Stock Note

Balmer Lawrie & Co Ltd.

July 05, 2024

RETAILRESEARCH

Balmer Lawrie & Co Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Diversified	Rs 271.25	Buy in Rs 268-274 band and add on dips in Rs 240-244 band	Rs 300	Rs 320	2-3 quarters

HDFC Scrip Code	BALLAW
BSE Code	523319
NSE Code	BALMLAWRIE
Bloomberg	BLCL IN
CMP July 04, 2024	271.25
Equity Capital (Rs Cr)	171.0
Face Value (Rs)	10.0
Equity Share O/S (Cr)	17.1
Market Cap (Rs Cr)	4,638.5
Book Value (Rs)	106.5
Avg. 52 Wk Volumes	1479430
52 Week High	320.5
52 Week Low	129.4

Share holding Pattern % (March, 2024)	
Promoters	0.0
Institutions	4.8
Non Institutions	95.2
Total	100

* Refer at the end for explanation on Risk Ratings

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Our Take:

Balmer Lawrie & Company Ltd (BLL) is a Miniratna-I Public Sector Enterprise under the administrative control of the Ministry of Petroleum and Natural Gas, Govt. of India, since 1972. BLL has eight strategic business units (SBU), with a presence in both the manufacturing and services sectors. The key manufacturing verticals are industrial packaging and grease & lubricants, and the key services divisions are travel & vacation, logistics infrastructure, and logistics services. In its entire years of existence, BLL has been successfully responding to the demands of an ever changing environment, leveraging every change as an opportunity to innovate and emerge a leader in industry.

Central Public Sector Undertaking (CPSU) status of BLL enables it to generate stable revenues from other PSUs and Government departments, especially in logistic services (LS) and the T&V (travel & vacation) business. Besides, the company's significant capex plans over the next two to three years, including Rs 230 crore for setting up a free-trade warehousing zone (FTWZ) at JNPA Navi Mumbai and Rs 339 crore for a 200-KLPD grain-based ethanol plant in Andhra Pradesh could increase earnings visibility going forward. The performance of the industrial packaging (IP) segment, which was adversely impacted in FY23, is estimated to improve on the back of stability in steel prices and healthy demand from the end-user industries.

BLL could see good potential in logistics infrastructure business with the government's gati shakti scheme if opportunity is exploited in the field of Container freight stations (CFS), Inland Container depots (ICD) and Cold storage. We expect that company could report revenue growth of 10.8% and 10.3% for FY25E and FY26E, respectively.

Valuation & Recommendation:

BLL's healthy diversification across business segments and customers protects it from any downturn in a particular business. A healthy revenue growth is expected in travel & vacation (T&V) services and the grease & lubricants (G&L) manufacturing division. The company is focused on expanding its logistic infra business to garner further revenues. However, the performance of its logistics services could see some challenges due to intense competition in the industry and the revenues and margins in the container handling business (industrial packaging) remain susceptible to changes in Government policies.

BLL's financial profile remained strong with an expected improvement in profits and cash accruals. We expect BLL to consistently improve its EPS consistently from Rs. 15.3 in FY24 to Rs. 17.3 in FY25E and further to Rs. 19.3 in FY26E due to aggressive expansion plans and anticipated turnaround in the industrial economy. Considering its net cash position, which is 11% of its current market cap and company's rich real estate asset base, we assign a PE of 16.5x on for FY26E EPS. In case, the company is divested completely by the GoI, then the stock could become a multi-bagger in the long run. **Investors can buy in the Rs 268-274 band and add on dips in the Rs 240-244 band (12.5x FY26E EPS). We believe the base case fair value of the stock is Rs 300 (15.5x FY26E EPS) and the bull case fair value of the stock is Rs 320 (16.5x FY26E EPS) over the next 2-3 quarters. At the LTP of Rs 271.25, the stock is trading at 14x FY26E EPS.**

Financial Summary:

Particulars (Rs Cr)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY22	FY23	FY24P	FY25E	FY26E
Total Operating Income	577	608	-5.2	585	-1.4	2055	2321	2339	2592	2859
EBITDA	91	52	74.4	74	24.4	169	202	305	338	382
Depreciation	15	14	7.5	14	7.3	57	57	59	60	62
Other Income	18	17	3.1	11	68.0	37	37	51	54	57
Interest Cost	6	5	28.9	5	6.7	14	18	22	20	18
Tax	27	26	4.0	15	76.4	47	57	75	88	101
APAT	74	45	65.4	67	10.7	138	172	262	296	331
Diluted EPS (Rs)	4.3	2.6	65.4	3.9	10.7	8.1	10.1	15.3	17.3	19.3
RoE-%						8.3	10.0	14.5	15.0	15.8
P/E (x)						33.7	27.0	17.7	15.7	14.0
EV/EBITDA (x)						25.7	21.3	13.9	12.4	11.2

(Source: Company, HDFC sec)

Q4FY24 Result Update

- BLL's revenue was down by 5.2% YoY to Rs 577 crore in Q4FY24, the company reported 74.4% YoY EBITDA growth at Rs 91 crore, supported by lower raw material costs and other expenses in the quarter that fell 4.6%/29% on YoY. Net profit grew by 65.4% YoY to Rs 74 crore in Q4FY24.
- On segments' contribution, Industrial Packaging contributed 30.5%, Logistics Services 17.7%, Logistics Infrastructure 9.8%, Greases & Lubricants 26.4%, Tours and Travels 8.4% and others 5.2% to the revenue in Q4FY24.
- BLL's EBITDA margin ramped up to 15.9% in Q4FY24 vs. 8.6% in Q4FY23. PAT margin stood at 12.8% vs. 7.3% in Q4FY23, tax rate decreased to 30.5% in Q4FY24.

Recent Triggers

Investment in new areas of business to increase revenue streams

- BLL has eight strategic business units with industrial packaging and logistics services being the key revenue generators of the company. BLL is planning to engage a consultant to study the feasibility of entering new business areas, such as ethanol and green hydrogen production, and doing third-party logistics (3PL) to expand its revenue streams.
- The company's significant capex plans over the next three years, includes Rs 230 crore for setting up a free-trade warehousing zone

(FTWZ) at JNPA Navi Mumbai and Rs 339 crore for a 200-KLPD grain-based ethanol plant in Andhra Pradesh. The capex is expected to be funded through a mix of debt and internal accruals. The company has reserves of nearly Rs 1,180 crore.

- The company aims at garnering a revenue of Rs 3,000-4,000 crore in the next two years, and Rs 5,000 crore in the next three to four years and plans to increase the revenue streams to meet these targets.
- The company has warehousing facilities that are now used for storing. The company is planning to provide last-mile delivery in the B2B (business to business) segment targeting the e-commerce firms.
- The company is also looking for land in the metropolis to set up a temperature-controlled warehouse, adding that such facilities will be set up in Tier II and III cities.
- BLL plans to expand in Bengal to scale up its warehousing capacity at its existing facility on Hyde Road in Calcutta.
- BLL has already signed an MoU with the central warehousing corporation for a similar facility at Vijayawada. For the grease and lubricants business, the company plans to do contract manufacturing for oil marketing companies (OMCs) to strengthen its retail presence.

Expansion of ware-housing facility in keeping with the growing demands of the segment

The Indian logistics industry is growing due to the flourishing E-commerce market and technological advancement. The industry has progressed from a transportation and storage-focused activity to a specialised function that now encompasses end-to-end product planning and management, value-added services for last-mile delivery, predictive planning, and analytics, among other things. The cold chain (CC) market is expected to grow at nearly 17% per annum on a sustained basis over the next 4 years. The major products include fruits and vegetables, meat and fish, dairy products, and healthcare products.

Key developments:

- BLL SBU-CC has four cold chain units operating at Hyderabad, Rai (Haryana), Patalaganga (Maharashtra) and Bhubaneshwar (Odisha). To manage the end-to-end supply chain of the Cold Chain operations, the SBU is also operating with 18 numbers of 4 MT capacity of reefer vehicles on a Pan-India basis.
- BLL's SBU has been able to rope in new customers from other segments to increase utilization of vehicles vis-à-vis an improvement in revenues which is expected to improve the revenue generation moving forward.
- With the improvement in asset utilization and revenue, SBU-CC is expecting to increase its footprints across India by setting up of Mini Cold Storage facilities which will be executed at lower capex infusion and implementation lead time.
- BLL is planning to expand more into warehousing and looking for appropriate places in metro cities, including Kolkata and looking to set up in temperature-controlled warehouses in tier 2 cities, which are mostly unorganized.
- BLL and The Central Warehousing Corporation (CWC) signed an MoU in FY24 for utilising the storage warehousing space of CWC for providing cold chain logistics, general warehousing, and other ancillary services for 10 years. BLL and CWC will collaborate to leverage each other's capabilities to meet the growing demands of the segment.

Ample scope in Grease and Lubricants (G&L) business

- Balmer Lawrie was the first grease manufacturer in India and its “Balmerol” greases are the leaders in the field with over 80 years of manufacturing experience.
- BLL’s G&L segment contributed 27% to the revenue in Q4FY24. With BLL’s current R&D facilities clubbed with its infrastructure, G&L SBU has a very good opportunity to increase its market share and continue strengthening “Balmerol” as a trusted brand that stands for its quality and reliability. The overall growth of the SBU in volumes vs. last financial year is about 3%.
- G&L SBU has a strong presence in the industrial segment and is developing new products to cater to the diverse demands of the industrial market. In the grease segment, BLL is among the top three companies in the steel and jute sector.
- G&L SBU is also a preferred supplier of greases for some of the big automobile companies of India and focuses on further improving the processes to increase output efficiency. Many measures are being taken by doing reverse engineering for better output.

Leader in the Industrial packaging business

- Being a market leader in the 210 L mild steel drum industry, BLL enjoys a significant position with a healthy market share in most of the customer segments, like fruits, chemicals, lubricants, transformer oils, or additives.
- With six manufacturing state-of-the-art manufacturing facilities and highly skilled technocrats, this Strategic Business Unit (SBU) manufactures all types of steel drums like conical, composite, open top, tight head, galvanized, tall, plain, lacquered, and necked-in.
- The kind of steel used with specialized lacquers and customer-specific paints enables BLL to manufacture superior quality products with high reliability in modern manufacturing plants.
- It enjoys high brand value and a large customer base in India and overseas export markets. The SBU also plans to expand aggressively in the export segment.

Logistics Infrastructure and Logistic services business to grow

- BLL has three state-of-the-art Container Freight Stations (CFS) located at Nhava Sheva-Mumbai, Chennai and Kolkata. The Company’s Warehousing and Distribution facilities are presently fully operational at Kolkata and Coimbatore.
- CFS - Kolkata added 43000 sq. ft area of warehouse in addition to the existing 37000 sq. ft, CFS - Chennai added 5000 sq. ft of bonded warehouse for handling Hazardous Cargo and added 20000 sq. ft warehouse space during FY23 to increase focus on Warehousing activities. SBU-LI of Balmer Lawrie is able to bring together a unique set of value proposition for its customers.
- The SBU is able to offer a basket of solutions: Container Freight Stations, Ambient Warehouses and a Multimodal Logistics Hub (through Vishakhapatnam Port Logistics Park Limited). The comprehensive services offered across pan- India locations make SBU-LI a partner of choice to Importers, Exporters, Shipping Lines, CHAs, Freight Forwarders and the trade.
- SBU-LS has a well-defined plan and ambition to continue increasing its private sector business with a view to improve topline as the new sales team gains traction on a pan India basis.

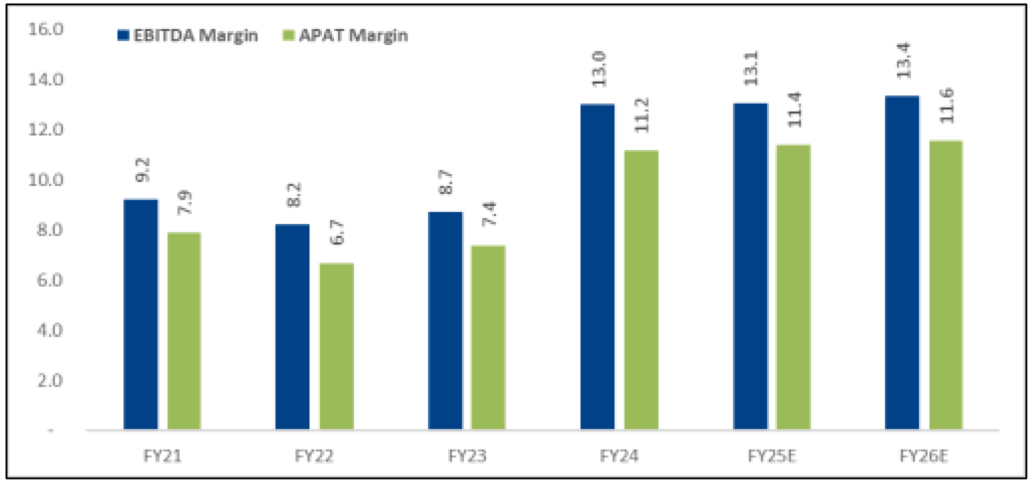
Travel & Vacations business has turned around

BLL is typically seen of as one that serves in-person needs through travel desks and implants. The SBU has worked hard to improve online presence by creating a new B2C website that places strong emphasis on vacations and other services on a single platform. To meet a variety of customer needs, domestic and international ticketing, hotel booking and ancillary services have been combined with an excellent search function. The SBU has already developed a special website for employees of the Government of India to use for their official travel, and it wants to give major corporations a booking website tailored specifically to their needs.

Margins to rise led by operational efficiencies

BLL's EBITDA margin ramped up to 15.9% in Q4FY24 supported by lower raw material costs and other expenses vs. 8.6% EBITDA margin in Q4FY23. PAT margin stood at 12.8% supported by lower tax expenses vs. 7.3% in Q4FY23, tax rate decreased to 30.5% in Q4FY24. For FY24, the EBITDA margin increased to 13% in FY24 vs. 8.7% in FY23 and PAT margin increased to 11.4% in FY24 vs. 7.4% in FY24. BLL's margins are derived mainly from logistic infra and travel business. A healthy revenue growth is expected in travel & vacation (T&V) services, logistic infra, and the grease & lubricants (G&L) manufacturing division. Besides, BLL is focused on operational and cost efficiencies, improving EBITDA margins. Consequently, we expect the EBITDA Margin at 13-13.5% band and PAT margin at 11-12% band over FY25E-26E.

Margins-%



(Source: Company, HDFC sec)

Long term Triggers

Established business with diversified operations

BLL's business profile is diversified across business segments and customers, which protects it from any downturn in a particular business. The company is organised into five main divisions – logistics infrastructure, logistics services, grease & lubricants, industrial packaging and travel & vacations, besides other smaller divisions. The business profile remains adequately diversified, with logistics services, industrial packaging and grease & lubricants being the key revenue contributors, constituting ~17%, ~33% and ~27%, respectively, of BLL's revenues in FY24.

PSU status under the administrative control of MoPNG provides revenue visibility

- BLL is a public sector enterprise under the administrative control of the Ministry of Petroleum and Natural Gas (MoPNG), Government of India. The competitive advantage of BLL's service-related SBUs is supported by its PSU status, which results in stable revenues from PSU/Government sector customers.
- BLL has added several private sector clients over the years and is expected to considerably increase the sectors' share, going ahead.
- BLL is the Government's preferred partner in providing logistics services for defence imports, and ticketing services for the travel needs of officials from the armed forces. Such services are likely to provide a stable source of revenue to the company.

Sound financial profile supported by strong debt metrics and comfortable liquidity position

- BLL has sustained healthy operating performance with a steady increase in operating income over the years. The company reported revenue and PAT CAGR at 15.2% and 29.4% over the last three years. We expect consolidated revenue to grow at a ~11% CAGR and net profit to grow at ~13% over FY24-FY26E.
- The company's EBITDA margin has been volatile, in the 8-13% band and PAT margin at 7-11% over the last nine years. We expect EBITDA margin at 13-13.5% and PAT margin at 11-12% in next two years, supported by cost rationalisation efforts.
- The debt protection metrics remained strong, reflected in an interest coverage of ~11 times in FY24 (FY23 – 8.1 times). The company has continued to improve its financials aided by healthy cash accruals on the back of stable operating profitability and reduction in total debt. In FY25E, the performance is expected to remain steady, resulting in continued healthy debt-protection metrics and liquidity position.
- BLL's liquidity position is expected to remain strong with support from its large cash balance, steady accruals from different business verticals and undrawn bank lines. Also, once operationalised, the new units are likely to improve the operating profile of the entity BLL's liquidity position is expected to remain strong with support from its large cash balance, steady accruals from different business verticals
- BLL's coverage indicators remain healthy on the back of adequate operational cash flows. BLL has cash and cash equivalents of Rs 525 crore as on March 31, 2024 which provides additional liquidity back-up.
- BLL's Return on Equity has been increasing with rise in net profit margin over the last four years, stood at 14.5% in FY24. Because of cost rationalization efforts, the company could see growth in profitability as well as better return ratios in the future and it could rise to 15 to 16% in next two years.
- BLL has recommended a dividend of Rs 8.5 per equity share (F.V of Rs 10 per equity share) for FY24, dividend payout stood at 56% and dividend yield stood at 3.1% at current market price.
- BLL's Cash Conversion Cycle increased in FY24 to 48 days from 41 days in FY23, led by payable days at 49, receivable days at 67 and inventory days at 30 in FY24.

What could go wrong?

- BLL faces stiff competition in the lubricants market, slowdown in volume growth due to lower demand. BLL could face high competitive pressure in the domestic market in the logistics business largely dominated by large organized players, apart from established private players in the industry. BLL may face challenges in adapting to new technologies and pricing pressure.
- Supply disruptions on account of base oil and raw materials availability, logistics challenges, and rupee depreciation are likely to impact demand and supply adversely.
- BLL's margins are derived mainly from logistic infra and travel business. In case, there is any significant slowdown in these two sectors in India it could hit the margins.
- Base oil is a crude oil-based product and thus its prices are volatile. Hence, the profitability of the company is contingent upon its ability to pass on any fluctuations in input prices to its end-users.
- Volatile prices of Steel, cold-rolled coil, and base oil used as raw materials in the Industrial Packaging (IP) and Greases & Lubricants (G&L) segments, respectively, expose the profitability to adverse movements in raw material prices.
- BLL’s key manufacturing verticals - industrial packaging and grease & lubricants - are characterised by moderate margins. While many unorganised players and low entry barriers keep the margins of the IP division under check, intense competition from global and local players restricts the margins of the Greases & Lubricants (G&L) segment.
- The revenues and margins in the container handling business remain susceptible to volatility in the Government policies. The implementation of the Direct Port Delivery/Direct Port Entry (DPD/DPE) scheme by the Government of India, which has now been implemented across all major ports, continues to impact BLL’s top line and bottom line from the segment.
- BLL has an equity investment of ~Rs 81 crore in its subsidiary, Visakhapatnam Port Logistics Park Limited (VPLPL), which started commercial operations from October 2019. Such a large capital blockage in investments that do not yield returns continues to affect BLL’s return on capital employed. While BLL had provided support for the principal repayment in the last fiscal, the entity’s stated strategy of not providing any direct financial support to the subsidiary/JV limits incremental financial exposure.
- While the government holds 59.67% in Balmer Lawrie Investments Ltd (BLIL), which in turn holds 61.85% equity stake in BLC, hence, technically the effective indirect control over BLC by the government is only around 37%. Any divestment of stake in BLIL can mean that the PSU status of BLL can be impacted, leading to its revenues getting impacted.

Company Profile

Balmer Lawrie & Company Ltd (BLL) is a Miniratna-I Public Sector Enterprise under the administrative control of the Ministry of Petroleum and Natural Gas, Govt. of India, since 1972. BLL has many strategic business units (SBU), with a presence in both the manufacturing and services sectors. The key manufacturing verticals are industrial packaging and grease & lubricants, while the key services divisions are travel & vacation, logistics infrastructure, and logistics services. The company's logistics infrastructure at its three locations, viz. Mumbai, Chennai and Kolkata (Container Freight Stations) is spread across 40 acres.

BLL has four joint ventures in India and abroad, and a subsidiary in India. The company has employee strengths stood at ~900 as on March 31, 2023. Balmer Lawrie Investment Ltd is a holding company, holding a 61.8% stake in BLL and the holding company does not carry on any business except to hold BLL Shares.

Subsidiaries, Joint Venture Companies and Associates

Name of Subsidiary/ Joint Venture Company/Associate	Nature	Holding-%	Countries
Visakhapatnam Port Logistics Park Limited	Subsidiary	60%	India
Balmer Lawrie (UAE) LLC	Joint Venture	49%	United Arab Emirates
Balmer Lawrie - Van Leer Limited	Joint Venture	47.91%	India
Transafe Services Limited	Joint Venture	50%	India
PT. Balmer Lawrie Indonesia	Joint Venture	50%	Indonesia
Avi - Oil India Private Limited	Associate	25%	India

Plants and location

Plant Location	Location
Greases & Lubricants	Mfg Unit: Chennai, Kolkata, Silvasa,
	R&D: Kolkata
Industrial Packaging	Mfg Unit: Chennai, Kolkata, Asaoti, Chittoor, Navi Mumbai, Silvasa, Vadodra
	Stock Point: Kolkata
Chemicals	Mfg Unit: Chennai,
	Service Centre: Ambur - Vaniyambadi, Kanpur, Kolkata, Ranipet, Chromepet, Chennai
Logistics Services	SBU & Branch Office: Kolkata
	Branch Offices:Ahmedabad, Bengaluru, Chennai, Coimbatore, Gwalior,Hyderabad, Kanpur, Kochi, Mumbai, New Delhi Pune, Thiruvananthapuram, Tuticorin, Visakhapatnam
Cold Chain	Temperature Controlled Warehouse : Medchal-Village-Telangana, Navi Mumbai, Odisha- Khorda, Sonepat- Haryana
Logistics Infrastructure	Container Freight Station-Chennai, Kolkata, Navi Mumbai
	Multimodal Logistics Hub-Visakhapatnam
Travel	Branch Office-Ahmedabad, Bengaluru,Chennai, Hyderabad, Kolkata, Lucknow, Mumbai, New Delhi, Thiruvananthapuram, Vadodara
Vacations	Branch office –Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai
Refinery & Oilfield Services	Kolkata

Business Overview:

Main Activity	Description	Turnover-% (FY24)
Logistics Infrastructure and Services	Container Freight Station, Cold Chain & Logistics Services	33.0
Industrial Packaging	Steel Barrel and drum manufacturing	26.1
Greases & Lubricants	Manufacturing and supply of Grease, Lubricants and compounds	26.8
Tours and Travels, others	Tours and Travels	14.1

Segment wise Revenue Mix

Segments	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue- Rs Cr								
Industrial Packaging	549	595	641	533	555	849	759	831
Logistics Services	366	331	332	264	379	468	559	417
Logistics Infrastructure	198	192	186	181	207	183	217	240
Greases & Lubricants	448	403	376	312	366	511	653	674
Travel & Vacations	162	159	160	132	46	80	162	217
Others	105	98	96	114	102	115	141	135
Revenue from Operations	**1828**	**1778**	**1791**	**1534**	**1654**	**2205**	**2492**	**2515**
Inter segmental	**-213**	**22**	**16**	**-142**	**125**	**150**	**171**	**176**
Net Revenue	**2041**	**1757**	**1775**	**1676**	**1529**	**2055**	**2321**	**2339**
Sales-%								
Industrial Packaging	30	33	36	35	34	39	30	33
Logistics Services	20	19	19	17	23	21	22	17
Logistics Infrastructure	11	11	10	12	13	8	9	9
Greases & Lubricants	24	23	21	20	22	23	26	27
Travel & Vacations	9	9	9	9	3	4	6	9
Others	6	6	5	7	6	5	6	5
Revenue from Operations	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Financials

Income Statement

(Rs Cr)	FY22	FY23	FY24P	FY25E	FY26E
Net Revenues	**2055**	**2321**	**2339**	**2592**	**2859**
Growth (%)	34.4	12.9	0.8	10.8	10.3
Operating Expenses	1886	2119	2035	2254	2477
EBITDA	**169**	**202**	**305**	**338**	**382**
Growth (%)	**20.1**	**19.7**	**50.5**	**11.0**	**12.8**
EBITDA Margin (%)	**8.2**	**8.7**	**13.0**	**13.1**	**13.4**
Depreciation	57	57	59	60	62
EBIT	**113**	**146**	**246**	**278**	**320**
Other Income	37	37	51	54	57
Interest expenses	14	18	22	20	18
PBT	**136**	**164**	**274**	**313**	**359**
Tax	47	57	75	88	101
RPAT	**89**	**107**	**199**	**225**	**259**
APAT	**138**	**172**	**262**	**296**	**331**
Growth (%)	14.0	24.9	52.2	13.1	11.9
EPS	8.1	10.1	15.3	17.3	19.3

Balance Sheet

As at March (Rs Cr)	FY22	FY23	FY24P	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	171	171	171	171	171
Reserves	1416	1510	1650	1783	1926
Shareholders' Funds	**1587**	**1681**	**1821**	**1954**	**2097**
Long Term Debt	108	105	88	83	78
Net Deferred Taxes	109	129	129	90	83
Long Term Provisions & Others	80	74	97	82	62
Minority Interest	**36**	**31**	**27**	**20**	**15**
Total Source of Funds	**1919**	**2020**	**2161**	**2229**	**2335**
APPLICATION OF FUNDS					
Net Block & Goodwill	778	788	803	830	883
Other Non-Current Assets	452	532	587	618	654
Total Non Current Assets	**1230**	**1320**	**1390**	**1448**	**1536**
Inventories	201	205	193	227	251
Trade Receivables	315	361	427	440	486
Cash & Equivalents	416	448	525	547	471
Other Current Assets	283	328	338	355	390
Total Current Assets	**1215**	**1342**	**1483**	**1569**	**1598**
Short-Term Borrowings	14	16	25	24	19
Trade Payables	273	304	315	320	352
Other Current Liab & Provisions	240	322	371	444	427
Total Current Liabilities	**526**	**642**	**712**	**788**	**799**
Net Current Assets	689	700	771	781	799
Total Application of Funds	**1919**	**2020**	**2161**	**2229**	**2335**

(Source: Company, HDFC sec)

Cash Flow Statement

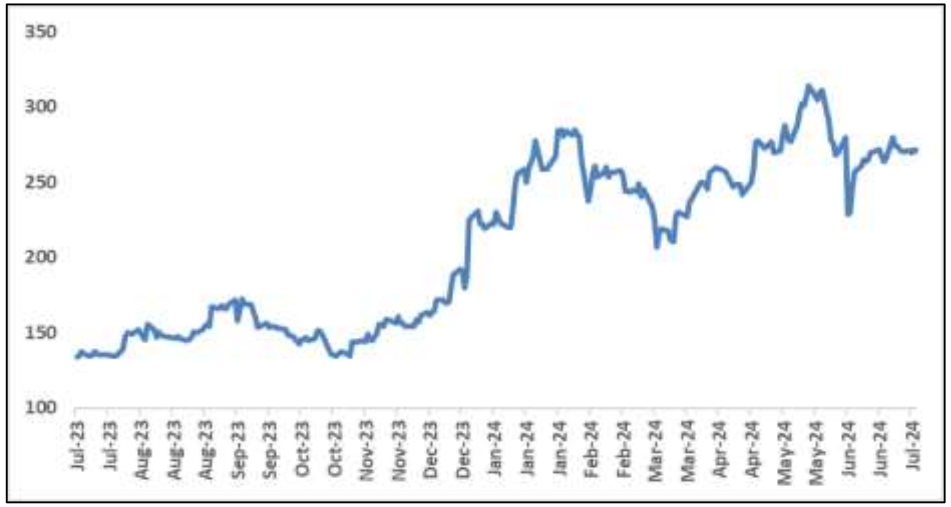
(Rs Cr)	FY22	FY23	FY24P	FY25E	FY26E
Reported PBT	136	164	274	313	359
Non-operating & EO items	-4	-1	37	-54	-57
Interest Expenses	-13	-3	-14	20	18
Depreciation	57	57	59	60	62
Working Capital Change	-128	39	-19	14	-88
Tax Paid	-46	-48	-63	-88	-101
OPERATING CASH FLOW (a)	**2**	**208**	**274**	**264**	**193**
Capex	-18	-50	-52	-80	-80
Free Cash Flow	-16	158	222	184	113
Investments	0	0	0	-28	-30
Non-operating income	155	2	-53	54	57
INVESTING CASH FLOW (b)	**137**	**-48**	**-105**	**-54**	**-52**
Debt Issuance / (Repaid)	-22	-31	-44	-6	-10
Interest Expenses	-14	-18	-22	-20	-18
FCFE	-51	109	156	159	85
Share Capital Issuance	0	0	0	0	0
Dividend	-102	-111	-128	-162	-188
FINANCING CASH FLOW (c)	**-138**	**-160**	**-194**	**-188**	**-216**
NET CASH FLOW (a+b+c)	**1**	**0**	**-25**	**22**	**-76**

Key Ratios

Particulars	FY22	FY23	FY24P	FY25E	FY26E
Profitability Ratio (%)					
EBITDA Margin	8.2	8.7	13.0	13.1	13.4
EBIT Margin	5.5	6.3	10.5	10.7	11.2
APAT Margin	6.7	7.4	11.2	11.4	11.6
RoE	8.3	10.0	14.5	15.0	15.8
RoCE	7.0	8.3	12.0	12.9	13.9
Solvency Ratio (x)					
Net Debt/EBITDA	-1.7	-1.6	-1.4	-1.3	-1.0
Net D/E	-0.2	-0.2	-0.2	-0.2	-0.2
Per Share Data (Rs)					
EPS	8.0	10.0	15.3	17.3	19.3
CEPS	11.4	13.4	18.8	20.8	23.0
BV	92.8	98.3	106.5	114.3	122.6
Dividend	6.5	7.5	8.5	9.5	11.0
Turnover Ratios (days)					
Debtor days	55.9	56.7	66.6	62.0	62.0
Inventory days	35.7	32.2	30.1	32.0	32.0
Creditors days	48.5	47.8	49.1	45.0	45.0
Valuation (x)					
P/E	33.7	27.0	17.7	15.7	14.0
P/BV	2.9	2.8	2.5	2.4	2.2
EV/EBITDA	25.7	21.3	13.9	12.4	11.2
EV / Revenues	2.1	1.9	1.8	1.6	1.5
Dividend Yield (%)	2.4	2.8	3.1	3.5	4.1
Dividend Payout(%)	80.8	74.6	55.6	54.9	56.9

(Source: Company, HDFC sec)

One Year Price chart



(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. This 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 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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