

# Sagar Cement Ltd.

22 January 2021

Reuters: SGRC.NS; Bloomberg: SGC:IN

## Good performance driven by lower operating costs

For the 3<sup>rd</sup> consecutive quarter, Sagar Cements Ltd (SGC) has reported an EBITDA/mt of Rs1,000+, which was primarily driven by declining operating costs and better realizations compared to last year. For 3QFY21, net sales increased by 38.8% YoY to Rs. 3.6bn. This was primarily driven by a 12.7% YoY increase in cement volumes to 0.86 mn mt, and 23.2% YoY growth in realization/mt. Despite having lower utilizations and higher OPC mix (59%), SGC still remains one of the lowest-cost producers of cement. Total operating costs/mt declined by 5% YoY to Rs.3,013 and it was the 4<sup>th</sup> consecutive quarter of decline in costs reported by the company. All operating costs except for freight cost reported a decline on YoY basis. Freight costs increased by 3.7% YoY primarily due to higher diesel prices partially offset by lower lead distance (303kms). With tight control over the costs, the company reported an EBITDA/mt of Rs.1,213. On an absolute basis, EBITDA increased by 425.7% YoY to Rs.1.04bn whereas PAT increased to Rs496mn compared to loss last year. For 9MFY21, Net sales/EBITDA/PAT increased by 9.4%/110.3%/435.5% YoY to Rs.9.5bn / Rs.2.9bn /Rs.1.4bn, respectively. During the same period, the cement volumes declined by 6.8% YoY to 2.14mn mt while realizations were up by 17.4%. For 3QFY21, the gross debt and net debt stood at Rs.6.35bn and Rs.5.58bn, respectively. Given the positive demand and pricing outlook, we have changed our assumptions and as a result, our FY22 and FY23 EBITDA estimates are higher by 29% and 10%, respectively. We have also increased our capex assumptions for the company. Our revised target price now stands at Rs1,304 (Rs1,239 earlier) based on 7x FY23 EV/EBITDA (unchanged). We maintain our BUY rating on the stock.

**Non trade segment driving the demand:** For 3QFY21, institutional demand was higher as compared to previous 2 quarters demand primarily due to strong pre-election demand in Tamil Nadu and Kerala as well as strong demand by AP Government whereas on the other hand, the retail demand has been stable. As a result, non-trade sales were higher QoQ.

**Marginal decline in prices:** In 3QFY21, cement prices have marginally declined in South and West markets whereas it has corrected substantially in the East region. Prices in Odisha market are at rock bottom levels which is making cement production uneconomical. For 4QFY21, the management does not expect any major changes as compared to December end prices.

**Capex in full swing:** 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. For the current capex plan, the company is moving ahead of its schedule and is expected to be commissioned before or on 30<sup>th</sup> September 2021. For 9MFY21, the management has spent Rs.3bn and is expected to spend another Rs.1.25-1.5bn in 4QFY21 and 1HFY22 each.

**Net Debt to peak in FY22:** On QoQ basis, both gross debt and net debt increased by Rs.1.1bn primarily due to the ongoing capex. Net Debt/EBITDA and Net Debt/Equity ratio stood at 1.64x and 0.46x, respectively. According to the management, the net debt is expected to peak at Rs.7.5bn-7.75bn in 1HFY22. Given the 2 new plants going on stream at the same time, we expect the debt levels to come down going ahead as new capacities start generating cash.

## BUY

**Sector:** Cement

**CMP:** Rs701

**Target Price:** Rs1,304

**Upside:** 86%

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### Key Data

|                          |            |
|--------------------------|------------|
| Current Shares O/S (man) | 23.5       |
| Mkt Cap (Rsbm/US\$m)     | 16.6/227.2 |
| 52 Wk. H / L (Rs)        | 829/236    |
| Daily Vol. (3M NSE Avg.) | 79,850     |

### Price Performance (%)

|              | 1 M  | 6 M  | 1 Yr. |
|--------------|------|------|-------|
| Sagar Cement | 17.8 | 58.5 | 27.8  |
| Nifty Index  | 9.5  | 30.7 | 19.9  |

Source: Bloomberg

| Y/E March (Rsmm)         | 3QFY20        | 2QFY21       | 3QFY21       | YoY (%)        | QoQ (%)         |
|--------------------------|---------------|--------------|--------------|----------------|-----------------|
| <b>Net Sales</b>         | <b>2,621</b>  | <b>3,259</b> | <b>3,637</b> | <b>38.8</b>    | <b>11.6</b>     |
| Operating Expenses       | 2,422         | 2,211        | 2,593        | 7.0            | 17.3            |
| <b>EBITDA</b>            | <b>199</b>    | <b>1,048</b> | <b>1,044</b> | <b>425.7</b>   | <b>(0.3)</b>    |
| <b>EBITDA Margin (%)</b> | <b>7.6%</b>   | <b>32.1%</b> | <b>28.7%</b> | <b>2113bps</b> | <b>(344)bps</b> |
| Other Income             | 5             | 33           | 20           | 323.4          | (39.5)          |
| Interest Costs           | 157           | 117          | 113          | (28.5)         | (3.3)           |
| Depreciation             | 205           | 202          | 203          | (0.6)          | 0.5             |
| PBT                      | (159)         | 762          | 748          | NA             | (1.8)           |
| Tax                      | (68)          | 260          | 252          | NA             | (3.0)           |
| <b>Reported PAT</b>      | <b>(91)</b>   | <b>502</b>   | <b>496</b>   | <b>NA</b>      | <b>(1.2)</b>    |
| Exceptional Items        | -             | -            | -            | -              | -               |
| <b>Adjusted PAT</b>      | <b>(91)</b>   | <b>502</b>   | <b>496</b>   | <b>NA</b>      | <b>(1.2)</b>    |
| <b>NPM (%)</b>           | <b>(3.5)%</b> | <b>15.4%</b> | <b>13.6%</b> | <b>NA</b>      | <b>(176)bps</b> |
| <b>EPS (Rs.)</b>         | <b>(3.9)</b>  | <b>21.3</b>  | <b>21.1</b>  | <b>NA</b>      | <b>(1.2)</b>    |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 1: Detailed financials (Consolidated)**

| Y/E March (Rsmm)         | 3QFY20        | 2QFY21       | 3QFY21       | YoY (%)        | QoQ (%)         | 9MFY20       | 9MFY21       | YoY (%)        |
|--------------------------|---------------|--------------|--------------|----------------|-----------------|--------------|--------------|----------------|
| <b>Net Sales</b>         | <b>2,621</b>  | <b>3,259</b> | <b>3,637</b> | <b>38.8</b>    | <b>11.6</b>     | <b>8,716</b> | <b>9,537</b> | <b>9.4</b>     |
| Expenditure              |               |              |              |                |                 |              |              |                |
| Chg. in stock            | 208           | (52)         | 127          | (39.0)         | (344.0)         | (102)        | 205          | NA             |
| RM consumption           | 439           | 447          | 534          | 21.6           | 19.4            | 1,524        | 1,296        | (15.0)         |
| Purchase of traded goods | 56            | 77           | 38           | (32.7)         | (51.6)          | 255          | 165          | (35.4)         |
| Employee cost            | 160           | 209          | 175          | 9.6            | (16.2)          | 460          | 530          | 15.3           |
| Freight, packing etc.    | 545           | 555          | 637          | 16.8           | 14.7            | 1,641        | 1,584        | (3.5)          |
| Power and fuel           | 627           | 610          | 675          | 7.7            | 10.8            | 2,329        | 1,731        | (25.7)         |
| Other exp                | 387           | 365          | 407          | 5.1            | 11.6            | 1,201        | 1,065        | (11.3)         |
| Operating Expenses       | 2,422         | 2,211        | 2,593        | 7.0            | 17.3            | 7,307        | 6,575        | (10.0)         |
| <b>EBITDA</b>            | <b>199</b>    | <b>1,048</b> | <b>1,044</b> | <b>425.7</b>   | <b>(0.3)</b>    | <b>1,409</b> | <b>2,962</b> | <b>110.3</b>   |
| <b>EBITDA Margin (%)</b> | <b>7.6%</b>   | <b>32.1%</b> | <b>28.7%</b> | <b>2113bps</b> | <b>(344)bps</b> | <b>16.2%</b> | <b>31.1%</b> | <b>1490bps</b> |
| Other Income             | 5             | 33           | 20           | 323.4          | (39.5)          | 17           | 61           | 250.9          |
| Interest Costs           | 157           | 117          | 113          | (28.5)         | (3.3)           | 465          | 357          | (23.2)         |
| Depreciation             | 205           | 202          | 203          | (0.6)          | 0.5             | 575          | 605          | 5.3            |
| PBT                      | (159)         | 762          | 748          | NA             | (1.8)           | 386          | 2,060        | 434.1          |
| Tax                      | (68)          | 260          | 252          | NA             | (3.0)           | 132          | 703          | 431.4          |
| <b>Reported PAT</b>      | <b>(91)</b>   | <b>502</b>   | <b>496</b>   | <b>NA</b>      | <b>(1.2)</b>    | <b>254</b>   | <b>1,358</b> | <b>435.5</b>   |
| Exceptional Items        | -             | -            | -            | -              | -               | -            | -            | -              |
| <b>Adjusted PAT</b>      | <b>(91)</b>   | <b>502</b>   | <b>496</b>   | <b>NA</b>      | <b>(1.2)</b>    | <b>254</b>   | <b>1,358</b> | <b>435.5</b>   |
| <b>NPM (%)</b>           | <b>(3.5)%</b> | <b>15.4%</b> | <b>13.6%</b> | <b>NA</b>      | <b>(176)bps</b> | <b>2.9%</b>  | <b>14.2%</b> | <b>1133bps</b> |
| <b>EPS (Rs.)</b>         | <b>(3.9)</b>  | <b>21.3</b>  | <b>21.1</b>  | <b>NA</b>      | <b>(1.2)</b>    | <b>11.4</b>  | <b>60.9</b>  | <b>435.5</b>   |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 2: Operational data**

| Operational Data           | 3QFY20     | 2QFY21       | 3QFY21       | YoY (%)      | QoQ (%)       | 9MFY20     | 9MFY21       | YoY (%)      |
|----------------------------|------------|--------------|--------------|--------------|---------------|------------|--------------|--------------|
| Volume (mn mt)             | 0.76       | 0.72         | 0.86         | 12.7         | 19.2          | 2.29       | 2.14         | (6.8)        |
| Cement Realization (Rs/mt) | 3,431      | 4,512        | 4,226        | 23.2         | (6.3)         | 3,799      | 4,461        | 17.4         |
| Operating Costs (Rs/mt)    | 3,171      | 3,062        | 3,013        | (5.0)        | (1.6)         | 3,185      | 3,075        | (3.5)        |
| <b>EBITDA (Rs/mt)</b>      | <b>260</b> | <b>1,451</b> | <b>1,213</b> | <b>366.7</b> | <b>(16.4)</b> | <b>614</b> | <b>1,385</b> | <b>125.7</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Trend in operating costs**

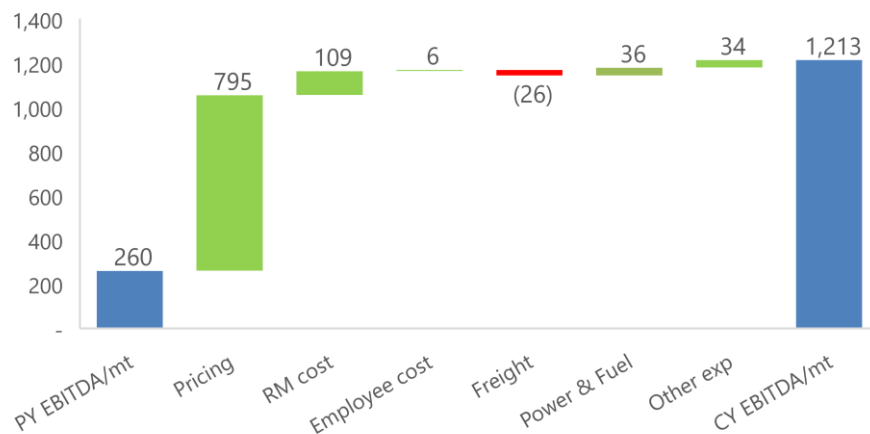
| Costs/mt (Rs)     | Dec-18       | Mar-19       | Jun-19       | Sep-19       | Dec-19       | Mar-20       | Jun-20       | Sep-20       | Dec-20       | YoY (%)      | QoQ (%)       |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| RM consumption    | 760          | 781          | 740          | 518          | 920          | 711          | 892          | 654          | 811          | (11.8)       | 24.1          |
| Employee cost     | 146          | 168          | 180          | 215          | 209          | 226          | 262          | 290          | 204          | (2.7)        | (29.7)        |
| Freight Cost      | 734          | 709          | 732          | 696          | 714          | 713          | 704          | 769          | 740          | 3.7          | (3.8)         |
| Power and fuel    | 1,080        | 1,047        | 1,060        | 1,171        | 821          | 911          | 802          | 844          | 785          | (4.4)        | (7.0)         |
| Other exp         | 420          | 517          | 526          | 538          | 507          | 532          | 528          | 505          | 473          | (6.7)        | (6.3)         |
| <b>Op exp /mt</b> | <b>3,141</b> | <b>3,221</b> | <b>3,239</b> | <b>3,138</b> | <b>3,171</b> | <b>3,094</b> | <b>3,189</b> | <b>3,062</b> | <b>3,013</b> | <b>(5.0)</b> | <b>(1.6)</b>  |
| <b>EBITDA/mt</b>  | <b>328</b>   | <b>654</b>   | <b>959</b>   | <b>596</b>   | <b>260</b>   | <b>534</b>   | <b>1,567</b> | <b>1,451</b> | <b>1,213</b> | <b>366.7</b> | <b>(16.4)</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Key Financial Summary**

| Y/E March (Rsmm)  | FY19   | FY20   | FY21E  | FY22E  | FY23E  |
|-------------------|--------|--------|--------|--------|--------|
| Revenues          | 12,176 | 11,752 | 13,660 | 17,945 | 23,337 |
| YoY (%)           | 17.3   | (3.5)  | 16.2   | 31.4   | 30.0   |
| EBITDA            | 1,468  | 1,855  | 3,752  | 4,258  | 4,880  |
| EBITDA Margin (%) | 12.1   | 15.8   | 27.5   | 23.7   | 20.9   |
| Adj. PAT          | 136    | 265    | 1,571  | 1,556  | 1,871  |
| YoY (%)           | (48.2) | 95.2   | 492.2  | (0.9)  | 20.2   |
| EPS (Rs)          | 6.7    | 11.9   | 70.5   | 69.8   | 84.0   |
| ROE (%)           | 1.7    | 2.9    | 15.0   | 13.0   | 13.7   |
| EV/EBITDA         | 12.6   | 10.7   | 6.1    | 5.3    | 4.2    |
| EV/mt (\$)        | 45.9   | 48.5   | 36.7   | 35.9   | 33.3   |
| P/E (x)           | 105.3  | 58.9   | 9.9    | 10.0   | 8.4    |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: YoY Movement in EBITDA/mt**


Source: Nirmal Bang Institutional Equities Research

**Exhibit 6: SGC - Key changes to our assumptions**

| Particulars<br>(Rs) | FY21E |       |            | FY22E |       |            | FY23E |       |            |
|---------------------|-------|-------|------------|-------|-------|------------|-------|-------|------------|
|                     | Old   | New   | Change (%) | Old   | New   | Change (%) | Old   | New   | Change (%) |
| Volumes (mn mt)     | 2.9   | 3.1   | 8.2        | 3.9   | 4.2   | 7.7        | 5.2   | 5.6   | 7.3        |
| Realization / mt    | 4,288 | 4,380 | 2.2        | 4,148 | 4,225 | 1.9        | 4,218 | 4,145 | (1.7)      |
| EBITDA / mt         | 1,031 | 1,203 | 16.7       | 839   | 1,003 | 19.4       | 846   | 867   | 2.4        |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: SGC - Key changes to our estimates**

| Particulars<br>(Rs mn) | FY21E  |        |            | FY22E  |        |            | FY23E  |        |            |
|------------------------|--------|--------|------------|--------|--------|------------|--------|--------|------------|
|                        | Old    | New    | Change (%) | Old    | New    | Change (%) | Old    | New    | Change (%) |
| Revenue                | 12,361 | 13,660 | 10.5       | 16,350 | 17,945 | 9.8        | 22,125 | 23,337 | 5.5        |
| EBITDA                 | 2,972  | 3,752  | 26.3       | 3,309  | 4,258  | 28.7       | 4,438  | 4,880  | 10.0       |
| PAT                    | 1,153  | 1,571  | 36.3       | 1,286  | 1,556  | 21.0       | 2,085  | 1,871  | (10.3)     |
| EPS (Rs)               | 51.7   | 70.5   | 36.3       | 57.7   | 69.8   | 21.0       | 93.6   | 84.0   | (10.3)     |
| TP (Rs)                |        |        |            |        |        |            | 1,239  | 1,304  | 5.2        |

Source: Company, Nirmal Bang Institutional Equities Research

## 3QFY21 Conference call highlights

### Demand

- Management expects demand in Telangana to moderate due to lower spending by the government.
- Demand is expected to be steady in Odisha and recover in the West region.
- According to management, it will take at least 1.5-2 years for AP and TG demand to reach 2019 levels.

### Pricing

- For 3QFY21, the prices have declined to seasonality (on account of festivals). However, 4Q being a strong quarter, the prices haven't improved as compared to December end pricing.
- From the peak, prices in AP and Telangana had declined by Rs50-55/bag. However, in the second fortnight of January, prices improved by Rs5-8/kg.

### Supply

- In Andhra Pradesh, Ramco cement's Kurnool Capacity is expected to come up soon. Both Penna and Chettinad plants expected to ramp up in this quarter.
- Eastern region is likely to see an addition of 10-12 mn mt capacity addition over the next 2 years.

### Costs

- For 3QFY21, the petcoke price/kcal and Australian coal price/kcal was Rs.0.92 and Rs.1.08, respectively.
- The company has low-cost petcoke inventory which will last till the end of January 2021.
- Since the current cost of petcoke is US\$100, from February 2021, the company will shift to Australian coal which costs US\$57/mt and has stock till June 2021.
- The current cost/mt of imported Australian coal, Saudi coal and USA coal is US\$72, US\$107 and \$115, respectively.
- Given the increased cost of fuel, power & fuel costs for the company are expected to go up by Rs50-55/mt in Q4. It is expected to increase 10-15% on clinker level.
- Given higher diesel prices, there is an expectation of 3.5-4% increase in overall freight costs for the company.

### Capex

- The Jajpur plant (Odisha) and the Satguru plant (Madhya Pradesh) are expected to be commissioned before or on 30th September 2021.
- Total capex this year will be Rs4.3-4.5bn out of which Rs3bn is already spent and Rs1.25-1.5bn will be spent in 4QFY21. Another Rs.1.25bn will be spent in FY22.
- The Satguru plant will have a total power requirement of 9-10MW, which will be met through WHRS (5MW to be commissioned at the same time), Solar plant (1MW to be commissioned by end of FY22) and the power grid.
- 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.

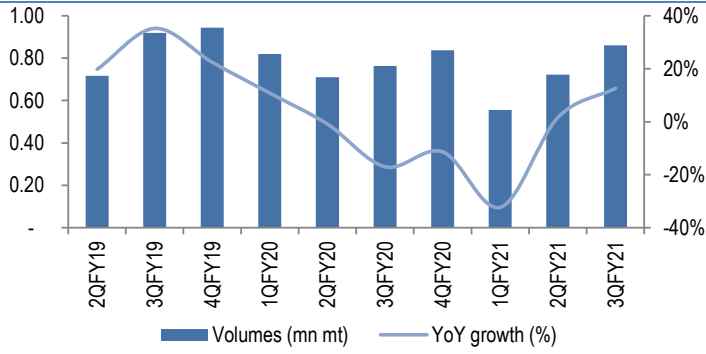
**Fuel Mix:** 100% petcoke

**Freight Mix:** 100% road for 3QFY21.

### Others:

- Blended cement ratio was 41%.
- For this quarter, the lead distance was 303kms.

**Exhibit 8: Volume up by 12.7% YoY**



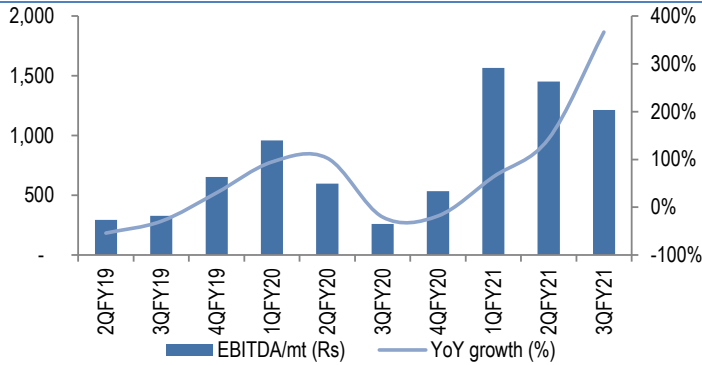
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 9: Realization down by 6.3% QoQ**



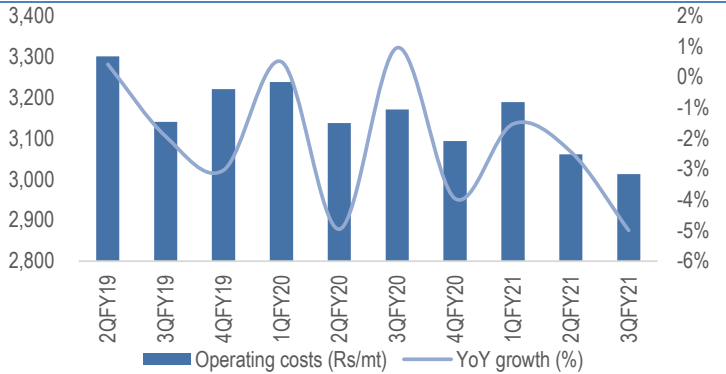
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: EBITDA/mt is above Rs.1,000 again**



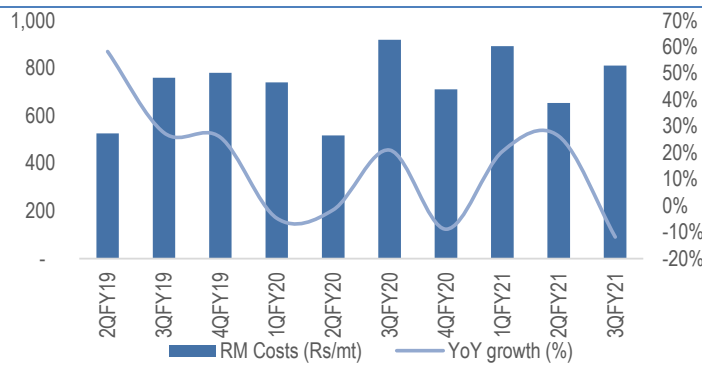
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Lowest operating costs in the last 8 quarters**



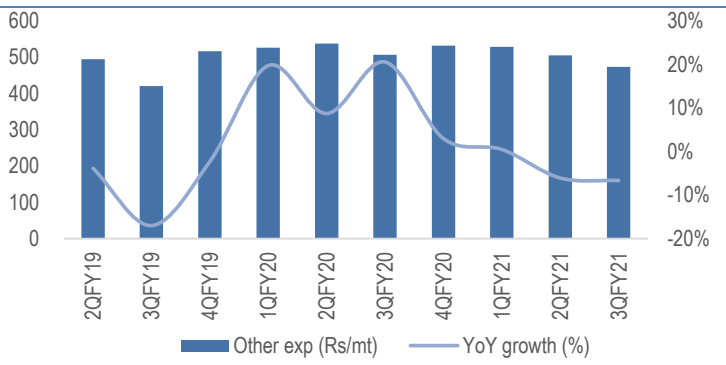
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: RM cost was down by 11.8% YoY**



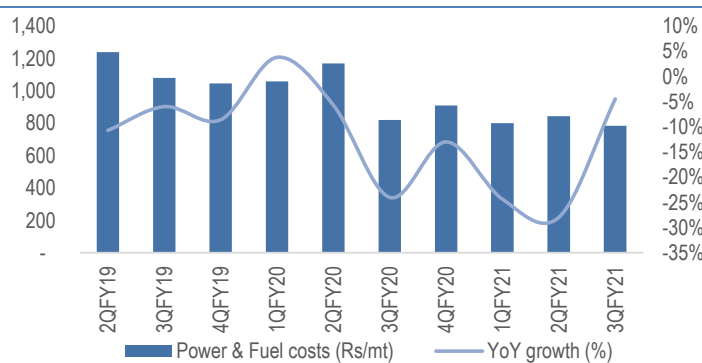
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 13: Other expenses were down 6.7% YoY**



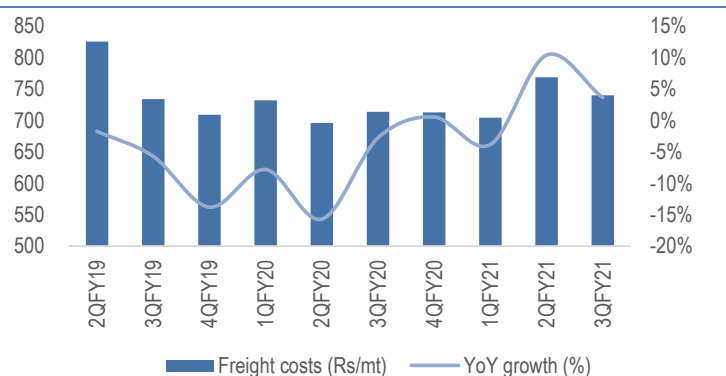
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: Power & Fuel cost down by 4.4% YoY**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Freight cost was up 3.7% YoY**

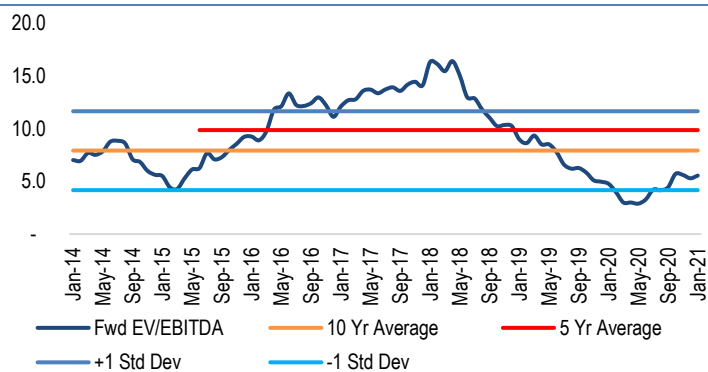


Source: Company, Nirmal Bang Institutional Equities Research

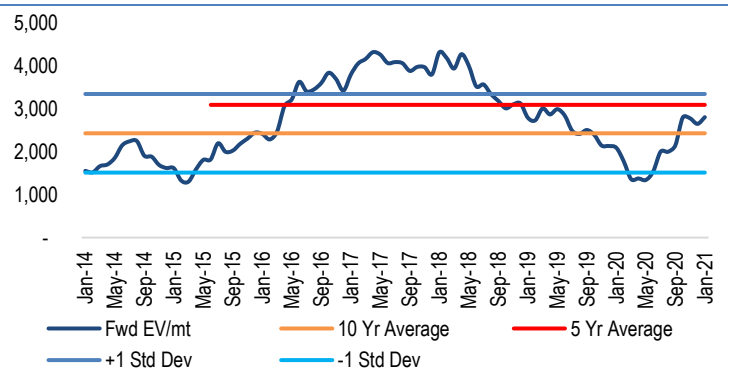
**Exhibit 16: Valuation summary**

| Particulars                  | (Rs)         |
|------------------------------|--------------|
| FY23E EBITDA                 | 4,880        |
| Target multiple (x)          | 7.0          |
| Enterprise value             | 34,161       |
| Less: Net debt               | 5,110        |
| Equity value                 | 29,050       |
| No of shares (mn)            | 22.3         |
| <b>Value per share (Rs)</b>  | <b>1,304</b> |
| CMP (Rs)                     | 701          |
| <b>Upside / (downside) %</b> | <b>86%</b>   |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 17: Rolling valuation charts**


Source: Company, Nirmal Bang Institutional Equities Research



Source: Company, Nirmal Bang Institutional Equities Research

## Financial statement

### Exhibit 18: Income statement

| YE March, Rsmn              | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>            | <b>12,176</b> | <b>11,752</b> | <b>13,660</b> | <b>17,945</b> | <b>23,337</b> |
| Raw Material Consumed       | 2,388         | 2,273         | 2,167         | 3,155         | 4,435         |
| Power & Fuel Cost           | 3,628         | 3,092         | 3,309         | 4,581         | 6,155         |
| Employee Cost               | 588           | 649           | 655           | 755           | 866           |
| Freight and Forwarding      | 2,525         | 2,238         | 2,202         | 3,040         | 4,083         |
| Other expenses              | 1,580         | 1,646         | 1,576         | 2,156         | 2,918         |
| Total Expenditure           | 10,707        | 9,897         | 9,908         | 13,687        | 18,457        |
| <b>Operating profit</b>     | <b>1,468</b>  | <b>1,855</b>  | <b>3,752</b>  | <b>4,258</b>  | <b>4,880</b>  |
| Operating profit margin (%) | 12%           | 16%           | 27%           | 24%           | 21%           |
| Other Income                | 55            | 40            | 40            | 40            | 40            |
| Interest                    | 634           | 610           | 843           | 1,174         | 1,225         |
| Depreciation                | 657           | 789           | 840           | 955           | 1,061         |
| PBT                         | 232           | 497           | 2,108         | 2,169         | 2,634         |
| Exceptional items           | -             | -             | -             | -             | -             |
| PBT post exc items          | 232           | 497           | 2,108         | 2,169         | 2,634         |
| Tax                         | 96            | 231           | 537           | 613           | 764           |
| Tax rate (%)                | 41%           | 47%           | 25%           | 28%           | 29%           |
| <b>PAT</b>                  | <b>136</b>    | <b>265</b>    | <b>1,571</b>  | <b>1,556</b>  | <b>1,871</b>  |
| <b>EPS (Rs)</b>             | <b>6.7</b>    | <b>11.9</b>   | <b>70.5</b>   | <b>69.8</b>   | <b>84.0</b>   |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 20: Key ratios

| YE March                   | FY19   | FY20  | FY21E | FY22E | FY23E |
|----------------------------|--------|-------|-------|-------|-------|
| <b>Growth (%)</b>          |        |       |       |       |       |
| Sales                      | 17.3   | (3.5) | 16.2  | 31.4  | 30.0  |
| Operating Profits          | (1.0)  | 26.3  | 102.2 | 13.5  | 14.6  |
| Net Profits                | (48.2) | 95.2  | 492.2 | (0.9) | 20.2  |
| <b>Leverage (x)</b>        |        |       |       |       |       |
| Net Debt: Equity           | 0.49   | 0.43  | 0.65  | 0.53  | 0.35  |
| Interest Cover(x)          | 2.32   | 3.04  | 4.45  | 3.63  | 3.98  |
| Total Debt/EBITDA          | 3.03   | 2.31  | 2.28  | 2.19  | 1.87  |
| <b>Profitability (%)</b>   |        |       |       |       |       |
| OPM                        | 12.1   | 15.8  | 27.5  | 23.7  | 20.9  |
| NPM                        | 1.1    | 2.3   | 11.5  | 8.7   | 8.0   |
| ROE                        | 1.7    | 2.9   | 15.0  | 13.0  | 13.7  |
| ROCE                       | 7.4    | 9.9   | 17.8  | 15.1  | 16.0  |
| <b>Turnover ratios (x)</b> |        |       |       |       |       |
| GFAT                       | 0.8    | 0.7   | 0.7   | 0.8   | 0.9   |
| Debtors Turnover(x)        | 28     | 56    | 19    | 9     | 7     |
| WC days                    | 88     | 81    | 104   | 144   | 170   |
| <b>Valuation (x)</b>       |        |       |       |       |       |
| P/E                        | 105.3  | 58.9  | 9.9   | 10.0  | 8.4   |
| P/B                        | 1.7    | 1.6   | 1.4   | 1.2   | 1.1   |
| EV/EBITDA                  | 12.6   | 10.7  | 6.1   | 5.3   | 4.2   |
| EV/mt (\$)                 | 45.9   | 48.5  | 36.7  | 35.9  | 33.3  |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 19: Balance Sheet

| YE March, Rsmn                | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Equity Capital                | 770           | 223           | 223           | 223           | 223           |
| Reserves and Surplus          | 7,669         | 9,444         | 10,988        | 12,518        | 14,363        |
| Networth                      | 8,438         | 9,667         | 11,211        | 12,741        | 14,585        |
| Total Debt                    | 4,447         | 4,279         | 8,536         | 9,336         | 9,136         |
| Deferred tax liability        | 83            | 439           | 439           | 439           | 439           |
| Other non-current liabilities | 642           | 822           | 541           | 597           | 680           |
| Trade Payables                | 2,038         | 2,230         | 2,208         | 3,057         | 4,140         |
| Other Current Liabilities     | 1,635         | 1,387         | 1,291         | 1,213         | 1,151         |
| Total Current Liabilities     | 5,062         | 5,023         | 4,905         | 5,476         | 5,996         |
| <b>Total liabilities</b>      | <b>17,283</b> | <b>19,388</b> | <b>24,791</b> | <b>27,947</b> | <b>30,695</b> |
| Net Block                     | 12,442        | 13,306        | 13,685        | 17,501        | 17,211        |
| CWIP                          | 1,101         | 1,080         | 4,599         | 1,349         | 1,349         |
| Investment                    | -             | -             | -             | -             | -             |
| Other non-current assets      | 353           | 1,296         | 1,303         | 1,310         | 1,318         |
| Inventories                   | 1,450         | 1,158         | 1,166         | 1,592         | 2,127         |
| Sundry Debtors                | 1,156         | 1,368         | 1,588         | 2,071         | 2,678         |
| Cash and Bank                 | 295           | 128           | 1,278         | 2,596         | 4,026         |
| Other current assets          | 486           | 519           | 638           | 994           | 1,453         |
| Total Current Assets          | 3,388         | 3,172         | 4,670         | 7,253         | 10,283        |
| <b>Total Assets</b>           | <b>17,283</b> | <b>19,388</b> | <b>24,791</b> | <b>27,947</b> | <b>30,695</b> |

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 21: Cash flow statement

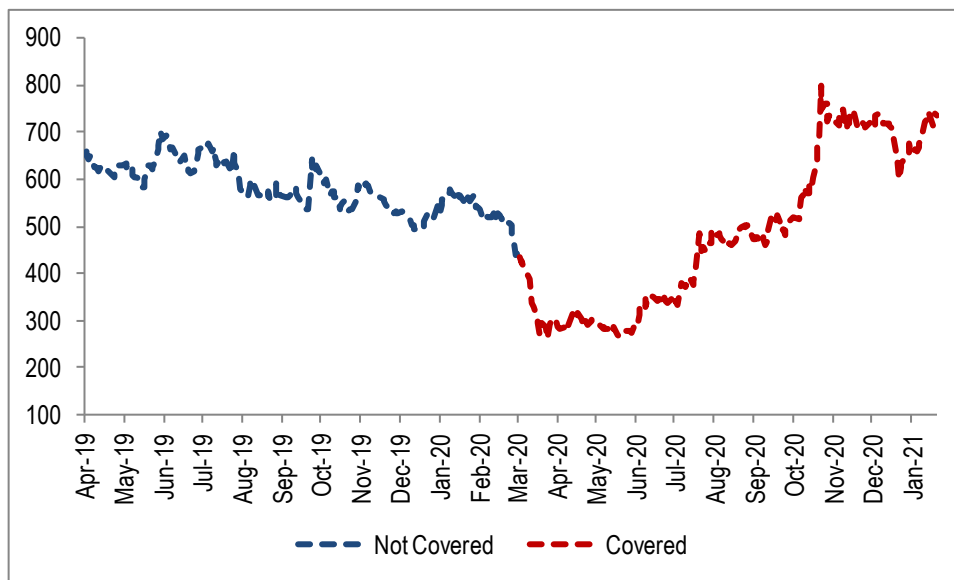
| YE March, Rsmn                  | FY19           | FY20           | FY21E          | FY22E          | FY23E          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit before tax               | 232            | 497            | 2,108          | 2,169          | 2,634          |
| Add: Depreciation               | 657            | 789            | 840            | 955            | 1,061          |
| Add: Interest Exp               | 634            | 610            | 843            | 1,174          | 1,225          |
| CFO b4 WC                       | 1,523          | 1,895          | 3,792          | 4,298          | 4,920          |
| Net change in Working capital   | 366            | 59             | (465)          | (494)          | (580)          |
| Tax paid                        | (96)           | (231)          | (537)          | (613)          | (764)          |
| <b>Net cash from operations</b> | <b>1,793</b>   | <b>1,723</b>   | <b>2,790</b>   | <b>3,191</b>   | <b>3,577</b>   |
| Capital expenditure             | (2,420)        | (2,166)        | (4,739)        | (1,521)        | (771)          |
| Sale of investments             | -              | -              | -              | -              | -              |
| <b>Net cash from investing</b>  | <b>(2,081)</b> | <b>(3,109)</b> | <b>(4,746)</b> | <b>(1,528)</b> | <b>(779)</b>   |
| Issue of shares                 | 566            | (547)          | -              | -              | -              |
| Increase in debt                | (3)            | (168)          | 4,257          | 800            | (200)          |
| Dividends paid incl. tax        | (37)           | (62)           | (62)           | (62)           | (62)           |
| Interest paid                   | (634)          | (610)          | (843)          | (1,174)        | (1,225)        |
| <b>Net cash from financing</b>  | <b>2</b>       | <b>1,218</b>   | <b>3,107</b>   | <b>(345)</b>   | <b>(1,368)</b> |
| Net Cash                        | (286)          | (167)          | 1,151          | 1,318          | 1,430          |
| Opening Cash                    | 581            | 295            | 128            | 1,278          | 2,596          |
| <b>Closing Cash</b>             | <b>295</b>     | <b>128</b>     | <b>1,278</b>   | <b>2,596</b>   | <b>4,026</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               |
| 16 October 2020 | BUY        | 577               | 801               |
| 23 October 2020 | ACCUMULATE | 789               | 1,040             |
| 7 January 2021  | BUY        | 667               | 1,239             |
| 22 January 2021 | BUY        | 701               | 1,304             |

**Rating track graph**





## DISCLOSURES

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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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