

Estimate change



TP change



Rating change



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|                       |             |
|-----------------------|-------------|
| Bloomberg             | TRID IN     |
| Equity Shares (m)     | 4,978       |
| M.Cap.(INRb)/(USDb)   | 109.3 / 1.5 |
| 52-Week Range (INR)   | 23 / 6      |
| 1, 6, 12 Rel. Per (%) | 15/44/174   |
| 12M Avg Val (INR M)   | 337         |

#### Financials & Valuations (INR b)

| Y/E Mar      | 2021 | 2022  | 2023 |
|--------------|------|-------|------|
| Sales        | 45.3 | 61.4  | 71.5 |
| EBITDA       | 8.2  | 14.2  | 15.4 |
| PAT          | 3.3  | 7.3   | 8.3  |
| EBITDA (%)   | 10.6 | 17.2  | 16.1 |
| EPS (INR)    | 0.7  | 1.5   | 1.7  |
| EPS Gr. (%)  | 3.2  | 121.3 | 13.5 |
| BV/Sh. (INR) | 6.7  | 8.0   | 9.5  |

#### Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D/E    | 0.4  | 0.4  | 0.1  |
| RoE (%)    | 10.4 | 20.0 | 19.0 |
| RoCE (%)   | 7.7  | 15.3 | 15.2 |
| Payout (%) | 5.9  | 10.0 | 10.0 |

#### Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 32.3 | 14.6 | 12.9 |
| EV/EBITDA (x) | 14.8 | 8.6  | 7.5  |
| Div Yield (%) | 0.2  | 0.7  | 0.8  |
| FCF Yield (%) | 0.7  | 0.9  | 9.8  |

#### Shareholding pattern (%)

| As On    | Jun-21 | Mar-21 | Jun-20 |
|----------|--------|--------|--------|
| Promoter | 73.0   | 73.0   | 71.1   |
| DII      | 0.9    | 0.9    | 1.0    |
| FII      | 3.6    | 3.6    | 1.7    |
| Others   | 22.5   | 22.4   | 26.3   |

**CMP: INR21**
**TP: INR25 (+17%)**
**Buy**

### Home Textiles segment continues to drive growth

#### Earnings above estimates

- Trident (TRID) posted a strong performance, largely on account of demand revival across Home Textiles & Paper segments and the new RoSCTL benefit scheme announced by the government. The demand trend in Home Textiles is expected to continue, with easing logistic issues and pent-up demand in the US and Europe markets. The Paper segment is expected to see sharp recovery with the opening up of offices and educational institutes.
- Factoring in the beat to our estimates, we increase our earnings estimate for FY22/FY23 by 38%/27% on the back of an improving demand outlook and considering the benefit from RoSCTL. Maintain **Buy**.

### Robust growth across segments

- TRID's revenue grew 2.1x YoY to INR14.8b (est. INR13.1b). EBITDA margins expanded 860bp to 25.3% on operating leverage and gross margin expansion of 420bp to 59.5%. EBITDA adjusted for forex gains stood at INR3.7b (est. INR2.2b) during the quarter (3.2x YoY). EBITDA adjusted for the RoSCTL benefit (for 4QFY21) increased 2.7x YoY to INR3.1b. EBITDA margins (adj. for the RoSCTL benefit) expanded 470bp to 21.4%. Adj. PAT grew 13.2x YoY to INR1,973m.
- Textiles revenue was up 2.2x YoY (+13% QoQ) to INR12.8b, with the EBIT margin expanding 17pp YoY (10pp QoQ) to 20.3% (after forex adj). Textiles EBIT adjusted for the RoSCTL benefit surged 11.2x to INR2b; the EBIT margin expanded 12.7pp to 15.7%. Capacity utilization in Bath and Bed Linen stood at 62% in 1QFY22 (v/s 61% in 4QFY21) and 85% (v/s 92% in 4QFY21), respectively. On a QoQ basis, overall segmental revenue/EBIT grew 13%/2.3x.
- Paper and Chemicals revenue grew 59% YoY (-11% QoQ) to INR1.9b, with the EBIT margin expanding 290bp YoY (+260bp QoQ) to 30.4%. Capacity utilization in the Paper segment stood at 85% (v/s 92% in 4QFY21). On a QoQ basis, overall segmental revenue/EBIT fell 11%/2%.

### Highlights from press release

- RoSCTL:** The sector is expected to perform well, led by government support in terms of extension of the RoSCTL benefits up to Mar'24. This is expected to provide stability and ensure the competitiveness of Indian products in foreign markets.
- Market share:** As per OTEXA data, India's share in US cotton sheets has increased in overall percentage terms to 62% in the first six months of CY21, whereas China and Pakistan have collectively lost around 5% share since last year. In the Terry Towels segment, India's share has increased 2% to 44% for 1HCY21, against 42% for the full last year.
- Logistical issues:** Indian textile exporters are facing logistic issues due to the shortage of containers, which have further led to higher logistic costs in contemporary times.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Valuation and view**

- Work-from-home, coupled with a higher health consciousness in most of the big cities across the world, has contributed to demand revival in home textile products. Demand revival has been further supported by pent-up demand amid the festive season.
- The Home Textiles segment is expected to continue to see healthy growth on account of increased awareness for health and hygiene, work-from-home globally, easing logistic issues, and pent-up demand in the US and Europe markets.
- Factoring in the beat to our earnings estimates, we increase our estimate for FY22/FY23 by 38%/27% on the back of an improving demand outlook and considering the benefit from RoSCTL.
- We value the company at 15x FY23E EPS and arrive at TP of INR25. Maintain **Buy**.

**Standalone - Quarterly Earnings Model**

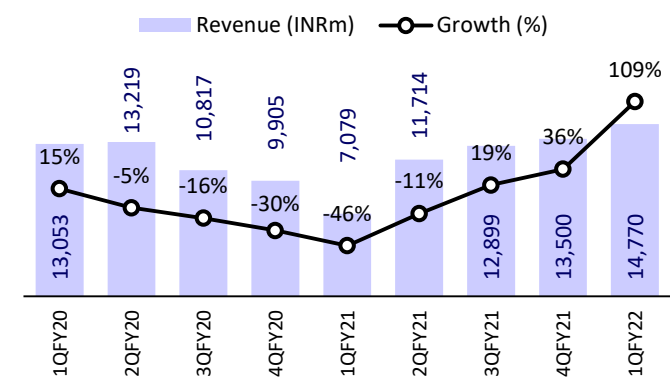
| Y/E March              | FY21  |        |        |        | FY22    |        |        |        | FY21   | FY22   | FY22   | Var |
|------------------------|-------|--------|--------|--------|---------|--------|--------|--------|--------|--------|--------|-----|
|                        | 1Q    | 2Q     | 3Q     | 4Q     | 1Q      | 2QE    | 3QE    | 4QE    |        |        | 1QE    | (%) |
| Net Sales              | 7,079 | 11,714 | 12,899 | 13,500 | 14,770  | 15,150 | 15,573 | 15,948 | 45,193 | 61,442 | 13,082 | 13  |
| YoY Change (%)         | -45.8 | -11.4  | 19.3   | 36.3   | 108.6   | 29.3   | 20.7   | 18.1   | -3.8   | 36.0   | 84.8   |     |
| Total Expenditure      | 5,898 | 9,467  | 10,545 | 11,229 | 11,036  | 11,810 | 12,075 | 12,365 | 37,139 | 47,286 | 10,858 |     |
| EBITDA                 | 1,181 | 2,247  | 2,355  | 2,271  | 3,734   | 3,340  | 3,498  | 3,583  | 8,054  | 14,155 | 2,224  | 68  |
| Margins (%)            | 16.7  | 19.2   | 18.3   | 16.8   | 25.3    | 22.0   | 22.5   | 22.5   | 17.8   | 23.0   | 17.0   |     |
| Depreciation           | 824   | 831    | 830    | 880    | 874     | 890    | 900    | 920    | 3,365  | 3,584  | 880    |     |
| Interest               | 231   | 123    | 132    | 234    | 250     | 230    | 230    | 230    | 720    | 940    | 240    |     |
| Other Income           | 54    | 32     | 50     | 26     | 29      | 38     | 60     | 32     | 162    | 158    | 50     |     |
| PBT before EO expense  | 181   | 1,325  | 1,443  | 1,184  | 2,638   | 2,258  | 2,428  | 2,464  | 4,132  | 9,789  | 1,154  |     |
| Extra-Ord expense      | 0     | 0      | -570   | 304    | 0       | 0      | 0      | 0      | -266   | 0      | 0      |     |
| Forex (gain)/loss      | 49    | 9      | -27    | -85    | -62     | 0      | 0      | 0      | -54    | -62    | 0      |     |
| PBT                    | 132   | 1,316  | 2,040  | 964    | 2,700   | 2,258  | 2,428  | 2,464  | 4,451  | 9,851  | 1,154  |     |
| Tax                    | 31    | 313    | 443    | 208    | 665     | 568    | 611    | 620    | 994    | 2,465  | 248    |     |
| Rate (%)               | 23.5  | 23.8   | 21.7   | 21.5   | 24.6    | 25.2   | 25.2   | 25.2   | 22.3   | 25.0   | 21.5   |     |
| MI & P/L of Asso. Cos. | 0     | 0      | 0      | 0      | 0       | 0      | 0      | 0      | 0      | 0      | 0      |     |
| Reported PAT           | 101   | 1,002  | 1,598  | 756    | 2,035   | 1,690  | 1,817  | 1,844  | 3,457  | 7,386  | 906    |     |
| Adj PAT                | 150   | 1,012  | 1,000  | 976    | 1,973   | 1,690  | 1,817  | 1,844  | 3,138  | 7,324  | 906    | 118 |
| YoY Change (%)         | -87.7 | -24.8  | 163.5  | 240.8  | 1,219.7 | 67.0   | 81.6   | 88.9   | -2.7   | 133.4  | 505.9  |     |
| Margins (%)            | 2.1   | 8.6    | 7.8    | 7.2    | 13.4    | 11.2   | 11.7   | 11.6   | 6.9    | 11.9   | 6.9    |     |

**Key Performance Indicators**

| Y/E March               | FY21  |       |       |      | FY22  |      |      |      | FY21  | FY22 |
|-------------------------|-------|-------|-------|------|-------|------|------|------|-------|------|
|                         | 1Q    | 2Q    | 3Q    | 4Q   | 1Q    | 2Q   | 3Q   | 4Q   |       |      |
| Segment Revenue Gr. (%) |       |       |       |      |       |      |      |      |       |      |
| Textiles                | -44.6 | -9.4  | 30.4  | 45.7 | 118.9 | 31.0 | 20.0 | 19.7 | 1.0   | 37.9 |
| Paper                   | -50.7 | -20.6 | -21.6 | 2.1  | 59.4  | 20.0 | 25.0 | 10.0 | -23.7 | 25.0 |
| <b>Cost Break-up</b>    |       |       |       |      |       |      |      |      |       |      |
| RM Cost (% of sales)    | 44.7  | 43.5  | 44.9  | 45.9 | 40.5  | 44.5 | 44.5 | 44.5 | 44.8  | 43.5 |
| Staff Cost (% of sales) | 13.9  | 12.6  | 12.7  | 12.5 | 11.8  | 11.6 | 11.2 | 11.0 | 12.8  | 11.4 |
| Other Cost (% of sales) | 24.7  | 24.7  | 24.2  | 24.8 | 22.4  | 21.9 | 21.8 | 22.0 | 24.6  | 22.0 |
| Gross Margins (%)       | 55.3  | 56.5  | 55.1  | 54.1 | 59.5  | 55.5 | 55.5 | 55.5 | 55.2  | 56.5 |
| EBITDA Margins (%)      | 16.7  | 19.2  | 18.3  | 16.8 | 25.3  | 22.0 | 22.5 | 22.5 | 17.8  | 23.0 |
| EBIT Margins (%)        | 5.0   | 12.1  | 11.8  | 10.3 | 19.4  | 16.2 | 16.7 | 16.7 | 10.4  | 17.2 |

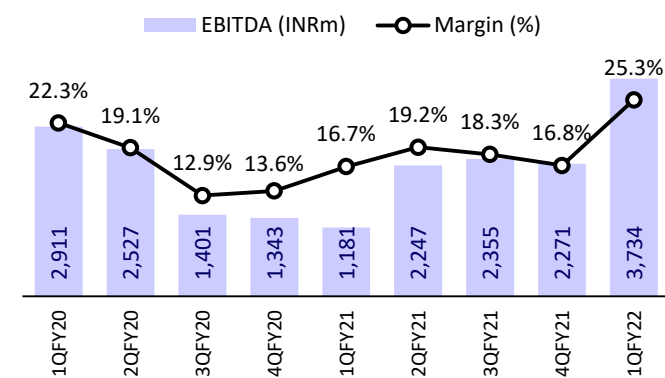
## Key exhibits

**Exhibit 1: Revenue trend**



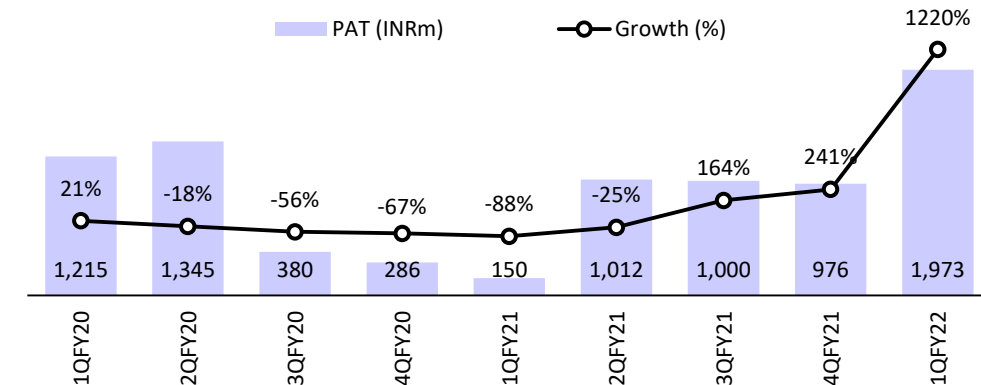
Source: Company, MOFSL

**Exhibit 2: EBITDA margin trend**



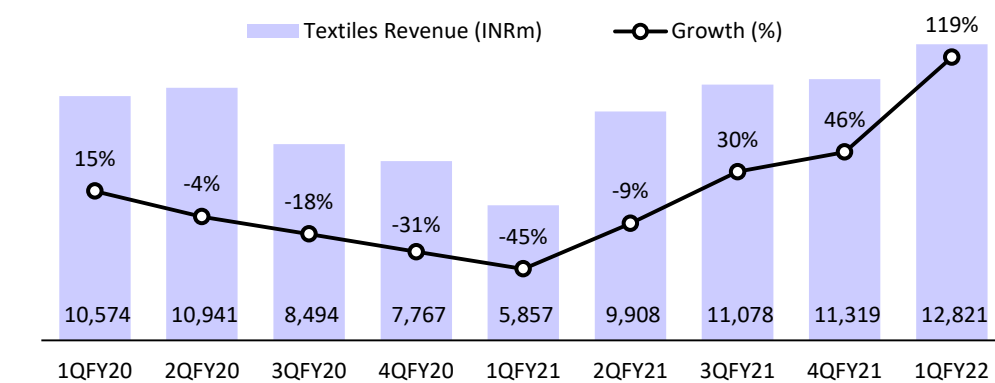
Source: Company, MOFSL

**Exhibit 3: Adj. PAT trend**

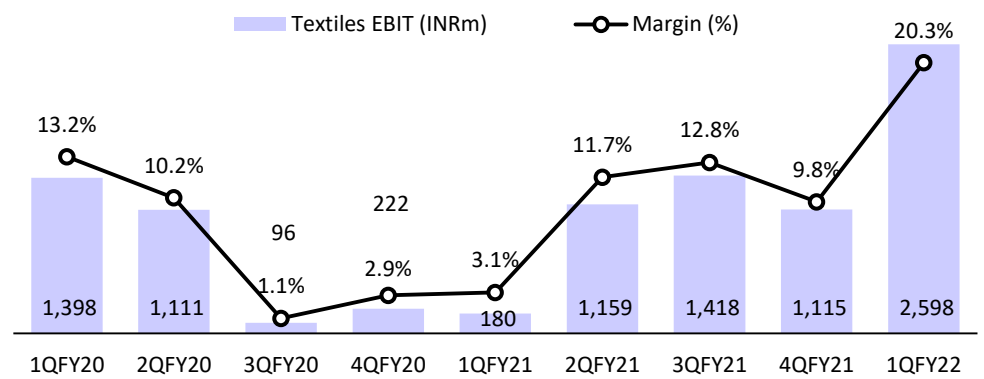


Source: Company, MOFSL

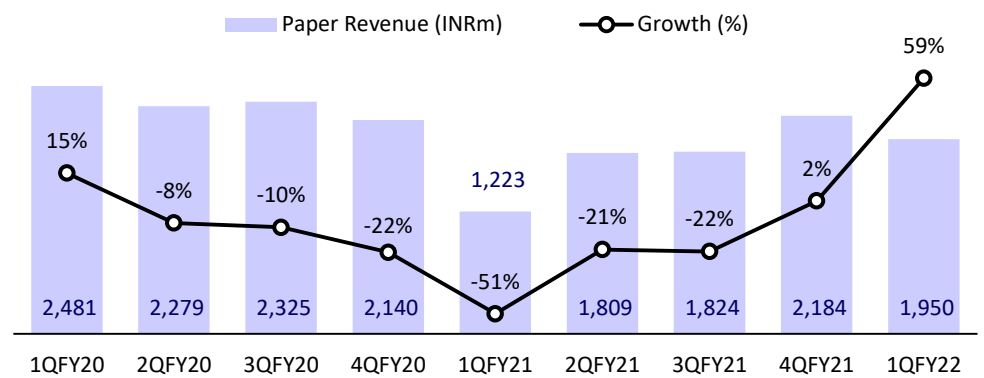
**Exhibit 4: Textiles – revenue trend**



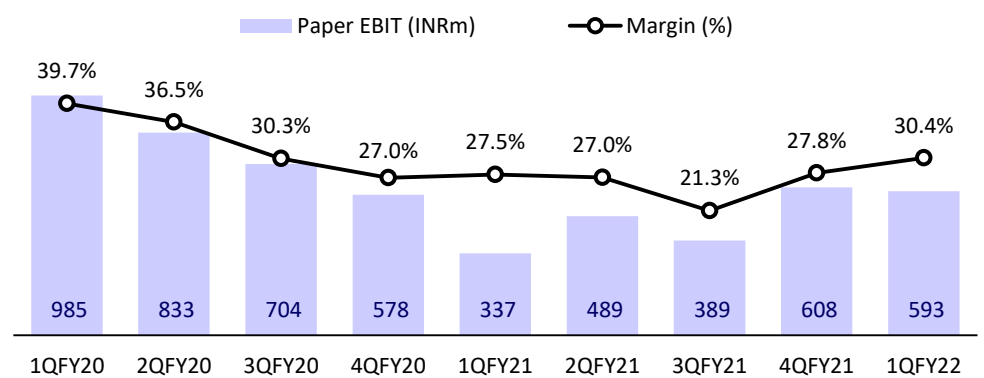
Source: Company, MOFSL

**Exhibit 5: Textiles – EBIT and EBIT margin trend**

Source: Company, MOFSL

**Exhibit 6: Paper – revenue trend**

Source: Company, MOFSL

**Exhibit 7: Paper – EBIT and EBIT margin trend**

Source: Company, MOFSL



## Press release highlights

### Home Textiles

- As people could not celebrate the festival season last year due to lockdown restrictions amid the pandemic, a lot of pent-up demand is being witnessed for the upcoming festive season in foreign markets. As a result, TRID expects strong demand for the on-going and next quarter as well. Additionally, increased awareness about health and hygiene and work-from-home globally are the growth drivers for home textile products.
- **Logistical issues:** Indian textile exporters are facing logistic issues due to the shortage of containers, which have further led to higher logistic costs in contemporary times.
- **RoSCTL:** The sector is expected to perform well, led by government support in terms of extension of the RoSCTL benefits up to Mar'24. This is expected to provide stability and ensure the competitiveness of Indian products in foreign markets.
- **Market share:** As per OTEXA data, India's share in US cotton sheets has increased in overall percentage terms to 62% in the first six months of CY21, whereas China and Pakistan have collectively lost around 5% share since last year. In the Terry Towels segment, India's share has increased 2% to 44% for 1HCY21, against 42% for the full last year.
- **Advantage to domestic manufacturers:** India would continue to see advantage as the largest producer of raw cotton as well as a major cotton surplus and cotton exporting country. This gives a distinct advantage to Indian home textile manufacturers. Home textile companies that have invested in scale, technology, and systems are bound to consolidate and grow, leveraging their capabilities via cost-effective manufacturing and a strong market presence.

### Paper

- With the government allowing schools and educational institutes to re-open, demand that was impacted by the closure of these institutes amid the pandemic is expected to rebound.
- Writing printing paper demand is primarily dependent on the Education sector, which is expected to normalize in 2HFY22.
- The market forces of demand and supply have been such that pricing has taken a hit in recent times. At present, global consumption is also low; however, we expect paper volumes and realization to improve in the upcoming quarters.

### Cotton

- The Cotton Association of India (CAI) in its June estimate of the cotton crop for the season 2020–21 starting Oct'20 has increased its cotton consumption estimate for the current crop year. It has raised the estimate by 1m bales to 32.5m bales of 170kg each from its previous estimate of 31.5m bales of 170kg each.
- CAI has lowered its production estimate for the season 2020–21 to 35.6m bales of 170kg each from 36m bales.
- Cotton import estimates into India have been reduced to 1m bales of 170kg each, as per June estimates. The imports now estimated for the 2020–21 crop year are lower by 550k bales each from 1.55m bales.

- The US ban on products made from cotton obtained from China's Xinjiang region – given that one-fifth of the world's cotton comes from this region – would further impact cotton prices going forward and other cotton supplying countries may face additional pressures. TRID expects cotton prices to remain near current levels going forward until the arrival of new crop.

### Vision 2025

- The company has unveiled its "VISION 2025," under which 3 BHAG [BIG, HAIRY, AUDACIOUS, GOALS (pronounced Bee-Hag)] have been formulated with the aim to unlock long-term sustainable value for shareholders.
  - Achieving revenue of INR250b by CY25, with a 12% bottom line
  - Making Trident a national brand
  - Digital Trident – completing the journey of Industry 4.0
- The company has appointed reputed business advisory and consulting organizations to collaborate with it in this journey.

### Debt

- The company has undertaken several initiatives to reduce its debt commitments, including pre-paying high-cost loans, reducing WC utilization through the retention of cash accruals, and other measures to reduce the CTC cycle and build up cash reserves. Owing to the above initiatives, the net debt levels of the company had reduced to levels of INR12.3b at end-Jun'21.

### RoSCTL

- The government issued a press release announcing the continuation of Rebate of State and Central Taxes and Levies (RoSCTL) at the rates shared by the Ministry of Textiles via the notification dated 8th March 2019 – applicable retrospectively from Jan'21 to Mar'24 on bedsheet and towel exports.
- This move is expected to provide stability and ensure the competitiveness of Indian products in foreign markets by rebating embedded taxes/levies that are currently not under any other mechanism. The products not covered under RoSCTL benefits shall be eligible to receive benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme – the rates are yet to be notified by the government.

### Capacity utilization

- Enhanced capacity utilization in the Bed Linen and Bath Linen segments is on account of robust demand from the export markets – owing to growing preferences on the hygiene front due to the COVID-19 pandemic.
- With WFH becoming the norm, demand for home furnishing products has also increased. Pent-up demand on account of the upcoming festive season and government stimulus to individuals are also the contributing factors for enhanced capacity utilization in this segment.
- E-com growth is likely to surge even more owing to convenience-related and better choices; brick-and-mortar sales growth is also likely to sustain as retailers are now offering multiple delivery options to consumers. An increase in domestic tourism is having a positive impact on the institutional sales of towels and bed linen in the Hotel segment, which is likely to continue.

## Valuation

- Work-from-home, coupled with a higher health consciousness in most of the big cities across the world, has contributed to demand revival in home textile products. Demand revival has been further supported by pent-up demand amid the festive season.
- The Home Textiles segment is expected to continue to see healthy growth on account of increased awareness for health and hygiene, work-from-home globally, easing logistic issues, and pent-up demand in the US and Europe markets.
- Factoring in the beat to our earnings estimates, we increase our estimate for FY22/FY23 by 38%/27% on the back of an improving demand outlook and considering the benefit from RoSCTL.
- We value the company at 15x FY23E EPS and arrive at TP of INR25. Maintain **Buy**.

### Exhibit 8: Change in estimates

| Earnings Change<br>(INR m) | Old    |        | New    |        | Change |       |
|----------------------------|--------|--------|--------|--------|--------|-------|
|                            | FY22E  | FY23E  | FY22E  | FY23E  | FY22E  | FY23E |
| Revenue                    | 57,235 | 64,754 | 61,442 | 71,528 | 7%     | 10%   |
| EBITDA                     | 11,121 | 12,643 | 14,155 | 15,394 | 27%    | 22%   |
| Adj. PAT                   | 5,324  | 6,563  | 7,324  | 8,310  | 38%    | 27%   |

Source: MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INR m)

| Y/E March                            | FY16          | FY17          | FY18          | FY19          | FY20          | FY21          | FY22E         | FY23E         |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b>  | <b>36,657</b> | <b>46,252</b> | <b>45,594</b> | <b>52,486</b> | <b>47,277</b> | <b>45,306</b> | <b>61,442</b> | <b>71,528</b> |
| Change (%)                           | -2.4          | 26.2          | -1.4          | 15.1          | -9.9          | -4.2          | 35.6          | 16.4          |
| <b>Total Expenditure</b>             | <b>29,359</b> | <b>37,397</b> | <b>37,402</b> | <b>41,931</b> | <b>38,979</b> | <b>37,134</b> | <b>47,286</b> | <b>56,134</b> |
| % of Sales                           | 80.1          | 80.9          | 82.0          | 79.9          | 82.4          | 82.0          | 77.0          | 78.5          |
| <b>EBITDA</b>                        | <b>7,297</b>  | <b>8,855</b>  | <b>8,192</b>  | <b>10,555</b> | <b>8,298</b>  | <b>8,172</b>  | <b>14,155</b> | <b>15,394</b> |
| Margin (%)                           | 19.9          | 19.1          | 18.0          | 20.1          | 17.6          | 18.0          | 23.0          | 21.5          |
| Depreciation                         | 3,366         | 4,125         | 4,041         | 3,640         | 3,337         | 3,369         | 3,584         | 3,845         |
| <b>EBIT</b>                          | <b>3,931</b>  | <b>4,730</b>  | <b>4,151</b>  | <b>6,915</b>  | <b>4,961</b>  | <b>4,804</b>  | <b>10,571</b> | <b>11,548</b> |
| Int. and Finance Charges             | 1,452         | 1,410         | 1,182         | 1,185         | 1,109         | 721           | 940           | 657           |
| Other Income                         | 334           | 1,062         | 621           | 434           | 202           | 161           | 158           | 215           |
| <b>PBT bef. EO Exp.</b>              | <b>2,813</b>  | <b>4,382</b>  | <b>3,590</b>  | <b>6,165</b>  | <b>4,055</b>  | <b>4,244</b>  | <b>9,789</b>  | <b>11,106</b> |
| EO Items                             | 0             | 0             | -321          | 666           | -192          | 265           | -62           | 0             |
| <b>PBT after EO Exp.</b>             | <b>2,813</b>  | <b>4,382</b>  | <b>3,911</b>  | <b>5,499</b>  | <b>4,246</b>  | <b>3,978</b>  | <b>9,851</b>  | <b>11,106</b> |
| Total Tax                            | 392           | 1,016         | 1,256         | 1,784         | 813           | 941           | 2,465         | 2,795         |
| Tax Rate (%)                         | 13.9          | 23.2          | 32.1          | 32.4          | 19.2          | 23.6          | 25.0          | 25.2          |
| Share of profit/(loss) of associates | 0             | 7             | 6             | 2             | -36           | 6             | 0             | 0             |
| <b>Reported PAT</b>                  | <b>2,421</b>  | <b>3,372</b>  | <b>2,661</b>  | <b>3,718</b>  | <b>3,397</b>  | <b>3,044</b>  | <b>7,386</b>  | <b>8,310</b>  |
| <b>Adjusted PAT</b>                  | <b>2,421</b>  | <b>3,372</b>  | <b>2,341</b>  | <b>4,383</b>  | <b>3,205</b>  | <b>3,309</b>  | <b>7,324</b>  | <b>8,310</b>  |
| Change (%)                           | 105.4         | 39.3          | -30.6         | 87.3          | -26.9         | 3.2           | 121.3         | 13.5          |
| Margin (%)                           | 6.6           | 7.3           | 5.1           | 8.4           | 6.8           | 7.3           | 11.9          | 11.6          |

### Consolidated - Balance Sheet

(INR m)

| Y/E March                           | FY16          | FY17          | FY18          | FY19          | FY20          | FY21          | FY22E         | FY23E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                | 5,094         | 4,979         | 4,978         | 4,981         | 4,979         | 5,096         | 5,096         | 5,096         |
| Total Reserves                      | 19,267        | 20,416        | 22,284        | 24,749        | 25,235        | 28,187        | 34,834        | 42,314        |
| <b>Net Worth</b>                    | <b>24,361</b> | <b>25,395</b> | <b>27,262</b> | <b>29,730</b> | <b>30,214</b> | <b>33,283</b> | <b>39,930</b> | <b>47,410</b> |
| Total Loans                         | 34,427        | 28,498        | 28,192        | 24,360        | 19,518        | 15,355        | 16,856        | 11,856        |
| Deferred Tax Liabilities            | 1,582         | 2,952         | 3,401         | 4,079         | 3,366         | 3,203         | 3,203         | 3,203         |
| <b>Capital Employed</b>             | <b>60,369</b> | <b>56,844</b> | <b>58,855</b> | <b>58,169</b> | <b>53,098</b> | <b>51,842</b> | <b>59,990</b> | <b>62,469</b> |
| Gross Block                         | 70,389        | 69,188        | 70,603        | 72,387        | 74,677        | 79,297        | 84,297        | 91,297        |
| Less: Accum. Deprn.                 | 23,415        | 27,540        | 31,581        | 35,221        | 38,558        | 41,927        | 45,511        | 49,356        |
| <b>Net Fixed Assets</b>             | <b>46,974</b> | <b>41,648</b> | <b>39,022</b> | <b>37,166</b> | <b>36,119</b> | <b>37,370</b> | <b>38,786</b> | <b>41,940</b> |
| Capital WIP                         | 571           | 1,232         | 1,766         | 1,318         | 1,408         | 571           | 2,571         | -3,429        |
| Current Investments                 | 1             | 49            | 109           | 669           | 0             | 0             | 0             | 3,500         |
| <b>Total Investments</b>            | <b>723</b>    | <b>1,054</b>  | <b>1,152</b>  | <b>1,982</b>  | <b>1,276</b>  | <b>14</b>     | <b>14</b>     | <b>3,514</b>  |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>17,025</b> | <b>16,107</b> | <b>19,693</b> | <b>21,095</b> | <b>18,960</b> | <b>19,761</b> | <b>25,756</b> | <b>28,485</b> |
| Inventory                           | 9,065         | 7,747         | 9,226         | 10,121        | 9,164         | 10,230        | 12,962        | 14,698        |
| Account Receivables                 | 2,513         | 3,751         | 4,604         | 6,577         | 2,754         | 4,487         | 5,892         | 6,271         |
| Cash and Bank Balance               | 819           | 1,326         | 1,666         | 257           | 3,379         | 1,186         | 1,987         | 2,509         |
| Loans and Advances                  | 4,627         | 3,282         | 4,197         | 4,141         | 3,664         | 3,859         | 4,915         | 5,007         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>4,924</b>  | <b>3,196</b>  | <b>2,777</b>  | <b>3,392</b>  | <b>4,666</b>  | <b>5,875</b>  | <b>7,137</b>  | <b>8,041</b>  |
| Account Payables                    | 2,237         | 1,730         | 1,690         | 1,866         | 2,023         | 2,985         | 3,225         | 3,487         |
| Other Current Liabilities           | 2,539         | 1,259         | 947           | 1,333         | 2,430         | 2,667         | 3,687         | 4,292         |
| Provisions                          | 148           | 207           | 139           | 193           | 213           | 223           | 226           | 263           |
| <b>Net Current Assets</b>           | <b>12,101</b> | <b>12,911</b> | <b>16,916</b> | <b>17,703</b> | <b>14,294</b> | <b>13,886</b> | <b>18,619</b> | <b>20,444</b> |
| <b>Appl. of Funds</b>               | <b>60,369</b> | <b>56,844</b> | <b>58,855</b> | <b>58,169</b> | <b>53,098</b> | <b>51,842</b> | <b>59,990</b> | <b>62,469</b> |



## Financials and valuations

### Ratios

| Y/E March                     | FY16       | FY17       | FY18       | FY19       | FY20       | FY21       | FY22E      | FY23E      |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Basic (INR)</b>            |            |            |            |            |            |            |            |            |
| <b>EPS</b>                    | <b>0.5</b> | <b>0.7</b> | <b>0.5</b> | <b>0.9</b> | <b>0.6</b> | <b>0.7</b> | <b>1.5</b> | <b>1.7</b> |
| Cash EPS                      | 1.2        | 1.5        | 1.3        | 1.6        | 1.3        | 1.3        | 2.2        | 2.4        |
| BV/Share                      | 4.9        | 5.1        | 5.5        | 6.0        | 6.1        | 6.7        | 8.0        | 9.5        |
| DPS                           | 0.1        | 0.2        | 0.1        | 0.0        | 0.0        | 0.0        | 0.1        | 0.2        |
| Payout (%)                    | 22.6       | 27.1       | 33.8       | 4.8        | 6.4        | 5.9        | 10.0       | 10.0       |
| <b>Valuation (x)</b>          |            |            |            |            |            |            |            |            |
| P/E                           | 44.1       | 31.7       | 45.6       | 24.4       | 33.3       | 32.3       | 14.6       | 12.9       |
| Cash P/E                      | 18.5       | 14.2       | 16.7       | 13.3       | 16.3       | 16.0       | 9.8        | 8.8        |
| P/BV                          | 4.4        | 4.2        | 3.9        | 3.6        | 3.5        | 3.2        | 2.7        | 2.3        |
| EV/Sales                      | 3.8        | 2.9        | 2.9        | 2.5        | 2.6        | 2.7        | 2.0        | 1.6        |
| EV/EBITDA                     | 19.2       | 15.1       | 16.3       | 12.4       | 14.8       | 14.8       | 8.6        | 7.5        |
| Dividend Yield (%)            | 0.4        | 0.7        | 0.7        | 0.1        | 0.2        | 0.2        | 0.7        | 0.8        |
| FCF per share                 | -1.2       | 1.7        | 0.5        | 1.0        | 2.0        | 0.2        | 0.2        | 2.1        |
| <b>Return Ratios (%)</b>      |            |            |            |            |            |            |            |            |
| RoE                           | 10.4       | 13.6       | 8.9        | 15.4       | 10.7       | 10.4       | 20.0       | 19.0       |
| RoCE                          | 6.8        | 7.9        | 5.9        | 9.1        | 8.0        | 7.7        | 15.3       | 15.2       |
| RoIC                          | 6.4        | 6.5        | 5.2        | 8.6        | 7.9        | 7.6        | 15.0       | 15.0       |
| <b>Working Capital Ratios</b> |            |            |            |            |            |            |            |            |
| Fixed Asset Turnover (x)      | 0.5        | 0.7        | 0.6        | 0.7        | 0.6        | 0.6        | 0.7        | 0.8        |
| Asset Turnover (x)            | 0.6        | 0.8        | 0.8        | 0.9        | 0.9        | 0.9        | 1.0        | 1.1        |
| Inventory (Days)              | 191        | 127        | 148        | 152        | 156        | 185        | 177        | 169        |
| Debtor (Days)                 | 25         | 30         | 37         | 46         | 21         | 36         | 35         | 32         |
| Creditor (Days)               | 47         | 28         | 27         | 28         | 34         | 54         | 44         | 40         |
| <b>Leverage Ratio (x)</b>     |            |            |            |            |            |            |            |            |
| Current Ratio                 | 3.5        | 5.0        | 7.1        | 6.2        | 4.1        | 3.4        | 3.6        | 3.5        |
| Interest Cover Ratio          | 2.7        | 3.4        | 3.5        | 5.8        | 4.5        | 6.7        | 11.2       | 17.6       |
| Net Debt/Equity               | 1.4        | 1.1        | 1.0        | 0.8        | 0.5        | 0.4        | 0.4        | 0.1        |

### Consolidated - Cash Flow Statement

(INR m)

| Y/E March                        | FY16           | FY17          | FY18          | FY19          | FY20          | FY21          | FY22E         | FY23E         |
|----------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax             | 2,766          | 4,388         | 3,590         | 5,499         | 4,246         | 3,978         | 9,851         | 11,106        |
| Depreciation                     | 3,376          | 4,125         | 4,041         | 3,640         | 3,337         | 3,369         | 3,584         | 3,845         |
| Interest & Finance Charges       | 1,230          | 1,300         | 1,095         | 1,185         | 1,109         | 721           | 940           | 657           |
| Direct Taxes Paid                | -600           | -860          | -909          | -1,784        | -813          | -941          | -2,465        | -2,795        |
| (Inc)/Dec in WC                  | -1,424         | 1,243         | -3,017        | -2,195        | 4,258         | -2,546        | -3,931        | -1,303        |
| <b>CF from Operations</b>        | <b>5,348</b>   | <b>10,196</b> | <b>4,799</b>  | <b>6,345</b>  | <b>12,137</b> | <b>4,581</b>  | <b>7,979</b>  | <b>11,510</b> |
| Others                           | -60            | -200          | -364          | 0             | 0             | 0             | 0             | 0             |
| <b>CF from Operating incl EO</b> | <b>5,288</b>   | <b>9,996</b>  | <b>4,435</b>  | <b>6,345</b>  | <b>12,137</b> | <b>4,581</b>  | <b>7,979</b>  | <b>11,510</b> |
| (Inc)/Dec in FA                  | -11,214        | -1,467        | -2,019        | -1,336        | -2,381        | -3,782        | -7,000        | -1,000        |
| <b>Free Cash Flow</b>            | <b>-5,926</b>  | <b>8,529</b>  | <b>2,416</b>  | <b>5,009</b>  | <b>9,756</b>  | <b>799</b>    | <b>979</b>    | <b>10,510</b> |
| (Pur)/Sale of Investments        | -250           | -193          | -10           | -831          | 706           | 1,262         | 0             | -3,500        |
| Others                           | 132            | -15           | 150           | 0             | 1,248         | 971           | 0             | 0             |
| <b>CF from Investments</b>       | <b>-11,332</b> | <b>-1,675</b> | <b>-1,879</b> | <b>-2,167</b> | <b>-427</b>   | <b>-1,549</b> | <b>-7,000</b> | <b>-4,500</b> |
| Issue of Shares                  | 611            | 87            | 0             | 3             | -2            | 117           | 0             | 0             |
| Inc/(Dec) in Debt                | 7,809          | -5,858        | -537          | -3,832        | -4,842        | -4,163        | 1,501         | -5,000        |
| Interest Paid                    | -1,367         | -1,398        | -1,224        | -1,185        | -1,109        | -721          | -940          | -657          |
| Dividend Paid                    | -360           | -915          | -920          | -180          | -218          | -179          | -739          | -831          |
| Others                           | 0              | 270           | 465           | -393          | -2,418        | -278          | 0             | 0             |
| <b>CF from Fin. Activity</b>     | <b>6,694</b>   | <b>-7,814</b> | <b>-2,217</b> | <b>-5,586</b> | <b>-8,588</b> | <b>-5,225</b> | <b>-177</b>   | <b>-6,488</b> |
| <b>Inc/Dec of Cash</b>           | <b>649</b>     | <b>507</b>    | <b>339</b>    | <b>-1,408</b> | <b>3,122</b>  | <b>-2,193</b> | <b>801</b>    | <b>522</b>    |
| Opening Balance                  | 170            | 819           | 1,326         | 1,666         | 257           | 3,379         | 1,186         | 1,987         |
| <b>Closing Balance</b>           | <b>819</b>     | <b>1,326</b>  | <b>1,666</b>  | <b>257</b>    | <b>3,379</b>  | <b>1,186</b>  | <b>1,987</b>  | <b>2,509</b>  |

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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