

Globus Spirits Ltd

Robust business model driving medium-term growth

Globus Spirits (GBSL) is a leading player in the Indian Alcohol Beverages Industry with strong presence in Indian Made Indian Liquor (IMIL) category. GBSL has an integrated business model complimenting its two segments – Manufacturing and Consumer. While the Consumer segment is driving expansion of the group's overall margins, the Manufacturing segment is the back bone of its operations, providing stable earnings profile and cash flows.

Our investment thesis shows that GBSL is well placed to report strong 27% earnings CAGR over FY21-24E on the back of (i) integrated operations with strategic geographical advantage, (ii) increased penetration of high price point products in the Consumer business, and (iii) upside from doubling its distillery capacity to leverage opportunity from the Ethanol Blending Programme (EBP).

We initiate coverage on GBSL with a 'Tactical BUY' rating and a target price of INR1,475/share, implying an upside of 22%.

Key beneficiary of favourable trends within sector

We see GBSL as one of the key beneficiaries of the government's Ethanol Blending Programme (EBP). The company is expected to add 14cr litres to its ENA/Ethanol capacity to achieve 30cr litres by FY24E, which provides earnings visibility for the medium term. We expect GBSL's Consumer segment growth to be driven by product range expansion and increased penetration of premium price point products (medium liquor) within IMIL in its key states.

Upcoming catalysts indicate further upside

We see two major upcoming catalysts, which could provide further earnings upside for GBSL – (i) grain-based Ethanol supply is targeted to increase 10x by FY25E for achieving 20% blending target. Therefore we expect the government to announce higher administered prices for grain-based Ethanol in the upcoming (Q3FY22) annual price revision, and (ii) the company has three additional projects approved under the Interest Subvention scheme. Any new capacity approved by the board would trigger further earnings upgrade in the medium term.

Outlook and Valuation

We initiate coverage on GBSL with a 'Tactical BUY' rating and a target price of INR1,475/share. Our valuation assigns 14.5x EV/EBITDA multiple to the Consumer segment (a 50% discount to its peers within the liquor industry) and 7.2x FY23E EV/EBITDA multiple to the Manufacturing segment (a 20% premium to average sugar sector FY23E multiple). At our target price of INR1,475/share, GBSL is trading at FY23E P/E of 18.5x and EV/EBITDA of 11.5x. Our EPS forecast implies FY21-24E CAGR of 27% translating into FY23E PEG ratio of 0.68x.

Year to March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Net revenue	993	1,173	1,237	1,488	1,779
EBITDA	95	128	261	322	391
EBITDA margin	10%	11%	21%	22%	22%
Net profit	24	50	141	183	229
Dil. EPS (INR)	8	17	49	63	80
Price/Earning (x)	16.4	4.9	6.5	19.1	15.2
ROCE	10%	15%	29%	30%	31%
ROE	6%	11%	24%	24%	23%

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CMP INR: 1212
Rating: Tactical BUY
Target Price INR: 1,475
Upside: 22%

Bloomberg:	GBSL:IN
52-week range (INR):	205 / 1,212
Share in issue (cr):	2.9
M cap (INR cr):	3,492
Promoter Holding (%)	55.96

Date: September 15, 2021

Investment View: Tactical Buy | Target Price INR1,475/share

In our view, GBSL is well placed to garner robust 27% earnings CAGR over FY21-24E underpinned by its integrated business model with geographical advantage, growth in high-margin consumer business, and upside from distillery expansion (2x) to leverage ethanol demand under the EBP. We have assigned a 'Tactical BUY' rating to GBSL with a target price of INR1,475/share.

GBSL is a leading manufacturer and distributor of Indian Made Indian Liquor (IMIL). The company is the market leader in the Rajasthan IMIL market, and supplies IMIL to Haryana and West Bengal.

GBSL has industry-leading ROCE, which has improved significantly over FY20-21 with introduction of premium price point Rajasthan Medium Liquor.

We expect GBSL to report 27% EPS CAGR over the next three years. On our target price, GBSL trades at 18.5x FY23E EPS, at a significant discount to other listed players. On PEG basis, GBSL trades at 0.7x FY23E.

	FY20	FY21	FY22E	FY23E
Revenue	1,173	1,237	1,488	1,779
EBITDA	128	261	322	391
EBITDA margins	11%	21%	22%	22%
PAT margins	4%	11%	12%	13%

	FY20	FY21	FY22E	FY23E
RoCE	15%	29%	30%	31%
ROE	11%	24%	24%	23%

	FY23E EPS	Upside
16x (PE)	1,273	5%
20x (PE)	1,591	31%

At CMP, FY23E P/E is 15x

+

FY21-FY24 RoE of
23-24%

+

At target price of INR1,475, FY23E
P/E is 18.5x

Upside of 22%

Our investment thesis is based on three key themes presented in the report:

- Integrated business model with geographical advantage,
- Growth in consumer segment to support group margins,
- Expansion plans to drive earnings growth.

Exhibit 1: Expansions leading revenue growth

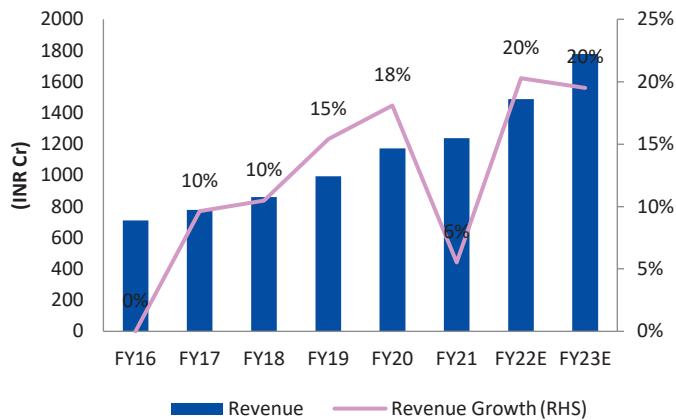


Exhibit 2: EBITDA driven by higher price point RML

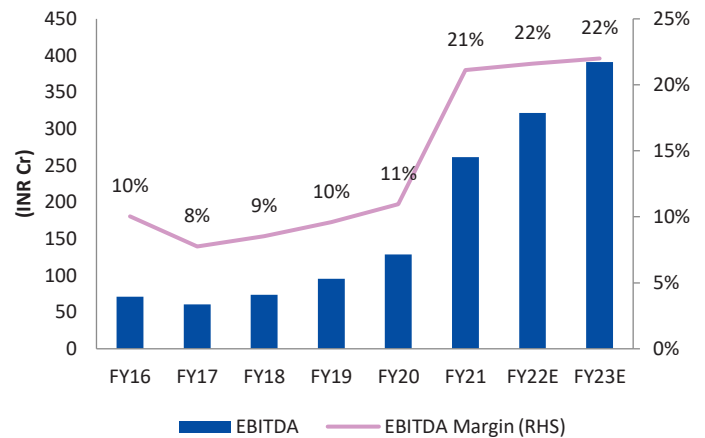


Exhibit 3: Expect capex of INR285cr over FY22-23E

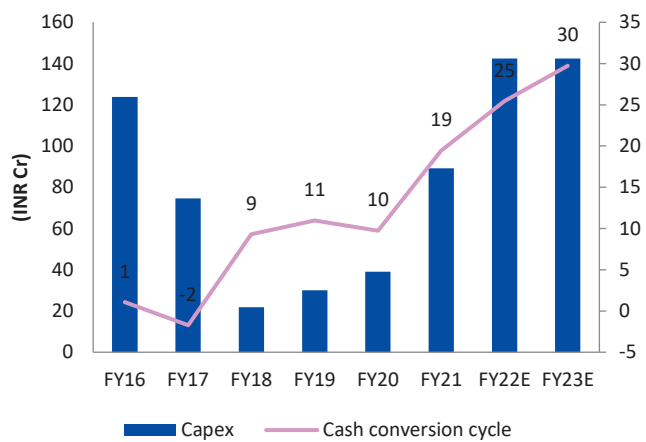


Exhibit 4: Healthy balance sheet

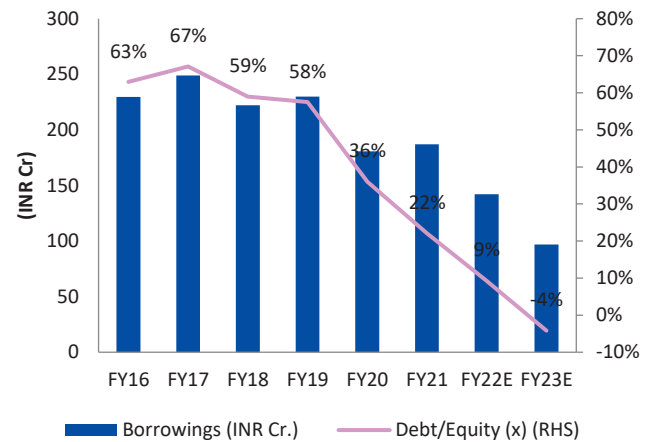


Exhibit 5: Industry-leading return ratios

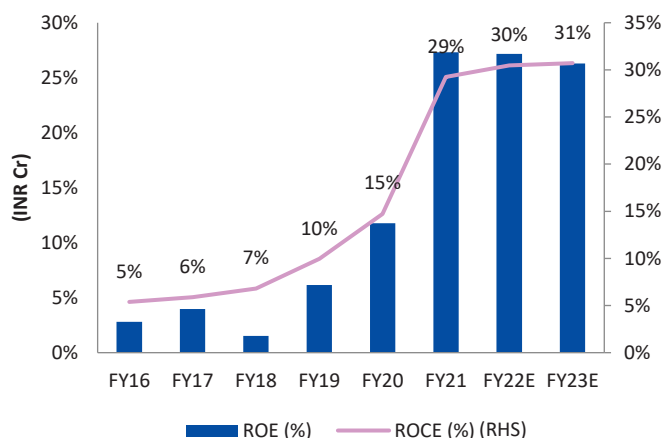
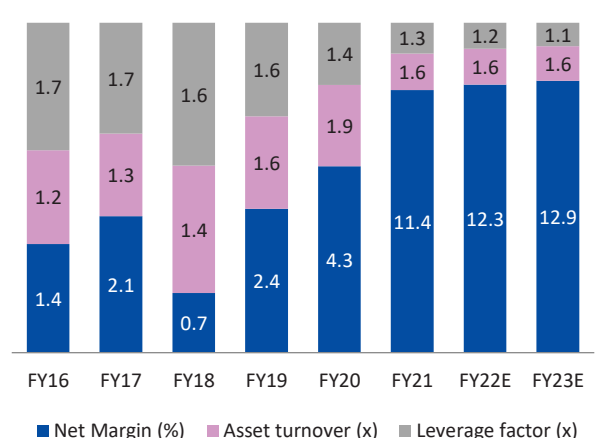


Exhibit 6: Net margin expansion driving RoE



Source: Company, Edelweiss Wealth Research

Theme 1: Edge over peers underpinned by integrated business model and geographical advantage

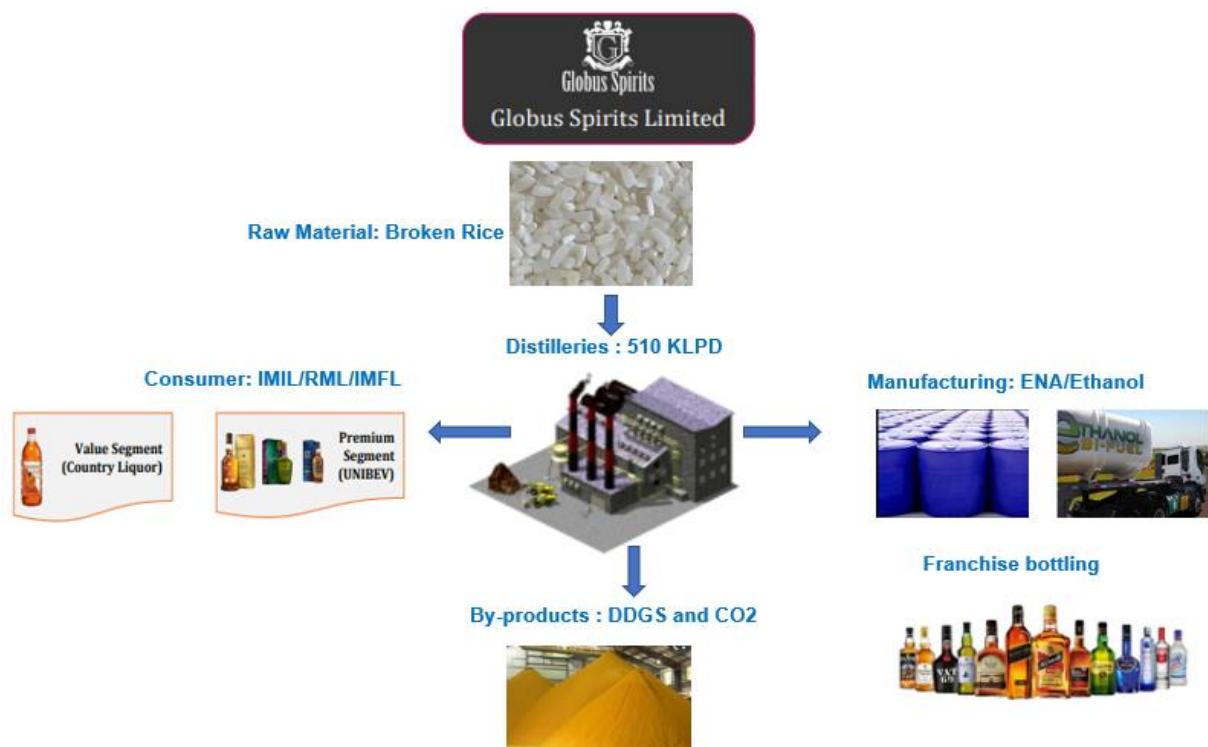
GBSL has an integrated business model complimenting its two segments – **Manufacturing and Consumer**. The **Manufacturing** segment produces and sells Extra Neutral Alcohol (ENA) and Ethanol to bulk customers (Liquor manufacturers and Oil marketing companies) while the **Consumer** segment produces in-house Indian Manufactured Indian Liquor (IMIL), Rajasthan Medium Liquor (RML) along with premium offerings of Indian Manufactured Foreign Liquor (IMFL) brands through its subsidiary UniBev.

Cost advantages and diversified revenue streams due to an integrated business model

GBSL's consumer brands utilise ENA produced in-house while excess production is sold as bulk alcohol and Ethanol. Positives arising from GBSL's integrated business model are:

- GBSL's Consumer segment gets access to in-house ENA, which is immune to market-driven ENA price fluctuations and comes with surety of supply due to its own distilleries,
- GBSL's raw material is broken rice instead of ENA. Broken rice has a more stable price profile as compared to ENA, which is a key raw material for most of its competitors,
- With leading grain-based installed ENA capacity of 16cr litres and another 14cr litres in the pipeline, GBSL has bargaining power for purchasing raw material,
- GBSL has the flexibility to divert ENA towards Ethanol, and thus, all new capacity expansions are fungible, and
- By-products like Dried Distillers Grains with Soluble (DDGS) and carbon di-oxide provide an alternate leg of revenue (11% of FY21 sales).

Exhibit 7: GBSL's integrated business model

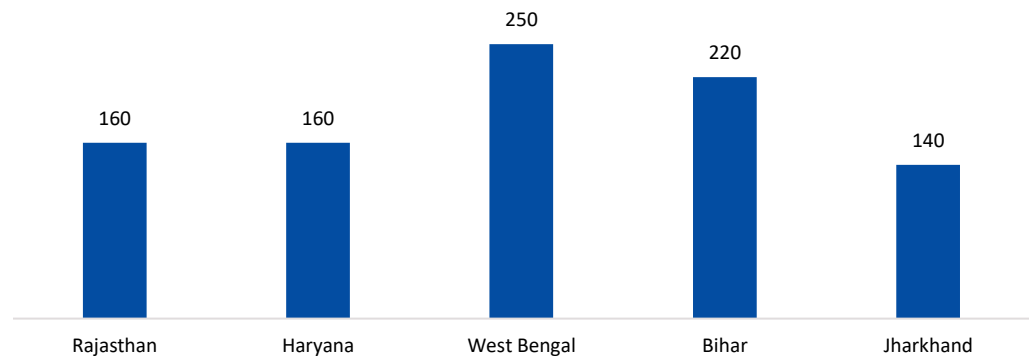


Source: Company, Edelweiss Wealth Research

Strategic geographical locations

GBSL has distilleries across Rajasthan, Haryana, Bihar, and West Bengal, where the company offers its value segment IMIL along with Ethanol. The company's strategy to expand in ENA/Ethanol deficit states should help sustain manufacturing margins in the near term. Further, GBSL's upcoming expansions are in West Bengal and the eastern states like Jharkhand and Bihar (also deficit states), which are major rice producing states of India. This gives GBSL easy access to raw materials and an edge over distilleries situated in western/central India.

Exhibit 8: Strategically located distillery capacity (FY24E)



Source: Company, Edelweiss Wealth Research. Note : 140 KLPD expansion in FY24E will either be part of Bihar or a deficit state

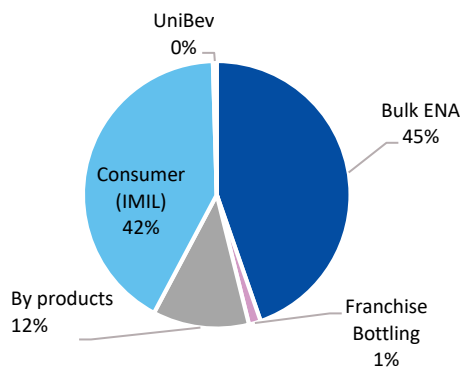
Industry leading ENA/Ethanol yields

GBSL has one of the most efficient grain-based distilleries in India. The company produces ~480 litres of ENA/Ethanol by using one tonne of broken rice (industry leading yield rate). According to our estimate, GBSL's raw material cost (broken rice) in Q1FY22 was approximately INR16.5/kg. Further, our unit economics suggests that Ethanol manufacturing generates ~15% EBITDA margin for GBSL.

Exhibit 9: Unit economics for ENA/Ethanol production

Revenue ENA/Ethanol	Per/litre
Revenue	52
By product (0.37kg at INR25/kg)	9
Total	61
Cost of Production	Per/litre
Rice (2.25kg at INR17/kg)	38
Conversion (Power and Chemicals)	13
Total cost	53
EBITDA	9
EBITDA margin	15%

Exhibit 10: Share of FY21 net sales

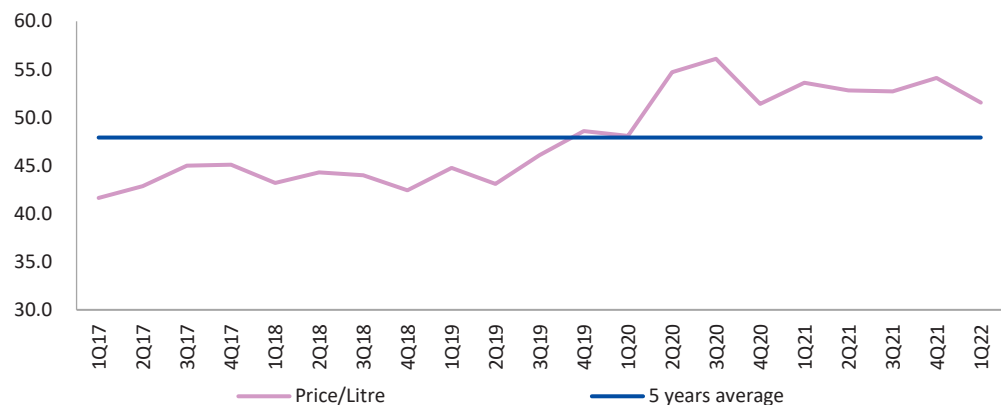


Source: Company, Edelweiss Wealth Research

Ethanol prices driving higher ENA realisations

Due to its integrated operations, GBSL is able to realise benefits from both higher ENA and Ethanol prices. ENA prices are decided by market forces while Ethanol prices are decided by the government each year. For Ethanol Year 2021, the government fixed Ethanol procurement price at INR51.55/litre from grain-based distilleries. Price commitment by Oil Marketing Companies (OMCs) resulted in diversion of some ENA capacity towards Ethanol production and narrowed the price gap between the two. ENA prices were below INR40/litre a few years ago, but is now in line with Ethanol prices. This has helped GBSL to increase its realisation for the Bulk ENA segment and maintain margins in the Consumer segment due to internal raw material sourcing, thanks to its integrated production plants.

Exhibit 11: Ethanol/ENA prices up post 2018 Biofuel Policy

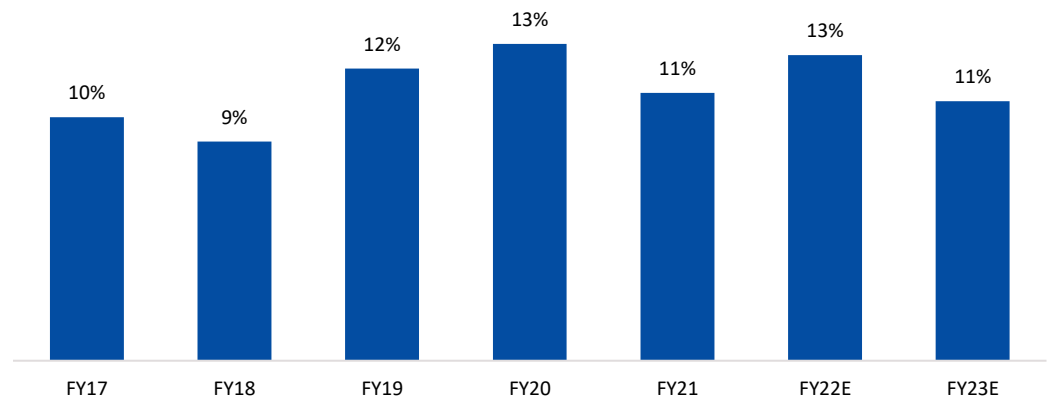


Source: Company, Edelweiss Wealth Research

Forward integration to DDGS driving manufacturing profitability

DDGS is a by-product, which is high in protein content and is used as an animal feed. During the fermentation process, starch from the grain is converted into Ethanol and carbon di-oxide. This leads to the remaining nutrients (mainly proteins) in DDGS getting concentrated 2-3 times. By-products accounted for 11% of GBSL's group revenue in FY21. For every 1 litre of ENA, INR9 of by-product sales is realised at an average DDGS price of INR25/kg.

Exhibit 12: By-products as % of total net sales

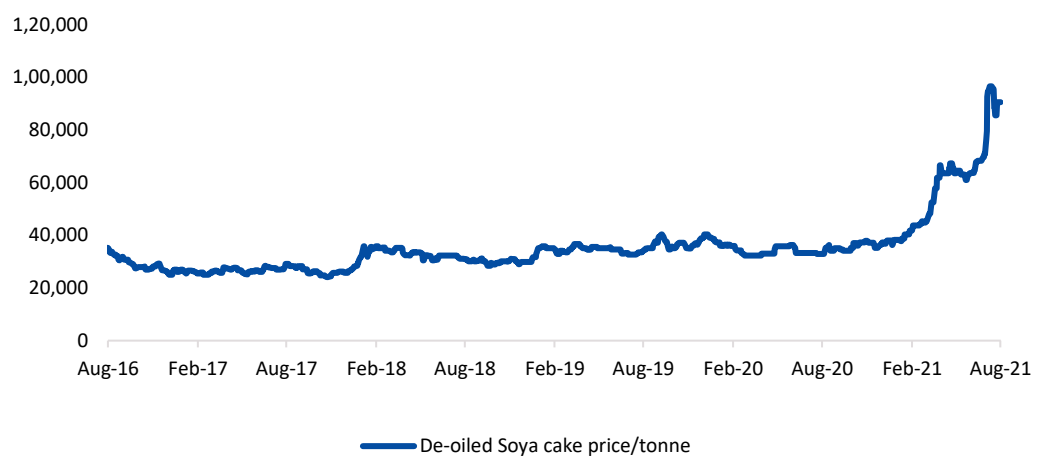


Source: Company, Edelweiss Wealth Research

Unit economics of DDGS: For every 1 litre of ENA/Ethanol, GBSL produces 0.37kgs of DDGS

DDGS prices have seen strong momentum over the last two quarters, which has improved GBSL's profitability in Q1FY22. We believe DDGS largely follows Soya de-oiled cake prices, which is currently at a 5-year high; however, we expect prices to correct by ~10-15%. While DDGS acts as a good substitute for nutrients, it forms a very small part of the overall animal feed industry and lies between high-priced Soya and low-priced Corn products.

Exhibit 13: De-oiled Soya cake price/tonne



Source: Bloomberg, Edelweiss Wealth Research

Sensitivity to earnings from by-products

According to our estimate, DDGS/by-products contribute INR9/litre of ethanol produced for GBSL. However, Q1FY22 saw a steep rise in DDGS prices. We forecast DDGS prices to range between INR25-30 over FY22-24E. The below table shows how DDGS price sensitivity impacts ethanol manufacturing margins. The sensitivity table's underlying assumptions are: (i) broken rice price of INR17/kg, (ii) broken rice required for 1 litre of ENA is 2.25kgs, and (iii) each litre of ENA produces 0.37kg of DDGS.

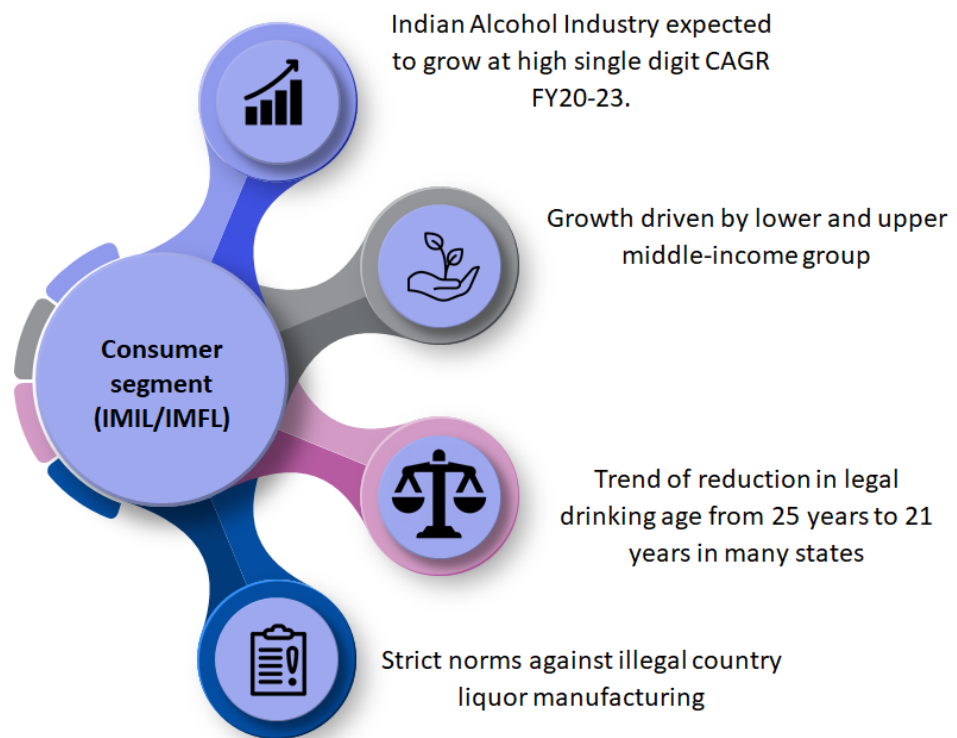
Exhibit 14: DDGS price to manufacturing EBITDA/EBITDA margin sensitivity

DDGS price/kg	20	25	30	35	40
DDDG sales/litre	7	9	11	13	15
Ethanol EBITDA margin	13%	15%	17%	20%	22%

Source: Company, Edelweiss Wealth Research

Theme 2: Premium price points to drive Consumer business and group margin

GBSL's group EBITDA margins have increased to 27% in Q1FY22 from 11% in FY20, mainly due to increasing share of higher margin Consumer business. Revenue of the Consumer segment increased 21% YoY in FY21, driven by higher volumes (+12% YoY) and higher realisations (+10% YoY). We expect this growth trend in higher price point volumes to continue with increased market share of medium liquor within the IMIL category. Overall, we see visible growth drivers for liquor demand as depicted in the figure below:

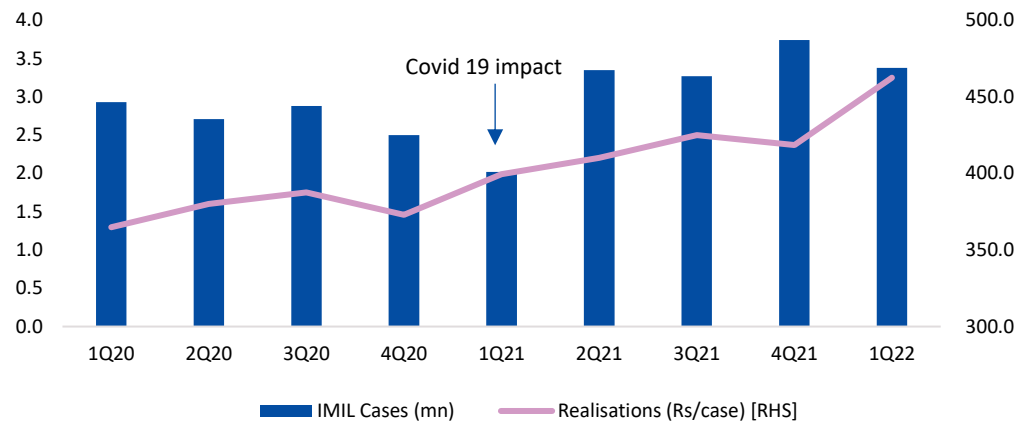


While GBSL does not provide segment margins, we estimate Consumer segment margins to be in the range of 1.5-2x of Manufacturing segment margins, which would result in overall expansion of the group's margins. **We expect Consumer segment margin to remain at elevated level.**

A) Higher realisation of IMIL (up 26% over last two years)

Over the last two years, overall Consumer segment's realisations have improved due to increased sales of higher price point RML (INR70-80/180ml) v/s IMIL (INR30-35/180ml). We expect this trend to continue in Rajasthan with further upside if similar medium liquor is introduced in other states like West Bengal (we anticipate GBSL is in talks to introduce medium liquor in West Bengal). The success of RML can be attributed to the wide gap in IMIL prices and lower-end IMFL prices. On an average, state governments have increased IMIL prices by 5% annually while GBSL's Consumer segment realisations have increased by 26% over the last two years due to increasing volume share of high price point RML. Note that industry volumes are usually skewed towards 2H of the fiscal year.

Exhibit 16: Consumer segment's volume and realisation

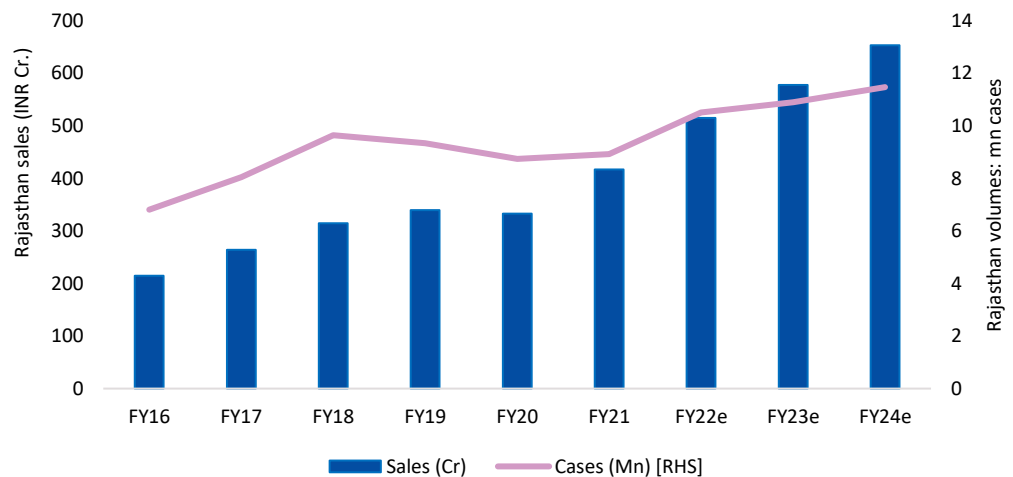


Source: Company, Edelweiss Wealth Research

B) Premium country liquor driving group margins

GBSL is the largest IMIL player in Rajasthan with market share of 30% while in Haryana, the company has total market share of ~10%. In FY20, GBSL forayed into RML, a premium price point IMIL, which has been a game changer for the company. RML has resulted in higher sales and realisations for GBSL's Consumer segment, which has translated into six back-to-back quarters of EBITDA margin improvement. We expect this trend to continue as the company is targeting the middle market segment (between value and premium offerings) and is improving its premium offerings.

Exhibit 17: RML driving sales and realisations

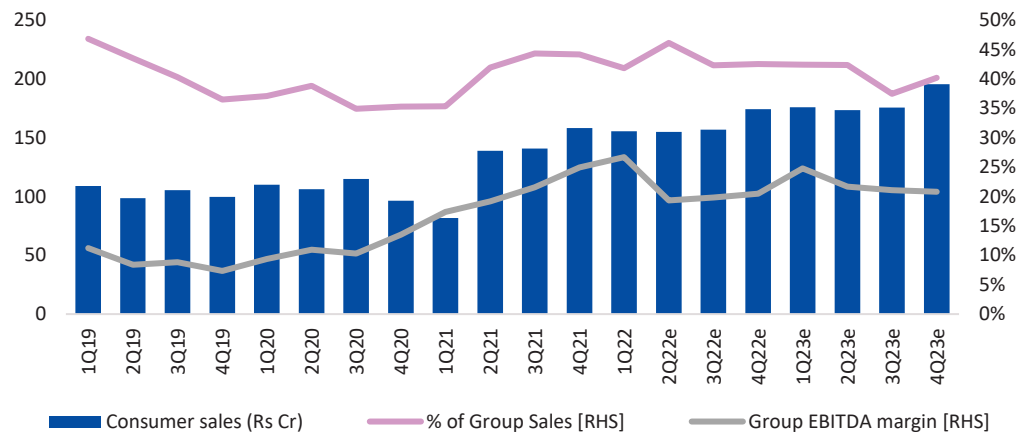


Source: Company, Edelweiss Wealth Research

Outlook for consumer segment

We expect GBSL's Consumer segment to deliver 5% volume CAGR over FY22-24E with largely stable margins. However, further upside is expected if West Bengal allows premium price point medium liquor in the near term. We expect the group's EBITDA margins to be lower over FY22-FY24E at 21-22% (v/s 27% in Q2FY22) as new capacity expansion in the Manufacturing segment would result in higher share of the relatively lower-margin bulk ENA business.

Exhibit 18: Group margin to expand as Consumer segment sales increase



Source: Company, Edelweiss Wealth Research

Theme 3: Distillery capacity expansion to drive earnings growth

GBSL's installed distillery capacity stood at 510KLPD as at Q1FY22 or ~16cr litres of ENA/Ethanol. The company has announced three expansion plans of 140KLPD each at West Bengal, Jharkhand, and Bihar (or a deficit state). The new expansions would be fully fungible and can produce both ENA and Ethanol.

Demand visibility from OMCs as India targets 20% Ethanol Blending by 2025

Currently, grain-based distilleries only supply 42cr litres to OMCs. This would increase to 440cr litres by 2025 if the 20% blending target is achieved. Therefore, we believe GBSL's current expansion plans will have high demand visibility from OMCs in the coming years.

Exhibit 19: Ethanol supply to reach 1,000cr litres by 2025

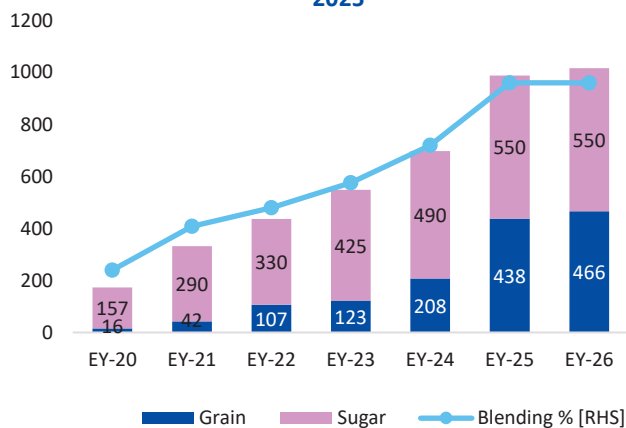
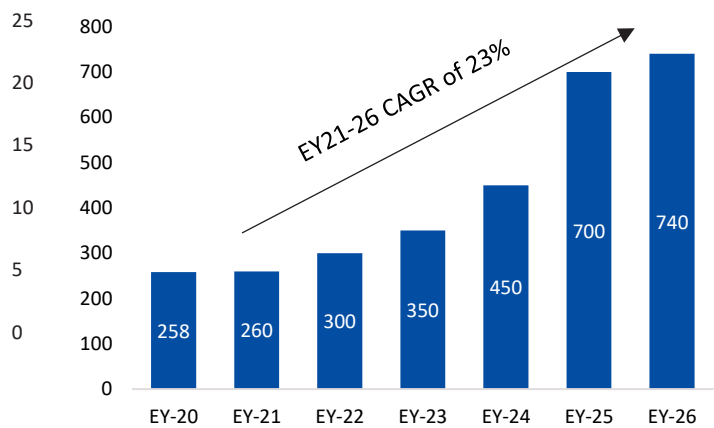


Exhibit 20: Grain-based capacity (cr litres)*

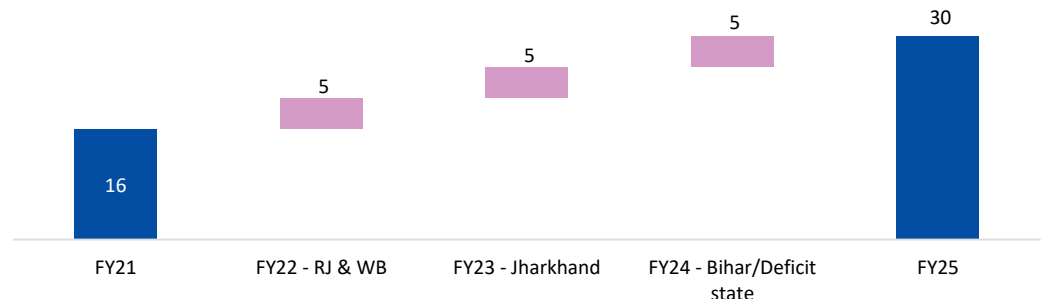


Source: Company, Edelweiss Wealth Research
*Exhibit 20 capacity includes both Ethanol and other uses

GBSL to double distillery capacity by FY24E

The company's three new expansion plans would effectively double its installed capacity to ~30cr litres by end-FY24E. As of now, the company is planning to fund the upcoming expansion from internal accruals. Additionally, GBSL also has approvals for three other expansion proposals under the Interest Subvention scheme, which are yet to be approved by the company's board.

Exhibit 21: Incremental ENA/Ethanol production



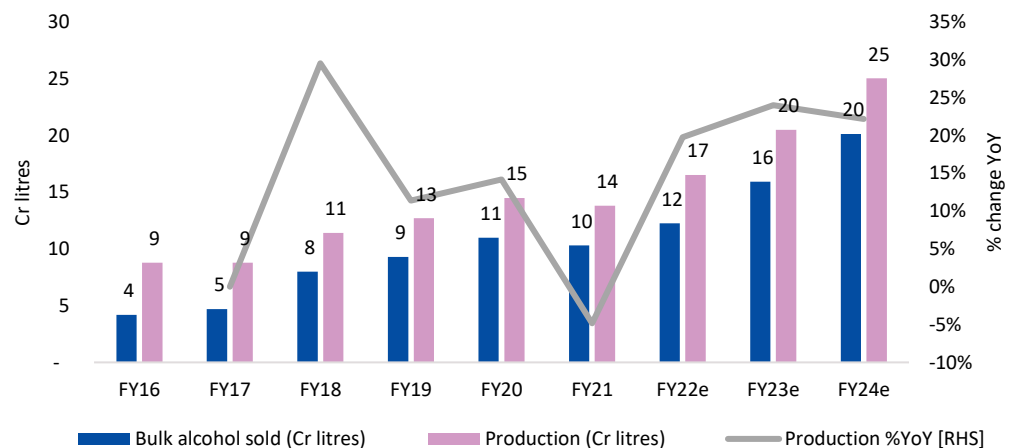
Source: Company, Edelweiss Wealth Research

Implication: The incremental 14cr litres of capacity addition by FY24E would generate at least INR725cr of incremental revenue if entirely used to produce Ethanol and INR100cr of EBITDA at 14% margin.

Production to register 22% CAGR over FY21-24E

GBSL produced 13.8cr litres of ENA/Ethanol in FY21; of this, 10.3cr litres was sold as bulk alcohol (external sales) and the rest was diverted to the Consumer segment. We expect GBSL's production to register 22% CAGR over FY21-24E, underpinned by the three new capacity additions.

Exhibit 22: Production to cross 25cr litres by FY24E



Source: Company, Edelweiss Wealth Research

Exhibit 23: Expansion timeline; capacity to double by FY24E

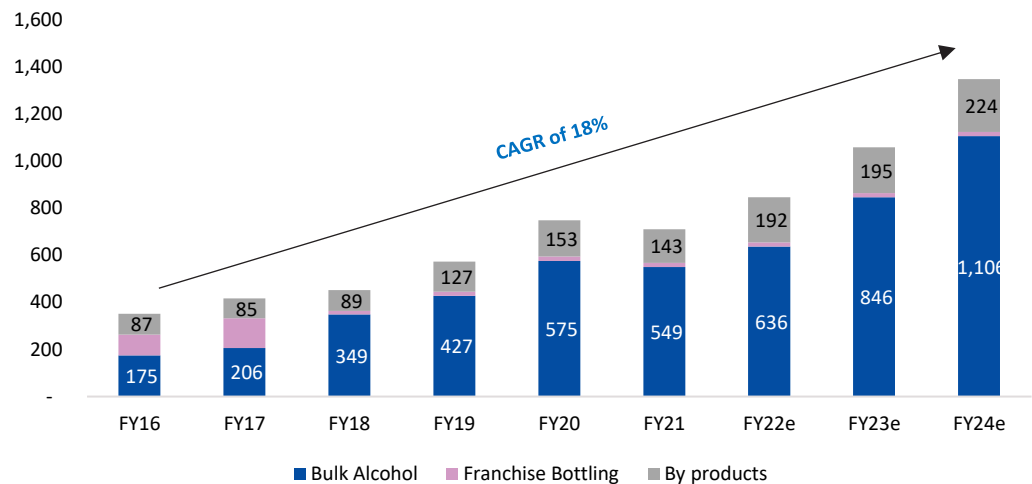
Expansion (KLPD)	Existing	FY22E	FY23E	FY24E	Comments
Rajasthan	140	160	160	160	Completed 20KLPD expansion in Q1FY22
Haryana	160	160	160	160	80KLPD ENA and 80KLPD Ethanol
West Bengal	110	250	250	250	West Bengal expansion commissioning in Q3FY22
Bihar	80	80	80	80	Ethanol only
Jharkhand	-	-	140	140	Work has commenced, commissioning by FY23
Other deficit states	-	-	-	140	140KLPD expansion work to start later in FY22
Total capacity	490	650	790	930	Additional 400KLPD approved by DFPD
% YoY	0%	33%	22%	18%	Doubling capacity in next three years
Capex (Rs. Cr.)	87	143	143	80	Includes INR30cr/p.a. of maintenance capex

Source: Company, Edelweiss Wealth Research

Implication of distillery expansion plans

GSBL's aggressive expansion plans are backed by the Ethanol Blending initiative. We forecast manufacturing segment's net revenue to register 4-year CAGR of 24%, driven by 22% CAGR in bulk production and low single digit (~1%) increase in ethanol price. The by-product segment is expected to grow in line with the production increase; however, prices of by-products should moderate from the current highs and report 18% CAGR over FY21-24E.

Exhibit 24: Bulk Alcohol/ENA driving growth

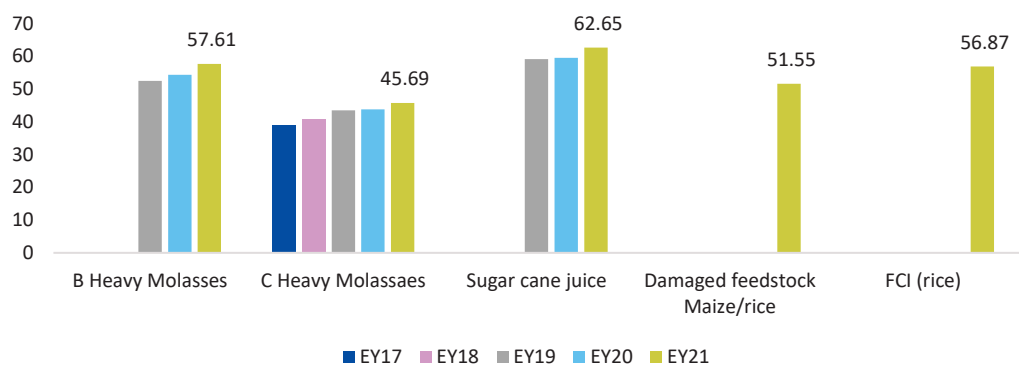


Source: Company, Edelweiss Wealth Research

Upcoming Catalyst: Ethanol prices for Ethanol Year 2022 to be finalised by Oct'21

Government administered prices for molasses-based Ethanol have consistently increased over the last four years at an average of 4% per annum. Ethanol procurement prices have been delinked from crude oil prices and come with a price commitment from OMCs. We expect ENA price movement to be largely linked with Ethanol prices. **Our base case assumption is 2% increase in Ethanol prices for the upcoming Ethanol year.**

Exhibit 25: Ethanol price fixed by government are up 4% annually



Source: Company, Edelweiss Wealth Research

Financials - strong earnings growth on cards

GBSL to deliver 27% PAT CAGR over FY21-24E

Over FY18-21, post introduction of the National Biofuel Policy, GBSL delivered healthy financials with sales/EBITDA/PAT CAGR of 13%/53%/190% and average EBITDA margin of 18.7%. We expect GBSL to report strong earnings growth in the future too due to (a) expectations of the upcoming distillery expansion being executed in a timely manner, and (b) increased penetration of premium price point IMIL. We forecast 20% sales CAGR over FY21-FY24E underpinned by 24% Manufacturing segment CAGR and 16% Consumer business CAGR. This in turn would translate into robust 27% PAT CAGR over FY21-FY24E.

Exhibit 26: Revenue growth driven by expansions

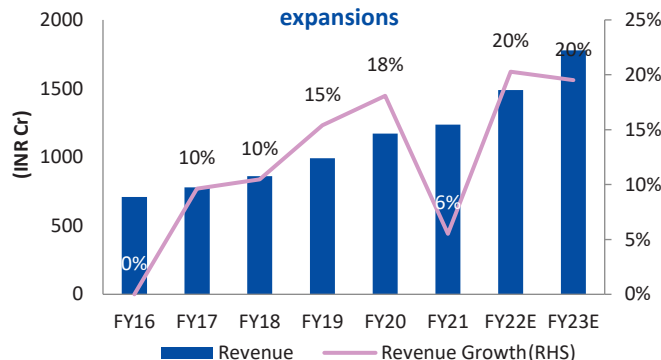
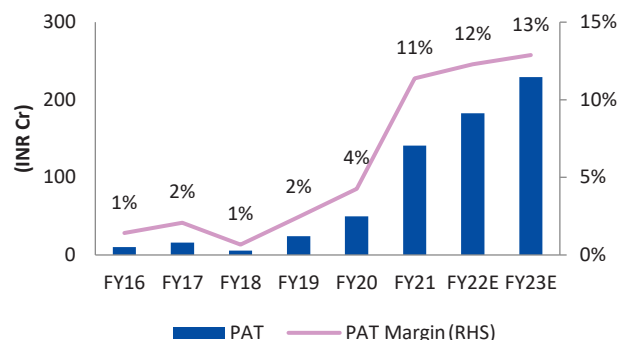


Exhibit 27: PAT and PAT margins



Source: Company, Edelweiss Wealth Research

Deleveraged Balance Sheet and strong operating cash flows supporting expansions

Over the last three years, GBSL reported strong cash flows of INR315cr from operations due to high sales and low working requirements. This helped the company to reduce net debt to INR129cr at end- FY21 from INR220cr in FY18. The average cost of debt also reduced drastically to 8.8% in FY21 from 10.5% in FY18. We expect GBSL to generate operating cash flows of over INR200cr annually for the next three years, which would enable the company to internally finance upcoming expansions of INR225cr over the same period.

Low credit risk during weak monsoon season

GBSL's net debt/EBITDA has reduced drastically to 0.3x in FY21 from 3.1x level in FY16 due to strong EBITDA growth. Additionally, interest coverage ratio has increased 10 times to 11.7x in FY21 from 1.7x in FY16. Note that interest payments during FY16-FY19 were 150% of total PAT during the same period; however, the same as % of PAT has decreased drastically to 10% for FY20-FY23E.

Exhibit 28: Net debt/EBITDA improved drastically

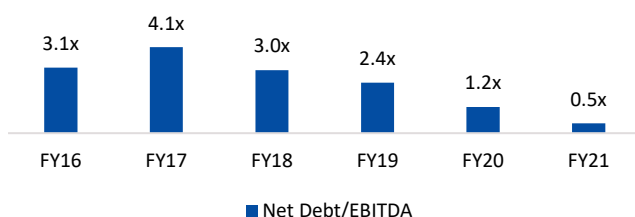
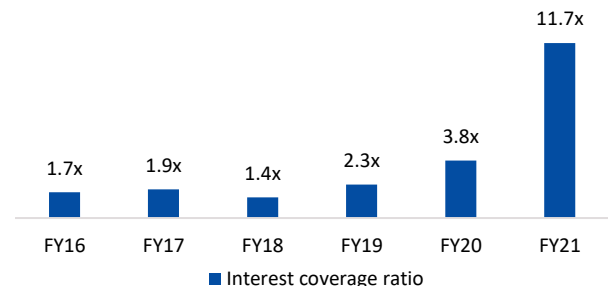


Exhibit 29: Healthy interest coverage ratio



Source: Company, Edelweiss Wealth Research

Outlook and valuation

We believe GBSL would continue benefiting from its strong regional presence in selective states, robust cash flow generation and high utilisation of capacity expansions on the back of the government's EBP.

We rate GBSL a 'Tactical BUY' with a target price of INR 1,475/share. We value (i) the Consumer segment at 14.5x EV/EBITDA multiple, a 50% discount to its peers within the liquor industry, and ii) the Manufacturing segment at 7.2x FY23E EV/EBITDA multiple, a 20% premium to average sugar sector FY23E multiple. At our target price of 1,475/share, GBSL is trading at FY23E P/E of 18.5x and EV/EBITDA of 11.5x. Our EPS forecast implies FY21-24E CAGR of 27% translating into FY23E PEG ratio of 0.68x.

GBSL v/s peers

We believe GBSL's regional presence and limited flexibility on IMIL pricing validates the discount to its peers. However, we expect the discount to narrow due to GBSL's strong earnings growth. Below we have given a few rerating factors for the stock:

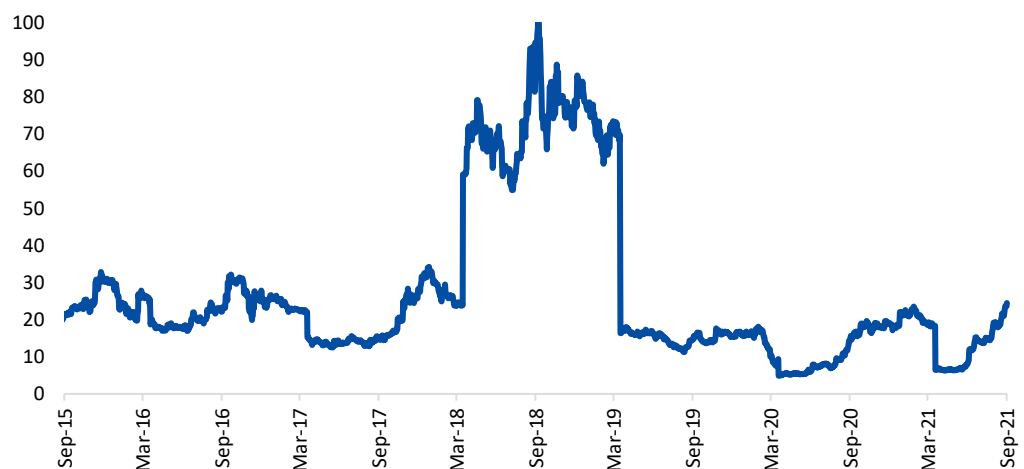
- (i) Competitive advantage due to industry leading ENA yields,
- (ii) Market leader in medium liquor category (premium price point IMIL) in key markets. There could be further upside if the company is able to successfully launch medium liquor in West Bengal,
- (iii) Medium-term stability of earnings due to EBP, and
- (iv) Deleveraged balance sheet and higher RoE supported by net margin improvement.

Exhibit 30: GBSL's valuation snapshot at target price

At Target Price	FY21	FY22E	FY23E	FY24E
PE	30.2	23.2	18.5	14.6
EV/EBITDA	16.7	13.6	11.2	9.1
P/B	7.3	5.6	4.3	3.4
PEG	1.10	0.85	0.68	0.53

Source: Company, Edelweiss Wealth Research

Exhibit 31: GBSL's TTM P/E



Source: Company, Edelweiss Wealth Research

Key Risks:

- Risk of prohibition in any of its key markets would result in lower consumer segment sales and distillery utilisation,
- Government lowering the price of Ethanol procurement by OMCs in upcoming Ethanol Years,
- Low monsoon season resulting in high price inflation of grains could squeeze margins for the company,
- Significant decline in Soya dried oil cakes and animal feed prices could negatively impact by-product earnings,
- Execution risk and delay in commissioning of the planned distilleries,
- Frequent changes in excise duty and liquor related policies, and
- Higher than anticipated electric vehicle penetration resulting in motor spirit volumes declining over FY22-25E.

Management Profile

Name	Designation	Profile
Mr. Ajay Kumar Swarup	<i>Promoter and Managing Director</i>	Mr. Ajay Swarup has been associated with the company since inception and has over 30 years of experience in the alcohol and distillery industry. He holds a BA (Honours) degree from St. Stephens College, Delhi University, and a PGDBM from the Indian Institute of Management, Kolkata. He started his career with SVP Industries Ltd, an alcohol and distillery company. He co-promoted Associated Distilleries Ltd in 1983 and later promoted Globus Spirits Ltd in 1993. Mr. Swarup was appointed Managing Director of the company from 1 st Dec'06.
Mr. Shekhar Swarup	<i>Joint Managing Director</i>	Mr. Shekhar Swarup is responsible for the overall working of the company. He is also instrumental in making strategic decisions for the company. He joined the board of directors of the company from 26 th May'12 and was subsequently appointed Joint Managing Director from 2 nd Feb'17. He has completed his schooling from The Doon School, Dehradun, and is a Business Management (Finance) graduate from the University of Bradford, the UK.
Mr. Bhaskar Roy	<i>Executive Director and Chief Operating Officer</i>	Mr. Bhaskar Roy is the Executive Director and Chief Operating Officer of the company. He also handles the company's units in the east (West Bengal and Bihar), along with country liquor sales in Haryana and West Bengal. He is a Chartered Accountant and has previously worked with Dhampur Sugar Mills. He has been with GBSL since 2005 and as its CFO, he successfully led the company's IPO.

Source: Company, Edelweiss Wealth Research

Income statement

Year to March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Income from operations	986	1,169	1,231	1,482	1,772
Total operating expenses	898	1,044	976	1,167	1,387
EBITDA	95	128	261	322	391
Depreciation and amortisation	36	38	41	47	56
EBIT	59	90	221	274	335
Interest expenses	26	24	19	13	8
Profit before tax	33	67	202	261	327
Provision for tax	9	17	61	79	98
Core profit	24	50	141	183	229
Extraordinary items	0	0	0	0	0
Profit after tax	24	50	141	183	229
Adjusted net profit	24	50	141	183	229
Equity shares outstanding (mn)	2.9	2.9	2.9	2.9	2.9
EPS (INR) basic	8.3	17.3	48.9	63.5	79.6
Diluted shares (Cr)	2.9	2.9	2.9	2.9	2.9
EPS (INR) fully diluted	8.3	17.3	48.9	63.5	79.6
Dividend per share	0.0	0.0	2.9	5.8	8.6
Dividend payout (%)	0.0	0.0	5.9	9.1	10.9

Common size metrics- as % of net revenues

Year to March	FY19	FY20	FY21	FY22E	FY23E
Operating expenses	91.0	89.3	79.3	78.7	78.3
Depreciation	3.7	3.3	3.3	3.2	3.2
Interest expenditure	2.7	2.0	1.5	0.9	0.4
EBITDA margins	9.6	11.0	21.1	21.6	22.0
Net profit margins	2.5	4.3	11.4	12.3	12.9

Growth metrics (%)

Year to March	FY19	FY20	FY21	FY22E	FY23E
Revenues	15.4	18.1	5.5	20.3	19.5
EBITDA	29.7	34.8	103.4	23.1	21.7
PBT	223.8	103.4	201.6	29.6	25.2
Net profit	320.3	109.7	183.3	29.8	25.4
EPS	317.2	109.8	182.1	29.8	25.4

Balance sheet

As on 31st March (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Equity share capital	29	29	29	29	29
Preference Share Capital	0	0	0	0	0
Reserves & surplus	369	419	557	734	954
Shareholders funds	397	446	584	761	982
Total Debt	230	181	187	142	97
Other Long Term Liabilities	4	5	5	5	5
Deferred Tax Liabilities	0	0	0	0	0
Minority interest	(1)	(1)	(1)	(1)	(1)
Sources of funds	631	632	776	908	1,084
Gross block	672	703	755	898	1,040
Depreciation	(99)	(134)	(177)	(224)	(280)
Net block	574	569	578	673	760
Capital work in progress	12	30	49	49	49
Total fixed assets	586	598	627	722	809
Other Non Current Assets	0	0	0	0	0
Investments	0	0	0	0	0
Inventories	78	106	102	123	156
Sundry debtors	49	34	88	121	153
Cash and equivalents	2	20	58	72	138
Loans and advances	7	1	2	2	2
Other current assets	16	15	54	54	54
Total current assets	152	176	304	371	502
Sundry creditors and others	113	134	156	173	199
Provisions	1	5	7	7	7
Total CL & provisions	114	139	163	180	206
Net current assets	38	37	141	191	296
Net Deferred tax	(24)	(28)	(52)	(66)	(82)
Misc expenditure	32	24	61	61	61
Uses of funds	631	632	776	908	1,084
Book value per share (INR)	135	155	203	264	341

Cash flow statement

Year to March	FY19	FY20	FY21	FY22E	FY23E
Net profit	24	50	141	183	229
Add: Depreciation	36	38	41	47	56
Add: Misc expenses written off	27	23	17	13	8
Add: Deferred tax	1	6	27	13	16
Gross cash flow	87	116	225	256	309
Less: Changes in W. C.	(57)	19	(77)	(37)	(39)
Operating cash flow	31	135	148	219	271
Less: Capex	30	39	89	143	143
Free cash flow	1	96	59	77	128

Ratios

Year to March	FY19	FY20	FY21	FY22E	FY23E
ROAE (%)	6	12	27	27	26
ROACE (%)	10	15	29	30	31
Debtors (days)	18	11	26	30	31
Current ratio	1.3	1.3	1.9	2.1	2.4
Debt/Equity	0.6	0.4	0.2	0.1	0.0
Inventory (days)	33	37	40	41	43
Payable (days)	40	38	47	45	45
Cash conversion cycle (days)	11	10	19	25	30
Debt/EBITDA	2.4	1.4	0.7	0.4	0.2
Adjusted debt/Equity	0.6	0.4	0.2	0.1	0.0

Valuation parameters

Year to March	FY19	FY20	FY21	FY22E	FY23E
Diluted EPS (INR)	8.3	17.3	48.9	63.5	79.6
Y-o-Y growth (%)	317.2	109.8	182.1	29.8	25.4
CEPS (INR)	0.0	0.0	0.0	0.0	0.0
Diluted P/E (x)	16.4	4.9	6.5	19.1	15.2
Price/BV(x)	1.0	0.5	1.6	4.6	3.6
EV/Sales (x)	0.6	0.3	0.8	2.4	1.9
EV/EBITDA (x)	6.6	3.1	4.0	11.1	8.8
Diluted shares O/S	2.9	2.9	2.9	2.9	2.9
Basic EPS	8.3	17.3	48.9	63.5	79.6
Basic PE (x)	16.4	4.9	6.5	19.1	15.2
Dividend yield (%)	0.0	0.0	0.9	0.5	0.7

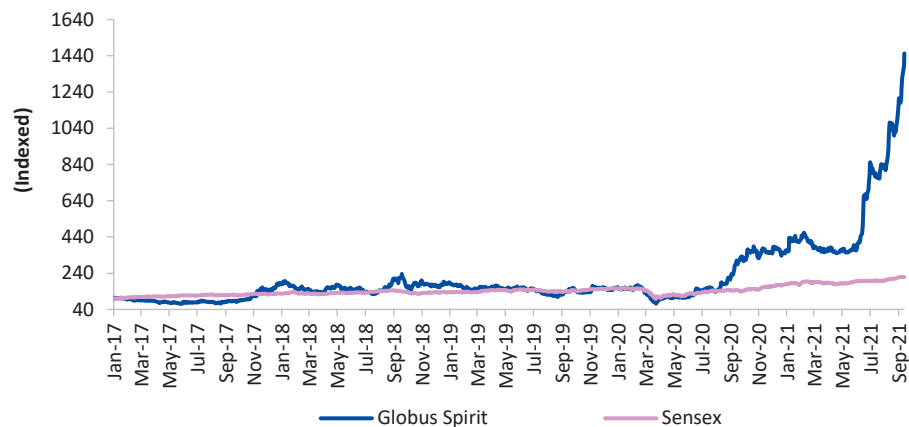
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Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period



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