

# Sagar Cement Limited

9 September 2020

Reuters: SGRC.NS; Bloomberg: SGC:IN

## Exciting times ahead as company set to enter new territory

Sagar cement (SGC) is one of our preferred picks in small cap cement space and we believe that it is one of the best small cap ideas with a potential of exponential gains over the next 3 to 4 years. We believe that multiple factors like improvement in demand scenario in SGC's core markets (on the back of weak base of past year), relatively better realizations (after hitting inflation adjusted decadal low in 3QFY20) in recent times, efficient operations and new capacities coming up in new better regions augurs well for the company. We expect substantial improvement in cash profits for the company over FY20-FY22 as we expect EBITDA and PAT growth of 29% and 75% respectively over the same period. We like SGC's expansion strategy in which the company has carefully selected plants to acquire on opportunistic basis at relatively lower valuations and higher scope for further expansion. We believe that the upcoming expansion at Odisha and Madhya Pradesh will diversify SGC's revenue and profitability streams and also lower the volatility in earnings. We are expecting the ramp-up of new facilities to be faster and also believe that there is a good chance that these new facilities will achieve higher utilization within first year of operation for the company compared to existing facilities. Higher leverage is part of this expansion phase for the company but in our view, the management is well equipped to tackle the same as cashflows improve. We have changed our EBITDA estimates and our current estimates for FY21 and FY22 are 1% and 15% higher than earlier, respectively whereas PAT for the same period is higher by 7% and 55%, respectively. We continue to value SGC based on FY22 EV/EBITDA of 7.0x to arrive at our revised TP of Rs622 (Rs520 earlier). We recommend this stock for a 3-4 year horizon as we believe that once new facilities stabilize, faster cash flow generation will result in relatively lower leverage leading to rerating of multiples.

**New geographies to result in higher volume growth:** We are building in faster ramp of new facilities in Odisha and Madhya Pradesh given better demand supply scenario in these regions. As a result, we expect more than 40% volume growth for the company in FY22 and believe that FY23 will also have similar growth profile.

**AP and Telangana volatility has subsided:** Prices improved in Southern region from its lows in 1Q at an unprecedented level. Retail prices have been steady currently despite weak demand. Given the increased cement offtake from the state governments, we expect that the propensity to push volumes in trade segment will be lower. Low base of past year (due to slowdown post AP elections) will mean that volume growth will shift to positive territory from the month of September.

**Vision to double capacity every 10 years:** The company has a vision of doubling its capacity every 10 years and has set a target to be a 10mn mt company by 2025. It has actually done better than its targets in the past.

**Superior operating efficiency:** SGC has always had a very lean cost structure. In fact, its operating costs have consistently been lower compared to peers as well as industry leaders for the past several years. Product composition (higher OPC) due to market demands and relatively lower trade sales has resulted in weak realisations for the company. Despite that, the company has managed to keep EBITDA/mt at respectable levels. For 1QFY21, there was a sharp increase in EBITDA/mt as pricing in the region improved substantially after a long time and operating costs were controlled by the company.

**Leverage a concern but its manageable:** As of 30<sup>th</sup> June 2020, the gross debt of the company was Rs.4.8bn which consists of Rs.3.5bn in long-term loans and Rs.1.3bn in working capital. The long-term debt is expected to peak to Rs.8bn by FY22 due to ongoing capex plans. Current debt to equity ratio is 0.33x and Debt to EBITDA is 2.5x which is on the higher side but it is still manageable given the addition of capacity in Central and Eastern India.

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## BUY

Sector: Cement

CMP: Rs470

Target Price: Rs622

Upside: 32%

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### Key Data

|                          |            |
|--------------------------|------------|
| Current Shares O/S (man) | 22.3       |
| Mkt Cap (Rsbn/US\$mn)    | 10.5/142.7 |
| 52 Wk H / L (Rs)         | 680/236    |
| Daily Vol. (3M NSE Avg.) | 44,991     |

### Price Performance (%)

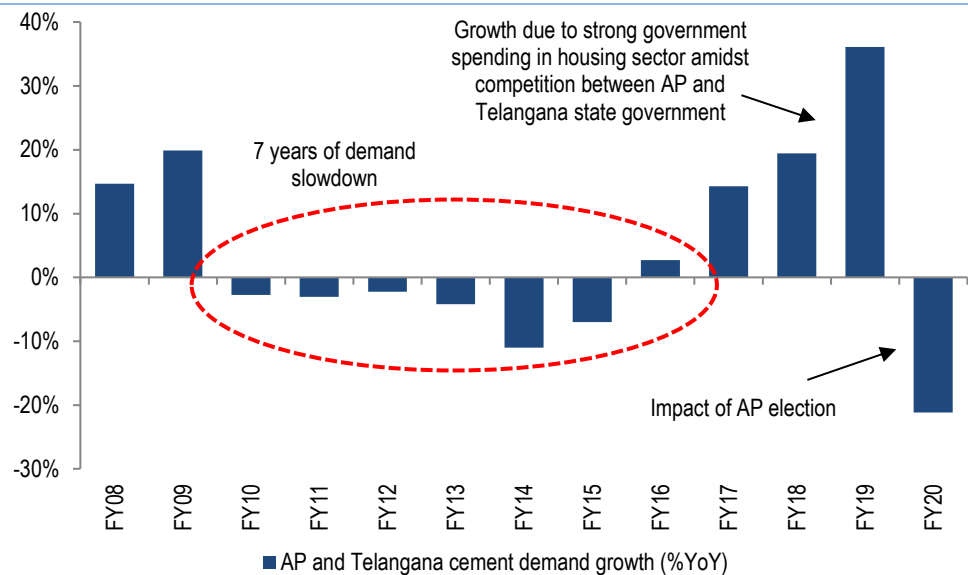
|              | 1 M | 6 M  | 1 Yr   |
|--------------|-----|------|--------|
| Sagar Cement | 0.5 | 19.1 | (19.1) |
| Nifty Index  | 0.9 | 8.3  | 2.9    |

Source: Bloomberg

**Core market of Sagar to see demand and pricing revival**

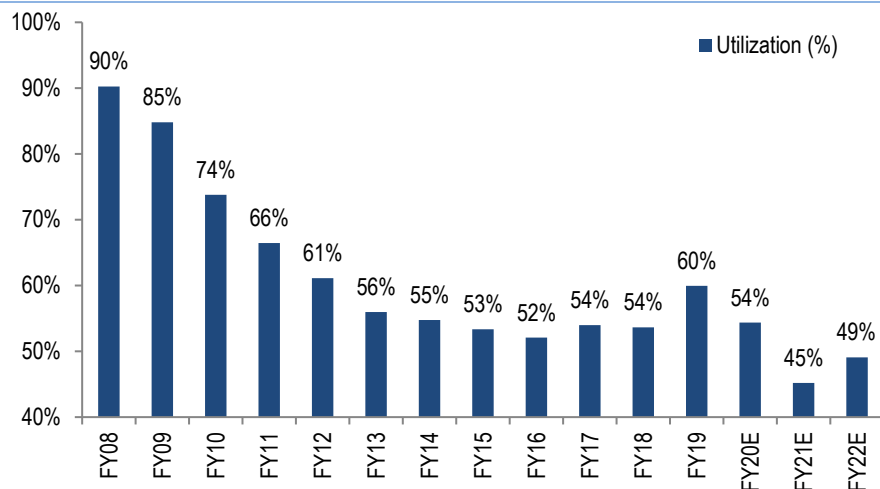
Core markets of SGC, Andhra Pradesh and Telangana, have seen volatile demand growth amidst rising supply. Demand in this region faced prolonged slowdown from FY10 to FY16 on account of state bifurcation and various political events. Over FY17 to FY19, demand growth saw an uptick as bifurcated states of AP and Telangana ran housing schemes which consumed lot of cement along with revival of rural demand. FY19 growth in these markets was much higher compared to the average growth in the country. During FY20, we saw sharp uptick as post elections in AP, various government contracts were reviewed which resulted in a virtual standstill in the infrastructure development space. We believe there are initial signs that most of the state government schemes are back in action and are contributing to the higher cement demand. COVID will result in negative growth in FY21 as well but we expect pickup in demand growth in FY22. Average utilisation levels for the industry are down substantially and are expected to pickup slowly. However, utilisations levels will remain much below industry average and hence there is a need for better pricing to offset the margin pressure. We expect demand and pricing to revive once the markets stabilize from the COVID shock.

**Exhibit 1: AP and Telangana demand has been volatile in the past**



Source: Industry, Nirmal Bang Institutional Equities Research

**Exhibit 2: Sub-par utilization levels in the southern region call for better pricing**



Source: Industry, Nirmal Bang Institutional Equities Research

### Cement offtake from state government projects increasing

As of 1QFY21, approx. 10-12% of total volumes are being procured by the government (AP and Telangana government mainly) and we believe as the spending of these 2 government increases, this % is expected to go up. Hence, we look at some of the projects offered by these 2 governments.

#### Projects by Andhra Pradesh Government

##### 1. Mana Badi Nadu-Nedu Programme

Under, this scheme the state government plans to upgrade infrastructure of 44,512 government schools for a total outlay of Rs.120bn. It plans to construct toilets, provide electrification with fans and tube lights, furniture, chalk boards, English labs, etc. In Phase-1, the government plans to modernise 15,715 schools and for this it has allocated Rs.35bn. Currently, work has started in 15,025 schools and Rs.14.34bn has been spent.

#### Exhibit 3: Sagar cement's Exposure

| Company Name              | Quantity Supplied (tons) | Amount (Rs. mn) | Amount cleared by govt (mn) | % of amount cleared |
|---------------------------|--------------------------|-----------------|-----------------------------|---------------------|
| Sagar Cements (R) Limited | 1,031                    | 4.8             | 3.6                         | 75%                 |
| Sagar Cements Limited     | 13,561                   | 63.7            | 44.2                        | 69%                 |

Source: AP Govt's Nadu-nedu portal, Nirmal Bang Institutional Equities Research

##### 2. Housing for All Scheme

YSR Housing Scheme was launched on 12<sup>th</sup> July 2019 where the state government will construct 30 lakh houses. The construction of these houses will start from 26<sup>th</sup> August 2020. Total cost of this project is Rs.900bn which will be funded by central government, state government and debt. For FY21, the state government has allocated Rs.60.4bn.

##### 3. Irrigation Projects

- **Polavaram Project**

This is one of the biggest projects in Andhra Pradesh. It will irrigate 3 lakh hectares of land, generate hydro power capacity of 960MW and provide drinking water to 540 villages. The construction cost of the project is Rs.555.49bn.

- **Veligonda Project**

It envisages to draw 43.50 TMC flood water of Krishna River from the foreshore of Srisailem Project Reservoir through Kollam Vagu (Upstream of Srisailem Reservoir) by twin Tunnels by gravity and thereafter, to impound in Nallamala Sagar Reservoir through a Feeder Canal. The cost of first phase is Rs.64.92bn. As of now, 17.2kms out of 18.8kms of Tunnel 1 and 11.21kms out of 18.82kms of Tunnel 2 has been constructed. The project is expected to be completed by December 2021.

#### Projects by Telangana Government

##### 1. 2BHK Scheme

Telangana government's housing department has decided to construct 2.8 lakh units. As of September 2020, 1.31 lakh units have been constructed. The total cost of project is Rs.213.26bn and for FY21, the government has allocated Rs.100bn.

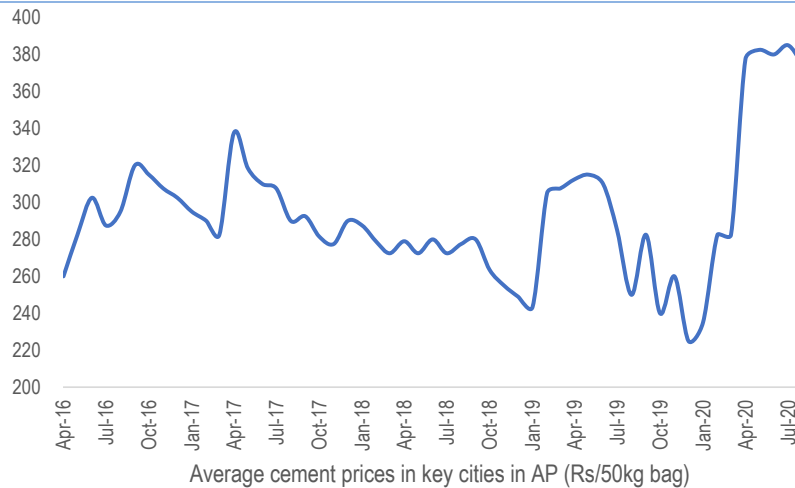
##### 2. Kaleshwaram Irrigation Project

It is one of the biggest irrigation projects in Telangana. It aims to divert 195 TMC of water and irrigate 18.25 lakh acres of land in Adilabad, Karimnagar, Medak, Nalgonda, Nizamabad and Ranga Reddy districts. The total cost of the project is ~Rs.800bn. In May 2020, Telangana CM launched the last phase of Kaleshwaram project.

**Cement prices up after a long time**

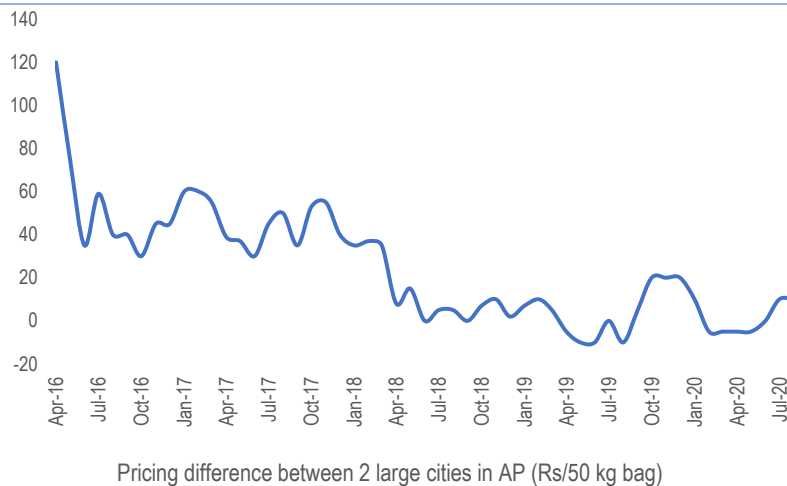
Given the weak utilization levels and high competition, cement prices in AP and Telangana have remained lackluster for a long time. Despite the demand growth witnessed in FY16-19, cement prices didn't go up and adjusted for inflation, the prices were at decadal low. The competition was so high that cement pricing difference between two large cities averaged more than Rs50/bag for a long period. After reaching decadal low in pricing on December 2019, cement prices have increased in the region. It is also important to note that despite sharp fall in pricing in various other regions like North, pricing in South is relatively stable. We expect SGC to benefit from these high prices on account of better cash flows and faster deleveraging. While it is difficult to predict cement prices, esp when there is a disconnect between demand and supply, we believe that competition has matured needs higher prices to see off these COVID induced difficult times.

**Exhibit 4: Cement prices in AP and Telangana up after a long time**



Source: Industry, Nirmal Bang Institutional Equities Research

**Exhibit 5: Pricing difference in two cities in the same state has narrowed**

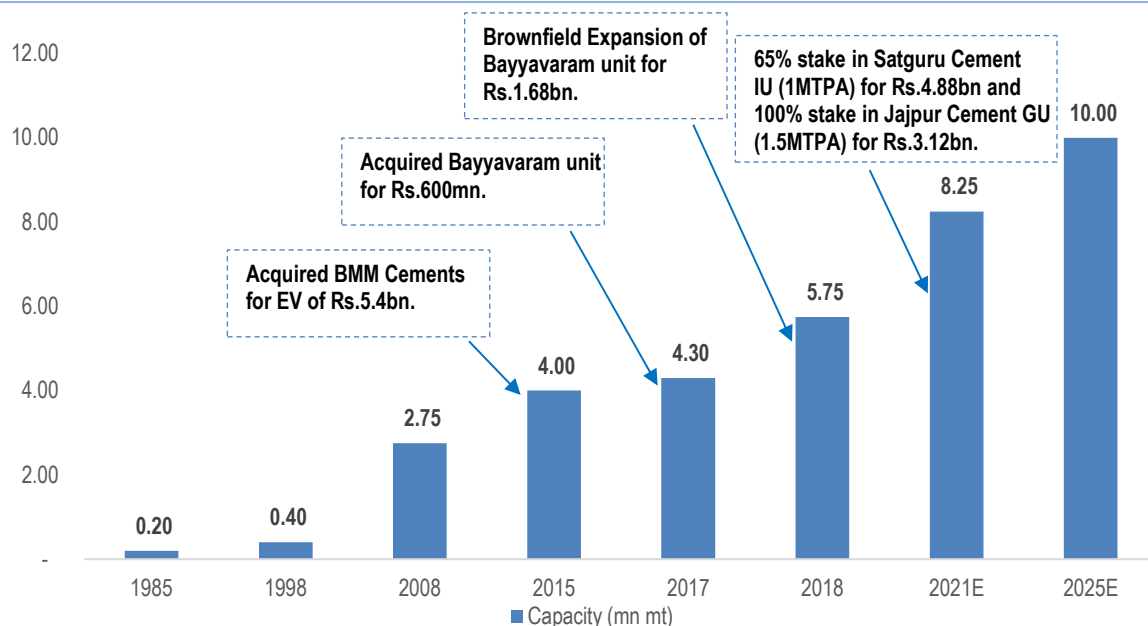


Source: Industry, Nirmal Bang Institutional Equities Research

### Capex happening at decent pace and at competitive costs

Despite the volatile demand environment and weak utilisations, SGC has been able to increase capacity (unlike regional peers) by carefully choosing distress acquisition targets and reviving them. The growth for the company has happened at less than industry average capex costs which has helped the company to survive the volatile markets. The management has vision to reach 10mn mt capacity by 2025 which translates to 150% growth over the last 10 years (10% CAGR) which is much higher compared to regional capacity growth as well as national average for demand growth. The upcoming capex marks SGC's entry in to new markets outside southern region and it bodes well for the company as we believe that this will diversify its geographic mix and help it to reduce earnings volatility.

#### Exhibit 6: Vision of doubling capacity every 10 years and reaching capacity of 10MTPA by 2025



Source: Nirmal Bang Institutional Equities Research

### Capacity Expansion to improve cashflows and reduce volatility in earnings

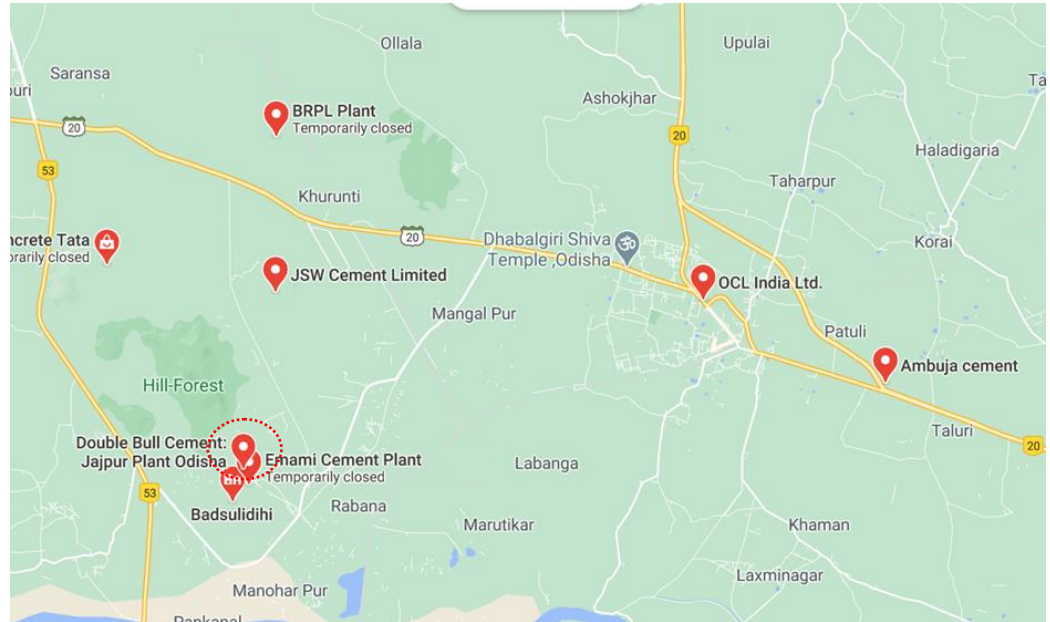
We are more excited about the upcoming expansion of SGC as we believe that entry in to new markets of East and Central India will really diversify the earnings stream of the company and reduce volatility. We also believe that given the better demand supply scenario of these regions, SGC will also be able to ramp up these plants faster and achieve higher utilization in these plants in first year compares to its existing plants. This is likely to result in supernormal profit growth for the company and we are building in ~40% volume growth in FY22. Below is brief summary of these acquisitions and information about these plants.

#### Exhibit 7: Jajpur Cement Plant

| Capacity                 | 1.5MTPA Grinding Unit           |
|--------------------------|---------------------------------|
| Acquisition Date         | 2 <sup>nd</sup> May 2019        |
| SCL Stake                | 100%                            |
| Project Cost (Rs.mn)     | 3,120                           |
| Location                 | Odisha                          |
| Expected Completion Date | 30 <sup>th</sup> September 2021 |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 8: Jajpur Cement Plant Location**



Source: Google Maps, Nirmal Bang Institutional Equities Research

**Exhibit 9: Distance of key cities from the plant**

| Destination | Distance (in kms) |
|-------------|-------------------|
| Bhadrak     | 60                |
| Cuttack     | 75                |
| Bhubaneswar | 95                |
| Paradeep    | 106               |
| Baleswar    | 129               |
| Puri        | 152               |
| Baripada    | 177               |
| Nayagarh    | 179               |
| Jamshedpur  | 259               |
| Kharagpur   | 266               |
| Brahmapur   | 267               |
| Sambhalpur  | 295               |
| Rourkela    | 297               |

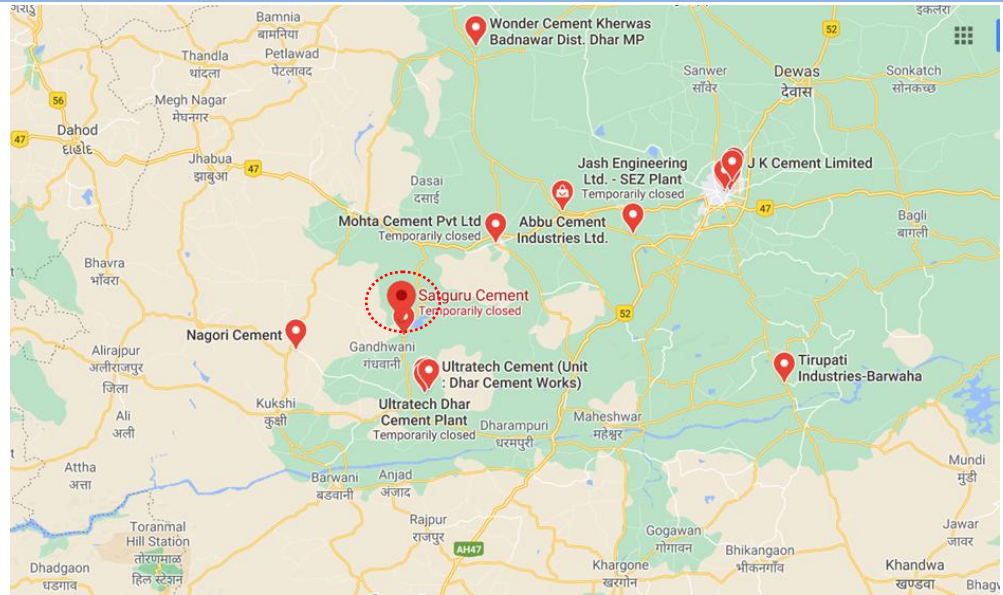
Source: Google Maps, Nirmal Bang Institutional Equities Research

**Exhibit 10: Satguru Cement Plant**

| Capacity                 | 1.0MTPA Integrated Unit         |
|--------------------------|---------------------------------|
| Acquisition Date         | 8 <sup>th</sup> May 2019        |
| SCL Stake                | 65%                             |
| Project Cost (Rs.mn)     | 4,880                           |
| Location                 | Madhya Pradesh                  |
| Expected Completion Date | 30 <sup>th</sup> September 2021 |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Satguru Cement Plant Location**



Source: Google Maps, Nirmal Bang Institutional Equities Research

**Exhibit 12: Distance of key cities from the plant**

| Destination | Distance (in kms) |
|-------------|-------------------|
| Dhar        | 51                |
| Barwani     | 58                |
| Indore      | 112               |
| Dahod       | 128               |
| Ratlam      | 138               |
| Dewas       | 148               |
| Ujjain      | 165               |
| Banswara    | 187               |
| Godhra      | 200               |
| Mandsaur    | 230               |
| Dhule       | 233               |
| Jalgaon     | 253               |
| Vadodra     | 256               |
| Malegaon    | 270               |
| Sehore      | 272               |
| Bharuch     | 289               |
| Anand       | 293               |
| Bhopal      | 308               |
| Ahmedabad   | 334               |

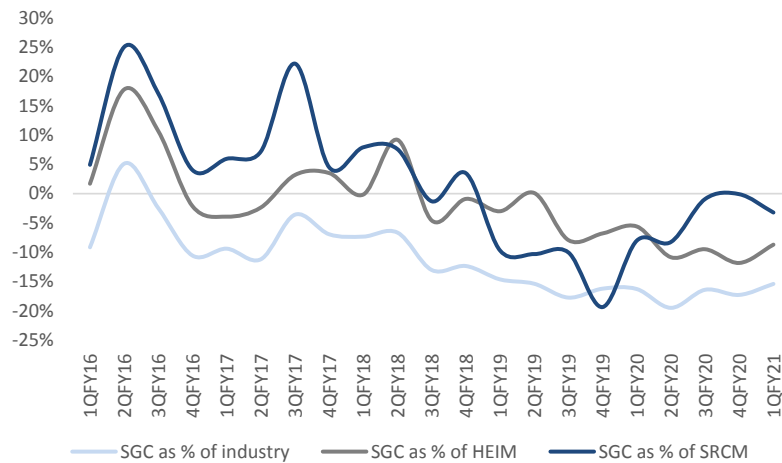
Source: Google Maps, Nirmal Bang Institutional Equities Research

As we can see from above, these 2 plants will increase the company's reach to states such as Madhya Pradesh, Rajasthan, Gujarat, Maharashtra, Jharkhand, West Bengal and Odisha. The total cost of setting up two plants is Rs8bn, out of which Rs5bn will be financed through debt, Rs2.25bn from equity issued by the way of share warrants and Rs0.75bn via internal accruals.

**Operating costs have remained low for Sagar for a long time**

Given the low utilizations and volatile earnings, operating cost structure of SGC tends to be overlooked. SGC is one of the most efficient and low-cost cement producers in the country. Strong domain knowledge of promoters and understanding of plants has helped them keep strict control on costs. The company has been able to achieve these superior costs despite low utilizations. SGC’s costs have continued to improve compared to industry average and also compared to industry cost leaders as seen in the exhibit below.

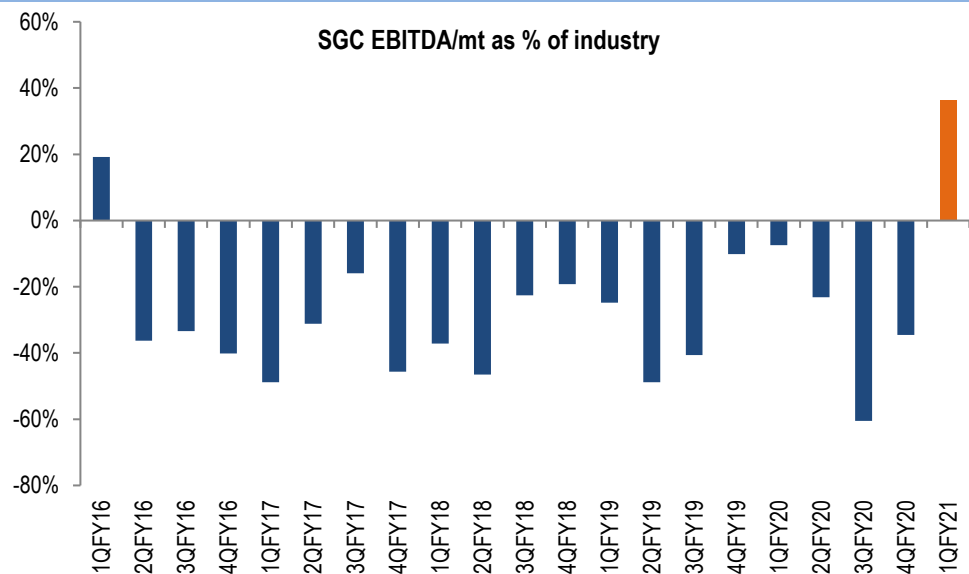
**Exhibit 13: SGC operating costs have improved and remained lower compared to industry as well as peers**



Source: Company, Nirmal Bang Institutional Equities Research

Despite cost advantages, SGC’s EBITDA/mt used to be much lower than the industry as a result of weak pricing in its core markets. As pricing has improved recently, SGC’s EBITDA/mt in 1QFY21 was much higher than industry average and we expect it to continue for the next few quarters.

**Exhibit 14: With revival in pricing, SGC’s EBITDA/mt is now ahead of industry average**



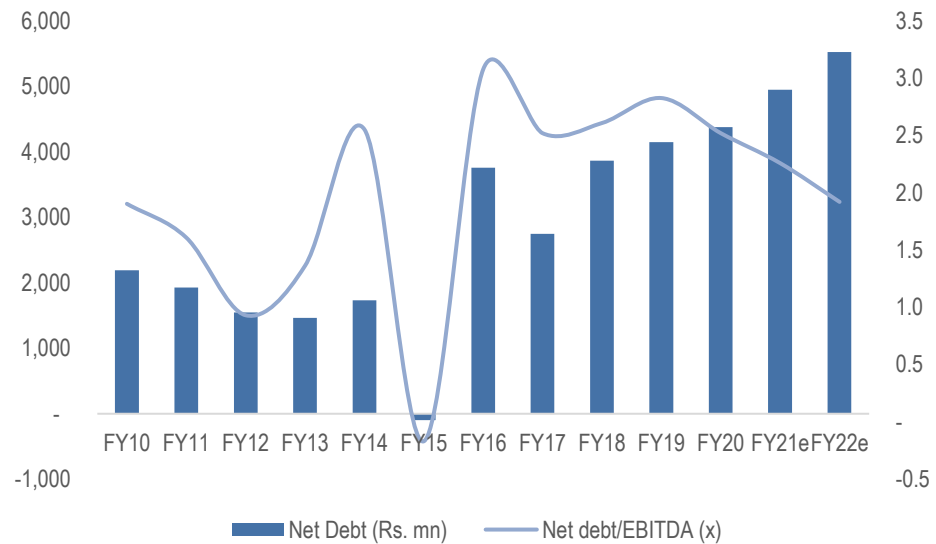
Source: Company, Nirmal Bang Institutional Equities Research



**Growth has come at the cost of leverage but its manageable**

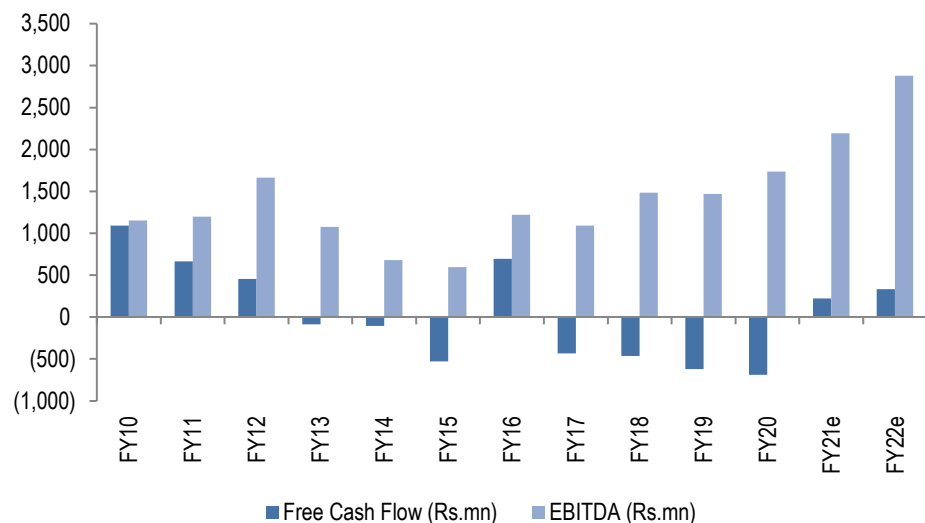
As of 30<sup>th</sup> June 2020, the gross debt of the company was Rs.4.8bn which consists of Rs.3.5bn in long-term loans and Rs.1.3bn in working capital. The long-term debt is expected to peak to Rs.8bn by FY22 due to ongoing capex plans. Current debt to equity ratio is 0.33x and Debt to EBITDA is 2.5x which is on the higher side but it is still manageable given the addition of capacity in Central and Eastern India. We believe that as cashflows improve post expansion, leverage will come down which will result in rerating of its multiples.

**Exhibit 15: Net debt to rise due to current capex plan**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: Free Cash Flows to turn positive**



Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 17: SGC - Key changes to our assumptions

| Particulars<br>(Rs) | FY21E |       |            | FY22E |       |            |
|---------------------|-------|-------|------------|-------|-------|------------|
|                     | Old   | New   | Change (%) | Old   | New   | Change (%) |
| Volumes (mn mt)     | 2.8   | 2.8   | (0.1)      | 4.1   | 4.0   | (0.6)      |
| Realization / mt    | 4,013 | 4,041 | 0.7        | 3,914 | 4,032 | 3.0        |
| EBITDA / mt         | 767   | 776   | 1.1        | 618   | 712   | 15.2       |

Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 18: SGC: Key changes to our estimates

| Particulars<br>(Rs mn) | FY21E  |        |            | FY22E      |            |             |
|------------------------|--------|--------|------------|------------|------------|-------------|
|                        | Old    | New    | Change (%) | Old        | New        | Change (%)  |
| Revenue                | 11,355 | 11,421 | 0.6        | 15,916     | 16,303     | 2.4         |
| EBITDA                 | 2,170  | 2,192  | 1.0        | 2,512      | 2,878      | 14.6        |
| PAT                    | 421    | 449    | 6.6        | 523        | 809        | 54.7        |
| EPS                    | 17.9   | 19.1   | 6.6        | 22.3       | 34.4       | 54.7        |
| <b>TP (Rs)</b>         |        |        |            | <b>520</b> | <b>622</b> | <b>19.7</b> |

Source: Company, Nirmal Bang Institutional Equities Research

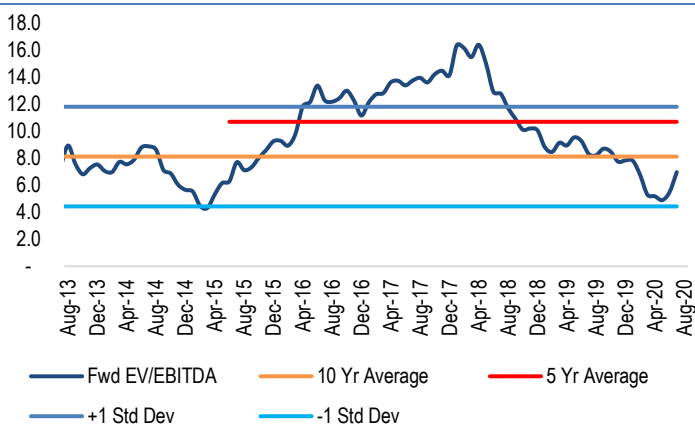
## Upgrade to BUY with TP of Rs622

### Exhibit 19: Valuation summary

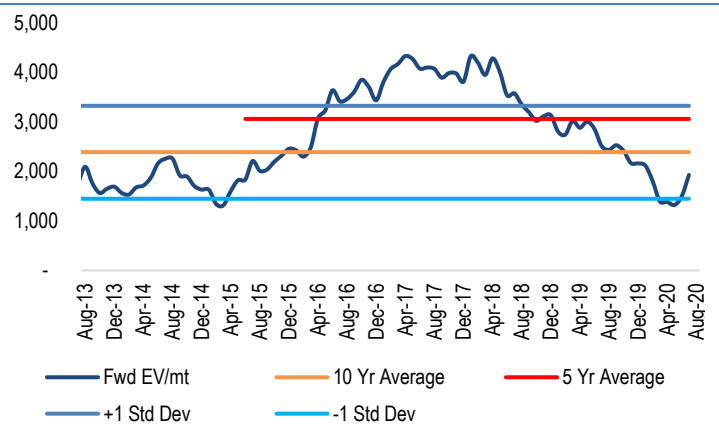
| Particulars                  | (Rs)       |
|------------------------------|------------|
| FY22 EBITDA                  | 2,878      |
| Target multiple (x)          | 7.0        |
| Enterprise value             | 20,149     |
| Less: Net debt               | 5,529      |
| Equity value                 | 14,619     |
| No of shares (mn)            | 23.5       |
| <b>Value per share (Rs)</b>  | <b>622</b> |
| CMP (Rs)                     | 470        |
| <b>Upside / (downside) %</b> | <b>32%</b> |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 20: Rolling valuation charts



Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

**Financial statement**
**Exhibit 21: Income statement**

| YE March, Rsmn              | FY18          | FY19          | FY20          | FY21E         | FY22E         |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>            | <b>10,381</b> | <b>12,176</b> | <b>11,643</b> | <b>11,421</b> | <b>16,303</b> |
| Raw Material Consumed       | 1,445         | 2,388         | 2,230         | 2,084         | 3,193         |
| Power & Fuel Cost           | 3,315         | 3,628         | 3,119         | 2,875         | 4,358         |
| Employee Cost               | 513           | 588           | 616           | 654           | 763           |
| Freight and Forwarding      | 2,179         | 2,525         | 2,203         | 2,107         | 2,981         |
| Other expenses              | 1,447         | 1,580         | 1,737         | 1,509         | 2,130         |
| Total Expenditure           | 8,899         | 10,707        | 9,905         | 9,229         | 13,424        |
| <b>Operating profit</b>     | <b>1,482</b>  | <b>1,468</b>  | <b>1,737</b>  | <b>2,192</b>  | <b>2,878</b>  |
| Operating profit margin (%) | 14%           | 12%           | 15%           | 19%           | 18%           |
| Other Income                | 104           | 55            | 25            | 25            | 25            |
| Interest                    | 593           | 634           | 664           | 770           | 878           |
| Depreciation                | 536           | 657           | 776           | 882           | 965           |
| PBT                         | 457           | 232           | 322           | 564           | 1,060         |
| Exceptional items           | -             | -             | -             | -             | -             |
| PBT post exc items          | 457           | 232           | 322           | 564           | 1,060         |
| Tax                         | 194           | 96            | 58            | 114           | 251           |
| Tax rate (%)                | 43%           | 41%           | 18%           | 20%           | 24%           |
| <b>PAT</b>                  | <b>263</b>    | <b>136</b>    | <b>263</b>    | <b>449</b>    | <b>809</b>    |
| <b>EPS (Rs)</b>             | <b>12.9</b>   | <b>6.7</b>    | <b>11.2</b>   | <b>19.1</b>   | <b>34.4</b>   |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 23: Key ratios**

| YE March                   | FY18 | FY19   | FY20  | FY21E | FY22E |
|----------------------------|------|--------|-------|-------|-------|
| <b>Growth (%)</b>          |      |        |       |       |       |
| Sales                      | 27.6 | 17.3   | (4.4) | (1.9) | 42.7  |
| Operating Profits          | 36.0 | (1.0)  | 18.3  | 26.2  | 31.3  |
| Net Profits                | NA   | (48.2) | 93.7  | 70.7  | 80.1  |
| <b>Leverage (x)</b>        |      |        |       |       |       |
| Net Debt: Equity           | 0.50 | 0.49   | 0.45  | 0.48  | 0.50  |
| Interest Cover(x)          | 2.50 | 2.32   | 2.61  | 2.85  | 3.28  |
| Total Debt/EBITDA          | 3.00 | 3.03   | 2.82  | 2.74  | 2.26  |
| <b>Profitability (%)</b>   |      |        |       |       |       |
| OPM                        | 14.3 | 12.1   | 14.9  | 19.2  | 17.7  |
| NPM                        | 2.5  | 1.1    | 2.3   | 3.9   | 5.0   |
| ROE                        | 3.4  | 1.7    | 2.9   | 4.5   | 7.6   |
| ROCE                       | 8.5  | 7.4    | 8.4   | 9.9   | 12.6  |
| <b>Turnover ratios (x)</b> |      |        |       |       |       |
| GFAT                       | 0.8  | 0.8    | 0.6   | 0.6   | 0.7   |
| Debtors Turnover(x)        | 9    | 28     | 29    | 15    | 16    |
| WC days                    | 144  | 88     | 94    | 119   | 104   |
| <b>Valuation (x)</b>       |      |        |       |       |       |
| P/E                        | 67.2 | 111.1  | 27.2  | 24.6  | 13.7  |
| P/B                        | 2.3  | 1.8    | 0.7   | 1.1   | 1.0   |
| EV/EBIDTA                  | 14.5 | 13.1   | 6.6   | 7.3   | 5.8   |
| EV/mt (\$)                 | 73.4 | 47.9   | 26.6  | 25.7  | 26.6  |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 22: Balance Sheet**

| YE March, Rsmn                | FY18          | FY19          | FY20          | FY21E         | FY22E         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Equity Capital                | 204           | 770           | 235           | 235           | 235           |
| Reserves and Surplus          | 7,588         | 7,669         | 9,577         | 10,006        | 10,794        |
| Networth                      | 7,792         | 8,438         | 9,812         | 10,241        | 11,029        |
| Total Debt                    | 4,450         | 4,447         | 4,897         | 5,997         | 6,497         |
| Deferred tax liability        | 84            | 83            | 83            | 83            | 83            |
| Other non-current liabilities | 569           | 642           | 679           | 699           | 713           |
| Trade Payables                | 1,368         | 2,038         | 1,891         | 1,769         | 2,539         |
| Other Current Liabilities     | 1,124         | 1,635         | 1,546         | 1,473         | 1,416         |
| Total Current Liabilities     | 3,645         | 5,062         | 5,075         | 4,881         | 5,594         |
| <b>Total liabilities</b>      | <b>15,387</b> | <b>17,283</b> | <b>18,908</b> | <b>20,262</b> | <b>22,277</b> |
| Net Block                     | 10,526        | 12,442        | 14,555        | 15,689        | 16,490        |
| CWIP                          | 1,254         | 1,101         | 528           | 278           | 278           |
| Investment                    | -             | -             | -             | -             | -             |
| Other non-current assets      | 692           | 353           | 375           | 398           | 422           |
| Inventories                   | 949           | 1,450         | 1,345         | 1,258         | 1,805         |
| Sundry Debtors                | 926           | 1,156         | 1,113         | 1,093         | 1,527         |
| Cash and Bank                 | 581           | 295           | 517           | 1,045         | 968           |
| Other current assets          | 461           | 486           | 475           | 501           | 787           |
| Total Current Assets          | 2,916         | 3,388         | 3,450         | 3,897         | 5,087         |
| <b>Total Assets</b>           | <b>15,387</b> | <b>17,283</b> | <b>18,908</b> | <b>20,262</b> | <b>22,277</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 24: Cash flow statement**

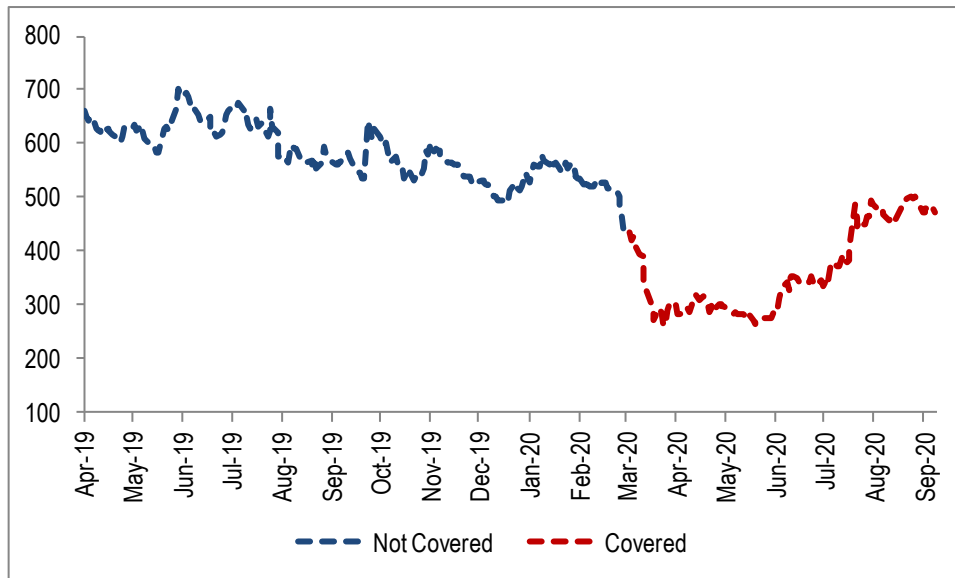
| YE March, Rsmn                  | FY18           | FY19           | FY20           | FY21E          | FY22E          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit before tax               | 457            | 232            | 322            | 564            | 1,060          |
| Add: Depreciation               | 536            | 657            | 776            | 882            | 965            |
| Add: Interest Exp               | 593            | 634            | 664            | 770            | 878            |
| CFO b4 WC                       | 1,586          | 1,523          | 1,762          | 2,216          | 2,903          |
| Net change in Working capital   | 67             | 366            | (78)           | (113)          | (554)          |
| Tax paid                        | (194)          | (96)           | (58)           | (114)          | (251)          |
| <b>Net cash from operations</b> | <b>1,459</b>   | <b>1,793</b>   | <b>1,626</b>   | <b>1,989</b>   | <b>2,098</b>   |
| Capital expenditure             | (1,757)        | (2,420)        | (2,316)        | (1,766)        | (1,766)        |
| Sale of investments             | 3              | -              | -              | -              | -              |
| <b>Net cash from investing</b>  | <b>(1,999)</b> | <b>(2,081)</b> | <b>(2,338)</b> | <b>(1,789)</b> | <b>(1,791)</b> |
| Issue of shares                 | -              | 566            | (535)          | -              | -              |
| Increase in debt                | (3)            | (3)            | 450            | 1,100          | 500            |
| Dividends paid incl. tax        | (98)           | (37)           | (37)           | (37)           | (37)           |
| Interest paid                   | (593)          | (634)          | (664)          | (770)          | (878)          |
| <b>Net cash from financing</b>  | <b>(583)</b>   | <b>2</b>       | <b>934</b>     | <b>329</b>     | <b>(385)</b>   |
| Net Cash                        | (1,124)        | (286)          | 222            | 528            | (78)           |
| Opening Cash                    | 1,705          | 581            | 295            | 517            | 1,045          |
| <b>Closing Cash</b>             | <b>581</b>     | <b>295</b>     | <b>517</b>     | <b>1,045</b>   | <b>968</b>     |

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

| Date             | Rating     | Market price (Rs) | Target price (Rs) |
|------------------|------------|-------------------|-------------------|
| 3 March 2020     | BUY        | 439               | 801               |
| 13 April 2020    | BUY        | 288               | 567               |
| 2 June 2020      | BUY        | 292               | 567               |
| 17 July 2020     | BUY        | 380               | 520               |
| 31 July 2020     | ACCUMULATE | 489               | 520               |
| 21 August 2020   | ACCUMULATE | 493               | 520               |
| 9 September 2020 | BUY        | 470               | 622               |

## Rating track graph



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## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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