

BSE SENSEX

36,700

S&amp;P CNX

10,863

**CMP: INR428 TP: INR522 (+22%)**
**Buy**

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|                       |            |
|-----------------------|------------|
| Bloomberg             | GOAGRO IN  |
| Equity Shares (m)     | 192        |
| M.Cap.(INRb)/(USDb)   | 82.2 / 1.2 |
| 52-Week Range (INR)   | 660 / 422  |
| 1, 6, 12 Rel. Per (%) | -8/-9/-32  |
| 12M Avg Val (INR M)   | 54         |
| Free float (%)        | 31.1       |

## Financials & Valuations (INR b)

| Y/E Mar        | 2019 | 2020E | 2021E |
|----------------|------|-------|-------|
| Sales          | 58.7 | 68.6  | 77.6  |
| EBITDA         | 4.6  | 5.1   | 6.5   |
| NP             | 2.4  | 2.4   | 3.3   |
| EPS (INR)      | 12.5 | 12.5  | 17.3  |
| EBITDA Gr. (%) | 2.9  | 11.8  | 27.9  |
| EPS Gr. (%)    | 10.9 | -0.2  | 38.0  |
| RoE (%)        | 15.7 | 14.0  | 17.6  |
| RoCE (%)       | 15.4 | 13.4  | 16.4  |
| EV/ EBITDA (x) | 19.7 | 17.6  | 13.7  |
| P/E (x)        | 34.1 | 34.2  | 24.8  |

Estimate change

TP change

Rating change



## Animal feed nourishes revenue

### Depressed oil prices dent palm oil biz. margins

- **Revenue in-line; EBITDA/adj. PAT below estimates:** Consol. revenue grew 15% YoY to INR17b (our estimate: INR16.6b), mainly led by the animal feed segment (+20% YoY to INR8.9b). EBITDA margin contracted by 105bp YoY to 8.3% (our estimate: 9.5%), mainly on account of higher other expenses. EBITDA grew 2% YoY to INR1,419m (our estimate: INR1,584m). Adj. PAT was down 5% YoY to INR760m (our estimate: INR916m).
- **Margin pressures evident:** Animal feed revenue increased 20% YoY, led by price hikes of 13% YoY (+9% QoQ). However, segmental EBIT margin shrank 80bp QoQ to 4.8% due to high RM prices. Astec, too, delivered strong revenue growth of 19% YoY, but the EBITDA margin shrank 470bp YoY due to lower realization. Palm Oil segment revenue declined 14% YoY, despite a 22% YoY increase in Fresh Fruit Bunches (FFB) arrival, owing to a sharp decline in oil prices and a lower oil extraction ratio (from 17% to 15%). As a result, segmental EBIT margin shrank ~12.5pp YoY to 8.7%.
- **Key concall highlights:** (i) Astec revenue growth guidance maintained at 15% for FY20. However, GOAGRO exhibited caution with respect to its 20% EBITDA growth guidance. (ii) The company expects 4-5 new product launches each year over next three years in the standalone crop protection.
- **Valuation and view:** We have incorporated Godrej Tyson Foods and Godrej Maxximilk into our forecasts as they now are the subsidiaries of GOAGRO. We, however, cut our earnings estimates by 20% and 10% for FY20 and FY21, respectively, to factor in the weak performance in palm oil, Astec, higher depreciation and interest cost. On an SOTP basis, we arrive at a target price of INR522, implying an upside of 22%. Maintain **Buy**.

## Consolidated - Quarterly Earning Model

(INR Million)

| Y/E March                             | FY19   |        |        |        | FY20   |        |        |        | FY19   | FY20   | FY20   | Var |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----|
|                                       | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2QE    | 3QE    | 4QE    |        |        | 1QE    | (%) |
| Gross Sales                           | 14,844 | 15,884 | 14,541 | 13,439 | 17,026 | 19,036 | 17,130 | 15,406 | 58,707 | 68,598 | 16,630 | 2   |
| YoY Change (%)                        | 8.8    | 11.4   | 19.1   | 12.5   | 14.7   | 19.8   | 17.8   | 14.6   | 12.8   | 16.8   | 12.0   |     |
| Total Expenditure                     | 13,451 | 14,477 | 13,531 | 12,691 | 15,607 | 17,421 | 15,939 | 14,535 | 54,149 | 63,502 | 15,046 |     |
| EBITDA                                | 1,393  | 1,407  | 1,010  | 749    | 1,419  | 1,615  | 1,192  | 870    | 4,558  | 5,096  | 1,584  | -10 |
| Margins (%)                           | 9.4    | 8.9    | 6.9    | 5.6    | 8.3    | 8.5    | 7.0    | 5.6    | 7.8    | 7.4    | 9.5    |     |
| Depreciation                          | 224    | 237    | 264    | 257    | 351    | 353    | 355    | 360    | 982    | 1,419  | 270    |     |
| Interest                              | 81     | 85     | 98     | 75     | 102    | 100    | 101    | 103    | 339    | 406    | 80     |     |
| Other Income                          | 39     | 338    | 49     | 107    | 102    | 150    | 105    | 144    | 531    | 501    | 44     |     |
| PBT before EO expense                 | 1,126  | 1,423  | 696    | 524    | 1,068  | 1,312  | 841    | 551    | 3,769  | 3,773  | 1,278  |     |
| Extra-Ord expense                     | 0      | 0      | 0      | -883   | 0      | 0      | 0      | 0      | -883   | 0      | 0      |     |
| PBT                                   | 1,126  | 1,423  | 696    | 1,407  | 1,068  | 1,312  | 841    | 551    | 4,652  | 3,773  | 1,278  |     |
| Tax                                   | 393    | 452    | 244    | 191    | 356    | 420    | 277    | 182    | 1,280  | 1,235  | 434    |     |
| Rate (%)                              | 34.9   | 31.8   | 35.0   | 13.6   | 33.3   | 32.0   | 33.0   | 33.0   | 27.5   | 32.7   | 34.0   |     |
| Minority Interest & P/L of Asso. Cos. | -69    | 29     | 43     | 79     | -48    | 29     | 70     | 83     | 82     | 135    | -72    |     |
| Reported PAT                          | 802    | 942    | 409    | 1,137  | 760    | 863    | 493    | 286    | 3,290  | 2,402  | 916    |     |
| Adj PAT                               | 802    | 942    | 409    | 254    | 760    | 863    | 493    | 286    | 2,407  | 2,402  | 916    | -17 |
| YoY Change (%)                        | 8.7    | 16.7   | 9.1    | 1.4    | -5.3   | -8.4   | 20.6   | 12.6   | 10.9   | -0.2   | 14.1   |     |
| Margins (%)                           | 5.4    | 5.9    | 2.8    | 1.9    | 4.5    | 4.5    | 2.9    | 1.9    | 4.1    | 3.5    | 5.5    |     |

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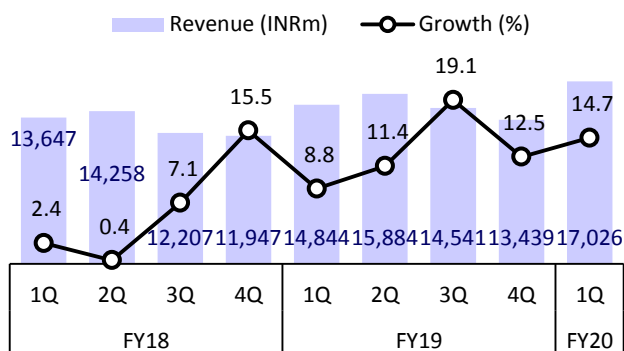
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**Revenue in line; miss on EBITDA/adj. PAT****1QFY20 performance:**

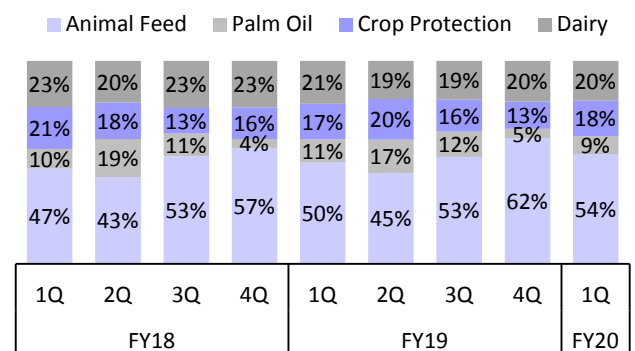
- Consol. revenue grew 15% YoY to INR17b (est. of INR16.6b), mainly led by the animal feed segment (+20% YoY to INR8.9b).
- EBITDA margin contracted by 105bp YoY to 8.3% (est. of 9.5%), mainly on account of higher other expenses (+100bp YoY to 10.3%) with a marginal increase in RM cost.
- EBITDA grew 2% YoY to INR1,419m (est. of INR1,584m).
- Adj. PAT was down 5% YoY to INR760m (est. of INR916m), primarily on account of an increase in depreciation (+57% YoY to INR351m) and interest cost (+25% YoY to INR102m), partly offset by higher other income (+2.7x YoY to INR102m).

**Segment performance (1QFY20):**

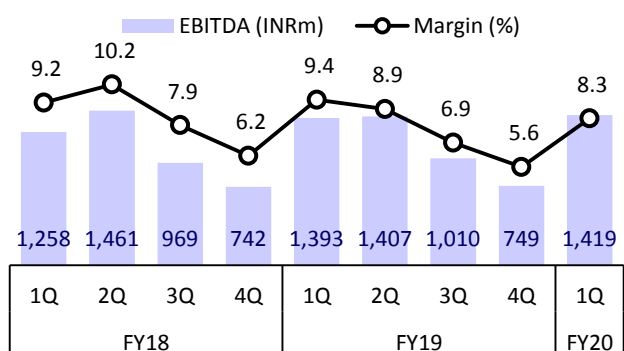
- Animal feed revenue grew 20% YoY to INR8,850m, with the EBIT margin contracting 10bp YoY to 4.8%.
- Palm oil revenue declined 14% YoY to INR1,454m, with the EBIT margin contracting 12pp YoY to 8.7%.
- Crop protection revenue increased 12% YoY to INR2,866m, with the EBIT margin contracting 290bp YoY to 26.8%.
- Dairy revenue grew 2% YoY to INR3,204m, with the EBIT margin expanding 200bp YoY to 2.1%.

**Exhibit 1: Consolidated revenue trend**

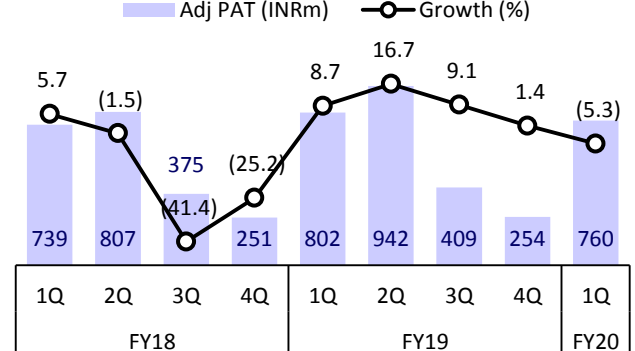
Source: Company, MOFSL

**Exhibit 2: Revenue mix trend**

Source: Company, MOFSL

**Exhibit 3: Consolidated EBITDA trend**

Source: Company, MOFSL

**Exhibit 4: Consolidated adj. PAT trend**

Source: Company, MOFSL

**Animal Feed: Price hikes drive revenue growth**

- In 1QFY20, revenue grew 20% YoY to INR8,850m, with the EBIT margin contracting 10bp YoY to 4.8%.
- Volumes increased strongly by 6.5% YoY, driven by growth in the layer and fish feed segments.
- Price increase taken for end-products led to an improvement in segment profitability (+17.2% YoY); however, prices for the key RMs remained high.

**Exhibit 5: Animal feed**

| Particulars    | 1QFY18  | 2QFY18  | 3QFY18  | 4QFY18  | 1QFY19  | 2QFY19  | 3QFY19  | 4QFY19  | 1QFY20  |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Volume (MT)    | 255,635 | 262,547 | 288,138 | 300,609 | 304,220 | 304,223 | 324,261 | 331,806 | 324,035 |
| Growth (%)     |         |         |         |         | 19.0    | 15.9    | 12.5    | 10.4    | 6.5     |
| Revenue (INRm) | 6,345   | 6,119   | 6,470   | 6,827   | 7,373   | 7,115   | 7,660   | 8,318   | 8,850   |
| Growth (%)     |         |         |         |         | 16.2    | 16.3    | 18.4    | 21.8    | 20.0    |
| EBIT (INRm)    | 398     | 284     | 389     | 488     | 361     | 225     | 237     | 461     | 424     |
| Margin (%)     | 6.3     | 4.6     | 6.0     | 7.1     | 4.9     | 3.2     | 3.1     | 5.5     | 4.8     |
| Growth (%)     |         |         |         |         | (9.3)   | (20.7)  | (39.0)  | (5.5)   | 17.2    |

Source: Company, MOFSL

**Crop Protection (CP): Good standalone performance despite late onset of monsoon**

- **Consolidated crop protection:** Revenue increased 12% YoY to INR2,866m, with the EBIT margin contracting 290bp YoY to 26.8%.
- **Standalone crop protection:** In 1QFY20, revenue grew 9% YoY to INR2,093m, with EBIT margin expansion of 115bp YoY to 35.5%.
- **Astec:** In 1QFY20, revenue grew 19% YoY to INR770m, with EBITDA margin contraction of 470bp YoY to 9.5% due to poor realizations.
- Launch of new products in current quarter helped increase portfolio across categories: (i) Herbicides: Hitweed Maxx, Bloxit, Veteran and (ii) Insecticides: Prudens, Klifitan.
- The company expects 4-5 new product launches each year over next three years in the standalone crop protection.

**Exhibit 6: Consolidated crop protection**

| Particulars    | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (INRm) | 2,795  | 2,593  | 1,559  | 1,872  | 2,567  | 3,192  | 2,305  | 1,811  | 2,866  |
| Growth (%)     |        |        |        |        | (8.1)  | 23.1   | 47.9   | (3.3)  | 11.6   |
| EBIT (INRm)    | 713    | 647    | 359    | 351    | 762    | 808    | 411    | 331    | 768    |
| Margin (%)     | 25.5   | 25.0   | 23.0   | 18.7   | 29.7   | 25.3   | 17.8   | 18.3   | 26.8   |
| Growth (%)     |        |        |        |        | 6.8    | 24.7   | 14.6   | (5.7)  | 0.8    |

Source: Company, MOFSL

**Exhibit 7: Standalone crop protection**

| Particulars    | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (INRm) | 2072   | 1634   | 816    | 588    | 1913   | 2048   | 1082   | 452    | 2093   |
| Growth (%)     |        |        |        |        | (7.7)  | 25.3   | 32.6   | (23.1) | 9.4    |
| EBIT (INRm)    | 617    | 512    | 240    | 56     | 702    | 592    | 218    | 89     | 744    |
| Margin (%)     | 29.8   | 31.3   | 29.4   | 9.5    | 36.7   | 28.9   | 20.1   | 19.7   | 35.5   |
| Growth (%)     |        |        |        |        | 13.8   | 15.6   | (9.2)  | 58.9   | 6.0    |

Source: Company, MOFSL

**Exhibit 8: Astec Lifesciences**

| Particulars    | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (INRm) | 752    | 976    | 760    | 1,284  | 650    | 1,146  | 1,225  | 1,338  | 770    |
| Growth (%)     |        |        |        |        | (13.6) | 17.4   | 61.2   | 4.2    | 18.5   |
| EBITDA (INRm)  | 92     | 164    | 151    | 330    | 92     | 253    | 243    | 288    | 73     |
| Margin (%)     | 12.2   | 16.8   | 19.9   | 25.7   | 14.2   | 22.1   | 19.8   | 21.5   | 9.5    |
| Growth (%)     |        |        |        |        | -      | 54.3   | 60.9   | (12.7) | (20.7) |

Source: Company, MOFSL

**Palm Oil: sharp decline in prices of end products led to decline in revenue**

- Palm oil revenue declined 14% YoY to INR1,454m, with the EBIT margin contracting 12pp YoY to 8.7%. FFB arrivals improved by 22% in 1QFY20.
- Sharp decline in end product prices and lower oil content due to extended summer & extreme heat adversely impacted the performance. Crude Palm Oil prices and Palm Kernel Oil were lower by 21% and 31% respectively as compared to previous period.

**Exhibit 9: Palm oil**

| Particulars    | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (INRm) | 1,309  | 2,672  | 1,356  | 517    | 1,683  | 2,665  | 1,812  | 634    | 1,454  |
| Growth (%)     |        |        |        |        | 28.5   | (0.2)  | 33.6   | 22.5   | (13.6) |
| EBIT (INRm)    | 214    | 616    | 253    | 40     | 358    | 458    | 319    | -1     | 127    |
| Margin (%)     | 16.3   | 23.0   | 18.7   | 7.7    | 21.3   | 17.2   | 17.6   | -0.2   | 8.7    |
| Growth (%)     |        |        |        |        | 67.5   | (25.6) | 26.0   | NA     | (64.6) |

Source: Company, MOFSL

**Dairy: No butter provisioning led to margin expansion**

- Dairy revenue grew 2% YoY to INR3,204m, with the EBIT margin expanding 200bp YoY to 2.1%.
- New product launches in 1QFY20: Flavored milk two new variants, Caramel chocolate icecream.
- Generally, 2-3 price hikes are usually taken in the first quarter. However, due to elections this time, the co-operatives took only one price hike, leaving private players unable to pass on rising raw material costs to consumers.
- In 1QFY20, milk sales were flat; however, salience of value-added sales was 33% (v/s 28% in 1QFY19). As the salience of value-added products goes up, brand premiums charged over time will lead to margin expansion.

**Exhibit 10: Dairy**

| Particulars    | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20  |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Revenue (INRm) | 3,082  | 2,928  | 2,825  | 2,742  | 3,129  | 2,996  | 2,780  | 2,707  | 3,204   |
| Growth (%)     |        |        |        |        | 1.5    | 2.3    | (1.6)  | (1.3)  | 2.4     |
| EBITDA (INRm)  | 71     | 95     | 143    | 42     | 62     | 59     | 179    | 127    | 138     |
| Margin (%)     | 2.3    | 3.2    | 5.1    | 1.5    | 2.0    | 2.0    | 6.4    | 4.7    | 4.0     |
| Growth (%)     |        |        |        |        | (12.7) | (37.9) | 25.2   | 202.4  | 104.8   |
| EBIT (INRm)    | 12     | 45     | 90     | -17    | 2      | -4     | 113    | 38     | 66      |
| Margin (%)     | 0.4    | 1.5    | 3.2    | (0.6)  | 0.1    | (0.1)  | 4.0    | 1.4    | 2.1     |
| Growth (%)     |        |        |        |        | (83.9) | NA     | 25.6   | NA     | 3,220.0 |

Source: Company, MOFSL

## Concall takeaways

### Animal Feed segment:

- In the current year, chicken and milk prices have increased. Thus, cost pass-through will be possible but with a lag. In cattle feed, raw material prices have increased, but the company was not able to pass it on to the customers.
- Segment wise growth: Fish grew by ~60%, layer feed grew by 35% and cattle feed saw sluggish growth due to lower milk prices early in the season. However, a pick up is being witnessed recently.
- Corn prices rose 57.6% YoY in 1QFY20, rice bran increased 57.4% YoY and cotton seed cake prices were up ~76.7% YoY.

### Crop Protection:

- Order book is full for the next eight months for Astec.
- Out of planned capex of INR800m in Astec, INR400m was incurred in FY19. In FY20, capex is expected to be INR450m, but could go up to INR650m due to setting up of R&D center near Mumbai (expected to be opened in the next 12 months).
- Due to delayed monsoon and a dry July, kharif season was impacted. Off-take of inventory and quick liquidation are now being witnessed due to the recent downpour of rains. If another round of healthy rains happens, demand of insecticides and fungicides is expected to rise.

### Palm Oil:

- Despite 22% rise in fresh fruit arrival, margins shrank on account of depressed oil prices (crude palm oil prices declined 30%) – delay in announcement of new pricing formula by the Andhra Pradesh government led to payments being made by the old pricing formula. Further, excessive heat in June led to reduced oil content in the fruits. However, the oil content has shown improvement in the last month post healthy rainfall.
- Low price crude palm oil from Indonesia, driving down profitability; government is expected to impose 15% customs duty (within 1-2 weeks) so local industries can reclaim pricing power.

### Other key points:

- Debt to equity remains low at 0.24x.
- Sharp increase seen in other expenses due to consolidation of Godrej Tyson in 1QFY20.

## Valuation and view

We have incorporated Godrej Tyson Foods and Godrej Maxximilk into our forecasts as they now are the subsidiaries of GOAGRO. We, however, cut our earnings estimates by 20% and 10% for FY20 and FY21, respectively, to factor in the weak performance in palm oil, Astec, higher depreciation and interest cost. On an SOTP basis, we arrive at a target price of INR522, implying an upside of 22%. Maintain **Buy**.

**Exhibit 11: Valuation Methodology**

| Particulars                        | EBITDA<br>FY21E (INRm) | EV/ EBITDA<br>(x) | EV<br>(INRm)   | Net Debt<br>(INRm) | Equity Value<br>(INRm) | GOAGRO's<br>share (%) | Value<br>(INRm) | Value/<br>share<br>(INR) | % Share     |
|------------------------------------|------------------------|-------------------|----------------|--------------------|------------------------|-----------------------|-----------------|--------------------------|-------------|
| <b>Standalone:</b>                 |                        |                   |                |                    |                        |                       |                 |                          |             |
| Crop Protection                    | 2,015                  | 18.0              | 36,265         |                    | 36,265                 | 100%                  | 36,265          | 189                      | 36%         |
| Palm Oil                           | 1,590                  | 16.0              | 25,441         |                    | 25,441                 | 100%                  | 25,441          | 132                      | 25%         |
| Animal Feed                        | 2,645                  | 14.0              | 37,025         |                    | 37,025                 | 100%                  | 37,025          | 193                      | 37%         |
| Unallocated expenses               | (1,319)                | 10.0              | (13,195)       |                    | (13,195)               | 100%                  | (13,195)        | (69)                     | -13%        |
| <b>Total</b>                       | <b>4,930</b>           | <b>17.4</b>       | <b>85,536</b>  | <b>1,447</b>       | <b>84,089</b>          | <b>100%</b>           | <b>84,089</b>   | <b>438</b>               | <b>84%</b>  |
| <b>Subsidiaries:</b>               |                        |                   |                |                    |                        |                       |                 |                          |             |
| Astec (mcap with 20% holdco disc)  |                        |                   |                |                    | 5,632                  | 57%                   | 3,236           | 17                       | 3%          |
| Creamline Dairy                    | 712                    | 15.0              | 10,682         | 204                | 10,478                 | 52%                   | 5,439           | 28                       | 5%          |
| Godrej Tyson Foods Limited         | 322                    | 15.0              | 4,827          |                    | 4,827                  | 51%                   | 2,462           | 13                       | 2%          |
| <b>JV/ Associate:</b>              |                        |                   |                |                    |                        |                       |                 |                          |             |
| ACI Godrej Agrovet Private Limited | 667                    | 15.0              | 10,010         |                    | 10,010                 | 50%                   | 5,005           | 26                       | 5%          |
| <b>Total</b>                       | <b>6,631</b>           | <b>16.7</b>       | <b>111,056</b> |                    | <b>115,036</b>         |                       |                 | <b>522</b>               | <b>100%</b> |
| <b>CMP</b>                         |                        |                   |                |                    |                        |                       |                 | <b>428</b>               |             |
| <b>Upside</b>                      |                        |                   |                |                    |                        |                       |                 | <b>22%</b>               |             |

Source: MOFSL

## Financials and Valuations

### Consolidated - Income Statement

(INR Million)

| Y/E March                           | FY15          | FY16          | FY17          | FY18          | FY19          | FY20E         | FY21E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>33,118</b> | <b>37,550</b> | <b>49,264</b> | <b>52,059</b> | <b>58,707</b> | <b>68,598</b> | <b>77,617</b> |
| Change (%)                          | 6.7           | 13.4          | 31.2          | 5.7           | 12.8          | 16.8          | 13.1          |
| <b>Total Expenditure</b>            | <b>30,059</b> | <b>34,585</b> | <b>44,884</b> | <b>47,629</b> | <b>54,149</b> | <b>63,502</b> | <b>71,097</b> |
| % of Sales                          | 90.8          | 92.1          | 91.1          | 91.5          | 92.2          | 92.6          | 91.6          |
| <b>EBITDA</b>                       | <b>3,059</b>  | <b>2,965</b>  | <b>4,380</b>  | <b>4,430</b>  | <b>4,558</b>  | <b>5,096</b>  | <b>6,520</b>  |
| Margin (%)                          | 9.2           | 7.9           | 8.9           | 8.5           | 7.8           | 7.4           | 8.4           |
| Depreciation                        | 370           | 524           | 747           | 859           | 982           | 1,419         | 1,552         |
| <b>EBIT</b>                         | <b>2,690</b>  | <b>2,441</b>  | <b>3,633</b>  | <b>3,571</b>  | <b>3,577</b>  | <b>3,677</b>  | <b>4,967</b>  |
| Int. and Finance Charges            | 655           | 977           | 863           | 453           | 339           | 406           | 315           |
| Other Income                        | 137           | 627           | 590           | 318           | 531           | 501           | 543           |
| <b>PBT bef. EO Exp.</b>             | <b>2,172</b>  | <b>2,091</b>  | <b>3,360</b>  | <b>3,436</b>  | <b>3,769</b>  | <b>3,773</b>  | <b>5,196</b>  |
| EO Items                            | 364           | 946           | 200           | 121           | 883           | 0             | 0             |
| <b>PBT after EO Exp.</b>            | <b>2,536</b>  | <b>3,037</b>  | <b>3,560</b>  | <b>3,557</b>  | <b>4,652</b>  | <b>3,773</b>  | <b>5,196</b>  |
| Total Tax                           | 605           | 754           | 1,018         | 1,207         | 1,280         | 1,235         | 1,715         |
| Tax Rate (%)                        | 23.9          | 24.8          | 28.6          | 33.9          | 27.5          | 32.7          | 33.0          |
| Profit from Associate & MI          | -170          | -356          | 55            | 57            | 82            | 135           | 166           |
| <b>Reported PAT</b>                 | <b>2,101</b>  | <b>2,639</b>  | <b>2,487</b>  | <b>2,292</b>  | <b>3,290</b>  | <b>2,402</b>  | <b>3,315</b>  |
| <b>Adjusted PAT</b>                 | <b>1,736</b>  | <b>1,693</b>  | <b>2,287</b>  | <b>2,172</b>  | <b>2,407</b>  | <b>2,402</b>  | <b>3,315</b>  |
| Change (%)                          | 10.9          | -2.5          | 35.1          | -5.1          | 10.9          | -0.2          | 38.0          |
| Margin (%)                          | 5.2           | 4.5           | 4.6           | 4.2           | 4.1           | 3.5           | 4.3           |

### Consolidated - Balance Sheet

(INR Million)

| Y/E March                           | FY15          | FY16          | FY17          | FY18          | FY19          | FY20E         | FY21E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                | 926           | 926           | 1,851         | 1,920         | 1,920         | 1,920         | 1,920         |
| Total Reserves                      | 5,478         | 6,906         | 8,237         | 12,193        | 14,570        | 15,931        | 17,975        |
| <b>Net Worth</b>                    | <b>6,404</b>  | <b>7,832</b>  | <b>10,088</b> | <b>14,114</b> | <b>16,490</b> | <b>17,852</b> | <b>19,895</b> |
| Minority Interest                   | 0             | 2,323         | 2,541         | 2,693         | 4,010         | 4,261         | 4,554         |
| Total Loans                         | 6,848         | 13,757        | 6,641         | 4,098         | 3,950         | 3,700         | 3,450         |
| Deferred Tax Liabilities            | 565           | 1,458         | 1,663         | 1,730         | 2,086         | 2,086         | 2,086         |
| <b>Capital Employed</b>             | <b>13,818</b> | <b>25,369</b> | <b>20,933</b> | <b>22,635</b> | <b>26,536</b> | <b>27,899</b> | <b>29,986</b> |
| Gross Block                         | 6,417         | 12,139        | 14,109        | 15,185        | 21,246        | 23,120        | 25,420        |
| Less: Accum. Deprn.                 | 975           | 564           | 1,329         | 2,214         | 3,196         | 4,615         | 6,167         |
| <b>Net Fixed Assets</b>             | <b>5,443</b>  | <b>11,575</b> | <b>12,779</b> | <b>12,971</b> | <b>18,050</b> | <b>18,505</b> | <b>19,252</b> |
| Goodwill on Consolidation           | 0             | 1,949         | 1,949         | 1,949         | 2,649         | 2,649         | 2,649         |
| Capital WIP                         | 1,380         | 638           | 504           | 1,904         | 936           | 1,312         | 1,512         |
| <b>Total Investments</b>            | <b>1,858</b>  | <b>2,140</b>  | <b>1,755</b>  | <b>1,952</b>  | <b>1,165</b>  | <b>1,165</b>  | <b>1,165</b>  |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>8,847</b>  | <b>14,930</b> | <b>15,157</b> | <b>16,749</b> | <b>19,536</b> | <b>22,818</b> | <b>26,029</b> |
| Inventory                           | 3,888         | 6,665         | 7,381         | 7,629         | 9,517         | 11,135        | 12,466        |
| Account Receivables                 | 2,693         | 4,545         | 5,219         | 6,315         | 7,349         | 8,457         | 9,569         |
| Cash and Bank Balance               | 175           | 420           | 538           | 299           | 299           | 483           | 888           |
| Loans and Advances                  | 2,092         | 3,299         | 2,019         | 2,507         | 2,371         | 2,744         | 3,105         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>3,711</b>  | <b>5,862</b>  | <b>11,212</b> | <b>12,890</b> | <b>15,800</b> | <b>18,551</b> | <b>20,621</b> |
| Account Payables                    | 2,141         | 3,349         | 8,408         | 9,550         | 12,394        | 14,614        | 16,167        |
| Other Current Liabilities           | 1,434         | 2,312         | 2,496         | 2,955         | 2,928         | 3,430         | 3,881         |
| Provisions                          | 136           | 202           | 308           | 385           | 478           | 507           | 573           |
| <b>Net Current Assets</b>           | <b>5,136</b>  | <b>9,067</b>  | <b>3,946</b>  | <b>3,859</b>  | <b>3,735</b>  | <b>4,268</b>  | <b>5,407</b>  |
| <b>Appl. of Funds</b>               | <b>13,818</b> | <b>25,369</b> | <b>20,933</b> | <b>22,635</b> | <b>26,536</b> | <b>27,899</b> | <b>29,986</b> |



## Financials and Valuations

### Ratios

| Y/E March                     | FY15       | FY16       | FY17        | FY18        | FY19        | FY20E       | FY21E       |
|-------------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |            |            |             |             |             |             |             |
| <b>EPS</b>                    | <b>9.0</b> | <b>8.8</b> | <b>11.9</b> | <b>11.3</b> | <b>12.5</b> | <b>12.5</b> | <b>17.3</b> |
| Cash EPS                      | 11.0       | 11.5       | 15.8        | 15.8        | 17.6        | 19.9        | 25.3        |
| BV/Share                      | 33.4       | 40.8       | 52.5        | 73.5        | 85.9        | 93.0        | 103.6       |
| DPS                           | 3.7        | 2.1        | 4.5         | 4.5         | 4.5         | 4.5         | 5.5         |
| Payout (%)                    | 39.3       | 18.8       | 41.9        | 45.6        | 31.6        | 43.3        | 38.4        |
| <b>Valuation (x)</b>          |            |            |             |             |             |             |             |
| P/E                           |            |            | 35.9        | 37.8        | 34.1        | 34.2        | 24.8        |
| Cash P/E                      |            |            | 27.1        | 27.1        | 24.3        | 21.5        | 16.9        |
| P/BV                          |            |            | 8.1         | 5.8         | 5.0         | 4.6         | 4.1         |
| EV/Sales                      |            |            | 1.8         | 1.7         | 1.5         | 1.3         | 1.2         |
| EV/EBITDA                     |            |            | 20.7        | 20.0        | 19.7        | 17.6        | 13.7        |
| Dividend Yield (%)            | 0.9        | 0.5        | 1.1         | 1.1         | 1.1         | 1.1         | 1.3         |
| FCF per share                 | 0.0        | 2.4        | 36.6        | 5.7         | -11.4       | 7.9         | 9.7         |
| <b>Return Ratios (%)</b>      |            |            |             |             |             |             |             |
| RoE                           | 30.0       | 23.8       | 25.5        | 17.9        | 15.7        | 14.0        | 17.6        |
| RoCE                          | 17.5       | 13.2       | 15.7        | 14.7        | 15.4        | 13.4        | 16.4        |
| RoIC                          | 22.4       | 11.3       | 12.9        | 12.9        | 12.2        | 10.1        | 13.0        |
| <b>Working Capital Ratios</b> |            |            |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 5.2        | 3.1        | 3.5         | 3.4         | 2.8         | 3.0         | 3.1         |
| Asset Turnover (x)            | 2.4        | 1.5        | 2.4         | 2.3         | 2.2         | 2.5         | 2.6         |
| Inventory (Days)              | 43         | 65         | 55          | 53          | 59          | 59          | 59          |
| Debtor (Days)                 | 30         | 44         | 39          | 44          | 46          | 45          | 45          |
| Creditor (Days)               | 24         | 33         | 62          | 67          | 77          | 78          | 76          |
| <b>Leverage Ratio (x)</b>     |            |            |             |             |             |             |             |
| Current Ratio                 | 2.4        | 2.5        | 1.4         | 1.3         | 1.2         | 1.2         | 1.3         |
| Interest Cover Ratio          | 4.1        | 2.5        | 4.2         | 7.9         | 10.6        | 9.1         | 15.8        |
| Net Debt/Equity               | 1.0        | 1.6        | 0.6         | 0.3         | 0.2         | 0.2         | 0.1         |

### Consolidated - Cash Flow Statement

(INR Million)

| Y/E March                        | FY15          | FY16          | FY17          | FY18          | FY19          | FY20E         | FY21E         |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax             | 2,706         | 3,364         | 3,727         | 3,717         | 3,769         | 3,773         | 5,196         |
| Depreciation                     | 370           | 524           | 747           | 859           | 982           | 1,419         | 1,552         |
| Interest & Finance Charges       | 620           | 885           | 715           | 453           | -192          | -95           | -229          |
| Direct Taxes Paid                | -557          | -456          | -800          | -837          | -1,280        | -1,235        | -1,715        |
| (Inc)/Dec in WC                  | -1,552        | -1,024        | 5,145         | -471          | 326           | -97           | -440          |
| <b>CF from Operations</b>        | <b>1,587</b>  | <b>3,293</b>  | <b>9,534</b>  | <b>3,721</b>  | <b>3,605</b>  | <b>3,764</b>  | <b>4,365</b>  |
| Others                           | -499          | -1,610        | -561          | -183          | 0             | 0             | 0             |
| <b>CF from Operating incl EO</b> | <b>1,088</b>  | <b>1,683</b>  | <b>8,973</b>  | <b>3,538</b>  | <b>3,605</b>  | <b>3,764</b>  | <b>4,365</b>  |
| (Inc)/Dec in FA                  | -1,094        | -1,223        | -1,949        | -2,448        | -5,793        | -2,250        | -2,500        |
| <b>Free Cash Flow</b>            | <b>-5</b>     | <b>460</b>    | <b>7,024</b>  | <b>1,091</b>  | <b>-2,188</b> | <b>1,514</b>  | <b>1,865</b>  |
| (Pur)/Sale of Investments        | -131          | 581           | 610           | -131          | 787           | 0             | 0             |
| Others                           | -44           | -3,581        | 366           | 51            | 652           | 617           | 671           |
| <b>CF from Investments</b>       | <b>-1,269</b> | <b>-4,223</b> | <b>-974</b>   | <b>-2,528</b> | <b>-4,354</b> | <b>-1,633</b> | <b>-1,829</b> |
| Issue of Shares                  | 0             | 39            | 8             | 2             | 0             | 0             | 0             |
| Inc/(Dec) in Debt                | 566           | 4,168         | -7,027        | -2,571        | -148          | -250          | -250          |
| Interest Paid                    | -650          | -972          | -861          | -455          | -339          | -406          | -315          |
| Dividend Paid                    | -706          | -452          | 0             | -1,045        | -1,041        | -1,041        | -1,272        |
| Others                           | 0             | 0             | 0             | 2,818         | 2,276         | -251          | -294          |
| <b>CF from Fin. Activity</b>     | <b>-790</b>   | <b>2,784</b>  | <b>-7,881</b> | <b>-1,250</b> | <b>749</b>    | <b>-1,947</b> | <b>-2,130</b> |
| <b>Inc/Dec of Cash</b>           | <b>-970</b>   | <b>244</b>    | <b>119</b>    | <b>-240</b>   | <b>0</b>      | <b>184</b>    | <b>406</b>    |
| Opening Balance                  | 1,146         | 175           | 419           | 538           | 299           | 299           | 483           |
| <b>Closing Balance</b>           | <b>175</b>    | <b>419</b>    | <b>538</b>    | <b>299</b>    | <b>299</b>    | <b>483</b>    | <b>888</b>    |



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

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