

16 September 2024

India | Equity Research | Company Update

Borosil

White Goods

Revenue growth likely to be in mid teens with margin expansion potential

We believe Borosil is on track to report revenue CAGR in mid teens and EBITDA margin in high teens over FY25-26 as: (1) its capacity expansion has helped fulfil the latent demand in the market. The capacity expansion will also help the company maintain strong growth rates over FY25–26E. (2) The company also has potential to premiumise its portfolio with the capacity expansion in glassware as well as opalware. (3) We believe Borosil has potential to steadily expand its distribution network over the next decade. With a correction in commodity prices, operating leverage and portfolio premiumisation will likely help the company steadily expand its EBITDA margins. We also note the QIP proceeds will likely help Borosil attain net cash status, resulting in lower interest costs as well as higher other income. We remain positive on Borosil. With Borosil's share price gaining ~32% over the past three months, we revise our rating to **ADD**, from Buy. We value the stock at a DCF-based revised TP of INR 468 (earlier: INR 445; implied P/E 52x on FY26E).

Strong traction in glassware may drive growth in FY25–26E

Glassware reported strong 42.1%/11.2% YoY revenue growth in Q1FY25/FY24. We believe the segment may post strong revenue growth in FY25–26E led by: (1) higher capacity utilisation, as production ramps up at the newly added manufacturing facility; (2) (likely) new product addition; and (3) portfolio premiumisation.

Strong growth potential in opalware

Opalware segment is witnessing strong revenue growth led by: (1) higher share of voice than most peers; (2) innovative product launches; and (3) premiumisation. Borosil has made investments in capacity addition (from earlier 42 MT/day to 84 MT/per day).

EBITDA margin expansion likely to continue

Borosil's EBITDA margin expanded by 510bps YoY to 14% in FY24, from 9% in FY23 (13.4% in Q1FY25). We believe margin expansion may continue in FY25–26E led by: (1) operating leverage and higher capacity utilisation; (2) cost rationalisation; and (3) portfolio premiumisation. Correction in input prices for crude oil also offer margin tailwinds.

Distribution expansion potential

We believe Borosil has strong potential to expand its distribution reach. Considering a universe of ~60,000 retail outlets, we believe Borosil has potential to expand its reach over the next decade. We model steady 8–10% expansion in distribution network to continue. We also model expansion in revenue-per-store with launches of differentiated products.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	7,416	9,423	10,817	12,426
EBITDA	667	1,327	1,736	2,262
EBITDA Margin (%)	9.0	14.1	16.0	18.2
Net Profit	425	659	714	1,073
EPS (INR)	3.7	5.7	6.0	9.0
EPS % Chg YoY	(92.6)	54.9	4.1	50.3
P/E (x)	116.0	74.9	71.9	47.9
EV/EBITDA (x)	72.4	37.5	28.9	22.0
RoCE (%)	9.7	8.8	9.2	11.4
RoE (%)	16.7	12.1	10.3	12.5

Aniruddha Joshi

aniruddha.joshi@icicisecurities.com
+91 22 6807 7249

Karan Bhuwania

karan.bhuwania@icicisecurities.com

Nilesh Patil

nilesh.patil@icicisecurities.com

Market Data

Market Cap (INR)	51bn
Market Cap (USD)	612mn
Bloomberg Code	BOROLTD IN
Reuters Code	BORS.BO
52-week Range (INR)	450 /284
Free Float (%)	30.0
ADTV-3M (mn) (USD)	2.2

Price Performance (%)	3m	6m	12m
Absolute	31.4	14.7	24.8
Relative to Sensex	23.5	0.8	1.9

Earnings Revisions (%)	FY25E	FY26E
Revenue	2.5	0.3
EBITDA	1.6	2.6
EPS	10.8	8.4

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Valuation and risks

We model Borosil to report revenue/PAT CAGRs of 14.8%/27.6% over FY24–26E and RoCE of 11.4% in FY26E. We revise our rating to **ADD** (from Buy). On our DCF-based revised target price of INR 468 (earlier: INR 445), implied P/E works out to 52x FY26E EPS.

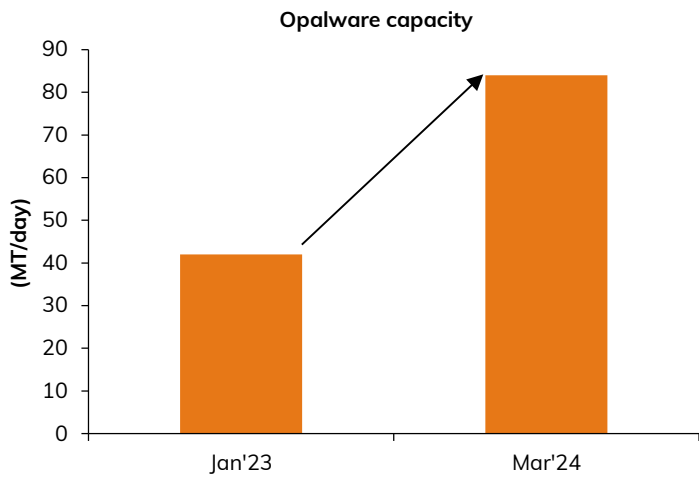
Key risks: (1) Sharp increase in input prices and higher-than-expected competitive pressure; and (2) failure of some new launches.

Capacity expansion driving growth in opalware segment

Borosil’s opalware manufacturing capacity has grown 2x (84MT/day from earlier 42MT/day) since CY23. We note rapid capacity addition has resulted in strong revenue growth in FY24. The opalware segment grew 37% YoY in FY24, as against 19% CAGR between FY20–23.

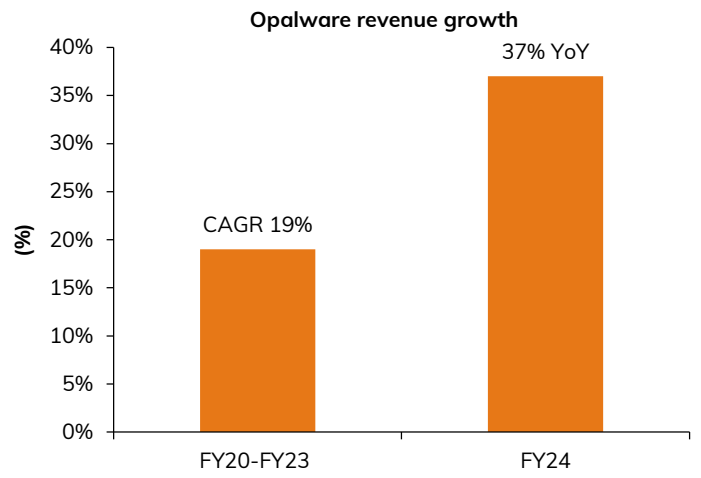
The company has gained market share and now commands market leadership in the opalware category, in our view. We model strong growth in the opalware segment to likely continue in FY25 led by: (1) higher premiumisation; (2) better realisation; and (3) product portfolio expansion (new product launches/entry into new allied categories).

Exhibit 1: Opalware capacity expansion



Source: Company data, I-Sec research

Exhibit 2: Strong revenue growth in FY24 largely led by capacity addition

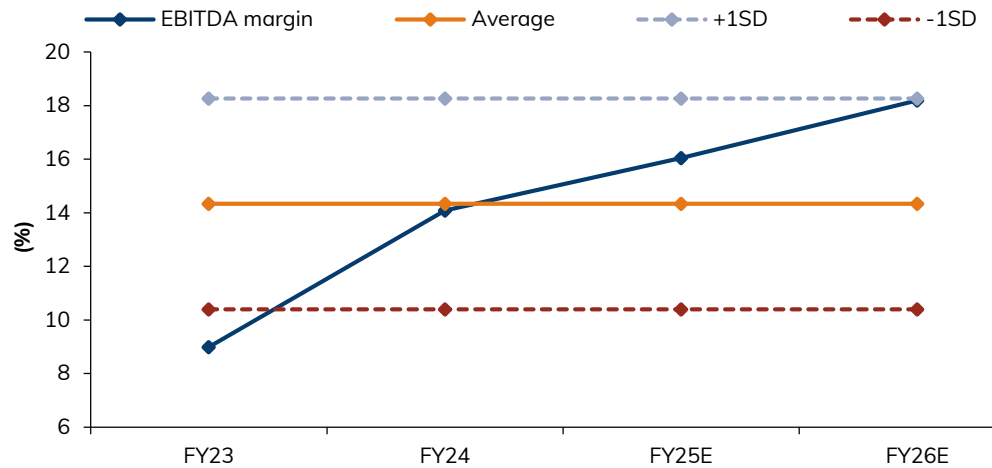


Source: Company data, I-Sec research

Margin expansion likely to continue in FY25–26E

Borosil’s EBITDA margin stood at 13.4% (+217bps YoY) in Q1FY25 (FY24: 14.1%). Its margin expansion was primarily led by lower input costs and operational efficiencies, in our view. We believe steady EBITDA margin expansion may continue in FY25/26E led by: (1) operating leverage, (2) cost rationalisation; and (3) portfolio premiumisation.

Exhibit 3: EBITDA margin likely to inch upwards



Source: Company data, I-Sec research

New product development continues

Borosil has constantly added new products in past couple of quarters. Key launches include: (1) borosilicate jars and containers; (2) vision amber glasses; (3) coffee mugs; (4) pressure cookers – hard anodised; (5) glass top gas stoves; and (6) Aquasoul steel water bottles.

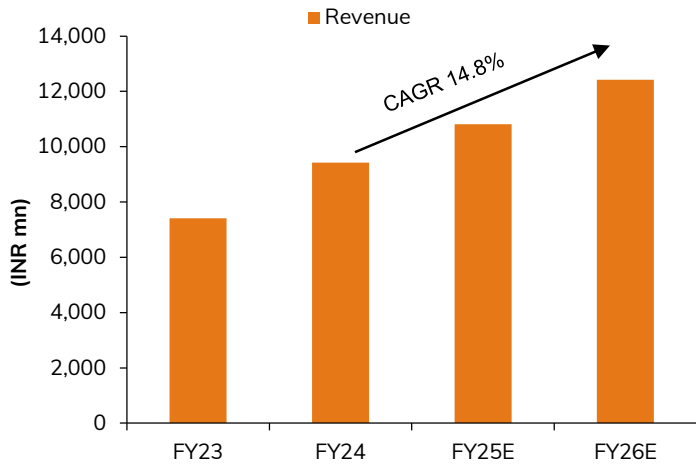
Exhibit 4: Notable new product developments

Category	New product launches
Opalware	Lunchboxes
Glassware	Jars and containers
	Aquasoul bottles
	Air fryers
Non-glassware	Gas stoves
	Coffee cups
	pressure cookers

Source: Company data, I-Sec research

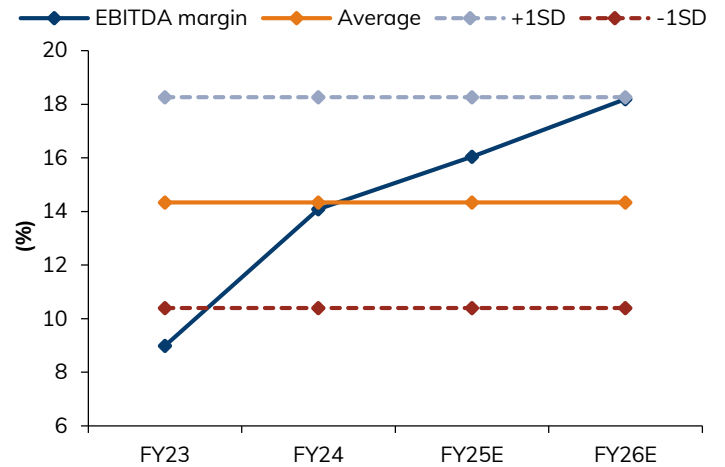
Key charts - Annual

Exhibit 1: Revenue trend



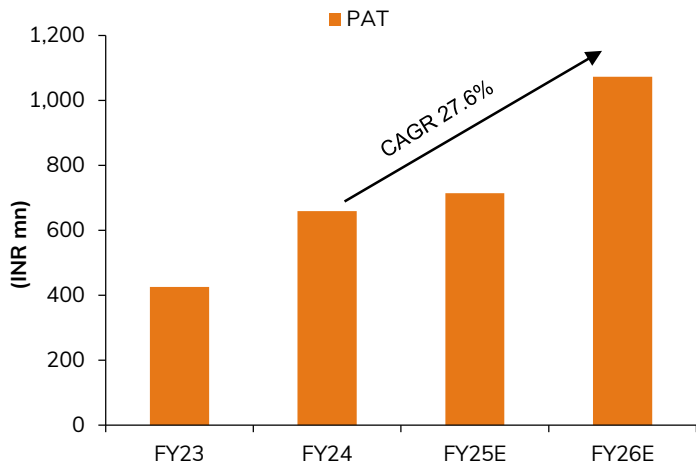
Source: Company data, I-Sec research

Exhibit 2: EBITDA margin



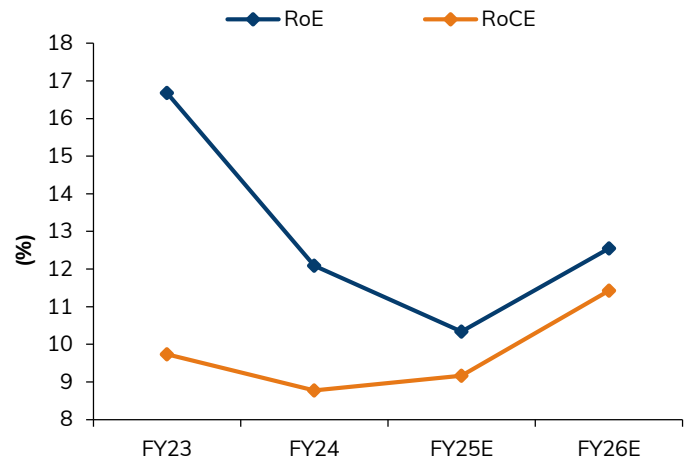
Source: Company data, I-Sec research

Exhibit 3: Net profit trend



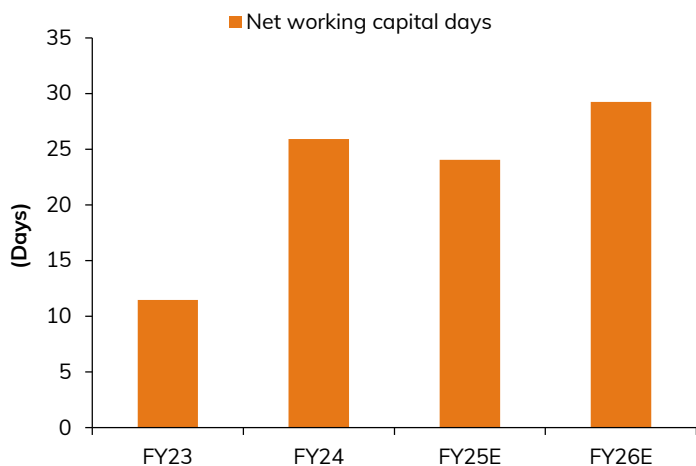
Source: Company data, I-Sec research

Exhibit 4: Return ratios



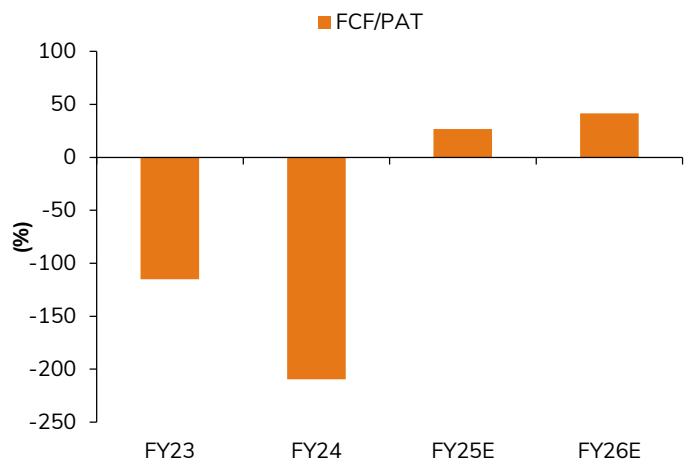
Source: Company data, I-Sec research

Exhibit 5: Net working capital days



Source: Company data, I-Sec research

Exhibit 6: FCF/PAT



Source: Company data, I-Sec research

Valuation and risks

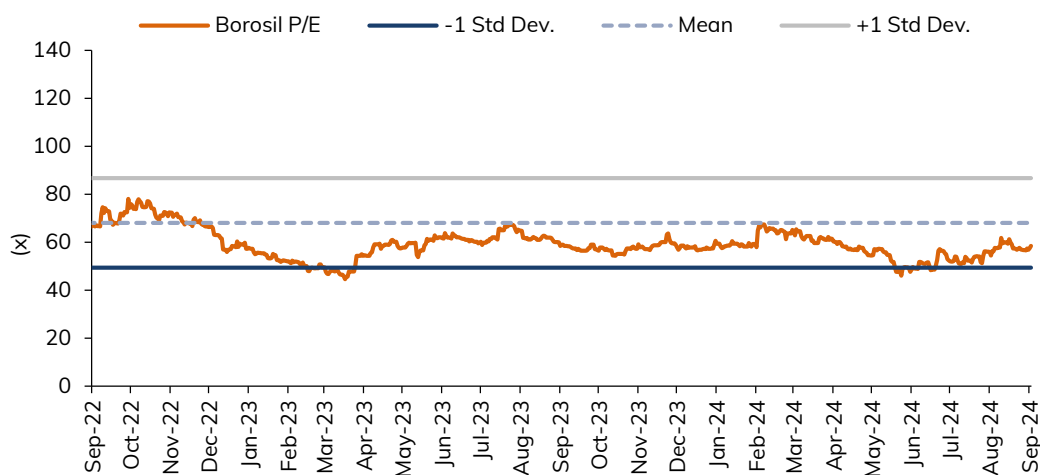
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Exhibit 7: DCF-based valuation

Particulars	
Cost of Equity (%)	11.0%
Terminal growth rate (%)	5.0%
Discounted interim cash flows (INR mn)	19,298
Discounted terminal value (INR mn)	36,578
Total equity value (INR mn)	55,876
Value per share (INR)	468

Source: Company data, I-Sec research

Exhibit 8: Mean PE (x) and standard deviations



Source: I-Sec research, Bloomberg

Risks

Sharp increase in input prices and higher-than-expected competitive pressures

Increase in input prices and/or higher-than-expected competitive pressures could result in downside to our estimates.

Failure of some new launches

Failure of some new products may impact our earnings estimates.

Exhibit 9: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	70.2	70.2	67.4
Institutional investors	2.2	2.3	5.7
MFs and others	1.4	1.4	2.9
FIs/Banks	0	0.1	0.9
Insurance	0	0.0	0.0
FIIIs	0.8	0.9	1.9
Others	27.6	27.6	26.9

Source: Bloomberg

Exhibit 10: Price chart



Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	7,416	9,423	10,817	12,426
Operating Expenses	6,749	8,095	9,081	10,164
EBITDA	667	1,327	1,736	2,262
EBITDA Margin (%)	9.0	14.1	16.0	18.2
Depreciation & Amortization	276	539	770	905
EBIT	391	788	966	1,356
Interest expenditure	25	88	93	31
Other Non-operating Income	200	178	82	109
Recurring PBT	567	878	954	1,434
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	141	220	241	361
PAT	425	659	714	1,073
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	92	(5)	-	-
Net Income (Reported)	518	654	714	1,073
Net Income (Adjusted)	425	659	714	1,073

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	2,705	3,975	3,660	4,696
of which cash & cash eqv.	95	69	459	904
Total Current Liabilities & Provisions	2,377	3,237	2,488	2,796
Net Current Assets	328	738	1,172	1,900
Investments	1,874	1,097	1,097	1,097
Net Fixed Assets	3,522	5,469	6,204	6,549
ROU Assets	-	-	-	-
Capital Work-in-Progress	396	255	-	-
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	6,120	7,559	8,473	9,546
Liabilities				
Borrowings	936	1,630	330	330
Deferred Tax Liability	84	129	129	129
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	114	115	119	119
Reserves & Surplus	4,986	5,685	7,895	8,968
Total Net Worth	5,100	5,800	8,014	9,087
Minority Interest	-	-	-	-
Total Liabilities	6,120	7,559	8,473	9,546

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Sep-23	Dec-23	Mar-24	Jun-24
Net Sales	2,349	3,025	2,289	2,168
% growth (YOY)	-	46	29.7	23.2
EBITDA	372	567	191	290
Margin %	15.8	18.7	8.3	13.4
Other Income	21	77	67	77
Extraordinaries	(3)	(0)	(1)	(1)
Adjusted Net Profit	185	373	50	93

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	1,484	360	1,440	1,695
Working Capital Changes	665	(798)	(44)	(283)
Capital Commitments	(1,974)	(1,739)	(1,250)	(1,250)
Free Cashflow	(490)	(1,379)	190	445
Other investing cashflow	(571)	664	-	-
Cashflow from Investing Activities	(2,545)	(1,075)	(1,250)	(1,250)
Issue of Share Capital	39	31	1,500	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	883	656	(1,300)	-
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	922	687	200	-
Chg. in Cash & Bank balance	(139)	(28)	390	445
Closing cash & balance	81	54	459	904

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	3.7	5.7	6.0	9.0
Adjusted EPS (Diluted)	3.7	5.7	6.0	9.0
Cash EPS	6.1	10.5	12.4	16.6
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	44.5	50.6	67.2	76.2
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	29.4	27.1	14.8	14.9
EBITDA	(88.4)	98.9	30.8	30.3
EPS (INR)	(92.6)	54.9	4.1	50.3
Valuation Ratios (x)				
P/E	116.0	74.9	71.9	47.9
P/CEPS	70.4	41.2	34.6	26.0
P/BV	9.7	8.5	6.4	5.7
EV / EBITDA	72.4	37.5	28.9	22.0
P / Sales	6.7	5.2	4.7	4.1
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	53.7	59.7	60.5	61.5
EBITDA Margins (%)	9.0	14.1	16.0	18.2
Effective Tax Rate (%)	24.9	25.0	25.2	25.2
Net Profit Margins (%)	5.7	7.0	6.6	8.6
NWC / Total Assets (%)	5.4	9.8	13.8	19.9
Net Debt / Equity (x)	(0.2)	0.1	(0.2)	(0.2)
Net Debt / EBITDA (x)	(1.5)	0.4	(0.7)	(0.7)
Profitability Ratios				
RoCE (%)	9.7	8.8	9.2	11.4
RoE (%)	16.7	12.1	10.3	12.5
RoC (%)	14.4	11.4	11.1	14.3
Fixed Asset Turnover (x)	3.2	1.6	1.4	1.3
Inventory Turnover Days	80	110	82	86
Receivables Days	29	40	31	31
Payables Days	128	136	86	84

Source Company data, I-Sec research

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

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