**	**22118**
Inventories	7103	10487	6777	6265	6267
Trade Receivables	2451	4328	4469	4260	4632
Cash & Equivalents	52	44	39	155	877
Other Current Assets	648	562	631	694	864
Total Current Assets	**10253**	**15421**	**11916**	**11374**	**12640**
Short-Term Borrowings	8156	6894	4315	3865	3315
Trade Payables	4003	9382	6169	5263	5722
Other Current Liab & Provisions	1935	1681	1566	1268	1053
Total Current Liabilities	**14094**	**17957**	**12050**	**10396**	**10090**
Net Current Assets	-3841	-2537	-134	978	2549
Total Application of Funds	**19258**	**20014**	**21852**	**23112**	**24667**

(Source: Company, HDFC sec)

Cash Flow Statement

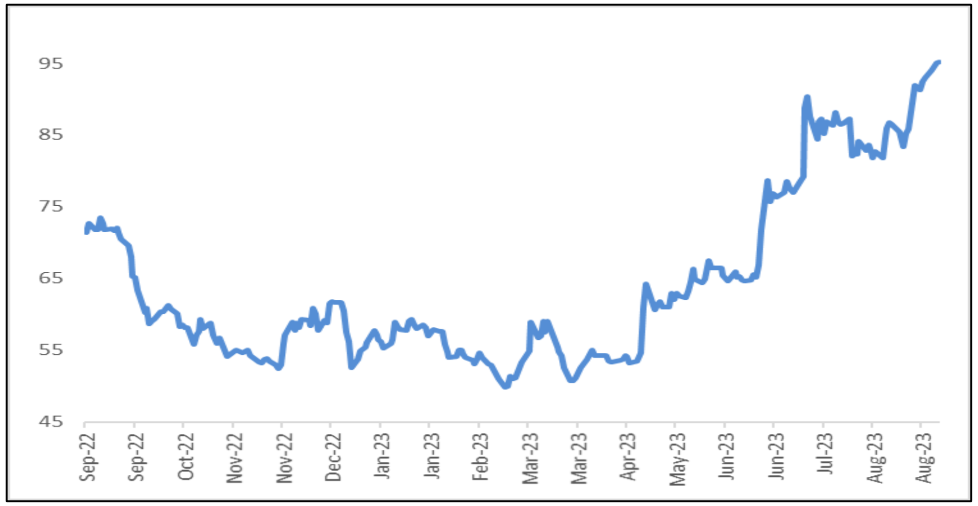
(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	-765	2,958	2,655	5,043	6,064
Non-operating & EO items	-333	-71	1,710	-22	-42
Interest Expenses	536	1,172	1,269	1,113	923
Depreciation	1,158	1,088	1,187	1,190	1,232
Working Capital Change	-3,426	-193	310	-1,081	-339
Tax Paid	11	-262	-766	-1,614	-1,925
OPERATING CASH FLOW (a)	**-2,818**	**4,693**	**6,364**	**4,628**	**5,913**
Capex	-898	-611	-703	-850	-1,250
Free Cash Flow	-3,716	4,082	5,662	3,778	4,663
Investments	-1,217	0	0	-9	4
Non-operating income	13	16	30	22	42
INVESTING CASH FLOW (b)	**-2,102**	**-595**	**-673**	**-837**	**-1,204**
Debt Issuance / (Repaid)	5,596	-3,161	-4,596	-2,300	-2,800
Interest Expenses	-682	-982	-1,120	-1,113	-923
FCFE	1,197	-62	-55	366	939
Share Capital Issuance	0	0	0	0	0
Dividend	30	25	27	-263	-263
FINANCING CASH FLOW (c)	**4,944**	**-4,119**	**-5,690**	**-3,675**	**-3,986**
NET CASH FLOW (a+b+c)	**24**	**-20**	**1**	**116**	**722**

Key Ratios

Particulars	FY21	FY22	FY23	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	2.2	7.0	6.0	7.8	8.0
EBIT Margin	-1.4	5.5	4.9	6.5	6.8
APAT Margin	-2.4	4.3	2.4	3.7	4.2
RoE	-14.4	52.1	31.1	30.0	27.7
RoCE	-1.2	15.1	12.5	15.4	16.9
Solvency Ratio (x)					
Debt/EBITDA	34.5	4.3	2.6	2.0	1.5
D/E	5.7	3.0	1.7	1.1	0.7
PER SHARE DATA (Rs)					
EPS	-4.4	17.0	15.2	19.6	23.6
CEPS	2.2	23.2	21.9	26.4	30.6
BV	24.2	41.1	56.3	74.4	96.5
Dividend	0.0	0.0	0.0	1.5	1.5
Turnover Ratios (days)					
Debtor days	28	23	15	17	17
Inventory days	81	55	23	25	23
Creditors days	46	49	21	21	21
VALUATION (x)					
P/E	NA	5.6	6.3	4.9	4.0
P/BV	3.9	2.3	1.7	1.3	1.0
EV/EBITDA	58.4	7.75	5.17	4.36	3.46
EV / Revenues	1.3	0.5	0.3	0.3	0.3
Dividend Yield (%)	0.0	0.0	0.0	1.6	1.6
Dividend Payout (%)	0.0	0.0	0.0	7.7	6.4

(Source: Company, HDFC sec)

One Year Price Chart



HDFC Sec Retail Research Rating description

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This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

ABDUL KARIM

Digitally signed by ABDUL KARIM
Date: 2023.09.01 08:24:40 +05'30'

Disclosure:

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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