Stock Update

Supreme Industries Ltd.

Aug 01, 2022

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Supreme Industries Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Building Materials	Rs. 1897	Buy on dips in Rs 1753-1787 band and add further on dips in Rs 1634-1656 band	Rs.1971	Rs. 2131	2 quarters

HDFC Scrip Code	SUPINDEQNR
BSE Code	509930
NSE Code	SUPREMEIND
Bloomberg	SI: IN
CMP - Jul 29 2022	1897
Equity Capital (Rs Cr)	25
Face Value (Rs)	2
Equity Share O/S (Cr)	13
Market Cap (Rs Cr)	24101
Book Value (Rs)	302.6
Avg. 52 Wk Volumes	104402
52 Week High	2689
52 Week Low	1668

Share holding Pattern % (Jun, 2022)	
Promoters	48.85
Institutions	35.48
Non Institutions	15.67
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Supreme Industries (SIL) is India's largest plastic product manufacturer, commanding leadership position in most product categories– plastic pipes, furniture, material handling, and protective packing products. It has a phenomenal track record of operating at low leverage and generating strong cash flows resulting in consistently high RoCEs (25%+). It has managed this feat despite having had aggressive capex spend of over Rs. 2500Cr in the past decade. It has been a market leader, which has performed better than the industry, mainly driven by (a) diversified product portfolio with largest product offering; (b) pan-India manufacturing set-up with 25 plants and largest distribution network comprising 3,500+ channel partners; (c) higher asset turns (~3.5x of gross block) which ensures efficient utilization of assets; (d) lean net working capital structure (~35 days); and (e) constant focus on expanding its margin accretive value-add portfolio of products (37% of overall revenue as on Mar '22).

It is the No.1 player in Indian plastic piping industry, commanding ~15/11% market share in organized and overall piping market in India. Also, in the Industrial and Consumer space, it has a strong market share of 12% and 14% respectively. Going forward, the company is in the process of setting up new greenfield facilities in Orissa, Assam and Tamil Nadu. Apart from this, its core focus continues to be scaling up its value-add segment with new product launches and aggressive ramp-up of exports business, which currently stands at ~3% of overall revenues.

Valuation & Recommendation:

While SIL reported an impressive revenue growth in Q1FY23, the operating margins were dented on the account of inventory losses (with sharp drop in resin prices of late) and a change in product mix (higher share of low margin agri pipes). The company is expected to suffer inventory losses during Q2FY23 as PVC prices continue to trend lower, however, the company expects the recent cool-off in resin prices (which is getting passed on) to boost demand. In FY23, it expects to deliver 15% overall volume growth (pipes - 15%+) with 15% operating margin. Guwahati plant got operational from July'22. The Cuttack and Erode plants are expected to be operational by Sep-Oct'22. During FY23E, SIL plans to incur Capex of Rs 700 Cr (including Rs 280 Cr carry forward commitments). We remain positive on its growth prospects, owing to a demand rebound.

SIL keeps facing competition from new and existing players due to low entry barriers and has to keep expanding capacities and increase contribution from high value products where the competition so far is not intense. However, it has established as an efficient allocator of capital, its products have sufficient brand recall and it remains a dependable source for large customers.

Given the fact that it is likely to face inventory losses in Q2FY23, we would recommend to enter the stock at lower levels. **We think the base case fair value of the stock is Rs 1971 (24.5x FY24E EPS) and the bull case fair value of is Rs 2131 (26.5x FY24E EPS). Investors can buy the stock on dips in Rs 1753-1787 band (22x FY24E EPS) and add more on dips in Rs 1634-1656 (20.5x FY24E EPS) band.**

Financial Summary

Particulars (Rs Cr)	Q1FY23	Q1FY22	YoY- %	Q4FY22	QoQ-%	FY21	FY22	FY23E	FY24E
Operating Income	2206	1342	64.4	2557	-13.7	6,355	7,773	8,617	9,793
EBITDA	269	222	21.1	391	-31.3	1,284	1,242	1,245	1,460
APAT	214	170	25.7	324	-34.0	978	968	885	1,022
Diluted EPS (Rs)	16.8	13.4	25.7	25.5	-34.0	77.0	76.2	69.7	80.4
RoE-%						36.0	27.6	21.8	22.6
P/E (x)						18.7	28.5	27.2	23.6
EV/EBITDA (x)						13.6	21.8	18.9	16.0

(Source: Company, HDFC sec)

Segmental Performance

Revenue (in Rs Cr)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Plastics piping	898	812	798	937	765	847	1,140	1,347	831	1,267	1,148	1,800	1,463
Industrial products	188	169	157	159	70	181	216	293	199	253	272	300	302
Packaging products	245	198	309	208	188	220	318	310	244	277	370	319	326
Consumer products	97	86	105	95	28	85	117	124	48	111	127	118	96

EBIT (in Rs Cr)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Plastics piping	78	110	104	169	66	148	250	357	142	194	189	259	154
Industrial products	12	-2	8	14	-8	12	20	39	12	19	22	31	26
Packaging products	21	4	44	33	18	26	40	41	17	25	25	34	23
Consumer products	13	11	15	19	-5	13	23	29	1	18	21	15	11

Volume (in MT)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Plastics piping	85,214	67,812	70,431	77,315	74,992	66,609	76,759	75,997	48,111	72,480	57,197	96,507	79,424
Industrial products	10,369	9,953	8,801	9,494	4,770	11,285	11,652	13,744	9,512	12,390	12,365	13,763	12,901
Packaging products	12,745	11,062	16,399	11,147	10,182	12,239	16,785	15,627	11,532	12,905	16,594	13,131	12,866
Consumer products	5,100	4,673	5,762	5,244	1,507	4,703	6,388	5,870	2,109	4,898	5,207	5,206	3,731

Realisation (in Rs/Kg)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Plastics piping	105	120	113	121	102	127	149	177	173	175	201	186	184
Industrial products	182	170	178	168	148	161	185	213	209	204	220	218	234
Packaging products	192	179	188	186	184	180	189	198	212	215	223	243	254
Consumer products	191	185	181	181	186	182	183	211	230	227	245	227	257

(Source: Company, HDFC sec)

Q1FY23 Result Update

In Q1FY23, SIL's EBITDA/APAT came in line with estimates, despite an 8% revenue beat on the account of reduced profitability. Total plastic product volume fell 15% QoQ to 109K MT on seasonally weak demand (though volumes up 53% YoY on a low base). Falling resin prices led to dealers destocking, impacting sales. Blended unitary EBITDA fell 18/21% QoQ/YoY to INR 25/kg on inventory losses (amid falling resin prices and low utilisation (QoQ)). For pipes division, segmental revenue fell 19% QoQ and EBIT margin contracted ~4pp QoQ to 10.6%. On three-year CAGR, consolidated sales volume fell 1%, as pipes/furniture volumes fell 2/10%, while industrial volumes rose 8% and packaging volumes remained flattish. Consolidated EBITDA grew 18% for three-year CAGR, on higher realisation and slight margin gains (~60bps). Pipes/industrial/packaging EBITDA grew at 23/18/6% three-year CAGR, while furniture EBITDA was down by 2%.

Key highlights from Q1FY23 Concall

Cross Laminated Film products is getting impacted by fierce competition from look- alike products. The thrust in the current year will be on promoting non-Tarpaulin applications, targeting new customers in existing markets & making breakthrough in new export markets for special applications.

It plans to launch variety of new models & remain focused in the Premium Range of Plastic Furniture which will help in overall growth in this business segment.

In Industrial Component division, business conditions are showing signs of gradual improvement. The company expects positive demand scenario in sectors of Appliances like Washing Machines, Air Conditioners, Coolers and Refrigerators, segments where it has good presence.

Material handling division has been able to add many new customers all over the country and would strive to continue enlarge its customer base and product portfolio.

In Composite LPG Cylinder division, repeat orders from existing as well as new customers are encouraging. Supplies against the Letter of intent from IOCL have commenced and existing capacity is running at full capacity. Work on doubling the capacity is progressing smoothly and is likely to be operational by November, 2022.

In Protective Packaging Division, business conditions are improving. It has started doing good business in its consumer products, sports goods, yoga mats and kids puzzle & toys. Good growth is shown in export markets as well. It expects good business for the division and continue to develop various customized solutions for the user industry.

Performance Packaging Film has done well. Exports have also grown and received good response from countries in Middle East, Africa and Europe. With improved product mix and focus on increasing customer base, the company would soon have all its capacities fully tied up and would require to look for expansion opportunities.

<u>Raw material price movement:</u> The prices of different Polymers particularly for polypropylene (PP), Low Denier Polyethylene (LDPE) and Poly Vinyl Chloride (PVC) have gone down between Rs. 19 per kg to Rs. 46 per kg since beginning of the year till now i.e. a reduction between 13% to 32%. Supreme is large consumer of PVC Resin which has witnessed the highest fall since April, 2022 resulting in inventory losses, however, the price fall is likely to boost demand.

<u>Update on Expansion:</u> New unit at Guwahati (Assam) has commenced commercial production and units at Cuttack & Erode are likely to go into production by Sept.-Oct., 2022. The Company has augmented its offering in Plumbing Systems by introducing PEX plain pipes and PEX composite pipes which are ideal pipe systems to carry hot water. All these initiatives will give required impetus to the division to grow faster and seize the growing business opportunities

Key highlights from FY22 Annual Report

Pipes Segment

In FY22, the company registered an overall revenue growth of about 24.6% in Plastic Piping System while the volumes stood at 274295 tons as against 294357 in FY21. The agri-business was largely impacted in Aprl'21 and May'21 due to Covid-19 pandemic and the loss could not be recouped which led to de-growth in volumes.

Volatile raw material prices: PVC is the predominant raw material in the company's Plastic Pipe business. During the year FY22, the prices of PVC were literally in roller coaster mode. The prices of PVC were in upward trend from 16th March 2021 till middle of May 2021. Overall prices of PVC went up by R 16/- per kg during that period. Thereafter from 1st June '21 prices of PVC started decreasing till up to July' 2021 and the fall was close to Rs 10/- per kg. Thereafter from 1st August'21 onwards the prices of PVC kept increasing till middle of November'21. Overall prices of PVC went up by Rs 42/- per kg during that period. Thereafter again the prices of PVC started falling and the prices decreased by approx. Rs 29/- per kg up to beginning February'22.

Expansion: The company incurred a Capex of Rs 132.26 Cr in FY22 in its various plants to build higher capacities and increased range.

With the objective of making its footprint for manufacturing in South Zone, for Plastic Piping Division, it has commenced the manufacturing at Telangana. The company is planning to start one more plant at South zone at Perundurai, Tamil Nadu. The plant at Kharagpur is now fully operational. The increased capacity of HDPE and DWC Pipes at Kharagpur plant is in place.

The company now has three plants producing HDPE Pipes in West, East and North Zones to cater to these markets effectively. It has planned to start the production of HDPE Pipes at three more new locations and all are expected to be in place during FY23

It plans to start three new manufacturing units at new locations viz. Guwahati (Assam) – *already commenced as of Q1FY23*, Cuttack (Odisha) and Perundurai (Tamil Nadu) for Plastic Pipes, Hoses, Water Tanks, Septic Tanks etc. At Guwahati the machine installation is complete and it should start commercial production shortly while it plans to start the production at Cuttack and Perundrai units by August'22.

cPVC Pipes: The cPVC system sales during FY22 grew by 36.7%YoY. The company had raw material availability problem from its only source viz. Kaneka, Japan on account of one of its plants having been shut down (owing to snow storm in USA) in February 2021. That the plant of Kaneka has now restarted production, it is assured of larger volume of CPVC supply in the current year from them compared to previous year. Further, it has also independently tied up with other sources to get increased volume.

Plastic water tanks: The company launched Premium range of Water Tanks branded as "Weather Shield" with added features such as superior thermal insulation etc., from three locations with good market response. To cater to economy range of Water Tanks market it plans to start the manufacturing of Blow Moulded Water Tanks at two of its locations viz. Assam and West Bengal. Overall, by September this year, it will be producing Tanks at 8 different locations which will enable it to service customers more economically.

Valves: The company has started manufacturing variety of Specialized Valves such as Butterfly Valves, Swing Check Valves, Ball type non-return Valve etc. These Valves have been designed for different applications like Industrial, Agriculture and Plumbing segments. It has received positive response from the market and intends to increase the range of Valves for Industrial usage in FY23.

Bath Fittings: The Bath Fittings sales in FY22 grew by 30%YoY. The AQUAKRAFT Bath Fittings (including newly launched Chrome Plated range) introduced by the company is now well established and the portfolio in Bath Fittings has reached to 150 items. Further, the company plans to further complement the range during FY23 by introducing many new products in Bath fittings including some of the premium products. The enhanced manufacturing facility at the newly built unit to make Bath Fittings at Pondicherry is already in place.

Consumer Products

FY22 was a tough year for furniture business owing to steep increase in Polymer prices. It registered growth of 11% in value terms but its volumes declined by 6%.

The effect of increase in prices of PP had a cascading impact on consumer purchases of the furniture as the differential in pricing with unbranded reprocessed furniture became large. However, the company sees a bright future for FY23 as the polymer prices have started declining.

It continues to remain a market leader in the Premium Range of Plastic Furniture. The company's premium furniture business grew by 19% in value terms during the year and its share of total sales grew from 47% to 50% during the year.

Expanding distribution: The company is now focusing on creating large retail showrooms for displaying plastic furniture in an attractive manner. It opened 22 such showrooms in Eastern India in FY22 and plans to have total 100 such showrooms by close of FY23 The company currently has 14522 retailers selling its furniture who are being serviced through its network of 1306 channel partners. It plans to add 1900 retail outlets during the year. The company has identified some of its weak markets and has planned to intensify the marketing activity in those markets for improving its retail penetration and increasing the number of channel partners in those markets.

<u>Industrial Products</u>

Industrial Components:

There has been marked shift in Customer Preferences in the market in Washer segment, from Semi-Automatic to Fully Automatic Machines which has affected the Company as it has considerable presence in Semi-Automatic Washer parts supply to OEs. Company is working very closely with the OEs for rationalization of Product –Mix Share to address this shift going forward.

It invested in capacity expansion at various locations looking at positive demand scenario in various sectors of Appliances like Washing Machines, Air Conditioners, Coolers and Refrigerators, segments where it has good presence.

Demand recovery in Auto sector also helped the Division for revenue growth with significant demand up stick in the segments of the company's presence like Passenger Vehicles, and Commercial Vehicles although demand remained subdued in Two Wheelers.

The company is considered as one of the most reliable suppliers in its area of expertise by the customers. This has helped the Division to get extra business from its customers whenever other suppliers failed to supply.

Material Handling Products

Industrial crates range grew 32% in revenue and 15% in volume terms. These industrial crates primarily cater to Industries Like automobile, Engineering, white goods and E-commerce.

Roto Pallets which are regular in demand especially by Pharma and Foods industry besides the custom made models which are required for specific needs grew by 50% in revenue and over 27% in volume terms.

In the dairy segment, the company has grown around 90% in value terms and around 60% in volume terms. It is confident that momentum of growth will continue in coming years as the company expands its business in South and Western states.

Recently introduced crate models suiting E- commerce and retails operations have all been successful registering growth of over 50% in volume terms.

The company has ambitious plans to at least triple the sales of injection dustbins from the present volumes more so after observing the heightened activities in many states in the country, for Swachh Bharat Mission.

In fisheries crates market, it did not grow and lost some volume. Due to two successive hurricanes in Coastal areas there has been serious disruption in Fisheries sector and overall market for crates shrunk last year.

Composite LPG Cylinder

There is continuous flow of enquiries from new overseas customers. Most heartening event for the division was the successful introduction of Composite LPG cylinders in the domestic market.

The company has successfully participated and received Letter of Intent (LOI) for supply of 7,35,186 Nos of 10 Kg. capacity Composite LPG Cylinders valuing about Rs 170 Cr from Indian Oil Corporation Limited (IOCL).

The volume of business is large which surpasses the existing installed capacity. The company has taken effective steps to install a new plant on a war footing in the same premises to double the capacity and the same is likely be operational by November, 2022, which will enable it to make around 1 Million Nos per year.

Protective Packaging Division

Sales grew by 30% higher in value terms & 7% higher in volume terms in FY22 due to good demand, however, due to high volatility in raw material prices, the division was unable to pass on the burden of increased raw material prices fully to its customers impacting operating profit margins of the division.

Consistent & growing demand for XLPE was witnessed in both domestic and exports. Expansion work has already started at Hosur and the division is also planning an expansion at Malanpur in FY23.

Consumer Product business of the division has achieved growth of 25% in value terms in FY22. The vertical has added few new distributors and now its total distributor strength is 205. In Retail segment with continuous new enrolment of retailers its total retailers strength stands at 5508.

The division has started business with CSD in Sept 2021.

The company’s Exports division has achieved an export sale of USD 3.8 Million. The division is in process of reaching out to more markets and its export team is working on the same. Buyers have reduced their dependency on China and exploring opportunities with India which has helped the company in adding several new customers.

Cross Laminated Division

It suffered a de-growth of 18.36% in volume terms in FY22. The business of XF division was impacted the most due to one of its product tarpaulin being seasonal in nature with peak season between April to June due to second Covid wave.

FY23 looks promising with pandemic in control & normalcy being restored. Good monsoon season is expected to accelerate growth in agricultural output which augurs well for the company.

It is planning to introduce new designs for its economy model of tarpaulins sold under the brand 'Supreme Sathi'.

During the year the division has successfully carried out expansion of its capacity from 27000 TPA to 30000 TPA which is fully operational since March, 2022

The Cross Plastic Film Project which was derailed due to pandemic is finally back on track. The drawings of various equipment are in the final stage of completion & orders for equipment may be placed very soon.

Key risks

Prolonged slowdown in economy

SIL derives most of the revenue from the piping business, which caters to plumbing, irrigation and water transportation, and sewerage applications, which in turn depend on core economy sectors like housing, construction, agriculture, and industrials. Also, the housing sector gets a boost from government incentives and initiatives. Any prolonged slowdown in any of these sectors can impact SIL's financial performance.

Sharp rise in raw material Inflation

Key raw materials used in the plastic pipes industry are Polyethylene (PE), PPR, PVC, and CPVC resin. The prices of these depend on crude oil price movements and other factors such as changes in the global demand supply scenario and import-export regulations. Crude oil price is highly volatile, thus imparting volatility to prices of petrochemical products. Since raw material costs constitute 65-70% of operating income, any large inflationary pressure needs to be adjusted in the end-product prices in order to protect margins. Commodity prices have risen sharply over the past few months and are now on the way down. Inventory losses have to borne when there is such a volatility in prices of raw materials/finished goods.

Seasonality

SIL's earnings are highly dependent on the performance of the piping business. Within this segment, almost two-thirds of revenues are attributed to the Agriculture space, which has a seasonal character. A large part of the annual revenue is concentrated in first and fourth quarters. Any major deviation in monsoon trends or lower-than- expected rainfall can impact the performance of the piping business.

About the company

Supreme Industries Ltd, established in 1942, is engaged in the business of plastic and related products with a long history years in the industry. It is one of the major players in the plastic product industry with an established brand equity. It is India's largest plastic product manufacturer and has the largest processing capacity of over 0.42mn MT of polymers annually. It has 25 manufacturing facilities spread across the country and has a strong distribution network of over 3500+ channel partners. It operates in four business verticals, i.e. Plastic Piping, Packaging Products, Industrial Products, and Consumer Products.

Company	Market Cap (in Rs Cr)	Revenue (in Rs Cr)			EBITDA Margin (%)			APAT (in Rs Cr)			RoE (%)			P/E (X)		
		FY22P	FY23E	FY24E	FY22P	FY23E	FY24E	FY22P	FY23E	FY24E	FY22P	FY23E	FY24E	FY22P	FY23E	FY24E
SIL	24101	7773	8617	9793	16.0	14.4	14.9	968	885	1022	27.6	21.8	22.6	28.5	27.2	23.6
Astral	36449	4394	5504	6961	17.2	16.8	16.9	484	596	776	22.6	22.8	24.4	75.6	61.3	47.0
Prince Pipes	6670	2657	2747	3191	15.6	16.6	15.6	250	271	298	21.6	19.6	18.4	26.7	24.6	22.3

(Source: Company, HDFC sec)

Financials

Income Statement

Particulars - (Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	**5512**	**6355**	**7773**	**8617**	**9793**
Growth (%)	***-0.8***	***15.3***	***22.3***	***10.9***	***13.6***
Operating Expenses	4677	5071	6531	7372	8332
EBITDA	**835**	**1284**	**1242**	**1245**	**1460**
Growth (%)	***14.2***	***53.9***	***-3.3***	***0.2***	***17.3***
EBITDA Margin (%)	***15.1***	***20.2***	***16.0***	***14.4***	***14.9***
Depreciation	206	213	230	256	287
Other Income	1	17	20	16	17
EBIT	**630**	**1088**	**1033**	**1005**	**1191**
Interest expenses	20	22	5	5	5
PBT	**610**	**1066**	**1027**	**1000**	**1186**
Tax	174	234	263	265	314
PAT	**436**	**832**	**764**	**735**	**872**
Share of Asso./Minority Int.	31	146	204	150	150
Adj. PAT	**467**	**978**	**968**	**885**	**1022**
Growth (%)	***42.7***	***109.3***	***-1.0***	***-8.6***	***15.4***
EPS	36.8	77.0	76.2	69.7	80.4

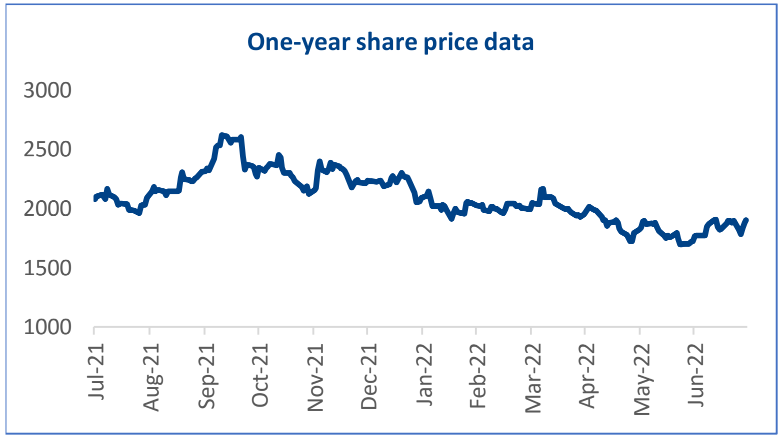
Balance Sheet

Particulars (Rs Cr) - As at March	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	25	25	25	25	25
Reserves	2236	3144	3819	4244	4759
Shareholders' Funds	**2261**	**3169**	**3844**	**4270**	**4784**
Minority Interest	0	0	0	0	0
Total Debt	441	38	46	46	46
Other non-current liablities	153	110	108	108	108
Total Sources of Funds	**2855**	**3317**	**3998**	**4424**	**4938**
APPLICATION OF FUNDS					
Net Block & Goodwill	1608	1714	1767	2060	2172
CWIP	93	51	156	106	106
Investments	207	337	476	476	476
Other Non-Curr. Assets	20	18	18	18	18
Total Non Current Assets	**1928**	**2120**	**2417**	**2660**	**2772**
Inventories	891	761	1260	1293	1469
Debtors	313	390	467	431	490
Cash & Equivalents	231	768	526	598	849
Other Current Assets	276	261	344	353	364
Total Current Assets	**1711**	**2180**	**2597**	**2675**	**3172**
Creditors	548	646	794	689	783
Other Current Liab & Provisions	237	337	221	222	222
Total Current Liabilities	**784**	**984**	**1015**	**911**	**1005**
Net Current Assets	927	1197	1582	1764	2166
Total Application of Funds	**2855**	**3317**	**3998**	**4424**	**4938**

Source: Company, HDFC sec

Cash Flow Statement

Particulars - (Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	641	1,212	1,232	1,000	1,186
Non-operating & EO items	-11	-164	-215	-16	-17
Interest Expenses	30	22	5	5	5
Depreciation	206	213	230	256	287
Working Capital Change	-165	196	-494	-111	-151
Tax Paid	-162	-232	-287	-265	-314
OPERATING CASH FLOW (a)	**539**	**1,246**	**470**	**869**	**995**
Capex	-240	-221	-466	-499	-399
Free Cash Flow	300	1,025	4	370	596
Investments	26	8	14	0	0
Non-operating income	17	12	49	16	17
INVESTING CASH FLOW (b)	**-196**	**-201**	**-403**	**-483**	**-382**
Debt Issuance / (Repaid)	238	-410	-1	0	0
Interest Expenses	-27	-17	-1	-5	-5
Others	-14	-15	-16	0	0
Share Capital Issuance	0	0	0	0	0
Dividend	-352	-64	-292	-310	-358
FINANCING CASH FLOW (c)	**-156**	**-506**	**-310**	**-314**	**-362**
NET CASH FLOW (a+b+c)	**188**	**540**	**-243**	**72**	**251**



Key Ratios

Particulars	FY20	FY21	FY22	FY23E	FY24E
Profitability Ratios (%)					
EBITDA Margin	15.1	20.2	16.0	14.4	14.9
EBIT Margin	11.4	16.9	13.0	11.5	12.0
APAT Margin	8.5	15.4	12.5	10.3	10.4
RoE	21.2	36.0	27.6	21.8	22.6
RoCE	17.0	27.5	21.0	17.5	18.7
Solvency Ratio (x)					
Gross Debt/EBITDA	0.5	0.0	0.0	0.0	0.0
Net D/E	0.1	-0.2	-0.1	-0.1	-0.2
PER SHARE DATA (Rs)					
EPS	36.8	77.0	76.2	69.7	80.4
Book Value	178.0	249.4	302.6	336.1	376.5
CEPS	53.0	93.7	94.3	89.8	103.0
Dividend	14.0	22.0	24.0	24.4	28.2
Turnover Ratios (days)					
Debtor days	21	22	22	18	18
Inventory days	59	44	59	55	55
Creditors days	36	37	37	29	29
VALUATION					
P/E	31.1	18.7	28.5	27.2	23.6
P/BV	6.4	5.8	7.2	5.6	5.0
EV/EBITDA	17.7	13.6	21.8	18.9	16.0
EV / Revenues	2.7	2.8	3.5	2.7	2.4
Dividend Yield (%)	1.2	1.5	1.1	1.3	1.5

HARSH RAJENDRA SHETH

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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 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.