

SRF

31 January, 2023

Reuters: SRFL.BO; Bloomberg: SRF IN

BUY

Sector: Chemicals

CMP: Rs2,182

Target Price: Rs3,000

Upside: 37%

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Key Data

Current Shares O/S (mn)	296.4
Mkt Cap (Rsbn/US\$bn)	646.9/7.9
52 Wk H / L (Rs)	2,865/2,002
Daily Vol. (3M NSE Avg.)	582,798

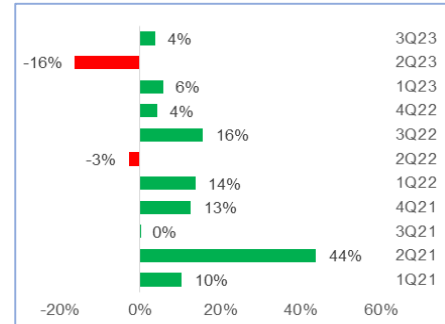
Price Performance (%)

	1 M	6 M	1 Yr
SRF	(4.7)	(10.1)	(9.3)
Nifty Index	(2.4)	1.9	0.5

Source: Bloomberg

[3QFY23 result update](#)
[3QFY23 press release](#)
[3QFY23 presentation](#)
[FY22 AR](#)

EBITDA beat/miss vs consensus



Staying ahead of the curve

SRF delivered yet another earnings beat in 3QFY23 (EBITDA growth ahead of consensus in 9 out of last 11 quarters), wherein consolidated EBITDA came in ~10% above our estimate. A strong operating performance despite multiple headwinds in the commodity segments was driven by a robust performance of Specialty Chemicals and Fluorochemicals businesses (Ref Gases and Chloromethanes). Strong traction in new & existing products and robust demand outlook from overseas clients are the key drivers for Specialty Chemicals segment whereas growth in Fluorochemicals was led by higher realizations in select HFCs, strong domestic demand and better visibility in the US market. The SRF management indicated that Specialty Chemicals segment's revenue growth in FY23 should be significantly ahead of the earlier guidance of ~20%. The Packaging segment is expected to be under pressure in the near term on account of spread contraction, especially in BOPET. However, overall Packaging segment margin should improve in FY24 from the current levels, adjusted for normalization of Europe energy costs and other operating measures, as per the management. It also announced fresh capex in the Specialty Fluoropolymers space to the tune of Rs5.95bn and has termed it as a strategic investment. While the initial PTFE project has been delayed due to logistical challenges, the management sounded upbeat in terms of swift scale-up over the next six months. Considering the margin headwinds in the commodity segments, we have cut our earnings. But, the same is partially offset by lower ETR in India from FY24. Our BUY call on SRF is predominantly based on its execution excellence, efficient capital allocation strategy, market opportunity in complex fluorination and higher probability of non-linear growth in the CDMO business. Post the earnings revision, we are building in Revenue/EBITDA/APAT CAGR of 18%/22%/22% over FY23E-FY25E. We maintain BUY on SRF with a revised Target Price (TP) of Rs3,000 (earlier Rs3,100), implying a PE multiple of 32x/29x on Sep'24E/March'25E earnings.

3QFY23 performance update: Strong operating performance was driven by the Chemicals business, which grew its revenue and EBIT by ~23% YoY and ~35% YoY, respectively. SRF reported its highest-ever quarterly EBIT margin of 32.1%. While the benefit of premium realization in R134a aided the Chemicals segment EBIT, the management indicated that the major delta came from Specialty Chemicals. Packaging Films revenue and EBIT declined by ~6% YoY and ~53% YoY, respectively mainly due to spread contraction and pressure in BOPET. Similarly, Technical Textiles segment's performance was weak due to subdued demand for NTCF. The management sounded upbeat about the Chemicals segment's prospects and expects strong growth in 4QFY23, driven by all the verticals.

Why we are positive on CDMO business? Our research suggests that after clocking USD100mn revenue milestone (~14 years to hit the same post incorporation), the Asian CDMO businesses have witnessed exponential growth to the tune of 4-5x in the next five years. SRF is also following similar trajectory - started the segment in FY04 and clocked USD100mn revenue in FY18, while revenue grew by >5x over FY18-FY23E. Since a large part of the business is with innovators, the scale-up and wallet share gain should accelerate from the current levels, in our view. Also, overall market growth in the complex fluorination remains solid and SRF is also exploring other end-user industries with high growth prospects in order to grow sustainably. We assign relatively higher probability for positive surprises in the CDMO business and hence expect the rich valuation to continue.

Consolidated (Rsmn)	3QFY22	2QFY23	3QFY23	YoY	QoQ	9MFY22	9MFY23	YoY
Net Sales	33,459	37,278	34,697	3.7%	-6.9%	88,842	1,10,922	24.9%
Gross margin	50.9%	47.6%	51.2%	22bps	355bps	50.4%	50.4%	-7bps
EBITDA	8,814	7,691	8,335	-5.4%	8.4%	22,279	25,976	16.6%
EBITDA margin	26.3%	20.6%	24.0%	-232bps	339bps	25.1%	23.4%	-166bps
EBIT	7,490	6,298	6,829	-8.8%	8.4%	18,423	21,769	18.2%
APAT	5,055	4,810	5,109	1.1%	6.2%	12,833	15,999	24.7%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 1: 3QFY23 consolidated performance

Particulars (Rsm)	3QFY22	2QFY23	3QFY23	YoY	QoQ	9MFY22	9MFY23	YoY
Net Sales	33,459	37,278	34,697	3.7%	-6.9%	88,842	1,10,922	24.9%
COGS	16,414	19,529	16,944	3.2%	-13.2%	44,032	55,051	25.0%
Gross Profit	17,045	17,749	17,753	4.2%	0.0%	44,810	55,871	24.7%
Staff costs	2,068	1,953	2,102	1.6%	7.6%	5,665	5,997	5.9%
Other expenses	6,163	8,105	7,316	18.7%	-9.7%	16,866	23,898	41.7%
Total expenses	24,645	29,587	26,361	7.0%	-10.9%	66,563	84,946	27.6%
EBITDA	8,814	7,691	8,335	-5.4%	8.4%	22,279	25,976	16.6%
Depreciation	1,324	1,393	1,507	13.8%	8.1%	3,856	4,207	9.1%
EBIT	7,490	6,298	6,829	-8.8%	8.4%	18,423	21,769	18.2%
Interest	294	445	620	110.6%	39.3%	802	1,389	73.1%
Other income	107	327	100	-6.2%	-69.4%	356	526	47.9%
PBT	7,303	6,181	6,309	-13.6%	2.1%	17,976	20,906	16.3%
Tax	2,247	1,371	1,200	-46.6%	-12.4%	5,143	4,907	-4.6%
PAT	5,055	4,810	5,109	1.1%	6.2%	12,833	15,999	24.7%
APAT	5,055	4,810	5,109	1.1%	6.2%	12,833	15,999	24.7%
EPS	17.1	16.2	17.2	1.1%	6.2%	43.3	54.0	24.7%
Total PAT	5,055	4,810	5,109	1.1%	6.2%	12,833	15,999	24.7%
Margins (%)	3QFY22	2QFY23	3QFY23	YoY	QoQ	9MFY22	9MFY23	YoY
Gross margin	50.9%	47.6%	51.2%	22bps	355bps	50.4%	50.4%	-7bps
EBITDA margin	26.3%	20.6%	24.0%	-232bps	339bps	25.1%	23.4%	-166bps
EBIT margin	22.4%	16.9%	19.7%	-271bps	279bps	20.7%	19.6%	-111bps
PBT margin	21.8%	16.4%	18.1%	-363bps	170bps	20.2%	18.8%	-139bps
PAT margin	15.1%	12.8%	14.7%	-38bps	189bps	14.4%	14.4%	-3bps
Common size (% of Net sales)	3QFY22	2QFY23	3QFY23	YoY	QoQ	9MFY22	9MFY23	YoY
COGS	49.1%	52.4%	48.8%	-22bps	-355bps	49.6%	49.6%	7bps
Staff costs	6.2%	5.2%	6.1%	-12bps	82bps	6.4%	5.4%	-97bps
Other expenses	18.4%	21.7%	21.1%	267bps	-66bps	19.0%	21.5%	256bps
Depreciation	4.0%	3.7%	4.3%	39bps	61bps	4.3%	3.8%	-55bps
Interest	0.9%	1.2%	1.8%	91bps	59bps	0.9%	1.3%	35bps
Other income	0.3%	0.9%	0.3%	-3bps	-59bps	0.4%	0.5%	7bps
ETR	30.8%	22.2%	19.0%	-1175bps	-315bps	31.0%	23.5%	-756bps

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Financial summary

Y/E March (Rsmn)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	84,000	1,24,337	1,48,506	1,75,228	2,06,953
Growth YoY%	16.5%	48.0%	19.4%	18.0%	18.1%
Gross margin %	52.2%	51.2%	51.5%	51.6%	52.0%
EBITDA	21,452	31,759	36,854	43,768	54,699
EBITDA margin %	25.5%	25.5%	24.8%	25.0%	26.4%
Adj PAT	11,983	18,889	20,823	25,279	30,801
Growth YoY%	73.9%	57.6%	10.2%	21.4%	21.8%
EPS	40.4	63.8	70.3	85.3	104.0
RoCE	18.8%	24.3%	23.1%	23.6%	25.0%
RoE	20.3%	24.5%	22.1%	22.6%	23.4%
P/E	53.9	34.2	31.0	25.6	21.0
EV/EBITDA	31.2	21.2	18.4	15.6	12.5
P/BV	9.4	7.5	6.3	5.4	4.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: 3QFY23 consolidated segment performance

Particulars (Rsmn)	3QFY22	2QFY23	3QFY23	YoY	QoQ	9MFY22	9MFY23	YoY
Segment revenue								
Technical Textiles	5,378	4,662	4,259	-20.8%	-8.6%	15,886	14,632	-7.9%
Chemicals	14,283	18,302	17,566	23.0%	-4.0%	36,683	53,092	44.7%
Packaging Film	12,760	13,310	12,027	-5.7%	-9.6%	33,890	40,297	18.9%
Others	1,071	1,004	923	-13.7%	-8.0%	2,470	2,983	20.8%
Total	33,491	37,278	34,776	3.8%	-6.7%	88,929	1,11,004	24.8%
Segment rev share								
Technical Textiles	16.1%	12.5%	12.2%	-381bps	-26bps	17.9%	13.2%	-468bps
Chemicals	42.6%	49.1%	50.5%	787bps	142bps	41.2%	47.8%	658bps
Packaging Film	38.1%	35.7%	34.6%	-352bps	-112bps	38.1%	36.3%	-181bps
Others	3.2%	2.7%	2.7%	-54bps	-4bps	2.8%	2.7%	-9bps
Total	100.0%	100.0%	100%	bps	bps	100.0%	100.0%	bps
Segment result (EBIT)								
Technical Textiles	1,135	629	342	-69.9%	-45.7%	3,800	2,133	-43.9%
Chemicals	4,192	5,173	5,639	34.5%	9.0%	8,926	16,014	79.4%
Packaging Film	2,542	1,014	1,186	-53.3%	16.9%	6,706	5,152	-23.2%
Others	86	76	91	6.7%	20.4%	163	235	44.5%
Total	7,955	6,892	7,259	-8.8%	5.3%	19,595	23,535	20.1%
EBIT margin								
Technical Textiles	21.1%	13.5%	8.0%	-1308bps	-547bps	23.9%	14.6%	-934bps
Chemicals	29.4%	28.3%	32.1%	275bps	384bps	24.3%	30.2%	583bps
Packaging Film	19.9%	7.6%	9.9%	-1006bps	224bps	19.8%	12.8%	-700bps
Others	8.0%	7.6%	9.9%	189bps	234bps	6.6%	7.9%	129bps
Total	23.8%	18.5%	20.9%	-288bps	238bps	22.0%	21.2%	-83bps
Segment EBIT share								
Technical Textiles	14.3%	9.1%	4.7%	-956bps	-442bps	19.4%	9.1%	-1033bps
Chemicals	52.7%	75.1%	77.7%	2499bps	264bps	45.6%	68.0%	2249bps
Packaging Film	32.0%	14.7%	16.3%	-1561bps	162bps	34.2%	21.9%	-1233bps
Others	1.1%	1.1%	1.3%	18bps	16bps	0.8%	1.0%	17bps

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Segment-wise quarterly details

Revenue share	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Technical Textiles	24%	19%	18%	17%	9%	16%	17%	15%	18%	20%	16%	14%	15%	13%	12%
Chemicals	33%	39%	44%	47%	46%	42%	42%	44%	41%	40%	43%	44%	44%	49%	51%
Packaging Film	38%	38%	34%	32%	44%	40%	37%	38%	39%	38%	38%	39%	38%	36%	35%
Others	4%	4%	4%	3%	2%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%
Revenue growth	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Technical Textiles	-11%	-41%	-39%	-34%	-69%	3%	9%	26%	251%	68%	47%	24%	16%	-16%	-21%
Chemicals	26%	25%	39%	5%	17%	30%	12%	31%	58%	28%	58%	36%	55%	62%	23%
Packaging Film	11%	-5%	-9%	-3%	-3%	26%	26%	63%	54%	29%	59%	42%	44%	24%	-6%
Others	-42%	-45%	-47%	-55%	-69%	-24%	7%	35%	126%	52%	45%	20%	97%	16%	-14%
EBIT share	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Technical Textiles	21%	7%	11%	11%	-5%	10%	14%	13%	22%	23%	14%	10%	12%	9%	5%
Chemicals	27%	45%	42%	48%	30%	36%	40%	48%	37%	44%	53%	58%	55%	75%	78%
Packaging Film	49%	45%	44%	39%	75%	51%	44%	38%	40%	32%	32%	32%	31%	15%	16%
Others	3%	3%	2%	2%	0%	2%	2%	2%	0%	1%	1%	0%	1%	1%	1%
EBIT margin	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Technical Textiles	14%	6%	11%	12%	-10%	15%	19%	18%	27%	24%	21%	18%	20%	13%	8%
Chemicals	13%	19%	18%	18%	13%	20%	21%	24%	20%	22%	29%	32%	30%	28%	32%
Packaging Film	21%	20%	23%	22%	33%	30%	26%	22%	23%	17%	20%	20%	20%	8%	10%
Others	13%	11%	12%	9%	-1%	16%	11%	11%	4%	7%	8%	4%	6%	8%	10%

Source: Company, Nirmal Bang Institutional Equities Research

Conference call KTAs

- The SRF management sounded upbeat about the Specialty Chemicals segment and expects the strong traction to continue. While some of the Agrochemicals majors have indicated inventory pile-up, SRF so far has not witnessed any order deferrals. New launch activities continue in full swing wherein SRF has launched four agro products and one pharma product in 9MFY23. In general, new products are getting very good traction and are one the key drivers of Specialty Chemicals growth for SRF.
- Domestic demand for Refrigerant Gases was very strong in 3QFY23. The management expects the same to continue as 4QFY23 is poised for season-led growth. Similarly, traction from the US market is very strong. Pricing of HFCs is broadly expected to remain in the current range in both domestic as well as exports markets, as per management. Dymel 134AP sales continues to be robust. Chloromethanes expanded capacity was commissioned in Nov'22 and the management expects strong growth starting 4QFY23.
- Packaging Films segment's performance was impacted by excess supply scenario, especially in BOPET. The management expects the same to continue in the near term. While the margin of the overseas business was impacted by high energy costs in Europe, the management expects some improvement in 4QFY23; further, FY24 full-year should see reasonable improvement as well. Cost optimisation initiatives should also support margin expansion in FY24.
- PTFE plant commissioning is getting delayed due to logistics issue. The management expects it to start in early 1QFY24. SRF also announced a fresh capex of Rs5.95bn towards Specialty Fluoropolymers such as PVDF, FEP, FKM (total capacity ~4,500TPA) in order to cater to a wide range of new end-user industries such as battery chemicals, coatings, solar, automobiles, aerospace etc. Technology used would be PFOA substances free. The management is internally building in project IRR of ~25-28% with a payback period of four years.
- The management maintained the overall capex guidance for FY23/FY24. It expects capex of Rs28-30bn in FY24. SRF has incurred a capex of Rs17bn during 9MFY23. HFC new project commissioning is on track (Sept'23). Aluminium foil capacity is also expected to come on board by the end of 2QFY24. Asser turn could be 1.75x -2x. MPP4 was commercialised in 3QFY23 and ramping up is expected 4QFY23 onwards.
- SRF's India business is likely to shift to new tax regime with 25% ETR post utilising the pending MAT credit in FY23, as per management. Earlier, we were building in ~30% ETR for standalone operations. For overseas locations, ETRs are – Hungary: 2-2.5%, Thailand: 20% (before tax holidays) and South Africa: 27% (before accumulated losses).

Exhibit 5: Key recent capex announcements

Segment	Announcement	Details	Capex (Rsmn)	COD/ECOD
Chemicals	Aug-19	Entry in fluoropolymers (5000 MTPA)	4,240	NA
	Jul-20	Doubling of Chloromethane	3,150	4QFY22
	May-21	MPP4 in Dahej	3,750	2QFY23
	Jul-21	Fluorocarbon Ref gas facility (15KTPA)	5,500	2QFY24
	Oct-21	Debottlenecking project at Dahej	275	2QFY23
	Jan-22	P38 for agrochemicals (300 MTPA)	610	1QFY23
	Jan-22	Pharma Intermediates Plant	1,900	3QFY23
	May-22	Facilities to produce intermediates for Agrochemicals	1,150	NA
	May-22	Capacity Expansion of R22 at Dahej	220	NA
	Jul-22	Advanced Intermediates for Agrochemicals with a dedicated capacity of 1000MTPA	2,500	NA
	Jul-22	Capacity Expansion of intermediate products at Dahej used in agrochemicals and pharma	720	NA
	Jul-22	2 technical structures for certain Agrochemicals products	780	NA
	Nov-22	4 new plants in the agrochemical space and capacity enhancement of an existing plant at Dahej	6,040	NA
	Nov-22	Develop a Kilo Lab at Bhiwadi (for pharma market)	98	NA
	Jan-23	Production of a range of Specialty Fluoropolymers	5,950	4QFY25
	Jan-23	Dedicated facility of 300MTPA to produce anagrochemical intermediate at Dahej	1,100	3QFY24
	Jan-23	Structure for a new plant building	400	NA
Packaging	Nov-20	BOPP Line in Indore (65,000 MTPA)	4,240	2QFY23
	Jan-22	Aluminum Foil manufacturing (21,000 MTPA)	4,250	2QFY24
Technical textiles	Nov-19	Modernisation of tyre cord fabric	1,250	4QFY23
	Jul-22	Capacity Expansion & Modernization of belting fabrics	1,620	NA

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Key assumptions

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Segment revenue					
Technical Textiles	12,401	20,852	19,184	21,103	23,635
Chemicals	36,449	52,408	71,642	88,936	1,09,607
Packaging Film	32,917	47,792	54,225	61,556	69,890
Others	2,320	3,403	3,574	3,752	3,940
Total segment revenue from continuing operations	84,087	1,24,456	1,48,625	1,75,347	2,07,073
Less: Inter segmental revenue	87	119	119	119	119
Revenue from operations	84,000	1,24,337	1,48,506	1,75,228	2,06,953
Segment revenue growth (%)					
Technical Textiles	-8.7%	68.1%	-8.0%	10.0%	12.0%
Chemicals	22.5%	43.8%	36.7%	24.1%	23.2%
Packaging Film	26.4%	45.2%	13.5%	13.5%	13.5%
Others	-16.6%	46.7%	5.0%		
Total segment revenue from continuing operations	16.5%	48.0%	19.4%	18.0%	18.1%
Segment result (EBIT)					
Technical Textiles	1,769	4,714	2,878	3,165	3,545
Chemicals	7,281	13,969	21,493	24,013	29,594
Packaging Film	8,977	9,463	5,395	7,954	9,675
Others	256	204	214	225	236
Total EBIT from continuing operations	18,283	28,350	29,979	35,357	43,051
EBIT margin (%)					
Technical Textiles	14.3%	22.6%	15.0%	15.0%	15.0%
Chemicals	20.0%	26.7%	30.0%	27.0%	27.0%
Packaging Film	27.3%	19.8%	9.9%	12.9%	13.8%
Others	11.0%	6.0%	6.0%	6.0%	6.0%
Total EBIT from continuing operations	21.7%	22.8%	20.2%	20.2%	20.8%
Segment EBIT share (%)					
Technical Textiles	9.7%	16.6%	9.6%	9.0%	8.2%
Chemicals	39.8%	49.3%	71.7%	67.9%	68.7%
Packaging Film	49.1%	33.4%	18.0%	22.5%	22.5%
Others	1.4%	0.7%	0.7%	0.6%	0.5%
Total EBIT from continuing operations	100.0%	100.0%	100.0%	100.0%	100.0%
Segment EBIT growth (%)					
Technical Textiles	16.8%	166.5%	-39.0%	10.0%	12.0%
Chemicals	42.4%	91.8%	53.9%	11.7%	23.2%
Packaging Film	61.6%	5.4%	-43.0%	47.4%	21.6%
Others					
Total EBIT from continuing operations	46.2%	55.1%	5.7%	17.9%	21.8%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Change in earnings estimates

Consolidated (Rsmn)	Old Estimates			New estimates			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	1,50,716	1,81,167	2,13,995	1,48,506	1,75,228	2,06,953	-1.5%	-3.3%	-3.3%
EBITDA	39,644	48,197	59,258	36,854	43,768	54,699	-7.0%	-9.2%	-7.7%
EBITDA margin	26.3%	26.6%	27.7%	24.8%	25.0%	26.4%	-149bps	-163bps	-126bps
APAT	23,575	27,601	31,888	20,823	25,279	30,801	-11.7%	-8.4%	-3.4%

Source: Nirmal Bang Institutional Equities Research

Exhibit 8: Change in valuation and TP

Old		New		Change (%)	
Implied PE	TP	Implied PE	TP	Target PE	TP
31	3,100	32	3,000	2%	-3%

Source: Nirmal Bang Institutional Equities Research

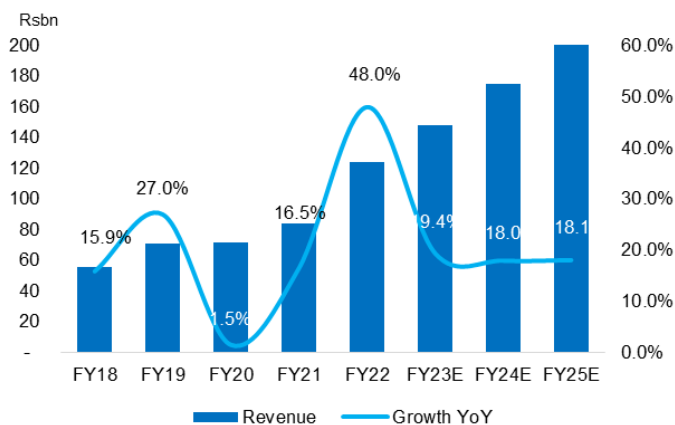
Exhibit 9: Actual performance v/s NBIE & Consensus estimates

Consolidated (Rsmn)	3QFY23	3QFY23e (NBIE)	Variance	3QFY23e (Consensus)	Variance
Revenue	34,697	35,692	-3%	36,975	-6%
EBITDA	8,335	7,602	10%	8,033	4%
EBITDA margin	24.0%	21.3%	272bps	21.7%	230bps
PAT	5,109	4,616	11%	4,745	8%

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

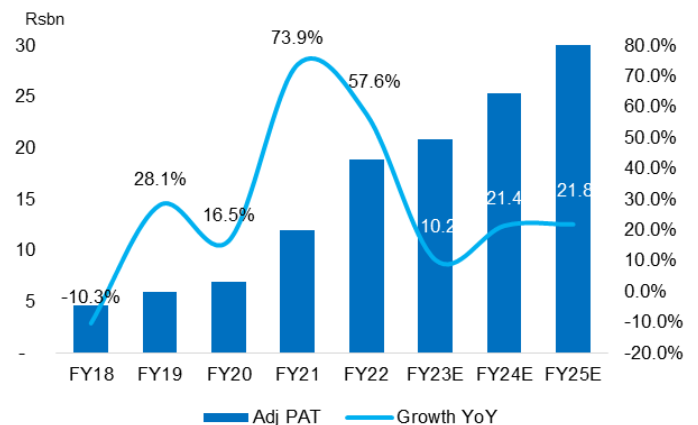
We are building in ~22% earnings CAGR over FY23E-FY25E

Exhibit 10: Revenue growth - we are building in ~18% CAGR over FY23E-FY25E



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Earnings growth - we are building in ~22% CAGR over FY23E-FY25E

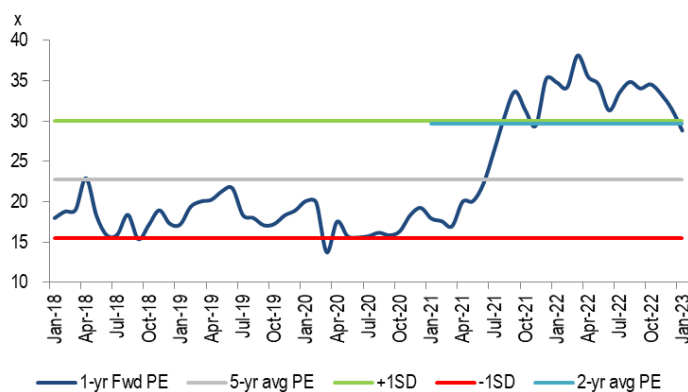


Source: Company, Nirmal Bang Institutional Equities Research

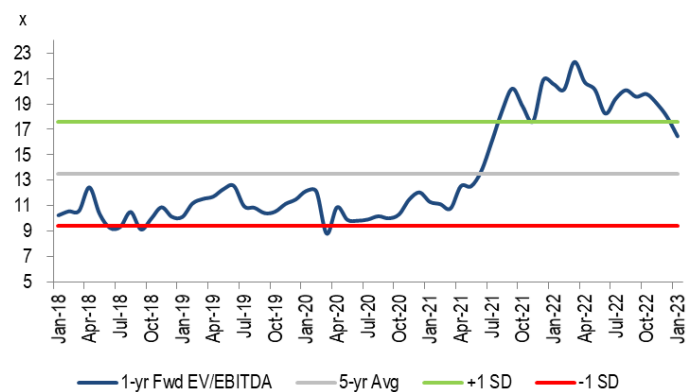
Exhibit 12: SOTP valuation

Particulars	Sept'24E EBITDA	EV/EBITDA multiple	EV
Technical Textiles business	4,213	8	33,701
Fluorospecialty chemicals	23,181	28	6,59,763
Chemicals (ex- fluorospecialty)	7,771	15	1,16,568
Packaging Film business	10,993	8	87,947
Others	3,075	4	12,300
Total			9,10,279
Less: Net debt			34,072
Equity value			8,76,206
Total number of shares			296
Target price per share			3,000
CMP			2,182
Upside			37%

Source: Nirmal Bang Institutional Equities Research

Exhibit 13: 1-yr Forward PE


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 14: 1-yr Forward EV/EBITDA


Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials (Consolidated)

Exhibit 15: Income statement

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	84,000	1,24,337	1,48,506	1,75,228	2,06,953
Growth YoY%	16.5	48.0	19.4	18.0	18.1
COGS	40,189	60,669	71,994	84,883	99,320
Gross margin %	52.2	51.2	51.5	51.6	52.0
Staff costs	6,214	7,800	9,851	11,919	14,196
Other expenses	16,145	24,108	29,806	34,658	38,738
EBITDA	21,452	31,759	36,854	43,768	54,699
Growth YoY%	47.4	48.0	16.0	18.8	25.0
EBITDA margin %	25.5	25.5	24.8	25.0	26.4
Depreciation	4,531	5,172	6,875	8,411	11,648
EBIT	16,921	26,587	29,979	35,357	43,051
Interest	1,340	1,159	1,195	2,766	2,937
Other income	545	428	607	612	370
PBT (bei)	16,127	25,856	29,392	33,203	40,484
PBT	16,127	25,856	29,392	33,203	40,484
ETR	25.7	26.9	29.2	23.9	23.9
PAT	11,983	18,889	20,823	25,279	30,801
Adj PAT	11,983	18,889	20,823	25,279	30,801
Growth YoY%	73.9	57.6	10.2	21.4	21.8

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Balance sheet

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Share capital	603	2,974	2,974	2,974	2,974
Reserves	67,962	82,679	99,725	1,17,715	1,39,668
Net worth	68,564	85,654	1,02,699	1,20,689	1,42,643
Long term debt	19,651	17,533	17,533	22,793	22,793
Short term debt	9,657	17,861	17,861	17,861	17,861
Total debt	29,308	35,394	35,394	40,653	40,653
Other non-current liabilities	5,369	10,176	12,212	14,654	14,214
Total Equity & Liabilities	1,03,240	1,31,224	1,50,304	1,75,997	1,97,510
Gross block	96,646	1,07,040	1,33,040	1,63,040	1,93,040
Accumulated depreciation	19,507	23,981	30,855	39,266	50,914
Net Block	77,140	83,059	1,02,184	1,23,774	1,42,126
CWIP	7,723	16,716	16,716	16,716	16,716
Intangible and others	1,130	1,194	1,194	1,194	1,194
Other non-current assets	3,871	4,212	4,212	3,791	3,791
Investments	42	42	42	42	42
Trade receivables	12,746	17,925	21,409	25,261	29,835
Inventories	14,658	21,385	25,542	30,137	35,594
C&CE and other current inv	6,946	7,761	4,418	3,485	3,147
Other current assets	5,040	5,473	4,926	5,911	4,729
Total current assets	39,390	52,543	56,294	64,794	73,305
Trade payables	15,852	20,964	25,038	29,544	34,893
Other current liabilities	10,202	5,579	5,300	4,770	4,770
Total current liabilities	26,054	26,543	30,339	34,314	39,663
Total Assets	1,03,240	1,31,224	1,50,304	1,75,997	1,97,510

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Cash flow

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
PBT	16,099	25,856	29,392	33,203	40,484
Depreciation	4,531	5,172	6,875	8,411	11,648
Interest	1,340	1,159	1,195	2,766	2,937
Other adjustments	-464	-469	-607	-612	-370
Change in Working capital	-1,236	-6,645	-3,298	-5,458	-3,499
Tax paid	-2,553	-4,016	-8,569	-7,925	-9,683
Operating cash flow	17,717	21,057	24,987	30,386	41,516
Capex	-12,144	-18,321	-26,000	-30,000	-30,000
Free cash flow	5,573	2,737	-1,013	386	11,516
Other investing activities	-2,853	2,443	1,909	1,228	370
Investing cash flow	-14,997	-15,877	-24,091	-28,772	-29,630
Issuance of share capital	7,500	2	-	-	-
Movement of Debt	-6,708	1,472	-	5,260	-
Dividend paid (incl DDT)	-1,408	-2,117	-3,778	-7,288	-8,847
Other financing activities	-1,895	-1,429	841	-323	-3,377
Financing cash flow	-2,511	-2,073	-2,937	-2,352	-12,224
Net change in cash flow	209	3,107	-2,041	-738	-337
Opening C&CE	1,165	1,383	4,505	2,464	1,726
Closing C&CE	1,383	4,505	2,464	1,726	1,389

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Key ratios

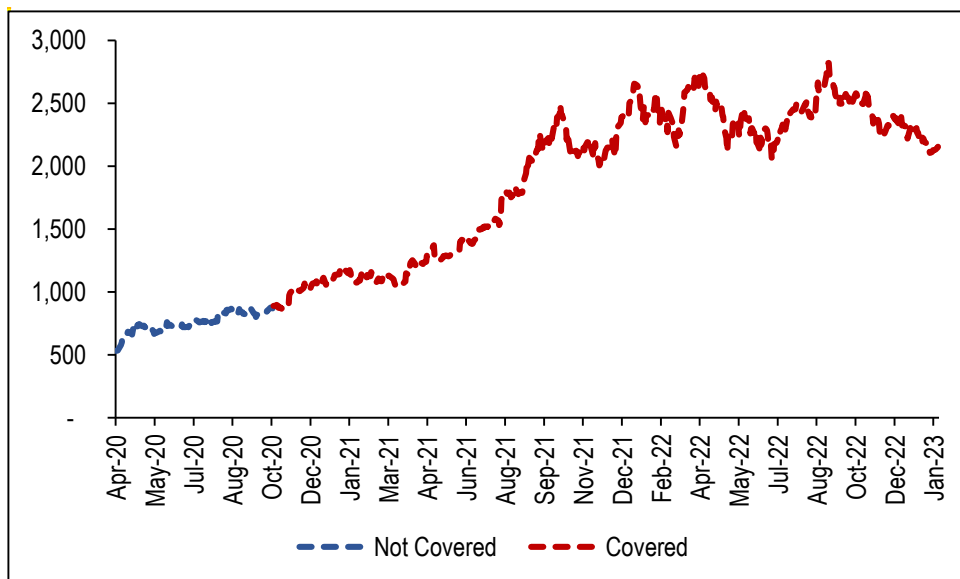
Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Per share (Rs)					
Adj EPS	40.4	63.8	70.3	85.3	104.0
Book value	231.4	289.1	346.7	407.4	481.5
Valuation (x)					
EV/EBITDA	31.2	21.2	18.4	15.6	12.5
P/E	53.9	34.2	31.0	25.6	21.0
P/BV	9.4	7.5	6.3	5.4	4.5
Return ratios (%)					
RoCE	18.8	24.3	23.1	23.6	25.0
RoE	20.3	24.5	22.1	22.6	23.4
Profitability ratios (%)					
Gross margin	52.2	51.2	51.5	51.6	52.0
EBITDA margin	25.5	25.5	24.8	25.0	26.4
PAT margin	14.2	15.1	14.0	14.4	14.9
Liquidity ratios (%)					
Current ratio	1.1	1.2	1.2	1.2	1.3
Quick ratio	0.7	0.7	0.6	0.7	0.7
Solvency ratio (%)					
Debt to Equity ratio	0.4	0.4	0.3	0.3	0.3
Turnover ratios					
Fixed asset turnover ratio (x)	0.9	1.2	1.1	1.1	1.1
Debtor days	55	53	53	53	53
Inventory days	64	63	63	63	63
Creditor days	69	62	62	62	62
Net Working capital days	50	54	54	54	54

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
16 October 2020	BUY	867	1,080
5 November 2020	BUY	974	1,120
7 January 2021	BUY	1,142	1,320
22 January 2021	BUY	1,083	1,320
7 May 2021	ACCUMULATE	1,352	1,320
29 July 2021	ACCUMULATE	1,587	1,520
23 September 2021	ACCUMULATE	2,199	2,160
26 October 2021	ACCUMULATE	2,110	2,200
27 January 2022	ACCUMULATE	2,349	2,500
10 May 2022	BUY	2,113	2,700
22 July 2022	BUY	2,292	2,700
19 September 2022	BUY	2,700	3,100
5 November 2022	BUY	2,485	3,100
14 December 2022	BUY	2,365	3,100
31 January 2023	BUY	2,182	3,000

Rating Chart



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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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