

In-line quarter; capacity expansion plans on track

PCBL's 2QFY25 operational performance was largely in line with our estimates as the sequential dip in carbon black export volumes was offset by improvement in per kg profitability. Exports fell due to supply chain issues. Going ahead, carbon black volumes will continue to be robust on account of strong industry tailwinds (click [here](#) and [here](#)). The company's carbon black capacity expansion plan, to lift its carbon black capacity to 1mmtpa by FY27/28, is on track. On the Aquapharm side, margin is likely to inch up gradually owing to improvement in operational efficiency, and introduction of new high margin products. In the Kinaltek JV, EBITDA margin could be as high as 50% owing to the technological knowhow. Further, we believe that, with decent cash flow generation, the company seems well on track to achieve its target debt/EBITDA guidance of ~2x. Factoring in 2QFY25 results and management commentary, we lower our FY25/26/27 EBITDA/EPS estimates by ~2-3%. Further, our TP is revised to Mar'26 TP of INR 620 (SoTP based) from INR 635 earlier. The stock currently trades at ~12x/10x Mar'26/'27 EV/EBITDA, offering comfort on the valuation front. We maintain our BUY rating.

- Positive operating leverage offsets contraction in gross margin:** PCBL's 2QFY25 consolidated gross profit was 6% below JMFe at INR 6.6bn (down 4% QoQ, up 52% YoY) as gross margin fell sequentially to 30.7% (vs. JMFe of 32.2% and 32.4% in 1QFY25) while revenue was 2% below JMFe and in line with consensus at INR 21.6bn (up 1%/46% QoQ/YoY). Other expenses were lower at INR 2bn (vs. JMFe of INR 2.4bn and INR 2.4bn in 1QFY25). As a result, EBITDA was 1% below JMFe and 7% above consensus and stood at INR 3.6bn (up 1%/53% QoQ/YoY). Further, PAT was 3% below JMFe while in line with consensus and stood at INR 1.2bn (up 5%/1% QoQ/YoY).
- Carbon black volume dip offset by higher per kg profitability:** During the quarter, carbon black volumes were lower than anticipated at 148.7KTPA (5% below JMFe, down 3%/14% QoQ/YoY) primarily on account of lower standard volumes. In 2QFY25, carbon black EBITDA/MT came in higher at ~ INR 21.3/kg (vs. INR 20.9/kg in 1QFY25 and JMFe of INR 19.9/kg) primarily due to higher contribution of specialty blacks. On the Aquapharm front, sales volumes were flattish sequentially while EBITDA per kg was lower at INR 20.4/kg (vs. INR 22.5/kg in 1QFY25).
- Maintain BUY with a Mar'26 TP of INR 620:** Going forward, we expect carbon black volume CAGR of 12% over FY24-27E. Besides, higher utilisation of Aquapharm's capacities should result in positive operating leverage. This is likely to result in ~25%/27% EBITDA/EPS CAGR over FY24-27E. Moreover, PCBL believes that its operating cash flow over the next 5 years should take care of the debt and capex requirements. We maintain BUY with a revised Mar'26 TP of INR 620/share (SoTP based) from INR 635/share earlier as we believe Aquapharm and battery chemicals business should command a premium to the traditional global carbon black peers, which trade at ~6-8x EV/EBITDA.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	620
Upside/(Downside)	42.9%
Previous Price Target	635
Change	-2.4%

Key Data – PCBL IN

Current Market Price	INR433
Market cap (bn)	INR163.6/US\$1.9
Free Float	49%
Shares in issue (mn)	377.0
Diluted share (mn)	377.0
3-mon avg daily val (mn)	INR3,338.9/US\$39.7
52-week range	585/189
Sensex/Nifty	79,942/24,341
INR/US\$	84.1

Price Performance

%	1M	6M	12M
Absolute	-24.9	60.2	123.1
Relative*	-20.8	49.2	78.2

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	57,741	64,198	86,332	100,333	113,732
Sales Growth (%)	29.9	11.2	34.5	16.2	13.4
EBITDA	7,312	10,373	14,883	17,607	20,454
EBITDA Margin (%)	12.7	16.2	17.2	17.5	18.0
Adjusted Net Profit	4,422	4,911	5,358	7,635	10,123
Diluted EPS (INR)	11.7	13.0	14.2	20.3	26.9
Diluted EPS Growth (%)	3.7	11.1	9.1	42.5	32.6
ROIC (%)	13.0	10.5	10.8	12.3	13.8
ROE (%)	16.2	16.2	15.2	18.3	20.0
P/E (x)	37.0	33.3	30.5	21.4	16.2
P/B (x)	5.8	5.0	4.3	3.6	2.9
EV/EBITDA (x)	23.6	20.0	14.0	11.7	9.8
Dividend Yield (%)	1.3	1.3	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 30/Oct/2024

2QFY25 Result Review

Key takeaways from post-results conference call

- **Carbon black EBITDA 21,324/MT, to improve further sustainably** – the management informed that carbon black EBITDA stood at 21,324/MT, and believes that the company can improve this EBITDA further in a sustainable manner driven by favourable product mix, increasing yields and positive operating leverage as new capacities get utilised.
- **Reiterated volume growth guidance at 10-11% over next 5 years** – the management reiterated that volume growth is expected to be 10-11% over the next 5 years. Specialty black volume is expected to increase by 10,000MT per year with segment volume expected to double in the next 4-5 years. In FY25, the management expects specialty black volume of 60,000-65,000MT.
- **By end FY25, carbon black capacity to reach 880KTPA, Aquapharm expansion of 38KTPA** – the management expects to commission specialty black capacity of 20KTPA at Mundra and 30KTPA brownfield expansion at PCBL TN soon. In 3QFY25, the 2nd phase of PCBL TN expansion of 60KTPA will take the total installed carbon black capacity to 880KTPA. Current capacity is 770KTPA. The 38KTPA capacity expansion for Aquapharm is expected to be completed by Mar'25.
- **Aquapharm revenue to reach INR 20bn with current capacity, 17-18% sales growth from FY26** – the management indicated that it expects a peak revenue of INR 20bn from the current Aquapharm fixed block of INR ~4bn with expected sales growth of 17-18% from FY26. The current capacity is yet to be fully utilised and the company plans to add additional capacity with an investment of INR 6bn-7bn in the next 3-5 years between the facilities in India and the US. The asset turn for this capex is expected to be similar to the current fixed asset block. The Indian facility is primarily for water treatment and detergents segment. The company plans to focus on polymers and green chelates segments while maintaining its global leadership position in the phosphonates segment. The US facility is for chemicals for the oil & natural gas industry and the company plans to expand beyond the US market to Europe.
- **Aquapharm volume to increase at 15-20% with full capacity utilisation after 2-3 quarters** – the management informed that Aquapharm volume reached 24,510MT in 2QFY25 with capacity utilisation >75%. It expects volume to increase at 15-20% after 2-3 quarters once the full effect of improvements in operating efficiency, capacity utilisation and cost structure comes into play. The company is targeting a capacity utilisation of 82-83% in 4QFY25 and full capacity utilisation within the next 2-3 quarters.
- **Aquapharm EBITDA target of 25% by FY29** – the management has a target EBITDA margin of 29% for the Aquapharm business to be achieved by FY29. The current margin is 20% and is set to increase with the introduction of new, high-margin products in the polymers and green chelates segment.
- **USD 44mn investment and 2000MT capacity by FY27 for Kinaltek JV** – The company plans to invest USD 44mn in its JV with Kinaltek in multiple stages over the next 2 years. This is for the acquisition for IPs, setting up a pilot plant and commissioning of a new manufacturing facility in addition to the pilot plant. The pilot plant is expected to be commissioned within the next 6-7 months and is solely for product sampling purposes. The manufacturing facility with a capacity of 2000MT is expected to be completed in FY27. Further, the company could add another plant with 2000MT capacity after the first plant.
- **Kinaltek JV to generate INR 20bn peak sales at US 100/kg, 65% gross margin and 50% EBITDA margin** – the company informed that the manufacturing facility to be set up for the Kinaltek JV is expected to generate INR 20bn in peak sales once full utilisation is reached by FY29. The management expects a gross margin of 65% and EBITDA margin of 50%. The current sales price for the products in the market is USD 300/kg while the company plans to sell the product at a price of USD 100/kg aided by a low-cost manufacturing process (1/5 of existing manufacturing cost). It expects the sales volume to be 2,000-2,500MT by FY29.

- **Nanosilicon-based product market size at 15,000MT, growing at 25% CAGR** – The company informed that the global market for the nanosilicon-based products stands at 15,000MT and it is growing at a CAGR of 25%. There are very few players globally in this market with no single big player. The price of the products is very high at USD 300/kg, which restricts the growth potential of these products. The company aims to bring down the prices in the market through Kinaltek's breakthrough technology and expects EV and battery manufacturers to contribute to increase in product demand in the future.
- **Total cash generation to be INR 95bn-100bn over next 5 years, target debt/EBITDA at 2x** – the management expects the company to generate INR 95bn-100bn of cash in the next 5 years, enough to support growth plans and reduce its debt. It expects cash generation to increase with increase in capacity, utilisation and volumes in the period. Also, the management has a target debt/EBITDA of 2x and plans to achieve that in 1 year. Surplus cash after capital expenditure will be used towards debt reduction.

Exhibit 1. PCBL quarterly financial snapshot

Consolidated (INR mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	2QFY25E	% QoQ	% YoY	% difference
Net Sales	13,633	13,738	13,475	14,867	16,568	19,288	21,436	21,632	22,044	1%	46%	-2%
COGS	10,437	10,244	9,353	10,483	11,645	13,177	14,491	14,986	14,946	3%	43%	
Gross Profit	3,196	3,495	4,122	4,384	4,923	6,111	6,945	6,646	7,098	-4%	52%	-6%
Gross margin	23.4%	25.4%	30.6%	29.5%	29.7%	31.7%	32.4%	30.7%	32.2%	-168bps	123bps	
Employee cost	478	467	524	560	610	810	1,001	985	1,020	-2%	76%	
Employee cost as % of sales	4%	3%	4%	4%	4%	4%	5%	5%	5%	-12bps	79bps	
Other expenditure	1,085	1,189	1,490	1,443	1,524	2,205	2,361	2,026	2,400	-14%	40%	
Other expenditure as % of sales	8%	9%	11%	10%	9%	11%	11%	9%	11%	-165bps	-34bps	
EBIDTA	1,634	1,838	2,108	2,381	2,789	3,095	3,583	3,635	3,678	1%	53%	-1%
EBITDA margin	12.0%	13.4%	15.6%	16.0%	16.8%	16.0%	16.7%	16.8%	16.7%	9bps	79bps	12bps
Depreciation	330	336	412	482	527	752	845	864	860	2%	79%	
EBIT	1,304	1,503	1,696	1,899	2,263	2,343	2,738	2,771	2,818	1%	46%	
Interest expense	150	186	193	210	324	1,082	1,211	1,189	1,180	-2%	467%	
Other income	85	166	40	27	72	232	109	57	110	-48%	111%	
PBT	1,239	1,483	1,543	1,716	2,011	1,493	1,636	1,638	1,748	0%	-5%	
Tax	268	460	450	488	531	384	457	404	472	-12%	-17%	
PAT	970	1,022	1,092	1,226	1,479	1,113	1,179	1,235	1,276	5%	1%	-3%
PAT margin	7%	7%	8%	8%	9%	6%	6%	6%	6%	21bps	-254bps	
Basic EPS (INR)	2.6	2.7	2.9	3.3	3.9	2.95	3.12	3.27	3.4	5%	1%	
Tax rate	22%	31%	29%	28%	26%	25.7%	27.9%	24.6%	27.0%	-326bps	-377bps	

Source: Company, JM Financial

Exhibit 2. PCBL quarterly operational snapshot

Consolidated	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	2QFY25E	% QoQ	% YoY	% difference
Segmental volume (MT)												
Standard	92,494	107,743	111,306	114,537	121,673	127,087	138,247	131,566	141,012	-5%	15%	-7%
Specialty	8,998	11,495	11,780	15,574	14,435	15,458	15,671	17,127	15,984	9%	10%	7%
Total	101,492	119,238	123,086	130,111	136,108	142,545	153,918	148,693	156,996	-3%	14%	-5%
YoY growth (%)												
Standard	-13%	5%	12%	10%	32%	18%	24%	15%	52%			
Specialty	-9%	23%	19%	55%	60%	34%	33%	10%	78%			
Total	-13%	6%	13%	14%	34%	20%	25%	14%	55%			
Segmental volume contribution (%)												
Standard	91%	90%	90%	88%	89%	89%	90%	88%	90%			
Specialty	9%	10%	10%	12%	11%	11%	10%	12%	10%			
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%			
Geographical break-up (%)												
Domestic	71%	67%	67%	63%	58%	62%	59%	61%				
Exports	29%	33%	33%	37%	42%	38%	41%	39%				
Total	100%	100%	100%	100%	100%	100%	100%	100%				
EBITDA per kg	16.1	15.4	17.1	18.3	20.5	21.7	20.9	21.3	19.9	2%	16%	7%
Aquapharm												
Sales volume (MT)							24,402	24,510		0%		
Revenue (INR mn)							2,391	3,574	3,609	3,800	1%	-5%
EBITDA (INR mn)								550	500	551	-9%	
EBITDA margin (%)								15.4%	13.9%	14.5%	-153bps	1386bps
EBIT (INR mn)								-81.5	158	196		
EBIT margin (%)								-3%	4%	5%		
EBITDA per kg (INR)								22.5	20.4			

Source: Company, JM Financial

Exhibit 3. PCBL would be able to bring down its net debt to EBITDA to 1.8x by FY27E and 0.7x by FY29E

INR mn	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY24-29E CAGR	FY25-29 cumulative
Revenue	57,741	64,198	86,332	100,333	113,732	126,255	144,474	18%	
EBITDA	7,312	10,373	14,883	17,607	20,454	23,148	27,318	21%	103,409
PAT	4,422	4,911	5,358	7,635	10,123	12,640	16,129	27%	
OCF	5,041	11,054	9,977	13,367	15,520	17,549	19,763		76,176
Capex	-8,959	-5,358	-6,000	-6,000	-7,500	-7,500	-7,500		-34,500
FCF	-3,918	5,697	3,977	7,367	8,020	10,049	12,263		41,676
Net debt	9,028	44,706	45,115	41,794	37,062	29,315	18,567		
Net debt to EBITDA (x)	1.2	4.3	3.0	2.4	1.8	1.3	0.7		
ROE (%)	16%	16%	15%	18%	20%	20%	21%		

Source: Company, JM Financial

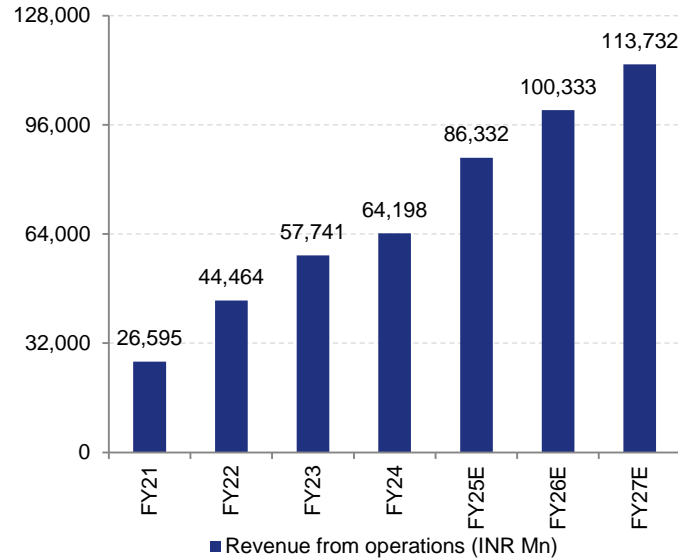
Exhibit 4. Change in estimates

	New	Old	% change
EBITDA (INR Mn)			
FY25	14,883	15,219	-2.2%
FY26	17,607	17,952	-1.9%
FY27	20,454	20,847	-1.9%
PAT (INR Mn)			
FY25	5,358	5,549	-3.4%
FY26	7,635	7,783	-1.9%
FY27	10,123	10,310	-1.8%
EPS (INR)			
FY25	14.2	14.7	-3.4%
FY26	20.3	20.6	-1.9%
FY27	26.9	27.3	-1.8%

Source: JM Financial

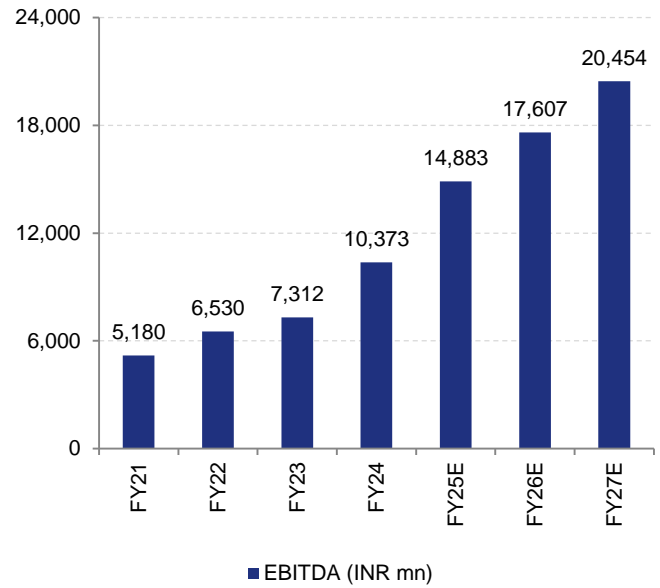
Key assumptions and estimates

Exhibit 5. PCBL's revenue is expected to show 21% CAGR over FY24-FY27E...



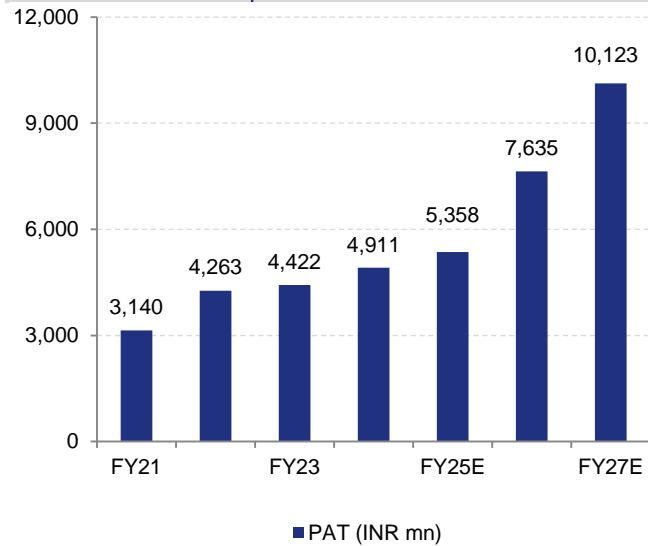
Source: Company, JM Financial

Exhibit 6. ...while EBITDA is expected to rise by 25% CAGR



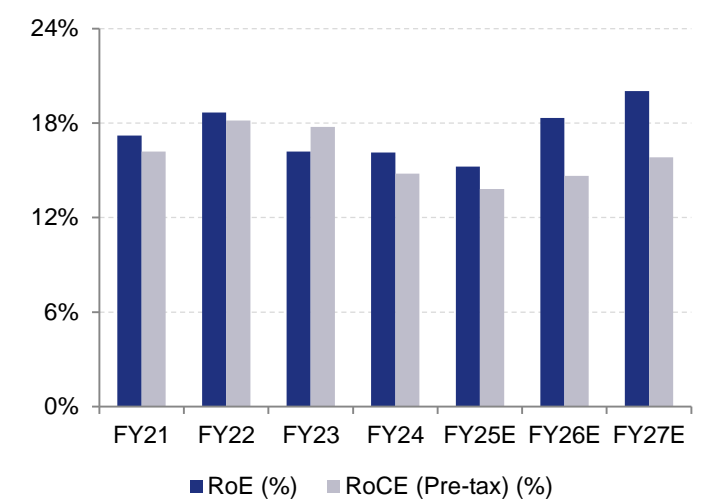
Source: Company, JM Financial

Exhibit 7. PAT CAGR expected to be ~27% over FY24-FY27E



Source: Company, JM Financial

Exhibit 8. RoCE (pre-tax) expected to improve to 16% while RoE is expected to improve to 20% by FY27E



Source: Company, JM Financial

Valuation

Exhibit 9. Our Mar'26 TP for PCBL stands at INR 620/share

Segments	Valuation methodology	EBITDA (INR mn)	Multiple (x)	Valuation (INR mn)	Value per share (INR)
Carbon black (A)	8x FY29E EBITDA discounted to Mar'27	18,379	8	117,214	311
Power (B)	5x FY29E EBITDA discounted to Mar'27	2,838	5	11,311	30
Aquapharm (C')	15x FY29E EBITDA discounted to Mar'27	5,424	15	64,864	172
Kinaltek JV (considering PCBL's stake)	25x FY29E EBITDA discounted to Mar'27	2,662	25	53,063	141
Enterprise value (A) + (B) + (C') + (D)				246,452	654
Less: Net Debt/(cash)	Mar'29E net debt discounted to Mar'26			13,216	35
Equity value				233,236	620
Mar'27E consolidated EPS		-	-		27
Implied P/E multiple (x)		-	-		23

Source: JM Financial

Exhibit 10. PCBL is currently trading at ~23x 1-year forward consensus P/E multiple



Source: Bloomberg, JM Financial

Exhibit 11. Chemical companies peer valuation

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
SRF	BUY	2,258	2,660	50.1	53.6	34.7	27.0	5.8	5.3	4.7	4.1	27.5	26.1	19.9	16.1	12.3	10.4	14.3	16.1
PI Industries	HOLD	4,493	4,340	40.9	41.5	35.6	30.8	7.8	6.6	5.6	4.7	32.0	27.3	23.3	20.0	21.0	17.2	16.9	16.5
Deepak Nitrite	BUY	2,711	3,180	48.1	39.9	32.2	27.0	8.1	6.8	5.7	4.8	34.7	26.0	21.4	17.6	18.2	18.6	19.3	19.3
Clean Science	BUY	1,497	1,760	65.2	53.3	39.1	30.4	13.2	10.6	8.4	6.6	46.9	37.3	28.0	21.4	22.1	22.1	24.0	24.4
Navin Fluorine	BUY	3,332	4,105	72.3	59.3	43.5	34.0	6.9	6.3	5.7	5.0	43.4	35.2	27.2	22.2	10.0	11.2	13.8	15.7
Fine Organics	SELL	4,752	3,890	39.5	36.9	36.3	35.8	7.8	6.7	5.8	5.1	28.3	25.6	24.9	24.2	21.8	19.5	17.1	15.2
Galaxy Surfactants	HOLD	2,887	2,700	34.0	31.0	28.6	26.5	4.7	4.1	3.6	3.2	21.5	19.3	17.7	16.2	14.8	14.1	13.4	12.8
PCBL Ltd.	BUY	433	620	33.3	30.5	21.4	16.1	5.0	4.3	3.6	2.9	20.0	14.0	11.7	9.8	16.2	15.2	18.3	20.0
Aether Industries	BUY	833	1,135	115.1	64.9	43.6	33.0	5.4	5.0	4.5	3.9	80.8	43.3	30.1	22.1	5.8	8.0	10.8	12.7
Ami Organics	BUY	1,920	2,055	97.0	65.3	38.7	28.5	11.6	6.2	5.4	4.6	62.3	41.2	25.9	19.3	12.7	12.3	14.8	17.4
Anupam Rasayan	HOLD	731	725	163.9	187.1	102.4	65.3	7.6	7.3	6.7	6.1	57.7	62.1	45.1	34.0	5.0	4.0	6.8	9.8
Archean Chemicals	BUY	638	830	28.2	22.9	15.9	12.7	5.3	4.4	3.5	2.8	18.7	14.9	9.9	7.4	20.4	20.9	24.4	24.3
Tatva Chintan Pharma Chem	SELL	809	705	62.3	132.2	56.8	34.4	2.6	2.5	2.4	2.3	27.4	41.4	25.0	17.8	4.8	1.9	4.4	6.9

Source: Companies, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	57,741	64,198	86,332	100,333	113,732	
Sales Growth	29.9%	11.2%	34.5%	16.2%	13.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	57,741	64,198	86,332	100,333	113,732	
Cost of Goods Sold/Op. Exp	43,525	44,658	58,965	68,227	77,110	
Personnel Cost	1,905	2,504	3,956	4,352	4,700	
Other Expenses	4,999	6,662	8,528	10,148	11,467	
EBITDA	7,312	10,373	14,883	17,607	20,454	
EBITDA Margin	12.7%	16.2%	17.2%	17.5%	18.0%	
EBITDA Growth	12.0%	41.9%	43.5%	18.3%	16.2%	
Depn. & Amort.	1,367	2,173	3,388	3,788	4,119	
EBIT	5,945	8,201	11,495	13,819	16,335	
Other Income	406	370	394	273	274	
Finance Cost	534	1,808	4,745	4,045	3,289	
PBT before Excep. & Forex	5,817	6,763	7,144	10,046	13,320	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	5,817	6,763	7,144	10,046	13,320	
Taxes	1,395	1,852	1,786	2,411	3,197	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	4,422	4,911	5,358	7,635	10,123	
Adjusted Net Profit	4,422	4,911	5,358	7,635	10,123	
Net Margin	7.7%	7.6%	6.2%	7.6%	8.9%	
Diluted Share Cap. (mn)	377.0	377.0	377.0	377.0	377.0	
Diluted EPS (INR)	11.7	13.0	14.2	20.3	26.9	
Diluted EPS Growth	3.7%	11.1%	9.1%	42.5%	32.6%	
Total Dividend + Tax	2,074	2,074	0	0	0	
Dividend Per Share (INR)	5.5	5.5	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	28,302	32,467	37,825	45,460	55,583	
Share Capital	378	378	378	378	378	
Reserves & Surplus	27,924	32,089	37,447	45,082	55,206	
Preference Share Capital	0	0	0	0	0	
Minority Interest	91	37	37	37	37	
Total Loans	9,430	48,197	46,697	43,197	38,697	
Def. Tax Liab. / Assets (-)	2,561	8,710	8,710	8,710	8,710	
Total - Equity & Liab.	40,384	89,411	93,269	97,404	103,027	
Net Fixed Assets	30,241	59,908	62,520	64,732	68,113	
Gross Fixed Assets	25,115	42,269	52,599	58,599	66,099	
Intangible Assets	52	21,707	21,707	21,707	21,707	
Less: Depn. & Amort.	6,226	8,399	11,786	15,574	19,693	
Capital WIP	11,300	4,330	0	0	0	
Investments	554	1,094	725	725	725	
Current Assets	23,534	51,953	59,780	65,633	71,636	
Inventories	5,714	9,993	14,192	16,493	18,696	
Sundry Debtors	11,107	17,102	22,999	26,729	30,298	
Cash & Bank Balances	402	3,123	857	678	909	
Loans & Advances	5	6	5	5	5	
Other Current Assets	6,306	21,728	21,728	21,728	21,728	
Current Liab. & Prov.	13,945	23,543	29,756	33,687	37,447	
Current Liabilities	10,309	19,730	25,943	29,873	33,634	
Provisions & Others	3,636	3,814	3,814	3,814	3,814	
Net Current Assets	9,589	28,409	30,024	31,947	34,189	
Total - Assets	40,384	89,411	93,269	97,404	103,027	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	5,817	6,763	7,144	10,046	13,320	
Depn. & Amort.	1,367	2,173	3,388	3,788	4,119	
Net Interest Exp. / Inc. (-)	521	1,808	4,745	4,045	3,289	
Inc (-) / Dec in WCcap.	-731	2,919	-3,514	-2,101	-2,011	
Others	-276	-453	0	0	0	
Taxes Paid	-1,658	-2,156	-1,786	-2,411	-3,197	
Operating Cash Flow	5,041	11,054	9,977	13,367	15,520	
Capex	-8,959	-5,358	-6,000	-6,000	-7,500	
Free Cash Flow	-3,918	5,697	3,977	7,367	8,020	
Inc (-) / Dec in Investments	0	144	1	0	0	
Others	3,440	-36,927	0	0	0	
Investing Cash Flow	-5,519	-42,141	-5,999	-6,000	-7,500	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	2,590	37,803	-1,500	-3,500	-4,500	
Others	-2,896	-3,995	-4,745	-4,045	-3,289	
Financing Cash Flow	-306	33,808	-6,245	-7,545	-7,789	
Inc / Dec (-) in Cash	-784	2,721	-2,266	-179	231	
Opening Cash Balance	1,186	402	3,123	857	678	
Closing Cash Balance	402	3,123	857	678	909	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		7.7%	7.6%	6.2%	7.6%	8.9%
Asset Turnover (x)		1.5	1.0	0.9	1.0	1.1
Leverage Factor (x)		1.4	2.2	2.7	2.3	2.0
RoE		16.2%	16.2%	15.2%	18.3%	20.0%

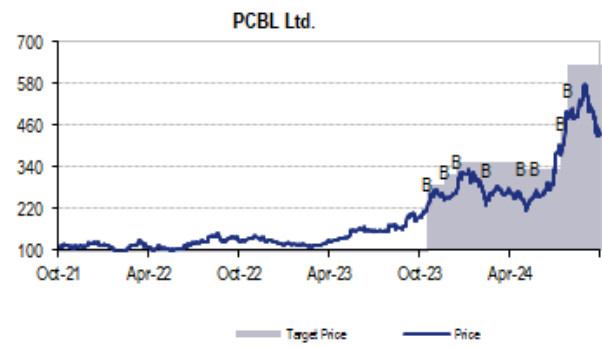
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		75.1	86.1	100.3	120.6	147.4
ROIC		13.0%	10.5%	10.8%	12.3%	13.8%
ROE		16.2%	16.2%	15.2%	18.3%	20.0%
Net Debt/Equity (x)		0.3	1.4	1.2	0.9	0.7
P/E (x)		37.0	33.3	30.5	21.4	16.2
P/B (x)		5.8	5.0	4.3	3.6	2.9
EV/EBITDA (x)		23.6	20.0	14.0	11.7	9.8
EV/Sales (x)		3.0	3.2	2.4	2.0	1.8
Debtor days		70	97	97	97	97
Inventory days		36	57	60	60	60
Creditor days		69	122	124	124	125

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
15-Nov-23	Buy	290	
21-Dec-23	Buy	320	10.2
15-Jan-24	Buy	355	11.0
14-Mar-24	Buy	355	0.0
23-May-24	Buy	335	-5.4
20-Jun-24	Buy	335	0.0
12-Aug-24	Buy	445	32.8
26-Aug-24	Buy	635	42.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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