Stock Note

Patanjali Foods Limited

September 02, 2024

RETAILRESEARCH

Patanjali Foods Limited

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
FMCG	Rs 1938	Buy in Rs 1930-1960 band and add on dips in Rs 1705-1735 band	Rs 2124	Rs 2295	2-3 quarters

HDFC Scrip Code	PATANJALI
BSE Code	500368
NSE Code	PATANJALI
Bloomberg	PATANJALI:IN
CMP Aug 30, 2024	1938
Equity Capital (Rs Cr)	72.4
Face Value (Rs)	2.0
Equity Share O/S (Cr)	36.2
Market Cap (Rs Cr)	70,010
Book Value (Rs)	282.0
Avg. 52 Wk Volumes	693093
52 Week High	1957
52 Week Low	1170

Share holding Pattern % (Jun, 2024)	
Promoters	72.8
Institutions	13.3
Non Institutions	13.9
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Established in 1986, Patanjali Foods Ltd (PFL) is one the leading FMCG companies in India, engaged in the processing of oil seeds and refining crude oil for edible use and selling food and related products. The company operates through Edible Oils, Food & FMCG, and Wind Power Generation segments. Edible Oil contributed c.70% to the company's revenue in FY24. However, Food & FMCG continued to constitute majority of the company's EBITDA.

The company offers a wide range of products within the Edible Oil segment including crude and crude palm kernel oil; refined edible oils, such as palm oil, soyabean oil, sunflower oil, mustard oil, blended oil, rice bran oil, groundnut oil, vanaspati and hydrogenated fats, and bakery and specialty fats; and seed extractions, and other related products. PFL has focused on backward integration through its asset light oil palm plantations, where it has established a tripartite arrangement between farmers, the government, and itself. This backward integrated approach empowers PFL with comprehensive control over its supply chain, thus allowing it to swiftly respond to shifts in market demand. Aggressive oil palm plantation also helps the company mitigate the inherent price sensitivity of edible oils. As of June 30, 2024, over 75,667 hectares were under oil palm plantation, in addition to engagement with more than 57,000 farmers across 12 states.

The Food & FMCG business contributed <5% to the company's overall revenue in FY20, mainly consisting of a single commoditized product. However, PFL strategically acquired the biscuits and confectionary and Foods business from Patanjali Ayurved Ltd (PAL) and launched Nutraceuticals to grow the segment to ~30% of its revenue in FY24. This has also resulted in EBITDA margin improvement from 3.1% in FY20 to 4.1% in FY24. PFL has further acquired the Home & Personal Care (HPC) business from PAL in July 2024, which has presence in 4 key segments – dental care, skin care, hair care and home care through its 91 products and 186 SKUs. The HPC business clocked Rs 2771 cr in revenue and Rs 496 cr EBITDA in FY24.

Valuation & Recommendation:

PFL has delivered an impressive revenue/EBITDA/PAT CAGR of 20.0%/60.0%/58.4% between FY19-24. The company has significantly ramped-up its Food and FMCG business through both organic and inorganic route, resulting in robust growth in both top and bottom line. The higher margin Food and FMCG business has also given stability to PFL's overall EBITDA margins, which was impacted by sharp volatility oil prices in recent past. The management has proved its mettle in the past by successfully growing the biscuits and Food businesses acquired, a couple of years ago. It aims to do the same with the marquee brands like Dant Kanti, Neem Kanti, Super Dishwash Bar and Kesh Kanti, among others.

PFL has taken various initiatives to revive profitability in the Edible Oil business by focusing on increasing the share of branded oil and accelerated backward integration though oil palm plantation. Overall, we expect the biscuits business to continue to ramp-up as the company further gains market share and the new HPC business to start adding growth levers, leveraging PFL's expansive pan-India distribution reach. The management's target to increase the share of Food and FMCG business to ~50% over the next few years, which bodes well for the company as the higher margin FMCG and HPC businesses are expected to help improve the company's overall margin profile, going forward.

We believe investors can buy the stock in Rs 1930-1960 band (44.7x FY26E EPS) and add on dips in Rs 1705-1735 (40.0x FY26E EPS) band for a base case fair value of Rs 2124 (49.0x FY26E EPS) and bull case fair value of Rs 2295 (53.0x FY26E EPS) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q1FY25	Q1FY24	YoY-%	Q4FY24	QoQ-%	FY22	FY23	FY24	FY25E	FY26E
Operating Income	7173	7767	-8%	8222	-13%	24205	31525	31721	37104	39989
EBITDA	406	169	141%	371	9%	1487	1281	1279	1744	2299
APAT	263	88	200%	206	27%	806	886	765	1142	1568
Diluted EPS (Rs)	7.3	2.4	200%	5.7	27%	27.3	24.5	21.1	31.6	43.3
RoE-%						15.8	11.1	7.6	10.7	13.4
P/E (x)						71.7	79.0	91.7	61.4	44.7
EV/EBITDA (x)						49.3	55.1	54.3	40.3	30.1

(Source: Company, HDFC sec)

Segment Mix:

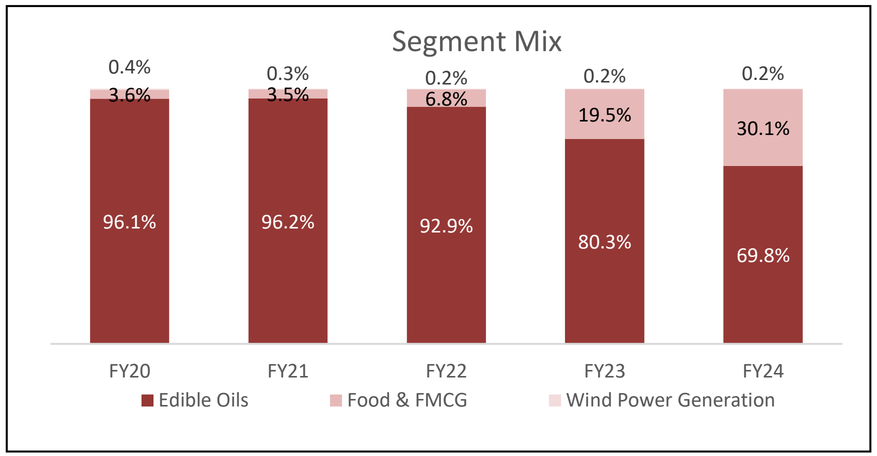
	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Revenue (in Rs Cr)													
Edible Oils	5,265	5,647	6,237	6,297	6,763	6,259	6,476	6,136	5,891	5,421	5,483	5,589	5,330
% of net sales	*93.4%*	*88.7%*	*93.5%*	*93.2%*	*92.5%*	*72.5%*	*80.9%*	*77.2%*	*74.9%*	*68.4%*	*68.6%*	*67.3%*	*73.0%*
Food & FMCG	357	705	426	452	531	2,358	1,523	1,805	1,952	2,488	2,499	2,705	1,954
% of net sales	*6.3%*	*11.1%*	*6.4%*	*6.7%*	*7.3%*	*27.3%*	*19.0%*	*22.7%*	*24.8%*	*31.4%*	*31.3%*	*32.6%*	*26.8%*
Wind Power Generation	17	17	10	10	20	13	11	9	17	18	9	11	14
% of net sales	*0.3%*	*0.3%*	*0.1%*	*0.1%*	*0.3%*	*0.2%*	*0.1%*	*0.1%*	*0.2%*	*0.2%*	*0.1%*	*0.1%*	*0.2%*

EBIT (in Rs Cr)													
Edible Oils	288	219	410	301	268	-462	196	114	-147	-68	67	72	194
EBIT Margin	*5.5%*	*3.9%*	*6.6%*	*4.8%*	*4.0%*	*-7.4%*	*3.0%*	*1.9%*	*-2.5%*	*-1.3%*	*1.2%*	*1.3%*	*3.6%*
Food & FMCG	31	81	34	51	84	620	159	247	351	369	261	250	174
EBIT Margin	*8.8%*	*11.5%*	*8.1%*	*11.2%*	*15.8%*	*26.3%*	*10.4%*	*13.7%*	*18.0%*	*14.8%*	*10.4%*	*9.2%*	*8.9%*
Wind Power Generation	8	8	1	0	11	4	1	0	4	4	-5	-3	0
EBIT Margin	*47.2%*	*46.8%*	*11.5%*	*4.6%*	*52.7%*	*30.4%*	*9.1%*	*5.2%*	*20.4%*	*23.9%*	*-51.4%*	*-26.3%*	*3.1%*

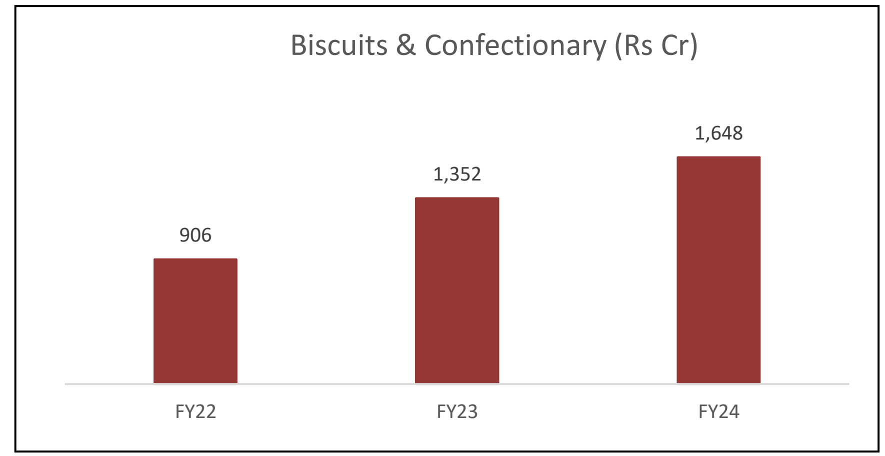
(Source: Company, HDFC sec)

Charts in Focus

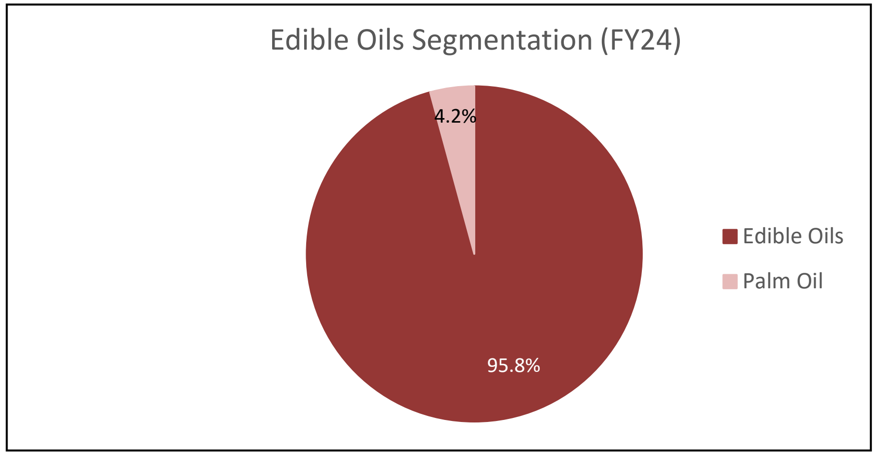
Share of FMCG has increased significantly over the past 5 years



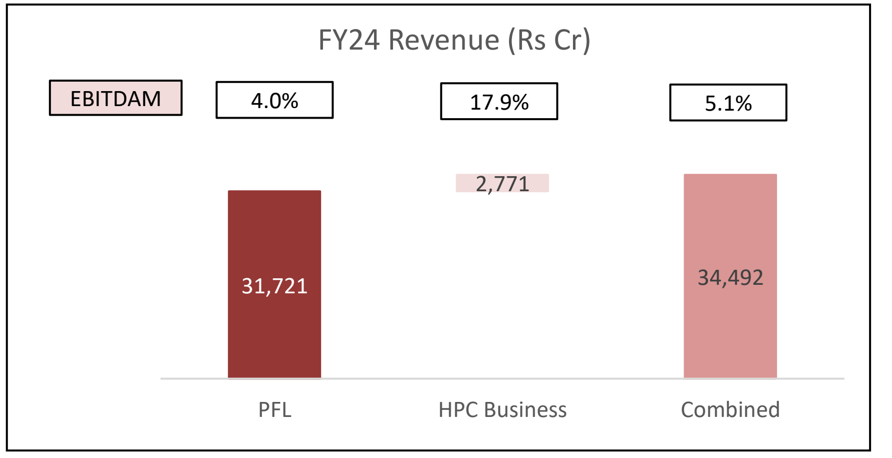
Biscuits and Confectionary business has ramped up significantly since acquisition



Focus on growing palm oil business



Acquisition of HPC business from its parent to drive margin expansion



(Source: Company, HDFC sec)

Q1FY25 Result Update

PFL reported a 7.6 % YoY decline in revenue in Q1FY25 on the back of decline in Edible Oil volumes and overall impact of heatwaves and election-related disruptions during the quarter. Reduced volatility in edible oil prices and stable performance in the Food & FMCG business resulted in a notable improvement in the company's profitability during the quarter. Gross profit margins improved 305 bps YoY on the back of oil price reductions, resulting in 18.6% YoY growth in gross profits during the quarter. Lower other operating expenses resulted in 141% YoY growth in EBITDA with EBITDA margin expanding by 349 bps YoY. RPAT surged 200% to Rs 263 cr during the quarter. In Q1FY25, export revenue stood at Rs 53.33 cr. The company has added new markets to its export portfolio, now reaching 22 countries. The company's products are also available on ecommerce platforms in global markets. The company fulfilled c.20% of its energy requirements from renewable sources.

Edible Oil

Edible Oil segment revenue de-grew by 9.5% YoY on the back of a dip in demand due to intense heatwaves in the country and downward pricing pressure. However, on the profitability front, the segment continued on the recovery trend (since H2FY24) after a subdued year earlier. EBITDA during the quarter stood at Rs 231.63 cr as against loss of Rs 99.61 in Q1FY24. This is mainly because of stable price regime in the market and active strategies of price risk mitigation, pursued by the company. PFL continued to witness improvement in sales of branded Edible Oil, which contributed 79.5% to the segment's revenue as against 75.9% in Q1FY24. Premium Nutrela Oils increased by 3.77% YoY to 5225.40 MT.

Pricing Update - The cash markets experienced both upward and downward price movements, with a 10% correction in April, followed by steadier prices in May and June. No divergence was observed between futures and physical prices for palm oil, while a 7% divergence occurred in soy oil due to falling futures prices. During Q1, for the soya oil, the basis movement was negative, which favored physical stock, leading to a deliberate reduction in hedging activities. Conversely, the basis movement for palm oil remained nearly neutral, where PFL maintained an average hedge volume of 30%. PFL is aggressively expanding its footprint in the oil palm plantation business to mitigate the inherent price sensitivity of edible oils.

Palm Plantation - As of June 30, 2024, over 75,667 hectares were under oil palm plantation, in addition to engagement with more than 57,000 farmers across 12 states. At this point, the palm plantation area covering under three years old plants stood at approximately 32%, compared to around 19% as of June 2023, indicating accelerated expansion in this segment.

Food & FMCG

Food and FMCG business was flat in Q1FY25, on account of high inventory ramp-up in the previous quarter. Biscuits continue to grow, registering 9.4% YoY increase to Rs 417 cr as against Rs 381 cr in Q1FY24. Adverse revenue mix with decline in revenue from the higher margin speciality foods, resulted in lower EBITDA of Rs 184 cr for the segment, as compared to Rs 361 cr in Q1FY24. However, the management expects recovery from the speciality foods portfolio in the upcoming quarters to result in stable margin of ~11%, going forward.

PFL continues to focus on growing the biscuits division with new launched products contributing to the growth of the portfolio. Sale of its star product – "Doodh" biscuit surged to Rs 266 cr, reflecting a YoY growth of 6.97%. The premium range of health biscuits (Ragi, 7 Grain & Digestive biscuits) and Patanjali Tea continue to exhibit encouraging results. Nutrela MaxxMillets has made its debut in key markets including Bihar, Jharkhand, Assam, UP, and Delhi. Additionally, a pilot for the Nutrela Shop-in-Shop concept in Delhi demonstrated promising results.

Nutraceuticals reported 37.81% QoQ growth in revenue; with e-Commerce contributing to 17% share of the total sales. Patanjali stores and e-commerce channels witnessed strong double-digit growth, supplemented by new products – Moringa Tablets, Vitamin C + Zinc Capsules, Melatonin and Ashwagandha Gummies, and Kids' Multivitamin Gummies.

Nutrela Soya Protein exhibited robust growth of 4.37% YoY in Textured Soya Protein (TSP) to 7747 MT.

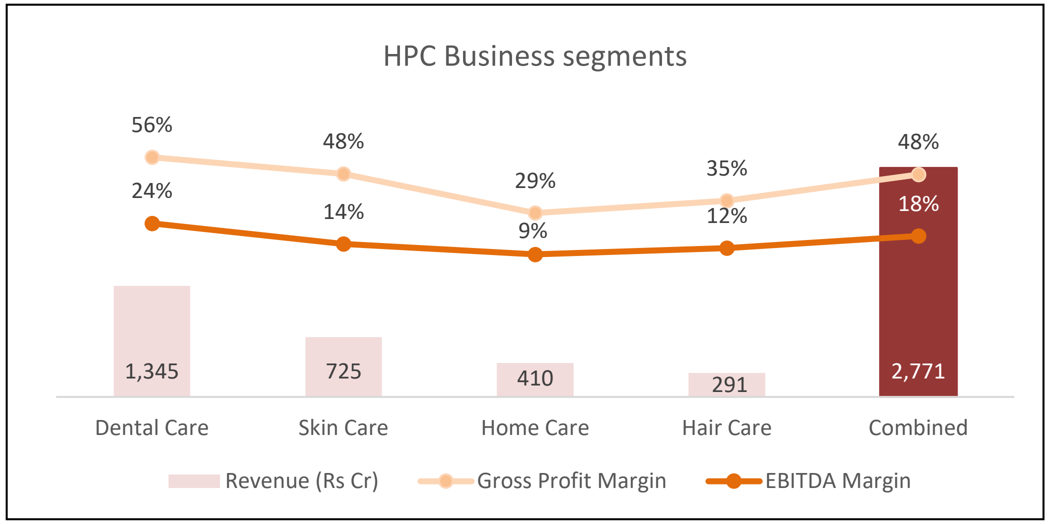
Key Triggers

Acquisition of Patanjali Ayurved's HPC business to help scale new highs

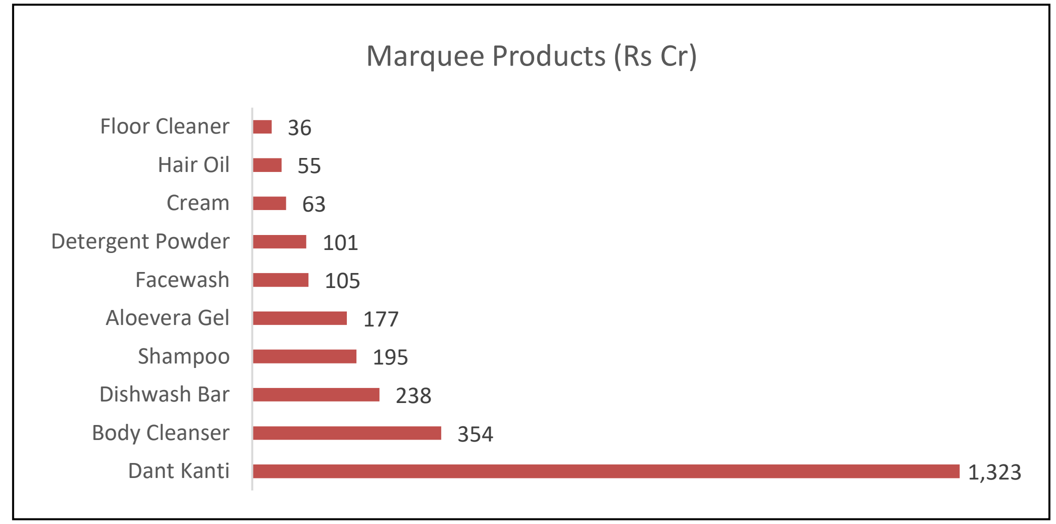
On July 1, 2024, PFL's board approved the acquisition of Patanjali Ayurved Limited (PAL)'s Home and Personal Care (HPC) business, in-line with its aim to transform into a total FMCG company. With an array of marquee brands under the PAL's HPC portfolio, PFL's Food & FMCG segment is expected to be further strengthened and the company is expected to capitalize on its distribution reach and a wide-reach of products to capitalize on the rising Indian consumption. The acquisition is valued at a net FMV of Rs 1100 cr including all fixed assets, inventory and respective current assets of the HPC division on a slump sale basis. The agreement also has a license fee agreement at 3% p.a. on gross sales for 20 years, with a minimum guarantee of Rs 83 cr. The HPC business of PAL currently has a strong brand equity in India's FMCG space and enjoys a loyal consumer base across the country. It has 91 products and 186 SKUs catering in four key segments of Dental Care, Skin Care, Home Care and Hair Care. The acquisition is expected to drive key synergies in terms of brand equity and enhancements, product innovations, infrastructure and operational efficiencies.

The division recorded revenue of Rs 2771 cr and EBITDA margin of Rs 496 cr in FY24. The acquisition adds 9% incremental revenue and 39% incremental EBITDA to PFL's FY24 numbers. With the HPC business' margin being significantly higher (18% as against PFL's 4% in FY24), the company's margins are expected to significantly ramp up, going forward. We believe that the acquisition of the HPC business could provide synergies to the company, leveraging the existing distribution network and improving penetration, especially in the rural areas. The management is confident that it can ramp-up the business in the same way as it has done since the acquisition of the biscuits business (35% CAGR between FY22-24). HPC's portfolio has a strong reach and brand traction across categories, which should aid the company in creating power brands across categories, going forward.

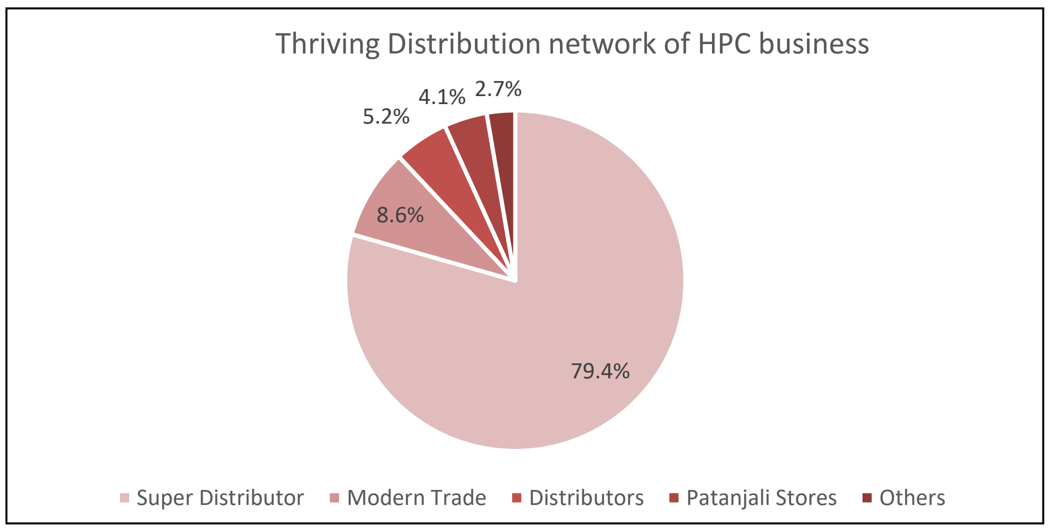
Addition of HPC business to result in improved margin profile



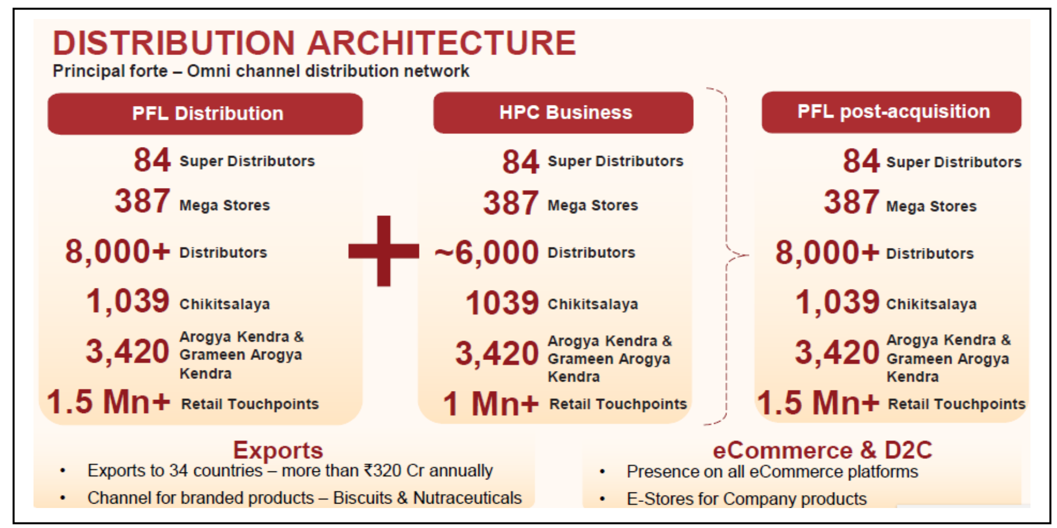
Robust portfolio to brands with strong recall and brand positioning



Strong distribution channel of HPC business remains a key strength



PFL plans to significantly ramp-up the HPC business in next 2-3 using its existing infrastructure



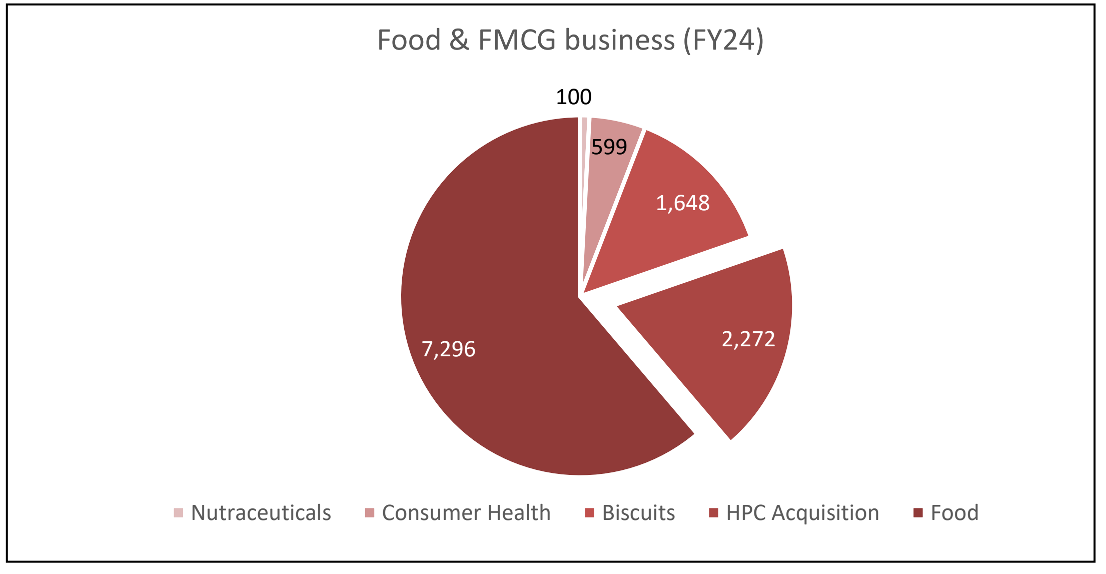
(Source: Company, HDFC sec)

Food & FMCG business to be the key growth and profitability driver

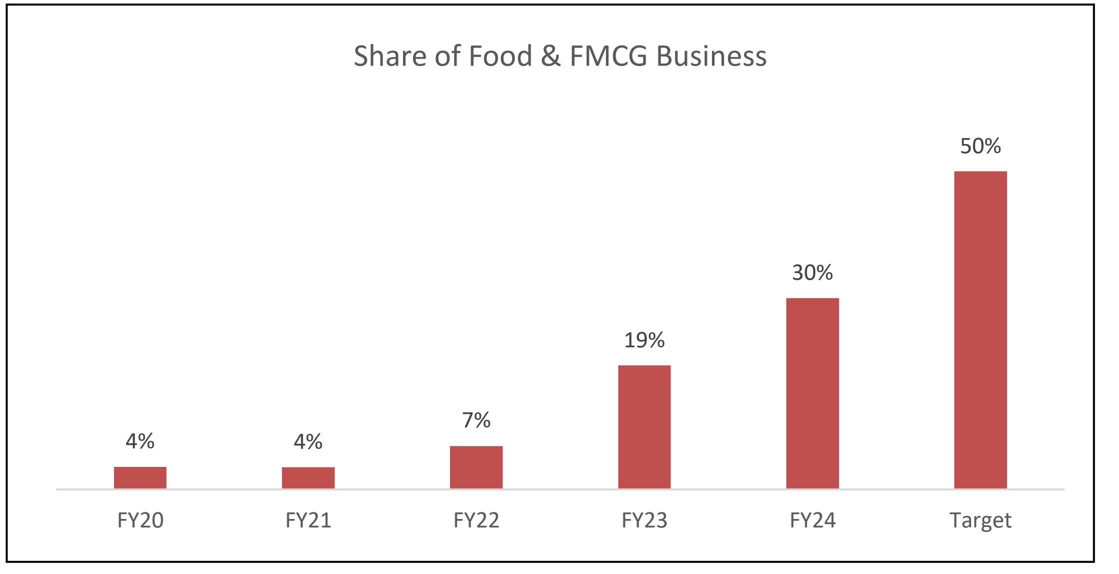
PFL's Food & FMCG business contributed <5% of the company's revenue prior to FY21, contributing of a singular commoditized business i.e. Nutrela Soya Foods. The company has since taken both the organic and inorganic route to ramp-up the FMCG business, now constituting ~30% of the company's revenue in FY24. Diversification from the highly volatile Edible Oil business has helped the company, not only stabilize the margins but also significantly improve its margin profile. Between FY22-24, the company acquired the biscuits and confectionary and subsequently the Food business from its parent, Patanjali Ayurved Ltd. Both these businesses have delivered strong growth since their acquisition as PFL has been able to leverage its expansive distribution network and marketing abilities to drive growth and has injected a bout of efficiency led cost optimization into these businesses.

To be sure, the biscuits business grew from Rs 906 cr in FY22 to Rs 1648 cr revenue in FY24, whereas the Foods business nearly doubled in revenue from Rs 3791 cr in FY23 to Rs 7296 cr in FY24. With the acquisition of the HPC business, the Food & FMCG segment will now constitute ~38.6% of the company's revenue in FY24. The company plans to significantly ramp-up the HPC business over the next 2-3 years, while focusing on driving growth in the biscuits and foods business to transform into a 'Total Foods and FMCG player'. The management aims to increase the share of Foods and FMCG business up to 50% over the next few years.

Food & FMCG segment gets an additional fillip from the HPC business



Focus on increasing the share of the relatively stable Food & FMCG business



(Source: Company, HDFC sec)

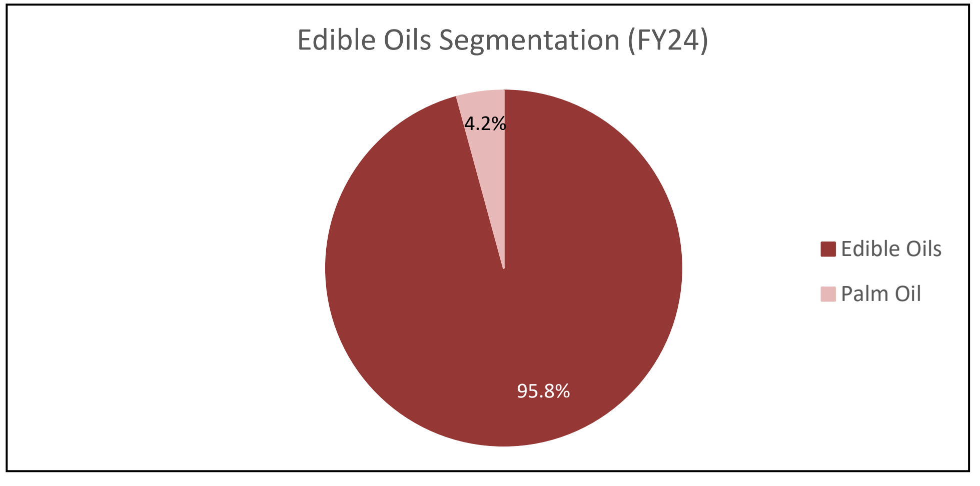
Edible Oil business to stage a recovery

One of the largest players of edible oil in the country, PFL has a robust presence in the edible oil domain driven by brand identities, expansive company-owned infrastructure, and substantial production volumes. PFL's Edible Oil portfolio comprises of Edible Vegetable Oils: Refined Palm Oil, Refined Soyabean oil, Refined Sunflower Oil, Kachi Ghani (Cold-Pressed) Mustard Oil, Blended Oils, Rice Bran Oil, Groundnut Oil, Vanaspati and Hydrogenated fats. While the company has maintained steady volumes in the Edible Oils segment, the sharp volatility in prices has led to volatile margins in the business. Resultantly, PFL's Edible Oil EBITDA Margin stood at only 0.5% in FY24. However, in Q1FY25, the company saw a sharp recovery in the profitability from the segment as prices stabilized. The management further expects oil prices to have bottomed out and to remain stable from hereon and has pursued various active strategies of price risk mitigation.

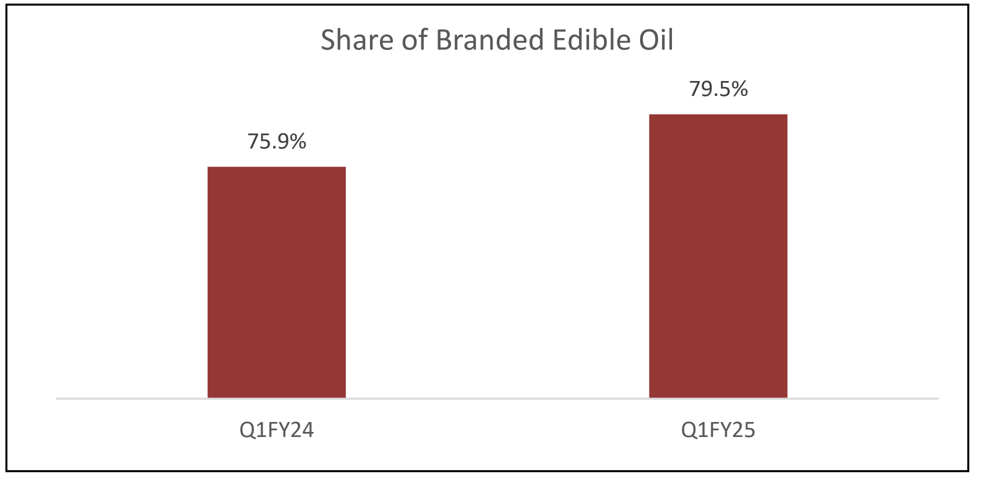
Increased share of branded oil to total edible oil has also resulted in improved margins in Q1 and is expected to further improve from hereon. Premium Oil range under the Nutrela brand continues to grow on a year-on-year basis. Going forward, the management expects Edible Oil margin to remain towards the high end of the standard 2% - 4% range. The company's plan to accelerate backward integration through oil palm plantation is also expected to help overcome the inherent price sensitivity of edible oils.

Oil Palm Plantation - As of June 30, 2024, over 75,667 hectares were under oil palm plantation, in addition to engagement with more than 57,000 farmers across 12 states. At this point, the palm plantation area covering under three years old plants stood at approximately 32%, compared to around 19% as of June 2023, indicating accelerated expansion in this segment. The oil palm plantation sector has an important opportunity for PFL for long-term growth in the segment. Rapid agricultural expansions are being executed in collaboration with the farmers at large scale. PFL is also conducting farmer training and exposure workshops in new areas.

Focus on accelerated backward integration through oil palm plantation



Increasing share of Branded Edible Oil to drive margin improvement



(Source: Company, HDFC sec)

Risks & Concerns:

- PFL has witnessed extreme volatility in Edible Oil prices over the past couple of years since the product is commoditized in nature. The company has however, actively pursued various active strategies of price mitigation and has also accelerated oil palm plantation to mitigate the inherent risk in edible oil prices.
- The company is dependent on various supply chain networks and imports of RM from various countries. The company's supply chain significantly impacts its sourcing, production, and distribution processes. Any disruption in the supply chain networks can have an impact on the company's business operations.
- PFL has a strategic focus to diversify away from edible oil business through acquisition and subsequent ramp-up of HPC business. However, this is dependent on successful integration and execution of growth strategies in albeit related but a business with significant different business characteristics.
- Rapid changes in consumer tastes and preferences and development of new age trade channels can pose challenges in ramping-up the FMCG business.
- PFL faces stiff competition from well established players in the industry that has deeply penetrated distribution networks and the company will have to invest significantly in distribution and marketing to compete with existing players.
- Adverse publicity due to litigation against the non-executive director Swami Ramdev and possibility of witch hunting against the company in case the current political setup at the centre comes to an end are some other concerns that may play out in future.

Company Background

Incorporated in 1986, Patanjali Foods Limited is one of the leading FMCG players in India. The company is present in Edible Oils, Food & FMCG and Wind Power Generation segments through a bouquet of brands like Patanjali, Ruchi Gold, Mahakosh, Nutrela, etc. The Edible Oils segment offers crude and crude palm kernel oil; refined edible oils, such as palm oil, soyabean oil, sunflower oil, mustard oil, blended oil, rice bran oil, groundnut oil, vanaspati and hydrogenated fats, and bakery and specialty fats; and seed extractions, and other related products. The Food & FMCG segment provides cow ghee, spices, herbal products, wheat flour, and pulses and other staples, madhuram, kesar, dry fruits, honey, biscuits, cookies, rusks, noodles, breakfast cereals, nutraceuticals, textured soya protein, and other related products. The Wind Power Generation segment engages in the generation of electricity through windmills. The company was formerly known as Ruchi Soya Industries Limited and changed its name to Patanjali Foods Limited in June 2022.

In 2021, PFL acquired Biscuits, Cookies and Rusk business from Patanjali Natural Biscuits Private Limited as a part of Business Transfer Agreement of Rs 60.03 crores. The company subsequently completed an FPO of Rs 4300 cr in 2022 and utilised the proceeds of the FPO to redeem the debentures and part of the preference shares and also to repay the term loans and working capital loans to achieve debt-free status. Further in 2022, PFL acquired the Food Business from Patanjali Ayurved Limited to strengthen FMCG product offerings and add large number of consumer-focused products into the existing product portfolio. The acquisition was done for a consideration of Rs 690 crores on slump sale basis with effect from July 1, 2022. Further in July 2024, PFL entered into another slump sale agreement with PAL to acquire its Home and Personal Care business for Rs 1100 cr. The agreement also has a license fee agreement at 3% p.a. on gross sales for 20 years, with a minimum guarantee of Rs 83 cr.

Diversified product portfolio across categories in Edible Oil, Foods, Biscuits, Nutraceuticals and Home & Personal Care

(Source: Company, HDFC sec)

Peer Comparison

Company	Mcap (Rs cr)	Revenue				EBITDA Margin				APAT				P/E (x)			
		FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E	FY23	FY24	FY25E	FY26E
Patanjali Foods	70010	31525	31721	37104	39989	4.1	4.0	4.7	5.8	886	765	1142	1568	79.0	91.7	61.4	44.7
Adani Wilmar	47100	58101	51155	56305	61410	3.2	3.0	3.7	3.8	576	403	999	1167	81.8	116.9	47.2	40.3
Britannia	141293	15980	16546	17926	19862	17.7	19.2	19.2	19.6	1941	2143	2376	2712	72.8	66.2	59.7	52.3
Colgate	98971	5226	5644	6255	6880	29.6	33.6	34.3	34.8	1047	1338	1527	1719	94.5	64.7	57.6	51.1

(Source: Company, HDFC sec)

Financials

Income Statement

Particulars (in Rs Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	**16319**	**24205**	**31525**	**31721**	**37104**	**39989**
Growth (%)	***24.4***	***48.3***	***30.2***	***0.6***	***17.0***	***7.8***
Operating Expenses	15365	22718	30244	30443	35360	37690
EBITDA	**954**	**1487**	**1281**	**1279**	**1744**	**2299**
Growth (%)	***138.0***	***55.9***	***-13.9***	***-0.2***	***36.4***	***31.9***
EBITDA Margin (%)	***5.8***	***6.1***	***4.1***	***4.0***	***4.7***	***5.8***
Depreciation	133	137	160	269	282	306
Other Income	64	79	297	240	223	200
EBIT	**885**	**1429**	**1418**	**1250**	**1685**	**2193**
Interest expenses	371	355	239	190	157	97
PBT	**514**	**1074**	**1179**	**1060**	**1527**	**2096**
Tax	-166	268	293	295	385	528
PAT	**681**	**806**	**886**	**765**	**1142**	**1568**
Share of Asso./Minority Int.	0	0	0	0	0	0
Adj. PAT	**681**	**806**	**886**	**765**	**1142**	**1568**
Growth (%)	***91.1***	***18.4***	***9.9***	***-13.7***	***49.3***	***37.2***
EPS	23.0	27.3	24.5	21.1	31.6	43.3

Balance Sheet

Particulars (in Rs Cr) - As at March	FY21	FY22	FY23	FY24	FY25E	FY26E
SOURCE OF FUNDS						
Share Capital	59	59	72	72	72	72
Reserves	4003	6112	9774	10133	11004	12210
Shareholders' Funds	**4062**	**6171**	**9847**	**10205**	**11076**	**12282**
Minority Interest	0	0	0	0	0	0
Total Debt	3660	3696	1454	1049	1049	249
Other Non-Curr. Liab	335	348	115	28	233	143
Net Deferred Taxes	0	0	0	0	0	0
Total Sources of Funds	**8058**	**10215**	**11416**	**11282**	**12358**	**12674**
APPLICATION OF FUNDS						
Net Block & Goodwill	4954	4900	5148	4964	5957	5851
CWIP	27	28	80	100	75	25
Investments	30	42	38	1041	241	741
Other Non-Curr. Assets	321	167	168	395	462	498
Total Non-Current Assets	**5332**	**5137**	**5433**	**6500**	**6735**	**7115**
Inventories	2363	2905	4070	3768	4574	4930
Debtors	438	796	1598	1434	1678	1808
Cash & Equivalents	46	375	803	537	462	217
Other Current Assets	828	2266	1340	1022	1196	1289
Total Current Assets	**3676**	**6343**	**7811**	**6762**	**7910**	**8244**
Creditors	657	898	1338	1588	1830	2191
Other Current Liab & Provisions	295	367	490	392	458	494
Total Current Liabilities	**951**	**1266**	**1828**	**1980**	**2288**	**2685**
Net Current Assets	2725	5077	5983	4782	5622	5559
Total Application of Funds	**8058**	**10215**	**11416**	**11282**	**12358**	**12674**

Cash Flow Statement

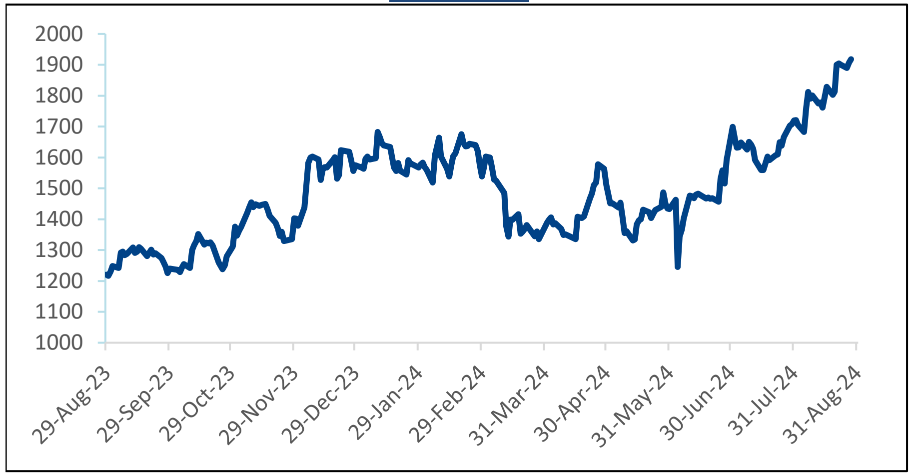
Particulars (in Rs Cr)	FY21	FY22	FY23	FY24	FY25E	FY26E
Reported PBT	514	1,074	1,179	1,060	1,527	2,096
Non-operating & EO items	-37	-70	-250	-112	138	-127
Interest Expenses	371	355	239	190	157	97
Depreciation	133	137	160	269	282	306
Working Capital Change	-735	-655	-1,394	679	-916	-180
Tax Paid	-5	-117	-272	-339	-385	-528
OPERATING CASH FLOW (a)	**241**	**724**	**-339**	**1,746**	**804**	**1,664**
Capex	-20	-34	-93	-98	-1,250	-150
Free Cash Flow	220	690	-433	1,649	-446	1,514
Investments	-34	0	1,187	-808	800	-500
Non-operating income	12	-1,529	-568	-6	0	0
INVESTING CASH FLOW (b)	**-42**	**-1,562**	**526**	**-912**	**-450**	**-650**
Debt Issuance / (Repaid)	30	18	-2,152	-328	0	-800
Interest Expenses	-336	-299	-139	-85	-157	-97
FCFE	-107	-1,119	-2,104	421	196	116
Share Capital Issuance	0	1,270	2,966	0	0	0
Dividend	0	0	-181	-433	-271	-362
Others	0	178	-253	-254	0	0
FINANCING CASH FLOW (c)	**-307**	**1,167**	**241**	**-1,100**	**-429**	**-1,259**
NET CASH FLOW (a+b+c)	**-107**	**329**	**428**	**-266**	**-75**	**-246**

Key Ratios

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E
Profitability Ratios (%)						
EBITDA Margin	5.8	6.1	4.1	4.0	4.7	5.8
EBIT Margin	5.4	5.9	4.5	3.9	4.5	5.5
APAT Margin	4.2	3.3	2.8	2.4	3.1	3.9
RoE	18.3	15.8	11.1	7.6	10.7	13.4
RoCE	12.1	16.3	13.4	11.1	14.4	17.8
Solvency Ratio (x)						
Net Debt/EBITDA	3.8	2.2	0.5	0.4	0.3	0.0
Net D/E	0.9	0.5	0.1	0.1	0.1	0.0
PER SHARE DATA (Rs)						
EPS	23.0	27.3	24.5	21.1	31.6	43.3
CEPS	27.5	31.9	29.0	28.6	39.4	51.8
BV	137.4	208.6	272.6	282.0	306.0	339.3
Dividend	0.0	5.0	6.0	6.0	7.5	10.0
Turnover Ratios (days)						
Debtor days	8	9	14	17	15	16
Inventory days	42	40	40	45	41	43
Creditors days	9	12	13	17	17	18
Valuation (X)						
P/E	84.2	71.1	79.0	91.7	61.4	44.7
P/BV	14.1	9.3	7.1	6.9	6.3	5.7
EV/EBITDA	77.1	49.3	55.1	54.3	40.3	30.1
EV / Revenues	4.5	3.0	2.2	2.2	1.9	1.7
Dividend Yield (%)	0.0	0.3	0.3	0.3	0.4	0.5
Dividend Payout (%)	0.0	18.3	24.4	28.4	23.8	23.1

(Source: Company, HDFC sec)

Price chart



(Source: Company, HDFC sec)

HDFC Sec Retail Research Rating description

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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. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

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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.

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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 cyclicality 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.

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