

Finolex Industries Ltd.

| | |
|---------------------------------|-----------------|
| No. of shares (m) | 620.5 |
| Mkt cap (Rs crs/\$m) | 13021/1706.3 |
| Current price (Rs/\$) | 210/2.7 |
| Price target (Rs/\$) | 180/2.4 |
| 52 W H/L (Rs.) | 245/114 |
| Book Value (Rs/\$) | 55/0.7 |
| Beta | 0.6 |
| Daily volume NSE (avg. monthly) | 599950 |
| P/BV (FY22e/23e) | 3.4/2.9 |
| EV/EBITDA (FY22e/23e) | 9.7/9.7 |
| P/E (FY22e/23e) | 15.1/15.1 |
| EPS growth (FY21/22e/23e) | 124.3/18.2/-0.1 |
| OPM (FY21/22e/23e) | 28.6/26.4/27.4 |
| ROE (FY21/22e/23e) | 30.6/25.7/20.5 |
| ROCE (FY21/22e/23e) | 28.0/25.1/20.5 |
| D/E ratio (FY21/22e/23e) | 0.1/0.0/- |
| BSE Code | 500940 |
| NSE Code | FINPIPE |
| Bloomberg | FNXP IN |
| Reuters | FINX.NS |

Shareholding pattern

| | % |
|--------------------------|--------------|
| Promoters | 52.5 |
| MFs / Banks / FIs/Others | 10.7 |
| FPIs | 4.3 |
| Govt. Holding | 0.0 |
| Public & Others | 32.5 |
| Total | 100.0 |

As on Sep 30, 2021

Recommendation

REDUCE

Analyst

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Company Brief

Headquartered in Pune, Finolex Industries is a leading manufacturer of PVC -U pipes & fittings and PVC resin.

Highlights

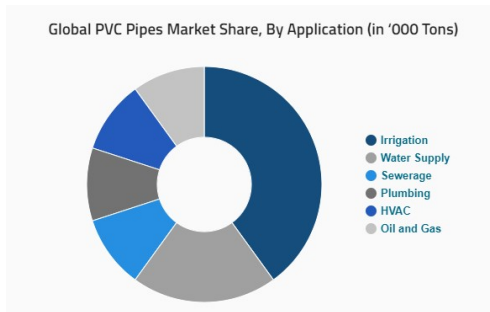
- Record PVC/EDC delta at \$790/ton (Vs \$654 / ton in Q2FY21 Vs \$830 / ton in Q1) last quarter pretty much explains the momentous rise in PVC resin EBIT to Rs 230.59 crs compared to just Rs 99.10 crs in the same quarter a year ago, as external sales of resin rose by a n astonishing 41.6% to 13684 tons. With spreads at record highs, PVC resin spreads would take some time to stutter to its historical level of some \$450 / ton.
- Helped by record PVC resins, revenues of PVC pipes & fittings rose by eye-popping 80% to ~ Rs 900 crs in Q2, although volumes grew by just 27.1% to 55453 tons compared to 43618 tons in the same quarter a year ago. Yet its EBIT margin tumbled to 6.4% from 7.8%. Despite record PVC resin prices, the company does not foresee any shortage for material for its pipes & fittings business. CPVC business continued to show increased traction as its volumes improved by some 50% from Q1 (77% yoy). Agri business continues to rule the roost for it accounted for some 58% of sales in Q2.
- Burnished by record spreads of PVC resin, OPM increased to 27.8% in Q2 from 24.7% in the same quarter a year ago, thus precipitating 108.2% growth in operating profit. Despite 8% dip in other income, PBT advanced by 97.5%, whereas post tax earnings grew by 96.4% to Rs 235.08 crs compared to Rs 119.72 crs in the same quarter a year ago. Net profit margins as a result went higher to 21.7% from 20.4% in the comparable period a year ago.
- The stock currently trades at 15.1x FY23e EPS of Rs 13.86. Post tax earnings are estimated to flat line next fiscal for PVC/EDC delta is estimated to fall for Q2's \$790 / ton as PVC resin prices soften and earnings of PVC pipes & fittings modestly rise. Though increasing mix of non-agri business would support margins but its sway on overall earnings will be hardly discernible. Wherefore, return on equity would plunge to some 20% next fiscal from the record 30.6% in FY21. Balancing odds, assign 'reduce' rating on the stock with revised target of Rs 180 (previous target: Rs 104) based on 13x FY23e earnings over a period of 6-9 months.

| (Figures in Rs crs) | FY19 | FY20 | FY21 | FY22e | FY23e |
|--------------------------------|---------|---------|---------|---------|---------|
| Income from operations | 3091.32 | 2984.51 | 3462.82 | 4378.67 | 4087.57 |
| Other Income | 41.57 | 30.84 | 72.48 | 85.50 | 118.82 |
| EBITDA (other income included) | 617.97 | 478.28 | 1061.79 | 1240.18 | 1237.45 |
| Profit after EO | 368.05 | 324.75 | 728.47 | 860.84 | 860.28 |
| EPS (Rs) | 5.93 | 5.23 | 11.74 | 13.87 | 13.86 |
| EPS growth (%) | 23.2 | -11.8 | 124.3 | 18.2 | -0.1 |

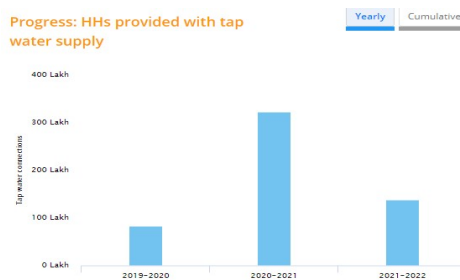
Investment Thesis

PVC Pipes Industry

IMARC Group estimates that global PVC pipes market would grow at a CAGR of 5.32% during 2021-2026 partly due to these pipes gaining popularity across the globe owing to their favorable properties such as light-weight, cost-effectiveness, easy installation and durability. Replacement demand for these wares has come from various factors, most notably, their rust free property and ability to withstand rigorous shaking and extreme movement in earthquake-prone zones. Further, the introduction of new technology applying molecular orientation in the PVC pipes manufacturing has resulted into the development of PVC-O (oriented) pipes, which are more environment-friendly, cost-effective and have enhanced physical and mechanical properties than conventionally produced PVC pipes.

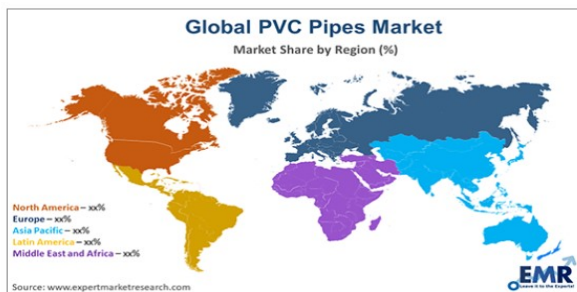


Source: IMARC Group

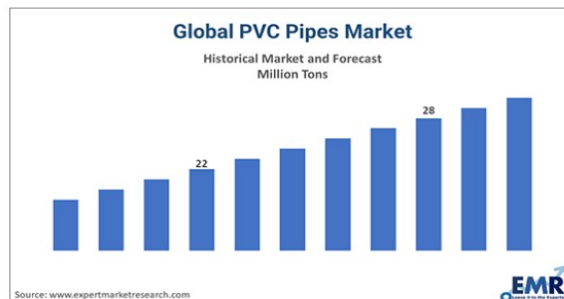


Source: ejalshakti.gov.in

According to a report by Expert Market Research, much of the growth in global PVC pipes market would be driven by growing urbanization demanding larger and cost-effective sewage lines, rising construction activities, infrastructure developments along with growing demand in the chemical, oil & natural gas industry. PVC pipes are durable, cost-effective, light in weight, hard to damage, easy to install and long lasting as compared to conventional pipes like G.I., Cast iron and cement pipes. This industry is expected to reach 30.25 mn tons by 2026.



Source: Expert Market Research



Source: Expert Market Research

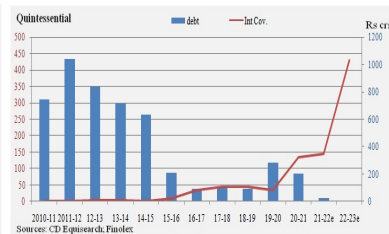
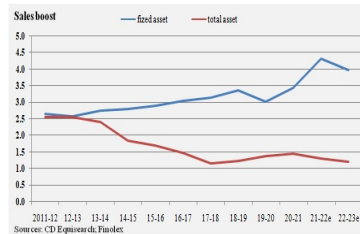
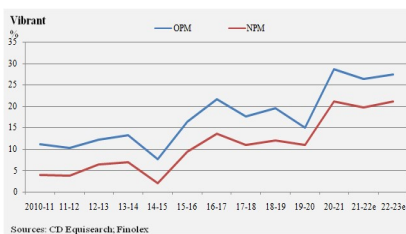
No small growth in Government of India's infrastructural spending, construction spending, irrigation spending and replacement of aging pipelines, among others, explain much of the buoyancy in plastic piping industry over the last few years. Further, market growth in India is expected to be propelled by GOI's greater focus on end user application.

Market growth in plastic piping industry is estimated due to GOI schemes like Housing for All by 2022, "Nal se Jal" by 2024, project AMRUT & Swachh Bharat Mission and National Rural Drinking Water Programme. Aimed at providing basic services such as water supply and sanitation (WSS), cleanliness, sewage connection and assured water supply for drinking, these schemes have the ability to generate large scale demand for plastic piping business. Further the pandemic has reinvigorated need for sustained investments in water management, sanitation and sewage treatment - which will further boost demand for PVC pipes.

Financials & Valuation

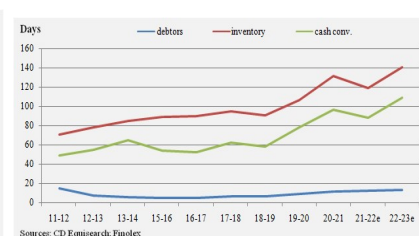
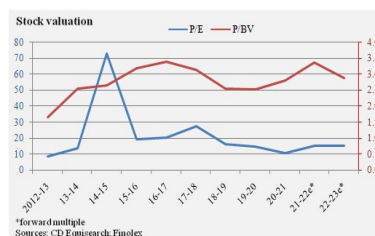
Piggybacking on record surge in PVC resin prices in last few quarters (\$1514 /ton in Q2FY22 Vs \$920/ton in Q2FY21), Finolex's PVC resin EBIT zoomed to Rs 388.44 crs in H1 compared to Rs 122.31 crs in the same period a year ago. PVC/EDC delta - a barometer for margins - did little scaling back for it rose to \$790 / ton in Q2 Vs \$653 / ton in Q2 last year. With PVC resin prices now on a downhill, moderation in spreads cannot be ruled out. Finolex's external sale of PVC resins is estimated to decline by some 4.5% during the current fiscal but would still be enough to pull up full year EBIT (PVC resin) by 27.6%.

Base effect would do little galvanize earnings next fiscal for PVC resin EBIT would anything but rise (decline of 7.6% is estimated), while the PVC pipes & fittings business would stutter to post EBIT growth in mid-teens on 12.5% growth in volumes. Despite 15.3% rise in pipes & fittings volumes in the first half of current fiscal (a part of the loftiness attributed to national lockdown in Q1 of last fiscal), full year tally would barely show high single digit growth. Despite sturdy growth in dispatches, stunted scale of CPVC volumes would scarcely burnish overall pipe volumes for years to come, thus lending little to overall business scaling.



Supply disruption in PVC resin market globally has all but fired up PVC prices in the last one year or so. Thence, overall OPMs have neared 25% - hardly sustainable level - for the first half of current fiscal. Though OPMs are not expect to sharply descend - given global supply disruptions and high prices of EDC and VCM - during next few quarters, absence of powerful catalysts for Finolex's non-agri pipes business could hinder ramp up - its EBIT margin has hardly shown increased 'velocity' in the past. Redundancies in its pipes & fittings business - capacity utilization at some 60% - has done little to boost return on equity.

The stock currently trades at 15.1x FY23e EPS of Rs 13.86. Volatility in PVC resin prices have lend little stability to Finolex's earnings over the years with EBITDA doubling last fiscal (despite the pandemic) and is estimated to grow by 17% in the current fiscal. No strength in backward integration in PVC resin and competitive advantages in agri-pipe business would galvanize margins next fiscal for the base effect would lend perceptible 'friction'. Churning out optimism on sustainability of PVC/EDC delta of some \$800 / ton would hardly be conservative. Weighing odds, we assign 'reduce' rating on the stock with revised target of Rs 180 (previous target: Rs 104) based on 13x FY23e earnings. For more info refer to our January report.



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Cross Sectional Analysis

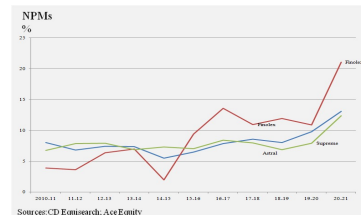
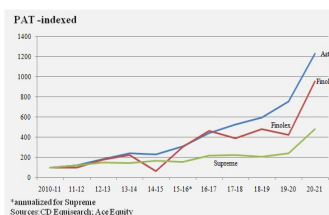
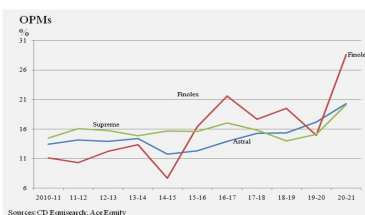
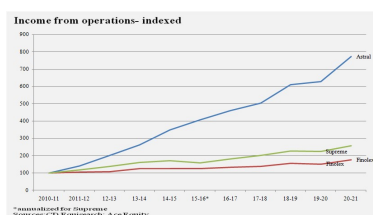
| Company | Equity* | CMP | Mcap* | Sales* | Profit* | OPM (%) | NPM (%) | Int. Cov. | ROE (%) | DER | Mcap / sales | P/BV | P/E |
|------------|---------|------|-------|--------|---------|---------|---------|-----------|---------|-----|--------------|------|------|
| Astral Ltd | 20 | 2266 | 45519 | 3880 | 513 | 20.3 | 13.4 | 66.5 | 32.1 | 0.0 | 11.7 | 25.1 | 88.7 |
| Finolex | 124 | 210 | 13021 | 4364 | 936 | 29.1 | 21.4 | 150.7 | 32.7 | 0.0 | 3.0 | 3.8 | 13.9 |
| Supreme | 25 | 2337 | 29686 | 7199 | 1116 | 20.1 | 12.6 | 123.3 | 38.3 | - | 4.1 | 9.1 | 26.6 |

*figures in crores; calculations on ttm basis

Book value adjusted for goodwill and revaluation reserves where applicable

Relentless rise in polymer prices - particularly PVC resin - has done little to spur volumes of plastic piping products for its dispatches rose by 8.8% to 72480 tons in Q2 compared to 66609 tons in the same quarter a year ago. Despite well-nigh 50% growth in revenues of plastics piping business, its EBIT advanced by a subdued 31.5%, resulting in over 200 bps narrowing of margins - 15.3% Vs 17.4% Vs 17% in Q1 of current fiscal. Yet the company has seen revival of demand from housing sector last quarter and the same is expected to sustain going forward. Given lower price inflation for CPVC pipes in Q2, its demand witnessed a noticeable rise.

Buoyed by higher pipe volumes in Q2 - up 20.1% to 42471 tons - Astral pipe business revenues surged by an astonishing 60.5% , even though EBITDA margins slid by 171 bps to 19.9% with little distinguishing traits in the first half of current fiscal when EBITDA margin of 20.2% was reported on 61.5% growth in sales. Witnessing heady growth in pipes business, Astral has chalked out plans to set up a state of the art plant for CPVC/PVC pipes and fittings at Telangana which is expected to commence production by FY24; the land for the proposed capex has already been acquired from the Telangana Government.



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Financials

Quarterly Results

Figures in Rs crs

| | Q2FY22 | Q2FY21 | % chg. | H1FY22 | H1FY21 | % chg. |
|------------------------------------|----------------|---------------|-------------|----------------|----------------|--------------|
| Income from operations | 1082.95 | 585.55 | 84.9 | 2048.67 | 1147.44 | 78.5 |
| Other Income | 29.87 | 32.46 | -8.0 | 45.22 | 40.78 | 10.9 |
| Total Income | 1112.82 | 618.01 | 80.1 | 2093.89 | 1188.22 | 76.2 |
| Total Expenditure | 781.49 | 440.78 | 77.3 | 1537.70 | 914.43 | 68.2 |
| EBIDTA (other income incl.) | 331.33 | 177.23 | 86.9 | 556.19 | 273.79 | 103.1 |
| Interest | 0.41 | 0.77 | -46.8 | 5.17 | 4.05 | 27.7 |
| Depreciation | 20.61 | 19.34 | 6.6 | 40.67 | 38.17 | 6.5 |
| PBT | 310.31 | 157.12 | 97.5 | 510.35 | 231.57 | 120.4 |
| Tax | 75.23 | 37.40 | 101.1 | 128.47 | 56.74 | 126.4 |
| Net Profit | 235.08 | 119.72 | 96.4 | 381.88 | 174.83 | 118.4 |
| Extraordinary Item | - | - | - | - | - | - |
| Adjusted Net Profit | 235.08 | 119.72 | 96.4 | 381.88 | 174.83 | 118.4 |
| EPS | 3.79 | 1.93 | 96.4 | 6.15 | 2.82 | 118.4 |

Segment results

Figures in Rs crs

| | Q2FY22 | Q2FY21 | % chg. | H1FY22 | H1FY21 | % chg. |
|---------------------------------|----------------|---------------|--------------|----------------|----------------|--------------|
| Segment Revenue | | | | | | |
| PVC | 654.34 | 367.83 | 77.9 | 1281.45 | 661.93 | 93.6 |
| PVC Pipes & Fittings | 899.63 | 500.83 | 79.6 | 1745.02 | 1007.81 | 73.1 |
| Total | 1553.97 | 868.66 | 78.9 | 3026.47 | 1669.74 | 81.3 |
| Less: Inter-segment revenue | 471.02 | 283.11 | 66.4 | 977.80 | 522.30 | 87.2 |
| Income from operations | 1082.95 | 585.55 | 84.9 | 2048.67 | 1147.44 | 78.5 |
| Segment EBIT | | | | | | |
| PVC | 230.59 | 99.10 | 132.7 | 388.44 | 122.31 | 217.6 |
| PVC Pipes & Fittings | 57.45 | 39.30 | 46.2 | 101.09 | 90.74 | 11.4 |
| Total | 288.04 | 138.40 | 108.1 | 489.53 | 213.05 | 129.8 |
| Interest | 0.41 | 0.77 | -46.8 | 5.17 | 4.05 | 27.7 |
| Unallocable exp.(net of income) | -22.68 | -19.49 | 16.4 | -25.99 | -22.57 | 15.2 |
| PBT | 310.31 | 157.12 | 97.5 | 510.35 | 231.57 | 120.4 |

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Income Statement

Figures in Rs crs

| | FY19 | FY20 | FY21 | FY22e | FY23e |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Income from operations | 3091.32 | 2984.51 | 3462.82 | 4378.67 | 4087.57 |
| <i>Growth (%)</i> | 12.9 | -3.5 | 16.0 | 26.4 | -6.6 |
| Other Income | 41.57 | 30.84 | 72.48 | 85.50 | 118.82 |
| Total Income | 3132.89 | 3015.35 | 3535.30 | 4464.17 | 4206.39 |
| Total Expenditure | 2514.92 | 2537.07 | 2473.51 | 3223.99 | 2968.94 |
| EBIDTA (other income incl.) | 617.97 | 478.28 | 1061.79 | 1240.18 | 1237.45 |
| Interest | 12.27 | 11.28 | 7.27 | 7.91 | 2.67 |
| EBDT | 605.70 | 467.00 | 1054.52 | 1232.27 | 1234.78 |
| Depreciation | 70.08 | 73.81 | 77.72 | 81.87 | 85.14 |
| Tax | 185.82 | 68.99 | 248.78 | 289.55 | 289.37 |
| Net Profit | 349.80 | 324.20 | 728.02 | 860.84 | 860.28 |
| EO | -18.25 | -0.55 | -0.45 | 0.00 | 0.00 |
| Adjusted Net Profit | 368.05 | 324.75 | 728.47 | 860.84 | 860.28 |
| EPS (Rs) | 5.93 | 5.23 | 11.74 | 13.87 | 13.86 |

Segment results

Figures in Rs crs

| | FY19 | FY20 | FY21 | FY22e | FY23e |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Segment Revenue | | | | | |
| PVC | 516.52 | 430.56 | 827.52 | 903.65 | 607.50 |
| PVC Pipes & Fittings | 2574.80 | 2553.95 | 2635.30 | 3475.02 | 3480.07 |
| Total sales | 3091.32 | 2984.51 | 3462.82 | 4378.67 | 4087.57 |
| Segment EBIT | | | | | |
| PVC | 377.28 | 199.59 | 696.40 | 888.80 | 821.21 |
| PVC Pipes & Fittings | 182.82 | 202.24 | 251.19 | 213.54 | 243.60 |
| Total | 560.09 | 401.83 | 947.59 | 1102.34 | 1064.81 |
| Interest | 12.27 | 11.28 | 7.27 | 7.91 | 2.67 |
| Unallocable exp.(net of income) | 12.22 | -2.64 | -36.48 | -55.96 | -87.50 |
| PBT | 535.62 | 393.19 | 976.80 | 1150.40 | 1149.64 |

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Balance Sheet

Figures in Rs crs

| | FY19 | FY20 | FY21 | FY22e | FY23e |
|---|----------------|----------------|----------------|----------------|----------------|
| SOURCES OF FUNDS | | | | | |
| Share Capital | 124.10 | 124.10 | 124.10 | 124.10 | 124.10 |
| Reserves | 2404.33 | 1805.71 | 2948.78 | 3986.34 | 4653.89 |
| Total Shareholders Funds | 2528.42 | 1929.80 | 3072.88 | 4110.43 | 4777.99 |
| Long term debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Liabilities | 2528.43 | 1929.80 | 3072.88 | 4110.43 | 4777.99 |
| APPLICATION OF FUNDS | | | | | |
| Gross Block | 2199.44 | 2,334.27 | 2,390.72 | 2490.72 | 2,590.72 |
| Less: Acc Depreciation | 1248.55 | 1,317.38 | 1,388.37 | 1470.24 | 1,555.38 |
| Net Block | 950.89 | 1016.89 | 1002.35 | 1020.48 | 1035.34 |
| Capital Work in Progress | 90.25 | 7.28 | 8.15 | 8.00 | 8.00 |
| Investments | 1303.02 | 580.06 | 1592.20 | 2010.10 | 2165.60 |
| Current Assets, Loans & Advances | | | | | |
| Inventory | 620.47 | 857.81 | 918.82 | 1182.24 | 1103.64 |
| Sundry Debtors | 74.31 | 73.17 | 147.98 | 153.25 | 143.06 |
| Cash and Bank | 28.04 | 93.20 | 336.26 | 444.47 | 991.23 |
| Loans and Advances | 102.49 | 75.58 | 77.85 | 76.44 | 83.44 |
| Total CA & LA | 825.31 | 1099.76 | 1480.91 | 1856.40 | 2321.37 |
| Current Liabilities | 511.99 | 688.37 | 932.33 | 711.07 | 678.21 |
| Provisions | 2.40 | 3.01 | 3.83 | 4.60 | 5.52 |
| Total Current Liabilities | 514.39 | 691.38 | 936.16 | 715.67 | 683.73 |
| Net Current Assets | 310.92 | 408.38 | 544.75 | 1140.73 | 1637.65 |
| Net Deferred Tax | -151.33 | -115.82 | -118.51 | -115.51 | -115.51 |
| Other Assets (Net Of Liabilities) | 24.68 | 33.01 | 43.94 | 46.64 | 46.91 |
| Total Assets | 2528.43 | 1929.80 | 3072.88 | 4110.43 | 4777.99 |

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Key Financial Ratios

| | FY19 | FY20 | FY21 | FY22e | FY23e |
|--------------------------------|------|-------|-------|-------|-------|
| Growth Ratios (%) | | | | | |
| Revenue | 12.9 | -3.5 | 16.0 | 26.4 | -6.6 |
| EBIDTA (other income included) | 26.7 | -25.8 | 121.8 | 16.7 | -0.2 |
| Net Profit | 23.2 | -11.8 | 124.3 | 18.2 | -0.1 |
| EPS | 23.2 | -11.8 | 124.3 | 18.2 | -0.1 |
| Margins (%) | | | | | |
| Operating Profit Margin | 19.5 | 15.0 | 28.6 | 26.4 | 27.4 |
| Gross Profit Margin | 20.5 | 15.7 | 30.5 | 28.1 | 30.2 |
| Net Profit Margin | 11.9 | 10.9 | 21.0 | 19.7 | 21.0 |
| Return (%) | | | | | |
| ROCE | 14.5 | 13.0 | 28.0 | 25.1 | 20.5 |
| ROE | 14.7 | 15.1 | 30.6 | 25.7 | 20.5 |
| Valuations | | | | | |
| Market Cap / Sales | 2.0 | 1.6 | 2.3 | 3.0 | 3.2 |
| EV/EBIDTA | 9.1 | 10.3 | 6.8 | 9.7 | 9.7 |
| P/E | 16.5 | 14.9 | 10.8 | 15.1 | 15.1 |
| P/BV | 2.6 | 2.5 | 2.8 | 3.4 | 2.9 |
| Other Ratios | | | | | |
| Interest Coverage | 46.9 | 35.9 | 135.4 | 146.4 | 431.8 |
| Debt-Equity Ratio | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Current Ratio | 1.6 | 1.8 | 1.7 | 2.4 | 3.1 |
| Turnover Ratios | | | | | |
| Fixed Asset Turnover | 3.4 | 3.0 | 3.4 | 4.3 | 4.0 |
| Total Asset Turnover | 1.2 | 1.4 | 1.5 | 1.3 | 1.2 |
| Debtors Turnover | 52.6 | 40.5 | 31.3 | 29.1 | 27.6 |
| Inventory Turnover | 4.0 | 3.4 | 2.8 | 3.1 | 2.6 |
| Creditors Turnover | 9.3 | 9.9 | 7.9 | 8.4 | 8.1 |
| WC Ratios | | | | | |
| Debtor days | 6.9 | 9.0 | 11.7 | 12.6 | 13.2 |
| Inventory days | 90.4 | 106.4 | 131.1 | 118.9 | 140.5 |
| Creditor days | 39.2 | 36.8 | 46.0 | 43.6 | 45.0 |
| Cash conversion cycle | 58.1 | 78.5 | 96.8 | 87.9 | 108.7 |

Cumulative Financial Data

| Figures in Rs crs | FY15-17 | FY18-20 | FY21-23e |
|----------------------------------|---------|---------|----------|
| Income from operations | 7560 | 8814 | 11929 |
| Operating profit | 1161 | 1537 | 3263 |
| EBIT | 1070 | 1430 | 3295 |
| PBT | 939 | 1397 | 3277 |
| PAT | 633 | 992 | 2450 |
| Dividends | 351 | 449 | 745 |
| PVC pipe sales (lakh tons) | 6.0 | 7.7 | 6.9 |
| PVC resin production (lakh tons) | 7.3 | 7.7 | 7.0 |
| PVC resin sales (lakh tons) | 3.2 | 1.9 | 2.1 |
| OPM (%) | 15.4 | 17.4 | 27.4 |
| NPM (%) | 8.4 | 11.3 | 20.5 |
| Interest coverage | 8.2 | 42.9 | 184.6 |
| ROE (%) | 13.8 | 16.3 | 25.3 |
| ROCE (%) | 12.6 | 14.8 | 24.4 |
| Fixed asset turnover | 2.9 | 3.1 | 3.9 |
| Debtors turnover | 53.9 | 46.8 | 36.8 |
| Inventory turnover | 4.0 | 3.4 | 2.9 |
| Creditors turnover | 12.6 | 10.6 | 9.9 |
| Debtors days | 6.8 | 7.8 | 9.9 |
| Inventory days | 91.0 | 106.5 | 123.9 |
| Creditor days | 29.0 | 34.3 | 37.0 |
| Cash conversion cycle | 68.7 | 80.0 | 96.9 |
| Dividend payout ratio (%) | 53.6 | 46.2 | 30.4 |

FY15-17 implies three years ending fiscal 17; *as on terminal year

Unprecedented surge in PVC resin prices explain much of the barely unremarkable growth in cumulative revenues during FY21-23e period (35.3%), while growth in cumulative operating profit would scarcely trail revenue growth (estimated to grow by 112%) for PVC resin EBIT more than trebled last fiscal and has not shown any signs of weakening as yet. Thence, cumulative post tax earnings would surge by 147% to Rs 2450 crs during FY21-23e period compared to just Rs 992 crs in the preceding three year period (see table).

Despite record sales, cumulative PVC pipe volumes would anything but grow for its of take would slid by some 11% to 6.9 lakh tons in FY21-23e period as against 7.7 lakh tons. Higher sales would do little to stymie asset turnover ratios - 3.9 in FY21-23e Vs 3.1, thus supporting remarkable rise in return on equity (25.3% Vs 16.3% in FY18-20) though much of the rise in return on capital (equity) has fructified due to higher net profit margins (20.5% Vs 11.3%). Higher cost of inventory has would push up inventory turnover days to some 124 days from 107 days in the preceding three year period, thus hindering cash conversion cycle to 97 days from 80 days (see table).

CD Equiresearch Pvt Ltd

Financial Summary – US dollar denominated

| million \$ | FY19 | FY20 | FY21 | FY22e | FY23e |
|------------------------------|-------|-------|-------|-------|-------|
| Equity capital | 17.9 | 16.5 | 16.9 | 16.3 | 16.3 |
| Equity shareholders' funds | 343.9 | 256.0 | 384.3 | 506.1 | 593.6 |
| Total debt | 12.9 | 37.5 | 27.7 | 3.3 | 0.0 |
| Net fixed assets (incl CWIP) | 150.5 | 135.9 | 137.5 | 134.8 | 136.7 |
| Investments | 188.4 | 76.9 | 216.6 | 263.4 | 283.8 |
| Net current assets | 23.3 | 54.2 | 40.3 | 117.0 | 182.1 |
| Total assets | 343.9 | 256.0 | 384.3 | 506.1 | 379.0 |
| Revenues | 442.3 | 421.1 | 466.7 | 573.8 | 535.7 |
| EBITDA | 92.4 | 67.6 | 143.2 | 162.5 | 162.2 |
| EBDT | 90.7 | 66.0 | 142.2 | 161.5 | 161.8 |
| PBT | 80.6 | 55.6 | 131.7 | 150.8 | 150.7 |
| PAT | 52.7 | 45.8 | 98.2 | 112.8 | 112.7 |
| EPS(\$) | 0.08 | 0.07 | 0.16 | 0.18 | 0.18 |
| Book value (\$) | 0.55 | 0.41 | 0.62 | 0.82 | 0.96 |

income statement figures translated at average rates; balance sheet and cash flow at year end rates; projections at current rate (\$76.31/\$)

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buy: >20% accumulate: >10% to ≤20% hold: ≥-10% to ≤10% reduce: ≥-20% to <-10% sell: <-20%

Exchange Rates Used- Indicative

| Rs/\$ | FY18 | FY19 | FY20 | FY21 |
|----------|-------|-------|-------|-------|
| Average | 64.45 | 69.89 | 70.88 | 74.20 |
| Year end | 65.04 | 69.17 | 75.39 | 73.50 |

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.