

# Thermax

Estimate changes



TP change



Rating change



**CMP: INR3,312**

**TP: INR3,060 (-8%)**

**Neutral**

## Improving prospect pipeline

Thermax's 3QFY24 result was below our estimate due to lower-than-expected margin and higher interest expense. The company reported revenue/EBITDA growth of 13%/16% YoY, while adjusted PAT declined 12% YoY for 3QFY24. Order inflows, which were weak until 1HFY24, have started improving, while large-sized order inflows will commence mainly from FY25. The prospect pipeline is improving fast, especially fueled by the power sector. Thermax is evaluating bids and will take a selective stance on thermal power bidding depending upon the margins and payment terms. We expect this to aid order inflows going forward. The company's new product launches are in initial stages of testing and trial and will yield results over next few years. However, continued investments in equity and debt in the subsidiaries (TOESL and FEPL) will weigh on its balance sheet strength over the next few years. We tweak our estimates and reiterate our Neutral rating on the stock with a revised TP of INR3,060 (as we roll forward our valuation to Mar'26E).

	TMX IN
Bloomberg	
Equity Shares (m)	113
M.Cap.(INRb)/(USDb)	394.6 / 4.8
52-Week Range (INR)	3509 / 1985
1, 6, 12 Rel. Per (%)	4/19/34
12M Avg Val (INR M)	213

### Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Net Sales	93.5	105.4	120.8
EBITDA	7.4	9.6	11.4
PAT	5.7	7.0	8.2
EPS (INR)	50.4	62.6	73.1
GR. (%)	25.9	24.1	16.8
BV/Sh (INR)	386.8	435.4	493.5

### Ratios

ROE (%)	13.8	15.2	15.7
RoCE (%)	12.5	13.4	13.7

### Valuations

P/E (X)	65.0	52.3	44.8
P/BV (X)	8.5	7.5	6.6
EV/EBITDA (X)	49.5	38.1	31.9
Div Yield (%)	0.4	0.4	0.4

### Shareholding pattern (%)

As On	Dec-31	Sep-30	Dec-31
Promoter	62.0	62.0	62.0
DII	15.9	15.5	15.3
FII	17.5	18.0	17.8
Others	4.7	4.5	4.9

FII Includes depository receipts

### Result below our estimate

Thermax's revenue grew 13% YoY to INR23.2b, fueled by 19%/10%/46% YoY growth in the Industrial Products/Industrial Infra/Green Solutions segments, while the Chemicals segment declined 2% YoY. Revenue growth was largely in line with our estimates. There was a marginal 50bp improvement in gross margin YoY and QoQ at 44.6%. EBITDA grew 16% YoY to INR1.9b, with a margin of 8.1% (+20bp/-80bp YoY/QoQ), lower than our estimate of 8.6%. Most of the segments, except for Industrial Infra, witnessed margin improvement led by lower RM prices. Interest expenses have started moving up for Thermax owing to higher debt for its subsidiaries (FEPL and TOESL). There was an exceptional gain of INR1.3b, arising from the sale of land. Adjusted for this, PAT declined 12% YoY to INR1.1b, lower than our estimate of INR1.45b. The company has announced a capex of INR450m towards setting up an Ion Exchange Resin facility at Jhagadia, Gujarat. The order inflows grew 14% YoY to INR25b, taking the order book to INR107.2b (+9% YoY).

### Segment wise outlook on margins is looking better

The Industrial Products segment's margin has been on an uptrend, and as the company scales up in the water segment, margin has scope for further improvement. During 3QFY24, margin in the Industrial Infra segment was hit by additional costs of INR100m related to a sulphur recovery project. The EBIT margin in the Green Solutions segment is likely to improve further, while the PBT margin in this segment will remain hit by higher interest expenses. The Chemical segment's margin has benefited from lower RM prices, and the company would now focus more on improving its volumes.

**Order inflow pipeline strong, driven mainly by power**

The order prospect pipeline has started firming up substantially, especially from the thermal power sector for both utility and captive power plants from domestic as well as international locations. Thermax is evaluating the bids based on the margin profile and payment terms and will accordingly take a call on participating in utility-based projects. The inquiry pipeline is also improving for steel, hydrocarbons, and water, especially, the ultra-pure water from industries such as F&B, pharma, semiconductor, and cement. Conversely, the pipeline from ethanol and sugar is still weak, and refineries remained flat.

**Continuous investments in debt and equity needed for TOESL and FEPL**

The company is targeting an equity investment of INR15b in both TOESL and FEPL put together as it plans to scale up capacity in both these subsidiaries. This will also result in incremental debt on consolidated books and will keep weighing on the company's financials for another few quarters until revenues scale up.

**We expect 22% PAT CAGR over three years**

We expect a CAGR of 14%/24%/22% in revenue/EBITDA/PAT over FY23-26. Growth will be driven by: 1) a 15% growth in order inflows, 2) a gradual recovery in EBIT margins of the Industrial Product and Chemical divisions to 9.5% and 18.5%, respectively, by FY26E, and 3) control over working capital and NWC (at six days).

**Valuation and view**

The stock is currently trading at 52x/45x P/E on FY25/26E earnings. We tweak our estimates to bake in better margin in the Industrial Product division and higher other income. We roll forward our valuation to Mar'26E and arrive at a revised TP of INR3,060 based on 40x Mar'26E earnings and add value of investments in Green Solutions at 1.5x P/BV. We reiterate our Neutral rating on the stock.

**Consolidated - Quarterly Earning Model**

(INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q	Var (%)
<b>Net Sales</b>	<b>16,545</b>	<b>20,753</b>	<b>20,493</b>	<b>23,108</b>	<b>19,330</b>	<b>23,025</b>	<b>23,244</b>	<b>27,879</b>	<b>80,898</b>	<b>93,477</b>	<b>23,740</b>	<b>-2</b>
YoY Change (%)	57.2	41.2	26.9	16.0	16.8	10.9	13.4	20.6	32.0	15.5	15.8	
Gross profit	6,661	9,165	9,022	10,096	8,752	10,151	10,009	12,686			10,493	
Total Expenditure	15,585	19,347	18,882	21,109	18,008	20,978	21,369	25,686	74,923	86,041	21,705	
<b>EBITDA</b>	<b>960</b>	<b>1,406</b>	<b>1,611</b>	<b>1,999</b>	<b>1,322</b>	<b>2,046</b>	<b>1,874</b>	<b>2,193</b>	<b>5,976</b>	<b>7,436</b>	<b>2,035</b>	<b>-8</b>
Margins (%)	5.8	6.8	7.9	8.7	6.8	8.9	8.1	7.9	7.4	8.0	8.6	
Depreciation	286	298	291	294	294	330	358	325	1,169	1,307	299	20
Interest	66	80	91	139	134	198	266	267	376	864	170	56
Other Income	205	398	423	575	531	659	584	580	1,602	2,353	374	56
<b>PBT before EO expense</b>	<b>815</b>	<b>1,426</b>	<b>1,652</b>	<b>2,140</b>	<b>1,425</b>	<b>2,177</b>	<b>1,834</b>	<b>2,181</b>	<b>6,033</b>	<b>7,617</b>	<b>1,940</b>	<b>-5</b>
Extra-Ord expense	0	0	0	0	506	0	-1,261		0	-755	0	
<b>PBT</b>	<b>815</b>	<b>1,426</b>	<b>1,652</b>	<b>2,140</b>	<b>919</b>	<b>2,177</b>	<b>3,095</b>	<b>2,181</b>	<b>6,033</b>	<b>8,372</b>	<b>1,940</b>	<b>60</b>
Tax	224	332	386	581	315	589	721	508	1,524	2,133	490	
Rate (%)	27.5	23.3	23.3	27.2	34.3	27.0	23.3	23.3	25.3	25.5	25.3	
Minority Interest & Profit/Loss of Asso. Cos.	1	2	3	-3	4	3	3	-10				
<b>Reported PAT</b>	<b>590</b>	<b>1,091</b>	<b>1,264</b>	<b>1,562</b>	<b>600</b>	<b>1,586</b>	<b>2,371</b>	<b>1,683</b>	<b>4,509</b>	<b>6,239</b>	<b>1,450</b>	<b>63</b>
<b>Adj PAT</b>	<b>590</b>	<b>1,091</b>	<b>1,264</b>	<b>1,562</b>	<b>932</b>	<b>1,586</b>	<b>1,403</b>	<b>1,683</b>	<b>4,509</b>	<b>5,677</b>	<b>1,450</b>	<b>-3</b>
YoY Change (%)	39.0	24.1	59.1	52.5	58.1	45.3	11.0	7.8	44.4	25.9	14.5	
Margins (%)	3.6	5.3	6.2	6.8	4.8	6.9	6.0	6.0	5.6	6.1	6.1	

E: MOFSL Estimates

INR m	FY23				FY24E				9MFY23	9MFY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Segmental revenue</b>										
Industrial Products	6,628	8,383	8,559	9,806	8,359	9,894	10,226	13,028	23,570	28,478
Industrial Infra	8,083	9,590	10,006	11,602	9,162	10,851	10,974	10,929	27,679	30,987
Green Solutions	584	1,347	846	850	1,132	1,246	1,235	860	2,777	3,612
Chemical	1,501	1,904	1,645	1,679	1,608	1,879	1,606	2,959	5,050	5,092
Less: Inter-segmental	(251)	(471)	(563)	(828)	(931)	(845)	(797)	102	(1,285)	(2,572)
<b>Total revenues</b>	<b>16,545</b>	<b>20,753</b>	<b>20,493</b>	<b>23,108</b>	<b>19,330</b>	<b>23,025</b>	<b>23,244</b>	<b>27,879</b>	<b>57,790</b>	<b>65,598</b>
<b>Segmental EBIT</b>										
Industrial Products	241	657	801	1,040	560	988	1,015	1,297	1,699	2,563
Margin (%)	3.6	7.8	9.4	10.6	6.7	10.0	9.9	10.0	7.2	9.0
Industrial Infra	503	410	537	719	303	573	389	630	1,449	1,264
Margin (%)	6.2	4.3	5.4	6.2	3.3	5.3	3.5	5.8	5.2	4.1
Green Solutions	52	28	53	17	100	80	133	67	132	313
Margin (%)	8.9	2.0	6.2	2.0	8.8	6.4	10.8	7.8	4.8	8.7
Chemical	56	254	232	323	265	345	331	548	542	942
Margin (%)	3.7	13.4	14.1	19.2	16.5	18.4	20.6	18.5	10.7	18.5



### Conference call highlights

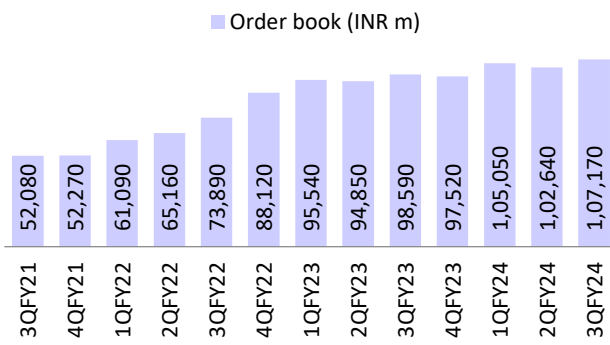
- Order pipeline:** The domestic order pipeline and inquiries are strong in sectors such as power and steel; however, no major orders are expected in 4QFY24. Cement is fairly decent but is still below levels seen two years ago. Ethanol is a slight concern because of the policy shift, and the refinery business continues to be flattish. FY25 is likely to see a significant uptick, especially in greenfield expansion in steel and thermal power orders from both utility and captive projects. On the international front, the Middle East is witnessing robust activity, largely in the hydrocarbon and downstream areas. Notably, the base business continues to be growing at a healthy pace, while large orders are expected to flow in from FY25 onwards only.
- Segmental outlook: Industrial Products** – Margin expansion levers as Water and other businesses scale up. Core boiler and heating business is also picking up but competition is fast catching up. **Industrial Infra** – much headroom to expand margins as Bio CNG projects have the potential to achieve better profitability vs. historical levels. Sugar/ethanol can do much better if India is to achieve the EBP20 targets. **Chemicals** – volume growth can be significant; however, not much scope to improve margins that are at healthy levels already. **Green Solutions** – will continue to report losses until 2HFY25 as FEPL sees a turnaround and better operational performance.
- Margin weakness:** Order inflow, execution, and margin for certain EPC projects were below expectations and dragged down the overall performance. There was a mismatch in the company's quotation vs. actual cost incurred for an order worth ~INR100m (Sulphur Recovery Unit) that was booked two years ago. This led to a poor margin performance.
- Subsidiary performance: Danstoker** – profitability is improving and the company is taking on orders with better margin profile. Focus would be on profitability and not on topline growth. **PT TI** – still reporting losses; however, order prospects have improved that should narrow the losses. **TOESL** – ordering momentum has slowed down but execution, margin, and return ratios are in line with expectations. **TBSPL** – subsidiary is going through a challenging period as bio CNG projects in the order book have come at a cost. However, there has

been a steep learning curve for the company on the rice husk side which should hold in good stead for upcoming projects.

- **Acquisition of TSA Process Equipment:** Demand for ultra-pure water is expected to improve in a meaningful way from semiconductors and food & beverage. The recent acquisition will provide synergies in the form of technology access and capabilities that Thermax did not possess.
- **Coal gasification:** Despite the budgetary announcement on coal gasification, there is no imminent activity and it is still at the discussion stage. The company is in talks with government entities as to the extent of VGF it can avail. Carbon Capture is even further away however the company is confident it will be implemented sooner or later in order to make coal gasification environmentally viable.
- **Zero-liquid discharge (ZLD)** too has a healthy pipeline across industries. Flexi-boilers are also doing very well however there is a transient slowdown due to the policy shift on ethanol. It may pick up in around two quarters.

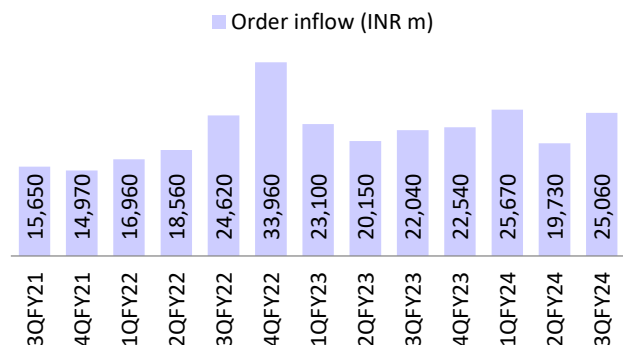
## Key Exhibits

**Exhibit 1: Order book has largely been stable while enquiry pipeline is strong now (INR m)**



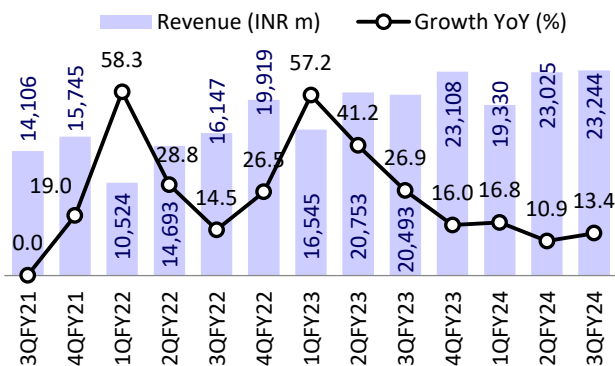
Source: Company, MOFSL

**Exhibit 2: Base orders have been contributing to the overall order inflow; large orders in the offing (INR m)**



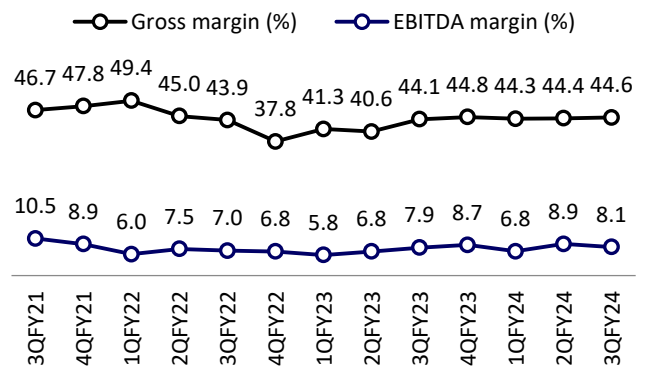
Source: Company, MOFSL

**Exhibit 3: Revenue grew 13% YoY in 3QFY24**



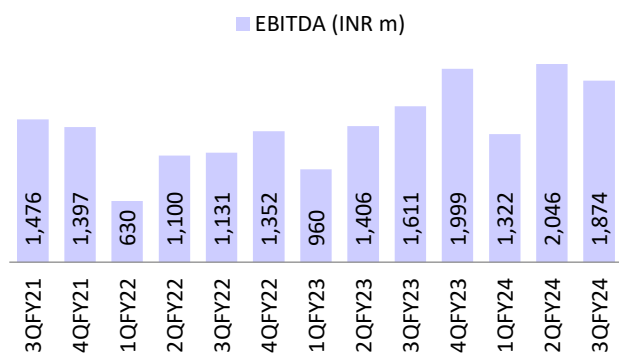
Source: Company, MOFSL

**Exhibit 4: EBITDA margin hit by Industrial Infra segment**



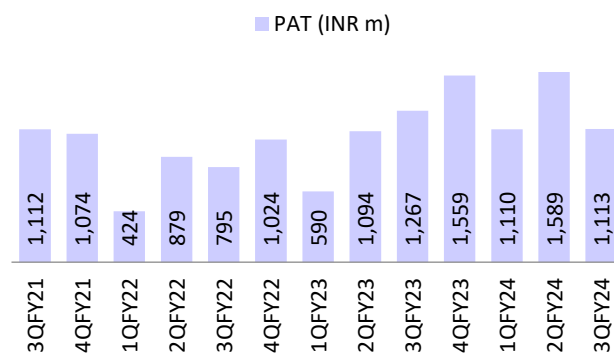
Source: Company, MOFSL

**Exhibit 5: EBITDA grew 16% YoY in 3QFY24 driven by improvement in select segments (INR m)**



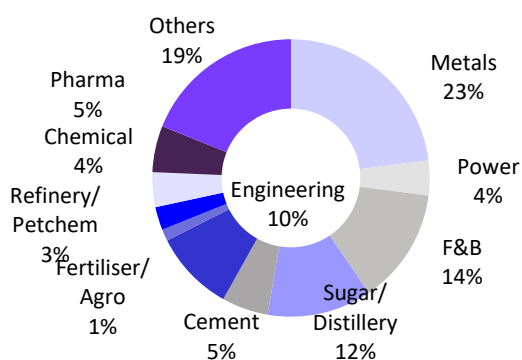
Source: Company, MOFSL

**Exhibit 6: PAT saw a 12% YoY decline owing to higher interest and depreciation (INR m)**



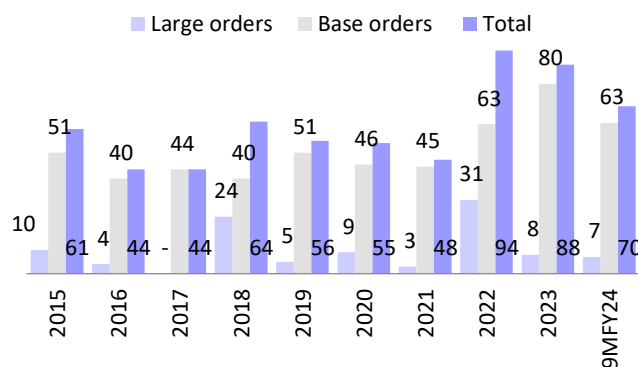
Source: Company, MOFSL

**Exhibit 7: 3QFY24 order inflow breakup – INR25.1b**



Source: Company, MOFSL

**Exhibit 8: Large orders have tapered off; pick-up expected in FY25**



Source: Company, MOFSL

**Exhibit 9: TOESL – key financials (INR m)**

	FY21	FY22	FY23
Revenue	1,274	2,180	3,482
Expenditure	1,040	1,974	3,213
EBITDA	235	206	269
EBITDA %	18.4	9.4	7.7
Depreciation	4.9	4.5	7.2
EBIT	230	201	262
Interest	18	22	52
PBT	212	179	210
Tax	40	48	50
Tax%	18.9	26.9	23.8
PAT	172	131	160
Share capital	423	723	723
Reserves	531	663	819
Networth	954	1,386	1,542
Debt	117	578	909
<b>Total liabilities</b>	<b>1,071</b>	<b>1,964</b>	<b>2,451</b>
Net block	17	68	68
Cash and inv in subsidiary	327	328	341
Net WC and other assets	727	1,568	2,043
<b>Total assets</b>	<b>1,071</b>	<b>1,964</b>	<b>2,451</b>
RoE	18.0	9.5	10.4
RoCE	17.4	7.5	8.1

Source: Company, MOFSL

**Exhibit 10: FEPL – key financials (INR m)**

	FY21	FY22	FY23
Revenue	28	266	193
Expenditure	17	252	347
EBITDA	10	13	-154
EBITDA %	36.6	5.0	-79.5
Depreciation	15	2	16
EBIT	-5	11	-170
Interest	17	1	35
PBT	-21	10	-205
Tax		-	4
Tax%	-	-	2.1
PAT	-21	10	-209
Share capital	135	395	1,534
Reserves	-340	-67	-336
Networth	-205	327	1,198
Debt	195	41	5,994
<b>Total liabilities</b>	<b>-10</b>	<b>368</b>	<b>7,193</b>
Net block	2	338	5,018
Cash	108	393	1,234
Net WC and other assets	-120	-362	940
<b>Total assets</b>	<b>-10</b>	<b>368</b>	<b>7,193</b>
RoE	10.4	3.0	-17.4
RoCE	48.2	2.9	-2.3

Source: Company, MOFSL

**Financial outlook****Exhibit 11: We expect 14% revenue CAGR to be driven by 15% order inflow CAGR over FY23-26**

	2022	2023	2024E	2025E	2026E
<b>Industry Products</b>					
Revenues					
Growth (%)					
Revenue	25,757	33,375	41,506	49,467	58,026
Growth (%)		29.6	24.4	19.2	17.3
Order inflow	28,910	41,720	46,726	55,137	65,062
Growth (%)	(22.4)	44.3	12.0	18.0	18.0
Order backlog	20,014	28,420	35,324	42,677	51,397
Growth (%)	(46.2)	42.0	24.3	20.8	20.4
Bill to book ratio (%)	49.9	81.7	80.2	78.7	77.2
Order execution days	731.6	447.0	455.4	464.1	473.1
EBIT	1,815	2,739	3,860	4,848	5,687
EBIT Margin (%)	7.0	8.2	9.3	9.8	9.8
<b>Industrial Infra</b>					
Revenues					
Revenue	29,879	39,280	41,917	44,280	49,017
Growth (%)		31.5	6.7	5.6	10.7
Order inflow	58,220	37,790	39,691	46,824	52,924
Growth (%)	816.9	(35.1)	10.0	14.0	14.0
Order backlog	63,717	63,080	60,854	63,398	67,306
Growth (%)	345.3	(1.0)	(3.5)	4.2	6.2
Bill to book ratio (%)	68.8	47.5	50.5	52.5	54.5
Order execution days	530	768	722	695	669
EBIT	1,310	2,168	1,894	2,657	2,941
EBIT Margin (%)	4.4	5.5	4.5	6.0	6.0
<b>Green Solutions</b>					
Revenues					
Revenue	2,168	3,627	4,472	5,170	5,570
Growth (%)		67.3	20.0	20.0	20.0
Order inflow	1,270	1,950	3,900	5,070	6,338
Growth (%)		53.5	100.0	30.0	25.0
Order backlog	2,970	4,930	4,358	4,258	5,026
Growth (%)		66.0	(11.6)	(2.3)	18.0

	2022	2023	2024E	2025E	2026E
Bill to book ratio (%)	341.3	91.9	65.0	75.0	75.0
Order execution days	213.9	495.1	720.7	665.6	694.3
EBIT	161	150	380	439	473
EBIT Margin (%)	7.4	4.1	8.5	8.5	8.5
<b>Chemical segment</b>					
Revenues					
Revenue	5,385	6,728	8,052	9,296	11,366
Growth (%)	25.4	24.9	20.0	20.0	20.0
Order inflow	5,690	6,430	8,038	9,645	11,574
Growth (%)	33.9	13.0	25.0	20.0	20.0
Order backlog	1,282	1,090	1,076	1,425	1,633
Growth (%)	62.3	(15.0)	(1.3)	32.4	14.6
Bill to book ratio (%)	148.1	149.6	157.6	157.6	157.6
Order execution days	439.2	418.4	413.8	420.9	417.4
EBIT	624	865	1,490	1,720	2,103
EBIT Margin (%)	11.6	12.8	18.5	18.5	18.5
<b>Inter-segmental</b>					
Revenue					
Revenue	-1,906	-2,113	-2,470	-2,782	-3,197
Growth (%)	219.7	10.8	16.9	12.6	14.9
% of segment sales	(3.1)	(2.7)	(2.7)	(2.7)	(2.7)
Unallocated income (expense)	443	306	858	904	942
Unallocated % of segment sales	0.7	0.4	0.9	0.9	0.8
<b>Total</b>					
Revenues					
Revenue	61,283	80,898	93,477	1,05,431	1,20,782
Growth (%)	27.9	32.0	15.5	12.8	14.6
EBIT					
EBIT	4,353	6,227	8,482	10,568	12,146
Margin (%)	7.1	7.7	9.1	10.0	10.1
Growth (%)	25.0	43.1	36.2	24.6	14.9
Order inflow					
Order inflow	94,090	87,890	98,355	1,16,676	1,35,898
Growth (%)	96.7	(6.6)	11.9	18.6	16.5

**Exhibit 12: We slightly tweak our estimates baking in the 9MFY24 performance**

(INR M)	FY24E			FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	93,477	93,477	-	1,05,431	1,05,431	-	1,20,782	1,20,782	-
EBITDA	7,436	7,764	-4.2	9,637	9,580	0.6	11,357	11,263	0.8
EBITDA (%)	8.0	8.3	-35 bp	9.1	9.1	5 bp	9.4	9.3	8 bp
Adj. PAT	5,677	5,836	-2.7	7,047	6,867	2.6	8,230	8,118	1.4
EPS (INR)	50.4	51.8	-2.7	62.6	61.0	2.6	73.1	72.1	1.4

Source: MOFSL

**Valuation and view**

The stock is currently trading at 52x/45x P/E on FY25/26E earnings. We tweak our estimates to bake in better margin in the Industrial Product division and higher other income. We roll forward our valuation to Mar'26E and arrive at a revised TP of INR3,060 based on 40x Mar'26E earnings and add value of investments in Green Solutions at 1.5x P/BV. We reiterate our **Neutral** rating on the stock.

**Key risks**

Slowdown in order inflows, a sharp rise in commodity prices, slower-than-expected revival in private sector capex, and intensified competition are the key risks to our estimates.

## Financials and Valuation

Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	
<b>Net Sales</b>	<b>57,313</b>	<b>47,913</b>	<b>61,283</b>	<b>80,898</b>	<b>93,477</b>	<b>1,05,431</b>	<b>1,20,782</b>	
change%	(4.0)	(16.4)	27.9	32.0	15.5	12.8	14.6	
<b>Gross Profit</b>	<b>4,062</b>	<b>3,552</b>	<b>4,214</b>	<b>5,976</b>	<b>7,436</b>	<b>9,637</b>	<b>11,357</b>	
Gross margin%	7.1	7.4	6.9	7.4	8.0	9.1	9.4	
Total Expense	53,251	44,361	57,070	74,923	86,041	95,793	1,09,425	
<b>EBITDA</b>	<b>4,062</b>	<b>3,552</b>	<b>4,214</b>	<b>5,976</b>	<b>7,436</b>	<b>9,637</b>	<b>11,357</b>	
EBITDA Margin%	7.1	7.4	6.9	7.4	8.0	9.1	9.4	
Depreciation	1,166	1,146	1,132	1,169	1,307	1,469	1,649	
EBIT	2,896	2,406	3,081	4,807	6,128	8,168	9,708	
Interest and finance charge	150	206	252	376	864	1,134	1,128	
other income	1,000	1,077	1,270	1,602	2,353	2,399	2,438	
<b>PBT Before EO</b>	<b>3,745</b>	<b>3,277</b>	<b>4,100</b>	<b>6,033</b>	<b>7,617</b>	<b>9,433</b>	<b>11,018</b>	
<b>PBT after EO</b>	<b>3,745</b>	<b>3,277</b>	<b>4,100</b>	<b>6,033</b>	<b>7,617</b>	<b>9,433</b>	<b>11,018</b>	
Total Tax	1,621	686	978	1,524	2,133	2,387	2,787	
Tax Rate%	43.3	20.9	23.9	25.3	28.0	25.3	25.3	
Minority Interest	-	-	-	-	-	-	-	
<b>Reported PAT</b>	<b>2,125</b>	<b>2,591</b>	<b>3,122</b>	<b>4,509</b>	<b>5,484</b>	<b>7,047</b>	<b>8,230</b>	
<b>Adjusted PAT</b>	<b>2,125</b>	<b>2,591</b>	<b>3,122</b>	<b>4,509</b>	<b>5,484</b>	<b>7,047</b>	<b>8,230</b>	
change%	(48.8)	22.0	20.5	44.4	21.6	28.5	16.8	
margin%	3.7	5.4	5.1	5.6	5.9	6.7	6.8	

E: MOFSL estimates

Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	
Equity Share Capital	225	225	225	225	225	225	225	
Total Reserves	30,054	32,289	34,700	38,446	43,334	48,804	55,345	
<b>Networth</b>	<b>30,279</b>	<b>32,514</b>	<b>34,925</b>	<b>38,671</b>	<b>43,559</b>	<b>49,029</b>	<b>55,570</b>	
Other Liability + Def Tax Liabilities	(1,504)	(1,540)	(1,271)	(1,057)	(1,057)	(1,057)	(1,057)	
Minority Interest	-	-	-	22	-	-	-	
<b>Capital Employed</b>	<b>30,891</b>	<b>34,024</b>	<b>37,208</b>	<b>45,741</b>	<b>53,607</b>	<b>62,077</b>	<b>68,619</b>	
Gross Block	19,779	20,168	20,442	22,145	30,145	35,145	38,145	
Less: Accum Dep	7,073	7,777	8,525	9,694	11,001	12,470	14,119	
<b>Fixed Asset (Net Block)</b>	<b>12,706</b>	<b>12,390</b>	<b>11,917</b>	<b>12,451</b>	<b>19,144</b>	<b>22,675</b>	<b>24,026</b>	
CWIP	553	242	474	4,338	4,771	5,249	5,773	
Goodwill	-	-	-	-	-	-	-	
<b>Total Investment</b>	<b>9,105</b>	<b>2,375</b>	<b>14,765</b>	<b>16,370</b>	<b>16,370</b>	<b>16,370</b>	<b>16,370</b>	
<b>Curr. Assets Loans &amp; Advances</b>	<b>31,103</b>	<b>29,060</b>	<b>36,618</b>	<b>42,825</b>	<b>49,484</b>	<b>55,812</b>	<b>63,938</b>	
Inventory	4,546	4,047	7,270	7,556	8,731	9,848	11,282	
Account Receivables	14,785	13,380	15,972	18,766	21,683	24,456	28,017	
Cash and Bank	4,761	19,392	9,535	11,316	11,859	16,134	20,560	
Loans and Advances	923	943	1,087	1,476	1,705	1,923	2,204	
<b>Current Liab and Provision</b>	<b>27,336</b>	<b>29,434</b>	<b>36,101</b>	<b>41,559</b>	<b>48,021</b>	<b>54,162</b>	<b>62,049</b>	
Other current liabilities	25,433	27,224	33,709	39,128	45,212	50,994	58,419	
Provision	1,903	2,210	2,392	2,431	2,809	3,168	3,630	
<b>Net Current Assets</b>	<b>3,767</b>	<b>(374)</b>	<b>516</b>	<b>1,266</b>	<b>1,462</b>	<b>1,649</b>	<b>1,889</b>	
<b>Application of Funds</b>	<b>30,891</b>	<b>34,024</b>	<b>37,208</b>	<b>45,741</b>	<b>53,607</b>	<b>62,077</b>	<b>68,619</b>	

E: MOFSL estimates



## Financials and Valuation

Ratios							
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>18.9</b>	<b>21.9</b>	<b>27.7</b>	<b>40.0</b>	<b>50.4</b>	<b>62.6</b>	<b>73.1</b>
Cash EPS	29.2	32.0	37.8	50.4	62.0	75.6	87.7
Book Value	268.9	288.8	310.2	343.4	386.8	435.4	493.5
DPS	7.0	7.0	9.0	10.0	12.0	14.0	15.0
Payout (incl. div. tax)	-	-	-	-	-	-	-
<b>Valuation (X)</b>							
P/E	173.6	149.9	118.1	81.8	65.0	52.3	44.8
Cash P/E	112.1	102.3	86.7	65.0	52.8	43.3	37.3
Price/ Book Value	12.2	11.3	10.6	9.5	8.5	7.5	6.6
EV/Sales	6.4	7.4	5.9	4.5	3.9	3.5	3.0
EV/EBITDA	90.1	99.2	86.1	61.2	49.5	38.1	31.9
Div Yield (%)	0.2	0.2	0.3	0.3	0.4	0.4	0.5
<b>Profitability Ratios (%)</b>							
ROE%	7.0	7.8	9.3	12.3	13.8	15.2	15.7
ROCE%	6.8	7.7	9.0	11.2	12.5	13.4	13.7
<b>Turnover Ratios (%)</b>							
Asset Turnover (x)	1.9	1.4	1.6	1.8	1.7	1.7	1.8
Debtors (No.of days)	94	102	95	85	85	85	85
Inventory (No. of days)	29	31	43	34	34	34	34
<b>Leverage Ratios (%)</b>							
Net Debt/ Equity (x)	(0.4)	(0.6)	(0.6)	(0.5)	(0.4)	(0.4)	(0.4)

E: MOFSL estimates

### Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)							
Adj EBITDA	4,062	3,552	4,214	5,976	7,436	9,637	11,357
Non-Cash Op. Exp (Inc)	850	346	1,020	1,226	1,489	1,265	1,309
(Inc)/Dec in Wkg Cap	218	4,734	(5)	(628)	(197)	(187)	(240)
Tax Paid	(1,313)	(938)	(1,030)	(1,512)	(2,133)	(2,387)	(2,787)
Other Operating Activities	(562)	1	(950)	(466)	(734)	(1,265)	(1,309)
<b>CF. From Op Activity</b>	<b>3,256</b>	<b>7,695</b>	<b>3,248</b>	<b>4,596</b>	<b>5,861</b>	<b>7,064</b>	<b>8,330</b>
(Inc)/Dec in FA & CWIP	(480)	(834)	(838)	(6,499)	(8,434)	(5,477)	(3,525)
<b>Free Cashflows</b>	<b>2,776</b>	<b>6,861</b>	<b>2,411</b>	<b>(1,904)</b>	<b>(2,573)</b>	<b>1,587</b>	<b>4,805</b>
(Pur)/ Sale of inv	(1,443)	(5,789)	(4,263)	(993)	-	-	-
others	238	266	885	696	2,353	2,399	2,438
<b>CF. From Inv Activity</b>	<b>(1,205)</b>	<b>(5,523)</b>	<b>(3,378)</b>	<b>(297)</b>	<b>2,353</b>	<b>2,399</b>	<b>2,438</b>
(Inc)/ Dec in net worth	-	-	-	379	-	-	-
(Inc)/dec in Debt	(339)	891	762	4,481	3,000	3,000	-
Interest Paid	(85)	(118)	(135)	(256)	(864)	(1,134)	(1,128)
Dividend Paid (Incl.tax)	(1,901)	-	(788)	(1,021)	(1,351)	(1,576)	(1,689)
<b>CF. From Fin Activity</b>	<b>(2,325)</b>	<b>772</b>	<b>(206)</b>	<b>3,485</b>	<b>784</b>	<b>289</b>	<b>(2,817)</b>
<b>(Inc)/dec in cash</b>	<b>(754)</b>	<b>2,110</b>	<b>(1,173)</b>	<b>1,284</b>	<b>565</b>	<b>4,275</b>	<b>4,425</b>
Add: Opening Balance	5,515	17,282	10,708	10,032	11,294	11,859	16,134
<b>Closing Balance</b>	<b>4,761</b>	<b>19,392</b>	<b>9,535</b>	<b>11,316</b>	<b>11,859</b>	<b>16,134</b>	<b>20,560</b>

E: MOFSL estimates

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NOTES

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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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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL); INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.