

Chemicals Sector

24 August, 2022

Conference Key Takeaways

We recently hosted the managements of Fine Organic (FINEORG), Galaxy Surfactants (GALSURF) and Neogen Chemicals (NEOGEN) as part of our Investor Conference. The two oleochemicals companies have shown remarkable improvement in margin delivery, taking advantage of supply chain issues at peers' end and other company-related measures. While FINEORG sees no serious demand concerns in the overseas markets, GALAXY has hinted at some signs of weakness in the Developed Markets (DM) and AMET regions amid global inflation and recessionary pressures. NEOGEN's bromine story is on track as the company is witnessing incremental traction in Non-agro and Non-pharma segments as well. As far as Lithium is concerned, the company could pass on the entire cost increase with a lag. But, the management indicated that a sustained increase in prices might make it difficult for select companies to absorb the entire impact. While we are positive on all the three businesses on account of their long-term potential, backed by innovation, technology and market development, we have an Accumulate rating on FINEORG for 1-year time horizon and a Buy on GALAXY and NEOGEN.

Following are the key takeaways from the meetings:

FINEORG: The management stated that the strong volume-backed profitable performance in the last two quarters was due to: (1) The company being able to capitalize on supply disruptions faced by peers due to adequate inventory in hand (2) Rising salience of spot orders wherein customers (including new ones) were ready to pay a higher price (3) Improved mix towards premium emulsifiers (4) Rising exports salience (70:30 in favour of exports) and (5) Operating leverage as the entire capacity, except Patalganga, operated at optimum utilisation. Fire incident at one of its peers in USA in Jan'22 also helped the company; however, it was stated that the capacity was old and size is not meaningful. RM availability continues to be a problem for majority of its peers and hence similar benefits are likely to continue in 2QFY23 as well. While EBITDA margin has expanded owing to the factors discussed above, the management maintained its normalized band of 18-20% as sustainable EBITDA margin going forward. In terms of capacity addition, various players like Palsgaard, Croda, Peter Greven etc are in the process of/recently expanded capacities by ~50-100%. However, the management believes that except for Palsgaard, capacity additions done by other companies are not relevant as there is very little product overlap.

GALSURF has reported a very robust EBITDA/kg performance in the last two quarters despite persistent supply chain issues and signs of demand moderation across major geographies. While overall volume has declined, EBITDA/kg has shot up materially on account of: (1) superior performance of US subsidiary (2) supply disruption benefits in the form of better pricing in select contracts and (3) price hikes and mix in favour of Specialty Care products during 1QFY23. Despite robust EBITDA/kg in 1QFY23, the management has not revised its guidance of Rs18-20/kg; however, it has indicated that GALSURF should clock EBITDA/kg at the higher end of the guided range. The management indicated that there are early signs of demand moderation in USA, Europe and AMET region amid global inflation and recessionary pressures.

NEOGEN: As far as Advanced Intermediates and CSM business is concerned, outlook remains encouraging. NEOGEN is also getting enquiries from Non-agro and Non-pharma clients. It has announced a capex of Rs1.5bn for the addition of capacities in Organic as well as Inorganic Chemical segments in FY23. The brownfield expansion is likely to be completed by the end of FY23. Peak revenue potential from this capex is estimated at Rs2.5-3bn. The management expects full utilisation by FY25/FY26. Lithium business for battery materials (electrolyte formulation, Li-based salts and additives) is still in the evolving stage and a lot is dependent on timelines of capacity addition, demand requirements of clients, lithium prices and overall ramp-up in the domestic market. In the Lithium segment, the management sees competition coming in from new players (based out of China, Japan, Korea etc.) as existing players have not announced foray into the EV segment.

NBIE Values your patronage- Vote for The Team in the Asia Money poll 2022. [Click here](#)

Abhishek Navalgund

Research Analyst

abhishek.navalgund@nirmalbang.com

+91-22-6273-8089

Rating Table

| Company | CMP (Rs) | TP (Rs) | Rating |
|---------|----------|---------|------------|
| FINEORG | 6,227 | 6,000 | Accumulate |
| GALSURF | 3,219 | 3,700 | Buy |
| NEOGEN | 1,389 | 1,640 | Buy |

Valuation Table

| Company | Mkt Cap (US\$m) | PE (FY24E) | EV/EBITDA (FY24E) |
|---------|-----------------|------------|-------------------|
| FINEORG | 2,390 | 52.0 | 34.7 |
| GALSURF | 1,429 | 28.8 | 19.6 |
| NEOGEN | 434 | 38.5 | 23.3 |

Fine Organic Industries (TP: Rs6,000; Accumulate) Financials (Consolidated)

Exhibit 1: Income statement

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 10,381 | 11,332 | 18,763 | 28,099 | 27,598 |
| Growth YoY% | -2.1 | 9.2 | 65.6 | 49.8 | -1.8 |
| COGS | 6,093 | 7,260 | 11,879 | 17,058 | 17,413 |
| Gross margin % | 41.3 | 35.9 | 36.7 | 39.3 | 36.9 |
| Staff costs | 725 | 796 | 893 | 1,317 | 1,444 |
| Other expenses | 1,158 | 1,284 | 2,346 | 3,317 | 3,422 |
| EBITDA | 2,405 | 1,993 | 3,645 | 6,408 | 5,319 |
| Growth YoY% | 2.9 | -17.1 | 82.9 | 75.8 | -17.0 |
| EBITDA margin % | 23.2 | 17.6 | 19.4 | 22.8 | 19.3 |
| Depreciation | 347 | 468 | 399 | 591 | 716 |
| EBIT | 2,058 | 1,525 | 3,246 | 5,817 | 4,603 |
| Interest | 48 | 61 | 51 | 49 | 49 |
| Other income | 202 | 171 | 331 | 214 | 392 |
| PBT (bei) | 2,161 | 1,621 | 3,515 | 5,982 | 4,946 |
| PBT | 2,161 | 1,621 | 3,515 | 5,982 | 4,946 |
| ETR | 23.7 | 25.8 | 26.1 | 25.8 | 25.8 |
| PAT | 1,648 | 1,203 | 2,597 | 4,439 | 3,669 |
| Adj PAT | 1,648 | 1,203 | 2,596 | 4,438 | 3,668 |
| Growth YoY% | 21.0 | -27.0 | 115.8 | 71.0 | -17.4 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Cash flow

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------|--------------|--------------|--------------|---------------|--------------|
| PBT | 2,161 | 1,621 | 3,515 | 5,982 | 4,946 |
| Depreciation | 344 | 463 | 396 | 591 | 716 |
| Interest | 63 | 52 | 37 | 49 | 49 |
| Other adjustments | -170 | -147 | -291 | -214 | -392 |
| Change in Working capital | 411 | -226 | -2,162 | -653 | 133 |
| Tax paid | -612 | -415 | -769 | -1,486 | -1,220 |
| Operating cash flow | 2,190 | 1,343 | 670 | 4,211 | 4,175 |
| Capex | -722 | -463 | -610 | -1,500 | -1,000 |
| Free cash flow | 1,469 | 880 | 60 | 2,711 | 3,175 |
| Other investing activities | -126 | 60 | 47 | 214 | 392 |
| Investing cash flow | -847 | -403 | -563 | -1,286 | -608 |
| Issuance of share capital | - | - | - | - | - |
| Movement of Debt | -14 | -355 | -306 | 99 | - |
| Dividend paid (incl DDT) | -407 | -92 | -337 | -888 | -734 |
| Other financing activities | 53 | 40 | 208 | 16 | -49 |
| Financing cash flow | -367 | -407 | -436 | -772 | -782 |
| Net change in cash flow | 975 | 533 | -329 | 2,153 | 2,784 |
| Opening C&CE | 1,081 | 2,057 | 2,590 | 2,261 | 4,414 |
| Closing C&CE | 2,057 | 2,590 | 2,261 | 4,414 | 7,198 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Balance sheet

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|--------------|--------------|---------------|---------------|---------------|
| Share Capital | 153 | 153 | 153 | 153 | 153 |
| Reserves & Surplus | 6,036 | 7,161 | 9,439 | 12,990 | 15,925 |
| Net worth | 6,189 | 7,314 | 9,592 | 13,143 | 16,078 |
| MI | 1 | 1 | - | - | - |
| Long term debt | 915 | 567 | 251 | 350 | 350 |
| Short term debt | - | 324 | 334 | 334 | 334 |
| Total debt | 915 | 892 | 585 | 684 | 684 |
| Other non-current liabilities | 76 | 44 | 9 | 9 | 9 |
| Total Equity & Liabilities | 7,180 | 8,250 | 10,186 | 13,836 | 16,771 |
| Gross block | 4,203 | 4,436 | 5,159 | 6,659 | 7,659 |
| Accumulated depreciation | 2,035 | 2,477 | 2,866 | 3,457 | 4,173 |
| Net Block | 2,168 | 1,959 | 2,293 | 3,202 | 3,486 |
| CWIP | 58 | 263 | 141 | 141 | 141 |
| Intangible and others | - | - | - | - | - |
| Other non-current assets | 724 | 739 | 744 | 744 | 744 |
| Investments | 328 | 311 | 306 | 306 | 306 |
| Trade receivables | 1,323 | 1,616 | 3,014 | 4,353 | 4,117 |
| Inventories | 1,317 | 1,262 | 2,356 | 1,864 | 1,901 |
| Cash & Cash equivalents | 2,104 | 2,637 | 2,326 | 4,414 | 7,198 |
| Other current assets | 498 | 689 | 1,184 | 1,184 | 1,184 |
| Total current assets | 5,243 | 6,205 | 8,879 | 11,815 | 14,399 |
| Trade payables | 858 | 978 | 1,536 | 1,815 | 1,774 |
| Other current liabilities | 483 | 249 | 642 | 557 | 531 |
| Total current liabilities | 1,341 | 1,226 | 2,178 | 2,372 | 2,306 |
| Total Assets | 7,180 | 8,250 | 10,186 | 13,836 | 16,771 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4 : Key ratios

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|-------|-------|-------|-------|-------|
| Per share (Rs) | | | | | |
| Adj EPS | 53.7 | 39.2 | 84.7 | 144.8 | 119.7 |
| Book value | 201.9 | 238.5 | 312.9 | 428.7 | 524.4 |
| DPS | 7.0 | 11.0 | 11.0 | 29.0 | 23.9 |
| Valuation (x) | | | | | |
| P/Sales | 18.4 | 16.8 | 10.2 | 6.8 | 6.9 |
| EV/sales | 18.3 | 16.7 | 10.1 | 6.7 | 6.7 |
| EV/EBITDA | 78.9 | 94.9 | 51.9 | 29.2 | 34.7 |
| P/E | 115.9 | 158.7 | 73.5 | 43.0 | 52.0 |
| P/BV | 30.8 | 26.1 | 19.9 | 14.5 | 11.9 |
| Return ratios (%) | | | | | |
| RoCE | 31.1 | 19.9 | 35.3 | 48.5 | 30.1 |
| RoE | 29.4 | 17.8 | 30.7 | 39.0 | 25.1 |
| Profitability ratios (%) | | | | | |
| Gross margin | 41.3 | 35.9 | 36.7 | 39.3 | 36.9 |
| EBITDA margin | 23.2 | 17.6 | 19.4 | 22.8 | 19.3 |
| PAT margin | 15.6 | 10.5 | 13.6 | 15.7 | 13.1 |
| Liquidity ratios (%) | | | | | |
| Current ratio | 3.9 | 4.0 | 3.5 | 4.4 | 5.5 |
| Quick ratio | 2.9 | 3.2 | 2.6 | 3.7 | 4.7 |
| Solvency ratio (%) | | | | | |
| Debt to Equity ratio | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Turnover ratios | | | | | |
| Fixed asset turnover ratio (x) | 7.0 | 5.5 | 8.8 | 10.2 | 8.3 |
| Debtor days | 51 | 47 | 45 | 48 | 56 |
| Inventory days | 39 | 42 | 35 | 27 | 25 |
| Creditor days | 24 | 30 | 24 | 22 | 24 |

Source: Company, Nirmal Bang Institutional Equities Research

Galaxy Surfactants (TP: Rs3,700; Buy) Financials (Consolidated)

Exhibit 5: Income statement

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 25,964 | 27,841 | 36,857 | 46,023 | 50,964 |
| Growth YoY% | -6.0 | 7.2 | 32.4 | 24.9 | 10.7 |
| COGS | 17,153 | 17,746 | 25,885 | 30,912 | 33,440 |
| Gross margin % | 33.9 | 36.3 | 29.8 | 32.8 | 34.4 |
| Staff costs | 1,781 | 2,040 | 2,118 | 3,104 | 3,437 |
| Other expenses | 3,341 | 3,566 | 4,847 | 6,904 | 8,071 |
| EBITDA | 3,689 | 4,488 | 4,007 | 5,103 | 6,016 |
| Growth YoY% | 4.4 | 21.7 | -10.7 | 27.4 | 17.9 |
| EBITDA margin % | 14.2 | 16.1 | 10.9 | 11.1 | 11.8 |
| Depreciation | 622 | 740 | 711 | 877 | 995 |
| EBIT | 3,067 | 3,749 | 3,297 | 4,226 | 5,021 |
| Interest | 238 | 134 | 129 | 304 | 320 |
| Other income | 74 | 109 | 125 | 170 | 230 |
| PBT (bei) | 2,904 | 3,723 | 3,293 | 4,092 | 4,930 |
| PBT | 2,904 | 3,723 | 3,293 | 4,092 | 4,930 |
| ETR | 20.1 | 18.8 | 20.2 | 19.9 | 19.7 |
| PAT | 2,319 | 3,021 | 2,628 | 3,279 | 3,958 |
| Adj PAT | 2,319 | 3,021 | 2,628 | 3,279 | 3,958 |
| Growth YoY% | 17.7 | 30.3 | -13.0 | 24.8 | 20.7 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Cash flow

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| PBT | 2,888 | 3,723 | 3,293 | 4,092 | 4,930 |
| Depreciation | 622 | 740 | 711 | 877 | 995 |
| Interest | 238 | 134 | 129 | 304 | 320 |
| Other adjustments | | | | | |
| Change in Working capital | 113 | -186 | -3,450 | -2,171 | -1,893 |
| Tax paid | -574 | -662 | -473 | -579 | -682 |
| Operating cash flow | 3,162 | 3,651 | 49 | 2,118 | 3,151 |
| Capex | -1,416 | -1,075 | -1,552 | -1,727 | -2,000 |
| Free cash flow | 1,746 | 2,575 | -1,502 | 391 | 1,151 |
| Other investing activities | -95 | -571 | 711 | 115 | -154 |
| Investing cash flow | -1,511 | -1,647 | -841 | -1,612 | -2,154 |
| Issuance of share capital | - | - | - | - | - |
| Movement of Debt | -272 | -951 | 941 | 377 | -164 |
| Dividend paid (incl DDT) | -940 | -495 | -142 | -656 | -792 |
| Other financing activities | -226 | -152 | -131 | -304 | -320 |
| Financing cash flow | -1,438 | -1,650 | 592 | -582 | -1,276 |
| Net change in cash flow | 213 | 354 | -200 | -76 | -280 |
| Opening C&CE | 250 | 477 | 815 | 638 | 562 |
| Closing C&CE | 477 | 815 | 638 | 562 | 282 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Balance sheet

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 355 | 355 | 355 | 355 | 355 |
| Reserves | 10,323 | 12,660 | 15,389 | 18,012 | 21,179 |
| Net worth | 10,678 | 13,014 | 15,744 | 18,367 | 21,533 |
| Long term debt | 1,166 | 774 | 796 | 1,173 | 1,009 |
| Short term debt | 2,030 | 1,906 | 2,864 | 2,864 | 2,864 |
| Total debt | 3,196 | 2,680 | 3,660 | 4,037 | 3,873 |
| Other non-current liabilities | 582 | 506 | 812 | 812 | 812 |
| Total Equity & Liabilities | 14,456 | 16,200 | 20,215 | 23,216 | 26,218 |
| Gross block | 12,774 | 13,154 | 14,081 | 16,081 | 18,081 |
| Accumulated depreciation | 5,296 | 6,035 | 6,477 | 7,354 | 8,349 |
| Net Block | 7,478 | 7,119 | 7,604 | 8,727 | 9,732 |
| CWIP | 660 | 1,240 | 2,055 | 1,782 | 1,782 |
| Intangible and others | - | - | - | - | - |
| Other non-current assets | 627 | 559 | 645 | 773 | 1,157 |
| Investments | 58 | 435 | 5 | 5 | 5 |
| Trade receivables | 4,394 | 4,689 | 6,380 | 7,121 | 7,885 |
| Inventories | 3,250 | 4,278 | 7,118 | 8,826 | 9,773 |
| C&CE and others | 545 | 1,114 | 711 | 562 | 282 |
| Other current assets | 247 | 1,056 | 1,483 | 1,483 | 2,225 |
| Total current assets | 9,295 | 11,142 | 15,697 | 17,997 | 20,171 |
| Trade payables | 2,731 | 3,770 | 5,189 | 5,496 | 6,086 |
| Other current liabilities | 841 | 439 | 525 | 498 | 473 |
| Total current liabilities | 3,663 | 4,295 | 5,790 | 6,068 | 6,629 |
| Total Assets | 14,456 | 16,200 | 20,215 | 23,216 | 26,218 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Key ratios

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|-------|-------|-------|-------|-------|
| Per share (Rs) | | | | | |
| Adj EPS | 65.4 | 85.2 | 74.1 | 92.5 | 111.7 |
| Book value | 301.2 | 367.1 | 444.1 | 518.1 | 607.4 |
| DPS | 14.0 | 18.0 | - | 18.5 | 22.3 |
| Valuation (x) | | | | | |
| P/Sales | 4.4 | 4.1 | 3.1 | 2.5 | 2.2 |
| EV/sales | 4.5 | 4.2 | 3.2 | 2.6 | 2.3 |
| EV/EBITDA | 31.7 | 25.8 | 29.2 | 23.0 | 19.6 |
| P/E | 49.2 | 37.8 | 43.4 | 34.8 | 28.8 |
| P/BV | 10.7 | 8.8 | 7.2 | 6.2 | 5.3 |
| Return ratios (%) | | | | | |
| RoCE | 24.4 | 25.4 | 18.8 | 20.2 | 21.0 |
| RoE | 23.9 | 25.5 | 18.3 | 19.2 | 19.8 |
| Profitability ratios (%) | | | | | |
| Gross margin | 33.9 | 36.3 | 29.8 | 32.8 | 34.4 |
| EBITDA margin | 14.2 | 16.1 | 10.9 | 11.1 | 11.8 |
| PAT margin | 8.9 | 10.8 | 7.1 | 7.1 | 7.7 |
| Liquidity ratios (%) | | | | | |
| Current ratio | 1.6 | 1.9 | 1.8 | 2.0 | 2.1 |
| Quick ratio | 1.1 | 1.2 | 1.0 | 1.0 | 1.1 |
| Solvency ratio (%) | | | | | |
| Debt to Equity ratio | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Turnover ratios | | | | | |
| Fixed asset turnover ratio (x) | 4.1 | 3.8 | 5.0 | 5.6 | 5.5 |
| Debtor days | 61 | 60 | 55 | 61 | 55 |
| Inventory days | 48 | 49 | 56 | 48 | 48 |
| Creditor days | 41 | 43 | 44 | 41 | 41 |
| Net Working capital days | 68 | 66 | 67 | 68 | 62 |

Source: Company, Nirmal Bang Institutional Equities Research

Neogen Chemicals (TP: Rs1,640; Buy) Financials (Consolidated)

Exhibit 9: Income statement

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales | 3,061 | 3,364 | 4,873 | 6,127 | 7,590 |
| Growth YoY% | 28.1 | 9.9 | 44.8 | 25.7 | 23.9 |
| COGS | 1,841 | 1,976 | 2,750 | 3,462 | 4,250 |
| Gross margin % | 39.9 | 41.3 | 43.6 | 43.5 | 44.0 |
| Staff costs | 172 | 201 | 315 | 417 | 493 |
| Other expenses | 467 | 544 | 942 | 1,164 | 1,404 |
| EBITDA | 581 | 644 | 866 | 1,084 | 1,442 |
| Growth YoY% | 33.7 | 10.9 | 34.5 | 25.2 | 33.0 |
| EBITDA margin % | 19.0 | 19.1 | 17.8 | 17.7 | 19.0 |
| Depreciation | 52 | 69 | 117 | 212 | 266 |
| EBIT | 528 | 575 | 749 | 872 | 1,176 |
| Interest | 119 | 138 | 191 | 104 | 85 |
| Other income | 3 | 6 | 11 | 63 | 35 |
| PBT (bei) | 412 | 443 | 571 | 831 | 1,126 |
| PBT | 412 | 443 | 571 | 831 | 1,126 |
| ETR | 30.2 | 29.1 | 21.8 | 23.0 | 20.0 |
| PAT | 288 | 314 | 446 | 640 | 900 |
| Adj PAT | 288 | 314 | 446 | 640 | 900 |
| Growth YoY% | 36.8 | 9.3 | 42.0 | 43.4 | 40.7 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Balance sheet

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share Capital | 233 | 233 | 249 | 249 | 249 |
| Reserves & Surplus | 1,334 | 1,597 | 4,143 | 4,730 | 5,553 |
| Net worth | 1,567 | 1,830 | 4,392 | 4,979 | 5,803 |
| Long term debt | 304 | 1,161 | 1,215 | 1,000 | 800 |
| Short term debt | 1,019 | 858 | 762 | 686 | 550 |
| Total debt | 1,323 | 2,019 | 1,977 | 1,686 | 1,350 |
| Other non-current liabilities | 184 | 189 | 204 | 219 | 449 |
| Total Equity & Liabilities | 3,074 | 4,038 | 6,574 | 6,883 | 7,601 |
| Gross block | 1,205 | 1,435 | 3,136 | 3,936 | 4,936 |
| Accumulated depreciation | 99 | 168 | 285 | 497 | 763 |
| Net Block | 1,105 | 1,267 | 2,851 | 3,439 | 4,173 |
| CWIP | 27 | 1,147 | 106 | 1,000 | 700 |
| Intangible and others | - | - | - | - | - |
| Other non-current assets | 100 | 97 | 101 | 130 | 91 |
| Investments | 5 | 8 | 817 | 10 | 10 |
| Trade receivables | 752 | 786 | 1,095 | 1,343 | 1,560 |
| Inventories | 1,299 | 1,140 | 1,946 | 2,048 | 2,537 |
| Cash & Cash equivalents | 15 | 12 | 452 | 40 | 116 |
| Other current assets | 251 | 464 | 624 | 562 | 350 |
| Total current assets | 2,317 | 2,402 | 4,925 | 3,992 | 4,563 |
| Trade payables | 359 | 661 | 989 | 1,037 | 1,285 |
| Other current liabilities | 121 | 221 | 430 | 650 | 650 |
| Total current liabilities | 479 | 882 | 1,419 | 1,687 | 1,935 |
| Total Assets | 3,074 | 4,038 | 6,574 | 6,883 | 7,601 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Cash flow

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|--------------------------------|-------------|---------------|---------------|-------------|--------------|
| PBT | 412 | 442 | 571 | 831 | 1,126 |
| Depreciation | 52 | 69 | 117 | 212 | 266 |
| Interest | 119 | 138 | 191 | 104 | 85 |
| Other adjustments | 49 | -75 | -66 | -63 | -35 |
| Change in Working capital | -847 | 366 | -701 | -19 | -247 |
| Tax paid | -127 | -104 | -98 | -191 | -225 |
| Operating cash flow | -341 | 836 | 14 | 874 | 970 |
| Capex | -265 | -231 | -1,703 | -1,694 | -700 |
| Free cash flow | -606 | 605 | -1,689 | -820 | 270 |
| Other investing activities | -24 | -1,115 | 245 | 841 | 74 |
| Investing cash flow | -289 | -1,346 | -1,458 | -852 | -626 |
| Issuance of share capital | | | | | |
| Movement of Debt | 165 | 696 | -42 | -291 | -336 |
| Dividend paid (incl DDT) | -43 | -47 | -53 | -54 | -77 |
| Other financing activities | -119 | -138 | -191 | -104 | -85 |
| Financing cash flow | 625 | 507 | 1,884 | -434 | -267 |
| Net change in cash flow | -5 | -3 | 440 | -413 | 77 |
| Opening C&CE | 20 | 15 | 12 | 452 | 40 |
| Closing C&CE | 15 | 12 | 452 | 40 | 116 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Key ratios

| Y/E March (Rsm) | FY20 | FY21 | FY22 | FY23E | FY24E |
|---------------------------------|-------|-------|-------|-------|-------|
| Per share (Rs) | | | | | |
| Adj EPS | 12.3 | 13.5 | 17.9 | 25.7 | 36.1 |
| Book value | 67.2 | 78.4 | 188.2 | 213.4 | 248.7 |
| DPS | 2.0 | 2.3 | 2.1 | 3.1 | 4.3 |
| Valuation (x) | | | | | |
| P/Sales | 10.6 | 9.6 | 6.7 | 5.3 | 4.3 |
| EV/sales | 11.0 | 10.2 | 7.0 | 5.6 | 4.4 |
| EV/EBITDA | 58.1 | 53.5 | 39.2 | 31.4 | 23.3 |
| P/E | 112.6 | 103.1 | 77.6 | 54.1 | 38.5 |
| P/BV | 20.7 | 17.7 | 7.4 | 6.5 | 5.6 |
| Return ratios (%) | | | | | |
| RoCE | 22.2 | 17.1 | 14.7 | 13.4 | 17.0 |
| RoE | 25.0 | 20.5 | 15.3 | 13.4 | 17.0 |
| Profitability ratios (%) | | | | | |
| Gross margin | 39.9 | 41.3 | 43.6 | 43.5 | 44.0 |
| EBITDA margin | 19.0 | 19.1 | 17.8 | 17.7 | 19.0 |
| PAT margin | 9.4 | 9.3 | 9.1 | 10.3 | 11.8 |
| Liquidity ratios (%) | | | | | |
| Current ratio | 1.5 | 1.4 | 2.3 | 1.7 | 1.8 |
| Quick ratio | 0.7 | 0.7 | 1.4 | 0.8 | 0.8 |
| Solvency ratio (%) | | | | | |
| Debt to Equity ratio | 0.8 | 1.1 | 0.5 | 0.3 | 0.2 |
| Turnover ratios | | | | | |
| Fixed asset turnover ratio (x) | 2.9 | 2.5 | 2.1 | 1.7 | 1.7 |
| Debtor days | 81 | 83 | 70 | 80 | 75 |
| Inventory days | 121 | 132 | 116 | 122 | 122 |
| Creditor days | 47 | 55 | 62 | 62 | 62 |
| Net Working capital days | 155 | 160 | 124 | 140 | 135 |

Source: Company, Nirmal Bang Institutional Equities Research

DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: I/We, Abhishek Navalgund the Research Analyst, are the authors of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website

Access all our reports on Bloomberg, Thomson Reuters and Factset.

| Team Details: | | | |
|----------------|------------------|-------------------------------|---|
| Name | | Email Id | Direct Line |
| Rahul Arora | CEO | rahul.arora@nirmalbang.com | - |
| Girish Pai | Head of Research | girish.pai@nirmalbang.com | +91 22 6273 8017 / 18 |
| Dealing | | | |
| Ravi Jagtiani | Dealing Desk | ravi.jagtiani@nirmalbang.com | +91 22 6273 8230, +91 22 6636 8833 |
| Michael Pillai | Dealing Desk | michael.pillai@nirmalbang.com | +91 22 6273 8102/8103, +91 22 6636 8830 |

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,

Nr. Peninsula Corporate Park,

Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010