MOTILAL OSWAL
FINANCIAL SERVICES

29 October 2024
2QFY25 Results Update | Sector: Midcaps

# APL Apollo Tubes

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | APAT IN |
| Equity Shares (m) | 278 |
| M.Cap.(INRb)/(USDb) | 419.2 / 5 |
| 52-Week Range (INR) | 1774 / 1253 |
| 1, 6, 12 Rel. Per (%) | 5/-11/-35 |
| 12M Avg Val (INR M) | 1290 |

**Financials & Valuations (INR b)**

| Y/E Mar | FY25E | FY26E | FY27E |
|---|---|---|---|
| Sales | 216.1 | 267.1 | 311.5 |
| EBITDA | 11.7 | 17.5 | 22.2 |
| PAT | 7.1 | 11.9 | 15.5 |
| EBITDA (%) | 5.4 | 6.5 | 7.1 |
| EPS (INR) | 25.6 | 43.0 | 55.8 |
| EPS Gr. (%) | -3.2 | 68.2 | 29.7 |
| BV/Sh. (INR) | 149.5 | 186.5 | 236.3 |
| **Ratios** | | | |
| Net D/E | -0.0 | -0.2 | -0.4 |
| RoE (%) | 18.3 | 25.6 | 26.4 |
| RoCE (%) | 16.7 | 24.0 | 26.4 |
| Payout (%) | 23.5 | 14.0 | 10.8 |
| **Valuations** | | | |
| P/E (x) | 59.3 | 35.3 | 27.2 |
| EV/EBITDA (x) | 35.7 | 23.4 | 17.9 |
| Div Yield (%) | 0.4 | 0.4 | 0.4 |
| FCF Yield (%) | 2.8 | 2.4 | 3.3 |

**Shareholding Pattern (%)**

| As on | Sep-24 | Jun-24 | Sep-23 |
|---|---|---|---|
| Promoter | 28.3 | 28.3 | 29.7 |
| DII | 15.9 | 14.9 | 12.7 |
| FII | 31.9 | 31.6 | 28.7 |
| Others | 23.8 | 25.2 | 29.0 |

Note: FII includes depository receipts

**CMP: INR1,510 TP: INR1,750 (+16%) Buy**

## Inventory losses; higher discounting hurts margins

### Earnings below our estimates

- APL Apollo Tubes (APAT) reported the fourth consecutive quarter of weak operating performance (EBITDA/MT down 62% YoY in 2Q) on account of inventory loss of ~INR1.5b (led by a fall in steel prices) and higher discounting during the quarter. Revenues grew marginally at 3% YoY led by volume growth (up 12% YoY), which was partially offset by a decline in realizations (down 8% YoY).
- With higher inventory loss being booked in 2Q, we see a lower possibility of any major inventory loss in 2H. Additionally, the company will benefit from the improving VAP mix and favorable operating leverage, resulting in a sequential recovery in margins.
- We cut our FY25E/FY26E earnings by 10%/6%, primarily due to lower EBITDA/MT (reduced by 9%/5% for FY25E/26E). We value the stock at 35x Sep'26E EPS to arrive at a TP of INR1,750. **Reiterate BUY**.

### Muted revenue growth on account of declining realizations

- Consolidated revenue grew 3% YoY while declined 4% QoQ to INR47.7b (est. INR52.6b) as volume growth (up 12%/5% YoY/QoQ to ~758KMT) was offset by a decline in realization (down 8%/9% YoY/QoQ to INR62,958). VAP mix stood at 55% in 2QFY25 vs. 55%/60% in 2QFY24/1QFY25.
- Gross profit/MT declined 27%/28% YoY/QoQ to INR7,016, while EBITDA/MT fell 62%/56% YoY/QoQ to INR1,821 (est. INR2,299) on account of higher discounting (INR493/MT), inventory losses (INR1,981/MT), and unfavorable product mix during the quarter. EBITDA declined 58%/54% YoY/QoQ to INR1.4b (est. INR1.7b).
- Adjusted PAT declined 73% YoY and 72% QoQ to INR538m (est. INR890m).
- In 1HFY25, APAT's revenue grew 6% YoY to INR97.5b, while EBITDA/Adj. PAT declined 30%/38% YoY to INR4.4b/INR2.5b; implied revenue/EBITDA/Adj. PAT growth in 2HFY25 is expected to be 33%/31%/37%, led by strong volume growth coupled with expansion of margins. CFO for 1HFY25 stood at INR1.3b vs. INR5.2b in 1HFY24.

### Highlights from the management commentary

- **Demand scenario**: The company expects a better volume offtake in 2HFY25 as the inventory with channel partners is very low. It has already rolled back the additional discounting and expects ~10% QoQ volume growth for the next few quarters going ahead.
- **Guidance**: APAT maintains its volume guidance of clocking ~4MMT/5MMT sales volume in FY26/FY27. EBITDA per ton is expected to reach ~INR5,000 over the next couple of quarters (touching ~INR5,000 by 4QFY25), and is likely to maintain it over FY26 on a conservative basis.
- **Capex:** The company has proposed to build three new Greenfield plants, which will add ~610KMT of manufacturing capacity. It expects to incur a capex of INR3-3.5b over the next 6-7 months to reach a manufacturing capacity of ~5MMT.

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## Valuation and view

- With lower channel inventory and higher demand for primary steel products (led by the narrowing gap in primary and secondary steel prices), APAT is likely to witness continued strong volume growth. We expect margins (EBITDA/MT) to improve sequentially, led by the operating leverage and higher mix of VAP in 2HFY25.
- We expect APAT to clock a CAGR of 20%/22%/28% in revenue/EBITDA/PAT over FY24-27. We value the stock at 35x Sep'26E EPS to arrive at a TP of INR1,750. **Reiterate BUY**.

**Consolidated - Quarterly Earning Model** (INRm)

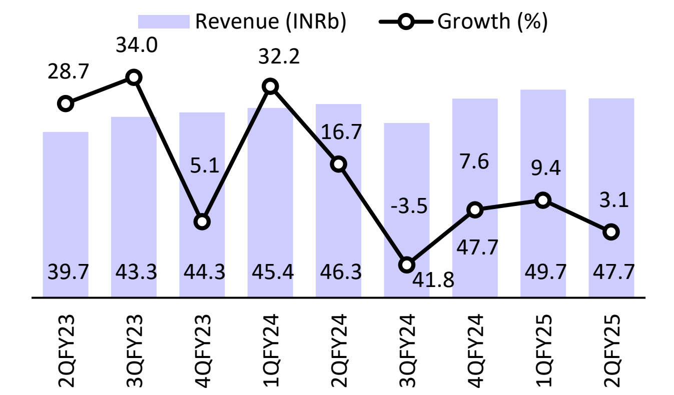
| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY24E | Var |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | % |
| **Gross Sales** | **45,449** | **46,304** | **41,778** | **47,657** | **49,743** | **47,739** | **56,758** | **61,883** | **1,81,188** | **2,16,123** | **52,555** | **-9** |
| YoY Change (%) | 32.2 | 16.7 | -3.5 | 7.6 | 9.4 | 3.1 | 35.9 | 29.9 | 12.1 | 19.3 | 13.5 | |
| Total Expenditure | 42,377 | 43,054 | 38,982 | 44,854 | 46,727 | 46,359 | 53,319 | 57,994 | 1,69,266 | 2,04,398 | 50,811 | |
| **EBITDA** | **3,072** | **3,250** | **2,795** | **2,804** | **3,016** | **1,381** | **3,439** | **3,889** | **11,922** | **11,725** | **1,744** | **-21** |
| Margins (%) | 6.8 | 7.0 | 6.7 | 5.9 | 6.1 | 2.9 | 6.1 | 6.3 | 6.6 | 5.4 | 3.3 | |
| Depreciation | 409 | 413 | 471 | 466 | 465 | 469 | 560 | 603 | 1,759 | 2,097 | 535 | |
| Interest | 271 | 266 | 285 | 311 | 278 | 364 | 250 | 200 | 1,134 | 1,092 | 255 | |
| Other Income | 217 | 196 | 150 | 186 | 247 | 148 | 210 | 246 | 749 | 851 | 235 | |
| **PBT before EO expense** | **2,608** | **2,767** | **2,190** | **2,212** | **2,520** | **696** | **2,839** | **3,332** | **9,777** | **9,387** | **1,189** | |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **PBT** | **2,608** | **2,767** | **2,190** | **2,212** | **2,520** | **696** | **2,839** | **3,332** | **9,777** | **9,387** | **1,189** | |
| Tax | 672 | 738 | 535 | 508 | 589 | 158 | 715 | 839 | 2,453 | 2,300 | 299 | |
| Rate (%) | 25.8 | 26.7 | 24.4 | 23.0 | 23.4 | 22.7 | 25.2 | 25.2 | 25.1 | 24.5 | 25.2 | |
| Minority Interest & Profit/Loss of Asso. Cos. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **Reported PAT** | **1,936** | **2,029** | **1,655** | **1,704** | **1,932** | **538** | **2,124** | **2,494** | **7,324** | **7,088** | **890** | |
| **Adj PAT** | **1,936** | **2,029** | **1,655** | **1,704** | **1,932** | **538** | **2,124** | **2,494** | **7,324** | **7,088** | **890** | **-40** |
| YoY Change (%) | 60.5 | 35.1 | -2.2 | -15.5 | -0.2 | -73.5 | 28.4 | 46.3 | 14.1 | -3.2 | -56.1 | |
| Margins (%) | 4.3 | 4.4 | 4.0 | 3.6 | 3.9 | 1.1 | 3.7 | 4.0 | 4.0 | 3.3 | 1.7 | |

**Key performance indicators**

| Y/E March | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | YOY | QOQ |
|---|---|---|---|---|---|---|---|
| **Segment Volumes ('000 MT)** | | | | | | | |
| **Apollo Structural** | | | | | | | |
| Big Section | 51 | 62 | 64 | 58 | 52 | 2% | -10% |
| Super Heavy Section | 5 | 7 | 8 | 11 | 11 | 122% | -2% |
| Light Structures | 113 | 95 | 102 | 110 | 127 | 13% | 16% |
| General Structures | 301 | 249 | 272 | 288 | 338 | 12% | 17% |
| Apollo Z - Rust-proof structures | 144 | 124 | 156 | 168 | 150 | 4% | -11% |
| Apollo Z- Coated Products | 29 | 36 | 40 | 52 | 51 | 78% | -1% |
| Apollo Galv - Agri/Industrial | 32 | 30 | 37 | 34 | 29 | -11% | -16% |
| TOTAL | 675 | 604 | 679 | 721 | 758 | 12% | 5% |
| Value Added Products | 374 | 355 | 407 | 433 | 420 | 12% | -3% |
| **Segment EBITDA/MT (INR/MT)** | | | | | | | |
| **Apollo Structural** | | | | | | | |
| Big Section | 8,481 | 8,177 | 7,845 | 7,901 | 5,541 | -35% | -30% |
| Super Heavy Section | 10,014 | 9,551 | 9,210 | 9,425 | 7,069 | -29% | -25% |
| Light Structures | 6,258 | 5,771 | 5,187 | 5,169 | 2,899 | -54% | -44% |
| General Structures | 2,152 | 1,771 | 1,802 | 1,944 | -24 | NA | NA |
| Apollo Z - Rust-proof structures | 6,721 | 6,144 | 4,865 | 4,958 | 2,567 | -62% | -48% |
| Apollo Z- Coated Products | 7,472 | 7,516 | 6,023 | 5,757 | 3,395 | -55% | -41% |
| Apollo Galv - Agri/Industrial | 7,196 | 6,452 | 5,725 | 5,698 | 3,340 | -54% | -41% |
| **Cost Break-up** | | | | | | | |
| RM Cost (% of sales) | 86% | 86% | 87% | 86% | 89% | 294bps | 302bps |
| Employee Cost (% of sales) | 1% | 2% | 1% | 2% | 2% | 47bps | 22bps |
| Other Cost (% of sales) | 6% | 6% | 6% | 6% | 6% | 72bps | -6bps |
| Gross Margins (%) | 14% | 14% | 13% | 14% | 11% | -294bps | -302bps |
| EBITDA Margins (%) | 7.0% | 6.7% | 5.9% | 6.1% | 2.9% | -413bps | -317bps |

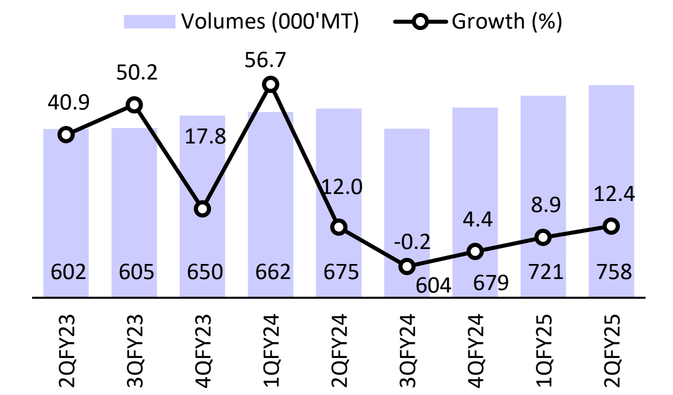
# Key Exhibits

**Exhibit 1: Consolidated revenue trend**



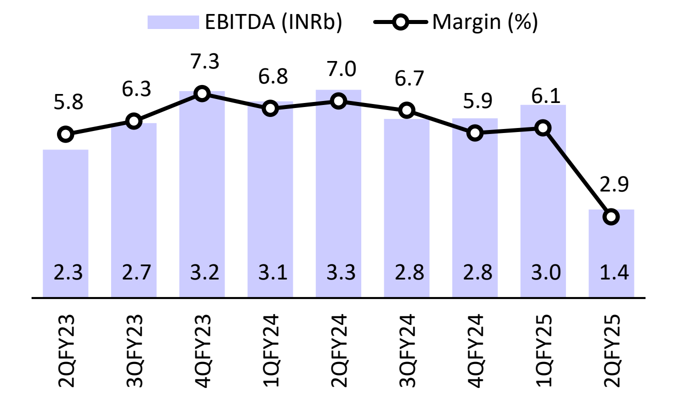

Source: Company, MOFSL

**Exhibit 2: Volume trend**



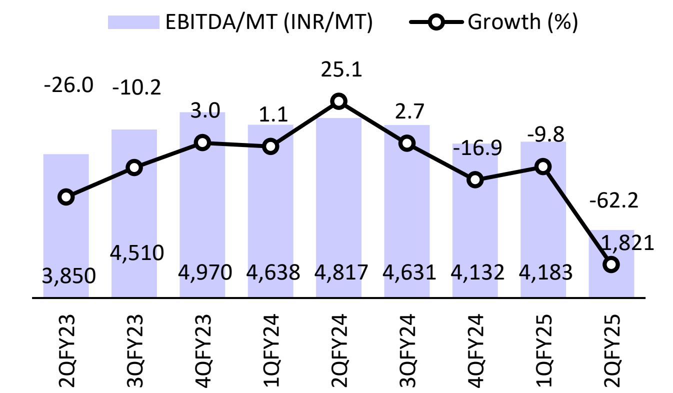

Source: Company, MOFSL

**Exhibit 3: Consolidated EBITDA trend**



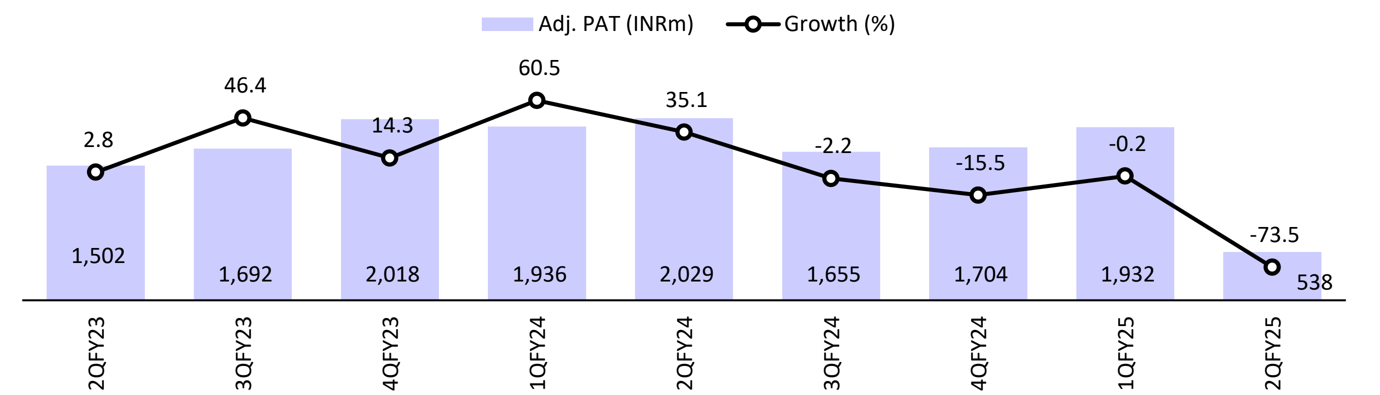

Source: Company, MOFSL

**Exhibit 4: EBITDA/MT trend**



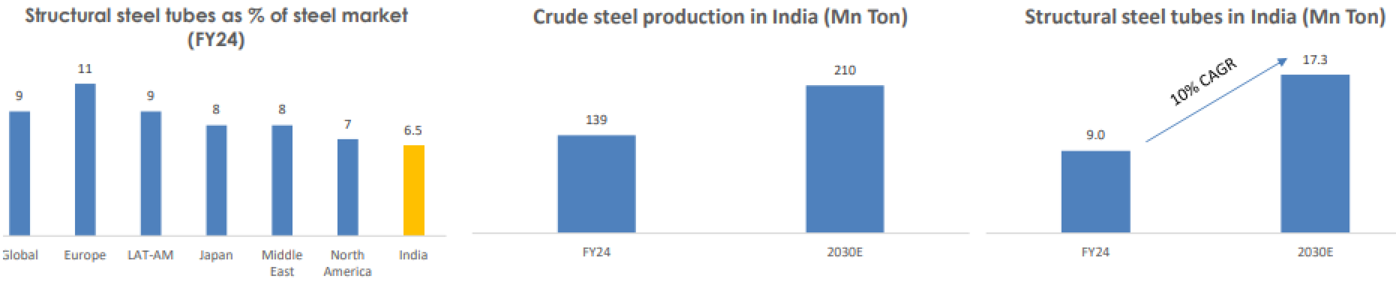

Source: Company, MOFSL

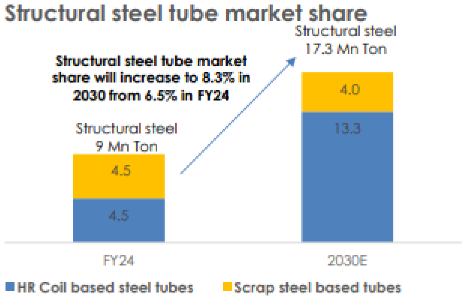
**Exhibit 5: Consolidated Adj. PAT trend**




Source: Company, MOFSL

**Exhibit 6: India structural tubes market**



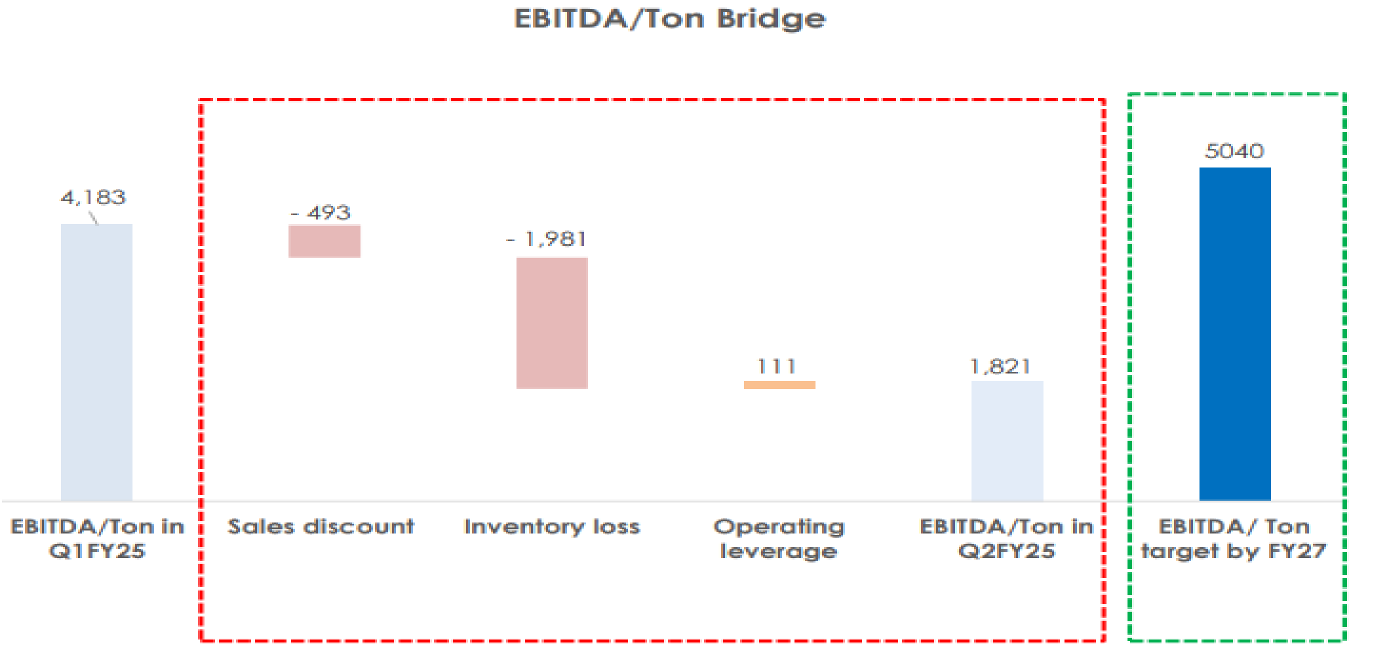




**HR Coil based steel tube market (APL Apollo's addressable market) to grow faster vs scrap steel based tube market due to:**

- Superior quality
- Better cost efficiencies for blast furnace HRC mills over local scrap steel melting mills
- Commissioning of new blast furnace HR mills in next 3-4 years which will increase supply of HR coil in India

Source: MOFSL, Company

**Exhibit 7: Heavy inventory losses led to lower EBITDA/MT during 2QFY25**




Source: Company, MOFSL

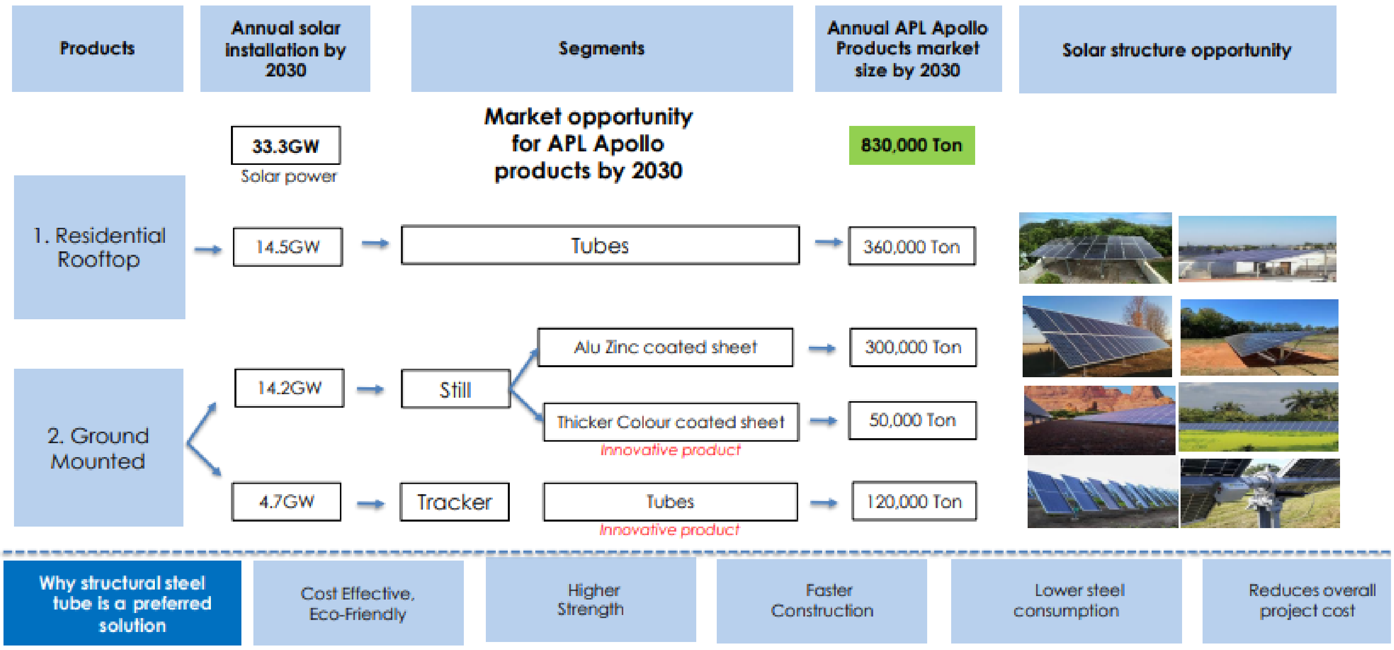
### Exhibit 8: New proposed plants for higher market penetration


| Location for Greenfield Plants | Capacity | Target Market | Incremental Market opportunity |
|---|---|---|---|
| 1. Gorakhpur Eastern UP | 110,000 Ton | Eastern UP, Bihar and Nepal | 1.5 Mn Ton |
| 2. Siliguri West Bengal | 200,000 Ton | West Bengal, Jharkhand, 7 Sister State and Bhutan | |
| 3. New Bangalore Karnataka | 300,000 Ton | South India | |

Existing capacity 4,300,000 Ton + 3 Greenfield plants 610,000 Ton + Brownfield expansion 90,000 Ton = **Total Capacity by FY26 5 Mn Ton**

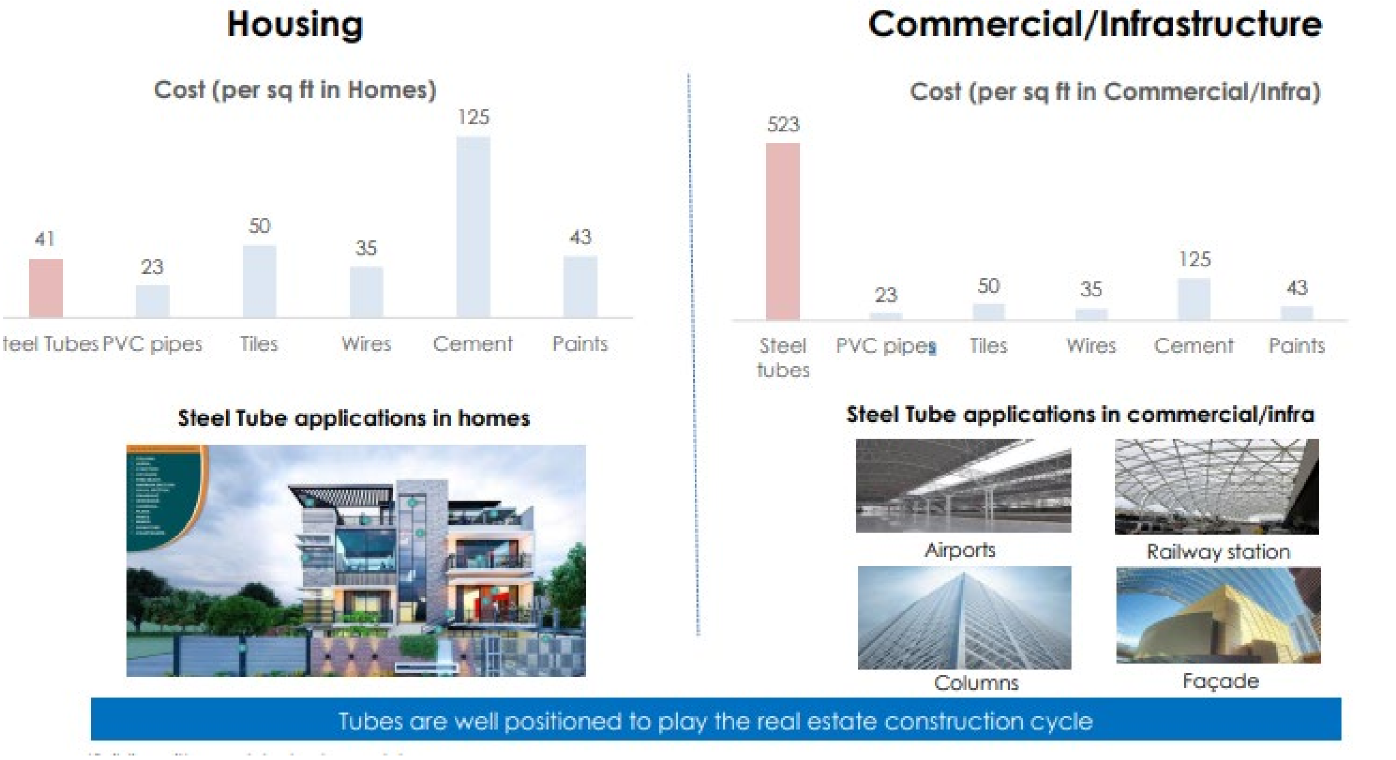
Source: Company, MOFSL

### Exhibit 9: Solar structure opportunity for structural tubes




Source: Company, MOFSL

**Exhibit 10: Steel tube usage in housing/commercial buildings**




Source: Company, MOFSL

CONFERENCE CALL

## Highlights from the management commentary

### Operating performance

- EBITDA per ton for general steel products was negative due to inventory losses of INR2,000 per ton during the quarter (on account of a sharp reduction in steel prices).
- The company incurred inventory loss of ~INR1.5b in 2QFY25.
- Further, the company offered an additional discount of INR500 per ton to customers during 2QFY25, which further impacted its profitability.

### Outlook & guidance

- The company expects volumes in 2HFY25 to increase as the inventory with channel partners is very low.
- It is expecting ~10% QoQ volume growth over the next few quarters, i.e. sales volume of ~825KMT/900KMT/1MMT/1.1MMT in 3QFY25/4QFY25/1QFY26/2QFY26.
- It maintains its volume guidance of clocking ~4MMT/5MMT sales volume in FY26/FY27.
- Steel prices have stabilized in Sep'24 and the company rolled back the additional discount in Oct'24.
- EBITDA per ton is expected to reach ~INR5,000 over the next couple of quarters (touching ~INR5,000 by 4QFY25), and is likely to maintain this over FY26.
- The company is targeting EBITDA/MT of INR4,000-5,000 in the first phase and INR5,000-6,000 in the second phase.

### Capacity and capex

- The total manufacturing capacity of APAT as of 2QFY25 stood at ~4.3MMT.
- In 2QFY25, the Raipur capacity utilization stood at ~53% on the expanded capacity (total capacity as of 2QFY25 stood at ~1.2MMT, considering the addition of ~110KMT during the quarter). Sales volumes were unchanged on QoQ basis.
- Going ahead, the company expects to build a Greenfield plant in the northern and eastern markets in order to increase penetration in those areas.
- Overall, the company expects to build three new Greenfield plants, which will add ~610KMT of capacity.
- With improved penetration from these three new green field plants (which will be located in Eastern UP, West Bengal, and Karnataka), APAT is expecting an additional market of ~1.5 MMT on an annual basis.
- The company expects to incur a residual capex of INR3-3.5b over the next 6-7 months, reaching a manufacturing capacity of ~5MMT.

### Gap between primary and secondary steel prices

- The gap between primary and secondary steel pipes has narrowed significantly (~5-6% gap). The company can target an additional 500KMT of the market on a monthly basis due to the reduction in the gap.
- The company expects the market share of primary steel products to increase going forward, led by the narrowing gap between primary and secondary steel.

- Steel prices are not expected to rise from current levels due to the upcoming capacity in the steel industry (~0.9MMT of capacity to come in the next 4-5 months).

### Others

- The company incurred additional employee expenses of INR70m on account of the notional ESOP cost during the quarter.
- The ramp-up of the Dubai plant will help the company expand margins.
- Employee costs, head office costs, and branding expenses are fixed costs for the company. With the emerging operating leverage and the company's focus on cost optimization, the management expects to save ~INR700-800 per ton (assuming the production of at least ~1MMT per quarter).
- Power cost as a % of sales is expected to come down as the company is shifting toward renewable energy. With new plants being established, the freight cost as a % of sales is also expected to reduce.
- Around 20-25% of the company's sales come from infrastructure projects.

## Valuation and view

- With lower channel inventory and higher demand for primary steel products (led by the narrowing gap in primary and secondary steel prices), APAT is likely to witness continued strong volume growth. We expect margins (EBITDA/MT) to improve sequentially, led by operating leverage and a higher mix of VAP in 2HFY25.
- We expect APAT to clock a CAGR of 20%/22%/28% in revenue/EBITDA/PAT over FY24-27. We value the stock at 35x Sep'26E EPS to arrive at a TP of INR1,750. **Reiterate BUY.**

**Exhibit 11: Revisions to our estimates**

| Earnings change | Old | | New | | Change | |
|---|---|---|---|---|---|---|
| (INR m) | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E |
| Revenue | 2,16,344 | 2,73,599 | 2,16,123 | 2,67,116 | 0% | -2% |
| EBITDA | 12,594 | 18,468 | 11,725 | 17,496 | -7% | -5% |
| Adj. PAT | 7,872 | 12,674 | 7,088 | 11,924 | -10% | -6% |

# Financials and valuations

**Consolidated - Income Statement** (INRm)

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|---|
| **Total Income from Operations** | **71,523** | **77,232** | **84,998** | **1,30,633** | **1,61,660** | **1,81,188** | **2,16,123** | **2,67,116** | **3,11,510** |
| Change (%) | 34.1 | 8.0 | 10.1 | 53.7 | 23.8 | 12.1 | 19.3 | 23.6 | 16.6 |
| RM Cost | 63,077 | 65,786 | 71,648 | 1,12,231 | 1,40,178 | 1,56,172 | 1,85,761 | 2,27,315 | 2,65,095 |
| Employees Cost | 1,079 | 1,422 | 1,296 | 1,530 | 2,062 | 2,576 | 3,297 | 3,339 | 3,894 |
| Other Expenses | 3,439 | 5,252 | 5,266 | 7,419 | 9,204 | 10,518 | 15,340 | 18,965 | 20,348 |
| **Total Expenditure** | **67,595** | **72,459** | **78,210** | **1,21,181** | **1,51,444** | **1,69,266** | **2,04,398** | **2,49,620** | **2,89,337** |
| % of Sales | 94.5 | 93.8 | 92.0 | 92.8 | 93.7 | 93.4 | 94.6 | 93.5 | 92.9 |
| **EBITDA** | **3,928** | **4,773** | **6,787** | **9,453** | **10,216** | **11,922** | **11,725** | **17,496** | **22,173** |
| Margin (%) | 5.5 | 6.2 | 8.0 | 7.2 | 6.3 | 6.6 | 5.4 | 6.5 | 7.1 |
| Depreciation | 643 | 959 | 1,028 | 1,090 | 1,383 | 1,759 | 2,097 | 2,363 | 2,509 |
| **EBIT** | **3,286** | **3,814** | **5,759** | **8,363** | **8,832** | **10,162** | **9,628** | **15,133** | **19,664** |
| Int. and Finance Charges | 1,134 | 1,073 | 661 | 445 | 671 | 1,134 | 1,092 | 400 | 400 |
| Other Income | 117 | 222 | 359 | 405 | 472 | 749 | 851 | 1,202 | 1,402 |
| **PBT bef. EO Exp.** | **2,269** | **2,963** | **5,458** | **8,323** | **8,633** | **9,777** | **9,387** | **15,935** | **20,666** |
| EO Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **PBT after EO Exp.** | **2,269** | **2,963** | **5,458** | **8,323** | **8,633** | **9,777** | **9,387** | **15,935** | **20,666** |
| Total Tax | 787 | 403 | 1,381 | 2,133 | 2,215 | 2,453 | 2,300 | 4,011 | 5,202 |
| Tax Rate (%) | 34.7 | 13.6 | 25.3 | 25.6 | 25.7 | 25.1 | 24.5 | 25.2 | 25.2 |
| Minority Interest | 0 | 180 | 475 | 617 | 0 | 0 | 0 | 0 | 0 |
| **Reported PAT** | **1,482** | **2,380** | **3,602** | **5,573** | **6,419** | **7,324** | **7,088** | **11,924** | **15,464** |
| **Adjusted PAT** | **1,482** | **2,380** | **3,602** | **5,573** | **6,419** | **7,324** | **7,088** | **11,924** | **15,464** |
| Change (%) | -6.2 | 60.5 | 51.3 | 54.7 | 15.2 | 14.1 | -3.2 | 68.2 | 29.7 |
| Margin (%) | 2.1 | 3.1 | 4.2 | 4.3 | 4.0 | 4.0 | 3.3 | 4.5 | 5.0 |

**Consolidated - Balance Sheet** (INRm)

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|---|
| Equity Share Capital | 239 | 249 | 250 | 501 | 555 | 555 | 555 | 555 | 555 |
| Total Reserves | 9,402 | 13,313 | 16,697 | 22,139 | 29,501 | 35,491 | 40,915 | 51,175 | 64,975 |
| **Net Worth** | **9,641** | **13,562** | **16,947** | **22,640** | **30,056** | **36,046** | **41,470** | **51,730** | **65,530** |
| Minority Interest | 0 | 954 | 1,383 | 2,000 | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 8,581 | 8,338 | 5,203 | 5,806 | 8,729 | 11,246 | 6,246 | 2,246 | 46 |
| Deferred Tax Liabilities | 1,200 | 1,012 | 1,112 | 1,187 | 1,171 | 1,258 | 1,258 | 1,258 | 1,258 |
| **Capital Employed** | **19,422** | **23,865** | **24,644** | **31,633** | **39,957** | **48,550** | **48,973** | **55,233** | **66,833** |
| Gross Block | 11,626 | 17,246 | 18,568 | 20,677 | 29,513 | 38,099 | 41,472 | 44,447 | 46,792 |
| Less: Accum. Deprn. | 1,548 | 2,507 | 3,535 | 4,625 | 6,008 | 7,767 | 9,864 | 12,227 | 14,736 |
| **Net Fixed Assets** | **10,078** | **14,738** | **15,033** | **16,053** | **23,505** | **30,331** | **31,608** | **32,220** | **32,056** |
| Goodwill on Consolidation | 230 | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 | 1,375 |
| Capital WIP | 275 | 101 | 1,077 | 5,037 | 3,740 | 2,030 | 2,156 | 1,681 | 1,336 |
| **Total Investments** | **494** | **15** | **15** | **913** | **960** | **1,027** | **4,527** | **8,027** | **11,527** |
| Current Investments | 0 | 0 | 0 | 50 | 0 | 0 | 3,500 | 7,000 | 10,500 |
| **Curr. Assets, Loans&Adv.** | **16,663** | **16,431** | **16,491** | **21,147** | **28,936** | **37,105** | **33,644** | **41,713** | **55,097** |
| Inventory | 7,835 | 7,842 | 7,599 | 8,472 | 14,799 | 16,379 | 18,480 | 22,568 | 26,159 |
| Account Receivables | 5,433 | 4,764 | 1,306 | 3,417 | 1,374 | 1,391 | 1,776 | 2,195 | 2,560 |
| Cash and Bank Balance | 478 | 456 | 3,579 | 3,764 | 3,525 | 3,476 | 4,743 | 6,264 | 13,917 |
| Loans and Advances | 2,917 | 3,370 | 4,006 | 5,494 | 9,239 | 15,859 | 8,645 | 10,685 | 12,460 |
| **Curr. Liability & Prov.** | **8,317** | **8,796** | **9,345** | **12,891** | **18,560** | **23,318** | **24,337** | **29,783** | **34,558** |
| Account Payables | 6,989 | 7,644 | 7,859 | 10,595 | 15,970 | 19,816 | 20,160 | 24,620 | 28,537 |
| Other Current Liabilities | 1,220 | 979 | 1,310 | 2,113 | 2,357 | 3,229 | 3,852 | 4,760 | 5,552 |
| Provisions | 108 | 173 | 177 | 184 | 233 | 273 | 326 | 402 | 469 |
| **Net Current Assets** | **8,346** | **7,636** | **7,145** | **8,256** | **10,377** | **13,787** | **9,307** | **11,930** | **20,539** |
| **Appl. of Funds** | **19,422** | **23,865** | **24,644** | **31,633** | **39,957** | **48,550** | **48,973** | **55,233** | **66,833** |

# Financials and valuations

| Ratios | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25E** | **FY26E** | **FY27E** |
| **Basic (INR)** | | | | | | | | | |
| **EPS** | **5.3** | **8.6** | **13.0** | **20.1** | **23.1** | **26.4** | **25.6** | **43.0** | **55.8** |
| Cash EPS | 7.7 | 12.0 | 16.7 | 24.0 | 28.1 | 32.8 | 33.1 | 51.5 | 64.8 |
| BV/Share | 34.8 | 48.9 | 61.1 | 81.6 | 108.4 | 130.0 | 149.5 | 186.5 | 236.3 |
| DPS | 1.2 | 0.0 | 0.0 | 3.5 | 3.5 | 5.0 | 6.0 | 6.0 | 6.0 |
| Payout (%) | 27.7 | 0.0 | 0.0 | 17.4 | 15.1 | 18.9 | 23.5 | 14.0 | 10.8 |
| **Valuation (x)** | | | | | | | | | |
| P/E | 283.6 | 176.7 | 116.8 | 75.5 | 65.5 | 57.4 | 59.3 | 35.3 | 27.2 |
| Cash P/E | 197.9 | 125.9 | 90.8 | 63.1 | 53.9 | 46.3 | 45.8 | 29.4 | 23.4 |
| P/BV | 43.6 | 31.0 | 24.8 | 18.6 | 14.0 | 11.7 | 10.1 | 8.1 | 6.4 |
| EV/Sales | 6.0 | 5.6 | 5.0 | 3.2 | 2.6 | 2.4 | 1.9 | 1.5 | 1.3 |
| EV/EBITDA | 109.1 | 89.9 | 62.4 | 44.9 | 41.7 | 35.9 | 35.7 | 23.4 | 17.9 |
| Dividend Yield (%) | 0.1 | 0.0 | 0.0 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| FCF per share | 4.7 | -5.4 | 24.1 | 1.6 | -2.3 | 15.3 | 42.1 | 35.6 | 50.5 |
| **Return Ratios (%)** | | | | | | | | | |
| RoE | 16.5 | 20.5 | 23.6 | 28.2 | 24.4 | 22.2 | 18.3 | 25.6 | 26.4 |
| RoCE | 12.9 | 17.4 | 20.8 | 25.8 | 20.6 | 19.0 | 16.7 | 24.0 | 26.4 |
| RoIC | 12.4 | 15.9 | 19.9 | 29.7 | 24.5 | 20.6 | 18.3 | 29.5 | 37.1 |
| **Working Capital Ratios** | | | | | | | | | |
| Fixed Asset Turnover (x) | 6.2 | 4.5 | 4.6 | 6.3 | 5.5 | 4.8 | 5.2 | 6.0 | 6.7 |
| Asset Turnover (x) | 3.7 | 3.2 | 3.4 | 4.1 | 4.0 | 3.7 | 4.4 | 4.8 | 4.7 |
| Inventory (Days) | 40 | 37 | 33 | 24 | 33 | 33 | 31 | 31 | 31 |
| Debtor (Days) | 28 | 23 | 6 | 10 | 3 | 3 | 3 | 3 | 3 |
| Creditor (Days) | 36 | 36 | 34 | 30 | 36 | 40 | 34 | 34 | 33 |
| **Leverage Ratio (x)** | | | | | | | | | |
| Current Ratio | 2.0 | 1.9 | 1.8 | 1.6 | 1.6 | 1.6 | 1.4 | 1.4 | 1.6 |
| Interest Cover Ratio | 2.9 | 3.6 | 8.7 | 18.8 | 13.2 | 9.0 | 8.8 | 37.8 | 49.2 |
| Net Debt/Equity | 0.8 | 0.6 | 0.1 | 0.1 | 0.2 | 0.2 | 0.0 | -0.2 | -0.4 |

| Consolidated - Cash Flow Statement | | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25E** | **FY26E** | **FY27E** |
| OP/(Loss) before Tax | 2,269 | 2,963 | 5,458 | 8,323 | 8,633 | 9,777 | 9,387 | 15,935 | 20,666 |
| Depreciation | 0 | 959 | 1,028 | 1,090 | 1,383 | 1,759 | 2,097 | 2,363 | 2,509 |
| Interest & Finance Charges | 0 | 851 | 302 | 40 | 199 | 385 | 241 | -802 | -1,002 |
| Direct Taxes Paid | -673 | -403 | -1,381 | -1,993 | -2,161 | -2,453 | -2,300 | -4,011 | -5,202 |
| (Inc)/Dec in WC | 287 | 725 | 3,577 | -1,154 | -1,475 | 1,646 | 5,747 | -1,102 | -956 |
| **CF from Operations** | **1,884** | **5,096** | **8,983** | **6,306** | **6,580** | **11,115** | **15,172** | **12,383** | **16,015** |
| Others | 1,693 | 0 | 0 | 211 | 321 | 0 | 0 | 0 | 0 |
| **CF from Operating incl EO** | **3,576** | **5,096** | **8,983** | **6,517** | **6,901** | **11,115** | **15,172** | **12,383** | **16,015** |
| (Inc)/Dec in FA | -2,261 | -6,591 | -2,298 | -6,070 | -7,539 | -6,876 | -3,500 | -2,500 | -2,000 |
| **Free Cash Flow** | **1,316** | **-1,495** | **6,685** | **447** | **-638** | **4,239** | **11,672** | **9,883** | **14,015** |
| (Pur)/Sale of Investments | -390 | 479 | 0 | -898 | -48 | -67 | -3,500 | -3,500 | -3,500 |
| Others | 13 | 1,763 | -4,171 | 1,666 | -1,171 | -2,214 | 851 | 1,202 | 1,402 |
| **CF from Investments** | **-2,639** | **-4,349** | **-6,468** | **-5,301** | **-8,757** | **-9,157** | **-6,149** | **-4,798** | **-4,098** |
| Issue of Shares | 56 | 10 | 1 | 251 | 1,284 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | 830 | -244 | -3,135 | 603 | 2,924 | 2,516 | -5,000 | -4,000 | -2,200 |
| Interest Paid | -1,014 | -1,073 | -661 | -445 | -671 | -1,134 | -1,092 | -400 | -400 |
| Dividend Paid | -400 | 0 | 0 | -971 | -971 | -1,387 | -1,664 | -1,664 | -1,664 |
| Others | 0 | 538 | 4,403 | -469 | -949 | -2,004 | 0 | 0 | 0 |
| **CF from Fin. Activity** | **-528** | **-768** | **609** | **-1,031** | **1,617** | **-2,008** | **-7,756** | **-6,064** | **-4,264** |
| **Inc/Dec of Cash** | **410** | **-22** | **3,123** | **185** | **-240** | **-49** | **1,267** | **1,521** | **7,653** |
| Opening Balance | 68 | 478 | 456 | 3,579 | 3,765 | 3,525 | 3,476 | 4,743 | 6,264 |
| **Closing Balance** | **478** | **456** | **3,579** | **3,765** | **3,525** | **3,476** | **4,743** | **6,264** | **13,917** |

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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