3 January, 2024

INITIATING COVERAGE

Panama Petrochem Ltd (PPL)

Sensex: 71892 **CMP: INR 336** **Target Price: INR 466**

ARETE SECURITIES LTD.

WHERE ADVISORY MEETS EXCELLENCE

Lubricants

Panama Petrochem Ltd (PPL) was established in 1982. With four manufacturing plants across India today, PPL is one of the leading manufacturers and exporters of more than 80 variants of petroleum specialty products. The products are vital for various industries like inks and resins, textiles, rubber, pharmaceuticals, cosmetics, power, cables and other industrial purposes. PPL has four manufacturing units in India with a state of art technology and facilities located at Ankleshwar (Gujarat), Daman (Union Territory), Daman (Gujarat) and Taloja (Dist. Raigadh). PPL has also unfolded its range of manufacturing facilities through establishment of Panol Industries RMC, FZE a wholly owned subsidiary of the Company situated at Ras Al Khaimah, UAE. The company caters to the GCC and MENA regions and enjoys logistic advantage as it is situated on the port and has direct dedicated pipeline arrangements.

Investment Rationale

Newer products, geographical expansion and capacity addition to drive volumes

PPL had a consolidated manufacturing capacity of 240000 TPA in FY23. The company has added 30000 TPA capacity in 1H FY24 and is in a process of consolidating operations from this newer production line. PPL is operating at near full utilization level and is expected to add 30000 TPA capacity/ year for next couple of years. Currently PPL is present in western region of the country and is planning to add capacity in the southern region predominately for textile related oils. PPL is already in process of getting approval of its products with the clients in the region. The entire investment for expansion will be done by internal accruals. PPL has consistently developed products and added newer industries to its basket. Currently PPL is in an advanced stages of discussion with various clients for its new specialty oils used in oil drilling industry which can add volumes further.

Improving realization, increasing contribution of value-added products to drive margin expansion

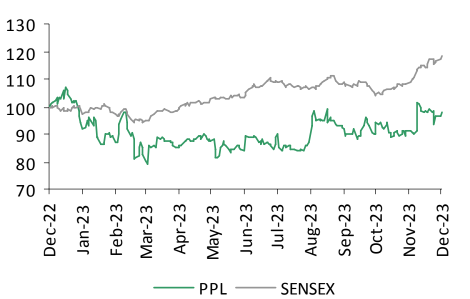
Before Covid 19, PPL was engaged in manufacturing low margin products (EBITDAM ranging from 6-8%). With the focus on developing new products, PPL introduced high margin products in FY20 which received good response from the clients. Since then, EBITDA margin of PPL have improved to 13-14% level and ROCE has improved to 35% in FY23. Value added products contributed less than 45-50% in FY19 to 68% in FY23. With continued focus on higher margin products, we expect contribution of value-added products to reach ~85% in FY25 thereby implying significant potential to improve margins.

Outlook & valuation

The Revenue/EBITDA/PAT of PPL has grown at a CAGR of 31%/ 80%/101% while EBITDA margin stood at 13-14% in the same period. EBITDA margin in 1H FY24 fell to 10.8% mainly due to geopolitical tensions. Volumes in exports and the wholly owned subsidiary in UAE have seen adverse impact. Many orders got postponed or even renegotiated at a lower realization. Going forward, with improvement in geopolitical scenario and increasing contribution of high margin products, we expect margins to stabilize over 13% level. PPL is debt free and has consistently paid 20-25% of its earnings as a dividend resulting a healthy dividend yield of 2.5-3%. At CMP of 336, PPL is trading at 7.2x its FY25 EPS of Rs 47, we assign 10x multiple and recommend buy with a target of Rs 466.

Shareholding (%)	Sep-23
Promoters	69.25
FII's	5.83
DII's	0.04
Others	24.88

Relative Price Performance



Key Data	
BSE Code	524820
NSE Symbol	PANAMAPET
Bloomberg Code	PNPC IN
Reuters Code	PAPT.NS
Shares Outstanding (mn)	60.4
Face Value	2
Mcap (INR bn)	20.28
52 Week H/L	368.7/268
2W Avg. Vol, BSE+NSE	2919800
CMP	336
Beta	1.04

(INR mn)	FY22	FY23	FY24E	FY25E
Net Sales	21324	22487	23499	28375
Growth (%)	47.4%	5.5%	4.5%	20.8%
EBIDTAM (%)	13.9%	13.7%	12.4%	13.3%
Adj. PAT	2303	2330	2168	2817
Growth (%)	70.2%	1.1%	-6.9%	29.9%
Adj. EPS (INR)	38.1	38.5	35.8	46.6
P/E (x)	7.3	7.6	9.4	7.2
EV/EBIDTA	5.2	4.9	5.6	3.8
EV/Sales	0.7	0.7	0.7	0.5
RoACE (%)	13.4%	35.2%	27.4%	29.7%
RoAE (%)	34.7%	27.1%	20.9%	22.7%

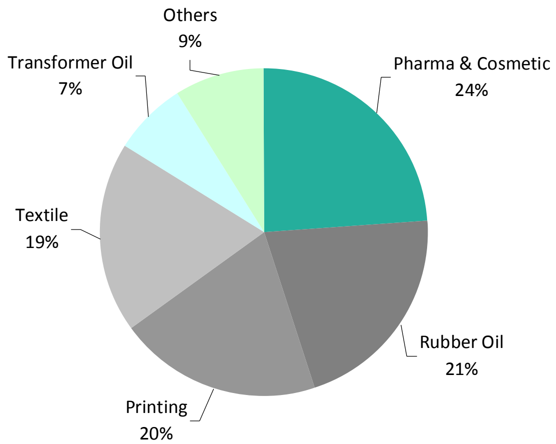
Ravikant Sangepag
ravikant.s@aretesecurities.com
Ph. No. 91 22 4289 5600/ Ext. 677

Industry

Leading player in Indian specialty oil products

The global white oil market is oligopolistic with a few players highly active in the market and the top 10 players account for 40-45% of the global white oil market. With market share near 10-12%, PPL is India's one of the largest manufacturers of specialty oils. The company offered a diverse portfolio of over 80 products primarily across the PHPO, lubricants and PIO divisions. PPL's products form a major component by volume for various consumer and healthcare end-industry products such as cosmetics, skin care products, ointments, over-the-counter and other medicines, as well as lubricants, processing oils and insulating oils.

Segment wise revenue contribution



PPL's competitive advantage is augmented by the high entry barriers to this industry. Large, marquee global manufacturers across applications such as pharma, food and beverage, and cosmetics have extensive supplier accreditation and internal approval processes that need to be followed by manufacturers of specialty oils. These include provision of service, safety and performance histories, product trials, plant audits, financial capability, experience, and certifications to be registered, eligible, and approved to conduct business and provide services. The overall time for empanelment of suppliers with marquee manufacturers can take up to 4-5 years. Further, the costs associated with changing suppliers of such products are relatively high, consequently disincentivizing any such change. Customers typically select suppliers after a process of acute review and tend to develop long-term relationships with a limited number of suppliers.

By exploring international markets, PPL has continuously aimed to bring about a rise in the exports. PPL's products are exported to different countries like USA, UK, Europe, Middle East, Australia, African Sub-continent and South East Asia etc. Exports contributed ~45% fo PPL's topline in FY23 compared to <35% in FY20.

India economic outlook is relatively positive

The provisional estimate of GDP shows that the Indian economy has fully recovered to the pre-pandemic real GDP level of fiscal 2020. Real GDP growth was 7.0% for fiscal 2023 which reflect a faster growth momentum, which suggests higher economic demand. Future capital expenditures of the Indian government are anticipated to be supported by elements including tax buoyancy, a simplified tax system, rationalization of the tariff structure, and digitization of tax filing. Growth multipliers are expected to rise in the medium term as capital expenditures on infrastructure and asset-building projects rise. India's economy is predominantly driven by domestic demand, with consumption and investments accounting for 70% of all economic activity.

Government initiatives to drive growth

The Indian government have taken several initiatives over the years to boost the economy. Flagship programmes such as the Production-Linked Incentive (PLI) scheme along with corporate tax reduction are expected to create significant opportunities for manufacturers.

Lower corporate tax rates

India has reduced corporate tax rates to 22% from 30% for existing companies and to 15% from 25% for new manufacturing companies in 2019. The tax rate for new manufacturing companies is one of the lowest in the world. The Budget of fiscal 2023 has proposed that the concessional 15% corporate tax rate would be available for one more year till March 2024 for newly incorporated manufacturing units. This corporate tax cut would improve profitability of companies and boost earnings growth. The companies could use the funds to reinvest in existing firms and provide India a more competitive advantage on the global stage.

PLI scheme

Following the pandemic, the government introduced the PLI scheme with incentives of Rs 1.97 lakh crore spread over five years for 14 important industries including pharma, chemicals, and food, with the goal of increasing output and exports. Between 2023 and 2027, the plan could significantly boost annual GDP growth by 0.3%. The PLI scheme aims to give incentives to companies on increased sales of products produced domestically. The PLI scheme is designed to attract foreign companies to establish operations in India and to encourage domestic companies to establish new manufacturing facilities or expand those that already exist, create more jobs, and lower India's dependency on imports.

Measures to curb rising inflation

The government took several measures to curb inflation in May 2022, which included lowering of excise duty on petrol, subsidies on fertilizers and gas cylinders, and reduction in import duty on critical raw materials. In the near future, the government is also planning to unveil a fiscal package to combat inflation, including another round of tax cut on fuel, lower import levies, subsidies on fertilizers, etc.

Supply chain diversification

The global derisking strategy

The pandemic highlighted the risk of high dominance of China in global supply chains and led to the derisking strategy of moving some of the business away from the country. More than 50% of American businesses either delayed or decreased their investments in China as per a survey conducted by the American Chamber of Commerce in April 2022. Similarly, as per a survey conducted by the European Chamber in the same month, up to 23% of European businesses were considering shifting investments out of China. This created an opportunity for Indian manufacturers, which have a cost advantage. The trend to derisk global supply chains is expected to support the growth momentum for key end-user industries in India and augurs well for the specialty oils market.

India positioned to reap benefits

Considering India's competitive advantage in multiple industries, favourable production characteristics and business environment, government incentives, and an overall stable economy, India is widely seen as a suitable prospect in this changed scenario. India could also stand to gain from a better legislative framework for special economic zones with duty-free imports. Global macro tailwinds in some industries such as textiles, specialty chemicals, pharmaceuticals,metals, and electronic manufacturing, along with government reforms, are projected to set India on a sustainable economic path.

Competitiveness of India vs China

Parameter	US/Europe	China	India
Labour Cost	◔	◕	●
Environmental Compliance	◑	◕	◕
Plant capex	◑	◕	●
Government policy support	◑	◑	●
Conduciveness of recent geopolitical landscape	◑	◔	◕

Note: Colour of the pie indicates relative advantage of a particular country/region vis-à-vis others in relation to a particular parameter. A fully coloured pie indicates maximum advantage compared with the other two regions.

Source: CRISIL MI&A Consulting

Domestic market growth drivers

Robust growth in end-user industries and increase in R&D to drive market growth

Over the past few years, there has been immense focus on R&D, innovation, and product development across all major end-user industries, particularly those linked to lifestyle products. Additionally, businesses are concentrating on creating items with greater efficacy due to the modern R&D infrastructure. The expansion of government funding and R&D infrastructure opens doors for creation of innovative, cost-effective white oil-based goods.

There is rising demand for premium products based on user awareness, social status and lifestyle upgrade, particularly personal care, and beauty products. This is expected to propel demand for white oils, which are used in hair care products, lotions, creams, etc.

Growing consumerism

The global middle class is expected to reach 5.5 billion by 2030. While developed countries are mostly replacement economies, developing countries have both a growing consuming population and a growing economy. Middle class spending is expected to reach $64 trillion by 2030, driven by growing consuming classes in emerging economies.

Focus on health and hygiene consciousness

The Covid-19 epidemic has accelerated the worldwide trend of rising hygiene and health consciousness. To prevent the spread of illnesses in professional settings, there is a higher understanding of the value of preventative measures, proper hand hygiene, cleaning procedures, and hygiene solutions. The demand for white oil is anticipated to rise as a result. The decline in global poverty, rise in disposable incomes and living standards, and improvement in healthcare access have a beneficial effect on demand.

Uninterrupted power supply vital for end-use industries

The power generation sector is poised to grow on the back of rising demand for reliable power supply. In industries that rely heavily on power, even a brief power outage can cause equipment damage as well as decreased productivity, resulting in customer and revenue loss. Power outages can be caused by inefficient heavy machinery operation as well as unanticipated equipment downtime. As a result, reducing unscheduled downtime is a top concern in the power generation business, to maximize production and profitability. Proper lubrication ensures the operational effectiveness of numerous machines in the power generation business, resulting in highly reliable equipment. Since industrial oils are required to keep operations running smoothly, the demand for these oils will rise in tandem with the expansion of the power generation industry, which is predicted to multiply in the years to come.

Expansion of electrical grids to drive power sector and thereby transformer oil demand

With increasing economic development, access to electricity and development of related infra are among the topmost priorities of nations. In line with this, there is a strong trend of expansion and development of electrical grids in developing nations, and upgradation of these grids in developed economies. Apart from social development, the above trend is also fuelled by increasing urbanization and growing penetration of electric appliances in the market with rising disposable incomes.

Growing automotive industry to boost demand for automotive oils

The global automotive industry has shown moderate growth. During the projected period, rising automobile production and sales are anticipated to be some of the key drivers boosting the market for automotive oil. Emerging economies are expected to have higher levels of automotive production than industrialized nations, because of rising urbanization and steady economic conditions.

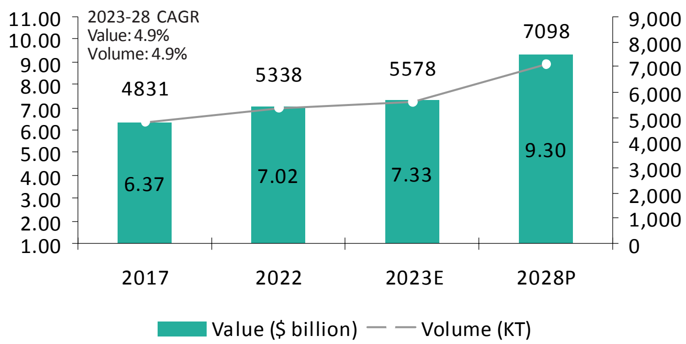
Increasing demand and usage of heavy equipment in construction, mining, and agriculture industries to aid market

Increased private sector investment, real estate sector growth, residential and commercial infrastructure development in emerging countries is driving the heavy engineering equipment market. Furthermore, the expansion of government infrastructure development projects and public-private partnerships for public infrastructure system construction in countries such as the United States, India, and China has aided market growth.

Overview of the Indian specialty oil industry

The Indian specialty oil market is estimated to be $7.33 billion in 2023 and reach $9.30 billion by 2028, at a CAGR of 4.9%. In terms of volume, the market is estimated to be 5,578 kilo tonne (KT) in 2023 and reach 7,098 KT by 2028, at a CAGR of 4.9%.

Indian specialty oil industry's trajectory

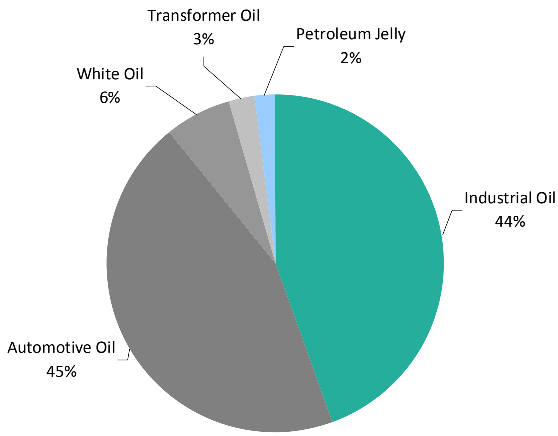


E: Estimated, P: Projected / Data for each calendar year
Source: CRISIL MI&A Consulting

Indian specialty oil industry by product type

White oil is expected to be the fastest-growing segment over the forecast period, given the favourable outlook for end-user industries amid rising focus on product safety and awareness about health and hygiene. In terms of market share, automotive oil holds the largest share, although the market is expected to provide relatively slow and sustained growth rate. Industrial oil represents the second-largest product category by market size.

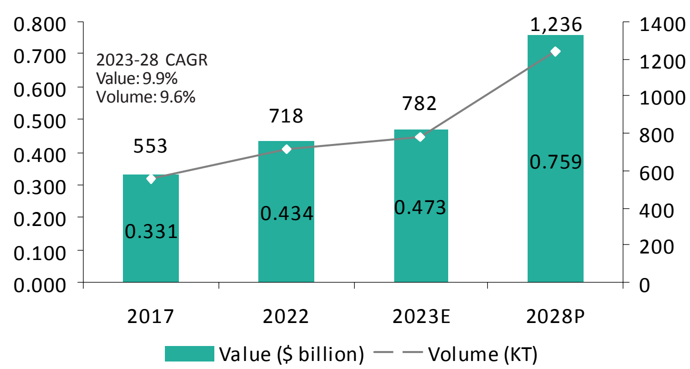
Indian specialty oil market share by product type (2022)



Pharmaceuticals and consumer to drive the Indian white oil market

White oil, the fastest-growing segment of the Indian specialty oil market, is estimated to be worth $0.473 billion in 2023 and reach $0.759 billion by 2028, at a CAGR of 9.9%. In terms of volume, it is expected to reach 1,236 KT by 2028 from 782 KT in 2023, at a CAGR of 9.6%. One of the categories in this area that is growing particularly quickly is personal care and cosmetics. The market is anticipated to be driven by improving standard of living and rising demand for cosmetics. The other growing category is pharmaceuticals. Government initiatives such as the PLI scheme, expertise in low-cost generic patented drugs, quality service at a low cost compared with the US, Europe, etc., and strong domestic demand are the key drivers of the Indian pharmaceutical market.

Indian white oil market



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Source: CRISIL MI&A Consulting

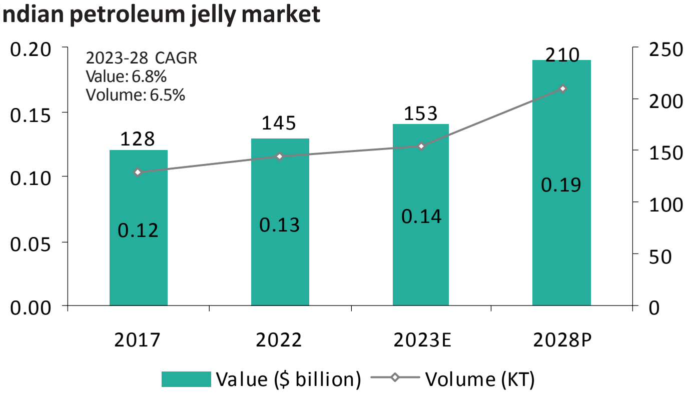
Indian manufacturers export white oil across APAC, Europe, and MEA

Key Indian white oil manufacturers, such as Gandhar Oil, Panama Petrochem, Raj Petro, Apar Industries and Savita Oil, export their products to customers located across APAC, Europe, MEA and America. Key importing countries in APAC include Indonesia, Vietnam, Bangladesh, Sri Lanka, and Australia. In Europe, companies are exporting to countries such as Italy, Spain, Georgia, and Poland while in MEA (Middle East & Africa), Tanzania, Kenya, Nigeria, South Africa, Ghana are the top export destinations. Canada and US are the major importing countries in America. African and Asian countries will continue to rely on imports because of the growing end-use applications and the limited or non-existence of domestic manufacturers of white oils.

Use of petroleum jelly is anticipated to drive rising demand because of changing living standards and growing economy

The petroleum jelly market is expected to expand at a CAGR of 6.8% to $0.19 billion by 2028 from $0.14 billion in 2023. The expansion of end-use sectors such as pharmaceuticals, cosmetics and personal care, and food is likely to have a positive impact on petroleum jelly sales revenue in the future.

Indian petroleum jelly market



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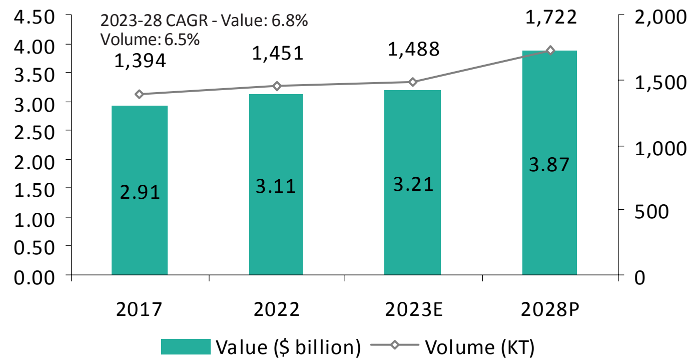
Source: CRISIL MI&A Consulting

Rebound in vehicle sales to support automotive oil market growth

The Indian automotive oil market is estimated to be worth $3.21 billion in 2023 and reach $3.87 billion by 2028, at a CAGR of 3.8%. Further, in terms of volume, the market is estimated to be 1,488 KT in 2023 and reach 1,772 KT by2028, at a CAGR of 3.0%. High performance requirements in the vehicles and extended lifetime and protection of the automotive systems are leading the automotive oil market demand.

Indian automotive oil market



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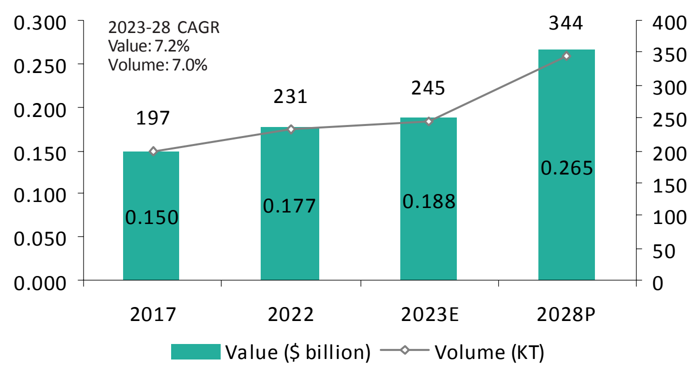
Source: CRISIL MI&A Consulting

New transformers and switchgears because of the grid network and T&D system growth will drive demand for transformer oil

The Indian transformer oil market is estimated to be worth $0.19 billion in 2023 and reach $0.27 billion by 2028, at a CAGR of 7.2%. This growth will be driven by the expansion of the T&D system and grid network to meet the expected rise in power consumption brought on by rapid industrialization and urbanization.

Indian transformer oil market



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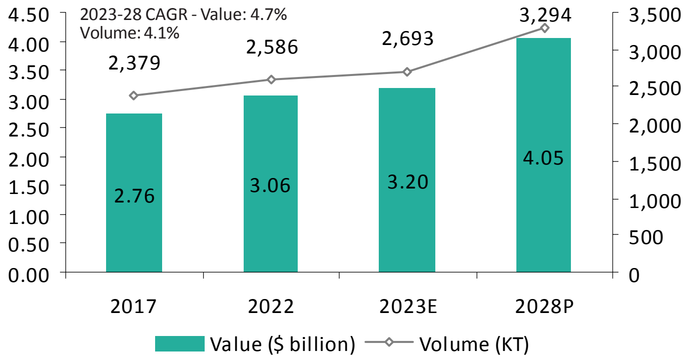
Source: CRISIL MI&A Consulting

Industrial oil market in India is expected to grow by $842 million in the next 5 years

Industrial oil market in India is estimated to be worth $3.20 billion by 2023-end and is expected to further grow to $4.05 billion in 2028 at 4.7% CAGR. On volumetric basis, it is expected to expand to 3,269 KT by 2028 from 2,693 KT in 2023, increasing at 4.1% CAGR. The substantial use of industrial oil in the power generation industry to increase power plant productivity boosted its demand. Further, increase in demand of heavy engineering equipment in construction, mining, and agriculture industries will boost the market of Industrial oil in India.

Indian industrial oil market



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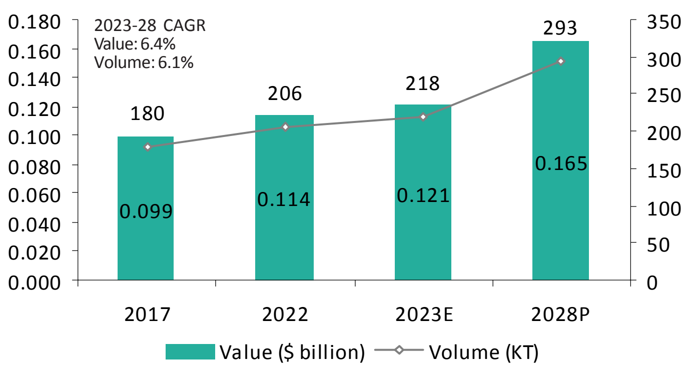
Source: CRISIL MI&A Consulting

Increasing demand from tyre industry and footwear segment to boost rubber process oil market

The rubber process oil market is expected to grow with a 5-yr CAGR of 6.4% to reach $0.165 billion in 2028 from $0.121 billion in 2023. Based on volume, the market is estimated at 218 KT in 2023 and projected to reach 293 KT by 2028, growing at 6.1% CAGR. The demand for rubber process oil in rubber processing is projected to increase as more industrial and automotive items, including tyre and other products, and footwear made with rubber, are used in India.

Indian rubber process oil market



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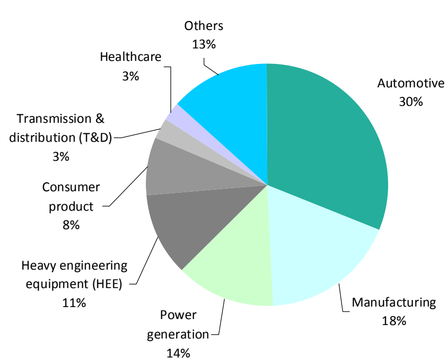
Source: CRISIL MI&A Consulting

Indian specialty oil industry by end-use segment

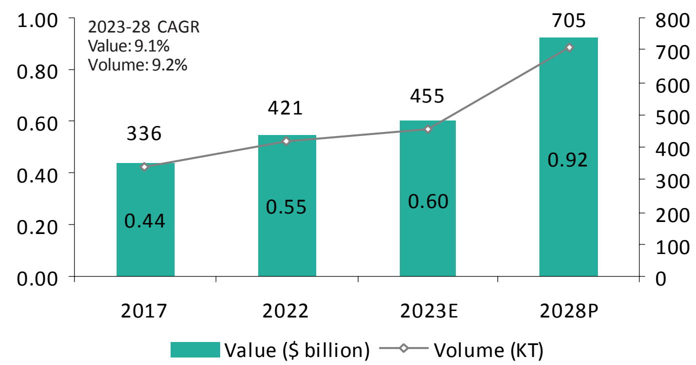
Indian specialty oil market share by end-use segment in 2022



Consumer product segment to benefit from upgrading lifestyle, growing awareness, and easier access

The consumer product segment is expected to grow at 9.1% CAGR, reaching $0.92 billion by 2028 from $0.60 billion in 2023. The market volume is estimated to be 455 KT in 2023. This is expected to grow by 9.2% CAGR over the next 5 years, reaching 705 KT by 2028. One of the key elements affecting the market for beauty and personal care goods in India is the growing emphasis on personal looks, social status, personal hygiene, and wellness supported by the rising income levels. Increasing gourmet brands, growth in the dairy and bakery products, demand for packaged food and healthy alternatives, and growth in the nutraceutical market are some of the key market drivers of the food & beverages segment in India.

Consumer segment in Indian specialty oil market



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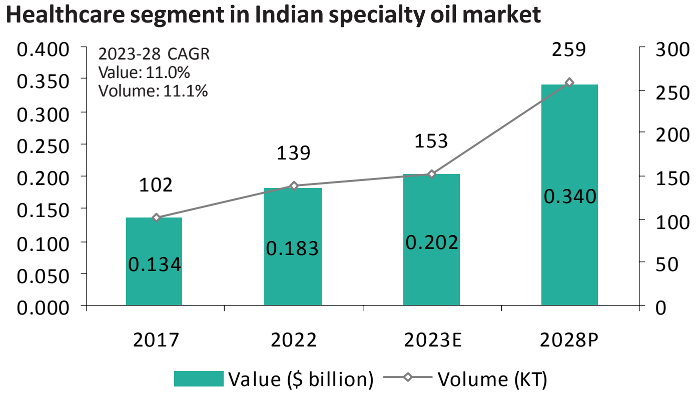
Source: CRISIL MI&A Consulting

Indian healthcare segment to reach $340 million by 2028

Total demand from the healthcare sector is expected to be $0.340 billion in 2028, ~68% higher than $0.2 billion in 2023. This growth represents 11.0% CAGR over the next five years. Further, specialty oil demand from the healthcare sector is expected to rise to 259 KT by 2028 from 153 KT in 2023, exhibiting 11.1% CAGR. The pharma industry holds a strong growth outlook on the back of increased awareness for health, hygiene and vaccination. Demand gets a boost from the increasing insurance penetration and medical spending.

Healthcare segment in Indian specialty oil market

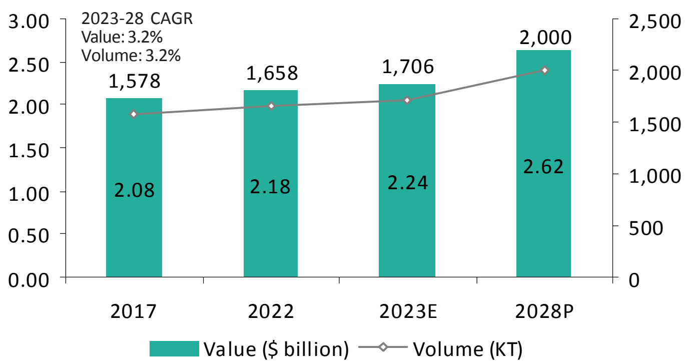


E: Estimated, P: Projected / Data for each calendar year
Source: CRISIL MI&A Consulting

Automotive segment in India is expected to grow by $377 million in the next five years

India's automotive segment is expected to grow at 3.2% CAGR, reaching $2.62 billion in 2028 from $2.24 billion in 2023. On a volumetric basis, we forecast it to reach 2,000 KT in 2028, expanding at 3.2% CAGR. Overall demand of the automotive oil market in India is driven by commercial vehicles. The sector outlook remains positive on the back of the improving economic outlook in the long run. Further, India is also in focus as an investment destination for lubricant projects by several international players, which supports the sector's export outlook.

Automotive segment in Indian specialty oil market

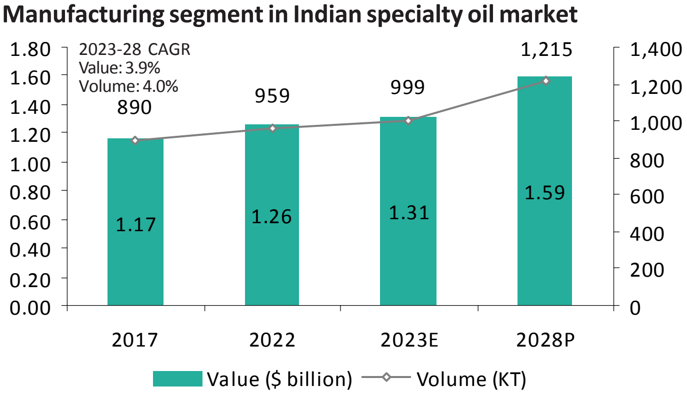


E: Estimated, P: Projected / Data for each calendar year
Source: CRISIL MI&A Consulting

Manufacturing sector demand foreseen at 1,215 KT volume by 2028, valued at $1.59 billion

The manufacturing sector had the second largest market share in the Indian specialty oil market in 2023, with a value of $1.31 billion. In India, the manufacturing industry is experiencing rapid expansion via government support as well as increasing investment from foreign manufacturing ventures.

Manufacturing segment in Indian specialty oil market

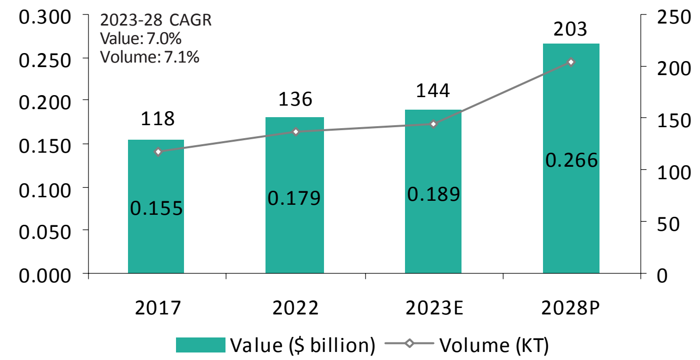


E: Estimated, P: Projected / Data for each calendar year
Source: CRISIL MI&A Consulting

Demand from T&D sector to increase by $77 million due to rising power demand and electricity access

The T&D segment in India is estimated at $0.19 billion in 2023 and is expected to grow at 7.0% CAGR, reaching $0.27 billion by 2028. India is investing in expanding the T&D system and grid network to meet the expected rise in power consumption brought on by quick industrialization and urbanization.

Transmission & distribution segment in Indian specialty oil market

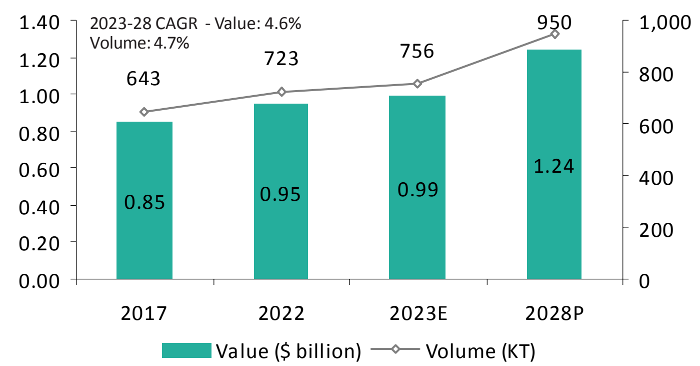


E: Estimated, P: Projected / Data for each calendar year
Source: CRISIL MI&A Consulting

Power generation sector estimated to reach $1.24 billion and 950 KT by volume in 2028

Power generation segment will grow from an estimated at $0.99 billion in 2023 to reach $1.24 billion in 2028, expanding at 4.6% CAGR. From reliable non-conventional sources such as wind, solar, and household and agricultural waste to conventional sources such as coal, lignite, natural gas, oil, hydropower, and nuclear power, the demand for power in India has risen quickly and is anticipated continue growing in the years to come.

Power generation segment in Indian specialty oil market



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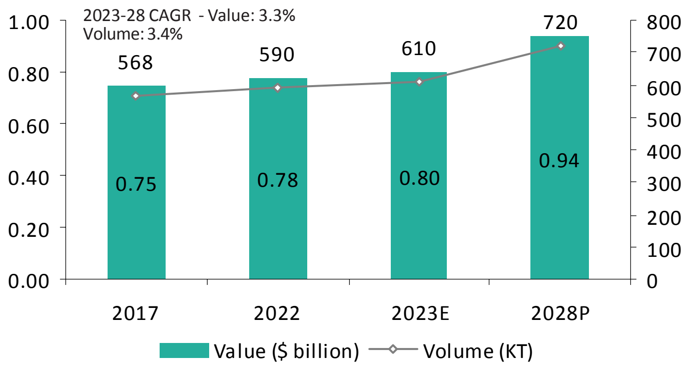
Source: CRISIL MI&A Consulting

Growing industrialization and infrastructure to boost heavy engineering equipment

The heavy engineering equipment sector in India was valued at $0.80 billion in 2023 and is expected to reach $0.94 billion by 2028, increasing at 3.3% CAGR. A considerable increase in industrial activity will enhance the usage of machinery in the sector.

Heavy engineering equipment segment in Indian specialty oil market



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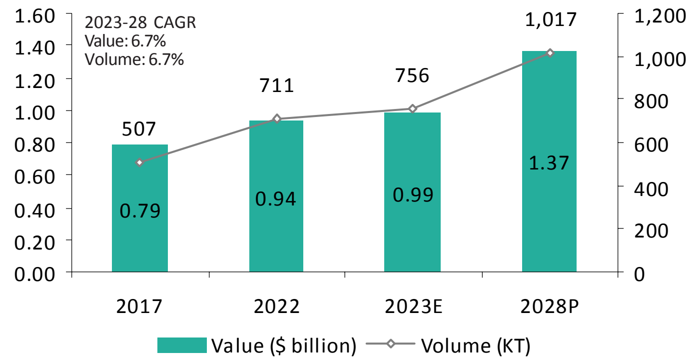
Use for specialty oils to grow at healthy pace in other segments

Other segments include polymers, textile, adhesives, rubber processing lubrications and others, which utilize these oils to perform different functions at different stages. It is expected to reach $1.37 billion by 2028, growing at 6.7% CAGR In 2023, its value was USD 0.99 billion, and volume was 756 KT.

Other segment in Indian specialty oil market



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Source: CRISIL MI&A Consulting

Quarterly Financials

INR Mn	2Q FY23	2Q FY22	1Q FY23	% Chg (YoY)	% Chg (QoQ)	1H FY23	1H FY22	% Chg (YoY)
Revenue	5,744	6,138	5,295	-6.4	8.5	11,039	11,656	-5.3
RM Cost	4,831	4,809	4,391	0.5	10.0	9,221	8,786	5.0
Employee Cost	35	32	34	10.4	2.6	69	164	-57.8
Other Expenses	260	372	285	-30.0	-8.8	546	818	-33.3
Loss on Foreign exchange	6	40	0			6	139	
Total Expenditure	**5,132**	**5,253**	**4,710**	**-2.3**	**9.0**	**9,842**	**9,907**	**-0.7**
EBITDA	**612**	**886**	**585**	**-30.9**	**4.6**	**1,197**	**1,749**	**-31.6**
Depreciation	24	24	24	-0.4	-1.2	48	47	3.0
Other Income	39	14	50	169.9	-23.3	89	27	235.5
EBIT	627	876	611	-28.5	2.6	1,238	1,729	-28.4
Interest	43	25	43	69.7	1.2	86	47	81.6
Exceptional Items				NA	NA			NA
PBT	**584**	**851**	**569**	**-31.4**	**2.7**	**1,152**	**1,682**	**-31.5**
Tax	114	177	110	-35.2	4.4	224	362	-38.1
Profit After Tax	**469**	**674**	**459**	**-30.4**	**2.2**	**928**	**1,320**	**-29.7**
Equity	121	121	121			121	121	
Face Value	2.0	2.0	2.0			2.0	2.0	
EPS	7.8	11.2	7.6	-30.5	2.1	15.3	21.8	-29.7
% of Sales				**bps**	**bps**			**bps**
RM Cost	84.1	78.3	82.9	575.9	118.9	83.5	75.4	815.8
Employee Expenses	0.6	0.5	0.6	9.3	-3.5	0.6	1.4	-78.2
Other Expenses	4.5	6.1	5.4	-152.5	-85.8	4.9	7.0	-207.5
EBITDAM Excl Other income (%)	10.7	14.4	11.0	-377.8	-39.3	10.8	15.0	-416.5
PATM (%)	8.2	11.0	8.7	-281.7	-49.8	8.4	11.3	-291.8

Financials

Income Statement

Y/E (INR mn)	FY22	FY23	FY24E	FY25E
Net Sales	21324	22487	23499	28375
% Growth	*47.4%*	*5.5%*	*4.5%*	*20.8%*
RM Cost	16309	17306	18255	21953
% Growth	*49.5%*	*6.1%*	*5.5%*	*20.3%*
Employee Expenses	240	243	255	267
% Growth	*-8.8%*	*1.0%*	*5.0%*	*5.0%*
Oth Expense	1815	1853	2068	2385
% Growth	*29.4%*	*2.1%*	*11.6%*	*15.3%*
Total Op Exp	18364	19401	20578	24605
EBIDTA (excl OI)	2960	3087	2921	3770
% Growth	*56.0%*	*4.3%*	*-5.4%*	*29.1%*
EBITDA Margin %	*13.9%*	*13.7%*	*12.4%*	*13.3%*
Dep./Amortization	84	94	119	139
Other Income	57	69	76	87
EBIT	2933	3061	2878	3718
EBIT Margin %	*13.8%*	*13.6%*	*12.2%*	*13.1%*
Interest Expense	71	116	133	153
Exceptional Items	0	0	0	0
EBT	2863	2946	2745	3565
Tax Expenses	559	616	576	749
PAT	2303	2330	2168	2817
% Growth	*70.2%*	*1.1%*	*-6.9%*	*29.9%*
APAT Margin %	*10.8%*	*10.4%*	*9.2%*	*9.9%*

Balance Sheet

Y/E (INR mn)	FY22	FY23	FY24E	FY25E
Share Capital	121	121	121	121
Reserves and Surplus	7561	9400	11142	13395
Total Networth	7682	9521	11263	13516
Long Term Debt	0	0	0	0
Short Term Debt	298	0	0	0
Total Debt	298	0	0	0
Net Deferred Tax Liability	80	93	94	96
Other Liabilities	12	18	18	22
Sources of Funds	**13856**	**14223**	**15967**	**19149**
Net Block	2141	2319	2700	3061
Investments	160	158	167	177
Current Assets	11440	11551	12902	15707
Current Liabilities	6082	4592	4592	5516
Net Current Assets	5358	6959	8310	10191
Application of Funds	**13856**	**14223**	**15967**	**19149**

Key Ratios

Y/E	FY22	FY23	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	38.1	38.5	35.8	46.6
Adj. EPS	38.1	38.5	35.8	46.6
CEPS	39.5	40.1	37.8	48.9
DPS	8.0	8.0	7.2	9.3
BVPS	127.0	157.4	186.2	223.4
Return Ratios (%)				
RoACE	13.4%	35.2%	27.4%	29.7%
RoANW	34.7%	27.1%	20.9%	22.7%
Liquidity Ratios				
Net Debt/Equity	(0.1)	(0.2)	(0.3)	(0.4)
Interest Coverage Ratio	41.5	NA	NA	NA
Current Ratio	1.9	2.5	2.8	2.8
Quick Ratio	0.2	0.5	0.8	1.0
Efficiency Ratios				
Asset Turnover Ratio	0.6	1.6	1.6	1.6
Inventory Days	97	61	57	51
Debtor Days	54	57	54	41
Creditor Days	85	49	46	51
Valuation Ratios				
P/E (x)	7.3	7.6	9.4	7.2
P/BV (x)	2.2	1.9	1.8	1.5
P/CEPS (x)	7.0	7.3	8.9	6.9
Dividend Yield (%)	2.9	2.7	2.1	2.8
EV/Net Sales (x)	0.7	0.7	0.7	0.5
EV/EBIDTA (x)	5.2	4.9	5.6	3.8

Cash Flow

Y/E	FY22	FY23	FY24E	FY25E
PBT	8,230	11,811	2,745	3,565
Add:Depreciation	177	294	119	139
Add: Interest paid	662	694	133	153
Change in Working Capital	(1,083)	(776)	(117)	457
Less: Taxes	(559)	(616)	(576)	(749)
Cash Flow from operations (a)	**7,370**	**11,338**	**2,227**	**3,478**
Change in Fixed Assets	(473)	(272)	(500)	(500)
Change in CWIP	174	(81)	(3)	(3)
Change in Investments	(61)	3	(9)	(10)
Others	(10)	87	79	89
Cash Flow from Investing (b)	**(370)**	**(263)**	**(434)**	**(424)**
Change in Equity	0	-	-	-
Debt Raised/(Repaid)	-	-	-	-
Dividend paid	(484)	(484)	(434)	(563)
Interest paid	(662)	(694)	(133)	(153)
Others	(5,208)	(9,072)	-	-
Cash Flow from Financing (c)	**(1,146)**	**(1,178)**	**(560)**	**(716)**
Net Change in Cash (a+b+c)	**5,853**	**9,897**	**1,234**	**2,338**
Opening Cash	748	1,393	2,218	3,452
Closing Cash	1,393	2,218	3,452	5,789

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