CENTRUM

# Navin Fluorine International

## Q1 a blip; Optimistic commentary and outlook

Result Update

India I Chemicals

01 August, 2023

Institutional Research

**BUY**

Price: Rs4,540

Target Price: Rs5,267

Forecast return: 16%

**After several quarters, Navin Fluorine (Navin) reported a subdued quarterly performance impacted by planned and unplanned shutdown of its HFO plant (Honeywell). Consequently, revenues/ EBITDA/ PAT for Q1 declined 29.5%/ 43.4%/ 54.9% QoQ at Rs4.9bn/ Rs1.1bn/ Rs615mn. Management cited it as a one-off impact due to operational issues post planned shutdown and nothing to assign to the industry environment. Apart from HFO plant issue, CDMO revenues too were lower QoQ due to lumpiness and execution of one large US order in Q4FY23. Management did not cite any demand related challenges for any of its segments although demand remains volatile. We have lowered our FY24E estimates primarily considering some pricing pressure on HFO and only marginal uptick in CDMO. Chemical sector is undergoing a challenging environment which has been impacting financial performance of companies. It has prompted us to rejig the multiple for the sector and hence we have lowered Navin's target P/ E multiple from 45x earlier to 40x. Nonetheless, we remain optimistic on the growth prospects of Navin and maintain Buy with a reduced TP of Rs5,267 (earlier Rs5,768).**

### Planned and unplanned shutdown impacts Q1 coupled with lower CDMO contribution

During Q1, Navin reported 29.5% QoQ decline in revenues at Rs4.9bn. HFO plant planned shutdown and later shutdown due to issue in purification section, led to 41.5% decline in HPP revenues. Lower R22 demand too impacted HPP performance. In CDMO too, revenues declined 54.2% due to execution of a large US order in Q4.

### Capex projects on track, to fuel future growth

Ongoing projects are on track with R32 sales expected to start in Q2 and new fluorospecialty molecule (agrochemical) project commissioning by end-2023. On the newly announced 40,000MT AHF project, the company is working on basic engineering and technology with a global player. On a new CDMO project, detailed engineering work going on and is expected to go to board for approval in coming quarters.

### CDMO – Working on multiple molecules, sizable opportunity with Fermion contract

Navin is working on multiple Phase I and late stage molecules in CDMO. Multi-year and multi-molecule Fermion contract is expected to add sizable contribution to CDMO segment from 2025 onwards. Navin has already supplied qualification quantities with approval in place for one molecule and for the other two molecules qualification quantities will be supplied in subsequently quarters.

### No negative is positive, stay optimistic

Management remained optimistic on all the three business segments citing that HFO volumes will be recouped in Q2/ Q3. Ramp up in newly commissioned projects and upcoming ones is expected to drive revenue growth in FY24E/ FY25E. Based on current business environment and management outlook, we have lowered our FY24E earnings by 8% while upping FY25E earnings by 2%. Lowering our P/ E multiple to 40x, we maintain Buy rating with a lowered TP of Rs5,267 (earlier Rs5,768).

**Risks** – Slower than expected ramp up in commissioned projects.

### Financial and valuation summary

| YE Mar (Rs mn) | 1QFY24A | 1QFY23A | YoY (%) | 4QFY23A | QoQ (%) | FY23A | FY24E | FY25E |
|---|---|---|---|---|---|---|---|---|
| Revenues | 4,912 | 3,975 | 23.6 | 6,971 | (29.5) | 20,774 | 27,182 | 35,093 |
| EBITDA | 1,142 | 991 | 15.2 | 2,018 | (43.4) | 5,503 | 7,484 | 10,104 |
| EBITDA margin (%) | 23.3 | 24.9 | (6.7) | 28.9 | (19.7) | 26.5 | 27.5 | 28.8 |
| Adj. Net profit | 615 | 745 | (17.4) | 1,364 | (54.9) | 3,752 | 4,532 | 6,525 |
| Adj. EPS (Rs) | 12.4 | 15.0 | (17.4) | 27.5 | (54.9) | 75.7 | 91.5 | 131.7 |
| EPS growth (%) | | | | | | 42.6 | 20.8 | 44.0 |
| PE (x) | | | | | | 60.0 | 49.6 | 34.5 |
| EV/EBITDA (x) | | | | | | 42.4 | 31.6 | 23.3 |
| PBV (x) | | | | | | 10.3 | 8.7 | 7.1 |
| RoE (%) | | | | | | 18.6 | 19.0 | 22.7 |
| RoCE (%) | | | | | | 15.9 | 15.0 | 17.6 |

Source: Company, Centrum Broking

**Market Data**

| | |
|---|---|
| Bloomberg: | NFIL IN |
| 52 week H/L: | 4,950/3,765 |
| Market cap: | Rs225.8bn |
| Shares Outstanding: | 49.6mn |
| Free float: | 69.4% |
| Avg. daily vol. 3mth: | 1,77,031 |

Source: Bloomberg

**Changes in the report**

| | |
|---|---|
| Rating: | BUY, unchanged |
| Target price: | Rs5,267 Down 8.7% from Rs5,768 |
| EPS: | FY24E: Rs91.5; down 7.7%<br>FY25E: Rs131.7; up 2.3% |

Source: Centrum Broking

**Shareholding pattern**

| | Jun-23 | Mar-23 | Dec-22 | Sep-22 |
|---|---|---|---|---|
| Promoter | 28.8 | 28.8 | 29.4 | 29.4 |
| FIIs | 18.5 | 19.6 | 19.2 | 20.1 |
| DIIs | 20.4 | 19.3 | 18.6 | 19.1 |
| Public/other | 32.3 | 32.3 | 32.8 | 31.4 |

Source: BSE

**Centrum estimates vs Actual results**

| YE Mar (Rs mn) | Centrum Q1FY24 | Actual Q1FY24 | Variance (%) |
|---|---|---|---|
| Revenue | 7,180 | 4,912 | (31.6) |
| EBITDA | 2,113 | 1,142 | (45.9) |
| EBITDA margin | 29.4 | 23.3 | (610bps) |
| Adj. PAT | 1,311 | 615 | (53.1) |

Source: Bloomberg, Centrum Broking

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Chemicals

# Thesis Snapshot

## Estimate revision

| YE Mar (Rs mn) | New FY24E | Old FY24E | Variance (%) | New FY25E | Old FY25E | Variance (%) |
|---|---|---|---|---|---|---|
| Revenue | 27,182 | 28,109 | (3.3) | 35,093 | 34,176 | 2.7 |
| EBITDA | 7,484 | 7,896 | (5.2) | 10,104 | 9,786 | 3.3 |
| PBT | 5,912 | 6,257 | (5.5) | 8,370 | 8,075 | 3.6 |
| PAT | 4,532 | 4,912 | (7.7) | 6,525 | 6,379 | 2.3 |

Source: Centrum Broking

## Navin Fluorine versus Nifty Midcap 100

| | 1m | 6m | 1 year |
|---|---|---|---|
| NFIL IN | 1.2 | 14.3 | 4.7 |
| Nifty Midcap 100 | 5.5 | 24.0 | 24.8 |

Source: Bloomberg, NSE

## Key assumptions

| Y/E Mar | FY24E | FY25E |
|---|---|---|
| Revenue growth (%) | 30.8 | 29.1 |
| EBITDA Margins (%) | 27.5 | 28.8 |

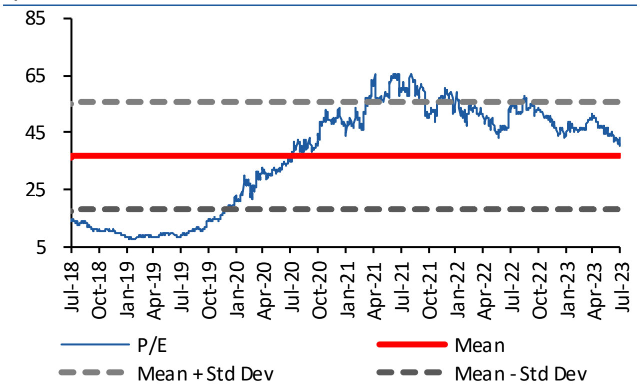
Source: Centrum Broking

## Valuations

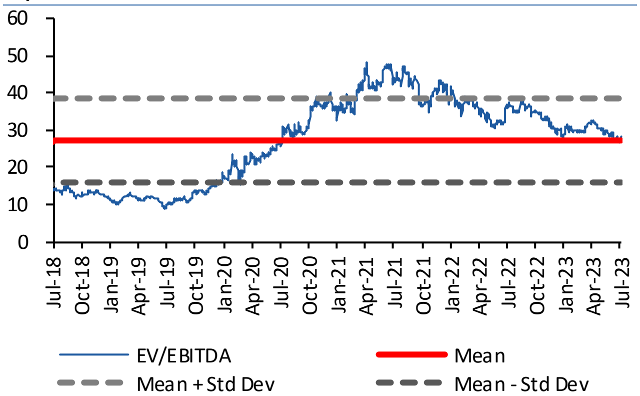
We estimate Navin's FY22-25E Revenue/ EBITDA/ PAT CAGR at 34%/ 42%/ 35%. Based on current business environment and management outlook, we have lowered our FY24E earnings by 7% while upping FY25E earnings by 3%. We have lowered Navin's target P/ E multiple from 45x earlier to 40x. Nonetheless, we remain optimistic on the growth prospects of Navin and maintain Buy with a reduced TP of Rs5,267 (earlier Rs5,768)

| Valuations | Rs/share |
|---|---|
| FY25E EPS | 131.7 |
| Target multiple (X) | 40 |
| Target Price | 5,267 |
| CMP | 4,540 |
| **Upside/ (downside)** | **16.0** |

**P/E mean and standard deviation**




**EV/EBITDA mean and standard deviation**




Source: Bloomberg, Centrum Broking

## Peer comparison

| Company | Mkt Cap | CAGR (FY22-25E) | | | P/E (x) | | | EV/EBITDA (x) | | | ROE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rs bn) | Sales | EBITDA | EPS | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Aarti Industries | 173.0 | 11.6 | 0.4 | 22.6 | 37.5 | 27.9 | 20.6 | 20.1 | 16.9 | 13.5 | 11.4 | 13.6 | 16.0 |
| Anupam Rasayan | 103.2 | 34.0 | 32.8 | 30.7 | 72.0 | 49.5 | 38.3 | 21.5 | 17.3 | 13.9 | 10.6 | 12.3 | 16.4 |
| Atul | 213.4 | 5.6 | 2.9 | -0.6 | 40.3 | 47.0 | 34.9 | 26.7 | 27.5 | 20.9 | 11.3 | 9.1 | 11.2 |
| Deepak Nitrite | 278.8 | 13.7 | 12.4 | 14.2 | 29.9 | 19.7 | 16.8 | 19.7 | 13.3 | 11.3 | 23.8 | 28.3 | 25.7 |
| Dhanuka Agritech | 35.3 | 12.8 | 11.5 | 9.1 | 14.1 | 13.5 | 12.1 | 11.8 | 10.0 | 8.5 | 23.1 | 21.0 | 19.9 |
| Galaxy Surfactants | 96.2 | 7.8 | 10.6 | 10.8 | 23.4 | 25.6 | 25.0 | 15.8 | 16.4 | 15.8 | 22.0 | 17.3 | 15.5 |
| Gujarat Fluorochemicals | 305.7 | 26.2 | 30.2 | 29.4 | 23.0 | 21.0 | 17.9 | 15.8 | 13.8 | 11.8 | 27.6 | 24.3 | 23.2 |
| **Navin Fluorine** | **225.7** | **34.2** | **41.7** | **35.4** | **60.0** | **49.6** | **34.5** | **42.4** | **31.6** | **23.3** | **18.6** | **19.0** | **22.7** |
| PI Industries | 555.5 | 21.5 | 24.7 | 25.9 | 43.4 | 36.1 | 30.2 | 32.1 | 26.2 | 21.7 | 17.7 | 18.2 | 18.6 |
| SRF | 667.4 | 12.1 | 11.1 | 10.0 | 29.5 | 33.3 | 25.4 | 19.1 | 19.9 | 15.9 | 22.9 | 17.1 | 19.0 |
| UPL | 478.2 | 10.3 | 7.3 | 7.4 | 13.1 | 13.7 | 11.4 | 6.3 | 6.1 | 5.5 | 13.1 | 11.0 | 12.1 |
| Vinati Organics | 194.2 | 22.1 | 23.0 | 22.9 | 42.4 | 40.9 | 30.2 | 32.6 | 32.5 | 23.8 | 22.6 | 19.6 | 22.2 |

Source: Company, Centrum Broking

# Q1FY24 concall highlights

## Shutdown impacted one-off Q1, traction in CDMO with Fermion contract, Honeywell volumes to be made up in Q2/ Q3, optimistic outlook

### Financial highlights – Lower QoQ opex due to lower CDMO activity

- QoQ decline in opex – As one-offs of Rs150mn in Q4, due to repair, consultancy fees, new Dahej lines etc.
- Reduction in operating costs due to lower QoQ CDMO activity
- Depreciation run rate – Rs200-220mn per quarter, Rs115mn in NFIL and rest in NFASL
- Average cost of borrowing – 8.3%
- WC – 137-138days in FY23 to target of 90-100days

### Business highlights – Impact due to planned and unplanned shutdown

- Weak summer impacted refgas in domestic and exports market
- Expect higher capacity utilisation in coming quarters
- Ravi – Joined last year, to start his own entrepreneurial venture, identified 2 internal candidates, to decide in next few weeks,
- Ongoing capex – AHF – basic engineering and technology agreement with global player, Agro specialty project to be commissioned by end-2023, R32 project – sales to commence from Q2
- Demand volatility across the board

### Specialty Chemicals – Growth from new molecules

- Agrochem dedicated plant in Dahej – Running at full capacity, expect it will run at full capacity in Q2
- MPP – Not yet running at full capacity, expect optimal utilisation from 2024
- A large molecule to be supplied from Surat, demand almost came to zero in Q1/ Q2 2023, supplied zero volumes, supplies restarted for 2H2023, high margin product
- Growth coming from new product introductions and volumes, not so much from pricing
- New molecules – higher margins than legacy portfolio
- No immediate threat from China for new molecules, older molecules some competition from China however not a material threat as its proportion is lower
- New capex of Rs300mn at Surat – For one particular molecule, revenue potential of Rs450mn p.a., 15-18 months to ready the plant, positions Navin strongly to work on other than agro space

### HPP – Shutdown impact

- Growth restrained due to plant shutdowns, plants came back to normalcy and running at optimal capacity, expected to normalise runrate from Q2
- Planned shutdown of HFO in April, while ramping up there was an issue, one of the plants had issue in purification section, lost four weeks of production, volume request has changed from Honeywell, volumes to be made up in Q2/ Q3, running at optimal capacity, no significant impact on overall volumes for the year

- Honeywell – Earlier Trueup or truedown once a year, on a quarterly basis, dollar denominated contract, cost escalation pass through in contract
- R22 Refgas – difficult to make up lost volumes after season, expect demand uptick from Q3 and expect demand higher on YoY during Q3/ Q4FY24
- Honeywell debottlenecking – Some capex for debottlenecking, expected to be completed by end-2024, 25% capacity enhancement

### CDMO – Fermion to start contributing significantly from 2025

- Fermion contract – For multiple late stage molecules, one molecule already commercialised by Fermion, major quantities to be supplied from beginning of 2025, currently sourcing from a supplier in Europe
- First non-fluorinated molecule – Supplied qualification quantities for the molecule, already approved, higher quantities from Q3
- Two other molecules - Qualification quantities to be supplied in 2023-24, one fluorination and other non-fluorinated molecule
- Expect certain baseload every quarter from next year from Fermion
- Limited volumes in 2023-24
- Some supplies from CGMP4 to Fermion
- Currently doing lot of Phase I and late stage molecules in CDMO
- USD16mn opportunity – With a biopharma company, already supplied in FY23, scale up expected in 2024, expect volumes to be higher post that
- CDMO new project – detailed engineering work going on, to go to board for approval in coming quarters
- Expect nominal growth in FY24, significant increase expected in next year
- Not working on pharma opportunities which are with domestic generics players, hence proportion of pharma to go down while material sciences to go up

# Q1FY24 snippets from presentation

## HPP revenues impacted due to shutdown of AHF and HFO plants

### Q1 performance

- Highest ever quarterly sales in the Specialty segment
- Strong year-on-year revenue growth in CDMO for the third consecutive quarter
- HPP revenue impacted due to shutdowns in AHF and HFO Plants
- Demand for R22 in Q1 was muted
- Higher Depreciation Charge and Interest on account of new capacities and associated financing
- Operating EBITDA also reflects the shutdown and associated higher costs
- Higher utilization in the coming quarters will lead to higher margin

### Specialty – Revenue Rs2,300mn (Rs1,760mn)

- Highest ever quarterly sales in the Specialty segment in Q1FY24
- Strong order flow continues to strengthen long-term growth visibility
- New capability capex in Surat of Rs300mn approved by the Board
- India – 35%, international – 65%

## HPP – Revenue Rs1,690mn (Rs1,520mn), incl. Honeywell revenues

- The growth was impacted due to shutdowns during the quarter
- R32 Plant stabilization in progress and sales to start in Q2FY24
- Weak summer impacted refrigerant gas sales
- India – 49%, international – 51%

## CDMO – Revenue Rs930mn (Rs700mn)

- Supply agreement signed with Fermion for a period of 3 years starting CY2025 for the CDMO Division
- Several late-stage opportunities identified and development work in progress
- Engineering work on CGMP4 in final stages of completion
- International – 100%

**Exhibit 1: Quarterly Review (Cons.)**

| Y/E March (Rs mn) | Q1FY24 | Q1FY23 | YoY (%) | Q4FY23 | QoQ (%) | FY23 | FY22 | % chg. |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | **4,912** | **3,975** | **23.6** | **6,971** | **(29.5)** | **20,774** | **14,534** | **42.9** |
| Cost of Goods | 2,027 | 1,823 | 11.2 | 2,837 | (28.6) | 8,960 | 6,656 | 34.6 |
| % of sales | 41.3 | 45.9 | | 40.7 | | 43.1 | 45.8 | |
| Employee benefit expenses | 792 | 507 | 56.3 | 730 | 8.6 | 2,494 | 1,815 | 37.4 |
| % of sales | 16.1 | 12.7 | | 10.5 | | 12.0 | 12.5 | |
| Other expenditure | 951 | 654 | 45.3 | 1,387 | (31.4) | 3,817 | 2,514 | 51.8 |
| % of sales | 19.4 | 16.5 | | 19.9 | | 18.4 | 17.3 | |
| **Operating profit** | **1,142** | **991** | **15.2** | **2,018** | **(43.4)** | **5,503** | **3,548** | **55.1** |
| OPM (%) | 23.3 | 24.9 | | 28.9 | | 26.5 | 24.4 | |
| Dep. and amor. | 213 | 124 | 72.4 | 76 | 180.5 | 626 | 479 | 30.7 |
| **EBIT** | **929** | **868** | **7.1** | **1,942** | **(52.2)** | **4,877** | **3,069** | **58.9** |
| Interest | 194 | 3 | 6,600.0 | 140 | 38.7 | 275 | 19 | 1,356.1 |
| Other income | 83 | 109 | (23.9) | 40 | 107.5 | 357 | 392 | (8.9) |
| Excp. Item | 0 | 0 | | 0 | | 0 | 0 | |
| **PBT** | **818** | **974** | **(16.0)** | **1,842** | **(55.6)** | **4,959** | **3,442** | **44.1** |
| Provision for tax | 202 | 229 | (11.7) | 478 | (57.6) | 1,207 | 812 | 48.7 |
| eff. tax rate | 24.8 | 23.5 | | 26.0 | | 24.3 | 23.6 | |
| **PAT (rep.)** | **615** | **745** | **(17.4)** | **1,364** | **(54.9)** | **3,752** | **2,631** | **42.6** |
| NPM (%) | 12.3 | 18.2 | | 19.5 | | 17.8 | 17.6 | |
| **EPS** | **12.4** | **15.0** | **(17.4)** | **27.5** | **(54.9)** | **75.7** | **53.1** | **42.6** |
| **Segmental rev. (Rs mn)** | | | | | | | | |
| Specialty | 2,300 | 1,760 | 30.7 | 2,040 | 12.7 | 7,430 | 5,660 | 31.3 |
| HPP | 1,690 | 1,520 | 11.2 | 2,890 | (41.5) | 9,050 | 5,410 | 67.3 |
| CDMO | 930 | 700 | 32.9 | 2,030 | (54.2) | 4,370 | 3,470 | 25.9 |
| **Total** | **4,920** | **3,980** | **23.6** | **6,960** | **(29.3)** | **20,850** | **14,540** | **43.4** |

Source: Company, Centrum Broking

**Exhibit 2: Quarterly Financial trend**

| Quarterly (Rs mn) | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | YoY(%) | QoQ(%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **3,265** | **3,390** | **3,790** | **4,089** | **3,975** | **4,192** | **5,636** | **6,971** | **4,912** | **23.6** | **(29.5)** |
| Q-o-Q gr. (%) | (2.9) | 3.8 | 11.8 | 7.9 | (2.8) | 5.5 | 34.4 | 23.7 | (29.5) | | |
| Raw Mat. Cons. | 1,422 | 1,438 | 1,636 | 1,906 | 1,767 | 1,782 | 2,422 | 2,792 | 1,991 | 12.7 | (28.7) |
| % of net sales | 43.6 | 42.4 | 43.2 | 46.6 | 44.5 | 42.5 | 43.0 | 40.0 | 40.5 | | |
| Purchase of prod. | 62 | 85 | 45 | 62 | 56 | 53 | 42 | 46 | 36 | (35.7) | (21.3) |
| % of net sales | 1.9 | 2.5 | 1.2 | 1.5 | 1.4 | 1.3 | 0.7 | 0.7 | 0.7 | | |
| Employee Costs | 438 | 436 | 469 | 473 | 507 | 572 | 686 | 730 | 792 | 56.3 | 8.6 |
| % of net sales | 13.4 | 12.9 | 12.4 | 11.6 | 12.7 | 13.6 | 12.2 | 10.5 | 16.1 | | |
| Others | 566 | 588 | 654 | 707 | 654 | 846 | 930 | 1,387 | 951 | 45.3 | (31.4) |
| % of net sales | 17.3 | 17.3 | 17.3 | 17.3 | 16.5 | 20.2 | 16.5 | 19.9 | 19.4 | | |
| **EBITDA** | **778** | **842** | **986** | **943** | **991** | **938** | **1,556** | **2,018** | **1,142** | **15.2** | **(43.4)** |
| Q-o-Q growth (%) | (7.7) | 8.2 | 17.1 | (4.4) | 5.2 | (5.3) | 65.8 | 29.7 | (43.4) | | |
| EBITDA Margin (%) | 23.8 | 24.8 | 26.0 | 23.0 | 24.9 | 22.4 | 27.6 | 28.9 | 23.3 | | |
| Dep. & Amor. | 120 | 119 | 121 | 119 | 124 | 177 | 250 | 76 | 213 | 72.4 | 180.5 |
| **EBIT** | **658** | **723** | **865** | **824** | **868** | **762** | **1,306** | **1,942** | **929** | **7.1** | **(52.2)** |
| Interest exp. | 5 | 4 | 4 | 6 | 3 | 40 | 92 | 140 | 194 | 6,600 | 38.7 |
| Other Income | 89 | 105 | 75 | 124 | 109 | 109 | 99 | 40 | 83 | (23.9) | 107.5 |
| **EBT** | **742** | **824** | **936** | **941** | **974** | **831** | **1,313** | **1,842** | **818** | **(16.0)** | **(55.6)** |
| Excp. Item | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| **PBT** | **742** | **824** | **936** | **941** | **974** | **831** | **1,313** | **1,842** | **818** | **(16.0)** | **(55.6)** |
| Provision for tax | 182 | 192 | 248 | 223 | 229 | 252 | 247 | 478 | 202 | (11.7) | (57.6) |
| Eff. tax rate (%) | 24.6 | 23.3 | 26.5 | 23.6 | 23.5 | 30.4 | 18.8 | 26.0 | 24.8 | | |
| **Net Profit** | **559** | **632** | **688** | **719** | **745** | **578** | **1,066** | **1,364** | **615** | **(17.4)** | **(54.9)** |
| Q-o-Q gr. (%) | (23.7) | 13.1 | 8.8 | 4.5 | 3.6 | (22.4) | 84.3 | 28.0 | (54.9) | | |
| PAT Margin (%) | 16.7 | 18.1 | 17.8 | 17.1 | 18.2 | 13.4 | 18.6 | 19.5 | 12.3 | | |
| EPS | 11.3 | 12.8 | 13.9 | 15.2 | 15.0 | 11.7 | 21.5 | 27.5 | 12.4 | (17.4) | (54.9) |

| Segment revenues (Rs mn) | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q1FY22 | Q1FY24 | YoY(%) | QoQ(%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| HPP | 1,150 | 1,200 | 1,550 | 1,510 | 1,520 | 2,110 | 2,530 | 1,150 | 1,690 | 11.2 | (41.5) |
| Specialty Chemicals | 1,330 | 1,220 | 1,520 | 1,590 | 1,760 | 1,770 | 1,860 | 1,330 | 2,300 | 30.7 | 12.7 |
| CRAMS | 670 | 820 | 600 | 880 | 590 | 390 | 1,250 | 670 | 930 | 57.6 | (54.2) |
| **Total** | **3,150** | **3,240** | **3,670** | **3,980** | **3,870** | **4,270** | **5,640** | **3,150** | **4,920** | **27.1** | **(29.3)** |

Source: Company, Centrum Broking

## P&L

| YE Mar (Rs mn) | FY21A | FY22A | FY23A | FY24E | FY25E |
|---|---|---|---|---|---|
| **Revenues** | **11,794** | **14,534** | **20,774** | **27,182** | **35,093** |
| Operating Expense | 5,374 | 6,656 | 8,960 | 11,588 | 14,715 |
| Employee cost | 1,417 | 1,815 | 2,494 | 3,217 | 3,957 |
| Others | 1,910 | 2,514 | 3,817 | 4,893 | 6,317 |
| **EBITDA** | **3,093** | **3,548** | **5,503** | **7,484** | **10,104** |
| Depreciation & Amortisation | 442 | 479 | 626 | 1,000 | 1,298 |
| **EBIT** | **2,651** | **3,069** | **4,877** | **6,483** | **8,806** |
| Interest expenses | 18 | 19 | 275 | 822 | 787 |
| Other income | 790 | 392 | 357 | 250 | 350 |
| **PBT** | **3,423** | **3,442** | **4,959** | **5,912** | **8,370** |
| Taxes | 1,108 | 812 | 1,207 | 1,380 | 1,845 |
| Effective tax rate (%) | 32.4 | 23.6 | 24.3 | 23.3 | 22.0 |
| **PAT** | **2,315** | **2,631** | **3,752** | **4,532** | **6,525** |
| Minority/Associates | 105 | 0 | 0 | 0 | 0 |
| **Recurring PAT** | **2,420** | **2,631** | **3,752** | **4,532** | **6,525** |
| Extraordinary items | 155 | 0 | 0 | 0 | 0 |
| **Reported PAT** | **2,575** | **2,631** | **3,752** | **4,532** | **6,525** |

## Ratios

| YE Mar | FY21A | FY22A | FY23A | FY24E | FY25E |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Revenue | 11.1 | 23.2 | 42.9 | 30.8 | 29.1 |
| EBITDA | 17.4 | 14.7 | 55.1 | 36.0 | 35.0 |
| Adj. EPS | (40.8) | 8.7 | 42.6 | 20.8 | 44.0 |
| **Margins (%)** | | | | | |
| Gross | 54.4 | 54.2 | 56.9 | 57.4 | 58.1 |
| EBITDA | 26.2 | 24.4 | 26.5 | 27.5 | 28.8 |
| EBIT | 22.5 | 21.1 | 23.5 | 23.9 | 25.1 |
| Adjusted PAT | 20.5 | 18.1 | 18.1 | 16.7 | 18.6 |
| **Returns (%)** | | | | | |
| ROE | 15.9 | 15.1 | 18.6 | 19.0 | 22.7 |
| ROCE | 15.3 | 14.8 | 15.9 | 15.0 | 17.6 |
| ROIC | 15.5 | 12.3 | 12.0 | 13.0 | 16.0 |
| **Turnover (days)** | | | | | |
| Gross block turnover ratio (x) | 2.4 | 2.7 | 1.2 | 1.1 | 1.2 |
| Debtors | 78 | 81 | 81 | 84 | 82 |
| Inventory | 115 | 120 | 148 | 159 | 143 |
| Creditors | 70 | 70 | 79 | 79 | 70 |
| Net working capital | 308 | 161 | 183 | 171 | 138 |
| **Solvency (x)** | | | | | |
| Net debt-equity | (0.3) | 0.0 | 0.4 | 0.4 | 0.3 |
| Interest coverage ratio | 168.1 | 186.7 | 20.0 | 9.1 | 12.8 |
| Net debt/EBITDA | (1.8) | 0.0 | 1.5 | 1.5 | 1.0 |
| **Per share (Rs)** | | | | | |
| Adjusted EPS | 48.8 | 53.1 | 75.7 | 91.5 | 131.7 |
| BVPS | 329.8 | 372.2 | 441.0 | 521.9 | 638.2 |
| CEPS | 57.8 | 62.8 | 88.4 | 111.7 | 157.9 |
| DPS | 8.0 | 12.0 | 11.0 | 10.5 | 15.3 |
| Dividend payout (%) | 15.4 | 22.6 | 14.5 | 11.5 | 11.6 |
| **Valuation (x)** | | | | | |
| P/E | 93.0 | 85.5 | 60.0 | 49.6 | 34.5 |
| P/BV | 13.8 | 12.2 | 10.3 | 8.7 | 7.1 |
| EV/EBITDA | 71.0 | 63.4 | 42.4 | 31.6 | 23.3 |
| Dividend yield (%) | 0.2 | 0.3 | 0.2 | 0.2 | 0.3 |

Source: Company, Centrum Broking

## Balance sheet

| YE Mar (Rs mn) | FY21A | FY22A | FY23A | FY24E | FY25E |
|---|---|---|---|---|---|
| Equity share capital | 99 | 99 | 99 | 99 | 99 |
| Reserves & surplus | 16,240 | 18,343 | 21,750 | 25,760 | 31,526 |
| Shareholders fund | 16,339 | 18,442 | 21,850 | 25,859 | 31,625 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Total debt | 25 | 1,045 | 8,487 | 12,487 | 10,987 |
| Non Current Liabilities | 409 | 372 | 350 | 350 | 350 |
| Def tax liab. (net) | 207 | 201 | 348 | 348 | 348 |
| **Total liabilities** | **16,981** | **20,060** | **31,033** | **39,043** | **43,309** |
| Gross block | 4,882 | 5,475 | 16,952 | 23,652 | 28,652 |
| Less: acc. Depreciation | (1,346) | (1,699) | (2,233) | (3,227) | (4,516) |
| Net block | 3,537 | 3,776 | 14,718 | 20,425 | 24,136 |
| Capital WIP | 949 | 7,421 | 2,786 | 2,786 | 2,786 |
| Net fixed assets | 5,379 | 12,087 | 18,405 | 24,114 | 27,826 |
| Non Current Assets | 972 | 916 | 1,591 | 1,591 | 1,591 |
| Investments | 677 | 659 | 636 | 636 | 636 |
| Inventories | 1,804 | 2,575 | 4,681 | 5,410 | 6,131 |
| Sundry debtors | 2,841 | 3,577 | 5,615 | 6,970 | 8,773 |
| Cash & Cash Equivalents | 5,439 | 958 | 348 | 955 | 474 |
| Loans & advances | 0 | 5 | 0 | 0 | 0 |
| Other current assets | 1,864 | 3,077 | 4,017 | 3,767 | 2,767 |
| Trade payables | 1,074 | 1,465 | 2,435 | 2,575 | 3,066 |
| Other current liab. | 879 | 2,275 | 1,745 | 1,745 | 1,745 |
| Provisions | 42 | 54 | 80 | 80 | 80 |
| Net current assets | 9,953 | 6,398 | 10,402 | 12,702 | 13,256 |
| **Total assets** | **16,981** | **20,060** | **31,033** | **39,043** | **43,309** |

## Cashflow

| YE Mar (Rs mn) | FY21A | FY22A | FY23A | FY24E | FY25E |
|---|---|---|---|---|---|
| Profit Before Tax | 3,578 | 3,442 | 4,959 | 5,912 | 8,370 |
| Depreciation & Amortisation | 442 | 479 | 626 | 1,000 | 1,298 |
| Net Interest | 18 | 19 | 275 | 822 | 787 |
| Net Change – WC | (4,309) | 3,012 | (4,603) | (1,693) | (1,034) |
| Direct taxes | (1,194) | (818) | (1,061) | (1,380) | (1,845) |
| **Net cash from operations** | **(2,305)** | **5,742** | **(161)** | **4,411** | **7,226** |
| Capital expenditure | (795) | (7,065) | (6,847) | (6,710) | (5,010) |
| Acquisitions, net | 0 | 0 | 0 | 0 | 0 |
| Investments | 11 | 11 | 11 | 0 | 0 |
| Others | 790 | 392 | 357 | 250 | 350 |
| **Net cash from investing** | **7** | **(6,662)** | **(6,479)** | **(6,460)** | **(4,660)** |
| **FCF** | **(2,298)** | **(920)** | **(6,639)** | **(2,049)** | **2,566** |
| Issue of share capital | 0 | 0 | 0 | 0 | 0 |
| Increase/(decrease) in debt | 11 | 1,020 | 7,442 | 4,000 | (1,500) |
| Dividend paid | (396) | (545) | (545) | (522) | (760) |
| Interest paid | (18) | (19) | (275) | (822) | (787) |
| Others | 2,252 | (97) | (595) | 0 | 0 |
| **Net cash from financing** | **1,849** | **359** | **6,026** | **2,656** | **(3,046)** |
| Net change in Cash | (449) | (561) | (613) | 607 | (481) |

Source: Company, Centrum Broking

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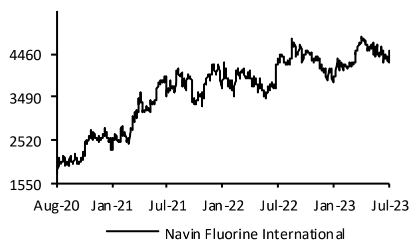


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