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Rating Information	
Price (Rs)	494
Target Price (Rs)	575
Target Date	30th Jun'20
Target Set On	27th May'19
Implied yrs of growth (DCF)	20
Fair Value (DCF)	476
Fair Value (DDM)	224
Ind Benchmark	SPBSMIP
Model Portfolio Position	NA

Stock Information	
Market Cap (RsMn)	61,260
Free Float (%)	47.53 %
52 Wk H/L (Rs)	712.9/437
Avg Daily Volume (1yr)	55,953
Avg Daily Value (RsMn)	30
Equity Cap (RsMn)	1,241
Face Value (Rs)	10
Bloomberg Code	FNXP IN

Ownership	Recent	3M	12M
Promoters	52.5 %	0.0 %	0.0 %
DII	10.3 %	0.8 %	1.1 %
FII	2.9 %	-0.9 %	-1.5 %
Public	34.4 %	0.1 %	0.3 %

Price %	1M	3M	12M
Absolute	-6.5 %	-3.6 %	-28.0 %
Vs Industry	0.5 %	1.9 %	-12.8 %
Supreme Inds.	-10.3 %	0.0 %	-15.8 %
Astral Poly	-2.7 %	17.9 %	43.7 %

Consolidated Quarterly EPS forecast				
Rs/Share	1Q	2Q	3Q	4Q
EPS (19A)	10.6	6.2	6.3	7.4
EPS (20E)	7.3	5.4	7.4	8.9

Finolex Industries Ltd.

4QFY19 Results: Estimates (↓), TP (↓), Rating (↔)

Regular Coverage

Absolute: LONG
Relative: OVERWEIGHT
18% ATR in 13 Months

Strong volume ramp-up in non-agri segment – maintain LONG

Plastics

Finolex Industries' (FNXP) 4QFY19 EBITDA declined 22% yoy to Rs 1.5bn as lower PVC prices led to margin contraction. Pipe volumes grew 13% yoy on higher discounting in Jan-Feb while PVC resin spreads of ~US\$ 150/MT were driven by hardening of EDC prices and a decline in PVC prices. Overall pipe volume growth for FY19 was only 4% but high-margin fitting/CPVC volumes were up 15%/49%. A drop in PVC resin EBIT due to a contraction in spreads would be partly compensated by pipe EBIT margin recovery, but FY20E PAT should still see a decline. Our SOTP-based Jun'20 TP of Rs 575 (Mar'20 of Rs 678 earlier) is set at a 18x Jun'20 EPS of Rs 30.4, and the stake in Finolex Cables valued at Rs 51/share.

Pipe volume growth to improve in FY20E: Pipe & fitting volumes grew 13% yoy, with a ~3% yoy growth in realizations as higher discounting in Jan-Feb'19 was set off by strong demand returning in the month of March. Fitting volumes grew 14% yoy. A delayed demand pickup and a decline in PVC prices during March led to a ~150bps yoy contraction in pipe margins to 7.7% and a 3% decline in pipe EBIT. We expect a 12% volume CAGR in pipes over FY19-21E driven by initiatives taken in the non-agri segments and a weak base year.

Strong growth in CPVC & column pipes to help restore margins to earlier levels: CPVC volumes at 8,800MT in FY19 grew ~50% yoy, while column pipe volumes at 3,230MT grew 75% yoy off a small base. Pipe margins recovered to 7.6% in FY19 as the company rolled back discounts offered to gain market share in FY18; however, pipe margins still remained lower than FY17 levels of 8.5%. We expect higher-margin CPVC and column pipe volumes, better pricing and operating leverage to drive pipe margin expansion. We build in FY20E/FY21E pipe EBIT margins of 8.2%/8.5%. Margin expansion in the pipe segment should drive a 26% yoy growth in EBIT.

Decline in PVC spreads: PVC spreads declined to US\$ 150/MT in 4QFY19 on hardening of EDC prices driven by low supply and a parallel decline in PVC prices. PVC sales grew 6% yoy on higher internal consumption. PVC EBIT was down 35% yoy to Rs 810mn. We have built in PVC spreads of ~US\$ 160/MT in FY20E as current scarcity of EDC should continue given the volatility in PVC prices.

PAT down 24% yoy: Recurring PAT at Rs 914mn declined 24% yoy (60% above EE) led by (a) a 22% yoy drop in EBITDA on higher inventory losses and lower spreads, and (b) higher depreciation (+13% yoy) partly offset by higher other income (+338% yoy).

Estimate Revision

(Rs mn)	Forecasts		% Change	
	FY20E	FY21E	FY20E	FY21E
Sales	32,582	35,808	-2%	7%
EBITDA	5,705	6,527	-17%	-4%
EBIT	4,914	5,698	-18%	-4%
PAT	3,597	4,153	-16%	-2%

Consolidated Financials

Rs. Mn	YE Mar	FY19A	FY20E	FY21E	FY22E
Sales		30,913	32,582	35,808	39,291
EBITDA		6,043	5,705	6,527	7,224
Depreciation		701	791	830	865
Interest Expense		123	134	134	134
Other Income		416	510	544	648
Reported PAT		3,498	3,597	4,153	4,674
Recurring PAT		3,777	3,597	4,153	4,674
Total Equity		25,284	26,716	28,370	30,231
Gross Debt		906	906	906	906
Cash		2,552	2,946	3,965	5,218
Rs Per Share		FY19A	FY20E	FY21E	FY22E
Earnings		30.4	29.0	33.5	37.7
Book Value		204	215	229	244
Dividends		10.0	14.5	16.7	18.8
FCFF		59.6	21.4	29.1	33.5
P/E (x)		16.2	17.0	14.8	13.1
P/B (x)		2.4	2.3	2.2	2.0
EV/EBITDA (x)		10.2	10.8	9.3	8.2
ROE (%)		14 %	14 %	15 %	16 %
Core ROIC (%)		22 %	20 %	22 %	23 %
EBITDA Margin (%)		20 %	18 %	18 %	18 %
Net Margin (%)		12 %	11 %	12 %	12 %



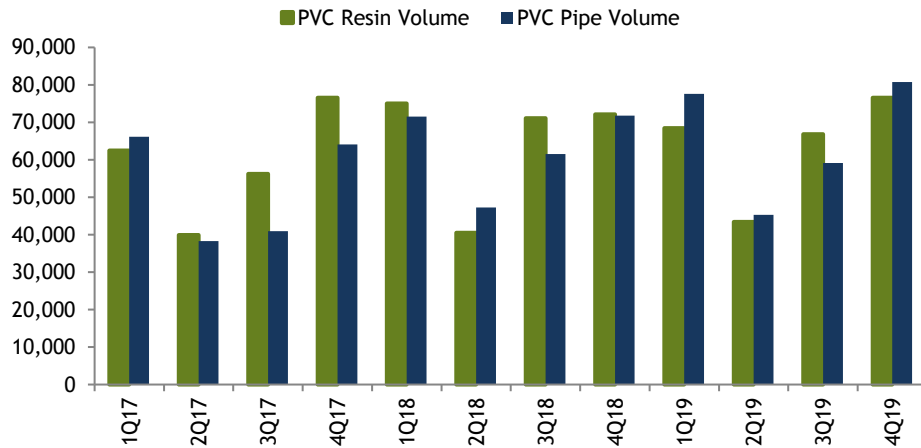
Quarterly performance

Rs Mn	4QFY19	4QFY19E	3QFY19	4QFY18	% Change			Comments
					4QFY19E	3QFY19	4QFY18	
Net Sales	9,642	7,481	7,566	8,091	29%	27%	19%	Strong growth in PVC pipe and resin volumes
Cost of Materials Consumed & Changes in Inventory	6,419	1,175	4,875	4,797	447%	32%	34%	
Employee Benefit Expenses	382	339	328	298	13%	17%	28%	
Other expenses	1,376	690	1,113	1,118	99%	24%	23%	
Total Expenditures	8,178	2,203	6,316	6,213	271%	29%	32%	
EBITDA	1,465	960	1,250	1,879	53%	17%	-22%	Higher inventory losses, lower spreads hurt EBITDA
Depreciation	177	113	196	156	56%	-10%	13%	
EBIT	1,288	846	1,053	1,723	52%	22%	-25%	
Interest	24	12	17	34	97%	38%	-30%	
Other Income	122	5	173	28	2477%	-29%	338%	
PBT	1,387	839	1,209	1,717	65%	15%	-19%	
Tax	473	269	422	508	76%	12%	-7%	
Recurring PAT	914	571	787	1,209	60%	16%	-24%	
Extraordinaries	0	0	0	0				
Reported PAT	914	571	787	1,209	60%	16%	-24%	
EPS (Rs)	7.4	4.6	6.3	9.7	60%	16%	-24%	
Gross Margins	33.4%	84.3%	35.6%	40.7%	-5087 bps	-214 bps	-729 bps	
EBITDA Margin	15.2%	12.8%	16.5%	23.2%	236 bps	-132 bps	-803 bps	EBITDAM hit by lower PVC prices
EBIT Margin	13.4%	11.3%	13.9%	21.3%	205 bps	-56 bps	-793 bps	
PBT Margin	14.4%	11.2%	16.0%	21.2%	317 bps	-159 bps	-684 bps	
PAT Margin	9.5%	7.6%	10.4%	14.9%	185 bps	-92 bps	-547 bps	
Tax Rate	34.1%	32.0%	34.9%	29.6%	212 bps	-79 bps	455 bps	
PVC Revenue	5,594	4,738	4,840	5,158	18%	16%	8%	
PVC Pipe Revenue	7,911	6,963	5,906	6,827	14%	34%	16%	
PVC EBIT	810	494	809	1,242	64%	0%	-35%	
PVC Pipe EBIT	612	522	438	629	17%	40%	-3%	
PVC Volume (MT)	76,549	70,000	66,838	72,123	9%	15%	6%	
PVC Pipe Volume (MT)	80,771	71,758	59,178	71,758	13%	36%	13%	
PVC EBIT \$/MT	150	100	168	264	50%	-11%	-43%	
PVC Pipe EBIT Margin	7.7%	7.5%	7.4%	9.2%	23 bps	31 bps	-148 bps	

Earnings call takeaways

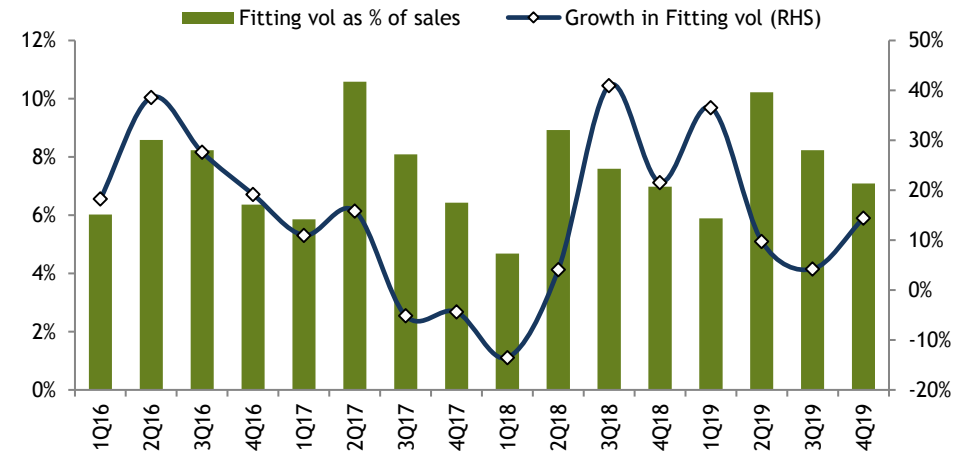
- Lower PAT in 4Q due to sliding PVC prices, delayed demand pickup.
- CPVC volume for 4Q19 stood at 2,725 MT with revenues of Rs 750mn. Total CPVC volumes for FY19 stood at 8,800 MT with revenues of Rs 2.32bn. vs. 5,900 MT and revenue Rs 1.47bn in FY18.
- Avg. PVC-EDC spread stood at \$ 523/MT for 4Q19 (vs. \$ 785/MT in 4Q18) with an average PVC prices at \$ 934, EDC price of \$ 411 and Ethylene price of \$ 937. For full year FY19 spread stood at \$ 597/MT vs. \$ 722/MT in FY18 and currently at \$ 505/MT.
- From highs of \$ 425, EDC prices has started coming down, March saw a fall of about 10%.
- Captive consumption of PVC resin for FY19 stood at 189,000 MT.
- Inventory losses in PVC pipes led to decline in PVC prices.
- For FY19, Column pipes volumes stood at 3,230 tons with revenues of Rs 380mn vs. 1,850 MT volumes and revenue of Rs 210mn in FY18.
- FY19 capex stood at Rs 1.35bn and capex planned for FY20 is Rs 1bn.
- During the quarter in Jan-Feb, due to delayed pickup, there were some incentives given to push volumes.
- Normalized PVC EBIT margins are close to 8-9%.
- PVC resin capacity utilization stood at 74-75% in FY19.
- FY18 volume growth was 20% driven by high discounts given to capture volumes. FY19 volumes have grown by 4% on higher base.
- 4Q saw higher growth in agri vs. some discounts given in Jan-Feb to push inventory.
- Finolex Plasson revenues for FY19 grew 17% yoy at -Rs 4bn with PAT at Rs 190 mn vs. 172 mn in FY18.
- Expect good growth in pipe demand in next 5 yrs. Company has increased its capacity from 330,000 to 370,000 in FY19. Around 30,000-40,000 MT capacity is added every year to cater to the rise in demand. Expect 12-15% pipe volume growth in FY20
- CPVC and column pipes are higher margins products vs. normal PVC products.

Exhibit 1: PVC pipe volumes grow 13% yoy on higher discounting & pick up in agri-pipe demand; PVC volumes up 8% yoy



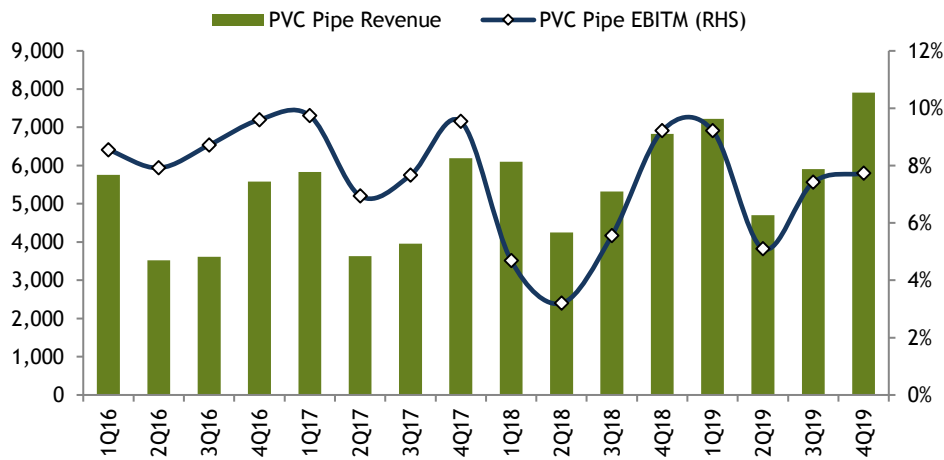
Source: Company, Equirus Securities

Exhibit 3: Fitting volumes (~7% of sales) up 14% yoy in 4Q despite higher base



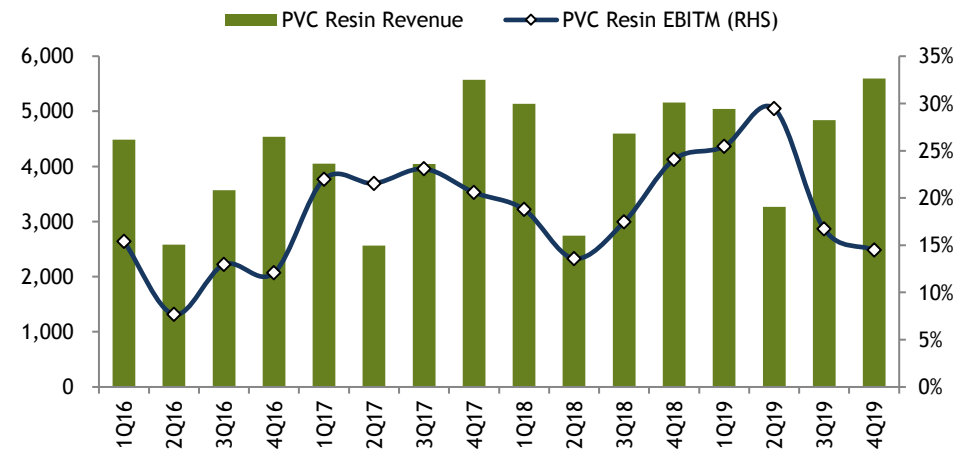
Source: Company, Equirus Securities

Exhibit 2: Pipe revenues up 16% yoy with EBITM compression of ~150bps yoy to 8%



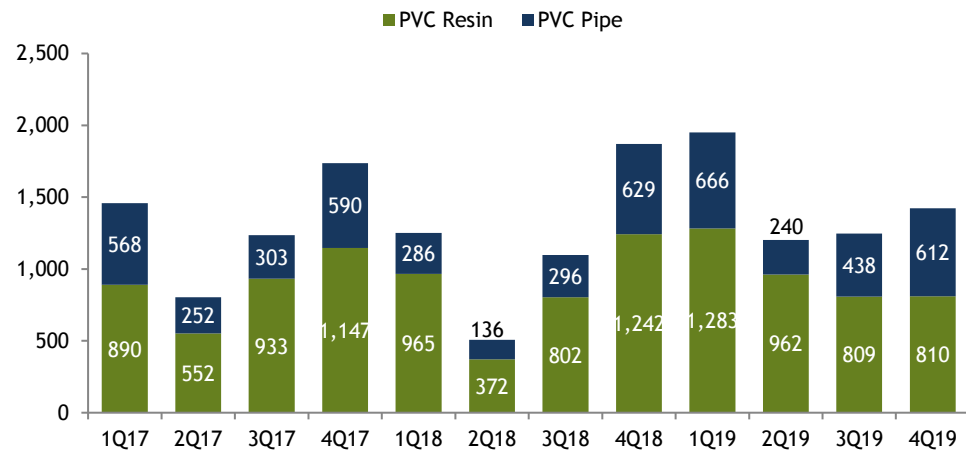
Source: Company, Equirus Securities

Exhibit 4: PVC revenues grow 8% yoy on a high base, EBITM contracts ~10% yoy



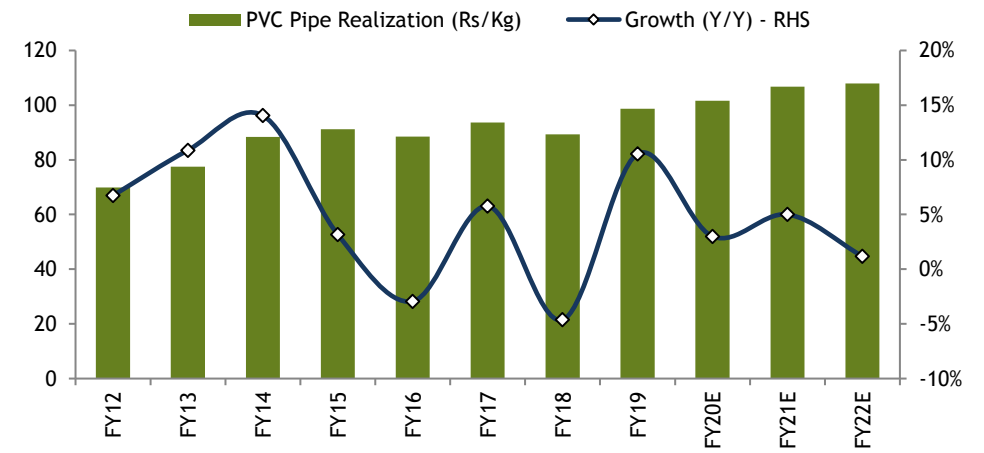
Source: Company, Equirus Securities

Exhibit 5: Segment-wise EBIT break-up; PVC spread decline on inventory losses



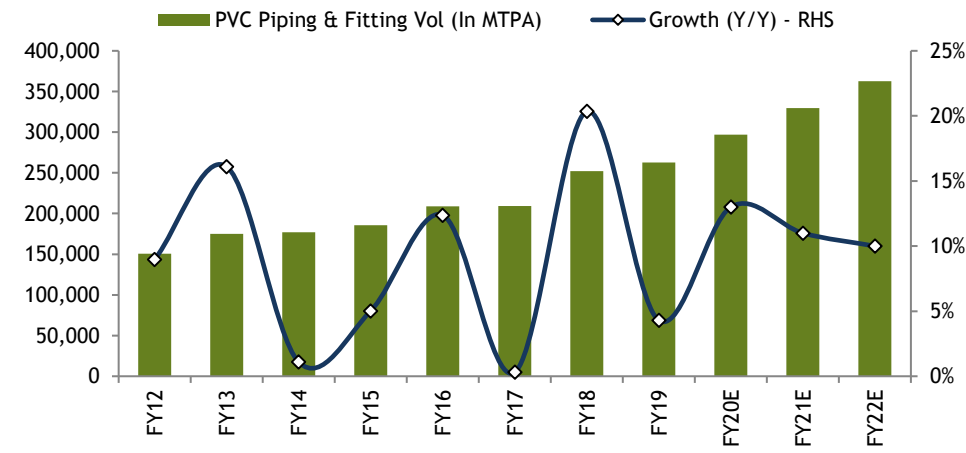
Source: Company, Equirus Securities

Exhibit 7: PVC pipe realizations to stabilize going ahead at Rs 107-108/kg



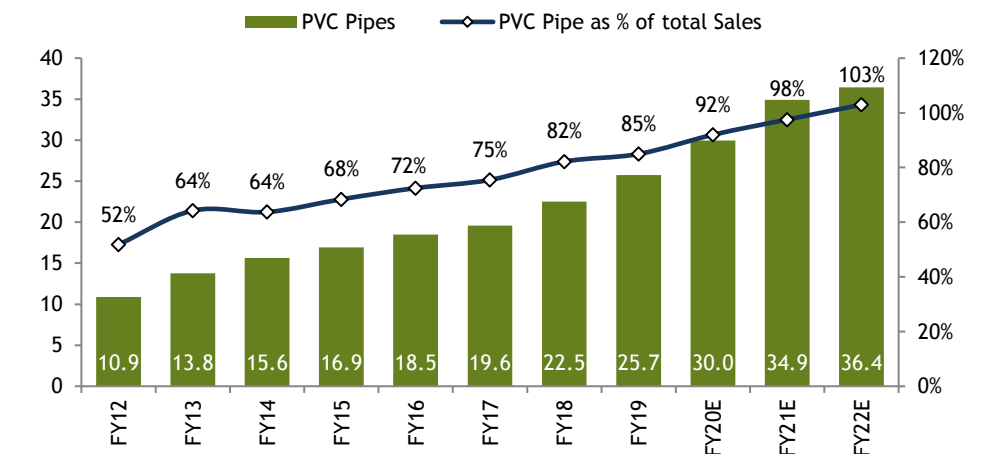
Source: Company, Equirus Securities

Exhibit 6: Pipe volume to grow in double digits driven by returning of agri demand

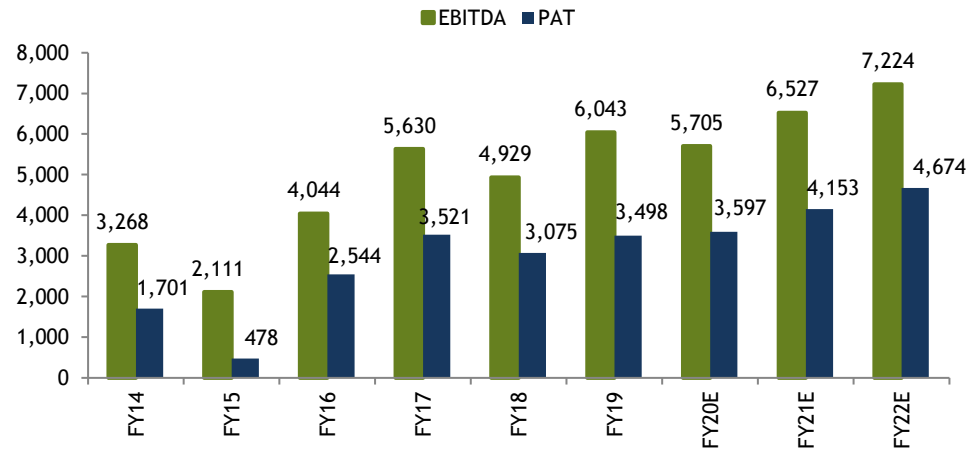


Source: Company, Equirus Securities

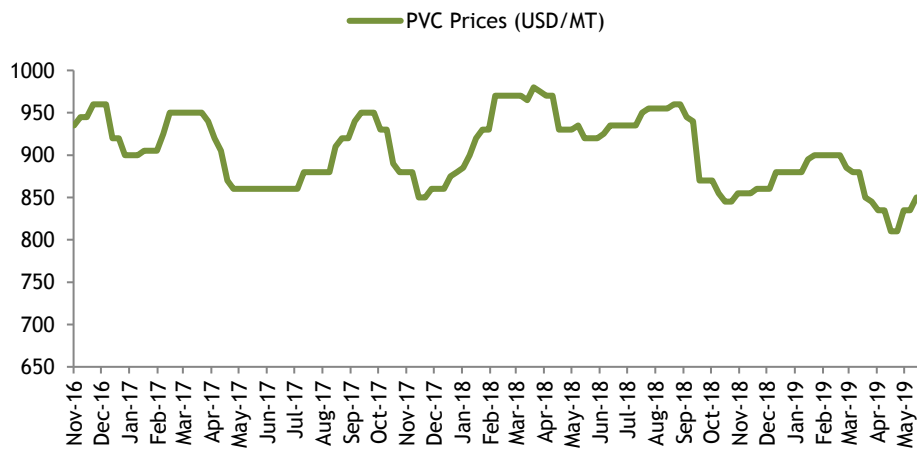
Exhibit 8: PVC pipe as % of sales rising with rise in internal consumption of PVC resin



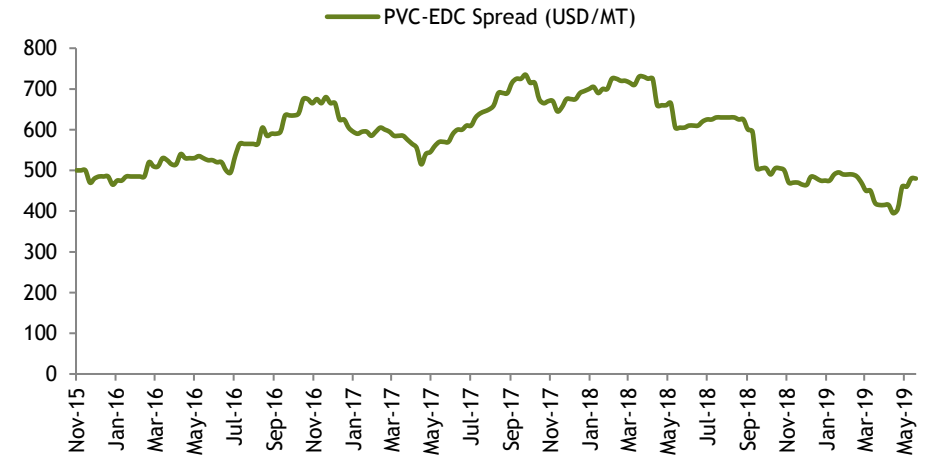
Source: Company, Equirus Securities

Exhibit 9: Expect 4%/9% EBITDA/PAT CAGR over FY19-FY21E on strong pipe growth offset by decline in PVC spreads


Source: Company, Equirus Securities

Exhibit 10: PVC prices fell towards 4QFY19-end and are now on an uptrend


Source: Company, Equirus Securities

Exhibit 11: PVC-EDC spread declines on correction in PVC prices, rising EDC prices


Source: Company, Equirus Securities

Exhibit: 13 SOTP-based valuation snapshot

Particulars	FY19	FY20E	FY21E	FY22E
Finolex Ind PAT	3,777	3,597	4,153	4,674
Multiple	18	18	18	18
Finolex Ind Biz Value	67,986	64,739	74,753	84,132
Finolex Cable 11% stake @ 30% holding Disc	6603	6603	6603	6603
Target Price	601	575	656	731

Company Snapshot

How we differ from Consensus

		Equirus	Consensus	% Diff	Comment
EPS	FY20E	29.0	30.4	-5 %	We expect normalization of PVC spread going ahead.
	FY21E	33.5	33.8	-1 %	
Sales	FY20E	32,582	33,503	-3 %	
	FY21E	35,808	36,869	-3 %	
PAT	FY20E	3,597	3,768	-5 %	
	FY21E	4,153	4,184	-1 %	

Key Investment Arguments:

- Higher budget allotment to irrigation led to stronger volume growth for the market leader.
- Declining external sales of PVC and increased focus on column and non-agriculture pipes to reflect in a better margin profile going forward.
- Better risk management practice and lower PVC contribution to reduce earnings volatility; expect PVC piping & fitting revenue CAGR of 18% over FY18-FY21E.

Key Assumptions:

	FY18	FY19E	FY20E	FY21E
PVC Resin Vol. (MTPA)	2,55,302	2,62,000	2,62,000	2,62,000
PVC Pipe Vol. (MTPA)	2,62,858	2,97,030	3,29,703	3,62,673
PVC Realization Growth	11%	3%	5%	1%
Forex Losses	0	0	0	0
PVC EBIT Spread (USD/MT)	217	160	170	170
PVC Pipe Margin (%)	7.6%	8.2%	8.5%	8.7%

Risk to Our View

Forex volatility to impact margin and slowdown in macro to impact growth

Comparable valuation		Mkt Cap Rs. Mn.	Price Target	Target Date	EPS			P/E			BPS		P/B			RoE			Div Yield	
Company	Reco.				CMP	FY19A	FY20E	FY21E	FY19A	FY20E	FY21E	FY19A	FY20E	FY19A	FY20E	FY21E	FY19A	FY20E	FY21E	FY19A
Finolex Industries	LONG	494	61,260	575	30th Jun'20	30.4	29.0	33.5	16.2	17.0	14.8	203.7	2.3	14 %	14 %	15 %	2.0 %	2.9 %		
Supreme Industries	REDUCE	1,076	1,36,636	928	30th Jun'20	29.8	35.0	39.8	36.1	30.7	27.0	156.7	6.2	20 %	21 %	22 %	1.0 %	1.4 %		
Astral Polytechnik	SHORT	1,280	1,53,334	870	30th Sep'20	16.3	20.2	24.8	78.3	63.3	51.5	106.7	10.2	17 %	17 %	18 %	0.0 %	0.1 %		

Key Triggers

- Lower forex losses and better earnings growth; higher spread in PVC resin

Sensitivity to Key Variables	% Change	% Impact on EPS
PVC Spread	\$10/MT	6 %
PVC Pipe Margin	1 %	7 %

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
7.3 %	1.0	13.3 %	4.0 %	30.0 %

	FY20E	FY21E	FY22-24E	FY25-29E	FY30-39E
Sales Growth	5 %	10 %	6 %	8 %	7 %
NOPAT Margin	10 %	11 %	11 %	10 %	9 %
IC Turnover	1.86	1.96	2.17	2.57	3.32
RoIC	19.7 %	21.7 %	23.9 %	26.5 %	31.3 %

Years of strong growth	1	2	5	10	20
Valuation as on date (Rs)	320	350	412	448	485
Valuation as of Jun'20	314	344	404	439	476

Based on DCF, assuming 15 years of 7% CAGR and 31% average ROIC, we derive current fair value of Rs 485 and a Jun'20 fair value of Rs 476.

Company Description:

Finolex Industries Limited was incorporated in 1981. Beginning as a rigid PVC-U (Poly Vinyl Chloride) pipe manufacturer, FNX went in for backward integration and now manufactures PVC resin too. The company is focusing on manufacturing of column and non-agricultural pipes, and has increased focus on developing water management business as well.



Standalone Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E	FY19A	FY20E	FY21E	FY22E
Revenue	8,278	5,426	7,566	9,642	8,666	5,013	7,996	10,907	9,597	5,409	8,733	12,069	30,913	32,582	35,808	39,291
Cost of Materials Consumed & Changes in Inventory	5,024	2,892	4,875	6,419	4,453	1,152	3,775	6,404	4,994	1,219	4,135	7,142	19,209	15,785	17,489	19,507
Employee Benefit Expenses	325	309	328	382	376	376	376	376	422	422	422	422	1,344	1,506	1,686	1,889
Other Expenses	991	977	1,113	1,376	1,090	1,090	1,090	1,090	1,101	1,101	1,101	1,101	4,317	4,360	4,404	4,448
Forex gain/loss (exceptional items)	0	0	0	0	1,307	1,307	1,307	1,307	1,425	1,425	1,425	1,425	0	5,227	5,702	6,224
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	1,939	1,249	1,250	1,465	1,440	1,087	1,448	1,729	1,655	1,242	1,650	1,979	6,043	5,705	6,527	7,224
Depreciation	162	166	196	177	198	198	198	198	207	207	207	207	701	791	830	865
EBIT	1,777	1,083	1,053	1,288	1,242	890	1,251	1,532	1,448	1,035	1,443	1,772	5,342	4,914	5,698	6,360
Interest	52	29	17	24	34	34	34	34	34	34	34	34	123	134	134	134
Other Income	137	123	173	122	127	127	127	127	136	136	136	136	416	510	544	648
PBT	1,862	1,177	1,209	1,387	1,336	983	1,344	1,625	1,550	1,137	1,545	1,874	5,635	5,289	6,107	6,874
Tax	550	413	422	473	427	315	430	520	496	364	494	600	1,858	1,693	1,954	2,200
PAT bef. MI & Assoc.	1,312	764	787	914	908	669	914	1,105	1,054	773	1,051	1,275	3,777	3,597	4,153	4,674
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	1,312	764	787	914	908	669	914	1,105	1,054	773	1,051	1,275	3,777	3,597	4,153	4,674
Extraordinaries	279	0	0	0	0	0	0	0	0	0	0	0	279	0	0	0
Reported PAT	1,033	764	787	914	908	669	914	1,105	1,054	773	1,051	1,275	3,498	3,597	4,153	4,674
EPS (Rs)	10.57	6.16	6.34	7.36	7.32	5.39	7.37	8.91	8.50	6.23	8.47	10.27	30.44	28.98	33.47	37.66
Key Drivers																
PVC Pipe Volume (MTPA)	77,636	45,273	59,178	80,771	87,729	51,158	66,871	91,271	97,379	56,786	74,227	1,01,311	2,62,858	2,97,030	3,29,703	3,62,673
Realization Growth (yoy) (%)	15 %	6 %	1 %	-8 %	-6 %	-13 %	-5 %	-1 %	-1 %	-1 %	3 %	3 %	2 %	9 %	5 %	3 %
PVC Pipe Margin (%)	8 %	9 %	9 %	8 %	10 %	8 %	7 %	9 %	10 %	9 %	9 %	10 %	8 %	8 %	9 %	9 %
PVC Resin EBIT/MT (\$/MT)	280	316	168	150	160	160	160	160	170	170	170	170	217	160	170	170
Sequential Growth (%)																
Revenue	2 %	-34 %	39 %	27 %	-10 %	-42 %	60 %	36 %	-12 %	-44 %	61 %	38 %	-	-	-	-
Cost of Materials Consumed & Changes in Inventory	5 %	-42 %	69 %	32 %	-31 %	-74 %	228 %	70 %	-22 %	-76 %	239 %	73 %	-	-	-	-
EBITDA	3 %	-36 %	0 %	17 %	-2 %	-24 %	33 %	19 %	-4 %	-25 %	33 %	20 %	-	-	-	-
EBIT	3 %	-39 %	-3 %	22 %	-4 %	-28 %	41 %	22 %	-5 %	-29 %	39 %	23 %	-	-	-	-
Recurring PAT	8 %	-42 %	3 %	16 %	-1 %	-26 %	37 %	21 %	-5 %	-27 %	36 %	21 %	-	-	-	-
EPS	8 %	-42 %	3 %	16 %	-1 %	-26 %	37 %	21 %	-5 %	-27 %	36 %	21 %	-	-	-	-
Yearly Growth (%)																
Revenue	13 %	14 %	5 %	19 %	5 %	-8 %	6 %	13 %	11 %	8 %	9 %	11 %	13 %	5 %	10 %	10 %
EBITDA	48 %	152 %	10 %	-22 %	-26 %	-13 %	16 %	18 %	15 %	14 %	14 %	14 %	23 %	-6 %	14 %	11 %
EBIT	53 %	214 %	8 %	-25 %	-30 %	-18 %	19 %	19 %	17 %	16 %	15 %	16 %	24 %	-8 %	16 %	12 %
Recurring PAT	64 %	170 %	13 %	-24 %	-31 %	-12 %	16 %	21 %	16 %	16 %	15 %	15 %	34 %	-5 %	15 %	13 %
EPS	64 %	170 %	13 %	-24 %	-31 %	-12 %	16 %	21 %	16 %	16 %	15 %	15 %	23 %	-5 %	15 %	13 %
Margin (%)																
EBITDA	23 %	23 %	17 %	15 %	17 %	22 %	18 %	16 %	17 %	23 %	19 %	16 %	20 %	18 %	18 %	18 %
EBIT	21 %	20 %	14 %	13 %	14 %	18 %	16 %	14 %	15 %	19 %	17 %	15 %	17 %	15 %	16 %	16 %
PBT	22 %	22 %	16 %	14 %	15 %	20 %	17 %	15 %	16 %	21 %	18 %	16 %	18 %	16 %	17 %	17 %
PAT	16 %	14 %	10 %	9 %	10 %	13 %	11 %	10 %	11 %	14 %	12 %	11 %	12 %	11 %	12 %	12 %



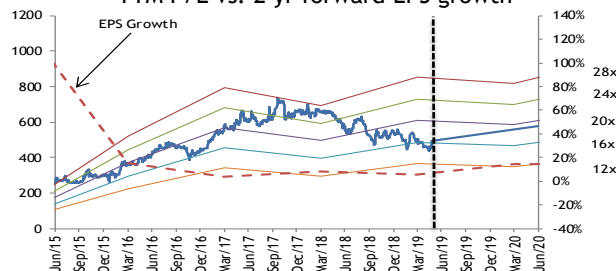
Consolidated Financials

P&L (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Revenue	30,913	32,582	35,808	39,291
Op. Expenditure	24,870	26,877	29,281	32,067
EBITDA	6,043	5,705	6,527	7,224
Depreciation	701	791	830	865
EBIT	5,342	4,914	5,698	6,360
Interest Expense	123	134	134	134
Other Income	416	510	544	648
PBT	5,635	5,289	6,107	6,874
Tax	1,858	1,693	1,954	2,200
PAT bef. MI & Assoc.	3,777	3,597	4,153	4,674
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	3,777	3,597	4,153	4,674
Extraordinaires	279	0	0	0
Reported PAT	3,498	3,597	4,153	4,674
FDEPS (Rs)	30.4	29.0	33.5	37.7
DPS (Rs)	10.0	14.5	16.7	18.8
CEPS (Rs)	36.1	35.4	40.2	44.6
FCFPS (Rs)	59.6	21.4	29.1	33.5
BVPS (Rs)	203.7	215.3	228.6	243.6
EBITDAM (%)	20 %	18 %	18 %	18 %
PATM (%)	12 %	11 %	12 %	12 %
Tax Rate (%)	33 %	32 %	32 %	32 %
Sales Growth (%)	13 %	5 %	10 %	10 %
FDEPS Growth (%)	23 %	-5 %	15 %	13 %

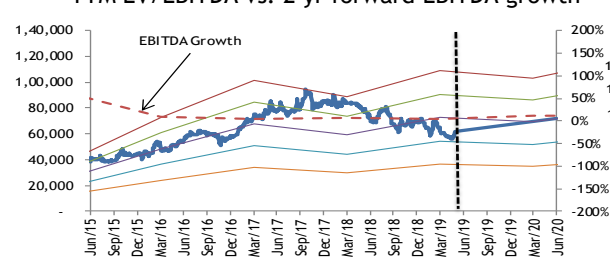
Balance Sheet (Rs Mn)	FY19A	FY20E	FY21E	FY22E
Equity Capital	1,241	1,241	1,241	1,241
Reserve	24,043	25,475	27,129	28,990
Networth	25,284	26,716	28,370	30,231
Long Term Debt	906	906	906	906
Def Tax Liability	2,299	2,299	2,299	2,299
Minority Interest	0	0	0	0
Account Payables	2,838	2,595	2,875	3,207
Other Curr Liabi	1,411	2,715	2,984	3,274
Total Liabilities & Equity	32,738	35,231	37,434	39,917
Net Fixed Assets	9,509	9,918	10,088	10,223
Capital WIP	902	902	902	902
Others	11,792	11,792	11,792	11,792
Inventory	6,205	6,695	7,358	8,074
Account Receivables	743	446	491	538
Other Current Assets	1,035	2,531	2,838	3,169
Cash	2,552	2,946	3,965	5,218
Total Assets	32,738	35,231	37,434	39,917
Non-cash Working Capital	3,734	4,363	4,828	5,300
Cash Conv Cycle	44.1	48.9	49.2	49.2
WC Turnover	8.3	7.5	7.4	7.4
FA Turnover	3.0	3.0	3.3	3.5
Net D/E	(0.1)	(0.1)	(0.1)	(0.1)
Revenue/Capital Employed	1.0	1.1	1.2	1.2
Capital Employed/Equity	1.1	1.1	1.1	1.1

Cash Flow (Rs Mn)	FY19A	FY20E	FY21E	FY22E
PBT	5,635	5,289	6,107	6,874
Depreciation	701	791	830	865
Others	(279)	0	0	0
Taxes Paid	1,858	1,693	1,954	2,200
Change in WC	(339)	(629)	(465)	(472)
Operating C/F	3,860	3,759	4,518	5,066
Capex	(675)	(1,200)	(1,000)	(1,000)
Change in Invest	4,127	0	0	0
Others	0	0	0	0
Investing C/F	3,453	(1,200)	(1,000)	(1,000)
Change in Debt	(101)	0	0	0
Change in Equity	(4,366)	0	0	0
Others	(1,183)	(2,164)	(2,499)	(2,813)
Financing C/F	(5,650)	(2,164)	(2,499)	(2,813)
Net change in cash	1,662	394	1,019	1,254
RoE (%)	14 %	14 %	15 %	16 %
RoIC (%)	13 %	13 %	14 %	15 %
Core RoIC (%)	22 %	20 %	22 %	23 %
Div Payout (%)	43 %	60 %	60 %	60 %
P/E	16.2	17.0	14.8	13.1
P/B	2.4	2.3	2.2	2.0
P/FCFF	8.3	23.1	17.0	14.7
EV/EBITDA	10.2	10.8	9.3	8.2
EV/Sales	2.0	1.9	1.7	1.5
Dividend Yield (%)	2.0 %	2.9 %	3.4 %	3.8 %

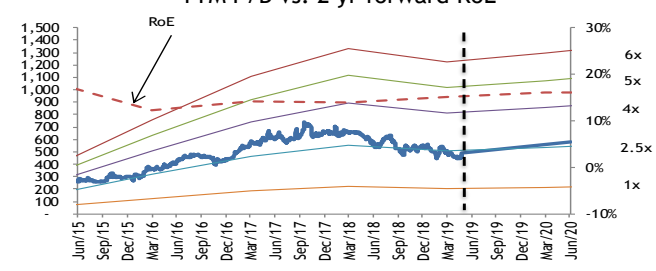
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

P&L (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Balance Sheet (Rs Mn)	FY16A	FY17A	FY18A	FY19A	Cash Flow (Rs Mn)	FY16A	FY17A	FY18A	FY19A
Revenue	24,819	26,024	27,378	30,913	Equity Capital	1,241	1,241	1,241	1,241	PBT	3,733	5,169	4,478	5,635
Op. Expenditure	20,775	20,394	22,449	24,870	Reserve	14,458	21,673	26,405	24,043	Depreciation	506	550	606	701
EBITDA	4,044	5,630	4,929	6,043	Networth	15,698	22,914	27,646	25,284	Others	109	(68)	(205)	(279)
Depreciation	506	550	606	701	Long Term Debt	2,117	942	1,007	906	Taxes Paid	663	1,752	1,195	1,858
EBIT	3,539	5,080	4,323	5,342	Def Tax Liability	1,920	2,045	1,989	2,299	Change in WC	2,005	(1,382)	(300)	(339)
Interest Expense	447	154	98	123	Minority Interest	0	0	0	0	Operating C/F	5,690	2,517	3,384	3,860
Other Income	396	243	253	416	Account Payables	2,432	2,275	2,505	2,838	Capex	(313)	(947)	(1,722)	(675)
PBT	3,488	5,169	4,478	5,635	Other Curr Liabi	1,319	1,378	1,399	1,411	Change in Invest	0	0	0	4,127
Tax	1,189	1,648	1,403	1,858	Total Liabilities & Equity	23,487	29,553	34,545	32,738	Others	468	67	64	0
PAT bef. MI & Assoc.	2,299	3,521	3,075	3,777	Net Fixed Assets	8,496	8,551	8,854	9,509	Investing C/F	155	(880)	(1,659)	3,453
Minority Interest	0	0	0	0	Capital WIP	66	217	903	902	Change in Debt	(4,997)	52	105	(101)
Profit from Assoc.	0	0	0	0	Others	7,254	13,491	16,599	11,792	Change in Equity	0	0	0	(4,366)
Recurring PAT	2,299	3,521	3,075	3,777	Inventory	4,472	5,574	6,116	6,205	Others	61	(1,650)	(1,817)	(1,183)
Extraordinaires	(245)	0	0	279	Account Receivables	176	525	431	743	Financing C/F	(4,937)	(1,598)	(1,712)	(5,650)
Reported PAT	2,544	3,521	3,075	3,498	Other Current Assets	1,231	465	751	1,035	Net change in cash	909	39	13	1,662
EPS (Rs)	18.5	28.4	24.8	30.4	Cash	1,791	729	890	2,552	RoE (%)	20 %	18 %	12 %	14 %
DPS (Rs)	10.0	11.5	10.0	10.0	Total Assets	23,487	29,553	34,545	32,738	RoIC (%)	15 %	16 %	11 %	13 %
CEPS (Rs)	22.6	32.8	29.7	36.1	Non-cash Working Capital	2,128	2,911	3,395	3,734	Core RoIC (%)	18 %	26 %	20 %	22 %
FCFPS (Rs)	49.5	14.0	14.4	59.6	Cash Conv Cycle	31.3	40.8	45.3	44.1	Div Payout (%)	59 %	49 %	49 %	43 %
BVPS (Rs)	126.5	184.6	222.8	203.7	WC Turnover	11.7	8.9	8.1	8.3	P/E	26.6	17.4	19.9	16.2
EBITDAM (%)	16 %	22 %	18 %	20 %	FA Turnover	2.9	3.0	2.8	3.0	P/B	3.9	2.7	2.2	2.4
PATM (%)	9 %	14 %	11 %	12 %	Net D/E	0.0	0.0	0.0	(0.1)	P/FCFF	10.0	35.2	34.2	8.3
Tax Rate (%)	34 %	32 %	31 %	33 %	Revenue/Capital Employed	1.4	1.1	1.0	1.0	EV/EBITDA	16.2	11.6	13.3	10.2
Sales growth (%)	0 %	5 %	5 %	13 %	Capital Employed/Equity	1.5	1.2	1.1	1.1	EV/Sales	2.6	2.5	2.4	2.0
FDEPS growth (%)	232 %	53 %	-13 %	23 %						Dividend Yield (%)	2.0 %	2.3 %	2.0 %	2.0 %

Rating & Coverage Definitions:
Absolute Rating

- LONG : Over the investment horizon, ATR \geq Ke for companies with Free Float market cap $>$ Rs 5 billion and ATR \geq 20% for rest of the companies
- ADD: ATR \geq 5% but less than Ke over investment horizon
- REDUCE: ATR \geq negative 10% but $<$ 5% over investment horizon
- SHORT: ATR $<$ negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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