Fairchem Speciality Ltd (FSL)

- Niche Market presence to drive growth

Fairchem Speciality Ltd (FSL)

10-10-2019

Recommendation	:	Buy
CMP	:	Rs 495
Sector	:	Chemicals
NSE Code	:	FAIRCHEM
BSE Code	:	530117

Financial break up

Market Cap (Rs. Cr)	:	1920
EPS (FY19)	:	24.13
PE	:	**20.48**
Face Value	:	**Rs.10/-**

Share Holding Pattern:

Promoters	:	**74.06**
Others	:	**25.94**

Background: Fairchem Speciality Limited (FSL), a Fairfax company, is an exclusive formation of specialty chemicals company from the merger of Adi Finechem Ltd (manufacturer of oleochemicals and nutraceuticals) and Privi Organics India Ltd (manufacturer of Aroma chemicals). The combined entity caters to various industries ranging from printing inks, paints, adhesives & paper coatings, flavors & fragrance, pharmaceuticals, and FMCG. FSL possesses manufacturing capacity of 45000 MTPA in Sanand and 22000 MTPA of Privi located in Western India with more than 65 products in its basket.

Dominance in a niche market

Privi Organics India Ltd subsidiary of FSL is the largest aroma chemical manufacturer in India with a production capacity of 22000 MTPA spread across four manufacturing facilities in Maharashtra and Gujarat. The company has a strong clientele base including the likes of Givaudan, Firmenich, IFF, Symrise and so on with exports accounting for ~68% of its revenues. Aroma chemicals form the building blocks of Flavors & Fragrance (F&F) and are used in a variety of sectors. These aroma chemicals are blended to develop a particular flavor or fragrance, which are used in consumer goods like soaps, perfumes, deodorants, air fresheners, detergents and so on.

Unique Business Model

Privi Organics India Limited (POIL) which is a subsidiary of FSL is into manufacturing of aroma chemicals from a variety of terpene molecules (Pine based) that serve as building blocks in the Flavours & Fragrance (F&F) industry. POIL operates in four different segments viz. Pinene based, Citral Based, Specialty products and Phenol Based that account for 49%, 22%, 17% and 12% of the revenue respectively. POIL's core chemistry strength has enabled it to develop the sulphur separation process and is the only Asian company to set-up a refinery for processing waste.

Growing End user industry demand & clientele

FSL's products are used in a wide range of industries including printing inks, paints, adhesives & paper coatings, flavors & fragrance, pharmaceuticals, and FMCG. Apart from this, the company's strength lies with its strong customer base. Privi derives 80% of its revenues from the top ten F&F companies including the likes of Givaudan, Firmenich, IFF, Symrise and so on that control 80% of the total global F&F market.

Outlook & Valuation

We recommend a **Buy** on FSL for long term investors. Given the dominance in niche market, Growing end user industry demand, Robust clientele, Stable raw material supply and strong track record are key positives for the stock. At the CMP of INR 494.1, the stock trades at 20.48x EPS of FY19.The key risks to the business include steep increase in raw material cost, Volatility in foreign exchange, and Competition from peer companies are the key risks of the company.

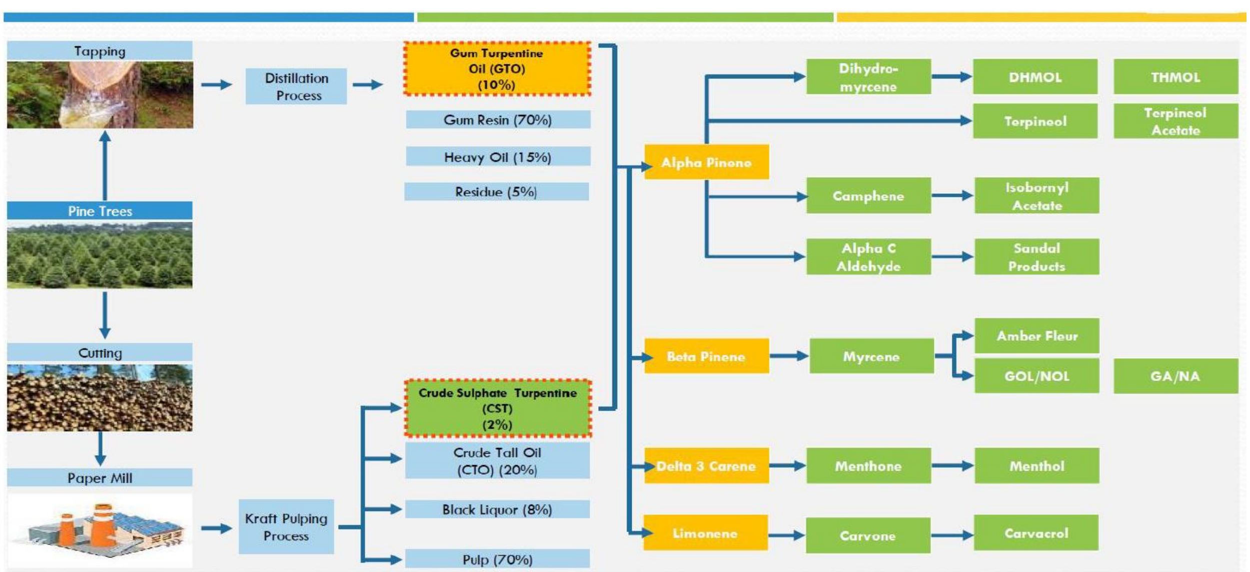
Investment Arguments

Company Profile:

Fairchem Speciality Limited (FSL), a Fairfax company, is an exclusive formation of specialty chemicals company from the merger of Adi Finechem Ltd (manufacturer of oleochemicals and nutraceuticals) and Privi Organics India Ltd (manufacturer of Aroma chemicals). The combined entity caters to various industries ranging from printing inks, paints, adhesives & paper coatings, flavors & fragrance, pharmaceuticals, and FMCG. FSL possesses manufacturing capacity of 45000 MTPA in Sanand and 22000 MTPA of Privi located in Western India with more than 65 products in its basket. FSL's exquisite business model of processing finished goods from waste products serves as a platform for organic as well as inorganic growth in the area of specialty chemicals.

Unique business model

Privi Organics India Limited (POIL) which is a subsidiary of FSL is into manufacturing of aroma chemicals from a variety of terpene molecules (Pine based) that serve as building blocks in the Flavours & Fragrance (F&F) industry. POIL operates in four different segments viz. Pinene based, Citral Based, Specialty products and Phenol Based that account for 49%, 22%, 17% and 12% of the revenue respectively. The company's products find application in fragrance industry (perfumes, after shave, fine fragrances, soaps & creams, lotions, shampoos and so on). The two key routes for making building blocks for Pinene based aroma chemicals include a.) Tapping pine tree to get Gum turpentine oil (GTO) and b.) Using Crude Sulphate Turpentine (CST) which is a waste from pulp and paper industry. GTO is highly volatile in prices with China being the largest supplier. Vis-à-vis, CST can be procured with six month to one year price contracts. However, making building blocks from CST is a complex process as it has a foul smell due to sulphur impurities. POIL's core chemistry strength has enabled it to develop the sulphur separation process and is the only Asian company to set-up a refinery for processing waste.



The Company enjoys cost efficiencies as most of its raw materials are derived from waste products. Privi has made significant investments in manufacturing facilities that convert CST (a waste product of pulp and paper manufacturing), into aroma chemicals. CST is a more cost effective raw material than the more traditional plant based gum turpentine oil (GTO) and is procured through annual contracts while GTO has to be purchased on volatile spot markets.

Dominance in a niche market

Privi Organics India Ltd is the largest aroma chemical manufacturer in India with a production capacity of 22000 MTPA spread across four manufacturing facilities in Maharashtra and Gujarat. The company has a strong clientele base including the likes of Givaudan, Firmenich, IFF, Symrise and so on with exports accounting for ~68% of its revenues. Aroma chemicals form the building blocks of Flavors & Fragrance (F&F) and are used in a variety of sectors. These aroma chemicals are blended to develop a particular flavor or fragrance, which are used in consumer goods like soaps, perfumes, deodorants, air fresheners, detergents and so on. The aroma chemicals market is dominated by players like Privi, Renessenz, Arizona, IFF, DRT and Takasago and attributes to ~16% of the total F&F industry. Currently, the global market size of aroma chemicals stands at USD ~5,200 mn and registered a growth of ~5.8% CAGR over FY10-FY18. Interestingly, the market grew at a robust pace of ~8% over FY14-FY18 on the back of i.) healthy growth momentum of FMCG market, ii.) consistent surge in disposable incomes, and iii.) increase in urbanization in the emerging economies. Going ahead, the global aroma chemical market is estimated to sustain its growth momentum and deliver ~7% CAGR over FY17-FY20. In terms of consumption, North America accounts for majority (30%) of consumption of overall F&F market followed by Europe and Asia Pacific region. However going forward, the company believes, Asia Pacific region to register highest growth owing to increasing domestic demand in developing countries like India and China. Compared to global market, the Indian market size of aroma chemicals (consumption) currently stands at USD 200 mn (~3.85% of global market) and is expected to grow at ~15% over FY17-FY20 owing to (i) Increasing per capita income, (ii) growing urban population share, (iii.) deeper penetration of FMCG products in rural areas and (iv) expansion of organized retail in tier II & III cities.

Business Verticals

FSL operates in two business verticals: oleochemicals and nutraceuticals that contribute 82% and 18% respectively to the standalone revenues and has a manufacturing capacity of 45000 MTPA in Sanand, Ahmedabad. Oleochemicals are broadly, organic compounds that are derived from natural vegetable oils or animal fats, which can be used for making both edible and non-edible products. They are analogous to petrochemicals which are chemicals derived from petroleum. In terms of product segmentation, basic oleochemicals include Fatty acids, Fatty Acid Methyl Esters (FAME), fatty alcohols, fatty amines and glycerol that are formed through chemical and enzymatic reactions, which in turn are utilized in end use application of Surfactant, Soaps and Detergents, Cosmetics, Food Emulsifiers, Paints and Inks & Lubricants. Out of these, fatty acids account for ~55% of the total production of oleochemicals followed by fatty alcohols. In 2015, global market of oleochemicals stood at USD 20 bn with the market undergoing a transition phase. While Europe, USA and Japan are seeing either constant or declining demand, Asia Pacific region is witnessing an uptrend driven by raw material availability and increasing captive consumption. Likewise, Asia Pacific stands as one of the fastest growing markets for oleochemicals accounting for 68% of world consumption and 60% of world production.

Going ahead, industry estimates suggest that global oleochemicals market is expected to observe 6% CAGR from USD 20 bn to USD 27 bn over FY15-FY20E with Asia pacific experiencing faster growth owing to growing demand for biochemical products finding applications in personal care products, detergents and food & beverages. Indian players are well positioned to benefit from surging demand due to abundant raw material supply (India is one of the largest consumers of Soya and Sunflower oil), lower manpower cost and improving infrastructure. Nutraceuticals are products that provide health and nutrition benefits in addition to the basic nutrition value present in food items. Global Nutraceuticals market stood at USD 182 bn as on FY15 with USA attributing by 36% of the overall market followed by Europe / Asia Pacific / ROW accounting for 26% / 30% / 8% respectively. Based on product type, nutraceuticals could be segmented into Dietary supplements, functional food, functional beverages and personal care & pharmaceuticals. High levels of health consciousness, increasing awareness of nutritional benefits amongst the customers and a shift in preference from synthetic ingredients to organic ingredients are driving the nutraceuticals market. Going forward, it is estimated that global nutraceuticals market should deliver 7.3% CAGR from USD 182 bn in FY15 to USD 278 bn by FY21E.

Strong end user industry demand

FSL's products are used in a wide range of industries including printing inks, paints, adhesives & paper coatings, flavors & fragrance, pharmaceuticals, and FMCG. Apart from this, the company's strength lies with its strong customer base. Privi derives 80% of its revenues from the top ten F&F companies including the likes of Givaudan, Firmenich, IFF, Symrise and so on that control 80% of the total global F&F market while FSL's clientele include players like BASF, Archer Daniels Midland, Cargill, Advanced Organic Materials, IFFCO Chemicals, Asian Paints and so on.

Further, the end user industries of FSL have significant growth drivers in global and domestic markets. The global aroma chemical market is estimated to sustain its robust growth momentum and deliver ~7% CAGR over FY17-FY20 on the back of a.) healthy growth momentum of FMCG market, b.) consistent surge in disposable incomes, and c.) increase in urbanization in the emerging economies. Further, industry estimates suggest that global oleochemicals market is expected to observe 6% CAGR from USD 20 bn to USD 27 bn over FY15-FY20E with Asia pacific experiencing faster growth owing to growing demand for biochemical products finding applications in personal care products, detergents and food & beverages. High levels of health consciousness, increasing awareness of nutritional benefits amongst the customers and a shift in preference from synthetic ingredients to organic ingredients are driving the global nutraceuticals market which is estimated to deliver 7.3% CAGR from USD 182 bn in FY15 to USD 278 bn by FY21E. However, eyeing the growing demand potential, FSL has planned a strategic capital expenditure by increasing capacity for margin lucrative products, and accordingly plans to invest ~INR 2,600 mn over FY18-FY20E. FSL expects volume growth of 16% over FY17-FY20E from 48,158 MTPA to 75,094 MTPA.

Improving operating margins

Keeping FSL's business model at the epicenter, the company enjoys cost efficiencies as most of its raw materials are derived from waste products. Privi has made significant investments in manufacturing facilities that convert CST (a waste product of pulp and paper manufacturing), into aroma chemicals. CST, a more cost effective raw material than the more traditional plant based gum turpentine oil (GTO), is procured through annual contracts while GTO has to be purchased on volatile spot markets. The Company has six months to one yearly fixed price contracts that are renewed once every year. Pinene-based products constitute about 50% of Privi's revenue. Over FY14-FY17, Privi observed a hit on its delta owing to declining realizations for pinene-based products, which resulted into EBITDA/ton declining from INR 50,873 to INR 45,944 over the same period. However, the company has negotiated the prices for pinene based products in 2018 at significantly higher prices as compared to 2017 (about 75% of Privi's Pinene-based products business is based on annual contracts) which should give a significant boost to the operating margins for the company. Similarly, FSL manufactures a range of oleochemicals from waste products generated during refining of edible oils and possesses one of the largest processing capacity in India. Consequently, FSL has emerged as one of the lowest cost producers of oleochemicals. The nutraceutical division of FSL witnessed a sharp pick up in realizations in FY13 (hike of 90% y-o-y) due to shortage in availability of primary feedstock DOD globally. Post FY14, realizations for nutraceutical segment started declining (~53% decline over FY14-FY17) affecting the overall operating performance of FSL. However, the prices have now stabilized and the segment should witness decent performance due to the healthy volume growth.

Consequently, due to the aforementioned reasons, the company estimates realizations for FSL to increase by 5.6% CAGR over FY17-FY20 largely led by negotiation of contracts for pinene based aroma chemicals in 2018 at significantly higher prices as compared to prices of 2017. This coupled with volume growth expectation of 16% should result into 22.4% CAGR of revenues for FSL from INR 7,724 mn (Privi's net revenues adjusted for 12 months) in FY17 to INR 14,163 mn in FY20. Likewise, EBITDA/ton should burgeon from INR 16,747 to INR 26,321 over FY17-FY20 led by improvement in realizations and operating leverage.

Global Aroma Chemicals Market Overview

Global Flavours & Fragrance (F&F) Industry is expected to reach USD 28 billion by 2022 (Source: Leffingwell report). Post 2000, Aroma Chemicals has been the fastest growing segment within F&F industry at CAGR of ~6.21% as compared to F&F growth of ~5%.

The aroma chemicals market was valued at US$ 4.09 billion in 2016 and is projected to reach US$ 6.6 billion by 2024, exhibiting a CAGR of 6.21% during this period, according to Market Report published by Transparency Market Insights.

Growing personal disposable income in emerging economies such as India, China and ASEAN countries coupled with increasing demand for cosmetics and homecare products resulted in the growth of aroma chemicals market.

Among the application of aroma chemicals, the cosmetic and toiletries segment held the highest market share in 2016 and is expected to show the same trend over the forecast years.

Europe accounted for the largest market share in terms of revenue and volume in the global aroma chemicals market in 2016-2017. The region is expected to retain its dominance throughout the forecast period, due to growing use of cosmetic and personal care products in European economies. In terms of revenue, Europe had a market share of 33.47% in 2016.

Europe is followed by North America and Asia Pacific in the market of aroma chemicals. The North American market growth is expected at a CAGR of 5.80% with Asia Pacific market with a CAGR of 7.15%. Asia Pacific is the fastest growing market and is expected to retain its dominance during the forecast period.

Growing population coupled with the increasing disposable income in economies such as India and china has fueled the growth of cosmetics, personal care, and home care products, in turn increasing the demand for fragrances thus leading to increased demand of aroma chemicals. Moreover, the growing retail sector in emerging economies of the region has made the availability easier of products, such as cosmetics, fragrance, soap, and detergents, which is further surging the market growth.

In terms of geographical regions, Asia Pacific is expected to be the major revenue contributor to the market in future. Rapid increase in population, rapid urbanization, women empowerment, increasing investments, and the rise in demand for better lifestyles are few factors that will drive market growth.

Presence of some of the major aroma chemical producers in Asia Pacific countries and the rising demand for aroma chemicals in these countries will also aid in the growth of the fragrance market in this region.

Regulations

Regulations are forcing companies to follow compliance, which could affect the market’s growth trajectory.

For instance, wastewater discharge during the production of various synthetic aroma chemicals consists of many effluents, which need to meet applicable regulations for such discharge. As regulations are getting stringent and are imposing various restrictions on the emissions, like waste water, air emissions etc producers are required to comply with the norms.

Growth drivers

As per market information, use of aroma chemicals so far was limited to the personal and household care sector. Market expansion and penetration of new generation lifestyle products like body deodorants has provided new market opportunities.

Demand for aroma chemicals is expected to rise especially in emerging economies such as India, China, Brazil and Africa. Rising income expected to drive increasing willingness among young consumers to spend on personal care products.

Shifting consumer preferences would create lucrative prospects for aroma chemicals market. Increasing market penetration and investment towards product development will help the aroma chemicals market to register strong growth in the forthcoming years.

With companies focusing on product diversification, consumers will have wider options to choose from. Spurred by these factors, the global aroma chemicals market will continue treading along a positive trajectory.

GLOBAL FLAVOUR AND FRAGRANCE INDUSTRY:

The future of the global flavor and fragrance market looks impressive with opportunities in fragrance products, such as fine fragrance, cosmetic and toiletries, household and air care.

The global flavors and fragrances market size was valued at USD 20.75 billion in 2018 and is expected to expand at a CAGR of 4.7% over the forecast period 2019-2023.Increasing demand from application industries such as food, beverages, and cosmetics and toiletries is projected to drive the growth.

Emerging trends, which have a direct impact on the dynamics of the flavor and fragrance industry, include increased use of biotic ingredients and business expansion by major players in emerging markets.

On the basis of its comprehensive research, Lucintel forecasts that, fine fragrances, and household and air care are likely to experience the highest growth in the forecast period.

Within the global flavor& fragrance market, the beverage application is likely to remain the largest in the flavour segment during the forecast period, while soap & detergents is likely to be the largest in segment for the fragrance market.

Industry Insights:

Increasing disposable income in developing economies is projected to augment the demand for cosmetics, toiletries, perfumes, and soaps and detergents. This factor is anticipated to drive the market in near future.

Natural fragrances are perceived to be safe, healthier and therapeutic. Natural flavor and fragrance ingredients are expected to grow rapidly owing to the rising preference for organic ingredients in food and personal care sector. Manufacturers engaged in developing natural fragrances often charge a green premium on their products.

The demand for synthetic fragrances is also predicted to witness a significant CAGR as they are long lasting, emit strong fragrance, and offer a greater freedom of creativity to manufacturers. Moreover, synthetic fragrances are less expensive compared to natural variants. Growing number of retail stores, new product launches, and economic prices of personal care products are anticipated to be extremely influential factors contributing to the growth of the fragrance market.

With Fragrances projected to expand at the highest CAGR over the forecast period. Increasing investment in new product developments to cater to demand from personal care, home care, automotive, pharmaceutical, and hospitality industries is projected to augment growth.

Manufacturers have integrated their production and distribution channels for better market approachability. Most companies are vertically integrated and produce products that cater to various applications. Manufacturers have to abide by manufacturing and labeling laws, regulations, and guidelines published by regulatory authorities such as Food and Drug Administration (FDA), U.S. Department of Agriculture (USDA), Health Canada, European Food Safety Authority, and World Health Organization (WHO).

Manufacturers also obtain certifications such as Kosher, Halal, and ISO to gain a competitive edge in the market. End-user business activities greatly influence financial condition as well as operations of raw material manufacturers and suppliers.

Product Insights:

Aroma chemicals are expected to hold the largest market share over the forecast period. Majority of demand for these chemicals is likely to come from fragrance industry. The demand for esters was valued at USD 5.73 billion in 2018. Increasing concern about fitness and well-being by people of all ages is likely to provide lucrative opportunities for aroma chemicals in fragrances. Increasing R&D investments is projected to further drive the demand for aroma chemicals over the forecast period.

Natural segment is estimated to witness the fastest growth over the forecast period. Rapid shift towards natural products, especially in developed countries is projected to drive the growth in the forthcoming years.

Global Flavors and Fragrances Market: Regional Analysis

Regions in which the global flavors and fragrances market is cla ssified includes Europe, North America, the Middle East and Africa, Latin America, and Asia Pacific. Among these regions, Asia Pacific holds a dominating share in terms of revenue. Growing economic development in emerging countries like China and India are considered responsible for the dominance of Asia Pacific. Increase in per capita spending on consumer products in high growth economies, such as China, India, South Korea, and Indonesia is also expected to drive the flavors & fragrances market in the Asia Pacific. In addition, emerging economies are growing at a significant rate; therefore, the investors are investing heavily in these markets. This is likely to create huge growth opportunities for the flavor and fragrances market. The demand for flavor and fragrances is expected to remain high in developed countries for example, in 2018 the U.S. holds' 24% share of the total World demand and is projected to expand at a CAGR of 2.9% over the forecast period.

The fragrance segment is anticipated to grow owing to increased demand for the products from personal care, cosmetics, home care, therapy, oral care, and air freshener products. North America and Europe are anticipated to register growth owing to concentration of cosmetics industries in these particular regions.

Asia Pacific is expected to become the largest market and is also expected to witness above average growth over the forecast period due to strengthening economies, growing urbanization, changing lifestyle, and a rise in per capita income.

Indian Opportunities and Growth:

With a large and growing demand and the resultant opportunities for Indian manufacturers, the market for Flavours& Fragrances and ingredients is set to serve up a spicy fare.

The global Flavours& Fragrances houses and some of the scaled up Indian players are directly aligned to the major FMCG players, and supply specific fragrance or flavour blen ds for specific products. Few FMCG players also have blending capability for some blends, for which they source ingredients directly from ingredient manufacturers. Indian ingredients manufacturers supplying to the global Flavours& Fragrances houses are very closely aligned with them. It is common for Flavours& Fragrances houses to develop new flavours or fragrances jointly with their ingredient suppliers. Flavours& Fragrances houses also inspect and formally approve their suppliers and require them to maintain international standards.

Based on their source and processes, flavour and fragrance ingredients can be broadly classified into

Essential oils: Concentrated liquids containing aroma compounds extracted from natural sources
Aroma chemicals: Chemical compounds with a distinct smell produced synthetically through a chemical process, derived from natural or synthetic feedstock.

Fragrances are an important part of FMCG products. Despite constituting less than 1% of a product's volume and under 10% of its total cost of production, fragrances are instrumental in creating a distinct product association with the consumers. India is also characterized by a large unorganized Flavours& Fragrances blending market, estimated to be larger than the organised market, but difficult to quantify. The unorganized market largely caters to tobacco, incense (agarbatti) and other such end products with thriving unorganized markets by themselves.

The growth is driven by the following major factors

Developing countries are witnessing growth of 13% in this category compared to the global growth of 4%. Large global players traditionally from developed countries are now targeting these geographies and expanding the market.

Higher consumer willingness to experiment with new flavours and fragrances: This trend has led to additional sales in developed markets where consumers have higher disposable incomes, and thus are willing to spend on non-essential sophisticated products across food categories.

A shift in perception of fragrance from being a nonessential attribute to an indispensable part of personal care: Fragrance was considered to be a discretionary attribute in several mass market products in developing countries, including China and India. However, with the increased penetration of scented personal care products in developing nations, fragrance is now perceived as more of a necessity than a luxury. Global market growth is primarily driven by Asian markets. These markets are expected to grow at 6.5% over the next 5 years, constituting ~ 30% of the global market by 2020.

Rural Penetration of FMCG: Marketing by FMCG companies has created demand for categories like deodorants, room fresheners and perfumed soaps in rural markets. This has opened up a new opportunity for the currently underpenetrated fragrance market (penetrated only to an extent of 0.5% of the potential market). Growth of aspirational products and growth of the rural retail sector will also help in driving demand.

Premiumisation: As Indian consumers graduate from using basic soaps and detergents to higher end products such as skin creams, lotions, hair gels and other specialized cosmetics products, the quality and value of the flavors and fragrances used in these products is expected to increase. Products like room fresheners and car perfumes are seeing increased penetration, bolstering the demand of flavors and fragrances. The air care market in India is expected to grow at 40% p.a.

In the aroma chemicals space, some large Indian players are Privi Organics India Limited and Eternis.

Synthetic ingredients continue to dominate Indian market

Currently the Indian consumption of naturals is very small due to price sensitivity of the Indian consumer. Natural ingredients may cost anywhere between 10-100 times that of their synthetic counterparts. Due to consumer demand for more healthy products, some natural-like products (refer to the next section for details) are entering the market. However, the company expect synthetics to continue to dominate the segment in the near future.

Moving up the value chain: Most of the Indian ingredient providers are suppliers of oleoresins or aroma chemicals to the Flavours & Fragrances houses in India or exporters of the same. Many of the synthetic aroma chemicals are not differentiated and as a result there is stiff price competition in this space. Some natural extracts and oleoresins may command a premium; however, they are seasonal in nature and are beginning to face price competition from the Chinese. As a result, manufacturers of bulk aroma chemicals or oleoresins typically experience relatively low margins (15-25% gross margins) compared to the global Flavours& Fragrances houses which have much higher profitability. Moving up the value chain may not be an urgent imperative for Indian ingredient manufacturers, but may be a key differentiator in the long term.

Building barriers to entry: There are no significant technology barriers in the space. However, established players have a critical advantage in terms of client relationships. Global Flavours& Fragrances houses derive most of their revenue from mature FMCG players. Competition among the larger players is often price based, which is the consequence of limited product differentiation. Companies that are able to create product differentiation would be in a position to build better margins and protect themselves.

Key-Risks

Volatility in foreign exchange
Steep increase in cost of raw materials
Socio-geographic issues
Research and development
Taxation (GST) etc

Financials

Consolidated P&L

Consolidated Profit & Loss account (Rs.Cr)	Mar '17	Mar '18	Mar '19
Income			
Sales Turnover	636.19	1,039.51	1,341.04
Excise Duty	0	0	0
Net Sales	636.19	1,039.51	1,341.04
Other Income	9.79	15.96	14.14
Stock Adjustments	6.78	-29.34	97.95
Total Income	652.76	1,026.13	1,453.13
Expenditure			
Raw Materials	404.99	643.16	938.02
Power & Fuel Cost	38.79	69.64	70.58
Employee Cost	34.95	56.81	71.27
Other Manufacturing Expenses	0	0	0
Selling and Admin Expenses	0	0	0
Miscellaneous Expenses	56.33	95.15	146.43
Preoperative Exp Capitalised	0	0	0
Total Expenses	535.06	864.76	1,226.30
Operating Profit	107.91	145.41	212.69
PBDIT	117.7	161.37	226.83
Interest	16.98	23.94	29.01
PBDT	100.72	137.43	197.82
Depreciation	26.83	43.31	46.85
Other Written Off	0	0	0
Profit Before Tax	73.89	94.12	150.97
Extra-ordinary items	0	0	0
PBT (Post Extra-ord Items)	73.89	94.12	150.97
Tax	8.43	25.62	57.32
Reported Net Profit	27.12	53.34	94.24
Earning Per Share (Rs)	7.21	14.18	24.13

Consolidated Balance Sheet

Consolidated Balance Sheet (Rs Cr)	Mar '17	Mar '18	Mar '19
Sources Of Funds			
Total Share Capital	39.06	39.06	39.06
Equity Share Capital	37.61	37.61	39.06
Share Application Money	0	0	0
Preference Share Capital	1.45	1.45	0
Init. Contribution Settler	0	0	0
Preference Share Application Money	0	0	0
Employee Stock Opiton	0	0	0
Reserves	405.05	453.9	536.6
Networth	444.11	492.96	575.66
Secured Loans	281.86	292.16	461.31
Unsecured Loans	0	0	0
Total Debt	281.86	292.16	461.31
Minority Interest	0	0	0
Policy Holders Funds	0	0	0
Group Share in Joint Venture	0	0	0
Total Liabilities	**725.97**	**785.12**	**1,036.97**
Application Of Funds			
Gross Block	569.71	659.57	736.22
Less: Revaluation Reserves	0	0	0
Less: Accum. Depreciation	182.09	224.67	238.55
Net Block	387.62	434.9	497.67
Capital Work in Progress	23.89	51.36	94.66
Investments	0.74	3	0
Inventories	246.14	233.92	364.24
Sundry Debtors	173.89	230.41	330.69
Cash and Bank Balance	30.71	24.1	23.13
Total Current Assets	450.74	488.43	718.06
Loans and Advances	76.01	75.22	115.29
Fixed Deposits	0	0	0
Total CA, Loans & Advances	526.75	563.65	833.35
Deferred Credit	0	0	0
Current Liabilities	204.89	258.43	376.71
Provisions	8.14	9.37	12.01
Total CL & Provisions	213.03	267.8	388.72
Net Current Assets	313.72	295.85	444.63
Minority Interest	0	0	0
Group Share in Joint Venture	0	0	0
Miscellaneous Expenses	0	0	0
Total Assets	**725.97**	**785.11**	**1,036.96**

Cash Flow Statement

Cash Flow Statement (Rs Cr)	Mar-16	Mar-17	Mar-18	Mar-19
Net Profit/Loss Before Extraordinary Items And Tax	16.55	14.84	25.82	29.22
Net CashFlow From Operating Activities	16.08	3.83	15.47	34.2
Net Cash Used In Investing Activities	-13.13	-20.15	-12.58	-13.68
Net Cash Used From Financing Activities	-2.9	16.61	-3.2	-20.53
Net Inc/Dec In Cash And Cash Equivalents	0.05	0.28	-0.32	0
Cash And Cash Equivalents Begin of Year	0.1	0.05	0.34	0.02
Cash And Cash Equivalents End Of Year	0.15	0.34	0.02	0.02

Key Financial ratio’s

Consolidated Key Financial Ratios	Mar '17	Mar '18	Mar '19
Operating Profit Per Share (Rs)	28.69	38.66	54.45
Net Operating Profit Per Share (Rs)	169.16	276.39	343.3
Operating Profit Margin(%)	16.96	13.98	15.85
Profit Before Interest And Tax Margin(%)	12.54	9.67	12.31
Gross Profit Margin(%)	12.74	9.82	12.36
Cash Profit Margin(%)	14.36	10.59	9.8
Net Profit Margin(%)	4.26	5.13	7.02
Return On Capital Employed(%)	12.59	15.04	16.54
Return On Net Worth(%)	6.12	10.85	16.37
Return on Assets Including Revaluations	117.7	130.69	147.37
Current Ratio	0.82	0.81	0.88
Quick Ratio	1.32	1.23	1.21
Debt Equity Ratio	0.64	0.6	0.8
Long Term Debt Equity Ratio	0.15	0.16	0.31
Inventory Turnover Ratio	2.58	4.44	3.68
Debtors Turnover Ratio	--	5.14	4.78
Investments Turnover Ratio	2.58	4.44	3.68
Fixed Assets Turnover Ratio	1.12	1.59	1.84
Total Assets Turnover Ratio	0.88	1.33	1.3

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