

## Sarda Energy & Minerals Ltd



Thermal Power



Hydro Energy



Coal



Ferro Alloys



Sponge Iron



Billet



Wire Rod



HB Wire



ECO Bricks & Others

## Reco BUY

|                  |                |
|------------------|----------------|
| Industry         | Metals & Power |
| LTP              | Rs. 555        |
| Entry Range      | Rs. 550-565    |
| Add on Dips      | Rs. 495-505    |
| Base Case Target | Rs.610         |
| Bull Case Target | Rs.664         |
| Time Horizon     | 4 Quarters     |

### Stock Info

|                        |         |
|------------------------|---------|
| BSE Code               | 504614  |
| NSE Code               | SARDAEN |
| Bloomberg              | SEML:IN |
| CMP Apr 12, 2026       | 555     |
| Equity Capital (Rs Cr) | 35      |
| Face Value (Rs)        | 1.0     |
| Equity Share O/S (Cr)  | 35      |
| Market Cap (Rs Cr)     | 19,543  |
| Book Value (Rs)        | 199.0   |
| Avg. 52 Wk Volumes     | 5953000 |
| 52 Week High           | 640     |
| 52 Week Low            | 402     |

### Share Holding Pattern % (Dec'25)

|                  |       |
|------------------|-------|
| Promoters        | 73.2  |
| Institutions     | 6.8   |
| Non-Institutions | 20.0  |
| Total            | 100.0 |

### One Year Price Chart



### Company background

Sarda Energy & Minerals Ltd., founded in 1973 as Raipur Alloys & Steel Ltd. and acquired by the Sarda Group in 1979, has developed into a vertically integrated producer of ferro alloys, sponge iron, steel products, and captive power from its base in Raipur, Chhattisgarh. Under promoter control with about a 72% stake, the company benefits from self-reliant mining operations and key expansions, such as its 1993 sponge iron plant and 2007 power merger, fueling its role in India's metals and infrastructure growth.

We believe investors can buy the stock in Rs 550-565 band (10x FY28E EV/EBITDA) and add on dips in Rs 495-505 band (9x FY28E EV/EBITDA) for a base case fair value of Rs 610 (11x FY28E EV/EBITDA) and bull case fair value of Rs 664 (12x FY28E EV/EBITDA) over the next 4 quarters.

### Our Take

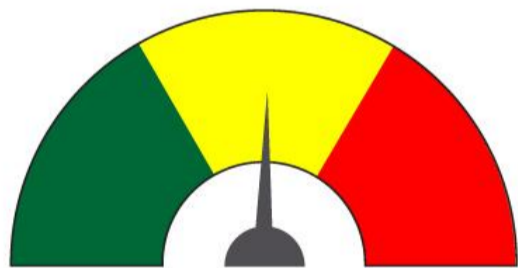
Sarda Energy & Minerals Limited (SEML) is the flagship company of the Sarda Group, originally incorporated in 1973 as Raipur Alloys & Steel Ltd (formerly Raipur Wires & Steel Ltd), a struggling unit that the Sarda Group (also referred to as the Tejpaul Group) took over in 1979. Headquartered in Raipur, Chhattisgarh, India, it has transformed into a vertically integrated producer across steel manufacturing, ferroalloys, mining (with captive iron ore and coal mines), and power generation, including thermal, waste-heat recovery, hydro, and emerging solar projects, via special purpose vehicles. The company rebranded as Sarda Energy & Minerals Limited in 2007 following a merger with Chhattisgarh Electricity Company Limited, enhancing its focus on metals, minerals, and energy. It is listed on the BSE and NSE, with promoters holding around a 72-73% stake, and is recognised as a Two-Star Export House. SEML produces sponge iron, billets, wire rods, pellets, niche manganese-based ferroalloys, and eco-bricks, while exporting products and benefiting from cost efficiencies through captive resources, including the Gare Palma IV/7 coal mine and iron ore operations.

### Valuation & Recommendation:

Sarda Energy & Minerals Ltd offers a strong investment rationale, underpinned by its well-diversified business model spanning high-margin power generation, steel manufacturing, and ferro alloys production, which collectively mitigate sector-specific risks and capitalise on India's infrastructure-led growth cycle. The company's strategic expansions in captive power capacity and ferroalloy output are poised to drive significant operational leverage, enhancing margins amid favourable demand tailwinds from steel-intensive sectors such as construction and automotive. We initiate coverage with a positive recommendation on the stock.

Our forward projections incorporate realistic revenue growth of 11% YoY from FY25-28, fueled by volume accretion and pricing stability, alongside aggressive EBITDA expansion at 20% YoY through cost optimisations, operational efficiencies, and economies of scale from brownfield projects. Profit growth is expected to accelerate further to 28% YoY, supported by deleveraging, tax efficiencies, and higher contribution from value-added products, positioning Sarda Energy to deliver superior returns amid moderating steel prices and improving power utilisation rates. This valuation implies substantial upside potential from current market levels, making it an appealing pick for investors seeking exposure to mid-cap industrials with robust fundamentals and growth visibility.

**We feel that investors can buy Sarda Energy & Minerals Ltd. in the band of Rs 550-565 (10x FY28E EV/EBITDA) and add more on declines to Rs 495-505 (9x FY28E EV/EBITDA) for base case target of Rs 610 (~11x FY28E EV/EBITDA) and bull case target of Rs 664 (12x FY28E EV/EBITDA) over the next 4 quarters.**



\* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Ashish Karkera

[Ashish.karkera@hdfcsec.com](mailto:Ashish.karkera@hdfcsec.com)

## Financial Summary

| Particulars (Rs Cr)    | Q3FY26 | Q3FY25 | YoY-%  | Q2FY26 | QoQ-%  | FY23  | FY24  | FY25  | FY26E | FY27E | FY28E |
|------------------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|
| Total Operating Income | 1,276  | 1,319  | -3.3%  | 1,528  | -16.5% | 4,212 | 3,868 | 4,643 | 5,342 | 5,649 | 6,111 |
| EBITDA                 | 311    | 369    | -15.7% | 512    | -39.3% | 1,060 | 798   | 1,237 | 1,640 | 1,782 | 1,974 |
| PAT                    | 190    | 200    | -5.1%  | 328    | -42.1% | 605   | 509   | 681   | 1,066 | 1,132 | 1,253 |
| Diluted EPS (Rs)       | 5.4    | 5.6    | -3.6%  | 9.2    | -41.1% | 17.2  | 14.4  | 19.3  | 30.3  | 32.1  | 35.5  |
| RoE %                  |        |        |        |        |        | 17.7  | 13.9  | 13.4  | 15.3  | 13.5  | 12.7  |
| P/E (x)                |        |        |        |        |        | 62.8  | 13.7  | 25.9  | 16.8  | 15.8  | 14.3  |
| EV/EBITDA (x)          |        |        |        |        |        | 17.9  | 23.2  | 16.3  | 12    | 10.6  | 9.1   |

### Q3FY26 Result Update

Sarda Energy & Minerals reported its Q3 FY26 (October-December 2025) results on February 7, 2026, showing a mixed performance amid seasonal softness, planned shutdowns at its Independent Power Producer unit, and softer metal and energy prices. Consolidated revenue from operations fell 3.3% YoY to Rs.1,276 crore from Rs.1,319 crore, while net profit after tax (PAT) dipped ~5% to Rs.190.4 crore from Rs. 200 crore; EBITDA stood around Rs. 311 crore, down YoY from Rs. 368 crore and down sequentially due to maintenance impacts.

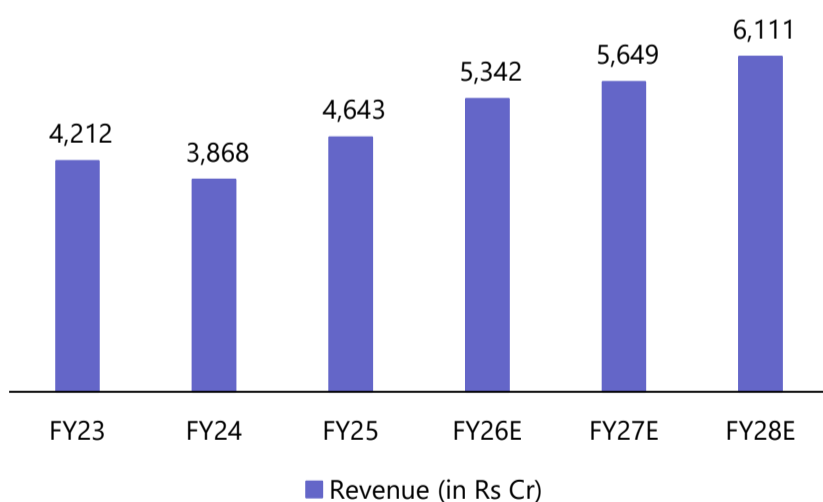
### Key Con-Call Takeaways

- Power: IPP thermal impacted by 45-day 300 MW shutdown; captive CPP 328 MU production/12 MU sales (30 MW unit shutdown till mid-June); hydro +28% YoY to 621 MU; average IPP tariff ~Rs.5/unit (Q4 >Rs.5)
- Steel/Ferroalloys: Q3 steel production dip from Dec shutdown; ferroalloys exports +43% YoY to 33,272 MT (9M flat); prices recovering (steel +10-15% QoQ, pellets +10%, billets/WR +15%; ferro slight uptick)
- Coal/Mining: Gare Palma IV/7 nearing 1.8 MT approval (from 1.68 MT, expected FY26); Sahapur West on track for FY27; captive coal ~Rs. 0.10/GCV > SHAKTI but salable at higher market rates
- Rehar Hydro (24.9 MW): Commissioned; 40-year PPA at Rs.7.42/unit with Chhattisgarh DISCOM
- Captive Solar: 50 MW commissioning Q1 FY27.
- IPP PPAs: 200 MW medium-term (Rs. 5.25/unit, 5 years), 100 MW long-term (>Rs.5.50/unit, 25 years).
- Infra spend (Rs.12 lakh crore), carbon capture budget (Rs. 20,000 crore), FTAs boosting steel/power demand; India steel production +10% CY25 despite global weakness.
- Q4 FY26: Better than Q3 on steel/power price recovery, summer demand; FY27 EBITDA > FY26

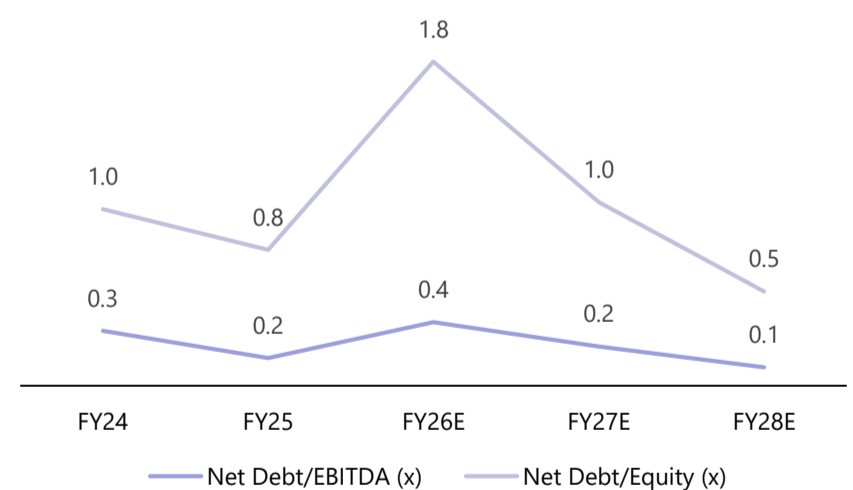
Strong  
Operational  
Performance

## Story in Charts

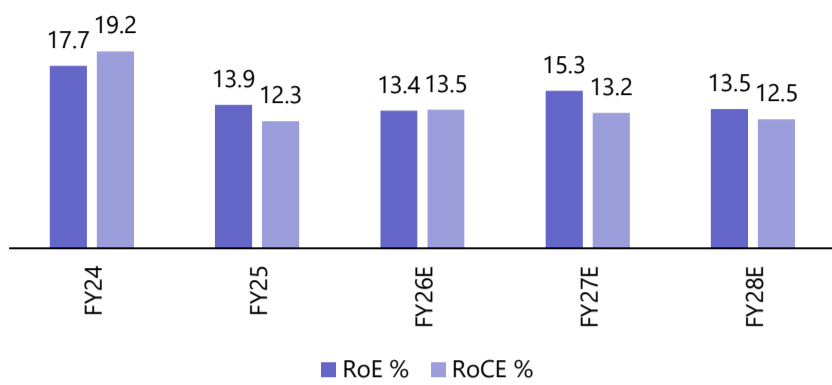
### Revenue trends



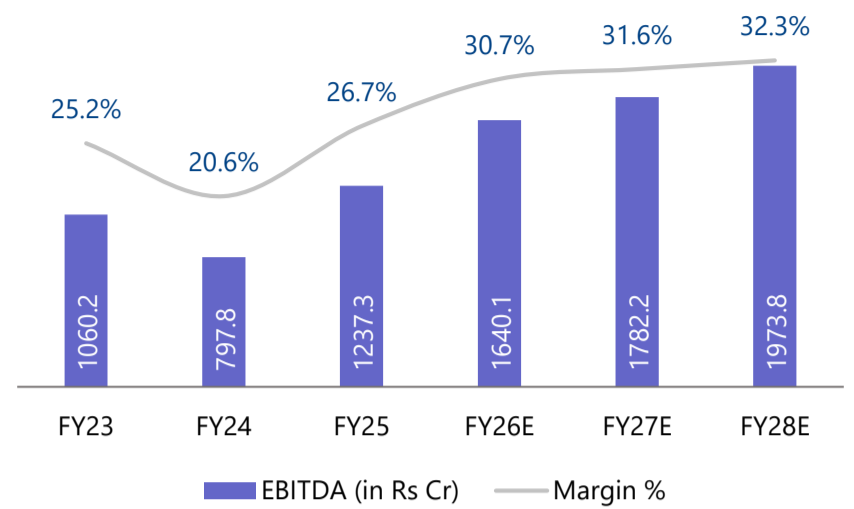
### Debt to equity mix (x)



## RoE and RoCE (%) trends over the years



## EBITDA and Margin



(Source: Company, HDFC sec.)

## Key Drivers

### Energy segment expansion

- SEML's energy division, already powering over 65% of EBITDA, stands as the cornerstone growth driver, underpinned by a diversified mix of thermal, hydro, and renewables that ensures predictable cash flows even in cyclical downturns. In 9M FY26, hydropower generation surged 28% YoY to 621 million units, propelled by the commissioning of the 24.9 MW Rehar Hydro Power Project, which secured a stable 40-year Power Purchase Agreement (PPA) with Chhattisgarh State Power Distribution Company Limited at an attractive tariff of Rs.7.42 per unit, far superior to thermal realizations and providing long-term revenue visibility amid rising power demand. The Independent Power Producer (IPP) unit in Raigarh maintained operational reliability despite a 45-day planned maintenance shutdown of its 300 MW unit, while new PPAs for 200 MW medium-term (5 years at ~Rs.5.25/unit) and 100 MW long-term (25 years at Rs.5.50-5.80/unit) lock in elevated tariffs, with management guiding Q4 FY26 averages above Rs.5/unit fueled by summer peak demand and exchange price recovery from Rs.3.33/unit lows. Looking ahead, the 50 MW captive solar project's Q1 FY27 commissioning and 30 MW turbine generator (TG) replacement at Siltara by mid-FY27 will add ~100-150 MU annually at low marginal costs, while the SKS Power integration (post-Supreme Court resolution) targets ~410-420 MU in FY27 (up from ~400 MU FY26 track), and potential 600 MW IPP expansion could double thermal capacity over 2-3 years. This multi-pronged push not only de-risks volume volatility through captive coal linkages but positions energy as a >70% EBITDA contributor by FY28, with capex efficiency (~Rs.550-600 crore FY26) funded internally.

Energy division to drive robust growth via hydro, renewables, and expansions

### Mining & Minerals Ramp-up

- Strategic captive mining expansions are set to fortify SEML's cost advantages and unlock merchant revenue streams, transforming minerals from a steady base into a high-margin growth lever. The Gare Palma IV/7 coal mine, producing 1.68 MnT in FY25, awaits final approval to ramp to 1.8 MnT within FY26, with development of the high-grade Sahapur West mine on track for FY27 commissioning—collectively targeting 3-5.2 MnT long-term post-environmental clearances (EC) and forest approvals (18-24 month timeline). Captive coal costs run ~Rs.0.10/GCV higher than SHAKTI auction linkages but offer flexibility for premium open-market sales (e.g., non-power uses), directly feeding IPP/steel operations and shielding margins amid volatile global coal indices. Synergies extend to iron ore mining, aligning pellet (8.19 Lakh MT FY25) and sponge iron output with coal availability, while niche ferroalloys (exports +43% YoY to 33k MT in Q3 FY26) benefit from domestic/export balance, despite 9M flat volumes, pricing stability supports 15-20% EBITDA margins. As India steel production grew 10% in CY25 (to ~160 MnT consumption) despite China's export flood, SEML's integrated model, bolstered by safeguard duties turning India into a net exporter—positions it to capture infra-led demand (e.g., billets/wire rods up 15% QoQ), with minerals potentially rivaling energy's EBITDA share by FY28E.

Its captive mining expansions fortify costs, unlock merchant revenues, and rival energy's EBITDA share by FY28E

### SKS Power Acquisition Resolution

- The Supreme Court verdict in February 2026 fully upheld SEML's resolution plan for SKS Power, eliminating overhangs and enabling seamless integration. SKS now delivers ~400 MU FY26 generation at competitive tariffs, with a new MoU targeting 1,200 MW capacity doubling via state support (post clearances in 2.5-3 years). Debt slashed from Rs 1,500 crore to under Rs 500 crore equips bolt-on expansions in nuclear, storage, or minerals, projecting 20-25% PAT uplift in FY27E.

SKS Power verdict de-risks SEML, enabling power capacity doubling and 20-25% PAT uplift by FY27.

**SEML to benefit from steel price rebound, infra/Budget tailwinds, and power demand surge**

## Macro Tailwinds & Pricing Recovery

A confluence of policy, demand, and pricing tailwinds amplifies SEML's triggers, with steel prices rebounding 10-15% QoQ (pellets +10%, billets/wire rods +15%; ferroalloys mildly up) from 5-year lows, power exchanges firming, and structural drivers intact. Union Budget's Rs.12 lakh crore infra outlay, Rs. 20,000 crore carbon capture/utilisation/storage (CCUS) incentives (aiding steel efficiency upgrades), and FTAs with EU/US bolster exports/manufacturing, countering China's 119 MnT steel dump while sustaining India's net exporter status. Power demand, flat in Q3, accelerates with industrial revival and summer peaks, ensuring FY27 EBITDA exceeds FY26 (~Rs.2,000+ crore potential per queries). Risks like EC delays or court setbacks are mitigated by organic focus and cash positivity, but upside from green transitions (e.g., solar/hydro PLF >80%) could drive 25-30% CAGR in PAT through FY28.

**SEML's robust profile and diversified steel/ferroalloys/hydro backed by experienced promoters**

## Strong business risk profile

Strong business risk profile: The company's thermal portfolio is anchored by a 600 MW operational power plant, which was recently acquired through the Insolvency and Bankruptcy Code (IBC). Notably, the power plant's performance has been improving, with PLF levels reaching 90% during Q1FY26 (70.5% in FY25), ensuring optimal performance. SEML has a strong fuel security arrangement, with ~75% of its coal requirements met through fuel supply agreements (FSAs) and a captive coal mine in Chhattisgarh, which has an operational capacity of 1.68 MTPA, expected to increase to 1.8 MTPA and further expand to 5.2 MTPA in phases. The company is also a major player in the steel and steel intermediates industry in eastern and Central India, with a diversified revenue stream from the sale of intermediate and finished steel products. Furthermore, the company generates revenue from the sale of ferro alloys and has a presence in the hydro sector with approximately 168 MW operational capacity. With over four decades of experience in the steel industry, the promoters have strategically diversified the company's portfolio to create a robust and integrated business.

**Diversified revenue from mining, steel, ferroalloys, and power benefits from captive coal/iron ore integration and logistics efficiencies**

## Diversified operations with strong backward integration:

The company continues to have varied sources of revenue, with operations across mining, steel, ferroalloys, and power (hydro and thermal power plants). The company's existing coal mining operations, strategically located near the power plant, are expected to create a synergistic operational linkage, thereby enhancing sales diversification and driving business growth. The company has strong backward integration with a captive iron ore mine that meets 40-50% of the total iron ore requirement, while its captive coal mine in Chhattisgarh, with an operational capacity of 1.68 MTPA (expected to increase to 1.8 MTPA), largely meets its coal requirements at a low variable cost, ensuring high operational efficiency. Procuring raw material in bulk helps save cost. Similarly, proximity of SMAL to the Vishakhapatnam port in Andhra Pradesh saves logistics cost in the ferro alloys business and helps target global markets.

## Risks & Concerns

- Limited long-term offtake arrangements
- Exposure to cyclicalities in the steel and ferro alloy industries
- Large, debt-funded capex or acquisition could adversely affect the financial risk profile
- Any significant increase in exposure to group entities could weaken liquidity

## Company Description

Sarda Energy & Minerals Limited (SEML), the flagship of the Sarda Group headquartered in Raipur, Chhattisgarh, stands as a vertically integrated powerhouse in India's metals, mining, and energy sectors since its incorporation in 1973, originally as Raipur Alloys & Steel Ltd, and rebranded by the Sarda (Tejpal) family in 1979, and renamed post-2007 merger with Chhattisgarh Electricity Company. Listed on BSE (504614) and NSE (SARDAEN) with promoters holding ~72-73% stake, it is a Two Star Export House producing sponge iron (3.6 lakh MT capacity), billets/ingots (3 lakh MT), wire rods (2.5 lakh MT), H.B. wires (0.45 lakh MT), iron ore pellets (9 lakh MT), niche manganese-based ferro alloys (exported to 60+ countries), and eco-bricks from captive fly-ash, all backed by self-sufficient power from thermal IPP (600 MW), waste heat recovery, captive CPP (328 MU Q3 FY26), and hydro projects via SPVs like 24.9 MW Rehar (Rs.7.42/unit PPA). SEML's competitive moat stems from captive resources, Gare Palma IV/7 coal (1.68-1.8 MnT), iron ore/manganese mines, ensuring cost efficiencies amid cycles, with energy (>65% EBITDA) and minerals driving FY24-25 revenue of Rs. 4,643 crore, 9M FY26 surge to Rs. 4,669 crore (+32% YoY), and net debt slashed to <Rs.500 crore from Rs.1,500 crore (Mar 2025). Subsidiaries like Sarda Energy & Minerals Hongkong and Sarda Global Ventures extend its global footprint, while expansions in solar (50 MW Q1 FY27), coal (Sahapur West FY27), and SKS Power integration position it for sustained growth in India's infra-led economy.

## Financial Statements

### Income Statements

| Particulars (in Rs Cr)         | FY23         | FY24         | FY25         | FY26E        | FY27E        | FY28E        |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue From Operations</b> | <b>4,212</b> | <b>3,868</b> | <b>4,643</b> | <b>5,342</b> | <b>5,649</b> | <b>6,111</b> |
| <i>Growth %</i>                | 32.8%        | -8.2%        | 20.0%        | 15.1%        | 5.7%         | 8.2%         |
| Operating Expense              | 3,152        | 3,070        | 3,406        | 3,702        | 3,867        | 4,137        |
| <b>EBITDA</b>                  | <b>1,060</b> | <b>798</b>   | <b>1,237</b> | <b>1,640</b> | <b>1,782</b> | <b>1,974</b> |
| <i>Margin %</i>                | 25.2%        | 20.6%        | 26.7%        | 30.7%        | 31.6%        | 32.3%        |
| Depri. & Amort.                | 178          | 183          | 271          | 343          | 373          | 405          |
| EBIT                           | 882          | 615          | 966          | 1,297        | 1,410        | 1,569        |
| <i>Margin %</i>                | 20.9%        | 15.9%        | 20.8%        | 24.3%        | 25.0%        | 25.7%        |
| Other Income                   | 49           | 184          | 172          | 320          | 325          | 329          |
| Finance Cost                   | 124          | 128          | 220          | 202          | 208          | 210          |
| Exceptional Items              | -            | (3)          | (0)          | 10           | -            | -            |
| <b>Earnings Before Tax</b>     | <b>807</b>   | <b>667</b>   | <b>918</b>   | <b>1,426</b> | <b>1,526</b> | <b>1,688</b> |
| Tax Expense                    | 202          | 159          | 237          | 360          | 394          | 436          |
| <b>Profit After Tax</b>        | <b>605</b>   | <b>509</b>   | <b>681</b>   | <b>1,066</b> | <b>1,132</b> | <b>1,253</b> |
| <i>Profit Margin %</i>         | 14.4%        | 13.1%        | 14.7%        | 20.0%        | 20.0%        | 20.5%        |
| Diluted EPS                    | 17.2         | 14.4         | 19.3         | 30.3         | 32.1         | 35.5         |

### Balance Sheet

| Particulars (in Rs Cr)                    | FY23         | FY24         | FY25          | FY26E         | FY27E         | FY28E         |
|---|--------------|--------------|---------------|---------------|---------------|---------------|
| Share Capital                             | 35           | 35           | 35            | 35            | 35            | 35            |
| Reserves and Surplus                      | 3,375        | 3,853        | 6,251         | 7,605         | 9,055         | 10,658        |
| <b>Shareholders Fund</b>                  | <b>3,410</b> | <b>3,889</b> | <b>6,286</b>  | <b>7,641</b>  | <b>9,090</b>  | <b>10,693</b> |
| Minority Interest                         | 100          | 106          | 106           | 106           | 106           | 106           |
| Borrowings                                | 1,407        | 1,366        | 2,823         | 2,620         | 2,704         | 2,766         |
| Trade Payables                            | 135          | 173          | 194           | 210           | 212           | 231           |
| <b>Other Liabilities &amp; Provisions</b> | <b>429</b>   | <b>469</b>   | <b>715</b>    | <b>1,199</b>  | <b>1,200</b>  | <b>1,237</b>  |
| Equity + Liabilities                      | 5,481        | 6,002        | 10,125        | 11,776        | 13,311        | 15,033        |
| Net Fixed Assets                          | 2,828        | 2,782        | 5,776         | 6,042         | 6,320         | 6,615         |
| CWIP                                      | 131          | 250          | 613           | 613           | 613           | 613           |
| <b>Other Non-current Assets</b>           | <b>277</b>   | <b>345</b>   | <b>590</b>    | <b>514</b>    | <b>620</b>    | <b>734</b>    |
| Total non-current Assets                  | 3,237        | 3,377        | 6,978         | 7,170         | 7,553         | 7,962         |
| Cash & Bank Balances                      | 372          | 768          | 608           | 957           | 1,775         | 2,717         |
| Debtors                                   | 182          | 101          | 221           | 307           | 302           | 318           |
| <b>Other Assets</b>                       | <b>1,691</b> | <b>1,756</b> | <b>2,318</b>  | <b>3,342</b>  | <b>3,681</b>  | <b>4,037</b>  |
| <b>Total Assets</b>                       | <b>5,481</b> | <b>6,002</b> | <b>10,125</b> | <b>11,776</b> | <b>13,311</b> | <b>15,033</b> |

### Cash Flow Statement

| Particulars (in Rs Cr)           | FY23        | FY24        | FY25          | FY26E         | FY27E        | FY28E        |
|----------------------------------|-------------|-------------|---------------|---------------|--------------|--------------|
| <b>Earnings Before Tax</b>       | <b>807</b>  | <b>667</b>  | <b>918</b>    | <b>1,426</b>  | <b>1,526</b> | <b>1,688</b> |
| Depri. & Amort.                  | 178         | 183         | 271           | 343           | 373          | 405          |
| Others                           | 100         | -38         | 94            | 298           | 210          | 229          |
| Inc (-)/Dec (+) in work cap.     | -154        | 82          | -365          | 43            | -16          | -46          |
| Taxes Paid                       | -230        | -153        | -32           | -71           | -149         | -127         |
| <b>Cash Flow From Operations</b> | <b>701</b>  | <b>742</b>  | <b>886</b>    | <b>2,038</b>  | <b>1,944</b> | <b>2,150</b> |
| Capex                            | -217        | -266        | -490          | -257          | -277         | -295         |
| <b>Free Cash Flow</b>            | <b>485</b>  | <b>477</b>  | <b>395</b>    | <b>1,781</b>  | <b>1,666</b> | <b>1,854</b> |
| Others                           | -214        | -158        | -1,642        | -1,010        | -            | -            |
| <b>Cash Flow from Investing</b>  | <b>-431</b> | <b>-423</b> | <b>-2,132</b> | <b>-1,268</b> | <b>-277</b>  | <b>-295</b>  |
| Share Capital Issuance           | -152        | -           | -             | -             | -            | -            |
| Debt Issued /(Repaid)            | -132        | -41         | 1,456         | -275          | -717         | -788         |
| Interest Paid                    | -122        | -130        | -221          | -202          | -208         | -210         |
| Dividend Paid                    | 53          | 35          | 53            | 72            | 77           | 85           |
| Others                           | -73         | -53         | -35           | -             | -            | -            |
| <b>Cash Flow from Financing</b>  | <b>-479</b> | <b>-223</b> | <b>1,200</b>  | <b>-404</b>   | <b>-848</b>  | <b>-913</b>  |
| Net Cash Generated               | -208        | 96          | -46           | 366           | 818          | 942          |

## Key Ratios

| Particulars                   | FY23 | FY24  | FY25  | FY26E | FY27E | FY28E |
|-------------------------------|------|-------|-------|-------|-------|-------|
| <b>Per Share Data (Rs)</b>    |      |       |       |       |       |       |
| Earnings Per Share (EPS)      | 17.2 | 14.4  | 19.3  | 30.3  | 32.1  | 35.5  |
| Book Value Per Share (BVPS)   | 96.8 | 110.4 | 178.4 | 216.8 | 258.0 | 303.5 |
| Dividend Per Share (DPS)      | 1.5  | 1.0   | 1.5   | 2.0   | 2.2   | 2.4   |
| <b>Profitability Ratios %</b> |      |       |       |       |       |       |
| EBITDA Margin                 | 25.2 | 20.6  | 26.7  | 30.7  | 31.6  | 32.3  |
| PAT Margin                    | 14.4 | 13.1  | 14.7  | 20.0  | 20.0  | 20.5  |
| RoE                           | 17.7 | 13.9  | 13.4  | 15.3  | 13.5  | 12.7  |
| RoCE                          | 19.2 | 12.3  | 13.5  | 13.2  | 12.5  | 12.5  |
| Dividend Payout Ratio         | 8.7  | 6.9   | 7.8   | 6.8   | 6.8   | 6.8   |
| <b>Solvency Ratios (x)</b>    |      |       |       |       |       |       |
| Net Debt/EBITDA               | 1.0  | 0.8   | 1.8   | 1.0   | 0.5   | 0.1   |
| Net Debt/Equity               | 0.3  | 0.2   | 0.4   | 0.2   | 0.1   | 0.1   |
| <b>Turnover Ratios (Days)</b> |      |       |       |       |       |       |
| Debtor days                   | 15   | 13    | 13    | 18    | 20    | 19    |
| Inventory days                | 98   | 95    | 95    | 104   | 94    | 90    |
| Creditors days                | 25   | 23    | 26    | 28    | 28    | 27    |
| <b>Valuation (x)</b>          |      |       |       |       |       |       |
| P/E                           | 62.8 | 13.7  | 25.9  | 16.8  | 15.8  | 14.3  |
| P/B                           | 5.3  | 4.6   | 2.9   | 2.3   | 2.0   | 1.7   |
| EV/EBITDA                     | 17.9 | 23.2  | 16.3  | 12.0  | 10.6  | 9.1   |
| EV/Sales                      | 4.5  | 4.8   | 4.3   | 3.7   | 3.3   | 2.9   |

(Source: Company, HDFC sec.)

**HDFC Sec Prime Research Rating description****Green Rating stocks**

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

**Yellow Rating stocks**

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

**Red Rating stocks**

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

**Rating Criteria**

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

**Disclosure:**

I, Ashish Karkera (**CA**), authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect its views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of its compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042  
 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murlu V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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