28 August 2023

Update | Sector: Cement

Dalmia Bharat

BSE SENSEX	S&P CNX
64,997	19,306

CMP: INR2,033 **TP: INR2,400 (+18%)** **Buy**

Robust expansion plan; focus remains on improving margins

- DALBHARA has been consistent in its capacity expansion over the past decade, with a 14% CAGR in grinding capacity since FY11. In the long run, the company expects a 14-17% CAGR in capacity and aims to increase its cement grinding capacity to 110-130mtpa by 2031.
- In our recently concluded Annual Global Investor Conference, Managing Director Mr. Puneet Dalmia shared his views on the industry's long-term potential and changing dynamics. He expects the consolidation to accelerate and believes that the top-4 players' volume share is expected to rise to 69% by FY30E vs. 44%/58% in FY13/FY23. The top-4 players will garner 85% of industry's demand share over FY23-30. He expects a 6.5% CAGR in industry capacity over FY24-30, lower than the ~8% CAGR in demand.
- DALBHARA has taken several initiatives (increase in sales of blended cement, use of low-cost additives, higher usage of WHRS/solar power, and greater use of alternative fuels), which will help to improve the cost structure and achieve its aim of becoming carbon negative by 2040.
- We estimate DALBHARA to clock a revenue/EBITDA/PAT CAGR of 11%/22%/ 29% over FY23-25. We have not included the proposed acquisition of JP assets in our assumptions.
- DALBHARA is a long-term play, backed by: a) robust growth plans, along with diversification in its market presence; b) locational advantages in the east region (clinker facilities in Odisha and Bihar), and c) its commitment to ESG, which will also aid cost reductions.

Aims to become pan-India cement player through rapid expansion

- DALBHARA has been consistent and aggressive in capacity expansion. It raised its grinding capacities through the organic and inorganic routes to 43.7mtpa currently from 1.2mtpa in FY06. The company has set an aggressive target of increasing its grinding capacity to 75mtpa/110-130mtpa by FY27/FY31 and wants to become a pan-India cement player.
- DALBHARA has proposed to acquire cement assets of Jaiprakash Associates (JPA) located in central India with clinker/cement/CPP capacity of 6.7mtpa/ 9.4mtpa/280MW at an enterprise value of INR58.36b (USD75/t), subject to regulatory approvals. The deal, excluding JP super Dalla clinker plant (currently under arbitration between UTCEM and JP group), is likely to be completed by FY24-end. Following the completion of this acquisition, the company's grinding capacity will rise to 56mtpa by FY24E.

Management expects consolidation to accelerate in the industry and demand to surpass capacity growth over FY24-30E

- Mr. Dalmia believes that the top-4 players are estimated to get 75%/85% of incremental supply/demand over FY24-30, which will lead to further consolidation in the industry. The top-4 players' capacity/volume share stood at 38%/44% in FY13, which increased to 46%/58% in FY23. With the higher capacity addition by top-4 players, their capacity/volume share is likely to rise to 60%/69% by FY30.

Stock Info

Bloomberg	DALBHARA IN
Equity Shares (m)	187
M.Cap.(INRb)/(USDb)	381.2 / 4.6
52-Week Range (INR)	2289 / 1478
1, 6, 12 Rel. Per (%)	6/-1/23
12M Avg Val (INR M)	542
Free float (%)	44.1

Financials Snapshot (INR b)

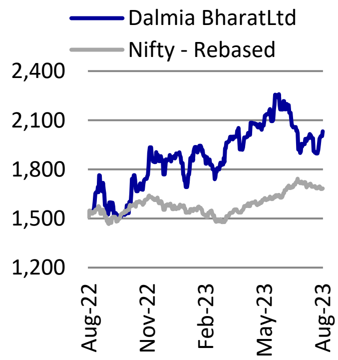
Y/E MARCH	FY23	FY24E	FY25E
Sales	135.4	147.8	166.0
EBITDA	23.2	28.2	34.4
Adj. PAT	6.9	8.1	11.3
EBITDA Margin (%)	17.1	19.1	20.7
Adj. EPS (INR)	36.5	43.3	60.4
EPS Gr. (%)	-16.5	18.6	39.5
BV/Sh. (INR)	833.6	863.9	911.3
Ratios			
Net D:E	0.0	0.0	0.0
RoE (%)	4.3	5.1	6.8
RoCE (%)	4.2	5.4	6.8
Payout (%)	24.6	30.0	21.5
Valuations			
P/E (x)	55.7	47.0	33.7
P/BV (x)	2.4	2.4	2.2
EV/EBITDA(x)	15.9	13.5	10.8
EV/ton (USD)	115	99	96
Div. Yield (%)	0.4	0.6	0.6
FCF Yield (%)	-1.2	0.6	0.8

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	55.9	55.9	55.9
DII	8.9	8.7	7.3
FII	13.9	12.8	12.6
Others	21.4	22.6	24.2

FII Includes depository receipts

Stock performance (one-year)



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Mudit Agarwal - Research analyst (Mudit.Agarwal@MotilalOswal.com)

- Cement demand is estimated to register an 8% CAGR over FY24-30, led by infrastructure, housing, and private capex. With this, industry demand is likely to grow to 660mt vs. 380mt in FY23.
- The capacity CAGR is estimated at ~6.5% over FY24-30, with a significant contribution from the leading four players (~11% CAGR). The remaining players will see a modest CAGR of 2%. The India's cement capacity is likely to grow to 980mtpa by FY30 vs. 630mtpa in FY23.

Capital allocation framework defined by four critical principles: scalability, sustainability, consistency and predictability

- The company has laid down a detailed and comprehensive capital allocation framework that includes a disciplined fund allocation, a long-term capacity expansion target and focus on achieving greater efficiencies in the process and systems. This policy defines long-term vision and a 10-year roadmap.
- As part of this strategy, DALBHARA plans to divest its non-core assets in a phased manner and become a pure play pan-India cement company with a significant presence in every market where it operates. It also intends to emerge as one of the most profitable and environment-friendly companies in the cement industry in India.
- DALBHARA focuses on sustainable growth and has taken several initiatives (increasing blended cement share in product-mix, higher renewable energy (RE) share and use of alternative fuels) to reduce its carbon footprint.

High energy cost dents profits in FY23; estimate EBITDA CAGR of 22% over FY23-25

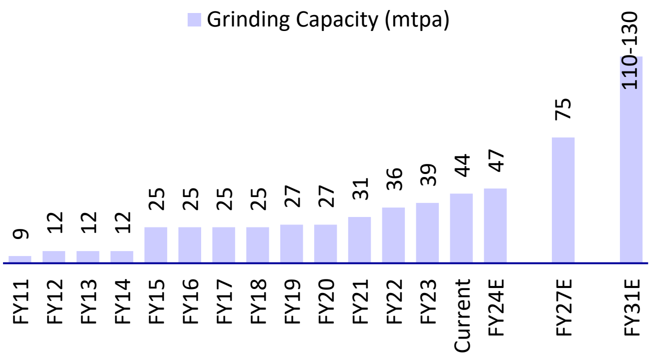
- Despite robust volume growth of 16% YoY in FY23, DALBHARA consolidated EBITDA declined 5% YoY primarily due to significant cost pressure. Opex/t increased by 9.4% YoY vs. only a 3.6% increase in realization/t in FY23.
- Going forward, we estimate a 22% EBITDA CAGR, driven by ~12% volume growth and ~10% growth in EBITDA/t. We estimate EBITDA/t of INR985/ INR1080 in FY24/FY25 vs. INR900 in FY23.
- EBITDA/t improvement will largely be driven by cost reduction initiatives and decline in energy costs as we expect high competitive intensity in its core markets (east and south) to restrict any material improvement in realization.

Expansion plans to support earnings; reiterate BUY

- The management has outlined its future roadmap, which focuses on expansion (through mix of organic and inorganic routes), higher share of premium products and RE, and raw material security. Some of its priorities in FY24 include the timely completion of its ongoing expansion and the successful integration of JPA cement assets.
- The stock trades at 13.5x/10.8x FY24E/FY25E EV/EBITDA and EV/t of USD99/ USD96. It has traded at an average one-year forward EV/EBITDA ratio of 10x/9.5x in the last 5 years/10 years. With a likely improvement in earnings (22%/29% EBITDA/PAT CAGRs over FY23-25E) and its focus on capacity expansions without leveraging the balance sheet, we expect the stock to trade at higher multiples. We value DALBHARA at 13x FY25E EV/EBITDA to arrive at a TP of INR2,400, an upside of 18% from current levels. We maintain our BUY rating on the stock.

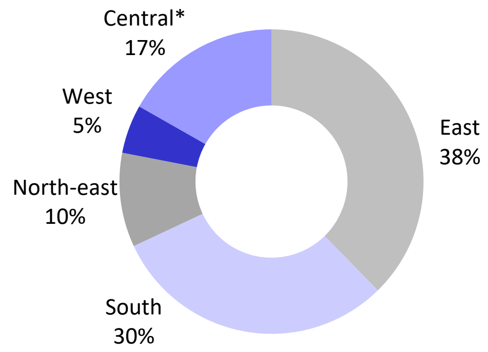
Story in charts

Exhibit 1: DALBHARA targets 14-17% capacity CAGR till FY31E



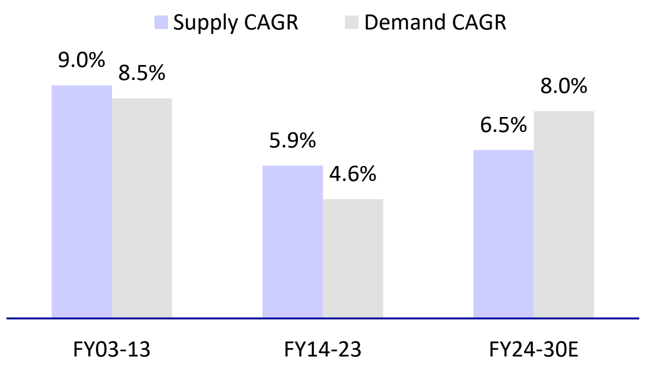
Source: MOFSL, Company; FY24E closing capacity is excluding pending acquisition of JPA cement asset

Exhibit 2: DALBHARA's grinding capacity regional break-up by FY24E



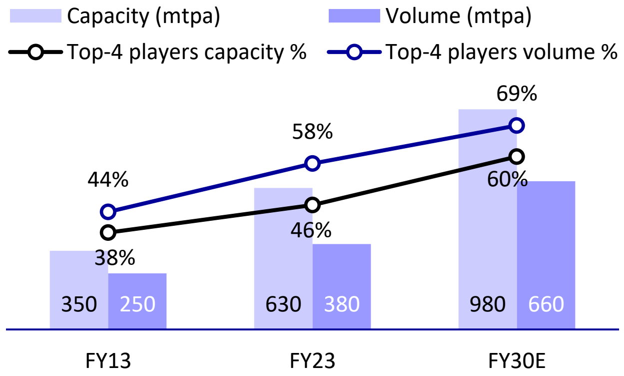
Source: MOFSL, Company; *acquisition of JPA cement asset in Central India is under process

Exhibit 3: Demand is likely to exceed supply over FY24-30



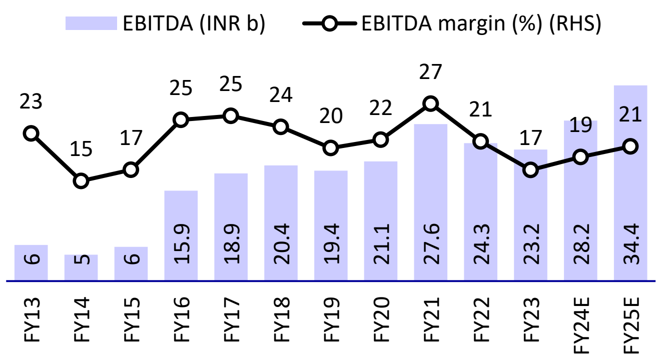
Source: MOFSL, Company

Exhibit 4: Consolidation will accelerate in the industry



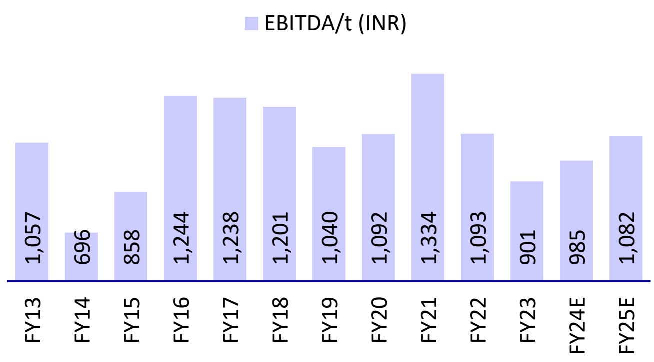
Source: MOFSL, Company

Exhibit 5: Estimate EBITDA CAGR of 22% over FY23-25



Source: MOFSL, Company

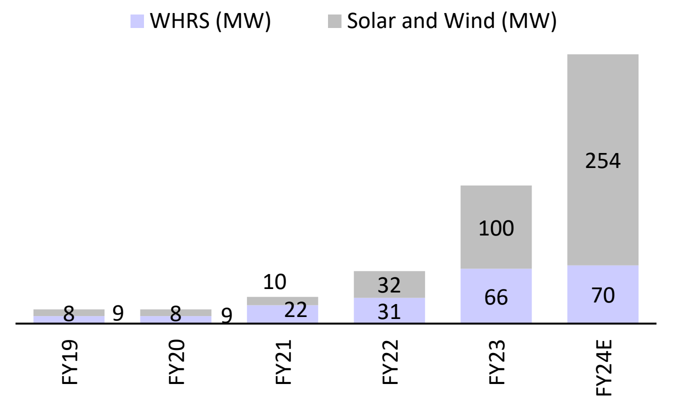
Exhibit 6: EBITDA/t to rise aided by cost efficiencies



Source: MOFSL, Company

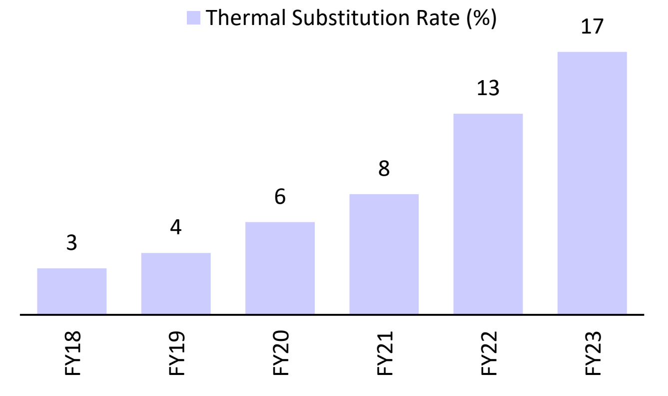
Story in charts

Exhibit 7: Increasing green power portfolio



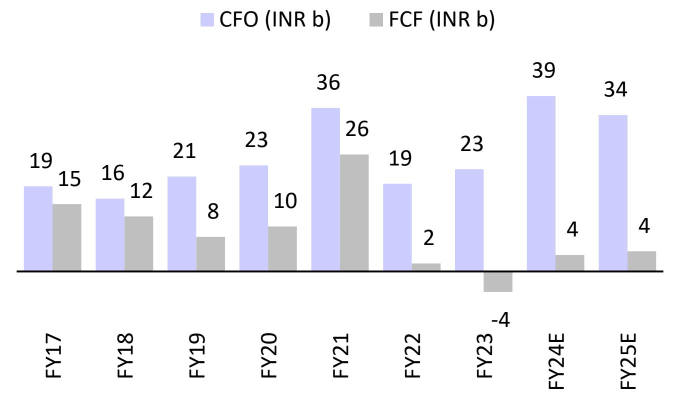
Source: MOFSL, Company

Exhibit 8: Increasing TSR by using more alternative fuels



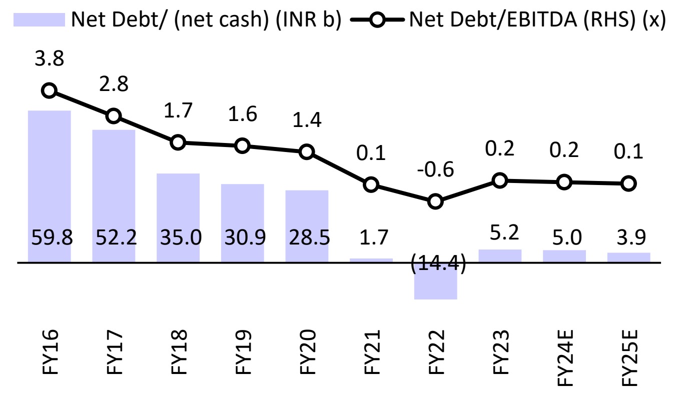
Source: MOFSL, Company

Exhibit 9: OCF will support organic growth



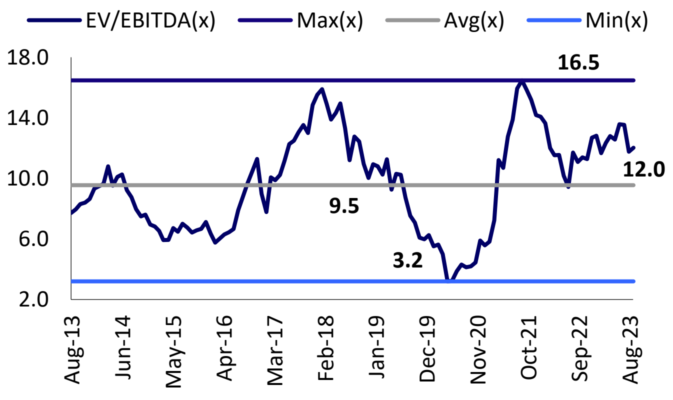
Source: MOFSL, Company

Exhibit 10: Net debt surged in FY23 due to higher capex



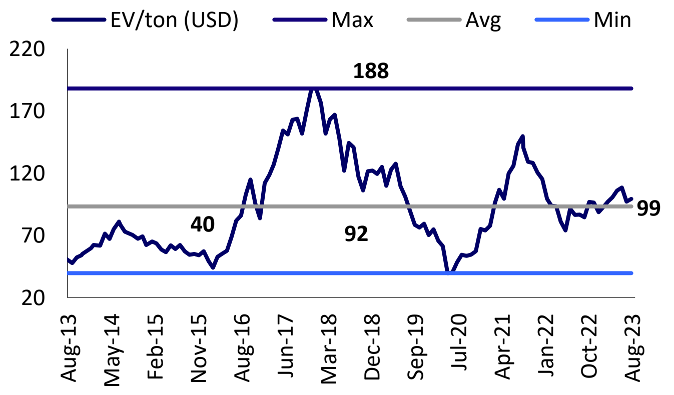
Source: MOFSL, Company

Exhibit 11: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 12: One-year forward EV/t

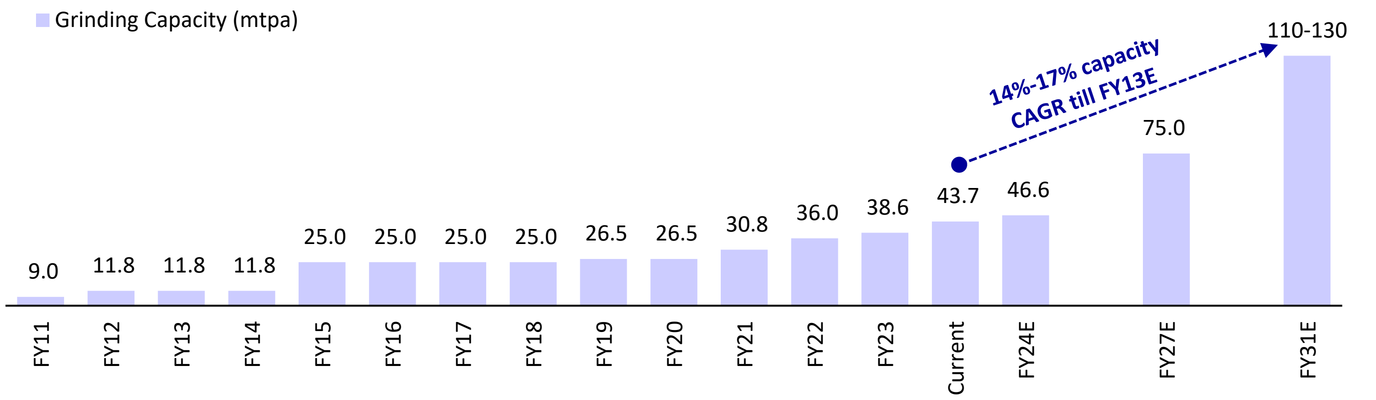


Source: MOFSL, Company

Aims to become pan-India cement player through rapid expansion

- DALBHARA has been consistent in capacity expansion over the past decade. The company's grinding capacity has seen a CAGR of 14% since FY11. Currently, its clinker/cement capacity stood at 21.7mtpa/43.7mtpa across 15 cement plants and grinding units spread across 10 states. The company is expanding clinker/cement capacity to 23.7mtpa/46.6mtpa by FY24 through organic routes.
- Moreover, the company has announced a capex plan of INR36.4b for setting up a new clinker unit of 3.6mtpa at its Umrangso unit and grinding capacity of 2.4mtpa at its Lanka unit in Assam. The expansion is likely to be completed by FY25-26. Recently, the company invested INR15.3b in its northeast subsidiary, Dalmia Cement (Northeast), (DCNEL, formerly known as Calcom Cement India), and acquired shares through a rights issue. With this acquisition, its total stake in DCNEL has increased to 95.28% from 78.93%.
- DALBHARA targets to increase its grinding capacity to 75mtpa/110-130mtpa by FY27/FY31 through organic and inorganic routes. Currently, it has a major presence in east and south India. It intends to establish its presence in the west, central and north India by the end of FY24.
- DALBHARA has proposed to acquire cement assets of JPA located in central India. It is acquiring clinker/cement/CPP capacity of 6.7mtpa/9.4mtpa/280MW at an enterprise value of INR58.36b (USD75/t). The acquisition is considered as a step toward the company's aspiration to become a pan-India player.
- Recently, the management stated that the deal is experiencing some delays due to pending external approvals. However, the deal, excluding JP super Dalla clinker plant (currently under arbitration between UTCEM and JP group), is likely to be completed by the end of FY24. Following the completion of acquisition, the company's grinding capacity will rise to 56mtpa by FY24E.

Exhibit 13: DALBHARA targets to grow capacity at a CAGR of 14%-17% till FY31E

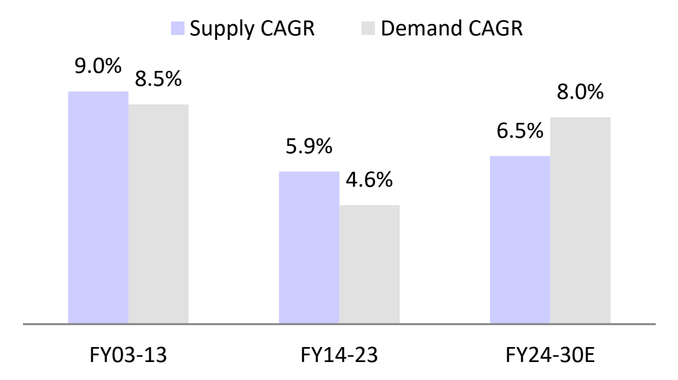


Source: MOFSL, Company

Consolidation to accelerate in the industry and healthy demand growth expected over FY24-30

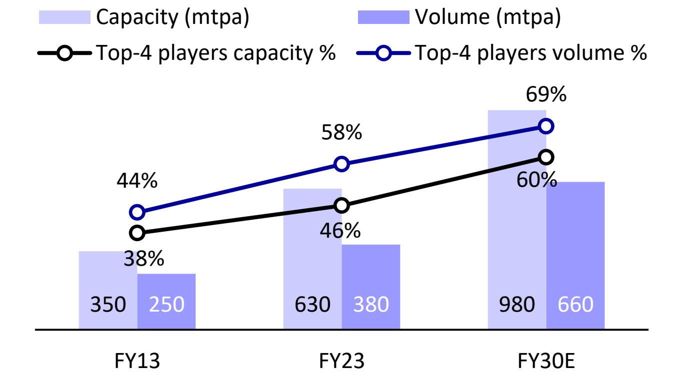
- In our recently concluded **Annual Global Investor Conference**, Managing Director **Mr. Puneet Dalmia** shared his views on the industry's long-term potential and changing dynamics. He believes that the top-4 players are estimated to get 75%/85% of incremental supply/demand over FY24-30, which will lead to further consolidation in the industry.
- The top-4 players' capacity/volume share stood at 38%/44% in FY13, which increased to 46%/58% in FY23. With the higher capacity addition by the top-4 players, their share in capacity/volume is likely to rise to 60%/69% by FY30.
- Industry demand saw an 8.5% CAGR over FY03-13, mainly led by housing and capex. Over FY14-23, demand growth slowed to a 4.6% CAGR, attributed partly to certain reforms (implementation of GST, Bankruptcy law, RERA and Fiscal consolidation) that impacted the growth rate during the initial phase.
- Cement demand is now estimated to see an 8% CAGR over FY24-30, led by infrastructure, housing, and private capex. With this, industry demand is likely to grow to 660mt by FY30 vs. 380mt in FY23.
- On the supply side, the capacity CAGR stood at 9% over FY03-13, backed by easy credit, limestone allocation, and lower capex (INR5b). While the capacity CAGR slowed to 5.9% over FY13-23, given the bankruptcy law, limestone auction process, and higher capex (INR20b).
- The capacity CAGR is estimated at ~6.5% over FY24-30, with a significant contribution from the leading four players (~11% CAGR). The remaining players are anticipated to exhibit a modest CAGR of 2%. The India's cement capacity is estimated to grow to 980mtpa by FY30 vs. 630mtpa in FY23.

Exhibit 14: Demand is likely to exceed supply over FY24-30



Source: MOFSL, Company

Exhibit 15: Consolidation will accelerate in the industry



Source: MOFSL, Company

Outlined capital allocation framework with strategic vision

- The company has laid down a detailed and comprehensive capital allocation framework that defined disciplined fund allocation, long-term capacity expansion targets and focus on greater efficiencies in the process and systems. The policy defines long-term vision and a 10-year roadmap. **Its capital allocation framework stated that**:
  - Up to 10% of the operating cash flow will be distributed to shareholders through a mix of dividend and share buybacks.

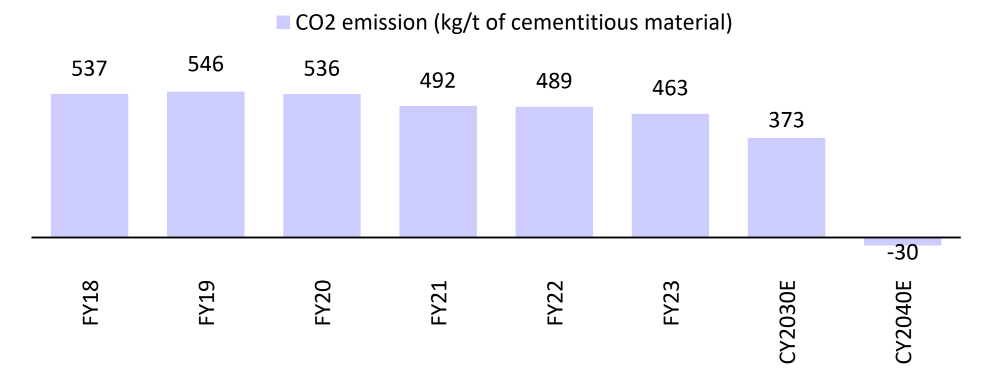
- ➢ Up to 10% of operating cash flow will be used for an innovation and green energy fund, which would be channelized toward focused R&D in the areas of climate changes and technology advancements.
- ➢ The balance will be used to fund growth as well as maintenance capex.
- ➢ Net debt-to-EBITDA will be maintained below 2.0x, and any deviation would be only for any strategic inorganic opportunity.
- ➢ It targets ROCE of 14-15% over the next few years.
- ➢ Treasury will be governed by a board approval treasury policy.

- In this policy, the company also stated to divest their non-core assets in a phased manner. Over the past few years, it has divested its entire stake in Hippo Stores, refractory business and a part stake in IEX in line with its goal to become a pan-India pure-play cement company. DALBHARA will continue to evaluate to divestment its residual stake in IEX.

Key sustainability development and initiatives

- DALBHARA achieved TSR of 17% in FY23 vs. 13% in FY22. This was achieved through the substitution of fossil fuels with various environmental-friendly alternatives, such as industrial wastes, municipal solid waste, renewable biomass (including bamboo and plantation sources), and hazardous waste.
- The company is using 29% renewable power in total energy consumption.
- It has achieved 31% recycled water usage and has become 14x water positive. It targets to become 20x water positive by FY25.
- It is a signatory to RE100, EP100 and EV100 collectively. It is committed to doubling energy productivity (EP100), 100% use of renewable energy (RE100) and a significant transition toward electric vehicles (EV100) by CY30.
- In FY23, the company reduced net CO_2 emissions by 5.31% YoY to 463Kg/t of cementitious material.

Exhibit 16: DALBHARA commits to becoming carbon negative by CY40



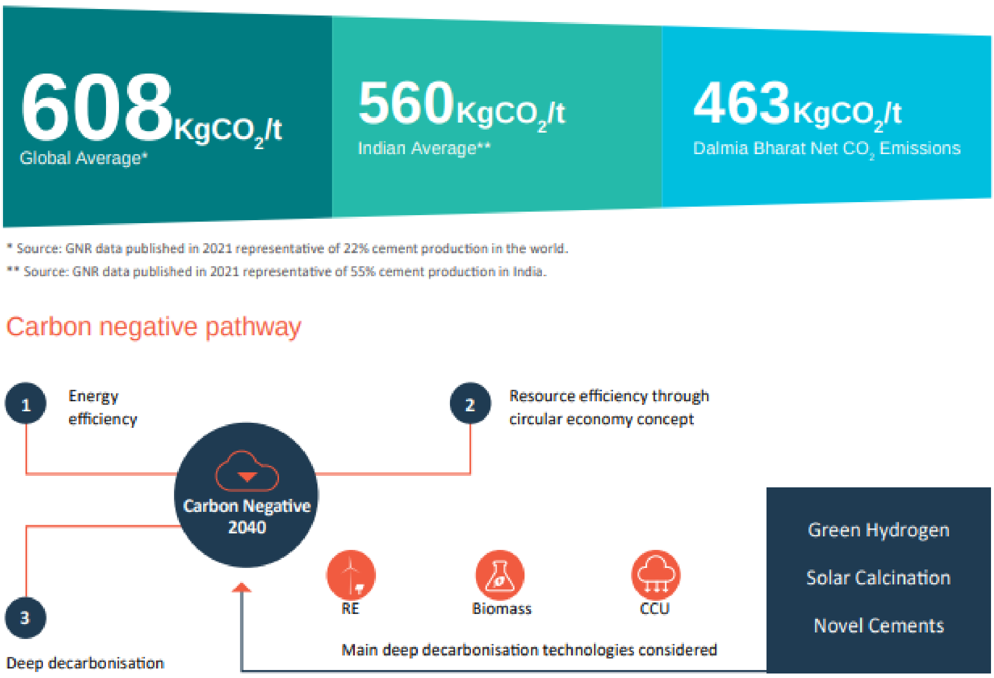
Source: MOFSL, Company

Exhibit 17: Key sustainability targets and achievements as of FY23

Aspect	Target	Achievement FY23
Climate change mitigation	• Reduce Scope 1 GHG emissions 32% per tonne of cementitious material by FY34 from a FY19 base year and scope 2 GHG emissions 61.9% per tonne of cementitious material within the same timeframe validated by SBTi • Carbon negative by 2040	• Scope 1 - 15.20% reduction against 2019 baseline • Scope 2 - 17.85% reduction against 2019 baseline • We have achieved carbon footprint of 463 KgCO_2/t cementitious material against baseline of 546 KgCO_2/t cementitious material • We are in the trajectory to achieve the target of being carbon negative by 2040
Renewable energy	Usage of 100% renewable power under fossil free electricity initiative by 2030 (RE 100)	29% is the share of non-fossil power consumption out of the total power share
Energy productivity	To double the energy productivity by 2030 (EP 100), baseline 2010-11	54% energy productivity improvement compared to 2010 baseline We are in-line with our target of doubling energy productivity
Alternative (green) fuels	100% Thermal Substitution Rate i.e. using 100% alternative (green) fuel for generating heat to replace fossil fuel by 2035	17% Thermal Substitution Rate achieved this year by replacing fossil fuels by industrial wastes, municipal solid waste, renewable biomass (bamboo/plantation), hazardous waste
Electric vehicles	Use of electric vehicles for significant EV transition by 2030 (EV 100)	We have purchased 22 heavy duty electric trucks for transportation of our raw materials
Blended cements (low-carbon cements)	Switch to 100% blended cement production by 2026	84% blended cement share achieved this year using 10.99 million tonnes alternative raw materials like fly-ash, slag and others

Source: MOFSL, Company

Exhibit 18: In the cement industry DALBHARA's carbon emission is lower than the global average as well as India average

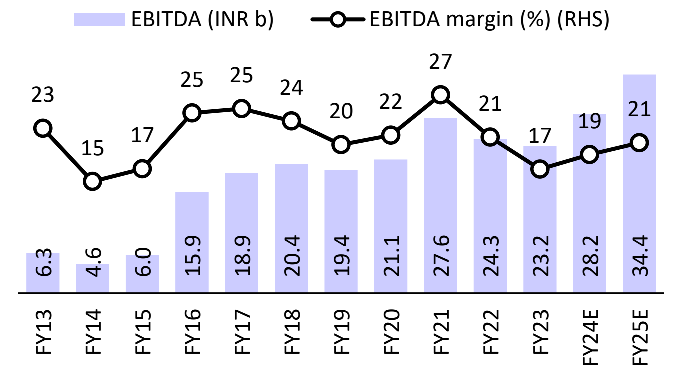


Source: MOFSL, Company

Higher energy cost dents profits in FY23; estimate EBITDA CAGR 22% over FY23-25

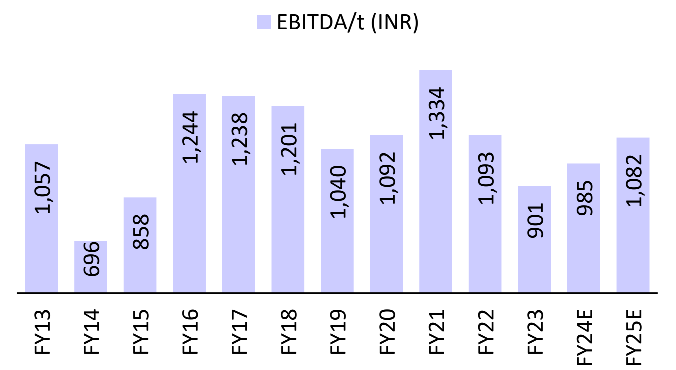
- DALBHARA's consolidated revenue grew 20% YoY to INR135.4b in FY23, driven by a ~16% YoY increase in sales volume and a ~4% increase in realization. However, consolidated EBITDA declined 5% YoY to INR23.2b and OPM dropped 4.4pp YoY to 17% due to cost pressures (opex/t increased 9.4% YoY). EBITDA/t declined 17.5% YoY to INR900.
- Going forward, we estimate a 22% EBITDA CAGR, driven by ~12% volume growth and ~10% growth in EBITDA/t. We estimate EBITDA/t of INR985/ INR1080 in FY24/FY25 vs. INR900/t in FY23. We believe that EBITDA/t improvement will largely be driven by cost reduction initiatives as high competitive intensity in its core markets (east and south) might restrict any material improvement in realization.
- DALBHARA has implemented several cost optimization measures. **Key initiatives**:
  - The company is continuously taking steps to reduce the clinker factor and targets to produce 100% blended cement by 2026. The company's clinker factor percentage stood at 58.5% in FY23 (61.3% in FY22) vs. industry average at ~68%.
  - The company plans to increase its RE capacity (through a combination of solar and wind power capacities) to 328MW by FY24 vs. 170MW currently. It also sources renewable electricity from the grid and Indian Energy Exchange (IEX), and has started purchasing hydel power to meet its RE commitment.
  - It secured two coal blocks, namely Brinda Sesai (east) and Mandala North (central), which will provide fuel security and cost optimization for kilns.
  - It is increasing TSR (currently at 17% vs. India average ~4%) by replacing fossil fuel with green fuel. It is installing a chlorine bypass duct to remove chlorine from the system and targets to replace 100% of fossil fuels.
  - Savings in logistics costs through a digital bidding platform for transporters and the use of heavy-duty electric trucks for the transportation of raw materials. DALBHARA has signed contracts for the deployment of 218 green vehicles. It has already deployed 16 vehicles and plans to deploy the remaining 202 vehicles in FY24. It aims to reduce logistics costs for cement and inbound materials by 10%.

Exhibit 19: Estimate EBITDA CAGR of 22% over FY23-25



Source: MOFSL, Company

Exhibit 20: EBITDA/t to rise aided by cost efficiencies

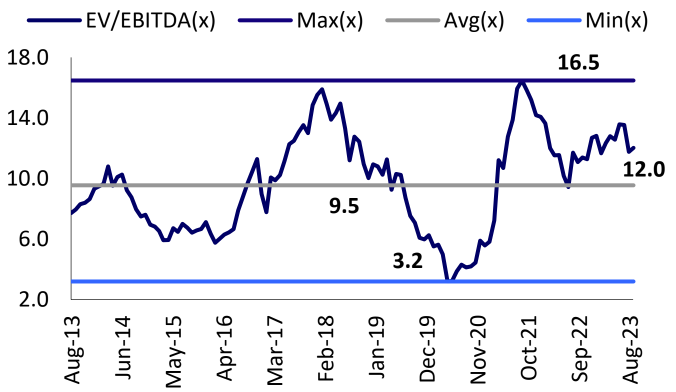


Source: MOFSL, Company

Valuations attractive, reiterate Buy

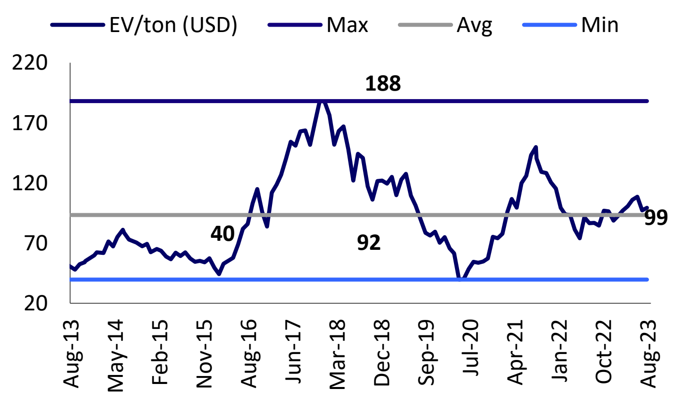
- DALBHARA has increased its capacity to 43.7mtpa (14% CAGR since FY11) and has set an ambitious target of increasing its grinding capacity to 75mtpa by FY27 and 110-130mtpa by FY31.
- Despite the significant expansion, the company's leverage remains low, supported by strong volume growth (~16% CAGR), improvement in profitability (EBITDA CAGR of 20%) and divestment of non-core assets (divested entire investment in refractory business, wholesaler business for all construction and building materials (Hippo Stores) and partial stake in IEX). Its net debt stood at INR12.1b and net debt-to-EBITDA ratio at 0.52x as of Jun'23. Net debt, excluding investment in IEX, stood at INR29b and the ratio at 1.25x.
- The stock currently trades at 13.5x/10.8x FY24E/FY25E EV/EBITDA ratio and an EV/t of USD99/USD96. It has traded at an average one-year forward EV/EBITDA ratio of 10x/9x in the last five/10 years. With an expected improvement in earnings (22%/29% EBITDA/PAT CAGR over FY23-25E) and its focus on capacity expansions without leveraging its balance sheet, we expect the stock to trade at higher multiples.
- We value DALBHARA at 13x FY25E EV/EBITDA to arrive at a TP of INR2,400, an upside of 18% from current levels. We maintain our BUY rating on the stock.

Exhibit 21: One-year forward EV/EBITDA



Source: MOFSL, Company

Exhibit 22: One-year forward EV/t



Source: MOFSL, Company

Financials and Valuations (Consolidated)

Income Statement								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Net Sales	**85,800**	**94,840**	**96,740**	**1,01,100**	**1,12,860**	**1,35,400**	**1,47,819**	**1,65,987**
Change (%)	15.2	10.5	2.0	4.5	11.6	20.0	9.2	12.3
EBITDA	**20,360**	**19,420**	**21,060**	**27,620**	**24,260**	**23,160**	**28,232**	**34,431**
Margin (%)	23.7	20.5	21.8	27.3	21.5	17.1	19.1	20.7
Depreciation	12,130	12,960	15,280	12,500	12,350	13,050	15,539	16,985
EBIT	**8,230**	**6,460**	**5,780**	**15,120**	**11,910**	**10,110**	**12,693**	**17,447**
Int. and Finance Charges	7,080	5,510	4,380	2,950	2,020	2,340	3,170	3,731
Other Income - Rec.	2,740	2,440	2,170	1,810	1,600	1,380	1,930	2,045
PBT bef. EO Exp.	**3,890**	**3,390**	**3,570**	**13,980**	**11,490**	**9,150**	**11,453**	**15,761**
EO Expense/(Income)	0	0	0	-3,330	20	-3,850	0	0
PBT after EO Exp.	**3,890**	**3,390**	**3,570**	**17,310**	**11,470**	**13,000**	**11,453**	**15,761**
Current Tax	1,080	1,120	1,140	2,120	250	320	2,932	4,035
Deferred Tax	-100	-1,220	50	3,330	2,900	2,100	0	0
Tax Rate (%)	32.1	-2.1	27.5	40.4	26.5	29.6	25.6	25.6
Reported PAT	**2,910**	**3,490**	**2,380**	**11,860**	**8,320**	**10,580**	**8,521**	**11,726**
Minority and Associates	10	-410	-140	-130	-240	-190	-400	-400
PAT Adj. for EO items	**2,920**	**3,080**	**2,240**	**8,400**	**8,203**	**6,850**	**8,121**	**11,326**
Change (%)	563.6	5.5	-27.3	275.0	-2.3	-16.5	18.6	39.5
Margin (%)	3.4	3.2	2.3	8.3	7.3	5.1	5.5	6.8

Balance Sheet								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Equity Share Capital	385	390	390	374	375	375	375	375
Total Reserves	1,02,965	1,06,000	1,05,650	1,27,726	1,60,235	1,55,905	1,61,589	1,70,477
Net Worth	**1,03,350**	**1,06,390**	**1,06,040**	**1,28,100**	**1,60,610**	**1,56,280**	**1,61,964**	**1,70,852**
Deferred capital investment subsidy	1,200	1,290	1,400	1,240	1,250	1,660	1,660	1,660
Deferred Liabilities	13,250	11,880	12,770	16,590	15,640	16,100	16,100	16,100
Minority Interest	-300	110	250	340	720	1,160	1,560	1,960
Total Loans	72,660	58,780	59,500	37,080	31,190	37,420	45,920	46,920
Capital Employed	**1,90,160**	**1,78,450**	**1,79,960**	**1,83,350**	**2,09,410**	**2,12,620**	**2,27,204**	**2,37,492**
Gross Block	1,62,870	1,66,210	1,66,440	1,86,160	2,00,360	2,16,590	2,61,270	2,78,240
Less: Accum. Deprn.	22,500	30,470	40,890	49,910	59,020	68,760	82,269	97,223
Net Fixed Assets	**1,40,370**	**1,35,740**	**1,25,550**	**1,36,250**	**1,41,340**	**1,47,830**	**1,79,001**	**1,81,017**
Capital WIP	1,730	5,200	17,400	10,060	10,450	18,710	7,000	18,000
Current Investment	**34,080**	**23,150**	**26,980**	**32,930**	**43,990**	**29,350**	**38,250**	**38,250**
Non-current Investment	970	1,090	1,610	7,410	13,060	5,900	5,900	5,900
Curr. Assets, Loans and Adv.	**35,510**	**39,300**	**37,670**	**32,210**	**37,840**	**53,400**	**43,286**	**46,241**
Inventory	7,790	10,320	9,740	7,600	9,460	13,160	14,174	15,917
Account Receivables	5,640	5,490	6,640	5,110	6,730	7,000	8,100	9,095
Cash and Bank Balance	3,540	4,690	4,030	2,470	1,600	2,850	1,007	1,152
Loans and Advances	18,540	18,800	17,260	17,030	20,050	30,390	20,005	20,077
Curr. Liability and Prov.	**22,500**	**26,030**	**29,250**	**35,510**	**37,270**	**42,570**	**46,233**	**51,916**
Account Payables	20,970	23,430	27,210	32,820	34,600	39,370	42,739	47,993
Provisions	1,530	2,600	2,040	2,690	2,670	3,200	3,494	3,923
Net Current Assets	**13,010**	**13,270**	**8,420**	**-3,300**	**570**	**10,830**	**-2,947**	**-5,674**
Appl. of Funds	**1,90,160**	**1,78,450**	**1,79,960**	**1,83,350**	**2,09,410**	**2,12,620**	**2,27,204**	**2,37,492**

E: MOFSL estimates

Financials and Valuations (Consolidated)

Ratios								
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
Basic (INR)*								
EPS	**15.2**	**15.8**	**11.5**	**44.9**	**43.8**	**36.5**	**43.3**	**60.4**
Cash EPS	78.1	82.3	89.8	111.7	109.7	106.1	126.2	151.0
BV/Share	536.2	545.6	543.8	684.6	857.2	833.6	863.9	911.3
DPS	1.7	2.0	2.0	1.3	9.0	9.0	13.0	13.0
Payout (%)	11.2	12.5	17.2	3.0	20.6	24.6	30.0	21.5
Valuation (x)*								
P/E		128.8	177.1	45.3	46.5	55.7	47.0	33.7
Cash P/E		24.7	22.6	18.2	18.5	19.2	16.1	13.5
P/BV		3.7	3.7	3.0	2.4	2.4	2.4	2.2
EV/Sales		4.3	4.1	3.7	3.2	2.7	2.6	2.2
EV/EBITDA		21.0	18.6	13.5	14.7	15.9	13.5	10.8
EV/t (USD)		186	179	147	120	115	99	96
Dividend Yield (%)		0.1	0.1	0.1	0.4	0.4	0.6	0.6
Return Ratios (%)								
RoIC	3.6	4.5	3.0	6.7	6.0	4.5	5.5	7.2
RoE	2.9	2.9	2.1	7.2	5.7	4.3	5.1	6.8
RoCE	4.2	5.3	3.5	6.1	5.6	4.2	5.4	6.8
Working Capital Ratios								
Asset Turnover (x)	0.5	0.5	0.5	0.6	0.5	0.6	0.7	0.7
Inventory (Days)	33	40	37	27	31	35	35	35
Debtor (Days)	24	21	25	18	22	19	20	20
Leverage Ratio (x)								
Current Ratio	1.6	1.5	1.3	0.9	1.0	1.3	0.9	0.9
Debt/Equity ratio	0.7	0.6	0.6	0.3	0.2	0.2	0.3	0.3

Cash Flow Statement								(INR m)
Y/E March	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24E**	**FY25E**
OP/(Loss) before Tax	3,890	3,390	3,570	13,640	11,620	13,210	11,453	15,761
Depreciation	12,130	12,960	15,280	12,500	12,360	13,050	15,539	16,985
Interest and Finance Charges	7,080	5,510	3,640	3,190	1,930	2,310	3,170	3,731
Direct Taxes Paid	-860	-240	-660	440	240	-140	-2,932	-4,035
(Inc.)/Dec. in WC	-3,590	1,500	2,740	7,810	-5,150	-770	11,832	2,724
CF from Operations	**18,650**	**23,120**	**24,570**	**37,580**	**21,000**	**27,660**	**39,062**	**35,165**
Others	-2,590	-2,220	-1,190	-1,540	-1,680	-5,140	-1,930	-2,045
CF from Operations incl. EO	**16,060**	**20,900**	**23,380**	**36,040**	**19,320**	**22,520**	**37,132**	**33,120**
(Inc.)/Dec. in FA	-3,930	-13,290	-13,450	-10,270	-17,560	-27,010	-35,000	-30,000
Free Cash Flow	**12,130**	**7,610**	**9,930**	**25,770**	**1,760**	**-4,490**	**2,132**	**3,120**
(Pur.)/Sale of Investments	3,950	10,320	-4,970	6,050	6,380	2,980	-8,907	-11
Others	1,350	2,870	300	370	410	1,080	1,930	2,045
CF from Investments	**1,370**	**-100**	**-18,120**	**-3,850**	**-10,770**	**-22,950**	**-41,977**	**-27,966**
Issue of Shares	40	40	0	-4,000	50	0	0	0
Inc./(Dec.) in Debt	-7,730	-13,870	120	-25,340	-5,800	6,670	8,609	1,160
Interest Paid	-7,620	-5,420	-4,680	-3,960	-2,320	-2,970	-3,170	-3,731
Dividend Paid	-330	-400	-930	0	-1,000	-1,690	-2,437	-2,437
Others	0	0	-430	-450	-350	-330	0	0
CF from Fin. Activity	**-15,640**	**-19,650**	**-5,920**	**-33,750**	**-9,420**	**1,680**	**3,002**	**-5,009**
Inc./Dec. in Cash	**1,790**	**1,150**	**-660**	**-1,560**	**-870**	**1,250**	**-1,843**	**146**
Opening Balance	1,750	3,540	4,690	4,030	2,470	1,600	2,850	1,007
Closing Balance	**3,540**	**4,690**	**4,030**	**2,470**	**1,600**	**2,850**	**1,007**	**1,152**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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