

# Krsnaa Diagnostics | BUY

## Growth levers intact; 2H to further improve

Krsnaa Diagnostics' 2Q earnings were almost in-line with estimates. Non-Covid revenues grew 19%YoY/ 9%QoQ while margins were below estimates due to new centre costs and sluggish volumes at existing centres. This is expected to improve in 2H and ramp-up faster in FY24 as these new centres mature. Covid revenues were negligible this quarter at INR 3 mn. Most of the RHP tenders (including Punjab) have been operationalized by Sep'22 despite unforeseen delays. We believe that performance will consistently improve QoQ as Punjab centres further scale up (2Q contribution INR 100mn). Additionally, new tender wins in CY22 should also see commencement by FY23-24. Krsnaa's B2C foray includes rolling out 600 collection centres in Phase 1 using a franchise model. Krsnaa will bid for the Rajasthan tender (potential of INR 2bn p.a.) and the outcome is expected by year-end. The management may recalibrate their FY24 outlook given the delay in project implementation. Cautiously, we have moderated our earnings by 9-10% to factor-in this gradual execution. However, we continue to remain positive given the comfort on valuations (trades at 15x/13x FY24/FY25 earnings), our relatively conservative high-growth estimates (vs. management guidance) and huge potential upside from (1) B2C foray; and (2) Rajasthan tender win not factored in JMFe or street estimates. We reiterate BUY with a Sep'23 Price Target of INR 840.

- Revenues in line; performance to only improve sequentially:** Krsnaa reported growth in Non-Covid revenues of 19%YoY/ 9%QoQ with negligible Covid contribution. Punjab tenders contributed INR 100mn in 2Q which will continue to ramp-up. Himachal pathology labs are expected to be operationalized by FY23-end which should also support growth and aid operating leverage. ARPP (ex-tele-reporting) remain flat QoQ at 966 while ARPP for tele-reporting improved QoQ to 91 (vs. 85). Patient volumes 9%QoQ to 1.14mn and tele-reporting patients increased 8%QoQ to 1.42mn. Radiology tests grew to 0.34mn (vs. 0.23mn YoY; 0.28mn QoQ) while pathology tests increased to 3.65mn (vs. 3.81mn QoQ; 3.05mn YoY). EBITDA margins improved marginally QoQ to 24.9% (24.6% QoQ; JMFe: 25.9%). The miss in EBITDA margin was primarily due to lower gross margin and higher employee costs attributable to new centres that were operationalized. With most RHP centres operationalized along with some contribution from newer tenders, we expect the revenues to reach INR 1.4bn by 4Q thereby improving margin profile as well.
- Tapping the tender business; B2C plans in pipeline:** Krsnaa has already won 5 orders from Maharashtra, Punjab, Himachal Pradesh and Karnataka (RHP contracts) with additional wins from Himachal Pradesh, Chandigarh and Uttar Pradesh in 4QFY22. In 1QFY23, the company won additional 4 contracts in Maharashtra, Rajasthan, Tripura and Delhi. We expect new tender wins to contribute INR 2bn+ to FY25 topline expanding margins with higher operating leverage. As guided earlier, most RHP centres (having INR 1bn+ potential) have been operationalised by Sep'22 and should start ramping up hereon. The tenders won in CY22 will gradually start contributing 4Q onwards (meaningfully in FY24-25). The company also announced their foray into B2C market in a phased manner by launching 600 collection centres under franchise model (100 launched so far).



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### Recommendation and Price Target

|                            |       |
|----------------------------|-------|
| Current Reco.              | BUY   |
| Previous Reco.             | BUY   |
| Current Price Target (12M) | 840   |
| Upside/(Downside)          | 73.9% |
| Previous Price Target      | 885   |
| Change                     | -5.1% |

### Key Data – KRSNAA IN

|                          |                 |
|--------------------------|-----------------|
| Current Market Price     | INR483          |
| Market cap (bn)          | INR15.2/US\$0.2 |
| Free Float               | 73%             |
| Shares in issue (mn)     | 31.4            |
| Diluted share (mn)       | 31.4            |
| 3-mon avg daily val (mn) | INR27.9/US\$0.3 |
| 52-week range            | 800/446         |
| Sensex/Nifty             | 60,614/18,028   |
| INR/US\$                 | 81.8            |

### Price Performance

| %         | 1M   | 6M    | 12M   |
|-----------|------|-------|-------|
| Absolute  | -3.6 | -9.7  | -31.1 |
| Relative* | -7.7 | -19.0 | -31.4 |

\* To the BSE Sensex

| Financial Summary      |       |       |       |       | (INR mn) |
|------------------------|-------|-------|-------|-------|----------|
| Y/E March              | FY21A | FY22A | FY23E | FY24E | FY25E    |
| Net Sales              | 3,965 | 4,555 | 5,078 | 6,702 | 7,729    |
| Sales Growth (%)       | 53.4  | 14.9  | 11.5  | 32.0  | 15.3     |
| EBITDA                 | 938   | 1,315 | 1,386 | 1,903 | 2,257    |
| EBITDA Margin (%)      | 23.7  | 28.9  | 27.3  | 28.4  | 29.2     |
| Adjusted Net Profit    | 315   | 683   | 731   | 1,004 | 1,193    |
| Diluted EPS (INR)      | 12.3  | 21.8  | 23.3  | 32.0  | 38.0     |
| Diluted EPS Growth (%) | 1.2   | 77.5  | 7.0   | 37.4  | 18.8     |
| ROIC (%)               | 41.1  | 18.6  | 11.8  | 13.7  | 14.7     |
| ROE (%)                | 180.8 | 14.9  | 10.1  | 12.4  | 13.0     |
| P/E (x)                | 39.4  | 22.2  | 20.7  | 15.1  | 12.7     |
| P/B (x)                | 2.4   | 2.2   | 2.0   | 1.8   | 1.6      |
| EV/EBITDA (x)          | 16.5  | 9.9   | 9.9   | 7.1   | 5.8      |
| Dividend Yield (%)     | 0.0   | 0.0   | 0.0   | 0.0   | 0.0      |

Source: Company data, JM Financial. Note: Valuations as of 10/Nov/2022

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Key Financials:** Revenue/EBITDA/PAT of INR 1.2bn/306mn/153mn grew 14%/-4%/22% YoY and were -1%/-5%/-2% vs. our expectations. EBITDA margins marginally improved QOQ to 24.9% (vs. 24.6% QoQ) as new centre cost continued to weigh in, albeit expected to correct going forward. The company has a net cash position of INR 2213mn as on 30 Sep'22. Receivable days stood at 87 days (nearly doubled) as collections tend to come in 4Q.

**Exhibit 1. 2Q23 Review**

| Krsnaa - P&L (INR mn)                          | Q2FY22A      | Q2FY23A      | % YoY           | Q2FY23E        | % Delta vs JMFe | Q1FY23A      | % QoQ         | 1H22A        | 1H23A        | % YoY           |
|--|--------------|--------------|-----------------|----------------|-----------------|--------------|---------------|--------------|--------------|-----------------|
| <b>Total Revenue</b>                           | <b>1,083</b> | <b>1,229</b> | <b>13.6%</b>    | <b>1,245.0</b> | <b>-1.3%</b>    | <b>1,129</b> | <b>8.9%</b>   | 2,408        | 2,358        | <b>-2.1%</b>    |
| COGS   | 136          | 173          | 27.6%           | 137.0          | 26.6%           | 120          | 44.8%         | 359          | 293          | -18.4%          |
| Gross Profit                                   | 947          | 1,056        | 11.5%           | 1,108.1        | -4.7%           | 1,009        | 4.7%          | 2,049        | 2,065        | 0.8%            |
| % of revenue                                   | 87%          | 86%          | -155 bps        | 89%            |                 | 89%          | -349 bps      | 85%          | 88%          | 248 bps         |
| Staff Cost                                     | 128          | 183          | 42.9%           | 175.5          | 4.3%            | 161          | 13.7%         | 252          | 344          | 36.5%           |
| Other expenses                                 | 499          | 567          | 13.5%           | 610.1          | -7.1%           | 570          | -0.6%         | 1,062        | 1,137        | 7.0%            |
| <b>EBITDA</b>                                  | <b>319</b>   | <b>306</b>   | <b>-4.1%</b>    | <b>322.5</b>   | <b>-5.0%</b>    | <b>278</b>   | <b>10.2%</b>  | <b>734</b>   | <b>584</b>   | <b>-20.5%</b>   |
| <b>EBITDA margin (%)</b>                       | <b>29.5%</b> | <b>24.9%</b> | <b>-459 bps</b> | <b>25.9%</b>   | <b>-99 bps</b>  | <b>24.6%</b> | <b>29 bps</b> | <b>30.5%</b> | <b>24.8%</b> | <b>-573 bps</b> |
| Other Income                                   | 32           | 43           | 32.2%           | 37             | 15.4%           | 46           | -8.0%         | 64           | 89           | 38.6%           |
| Finance Cost                                   | 82           | 18           |                 | 19             |                 | 14           |               | 143          | 32           |                 |
| Depreciation                                   | 103          | 129          |                 | 138            |                 | 124          |               | 203          | 253          |                 |
| <b>PBT</b>                                     | <b>166</b>   | <b>202</b>   | <b>21.2%</b>    | <b>202</b>     | <b>-0.3%</b>    | <b>187</b>   | <b>7.9%</b>   | <b>452</b>   | <b>388</b>   | <b>-14.1%</b>   |
| Exceptional Items                              | 0            | 0            |                 | 0              |                 | 0            |               | 0            | 0            |                 |
| Tax  | 41           | 48           |                 | 47             |                 | 45           |               | 112          | 93           |                 |
| Tax Rate (%)                                   | 24.6%        | 23.9%        |                 | 23.0%          |                 | 23.9%        |               | 24.7%        | 23.9%        |                 |
| Minority Interest                              | 0.00         | -0.01        |                 | 0.00           |                 | 0.00         |               | 0            | 0            |                 |
| Share of profit for equity accounted investees | 0.00         | 0.00         |                 | 0.00           |                 | 0.00         |               | 0            | 0            |                 |
| <b>PAT (Reported)</b>                          | <b>125</b>   | <b>153</b>   | <b>22.3%</b>    | <b>156</b>     | <b>-1.5%</b>    | <b>142</b>   | <b>7.9%</b>   | <b>340</b>   | <b>296</b>   | <b>-13.2%</b>   |
| PAT margin (%)                                 | 11.6%        | 12.5%        | 89 bps          | 12.5%          | -3 bps          | 12.6%        | -12 bps       | 14.1%        | 12.5%        | -160 bps        |
| <b>EPS</b>                                     | <b>4.0</b>   | <b>4.9</b>   | <b>22.3%</b>    | <b>5.0</b>     | <b>-1.5%</b>    | <b>4.5</b>   | <b>7.9%</b>   | <b>11</b>    | <b>9</b>     | <b>-13.2%</b>   |
| <b>Krsnaa - Cost margins</b>                   |              |              |                 |                |                 |              |               |              |              |                 |
| COGS/sales                                     | 12.6%        | 14.1%        | 155 bps         | 11.8%          | 230 bps         | 10.6%        | 349 bps       | 14.9%        | 12.4%        | -248 bps        |
| Staff cost/sales                               | 11.8%        | 14.9%        | 305 bps         | 14.0%          | 89 bps          | 14.3%        | 63 bps        | 10.5%        | 14.6%        | 412 bps         |
| Other expenditure/sales                        | 46.1%        | 46.1%        | -1 bps          | 46.9%          | -80 bps         | 50.5%        | -441 bps      | 44.1%        | 48.2%        | 409 bps         |

Source: Company, JM Financial

## Exhibit 2. Most RHP Projects have been operationalized by 2Q

## Radiology Centers Growth

| State                   | Total Centres | Operational Till September 22 | To be Operationalized in Q3 FY23 | Construction Completed | Construction WIP |
|-------------------------|---------------|-------------------------------|----------------------------------|------------------------|------------------|
| Punjab                  | 25            | 20                            | 3                                | 2                      | 0                |
| MCGM Mumbai             | 3             | 2                             | 1                                | 0                      | 0                |
| Himachal Pradesh        | 2             | 2                             | 0                                | 0                      | 0                |
| Karnataka               | 2             | 1                             | 0                                | 0                      | 1                |
| Somaiya Hospital Mumbai | 1             | 1                             | 0                                | 0                      | 0                |
| <b>Total Radiology</b>  | <b>33</b>     | <b>26</b>                     | <b>4</b>                         | <b>2</b>               | <b>1</b>         |

## Pathology Centers Growth

| State                     | Total Centres | Operational Till September 22 | To be Operationalized in Q3 FY23 | Construction Completed | Construction WIP |
|---------------------------|---------------|-------------------------------|----------------------------------|------------------------|------------------|
| Punjab Labs               | 30            | 18                            | 12                               | 0                      | 0                |
| Punjab Collection Centres | 95            | 95                            | 0                                | 0                      | 0                |
| <b>Total Pathology</b>    | <b>125</b>    | <b>113</b>                    | <b>12</b>                        | <b>0</b>               | <b>0</b>         |

Source: Company

## Exhibit 3. New tender wins to contribute meaningfully FY24-25 onwards

## Radiology Centers Growth

| State                  | Agreement       | Total Centres | Operational Till September 22 | To be Operationalized in Q4 FY23 | Construction Completed | Construction WIP |
|------------------------|-----------------|---------------|-------------------------------|----------------------------------|------------------------|------------------|
| Uttar Pradesh          | Executed        | 8             | 0                             | 4                                | 0                      | 4                |
| Chandigarh             | Executed        | 1             | 0                             | 1                                | 0                      | 0                |
| Tripura                | Executed        | 18            | 0                             | 18                               | 0                      | 0                |
| Delhi                  | Executed        | 1             | 0                             | 1                                | 0                      | 0                |
| Rajasthan              | To be Execution | 1             | 0                             | 1                                | 0                      | 0                |
| Maharashtra            | To be Execution | 39            | 0                             | 0                                | 0                      | 39               |
| <b>Total Radiology</b> |                 | <b>68</b>     | <b>0</b>                      | <b>25</b>                        | <b>0</b>               | <b>43</b>        |

## Pathology Centers Growth

| State                  | Agreement | Total Centres | Operational Till September 22 | To be Operationalized in Q3 FY23 | Construction Completed | Construction WIP |
|------------------------|-----------|---------------|-------------------------------|----------------------------------|------------------------|------------------|
| Himachal Pradesh       | Executed  | 24            | 10                            | 14                               | 0                      | 0                |
| Himachal Pradesh       | Executed  | 190           | 126                           | 64                               | 0                      | 0                |
| <b>Total Pathology</b> |           | <b>214</b>    | <b>136</b>                    | <b>78</b>                        | <b>0</b>               | <b>0</b>         |

Source: Company

## Exhibit 4. Quarterly trend

| Particulars | 1Q    | 2Q    | 3Qe   | 4Qe   |
|-------------|-------|-------|-------|-------|
| Revenue     | 1,129 | 1,229 | 1,310 | 1,410 |
| EBITDA      | 278   | 306   | 361   | 441   |
| EBITDA %    | 24.6% | 24.9% | 27.6% | 31.3% |
| PAT         | 142   | 153   | 192   | 243   |
| EPS         | 4.5   | 4.9   | 6.1   | 7.7   |

Source: Company, JM Financial

**Exhibit 5. FY24 Revenue Guidance**

| Guidance (INR mn)     | FY22        | FY23        | FY24        |
|-----------------------|-------------|-------------|-------------|
| Base                  | 4200        | 4830        | 5555        |
|                       |             | 15.0%       | 15.0%       |
| RHP (Mainly Punjab)   |             | 450         | 1000        |
| Maharashtra (Non-RHP) |             |             | 650         |
| Others                |             |             | 1000        |
| <b>Total</b>          | <b>4200</b> | <b>5280</b> | <b>8205</b> |

Source: Company, JM Financial

**Exhibit 6. Vs. JMFe Revenue**

| JMFe (INR mn)              | FY23        | FY24        | FY25        |
|----------------------------|-------------|-------------|-------------|
| Base                       | 4200        | 4620        | 5082        |
| Growth in base business    | 420         | 462         | 508         |
|                            | 10%         | 10%         | 10%         |
| Tender wins                | 458         | 1620        | 2139        |
| Punjab                     | 350         | 750         | 825         |
| HP, Maharashtra, Karnataka | 68          | 100         | 115         |
| 2022 Tender wins           | 40          | 770         | 1199        |
| <b>Total</b>               | <b>5078</b> | <b>6702</b> | <b>7729</b> |

Source: JM Financial

## Financial Tables (Consolidated)

| Income Statement            |              | (INR mn)     |              |              |              |  |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--|
| Y/E March                   | FY21A        | FY22A        | FY23E        | FY24E        | FY25E        |  |
| Net Sales                   | 3,965        | 4,555        | 5,078        | 6,702        | 7,729        |  |
| Sales Growth                | 53.4%        | 14.9%        | 11.5%        | 32.0%        | 15.3%        |  |
| Other Operating Income      | 0            | 0            | 0            | 0            | 0            |  |
| <b>Total Revenue</b>        | <b>3,965</b> | <b>4,555</b> | <b>5,078</b> | <b>6,702</b> | <b>7,729</b> |  |
| Cost of Goods Sold/Op. Exp  | 837          | 603          | 670          | 905          | 1,043        |  |
| Personnel Cost              | 296          | 547          | 726          | 925          | 1,043        |  |
| Other Expenses              | 1,893        | 2,089        | 2,295        | 2,969        | 3,385        |  |
| <b>EBITDA</b>               | <b>938</b>   | <b>1,315</b> | <b>1,386</b> | <b>1,903</b> | <b>2,257</b> |  |
| EBITDA Margin               | 23.7%        | 28.9%        | 27.3%        | 28.4%        | 29.2%        |  |
| EBITDA Growth               | 49.3%        | 40.1%        | 5.4%         | 37.3%        | 18.6%        |  |
| Depn. & Amort.              | 374          | 414          | 518          | 673          | 793          |  |
| EBIT                        | 564          | 901          | 868          | 1,231        | 1,464        |  |
| Other Income                | 2,650        | 149          | 170          | 180          | 193          |  |
| Finance Cost                | 259          | 185          | 76           | 71           | 66           |  |
| PBT before Excep. & Forex   | 2,955        | 865          | 962          | 1,339        | 1,590        |  |
| Excep. & Forex Inc./Loss(-) | 0            | 0            | 0            | 0            | 0            |  |
| PBT                         | 2,955        | 865          | 962          | 1,339        | 1,590        |  |
| Taxes                       | 1,105        | 182          | 231          | 335          | 398          |  |
| Extraordinary Inc./Loss(-)  | 0            | 0            | 0            | 0            | 0            |  |
| Assoc. Profit/Min. Int.(-)  | 0            | 0            | 0            | 0            | 0            |  |
| Reported Net Profit         | 1,849        | 683          | 731          | 1,004        | 1,193        |  |
| <b>Adjusted Net Profit</b>  | <b>315</b>   | <b>683</b>   | <b>731</b>   | <b>1,004</b> | <b>1,193</b> |  |
| Net Margin                  | 8.0%         | 15.0%        | 14.4%        | 15.0%        | 15.4%        |  |
| Diluted Share Cap. (mn)     | 25.7         | 31.4         | 31.4         | 31.4         | 31.4         |  |
| <b>Diluted EPS (INR)</b>    | <b>12.3</b>  | <b>21.8</b>  | <b>23.3</b>  | <b>32.0</b>  | <b>38.0</b>  |  |
| Diluted EPS Growth          | 1.2%         | 77.5%        | 7.0%         | 37.4%        | 18.8%        |  |
| Total Dividend + Tax        | 0            | 0            | 0            | 0            | 0            |  |
| Dividend Per Share (INR)    | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |  |

Source: Company, JM Financial

| Balance Sheet                     |              | (INR mn)     |              |              |               |  |
|-----------------------------------|--------------|--------------|--------------|--------------|---------------|--|
| Y/E March                         | FY21A        | FY22A        | FY23E        | FY24E        | FY25E         |  |
| Shareholders' Fund                | 2,319        | 6,844        | 7,575        | 8,579        | 9,772         |  |
| Share Capital                     | 65           | 157          | 157          | 157          | 157           |  |
| Reserves & Surplus                | 2,254        | 6,687        | 7,418        | 8,422        | 9,615         |  |
| Preference Share Capital          | 0            | 0            | 0            | 0            | 0             |  |
| Minority Interest                 | 0            | 0            | 0            | 0            | 0             |  |
| Total Loans                       | 2,027        | 410          | 360          | 310          | 260           |  |
| Def. Tax Liab. / Assets (-)       | 107          | 70           | 70           | 70           | 70            |  |
| <b>Total - Equity &amp; Liab.</b> | <b>4,453</b> | <b>7,324</b> | <b>8,005</b> | <b>8,959</b> | <b>10,102</b> |  |
| Net Fixed Assets                  | 3,122        | 4,140        | 5,621        | 6,449        | 7,156         |  |
| Gross Fixed Assets                | 3,733        | 4,908        | 6,908        | 8,408        | 9,908         |  |
| Intangible Assets                 | 12           | 23           | 23           | 23           | 23            |  |
| Less: Depn. & Amort.              | 661          | 1,075        | 1,593        | 2,265        | 3,058         |  |
| Capital WIP                       | 37           | 283          | 283          | 283          | 283           |  |
| Investments                       | 3            | 3            | 3            | 3            | 3             |  |
| Current Assets                    | 2,920        | 4,611        | 3,896        | 4,323        | 4,936         |  |
| Inventories                       | 72           | 92           | 102          | 135          | 156           |  |
| Sundry Debtors                    | 725          | 579          | 645          | 852          | 982           |  |
| Cash & Bank Balances              | 1,529        | 2,419        | 1,611        | 1,752        | 2,183         |  |
| Loans & Advances                  | 0            | 0            | 0            | 0            | 0             |  |
| Other Current Assets              | 594          | 1,522        | 1,537        | 1,585        | 1,615         |  |
| Current Liab. & Prov.             | 1,593        | 1,430        | 1,515        | 1,816        | 1,993         |  |
| Current Liabilities               | 888          | 794          | 880          | 1,180        | 1,358         |  |
| Provisions & Others               | 705          | 636          | 636          | 636          | 636           |  |
| Net Current Assets                | 1,327        | 3,182        | 2,380        | 2,507        | 2,943         |  |
| <b>Total - Assets</b>             | <b>4,453</b> | <b>7,324</b> | <b>8,005</b> | <b>8,959</b> | <b>10,102</b> |  |

Source: Company, JM Financial

| Cash Flow Statement          |              | (INR mn)      |               |               |               |  |
|------------------------------|--------------|---------------|---------------|---------------|---------------|--|
| Y/E March                    | FY21A        | FY22A         | FY23E         | FY24E         | FY25E         |  |
| Profit before Tax            | 2,955        | 865           | 962           | 1,339         | 1,590         |  |
| Depn. & Amort.               | 374          | 414           | 518           | 673           | 793           |  |
| Net Interest Exp. / Inc. (-) | 140          | 62            | -94           | -108          | -126          |  |
| Inc (-) / Dec in WCap.       | 148          | -7            | -7            | 14            | -4            |  |
| Others                       | -2,515       | 16            | 0             | 0             | 0             |  |
| Taxes Paid                   | -77          | -66           | -231          | -335          | -398          |  |
| <b>Operating Cash Flow</b>   | <b>1,026</b> | <b>1,284</b>  | <b>1,149</b>  | <b>1,582</b>  | <b>1,856</b>  |  |
| Capex                        | -668         | -1,322        | -2,000        | -1,500        | -1,500        |  |
| Free Cash Flow               | 357          | -38           | -851          | 82            | 356           |  |
| Inc (-) / Dec in Investments | -57          | -1,265        | 0             | 0             | 0             |  |
| Others                       | 114          | 180           | 170           | 180           | 193           |  |
| <b>Investing Cash Flow</b>   | <b>-611</b>  | <b>-2,406</b> | <b>-1,830</b> | <b>-1,320</b> | <b>-1,307</b> |  |
| Inc / Dec (-) in Capital     | 7            | 3,853         | 0             | 0             | 0             |  |
| Dividend + Tax thereon       | 0            | 0             | 0             | 0             | 0             |  |
| Inc / Dec (-) in Loans       | 555          | -1,894        | -50           | -50           | -50           |  |
| Others                       | -254         | -200          | -76           | -71           | -66           |  |
| <b>Financing Cash Flow</b>   | <b>308</b>   | <b>1,760</b>  | <b>-126</b>   | <b>-121</b>   | <b>-116</b>   |  |
| <b>Inc / Dec (-) in Cash</b> | <b>723</b>   | <b>637</b>    | <b>-807</b>   | <b>141</b>    | <b>432</b>    |  |
| Opening Cash Balance         | -476         | 247           | 884           | 77            | 217           |  |
| Closing Cash Balance         | 1,529        | 2,418         | 1,611         | 1,752         | 2,183         |  |

Source: Company, JM Financial

| Dupont Analysis     |  | FY21A  | FY22A | FY23E | FY24E | FY25E |
|---------------------|--|--------|-------|-------|-------|-------|
| Net Margin          |  | 8.0%   | 15.0% | 14.4% | 15.0% | 15.4% |
| Asset Turnover (x)  |  | 0.8    | 0.8   | 0.7   | 0.8   | 0.8   |
| Leverage Factor (x) |  | 28.6   | 1.3   | 1.1   | 1.1   | 1.0   |
| RoE                 |  | 180.8% | 14.9% | 10.1% | 12.4% | 13.0% |

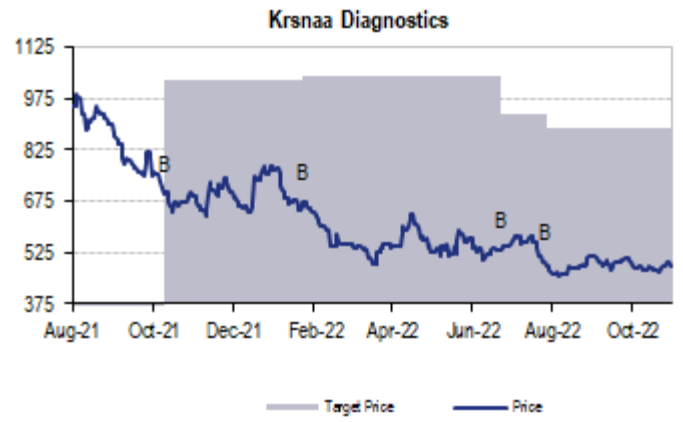
| Key Ratios          |  | FY21A  | FY22A | FY23E | FY24E | FY25E |
|---------------------|--|--------|-------|-------|-------|-------|
| BV/Share (INR)      |  | 201.1  | 218.0 | 241.2 | 273.2 | 311.2 |
| ROIC                |  | 41.1%  | 18.6% | 11.8% | 13.7% | 14.7% |
| ROE                 |  | 180.8% | 14.9% | 10.1% | 12.4% | 13.0% |
| Net Debt/Equity (x) |  | 0.2    | -0.3  | -0.2  | -0.2  | -0.2  |
| P/E (x)             |  | 39.4   | 22.2  | 20.7  | 15.1  | 12.7  |
| P/B (x)             |  | 2.4    | 2.2   | 2.0   | 1.8   | 1.6   |
| EV/EBITDA (x)       |  | 16.5   | 9.9   | 9.9   | 7.1   | 5.8   |
| EV/Sales (x)        |  | 3.9    | 2.8   | 2.7   | 2.0   | 1.7   |
| Debtor days         |  | 67     | 46    | 46    | 46    | 46    |
| Inventory days      |  | 7      | 7     | 7     | 7     | 7     |
| Creditor days       |  | 95     | 87    | 85    | 88    | 89    |

Source: Company, JM Financial

History of Recommendation and Target Price

| Date      | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 21-Oct-21 | Buy            | 1,030        |        |
| 4-Feb-22  | Buy            | 1,040        | 1.0    |
| 4-Jul-22  | Buy            | 930          | -10.6  |
| 7-Aug-22  | Buy            | 885          | -4.8   |

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081  
 Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.  
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| Definition of ratings |   |
|-----------------------|---|
| Rating                | Meaning   |
| Buy                   | Total expected returns of more than 10% for large-cap stocks* and REITs and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.  |
| Hold                  | Price expected to move in the range of 10% downside to 10% upside from the current market price for large-cap* stocks and REITs and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell                  | Price expected to move downwards by more than 10% from the current market price over the next twelve months.  |

\* Large-cap stocks refer to securities with market capitalisation in excess of INR200bn. REIT refers to Real Estate Investment Trusts.

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