

# Greenlam Industries

## Entry into new segments to fuel growth

We hosted Greenalm Industries management for non-deal roadshow in Mumbai. Industry demand continues to stay sub-par; its revival will take time. Laminate input costs are expected to remain stable, so management is confident of maintaining a 15-16% EBITDA margin in this segment. The ply segment is ramping up and is expected to break even in H2FY25. Management expects a low EBITDA margin for the ply segment in FY25 and targets a 10-12% margin in FY27 at optimal utilisation. The greenfield particle board (292K CBM) is expected to be commissioned by Q3FY25, costing INR 8.75bn. Management expects to ramp up this plant fully in FY28 (the fourth year of commissioning). It expects 20-25% EBITDA margin at optimum utilisation. The performance of other segments like veneer, floor and door is expected to improve further. The company believes the announced capex can generate INR 40-42bn in revenue (1.5x FY24 revenue). We expect the company to grow in low double digits in the laminates segment (11% revenue CAGR during FY24-27E) and outperform industry growth. We also expect it to deliver strong margins in this segment. The ramp-up of newer businesses (ply and particle board) should drive consolidated revenue CAGR of 19% during FY24-27E. We estimate EBITDA/APAT CAGRs of 25/28% during the same time. We like Greenlam for its leadership positioning in laminates. However, we are cautious of plant ramp-up in the new ply and particle board segments (large capacities added in a short time). We expect net debt/EBITDA to gradually reduce from an elevated level of 3.2x in FY24 to a comfortable level of 1.5x in FY27E, owing to lower Capex and ramp-up of plants in new segments. We maintain our ADD rating on Greenlam, with a revised TP of INR 625/sh (33x Sep-26E EPS vs Mar-26E EPS earlier).

- Laminate segment outlook remains healthy:** Indian real estate demand has been strong for the last 2-3 years. Once these buildings reach the possession stage, demand for the company's wood products picks up. Management mentioned laminate plants are facing challenges in Europe and customers prefer to add another supplier from outside Europe, which augers well for the Indian laminate industry. It expects double-digit volume growth in laminates to continue for the next few years and guided its domestic and export laminate revenue split to remain similar. Greenlam considers itself a branded export player from India (own distribution, warehouse, and employees in other regions). Its key competitors in export markets are big international players and local manufacturers of that region.

Management expects no change in the laminate selling price due to stable raw material costs. Owing to the Red Sea issue, shipments are taking 2-3 weeks longer for most of its export sales (US, Europe, and Middle-East markets), which has led to a deferment in recording of INR 0.3-0.4bn revenue in FY24. Management is confident of delivering a 55/15-16% gross/EBITDA margin in the laminate segment. Its laminate facility can run at 110% capacity utilisation (crossed this level in FY15), so capacity constraints won't be an issue. The company has space to undertake brownfield expansions in laminate at Prantij, Gujarat and Naidupeta, AP. The same can be undertaken as and when required and shall be completed within a short span to time. Prantij is currently operating at optimum utilisation (domestic-focused). The Naidupeta plant (commissioned in Q2FY24) operated at 42% utilisation (export-focused) and turned EBITDA positive in Q4FY24.

**ADD**

|                          |         |
|--------------------------|---------|
| CMP (as on 21 June 2024) | INR 614 |
| Target Price             | INR 625 |
| NIFTY                    | 23,501  |

| KEY CHANGES    | OLD          | NEW          |
|----------------|--------------|--------------|
| Rating         | ADD          | ADD          |
| Price Target   | INR 585      | INR 625      |
| EPS revision % | FY25E<br>0.0 | FY26E<br>0.1 |

### KEY STOCK DATA

|                              |             |
|------------------------------|-------------|
| Bloomberg code               | GRLM IN     |
| No. of Shares (mn)           | 128         |
| MCap (INR bn) / (\$ mn)      | 78/938      |
| 6m avg traded value (INR mn) | 45          |
| 52 Week high / low           | INR 662/388 |

### STOCK PERFORMANCE (%)

|              | 3M   | 6M   | 12M  |
|--------------|------|------|------|
| Absolute (%) | 32.0 | 12.8 | 37.8 |
| Relative (%) | 25.7 | 3.9  | 16.3 |

### SHAREHOLDING PATTERN (%)

|                 | Dec-23 | Mar-24 |
|-----------------|--------|--------|
| Promoters       | 50.98  | 50.98  |
| FIs & Local MFs | 15.54  | 15.56  |
| FPIs            | 1.28   | 1.36   |
| Public & Others | 32.20  | 32.10  |

|                |   |   |
|----------------|---|---|
| Pledged Shares | - | - |
|----------------|---|---|

Source : BSE

Pledged shares as % of total shares

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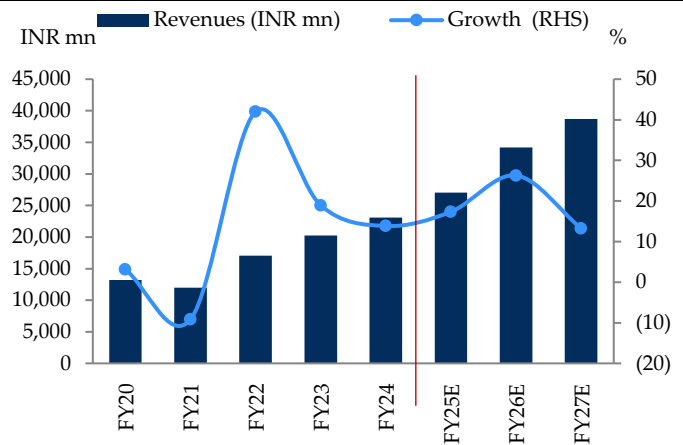
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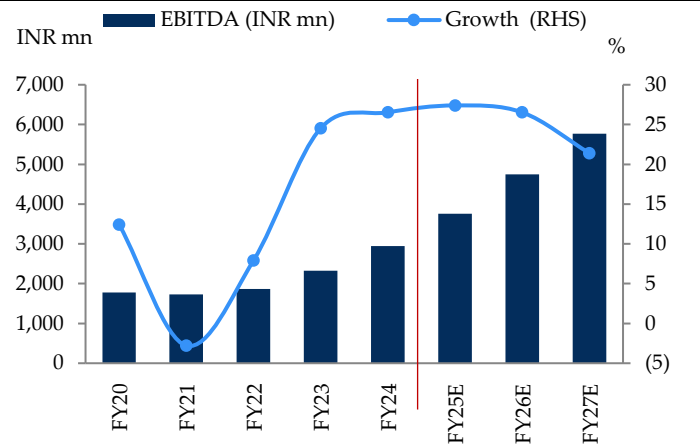
- **Ply segment ramping up:** Greenlam entered the ply segment in Jun-23 with a capacity of 18.9mn SQM at Tamil Nadu by incurring a capex of INR 1.3bn (revenue potential INR 4bn). Ply plant operated at 23% utilisation in Q4FY24 by catering only to South India markets. Eventually, it aspires to be a pan-India ply player (entered Maharashtra market from Apr-24). To pass on increasing timber prices, the company plans to increase its ply price. Management expects it to turn EBITDA break-even in H2FY25, once capacity utilisation hits 50%. Hence, management expects a low EBITDA margin in FY25 and targets a 10-12% margin in FY27 at optimal utilisation. It has different sales teams for the ply and laminate segments. In future, it plans to become a pan-India player in this segment.
- **Entry in a new segment – particle board:** The greenfield particle board (292K CBM) is expected to be commissioned by Q3FY25, costing INR 8.75bn. At 45-50% capacity utilisation, this plant will hit EBITDA break-even. Management is targeting 50/70-75% capacity utilisation in FY26/27E and will operate at optimum utilisation in FY28. The revenue potential for the particle board plant at current prices is INR 7.5bn with prelam sales of more than 80%. The company plans to maximise pre-lam board sales. It expects 20-25% EBITDA margin at optimum utilisation. We expect the particle board segment to speed up the company's growth rates. However, it will dilute return ratios.
- **Veneer and door segment performance to improve:** Veneer is a niche segment, and the company believes it goes well with its other products. Ply and veneer have similar distribution networks. The door is a large segment; however, so far, the company has not been able to crack it. From Q3FY24, the door segment turned EBITDA positive. These segments continue to operate at low-capacity utilisation, so they won't need additional capital infusion. In FY24, capacity utilisation of veneer/door/floor was low at 34/16/12% respectively.
- **Capex and debt:** The company believes announced capex can generate 1.5x FY24 revenue INR 40-42bn (2/3<sup>rd</sup> from the laminate segment). As the ply and particle board segments will take time to ramp up, no major capex is expected in these segments for the next two years (except INR 2.5bn for ongoing particle board expansion in FY25). In the laminate segment, it has enough room to fulfil demand for at least four years through brownfield expansion. Last year, it bought a large 90-acre land in UP for future expansion costing INR 0.25bn. This is agricultural land, and its conversion to industrial land will take time. Inventory days for the ply/particle board segment are lower compared to laminates. However, payable days for the ply/particle board segment too are lower compared to laminates. So, overall net working capital days are expected to remain stable at ~60 days. Management expects net debt to increase by ~INR 1bn in FY25 owing to ongoing particle board expansion (net debt won't exceed INR 9.5bn). We expect net debt/EBITDA to gradually reduce from an elevated level of 3.2x in FY24 to a comfortable level of 1.5x in FY27E, owing to lower Capex and ramp-up of plants in new segments.
- **Laminate outlook positive, ply and particle board segments' ramp-up remains key monitorable:** Management expects 20% consolidated revenue growth in FY25. We expect the company to outperform laminates industry growth and deliver strong margins in this segment. We expect an 11% revenue CAGR in the laminate segment during FY24-27E. Owing to entry into the new ply and particle board segments, we expect a strong 19% revenue CAGR during FY24-27E at the consolidated level. We estimate 25/28% EBITDA/APAT CAGRs for the same period. We like Greenlam for its leadership positioning in laminates. However, we are cautious of plant ramp-up in the new ply and particle board segments (large capacities added in a short period). We maintain our FY25/26 APAT estimates and introduce FY27 numbers. We are rolling forward our valuation to Sep-26E (vs Mar-26E currently) and maintaining our ADD rating with a revised TP of INR 625/sh (33x Sep-26E EPS).

We expect strong 19% revenue CAGR during FY24-27E owing to strong volume growth in laminates segment and contribution from new segments...



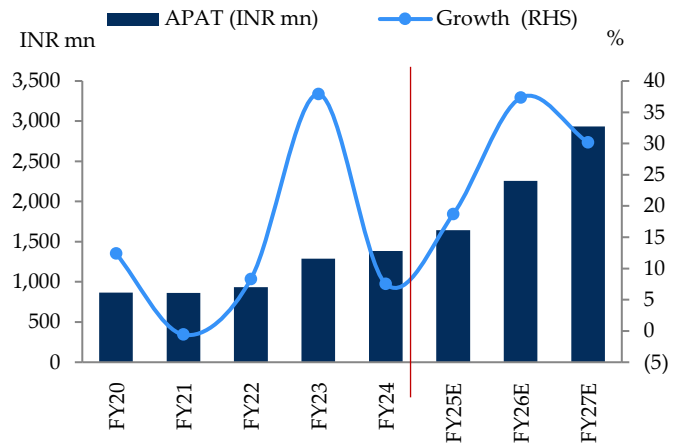
Source: Company, HSIE Research

...EBITDA to grow at 25% CAGR led by strong revenue growth and improvement in laminate segment margin



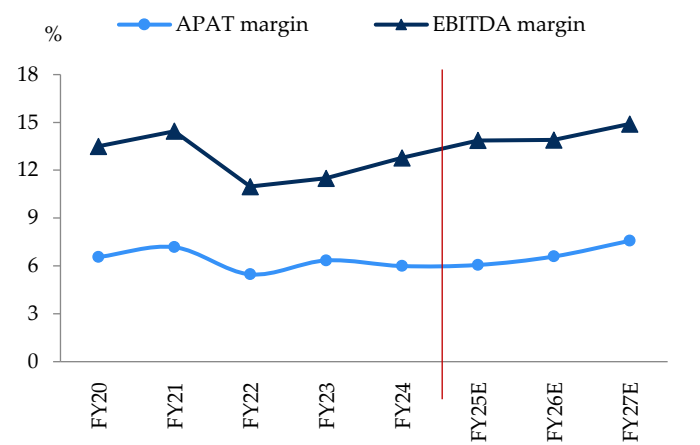
Source: Company, HSIE Research

APAT to grow strongly in line with margins (28% CAGR during FY24-27E)



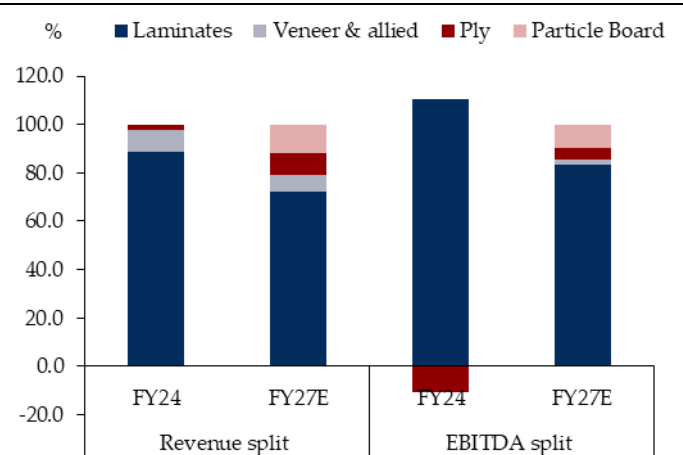
Source: Company, HSIE Research

Margins are expected to improve



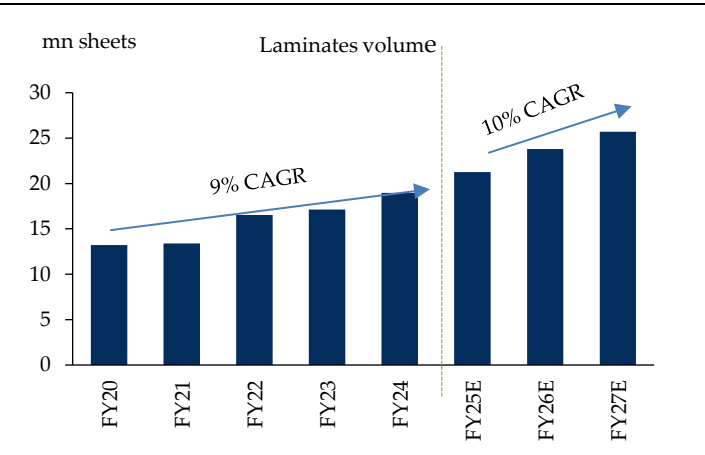
Source: Company, HSIE Research

New segment ply and particle board together are expected to contribute 21/14% in revenue/EBITDA mix in FY27E



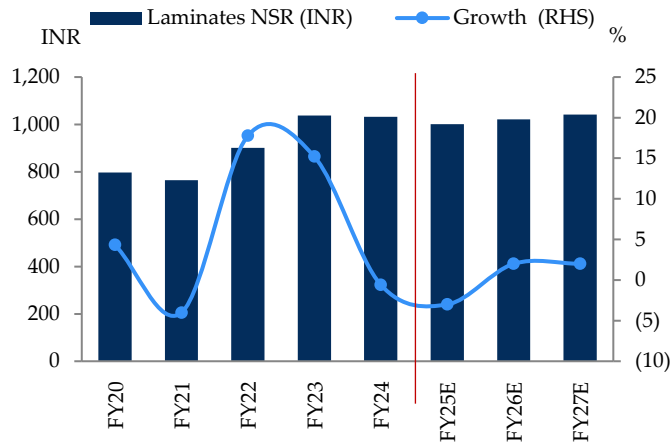
Source: Company, HSIE Research

Laminates sales volume are expected to grow at 10% CAGR during FY24-27E



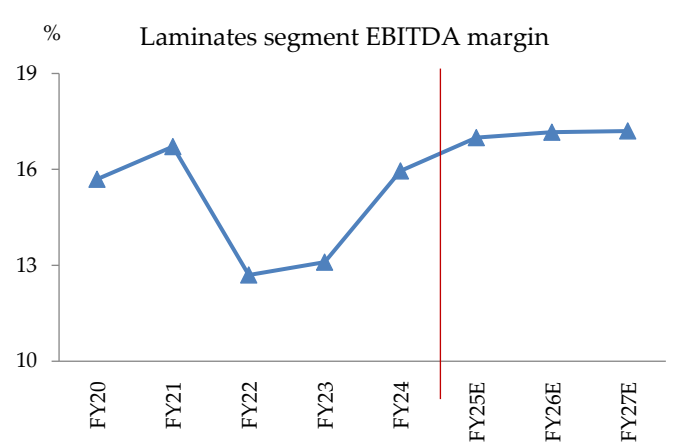
Source: Company, HSIE Research

We expect no major change in laminates realisation during FY24-27E, owing to benign input cost...



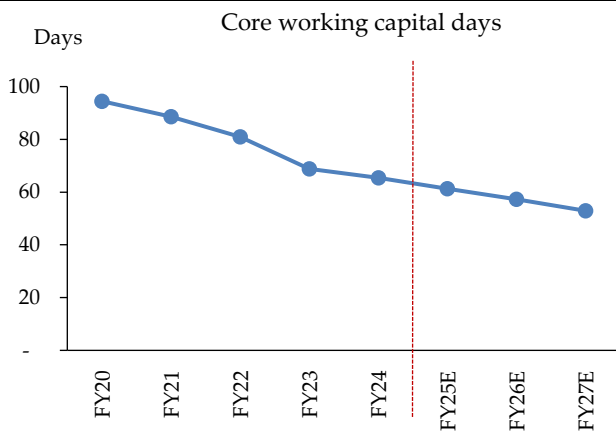
Source: Company, HSIE Research

...laminates segment margin will increase owing to higher value-added product sales and op-lev gain



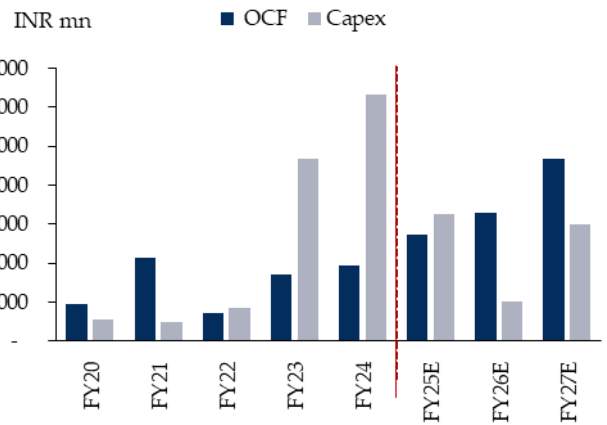
Source: Company, HSIE Research

The company is tightening its working capital cycle



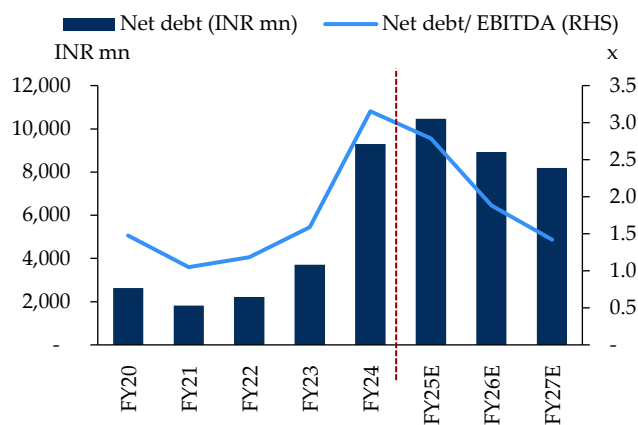
Source: Company, HSIE Research

Capex pace will slow down during FY26/27, so OCF will be higher than capex during these years



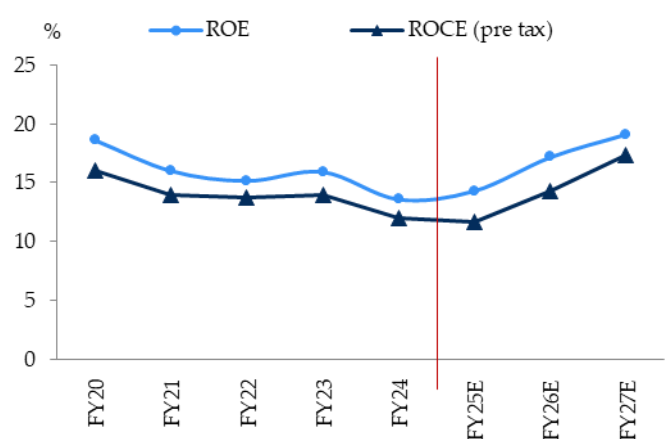
Source: Company, HSIE Research

In our view, net debt/EBITDA peaked out in FY24



Source: Company, HSIE Research

Healthy return ratios



Source: Company, HSIE Research

**Key operational assumptions (consolidated)**

| Segmental performance       | FY22   | FY23    | FY24    | FY25E   | FY26E   | FY27E   |
|-----------------------------|--------|---------|---------|---------|---------|---------|
| <b>Laminates and allied</b> |        |         |         |         |         |         |
| Sales volume (mn sheets)    | 16.5   | 17.1    | 19.0    | 21.2    | 23.8    | 25.7    |
| Volume growth YoY %         | 23.5   | 3.6     | 10.7    | 12.0    | 12.0    | 8.0     |
| NSR (INR)                   | 941.5  | 1,081.3 | 1,075.2 | 1,044.3 | 1,064.3 | 1,084.7 |
| YoY change %                | 18.3   | 14.9    | -0.6    | -2.9    | 1.9     | 1.9     |
| Unit EBITDA (INR)           | 119.5  | 141.7   | 171.6   | 177.5   | 182.7   | 186.6   |
| Revenue (INR mn)            | 15,563 | 18,523  | 20,397  | 22,187  | 25,326  | 27,877  |
| YoY change %                | 46.1   | 19.0    | 10.1    | 8.8     | 14.1    | 10.1    |
| EBITDA (INR mn)             | 1,976  | 2,427   | 3,255   | 3,771   | 4,347   | 4,795   |
| YoY change %                | 10.9   | 22.8    | 34.1    | 15.9    | 15.3    | 10.3    |
| OPM %                       | 12.7   | 13.1    | 16.0    | 17.0    | 17.2    | 17.2    |
| <b>Veneers and allied</b>   |        |         |         |         |         |         |
| Revenue (INR mn)            | 1,471  | 1,736   | 2,087   | 2,325   | 2,542   | 2,809   |
| YoY change %                | 9.5    | 18.0    | 20.2    | 11.4    | 9.4     | 10.5    |
| % of total revenues         | 8.6    | 8.6     | 9.0     | 8.6     | 7.4     | 7.3     |
| EBITDA (INR mn)             | -90    | -87     | -8      | 82      | 113     | 143     |
| % of total EBITDA           | -4.8   | -3.7    | -0.3    | 2.2     | 2.4     | 2.5     |
| EBITDA margin %             | -6.1   | -5.0    | -0.4    | 3.5     | 4.5     | 5.1     |
| <b>Plywood</b>              |        |         |         |         |         |         |
| Revenue (INR mn)            |        |         | 579     | 1,909   | 2,949   | 3,459   |
| YoY change %                |        |         | NA      | 229.6   | 54.5    | 17.3    |
| % of total revenues         |        |         | 2.5     | 7.1     | 8.6     | 8.9     |
| EBITDA (INR mn)             |        |         | -301    | -71     | 188     | 252     |
| % of total EBITDA           |        |         | -10.2   | -1.9    | 4.0     | 4.4     |
| EBITDA margin %             |        |         | -52.0   | -3.7    | 6.4     | 7.3     |
| <b>Particle board</b>       |        |         |         |         |         |         |
| Revenue (INR mn)            |        |         |         | 642     | 3,358   | 4,555   |
| YoY change %                |        |         |         | NA      | 422.7   | 35.7    |
| % of total revenues         |        |         |         | 2.4     | 9.8     | 11.8    |
| EBITDA (INR mn)             |        |         |         | -29     | 101     | 575     |
| % of total EBITDA           |        |         |         | -0.8    | 2.1     | 10.0    |
| EBITDA margin %             |        |         |         | -4.5    | 3.0     | 12.6    |

Source: Company, HSIE Research. NA – not applicable. Plywood sales started in FY24, Particle board sales are expected to commence in FY25

**Estimates revision summary (consolidated)**

| INR mn    | FY25E<br>Old | FY25E<br>Revised | Change<br>% | FY26E<br>Old | FY26E<br>Revised | Change<br>% |
|-----------|--------------|------------------|-------------|--------------|------------------|-------------|
| Net Sales | 27,063       | 27,063           | -           | 34,175       | 34,175           | -           |
| EBITDA    | 3,754        | 3,754            | -           | 4,750        | 4,750            | -           |
| APAT      | 1,642        | 1,642            | 0.0         | 2,254        | 2,255            | 0.1         |

Source: Company, HSIE Research

## Financials

### Consolidated Income Statement

| YE Mar (INR mn)                 | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenues</b>                 | <b>17,034</b> | <b>20,260</b> | <b>23,063</b> | <b>27,063</b> | <b>34,175</b> | <b>38,700</b> |
| <i>Growth %</i>                 | <i>42.0</i>   | <i>18.9</i>   | <i>13.8</i>   | <i>17.3</i>   | <i>26.3</i>   | <i>13.2</i>   |
| Raw Material                    | 9,443         | 10,793        | 10,875        | 15,286        | 19,482        | 22,152        |
| Power & Fuel                    | 539           | 739           | 812           | 953           | 1,204         | 1,363         |
| Freight Expense                 | 322           | 390           | 429           | 503           | 635           | 719           |
| Employee cost                   | 2,594         | 3,139         | 4,257         | 5,108         | 6,130         | 7,356         |
| Other Expenses                  | 2,265         | 2,871         | 3,744         | 1,458         | 1,974         | 1,344         |
| <b>EBITDA</b>                   | <b>1,870</b>  | <b>2,329</b>  | <b>2,947</b>  | <b>3,754</b>  | <b>4,750</b>  | <b>5,766</b>  |
| <i>EBITDA Margin (%)</i>        | <i>11.0</i>   | <i>11.5</i>   | <i>12.8</i>   | <i>13.9</i>   | <i>13.9</i>   | <i>14.9</i>   |
| <i>EBITDA Growth %</i>          | <i>7.9</i>    | <i>24.5</i>   | <i>26.5</i>   | <i>27.4</i>   | <i>26.5</i>   | <i>21.4</i>   |
| Depreciation                    | 585           | 632           | 871           | 1,183         | 1,415         | 1,485         |
| EBIT                            | 1,285         | 1,696         | 2,076         | 2,571         | 3,334         | 4,281         |
| Other Income                    | 73            | 180           | 217           | 110           | 120           | 126           |
| Interest                        | 141           | 235           | 443           | 520           | 544           | 594           |
| PBT                             | 1,217         | 1,641         | 1,849         | 2,161         | 2,910         | 3,812         |
| Tax                             | 286           | 361           | 469           | 519           | 655           | 877           |
| Minority Int                    | (2)           | (4)           | (4)           | -             | -             | -             |
| <b>RPAT</b>                     | <b>959</b>    | <b>1,284</b>  | <b>1,384</b>  | <b>1,642</b>  | <b>2,255</b>  | <b>2,935</b>  |
| EO (Loss) / Profit (Net Of Tax) | (26)          | -             | -             | -             | -             | -             |
| <b>APAT</b>                     | <b>933</b>    | <b>1,284</b>  | <b>1,384</b>  | <b>1,642</b>  | <b>2,255</b>  | <b>2,935</b>  |
| <i>APAT Growth (%)</i>          | <i>8.3</i>    | <i>37.6</i>   | <i>7.5</i>    | <i>18.7</i>   | <i>37.3</i>   | <i>30.1</i>   |
| AEPS                            | 7.7           | 10.1          | 10.8          | 12.9          | 17.7          | 23.0          |
| <i>AEPS Growth %</i>            | <i>8.3</i>    | <i>30.8</i>   | <i>7.5</i>    | <i>18.7</i>   | <i>37.3</i>   | <i>30.1</i>   |

Source: Company, HSIE Research

### Consolidated Balance Sheet

| YE Mar (INR mn)                    | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>SOURCES OF FUNDS</b>            |               |               |               |               |               |               |
| Share Capital                      | 121           | 127           | 128           | 128           | 128           | 128           |
| Reserves And Surplus               | 6,423         | 9,455         | 10,644        | 12,040        | 13,957        | 16,452        |
| <b>Total Equity</b>                | <b>6,544</b>  | <b>9,686</b>  | <b>10,772</b> | <b>12,168</b> | <b>14,085</b> | <b>16,579</b> |
| Long-term Debt                     | 2,214         | 4,263         | 7,336         | 7,336         | 5,836         | 5,836         |
| Short-term Debt                    | 1,765         | 2,017         | 3,757         | 4,109         | 4,496         | 3,645         |
| <b>Total Debt</b>                  | <b>3,978</b>  | <b>6,280</b>  | <b>11,093</b> | <b>11,445</b> | <b>10,331</b> | <b>9,480</b>  |
| Deferred Tax Liability             | 88            | 92            | 61            | 61            | 61            | 61            |
| Long-term Liab+ Provisions         | 103           | 111           | 137           | 149           | 163           | 178           |
| <b>TOTAL SOURCES OF FUNDS</b>      | <b>10,720</b> | <b>16,065</b> | <b>22,059</b> | <b>23,820</b> | <b>24,637</b> | <b>26,296</b> |
| <b>APPLICATION OF FUNDS</b>        |               |               |               |               |               |               |
| Net Block                          | 4,675         | 5,060         | 9,864         | 17,931        | 17,016        | 17,530        |
| Capital WIP                        | 91            | 3,803         | 6,110         | 110           | 610           | 1,610         |
| Goodwill                           | -             | -             | -             | -             | -             | -             |
| Other Non-current Assets           | 427           | 1,381         | 445           | 445           | 445           | 445           |
| Total Non-current Investments      | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Total Non-current Assets</b>    | <b>5,193</b>  | <b>10,244</b> | <b>16,420</b> | <b>18,486</b> | <b>18,071</b> | <b>19,586</b> |
| Inventories                        | 5,034         | 5,135         | 6,091         | 6,495         | 7,860         | 8,514         |
| Debtors                            | 1,301         | 1,440         | 1,521         | 1,840         | 2,290         | 2,516         |
| Cash and Cash Equivalents          | 1,765         | 2,579         | 1,802         | 981           | 1,396         | 1,294         |
| Other Current Assets (& Loans/adv) | 468           | 952           | 1,426         | 926           | 926           | 926           |
| <b>Total Current Assets</b>        | <b>8,568</b>  | <b>10,107</b> | <b>10,839</b> | <b>10,242</b> | <b>12,471</b> | <b>13,249</b> |
| Creditors                          | 2,558         | 2,753         | 3,479         | 3,789         | 4,785         | 5,418         |
| Other Current Liabilities & Provns | 483           | 1,533         | 1,720         | 1,120         | 1,120         | 1,120         |
| <b>Total Current Liabilities</b>   | <b>3,041</b>  | <b>4,286</b>  | <b>5,200</b>  | <b>4,909</b>  | <b>5,905</b>  | <b>6,538</b>  |
| <b>Net Current Assets</b>          | <b>5,528</b>  | <b>5,821</b>  | <b>5,640</b>  | <b>5,333</b>  | <b>6,566</b>  | <b>6,711</b>  |
| <b>TOTAL APPLICATION OF FUNDS</b>  | <b>10,720</b> | <b>16,065</b> | <b>22,059</b> | <b>23,820</b> | <b>24,637</b> | <b>26,296</b> |

Source: Company, HSIE Research

### Consolidated Cash Flow

| YE Mar (INR mn)                       | FY22           | FY23           | FY24           | FY25E          | FY26E          | FY27E          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Reported PBT                          | 1,217          | 1,641          | 1,849          | 2,161          | 2,910          | 3,812          |
| Non-operating & EO Items              | (44)           | (182)          | (136)          | (110)          | (120)          | (126)          |
| Interest Expenses                     | 141            | 235            | 443            | 520            | 544            | 594            |
| Depreciation                          | 585            | 632            | 871            | 1,183          | 1,415          | 1,485          |
| Working Capital Change                | (855)          | (280)          | (619)          | (501)          | (805)          | (231)          |
| Tax Paid                              | (333)          | (353)          | (471)          | (519)          | (655)          | (877)          |
| <b>OPERATING CASH FLOW ( a )</b>      | <b>712</b>     | <b>1,693</b>   | <b>1,936</b>   | <b>2,734</b>   | <b>3,290</b>   | <b>4,658</b>   |
| Capex                                 | (854)          | (4,660)        | (6,332)        | (3,250)        | (1,000)        | (3,000)        |
| Free Cash Flow (FCF)                  | (143)          | (2,967)        | (4,396)        | (516)          | 2,290          | 1,658          |
| Investments                           | (543)          | (813)          | 945            | -              | -              | -              |
| Non-operating Income                  | 34             | 120            | 119            | 110            | 120            | 126            |
| <b>INVESTING CASH FLOW ( b )</b>      | <b>(1,363)</b> | <b>(5,352)</b> | <b>(5,267)</b> | <b>(3,140)</b> | <b>(880)</b>   | <b>(2,874)</b> |
| Debt Issuance/(Repaid)                | 877            | 2,088          | 4,107          | 352            | (1,113)        | (851)          |
| Interest Expenses                     | (134)          | (232)          | (417)          | (520)          | (544)          | (594)          |
| FCFE                                  | 600            | (1,111)        | (705)          | (684)          | 632            | 213            |
| Share Capital Issuance                | -              | 1,950          | -              | -              | -              | -              |
| Dividend                              | (121)          | (145)          | (190)          | (246)          | (338)          | (440)          |
| <b>FINANCING CASH FLOW ( c )</b>      | <b>622</b>     | <b>3,661</b>   | <b>3,500</b>   | <b>(415)</b>   | <b>(1,996)</b> | <b>(1,886)</b> |
| <b>NET CASH FLOW (a+b+c)</b>          | <b>(29)</b>    | <b>2</b>       | <b>169</b>     | <b>(821)</b>   | <b>414</b>     | <b>(102)</b>   |
| <b>Closing Cash &amp; Equivalents</b> | <b>1,222</b>   | <b>1,767</b>   | <b>2,747</b>   | <b>981</b>     | <b>1,396</b>   | <b>1,294</b>   |

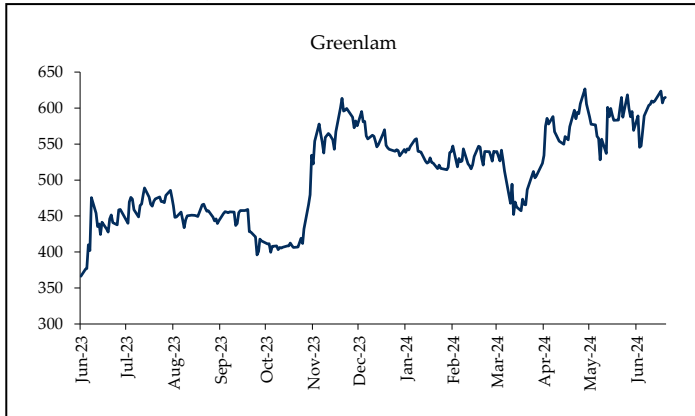
Source: Company, HSIE Research

### Key Ratios

|                                    | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------------------|------|------|------|-------|-------|-------|
| <b>PROFITABILITY %</b>             |      |      |      |       |       |       |
| EBITDA Margin                      | 11.0 | 11.5 | 12.8 | 13.9  | 13.9  | 14.9  |
| EBIT Margin                        | 7.5  | 8.4  | 9.0  | 9.5   | 9.8   | 11.1  |
| APAT Margin                        | 5.5  | 6.4  | 6.0  | 6.1   | 6.6   | 7.6   |
| RoE                                | 15.2 | 16.0 | 13.6 | 14.3  | 17.2  | 19.1  |
| RoIC (pre-tax)                     | 15.6 | 18.3 | 17.4 | 13.9  | 14.7  | 18.6  |
| RoCE (pre-tax)                     | 13.7 | 14.0 | 12.0 | 11.7  | 14.3  | 17.3  |
| <b>EFFICIENCY</b>                  |      |      |      |       |       |       |
| Tax Rate %                         | 23.5 | 21.7 | 25.4 | 24.0  | 22.5  | 23.0  |
| Fixed Asset Turnover (x)           | 2.0  | 2.1  | 1.8  | 1.3   | 1.4   | 1.5   |
| Inventory (days)                   | 108  | 93   | 96   | 88    | 84    | 80    |
| Debtors (days)                     | 28   | 26   | 24   | 25    | 24    | 24    |
| Other Current Assets (days)        | 19   | 42   | 30   | 18    | 15    | 13    |
| Payables (days)                    | 55   | 50   | 55   | 51    | 51    | 51    |
| Other Current Liab & Provns (days) | 13   | 30   | 29   | 17    | 14    | 12    |
| Cash Conversion Cycle (days)       | 88   | 81   | 66   | 63    | 58    | 54    |
| Net Debt/EBITDA (x)                | 1.2  | 1.6  | 3.2  | 2.8   | 1.9   | 1.4   |
| Net D/E                            | 0.3  | 0.4  | 0.9  | 0.9   | 0.6   | 0.5   |
| Interest Coverage                  | 9.1  | 7.2  | 4.7  | 4.9   | 6.1   | 7.2   |
| <b>PER SHARE DATA (Rs)</b>         |      |      |      |       |       |       |
| EPS                                | 7.7  | 10.1 | 10.8 | 12.9  | 17.7  | 23.0  |
| CEPS                               | 12.6 | 15.0 | 17.7 | 22.1  | 28.8  | 34.6  |
| Dividend                           | 1.2  | 1.5  | 1.7  | 1.9   | 2.7   | 3.5   |
| Book Value                         | 54.3 | 75.1 | 84.4 | 95.4  | 110.4 | 129.9 |
| <b>VALUATION</b>                   |      |      |      |       |       |       |
| P/E (x)                            | 62.8 | 45.5 | 42.3 | 47.7  | 34.7  | 26.7  |
| P/Cash EPS (x)                     | 37.9 | 30.5 | 26.0 | 27.7  | 21.3  | 17.7  |
| P/BV (x)                           | 9.0  | 6.1  | 5.4  | 6.4   | 5.6   | 4.7   |
| EV/EBITDA (x)                      | 32.5 | 25.9 | 22.0 | 23.6  | 18.3  | 14.9  |
| Dividend Yield (%)                 | 0.2  | 0.2  | 0.3  | 0.3   | 0.4   | 0.6   |

Source: Company, HSIE Research

## 1 Yr Price History



## Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: >10% Downside return potential



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