

## PLASTIC PRODUCTS

05 April 2022

### Near term pain; but long-term Structural Growth intact

- High RM cost to weigh on margins as HDPE/LDPE prices have risen by 9%/17% YoY during Q4FY22
- Volume growth to be backed by government focus on water supply and sanitation projects along with uptick in real estate/construction activity
- Recent rally factors in positives – retain HOLD on ASTRA (TP Rs 2,205) and FNXP (TP Rs 180); SI cut to HOLD from BUY (TP Rs 2,400)

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**Plumbing segment demand steady but agri pipe volumes yet to recover:** Plastic product players witnessed volume loss and margin pressure in Q3FY22 owing to a sharp correction in PVC prices, destocking by dealers and weaker demand due to unseasonal rains. Construction activity slowed amid the third Covid wave, further undermining demand in Jan'22. Recovery in construction and real estate activity since February has led to a steady revival in the plumbing segment. Demand for agri pipes remains sluggish, however, due to the pass-along of rising PVC prices, causing farmers to delay purchases. We believe this will impede agri demand revival in FY23.

**Improved restocking at dealer level:** Lower offtake in the agriculture and housing segments, channel destocking at the dealer level and supply chain disruptions in Q3 eroded the volume growth of many pipe companies. However, we expect channel inventory replenishment to have picked up in Q4 led by the recent rise in PVC prices (10-12%) and the likelihood of further hikes (steadily increasing of spot prices).

**Steady price hikes to mitigate margin pressure:** PVC resin prices touched a peak of Rs 160/kg in Oct'21 from Rs 137/kg, before falling back to Rs 137/kg in Nov'21, resulting in destocking by dealers. Many companies have recently taken price hikes to mitigate the raw material inflation impact even as PVC prices have recovered by ~Rs 7/kg to hover at Rs 143/kg in Q4. Prices of key inputs, HDPE and LDPE (both crude derived), have increased by 9% and 17% YoY respectively in Q4. We believe companies will be able to partially pass on the cost burden.

**Valuations' fair:** Post demand disruption in Jan 22' due to covid, plumbing segment is holding up but agri segment is yet to show revival. With higher costs of inventory built-up in Q3 and steep rise in additives; we expect company to witness margin pressure for next 3-6 months. We maintain HOLD on ASTRA (TP Rs 2,205 vs. Rs 2,465) and FNXP (TP Rs 180 vs. Rs 200), but have lowered our target prices on both stocks to factor in lower target multiples amid RM cost inflation and delay in agri demand. We also cut EPS estimates for ASTRA & SI considering the raw material burden and slight moderation in volumes. SI (TP Rs 2,400 vs. Rs 2,535) stands downgraded from BUY to HOLD as positives appear priced in, akin to peers.

### Recommendation snapshot

Ticker	Price	Target	Rating
ASTRA IN	2,046	2,205	HOLD
FNXP IN	168	180	HOLD
SI IN	2,155	2,400	HOLD

Price & Target in Rupees | Price as of 5 Apr 2022



## Stock recommendations

### Astral, TP Rs 2,205, HOLD

ASTRA is among the leading players in India's CPVC/PVC plumbing pipe market. We expect strong growth traction in the pipe business led by likely industry consolidation, further expansion in the valve segment, new launches in water storage tanks in particular (a Rs 50bn market, ~70% unorganised), and projected margin improvement from a richer product mix. The housing demand pickup and government spending on infrastructure and agriculture would also bolster sales. The company is extending its reach into eastern markets by setting up a plant in Odisha, which will aid further growth.

ASTRA has completed several expansion projects, the full benefits of which will kick in from FY24: (a) Hosur plastic water tank, (b) Bhubaneswar machine installation (trials to start in February and commercial production by March), (c) valve project at Dholka (a few sizes launched and a few under trials), (d) pipe manufacturing at Aurangabad, and (e) blow molding water tanks at Santej and Ghiloth. The company has finalised the design and vendors for sanitaryware and faucetware and plans to launch products in these segments in May'22. Its adhesive plant in the Dahej (Gujarat) Chemical Zone will be ready by FY23-end.

Overall, we like ASTRA for its strong growth prospects, market leadership, above-industry volume growth (9% in 9MFY22), net debt-free balance sheet, wide distribution network and healthy return ratios. The stock is currently trading at ~58x FY24E P/E vs. its five-year median of ~70x. In our view, ASTRA merits a premium to peers owing to its recent entry in faucets & sanitaryware on top of its portfolio of pipes & fittings, adhesives, corrugated pipes and water tanks, which makes it a complete building material player.

However, due to the input cost overhang and moderation in volumes, we have reduced our FY23/FY24 EBITDA estimates by 3%/6% and also cut our target FY24E P/E multiple from 65x to 62x. We retain HOLD with a revised TP of Rs 2,205 (earlier Rs 2,465) as valuations look fair.

**Fig 1 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	39,324	47,535	56,711	39,324	47,535	56,711	-	-	-
EBITDA	7,136	8,800	10,592	7,136	9,064	11,230	-	(2.9)	(5.7)
EBITDA margin (%)	18.1	18.5	18.7	18.1	19.1	19.8	-	(60bps)	(110bps)
PAT	4,526	5,734	7,138	4,526	5,935	7,623	-	(3.4)	(6.4)

Source: BOBCAPS Research

### Supreme Industries, TP Rs 2,400, HOLD

We expect SI to gain considerable revenue traction in the near-to-medium term driven by robust volumes in (a) its plastic piping segment on the back of likely accelerated PVC/CPVC pipe industry consolidation post Covid and expected decentralisation of its manufacturing footprint, and (b) packaging product segment driven by easing competitive intensity

We remain positive on SI's growth and margin prospects supported by incremental capacity as well as improving housing demand, benefits from government schemes such as 'Nal Se Jal', infrastructure development, its net debt-free balance sheet and healthy return ratios. However, we have reduced our EPS by 5% each for FY22-FY24 to incorporate the input cost inflation, slower volume growth in the agriculture segment and delayed capex.

The stock is trading at 26x FY24E P/E, which is ~24% discount to its five-year median of ~34x. Based on our revised estimates, we arrive at a lower TP of Rs 2,400 (earlier Rs 2,535) set at an unchanged 29x FY24E EPS. Positives appear largely priced in, prompting us to downgrade the stock from BUY to HOLD.

**Fig 2 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	76,507	82,438	88,019	78,647	84,963	91,814	(2.7)	(3.0)	(4.1)
EBITDA	12,878	13,858	14,966	13,504	14,575	15,735	(4.6)	(4.9)	(4.9)
EBITDA margin (%)	16.8	16.8	17.0	17.2	17.2	17.1	(40bps)	(40bps)	(10bps)
PAT	9,022	9,715	10,521	9,490	10,252	11,095	(4.9)	(5.2)	(5.2)

Source: BOBCAPS Research

### Finolex Industries, TP Rs 180, HOLD

We like FNXP for its pipe business and robust balance sheet but expect earnings to be muted over FY21-FY24 due to a high base and correcting PVC/EDC spreads. We forecast a revenue CAGR of 7.7% through FY24 while PAT declines at a 5.5% CAGR. However, the gradual shift in sales mix from agri to non-agri pipes (management is targeting ~40% segmental revenue share in the midterm from the current 35%) could bring in better margins and valuation.

The stock is trading at a P/E of ~17x on FY24E, which is a ~15% discount to its five-year median of ~20x. Though a rising non-agri business contribution would support margins, we have revised our target multiple from 20x to 18x to incorporate the reducing PVC/EDC delta. This translates to a lower TP of Rs 180 (from Rs 200) – retain HOLD.

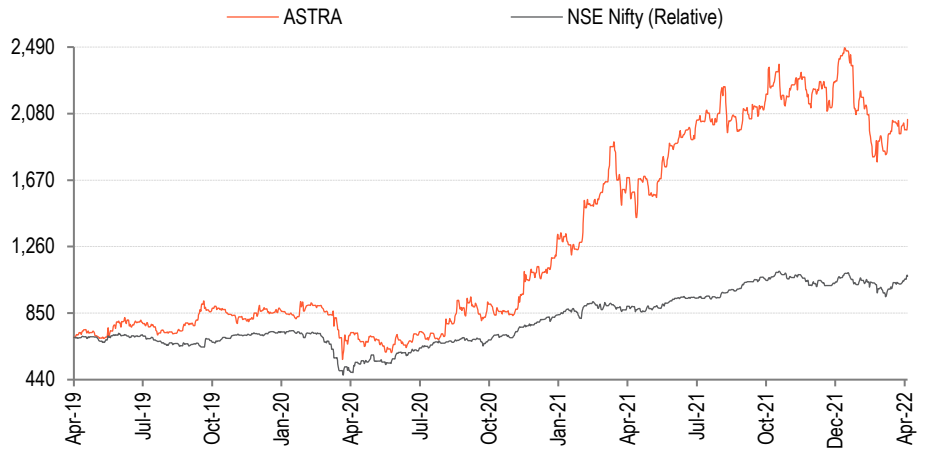
**Fig 3 – Key estimates**

(Rs mn)	New			Old			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	37,522	40,133	43,318	37,522	40,133	43,318	-	-	-
EBITDA	8,809	7,940	8,466	8,809	7,940	8,466	-	-	-
EBITDA margin (%)	23.5	19.8	19.5	23.5	19.8	19.5	-	-	-
PAT	6,305	5,806	6,217	6,305	5,806	6,217	-	-	-

Source: BOBCAPS Research

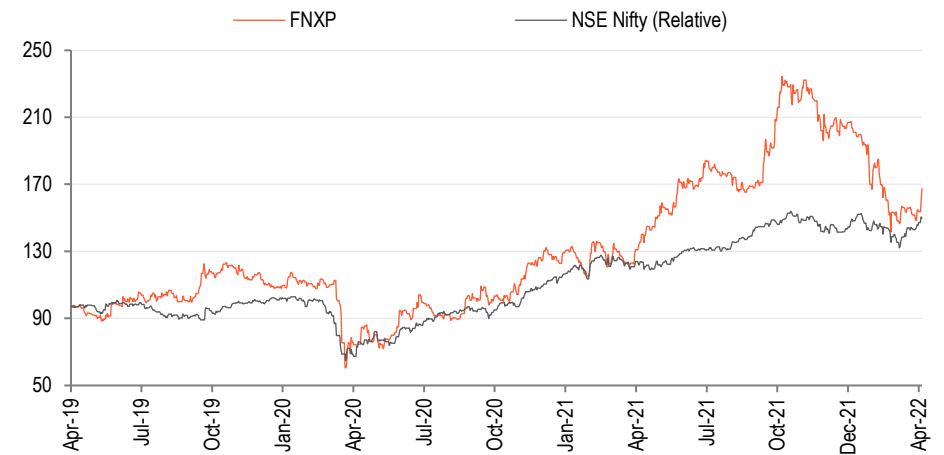
### Stock performance

**Fig 4 – ASTRA**



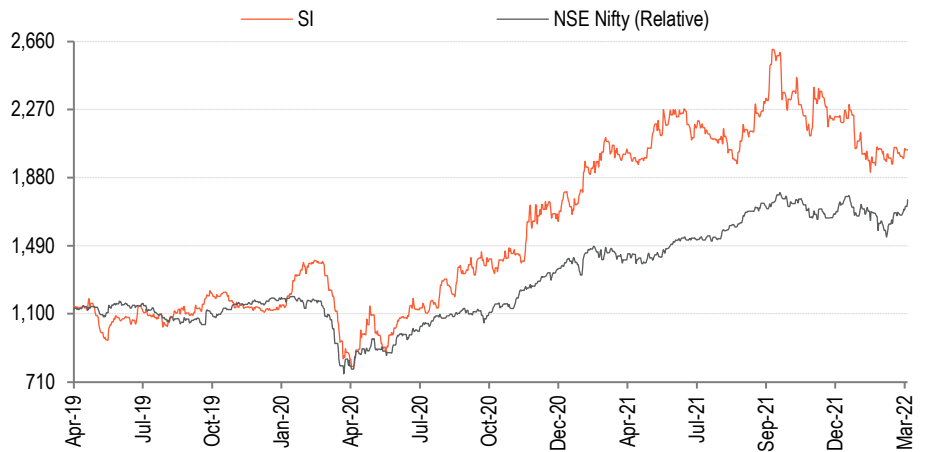
Source: NSE

**Fig 5 – FNXP**



Source: NSE

**Fig 6 – SI**



Source: NSE

## Financials – ASTRA

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>25,779</b>	<b>31,763</b>	<b>39,324</b>	<b>47,535</b>	<b>56,711</b>
EBITDA	4,441	6,445	7,136	8,800	10,592
Depreciation	(1,079)	(1,165)	(1,293)	(1,419)	(1,527)
EBIT	3,362	5,280	5,844	7,381	9,065
Net interest inc./(exp.)	(394)	(116)	(108)	(38)	(19)
Other inc./(exp.)	115	251	286	307	450
Exceptional items	0	0	0	0	0
EBT	3,083	5,415	6,021	7,650	9,497
Income taxes	(568)	(1,248)	(1,445)	(1,836)	(2,279)
Extraordinary items	(19)	(15)	0	0	0
Min. int./Inc. from assoc.	(17)	(108)	(50)	(80)	(80)
<b>Reported net profit</b>	<b>2,479</b>	<b>4,044</b>	<b>4,526</b>	<b>5,734</b>	<b>7,138</b>
Adjustments	19	15	0	0	0
<b>Adjusted net profit</b>	<b>2,498</b>	<b>4,059</b>	<b>4,526</b>	<b>5,734</b>	<b>7,138</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	4,754	5,172	6,249	7,553	9,012
Other current liabilities	563	1,250	970	1,172	1,398
Provisions	92	69	118	143	170
Debt funds	1,856	666	200	100	50
Other liabilities	0	0	0	0	0
Equity capital	151	201	201	201	201
Reserves & surplus	14,878	18,757	21,093	24,051	27,303
Shareholders' fund	15,029	18,958	21,293	24,252	27,503
<b>Total liab. and equities</b>	<b>22,462</b>	<b>26,327</b>	<b>29,092</b>	<b>33,562</b>	<b>38,556</b>
Cash and cash eq.	1,301	4,760	4,477	6,550	8,980
Accounts receivables	2,278	2,767	3,555	4,298	5,127
Inventories	5,404	4,721	6,464	7,814	9,322
Other current assets	913	769	1,077	1,302	1,554
Investments	2	0	0	0	0
Net fixed assets	12,194	12,850	13,057	13,139	13,112
CWIP	444	566	566	566	566
Intangible assets	355	295	295	295	295
Deferred tax assets, net	(429)	(401)	(401)	(401)	(401)
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>22,462</b>	<b>26,327</b>	<b>29,092</b>	<b>33,562</b>	<b>38,556</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>4,133</b>	<b>6,745</b>	<b>3,932</b>	<b>6,405</b>	<b>7,806</b>
Capital expenditures	(2,085)	(1,717)	(1,500)	(1,500)	(1,500)
Change in investments	(1)	2	0	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(2,085)</b>	<b>(1,715)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(897)	(1,190)	(466)	(100)	(50)
Interest expenses	(394)	(116)	(108)	(38)	(19)
Dividends paid	(240)	(151)	(2,191)	(2,775)	(3,887)
Other financing cash flows	(198)	(114)	50	80	80
<b>Cash flow from financing</b>	<b>(1,729)</b>	<b>(1,571)</b>	<b>(2,715)</b>	<b>(2,833)</b>	<b>(3,875)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>320</b>	<b>3,459</b>	<b>(283)</b>	<b>2,072</b>	<b>2,431</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,301</b>	<b>4,760</b>	<b>4,477</b>	<b>6,550</b>	<b>8,980</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	12.3	20.1	22.5	28.5	35.5
Adjusted EPS	12.4	20.2	22.5	28.5	35.5
Dividend per share	1.0	1.0	9.0	11.4	16.0
Book value per share	74.8	94.4	106.0	120.7	136.9

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	16.0	13.0	10.4	8.6	7.2
EV/EBITDA	92.9	63.9	57.3	46.2	38.3
Adjusted P/E	164.5	101.2	90.8	71.7	57.6
P/BV	27.3	21.7	19.3	16.9	14.9

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	81.0	75.0	75.2	75.0	75.2
Interest burden (PBT/EBIT)	91.7	102.6	103.0	103.6	104.8
EBIT margin (EBIT/Revenue)	13.0	16.6	14.9	15.5	16.0
Asset turnover (Rev./Avg TA)	120.1	130.2	141.9	151.7	157.3
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.4	1.4
Adjusted ROAE	18.0	23.9	22.5	25.2	27.6

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	2.8	23.2	23.8	20.9	19.3
EBITDA	15.3	45.1	10.7	23.3	20.4
Adjusted EPS	25.4	62.5	11.5	26.7	24.5
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	17.2	20.3	18.1	18.5	18.7
EBIT margin	13.0	16.6	14.9	15.5	16.0
Adjusted profit margin	9.7	12.8	11.5	12.1	12.6
Adjusted ROAE	18.0	23.9	22.5	25.2	27.6
ROCE	16.8	22.0	21.4	24.2	26.2
<b>Working capital days (days)</b>					
Receivables	40	29	29	30	30
Inventory	107	94	81	85	86
Payables	74	72	65	65	66
<b>Ratios (x)</b>					
Gross asset turnover	1.8	2.0	2.2	2.4	2.7
Current ratio	1.6	1.9	2.1	2.2	2.4
Net interest coverage ratio	8.5	45.5	54.0	196.8	483.5
Adjusted debt/equity	0.0	(0.2)	(0.2)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – FNXP

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>29,860</b>	<b>34,628</b>	<b>37,522</b>	<b>40,133</b>	<b>43,318</b>
EBITDA	4,481	9,893	8,809	7,940	8,466
Depreciation	(738)	(777)	(938)	(1,003)	(1,083)
EBIT	3,743	9,116	7,870	6,936	7,383
Net interest inc./(exp.)	(119)	(73)	(82)	(59)	(41)
Other inc./(exp.)	299	716	481	634	669
Exceptional items	0	0	0	0	0
EBT	3,923	9,759	8,269	7,512	8,011
Income taxes	(852)	(2,543)	(2,124)	(1,956)	(2,094)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	256	162	160	250	300
<b>Reported net profit</b>	<b>3,327</b>	<b>7,378</b>	<b>6,305</b>	<b>5,806</b>	<b>6,217</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>3,327</b>	<b>7,378</b>	<b>6,305</b>	<b>5,806</b>	<b>6,217</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	2,334	3,952	2,631	2,996	3,249
Other current liabilities	1,723	3,085	2,570	2,529	2,730
Provisions	297	420	514	550	593
Debt funds	2,827	2,039	1,239	439	239
Other liabilities	1,873	2,053	1,943	1,833	1,723
Equity capital	1,241	1,241	1,241	1,241	1,241
Reserves & surplus	18,619	30,149	33,616	36,810	40,229
Shareholders' fund	19,860	31,390	34,857	38,051	41,470
<b>Total liab. and equities</b>	<b>28,913</b>	<b>42,939</b>	<b>43,754</b>	<b>46,397</b>	<b>50,004</b>
Cash and cash eq.	932	3,363	4,344	4,160	5,800
Accounts receivables	732	1,480	1,028	1,100	1,187
Inventories	8,578	9,188	8,184	9,455	10,108
Other current assets	710	779	1,028	1,209	1,187
Investments	6,607	16,792	16,992	17,692	18,392
Net fixed assets	10,153	10,013	10,575	11,072	11,489
CWIP	73	82	50	50	50
Intangible assets	16	11	11	11	11
Deferred tax assets, net	0	0	0	0	0
Other assets	1,113	1,233	1,542	1,649	1,780
<b>Total assets</b>	<b>28,913</b>	<b>42,939</b>	<b>43,754</b>	<b>46,397</b>	<b>50,004</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>1,057</b>	<b>9,209</b>	<b>5,745</b>	<b>4,677</b>	<b>5,977</b>
Capital expenditures	(603)	(647)	(1,469)	(1,500)	(1,500)
Change in investments	0	0	0	0	0
Other investing cash flows	942	(5,859)	(200)	(700)	(700)
<b>Cash flow from investing</b>	<b>340</b>	<b>(6,507)</b>	<b>(1,669)</b>	<b>(2,200)</b>	<b>(2,200)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	1,921	(788)	(800)	(800)	(200)
Interest expenses	(119)	(73)	(82)	(59)	(41)
Dividends paid	(2,873)	(42)	(2,837)	(2,613)	(2,798)
Other financing cash flows	315	632	624	810	902
<b>Cash flow from financing</b>	<b>(756)</b>	<b>(271)</b>	<b>(3,095)</b>	<b>(2,661)</b>	<b>(2,136)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>641</b>	<b>2,431</b>	<b>981</b>	<b>(184)</b>	<b>1,641</b>
<b>Closing cash &amp; cash eq.</b>	<b>932</b>	<b>3,363</b>	<b>4,344</b>	<b>4,160</b>	<b>5,800</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	1.1	11.9	10.2	9.4	10.0
Adjusted EPS	1.1	11.9	10.2	9.4	10.0
Dividend per share	2.0	4.0	3.8	3.5	3.8
Book value per share	6.4	50.6	56.2	61.3	66.8

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	3.5	3.0	2.7	2.4	2.2
EV/EBITDA	23.0	10.5	11.5	12.2	11.2
Adjusted P/E	156.3	14.1	16.5	17.9	16.7
P/BV	26.2	3.3	3.0	2.7	2.5

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	84.8	75.6	76.2	77.3	77.6
Interest burden (PBT/EBIT)	104.8	107.1	105.1	108.3	108.5
EBIT margin (EBIT/Revenue)	12.5	26.3	21.0	17.3	17.0
Asset turnover (Rev./Avg TA)	95.9	96.4	86.6	89.0	89.9
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.3	1.2	1.2
Adjusted ROAE	14.6	28.8	19.0	15.9	15.6

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	(3.4)	16.0	8.4	7.0	7.9
EBITDA	(25.9)	120.8	(11.0)	(9.9)	6.6
Adjusted EPS	(13.8)	1009.0	(14.5)	(7.9)	7.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	15.0	28.6	23.5	19.8	19.5
EBIT margin	12.5	26.3	21.0	17.3	17.0
Adjusted profit margin	11.1	21.3	16.8	14.5	14.4
Adjusted ROAE	14.6	28.8	19.0	15.9	15.6
ROCE	15.2	32.5	22.6	18.6	18.4
<b>Working capital days (days)</b>					
Receivables	9	12	12	10	10
Inventory	139	168	149	132	135
Payables	37	46	42	32	33
<b>Ratios (x)</b>					
Gross asset turnover	1.3	1.5	1.5	1.5	1.6
Current ratio	1.5	1.6	2.1	2.4	2.7
Net interest coverage ratio	31.4	125.4	96.1	118.2	181.8
Adjusted debt/equity	0.1	0.0	(0.1)	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

## Financials – SI

### Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Total revenue</b>	<b>55,087</b>	<b>63,496</b>	<b>76,507</b>	<b>82,438</b>	<b>88,019</b>
EBITDA	8,563	12,786	12,878	13,858	14,966
Depreciation	(2,057)	(2,128)	(2,406)	(2,727)	(3,024)
EBIT	6,506	10,658	10,472	11,130	11,942
Net interest inc./(exp.)	(297)	(221)	(102)	(90)	(75)
Other inc./(exp.)	84	37	191	248	298
Exceptional items	(192)	189	0	0	0
EBT	6,293	10,473	10,561	11,288	12,165
Income taxes	(1,739)	(2,341)	(3,039)	(3,273)	(3,544)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	312	1,460	1,500	1,700	1,900
<b>Reported net profit</b>	<b>4,674</b>	<b>9,781</b>	<b>9,022</b>	<b>9,715</b>	<b>10,521</b>
Adjustments	192	(189)	0	0	0
<b>Adjusted net profit</b>	<b>4,866</b>	<b>9,592</b>	<b>9,022</b>	<b>9,715</b>	<b>10,521</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	5,475	6,462	7,336	7,905	8,440
Other current liabilities	2,347	3,377	2,935	3,162	3,376
Provisions	313	364	536	577	616
Debt funds	4,113	10	500	400	350
Other liabilities	947	919	919	919	919
Equity capital	254	254	254	254	254
Reserves & surplus	22,358	31,438	35,547	39,973	44,765
Shareholders' fund	22,612	31,692	35,801	40,227	45,019
<b>Total liab. and equities</b>	<b>35,807</b>	<b>42,823</b>	<b>48,027</b>	<b>53,190</b>	<b>58,720</b>
Cash and cash eq.	1,614	1,039	2,863	4,008	5,002
Accounts receivables	3,128	3,898	4,821	5,195	5,546
Inventories	8,906	7,608	10,900	11,745	12,540
Other current assets	2,379	2,614	2,935	3,162	3,376
Investments	2,773	10,011	6,011	6,811	8,511
Net fixed assets	15,917	17,033	19,878	21,650	23,126
CWIP	929	508	508	508	508
Intangible assets	160	112	112	112	112
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>35,807</b>	<b>42,823</b>	<b>48,027</b>	<b>53,190</b>	<b>58,720</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Cash flow from operations</b>	<b>6,038</b>	<b>14,491</b>	<b>7,598</b>	<b>11,924</b>	<b>13,047</b>
Capital expenditures	(2,953)	(2,774)	(5,250)	(4,500)	(4,500)
Change in investments	(550)	(7,238)	4,000	(800)	(1,700)
Other investing cash flows	(211)	0	0	0	0
<b>Cash flow from investing</b>	<b>(3,714)</b>	<b>(10,012)</b>	<b>(1,250)</b>	<b>(5,300)</b>	<b>(6,200)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,500	(4,103)	490	(100)	(50)
Interest expenses	(297)	(221)	(102)	(90)	(75)
Dividends paid	(3,522)	(635)	(4,912)	(5,290)	(5,728)
Other financing cash flows	235	(94)	0	0	0
<b>Cash flow from financing</b>	<b>(1,084)</b>	<b>(5,053)</b>	<b>(4,524)</b>	<b>(5,480)</b>	<b>(5,853)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,240</b>	<b>(575)</b>	<b>1,825</b>	<b>1,144</b>	<b>994</b>
<b>Closing cash &amp; cash eq.</b>	<b>1,613</b>	<b>1,039</b>	<b>2,863</b>	<b>4,008</b>	<b>5,002</b>

### Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	36.8	77.0	71.0	76.5	82.8
Adjusted EPS	38.3	75.5	71.0	76.5	82.8
Dividend per share	14.0	14.0	32.0	34.4	37.3
Book value per share	178.0	249.5	281.8	316.7	354.4

### Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	4.9	4.3	3.6	3.3	3.1
EV/EBITDA	31.8	21.3	21.2	19.9	18.5
Adjusted P/E	56.3	28.5	30.3	28.2	26.0
P/BV	12.1	8.6	7.6	6.8	6.1

### DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	79.8	90.0	85.4	86.1	86.5
Interest burden (PBT/EBIT)	93.8	100.0	100.9	101.4	101.9
EBIT margin (EBIT/Revenue)	11.8	16.8	13.7	13.5	13.6
Asset turnover (Rev./Avg TA)	162.6	161.5	168.4	162.9	157.3
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.3	1.3	1.3
Adjusted ROAE	22.0	35.3	26.7	25.6	24.7

### Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
<b>YoY growth (%)</b>					
Revenue	(1.8)	15.3	20.5	7.8	6.8
EBITDA	9.6	49.3	0.7	7.6	8.0
Adjusted EPS	32.1	97.1	(5.9)	7.7	8.3
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	15.5	20.1	16.8	16.8	17.0
EBIT margin	11.8	16.8	13.7	13.5	13.6
Adjusted profit margin	8.8	15.1	11.8	11.8	12.0
Adjusted ROAE	22.0	35.3	26.7	25.6	24.7
ROCE	18.7	28.5	21.9	20.5	19.7
<b>Working capital days (days)</b>					
Receivables	23	20	21	22	22
Inventory	84	75	66	75	76
Payables	43	43	40	41	41
<b>Ratios (x)</b>					
Gross asset turnover	1.9	2.0	2.1	2.0	1.9
Current ratio	1.3	1.5	1.9	2.0	2.1
Net interest coverage ratio	21.9	48.2	102.7	123.7	159.2
Adjusted debt/equity	0.1	0.0	(0.1)	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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