



BP WEALTH

Initiating Coverage Report

Prism Johnson Ltd

Cementing a Strong Foundation



BP Wealth

stobox

August 2021

Company Background

Prism Johnson Limited (hereafter referred to as PJJ) promoted by the Rajan Raheja Group, incorporated in 1992 is one of India's leading integrated Building Materials company, with a wide range of products from cement, ready-mixed concrete, tiles and bath products. The company has three Divisions, viz. Cement, H & R Johnson India (HRJ), and RMC (India). PJJ's cement business has a capacity of 5.6 MTPA at Satna cluster in Central India that caters majorly to the markets of Uttar Pradesh, Madhya Pradesh and Bihar. Its HRJ business has 11 manufacturing plants in India with a tile production capacity of 60 mn m² while RMC division has 95 plants nationwide.

Investment Rationale

Integrated building materials company with diverse revenue streams

PJJ has multiple revenue streams from its three divisions which provides diversification:

Cement (49% of total revenues): The company manufactures Portland Pozzolana Cement (PPC) under the brands Champion, Champion Plus & DURATECH, and Ordinary Portland Cement (OPC), which is distributed through a wide network of over 4000 cement dealers serviced from 160 stock points. The premium cement segment contributes 28% to overall cement revenue which has been growing consistently. We expect this share to reach up to 35% over the next 3 years. The company caters to eastern Uttar Pradesh, Madhya Pradesh and Bihar from its plant situated at Satna in Madhya Pradesh with an average lead distance of 384 kilometers in FY21. The cement industry in central India has been consolidating over the past few years with companies and set to cater to the rising demand led by higher infrastructure and real estate spending. The cement division's EBITDA/ Tonne has consistently improved since FY15 (FY15: Rs 409, FY21: Rs 962) which is likely to continue. We estimate that the cement segment will grow at a 9.7% CAGR over FY21-24E backed by capacity expansion, strong regional presence and positive industry triggers.

H&R Johnson (33% of total revenues): With over 60 years of legacy, H&R Johnson is one of the largest ceramic tiles makers in India. This segment manufactures tiles, sanitaryware, bath fittings and engineered marble and quartz across 11 manufacturing plants (including those under subsidiaries and joint ventures) with a capacity of 60 mn m². It has brands such as Johnson (wall and floor tiles), marbonite (vitrified tiles) and Endura (heavy-duty and special-purpose tiles) with a distribution network of over 1,000 dealers and 19 experience centers in India. It also has a joint venture with Ardex, Germany (50% stake) that manufactures tile fixing adhesives, added industrial flooring, and grouts. Currently, the company is looking to expand its distribution network, enhance product mix and increase capacity utilization. We estimate that the HRJ segment will grow at an 11.8% CAGR over FY21-24E backed by revival in housing demand, the company's expansion efforts and a renewed focus on marketing & sales activities.

Prism RMC (16% of total revenues): RMC is concrete that is delivered to the customer in a ready-to-use manner. Prism RMC division is the second-largest player operating 95 ready-mixed concrete plants across 44 cities/towns in India. RMC has a long growth runway as its output in India is only 10-12% of total cement consumption when compared to that of 50-70% in developed countries. RMC is a low margin (4-5%) business but with superior returns on capital employed (25-30%) due to low investment costs. Moreover, with the unorganized players holding approximately 50% of the market share, the RMC sector is fragmented but with ample growth opportunities. Prism RMC had been the most impacted segment of PJJ by the pandemic-driven nationwide lockdowns due to its presence in the metro and tier 1 cities. However, the business outlook has started to improve. We estimate that the RMC segment will grow at an 18.2% CAGR over FY21-24E led by a lower base, the company's focus on increasing utilization levels, low RMC penetration in India and favorable government policies.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (Inr)	138
Target Price (Inr)	204
BSE code	500338
NSE Symbol	PRSMJOHNSN
Bloomberg	PRSMJ.IN
Reuters	PRIS.BO

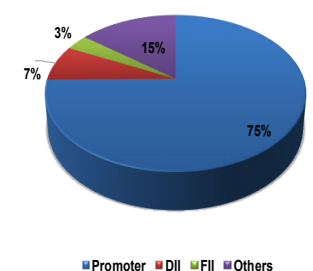
Key Data

Nifty	15,763
52 Week H/L (Inr)	149/44
O/s Shares (Mn)	503
Market Cap (Bn)	69.4
Face Value (Inr)	10

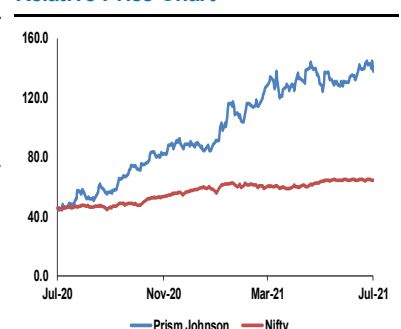
Average volume

3 months	638.59
6 months	746.43
1 year	655.30

Share Holding Pattern (%)



Relative Price Chart



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Government initiatives and spending to boost demand; Revival in the real estate and infrastructure sectors

Various Government initiatives and spending on infrastructure, housing & commercial activities will help demand for building materials surge going ahead. The government's thrust on affordable housing, focus on housing for all by 2022 and several other schemes such as Atmanirbhar Bharat and Pradhan Mantri Awas Yojna will boost cement, tiles and RMC demand. Other infrastructure projects and initiatives under Bharatmala Project, Pradhan Mantri Gram Sadak Yojana are also expected to support growth. Post the first wave of the covid-19 pandemic real estate and infrastructure activities started showing signs of revival. However, construction activities were severely impacted by the 2nd wave and resultant lockdowns in April 2021. Any further pandemic-led disruptions remain a key risk for the industry.

Upcoming capacity expansion to support further growth

PJL has a cement capacity of 5.6 MTPA. The company has announced plans to increase cement capacity at Satna, Madhya Pradesh through clinker debottlenecking by 0.9 MTPA to 6.5 MTPA by June 2022 for a Capex of Rs 139 Crores. Further, they plan to increase Grinding Capacity at Satna, by 1.0 MTPA by September 2023 for total Capex of Rs 250 Crores, thereby taking the total cement production capacity to 7.5 MTPA post-expansion. Over the past 3 years, the cement segment has had an average capacity utilization of 106%. In the tile segment, the company will be increasing its current capacity of 60 mn m² to 68 mn m² by March 2023. This includes greenfield tile capacity expansion of 2.5 mn m² at Panhagarh, West Bengal, by January 2023 and tile capacity expansion of 6.0 mn m² at JV entities by March 2023. Overall we expect the company to make capital expenditures of Rs 450-500 crore in FY 22 and FY23 each including annual maintenance Capex and capacity expansion. We believe the capacity expansions and pickup in demand among other factors will drive growth going forward.

Debt reduction and cost optimization to improve margins

PJL has strengthened its balance sheet by reducing net debt by Rs 644 crores to Rs 1183 crores in FY21. However, going forward the company will be funding its upcoming Capex through internal accruals. In our opinion, there will be a trade-off between debt reduction and Capex requirements. However, the divestment of the insurance business (pending regulatory approvals) will fetch around Rs 350 crore of cash which will primarily be used for debt reduction thus improving liquidity. The management aims to reduce the net debt to Ebitda under 1 over the next 2 to 3 years. Also, the company has been focusing on cost optimization by improving energy and fuel efficiency. FY21 margins were boosted by lower raw material, power and fuel costs due to the covid-19 disruptions. While the pet coke and coal prices have increased over the past few months, the company's efforts to reduce costs include- commissioning 22.4 MW of Waste Heat Recovery Systems (WHRS) capacity in FY21 (of which 12.4 MW was commissioned on March 21) and 10 MW solar power in the same year. This will help Prism Cement to get 35% of its power and fuel requirements through renewable sources, thus enabling cost reduction and margin improvement.

New Executive Director & CEO of HRJ division takes several growth measures

Mr. Sarat Chandak was appointed as the new Executive Director & CEO of HRJ in 2019. He has made several changes at the company level to achieve growth including (1) Product mix improvisation (2) Expansion of distribution network and addition experience centers (3) Cost reduction activities and (4) working with influencers, designers and architects.

Turnaround in HRJ division

The HRJ division is showing a sharp turnaround aided by volume recovery and EBITDA margin expansion to 8.7% in FY21 from 3.8% in FY20. A key change in the industry has been the shift of focus by the players in Morbi region towards exports, thus easing competition in the domestic markets. This will provide opportunities to domestic-focused players like Prism Johnson. Further costs rationalization efforts and operating leverage effect will help maintain the margins going forward.

Beginning of a new growth journey; Past issues left behind

PJL has reported poor growth over the past decade due to subdued real estate activities and it had its own set of internal issues. In March 2012 the company had reported a breakdown of its fly ash blending silo at its cement plant which impacted their cement production and market share considerably. Also, HRJ faced an issue of market supply of gas which led to a loss of market share as well. The company had to rely on high-cost power which adversely affected their efficiency. However, the company has overcome these issues, has taken several measures and is now operationally strong. PJL now has a renewed focus on marketing & sales and improving efficiency. We believe it's a new decade for the company and it is well placed to benefit from a positive industry outlook.

Financial performance to recover and improve further

- ⇒ We expect PJL to register a 10.2% net sales CAGR over FY21- 24, backed by significant demand recovery and increased government spending
- ⇒ We estimate its adjusted PAT to record a strong 35.6% CAGR, driven by robust revenue and healthy margins over FY21-24
- ⇒ We expect that, with higher PAT growth, its balance sheet would improve, which could result in lower leverage and a better return ratios

Why we like this stock & valuation methodology

Prism Johnson Ltd (PJL) is one of India's leading integrated Building Materials Company, with a diverse range of products from cement, ready-mixed concrete (RMC), tiles and bathroom products. It is amongst the top three cement producers in central India and is a leading player in RMC. It has been a pioneer in ceramic tiles in India for the past six decades and is the second-largest player in the industry. The company has cemented a strong foundation in the industry over the years with improving brand recall, strong marketing & distribution and innovative product portfolio. We believe it's a new decade for the company, as it has overcome its past issues and is operationally stronger, geared for growth. We expect consistent steady growth in profitability aided by strong regional presence, volume expansion, cost optimization and industry triggers. The government's vigor to drive the infrastructure segment and various policies to support housing demand will provide huge opportunities for the building materials space. Ready-mixed concrete is likely to gain traction due to its premix formulation and accessibility in the future. We expect a 10.2% revenue CAGR, 140 bps margin expansion and 35.6% Earnings CAGR over FY21-24E. We initiate coverage on the stock & recommend a 'BUY' rating with a target price of INR 204 per share, valuing the company based on FY24 SOTP (refer page 4).



Key Financials

YE March (INR. Mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	61,944	59,562	55,871	58,758	65,872	74,782
Revenue Growth (Y-o-Y)	12.5%	(3.8%)	(6.2%)	5.2%	12.1%	13.5%
EBITDA	6,072	5,450	6,285	7,077	8,367	10,060
EBITDA Growth (Y-o-Y)	35.4%	(10.2%)	15.3%	12.6%	18.2%	20.2%
Net Profit	1,164	101	1,712	2,219	3,112	4,387
Net Profit Growth (Y-o-Y)	173.9%	(91.4%)	1603.8%	29.6%	40.2%	41.0%
Diluted EPS	2.3	0.2	3.4	4.4	6.2	8.7
Diluted EPS Growth (Y-o-Y)	173.9%	-91.4%	1603.8%	29.6%	40.2%	41.0%
No of Diluted shares (Mn)	503	503	503	503	503	503

Key Ratios

EBITDA (%)	9.8%	9.2%	11.2%	12.0%	12.7%	13.5%
NPM (%)	1.9%	0.2%	3.1%	3.8%	4.7%	5.9%
RoE (%)	11.8%	1.8%	15.2%	16.4%	19.2%	22.0%
RoCE (%)	12.0%	12.0%	10.4%	12.5%	15.4%	18.6%
Tax Rate %	46.5%	135.0%	10.6%	25.2%	25.2%	25.2%
Book Value Per Share (INR.)	22	21	25	29	35	44

Valuation Ratios

P/E (x)	59.7x	690.9x	40.6x	31.3x	22.3x	15.8x
EV/EBITDA	14.2x	15.8x	13.1x	11.3x	9.2x	7.0x
P/BV (x)	6.2x	6.4x	5.6x	4.7x	3.9x	3.1x
Market Cap. / Sales (x)	1.1x	1.2x	1.2x	1.2x	1.1x	0.9x

Source: Ace Equity, BP Equities Research

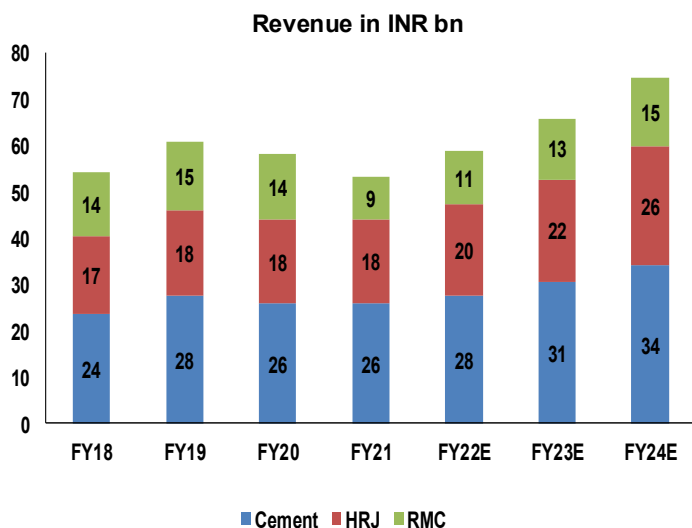
Valuation Table

Particulars (INR in Mn)	FY24 EBITDA	Target Multiple (x)	Value
Cement EBITDA	7,436	10	74,357
HRJ EBITDA	2,292	12	27,504
RMC EBITDA	332	10	3,324
Total EV			1,05,186
Net Debt			-2,291
Target Price (INR)			204

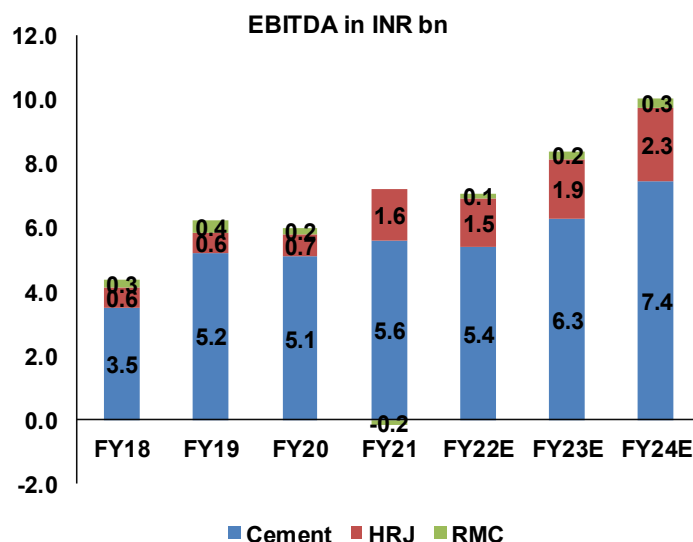
Source: BP Equities Research

Story In Chart

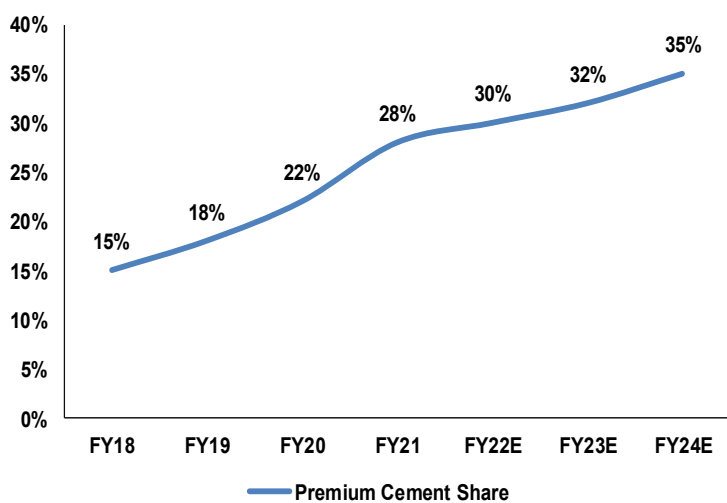
Segmental revenue to grow consistently



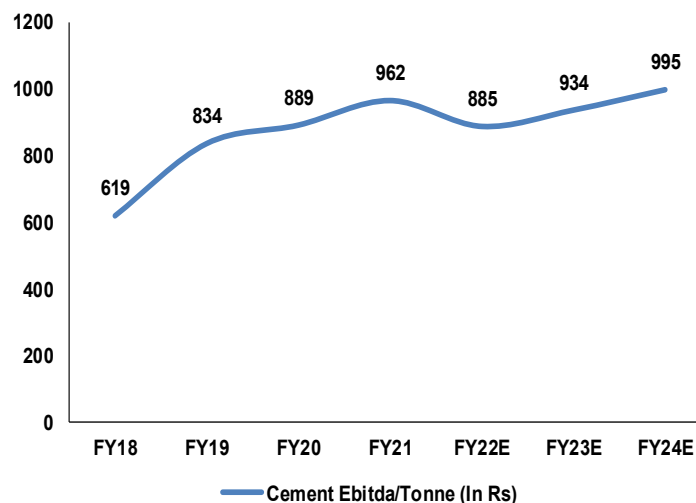
Cement division to drive consolidated EBITDA



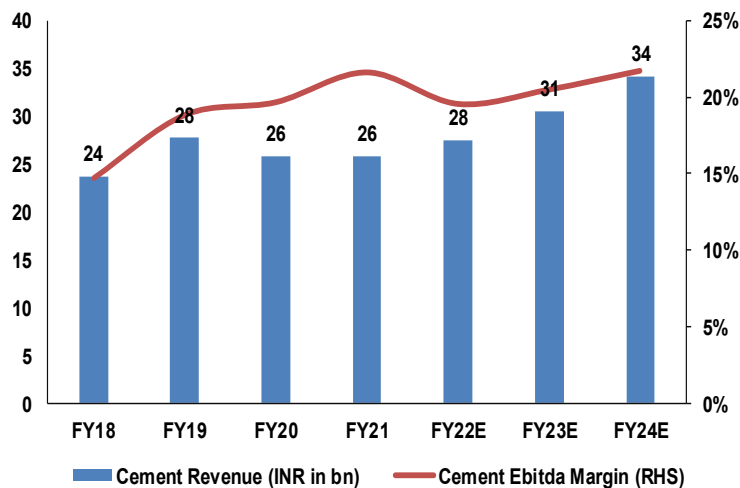
Premium cement share to continue its upward journey



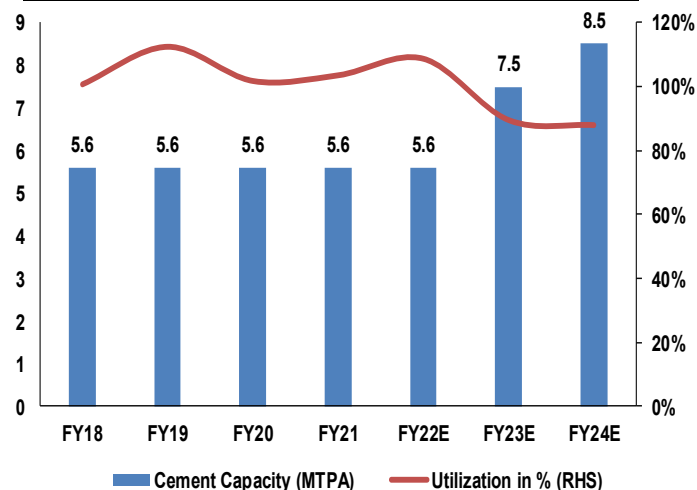
EBITDA per tonne to rise gradually



Cement revenue to grow by INR 8.3 bn over FY22-24

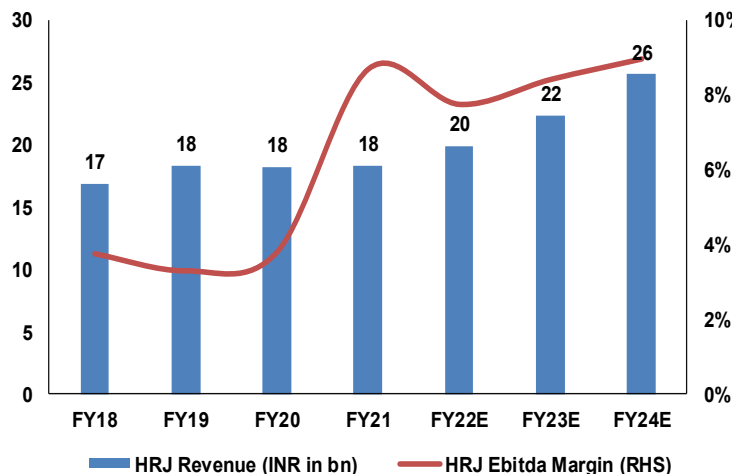


Higher capacity and utilization to boost volumes

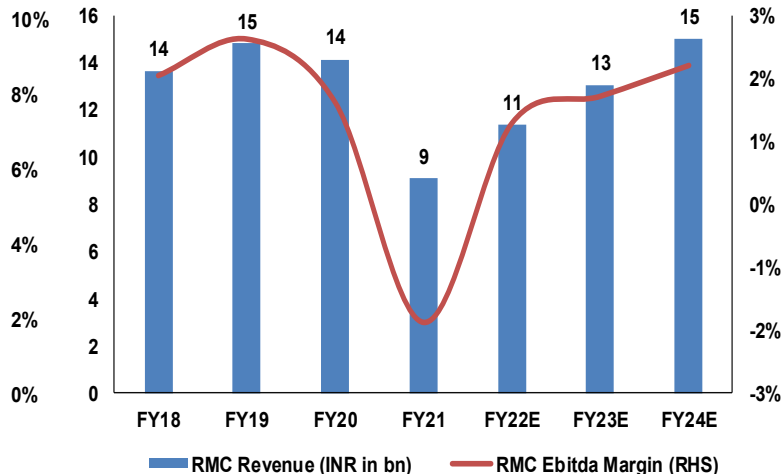


Story In Chart

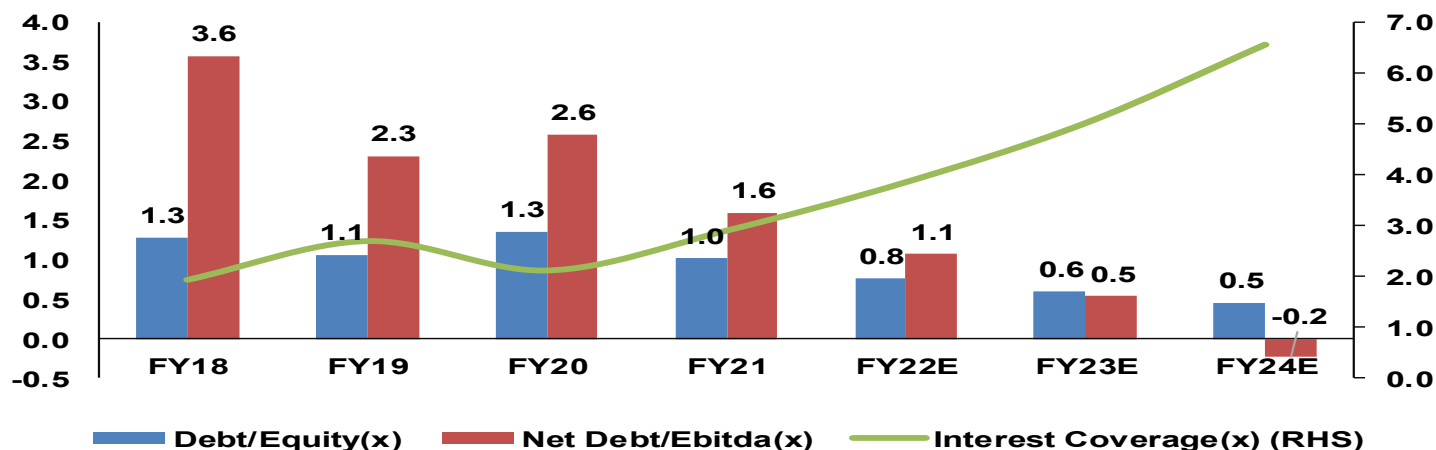
Cost optimization measures to improve HRJ margins



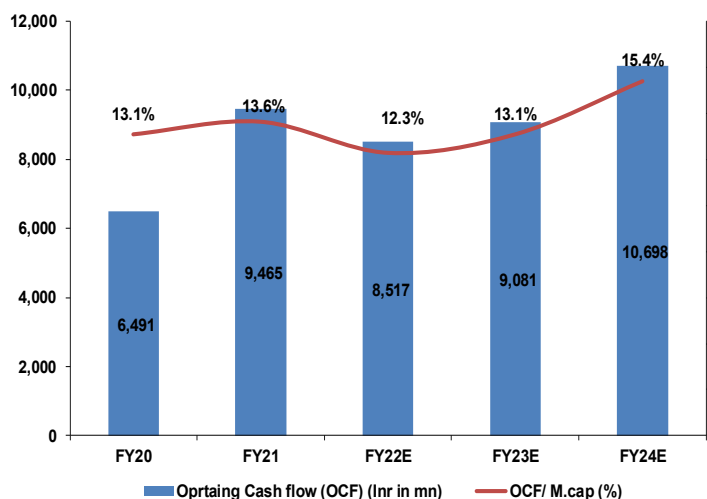
Recovery visible in RMC business



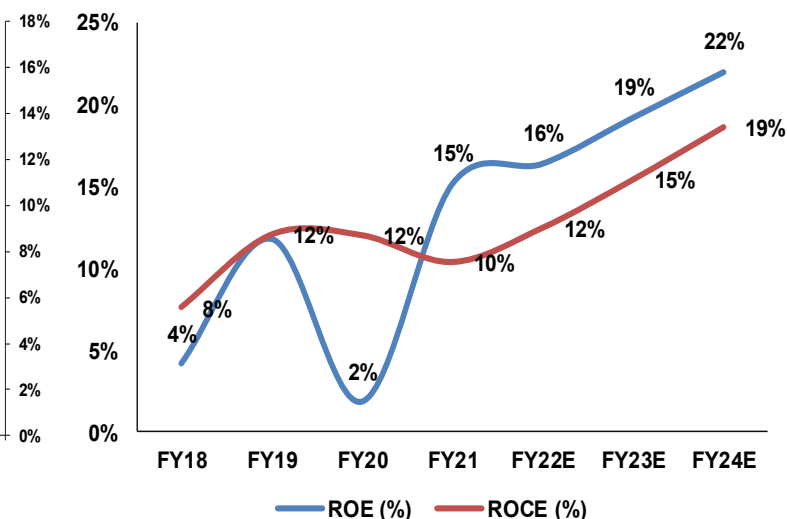
Leverage ratios at a comfortable level



Cash flow generation to improve further



Return ratios to remain healthy



Source: Company BP Equities Research

Industry Overview

Cement

Accounting for over 7% of the global installed capacity, India is the second-largest cement producer in the world with an installed capacity of 540 Mn Tonnes only after China. It plays a critical role in both the infrastructure and socio-economic development of the country, especially in a developing country like India. Cement is vital to the construction sector which it alone constitutes 7 percent of the country's GDP with strong connections to other sectors such as construction, transportation, coal and power. The industry is fragmented with several small and medium players majoring catering to Housing (60-65% of total demand), Infrastructure (23-25%) and Industrial & Commercial (13-15%) sectors.

India's per capita cement consumption stood at 200-250 kg which is significantly lower than the global average of 500-550 kg and that of China's 1550-1650 kg. This difference indicates the growth potential of cement in India. Besides various government initiatives and measures in the construction, real estate and infrastructure space such as the Bharatmala project, Housing for all, etc is likely to boost cement demand going forward. The demand for the cement industry is expected to reach 550-600 MTPA by 2025 backed by the revival in real estate demand and strong rural demand.

Cement is made by heating limestone with small quantities of other materials to 1450°C in a kiln. The resultant hard material which is recovered after heating limestone and chemicals is called 'Clinker'. Clinker when crushed with a small amount of gypsum into a powdery form gives the final product 'OPC Cement'. However, limestone can be substituted with other materials in limited quantities namely Fly ash or Slag, which will still provide the strength but to a lesser extent. Thus, there are various varieties of cement depending on the composition of materials, namely OPC (Ordinary Portland Cement), PPC (Portland Pozzolana Cement) and PSC (Portland Slag Cement (PSC)). OPC is the most popular cement, however, blended cement has seen growing acceptability over the last decade.

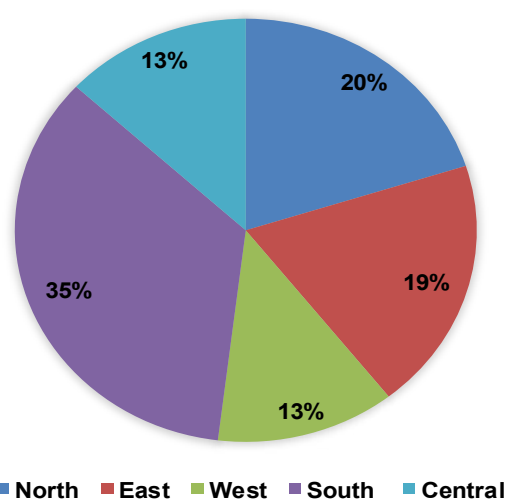
Cement varieties and composition			
Items	OPC	PPC	PSC
Clinker	95%	65%	45%
Gypsum	5%	5%	5%
Fly Ash	-	30%	-
Slag	-	-	50%
Total	100%	100%	100%

Tiles

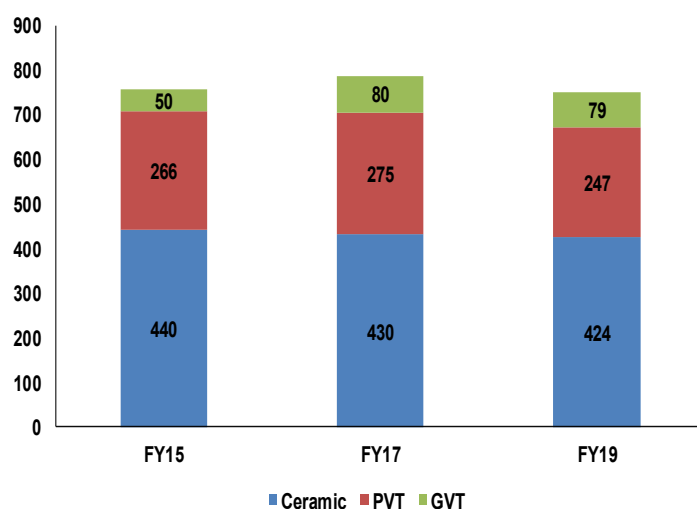
India is the world's second-largest producer of ceramic tiles and sanitaryware, after China. Around 80% of the tiles produced in India are consumed domestically and the remaining 20% are exported as per CARE Ratings. The organized sector in India accounts for around 50% of the industry and the remaining half is represented mostly by regional players in Morbi, Gujarat, who are witnessing a significant increase in tile exports due to rising demand led by various countries having imposed anti-dumping duty on Chinese tiles and anti-China sentiment owing to Covid-19. The shift of focus on exports by the players in Morbi provides opportunities to the other domestically-focused players like Prism Johnson.

Growth in infrastructure and housing sectors supported by strong government policies are the key drivers for ceramic tiles in India. The retail boom in the Indian economy has also influenced the demand for higher-end products. Overall the bullish growth estimates in the Indian economy have significantly influenced the growth of the Indian Ceramic tile industry. The residential sector accounts for 60% of total tiles demand while commercial constructions consume the rest. A slowdown in the real estate sector during the past few years has moderated domestic demand. With sentiment recovering in the real estate markets, domestic tiles consumption should pick up.

Installed capacity in India (FY20) (Mn Tonnes)



Indian tiles industry sub segments (volumes in mn m²)



Source: Industry

Prism Johnson Ltd.

Initiating Coverage Report

Peer comparison

Companies	Market Cap (In INR bn)	P/E (x)			EV/EBITDA			P/Sales (X)		
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Prism Johnson Ltd	69	40.6	31.3	22.3	13.1	11.3	9.2	1.2	1.2	1.1
Peers*										
Heidelberg Cement	59	16.8	18.1	15.0	10.0	10.1	8.8	2.5	2.5	2.2
Birla Corporation	115	11.6	20.4	16.2	7.7	10.0	8.4	1.1	1.5	1.3
Kajaria Ceramics	155	47.9	40.4	31.6	28.5	24.6	20.0	5.5	4.7	4.0
Somany Ceramics	30	31.4	29.2	22.1	10.7	14.0	11.5	1.1	1.6	1.4
Average		29.6	27.9	21.4	14.0	14.0	11.6	2.3	2.3	2.0

Source: BP Equities Research, * Bloomberg estimate

Companies	Revenue (In Rs mn)			EBITDA Margin %			PAT (In Rs mn)			PAT CAGR %
	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21-23E
Prism Johnson Ltd	55,871	58,758	65,872	11.2%	12.0%	12.7%	1,409	1,837	2,696	38.3%
Peers*										
Heidelberg Cement	20,927	24,085	26,699	24.2%	23.3%	24.1%	3,150	3,207	3,882	11.0%
Birla Corporation	67,855	75,791	87,204	19.7%	24.7%	26.2%	6,301	5,651	7,071	5.9%
Kajaria Ceramics	27,809	32,893	39,011	18.3%	18.8%	19.5%	3,081	2,887	4,976	27.1%
Somany Ceramics	16,505	19,168	22,118	11.6%	12.0%	12.7%	577	1,059	1,446	58.3%

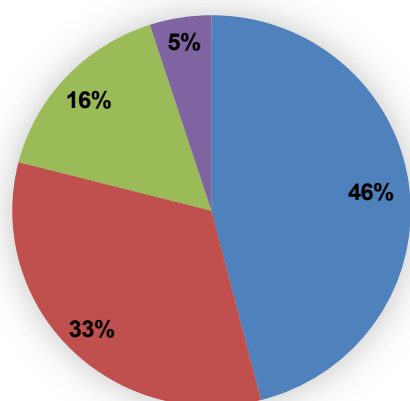
Source: BP Equities Research, * Bloomberg estimate

Key Risks and Concerns:

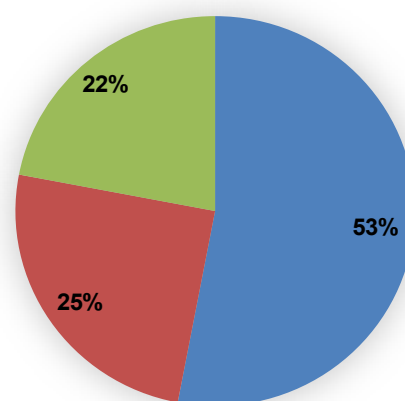
- ⇒ Over half of PJL's cement division revenue comes from Uttar Pradesh (53%) leading to high concentration risk. Any price volatility could affect the company's earnings
- ⇒ Any substantial increase in raw material, power and fuel costs could severely impact the company's margins
- ⇒ Any delay in capacity expansion could risk expected growth, while slowdown in demand could lead to low utilization of expanded capacity

Company Background

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Revenue Mix % (FY21)


■ Cement ■ HRJ ■ RMC ■ Insurance*

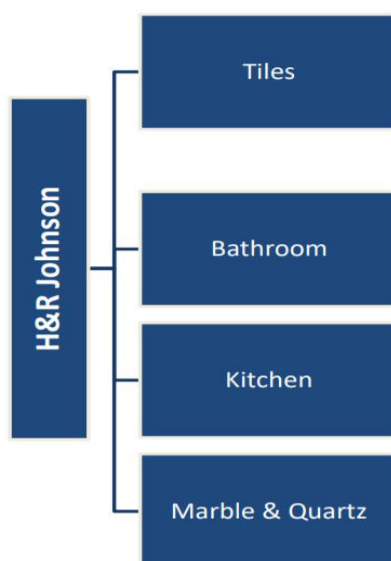
Regional Sales Mix % (FY21)


■ Eastern Uttar Pradesh ■ Madhya Pradesh ■ Bihar

* Insurance business to be sold; awaiting regulatory approvals

Source: Company, BP Equities Research

HRJ Product Portfolio



JOHNSON TILES
NOT JUST TILES. LIFESTYLES.

JOHNSON MARBONITE
PREFERRED OVER ITALIAN MARBLE

JOHNSON ENDURA
INDUSTRIAL TILING SOLUTIONS

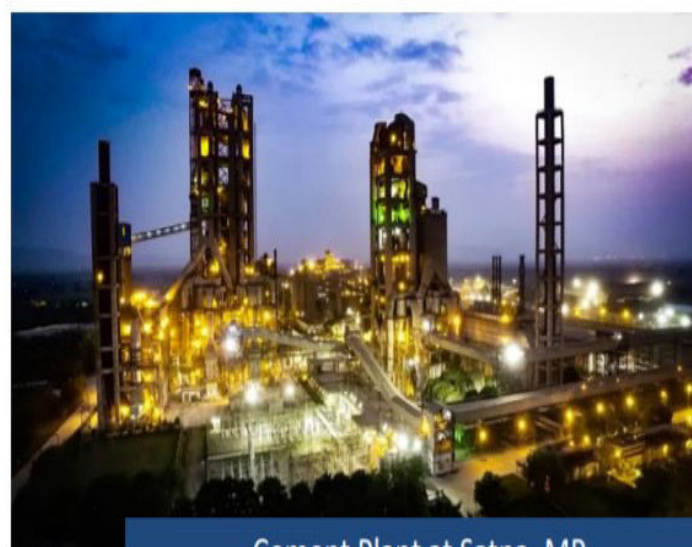
JOHNSON PORSELANO
BEAUTIFUL IMPRESSIONS. FOREVER.

JOHNSON BATHROOMS
FIND CLARITY

JOHNSON KITCHENS
KITCHENS TAKE CENTRESTAGE

JOHNSON MARBLE & QUARTZ
NATURE. REINVENTED

Cement Manufacturing Facility


Cement Plant at Satna, MP

Source: Company, BP Equities Research

Key Milestones

1992	Company incorporated as Karan Cement Limited
1993	JV executed between Mr. Rajan Raheja and Danish company F.L. Smidth for setting up 2 mtpa cement plant
1994	Name of the Company changed to Prism Cement Limited
1995	Initial Public Offering
1997	Commenced production of first line of cement capacity of 2.0 mtpa at Satna, Madhya Pradesh
2009	Amalgamation of Prism Cement Limited, H. & R. Johnson (India) Limited and RMC Readymix (India) Private Limited
2010	Commenced second line of cement production capacity of 3.6 mtpa
2011	Joint Venture agreement with Small Johnson Floor Tiles Private Limited
2015	Joint Venture agreement with Coral Gold Tiles Private Limited and Launched Duratech - a premium cement brand
2016	Launched Champion Plus - a premium cement brand and acquired stake in BLA Power Private Limited
2019	Commissioned 7.5 MW of solar power at Satna and Launched new product range under the brand name Johnson Interna-
2020	Commissioned 10.0 MW of WHRS and 5.0 MW of solar power at Satna and Joint Venture agreement with Sanskar Ceram-
2021	Commissioned 12.4 MW of WHRS and 10 MW of solar plant at Satna

Source: Company

Prism Johnson Ltd - Board of Directors

Name	Designation	Details
Mr. Shobhan M. Thakore	Chairman	He is the Chairman of Prism Johnson Ltd. He is also a Member of The Law Society, Partner at Advocates & Solicitors Disciplinary Board, Partner at Talwar Thakore & Associates and on the board of 11 other companies.
Mr. Vijay Aggarwal	Managing Director	He is a B. Tech (Elec.) from IIT, Delhi and PGDM from IIM, Ahmedabad. He joined Hathway Investments in 1993 and was appointed as MD of erstwhile H. & R. Johnson (India) Ltd. in 1998. His past experience includes SBI Capital Markets and has been on the Board of various companies including Aptech Ltd. and Exide Industries Ltd.
Mr. Vivek K. Agnihotri	Executive Director & CEO (Cement Division)	He is an M.B.A. from F.M.S., University of Delhi. He Joined Prism Johnson Limited in August 2015 as Executive Director & CEO (Cement Division). His past experience includes senior positions in Ambuja Cement Ltd. and ACC Ltd.
Mr. Sarat Chandak	Executive Director & CEO - H & R Johnson (India)	He is an MBA-Marketing from Pune University. He Joined Prism Johnson Limited in November 2018 as Chief Executive Officer (HRJ). His past experience includes senior positions in Kajaria Ceramics Limited and Everest Industries Limited.
Mr. Atul Desai	Executive Director & CEO- RMC (India)	He is a B.E. (Chemical) from Gujarat University and MBA (Marketing) from South Gujarat University. He Joined Prism Johnson Limited (Formerly Prism Cement Limited) in August 2016 as Executive Director & CEO (Prism RMC). His past experience includes Reliance Cement Company Private Ltd, Star Cement and Ambuja Cement Ltd.

Source: Company



Prism Johnson Ltd.

Initiating Coverage Report

Profit & Loss A/c							
YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue	55,077	61,944	59,562	55,871	58,758	65,872	74,782
Growth %	9.9%	12.5%	-3.8%	-6.2%	5.2%	12.1%	13.5%
Total Revenue	55,077	61,944	59,562	55,871	58,758	65,872	74,782
Less:							
Raw Material Consumed	20,538	19,799	19,738	18,866	19,940	22,131	24,873
Employee Cost	5,127	5,656	5,957	5,499	6,049	6,654	7,319
Other Expenses	24,929	30,418	28,416	25,221	25,692	28,720	32,530
Total Operating Expenditure	50,594	55,873	54,112	49,586	51,681	57,505	64,723
EBITDA	4,483	6,072	5,450	6,285	7,077	8,367	10,060
Growth %	24.1%	35.4%	-10.2%	15.3%	12.6%	18.2%	20.2%
Less: Depreciation	1,844	2,000	2,506	2,925	3,164	3,475	3,647
EBIT	2,640	4,071	2,945	3,360	3,913	4,893	6,412
Growth %	55.9%	54.2%	-27.7%	14.1%	16.4%	25.0%	31.1%
Interest Paid	2,323	2,257	2,581	2,171	1,839	1,670	1,535
Non-operating Income	658	266	287	382	382	382	382
Extraordinary Income	0	-113	-103	-48	0	0	0
Profit Before tax	975	1,968	548	1,523	2,455	3,604	5,259
Tax	457	916	740	162	619	908	1,325
Net Profit before Minority	518	1,052	-192	1,361	1,837	2,696	3,933
Minority Interest	-125	68	220	309	340	374	411
Other Consolidated Items	0	0	0	0	43	43	43
Net Profit	393	1,120	28	1,670	2,219	3,112	4,387
Adjusted Profit	425	1,277	204	1,760	2,219	3,112	4,387
Reported Diluted EPS Rs	0.8	2.3	0.2	3.4	4.4	6.2	8.7
Growth %	-2461.1%	-173.9%	-91.4%	1603.8%	29.6%	40.2%	41.0%
Adjusted Diluted EPS Rs	0.8	2.5	0.4	3.5	4.4	6.2	8.7
Growth %	-2461.1%	-200.4%	-84.0%	764.1%	26.1%	40.2%	41.0%

Source: Ace Equity, BP Equities Research

Common Sized Profit & Loss Account							
YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less:							
Raw Material Consumed	37.3%	32.0%	33.1%	33.8%	33.9%	33.6%	33.3%
Employee Cost	9.3%	9.1%	10.0%	9.8%	10.3%	10.1%	9.8%
Other Expenses	45.3%	49.1%	47.7%	45.1%	43.7%	43.6%	43.5%
Total Operating Expenditure	91.9%	90.2%	90.8%	88.8%	88.0%	87.3%	86.5%
EBITDA	8.1%	9.8%	9.2%	11.2%	12.0%	12.7%	13.5%
Depreciation	3.3%	3.2%	4.2%	5.2%	5.4%	5.3%	4.9%
Interest Paid	4.2%	3.6%	4.3%	3.9%	3.1%	2.5%	2.1%
Non-operating Income	1.2%	0.4%	0.5%	0.7%	0.6%	0.6%	0.5%
Extraordinary Items	0.0%	-0.2%	-0.2%	-0.1%	0.0%	0.0%	0.0%
Profit Before Tax	1.8%	3.2%	0.9%	2.7%	4.2%	5.5%	7.0%
Current tax	0.8%	1.5%	1.2%	0.3%	1.1%	1.4%	1.8%
Profit After Tax	0.8%	1.9%	0.2%	3.1%	3.8%	4.7%	5.9%
Adjusted Profit	0.8%	2.1%	0.3%	3.2%	3.8%	4.7%	5.9%

Source: Ace Equity, BP Equities Research



Cash Flow Statement

YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
PAT	425.0	1,164.0	100.5	1,712.3	2,219.0	3,111.9	4,387.1
(Less)/Add: Extraordinary Income/Expense	0.0	112.6	103.2	47.8	0.0	0.0	0.0
Less: Non Operating Income	(658.0)	(266.4)	(287.4)	(381.5)	(381.5)	(381.5)	(381.5)
Add: Depreciation	1,843.6	2,000.4	2,505.6	2,925.2	3,164.2	3,474.7	3,647.2
Add: Interest Paid	2,323.3	2,256.9	2,580.6	2,170.8	1,838.7	1,670.3	1,535.3
Tax Adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Profit before Working Capital Changes	3,933.9	5,267.5	5,002.5	6,474.6	6,840.4	7,875.4	9,188.2
(Inc)/Dec in Current Assets	(395.4)	(902.4)	(919.0)	737.4	(511.4)	(1,260.6)	(1,578.7)
Inc/(Dec) in Current Liabilities	1,512.4	2,158.5	2,730.8	641.1	2,488.0	3,205.2	4,014.0
Changes in Inventory	(546.2)	(924.6)	(323.8)	1,611.6	(299.9)	(739.2)	(925.7)
Net Cash Generated From Operations	4,504.7	5,599.0	6,490.5	9,464.7	8,517.1	9,080.8	10,697.7
Cash Flow from Investing Activities							
(Inc)/Dec in Fixed Assets	(3,504.1)	(1,727.9)	(3,796.4)	(3,700.7)	(4,500.0)	(4,500.0)	(2,500.0)
(Inc)/Dec in Capital Work In Progress	364.8	(245.8)	(1,346.8)	1,265.3	0.0	0.0	0.0
(Inc)/Dec in Investment (Strategic)	577.1	(671.9)	622.9	(28.5)	(88.5)	(218.2)	(273.3)
(Inc)/Dec in Investment (Others)	(916.1)	24.2	17.8	(1,975.4)	0.0	0.0	0.0
Add: Non Operating Income	658.0	266.4	287.4	381.5	381.5	381.5	381.5
(Inc)/Dec in Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow from/(used in) Investing Activities	(2,820.3)	(2,355.0)	(4,215.1)	(4,057.8)	(4,207.0)	(4,336.7)	(2,391.8)
Cash Flow from Financing Activities							
Inc/(Dec) in Total Loans	749.5	(47.6)	5,266.1	(1,700.9)	(2,100.0)	(1,000.0)	(1,000.0)
Inc/(Dec) in Reserves & Surplus	36.8	(97.1)	(277.7)	287.2	0.0	0.0	0.0
Inc/(Dec) in Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	0.0	(251.7)	(503.4)	0.0	0.0	0.0	0.0
Less: Interest Paid	(2,323.3)	(2,256.9)	(2,580.6)	(2,170.8)	(1,838.7)	(1,670.3)	(1,535.3)
Adjustments	(199.9)	(514.2)	(960.3)	(181.4)	0.0	0.0	0.0
Exceptional Item	0.0	(112.6)	(103.2)	(47.8)	0.0	0.0	0.0
Net Cash Flow from Financing Activities	(1,736.9)	(3,280.1)	840.9	(3,813.7)	(3,938.7)	(2,670.3)	(2,535.3)
Net Inc/Dec in cash equivalents	(52.5)	(36.1)	3,116.3	1,593.2	371.4	2,073.8	5,770.6
Opening Balance	826.7	774.2	738.1	3,854.4	5,447.6	5,819.0	7,892.7
Closing Balance Cash and Cash Equivalents	774.2	738.1	3,854.4	5,447.6	5,819.0	7,892.7	13,663.4

Source: Ace Equity, BP Equities Research



Balance Sheet							
YE March(INR. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Liabilities							
Equity Capital	5,034	5,034	5,034	5,034	5,034	5,034	5,034
Reserves & Surplus	5,345	6,228	5,756	7,382	9,601	12,713	17,100
Equity	10,379	11,261	10,790	12,415	14,634	17,746	22,133
Net Worth	13,105	13,921	13,240	15,239	17,458	20,570	24,957
Minority Interest							
Net Deferred tax liability/(Asset)	3,068	5,000	7,175	7,869	7,869	7,869	7,869
Total Loans	16,756	14,777	17,868	15,473	13,373	12,373	11,373
Capital Employed	32,930	33,697	38,283	38,581	38,700	40,812	44,199
Assets							
Gross Block	32,133	33,861	37,658	41,358	45,858	50,358	52,858
Less: Depreciation	6,118	7,605	9,150	11,894	15,058	18,533	22,180
Net Block	26,015	26,257	28,508	29,465	30,801	31,826	30,679
Capital WIP	997	1,243	2,590	1,324	1,324	1,324	1,324
Long Term Loans & Advances	1,738	2,112	1,731	1,714	1,802	2,020	2,294
Other Non Current Assets	1,497	1,795	1,553	1,599	1,599	1,599	1,599
Intangible assets under development	0	0	0	0	0	0	0
Non- Current Investments	3,774	3,750	3,732	5,707	5,707	5,707	5,707
Current Assets							
Inventories	6,168	7,093	7,417	5,805	6,105	6,844	7,770
Sundry Debtors	6,679	7,222	7,147	6,255	6,578	7,374	8,371
Cash and Bank Balance	774	738	3,854	5,448	5,819	7,893	13,663
Current Investments	332	1,098	1,498	1,602	1,602	1,602	1,602
Loans and Advances	1,231	1,502	1,898	2,011	2,114	2,370	2,691
Other Current Assets	2,177	1,499	1,697	1,635	1,719	1,927	2,188
Total Current Assets	17,361	19,151	23,511	22,755	23,937	28,011	36,286
Less: Current Liabilities & Provisions							
Sundry Creditors	6,842	7,727	7,779	9,370	11,103	12,448	14,131
Provisions	1,270	1,037	1,498	1,609	1,692	1,897	2,154
Other Current Liabilities	10,340	11,847	14,065	13,003	13,675	15,331	17,405
Total Current Liabilities & Provisions	18,453	20,611	23,342	23,983	26,471	29,676	33,690
Capital Applied	32,930	33,697	38,283	38,581	38,700	40,812	44,199

Source: Ace Equity, BP Equities Research



Key Ratios

YE March (Rs. mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Key Operating Ratios							
EBITDA Margin (%)	8%	10%	9%	11%	12%	13%	13%
Tax / PBT (%)	47%	47%	135%	11%	25%	25%	25%
Net Profit Margin (%)	1%	2%	0%	3%	4%	5%	6%
RoE (%)	4%	12%	2%	15%	16%	19%	22%
RoCE (%)	8%	12%	12%	10%	12%	15%	19%
Current Ratio (x)	0.9x	0.9x	1.0x	0.9x	0.9x	0.9x	1.1x
Dividend Payout (%)	0%	22%	501%	0%	0%	0%	0%
Book Value Per Share (Rs.)	21	22	21	25	29	35	44
Financial Leverage Ratios							
Debt/ Equity (x)	1.3x	1.1x	1.3x	1.0x	0.8x	0.6x	0.5x
Interest Coverage (x)	1.9x	2.7x	2.1x	2.9x	3.8x	5.0x	6.6x
Growth Indicators %							
Growth in Net Block (%)	8%	1%	9%	3%	5%	3%	(4%)
Sales Growth (%)	10%	12%	(4%)	(6%)	5%	12%	14%
EBITDA Growth (%)	24%	35%	(10%)	15%	13%	18%	20%
Net Profit Growth (%)	(2461%)	(174%)	(91%)	1604%	30%	40%	41%
Diluted EPS Growth (%)	(2461%)	(174%)	(91%)	1604%	30%	40%	41%
Turnover Ratios							
Debtors Days	44	43	44	41	41	41	41
Creditors Days	49	50	52	69	69	69	69
Inventory Days	41	42	45	38	38	38	38

Source: Ace Equity, , BP Equities Research



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