

Camlin Fine Sciences (CFIN)

Chemicals | 4QFY24 Result Update

BUY

CMP: Rs97 | Target Price (TP): Rs130 | Upside: 34%

May 21, 2024

Pain continues

Key Points

- CFIN's overall 4QFY24 earnings performance came significantly below our and consensus estimates. EBITDA loss of Rs133mn came on the back of demand pressure in the ex-Blends portfolio and pricing erosion (inventory write down of Rs368mn).
- Vanillin, one of the major earnings driver for CFIN, has been facing significant pricing pressure due to increased competition from China. Catechol prices have also fallen further. Blends business has been the clear outperformer for CFIN which was up ~43% YoY in 4QFY24 & FY24.
- CFIN's earnings and return ratios can improve only if the overall pricing scenario improves and the company executes well on Vanillin, potential MPP at Italy. Maintain Buy with a revised TP of Rs130 (15x PE on FY26E)

4QFY24 performance update: CFIN's revenue came 6% lower YoY on account of subdued demand environment, closure of CFS Europe facility (Aug'23), pricing erosion (mainly in Vanillin and Catechol) and slower ramp up of the Vanillin plant. Underperformance of all other segments has masked the strong performance from the Blends business (up 43% YoY) during 4QFY24. Inventory write down pertaining to price decline in Vanillin and Catechol of Rs368mn, led to loss at the EBITDA level. CFIN has also booked impairment loss totalling to Rs498mn pertaining to 1) Wanglong plant related assets, inventory etc. 2) Write down of unique catalyst and inventory of Italy factory as CFIN is planning to manufacture new products there.

Segment-wise and region-wise update: During the quarter, Performance Chemicals witnessed the maximum decline in revenue of 50% YoY on account of Italy closure and overall price decline. However, sequentially, revenue came higher by ~45%. The Blends business remains an exception (revenue up 43%YoY but down 2% QoQ) as it continued its strong growth trajectory in the last few quarters. The Shelf life solutions business declined by 4%/5% YoY/QoQ. The Aroma segment's revenue was weak on lower than expected scale up in the Vanillin plant. India business revenue was flat YoY; however was up 25% QoQ. Standalone EBITDA fell significantly. Overseas revenue grew by 10%/2% YoY/QoQ.

Back ended recovery in FY25: The management expects the Vanillin plant to operate at ~40% utilisation during FY25 wherein the revenue potential could be Rs1.9bn at current pricing. For the overall portfolio, while it expects the pricing to normalise for HQ and downstream products in the 2HFY25 led by Agrochemicals recovery, catechol and derivatives (including Vanillin) should take longer for price improvement. Overall EBITDA is expected at Rs2bn for FY25. Debt level is expected to be at the same level like that of FY24.

Valuation: We cut our TP by 13% after downward revision of earnings and valuation multiple (15x PE vs 18x earlier). Maintain Buy.

| | |
|---------------|-----------|
| Est Change | Downward |
| TP Change | Downward |
| Rating Change | No change |

Company Data and Valuation Summary

| | |
|-------------------------------------|--------------------------|
| Reuters: | CAMF.BO |
| Bloomberg: | CFIN IN Equity |
| Mkt Cap (Rsbn/US\$mn): | 16.2 / 194.1 |
| 52 Wk H / L (Rs): | 186 / 88 |
| ADTV-3M (mn) (Rs/US\$): | 111.1 / 1.3 |
| Stock performance (%) 1M/6M/1yr: | (10.7) / (25.3) / (43.9) |
| Nifty 50 performance (%) 1M/6M/1yr: | 1.7 / 1.8 / 22.8 |

| Shareholding | 2QFY24 | 3QFY24 | 4QFY24 |
|--------------|--------|--------|--------|
| Promoters | 48.0 | 48.0 | 48.0 |
| DII's | 3.9 | 3.8 | 4.5 |
| FII's | 1.6 | 1.0 | 1.7 |
| Others | 46.5 | 47.2 | 45.7 |
| Pro pledge | 0.0 | 0.0 | 33.2 |

Financial and Valuation Summary

| Particulars (Rsmn) | FY23 | FY24 | FY25E | FY26E |
|--------------------|--------|---------|---------|--------|
| Net Sales | 16,816 | 16,131 | 19,108 | 24,336 |
| Growth YoY% | 19.1 | (4.1) | 18.5 | 27.4 |
| Gross margin % | 51.6 | 43.4 | 51.4 | 52.0 |
| EBITDA | 2,053 | 739 | 2,003 | 3,368 |
| EBITDA margin % | 12.2 | 4.6 | 10.5 | 13.8 |
| Adj PAT | 569 | (401) | 425 | 1,454 |
| Growth YoY% | (6.2) | (170.5) | (205.8) | 242.3 |
| Adj EPS | 3.6 | (2.4) | 2.5 | 8.7 |
| RoCE (pre-tax) % | 9.6 | (0.3) | 7.9 | 16.1 |
| RoCE % | 4.8 | (0.3) | 6.1 | 11.9 |
| RoE % | 7.3 | (4.8) | 4.8 | 14.8 |
| P/E | 26.8 | (40.5) | 38.2 | 11.2 |
| EV/EBITDA | 10.8 | 28.1 | 10.4 | 6.1 |
| P/BV | 1.9 | 1.8 | 1.7 | 1.4 |

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links –

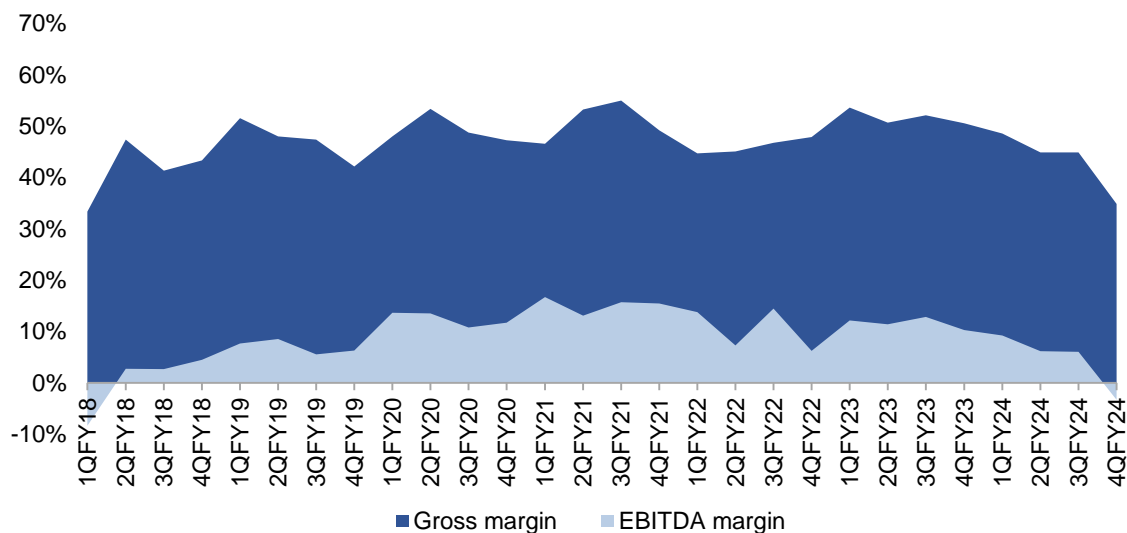
[4QFY24 Presentation](#)

Please refer to the disclaimer towards the end of the document.

Exhibit 1: 4QFY24 consolidated performance

| Particulars (Rsmn) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24 | 3Q24 | 4Q24 | FY23 | FY24 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Net Sales | 3,838 | 4,832 | 3,878 | 4,267 | 4,196 | 4,059 | 3,859 | 4,017 | 16,816 | 16,131 |
| YoY Change (%) | 16.0 | 55.3 | 1.8 | 9.6 | 9.3 | -16.0 | -0.5 | -5.9 | 19.1 | -4.1 |
| Gross Profit | 2,056 | 2,448 | 2,022 | 2,157 | 2,038 | 1,823 | 1,733 | 1,401 | 8,683 | 6,994 |
| Margin (%) | 53.6 | 50.7 | 52.1 | 50.6 | 48.6 | 44.9 | 44.9 | 34.9 | 51.6 | 43.4 |
| EBITDA | 466 | 552 | 498 | 438 | 387 | 251 | 233 | -133 | 2,053 | 739 |
| YoY Change (%) | 2.3 | 143.0 | -9.8 | 80.1 | -17.0 | -54.5 | -53.1 | -130.2 | 34.3 | -64.0 |
| Margin (%) | 12.1 | 11.4 | 12.8 | 10.3 | 9.2 | 6.2 | 6.0 | -3.3 | 12.2 | 4.6 |
| Depreciation | 144 | 140 | 162 | 179 | 188 | 192 | 206 | 200 | 625 | 786 |
| Interest | 187 | 184 | 115 | 98 | 102 | 198 | 141 | 162 | 585 | 603 |
| Other income | 10 | 29 | 98 | 20 | 64 | 18 | 17 | 58 | 58 | 156 |
| Extraordinary Items | - | - | - | -97 | - | - | - | -498 | -97 | 498 |
| PBT (bei) | 145 | 256 | 318 | 181 | 161 | -121 | -97 | -437 | 901 | -494 |
| PBT | 145 | 256 | 318 | 84 | 161 | -121 | -97 | -935 | 804 | -992 |
| Tax | 109 | 157 | 89 | 49 | 41 | 87 | 45 | -117 | 406 | 56 |
| ETR (%) | 75.3 | 61.5 | 28.1 | 58.7 | 25.3 | -72.4 | -46.7 | 12.5 | 50.5 | -5.7 |
| Reported PAT | 59 | 130 | 240 | 92 | 156 | -194 | -118 | -771 | 521 | -928 |
| Adj. PAT | 59 | 130 | 240 | 132 | 156 | -194 | -118 | -336 | 569 | -401 |
| YoY Change (%) | -73.5 | -335.3 | -16.3 | -39.5 | 162.6 | -248.9 | -149.0 | -942.1 | -6.2 | -170.5 |
| Adj. EPS | 0.5 | 1.1 | 2.0 | 0.6 | 0.9 | -1.2 | -0.7 | -4.6 | 3.6 | -2.4 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Consolidated Gross margin & EBITDA margin quarterly trend


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Quarterly segment-wise and subsidiary-wise performance

| Consol revenue mix (%) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Performance Chemicals | 37% | 44% | 43% | 36% | 44% | 43% | 42% | 35% | 43% | 36% | 23% | 17% | 23% |
| Blends | 27% | 25% | 31% | 32% | 28% | 32% | 27% | 33% | 30% | 38% | 48% | 49% | 46% |
| Shelf Life Extension | 24% | 24% | 24% | 31% | 27% | 24% | 30% | 30% | 25% | 23% | 26% | 28% | 25% |
| Aroma | 12% | 2% | 1% | 1% | 0% | 1% | 0% | 0% | 0% | 2% | 1% | 2% | 4% |
| Others | 0% | 5% | 1% | 0% | 0% | 1% | 1% | 2% | 1% | 0% | 3% | 5% | 1% |
| | | | | | | | | | | | | | |
| Consol revenue (Rsmn) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
| Performance Chemicals | 1,183 | 1,476 | 1,331 | 1,377 | 1,687 | 1,636 | 2,021 | 1,369 | 1,855 | 1,511 | 923 | 638 | 928 |
| Blends | 850 | 909 | 971 | 1,208 | 1,086 | 1,243 | 1,296 | 1,274 | 1,291 | 1,608 | 1,957 | 1,890 | 1,843 |
| Shelf Life Extension | 753 | 809 | 759 | 1,192 | 1,056 | 913 | 1,450 | 1,156 | 1,058 | 979 | 1,043 | 1,073 | 1,017 |
| Aroma | 386 | 64 | 32 | 25 | 14 | 21 | 9 | 10 | 14 | 78 | 31 | 63 | 174 |
| Others | -1 | 50 | 19 | 6 | -1 | 25 | 56 | 69 | 49 | 20 | 105 | 195 | 55 |
| Total | 3,171 | 3,308 | 3,112 | 3,808 | 3,842 | 3,838 | 4,832 | 3,878 | 4,267 | 4,196 | 4,059 | 3,859 | 4,017 |
| | | | | | | | | | | | | | |
| Growth YoY (%) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
| Performance Chemicals | 39% | 66% | 93% | 84% | 43% | 11% | 52% | -1% | 10% | -8% | -54% | -53% | -50% |
| Blends | -6% | 6% | 35% | 31% | 28% | 37% | 33% | 5% | 19% | 29% | 51% | 48% | 43% |
| Shelf Life Extension | 26% | 10% | 4% | 73% | 40% | 13% | 91% | -3% | 0% | 7% | -28% | -7% | -4% |
| Aroma | -11% | -88% | -92% | -96% | -96% | -67% | -72% | -60% | 0% | 271% | 244% | 530% | 1143% |
| Others | -101% | 64% | -25% | -79% | 0% | -51% | 194% | 1022% | -5008% | -19% | 86% | 181% | 12% |
| Total | 8% | 8% | 21% | 28% | 21% | 16% | 55% | 2% | 11% | 9% | -16% | -1% | -6% |
| | | | | | | | | | | | | | |
| Subs Revenue break-up (%) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
| CFS India | 42% | 40% | 39% | 48% | 45% | 37% | 45% | 42% | 48% | 33% | 42% | 41% | 46% |
| Global | 58% | 60% | 61% | 52% | 55% | 63% | 55% | 58% | 52% | 67% | 58% | 59% | 54% |
| CFS Europe | 25% | 29% | 31% | 21% | 30% | 31% | 29% | 24% | 22% | 23% | 9% | 7% | 9% |
| CFS Mexico | 17% | 21% | 21% | 22% | 17% | 21% | 17% | 21% | 19% | 24% | 25% | 29% | 25% |
| CFS Brazil | 5% | 6% | 6% | 5% | 6% | 6% | 6% | 7% | 5% | 8% | 9% | 8% | 8% |
| CFS Wanglong | 9% | - | - | - | - | - | - | - | - | - | - | - | - |
| CFS North America | 2% | 5% | 3% | 3% | 2% | 4% | 3% | 6% | 6% | 12% | 14% | 15% | 13% |
| | | | | | | | | | | | | | |
| Subs Revenue break-up (Rsmn) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
| CFS India | 1,685 | 1,457 | 1,382 | 2,002 | 2,014 | 1,554 | 2,400 | 1,727 | 2,182 | 1,611 | 1,994 | 1,763 | 2,203 |
| Global | 2,326 | 2,181 | 2,197 | 2,142 | 2,495 | 2,660 | 2,943 | 2,415 | 2,374 | 3,289 | 2,698 | 2,547 | 2,610 |
| CFS Europe | 996 | 1,060 | 1,117 | 874 | 1,343 | 1,323 | 1,552 | 993 | 1,015 | 1,124 | 422 | 311 | 413 |
| CFS Mexico | 695 | 751 | 762 | 913 | 772 | 899 | 899 | 884 | 849 | 1,169 | 1,192 | 1,244 | 1,217 |
| CFS Brazil | 218 | 203 | 197 | 221 | 282 | 266 | 330 | 291 | 240 | 390 | 413 | 336 | 361 |
| CFS Wanglong | 347 | - | - | - | - | - | - | - | - | - | - | - | - |
| CFS North America | 70 | 167 | 121 | 134 | 98 | 172 | 162 | 247 | 270 | 606 | 671 | 656 | 619 |
| Less: Implied inter-party transactions | 840 | 330 | 467 | 336 | 667 | 376 | 511 | 264 | 289 | 704 | 633 | 451 | 796 |
| Total Revenue | 3,171 | 3,308 | 3,112 | 3,808 | 3,842 | 3,838 | 4,832 | 3,878 | 4,267 | 4,196 | 4,059 | 3,859 | 4,017 |
| | | | | | | | | | | | | | |
| Growth YoY (%) | 4QFY21 | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 |
| CFS India | 21% | 20% | -6% | 22% | 20% | 7% | 74% | -14% | 8% | 4% | -17% | 2% | 1% |
| Global | 15% | -19% | 3% | -4% | 7% | 22% | 34% | 13% | -5% | 24% | -8% | 5% | 10% |
| CFS Europe | 35% | -5% | 17% | 25% | 35% | 25% | 39% | 14% | -24% | -15% | -73% | -69% | -59% |
| CFS Mexico | -7% | 4% | 26% | 29% | 11% | 20% | 18% | -3% | 10% | 30% | 33% | 41% | 43% |
| CFS Brazil | 24% | 29% | 24% | 21% | 29% | 31% | 68% | 32% | -15% | 47% | 25% | 15% | 50% |
| CFS Wanglong | 19% | - | - | - | - | - | - | - | - | - | - | - | - |
| CFS North America | -8% | 90% | 25% | 70% | 40% | 3% | 34% | 84% | 176% | 252% | 314% | 166% | 129% |
| Less: Implied inter-party transactions | 69% | -60% | -54% | -63% | -21% | 14% | 9% | -21% | -57% | 87% | 24% | 71% | 176% |
| Total Revenue | 8% | 8% | 21% | 28% | 21% | 16% | 55% | 2% | 11% | 9% | -16% | -1% | -6% |

Source: Company, Nirmal Bang Institutional Equities Research

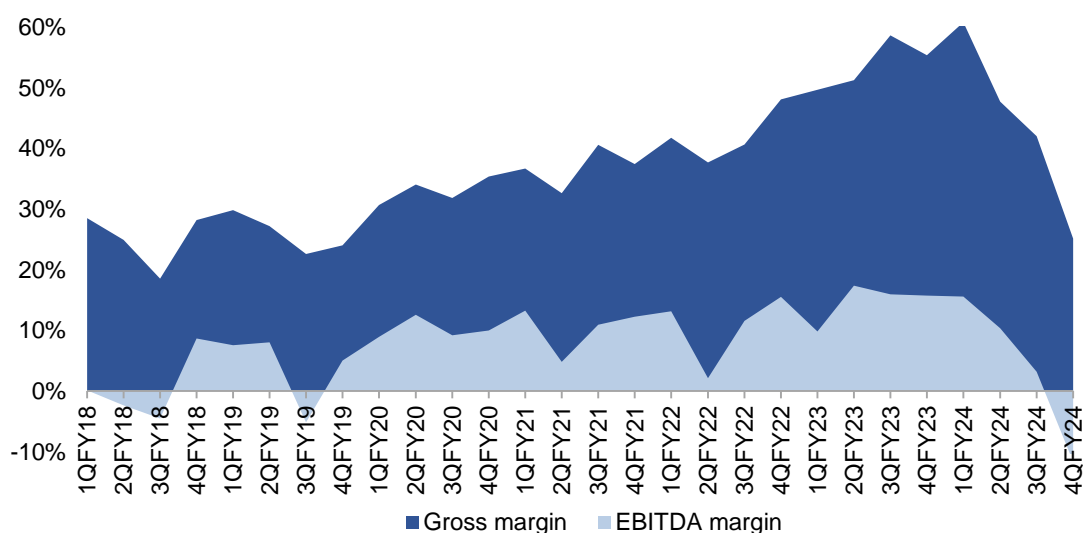
Exhibit 4: 4QFY24 standalone performance

| Particulars (Rs mn) | 4QFY23 | 3QFY24 | 4QFY24 | YoY% | QoQ% | FY23 | FY24 | YoY% |
|---------------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|----------------|
| Net Sales | 2,182 | 1,856 | 2,203 | 1.0% | 18.7% | 7,894 | 7,733 | -2.0% |
| COGS | 975 | 1,076 | 1,650 | 69.3% | 53.3% | 3,657 | 4,437 | 21.3% |
| Gross Profit | 1,207 | 780 | 553 | -54.2% | -29.1% | 4,237 | 3,296 | -22.2% |
| Staff costs | 165 | 162 | 165 | 0.2% | 1.9% | 597 | 659 | 10.4% |
| Other expenses | 699 | 559 | 644 | -7.8% | 15.3% | 2,447 | 2,370 | -3.2% |
| Total expenses | 1,839 | 1,797 | 2,460 | 33.8% | 36.9% | 6,701 | 7,466 | 11.4% |
| EBITDA | 343 | 59 | -256 | -174.8% | -535.7% | 1,193 | 267 | -77.6% |
| Depreciation | 107 | 124 | 128 | 19.3% | 3.1% | 328 | 494 | 50.5% |
| EBIT | 236 | -65 | -384 | -263.0% | 490.0% | 865 | -227 | -126.3% |
| Interest | 134 | 133 | 139 | 3.7% | 4.3% | 569 | 543 | -4.6% |
| Other income | 12 | 21 | 56 | 348.4% | 161.2% | 371 | 193 | -47.9% |
| Exceptional items | - | - | -19 | - | - | - | -19 | #DIV/0! |
| PBT (bei) | 114 | -177 | -468 | -508.9% | 164.3% | 666 | -577 | -186.6% |
| PBT | 114 | -177 | -487 | -525.7% | 175.2% | 666 | -596 | -189.5% |
| Tax | 36 | -60 | -46 | -226.9% | -23.8% | 191 | -82 | -143.2% |
| PAT | 78 | -116 | -441 | -664.8% | 278.6% | 476 | -514 | -208.1% |
| Adj. PAT | 78 | -116 | -423 | -642.4% | 263.6% | 476 | -496 | -204.4% |
| EPS | 0.5 | -0.7 | -2.6 | -629.7% | 278.6% | 3.8 | -3.1 | -181.3% |

| Margins (%) | 4QFY23 | 3QFY24 | 4QFY24 | YoY% | QoQ% | FY23 | FY24 | YoY% |
|---------------|--------|--------|--------|-----------|-----------|-------|-------|-----------|
| Gross margin | 55.3% | 42.0% | 25.1% | -3,022bps | -1,691bps | 53.7% | 42.6% | -1,105bps |
| EBITDA margin | 15.7% | 3.2% | -11.6% | -2,736bps | -1,481bps | 15.1% | 3.5% | -1,166bps |
| EBIT margin | 10.8% | -3.5% | -17.4% | -2,825bps | -1,393bps | 11.0% | -2.9% | -1,389bps |
| PBT margin | 5.2% | -9.4% | -21.6% | -2,676bps | -1,213bps | 8.4% | -7.7% | -1,615bps |
| PAT margin | 3.6% | -6.2% | -19.5% | -2,307bps | -1,331bps | 6.0% | -6.4% | -1,244bps |

| Common Size | 4QFY23 | 3QFY24 | 4QFY24 | YoY% | QoQ% | FY23 | FY24 | YoY% |
|----------------|--------|--------|--------|-----------|-----------|-------|-------|-----------|
| COGS | 44.7% | 58.0% | 74.9% | 3,022bps | 1,691bps | 46.3% | 57.4% | 1,105bps |
| Staff costs | 7.6% | 8.7% | 7.5% | -6bps | -123bps | 7.6% | 8.5% | 96bps |
| Other expenses | 32.0% | 30.1% | 29.2% | -280bps | -87bps | 31.0% | 30.6% | -36bps |
| Depreciation | 4.9% | 6.7% | 5.8% | 89bps | -88bps | 4.2% | 6.4% | 223bps |
| Interest | 6.1% | 7.2% | 6.3% | 16bps | -87bps | 7.2% | 7.0% | -19bps |
| Other income | 0.6% | 1.1% | 2.5% | 195bps | 137bps | 4.7% | 2.5% | -220bps |
| ETR | 31.8% | 34.2% | 9.5% | -2,229bps | -2,472bps | 28.6% | 13.8% | -1,480bps |

Source: Company, Nirmal Bang Institutional EquitiesResearch

Exhibit 5: Standalone Gross margin & EBITDA margin quarterly trend


Source: Company, Nirmal Bang Institutional EquitiesResearch

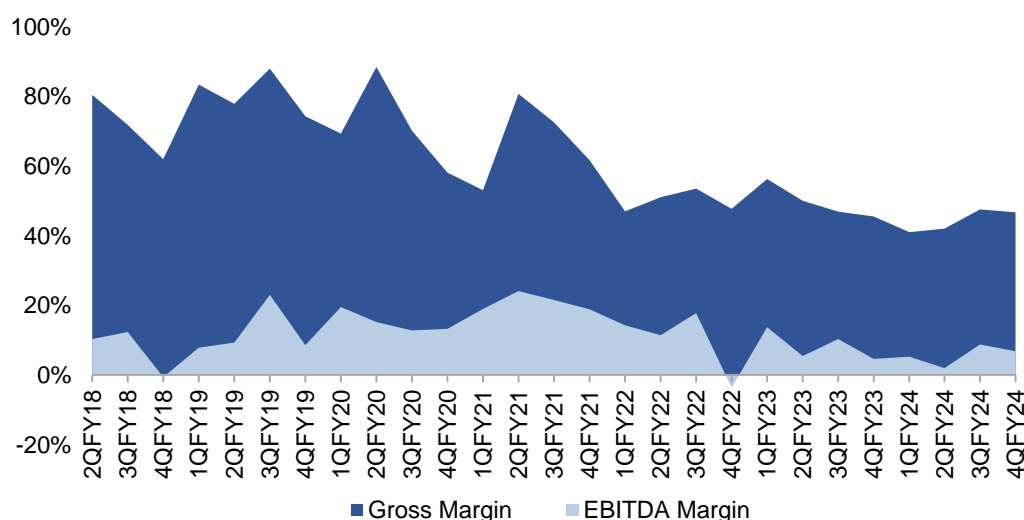
Exhibit 6: 4QFY24 Implied Subsidiaries' performance

| Particulars (Rs mn) | 4QFY23 | 3QFY24 | 4QFY24 | YoY% | QoQ% | FY23 | FY24 | YoY% |
|---------------------|--------------|--------------|--------------|---------------|-----------------|--------------|--------------|---------------|
| Net Sales | 2,085 | 2,003 | 1,814 | -13.0% | -9.4% | 8,921 | 8,398 | -5.9% |
| COGS | 1,135 | 1,050 | 966 | -14.9% | -8.0% | 4,475 | 4,700 | 5.0% |
| Gross Profit | 950 | 953 | 847 | -10.8% | -11.1% | 4,446 | 3,698 | -16.8% |
| Staff costs | 243 | 293 | 296 | 21.8% | 1.3% | 1,029 | 1,128 | 9.6% |
| Other expenses | 612 | 486 | 427 | -30.2% | -12.1% | 2,656 | 2,098 | -21.0% |
| Total expenses | 1,990 | 1,828 | 1,690 | -15.1% | -7.6% | 8,160 | 7,926 | -2.9% |
| EBITDA | 95 | 174 | 124 | 30.1% | -28.9% | 761 | 472 | -37.9% |
| Depreciation | 72 | 82 | 73 | 0.7% | -11.2% | 297 | 292 | -1.6% |
| EBIT | 23 | 93 | 51 | 121.9% | -44.6% | 464 | 180 | -61.2% |
| Interest | -36 | 8 | 23 | -163.7% | 173.7% | 16 | 60 | 282.7% |
| Other income | 8 | -5 | 2 | -72.1% | -145.9% | -214 | -38 | -82.4% |
| Exceptional items | -97 | - | -479 | 394.7% | - | -97 | -479 | 394.7% |
| PBT (bei) | 67 | 80 | 31 | -54.3% | -61.7% | 234 | 83 | -64.7% |
| PBT | -30 | 80 | -448 | 1390.6% | -663.2% | 138 | -396 | -388.1% |
| Tax | 13 | 106 | -71 | -640.0% | -167.1% | 215 | 139 | -35.5% |
| PAT | 14 | -1 | -331 | -2535.8% | 22767.6% | 46 | -414 | -1001.6% |
| Adj. PAT | 54 | -1 | 87 | 63.4% | -6150.4% | 86 | 5 | -94.7% |
| EPS | 0.1 | -0.0 | -2.0 | -2390.6% | 22713.6% | 0.4 | -2.5 | -800.6% |

| Margins (%) | 4QFY23 | 3QFY24 | 4QFY24 | YoY% | QoQ% | FY23 | FY24 | YoY% |
|---------------|--------|--------|--------|-----------|-----------|-------|-------|---------|
| Gross margin | 45.6% | 47.6% | 46.7% | 116bps | -85bps | 49.8% | 44.0% | -579bps |
| EBITDA margin | 4.6% | 8.7% | 6.8% | 227bps | -187bps | 8.5% | 5.6% | -291bps |
| EBIT margin | 1.1% | 4.6% | 2.8% | 172bps | -179bps | 5.2% | 2.1% | -306bps |
| PBT margin | -1.4% | 4.0% | -24.7% | -2,325bps | -2,867bps | 1.5% | -4.7% | -626bps |
| PAT margin | 2.6% | -0.1% | 4.8% | 226bps | 489bps | 1.0% | 0.1% | -91bps |

| Common Size | 4QFY23 | 3QFY24 | 4QFY24 | YoY% | QoQ% | FY23 | FY24 | YoY% |
|----------------|--------|--------|--------|----------|------------|--------|--------|------------|
| COGS | 54.4% | 52.4% | 53.3% | -116bps | 85bps | 50.2% | 56.0% | 579bps |
| Staff costs | 11.7% | 14.6% | 16.3% | 467bps | 173bps | 11.5% | 13.4% | 190bps |
| Other expenses | 29.3% | 24.3% | 23.6% | -578bps | -71bps | 29.8% | 25.0% | -478bps |
| Depreciation | 3.5% | 4.1% | 4.0% | 54bps | -8bps | 3.3% | 3.5% | 15bps |
| Interest | -1.7% | 0.4% | 1.3% | 299bps | 85bps | 0.2% | 0.7% | 54bps |
| Other income | 0.4% | -0.2% | 0.1% | -25bps | 35bps | -2.4% | -0.4% | 195bps |
| ETR | -43.8% | 133.1% | 15.9% | 5,966bps | -11,726bps | 156.3% | -35.0% | -19,135bps |

Source: Company, Nirmal Bang Institutional EquitiesResearch

Exhibit 7: Subsidiaries' Gross margin & EBITDA margin quarterly trend


Source: Company, Nirmal Bang Institutional EquitiesResearch

Exhibit 8: Actual performance v/s NBIE & Consensus estimates

| Standalone (Rsmn) | 4QFY24 | 4QFY24e (NBIE) | Variance | 4QFY24e (Consensus) | Variance |
|-------------------|--------|----------------|----------|---------------------|-----------|
| Revenue | 4,017 | 3,840 | 5% | 4,004 | 0% |
| EBITDA | (133) | 230 | -158% | 328 | -140% |
| EBITDA margin % | -3.3% | 6.0% | -930bps | 8.2% | -1,148bps |
| PAT | (336) | (37) | na | 13 | -2786% |

Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 9: Change in earnings estimates

| Consolidated (Rsmn) | Old Estimates | | New estimates | | Change (%) | |
|---------------------|---------------|--------|---------------|--------|------------|-------|
| | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E |
| Revenue | 18,370 | 23,483 | 19,108 | 24,336 | 4% | 4% |
| EBITDA | 2,329 | 3,262 | 2,003 | 3,368 | -14% | 3% |
| EBITDA margin % | 12.7% | 13.9% | 10.5% | 13.8% | -220bps | -5bps |
| APAT | 869 | 1,548 | 425 | 1,454 | -51% | -6% |

Source: Nirmal Bang Institutional Equities Research

Financials

Exhibit 10: Income statement

| Y/E March (Rsmn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|---------------|---------------|----------------|----------------|---------------|
| Net Sales | 14,121 | 16,816 | 16,131 | 19,108 | 24,336 |
| Growth YoY% | 19.0 | 19.1 | (4.1) | 18.5 | 27.4 |
| COGS | 7,595 | 8,132 | 9,136 | 9,292 | 11,673 |
| Gross margin % | 46.2 | 51.6 | 43.4 | 51.4 | 52.0 |
| Staff costs | 1,450 | 1,626 | 1,787 | 2,020 | 2,673 |
| Other expenses | 3,547 | 5,004 | 4,468 | 5,793 | 6,622 |
| EBITDA | 1,528 | 2,053 | 739 | 2,003 | 3,368 |
| Growth YoY% | (16.0) | 34.3 | (64.0) | 170.9 | 68.2 |
| EBITDA margin % | 10.8 | 12.2 | 4.6 | 10.5 | 13.8 |
| Depreciation | 560 | 625 | 786 | 803 | 850 |
| EBIT | 968 | 1,428 | (47) | 1,199 | 2,518 |
| Interest | 358 | 585 | 603 | 828 | 858 |
| Other income | 330 | 58 | 156 | 24 | 138 |
| PBT (bei) | 940 | 901 | (494) | 396 | 1,798 |
| PBT | 940 | 804 | (992) | 396 | 1,798 |
| ETR | 36 | 50 | (6) | 23 | 26 |
| PAT | 607 | 521 | (928) | 425 | 1,454 |
| Adj PAT | 607 | 569 | (401) | 425 | 1,454 |
| Growth YoY% | 19.1 | (6.2) | (170.5) | (205.8) | 242.3 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Balance sheet

| Y/E March (Rsmn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Share Capital | 157 | 157 | 167 | 167 | 167 |
| Reserves & Other Equity | 7,322 | 8,037 | 8,480 | 8,905 | 10,358 |
| Net worth | 7,479 | 8,194 | 8,648 | 9,072 | 10,526 |
| Minority Interest | 171 | 47 | (78) | (78) | (78) |
| Long term debt | 3,876 | 4,081 | 3,327 | 2,630 | 2,630 |
| Short term debt | 2,349 | 3,715 | 3,249 | 3,249 | 3,249 |
| Total debt | 6,226 | 7,796 | 6,577 | 5,879 | 5,879 |
| Other non-current liabilities | 521 | 349 | 298 | 317 | 317 |
| Total Equity & Liabilities | 14,398 | 16,386 | 15,444 | 15,190 | 16,644 |
| Gross block | 6,712 | 10,028 | 10,411 | 10,831 | 11,651 |
| Accumulated depreciation | 1,894 | 2,503 | 3,289 | 4,092 | 4,942 |
| Net Block | 4,818 | 7,525 | 7,122 | 6,739 | 6,709 |
| CWIP | 2,147 | 408 | 456 | 250 | 200 |
| Intangible and others | 760 | 662 | 599 | 599 | 599 |
| Other non-current assets | 1,268 | 1,068 | 1,276 | 957 | 765 |
| Investments | 72 | 80 | 79 | 79 | 79 |
| Trade receivables | 2,997 | 3,046 | 2,852 | 3,493 | 4,449 |
| Inventories | 3,709 | 5,681 | 5,127 | 6,402 | 8,153 |
| Cash & Cash equivalents | 1,421 | 992 | 935 | 223 | 627 |
| Other current assets | 809 | 1,138 | 1,072 | 1,072 | 878 |
| Total current assets | 8,936 | 10,857 | 9,986 | 11,190 | 14,106 |
| Trade payables | 2,338 | 2,884 | 3,246 | 3,631 | 4,624 |
| Other current liabilities | 1,265 | 1,331 | 827 | 992 | 1,191 |
| Total current liabilities | 3,603 | 4,215 | 4,073 | 4,623 | 5,815 |
| Total Assets | 14,398 | 16,386 | 15,444 | 15,190 | 16,644 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Cash flow

| Y/E March (Rsmn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------------------|----------------|----------------|--------------|----------------|--------------|
| PBT | 940 | 804 | (992) | 396 | 1,798 |
| Depreciation | 560 | 625 | 786 | 803 | 850 |
| Interest | 358 | 585 | 603 | 828 | 858 |
| Other adjustments | (162) | 85 | 1,152 | 97 | (17) |
| Change in Working capital | 64 | (1,388) | 317 | (1,367) | (1,321) |
| Tax paid | (304) | (202) | (475) | (92) | (466) |
| Operating cash flow | 1,454 | 509 | 1,390 | 665 | 1,703 |
| Capex | (2,138) | (1,443) | (606) | (214) | (770) |
| Free cash flow | (683) | (934) | 784 | 451 | 933 |
| Other investing activities | (353) | 197 | (59) | 343 | 330 |
| Investing cash flow | (2,491) | (1,246) | (665) | 128 | (440) |
| Issuance of share capital | 948 | 5 | 6 | - | - |
| Movement of Debt | 761 | 1,331 | 252 | (697) | - |
| Dividend paid (incl DDT) | - | - | - | - | - |
| Other financing activities | (349) | (740) | (1,118) | (809) | (858) |
| Financing cash flow | 1,360 | 597 | (860) | (1,506) | (858) |
| Net change in cash flow | 323 | (141) | (135) | (712) | 404 |
| Opening C&CE | 755 | 1,078 | 937 | 935 | 223 |
| Closing C&CE | 1,078 | 937 | 935 | 223 | 627 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Key ratios

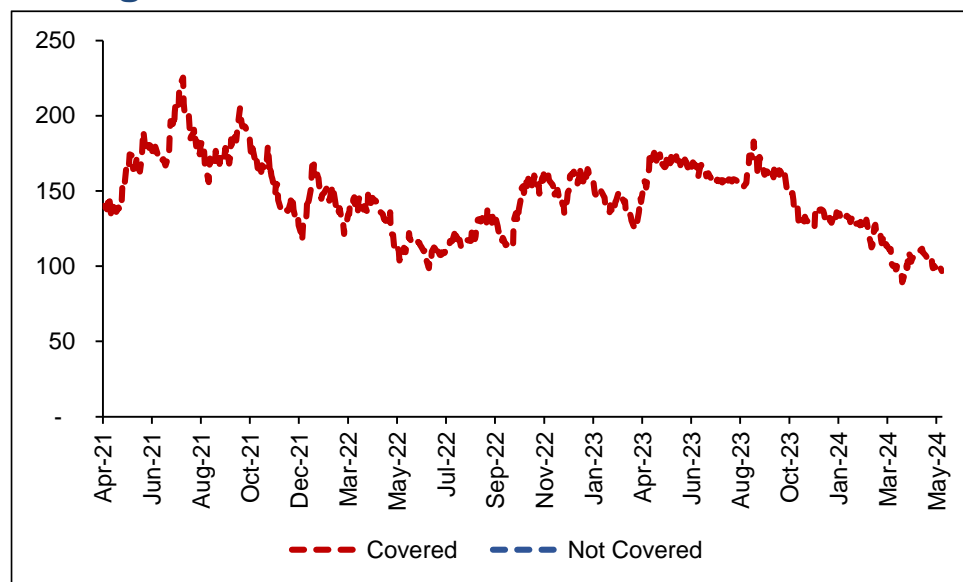
| Y/E March | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------|------|------|--------|-------|-------|
| Per share (Rs) | | | | | |
| Adj EPS | 3.9 | 3.6 | (2.4) | 2.5 | 8.7 |
| Book value | 47.6 | 52.2 | 55.1 | 57.8 | 67.1 |
| Valuation (x) | | | | | |
| P/Sales | 1.1 | 0.9 | 0.9 | 0.8 | 0.6 |
| EV/sales | 1.4 | 1.3 | 1.3 | 1.1 | 0.8 |
| EV/EBITDA | 13.2 | 10.8 | 28.1 | 10.4 | 6.1 |
| P/E | 25.1 | 26.8 | (40.5) | 38.2 | 11.2 |
| P/BV | 2.0 | 1.9 | 1.8 | 1.7 | 1.4 |
| Return ratios (%) | | | | | |
| RoCE | 4.9 | 4.8 | (0.3) | 6.1 | 11.9 |
| RoCE (pre-tax) | 7.6 | 9.6 | (0.3) | 7.9 | 16.1 |
| RoE | 8.7 | 7.3 | (4.8) | 4.8 | 14.8 |
| Profitability ratios (%) | | | | | |
| Gross margin | 46.2 | 51.6 | 43.4 | 51.4 | 52.0 |
| EBITDA margin | 10.8 | 12.2 | 4.6 | 10.5 | 13.8 |
| PAT margin | 4.2 | 3.4 | (2.5) | 2.2 | 5.9 |
| Liquidity ratios (%) | | | | | |
| Current ratio | 1.5 | 1.4 | 1.4 | 1.4 | 1.6 |
| Quick ratio | 0.9 | 0.7 | 0.7 | 0.6 | 0.7 |
| Solvency ratio (%) | | | | | |
| Debt to Equity ratio | 0.8 | 1.0 | 0.8 | 0.6 | 0.6 |
| Net Debt to Equity ratio | 0.6 | 0.8 | 0.7 | 0.6 | 0.5 |
| Turnover ratios | | | | | |
| Fixed asset turnover ratio (x) | 4.7 | 4.5 | 4.2 | 5.2 | 7.0 |
| Debtor days | 74 | 66 | 67 | 67 | 67 |
| Inventory days | 89 | 102 | 122 | 122 | 122 |
| Creditor days | 51 | 57 | 69 | 69 | 69 |
| Net Working capital days | 112 | 111 | 120 | 120 | 120 |

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

| Date | Rating | Market price (Rs) | Target price (Rs) |
|-------------------|------------|-------------------|-------------------|
| 1 April 2021 | BUY | 140 | 180 |
| 31 May 2021 | BUY | 178 | 205 |
| 13 August 2021 | BUY | 178 | 205 |
| 23 September 2021 | BUY | 185 | 215 |
| 12 November 2021 | ACCUMULATE | 180 | 200 |
| 8 February 2022 | BUY | 152 | 200 |
| 22 May 2022 | BUY | 112 | 170 |
| 12 August 2022 | BUY | 117 | 170 |
| 19 September 2022 | BUY | 129 | 170 |
| 13 November 2022 | BUY | 156 | 180 |
| 14 February 2023 | BUY | 147 | 170 |
| 22 March 2023 | BUY | 134 | 170 |
| 17 April 2023 | BUY | 152 | 200 |
| 23 May 2023 | BUY | 174 | 200 |
| 14 August 2023 | BUY | 158 | 200 |
| 18 September 2023 | BUY | 173 | 210 |
| 6 November 2023 | BUY | 140 | 170 |
| 9 February 2024 | BUY | 127 | 150 |
| 21 May 2024 | BUY | 97 | 130 |

Rating Chart



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ACCUMULATE -5% to 15%

SELL < -5%

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