

Everest Kanto Cylinder

BUY

Dominant player in an industry with tailwinds

Summary

We initiate coverage on Everest Kanto Cylinder (EKC) with a BUY rating and a target price of Rs254. EKC is a leading manufacturer of seamless steel gas cylinders in India with an estimated market share of 50%. With rising penetration of CNG stations in India, we believe the gas cylinder companies will benefit as CNG stations will require cascades. Importantly, car companies are witnessing rising number of CNG cars while diesel cars continue to lose share. These factors will benefit EKC as it is the market leader in gas cylinders in India and is expanding its capacities. Over the coming two years, EKC will become a net debt free company and will have strong return ratios. Current valuation is attractive considering it stares at strong growth prospects.

Key Highlights and Investment Rationale

- Dominant player in a growing market:** The rising demand for CNG is likely to benefit gas cylinder manufacturers such as EKC (India's largest manufacturer of seamless gas cylinders with estimated market share of 50%). It has built a dominant position in the Indian domestic market over the past four decades.
- Capacity expansion lined up:** EKC has lined up aggressive capacity expansion plans where it plans to expand its capacity from 0.9 mn units as of FY21 to 1.8 mn units with a capex of ~Rs3 bn. With modest capex, rising sales and strong margins, we expect strong free cash flow generation for EKC. Hence, its leverage is likely to come off meaningfully in the coming two years.
- Valuation attractive:** With structural tailwinds and leadership position in gas cylinders, we forecast EKC's EPS to grow at a CAGR of 20% over FY22-24E. During the same period, ROE is expected to improve to 29% in FY24 (average 14% over FY17-FY22). We value the stock at PER of 7.5x on our FY24 EPS and derive a target price of Rs254 and initiate coverage with a BUY rating.

TP	Rs254
CMP	Rs174
Potential upside	46%
Previous Rating	--

Price Performance (%)			
	-1m	-3m	-12m
Absolute	6.1	(27.4)	74.8
Rel to Sensex	9.3	(20.1)	74.4

V/s Consensus		
EPS (Rs)	FY23E	FY24E
IDBI Capital	27.7	33.9
Consensus	-	-
% difference	-	-

Key Stock Data	
Bloomberg / Reuters	EKCL IN / EKCL.BO
Sector	Industrial Equipments
Shares o/s (mn)	112
Market cap. (Rs mn)	19,507
3-m daily average value (Rs mn)	7.6
52-week high / low	Rs291 / 85
Sensex / Nifty	53,161 / 15,832

Shareholding Pattern (%)	
Promoters	67.4
FII	0.4
DII	0.0
Public	32.2

Financial snapshot

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	7,605	9,491	16,988	19,952	23,451
Change (yoy, %)	8	25	79	17	18
EBITDA	960	1,637	3,920	4,439	5,335
Change (yoy, %)	5	71	139	13	20
EBITDA Margin(%)	12.6	17.2	23.1	22.3	22.8
Adj.PAT	123.8	498	2,530	3,104	3,798
EPS (Rs)	1.1	4.4	22.5	27.7	33.9
Change (yoy, %)	(84)	302	408	23	22
PE(x)	151.2	37.6	7.4	6.0	4.9
Dividend Yield (%)	-	-	0.9	2.4	3.6
EV/EBITDA (x)	21.5	12.0	4.9	4.2	3.3
RoE (%)	2.3	8.5	33.1	30.0	28.7
RoCE (%)	6.7	16.0	38.5	34.6	33.6

Source: IDBI Capital Research

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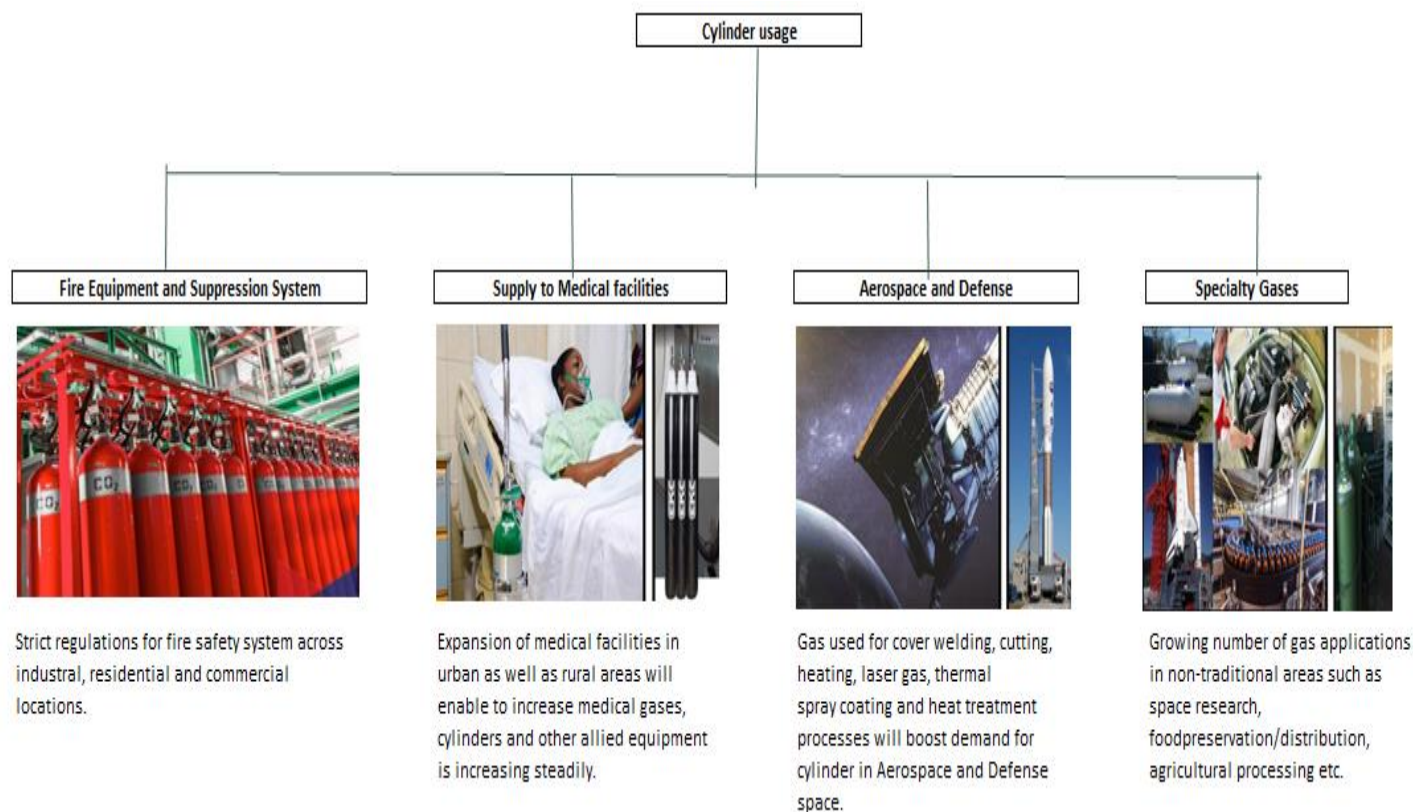
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Industry overview

■ Gas cylinder industry overview

A gas cylinder is a pressure vessel for storage and containment of gases at above atmospheric pressure. Gas cylinders are widely used in automobiles, fire equipment, medical establishments, aerospace, defense, etc. Steel cylinders are commonly used in various applications as they are far cheaper than composite cylinders which are light in weight.

Exhibit 1: Cylinder usage

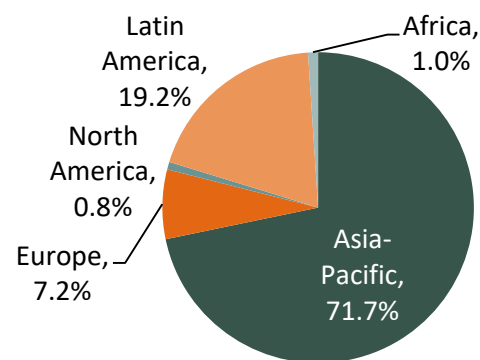


Source: Industry data, IDBI Capital Research

■ **Rising penetration of natural gas to boost demand for steel cylinders**

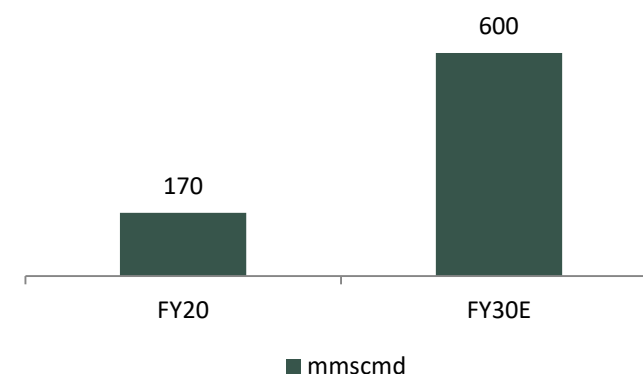
India's natural gas consumption is targeted to rise ~3x over the coming decade. Government has targeted to raise the share of natural gas in the country's energy basket from ~6% currently to 15% by FY30, thus partially replacing coal and liquid fuels. The country has committed investments of \$60 bn to expand gas infrastructure which includes LNG import terminals, laying pipelines and expanding city gas distribution networks across the country.

Exhibit 2: Worldwide and Regional Natural Gas Vehicle (NGVs) Statistics for CY19



Source: Company, Industry data, IDBI Capital Research

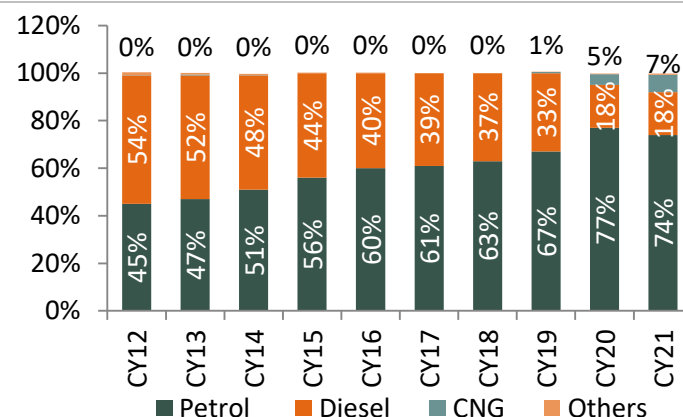
Exhibit 3: India's Natural Gas demand outlook



Source: Industry, Company, IDBI Capital Research

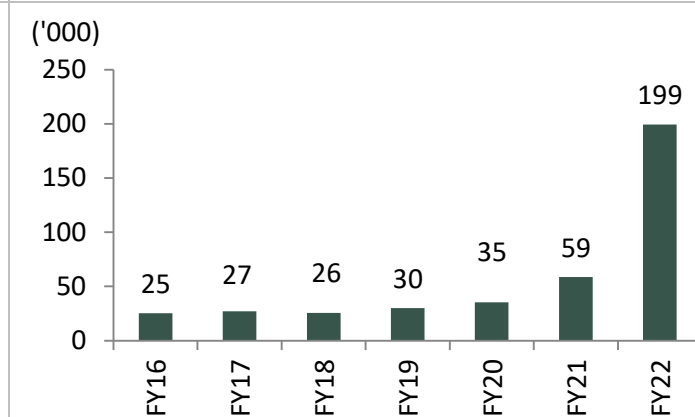
Compressed natural gas (CNG) is an alternative green fuel for automobile industry. One of the key benefits of owning a CNG vehicle is the lack of dependency on petrol and diesel with same running efficiency and lesser fuel cost. The usage of CNG is set to grow strongly on account of increase in usage of CNG fuel in automobiles. Registrations of CNG vehicles are rising in India and fuel mix is shifting away from diesel towards CNG and petrol.

Exhibit 4: Diesel losing market share to alternatives in PV segment



Source: Annual report, IDBI Capital Research

Exhibit 5: CNG vehicle registrations jumped up sharply in past two years



Source: Company, IDBI Capital Research

Following the successful 9th, 10th and 11th rounds of city gas distribution (CGD) auctions conducted by the Petroleum and Natural Gas Regulatory Board (PNGRB) over 2018-21, there is a committed and time-bound expansion of infrastructure to be executed over five years. Following this expansion, population coverage on CGD networks will increase from 36% to 96% as 298 additional districts and 136 additional geographical areas (GA's) will get gas supplies for industrial, commercial, residential and automobile usage.

Exhibit 6: Key drivers to boost CNG demand

BS-VI transition	Auto OEMs have significantly reduced diesel vehicle production due to rising costs/lower demand
Vehicle Scrappage Policy	Expected to drive new vehicle sales and CNG adoption
Conversion of diesel buses to CNG	STCs continue to convert diesel bus fleets to CNG
CNG price trends	CNG prices in India, linked to key international benchmarks, at significant discount to other liquid fuels
Cost of vehicle ownership	CNG vehicles operate on much lower cost per kilometer
Environmental concerns	India is a participant in the global commitment to setting net zero emission targets

Source: Company, IDBI Capital Research

Exhibit 7: Natural gas availability to increase

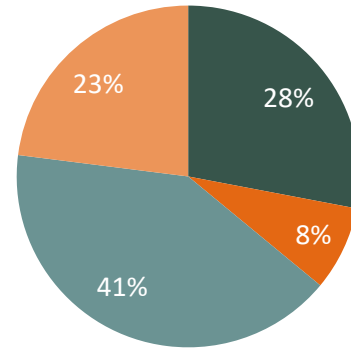
	Geographical Area	Population Coverage (%)	Area Coverage (%)
Pre-PNGRB (2009 onwards)	31	9.67	3.02
Round 1 (Oct'08)	6	0.33	0.03
Round 2 (Feb'09)	3	0.23	0.03
Round 3 (Jul'10)	6	0.77	1.21
Round 4 (Sept'13)	9	2.27	1.29
Round 5 (Jan'15)	8	2.04	1.82
Round 6 (Oct'15)	18	2.07	2.02
Round 7 (Jun'16)	1	0.36	0.46
Round 8 (Nov'16)	6	0.94	0.57
Round 9 auctions (Apr'18)	86	26	23.82
Round 10 auctions (Nov'18)	50	24.23	17.92
Round 11 auctions (Sep'21)	65	36.38	33
Aggregate Coverage	293	96	0.86

Source: PNGRB, IDBI Capital Research

CNG infrastructure plays a key role for rising CNG pumps

CNG pumps concentrations across 5 states is expected to reduce from 74% in FY21 to 40-45% by FY30. This will be accomplished by increasing penetration of pumps (from 3,101 in FY21 to 11,000 pumps in FY30) in other states as well.

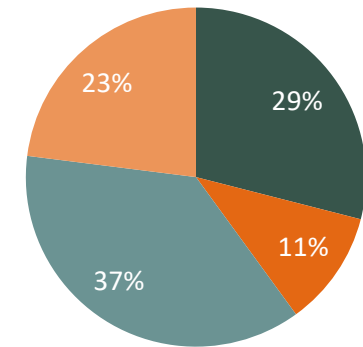
Exhibit 8: Infrastructure availability across geographies by FY22



■ North ■ East/North East ■ West/Central ■ South

Source: Company, IDBI capital Research

Exhibit 9: Infrastructure availability across geographies by FY30E



■ North ■ East/North East ■ West/Central ■ South

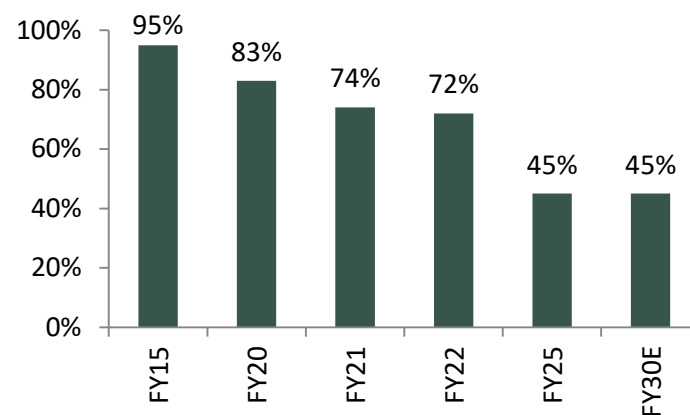
Source: Company, IDBI capital Research

Exhibit 10: Capex lined up by CGD companies and their target CNG stations

Companies	Capex(Rs bn)
Indraprastha Gas	The company will spend Rs80 bn over FY23-FY27 to increase their CNG gas stations from 771 to 1100 stations.
Mahanagar Gas	The company will spend Rs7-8 bn in FY23 to increase their existing CNG gas stations (291).
Adani Gas	Rs120 bn will be spent over FY22-FY30 to increase their CNG gas stations from 217 to 2000 stations.
GAIL	Rs40 bn will be spent over FY23-FY25 towards increasing 100 new gas stations (existing 268) and domestic new PNG stations (2,50,000).
Gujarat Gas	It aims to spend Rs5 bn over FY23-FY26 for expansion of CNG gas stations.

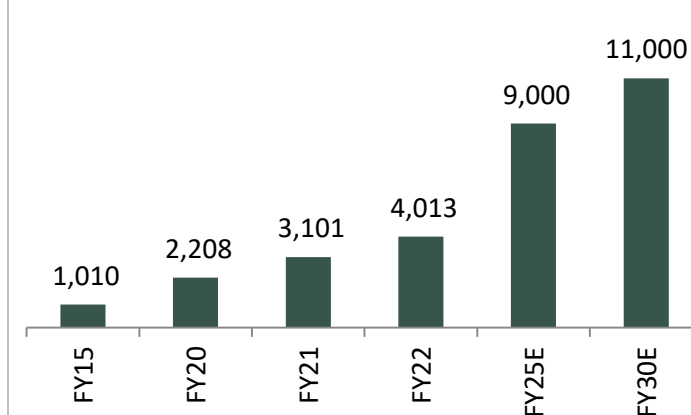
Source: Industry data, IDBI Capital Research

Exhibit 11: Concentration of CNG gas stations across top five states likely to come down



Source: Industry, IDBI capital Research

Exhibit 12: CNG gas pumps likely to see strong expansion



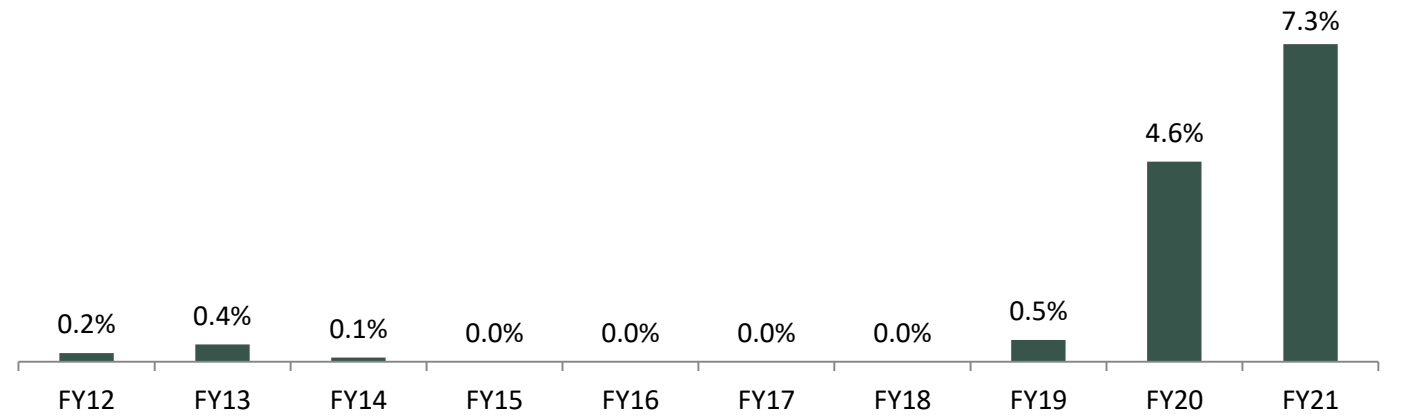
Source: Industry, IDBI capital Research

Car companies to launch several variants in CNG fuel

■ **Car companies line up new CNG variants; expect higher contribution from CNG**

The focus towards clean energy and green mobility has led to higher contribution of CNG models in passenger car market over FY19-21. Maruti Suzuki has been on forefront in successfully launching CNG variants in India. Recently, Tata Motors announced its intention to increase their CNG cars contribution from 8% to 20% over next 3 to 5 years. The focus towards clean energy and green mobility has led to higher contribution of CNG models in passenger car market over FY19-21.

Exhibit 13: CNG car sales as a percentage of total sales have seen sharp increase since FY19



Source: Industry data, IDBI Capital Research

Exhibit 14: New CNG variant model in CY22

Existing car models	New upcoming car models
Maruti Suzuki Wagon R	Maruti Suzuki Celerio
Maruti Suzuki Ertiga	Maruti Suzuki Swift
Maruti Suzuki Eeco	Maruti Suzuki Baleno
Maruti Suzuki Celerio	Tata Tiago
Maruti Suzuki Dzire	Tata Altroz
Maruti Suzuki Alto	Tata Punch
Maruti Suzuki S-Presso	Tata Tigor
Hyundai Aura	Hyundai Venue
Hyundai i10	Toyota Innova Crysta
Hyundai Xcent	
Hyundai Santro	

Source: Cardekho, IDBI Capital Research

■ **CNG commercial vehicles also seeing strong demand**

In the commercial vehicle space, M&M and Tata Motors have the highest number of CNG variants. Looking ahead, as the availability of CNG increases across different geographies and government policies discourages diesel vehicles; there will be share gains for CNG vehicles in the CV space.

Exhibit 15: Existing CNG models in CV space

Mahindra & Mahindra	Eicher Motors
Bolero Pickup	Pro 1059
Suppro minitruck	Pro 1095
Miximo	Pro 1075
Jeeto	Others
Jayo	Vikram 1500
Champion	JSA Auto
Alfa Load	JSA Loader
Tata Motors	SML Sartaj
SFC 407	SML Sartaj GSHG72
LPT 909Ex	SML Samrat GS
LPT 909Ex	
LPT 709 Ex	
LPT 407 Ex	
ACE	
ACE ZIP	
ACE XL	

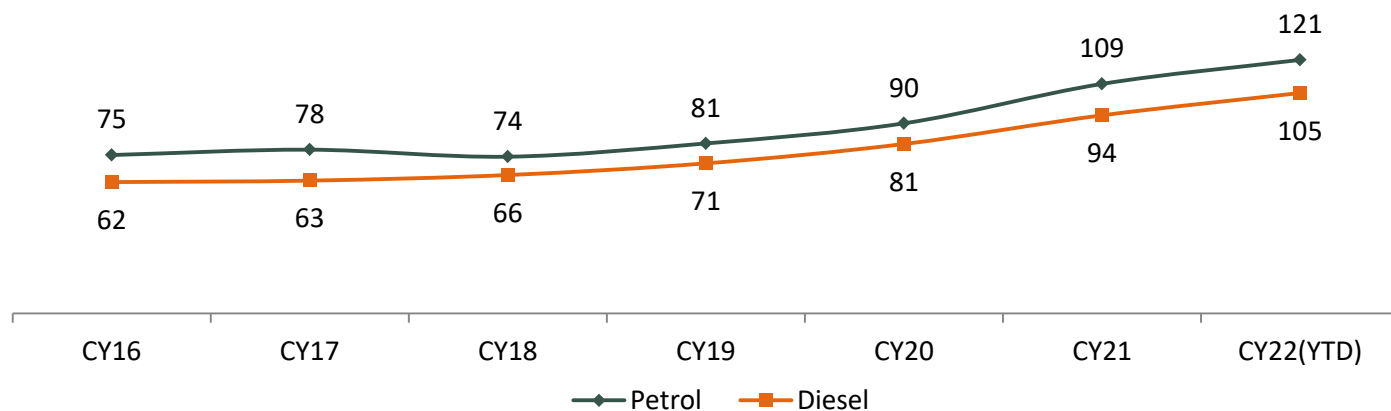
Source: City gas India, IDBI Capital Research

■ **CNG is now a cheaper fuel compared diesel**

It has always been economical to run a vehicle with CNG compared to petrol. However, diesel vehicles were also an alternative for customers preferring cheaper fuel options. Also, availability of diesel across pumps in India was far higher compared to CNG.

However, recent rise in diesel prices has made CNG a far more economical option. Also, rising CNG pumps were a constraint to buying a CNG passenger vehicle for customers as these CNG outlets were concentrated in few regions. Nevertheless, CNG pumps are expected to rise sharply in the coming 3-5 years. Even though CNG prices have risen recently; however, the rise in petrol and diesel prices has been even sharper.

Exhibit 16: Fuel price trend (Rs)



Source: Industry data, IDBI Capital Research

Exhibit 17: Running a CNG vehicle provides better economy

	Petrol	Diesel	CNG
Price (Rs/ltr and Rs/kg for CNG)	111	97	76
Mileage km/ltr or kg	22	19	33
Cost (Rs/km)	5.0	5.2	2.3
CNG discount (%) (Rs/km)	-54	-56	
Daily running assumptions (kms)	40	40	40
Daily cost (Rs)	201	209	92
Annual cost (Rs)	73,198	76,140	33,624
Savings vs Petrol (Rs)		-2,942	42,516
CNG/Diesel conversion kit cost (Rs)	30,000	1,00,000	

Source: Industry data, IDBI Capital Research

Investment thesis

EKC's leadership position, number of SKUs and long-standing relationships are unmatched

■ Largest player in the cylinder industry in India

EKC is India's largest manufacturer of seamless gas cylinders with estimated market share of 50%. It has built a dominant position in the Indian domestic market over the past four decades and its products have wide acceptance across international markets. EKC manufactures cylinders conforming to Indian Standards such as IS 7285 (Part 1), IS 7285 (Part 2) and IS 15490 and international standards such as ISO: 11439, ISO: 9809-1, NZS: 5454, ISO: 4705D, EN: 1964, ISO: 11120, ECE R-110. EKC has been the first mover in imbibing the latest emerging trends in cylinder manufacturing technologies such as powder coating painting booths, ultra-high productive machines, etc.

Exhibit 18: Strengths of EKC



Source: Company; IDBI Capital Research

EKC and its subsidiaries can manufacture products ranging from 1 -3,000 liters. Its wide and versatile range includes industrial gas cylinders, CNG cylinders, CNG cylinder cascades, Jumbo cylinders, Jumbo skids and composite cylinders. EKC exports to over 25 countries globally and many of its customers have stringent quality standards.

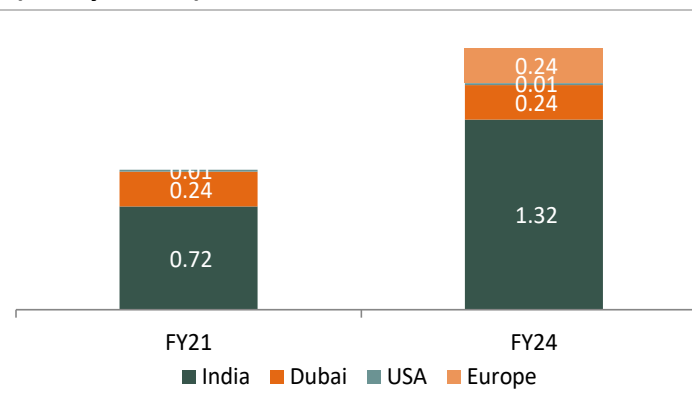
■ **EKC’s capacity to expand over coming 3 years**

EKC has lined up aggressive capacity expansion plans where it plans to expand its capacity from 0.9 mn units as of FY21 to 1.8 mn units which will entail a capex of ~Rs3 bn. Of these, it will build 0.6 mn units in India while rest of the expansions will be overseas.

EKC aims to double its capacity in 3 years

The company foresees higher demand from city gas distribution due to: 1) government’s thrust to increase the share of gas in India’s overall energy mix to 15% by 2030 (from just 6% currently), 2) a crackdown on polluting cities (the NGT has identified over 100 cities in India to reduce pollution) and 3) potential inclusion of natural gas under the GST regime (could be a game changer and kick-start the next growth phase for gas consumption in India).

Exhibit 19: Capacity expansion details (mn cylinders)



Source: Company, IDBI capital Research

Exhibit 20: Geographical capacity expansion break-up

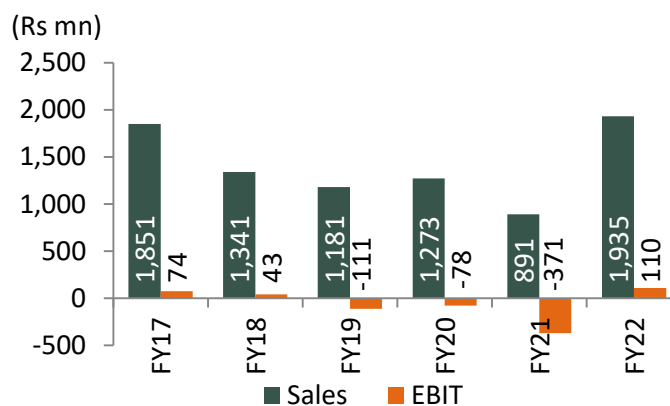
	mn cylinders	Completion Timeline
Existing capacity	0.97	-
Capacity Addition		
Tarapur, Maharashtra	0.4	Phase II: Q2FY23
Mundra, Gujarat	0.2	Phase I: Q2FY24
Hungary, Europe	0.24	NA
Total	1.81	

Source: Company, IDBI capital Research

■ **Overseas operations performance has remained a drag; but witnessing improvement now**

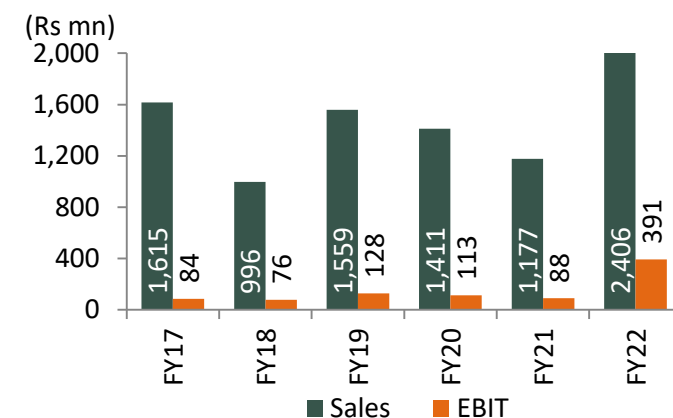
EKC’s major overseas operations are in US and Dubai. While EKC’s India business has witnessed strong improvement in sales and profitability over the past two years, its overseas operations performance has lagged behind. Infact, overseas businesses has witnessed erratic growth over the past decade. The profitability and return ratios have remained weak in its overseas businesses and they remain a drag on its return ratios. Nevertheless, financial performance of overseas operations has witnessed remarkable improvement during FY22.

Exhibit 21: Sales and EBIT of US subsidiary (CP Industries Holding)



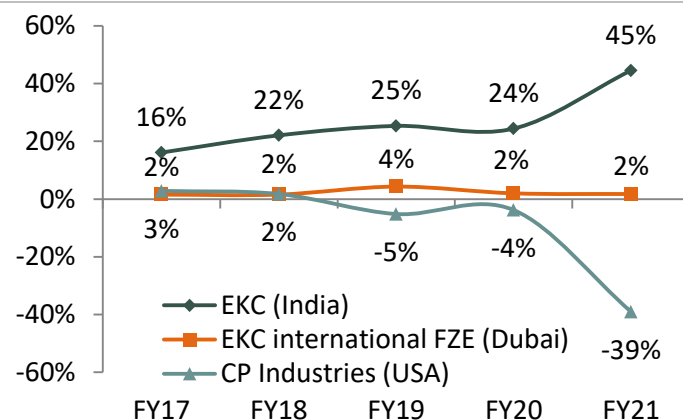
Source: Company, IDBI Capital Research

Exhibit 22: Sales and EBIT of Dubai subsidiary (EKC International FZE)



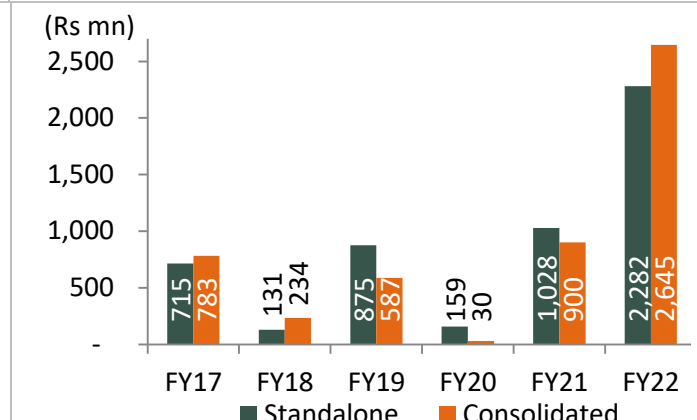
Source: Company, IDBI Capital Research

Exhibit 23: ROCE comparison for India, Dubai and US businesses



Source: Company, IDBI Capital Research

Exhibit 24: Standalone net profit vs consolidated net profit

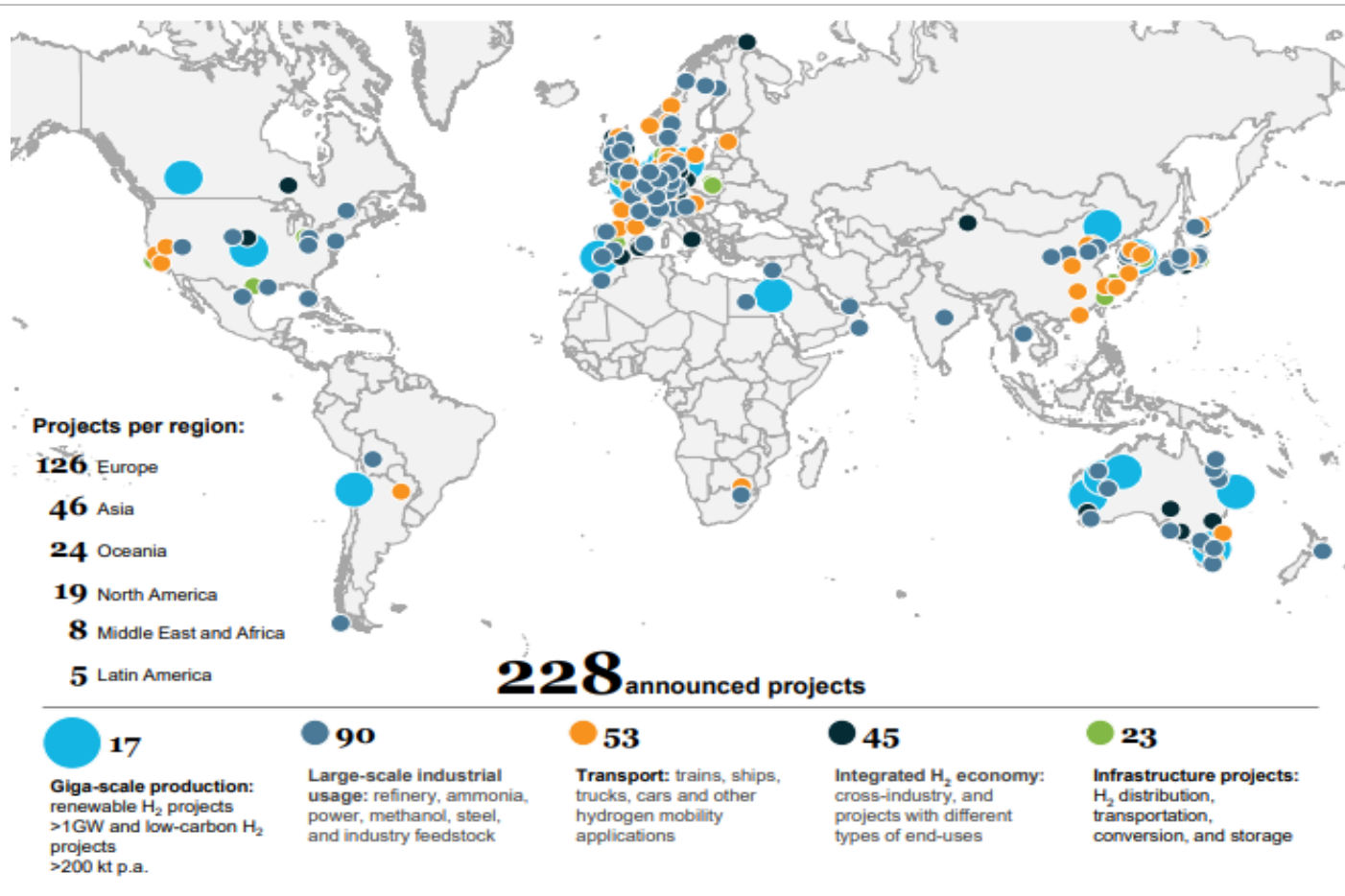


Source: Company, IDBI Capital Research

■ **Green hydrogen could be a long term opportunity**

The governments, worldwide, are focusing on investing significantly in research and development to make green hydrogen commercially viable. Over 30 countries have released Hydrogen roadmaps, committed more than \$70 bn in public funding, and total investments expected to exceed \$300 bn through 2030. Currently, there are 228 hydrogen projects across the value chain globally. Out of all announced projects, more than 55% (126 projects) are located in Europe.

Exhibit 25: Global Hydrogen projects

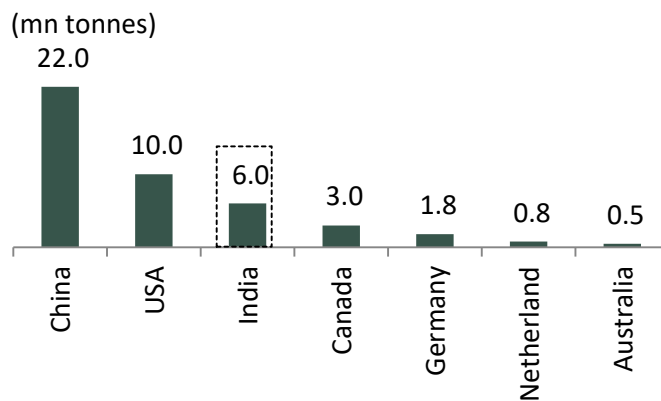


Source: The Energy and Resources Institute(TERI); Hydrogen Insights - Mckinsey & Company ; IDBI Capital Research

In February 2022, Indian government announced green hydrogen policy, promising cheaper renewable power, fee waiver for inter-state power transmission for 25 years for projects commissioned before June 2025, land in renewable energy parks, and mega manufacturing zones to help local industries wean themselves off fossil fuels.

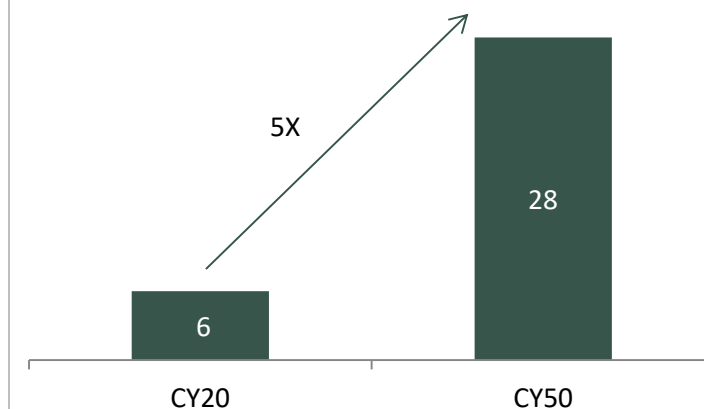
Everest Kanto is likely to be a beneficiary of government initiatives to boost hydrogen given that it will boost demand for cylinders and cascades.

Exhibit 26: Hydrogen Production (Country wise)



Source: WRI India Analysis 2021; IDBI Capital Research

Exhibit 27: India’s hydrogen demand to grow to 5x by CY50

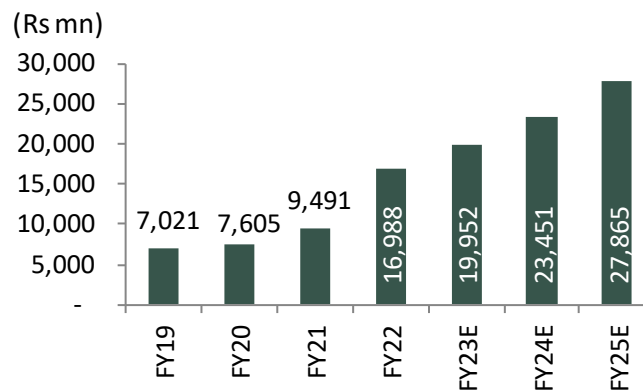


Source: Company; IDBI Capital Research

■ **FCFF to improve; Leverage to come off;**

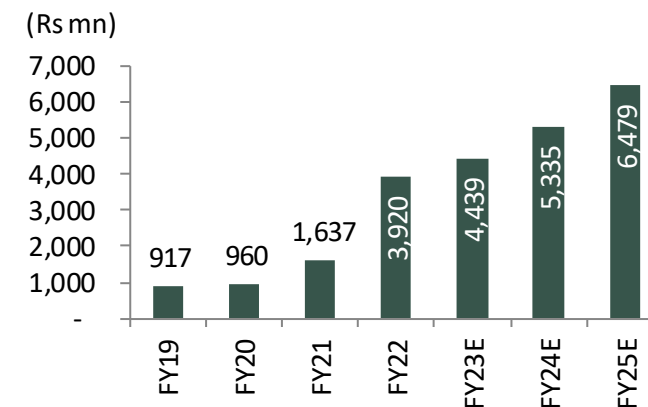
With modest capex, rising sales and strong margins, we expect strong free cash flow generation for EKC. Hence, its leverage is likely to come off meaningfully in the coming two years. There is likely to be surplus cash from FY24 as per our estimates. EKC’s return ratios are also likely to remain strong.

Exhibit 28: Sales to grow at a CAGR of 18% over FY23-25E



Source: Company; IDBI Capital Research

Exhibit 29: EBITDA to grow at a CAGR of 17% over FY23-25E



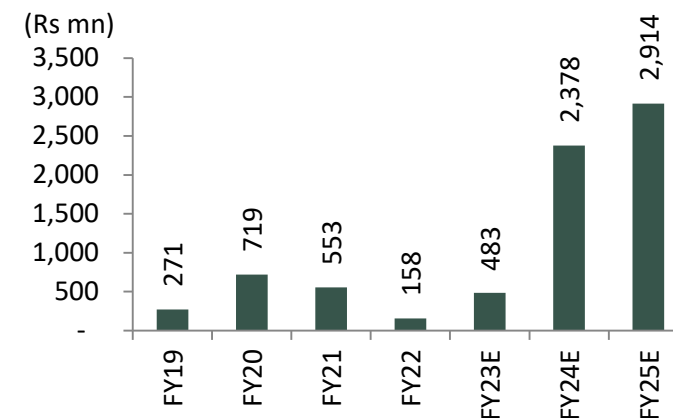
Source: Company; IDBI Capital Research

Exhibit 30: Net debt to come off sharply



Source: Company; IDBI Capital Research

Exhibit 31: FCFF likely to improve over next few years



Source: Company; IDBI Capital Research

Valuation and Outlook

- **Initiate coverage with a BUY rating**

With structural tailwinds and leadership position in gas cylinders, we forecast EKC's EPS to grow at CAGR of 20% over FY22-24E. During the same period, ROE is expected to improve to 29% in FY24 (average 14% over FY17-FY22). Current valuation does not justify the growth prospects of EKC in our view. We value the stock at PER of 7.5x on our FY24 EPS and derive a target price of Rs254.

EKC trades at an inexpensive valuation considering its strong growth prospects

Corporate governance check

■ Independent directors' representation on the board

Independent directors constituted between 40-67% of Everest Kanto's Board of Directors in the last five years indicating higher role of professionals compared to the promoters.

Exhibit 32: Representation of independent directors and promoters

	FY16	FY17	FY18	FY19	FY20	FY21
Promoters group Directors	2	2	3	3	3	2
Independent Directors	4	3	2	4	4	4
Total Directors	6	5	5	7	7	6
<i>Share of promoter directors (%)</i>	<i>33</i>	<i>40</i>	<i>60</i>	<i>43</i>	<i>43</i>	<i>33</i>
<i>Share of independent directors (%)</i>	<i>67</i>	<i>60</i>	<i>40</i>	<i>57</i>	<i>57</i>	<i>67</i>

Source: Company; IDBI Capital Research

■ Promoter group compensation analysis

EKC's promoters' compensation has remained in the range of 2-9% of net profits, except during FY20. During FY20, net profit was depressed and hence, promoters' compensation as a percentage of net profits appear high at 139%.

Exhibit 33: Promoters group compensation

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21
Prem Kumar Khurana	NA	NA	12	12	7	NA
Pushkar Khurana	11	11	11	11	12	10
Puneet Khurana	NA	1	NA	16	23	21
Total compensation	11	12	22	39	41	31
Net profit	-1,241	783	234	587	30	900
<i>Total compensation as a percentage of net profit</i>	<i>nm</i>	<i>2</i>	<i>9</i>	<i>7</i>	<i>139</i>	<i>3</i>

Source: Company data, IDBI Capital Research

■ Related party transactions

The promoters have lent loans to EKC when the company required funds and outside credit was not easily available. However, we note that the interest rates charged on these loans have been in line with market rates and there have been no undue benefits accrued to promoters. Also, these loans will be repaid in coming one year given the strong free cash flows that EKC is expected to generate during FY23.

Exhibit 34: Promoter loans to EKC

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Loans given by promoters to EKC	217	249	540	489	533	572	374
Debt (excluding promoters)	5,565	5,191	3,229	2,867	2,387	1,410	948
Total debt	5,783	5,440	3,770	3,356	2,920	1,982	1,320

Source: Company; IDBI Capital Research

■ Contingent liabilities

EKC's contingent liability is not significant as a proportion of its net worth.

Exhibit 35: Contingent liabilities

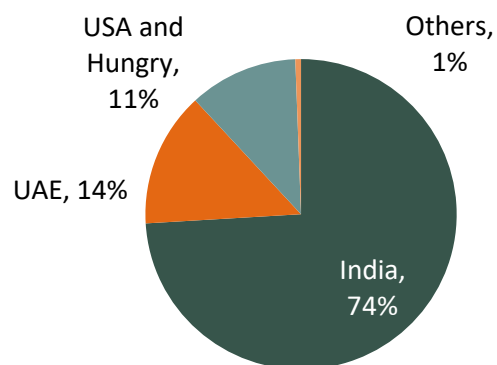
(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21
Contingent liabilities (Rs mn)	254	275	437	247	201	224
Net worth (Rs mn)	3,434	4,220	4,437	5,177	5,385	6,283
<i>Contingent liabilities as a % of net worth</i>	<i>7</i>	<i>7</i>	<i>10</i>	<i>5</i>	<i>4</i>	<i>4</i>

Source: Company; IDBI Capital Research

Company overview

Incorporated in 1978, Everest Kanto is a leading global manufacturer of seamless steel gas cylinders. EKC operates two manufacturing facilities in India located at Tarapur (Maharashtra) and Kandla SEZ (Gujarat) and two international facilities at Jebel Ali Free Zone in Dubai and Pittsburgh (PA), USA, with aggregate capacity of about 1 mn cylinders annually. EKC's product range of industrial, CNG and jumbo cylinders is used for high pressure storage of gases such as oxygen, hydrogen, nitrogen, argon, helium, etc and finds applications in a wide variety of industries such as manufacturing, fire equipment/suppression systems, medical establishments, aerospace/ defense and automobiles apart from some specialized usage areas.

Exhibit 36: Geographical sales break up – FY22



Source: Company; IDBI Capital Research

Exhibit 37: Plant locations and capacities

Location	Capacities (units)
Tarapur, Maharashtra	200,000
Kandla, Gujarat	800,000
Jebel Ali FTZ, Dubai	240,000
Pittsburgh, USA	14,000

Source: Company; IDBI Capital Research

Key Employees

Exhibit 38: Key management persons

Name	Designation	Details
Mr. Pushkar Khurana	Chairman	He is a promoter of the company who joined EKC in 1994. He has over 20 years' experience across business vertical.
Mr. Puneet Khurana	Managing Director	He completed his MBA (International Business) from EU Business School, Switzerland. Puneet Khurana has led market development in Asian countries, product development for auto OEMs/ CNG distribution companies.
Mr. Sanjiv Kapur	Chief Financial Officer	He is a Chartered Accountant and has a total experience of more than 12 years in Auto ancillary segment. He joined EKC in 2018. He was the Vice President Accounts, systems and Commercial in KLT Automotive & Tabular Products prior to joining EKC.
Mrs. Uma Acharya	Independent Director	She is the Law professional who specializes in civil, property, securities market and arbitration laws. She is the Member of the Bar Council of Maharashtra and Goa.
Mrs. Vaijayanti Pandit	Independent Director	She has completed PhD in Management Studies, with additional qualifications in Political Science, Journalism and Yoga. She was previously associated with FICCI and Indian Merchants' Chambers in senior positions.
Mr. Ghanshyam Karekar	Independent Director	He is Finance, Banking and Law professional. He specializes in audit, taxation, financial planning, project finance, rehabilitation of sick units and overall corporate management.
Mr. M. N. Sudhindra Rao	Independent Director	He was the CEO of Indo Rama Synthetics Limited. He has four decades of experience in manufacturing, energy and other industrial sectors.

Source: Company, IDBI Capital Research

Key risks

- **Change in government's policies:** Recently, government has pushed for increasing penetration of CNG pumps across India. However, a roll back of government's stance on this could affect EKC's growth prospects.
- **Supply of raw material:** EKC imports seamless pipes mainly from China. Any geo-political issues between India and China could affect supplies.
- **Margin risk:** EKC's EBITDA margin has improved sharply over the last five years. We expect these margins to sustain due to rising sales. However, its margins could be lower than our forecasts in case sales volumes do not grow in line with our estimates.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Net sales	7,021	7,605	9,491	16,988	19,952	23,451
<i>Change (yoy, %)</i>	30	8	25	79	17	18
Operating expenses	(6,103)	(6,645)	(7,854)	(13,069)	(15,513)	(18,116)
EBITDA	917	960	1,637	3,920	4,439	5,335
<i>Change (yoy, %)</i>	18	5	71	139	13	20
<i>Margin (%)</i>	13.1	12.6	17.2	23.1	22.3	22.8
Depreciation	(303)	(433)	(354)	(350)	(373)	(384)
EBIT	615	527	1,283	3,569	4,067	4,951
Interest paid	(356)	(359)	(262)	(106)	(64)	(32)
Other income	53	67	34	136	147	159
Pre-tax profit	263	651	1,472	3,714	4,150	5,078
Tax	469	(103)	(556)	(1,068)	(1,046)	(1,280)
<i>Effective tax rate (%)</i>	(178.3)	15.8	37.8	28.8	25.2	25.2
Minority Interest	(2.8)	(8.4)	(1.0)	(0.5)	-	-
Net profit	728	540	915	2,645	3,104	3,798
Exceptional items	(49)	417	417	115	-	-
Adjusted net profit	777	124	498	2,530	3,104	3,798
<i>Change (yoy, %)</i>	244.2	(84.1)	302.4	407.9	22.7	22.4
EPS	6.9	1.1	4.4	22.5	27.7	33.9
Dividend per share	-	-	-	1.5	4.0	6.0
<i>Dividend Payout %</i>	-	-	-	6.7	14.5	17.7

Balance Sheet

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Shareholders' funds	5,177	5,385	6,283	9,027	11,682	14,807
Share capital	224	224	224	224	224	224
Reserves & surplus	4,953	5,160	6,058	8,803	11,458	14,583
Total Debt	2,698	2,351	1,695	1,270	1,277	1,405
Other liabilities	-	161	132	130	130	130
Curr Liab & prov	2,379	2,498	2,353	2,477	2,766	3,098
Current liabilities	2,167	2,199	2,033	2,160	2,449	2,781
Provisions	212	298	319	317	317	317
Total liabilities	5,077	5,010	4,180	3,876	4,172	4,632
Total equity & liabilities	10,255	10,387	10,462	12,906	15,857	19,442
Net fixed assets	3,466	3,641	3,470	3,603	4,730	5,346
Investments	28	30	32	33	33	33
Other non-curr assets	641	780	833	844	928	1,021
Current assets	6,120	5,936	6,127	8,427	10,167	13,042
Inventories	3,071	3,028	2,990	4,178	4,906	5,767
Sundry Debtors	1,217	1,184	1,632	2,265	2,660	3,127
Cash and Bank	299	385	702	613	1,160	2,637
Loans and advances	161	21	6	16	16	17
Other current assets	1,372	1,319	797	1,356	1,424	1,495
Total assets	10,255	10,387	10,462	12,906	15,857	19,442

Cash Flow Statement

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Pre-tax profit	263	651	1,472	3,714	4,150	5,078
Depreciation	303	433	354	350	373	384
Tax paid	469	(103)	(556)	(941)	(1,046)	(1,280)
Chg in working capital	234	335	(540)	(1,706)	(836)	(996)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	1,268	1,317	729	1,416	2,641	3,186
Capital expenditure	(290)	(608)	(183)	(483)	(1,500)	(1,000)
Chg in investments	13	(2)	(2)	(1)	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(278)	(610)	(185)	(484)	(1,500)	(1,000)
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	(856)	(347)	(656)	(425)	7	128
Dividend (incl. tax)	-	-	-	(168)	(449)	(673)
Chg in minorities	(5)	(17)	7	3	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(862)	(364)	(649)	(591)	(442)	(546)
Net chg in cash (a+b+c)	129	344	(105)	341	699	1,641

Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	46	48	56	80	104	132
Adj EPS (Rs)	6.9	1.1	4.4	22.5	27.7	33.9
Adj EPS growth (%)	244	-84	302	408	23	22
EBITDA margin (%)	13.1	12.6	17.2	23.1	22.3	22.8
Pre-tax margin (%)	3.7	8.6	15.5	21.9	20.8	21.7
Net Debt/Equity (x)	0.5	0.4	0.2	0.1	0.0	-0.1
ROCE (%)	7.7	6.7	16.0	38.5	34.6	33.6
ROE (%)	16.2	2.3	8.5	33.1	30.0	28.7

DuPont Analysis

Asset turnover (x)	0.7	0.7	0.9	1.5	1.4	1.3
Leverage factor (x)	2.0	2.0	1.8	1.5	1.4	1.3
Net margin (%)	11.1	1.6	5.2	14.9	15.6	16.2
Net Debt/Equity (x)	0.5	0.4	0.2	0.1	0.0	-0.1

Working Capital & Liquidity ratio

Inventory days	160	145	115	90	90	90
Receivable days	63	57	63	49	49	49
Payable days	35	37	33	27	27	27

Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	24.1	151.2	37.6	7.4	6.0	4.9
Price/Book value (x)	3.6	3.5	3.0	2.1	1.6	1.3
EV/Net sales (x)	3.0	2.7	2.1	1.1	0.9	0.7
EV/EBITDA (x)	23.0	21.5	12.0	4.9	4.2	3.3
Dividend Yield (%)	0.0	0.0	0.0	0.9	2.4	3.6

Source: Company; IDBI Capital Research



Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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