

## Polycab India

### 1HFY23 likely to witness realization decline and demand deferment

The prices of copper and aluminium have declined sharply in June'22 and are currently 16%/24% lower from the average price of 4QFY22. The cable & wire industry has to pass on this price decline fairly quickly, thereby impacting its realization along with volumes as the trade channel starts de-stocking. We have analyzed the impact of change in copper and aluminium prices over the past 20 years on revenue growth and operating margin of the five large cable companies. We believe 1HFY23 is likely to be a challenging period for cable industry due to a double whammy of demand slow down and sharp reduction in realization. We cut FY23/24 revenue estimates of Polycab by 8.3%/11% leading to cut in earnings estimates by 4.2%/7.5%. We present a detailed sensitivity analysis of the impact on realization, revenue and earnings at various copper and aluminium price levels. Retain Buy with revised target of Rs2,740.

#### Channel checks suggest demand deferment, 8-9% price cuts, dealer de-stocking

The key findings of our channel checks are: (1) the pass through of copper and aluminium price decline has already started in June 2022, with the cable and wire industry likely to have taken price cut of 8-9%, (2) the demand scenario in June 2022 is very weak due to deferment of purchase. The buyers across private sector, government projects as well as real estate projects are postponing purchases in the hopes of procuring cables & wires at much lower prices few months later, (3) the trade channel has started aggressively de-stocking the inventory, as is normally the case during rapidly declining copper and aluminium price regime, (4) As construction activity in monsoon quarter remains low seasonally, 1HFY23 is likely to be very challenging for the cable & wire industry. However, the trade channel is hopeful of demand bounce back in 2HFY23 as off-take will pick up in seasonally stronger period for construction with prices likely to have stabilized. This similar trend repeats itself once in every four to five years.

#### Revised estimates and sensitivity analysis for FY23 and FY24

We change the copper price assumption for FY23E/24E to US\$8,600/MT and US\$8,300/MT, respectively, and aluminium price assumption to US\$2,600/MT and US\$2,400/MT, respectively. This would lead to 10.7%/4% YoY decline in average realization for Polycab's wires & cables segment in FY23E/24E. We retain our volume growth estimate of 12%/13% YoY for FY23E/24E, but a decline in realization would mean a value growth of only 1.3% for FY23E and 9% for FY24E for the wire & cable segment. This would lead to a cut in our consolidated revenue estimates by 8.3%/11% and consolidated earnings estimates by 4.2%/7.5% for FY23E/24E, respectively. We also highlight a detailed sensitivity analysis of the impact on realization, revenue and earnings for Polycab for FY23E/24E at various copper and aluminium price levels.

#### Outlook and valuation

Lower realization would restrict POLYCAB's revenue CAGR to 7% over FY22-24E, however, a 190bps operating margin expansion would lead to 18% earnings CAGR over the same period. Healthy long term growth prospects, margin expansion in FMEG, improving balance sheet and FCF generation will continue to support its valuation.

#### Financial and valuation summary

YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Revenues	88,300	87,922	1,22,038	1,28,038	1,40,591
EBITDA	11,350	11,111	12,652	14,752	17,337
EBITDA margin (%)	12.9	12.6	10.4	11.5	12.3
Adj. Net profit	7,591	8,380	8,365	9,798	11,713
Adj. EPS (Rs)	51.0	56.2	56.0	65.6	78.4
EPS growth (%)	44.1	10.2	(0.4)	17.1	19.5
PE (x)	43.2	39.2	39.3	33.6	28.1
EV/EBITDA (x)	28.8	29.3	25.7	21.8	18.4
PBV (x)	8.5	6.9	5.9	5.2	4.6
RoE (%)	22.7	19.5	16.2	16.6	17.5
RoCE (%)	23.1	19.5	16.4	16.9	17.8

Source: Company Data, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

#### Company Update

India I Consumer Electricals

30 June, 2022

**BUY**

Price: Rs2,201  
Target Price: Rs2,740  
Forecast return: 24%

Institutional Research

#### Market Data

Bloomberg:	POLYCAB IN
52 week H/L:	2,820/1,761
Market cap:	Rs329.3bn
Shares Outstanding:	149.6mn
Free float:	31.9%
Avg. daily vol. 3mth:	4,16,302

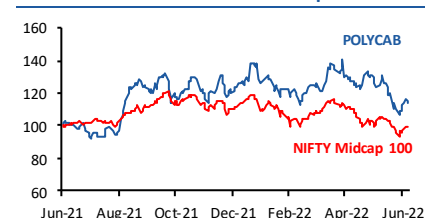
Source: Bloomberg

#### Changes in the report

Rating:	BUY; no change
Target price:	Rs2,740; down 7.6%
EPS:	FY23E: Rs65.6; down 4.2% FY24E: Rs78.4; down 7.5%

Source: Centrum Broking

#### POLYCAB relative to NIFTY Midcap 100



Source: Bloomberg

#### Shareholding pattern

	Mar-22	Dec-21	Sep-21	Jun-21
Promoter	68.1	68.2	68.4	68.4
FIIs	5.8	6.4	6.9	6.5
DIIIs	8.3	7.9	8.0	7.8
Public/other	17.9	17.6	16.8	17.3

Source: BSE



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Consumer Electricals

# Thesis Snapshot

## Estimate revision

YE Mar (Rs mn)	FY23E New	FY23E Old	% chg	FY24E New	FY24E Old	% chg
Revenue	1,28,038	1,39,588	(8.3)	1,40,591	1,57,983	(11.0)
EBITDA	14,752	15,332	(3.8)	17,337	18,605	(6.8)
EBITDA margin	11.5	11.0	50bps	12.3	11.8	50bps
Adj. PAT	9,798	10,232	(4.2)	11,713	12,662	(7.5)
Diluted EPS (Rs)	65.6	68.5	(4.2)	78.4	84.7	(7.5)

Source: Centrum Broking

## Polycab India versus NIFTY Midcap 100

	1m	6m	1 year
POLYCAB IN	(9.9)	(10.8)	11.5
NIFTY Midcap 100	(6.5)	(13.1)	(1.6)

Source: Bloomberg, NSE

## Centrum vs consensus

YE Mar (Rs bn)	Centrum FY23E	Consensus FY23E	Variance (%)	Centrum FY24E	Consensus FY24E	Variance (%)
Revenue	1,28,038	1,38,279	(7.4)	1,40,591	1,58,460	(11.3)
EBITDA	14,752	15,917	(7.3)	17,337	19,327	(10.3)
EBITDA margin	11.5	11.5	-	12.3	12.2	10bps
Adj. PAT	9,798	10,847	(9.7)	11,713	13,346	(12.2)
Diluted EPS (Rs)	65.6	73.8	(9.7)	78.4	90.3	(12.2)

Source: Bloomberg, Centrum Broking

## Key assumptions

Y/E Mar	FY23E	FY24E
Wires & Cables revenue growth (%)	1.3	9.0
Wires & Cables EBIT margin (%)	11.3	12.0
FMEG revenue growth (%)	16.0	15.0
FMEG EBIT margin (%)	4.0	6.0

Source: Centrum Broking

## Peer comparison

Company	Mkt Cap		CAGR (FY22-24E)				P/E (x)			ROE (%)			ROCE (%)		
	(Rs mn)	Sales	EBITDA	EPS	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E		
BJE	1,16,802	16.7	54.6	63.7	76.1	40.7	28.4	9.1	15.2	19.2	10.5	16.2	20.0		
CROMPTON	2,13,452	23.3	21.5	14.1	37.2	35.3	28.6	26.4	22.9	24.1	17.0	15.8	19.0		
HAVL	6,88,930	12.9	14.4	16.9	57.7	50.5	42.2	21.4	21.4	22.5	20.5	20.9	22.6		
ORIENTEL	57,294	13.4	21.9	25.0	45.2	36.4	28.9	25.4	26.5	27.8	27.6	26.9	26.3		
<b>POLYCAB</b>	<b>3,28,211</b>	<b>7.3</b>	<b>17.1</b>	<b>18.3</b>	<b>39.3</b>	<b>33.6</b>	<b>28.1</b>	<b>16.2</b>	<b>16.6</b>	<b>17.5</b>	<b>16.4</b>	<b>16.9</b>	<b>17.8</b>		
VGRD	96,521	13.3	20.4	19.6	42.6	36.0	29.8	17.4	17.9	18.8	17.7	18.2	19.3		

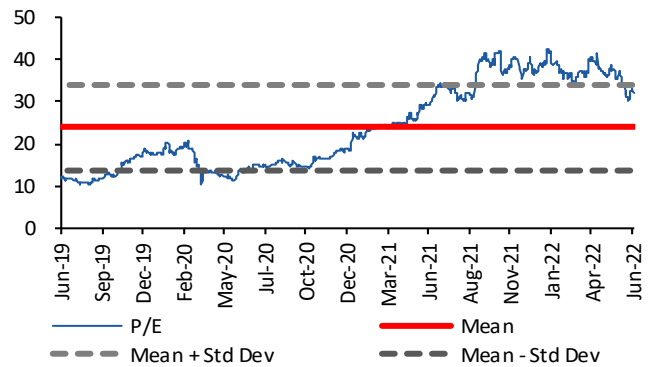
Source: Company, Centrum Broking

## Valuations

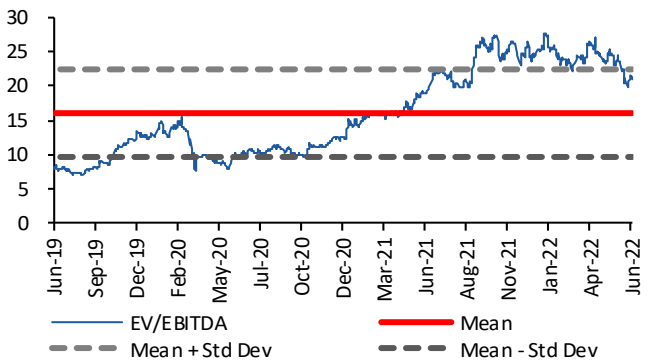
We value POLYCAB at 35x FY24E EPS and arrive at a target price of Rs2,740.

Valuations	Rs/share
FY24E EPS	78.4
PE (x)	35
<b>Target price per share</b>	<b>2,740</b>

## P/E mean and standard deviation



## EV/EBITDA mean and standard deviation



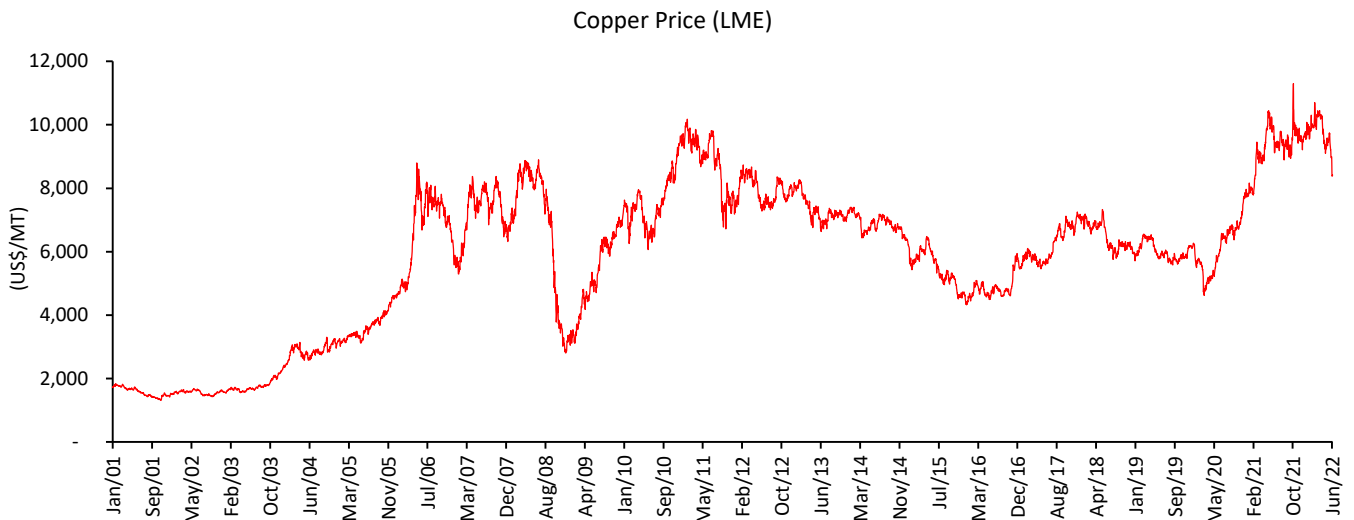
Source: Bloomberg, Centrum Broking

## Copper and aluminium price trend over the past 20 years

From a high base of FY22, in which average annual prices of copper and aluminium shot up by 40%/53% YoY to US\$9,692/MT and US\$2,767/MT, respectively, the commodity prices have seen a material cool off in June 2022. The current price of copper at US\$8,360/MT and aluminium at US\$2,468/MT is down by 16%/24% from the average price of 4QFY22 (at US\$9,997/MT and US\$3,262/MT, respectively). The average price of 1QFY23 stands at US\$9,549/MT and US\$2,887/MT for copper and aluminium, respectively, down by 5%/12% QoQ.

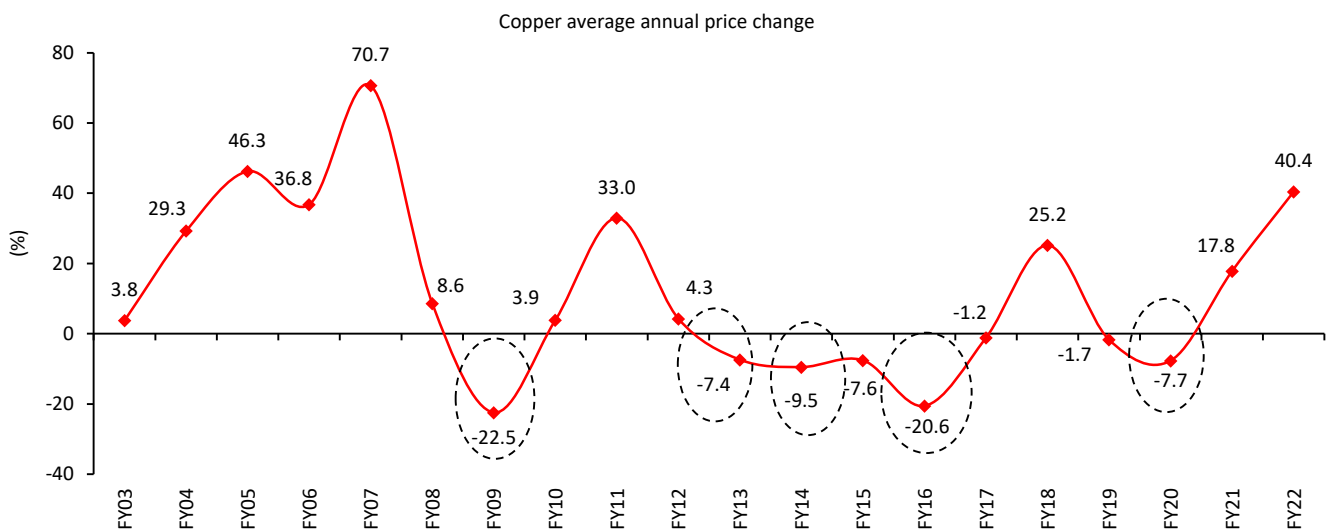
As per the historical analysis of copper and aluminium for the past 20 years, a meaningful decline in average annual prices of copper and aluminium has occurred during five instances namely FY09/FY13/FY14/FY16/FY20 where copper prices declined by 23%/7%/10%/21%/8% YoY and aluminium prices fell by 15%/15%/10%/16%/14% YoY, respectively.

**Exhibit 1: Copper LME price trend for the past 20 years**



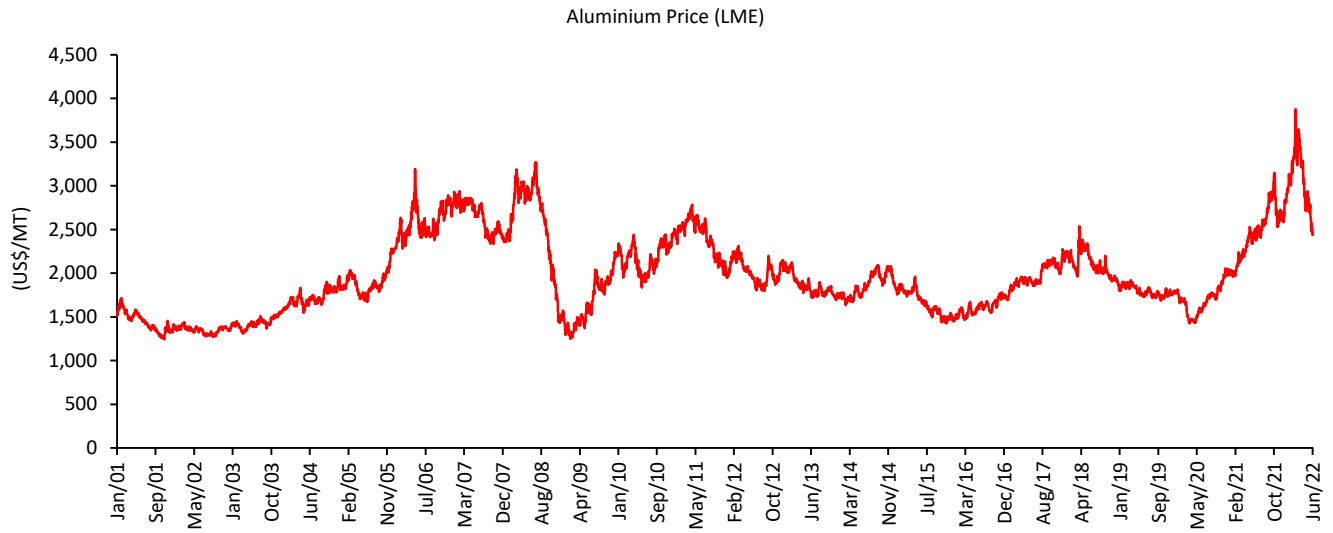
Source: Bloomberg, Centrum Broking

**Exhibit 2: Copper average annual price change for the past 20 years**



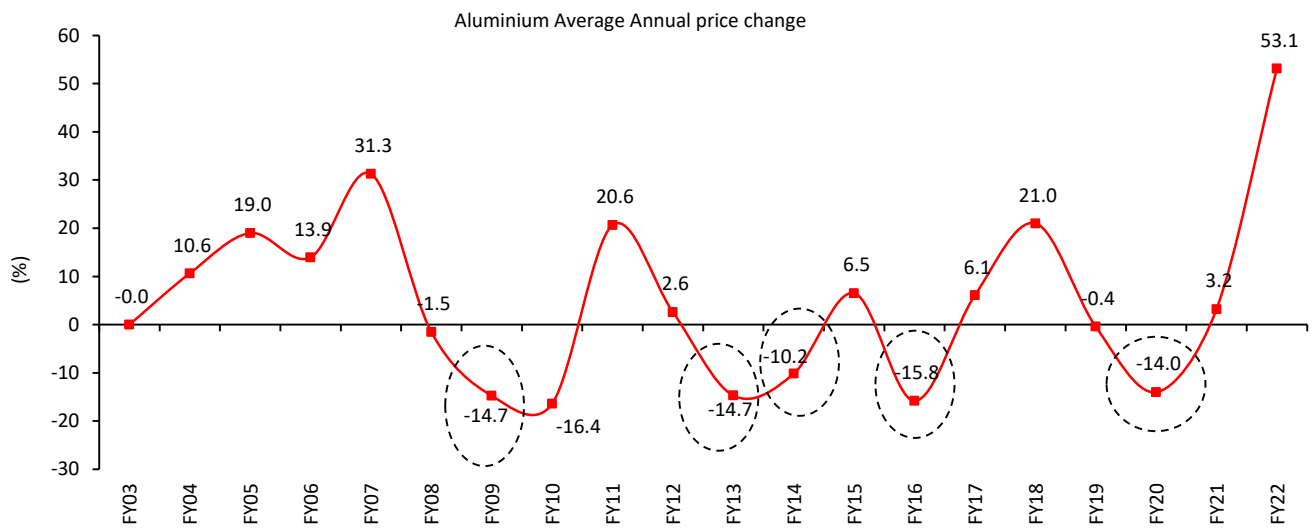
Source: Bloomberg, Centrum Broking

**Exhibit 3: Aluminium LME price trend for the past 20 years**



Source: Bloomberg, Centrum Broking

**Exhibit 4: Aluminium average annual price change for the past 20 years**



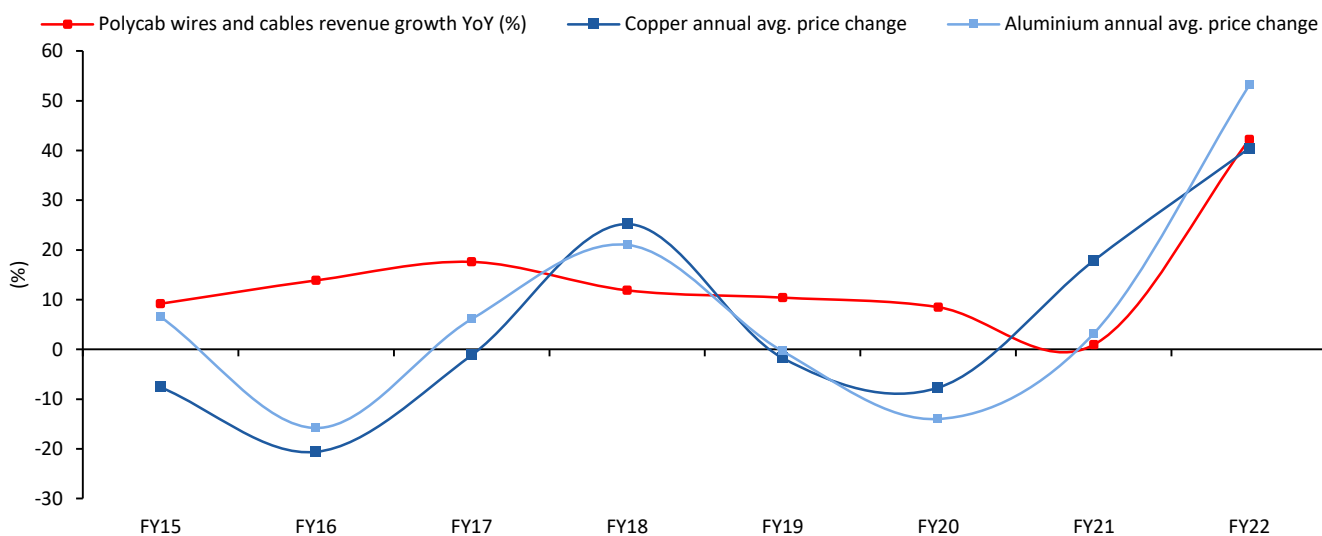
Source: Bloomberg, Centrum Broking

# Cables & wires have to quickly transmit change in copper and aluminium prices

We have co-related the price trend of copper and aluminium over the past 20 years with the cable and wire industry. Due to a higher dependence of copper and aluminium on the total raw material content of cables & wires, there is a faster transmission of any sharp rise or fall in prices of these two metal commodities to trade channel and end-consumers. This impacts the realisation of cables and wires and thus the revenue growth in value terms.

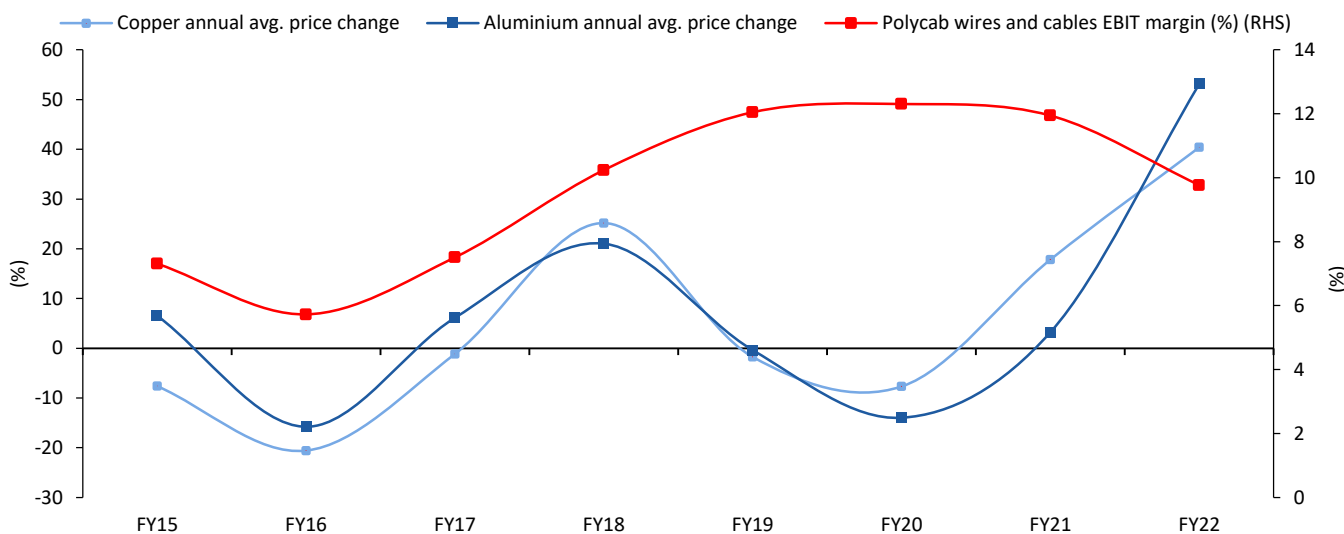
We have compared the revenue growth and operating margin profile of the five prominent cable & wire firms (Polycab, Havells, V-Guard, KEI Industries and Finolex Cables) with the trend in copper and aluminium prices over the past 20 years. The key emphasis is on the five years (FY09, FY13, FY14, FY16 and FY20) which have seen considerable price decline of copper and aluminium. We note that the revenue growth momentum was materially altered during these years as the volume growth was off-setted by the decline in realisation. On other hand, operating margins have expanded in majority of the cases. While the profitability per tonnage/metre would have remained the same, the margins would appear to be higher in percentage terms as the base of the revenue in value will be lower due to declining realizations.

**Exhibit 5: POLYCAB’s wires and cables revenue growth trend vs. copper and aluminium price change**



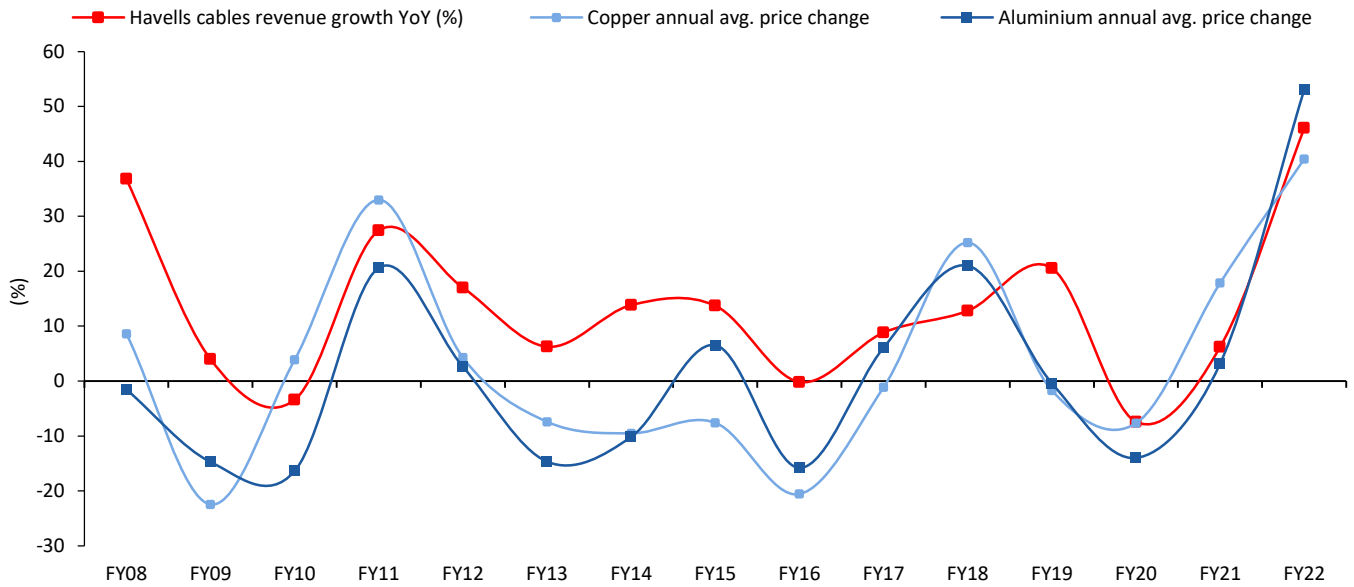
Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 6: POLYCAB’s wires and cables EBIT margin trend vs. copper and aluminium price change**



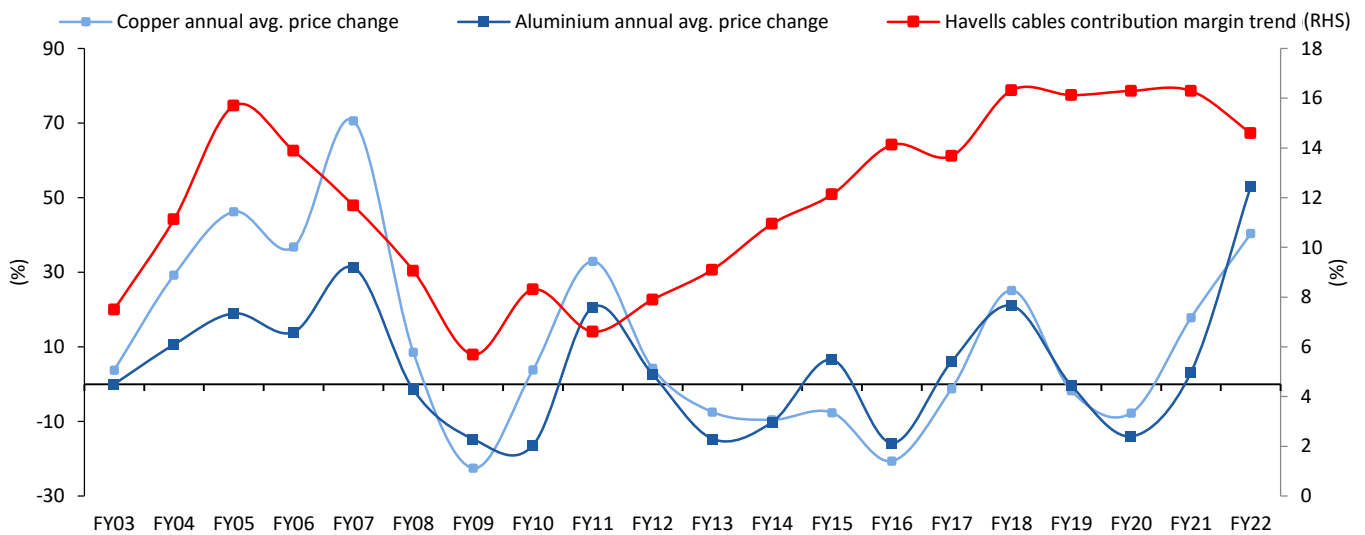
Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 7: Havells India cables revenue growth trend vs. copper and aluminium price change**



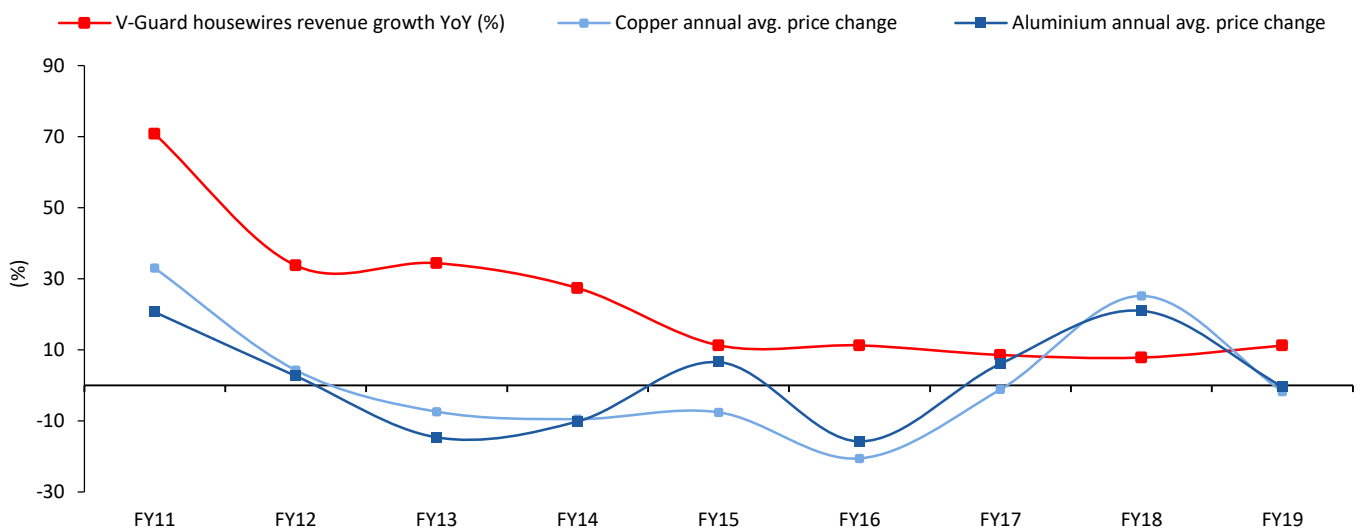
Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 8: Havells India cables contribution margin trend vs. copper and aluminium price change**



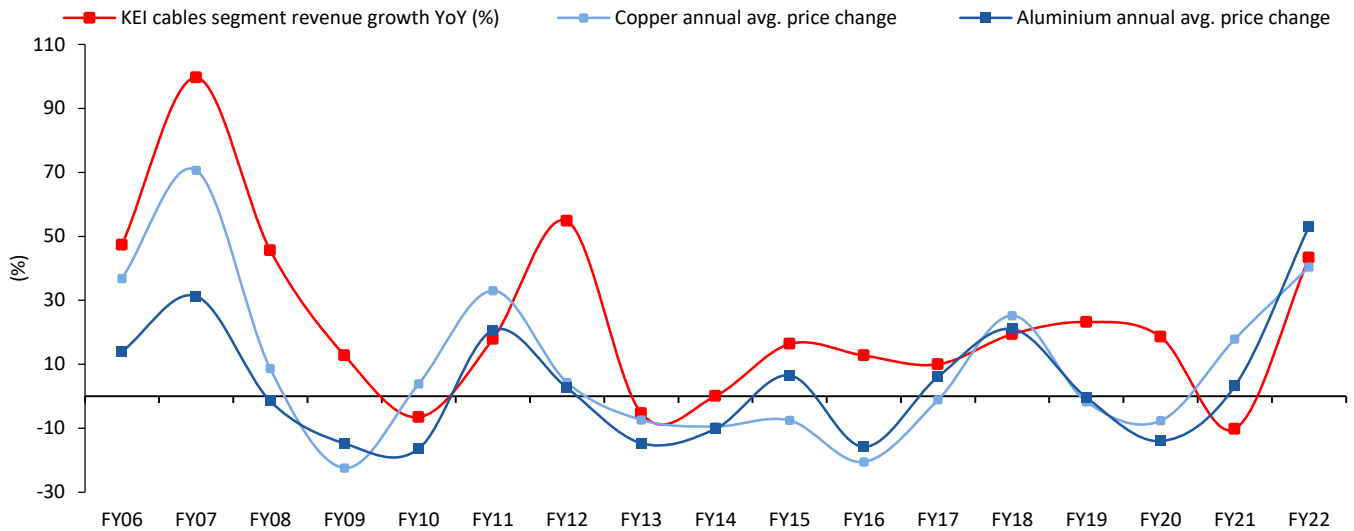
Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 9: V-Guard Industries housewires revenue growth trend vs. copper and aluminium price change**



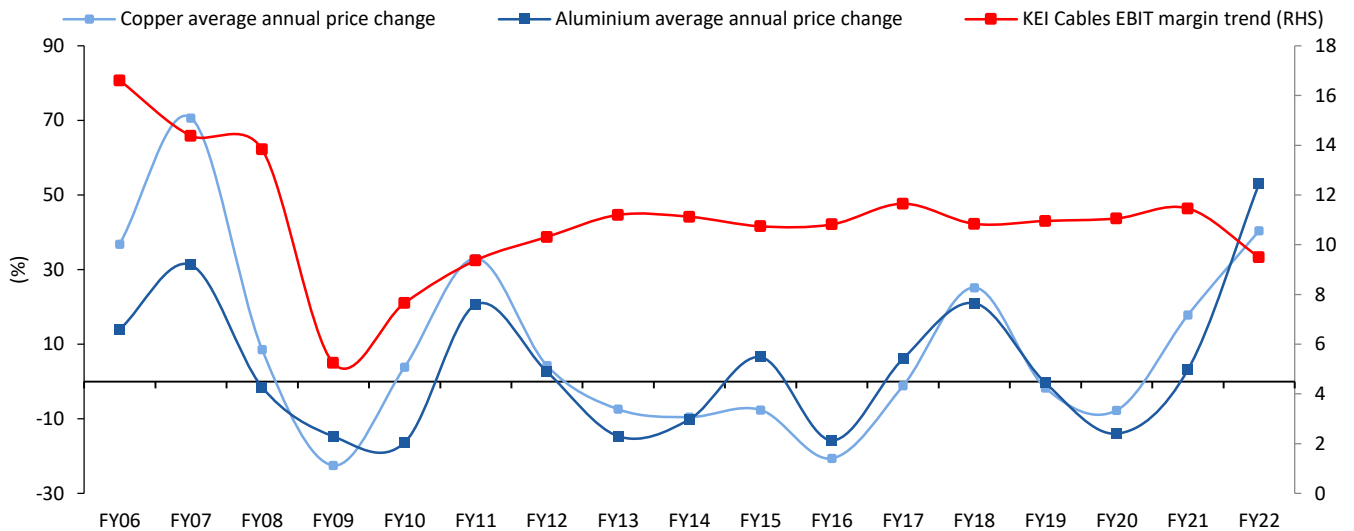
Source: Company Data, Ace Equity, Centrum Broking (Note: Housewires data not available from FY20 onwards)

**Exhibit 10: KEI cables segment revenue growth trend vs. copper and aluminium price change**



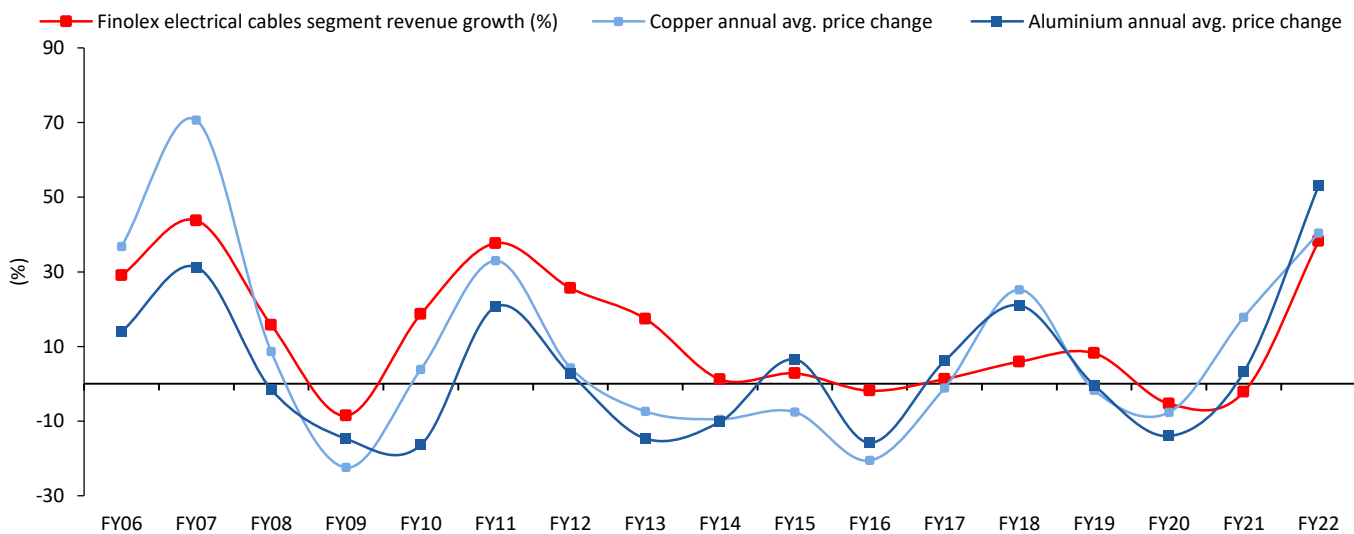
Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 11: KEI cables segment EBIT margin trend vs. copper and aluminium price change**



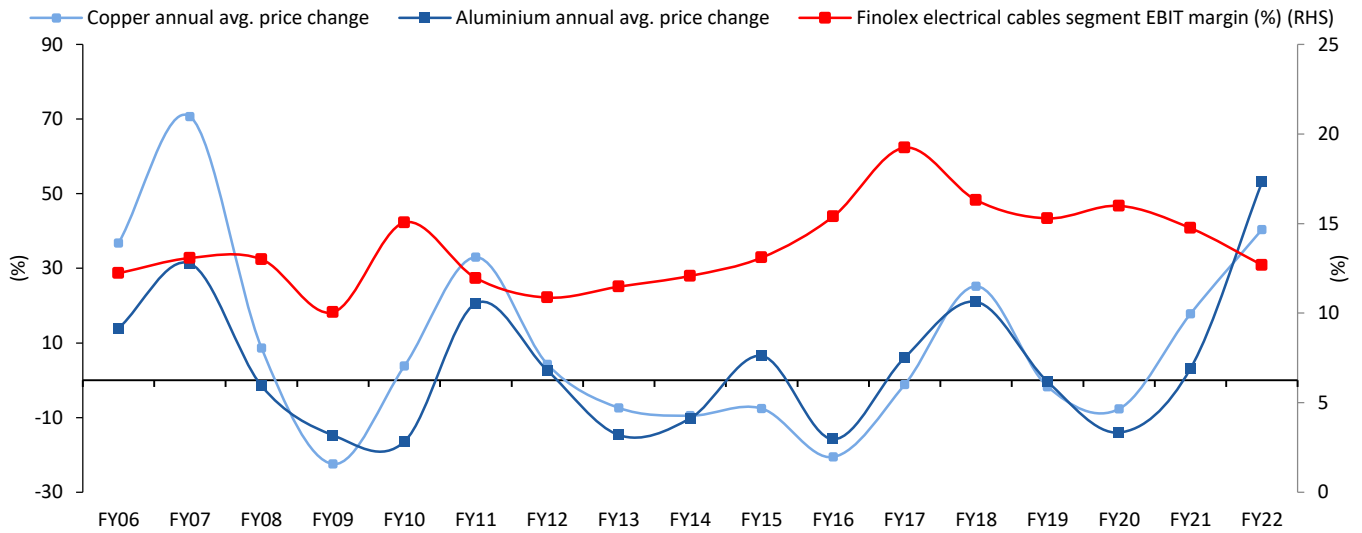
Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 12: Finolex Cables - Electrical cables segment revenue growth trend vs. copper and aluminium price change**



Source: Company Data, Ace Equity, Centrum Broking

**Exhibit 13: Finolex Cables - Electrical cables segment EBIT margin trend vs. copper and aluminium price change**



Source: Company Data, Ace Equity, Centrum Broking



## Revised estimates and sensitivity analysis for FY23 and FY24

We change the copper price assumption for FY23E/24E to US\$8,600/MT and US\$8,300/MT, respectively, and aluminium price assumption to US\$2,600/MT and US\$2,400/MT, respectively. This would lead to 10.7%/4% YoY decline in average realization for POLYCAB’s wires & cables segment in FY23E/24E. We retain our volume growth estimate of 12%/13% YoY for FY23E/24E, but a decline in realization would mean a value growth of only 1.3% for FY23E and 9% for FY24E for the wire & cable segment. This would lead to a cut in our consolidated revenue estimates by 8.3%/11% and consolidated earnings estimates by 4.2%/7.5% for FY23E/24E, respectively. We also present below the sensitivity analysis of the impact on realization, revenue and earnings for Polycab for FY23E/24E at various copper and aluminium price levels.

**Exhibit 14: Sensitivity analysis of cable and wires realization vs. copper & aluminium prices – FY23E**

		Aluminium Prices					
		2,800	2,700	2,600	2,500	2,400	2,300
Copper Prices	-10.7%	2,800	2,700	2,600	2,500	2,400	2,300
	9,200	-4.4%	-4.8%	-5.2%	-5.6%	-6.0%	-6.4%
	8,900	-7.2%	-7.5%	-7.9%	-8.3%	-8.7%	-9.1%
	8,600	-9.9%	-10.3%	-10.7%	-11.1%	-11.5%	-11.9%
	8,300	-12.7%	-13.1%	-13.5%	-13.9%	-14.2%	-14.6%
	8,000	-15.4%	-15.8%	-16.2%	-16.6%	-17.0%	-17.4%
	7,700	-18.2%	-18.6%	-19.0%	-19.4%	-19.8%	-20.2%

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 15: Sensitivity analysis of cable and wires realization vs. copper & aluminium prices – FY24E**

		Aluminium Prices					
		2,800	2,700	2,600	2,500	2,400	2,300
Copper Prices	-4.0%	2,800	2,700	2,600	2,500	2,400	2,300
	9,200	7.1%	6.6%	6.2%	5.7%	5.3%	4.9%
	8,900	4.0%	3.5%	3.1%	2.6%	2.2%	1.8%
	8,600	0.9%	0.4%	0.0%	-0.4%	-0.9%	-1.3%
	8,300	-2.2%	-2.6%	-3.1%	-3.5%	-4.0%	-4.4%
	8,000	-5.3%	-5.7%	-6.2%	-6.6%	-7.1%	-7.5%
	7,700	-8.4%	-8.8%	-9.3%	-9.7%	-10.1%	-10.6%

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 16: Sensitivity analysis of cables & wires revenue vs. copper and aluminium prices – FY23E**

		Aluminium Prices					
		2,800	2,700	2,600	2,500	2,400	2,300
Copper Prices	1,09,341	2,800	2,700	2,600	2,500	2,400	2,300
	9,200	1,16,145	1,15,719	1,15,294	1,14,869	1,14,444	1,14,019
	8,900	1,13,168	1,12,743	1,12,318	1,11,892	1,11,467	1,11,042
	8,600	1,10,191	1,09,766	1,09,341	1,08,916	1,08,490	1,08,065
	8,300	1,07,215	1,06,789	1,06,364	1,05,939	1,05,514	1,05,088
	8,000	1,04,238	1,03,813	1,03,387	1,02,962	1,02,537	1,02,112
	7,700	1,01,261	1,00,836	1,00,411	99,986	99,560	99,135

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 17: Sensitivity analysis of cables & wires revenue vs. copper and aluminium prices – FY24E**

		Aluminium Prices					
		2,800	2,700	2,600	2,500	2,400	2,300
Copper Prices	1,19,214	2,800	2,700	2,600	2,500	2,400	2,300
	9,200	1,31,273	1,30,791	1,30,309	1,29,826	1,29,344	1,28,861
	8,900	1,27,897	1,27,414	1,26,932	1,26,449	1,25,967	1,25,485
	8,600	1,24,520	1,24,038	1,23,555	1,23,073	1,22,590	1,22,108
	8,300	1,21,143	1,20,661	1,20,178	1,19,696	1,19,214	1,18,731
	8,000	1,17,767	1,17,284	1,16,802	1,16,319	1,15,837	1,15,355
	7,700	1,14,390	1,13,907	1,13,425	1,12,943	1,12,460	1,11,978

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT

**Exhibit 18: Sensitivity analysis of consolidated revenue vs. copper and aluminium prices – FY23E**

		Aluminium Prices					
		1,28,038	2,800	2,700	2,600	2,500	2,400
Copper Prices	9,200	1,34,842	1,34,416	1,33,991	1,33,566	1,33,141	1,32,715
	8,900	1,31,865	1,31,440	1,31,014	1,30,589	1,30,164	1,29,739
	8,600	1,28,888	1,28,463	1,28,038	1,27,612	1,27,187	1,26,762
	8,300	1,25,912	1,25,486	1,25,061	1,24,636	1,24,211	1,23,785
	8,000	1,22,935	1,22,510	1,22,084	1,21,659	1,21,234	1,20,809
	7,700	1,19,958	1,19,533	1,19,108	1,18,682	1,18,257	1,17,832

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 19: Sensitivity analysis of consolidated revenue vs. copper and aluminium prices – FY24E**

		Aluminium Prices					
		1,40,591	2,800	2,700	2,600	2,500	2,400
Copper Prices	9,200	1,52,650	1,52,168	1,51,686	1,51,203	1,50,721	1,50,238
	8,900	1,49,274	1,48,791	1,48,309	1,47,827	1,47,344	1,46,862
	8,600	1,45,897	1,45,415	1,44,932	1,44,450	1,43,967	1,43,485
	8,300	1,42,520	1,42,038	1,41,556	1,41,073	1,40,591	1,40,108
	8,000	1,39,144	1,38,661	1,38,179	1,37,696	1,37,214	1,36,732
	7,700	1,35,767	1,35,284	1,34,802	1,34,320	1,33,837	1,33,355

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 20: Sensitivity analysis of consolidated earnings vs. copper and aluminium prices – FY23E**

		Aluminium Prices					
		65.6	2,800	2,700	2,600	2,500	2,400
Copper Prices	9,200	69.5	69.2	69.0	68.8	68.5	68.3
	8,900	67.8	67.5	67.3	67.0	66.8	66.5
	8,600	66.1	65.8	65.6	65.3	65.1	64.8
	8,300	64.3	64.1	63.8	63.6	63.4	63.1
	8,000	62.6	62.4	62.1	61.9	61.6	61.4
	7,700	60.9	60.7	60.4	60.2	59.9	59.7

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 21: Sensitivity analysis of consolidated earnings vs. copper and aluminium prices – FY24E**

		Aluminium Prices					
		78.4	2,800	2,700	2,600	2,500	2,400
Copper Prices	9,200	85.8	85.5	85.2	84.9	84.6	84.3
	8,900	83.7	83.4	83.1	82.8	82.6	82.3
	8,600	81.7	81.4	81.1	80.8	80.5	80.2
	8,300	79.6	79.3	79.0	78.7	78.4	78.1
	8,000	77.5	77.2	76.9	76.6	76.3	76.0
	7,700	75.4	75.1	74.8	74.5	74.2	73.9

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 22: Sensitivity analysis of consolidated EPS growth vs. copper and aluminium prices – FY23E**

		Aluminium Prices						
		2,800	2,700	2,600	2,500	2,400	2,300	
Copper Prices	-4.2%	9,200	1.5%	1.1%	0.8%	0.4%	0.1%	-0.3%
	8,900	-1.0%	-1.4%	-1.7%	-2.1%	-2.4%	-2.8%	
	8,600	-3.5%	-3.9%	-4.2%	-4.6%	-5.0%	-5.3%	
	8,300	-6.0%	-6.4%	-6.7%	-7.1%	-7.5%	-7.8%	
	8,000	-8.5%	-8.9%	-9.3%	-9.6%	-10.0%	-10.3%	
	7,700	-11.0%	-11.4%	-11.8%	-12.1%	-12.5%	-12.8%	

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

**Exhibit 23: Sensitivity analysis of consolidated EPS growth vs. copper and aluminium prices – FY24E**

		Aluminium Prices						
		2,800	2,700	2,600	2,500	2,400	2,300	
Copper Prices	-7.5%	9,200	1.3%	0.9%	0.6%	0.2%	-0.1%	-0.5%
	8,900	-1.2%	-1.5%	-1.9%	-2.2%	-2.6%	-2.9%	
	8,600	-3.6%	-4.0%	-4.3%	-4.7%	-5.0%	-5.4%	
	8,300	-6.1%	-6.4%	-6.8%	-7.1%	-7.5%	-7.8%	
	8,000	-8.5%	-8.9%	-9.2%	-9.6%	-10.0%	-10.3%	
	7,700	-11.0%	-11.4%	-11.7%	-12.1%	-12.4%	-12.8%	

Source: Centrum Broking. Note- Aluminium and Copper prices are in USD/MT.

P&L					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenues</b>	<b>88,300</b>	<b>87,922</b>	<b>1,22,038</b>	<b>1,28,038</b>	<b>1,40,591</b>
Operating Expense	63,686	65,171	94,657	97,949	1,06,990
Employee cost	3,657	3,537	4,066	4,225	4,499
Others	9,606	8,102	10,663	11,112	11,765
<b>EBITDA</b>	<b>11,350</b>	<b>11,111</b>	<b>12,652</b>	<b>14,752</b>	<b>17,337</b>
Depreciation & Amortisation	1,609	1,762	2,015	2,176	2,351
<b>EBIT</b>	<b>9,741</b>	<b>9,350</b>	<b>10,637</b>	<b>12,576</b>	<b>14,987</b>
Interest expenses	495	427	352	334	301
Other income	928	1,193	899	1,007	1,128
<b>PBT</b>	<b>10,174</b>	<b>10,116</b>	<b>11,184</b>	<b>13,248</b>	<b>15,814</b>
Taxes	2,444	1,703	2,706	3,335	3,980
Effective tax rate (%)	24.0	16.8	24.2	25.2	25.2
<b>PAT</b>	<b>7,730</b>	<b>8,412</b>	<b>8,478</b>	<b>9,914</b>	<b>11,834</b>
Minority/Associates	(140)	(33)	(113)	(116)	(120)
<b>Recurring PAT</b>	<b>7,591</b>	<b>8,380</b>	<b>8,365</b>	<b>9,798</b>	<b>11,713</b>
Extraordinary items	0	0	0	0	0
<b>Reported PAT</b>	<b>7,591</b>	<b>8,380</b>	<b>8,365</b>	<b>9,798</b>	<b>11,713</b>
Ratios					
YE Mar	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Growth (%)</b>					
Revenue	10.6	(0.4)	38.8	4.9	9.8
EBITDA	19.1	(2.1)	13.9	16.6	17.5
Adj. EPS	44.1	10.2	(0.4)	17.1	19.5
<b>Margins (%)</b>					
Gross	27.9	25.9	22.4	23.5	23.9
EBITDA	12.9	12.6	10.4	11.5	12.3
EBIT	11.0	10.6	8.7	9.8	10.7
Adjusted PAT	8.6	9.5	6.9	7.7	8.3
<b>Returns (%)</b>					
ROE	22.7	19.5	16.2	16.6	17.5
ROCE	23.1	19.5	16.4	16.9	17.8
ROIC	23.4	20.8	19.4	20.3	22.2
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	4.3	3.3	4.7	3.8	3.8
Debtors	63	66	44	42	44
Inventory	112	110	81	86	89
Creditors	82	76	49	50	55
Net working capital	93	102	85	96	105
<b>Solvency (x)</b>					
Net debt-equity	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Interest coverage ratio	22.9	26.0	36.0	44.1	57.6
Net debt/EBITDA	(0.1)	(0.3)	(0.3)	(0.5)	(0.6)
<b>Per share (Rs)</b>					
Adjusted EPS	51.0	56.2	56.0	65.6	78.4
BVPS	257.7	318.8	371.0	419.5	475.9
CEPS	61.8	68.0	69.5	80.1	94.1
DPS	7.0	10.0	14.0	17.0	22.0
Dividend payout (%)	13.7	17.8	25.0	25.9	28.1
<b>Valuation (x)</b>					
P/E	43.2	39.2	39.3	33.6	28.1
P/BV	8.5	6.9	5.9	5.2	4.6
EV/EBITDA	28.8	29.3	25.7	21.8	18.4
Dividend yield (%)	0.3	0.5	0.6	0.8	1.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Equity share capital	1,489	1,491	1,494	1,494	1,494
Reserves & surplus	36,875	46,048	53,943	61,200	69,626
Shareholders fund	38,364	47,539	55,437	62,695	71,120
Minority Interest	150	188	251	251	251
Total debt	1,221	2,487	831	631	481
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	165	418	272	272	272
<b>Total liabilities</b>	<b>39,900</b>	<b>50,633</b>	<b>56,791</b>	<b>63,849</b>	<b>72,124</b>
Gross block	20,451	26,627	26,088	33,342	37,342
Less: acc. Depreciation	(6,248)	(8,024)	(9,566)	(11,742)	(14,093)
Net block	14,203	18,602	16,522	21,600	23,249
Capital WIP	2,412	991	3,755	500	500
Net fixed assets	16,632	19,687	20,506	22,329	23,979
Non Current Assets	0	0	0	0	0
Investments	655	6,349	7,733	7,733	7,733
Inventories	19,250	19,879	21,996	24,152	27,847
Sundry debtors	15,997	15,641	13,763	15,785	18,103
Cash & Cash Equivalents	2,813	5,313	4,071	7,945	10,901
Loans & advances	298	208	717	768	844
Other current assets	3,962	3,069	5,332	5,762	6,748
Trade payables	13,537	13,480	12,175	14,759	17,587
Other current liab.	5,675	5,547	4,475	5,122	5,624
Provisions	494	487	678	745	820
Net current assets	22,613	24,597	28,552	33,786	40,412
<b>Total assets</b>	<b>39,900</b>	<b>50,633</b>	<b>56,791</b>	<b>63,849</b>	<b>72,124</b>

Cashflow					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Profit Before Tax	10,174	10,116	11,184	13,248	15,814
Depreciation & Amortisation	1,609	1,762	2,015	2,176	2,351
Net Interest	495	427	352	334	301
Net Change – WC	(7,242)	517	(5,198)	(1,360)	(3,670)
Direct taxes	(2,510)	(1,450)	(2,853)	(3,335)	(3,980)
<b>Net cash from operations</b>	<b>2,527</b>	<b>11,371</b>	<b>5,501</b>	<b>11,065</b>	<b>10,815</b>
Capital expenditure	(3,555)	(4,816)	(2,834)	(4,000)	(4,000)
Acquisitions, net	0	0	0	0	0
Investments	(361)	(5,695)	(1,384)	0	0
Others	0	0	0	0	0
<b>Net cash from investing</b>	<b>(3,916)</b>	<b>(10,511)</b>	<b>(4,218)</b>	<b>(4,000)</b>	<b>(4,000)</b>
<b>FCF</b>	<b>(1,389)</b>	<b>860</b>	<b>1,283</b>	<b>7,065</b>	<b>6,815</b>
Issue of share capital	77	2	3	0	0
Increase/(decrease) in debt	(699)	1,266	(1,656)	(200)	(150)
Dividend paid	(1,256)	(1,491)	(2,092)	(2,541)	(3,288)
Interest paid	(495)	(427)	(352)	(334)	(301)
Others	3,410	2,290	1,572	(116)	(120)
<b>Net cash from financing</b>	<b>1,036</b>	<b>1,640</b>	<b>(2,525)</b>	<b>(3,191)</b>	<b>(3,859)</b>
Net change in Cash	(353)	2,500	(1,242)	3,874	2,956

Source: Company, Centrum Broking

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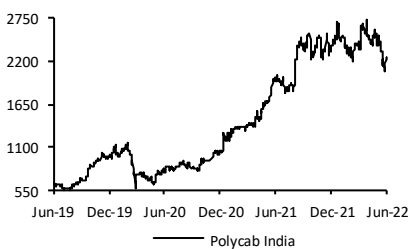
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Source: Bloomberg

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