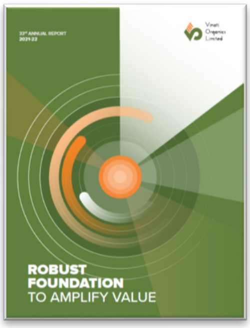
Vinati Organics

BSE SENSEX	S&P CNX
58,767	17,543



Stock Info

Bloomberg	VO IN
Equity Shares (m)	103
M.Cap.(INRb)/(USDb)	225.2 / 2.9
52-Week Range (INR)	2323 / 1675
1, 6, 12 Rel. Per (%)	0/15/19
12M Avg Val (INR M)	145
Free float (%)	25.9

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
Sales	16.2	19.8	25.1
EBITDA	4.3	5.7	7.7
PAT	3.5	4.4	5.9
EPS (INR)	33.7	43.1	57.6
EPS Gr. (%)	29	28	34
BV/Sh.(INR)	178	213	259
Ratios			
Net D:E	0.0	0.0	0.0
RoE (%)	20.6	22.1	24.4
RoCE (%)	19.5	20.7	22.7
Payout (%)	19.3	19.3	19.3
Valuations			
P/E (x)	66.4	51.9	38.9
P/BV (x)	12.6	10.5	8.6
EV/EBITDA (x)	53.1	40.1	30.2
Div. Yield (%)	0.3	0.4	0.5
FCF Yield (%)	(0.2)	0.6	0.9

CMP: INR2,238 TP: INR2,593 (+16 %) Buy

Confident of sustainably enhancing value

VO's FY22 Annual Report highlights its long-term relationships with its clients and its focus on R&D expertise, which has helped amplify value for all its stakeholders, despite industry cycles and macro headwinds. The management is confident that a niche product portfolio, expansion in its existing capacities, and foray into new products will enable it to keep the revenue momentum strong (that it generated in FY22 after a muted FY21), although macro challenges still remain. We maintain our Buy rating on the stock with a TP of INR2,593.

Revenue and profitability increases, even as margin contracts

- Revenue increased by 69% YoY to INR16.2b, aided by a strong growth in volume as well as price hikes taken in FY22 due to an increase in input costs.
- Gross profit rose 33% YoY to INR7.5b in FY22, while gross margin contracted by ~13pp due to unprecedented raw material cost inflation and a surge in crude oil prices due to a lower base in FY21.
- COVID-led disruptions resulted in higher operating costs due to higher freight costs on account of the shortage of containers and higher power and fuel costs. Consequently, EBITDAM posted a contraction of ~10pp. VO's PAT grew 15% YoY to INR2.3b.
- Cash from operations fell 42% YoY to INR1.3b. VO incurred a capex of INR1.6b (up 230% YoY) for capacity expansion in FY22.

ATBS sales bounce back in FY22 after a muted FY21

- Sales of ATBS were robust (up 87% YoY) in FY22 owing to strong demand from the Oil and Gas sector. Much of this demand was pent up, as FY21 was a muted fiscal for the Oil and Gas sector.
- ATBS is the largest product for VO in revenue terms, contributing 53% to overall revenue in FY22. VO is the largest producer of ATBS in the world, with a global market share of more than 65%.
- Owing to robust demand from the Oil and Gas sector (to which the segment primarily caters to), VO is expanding its capacity to 60ktpa from 40ktpa currently, which is expected to be commissioned by 2HFY24.
- The demand outlook for the ATBS segment remains strong, with customers being very bullish on their final products. The current plant is running at full capacity. The demand for high purity grade ATBS is high, with demand crossing pre-COVID levels currently.

IBB posts a muted performance, while other products perform well in FY22

- IBB recorded a revenue decline in FY22, led by slower than expected growth in demand for Ibuprofen, as a higher offtake in FY21 resulted in the stocking up of inventory and a shutdown at the Mahad plant in 3QFY22. Nevertheless, VO continued to maintain its global market share in IBB at over 65%.
- VO commissioned a new Butyl Phenol (BP) unit in FY21 (which is used the manufacture of fragrance and anti-oxidants) in India, making it the sole producer.

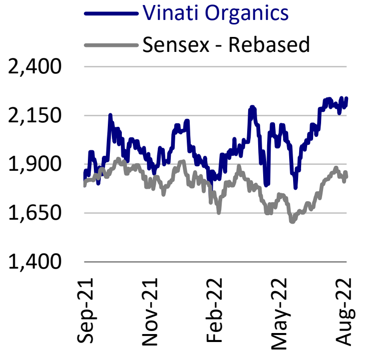
Swarnendu Bhushan - Research Analyst (Swarnendu.Bhushan@MotilalOswal.com)

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	29.3	29.3	29.8
DII	15.9	13.2	11.1
FII	48.5	50.8	53.2
Others	6.3	6.7	5.9

FII Includes depository receipts

Stock's performance (one-year)



- The BP unit contributed 14% of overall revenue in FY22. The management expects to ramp-up the utilization rate to optimum levels in FY23.
- Other products consisting of HPMTBE, PTBBA/PTBMB, Isobutylene, etc. contributed ~23% to overall sales in FY22. The management has lined up capex and continues to see growth in the domestic and export market.

VAL merger and entry into niche chemicals in line with its growth strategy

- The company is in the process of amalgamating VAL with VO, which is expected to be completed by FY23-end, well in line with its growth strategy. This will result in the forward integration of Butyl Phenol to anti-oxidants (AOs), creating synergies and generating incremental revenue of INR3b by FY24E.
- This will enable better synergies, making VO the largest and only backward and forward integrated manufacturer of AOs in India. AO demand in India and globally stands at 12ktpa and 300ktpa, respectively.
- VO also announced a capex of INR2.8b under Veeral Organics Pvt. (a wholly owned subsidiary), with a foray into manufacturing of MEHQ, Guaiacol (combined capacity of 2ktpa), and Iso Amylene (capacity of 30ktpa). These are expected to be commissioned by 1HFY24.
- These products are used in polymerization inhibitors, flavors, fragrances, pharmaceuticals, and pesticides. VO has backward integrated, with MEHQ used as a raw material for ATBS production. The management has guided that revenue from MEHQ will be marginal at present.

Valuation and view

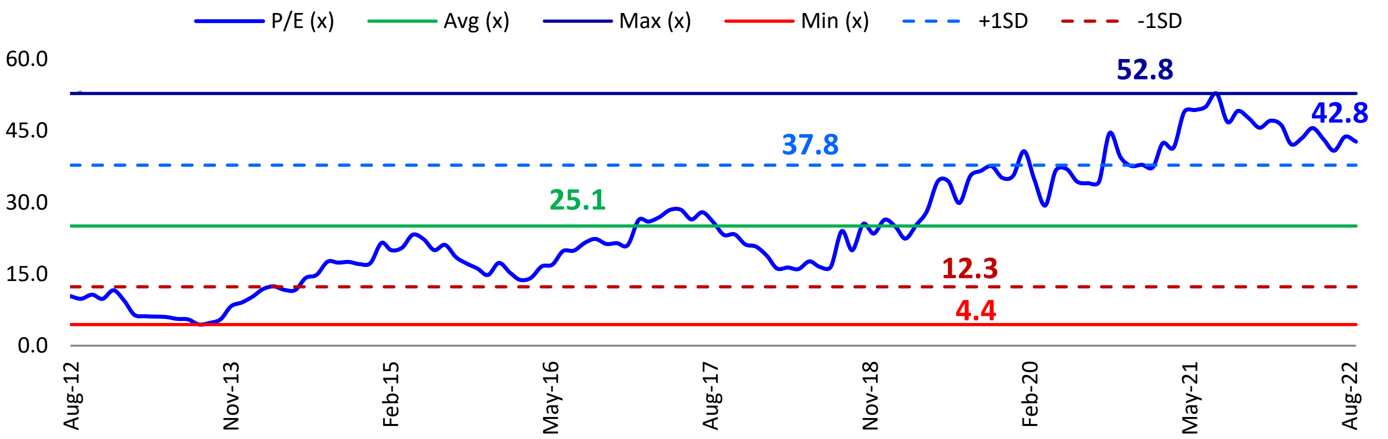
- The demand outlook for the ATBS segment remains positive going forward after a temporary blip in FY22. Veeral Organics Pvt. (a wholly-owned subsidiary of VO) is set to commence production of MEHQ, Guaiacol, and Iso Amylene in 1HFY24, which should drive the next level of growth in VO.
- Veeral Additives will commence production of AOs from Butyl Phenol, thus resulting in forward integration. Post amalgamation, VO will become the largest and only doubly integrated manufacturer of AOs in India. The latter is right now imported into the country, with the domestic market seeing huge demand for PP, LLDPE, etc., which is expected to grow at 8% YoY.
- The stock is trading at 38x FY24E EPS and 30x FY24E EV/EBITDA, with return ratios of 20-24%. It has a fixed asset turnover of 2x as of FY22, which is likely to improve to 2.1x by FY24E. We value the company at 45x FY24E EPS to arrive at our TP of INR2,593. **We maintain our Buy rating.**

Exhibit 1: VO announces capacity expansion of ATBS and new capacity additions in the next two fiscals

Capacity (mtpa)	FY17	FY18	FY19	FY20	FY21	FY22
ATBS	26,000	26,000	26,000	26,000	40,000	40,000
IBB	16,000	16,000	25,000	25,000	25,000	25,000
IB	15,000	15,000	15,000	15,000	15,000	15,000
Others (TBA)	21,500	21,500	21,500	21,500	21,500	21,500
Total capacity	**78,500**	**78,500**	**87,500**	**87,500**	**1,01,500**	**1,01,500**

Source: Company, MOFSL

Exhibit 2: One-year forward P/E chart, currently trading at 42.8x

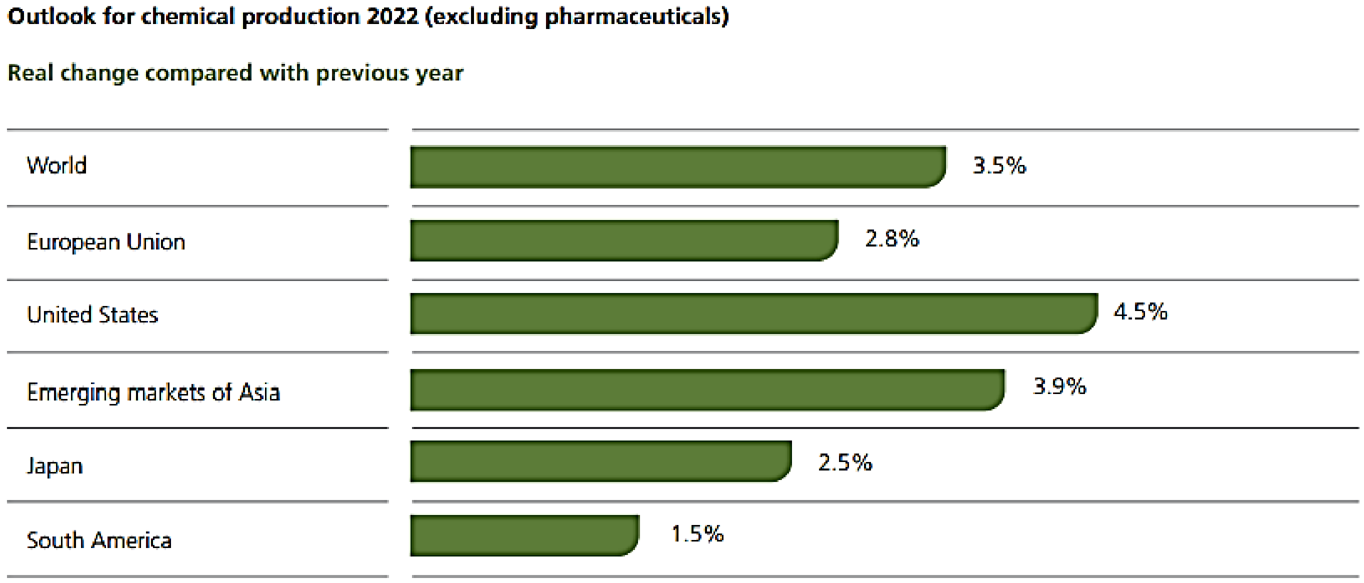


Source: MOFSL

Global Chemicals industry – An overview and outlook

- China accounted for the largest share of the USD5,027b global Chemicals market in CY20, with a share of 39%, followed by the US (15%). India's market share was 4% in the said market. **The global market is expected to grow to USD6,780b in CY25, a CAGR of 6.2%.**
- Global Chemical production (excluding Pharmaceuticals) grew 6.1% in CY21, and is expected to grow at 3.5% in CY22, slower than the preceding fiscal, but faster than the average of years in the pre-pandemic period.
- The US is set to grow faster (4.5%) than the world (3.5%) in CY22, topping emerging markets in Asia as the fastest growing region in CY21. Emerging markets are expected to grow by 3.9% in CY22, with the EU/Japan growing at 2.8%/2.5%. **Global chemical production in CY22 is expected to be almost 10% above CY19 levels.**

Exhibit 3: US to grow at a much faster rate v/s RoW; expect above-average growth in emerging markets in Asia



Source: Company, MOFSL

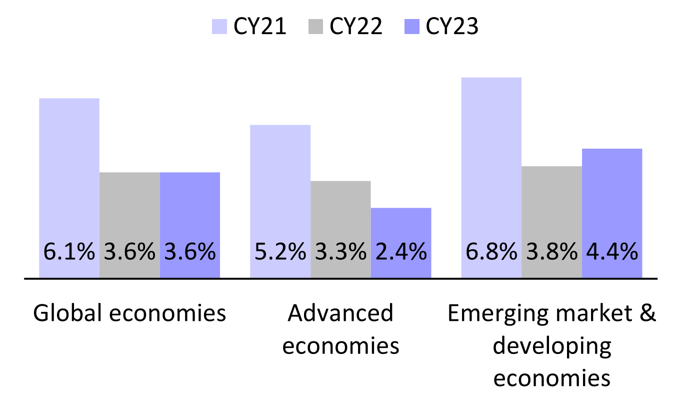
The Indian Chemicals industry – An overview

- The Indian economy recovered in FY22, led by a favorable monetary policy, vaccination drives, and notable structural advancements. India's GDP grew 8.7% in CY22. Exports saw robust growth on the back of a low base, spurt in oil prices, and strong external demand.
- **The industry's performance in FY22 was characterized by declining gross and EBITDA margin as raw materials costs and operating costs surged.** Production cuts in China, due to energy prices and unavailability of major raw materials on account of supply-chain constraints, was another issue affecting the industry's performance in FY22.
- The Indian Chemical industry was estimated to have a market value of USD178b in CY19, and is expected to reach USD304b by CY25, a CAGR of 9.3%. **India will gain from the China+1 strategy as MNCs look for an alternate supplier in order to avoid further supply disruptions.**

Opportunities in the Indian Chemicals industry

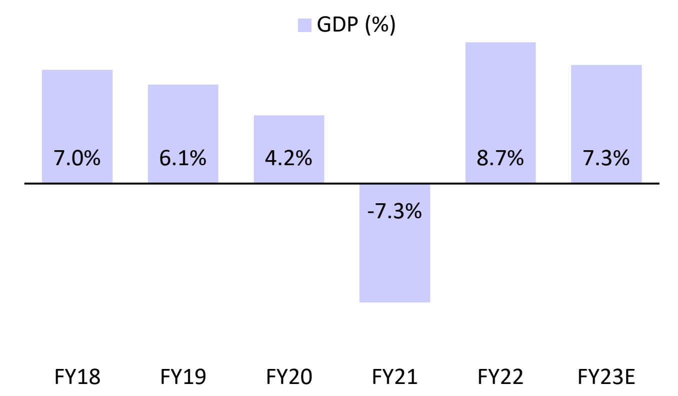
- The Government of India (GoI) has permitted 100% FDI in the Chemicals sector under the automatic route, with the exception of a few hazardous chemicals. India witnessed an FDI of USD19b over Apr'00-Dec'21.
- R&D is of utmost importance in this sector. Companies are innovating with new molecules and chemistries to give them a competitive edge. The GoI is expected to come up with a National Chemical Policy that will strive to streamline and promote R&D within the sector.
- Use of technology and data analytics is estimated to increase a company's PAT by 3-5%. Expansion of the middle-class will lead to a dramatic change in demand for items like food, clothing, and transportation. Additional PLI schemes by the GoI is expected to drive growth of the Indian Chemicals sector.

Exhibit 4: Expect the global economy to slow down in CY22…



Source: IMF World Economic Outlook, Apr'22, MOFSL

Exhibit 5: …and India's GDP to grow at 7.3% in FY23



Source: IMF World Economic Outlook, Apr'22, MOFSL

The Indian Specialty Chemicals market – A bird's eye view

- According to Indian Chemical News, the Indian Specialty Chemical market constitutes ~20% of the total market in India and has been playing a crucial role in the growth story of the industry as a whole.
- The Indian Specialty Chemicals industry is expected to grow to USD60b in FY23 from USD40b in FY20 (13% CAGR v/s expected global average CAGR of 5%).
- The outlook for the industry is favorable due to the following tailwinds:
  - Robust domestic demand across end-user industries, led by rising domestic consumption, strong export growth, and growing import substitution.
  - India is becoming a manufacturing hub, including contract and custom synthesis for Specialty Chemicals, both for domestic as well as the international markets.
  - The China+1 strategy is gaining momentum as major Chemical producers strive to reduce their reliance on China, which, in turn, should benefit Indian companies.

Related-party transactions

- VO entered into related-party transactions with Veeral Additives Pvt., Veeral Alkalis, and Suchir Chemicals Pvt. for the sale and purchase of goods among others. All of the transactions were done at arm's length.
- The largest related-party transaction pertains to a loan offered by VO to Veeral Additives Pvt. to the tune of INR1.2b. Interest income from Veeral Additives was INR120m.
- VO also sold products worth INR164m to Veeral Additives Pvt. The remaining transactions were of a much smaller quantum. These transactions were undertaken in the ordinary course of the business.
- The company also recorded a dividend payment of INR285m from Suchir Chemicals Pvt. in FY22 v/s INR22m in FY21.

Exhibit 6: Related-party transactions, among others, by VO in FY22 (INR m)

Particulars	Related party	Transaction amount	Balance as on FY22
Sale of goods	Veeral Additives	163.6	61.8
Purchase	Veeral Additives	2.5	0.0
Rent of immovable property	Veeral Additives	0.5	-
Interest income	Veeral Additives	120.4	115.4
Loan given	Veeral Additives	1,204.8	2,523.4
Sales of goods	Viral Alkalis	0.1	-
Purchase	Viral Alkalis	12.9	-
Rent on immovable property	Viral Alkalis.	0.5	-
Dividend payment	Suchir Chemicals	285.3	-

Source: Company, MOFSL

Corporate social responsibility

- VO's CSR focus is aimed at encouraging education, rural development, skilling, entrepreneurship, and employment as it seeks to help people and communities bridge the opportunity gap.
- **In FY22, VO spent ~1% of its PAT on various CSR activities**, such as:
  - Contribution to the SRCC Children's Hospital in Maharashtra, focusing on cardiology, cochlear implant, medical management, neurology, oncology, orthopedics, investigation, and surgery.
  - Through Vinati Organics Young Women Merit Scholarship program, VO aims to empower young girls, via financial assistance, to seek the required academic support, coaching, and resources.
  - It supported two essential projects in Akloli village in Vajreshwari in the Palghar district of Maharashtra by providing solar street lights and solar water pump system to residents of the village.
- CSR spends stood at INR45m (v/s INR28m in FY21), which was **less than the required** 2% of its average net profit (INR4b) over the past three years. The unspent amount has been transferred into a separate bank account: the unspent corporate social responsibility account (UCSRA).

Exhibit 7: Details of CSR spending in FY22 (INR m)

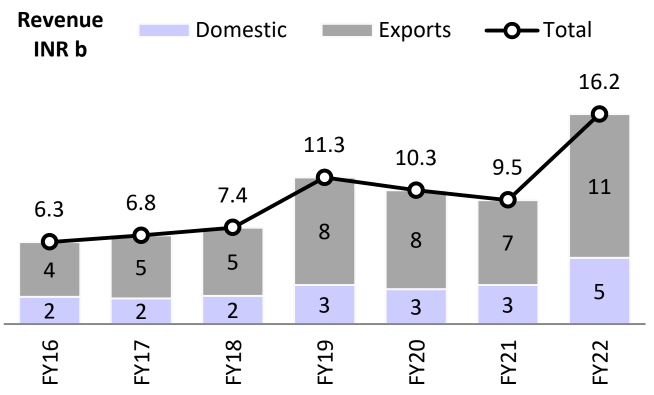
Particulars	FY22	FY21
Gross amount required to be spent by the company	79	70
The amount spent by VO during the fiscal on purposes other than construction and acquisition of assets	45	28
Shortfall at the end of the fiscal	34	42
Total shortfall in the preceding fiscal	2	-
Reason for the shortfall	Pertains to on-going projects.	
Nature of CSR Activities	Promoting education, healthcare, destitute care and rehabilitation, environment sustainability, disaster relief, COVID-19 relief, and rural development projects	

Source: Company, MOFSL

R&D expenditure

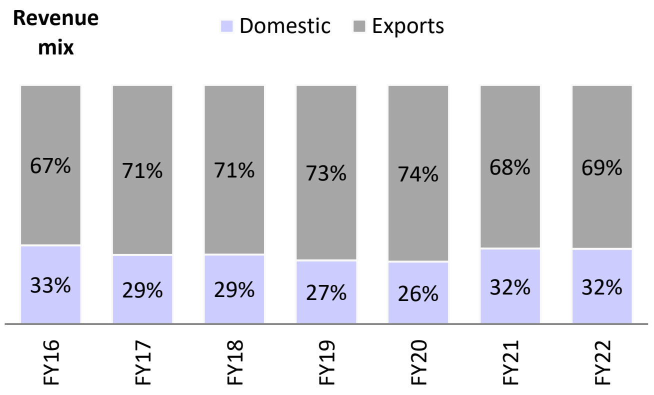
- R&D on new projects and products stands strong, with the team working on 10-12 products on an average at a single time. Most of these are niche with unique chemistries. **The management said that five years down the line the new products will add value to its stakeholders.**
- VO has been able to launch new products and develop new processes because of the high priority given to R&D. **The team has been to recover pure NBB at Mahad, manufacture Tertiary Butyl Acrylamide, and recover ATFE Bottom Polymers at its Lote facility.**
- The management will continue to invest in R&D, with an emphasis on adopting products and processes to improve performance, and be more environmentally friendly in order to meet its customer needs.

Exhibit 8: Revenue up 69% in FY22



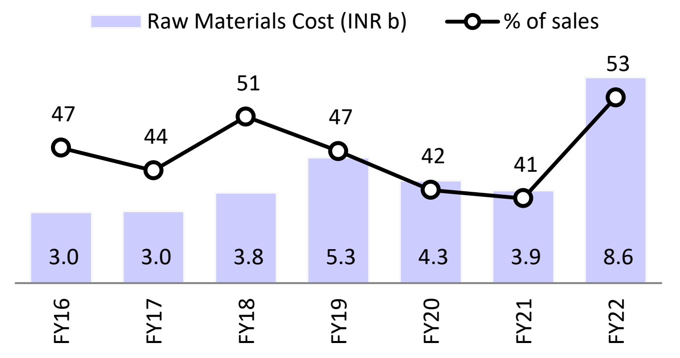
Source: Company, MOFSL

Exhibit 9: Share of exports stood at 69% in FY22



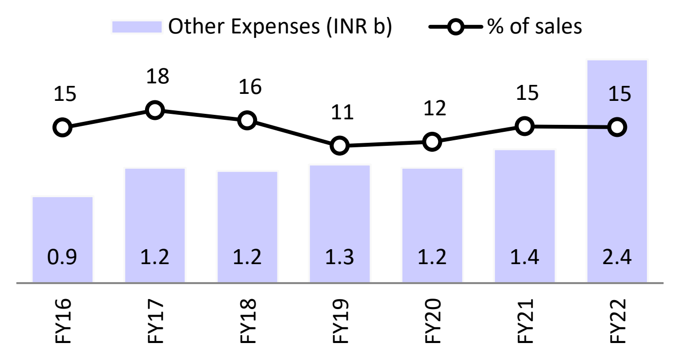
Source: Company, MOFSL

Exhibit 10: FY22 saw an unprecedented surge in RM prices…



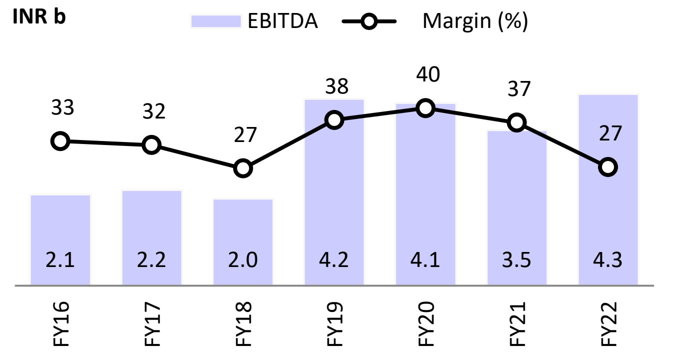
Source: Company, MOFSL

Exhibit 11: …while other expenses rose 67% YoY



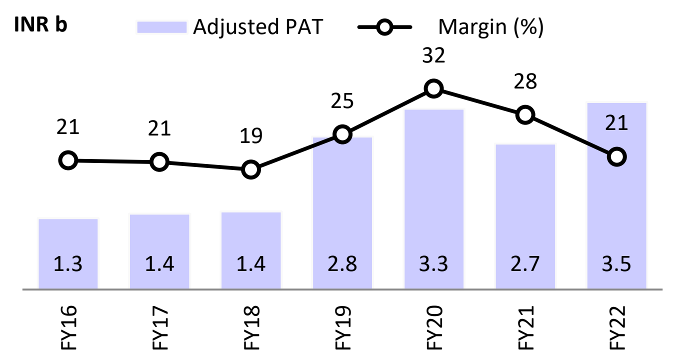
Source: Company, MOFSL

Exhibit 12: EBITDAM fell 10pp in FY22…



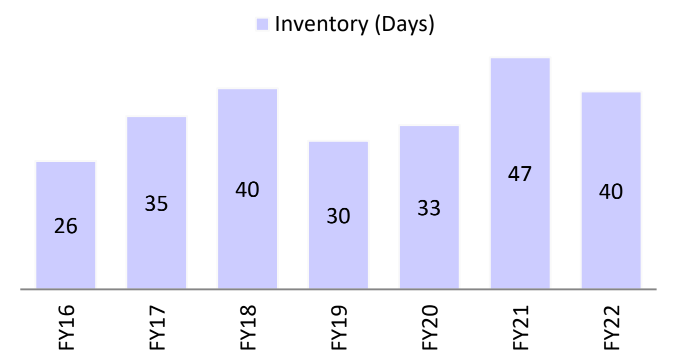
Source: Company, MOFSL

Exhibit 13: …while reported PAT rose 29%



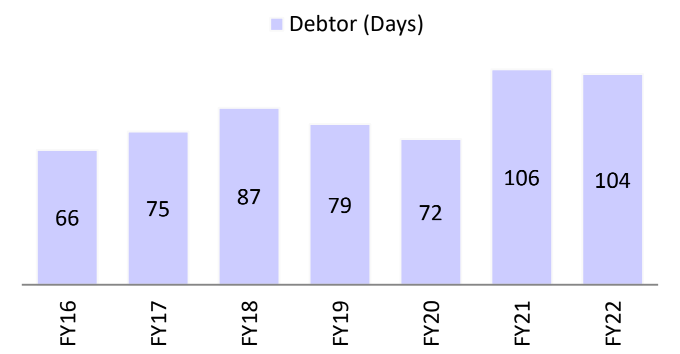
Source: Company, MOFSL

Exhibit 14: Inventory days down to 40…



Source: Company, MOFSL

Exhibit 15: …and debtor days at 104 in FY22



Source: Company, MOFSL

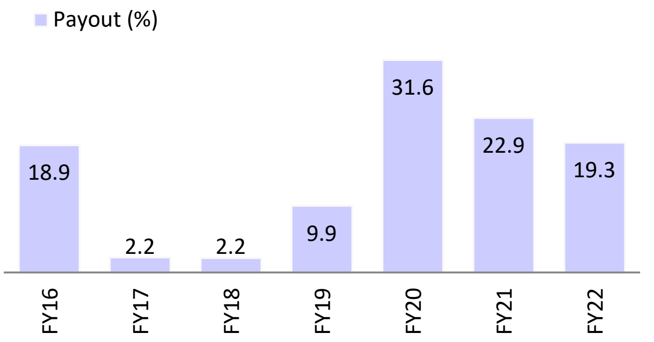
Exhibit 16: WC days at 117 days in FY22 from 127 days in FY21 on account of lower inventory days

Cash conversion cycle (year-end basis)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Days										
Inventory	36	24	26	26	35	40	30	33	47	40
Debtor	75	60	61	66	75	87	79	72	106	104
Creditor	10	7	10	13	18	31	17	20	25	26
Cash conversion cycle	**100**	**77**	**77**	**79**	**93**	**96**	**92**	**85**	**127**	**117**

Source: Company, MOFSL

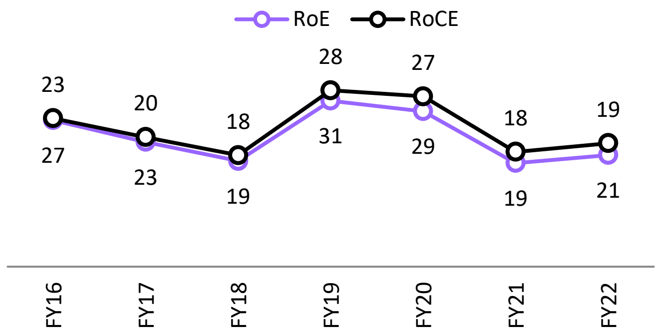
- VO paid out a dividend of INR6.5/share in FY22 v/s INR6/share in FY21, a payout of ~19% v/s ~23% in FY21.
- EPS stood at INR34/share in FY22, implying a YoY increase of 29%. The P/E multiple stood at 66x.
- The dividend yield currently stands at 0.3%, with RoE at 21%.
- Asset turnover stood at 0.8x in FY22. Debtor days stood at 104 days in FY22 from 106 days in FY21.

Exhibit 17: Payout ratio fell to ~19% in FY22…



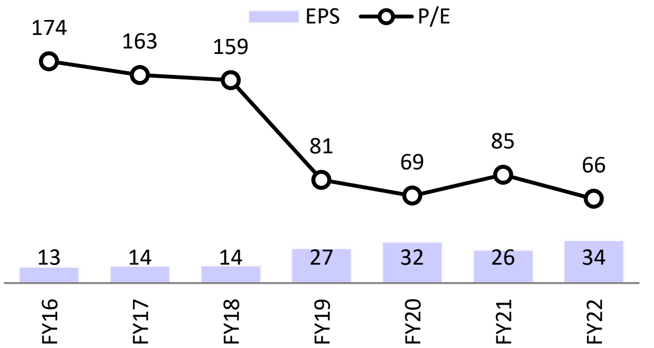
Source: Company, MOFSL

Exhibit 18: …whereas return ratios were better than in FY22



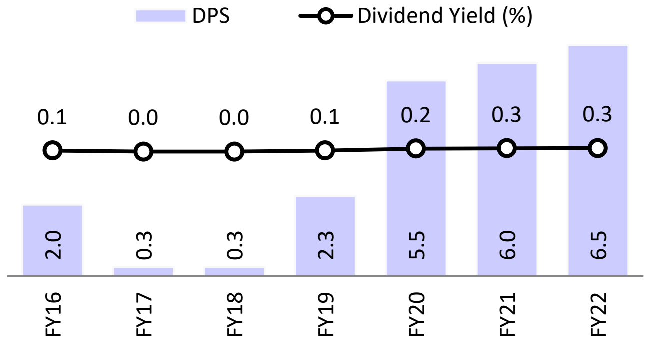
Source: Company, MOFSL

Exhibit 19: EPS stood at INR34 in FY22…



Source: Company, MOFSL

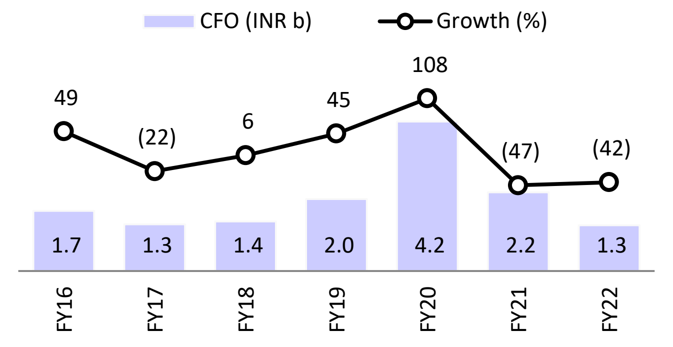
Exhibit 20: …while DPS stood at INR6.5



Source: Company, MOFSL

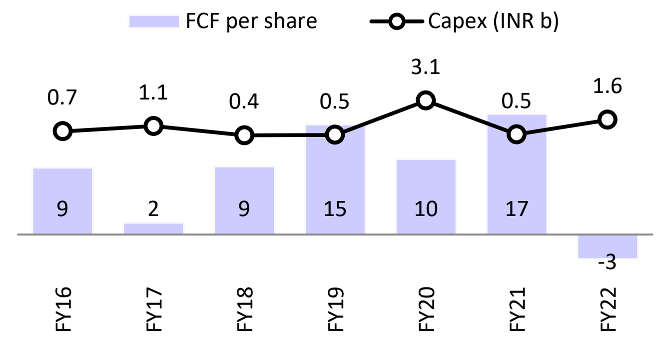
- Cash flow from operations (CFO) fell 42% YoY to INR1.3b in FY22.
- Higher capex in FY22 compared to FY21 led to FCF being negative for the fiscal. Capex undertaken stood at INR1.6b.

Exhibit 21: CFO fell 42% to INR1.3b in FY22…



Source: Company, MOFSL

Exhibit 22: …while higher capex leads to a decrease in FCF



Source: Company, MOFSL

- Foreign exchange earned stood at INR11b in FY22 (v/s INR7b in FY21), while the outgo was INR2.4b (v/s INR850m in FY21).
- The median remuneration of employees saw a percentage increase of 8.7% in FY22 v/s FY21. The company has 1,009 permanent employees on the payroll currently (an addition of 56 employees in FY22).
- The remuneration for VO's MD and CEO – Ms. Vinati Saraf Mutreja – stood at ~INR13.7m in FY22 (v/s INR12.5m in FY21).

Exhibit 23: Remunerations of directors and key management personnel in FY22

Name of the KMP	Designation	Remuneration (INR m)	Increase	As a percentage of FY22 revenue	As a percentage of FY22 net PBT
Mr. Vinod Saraf	Chairman	18.4	10%	11%	41%
Ms. Vinati Saraf Mutreja	MD and CEO	13.7	10%	8%	30%
Ms. Viral Saraf Mittal	Director – CSR	7.8	10%	5%	17%
Mr. Jayesh Ashar	Director – Operations	11.2	9%	7%	25%
Mr. N. K. Goyal	CFO	8.8	10%	5%	20%
Mr. Milind Wagh	Company Secretary	3.3	10%	2%	7%

Source: Company, MOFSL

Financials and valuations

Standalone Income Statement								(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Total Income from Operations	**6,813**	**7,422**	**11,279**	**10,289**	**9,543**	**16,155**	**19,760**	**25,103**
Change (%)	8.0	8.9	52.0	-8.8	-7.3	69.3	22.3	27.0
Gross Margin (%)	55.9	49.1	53.4	58.3	59.4	46.7	47.0	47.0
EBITDA	**2,170**	**1,973**	**4,234**	**4,139**	**3,525**	**4,341**	**5,747**	**7,663**
Margin (%)	31.8	26.6	37.5	40.2	36.9	26.9	29.1	30.5
Depreciation	216	234	274	332	429	455	550	677
EBIT	**1,953**	**1,739**	**3,960**	**3,808**	**3,096**	**3,886**	**5,197**	**6,986**
Int. and Finance Charges	19	12	9	11	2	3	20	20
Other Income	125	307	302	450	259	610	746	947
PBT bef. EO Exp.	**2,060**	**2,034**	**4,252**	**4,247**	**3,353**	**4,493**	**5,923**	**7,914**
PBT after EO Exp.	**2,060**	**2,034**	**4,252**	**4,247**	**3,353**	**4,493**	**5,923**	**7,914**
Total Tax	657	595	1,428	908	659	1,026	1,491	1,992
Tax Rate (%)	31.9	29.3	33.6	21.4	19.7	22.8	25.2	25.2
Reported PAT	**1,403**	**1,439**	**2,825**	**3,338**	**2,693**	**3,467**	**4,432**	**5,922**
Adjusted PAT	**1,403**	**1,439**	**2,825**	**3,338**	**2,693**	**3,467**	**4,432**	**5,922**
Change (%)	6.6	2.6	96.3	18.2	-19.3	28.7	27.8	33.6
Margin (%)	20.6	19.4	25.0	32.4	28.2	21.5	22.4	23.6

Standalone Balance Sheet								(INR m)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
Equity Share Capital	103	103	103	103	103	103	103	103
Total Reserves	6,697	7,864	10,410	12,691	15,331	18,179	21,757	26,537
Net Worth	**6,800**	**7,967**	**10,513**	**12,794**	**15,434**	**18,281**	**21,859**	**26,640**
Total Loans	23	152	37	3	20	189	800	1,250
Deferred Tax Liabilities	696	809	846	705	779	900	900	900
Capital Employed	**7,519**	**8,927**	**11,395**	**13,502**	**16,234**	**19,370**	**23,560**	**28,790**
Gross Block	4,892	5,023	5,473	8,551	9,045	10,675	13,175	16,175
Less: Accum. Deprn.	216	454	728	1,060	1,489	1,944	2,494	3,171
Net Fixed Assets	**4,676**	**4,569**	**4,745**	**7,491**	**7,557**	**8,732**	**10,682**	**13,005**
Capital WIP	74	349	1,912	310	547	473	473	473
Total Investments	**618**	**1,317**	**965**	**2,274**	**2,887**	**979**	**979**	**979**
Curr. Assets, Loans, and Adv.	**2,843**	**3,565**	**4,654**	**4,355**	**6,345**	**10,714**	**13,294**	**16,707**
Inventory	651	822	924	932	1,219	1,762	2,155	2,737
Account Receivables	1,405	1,771	2,440	2,018	2,772	4,584	5,607	7,123
Cash and Bank Balance	48	52	38	537	68	43	242	125
Cash and liquid investments	621	1,318	492	1,586	1,762	11	242	125
Bank Balance	45	52	38	0	52	33	0	0
Loans and Advances	740	919	1,252	869	2,285	4,326	5,291	6,722
Curr. Liability and Prov.	**693**	**872**	**881**	**927**	**1,102**	**1,527**	**1,868**	**2,373**
Account Payables	327	635	531	557	664	1,146	1,401	1,780
Other Current Liabilities	338	174	211	213	391	328	401	509
Provisions	27	64	139	157	47	54	66	83
Net Current Assets	**2,151**	**2,693**	**3,774**	**3,428**	**5,243**	**9,187**	**11,426**	**14,334**
Appl. of Funds	**7,519**	**8,927**	**11,395**	**13,502**	**16,234**	**19,371**	**23,560**	**28,790**

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	**13.6**	**14.0**	**27.5**	**32.5**	**26.2**	**33.7**	**43.1**	**57.6**
EPS Growth (%)	**6.6**	**2.6**	**96.3**	**18.2**	**-19.3**	**28.7**	**27.8**	**33.6**
Cash EPS	15.7	16.3	30.1	35.7	30.4	38.2	48.5	64.2
BV/Share	66.2	77.5	102.3	124.5	150.2	177.9	212.7	259.2
DPS	0.3	0.3	2.3	5.5	6.0	6.5	8.3	11.1
Payout (%)	2.2	2.2	9.9	31.6	22.9	19.3	19.3	19.3
Valuation (x)								
P/E ratio	164.1	160.0	81.5	68.9	85.5	66.4	51.9	38.9
Cash P/E ratio	142.2	137.6	74.3	62.7	73.7	58.7	46.2	34.9
P/BV ratio	33.8	28.9	21.9	18.0	14.9	12.6	10.5	8.6
EV/Sales ratio	33.8	31.0	20.4	22.3	24.1	14.3	11.7	9.2
EV/EBITDA ratio	106.1	116.7	54.4	55.5	65.3	53.1	40.1	30.2
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.3	0.3	0.4	0.5
FCF per share	1.6	9.4	15.1	10.4	16.5	-3.4	13.9	19.7
Return Ratios (%)								
RoE	23.0	19.5	30.6	28.6	19.1	20.6	22.1	24.4
RoCE	20.5	17.6	27.9	26.9	18.1	19.5	20.7	22.7
RoIC	22.0	17.6	33.5	31.7	21.5	19.6	19.6	21.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.6	1.6	2.4	1.7	1.3	2.0	2.0	2.1
Asset Turnover (x)	0.9	0.8	1.0	0.8	0.6	0.8	0.8	0.9
Inventory (Days)	35	40	30	33	47	40	40	40
Debtor (Days)	75	87	79	72	106	104	104	104
Creditor (Days)	18	31	17	20	25	26	26	26
Leverage Ratio (x)								
Current Ratio	4.1	4.1	5.3	4.7	5.8	7.0	7.1	7.0
Net Debt/Equity ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Standalone Cash Flow Statement **(INR m)**

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	2,060	2,034	4,252	4,247	3,353	4,493	5,923	7,914
Depreciation	216	254	274	332	429	455	550	677
Direct Taxes Paid	-535	-491	-1,262	-1,005	-607	-1,081	-1,491	-1,992
(Inc.)/Dec. in WC	-380	-316	-1,138	811	-874	-2,257	-1,075	-1,594
CF from Operations	**1,304**	**1,384**	**2,003**	**4,159**	**2,190**	**1,271**	**3,927**	**5,025**
(Inc.)/Dec. in FA	-1,136	-422	-450	-3,094	-490	-1,618	-2,500	-3,000
Free Cash Flow	**168**	**962**	**1,553**	**1,065**	**1,700**	**-347**	**1,427**	**2,025**
Change in Investments	695	1	-442	-674	127	267	0	0
Others	173	33	-1,534	1,793	-1,619	-1,206	-965	-1,431
CF from Investments	**-268**	**-388**	**-2,427**	**-1,975**	**-1,982**	**-2,558**	**-3,465**	**-4,431**
Issue of Shares	0	-240	0	0	0	0	0	0
Inc./(Dec.) in Debt	-396	0	0	0	17	164	611	450
Interest Paid	-16	-11	-9	-11	-2	-3	-20	-20
Dividend Paid	-35	-32	-278	-1,046	-55	-618	-854	-1,141
CF from Fin. Activity	**-451**	**-298**	**-403**	**-1,090**	**-31**	**-464**	**-263**	**-711**
Inc./Dec. in Cash	**585**	**697**	**-826**	**1,094**	**176**	**-1,751**	**199**	**-117**
Opening Balance	35	621	1,318	492	1,586	1,762	43	242
Closing Balance	**621**	**1,318**	**491**	**1,585**	**1,762**	**10**	**242**	**125**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL , including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore.As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
5 Research Analyst has not served as director/officer/employee in the subject company
6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

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. This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL 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. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-71881085.

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN.: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products. Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.