

# Hindustan Aeronautics Ltd (HAL)

Defence | 4QFY24 Result Update

**BUY**

**CMP: Rs4,731 | Target Price (TP): Rs5,469 | Upside: 16%**

**May 19, 2024**

## Well-positioned to capitalize on opportunities

### Key Points

- The deviation in the absolute EBITDA by ~75% (consensus at 80%) from the actual vs. NBIE estimate was on account of revenue and total costs at +7.5% and (14%).
- The management has guided for:
  - Revenue growth of 15-18% during FY25-FY28 and Repair and Overhaul (ROH) at 9-10% - in line with NBIE estimates.
  - HAL is focusing on cost optimization and improving profitability margins. Manpower cost is down from 23% of revenue in FY19 to 17% in FY24, with a further reduction to 16% of revenue in FY25.
  - Inventory days and debtor days declined to 159 and 55 days in FY24; the company expects to maintain this optimum level.
  - Overhead expenses as a % of sales declined to 4.66% in FY24 from 8% in FY19.
- HAL is in good position in terms of the order book; we are positive that execution will only pick up from here. The stock has seen a sharp run-up in the previous two quarters. We upgrade to "BUY" and value it at 29x March'26E EPS with a target price (TP) of Rs5,469.

**4QFY24 performance update:** EBITDA for 4QFY24 grew by 81.8% YoY on the back of higher revenue growth of 18.2% YoY and lower employee expenses and other expenses, which declined by ~14% YoY and ~9% YoY, respectively. Gross margin improved significantly to 67%, led by the price differential due to the LCA (IOC) contract amendment, including price variation (LCA Change Order 3). Based on the amended contract, the company recognized differential revenue of Rs5.5bn in 4QFY24 for the supplies made in the earlier years.

**Order book position:** The current order book is valued at Rs940bn as of FY24. Of this, the outstanding developmental orders are worth ~Rs9bn in FY24 and sales worth Rs15bn - 5% of total sales. The management expects Rs200bn worth of MRO orders annually. The total export order received stood at Rs5bn, which included Rs2bn of 2 Dornier aircraft to Guyana - delivered before March'24. The proposals under AL31 FP program - 12 LUH and 12 additional Sukhoi aircraft - are in the final stages of approval and are expected to conclude soon. The orders are expected to materialize in 6-12 months. Approx. Rs470bn of orders are expected to materialize in FY25, taking the total to Rs1,200bn. The company anticipates contracts worth Rs1,500-1,700bn, for which the AONs have already been approved and the process initiated (details provided on **page 6**). The orders are expected to materialize over the next 18 months to 3 years and will keep the manufacturing lines occupied till 2032.

Est Change	Upward
TP Change	Upward
Rating Change	Upward

### Company Data and Valuation Summary

Reuters:	HIAE.BO
Bloomberg:	HNAL IN Equity
Mkt Cap (Rsbn/US\$bn):	3,078.8 / 36.9
52 Wk H / L (Rs):	4,656 / 1,490
ADTV-3M (mn) (Rs/US\$):	7,680.5 / 92.2
Stock performance (%) 1M/6M/1yr:	23.7 / 117.7 / 197.3
Nifty 50 performance (%) 1M/6M/1yr:	(1.5) / 2.6 / 23.2

Shareholding	1QFY24	2QFY24	3QFY24
Promoters	71.6	71.6	71.6
DILs	10.6	9.7	9.1
FILs	11.9	12.6	12.9
Others	5.8	6.0	6.3
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24	FY25E	FY26E
Net Sales	2,69,275	3,03,811	3,48,213	4,03,023
Growth YoY (%)	9.4	12.8	14.6	15.7
EBITDA	72,766	97,411	1,42,069	1,71,574
EBITDA margin (%)	27.0	32.1	40.8	42.6
Adj. PAT	58,277	76,211	1,05,863	1,25,984
Growth YoY (%)	14.7	30.8	38.9	19.0
EPS (Rs)	87.1	114.0	158.5	188.6
RoE (%)	27.2	28.9	31.9	29.9
EV/EBITDA	40.7	29.8	19.9	16.0
P/E (x)	54.3	41.5	29.8	25.1

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

*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
<b>Net Sales</b>	<b>36,225</b>	<b>51,448</b>	<b>56,655</b>	<b>1,24,947</b>	<b>39,154</b>	<b>56,357</b>	<b>60,613</b>	<b>1,47,688</b>	<b>2,69,275</b>	<b>3,03,811</b>
YoY Change (%)	124.2	(7.3)	(3.8)	8.1	8.1	9.5	7.0	18.2	9.4	12.8
<b>Expenditure</b>										
Raw Material Consumed	12,449	17,338	20,511	49,639	10,843	19,672	28,060	64,888	<b>99,937</b>	<b>1,23,463</b>
Purchase of Traded Goods	681	812	1,835	4,663	880	1,570	1,397	2,867	<b>7,992</b>	<b>6,714</b>
Changes in Inventory	(2,977)	260	2,552	(6,741)	(1,481)	2,277	(1,109)	(19,273)	(6,907)	(19,586)
Employee Costs	10,178	11,447	11,328	16,150	14,037	11,959	13,005	13,906	<b>49,104</b>	<b>52,907</b>
Other Expenses	7,631	5,375	10,576	28,777	6,107	5,603	4,906	26,287	<b>46,384</b>	<b>42,902</b>
<b>Total Expenditure</b>	<b>27,962</b>	<b>35,232</b>	<b>46,801</b>	<b>92,489</b>	<b>30,385</b>	<b>41,081</b>	<b>46,260</b>	<b>88,675</b>	<b>1,96,509</b>	<b>2,06,400</b>
<b>EBITDA</b>	<b>8,263</b>	<b>16,216</b>	<b>9,854</b>	<b>32,458</b>	<b>8,768</b>	<b>15,276</b>	<b>14,353</b>	<b>59,013</b>	<b>72,766</b>	<b>97,411</b>
YoY Change (%)	240.8	30.8	(30.9)	29.8	6.1	(5.8)	45.7	81.8	30.3	33.9
Margin (%)	22.8	31.5	17.4	26.0	22.4	27.1	23.7	40.0	27.0	32.1
Depreciation	2,082	2,520	2,689	10,556	2,014	3,497	2,122	6,440	23,821	14,072
Interest	2	4	21	553	0	3	4	314	580	321
Other income	1,916	2,591	4,972	7,222	4,099	4,694	4,600	5,573	16,701	18,966
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
<b>PBT (bei)</b>	<b>8,095</b>	<b>16,284</b>	<b>12,117</b>	<b>28,571</b>	<b>10,854</b>	<b>16,470</b>	<b>16,828</b>	<b>57,832</b>	<b>65,066</b>	<b>1,01,984</b>
<b>PBT</b>	<b>8,095</b>	<b>16,284</b>	<b>12,117</b>	<b>28,571</b>	<b>10,854</b>	<b>16,470</b>	<b>16,828</b>	<b>57,832</b>	<b>65,066</b>	<b>1,01,984</b>
Tax	2,021	4,094	578	125	2,749	4,148	4,279	14,863	6,818	26,039
ETR (%)	25.0	25.1	4.8	0.4	25.3	25.2	25.4	25.7	10.5	25.5
Reported PAT	6,201	12,212	11,552	28,312	8,141	12,367	12,614	43,087	58,277	76,211
<b>Adj. PAT</b>	<b>6,201</b>	<b>12,212</b>	<b>11,552</b>	<b>28,312</b>	<b>8,141</b>	<b>12,367</b>	<b>12,614</b>	<b>43,087</b>	<b>58,277</b>	<b>76,211</b>
YoY Change (%)	218.5	44.2	23.8	(8.8)	31.3	1.3	9.2	52.2	14.7	30.8
<b>Adj. EPS</b>	<b>18.5</b>	<b>36.5</b>	<b>34.5</b>	<b>42.3</b>	<b>12.2</b>	<b>18.5</b>	<b>18.9</b>	<b>64.4</b>	<b>87.1</b>	<b>114.0</b>

Source: Company, Nirmal Bang Institutional Equities Research

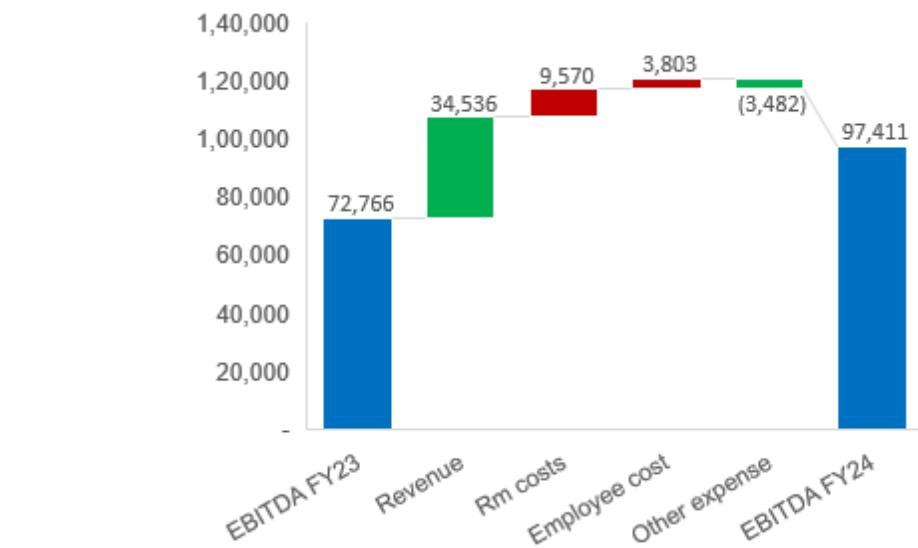
**Exhibit 2: Quarterly order book:**

(Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24
Manufacturing Contracts	6,28,479	5,89,480	6,37,707	6,04,700	6,04,700	6,18,621	6,54,878	6,63,036	6,97,480	6,97,480
YoY Growth (%)	(6.7)	(15.6)	8.9	(0.5)	(0.5)	(1.6)	11.1	4.0	15.3	15.3
Repair & Overhaul	89,766	1,10,540	91,084	86,370	86,370	83,622	88,523	89,626	94,282	94,282
YoY Growth (%)	(6.7)	10.8	8.9	(0.5)	(0.5)	(6.8)	(19.9)	(1.6)	9.2	9.2
Spares	1,16,321	1,20,810	1,18,029	1,11,920	1,11,920	1,14,093	1,20,780	1,22,285	1,28,637	1,28,637
YoY Growth (%)	(6.7)	(6.6)	8.9	(0.5)	(0.5)	(1.9)	(0.0)	3.6	14.9	14.9
Design & Development Projects	13,979	14,660	14,184	13,450	13,450	16,674	17,652	17,872	18,800	18,800
YoY Growth (%)	(6.7)	(5.7)	8.9	(0.5)	(0.5)	19.3	20.4	26.0	39.8	39.8
Exports	1,455	3,090	1,476	1,400	1,400	1,834	1,942	1,966	2,068	2,068
YoY Growth (%)	(6.7)	91.0	8.9	(0.5)	(0.5)	26.1	(37.2)	33.2	47.7	47.7
Closing Order Book	8,50,000	8,38,580	8,62,482	8,17,840	8,17,840	8,33,721	8,82,585	8,93,579	9,40,000	9,40,000
YoY Growth (%)	(6.7)	(11.3)	8.9	(0.5)	(0.5)	(1.9)	5.2	3.6	14.9	14.9
New Orders	1,06,230	34,525	23,902	1,00,918	2,65,575	15,881	48,864	10,994	46,421	1,22,160
YoY Growth (%)	1.6	1.6	1.6	1.6	1.6	(85.1)	41.5	(54.0)	(54.0)	(54.0)
Execution	36,225	51,448	56,655	1,24,947	2,69,275	39,154	56,357	60,613	1,47,688	3,03,811
YoY Growth (%)	124.2	(7.3)	(3.8)	8.1	9.4	8.1	9.5	7.0	18.2	12.8

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Annual closing order book position**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: EBITDA movement**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Detailed financials**

Y/E March (Rsmm)	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)	Estimates	Variance (%)	FY23	FY24	YoY (%)
Net Sales	1,24,947	60,613	1,47,688	18.2	143.7	1,37,441	7.5	2,69,275	3,03,811	12.8
Expenditure										
Raw Material Consumed	49,639	28,060	64,888	30.7	131.2	-	-	99,937	1,23,463	23.5
Purchase of Traded Goods	4,663	1,397	2,867	(38.5)	105.2	-	-	7,992	6,714	(16.0)
Changes in Inventory	(6,741)	(1,109)	(19,273)	NA	NA	-	-	(6,907)	(19,586)	NA
Employee Costs	16,150	13,005	13,906	(13.9)	6.9	-	-	49,104	52,907	7.7
Other Expenses	28,777	4,906	26,287	(8.7)	435.8	-	-	46,384	42,902	(7.5)
Total Expenditure	92,489	46,260	88,675	(4.1)	91.7	1,03,622	(14.4)	1,96,509	2,06,400	5.0
<b>EBITDA</b>	<b>32,458</b>	<b>14,353</b>	<b>59,013</b>	<b>81.8</b>	<b>311.1</b>	<b>33,819</b>	<b>74.5</b>	<b>72,766</b>	<b>97,411</b>	<b>33.9</b>
<b>EBITDA Margin (%)</b>	<b>26.0</b>	<b>23.7</b>	<b>40.0</b>	<b>1398bps</b>	<b>1628bps</b>	<b>24.6</b>	<b>1535bps</b>	<b>27.0</b>	<b>32.1</b>	<b>504bps</b>
Depreciation	10,556	2,122	6,440	(39.0)	203.5	-	-	23,821	14,072	(40.9)
Interest	553	4	314	(43.2)	8,625.0	-	-	580	321	(44.6)
Other income	7,222	4,600	5,573	(22.8)	21.2	-	-	16,701	18,966	13.6
Exceptional Items	-	-	-	-	-	-	-	-	-	-
PBT	28,571	16,828	57,832	102.4	243.7	-	-	65,066	1,01,984	56.7
Tax	125	4,279	14,863	11,819.2	247.3	-	-	6,818	26,039	281.9
<b>Reported PAT</b>	<b>28,312</b>	<b>12,614</b>	<b>43,087</b>	<b>52.2</b>	<b>241.6</b>	-	-	<b>58,277</b>	<b>76,211</b>	<b>30.8</b>
<b>Adjusted PAT</b>	<b>28,312</b>	<b>12,614</b>	<b>43,087</b>	<b>52.2</b>	<b>241.6</b>	<b>24,095</b>	<b>78.8</b>	<b>58,277</b>	<b>76,211</b>	<b>30.8</b>
<b>NPM (%)</b>	<b>22.7</b>	<b>20.8</b>	<b>29.2</b>	<b>652bps</b>	<b>836bps</b>	<b>17.5</b>	<b>1164bps</b>	<b>21.6</b>	<b>25.1</b>	<b>344bps</b>
<b>EPS (Rs.)</b>	<b>42.3</b>	<b>18.9</b>	<b>64.4</b>	<b>52.2</b>	<b>241.6</b>	<b>36.1</b>	<b>78.6</b>	<b>87.1</b>	<b>114.0</b>	<b>30.8</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Change in estimates**

Particulars	FY25E			FY26E		
	(Rs mn)	Old	New	Change (%)	Old	New
Revenue	3,36,430	3,48,213	3.5	3,84,516	4,03,023	4.8
EBITDA	84,786	1,42,069	67.6	1,02,981	1,71,574	66.6
PAT	64,905	1,05,863	63.1	77,258	1,25,984	63.1
EPS	97.2	158.5	63.1	115.7	188.6	63.1

Source: Nirmal Bang Institutional Equities Research

## 4QFY24 conference call highlights

- **HAL performance in FY24:**

- HAL demonstrated resilience, innovation and commitment despite supply chain challenges.
- Revenue surged in FY23-FY24, reaching Rs303bn (a 13% increase from the previous year). The company achieved double-digit growth in FY24, which was ahead of schedule for deliveries of LCA aircraft.
- HAL is focusing on cost optimization and improving profitability margins. Manpower costs declined from 23% of revenue in FY18 to 17% in FY24, with an expected further reduction to 16% of revenue in FY25.
- Inventory management improved significantly, with inventory days falling from 359 in FY19 to 159 in FY24. The management does not intend to reduce inventory further as it is at optimal levels.
- Debtor days also improved, decreasing from 227 in FY19 to 55 in FY24; the company expects to maintain this optimum level in the future.
- Overhead expenses as a % of revenue declined to 4.6% in FY24 from 8% in FY19.

- **Capacity building:**

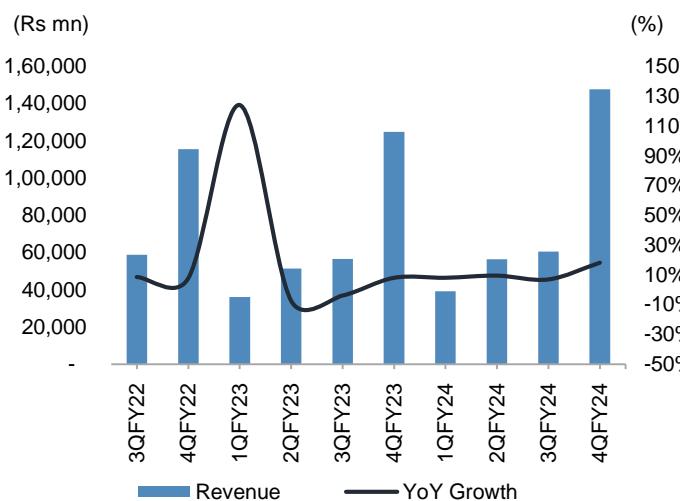
- Focus on increasing capacity to meet customer commitments.
- Capability building to ensure that the company is prepared to undertake future projects.
- Proactive procurement, strengthening capex and increasing R&D investments to accelerate execution and reduce developmental timelines post the contract signature.
- Estimated capex for the next five years at Rs140-150bn - average annual capex of ~Rs30bn.
- The capex will be utilized for manufacturing facilities and infrastructure development.
- The company plans to invest Rs6bn in urban forging capabilities of a 20,000-ton isothermal press and 50,000-ton hydraulic press to manufacture forgings for engines and aerostructures. The efforts are aimed at becoming self-reliant in the next five years.
- A new helicopter factory has been commissioned in Tumkur.
- A 3<sup>rd</sup> line of LCA is expected to be commissioned on October 24 to augment capacity for delivering LCA Tejas in Nasik.
- Sanctioned ~Rs40bn of part funding for the Indian Multi-Role Helicopter (IMRH) program for the Indian Armed Forces. It is designed for multiple roles, including air assault, air attack, anti-submarine, anti-surface, military and VIP transport. IMRH aims to replace all the current Mil Mi-17 and Mil Mi-8 helicopters across the Indian Armed Forces.
- Launched the LUH (Light Utility Helicopter) - Marine for the Indian Navy with internal funding of ~Rs20bn from HAL internal resources.
- The company is earmarking 15% of PAT towards creating an R&D corpus. At 78% average, its R&D spending is the best in the industry.

- **Platforms delivered in FY24:**

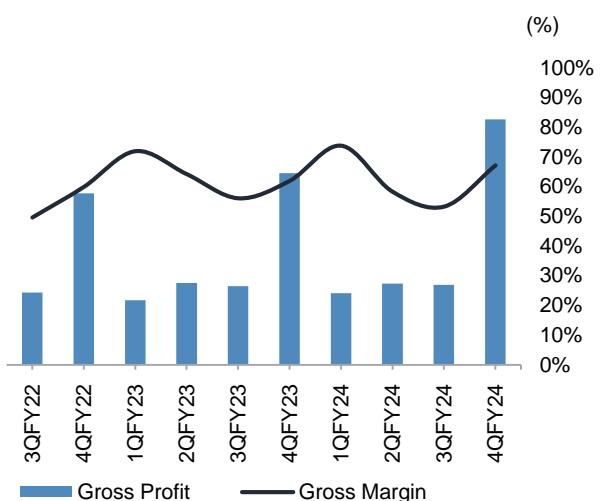
- Successful delivery of 2 Dornier aircraft to Guyana within 10 days of contract execution (contract signed in March FY24).
- Delivery of 6 ALH helicopters to the Indian army before 31st March, 2024 (order received in FY24).

- Timely delivery of 15 Rd 33 engines to the Indian Air Force.
- Delivery of 5 LCA (Light Combat Aircraft).
- **Order book position:**
  - The current order book stands at Rs940bn; after liquidation of orders worth Rs300bn. The current closing order book is higher by Rs120bn compared to Rs820 billion in FY23. The increase was due to the conclusion of various contracts worth Rs190bn in FY24, including - Rd 33 engines, ALH for army & coastguard, various types of engines and Navy Dorniers – 25 units. The company also received orders for Repair & Overhaul (ROH) for the aero-engine, packing & dispatch facilities, etc, and towards Spares for ~Rs210bn.
  - Maintenance, repair and operations (MRO) orders worth Rs200bn are not included in the order book of Rs470bn.
  - The management expects Rs200bn worth of MRO orders annually.
  - Received an export order of Rs5bn, which included Rs2bn of 2 Dornier aircraft to Guyana – delivered before March 2024.
  - Significant progress made on the AL31 FP program - 12 LUH and 12 additional Sukhoi towards the conclusion of the contract. The proposals are in the final stages of approval and are expected to conclude soon. The orders are expected to materialize in 6-12 months.
  - Expect Rs470bn of orders to materialize in FY25. This will take the order book to Rs1,200bn as of FY25.
  - During FY25, the company will scale up the delivery of LCA Mark 1A - in line with the contractual commitments besides commencing deliveries of LUH as well.
  - In FY26, we will observe the deliveries of STT 40 - basic trainers and civil ALH – interest shown by Indian customers. With the deliveries of LCH, some new orders are also expected.
  - In FY27, we will see the addition of Marine Helicopters to the Navy and the commencement of delivery for the prototypes of LCA Mark2 and a 12-tonne Indian medium role helicopter (IMRH) category.
  - UHM programs for the Navy to start deliveries in FY27.
- **Anticipated Contracts: The AONs have already been approved for the orders worth Rs1,500-1,700bn and are to be converted into contracts; the initial process has been initiated.**
  - LCA Mark 1A (additional 97 numbers).
  - Light Combat Helicopter “Prachand” (156 numbers).
  - Advanced Light Helicopter “Dhruv” (43 numbers) to the Indian Air Force and Indian Army + Dorniers aircraft and Utility helicopters - Marine for the Indian Navy (60 numbers).
  - The orders are expected to materialize over the next 18 months to 3 years. These orders will keep the manufacturing lines occupied till 2032.
- **Future Programs:**
  - The UHM (Utility Helicopter Maritime) program is in the developmental stage.
  - Features like folding and assisted track & landing are being incorporated.
  - Flight testing and completion are expected within the next two years.
  - Production runs for UHM are planned to begin from FY27 onwards.

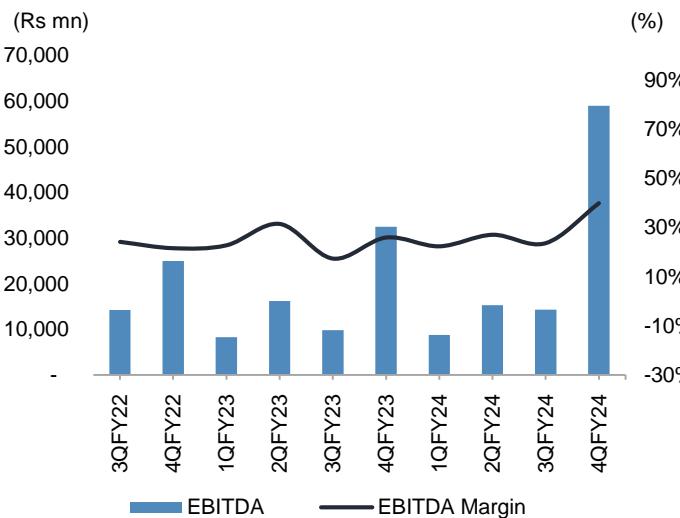
- The company is partnering with GE for 414 engines on a TOT basis, allowing HAL to execute 80% of the program locally while 20% will be directly sourced from GE; hence, the exports will be on a case-to-case basis.
- The arrangement with Safran for LCA Mark 2 is jointly developed for self-consumption/domestic requirement; however, it can be exported as the company will own the IPR. The company had signed an agreement with Safran Helicopter Engines SAS to set up a JV to carry out the business of design, development, certification, production, sale and support of helicopter engines.
- **LCA Mark 1A Delivery Timeline and Capacity Expansion:**
  - The current contract requires delivering 83 LCA Mark 1A fighter aircraft.
  - The company plans to commence deliveries in FY25.
  - The contracted delivery schedule is a minimum of 16 aircraft per year from the Nasik plant.
  - To expedite deliveries, HAL plans to augment capacity from 16 to 24 aircraft per year.
  - A third production line is being established in Nasik, which is expected to become operational by October'24.
  - Nasik division will also be equipped to produce an additional 8 aircraft annually.
  - LCA Mark 1A has a higher indigenous content of more than 65%.
  - The goal is to complete the entire order (83 + 97) by FY33-end.
  - The proposed order for 97 LCA Mark 1A fighter aircraft will not impact the development of the LCA Mark 2. The LCA Mark 2 is currently under development. The two variants (Mark 1A and Mark 2) serve different roles and will coexist without cannibalization.
- **M&A:**
  - The company is looking to enter the Civil MRO business at its Nasik facility and has entered into a working arrangement with Airbus for the Airbus 320 aircraft.
- **Management Guidance for FY25:**
  - The company is aiming for double-digit growth starting from FY25.
  - Manufacturing growth is expected to be ~15-18% annually.
  - Repair & Overhaul (ROH) will grow at ~8-9%.
  - A revenue mix of 60% ROH and 40% from Manufacturing can be seen in the coming years.
  - Employee cost is expected to be ~16% for FY25.
  - EBITDA margin in the best-case scenario will be 32-33% and not less than 29%. Broadly, operating profit will be ~18-20%, interest income ~6% and Depreciation & Amortization at ~5-7%.
  - The APAT margin will be ~18-20%.
  - The company expects to deliver 156 light combat helicopters and 43 advanced light helicopters to the Indian Air Force & Indian Army and 60 utility helicopters to the Indian Navy.
  - HAL plans to scale up deliveries of the LCA Mark-1A and commence deliveries of light utility helicopters in FY25.
  - The company expects to commence delivery of its STT 40 basic trainer and civil ALH in FY25 and plans to deliver LCH helicopters as well, for which new orders are expected in FY26-FY27.
  - HAL is in discussions with several countries like the Philippines, Argentina, Nigeria and Egypt and expects to get at least one breakthrough order in FY25.

**Exhibit 7: Revenue increased by 18% YoY**


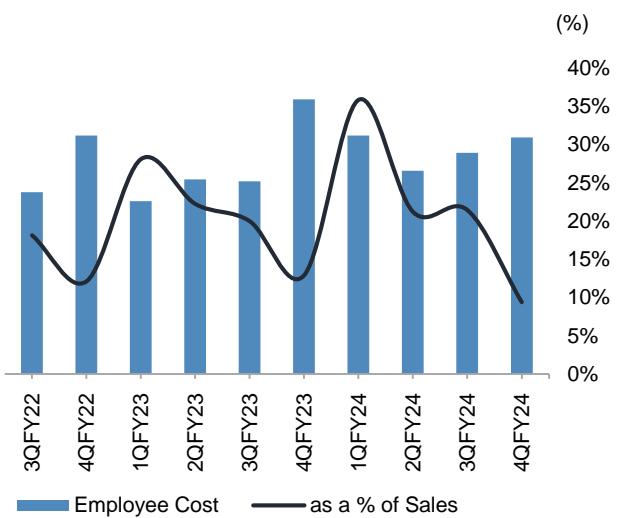
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: Gross margin of 67% in 4QFY24**


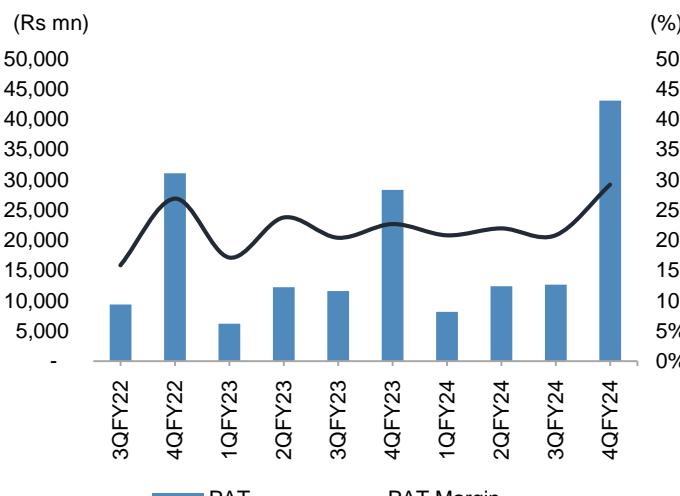
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 9: EBITDA margin at 40% in 4QFY24**


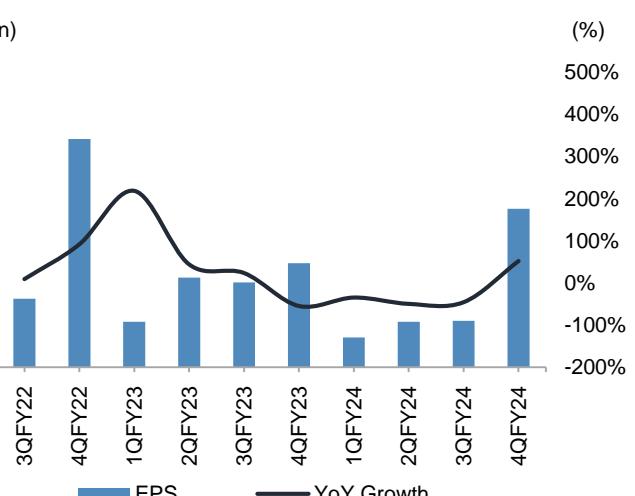
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Employee cost 9% of sales**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: PAT margin at 29% in 4QFY24**


Source: Company, Nirmal Bang Institutional Equities Research

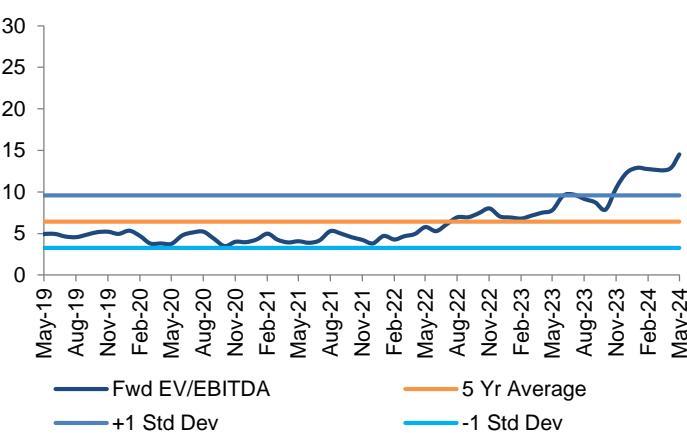
**Exhibit 12: EPS up by 52% YoY**


Source: Company, Nirmal Bang Institutional Equities Research

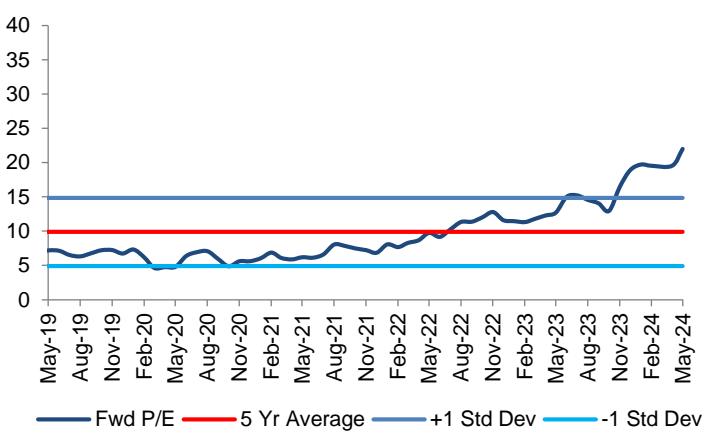
**Exhibit 13: Valuation summary**

Particulars	(Rs mn)
Mar'26 EPS	189
Target multiple (x)	29.0
Value per share (Rs)	<b>5,469</b>
CMP (Rs)	4,731
Upside / (downside) %	<b>16%</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: Rolling valuation charts**


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

## Financial Statements

### Exhibit 15: Income statement

Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>2,46,200</b>	<b>2,69,275</b>	<b>3,03,811</b>	<b>3,48,213</b>	<b>4,03,023</b>
Raw Material Consumed	87,522	99,937	1,23,463	1,31,440	1,29,441
Purchase of Traded Goods	6,567	7,992	6,714	6,759	7,823
Changes in Inventory	5,923	(6,907)	(19,586)	(45,442)	(52,595)
Employee Cost	46,044	49,104	52,907	39,230	50,784
Other expenses	44,294	46,384	42,902	74,157	95,996
Total Expenditure	1,90,350	1,96,509	2,06,400	2,06,144	2,31,450
<b>Operating profit</b>	<b>55,850</b>	<b>72,766</b>	<b>97,411</b>	<b>1,42,069</b>	<b>1,71,574</b>
<i>Operating profit margin (%)</i>	22.7	27.0	32.1	40.8	42.6
Other Income	9,849	16,701	18,966	15,768	15,597
Interest	582	580	321	581	581
Depreciation	12,870	23,821	14,072	16,359	18,793
PBT	52,248	65,066	1,01,984	1,40,897	1,67,796
Exceptional items	-	-	-	-	-
PBT post exc items	52,248	65,066	1,01,984	1,40,897	1,67,796
Tax	1,447	6,818	26,039	35,506	42,285
<i>Tax rate (%)</i>	2.8	10.5	25.5	25.2	25.2
PAT	50,800	58,277	76,211	1,05,863	1,25,984
<b>Adj PAT</b>	<b>50,800</b>	<b>58,277</b>	<b>76,211</b>	<b>1,05,863</b>	<b>1,25,984</b>
<b>EPS (Rs)</b>	<b>76.0</b>	<b>87.1</b>	<b>114.0</b>	<b>158.5</b>	<b>188.6</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 17: Balance sheet

Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	3,344	3,344	3,344	3,344	3,344
Other Equity	1,89,787	2,32,378	2,88,038	3,69,699	4,66,881
Minority interest	38	37	36	36	36
Networth	1,93,169	2,35,759	2,91,418	3,73,079	4,70,261
Total Debt	23,808	26,371	29,583	29,583	29,583
Deferred tax liability	-	-	-	-	-
Other non current liabilities	1,35,255	1,22,731	1,21,221	1,21,221	1,21,221
Trade Payables	25,576	31,350	34,129	26,430	24,589
Other Current Liabilities	2,06,113	2,55,827	3,04,601	3,31,211	3,31,598
<b>Total liabilities</b>	<b>5,83,920</b>	<b>6,72,038</b>	<b>7,80,952</b>	<b>8,81,524</b>	<b>9,77,253</b>
PPE	59,276	57,986	57,802	91,824	1,02,374
CWIP	9,491	6,369	9,369	7,289	7,945
Investment property	0.3	0.3	0.4	0.5	0.6
Intangible assets under development	15,238	12,481	15,566	15,566	15,566
Intangible Assets	8,383	10,358	9,566	18,439	19,386
Investments	1,678	1,683	2,016	2,016	2,016
Deferred Tax Assets	5,656	11,257	14,543	14,543	14,543
Other Non-Current Assets	34,261	53,053	41,914	41,914	41,914
Inventories	1,43,473	1,21,487	1,32,175	1,01,652	90,469
Trade receivables	46,415	47,191	46,169	60,523	70,050
Cash & Near-Cash Items	30,704	44,408	42,547	1,18,472	2,03,704
Other Current Assets	2,29,264	3,05,684	4,09,284	4,09,284	4,09,284
Asset held For Sale	81	81	-	-	-
<b>Total Assets</b>	<b>5,83,920</b>	<b>6,72,038</b>	<b>7,80,952</b>	<b>8,81,524</b>	<b>9,77,253</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 16 Cash flow

Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	52,248	65,095	1,02,249	1,40,897	1,67,796
Add: Depreciation & Impairment	12,870	23,821	14,221	16,359	18,793
Less: Exceptional Item	-	-	-	-	-
Cash flow from operations before WC	98,208	1,11,339	1,33,173	1,58,309	1,87,643
Net change in Working capital	12,654	4,515	(31,251)	8,469	(184)
Tax paid	(10,532)	(27,557)	(19,693)	(35,506)	(42,285)
<b>Net cash from operations</b>	<b>1,00,330</b>	<b>88,297</b>	<b>82,228</b>	<b>1,31,272</b>	<b>1,45,174</b>
Capital expenditure	(7,993)	(7,824)	(9,164)	(30,440)	(30,412)
Free Cash Flow	92,337	80,473	73,064	100,832	114,762
Others	(1,19,602)	(49,456)	(54,936)	-	-
<b>Net cash from investing</b>	<b>(1,27,595)</b>	<b>(57,280)</b>	<b>(64,101)</b>	<b>(30,440)</b>	<b>(30,412)</b>
Issue of shares	-	-	-	-	-
Increase in debt	(91)	(37)	(3)	-	-
Dividends paid incl. tax	(13,376)	(16,719)	(19,729)	(24,326)	(28,949)
Interest paid	(24)	(557)	(257)	(581)	(581)
Others	(2)	-	-	-	-
<b>Net cash from financing</b>	<b>(13,493)</b>	<b>(17,313)</b>	<b>(19,989)</b>	<b>(24,907)</b>	<b>(29,530)</b>
Net Cash	(40,758)	13,704	(1,861)	75,925	85,232
Opening Cash	71,462	30,704	44,408	42,547	1,18,472
<b>Closing Cash</b>	<b>30,704</b>	<b>44,408</b>	<b>42,547</b>	<b>1,18,472</b>	<b>2,03,704</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 18: Key ratios

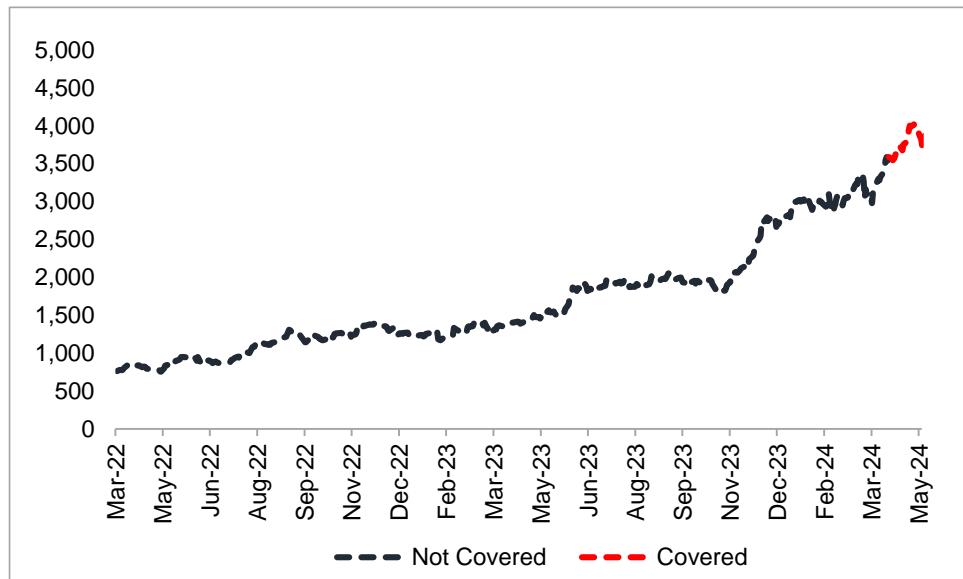
Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Growth (%)</b>					
Sales	7.6	9.4	12.8	14.6	15.7
Operating Profits	3.4	30.3	33.9	45.8	20.8
Net Profits	56.6	14.7	30.8	38.9	19.0
<b>Leverage (x)</b>					
Net Debt: Equity	(0.74)	(0.86)	(0.91)	(0.91)	(0.90)
Interest Cover(x)	73.8	84.4	259.5	216.4	263.0
Total Debt/EBITDA	0.00	0.00	0.00	0.00	0.00
<b>Profitability (%)</b>					
OPM	22.7	27.0	32.1	40.8	42.6
NPM	20.6	21.6	25.1	30.4	31.3
ROE	29.3	27.2	28.9	31.9	29.9
ROCE	14.4	14.0	21.3	27.4	27.9
<b>Turnover ratios (x)</b>					
GFAT	1.8	1.8	1.7	1.7	1.7
Debtors Turnover(x)	0.2	0.2	0.2	0.2	0.2
WC days	552	439	391	359	347
<b>Valuation (x)</b>					
P/E	62.3	54.3	41.5	29.8	25.1
P/B	16.4	13.4	10.9	8.5	6.7
EV/EBIDTA	54.1	40.7	29.8	19.9	16.0

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
5 April 2024	Accumulate	3,541	3,384
19 May 2024	Buy	4,731	5,469

## Rating track graph



## DISCLOSURES

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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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