

Varun Beverages

Estimate change



TP change



Rating change



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| | |
|-----------------------|-------------|
| Bloomberg | VBL IN |
| Equity Shares (m) | 433 |
| M.Cap.(INRb)/(USDb) | 341.7 / 4.6 |
| 52-Week Range (INR) | 919 / 430 |
| 1, 6, 12 Rel. Per (%) | 9/29/27 |
| 12M Avg Val (INR M) | 346 |

Financials & Valuations (INR b)

| Y/E Dec | 2020 | 2021E | 2022E |
|--------------|-------|-------|-------|
| Sales | 64.5 | 80.7 | 100.2 |
| EBITDA | 12.0 | 15.7 | 21.2 |
| PAT | 3.3 | 6.2 | 10.4 |
| EBITDA (%) | 18.6 | 19.5 | 21.2 |
| EPS (INR) | 7.5 | 14.2 | 23.9 |
| EPS Gr. (%) | -30.7 | 89.4 | 68.3 |
| BV/Sh. (INR) | 81.4 | 93.9 | 115.9 |

Ratios

| | | | |
|------------|------|------|------|
| Net D/E | 0.9 | 0.6 | 0.3 |
| RoE (%) | 9.5 | 16.2 | 22.8 |
| RoCE (%) | 10.4 | 12.0 | 18.3 |
| Payout (%) | 21.9 | 12.0 | 7.9 |

Valuations

| | | | |
|---------------|-------|------|------|
| P/E (x) | 105.1 | 55.5 | 33.0 |
| EV/EBITDA (x) | 31.0 | 23.3 | 16.8 |
| Div Yield (%) | 0.2 | 0.2 | 0.2 |
| FCF Yield (%) | 2.1 | 2.6 | 3.6 |

Shareholding pattern (%)

| | Mar-21 | Dec-20 | Mar-20 |
|----------|--------|--------|--------|
| Promoter | 66.4 | 66.4 | 68.0 |
| DII | 5.9 | 5.9 | 6.3 |
| FII | 20.3 | 20.5 | 19.8 |
| Others | 7.4 | 7.3 | 5.8 |

Note: FII includes depository receipts

CMP: INR789
TP: INR920 (+17%)
Buy

Sharp volume growth on strong recovery and lower base

Earnings above estimates

- Varun Beverages (VBL) reported strong volume/revenue growth on the back of demand recovery across product segments and a lower base. It reported a stable operating performance, albeit gross margin contraction, owing to sustainable cost optimization measures implemented last year.
- 2QCY21 revenue/EBITDA/PAT came in above our estimates. We increase our earnings estimates for CY21/CY22 by 29%/8%, on the back of (a) better realization on an improving product mix, (b) an increase in volumes on strong demand recovery, and (c) increasing traction in newly launched products. We maintain our Buy rating, with TP of INR920.

Sharp volume recovery, marginally offset by second wave

- Revenue increased 49% YoY to INR24.5b (est.: INR21.3b), primarily led by (a) robust volume growth across segments, coupled with the lower base of the previous year, and (b) a 3.2% YoY increase in realization per case. Overall volumes increased 45% YoY to 152m cases. Gross margins contracted 130bp to 53.5% (est.: 52.5%) on a change in the product mix and a marginal increase in raw material prices.
- EBITDA/unit-case rose 4% YoY to INR37.6/unit-case on a better product mix v/s the same period last year. The EBITDA margin expanded 30bp YoY to 23.3% (est.: 21.5%), and EBITDA stood at INR5.7b (up 51% YoY). Adj. PAT increased 2.2x YoY to INR3b (est.: INR1.9b).
- Subsidiary (consolidated less standalone) sales/EBITDA grew 2x/70% YoY to INR4.9b/INR1b in 2QCY21. Adj. PAT surged 3.7x YoY to INR701m.
- CSD volumes increased 33% YoY to 118m unit-cases. Performance was driven by strong growth in Apr'21 (v/s the low base of the previous year) and steady recovery in Jun'21 (despite the second COVID wave and related lockdowns).
- NCB volumes grew 38% YoY to 11m unit-cases, driven by the recently launched 'Sting' beverage as well as Tropicana juices.
- Water volumes surged 2.9x YoY to 23m unit-cases on the back of higher growth in the International segment. Water volume share jumped 750bp to 15.1%.

Highlights from management commentary

- Realizations:** VBL did not take any price hikes during the year. Improvement in the product mix (higher volumes recorded in juices, 'Sting', and 'Mountain Dew-Ice') has led to an increase in realization. International realization per unit case stood at INR180, whereas domestic realization was recorded at INR156/unit-case.
- Working capital:** Working capital days increased marginally to ~24 days (as of Jun'21) from 20 days (as of Jun'20), primarily owing to the higher stock of pet resin / preform inventory – to capitalize on lower pricing at the start of the year.

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Valuation and view

- We expect robust demand going forward, driven by a) the resumption of services, with the impact of the lockdown gradually subsiding; b) a pickup in volumes in the southern and western regions; c) strong demand traction in newly launched products; d) the growing penetration of refrigeration in rural/semi-rural areas; and e) the growing discretionary spending among the populace.
- 2QCY21 revenue/EBITDA/PAT came in above our estimates. We increase our earnings estimates for CY21/CY22 by 29%/8% – on the back of (a) better realization on an improving product mix, (b) an increase in volumes on strong demand recovery, and (c) growing traction in newly launched products.
- We expect a revenue/EBITDA/PAT CAGR of 25%/33%/79% over CY20–22E. We value the stock at 35x Sep'23E EPS. Our TP of INR920 implies a 17% upside. Maintain Buy.

Consolidated - Quarterly Earnings Model

| Y/E December | (INR m) | | | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|
| | CY20 | | | | CY21 | | | | CY20 | CY21 | CY21 | Var. |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Gross Sales | 16,764 | 16,402 | 18,026 | 13,309 | 22,409 | 24,498 | 19,861 | 13,942 | 64,501 | 80,710 | 21,347 | 15 |
| YoY Change (%) | 23.3 | -41.6 | 3.6 | 9.1 | 33.7 | 49.4 | 10.2 | 4.8 | -9.5 | 25.1 | 30.2 | |
| Total Expenditure | 14,053 | 12,625 | 14,218 | 11,587 | 18,593 | 18,790 | 15,629 | 11,996 | 52,483 | 65,008 | 16,756 | |
| EBITDA | 2,712 | 3,777 | 3,808 | 1,722 | 3,816 | 5,708 | 4,231 | 1,947 | 12,019 | 15,702 | 4,591 | 24 |
| Margins (%) | 16.2 | 23.0 | 21.1 | 12.9 | 17.0 | 23.3 | 21.3 | 14.0 | 18.6 | 19.5 | 21.5 | |
| Depreciation | 1,351 | 1,243 | 1,346 | 1,347 | 1,347 | 1,288 | 1,350 | 1,400 | 5,287 | 5,385 | 1,410 | |
| Interest | 870 | 742 | 580 | 620 | 579 | 468 | 450 | 430 | 2,811 | 1,927 | 550 | |
| Other Income | 253 | 27 | 35 | 56 | 57 | 244 | 37 | 58 | 370 | 396 | 28 | |
| PBT before EO expense | 743 | 1,819 | 1,917 | -189 | 1,947 | 4,197 | 2,468 | 175 | 4,290 | 8,787 | 2,659 | |
| Extra-Ord. expense | 665 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 665 | 0 | 0 | |
| PBT | 78 | 1,819 | 1,917 | -189 | 1,947 | 4,197 | 2,468 | 175 | 3,625 | 8,787 | 2,659 | |
| Tax | -523 | 389 | 302 | -116 | 579 | 1,009 | 592 | 42 | 52 | 2,222 | 638 | |
| Rate (%) | -670.1 | 21.4 | 15.8 | 61.6 | 29.8 | 24.0 | 24.0 | 24.0 | 1.4 | 25.3 | 24 | |
| Minority Interest & Profit/Loss of Asso. Cos. | 51 | 22 | 84 | 125 | 75 | 106 | 89 | 137 | 283 | 407 | 23 | |
| Reported PAT | 549 | 1,408 | 1,530 | -197 | 1,293 | 3,082 | 1,787 | -4 | 3,290 | 6,157 | 1,998 | |
| Adj. PAT | 510 | 1,408 | 1,530 | -197 | 1,293 | 3,082 | 1,787 | -4 | 3,251 | 6,157 | 1,998 | 54 |
| YoY Change (%) | 25.5 | -65.4 | 89.6 | -66.7 | 153.5 | 118.9 | 16.8 | -97.9 | -30.7 | 89.4 | 41.9 | |
| Margins (%) | 3.0 | 8.6 | 8.5 | -1.5 | 5.8 | 12.6 | 9.0 | 0.0 | 5.0 | 7.6 | 9.4 | |

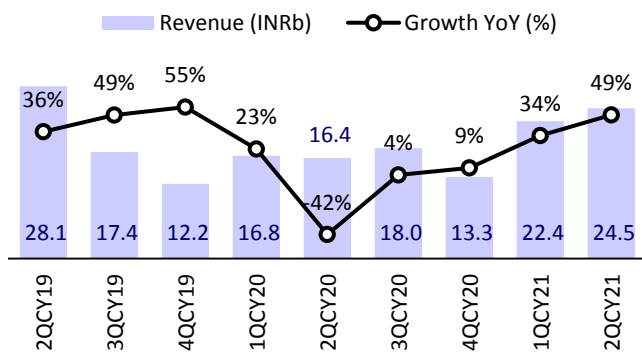
Exhibit 1: Key performance indicators

| Y/E December | 2QCY19 | 3QCY19 | 4QCY19 | 1QCY20 | 2QCY20 | 3QCY20 | 4QCY20 | 1QCY21 | 2QCY21 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Segment Volume Gr. (%) | | | | | | | | | |
| CSD | 36% | 46% | 68% | 19% | -39% | 3% | 6% | 39% | 33% |
| NCB | 50% | 75% | 67% | 33% | -47% | -14% | -20% | 38% | 38% |
| Water | 84% | 107% | 108% | 50% | -77% | -23% | 12% | 13% | 188% |
| CSD | | | | | | | | | |
| Cost Break-up | | | | | | | | | |
| RM Cost (% of sales) | 47% | 43% | 45% | 41% | 45% | 44% | 40% | 44% | 46% |
| Employee Cost (% of sales) | 7% | 13% | 18% | 14% | 12% | 13% | 17% | 11% | 10% |
| Other Cost (% of sales) | 18% | 25% | 28% | 29% | 20% | 22% | 30% | 28% | 20% |
| Gross Margins (%) | 53% | 57% | 55% | 59% | 55% | 56% | 60% | 56% | 54% |
| EBITDA Margins (%) | 28% | 19% | 9% | 16% | 23% | 21% | 13% | 17% | 23% |
| EBIT Margins (%) | 24% | 11% | -2% | 8% | 15% | 14% | 3% | 11% | 18% |

Source: Company, MOFSL

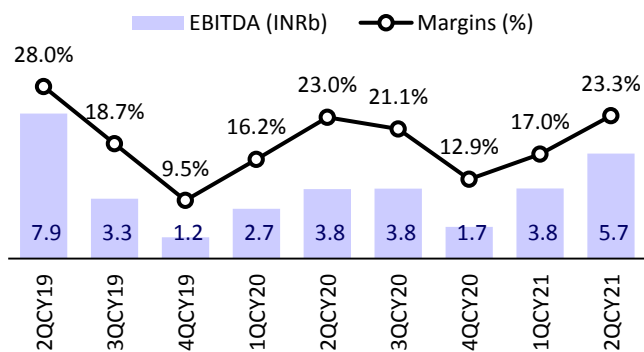
Key exhibits

Exhibit 2: Consolidated revenue trend



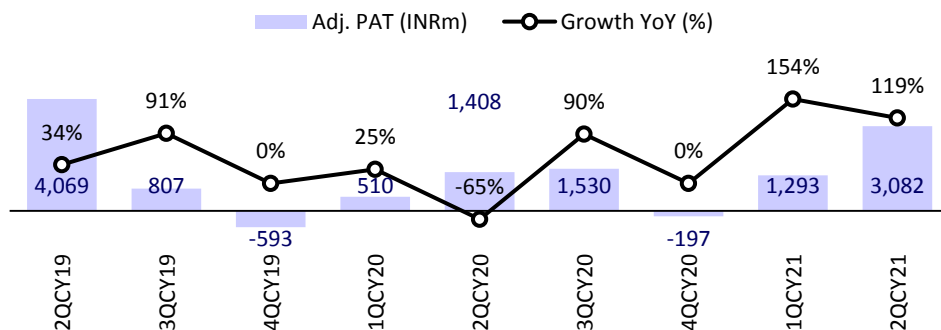
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



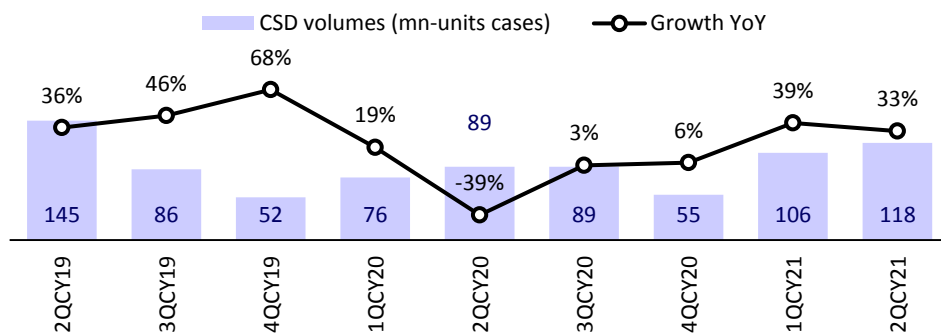
Source: Company, MOFSL

Exhibit 4: Consolidated adj. PAT trend



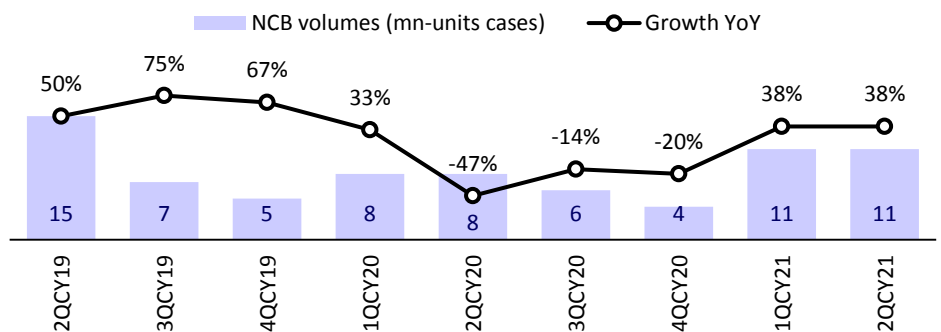
Source: Company, MOFSL

Exhibit 5: Out-of-home consumption drives CSD sales volumes



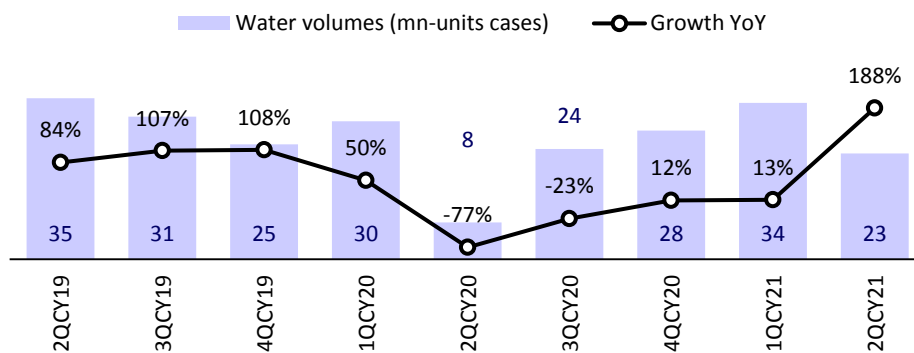
Source: Company, MOFSL

Exhibit 6: New launches support NCB volume growth



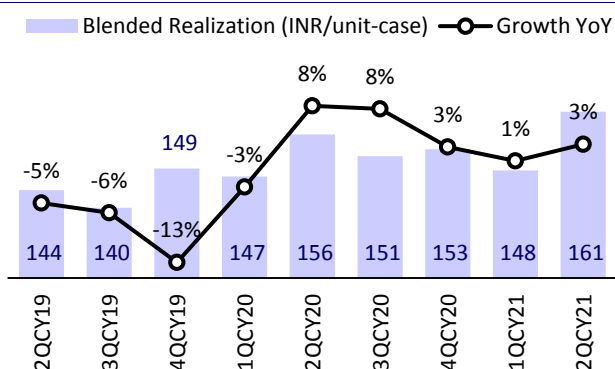
Source: Company, MOFSL

Exhibit 7: International geographies continue to drive water volumes



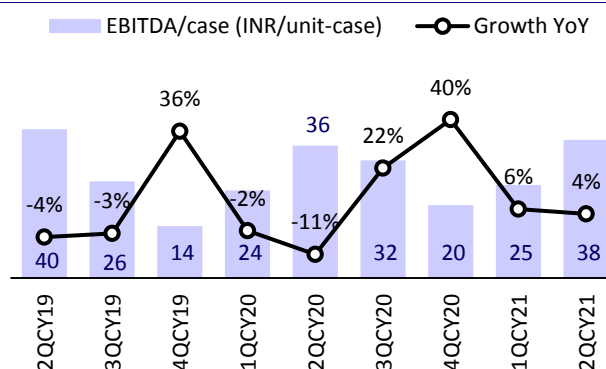
Source: Company, MOFSL

Exhibit 8: Blended realization trend



Source: Company, MOFSL

Exhibit 9: EBITDA/case trend



Source: Company, MOFSL



2QCY21 conference call highlights

- Robust volume growth:** Total sales volume increased 45% YoY to 152m cases in 2QCY21, strong growth in Apr'21 (v/s the low base of the same month in the previous year) and steady recovery in Jun'21 (despite the second COVID wave and related lockdowns, which led to de-growth in May'21).
- Volumes:** India recorded volumes at 127m cases in 2QCY21, whereas International volumes stood at 25.3m cases. In India, the northern and eastern regions account for two-thirds of overall volumes, whereas the remaining volumes come from the southern and western regions.
- Performance:** VBL reported a strong performance despite the soft opening in 2QCY21. Apr'21 and Jun'21 performances were good, whereas May'21 performance was moderate due to lockdown and associated restrictions.
- Realizations:** VBL did not take any price hikes during the year. Improvement in the product mix (higher volumes recorded in juices, 'Sting', and 'Mountain Dew-Ice') has led to an increase in realization. International realization per unit case stood at INR180, whereas domestic realization was recorded at INR156/unit-case.
- Gross margins:** An increase in freight costs (supplying RMs to various plants) contributed to the increase in RM cost.
- Working capital:** Working capital days increased marginally to ~24 days (as of Jun'21) from 20 days (as of Jun'20), primarily owing to the higher stock of pet resin / preform inventory – to capitalize on lower pricing at the start of the year.
- Southwest region:** Post the acquisition of new territories, the company has not seen one full year of uninterrupted/normal operations. CY20 operations were

affected by the onset of COVID-19, whereas 1Q and 2QCY21 performances were affected by the second wave.

- **Margins:** With the gradual resumption of operations to pre-COVID levels, margins are expected to return to CY19 levels.
- **Sting:** The 'Sting' product has seen strong demand traction and is gradually improving the overall mix. VBL has already crossed the 10m-unit mark in this segment. Sting is expected to post strong volume growth over the next 6–12 months.
- **Zimbabwe:** USD15m is outstanding with the Reserve Bank of Zimbabwe. Every quarter, USD2–3m is expected to be repaid until the final payment is complete.
- **Dairy products:** VBL has resumed the sale of dairy products and currently focuses only on the northern region. The current capacity is sufficient to meet increasing demand. Products are expected to be launched in the southern region over the next few quarters.
- **International business:** Nepal and Sri Lanka operations were affected by COVID-19 and related lockdowns. The impact on Morocco and Zimbabwe was low comparatively.
- **Demand dynamics:** In-home consumption volumes are steady and doing well. In CY20, the majority of demand was driven by the rural areas, whereas in CY21, the urban region has showcased strong growth.

Other highlights

- No new stores would be added during the year.
- **Capex:** Capex is expected to be in the range of depreciation for the next few years. In 1HCY21, VBL's capex stood at ~INR1,900m, including forex adjustments – this was primarily utilized for expansions in India, Morocco, and Zimbabwe.
- **Mount Dew-Ice:** This reported a strong uptick in sales and is quickly gaining traction.
- **Current liabilities:** The increase in current liabilities is majorly due to the current portion of its long-term debt, which is payable during the year.

Valuation and view

- We expect robust demand going forward, driven by a) the resumption of services, with the impact of the lockdown gradually subsiding; b) a pickup in volumes in the southern and western regions; c) strong demand traction in newly launched products; d) the growing penetration of refrigeration in rural/semi-rural areas; and e) the growing discretionary spending among the populace.
- 2QCY21 revenue/EBITDA/PAT came in above our estimates. We increase our earnings estimates for CY21/CY22 by 29%/8% – on the back of (a) better realization on an improving product mix, (b) an increase in volumes on strong demand recovery, and (c) growing traction in newly launched products.
- We expect a revenue/EBITDA/PAT CAGR of 25%/33%/79% over CY20–22E. We value the stock at 35x Sep'23E EPS. Our TP of INR920 implies a 17% upside. Maintain Buy.

Exhibit 10: Change in estimates

| Earnings change (INRm) | Old | | New | | Change | |
|---------------------------|--------|--------|--------|----------|--------|-------|
| | CY21E | CY22E | CY21E | CY22E | CY21E | CY22E |
| Revenue | 77,828 | 97,010 | 80,710 | 1,00,188 | 4% | 3% |
| EBITDA | 14,264 | 20,526 | 15,702 | 21,198 | 10% | 3% |
| Adj. PAT | 4,782 | 9,583 | 6,157 | 10,359 | 29% | 8% |

Financials and valuations

| Consolidated - Income Statement | | | | | | | (INR m) | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Y/E December | CY15 | CY16 | CY17 | CY18 | CY19 | CY20 | CY21E | CY22E |
| Total Income from Operations | 33,941 | 38,612 | 40,035 | 51,053 | 71,296 | 64,501 | 80,710 | 1,00,188 |
| Change (%) | 35.7 | 13.8 | 3.7 | 27.5 | 39.7 | -9.5 | 25.1 | 24.1 |
| RM Cost | 17,165 | 17,379 | 18,101 | 22,441 | 32,194 | 27,639 | 35,687 | 45,585 |
| Employees Cost | 3,238 | 4,210 | 4,628 | 5,830 | 8,108 | 8,897 | 9,697 | 10,461 |
| Other Expenses | 7,168 | 9,063 | 8,947 | 12,716 | 16,517 | 15,946 | 19,624 | 22,943 |
| Total Expenditure | 27,571 | 30,652 | 31,676 | 40,987 | 56,819 | 52,483 | 65,008 | 78,989 |
| % of Sales | 81.2 | 79.4 | 79.1 | 80.3 | 79.7 | 81.4 | 80.5 | 78.8 |
| EBITDA | 6,371 | 7,960 | 8,359 | 10,066 | 14,477 | 12,019 | 15,702 | 21,198 |
| Margin (%) | 18.8 | 20.6 | 20.9 | 19.7 | 20.3 | 18.6 | 19.5 | 21.2 |
| Depreciation | 3,174 | 3,222 | 3,466 | 3,851 | 4,886 | 5,287 | 5,385 | 5,757 |
| EBIT | 3,197 | 4,738 | 4,893 | 6,215 | 9,590 | 6,732 | 10,317 | 15,441 |
| Int. and Finance Charges | 1,688 | 4,325 | 2,122 | 2,126 | 3,096 | 2,811 | 1,927 | 1,645 |
| Other Income | 143 | 357 | 125 | 218 | 425 | 370 | 396 | 451 |
| PBT bef. EO Exp. | 1,652 | 770 | 2,896 | 4,308 | 6,919 | 4,290 | 8,787 | 14,247 |
| EO Items | 0 | 0 | 0 | 0 | 0 | -665 | 0 | 0 |
| PBT after EO Exp. | 1,652 | 770 | 2,896 | 4,308 | 6,919 | 3,625 | 8,787 | 14,247 |
| Total Tax | 789 | 313 | 769 | 1,339 | 2,241 | 52 | 2,222 | 3,419 |
| Tax Rate (%) | 47.7 | 40.7 | 26.6 | 31.1 | 32.4 | 1.4 | 25.3 | 24.0 |
| Share of profit from associates | 13 | 24 | 14 | 30 | 44 | 0 | 0 | 0 |
| Minority Interest | 0 | 57 | 39 | 70 | 32 | 283 | 407 | 469 |
| Prior period items | 255 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reported PAT | 1,130 | 424 | 2,102 | 2,928 | 4,690 | 3,290 | 6,157 | 10,359 |
| Adjusted PAT | 1,130 | 424 | 2,102 | 2,928 | 4,690 | 3,251 | 6,157 | 10,359 |
| Change (%) | -520.2 | -62.5 | 395.9 | 39.3 | 60.1 | -30.7 | 89.4 | 68.3 |
| Margin (%) | 3.3 | 1.1 | 5.2 | 5.7 | 6.6 | 5.0 | 7.6 | 10.3 |

| Consolidated - Balance Sheet | | | | | | | (INR m) | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E December | CY15 | CY16 | CY17 | CY18 | CY19 | CY20 | CY21E | CY22E |
| Equity Share Capital | 1,338 | 1,823 | 1,826 | 1,826 | 2,887 | 2,887 | 4,330 | 4,330 |
| Total Reserves | 905 | 15,113 | 15,866 | 18,158 | 30,397 | 32,353 | 36,330 | 45,867 |
| Net Worth | 6,743 | 16,936 | 17,692 | 19,985 | 33,284 | 35,240 | 40,661 | 50,197 |
| Minority Interest | 0 | -129 | -14 | 78 | 307 | 648 | 648 | 648 |
| Total Loans | 20,773 | 22,154 | 23,560 | 27,649 | 34,172 | 32,059 | 25,559 | 15,559 |
| Deferred Tax Liabilities | 1,429 | 1,218 | 1,422 | 1,588 | 2,697 | 2,149 | 2,149 | 2,149 |
| Capital Employed | 28,945 | 40,179 | 42,659 | 49,299 | 70,459 | 70,096 | 69,017 | 68,553 |
| Gross Block | 46,325 | 51,589 | 56,326 | 61,697 | 87,203 | 90,086 | 93,954 | 97,954 |
| Less: Accum. Deprn. | 11,369 | 14,434 | 16,540 | 17,847 | 22,655 | 26,242 | 31,627 | 37,384 |
| Net Fixed Assets | 34,956 | 37,155 | 39,786 | 43,850 | 64,548 | 63,844 | 62,327 | 60,570 |
| Goodwill on Consolidation | 0 | 0 | 19 | 19 | 242 | 242 | 242 | 242 |
| Capital WIP | 379 | 956 | 1,454 | 3,524 | 638 | 668 | 800 | 800 |
| Total Investments | 33 | 69 | 82 | 112 | 0 | 0 | 0 | 0 |
| Current Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Curr. Assets, Loans&Adv. | 8,945 | 10,133 | 11,494 | 12,808 | 18,327 | 19,719 | 22,646 | 27,191 |
| Inventory | 4,247 | 4,899 | 4,389 | 5,784 | 8,815 | 9,288 | 10,686 | 12,985 |
| Account Receivables | 979 | 1,313 | 1,503 | 1,280 | 1,726 | 2,418 | 2,653 | 3,294 |
| Cash and Bank Balance | 581 | 657 | 945 | 935 | 1,711 | 1,901 | 1,658 | 1,418 |
| Loans and Advances | 3,138 | 3,263 | 4,658 | 4,809 | 6,076 | 6,113 | 7,649 | 9,495 |
| Curr. Liability & Prov. | 15,367 | 8,134 | 10,177 | 11,015 | 13,297 | 14,378 | 16,999 | 20,250 |
| Account Payables | 1,846 | 2,746 | 1,909 | 3,168 | 4,777 | 5,114 | 5,699 | 6,925 |
| Other Current Liabilities | 12,707 | 4,627 | 7,392 | 6,435 | 6,517 | 6,893 | 8,878 | 10,520 |
| Provisions | 815 | 761 | 875 | 1,412 | 2,003 | 2,371 | 2,421 | 2,805 |
| Net Current Assets | -6,422 | 1,999 | 1,317 | 1,793 | 5,031 | 5,342 | 5,648 | 6,941 |
| Misc Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appl. of Funds | 28,945 | 40,179 | 42,659 | 49,299 | 70,459 | 70,096 | 69,017 | 68,553 |

Financials and valuations

| Ratios | | | | | | | | |
|-------------------------------|------------|------------|------------|------------|-------------|------------|-------------|-------------|
| Y/E December | CY15 | CY16 | CY17 | CY18 | CY19 | CY20 | CY21E | CY22E |
| Basic (INR) | | | | | | | | |
| EPS | 2.6 | 1.0 | 4.9 | 6.8 | 10.8 | 7.5 | 14.2 | 23.9 |
| Cash EPS | 9.9 | 8.4 | 12.9 | 15.7 | 22.1 | 19.7 | 26.7 | 37.2 |
| BV/Share | 15.6 | 39.1 | 40.9 | 46.2 | 76.9 | 81.4 | 93.9 | 115.9 |
| DPS | 0.0 | 0.0 | 1.1 | 1.1 | 1.6 | 1.7 | 1.7 | 1.9 |
| Payout (%) | 0.0 | 0.0 | 26.1 | 17.5 | 16.7 | 21.9 | 12.0 | 7.9 |
| Valuation (x) | | | | | | | | |
| P/E | 302.3 | 806.5 | 162.6 | 116.7 | 72.9 | 105.1 | 55.5 | 33.0 |
| Cash P/E | 79.4 | 93.7 | 61.4 | 50.4 | 35.7 | 40.0 | 29.6 | 21.2 |
| P/BV | 50.7 | 20.2 | 19.3 | 17.1 | 10.3 | 9.7 | 8.4 | 6.8 |
| EV/Sales | 10.7 | 9.4 | 9.1 | 7.2 | 5.3 | 5.8 | 4.5 | 3.6 |
| EV/EBITDA | 56.8 | 45.6 | 43.6 | 36.6 | 25.9 | 31.0 | 23.3 | 16.8 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| FCF per share | 6.7 | 1.1 | 2.4 | 4.4 | 13.3 | 16.6 | 20.6 | 28.3 |
| Return Ratios (%) | | | | | | | | |
| RoE | 22.7 | 3.6 | 12.1 | 15.5 | 17.6 | 9.5 | 16.2 | 22.8 |
| RoCE | 6.4 | 9.1 | 9.2 | 10.0 | 11.8 | 10.4 | 12.0 | 18.3 |
| RoIC | 7.3 | 9.1 | 9.1 | 10.1 | 11.5 | 9.8 | 11.5 | 17.7 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.9 | 1.0 |
| Asset Turnover (x) | 1.2 | 1.0 | 0.9 | 1.0 | 1.0 | 0.9 | 1.2 | 1.5 |
| Inventory (Days) | 46 | 46 | 40 | 41 | 45 | 53 | 48 | 47 |
| Debtor (Days) | 11 | 12 | 14 | 9 | 9 | 14 | 12 | 12 |
| Creditor (Days) | 20 | 26 | 17 | 23 | 24 | 29 | 26 | 25 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 0.6 | 1.2 | 1.1 | 1.2 | 1.4 | 1.4 | 1.3 | 1.3 |
| Interest Cover Ratio | 1.9 | 1.1 | 2.3 | 2.9 | 3.1 | 2.4 | 5.4 | 9.4 |
| Net Debt/Equity | 3.0 | 1.3 | 1.3 | 1.3 | 1.0 | 0.9 | 0.6 | 0.3 |

| Consolidated - Cash Flow Statement | | | | | | | | (INR m) |
|------------------------------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|
| Y/E December | CY15 | CY16 | CY17 | CY18 | CY19 | CY20 | CY21E | CY22E |
| OP/(Loss) before Tax | 1,906 | 770 | 2,896 | 4,308 | 6,919 | 3,625 | 8,787 | 14,247 |
| Depreciation | 2,982 | 3,222 | 3,466 | 3,851 | 4,826 | 5,287 | 5,385 | 5,757 |
| Interest & Finance Charges | 1,424 | 4,166 | 1,972 | 1,986 | 2,948 | 2,441 | 1,531 | 1,194 |
| Direct Taxes Paid | -483 | -581 | -571 | -733 | -1,201 | -52 | -2,222 | -3,419 |
| (Inc)/Dec in WC | -419 | 637 | -1,965 | -501 | -827 | -1,181 | -549 | -1,533 |
| CF from Operations | 5,411 | 8,214 | 5,798 | 8,911 | 12,665 | 10,120 | 12,932 | 16,246 |
| Others | 137 | 44 | 400 | 1,087 | 411 | 0 | 0 | 0 |
| CF from Operating incl EO | 5,548 | 8,258 | 6,198 | 9,998 | 13,076 | 10,120 | 12,932 | 16,246 |
| (Inc)/Dec in FA | -2,645 | -7,803 | -5,165 | -8,088 | -7,331 | -2,913 | -4,000 | -4,000 |
| Free Cash Flow | 2,903 | 455 | 1,033 | 1,910 | 5,745 | 7,207 | 8,932 | 12,246 |
| (Pur)/Sale of Investments | -377 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 71 | -2,681 | -2,332 | -647 | -15,862 | -1,798 | 396 | 451 |
| CF from Investments | -2,951 | -10,484 | -7,496 | -8,734 | -23,192 | -4,711 | -3,604 | -3,549 |
| Issue of Shares | 3,200 | 8,814 | 3,041 | 7 | 9,002 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -6,652 | -4,494 | -572 | 4,566 | 6,487 | -2,113 | -6,500 | -10,000 |
| Interest Paid | -1,408 | -2,186 | -1,557 | -1,886 | -3,011 | -2,811 | -1,927 | -1,645 |
| Dividend Paid | 0 | 0 | -456 | -456 | -690 | -722 | -736 | -823 |
| Others | 2,500 | 168 | 1,130 | -3,505 | -895 | 426 | -407 | -469 |
| CF from Fin. Activity | -2,360 | 2,302 | 1,586 | -1,273 | 10,893 | -5,219 | -9,571 | -12,936 |
| Inc/Dec of Cash | 237 | 76 | 288 | -10 | 776 | 190 | -243 | -239 |
| Opening Balance | 344 | 581 | 657 | 945 | 935 | 1,711 | 1,901 | 1,658 |
| Closing Balance | 581 | 657 | 945 | 935 | 1,711 | 1,901 | 1,658 | 1,418 |

NOTES

| 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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