

**HOLD**

TP: Rs 4,650 | ▲ 7%

**SUPREME INDUSTRIES**

Building Materials

27 April 2024

**In-line Q4FY24; pipe volume guided to grow at healthy rate in FY25**

- Q4 broadly in line with our estimates as strong pipe volume offset the impact of weak pipe margin
- Strong volume growth guidance of 20% (pipe: +25%) with stable EBITDA margin of 15.5% for FY25
- Maintain HOLD as bright prospects baked into current valuations; TP raised by 8% to Rs 4,650 on roll forward from Sep'25 to Mar'26

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**In-line quarter:** SI beat our topline estimate by 5.5% due to better-than-expected pipe volume (+41.4% YoY vs +30% estimate), but missed our EBITDA estimate by 3.1% due to weak pipe segment margin (-10 bps QoQ to 16.0% vs 19.0% estimate). However, SI still managed to beat our PAT estimate by 2.1% mainly due to sharp increase in share of profit from associate (+95.4% QoQ). Overall, SI's revenue/ EBITDA grew by 15.8%/2.2% YoY, but APAT fell by 1.3% YoY in Q4FY24.

**Key result highlights:** Despite strong pipe volume (+41.4% YoY; 5Y CAGR: +13.7%), pipe segment EBITDA fell by 8.4% YoY in Q4FY24 due to aggressive pricing action and high MTM inventory gain in Q4FY23. The company registered strong pipe volume growth for the ninth consecutive quarter. Non-pipe segment continued to grow at a tepid rate of 4.1% YoY (5Y CAGR: +3.7%), but the segment EBITDA grew sharply by 41.1% YoY in Q4FY24 due to a sharp recovery in packaging margin (+980 bps YoY to 21.2% on a low base).

**Concall KTAs:** SI gained market share in plastic pipes in FY24 as its volume grew by 33.6% YoY vs 13.8% for industry. The company expects its total volume to grow at 20% YoY (pipe: +25%) and EBITDA margin to be 15.5% in FY25. PVC resin prices are not expected to rise sharply in the near future due to weak demand from China. The company plans to increase its piping systems from 36 at present to 41 in FY25. It is planning capex of Rs15 bn over the next two years for brownfield capacity expansion and to set up two greenfield pipe plants in Patna (Bihar) and Vijayawada (Andhra Pradesh).

**Maintain HOLD, TP revised up by 8% to Rs4,650:** We maintain our HOLD rating on the stock due to expensive valuations (trades at 42.7x on 1Y forward P/E vs. 5Y average of 28.1x). Our TP has been raised to Rs4,650 (Rs4,300 earlier) due to a slight increase in our EPS estimates (+2.9%/0.6% for FY25/FY26) based on strong pipe volume growth guidance for FY25 and roll forward of our valuation from Sep'25 to Mar'26. Our target P/E remains unchanged at 40x.

**Key changes**

| Target | Rating |
|--------|--------|
| ▲      | ◀ ▶    |

|                  |                   |
|------------------|-------------------|
| Ticker/Price     | SI IN/Rs 4,338    |
| Market cap       | US\$ 6.7bn        |
| Free float       | 51%               |
| 3M ADV           | US\$ 7.2mn        |
| 52wk high/low    | Rs 4,888/Rs 2,609 |
| Promoter/FPI/DII | 49%/24%/13%       |

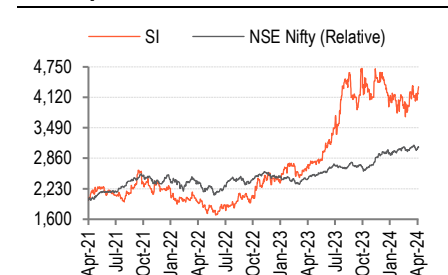
Source: NSE | Price as of 26 Apr 2024

**Key financials**

| Y/E 31 Mar              | FY24A    | FY25E    | FY26E    |
|-------------------------|----------|----------|----------|
| Total revenue (Rs mn)   | 1,01,343 | 1,19,305 | 1,38,282 |
| EBITDA (Rs mn)          | 15,473   | 18,899   | 21,915   |
| Adj. net profit (Rs mn) | 10,697   | 12,940   | 14,769   |
| Adj. EPS (Rs)           | 84.2     | 101.8    | 116.2    |
| Consensus EPS (Rs)      | 84.2     | 100.2    | 117.1    |
| Adj. ROAE (%)           | 22.5     | 23.4     | 22.7     |
| Adj. P/E (x)            | 51.5     | 42.6     | 37.3     |
| EV/EBITDA (x)           | 36.0     | 29.7     | 25.8     |
| Adj. EPS growth (%)     | 23.6     | 21.0     | 14.1     |

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**Fig 1 – Quarterly performance – Consolidated**

| Rs mn                                 | Q4FY24 | Q4FY23 | YoY (%)      | Q3FY24 | QoQ (%)      | FY24     | FY23   | YoY (%)      |
|---------------------------------------|--------|--------|--------------|--------|--------------|----------|--------|--------------|
| Revenue                               | 30,079 | 25,983 | 15.8         | 24,491 | 22.8         | 1,01,343 | 92,016 | 10.1         |
| Raw-Material expense                  | 20,262 | 17,283 | 17.2         | 16,405 | 23.5         | 68,584   | 65,992 | 3.9          |
| Employee expense                      | 1,233  | 997    | 23.6         | 1,098  | 12.3         | 4,422    | 3,748  | 18.0         |
| Energy cost                           | 863    | 745    | 15.9         | 851    | 1.4          | 3,288    | 2,667  | 23.3         |
| Other expense                         | 2,815  | 2,155  | 30.6         | 2,349  | 19.8         | 9,576    | 7,613  | 25.8         |
| EBITDA                                | 4,907  | 4,803  | 2.2          | 3,788  | 29.5         | 15,473   | 11,997 | 29.0         |
| D&A                                   | 772    | 721    | 7.0          | 772    | (0.1)        | 2,984    | 2,634  | 13.3         |
| EBIT                                  | 4,135  | 4,082  | 1.3          | 3,016  | 37.1         | 12,490   | 9,363  | 33.4         |
| Interest cost                         | 77     | 40     | 91.1         | 52     | 49.6         | 161      | 80     | 101.0        |
| Non-operating income/(expense)        | 181    | 114    | 58.5         | 207    | (12.7)       | 657      | 298    | 120.7        |
| Share of profit/(loss) from associate | 407    | 491    | (17.1)       | 208    | 95.4         | 1,069    | 1,533  | (30.3)       |
| PBT                                   | 4,646  | 4,647  | (0.0)        | 3,380  | 37.5         | 14,054   | 11,113 | 26.5         |
| Tax                                   | 1,097  | 1,052  | 4.3          | 818    | 34.2         | 3,357    | 2,460  | 36.5         |
| Reported PAT                          | 3,548  | 3,594  | (1.3)        | 2,562  | 38.5         | 10,697   | 8,653  | 23.6         |
| Adjusted PAT                          | 3,548  | 3,594  | (1.3)        | 2,562  | 38.5         | 10,697   | 8,653  | 23.6         |
| <b>As % of net revenues</b>           |        |        | <b>(bps)</b> |        | <b>(bps)</b> |          |        | <b>(bps)</b> |
| Gross margin                          | 32.6   | 33.5   | (85)         | 33.0   | (38)         | 32.3     | 28.3   | 404          |
| Employee cost                         | 4.1    | 3.8    | 26           | 4.5    | (38)         | 4.4      | 4.1    | 29           |
| Energy cost                           | 2.9    | 2.9    | 0            | 3.5    | (61)         | 3.2      | 2.9    | 35           |
| Other cost                            | 9.4    | 8.3    | 106          | 9.6    | (23)         | 9.4      | 8.3    | 118          |
| EBITDA margin                         | 16.3   | 18.5   | (217)        | 15.5   | 84           | 15.3     | 13.0   | 223          |
| Tax rate                              | 23.6   | 22.6   | 98           | 24.2   | (58)         | 23.9     | 22.1   | 175          |
| PAT margin                            | 11.8   | 13.8   | (204)        | 10.5   | 134          | 10.6     | 9.4    | 115          |

Source: Company, BOBCAPS Research

**Fig 2 – Segment financials**

| Particulars                | Q4FY24        | Q4FY23        | YoY (%)       | Q3FY24        | QoQ (%)      | FY24            | FY23          | YoY (%)       |
|----------------------------|---------------|---------------|---------------|---------------|--------------|-----------------|---------------|---------------|
| <b>Revenue (Rs mn)</b>     |               |               |               |               |              |                 |               |               |
| Pipe                       | 21,525        | 17,708        | 21.6          | 16,437        | 31.0         | 69,316          | 60,372        | 14.8          |
| Industrial                 | 3,516         | 3,687         | (4.6)         | 3,320         | 5.9          | 13,078          | 13,414        | (2.5)         |
| Packaging                  | 3,764         | 3,231         | 16.5          | 3,540         | 6.3          | 14,057          | 13,188        | 6.6           |
| Consumer                   | 1,184         | 1,211         | (2.2)         | 1,123         | 5.4          | 4,410           | 4,448         | (0.9)         |
| Others                     | 90            | 147           | (38.5)        | 72            | 25.2         | 482             | 594           | (18.9)        |
| <b>Total</b>               | <b>30,079</b> | <b>25,983</b> | <b>15.8</b>   | <b>24,491</b> | <b>22.8</b>  | <b>1,01,343</b> | <b>92,016</b> | <b>10.1</b>   |
| <b>Sales Volume (KTPA)</b> |               |               |               |               |              |                 |               |               |
| Pipe                       | 158.8         | 112.3         | 41.4          | 122.0         | 30.2         | 501.0           | 375.0         | 33.6          |
| Industrial                 | 16.9          | 16.5          | 2.2           | 16.2          | 3.9          | 61.9            | 59.0          | 5.0           |
| Packaging                  | 15.1          | 13.5          | 11.2          | 15.0          | 0.4          | 58.5            | 54.2          | 7.9           |
| Consumer                   | 4.7           | 5.1           | (8.4)         | 4.8           | (2.9)        | 18.3            | 18.3          | 0.0           |
| <b>Total</b>               | <b>195.4</b>  | <b>147.4</b>  | <b>32.5</b>   | <b>158.0</b>  | <b>23.6</b>  | <b>639.7</b>    | <b>506.5</b>  | <b>26.3</b>   |
| <b>Realization (Rs/kg)</b> |               |               |               |               |              |                 |               |               |
| Pipe                       | 136           | 158           | (14.0)        | 135           | 0.6          | 138             | 161           | (14.1)        |
| Industrial                 | 208           | 223           | (6.7)         | 205           | 1.9          | 211             | 228           | (7.2)         |
| Packaging                  | 250           | 239           | 4.8           | 236           | 6.0          | 240             | 243           | (1.2)         |
| Consumer                   | 254           | 238           | 6.8           | 234           | 8.6          | 242             | 244           | (0.9)         |
| <b>Total</b>               | <b>153.5</b>  | <b>175.3</b>  | <b>(12.4)</b> | <b>154.5</b>  | <b>(0.7)</b> | <b>158</b>      | <b>180</b>    | <b>(12.6)</b> |

| Particulars              | Q4FY24       | Q4FY23       | YoY (%)       | Q3FY24       | QoQ (%)     | FY24          | FY23          | YoY (%)     |
|--------------------------|--------------|--------------|---------------|--------------|-------------|---------------|---------------|-------------|
| <b>EBITDA (Rs mn)</b>    |              |              |               |              |             |               |               |             |
| Pipe                     | 3,437        | 3,752        | (8.4)         | 2,641        | 30.2        | 10,943        | 8,380         | 30.6        |
| Industrial               | 485          | 459          | 5.7           | 386          | 25.5        | 1,492         | 1,603         | (6.9)       |
| Packaging                | 796          | 367          | 117.0         | 584          | 36.4        | 2,350         | 1,391         | 69.0        |
| Consumer                 | 247          | 257          | (3.9)         | 237          | 4.0         | 920           | 845           | 8.9         |
| Others                   | (59)         | (32)         | 85.7          | (60)         | (1.0)       | (232)         | (221)         | 4.8         |
| <b>Total</b>             | <b>4,907</b> | <b>4,803</b> | <b>2.2</b>    | <b>3,788</b> | <b>29.5</b> | <b>15,473</b> | <b>11,997</b> | <b>29.0</b> |
| <b>EBITDA margin (%)</b> |              |              |               |              |             |               |               |             |
| Pipe                     | 16.0         | 21.2         | (522)         | 16.1         | (10)        | 15.8          | 13.9          | 191         |
| Industrial               | 13.8         | 12.5         | 135           | 11.6         | 216         | 11.4          | 11.9          | (54)        |
| Packaging                | 21.2         | 11.4         | 980           | 16.5         | 467         | 16.7          | 10.5          | 617         |
| Consumer                 | 20.9         | 21.2         | (36)          | 21.1         | (26)        | 20.9          | 19.0          | 187         |
| <b>Total</b>             | <b>16.3</b>  | <b>18.5</b>  | <b>(217)</b>  | <b>15.5</b>  | <b>84</b>   | <b>15.3</b>   | <b>13.0</b>   | <b>223</b>  |
| <b>EBITDA (Rs/kg)</b>    |              |              |               |              |             |               |               |             |
| Pipe                     | 21.6         | 33.4         | (35.2)        | 21.6         | 0.0         | 21.8          | 22.3          | (2.2)       |
| Industrial               | 28.8         | 27.8         | 3.4           | 23.8         | 20.8        | 24.1          | 27.2          | (11.4)      |
| Packaging                | 52.9         | 27.1         | 95.1          | 38.9         | 36.0        | 40.2          | 25.6          | 56.7        |
| Consumer                 | 53.1         | 50.6         | 5.0           | 49.5         | 7.2         | 50.4          | 46.3          | 8.9         |
| <b>Total</b>             | <b>25.1</b>  | <b>32.6</b>  | <b>(22.9)</b> | <b>24.0</b>  | <b>4.8</b>  | <b>24.2</b>   | <b>23.7</b>   | <b>2.1</b>  |

Source: Company, BOBCAPS Research

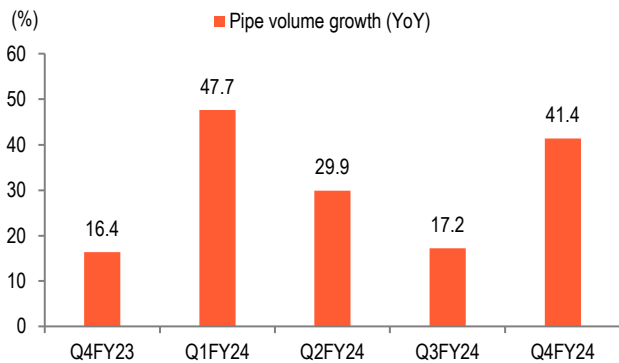
## Earnings call highlights

- Plastic pipes:** Segment volumes grew at a robust 41.4% YoY (5Y CAGR: +13.7%) in Q4FY24. Despite higher volumes QoQ and favourable resin prices, pipe EBITDA per unit was stable at Rs 21.6/kg on a QoQ basis in Q4FY24.
- Industrial:** Segment volumes grew by only 2.2% YoY (5Y CAGR: +9.3%) in Q4FY24 due to weak demand from consumer durable segment. Segment EBITDA per unit improved by 3.4% YoY to Rs 28.8/kg in Q4FY24.
- Packaging:** The segment volume grew by 11.2% YoY (5Y CAGR: +2.2%) as good demand for performance and protective packaging more than offset the impact of weak demand for cross laminated films. Segment EBITDA per unit improved sharply by 36.0% QoQ to Rs 52.9/kg in Q4FY24 due to better mix and low base.
- Consumer:** Segment volumes fell 2.2% YoY (5Y CAGR: -5.3%) in Q4FY24, but this was in line with the trend witnessed by the plastic furniture industry. However, segment EBITDA per unit improved by 5% YoY to Rs 53.1/kg due to a better mix.
- Guidance:** SI targets to grow its total volume at 20% YoY (pipe: +25%) and EBITDA margin at 15.5% for FY25.
- New product launches:** The company plans to increase its piping systems from 36 at present to 41 in FY25 (i.e. Acoustic PP Pipe System in collaboration with Poloplast GmbH of Austria, Polyethylene Gas Piping System, PERT Piping System, PE single wall corrugated Pipes, and Rainwater Harvesting System).
- Pipe market share:** SI has gained market share in the plastic pipe industry as it has grown at 33.6% YoY vs 13.8% YoY for industry in FY24 due to benefit of

distribution expansion and capacity expansion across geographies. SI enjoys market share of ~12% in plastic pipe sector in FY24.

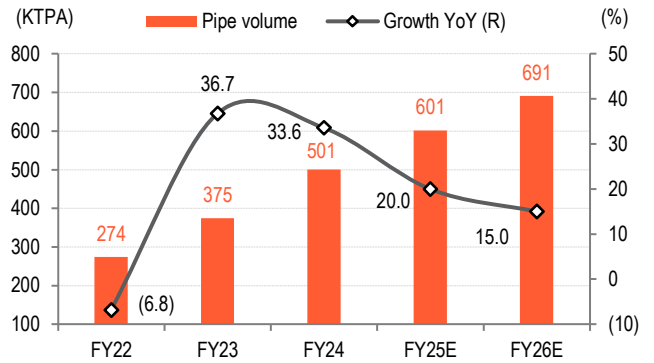
- **Nal Se Jal:** The company sold 25,000mtpa worth of volume under this programme for Rs 4bn in FY24. Management expects the demand from Nal Se Jal to continue for the next two years.
- **Capex:** SI's total capacity has gone up from 803ktpa in FY23 to 950ktpa in FY24 and aims to grow to 1,050ktpa in FY25. The company is planning capex of Rs 15bn (Rs5.6 bn in FY24) over the next two years for brownfield expansion at various locations and plans to set up two greenfield pipe plants at Patna in Bihar and Vijayawada in Andhra Pradesh. Its net cash position has gone up on a QoQ basis from Rs 5.9bn in Dec'23 to Rs 11.8bn in Mar'24.
- **Polymer prices:** Global PVC resin prices are not expected to go up sharply in the near future due to weak demand from China. CPVC resin prices have come under further pressure in Q4FY24.
- **MTM inventory loss:** The company booked an MTM inventory loss of Rs 0.5bn in FY24 (Rs 50mn in Q4FY24).
- **Share of profit from associate (Supreme Petrochem):** The share of profit was down by 17.1% YoY in Q4FY24 due to weak resin prices.

**Fig 3 – SI's pipe volumes grew at a strong 41.4% YoY and 13.7% on 5Y CAGR basis in Q4FY24**



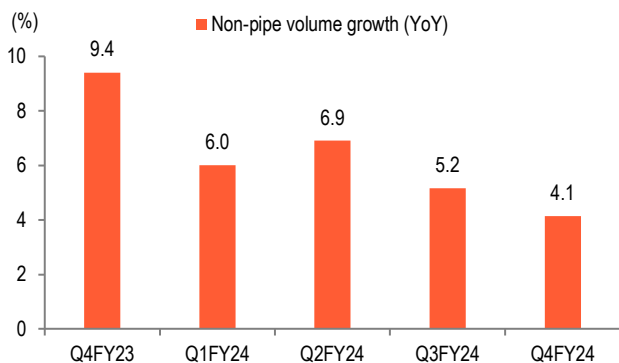
Source: Company, BOBCAPS Research

**Fig 4 – SI pipe volume to grow at 17.5% CAGR over FY24-FY26 on strong demand across end user industries**



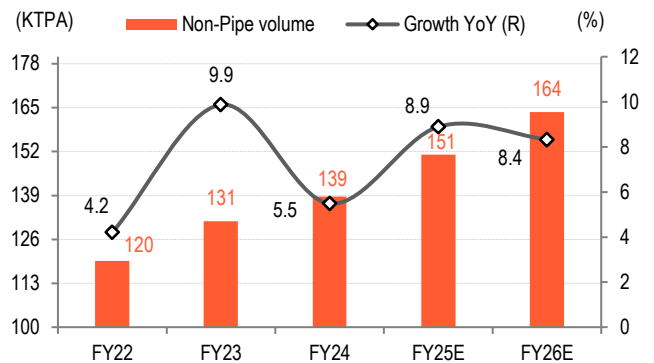
Source: Company, BOBCAPS Research

**Fig 5 – Non-pipe volumes continued to grow at a tepid pace of 4.1% YoY (5Y CAGR: +3.7%) in Q4FY24**



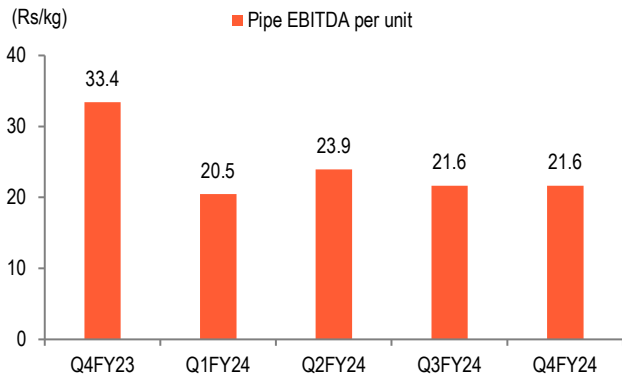
Source: Company, BOBCAPS Research

**Fig 6 – SI non-pipe volume to grow at a better pace at 8.6% CAGR over FY24-FY26 over a weak base**



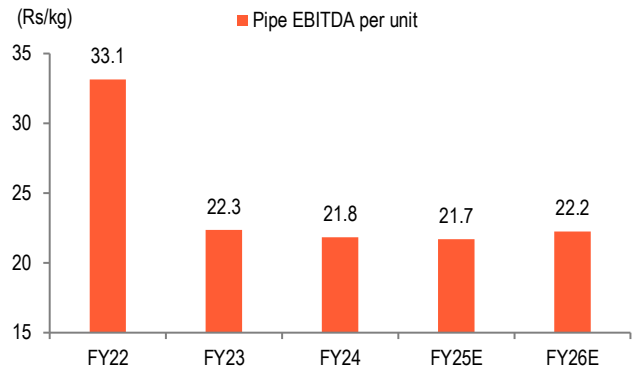
Source: Company, BOBCAPS Research

**Fig 7 – Pipe EBITDA per unit was stable QoQ in Q4, despite strong volume and favourable resin price**



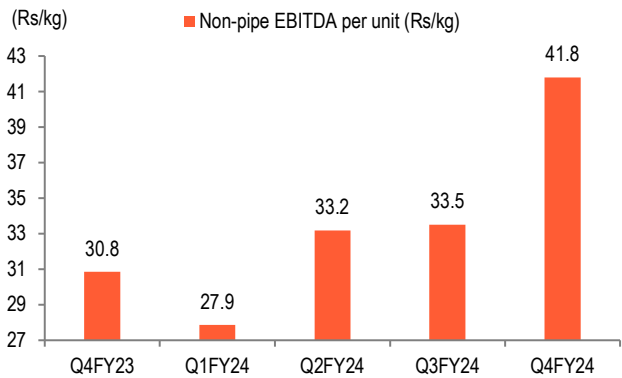
Source: Company, BOBCAPS Research

**Fig 8 – SI pipe EBITDA per unit is expected to remain stable at Rs 22/kg over FY25-FY26**



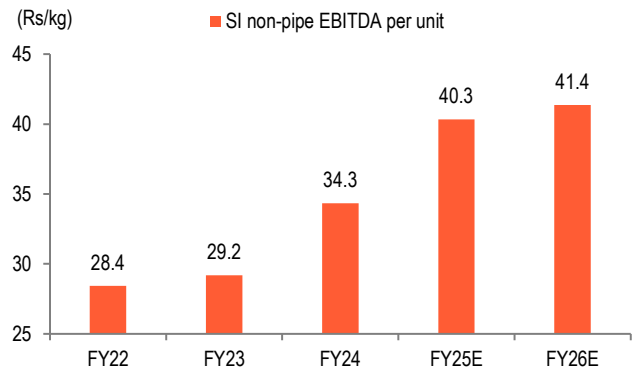
Source: Company, BOBCAPS Research

**Fig 9 – Non-pipe EBITDA per unit improved sharply in Q4FY24 on sharp recovery in packaging margin**



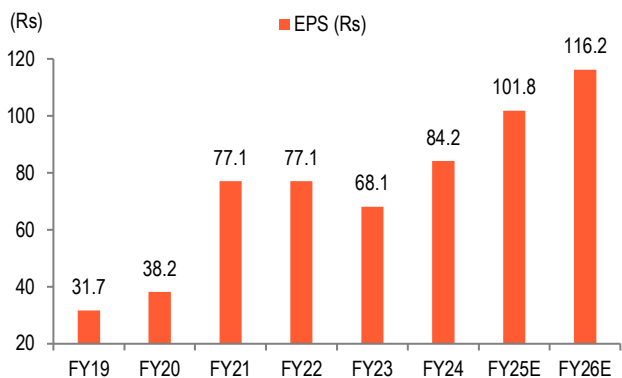
Source: Company, BOBCAPS Research

**Fig 10 – SI non-pipe EBITDA per unit to rise further in FY25-FY26 on rising share of value-added products**



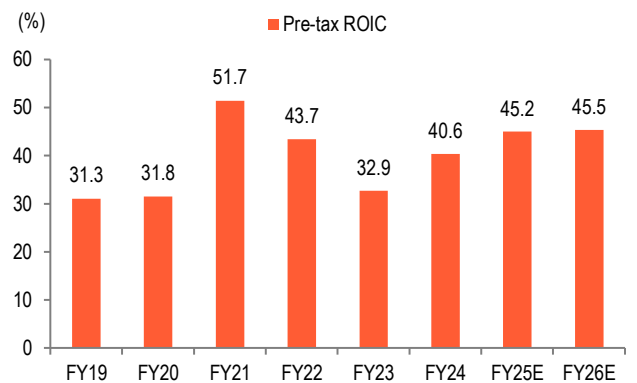
Source: Company, BOBCAPS Research

**Fig 11 – SI EPS projected to grow at strong 20.4% CAGR over FY19-FY26**



Source: Company, BOBCAPS Research

**Fig 12 – SI pre-tax ROIC to remain healthy at >40% over FY25-FY26**



Source: Company, BOBCAPS Research

## Valuation methodology

We expect SI's EPS to log a strong 20.4% CAGR over FY19-FY26 and operate at a healthy pre-tax ROIC of >40% over FY25-FY26. However, we maintain our HOLD rating on the stock with a higher TP of Rs4,650 (previously Rs4,300) due to stretched valuations (trades at 42.7x on 1Y forward P/E vs 5Y average of 28.1x).

We have tweaked our EPS estimates by +2.9%/+0.6% for FY25/FY26 based on strong pipe volume growth guidance for FY25. Our target P/E remains unchanged at 40x on Mar'25E EPS – a large premium to the stock's historical multiple given SI's bright prospects.

**Fig 13 – Revised estimates**

| Consolidated<br>(Rs bn) | New   |       | Old   |       | Change (%) |         |
|-------------------------|-------|-------|-------|-------|------------|---------|
|                         | FY25E | FY26E | FY25E | FY26E | FY25E      | FY26E   |
| Revenue                 | 119.3 | 138.3 | 115.0 | 133.3 | 3.7        | 3.7     |
| EBITDA                  | 18.9  | 21.9  | 18.9  | 21.9  | 0.1        | 0.1     |
| EBITDA margin           | 15.8  | 15.8  | 16.4  | 16.4  | (58bps)    | (58bps) |
| Adjusted PAT            | 12.9  | 14.8  | 12.6  | 14.7  | 2.9        | 0.6     |
| Adjusted EPS (Rs)       | 101.8 | 116.2 | 99.0  | 115.5 | 2.9        | 0.6     |

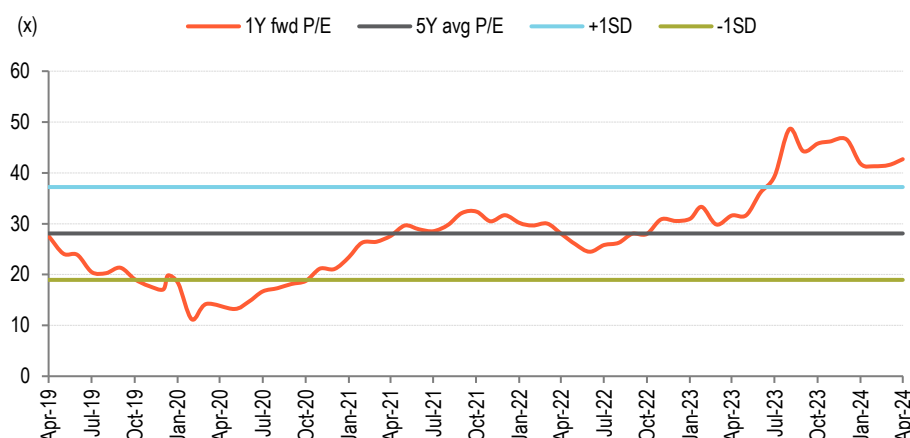
Source: BOBCAPS Research

**Fig 14 – Key assumptions**

| Parameters (%)             | FY22A | FY23A | FY24A  | FY25E | FY26E |
|----------------------------|-------|-------|--------|-------|-------|
| <b>Revenue mix</b>         |       |       |        |       |       |
| Pipe                       | 64.9  | 65.6  | 68.4   | 69.4  | 70.6  |
| Packaging                  | 15.6  | 14.3  | 13.9   | 13.6  | 12.9  |
| Industrial                 | 13.2  | 14.6  | 12.9   | 12.3  | 12.0  |
| Consumer                   | 5.2   | 4.8   | 4.4    | 4.4   | 4.2   |
| <b>Sales volume growth</b> |       |       |        |       |       |
| Pipe                       | (6.8) | 36.7  | 33.6   | 20.0  | 15.0  |
| Packaging                  | (1.2) | 0.1   | 7.9    | 7.7   | 7.0   |
| Industrial                 | 15.9  | 22.8  | 5.0    | 10.0  | 10.0  |
| Consumer                   | (5.7) | 4.8   | 0.0    | 9.2   | 7.0   |
| Total                      | (3.7) | 28.6  | 26.3   | 17.6  | 13.7  |
| Average realisation growth | 27.7  | (7.5) | (12.6) | 0.2   | 2.0   |
| <b>EBITDA margin</b>       |       |       |        |       |       |
| Pipe                       | 18.0  | 13.9  | 15.8   | 15.8  | 15.8  |
| Packaging                  | 12.3  | 10.5  | 16.7   | 20.0  | 20.0  |
| Industrial                 | 11.8  | 11.9  | 11.4   | 12.0  | 12.0  |
| Consumer                   | 17.5  | 19.0  | 20.9   | 20.9  | 20.9  |
| Total                      | 16.2  | 13.0  | 15.3   | 15.8  | 15.8  |

Source: Company, BOBCAPS Research

**Fig 15 – Trading at 42.7x on 1Y forward P/E vs. 5Y average of 28.1x**



Source: Company, BOBCAPS Research

### Key risks

- Better-than-expected recovery in the real estate sector would be a key upside risk to our estimates.
- Market share loss in plastic pipes would represent a key downside risk.

### Sector recommendation snapshot

| Company                  | Ticker      | Market Cap (US\$ bn) | Price (Rs) | Target (Rs) | Rating |
|--------------------------|-------------|----------------------|------------|-------------|--------|
| Apollo Pipes             | APOLP IN    | 0.3                  | 652        | 600         | SELL   |
| Astral                   | ASTRA IN    | 6.7                  | 2,040      | 2,000       | HOLD   |
| Century Plyboards        | CPBI IN     | 1.7                  | 639        | 700         | HOLD   |
| Cera Sanitaryware        | CRS IN      | 1.1                  | 7,204      | 7,700       | HOLD   |
| Finolex Industries       | FNXP IN     | 2.1                  | 273        | 230         | HOLD   |
| Greenlam Industries      | GRLM IN     | 0.9                  | 606        | 500         | HOLD   |
| Greenpanel Industries    | GREENP IN   | 0.5                  | 317        | 400         | HOLD   |
| Greenply Industries      | MTLM IN     | 0.4                  | 263        | 300         | BUY    |
| Hindware Home Innovation | HINDWARE IN | 0.3                  | 367        | 600         | BUY    |
| Kajaria Ceramics         | KJC IN      | 2.3                  | 1,206      | 1,400       | HOLD   |
| Prince Pipes & Fittings  | PRINCEPI IN | 0.9                  | 635        | 650         | HOLD   |
| Somany Ceramics          | SOMC IN     | 0.3                  | 642        | 900         | BUY    |
| Supreme Industries       | SI IN       | 6.7                  | 4,338      | 4,650       | HOLD   |

Source: BOBCAPS Research, NSE | Price as of 26 Apr 2024

## Financials

### Income Statement

| Y/E 31 Mar (Rs mn)         | FY22A         | FY23A         | FY24A           | FY25E           | FY26E           |
|----------------------------|---------------|---------------|-----------------|-----------------|-----------------|
| <b>Total revenue</b>       | <b>77,728</b> | <b>92,016</b> | <b>1,01,343</b> | <b>1,19,305</b> | <b>1,38,282</b> |
| EBITDA                     | 12,561        | 11,997        | 15,473          | 18,899          | 21,915          |
| Depreciation               | 2,295         | 2,634         | 2,984           | 3,405           | 3,896           |
| EBIT                       | 10,266        | 9,363         | 12,490          | 15,494          | 18,020          |
| Net interest inc./(exp.)   | (52)          | (80)          | (161)           | (309)           | (309)           |
| Other inc./(exp.)          | 200           | 298           | 657             | 724             | 724             |
| Exceptional items          | 140           | 0             | 0               | 0               | 0               |
| EBT                        | 10,274        | 9,580         | 12,985          | 15,909          | 18,435          |
| Income taxes               | 2,633         | 2,460         | 3,357           | 4,352           | 4,968           |
| Extraordinary items        | 0             | 0             | 0               | 0               | 0               |
| Min. int./Inc. from assoc. | 2,044         | 1,533         | 1,069           | 1,383           | 1,302           |
| <b>Reported net profit</b> | <b>9,685</b>  | <b>8,653</b>  | <b>10,697</b>   | <b>12,940</b>   | <b>14,769</b>   |
| Adjustments                | 110           | 0             | 0               | 0               | 0               |
| <b>Adjusted net profit</b> | <b>9,795</b>  | <b>8,653</b>  | <b>10,697</b>   | <b>12,940</b>   | <b>14,769</b>   |

### Balance Sheet

| Y/E 31 Mar (Rs mn)              | FY22A         | FY23A         | FY24A         | FY25E         | FY26E         |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Accounts payables               | 7,940         | 9,038         | 10,156        | 11,956        | 13,858        |
| Other current liabilities       | 1,988         | 2,237         | 2,410         | 2,410         | 2,410         |
| Provisions                      | 76            | 85            | 162           | 191           | 221           |
| Debt funds                      | 0             | 0             | 0             | 0             | 0             |
| Other liabilities               | 1,512         | 1,562         | 1,741         | 1,741         | 1,741         |
| Equity capital                  | 254           | 254           | 254           | 254           | 254           |
| Reserves & surplus              | 38,190        | 43,767        | 50,834        | 59,454        | 69,904        |
| Shareholders' fund              | 38,444        | 44,021        | 51,088        | 59,708        | 70,158        |
| <b>Total liab. and equities</b> | <b>49,959</b> | <b>56,942</b> | <b>65,557</b> | <b>76,006</b> | <b>88,387</b> |
| Cash and cash eq.               | 5,264         | 7,461         | 11,873        | 15,004        | 20,349        |
| Accounts receivables            | 4,668         | 4,924         | 5,114         | 6,021         | 6,979         |
| Inventories                     | 12,602        | 13,856        | 13,586        | 15,994        | 18,538        |
| Other current assets            | 2,219         | 2,546         | 2,301         | 2,709         | 3,140         |
| Investments                     | 4,759         | 5,713         | 6,254         | 6,254         | 6,254         |
| Net fixed assets                | 16,821        | 19,764        | 21,801        | 25,396        | 28,501        |
| CWIP                            | 1,967         | 1,129         | 2,337         | 2,337         | 2,337         |
| Intangible assets               | 864           | 878           | 1,472         | 1,472         | 1,472         |
| Deferred tax assets, net        | 0             | 0             | 0             | 0             | 0             |
| Other assets                    | 795           | 672           | 818           | 818           | 818           |
| <b>Total assets</b>             | <b>49,959</b> | <b>56,942</b> | <b>65,557</b> | <b>76,006</b> | <b>88,387</b> |

### Cash Flows

| Y/E 31 Mar (Rs mn)                 | FY22A          | FY23A          | FY24A          | FY25E          | FY26E          |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Cash flow from operations</b>   | <b>6,014</b>   | <b>10,762</b>  | <b>14,911</b>  | <b>14,036</b>  | <b>16,249</b>  |
| Capital expenditures               | (4,104)        | (4,753)        | (6,823)        | (7,000)        | (7,000)        |
| Change in investments              | (1,393)        | (954)          | (542)          | 0              | 0              |
| Other investing cash flows         | 59             | 298            | 657            | 724            | 724            |
| <b>Cash flow from investing</b>    | <b>(5,437)</b> | <b>(5,409)</b> | <b>(6,708)</b> | <b>(6,276)</b> | <b>(6,276)</b> |
| Equities issued/Others             | 0              | 0              | 0              | 0              | 0              |
| Debt raised/repaid                 | (12)           | 0              | 0              | 0              | 0              |
| Interest expenses                  | (52)           | (80)           | (161)          | (309)          | (309)          |
| Dividends paid                     | (3,049)        | (3,303)        | (3,812)        | (4,320)        | (4,320)        |
| Other financing cash flows         | 116            | 228            | 181            | 0              | 0              |
| <b>Cash flow from financing</b>    | <b>(2,997)</b> | <b>(3,156)</b> | <b>(3,791)</b> | <b>(4,629)</b> | <b>(4,629)</b> |
| <b>Chg in cash &amp; cash eq.</b>  | <b>(2,420)</b> | <b>2,197</b>   | <b>4,412</b>   | <b>3,131</b>   | <b>5,344</b>   |
| <b>Closing cash &amp; cash eq.</b> | <b>5,264</b>   | <b>7,461</b>   | <b>11,873</b>  | <b>15,004</b>  | <b>20,349</b>  |

### Per Share

| Y/E 31 Mar (Rs)      | FY22A | FY23A | FY24A | FY25E | FY26E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS         | 76.2  | 68.1  | 84.2  | 101.8 | 116.2 |
| Adjusted EPS         | 77.1  | 68.1  | 84.2  | 101.8 | 116.2 |
| Dividend per share   | 24.0  | 26.0  | 30.0  | 34.0  | 34.0  |
| Book value per share | 302.6 | 346.5 | 402.1 | 470.0 | 552.2 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY22A | FY23A | FY24A | FY25E | FY26E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales       | 7.1   | 6.1   | 5.5   | 4.7   | 4.1   |
| EV/EBITDA      | 44.1  | 46.5  | 36.0  | 29.7  | 25.8  |
| Adjusted P/E   | 56.3  | 63.7  | 51.5  | 42.6  | 37.3  |
| P/BV           | 14.3  | 12.5  | 10.8  | 9.2   | 7.9   |

### DuPont Analysis

| Y/E 31 Mar (%)               | FY22A       | FY23A       | FY24A       | FY25E       | FY26E       |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Tax burden (Net profit/PBT)  | 95.3        | 90.3        | 82.4        | 81.3        | 80.1        |
| Interest burden (PBT/EBIT)   | 100.1       | 102.3       | 104.0       | 102.7       | 102.3       |
| EBIT margin (EBIT/Revenue)   | 13.2        | 10.2        | 12.3        | 13.0        | 13.0        |
| Asset turnover (Rev./Avg TA) | 155.6       | 161.6       | 154.6       | 157.0       | 156.5       |
| Leverage (Avg TA/Avg Equity) | 1.4         | 1.4         | 1.4         | 1.4         | 1.4         |
| <b>Adjusted ROAE</b>         | <b>27.9</b> | <b>21.0</b> | <b>22.5</b> | <b>23.4</b> | <b>22.7</b> |

### Ratio Analysis

| Y/E 31 Mar                                   | FY22A        | FY23A        | FY24A        | FY25E        | FY26E        |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>YoY growth (%)</b>                        |              |              |              |              |              |
| Revenue                                      | 22.3         | 18.4         | 10.1         | 17.7         | 15.9         |
| EBITDA                                       | (2.3)        | (4.5)        | 29.0         | 22.1         | 16.0         |
| Adjusted EPS                                 | 0.0          | (11.7)       | 23.6         | 21.0         | 14.1         |
| <b>Profitability &amp; Return ratios (%)</b> |              |              |              |              |              |
| EBITDA margin                                | 16.2         | 13.0         | 15.3         | 15.8         | 15.8         |
| EBIT margin                                  | 13.2         | 10.2         | 12.3         | 13.0         | 13.0         |
| Adjusted profit margin                       | 12.6         | 9.4          | 10.6         | 10.8         | 10.7         |
| Adjusted ROAE                                | 27.9         | 21.0         | 22.5         | 23.4         | 22.7         |
| ROCE   | 27.2         | 21.9         | 25.7         | 27.2         | 26.7         |
| <b>Working capital days (days)</b>           |              |              |              |              |              |
| Receivables                                  | 22           | 20           | 18           | 18           | 18           |
| Inventory                                    | 59           | 55           | 49           | 49           | 49           |
| Payables                                     | 37           | 36           | 37           | 37           | 37           |
| <b>Ratios (x)</b>                            |              |              |              |              |              |
| Gross asset turnover                         | 2.3          | 2.5          | 2.4          | 2.5          | 2.5          |
| Current ratio                                | 2.5          | 2.5          | 2.6          | 2.7          | 3.0          |
| Net interest coverage ratio                  | 199.3        | 116.7        | 77.5         | 50.2         | 58.4         |
| <b>Adjusted debt/equity</b>                  | <b>(0.1)</b> | <b>(0.2)</b> | <b>(0.2)</b> | <b>(0.3)</b> | <b>(0.3)</b> |

Source: Company, BOBCAPS Research | Note: TA = Total Assets



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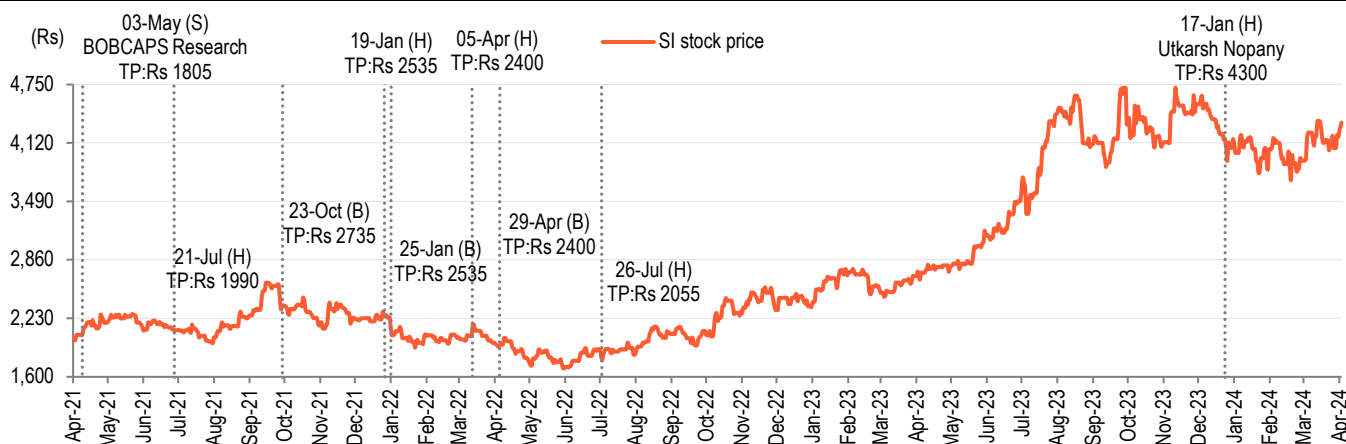
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