

Bharat Petroleum Corporation

5 June 2020

Reuters: BPCL.NS; Bloomberg: BPCL IN

Fundamentals to improve over time

We maintain Buy on BPCL with a target price (TP) of Rs417 (+16.8% to CMP), which we have arrived at based on 7x PE on FY22E EPS (based on past average). This follows our earnings revision - cutting FY21E/FY22E earnings by -48.3%/-12.42% post the 4QFY20 results call with BPCL management. The standalone 4QFY20 results were a miss vs. our estimates - adjusted loss of Rs2.8bn vs our PAT estimate at Rs2.49bn. This was due to a steeper inventory loss of Rs49.02bn vs our estimate of Rs34.5bn. The reported inventory loss includes exceptional loss of Rs10.8bn attributed to the impact of lockdown on crude and products inventory. BPCL reported a 4QFY20 loss of Rs13.61bn, including this exceptional item. Reported GRM came in at US\$0.75/bbl vs. including refining inventory loss of Rs29.7bn vs. NBIE estimate of US\$2.1/bbl. The 1QFY21 outlook for BPCL and other OMCs is subdued due to the hit on refining/marketing volumes and the weak refining margins in the aftermath of the lockdown to fight COVID 19. This is compounded by the collapse in retail margins in May after industry had to absorb the massive hike of Rs10-13/litre in MS and HSD coupled with the recent rally in global oil prices. In the medium term, we are bullish on OMCs as (i) Sub-US\$40/bbl oil prices are +Ve for retail margins, which the management hopes to improve over time as demand gets normalised (ii) GRMs could also eventually recover as current low margins are unsustainable and low oil prices may stimulate demand for petroleum fuels in other emerging markets (iii) A surplus in OPEC could widen the light-heavy oil price spread (+Ve for complex refiners) that could get further tailwind as the output of US shale oil (light sweet grade) will likely plateau this year due to weak oil prices and financing for shale projects drying up. The stock may also get modest tailwinds if we see healthy response from global bidders to the government's invitation for expression of interest (due July 31, 2020) for the proposed stake sale in BPCL.

4QFY20 adjusted standalone PAT loss of Rs2.8bn vs Rs31.2bn in corresponding quarter last year: Net revenue came in 19.5% above NBIE estimate but 6.76% lower YoY at Rs689.9bn. due to 22% fall in crude prices YoY. At gross contribution and EBITDA levels, reported numbers were below our estimates due to (i) lower-than-expected GRMs and (ii) steeper inventory loss at Rs49.02bn - 38% above NBIE estimate. Reported GRMs came in lower at US\$0.75/bbl, including refining inventory loss at US\$6.7/bbl

4QFY20 Refining throughput was up 2.2% YoY from 8.21mn tonne to 8.39mn tonne.. Sales volume was down 3.5% YoY at 11.24mn tonne due to the impact of the COVID-19 related lockdown towards the end of 4QFY20.

Impact on 4QFY20 EBITDA and PBT YoY: The standalone results showed a decline in gross and EBITDA margins by 471bps/739bps to 8.79%/(0.9)%, respectively. EBITDA decreased by 112.89% to negative Rs6.19bn. The reported PBT was 121.51% lower YoY at negative Rs9.89bn. Depreciation and Interest expense increased by Rs0.32bn and Rs2.26bn, respectively, while other expenses increased by Rs16.06bn YoY due to steep forex losses of Rs12.1bn vs gain of Rs2.8bn a year ago.

Consolidated adjusted loss of Rs5.37bn for 4QFY20 vs PAT of Rs29.12bn a year ago: Consolidated adjusted PAT for FY20 at Rs43.7bn The share of profit from its associates (which includes Bina Refinery JV BORL (50%) and gas investments) has increased to Rs2.63bn from Rs89.1mn YoY. Subsidiary NRL reported a profit of Rs15.3bn for FY20 and JV BORL reported a profit of Rs8.4bn/(Rs8.2bn) in 4QFY20/FY20, respectively.

Asiamoney Brokers Poll 2020:
<https://euromoney.com/brokers>
BUY
Sector: Oil and Gas

CMP: Rs357

Target Price: Rs417

Upside: 16.8%

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Key Data

Current Shares O/S (mn)	2,169.2
Mkt Cap (Rsbn/US\$bn)	775/10.3
52 Wk H / L (Rs)	550/252
Daily Vol. (3M NSE Avg.)	10,204,930

Price Performance (%)

	1-M	6-M	1-Y
BPCL	2.7	(28.7)	(12.5)
Nifty Index	7.9	(16.7)	(16.6)

Source: Bloomberg

Y/E March (Rsmn)	4QFY19	4QFY20A	Ch YoY %	3QFY20	Ch QoQ %	4QFY20E	Var. (%)
Net sales	7,39,904	689,910	(6.76)	7,47,328	(7.68)	5,75,432	19.89
Cost of goods	6,40,003	6,29,244	(1.68)	6,69,101	(5.96)	5,02,237	25.29
Contribution	99,901	60,666	(39.27)	78,227	(22.45)	73,195	(17.12)
Employee benefits expenses	10,369	9,309	(10.22)	8,934	4.20	8,934	4.20
Other expenses	41,483	57,550	38.73	42,259	36.18	53,693	7.18
EBITDA	48,050	-6,193	(112.89)	27,034	(122.91)	10,568	(158.60)
EBITDAM (%)	6.49	(0.90)	(739)	3.62	(452)	1.84	(273)
Depreciation	9,149	9,474	3.55	9,731	(2.64)	10,149	(6.65)
Other income	10,576	11,568	9.38	5,148	124.70	9,316	24.17
Interest expenses	3,526	5,786	64.10	5,121	12.99	6,121	(5.47)
Reported PBT	45,951	(9,885)	(121.51)	17,330	(157.04)	3,614	(373.53)
Exceptional	-	(10,808)	-	-	-	-	-
Reported Tax	14,702	(7,078)	(148.14)	4,724	(249.85)	1,120	(731.84)
Reported PAT	31,249	(13,615)	NA	12,606	-26,22,090	2,494	na
Adjusted PAT	31,249	(2,807)	NA	12,606	-15,41,290	2,494	(212.55)
NPM (%)	4.22	(0.41)	(463)	1.69	-209	0.43	(84.01)

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 1: 4QFY20 result vs NIBE and Consensus estimates

Rs Bn	4QFY20E	4QFY20A	Var %	Bloomberg Consensus	Var %
Net Revenue	575.43	689.91	19.9	625.4331	10.3
EBITDA	10.57	-6.19	-158.6	1.8319	-438.1
PAT	2.49	-2.81	-212.6	-5.2429	-46.5

Source: Nirmal Bang Institutional Equities Research, Bloomberg; Note: NBIE estimates standalone. Bloomberg estimates are consolidated

Rating Rationale:

We have cut earnings for FY21E-FY22E post 4QFY20 results. We have marginally tweaked our TP from Rs414 to Rs417 based on a FY22E PE of 7x (based on historical average) vs. our old PE of 6.1x as we see the stake sale valuation expectations add mild tailwinds.

The more sustainable driver for the stock is likely to be expectations of improving retail margins under soft oil prices, steady refining earnings and growth from the delayed petchem expansion as well as share of profits in city gas business from its gas subsidiary BGRL and J and JV/associates.

The prospects for government's stake sale in BPCL look a bit challenging under the current recession in the global oil industry and the level of interest shown by global oil companies will depend on how the industry outlook shapes up over the next two months until the July 31st deadline for the submission of EOI by potential bidders. However, progress towards normalcy in economic activity/oil demand and the approaching EOI deadline for BPCL stake sale could rekindle investor interest in the stock.

We maintain Buy rating based on the following:

- In our view, the stock's 14.7% fall in the last 3 months has priced in concerns on the weak industry outlook and the delay in the stake sale process initiated by the Indian government.
- The improvement in retail margins and growth from new petchem project.
- Growth in share of profits from JVs and Associates of Rs14bn in FY20 - 32% of consolidated FY20 PAT. This is driven by BPCL's stake in existing profitable city gas investments. We see the growth in earnings from these entities and from new GAs being developed under BGRL and associates adding to the share of JVs and associates and the consolidated earnings.
- The news flow on bidding interest and consensus expectations on the deal valuation as we move forward in the transaction could be an added catalyst for the stock.
- Current valuation on 12m trailing PE on FY19 earnings is at 9x, which compares with the average reading of 10.92x for this measure over FY10-19.

Exhibit 2: BPCL Earnings Revision

Rs Mn	Old estimates		Revised estimates		Ch in estimates %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
GRM US\$/bbl	3.3	4.3	2.7	3.7	-17.7	-12.9
Retail margins Rs/lit	5.3	3.5	3.5	3.5	-33.3	0.0
Refining vol mn tonnes	30.7	30.7	24.4	31.9	-20.5	3.9
Sales volume mn tonnes	48.1	50.0	42.5	44.5	-11.7	-10.9
Revenue	1,894,933	3,099,999	1,722,993	2,694,317	-9.1	-13.1
EBITDA	172,937	225,439	107,821	205,682	-37.7	-8.8
PAT	93,173	133,354	48,192	116,786	-48.3	-12.4
EPS	47.4	67.8	24.5	59.4	-48.3	-12.4
TP	414.0		417.0		0.7	

Source: Nirmal Bang Institutional Equities Research

Exhibit 3: NBIE vs. Bloomberg consensus

	NBIE est.			Bloomberg Consensus		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
EPS	22.20	24.50	59.38	22.03	35.92	44.15

Source: Nirmal Bang Institutional Equities Research

Exhibit 4: BPCL Summary consolidated Financials

Y/E March (Rsmn)	FY18	FY19	FY20E	FY21E	FY22E
Revenues	23,58,950	29,82,256	28,45,719	17,22,988	26,94,312
EBITDA	1,54,826	1,51,122	83,497	1,07,821	2,05,683
Consolidated Net Profit Adj	90,086	78,024	43,664	48,192	1,16,786
EPS (Rs)	45.80	39.67	22.20	24.50	59.38
EPS gr (%)	3.3	-13.4	-44.0	10.4	142.3
EBITDA Margin (%)	6.6	5.1	2.9	6.3	7.6
P/E	7.8	9.0	16.1	14.6	6.0
EV/EBITDA	8.9	9.1	16.5	12.8	6.7
Dividend Yield (%)	4.53	5.65	4.62	2.80	5.11
Net Debt (cash)/Equity (X)	0.91	1.02	1.56	1.26	1.01
Pre-tax RoCE (%)	18.7	15.1	5.0	6.9	16.4
RoE (%)	26.7	20.7	12.0	12.3	24.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Impact of GRM and retail margin on BPCL's EPS and TP

Variable	Ch vs base case	FY22E EPS Rs	Valuation Rs
Retail margin	down Rs 1/litre	47.99	337
GRM	down US\$1/bbl	54.41	382
Base case FY22E		FY22E EPS Rs	TP Rs
GRM US/bbl	3.73		
Retail margin Rs/lit	3.5	59.38	417

Source: Nirmal Bang Institutional Equities Research

Exhibit 6: BPCL historical PE trend

	FY10	FY11	FY12	FY13	FY15	FY16	FY17	FY18	FY19
EPS RS	7.82	7.86	6.67	13.44	25.85	35.87	40.87	40.34	36.3
Trailing PE (x)	11.02	12.96	17.48	9.38	10.45	8.38	10.59	10.61	10.9
Forward PE (x)	10.95	15.28	8.68	6.11	7.53	7.35	10.73	11.80	29.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: 10-year forward P/E



Source: Company, Nirmal Bang Institutional Equities Research

BPCL conference call highlights:

Inventory valuation impact:

The aggregate inventory loss of Rs49bn includes exceptional loss of Rs10.8bn on account of writing down the inventory values of crude and products due to the COVID 19 impact.

Refining share of inventory loss/gain:

4QFY20 loss of Rs29.65bn vs gain of Rs840mn a year ago. The loss for 4QFY20 includes Rs4bn of exceptional loss.

FY20 loss of Rs28.85bn vs gain of Rs8.9bn in FY19.

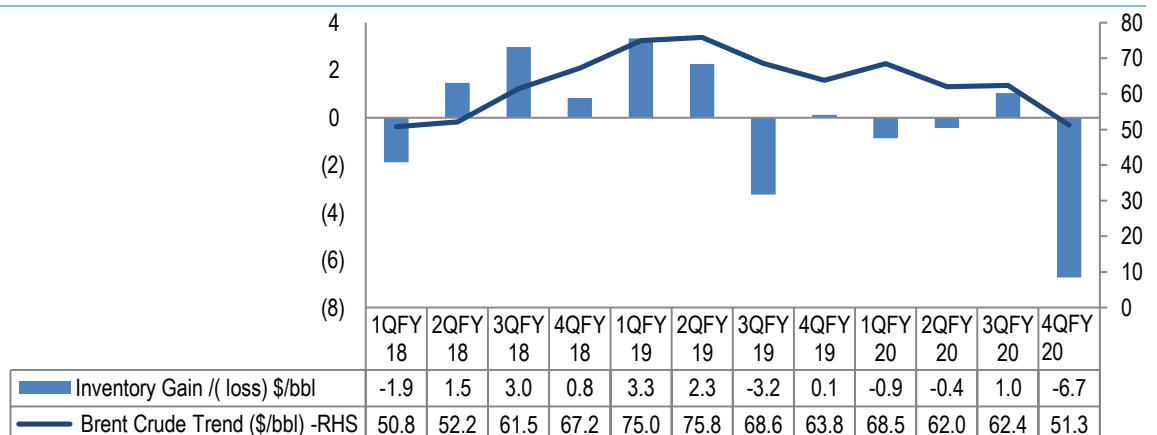
Marketing share of inventory loss/gain:

4QFY20: Inventory loss of Rs19.37bn vs a gain of Rs2.72bn a year ago. The loss in 4QFY20 includes exceptional loss of Rs6.8bn.

For FY20 it came in at a loss of Rs18.33bn vs a gain of Rs1.34bn in FY19.

The inventory loss was mainly due to the abnormally high level of inventory in March and steep fall in oil and product prices.

Exhibit 8: Inventory gain /(loss) vs Brent crude oil



Source: Company, Nirmal Bang Institutional Equities Research

Crude price in 1QFY20:

Given the soft demand and prevailing conditions in April and March due to COVID-19, BPCL was able to buy crude at a discount of US\$5-7/bbl to benchmark/official prices, with some suppliers giving discounts of up to US\$9/bbl. But, this is a temporary phenomenon and the crude supplies in June are being offered at a premium of around US\$2/bbl.

Refining margins/spreads have collapsed:

Current spreads in 1QFY21 over crude are down YoY. MS is negative US\$0.37/bbl vs US\$10/bbl in FY20, HSD spread have halved from a year ago to US\$8/bbl.

4QFY20 GRMs came in at US\$6.5-7/bbl excluding the inventory impact. However, the company suggested that one should not read too much into the core margins in 4QFY20.

Distillate yield:

Distillate yield came in higher at 83.88% vs. 81.64% in 4QFY19;

Marketing margins also under pressure due to excise hike and recent oil rally:

FY20 marketing margin: MS margin was lower than FY19 level while HSD margin was almost at the same level as in FY19. The management stated that there are no sharp swings in marketing margin on a year to year basis.

Further, it explained that the OMCs are trying to avoid any violent fluctuations in marketing margins while at the same time not making frequent changes in pricing.

The system of daily review of prices is not in practise now. The industry is planning to gradually revise prices and restore margins to normalised levels of historical average of Rs2/litre without too much of fluctuation or inconvenience to consumers. Regular review of pump prices in tandem with global prices may be restored once the domestic demand reaches normal trend.

Currently, refining is under pressure and marketing margins have also dipped to thin levels.

Management strategy is to maintain margins and earnings for both refining and marketing taken together as an integrated business.

FY21 capex guidance cut from Rs120bn to Rs80bn:

Capex is categorised into minor projects (below Rs1.5bn) and major projects.

The management stated it has taken a close look at the minor projects to cut down on ones that are not of immediate priority.

In the case of major projects, the capex spend is down in 1QFY21 as conditions are not conducive to continue work on projects given the labour shortage and lockdown restrictions imposed in the fight against COVID-19.

Kochi PDPP petchem project start up delayed:

This is LPG based propylene and downstream Propylene Derivatives Petrochemical project for oxo-alcohols (PDDP-1).

This project is mechanically completed and due for commissioning.

The process licensor representatives are required to travel from Europe for commissioning. As international travel to India has not yet been resumed after being banned during the national lockdown, the commissioning of the petchem project is likely to get delayed from the target of 1QFY21.

Other refining projects:

The BS-VI conversion project has been completed and BPCL had started selling BS-VI fuel from February.

The Naphtha conversion to MS project is likely to be completed shortly.

The management further clarified that the cut in capex from Rs120bn to Rs80bn is a decision based on financial prudence and it is unlikely to impact the future of the company.

BPCL/NRL stake sale update:

Management commented that NRL is a different transaction but likely to be completed in tandem with BPCL disinvestment; as of date the process is underway and further details are awaited. Management stated that it is unlikely that BPCL will be part of NRL expansion as it is a long drawn project and will take 4 years to complete.

BPCL stake sale timing is difficult to assess given the COVID-19 related restrictions on travel and the uncertain market. The CFO's personal view is that the deal is unlikely to be closed before 3QFY21 at the earliest.

Debt increase in 4QFY20:

The increase in debt by Rs470bn includes Rs60bn on account of accounting treatment for Ind AS. The management stated that Rs59bn was borrowed to fund working capital and was temporary. Average borrowing in 4QFY20 was Rs320bn and the debt level will revert back to normal by 2QFY21.

Refinery Utilisation and Petroleum demand

As of date, the refineries are running at 83% capacity and the utilisation levels continue to improve as the lockdown is being lifted in a phased manner. The utilisation levels going ahead will depend on the containment of the COVID-19 pandemic and lifting of the lockdown.

Market demand for petroleum products: The demand in April was down about 70% from normal levels; May demand was down about 50%. June demand has improved to 60-70% of normal levels. Management expects demand to get to 80-90% of normal consumption over the coming quarters as the lockdown gets lifted.

BS-VI implementation:

The company has been able to deliver BS-VI quality fuel from February - ahead of the earlier timeline of April. Management added that the company has invested substantial amount of capex and opex on BS-VI and a small portion of these costs are already built into the retail price. It is not the company's intention to pass on the full burden because it wants the transition to cause limited hardship to consumers.

Exhibit 9: NRL and BORL performance:

Particulars	Bina		NRL	
	4QFY20	FY20	4QFY20	FY20
Throughput mn tonnes	2.123t	8	No details	No details
GRM US\$/bbl	2.5	5.6	2.9	8
Excise duty benefit US\$/bbl	NA	NA	17	25.4
PAT/(Loss) Rs bn	8.40	(8.20)	-	15.30

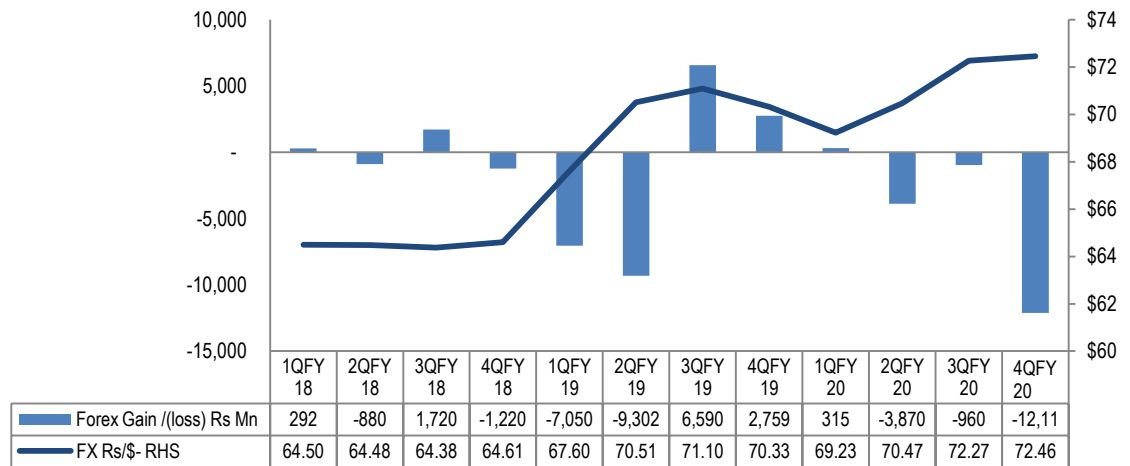
Source: Company, Nirmal Bang Institutional Equities Research

Lease accounting impact for FY20 reported at a hit of Rs2.54bn on PBT - Depreciation and Interest expense increased by Rs3.81bn and Rs5.09bn on leased assets while other expense was down Rs4.35bn on reversal of lease rentals.

Consolidated PAT: 4QFY20 Consolidated adjusted PAT decreased by 118% at a loss of Rs5.37bn, aided by the share of JVs/ Assoc., which increased to Rs2.63bn.

Summary conclusions

- Refining margins next to nothing and hence refining is not profitable; but the management believes that such low margins are not sustainable and expects the outlook to improve.
- Normalised MS and HSD gross margins are around Rs2/litre based on long term average trend.
- The company set up 1447 new outlets, which is the highest among OMCs.
- Inventory cost stood at around US\$39-40/bbl. The company expects the inventory impact to get normalized in the coming quarters.

Exhibit 10: Forex Gain/ (Loss) Trend vs. Rs/US\$


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Consolidated Segment-wise snapshot

	Q4FY19	Q4FY20	Ch YoY %	Q3FY20	Ch QoQ %	FY19	FY20	Ch YoY %
Revenue (Rs Mn)								
Downstream	8,47,622	8,18,088	-3.5	8,58,999	-4.8	34,07,486	32,96,907	-3.2
Exploration & Production of Hydrocarbons	297	208	-30.1	268	-22.5	1,306	1,065	-18.4
Net Revenue	8,47,919	8,18,296	-3.5	859267	-4.8	34,08,792	32,97,972	-3.3
Revenue Mix (%)								
Downstream	99.96	99.97	1.0	99.97	0.6	99.96	99.97	0.6
Exploration & Production of Hydrocarbons	0.04	0.03	-1.0	0.03	-0.6	0.04	0.03	-0.6
EBIT (Rs Mn)								
Downstream	47,893	-25,438	-153.1	22,469	-213.2	1,16,924	36,531	-68.8
Exploration & Production of Hydrocarbons	-71	-3,898	5429.6	-1,907	104.5	20	-6,945	-34312.8
Total EBIT	47,822	-29,336	-161.3	20,562	-242.7	1,16,945	29,586	-74.7
EBIT Margin (%)								
Downstream	100.1	86.7	-1343.6	109.3	-2256.2	100.0	123.5	2349.2
Exploration & Production of Hydrocarbons	-0.1	13.3	1343.6	-9.3	2256.2	0.0	-23.5	-2349.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Marketing sales volume trend-

Mtonne	3QFY18	4QFY18	FY18	1QFY19	2QFY19	3QFY19	4QFY19	FY19	1QFY20	2QFY20	3QFY20	4QFY20	FY20
LPG	1.56	1.56	5.99	1.49	1.61	1.60	1.79	6.49	1.51	1.71	1.83	1.82	6.87
MS	1.74	1.74	6.98	1.87	1.82	1.85	1.89	7.43	2.04	1.94	1.96	1.87	7.81
HSD	5.17	5.11	20.09	5.41	4.66	5.16	5.19	20.42	5.44	4.57	5.08	4.77	19.86
SKO	0.17	0.16	0.66	0.16	0.12	0.14	0.18	0.60	0.13	0.10	0.09	0.08	0.4
ATF	0.47	0.50	1.79	0.51	0.48	0.49	0.51	1.99	0.51	0.47	0.53	0.49	2.01
Others	1.54	1.66	5.7	1.52	1.39	1.43	1.80	6.14	1.48	1.46	1.53	1.7	6.15
Total Domestic	10.65	10.73	41.21	10.97	10.08	10.67	11.35	43.07	11.11	10.25	11.02	10.73	43.10
Exports	0.58	0.34	1.99	0.31	0.51	0.79	0.30	1.91	0.23	0.56	1.32	0.51	2.62
Total	11.23	11.07	43.20	11.28	10.59	11.46	11.65	44.98	11.34	10.81	12.34	11.24	45.72

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Revival in returns

	FY18	FY19	FY20E	FY21E	FY22E
EBITDA Rs Mn- LHS	1,54,826	1,51,122	83,497	1,07,821	2,05,683
EPS Rs	45.80	39.67	22.20	24.50	59.38
RoE %	26.7	20.7	12.0	12.3	24.7

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 14: Improving free cash flows

Rs Mn	FY18	FY19	FY20E	FY21E	FY22E
Cash from operations	1,10,678	1,01,560	79,734	2,23,959	1,46,384
Capex	75,525	1,05,410	1,22,894	87,504	58,000
Free cash flow	40,023	-2,950	-32,541	1,25,395	81,156

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 15: Healthy FCF yield and dividend yield

	FY18	FY19	FY20E	FY21E	FY22E
FCF Yield %	9.12	13.50	14.50	12.73	8.42
Div yield %	4.53	5.65	4.62	2.80	5.11

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 16: BPCL Standalone Quarterly result analysis

	4QFY19	4QFY20A	Ch. YoY%
Gross Sales	8,39,417	812960	(3.15)
less Excise Duty	99,513	123050	23.65
Net Revenue	7,39,904	689910	(6.76)
Raw material cost	2,87,633	278890	(3.04)
Changes in Inventories	- 15,285	-25099	64.21
Purchases	3,67,655	375453	2.12
COGS	6,40,003	6,29,244	(1.68)
Contribution	99,901	60,666	(39.27)
Employee Benefits Expense	10,369	9309	(10.22)
Other Expenses	41,483	45442	9.54
Total Expenses	6,91,854	6,83,995	(1.14)
FX (gain)/Loss	-2,760	12108	(538.70)
E&P exp	-	-	-
EBITDA	48,050	-6,193	(112.89)
Depreciation and Amortisation Expenses	9,149	9474	3.55
EBIT	38,901	-15,667	(140.27)
Other income excl forex gains	7,816	11568	48.00
Finance Costs	3,526	5786	64.10
FX GAIN/(LOSS)	2,760	-	(100.00)
PBT (before exceptionals and prior period adj)	45,951	-9,885	(121.51)
Exceptionals	-	-10808	-
PBT reported -X=P+E	45,951	-20,693	(145.03)
Current	9,480	-4,930	(152.00)
Deferred	5,635	-4,073	(172.28)
Tax written back	-	413	(566.57)
total tax -T	14,702	-7,078	(148.14)
PAT reported-X-T+Y	31,249	-13,615	(143.57)
Adjusted PAT	31,249	-2,807	(108.98)
	4QFY19	4QFY20A	Ch. YoY%
Contribution	13.50	8.79	-
EBITDA	6.49	-0.90	-
PAT	4.22	-0.41	-
Tax	32.0	34.2	-

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Consolidated Income statement

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	23,58,950	29,82,256	28,45,719	17,22,993	26,94,317
y/y	17.77	26.42	-4.58	-39.66	56.01
Raw Material Expenses	20,21,117	26,11,425	25,25,921	13,72,625	22,44,196
RM/Sales %	85.7	87.6	88.8	79.7	83.3
Employee cost	37,485	39,848	40,205	42,215	44,326
Other expenses	1,45,522	1,79,861	1,96,101	2,00,332	2,00,113
EBITDA	1,54,826	1,51,122	83,492	1,07,821	2,05,682
y/y	12.64	-2.39	-44.75	29.14	90.76
Depreciation	30,886	34,178	40,801	47,235	55,151
EBIT	1,23,940	1,16,945	42,691	60,586	1,50,531
Interest Expense	11,857	17,640	26,370	28,746	26,265
Other Income	16,755	20,375	19,293	20,293	22,293
PBT (adjusted)	1,28,838	1,19,681	35,614	52,134	1,46,559
Income Tax Expense	43,807	43,774	(142)	17,204	43,968
Associates inc/loss(+/-)	12,889	9,373	14,007	18,960	21,291
Less Minority Int	7,833	7,256	6,104	5,697	7,097
Consolidated Net Profit Adj	90,086	78,024	43,659	48,192	1,16,786
EPS (Rs)	45.80	39.67	22.20	24.50	59.38
y/y	3.30	-13.39	-44.04	10.38	142.34

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: Consolidated Balance sheet

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	19,669	19,669	19,669	19,669	19,669
Reserves and Surplus	3,46,517	3,67,978	3,45,655	3,72,156	4,53,035
Networth	3,66,186	3,87,647	3,65,323	3,91,825	4,72,704
Non controlling interests	19,051	20,700	20,563	26,261	33,357
Long Term Borrowings	2,89,040	3,43,156	4,38,531	4,08,156	3,98,156
Deferred Tax Liabilities [Net]	55,224	67,956	61,639	61,639	61,639
Other long term liab.	15,956	18,747	20,364	20,364	20,364
Short Term Borrowings	80,930	85,990	1,77,952	1,35,988	1,20,988
Oth. Fin Liab(Excl deposits+current maturity debt)	1,63,612	2,00,591	2,31,211	2,31,211	2,31,211
Trade Payables	1,51,982	1,73,847	1,31,072	1,14,264	1,84,091
Other curr liab	61,576	70,670	61,981	61,981	61,981
Total Capital And Liabilities	12,03,557	13,69,305	15,08,636	14,51,689	15,84,491
Total Asset plus WIP	5,54,134	6,29,686	7,79,313	8,19,582	8,22,431
Investments under equity method	1,75,940	1,80,887	2,15,321	2,65,634	3,16,446
Non-Current Investments	6,812	10,191	2,879	2,879	2,879
Other Non-Current Assets	60,654	60,716	78,605	78,605	78,605
Current Investments	4,564	7,230	1,324	1,324	1,324
Inventories	2,25,309	2,29,349	2,22,426	1,18,013	1,84,542
Trade Receivables	52,092	69,063	53,780	33,044	51,672
Cash And Cash Equivalents	5,936	4,143	7,996	10,617	4,601
Bank balances other than cash	7,603	2,483	3,652	3,652	3,652
Other financial assets	45,832	94,162	67,407	67,407	67,407
OtherCurrentAssets	64,681	81,396	75,932	50,932	50,932
Total Assets	12,03,557	13,69,305	15,08,635	14,51,689	15,84,491

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Cash flow

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
PBT	1,28,838	1,19,681	22,511	52,134	1,46,559
Add depreciation	30,886	34,178	40,801	47,235	55,151
Other expenses	-3,074	10,759	29,878	8,452	3,972
Change in W/C-inc/(dec)	13,645	35,337	-4,813	-1,33,342	15,331
Opg cashflow after W/C change	1,43,005	1,29,280	98,003	2,41,163	1,90,351
Income tax	32,327	27,720	18,273	17,204	43,968
Cashflow from Operations (A)	1,10,678	1,01,560	79,729	2,23,959	1,46,384
Capex	75,525	1,05,410	1,22,894	87,504	58,000
Other Investments	-4,871	-900	-10,619	11,059	7,228
Free cash	40,023	-2,950	-32,546	1,25,395	81,156
Cashflow from Investing (B)	-70,655	-1,04,510	-1,12,276	-98,564	-65,228
Increase/(Decrease) in borrowings	14,655	65,868	1,24,155	-72,338	-25,000
Dividends (including tax) paid	-43,680	-49,030	-65,178	-21,690	-35,907
Other Expenses	-11,141	-15,681	-16,465	-28,746	-26,265
Cashflow from Financing (C)	-40,166	1,157	42,513	-1,22,774	-87,172
Ch in Cash and Cash equiv	-143	-1,793	9,967	2,621	-6,017
opg cash	6,079	5,936	4,143	7,996	10,617
cl osing cash	5,936	4,143	14,110	10,617	4,601

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Key ratios

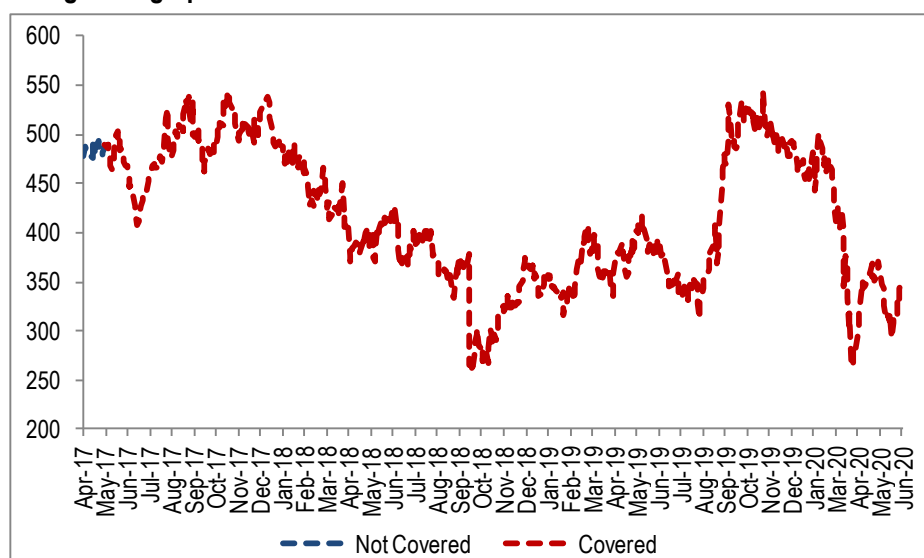
Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Profitability & return ratios					
EBITDA margin (%)	6.6	5.1	2.9	6.3	7.6
EBIT margin (%)	5.3	3.9	1.5	3.5	5.6
Net profit margin (%)	3.8	2.6	1.1	2.8	4.4
RoE (%)	26.7	20.7	12.0	12.3	24.7
Pre-tax RoCE (%)	18.7	15.1	5.0	6.9	16.4
RoIC (%)	16.1	11.6	6.3	6.1	13.8
Working capital ratios					
Receivables (days)	7.7	7.4	7.9	7.0	7.0
Inventory (days)	33.8	27.8	29.0	25.0	25.0
Payables (days)	20.6	19.9	19.6	26.0	27.0
Cash conversion cycle	21.0	15.3	17.3	6.0	5.0
Leverage ratios					
Net debt (Rsmn)	3,51,867	4,15,290	6,03,510	5,28,551	5,09,567
Net Debt (cash)/Equity (X)	0.91	1.02	1.56	1.26	1.01
Net Debt/EBITDA	2.27	2.75	7.23	4.90	2.48
Valuation ratios					
EV/sales (x)	0.58	0.46	0.48	0.80	0.51
EV/EBITDA (x)	8.90	9.12	16.50	12.78	6.70
EV/FCF	19.50	13.18	12.27	13.98	21.12
P/E (x)	7.79	9.00	16.08	14.57	6.01
P/BV (x)	1.92	1.81	1.92	1.79	1.49
FCF Yield (%)	9.12	13.50	14.50	12.73	8.42
Dividend Yield (%)	4.53	5.65	4.62	2.80	5.11
Per share ratios					
EPS	45.80	39.67	22.20	24.50	59.38
Cash EPS	61.50	57.05	42.94	48.52	87.42
BVPS	186.18	197.09	185.74	199.21	240.33
DPS	16.18	20.17	16.50	10.00	18.26

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price	Target price (Rs)
12 May 2017	Accumulate	738	717
16 August 2017	Accumulate	479	478
15 November 2017	Accumulate	493	489
12 February 2018	Accumulate	475	513
31 May 2018	Accumulate	400	436
9 August 2018	Accumulate	389	436
30 October 2018	Under Review	277	-
11 February 2019	Sell	338	300
21 May 2019	Sell	393	300
14 August 2019	Accumulate	343	343
11 November 2019	Accumulate	501	512
14 February 2020	Accumulate	477	534
7 April 2020	Buy	351	414
5 June 2020	Buy	357	417

Rating track graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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