Stock Update

Indian Oil Corporation Ltd.

April 11, 2022

RETAILRESEARCH

Indian Oil Corporation Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Oil & Gas-Refining & Marketing	Rs. 127	Buy in the Rs. 125-129 band & add more on dips to Rs. 114-118 band	Rs. 140	Rs. 150	2 quarters

HDFC Scrip Code	INDOIL
BSE Code	530965
NSE Code	IOC
Bloomberg	IOCL IN
CMP Apr 08, 2022	127.0
Equity Capital (Rs Cr)	9181.0
Face Value (Rs)	10.0
Equity Share O/S (Cr)	918.1
Market Cap (Rs Cr)	116567.1
Book Value (Rs)	124.7
Avg. 52 Wk Volumes	14104768
52 Week High	141.5
52 Week Low	86.8

Share holding Pattern % (Dec, 2021)	
Promoters	51.5
Institutions	19.7
Non Institutions	28.8
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:

Indian Oil Corporation Ltd (IOCL) is an established PSU in Indian oil refining and marketing business with 11 refineries, refining capacity of 80.6 MMT which accounted for 32.5% of India's refining capacity as on March 31, 2021, and held about ~39% share in India's petroleum products market in FY21. The large integrated operations, geographically diversified refining capacities, and high utilisation rates enhance its operational efficiency. The market position is underpinned by IOCL's entrenched marketing and distribution infrastructure, with 32000+ fuel stations, 12,700 LPG distributors and an unparalleled cross-country pipeline network of 15000KM, throughput capacity of 94.56 MMTPA for crude oil, refining capacity of 80.55 MMTPA of refined products and 21.69 MMSCMD for gas. Along with these capabilities, its aggressive branding and marketing initiatives could help IOCL to maintain its dominant position in the domestic petroleum market.

The demand for petroleum products in the current fiscal has witnessed some recovery compared to the preceding fiscal but remains lower than the pre-Covid levels. Elevated crude prices may adversely impact the demand recovery witnessed in the recent months. The benchmark Singapore gross refining margin (GRM) has witnessed improvement in the recent months. However, high crude prices as well as subdued global demand may adversely impact the GRM.

IOCL expects to add 1000 outlets and also invest on upgrading existing outlets in fuel retailing. IOC is already setting up EV charging centers and forming partnership for green hydrocarbon. Most of the new outlets will be added in class 'B' towns at a lower cost per outlet ~ typically Rs 0.50- Rs1 crore. The annual capex will go towards this expansion and support infrastructure like tankages, pipelines and surveillance as well as technology.

On October 20, 2020, we had initiated coverage on Indian Oil Corporation Ltd. and recommend to buy the stock at LTP of Rs 76.8 & add further on dips to Rs 69 for base case target of Rs 87 and bull case target of Rs 92. The stock achieved its both targets before expiry of the call. Given healthy growth outlook and strong set of numbers in Q4FY22, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

Oil Marketing Companies are trading at close to eight year lows in terms of P/BV, P/E & at valuations similar to regulated regime before 2010 which had structural issues like no pricing freedom and subsidy concerns. In the current period, higher oil and gas prices with delayed revision in product prices have impacted the marketing margins, but higher inventory gains and refining margin could moderate the pressure on marketing margin in near to medium term. Moreover, BPCL's privatisation (as and when it happens) has the potential to significantly re-rate refining and marketing business of HPCL and IOCL.

IOCL's value of investments and non-core assets (Chennai Petroleum Corporation Ltd, Petronet LNG, Lanka IOC, ONGC, GAIL, OIL India other subsidiaries and JVs) accounts for nearly its entire value. We expect IOCL's strong earnings momentum to sustain in the coming quarters, supported by multiple drivers like volume recovery, auto fuel price hikes, cyclical recovery in refining margins, recovery in petchem margins, and expected inventory gain as spot crude oil price are in the $95-100/bbl range.

We expect IOCL to benefit from the ongoing recovery in the global refining cycle and expect marketing margins to return to normative levels following the completion of the state elections (with latest price hikes helping in this regard).

Investors could buy the stock in the Rs 125-129 band and add more on dips to Rs. 114-118 band (Rs 80/share for standalone equity value+ Rs 36/share for investment value), based on SOTP valuation. Base case fair value of the stock is Rs 140 (Rs 104/share for standalone equity value+ Rs 36/share for investment value) and the bull case fair value of the stock is Rs 150 (Rs 114/share for standalone equity value+ Rs 36/share for investment value) over the next 2 quarters. At the CMP of Rs 127 the stock trades at (6.8x FY 24E EV/EBITDA, 8.8x FY24E EPS, on consolidated basis).

Financial Summary

Particulars (Rs cr)	Standalone					Consolidated				
	Q3FY22	Q3FY21	YoY-%	Q2FY22	QoQ-%	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	1,66,788	1,06,336	56.8	1,35,418	23.2	4,83,763	3,63,950	4,01,784	4,18,827	4,39,480
EBITDA	9,866	9,623	2.5	10,629	-7.2	16,232	41,705	31,380	30,656	30,884
Depreciation	2,783	2,467	12.8	2,706	2.8	9,659	10,941	10,138	10,867	11,642
Other Income	1,375	1,269	8.3	1,434	-4.1	-8,537	3,500	4,162	4,276	4,490
Interest Cost	979	629	55.8	986	-0.7	6,579	3,589	7,199	7,055	7,410
Tax	1,619	2,880	-43.8	2,010	-19.5	-5,301	8,989	4,588	4,286	4,113
RPAT	5,861	4,917	19.2	6,360	-7.8	-3,242	21,685	13,618	12,723	12,208
APAT	5,861	4,917	19.2	6,360	-7.8	-15,871	22,766	14,571	13,756	13,316
Diluted EPS (Rs)	6.4	5.4	19.2	6.9	-7.8	-5.0	LP	15.9	15.0	14.5
RoE-%						-15.3	22.0	12.7	11.4	10.5
P/E (x)						-25.1	5.4	8.0	8.5	8.8
EV/EBITDA (x)						13.7	5.2	6.4	6.7	6.8

(Source: Company, HDFC sec)

Q3FY22 Result Update

- IOCL revenue was above expectations in Q3FY22, while profitability was below expectations. Standalone net revenue grew by 57% YoY and 23.2% QoQ to Rs 166,788 crore. Capacity utilisation plunged 270bp YoY to 99% on planned shutdown of the Haldia refinery in Q3. Since all maintenance-related work is behind, utilisation could normalise Q4 onwards.
- EBITDA was up by 2.5% YoY, stood at Rs 9,866 crore in Q3FY22, and declined 7.2% QoQ. EBITDA margin stood at 5.9% in Q3FY22 vs. 9.1% in Q3FY21 and 7.8% in Q2FY22. The company's Net Profit was up by 19.2% to Rs 5,861 crore in Q3FY22 supported by lower tax expenses in the quarter. Tax rate in the quarter was at 21.6% vs. 36.9% in Q3FY21. Marketing business incurred an EBITDA loss, mainly due to inventory loss resulting from a sharp excise duty cut during Q3FY22.
- On Operating metrics, IOCL refinery throughput reported at 17.404 MMT in Q3FY22 vs. 15.277 MMT in Q2FY22 and 17.866 MMT in Q3FY21. Its pipeline throughput stood at 21.779 MMT in Q3FY22 vs. 19.533 MMT in Q2FY22 and 21.806 MMT in Q3FY21.
- Domestic product sales was at 21.021 MMT in Q3FY22 vs. 18.938 MMT in Q2FY22 and 21.425 MMT in Q3FY21. Export product sales was at 1.57 MMT in Q3FY22 vs. 1.243 MMT in Q2FY22 and 1.608 MMT in Q3FY21.

Key Updates

Expectation of robust GRM in near future

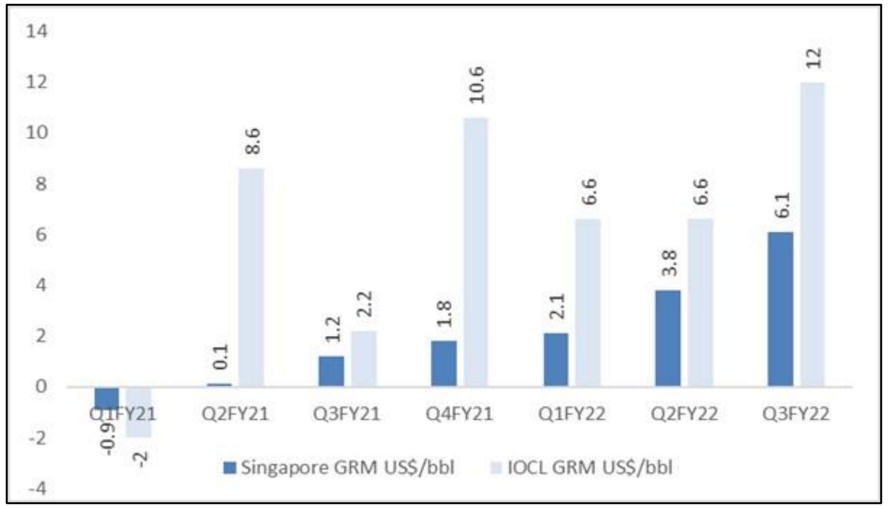
The covid-19 pandemic had adversely impacted the condition of refining business and refining margin had been sluggish in CY2020 though it has shown a decent recovery trends in CY2021. Benchmark Singapore Gross Refining Margins (GRM's) averaged at $6.1/barrel in the Q3FY22, up $2.2 a barrel sequentially, primarily led by improvement in diesel and ATF cracks.

According to FG Energy – a global energy consultancy firm, global refinery runs is anticipated to increase in CY22 as global oil demand recovers resulting in higher throughput. Inventory levels are nearing 2019 lows. Hence, refinery utilisation is expected to rise with upward traction in demand.

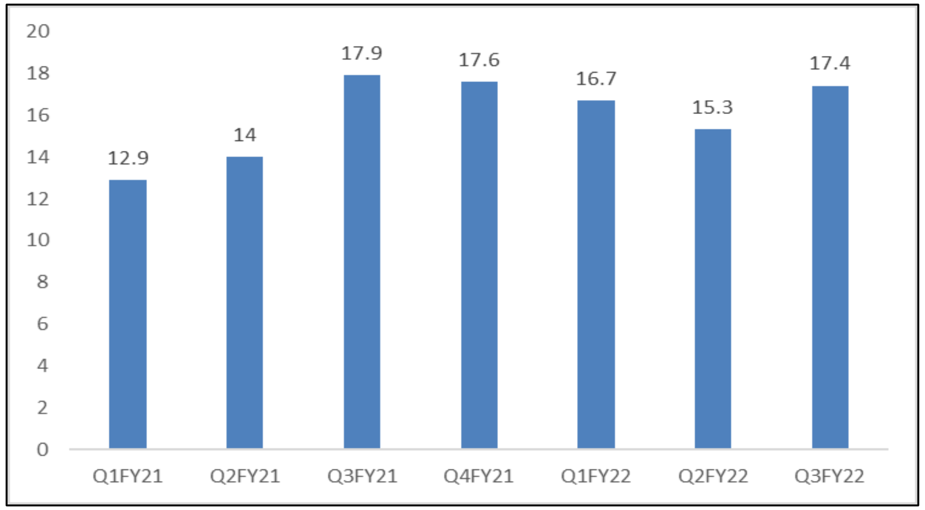
IOCL reported average Gross Refining Margin (GRM) for the period April- December 2021 at US$ 8.52 per bbl vs. US$ 2.96 per bbl for the same period of previous year. The core GRM or the current price GRM for the period April - December 2021 after offsetting inventory loss/ gain comes to US$5.40 per bbl. The company's GRM stood at US$12/bbl (up 83.7% QoQ) in Q3FY22 vs. US$ 6.6/bbl in Q2FY22 and US$ 2.2/bbl in Q3FY21 and its core GRM was at US$ 8.9/bbl in Q3FY22 vs. US$ 4.8/bbl in Q2FY22 and US$ 1.3/bbl in Q3FY21. Utilization of high sulphur crude oil was at 59% in Q3FY22 vs. 54.5% in FY21, and refinery capacity utilization rate was at 99.1% in Q3FY22.

The benchmark refining margin, however, has spiked in the past few weeks. IOCL is likely to benefit the most among its peers from an uptick in refining margin, further supported by robust petchem margin in the near term.

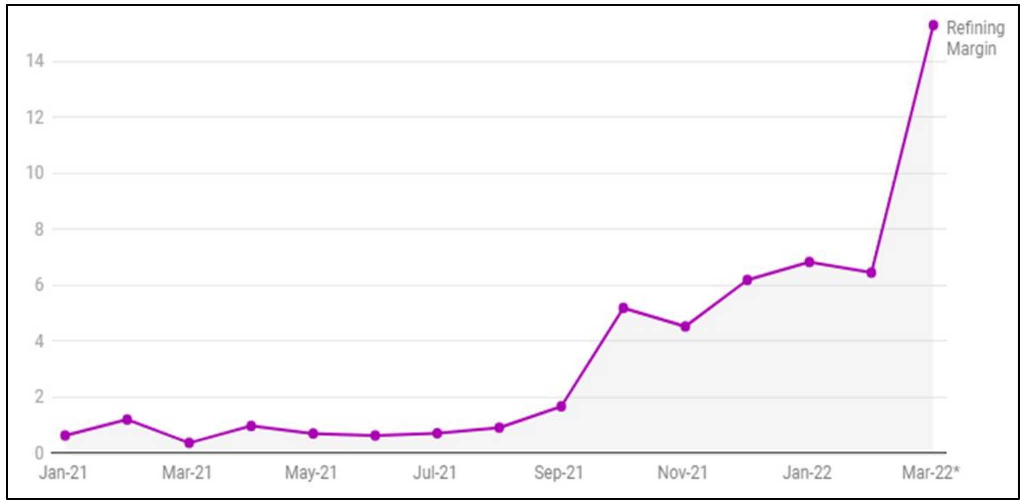
IOCL GRM and Singapore GRM-US$/bbl



Refinery Throughput (MMT)



Monthly average of Singapore Dubai Hydrocracking refining margin (US$/bbl)



(Source: Bloomberg)

Sharp price hikes could add marketing margin going forward

IOCL earnings could improve with cyclical recovery in GRM, higher polymer spreads, and marketing margin. We expect IOCL's strong earnings momentum to sustain in the coming quarters, supported by multiple drivers like volume recovery, price hikes of petroleum products, cyclical recovery in refining margins, recovery in petchem margins and expectation of inventory gain as spot crude oil price could trade at $95-100/bbl. Price hike of petroleum products could help to ramp up marketing margins in near to medium terms. Fuel prices in India have gone up 16 times over the past two weeks, with the hikes occurring almost on a daily basis since March 23, after a four-month gap without a rise, taking the total increase to Rs 10 per litre. IOCL's petchem margins improved 13%/1%/31% QoQ in January 2022 for PE/PP/PVC, respectively, supported by a stiff price hike in product prices. This could help IOCL to improve its margins in the coming quarter.

Expansion in city gas distribution (CGD) could generate additional revenue

IOCL is swiftly expanding its presence in the CGD business. Along with its two joint venture companies, Green Gas Ltd (with GAIL India Ltd) and Indian Oil Adani Gas Pvt. Ltd (with Adani Total Gas Ltd), it has authorisation for 40 Geographical Areas (GAs) spread across the length and breadth of the country. The company commissioned its first standalone GA in Rewa (Madhya Pradesh) in FY21, while eight GAs were commissioned by its joint ventures.

IOCL is planning to expand its CGD business and investing Rs 7,282 crore over for development of City Gas Distribution (CGD) network in 9 Geographical areas (GAs) awarded to the Company by PNGRB in the 11" Round of CGD bidding. The company will now have its presence in 26 number of GAs on its own and 23 number of GAs through its Joint Venture companies. After 11" Round of CGD Bidding, IOCL along with its 2 Joint Venture companies is now present in 49 GAs and 105 Districts spread across 21 States and UTs, making it one of the major CGD players in the country. The pipeline infrastructure and expansions will take some time to complete while the bidding has been aggressive. There may be more upfront investments in terms of capex.

Besides, IOCL acquired a 4.93% equity share in Indian Gas Exchange Ltd (IGX) – the country's first automated national level gas exchange. The acquisition of an equity stake in IGX is a strategic opportunity to become part of India's natural gas market. These investments can create value and will be earnings accretive, but the gains will accrue only over time.

IOCL plans to invest ~Rs 1 lakh crore in the next 4-5 years to expand its refining, marketing, petrochemicals and natural gas business.

IOCL is expanding almost all its refineries and also clubbing petrochemicals in all the refineries. The company is making necessary investments in pipeline and marketing infrastructure so that there will be no shortage in meeting the growing energy demand. IOCL accounts 80.6 million metric tons per annum (mtpa) installed refining capacity with 10 refineries (including Chennai Petroleum Corporation Ltd) which is about one-third of India's refining capacity of 249.4 mmtpa. Any material time or cost overruns in the group projects could lead to an increase in the company's borrowing levels and moderation of credit metrics. The company intends to enhance crude refining capacity from 70.05 MMT to 87.55 MMT by 2024-25, to meet the growing demand for petroleum products.

IOCL operates a network of more than 15,000 km long crude oil with the commissioning of the 144 km Ramanathapuram - Tuticorin section of the 1,444 km long Ennore – Thiruvallur – Bengaluru – Puducherry – Nagapattinam – Madurai - Tuticorin (ETBPNMT) Natural Gas pipeline. The company reported petroleum product and gas pipelines with a throughput capacity of 94.56mmtpa of oil and 21.69 million metric standard cubic meters per day (mmscmpd) of gas.

IOCL added 337 km of additional pipeline length in FY21, as part of its plans to continuously expand the network in line with growth in business. Projects currently under implementation could further increase the length of the pipelines network to about 21,000 km, and throughput capacity to 102 mmtpa.

IOCL has wide marketing infrastructure of petrol/diesel stations, Indane (LPG) distributorships, SERVO lubricants & greases outlets and large volume consumer pumps are backed by bulk storage terminals and installations, inland depots, aviation fuel stations, LPG bottling plants and lube blending plants amongst others. The countrywide marketing operations are coordinated by 16 State Offices and over 100 decentralised administrative offices. The company added 310 new CNG, 17 Compressed Biogas (CBG), 205 electric vehicle (EV) charging and 27 battery swapping stations in FY21. The company is operating 1,059 CNG, 21 CBG, 257 EV charging and 29 battery swapping stations in the country.

IOCL has taken crucial mega-investment decisions - 9 MMTPA greenfield refinery at Nagapattinam in Tamil Nadu through a Joint Venture with CPCL, Panipat Refinery expansion from 15 to 25 MMTPA and Gujarat Refinery expansion from 13.7 to 18 MMTPA. All refinery expansion and petrochemical integration projects viz. PX-PTA at Paradip and Ethylene Glycol at Paradip (Odisha) and Oxo Alcohol project at Dumad (Gujarat) are on track. The newly approved projects translate into an investment commitment of close to Rupees One Lakh crore over the next 4 to 5 years.

Key upcoming projects across the Refineries, Pipeline, Marketing and CGD

Business	Project	Project Cost-Cr
Refineries	Ethylene Glycol Project, Paradip Refinery	5564
	Acrylics/ Oxo-Alcohol Project at Dumad, Gujarat	5251
	R&D-II Campus at Faridabad	2282
Pipelines	Paradip Hyderabad Pipeline Project	3338
	Paradip – Haldia – Durgapur LPG Pipeline and its extension up to Patna and Muzaffarpur	3028
	Koyali - Ahmednagar - Solapur Pipeline Project	1945
	Ennore-Thiruvallur-Bengaluru-Puducherry-Nagapattinam-Madurai-Tuticorin R-LNG Pipeline Project	6025
	Paradip- Somnathpur-Haldia Pipeline Project	1298
	Mathura-Tundla Pipeline and its extension for hook-up with Barauni- Kanpur Pipeline	676
	Salaya-Mathura Crude Oil Pipeline System	1614
	Paradip-Haldia-Barauni Pipeline	3696
CGD (City Gas Distribution)	Aurangabad, Kaimur & Rohtas Districts GA (Bihar)	176
	Bokaro, Hazaribagh & Ramgarh Districts (Jharkhand)	613
	Rewa District GA (Madhya Pradesh)	177
Marketing	LPG Import facility at Paradip	690
	New Petroleum Storage Grassroot Terminal at Malkapur, Telangana	611
	Augmentation of LPG Import facility at Kandla	588
	Petroleum Storage Grassroot Terminal at Motihari, Bihar	522
	New Petroleum Storage Terminal at Silchar, Assam	502

(Source: Company)

JV with L&T and ReNew Power for green hydrogen business, to augurs the advantage of early entry

Recently, IOCL, the EPC major Larsen & Toubro (L&T) and ReNew Power, a renewable energy firm signed binding term sheet for the formation of a Joint Venture (JV) to develop the nascent green hydrogen sector in India. The partnership aims to enable India's decarbonization push and develop a synergistic alliance that brings together the strong credentials of L&T in designing, executing, and delivering EPC projects, IOCL's expertise in petroleum refining along with its presence across the energy spectrum, and the expertise of ReNew in offering and developing utility-scale renewable energy solutions. Additionally, IOCL and L&T have signed a binding term sheet to form a JV with equity participation to manufacture and sell electrolyzers used in the production of green hydrogen.

Investment approval for PBR Project could add incremental revenue going forward

On March 16, 2022, IOCL approved implementation of Poly-Butadiene Rubber (PBR) Project at company's Naphtha Cracker Complex at Panipat, Haryana at an estimated investment of Rs 1459 crore, which is expected to be operational by 2025. The plant will have a PBR production capacity of 60,000 tons per annum based on state-of-the-art technology provided by Goodyear Tire & Rubber Company which is also the leading global manufacturer of automotive tyres.

Butadiene is the primary raw material for the production of PBR which will be available from existing Naphtha Cracker Complex of the Company. Tyre industry is the largest consumer of PBR in India with more than 80%, while balance is for other industries such as footwear, conveyor belts, etc. In view of the present deficit in PBR production in India and the steadily growing demand, the demand-supply deficit is expected to grow considerably in the future. With the commissioning of this project, the Petrochemical Intensity Index of Panipat Refinery & Petrochemical Complex will increase from 15.9% to 18.05% along-with other upcoming projects.

Sound financial profile with decent dividend yield

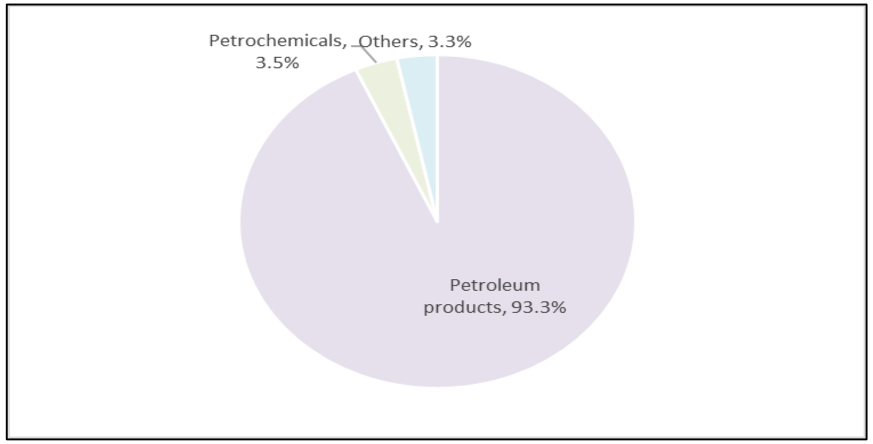
- IOCL, on a consolidated basis, reported total operating income of Rs. 363,950 crore in FY21 as against Rs. 483,763 crore in FY20, revenue is likely grow FY21-24E CAGR of 6%. We expect EBITDA margin at 7-8% and PAT margin at 3-4% in FY22E to FY24E, respectively.
- The oil & gas industry is a capital-intensive industry, which requires large funds and substantial time to develop a sound infrastructure, the interest coverage ratio also remained comfortable at 8.6x in FY21. However, the company has wide capex plan over the next three to four years. Therefore, we expect it could go down at ~3x in next two to three years.
- The company paid dividend of Rs 14 in FY21, dividend yield stood at 11.2%. The company has recommended first interim dividend of Rs 5 per share and declared 2nd Interim dividend of Rs 4/- per equity share for FY22 which resulted in total interim dividend till date of Rs 9 per share (Face Value @ Rs 10) during the FY22.

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 plans 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. Prices of crude oil depend on various factors including policies by major producers of crude oil, global as well as regional demand variations, geopolitical situations and market sentiment.
- The company's profitability is also exposed to the forex rates (INR-US$) given the business is largely depending on the volatility of INR against the US$ on sales, crude procurement and foreign currency loans.
- IOCL's core business of refining and marketing of petroleum products is an inherently low margin business. Any extreme vagaries like economic slowdown, volatility in oil and gas prices and regulatory changes in Oil and Gas industry could impact its growth story in near future. The changing macro-economic scenario can have an impact on the growth plans of the company.

- The oil prices and crack spreads are a function of many dynamic factors and fundamental factors such as global demand supply dynamics, geo-political stability in countries with oil reserves, OPEC policies, exchange rates, etc. These factors have translated in high level of volatility in oil prices. Thus, Company's profitability is exposed to volatility of crude prices and crack spreads as well as foreign exchange fluctuations. Regulatory change in the form of reduction in duty protection will lower refining margins.
  Significant increase in sales-related under-recoveries on account of adverse movement in crude oil prices and foreign exchange rates, with inadequate pass-through in retail price or compensation from GoI.
- Shift in consumption to green fuels over time could impact the demand for fossil fuels which so far is the mainstay of the company.
- While IOCL is pursuing a large investment plan of Rs 25000 – 28000 cr annually, most of its expansion projects are targeted for completion in FY25 and beyond.
- With inland refineries, IOCL needs to maintain a higher level of inventory for its operations, which tends to increase earnings volatility relative to peers.

Revenue Mix



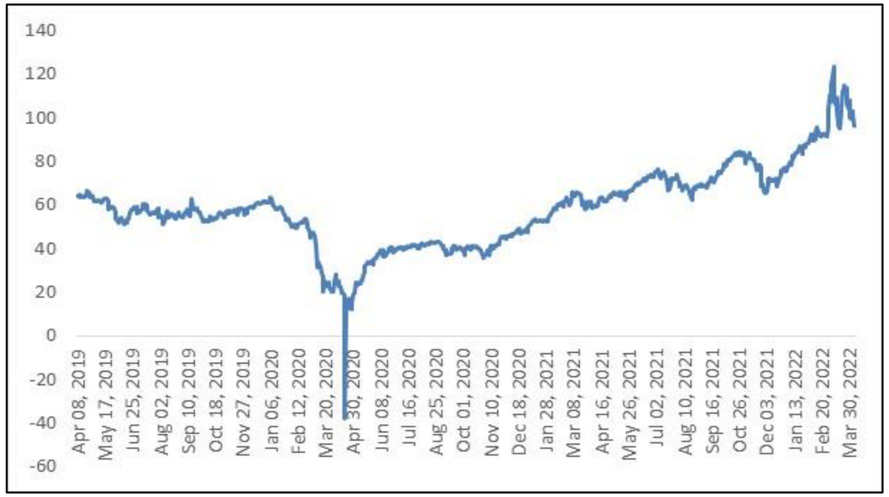
Operating Metrics

Segment Revenue (Rs,Cr)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Petroleum products	146612	128139	140482	132861	85197	110715	140233	156982	149193	161743	188339
Petrochemicals	3926	3358	4152	4291	2832	4440	5514	6383	5829	7308	6983
Others	2027	2830	2950	5481	1601	2649	3252	3696	3516	4779	6622
Total	**152565**	**134327**	**147584**	**142633**	**89630**	**117804**	**149000**	**167060**	**158538**	**173830**	**201944**

Segment Results (PBIT)											
Petroleum products	5600	1272	3675	-81	2617	6615	5643	8978	6709	5821	6153
Petrochemicals	474	494	513	526	495	979	1721	2023	1738	1609	768
Others	234	235	231	191	29	-243	39	52	193	404	288
Total	**6309**	**2000**	**4420**	**637**	**3142**	**7352**	**7403**	**11053**	**8640**	**7834**	**7209**

Oil & Gas Price:

Crude Oil WTI Fut-US$/bbl



Natural Gas Price-US$/mbtu

(Source: Investing.com, HDFC sec)

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBITDA			PAT			ROE-%			P/E (x)			EV/EBITDA(x)		
		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
IOCL	119513	4,01,784	4,18,827	4,39,480	31,380	30,656	30,884	14,571	13,756	13,316	12.7	11.4	10.5	8.0	8.5	8.8	6.4	6.7	6.8
HPCL	41564	246700	265600	280400	8700	12000	15000	5100	6900	9000	12.9	15.8	18.2	8.3	6.1	4.8	9.0	6.2	4.8
BPCL	83050	339300	366100	392100	18500	18900	21400	10600	10800	12600	19.3	18.2	19.4	7.6	7.5	6.4	6.4	6.1	5.1

IOCL Valuation

Business	EBIDTA (Rs Cr)	Base Case			Bull Case			Add on Dips			Valuation basis
		Multiple	Value (Rs Cr)	Value (Rs/sh)	Multiple	Value (Rs Cr)	Value (Rs/sh)	Multiple	Value (Rs Cr)	Value (Rs/sh)	
Standalone											
Refining	2,544	6.0	15,266	17	6.5	16538	18	5.0	12722	14	EV/EBIDTA on Mar 24E
Marketing	10,086	5.5	55,473	60	6.0	60516	66	5.0	50430	55	EV/EBIDTA on Mar 24E
Pipeline	6,999	5.5	38,492	42	6.0	41991	46	4.5	31493	34	EV/EBIDTA on Mar 24E
Petchem	7,552	6.0	45,310	49	6.0	45310	49	5.0	37758	41	EV/EBIDTA on Mar 24E
Standalone net Debt			(59,191)	-64		(59,191)	-64		(59,191)	-64	As on Mar 24E
Standalone Equity Value			**95,350**	**104**		**1,05,164**	**114**		**73,212**	**80**	
Investments											
Traded investments			191	21			21			21	25% disc. to CMP
Non traded investments			138	15			15			15	Investments at 25% disc. to BV
Investments Equity Value				**36**			**36**			**36**	
Value per share				**140**			**150**			**116**	

Financials (Consolidated)

Income Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	**483763**	**363950**	**401784**	**418827**	**439480**
Growth (%)	**-8**	**-24.8**	**10.4**	**4.2**	**4.9**
Operating Expenses	467531	322245	370404	388170	408596
EBITDA	**16232**	**41705**	**31380**	**30656**	**30884**
Growth (%)	**-53.9**	**156.9**	**-24.8**	**-2.3**	**0.7**
EBITDA Margin (%)	**3.4**	**11.5**	**7.8**	**7.3**	**7.0**
Depreciation	9659	10941	10138	10867	11642
EBIT	**6572**	**30763**	**21242**	**19789**	**19241**
Other Income	-8537	3500	4162	4276	4490
Interest expenses	6579	3589	7199	7055	7410
PBT	**-8543**	**30674**	**18205**	**17010**	**16321**
Tax	-5301	8989	4588	4286	4113
RPAT	**-3242**	**21685**	**13618**	**12723**	**12208**
APAT	**-15871**	**22766**	**14571**	**13756**	**13316**
Growth (%)	**-191.3**	**LP**	**-36.0**	**-5.6**	**-3.2**
EPS	-5.0	23.6	15.9	15.0	14.5

Balance Sheet

As at March	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	9181	9181	9181	9181	9181
Reserves	86217	102657	108020	114786	121441
Shareholders' Funds	**95398**	**111838**	**117201**	**123967**	**130622**
Long Term Debt	56071	60935	42220	45256	48293
Net Deferred Taxes	11439	13964	14872	14691	15420
Long Term Provisions & Others	4435	5028	5552	6041	6579
Minority Interest	**876**	**976**	**1025**	**1076**	**1130**
Total Source of Funds	**168219**	**192741**	**180870**	**191031**	**202044**
APPLICATION OF FUNDS					
Net Block & Goodwill	147021	157084	161549	166545	175392
CWIP	32846	36292	38862	41718	42440
Other Non-Current Assets	39135	45332	45793	46627	47489
Total Non Current Assets	**219002**	**238707**	**246203**	**254889**	**265321**
Current Investments	0	0	0	0	0
Inventories	67011	83427	71361	74942	79282
Trade Receivables	13259	13800	11824	12320	12915
Cash & Equivalents	10587	11757	31975	31513	31555
Other Current Assets	19878	7224	7448	7666	7881
Total Current Assets	**110735**	**116209**	**122608**	**126441**	**131632**
Short-Term Borrowings	69897	47580	48736	50486	52486
Trade Payables	27576	37248	36115	36076	37910
Other Current Liab & Provisions	64044	77347	103091	103737	104513
Total Current Liabilities	**161518**	**162175**	**187942**	**190299**	**194909**
Net Current Assets	-50783	-45966	-65333	-63858	-63277
Total Application of Funds	**168219**	**192741**	**180870**	**191031**	**202044**

(Source: Company, HDFC sec)

Cash Flow Statement

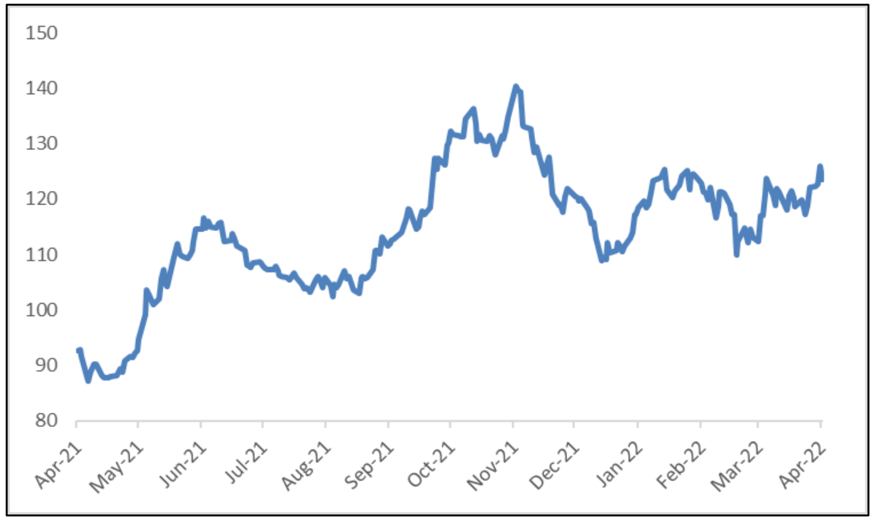
(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	-8,543	30,674	18,205	17,010	16,321
Non-operating & EO items	-4,092	-2,419	-3,209	-3,243	-3,382
Interest Expenses	6,579	3,589	7,199	7,055	7,410
Depreciation	9,659	10,941	10,138	10,867	11,642
Working Capital Change	4,295	18,671	38,428	-3,686	-2,540
Tax Paid	230	-6,463	-3,680	-4,467	-3,385
OPERATING CASH FLOW (a)	**8,129**	**54,993**	**67,081**	**23,536**	**26,067**
Capex	-28,752	-24,450	-17,173	-18,719	-21,212
Free Cash Flow	-20,623	30,543	49,908	4,817	4,854
Investments	8,313	-8,155	-408	-417	-425
Non-operating income	-8,537	3,500	4,162	4,276	4,490
Others	-2,630	1,957	-52	-417	-437
INVESTING CASH FLOW (b)	**-31,606**	**-27,148**	**-13,472**	**-15,277**	**-17,584**
Debt Issuance / (Repaid)	33,256	-17,453	-17,559	4,786	5,038
Interest Expenses	-6,579	-3,589	-7,199	-7,055	-7,410
FCFE	6,054	9,501	25,151	2,547	2,482
Share Capital Issuance	0	0	0	0	0
Dividend	-4,609	-13,014	-9,207	-6,991	-6,660
Others	2,415	7,381	573	540	592
FINANCING CASH FLOW (c)	**24,484**	**-26,675**	**-33,392**	**-8,720**	**-8,441**
NET CASH FLOW (a+b+c)	**1,007**	**1,170**	**20,217**	**-461**	**41**

Key Ratios

Particulars	FY20	FY21	FY22E	FY23E	FY24E
Profitability Ratio (%)					
EBITDA Margin	3.4	11.5	7.8	7.3	7.0
EBIT Margin	1.4	8.5	5.3	4.7	4.4
APAT Margin	-3.3	6.3	3.6	3.3	3.0
RoE	-15.3	22.0	12.7	11.4	10.5
RoCE	-5.7	10.6	8.5	8.1	7.6
Solvency Ratio (x)					
Net Debt/EBITDA	7.1	2.3	1.9	2.1	2.2
Net D/E	1.2	0.9	0.5	0.5	0.5
PER SHARE DATA (Rs)					
EPS	-5.0	23.6	15.9	15.0	14.5
CEPS	5.6	35.5	26.9	26.8	27.2
Dividend	5.0	14.2	10.0	7.6	7.3
BVPS	103.9	121.8	127.6	135.0	142.3
Turnover Ratios (days)					
Debtors	10	14	11	11	11
Inventory	51	84	65	65	66
Creditors	24	49	41	39	39
VALUATION (x)					
P/E	-25.6	5.4	8.0	8.5	8.8
P/BV	1.2	1.0	1.0	0.9	0.9
EV/EBITDA	13.7	5.2	6.4	6.7	6.8
EV / Revenues	0.5	0.6	0.5	0.5	0.5
Dividend Yield (%)	4.0	11.2	7.9	6.0	5.7

(Source: Company, HDFC sec)

One Year Price Chart



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.

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: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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