

Stock Update

AGI Greenpac Ltd.

Aug 14, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Glass Packaging	Rs 648.5	Buy in the band of Rs 642-655 & add more on dips to Rs 572-584 band	Rs 710	Rs 788	2-3 quarters

HDFC Scrip Code	AGIGREENEQNR
BSE Code	500187
NSE Code	AGI
Bloomberg	HSI IN
CMP Aug 11, 2023	648.5
Equity Capital (Rs cr)	12.9
Face Value (Rs)	2
Equity Share O/S (cr)	6.5
Market Cap (Rs cr)	4,196
Book Value (Rs)	248.3
Avg. 52 Wk Volumes	296674
52 Week High	695.0
52 Week Low	260.6

Share holding Pattern % (June 2023)	
Promoters	60.2
Institutions	9.5
Non Institutions	30.3
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

AGI Greenpac Ltd (AGL) is engaged in the business of manufacturing and distribution of Packaging Products comprising three diverse segments: glass containers packaging, PET bottles and products, and counterfeit-resistant security caps & closures. Glass containers contributes ~92% of the topline; of which 75% comes from alcoholic beverage industry followed by Food & Beverages (19%), Pharmaceuticals (6%). The company's capacity stands at 1,754 TPD (tonnes per day) for its glass packaging division (including specialty glass capacity of 154 TPD), 11,892 TPA for its plastic packaging division, 780 million of small cap pieces and 132 million of large cap pieces. The company, over the years, has built a wide-ranging portfolio of packaging products for both glass and PET, along with synergic product business of security caps and closures. The company is positioned as one of the significant glass container manufacturers and has ~20% market share in organised glass packaging industry catering to marquee clients. Leveraging its innovation strength, the company continues to introduce new and customised products to cater to the dynamic needs of its customers and adopts sustainable practices.

The company is moving up the value chain with its foray into manufacturing of high-margin speciality glass by setting up a greenfield facility in Bhongir, Telangana, having manufacturing capacity of 154 tonnes per day. This new plant would cater to high-end cosmetic and perfumery sector, high-end pharmaceuticals including vials, premium spirits among others; with average realisation 1.7-1.8x higher than current level. The management expects this new facility would add incremental revenue of Rs 250-300cr (~1x asset turnover) of incremental revenue at 90%+ utilisation levels and could fetch EBITDA/tonne of ~20-30% at higher utilization.

AGI Greenpac had submitted resolution plan to acquire 100% stake in Hindustan National Glass & Industries Limited through Corporate Insolvency Resolution Process (CIRP) under Insolvency and Bankruptcy Code. After securing approval from committee of creditors, AGI Greenpac received approval from the Competition Commission of India (CCI) vide order dated March 15, 2023. This acquisition would require financing of ~Rs 2200cr (estimates) and is expected to be largely funded by debt. Acquisition of HNG would cement AGI Greenpac's position as a leader in the glass packaging segment. Current installed capacity of 1754 TPD (including specialty glass) + additional 100 TPD (expansion by de-bottlenecking) + 4300 TPD capacity of HNG highlights the huge market share of the combined entity in the glass packaging sector. Although such large market share has its benefits in the form of huge client base, better pricing power and cost efficiencies; but the road to profitability of HNG and value accretion of this deal could see some rough patches. The effective acquisition of HNG is subject to obtaining necessary regulatory approvals from NCLT and other customary approvals. The condition of the furnaces, level of repairs needed to run the plants optimally and capex required of the same remains a key unknown at the current juncture. Audit of the furnaces/plants by the AGI's team and communication by the management would provide more clarity on this matter.



Valuation & Recommendation:

Strong industry tailwinds and utilization across diverse sectors coupled with its long-term association with customers and supply chain partners would support strong growth momentum. Increasing capacity by 100 TPD through debottlenecking activities, recently commissioned speciality glass segment and strong tailwinds in alco-bev would drive topline growth and enhance margins going forward. Capability to operate with alternative fuel and management’s conscious decision to use the most competitive available fuel has allowed AGI to consistently improve its margin profile despite the fluctuation in fuel prices. Final announcement of completion of acquisition of HNG is expected shortly; which could rerate the stock. We have not considered the financials of HNG while forecasting the AGI’s financials pending the final closure. On completion of the acquisition, AGI will also be eligible to get benefit of tax losses of HNG when it proposes merger of HNG with AGI. We expect revenue/EBITDA/PAT to grow at CAGR of 12.8%/18.1%/14% over FY23-25E. **We think the base case fair value of the stock is Rs 710 (13.5x FY25E EPS) and the bull case fair value is Rs 788 (15x FY25E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 642-655 and add more on dips to Rs 572-584 band (11x FY25E EPS). At CMP, the stock trades at 12.3x FY25E EPS.**

Financial Summary

Particulars (Rs cr)	Q1FY24	Q1FY23	YoY-%	Q4FY23	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Total Operating Income	558.5	521.8	7.0	680.3	-17.9	1,259.9	1,429.7	2,281.5	2,627.7	2,901.4
EBITDA	131.6	90.4	45.5	176.9	-25.6	266.3	263.3	461.6	572.8	644.1
PAT	63.5	65.8	-3.5	95.8	-33.8	114.8	116.2	248.8	295.2	340.1
Adjusted PAT	63.5	65.8	-3.5	95.8	-33.8	114.8	193.0	261.6	295.2	340.1
Diluted EPS (Rs)	9.8	10.2	-3.5	14.8	-33.8	12.7	29.9	40.4	45.6	52.6
RoE-%						9.2	14.7	17.4	17.0	16.8
P/E (x)						51.0	21.7	16.0	14.2	12.3
EV/EBITDA (x)						18.7	20.1	10.1	7.9	6.5

(Source: Company, HDFC sec)

Q1FY24 Result Review

AGI Greenpac reported robust topline of Rs 558.5cr (+7%/-17.9% YoY/QoQ), despite a planned furnace shutdown for re-lining 325 TPD furnace. As per the management, the company lost 25,000 tons of production, which would have generated additional sales of Rs 80cr. Gross margins stood at 68.3%, up 27bps/173bps YoY/QoQ. The company reported EBITDA of Rs 131.6cr (+45.5%/-25.6% YoY/QoQ). EBITDA margins continued to remain resilient due to low power & fuel cost & other expenses; it stood at 23.6% as against 17.3% Q1FY23 (vs 26% in Q4FY23). It clocked PAT of Rs 63.5cr, -3.5%/-33.8% YoY/QoQ. Healthy market demand, focus on value-added products helped in improving its profitability.



Triggers:

Leader in glass packing; 100% focus on packaging after divestment:

The company, in FY22, took a strategic decision and divested its Building Products division (BPD) to Hindware Ltd (erstwhile Brilloca Limited), a wholly owned subsidiary of Hindware Home Innovation Ltd (erstwhile Somany Home Innovation Ltd), on a slump sale basis for consideration of ~Rs 700cr. This resulted in transfer of its manufacturing business of sanitaryware, faucets and plastic pipes (PVC and CPVC) and fittings (BPD Undertaking) to Hindware Ltd. Apart from some land parcels (yielding annual lease rentals of ~Rs 20cr), entire manufacturing facilities (plant & machinery & some land) was transferred to Hindware Ltd. Slump sale proceeds was utilised towards the prepayment of existing borrowings thereby strengthening AGI Greenpac's balance sheet which would support further expansion its packaging business.

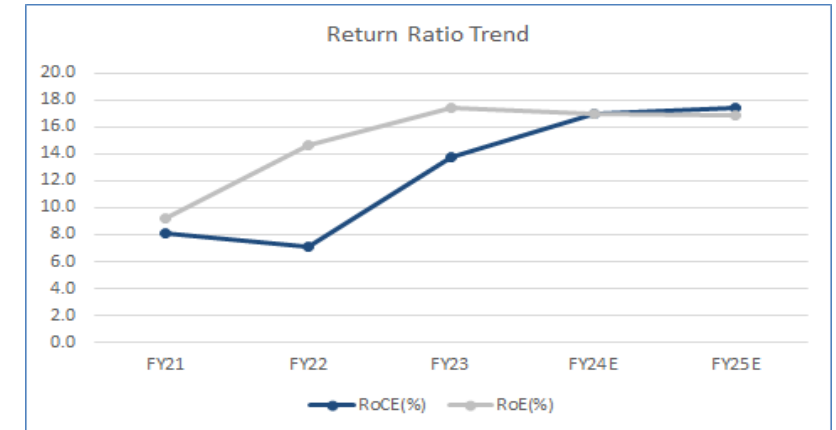
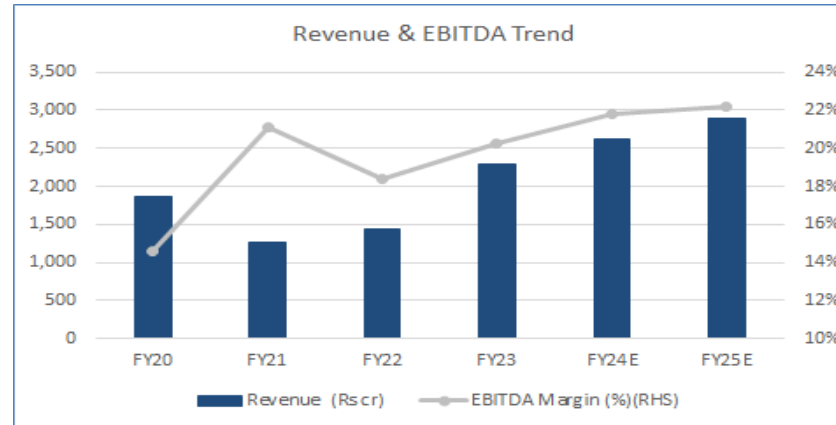
AGI Greenpac Ltd is now pure play packaging company; capitalising the growing opportunities in this sector. The company, over the years, has built a wide-ranging portfolio of packaging products for both glass and PET, along with synergic product business of security caps and closures. The company is positioned as one of the significant glass container manufacturers and has ~20% market share in organised glass packaging industry catering marquee clients. The company has more than 500 institutional customers across alco-bev, pharmaceuticals, food & soft drinks and cosmetic & perfumery industry.

The company has strengthened its value proposition through technology upgrades and enhancing its narrow neck press and blow (NNPB) capability to produce bottles that are lighter in weight facilitating its distribution. It has ventured into the cosmetic and perfumery segment, which is a more profitable segment. AGL incurred sizeable capex to setup additional decorative lines thereby providing value added services to clients thereby improving its realisations. The company has been continuously strengthening its operations and introducing newer products. It designed 200 new PET Bottles and commercialised 30 new products. Given that alcoholic beverages constitutes ~75% its glass packing revenue; the company is focused to improve share in Food & beverages & pharmaceuticals segment. In the security cap and closure business, AGL is expanding its offerings to provide complete solutions. PET bottles and counterfeit resistant products provides supplementary offerings to its clientele; completing its product portfolio.

AGI Greenpac has entered into strategic tie-ups with many customers, most of which are long-term contracts and will be value-accretive in the next three to five years. The company is focused on improving export share, with export to the USA, Australia, few European and African countries. Adoption of sustainable practices in packaging makes AGI Greenpac a preferred partner for international clients. Moreover, ongoing corporate insolvency of leading player - Hindusthan National Glass & Industries Ltd (HNG) – would have led to market share gains. Clients of HNG might have turned to large player like AGI Greenpac to ensure continued availability of glass containers. Established clientele, operating efficiencies and stability of prices have ensured decent profitability. During FY23, it reported topline of Rs 2281.5cr (up 59.6% YoY) at healthy operating margin of ~20%. Healthy utilisation coupled with a multi-fuel systems in place supported



margins. Operating at high capacity utilisation levels (97%), acquisition of HNG through insolvency process would cement its position as a leader in glass packaging segment.



(Source: Company, HDFC sec)

Capacity addition by Debottlenecking and 154 tonnes speciality glass manufacturing improving product mix:

AGI Greenpac forayed into manufacturing of high-margin speciality glass by setting up a greenfield facility in Bhongir, Telangana, having manufacturing capacity of 154 tonnes per day. Capacity addition in premium glass packaging segment is a step in the right direction; moving up the value chain. The company commenced commercial production of this facility from Jan 1, 2023. The company incurred capex of Rs 270cr for this new plant, which includes one new furnace with five manufacturing lines spread across 15 acres. The plant will also consist of an integrated decoration facility for hot-foil stamping, coating, lacquering, colouring. This new plant would cater to high-end cosmetics and perfumery sector, high-end pharmaceuticals including vials, premium spirits among others. Apart from the domestic requirements, products manufactured from this expansion are likely to focus on exports to U.S., Australia, and European countries. This 154 TPD furnace is under the process of full loading and is currently operating at 65-70% of capacity utilisation. It is operating above breakeven levels and the management expects to reach 100% CU by the end of this fiscal. Product validation, audit, quality checks by prospective customers is currently underway, which is long drawn process. The management expects this new facility would add incremental revenue of Rs 250-300cr (~1x asset turnover) of incremental revenue at 90%+ utilisation levels. Realisation of this speciality glass products would be substantially higher than (1.7-1.8x) existing ones. These specialty products could fetch EBITDA/tonne of ~20-30% at higher utilisation.

Operating at 95%+ capacity utilisation levels, the company has taken up de-bottlenecking of its capacities. Debottlenecking involves realigning and expanding the base of the furnace. In the last couple of years, the company has spent ~Rs 100cr towards relining of



furnaces. In Q1FY24, one of the furnace was shut for 70 days for rebuilding (increasing the size) & relining, which will increase the output by 100 TPD. Capex of ~Rs 200cr was spent, and this incremental capacity would be reflected in Q2FY24 numbers.

Acquisition of debt-laden HNG, to consolidate its position - near term dilution; long term value unlocking:

About

Hindusthan National Glass & Industries Ltd (HNG) is a key player in India's container glass industry having 13 furnaces with 4300 TPD installed capacity. It caters to broad range of industries including food & beverage (F&B), pharmaceutical and wellness, alcoholic beverages, household and cosmetics. The company has a large client base, supplying to top customers in every segment, exporting to more than 23 countries.

What went wrong?

The largest container glass-maker, HNG, had been facing issues of high debt for quite some time. The company was on the path of an over-ambitious expansion spree which led to debt trap. The company had undertaken aggressive capex during FY10-12 largely funded by debt. It commercialized greenfield operations of 600 TPD glass at Halol, 650 TPD greenfield expansion at Naidupeta, 650 TPD brownfield expansion in Sinnar, and other brownfield expansion to increase capacities. It also expanded via inorganic route as well during the said period. Long term borrowing increased Rs 370cr as at March'11 to ~Rs 1600cr as at March'12. Consequently, its finance cost during FY11/FY12/FY13 was Rs 51cr/ Rs 92cr/ Rs 200cr.

Corporate Insolvency

HNG was admitted into insolvency resolution proceedings in Oct'21 after failing to reach a one-time settlement with group of secured creditors. HNG received bids from three resolution applicants in Jul'22 – Ahmedabad-based Nirma Industries, INSCO, a Madhwani Group company in Uganda, and AGI Greenpac. Lenders of HNG (Committee of Creditors) voted in favour of the resolution plan submitted by AGI Greenpac on Oct 28, 2022. AGI Greenpac has received approval from the Competition Commission of India (CCI) vide a letter dated March 15, 2023 for the proposed acquisition of Hindustan National Glass & Industries Limited through the Corporate Insolvency Resolution Process. After CCI approval, the effective acquisition of HNG is subject to obtaining necessary regulatory approvals from NCLT and other customary approvals.

AGI Greenpac's proposed acquisition of HNG was challenged by rival bidder Independent Sugar Corporation (INSCO) (Madhwani Group) for violating conditions set out in the resolution process. The National Company Law Appellate Tribunal (NCLAT) dismissed the challenge brought forth by INSCO against the Competition Commission of India's (CCI) approval of AGI Greenpac's takeover of HNG under corporate insolvency resolution process. The judgment dismissing all appeals challenging CCI's approval of the takeover clears the path for faster resolution of HNG under the Insolvency and Bankruptcy Code (IBC). The matter is now pending before NCLT Kolkata.



Margin dilution, huge capex, increase in leverage – Can the management of AGI Greenpac turnaround HNG’s operational performance?
 This acquisition would require financing of ~Rs 2200cr and is expected to be largely funded by debt. Acquisition of HNG would cement AGI Greenpac’s position as a leader in the glass packaging segment. Current installed capacity of 1754 TPD (including specialty glass) + additional 100 TPD (expansion by de-bottlenecking) + 4300 TPD capacity of HNG highlights the huge market share of the combined entity in the glass packaging sector. Although such large market share has its benefits in the form of huge client base, better pricing power and cost efficiencies; but the road to profitability of HNG and value accretion of this deal could see some rough patches.

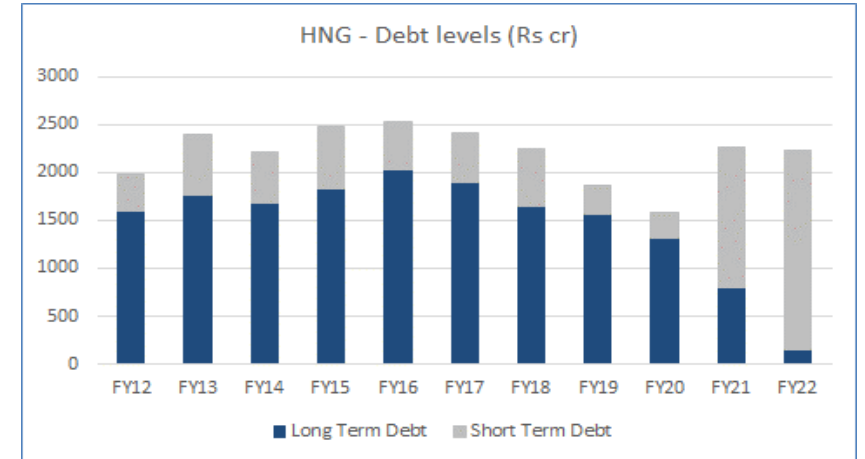
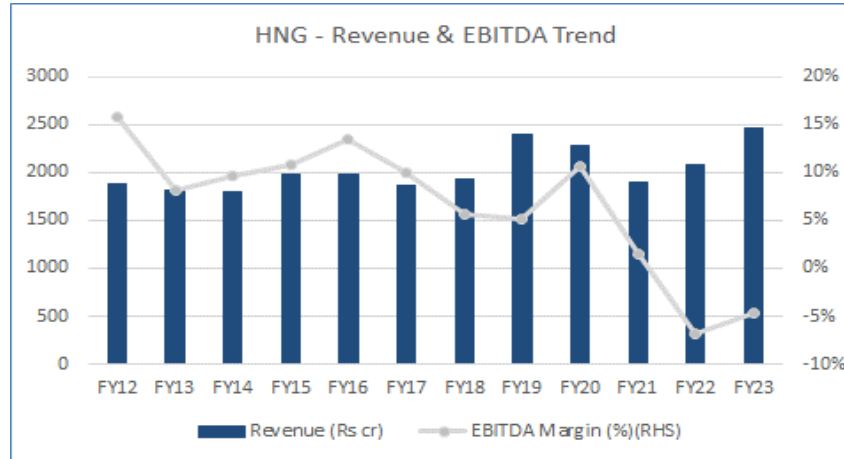
HNG reported decent revenue growth of 17.7% YoY to Rs 2457.4cr in FY23. Higher power & fuel cost and other expenses resulted in operating losses. It posted EBITDA loss of Rs 113cr in FY23, EBITDA margin of (4.6%) compared to (6.9%) in FY22. HNG clocked decent numbers in H2FY23, which operating margins turning positive. Healthy revenue growth coupled with lower power & fuel cost helped it to post 3.1%/8.2% EBITDA margin in Q3FY23/Q4FY23 respectively. In Q1FY24, HNG clocked the highest quarterly revenue of Rs 701cr and EBITDA margins of 13%. Recent improvement in performance indicates that the furnaces are operating in good condition that would lead to faster turnaround of business post AGI’s acquisition. AGI’s management in a recent interview commented that HNG can record topline of Rs 3000-3500cr at high capacity utilization levels after incurring necessary repairs & maintenance. After completion of acquisition, the management is confident of bringing HNG’s margin levels to similar to AGI’s levels in 3-4 years. Moreover, merger of two entities post acquisition would offer tax benefits.

The condition of the furnaces, level of repairs needed to run the plants optimally and capex required of the same remains a key unknown at the current juncture. Audit of the furnaces/plants by the AGI’s team and communication by the management would provide more clarity on the matter.

HNG – Quarterly Performance

	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Revenue (Rs cr)	425	494	585	594	635	573	594	661	701
Gross Margin (%)	81.4%	75.4%	56.1%	51.7%	52.3%	56.4%	62.4%	66.6%	67.4%
EBITDA Margin (%)	2.7%	1.9%	-10.5%	-15.6%	-16.8%	-12.9%	3.1%	8.2%	13.0%

(Source: Company, HDFC sec)



(Source: Company, HDFC sec)

Decent traction in PET bottles and security caps – would act as complimentary:

AGI Greenpac diversified into the manufacturing of PET bottles with the acquisition of Garden Polymers Private Limited (GPPL) in 2011. It commenced the production of security caps and closures under the brand ‘AGI Clozures’ since 2018, further bolstering the portfolio with patented and technologically superior products that prevent counterfeiting of packaged products in liquor and edible oil industries. The company offers customised PET bottles and containers through its three manufacturing facility provides complete packaging solutions offerings, alternative options supplementing glass container business. Its security caps and closures business would complement glass container business which would cater to same set of customers. It manufactures patented tamper-evident caps and closures for the food and beverage, Alco-Bev, and pharmaceuticals sectors. AGI Greenpac’s focus is clearly on glass packing given the recent 154 TPD specialty glass capacity expansion, debottlenecking in works and acquisition of HNG. PET & security cap segment (contributing ~8% of topline) would act like complementary business widening its portfolio offerings, catering substitute market and supporting glass container business. PET bottles and products business, acts like a complementary business, helps in widening its portfolio offerings and cater to the substitute markets. The counterfeit-resistant security caps and closures business is aligned with glass containers business, especially in the alco-bev sector.

Healthy industry tailwinds - Strong demand in beer and liquors segment:

In India, the Packaging Industry is estimated to report a CAGR of 26.7% during 2022-2027 fuelled by consumer spending. Factors such as growing income, changing lifestyle habits, increased internet penetration, the rapid expansion of organised retail, the popularity of online food delivery, growing inclination towards grooming, and renewed emphasis on safety and hygiene are creating huge opportunities for the packaging industry, particularly for glass and plastic packaging. AGI caters mainly to alco-bev sector ~75% of glass packaging. Alcoholic



beverages are witnessing rapid growth owing to its high-growth potential and increasing social acceptance. Share of glass packaging in IMFL is expected to increase as premium segments which constitute more than 40% of IMFL volume uses 100% glass packaging. The share of this segment is expected to grow to 67% of volume by 2027 and hence the overall share of glass packaging in IMFL will also increase. In the Mass / Popular segment, the share of glass bottles has reduced due to emergence of cheap alternate PET bottles. However, revenue leakages and ill effects on health are forcing state governments to turn back of glass packaging in liquor in phased manner. On the back of strong consumption story, the packaging industry is poised to gain the most from the increasing demand from the food and beverages industry as well as the pharmaceuticals and cosmetics sector. India's food and beverages packaging market, which was valued at US\$33.22 billion in 2020, is expected to reach US\$156.25 billion by 2026, registering a CAGR of 29.88%.

Concerns:

Input price pressures: Soda Ash is a major raw material for manufacturing glass containers and bottles and has seen some volatility in its prices over the last few quarters (both side). Power and fuel cost is another significant cost-item for the company. The company in the past has regularly done capex to reduce the power cost by substitution of high-cost fuel by alternate fuel. During the recent high prices of natural gas, the company switched to more economic fuels namely pet coke & furnace oil, to fire the glass furnaces. The company has been able to pass-on the increase in costs to consumers either fully or partially but with a lag, depending upon the demand and the competitive scenario. Around 50-60% of customers are charged based on formula pricing. Fluctuation in input prices could impact margins.

One-year soda ash prices



(Source: Investing.com, HDFC sec)



Acquisition of HNG would lead to near term pressure: AGI Greenpac has received approval from the Competition Commission of India (CCI) vide a letter dated March 15, 2023 for the proposed acquisition of HNG through the Corporate Insolvency Resolution Process. The deal is expected to be funded largely by debt, which would add interest burden. The condition of the furnaces, level of repairs needed to run the plants optimally and capex required of the same remains a key unknown at the current juncture. Capex required for adjusted the furnace to AGI's standard of utilization and time required to bring HNG's operating margin in-line with current levels remains key monitorable. Also any delay or change in the acquisition terms could impact the rerating trigger point for AGI.

Capital intensive nature of business: The inherent nature of the industry leads to significant amount of capex on regular basis for maintaining furnaces which leads to debt levels remaining high.

Slowdown in economy: AGI's revenue is aligned with the state of the economy. Any slowdown in the economy would impact the consumption spend and thus its topline. Any slowdown in Alco beverage industry (~70% of packaging business division) could negatively impact the demand.

About the company:

AGI Greenpac Ltd (AGL) (erstwhile HSIL Ltd) is engaged in the business of manufacturing and distribution of Packaging Products comprising three diverse segments: glass containers packaging, PET bottles and products, and counterfeit-resistant security caps & closures. Glass containers contributes ~92% of the topline; of which 75% goes to alcoholic beverage industry followed by Food & Beverages (19%), Pharmaceuticals (6%). The company is the second-largest glass container company in India; having 20% market share of India's organised glass packaging industry. Leveraging its innovation strength, the company continues to introduce new and customised products to cater to the dynamic needs of its customers and adopts sustainable practices.

Post the slump sale of building products division to Hindware Home Innovation for cash consideration of Rs 700cr; AGI Greenpac has positioned itself as a leading packaging company. The company's capacity stands at 1,754 TPD (tonnes per day) for its glass packaging division (including specialty glass capacity of 154 TPD), 11,892 TPA for its plastic packaging division, 780 million of small cap pieces and 132 million of large cap pieces.

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Financials

Income Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	1259.9	1429.7	2281.5	2627.7	2901.4
Growth (%)	-32.2	13.5	59.6	15.2	10.4
Operating Expenses	993.5	1166.4	1819.9	2054.8	2257.3
EBITDA	266.3	263.3	461.6	572.8	644.1
Growth (%)	-1.7	-1.1	75.3	24.1	12.4
EBITDA Margin (%)	21.1	18.4	20.2	21.8	22.2
Depreciation	94.6	99.5	126.3	150.3	162.5
EBIT	171.7	163.9	335.3	422.6	481.6
Other Income	14.1	42.9	25.9	43.9	44.0
Interest expenses	33.2	28.1	57.1	71.9	70.9
PBT	152.6	178.7	304.2	394.6	454.7
Tax	37.8	62.5	55.4	99.4	114.6
RPAT	114.8	116.2	248.8	295.2	340.1
APAT	114.8	193.0	261.6	295.2	340.1
Growth (%)	137.1	68.1	35.6	12.8	15.2
EPS	12.7	29.9	40.4	45.6	52.6

Balance Sheet

As at March (Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	12.9	12.9	12.9	12.9	12.9
Reserves	1220.6	1379.1	1593.6	1856.4	2157.7
Shareholders' Funds	1233.6	1392.1	1606.6	1869.4	2170.7
Long Term Debt	675.4	863.7	562.3	592.3	542.3
Net Deferred Taxes	256.3	253.7	240.4	250.4	260.4
Long Term Provisions & Others	28.0	21.6	22.0	37.0	40.9
Total Source of Funds	2193.2	2531.1	2431.4	2749.2	3014.3
APPLICATION OF FUNDS					
Net Block & Goodwill	1831.3	1529.1	1862.0	2083.3	1970.8
CWIP	30.5	304.0	141.5	0.0	0.0
Other Non-Current Assets	108.3	66.4	58.5	75.0	87.5
Total Non-Current Assets	1970.2	1899.5	2062.0	2158.3	2058.3
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	436.1	301.6	327.6	395.9	437.2
Trade Receivables	317.3	306.4	342.6	431.9	469.0
Cash & Equivalents	23.4	58.6	279.2	440.9	734.8
Other Current Assets	109.0	713.4	108.1	136.8	143.1
Total Current Assets	885.8	1380.0	1057.5	1405.5	1784.0
Short-Term Borrowings	128.7	299.7	169.2	189.2	169.2
Trade Payables	230.1	217.4	259.7	288.0	302.1
Other Current Liab & Provisions	304.0	231.4	259.2	337.4	356.7
Total Current Liabilities	662.8	748.4	688.1	814.6	828.0
Net Current Assets	223.0	631.6	369.4	590.9	956.1
Total Application of Funds	2193.2	2531.1	2431.4	2749.2	3014.3



Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	114.8	256.6	321.3	394.6	454.7
Non-operating & EO items	54.7	-32.7	-0.8	6.8	0.5
Interest Expenses	22.1	24.7	53.5	71.9	70.9
Depreciation	94.6	100.0	126.3	150.3	162.5
Working Capital Change	31.1	-123.1	117.5	-78.3	-50.4
Tax Paid	31.4	-44.7	-95.2	-99.4	-114.6
OPERATING CASH FLOW (a)	348.8	180.8	522.5	445.8	523.6
Capex	-122.5	-461.3	-279.1	-230.0	-50.0
Free Cash Flow	226.3	-280.6	243.5	215.8	473.6
Investments	0.0	0.0	0.0	0.0	0.0
Non-operating income	14.9	113.5	501.0	0.0	0.0
INVESTING CASH FLOW (b)	-107.6	-347.8	222.0	-230.0	-50.0
Debt Issuance / (Repaid)	-96.3	257.9	-452.8	50.0	-70.0
Interest Expenses	-66.0	-28.8	-69.8	-71.9	-70.9
FCFE	64.1	-51.4	-279.1	194.0	332.7
Share Capital Issuance	0.0	0.0	0.0	0.0	0.0
Dividend	-21.8	-26.0	-32.5	-32.3	-38.8
Others	-78.4	0.0	1.0	0.0	0.0
FINANCING CASH FLOW (c)	-262.4	203.1	-554.1	-54.2	-179.7
NET CASH FLOW (a+b+c)	-21.2	36.0	190.4	161.6	293.9

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY21	FY22	FY23	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	21.1	18.4	20.2	21.8	22.2
EBIT Margin	13.6	11.5	14.7	16.1	16.6
APAT Margin	9.1	13.5	11.5	11.2	11.7
RoE	9.2	14.7	17.4	17.0	16.8
RoCE	8.1	7.1	13.7	16.9	17.4
Solvency Ratio (x)					
Debt/EBITDA	3.0	4.4	1.6	1.4	1.1
D/E	0.7	0.8	0.5	0.4	0.3
PER SHARE DATA (Rs)					
EPS	12.7	29.9	40.4	45.6	52.6
CEPS	32.4	33.3	58.0	68.8	77.7
Dividend	4.0	5.0	5.0	5.0	6.0
BVPS	190.7	215.2	248.3	288.9	335.5
Turnover Ratios (days)					
Debtor days	88	80	52	54	57
Inventory days	122	94	50	50	52
Creditors days	62	57	38	38	37
VALUATION					
P/E (x)	51.0	21.7	16.0	14.2	12.3
P/BV (x)	3.4	3.0	2.6	2.2	1.9
EV/EBITDA (x)	18.7	20.1	10.1	7.9	6.5
EV/Revenues (x)	4.0	3.7	2.0	1.7	1.4
Dividend Yield (%)	0.6	0.8	0.8	0.8	0.9
Dividend Payout (%)	22.5	16.8	12.4	11.0	11.4

(Source: Company, HDFC sec)



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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