Hindalco (HINDAL)

CMP: ₹ 620 | **Target: ₹ 780 (26%)** | **Target Period: 12 months** | **BUY**

April 24, 2024

Enriching product portfolio for long term growth...

About stock: Hindalco, part of Aditya Birla group, is India's largest fully integrated aluminium manufacturer. It also operates one of the largest custom copper smelters at a single location in Asia. Hindalco's US based wholly owned subsidiary i.e. Novelis is the world's largest aluminium flat-rolled products (FRP) producer and recycler.

- Consolidated Sales: India Aluminium: 16%, India Copper: 19%, Novelis: 65%
- Consolidated EBITA: India Aluminium: 35%, India Copper: 9%, Novelis: 56%

Investment Rationale

- **India Business: Focusing value addition, enhancing downstream capacity** Hindalco has embarked upon an ambitious capex spend of US$1.13 billion for Indian operations over FY24-28, with >70% being allocated towards expanding aluminium downstream capacity and speciality alumina domain. This is amidst Hindalco operating at nearly peak utilisation levels at its aluminium primary metal domain (capacity: 1.3 million tonne). This clearly outlays company's value addition foray in Aluminium space and is expected to be earnings accretive in nature. Domestic aluminium demand in medium term is expected to double from ~4.5 million tonne (MT) in FY23 to ~9 MT by FY33 driven by incremental demand in infrastructure, packaging, automotive (Electric Vehicle) & renewable energy space, thereby acting as long-term structural positive. In copper space too, it is strengthening its VAP portfolio through superior copper alloy rods for railways and inner-grooved copper tubes for refrigeration and air conditioning. Consequently, with emphasis on enhancing downstream capacities, Sales/EBITDA on standalone basis at Hindalco is seen growing at a CAGR of 5%/10% over FY23-26E.

- **Novelis: Capturing industry tailwinds with ambitious organic expansion** Hindalco has sizeable presence in the international markets though its US based wholly owned subsidiary i.e. Novelis, which is the world's largest aluminium flat-rolled products (FRP) producer and recycler. Novelis is the largest supplier of beverage can sheet with ~40% global market share (Ex China). It is also a prominent player in automotive, aerospace, and speciality product markets. Sensing the fundamental drivers for growth in beverage can and automotive domains it has embarked upon an ambitious project of 600 KT of aluminium rolling capacity in North America (Bay Minette). Commissioning of the project is expected by H2CY26, with a total project cost of US$4.1 billion. With focus on value added products, cost control measures & increasing share of recycling content, EBITDA/tonne at Novelis is seen at US$530 by FY26E (company's medium-term guidance at US$600).

Rating and Target Price

- We have a **positive** view on Hindalco driven by its strategic capacity expansion at Novelis and Indian operations, structural drivers in place for healthy demand of Aluminium metal and controlled leverage on B/S (Debt: Equity at ~0.5x). We assign **BUY rating** on the stock with target price at **₹780** wherein we have valued it at **7.5x EV/EBITDA on FY26E**.

Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22	FY23	4 year CAGR (FY19-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Net Sales	1,30,542	1,18,144	1,32,008	1,95,059	2,23,202	14.4%	2,15,790	2,32,284	2,47,018	3.4%
EBITDA	15,529	14,372	17,671	28,657	22,885	10.2%	23,671	26,713	29,025	8.2%
EBITDA Margins (%)	11.9	12.2	13.4	14.7	10.3		11.0	11.5	11.8	
Net Profit	5,495	3,767	3,483	13,730	10,097	16.4%	9,534	12,222	13,536	10.3%
EPS (₹/share)	24.8	17.0	15.7	61.8	45.5		42.9	55.1	61.0	
P/E	25.0	36.5	39.5	10.0	13.6		14.4	11.3	10.2	
RoNW (%)	9.6	6.8	7.5	17.7	10.8		9.2	10.7	10.7	
RoCE (%)	9.3	7.0	7.9	14.0	9.3		9.0	9.8	10.0	

Source: Company, ICICI Direct Research

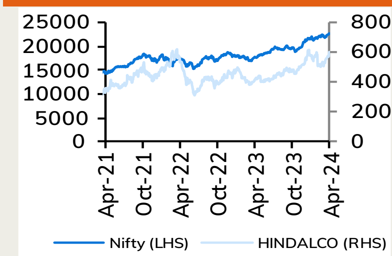
Particulars

Particulars	₹ crore
Market capitalisation	1,37,640
Total Debt (FY23)	58,335
Cash & Investment (FY23)	15,368
EV (₹ crore)	1,80,607
52 week H/L (₹)	625 / 398
Equity capital (₹ crore)	222
Face value (₹)	1

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoter	34.7	34.7	34.7	34.7
FII	26.3	27.0	27.9	26.8
DII	26.1	25.8	25.1	25.6
Other	13.0	12.6	12.4	12.9

Price Chart



Recent Event & Key risks

- Novelis Inc has submitted draft papers for an IPO to the US-SEC.
- Key Risk: i) sharp volatility in LME aluminium prices and contraction of refining spreads in copper business (ii) delay in executing capex plans and cost overruns at Novelis and Indian operations.

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Manisha Kesari
manisha.kesari@icicisecurities.com

Conviction Pick

ICICI Securities – Retail Equity Research

Company Background

Hindalco Industries is the flagship company of Aditya Birla Group. It was incorporated in 1958 by setting up India's first integrated aluminium facility at Renukoot (UP). Hindalco has expanded its operations over the period of time to now 19 manufacturing units and 21 mining operations in India. Additionally, it boasts of 33 overseas manufacturing facilities with 17 facilities of them have recycling capabilities. Hindalco's aluminium units encompass a wide range of operations from bauxite mining, alumina refining, coal mining, captive power plants and aluminium smelting to downstream capacities. It is one of Asia's largest producers of primary aluminium (Ex China) and a key player in downstream aluminium, providing customised solutions in flat rolled products and extrusions. Furthermore, it operates one of Asia's largest custom copper smelters at single location and ranks as the third largest manufacturer of copper cathode rods (Ex China).

On the overseas front, Novelis, a wholly owned subsidiary of Hindalco, which was acquired in FY2007, specializes in producing aluminium flat-rolled products catering to beverage cans, automotive, aerospace, and speciality markets. Aleris, another wholly owned subsidiary of Novelis acquired in FY2021 is involved in manufacturing and sale of aluminium rolled products serving aerospace, automotive, building and construction, transportation, and industrial manufacturing. During 9MFY24, Novelis accounted for ~60% to Hindalco's total revenue, followed by ~21%, ~14%, and ~5% from copper, aluminium upstream and downstream aluminium segments, respectively.

Q3FY24 Concall Key Takeaway

- Hindalco at its aluminium business, has hedged ~22% of the commodity at a price of $2,636/ton for Q4FY24 and ~5% at ~$2,200-2,500/ton for Q1FY25.

- Total Bay Minette capex is revised to $ 4.1 billion from $ 2.5 billion due to higher civil and construction costs. $750 million of capex to be spend by FY24. Out of the total capex, ~65% is towards Civil and 25% is allocated to equipment.

- It has acquired land and commenced its work on copper and e-waste recycling project in Dahej, Gujarat.

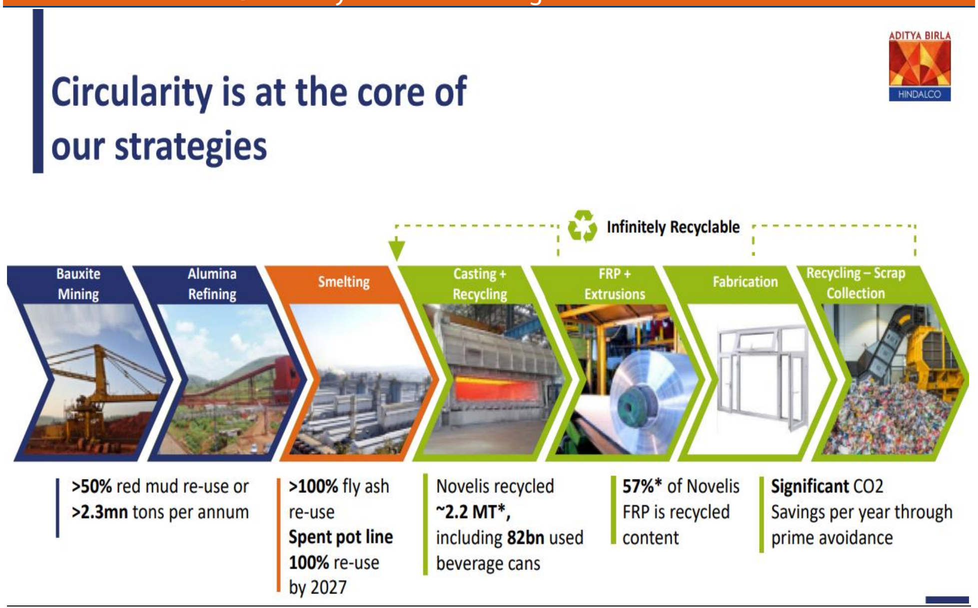
- During the quarter, the overall cost has declined by 3.3% QoQ basis due to low coal costs. It expects Q4 FY24 coal cost to remain similar levels as Q3FY24. Linkage coal for the coal has increase to 60% and E-auction is around 36%.

-It will commence Chakla coal mine operations by December'24. The expected production from this mine in the first year of commencing will be ~1 to 1.5 million tonne. It is currently acquiring necessary approvals for its recently allocated Meenakshi-West coal mine, which has a capacity of 5 million tons with expected commissioning in 2-.5-3 years.

Exhibit 1: Hindalco- Company Snapshot

Source: Company, ICICI Direct Research

Exhibit 2: Hindalco- Circularity is at core strategies



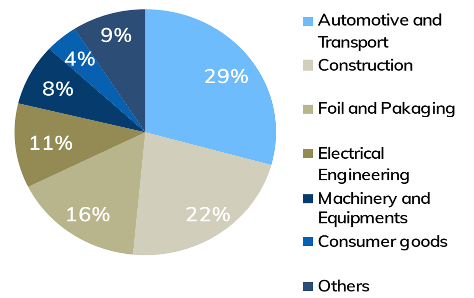
Source: Company, ICICI Direct Research

Investment Rationale

Green energy transition will be a key driver for global aluminium demand

Aluminium is a lightweight, corrosion-resistant and infinitely recyclable metal. It's the 3rd most available element in the Earth's crust and the 2nd most used metal after steel. Aluminium is found in an ore known as Bauxite, containing 40% to 60% of hydrated aluminium oxide mixed with various impurities such as sand, iron, and other metals. It takes 3-4 tons of bauxite to produce 1 ton of alumina and 2 tons of alumina to produce 1 ton of aluminium. Another method of aluminium production, involves aluminium recycling which consumes only 5% of the energy requirement to produce the same amount of primary aluminium. Thus, aluminium is one of the environmentally friendly metals. Aluminium also provides significant opportunities in sunrise sectors like electric vehicles (EVs) and renewable energies, as well as the sustainable solutions in the packaging and construction sectors. As per industry sources, **under the green energy transition, additional aluminium requirement is anticipated to be 15 to 22 million tonnes by 2030, which is expected to further rise to 25 to 42 million tonnes by 2050.** EV's are expected to account for ~40-50% of this incremental metal demand.

Global Aluminium Usage %

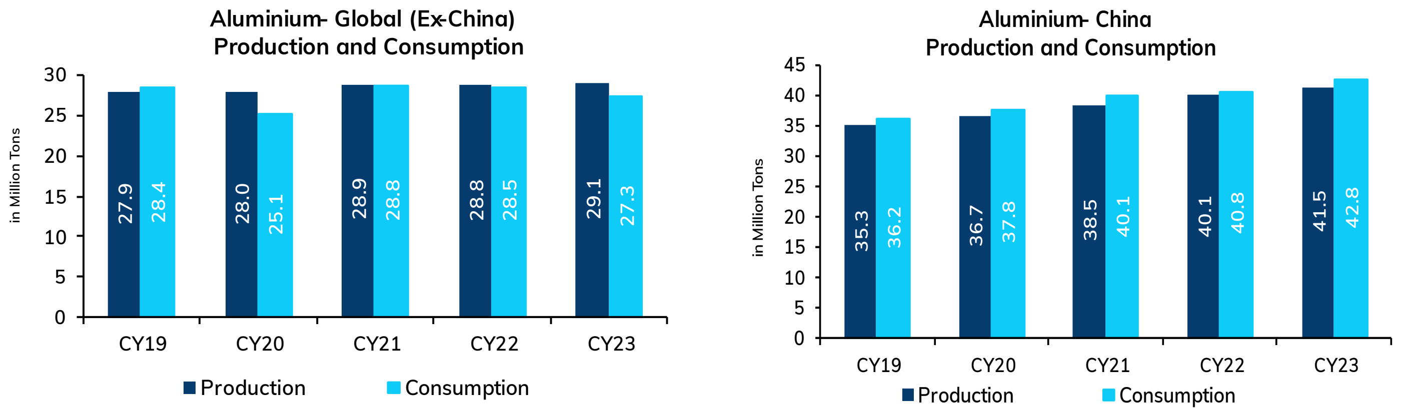


Source: NARC, ICICI Direct Research
(Note: Data as on 2022)

India is expected to be the key driver for the growth of global aluminium demand, given its per capita aluminium consumption stands at mere ~3kg, which is significantly lower than global per capita consumption of ~12kg. With structural drivers in place and governments thrust on electric vehicles and renewables, domestic aluminium demand in medium term is expected to double from ~4.5 million tonne (MT) in FY23 to ~9 MT by FY33. This provides immense growth potential for Indian players such as Hindalco Industries, which are fairly cost competitive in nature.

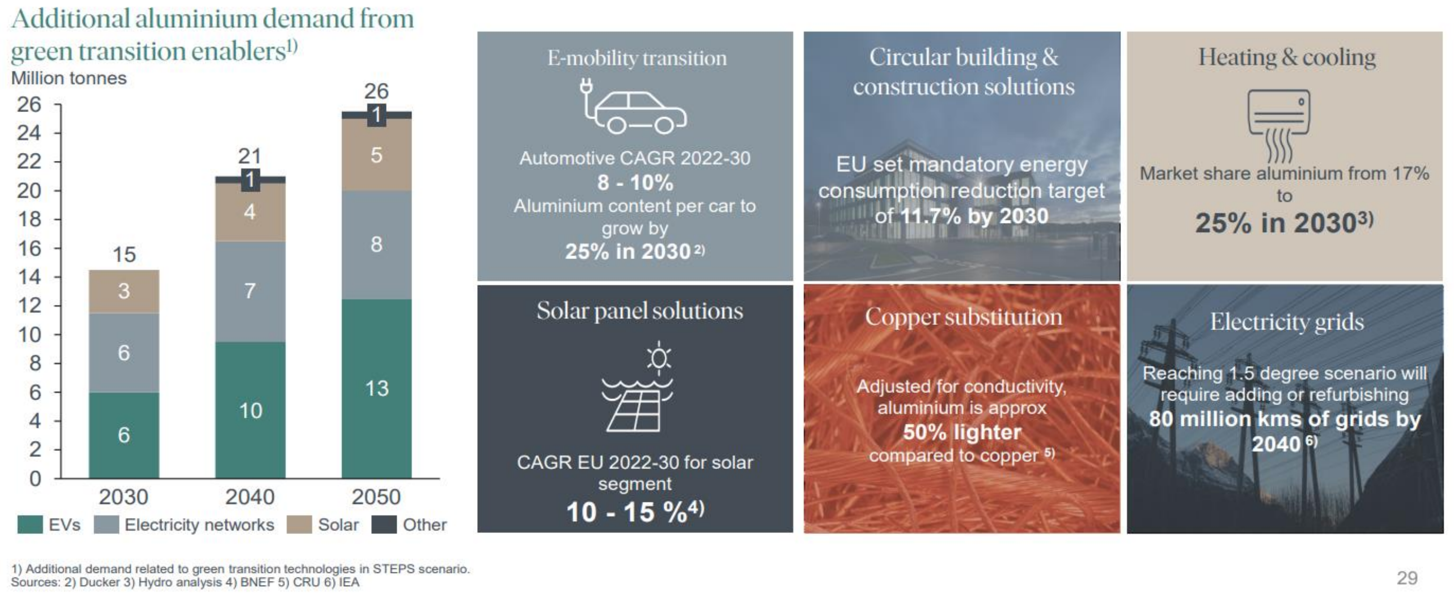
China, as the largest producer and consumer of aluminium, accounted for ~60% of global production and consumption in 2023.

Exhibit 3: Industry- Global Aluminium- Production and Consumption



Source: Company, ICICI Direct Research

Exhibit 4: Industry- Additional Aluminium Demand from green transition

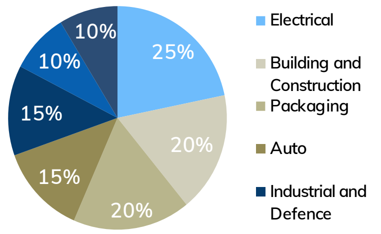


Source: Norks Hydro USA, ICICI Direct Research

Scaling up aluminium downstream capacities to leverage the opportunities

Hindalco has sizeable presence in the aluminium downstream domain with presence across rolled products, extrusions, foil and packaging domain. Its capacity in this domain is pegged at 400KT and operating at ~90% utilization levels. Sensing the healthy demand prospects in this domain, Hindalco has embarked upon an ambitious capex spend of US$1.13 billion for Indian operations over FY24-28, with >70% being allocated towards expanding aluminium downstream capacity and speciality alumina domain. This is amidst Hindalco operating at nearly peak utilisation levels at its aluminium primary metal domain (capacity: 1.3 million tonne). This clearly outlays company's value addition foray in Aluminium space and is expected to be earnings accretive in nature going forward. The key applications targeted by the company in this domain include Aluminium Battery Enclosures – EV applications, Aluminium Trailers – Light weighting of commercial vehicles, Aluminium railway freight wagons and passenger coaches and building solutions (doors and windows) among others. Structural positives for this domain include incremental demand in infrastructure, packaging, automotive (Electric Vehicle) & renewable energy space. We expect sales volume in this domain to grow at a CAGR of 6% over FY23-26E to 435 KT by FY26E.

Sectorwise India Aluminium Consumption



Source: Company, ICICI Direct Research
(Note: Data as on FY2023)

Exhibit 5: India Aluminium Consumption Outlook

Source: Company, ICICI Direct Research

Aluminium has become a crucial strategic metal driving growth across burgeoning industries with automobile sector leading the way. This is emphasis by the fact that usage of aluminium per vehicle in India, at ~40-45 kg, is notably lower than the global average of ~160-200 kg. The ongoing trend towards lighter vehicles will likely result in increased aluminium usage going forward.

Source: ICRA, ICICI Direct Research

Exhibit 6: Hindalco- Aluminium Downstream new applications

Source: Company, ICICI Direct Research

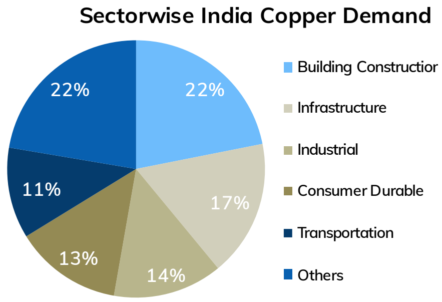
In addition to Aluminium, Hindalco is diversifying into value-added specialty alumina products by expanding its capacity by 150 KT by FY25. This move aligns with growing demand for high end products in existing markets like refractories, ceramics and flame retardants, and emerging markets such as Li-ion batteries and semiconductors.

Securing captive mines to ensure continuing of low-cost producer moat

Due to its backward integration strategy, Hindalco stands out as one of the most-cost efficient aluminium producers globally. This strategy involves production of alumina from captive bauxite mines and securing large part of its coal requirement through operational captive coal blocks & agreements with Coal India. Hindalco has acquired Chakla coal mine with a capacity of 4.5 million tons, expected to be operational by FY26. Additionally, it has acquired Meenakshi coal mine, with a capacity of 10-12 million tonnes and is awaiting regulatory approvals for the same. These strategic moves will ensure self-sufficiency in sourcing raw materials for Hindalco thereby safeguarding it against the volatility in energy prices and retaining its low-cost moat.

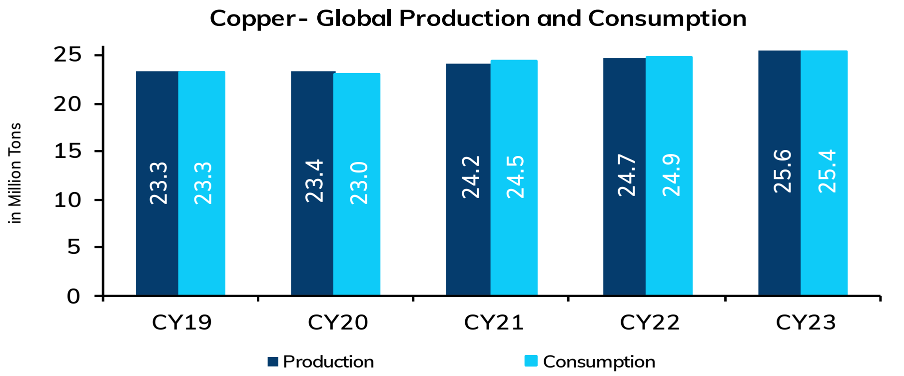
Broadening its offerings within copper segment with value added products

As per industry reports, Global demand for copper is expected to double from ~25 MT currently to ~50 MT by 2050 primarily driven by increasing usage of electronics, rising penetration of electric vehicles & energy efficient equipment's. **India is core to this demand uptick with domestic copper consumption projected to double from ~1MT in FY23 to ~2 MT by FY33.** This presents opportunities for Hindalco, which is the domestic leader in producing refined metal and is expanding its downstream presence by establishing India's first Inner Grooved Copper Tube facility with a capacity of 25 KTPA under the PLI scheme. This facility will primarily cater to air conditioning and refrigeration applications, serving as an import substitution product. Additionally, it is setting up a first of its kind copper & e-waste recycling facility with a cathode capacity of 50 KTPA, marking a significant step towards sustainable practices. These initiatives will enable the company to venture into newer markets and aid margin expansion.



Source: ICAI, ICICI Direct Research
(Note: Data as on FY2023)

Exhibit 7: Global Copper Production and Consumption



Source: Company, ICICI Direct Research

China is the world's largest consumer of copper, accounts for ~56% of the total global copper consumption in 2023.

Exhibit 8: Hindalco- Domestic Copper Consumption

Source: Company, ICICI Direct Research

India's per capita copper consumption is projected to rise from the current level of 0.6 kg to 1 kg. It is still significantly lower than the global average per capita consumption of 3.2 kg. With government prioritizing renewable energy and a surge in households demand for durables goods, coupled with growing adoption of electric vehicles where the copper consumption is ~3-4x the quantum used in ICE vehicles, long term prospects look robust with Hindalco a key beneficiary (sizeable smelting capacity domestically)

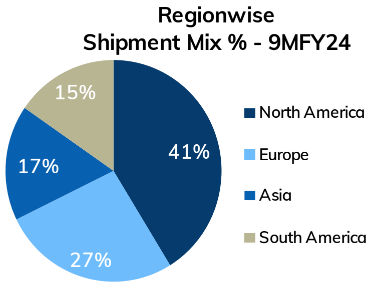
Exhibit 9: Hindalco Copper- Downstream Capacities

Source: Company, ICICI Direct Research

Novelis: Ambitious growth expansion in place to strengthen its leadership

Hindalco has sizeable presence in the international markets though its US based wholly owned subsidiary i.e. Novelis, which is the world's largest aluminium flat-rolled products (FRP) producer and recycler. Novelis is the largest supplier of beverage can sheet having ~40% global market share (ex-China) and prominent player in automotive aluminium sheet, aerospace, and speciality product markets. Sensing robust demand prospects especially from the beverage can and automotive segment in North America, **Novelis is presently executing an ambitious capex spend of US$4.1 billion specifically to construct a state-of-the-art aluminium recycling and rolling facility with a capacity of 600 KT in Bay Minette, USA.** This new facility is anticipated to be operational by H2CY26. It is part of its **ongoing expansion projects totalling over US$4.9 billion.** These aggressive capex plans are driven by structural growth drivers such as 1) beverage can-sheet demand, which is expected to remain positive in long-term with projected growth of 4% CAGR over CY23-31 2) shift towards electrification in automotive sector, resulting in 7% demand growth over CY23-28 in this space, as aluminium content expected to rise over 550+ pounds per vehicle by 2030 3) Demand for specialities particularly building and construction which are expected to grow at GDP rate driven by preference towards lightweight & sustainable materials and 4) rise in air traffic and necessity for fleet modernization fuelling demand for aerospace aluminium plate with volumes expected to grow at 5% CAGR over CY23-30.

With demand drivers in place, on the cost side it is working on increasing recycled content (to aid margins) with near term commissioning of Guthrie automotive recycling centre with capacity of 240 KT, at a capex of US$ 365 million. Thus, favourable market dynamics combined with capacity expansion & rise in recycling content, the company has guided for US$600/tonne as EBITDA per ton for the medium-term period. We have conservatively built in EBITDA/tonne of US$500/530 for FY25E/FY26E respectively.



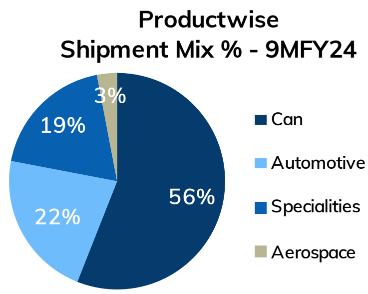


Exhibit 10: Novelis- Capacity Expansion

Source: Company, ICICI Direct Research

Novelis Inc has submitted documentation for an initial public offering (IPO) to the U.S. Securities and Exchange Commission. The IPO will involve the offering of common shares by Hindalco, the sole shareholder of Novelis. Proceeds from the IPO will be directed to Hindalco, with Novelis not receiving any proceeds from the sale of common shares.

Exhibit 11: Novelis- Aluminium Flat Rolled Products (FRP) Industry

Beverage Packaging

- Supply chain inventory reduction is complete
- US market is solid & stronger South America demand in summer season
- Economic pressure in Mexico, Europe and some southeast Asian markets
- **CAGR 4% - CY23-31 (Ex China)**

Automotive

- Demand broadly remains stable due to pent-up vehicle demand and favorable vehicle mix
- No material impact from UAW strike in Q3
- **CAGR 7% (CY23-28)**

Speciality

- Demand broadly moves with GDP, and supported by sustainability & product innovation
- Headwinds from high inflation & interest rates impacting B&C
- Increasing competitive activity pressuring prices in container foil
- **Growth Rate @~ GDP%**

Aerospace

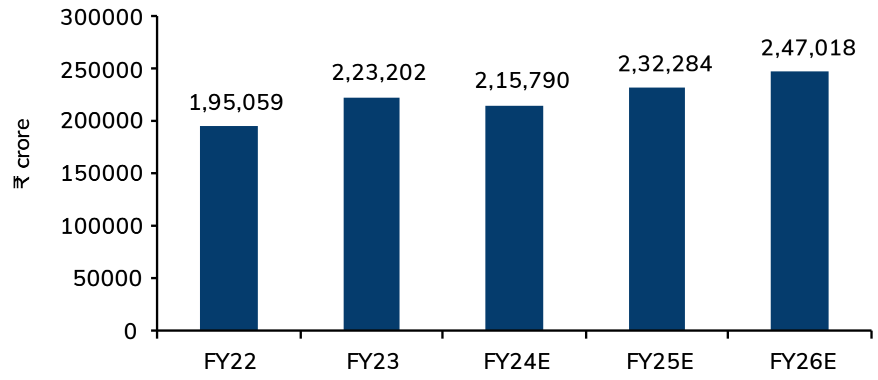
- Strong growth in aircraft build rates at OEMs
- Sustainability in Aerospace is gaining importance
- Multi-year aircraft order backlog continues
- **CAGR 5% (CY23-30)**

Source: Company, ICICI Direct Research

Key Financial Summary

Hindalco has reported healthy topline growth in the past with FY23 sales at ₹ 2.23 lakh crore. Going forward, with focus on expanding downstream capacities amid aluminium primary metal operating at peak utilisation levels, we expect Hindalco to report topline growth of 3.4% CAGR over FY23-26E to ₹2.47 lakh crore by FY26E.

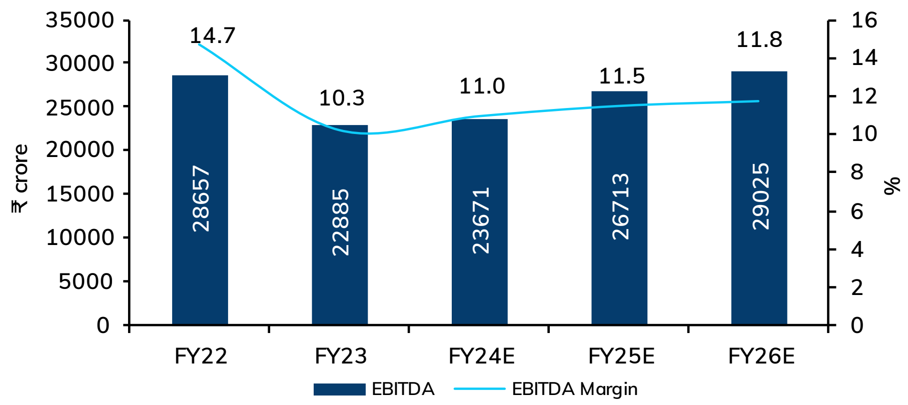
Exhibit 12: Trend in Topline



Source: Company, ICICI Direct Research

With healthy volumes across segments at Hindalco, EBITDA Margins dipped to 10.3% in FY23 due to high energy and input costs (raw material). Going forward, however, we anticipate margins to improve to 11.8% by FY26, driven by stable energy costs, enhancement in coal linkages, and a higher share in value added products. EBITDA is expected to exhibit a CAGR of 8.2% over FY23-26E.

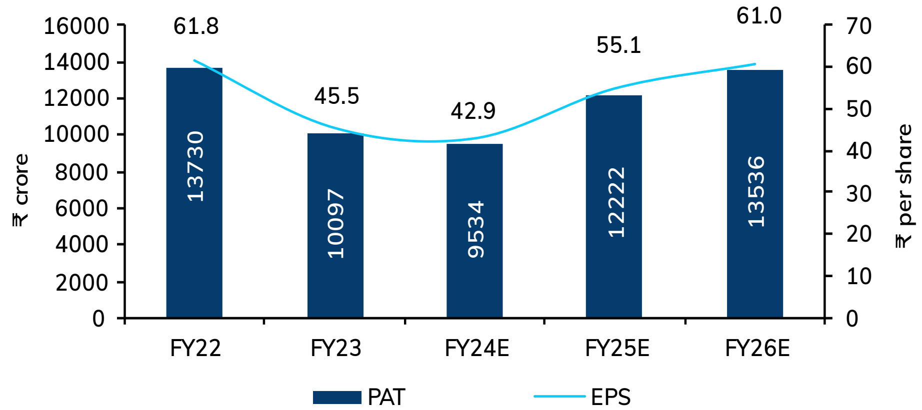
Exhibit 13: Trend in EBITDA & Margins



Source: Company, ICICI Direct Research

Going forward, with healthy growth in EBITDA and stable leverage on B/S, we expect PAT at Hindalco to grow at a CAGR of 10% over FY23-26E to ₹13,536 crore by FY26E, translating into an EPS of ₹61 in FY26E vs. ₹45.5 levels clocked in FY23.

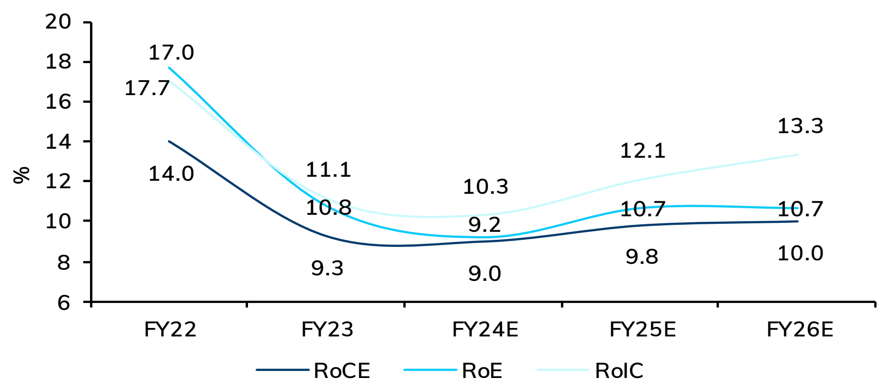
Exhibit 14: Trend in Bottom Line & EPS



Source: Company, ICICI Direct Research

With lower double digit PAT growth and ambitious capex execution underway headline RoE/RoCE at Hindalco are seen muted at ~10% over FY23-26E. Its core return ratios i.e. RoIC however is seen healthy at ~13% levels in FY26E.

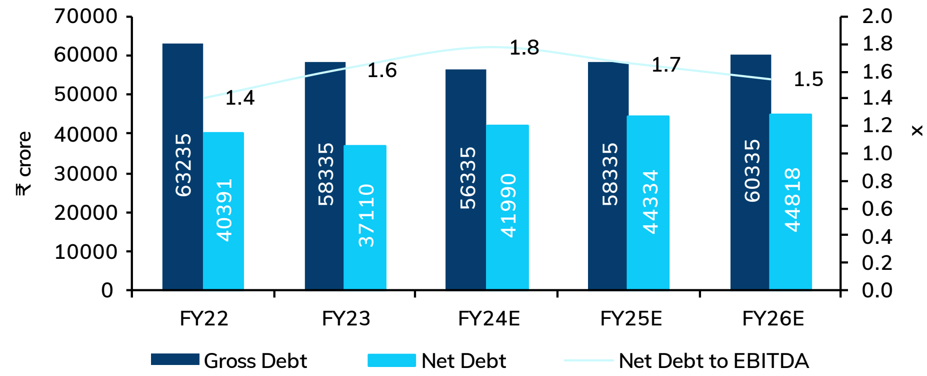
Exhibit 15: Trend in Return Ratios



Source: Company, ICICI Direct Research

Hindalco has consistently prioritized lowering its net leverage, with the consolidated net debt to EBITDA ratio dropping from 2.5x in FY19 to 1.6x in FY23. With calibrated capex plans we expect leverage to be contained at similar levels with Net Debt to EBITDA level expected at 1.5x in FY26. Debt: Equity is also comfortably placed at 0.5x levels, proving good margin of safety to our investment thesis.

Exhibit 16: Trend in Gross and Net Debt



Source: Company, ICICI Direct Research

Valuation

- We have a **positive** view on Hindalco driven by its strategic capacity expansion at Novelis and Indian operations, structural drivers in place for healthy demand of Aluminium metal and controlled leverage on B/S (Debt: Equity at ~0.5x). We assign **BUY rating** on the stock with target price at **₹780** wherein we have valued it at **7.5x EV/EBITDA on FY26E.**

- We have valued Hindalco at a tad premium to its historical averages amidst structural drivers in place for aluminium as a metal to outperform its counterparts given its incremental application in automobile and renewables space and Hindalco's prominence in this domain.

Exhibit 17: Target Price Calculation table

Particulars	Units	Amount
FY26E EBITDA	₹ crore	29,025
EV/EBITDA multiple	x	7.5
EV		2,17,684
FY26E Net Debt	₹ crore	44,818
Resultant Market Capitalisation	₹ crore	1,72,867
No of Shares	nos	222
Target Price	**₹**	**780**
% upside	%	26

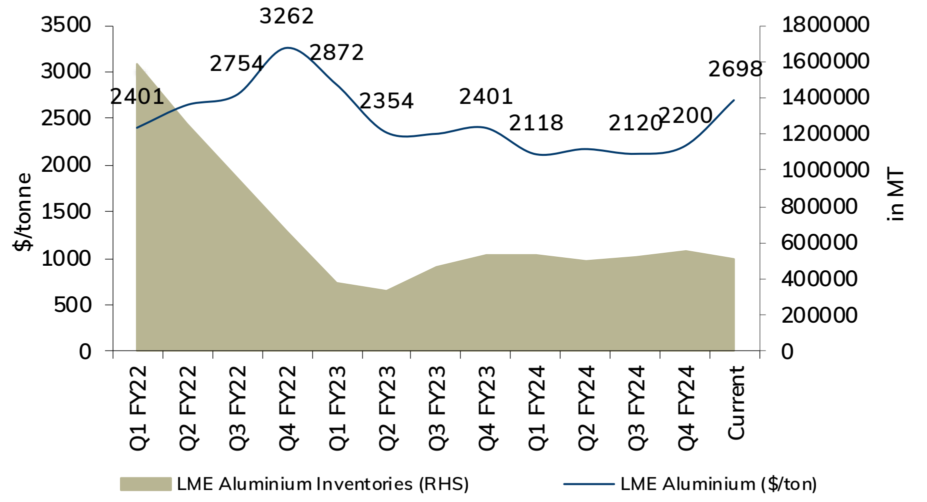
Source: ICICI Direct Research

Risk and Concerns

High volatility in LME Aluminium and Copper prices to impact earnings

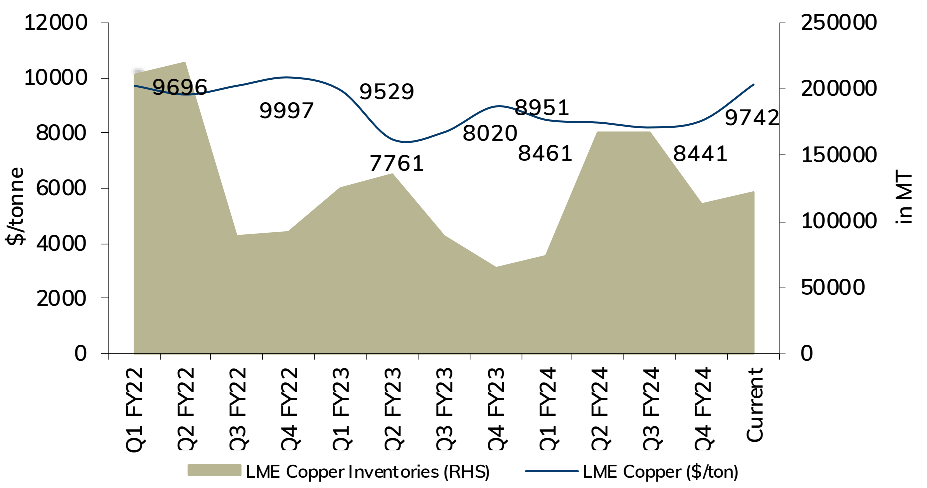
Hindalco's domestic business is directly exposed to LME metal prices especially the aluminium business wherein it is producer of primary metal. Its profitability is also susceptible to increase in prices of raw material primarily coal, coke, and pitch. To mitigate these risks, the company relies on strategies like backward integration, securing captive raw material, increase in coal linkage, etc. However, any sharp downward move in LME metal prices or rise in key raw material prices posses a risk to future earnings at Hindalco going forward.

Exhibit 18: Global LME Aluminium Prices and Inventories



Source: Bloomberg, ICICI Direct Research; inventories are quarterly end levels

Exhibit 19: Global LME Copper Prices and Inventories



Source: Bloomberg, ICICI Direct Research; inventories are quarterly end levels

Delay in capacity execution and capex overruns at Novelis and Indian operation

Novelis has revised its 600 KTPA rolling capacity's (greenfield plant in North America) capital cost from ~US$2.5 billion to ~US$4.1 billion due to cost overrun on civil and structural work. It has also revised downwards its projected IRR from this project to low double-digit from mid-teens range with commissioning postponed to H2CY26. Any further delay in executing new capacities or cost overruns from Novelis or within Indian operation could impact the cashflow & profitability at Hindalco going forward.

Rise in imports could impact domestic sales of Hindalco

Imports of aluminium and scrap still constitute >50% of aluminium consumed domestically. Thus, company witnesses a stiff competition from imports and is susceptible to risk in case imports are dumped are lower prices. Over the last few years, imports of flat rolled products (including foils) have seen a surge at dumped prices from China and FTA countries. The government however supported the industry by imposing anti-dumping duties on imports of flat-rolled products from China.

Financial Summary

Exhibit 20: Profit and loss statement ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Net Sales	2,23,202	2,15,790	2,32,284	2,47,018
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	**2,23,202**	**2,15,790**	**2,32,284**	**2,47,018**
Growth (%)	14.4	-3.3	7.6	6.3
Raw Material Expenses	1,40,770	1,33,918	1,43,552	1,52,163
Employee Expenses	13,063	14,930	16,260	17,291
Other Operating Expense	46,484	43,271	45,760	48,539
Total Operating Expenditure	2,00,317	1,92,119	2,05,571	2,17,993
EBITDA	**22,885**	**23,671**	**26,713**	**29,025**
Growth (%)	-20.1	3.4	12.8	8.7
Depreciation	7,086	7,768	8,130	8,646
Interest	3,646	4,071	3,727	3,857
Other Income	1,257	1,434	1,484	1,574
PBT	**13,410**	**13,266**	**16,340**	**18,096**
Exceptional Item	169	-23	0	0
Total Tax	3,144	3,755	4,118	4,560
PAT	**10,097**	**9,534**	**12,222**	**13,536**
Growth (%)	-26.5	-5.6	28.2	10.7
EPS (₹)	**45.5**	**42.9**	**55.1**	**61.0**

Source: Company, ICICI Direct Research

Exhibit 21: Cash flow statement ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Profit after Tax	10,097	9,534	12,222	13,536
Add: Depreciation	7,086	7,768	8,130	8,646
(Inc)/dec in Current Assets	7,613	-2,609	-5,404	-4,827
Inc/(dec) in CL and Provisions	-12,255	-935	4,067	3,633
Others	3,646	4,071	3,727	3,857
CF from operating activities	**16,187**	**17,829**	**22,742**	**24,844**
(Inc)/dec in Investments	3	4,750	250	-1,250
(Inc)/dec in Fixed Assets	-11,813	-17,500	-20,000	-20,000
Others	-4,373	0	0	0
CF from investing activities	**-16,183**	**-12,750**	**-19,750**	**-21,250**
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	-4,900	-2,000	2,000	2,000
Dividend & interest outgo	-4,536	-4,959	-4,837	-5,078
Inc/(dec) in Share Cap	0	0	0	0
Others	7,408	0	0	0
CF from financing activities	**-2,028**	**-6,959**	**-2,837**	**-3,078**
Net Cash flow	**-2,024**	**-1,880**	**156**	**517**
Opening Cash	17,392	15,368	13,488	13,644
Closing Cash	**15,368**	**13,488**	**13,644**	**14,160**

Source: Company, ICICI Direct Research

Exhibit 22: Balance Sheet ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Liabilities				
Equity Capital	222	222	222	222
Reserve and Surplus	94,584	1,03,230	1,14,342	1,26,657
Total Shareholders func	**94,806**	**1,03,452**	**1,14,564**	**1,26,879**
Total Debt	58,335	56,335	58,335	60,335
Deferred Tax Liability	8,650	8,650	8,650	8,650
Minority Interest / Others	8,884	8,634	8,384	8,134
Total Liabilities	**1,70,675**	**1,77,071**	**1,89,933**	**2,03,998**
Assets				
Gross Block	1,56,690	1,73,390	1,79,890	1,86,390
Less: Acc Depreciation	71,809	79,577	87,707	96,353
Net Block	84,881	93,813	92,183	90,037
Capital WIP	7,700	8,500	22,000	35,500
Total Fixed Assets	**92,581**	**1,02,313**	**1,14,183**	**1,25,537**
Investments	39,861	35,111	34,861	36,111
Inventory	42,958	44,340	47,730	50,757
Debtors	16,214	17,736	19,092	20,303
Loans and Advances	8	8	8	9
Other Current Assets	8,906	8,610	9,268	9,856
Cash	**15,368**	**13,488**	**13,644**	**14,160**
Total Current Assets	83,454	84,183	89,742	95,085
Current Liabilities	35,860	35,472	38,184	40,606
Provisions	2,663	2,634	2,836	3,015
Current Liabilities & Prov	54,142	53,207	57,274	60,907
Net Current Assets	**29,312**	**30,976**	**32,468**	**34,179**
Others Assets	8,921	8,671	8,421	8,171
Application of Funds	**1,70,675**	**1,77,071**	**1,89,933**	**2,03,998**

Source: Company, ICICI Direct Research

Exhibit 23: Key ratios

(Year-end March)	FY23	FY24E	FY25E	FY26E
Per share data (₹)				
EPS	45.5	42.9	55.1	61.0
Cash EPS	77.4	77.9	91.7	99.9
BV	427.1	466.0	516.1	571.5
DPS	4.0	4.0	5.0	5.5
Cash Per Share	69.2	60.8	61.5	63.8
Operating Ratios (%)				
EBITDA Margin	10.3	11.0	11.5	11.8
PAT Margin	4.5	4.4	5.3	5.5
Inventory days	70.2	75.0	75.0	75.0
Debtor days	26.5	30.0	30.0	30.0
Creditor days	58.6	60.0	60.0	60.0
Return Ratios (%)				
RoE	10.8	9.2	10.7	10.7
RoCE	9.3	9.0	9.8	10.0
RoIC	11.1	10.3	12.1	13.3
Valuation Ratios (x)				
P/E	13.6	14.4	11.3	10.2
EV / EBITDA	7.6	7.6	6.8	6.3
EV / Net Sales	0.8	0.8	0.8	0.7
Market Cap / Sales	0.6	0.6	0.6	0.6
Price to Book Value	1.5	1.3	1.2	1.1
Solvency Ratios				
Debt/EBITDA	2.5	2.4	2.2	2.1
Debt / Equity	0.6	0.5	0.5	0.5
Current Ratio	1.8	1.9	1.9	1.9
Quick Ratio	**0.7**	**0.7**	**0.7**	**0.7**

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Manisha Kesari, PGDM (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.