

## India

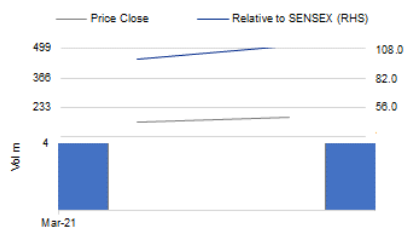
**REDUCE** (Initiating coverage)

Consensus ratings\*: Buy 0 Hold 0 Sell 0

Current price:	Rs175
Target price:	Rs110 ▲
Previous target:	NA
Up/downside:	-37.1%
EIP Research / Consensus:	-45.0%

Reuters:	
Bloomberg:	LXCHEM IN
Market cap:	US\$629m
	Rs46,154m
Average daily turnover:	US\$0.0m
	Rs0.0m
Current shares o/s:	263.7m
Free float:	24.2%

\*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.0	0.0	0.0
Relative (%)	0.0	0.0	0.0

Major shareholders	% held
Promoter & Promoter Group	75.8
Malabar India Fund	1.6
Ashoka Inv	1.0

## Analyst(s)


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# Laxmi Organic Industries Ltd

## Valuations pencil in leap of faith

- Laxmi Organic is primarily an acetyl, ketene and diketene manufacturer. Acetyls formed 55% of revenue, SI 30%, and rest from other products in FY20.
- We think acetyls and specialty intermediates (SI) will remain Laxmi Organic's mainstay in the medium term. Fluorochemicals is at best an option value.
- We forecast revenue CAGR of 11% and PAT CAGR of 14% over FY21F-23F. We value the stock at 20x FY23F EPS to arrive at a TP of Rs110.

### Robust, but commodity-grade, business; initiate with Reduce

Given Laxmi Organic's capacity utilisation and future growth plans, acetyls (primarily ethyl acetate) will remain the main driver for revenue, in our view. The company is building a fluorochemicals capacity, which is a very competitive field with many established players. At best, this business can provide an option value. Rising acetic acid prices represent headwinds for the acetyl business. We believe the ketene and diketene businesses are attractive but cannot drive the bulk of growth. We believe headwinds to margins will become apparent from 1QFY22F. We initiate coverage with a Reduce rating and TP of Rs110.

### Acetyls & SI to remain mainstay, fluorochemicals is an option value

We believe acetyls and specialty intermediates (SIs include ketene, diketene and its derivatives) will remain Laxmi Organic's backbone in the medium term. Including Yellowstone Chemicals Private Limited (YCPL), Laxmi Organic has spare capacities of 46.5kt in acetyls and 31kt in specialty intermediates (SIs) as on FY20. According to the company, it will commission the fluorochemicals plant only in 4QFY22, and, hence, we believe any revenue addition can come only in FY23F.

### We value stock at 20x FY23F EPS, in line with peer valuation

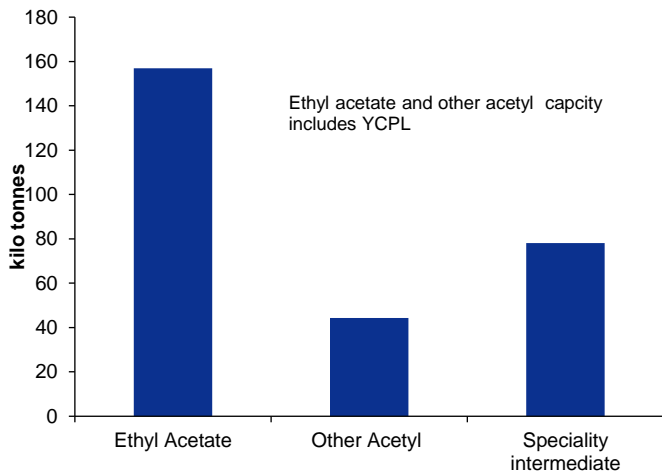
We forecast revenue CAGR of 11% and PAT CAGR of 14% over FY21F-23F. We expect EPS growth to decline after significant growth in FY19-21F (EPS CAGR of 23.4% and revenue CAGR of 3.7% during FY19-21F). Going forward acetyl and SI volume growth will likely determine Laxmi Organic's revenue growth. While investors are confident of Laxmi Organic's leadership in SI, we believe in the near to medium term its revenue will be driven by acetyls (specifically ethyl acetate). Hence, we value the stock at 20x FY23F EPS, in line with its peers; and initiate coverage on Laxmi Organic with a Reduce rating and TP of Rs110 as its RoE is below its peer average of 17%. Risks: 1) The upside risk to our call emanates from the fluorochemicals business. In our view, SRF took a decade to get this business right. If Laxmi Organic does so in a couple of years, it could trade at higher multiples, in our view. 2) A rapid crude price fall will likely lead to acetic acid prices falling. Eventually this would lead to a fall in ethyl acetate prices. We believe Laxmi could make higher EBITDA margins for a quarter or so, which could lead to higher EPS estimates and, hence, higher stock prices.

### Financial Summary

	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	15,685	15,341	16,875	18,563	20,790
Operating EBITDA (Rsm)	1,533	1,135	1,964	2,109	2,368
Net Profit (Rsm)	724	702	965	1,259	1,402
Core EPS (Rs)	4.8	2.0	3.9	4.8	5.3
Core EPS Growth	(65.5%)	(58.2%)	95.8%	21.0%	11.4%
FD Core P/E (x)	36.30	59.25	44.34	36.65	32.91
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	30.73	41.35	20.43	19.09	17.02
P/FCFE (x)	115.03	33.79	43.08	(45.93)	(2,099.00)
Net Gearing	21.0%	18.5%	(53.2%)	(46.9%)	(41.8%)
P/BV (x)	9.74	9.23	4.06	3.66	3.28
ROE	17.5%	10.9%	12.3%	10.5%	10.5%
% Change In Core EPS Estimates					
EIP Research/Consensus EPS (x)			0.00	0.00	0.00

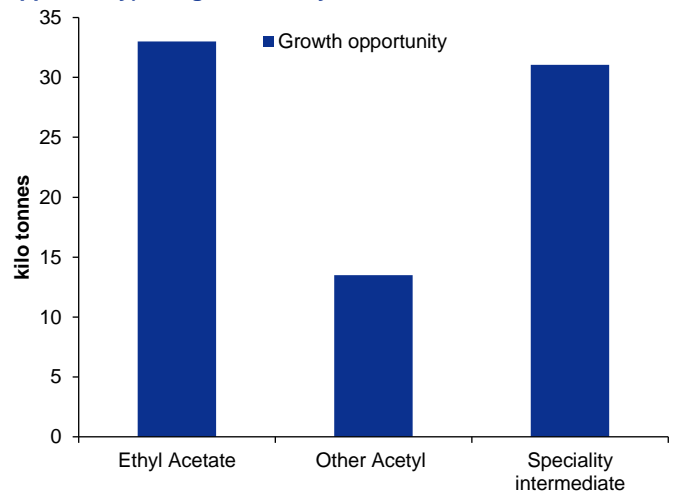
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, PRICED AS AT 29 MAR 2021

**Figure 1: Laxmi Organic is primarily an ethyl acetate (almost 55% of overall capacity)**



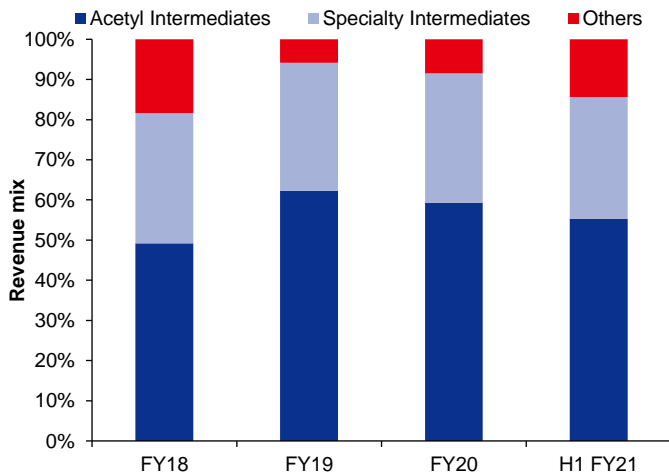
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRAFT RED HERRING PROSPECTUS (DRHP)

**Figure 2: Current spare capacity (i.e., future growth opportunity) is highest in ethyl acetate**



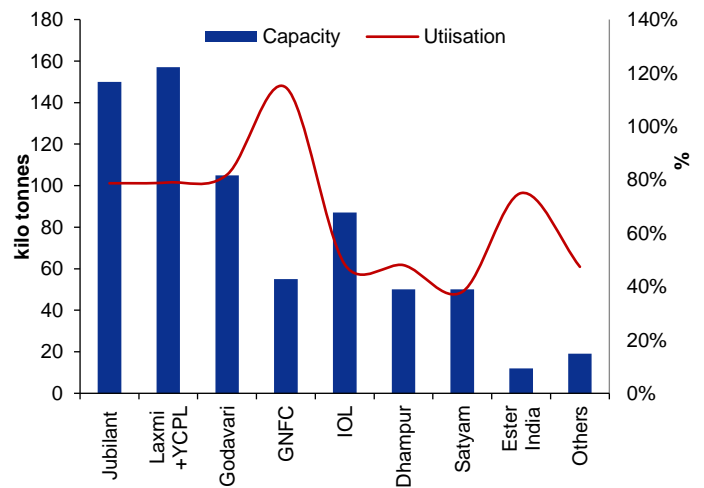
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 3: ~55% of revenue comes from ethyl acetate and other acetyl derivatives. Ketene/ diketene account for 30% of Laxmi Organic's revenue**



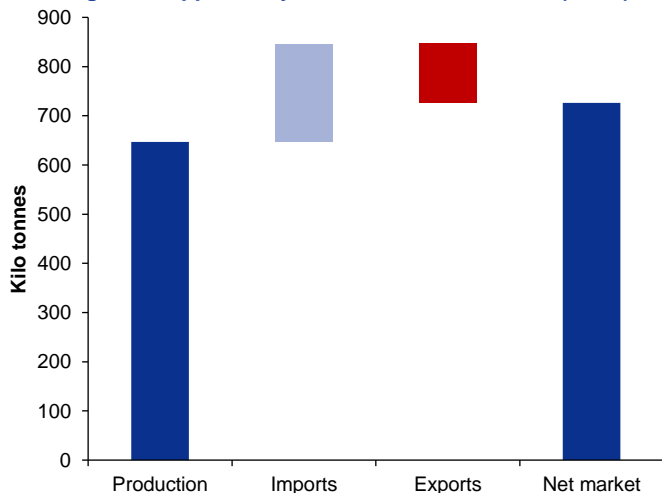
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 4: Indian ethyl acetate market is competitive with many players (CY19/FY20)**



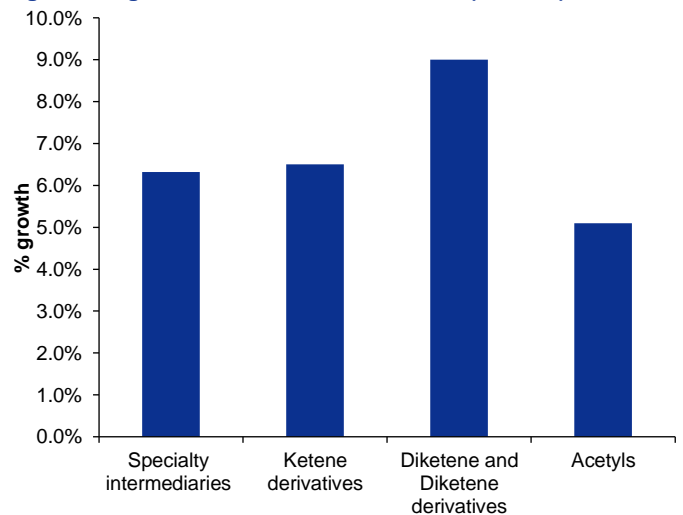
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 5: India is a net importer of acetyls (~80kt), providing Laxmi a growth opportunity in the domestic market (CY19)**



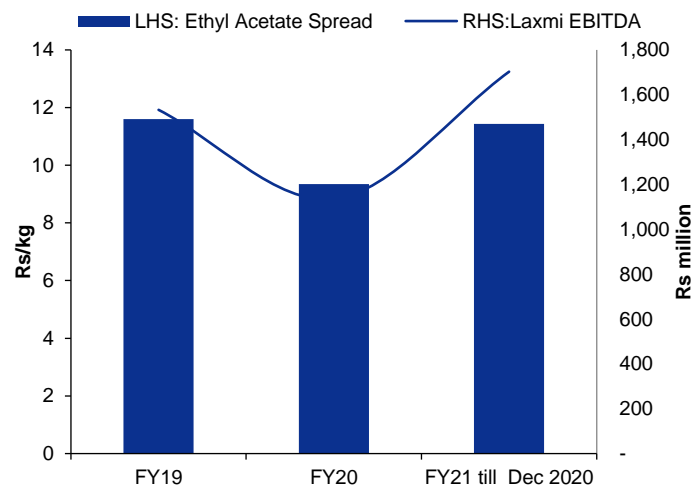
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 6: Most of Laxmi's products are growing at a high single digit in the global market in revenue terms (2014-19)**



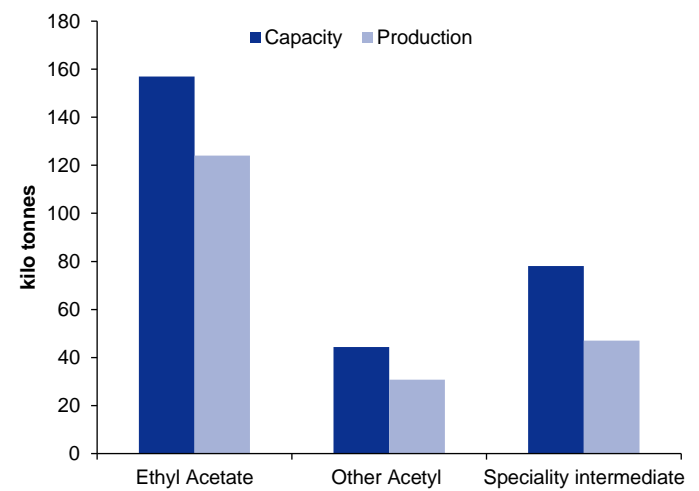
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP, HISTORICAL DATA IS FROM THE DRHP DOCUMENT

**Figure 7: Operational profit depends on ethyl acetate spreads over ethanol and acetic acid (till Dec 2020)**



SOURCES: EIP RESEARCH, COMPANY REPORTS, CORPINESS GLOBAL PRIVATE LIMITED

**Figure 8: From FY22F ethyl acetate will remain Laxmi's main growth driver (growth in volume terms)**



SOURCES: EIP RESEARCH ESTIMATES

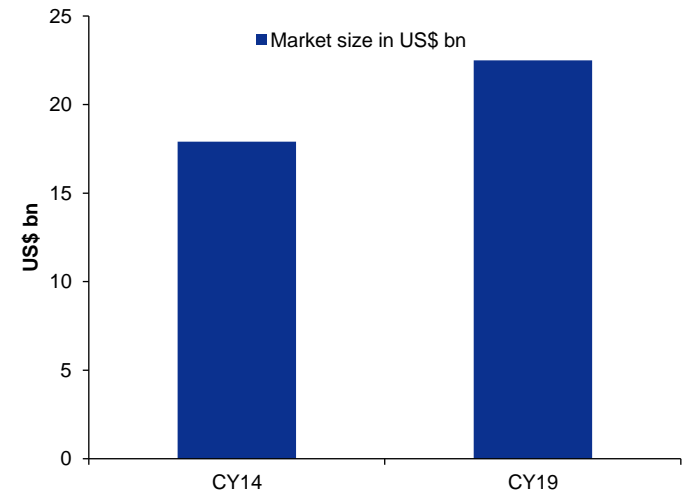
**Figure 9: Laxmi Organic's fluorochemicals earnings will be hard to forecast**

*Our ability to establish our presence in the fluorospecialty chemicals business*

Our future growth is dependent on our ability to manage and execute our expansion into the high-margin fluorospecialty chemicals business. We acquired certain plant, equipment and patents of Miteni in June 2019 which included more than 100 products, 14 patents as well as sophisticated technology. We are in the process of setting up a manufacturing facility for fluorospecialty chemicals at Lote, Parshuram, Maharashtra which is proposed to commence commercial operations in the fourth quarter of Fiscal 2022. Please also refer to "Objects of the Offer" on page 95 for further details.

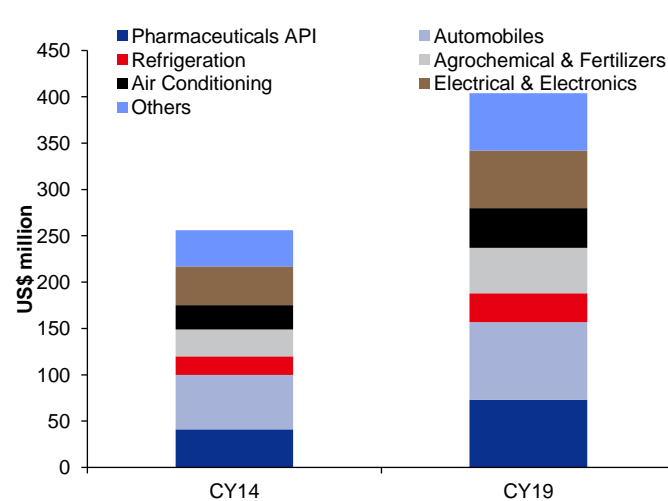
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 10: Global fluorochemicals market grew at 5.9% CAGR in CY14-19**



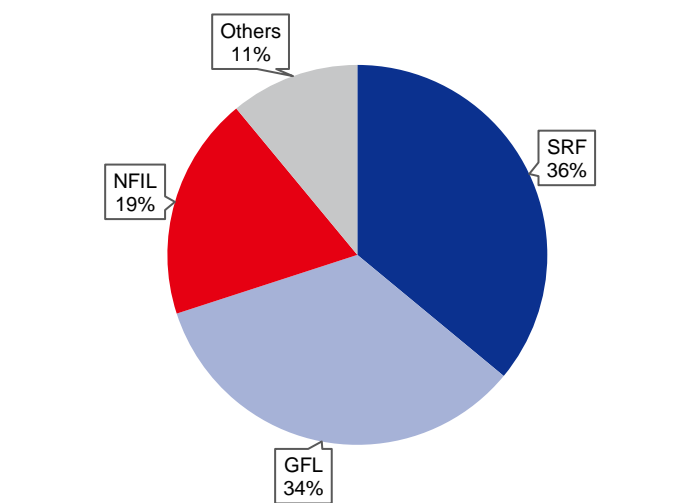
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 11: Indian fluorochemicals market grew at 12% CAGR over CY14-19**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Figure 12: Tough competition from existing players (CY19)**



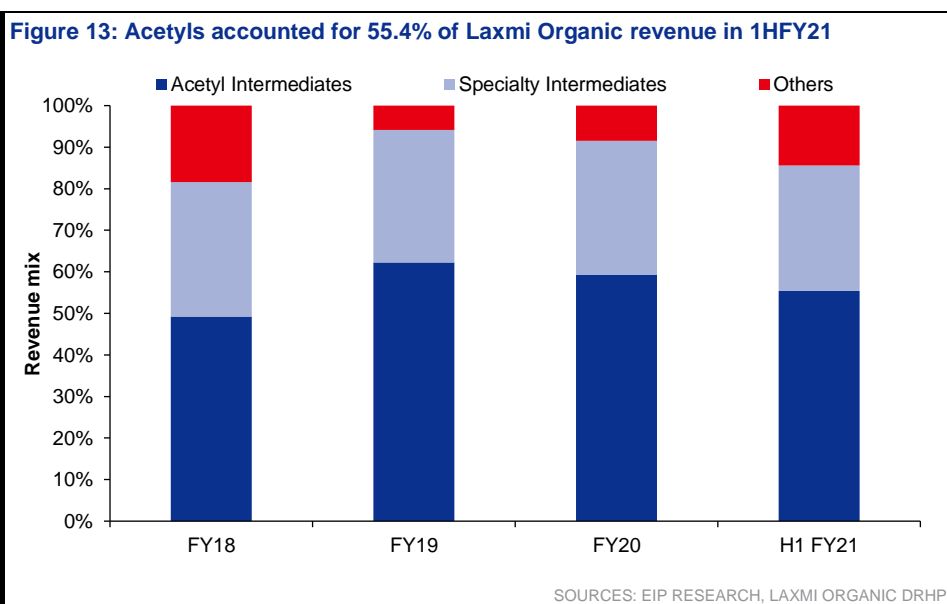
NFIL IS NAVIN FLUORINE INTERNATIONAL, GFL IS GUJARAT FLUOROCEMICALS  
SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

## Valuations pencil in leap of faith

Laxmi Organic primarily manufactures acetyls, ketenes and diketenes. 55% of its revenue came from acetyls, 30% from ketenes/ diketenes and the rest from traded goods in FY20. Given Laxmi Organic’s capacity utilisation (more than 85%) and future growth plan, acetyls (primarily ethyl acetate) will remain the main revenue driver. The company is building capacity in fluorochemicals – a competitive field with many established players. At best, this business can provide an option value. Rising acetic acid prices are headwinds for the acetyl business. We believe the ketene and diketene businesses are attractive but cannot drive much growth. Headwinds to margins will likely become apparent from 1QFY22F. We initiate coverage on Laxmi Organic with a Reduce rating.

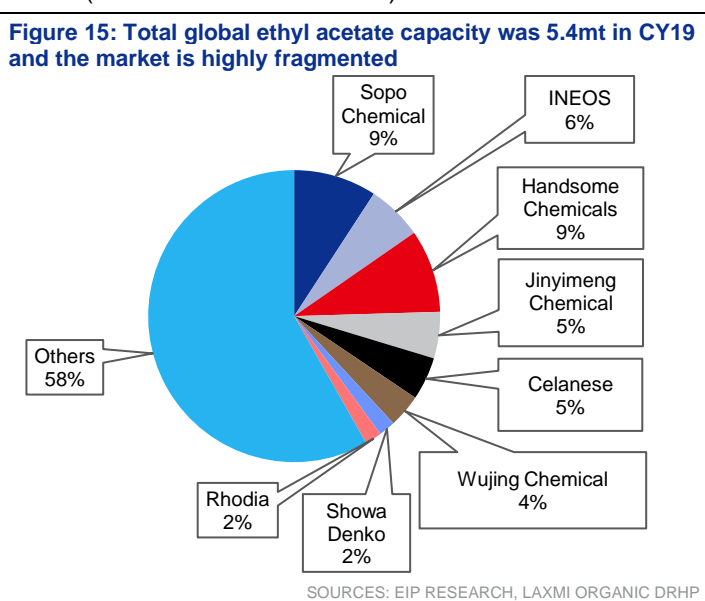
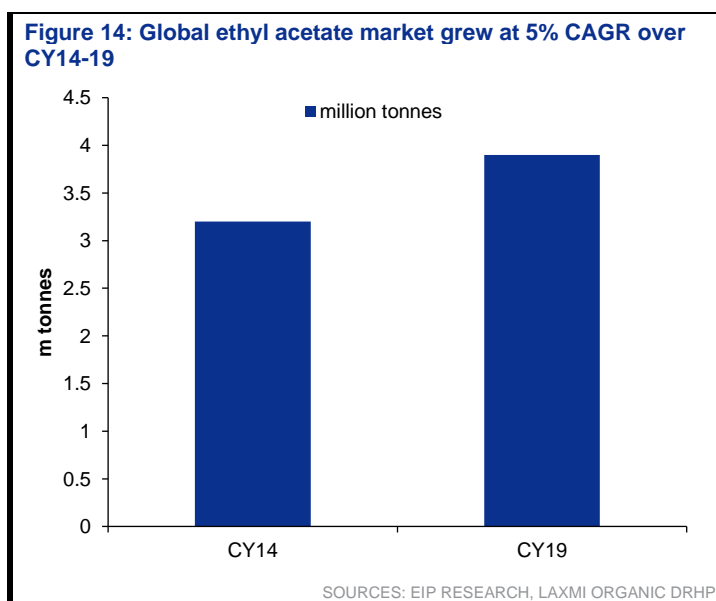
### Business analysis: Acetyls

#### Acetyls form the bulk of Laxmi Organic’s business ➤



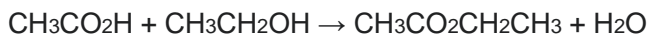
#### Ethyl acetate is a major acetyl molecule ➤

Against the global capacity of 5.4m tonnes in CY19 (Source: DRHP), global ethyl acetate demand was 3.9mt (5% CAGR over CY14-19).



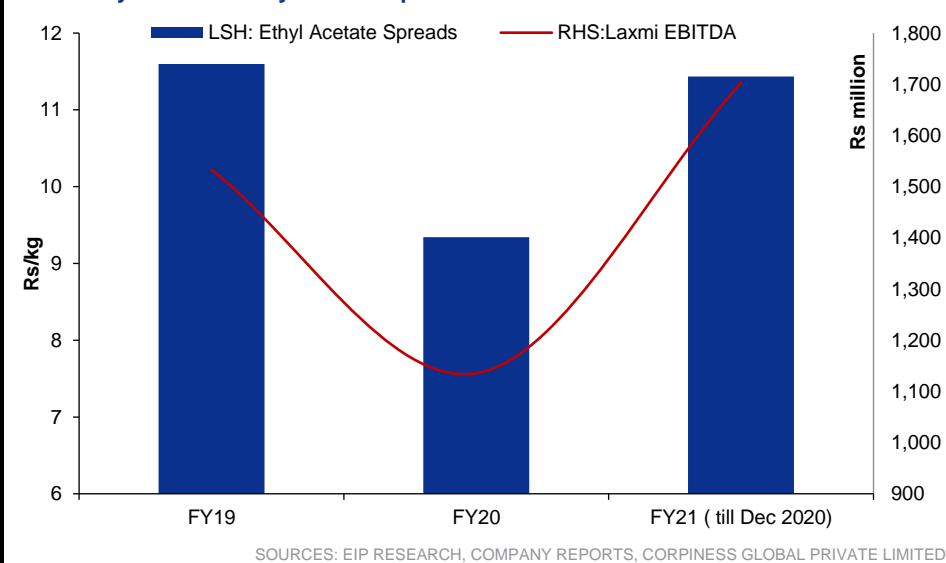
### Commodity ethyl acetate manufacturers typically survive on spreads over input materials ➤

Ethyl acetate is synthesised in industry mainly via the classic Fischer esterification reaction of ethanol and acetic acid. This mixture converts to about 65% yield of ester at room temperature:



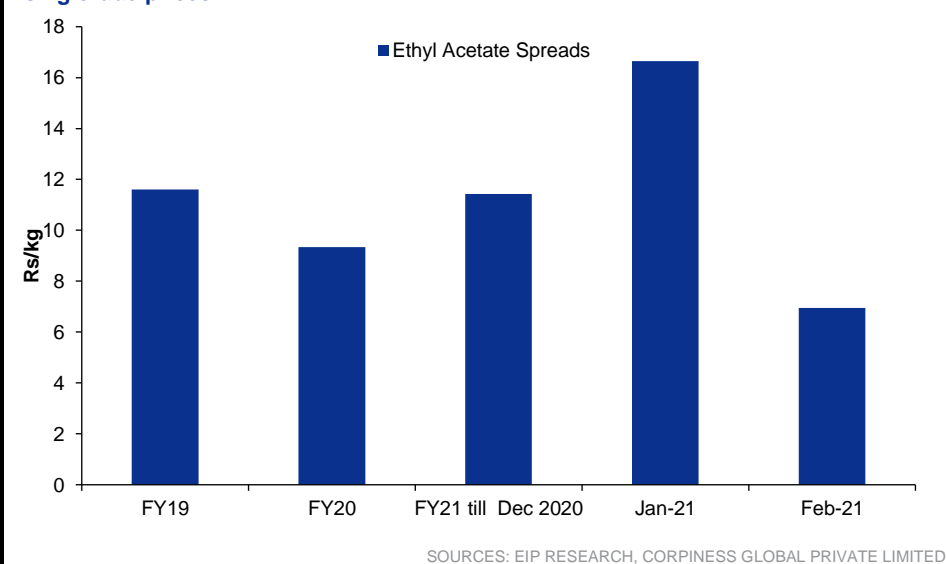
All manufacturers buy acetic acid and ethanol to manufacture ethyl acetate. Hence, their operational profits depend on the spread of ethyl acetate over ethanol and acetic acid.

**Figure 16: Like other ethyl acetate manufacturers Laxmi Organic's operational profits are directly related to ethyl acetate spreads over ethanol and acetic acid**



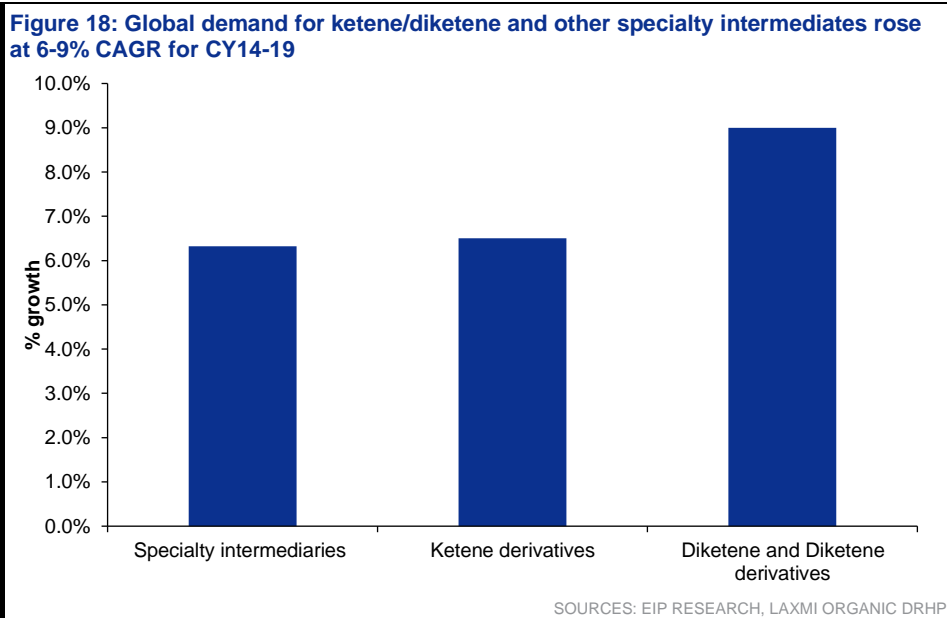
### Rising acetic acid prices are lowering ethyl acetate spreads ➤

**Figure 17: Ethyl acetate spreads fell due to higher acetic acid prices as a result of rising crude prices**



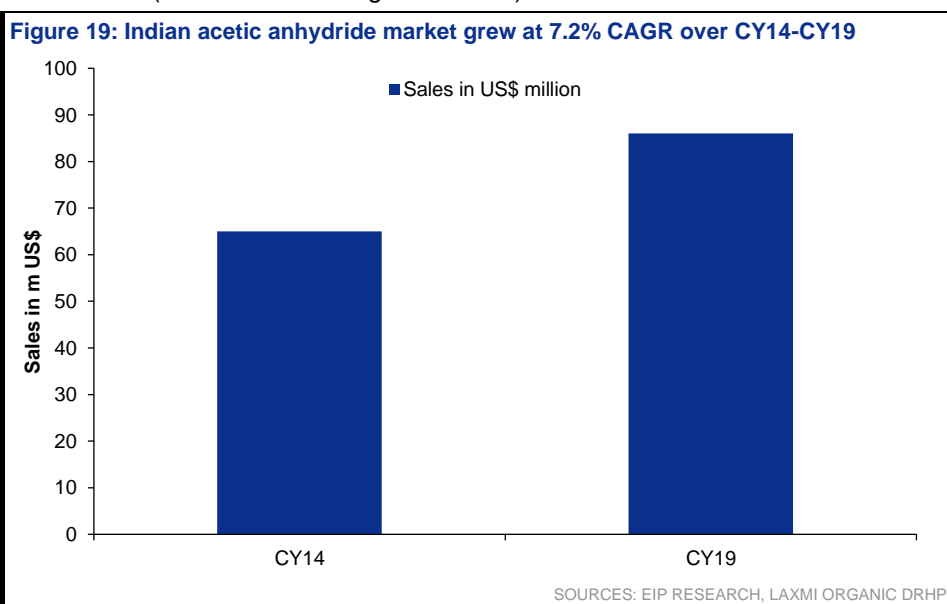
## Business analysis: Ketene/diketene and specialty intermediates

**Global demand for ketene/diketene and specialty intermediates rose by 6-9% CAGR for CY14-19 ▶**

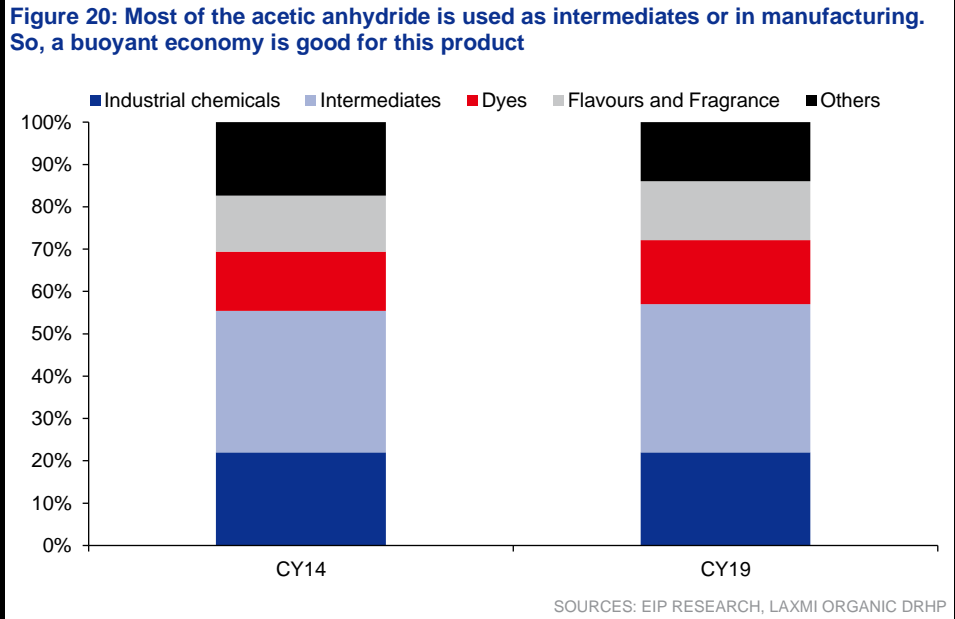


### Acetic anhydride is one of the principal ketene derivatives ▶

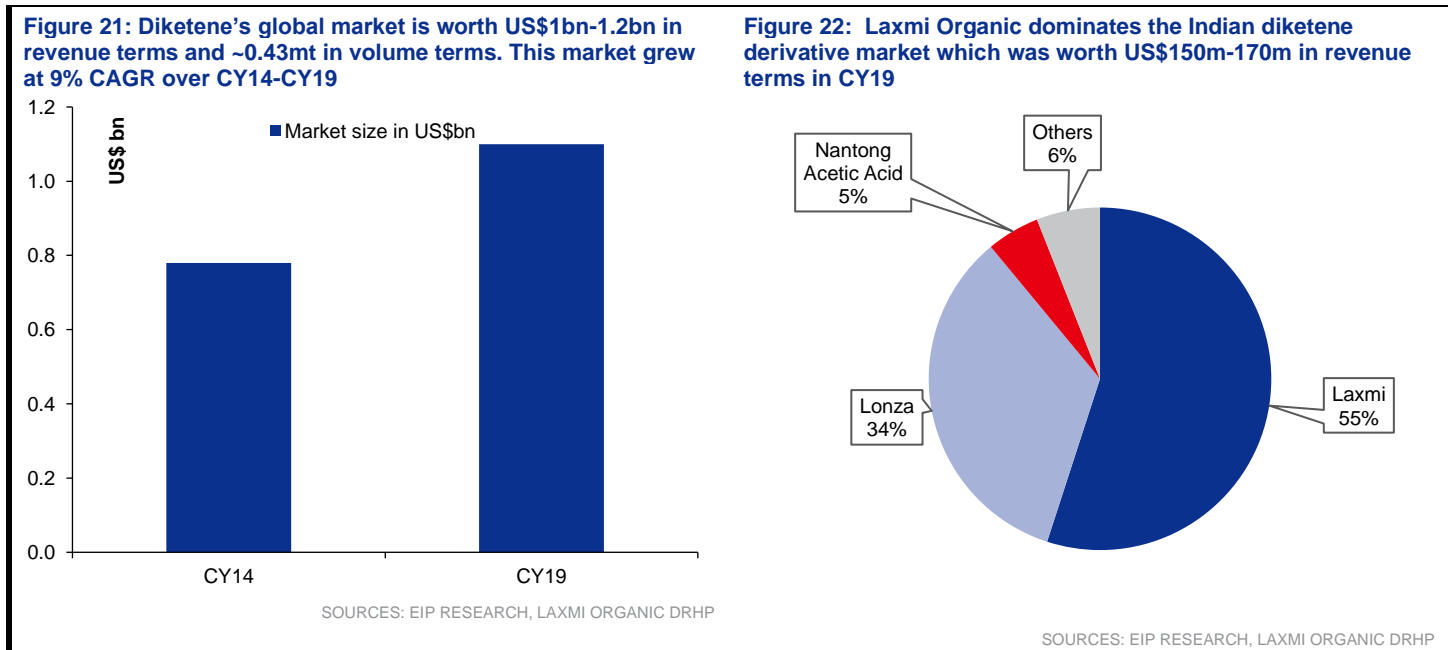
The global acetic anhydride market reached a volume of 2.5m-2.8mt and a value of US\$2.5bn-3bn in 2019 (Source: DRHP). Major global producers of acetic anhydride include Jubilant Life Sciences, Celanese Corporation, DuPont, Sasol Ltd and SABIC, among others. The Indian acetic anhydride market was worth US\$86m in CY19 and the growth rate in value terms for the last five years was 7.2% CAGR (Source: Laxmi Organic DRHP).



**In India acetic anhydride is used primarily as an intermediate chemical**

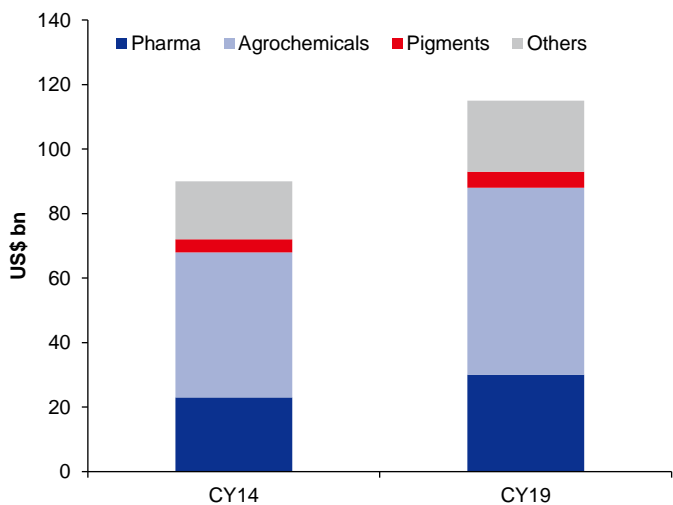


**Global diketene and diketene derivative market is quite small at US\$1.1bn**



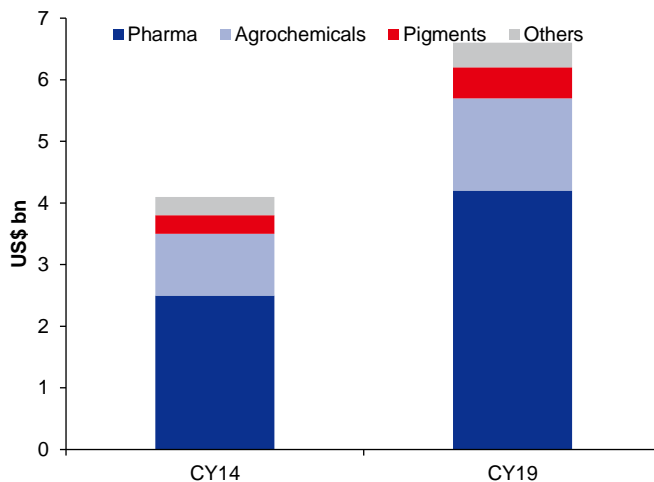
**Global specialty intermediates derivative market is US\$115bn and Indian market is US\$6.6bn in revenue terms >**

**Figure 23: Globally diketene derivatives have been used primarily as intermediaries in agrochemicals**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

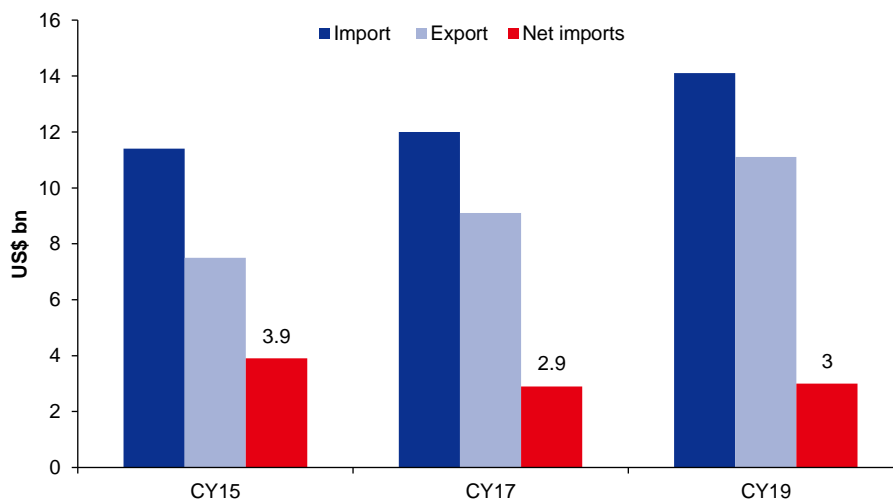
**Figure 24: India's specialty intermediates market size in value terms was US\$6.6bn in CY19. Specialty intermediates are primarily used in pharma molecules**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**India is still a net importer of specialty intermediates, hence Laxmi Organic could grow in the domestic market >**

**Figure 25: Despite falling over the years, net imports of specialty intermediates in India are at US\$3bn, providing Laxmi Organic enough room to grow**



SOURCES: EIP RESEARCH, COMPANY REPORTS

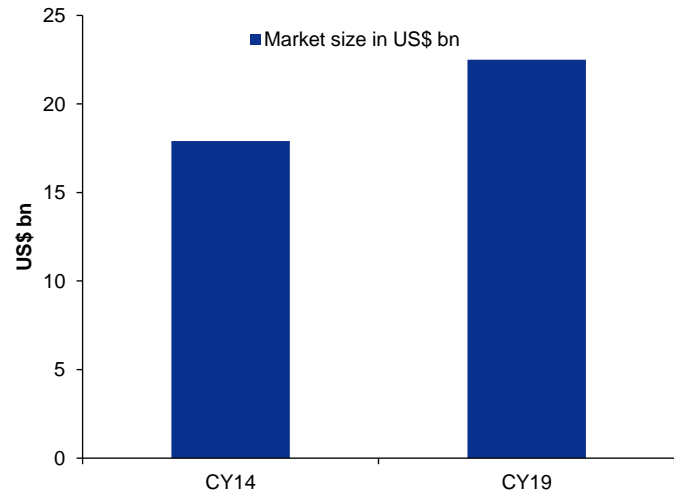
**Business analysis: Fluorochemicals an option value, at best**

Laxmi Organic is venturing into fluorochemicals, which remains an option value for the company as of now, in our view. According to Laxmi Organic's DRHP, the plant will be commissioned in 4QFY22. We do not expect any significant revenue addition till FY24F.



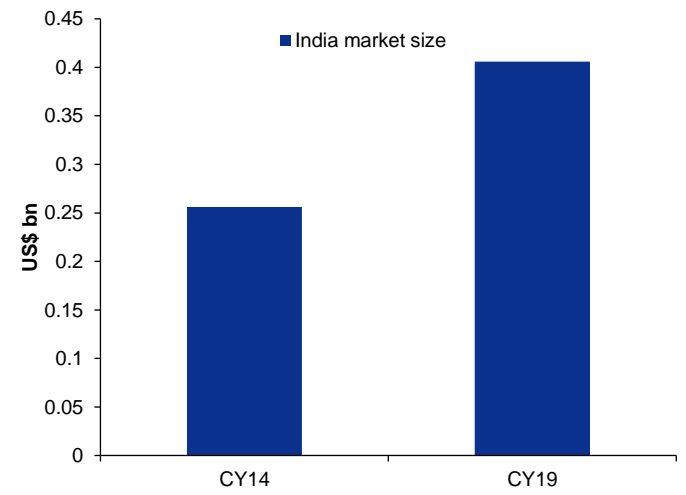
**Fluorochemicals is an attractive market globally and in India ➤**

**Figure 26: In CY19 the global fluorochemicals market was US\$22.5bn in value terms. Market size grew at 5.9% CAGR over CY14-19**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

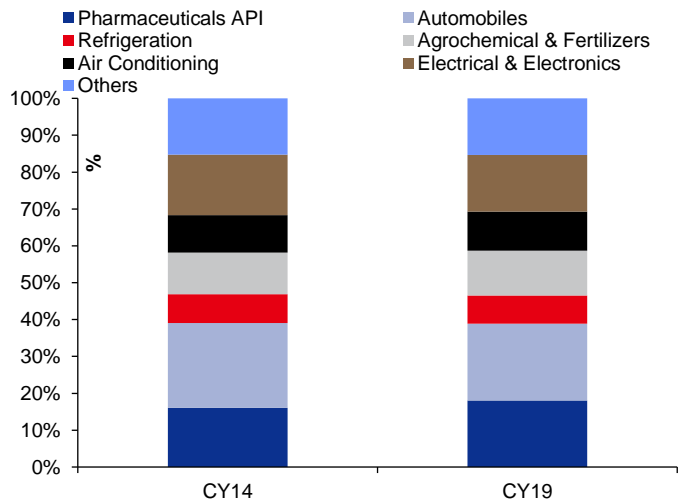
**Figure 27: Indian market size in value terms at US\$0.40bn was much smaller in CY19, but it was 12.3% CAGR over CY14-19**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

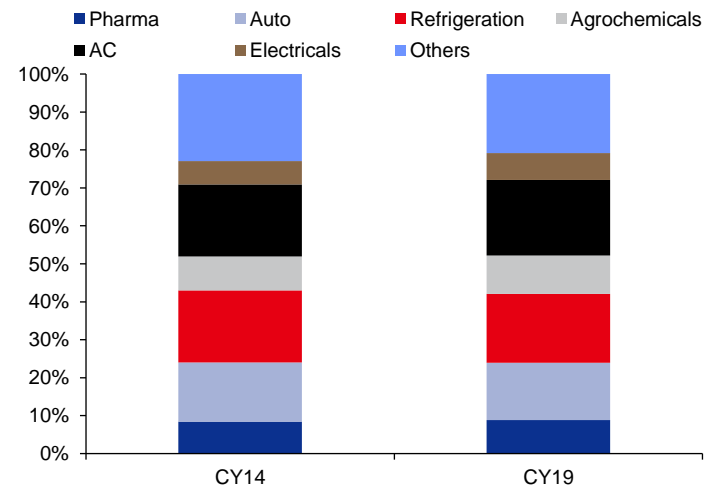
**Globally and in India, pharma, automobiles and refrigeration mainly use fluorochemicals ➤**

**Figure 28: Pharma and automobiles accounted for most of India's fluorochemicals usage in CY19 (US\$406m in value terms)**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

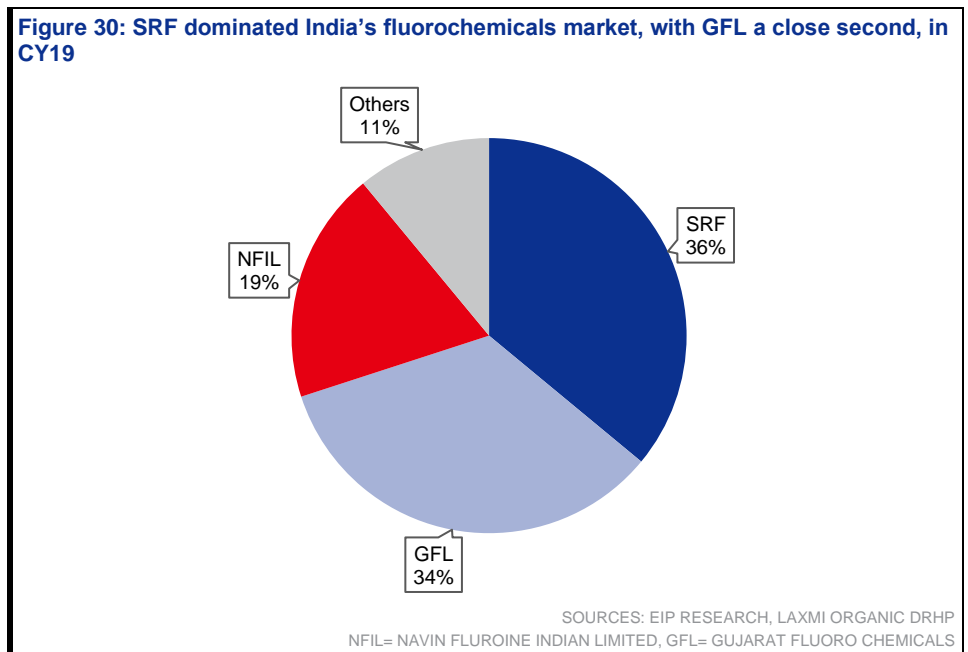
**Figure 29: Pharma, auto and refrigeration dominated global fluorochemicals usage in CY19**



SOURCES: EIP RESEARCH, LAXMI ORGANIC DRHP

**Indian market is competitive and has established players like SRF ➤**

**Figure 30: SRF dominated India’s fluorochemicals market, with GFL a close second, in CY19**



**Fluorochemicals business has high entry barriers ➤**

Through its acquisition of Miteni (Not Rated), Laxmi Organic acquired the technical knowhow to make fluorochemicals. However, fluorochemicals are mostly intermediaries and to be successful:

- One needs to develop a close understanding of customer production processes and then position its products.
- Most customers should have established supply chains and a new entry (if at all) will be on a trial basis. One can become a trusted supplier over multiple quarters of successful deliveries.
- The Indian market is highly competitive with the presence of SRF (Add, TP Rs6,227, CMP Rs5,278) , Navin Fluorine (Hold, Rs2,599, CMP Rs2,441) and Gujarat Fluorochemicals (Not Rated, FLUOROCH IN, CMP Rs580).

**Fluorochemicals could contribute to revenue from 2HFY23F ➤**

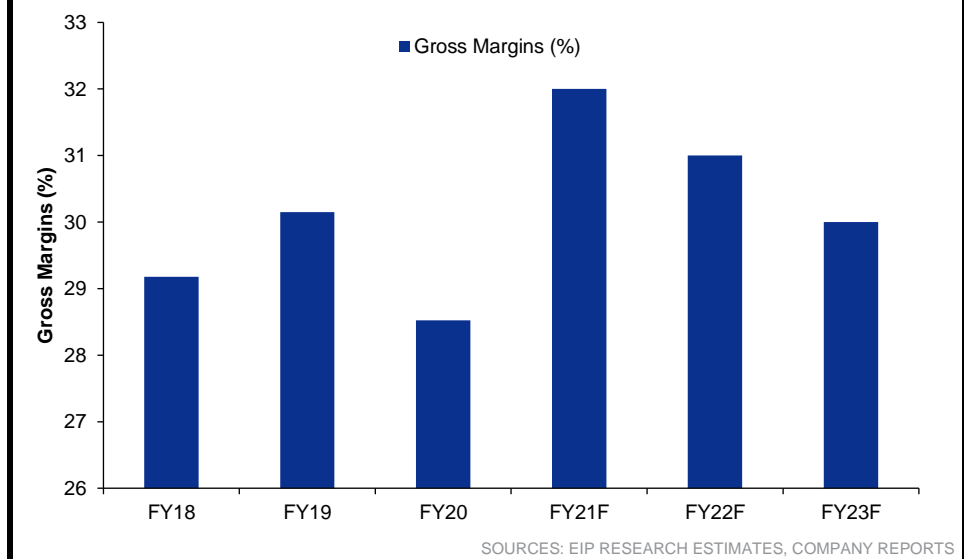
Laxmi Organic’s fluorochemicals plant will be commissioned by 4QFY22 (Source: DRHP). We expect any material contribution to come only from 2HFY23F.

## Earnings and valuation

We forecast revenue CAGR of 11% and PAT CAGR of 14% over FY21F-23F. We expect EPS growth to decline after significant growth in FY19-21F, during which time we expect EPS to have grown at 23.4% CAGR and revenue at 3.7% CAGR. Going forward, we believe revenue growth will be determined by acetyl and SI volume growth. Laxmi Organic has spare capacities of 47kt in acetyl and 31k in SI (as on FY21F). While investors expect Laxmi Organic to dominate SI, we believe acetyls (specifically ethyl acetate) will drive growth in the near to medium term.

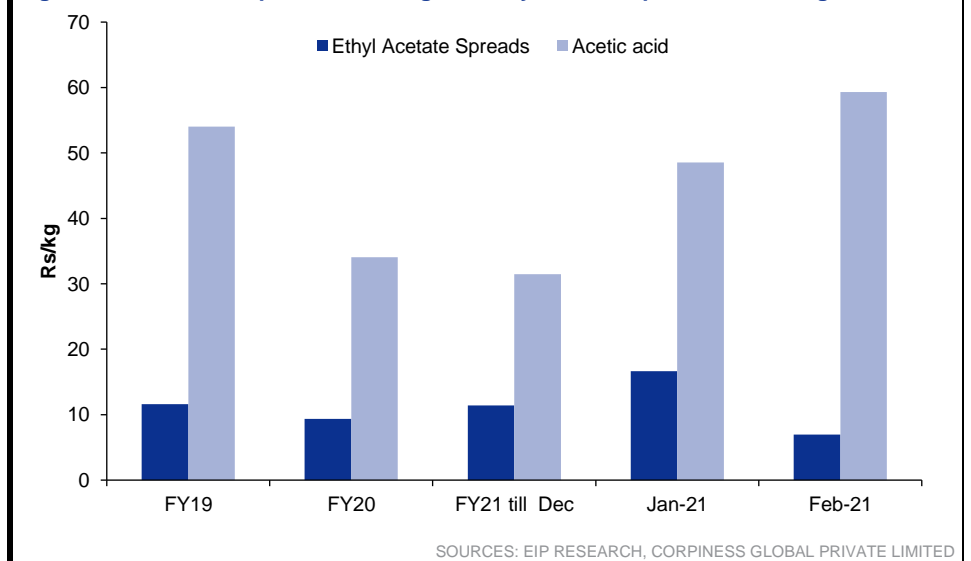
### GMs likely to fall in FY22F, may remain depressed in FY23F ➤

**Figure 31: We expect gross margins of 32% in FY21F to fall to 31% in FY22F & 30% in FY23F**



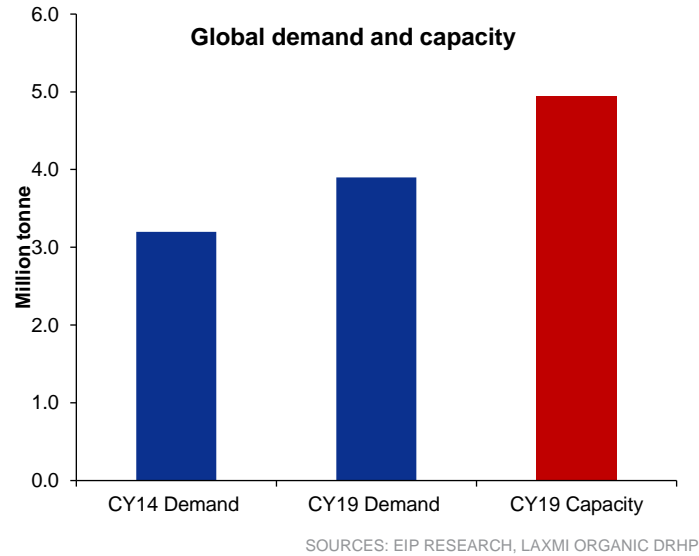
### Rise in acetic acid prices (in line with crude prices) will be negative for ethyl acetate spreads and, hence, gross margins ➤

**Figure 32: Acetic acid prices are rising and ethyl acetate spreads are falling**

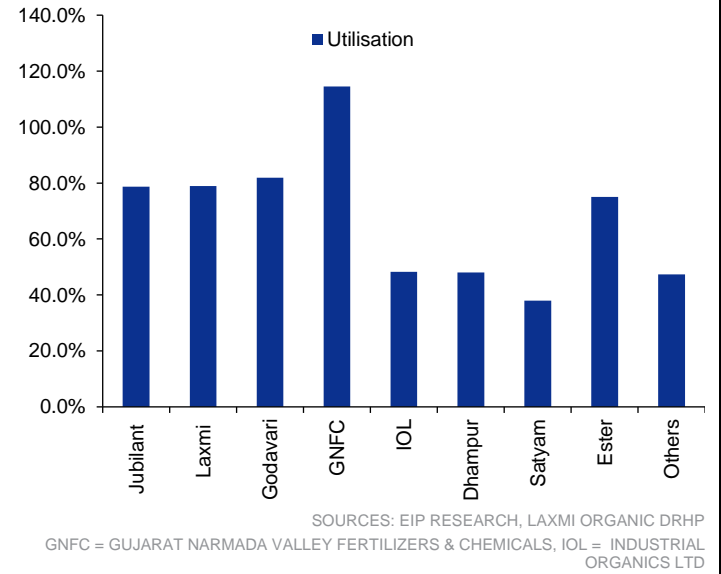


**Like any ethyl acetate producer Laxmi Organic has no pricing power in an oversupplied market ➤**

**Figure 33: Ethyl acetate is oversupplied in the global market**

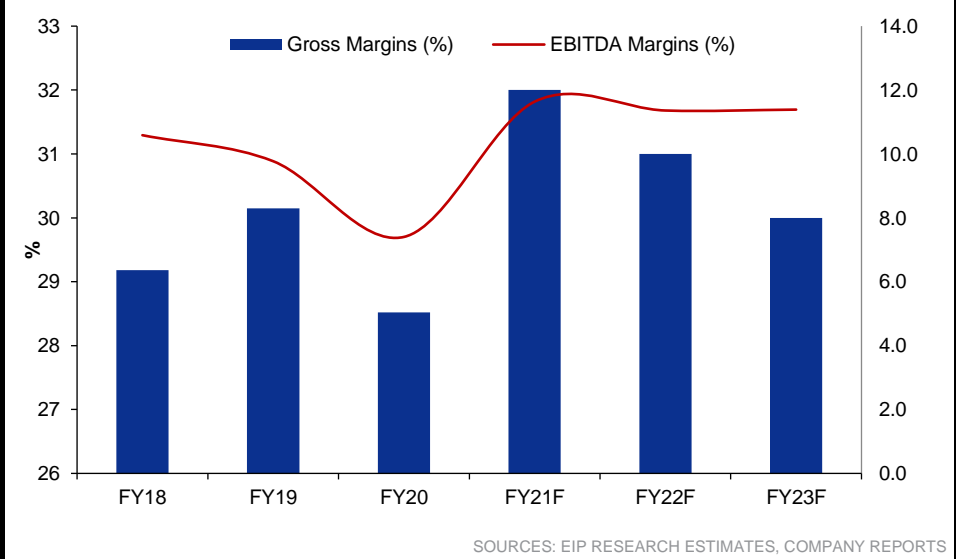


**Figure 34: Low capacity utilisation among Indian manufacturers indicates the Indian market is oversupplied**

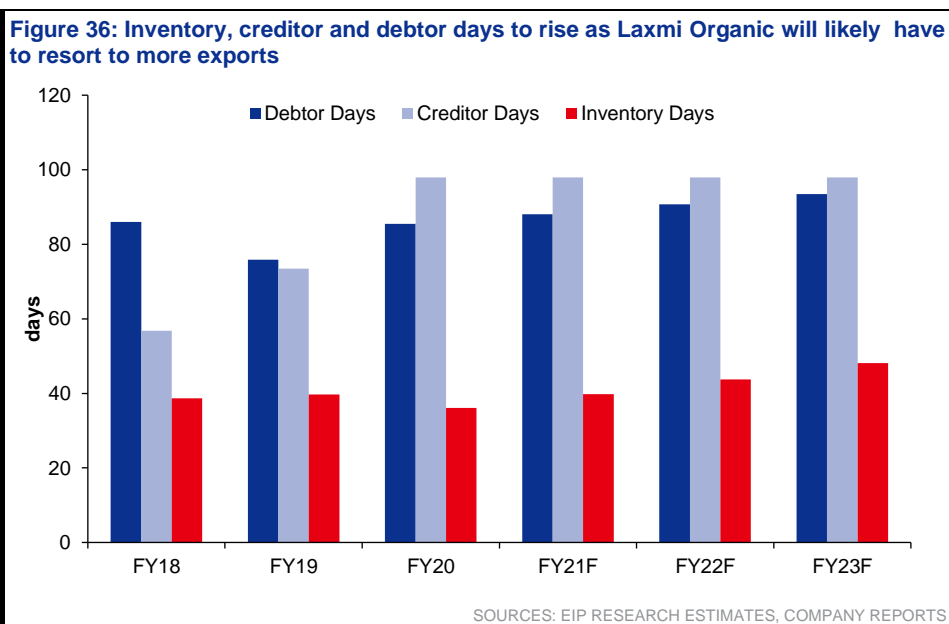


**Fall in gross margins will likely lead to fall in EBITDA margins ➤**

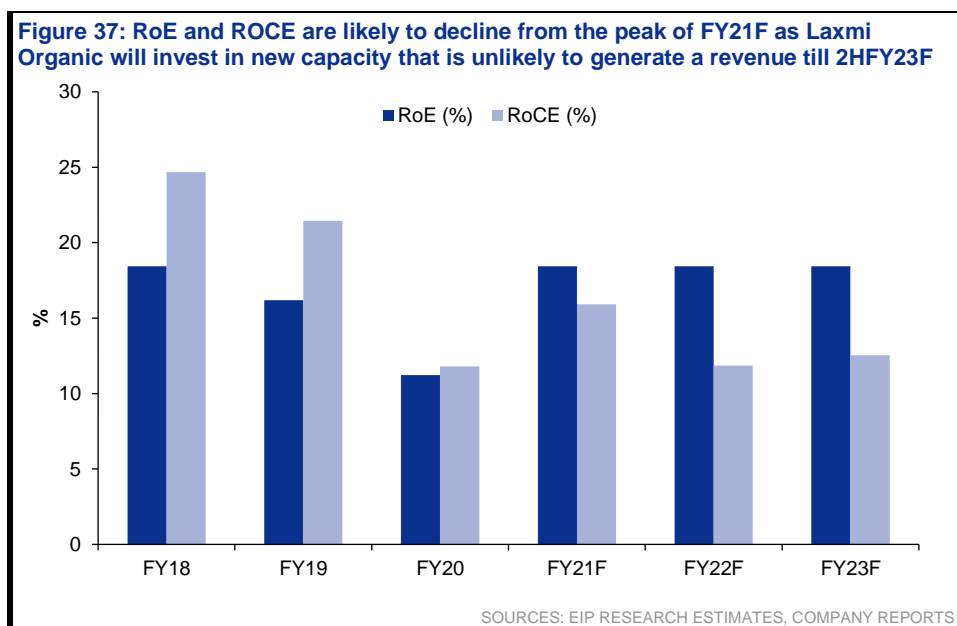
**Figure 35: EBITDA margins to decline from 11.6% in FY21F to 11.4% in FY23F**



### Inventories likely to rise in FY21F-FY23F ➤



### RoE and RoCE to remain subpar ➤



### With asset utilisation high, low profitability will likely result in subpar RoE ➤

**Figure 38: Asset turnover likely to remain high, but lower profitability will lead to lower RoE**

DuPont Analysis	FY18	FY19	FY20	FY21F	FY22F	FY23F
Profitability (%)	5.08	4.65	3.12	6.58	6.80	6.94
Asset turnover (x)	1.54	1.55	1.43	0.92	0.97	0.98
Financial leverage (x)	2.36	2.26	2.51	1.61	1.52	1.51
ROE (%)	18.4	16.2	11.2	9.8	10.0	10.3

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

## Prefer P/E (to DCF & EV/EBITDA) to value Laxmi Organic ➤

We value Laxmi Organic on a P/E basis as we consider it a more appropriate valuation method for chemical companies over DCF or EV/EBITDA. In our view, DCF is not a suitable valuation method for Laxmi Organic as the earnings of chemical companies are highly cyclical and forecasting longer-term earnings is difficult. Also, we think a balance sheet-based valuation is inappropriate as short-term debt may rise because of inventory cycles, distorting the balance sheet for a short period (in many cases, for only one quarter).

## We value stock at 20x FY23F EPS. Initiate with Reduce rating ➤

**Figure 39: Target price valuation**

FY22F EPS (Rs)	4.8
FY23F EPS (Rs)	5.5
One-year forward P/E (x)	20
Target price (Rs)	110

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

We value Laxmi Organic at 20x FY23F EPS, which is at a 40% discount to PI Industries (Add, TP Rs2,505, CMP Rs2,266) and SRF (Add, TP Rs6,227, CMP Rs2,287).

- We forecast revenue CAGR of 11% and PAT CAGR of 14% over FY21F-23F. Going forward we expect revenue growth to be determined by volume growth in the acetyl and SI businesses. While investors believe Laxmi Organic will lead in the SI vertical, we believe acetyls (specifically ethyl acetate) will lead in the near to medium term. As acetyls are oversupplied commodity-grade products, we expect Laxmi Organic's EBITDA margins to remain volatile – which do not justify similar multiples as PI Industries or SRF.
- Laxmi Organic is foraying into fluorochemicals after acquiring technology from Miteni. We have no way to judge future ramp-up and client acceptance of fluorochemicals products. All we know is that this field is highly competitive and has many entry barriers. While Laxmi Organic could succeed in this segment, we are not confident of its current prospects.
- While we have built in only 1% gross margin decline in FY22F, acetic acid prices are rising and could pose downside risk to our EPS estimates. Hence, we assign a lower multiple on FY23F EPS which could have significant downside risk. We initiate coverage with a Reduce rating and a TP of Rs110.
- Laxmi Organic's RoEs are much lower than those of PI Industries, UPL and SRF. Once the dust settles after the "IPO gains" (share price rise on IPO opening day) the stock will settle to much lower P/E multiples, in our view.

## Peer comparison

**Figure 40: Peer comparison**

Company	Bloomberg Ticker	Closing Price (LC)	Target Price* (LC)	% Upside	Rating	Market cap (US\$ m)	EV/EBITDA (x)		P/BV (x)		RoE (%)		P/E (x)	
							CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F
UPL Ltd	UPLL IN	621	578	-7%	HOLD	6,535	9.3	8.4	2	1.7	14.4	13.9	18.3	15.1
Rallis India Ltd	RALI IN	269	355	32%	ADD	720	13.3	12	3.3	2.9	16.5	15.7	21.4	19.8
SRF Limited	SRF IN	5,348	6,227	16%	ADD	4,365	18.9	16.3	4.9	4.2	18.8	17.6	29.8	25.8
PI Industries Limited	PI IN	2,316	2,505	8%	ADD	4,841	30.6	23.2	6.2	5.7	17.9	15.6	45.2	38
Vinati Organics Ltd	VO IN	1,419	1,603	13%	ADD	2,009	40.9	29.7	10	8.4	20.1	23.3	53.2	39
Dhanuka Agritech	DAGRI IN	701	689	-2%	REDUCE	450	13	11.9	4.2	3.5	26.3	22.7	17.1	16.8
Heranba Industries Ltd	HERANBA IN	637	457	-28%	REDUCE	351	17.5	17.8	6	4.9	34.5	24.9	24.2	25.4
Anupam Rasayan India Ltd	ANURAS IN	542	379	-30%	REDUCE	745	44.1	40.8	3.8	3.4	3.7	6.7	136.8	53.4
Laxmi Organic Ltd	LXCHEM IN	184	110	-40%	REDUCE	671	15.9	16.5	3.6	3.2	12.3	10.5	38.6	32.3
Aarti Industries	ARTO IN	1,368	1,087	-21%	REDUCE	3,282	23.2	21.7	6.2	5	16.1	13.1	34.6	22
Navin Fluorine International Ltd	NFIL IN	2,501	2,599	4%	HOLD	1,706	41.7	33.5	7.9	7.1	12.8	15.4	54	48.6
Bayer	BAYN GR	53	NR	NR	NR	61,977	7.7	7.1	1.2	1.1	7.7	7.7	9.1	8.3
BASF	BAS GR	69	NR	NR	NR	74,826	8.6	8.4	1.5	1.5	2.8	2.8	16.5	15.5
Corteva	CTVA US	46	NR	NR	NR	34,088	13	11.5	1.4	1.3	3.4	3.4	25	21

NR COMPANY ESTIMATES ARE FROM BLOOMBERG CONSENSUS  
SOURCES: EIP RESEARCH, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 25 MAR 2021

## Risks

- The risk to our estimates and TP primarily emanates from the fluorochemicals business. In our view, a leader like SRF took a decade to get this business right. In our view, a leader like SRF took a decade to get this business right. If Laxmi Organic is able to meet market challenges successfully, it could trade at higher multiples.
- A rapid fall in crude prices will lead to a fall in acetic acid prices. Eventually this will lead to a fall in ethyl acetate prices as well. However, in the mid term the company could make higher EBITDA margins for a quarter or so. Higher EBITDA margins could lead to higher EPS estimates and, hence, higher stock prices.
- We expect 10-12% volume growth for the company over FY21-23F. However, a global tailwind on the demand side could lead to higher volume growth and, hence, EPS.
- Ethanol is another key raw material for Laxmi Organic. A fall in its prices will be positive for EPS and stock price, in our view.

## SWOT Analysis

<b>Figure 41: Laxmi Organic</b>	
<b>Strengths</b>	<b>Weaknesses</b>
Proven chemistry skills in acetyls, ketene and diketene.	Acetyls, which form a major part of revenue, are oversupplied. Hence, the company has no pricing power.
<b>Opportunities</b>	<b>Threats</b>
Venturing into the manufacture of fluorochemicals is an opportunity.	Rising crude prices are a risk for the company's EPS.

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

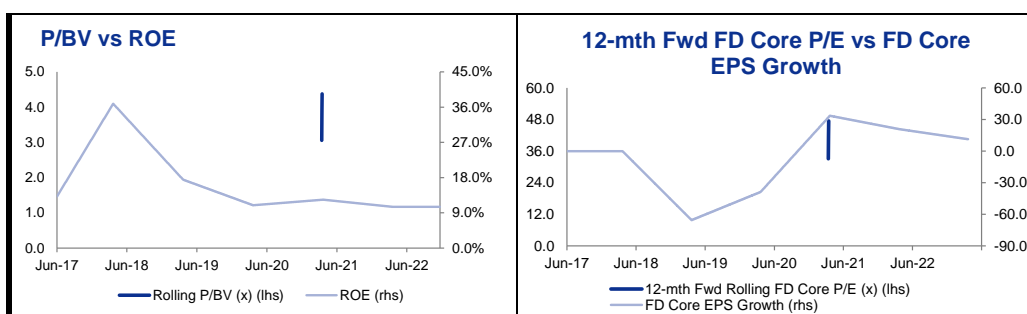
## Annexure

Laxmi Organic was set up nearly three decades ago to manufacture alcohol-based chemicals. In its early days, it focused mainly on producing bulk chemicals. Subsequently, Laxmi progressed up the value chain and started producing ethanol downstream and manufacturing solvents in India. In the past decade, it expanded its capabilities to specialty intermediates. Diketene's addition into the product portfolio solidified its position as a leading manufacturer of fine and specialty chemicals in India.

<b>Figure 42: Key management profiles</b>	
Satej Nabar, ED and CEO Laxmi Organic	Satej Nabar has been associated with Laxmi Organic Industries Limited since Apr 2020. He holds a Bachelor of Mechanical Engineering and a Master of Plastic Engineering from the University of Bombay and is a chartered engineer registered with the Institution of Engineers (India). During his stint of nearly three decades with a global chemicals major and Indian companies, Mr Nabar has held many positions of responsibility across geographies in the polymers, petrochemicals, and specialty chemicals industries. He has handled numerous functions, including sales and marketing, business development, technical services, corporate strategy, innovation, projects and manufacturing.
Partha Roy Choudhary, CFO Laxmi Organic	Partha Roy Chowdhury is the Chief Financial Officer of the company. He joined Laxmi Organic Industries in Jan 2016. He is an associate member of the Institute of Chartered Accountants of India. He has more than 31 years of experience in building and leading businesses through complex operational issues, financial restructuring, international expansion and capital market transactions. He has been associated previously with Navin Fluorine International Limited, Arvind Mafatal Group, ESAB India Limited and Indian Oxygen Limited.

SOURCE: COMPANY WEBSITE

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
<b>Total Net Revenues</b>	<b>15,685</b>	<b>15,341</b>	<b>16,875</b>	<b>18,563</b>	<b>20,790</b>
<b>Gross Profit</b>	<b>4,729</b>	<b>4,376</b>	<b>5,400</b>	<b>5,754</b>	<b>6,237</b>
<b>Operating EBITDA</b>	<b>1,533</b>	<b>1,135</b>	<b>1,964</b>	<b>2,109</b>	<b>2,368</b>
Depreciation And Amortisation	(441)	(489)	(531)	(593)	(647)
<b>Operating EBIT</b>	<b>1,092</b>	<b>647</b>	<b>1,433</b>	<b>1,516</b>	<b>1,720</b>
Financial Income/(Expense)	(170)	(140)	(140)	(20)	(20)
Pretax Income/(Loss) from Assoc.	(5)				
Non-Operating Income/(Expense)	58	45	45	188	186
<b>Profit Before Tax (pre-EI)</b>	<b>976</b>	<b>551</b>	<b>1,338</b>	<b>1,683</b>	<b>1,887</b>
Exceptional Items		257			
<b>Pre-tax Profit</b>	<b>976</b>	<b>808</b>	<b>1,338</b>	<b>1,683</b>	<b>1,887</b>
Taxation	(252)	(106)	(373)	(424)	(484)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>724</b>	<b>702</b>	<b>965</b>	<b>1,259</b>	<b>1,402</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>724</b>	<b>702</b>	<b>965</b>	<b>1,259</b>	<b>1,402</b>
Recurring Net Profit	724	479	965	1,259	1,402
<b>Fully Diluted Recurring Net Profit</b>	<b>724</b>	<b>479</b>	<b>965</b>	<b>1,259</b>	<b>1,402</b>

### Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
<b>EBITDA</b>	<b>1,533</b>	<b>1,135</b>	<b>1,964</b>	<b>2,109</b>	<b>2,368</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	567	1,006	(385)	(475)	(627)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense		(55)	(45)	(188)	(186)
Other Operating Cashflow	223	169	328	206	242
Net Interest (Paid)/Received	(170)	(140)	(140)	(20)	(20)
Tax Paid	(276)	(155)	(373)	(424)	(484)
<b>Cashflow From Operations</b>	<b>1,877</b>	<b>1,960</b>	<b>1,348</b>	<b>1,209</b>	<b>1,292</b>
Capex	(975)	(771)	(400)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	2	2			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(252)	211	45	188	186
<b>Cash Flow From Investing</b>	<b>(1,225)</b>	<b>(558)</b>	<b>(355)</b>	<b>(1,312)</b>	<b>(1,314)</b>
Debt Raised/(repaid)	(423)	(171)		(902)	
Proceeds From Issue Of Shares	1	(821)	5,980		
Shares Repurchased					
Dividends Paid	(18)	(21)			
Preferred Dividends					
Other Financing Cashflow	(188)	(224)	140	20	20
<b>Cash Flow From Financing</b>	<b>(627)</b>	<b>(1,238)</b>	<b>6,120</b>	<b>(882)</b>	<b>20</b>
Total Cash Generated	24	165	7,113	(985)	(2)
<b>Free Cashflow To Equity</b>	<b>228</b>	<b>1,231</b>	<b>993</b>	<b>(1,005)</b>	<b>(22)</b>
<b>Free Cashflow To Firm</b>	<b>821</b>	<b>1,543</b>	<b>1,133</b>	<b>(84)</b>	<b>(2)</b>

SOURCES: EIP RESEARCH, COMPANY REPORTS



## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Total Cash And Equivalents	467	447	7,280	6,255	6,213
Total Debtors	3,262	3,594	4,072	4,613	5,322
Inventories	1,707	1,519	1,838	2,224	2,740
Total Other Current Assets	812	910	910	910	910
<b>Total Current Assets</b>	<b>6,249</b>	<b>6,469</b>	<b>14,099</b>	<b>14,002</b>	<b>15,184</b>
Fixed Assets	3,631	3,938	3,807	4,714	5,567
Total Investments					
Intangible Assets	141	114	114	114	114
Total Other Non-Current Assets	125	186	186	186	186
<b>Total Non-current Assets</b>	<b>3,896</b>	<b>4,237</b>	<b>4,106</b>	<b>5,014</b>	<b>5,867</b>
Short-term Debt	667	336	336	336	336
Current Portion of Long-Term Debt					
Total Creditors	3,156	4,116	4,528	4,981	5,578
Other Current Liabilities	775	834	834	834	834
<b>Total Current Liabilities</b>	<b>4,597</b>	<b>5,287</b>	<b>5,699</b>	<b>6,152</b>	<b>6,749</b>
Total Long-term Debt	746	902	902		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	107	84	84	84	84
<b>Total Non-current Liabilities</b>	<b>854</b>	<b>985</b>	<b>985</b>	<b>84</b>	<b>84</b>
Total Provisions	193	161	161	161	161
<b>Total Liabilities</b>	<b>5,643</b>	<b>6,433</b>	<b>6,845</b>	<b>6,396</b>	<b>6,994</b>
Shareholders Equity	4,498	4,269	11,357	12,615	14,053
Minority Interests	3	4	4	4	4
<b>Total Equity</b>	<b>4,502</b>	<b>4,273</b>	<b>11,361</b>	<b>12,619</b>	<b>14,057</b>

<b>Key Ratios</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21F</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Revenue Growth	14.0%	(2.2%)	10.0%	10.0%	12.0%
Operating EBITDA Growth	5.3%	(25.9%)	72.9%	7.4%	12.3%
Operating EBITDA Margin	9.8%	7.4%	11.6%	11.4%	11.4%
Net Cash Per Share (Rs)	(3.78)	(3.51)	22.91	22.44	22.29
BVPS (Rs)	17.98	18.97	43.07	47.84	53.29
Gross Interest Cover	6.44	4.61	10.22	75.79	86.02
Effective Tax Rate	25.8%	13.1%	27.9%	25.2%	25.7%
Net Dividend Payout Ratio					
Accounts Receivables Days	75.67	81.55	82.90	85.38	87.21
Inventory Days	52.73	53.70	53.39	57.87	62.24
Accounts Payables Days	88.23	121.02	137.48	135.48	132.41
ROIC (%)	13.6%	9.8%	20.2%	20.4%	18.5%
ROCE (%)	18.3%	11.0%	15.6%	11.7%	12.5%
Return On Average Assets	8.9%	5.4%	7.4%	6.8%	7.1%

SOURCES: EIP RESEARCH, COMPANY REPORTS

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## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

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1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

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#### Stock Ratings

Definition:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	The stock's total return is expected to fall below 0% or more over the next 12 months.

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#### Sector Ratings

Definition:

<b>Overweight</b>	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
<b>Neutral</b>	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
<b>Underweight</b>	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

<b>Overweight</b>	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
<b>Neutral</b>	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
<b>Underweight</b>	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.