

March 17, 2022

## Assessing impact of surge in raw material costs...

The I-direct consumer discretionary universe will be negatively impacted by rise in key raw material prices followed by sharp rise in crude oil prices by 30% QoQ in Q4FY22. Key raw materials such as Titanium Dioxide (TiO<sub>2</sub>), vinyl acetate monomer (VAM), aluminium, high density polyethylene (HDPE), low density polyethylene (LDPE) witnessed upward movement in the range of 9% to 48% YoY. Our coverage companies have already taken price hikes in the range of 15-20% by 9MFY22 to offset the higher raw material prices. The recent surge in raw material prices will require companies to go for another round of price hikes. We believe there is limited scope to fully pass on the raw material inflation considering the steep price hike already taken. Hence, we revise our revenue, EBITDA margin and earnings estimates.

### Paint & adhesive segment

The key raw materials for paint and adhesive companies are TiO<sub>2</sub> and VAM. Prices of TiO<sub>2</sub> and VAM have moved up by 30% and 20% YoY, respectively, during Q4FY22 following the surge in crude price. Companies have already taken price hikes in the range of 15-20% till 9MFY22 and ~5-6% of price required to offset high raw material costs. We cut our earnings estimate for paint & adhesive coverage companies by 13-16% for FY23E led by a cut in EBITDA margin. We revise our target price while we maintain our ratings.

### Consumer Electricals

Consumer electrical players have taken price hikes in the range of 15-17% during 9MFY22 to offset higher raw material prices. The key raw materials (aluminium, copper, HDPE) prices have further increased in the range of 9% to 48% YoY during Q4FY22. We believe, after steep price hikes in 9MFY22, companies now have very limited room for price hikes. We cut our earnings estimates by ~16% for coverage companies led by downward margin revision. We maintain our positive stance on Havells, Polycab and V-Guard.

### Plastic Piping

HDPE and LDPE prices have increased by 9% and 17% YoY, respectively, during Q4FY22. We believe piping companies will partially pass on the cost pressure by taking further price hikes. We cut our earnings estimates by 12% and 7% YoY for Supreme Industries and Astral Ltd, respectively, for FY23E.

#### Key Highlights

- Sharp increase in crude and metal prices led to increase in key raw material prices of our coverage universe in the range of 9% to 48% YoY during Q4FY22
- Coverage companies have already taken price hike in the range of 15-20% and believe there is limited room for further price hikes. Hence, we have cut our earnings estimate by 12-17% for FY23E with cut in margins
- We maintain our positive stance on Asian Paints, Havells, Polycab, V-Guard considering their market leadership position, strong balance sheet condition and continuous expansion in new geographies through dealer additions

#### Recent event & key risks

- **Key Risk:** (i) Lower than expected volume offtake due to significant price increase (ii) Substantial decline in raw material prices

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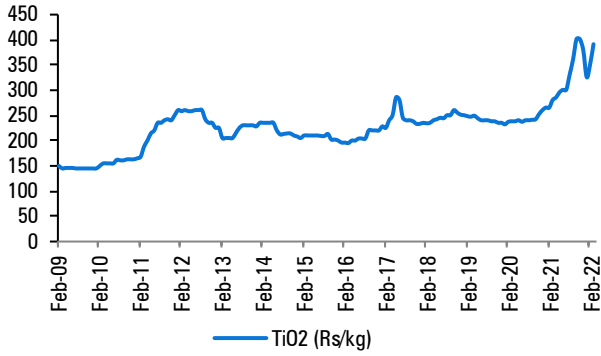
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#### Revised Target Prices: Consumer Discretionary

Company	Previous		CMP	Now	
	Target Price	Ratings		Target Price	Ratings
Asian Paints	3,870	Buy	3,040	3,645	Buy
Berger Paints	800	Hold	706	755	Hold
Kansai Nero	610	Hold	449	505	Hold
Pidilite Ind	2,640	Hold	2,462	2,575	Hold
Bajaj Electrical	1,280	Hold	1,023	1,100	Hold
Crompton Greaves	465	Hold	394	440	Hold
Havells	1,515	Buy	1,134	1,345	Buy
Polycab	3,000	Buy	2,418	2,800	Buy
Symphony	975	Hold	1,080	1,030	Hold
V guard	255	Buy	218	255	Buy
Voltas	1,310	Hold	1,271	1,305	Hold
Supreme	2,625	Buy	1,994	2,320	Buy
Astral	2,310	Hold	2,040	2,165	Hold
EPL	205	Hold	167	180	Hold
Mold Tek	850	Buy	725	845	Buy

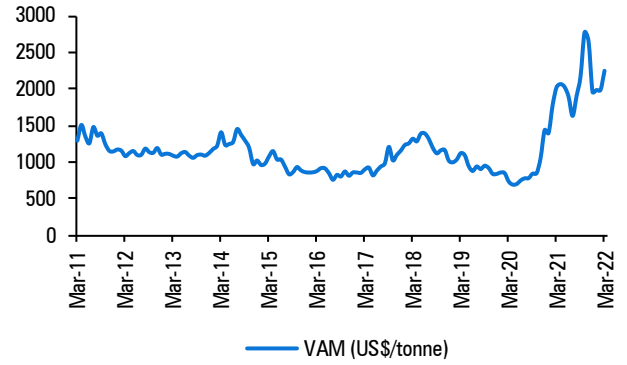
Source: Company, ICICI Direct Research

Exhibit 1: Price movement of TiO2



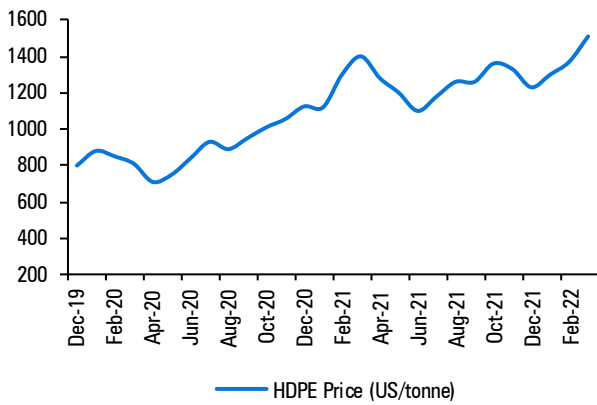
Source: Bloomberg, ICICI Direct Research

Exhibit 2: Price movement of VAM



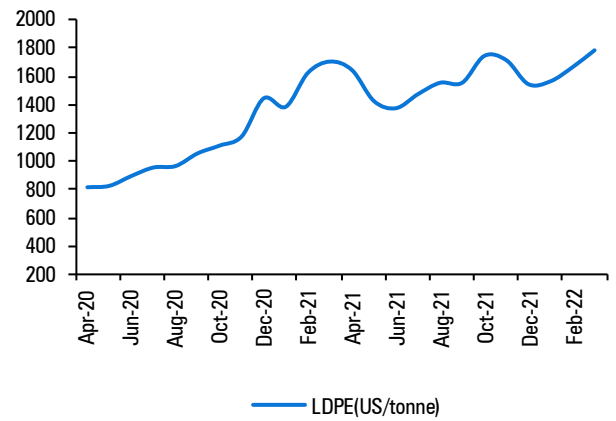
Source: Bloomberg, ICICI Direct Research

Exhibit 3: Price movement of HDPE



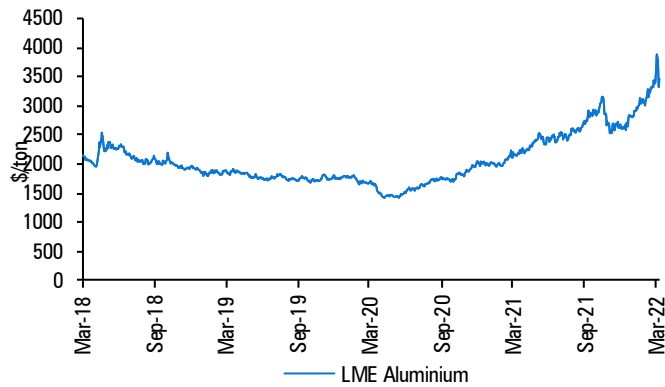
Source: Bloomberg ICICI Direct Research

Exhibit 4: Price movement of LDPE



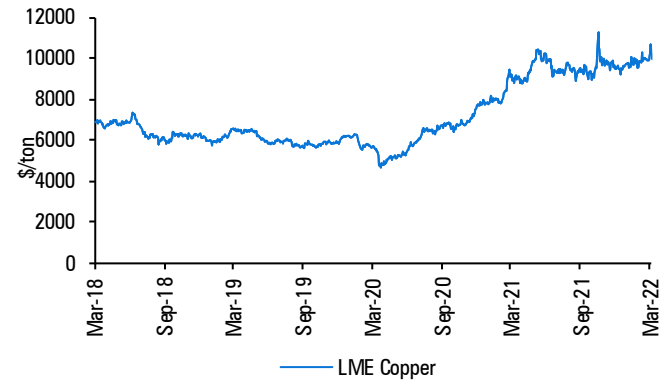
Source: Bloomberg ICICI Direct Research

Exhibit 5: Price movement of aluminium



Source: Bloomberg, ICICI Direct Research

Exhibit 6: Price movement of copper



Source: Bloomberg, ICICI Direct Research

## Paints Sector- sharp increase in RM cost to drag margins

The paint companies have successfully passed on ~20% price hike in 9MFY22 to offset higher raw material prices. This has resulted in a sequential recovery in gross margins for paint companies. However, the recent surge in crude prices (up 30% QoQ as on date) is likely to dent the margin recovery in the near term. Crude linked raw materials contribute ~30% of total raw material cost while non-crude linked raw materials contribute a significant chunk (~70%) of the total raw material basket. If crude prices sustain at elevated levels, the companies may have to take further price hike in the range of 5-6% to offset higher raw material costs.

We cut our earnings estimate for Asian Paints, Berger Paints and Kansai Nerolac by 14.5%, 13.5% and ~16%, respectively, for FY23E mainly due to raw material led pressure in EBITDA margin. The EBITDA margin is likely to decline in the range of 170-240 bps YoY for our coverage companies. On the revenue front, we believe Asian Paints is likely to report revenue CAGR of ~20% during FY21-24E followed by Berger at 18% CAGR. We maintain our ratings on our coverage stocks. We like Asian Paints for its leadership position in the decorative paint segment, pan-India dealer networks and superior supply chain management. This makes it better placed against its peers to pass on raw material inflation. We revise our target price to ₹ 3500/share.

### Asian Paints (Rating: BUY, Target Price: ₹ 3645)

Exhibit 7: Change in estimates

(₹ crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	28482.4	28482.4	0.0	33447.2	33071.5	-1.1	38409.8	37821.8	-1.5
EBITDA	4705.3	4705.3	0.0	6522.2	5655.2	-13.3	8142.9	7715.6	-5.2
EBITDA Margin (%)	16.5	16.5	0bps	19.5	17.1	-240bps	21.2	20.4	-80bps
PAT	3103.2	3103.2	0.0	4466.4	3816.9	-14.5	5632.1	5343.5	-5.1
EPS (₹)	32.4	32.4	0.0	46.6	39.8	-14.5	58.7	55.7	-5.1

Source: Company, ICICI Direct Research

Exhibit 8: Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5 Yr CAGR (16-21)	FY22E	FY23E	FY24E	3 Yr CAGR (21-24E)
Net Sales	19240.1	20211.3	21712.8	9	28482.4	33071.5	37821.8	20.3
EBITDA	3765.5	4161.8	4855.6	12	4705.3	5655.2	7715.6	16.7
EBITDA Margin (%)	19.6	20.6	22.4		16.5	17.1	20.4	
Net Profit	2213.8	2779.1	3206.8	12	3103.2	3816.9	5343.5	18.6
EPS (₹)	23.1	29.0	33.4		32.4	39.80	55.72	
P/E (x)	131.7	104.9	90.9		93.9	76.4	54.6	
Price/Book (x)	30.8	28.8	22.8		22.0	20.4	17.9	
Mcap/Sales (x)	15.2	14.4	13.4		10.2	8.8	7.7	
RoE (%)	23.4	27.4	25.0		23.4	26.7	32.9	
RoCE (%)	28.9	30.5	29.6		28.0	31.8	39.6	

Source: Company, ICICI Direct Research,

## Berger Paints (Rating: HOLD, Target Price: ₹ 755)

## Exhibit 9: Change in estimates

₹ crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	8736.1	8736.1	-	9972.8	9780.8	(1.9)	11338.2	11122.0	(1.9)
EBITDA	1341.0	1341.0	-	1665.5	1467.1	(11.9)	1972.8	1868.5	(5.3)
EBITDA Margin (%)	15.4	15.4	0bps	16.7	15.0	-170bps	17.4	16.8	-60bps
PAT	843.6	843.6	-	1077.3	931.8	(13.5)	1293.3	1218.4	(5.8)
EPS (₹)	8.7	8.7	-	11.1	9.6	(13.5)	13.3	12.5	(5.8)

Source: Company, ICICI Direct Research

## Exhibit 10: Key Financial Summary

₹ Crore)	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (21-24E)
Net Sales	6061.9	6365.8	6817.6	10%	8736.1	9780.8	11122.0	18%
EBITDA	881.6	1061.0	1188.0	13%	1341.0	1467.1	1868.5	16%
EBITDA Margin (%)	14.5	16.7	17.4		15.4	15.0	16.8	
Net Profit	497.5	656.1	719.7	14%	843.6	931.8	1218.4	19%
EPS (₹)	5.1	6.8	7.4		8.7	9.6	12.5	
P/E (x)	137.8	104.5	95.3		81.3	73.6	56.3	
Price/Book (x)	27.7	25.8	20.3		18.8	17.7	15.6	
Mcap/Sales (x)	11.3	10.8	10.1		7.8	7.0	6.2	
RoE (%)	20.1	24.7	21.3		23.1	24.0	27.7	
RoCE (%)	26.2	26.6	24.9		27.7	29.1	33.9	

Source: Company, ICICI Direct Research

## Kansai Nerolac (Rating: HOLD, Target Price: ₹ 505)

## Exhibit 11: Change in estimates

₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	6,015.6	6015.6	-	7369.5	7218.4	(2.1)	8070.1	7994.4	(0.9)
EBITDA	772.9	772.9	-	1057.9	908.8	(14.1)	1249.6	1133.2	(9.3)
EBITDA Margin %	12.8	12.8	0bps	14.4	12.6	-177bps	15.5	14.2	-131bps
PAT	483.6	483.6	-	679.8	570.3	(16.1)	815.0	728.9	(10.6)
EPS (₹)	9.0	9.0	-	12.6	10.6	(16.1)	15.1	13.5	(10.6)

Source: Company, ICICI Direct Research

## Exhibit 12: Key Financial Summary

₹ Crore)	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Net Sales	5173.6	4943.2	4741.9	4.6	6015.6	7218.4	7994.4	19.0
EBITDA	742.0	781.6	886.2	7.5	772.9	908.8	1133.2	8.5
EBITDA Margin (%)	14.3	15.8	18.7		12.8	12.6	14.2	
Net Profit	467.3	535.4	583.4	8.2	483.6	570.3	728.9	7.7
EPS (₹)	8.7	9.9	10.8		9.0	10.6	13.5	
P/E (x)	51.8	45.2	41.5		50.0	42.4	33.2	
Price/Book (x)	7.1	6.4	5.9		6.0	5.6	5.1	
Mcap/Sales (x)	4.7	4.9	5.1		4.0	3.4	3.0	
RoE (%)	13.6	14.1	14.3		12.0	13.1	15.3	
RoCE (%)	20.2	17.5	18.2		15.5	17.1	20.2	

Source: Company, ICICI Direct Research

## Adhesive: - Pidilite Industries (PIDIND)

Pidilite witnessed a sharp contraction in gross margin by ~930 bps YoY during 9MFY22 due to unprecedented rise in raw material prices. The key raw material 'vinyl acetate monomer' (VAM) prices witnessed a sharp rally of ~142% YoY during 9MFY22. However, the company has managed to partially pass on the higher raw material cost by taking price hikes in the range of 15-18% during the same period. VAM prices have further moved up by ~15% to ~US\$2242/tonnes in Q4FY22 (over US\$1955 /tonne during Q3FY22) tracking a surge in crude prices. We believe further price hike of ~3-4% is required to maintain gross margins at current levels. We cut our EBITDA margin estimate by 221 bps YoY for FY23E. On the demand front, we believe a sharp price hike will hurt rural/semi urban demand and slow down company's volume growth. Hence, we cut over revenue, PAT estimates by 2% and 13%, respectively, for FY23E and 1.6% and ~6% for FY24E, respectively. We maintain our **HOLD** rating on the stock with a revised target price of ₹ 2575.

### Pidilite Industries (Rating: HOLD, Target Price: ₹ 2575)

Exhibit 13: Change in estimates

₹ crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	9,851.0	9,851.0	-	10,545.1	10,331	(2.0)	11,596.1	11,407.7	(1.6)
EBITDA	1,858.7	1858.7	-	2,233.6	1960.3	(12.2)	2,617.7	2476.8	(5.4)
EBITDA Margin (%)	18.9	18.9	0bps	21.2	19.0	-221bps	22.6	21.7	-86bps
PAT	1213.8	1213.8	-	1514.6	1313.1	(13.3)	1,791.1	1688.2	(5.7)
EPS (₹)	23.9	23.9	-	29.8	25.9	(13.3)	35.3	33.2	(5.7)

Source: Company, ICICI Direct Research

Exhibit 14: Key Financial Summary

₹ Crore	FY19	FY20	FY21	5Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Net sales	7078.0	7294.5	7292.7	5%	9851.0	10331.3	11407.7	16.1
EBITDA	1368.2	1576.0	1680.6	7%	1858.7	1960.3	2476.8	13.8
EBITDA Margin(%)	19.3	21.6	23.0		18.9	19.0	21.7	
Net Profit	928.4	1122.1	1126.1	7%	1213.8	1313.1	1688.2	14.4
EPS (₹)	18.3	22.1	22.2		23.9	25.9	33.2	
P/E(x)	134.7	111.4	111.0		103.0	95.2	74.1	
Price /book (x)	30.1	28.1	22.4		19.2	18.9	18.5	
Mcap /sales (x)	17.7	17.1	17.1		12.7	12.1	11.0	
RoE (%)	22.6	26.1	20.2		18.6	19.9	25.0	
RoCE (%)	29.5	31.0	23.8		22.1	23.5	29.5	

Source: Company, ICICI Direct Research

## Consumer Electricals: - Price hike delay weigh on margins

Consumer appliances companies (Havells, V-Guard, Crompton Greaves Consumer, Bajaj Electricals, Voltas) have witnessed a sharp decline in EBITDA margins in the range of 100-400 bps YoY in Q3FY22. This was largely due to a sharp increase in raw material prices. While the companies have taken price hikes of ~15% YTD during 9MFY22 the same was not sufficient to cover the higher raw material inflation resulting in gross margin compression. Key raw materials such as aluminium, LDPE and copper prices have increased by 48%, 17% and 15% YoY, respectively, in Q4FY22 as on date. We believe, after steep price hikes in 9MFY22 the fast moving electricals goods (FMEG) companies now have very limited room to take further price hikes due to increased competition and possibility of downtrading in low ticket items. This is likely to keep revenues and EBITDA margins of consumer electrical companies under pressure for FY23E.

We have cut our coverage universe' revenue and earnings estimates by up to 3% and 16% YoY, respectively for FY23E. We believe Havells, Polycab and V-Guard with their strong supply chain networks and balance sheet strength are better placed to reap the benefits from revival in real estate business and geographical expansion through dealer additions. For companies like Havells India, increased focus towards semi urban/rural markets will further help market share gains. While we cut our target price based on downside earnings revision we maintain our BUY rating on Havells, Polycab and V-Guard.

### Havells India (Rating: BUY, Target Price: ₹ 1345)

Exhibit 15: Change in estimates

₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	13086.5	13086.5	0.0	15406.4	14926.9	(3.1)	18254.4	17824.9	(2.4)
EBITDA	1683.3	1683.3	0.0	2018.5	1781.1	(11.8)	2555.0	2416.8	(5.4)
EBITDA Margin (%)	12.9	12.9	0bps	13.1	11.9	-117bps	14.0	13.6	-44bps
PAT	1157.0	1157.0	0.0	1392.4	1217.7	(12.5)	1781.5	1680.7	(5.7)
EPS (₹)	18.5	18.5	0.0	22.3	19.5	(12.5)	28.6	26.9	(5.7)

Source: Company, ICICI Direct Research

Exhibit 16: Key Financial Summary

₹ Crore	FY19	FY20	FY21	5Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3Year CAGR (FY21-24E)
Net Sales	10067.8	9429.2	10427.9	14.2	13086.5	14926.9	17824.9	19.6
EBITDA	1183.9	1027.4	1565.2	15.7	1683.3	1781.1	2416.8	15.6
EBITDA Margin (%)	11.8	10.9	15.0		12.9	11.9	13.6	
PAT	787.4	733.0	1039.6	7.9	1157.0	1217.7	1680.7	17.4
EPS (₹)	12.6	11.7	16.7		18.5	19.5	26.9	
P/E (x)	89.9	96.5	68.1		61.2	58.1	42.1	
Price/Book Value (x)	16.9	16.4	13.7		12.9	12.7	12.2	
Mcap/Sales	7.0	7.5	6.8		5.4	4.7	4.0	
RoE (%)	18.8	17.0	20.1		21.1	21.8	29.1	
RoCE (%)	25.4	19.6	24.9		25.5	26.3	35.1	

Source: Company, ICICI Direct Research,

## Polycab India (Rating: BUY, Target Price: ₹ 2800)

## Exhibit 17: Change in estimates

₹ crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	11,069.3	11,069.3	-	12,489.1	12,405.9	(0.7)	14,011.4	13,989.5	(0.2)
EBITDA	1,119.1	1119.1	-	1,504.9	1284.0	(14.7)	1,814.5	1,671.7	(7.9)
EBITDA Margin (%)	10.1	10.1	0bps	12.1	10.4	-170bps	13.0	12.0	-100bps
PAT	820.4	820.4	-	1031.3	866.1	(16.0)	1,266.4	1,158.8	(8.5)
EPS (₹)	55.0	55.0	-	69.2	58.1	(16.0)	84.9	77.7	(8.5)

Source: Company, ICICI Direct Research

## Exhibit 18: Key Financial Summary

₹ Crore	FY19	FY20	FY21	5Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3Year CAGR (FY21-24E)
Net sales	7956.0	8830.0	8792.2	11%	11069.3	12405.9	13989.5	16.7%
EBITDA	923.2	1135.0	1111.1	19%	1119.1	1284.0	1671.7	14.6%
EBITDA Margin(%)	11.6	12.9	12.6		10.1	10.4	12.0	
Net Profit	500.5	765.6	885.9	37%	820.4	866.1	1158.8	9.4%
EPS (₹)	35.4	51.4	59.4		55.0	58.1	77.7	
P/E(x)	68.2	47.0	40.7		44.0	41.6	31.1	
RoE (%)	17.6	20.0	17.9		14.5	14.7	17.1	
RoCE (%)	28.3	26.4	20.8		18.3	19.2	22.1	

Source: Company, ICICI Direct Research

## V-guard Industries (Rating: BUY, Target Price: ₹ 255)

## Exhibit 19: Change in estimates

₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	3,384.6	3384.6	-	3,911.2	3853.7	(1.5)	4335.8	4281.0	(1.3)
EBITDA	318.5	318.5	-	414.6	370.0	(10.8)	463.9	454.8	(2.0)
EBITDA Mar %	9.4	9.4	0bps	10.6	9.6	-100bps	10.7	10.6	-8bps
PAT	198.5	198.5	-	278.4	245.4	(11.8)	310.4	304.0	(2.1)
EPS (₹)	4.6	4.6	-	6.5	5.7	(11.8)	7.2	7.1	(2.1)

Source: Company, ICICI Direct Research

## Exhibit 20: Key Financial Summary

₹ Crore)	FY19	FY20	FY21	4 Years CAGR (FY17-21)	FY22E	FY23E	FY24E	3 Years CAGR (FY21-24E)
Net Sales	2594.0	2502.9	2721.2	6.9	3384.6	3853.7	4281.0	16.3
EBITDA	224.3	258.0	312.1	10.6	318.5	370.0	454.8	13.4
EBITDA Margin (%)	8.6	10.3	11.5		9.4	9.6	10.6	
PAT	168.1	188.3	201.9	8.7	198.5	245.4	304.0	14.6
EPS (₹)	3.9	4.4	4.7		4.6	5.7	7.1	
P/E(x)	55.2	49.4	46.2		47.0	38.0	30.7	
Price /Book Value (x)	10.3	9.3	7.7		7.8	7.3	6.5	
EV/EBITDA (x)	40.9	35.7	29.1		28.5	24.7	20.0	
RoE (%)	18.7	18.9	16.7		16.6	19.1	21.2	
RoCE (%)	24.1	25.1	23.9		23.1	25.0	27.7	

Source: Company, ICICI Direct Research

## Crompton Greaves Consumer (Rating: HOLD, Target Price: ₹ 440)

## Exhibit 21: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	5387.2	5387.2	-	6223.2	6144.8	(1.3)	7097.6	6951.9	(2.1)
EBITDA	754.2	754.2	-	908.6	823.4	(9.4)	1057.5	980.2	(7.3)
EBITDA Margin %	14.0	14.0	0bps	14.6	13.4	-120bps	14.9	14.1	-80bps
PAT	557.6	557.6	-	608.8	536.6	(11.9)	729.7	660.5	(9.5)
EPS (₹)	8.9	8.9	-	9.7	8.6	(11.9)	11.6	10.5	(9.5)

Source: Company, ICICI Direct Research

## Exhibit 22: Key Financial Summary

(₹ crore)	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (21-24E)
Net Sales	4478.9	4520.3	4803.5	26%	5387.2	6144.8	6951.9	13.1
EBITDA	584.3	599.1	720.5	30%	754.2	823.4	980.2	10.8
EBITDA Margin (%)	13.0	13.3	15.0		14.0	13.4	14.1	
Net Profit	401.4	496.4	616.7	47%	557.6	536.6	660.5	2.3
EPS (₹)	6.4	7.9	9.8		8.9	8.6	10.5	
P/E (x)	61.5	49.8	40.0		44.3	46.0	37.4	
RoE (%)	36.6	33.8	31.9		28.1	23.0	24.6	
RoCE (%)	42.8	38.3	34.4		35.7	24.9	29.0	

Source: Company, ICICI Direct Research

## Bajaj Electricals (Rating: HOLD, Target Price: ₹ 1100)

## Exhibit 23: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	4792.3	4792.3	-	5,526.0	5344.8	(3.3)	6185.6	6099.4	(1.4)
EBITDA	293.5	293.5	-	482.4	419.1	(13.1)	593.4	529.2	(10.8)
EBITDA Margin %	6.1	6.1	0bps	8.7	7.8	-89bps	9.6	8.7	-92bps
PAT	151.8	151.8	-	330.2	283.4	(14.2)	421.1	373.2	(11.4)
EPS (₹)	13.3	13.3	-	28.8	24.7	(14.2)	36.8	32.6	(11.4)

Source: Company, ICICI Direct Research

## Exhibit 24: Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Net Sales	6679.4	4987.2	4584.6	-0.2%	4792.3	5344.8	6099.4	10%
EBITDA	340.1	208.3	303.2	3%	293.5	419.1	529.2	20%
EBITDA Margin (%)	5.1	4.2	6.6		6.1	7.8	8.7	
PAT	153.6	-10.3	189.0	12%	151.8	283.4	373.2	25%
EPS (₹)	15.0	-0.9	16.5		13.3	24.7	32.6	
P/E(x)	68.2	NM	62.0		77.2	41.4	31.4	
Price/Book value (x)	9.9	8.6	7.4		7.8	6.8	5.7	
Mcap/sales (x)	1.8	2.3	2.6		2.4	2.2	1.9	
RoE (%)	14.5	(0.8)	10.7		10.6	16.3	18.2	
RoCE (%)	13.3	7.9	15.1		15.5	20.7	22.8	

Source: Company, ICICI Direct Research



## Voltas (Rating: HOLD, Target Price: ₹ 1305)

## Exhibit 25: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	8,100.9	8,100.9	-	9,968.4	9,815.5	(1.5)	11,675.6	11,415.3	(2.2)
EBITDA	674.3	674.3	-	972.6	876.1	(9.9)	1238.9	1235.9	(0.2)
EBITDA Mar(%)	8.3	8.3	0bps	9.8	8.9	-83bps	10.6	10.8	22bps
PAT	556.8	556.8	-	805.9	732.1	(9.2)	1034.4	1030.1	(0.4)
EPS (₹)	16.8	16.8	-	24.4	22.1	(9.2)	31.3	31.1	(0.4)

Source: Company, ICICI Direct Research

## Exhibit 26: Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5 Year CAGR (FY19-21)	FY22E	FY23E	FY24E	3 Year CAGR (21-24E)
Net Sales	7124.1	7658.1	7555.8	6%	8100.9	9815.5	11415.3	14.7
EBITDA	611.7	686.7	641.4	8%	674.3	876.1	1235.9	24.4
EBITDA Margin (%)	8.6	9.0	8.5		8.3	8.9	10.8	
Net Profit	513.9	521.0	528.8	6%	556.8	732.1	1030.1	24.9
EPS (₹)	15.5	15.8	16.0		16.8	22.1	31.1	
P/E(x)	81.8	80.7	79.5		75.5	57.4	40.8	
Price/Book (x)	10.2	9.8	8.4		8.9	8.0	7.0	
RoE (%)	12.7	13.0	10.6		11.8	14.0	17.1	
RoCE(%)	17.3	19.5	15.0		16.4	18.6	22.0	

Source: Company, ICICI Direct Research

## Symphony Ltd (Rating: HOLD, Target Price: ₹ 1030)

## Exhibit 27: Change in estimates

(₹ crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	1056.1	1056.1	-	1380.9	1353.4	(2.0)	1658.4	1648.5	(0.6)
EBITDA	172.1	172.1	-	263.7	231.4	(12.3)	352.4	346.2	(1.8)
EBITDA Margin %	16.3	16.3	0bps	19.1	17.1	-200bps	21.3	21.0	-25bps
PAT	128.5	128.5	-	202.6	178.8	(11.8)	273.5	269.0	(1.7)
EPS (₹)	18.4	18.4	-	29.0	25.6	(11.8)	39.1	38.4	(1.7)

Source: Company, ICICI Direct Research

## Exhibit 28: Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	4 Year CAGR (FY20-24E)
Net Sales	844.0	1103.0	900.0	4.2%	1056.1	1353.4	1648.5	10.6%
EBITDA	132.0	212.0	139.0	-8.5%	172.1	231.4	346.2	13.0%
EBITDA Margin (%)	15.6	19.2	15.4		16.3	17.1	21.0	
PAT	91.0	182.0	107.0	-10.4%	128.5	178.8	269.0	10.3%
EPS (₹)	13.0	26.0	15.3		18.4	25.6	38.4	
P/E(x)	83.0	41.5	70.6		58.8	42.3	28.1	
Price/Book value (x)	11.3	11.8	10.0		10.6	9.8	8.3	
RoE (%)	16.2	29.0	14.9		18.0	23.3	29.5	
RoCE (%)	18.7	28.8	15.2		20.2	25.9	33.6	

Source: Company, ICICI Direct Research

## Plastic Pipes - Higher raw material costs to weigh on margin

Piping majors Supreme Industries and Astral Ltd have witnessed a sharp decline in gross margin by ~500 bps and 375 bps YoY, respectively, during Q3FY22, mainly due to a delay in passing on of higher raw material costs. The steep price hikes by both companies have also adversely impacted agri piping demand (two year piping volume CAGR -10% & 4.5% for Supreme and Astral, respectively). The raw material prices started cooling off from their peak towards the end of December 2021. However, the HDPE and LDPE (key raw material prices) have reversed higher, tracking an uptick in crude prices. HDPE and LDPE prices have increased by 9% and 17% YoY, respectively, during Q4FY22. We believe companies will partially pass on the cost pressure by taking further price hikes. However, we believe this will slow down the volume recovery in the agri segment for FY23E. Hence, we cut our volume growth estimates for Supreme and Astral by 9% and 5%, respectively, for FY23E. We also cut our earnings estimates by 12% and 7% for Supreme Industries and Astral Ltd, respectively, for FY23E.

We maintain our **BUY** rating on Supreme Industries with a revised target price of ₹ 2300/share considering Supreme's leadership position in the piping industry along with its strong balance sheet condition, which cushions the company from any near term crisis. We also maintain our **HOLD** rating on Astral Ltd and value the company at 60x FY24E earnings with a revised target price of ₹ 2165/share.

### Supreme Industries (Rating: BUY, Target Price: ₹ 2320)

#### Exhibit 29: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	7,576.2	7576.2	-	8,545.6	8,023.1	(6.1)	9,438.4	8,906.2	(5.6)
EBITDA	1,230.3	1230.3	-	1,411.6	1,224.0	(13.3)	1,605.9	1,507.4	(6.1)
EBITDA Mar %	16.2	16.2	0bps	16.5	15.3	-126bps	17.0	16.9	-9bps
PAT	917.9	917.9	-	1,045.5	917.2	(12.3)	1,186.7	1,124.5	(5.2)
EPS (₹)	72.3	72.3	-	82.3	72.2	(12.3)	93.4	88.5	(5.2)

Source: Company, ICICI Direct Research

#### Exhibit 30: Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	5Yr CAGR (FY16-21)	FY22E	FY23E	FY24E	3Yr CAGR (FY21-24E)
Net Sales	5612.0	5511.5	6357.1	17.0	7576.2	8023.1	8906.2	11.9
EBITDA	784.6	834.5	1284.3	24.0	1230.3	1224.0	1507.4	5.5
EBITDA Margin (%)	14.0	15.1	20.2		16.2	15.3	16.9	
Net Profit	448.6	467.4	978.1	34.0	917.9	917.2	1124.5	4.8
EPS (₹)	35.3	36.8	77.0		72.3	72.2	88.5	
P/E (x)	56.5	54.2	25.9		27.6	27.6	22.5	
Price/Book (x)	11.8	11.2	8.0		7.1	6.3	5.6	
Mcap/Sales (x)	4.5	4.6	4.0		3.3	3.2	2.8	
RoE (%)	18.7	20.7	30.9		25.6	22.7	24.7	
RoCE (%)	25.0	22.2	33.1		26.9	23.8	26.9	

Source: Company, ICICI Direct Research

## Astral Ltd (Rating: HOLD, Target Price: ₹ 2165)

## Exhibit 31: Change in estimates

(₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	4,174.7	4174.7	-	4972.2	4882.0	(1.8)	5,807	5729.7	(1.3)
EBITDA	765.8	765.8	-	946.2	887.9	(6.2)	1,136	1076.7	(5.2)
EBITDA Margin %	18.3	18.3	0bps	19.0	18.2	-84bps	19.6	18.8	-76bps
PAT	495.3	495.3	-	630.1	587.7	(6.7)	768	725.0	(5.6)
EPS (₹)	24.7	24.7	-	31.4	29.3	(6.7)	38.2	36.1	(5.6)

Source: Company, ICICI Direct Research

## Exhibit 32: Key Financial Summary

₹ crore	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-24E)
Net Sales	2507.3	2577.9	3176.3	14%	4174.7	4882.0	5729.7	21.7
EBITDA	384.9	442.9	644.5	25%	765.8	887.9	1076.7	18.7
EBITDA Margin (%)	15.4	17.2	20.3		18.3	18.2	18.8	
Net Profit	197.3	249.6	408.2	32%	495.3	587.7	725.0	21.1
EPS (₹)	13.1	16.6	20.3		24.7	29.3	36.1	
P/E(x)	155.7	123.1	100.4		82.7	69.7	56.5	
Price/book value (x)	24.1	20.5	21.6		18.9	16.3	13.7	
Mcap/sales (x)	16.3	15.9	12.9		9.8	8.4	7.2	
RoE (%)	15.4	16.6	21.5		22.8	23.4	24.2	
RoCE (%)	20.7	20.5	27.5		29.4	30.3	31.4	

Source: Company, ICICI Direct Research

## Packaging - Challenging period ahead

The key raw materials of packaging companies are HDPE, LDPE. Prices of these raw material were up 9% and 17% YoY, respectively, during Q4FY22. We believe packaging companies being in the B2B business will have to delay the price hikes as their clients deal with lower volume offtake due to inflationary pressure. This may suppress gross margins for FY23. We believe Mold Tek Packaging is likely to face a delay in passing on higher raw material prices in their lubricant and FMCG product division (~50% of revenues). Another coverage company, EPL Ltd is also likely to delay price hikes in its key operating markets like America and European regions (both regions contribute 36% in topline) also pressurised by the ongoing geopolitical concern in the region. We cut our revenue, earnings estimates of Mold Tek Packaging by 3% and 12%, respectively, for FY23E. However, we maintain our **BUY** rating on the stock with a revised target price of ₹ 845/share considering its strong fundamentals and continuous client additions. For EPL, we cut our revenue and earnings estimates by 1.2% and 9.2%, respectively, for FY23E. We maintain our **HOLD** rating on the stock with a revised target price of ₹ 180/share.

### Mold Tek Packaging (Rating: BUY, Target Price: ₹ 845)

Exhibit 33: Change in estimates

(₹ crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	635.9	635.9	-	727.1	707.6	(2.7)	875.5	851.6	(2.7)
EBITDA	128.0	128.0	-	150.3	136.1	(9.5)	195.5	188.1	(3.8)
EBITDA Margin (%)	20.1	20.1	0bps	20.7	19.2	-144bps	22.3	22.1	-24bps
PAT	70.7	70.7	-	86.3	76.2	(11.7)	117.8	113.0	(4.1)
EPS (₹)	23.4	23.4	-	26.8	23.7	(11.7)	36.6	35.1	(4.1)

Source: Company, ICICI Direct Research

Exhibit 34: Key Financial Summary

(₹ crore)	FY19	FY20	FY21	5 Year CAGR (FY16-FY21)	FY22E	FY23E	FY24E	3 Year CAGR (FY21-FY24E)
Net Sales	405.7	438.2	478.9	12.0	635.9	707.6	851.6	21.1
EBITDA	70.3	76.8	94.5	16.0	128.0	136.1	188.1	25.8
EBITDA Margin (%)	17.3	17.5	19.7		20.1	19.2	22.1	
Net Profit	31.9	37.5	48.0	15.0	70.7	76.2	113.0	33.1
EPS (₹)	11.5	13.4	17.2		23.4	23.7	35.1	
P/E (x)	62.9	54.0	42.2		31.0	30.6	20.7	
RoE (%)	16.7	19.0	18.7		23.8	21.0	24.8	
RoCE (%)	18.0	18.6	20.1		27.1	25.8	31.4	

Source: Company, ICICI Direct Research

## EPL Ltd (Rating: HOLD, Target Price: ₹ 180)

## Exhibit 35: Change in estimates

₹ Crore)	FY22E			FY23E			FY24E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue	3,441.1	3441.1	0.0	3,771.1	3724.0	(1.2)	4102.2	4030.5	(1.7)
EBITDA	596.9	596.9	(0.0)	730.4	686.8	(6.0)	804.3	774.4	(3.7)
EBITDA Margin %	17.3	17.3	5bps	19.4	18.4	-96bps	19.6	19.2	-39bps
PAT	231.6	231.6	0.0	315.8	286.7	(9.2)	359.9	341.8	(5.0)
EPS (₹)	7.3	7.3	0.0	10.0	9.1	(9.2)	11.4	10.8	(5.0)

Source: Company, ICICI Direct Research

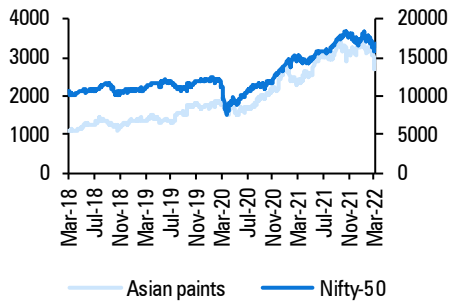
## Exhibit 36: Key Financial Summary

₹ Crore)	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 Year CAGR (21-24E)
Net Sales	2706.9	2761.5	3091.6	7%	3441.1	3724.0	4030.5	9.2
EBITDA	499.1	557.6	611.1	9%	596.9	686.8	774.4	8.2
EBITDA Margin (%)	18.4	20.2	19.8		17.3	18.4	19.2	
Net Profit	195.4	211.6	244.3	7%	231.6	286.7	341.8	11.8
EPS (₹)	6.2	6.7	7.7		7.3	9.1	10.8	
P/E (x)	26.9	24.9	21.6		22.7	18.4	15.4	
Price/Book (x)	3.8	3.4	3.0		3.0	2.9	2.8	
EV/EBITDA (x)	11.4	9.8	9.0		9.2	7.9	6.9	
RoE (%)	13.9	14.0	14.8		13.4	16.0	18.0	
RoCE (%)	16.8	15.3	16.2		14.6	17.7	20.0	

Source: Company, ICICI Direct Research

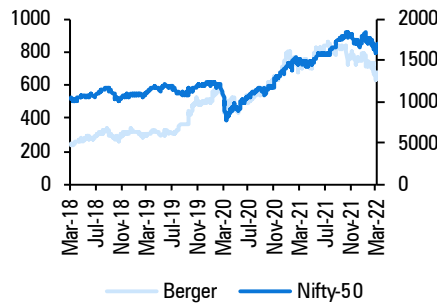
Exhibit 31: Price Charts

Asian Paints



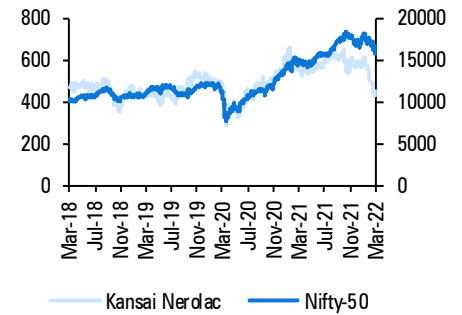
Source: Bloomberg, ICICI Direct Research

Berger Paints



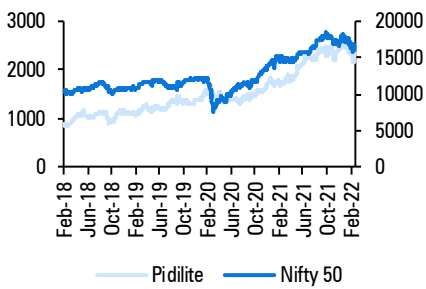
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Kansai Nerolac



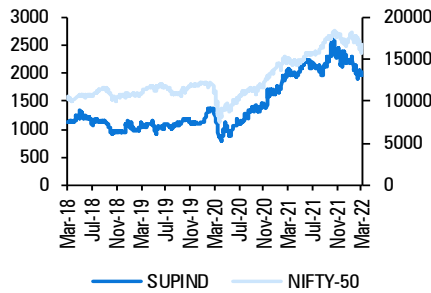
Source: Bloomberg, ICICI Direct Research

Pidilite Industries



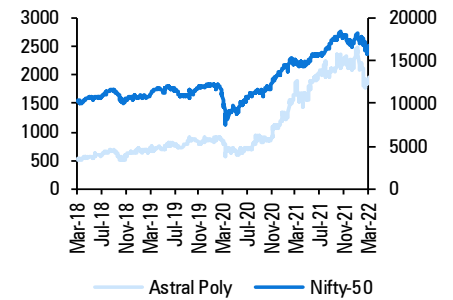
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Supreme Ind



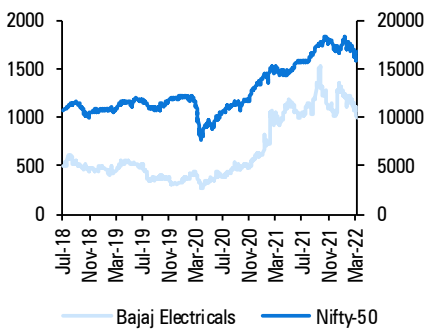
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Astral Ltd



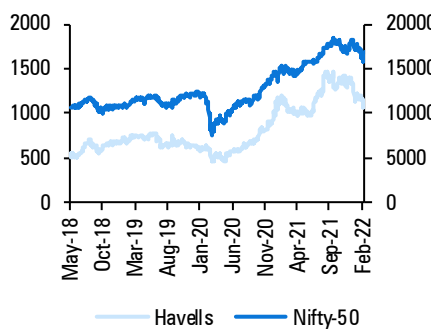
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Bajaj Electricals



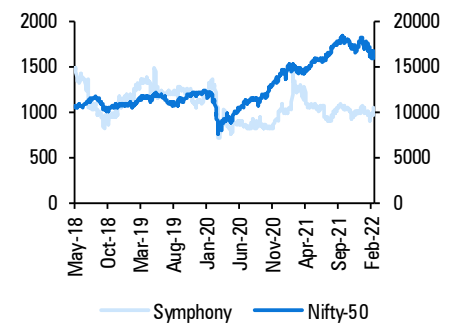
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Havells India



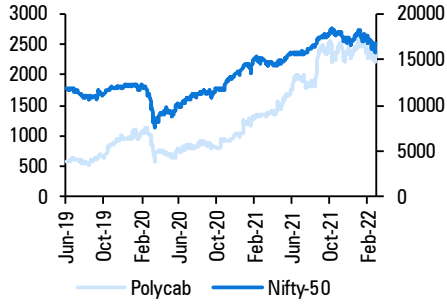
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Symphony



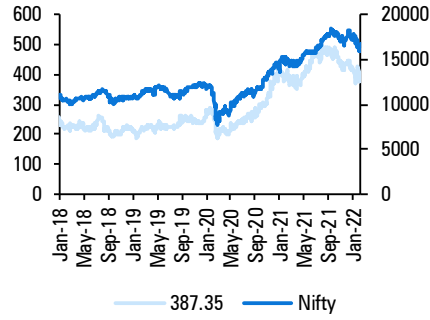
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Polycab



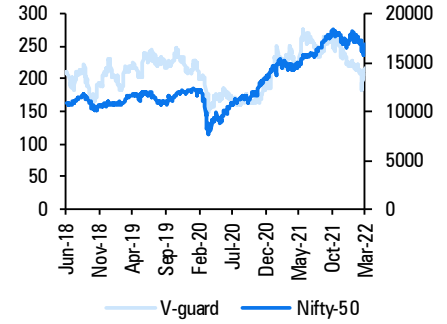
Source: Bloomberg, ICICI Direct Research

Crompton Greaves Consumer



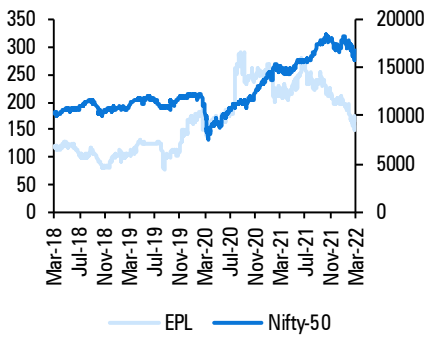
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V-guard



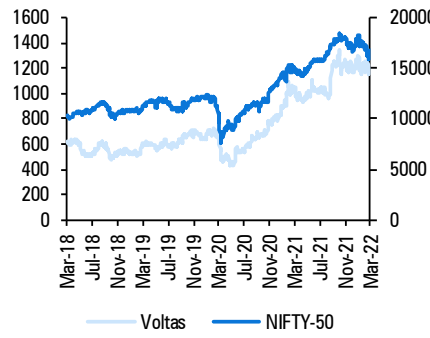
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EPL



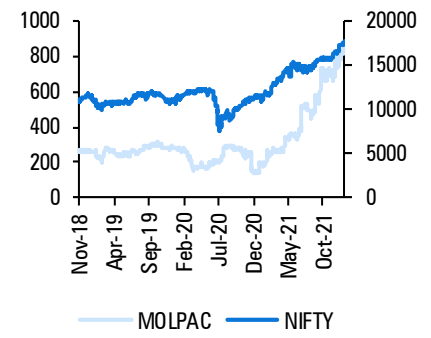
Source: Bloomberg, ICICI Direct Research

Voltas



Source: Bloomberg, ICICI Direct Research

Mold-Tek Packaging



Source: Bloomberg, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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I/We, Sanjay Manyal, MBA (Finance) and Hitesh Taunk, MBA (Finance) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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