

CMP: INR 537

Rating: Accumulate

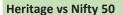
Target Price: INR 637

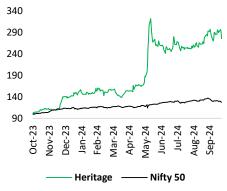
| Stock Info | |
|-------------------------|----------------|
| BSE | 519552 |
| NSE | HERITGFOOD |
| Bloomberg | HTFL:IN |
| Reuters | HEFI. NS |
| Sector | Dairy Products |
| Face Value (INR) | 5 |
| Equity Capital (INR Cr) | 46 |
| Mkt Cap (INR Cr) | 4,982 |
| 52w H/L (INR) | 727/ 209 |
| Avg Daily Vol (in 000') | 75 |

Shareholding Pattern %

| (As on September 2024) | | | |
|------------------------|----|----|-------|
| Promoters | | | 41.30 |
| FII | | | 8.27 |
| DII | | | 3.89 |
| Public & Others | | | 46.56 |
| Stock Porformance (%) | 1m | 2m | 12m |

| (,,, | | | | |
|----------|--------|--------|-------|--|
| Heritage | (15.2) | (5.14) | 141.1 | |
| Nifty 50 | (6.6) | (1.6) | 28.4 | |





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Anushka Chitnis

anushka.chitnis@arihantcapital.com 022 67114870 Heritage delivered a spectacular bottom-line performance coupled with a top line miss. Revenue was up 4.19% YoY to INR 10,195 Mn (-1.27% QoQ), missing our estimate of INR 10,764 Mn by 5.28%. Gross Margin expanded 585 bps YoY 24.75% (-74bps QoQ). EBITDA grew 76.77% YoY to INR 832 Mn (-11.22% QoQ), beating our estimate of INR 646 Mn by 28.86%. EBITDA Margin expanded 335bps YoY to 8.16% (-91bps QoQ), beating our estimate of 6% by 216bps. PAT grew 116.98% YoY to INR 486 Mn (-16.71% QoQ), beating our estimate of INR 358 Mn by 35.85%. Milk sales grew 5% while VAP revenues grew 15%. Milk procurement prices have fallen ~7% in Q2 which translated into an increase in volumes procured. Their subsidiary Heritage Nutrivet saw a top line growth of 18%.

VAP growth not up to par: Heritage delivered a VAP growth of 15.5%, which isn't on par with peers that have delivered >20% VAP growth in Q2. This was attributable to a lower volume of B2B (bulk) fat sales. To drive fat sales, they are working on developing the consumer fat category (B2C) which has shown promising results, growing >50%. Adverse weather negatively impacted sales of curd, drinkables, ice cream, and some other VAP products.

Value- Volume mix: In line with the rest of the industry, Heritage has not taken any significant pricing action in Q2 and doesn't plan to do so in the immediate future either, as their focus will remain on maintaining volume growth. Although milk procurement prices have declined, the company has not yet raised product prices to counterbalance cost inflation, which applied downward pressure on margins this quarter. There might be price increases some guarters down the line.

Outlook and Valuation: We assign a TP of INR 637 valued at a P/E multiple of 30x the FY26E EPS of INR 21 (19% upside with an 'Accumulate' rating). The industry has seen a re-entry of competitors which has led to significant price slashing. As a result, most private dairy players have been refocusing on volumes. There are also concerns regarding unfavourable weather conditions that hindered VAP growth might prolong, but the company will most likely implement price hikes down the line to mitigate the impact of this. Overall, we believe the company is well poised to navigate the next few quarters given that they are enhancing production capacity for VAPs, improving procurement capabilities, and expanding marketing investments.

| Particulars (INR Mn) | FY22 | FY23 | FY24 | FY25E | FY26E |
|-----------------------|---------|---------|--------|--------|--------|
| Net sales | 26,813 | 32,407 | 37,939 | 43,854 | 51,710 |
| Growth (%) | 8.42 | 20.86 | 17.07 | 15.59 | 17.91 |
| EBITDA | 1,912 | 1,385 | 2,102 | 2,604 | 3,330 |
| Growth (%) | (29.48) | (27.59) | 51.81 | 23.85 | 27.92 |
| EBITDA margin | 7.13 | 4.27 | 5.54 | 5.94 | 6.44 |
| Adjusted net profit | 1,117 | 665 | 1,131 | 1,509 | 1,969 |
| Growth (%) | (27.43) | (40.44) | 70.07 | 33.46 | 30.48 |
| Adjusted EPS (Rs) | 24.1 | 7.2 | 12.2 | 16.3 | 21.2 |
| RoCE | 24.8 | 12.7 | 16.5 | 20.8 | 25.1 |
| Total debt/Equity (x) | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 |
| PER | 13.7 | 24.1 | 14.2 | 10.6 | 13.8 |
| Price/Book | 3.3 | 2.2 | 2.0 | 2.1 | 2.8 |
| EV/EBITDA | 7.9 | 12.5 | 7.1 | 6.2 | 8.0 |

Source: Company, Arihant Research

| INR Mn (Consolidated) | Q2FY25 | Q1FY25 | Q2FY24 | Q-o-Q | Y-o-Y |
|---------------------------------------|--------|--------|--------|---------|---------|
| Net Revenue | 10,195 | 10,327 | 9,786 | -1.27% | 4.19% |
| Raw Material Costs | 7,672 | 7,694 | 7,937 | -0.29% | -3.33% |
| Gross Profit | 2,523 | 2,632 | 1,849 | -4.15% | 36.47% |
| Gross Margin | 24.75% | 25.49% | 18.89% | -74bps | 585bps |
| Employee costs | 781 | 753 | 621 | 3.79% | 25.75% |
| Other Expenses | 909 | 941 | 757 | -3.42% | 20.18% |
| EBITDA | 832 | 938 | 471 | -11.22% | 76.77% |
| EBITDA margin | 8.16% | 9.08% | 4.81% | -91bps | 335bps |
| Other Non Operating Income | 75 | 56 | 18 | 33.99% | 314.40% |
| Depreciation | 173 | 166 | 150 | 4.34% | 15.42% |
| EBIT | 733 | 827 | 339 | -11.31% | 116.63% |
| Finance costs | 39 | 34 | 15 | 13.54% | 150.88% |
| Share of profit/ loss from associates | (20) | (16) | (16) | 28.91% | 22.15% |
| PBT | 675 | 777 | 307 | -13.20% | 119.95% |
| Tax Expense | 188 | 193 | 83 | -2.61% | 128.03% |
| Effective tax rate | 27.93% | 24.89% | 26.94% | 304bps | 99bps |
| PAT | 486 | 584 | 224 | -16.71% | 116.98% |

Source: Company, Arihant Research

Guidance: The company has guided for a mid-single digit milk volume growth, and a mid- teens -VAP growth, and plan to maintain EBITDA margins within the previously guided range of 7-8%.

Capex: The company deployed INR 200 Cr toward a greenfield facility for the manufacture of ice cream. The ice cream segment is showing promising growth from an increased reach and growing per capita consumption.

Operational Highlights:

- ➤ Employee costs have increased to 7.5-8% of revenue (up from 6%), due to higher variable pay aligned with better profitability and the addition of staff in new geographical areas.
- Average milk procurement increased to 1.64 MLPD (+11.46% YoY) at an average price of INR 40.25/Litre (-6.81% YoY).
- Milk sales volume grew by 5.11% YoY, with an average selling price of INR 54.59/Litre.
- ➤ VAP revenue surged by 15.5% YoY, with a particular growth in ghee and butter at 19.2% YoY. VAP's contribution to total revenue in Q2FY25 was 34.8%, up from 30.6% in Q2FY24.
- > Consumer products' revenue (excluding bulk fat) rose by 10.1% YoY. Curd and paneer (+11.6%) and drinkables (+19%).
- Sales operations were launched in Kolkata, Raipur, Patna, Indore, and Cuttack for products like ghee, drinkables, and UHT milk.
- ➤ Heritage Nutrivet Limited (HNL) recorded a 17% YoY revenue growth to INR 855 Mn, with a 53% YoY, EBITDA increase to INR 72 Mn.

Q2FY25 Result Update | Heritage Foods

| Net sales | Income Statement | | | | |
|--|--|---------------------------------------|----------|----------|----------|
| Srowth (%) 20.9 17.1 15.6 27.5 2 | INR Mn | FY23 | FY24 | FY25E | FY26E |
| Doerating pxpenses (31,022 15,837) (41,250 (43,280 3,331) Cher operating profit 1,385 2,100 2,604 3,331 Cher operating income SBITOA 1,385 2,102 2,604 3,331 Cher operating income 1,211 1,20 1,26 1,331 1,309 1,305 Cher operating income 1,385 Cher operating income 1,385 Cher operating income 1,385 Cher operation 1,385 Cher operating income 1,385 Cher operating incom | Net sales | 32,407 | 37,939 | 43,854 | 51,710 |
| Departing profit 1,385 2,102 2,604 3,334 | Growth (%) | 20.9 | 17.1 | 15.6 | 17.9 |
| Dither operating income 1,385 2,102 2,604 3,33 3,30 | Operating expenses | (31,022) | (35,837) | (41,250) | (48,380) |
| SATURA 1,385 2,102 2,604 3,335 3,000 3,0 | Operating profit | 1,385 | 2,102 | 2,604 | 3,330 |
| Scowth (%) | Other operating income | | | | |
| Scowth (%) | EBITDA | 1,385 | 2,102 | 2,604 | 3,330 |
| Depreciation (564) (615) (687) (806) | Growth (%) | | • | - | 27.9 |
| Other income 121 120 126 132 BBT 942 1,607 2,042 2,656 Finance cost (39) (91) (30) (30) Exceptional & extradordinary Profit before tax 903 1,516 2,013 2,625 For Micromal deferred (238) (385) (503) (655 P / L Orm discontinuing operations 665 1,131 1,509 1,566 Profit (Loss) for the period 665 1,131 1,509 1,966 Adjusted net profit 665 1,131 1,509 1,968 Add (18) 407 283 3 3 Balance Sheet 1 180 464 464 464 464 464 464 464 464 464 <td< td=""><td>, ,</td><td></td><td></td><td></td><td></td></td<> | , , | | | | |
| Filt | • | | , , | , , | , , |
| Finance cost (39) (91) (30) (30 (30 Exceptional & extradordinary Profit before tax 993 1,516 2,013 2,626 7,1 form discontinuing operations 7,2 form discontinuing operations 7,0 form disc | | | | | |
| Exceptional & extradordinary 903 | | | | | • |
| Profit per tax | | (55) | (31) | (30) | (30) |
| Tax (current - deferred) (238) (385) (503) (656) (556) (| , , | 902 | 1 516 | 2.012 | 2 626 |
| P. L form discontinuing operations P. L off off the period 665 1,131 1,509 1,965 | | | • | - | • |
| Profit Close for the period Fortif Close for the period Profit Close Main Int, Pref Div | | (230) | (363) | (503) | (050) |
| P.L of Associates, Min Int, Pref Div Reported Profit (Loss) | j · | 665 | 4 424 | 4 500 | 1.000 |
| Reported Profit / (Loss) | | 665 | 1,131 | 1,509 | 1,969 |
| Adjusted net profit G65 | | | | | |
| Source Sect Sect | | | • | • | |
| Balance Sheet | 1 | | | | |
| NRM FY28 FY26 FY26 FY26 FY26 FY26 FY26 Reserves & surplus 464 | , , | (40) | 70 | 33 | 30 |
| Share capital 464 464 464 466 Reserves & surplus 6,795 7,672 7,284 9,136 7,748 9,600 Minority Intersts and others Non-current liabilities 846 1,659 1,658 1,659 1,652 1,650 < | | | | | |
| Reserves & surplus 6,795 7,672 7,284 9,136 Shareholders' funds 7,259 8,136 7,748 9,600 Minority Intersts and others Non-current liabilities 846 1,659 1,655 Long-term borrowings 45 751 751 751 Other non-current liabilities 801 907 907 907 Current liabilities 3,146 3,071 2,539 2,912 Tb Forrowings, Curr maturity 1,348 226 238 2,44 Other current liabilities 1,798 2,844 2,301 2,667 Other Current liabilities 1,7615 7,820 8,948 Other Current liabilities 1,7615 7,820 8,942 Other Liabilities 1,761 7,615 7,82 | | | | | |
| Shareholders funds | Share capital | | | 464 | 464 |
| Minority Intersts and others | Reserves & surplus | | 7,672 | 7,284 | • |
| Non-current liabilities 846 1,659 1,655 1,655 1,655 1,655 1,655 1,655 1,655 1,655 1,655 1,751 751 751 751 751 751 751 751 751 755 750 <td>Shareholders' funds</td> <td>7,259</td> <td>8,136</td> <td>7,748</td> <td>9,600</td> | Shareholders' funds | 7,259 | 8,136 | 7,748 | 9,600 |
| Long-term borrowings | Minority Intersts and others | | | | |
| Other non-current liabilities 801 907 907 907 Current liabilities 3,146 3,071 2,539 2,912 ST borrowings, Curr maturity 1,348 226 238 244 Other current liabilities 1,798 2,844 2,301 2,665 Ototal (Equity and Liabilities) 11,250 12,865 11,945 14,170 Non-current assets 6,717 7,615 7,820 8,944 Fixed assets (Net block) 6,417 7,203 7,408 8,528 Non-current lorestments 144 177 121 121 121 121 | Non-current liablities | 846 | 1,659 | 1,659 | 1,659 |
| Current liabilities 3,146 3,071 2,539 2,912 ST borrowings, Curr maturity 1,348 226 238 246 Other current liabilities 1,798 2,844 2,301 2,665 Total (Equity and Liabilities) 11,250 12,865 11,945 14,170 Non-current assets 6,717 7,615 7,820 8,944 Fixed assets (Net block) 6,417 7,203 7,408 8,525 Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 114 114 114 Corper moles assets 4,533 5,250 4,125 5,231 Cash & Current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,885 Total (Assets) 11,250 12,865 11,945 14,17 Total (Assets) 11,250 12,865 11,945 14,17 Total (Assets) 13,33 <td< td=""><td>Long-term borrowings</td><td>45</td><td>751</td><td>751</td><td>751</td></td<> | Long-term borrowings | 45 | 751 | 751 | 751 |
| ST borrowings, Curr maturity 1,348 226 238 245 Other current liabilities 1,798 2,844 2,301 2,665 Total (Equity and Liabilities) 11,250 12,865 11,945 14,177 Non-current assets 6,717 7,615 7,820 8,940 Fixed assets (Net block) 6,417 7,203 7,408 8,528 Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 114 114 Other current assets 50 121 121 121 122 Current assets 4,533 5,250 4,125 5,231 Cash & current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,88 Total (Assets) 11,250 12,865 11,945 14,175 Total (Assets) 11,250 12,865 11,945 14,175 Total (Eastern Flow Statement 11,250 | Other non-current liabilities | 801 | 907 | 907 | 907 |
| ST borrowings, Curr maturity 1,348 226 238 245 Other current liabilities 1,798 2,844 2,301 2,665 Total (Equity and Liabilities) 11,250 12,865 11,945 14,177 Non-current assets 6,717 7,615 7,820 8,940 Fixed assets (Net block) 6,417 7,203 7,408 8,528 Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 114 114 Other current assets 50 121 121 121 122 Current assets 4,533 5,250 4,125 5,231 Cash & current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,88 Total (Assets) 11,250 12,865 11,945 14,175 Total (Assets) 11,250 12,865 11,945 14,175 Total (Eastern Flow Statement 11,250 | Current liabilities | 3,146 | 3,071 | 2,539 | 2,912 |
| Other current liabilities 1,798 2,844 2,301 2,662 Total (Equity and Liabilities) 11,250 12,865 11,945 14,170 Non-current assets 6,717 7,615 7,820 8,944 Fixed assets (Net block) 6,417 7,203 7,408 8,528 Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 <t< td=""><td>ST borrowings, Curr maturity</td><td>1,348</td><td></td><td>238</td><td>249</td></t<> | ST borrowings, Curr maturity | 1,348 | | 238 | 249 |
| Total (Equity and Liabilities) 11,250 12,865 11,945 14,170 Non-current assets 6,717 7,615 7,820 8,944 Fixed assets (Net block) 6,417 7,203 7,408 8,525 Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 114 114 114 114 114 114 114 114 114 112 121 </td <td></td> <td></td> <td>2.844</td> <td></td> <td>2,662</td> | | | 2.844 | | 2,662 |
| Non-current assets 6,717 7,615 7,820 8,940 Fixed assets (Net block) 6,417 7,203 7,408 8,528 Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 115 114 115 114 115 114 115 114 115 114 115 114 115 114 115 114 115 | | · · · · · · · · · · · · · · · · · · · | • | | • |
| Fixed assets (Net block) Non-current Investments 144 177 177 177 107 114 114 Other non-current assets 50 121 121 121 Current assets 4,533 5,250 4,125 5,231 Cash & current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,882 Total (Assets) 11,250 12,865 11,945 14,176 Total debt 1,393 978 989 1,000 Capital employed 2,365 11,945 14,176 Capital employed 700 1,345 Cash Flow Statement INR Mn FY23 FY24 FY25E FY26E Profit before tax Poepreciation 564 615 687 800 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (656 Others 39 91 30 3 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926 Change in investments 30 (1,254) Others (46) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926 Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31 Cash flow from fin. (c) (134) (135) | | | • | | |
| Non-current Investments 144 177 177 177 Long-term loans and advances 107 114 114 114 Other non-current assets 50 121 121 122 Current assets 4,533 5,250 4,125 5,231 Cash & current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,887 Total (Assets) 11,250 12,865 11,945 14,177 Total debt 1,393 978 989 1,001 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement Type-reciation FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Change in working capital (1,775) 2,234 (689) (186 Change in working capital (1,775) 2,234 (689) (186 Others 39 91< | | | | | |
| Long-term loans and advances 107 114 114 114 Other non-current assets 50 121 121 121 Current assets 4,533 5,250 4,125 5,231 Cash & current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,887 Total (Assets) 11,250 12,865 11,945 14,177 Total debt 1,393 978 989 1,001 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement INR Mn FY23 FY24 FY25E FY26F Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (656 Cash flow from oper. (a) (499) | , , | 1 | | • | |
| Other non-current assets 50 121 122 Cassets 4,341 3,190 3,335 3,883 7,001 3,41 3,190 3,335 3,883 7,001 12,865 11,945 14,170 < | | | | | |
| Current assets 4,533 5,250 4,125 5,231 Cash & current investment 192 2,060 790 1,345 Other current assets 4,341 3,190 3,335 3,882 Total (Assets) 11,250 12,865 11,945 14,170 Total debt 1,393 978 989 1,000 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement INR Mn FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (556 Others 39 91 30 30 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Change in investments 30 (1,254) | _ | | | | |
| Cash & current investment 192 2,060 790 1,349 Other current assets 4,341 3,190 3,335 3,882 Total (Assets) 11,250 12,865 11,945 14,170 Total debt 1,393 978 989 1,001 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement INR Mn FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Change in working capital (229) (371) (503) (656 Others 39 91 30 30 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926 Change in investments 30 | | | | | |
| Other current assets 4,341 3,190 3,335 3,882 Total (Assets) 11,250 12,865 11,945 14,170 Total debt 1,393 978 989 1,000 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement INR Mn FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Others 39 91 30 30 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926 Change in investments 30 (1,254) 0 Others 30 (1,254) 0 Cash flow from inv. (b) (1,167) (2,727) (892) (1,926 Free cash flow (a+b) (1,667) 1,358 645 <td< td=""><td></td><td></td><td></td><td></td><td>-</td></td<> | | | | | - |
| Total (Assets) 11,250 12,865 11,945 14,170 Total debt 1,393 978 989 1,003 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement INR Mn FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Pepreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (656 Others 39 91 30 3 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) Others (46) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) F | | | • | | • |
| Total debt 1,393 978 989 1,001 Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement FY28 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (656 Others 39 91 30 3 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) Others 30 (1,254) Others (46) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) Free cash flow (a+b) (1,667) 1,358 645 694 <td></td> <td></td> <td>•</td> <td>•</td> <td></td> | | | • | • | |
| Capital employed 9,452 10,021 9,644 11,508 Cash Flow Statement FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Others 39 91 30 3 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) (1,244) (1,244) (1,244) (1,244) (1,246) (1,247) (892) (1,926) (1,926) (1,926) (1,2727) (892) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,927) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) (1,926) | 1 3 5 | · · | • | - | |
| Cash Flow Statement FY23 FY24 FY25E FY26E Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Others 39 91 30 3 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) (71) (71) (71) (71) (72) (72) (72) (72) (72) (72) (72) (73) (74) (74) <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | |
| NR Mn | | 9,452 | 10,021 | 9,644 | 11,508 |
| Profit before tax 903 1,516 2,013 2,626 Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (656 Others 39 91 30 3 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) (1,254) (1,254) (1,254) (1,254) (1,254) (1,926) <td></td> <td>EV-20</td> <td>EV24</td> <td>EV2EE</td> <td>EV/2CE</td> | | EV-20 | EV24 | EV2EE | EV/2CE |
| Depreciation 564 615 687 806 Change in working capital (1,775) 2,234 (689) (186 Total tax paid (229) (371) (503) (656 Others 39 91 30 30 Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) Others (46) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 (415) 11 12 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31 Cash flow from fin. (c) 1,348 (475) (134) (135) | | | | | |
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| Cash flow from oper. (a) (499) 4,084 1,537 2,620 Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31 Cash flow from fin. (c) 1,348 (475) (134) (135) | · | | · · | (503) | (656) |
| Capital expenditure (1,151) (1,402) (892) (1,926) Change in investments 30 (1,254) (71) Others (46) (71) (892) (1,926) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | | | | | 30 |
| Change in investments 30 (1,254) Others (46) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | Cash flow from oper. (a) | (499) | | 1,537 | 2,620 |
| Others (46) (71) Cash flow from inv. (b) (1,167) (2,727) (892) (1,926) Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | 1 , , | (1,151) | (1,402) | (892) | (1,926) |
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| Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31 Cash flow from fin. (c) 1,348 (475) (134) (135) | Others | (46) | (71) | | |
| Free cash flow (a+b) (1,667) 1,358 645 694 Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | Cash flow from inv. (b) | (1,167) | (2,727) | (892) | (1,926) |
| Equity raised/(repaid) 222 Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) (116) Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | Free cash flow (a+b) | | | | 694 |
| Debt raised/(repaid) 1,247 (415) 11 12 Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31 Cash flow from fin. (c) 1,348 (475) (134) (135) | The state of the s | | • | | |
| Dividend (incl. tax) (116) (116) (116) (116) Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | | | (415) | 11 | 12 |
| Others (5) 56 (30) (31) Cash flow from fin. (c) 1,348 (475) (134) (135) | | | | | |
| Cash flow from fin. (c) 1,348 (475) (134) (135) | · · · · · · · · · · · · · · · · · · · | | | | |
| | | | | | |
| | Net chg in cash (a+b+c) | (319) | 883 | 511 | 559 |

Source: Arihant Research, Company Filings

| Key ratios (%) | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------|-------|-------|-------|
| Adjusted EPS (Rs) | 7.2 | 12.2 | 16.3 | 21.2 |
| Growth | (70.2) | 70.1 | 33.5 | 30.5 |
| CEPS (Rs) | 13.2 | 18.8 | 23.7 | 29.9 |
| Book NAV/share (Rs) | 78.2 | 87.7 | 83.5 | 103.5 |
| Dividend/share (Rs) | 1.3 | 1.3 | 1.3 | 1.3 |
| Dividend payout ratio | 17.4 | 10.3 | 7.7 | 5.9 |
| EBITDA margin | 4.3 | 5.5 | 5.9 | 6.4 |
| EBIT margin | 2.9 | 4.2 | 4.7 | 5.1 |
| Tax rate | 26.3 | 25.4 | 25.0 | 25.0 |
| RoCE | 12.7 | 16.5 | 20.8 | 25.1 |
| Total debt/Equity (x) | 0.2 | 0.1 | 0.1 | 0.1 |
| Net debt/Equity (x) | 0.2 | (0.1) | 0.0 | (0.0) |
| Du Pont Analysis - ROE | | | | |
| Net margin | 2.1 | 3.0 | 3.4 | 3.8 |
| Asset turnover (x) | 3.2 | 3.1 | 3.5 | 4.0 |
| Leverage factor (x) | 1.7 | 1.6 | 1.6 | 1.5 |
| Return on equity | 11.2 | 14.7 | 19.0 | 22.7 |

| Valuations (x) | FY23 | FY24 | FY25E | FY26E |
|----------------|------|------|-------|-------|
| PER | 24.1 | 14.2 | 10.6 | 13.8 |
| PCE | 13.1 | 9.2 | 7.3 | 9.8 |
| Price/Book | 2.2 | 2.0 | 2.1 | 2.8 |
| Yield (%) | 0.7 | 0.7 | 0.7 | 0.4 |
| EV/EBITDA | 12.5 | 7.1 | 6.2 | 8.0 |

Source: Arihant Research, Company Filings

Arihant Research Desk

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| Stock Rating Scale | Absolute Return |
|--------------------|-----------------|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

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