

# Bharat Petroleum Corporation

23 August 2022

Reuters: BPCL.NS; Bloomberg: BPCL IN

## Marketing loss may abate under softer oil prices

BPCL reported standalone loss of Rs62.91bn for 1QFY23, which was higher than NBIE/street estimate of a loss of Rs28.9bn/Rs46.4bn - the higher loss was due to the higher-than-expected loss in the Marketing segment and higher fx loss. We maintain Buy on BPCL post our revised estimates and 0.4% decrease in the target price (TP) on an unchanged PE of 6X. We have cut FY23E by 42.8% and FY24E a tad. We have cut estimates based on the net impact of: (a) raised GRM forecast, in line with the current elevated refinery margins and (b) pressure on retail margins in MS/HSD due to sustained increase in global MS/HSD spreads, compounding the pain caused by Brent crude persisting above US\$100/bbl. We have also built in the impact of potential inventory losses of Rs77.7bn/Rs78.5bn in FY23E/FY24E, likely arising from a potential correction in oil/fuel prices, as per our declining oil price forecast, which is pinned to expectations of a global demand slowdown. The stock is down close to 14% YTD, which has priced in the concerns over retail losses and the stake sale being cancelled. A key catalyst will be the potential fall in oil prices in the next 12-18 months, which will improve visibility on retail prices/margins of MS/HSD. Also, the merger of BORL gives additional traction to standalone refining earnings as well as tax savings of ~Rs10bn/annum, and overall supply chain cost savings on crude and product movement.

BPCL 1QFY23 standalone results showed a net loss of Rs62.91bn vs our estimate of a loss of Rs28.88bn. The loss was also higher than street estimate of Rs46.71bn. There was a 2.7% beat in Revenue vs NBIE estimate and a miss of 14.1% vs street estimate. COGS was 3.1% higher than our estimate. Contribution at Rs28.7bn was a miss of 10.2% vs our estimate. Other expenses came in above estimate by 65.4% at Rs71.82bn. This led to an EBITDA loss of Rs49.37bn vs our EBITDA loss estimate of Rs19.08bn. The higher-than-expected EBITDA loss was due to higher losses in the Marketing segment and marketing inventory loss at Rs3.71bn vs. our marketing inventory gain estimate of Rs11.98bn. The losses can be attributed to: (i) loss in the Marketing segment due to the freeze on petrol/diesel prices even as crude oil has kept on increasing. Also, the net loss was due to higher forex loss of Rs9.65bn vs our estimate of Rs6.48bn. Other income was lower by 20.2% at Rs4.40bn. Interest expenses were lower by 3.3% at Rs6.16bn. PBT level loss stood at Rs76.88bn vs our loss estimate of Rs38.6bn. PAT level loss came in at Rs62.91bn vs our loss estimate of Rs28.88bn.

### Volume and GRM:

- Average GRM for the quarter stood at US\$27.51/bbl vs our estimate of US\$25.17/bbl.
- Refinery throughput stood at 9.69MMT vs our estimate of 8.21MMT. Marketing segment volume came in at 12.27MMT, a tad lower than our estimate of 12.28MMT. The loss in 1QFY23 would have been higher than the reported figure if we exclude the BORL refinery profit booked in this quarter - based on reported 1QFY23 BORL GRM of US\$35.07/bbl.

### YoY details

- Refining throughput was up 41.67% YoY; Sales (Marketing) volume came in at 12.27MMT vs. 9.94MMT in 1QFY22, up 23.44% YoY
- Reported GRM/bbl stood at US\$27.51 in 1QFY23 vs US\$4.12 in 1QFY22
- Revenue was up 70.7% YoY; Gross contribution was down 65.1% YoY
- At the EBITDA level, there was a loss vs profit of Rs32.62bn in 1QFY22; PAT level showed a loss vs a profit of Rs15.5bn in 1QFY22.
- EBITDA margin came in at a negative of 4.1% vs positive EBITDA margin of 4.6% in 1QFY22, down by 868bps.
- Adj. PAT margin came in at a negative of 5.2%, down by 738bps YoY.

Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E
Revenues	28,45,719	23,01,626	34,67,911	49,77,838	53,60,552
EBITDA	83,492	2,12,964	1,94,207	1,64,342	2,28,623
Consolidated Net Profit Adj	43,659	1,08,992	1,05,464	74,606	1,38,873
<b>EPS (Rs)</b>	<b>22.20</b>	<b>52.08</b>	<b>49.53</b>	<b>35.04</b>	<b>65.22</b>
EPS gr (%)	-44.0	134.6	-4.9	-29.3	86.1
<b>EBITDA Margin (%)</b>	<b>2.9</b>	<b>9.3</b>	<b>5.6</b>	<b>3.3</b>	<b>4.3</b>
P/E	15.0	6.4	6.7	9.5	5.1
<b>EV/EBITDA</b>	<b>13.0</b>	<b>5.1</b>	<b>5.6</b>	<b>6.6</b>	<b>4.7</b>
Dividend Yield (%)	4.94	23.65	4.43	2.84	5.88
Net Debt (cash)/Equity (X)	1.56	0.56	0.72	0.62	0.68
Pre-tax RoCE (%)	5.0	17.6	13.4	9.4	14.1
RoE (%)	12.0	20.4	20.3	13.0	20.7

Source: Company, Nirmal Bang Institutional Equities Research

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## BUY

Sector: Oil and Gas

CMP: Rs334

Target Price: Rs391

Upside: 17.2%

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### Key Data

Current Shares O/S (mn)	2,169.3
Mkt Cap (Rsbm/US\$bn)	723.9/9.1
52 Wk H / L (Rs)	470/293
Daily Vol. (3M NSE Avg.)	4,560,865

### Price Performance (%)

	1-M	6-M	1-Y
BPCL	4.2	(6.6)	(20.1)
Nifty Index	5.1	3.0	6.6

Source: Bloomberg

### Bloomberg consensus EPS estimates

FY23E	34.62	FY24E	44.66
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## Risks:

- i) Volatility in GRMs and oil prices
- ii) Risk of inventory loss
- iii) Higher-than-expected capacity addition in global refining sector
- iv) Slowdown in global petroleum demand

## Exhibit 1: BPCL Result analysis - 1QFY23

Y/E March (Rsmn)	1QFY22	1QFY23	Ch YoY %	4QFY22	Ch QoQ %	1QFY23E	Var. (%)	1QFY21	*Ch (%)
Net sales	709231	1210659	70.7	1040596	16	1178293	2.7	387851	212
Cost of goods	627065	1181962	88.5	906906	30	1146346	3.1	306223	286
Contribution	82166	28697	-65.1	133690	-79	31947	-10.2	81628	-65
Gross Margin%	11.6	2.4	-921.5	12.8	-1047.7	2.7	-34.1	21.0	-1867.6
Employee benefits expenses	7389	6246	-15.5	9399	-34	7611	-17.9	9029	-31
% of Sales	1.0	0.5	-52.6	0.9	-38.7	0.6	-13.0	2.3	-181.2
Other expenses (excl fx loss)	42155	71824	70.4	63667	13	43419	65.4	32875	118
EBITDA	32623	-49373	-251.3	60625	-181	-19082	158.7	39724	-224
EBITDAM (%)	4.6	-4.1	-867.8	5.8	-990.4	-1.6	-245.9	10.2	-1432.0
Depreciation	11446	16107	40.7	14923	8	12196	32.1	9959	62
Other income	4499	4403	-2.1	5761	-24	5517	-20.2	6499	-32
Interest expenses	4867	6155	26.5	6458	-5	6367	-3.3	5871	5
Forex gain/(loss)	-467	-9645	1965.3	-2280	323	-6477	48.9	-566	1605
PBT Before Exceptional	20342	-76877	-477.9	42726	-280	-38604	99.1	29828	-358
Exceptional	16431	0	NA	0	NA	0	NA	0	NA
Reported Tax	4847	-13969	-388.2	18886	-174	-9728	43.6	8500	-264
Effective tax rate%	23.8	18.2	-565.6	44.2	-2603	25	-702.9	28	-1033
Reported PAT	31926	-62908	-297.0	23840	-364	-28876	117.9	21328	-395
Adjusted PAT	15495	-62908	-506.0	23840	-364	-28876	117.9	21328	-395
NPM (%)	2.18	-5.20	-738.1	2.29	-749	-2.45	-274.6	5.50	-1,070

Source: Company, Nirmal Bang Institutional Equities Research, \* ch - 1QFY23/1QFY21

**Note: Figures of prior quarters were restated as per company filing because of merger of BORL with BPCL effected from the appointed date of 1<sup>st</sup> July, 2021. Our estimates does not include the estimates of this merger.**

## Positives:

- **Peak oil prices imply potential for improving risk-reward.** With oil and spreads at multi-year highs, it is logical to expect risk-reward on the depressed retail earnings to improve based on better pricing power once crude oil and product spreads start easing. This is likely as supply constraints will abate once the post-covid recovery in demand across MS/HSD/ATF eases and possibly even reverses due to rising interest rates forcing a global economic slowdown, leading to demand destruction across commodities, including oil.
- **Structural upside potential in GRMs,** which will likely prevail above historic average levels of US\$5/bbl. But they could correct from the current record high levels, as the global refining industry has seen closure of 2-2.5mn bpd capacity and there is limited incentive for new capacity additions due to the fear of EVs/renewable energy growing at the expense of refined fuels.
- **CGD and retail initiatives could restore investor fancy for BPCL as a preferred OMC pick:** BPCL is likely to get growth impetus from its large CGD footprint - 25 standalone and another 25 through JVs. This may take 3-5 years to make a visible impact on earnings/return ratios, but it may help offset the overhang in the form of risk to petroleum demand from the shift to EVs and renewable energy (mandated by the transition to net zero). Also, the BPCL management (free from stake sale overhang) could focus on regaining the lead in innovations related to fuel retailing/mobility services and non-fuel retailing; this could rekindle investor interest in BPCL over time.
- Attractive valuation/dividend yield of 5.88% on FY24E.

## Concerns:

- The potential reversal in oil prices from the current high levels that could cause inventory losses while persistent strength in global oil/fuel prices could cap retail margins.
- The OMCs, including BPCL, have lost the sheen of pricing power in retail pump pricing due to the recent record high increase in oil prices past US\$90-100/bbl and MS/HSD crack spreads of more than US\$30/bbl. The added concern in BPCL is the disappointment over the cancellation of the proposed stake sale by the government.
- The BPCL stock offers limited near term catalysts, although the expected growth in CGD volume and visibility in Mozambique gas earnings through its upstream subsidiary could be long-term growth drivers beyond FY25.

## Earnings and TP revision:

### Exhibit 2: Earnings revision

Rs Mn	Revised estimate			Earlier estimate			% Revision		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Total Revenue	3467911	4977838	5360552	3467911	5472882	4724097	0.0	-9.0	13.5
EBITDA	194207	164342	228623	194206	225054	232859	0.0	-27.0	-1.8
EBITDA margin (%)	5.6	3.3	4.3	5.6	4.1	4.9	0.0	-81	-66
PAT	105464	74606	138873	105463	130519	139300	0.0	-42.8	-0.3
EPS	49.53	35.04	65.22	49.53	61.29	65.42	0.0	-42.8	-0.3
TP		391			393			-0.4	

Source: Nirmal Bang Institutional Equities Research

### Exhibit 3: BPCL revised assumptions:

Rs Mn	Revised			Previous		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Brent crude US\$/bbl	80.44	101.88	75.00	80.44	81.25	60.00
GRM US\$/bbl	9.1	17.7	8.9	9.1	15.1	8.6
Retail margin Rs/litre	3.00	-4.08	3.00	3.00	1.00	3.00
Refining vol mntonnes	30.1	40.2	40.2	30.1	30.1	30.1
Sales volume mntonnes	44.6	49.8	51.9	44.6	47.2	49.2

Source: Nirmal Bang Institutional Equities Research

Note: revised estimates of GRM and refining volume includes BORL post merger, ( not included in previous estimates as BORL was being modelled under consolidation)

### Key changes in operating variables:

Changed crude price (US\$/bbl in FY23E/FY24E: from 81.25/60 to 101.88/75)

We have cut FY23E by 42.8% based on YTD loss in Marketing segment, which is offsetting the revised GRM estimate. We have also reduced earnings a tad for FY24E.

We have cut target price (TP) a tad to Rs391 based on marginal cut in FY24E and unchanged PE of 6x. Our target PE compares with long-term median PE of 10.3x.

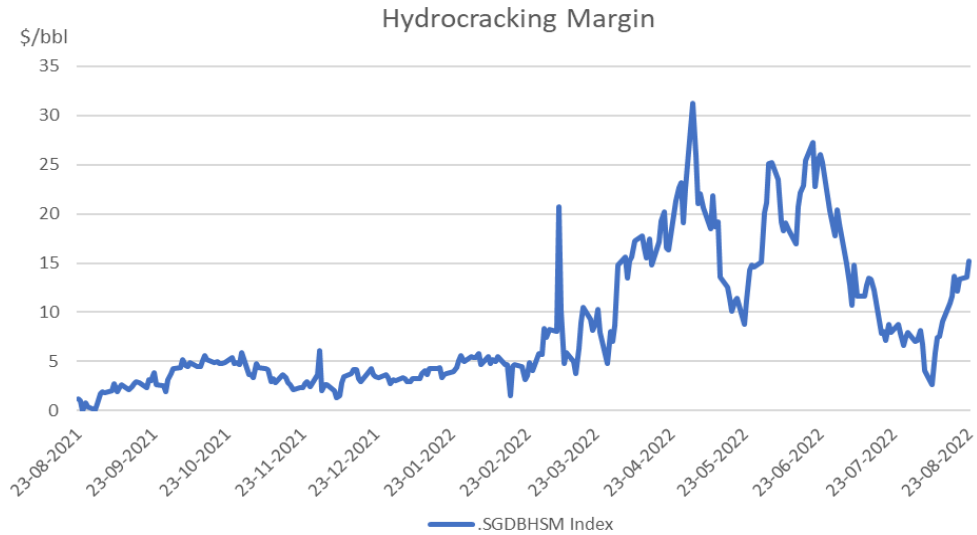
FY24E estimates are based on blended company GRMs of US\$8.9/bbl and healthy retail margin of Rs3/litre; it also includes inventory loss of Rs78.5bn.

### Exhibit 4: Trend in BORL GRM and PAT

Particulars	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	FY22	1QFY23
GRM US\$/bbl	3	11	2.14	8.3	5.2	6.2	9.0	23.6	11.0	35
PAT/(Loss) Rs bn	-2.38	2.3	-2.1	1.44	-0.64	*2.13	3.69	3.74	8.92	#NA

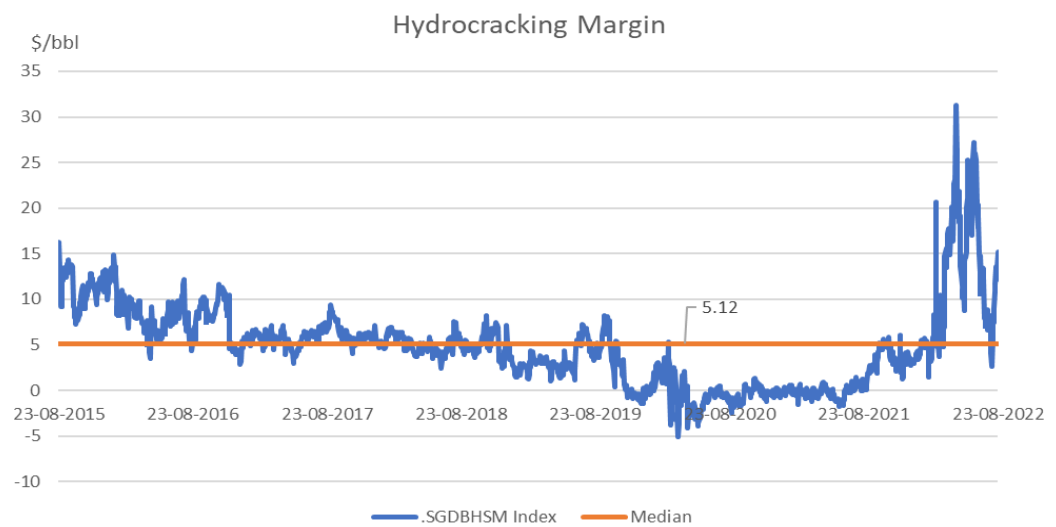
Source: Company, Nirmal Bang Institutional Equities Research; #BPCL has not disclosed BORL 1QFY23 PAT

**Exhibit 5: Singapore Hydrocracker Margin - 1-year trend**



Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 6: Singapore Hydrocracker Margin - long term trend**



Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Trend in returns over the cycle**

We have analysed the returns measured by EBIT/average gross block over FY15-FY22 for BPCL over a cycle, which has seen volatility in Brent crude and GRMs. This shows reasonable returns, although it has been volatile. FY22 returns and EPS trend were affected by the hit on marketing margins between Nov'21 and Mar'22, as the steep rise in crude oil and product prices could not entirely be passed on to consumers.

The FY22 trend in EPS looks much better on FY19/FY20 base - CAGR of 7.6%/49.4%. This compares with 14.8% CAGR in FY22-FY24E EPS (assuming GRMs of US\$8.9/bbl and normal marketing margin of Rs3/litre assuming oil price of US\$75/bbl in FY24).

FY17 was the trough in terms of oil price over FY10-FY20. This, coupled with weaker demand, surplus refining capacity and dwindling sour sweet oil spreads had hurt GRMs during FY18-20. The volatility in crude oil has also been hurting earnings due to the inventory impact and retail margins.

The secular inference is that the earnings prospects tend to improve under declining oil prices as seen in the FY14-FY17 period when oil prices had halved. And, if this is accompanied by high single-digit GRM above the historic average of ~US\$5/bbl, it augurs well for earnings growth and improving return ratios in the next two years. This offsets near term worries on earnings due to the pressure on retail margins.

**Exhibit 7: BPCL gross block, GRM and ROCE trends**

	FY17	FY18	FY19	FY20	FY21	FY22
Brent crude US\$/bbl	49.9	57.9	70.0	59.5	44.1	80.4
GRM US\$/bbl	5.26	6.85	4.58	2.51	4.06	9.09
Gross Block Rs bn	378252	523535	594959	737994	809633	1080666
EBIT/Avg gross Block %	26.3	27.5	20.9	6.4	21.9	14.8
Pre tax ROCE %	21.2	18.7	15.1	5.0	17.6	13.4
EPS GR %	15	3.3	-13.4	-44.0	134.6	-56.6

Source: Company, Nirmal Bang Institutional Equities Research

**Sensitivity Analysis**
**Exhibit 8: Downside risk to earnings from lower margins**

	FY23E	FY24E
<b>\$1/bbl hit on GRMS</b>		
Impact on EBITDA Rsmn	-26354	-26354
EPS impact Rs/sh	-8.5	-9.2
<b>Risk to EPS vs Base case %</b>	<b>-24.2</b>	<b>-14.0</b>
<b>Downside risk in Retail Margins</b>		
<b>Rs 250/kl fall in retail margin</b>		
Impact on EBITDA Rsmn	-9373	-9717
EPS impact Rs/sh	-3.0	-3.4
<b>Risk to EPS vs Base case %</b>	<b>-8.6</b>	<b>-5.2</b>
<b>Upside in retail margins</b>		
<b>Rs 250/kl rise in retail margin</b>		
Impact on EBITDA Rsmn	9373	9717
EPS impact Rs/sh	3.0	3.4
<b>Upside in EPS vs base case %</b>	<b>8.6</b>	<b>5.2</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Stress earnings:** We have done a stress test on BPCL's FY24E earnings under two downside cases.

1. Low retail margin of just Re1/litre vs base case of Rs3/litre: implies EPS of Rs37.9 and TP of Rs227
2. GRM drops to FY16-FY22 avg of US\$5.52/bbl vs base case of US\$8.9bbl; and base case retail margin unchanged at Rs3/litre implies EPS of Rs37.33 and TP of Rs224
3. In FY23E, if we reduce 2HFY23 retail margin to Rs2/litre vs our base case of Rs4.3/litre, it implies a downside of 44% in FY23E EPS. This maybe mitigated to the extent that such reduced retail margin implies higher crude oil and hence lower inventory loss/or reversal to gains.

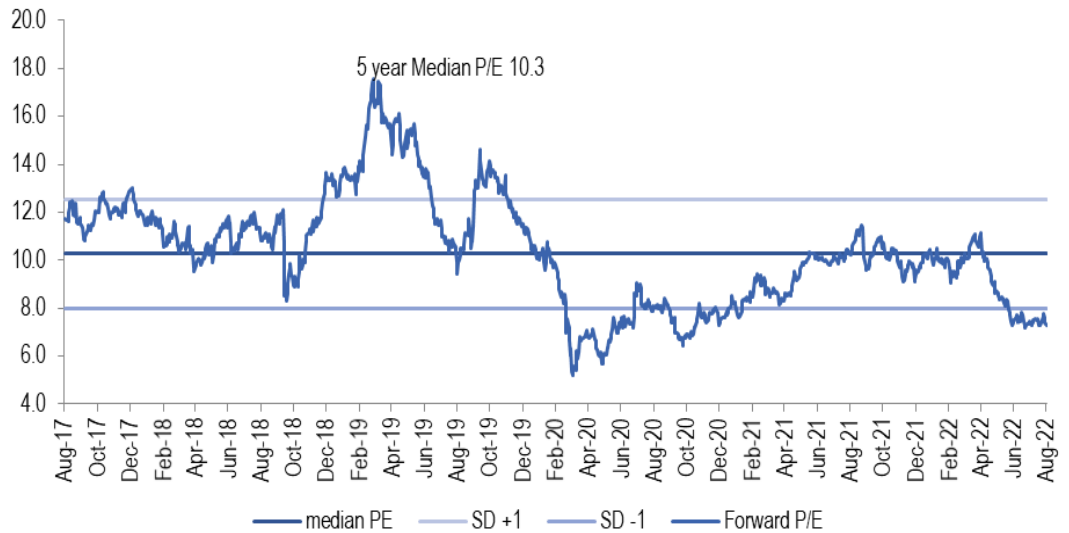
## BPCL historical valuations

**Exhibit 9: BPCL historical PE trend**

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
EPS RS	7.82	7.86	6.67	13.44	20.65	25.85	35.87	40.87	40.34	36.26	19.13	60.78	59.0
Trailing PE (x)	11.02	12.96	17.48	9.38	7.43	10.45	8.38	10.59	10.61	10.93	15.84	7.04	7.25
Forward PE (x)	10.95	15.28	8.68	6.11	5.94	7.53	7.35	10.73	11.80	20.72	12.37	9.67	8.82

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: BPCL PE Band Chart**



Source: Company, Nirmal Bang Institutional Equities Research

## BPCL's financials and operations in charts

### Exhibit 11: BPCL summary consolidated financials

Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E
Revenues	28,45,719	23,01,626	34,67,911	49,77,838	53,60,552
EBITDA	83,492	2,12,964	1,94,207	1,64,342	2,28,623
Consolidated Net Profit (Adj)	43,659	1,08,992	1,05,464	74,606	1,38,873
<b>EPS (Rs)</b>	<b>22.20</b>	<b>52.08</b>	<b>49.53</b>	<b>35.04</b>	<b>65.22</b>
EPS growth (%)	-44.0	134.6	-4.9	-29.3	86.1
<b>EBITDA margin (%)</b>	<b>2.9</b>	<b>9.3</b>	<b>5.6</b>	<b>3.3</b>	<b>4.3</b>
P/E	15.0	6.4	6.7	9.5	5.1
<b>EV/EBITDA</b>	<b>13.0</b>	<b>5.1</b>	<b>5.6</b>	<b>6.6</b>	<b>4.7</b>
Dividend Yield (%)	4.94	23.65	4.43	2.84	5.88
Net Debt (cash)/Equity (X)	1.56	0.56	0.72	0.62	0.68
Pre-tax RoCE (%)	5.0	17.6	13.4	9.4	14.1
RoE (%)	12.0	20.4	20.3	13.0	20.7

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 12: Auto fuel cracks

US\$/bbl	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	*Aug 2022
MS	5.66	8.04	9.70	12.85	17.10	31	6.66
HSD	5.78	6.9	8.13	12.61	18.30	42.5	31.12

Source: Company, Nirmal Bang Institutional Equities Research, Bloomberg, \*- Aug 1-17,22022

### Exhibit 13: Marketing sales volume trend

Mn tonne	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	FY21	FY22	1QFY23
LPG	1.51	1.71	1.83	1.82	1.67	1.79	1.95	1.89	1.73	1.90	1.98	2.03	7.30	7.64	1.80
MS	2.04	1.94	1.96	1.87	1.25	1.81	2.09	2.05	1.75	2.08	2.18	2.13	7.20	8.14	2.39
HSD	5.44	4.57	5.08	4.77	3.5	3.86	5.1	5.02	4.43	4.26	4.95	5.18	17.48	18.82	5.67
SKO	0.13	0.1	0.09	0.08	0.07	0.08	0.08	0.08	0.07	0.08	0.06	0.07	0.31	0.28	0.04
ATF	0.51	0.47	0.54	0.49	0.09	0.18	0.24	0.29	0.19	0.22	0.33	0.31	0.80	1.05	0.40
Others	1.48	1.46	1.51	1.7	0.95	1.22	1.64	1.84	1.46	1.37	1.65	2.10	5.65	6.58	1.46
Total Domestic	11.11	10.25	11.01	10.73	7.53	8.94	11.1	11.17	9.63	9.91	11.15	11.82	38.74	42.51	11.76
Exports	0.23	0.56	1.32	0.51	0.79	0.28	0.25	0.63	0.31	0.48	0.55	0.78	1.95	2.12	0.51
Total	11.34	10.81	12.33	11.24	8.32	9.22	11.35	11.8	9.94	10.39	11.70	12.60	40.69	44.63	12.27

Source: Company, Nirmal Bang Institutional Equities Research

## Consolidated Financial

**Exhibit 14: Consolidated Income statement**

Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E
<b>Net Revenue</b>	<b>2,845,719</b>	<b>2,301,626</b>	<b>3,467,911</b>	<b>4,977,838</b>	<b>5,360,552</b>
y/y	-4.6	-19.1	50.7	42.7	7.7
Raw Material Expenses	2,525,921	1,873,988	3,034,013	4,550,057	4,387,521
RM/Sales %	88.8	81.4	87.5	91.4	81.8
Employee cost	40,205	48,564	34,080	33,040	35,530
Other expenses	196,101	166,112	164,911	263,440	304,280
<b>EBITDA</b>	<b>83,492</b>	<b>212,964</b>	<b>194,207</b>	<b>164,342</b>	<b>228,623</b>
y/y	-44.8	155.1	-8.8	-15.4	39.1
Depreciation	40,801	43,342	54,344	64,426	71,989
EBIT	42,691	169,622	139,863	99,916	156,633
Interest Expense	26,370	17,234	28,890	41,811	25,786
Other Income	19,293	22,530	22,685	26,275	28,775
<b>PBT (adjusted)</b>	<b>35,614</b>	<b>174,918</b>	<b>133,659</b>	<b>84,380</b>	<b>159,623</b>
Income Tax Expense	(142)	51,122	43,552	26,668	40,177
JV/Associates inc/loss (+/-)	14,007	(3,255)	15,357	16,893	19,427
Less Minority Int	6,104	11,549	-	-	-
<b>Consolidated Net Profit Adj</b>	<b>43,659</b>	<b>108,992</b>	<b>105,464</b>	<b>74,606</b>	<b>138,873</b>
<b>EPS (Rs)</b>	<b>22.20</b>	<b>52.08</b>	<b>49.53</b>	<b>35.04</b>	<b>65.22</b>
y/y	-44.0	134.6	-4.9	-29.3	86.1

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 16: Consolidated Balance sheet**

Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	19,669	20,929	21,295	21,295	21,295
Reserves and Surplus	345,655	514,622	497,762	552,168	649,235
<b>Net worth</b>	<b>365,323</b>	<b>535,551</b>	<b>519,056</b>	<b>573,463</b>	<b>670,529</b>
Non-controlling interests	20,563	-	-	-	-
Long Term Borrowings	438,531	433,552	443,997	419,940	391,235
Deferred Tax Liabilities [Net]	61,639	49,345	63,757	63,757	63,757
Other long-term liability	20,364	22,168	17,792	17,792	17,792
Short Term Borrowings	177,952	42,328	74,967	68,671	189,441
Other: Fin Liab	231,211	268,780	336,211	336,211	215,441
Trade Payables	131,072	162,627	303,477	353,471	334,211
Other curliab	61,981	95,569	116,029	116,029	116,029
<b>Total Capital and Liabilities</b>	<b>1,508,636</b>	<b>1,609,920</b>	<b>1,875,286</b>	<b>1,949,334</b>	<b>1,998,434</b>
Total Asset plus WIP	779,313	812,384	993,344	1,042,918	1,084,928
Investments- equity method	215,321	195,496	184,155	234,967	239,967
Non-Current Investments	2,879	4,238	7,581	7,581	7,581
Other Non-Current Assets	78,605	77,977	70,212	70,212	70,212
Current Investments	1,324	17,653	44,423	44,423	44,423
Inventories	222,426	267,060	421,787	409,137	396,534
Trade Receivables	53,780	78,348	97,075	95,465	117,492
Cash and Cash Equivalents	<b>7,996</b>	<b>75,676</b>	<b>21,590</b>	<b>9,512</b>	<b>2,178</b>
Bank balances other than cash	3,652	5,425	777	777	777
Other financial assets	67,407	5,944	5,597	5,597	5,597
Other Current Assets	75,932	69,719	28,745	28,745	28,745
<b>Total Assets</b>	<b>1,508,636</b>	<b>1,609,920</b>	<b>1,875,286</b>	<b>1,949,334</b>	<b>1,998,434</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Cash flow**

Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E
PBT	22,511	227,576	160,367	84,380	159,623
Add depreciation	40,801	43,342	54,344	64,426	71,989
Other expenses	29,878	(36,545)	(6,004)	(459)	(2,989)
Change in W/C-inc/(dec)	1,306	(31,153)	(13,226)	(64,254)	28,684
<b>Opg cashflow after W/C change</b>	<b>91,884</b>	<b>265,527</b>	<b>221,933</b>	<b>212,601</b>	<b>199,939</b>
Income tax	18,273	36,627	18,577	26,668	40,177
<b>Cashflow from Operations (A)</b>	<b>73,611</b>	<b>228,899</b>	<b>203,356</b>	<b>185,934</b>	<b>159,762</b>
Capex	122,894	92,059	77,506	114,000	114,000
Other Investments	(10,619)	(63,077)	3,869	7,644	(43,202)
<b>Free cash</b>	<b>(38,665)</b>	<b>199,917</b>	<b>121,981</b>	<b>64,289</b>	<b>88,964</b>
<b>Cashflow from Investing (B)</b>	<b>(112,276)</b>	<b>(28,982)</b>	<b>(81,376)</b>	<b>(121,644)</b>	<b>(70,798)</b>
Inc/(Dec) in borrowings	124,155	(119,903)	(9,836)	(30,352)	(28,706)
Dividends (including tax) paid	(65,178)	(49,243)	(144,828)	(20,199)	(41,806)
Other Expenses	(16,460)	36,908	(21,402)	(25,816)	(25,786)
<b>Cashflow from Financing (C)</b>	<b>42,518</b>	<b>(132,237)</b>	<b>(176,066)</b>	<b>(76,368)</b>	<b>(96,297)</b>
Ch in Cash and Cash equiv	3,853	67,680	(54,085)	(12,079)	(7,333)
Opg cash	4,143	7,996	75,676	21,590	9,512
Closing cash	7,996	75,676	21,591	9,512	2,178

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 17: Key ratios**

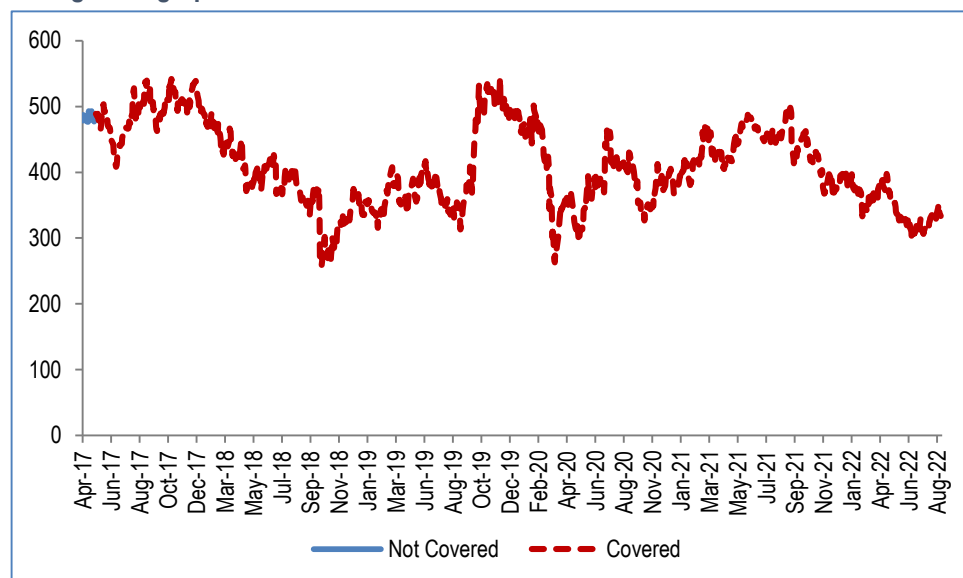
Y/E March (Rsmn)	FY20	FY21	FY22	FY23E	FY24E
<b>Profitability &amp; return ratios</b>					
EBITDA margin (%)	2.9	9.3	5.6	3.3	4.3
EBIT margin (%)	1.5	7.4	4.0	2.0	2.9
Net profit margin (%)	1.1	7.0	3.4	1.5	2.6
RoE (%)	12.0	20.4	20.3	13.0	20.7
Pre-tax RoCE (%)	5.0	17.6	13.4	9.4	14.1
RoIC (%)	6.3	16.2	11.8	7.9	12.4
<b>Working capital ratios</b>					
Receivables (days)	7.9	10.5	8.9	7.0	8.0
Inventory (days)	29.0	38.8	41.6	30.0	27.0
Payables (days)	19.6	23.3	27.7	26.0	26.0
Cash conversion cycle	17.3	26.0	22.8	11.0	9.0
<b>Leverage ratios</b>					
Net debt (Rsmn)	603510	300977	371767	353493	452891
Net Debt (cash)/Equity (X)	1.6	0.6	0.7	0.6	0.7
Net Debt/EBITDA	7.2	1.4	1.9	2.2	2.0
<b>Valuation ratios</b>					
EV/sales (x)	0.4	0.5	0.3	0.2	0.2
EV/EBITDA (x)	13.0	5.1	5.6	6.6	4.7
EV/FCF	9.6	37.4	13.3	8.9	15.3
P/E (x)	15.0	6.4	6.7	9.5	5.1
P/BV (x)	1.8	1.3	1.4	1.2	1.1
FCF Yield (%)	10.4	2.7	7.5	11.2	6.5
Dividend Yield (%)	4.9	23.7	4.4	2.8	5.9
<b>Per share ratios</b>					
EPS	22.20	52.08	49.53	35.04	65.22
Cash EPS	42.94	72.79	75.05	65.29	99.02
BVPS	185.74	255.89	243.76	269.31	314.89
DPS	16.50	79.00	14.81	9.49	19.63

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price	Target price (Rs)
12 May 2017	Accumulate	738	717
16 August 2017	Accumulate	479	478
15 November 2017	Accumulate	493	489
12 February 2018	Accumulate	475	513
31 May 2018	Accumulate	400	436
9 August 2018	Accumulate	389	436
30 October 2018	Under Review	277	-
11 February 2019	Sell	338	300
21 May 2019	Sell	393	300
14 August 2019	Accumulate	343	343
11 November 2019	Accumulate	501	512
14 February 2020	Accumulate	477	534
7 April 2020	Buy	351	414
7 May 2020	Buy	344	414
5 June 2020	Buy	357	417
17 Aug 2020	Accumulate	413	417
23 September 2020	Accumulate	392	446
2 November 2020	Buy	354	446
9 January 2021	Buy	400	475
10 February 2021	Buy	319	491
28 May 2021	Accumulate	467	517
16 August 2021	Accumulate	464	507
24 September 2021	Buy	415	478
1 November 2021	Buy	419	498
3 February 2022	Buy	382	505
24 February 2022	Buy	357	526
26 May 2022	Buy	326	393
15 June 2022	Buy	314	393
23 August 2022	Buy	334	391

## Rating track graph



## DISCLOSURES

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### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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