

# Asian Paints Ltd.

22 January 2021

Reuters: ASPN.BO; Bloomberg: APNT IN

## Strong rebound in demand; Eyes on raw material inflation

APNT's 3QFY21 consolidated revenue grew by 25.2% YoY to Rs67.9bn (vs our est. 16.5% growth to Rs63.1bn). Demand conditions continued to exhibit a strong recovery across business segments, spread over most regions. Domestic Decorative business delivered 33% YoY volume growth (vs our est. 20% growth), supported by robust festive/marriage season demand, strong performance in tier 1 markets & metros, supporting rural growth, uptrend seen across manufacturing as well as construction sectors, pent-up demand and market share gains. The volume in the international business also picked up strongly in the quarter. The Industrial Coatings business also delivered a robust performance, particularly in protective coatings and auto/OEM businesses, which rebounded in a big way, benefited by resurgence in the industrial activity. Profitability across businesses was supported by lower input prices, a good sales mix and cost optimization & sourcing measures pursued through innovation programs. Thus, consolidated gross margin was up by 210bps YoY (up 70bps QoQ) at 45.1% (vs our est. 44%) while EBITDA margin was up by 440bps YoY at 26.3% (highest ever; vs our est. 24%). Consolidated EBITDA grew by 50.3% YoY to Rs17.9bn (vs our est. 27.4% growth to Rs15.2bn). Adj. PAT grew by 62% YoY to Rs12.4bn (vs our est. 32.5% growth to Rs10.1bn). At the current market price (CMP), the stock trades at 87.6x/70.7x/61.4x FY21E/FY22E/FY23E EPS. Due to a sharp run-up in the stock price, we had recently downgraded the stock to Sell. We value the stock based on ~55x March'23 EPS, giving us a revised target price (TP) of Rs2,455 (Rs2,385 earlier).

**Key highlights from earnings call:** (1) Rural demand continues to grow at a healthy pace in 3QFY21. (2) The management expects the demand environment to be healthy in 4QFY21 as well, led by overall recovery in consumer sentiment. (3) Institutional & Project business, across business verticals, has seen strong YoY growth. (4) Raw material cost is seeing a sharp inflation across key inputs and the company may look at price hikes if raw material prices remain at elevated levels.

**Standalone and Imputed Subsidiary performance:** 3QFY21 standalone Revenue, EBITDA and Adj. PAT grew by 26.1%, 48% and 56.5% YoY, respectively. Gross margin expanded by 220bps YoY to 46.1% while EBITDA margin expanded by 420bps YoY to 28.2%. Imputed subsidiary's Revenue, EBITDA and Adj. PAT grew by 19.9%, 47.9% and 51.3% YoY, respectively.

**9MFY21 consolidated performance:** Revenue was down by 3.3% YoY while EBITDA and adj. PAT grew by 7.1% YoY and 1.7% YoY, respectively. Gross margin was up 170bps YoY at 44.8% while EBITDA margin was up 230bps YoY at 23.5%.

**Outlook and valuation:** Overall performance was ahead our estimates. There is 6.9%/2.1%/1.0% upward revision in our FY21E/FY22E/FY23E EPS, led by strong beat in 3QFY21 and expectation of robust demand in 4QFY21 as well, with strong recovery in consumer sentiments. We now expect APNT to deliver 10.3%, 14.4% and 16.6% CAGR growth in Revenue, EBITDA and PAT, respectively over FY20-23E, underpinned by (a) strong growth in the organized decorative paints industry (b) recovery in GDP growth (c) faster growth in premium/luxury products and (d) higher contribution from allied businesses. While raw material prices are seeing sharp inflation, we believe that APNT will eventually take judicious price hikes to offset some of the impact. As overall utilization levels grow even further, return ratios should improve over FY20-23. We believe that valuation of APNT will always be at a premium to other consumer peers, as it has consistently delivered strong volume driven growth even compared to other consumer segments, maintained market leadership in its core business along with expanding other businesses, continuously generated robust cash flows and kept a healthy dividend payout. But the stock is looking expensive on a 1-year forward basis. We value the stock based on ~55x March'23 EPS, giving us a revised TP of Rs2,455 (Rs2,385 earlier). Maintain Sell.

## SELL

**Sector:** Paint

**CMP:** Rs2,740

**Target Price:** Rs2,455

**Downside:** 10%

### Vishal Punmiya

 Research Analyst  
 vishal.punmiya@nirmalbang.com  
 +91-22-6273 8064

### Videesha Sheth

 Research Associate  
 videesha.sheth@nirmalbang.com  
 +91-22-6273 8188

### Key Data

Current Shares O/S (mn)	959.2
Mkt Cap (Rsbn/US\$bn)	2,605.5/35.7
52 Wk H / L (Rs)	2,873/1,431
Daily Vol. (3M NSE Avg.)	2,521,610

### Price Performance (%)

	1 M	6 M	1 Yr
Asian Paints	4.4	60.2	52.7
Nifty Index	8.3	31.1	20.5

Source: Bloomberg

### [FY20 Annual Report](#)

### [3QFY21 Investor Presentation](#)

Y/E March (Rs. Mn)	3QFY20	2QFY21	3QFY21	YoY (%)	QoQ (%)	9MFY20	9MFY21	YoY (%)
Net Sales	54,203	53,502	67,885	25.2	26.9	1,55,757	1,50,614	-3.3
Gross margin %	43.0	44.4	45.1	2.1	0.7	43.0	44.8	1.7
Employee costs	3,430	3,789	3,883	13.2	2.5	10,305	11,286	9.5
% of sales	6.3	7.1	5.7	-0.6	-1.4	6.6	7.5	0.9
Other expenses	7,989	7,317	8,839	10.6	20.8	23,702	20,775	-12.3
% of sales	14.7	13.7	13.0	-1.7	-0.7	15.2	13.8	-1.4
EBITDA	11,894	12,652	17,879	50.3	41.3	33,022	35,373	7.1
EBITDA margin %	21.9	23.6	26.3	4.4	2.7	21.2	23.5	2.3
Depreciation	1,971	1,936	1,932	-2.0	-0.2	5,860	5,779	-1.4
EBIT	9,923	10,716	15,947	60.7	48.8	27,162	29,594	9.0
EBIT margin %	18.3	20.0	23.5	5.2	3.5	17.4	19.6	2.2
Interest expense	241	205	211	-12.2	3.0	767	618	-19.4
Other income	698	826	979	40.2	18.5	2,485	2,276	-8.4
PBT	10,381	11,337	16,715	61.0	47.4	28,830	31,253	8.4
Tax	2,776	2,936	4,314	55.4	46.9	6,359	8,112	27.6
Effective tax rate %	26.7	25.9	25.8	-0.9	-0.1	22.1	26.0	3.9
Minority interest	-39	98	18	56.9	-79.9	39	270	230.7
Adj. PAT	7,644	8,304	12,383	62.0	49.1	22,482	22,872	1.7
Adj. PAT margin %	14.1	15.5	18.2	4.1	2.7	14.4	15.2	0.8
EPS	8.0	8.7	12.9	62.0	49.1	23.4	23.8	1.7

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 1: Financial summary**

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Net sales	1,92,401	2,02,113	2,05,471	2,42,886	2,71,307
YoY growth (%)	14.4	5.0	1.7	18.2	11.7
EBITDA	37,655	41,618	46,591	55,123	62,391
EBITDA margin (%)	19.6	20.6	22.7	22.7	23.0
Adj. PAT	21,559	27,052	30,014	37,164	42,832
EPS	22.5	28.2	31.3	38.7	44.7
YoY change (%)	5.7	25.5	10.9	23.8	15.3
ROCE (%)	22.8	26.3	26.1	27.7	28.3
ROE (%)	24.1	27.6	26.8	28.4	28.9
ROIC (%)	29.5	29.3	30.6	36.8	41.0
P/E (x)	121.9	97.2	87.6	70.7	61.4
P/B (x)	27.8	25.9	21.5	18.9	16.7
EV/EBITDA (x)	69.5	62.9	56.0	47.1	41.5

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 2: Our estimates versus actual performance**

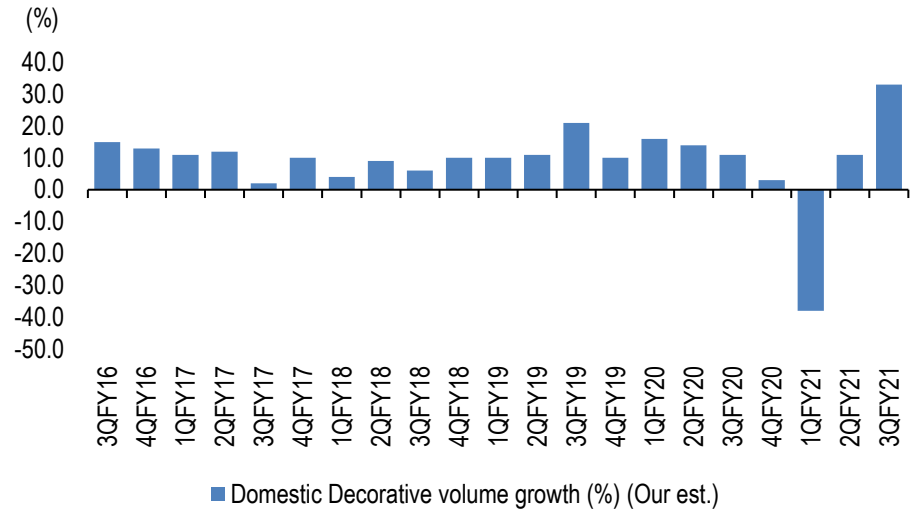
Y/E March (Rsmn)	3QFY20	2QFY21	3QFY21	YoY (%)	QoQ (%)	NBIE Estimates	Deviation (%)
Net sales	54,203	53,502	67,885	25.2	26.9	63,146	7.5
EBITDA	11,894	12,652	17,879	50.3	41.3	15,155	18.0
EBITDA (%)	21.9	23.6	26.3	4.4	2.7	24.0	2.3
PAT	7,644	8,304	12,383	62.0	49.1	10,126	22.3

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: Consolidated Segmental Performance**

Segmental Performance	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
<b>Segment Revenue (Rsmn)</b>	<b>52,630</b>	<b>50,182</b>	<b>51,047</b>	<b>50,507</b>	<b>54,203</b>	<b>46,407</b>	<b>29,227</b>	<b>53,502</b>	<b>67,885</b>
Paints	51,586	48,991	49,969	49,297	52,941	45,329	28,706	52,329	66,351
Home Improvement	1,044	1,191	1,078	1,210	1,261	1,078	521	1,174	1,534
<b>Segment revenue growth (%)</b>	<b>23.3</b>	<b>11.7</b>	<b>16.1</b>	<b>9.4</b>	<b>3.0</b>	<b>-7.5</b>	<b>-42.7</b>	<b>5.9</b>	<b>25.2</b>
Paints	23.3	11.5	16.0	9.2	2.6	-7.5	-42.6	6.2	25.3
Home Improvement	23.2	22.0	18.6	18.6	20.8	-9.5	-51.7	-3.0	21.6
<b>Sales proportion %</b>									
Paints	98.0	97.6	97.9	97.6	97.7	97.7	98.2	97.8	97.7
Home Improvement	2.0	2.4	2.1	2.4	2.3	2.3	1.8	2.2	2.3
<b>EBIT (Rsmn)</b>	<b>10,085</b>	<b>7,888</b>	<b>10,466</b>	<b>8,997</b>	<b>10,885</b>	<b>7,848</b>	<b>3,504</b>	<b>11,776</b>	<b>17,218</b>
Paints	10,257	8,026	10,624	9,152	11,054	8,070	3,716	11,818	17,226
Home Improvement	-171	-138	-158	-155	-168	-222	-212	-42	-8
<b>EBIT margin (%)</b>	<b>19.2</b>	<b>15.7</b>	<b>20.5</b>	<b>17.8</b>	<b>20.1</b>	<b>16.9</b>	<b>12.0</b>	<b>22.0</b>	<b>25.4</b>
Paints	19.9	16.4	21.3	18.6	20.9	17.8	12.9	22.6	26.0
Home Improvement	-16.4	-11.6	-14.7	-12.8	-13.3	-20.6	-40.6	-3.6	-0.5
<b>EBIT composition %</b>									
Paints	101.7	101.8	101.5	101.7	101.5	102.8	106.0	100.4	100.0
Home Improvement	-1.7	-1.8	-1.5	-1.7	-1.5	-2.8	-6.0	-0.4	0.0

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Domestic decorative business registered a stellar volume growth of 33% for the quarter**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Standalone quarterly performance**

Particulars (Rs. Mn)	3QFY20	2QFY21	3QFY21	YoY (%)	QoQ (%)	9MFY20	9MFY21	YoY (%)
<b>Net Sales</b>	<b>46,569</b>	<b>45,267</b>	<b>58,728</b>	<b>26.1</b>	<b>29.7</b>	<b>1,33,151</b>	<b>1,28,461</b>	<b>-3.5</b>
COGS	26,099	24,713	31,628	21.2	28.0	74,502	69,469	-6.8
% of sales	56.0	54.6	53.9	-2.2	-0.7	56.0	54.1	-1.9
<b>Gross margin %</b>	<b>44.0</b>	<b>45.4</b>	<b>46.1</b>	<b>2.2</b>	<b>0.7</b>	<b>44.0</b>	<b>45.9</b>	<b>1.9</b>
Employee costs	2,475	2,767	2,809	13.5	1.5	7,483	8,295	10.9
% of sales	5.3	6.1	4.8	-0.5	-1.3	5.6	6.5	0.8
Other expenses	6,816	6,291	7,749	13.7	23.2	20,354	17,989	-11.6
% of sales	14.6	13.9	13.2	-1.4	-0.7	15.3	14.0	-1.3
<b>EBITDA</b>	<b>11,179</b>	<b>11,496</b>	<b>16,542</b>	<b>48.0</b>	<b>43.9</b>	<b>30,812</b>	<b>32,708</b>	<b>6.2</b>
<b>EBITDA margin %</b>	<b>24.0</b>	<b>25.4</b>	<b>28.2</b>	<b>4.2</b>	<b>2.8</b>	<b>23.1</b>	<b>25.5</b>	<b>2.3</b>
Depreciation	1,737	1,687	1,690	-2.7	0.2	5,178	5,046	-2.6
EBIT	9,442	9,810	14,852	57.3	51.4	25,634	27,662	7.9
<b>EBIT margin %</b>	<b>20.3</b>	<b>21.7</b>	<b>25.3</b>	<b>5.0</b>	<b>3.6</b>	<b>19.3</b>	<b>21.5</b>	<b>2.3</b>
Interest expense	196	153	168	-14.2	9.5	590	471	-20.3
Other income	928	945	1,214	30.9	28.5	2,924	2,677	-8.4
PBT	10,174	10,601	15,898	56.3	50.0	27,968	29,869	6.8
Tax	2,585	2,670	4,019	55.4	50.5	5,949	7,540	26.7
Effective tax rate %	25.4	25.2	25.3	-0.1	0.1	21.3	25.2	4.0
<b>Adj. PAT</b>	<b>7,589</b>	<b>7,931</b>	<b>11,879</b>	<b>56.5</b>	<b>49.8</b>	<b>22,019</b>	<b>22,329</b>	<b>1.4</b>
<b>Adj. PAT margin %</b>	<b>16.3</b>	<b>17.5</b>	<b>20.2</b>	<b>3.9</b>	<b>2.7</b>	<b>16.5</b>	<b>17.4</b>	<b>0.8</b>
<b>EPS</b>	<b>7.9</b>	<b>8.3</b>	<b>12.4</b>	<b>56.5</b>	<b>49.8</b>	<b>23.0</b>	<b>23.3</b>	<b>1.4</b>

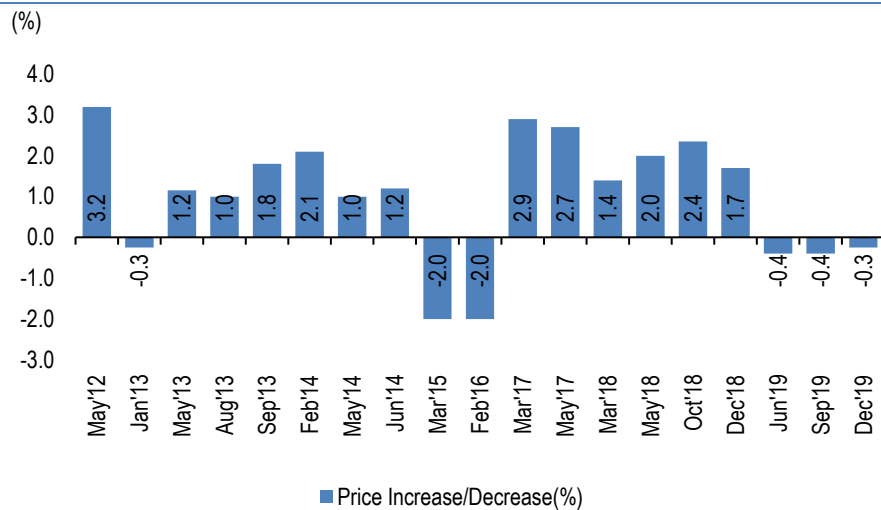
Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 6: Imputed subsidiary performance

	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Revenue (Rsmn)	7,270	7,562	7,246	7,726	7,634	7,566	4,761	8,235	9,157
YoY growth (%)	8.0	6.8	5.9	10.2	5.0	0.1	-34.3	6.6	19.9
as a % of consol. sales	13.8	15.1	14.2	15.3	14.1	16.3	16.3	15.4	13.5
EBITDA (Rsmn)	4,267	4,074	3,947	4,641	4,925	4,843	173	5,325	7,285
YoY growth (%)	40.2	18.0	29.5	32.3	15.4	18.9	-95.6	14.7	47.9
EBITDA margin (%)	58.7	53.9	54.5	60.1	64.5	64.0	3.6	64.7	79.6
PAT (Rsmn)	3,756	3,405	3,337	4,372	4,266	4,104	-334	4,541	6,452
YoY growth (%)	39.4	15.4	17.6	41.7	13.6	20.5	NA	3.9	51.3

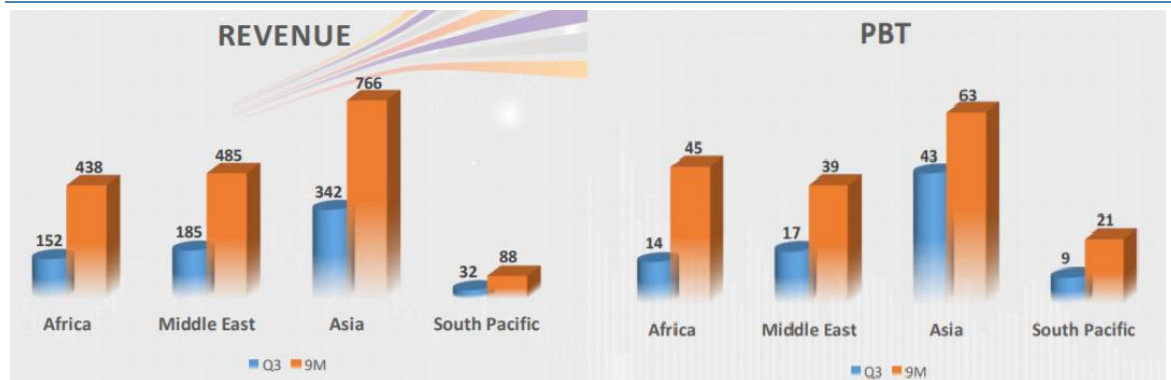
Source: Company, Nirmal Bang Institutional Equities Research

## Exhibit 7: The company has not taken any price action since Dec'19 but if inflation sustains, can expect price hike in 4QFY21



Source: Company, Nirmal Bang Institutional Equities Research

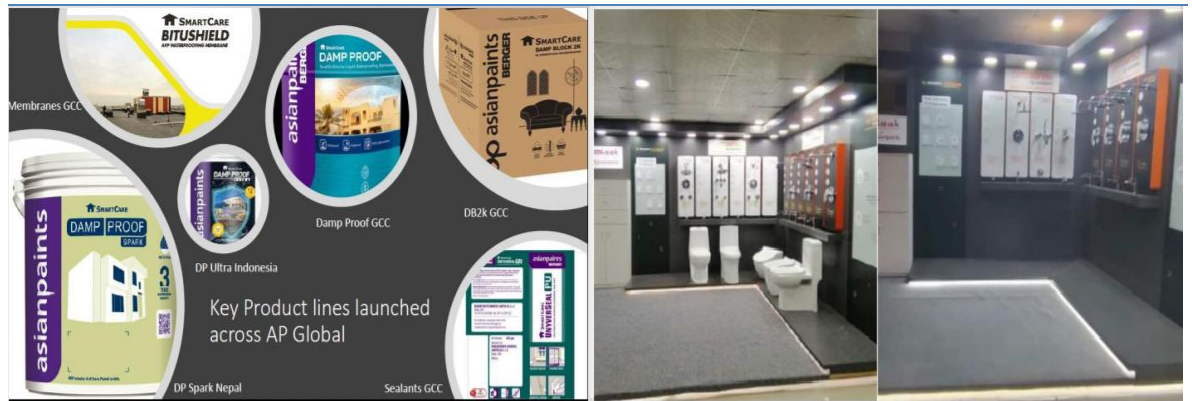
## Exhibit 8: International business clocked an overall revenue growth of 22.4% YoY and PBT growth of 171.3%



Source: Company, Nirmal Bang Institutional Equities Research

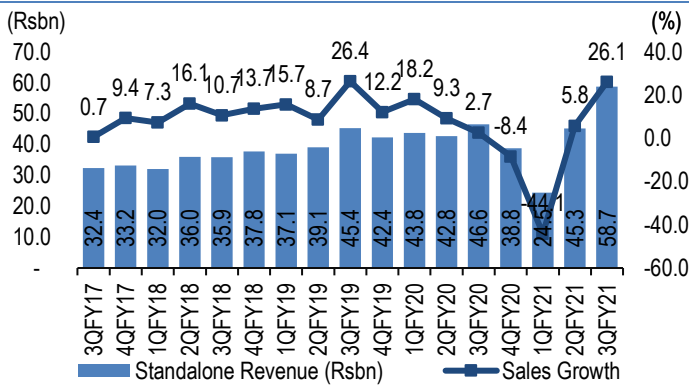
Note: Figures in the image are in Rscr

**Exhibit 9: APNT has launched its waterproofing range across its international geographies and has also launched its bath business in Nepal & Bangladesh**



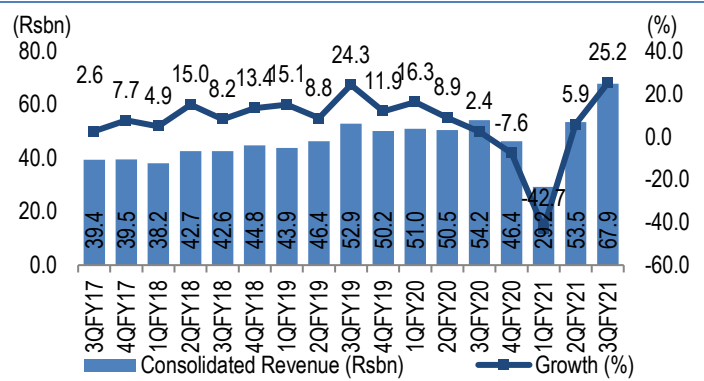
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Standalone sales grew 26.1% YoY to Rs58.7bn**



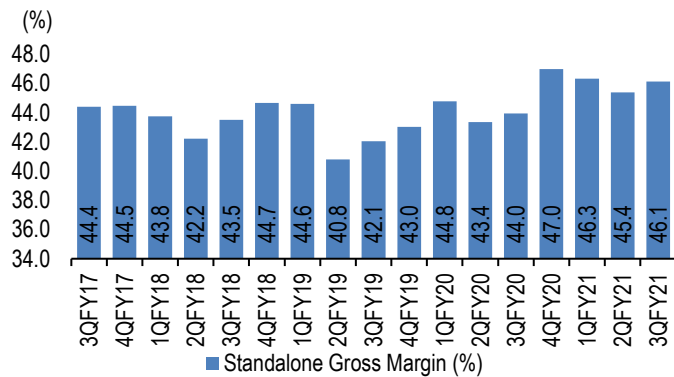
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Consolidated sales grew 25.2% to Rs67.9bn**



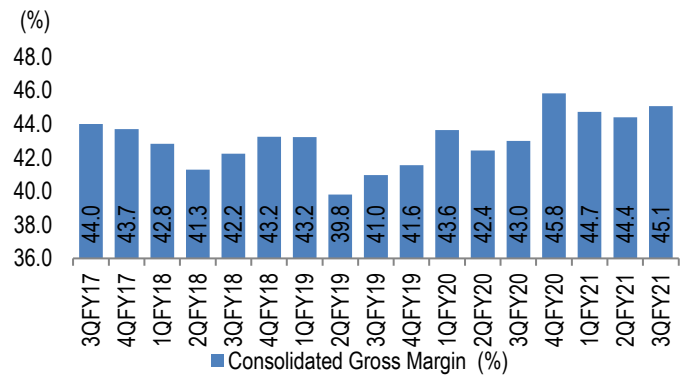
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: Standalone gross margin stood at 46.1% (up ~220bps YoY)**



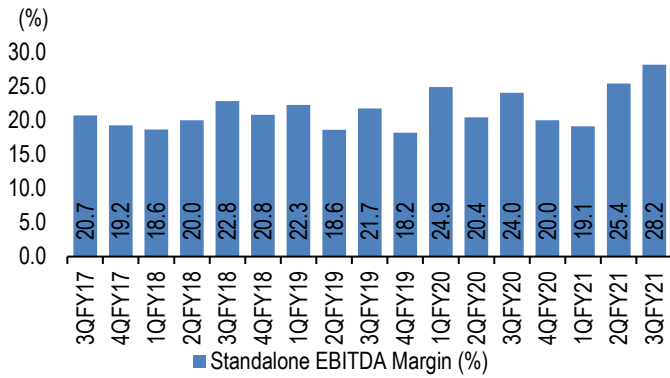
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 13: Consolidated gross margin stood at 45.1% (up ~210bps YoY)**



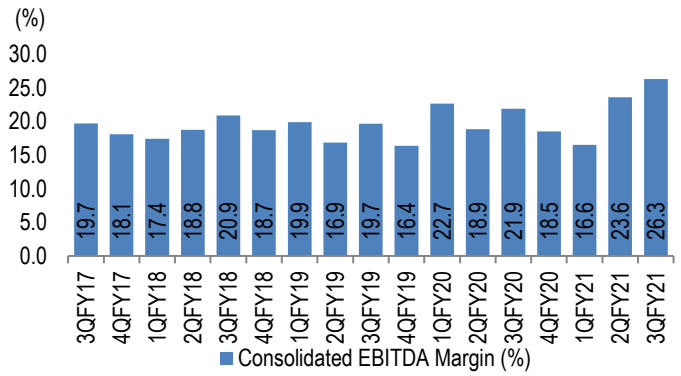
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: Standalone EBITDA margin stood at 28.2% (up ~420bps YoY)**



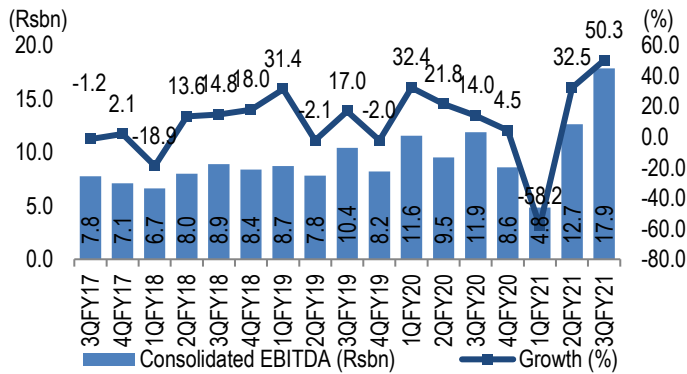
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Consolidated EBITDA margin stood at 26.3% (up ~440bps YoY)**



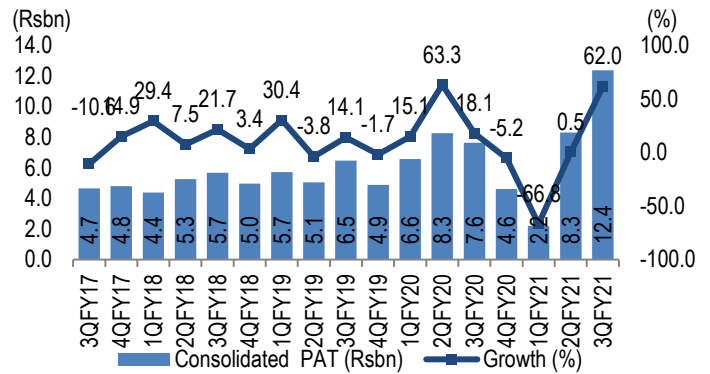
Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: Consolidated EBITDA grew 50.3% YoY to Rs17.9bn**



Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 17: Consolidated adj. PAT grew 62.0% YoY to Rs12.4bn**



Source: Company, Nirmal Bang Institutional Equities Research

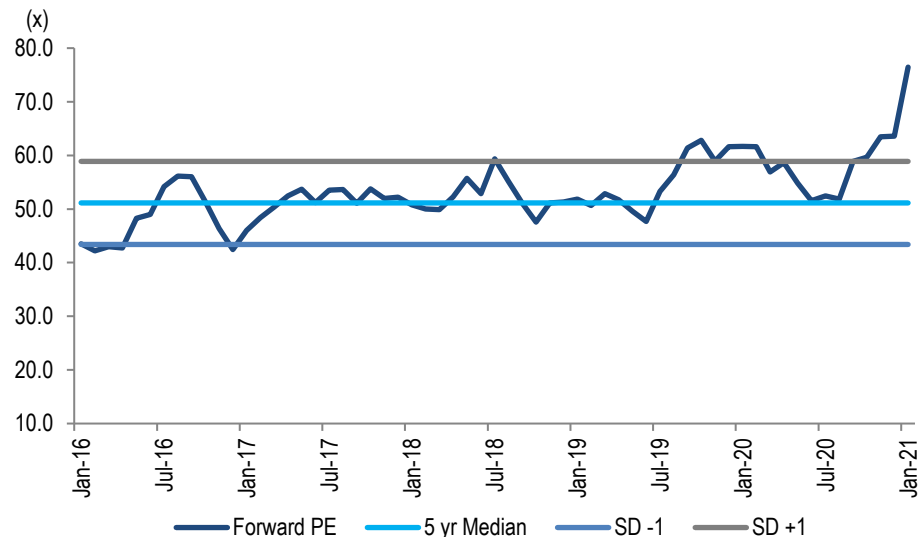
**Exhibit 18: Change in our estimates**

Y/E March (Rsmn)	Earlier estimates			New estimates			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net sales	2,01,245	2,38,770	2,66,677	2,05,471	2,42,886	2,71,307	2.1	1.7	1.7
EBITDA	44,218	54,059	61,421	46,591	55,123	62,391	5.4	2.0	1.6
EBITDA margin (%)	22.0	22.6	23.0	22.7	22.7	23.0	0.7	0.1	0.0
Adj. PAT	28,077	36,405	42,406	30,014	37,164	42,832	6.9	2.1	1.0

Source: Company, Nirmal Bang Institutional Equities Research



**Exhibit 19: One year forward P/E**



Source: Company, Nirmal Bang Institutional Equities Research

## Asian Paints Ltd. (APNT) 3QFY21 conference call highlights

### Business and demand environment

- Normalization is being witnessed across economic activities.
- After seeing a depressed 1QFY21 followed by positive growth in 2QFY21, the company has delivered a stellar volume growth of 33% YoY on the back of a strong festive & marriage season in Oct'20, certain proportion of pent-up demand, strong revival of demand in metro & tier-1 markets, continued strong growth in tier 2/3/4 markets, uptrend seen across manufacturing as well as construction sectors and market share gain from smaller/unorganized players.
- The management expects the demand environment to be healthy in 4QFY21 as well, led by overall recovery in consumer sentiment
- Raw material cost is seeing a sharp inflation of ~6-9% since Dec'20, impact of which will be seen in 4QFY21. The company may look at price hikes if raw material prices remain at elevated levels.
- The management believes that 3QFY21 has largely addressed pent-up demand and thus 4QFY21 may not see any impact from further pent-up demand.
- Rural demand continues to grow at a healthy pace.
- Institutional & Project business, which has been a focus area for a long time, has posted strong YoY growth across business verticals.
- Premium & Luxury range have been doing well.
- As a market leader, APNT only focuses on growing the market, across sub-segments.
- The company will look at operational targets on a near-term/short-term basis rather than yearly basis.
- Over the years, APNT has been gaining market share. As per the management, APNT has been the fastest growing company and the fastest to recover among the organized players in the current fiscal.

### Performance of international business

- During the quarter, revenue from the international business grew by 22.4% YoY to Rs7bn with PBT growing by 171.3% YoY to Rs740mn.
- All units of the international segment have reported double-digit volume growth.
- Overall margin for the international business was healthy on the back to low material prices.
- The company has seen pick-up across all price segments.
- The company has expanded its portfolio with the introduction of waterproofing products across markets. It is also looking at premiumization in a strong way.
- APNT launched bath business in the markets of Nepal and Bangladesh.

## Performance of Industrial segment

- PPG-AP
  - OEM reported double-digit value growth.
  - Refinish business has seen a pick-up in demand.
- APP-PG
  - Double-digit value growth recorded in 3QFY21, led by growth in the powder segment.
  - Industrial liquid paints segment has shown sequential uptick.
- Profitability in both businesses supported by cost savings during the period.

## Performance of Home improvement business

- Kitchen business
  - Segment recorded double-digit growth in 3QFY21 for components as well as full kitchens.
  - Business registered EBITDA break-even in 3QFY21.
- Bath business
  - Business is seeing strong sequential pick-up in demand across product segments.
  - The company is also looking at premiumization in this segment.

## Performance of adjacencies

- As per the management, décor play is panning out well with good consumer response received to the Beautiful Home Service in a short span of time.
- Currently, there are 16 *Beautiful Homes* stores across the country. The company is looking at doubling the store count in the next 2 years.
- APNT is looking to leverage its strong technology led-visualization play and execution techniques to gain traction in the décor space.

## Financial performance

- Gross margin improvement supported by lower input prices and sourcing & formulation efficiencies.
- Inflation seen across crude derivatives and most coatings raw materials from Dec'20.

## Other highlights

- While occasion-based demand can get cancelled, demand for repainting & maintenance and fresh painting (new housing) will only get deferred.
- As per the management, surface segmentation has not worked much in India versus global markets and thus does not serve as a strong growth vehicle for paint companies. Niche segments work mainly for the high-end/premium products.
- The company does not have any plans for backward integration.
- As per the management, no further capacity augmentation is required in the near term.



**Financials (Consolidated)**
**Exhibit 20: Income statement**

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	1,92,401	2,02,113	2,05,471	2,42,886	2,71,307
<b>% Growth</b>	<b>14.4</b>	<b>5.0</b>	<b>1.7</b>	<b>18.2</b>	<b>11.7</b>
COGS	1,12,646	1,13,835	1,13,672	1,34,121	1,48,987
Staff costs	12,368	13,661	15,182	16,303	17,552
Other expenses	29,732	32,999	30,026	37,338	42,377
Total expenses	1,54,746	1,60,495	1,58,879	1,87,763	2,08,916
EBITDA	37,655	41,618	46,591	55,123	62,391
<b>EBITDA margin (%)</b>	<b>19.6</b>	<b>20.6</b>	<b>22.7</b>	<b>22.7</b>	<b>23.0</b>
<b>% growth</b>	<b>17.8</b>	<b>10.5</b>	<b>12.0</b>	<b>18.3</b>	<b>13.2</b>
Other income	2,330	3,043	2,906	4,163	4,956
Interest costs	1,053	1,023	839	751	663
Depreciation	6,221	7,805	7,976	8,170	8,461
Profit before tax (before exceptional items)	32,712	35,833	40,681	50,365	58,222
Tax	10,981	8,549	10,252	12,692	14,672
<b>Rate of Tax (%)</b>	<b>33.6</b>	<b>23.9</b>	<b>25.2</b>	<b>25.2</b>	<b>25.2</b>
Share from assoc. /NCI	114	183	416	509	718
Profit from discontinued operations	-58	-50	0	0	0
Reported PAT	21,617	27,101	30,014	37,164	42,832
<b>Adj PAT</b>	<b>21,559</b>	<b>27,052</b>	<b>30,014</b>	<b>37,164</b>	<b>42,832</b>
<b>Adj PAT margin (%)</b>	<b>11.2</b>	<b>13.4</b>	<b>14.6</b>	<b>15.3</b>	<b>15.8</b>
<b>% Growth</b>	<b>5.7</b>	<b>25.5</b>	<b>10.9</b>	<b>23.8</b>	<b>15.3</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 22: Balance sheet**

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Share capital	959	959	959	959	959
Reserves	93,746	1,00,342	1,21,462	1,38,099	1,56,808
Net worth	94,706	1,01,302	1,22,421	1,39,058	1,57,767
Minority Interest	3,613	4,035	4,451	4,960	5,678
Total debt	6,156	3,401	2,801	2,201	1,601
Other LT liabilities	12,137	11,984	10,995	10,000	9,004
<b>Total liabilities</b>	<b>1,16,611</b>	<b>1,20,722</b>	<b>1,40,669</b>	<b>1,56,219</b>	<b>1,74,050</b>
Gross block	77,672	81,230	83,230	85,230	89,230
Depreciation	15,919	21,707	29,683	37,853	46,315
Net block	61,753	59,523	53,547	47,377	42,915
Capital work-in-progress	2,097	1,402	2,602	4,102	5,602
Goodwill	3,213	3,200	3,200	3,200	3,200
Investments	25,686	20,189	29,079	35,920	43,770
Inventories	31,499	33,898	38,353	37,342	43,478
Debtors	19,134	17,994	21,411	23,173	27,371
Cash	4,449	7,828	11,270	22,856	21,358
Other current assets	14,659	17,345	23,931	29,227	36,533
Total current assets	69,740	77,066	94,966	1,12,599	1,28,741
Creditors	23,943	21,366	24,103	27,341	29,805
Other current liabilities & provisions	21,935	19,292	18,623	19,637	20,374
Total current liabilities	45,878	40,658	42,726	46,978	50,179
Net current assets	23,863	36,408	52,240	65,620	78,562
<b>Total assets</b>	<b>1,16,611</b>	<b>1,20,722</b>	<b>1,40,669</b>	<b>1,56,219</b>	<b>1,74,050</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 21: Cash flow**

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
PAT	23,226	26,175	30,430	37,673	43,550
Depreciation	6,256	7,819	7,976	8,170	8,461
Other income	-690	-305	-2,066	-3,412	-4,293
(Inc./dec. in working capital)	-4,097	-7,371	-12,391	-1,794	-14,440
<b>Cash flow from operations</b>	<b>24,695</b>	<b>26,319</b>	<b>23,949</b>	<b>40,637</b>	<b>33,279</b>
Capital expenditure (-)	-11,543	-3,771	-3,200	-3,500	-5,500
<b>Net cash after capex</b>	<b>13,152</b>	<b>22,548</b>	<b>20,749</b>	<b>37,137</b>	<b>27,779</b>
Inc./dec. in investments	-1,575	5,484	-5,251	-9,805	-10,814
<b>Cash from investment activities</b>	<b>-13,119</b>	<b>1,713</b>	<b>-8,451</b>	<b>-13,305</b>	<b>-16,314</b>
Dividends paid (-)	-10,487	-21,207	-15,491	-20,527	-24,124
Others	-688	-3,445	3,435	4,781	5,661
<b>Cash from financial activities</b>	<b>-11,175</b>	<b>-24,652</b>	<b>-12,056</b>	<b>-15,746</b>	<b>-18,462</b>
Opening cash balance	4,047	4,449	7,828	11,270	22,856
Closing cash balance	4,449	7,828	11,270	22,856	21,358
Change in cash balance	402	3,380	3,442	11,586	-1,498

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 23: Key ratios**

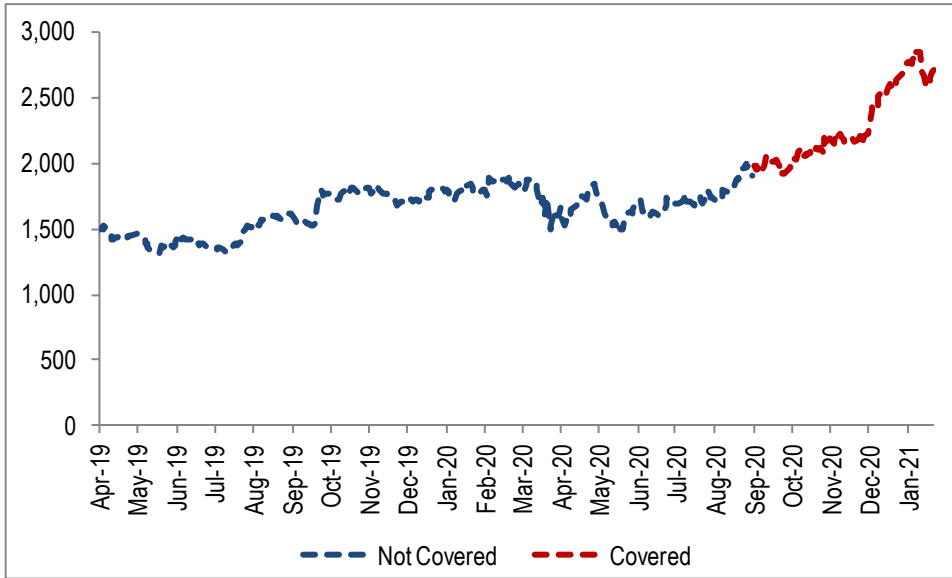
Y/E March	FY19	FY20	FY21E	FY22E	FY23E
<b>Per share (Rs)</b>					
EPS	22.5	28.2	31.3	38.7	44.7
Book value	98.7	105.6	127.6	145.0	164.5
DPS	12.3	15.7	16.2	21.4	25.2
<b>Valuation (x)</b>					
EV/sales	13.6	13.0	12.7	10.7	9.6
EV/EBITDA	69.5	62.9	56.0	47.1	41.5
P/E	121.9	97.2	87.6	70.7	61.4
P/BV	27.8	25.9	21.5	18.9	16.7
<b>Return ratios (%)</b>					
RoCE	22.8	26.3	26.1	27.7	28.3
RoE	24.1	27.6	26.8	28.4	28.9
RoIC	29.5	29.3	30.6	36.8	41.0
<b>Profitability ratios (%)</b>					
Gross margin	41.5	43.7	44.7	44.8	45.1
EBITDA margin	19.6	20.6	22.7	22.7	23.0
EBIT margin	16.3	16.7	18.8	19.3	19.9
PAT margin	11.2	13.4	14.6	15.3	15.8
<b>Liquidity ratios (%)</b>					
Current ratio	1.5	1.9	2.2	2.4	2.6
Quick ratio	0.8	1.1	1.3	1.6	1.7
<b>Solvency ratio (%)</b>					
Debt to Equity ratio	0.1	0.0	0.0	0.0	0.0
<b>Turnover ratios</b>					
Total asset turnover ratio (x)	1.6	1.7	1.5	1.6	1.6
Fixed asset turnover ratio (x)	2.4	2.4	2.4	2.7	2.9
Inventory days	94	105	116	103	99
Debtors days	35	34	35	34	34
Creditor days	74	73	73	70	70

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
1 September 2020	Accumulate	1,899	2,080
23 September 2020	Accumulate	1,936	2,080
23 October 2020	Accumulate	2,100	2,120
8 January 2021	Sell	2,791	2,385
22 January 2021	Sell	2,740	2,455

## Rating chart



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### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010