

Asian Paints

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

CMP: INR2,960 TP: INR3,100 (+5%) Neutral

Muted sales growth; demand improving further

| | |
|-----------------------|---------------|
| Bloomberg | APNT IN |
| Equity Shares (m) | 959 |
| M.Cap.(INRb)/(USD\$b) | 2839.5 / 34.1 |
| 52-Week Range (INR) | 3568 / 2686 |
| 1, 6, 12 Rel. Per (%) | -6/-4/-11 |
| 12M Avg Val (INR M) | 3011 |

Financials & Valuations (INR b)

| Y/E March | 2023 | 2024E | 2025E |
|-----------------|-------|-------|-------|
| Sales | 344.9 | 375.6 | 420.1 |
| Sales Gr. (%) | 18.5 | 8.9 | 11.8 |
| EBITDA | 62.6 | 75.4 | 87.9 |
| EBIT Margin (%) | 18.2 | 20.1 | 20.9 |
| Adj. PAT | 42.4 | 52.3 | 59.1 |
| Adj. EPS (INR) | 44.2 | 54.5 | 61.6 |
| EPS Gr. (%) | 32.6 | 23.2 | 13.0 |
| BV/Sh.(INR) | 166.7 | 177.0 | 197.5 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 28.5 | 31.7 | 32.9 |
| RoCE (%) | 24.4 | 27.7 | 29.0 |
| Payout (%) | 58.0 | 80.7 | 66.6 |

Valuation

| | | | |
|----------------|------|------|------|
| P/E (x) | 66.9 | 54.3 | 48.0 |
| P/BV (x) | 17.7 | 16.7 | 15.0 |
| EV/EBITDA (x) | 44.7 | 37.0 | 31.6 |
| Div. Yield (%) | 0.9 | 1.5 | 1.4 |

Shareholding pattern (%)

| As On | Sep-23 | Jun-23 | Sep-22 |
|----------|--------|--------|--------|
| Promoter | 52.6 | 52.6 | 52.6 |
| DII | 10.1 | 10.1 | 8.8 |
| FII | 17.7 | 17.5 | 18.6 |
| Others | 19.6 | 19.8 | 20.0 |

FII Includes depository receipts

- APNT reported volume growth of 6% in 2QFY24 (est. 8%). The management highlighted a top-line moderation, citing weakened consumer sentiment and emphasizing the sensitivity of demand growth to unpredictable rainfall patterns. Additionally, a decline in demand was observed in rural markets, with urban centers showing better performance than their rural counterparts.
- Gross margins currently reside at the highest levels observed in the last 10 quarters. However, looking ahead, there is an anticipation of potential upward movement in input costs. This is influenced by larger geopolitical factors and currency fluctuations, particularly expecting an upswing in material prices, especially those derived from crude.
- The management has given guidance for the EBITDA margin to be in the range of 18-20%. Management expresses optimism for an extended festival season, foreseeing a rise in rural growth in 2HFY24, buoyed by expectations of a bountiful harvest and an improving economy, supported by effective government spending. APNT's valuations are fair at 54x FY24E and 48x FY25E EPS. **We retain our Neutral rating with a TP of INR3,100 (based on 50x FY25E EPS).**

Miss on sales; margin expansion led profit growth

- Asian Paints reported consol net sales of INR84.8b with flat YoY growth (est. INR90.8b).
- Volumes grew 6% YoY (est. +8%) in the domestic Decorative paints business.
- Gross margins expanded 760bp/40bp YoY/QoQ to 43.4%. (est. 42.2%)
- As a percentage of sales, higher employee costs (up 100bp YoY) and other expenses (up 90bp YoY) led **EBITDA margin expanded by ~570bp YoY to 20.2%** (est. 19.8%).
- EBITDA grew 39.8% YoY to INR17.2b (est. INR18.0b).
- PBT also grew 51.3% YoY to INR16.2b (est. INR16.3b).
- Adj. PAT grew 53.3% YoY to INR12.3b (est. INR12.0b).
- **In 1HFY24**, Net sales/EBITDA/adj. PAT growth stood at 3.5%/37.9%/50.6% YoY.
- The board has declared an Interim dividend of INR 5.15.

Key highlights from the management commentary

- APNT's top-line witnessed a moderation in growth due to unpredictable rainfall patterns, which impacted overall demand and retail sentiment. This, in turn, influenced stocking decisions and contributed to the evaluation of the affected demand for the quarter.
- The current product mix lays emphasis on a larger economy range, with notable traction in premium and luxury products, particularly in Sep'23.

Pratik Bipinchandra Prajapati – Research Analyst (pratik.prajapati@motilaloswal.com)

Tanu Jindal – Research Analyst (Tanu.Jindal@MotilalOswal.com)

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Rural and urban centers showed different behaviors, with urban centers performing better in the current quarter.
- The management is committed to maintaining EBITDA margins within the established band of 18%-20%.
- The distribution footprint expanded, reaching over ~1.6 lakh retail touchpoints, with an addition of 2,500 in 2QFY24.

Valuation and view

- Changes to our model have resulted in a 3.1%/0.6% decline in our EPS forecast for FY24/FY25. The management highlighted the adverse impact of erratic rainfall on demand. Additionally, with input costs on the rise, the margin gains in 2HFY24 are not expected to mirror those seen in 1HFY24.
- With the entry of new players with deep pockets and massive commitments to investments, the overall industry may see a shift in demand and margin structure due to heightened competition. We remain cautious as the paints segment may not enjoy higher multiples of the past. It needs to be noted that re-rating was a bigger driver of stock price appreciation for APNT over the past five to six years, as the earnings CAGR has been in the 10-12% range.
- We have assumed FY24/FY25 EBITDA margins at the top end of the management's guidance. While improving margins would lead to better ROCE, new capex plans might dilute it. While we have taken a higher EBITDA/PAT CAGR trajectory at 18.5%/18.7% over FY23–FY25 – higher than the preceding 10-year average in the 13–14% range – valuations are rich at ~54x FY24E EPS and 48x FY25 EPS. **We reiterate our Neutral rating with a TP of INR3,100 (premised on 50x FY25E EPS).**

Quarterly Performance (Consol.)

| Y/E March | | | | | | | | | (INR b) | | | |
|---------------------------------|------|------|------|------|-------|------|------|------|---------|-------|-------|-------|
| | FY23 | | | | FY24E | | | | FY23 | FY24E | FY24E | Var. |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | (%) |
| Est. Dom. Deco. Vol. growth (%) | 37.0 | 10.0 | 0.0 | 16.0 | 10.0 | 6.0 | 11.0 | 10.0 | 14.0 | 9.3 | 8.0 | |
| Net Sales | 86.1 | 84.6 | 86.4 | 87.9 | 91.8 | 84.8 | 99.1 | 99.9 | 344.9 | 375.6 | 90.8 | -6.7% |
| Change (%) | 54.1 | 19.2 | 1.3 | 11.3 | 6.7 | 0.2 | 14.8 | 13.7 | 18.5 | 8.9 | 7.4 | |
| Gross Profit | 32.5 | 30.2 | 33.3 | 37.3 | 39.4 | 36.8 | 41.1 | 40.2 | 133.3 | 157.5 | 38.3 | |
| Gross Margin (%) | 37.7 | 35.7 | 38.6 | 42.5 | 42.9 | 43.4 | 41.5 | 40.3 | 38.7 | 41.9 | 42.2 | |
| EBITDA | 15.6 | 12.3 | 16.1 | 18.6 | 21.2 | 17.2 | 18.8 | 18.2 | 62.6 | 75.4 | 18.0 | -4.8% |
| Margin (%) | 18.1 | 14.5 | 18.7 | 21.2 | 23.1 | 20.2 | 18.9 | 18.2 | 18.2 | 20.1 | 19.8 | |
| Change (%) | 70.3 | 35.7 | 4.5 | 29.2 | 36.3 | 39.8 | 16.5 | -2.4 | 30.3 | 20.4 | 46.8 | |
| Interest | 0.3 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.2 | 1.4 | 1.6 | 0.4 | |
| Depreciation | 2.1 | 2.2 | 2.1 | 2.2 | 2.0 | 2.1 | 2.4 | 2.5 | 8.6 | 9.0 | 2.3 | |
| Other Income | 1.0 | 1.0 | 0.9 | 1.1 | 2.0 | 1.7 | 1.0 | 0.9 | 3.9 | 5.5 | 0.9 | |
| PBT | 14.2 | 10.7 | 14.4 | 17.1 | 20.7 | 16.2 | 17.0 | 16.4 | 56.4 | 70.3 | 16.3 | -0.4% |
| Tax | 3.7 | 2.9 | 3.8 | 4.5 | 5.3 | 4.2 | 4.6 | 4.2 | 14.9 | 18.3 | 4.3 | |
| Effective Tax Rate (%) | 26.1 | 27.1 | 26.4 | 26.4 | 25.6 | 25.8 | 26.8 | 25.9 | 26.5 | 26.0 | 26.5 | |
| Adjusted PAT | 10.6 | 8.0 | 11.0 | 12.8 | 15.7 | 12.3 | 12.5 | 11.8 | 42.4 | 52.3 | 12.0 | 3.0% |
| Change (%) | 84.6 | 32.8 | 6.4 | 29.6 | 48.5 | 53.3 | 13.5 | -8.2 | 32.6 | 23.2 | 48.8 | |

E: MOFSL Estimates

Key Performance Indicators (Consol.)

| Y/E March | FY23 | | | | FY24 | |
|---|-------------|------------|------------|-------------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
| Realization growth (%) | 17.1 | 9.2 | 1.3 | -4.7 | -3.3 | -5.8 |
| Average growth in the last two years (%) | | | | | | |
| Volume | 71.5 | 22.0 | 9.0 | 12.0 | 23.5 | 8.0 |
| Sales | 72.6 | 25.9 | 13.4 | 15.0 | 30.4 | 9.7 |
| EBITDA | 79.5 | 3.6 | -4.6 | 19.3 | 53.3 | 37.8 |
| PAT | 123.1 | 1.9 | -6.1 | 21.7 | 66.6 | 43.1 |
| Average growth in the last three years (%) | | | | | | |
| Volume | 35.0 | 18.3 | 17.0 | 24.0 | 51.0 | 16.7 |
| As a percentage of Sales | | | | | | |
| COGS | 62.3 | 64.3 | 61.4 | 57.5 | 57.1 | 56.6 |
| Operating Expenses | 19.6 | 21.2 | 19.9 | 21.3 | 19.8 | 23.1 |
| Depreciation | 2.4 | 2.6 | 2.5 | 2.5 | 2.2 | 2.5 |
| YoY change (%) | | | | | | |
| COGS | 55.9 | 17.4 | -1.6 | 4.4 | -2.3 | -11.7 |
| Operating Expenses | 37.0 | 14.9 | 8.0 | 16.0 | 7.8 | 9.3 |
| Other Income | 10.4 | -30.9 | 20.5 | 31.2 | 99.1 | 73.0 |
| EBIT | 89.0 | 44.2 | 4.7 | 32.8 | 42.7 | 49.0 |

E: MOFSL Estimates

Standalone performance

- Standalone net sale was flat YoY at INR73.4b.
- Gross margin expanded 820bp YoY at 44.1% and EBITDA margin expanded 640bp YoY to 21.6%.
- EBITDA grew 42.1% to INR15.8b.
- PBT grew 52% YoY to INR15.5b.
- Adj. PAT grew 52% YoY to INR11.6b.
- **In 1HFY24**, Net sales/EBITDA/adj. PAT growth stood at 3.6%/39%/49.9% YoY.

Quarterly Performance (Standalone)

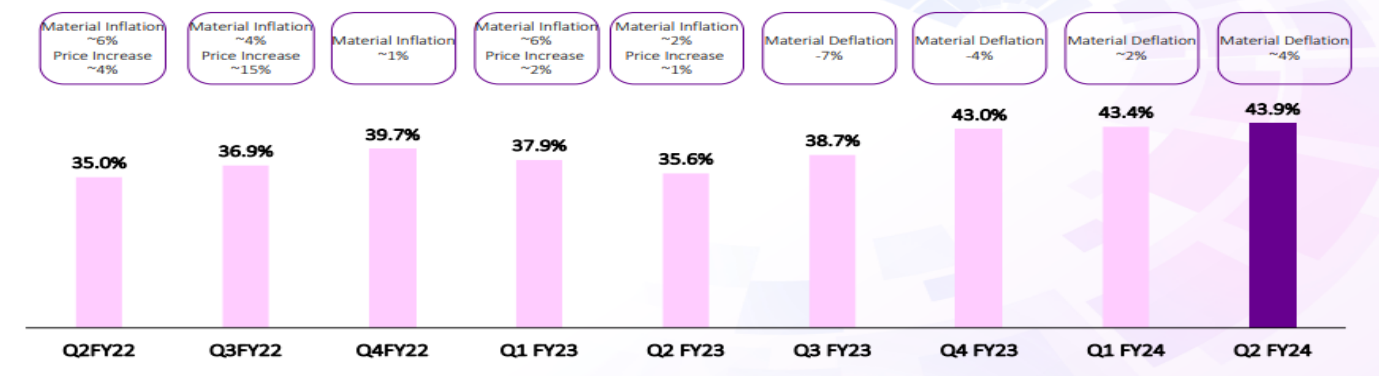
(INR b)

| Y/E March | FY23 | | | | FY24 | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
| Net Sales | 75.9 | 73.4 | 75.2 | 76.3 | 81.1 | 73.4 |
| Change (%) | 58.5 | 19.4 | 0.4 | 12.8 | 7.0 | 0.0 |
| Gross Profit | 28.9 | 26.4 | 29.3 | 33.0 | 35.4 | 32.4 |
| Gross Margin (%) | 38.1 | 35.9 | 38.9 | 43.2 | 43.6 | 44.1 |
| EBITDA | 14.6 | 11.2 | 14.9 | 17.5 | 20.0 | 15.8 |
| Margin (%) | 19.3 | 15.2 | 19.9 | 22.9 | 24.6 | 21.6 |
| Change (%) | 65.8 | 27.5 | 1.8 | 28.2 | 36.7 | 42.1 |
| Interest | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| Depreciation | 1.8 | 1.9 | 1.9 | 1.9 | 1.7 | 1.8 |
| Other Income | 1.1 | 1.2 | 1.6 | 1.2 | 2.2 | 1.7 |
| PBT | 13.7 | 10.2 | 14.4 | 16.5 | 20.2 | 15.5 |
| Tax | 3.6 | 2.6 | 3.6 | 4.2 | 5.1 | 3.9 |
| Effective Tax Rate (%) | 25.9 | 25.2 | 24.7 | 25.4 | 25.3 | 25.2 |
| Adjusted PAT | 10.2 | 7.6 | 10.9 | 12.3 | 15.1 | 11.6 |
| Change (%) | 70.7 | 23.4 | 6.4 | 29.4 | 48.3 | 52.0 |

Exhibit 1: Subsidiary quarterly performance overview

| INR m | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 |
|-------------------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
| Sales | 9,442.0 | 10,361.0 | 11,331.0 | 10,207.1 | 11,132.3 | 11,149.2 | 11,613.3 | 10,683.5 | 11,363.5 |
| Sales growth (%) | 14.6 | 13.2 | 15.5 | 27.7 | 17.9 | 7.6 | 2.5 | 4.7 | 2.1 |
| EBITDA | 295.0 | 741.0 | 806.0 | 933.7 | 1,121.5 | 1,166.7 | 1,171.7 | 1,215.3 | 1,314.9 |
| EBITDA margin (%) | 3.1 | 7.2 | 7.1 | 9.1 | 10.1 | 10.5 | 10.1 | 11.4 | 11.6 |
| PAT | (135.0) | 110.0 | 2,055.0 | 671.7 | 405.4 | 111.8 | 740.0 | 664.9 | 721.4 |

Sources: Company reports, MOFSL

Exhibit 2: Gross margins at a 10-quarter high due to sourcing and formulation efficiencies and lower raw material prices.

Sources: Company reports

CONFERENCE
CALL**Highlights from the management commentary****Performance and outlook**

- The top-line displayed moderate growth in the quarter, influenced by weak consumer sentiment.
- The unpredictability of rainfall adversely impacts overall demand and retail sentiment, influencing stocking decisions and creating multiple factors that contribute to the evaluation of the affected demand.
- Volume growth slowed to 6%, a significant deceleration from the previous quarter's double-digit figures. Despite this, the half-yearly performance showed a rebound with 8% growth, approaching double digits.
- The company maintains its commitment to a double-digit volume trajectory over a four-year CAGR basis, supported by strong CAGR levels of about 15% for both volume and value, with specific segments exhibiting even higher growth at ~16%.
- Rural and urban centers showed different behaviors, with urban centers performing better in the current quarter.
- The current product mix is dominated by a larger economy range, although there is notable traction observed in premium and luxury products, especially in Sep'23.
- Strong growth in waterproofing in both retail and projects segments.
- Painting service, including safe painting and trusted contractor service, doubled in size, becoming globally the largest run by any company.
- Projects and institutions business remained strong despite disruptions from monsoons.
- The company is focused on innovation with new products contributing 11% to overall revenue.

- Distribution footprint expansion is reaching over 1.6 lakh retail touchpoints, with an addition of 2,500 in the 2QFY24.

Segmental highlights

- Home decor revenue currently accounts for 4% of the decorative revenue and now reached to '50 Beautiful home stores'
- The company recently launched new wallpapers in both the smart economy range and high-end luxury collections, including a range designed by Tilla Studio.
- The kitchen and bath business experienced a slower performance this quarter due to weak demand conditions and the lingering impact of last year's price increase. The focus is now on building overall profitability in the kitchen and bath segment through operational efficiencies.
- White Teak, specializing in decorative and designer lights, and Weatherseal, known for uPVC windows and doors, showcased strong performance. Weatherseal saw significant growth with network expansion, doubling its business value.
- The company introduced new products, such as System Aluminium, in the home decor segment.
- Industrial business, including auto refinishes and protective paints, maintains a strong growth trajectory.
- Overall coatings register a 1.1% growth in Q2, aided by industrial performance. The company has demonstrated consistent growth in the industrial business over the past three and a half years.

Cost and margins

- Material deflation of about 4% in the recent quarter contributed to strong margins. Gross margins stood at 43.9%, highest in the last 10 quarters.
- There has been a significant deflation in the last two quarters, with a 2% deflation in Q1 and a 4% deflation recently. This has had a positive impact on margins.
- The company is committed to maintaining EBITDA margins within the established band of 18% to 20%. This commitment is upheld through a steady and strategic approach involving price adjustments, discounts, and overall spending management.

Capex plans

- The company's significant Capex for capacity expansion and backward integration is progressing well, with a focus on achieving planned goals in the next two to three years.
- Progress on the white cement project in Fujairah UAE, remains on schedule, covering permissions, land acquisitions, and agreements. Equipment ordering is underway, and the project is expected to conclude by December 2025.
- Advancements are noted in the VAM and VAE project, with initial work on consultants, layouts, and permissions. The project is anticipated to be completed in the fourth quarter of 2026.
- Brownfield investments, including plant expansions in Khandala, and Ankleshwar, are on track, with the Ankleshwar expansion projected to conclude by December of the current year.

- The overall commitment to CapEx for Boeing and related projects is being efficiently utilized, with approximately 50% to 60% already spent.

International Business

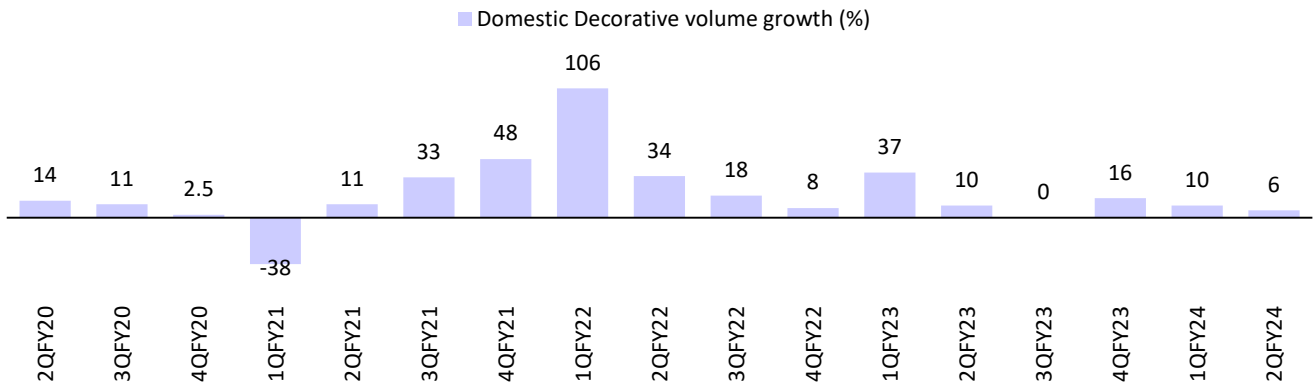
- The international business reported a sales de-growth of 3.9% in INR terms, but demonstrated a growth of 1.9% in constant currency (CC) terms.
- All regions in the Middle East exhibited strong performance, achieving double-digit growth, and there was notable improvement in Sri Lanka.
- Persistent high inflation and currency devaluation in Egypt continued to exert pressure on the business.
- Sales in Nepal remained muted due to liquidity crunch, and there is an anticipation of ongoing macro uncertainty continuing to affect Bangladesh.

Other Points

- The organized industry is gaining traction as the customers seeking the assurance and comfort associated with established brands.
- Post-COVID, the unorganized sector has been notably affected, initially by supply chain disruptions and subsequently by a shift toward organized brands from the customer perspective.
- Erratic rainfall affects both interior and exterior painting segments, as customers tend to avoid painting during unpredictable weather conditions.
- B2B projects, especially for larger buildings, may experience delays as builders prefer painting during clear periods.

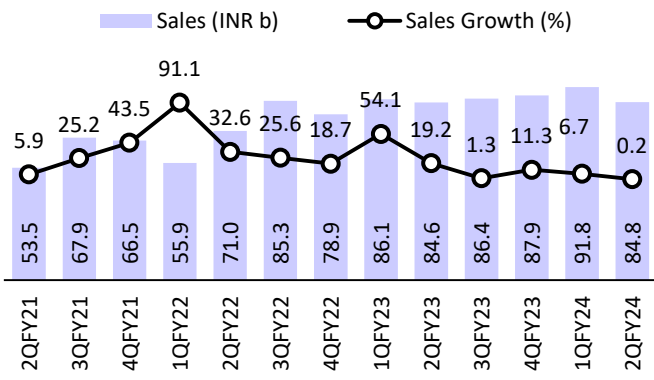
Key exhibits

Exhibit 3: Volume growth stood at 6% YoY in 2QFY24



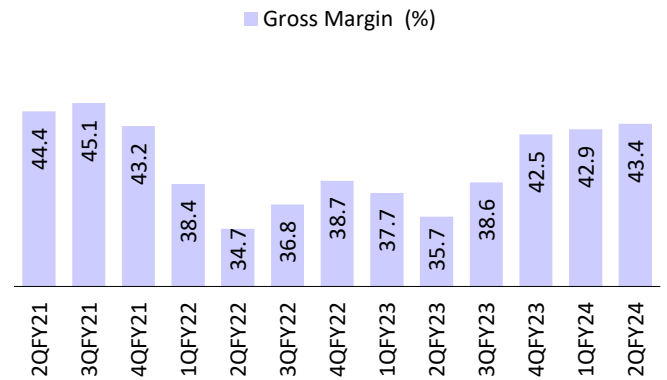
Sources: Company reports

Exhibit 4: Consolidated sales flat YoY to INR84.8b in 2QFY24



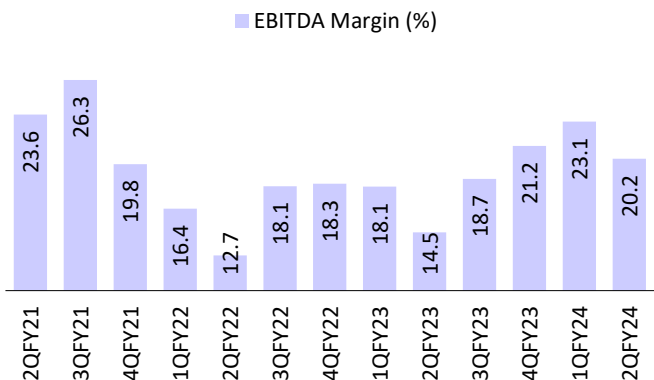
Sources: Company reports, MOFSL

Exhibit 5: Gross margin expanded 760bp YoY in 2QFY24



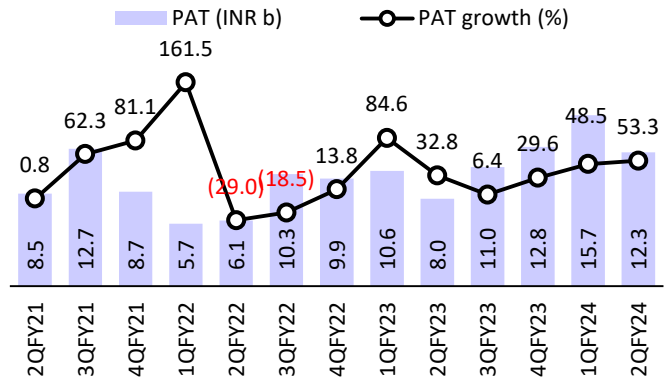
Sources: Company reports, MOFSL

Exhibit 6: EBITDA margin expanded 570bp YoY to 20.2% in 1QFY24



Sources: Company reports, MOFSL

Exhibit 7: PAT grew 53.3% YoY to INR12.3b in 2QFY24



Sources: Company reports, MOFSL

Valuation and view

APNT has been a wealth creator in the past decade

- Despite having an already sizeable sales base of ~INR109b in FY13, APNT reported a sales/EBITDA/PAT CAGR of 12.2%/14.1%/14.3% for the decade ended in FY23.
- An expanding dealer network and an increased thrust on non-metro cities led to a faster shift from the unorganized Paints business, which still constitutes ~30% of the market.
- Categories such as Putty and Waterproofing have been the new growth engines for the company.

Trading at fair valuations

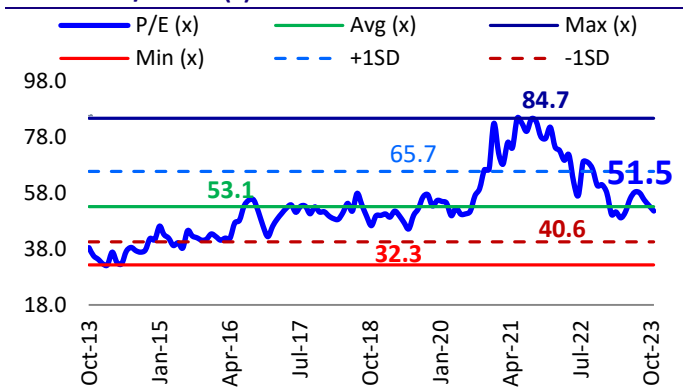
- Changes to our model have resulted in a 3.1%/0.6% decline in our EPS forecast for FY24/FY25. The management highlighted the adverse impact of erratic rainfall on demand. Additionally, with input costs on the rise, the margin gains in 2HFY24 are not expected to mirror those seen in 1HFY24.
- With the entry of new players with deep pockets and massive commitments to investments, the overall industry may see a shift in demand and margin structure due to heightened competition. We remain cautious as the paints segment may not enjoy higher multiples of the past. It needs to be noted that re-rating was a bigger driver of stock price appreciation for APNT over the past five to six years, as the earnings CAGR has been in the 10-12% range.
- We have assumed FY24/FY25 EBITDA margins at the top end of the management’s guidance. While improving margins would lead to better ROCE, new capex plans might dilute it. While we have taken a higher EBITDA/PAT CAGR trajectory at 18.5%/18.7% over FY23–FY25 – higher than the preceding 10-year average in the 13–14% range – valuations are rich at ~54x FY24E EPS and 48x FY25E EPS. **We reiterate our Neutral rating with a TP of INR3,100 (premised on 50x FY25E EPS).**

Exhibit 8: We cut our EPS estimate by ~3.1-0.6% for FY24/FY25

| INR b | New | | Old | | Change (%) | |
|--------|-------|-------|-------|-------|------------|-------|
| | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| Sales | 375.6 | 420.1 | 385.9 | 427.6 | -2.7 | -1.8 |
| EBITDA | 75.4 | 87.9 | 78.5 | 88.5 | -4.0 | -0.6 |
| PAT | 52.3 | 59.1 | 54.0 | 59.5 | -3.1 | -0.6 |

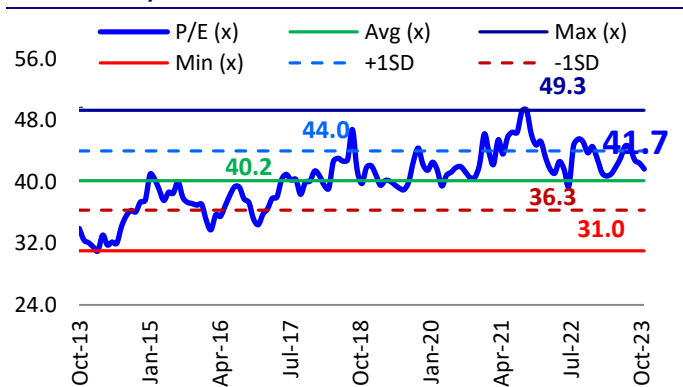
Sources: Company reports, MOFSL

Exhibit 9: P/E ratio (x) for APNT



Sources: Bloomberg, company reports, MOFSL

Exhibit 10: P/E ratio for the Consumer sector



Sources: Bloomberg, company reports, MOFSL

Financials and valuations

| Income Statement consol. | | | | | | | | | (INR b) |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Net Sales | 150.6 | 168.2 | 192.4 | 202.1 | 217.1 | 291.0 | 344.9 | 375.6 | 420.1 |
| Change (%) | 5.5 | 11.7 | 14.4 | 5.0 | 7.4 | 34.0 | 18.5 | 8.9 | 11.8 |
| Raw Materials | 83.3 | 96.9 | 112.6 | 113.8 | 121.0 | 183.0 | 211.6 | 218.1 | 239.5 |
| Gross Profit | 67.3 | 71.3 | 79.8 | 88.3 | 96.2 | 108.0 | 133.3 | 157.5 | 180.6 |
| Margin (%) | 44.7 | 42.4 | 41.5 | 43.7 | 44.3 | 37.1 | 38.7 | 41.9 | 43.0 |
| Operating Expenses | 37.5 | 39.4 | 42.1 | 46.7 | 47.6 | 60.0 | 70.7 | 82.2 | 92.7 |
| EBITDA | 29.9 | 32.0 | 37.7 | 41.6 | 48.6 | 48.0 | 62.6 | 75.4 | 87.9 |
| Change (%) | 7.8 | 7.1 | 17.8 | 10.5 | 16.7 | -1.1 | 30.3 | 20.4 | 16.7 |
| Margin (%) | 19.8 | 19.0 | 19.6 | 20.6 | 22.4 | 16.5 | 18.2 | 20.1 | 20.9 |
| Depreciation | 3.3 | 3.6 | 6.2 | 7.8 | 7.9 | 8.2 | 8.6 | 9.0 | 11.5 |
| Int. and Fin. Charges | 0.3 | 0.4 | 1.1 | 1.0 | 0.9 | 1.0 | 1.4 | 1.6 | 1.6 |
| Other Income | 2.6 | 2.2 | 2.3 | 3.0 | 3.0 | 3.8 | 3.9 | 5.5 | 5.0 |
| Profit before Taxes | 28.8 | 30.2 | 32.7 | 35.8 | 42.8 | 42.7 | 56.4 | 70.3 | 79.8 |
| Change (%) | 8.2 | 4.8 | 8.2 | 9.5 | 19.3 | -0.1 | 32.1 | 24.6 | 13.4 |
| Margin (%) | 19.1 | 18.0 | 17.0 | 17.7 | 19.7 | 14.7 | 16.4 | 18.7 | 19.0 |
| Tax | 8.9 | 10.4 | 9.4 | 9.5 | 11.2 | 11.6 | 15.1 | 18.3 | 20.7 |
| Deferred Tax | 0.5 | 0.0 | 1.6 | -1.0 | -0.2 | -0.6 | -0.2 | 0.0 | 0.0 |
| Tax Rate (%) | 32.7 | 34.4 | 33.6 | 23.9 | 25.7 | 25.8 | 26.5 | 26.0 | 26.0 |
| PAT Before Minority | 19.4 | 19.8 | 21.7 | 27.3 | 31.8 | 31.7 | 41.5 | 52.0 | 59.0 |
| Minority Interest | -0.5 | -0.5 | -0.4 | -0.5 | -0.3 | -0.3 | -0.9 | -0.3 | -0.1 |
| Adjusted PAT | 19.9 | 20.3 | 22.1 | 27.8 | 32.1 | 32.0 | 42.4 | 52.3 | 59.1 |
| Change (%) | 7.3 | 1.9 | 9.2 | 25.5 | 15.4 | -0.2 | 32.6 | 23.2 | 13.0 |
| Margin (%) | 13.2 | 12.1 | 11.5 | 13.8 | 14.8 | 11.0 | 12.3 | 13.9 | 14.1 |
| Reported PAT | 19.9 | 20.3 | 22.1 | 27.7 | 32.1 | 30.8 | 42.0 | 52.3 | 59.1 |

| Balance Sheet | | | | | | | | | (INR b) |
|------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Share Capital | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Reserves | 75.1 | 83.1 | 93.7 | 100.3 | 127.1 | 137.2 | 159.0 | 168.8 | 188.5 |
| Net Worth | 76.0 | 84.1 | 94.7 | 101.3 | 128.1 | 138.1 | 159.9 | 169.8 | 189.5 |
| Loans | 5.6 | 5.3 | 6.2 | 3.4 | 3.4 | 7.8 | 9.7 | 7.8 | 7.8 |
| Other Liability | 3.5 | 4.0 | 12.1 | 12.0 | 11.5 | 11.4 | 13.2 | 14.7 | 16.4 |
| Minority Interest | 3.8 | 3.3 | 3.6 | 4.0 | 4.2 | 3.9 | 4.5 | 4.8 | 4.8 |
| Capital Employed | 88.9 | 96.7 | 116.6 | 120.7 | 147.2 | 161.1 | 187.3 | 197.0 | 218.5 |
| Gross Block | 37.2 | 43.8 | 67.0 | 69.9 | 71.9 | 73.9 | 78.7 | 100.7 | 125.7 |
| Less: Accum. Depn. | 6.1 | 9.7 | 13.9 | 19.6 | 24.8 | 30.2 | 35.4 | 44.3 | 55.9 |
| Net Fixed Assets | 31.1 | 34.0 | 53.0 | 50.3 | 47.1 | 43.7 | 43.3 | 56.4 | 69.8 |
| Capital WIP | 2.6 | 14.1 | 2.1 | 1.4 | 1.8 | 4.3 | 10.2 | 10.2 | 10.2 |
| Right to Use Assets | 0.0 | 0.0 | 8.7 | 9.2 | 8.5 | 9.1 | 12.1 | 12.1 | 12.1 |
| Investments | 26.5 | 21.4 | 25.7 | 20.2 | 47.4 | 32.5 | 42.6 | 44.7 | 51.5 |
| Current | 13.0 | 10.6 | 11.7 | 5.1 | 32.7 | 21.8 | 27.0 | 21.3 | 26.8 |
| Non-current | 13.5 | 10.8 | 13.9 | 15.1 | 14.7 | 10.7 | 15.6 | 23.5 | 24.6 |
| Curr. Assets, L&A | 61.9 | 64.9 | 69.7 | 77.1 | 95.8 | 137.7 | 147.3 | 155.6 | 165.2 |
| Inventory | 26.3 | 26.6 | 31.5 | 33.9 | 38.0 | 61.5 | 62.1 | 61.7 | 67.9 |
| Account Receivables | 14.5 | 17.4 | 19.1 | 18.0 | 26.1 | 38.7 | 46.4 | 45.3 | 41.4 |
| Cash and Bank Balance | 8.0 | 4.0 | 4.4 | 7.8 | 6.1 | 8.6 | 8.4 | 15.2 | 15.4 |
| Others | 13.2 | 16.9 | 14.7 | 17.3 | 25.6 | 28.7 | 30.3 | 33.4 | 40.6 |
| Curr. Liab. and Prov. | 35.2 | 40.9 | 45.9 | 40.7 | 56.3 | 68.5 | 70.5 | 84.3 | 92.6 |
| Account Payables | 19.2 | 21.6 | 23.9 | 21.4 | 33.8 | 41.6 | 36.4 | 47.8 | 52.5 |
| Other Liabilities | 14.0 | 17.3 | 19.6 | 16.9 | 19.5 | 24.0 | 31.1 | 32.6 | 35.9 |
| Provisions | 2.0 | 2.0 | 2.3 | 2.4 | 3.0 | 2.9 | 3.0 | 3.9 | 4.3 |
| Net Current Assets | 26.7 | 23.9 | 23.9 | 36.4 | 39.4 | 69.2 | 76.8 | 71.3 | 72.6 |
| Godwill on Cons. | 1.9 | 3.3 | 3.2 | 3.2 | 3.0 | 2.4 | 2.3 | 2.3 | 2.3 |
| Application of Funds | 88.9 | 96.7 | 116.6 | 120.7 | 147.2 | 161.1 | 187.3 | 197.0 | 218.5 |

E: MOFSL Estimates

Financials and valuations

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Basic (INR) | | | | | | | | | |
| EPS | 20.8 | 21.1 | 23.1 | 29.0 | 33.4 | 33.4 | 44.2 | 54.5 | 61.6 |
| Cash EPS | 24.2 | 24.9 | 29.6 | 37.1 | 41.7 | 41.9 | 53.2 | 63.9 | 73.6 |
| BV/Share | 79.3 | 87.7 | 98.7 | 105.6 | 133.5 | 144.0 | 166.7 | 177.0 | 197.5 |
| DPS | 9.6 | 12.4 | 10.7 | 21.8 | 4.9 | 18.2 | 25.6 | 44.0 | 41.0 |
| Payout % | 46.1 | 58.6 | 46.4 | 75.3 | 14.5 | 54.4 | 58.0 | 80.7 | 66.6 |
| Valuation (x) | | | | | | | | | |
| P/E | 142.6 | 140.0 | 128.2 | 102.1 | 88.5 | 88.7 | 66.9 | 54.3 | 48.0 |
| Cash P/E | 122.0 | 118.8 | 100.1 | 79.7 | 71.0 | 70.6 | 55.6 | 46.3 | 40.2 |
| EV/Sales | 18.6 | 16.7 | 14.6 | 13.9 | 12.8 | 9.6 | 8.1 | 7.4 | 6.6 |
| EV/EBITDA | 94.1 | 88.1 | 74.7 | 67.6 | 57.4 | 58.4 | 44.7 | 37.0 | 31.6 |
| P/BV | 37.3 | 33.7 | 30.0 | 28.0 | 22.2 | 20.5 | 17.7 | 16.7 | 15.0 |
| Dividend Yield (%) | 0.3 | 0.4 | 0.4 | 0.7 | 0.2 | 0.6 | 0.9 | 1.5 | 1.4 |
| Return Ratios (%) | | | | | | | | | |
| RoE | 28.2 | 25.3 | 24.8 | 28.4 | 28.0 | 24.0 | 28.5 | 31.7 | 32.9 |
| RoCE | 23.9 | 21.6 | 21.0 | 23.6 | 24.2 | 21.0 | 24.4 | 27.7 | 29.0 |
| RoIC | 24.1 | 23.7 | 22.1 | 23.2 | 24.1 | 20.6 | 25.1 | 28.9 | 31.0 |
| Working Capital Ratios | | | | | | | | | |
| Debtor (Days) | 35 | 38 | 36 | 32 | 44 | 49 | 49 | 44 | 36 |
| Asset Turnover (x) | 1.7 | 1.7 | 1.6 | 1.7 | 1.5 | 1.8 | 1.8 | 1.9 | 1.9 |
| Leverage Ratio | | | | | | | | | |
| Debt/Equity (x) | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |

Cash Flow Statement

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| OP/(loss) before Tax | 29.6 | 31.4 | 33.1 | 36.3 | 43.0 | 41.9 | 56.9 | 70.3 | 79.8 |
| Depreciation | 3.4 | 3.6 | 4.3 | 7.8 | 7.9 | 8.2 | 8.6 | 9.0 | 11.5 |
| Net interest | -0.8 | -0.4 | -0.3 | 0.1 | 0.2 | -0.1 | 0.1 | -4.0 | -3.4 |
| Others | -1.7 | -1.8 | -0.9 | -0.4 | -1.4 | -0.3 | -1.0 | 0.0 | 0.0 |
| Direct Taxes Paid | -9.3 | -10.8 | -9.8 | -10.1 | -10.8 | -11.8 | -14.9 | -18.3 | -20.7 |
| (Incr)/Decr in WC | -6.0 | -0.8 | -4.3 | -7.4 | -2.1 | -28.0 | -7.7 | 12.3 | -1.1 |
| CF from Operations | 15.3 | 21.1 | 22.1 | 26.3 | 36.8 | 9.9 | 41.9 | 69.3 | 66.0 |
| Incr in FA | -6.7 | -14.1 | -11.3 | -3.7 | -2.5 | -5.0 | -12.5 | -22.0 | -25.0 |
| Free Cash Flow | 8.6 | 7.0 | 10.8 | 22.6 | 34.3 | 4.9 | 29.5 | 47.3 | 41.0 |
| Pur of Investments | 2.0 | 0.4 | 1.6 | -2.5 | -3.7 | 1.0 | 1.8 | -2.1 | -6.7 |
| Others | 0.7 | 2.4 | -3.2 | 7.9 | -25.8 | 14.8 | -10.1 | 5.5 | 5.0 |
| CF from Invest. | -3.9 | -11.3 | -12.9 | 1.7 | -32.1 | 10.7 | -20.7 | -18.6 | -26.7 |
| Incr in Debt | 2.1 | -0.4 | 0.6 | -2.6 | 0.3 | 3.2 | 2.4 | -2.0 | 0.0 |
| Dividend Paid | -9.5 | -12.2 | -10.5 | -21.2 | -5.0 | -17.6 | -19.4 | -42.2 | -39.3 |
| Net interest Paid | -0.4 | -0.4 | -0.5 | -1.0 | -0.9 | -0.9 | -1.4 | -1.6 | -1.6 |
| Others | 0.1 | -0.8 | 1.5 | 0.2 | -0.9 | -2.8 | -3.0 | 1.8 | 1.8 |
| CF from Fin. Activity | -7.6 | -13.8 | -8.8 | -24.7 | -6.5 | -18.1 | -21.4 | -44.0 | -39.1 |
| Incr/Decr of Cash | 3.8 | -4.0 | 0.4 | 3.4 | -1.7 | 2.5 | -0.2 | 6.7 | 0.2 |
| Add: Opening Balance | 4.2 | 8.0 | 4.0 | 4.4 | 7.8 | 6.1 | 8.6 | 8.4 | 15.2 |
| Closing Balance | 8.0 | 4.0 | 4.4 | 7.8 | 6.1 | 8.6 | 8.4 | 15.2 | 15.4 |

E: MOFSL Estimates

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| Explanation of Investment Rating | |
|----------------------------------|--|
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| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
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| Contact Person | Contact No. | Email ID |
|--------------------|-----------------------------|------------------------------|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilaloswal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |

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