

Devyani International Ltd

Growth through expansion



Kyon ki bhaiya, sabse bada rupaiya.

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BUY @ CMP INR 136
Target: INR 166 in 18-24 months
Upside Potential: 22.1%

Growth through expansion

Devyani International Ltd (DIL) is among the largest QSR chains having franchises of KFC, Pizza Hut, Taco Bell and Costa Coffee. It also has its own brands including Vaango, The Food Street, Ile Bar, AMRELI and Ckrush Juice Bar among others. The service offerings are through 759 stores across 177 Indian cities and 44 stores across Nigeria and Nepal.

DIL is in a rapid expansion mode of setting up ~200+ stores annually as it looks to scale up its India footprint. On the back of this rapid scale up, We expect DIL to grow its revenue at a CAGR of 41.7% to INR 842 cr over the period of FY21-24.

- Core brands revenue CAGR of 45.9% to INR 2,960 cr,
- International Business revenues CAGR of 25.2% to INR 226 cr, and
- Traction in Other Business revenues to INR 378 cr (CAGR of 84.8%)

We expect EBITDA and net earnings to grow to INR 948.7 cr (61.1% CAGR, +660bps to 26.6% margin) and INR 384.3 cr (net profit margin of 10.8%) respectively by FY24. Operating cash flow is expected to increase to INR 563.2 cr by FY24 (from INR 239.6 cr reported in FY21). Consequently, return ratios RoCE and RoE are set to expand to 15.8% and 29.3% respectively by FY24 from the negative levels as per FY21.

We initiate coverage on DIL with a price objective of INR 165.5 (51.8X FY24 EPS) representing a 22.1% upside from the CMP of INR 135.6 over the next 24 months.

❖ Key Rationale

The company's business can broadly be classified into three verticals that include:

Core brands – This comprises KFC, Pizza Hut (PH) and Costa Coffee brands operated in India. As on 30th Sept 2021, there were 309 KFC stores, 351 PH stores and 45 CC stores which contributed ~86% to Q2FY22 revenue. Deeply affected by the pandemic, this vertical de-grew by 14.0% in FY21 to INR 954 cr after growing 13.4% in FY20.

Key Financial Data (INR Cr, unless specified)

	Sales	EBITDA	Net Profit	EBITDA	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY20	1516	255	-79	17	-5.2	-0.7	-1.6	41.6	1.9	-198.6	-82.7	70.5
FY21	1,135	227	-81	20	-7.2	-0.7	1.0	-71.5	-3.6	-192.4	137.5	77.2
FY22E	1,910	503	98	26	5.1	0.8	5.4	15.0	9.5	167.0	25.0	34.1
FY23E	2,830	777	278	27	9.8	2.3	7.7	29.9	14.9	58.6	17.5	21.9
FY24E	3,565	949	384	27	10.8	3.2	10.9	29.3	15.8	42.4	12.4	17.3

Industry	QSR
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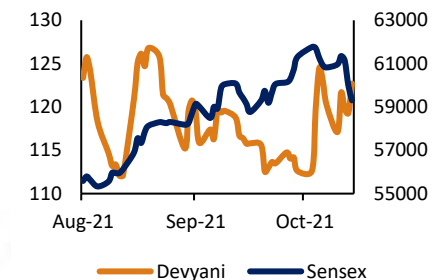
Scrip Details

Face Value (INR)	1.0
Market Cap (INR Cr)	16,306
Price (INR)	135.6
No of Shares O/S (Cr)	120.25
3M Avg Vol (000)	9,942
52W High/Low (INR)	141/108
Dividend Yield (%)	0.0

Shareholding (%) Jun 2021

Promoter	62.9
Institution	12.7
Public	24.4
TOTAL	100.0

Price Chart



However, post the second wave we are seeing encouraging trends of sales revival. We expect the Core Business to grow its store count by 555 stores to 1160 stores (KFC +246 stores to 510, PH +253 stores to 550, CC +56 stores to 100). This will lead to a 45.9% CAGR in revenue to INR 2,960 cr by FY24. The FY21 gross margins for the core brands (KFC 67.7%, PH 74.1%, CC 78.5%) are expected to sustain going forward given their strong brand appeal.

International Business – This primarily comprises KFC and PH stores in Nigeria and Nepal. As on 30th Sept, 2021 this segment had 44 operational stores. This vertical accounted for ~10% of the total turnover in Q2FY22. It de grew 22.6% in FY21 to INR 115 cr after growing at 35.1% in FY20. Post Covid we expect revenues to grow at a CAGR of 25.2% to INR 226 cr driven by new store additions (+11 stores to 48) and the closing down of non-profitable ones.

Other Business – This consists of in-house brand stores such as Vaango, The Food Street, Ile Bar, AMRELI, Ckrussh Juice Bar among others and currently there are 54 such stores in this vertical contributing ~4% to the overall turnover. This vertical de-grew by 47.6% in FY21 to INR 60 cr after growing 16.4% in FY20. Post Covid we expect revenue to grow at an 84.8% CAGR to INR 378 cr on the back of new store additions (+60 stores to 110).

Devyani competes with its sister franchise, Sapphire Foods for owning KFC and Pizza Hut stores. For KFC, the company has rights over most of the South and East as well as some parts of Northern India. For the Pizza Hut dine-in stores, DIL has rights over Northern and Eastern parts of the country however it can open the smaller format take-away outlets anywhere in the country except Tamil Nadu. We believe this augurs well for the company as most of their areas have a dominant non-vegetarian population to aid growth.

Over the period FY19-21 revenue growth was impacted by the onset of Covid to INR 1,135 cr (-6.9% CAGR) leading to a consequential reduction in EBITDA to INR 226.9 cr (-9.8% CAGR) and deepening of losses to INR 81.3 cr from INR 59.3 cr (FY19). However, the operating cash flow was encouragingly positive at INR 239.6 cr. The Debt to Equity of the company stood at 11x (with a net debt of INR 1,212.4 cr) and net worth of INR 113.8 cr.

Going forward we expect DIL to grow its revenue at a CAGR of 41.7% to INR 842 cr over the period of FY21-24E driven by

- Core brands revenue CAGR of 45.9% to INR 2,960 cr,
- International Business revenues CAGR of 25.2% to INR 226 cr, and
- Traction in Other Business revenues to INR 378 cr (CAGR of 84.8%)

The key drivers of this growth are

- increased internet and mobile penetration and mainstreaming of food delivery apps,
- better commercial terms being the largest food service provider on the food delivery apps,
- rapid increase in store count and increasing pan India presence from 177 cities as on 30th Sept 2021,
- a wide variety of franchise offerings that help diversify and sustain momentum, and

- revival of business to pre-Covid levels, post pandemic.

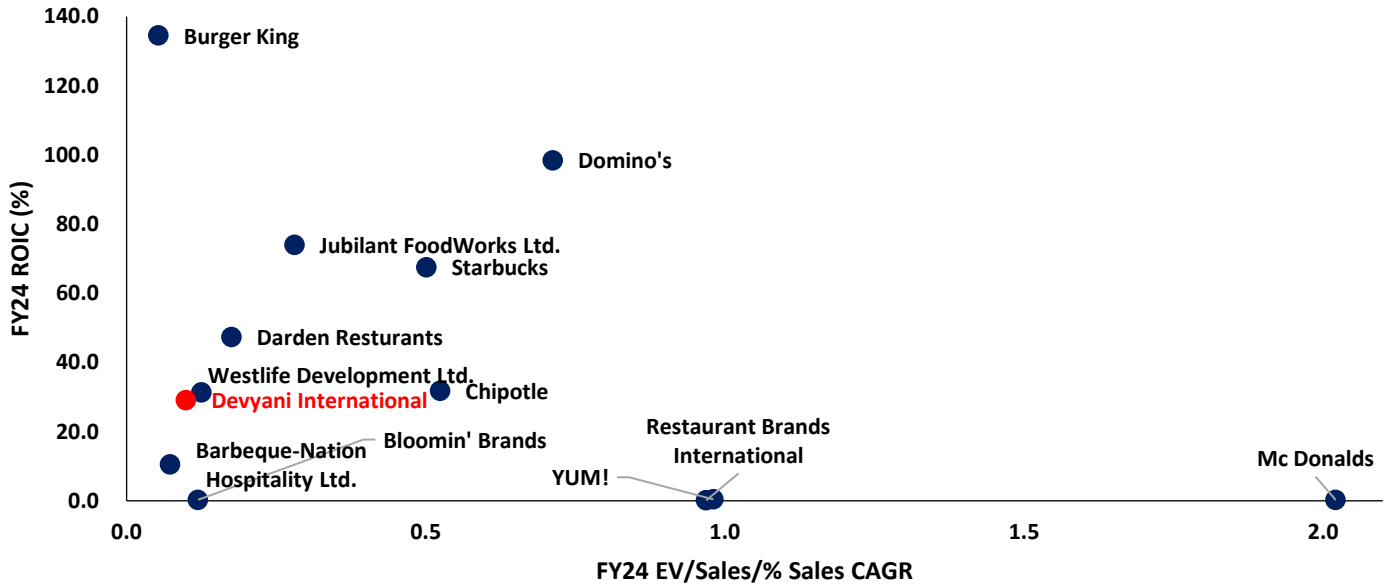
We expect EBITDA to grow to INR 948.7 cr (61.1% CAGR, +660bps to 26.6% margin) by FY24. Reduction in interest expense (due to part repayment of debt from issue proceeds) and the improved operating profitability is expected to help DIL become profitable in FY22. By FY24, we expect net earnings to grow to INR 384.3 cr (net profit margin of 10.8%). Operating cash flow is expected to increase to INR 563.2 cr by FY24 from INR 239.6 cr reported in FY21. Consequently, return ratios RoCE and RoE are set to expand to 15.8% and 29.3% respectively by FY24 from the negative levels as per FY21.

❖ Valuation

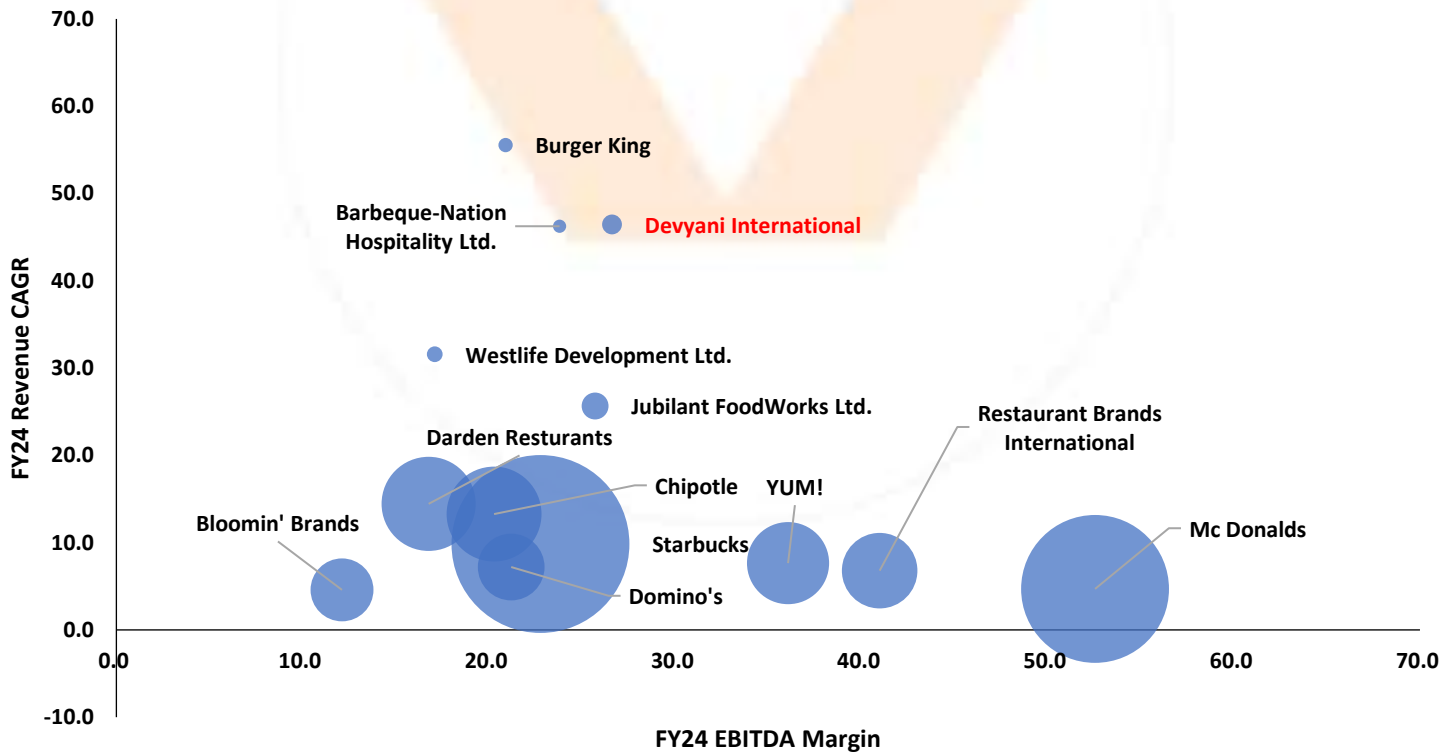
Devyani at the CMP of Rs. 135.6 is trading at 42.4X FY24 EPS. We recommend a buy with a price objective of INR 165.5 (51.8X FY24 EPS) representing a 22.1% upside over the next 24 months.



One of the lowest EV/Sales/Sales CAGR in the industry



Source: Bloomberg & Ventura Research



Source: Bloomberg & Ventura Research

Valuation and Comparable Metric of Domestic and Global QSR Companies

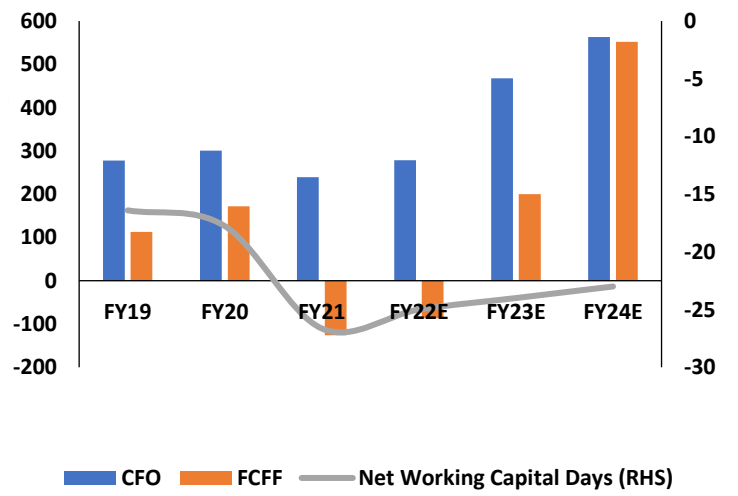
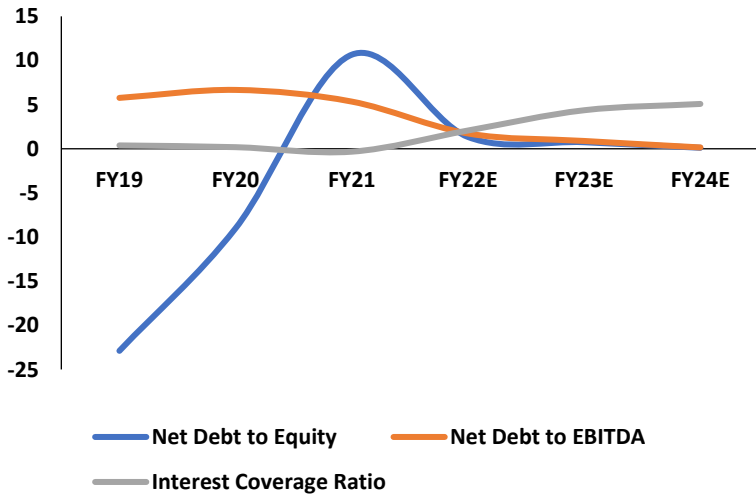
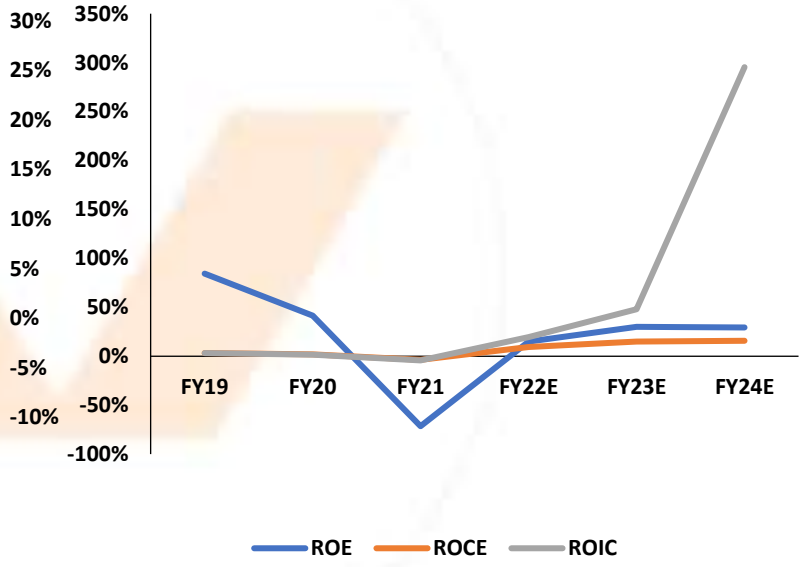
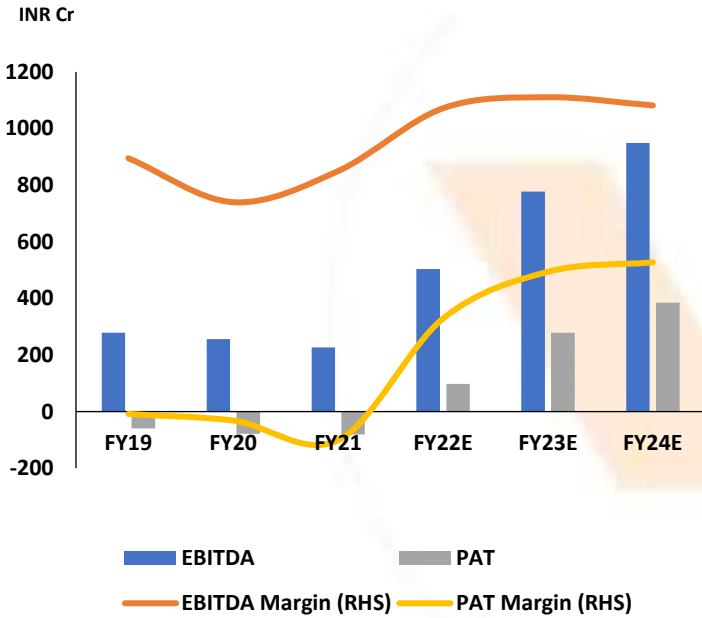
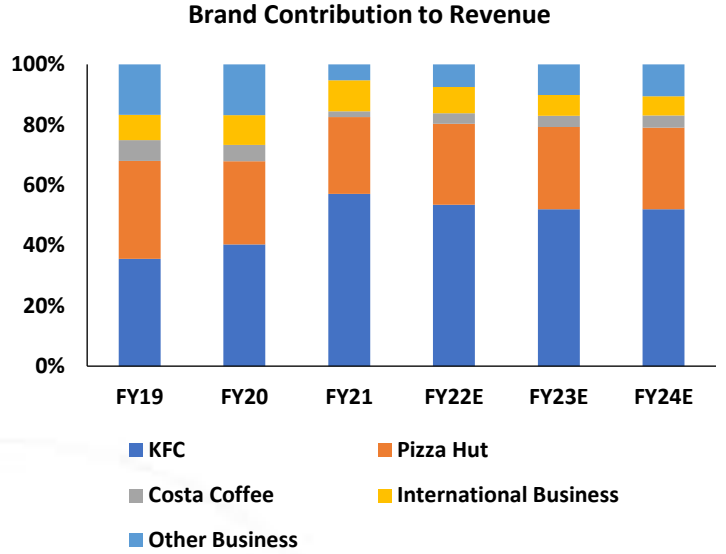
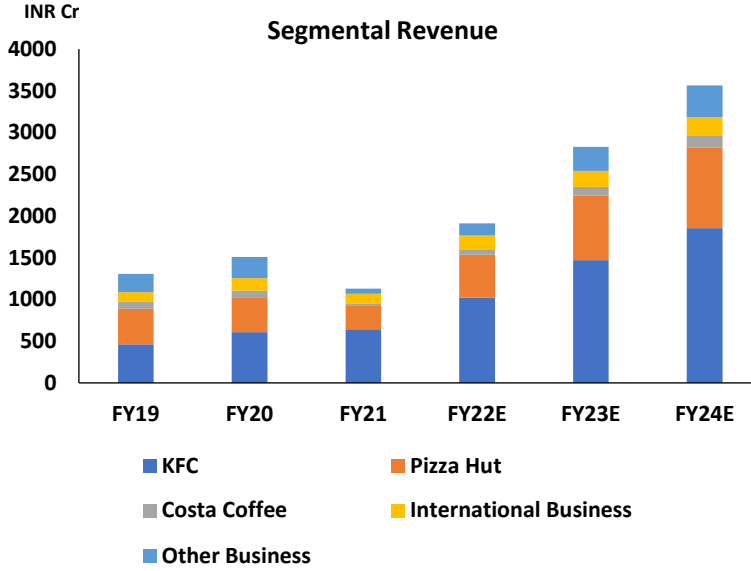
Figures as mentioned				P/E (X)				EV/EBITDA (X)				P/BV (X)				RoE (%)				RoIC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
Company Name	Mkt Cap	Price	PEG 2021-24	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Domestic Peers (Fig in INR Cr)																																			
Devyani	16,306	136	-	(192.4)	167.0	58.6	42.4	77.2	34.1	21.9	17.3	137.5	25.0	17.5	12.4	(71.5)	15.0	29.9	29.3	(3.8)	11.3	20.4	29.0	1,135	1,910	2,830	3,565	20.0	26.3	27.4	26.6	(7.2)	5.1	9.8	10.8
Burger King	5,955	155	-	(34.2)	(103.2)	(155.1)	(773.4)	374.6	29.5	22.1	14.2	8.8	9.7	10.3	10.5	(25.8)	(9.4)	(6.7)	(1.4)	(33.8)	20.5	41.6	134.5	495	1,054	1,343	1,861	3.0	17.9	18.8	20.9	(35.2)	(5.5)	(2.9)	(0.4)
Jubilant Foodworks	48,429	3,670	52.1	209.0	99.6	74.9	59.4	64.1	42.0	33.7	28.0	33.9	27.3	21.9	17.8	16.2	27.4	29.2	29.9	16.3	49.8	63.8	74.0	3,312	4,531	5,514	6,570	23.3	25.4	25.7	25.7	7.0	10.7	11.7	12.4
Westlife Development	8,853	572	-	(89.0)	(48.2)	108.9	71.0	204.7	44.6	27.5	23.1	18.4	18.5	16.0	13.3	(20.7)	(0.4)	14.7	18.8	(7.5)	11.6	23.4	31.3	986	1,470	1,926	2,247	4.8	13.5	16.9	17.1	(10.1)	(0.1)	4.2	5.6
Barbeque Nation	4,730	1,219	-	(0.5)	(103.7)	69.6	40.6	109.0	41.8	18.3	14.2	19.4	23.0	17.2	11.7	(37.1)	(22.2)	24.6	28.8	(13.1)	(8.6)	0.9	10.6	507	850	1,243	1,586	9.1	14.6	23.2	23.8	(17.8)	(5.4)	5.5	7.3
Global Peers (Fig in USD mn)																																			
Starbucks	1,29,564	109.8	6.8	30.9	31.7	28.1	27.4	31.6	21.8	19.7	18.1	(24.3)	(17.8)	(12.7)	(33.1)	(78.9)	(56.1)	(45.2)	(120.7)	41.8	198.4	547.6	67.5	29,061	32,361	35,399	38,514	22.0	22.1	22.3	22.8	14.5	12.6	13.0	12.3
Mc Donalds	1,87,133	250.6	3.9	25.9	24.9	23.3	22.0	20.7	18.0	16.9	16.2	(46.1)	(62.3)	(149.9)	25.7	(178.1)	(250.6)	(642.2)	117.2	37.8	39.1	40.7	0.2	23,187	24,670	25,879	26,610	52.3	52.1	52.5	52.6	31.2	30.5	31.0	32.0
YUM!	37,408	126.5	2.7	27.2	25.6	23.6	21.6	27.6	20.5	19.2	18.2	(4.8)	(4.4)	(4.3)	(5.4)	(17.7)	(17.4)	(18.2)	(24.9)	87.3	108.7	124.0	0.4	6,580	7,054	7,518	8,209	35.6	35.6	36.1	36.1	20.9	20.8	21.1	21.1
Darden Restaurants	19,211	148.0	0.7	30.5	19.2	17.7	16.5	29.4	13.7	11.7	10.7	6.9	6.6	6.0	4.9	22.5	34.6	34.2	29.6	8.8	45.9	48.9	47.4	7,196	9,544	10,216	10,786	19.2	16.7	16.8	16.8	8.7	10.5	10.6	10.8
Chipotle	50,677	1,801.2	1.4	70.9	54.6	44.3	36.1	58.6	43.5	33.7	28.6	22.4	18.4	16.1	11.8	31.6	33.7	36.4	32.8	47.0	54.0	45.4	31.8	7,545	8,600	9,693	10,965	15.3	17.6	19.0	20.3	9.5	10.8	11.8	12.8
Restaurant Brands International	26,073	57.6	1.6	20.2	18.6	16.7	15.3	28.3	16.6	15.2	14.3	9.0	10.0	10.2	6.1	44.6	53.6	61.1	40.0	14.0	15.9	17.0	0.1	5,701	6,139	6,445	6,942	39.3	39.9	40.7	41.0	22.6	22.8	24.2	24.6
Domino's	17,734	487.4	2.7	34.4	31.7	28.6	26.0	27.0	25.5	23.5	21.4	(4.5)	(4.2)	(4.3)	(4.7)	(13.1)	(13.4)	(15.2)	(18.1)	92.9	119.8	108.6	98.4	4,400	4,711	5,081	5,421	20.2	20.5	20.8	21.2	11.7	11.9	12.2	12.6
Bloomin' Brands	2,014	22.6	1.4	7.5	7.6	7.2	6.5	15.0	4.6	4.4	4.2	7.5	10.2	5.3	2.9	100.1	135.0	73.0	44.8	39.5	50.5	50.0	0.3	4,209	4,501	4,686	4,815	13.1	11.9	11.7	12.1	6.4	5.9	5.9	6.4

Source: Company Reports, Bloomberg & Ventura Research

Financial Summary

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue from Core Business	978	1109	954	1600	2349	2960	3695	4519	5413	6386	7445	8596	9845
Revenue from International Business	110	149	115	166	194	226	257	298	346	400	460	527	603
Revenue from Other Business	218	254	60	144	288	378	476	583	700	827	965	1114	1277
Revenue	1,310.6	1,516.4	1,134.8	1,910.4	2,830.2	3,564.8	4,428.3	5,400.3	6,458.6	7,612.7	8,869.8	10,237.5	11,724.1
<i>YoY Growth (%)</i>	<i>0.0</i>	<i>15.7</i>	<i>-25.2</i>	<i>68.3</i>	<i>48.1</i>	<i>26.0</i>	<i>24.2</i>	<i>21.9</i>	<i>19.6</i>	<i>17.9</i>	<i>16.5</i>	<i>15.4</i>	<i>14.5</i>
Raw Material Cost	388.9	460.4	344.7	573.1	843.4	1,058.7	1,315.2	1,630.9	1,982.8	2,375.2	2,811.7	3,296.5	3,833.8
Employee Cost	191.6	225.5	154.3	151.4	200.3	249.8	305.0	365.2	430.4	500.9	576.7	658.4	746.3
Other Expenses	451.2	575.0	408.9	682.8	1,009.8	1,307.6	1,623.2	1,977.1	2,362.2	2,781.9	3,239.0	3,736.1	4,276.4
EBITDA	279.0	255.5	226.9	503.1	776.7	948.7	1,184.9	1,427.1	1,683.2	1,954.8	2,242.3	2,546.5	2,867.7
<i>YoY Growth (%)</i>	<i>0.0</i>	<i>-8.4</i>	<i>-11.2</i>	<i>121.7</i>	<i>54.4</i>	<i>22.2</i>	<i>24.9</i>	<i>20.4</i>	<i>17.9</i>	<i>16.1</i>	<i>14.7</i>	<i>13.6</i>	<i>12.6</i>
<i>Margin (%)</i>	<i>21.3</i>	<i>16.8</i>	<i>20.0</i>	<i>26.3</i>	<i>27.4</i>	<i>26.6</i>	<i>26.8</i>	<i>26.4</i>	<i>26.1</i>	<i>25.7</i>	<i>25.3</i>	<i>24.9</i>	<i>24.5</i>
Net Profit	-59.3	-78.8	-81.3	97.7	278.1	384.3	573.4	742.4	916.8	1,107.2	1,312.0	1,527.4	1,746.5
<i>YoY Growth (%)</i>	<i>0.0</i>	<i>32.8</i>	<i>3.3</i>	<i>-220.1</i>	<i>184.8</i>	<i>38.2</i>	<i>49.2</i>	<i>29.5</i>	<i>23.5</i>	<i>20.8</i>	<i>18.5</i>	<i>16.4</i>	<i>14.3</i>
<i>Margin (%)</i>	<i>-4.5</i>	<i>-5.2</i>	<i>-7.2</i>	<i>5.1</i>	<i>9.8</i>	<i>10.8</i>	<i>12.9</i>	<i>13.7</i>	<i>14.2</i>	<i>14.5</i>	<i>14.8</i>	<i>14.9</i>	<i>14.9</i>
EPS (INR)	-0.5	-0.7	-0.7	0.8	2.3	3.2	4.8	6.2	7.6	9.2	10.9	12.7	14.5
P/E	-263.8	-198.6	-192.4	167.0	58.6	42.4	28.4	22.0	17.8	14.7	12.4	10.7	9.3
BVPS (INR)	-0.6	-1.6	1.0	5.4	7.7	10.9	15.7	21.9	29.5	38.7	49.6	62.3	76.8
P/B	-222.7	-82.7	137.5	25.0	17.5	12.4	8.6	6.2	4.6	3.5	2.7	2.2	1.8
EV	17914.0	18009.1	17518.6	17175.6	16991.9	16449.5	15819.5	15055.2	14140.1	12957.5	11581.2	9988.8	8253.7
EV/EBITDA	64.2	70.5	77.2	34.1	21.9	17.3	13.4	10.5	8.4	6.6	5.2	3.9	2.9
EV/Sales	13.7	11.9	15.4	9.0	6.0	4.6	3.6	2.8	2.2	1.7	1.3	1.0	0.7
Shareholder's Fund	-70.2	-189.1	113.8	651.4	929.5	1,313.8	1,887.2	2,629.6	3,546.5	4,653.7	5,965.7	7,493.1	9,239.6
<i>Return on Equity (%)</i>	<i>84.4</i>	<i>41.6</i>	<i>-71.5</i>	<i>15.0</i>	<i>29.9</i>	<i>29.3</i>	<i>30.4</i>	<i>28.2</i>	<i>25.9</i>	<i>23.8</i>	<i>22.0</i>	<i>20.4</i>	<i>18.9</i>
Capital Employed	1,564.6	1,529.8	1,366.7	1,797.8	2,202.4	2,681.4	3,161.6	3,898.1	4,873.1	6,028.0	7,440.4	9,109.4	11,114.5
<i>Return on Capital Employed (%)</i>	<i>3.4</i>	<i>1.9</i>	<i>-3.6</i>	<i>9.5</i>	<i>14.9</i>	<i>15.8</i>	<i>18.7</i>	<i>18.7</i>	<i>17.8</i>	<i>16.9</i>	<i>15.8</i>	<i>14.6</i>	<i>13.4</i>
Invested Capital	1556.8	1663.7	1170.5	869.4	685.7	143.3	-486.7	-1251.1	-2166.2	-3348.7	-4725.1	-6317.4	-8052.5
<i>Return on Invested Capital</i>	<i>3.4</i>	<i>1.7</i>	<i>-4.3</i>	<i>19.7</i>	<i>47.9</i>	<i>295.4</i>	<i>-121.6</i>	<i>-58.3</i>	<i>-40.1</i>	<i>-30.4</i>	<i>-24.8</i>	<i>-21.1</i>	<i>-18.5</i>
Cash Flow from Operations	277.8	300.7	239.6	278.1	468.0	563.2	777.3	949.1	1,131.7	1,336.6	1,555.8	1,790.7	2,033.7
Cash Flow from Investing	-167.7	-97.4	-358.6	-306.6	-183.9	90.5	-31.1	-76.4	-108.8	-41.3	-62.6	-73.0	-161.2
Cash Flow from Financing	-130.5	-222.6	142.0	264.9	26.0	-16.5	-209.4	-114.3	-49.6	-65.1	-16.5	16.3	121.2
Net Cash Flow	-20.4	-19.3	22.9	236.5	310.1	637.1	536.8	758.4	973.3	1,230.3	1,476.6	1,734.0	1,993.7
NOPLAT	52.5	29.0	-49.9	171.5	328.8	423.2	591.9	729.4	868.8	1,019.6	1,174.0	1,332.4	1,486.8
Free Cash Flow	112.6	172.3	-126.3	-87.1	200.1	552.3	615.3	714.2	826.7	1,051.1	1,190.6	1,345.6	1,419.2
<i>FCF to Net Profit (%)</i>	<i>-190.0</i>	<i>-218.7</i>	<i>155.4</i>	<i>-89.2</i>	<i>72.0</i>	<i>143.7</i>	<i>107.3</i>	<i>96.2</i>	<i>90.2</i>	<i>94.9</i>	<i>90.7</i>	<i>88.1</i>	<i>81.3</i>
<i>FCF to Sales (%)</i>	<i>8.6</i>	<i>11.4</i>	<i>-11.1</i>	<i>-4.6</i>	<i>7.1</i>	<i>15.5</i>	<i>13.9</i>	<i>13.2</i>	<i>12.8</i>	<i>13.8</i>	<i>13.4</i>	<i>13.1</i>	<i>12.1</i>
Total Debt	1,634.8	1,718.9	1,252.9	1,146.4	1,272.9	1,367.5	1,274.4	1,268.4	1,326.6	1,374.3	1,474.7	1,616.3	1,874.9
Net Debt	1,607.8	1,702.8	1,212.4	869.4	685.7	143.3	-486.7	-1,251.1	-2,166.2	-3,348.7	-4,725.1	-6,317.4	-8,052.5
<i>Net Debt to Equity</i>	<i>-22.9</i>	<i>-9.0</i>	<i>10.7</i>	<i>1.3</i>	<i>0.7</i>	<i>0.1</i>	<i>-0.3</i>	<i>-0.5</i>	<i>-0.6</i>	<i>-0.7</i>	<i>-0.8</i>	<i>-0.8</i>	<i>-0.9</i>
<i>Net Debt to EBITDA</i>	<i>5.8</i>	<i>6.7</i>	<i>5.3</i>	<i>1.7</i>	<i>0.9</i>	<i>0.2</i>	<i>-0.4</i>	<i>-0.9</i>	<i>-1.3</i>	<i>-1.7</i>	<i>-2.1</i>	<i>-2.5</i>	<i>-2.8</i>

Source: Company Reports & Ventura Research



Quarterly and Annual Performance

Figures are in Rs Cr	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	FY20	FY21	YoY (%)	FY22E	YoY (%)	FY23E	YoY (%)
Net Sales	516	230	124.4	353	46.3	1,516	1,135	-25.2	1,910	68.3	2,830	48.1
Raw Material Cost	150	74	102.0	102	47.3	460	345	-25.1	573	66.3	843	47.2
RM Cost to Sales (%)	29.0	32.2		28.8		30.4	30.4		30.0		29.8	
Gross Profit	366	156	135.1	251	45.9	1,056	790	-25.2	1,337	69.2	1,987	48.6
Gross Profit Margin	71.0%	67.8%		71.2%		69.6%	69.6%		70.0%		70.2%	
Employee Cost	59	35	71.3	54	10.7	225	154	-31.6	151	-1.9	200	32.4
Employee Cost to Sales (%)	11.5	15.1		15.2		14.9	13.6		7.9		7.1	
Operating Expenses	184	76	140.4	136	35.2	575	409	-28.9	683	67.0	1,010	47.9
Operating Expenses to Sales (%)	35.6	33.2		38.5		37.9	36.0		35.7		35.7	
EBITDA	123	45	175.5	62	100.3	255	227	-11.2	503	121.7	777	54.4
EBITDA Margin (%)	23.9	19.5		17.4		16.8	20.0		26.3		27.4	
Depreciation & Impairment	48	87	-44.8	53	-9.6	227	277	22.1	274	-1.1	338	23.3
Interest	33	42	-22.2	32		158	153	-3.6	110	-27.7	100	-9.1
Other Income	5	26	-80.1	5	10.7	19	64	243.4	12	-81.1	33	172.1
Other Income to Sales (%)	1.0	11.3		1.3		1.2	5.6		0.6		1.2	
Exceptional (loss)/gain	1	8	-91.8	14	-95.2	-35	-57		0		0	
Profit Before Tax	47	-66		-33		-77	-82		130		371	184.8
Tax Rate (%)	1.2	1.3		0.1		-2.4	1.3		25.0		25.0	
Profit After Tax	47	-65		-33		-79	-81		98		278	184.8
Net Profit Margin (%)	9.0	-28.5		-9.5		-5.2	-7.2		5.1		9.8	
Adjusted EPS	0.4	-0.5		-0.3		-0.7	-0.7		0.8		2.3	184.8
Shareholder's Funds						-189	114		651	472.6	930	-160.2
BV per share						-1.6	0.9		5.4	472.6	7.7	42.7
Net Debt						1,703	1,212		869		686	
Net Debt to Equity						-9.0	10.7		1.3		0.7	
Net Debt to EBITDA						6.7	5.3		1.7		0.9	
Capex						-98.8	-362.9		-306.6		-183.9	
RoE(%)						41.6	-71.5		15.0		29.9	
RoCE(%)						1.9	-3.6		9.5		14.9	
P/E						-207.1	-200.5		167.0		58.6	
P/B						-86.2	143.3		25.0		17.5	
EV/EBITDA						70.5	77.2		34.1		21.9	

Source: Company Reports & Ventura Research

Financial Analysis & Projections

Figures in INR Crores	FY20	FY21	FY22E	FY23E	FY24E	Figures in INR Crores	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per Share Data & Yield					
Revenue	1,516.4	1,134.8	1,910.4	2,830.2	3,564.8	Adjusted EPS (Rs)	(0.7)	(0.7)	0.8	2.3	3.2
<i>YoY Growth (%)</i>	<i>15.7</i>	<i>(25.2)</i>	<i>68.3</i>	<i>48.1</i>	<i>26.0</i>	Adjusted CEPS (Rs)	1.3	1.7	3.1	5.1	6.4
Raw Material Cost	460.4	344.7	573.1	843.4	1,058.7	Adjusted BVPS (Rs)	(1.6)	1.0	5.4	7.7	10.9
<i>YoY Growth (%)</i>	<i>18.4</i>	<i>(25.1)</i>	<i>66.3</i>	<i>47.2</i>	<i>25.5</i>	FCF per share (Rs)	1.5	(1.1)	(0.7)	1.7	4.6
Employee Cost	225.5	154.3	151.4	200.3	249.8	FCF Yield (%)	1.1	(0.8)	(0.5)	1.2	3.4
<i>YoY Growth (%)</i>	<i>17.7</i>	<i>(31.6)</i>	<i>(1.9)</i>	<i>32.4</i>	<i>24.7</i>	CFO per share (Rs)	2.6	2.1	2.3	3.9	4.7
Other Expenses	575.0	408.9	682.8	1,009.8	1,307.6	CFO Yield (%)	1.9	1.5	1.7	2.9	3.5
<i>YoY Growth (%)</i>	<i>27.4</i>	<i>(28.9)</i>	<i>67.0</i>	<i>47.9</i>	<i>29.5</i>	Solvency Ratio (X)					
EBITDA	255.5	226.9	503.1	776.7	948.7	Total Debt to Equity	(9.1)	11.0	1.8	1.4	1.0
<i>YoY Growth (%)</i>	<i>(8.4)</i>	<i>(11.2)</i>	<i>121.7</i>	<i>54.4</i>	<i>22.2</i>	Net Debt to Equity	(9.0)	10.7	1.3	0.7	0.1
<i>Margin (%)</i>	<i>16.8</i>	<i>20.0</i>	<i>26.3</i>	<i>27.4</i>	<i>26.6</i>	Net Debt to EBITDA	6.7	5.3	1.7	0.9	0.2
Depreciation & Amortization	223.3	229.5	245.6	303.7	348.1	Interest Coverage Ratio	0.2	(0.3)	2.1	4.4	5.1
Impairment of Assets	3.9	48.0	28.9	34.6	36.3	Return Ratios (%)					
EBIT	28.3	(50.5)	228.6	438.4	564.3	Return on Equity	41.6	(71.5)	15.0	29.9	29.3
<i>YoY Growth (%)</i>	<i>(44.9)</i>	<i>(278.6)</i>	<i>-</i>	<i>91.7</i>	<i>28.7</i>	Return on Capital Employed	1.9	(3.6)	9.5	14.9	15.8
<i>Margin (%)</i>	<i>1.9</i>	<i>(4.5)</i>	<i>12.0</i>	<i>15.5</i>	<i>15.8</i>	Return on Invested Capital	1.9	(3.8)	11.3	20.4	29.0
Other Income	18.7	64.1	12.1	32.9	59.3	Working Capital Ratios					
Finance Cost	158.4	152.8	110.5	100.4	111.2	Receivable Days	4	5	5	5	5
Exceptional Item	(34.6)	(56.9)	0.0	0.0	0.0	Inventory Days	17	20	20	19	18
PBT	(76.9)	(82.4)	130.2	370.8	512.4	Payable Days	39	52	50	48	46
<i>YoY Growth (%)</i>	<i>32.6</i>	<i>7.1</i>	<i>-</i>	<i>184.8</i>	<i>38.2</i>	Net Working Capital Days	-18	-27	-25	-24	-23
<i>Margin (%)</i>	<i>(5.1)</i>	<i>(7.3)</i>	<i>6.8</i>	<i>13.1</i>	<i>14.4</i>	Net Working Capital to Sales (%)	(1.2)	(2.3)	(1.3)	(0.8)	(0.6)
Reported Tax	1.8	(1.1)	32.6	92.7	128.1	Valuation (X)					
<i>Tax Rate (%)</i>	<i>(2.4)</i>	<i>1.3</i>	<i>25.0</i>	<i>25.0</i>	<i>25.0</i>	P/E Ratio	(198.6)	(192.4)	167.0	58.6	42.4
PAT	(78.8)	(81.3)	97.7	278.1	384.3	P/BV Ratio	(82.7)	137.5	25.0	17.5	12.4
<i>YoY Growth (%)</i>	<i>32.8</i>	<i>3.3</i>	<i>-</i>	<i>184.8</i>	<i>38.2</i>	EV/EBITDA	70.5	77.2	34.1	21.9	17.3
<i>Margin (%)</i>	<i>(5.2)</i>	<i>(7.2)</i>	<i>5.1</i>	<i>9.8</i>	<i>10.8</i>	EV/Sales	11.9	15.4	9.0	6.0	4.6
Balance Sheet						Cash Flow Statement					
Share Capital	106.2	115.4	120.3	120.3	120.3	Profit Before Tax	(76.9)	(82.4)	130.2	370.8	512.4
Total Reserves	(295.3)	(1.6)	531.2	809.3	1,193.6	Adjustments	364.6	311.9	132.4	134.7	140.3
Shareholders' Fund	(189.1)	113.8	651.4	929.5	1,313.8	Change in Working Capital	14.9	9.0	48.0	55.2	38.5
Non Controlling Interest	(39.1)	(41.9)	0.0	0.0	0.0	Less: Tax Paid	(1.8)	1.1	(32.6)	(92.7)	(128.1)
Long Term Borrowings	340.2	359.4	35.4	30.0	25.0	Cash Flow from Operations	300.7	239.6	278.1	468.0	563.2
Long Term Lease Liabilities	1,175.9	793.7	958.2	1,108.7	1,224.7	Net Capital Expenditure	(98.8)	(362.9)	(306.6)	(183.9)	90.5
Other Financial Liabilities	5.3	4.9	8.3	12.3	15.5	Change in Investments	1.4	4.3	0.0	0.0	0.0
Long Term Provisions	11.6	16.9	16.6	22.0	27.4	Cash Flow from Investing	(97.4)	(358.6)	(306.6)	(183.9)	90.5
Other Non Current Liabilities	1.0	1.0	1.6	2.4	3.1	Proceeds from issue of equity capital	0.0	347.6	440.0	0.0	0.0
Total Liabilities	1,305.8	1,247.7	1,671.5	2,104.9	2,609.5	Payment of Lease Liabilities	(216.7)	(82.6)	219.5	136.8	96.0
Net Block	478.7	430.7	551.3	599.7	635.1	Change in LT Borrowings	7.7	19.1	(324.0)	(5.4)	(5.0)
Capital WIP	13.5	14.3	14.3	14.3	14.3	Change in ST Borrowings	22.8	(69.3)	(2.0)	(5.0)	3.7
Right of Use Assets	1,035.1	666.0	830.6	981.1	1,097.1	Less: Finance Cost	(158.4)	(152.8)	(110.5)	(100.4)	(111.2)
Investment Properties	41.4	45.6	59.3	60.5	73.4	Change in Other Liabilities	122.1	427.6	0.0	0.0	0.0
Goodwill	22.4	64.4	64.4	64.4	64.4	Cash Flow from Financing	(222.6)	142.0	264.9	26.0	(16.5)
Other Intangible Assets	57.7	185.5	193.2	177.0	(77.7)	Net Cash Flow	(19.3)	22.9	236.5	310.1	637.1
Loans	49.2	43.5	73.3	108.6	136.8	Opening Balance of Cash	26.6	13.2	40.0	276.5	586.6
Other LT Financial Assets	18.2	16.7	28.2	41.7	52.6	Net Foreign Exchange Difference	6.0	3.8	0.0	0.0	0.0
Deferred Tax Assets	7.5	9.6	9.6	9.6	9.6	Closing Balance of Cash	13.2	40.0	276.5	586.6	1,223.7
Income Tax Assets	9.5	8.0	7.4	7.0	6.6						
Other Non Current Assets	7.1	19.5	32.8	48.5	61.1						
Net Current Asset	(434.6)	(256.1)	(192.7)	(7.5)	536.3						
Total Assets	1,305.8	1,247.7	1,671.5	2,104.9	2,609.5						

Source: Company Reports & Ventura Research

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