

IOC

3 February 2021

Reuters: IOC.NS; Bloomberg: IOCL IN

Marketing and petchem aid beat

We maintain Buy on Indian Oil Corp (IOC) after raising FY22E/FY23E estimates and TP a tad, while raising FY21E by 19.7% based on YTD results. Our Buy call is based on: (i) stable outlook for retail margins under sub US\$40-50/bbl (ii) healthy petchem margin and volume growth despite near term risk of volatility (iii) refining could revive from trough margins over the next 1-2 years based on likely closure of capacities and (iii) compelling valuations post the 9% fall in the stock price in the last one year. IOC's 3QFY21 adjusted standalone PAT at Rs49.2bn was a massive 65% beat vs. NBIE/street estimate of Rs29.8bn/Rs47.01bn. This was mainly due to the positive surprise in Marketing/Petchem segments' EBITDA at ~Rs71.3bn/Rs19.5bn vs. NB estimates of Rs39.14bn/Rs12.1bn. GRM reported, including refining inventory gain of Rs9.2bn, came in at US\$2.19/bbl vs. our estimate of US\$3.0/bbl. Normal GRM stood at US\$1.24/bbl vs. our estimate of US\$1.0/bbl. Revenue was down 14.7% YoY but beat our estimate by 29%, likely due to higher-than-expected realisations in Petchem/Marketing and the beat on volume. PAT rose by 110% YoY.

Attractive fundamentals and valuations: We see prospects of 10% EPS CAGR that will support RoE expansion over FY21-22E. The reduction of debt and lower interest expense is expected to improve the balance sheet. The stock is trading at 0.71x its book value vs. FY23E RoE of 14.9%. The Rs7.5/share interim dividend offers 7.5% yield - an added tailwind.

3QFY21 standalone EBITDA (excluding other income) was up 40.57% YoY at Rs96.22bn. This was driven by 82%/10%/163% YoY surge in reported EBITDA (including other income) in marketing/pipeline/petchem segments. Refining segment reported a loss of Rs3.26bn while marketing/pipeline/petchem segments saw profit of Rs71.3bn/Rs16.99bn/Rs19.54bn. Refining/pipeline volume grew by 2.1%/4.3% YoY while marketing volume dipped 1.5%. Petchem revenue was up 32.8% YoY with 25%/7.8% growth in volume/price YoY. IOC's EBITDA margin improved by 356bps to 9.05%, driven by 91%/117% YoY surge in unit margins in marketing/petchem - the latter supported by improved spreads vs. the 10-year low in 3QFY20.

Gross standalone debt dropped from Rs1.16trn to Rs986bn QoQ due to lower working capital needs and reduced cooking fuel subsidy dues - down from Rs110bn to Rs91bn.

Capex aimed at supply chain gains and future growth: The management hopes to achieve Rs262.3bn capex for FY21 vs. 64% done by Dec'20. IOC aims to start the Rs56.54bn MEG plant of 0.357mn te by Oct'21

On stake sale in oil/product pipelines, the management said it was still early days. IOC is exploring options, including sale to InvIT and may do a test sale of a small stake.

BUY
Sector: Oil and Gas

CMP: Rs99

Target Price: Rs122

Upside: 23.5%

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Key Data

Current Shares O/S (mn)	9,414.2
Mkt Cap (Rsbn/US\$bn)	930.1/12.7
52 Wk H / L (Rs)	118/71
Daily Vol. (3M NSE Avg.)	25,952,490

Price Performance (%)

	1-M	6-M	1-Y
IOC	8.0	14.6	(8.6)
Nifty Index	4.5	34.5	25.1

Source: Bloomberg

Y/E March (Rsmn)	3Q FY20	3Q FY21	Ch YoY	2Q FY21	Ch QoQ %	3Q FY21E	Var. (%)
Net sales	12,46,299	10,63,365	-14.68	8,56,105	24.21	8,22,723	29.25
Cost of goods	10,68,915	8,53,706	-20.13	6,53,234	30.69	6,38,962	33.61
% of Sales	85.8	80.3	-548	76.3	398	77.7	262
Contribution	1,77,383	2,09,658	18.20	2,02,871	3.35	1,83,762	14.09
Gross Margin%	14.2	19.7	548	23.7	-398	22.3	-262
Employee benefits expenses	20,570	28,823	40.12	24,904	15.74	22,570	27.70
% of Sales	1.7	2.7	106	2.9	-20	2.7	-3
Other expenses	88,366	84,616	-4.24	83,696	1.10	86,196	-1.83
% of Sales	7.1	8.0	87	9.8	-182	10.5	-252
EBITDA	68,448	96,219	40.57	94,272	2.07	74,996	28.30
EBITDAM (%)	5.49	9.05	356	11.01	-196	9.12	-7
Depreciation	21,862	24,667	12.83	24,036	2.62	24,862	-0.78
Other income	5,573	8,997	61.45	8,654	3.97	5,197	73.12
Interest expenses	13,117	6,286	-52.08	2,211	184.29	13,750	-54.29
Profit/loss on foreign exchange	-1,820	3,698	6,720	-	-	-	-
Adjusted PBT	37,222	77,962	109.45	83,398	-6.52	41,581	87.49
Reported Tax	13,832	28,796	108.19	21,125	36.31	11,780	144.44
Effective tax rate%	37.2	36.9	-22	25.3	1161	28.3	861
PAT adjusted	23,390	49,166	110.20	62,273	-21.05	29,801	64.98
NPM (%)	1.88	4.62	275	7.27	-265	3.62	100.14

Source: Company, Nirmal Bang Institutional Equities Research

Risks: Downside risks from (i) volatility in GRMs and currency (ii) lower-than-expected volume in all segments (iii) govt. policy diktats on higher dividend payout, buying out government stake in other PSUs (iv) increase in competition in MS and HSD retailing and from substitutes (v) requirement to fund CPCL for refinancing its debt and working capital if refining margins fall below our estimates. In the near term, there is the risk of inventory impact hurting the company as Brent crude price appears to have touched an interim peak.

Valuation

We have raised FY21E-23E earnings and our TP from Rs119 to Rs122 post the 3QFY21 results call based on our SOTP-based valuation - Refining & Marketing and Petchem segments on EV/E multiple of 3.5/5.0x and the Pipeline segment on DCF method as it offers steady annuity-like cash flows. This implies a PE of 5.9x on FY23E EPS, which compares with IOC's 5-year median PE of 7.5x.

Exhibit 1: IOC SOTP valuation

Segment	EBITDA FY23E	EV/EBITDA Multiple	EV	Net Debt FY22	Equity Value	Target price
IOC Oil and Gas- Refining, Marketing	310158	3.5	1085555			
CPCL	22585	2.6	59287			
Pipeline (DCF value)#	64945	9.3	605219			
Petchem	47202	5.0	236012			
#Total	444891	4.5	1986072	9,79,383	10,06,689	110
Key equity holdings						12
IOC TP - SOTP method						122

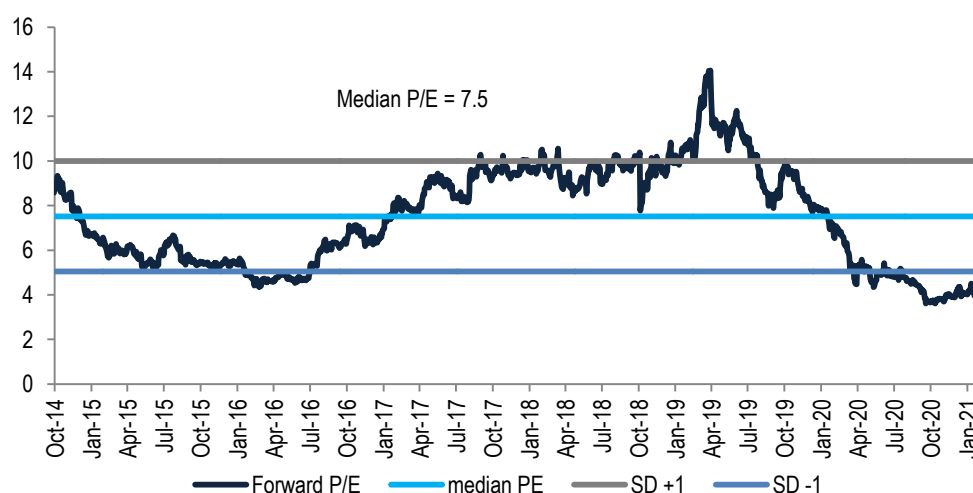
Source: Nirmal Bang Institutional Equities Research, Note: # EV/E is implied for pipelines and total value

Exhibit 2: EV/ RETAIL OUTLET -IOC

EV/pump	FY20	FY21	FY22	FY23
No of outlets (ROs)	29085	29585	30585	31585
EV US\$bn	27988.2	22170.3	25152.9	26490.6
Market Cap US\$bn	12094	12094	12094	12094
EV/RO US\$m	1.0	0.7	0.8	0.8
EV/RO Rsmn	72.2	56.2	61.7	62.9

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 3: 5-year forward P/E



Source: Nirmal Bang Institutional Equities Research

Earnings revision

Exhibit 4: IOC earnings revision

RsMn	Revised estimate			Earlier estimate			% Revision		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Total Revenue	39,82,932	47,28,074	54,20,612	40,20,222	47,38,792	54,28,360	-0.93	-0.23	-0.14
EBITDA	3,43,259	4,09,153	4,42,181	3,40,491	4,37,046	4,54,994	0.81	-6.38	-2.82
EBITDA margin (%)	8.62	8.65	8.16	8.47	9.22	8.38	15	-57	-22
PAT	1,57,302	1,90,197	1,90,468	1,31,459	1,85,728	1,89,391	19.66	2.41	0.57
EPS	17.13	20.72	20.75	14.32	20.23	20.63	19.66	2.41	0.57
TP (Rs)		122			119			2.40	

Source: Nirmal Bang Institutional Equities Research

Exhibit 5: Operating Assumptions

	FY19	FY20	FY21E	FY22E	FY23E
Brent Crude US\$/bbl	70	59.5	44.1	50	55
FX Rs/US\$	69.9	71.5	74	75	75
Margins					
GRM (US\$/bbl) -IOC Standalone	5.41	0.08	2.42	5.93	5.93
MS- Retail margin Rs/ltr.	2.50	2.75	4.32	3.00	3.00
HSD - Retail margin Rs/ltr.	2.50	2.75	4.32	3.00	3.00
Petchem Blended gross Margin US\$/tonne	439.70	294.93	309.23	325.00	350.00
Volumes Mn tonne					
Refining (IOC Standalone + CPCL)	82.60	79.59	70.63	78.71	79.29
MS	11.60	12.36	12.36	12.98	13.63
HSD	37.08	36.18	36.18	37.27	38.57
Overall marketing volumes	85.13	83.89	84.27	87.84	92.30
Pipeline	88.53	85.35	76.82	84.50	87.03
Petchem volumes	2.64	2.29	2.37	2.66	2.90
Segment EBITDA					
Refining	82,380	-16816	1,966	1,43,561	1,53,021
Marketing	1,50,320	146240	2,49,517	1,46,643	1,57,138
Pipelines	64,390	62950	48,939	61,817	64,945
Petchem	51,640	26770	30,573	38,849	47,202
Others	20,790	-2720	-2,710	-2,710	-2,710
Chennai CPCL	5,155	-21,590	14,972	20,992	22,585

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Key Financials

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Revenues	52,81,489	48,43,623	39,82,932	47,28,074	54,20,612
EBITDA	3,52,227	1,64,049	3,43,259	4,09,153	4,42,181
Consolidated Net Profit Adj	1,73,767	1,04,115	1,57,302	1,90,197	1,90,468
EPS (Rs)	18.93	11.34	17.13	20.72	20.75
EPS gr (%)	-19.2	-40.1	51.1	20.9	0.1
EBITDA Margin (%)	6.7	3.4	8.6	8.7	8.2
P/E	5.2	8.7	5.8	4.8	4.8
EV/EBITDA	6.0	12.8	6.1	5.1	4.7
Dividend Yield (%)	10.66	7.09	7.59	8.10	8.10
Net Debt (cash)/Equity (X)	1.0	1.2	0.7	0.8	0.8
Pre-tax RoCE (%)	18.0	5.5	15.5	17.6	16.6
RoE (%)	15.4	10.9	15.1	16.4	14.9

Source: Company, Nirmal Bang Institutional Equities Research

Key highlights from IOC conference-call

3QFY21 results were supported by high inventory gains of Rs26.3bn, including Rs17.11bn in marketing. Marketing and Petchem earnings were the key drivers. The management said this trend is sustainable. Petchem business based on regaining volume lost last year. PP units are running at 52-55% due to feed shortage amid diversion of feed stream for gasoline blending and the FCCU being shut down for some time in 3QFY21.

Petroleum business volume

Refining improved to 101.7% in 3QFY21 vs 79% in 2QFY21 and 100% a year ago.

Petrol volume rose 3% in Oct'20 and 8% in Dec'20 YoY.

HSD was up 3% in Oct'20, but down 9%/5% in Nov/Dec'20

3QFY21 operating details YoY:

3QFY21 utilisation at 101.7% at 17.9mn tonne vs 17.5mn tonne a year ago

Distillate yield 79.5%, fuel and loss 9.1% and sour crude (high sulphur) at 58.8%.

3QFY21 spreads US\$/bbl:

Crude price – US\$44.65, up 4% QoQ but down 29% YoY; MS and HSD cracks weak.

But have improved recently to US\$3/US\$4.5 per bbl, indicating recovery in refining margins.

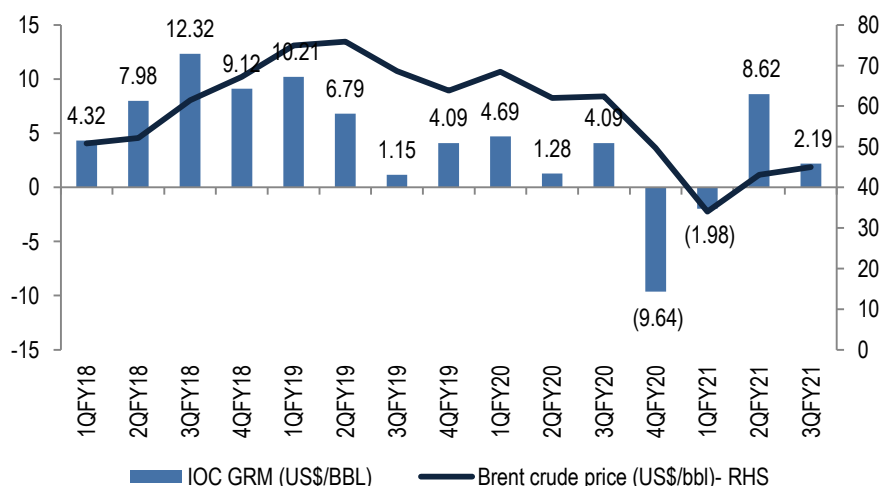
GRMs in 3QFY21 stood at US\$2.19/bbl; Core GRM (excluding inventory gain) was US\$1.24/bbl vs.

Singapore GRM US\$1.22/bbl.

Inventory:

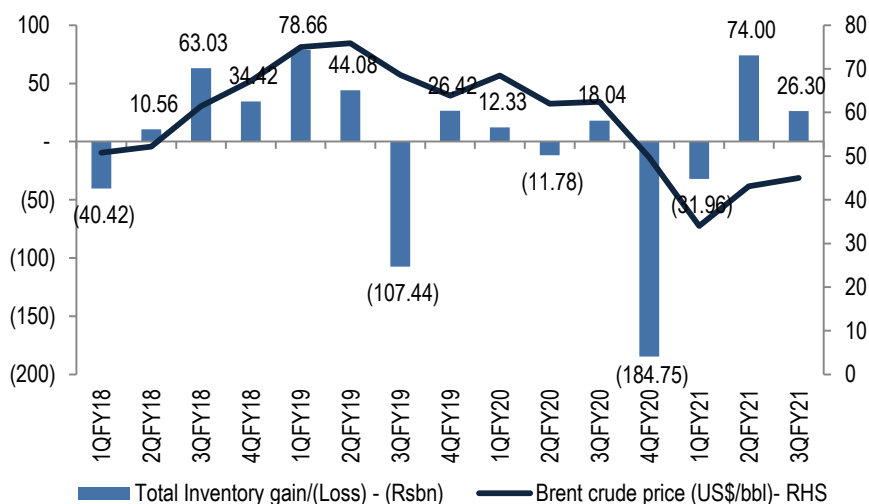
IOC had 15mn tonne of inventory as of Dec'20 vs. 19mn a year ago – 7mn of crude and the rest in products. Its crude inventory is valued at US\$47.2/bbl; this compares with US\$43.7/bbl as of Sept'20 end, and US\$32.4/bbl in June'20.

Exhibit 7: Reported GRM vs Brent price trend



Source: Nirmal Bang Institutional Equities Research

Exhibit 8: Brent price and total inventory gain/loss trend



Source: Nirmal Bang Institutional Equities Research; note: inventory gain in refining

Petchem

Petchem volume was up 25% from 0.632 mn tonne to 0.79mn tonne; segment EBITDA was up 163.3% at Rs19.54bn.

Paradip PP plant operating at 52-55% of capacity (640,000 tpa capacity)

Polymer delta up 54% YoY – US\$651/TE

PX-PTA spread was up 25% QoQ at US\$146/TE but was down 21% from year ago

MEG spread was up 33% QoQ and 59% YoY

IOC is looking at importing propylene feed to increase PP capacity utilisation at Paradip. Started with one parcel

NB view: We are surprised that the IOC management is talking of feed shortage for a project conceived as an integrated project. While technical aspects were not discussed, our view is that the management is adopting a flexible strategy to switch between captive and imported propylene depending on the economics.

Marketing

The management expects oil prices to weaken as demand is weak. It expects no challenges in maintaining margins despite the high excise duty.

Capex

Capex maintained at Rs262.33bn for FY21 – 9MFY21 spend at 64% or Rs167.9bn and 1HFY21 spend at Rs75bn

The Board has approved IOC's JV with subsidiary Chennai Petroleum for 9mn tpa refinery at Nagapattinam at a cost of Rs315bn. This is pending DIPAM and Niti Ayog approval. The equity will be funded 25% each by IOC/CPCL while the rest will be raised from outside investors. Phase II envisages Petchem and PP project to the extent of 5-5.5% conversion of oil to chemicals to make it viable.

NB view – This hinges on how GRMs and Petchem spreads shape up over the next few years; India may need additional refining and petchem capacity for meeting domestic growth, which is the basis for PSU projects.

The management is looking at investment options in petchem, gas, hydrogen and other renewables that meet viability criteria.

Balance sheet standalone

Gross debt is down at Rs724.51bn in Dec' 20 vs. Rs915bn as of end Sept'20 vs Rs1.16trn in March'20.

The debt includes lease of Rs77.6bn

The subsidy receivables are down at Rs43bn in Dec'20 vs. Rs91bn in Sept'20 and Rs72bn in Oct'20.

There are no worries on this going up despite recent increase in LPG prices due to winter demand. The subsidy is mainly on far flung areas and on freight, which is likely to be settled in time.

Use of pipeline stake sale proceeds:

The company said that it will be used for growth capex and may also look at distributing part of it. On similar sale of retail outlet assets, the management has not considered this, but was open.

Summary 3QFY21 analysis

- Net revenue at Rs1063.37bn vs NBIE estimate of Rs822.72bn, down 14.68% YoY
- Reported EBITDA at Rs96.22bn vs. NBIE estimate of Rs75bn, up 40.57% YoY
- The beat is mainly due to the beat on marketing/petchem EBITDA vs our estimate – Marketing at Rs71.3bn vs NBIE est of Rs39.14bn and petchem at Rs19.5bn vs. NBIE est. of Rs12.1bn
- Reported GRM came in at US\$2.19bbl as per company handout vs NBIE estimate of US\$3/bbl
- EBITDA margin stood at 9.05%, fairly in line with NBIE est. of 9.12%
- FX gain of Rs3.7bn vs 3QFY20 fx loss of Rs1.82bn
- Net profit margin came in at 4.62%, a 100bps beat vs NBIE est.
- Interim dividend of Rs7.5/share declared.

Exhibit 9: Analysis of operating and financial parameters in standalone results 1QFY21 results

(Rsmn)	3Q FY20	3QFY21	Ch YoY %	2QFY21	Ch QoQ %
Average Gross Refining Margin US\$/bbl	4.09	2.19	-46.5	8.62	-74.6
Refineries throughput mn tonnes	17.496	17.86	2.1	14	27.6
Capacity Utilization %	100.3	101.7	140	79.5	2220
Product sales volume mn tonne					
Domestic	20.39	19.65	-3.6	16.04	22.5
Export	1.536	1.59	3.5	1.18	34.7
Pipeline Throughput mn tonne					
A)Crude Oil	11.5	12.5	8.7	10.1	23.8
B)Product	9.4	9.3	-1.1	7.3	27.4
Inventory Gain /(Loss) Rsmn					
Refinery	19,150	9,190	-52.0	73,240	-87.5
Marketing	-1,110	17,110	-1641.4	760	2151.3
Segment EBITDA Rsmn (incl other income)					
Refining	5,460	-3,260	-159.7	40,770	-108.0
Marketing	39,140	71,300	82.2	36,060	97.7
Pipelines	15,450	16,990	10.0	12,920	31.5
Petchem	7,420	19,540	163.3	12,110	61.4
Others	4,730	4,350	-8.0	7,790	-44.2
Total	72,200	1,08,920	50.9	1,09,650	-0.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: 3QFY21 Actual vs. NBIE and Consensus

	Consensus	NBIE	Actual
Revenue Rsbn	987.32	822.72	1,063.36
EBITDA Rsbn	88.28	75.00	96.22
PAT Rsbn	47.01	29.80	49.17

Source: Company, Nirmal Bang Institutional Equities Research

Annexure -1 IOC results in tables and charts
Result analysis table
Exhibit 11: Standalone Margin Analysis

Margins %	3Q FY20	3Q FY21	Ch YoY	2Q FY21	Ch QoQ
Gross Margin	14.23	19.72	548	23.70	-398.05
EBITDA	5.35	9.05	370	11.01	-196.31
EBIT	3.59	6.73	314	8.20	-147.52
Net Margin	1.88	4.62	275	7.27	-265.04
Tax	37.16	36.94	-22	25.33	1,160.54

Source: Company, Nirmal Bang Institutional Equities Research; *Effective tax rate is on reported PBT

Exhibit 12: Standalone Segment Analysis

RsMn	3Q FY20	3Q FY21	Ch YoY	2Q FY21	Ch QoQ
Petroleum Products					
REVENUES	14,04,816	14,02,332	-0.2	11,07,148	26.66
EBIT	36,751	56,432	53.6	66,153	-14.70
EBIT MARGIN %	2.6	4.0	140.8	6.0	-195.10
Petrochemicals					
REVENUES	41,522	55,142	32.8	44,400	24.19
EBIT	5,135	17,210	235.2	9,793	75.74
EBIT MARGIN %	12.4	31.2	1884.4	22.1	915.38
Other Business Activities					
REVENUES	29,504	32,525	10.2	26,490	22.78
EBIT	2,311	386	-83.3	-2,426	-115.90
EBIT MARGIN %	7.8	1.2	-664.8	-9.2	1,034.21

Source: Company, Nirmal Bang Institutional Equities Research

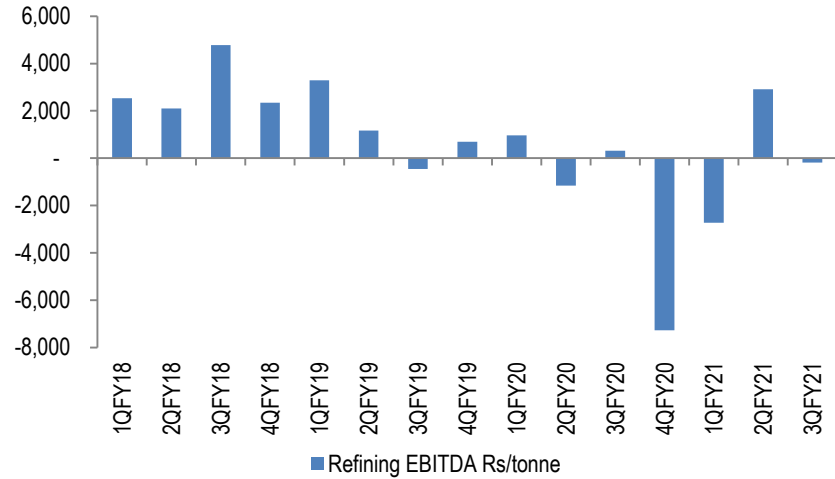
Exhibit 13: Marketing sales volume trend

(RsMn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Inland sales	20.5	18.6	20.3	20.5	20.5	19.0	20.4	19.2	14.2	16.0	19.6
LPG	2.7	2.9	2.8	3.1	2.7	3.2	3.3	3.2	3.1	3.2	3.4
MS	2.9	2.8	2.9	2.9	3.2	3.0	3.1	2.9	2.0	2.8	3.2
HSD	9.8	8.4	9.5	9.3	9.9	8.2	9.4	8.6	6.4	6.7	9.0
SKO	0.6	0.6	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3
ATF	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.1	0.2	0.5	0.7
FO/LSHS	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.8	0.8
Others	2.4	1.9	2.6	2.5	2.2	2.1	2.3	2.2	1.4	1.7	2.2
Export	1.2	1.7	1.2	1.0	1.1	1.2	1.5	1.5	1.3	1.2	1.6
Gas LNG	0.5	0.5	0.5	0.4	0.5	0.7	0.8	0.8	0.5	0.9	0.9
Petrochemicals	0.6	0.7	0.7	0.7	0.5	0.5	0.6	0.7	0.5	0.7	0.8
Domestic	0.6	0.6	0.6	0.7	0.5	0.4	0.6	0.7	0.5	0.7	0.8
Export	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Petroleum sales	22.9	21.6	22.8	22.6	22.7	21.4	23.4	22.2	16.5	18.9	23.1

Source: Company, Nirmal Bang Institutional Equities Research

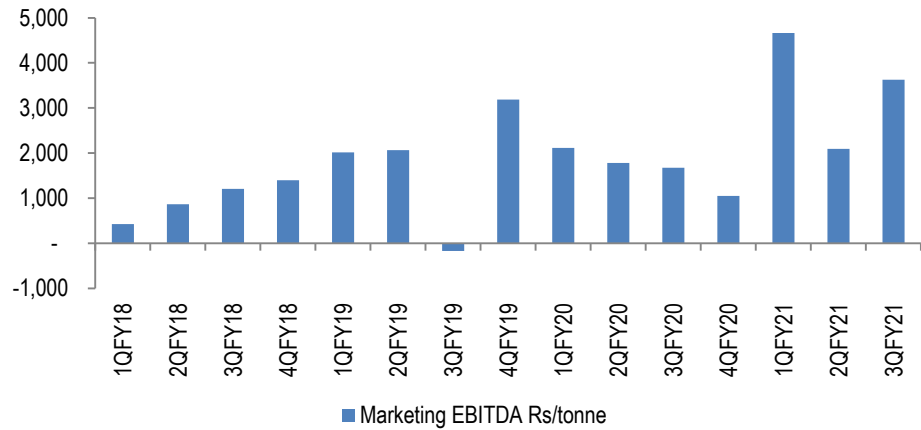
Note: for EBITA/te charts below, estimates based on reported segment EBITDA including other income

Exhibit 14: Refining EBITDA/tonne quarterly trend



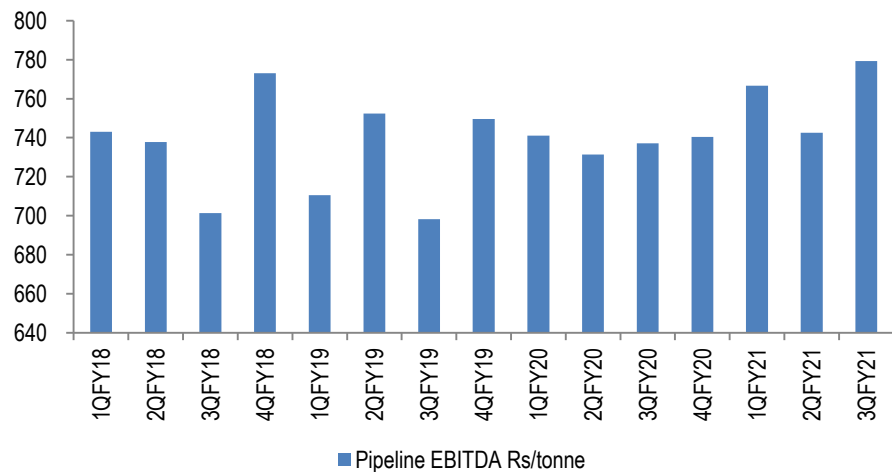
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Marketing EBITDA/tonne quarterly trend

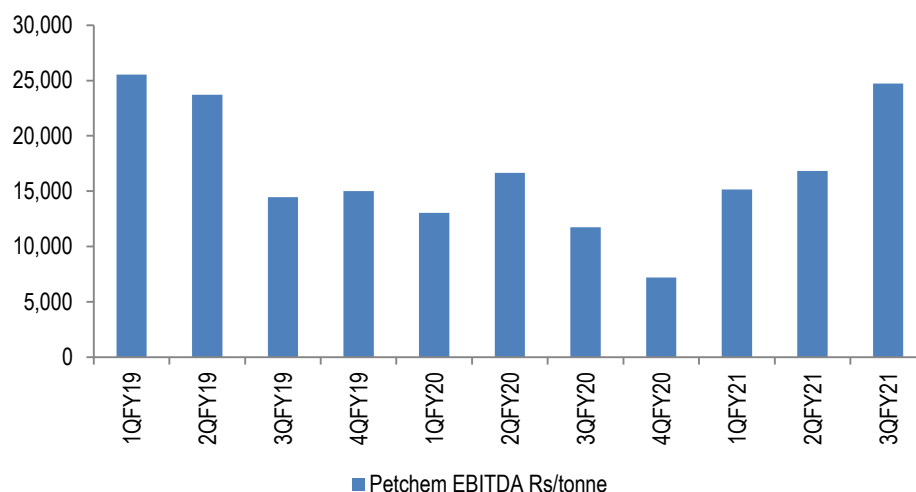


Source: Company, Nirmal Bang Institutional Equities Research

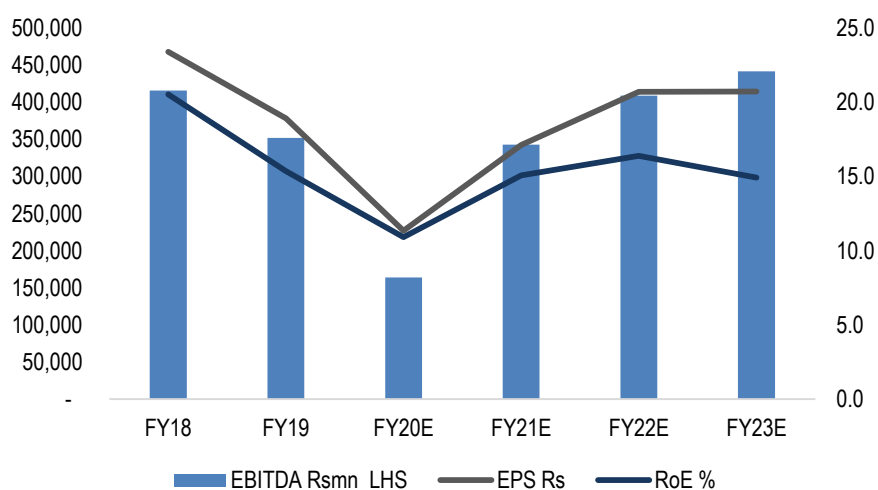
Exhibit 16: Pipeline EBITDA/tonne quarterly trend



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Petchem EBITDA/tonne quarterly trend


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Revival in returns


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Improving free cash flows

Rs mn	FY19	FY20	FY21E	FY22E	FY23E
Cash flow from operations	1,41,330	83,622	7,19,227	88,355	1,17,756
Capex	2,68,812	3,14,267	2,11,046	2,34,708	1,21,579
Free cash flow	-98,219	-2,07,348	5,48,256	-1,02,048	40,532

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Healthy FCF yield and dividend yield

	FY19	FY20	FY21E	FY22E	FY23E
FCF Yield %	-4.68	-9.88	26.12	-4.86	1.93
Div yield %	10.66	7.09	7.59	8.10	8.10

Source: Company, Nirmal Bang Institutional Equities Research

Financials -Consolidated
Exhibit 21: Income statement

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenue	52,81,489	48,43,623	39,82,932	47,28,074	54,20,612
y/y	25.30	-8.29	-17.77	18.71	14.65
Raw Material Expenses	44,20,968	41,51,295	31,61,927	38,26,064	44,70,010
RM/Sales %	83.7	85.7	79.4	80.9	82.5
Employee cost	1,15,963	93,369	96,170	99,055	1,02,027
Other expenses	3,92,332	4,34,910	3,81,576	3,93,801	4,06,393
EBITDA	3,52,227	1,64,049	3,43,259	4,09,153	4,42,181
y/y	-15.39	-53.43	109.24	19.20	8.07
Depreciation	85,065	98,549	1,08,594	1,22,127	1,35,154
EBIT	2,67,162	65,500	2,34,664	2,87,026	3,07,027
Interest Expense	48,880	65,787	43,052	48,203	67,406
Other Income	27,143	27,903	25,914	28,644	28,194
PBT (adjusted)	2,45,425	27,615	2,17,527	2,67,467	2,67,816
Income Tax Expense	86,531	(53,007)	71,784	88,264	88,379
Associates inc/loss(+/-)	13,844	13,661	14,161	15,661	16,161
Minority Interest	-	-	2,601	4,667	5,129
Consolidated Net Profit Adj	1,73,767	1,04,115	1,57,302	1,90,197	1,90,468
EPS (Rs)	18.93	11.34	17.13	20.72	20.75
y/y	-19.15	-40.08	51.09	20.91	0.14

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: Balance sheet

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	91,810	91,810	91,810	91,810	91,810
Reserves and Surplus	10,32,882	8,62,169	9,50,613	10,67,362	11,84,382
Networth	11,24,692	9,53,979	10,42,424	11,59,172	12,76,192
Non controlling interests	18,774	8,763	11,364	16,031	21,160
Long Term Borrowings	3,91,525	5,60,706	4,95,632	5,64,382	7,14,382
Other Financial Liab	6,160	7,896	7,896	7,896	7,896
Other long term liab.	2,03,212	1,50,846	1,50,846	1,50,846	1,50,846
Short Term Borrowings	5,35,593	6,98,974	3,59,044	5,09,044	4,59,044
Other. Fin Liab	1,14,855	3,81,174	3,81,174	3,81,174	3,81,174
Trade Payables	4,11,941	2,76,035	3,27,364	3,88,609	4,45,530
Other curr liab	5,44,799	2,58,995	1,96,419	2,33,165	2,67,318
Total Capital And Liabilities	33,51,551	32,97,368	29,72,163	34,10,319	37,23,542
Total Asset plus WIP	16,07,745	17,98,670	19,01,121	20,13,702	20,00,127
Investments – JVs/Assoc.	1,18,934	1,35,722	1,35,722	1,35,722	1,35,722
Non-Current Investments	2,36,174	1,37,075	1,37,075	1,37,075	1,37,075
Other Non-Current Assets	90,938	1,19,657	1,19,657	1,19,657	1,19,657
Current Investments	84,169	82,912	82,912	82,912	82,912
Inventories	7,71,265	6,70,108	3,27,364	6,47,681	8,91,059
Trade Receivables	1,57,977	1,32,595	54,561	64,768	1,48,510
Cash and Cash Equivalents	9,333	14,346	7,466	2,518	2,195
Bank balances	1,314	8,614	8,614	8,614	8,614
Other financial assets	2,04,905	1,41,707	1,41,707	1,41,707	1,41,707
Other Current Assets	68,797	55,964	55,964	55,964	55,964
Total Assets	33,51,551	32,97,368	29,72,163	34,10,319	37,23,542

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 22: Cash flow

Y/E March (Rsmn)	FY19	FY20E	FY21E	FY22E	FY23E
PBT	2,59,269	-71,770	2,17,527	2,67,467	2,67,816
Add depreciation	85,074	1,02,745	1,08,594	1,22,127	1,35,154
Other expenses	3,279	24,773	17,138	19,559	39,212
Change in W/C-inc/(dec)	1,50,581	-49,378	-4,47,753	2,32,533	2,36,046
Opg cashflow after W/C	1,97,040	1,05,127	7,91,011	1,76,620	2,06,135
Income tax	55,710	21,505	71,784	88,264	88,379
Cash flow from Op (A)	1,41,330	83,622	7,19,227	88,355	1,17,756
Capex	-2,68,812	-3,14,267	-2,11,046	-2,34,708	-1,21,579
Other Investments	29,263	23,297	40,075	44,305	44,355
Opg Free cash	-98,219	-2,07,348	5,48,256	-1,02,048	40,532
Cash flow from Inv (B)	-2,39,549	-2,90,970	-1,70,971	-1,90,403	-77,224
Inc/(Dec) in borrowings	3,09,764	3,26,531	-4,43,227	2,18,750	1,00,000
Dividends (incl tax)	-1,16,790	-58,029	-68,858	-73,448	-73,448
Other Expenses	-88,609	-59,051	-43,052	-48,203	-67,406
Cash flow from Fin (C)	1,04,365	2,09,450	-5,55,136	97,099	-40,854
Chg in Cash	6,146	5,013	-6,880	-4,949	-322
opening cash	3,187	9,333	14,346	7,466	2,518
closing cash	9,333	14,346	7,466	2,518	2,195

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 24: Key ratios

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Profitability ratios					
EBITDA margin (%)	6.7	3.4	8.6	8.7	8.2
EBIT margin (%)	5.1	1.4	5.9	6.1	5.7
Net profit margin (%)	3.3	2.1	3.9	4.0	3.5
RoE (%)	15.4	10.9	15.1	16.4	14.9
Pre-tax RoCE (%)	18.0	5.5	15.5	17.6	16.6
RoIC (%)	12.8	1.9	12.2	13.8	12.0
Working cap ratios					
Receivables (days)	9.2	10.9	5.0	5.0	10.0
Inventory (days)	61	63	30	50	60
Payables (days)	27	26	30	30	30
Cash conversion cycle	43.2	48.4	5.0	25.0	40.0
Leverage ratios					
Net debt (Rsmn)	11,50,607	11,92,031	7,55,685	9,79,383	10,79,705
Net Debt/Equity (X)	1.02	1.25	0.72	0.84	0.85
Net Debt/EBITDA	3.27	7.27	2.20	2.39	2.44
Valuation ratios					
EV/sales (x)	0.40	0.43	0.53	0.44	0.39
EV/EBITDA (x)	5.96	12.80	6.12	5.13	4.75
EV/FCF	-21.37	-10.12	3.83	-20.57	51.79
P/E (x)	5.22	8.71	5.77	4.77	4.76
P/BV (x)	0.81	0.95	0.87	0.78	0.71
FCF Yield (%)	-4.68	-9.88	26.12	-4.86	1.93
Dividend Yield (%)	10.66	7.09	7.59	8.10	8.10
Per share ratios					
EPS	18.93	11.34	17.13	20.72	20.75
Cash EPS	28.19	22.07	28.96	34.02	35.47
BVPS	122.50	103.91	113.54	126.26	139.00
DPS	10.53	7.00	7.50	8.00	8.00

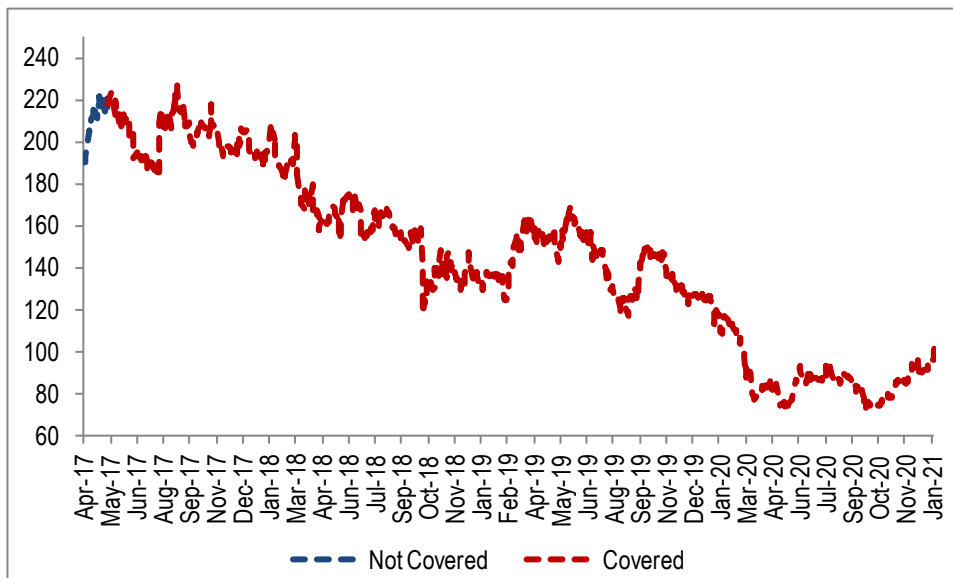
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price	Target price (Rs)
12 May 2017	Sell	425	396
29 May 2017	Sell	425	396
4 August 2017	Sell	388	357
31 October 2017	Sell	414	357
1 February 2018	Accumulate	418	414
24 May 2018*	Sell	154	137
13 August 2018	Sell	161	137
5 November 2018	Under Review	148	-
31 January 2019	Sell	135	112
21 May 2019	Sell	158	112
2 August 2019	Sell	137	112
4 November 2019	Accumulate	143	147
3 February 2020	Buy	109	136
7 April 2020	Buy	80	137
7 May 2020	Buy	77	137
26 June 2020	Buy	85	148
5 August 2020	Buy	87	146
23 September 2020	Buy	76	145
3 November 2020	Buy	78	146
9 January 2021	Buy	95	119
3 February 2021	Buy	99	122

*Price after 1:1 bonus issue

Rating track graph



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ACCUMULATE -5% to 15%

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