

Positive traction likely in the chemicals business

SRF's 2QFY24 consolidated EBITDA miss of 5%/2% on JMFe/consensus was on account of tepid ref gas demand/pricing environment, and inventory destocking impact on the specialty chemicals business. Despite global inventory unwinding in the agrochemicals, for the fluorospecialty business the management has indicated a) single-digit growth in FY24 and b) majority of new product contributions (from INR 8.0-9.0bn capex for MPP and PIP) to come in FY25. Besides, the recently announced agro intermediate with a capex of ~INR 2.3bn could also start contributing to the topline in FY25. These new product contributions could help company achieve double-digit growth in the fluorospecialty business in FY25, in our view. Moreover, the company has also tied up HFC volumes for CY24 with its key customers in the US. In our view, these certainly are encouraging points accounting for which the company is guiding for a better 2HFY24 compared to 1HFY24. Hence, although our FY24E/25E/26E EBITDA estimates are cut by 18%/14%/11% to account for the weak performance in the chemicals business, we believe these cuts could be the last of the lot. Our revised Dec'24 TP stands at INR 3,040 (from INR Sep'24 TP of INR 3,245). In our view, FY24 should be considered as a base reset year and a [good opportunity](#) to BUY the name.

- Weak Chemicals EBIT owing to tepid ref gas demand/pricing:** SRF's 2QFY24 consolidated gross profit came in 3% below JMFe at INR 15.8bn (down 5%/12% QoQ/YoY) as revenues came in 3% below JMFe and stood at INR 31.8bn (down 5%/15% QoQ/YoY) while gross margins were slightly ahead of our expectations at 49.0% (vs. JMFe of 48.7% and 49.1% in 1QFY24). Other expenses (including power and fuel costs) were lower at INR 6.9bn (vs. JMFe of INR 7.0bn). As a result EBITDA was ~5%/2% below JMFe/consensus at INR 6.5bn (down 10%/20% QoQ/YoY) and PAT stood at INR 3.0bn (~12% below JMFe/consensus). Chemicals EBIT was 17% below JMFe and came in at INR 3.5bn (vs. JMFe of INR 4.2bn and INR 4.6bn in 1QFY24, down 24%/33% QoQ/YoY) as EBIT margins were lower at 24.4% (vs. JMFe of 27.0% and 27.7% in 1QFY24) and chemicals revenues were also lower at INR 14.2bn (vs. JMFe of INR 15.4bn) (down 14%/22% QoQ/YoY). Weakness in the chemicals business was on account of tepid ref gas demand and destocking and inventory rationalization in specialty chemicals. However, management indicated that they have started seeing positive traction in the chemicals business which should bode well for a better 2HFY24.
- Packaging films business saw some positive uptick:** Packaging films EBIT was above our expectation and came in at INR 773mn (vs. JMFe of INR 670mn) as packaging films margin were higher at 6.9% (vs. JMFe of 6.0% and 4.7% in 1QFY24) and packaging films revenues were in-line at INR 11.2bn).
- Maintain BUY with Dec'24 TP of INR 3,040:** To factor in 2QFY24 performance, inventory unwinding phenomena in agrochemicals, and no major improvement in packaging films business, we cut our FY24/25/26 EBITDA estimates by 18%/14%/11% and EPS estimates by ~22%/14%/11%. We maintain BUY with our SOTP-based Dec'24 TP of INR 3,040 (from Sep'24 TP of INR 3,245 earlier).

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,040
Upside/(Downside)	39.4%
Previous Price Target	3,245
Change	-6.3%

Key Data – SRF IN

Current Market Price	INR2,181
Market cap (bn)	INR646.6/US\$7.8
Free Float	45%
Shares in issue (mn)	296.2
Diluted share (mn)	296.2
3-mon avg daily val (mn)	INR1,110.1/US\$13.3
52-week range	2,640/2,040
Sensex/Nifty	64,113/19,141
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	-3.0	-14.1	-12.6
Relative*	-0.4	-18.1	-17.1

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	123,128	145,918	144,662	172,056	201,184
Sales Growth (%)	48.4	18.5	-0.9	18.9	16.9
EBITDA	31,759	35,292	32,007	40,928	50,439
EBITDA Margin (%)	25.5	23.7	22.1	23.8	25.1
Adjusted Net Profit	18,889	21,623	17,472	22,907	28,810
Diluted EPS (INR)	63.8	73.0	59.0	77.3	97.3
Diluted EPS Growth (%)	57.6	14.5	-19.2	31.1	25.8
ROIC (%)	19.0	18.2	12.7	14.3	15.7
ROE (%)	24.5	22.9	15.7	17.8	19.0
P/E (x)	34.2	29.9	37.0	28.2	22.4
P/B (x)	7.5	6.3	5.4	4.6	3.9
EV/EBITDA (x)	21.2	19.2	21.3	16.8	13.5
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.5

Source: Company data, JM Financial. Note: Valuations as of 30/Oct/2023

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

2QFY24 Result Review

Key takeaways from post-results conference call

- **Single digit revenue growth likely for specialty chemicals in FY24E:** Despite the challenges faced in fluorospecialty business in 1HFY24, management indicated that they would be able to achieve single-digit growth in fluorospecialty business in FY24. Moreover, it was also indicated that the new products would contribute to a certain extent in this growth. However, major contribution from these new products would be seen in FY25.
- **Aim to achieve positive HFC volume growth in CY24:** Management indicated that for their key customers in the US, company has already tied up HFC volumes for CY24. Considering non-contracted volumes, company would look to sell higher HFC volumes in the US market in CY24 (compared to CY23). Moreover, company has also frozen some of the volumes for CY25 as well. On a revenue basis, FY24 fluorochemicals revenue could be down YoY even after considering PTFE contribution.
- **Capex in the range of INR 29-30bn for FY24 as well as FY25:** Management is going to continue with its capex plans and new product launches. During FY24 and FY25, of the total INR 29-30bn capex, 85% would be for the chemicals business.
- **PTFE plant finally commercialised:** After delay of more than a year, management expects to produce around 100-150 MTPA per month in 4QFY24 and anticipates full ramp-up of in the next two years.
- **Chemicals EBIT margins should not be looked on annualised basis:** Per the management, on an annualised basis, 26-30% EBIT margin in the overall chemicals business seems an achievable number.

Exhibit 1. SRF's quarterly financial snapshot

Consolidated (INR mn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	2QFY24E	% YoY	% QoQ	% diff vs. JMFe
Net Sales	26,994	28,390	33,459	35,494	38,947	37,278	34,697	37,781	33,384	31,774	32,903	-15%	-5%	-3%
COGS	13,317	14,301	16,414	16,637	18,578	19,529	16,944	18,884	17,005	16,201	16,879	-17%	-5%	
Gross Profit	13,677	14,089	17,045	18,857	20,370	17,749	17,753	18,897	16,379	15,573	16,024	-12%	-5%	-3%
Gross Margin	50.7%	49.6%	50.9%	53.1%	52.3%	47.6%	51.2%	50.0%	49.1%	49.0%	48.7%	140bps	-5bps	
Employee cost	1,820	1,777	2,068	2,135	1,942	1,953	2,102	2,142	2,180	2,266	2,200	16%	4%	3%
Employee cost as % of sales	6.7%	6.3%	6.2%	6.0%	5.0%	5.2%	6.1%	5.7%	6.5%	7.1%	6.7%	189bps	60bps	
Other expenditure	5,213	5,768	6,498	7,356	8,229	7,744	7,166	7,159	6,999	6,854	7,000	-11%	-2%	-2%
Other expenditure as % of sales	19.3%	20.3%	19.4%	20.7%	21.1%	20.8%	20.7%	18.9%	21.0%	21.6%	21.3%	80bps	60bps	
EBIDTA	6,644	6,544	8,479	9,366	10,198	8,052	8,486	9,596	7,200	6,453	6,824	-20%	-10%	-5%
EBITDA Margin	24.6%	23.0%	25.3%	26.4%	26.2%	21.6%	24.5%	25.4%	21.6%	20.3%	20.7%	-129bps	-126bps	
Depreciation	1,230	1,303	1,324	1,316	1,307	1,393	1,507	1,546	1,566	1,612	1,550	16%	3%	
EBIT	5,414	5,241	7,155	8,050	8,891	6,659	6,979	8,050	5,634	4,841	5,274	-27%	-14%	-8%
Other Income	210	317	442	186	-150	-33	-50	-57	-120	100	-30	-400%	-184%	
Interest expense	275	234	294	357	325	445	620	659	656	793	670	78%	21%	
PBT	5,349	5,324	7,303	7,879	8,416	6,181	6,309	7,334	4,858	4,148	4,574	-33%	-15%	
Tax	1,396	1,500	2,247	1,823	2,336	1,371	1,200	1,709	1,265	1,140	1,143	-17%	-10%	
PAT	3,953	3,825	5,055	6,057	6,080	4,810	5,109	5,625	3,593	3,008	3,430	-37%	-16%	-12%
Basic EPS (INR)	13	13	17	20	21	16	17	19	12.1	10.1	11.6			
Tax rate	26%	28%	31%	23%	28%	22%	19%	23%	26%	27%	25%			

Source: Company, JM Financial

Exhibit 2. SRF's quarterly operational snapshot

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	2QFY24E	% YoY	% QoQ	% diff vs. JMFe
Segment wise revenue (INR mn)														
Technical Textile	4,929	5,579	5,378	4,967	5,710	4,662	4,259	4,307	4,647	5,062	4,693	9%	9%	8%
Chemicals & Polymer	11,137	11,264	14,283	15,725	17,224	18,302	17,566	21,017	16,605	14,263	15,443	-22%	-14%	-8%
Packaging Films	10,413	10,717	12,760	13,902	14,960	13,310	12,027	11,531	10,948	11,215	11,167	-16%	2%	0%
Others	536	863	1,071	934	1,056	1,004	923	943	1,187	1,269	1,150	26%	7%	10%
Total revenue from operations	27,015	28,423	33,491	35,527	38,951	37,278	34,776	37,797	33,387	31,808	32,453	-15%	-5%	-2%
Segment wise revenue contribution (%)														
Technical Textile	18%	20%	16%	14%	15%	13%	12%	11%	14%	16%	14%			
Chemicals & Polymer	41%	40%	43%	44%	44%	49%	51%	56%	50%	45%	48%			
Packaging Films	39%	38%	38%	39%	38%	36%	35%	31%	33%	35%	34%			
Others	2%	3%	3%	3%	3%	3%	3%	2%	4%	4%	4%			
Total revenue from operations	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%			
Segment wise EBIT (INR mn)														
Technical Textile	1,337	1,328	1,135	914	1,162	629	342	484	607	750	563	19%	24%	33%
Chemicals & Polymer	2,223	2,511	4,192	5,043	5,202	5,173	5,639	7,393	4,601	3,478	4,170	-33%	-24%	-17%
Packaging Films	2,368	1,795	2,542	2,758	2,952	1,014	1,186	410	513	773	670	-24%	51%	15%
Others	19	58	86	41	68	76	91	113	232	331	173	336%	43%	92%
Total EBIT	5,947	5,692	7,955	8,757	9,384	6,892	7,259	8,399	5,952	5,331	5,575	-23%	-10%	-4%
Segment wise EBIT contribution (%)														
Technical Textile	22%	23%	14%	10%	12%	9%	5%	6%	10%	14%	10%			
Chemicals & Polymer	37%	44%	53%	58%	55%	75%	78%	88%	77%	65%	75%			
Packaging Films	40%	32%	32%	32%	31%	15%	16%	5%	9%	14%	12%			
Others	0%	1%	1%	0%	1%	1%	1%	1%	4%	6%	3%			
Total EBIT	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%			
Segment wise EBIT margins														
Technical Textile	27%	24%	21%	18%	20%	13%	8%	11%	13%	15%	12%			
Chemicals & Polymer	20%	22%	29%	32.1%	30.2%	28.3%	32.1%	35.2%	27.7%	24.4%	27.0%			
Packaging Films	23%	17%	20%	20%	19.7%	7.6%	9.9%	3.6%	4.7%	6.9%	6.0%			
Others	4%	7%	8%	4%	6%	8%	10%	12%	20%	26%	15%			
Total EBIT	22%	20%	24%	25%	24%	18%	21%	22%	18%	17%	17%			

Source: Company, JM Financial

Assumptions and Estimates

Exhibit 3. Key Assumptions

INR mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Segment revenues									
Technical textiles	18,388	17,349	13,576	12,401	20,852	18,939	19,873	21,264	22,753
Chemicals	16,114	24,454	29,750	36,447	52,408	74,109	72,532	88,319	105,732
Packaging films	17,823	26,533	26,040	32,917	47,792	51,828	48,035	58,035	68,035
Others	4,573	2,716	2,783	2,320	3,403	3,926	4,320	4,536	4,763
Unallocated	49	57	54	87	119	99	99	99	99
Total	56,849	70,996	72,094	83,998	124,337	148,703	144,662	172,056	201,184
YoY growth (%)									
Technical textiles	-9%	-6%	-22%	-9%	68%	-9%	5%	7%	7%
Chemicals	-6%	52%	22%	23%	44%	41%	-2%	22%	20%
Packaging films	26%	49%	-2%	26%	45%	8%	-7%	21%	17%
Others	526%	-41%	2%	-17%	47%	15%	10%	5%	5%
Unallocated	15%	16%	-5%	61%	37%	-17%	0%	0%	0%
Total	9%	25%	2%	17%	48%	20%	-3%	19%	17%
Revenue contribution (%)									
Technical textiles	32%	24%	19%	15%	17%	13%	14%	12%	11%
Chemicals	28%	34%	41%	43%	42%	50%	50%	51%	53%
Packaging films	31%	37%	36%	39%	38%	35%	33%	34%	34%
Others	8%	4%	4%	3%	3%	3%	3%	3%	2%
Unallocated	0%	0%	0%	0%	0%	0%	0%	0%	0%
Segmental EBIT									
Technical textiles	2,529	2,615	1,515	1,769	4,714	2,617	2,584	2,764	2,958
Chemicals	2,694	3,843	5,115	7,281	13,969	23,407	20,309	24,729	29,605
Packaging films	2,298	4,115	5,556	8,977	9,463	5,562	3,362	5,804	9,525
Others	444	218	318	256	204	348	302	318	333
Total	7,964	10,790	12,504	18,283	28,350	31,934	26,557	33,615	42,421
EBIT margins (%)									
Technical textiles	13.8%	15.1%	11.2%	14.3%	22.6%	13.8%	13.0%	13.0%	13.0%
Chemicals	16.7%	15.7%	17.2%	20.0%	26.7%	31.6%	28.0%	28.0%	28.0%
Packaging films	12.9%	15.5%	21.3%	27.3%	19.8%	10.7%	7.0%	10.0%	14.0%
Others	9.7%	8.0%	11.4%	11.0%	6.0%	8.9%	7.0%	7.0%	7.0%
Total	14.0%	15.2%	17.3%	21.8%	22.8%	21.5%	18.4%	19.5%	21.1%

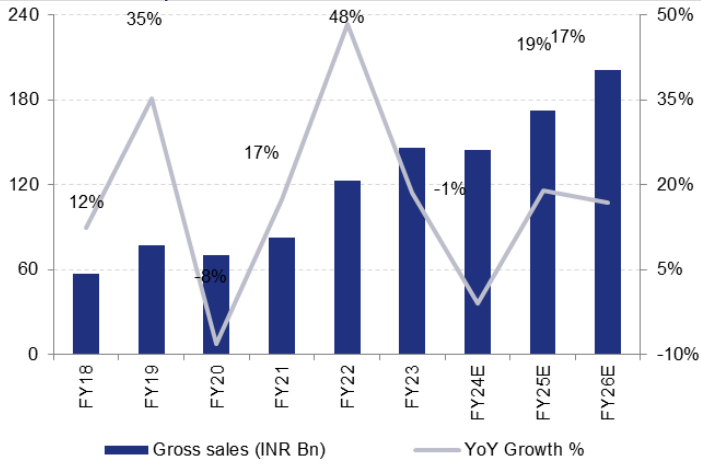
Source: Company, JM Financial

Exhibit 4. Change in Estimates

	New	Old	Difference
Revenue (INR Mn)			
FY24	144,662	158,996	-9.0%
FY25	172,056	186,390	-7.7%
FY26	201,184	220,018	-8.6%
EBITDA (INR Mn)			
FY24	32,007	39,174	-18.3%
FY25	40,928	47,307	-13.5%
FY26	50,439	56,900	-11.4%
PAT (INR Mn)			
FY24	17,472	22,409	-22.0%
FY25	22,907	26,485	-13.5%
FY26	28,810	32,232	-10.6%
EPS (INR)			
FY24	59	76	-22.0%
FY25	77	89	-13.5%
FY26	97	109	-10.6%

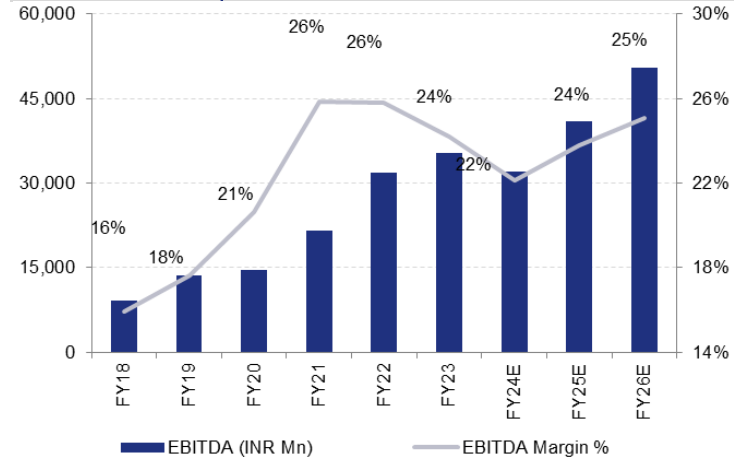
Source: JM Financial

Exhibit 5. Sales expected to see 11% CAGR over FY23-26E



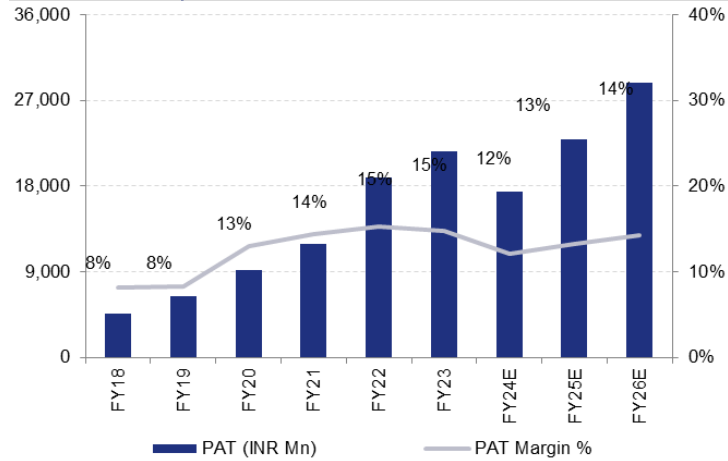
Source: Company, JM Financial

Exhibit 6. EBITDA expected to see 13% CAGR over FY23-26E



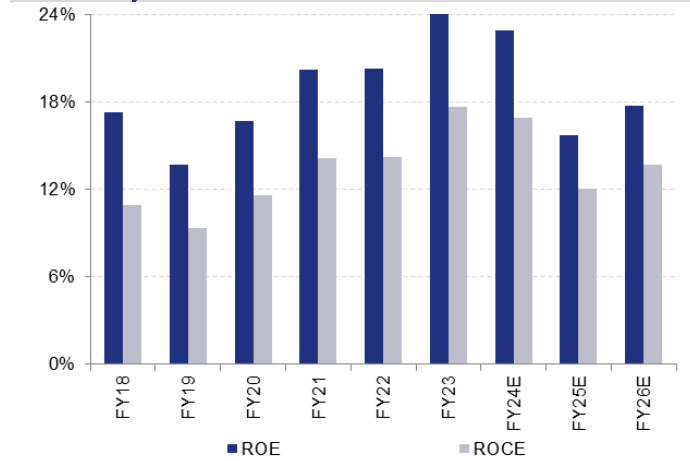
Source: Company, JM Financial

Exhibit 7. PAT expected to see 10% CAGR over FY23-26E



Source: Company, JM Financial

Exhibit 8. SRF's RoCE likely to be relatively stable despite rising capex intensity



Source: Company, JM Financial

Valuation

Exhibit 9. Our Dec'25 TP for SRF stands at INR 3,040/share

Segments	Dec'25 EBITDA (INR bn)	EV/EBITDA multiple (x)	Value (INR bn)		Value (INR/share)	
Technical Textile Business	4	6	22	75		
Chemicals Business	34	25	844	2,848		
Packaging Films Business	11	6	68	230		
Others	1	6	5	16		
Total Business EBITDA	50		939	3,169		
Less: Gross Debt			52	175		
Add: Cash & Cash Equivalents			14	46		
TP			900	3,040		
Dec'25E consolidated EPS				92		
Implied P/E multiple				33		

Source: JM Financial

Exhibit 10. SRF is currently trading at ~26x 1-year forward consensus P/E multiple



Source: Company, JM Financial

Exhibit 11. Chemical companies peer valuation

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
SRF	BUY	2,181	3,040	29.9	37.0	28.2	22.4	6.3	5.4	4.6	3.9	19.2	21.3	16.8	13.5	22.9	15.7	17.8	19.0
UPL	BUY	539	880	12.8	12.7	10.6	9.3	1.6	1.5	1.3	1.2	6.8	6.5	6.0	5.6	13.6	12.0	13.1	13.4
PI Industries	BUY	3,352	4,250	46.0	38.3	32.1	26.7	7.8	6.5	5.4	4.5	34.4	26.8	22.2	18.4	18.4	18.5	18.4	18.3
Deepak Nitrite	BUY	1,991	2,535	34.2	34.4	24.8	20.5	7.1	5.9	4.8	3.9	22.3	22.0	15.9	13.1	22.9	18.8	21.3	20.9
Clean Science	BUY	1,304	1,995	50.8	48.2	36.8	28.0	14.9	11.4	8.8	6.7	36.5	34.8	25.4	19.6	33.2	26.8	27.0	27.2
Navin Fluorine	BUY	3,424	5,665	60.1	42.7	33.1	25.7	10.3	8.7	7.2	5.9	42.1	32.2	25.5	20.8	18.6	22.1	23.8	25.1
Fine Organics	SELL	4,588	3,135	26.4	42.9	49.9	47.7	10.3	8.6	7.6	6.8	19.4	28.1	31.5	29.5	47.6	21.9	16.2	15.0
Galaxy Surfactants	HOLD	2,606	2,685	24.2	26.4	25.8	24.6	4.9	4.1	3.6	3.1	16.3	16.9	15.9	14.7	22.0	17.0	14.8	13.5
Aether Industries	BUY	861	1,110	86.6	68.5	48.0	35.5	9.1	5.6	5.0	4.4	60.1	43.7	30.8	23.2	16.0	10.3	10.9	13.1
Anupam Rasayan	HOLD	878	1,080	52.3	37.2	27.7	21.2	4.0	3.6	3.1	2.7	21.3	18.3	14.5	11.5	8.8	10.1	12.0	13.8
Archean Chemicals	BUY	594	735	17.3	15.2	10.8	8.9	4.6	3.8	2.8	2.2	11.3	9.8	6.6	4.8	45.2	28.9	30.2	27.5
Tatva Chintan Pharma Chem	HOLD	1,516	1,530	73.1	55.8	38.0	28.8	7.0	6.3	5.4	4.7	61.3	33.7	24.0	19.1	9.9	11.8	15.3	17.4
India Pesticides	HOLD	278	200	23.2	27.4	24.5	21.2	4.3	3.7	3.3	2.8	16.6	18.3	16.1	13.8	20.3	14.6	14.2	14.3

Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	123,128	145,918	144,662	172,056	201,184
Sales Growth	48.4%	18.5%	-0.9%	18.9%	16.9%
Other Operating Income	1,209	2,784	0	0	0
Total Revenue	124,337	148,703	144,662	172,056	201,184
Cost of Goods Sold/Op. Exp	61,711	71,252	72,331	84,307	97,574
Personnel Cost	7,800	8,138	9,115	10,208	11,433
Other Expenses	23,067	34,020	31,209	36,612	41,738
EBITDA	31,759	35,292	32,007	40,928	50,439
EBITDA Margin	25.5%	23.7%	22.1%	23.8%	25.1%
EBITDA Growth	48.0%	11.1%	-9.3%	27.9%	23.2%
Depn. & Amort.	5,172	5,753	7,359	8,883	10,473
EBIT	26,587	29,539	24,648	32,045	39,966
Other Income	428	749	900	900	1,000
Finance Cost	1,159	2,048	2,252	2,402	2,552
PBT before Excep. & Forex	25,856	28,240	23,296	30,543	38,414
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	25,856	28,240	23,296	30,543	38,414
Taxes	6,966	6,617	5,824	7,636	9,603
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	18,889	21,623	17,472	22,907	28,810
Adjusted Net Profit	18,889	21,623	17,472	22,907	28,810
Net Margin	15.2%	14.5%	12.1%	13.3%	14.3%
Diluted Share Cap. (mn)	296.2	296.2	296.2	296.2	296.2
Diluted EPS (INR)	63.8	73.0	59.0	77.3	97.3
Diluted EPS Growth	57.6%	14.5%	-19.2%	31.1%	25.8%
Total Dividend + Tax	2,117	2,133	2,009	2,634	3,313
Dividend Per Share (INR)	7.1	7.2	6.8	8.9	11.2

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	25,856	28,240	23,296	30,543	38,414
Depn. & Amort.	5,172	5,753	7,359	9,678	11,268
Net Interest Exp. / Inc. (-)	1,159	2,048	2,252	2,402	2,552
Inc (-) / Dec in WCap.	-6,645	-559	157	-3,433	-3,650
Others	-469	-1,388	0	0	0
Taxes Paid	-4,016	-5,077	-5,824	-7,636	-9,603
Operating Cash Flow	21,057	29,017	27,241	31,555	38,980
Capex	-18,321	-28,382	-27,500	-30,000	-30,000
Free Cash Flow	2,737	635	-259	1,555	8,980
Inc (-) / Dec in Investments	1,028	-1,642	0	0	0
Others	1,416	410	0	0	0
Investing Cash Flow	-15,877	-29,614	-27,500	-30,000	-30,000
Inc / Dec (-) in Capital	2	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	622	1,736	3,000	3,000	3,000
Others	-2,669	459	-4,261	-5,036	-5,865
Financing Cash Flow	-2,058	2,196	-1,261	-2,036	-2,865
Inc / Dec (-) in Cash	3,122	1,599	-1,521	-482	6,115
Opening Cash Balance	1,383	4,481	6,080	4,560	4,078
Closing Cash Balance	4,505	6,080	4,560	4,078	10,193

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	85,654	103,271	118,733	139,006	164,503
Share Capital	2,974	2,974	2,974	2,974	2,974
Reserves & Surplus	82,679	100,296	115,759	136,032	161,529
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	35,394	43,541	46,541	49,541	52,541
Def. Tax Liab. / Assets (-)	6,659	7,906	7,906	7,906	7,906
Total - Equity & Liab.	127,706	154,717	173,179	196,452	224,949
Net Fixed Assets	98,416	121,681	141,822	162,144	180,875
Gross Fixed Assets	104,017	125,108	152,608	182,608	212,608
Intangible Assets	1,194	1,147	1,147	1,147	1,147
Less: Depn. & Amort.	23,512	28,630	35,989	45,667	56,936
Capital WIP	16,716	24,055	24,055	24,055	24,055
Investments	3,209	5,027	5,027	5,027	5,027
Current Assets	56,026	60,651	58,781	65,921	80,140
Inventories	21,385	22,743	22,547	26,817	31,357
Sundry Debtors	17,925	17,856	17,702	21,055	24,619
Cash & Bank Balances	4,594	6,080	4,560	4,078	10,193
Loans & Advances	2,346	2,459	2,459	2,459	2,459
Other Current Assets	9,776	11,513	11,513	11,513	11,513
Current Liab. & Prov.	29,944	32,642	32,450	36,639	41,093
Current Liabilities	23,850	25,606	25,414	29,603	34,057
Provisions & Others	6,095	7,036	7,036	7,036	7,036
Net Current Assets	26,081	28,009	26,331	29,282	39,047
Total - Assets	127,706	154,717	173,180	196,453	224,950

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	15.2%	14.5%	12.1%	13.3%	14.3%
Asset Turnover (x)	1.1	1.0	0.9	0.9	0.9
Leverage Factor (x)	1.5	1.5	1.5	1.5	1.4
RoE	24.5%	22.9%	15.7%	17.8%	19.0%

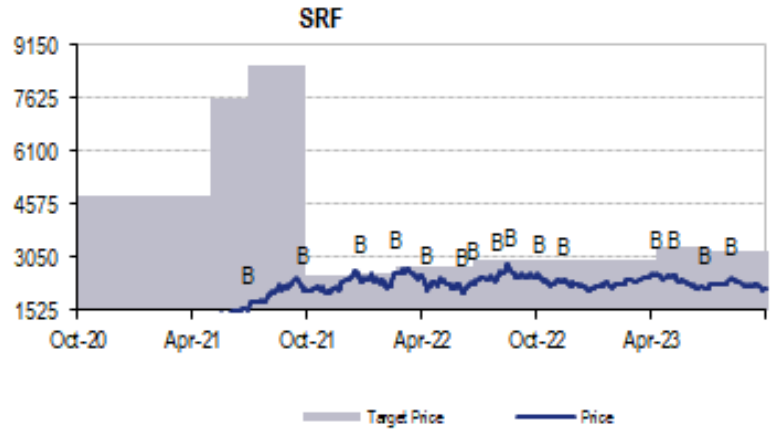
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	289.1	348.6	400.8	469.3	555.3
ROIC	19.0%	18.2%	12.7%	14.3%	15.7%
ROE	24.5%	22.9%	15.7%	17.8%	19.0%
Net Debt/Equity (x)	0.3	0.3	0.3	0.3	0.2
P/E (x)	34.2	29.9	37.0	28.2	22.4
P/B (x)	7.5	6.3	5.4	4.6	3.9
EV/EBITDA (x)	21.2	19.2	21.3	16.8	13.5
EV/Sales (x)	5.4	4.6	4.7	4.0	3.4
Debtor days	53	44	45	45	45
Inventory days	63	56	57	57	57
Creditor days	83	72	72	73	74

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Jun-20	Hold	3,100	
16-Jun-20	Hold	3,100	0.0
4-Sep-20	Hold	4,800	54.9
31-May-21	Buy	7,600	58.3
29-Jul-21	Buy	8,565	12.7
26-Oct-21	Buy	2,530	-70.5
25-Jan-22	Buy	2,575	1.8
20-Mar-22	Buy	2,765	7.4
10-May-22	Buy	2,765	0.0
5-Jul-22	Buy	2,765	0.0
22-Jul-22	Buy	3,000	8.5
30-Aug-22	Buy	3,000	0.0
21-Sep-22	Buy	3,000	0.0
6-Nov-22	Buy	3,000	0.0
14-Dec-22	Buy	3,000	0.0
10-May-23	Buy	3,380	12.7
7-Jun-23	Buy	3,380	0.0
25-Jul-23	Buy	3,245	-4.0
5-Sep-23	Buy	3,245	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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