

Stock Note

Heritage Foods Ltd.

January 08, 2024





Heritage Foods Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Dairy	Rs. 292	Buy in Rs. 294-301 band and add more on dips in Rs. 255-263 band	Rs. 333	Rs. 355	2 -3 quarters

HDFC Scrip Code	HERFOOEQNR
BSE Code	519552
NSE Code	HERITGFOOD
Bloomberg	HTFL IN
CMP (Jan 07, 2024)	292
Equity Capital (RsCr)	46.4
Face Value (Rs)	5.0
Equity Share O/S (Cr)	9.2
Market Cap (RsCr)	2,712
Book Value (Rs)	79.2
Avg. 52 Wk Volumes (in '000s)	758
52 Week High	315
52 Week Low	136

Share holding Pattern % (Sept, 2023)	
Promoters	41.6
Institutions	16.2
Non Institutions	42.2
Total	100.0

HDFCsec Retail research
stock rating meter
for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Incorporated in 1992, Heritage Foods Limited (HFL) is a leading dairy company, predominantly present in the South Indian markets of Andhra Pradesh, Karnataka, Telangana and Tamil Nadu (totalling 80% of sales with AP and Telangana contributing the most). Over time, the company has also forayed into other states like Maharashtra, Uttar Pradesh and NCR and is now present across 11 states in India.

The company’s milk and milk products are sold under the brand name “Heritage” and it has a strong presence across the dairy value chain. While dairy is the predominant segment, contributing ~99% of the company’s revenue in FY23, HFL also generated 10.50 MW of renewable energy for captive consumption through its wind and solar plants.

With over 3 decades of experience in the dairy industry, HFL is well-known for its premium milk and milk products owing to its well-penetrated, omni-channel distribution network and strong brand recognition in its core markets. The demand for milk and value added products in India is expected to increase in coming years, given the rise in spending power of the population. Additionally, the increasing consumer awareness for health consciousness and a shift from unorganized to organized retail is resulting in an increasing share of milk and milk based products in the consumer basket.

Valuation & Recommendation:

We believe that the company’s well-diversified product portfolio, deeply entrenched distribution network, strong long-term relationships with farmers and focus on providing high quality premium products, enables it to capitalize on the growing dairy industry in India. The company has a strong balance sheet with low debt, improving margins and operating cash flows. While the EBITDA margins are marginally lower to its closest peers, we believe that the inflationary pressure on milk procurement seems to have bottomed out. This coupled with an increasing share of the margin accretive value-added products, should drive margin expansion, going forward. Management has a long-term target of Rs. 6,000 cr in revenue. Also, it believes that it can sustain EBITDA margin levels of 7-8% in the long run. At a current P/E of 20x FY25E EPS, HFL’s attractive valuation relative to its peers makes it’s a strong candidate for re-rating.

We think the base case fair value of the stock is Rs 333 (22.5x FY25E EPS) and the bull case fair value is Rs 355 (24.0x FY25E EPS). Investors can buy the stock in Rs 294-301 band (20.0x FY25E EPS) and add more on dips in Rs 255-263 (17.5x FY25E EPS) band.

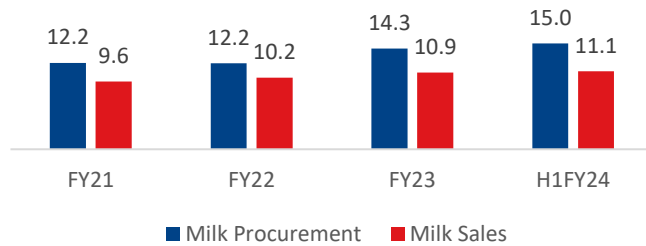


Financial Summary

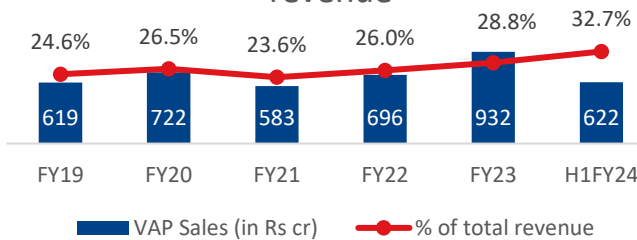
Particulars (in Rs Cr)	Q2FY24	Q2FY23	YoY-%	Q1FY24	QoQ-%	FY21	FY22	FY23	FY24E	FY25E
Operating Income	979	816	20%	924	6%	2473	2681	3241	3816	4293
EBITDA	47	40	18%	40	17%	271	191	138	190	245
APAT	22	19	18%	17	34%	148	96	58	99	136
Diluted EPS (Rs)	2.4	2.1	16%	1.8	34%	16.4	10.6	6.3	10.8	14.8
RoE-%						28.1	15.4	8.4	13.0	15.8
P/E (x)						19	29	48	28	20
EV/EBITDA (x)						10	14	21	15	11

(Source: Company, HDFC sec)

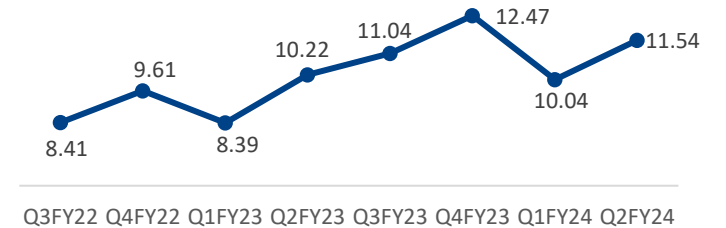
Milk Procurement and Sales (LLPD)



VAP sales and contribution to total revenue



Average Realisation (Rs/litre)



(Source: Company, HDFC sec)

Q2FY24 results: Key Highlights

Revenue stood at Rs. 979 cr in Q2FY24 – registering a growth of 19.9% YoY. Milk/VAP/Fat products revenue grew by 8.5%/18.0%/133.5% YoY, respectively. Within VAP, ice cream was the fastest growing product registering 44.4% YoY growth in top line followed by 28.0% YoY growth in both paneer and total drinkables, respectively.

Gross Margins declined 56 bps YoY, owing to higher losses on account of fat sales and marginally lower share of value-added products as compared to the same quarter last year. EBITDA grew by 18.1% YoY to Rs 47.1 cr in Q2FY24. EBITDA margin contracted by 7 bps YoY on account of lower gross margin but expanded by 45 bps sequentially on account of lower other expenses as compared to the previous quarter. PAT grew by 17.7% YoY to Rs 22.4 cr in Q2FY24.



Average milk procurement registered a 1.2% YoY growth to 14.8 LLPD in Q2FY24 as against 14.6 LLPD in Q2FY23. Average milk sales during the quarter remained flat YoY at 11.3 LLPD against 11.2 LLPD in the same quarter last year. Average milk procurement prices increased 6.3% YoY whereas average milk selling prices were up 7.6% YoY in Q2FY24. Curd sales grew by 10.5% and 16.0% YoY in terms of volume and value, respectively in Q2FY24.

Contribution of VAP including ice cream stood at 27.9% in Q2 FY24 of the total revenue as compared to 28.1% in Q2FY23. During the quarter, the company commissioned processing and packing of Milk of 30 KLPD, Curd of 20 MTPD and Butter Milk of 5 KLPD production facility at B Kothakota Plant in Chittoor district of Andhra Pradesh. The company also launched new products like premium buffalo milk with 7% fat and 50 ml and 100 ml ghee jars during the quarter.

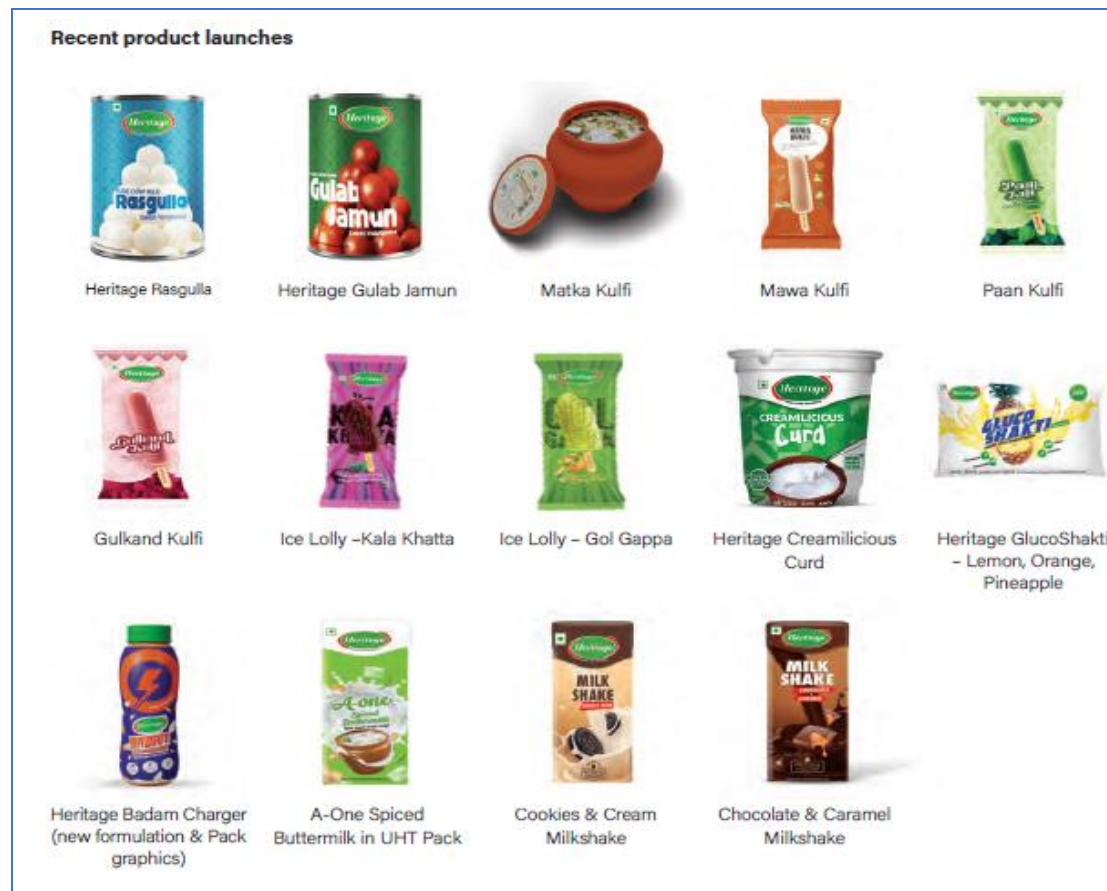
Key Triggers:

A well-diversified product portfolio with focus on product innovation

A strong brand in the dairy business, over the years HFL has created a well-diversified product portfolio by entering into various adjacent product categories to achieve its aim of providing high quality dairy products to its consumer. The company's product range now includes different types of milk, curd, buttermilk, butter, ghee, paneer and a variety of other value-added products (VAP). HFL has strategically invested into a technologically advanced R&D infrastructure that focuses on not only stringent quality control measures but also product innovation.

In FY23, the company launched several new products in the 'drinkable and ice cream' category to further enrich its product portfolio. It has also entered into a 50:50 JV with Novadine, France in 2021 and launched a range of French yogurt to cater to the growing demand for fruit-based yogurt consumption in India.

A well-diversified product portfolio has also helped HFL mitigate the demand side fluctuations in the milk segment, resulting from sustained inflationary pressure on milk prices.



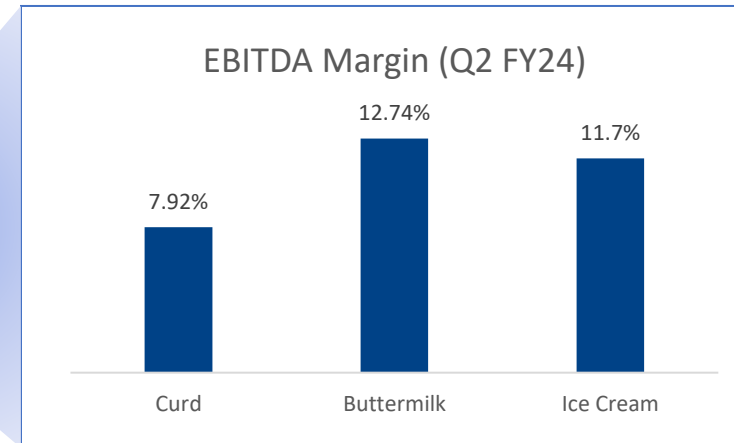
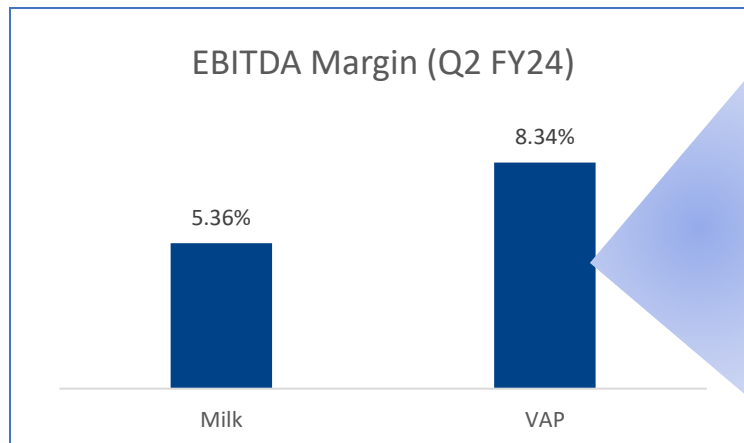
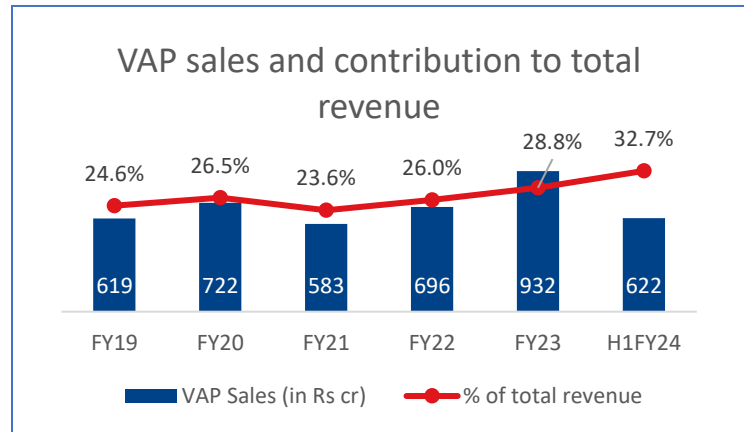
Increasing share of value-added products (VAP) to drive margin expansion:

The contribution of VAP such as curd, paneer, cheese, buttermilk, lassi, flavoured milk and ice cream to the company's top line has increased from 22.2% in FY18 to 28.8% in FY23 and 32.7% in H1FY24. This is one of the fastest growing segments for the company, registering a growth rate of 15.4% YoY in H1FY24.

Overall, with a rise in consumer spending power, urbanization and increasing focus on health-conscious products, there has been a surge in demand for packaged value added products. These products usually have marginal incremental cost, but much higher perceived value

for the consumer, due to the special occasions in which it is consumed, the potential for differentiation and the nutritional benefits it offers the consumers.

Thus, the VAP segment is not only the primary growth driver for the company but has also been margin accretive as these products command better realization as compared to liquid milk. The company already has a strong distribution network and an omni-channel presence to capitalize on the shift of Indian dairy consuming households from unorganized to a relatively organized sector.



(Source: Company, HDFC sec)

Omni-channel presence across the value chain and long-term relationships gives it a strategic advantage

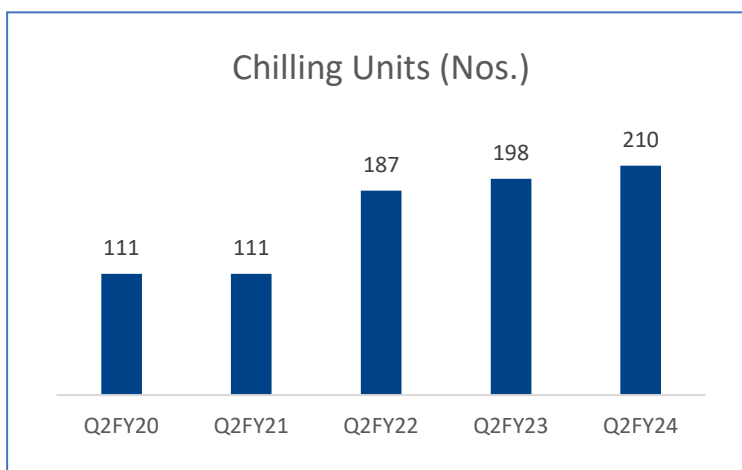
HFL has created a strong presence across the milk value chain right from cattle feed and animal nutrition to an omni-channel sales network.





Milk Procurement – Raw milk is procured through the procurement operations spread 9 states. 95% of the milk was procured directly from farmers in FY23 as against 90% in FY20. The company has built strong, long-lasting relationships with 3,00,000+ farmers and 11,300+ milk procurement representatives. to increase milk procurement while also investing in village level milk collection infrastructure, bulk coolers, and chilling centres.

Milk Chilling Centres – HFL has continuously invested in increasing its milk chilling capacity from 188 chilling units in FY20 to 210 units in H1FY24. It boasted 22.8 lakh litre per day (LLPD) milk chilling capacity per day as of September 30, 2023. It intends to increase its penetration in chilling centers, going forward. The raw chilled milk is then transported to the nearest processing plant through tankers for onward processing into retail milk packages or to manufacture dairy based value-added products.



Dairy Processing - The company has 17 State-of-the-art milk processing facilities with a total processing capacity of 26.8 LLPD. The company has a strong R&D strategy and employs cutting-edge technology for processing. The company has introduced fully automated processing lines with the processing infrastructure designed to ensure efficient operations and high product quality standards.

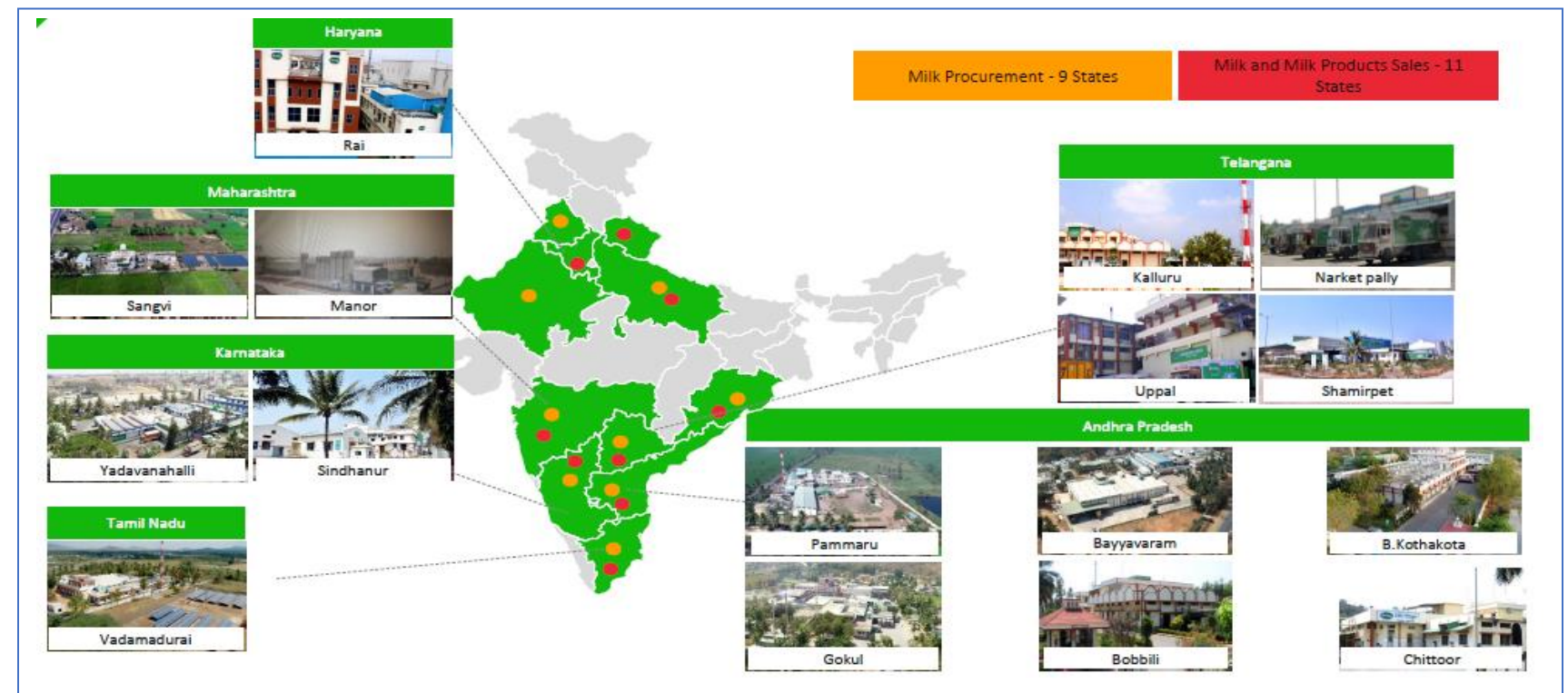
Sale of Dairy & Value-Added Products – The company has adopted an omni-channel strategy and has a well standardized network of 166 Happiness Points, 859 Parlours, 130,000+ retail trade outlets, 27 modern retail chains and 16 E-commerce platforms. The company has also invested in various digital marketing initiatives to increase its consumer reach and strengthen the ‘Heritage’ brand.



Expansion into existing and new geographies to fuel growth

While HFL is a prominent player in the Southern Indian markets of Andhra Pradesh, Telangana, Karnataka and Tamil Nadu, it has expanded its sales presence across 11 states in India. The company plans to penetrate deeper into metropolitan cities by expanding into several towns and semi-urban areas. HFL intends to leverage its strong distribution network to enter new geographies and strengthen the existing ones through brand building activities.

HFL's geographical presence:



(Source: Company, HDFC sec)



Well placed to benefit from increasing demand of dairy products in the country

The rising income levels in India and focus on health consciousness has resulted in increase in demand for organized dairy products in India. The share of organized and branded players' contribution to liquid milk consumption is estimated at around 40% currently which that of curd and paneer is much lower at 9% and 4%, respectively. This share is expected to increase further with the consolidation of unorganized players in the industry.

Financial Summary:

In FY23, HFL reported ~11.2% YoY growth in total average sales volume and ~21.0% YoY growth in value in its revenue. However, it reported 28 bps YoY decline in gross margin owing to a sharp increase in milk procurement costs during the year. The company is currently witnessing a decline in procurement prices since Q2FY24. Between Q1 and Q2 FY24, procurement prices declined by ~Rs 1.3/litre. Because of the flush season, management further expects a drop in procurement prices in Q3FY24.

HFL's revenue CAGR between FY18-23 stood at 6.4%. Its primary milk segment has grown at 6.4% CAGR whereas VAP sales have grown at a much faster clip of 12.1% CAGR during the same period. In FY23, milk products contributed 63.3% of the total revenue whereas VAP and fat products contributed 28.8% and 4.6%, respectively.

HFL's management has a long-term target of Rs. 6,000 cr in revenue. Also, it believes that it can sustain EBITDA margin levels of 7-8% in the long run. A sharp increase in procurement prices resulted in EBITDA margin decline from 7.6% in FY22 to 4.3% in FY23. However, with gradual easing of procurement costs and price hikes taken by the company, EBITDA margin improved to 4.6% in H1FY24.



Key Concerns

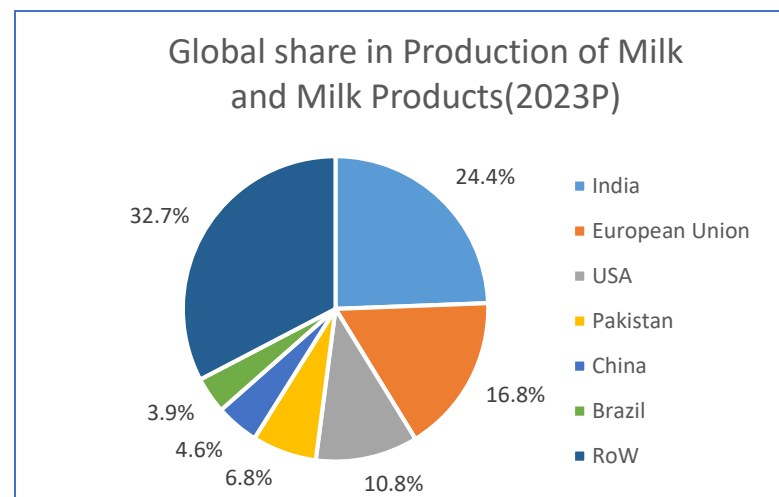
Key Concerns	
Concern	Description
Competition pressure from unorganized players	Dairy sector has many small-scale unorganized players leading to fragmentation and inefficiencies. Non-profit Co-operative societies can sell dairy products including milk and milk products at lower price due to absence of profit motive and subsidy received; hence they pose a competitive risk. However, the company has a strong brand recognition in key markets in South India and its products caters well to the brand and health-conscious customers
Perishable nature of products may result in logistical issues and supply chain disruptions	Due to their perishable nature, it is extremely difficult to maintain the freshness of dairy products. Milk supply improves in winter and monsoon while demand for curd rises in summer and that of ghee in festive months. Dairy farmers often face logistical hassles that have an impact on the production and transportation of milk products. HFL has developed a wide spread pan-India distribution and procurement network across various channels which helps it to effectively mitigate any temporary supply chain disruptions
Climate changes induced production and price fluctuations	Unprecedented climate change like rainfall and heat may impact milk production which can result in price fluctuations. The company has actively invested in technology like “Glass-to-Glass”, a tech enabled approach to maintain milk purity across the value chain. HFL is also dedicated to providing animal nutrition and farmers awareness to improve milk productivity and mitigate climatic changes
Inflationary pressure on raw material prices	Milk procurement prices have been susceptible double-digit rise due to high raw milk prices, resulting from increased cost of feed and fodder and supply chain disruptions resulting from global macroeconomic headwinds. The company has taken commensurate price hikes in recent quarters which has been absorbed by the market given the company’s strong brand pull and superior product quality. Skimmed milk powder globally remains volatile impacting export realisations of Indian players.



Industry Overview

Global

The global dairy industry is projected to register a CAGR of 5.79% between 2023-28E. Milk production in the European Union, the second largest milk producer, is projected to at a slower pace when compared to the world average. Despite a slight surge in domestic milk production compared to the previous decade, China is anticipated to remain the world's largest importer of milk products. Over the next decade, the world's per capita consumption of fresh dairy products is expected to grow by 1.4% per annum, slightly faster than the last decade due to higher per capita income growth.



(Source: Company, HDFC sec)

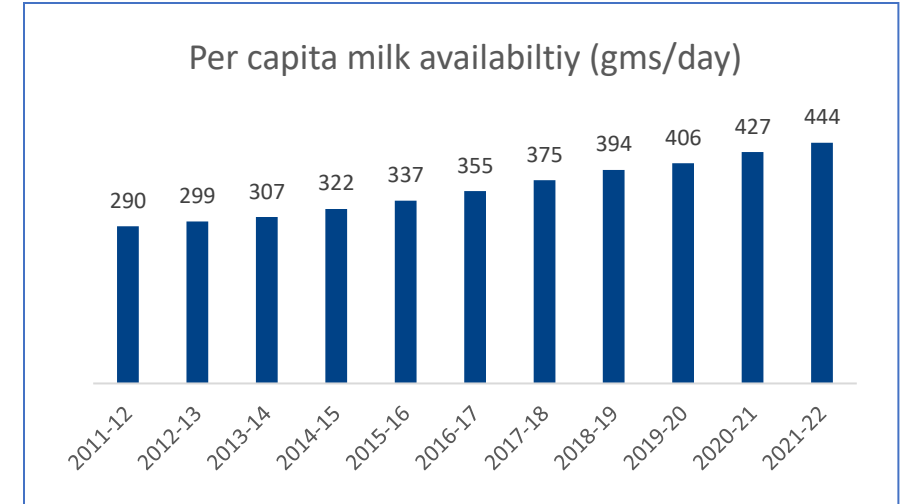
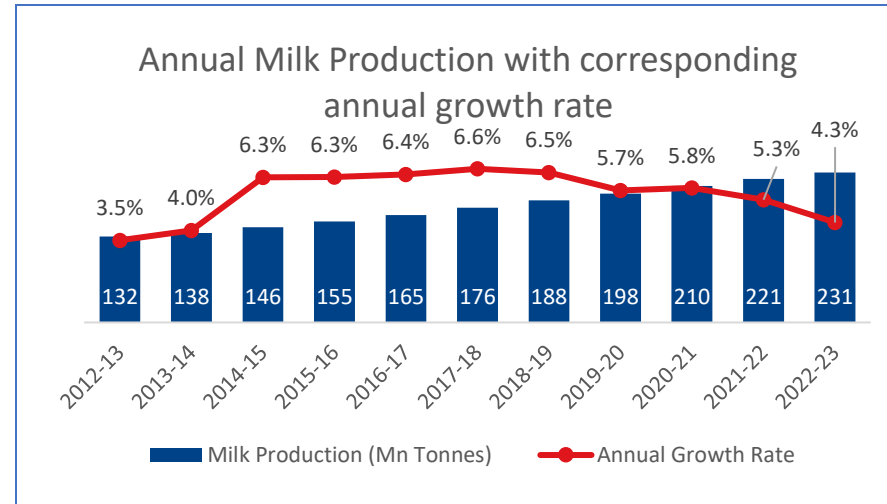
India

India is the largest milk producer in the world, contributing ~24% of global milk production. Milk production in the country is estimated as 230.58 million tonnes during 2022-23 registered a growth of 5.7% CGAR over the last 10 years. Moreover, the per-capita availability of milk has increased from 303 gram/day in 2013-14 to 444 gram/day in 2021-22, nearly 1.5 times increase.

During 2022-23, Uttar Pradesh was the highest milk producing state with a share of 15.72 % of total milk production followed by Rajasthan (14.44 %), Madhya Pradesh (8.73 %), Gujarat (7.49 %), and Andhra Pradesh (6.70 %). In terms of YoY annual growth rate (AGR), the highest



AGR recorded by Karnataka (8.76%) followed by West Bengal (8.65%) and Uttar Pradesh (6.99%) over the previous year. The Indian dairy industry is projected to achieve a market size of Rs 31.19 lakh cr, showcasing a CAGR growth rate of 13.2% from 2023 to 2028E.



(Source: Company, HDFC sec)

Within the dairy industry, cheese market is expected to grow at the highest CAGR of 24.06% between 2023-28E, followed by the lassi market at 20.47% CAGR and ice cream market at 17.5% CAGR during the same period. One of the primary factors driving the market is the rapidly increasing population and escalating demand for ready-to-eat (RTE) dairy products, such as butter, frozen desserts, milk powder, and yogurt. Additionally, the increasing awareness among the masses about the health benefits of dairy products is creating a positive market outlook. Due to seasonality, capacities can run at a maximum of 65-70% on an annual basis.

About the company

Founded by Mr. Nara Chandrababu Naidu in 1992, Heritage Foods Limited (HFL) is among the leading dairy companies in India, operating under 2 business divisions – Dairy and Renewable Energy (primarily for captive consumption). With over 3 decades of experience in the dairy industry, the company offers a diverse range of products, including milk, value-added dairy and fat products. The company operates across 17 milk processing facilities with a total processing capacity of 2.68 mn litres per day (MLPD) and has 210 Milk Chilling units with 2.28 MLPD milk chilling capacity.



HFL's milk and milk products have a wide market presence across 11 states including Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Maharashtra, and Odisha, among other states. The company has an extensive distribution network spanning across 166 Happiness points, 859 parlours, 130,000+ general retail trade outlets, 27 organized modern retail chains and 16 E-commerce platforms, which helps strengthen the brand through its omni-channel presence.

On the procurement side, the company collects milk from more than 3,00,000 farmers, spread across 10,500 villages in 9 states. The company also is also present in Livestock feed and feed supplements through its subsidiary Heritage Nutrivet Limited.

HFL's product portfolio

Milk

The company sells 3 types of milk – fresh milk, A2 milk and ultra-high temperature (UHT) milk. Fresh milk is the most consumed product in India. The demand for fresh milk has been on the rise in India with increasing health consciousness, dietary needs and living standards in India. A2 milk is 100% buffalo milk with full cream and UHT is can be stored at room temperature and has a long shelf life



(Source: Company, HDFC sec)

Value added products

The company sells a variety of products under the gambit of ‘Value added products’ (VAP). These include curd, paneer, cheese, buttermilk, flavoured milk, milk shake, sweets, lassi and ice cream/frozen desserts. Curd contributes majority of the segment revenue whereas ice cream/frozen dessert category has grown the fastest in H1FY24.



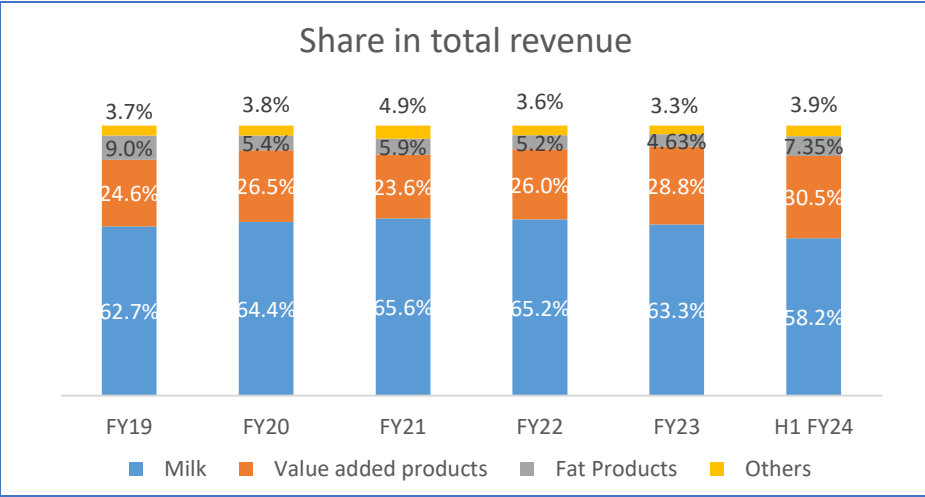
(Source: Company, HDFC sec)

Fat Products

The fat products portfolio of the company consists of Ghee, Butter and Cream. Fat products contributed 4.6% to the company’s revenue in FY23 and 7.4% in H1 FY24.



(Source: Company, HDFC sec)



(Source: Company, HDFC sec)

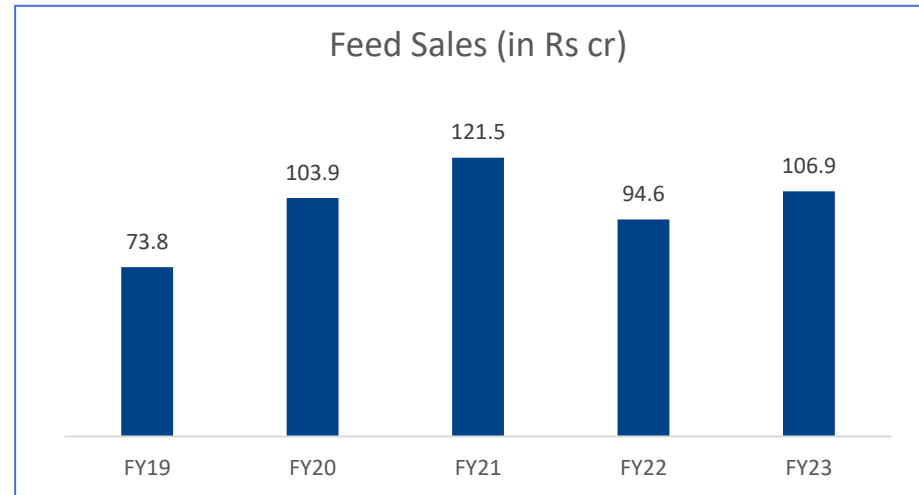
Renewable Energy Vertical

The company generated 10.5 MW of renewable energy in FY23. Of this, 6.3 MW was through wind power plants and 4.2 MW was through solar power plants. The renewable energy generated by the company is primarily for captive consumption.

Ancillary Business Segments – Feed and Yogurt

Heritage Nutravet Limited (HNL)

HNL is a wholly owned subsidiary of HFL, engaged in providing animal nutrition through livestock feed and feed supplements. The products of HNL are designed to serve a variety of animal needs. It offers technical support and raises awareness among dairy farmers about improving milk productivity and profitability.



(Source: Company, HDFC sec)

Heritage Novandie Foods Private Limited (HNFPL)

Incorporated in 2021, HNFPL is a 50:50 JV between HFL and Novadine, France to manufacture and market various types of yoghurt in the country. The company to capture the Indian yogurt market with its fruit-based yogurt and aims to have a strong presence across 8-10 key cities in the next 2 years.



(Source: Company, HDFC sec)



Management Overview

Management Overview		
Name	Designation	Description
Mrs. Bhuvaneswari Nara	Vice Chairperson/ Managing Director	She joined the company in 1994 as a Whole-time Director. She has been successfully steering Heritage Foods towards growth and prosperity. She holds a Bachelor’s degree in Arts and is a dynamic leader and has extensive experience in the business
Mrs. Brahmani Nara	Executive Director	She joined Heritage Foods in 2011 as Vice President Business Development and since 2013 onwards she is serving as the Executive Director. She holds a Master’s degree in Business Administration from Stanford University and a Bachelor’s degree in Electrical Engineering from Santa Clara University, California, USA.
Mr. Srideep Kesavan	CEO	Mr. Srideep is a seasoned professional having a diversified and rich experience of more than two decades in Business Leadership roles and has deep domain expertise across Sales & Distribution, Marketing, Category Management, P&L, and General Management in Beverages, Food & Agribusiness Organizations
A. Prabhakara Naidu	CFO	Has been associated with the Heritage Foods since inception. He is a Fellow Member of the Institute of Chartered Accountants of India and has 26 years of experience in finance and accounts

(Source: Company, HDFC sec)



Peer comparison:

HFL has the lowest margins among the peers as Hatsun is more urban centric and has a large proportion of ice cream sales; Dodla has a higher percent of procurement from Karnataka, where the State Govt gives subsidy on milk procured and Dodla has profitable overseas operations in Africa.

Company	Mcap (Rs cr)	Revenue				EBITDA Margin				PAT				RoE			
		FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Heritage Foods	2712	2681	3241	3816	4293	7.1	4.3	5.0	5.7	103	66	99	136	15.4	8.4	13.0	15.8
Hatsun Agro	25271	6354	7228	7918	9036	11.4	9.7	10.7	11.4	242	161	301	411	23.3	13.0	15.3	18.1
Dodla Dairy	5273	2242	2810	3213	3667	9.5	7.0	8.5	9.0	131	120	165	207	17.7	13.5	15.9	15.7

Company	EV/EBITDA (x)				P/E (x)			
	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Heritage Foods	14.2	20.8	14.8	11.1	28.2	47.1	27.6	20.1
Hatsun Agro	34.9	36.0	29.8	24.5	104.6	156.7	83.9	61.5
Dodla Dairy	19.7	21.5	14.9	12.4	33.1	35.9	26.2	22.7

(Source: Company, HDFC sec)



Financials

Income Statement

Particulars (in Rs Cr)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Revenues	2515	2726	2473	2681	3241	3816	4293
Growth (%)	6.0	8.4	-9.3	8.4	20.9	17.8	12.5
Operating Expenses	2326	2597	2202	2490	3102	3627	4049
EBITDA	189	129	271	191	138	190	245
Growth (%)	44.7	-31.5	109.7	-29.5	-27.6	37.1	28.9
EBITDA Margin (%)	7.5	4.7	11.0	7.1	4.3	5.0	5.7
Depreciation	45	50	46	52	56	62	69
Other Income	9	9	8	11	12	8	9
EBIT	153	88	233	150	94	136	185
Interest expenses	21	23	19	4	4	4	4
PBT	128	-152	205	137	90	132	181
Tax	45	15	53	34	24	33	46
PAT	83	-168	151	103	66	99	136
Share of Asso./Minority Int.	0	-1	-2	-6	-9	0	0
Adj. PAT	83	-169	148	96	58	99	136
Growth (%)	31.7	-305.1	187.5	-35.1	-39.8	71.1	36.9
EPS	8.9	-17.5	16.4	10.6	6.3	10.8	14.8

Balance Sheet

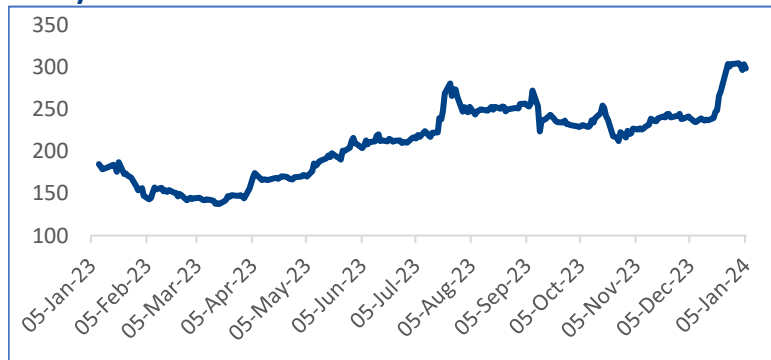
Particulars (in Rs Cr) - As at March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS							
Share Capital	23	23	23	23	46	46	46
Reserves	779	436	573	634	679	756	864
Shareholders' Funds	803	460	596	658	726	802	910
Minority Interest	12	2	0	0	0	0	0
Total Debt	261	261	68	19	168	118	68
Net Deferred Taxes	26	22	24	24	25	25	25
Total Sources of Funds	1102	745	689	701	919	945	1003
APPLICATION OF FUNDS							
Net Block & Goodwill	472	477	578	576	617	656	687
CWIP	42	76	16	7	20	20	20
Investments	839	158	18	22	19	39	89
Other Non-Curr. Assets	7	9	8	7	15	15	17
Total Non-Current Assets	1360	720	619	612	672	730	813
Inventories	138	145	198	206	379	397	388
Debtors	42	22	15	18	28	31	35
Cash & Equivalents	75	58	24	33	16	19	22
Other Current Assets	19	44	22	33	30	31	35
Total Current Assets	275	269	259	291	453	479	481
Creditors	69	60	35	52	45	74	76
Other Current Liab & Provisions	464	183	154	150	162	190	215
Total Current Liabilities	533	243	190	202	206	264	291
Net Current Assets	-258	25	70	89	247	208	185
Total Application of Funds	1102	745	689	701	919	945	1003



Cash Flow Statement

Particulars (in Rs Cr)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Reported PBT	128	-153	203	131	82	132	181
Non-operating & EO items	1	215	7	4	0	1	1
Interest Expenses	21	22	19	4	3	4	4
Depreciation	45	50	46	52	56	62	69
Working Capital Change	-8	3	-48	-7	-178	34	26
Tax Paid	-38	-19	-53	-35	-23	-33	-46
OPERATING CASH FLOW (a)	148	117	174	148	-61	199	235
Capex	-124	-108	-66	-42	-79	-100	-100
Free Cash Flow	24	8	108	106	-140	99	135
Investments	0	0	136	1	3	-20	-50
Non-operating income	-9	11	-1	-2	-6	0	0
INVESTING CASH FLOW (b)	-133	-97	69	-42	-83	-120	-150
Debt Issuance / (Repaid)	28	15	-157	-51	123	-50	-50
Interest Expenses	-21	-22	-19	-3	-2	-4	-4
FCFE	23	13	67	52	-23	-5	6
Share Capital Issuance	0	0	0	0	22	0	0
Dividend	-11	-11	-12	-35	-12	-23	-27
Others	0	-4	-4	-4	-5	0	0
FINANCING CASH FLOW (c)	-3	-22	-191	-93	126	-77	-81
NET CASH FLOW (a+b+c)	12	-2	51	13	-17	3	3

One-year Share Price Chart



Key Ratios

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Profitability Ratios (%)							
EBITDA Margin	7.5	4.7	11.0	7.1	4.3	5.0	5.7
EBIT Margin	6.1	3.2	9.4	5.6	2.9	3.6	4.3
APAT Margin	3.3	-6.2	6.0	3.6	1.8	2.6	3.2
RoE	20.6	-26.8	28.1	15.4	8.4	13.0	15.8
RoCE	28.8	9.9	33.7	22.4	12.0	15.0	19.5
Solvency Ratio (x)							
Net Debt/EBITDA	1.0	1.6	0.2	-0.1	1.1	0.5	0.2
Net D/E	0.2	0.4	0.1	0.0	0.2	0.1	0.1
PER SHARE DATA (Rs)							
EPS	8.9	-17.5	16.4	10.6	6.3	10.8	14.8
CEPS	13.9	-13.0	21.3	16.2	12.4	17.5	22.3
BV	87.7	50.2	65.1	71.9	79.2	87.5	99.3
Dividend	2.0	2.5	5.0	5.0	2.5	2.5	3.0
Turnover Ratios (days)							
Debtor days	6	4	3	2	3	3	3
Inventory days	20	19	25	28	33	37	33
Creditors days	10	9	7	6	5	6	6
Valuation (X)							
P/E	34	-17	19	29	48	28	20
P/BV	3	6	5	4	4	3	3
EV/EBITDA	16	23	10	14	21	15	11
EV / Revenues	1	1	1	1	1	1	1

(Source: Company, HDFC sec)



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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