

# Mold-Tek Packaging

09 December 2020

Reuters: MOLT.NS; Bloomberg: MTEP IN

## Moulding a better future

- We believe that F&F pick-up, new launches and ramp-up in Mysore and Vizag capacities (paints division) will improve overall revenue/kg from Rs169 (FY21 estimate) to Rs193 in FY23. Ongoing improvement in product mix along with a strong thrust on cost management can increase blended EBITDA/kg to Rs38 in FY23. We are building in ~13% EBITDA CAGR over FY20-23E (~25% over FY21-23E).
- The recent rights issue would strengthen MTEP's B/S significantly in our view. We expect overall debt to fall by ~75% by FY23E with the help of rights issue proceeds and internal accruals set aside after providing for capex. We are building in ~19% earnings CAGR over FY20-23E.
- We maintain Buy on MTEP after revising our estimates. In our view, EPS dilution on account of rights issue will be largely offset by savings in interest outgo. TP remains unchanged (based on Sept'22 earnings) with a potential upside of 39%.

**F&F continues to be a key driver:** We highlight that in 1HFY21, revenue/kg from F&F was down at Rs207/kg (vs Rs237/kg in 1HFY20) due to a significant decline in Mondelez off-take, loss of ice-cream sales and lower input prices. While there have been some signs of recovery starting Oct'20, we expect significant volume from Arun (in South) and Kwality Wall's in 4QFY21 in the ice-cream segment. Outlook for Mondelez remains moderate, but our channel checks suggest some pick-up in off-take of Lickables and Cadbury Cocoa Powder from Oct'20. Higher off-takes from Ice-creams and Mondelez would improve the overall revenue/kg as these products enjoy >2x revenue/kg compared to generic containers, in our view. Also, addition of Handwash and Sanitizer Pumps would improve the product mix further. Despite a flattish FY21E, F&F revenue can grow 2x in the next 2 years, led by recovery in existing segments and new launches, in our view. We like MTEP's increasing focus on the Healthcare segment wherein the management is targeting Pharma companies.

**Paints outlook remains strong:** Faster-than-expected recovery in the Paints division in 2QFY21 has been driven by lower tier cities. However, managements are sounding positive about the overall demand outlook across regions after 2QFY21 ([Check latest interview of APNT MD](#)). As far as MTEP is concerned, the recovery in the Paints segment was mainly a function of strong volume from APNT. We believe that growth would remain on a strong footing considering improved off-takes by other players and capacity expansion scheduled in the next 1-2 years. Increasing salience of Heat Transfer Labelling (HTL) would lift the overall realisation in the Paints division.

**Deleveraging B/S is a key positive:** Rising debt in the last couple of years has been the key concern for investors. The recent rights issue of ~Rs713mn (to manage the debt profile of the company) along with internal cash flows can cut overall debt by ~75% in FY23 as per our estimates. Majority of the term loans carry a coupon of ~9% and repayment of the same will result in significant savings in interest costs. We believe that EPS dilution on account of the rights issue would be largely offset by lower interest costs over the next 3 years. Operating cash flows are sufficient for long-term loan payments, assuming MTEP continues with Rs300-400mn annual capex plan.

**Outlook and valuation:** We like MTEP on account of its niche product offerings, which add value to the end-user segments. Demand for hygienic packaging is on the rise, especially in the wake of the Covid-19 pandemic and we believe this trend is sustainable. Apart from the strong operational levers, we expect improvement in return ratios (ROCE 20.1% in FY20 to 23.2% in FY23E), led by deleveraging of the balance sheet. We value MTEP at ~20x PE (unchanged) multiple based on Sep'22 earnings and maintain Buy rating following the earnings revision. Our unchanged TP indicates an upside of ~39% from CMP.

## BUY

**Sector:** Packaging

**CMP:** Rs288

**Target Price:** Rs400

**Upside:** 39%

**Abhishek Navalgund**

Research Analyst

 abhishek.navalgund@nirmalbang.com  
 +91-22-6273-8013

**Key Data**

|                          |         |
|--------------------------|---------|
| Current Shares O/S (mn)  | 27.8    |
| Mkt Cap (Rsbn/US\$mn)    | 8.0/109 |
| 52 Wk H / L (Rs)         | 305/135 |
| Daily Vol. (3M NSE Avg.) | 34,545  |

**Price Performance (%)**

|                    | 1 M | 6 M  | 1 Yr |
|--------------------|-----|------|------|
| Mold-Tek Packaging | 4.7 | 55.8 | 6.0  |
| Nifty Index        | 8.6 | 34.7 | 13.3 |

Source: Bloomberg

**Exhibit 1: Financial summary**

| Y/E March (Rsmn) | FY19  | FY20  | FY21E | FY22E | FY23E |
|------------------|-------|-------|-------|-------|-------|
| Net Sales        | 3,941 | 4,374 | 3,888 | 4,826 | 5,842 |
| Growth YoY%      | 16.1  | 11.0  | -11.1 | 24.1  | 21.1  |
| Gross margin %   | 39.4  | 41.3  | 42.0  | 42.2  | 42.5  |
| EBITDA           | 719   | 800   | 747   | 946   | 1,163 |
| EBITDA margin %  | 18.3  | 18.3  | 19.2  | 19.6  | 19.9  |
| Adj PAT          | 310   | 404   | 357   | 503   | 674   |
| Growth YoY%      | -2.1  | 30.2  | -11.8 | 41.1  | 34.1  |
| EPS (Rs)         | 11.2  | 14.6  | 12.6  | 17.8  | 21.3  |
| RoCE (%)         | 20.5  | 20.1  | 16.9  | 21.3  | 23.2  |
| RoE (%)          | 16.7  | 20.8  | 16.8  | 20.4  | 21.3  |
| P/E (x)          | 25.7  | 19.7  | 22.8  | 16.2  | 13.5  |
| EV/EBITDA        | 12.3  | 11.3  | 12.1  | 9.4   | 8.1   |
| P/BV (x)         | 4.2   | 4.0   | 3.6   | 3.1   | 2.5   |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 2: Change in earnings estimates**

| Consolidated (Rsmn) | Old Estimates |       |       | New estimates |       |       | Change (%) |       |       |
|---------------------|---------------|-------|-------|---------------|-------|-------|------------|-------|-------|
|                     | FY21E         | FY22E | FY23E | FY21E         | FY22E | FY23E | FY21E      | FY22E | FY23E |
| Revenue             | 3,779         | 4,711 | 5,598 | 3,888         | 4,826 | 5,842 | 3%         | 2%    | 4%    |
| EBITDA              | 726           | 923   | 1,114 | 747           | 946   | 1,163 | 3%         | 2%    | 4%    |
| APAT                | 324           | 472   | 601   | 357           | 503   | 674   | 10%        | 7%    | 12%   |

Source: Nirmal Bang Institutional Equities Research

**Exhibit 3: Change in valuation and TP**

| Old       |     | New       |     | Change    |    |
|-----------|-----|-----------|-----|-----------|----|
| Target PE | TP  | Target PE | TP  | Target PE | TP |
| 20        | 400 | 20        | 400 | -         | -  |

Source: Nirmal Bang Institutional Equities Research

**Exhibit 4: Per kg assumptions**

| Revenue/kg             | FY17        | FY18        | FY19        | FY20         | FY21E        | FY22E       | FY23E       |
|------------------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
| <b>Industry wise</b>   |             |             |             |              |              |             |             |
| Paints                 | 158         | 164         | 172         | 170          | 156          | 164         | 172         |
| Lubes                  | 154         | 158         | 167         | 164          | 159          | 165         | 169         |
| F&F                    | 219         | 279         | 248         | 238          | 216          | 243         | 253         |
| <b>Total</b>           | <b>160</b>  | <b>175</b>  | <b>182</b>  | <b>180</b>   | <b>169</b>   | <b>183</b>  | <b>193</b>  |
| <b>Growth</b>          |             |             |             |              |              |             |             |
| Paints                 | -0.5%       | 4.2%        | 4.6%        | -1.3%        | -8.0%        | 5.0%        | 5.0%        |
| Lubes                  | 0.3%        | 2.7%        | 5.3%        | -1.7%        | -3.0%        | 4.0%        | 2.0%        |
| F&F                    | 1.4%        | 27.1%       | -10.8%      | -4.1%        | -9.3%        | 12.3%       | 4.2%        |
| <b>Total</b>           | <b>0.3%</b> | <b>9.7%</b> | <b>4.1%</b> | <b>-1.2%</b> | <b>-6.2%</b> | <b>8.3%</b> | <b>5.4%</b> |
| <b>IML vs Non-IML</b>  |             |             |             |              |              |             |             |
| IML                    | 175         | 192         | 197         | 192          | 183          | 197         | 207         |
| Non IML                | 148         | 156         | 162         | 160          | 147          | 157         | 164         |
| <b>Total</b>           | <b>160</b>  | <b>175</b>  | <b>182</b>  | <b>180</b>   | <b>169</b>   | <b>183</b>  | <b>193</b>  |
| <b>Growth</b>          |             |             |             |              |              |             |             |
| IML                    | 2%          | 10%         | 2%          | -2%          | -5%          | 8%          | 5%          |
| Non IML                | -2%         | 6%          | 4%          | -1%          | -9%          | 7%          | 4%          |
| <b>Total</b>           | <b>0%</b>   | <b>10%</b>  | <b>4%</b>   | <b>-1%</b>   | <b>-6%</b>   | <b>8%</b>   | <b>5%</b>   |
| <b>Gross profit/kg</b> | <b>61</b>   | <b>71</b>   | <b>72</b>   | <b>74</b>    | <b>71</b>    | <b>77</b>   | <b>82</b>   |
| <b>EBITDA kg</b>       | <b>28</b>   | <b>33</b>   | <b>33</b>   | <b>33</b>    | <b>32</b>    | <b>36</b>   | <b>38</b>   |

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 5: Quarterly segment performance**

| Particulars                      | 2QFY19     | 3QFY19     | 4QFY19     | 1QFY20     | 2QFY20     | 3QFY20     | 4QFY20     | 1QFY21     | 2QFY21     |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Revenue/kg IML vs Non-IML</b> |            |            |            |            |            |            |            |            |            |
| IML                              | 206        | 197        | 189        | 196        | 197        | 190        | 186        | 180        | 181        |
| Non IML                          | 164        | 166        | 156        | 165        | 166        | 159        | 152        | 146        | 152        |
| <b>Total revenue/kg</b>          | <b>187</b> | <b>185</b> | <b>178</b> | <b>184</b> | <b>185</b> | <b>179</b> | <b>173</b> | <b>167</b> | <b>170</b> |
| <b>Revenue/kg segment wise</b>   |            |            |            |            |            |            |            |            |            |
| Paints                           | 177        | 171        | 166        | 172        | 177        | 169        | 161        | 152        | 159        |
| Lubes                            | 169        | 172        | 163        | 170        | 167        | 164        | 155        | 157        | 166        |
| F&F                              | 270        | 248        | 223        | 238        | 236        | 234        | 246        | 203        | 210        |
| <b>Total revenue/kg</b>          | <b>186</b> | <b>185</b> | <b>178</b> | <b>184</b> | <b>185</b> | <b>179</b> | <b>173</b> | <b>167</b> | <b>170</b> |
| <b>EBITDA/Kg</b>                 | <b>33</b>  | <b>33</b>  | <b>34</b>  | <b>32</b>  | <b>34</b>  | <b>34</b>  | <b>31</b>  | <b>25</b>  | <b>37</b>  |

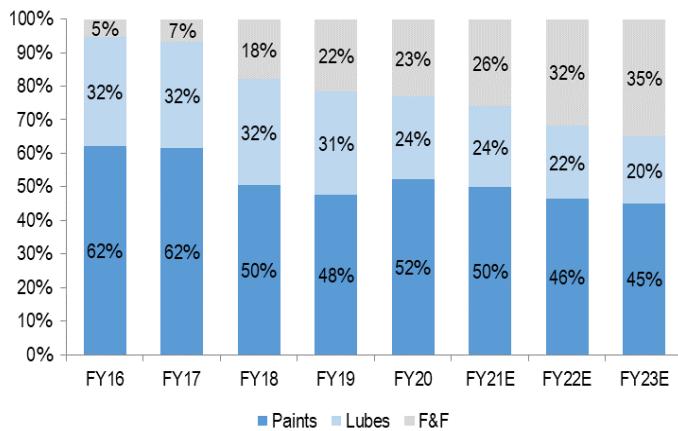
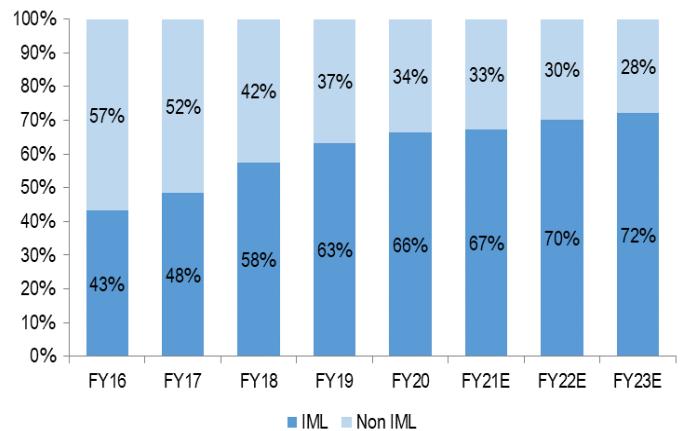
**Exhibit 6: IML vs Non-IML**

| Particulars                | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 | 2QFY21 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Volume breakup (%)</b>  |        |        |        |        |        |        |        |        |        |
| IML                        | 53.3   | 59.8   | 64.5   | 60.8   | 61.1   | 65.1   | 61.9   | 62.5   | 62.4   |
| Non IML                    | 46.7   | 40.2   | 35.5   | 39.2   | 38.9   | 34.9   | 38.1   | 37.5   | 37.6   |
| <b>Revenue breakup (%)</b> |        |        |        |        |        |        |        |        |        |
| IML                        | 58.8   | 63.8   | 68.8   | 64.9   | 65.1   | 69.0   | 66.6   | 67.3   | 66.5   |
| Non IML                    | 41.2   | 36.2   | 31.2   | 35.1   | 34.9   | 31.0   | 33.4   | 32.7   | 33.5   |
| <b>Volume growth (%)</b>   |        |        |        |        |        |        |        |        |        |
| IML                        | 30.2   | 20.0   | 23.3   | 23.4   | 34.8   | 17.8   | 5.6    | -39.5  | 15.3   |
| Non IML                    | 9.0    | -6.0   | -11.8  | 4.8    | -2.1   | -6.1   | 18.0   | -43.8  | 9.0    |
| <b>Revenue growth (%)</b>  |        |        |        |        |        |        |        |        |        |
| IML                        | 37.5   | 23.4   | 21.0   | 23.1   | 29.0   | 13.6   | 3.5    | -44.5  | 5.9    |
| Non IML                    | 15.7   | 3.9    | -11.6  | 7.4    | -1.2   | -10.1  | 14.5   | -50.1  | -0.2   |

**Exhibit 7: Industry-wise classification**

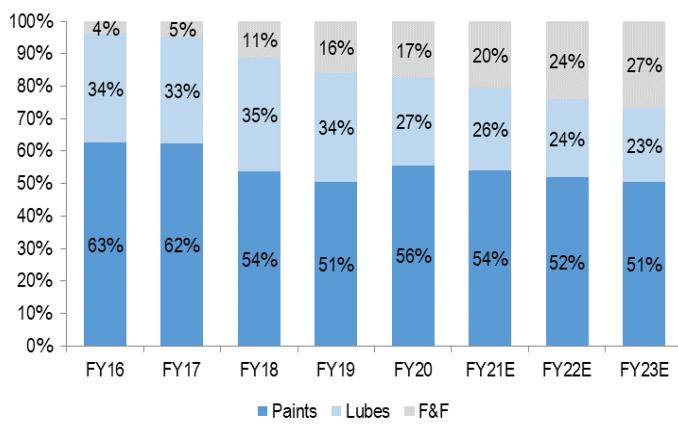
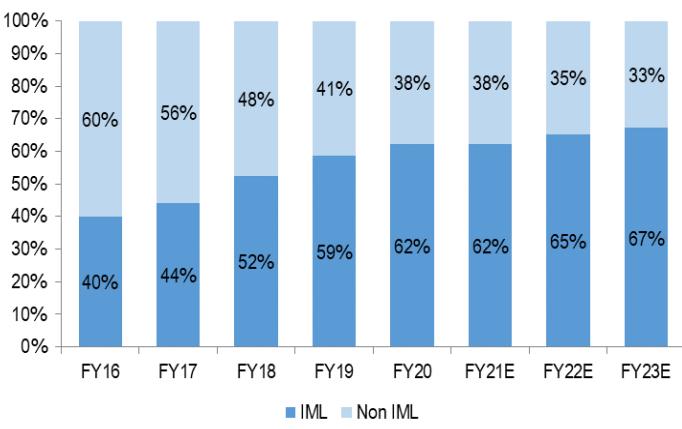
| Particulars                | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | 2QFY20 | 3QFY20 | 4QFY20 | 1QFY21 | 2QFY21 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Volume breakup (%)</b>  |        |        |        |        |        |        |        |        |        |
| Paints                     | 52.4   | 49.6   | 49.1   | 51.9   | 59.4   | 51.5   | 59.5   | 48.9   | 57.6   |
| Lubes                      | 34.3   | 32.6   | 29.5   | 29.6   | 22.9   | 30.4   | 24.9   | 24.7   | 23.4   |
| F&F                        | 13.2   | 17.7   | 21.5   | 18.5   | 17.7   | 18.1   | 15.7   | 26.5   | 19.0   |
| <b>Revenue breakup (%)</b> |        |        |        |        |        |        |        |        |        |
| Paints                     | 49.7   | 45.9   | 46.0   | 48.7   | 56.7   | 48.7   | 55.4   | 44.4   | 53.7   |
| Lubes                      | 31.1   | 30.3   | 27.0   | 27.4   | 20.7   | 27.7   | 22.3   | 23.3   | 22.9   |
| F&F                        | 19.1   | 23.8   | 27.0   | 24.0   | 22.7   | 23.6   | 22.3   | 32.3   | 23.4   |
| <b>Volume growth (%)</b>   |        |        |        |        |        |        |        |        |        |
| Paints                     | 2.1    | 9.1    | 4.9    | 17.0   | 33.1   | 12.4   | 33.4   | -44.6  | 9.5    |
| Lubes                      | 37.5   | -7.0   | -10.8  | -9.8   | -21.7  | 0.6    | -7.1   | -51.0  | 15.7   |
| F&F                        | 77.4   | 47.2   | 68.3   | 94.8   | 57.8   | 10.4   | -19.8  | -15.9  | 20.7   |
| <b>Revenue growth (%)</b>  |        |        |        |        |        |        |        |        |        |
| Paints                     | 9.2    | 15.7   | 6.5    | 16.0   | 32.9   | 11.1   | 28.8   | -51.2  | -1.7   |
| Lubes                      | 49.3   | 3.6    | -11.8  | -6.5   | -22.5  | -4.1   | -11.7  | -54.6  | 14.8   |
| F&F                        | 58.0   | 35.7   | 47.8   | 68.5   | 38.3   | 4.4    | -11.7  | -28.1  | 7.3    |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: Revenue share- industry wise**

**Exhibit 9: Revenue share- IML vs Non-IML**


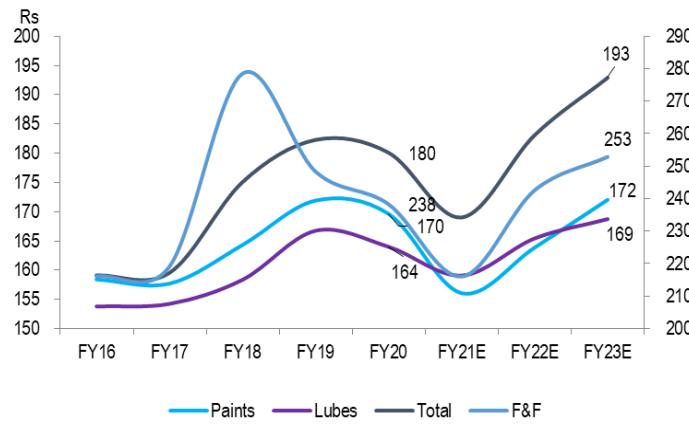
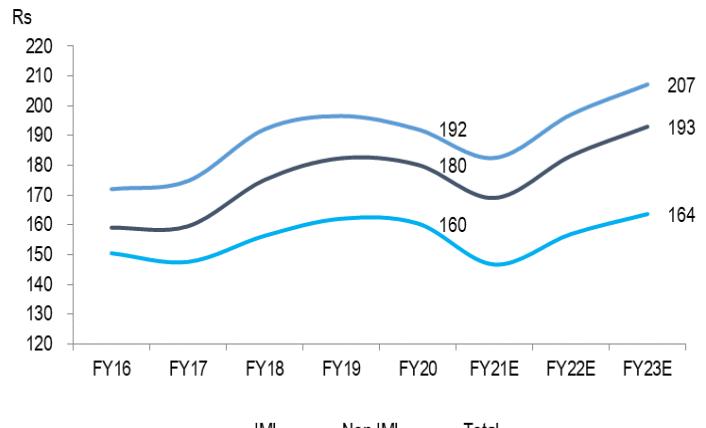
Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Volume share- industry wise**

**Exhibit 11: Volume share- IML vs Non-IML**


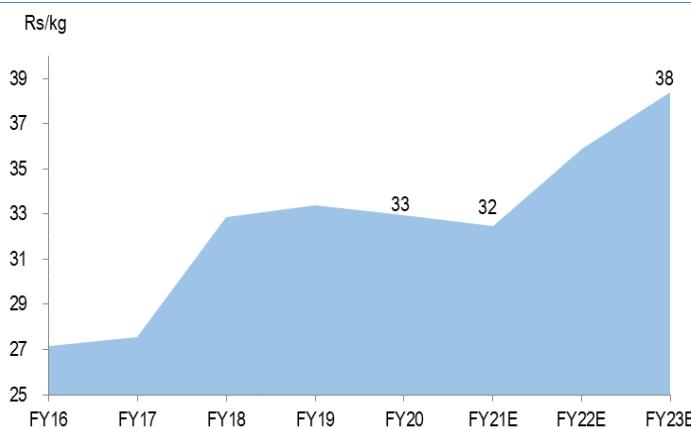
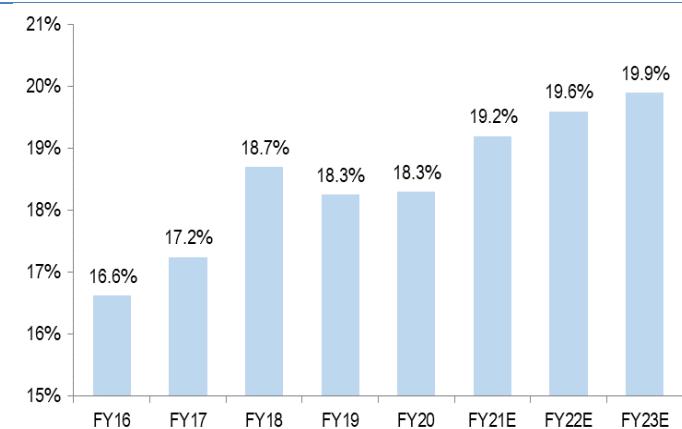
Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: Rev/kg- industry wise**

**Exhibit 13: Rev/kg- IML vs Non-IML**


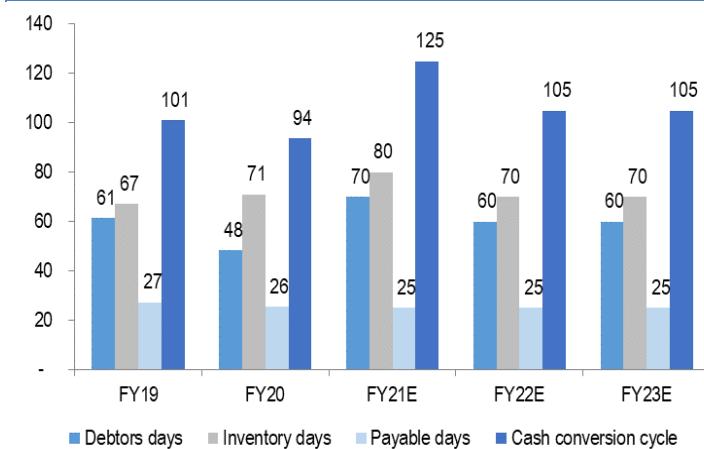
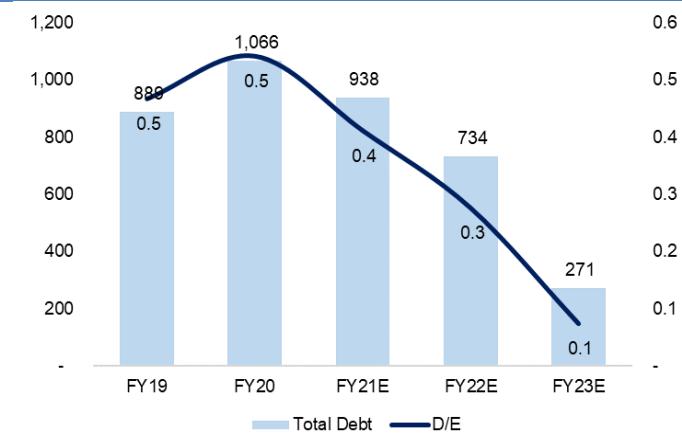
Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: EBITDA/kg- we expect Rs38/kg in FY23**

**Exhibit 15: EBITDA margin trend**


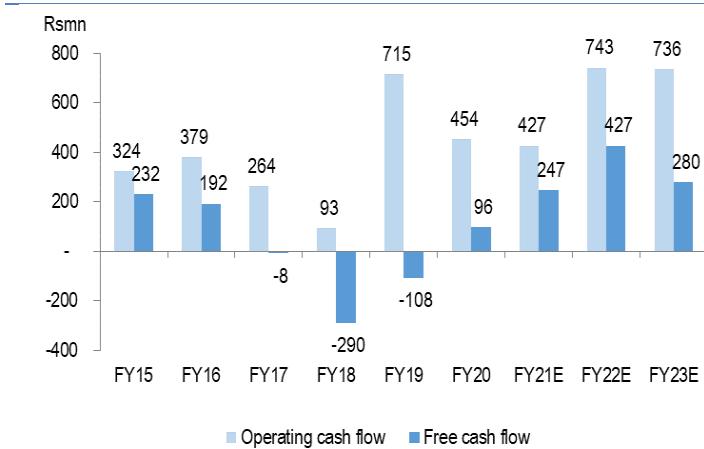
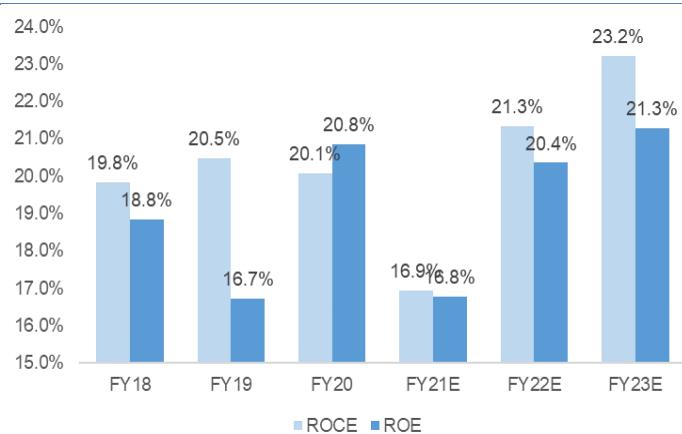
Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: Working capital cycle**

**Exhibit 17: Significant reduction of debt is likely**


Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 18: Cash flow position remains strong; future capex could be comfortably funded through internal accruals**

**Exhibit 19: Return ratios set to rise after deleveraging of Balance sheet and strong operational performance**


Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

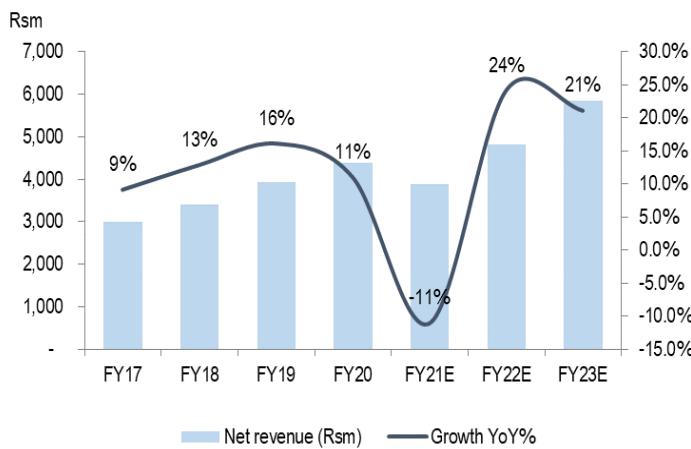
**Peer comparison: MTEP has been consistently ahead of the curve**
**Exhibit 20: Comparison with peers - margin profile and return ratios**

| Gross margin              | FY12/CY11 | FY13/CY12 | FY14/CY13 | FY15/CY14 | FY16/CY15 | FY17/CY16 | FY18/CY17 | FY19/CY18 | FY20/CY19 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Mold-Tek Packaging</b> | 33.5%     | 35.1%     | 34.0%     | 35.0%     | 39.5%     | 38.2%     | 40.5%     | 39.4%     | 41.3%     |
| Essel Propack             | 52.9%     | 52.7%     | 50.5%     | 49.4%     | 54.7%     | 55.3%     | 56.3%     | 55.1%     | 56.5%     |
| Hutamaki PPL              | 30.6%     | 30.4%     | 29.4%     | 27.5%     | 30.5%     | 32.7%     | 33.0%     | 32.1%     | 33.7%     |
| Time Technoplast          | 33.6%     | 33.6%     | 30.8%     | 30.3%     | 28.0%     | 28.3%     | 28.7%     | 28.0%     | 27.0%     |
| HiTech Corp               | 39.0%     | 36.2%     | 34.9%     | 36.0%     | 40.3%     | 37.6%     | 38.8%     | 38.2%     | 40.3%     |
| EBITDA margin             | FY12/CY11 | FY13/CY12 | FY14/CY13 | FY15/CY14 | FY16/CY15 | FY17/CY16 | FY18/CY17 | FY19/CY18 | FY20/CY19 |
| <b>Mold-Tek Packaging</b> | 12.1%     | 10.4%     | 11.6%     | 14.0%     | 16.6%     | 17.2%     | 18.7%     | 18.3%     | 18.3%     |
| Essel Propack             | 18.9%     | 19.9%     | 19.5%     | 18.7%     | 20.7%     | 19.9%     | 22.9%     | 21.0%     | 21.5%     |
| Hutamaki PPL              | 10.8%     | 9.9%      | 9.9%      | 9.0%      | 10.5%     | 11.5%     | 10.3%     | 9.4%      | 11.3%     |
| Time Technoplast          | 18.7%     | 18.2%     | 15.0%     | 15.0%     | 15.5%     | 15.5%     | 16.1%     | 15.1%     | 13.6%     |
| HiTech Corp               | 14.1%     | 11.4%     | 10.7%     | 8.7%      | 11.6%     | 9.5%      | 9.6%      | 11.2%     | 13.0%     |
| ROCE                      | FY12/CY11 | FY13/CY12 | FY14/CY13 | FY15/CY14 | FY16/CY15 | FY17/CY16 | FY18/CY17 | FY19/CY18 | FY20/CY19 |
| <b>Mold-Tek Packaging</b> | 17.1%     | 12.6%     | 19.1%     | 24.4%     | 24.2%     | 21.6%     | 19.8%     | 20.5%     | 20.1%     |
| Essel Propack             | 5.3%      | 7.2%      | 8.3%      | 11.0%     | 13.1%     | 12.1%     | 14.3%     | 11.9%     | 9.1%      |
| Hutamaki PPL              | 15.7%     | 14.4%     | 16.1%     | 11.5%     | 8.3%      | 16.7%     | 14.2%     | 14.4%     | 21.3%     |
| Time Technoplast          | 13.0%     | 13.1%     | 10.9%     | 12.0%     | 10.7%     | 10.5%     | 10.9%     | 11.4%     | 9.4%      |
| HiTech Corp               | 17.6%     | 14.0%     | 12.3%     | 13.3%     | 17.4%     | 8.7%      | 6.3%      | 8.7%      | 9.3%      |
| ROE                       | FY12/CY11 | FY13/CY12 | FY14/CY13 | FY15/CY14 | FY16/CY15 | FY17/CY16 | FY18/CY17 | FY19/CY18 | FY20/CY19 |
| <b>Mold-Tek Packaging</b> | 20.5%     | 12.3%     | 18.3%     | 14.5%     | 18.8%     | 17.3%     | 17.5%     | 16.3%     | 20.5%     |
| Essel Propack             | 7.4%      | 7.1%      | 7.5%      | 11.9%     | 19.0%     | 10.6%     | 12.5%     | 9.5%      | 15.2%     |
| Hutamaki PPL              | 16.1%     | 12.8%     | 14.1%     | 11.5%     | 8.4%      | 16.1%     | 11.7%     | 6.3%      | 24.4%     |
| Time Technoplast          | 11.6%     | 10.8%     | 10.4%     | 8.5%      | 10.7%     | 8.2%      | 9.1%      | 9.3%      | 6.8%      |
| HiTech Corp               | 14.2%     | 8.6%      | 4.4%      | 6.0%      | 10.4%     | 6.5%      | 5.2%      | 10.0%     | 1.4%      |

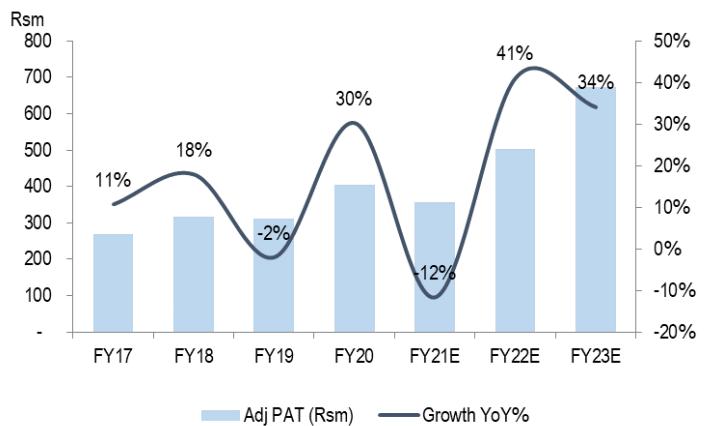
Source: Company, Nirmal Bang Institutional Equities Research

### We are building in ~19% earnings CAGR over FY20-23E

**Exhibit 21: Revenue growth- we are building in ~10% CAGR over FY20-23E**



**Exhibit 22: Earnings growth- we are building in ~19% CAGR over FY20-23E**



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

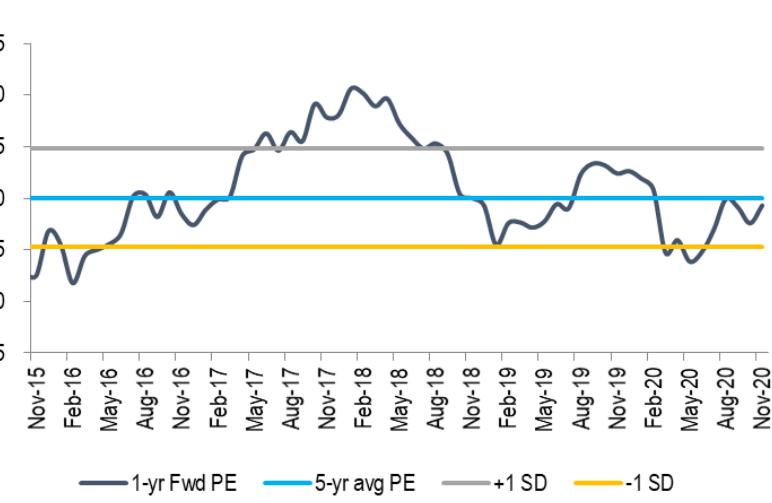
### Maintain Buy on MTEP with TP of Rs400 indicating an upside of 39% from CMP

**Exhibit 23: Valuation summary**

| Particulars            | Details    | Comments                            |
|------------------------|------------|-------------------------------------|
| Sept'22E EPS           | 20         |                                     |
| Target PE multiple (x) | 20         | Broadly in-line with 5-yr median PE |
| <b>Target price</b>    | <b>400</b> |                                     |

Source: Nirmal Bang Institutional Equities Research

**Exhibit 24: One-year forward P/E**



Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

## Financials

### Exhibit 25: Income statement

| Y/E March (Rsm)        | FY19         | FY20         | FY21E        | FY22E        | FY23E        |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Sales</b>       | <b>3,941</b> | <b>4,374</b> | <b>3,888</b> | <b>4,826</b> | <b>5,842</b> |
| Growth YoY%            | 16.1         | 11.0         | -11.1        | 24.1         | 21.1         |
| COGS                   | 2,387        | 2,569        | 2,255        | 2,789        | 3,359        |
| <b>Gross margin %</b>  | <b>39.4</b>  | <b>41.3</b>  | <b>42.0</b>  | <b>42.2</b>  | <b>42.5</b>  |
| Staff costs            | 405          | 494          | 459          | 550          | 666          |
| Other expenses         | 430          | 511          | 428          | 541          | 654          |
| <b>EBITDA</b>          | <b>719</b>   | <b>800</b>   | <b>747</b>   | <b>946</b>   | <b>1,163</b> |
| Growth YoY%            | 13.3         | 11.3         | -6.7         | 26.7         | 22.9         |
| <b>EBITDA margin %</b> | <b>18.3</b>  | <b>18.3</b>  | <b>19.2</b>  | <b>19.6</b>  | <b>19.9</b>  |
| Depreciation           | 147          | 191          | 201          | 222          | 246          |
| <b>EBIT</b>            | <b>572</b>   | <b>610</b>   | <b>545</b>   | <b>724</b>   | <b>917</b>   |
| Interest               | 71           | 102          | 80           | 67           | 40           |
| Other income           | 13           | 12           | 12           | 15           | 25           |
| PBT (bei)              | 515          | 519          | 477          | 672          | 901          |
| PBT                    | 400          | 491          | 477          | 672          | 901          |
| ETR                    | 39.7         | 22.2         | 25.2         | 25.2         | 25.2         |
| PAT                    | 241          | 382          | 357          | 503          | 674          |
| Adj PAT                | 310          | 404          | 357          | 503          | 674          |
| Growth YoY%            | -2.1         | 30.2         | -11.8        | 41.1         | 34.1         |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 27: Balance sheet

| Y/E March (Rsm)                       | FY19         | FY20         | FY21E        | FY22E        | FY23E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share capital                         | 139          | 139          | 141          | 141          | 158          |
| Reserves                              | 1,768        | 1,832        | 2,142        | 2,518        | 3,518        |
| <b>Net worth</b>                      | <b>1,906</b> | <b>1,971</b> | <b>2,283</b> | <b>2,660</b> | <b>3,676</b> |
| Long term debt                        | 740          | 815          | 774          | 696          | 250          |
| Short term debt                       | 149          | 252          | 164          | 37           | 21           |
| <b>Total debt</b>                     | <b>889</b>   | <b>1,066</b> | <b>938</b>   | <b>734</b>   | <b>271</b>   |
| Other non-current liabilities         | 153          | 143          | 143          | 136          | 136          |
| <b>Total Equity &amp; Liabilities</b> | <b>2,948</b> | <b>3,181</b> | <b>3,364</b> | <b>3,529</b> | <b>4,083</b> |
| Gross block                           | 2,639        | 3,057        | 3,237        | 3,587        | 3,987        |
| Accumulated depreciation              | 875          | 1,066        | 1,268        | 1,489        | 1,735        |
| <b>Net Block</b>                      | <b>1,798</b> | <b>2,024</b> | <b>2,003</b> | <b>2,131</b> | <b>2,285</b> |
| CWIP                                  | 160          | 115          | 115          | 81           | 137          |
| Intangible and others                 | -            | -            | -            | -            | -            |
| Other non-current assets              | 98           | 135          | 135          | 135          | 135          |
| Investments                           | 97           | 73           | 75           | 105          | 250          |
| Trade receivables                     | 664          | 580          | 746          | 793          | 960          |
| Inventories                           | 438          | 500          | 494          | 535          | 644          |
| Cash & Cash equivalents               | 9            | 10           | 13           | 21           | 19           |
| Other current assets                  | 169          | 189          | 198          | 198          | 198          |
| <b>Total current assets</b>           | <b>1,280</b> | <b>1,278</b> | <b>1,452</b> | <b>1,547</b> | <b>1,822</b> |
| Trade payables                        | 179          | 180          | 154          | 191          | 230          |
| Other current liabilities             | 307          | 265          | 261          | 279          | 316          |
| <b>Total current liabilities</b>      | <b>486</b>   | <b>445</b>   | <b>415</b>   | <b>470</b>   | <b>546</b>   |
| <b>Total Assets</b>                   | <b>2,948</b> | <b>3,181</b> | <b>3,364</b> | <b>3,529</b> | <b>4,083</b> |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 26: Cash flow

| Y/E March (Rsm)                | FY19        | FY20        | FY21E       | FY22E       | FY23E       |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>PBT</b>                     | <b>400</b>  | <b>491</b>  | <b>477</b>  | <b>672</b>  | <b>901</b>  |
| Depreciation                   | 152         | 194         | 201         | 222         | 246         |
| Interest                       | 71          | 102         | 80          | 67          | 40          |
| Other adjustments              | -96         | -84         | -12         | -15         | -25         |
| Change in Working capital      | 324         | -124        | -200        | -34         | -200        |
| Tax paid                       | -136        | -125        | -120        | -169        | -227        |
| <b>Operating cash flow</b>     | <b>715</b>  | <b>454</b>  | <b>427</b>  | <b>743</b>  | <b>736</b>  |
| Capex                          | -822        | -357        | -180        | -315        | -457        |
| <b>Free cash flow</b>          | <b>-108</b> | <b>96</b>   | <b>247</b>  | <b>427</b>  | <b>280</b>  |
| Other investing activities     | 165         | 80          | 10          | -15         | -120        |
| <b>Investing cash flow</b>     | <b>-658</b> | <b>-278</b> | <b>-170</b> | <b>-330</b> | <b>-577</b> |
| Issuance of share capital      | -           | 0           | 27          | 75          | 611         |
| Movement of Debt               | 152         | 227         | -128        | -205        | -462        |
| Dividend paid (incl DDT)       | -134        | -301        | -71         | -201        | -270        |
| Other financing activities     | -71         | -102        | -80         | -74         | -40         |
| <b>Financing cash flow</b>     | <b>-52</b>  | <b>-175</b> | <b>-253</b> | <b>-405</b> | <b>-161</b> |
| <b>Net change in cash flow</b> | <b>5</b>    | <b>1</b>    | <b>4</b>    | <b>7</b>    | <b>-1</b>   |
| Opening C&CE                   | 9           | 9           | 10          | 13          | 21          |
| Closing C&CE                   | 9           | 10          | 13          | 21          | 19          |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 28: Key ratios

| Y/E March (Rsm)                 | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------|------|------|-------|-------|-------|
| <b>Per share (Rs)</b>           |      |      |       |       |       |
| Adj EPS                         | 11.2 | 14.6 | 12.6  | 17.8  | 21.3  |
| Book value                      | 68.8 | 71.2 | 80.8  | 94.2  | 116.2 |
| DPS                             | 4.0  | 2.7  | 2.5   | 7.1   | 8.5   |
| <b>Valuation (x)</b>            |      |      |       |       |       |
| P/Sales                         | 2.0  | 1.8  | 2.1   | 1.7   | 1.6   |
| EV/sales                        | 2.2  | 2.1  | 2.3   | 1.8   | 1.6   |
| EV/EBITDA                       | 12.3 | 11.3 | 12.1  | 9.4   | 8.1   |
| P/E                             | 25.7 | 19.7 | 22.8  | 16.2  | 13.5  |
| P/BV                            | 4.2  | 4.0  | 3.6   | 3.1   | 2.5   |
| <b>Return ratios (%)</b>        |      |      |       |       |       |
| RoCE                            | 20.5 | 20.1 | 16.9  | 21.3  | 23.2  |
| RoE                             | 16.7 | 20.8 | 16.8  | 20.4  | 21.3  |
| <b>Profitability ratios (%)</b> |      |      |       |       |       |
| Gross margin                    | 39.4 | 41.3 | 42.0  | 42.2  | 42.5  |
| EBITDA margin                   | 18.3 | 18.3 | 19.2  | 19.6  | 19.9  |
| PAT margin                      | 7.8  | 9.2  | 9.1   | 10.4  | 11.5  |
| <b>Liquidity ratios (%)</b>     |      |      |       |       |       |
| Current ratio                   | 1.0  | 1.0  | 1.2   | 1.3   | 2.3   |
| Quick ratio                     | 0.7  | 0.6  | 0.8   | 0.9   | 1.5   |
| <b>Solvency ratio (%)</b>       |      |      |       |       |       |
| Debt to Equity ratio            | 0.5  | 0.5  | 0.4   | 0.3   | 0.1   |
| <b>Turnover ratios</b>          |      |      |       |       |       |
| Fixed asset turnover ratio (x)  | 2.7  | 2.3  | 2.0   | 2.4   | 2.7   |
| Debtor days                     | 61   | 48   | 70    | 60    | 60    |
| Inventory days                  | 67   | 71   | 80    | 70    | 70    |
| Creditor days                   | 27   | 26   | 25    | 25    | 25    |
| Net Working capital days        | 101  | 94   | 125   | 105   | 105   |

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

| Date             | Rating | Market price (Rs) | Target price (Rs) |
|------------------|--------|-------------------|-------------------|
| 26 April 2017    | Buy    | 259               | 351               |
| 31 May 2017      | Buy    | 287               | 387               |
| 8 September 2017 | Buy    | 302               | 381               |
| 15 November 2017 | Buy    | 315               | 426               |
| 7 February 2018  | Buy    | 325               | 460               |
| 1 June 2018      | Buy    | 321               | 450               |
| 6 August 2018    | Buy    | 307               | 450               |
| 13 November 2018 | Buy    | 266               | 400               |
| 31 January 2019  | Buy    | 219               | 400               |
| 8 June 2020      | Buy    | 195               | 300               |
| 1 August 2020    | Buy    | 229               | 300               |
| 13 November 2020 | Buy    | 295               | 400               |
| 09 December 2020 | Buy    | 288               | 400               |

## DISCLOSURES

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as "NBEPL") for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** I/We, Abhishek Navalgund the Research Analyst, are the authors of this report, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website

**Access all our reports on Bloomberg, Thomson Reuters and Factset.**

| Team Details:  |                  |                               |   |
|----------------|------------------|-------------------------------|---|
| Name           | Email Id         | Direct Line                   |   |
| Rahul Arora    | CEO              | rahul.arora@nirmalbang.com    | -                                       |
| Girish Pai     | Head of Research | girish.pai@nirmalbang.com     | +91 22 6273 8017 / 18                   |
| Dealing        |                  |                               |   |
| Ravi Jagtiani  | Dealing Desk     | ravi.jagtiani@nirmalbang.com  | +91 22 6273 8230, +91 22 6636 8833      |
| Michael Pillai | Dealing Desk     | michael.pillai@nirmalbang.com | +91 22 6273 8102/8103, +91 22 6636 8830 |

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,

Nr. Peninsula Corporate Park,

Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010